

The text below is an unofficial translation of the report disclosed by PKO BP pursuant to the Polish Act on Public Trading in Securities of 21 August, 1997 (as amended). As Polish is the only official language in the Republic of Poland, PKO BP assumes only responsibility for the Polish language report. PKO BP assumes no responsibility for the report in its unofficial English translation.

Current Report No. 15/2004

Warsaw, October 26, 2004

On the Changes to the Prospectus in Connection with the Preliminary Information Memorandum

Pursuant to Article 81.1.1 of the Act of 21 August 1997 – the Law on Public Trading in Securities, Powszechna Kasa Oszczędności Bank Polski S.A. in connection with furnishing on October 25, 2004 the Preliminary Information Memorandum to selected foreign institutional investors, hereby informs of the following changes to the Bank's prospectus published on 6 October 2004.

1. Introduction, p. 2, fourth paragraph,

After the second sentence, the following new sentence is to be added:

“THE STABILISATION AGENT IS FURTHER OBLIGED TO COMPLY WITH THE PRICE STABILISING RULES BINDING IN THE UNITED KINGDOM, RESULTING FROM THE FINANCIAL SERVICES AND MARKETS ACT 2000.”

2. Introduction, p. 2, fifth paragraph,

The second sentence is to be replaced by the following sentence:

“THE STABILISATION OPTION MAY BE EXECUTED BY THE STABILISING AGENT IN THE STABILISATION PERIOD.”

3. Chapter I, p. 11, section 2.2.6,

The last paragraph is to be replaced by the following two paragraphs:

“In addition, pursuant to the provisions of the Polish Prospectus Regulation dated 16 October 2001, the Bank is required, with effect from the financial statements for 2004, to identify and reconcile certain differences between PAS and IFRS, or US GAAP. The Bank may be unable to comply with the above-mentioned requirements, which may result in the Bank's financial reporting principles being non-compliant with the provisions of the Polish Prospectus Regulation.

In order to assist issuers in providing comparative figures stated in the 2004 financial statements, the Regulation of the Council of Ministers on the requirements for issue prospectuses and abbreviated issue prospectuses, dated 11 August 2004, provides that if an issuer is unable to provide certain comparative figures in the consolidated financial statements for financial periods during the calendar year 2004, despite the issuer's best efforts, the issuer may describe existing differences in such areas, indicate that no comparative figures are available, and state the reasons therefor. The Bank has taken advantage of this exemption in the course of preparing its unaudited consolidated financial statements for the six month period ended 30 June 2004, as stated in section 13 of the introduction to the above unaudited consolidated financial statements.”

4. Chapter I, p. 16, section 4.2,
In the table, following the cell “Return on average assets” a new cell is to be added:

Net fees and commissions income to net income from banking activity	26.1%	24.5%	19.0%	16.6%
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5. Chapter IV, p. 69. section 7.1,
At the end of the first paragraph, a new sentence is to be added:

“The Bank initially relied on a nationwide network of post offices, which it used as outlets for operating its business.”

6. Chapter IV, p. 73,
A new section 8.5 is to be added:

“8.5 Capitalisation

The following table sets forth the unaudited capitalisation and indebtedness of the Bank and its consolidated subsidiaries as of 30 June 2004. This information should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated financial statements.

On 1 January 2004, the Polish Accounting Standards were amended. As a result, the information included in the consolidated financial statement of the PKO BP Group for the six month period ended 30 June 2004, in the table below, is not comparable with the financial data included in the audited consolidated financial statements of the PKO BP Group for the year ended 31 December 2003 and consolidated comparative financial data for the years ended 31 December 2002 and 31 December 2001. The description of differences and data reclassifications as of 31 December 2003, in relation to the approved consolidated financial statements of the PKO BP Group for the year ended 31 December 2003 arising out of the above changes are discussed in Additional Notes and Explanations No. 33 and No. 34 to the consolidated financial statements of the PKO BP Group for the six month period ended 30 June 2004”.

As of the date hereof, there has been no material change in the total capitalisation and indebtedness of the Group since 30 June 2004.

	(PLN thousand)
	As of 30 June 2004
	Amount
Short-term liabilities	
Amounts due to the financial sector	1,594,449
Amounts due to the non-financial and public sector	69,475,596
Total short-term liabilities	71,070,045
Long-term liabilities¹	
Amounts due to the financial sector	172,309
Amounts due to the non-financial and public sector	1,877,899
Total long-term liabilities	2,050,208
Capital and reserves	
Share capital	1,000,000
Reserve capital	2,802,781
Revaluation reserve	152,768
Other reserve capital	2,370,000
Retained earnings (loss) from previous years	4,726
Total shareholders' equity	6,330,275

Minority capital	—
Total capitalisation	79,450,528

Source: Financial statements of the PKO BP Group.

¹ Liabilities of more than one year.

7. Chapter IV, p. 77, section 18.1.1,

In the description of *Inteligo Financial Services S.A.*, after the second sentence, a new sentence is to be added:

“Since 2003, the Bank has used the Inteligo on-line banking platform for the sale and distribution of PZU S.A. and PZU Zycie S.A. insurance and life insurance products.”

In the description of *Bankowy Fundusz Leasingowy S.A.*, at the end of the last paragraph, a new sentence is to be added:

“BFL 's strategy includes continued use of the Bank 's network to grow its sales and cooperation with the Bank in the development of joint products and services.”

In the description of *Powszechne Towarzystwo Emerytalne Bankowy S A.*, after the fourth sentence, a new sentence is to be added:

“Management intends to focus on improving PTE Bankowy 's management structure and on increasing PTE Bankowy 's current market position, its profitability and the Bank 's return on its investment in this entity.”

8. Chapter IV, p. 80, section 18.1.2,

The last sentence is replaced with the following sentence:

“As of 30 June 2004, the company had a share of the Polish asset management market of approximately 11% based on publicly available financial reports of asset management companies.”

9. Chapter V, p. 89, section 1.1,

At the end of the second paragraph, a new sentence is to be added:

“The Bank is also one of the largest employers in Poland with 35,929 full-time equivalent staff and employees as of 30 June 2004.”

10. Chapter V, p. 92, section 2.2,

After the last paragraph, a new paragraph is to be added:

“The contribution from the Bank 's subsidiaries to the consolidated net profit for the Group was approximately 3.5% for the first half of 2004 (according to information from the Bank 's unaudited management accounts).”

11.Chapter V, p. 92,
A new section 2.2.1 is to be added:

“2.2.1 Key Components of the Group's Results of Operations

The Group generates income primarily from services for Retail Banking Customers, Corporate Banking Customers and Mortgage and Real Estate Customers as well as other activities (including treasury operations).

Services for Retail Banking Customers

The Bank ' s services for Retail Banking Customers consist mainly of deposit-taking from individuals and consumer lending, as well as banking card services.

The Banks portfolio of loans granted to Retail Banking Customers represented approximately 21% of the Bank ' s total loan portfolio as of 30 June 2004. The Bank ' s retail deposit business is significant, accounting for approximately 77% of the Bank ' s total customer deposits as of 30 June 2004.

Income from the Bank ' s retail banking activities includes interest income from loans to individuals and fees income from banking card-related services, and fees and commission income. Expenses from services for Retail Banking Customers consist primarily of interest expense relating to retail deposits.

Services for Corporate Banking Customers

The Bank ' s services for Corporate Banking Customers include lending to and deposit-taking from corporate, public sector and SME customers, and issuance of publicly traded and privately placed debt securities and banking card services.

The Bank ' s portfolio of loans granted to Corporate Banking Customers represented approximately 39% of the Bank ' s total loan portfolio as of 30 June 2004. The Bank ' s corporate deposits accounts for approximately 14% of the Bank ' s total deposits as of 30 June 2004.

Income from the Bank ' s corporate banking activities is primarily derived from interest income attributable to corporate lending. Expenses related to corporate banking primarily reflect interest expense on deposits from Corporate Banking Customers and banks and interest expense on borrowed funds.

Services for Mortgage and Real Estate Financing Customers

The Bank offers mortgage and real estate financing products and services to individuals and to institutional customers, including housing associations, residential developers and real estate agencies.

The Bank ' s portfolio of loans granted to Mortgage and Real Estate Financing Customers represented approximately 40% of the Bank ' s total loan portfolio as of 30 June 2004. The Bank ' s deposit business in this sector accounted for approximately 9% of the Bank ' s total customer deposits as of 30 June 2004.

Income from the Bank ' s mortgage and real estate financing activities is primarily derived from interest income attributable to home mortgage loans granted to individuals and other loans secured by mortgages, a sector which has shown significant growth in recent years. Expenses related to the Bank ' s mortgage and real estate financing activities primarily reflect interest expense on deposited funds.

Treasury Operations

As part of its treasury operations, the Bank managed approximately PLN 36 billion of assets as of 31 December 2003, composed primarily of treasury bonds and treasury bills, as well as approximately PLN 1 billion of liabilities, composed primarily of Polish zloty and other currency deposits.”

12. Chapter V, p. 101, section 2.5,

A new sentence is to be added before the last paragraph:

“The Bank offers mortgages denominated in Polish zloty, euro, US dollars and Swiss francs.”

13. Chapter V, p. 107, section 2.8.4,

In the first paragraph after the second sentence a new sentence is to be added:

“The Old Portfolio Guarantee in effect covers approximately 85.5% of the total amount outstanding under the Old Portfolio Loans.”

14. Chapter V, p. 107, section 2.8.4,

The second sentence in the first paragraph is replaced by the following sentence:

“As of 30 June 2004, the company managed five investment funds with total assets of approximately PLN 3.68 million, and had a share of the Polish asset management market of approximately 11% based on publicly available financial reports of asset management companies.”

15. Chapter VI, p. 176, section 1,

The second paragraph is replaced by the following wording:

“Critical Accounting Policies

The Bank 's significant accounting policies are described in Note 13 to the Introduction to the Audited Consolidated Financial Statements and Note 12 of the Introduction to the Unaudited Consolidated Financial Statements appearing elsewhere in this Information Memorandum. The preparation of the Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses as of and for the relevant date or period. At each balance sheet date, management makes judgements using its best estimates and assumptions based on knowledge available at the time of the balance sheet 's preparation. Management evaluates its estimates and assumptions, including those related to specific provisions, on an ongoing basis. Management bases its estimates and assumptions on historical experience and on various other factors that are believed to be reasonable under the circumstances. However, future results may differ from estimates under different assumptions or conditions.

Management believes that the following critical accounting policies require more estimates and/or assumptions and therefore involve greater exercise of judgement, or involve a greater degree of complexity in application, by management than do other accounting policies.

Amounts Due from the Financial, Non-financial and Public Sectors' and Specific Provisions for Loan Exposures

Amounts due from the financial, non-financial and public sectors are stated at nominal value increased by interest due, and decreased by specific provisions created in order to ensure the recoverability of receivables classified as normal and non-performing. Specific provisions were

created in accordance with the Decree of the Minister of Finance dated 10 December 2001 on the creation of provisions for risk relating to banking activity (Journal of Laws No. 149, Item 1672, as amended), replaced by the Provision Regulation, whereby loans are divided into the following five categories: "normal", "watch", "substandard", "doubtful" and "lost".

In calculating specific provisions, the Bank uses the estimated value of collateral, as required by binding legal regulations, and the Bank ' s internal rules which specify the methods for estimating the value of accepted collateral. These estimates may change in the future due to potential changes in the value of collateral and the efficiency of foreclosure procedures, which may have impact on the amount of specific provisions and, accordingly, on the future financial results of the PKO BP Group.

The rules for the classification of the Old Portfolio Loans and for the creation of specific provisions for these loans are based on Resolution No.75/KNB/2000 of the Banking Supervisory Committee dated 20 July 2000. This Resolution determines the method for the classification of housing loans advanced to housing associations by the Bank, which are repaid as stated by the State Assistance Act, the refund of guarantee premium to banks and amendments to certain acts regarding auxiliary construction work and on housing loans advanced to private individuals.

In order to facilitate the classification of loan receivables into given categories, the Old Portfolio Loans are divided into loan receivables from housing cooperatives and loan receivables from private customers.

In accordance with the provisions of the Decree of the Minister of Finance referred to above, the Bank decreased the level of required specific provisions for loans classified as "watch" by an amount not exceeding 25% of its general banking risk provision, created in accordance with Article 130 of the Banking Law.

Debt Securities

Debt securities held for trading or available for sale are stated at fair value: (1) for those for which there is an active market, with reference to market value; and (2) for those for which there is no active market, with reference to another value accepted as the fair value.

The effects of fair value valuation of the securities available for sale are recorded as income or expense from financial operations, as appropriate.

Differences between the fair value and amortised cost of available for sale securities are charged to the revaluation reserve. Write-downs due to permanent diminution of value are charged directly to the profit and loss account.

Debt securities held to maturity are presented at acquisition cost, adjusted by accrued interest, discount, and premium and taking into account any write-downs due to permanent diminution of value.

Equity Securities

Equity securities classified as securities held for trading or available for sale are stated at fair value, which in the case of securities: (1) for those which there is an active market, with reference to market value; and (2) for those which there is no active market, with reference to another value accepted as the fair value.

The effects of fair value valuation of equity securities classified as securities held for trading are recorded as income or expense on financial operations, as appropriate.

The effects of changes in the fair value of equity securities classified as available for sale are charged

to the revaluation reserve.

Effective Interest Rate

The Group took advantage of the provisions of the Decree of the Minister of Finance dated 2 December 2003 amending the Decree on the specific accounting policies for banks (Journal of Laws No. 211, Item 2061), to determine the value of financial instruments according to amortised cost using the effective interest rate method starting from 1 January 2005.

The PKO BP Group has undertaken certain preparatory activities in order to adapt its accounting systems for implementation of the amortised cost method using the effective interest rate starting from 1 January 2005.

Depreciation, Amortisation and Write-downs Due to Permanent Diminution in Value

Tangible and intangible fixed assets are depreciated or amortised in the Group using the straight-line method over the assets' estimated economic useful lives, which for the main groups of these assets correspond to the depreciation and amortisation periods used for tax purposes. The amount of applied depreciation and amortisation rates reflects the economic useful lives of the assets and takes into account the physical and economic usage of tangible and intangible fixed assets.

An assessment is made at each balance sheet date by the Group entities to determine whether there is any objective evidence that the carrying amount of an asset does not exceed its anticipated future economic benefits. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss recognised for the difference between the recoverable amount and the carrying amount. Impairment losses are recorded under other operating expenses.

Receivables Write-offs

Write-offs of loan exposures are charged against specific provisions. Write-offs of other receivables are charged against the write-downs up-dating their value. In the case of loan exposures for which no specific provision was created, or for which the provision is lower than the exposure, the write-off is charged directly to other operating expenses. In the case of other receivables that were not fully covered by write-downs, the difference is also charged directly to expenses.

Off-Balance Sheet Liabilities Granted

The Group presents off-balance sheet liabilities granted at nominal value. Specific provisions are created for off-balance sheet liabilities subject to credit risk. In the case of unused amounts of loans, provisions are created when the liability is unconditional, consistent with the Decree of the Minister of Finance dated 10 December 2001 on the creation of provisions for risk relating to banking activity (Journal of Laws No. 149, Item 1672, as amended), replaced by the Provision Regulation.

Deferred Tax

Deferred tax liabilities and deferred tax assets arise due to timing differences between the moment income is recognised as earned and cost is recognised as incurred, according to the Polish Accounting Act and according to the tax regulations. The amount of deferred tax is determined, using the balance sheet method, as a change in the balance of deferred tax assets and deferred tax liabilities. The deferred tax liability and deferred tax asset of each of the Group entities are aggregated and presented net in the balance sheet under assets or liabilities, as appropriate. The change in the balance of deferred tax liability and deferred tax asset is included in taxation, deferred part, except in so far as they relate to the deferred tax effects of fair value adjustment of financial assets credited to revaluation reserve. The calculation of deferred tax takes into account the balance of the deferred tax asset and deferred tax liability at the beginning and at the end of the reporting period.

General Banking Risk Provision

Under Article 130.3 of the Banking Law, the Bank may create a general banking risk provision to safeguard against the risk relating to banking activity. The Bank systematically analyses the adequacy of the level of its general banking risk provision.

Provision for Future Liabilities to Employees

In accordance with the Collective Labour Agreement, all employees of the Bank are entitled to jubilee bonuses after completing a set number of years in service and to retirement bonuses upon retirement. The Group periodically performs an actuarial valuation of the provision for future liabilities to employees under this scheme. The Group creates an accrual for the future liabilities of the Group relating to unused annual leave, taking into account all remaining unused holiday days, which is disclosed under "Accruals".

Prepayments and Accruals

The Group recognises prepayments as the amount of expenses incurred in the current period if the costs incurred relate to future reporting periods. Accruals are recognised at the amount of costs relating to the current reporting period that will be incurred in a future period.

Derivative Instruments

Speculative derivative financial instruments are stated at fair value. In the event that the estimated fair value is lower or higher than the acquisition cost or the sale price of the instrument, the difference is charged, respectively, to costs or income from operations with financial instruments, in correspondence with other financial assets, or other liabilities arising from financial instruments.

The result of the ultimate settlement of derivative transactions is reflected in the result from financial operations. The results from currency swap and currency forward transactions are presented by the Bank as part of the result from foreign exchange. The nominal value of the underlying instruments is presented in off-balance sheet items from the date of origination of the transaction until maturity. Off-balance sheet items denominated in foreign currencies are revalued at the end of each day according to the average NBP exchange rate.

The fair value of financial instruments which are publicly traded is their market value less transaction costs, if significant. Where the market value cannot be established, fair value is estimated on the basis of a valuation model, for which the input data are taken from an active market.

Revenue Recognition

The Group recognises the following items on an accrual basis: interest income, including accrued amounts due and not due, together with interest capitalised and accrued to be capitalised on receivables classified as "normal" and "watch" , except for interest on non-performing loans. The interest income also includes interest received (relating to the current reporting period), and interest received in the previous reporting periods relating to the current reporting period.

The Group recognises fees and commission income on loans, guarantees, letters of credit, operation of bank accounts, conducting banking operations and servicing of banking cards on a cash basis (when due)."

**16. Chapter VI, p. 178, section 1.1.2,
After the first paragraph a new sentence is to be added:**

“Fees and commission income includes income from fees charged by the Group in connection with lending and non-lending activities.”

**17. Chapter VI, p. 189, section 1.1.2,
After the second paragraph a new sentence is to be added:**

“The following table sets out a breakdown of net fees and commission income from banking activities for the years ended 31 December 2001, 2002 and 2003.”

**18. Chapter VI, p. 189, section 2.2,
After the first paragraph a new sentence is to be added:**

“The inflation rate as of 30 September 2004 was 4.4%.”

**19. Chapter VI, p. 190,
A new section 2.6 is to be added:**

“2.6 Development of the Mortgage and Real Estate Market

The mortgage and real estate market in Poland, which effectively began in 1999, has developed significantly since 2001. In particular, housing loans for individuals have enjoyed the highest growth rate of all loans extended by the Polish banking sector in the last few years and the Bank is a market leader in this area. This growth has been the most significant factor in the Bank's results of operations and financial position in recent years. This development has been driven primarily by improved macroeconomic conditions in 2002, 2003 and the first half of 2004, and the significant decrease in interest rates since 2002.”

**20. Chapter VI, p. 192, section 3.2,
In the second table, after the row “Return on average assets”, a new row is to be added:**

Net fees and commissions income to net income from banking activity	26.1%	24.0%
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**21. Chapter VI, p. 192, section 3.2,
In the second table, after the row “Coverage of gross loans”, a new row is to be added:**

Change in provisions value and revaluation to average gross receivables	0.03%	n.a.
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**22. Chapter VI, p. 196, section 3.1.8,
In the table “Overhead costs”, the column:**

1st half-year 2004 / 1st half-year 2003 % Change
8.3%
4.5%
35.7%
0.8%
19.2%
58.5%
5.3%

shall be worded as follows:

1st half-year 2004 / 1st half-year 2003 % Change
8.3%
4.5%
(35.7%)
0.8%
(19.2%)
58.5%
5.3%

**23. Chapter VI, p. 207,
A new section 4.5 is to be added:**

“4.5 Accounting Change

The consolidated financial statements as of and for the half-year ended 30 June 2004 have been revised but have not been audited by an auditor. On 1 January 2004, the Polish Accounting Standards were amended and the unaudited consolidated financial statements as of and for the six month period ended and as of 30 June 2004 have been prepared according to the Polish Accounting Standards, as amended. As a result of the above, for comparison purposes only, balance sheet and income statement data as at and for the six month period ended 30 June 2003 has been presented as if such amendments to the Polish Accounting Standards were in effect for such period, and the comparative financial data in these financial statements have been presented as if such amendments were in effect for the periods to which they relate. As a result of these amendments, the basis of reporting for the six month period ended and as of and for 30 June 2004 is not comparable with the basis on which data are presented in the audited consolidated financial statements included in Chapter VIII. The description of differences and data reclassifications as of 31 December 2003, in relation to the approved consolidated financial statements of the PKO BP Group for the year ended 31 December 2003, arising out of the above changes are discussed in Additional Notes and Explanations No. 33 and No. 34 to the consolidated financial statements of the PKO BP Group for the six months ended 30 June 2004.”

24. Chapter VI, p. 208,

The current section 6.1.4 shall be replaced with the following wording:

“6.1.4 Decreasing Interest Margins

It is anticipated that the income structure of banks in Poland will be approximating those currently existing in EU Member States. As a result, Polish banks' income may decrease in relation to interest rate income, forcing banks to change their strategy and seek additional sources of income, including fees and commission-based income, and begin intensive cross-selling through their capital relations with non-banking institutions and involvement in new government programmes or participation in the distribution of EU funds.”

25. Chapter VII, p. 223, section 1.3,

The first sentence of section “Regional corporate branches” shall be worded as follows:

“The Bank's corporate banking operations are organised around a structure of 13 regional corporate branches operating under the direct supervision of the director responsible for the Bank's corporate banking division, servicing corporate customers located in its assigned region (with the 13 regions corresponding to the administrative national geographical regions).”

26. Chapter VII, p. 223, section 1.3,

At the end of the last paragraph of section “Regional retail branches”, a new sentence is to be added:

“The regional branches supervise all sales and distribution operations for all branches within a specific region and do not conduct any sales activities.”

27. Chapter IX, p. 836,

A new section 7 is to be added:

“7 Selected Statistical and Other Information Relating to the Group

Introduction

The following selected statistical and other information has been derived from the Bank's management accounts and has not been subject to any review or audit. The information should be read in conjunction with the financial data included in the consolidated financial statements of the PKO BP Group for the year ended 31 December 2003 and audited consolidated comparative financial data for the years ended 31 December 2002 and 31 December 2001 and the reviewed consolidated financial statements of the PKO BP Group for the six month period ended 30 June 2004, as well as information included in Chapter VI.

The consolidated financial statements as of and for the year ended 31 December 2003, including the consolidated comparative financial data as of and for the two years ended 31 December 2001 and 2002, have been audited by Ernst & Young Audit Sp. z o.o.

On 1 January 2004, the Polish Accounting Standards were amended. As a result, the information included in the consolidated financial statements of the PKO BP Group for the six month period ended 30 June 2004 has been prepared in accordance with amended PAS. As a result of the above, for comparison purposes only, balance sheet and income statement data as at and for the six month period ended 30 June 2003 has been presented as if such amendments to the Polish Accounting Standards

were in effect for such period, and the comparative financial data in these financial statements have been presented as if such amendments were in effect for the periods to which they relate. As a result of these amendments, the basis of reporting for the six month period ended and as of and for 30 June 2004 is not comparable with the basis on which data are presented in the audited consolidated financial statements included in Chapter VIII. The description of differences and data reclassifications as of 31 December 2003 in relation to the approved consolidated financial statements of the PKO BP Group for the year ended 31 December 2003 arising out of the above changes are discussed in Additional Notes and Explanations No. 33 and No. 34 to the consolidated financial statements of the PKO BP Group for the six month period ended 30 June 2004.

Average Balance Sheets and Interest Rates for the Year Ended 31 December 2001, 2002 and 2003

The following table sets forth average balances and interest rates for the Bank for each of the years ended 31 December 2001, 2002 and 2003. In this table and elsewhere herein, average balances are calculated from monthly balances except where otherwise noted.

	Year ended 31 December								
	2001			2002			2003		
	Average balance	Interest earned/paid	Average interest rate	Average balance	Interest earned/paid	Average interest rate	Average balance	Interest earned/paid	Average interest rate
	(PLN millions, except percentages) (unaudited)								
PLN interest-earning assets	57,533.4	9,838.8	17.1	57,091.3	6,180.6	10.8	60,335.7	4,647.5	7.7
Housing loans	8,075.8	1,402.6	17.4	7,107.9	800.4	11.3	8,156.9	650.6	8.0
Corporate loans	6,603.1	1,074.0	16.3	6,569.4	634.2	9.7	6,723.5	421.0	6.3
Loans to the public sector	1,398.0	226.3	16.2	2,956.5	269.7	9.1	5,320.2	315.9	5.9
Loans to the financial sector	266.3	39.7	14.9	162.6	12.1	7.4	152.3	5.4	3.5
Consumer loans	8,179.4	1,687.5	20.6	7,772.5	1,137.1	14.6	7,618.9	928.0	12.2
Interbank	6,835.4	1,206.6	17.7	3,285.4	333.0	10.1	5,536.4	338.9	6.1
Debt securities	26,175.4	4,202.1	16.0	29,237.0	2,994.1	10.3	26,827.5	1,987.7	7.4
Foreign currency interest-earning assets	8,710.7	503.8	5.8	14,571.1	553.2	3.8	14,136.5	500.3	3.5
Housing loans	1,588.9	144.0	9.1	3,974.4	286.5	7.2	5,090.8	311.9	6.1
Corporate loans	1,667.0	122.5	7.4	1,535.9	65.3	4.3	1,574.7	56.0	3.6
Loans to the public sector	34.2	1.9	5.7	63.7	3.0	4.7	62.8	2.3	3.6
Loans to the financial sector	280.8	16.5	5.9	316.0	15.5	4.9	364.2	14.3	3.9
Consumer loans	239.5	24.8	10.4	276.1	25.9	9.4	244.2	20.9	8.6
Interbank	4,888.3	194.1	4.0	8,401.0	157.0	1.9	6,799.8	94.9	1.4
Debt securities	12.0	n.a.	n.a.	4.0	n.a.	n.a.	—	—	—
Total interest-earning assets	66,244.1	10,342.6	15.6	71,662.4	6,733.8	9.4	74,472.2	5,147.8	6.9
PLN interest-bearing deposits	61,497.8	6,391.0	10.4	64,735.2	3,202.4	4.9	65,386.4	1,711.3	2.5
Deposits from individuals	54,896.0	5,823.7	10.6	57,228.6	2,887.3	5.0	56,152.6	1,350.6	2.4
Deposits from non-financial sector	4,566.4	328.4	7.2	5,138.1	166.7	3.2	5,931.1	117.9	2.0
Deposits from public sector	1,159.4	108.7	9.4	1,440.3	65.7	4.6	2,517.8	99.0	3.9
Deposits from financial sector	876.1	123.2	14.1	928.2	70.6	7.6	784.9	41.1	5.2
Foreign currency interest-bearing deposits	4,120.0	125.7	3.1	5,404.2	93.2	1.7	5,896.0	69.4	1.2
Deposits from individuals	3,488.9	101.1	2.9	4,415.2	62.6	1.4	4,758.8	45.0	0.9
Deposits from non-financial sector	128.8	2.6	2.0	206.6	2.5	1.3	285.8	2.5	0.9
Deposits from public sector	2.4	—	2.1	3.8	—	1.2	6.6	—	0.5
Deposits from financial sector	499.9	22.0	4.4	778.6	28.1	3.6	843.9	21.9	2.6
Debt securities	—	—	—	—	—	—	0.9	n.a.	n.a.
Total interest-bearing liabilities	65,617.8	6,516.7	9.9	70,139.4	3,295.6	4.7	71,282.4	1,780.7	2.5
Net return from interest-earning assets¹	5.8			4.8			4.5		
Equity-to-assets ratio²	n.a.			5.8			7.1		

Source: Management accounts.

¹ Net interest income divided by total interest-earning assets.

² Average equity divided by average total assets.

Note: Non-accruing loans which have not been written off are included in the above calculations.

Analysis of Changes in Net Interest Income

The following table sets forth an analysis of changes in the Bank's net interest income attributable to changes in volume of interest-earning assets and interest-bearing liabilities, and changes in rate for the year ended 31 December 2001, as compared to the year ended 31 December 2002, and for the year ended 31 December 2002 as compared to the year ended 31 December 2003. Increases and decreases

under "Volume" and "Rate" below have been calculated on the movement in the average balances and the change in the interest rates on average interest earning assets and average interest-bearing liabilities.

	Year ended 31 December 2001/2002			Year ended 31 December 2002/2003		
	Increase/(decrease) due to changes in:			Increase/(decrease) due to changes in:		
	Volume ¹	Rate ²	Total ³	Volume ¹	Rate ²	Total ³
	(PLN millions)			(PLN millions)		
	(unaudited)			(unaudited)		
PLN interest-earning assets	(75.6)	(3,610.3)	27.7	351.2	(1,783.0)	(101.3)
Housing loans	(168.1)	(493.2)	59.1	118.1	(233.5)	(34.5)
Corporate loans	(5.5)	(436.5)	2.2	14.9	(222.8)	(5.2)
Loans to the public sector	252.3	(98.8)	(110.1)	215.6	(94.2)	(75.3)
Loans to the financial sector	(15.5)	(19.9)	7.7	(0.8)	(6.3)	0.4
Consumer loans	(83.9)	(490.9)	24.4	(22.5)	(190.4)	3.8
Interbank	(626.7)	(513.8)	266.8	228.2	(131.9)	(90.4)
Debt securities	491.5	(1,521.5)	(178.0)	(246.7)	(827.9)	68.2
Foreign currency interest-earning assets	338.9	(173.1)	(116.5)	(16.5)	(37.5)	1.1
Housing loans	216.2	(29.5)	(44.2)	80.5	(43.0)	(12.1)
Corporate loans	(9.6)	(51.6)	4.1	1.6	(10.7)	(0.3)
Loans to the public sector	1.6	(0.3)	(0.2)	—	(0.7)	—
Loans to the financial sector	2.1	(2.7)	(0.3)	2.4	(3.1)	(0.5)
Consumer loans	3.8	(2.3)	(0.4)	(3.0)	(2.3)	0.3
Interbank	139.5	(102.7)	(73.8)	(29.9)	(39.8)	7.6
Debt securities	—	—	—	—	—	—
Total interest-earning assets	846.0	(4,117.9)	(336.8)	264.0	(1,780.2)	(69.8)
PLN interest-bearing deposits	336.4	(3,348.8)	(176.3)	32.2	(1,508.1)	(15.2)
Deposits from individuals	247.5	(3,054.1)	(129.8)	(54.3)	(1,510.8)	28.4
Deposits from non-financial sector	41.1	(180.2)	(22.6)	25.7	(64.6)	(10.0)
Deposits from public sector	26.3	(55.8)	(13.5)	49.2	(9.1)	(6.8)
Deposits from financial sector	7.3	(56.6)	(3.4)	(10.9)	(22.0)	3.4
Debt securities	—	—	—	—	—	—
Foreign currency interest-bearing deposits	39.2	(54.6)	(17.0)	8.5	(29.6)	(2.7)
Deposits from individuals	26.8	(51.6)	(13.7)	4.9	(20.8)	(1.6)
Deposits from non-financial sector	1.6	(1.0)	(0.6)	1.0	(0.7)	(0.3)
Deposits from public sector	—	—	—	—	—	—
Deposits from financial sector	12.3	(4.0)	(2.2)	2.4	(7.9)	(0.7)
Debt securities	—	—	—	—	—	—
Total interest expense	449.1	(3,433.6)	(236.6)	53.7	(1,543.5)	(25.2)
Net interest income	396.9	(684.3)	(100.2)	210.3	(236.7)	(44.6)

Source: Management accounts.

The table includes changes of income and costs in 2002 and 2003 presented in the financial statements.

¹ Change in average volume times previous average rate.

² Change in average rate times previous average volume.

³ Change in average rate times change in average volume.

Note: Non-accruing loans which have not been written off are included in calculations above. Loan fees associated with the above are not included in the computations. No securities included in the table above would be considered tax-exempt.

Investment Portfolio Analysis

The following table sets forth the unaudited book value of the Bank's treasury asset portfolio as of 31 December 2001, 2002, 2003 and 30 June 2004. No securities listed below are considered tax exempt.

	As of 31 December			As of 30 June 2004 ¹
	2001	2002	2003	
	(PLN thousand) (unaudited)			
Securities, including:	24,529,244	26,717,208	27,9	25,854,496
Trading book	76,109	510,050	871,7	491,008
Banking book	24,453,135	26,207,157	27,0	25,363,488
Interbank deposits	13,789,172	11,102,129	7,8	10,850,155
Reverse repo transactions	—	545,961	283,7	—
Interest income(2)	5,491,024	3,517,454	2,2	980,915
Net income from financial transactions	(680)	8,438	119,9	91,708
Net income from foreign exchange transactions	737,154	874,885	532,1	175,233
Fair value adjustments to the available for sale portfolio	n.a.	498,104	7,0	(137,887)

Source: Management accounts.

¹ As a result of changes to the accounting rules data for the first half 2004 may not be fully comparable with data for the years 2001-2003. The description of differences is discussed in Additional Notes and Explanations No. 33 and No. 34 to the consolidated financial statements for the six month period ended 30 June 2004.

The following table sets forth unaudited information on the debt securities held by the Bank as of 31 December 2003, broken down by maturity dates (balance sheet evaluation).

Debt security type	Falling due within one month or less	Within more than 1 and 3 months (inclusive)	Within more than 3 and 6 months (inclusive)	Within more than 6 and 9 months (inclusive)	Within more than 9 and 12 months (inclusive)	Within more than 1 and 3 years (inclusive)	Within more than 3 and 5 years (inclusive)	Within more than 5 years	Total
Issued by the State Treasury	244,416	1,671,408	1,837,568	5,761,290	3,647,363	8,974,449	1,973,002	975,854	25,085,350
Issued by the Central Bank	180,443	—	—	—	—	—	—	2,646,447	2,826,890
Issued by other non-monetary financial institution	—	—	60,224	29,070	—	—	—	—	89,294
Issued by non-financial institutions	441,581	116,052	40,115	1,013	1,013	155,101	—	—	754,875
Issued by self-government authorities	1,006	2,421	8,581	19,305	24,077	221,032	244,657	309,937	831,016
Total debt securities	867,446	1,789,881	1,946,488	5,810,678	3,672,453	9,350,582	2,217,659	3,932,238	29,587,425
Weighted average yield ¹	5.831%	7.686%	7.054%	6.218%	5.645%	6.742%	5.385%	n.a.	6.537%

Source: Management accounts. Data does not include interest.

¹ Average yield to maturity ("ym") of securities weighted by maturity, with ytm calculated as the yield on the purchase date. Only PLN nominated securities were included in this calculation (the USD securities were immaterial for purposes of this item). For variable rate securities, the ytm was calculated as the yield to the next coupon date (revaluation date).

Loan Portfolio Analysis

The following table sets forth unaudited information on the structure and quality of the Bank 's loan portfolio as of 30 June 2004.

	Gross loans	Normal	Watch	Non-performing loans		
				Sub-standard	Doubtful	Lost
	PLN millions (unaudited)					
Retail loans	8,220	7,286	—	69	26	838
New Portfolio housing loans	12,445	11,447	216	204	84	495
Old Portfolio housing loans	3,235	2,909	58	112	22	134
Corporate loans	15,560	12,451	869	269	341	1,631
Total loans	39,461	34,093	1,143	654	473	3,097

Source: Management accounts. Data does not include interest.

The following table sets forth unaudited provisions established for the Bank 's loan portfolio as of 31 December 2001, 2002 and 2003, and as of the six month period ended 30 June 2004.

31 December	30 June
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	2001			2002			2003			2004 ¹		
	Gross	Specific provisions	Net	Gross	Specific provisions	Net	Gross	Specific provisions	Net	Gross	Specific provisions	Net
	PLN millions (unaudited)											
Total loans:	30,039	2,052	27,987	33,627	2,518	31,109	38,749	2,575	36,174	39,461	2,516	36,945
including:												
Normal	24,290	—	24,290	27,230	—	27,230	32,474	—	32,474	34,093	—	34,093
Watch	1,654	2	1,652	1,599	7	1,592	1,519	10	1,509	1,143	13	1,130
Non-performing:	4,094	2,051	2,043	4,798	2,511	2,287	4,755	2,565	2,190	4,225	2,503	1,722
including:												
Substandard	852	99	753	934	94	840	799	62	737	654	27	627
Doubtful	852	258	594	625	167	458	724	113	611	473	94	379
Lost	2,391	1,694	697	3,239	2,250	989	3,232	2,390	842	3,097	2,382	716

Source: Management accounts. Data does not include interest.

¹ Prepared under PAS as amended in the first half of 2004. The description of differences is discussed in Additional Notes and Explanations No. 33 and No. 34 to the consolidated financial statements for the six month period ended 30 June 2004.

The following table sets forth unaudited per-country foreign outstandings as of 31 December 2001, 2002 and 2003.

	2001		31 December 2002		2003	
			(PLN millions except percentages and durations)			
	(unaudited)					
Austria	657.7	9.13%	1,120.6	14.23%	570.1	11.49%
Belgium	99.7	1.38%	249.5	3.17%	551.7	11.12%
Czech Republic	0.7	0.01%	0.9	0.01%	240.0	4.84%
Denmark	2.0	0.03%	1.3	0.02%	11.8	0.24%
Finland	119.6	1.66%	—	0.00%	—	0.00%
France	744.3	10.33%	230.3	2.93%	242.4	4.88%
Germany	776.0	10.77%	729.4	9.26%	365.4	7.36%
Greece	—	0.00%	191.9	2.44%	—	0.00%
Holland	295.0	4.09%	—	0.00%	40.0	0.81%
Hungary	—	0.00%	2.5	0.03%	—	0.00%
Iceland	—	0.00%	180.4	2.29%	74.8	1.51%
Ireland	478.4	6.64%	623.7	7.92%	449.9	9.07%
Italy	657.7	9.13%	664.1	8.44%	287.0	5.78%
Japan	79.7	1.11%	—	0.00%	—	0.00%
Norway	120.7	1.67%	558.2	7.09%	357.6	7.21%
Portugal	438.5	6.08%	449.1	5.71%	1,050.5	21.17%
Singapore	79.7	1.11%	—	0.00%	—	0.00%
Spain	299.0	4.15%	833.0	10.58%	229.4	4.62%
Sweden	101.0	1.40%	155.7	1.98%	3.2	0.06%
United Kingdom	1,732.5	24.04%	1,728.0	21.95%	488.4	9.84%
United States	524.2	7.27%	153.6	1.95%	—	0.00%
Total foreign	7,206	100.00%	7,872	100.00%	4,962	100.00%
Foreign loans ' duration	0.035		0.054		0.151	
All loans ' duration	0.035		0.050		0.161	

Source: Management accounts.

¹ Duration calculated as average time to maturity in years.

The Bank ' s loan portfolio as of 31 December 2003 had the following maturities and sensitivities of loans to changes in interests rates.

	Gross loans	Due in 1 year or less	Due after 1 year through five years	Due after five years	Amount due after one year	
					Fixed interest rates	Floating interest rates
	PLN millions (unaudited)					
Consumer loans	7,860	6,127	1,577	156	103	1,630
New Portfolio housing loans	11,342	1,731	3,915	5,696	—	9,611
Old Portfolio housing loans	3,388	—	—	—	—	3,388
Business loans	16,127	9,253	5,144	1,730	—	6,874
Total loans	38,717	17,111	10,636	7,582	103	21,503

Source: Management accounts.

Deposits Analysis

The following table sets forth unaudited information on the Bank ' s distribution of deposits as of the years ended 31 December 2001, 2002 and 2003, and the average for the years ended 31 December 2001, 2002 and 2003. All deposits are interest bearing.

	As of						Average For Year Ended					
	31 December		2002		2003		2001		2002		2003	
	2001	%	2002	%	2003	%	2001	%	2002	%	2003	%
(PLN millions, except percentages) (unaudited)												
PLN Deposits												
Deposits from retail customers	57,7	88.07	56,8	86.33	55,6	83.74	54	89.27	57,229	88.40	56,152	85.88
Deposits from the non-financial sector	5,3	8.17	6,2	9.45	7,2	10.87	4	7.42	5,138	7.94	5,931	9.07
Deposits from the public sector	1,2	1.85	2,0	3.04	2,8	4.36	1	1.88	1,440	2.22	2,518	3.85
Deposits from the financial sector	1,2	1.92	774	1.18	684	1.03	876	1.42	928	1.43	785	1.20
Total PLN Deposits	65,5	100	65,8	100	66,4	100	61	100	64,735	100	65,386	100
Foreign Currency Deposits												
Deposits from retail customers	4,1	80.67	4,5	81.91	5,0	82.38	3	84.68	4,415	81.70	4,759	80.72
Deposits from the non-financial sector	164	3.15	279	5.07	354	5.76	129	3.13	207	3.83	286	4.85
Deposits from the public sector	0	0	6	0.11	10	0.16	2	0.05	4	0.07	7	0.12
Deposits from the financial sector	841	16.18	711	12.91	718	11.69	500	12.14	778	14.40	844	14.31
Total Foreign Currency Deposits	5,1	100	5,5	100	6,1	100	4	100	5,404	100	5,896	100

Source: Management accounts.

Capitalized terms not defined in the report shall have the meaning assigned to them in the Prospectus.

Stabilization/FSA.