



**PKO BANK POLSKI
SPÓŁKA AKCYJNA**

**INTERIM FINANCIAL STATEMENTS
OF
THE PKO BANK POLSKI SA GROUP
FOR THE FOURTH 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 the Bank's assets	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 4th quarter of 2006	14
6.3 Related party transactions	15
7. Major achievements of PKO BP SA in the 4th quarter of 2006	15
7.1 General information	15
7.2 Banking activities	15
7.3 Brokerage activities	18
7.4 Other achievements	19
8. Major achievements of subsidiaries in the 4th quarter of 2006	19
9. Factors and events with significant impact on financial results	21
9.1 Financial performance of the PKO BP SA Group in the 4th quarter of 2006	21
9.2 Financial performance of PKO BP SA in the 4th quarter of 2006	25
9.3 Factors affecting financial performance	27
10. Seasonality or cyclical nature of activities in the reporting period	28
11. Issuance, redemption and repayment of debt and equity securities	29
12. Events that occurred after the date on which the report was prepared and that may affect future financial results	29
13. Position of the Management Board as regards the possibility of achieving previously published forecasts	29
14. Information on dividend paid or declared	29
15. Shareholders holding, directly or indirectly, at least 5% of votes at the general shareholders' meeting	30
16. Changes in the number of PKO BP SA shares held by the Management or Supervisory Board members	31
17. Transactions concluded by the issuer or its subsidiary with other Group entities, with a value exceeding the PLN equivalent of EUR 500 000, if they are not typical or routine transactions	31
18. Results of changes in the Bank's structure, including the effects of merger, takeover or disposal of the Group entities, long-term investments, division, restructuring and discontinuation of activities	31
19. Factors which may affect future financial performance within at least the next quarter	31
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	32
21. Proceedings pending before the court, arbitration tribunal or public administrative authority	32
22. Other disclosures significant for evaluation of the issuer's human resources, financial situation, financial performance and any changes therein	32
23. Segmentation of activities of the PKO BP SA Group	32
24. Credit risk and market risk of the PKO BP SA Group	35

1. SUMMARY

- As at 31 December 2006:
 - total assets of the PKO BP SA Group amounted to PLN 101,246 million and were PLN 9,633 million i.e. 10.5% higher compared to the end of 2005;
 - the Group's total equity amounted to PLN 10,155 million and was PLN 1,380 million, i.e. 15.7% higher compared to the end of 2005.
- The gross profit of the PKO BP SA Group amounted to PLN 711 million in the 4th quarter of 2006 and was 63.6% higher compared to that earned in the corresponding period of 2005. The net profit for the period amounted to PLN 552 million and was 52.6% higher compared to that recorded in the 4th quarter of 2005.
- In 2006, the PKO BP SA Group recorded gross profit of PLN 2,709 million. After the deductions resulting from tax charges and profits (losses) of minority shareholders, the net profit amounted to PLN 2,119 million. Compared to 2005, the gross profit and the net profit were higher by 25.0% and 22.1%, respectively.
- The results achieved in 2006 caused an improvement in consolidated financial ratios, including the following:
 - ROA net amounted to 2.2% compared to 2.0% in 2005,
 - ROE net amounted to 22.4% compared to 19.7% in 2005,
 - C/I decreased from 64.4% in 2005 to 59.8% in 2006.

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 4th quarter of 2006 are consistent with those applied in the previous quarters. These policies were described in detail in the Consolidated Half-year Report for the first half of 2006.

3. FINANCIAL STATEMENTS

Consolidated quarterly report 4/2006

for the 4 quarters of 2006 covering the period from 1 January 2006 to 31 December 2006

Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna				
(Issuer full name)				
PKO BP SA				
(Issuer abbreviated name)				
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 financial statements	In PLN thousands		In EUR thousands	
SELECTED FINANCIAL DATA	Period from 01.01.2006 to 31.12.2006	Period from 01.01.2005 to 31.12.2005	Period from 01.01.2006 to 31.12.2006	Period from 01.01.2005 to 31.12.2005
Net interest income	3 785 231	3 544 475	970 804	880 996
Net fees and commission income	1 740 381	1 217 882	446 358	302 710
Operating result	2 709 303	2 143 514	694 859	532 781
Net profit/ (loss) for the current year (including minority interest)	2 182 355	1 755 621	559 712	436 368
Net profit/ (loss) for the current year	2 118 712	1 734 820	543 390	431 198
Shareholders' equity	10 047 966	8 731 206	2 622 668	2 262 088
Total shareholders' equity	10 155 486	8 774 990	2 650 732	2 273 431
Cash flow from operating activities	8 616 719	(3 256 545)	2 209 944	(809 430)
Cash flow from investing activities	(5 386 800)	1 686 917	(1 381 561)	419 291
Cash flow from financing activities	(457 369)	(975 985)	(117 302)	(242 586)
Total net cash flow	2 772 550	(2 545 613)	711 080	(632 724)
Net profit per ordinary share for the period	2.12	1.73	0.54	0.43
Diluted net profit per ordinary share for the period	2.12	1.73	0.54	0.43
Basic funds (Tier 1)	7 199 844	6 472 056	1 879 266	1 676 785
Supplementary funds (Tier 2)	3 834	(4 054)	1 001	(1 005)
Data derived from the condensed financial statements	In PLN thousands		In EUR thousands	
SELECTED FINANCIAL DATA	Period from 01.01.2006 to 31.12.2006	Period from 01.01.2005 to 31.12.2005	Period from 01.01.2006 to 31.12.2006	Period from 01.01.2005 to 31.12.2005
Net interest income	3 675 613	3 473 829	942 690	863 437
Net fees and commission income	1 699 838	1 169 839	435 960	290 769
Operating result	2 487 047	2 073 310	637 857	515 331
Gross profit	2 487 047	2 073 310	637 857	515 331
Net profit	2 008 619	1 676 798	515 154	416 776
Total shareholders' equity	9 996 952	8 780 394	2 609 353	2 274 831
Cash flow from operating activities	8 154 825	(3 410 059)	2 091 481	(847 586)
Cash flow from investing activities	(5 245 101)	1 747 257	(1 345 220)	434 289
Cash flow from financing activities	(748 676)	(952 237)	(192 014)	(236 683)
Total net cash flow	2 161 048	(2 615 039)	554 248	(649 980)
Net profit per ordinary share for the period	2.01	1.68	0.52	0.42
Diluted net profit per ordinary share for the period	2.01	1.68	0.52	0.42
Basic funds (Tier 1)	7 258 146	6 582 750	1 894 484	1 705 464
Supplementary funds (Tier 2)	3 729	(4 460)	973	(1 156)

BALANCE SHEET OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP		
ASSETS	As at 31.12.2006	As at 31.12.2005
Cash and amounts due from the Central Bank	4 628 134	3 895 331
Amounts due from other banks	13 430 590	12 663 295
Financial assets held for trading	392 387	851 003
Derivative financial instruments	1 130 508	1 137 227
Other financial instruments at fair value through profit or loss	11 366 281	20 059 683
Loans and advances to customers	58 938 920	46 874 629
Investment securities	6 763 188	1 881 378
1. Available for sales	6 763 188	1 881 378
2. Held to maturity	-	-
Investments in associates and jointly controlled entities	183 702	184 345
Intangible assets	944 903	688 770
Tangible fixed assets	2 654 166	2 643 551
Current tax assets	326	87
Deferred tax assets	31 858	29 101
Other assets	781 207	704 781
TOTAL ASSETS	101 246 170	91 613 181
LIABILITIES AND EQUITY	As at 31.12.2006	As at 31.12.2005
Liabilities		
Amounts due to the Central Bank	1 387	766
Amounts due to other banks	4 193 090	2 083 346
Derivative financial instruments	1 029 167	1 257 384
Amounts due to customers	82 900 142	76 747 563
Liabilities arising from securities issued	43 722	68 470
Other liabilities	2 203 563	1 862 480
Current tax liability	166 231	436 766
Deferred tax liability	60 788	41 519
Provisions	492 594	339 897
TOTAL LIABILITIES	91 090 684	82 838 191
Equity		
Share capital	1 000 000	1 000 000
Other capital and reserves	7 165 597	5 850 063
Currency translation differences on foreign operations	(13 672)	(4 082)
Retained earnings	(222 671)	150 405
Net profit for the period	2 118 712	1 734 820
Equity attributable to the parent company's shareholders	10 047 966	8 731 206
Minority interest	107 520	43 784
Total equity	10 155 486	8 774 990
TOTAL LIABILITIES AND EQUITY	101 246 170	91 613 181
Capital adequacy	11.78	13.90

PROFIT AND LOSS ACCOUNT OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP				
	4th quarter Period from 01.10.2006 to 31.12.2006	4 quarters cumulatively Period from 01.01.2006 to 31.12.2006	4th quarter Period from 01.10.2005 to 31.12.2005	4 quarters cumulatively Period from 01.01.2005 to 31.12.2005
Interest income	1 444 022	5 547 645	1 396 671	5 662 012
Interest expense	(451 019)	(1 762 414)	(502 178)	(2 117 537)
Net interest income	993 003	3 785 231	894 493	3 544 475
Fees and commission income	566 120	2 106 420	413 082	1 537 579
Fees and commission expense	(99 531)	(366 039)	(91 422)	(319 697)
Net fees and commission income	466 589	1 740 381	321 660	1 217 882
Dividend income	13	3 603	-	16 112
Result from financial instruments at fair value through profit or loss	(10 038)	(83 977)	(102 606)	31 706
Result from investment securities	29 564	50 356	19 220	276 856
Foreign exchange result	124 560	544 493	137 213	612 101
Other operating income	363 853	1 043 358	321 625	875 997
Other operating expenses	(131 253)	(323 112)	(36 835)	(109 474)
Net other operating income	232 600	720 246	284 790	766 523
Result on impairment write-downs	17 947	(6 566)	27 308	(161 090)
General administrative expenses	(1 142 641)	(4 044 464)	(1 153 232)	(4 161 051)
Operating result	711 597	2 709 303	428 846	2 143 514
Share in the profits (losses) of associates and jointly controlled entities	(1 031)	(165)	5 399	23 531
Profit (loss) before income tax	710 566	2 709 138	434 245	2 167 045
Income tax expense	(142 507)	(526 783)	(56 698)	(411 424)
Net profit (loss), including minority interest	568 059	2 182 355	377 547	1 755 621
Profit (loss) attributable to minority shareholders	15 570	63 643	15 503	20 801
Net profit (loss)	552 489	2 118 712	362 044	1 734 820
Net profit per ordinary share				
–net profit per ordinary share for the period	0.55	2.12	0.36	1.73
–diluted net profit per ordinary share for the period	0.55	2.12	0.36	1.73

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP		
	Period from 01.01.2006 to 31.12.2006	Period from 01.01.2005 to 31.12.2005
EQUITY		
Share capital	1 000 000	1 000 000
Other capital and reserves, of which:	7 165 597	5 850 063
Reserve capital	4 530 138	3 297 614
Revaluation reserve	3 834	(4 054)
<i>Fair value adjustments to available-for -sale financial assets</i>	3 834	(4 054)
Other reserves	1 561 625	1 556 503
General banking risk fund	1 070 000	1 000 000
Currency translation differences on foreign operations	(13 672)	(4 082)
Retained earnings	(222 671)	150 405
Net profit for the period	2 118 712	1 734 820
Equity attributable to the parent company's shareholders	10 047 966	8 731 206
Minority capital	107 520	43 784
<i>Including the result for the period</i>	63 643	20 801
Total equity	10 155 486	8 774 990
Sources of changes in equity		
Equity 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	-	42 597
Adjustments associated to the implementation of IFRS/IAS	-	106 441
Equity at the beginning of the period, restated	8 774 990	8 219 572
Changes in equity		
Net profit (loss) for the period attributable to the parent company's shareholders	2 055 069	1 714 019
Profit (loss) of minority shareholders	63 643	20 801
Fair value adjustments to available-for -sale financial assets recognised in the revaluation reserve	7 888	(164 727)
Currency translation differences on foreign operations	(9 590)	7 390
Other increases (decreases) in equity	(736 514)	(1 022 065)
Total shareholders' equity	10 155 486	8 774 990

OFF -BALANCE SHEET ITEMS OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP		
	As at 31.12.2006	As at 31.12.2005
Off-balance sheet contingent liabilities granted:	14 601 269	10 268 549
1. financial	12 253 587	8 792 299
2. guarantees	2 347 682	1 476 250
Liabilities arising from the purchase/sale transactions	308 950 992	279 032 415
Other, of which:	18 205 730	14 571 039
- irrevocable liabilities	10 298 419	8 519 942
- collaterals received	7 907 311	6 051 097
Total off-balance sheet items	341 757 991	303 872 003

CONDENSED CASH FLOW STATEMENT OF THE POWSZECHNA KASY OSZCZĘDNOŚCI BANK POLSKI SA GROUP		
	Period from 01.01.2006 to 31.12.2006	Period from 01.01.2005 to 31.12.2005
Net cash flow from operating activities	8 616 719	(3 256 545)
Net cash flow from investing activities	(5 386 800)	1 686 917
Net cash flow from financing activities	(457 369)	(975 985)
Total net cash flow	2 772 550	(2 545 613)
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	14 163 158	11 390 608
Cash and cash equivalents, of which:	14 163 158	11 390 608
Cash on hand	1 429 379	1 267 006
Amounts due to the Central Bank	3 198 755	2 628 325
Current receivables from financial institutions	9 529 537	7 492 798
Amounts of the Brokerage House in the Stock Exchange Guarantee Fund	5 487	2 479

BALANCE SHEET OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA		
ASSETS	As at 31.12.2006	As at 31.12.2005
Cash and amounts due from the Central Bank	4 543 677	3 832 695
Amounts due from other banks	13 349 723	12 631 446
Financial assets held for trading	391 184	841 914
Derivative financial instruments	1 130 703	1 137 227
Other financial instruments at fair value through profit or loss	11 220 877	20 034 160
Loans and advances to customers	57 251 466	46 051 847
Investment securities	6 805 567	1 857 578
1. Available for sale	6 805 567	1 857 578
2. Held to maturity	-	-
Investments in subsidiaries, associates and jointly controlled entities	1 020 330	899 932
Intangible assets	726 458	525 306
Tangible fixed assets	2 157 382	2 201 163
Current tax assets	-	-
Deferred tax assets	-	-
Other assets	428 213	314 248
TOTAL ASSETS	99 025 580	90 327 516

LIABILITIES AND EQUITY	As at 31.12.2006	As at 31.12.2005
Liabilities		
Amounts due to the Central Bank	1 387	766
Amounts due to other banks	3 717 350	1 943 035
Derivative financial instruments	1 029 157	1 257 384
Amounts due to customers	81 562 439	75 886 880
Liabilities arising from securities issued	-	-
Other liabilities	2 024 784	1 666 180
Current tax liabilities	166 231	436 494
Deferred tax liability	37 642	31 351
Provisions	489 638	325 032
TOTAL LIABILITIES	89 028 628	81 547 122
Equity		
Share capital	1 000 000	1 000 000
Other capital and reserves	6 988 333	5 672 620
Retained earnings	-	430 976
Net profit for the period	2 008 619	1 676 798
Total equity	9 996 952	8 780 394
TOTAL LIABILITIES AND EQUITY	99 025 580	90 327 516

Capital adequacy	11.67	14.06
-------------------------	--------------	--------------

PROFIT AND LOSS ACCOUNT OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA				
	4th quarter Period from 01.10.2006 to 31.12.2006	4 quarters cumulatively Period from 01.01.2006 to 31.12.2006	4th quarter Period from 01.10.2005 to 31.12.2005	4 quarters cumulatively Period from 01.01.2005 to 31.12.2005
Interest income	1 376 205	5 334 419	1 355 461	5 515 887
Interest expense	(415 552)	(1 658 806)	(484 589)	(2 042 058)
Net interest income	960 653	3 675 613	870 872	3 473 829
Fees and commission income	572 828	2 085 549	408 580	1 502 668
Fees and commission expense	(106 027)	(385 711)	(96 600)	(332 829)
Net fees and commission income	466 801	1 699 838	311 980	1 169 839
Dividend income	13	18 623	-	28 881
Result from financial instruments at fair value through profit or loss	(13 452)	(87 548)	(102 994)	30 579
Result from investment securities	29 112	49 091	18 830	276 724
Foreign exchange result	123 233	532 570	133 380	613 715
Other operating income	90 221	253 398	106 396	259 690
Other operating expenses	(5 807)	(92 811)	(30 153)	(49 723)
Net other operating income	84 414	160 587	76 243	209 967
Result on impairment write-downs	47 161	40 546	59 008	(98 900)
General administrative expenses	(1 047 415)	(3 602 273)	(972 065)	(3 631 324)
Operating result	650 520	2 487 047	395 254	2 073 310
Profit before income tax	650 520	2 487 047	395 254	2 073 310
Income tax expense	(134 264)	(478 428)	(49 133)	(396 512)
Net profit/ (loss)	516 256	2 008 619	346 121	1 676 798

Net profit per ordinary share				
- net profit per ordinary share for the period	0.52	2.01	0.35	1.68
- diluted net profit per ordinary share for the period	0.52	2.01	0.35	1.68

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA		
	Period from 01.01.2006 to 31.12.2006	Period from 01.01.2005 to 31.12.2005
EQUITY		
Share capital	1 000 000	1 000 000
Other capital and reserves, of which:	6 988 333	5 672 620
Reserve capital	4 529 604	3 297 080
Revaluation reserve	3 729	(4 460)
<i>Fair value adjustments to available-for-sale financial assets</i>	3 729	(4 460)
Other reserves	1 385 000	1 380 000
General banking risk fund	1 070 000	1 000 000
Retained earnings	-	430 976
Net profit for the period	2 008 619	1 676 798
Total equity	9 996 952	8 780 394
Sources of changes in equity		
Equity at the end of the previous year	8 780 394	8 070 534
Changes in accounting policies	-	198 133
Adjustments relating to the implementation of IFRS/IAS	-	-
Equity at the beginning of the period, restated	8 780 394	8 268 667
Changes in equity		
Net profit (loss) of the Bank	2 008 619	1 676 798
Fair value adjustments to available-for-sale financial assets recognized in the revaluation reserve	8 189	(165 071)
Other increases (decreases) in equity	(800 250)	(1 000 000)
Total shareholders' equity	9 996 952	8 780 394
OFF-BALANCE SHEET ITEMS OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA		
	As at 31.12.2006	As at 31.12.2005
Off-balance sheet contingent liabilities granted:	14 799 391	10 533 845
1. financial	12 286 757	9 025 801
2. guarantees	2 512 634	1 508 044
Liabilities arising from the purchase/sale transactions	308 979 971	279 032 527
Other, of which:	13 948 116	11 422 181
- irrevocable liabilities	10 296 573	8 519 942
- collaterals received	3 651 543	2 902 239
Total off-balance sheet items	337 727 478	300 988 553
CONDENSED CASH FLOW STATEMENT OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA		
	Period from 01.01.2006 to 31.12.2006	Period from 01.01.2005 to 31.12.2005
Net cash flow from operating activities	8 154 825	(3 410 059)
Net cash flow from investing activities	(5 245 101)	1 747 257
Net cash flow from financing activities	(748 676)	(952 237)
Total net cash flow	2 161 048	(2 615 039)
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	13 365 684	11 204 636
Components of cash and cash equivalents	13 365 684	11 204 636
Cash on hand	1 344 922	1 204 370
Amounts due from the Central Bank	3 198 755	2 628 325
Current receivables from financial institutions	8 816 520	7 369 462
Amounts of the Brokerage House in the Stock Exchange Guarantee Fund	5 487	2 479

4. IMPAIRMENT OF THE BANK'S ASSETS

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

	31.12.2006	31.12.2005
Impairment allowances against loans and advances, guarantees and placements	2 279 720	2 869 302
Impairment allowances against tangible fixed assets and intangible assets	83 149	50 334
Impairment allowances against financial assets	69 765	79 930
Impairment allowances against other assets	66 670	66 511

Impairment losses taken to the profit and loss account are as follows:

	Period from 01.01.2006 to 31.12.2006	Period from 01.01.2005 to 31.12.2005
Increases, of which:	(1 069 788)	(993 102)
impairment losses on loans and advances	(959 895)	(829 497)
impairment losses on off-balance sheet liabilities	(27 083)	(57 062)
impairment losses on securities and financial assets	-	110
impairment losses on other receivables and liabilities and tangible fixed assets	(82 810)	(106 653)
Decreases, of which:	1 110 334	894 202
impairment losses on loans and advances	1 025 354	792 502
impairment losses on off-balance sheet liabilities	29 767	50 766
impairment losses on securities and financial assets	33 408	49 208
impairment losses on other receivables and liabilities and tangible fixed assets	21 805	1 726
Balance at the end of the year	40 546	(98 900)

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

	31.12.2006	31.12.2005
Deferred tax liability	493 255	531 341
Deferred tax assets	455 613	499 990
Provision for off-balance sheet liabilities	18 729	22 241
Provision for future liabilities to employees	357 305	210 764
Provision for other future liabilities	113 604	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	Consolidation method
		PLN thousands	%	
Parent company				
1	Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna			
Direct subsidiaries				
2	Powszechne Towarzystwo Emerytalne BANKOWY SA	205 786	100.00	Full method
3	KREDOBANK SA	144 605	69.933	Full method
4	Centrum Finansowe Puławska Sp. z o.o.	128 288	100.00	Full method
5	PKO Inwestycje Sp. z o.o.	123 313*	100.00	Full method
6	PKO Towarzystwo Funduszy Inwestycyjnych SA	69 055	75.00	Full method
7	Inteligo Financial Services SA	59 602	100.00	Full method
8	Centrum Elektronicznych Usług Płatniczych eService SA	55 500	100.00	Full method
9	Bankowy Fundusz Leasingowy SA	30 000	100.00	Full method
10	Bankowe Towarzystwo Kapitałowe SA	18 566	100.00	Full method
Indirect subsidiaries				
Subsidiaries of PKO Inwestycje Sp. z o.o.				
11	Wilanów Investments Sp. z o.o.	82 981	100.00	Full method
12	POMERANKA Sp. z o.o.	19 000	100.00	Full method
13	Fort Mokotów Sp. z o.o.	2 040	51.00	Full method
14	UKRPOLINWESTYCJE Sp. z o.o.	359	55.00	Full method
Subsidiary of PTE BANKOWY SA				
15	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	Consolidation method
		in PLN thousands	%	
Jointly controlled entities				
1	CENTRUM HAFFNERA Sp. z o.o.	44 371	49.43	Equity method
2	Centrum Obsługi Biznesu Sp. z o.o.	17 498	41.44	Equity method
Subsidiaries of CENTRUM HAFFNERA Sp. z o.o.				
3	Sopot Zdrój Sp. z o.o.	58 923	100.00	Equity method
4	Promenada Sopocka Sp. z o.o.	10 058	100.00	Equity method
5	Centrum Majkowskiego Sp. z o.o.	6 609	100.00	Equity method
6	Kamienica Morska Sp. z o.o.	976	100.00	Equity method
Associates				
7	Bank Pocztowy SA	146 500	25.0001	Equity method
8	Kolej Gondolowa Jaworzyna Krynicka SA	15 531	37.53	Equity method
9	Ekogips SA – in liquidation	5 400	60.26	Equity method
10	Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	1 500	33.33	Equity method
11	Agencja Inwestycyjna CORP SA	29	22.31	Equity method
Associates of Bankowe Towarzystwo Kapitałowe SA				
12	FINDER Sp. z o.o.	6 500	46.43	Equity method
13	INTER FINANCE Polska Sp. z o.o.	3 248	45.00	Equity method

Due to the immateriality of the financial data, the following entities have never been included in consolidation:

- International Trade Center Sp. z o.o. in liquidation,
- Przedsiębiorstwo Informatyki Bankowej "Elbank" Sp. z o.o. in liquidation,
- Sonet Hungary Kft in liquidation (subsidiary of Inteligo Financial Services SA).

6.2 CHANGES IN THE ORGANISATION OF SUBORDINATED ENTITIES IN THE 4TH QUARTER OF 2006

In the 4th quarter of 2006, the following events affected the structure of the PKO BP SA Group:

- Disposal of shares in Hotel Jan III Sobieski Sp. z o.o.

On 31 October 2006, PKO BP SA entered into an agreement for the sale of shares in Hotel Jan III Sobieski Sp. z o.o. with its registered office in Warsaw. The Bank sold all the 145,881 shares with a nominal value of PLN 540 each, representing 50.436% of the share capital and giving right to 50.436% votes at the shareholders' meeting. The shares were sold to Europa Hawk S.a.r.l., based in Luxembourg, for the price of PLN 46,571,705.24. The price will be increased or decreased as a result of adjustments that are to be made to the net working capital based on the Company's balance sheet prepared at the transaction date.

As at 30 September 2006, these shares were recorded in the Bank's books of account as assets held for sale.

- Increase in the value of PKO Inwestycje Sp. z o.o.'s investment in UKRPOLINWESTYCJE Sp. z o.o.

On 17 October 2006, PKO Inwestycje Sp. z o.o. made a payment to UKRPOLINWESTYCJE Sp. z o.o. in the amount of USD 27,500 in order to take up shares in the increased share capital of this Company (the share capital increase was effected in the 2nd quarter of 2006 through an increase of the nominal value of shares).

- Refund of the capital injection made by PKO Inwestycje Sp. z o.o. to Fort Mokotów Sp. z o.o.

On 31 October 2006, Fort Mokotów Sp. z o.o. refunded the second instalment of capital injection made by PKO Inwestycje Sp. z o.o. in the amount of PLN 15,045 thousand (the first instalment, in the same amount, was refunded in August 2006).

- Refund of the capital injection made by PKO BP SA to PKO Inwestycje Sp. z o.o.

On 27 November 2006, PKO Inwestycje Sp. z o.o. refunded the capital injection made by PKO BP SA in the amount of PLN 30,090 thousand for the implementation of the “Marina Mokotów” project.

6.3 RELATED PARTY TRANSACTIONS

In the 4th quarter of 2006, PKO BP SA provided the following services to its related parties (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 at an arms’ length.

Details of transactions of PKO BP SA with related parties, the amount of which exceeds the Polish zloty equivalent of EUR 500 thousand, and which do not result from the day-to-day banking activities of the Bank, have been presented in Note 17 of this Report.

7. MAJOR ACHIEVEMENTS OF PKO BP SA IN THE 4TH QUARTER OF 2006

7.1 GENERAL INFORMATION

Table 3. Basic operating data

Items	31.12.2006	30.09.2006	30.06.2006	31.12.2005	Change since:		
					30.09.06	30.06.06	31.12.05
Total number of branches	1 239	1 243	1 248	1 251	-4	-9	-12
<i>- in the Retail Market Area:</i>	<i>1 156</i>	<i>1 160</i>	<i>1 165</i>	<i>1 168</i>	<i>-4</i>	<i>-9</i>	<i>-12</i>
Regional Retail Branches	12	12	12	12	0	0	0
Independent branches	574	574	574	537	0	0	37
Subordinated branches	570	574	579	619	-4	-9	-49
<i>- in the Corporate Market Area:</i>	<i>83</i>	<i>83</i>	<i>83</i>	<i>83</i>	<i>0</i>	<i>0</i>	<i>0</i>
Regional Corporate Branches	13	13	13	13	0	0	0
Corporate client teams	13	13	13	13	0	0	0
Corporate centers	57	57	57	57	0	0	0
Number of ATMs	2 024	1 890	1 863	1 862	134	161	162
Number of employees (full time posts)	31 955	32 302	32 700	33 479	-347	-745	-1 524

7.2 BANKING ACTIVITIES

- As at 31 December 2006, the Bank’s **deposits** amounted to PLN 85.7 billion, and since the beginning of the year have increased by PLN 7.6 billion i.e. by 9.8%, mainly due to an increase of retail deposits by PLN 2.2 billion and other deposits (mainly inter-bank deposits) by PLN 2.3 billion (an increase of 4.1% and 112.5% respectively).

During the last three months of 2006, total deposits increased by PLN 3.1 billion (i.e. by 3.8%), mainly due to an increase in inter-bank deposits (an increase of PLN 156.0%). A decrease was only recorded in corporate deposits – by 9.8%.

In the 4th quarter of 2006, the following activities were conducted in the area of deposit products:

- In the period from 2 to 28 October 2006, the Bank offered an annual investment deposit “Zrównoważony”, under which the client’s funds are divided into two parts, one of which is held as a deposit and the other one

is invested in participation units issued by the PKO/Credit Suisse balanced open-end investment fund (“Zrównoważony – fundusz inwestycyjny otwarty”);

- In the period from 30 October to 30 November 2006, an annual investment deposit BONSAI, linked to a subfund (market) of small Japanese companies was offered by the Bank, together with PKO TFI SA ; this offer was addressed to the Private Banking and Personal Banking clients;
- On 12 December 2006, an annual investment deposit “Akcji/Zrównoważony” started to be sold. Under this deposit the client’s funds are divided into two parts, one of which is held as a deposit and the other one is invested in participation units issued by the PKO/Credit Suisse equity open-end investment fund („Akcji – fundusz inwestycyjny otwarty”) or by the balanced open-end investment fund (“Zrównoważony – fundusz inwestycyjny otwarty”). It is planned that the sale of such deposits will end on 31 January 2007;
- In December 2006, the Bank carried out a non-public subscription for 3-year foreign structured bonds denominated in PLN. These bonds were addressed to Financial Advisory clients as a 3-year investment strategy linked to a portfolio of two real estate indices.

Table 4. Deposits of PKO BP SA (in PLN millions)¹

Items	31.12.2006	30.09.2006	30.06.2006	31.12.2005	Change since:		
					30.09.2006	30.06.2006	31.12.2005
- retail banking	55 691.8	55 388.0	55 589.3	53 506.1	303.8	102.5	2 185.7
- small and medium enterprises	5 787.7	5 000.1	4 607.5	4 722.0	787.6	1 180.2	1 065.7
- housing	10 160.4	9 735.4	9 102.9	8 834.5	425.0	1 057.5	1 325.9
- corporate	9 680.4	10 727.7	9 545.5	8 936.9	-1 047.3	134.9	743.6
- other	4 356.5	1 702.7	2 468.0	2 050.2	2 653.8	1 888.5	2 306.3
Total deposits	85 676.9	82 553.9	81 313.2	78 049.7	3 123.0	4 363.7	7 627.2

Source: Bank’s management information

- As at 31 December 2006, **the gross value of loans and advances** granted by PKO BP SA amounted to PLN 59.5 billion and increased in the 4th quarter of 2006 by PLN 2.9 billion i.e. 5.2%, mainly due to an increase in the balance of SME loans and housing loans by the total of PLN 1.7 billion i.e. 6.7%. Since the beginning of the year 2006, the total balance of loans and advances has increased by PLN 10.8 billion i.e. 22.2%, mainly due to an increase in the balance of housing loans by PLN 5.6 billion.

In the 4th quarter of 2006, in the area of loan products:

- The Bank implemented a new corporate banking product – allowable debit balance in the current account;
- The Bank carried out promotional campaigns with respect to the following loans: mortgage loan “WŁASNY KĄT Mix” and “Szybki Serwis Kredytowy”;
- On 31 December 2006 the Bank terminated granting commercial student loans.

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

Items	31.12.2006	30.09.2006	30.06.2006	31.12.2005	Change since:		
					30.09.2006	30.06.2006	31.12.2005
- retail banking	13 650.4	13 475.7	12 588.7	11 357.9	174.7	1 061.7	2 292.5
- small and medium enterprises	4 574.9	4 248.0	3 943.3	3 212.6	326.9	631.6	1 362.3
- housing loans (new portfolio)	22 461.8	21 102.2	19 700.1	16 820.1	1 359.6	2 761.7	5 641.6
- housing receivables	2 822.6	2 853.4	2 850.3	2 959.4	-30.8	-27.7	-136.8
- corporate	16 008.6	14 889.8	15 381.4	14 373.0	1 118.8	627.2	1 635.6
Total loans	59 518.2	56 569.1	54 463.8	48 723.1	2 949.2	5 054.4	10 795.2

Source: Bank’s management information

* without interest due and interest not due

- In the 4th quarter of 2006, **the total number of savings-settlement accounts (ROR) and Inteligo accounts** increased by 58 thousand and amounted to 6,070 thousand as at 31 December 2006. During the whole year

¹ In this document, any differences in totals, percentages and ratios of change are due to the rounding of amounts to full million and the rounding of percentages to one decimal place.

2006, this number increased by 167 thousand accounts; the number of ROR accounts alone increased by 74 thousand, while the number of Inteligo accounts increased by 93 thousand.

- In the 4th quarter of 2006, the number of users of the PKO Inteligo service line increased by more than 139 thousand and amounted to more than 1.4 million as at 31 December 2006. Together with Inteligo accounts (647 thousand accounts), the number of users of **electronic banking** services amounted to more than 2 million at the end of 2006.

During the period under review, PKO BP SA made available a new functionality to the users of electronic banking services which enables them to recharge their mobile phone cards using the automatic IVR telephone service.

- During the period from October to December 2006, **the number of banking cards** issued by PKO BP SA increased by 286 thousand and amounted to 6,960 thousand at the end of December 2006. The number of credit cards increased during this period by 239 thousand to 935 thousand. The increase in the number of banking cards since the beginning of the year amounts to 884 thousand, including an increase of 410 thousand in the number of credit cards.

The following events occurred in the 4th quarter of 2006 with respect to banking cards:

- The Bank introduced three new charge cards for corporate clients: PKO MasterCard Executive, PKO MasterCard Corporate, PKO MasterCard Corporate Municipium;
- The Bank carried out a promotional campaign under which credit cards were issued:
 - ✓ to clients who have decided to open a ROR account, term deposit account, or have applied for a consumer loan (*Szybki serwis kredytowy*),
 - ✓ to clients who hold an account with the Bank,
 - ✓ in cooperation with Diners Club Polska Sp. z o.o.; PKO BP SA is the leader in issuing Diners Club credit cards.

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

Items	31.12.2006	30.09.2006	30.06.2006	31.12.2005	Change since:		
					30.09.2006	30.06.2006	31.12.2005
Total number of accounts, of which:	6 070	6 012	5 941	5 903	58	129	167
- savings-settlement accounts (ROR)	5 423	5 387	5 338	5 349	36	85	74
- Inteligo accounts	647	625	603	554	22	44	93
Number of banking cards, of which:	6 960	6 674	6 596	6 076	286	364	884
- credit cards	935	696	681	525	239	254	410

- In the 4th quarter of 2006, the activities of PKO BP SA on **the money market** concentrated on the following four areas:
 - managing the Bank’s investment portfolio, which is financed with surplus cash generated from the Bank’s deposit activities and is mainly composed of Polish treasury securities denominated in PLN and, to a lesser extent, of treasury and non-treasury bonds denominated in foreign currencies. Due to the adopted accounting classification, all securities are re-measured to fair value on a daily basis; therefore, revenues earned from the investment portfolio are closely related to the current situation on the treasury securities market. The situation on the financial market in the 4th quarter of 2006 has been described in paragraph 9.3.3. of this Report;
 - managing the financial risk, which consisted in active management of liquidity, currency and interest rate risks generated in all areas of the Bank’s activities. Within financial risk management further increase was noted in the balance of long-term liabilities denominated in CHF related to the financing of Bank’s lending activities; similar to prior periods, the funds were acquired by entering into CIRS (Currency Interest Rate Swap) transactions;
 - trading activities conducted by the Bank on its own account on the currency and interest rate market – the Bank maintained a high share in the volume of trading on this market, which was confirmed by the Bank being ranked 4th in the competition for the Dealer in Treasury Securities organized by the Ministry of Finance; this ranking authorises PKO BP SA to act as Dealer in Treasury Securities during the year 2007;

- trading activities with retail and corporate clients – in the 4th quarter of 2006, a significant growth was noted in the volume of transactions with corporate clients; compared to the 3rd quarter of 2006, the volume of foreign exchange transactions with such clients increased by 50%, and the volume of derivative transactions increased by 70%. Furthermore, the Bank extended its offer to such clients to include IRS and CIRS transactions.

- As far as **structural financing** is concerned, during the 4th quarter of 2006 PKO BP SA:

Within its lending activities:

- organised 3 syndicated loans on the Polish market; the Bank's share in these transactions amounts to EUR 52 million and PLN 117.8 million;
- entered into 3 bilateral loan agreements with a total value of PLN 430 million;
- joined 4 syndicated loan agreements on the European market for loans to non-resident entities, with the Bank's total share amounting to EUR 36 million.

Within the activities relating to the issuance of non-Treasury debt securities, the Bank concluded:

- 14 agreements for the issue of municipal bonds for a total amount of PLN 68.8 million;
- a syndicated agreement for the issue of corporate bonds; the total value of the issue of bonds amounts to PLN 2,000 million (this transaction was made with a significant client of PKO BP SA);
- an agreement for the issue of corporate bonds with an entity from the banking sector, for an amount of PLN 1,100 million;
- an agreement for the issue of corporate bonds with a related party of PKO BP SA from the leasing sector, for an amount of PLN 500 million – this transaction was made at an arm's length (details are included in note 11 - Issuance, redemption and repayment of debt and equity securities);
- an agreement for the issue of corporate bonds with an entity from the finance sector, for an amount of PLN 50 million;

Within the cooperation with other banks and financial institutions, the Bank concluded:

- 4 ISDA Master Agreements with foreign banks and 2 Credit Support Annexes to previous ISDA agreements;
- a local ISDA master agreement with a domestic bank for entering into certain transactions on the inter-bank market;
- 2 cooperation agreements with foreign financial institutions for realisation of money transfer orders;
- 2 master agreements with domestic financial institutions for transactions in debt securities.

7.3 BROKERAGE ACTIVITIES

In the 4th quarter of 2006, Dom Maklerski PKO Banku Polskiego:

- recorded PLN 6.2 billion turnover on the stock market (with a 6.4% share in the total turnover on the stock market); acting as a market maker on the stock market, DM recorded turnover of PLN 1.2 billion,
- maintained a leading position on the bonds' market with a total turnover of PLN 615.7 million (which accounts for 34.9% of the total turnover on the bonds' market),
- recorded turnover of 17.6 thousand transactions on the options' market (14.2% share in the options' market),
- recorded turnover of 135 thousand contracts on the futures' market (5.0% share in the market),
- as part of its primary market participant activities, it carried out, in a consortium with DM BZ WBK SA, the initial public offering of RUCH SA (the only privatization conducted in 2006) and the initial public offering of EUROTEL SA, distributed certificates "Bezpieczna lokata 1" issued by PKO TFI SA and carried out public subscriptions for the shares of SPRAY SA and PROJPRZEM SA In the 4th quarter of 2006, DM signed 7 agreements for the offering of securities.

At the end of 2006, DM PKO Banku Polskiego kept 89.7 thousand investment accounts and 302.7 thousand active registry accounts, which gives an overall of 392.4 thousand accounts. The decrease in the total number of accounts compared to the prior quarter (by 1.6 thousand accounts) results from the decrease in the number of registry accounts due to the redemption of treasury bonds. Compared to the end of September 2006, the number of investment accounts increased by more than 5.6 thousand.

In January 2007, Giełda Papierów Wartościowych SA awarded Dom Maklerski PKO Banku Polskiego the first prize for introducing the greatest number of new companies to the stock exchange market in 2006.

7.4 OTHER ACHIEVEMENTS

- As part of a cooperation arrangement made with Państwowe Przedsiębiorstwo Użyteczności Publicznej Poczta Polska (the state municipality – Polish Post) on 30 October 2006, PKO BP SA signed an agreement setting out the rules for servicing cash withdrawals made using banking cards via POS terminals at post offices.

Furthermore, on 30 November 2006, an agreement was signed between PKO BP SA and Bank Pocztowy SA setting out the rules for settling cash withdrawals made via POS terminals at post offices using banking cards issued by Bank Pocztowy SA, which are settled by Bank PKO BP SA

- Awards and distinctions granted to PKO BP SA in the 4th quarter of 2006:
 - Golden Medal in the category “Bank - Business Partner” (*Bank - Partner Przedsiębiorców*), granted during the Financial Services Olympics accompanying the 12th edition of the “Your Money” Fairs (*Targi Twoje Pieniądze*) (October 2006),
 - 2nd place for the SUPERKONTO STUDENT in the ranking of the best student bank accounts organised by the magazine “*Dlaczego*” (October 2006),
 - 2nd place in the ranking of the daily *Rzeczpospolita* for “The biggest issuers of credit cards” (October 2006),
 - EUROPRODUCT – a title granted in the services category for: “*Szybki Limit Kredytowy dla firm*” (the Quick Credit Limit for Businesses) and “*Instrument Pieniądza Elektronicznego*” (the Electronic Money Instrument) (October 2006),
 - PRODUCT OF THE YEAR 2006 – a certificate granted in a competition organised by the *Reader's Digest* in category “Finance”, sub-category “Banking Deposit” (October 2006),
 - A distinction granted for the Bank by *Rzeczpospolita* for efficient customer service and keeping requirements to the necessary minimum (October 2006),
 - 5th place in *Rzeczpospolita's* MARQA ranking of “The Strongest Polish Brands” and the 1st place in the category of financial brands in that ranking (November 2006),
 - Promotional Golden Branch (“*Złoty Oddział*”) emblems for 13 branches and “Platinum Statuette” – a special distinction for 2 branches granted in a competition for the “Business Friendly Bank” (*Bank Przyjazny Przedsiębiorstwu*) organized by the Polish Chamber of Commerce, Polish-American Foundation for Counseling Small and Medium Business and the Warsaw Institute of Banking (November 2006),
 - 1st place in *Forbes's* ranking of “The most prestigious credit cards” for the PKO Visa Infinite card (November 2006).

8. MAJOR ACHIEVEMENTS OF SUBSIDIARIES IN THE 4TH QUARTER OF 2006

Powszechne Towarzystwo Emerytalne BANKOWY SA

At the end of December 2006, the value of assets held by the Bankowy Open-End Pension Fund (OFE), managed by PTE BANKOWY, amounted to PLN 3,706 million, which accounts for an increase of PLN 364 million compared to the 3rd quarter of 2006.

At the end of the 4th quarter of 2006, Bankowy OFE ranked 8th on the market of open-end pension funds, both in terms of the value of OFE assets and the number of accounts kept (466,498 accounts).

Centrum Elektronicznych Usług Płatniczych eService SA

In the 4th quarter of 2006, transactions with a value of PLN 3,514 million were generated using the eService SA terminals. As far as the value of pay card transactions is concerned, the Company estimated that its share in the card transaction market at the end of the 4th quarter of 2006 was 27.9%.

The number of terminals installed at the end of the 4th quarter of 2006 amounted to 36,046 pieces, which accounts for a 7.24% increase compared to the end of the 3rd quarter of 2006. The Company's share in the market as regards the number of terminals amounts to 33.1%.

Inteligo Financial Services SA

At the end of the 4th quarter of 2006, the Company made its electronic banking systems available to more than 1,430 thousand PKO BP SA's clients using the PKO Inteligo services. At the same time, the Company operated over 530 thousand Inteligo accounts, which accounts for an increase of 16 thousand compared to the end of the 3rd quarter of 2006.

In the 4th quarter of 2006, the value of deposits held by the Inteligo clients amounted to PLN 1,833 million and increased by PLN 138 million compared to the end of the 3rd quarter of 2006.

PKO Inwestycje Sp. z o.o.

In the 4th quarter of 2006, PKO Inwestycje Sp. z o.o. continued, using special purpose vehicles (SPVs), the implementation of the following investment projects: “Marina Mokotów” and “Nowy Wilanów” in Warsaw, “Neptun Park” in Gdańsk and “Trzy Gracie” in Sopot.

The project “Marina Mokotów” is carried out by a special purpose vehicle, Fort Mokotów Sp. z o.o. PKO Inwestycje Sp. z o.o. holds 51% shares in the share capital of this Company. The Company discharges its liabilities towards subcontractors on a timely basis. The project is being realized in accordance with the timetable and is now in the final phase of implementation.

The project “Nowy Wilanów” is carried out by a special purpose vehicle, Wilanów Investments Sp. z o.o. PKO Inwestycje Sp. z o.o. holds 100% shares in the share capital of this Company. The Company discharges its liabilities towards subcontractors on a timely basis. The Company early repaid the full amount of the tranche of loan to be used for project implementation and has been making early repayments in respect of the tranche of loan to be used for the purchase of the perpetual usufruct right. The implementation of Phase I and Phase II of the project is slightly delayed.

The housing project “Neptun Park” is carried out by another SPV, POMERANKA Sp. z o.o. PKO Inwestycje Sp. z o.o. holds 100% shares in the share capital of this Company. The Company continues work connected with Task I of the project – construction of 5 housing buildings with 119 apartments. The Company discharges its liabilities towards subcontractors on a timely basis.

UKRPOLINWESTYCJE Sp. z o.o. - PKO Inwestycje Sp. z o.o. holds 55% shares in the share capital of this Company. The core activities of this Company are property development activities in Ukraine. The Company commenced its business activities on 28 September 2005. Currently, the Company is in the course of implementation of investment project “Kuzmińska” involving construction of five terraced 2-storey residential buildings in Kiev, under a Joint Venture Agreement concluded with a Ukrainian partner, IK Komfort Sp. z o.o.

In addition, the Company conducts on-going monitoring and analyses of various investment projects on the territory of Kiev and Lvov with a view to potential participation in these projects.

Bankowy Fundusz Leasingowy SA

In the 4th quarter of 2006, the Company signed 1,360 lease agreements for fixed assets with a net value of PLN 233 million. The total carrying amount of lease investments amounted to PLN 941 million at the end of the 4th quarter of 2006 and increased by 16.2% compared to the end of the 3rd quarter of 2006. This ranked the Company 11th among lease companies (source: *Rzeczpospolita* daily, issue dated 10 January 2007).

Centrum Finansowe Puławska Sp. z o.o.

In the 4th quarter of 2006, the Company leased out 98.5% of office and commercial space in the building Centrum Finansowe Puławska, which is managed by the Company.

Bankowe Towarzystwo Kapitałowe SA

In the 4th quarter of 2006, BTK SA participated in transformation of FINDER Sp. z o.o. (an associate of BTK SA) into a joint-stock company.

On 2 January 2007, FINDER was registered in the National Court Register as a joint-stock company.

On 12 December 2006, BTK SA entered into an agreement to take up 25,500 shares in the increased share capital of P.L. ENERGIA SA, with a nominal value of PLN 100 each and an issue price of PLN 196.07. The price paid for the acquisition of these shares was PLN 4,999,785.

Prior to this transaction, BTK SA had no shares in P.L. ENERGIA SA. Following the registration of the share capital increase on 17 January 2007, BTK SA holds 33.77% shares in the share capital of P.L. ENERGIA SA, which give right to 32.08% of votes at the general shareholders’ meeting.

The principal activities of P.L. ENERGIA SA include services related to natural gas and oil exploitation and distribution.

KREDOBANK SA

During the 4th quarter of 2006, the value of total assets of KREDOBANK SA increased by UAH 595.0 million i.e. by 22.1% and amounted to UAH 3,287.3 million as at 31 December 2006.

At the end of November 2006, KREDOBANK SA was ranked 26th among all Ukrainian banks in terms of the value of total assets.

In the 4th quarter of 2006, the gross loan portfolio of KREDOBANK SA increased by UAH 463.2 million i.e. by 22.7% and amounted to UAH 2,507.1 million at the end of December 2006.

During the 4th quarter of 2006, the value of client term deposits increased by UAH 274.9 million i.e. by 18.3% and amounted to UAH 1,775.6 million at the end of December 2006.

As at 31 December 2006, KREDOBANK SA had 20 branches and 106 local offices in 15 out of 24 Ukrainian provinces and the Autonomous Republic of Crimea. During the 4th quarter of 2006, the bank established 1 new branch and 28 new local offices, and during the entire year 2006 – 2 new branches and 53 local offices.

PKO Towarzystwo Funduszy Inwestycyjnych SA

The value of Fund assets managed by the Company amounted to PLN 8.5 billion at the end of December 2006, which accounts for a 26.3% increase in the value of assets compared to the end of the 3rd quarter of 2006, and ranks the Company 4th on the market of investment funds, with a 8.65% share in that market.

9. FACTORS AND EVENTS WITH SIGNIFICANT IMPACT ON FINANCIAL RESULTS

9.1 FINANCIAL PERFORMANCE OF THE PKO BP SA GROUP IN THE 4TH 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 December 2006, the ratio of total assets of PKO BP SA to total assets of the Group was 97.8%.

As at 31 December 2006, total assets of the Group amounted to PLN 101,246 million and were PLN 9,633 million i.e. 10.5% higher compared to the end of 2005.

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

Items	As at 31.12.2006	As at 31.12.2005	Change
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
ASSETS			
Cash and amounts due from the Central Bank	4 628 134	3 895 331	18.8%
Amounts due from other banks	13 430 590	12 663 295	6.1%
Financial assets held for trading	392 387	851 003	-53.9%
Derivative financial instruments	1 130 508	1 137 227	-0.6%
Other financial instruments at fair value through profit or loss	11 366 281	20 059 683	-43.3%
Loans and advances to customers	58 938 920	46 874 629	25.7%
Investment securities	6 763 188	1 881 378	259.5%
Tangible fixed assets	2 654 166	2 643 551	0.4%
Other assets	1 941 996	1 607 084	20.8%
TOTAL ASSETS	101 246 170	91 613 181	10.5%
LIABILITIES AND EQUITY			
Liabilities, of which:	91 090 684	82 838 191	10.0%
Amounts due to the Central Bank	1 387	766	81.1%
Amounts due to other banks	4 193 090	2 083 346	101.3%
Derivative financial instruments	1 029 167	1 257 384	-18.2%
Amounts due to customers	82 900 142	76 747 563	8.0%
Other liabilities	2 966 898	2 749 132	7.9%
Total equity	10 155 486	8 774 990	15.7%
TOTAL LIABILITIES AND EQUITY	101 246 170	91 613 181	10.5%

Compared to the balance as at 31 December 2005, the balance sheet of the PKO BP SA Group showed a decrease in “Financial instruments at fair value through profit or loss” (comprising a portfolio of securities classified into the ALPL² portfolio) and an increase in “Investment securities”, comprising a portfolio of securities classified as available for sale. The change resulted from the activities undertaken in order to build an optimum relation between assets’ profitability and variability of the result realized on the portfolio of debt securities.

9.1.2. Off-balance sheet items

As at 31 December 2006, total off-balance sheet items of the PKO BP SA Group amounted to PLN 341,758 million and increased by PLN 37,886 million i.e. 12.5% compared to the balance at the end of December 2005.

The main item of the off-balance sheet items (90.4%) were liabilities relating to purchase/ sale transactions amounting to PLN 308,951 million. Compared to the balance at the end of 2005, the share of this item in total off-balance sheet liabilities slightly decreased (a decrease of 1.4 pp), mainly for the benefit of off-balance sheet contingent liabilities (both financial liabilities and guarantees). 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.

9.1.3 Financial result and performance indicators

In the 4th quarter of 2006, the PKO BP SA Group recorded consolidated pre-tax profit of PLN 711 million and net profit of PLN 552 million. Compared to the results for the 4th quarter of 2005, it was higher by PLN 276 million and PLN 190 million, respectively.

During the year 2006, the PKO BP SA Group earned a pre-tax profit of PLN 2,709 million. After deducting income tax charge and the profit (loss) attributable to minority shareholders, the resulting net profit amounted to PLN 2,119 million. Compared to the corresponding period of 2005, the pre-tax profit and the net profit were higher by PLN 542 million and PLN 384 million, respectively.

The ratio of costs to income (C/I) for the year 2006 amounted to 59.8% and was 4.6 pp lower compared to the corresponding period of 2005.

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

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

Items	2006		2005		Change	
	Total	Of which: Quarter 4	Total	Of which: Quarter 4	2006/2005	Q4 2006/ Q4 2005
1. Net interest income	3 785 231	993 003	3 544 475	894 493	106.8%	111.0%
2. Net fees and commission income	1 740 381	466 589	1 217 882	321 660	142.9%	145.1%
3. Dividend income	3 603	13	16 112	0	22.4%	x
4. Result from financial instruments at fair value through profit an loss	(83 977)	(10 038)	31 706	(102 606)	x	9.8%
5. Result from investment securities	50 356	29 564	276 856	19 220	18.2%	153.8%
6. Foreign exchange result	544 493	124 560	612 101	137 213	89.0%	90.8%
7. Net other operating income	720 246	232 600	766 523	284 790	94.0%	81.7%
8. Total income items (1-7)	6 760 333	1 836 291	6 465 655	1 554 770	104.6%	118.1%
9. Result on impairment write-downs	(6 566)	17 947	(161 090)	27 308	4.1%	65.7%
10. General administrative expenses	(4 044 464)	(1 142 641)	(4 161 051)	(1 153 232)	97.2%	99.1%
11. Share in the profits (losses) of subordinated entities	(165)	(1 031)	23 531	5 399	x	x
12. Profit before income tax	2 709 138	710 566	2 167 045	434 245	125.0%	163.6%
13. Income tax expense	(526 783)	(142 507)	(411 424)	(56 698)	128.0%	251.3%
Net profit (loss) (including minority shareholders)	2 182 355	568 059	1 755 621	377 547	124.3%	150.5%
Profit (loss) of minority shareholders	63 643	15 570	20 801	15 503	306.0%	100.4%
Net profit/ (loss)	2 118 712	552 489	1 734 820	362 044	122.1%	152.6%
General administrative expenses to Total income items (C/I)	59.8%	62.2%	64.4%	74.2%		

In the 4th quarter of 2006, total income items of the PKO BP SA Group amounted to PLN 1,836 million and were PLN 282 million (i.e. 18.1%) higher compared to the corresponding period of 2005. In the entire year 2006, total income items of the PKO BP SA Group amounted to PLN 6,760 million and were PLN 295 million (i.e. 4.6%) higher compared to the corresponding period of 2005.

The individual items in the profit and loss account of the PKO BP SA Group were as follows:

- Net interest income in the 4th quarter of 2006 amounted to PLN 993 million and was PLN 99 million (i.e. 11.0%) higher compared to the corresponding period of 2005. Net interest income for the year 2006 amounted to PLN 3,785 million and was PLN 241 million (i.e. 6.8%) higher compared to the corresponding period of 2005. This amount comprised interest income of PLN 5,548 million and interest expense of PLN 1,762 million, which were 2.0% and 16.8% lower than in 2005.

The increase in the net interest income took place when the PLN interest rates were significantly lower (e.g. in 2006, the average 1M WIBOR was 121 base points lower than in 2005), following efforts made to move the interest result from the deposit to the credit side.

- Net fees and commission income in the 4th quarter of 2006 amounted to PLN 467 million and was PLN 145 million (i.e. 45.1%) higher than in the 4th quarter of 2005. Net fees and commission income for the year 2006 amounted to PLN 1,740 million and was 42.9% higher than the result for the year 2005. Out of this amount, fees and commission income amounted to PLN 2,106 million (37.0% higher than in the prior year), and fees and commission expense – PLN 366 million (14.5% higher than in the prior year).

Almost the entire increase in commission income was realized by PKO BP SA and is due to, among others, the following factors:

- a) the launching of new investment products, which generate additional commission income,
 - b) increase in the number of banking cards and the number of transactions made with the use of these cards,
 - c) changes in the amounts of commission and fees and introduction of new items to the Tariff of banking fees and commission of PKO BP SA as of 1 January 2006.
- Dividend income for the year 2006 amounted to PLN 3.6 million (the impact of the 4th quarter on that item was negligible); this item accounts for 22.4% of the result for the previous year; the decrease in the dividend income results from relatively high dividends received from companies listed on the WSE, whose shares were sold by PKO BP SA in the second half of 2005.

- The result from financial instruments at fair value in the 4th quarter of 2006 amounted to PLN (-) 10 million and improved by PLN 93 million compared to the result achieved in the corresponding period of 2005. The result on financial instruments at fair value for the entire year 2006 amounted to PLN (-) 84 million.

The above result was mainly due to the situation on the financial market during the year 2006, including in particular continued uncertainty on the domestic financial market and the risk margins of Polish treasury securities denominated in EUR. Additionally, another factor that had an impact on the level of this result was the decrease, during the 2nd half of 2006, of the balance of securities classified under the ALPL portfolio and an increase in the balance of investment securities.

- Result from investment securities in the 4th quarter of 2006 amounted to PLN 30 million. This result was PLN 10 million higher than the result for the corresponding period of 2005. The result from investment securities for the year 2006, which was mainly generated from transactions in treasury bonds, amounted to PLN 50 million, whereas the result for the year 2005 was PLN 227 million higher due to the gains realized by the Bank during that year from the sale of packages of shares in companies listed on the WSE.
- Foreign exchange result in the 4th quarter of 2006 amounted to PLN 125 million and was PLN 13 million (i.e. 9.2%) lower than the result for the 4th quarter of 2005. The foreign exchange result for the year 2006 amounted to PLN 544 million and was 11.0% lower than the result for the year 2005.

The decrease in the foreign exchange result was due to the decrease in the result on swap transaction (swap points) as a result of narrowing spreads between Polish and foreign interest rates after the successive decreases of Polish interest rates with simultaneous increases in interest rates abroad.

- Net other operating income in the 4th quarter of 2006 amounted to PLN 233 million and was PLN 52 million (i.e. 18.3%) lower than in the corresponding period of 2005. Net other operating income for the year 2006 amounted to PLN 720 million (a decrease of 6.0% on a year-to-year basis) and consisted of: operating income of PLN 1,043 million and operating expense of PLN 323 million, which were respectively 19.1% and 195.1% higher compared to 2005.

The main factors that contributed to the increase in both other operating income and other operating expense were the full consolidation of PKO TFI SA and the increase in the size of operations conducted by Inteligo Financial Services SA

The result on impairment write-downs in the 4th quarter of 2006 amounted to PLN (+) 18 million and decreased by PLN 9 million compared to the corresponding period of 2005. The result for the year 2006 amounted to PLN (-) 7 million and improved by PLN 155 million compared to the result for the year 2005, mainly due to the improved result on write-downs against loans and advances thanks to improvement of the quality of loan portfolio and business customers financial standing as well as an improvement in debt collection.

In the 4th quarter of 2006, general administrative expenses of the PKO BP SA Group amounted to PLN 1,143 million and were PLN 11 million (i.e. 0.9%) lower than in the corresponding period of 2005. For the entire year 2006, general administrative expenses of the PKO BP SA Group amounted to PLN 4,044 million and were 2.8% lower than in the previous year.

The 2006 results of the PKO BP SA Group translated into higher rates of return on assets and equity:

Items	2006	2005
<i>1</i>	<i>2</i>	<i>3</i>
1. Gross profit (loss)/ average assets (ROA ³ _{gross})	2.8%	2.4%
2. Net profit (loss)/ average assets (ROA _{net})	2.2%	2.0%
3. Gross profit (loss)/ average equity (ROE _{gross})	28.6%	24.6%
4. Net profit (loss)/ average equity (ROE ⁴ _{net})	22.4%	19.7%

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

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

9.1.4 Shareholders' equity

As at 31 December 2006, the shareholders' equity of the PKO BP SA Group amounted to a total of PLN 10,155 million and was PLN 1,380 million i.e. 15.7% higher than at the end of 2005.

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

Items	As at 31.12.2006	As at 31.12.2005	Change
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
1. Share capital	1 000 000	1 000 000	0.0%
2. Other capital and reserves	7 165 597	5 850 063	22.5%
3. Currency translation differences on foreign operations	(13 672)	(4 082)	234.9%
4. Retained earnings	(222 671)	150 405	x
5. Current period result	2 118 712	1 734 820	22.1%
Equity attributable to the parent company's shareholders	10 047 966	8 731 206	15.1%
Minority interest	107 520	43 784	145.6%
Total shareholders' equity	10 155 486	8 774 990	15.7%
Capital adequacy ratio (%)	11.78%	13.90%	-2.12 pp

9.2 FINANCIAL PERFORMANCE OF PKO BP SA IN THE 4TH QUARTER OF 2006

In the 4th quarter of 2006, PKO BP SA recorded a pre-tax profit of PLN 651 million and net profit of PLN 516 million, which were 64.6% and 49.2% (respectively) higher than in the 4th quarter of 2005.

In 2006, PKO BP SA earned a pre-tax profit of PLN 2,487 million. After deducting income tax charge, the net profit amounted to PLN 2,009 million. Compared to the 2005 result, the pre-tax profit and net profit were 20.0% and 19.8% higher, respectively.

In 2006, the costs to income ratio (C/I) was 59.6% and was 3 pp lower than in 2005.

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

Items	2006		2005		Change	
	Total	Of which: Quarter 4	Total	Of which: Quarter 4	2006/2005	Q4 2006/ Q4 2005
1. Net interest income	3 675 613	960 653	3 473 829	870 872	105.8%	110.3%
2. Net fees and commission income	1 699 838	466 801	1 169 839	311 980	145.3%	149.6%
3. Dividend income	18 623	13	28 881	0	64.5%	x
4. Result from financial instruments at fair value through profit and loss	(87 548)	(13 452)	30 579	(102 994)	x	13.1%
5. Result from investment securities	49 091	29 112	276 724	18 830	17.7%	154.6%
6. Foreign exchange result	532 570	123 233	613 715	133 380	86.8%	92.4%
7. Net other operating income	160 587	84 414	209 967	76 243	76.5%	110.7%
8. Total income items (1-7)	6 048 774	1 650 774	5 803 534	1 308 311	104.2%	126.2%
9. Result on impairment write-downs	40 546	47 161	(98 900)	59 008	x	79.9%
10. General administrative expenses	(3 602 273)	(1 047 415)	(3 631 324)	(972 065)	99.2%	107.8%
11. Profit before income tax	2 487 047	650 520	2 073 310	395 254	120.0%	164.6%
12. Income tax expenses	(478 428)	(134 264)	(396 512)	(49 133)	120.7%	273.3%
13. Net profit	2 008 619	516 256	1 676 798	346 121	119.8%	149.2%
General administrative expenses to Total income items (C/I)	59.6%	63.4%	62.6%	74.3%		

In the 4th quarter of 2006, total income items of the Bank amounted to PLN 1,651 million and were PLN 342 million higher than in the corresponding period of 2005. In the Bank's profit and loss account for 2006, total income items amounted to PLN 6,049 million and were PLN 245 million higher than in 2005.

The individual items of the profit and loss account of the Bank were as follows:

- Net interest income in the 4th quarter of 2006 was PLN 961 million and was PLN 90 million (i.e. 10.3%) higher than in the corresponding period of 2005. In 2006, net interest income was PLN 3,676 million and was PLN 202 million (i.e. 5.8%) higher compared to 2005. The balance of net interest income comprises interest income of PLN 5,334 million and interest expense of PLN 1,659 million, which were, respectively, 3.3% and 18.8% lower than in 2005.
- Net fees and commission income in the 4th quarter of 2006 was PLN 467 million and was PLN 155 million (i.e. 49.6%) higher than in the 4th quarter of 2005. Net fees and commission income for 2006 was PLN 1,700 million and was 45.3% higher compared to the result for the year 2005. The above amount consisted of fees and commission income of PLN 2,086 million (38.8% higher than in the previous year), and fees and commission expenses of PLN 386 million (15.9% higher than in 2005).
- Dividend income for the year 2006 was PLN 19 million and was PLN 35.5% lower than in 2005. The impact of the 4th quarter of 2006 alone on that item was negligible.
- The total of the result from financial instruments at fair value and the result from investment securities in the 4th quarter of 2006 amounted to a profit of PLN 16 million and was PLN 100 million higher than in the 4th quarter of 2005. The result on those instruments for 2006 was PLN (-)38 million and was PLN 346 million lower than in 2005.
- In the 4th quarter of 2006, the foreign exchange result was PLN 123 million and was PLN 10 million lower than in the 4th quarter of 2005. In 2006, the foreign exchange result was PLN 533 million and was PLN 81 million (i.e. 13.2%) lower than in 2005.
- In the 4th quarter of 2006, net other operating income was PLN 84 million and was PLN 8 million (i.e. 10.7%) higher than in the corresponding period of 2005. Net other operating income for 2006 was PLN 161 million (a decrease of 23.5% compared to 2005), and comprised other operating income of PLN 253 million and other operating expenses of PLN 93 million.

Comments to the individual items presented in the description of the results of the PKO BP SA Group (paragraph 9.1.3) also relate to the results of PKO BP SA

The result on impairment write-downs for the 4th quarter of 2006 amounted to PLN 47 million and was PLN 12 million lower than in the corresponding period of 2005. The result for the year 2006 amounted to PLN 41 million and improved by PLN 139 million compared to 2005, mainly as a result of the improved result on write-downs

against loans and advances. This, in turn, was possible thanks to the improvement in the quality of loan portfolio and better effectiveness of credit risk management and debt collection, as well as due to an overall improvement in the borrowers' financial standing.

In the 4th quarter of 2006, general administrative expenses of the Bank amounted to PLN 1,047 million and were 7.8% higher compared to those incurred in the 4th quarter of 2005. This was mainly due to up-dating of the provision for future employee benefits, mainly jubilee bonuses, retirement benefits, compensations and redundancy payments to employees with whom the employment relationship will be terminated in 2007 for reasons independent of employee.

In 2006, general administrative expenses of the Bank amounted to PLN 3,602 million and were PLN 29 million (i.e. 0.8%) lower than in 2005.

The 2006 results of PKO BP SA translated into higher rates of return on assets and equity:

Ratios	2006	2005
1	2	3
1. Gross profit (loss)/ average assets (ROA ⁵ _{gross})	2.6%	2.4%
2. Net profit (loss)/ average assets (ROA _{net})	2.1%	1.9%
3. Gross profit (loss)/ average equity (ROE ⁶ _{gross})	26.5%	23.4%
4. Net profit (loss)/ average equity (ROE _{net})	21.4%	19.0%

9.3 FACTORS AFFECTING FINANCIAL PERFORMANCE

▪ Macroeconomic factors

In the 4th quarter of 2006:

- **the rate of economic growth** remained at a very high level (approximately 6%), as proved by the real economy financial data (i.e. manufacturing industry production sold, construction-assembly industry or retail sales); the continued growing trend in the area of real economy was stimulated by high dynamics of domestic demand (especially investment demand), with a negative contribution of foreign trade result to the increase of the GDP,
- labour market saw a **decrease in the registered unemployment rate** to 14.9% in December 2006, mainly as a result of good economic situation, probable increase in the number of persons seeking employment abroad (especially short-term employment), better absorption of the EU funds for the activation of the unemployed and weather anomalies. At the same time, in the 4th quarter of 2006, the private sector recorded high increase in the number of persons employed i.e. 3.8% on a year-to-year basis,
- a **decrease in the inflation rate** to 1.4%, from 1.6% at the end of the 3rd quarter of 2006, was possible mainly due to reduction of fuel and food prices in December,
- **upward deposit trend** accelerated, mainly with respect to corporate deposits, and to a lesser degree – with respect to household deposits. The increase in the value of household deposits was mainly due to higher disposable income, while the cause of the opposite trend was due to further re-direction of funds to investment funds. In the 4th quarter of 2006, a significant increase in the annual dynamics of **corporate deposits** was recorded – at the end of December 2006, the balance of corporate deposits increased by 25.6%, calculated on a year-to year basis, compared to 19.3% increase at the end of September, also calculated on a year-to year basis,
- **the dynamics of total loans and advances** accelerated, with a simultaneous growth in the dynamics of corporate and household loans. According to the preliminary data at the end of December, the balance of corporate loans was 14.6% higher on a year-to-year basis, compared to the increase of 9.8% on a year- to-year basis at the end of September 2006,
- The Monetary Policy Council did not change interest rates, and therefore since the last reduction on 28 February 2006, the **NBP reference rate** has remained at 4.0%.

At the same time, the results of the PKO BP SA Group in the 4th quarter of 2006 were affected by the following macroeconomic factors in Ukraine, where the Bank's subsidiary, KREDOBANK SA, operates:

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

- continued positive trends in the area of real economy as regards further increase in the dynamics of the GDP, with a positive effect of higher investments and net export and decrease in the unemployment rate,
- increase in the inflation rate to 11.6% at the end of 2006, calculated on a year-to-year basis, compared to 9.1% in September 2006, also calculated on a year-to-year basis, and 10.3% at the end of 2005, mainly as a result of gas and energy price increases with a simultaneous low dynamics of increase in food prices (representing 60% of the inflation basket),
- growth in the dynamics of loans and advances to nearly 70% calculated on a year-to-year basis, and continued growth in deposits – by approximately 40% on a year-to-year basis,
- stabilization of the Ukrainian currency, Hryvna, at the level of 5.05 UAH/USD, due to frequent interventions of the Central Bank on the currency market in order to counteract the pressure to appreciate the Ukrainian currency.

▪ **Regulatory factors**

The following regulatory factors had an impact on the activities of the PKO BP SA Capital Group in the 4th quarter of 2006:

- amendment to the Personal Income Tax Act to include liquidation in 2007 of the so-called interest rate tax relief and the intention indicated by the Commission for Banking Supervision to introduce quantitative norms with a view to limiting the dynamics of foreign currency borrowings, which caused an increase in the demand of retail housing loans,
- acceleration of work of the Commission for Banking Supervision aimed at implementing in Poland policies resulting from the Directives of the European Parliament and of the Council relating to capital adequacy requirements based on the New Capital Accord (Directive 2006/48/EC and 2006/49/EC),
- amendment to the Banking Law in October 2006, which opened the possibility to effect bank division and created a chance to overtake clients of the divided bank (BPH SA),
- changes in legal regulations to facilitate better absorption of the EU structural funds, and the resultant increase in lending activities carried out by the banks with regard to the pre-financing or co-financing of the EU projects. This related in particular to the amended Act on the National Development Plan and the law on the EU Guarantee Fund, which became effective on 6 September 2006 and 7 October 2006, respectively. The amendments to the law on the EU Guarantee Fund improved the Fund's operations, increased the maximum amount of guarantees issued to small and medium-sized enterprises (including project sub-contractors) and local self-government units, increased the number of the Fund's beneficiaries and introduced new instruments offered by the Fund.

The financial situation of the PKO BP SA Group was also affected by legislative changes within the Ukrainian banking system relating to the rules for the creation of obligatory reserves, which became effective as of 1 October 2006 (decrease in the rate for the obligatory reserve to be created based on the funds obtained from clients in national currency and increase in the rate for the obligatory reserve to be created based on the funds obtained in foreign currency).

▪ **Financial markets**

In the 4th quarter of 2006, a decrease in the profitability of treasury securities was recorded, from 20 base points for treasury bills to approximately 40 base points for treasury bonds. The decrease, especially at the short end of the yield curve, resulted from reduced expectations of investors for the increase of the NBP interest rates within a year. Additionally, smaller profitability of Polish treasury bonds was caused by a decrease in the profitability of German bonds – by approximately 40 base points for 5-year bonds as well as American bonds – by approximately 10 base points.

During the period from October to December 2006, Polish zloty appreciated against EUR by approximately 2% (to PLN/EUR 3.83 at year-end) and by approximately 7.5% against USD (to PLN/USD 2.91). After the high sales of Polish currency at the turn of the 3rd and 4th quarter as a result of temporary increase in political uncertainty, until the end of the year, Polish zloty systematically appreciated due to, among others, a very favourable macroeconomic situation in Poland, depreciation of US Dollar on global markets and improved investor moods around the currencies of the countries in the region.

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 SECURITIES

- PKO BP SA (in the reporting period) is not an issuer of debt or equity securities.
- Among other entities of the Group, only Bankowy Fundusz Leasingowy SA raises additional funds through the issuance of debt securities.

On 14 December 2006, PKO BP SA signed with Bankowy Fundusz Leasingowy SA a new Agreement for the Organization, Conducting and Servicing of Bonds Issue Program. The value of bonds to be issued amounts to PLN 500 million, with the condition that, until 30 June 2007, the Company has the right to issue bonds to the value not exceeding PLN 350 million. In the 4th quarter of 2006, the Company effected the following bond issues:

- on 31 October 2006 – 3,500 corporate bonds with a total nominal value of PLN 35 million and maturity date on 29 December 2006,
- on 15 December 2006 – 6,000 corporate bonds with a total nominal value of PLN 60 million and maturity date on 16 March 2007,
- on 27 December 2006 – 6,000 corporate bonds with a total nominal value of PLN 60 million and maturity date on 30 March 2007,
- on 29 December 2006 – 3,500 corporate bonds with a total nominal value of 35 million and maturity date on 30 March 2007.

As at 31 December 2006, included in the portfolio of PKO BP SA were 13,063 Company's bonds with a total nominal value of PLN 130,630 thousand.

12. EVENTS THAT OCCURRED AFTER THE DATE ON WHICH THE REPORT WAS PREPARED AND THAT MAY AFFECT FUTURE FINANCIAL RESULTS

- On 29 December 2006, the Supervisory Board of PKO BP SA decided to initiate evaluation proceedings in respect of candidates for the position of Board President and two Vice-presidents. Candidates were requested to register for the proceedings by 16 January 2007, and the review of candidate profiles commenced on 17 January 2007. Interviews with candidates for the post of the President of the Management Board of PKO BP took place on 24 January 2007, while those for the posts of Vice-Presidents of the Management Board in the period from 25 to 26 January 2007.
- On 10 January 2007, Mr Sławomir Skrzypek resigned as Vice-President of the Management Board of PKO BP SA in connection with his appointment as the President of the National Bank of Poland.
- The Supervisory Board of PKO BP SA, at its meeting on 10 January 2007, delegated Dr Marek Gluchowski, the President of the Supervisory Board of PKO BP SA, to temporarily act as the President of the Management Board until 23 January 2007. In the event that, in the period from 24 January 2007 to 26 January 2007, no person is appointed by the Supervisory Board to act as President of the Board, Dr Marek Gluchowski was delegated to temporarily act as President of the Management Board of PKO BP SA as of 27 January 2007, for a period not longer than by 10 April 2007.
- On 31 January 2007, the Supervisory Board of PKO BP SA suspended evaluation proceedings in respect of candidates for the post of the President of the Management Board of PKO BP SA and two Vice-presidents due to the resignation of Prof. Jerzy Osiatyński from the function of Supervisory Board Member.
- On 31 January 2007, Mr Jacek Oblękowski resigned as Vice-president of the Management Board of PKO BP SA
- On 1 February 2007, the Management Board of PKO BP SA decided to convene Extraordinary Shareholders' Meeting for 6 March 2007. The agenda includes taking resolutions on changes in the composition of the Supervisory Board.

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

PKO BP SA did not publish any financial forecasts for 2006.

14. INFORMATION ON DIVIDEND PAID OR DECLARED

On 1 August 2006, PKO BP SA paid a dividend for the year 2005 in the amount of PLN 800 million i.e. PLN 0.80 per share on a pre-tax basis.

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

The interim report for the 3rd quarter of 2006 was submitted to the Polish Financial Supervision Authority on 31 October 2006.

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

During the period from the date of making the shares available to the eligible persons, i.e. from 6 April 2005 to 31 December 2006, the State Treasury sold to the employees entitled or their successors 104,514,325 shares of the Bank, which represented 10.45% of the total number of shares of PKO BP SA, giving right to 104,514,325 votes i.e. 10.45% of the total number of votes at the General Shareholders' Meeting of the Bank.

As at 31 December 2006, the State Treasury held 514,959,296 shares of the Bank.

The share of the above shareholder in the share capital of the Bank is 51.50% and matches the percentage share in the total number of votes at the General Shareholders' Meeting of the Bank as at the date of submitting the Report.

Table 11. Ownership structure as at 31 December 2006

Shareholder	Percentage of votes at the General Shareholders' Meeting 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 at the General Shareholders' Meeting as at the date of submitting this Report	Number of shares as at the date of submitting this Report
State Treasury	51.50%	514,976,596	0.00 pp	51.50%	514,959,296

On 5 December 2006, the Management Board of PKO BP SA was informed that Julius Baer Investment Management LLC, who was the shareholder with over 5% of votes at the General Shareholders' Meeting of PKO BP SA as at the date of publication of interim report for the 3rd quarter of 2006, sold some of its shares and this caused that the percentage of its votes at the General Shareholders' Meeting fell to under the 5% threshold. As at the date of obtaining this information, Julius Baer Investment Management LLC held 4.99% of the total number of votes at the General Shareholders' Meeting of PKO BP SA

16. CHANGES IN THE NUMBER OF PKO BP SA SHARES HELD BY THE MANAGEMENT OR SUPERVISORY BOARD MEMBERS

Table 12. Shares held by the Management or Supervisory Board Members as at 21 February 2007

	Name	Number of shares as at the date of submitting previous quarterly report	Purchase	Disposal	Number of shares as at the date of submitting this Report
I.	Management Board				
1.	Marek Gluchowski*, acting as President of the Management Board	-----	-----	-----	-----
2.	Rafał Juszczyk, Vice-president of the Management Board	-----	-----	-----	-----
3.	Wojciech Kwiatkowski, Vice-president of the Management Board	-----	-----	-----	-----
4.	Zdzisław Sokal, Vice-president of the Management Board	-----	-----	-----	-----
II.	Supervisory Board				
1.	Urszula Pałaszek, Vice-president of the Supervisory Board	-----	-----	-----	-----
2.	Tomasz Siemiątkowski, Secretary of the Supervisory Board	-----	-----	-----	-----
3.	Jerzy Michałowski, Member of the Supervisory Board	-----	-----	-----	-----
4.	Adam Skowroński, Member of the Supervisory Board	-----	-----	-----	-----
5.	Agnieszka Winnik-Kalemba, Member of the Supervisory Board	-----	-----	-----	-----

* delegated by the Supervisory Board to temporarily act as President of the Management Board of the Bank for the period not longer than by 10 April 2007.

17. TRANSACTIONS CONCLUDED BY THE ISSUER OR ITS SUBSIDIARY WITH OTHER GROUP ENTITIES, WITH A VALUE EXCEEDING THE PLN EQUIVALENT OF EUR 500 000, IF THEY ARE NOT TYPICAL OR ROUTINE TRANSACTIONS

Realizing the provisions of the lease agreement of 7 December 1995 (amended by Annexes no. 1 to 32) with the Bank's subsidiary, Centrum Finansowe Puławska Sp. z o.o. ("CFP"), in the 4th quarter of 2006 PKO BP SA made payments to the CFP in the total amount of PLN 10.2 million. The total value of remuneration to CFP for the period January – December 2006 was PLN 42.8 million. The agreement determines the terms for the lease of space in the building located in Warsaw at 15 Puławska Street.

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

Due to the comprehensive regulation of all issues connected with cooperation between the parties to the agreement, the 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 BANK'S STRUCTURE, INCLUDING THE EFFECTS OF MERGER, TAKEOVER OR DISPOSAL OF THE GROUP ENTITIES, LONG-TERM INVESTMENTS, DIVISION, RESTRUCTURING AND DISCONTINUATION OF ACTIVITIES

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

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

In the next few quarters, the results of the Bank and 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 response of the financial markets to those processes.

The interest rate policy applied by the Monetary Policy Council and by other largest central banks will also have a great influence on the Bank's performance.

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 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 the Bank's shareholders' equity.

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

As at 31 December 2006, the total value of court proceedings against PKO BP SA amounted to PLN 295,162,000 while the total value of the proceedings initiated by the Bank amounted to PLN 84,886,000.

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 shareholders' equity.

Other Group companies have not conducted any proceedings before the court, arbitration tribunal or public administration authority concerning receivables or liabilities, the value of which amounts to at least 10% of the 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 17 October 2006, the Bank signed an agreement for the sale of part of the portfolio of receivables due to PKO BP SA from retail clients. The sale was made to the securitization fund. The sale transaction covered 63,058 receivable items (balance sheet and off-balance sheet) with a total value of approximately PLN 582 million. On 20 October 2006, the consideration for the receivable portfolio sold was received into the Bank's account.
- On 30 November 2006, Mr Jarosław Myjak resigned as Vice-president of the Management Board of PKO BP SA due to uncertainties concerning the truth of his lustration statement.
- The Supervisory Board of the Bank at its meeting on 19 December 2006 accepted resignation of Mr Kazimierz Małecki from the position of Vice-president, I Deputy President of the Management Board as of 31 December 2006 and resignation of Ms Danuta Demianiuk from the position of Vice-president of the Management Board of PKO BP SA, also as of 31 December 2006.

23. SEGMENTATION OF ACTIVITIES OF THE PKO BP SA GROUP

The primary segmentation key is based on business segments and the secondary - on 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 parent company with large corporate clients and operations of the subsidiary assigned to this segment.
- Retail Segment covers transactions of the parent company with private individuals and also small and medium-sized enterprises as well as operations of the subsidiaries assigned to this segment,
- Treasury Segment covers inter-bank transactions, transactions made using derivative instruments and debt securities,
- Investments Segment covers brokerage and investing activities of the parent company and operations of the subsidiary assigned to this segment.
- Housing Segment covers transactions of the parent company connected with granting housing loans and accepting housing deposits and operations of the subsidiary assigned to this segment.

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

*Translation of Interim Financial Statements of the PKO BP SA Group for the 4th quarter of 2006
The Polish original should be referred to in matters of interpretation*

- segment result, whether a profit or loss, accounts for 10% or more of the aggregated result of all segments in profit or loss, whichever greater in absolute value, or
- segment assets account for 10% or more of total assets of all segments.

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

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

The tables below present data relating to revenues and results of individual business segments of the Group for the period of 12 months ended 31 December 2006 and 31 December 2005 and selected assets and liabilities as at 31 December 2006 and 31 December 2005.

Continued activities						
For the 12 month period ended 31 December 2006	Corporate segment	Retail Segment	Treasury Segment	Investment Segment	Housing Segment	All activities
Revenue						
External customer related revenue	1 200 509	4 155 133	1 522 710	216 508	1 933 014	9 027 874
Inter-segment sales	-	43 827	-	-	3 020	46 847
Total segment revenue	1 200 509	4 198 960	1 522 710	216 508	1 936 034	9 074 721
Result						
Segment result*	328 588	1 325 213	109 543	125 546	554 827	2 443 717
Unallocated result together with the result of non-separated segments	-	-	-	-	-	27 449
Difference between FX Swap and CIRS result reported for accounting and management information purposes (swap points)	-	-	-	-	-	238 137
Result from continued activities before taxation	-	-	-	-	-	2 709 303
Share in the profits of associates	-	-	-	-	-	(165)
Result before taxation and minority interest	-	-	-	-	-	2 709 138
Income tax (tax expense)	-	-	-	-	-	(526 783)
Profit (loss) of minority shareholders	-	-	-	-	-	63 643
Net profit for the period	-	-	-	-	-	2 118 712
Assets and equity and liabilities as at 31 December 2006						
Segment assets	19 293 605	19 127 175	28 158 790	1 616 000	25 137 161	93 332 731
Investments in associates and jointly controlled entities	-	-	-	183 702	-	183 702
Unallocated assets	-	-	-	-	-	7 729 737
Total assets	-	-	-	-	-	101 246 170
Segment liabilities and result	11 061 741	64 935 790	4 069 383	497 163	10 762 180	91 326 257
Unallocated liabilities	-	-	-	-	-	9 919 913
Total liabilities	-	-	-	-	-	101 246 170

Other segment information						
Result on impairment write-downs **/	131 695	(109 904)	-	29 896	22 277	73 964

*/ the effect of increased activities on the real estate market (relates to the Housing Segment)

**/ without impairment write-downs relating to non-separated segments

*Translation of Interim Financial Statements of the PKO BP SA Group for the 4th quarter of 2006
The Polish original should be referred to in matters of interpretation*

Continued activities						
For the 12 month period ended 31 December 2005	Corporate segment	Retail Segment	Treasury Segment	Investment Segment	Housing Segment	All activities
Revenue						
External customer related revenue	1 247 418	3 640 791	1 980 361	484 992	1 884 768	9 238 330
Inter-segment sales	-	38 926	-	285	3 281	42 492
Total segment revenue	1 247 418	3 679 717	1 980 361	485 277	1 888 049	9 280 822
Result						
Segment result*	118 972	814 250	234 078	361 654	112 758	1 641 712
Unallocated result together with the result of non-separated segments	-	-	-	-	-	133 769
Difference between FX Swap and CIRS result reported for accounting and management information purposes (swap points)	-	-	-	-	-	368 033
Result from continued activities before taxation	-	-	-	-	-	2 143 514
Share in the profits of associates	-	-	-	-	-	23 531
Result before taxation and minority interest	-	-	-	-	-	2 167 045
Income tax (tax expense)	-	-	-	-	-	(411 424)
Profit (loss) of minority shareholders	-	-	-	-	-	20 801
Net profit for the period	-	-	-	-	-	1 734 820
Assets and equity and liabilities as at 31 December 2005						
Segment assets	15 120 877	14 758 971	33 710 060	1 633 433	19 474 081	84 697 422
Investments in associates and jointly controlled entities	-	-	-	184 345	-	184 345
Unallocated assets	-	-	-	-	-	6 731 414
Total assets	-	-	-	-	-	91 613 181
Segment liabilities and result	9 649 924	60 640 229	2 140 553	505 421	9 111 386	82 047 513
Unallocated liabilities	-	-	-	-	-	9 565 668
Total liabilities	-	-	-	-	-	91 613 181

Other segment information						
Result on impairment write-downs **/	(8 986)	14 689	-	36 800	(54 051)	(11 548)
*/ the effect of including in the profit and loss account of the valuation of debt securities reclassified in the first half of the year (according to IAS) from the portfolio available-for-sale to ALPL portfolio (relates to Treasury Segment)						
**/ without impairment write-downs relating to non-separated segments						

Segmentation by geographical regions

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 PKO BP SA and subordinated entities.

Outside Poland, the Group carries out its activities in Ukraine – through KREDOBANK SA

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

The tables below present data relating to revenues of the individual geographical segments for the 12-month period ended 31 December 2006 and 31 December 2005 and selected assets as at 31 December 2006 and 31 December 2005.

For the 12 month period ended 31 December 2006	Poland	Ukraine	Total
Revenue			
Total segment revenue	8 839 278	235 443	9 074 721
Other segment information			
Segment assets	99 275 205	1 787 263	101 062 468
Unallocated assets	-	-	-
Investments in associates	183 702	-	183 702
Total assets	99 458 907	1 787 263	101 246 170

For the 12 month period ended 31 December 2005	Poland	Ukraine	Total
Revenue			
Total segment revenue	9 103 882	176 940	9 280 822
Other segment information as at 31 December 2005			
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 THE PKO BP SA GROUP

- Balance as at 31 December 2006

Balance sheet instruments		
	Carrying amount	Risk weighted value
Banking portfolio	97 950 239	54 367 833
Trading portfolio	3 295 931	1 284 405
Total balance sheet instruments	101 246 170	55 652 238

Off-balance sheet instruments			
	Replacement cost	Credit equivalents	Risk weighted value
<i>Derivatives</i>	154 015 221	2 389 886	478 363
Banking portfolio	27 923 211	1 217 802	243 915
Trading portfolio	126 092 010	1 172 084	234 448
<i>Other off-balance sheet derivatives</i>	28 526 526	5 422 835	4 228 904
Banking portfolio	27 716 610	4 708 919	3 514 988
Trading portfolio	809 916	713 916	713 916
Total off-balance sheet instruments	182 541 747	7 812 721	4 707 267

	Carrying amount and off-balance sheet amount	Risk weighted value	Capital requirement
Total banking portfolio (credit risk)	153 590 060	58 126 736	4 650 139

Capital requirements for the trading portfolio (market risk)	Capital adequacy
Market risk, of which:	132 165
Currency risk	-
Commodity price risk	-
Equity securities price risk	214
Debt securities special risk	94 618
Price index general risk	37 333
Other	16 522
Settlement risk - business partner supplies	16 522

The credit and market exposures were calculated based on the provisions of the Resolution of the Commission for Banking Supervision no. 4/2004 dated 8 September 2004.

• Balance 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

Off-balance sheet instruments			
	Replacement cost	Credit equivalents	Risk weighted value
<i>Derivatives</i>	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
<i>Other off-balance sheet derivatives</i>	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 amount	Risk weighted value	Capital requirement
Total banking portfolio (credit risk)	143 382 105	43 671 671	3 493 734

Capital requirements for the trading portfolio (market risk)	Capital adequacy
Market risk, of which:	108 522
Currency risk	-
Commodity price risk	-
Equity securities price risk	249
Debt securities special risk	66 863
Price index general risk	41 410
Other	15 474
Settlement risk - business partner supplies	15 474

Total capital requirement (credit and market risk)	3 617 730
---	------------------

The credit and market exposures were calculated based on the provisions of the Resolution of the Commission for Banking Supervision no. 4/2004 dated 8 September 2004.

Warsaw, 2007-02-23

Bank's Chief Accountant

Danuta Szymańska