



**PKO BANK POLSKI
SPÓŁKA AKCYJNA**

**INTERIM FINANCIAL STATEMENTS
OF
THE PKO BANK POLSKI S.A. GROUP
FOR THE THIRD QUARTER OF 2006**

Prepared in accordance with
International Financial Reporting Standards

Table of Contents

1. Summary	3
2. Accounting policies	3
3. Financial statements	4
4. Impairment of assets of the Bank	12
5. Adjustments due to provisions, deferred tax asset and deferred tax liability	12
6. Description of the PKO BP S.A. Group	13
6.1 Entities included in the consolidated financial statements	13
6.2 Changes in the organisation of subordinated entities in the 3rd quarter of 2006	14
6.3 Related party transactions	15
7. Major achievements of PKO BP S.A. in the 3rd quarter of 2006	16
7.1 General information	16
7.2 Banking activities	16
7.3 Brokerage activities	18
8. Major achievements of subsidiaries in the 3rd quarter of 2006	19
9. Factors and events with significant impact on financial results	21
9.1 Financial performance of the PKO BP S.A. Group in the 3rd quarter of 2006	21
9.2 Financial performance of PKO BP S.A. in the 3rd quarter of 2006	24
9.3 Factors affecting financial performance of PKO BP S.A.	26
10. Seasonality or cyclical nature of activities in the reporting period	28
11. Issuance, redemption and repayment of debt and equity securities	28
12. Events that occurred after the date of the preparation of the report that may affect future financial results	28
13. Position of the Management Board as regards the possibility of achieving previously published forecasts	28
14. Information on dividend paid or declared	28
15. Shareholders holding, directly or indirectly, at least 5% of votes at the general shareholders' meeting	28
16. Changes in the number of issuer's shares held by the Management or Supervisory Board members	29
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	30
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	30
19. Factors which may affect future financial performance within at least the next quarter	30
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	30
21. Proceedings pending before the court, arbitration tribunal or public administrative authority	30
22. Other disclosures significant for evaluation of the issuer's human resources, financial situation, financial performance and any changes therein	31
23. Segmentation of activities of the PKO BP S.A. Group	31
24. Credit risk and market risk of the PKO BP S.A. Group	34

1. SUMMARY

- As at 30 September 2006:
 - total assets of the PKO BP S.A. Group amounted to PLN 97,094 million and were PLN 5,481 million i.e. 6.0% higher compared to the end of 2005;
 - the Groups' total equity amounted to PLN 9,579 million and was PLN 804 million, i.e. 9.2% higher compared to the end of 2005.
- The gross profit of the PKO BP S.A. Group amounted to PLN 778 million in the 3rd quarter of 2006 and was 23.7% higher compared to that earned in the corresponding period of 2005. The net profit for the period amounted to PLN 614 million and was 26.4% higher compared to that recorded in the 3rd quarter of 2005.
- In the three quarters of 2006, the PKO BP S.A. Group recorded gross profit of PLN 1,999 million. After the deductions resulting from tax charges and profits (losses) of minority shareholders, the net profit amounted to PLN 1,566 million. Compared to the first three quarters of 2005, the gross profit and the net profit were higher by 15.3% and 14.1%, respectively.

2. ACCOUNTING POLICIES

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

The accounting policies applied in the Report for the 3rd 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 3/2006

for the 3 quarters of 2006 covering the period from 1 January 2006 to 30 September 2006

Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna		
(full name of issuer)		
PKO BP S.A.		
(abbreviated name of issuer)		
02-515		Warszawa
(postal code)		(city)
Puławska		15
(street)		(number)
(22) 521-71-12	521-71-11	
(telephone)	(fax)	(e-mail)
525-000-77-38	016298263	www.pkobp.pl
(NIP)	(REGON)	(www)

Data derived from consolidated financial statements	PLN thousands		EUR thousands	
	Period from 01.01.2006 to 30.09.2006	Period from 01.01.2005 to 30.09.2005	Period from 01.01.2006 to 30.09.2006	Period from 01.01.2005 to 30.09.2005
SELECTED FINANCIAL DATA				
Net interest income	2 792 228	2 649 982	712 830	652 978
Net fees and commission income	1 273 792	896 222	325 188	220 837
Operating profit	1 997 706	1 714 668	509 996	422 509
Net profit (loss) for the current year (including minority interest)	1 614 296	1 378 074	412 115	339 569
Net profit (loss)	1 566 223	1 372 776	399 842	338 264
Shareholders' equity attributable to the parent company's	9 483 573	8 382 360	2 380 714	2 140 213
Total shareholders' equity	9 579 139	8 458 327	2 404 704	2 159 610
Net cash flow from operating activities	7 752 183	(3 931 474)	1 979 062	(968 749)
Net cash flow from investing activities	(6 641 924)	2 435 817	(1 695 623)	600 206
Net cash flow from financing activities	(660 734)	(76 011)	(168 679)	(18 730)
Total net cash flows	449 525	(1 571 668)	114 760	(387 273)
Net profit per ordinary share for the period	1.57	1.37	0.40	0.34
Diluted net profit per ordinary share for the period	1.57	1.37	0.40	0.34

Data derived from condensed financial statements	PLN thousands		EUR thousands	
	Period from 01.01.2006 to 30.09.2006	Period from 01.01.2005 to 30.09.2005	Period from 01.01.2006 to 30.09.2006	Period from 01.01.2005 to 30.09.2005
SELECTED FINANCIAL DATA				
Net interest income	2 714 960	2 602 957	693 105	641 391
Net fees and commission income	1 233 037	857 859	314 783	211 384
Operating profit	1 836 527	1 678 056	468 849	413 487
Gross profit	1 836 527	1 678 056	468 849	413 487
Net profit	1 492 363	1 330 677	380 987	327 890
Total shareholders' equity	9 461 444	8 447 147	2 375 159	2 156 755
Net cash flow from operating activities	7 794 964	(3 965 439)	1 989 983	(977 118)
Net cash flow from investing activities	(6 548 433)	2 472 501	(1 671 755)	609 245
Net cash flow from financing activities	(801 245)	(1 399)	(204 551)	(345)
Total net cash flows	445 286	(1 494 337)	113 677	(368 217)
Net profit per ordinary share for the period	1.49	1.33	0.38	0.33
Diluted net profit per ordinary share for the period	1.49	1.33	0.38	0.33

BALANCE SHEET OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI S.A. GROUP		
ASSETS	As at 30.09.2006	As at 31.12.2005
Cash and amounts due from the Central Bank	3 728 960	3 895 331
Amounts due from banks	13 181 957	12 663 295
Financial assets held for trading	660 098	851 003
Derivative financial instruments	1 016 571	1 137 227
Other financial instruments at fair value through profit or loss	10 454 804	20 059 683
Loans and advances to customers	55 220 754	46 874 629
Investment securities	8 406 725	1 881 378
1. Available for sale	8 406 725	1 881 378
2. Held to maturity	-	-
Investments in associates and jointly controlled entities	186 193	184 345
Intangible assets	825 534	688 770
Tangible fixed assets	2 539 770	2 643 551
Amounts due from current tax	522	87
Deferred tax asset	45 428	29 101
Other assets	826 856	704 781
TOTAL ASSETS	97 094 172	91 613 181
LIABILITIES AND EQUITY		
	As at 30.09.2006	As at 31.12.2005
Liabilities		
Amounts due to the Central Bank	1 066	766
Amounts due to other banks	1 835 378	2 083 346
Derivative financial instruments	1 073 618	1 257 384
Amounts due to customers	82 020 987	76 747 563
Liabilities arising from securities issued	113 146	68 470
Other liabilities	1 940 487	1 862 480
Current tax liability	184 804	436 766
Deferred tax liability	28 026	41 519
Provisions	317 521	339 897
TOTAL LIABILITIES	87 515 033	82 838 191
Equity		
Share capital	1 000 000	1 000 000
Other capital and reserves	7 146 117	5 850 063
Currency translation differences from foreign operations	(6 096)	(4 082)
Retained earnings	(222 671)	150 405
Net profit for the period	1 566 223	1 734 820
Equity attributable to the parent company's shareholders	9 483 573	8 731 206
Minority capital	95 566	43 784
Total equity	9 579 139	8 774 990
TOTAL LIABILITIES AND EQUITY	97 094 172	91 613 181
Capital adequacy ratio	12.62	13.90

PROFIT AND LOSS ACCOUNT OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI S.A. GROUP				
	3rd Quarter Period from 01.07.2006 to 30.09.2006	3 Quarters cumulatively Period from 01.01.2006 to 30.09.2006	3rd Quarter Period from 01.07.2005 to 30.09.2005	3 Quarters cumulatively Period from 01.01.2005 to 30.09.2005
Interest income	1 396 381	4 103 623	1 385 533	4 265 341
Interest expense	(432 262)	(1 311 395)	(495 284)	(1 615 359)
Net interest income	964 119	2 792 228	890 249	2 649 982
Fees and commission income	527 321	1 540 300	375 285	1 124 497
Fees and commission expense	(82 250)	(266 508)	(79 909)	(228 275)
Net fees and commission income	445 071	1 273 792	295 376	896 222
Dividend income	88	3 590	14 542	16 112
Result from financial instruments at fair value	(16 047)	(73 939)	(13 480)	134 312
Result from investment securities	19 665	20 792	204 419	257 636
Foreign exchange result	127 235	419 933	143 049	474 888
Other operating income	248 946	679 505	252 199	554 372
Other operating expense	(97 153)	(191 859)	(53 670)	(120 301)
Net other operating income and expense	151 793	487 646	198 529	434 071
Result on impairment write-downs	16 035	(24 513)	(53 165)	(140 736)
General administrative expenses	(932 442)	(2 901 823)	(1 058 549)	(3 007 819)
Operating profit (loss)	775 517	1 997 706	620 970	1 714 668
Share in the profits (losses) of associates and jointly controlled entities	2 114	866	7 708	18 132
Profit (loss) before income tax	777 631	1 998 572	628 678	1 732 800
Income tax expense	(145 885)	(384 276)	(134 908)	(354 726)
Net profit (loss) for the period (including minority interest)	631 746	1 614 296	493 770	1 378 074
Profit (loss) attributable to minority shareholders	18 215	48 073	8 350	5 298
Net profit (loss)	613 531	1 566 223	485 420	1 372 776
Net profit per ordinary share				
–net profit per ordinary share for the period	0.61	1.57	0.49	1.37
–diluted net profit per ordinary share for the period	0.61	1.57	0.49	1.37

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI S.A. GROUP		
	Period from 01.01.2006 to 30.09.2006	Period from 01.01.2005 to 30.09.2005
EQUITY		
Share capital	1 000 000	1 000 000
Other capital and reserves, of which:	7 146 117	5 851 395
Reserve capital	4 530 138	3 297 614
Revaluation reserve	(15 646)	(2 637)
<i>Fair value adjustments to available-for-sale financial assets</i>	(15 646)	(2 637)
Other reserves	1 561 625	1 556 418
General banking risk fund	1 070 000	1 000 000
Foreign exchange differences on foreign operations	(6 096)	(4 283)
Retained earnings	(222 671)	162 472
Net profit for the period	1 566 223	1 372 776
Equity attributable to the parent company's shareholders	9 483 573	8 382 360
Minority capital	95 566	75 967
<i>Including the result for the period</i>	48 073	5 298
Total equity	9 579 139	8 458 327
Sources of changes in equity		
Equity as at the end of the previous period	8 774 990	8 070 534
Adjustments due to changes in accounting policies	-	149 238
Recognition of minority interest	-	65 849
Adjustments associated with implementation of IFRS/IAS	-	83 389
Equity as at the beginning of the period, restated	8 774 990	8 219 772
Changes in shareholders' equity		
Net profit (loss) for the period attributable to the parent company's shareholders	1 518 150	1 367 478
Profits (losses) of the minority shareholders	48 073	5 298
Fair value adjustments to available-for-sale financial assets recognised in the revaluation reserve	(11 592)	(163 310)
Currency translation differences on subsidiaries	(2 014)	7 189
Other increases/decreases of shareholders' equity	(748 468)	(978 100)
Total shareholders' equity	9 579 139	8 458 327

OFF-BALANCE SHEET ITEMS OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI S.A. GROUP		
	As at 30.09.2006	As at 31.12.2005
Off-balance sheet contingent liabilities granted:	14 967 039	10 268 549
1. financial	12 611 745	8 792 299
2. guarantees	2 355 294	1 476 250
Liabilities arising from the purchase/sale transactions	298 440 289	279 032 415
Other, of which:	17 077 473	14 571 039
- irrevocable liabilities	9 726 550	8 519 942
- received collaterals	7 350 923	6 051 097
Total off-balance sheet items	330 484 801	303 872 003

CONDENSED STATEMENT OF CASH FLOW OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI S.A. GROUP		
	Period from 01.01.2006 to 30.09.2006	Period from 01.01.2005 to 30.09.2005
Net cash flow from operating activities	7 752 183	(3 931 474)
Net cash flow from investing activities	(6 641 924)	2 435 817
Net cash flow from financing activities	(660 734)	(76 011)
Total net cash flow	449 525	(1 571 668)
Cash and cash equivalents at the beginning of the period	11 390 608	13 812 825
Cash and cash equivalents at the end of the period	11 840 133	12 241 157
Components of cash and cash equivalents	11 840 133	12 241 157
Cash on hand	1 107 164	1 186 853
Amounts due to the Central Bank	2 621 796	2 312 463
Current receivables from financial institutions	8 107 349	8 729 341
Cash of the Brokerage House in the Stock Exchange Guarantee Fund	3 824	12 500

BALANCE SHEET OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI S.A.		
ASSETS	As at 30.09.2006	As at 31.12.2005
Cash and amounts due from the Central Bank	3 675 892	3 832 695
Amounts due from banks	13 037 517	12 631 446
Financial assets held for trading	658 913	841 914
Derivative financial instruments	1 016 571	1 137 227
Other financial instruments at fair value through profit or loss	10 296 625	20 034 160
Loans and advances to customers	53 923 910	46 051 847
Investment securities	8 325 964	1 857 578
1. Available for sale	8 325 964	1 857 578
2. Held to maturity	-	-
Investments in subsidiaries, associates and jointly controlled entities	1 024 641	899 932
Intangible assets	612 578	525 306
Tangible fixed assets	2 064 542	2 201 163
Amounts due from current tax	-	-
Deferred tax asset	16 525	-
Other assets	466 265	314 248
TOTAL ASSETS	95 119 943	90 327 516

LIABILITIES AND EQUITY	As at 30.09.2006	As at 31.12.2005
Liabilities		
Amounts due to the Central Bank	1 066	766
Amounts due to other banks	1 538 827	1 943 035
Derivative financial instruments	1 073 618	1 257 384
Amounts due to customers	80 892 854	75 886 880
Liabilities arising from securities issued	-	-
Other liabilities	1 653 853	1 666 180
Amounts due from current tax	183 034	436 494
Deferred tax liability	-	31 351
Provisions	315 247	325 032
TOTAL LIABILITIES	85 658 499	81 547 122
Equity		
Share capital	1 000 000	1 000 000
Other capital and reserves	6 969 081	5 672 620
Retained earnings	-	430 976
Net profit for the period	1 492 363	1 676 798
Total equity	9 461 444	8 780 394
TOTAL LIABILITIES AND EQUITY	95 119 943	90 327 516

Capital adequacy ratio	12.57	14.06
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PROFIT AND LOSS ACCOUNT OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI S.A.				
	3rd Quarter Period from 01.07.2006 to 30.09.2006	3 Quarters cumulatively Period from 01.01.2006 to 30.09.2006	3rd Quarter Period from 01.07.2005 to 30.09.2005	3 Quarters cumulatively Period from 01.01.2005 to 30.09.2005
Interest income	1 344 673	3 958 214	1 347 915	4 160 426
Interest expense	(406 717)	(1 243 254)	(475 175)	(1 557 469)
Net interest income	937 956	2 714 960	872 740	2 602 957
Fees and commission income	517 462	1 512 721	361 455	1 094 088
Fees and commission expense	(96 910)	(279 684)	(82 882)	(236 229)
Net fees and commission income	420 552	1 233 037	278 573	857 859
Dividend income	106	18 610	14 609	28 881
Result from financial instruments at fair value	(16 250)	(74 096)	(13 635)	133 573
Result from investment securities	19 120	19 979	204 697	257 894
Foreign exchange result	125 323	409 337	138 133	480 335
Other operating income	74 429	163 177	71 104	153 294
Other operating expense	(55 775)	(87 004)	(34 968)	(67 232)
Net other operating income and expense	18 654	76 173	36 136	86 062
Result on impairment write-downs	16 699	(6 615)	(40 732)	(110 246)
General administrative expenses	(833 787)	(2 554 858)	(912 427)	(2 659 259)
Operating profit (loss)	688 373	1 836 527	578 094	1 678 056
Profit (loss) before income tax	688 373	1 836 527	578 094	1 678 056
Income tax	(130 573)	(344 164)	(128 641)	(347 379)
Net profit (loss)	557 800	1 492 363	449 453	1 330 677

Net profit per ordinary share				
–net profit per ordinary share for the period	0.56	1.49	0.45	1.33
–diluted net profit per ordinary share for the period	0.56	1.49	0.45	1.33

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI S.A.		
	Period from 01.01.2006 do 30.09.2006	Period from 01.01.2005 do 30.09.2005
EQUITY		
Share capital	1 000 000	1 000 000
Other capital and reserves, of which:	6 969 081	5 673 797
Reserve capital	4 529 604	3 297 080
Revaluation reserve	(15 523)	(3 283)
<i>Fair value adjustments to available-for-sale financial assets</i>	(15 523)	(3 283)
Other reserves	1 385 000	1 380 000
General banking risk fund	1 070 000	1 000 000
Retained earnings from previous years	-	442 673
Net profit for the period	1 492 363	1 330 677
Total equity	9 461 444	8 447 147
Sources of changes in equity		
Equity as at the end of the previous period	8 780 394	8 070 534
Adjustments due to changes in accounting policies	-	198 333
Adjustments associated with implementation of IFRS/IAS	-	-
Equity as at the beginning of the period, restated	8 780 394	8 268 867
Changes in shareholders' equity		
Net profit (loss) of the Bank	1 492 363	1 330 677
Fair value adjustments to available-for-sale financial assets recognised in the revaluation reserve	(11 063)	(163 894)
Other increases/decreases of the shareholders' equity	(800 250)	(988 503)
Total shareholders' equity	9 461 444	8 447 147

OFF-BALANCE SHEET ITEMS OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI S.A.		
	As at 30.09.2006	As at 31.12.2005
Off-balance sheet contingent liabilities granted	15 129 521	10 533 845
1. financial	12 706 428	9 025 801
2. guarantees	2 423 093	1 508 044
Liabilities arising from the purchase/sale transactions	298 432 130	279 032 527
Other, of which:	13 264 838	11 422 181
- irrevocable liabilities	9 714 704	8 519 942
- received collaterals	3 550 134	2 902 239
Total off-balance-sheet items	326 826 489	300 988 553

CONDENSED STATEMENT OF CASH FLOW OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI S.A.		
	Period from 01.01.2006 to 30.09.2006	Period from 01.01.2005 to 30.09.2005
Net cash flow from operating activities	7 794 964	(3 965 439)
Net cash flow from investing activities	(6 548 433)	2 472 501
Net cash flow from financing activities	(801 245)	(1 399)
Total net cash flow	445 286	(1 494 337)
Cash and cash equivalents at the beginning of the period	11 204 636	13 696 809
Cash and cash equivalents at the end of the period	11 649 922	12 202 472
Components of cash and cash equivalents	11 649 922	12 202 472
Cash on hand	1 054 096	1 142 654
Amounts due from the Central Bank	2 621 796	2 312 463
Current receivables from financial institutions	7 970 206	8 734 855
Cash of the Brokerage House in the Stock Exchange Guarantee Fund	3 824	12 500

4. IMPAIRMENT OF ASSETS OF THE BANK

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

	30.09.2006	31.12.2005
Impairment allowances against loans and advances, guarantees and deposits	2 804 342	2 869 302
Impairment allowances against tangible fixed assets and intangible assets	81 555	50 334
Impairment allowances against financial assets	95 544	79 930
Impairment allowances against other assets	91 890	66 511

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

	Period from 01.01.2006 to 30.09.2006	Period from 01.01.2005 to 30.09.2005
Increases, of which:	(659 810)	(644 556)
impairment losses on loans and advances	(642 417)	(589 170)
impairment losses on off-balance sheet liabilities	(16 763)	(36 345)
impairment losses on securities and financial assets	-	116
impairment losses on other receivables and tangible fixed assets	(630)	(19 157)
Decreases, of which:	653 195	534 310
impairment losses on loans and advances	617 912	486 056
impairment losses on off-balance sheet liabilities	23 456	36 978
impairment losses on securities and financial assets	7 629	10 414
impairment losses on other receivables and tangible fixed assets	4 198	862
Balance at the end of the period	(6 615)	(110 246)

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

	30.09.2006	31.12.2005
Deferred tax liability	509 628	531 341
Deferred tax asset	526 153	499 990
Provision for off-balance sheet liabilities	14 720	22 241
Provision for future liabilities to employees	215 773	210 764
Provision for other future liabilities	84 754	92 027

6. DESCRIPTION OF THE PKO BP S.A. 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 S.A. 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 S.A. 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 S.A.	205 786	100.00	Full method
3	PKO Inwestycje Sp. z o.o.	153 403*	100.00	Full method
4	KREDOBANK S.A.	144 605	69.933	Full method
5	Centrum Finansowe Puławska Sp. z o.o.	128 288	100.00	Full method
6	PKO Towarzystwo Funduszy Inwestycyjnych S.A.	69 055	75.00	Full method
7	Inteligo Financial Services S.A.	59 602	100.00	Full method
8	Centrum Elektronicznych Usług Płatniczych eService S.A.	55 500	100.00	Full method
9	Bankowy Fundusz Leasingowy S.A.	30 000	100.00	Full method
10	Bankowe Towarzystwo Kapitałowe S.A.	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	Fort Mokotów Sp. z o.o.	17 085	51.00	Full method
13	POMERANKA Sp. z o.o.	19 000	100.00	Full method
14	UKRPOLINWESTYCJE Sp. z o.o.	272	55.00	Full method
Subsidiary of PTE BANKOWY S.A.				
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.	53 617	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 S.A.	146 500	25.0001	Equity method
8	Kolej Gondolowa Jaworzyna Krynicka S.A.	15 531	37.53	Equity method
9	Ekogips S.A. – in likwidacji	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 S.A.	29	22.31	Equity method
Associates of Bankowe Towarzystwo Kapitałowe S.A.				
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 S.A.).

6.2 CHANGES IN THE ORGANISATION OF SUBORDINATED ENTITIES IN THE 3RD QUARTER OF 2006

In the 3rd quarter of 2006, the following events affected the structure of the PKO BP S.A. Group:

- Disposal of shares in Wawel Hotel Development Sp. z o.o.

On 8 August 2006, PKO BP S.A. entered into an agreement for the sale of shares in Wawel Hotel Development

Sp. z o.o. with its registered office in Kraków, a jointly controlled entity of the Bank. The Bank sold all the 27,730 shares with a nominal value of PLN 500 each and the total nominal value of PLN 13,865 thousand, representing 35.4% of the share capital and giving right to 35.4% votes at the shareholders' meeting. The shares were sold to Quinn Property Holdings Limited, based in Dublin, for the price of EUR 7,297,113.22. 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.

- Taking up shares in the increased share capital of KREDOBANK S.A.

On 14 August 2006, PKO BP S.A. took up 5,428,764,911 shares in the increased share capital of KREDOBANK S.A., with a total nominal value of UAH 54,287,649.11.

As a result of the above transaction, the share of PKO BP S.A. in the company's share capital and total votes at the General Shareholders' Meeting increased from 69.018% to 69.933%.

- Taking up shares in the increased share capital of Hotel Jan III Sobieski Sp. z o.o.

On 19 September 2006, PKO BP S.A. took up 145,361 shares in the increased share capital of its associate, Hotel Jan III Sobieski Sp. z o.o., with a total nominal value of PLN 78,494,940, for a price equal to the nominal value of the shares.

As a result of the above transaction, the Bank holds 145,881 shares in the share capital of the company, representing 50.4% of the share capital and giving right to 50.4% of the total votes at the shareholders' meeting.

At the end of September 2006, PKO BP S.A., based on the progress of work connected with the sale of shares in Hotel Jan III Sobieski Sp. z o.o., reclassified all its shares in that company to assets held for sale (in accordance with IFRS 5).

So far, the company, as an associate of the Bank, has been accounted for using the equity method in the consolidated financial statements.

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

On 10 August 2006, Fort Mokotów Sp. z o.o. refunded the additional payment (capital injection) made by PKO Inwestycje Sp. z o.o. in the amount of PLN 15,045 thousand.

In addition, PKO BP S.A., in completion of the agreement concluded with the National Fund for Environmental Protection and Water Management (*Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej*), acquired 644,297 shares in Bank Ochrony Środowiska S.A. with its registered office in Warsaw, which represent 4.88% of the company's share capital and give right to 4.88% of the total votes at the General Shareholders' Meeting. The price paid for the shares amounted to PLN 59,275,324.00.

6.3 RELATED PARTY TRANSACTIONS

In the 3rd quarter of 2006, PKO BP S.A. 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 arms' length.

Details of transactions of PKO BP S.A. 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 S.A. IN THE 3RD QUARTER OF 2006

7.1 GENERAL INFORMATION

Table 3. Basic operating data

Items	30.09.2006	30.06.2006	31.12.2005	30.09.2005	Change since:		
					30.06.06	31.12.05	30.09.05
Total number of branches	1 243	1 248	1 251	1 257	-5	-8	-14
- in the Retail Market Area:	1 160	1 165	1 168	1 174	-5	-8	-14
Regional Retail Branches	12	12	12	12	0	0	0
Independent branches	574	574	537	538	0	37	36
Subordinated branches	574	579	619	624	-5	-45	-50
- in the Corporate Market Area:	83	83	83	83	0	0	0
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	1 890	1 863	1 862	1 863	27	28	27
Number of employees (full time posts)	32 302	32 700	33 479	34 081	-398	-1 177	-1 779

7.2 BANKING ACTIVITIES

- As at 30 September 2006, the Bank's **deposits** amounted to PLN 82.6 billion, and since the beginning of the year have increased by PLN 4.5 billion i.e. by 5.8%, mainly due to an increase of retail deposits by PLN 1.9 billion and corporate deposits by a total of PLN 3.7 billion.

In the 3rd quarter of 2006 alone, the value of deposits increased by PLN 1.2 billion i.e. 1.5%, while compared to the end of September 2005, the volume of deposits increased by PLN 3.4 billion, i.e. 4.3%.

In the 3rd quarter of 2006, the following activities were conducted in the area of deposit products:

- In the period from 10 to 31 July 2006, the Bank carried out a subscription for a two-year deposit with a fixed interest rate at an attractive level,
- In the period from 5 July to 31 August 2006, the Bank, together with PKO TFI SA, carried out a promotional campaign to encourage investments in the new products offered by PKO BP S.A., i.e. the 12-month deposit and the Stable Growth Fund.

Table 4. Deposits of PKO BP S.A. (in PLN million)¹

Items	30.09.2006	30.06.2006	31.12.2005	30.09.2005	Change since:		
					30.06.2006	31.12.2005	30.09.2005
- retail banking	55 388.0	55 589.3	53 506.1	53 733.4	-201.3	1 881.8	1 654.5
- small and medium enterprises	5 000.1	4 607.5	4 722.0	4 044.4	392.6	278.2	955.8
- housing	9 735.4	9 102.9	8 834.5	8 442.7	632.5	901.0	1 292.7
- corporate	10 727.7	9 545.5	8 936.9	10 879.4	1 182.2	1 790.8	-151.8
- other	1 702.7	2 468.0	2 050.2	2 063.3	-765.3	-347.5	-360.6
Total deposits	82 553.9	81 313.2	78 049.7	79 163.2	1 240.7	4 504.2	3 390.7

Source: Bank's management information

- As at 30 September 2006, the **gross value of loans and advances** granted by PKO BP S.A. amounted to PLN 56.6 billion and increased in the 3rd quarter of 2006 by PLN 2.1 billion i.e. 3.9%, while since the beginning of the year, their balance has increased by PLN 7.8 billion i.e. 16.1%, mainly due to an increase in the balance of housing loans, as well as retail and SMEs loans. On a year-to-year basis (compared to September 2005), the balance of loans increased by PLN 9.6 billion, i.e. 20.3%.

In the 3rd quarter of 2006, in the area of loan products:

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.

- The Bank extended its offer to include a mortgage loan called "WŁASNY KĄT MIX"; the new product combines the features of a mortgage and consolidated loan and a mortgage advance and enables customers to finance various needs (housing, discretionary, repayment of other liabilities) by means of a single loan;
- The Bank implemented new corporate banking products for SMEs such as the "Plan obrotowy" (Working Capital Plan) and "Plan inwestycyjny" (Investment Plan) loans; these products enable borrowers to consolidate previous loans taken in order to finance business activities and, at the same time, obtain additional funds (to finance both current and tangible fixed assets); an important feature of the new loans is the short time in which loan decisions are issued;
- The Bank carried out promotional campaigns with respect to the following loans: housing loan "WŁASNY KĄT Hipoteczny", mortgage loan "WŁASNY KĄT MIX", "Szybki Serwis Kredytowy", "Szybki Limit Kredytowy" and "Super Pakiet".

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

Items	30.09.2006	30.06.2006	31.12.2005	30.09.2005	Change since:		
					30.06.2006	31.12.2005	30.09.2005
- retail banking	13 475.7	12 588.7	11 357.9	11 012.2	887.0	2 117.8	2 463.5
- small and medium enterprises (SMEs)	4 248.0	3 943.3	3 212.6	3 108.2	304.7	1 035.4	1 139.9
- housing loans (new portfolio)	21 102.2	19 700.1	16 820.1	15 781.1	1 402.1	4 282.1	5 321.1
- housing receivables	2 853.4	2 850.3	2 959.4	2 995.2	3.1	-106.1	-141.8
- corporate	14 889.8	15 381.4	14 373.0	14 115.1	-491.6	516.8	774.7
Total loans	56 569.1	54 463.8	48 723.1	47 011.7	2 105.3	7 846.0	9 557.4

Source: Bank's management information
* without interest due and interest not due

- **The total number of savings-settlement accounts (ROR) and Inteligo accounts** in the three quarters of 2006 increased by 109 thousand accounts and amounted to 6,012 thousand as at 30 September 2006; the number of ROR accounts alone increased by 38 thousand, while the number of Inteligo accounts increased by 71 thousand. In the 3rd quarter of 2006 alone, the total number of ROR and Inteligo accounts increased by 71 thousand. Compared to the balance as at the end of September 2005, the number of those accounts increased by 121 thousand.
- In the 3rd quarter of 2006, the number of users of the PKO Inteligo service line increased by approximately 117 thousand and amounted to 1,295 thousand as at 30 September 2006. Together with Inteligo accounts (625 thousand accounts), the number of users of **electronic banking services** at the end of the 3rd quarter of 2006 amounted to 1,920 thousand.

In the period from July to September 2006, the holders of the SUPERKONTO accounts using the PKO Inteligo electronic banking service line were provided the possibility of making purchases of participation units in the PKO/CREDIT SUISSE investment funds managed by PKO TFI SA. Currently each Client holding a SUPERKONTO account and using the PKO Inteligo electronic banking service line is able to manage his/her investments himself/herself by selecting one of the five funds offered by the Bank.

- During the period from July to September 2006, **the number of banking cards** issued by PKO BP S.A. increased by 78 thousand and amounted to 6,674 thousand at the end of September 2006. During this period, the number of credit cards increased by 15 thousand to the level of 696 thousand. The increase in the number of banking cards since the beginning of the year amounts to 598 thousand, including an increase of 171 thousand in the number of credit cards. Compared to the corresponding period of the previous year, the number of credit cards increased by 207 thousand.

The following events occurred in the 3rd quarter of 2006 with respect to banking cards:

- As of 1 September 2006, the Bank launched a new service line called *Cashback* for the holders of PKO Ekspres and PKO Graffiti cards; this service makes it possible to withdraw cash using a banking card, up to a maximum amount of PLN 200, in selected points of sale while making payments for the goods and services purchased; the amount of the withdrawal will decrease the daily limit of payments available for the given card; during the period from 1 September 2006 to 28 February 2007, the Bank shall charge no fee for that service;
- The following insurance products were made available for the holders of the Bank's credit cards: (i) life insurance and insurance against complete and permanent disability due to an accident that occurred while travelling abroad and (ii) life insurance and insurance against complete and permanent disability due to an accident (contracts with Amplico Life).

Table 6. Accounts and banking cards of PKO BP S.A. (in PLN thousands)

Items	30.09.2006	30.06.2006	31.12.2005	30.09.2005	Change since:		
					30.06.2006	31.12.2005	30.09.2005
Total number of accounts, of which:	6 012	5 941	5 903	5 891	71	109	121
- savings-settlement accounts (ROR)	5 387	5 338	5 349	5 366	49	38	21
- Inteligo accounts	625	603	554	525	22	71	100
Number of banking cards, of which:	6 674	6 596	6 076	5 936	78	598	738
- credit cards	696	681	525	489	15	171	207

- In the 3rd quarter of 2006, the activities of the Bank 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 and, to a lesser extent, of EUR and USD denominated bonds. Revenues earned from managing investment portfolio are closely related to the current situation on the treasury securities market. The situation on the financial market 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. Due to the continued development of lending activities, further increase was noted in the balance of long-term liabilities denominated in CHF; similar to prior periods, the funds were acquired by entering into long-term CIRS transactions;
 - activities on the interest rate and interest rate derivatives market – the Bank, as one of the main market makers on that market, maintained a high share in the volume of trading on the interbank market, which was confirmed by the Bank being ranked 5th (among 23 candidate banks) in the competition for the Dealer in Treasury Securities organized by the Ministry of Finance;
 - trading activities with retail and corporate clients – the Bank’s treasury activities in the area of non-banking clients are developing dynamically; a significant growth in the volume of transactions was noted in the sector of corporate clients and SMEs – the volume of foreign exchange transactions with such clients significantly increased compared to the corresponding period of the previous year.
- As far as **structural financing** is concerned, PKO BP S.A. signed the following agreements in the 3rd quarter of 2006:
 - a syndicated loan agreement for a working capital loan granted to a client operating in the telecommunications industry; the share of PKO BP S.A. in this transaction amounts to PLN 200 million and the total amount of the loan is PLN 1,600 million,
 - a syndicated loan agreement for a working capital loan granted to a client operating in the wood processing industry; the share of the Bank in this transaction amounts to EUR 18 million and the total amount of the loan is EUR 115 million,
 - three working capital loan agreements for a total amount of USD 30 million with an entity directly related to the Bank (Kredobank S.A.); these transactions were made at arms’ length,
 - 14 agreements for the issue of municipal bonds for a total amount of PLN 152 million, including for the opolskie voivodship for an amount of PLN 52 million,
 - an agreement for the issue of corporate bonds with an entity from the holding management sector, for an amount of PLN 250 million.

7.3 BROKERAGE ACTIVITIES

As of 1 September 2006, the name of Bankowy Dom Maklerski was changed to Dom Maklerski PKO Banku Polskiego. The change of the name (and the logo) was made in order to create more distinct brand of the brokerage house by more unambiguous identifiability of the brokerage house on the market and by indicating that it is part of PKO Bank Polski.

In the 3rd quarter of 2006, Dom Maklerski PKO Banku Polskiego:

- recorded PLN 4,070 million turnover on the shares’ market (with 6.5% share in the total turnover on the shares’ market),
- maintained a leading position on the bonds’ market with a total turnover of PLN 323 million (which accounts for 34% in the total turnover on the bonds’ market),

- recorded turnover of almost 23.5 thousand transactions on the options' market (almost 18% share in the options' market),
- recorded turnover of almost 146 thousand contracts on the futures' market (4% share in the market),
- as part of its primary market participant activities, it organised 10 issues of retail treasury bonds, coordinated the first issue of structured bonds in Poland (*Multi Asset Best Strategy*, marketing name – *DB Magiczna Trójka*), carried out public subscriptions for the shares of Action S.A., Interferie S.A. and eCard S.A., started to distribute certificates issued by PKO/Credit Suisse Bezpieczna Lokata I Closed-End Investment Fund.

At the end of September 2006, DM PKO Banku Polskiego kept 84 thousand investment accounts and 310 thousand active registry accounts, which gives an overall of 394 thousand accounts. The decrease in the total number of accounts compared to the prior quarter results from the decrease in the number of registry accounts due to the redemption of treasury bonds. Compared to the end of June 2006, the number of investment accounts increased by more than 1,000.

8. MAJOR ACHIEVEMENTS OF SUBSIDIARIES IN THE 3RD QUARTER OF 2006

Powszechne Towarzystwo Emerytalne BANKOWY S.A.

At the end of September 2006, the value of assets held by the Bankowy Open-End Pension Fund (OFE), managed by PTE BANKOWY, amounted to PLN 3,342 million, which accounts for an increase of PLN 247 million compared to the 2nd quarter of 2006.

At the end of the 3rd 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 (463,791 accounts).

Centrum Elektronicznych Usług Płatniczych eService S.A.

In the 3rd quarter of 2006, transactions with a value of PLN 2,968 million were generated using the eService S.A. 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 3rd quarter of 2006 was 30.4%. Compared to the end of the 2nd quarter, this means an increase of 4.4 pp.

The number of terminals installed at the end of the 3rd quarter of 2006 amounted to 33,613 pieces, which accounts for a 4.6% increase compared to the end of the 2nd quarter of 2006. The company's share in the market as regards the number of terminals amounts to 30%.

Inteligo Financial Services S.A.

At the end of the 3rd quarter of 2006, the Company kept over 514 thousand of Inteligo accounts, which accounts for an increase of 17.6 thousand compared to the end of the 2nd quarter of 2006. In the 3rd quarter of 2006, the value of deposits held by the Inteligo clients amounted to PLN 1,695 million and increased by PLN 69 million compared to the end of the 2nd quarter of 2006.

PKO Inwestycje Sp. z o.o.

In the 3rd 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.

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 and its loan liabilities (loan principal and interest) on a timely basis. The realization of Phase 1 and Phase 2 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 has started to prepare for the

implementation, together with a Ukrainian partner, IK Komfort Sp. z o.o., of an investment project involving construction of five terraced 2-storey residential buildings in Kiev.

Bankowy Fundusz Leasingowy S.A.

In the 3rd quarter of 2006, the Company signed 1,031 lease agreements for fixed assets with a net value of PLN 173 million. The total carrying amount of lease investments amounted to PLN 810 million at the end of the 3rd quarter of 2006 and increased by 9.5% compared to the end of the 2nd quarter of 2006. This ranked the Company 10th among lease companies (source: *Rzeczpospolita* daily, issue dated 11 October 2006).

Centrum Finansowe Puławska Sp. z o.o.

In the 3rd quarter of 2006, the Company leased out 99% of office and commercial space in the building Centrum Finansowe Puławska which is managed by the Company.

Bankowe Towarzystwo Kapitałowe S.A.

At the end of the 3rd quarter of 2006, the value of the investment portfolio managed by BTK amounted to PLN 9.75 million; the portfolio included capital investments in FINDER Sp. z o.o. and INTER FINANCE Polska Sp. z o.o.

KREDOBANK S.A.

During the 3rd quarter of 2006, the value of total assets of KREDOBANK S.A. increased by UAH 421.8 million i.e. by 18.6% and amounted to UAH 2,692.4 million as at 30 September 2006.

At the end of August 2006, KREDOBANK S.A. was ranked 27th among all Ukrainian banks in terms of the value of total assets.

In the 3rd quarter of 2006, the gross loan portfolio of KREDOBANK S.A. increased by UAH 166.5 million i.e. by 8.9% and amounted to UAH 2,043.9 million at the end of September 2006.

During the 3rd quarter of 2006, the value of client term deposits increased by UAH 400.1 million i.e. by 36.4% and amounted to UAH 1,500.7 million at the end of September 2006.

On 6 July 2006 KREDOBANK S.A. signed an annex to the loan agreement with PKO BP S.A. dated 25 February 2005, under which the amount of the renewable working capital loan was increased by USD 4.5 million, up to the level of USD 22.5 million.

In the 3rd quarter of 2006, KREDOBANK S.A. concluded new loan agreements with PKO BP S.A., under which it was granted working capital loans in the total amount of USD 30 million, including:

- renewable working capital loan of USD 15 million – valid until 5 July 2012,
- non-renewable working capital loan of USD 10 million – valid until 15 August 2013,
- non-renewable working capital loan of USD 5 million – valid until 15 August 2016.

PKO Towarzystwo Funduszy Inwestycyjnych S.A.

The value of Fund assets managed by the above Company amounted to PLN 6,763 million at the end of September 2006, which accounts for a 6.77% increase in the value of assets compared to the end of the 2nd quarter of 2006, and ranks the Company 4th on the market of investment funds, with a 7.98% share in that market.

On 30 August 2006 the Company paid a dividend to its shareholders from the 2005 profit, in the total amount of PLN 29.85 million (pre-tax).

9. FACTORS AND EVENTS WITH SIGNIFICANT IMPACT ON FINANCIAL RESULTS

9.1 FINANCIAL PERFORMANCE OF THE PKO BP S.A. GROUP IN THE 3RD 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 S.A. Group. It determines both the value and the structure of assets and liabilities of the Group. As at 30 September 2006, the ratio of total assets of PKO BP S.A. to total assets of the Group was 98.0%.

As at 30 September 2006, total assets of the Group amounted to PLN 97,094 million and were PLN 5,481 million i.e 6.0% higher compared to the end of 2005.

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

Items	30.09.2006	31.12.2005	Change
1	2	3	4
ASSETS			
Cash and amounts due from the Central Bank	3 728 960	3 895 331	-4.3%
Amounts due from other banks	13 181 957	12 663 295	4.1%
Financial assets held for trading	660 098	851 003	-22.4%
Derivative financial instruments	1 016 571	1 137 227	-10.6%
Other financial instruments at fair value through profit or loss	10 454 804	20 059 683	-47.9%
Loans and advances to customers	55 220 754	46 874 629	17.8%
Investment securities	8 406 725	1 881 378	346.8%
Tangible fixed assets	2 539 770	2 643 551	-3.9%
Other assets	1 884 533	1 607 084	17.3%
TOTAL ASSETS	97 094 172	91 613 181	6.0%
LIABILITIES AND EQUITY			
Liabilities, of which:	87 515 033	82 838 191	5.6%
Amounts due to the Central Bank	1 066	766	39.2%
Amounts due to other banks	1 835 378	2 083 346	-11.9%
Derivative financial instruments	1 073 618	1 257 384	-14.6%
Amounts due to customers	82 020 987	76 747 563	6.9%
Other liabilities	2 583 984	2 749 132	-6.0%
Total equity	9 579 139	8 774 990	9.2%
TOTAL LIABILITIES AND EQUITY	97 094 172	91 613 181	6.0%

Compared to the balance as at 31 December 2005, the balance sheet of the PKO BP S.A. 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 30 September 2006, total off-balance sheet items of the PKO BP S.A. Group amounted to PLN 330,485 million and increased by 8.8% compared to the balance at the end of December 2005.

The main item of the off-balance sheet items (90.3%) were liabilities relating to purchase/ sale transactions amounting to PLN 298,440 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 1.5 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 S.A. to regulate the Bank's currency liquidity, as well as for speculation and arbitrage purposes.

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

9.1.3. Financial result and performance indicators

In the 3rd quarter of 2006, the PKO BP S.A. Group recorded consolidated pre-tax profit of PLN 778 million and net profit of PLN 614 million. Compared to the results for the 3rd quarter of 2005, it was higher by PLN 149 million and PLN 128 million, respectively.

During the first three quarters of 2006, the Group earned a pre-tax profit of PLN 1,999 million. After deducting income tax charge and the profit/ (loss) attributable to minority shareholders, the resulting net profit amounted to PLN 1,566 million. Compared to the corresponding period of 2005, the pre-tax profit and the net profit were higher by PLN 266 million and PLN 193 million, respectively.

The ratio of costs to income (C/I) after three quarters of 2006 amounted to 58.9% and was 2.9 pp. lower compared to the corresponding period of 2005.

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

Items	3 quarters of 2006		3 quarters of 2005		Change	
	Total	Of which: Quarter 3	Total	Of which: Quarter 3	3 quarters 2006/ 3 quarters 2005	Q3 2006/ Q3 2005
1. Net interest income	2 792 228	964 119	2 649 982	890 249	105.4%	108.3%
2. Net fees and commission income	1 273 792	445 071	896 222	295 376	142.1%	150.7%
3. Dividend income	3 590	88	16 112	14 542	22.3%	0.6%
4. Result from financial instruments at fair value	(73 939)	(16 047)	134 312	(13 480)	x	119.0%
5. Result from investment securities	20 792	19 665	257 636	204 419	8.1%	9.6%
6. Foreign exchange result	419 933	127 235	474 888	143 049	88.4%	88.9%
7. Net other operating income	487 646	151 793	434 071	198 529	112.3%	76.5%
8. Total income items (1-7)	4 924 042	1 691 924	4 863 223	1 732 684	101.3%	97.6%
9. Result on impairment write-downs	(24 513)	16 035	(140 736)	(53 165)	17.4%	x
10. General administrative expenses	(2 901 823)	(932 442)	(3 007 819)	(1 058 549)	96.5%	88.1%
11. Share in the profits (losses) of subordinated entities	866	2 114	18 132	7 708	4.8%	27.4%
12. Profit before income tax	1 998 572	777 631	1 732 800	628 678	115.3%	123.7%
13. Income tax expense	(384 276)	(145 885)	(354 726)	(134 908)	108.3%	108.1%
Net profit (loss) (including minority shareholders)	1 614 296	631 746	1 378 074	493 770	117.1%	127.9%
Profit (loss) of minority shareholders	48 073	18 215	5 298	8 350	9x	218.1%
Net profit/ (loss)	1 566 223	613 531	1 372 776	485 420	114.1%	126.4%
General administrative expenses to Total income items (C/I)	58.9%	55.1%	61.8%	61.1%		

In the 3rd quarter of 2006, total income items of the PKO BP S.A. Group amounted to PLN 1,692 million and were PLN 41 million i.e. 2.4% lower compared to the corresponding period of 2005. In the first three quarters of 2006, total income items of the PKO BP S.A. Group amounted to PLN 4,924 million and were almost PLN 61 million (i.e. 1.3%) higher compared to the corresponding period of 2005.

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

- Net interest income in the 3rd quarter of 2006 amounted to PLN 964 million and was PLN 74 million i.e. 8.3% higher compared to the corresponding period of 2005. Net interest income for the first nine months of 2006 amounted to PLN 2,792 million and was PLN 142 million i.e. 5.4% higher compared to the corresponding period of 2005. This amount comprised interest income of PLN 4,104 million and interest expense of PLN 1,311 million, which were 3.8% and 18.8% lower than in the corresponding period of January-September 2005.

The increase in the net interest income took place when the PLN interest rates were significantly lower (e.g. in the first three quarters of 2006, the average 1M WIBOR was 143 base points lower than in the corresponding period of 2005), following efforts made to move the interest result from the deposit to the credit side.

- Net fees and commission income in the 3rd quarter of 2006 amounted to PLN 445 million and was PLN 150 million (i.e. 50.7%) higher than in the 3rd quarter of 2005. Net fees and commission income for the first three

quarters of 2006 amounted to PLN 1,274 million and was 42.1% higher than the result for the corresponding period of 2005. Out of this amount, fees and commission income amounted to PLN 1,540 million (37.0% higher than in the prior year), and fees and commission expense – PLN 267 million (16.7% higher than in the prior year).

Almost the entire increase in commission income was realized by PKO BP S.A. 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 commission and fees and introduction of new items to the Tariff of banking fees and commission of PKO BP S.A. as of 1 January 2006.

- Dividend income for the first three quarters of 2006 amounted to PLN 3.6 million (the impact of 3rd quarter on that item was negligible); this item accounts for 22.3% of the result for the corresponding period of the previous year; the decrease in the dividend income results from the relatively high base of that income in 2005. A significant part of dividend income in 2005 was generated by companies listed on the WSE, whose shares were sold by PKO BP S.A. in the second half of 2005.

- The result from financial instruments at fair value in the 3rd quarter of 2006 amounted to PLN (-) 16 million and was PLN 2.6 million lower compared to the result achieved in the corresponding period of 2005. The result on financial instruments at fair value for the three quarters of 2006 amounted to PLN (-) 74 million.

The above result was due to continued uncertainty on the domestic financial market, which resulted in an increase in the risk margins of Polish treasury securities and a decrease in the value of those securities.

- Result from investment securities in the period from July to September 2006 amounted to PLN 20 million. This result was PLN 19 million higher than the result for the first half of 2006, due to the activities taken by the Bank to build an optimum relation between assets' profitability and variability of the result realized on the portfolio of debt securities. Result from investment securities for the three quarters of 2006 amounted to PLN 21 million. The result for the corresponding period of the previous year was PLN 237 million higher, due to the fact that the Bank realized gains from the sale of packages of shares in companies listed on the WSE.

- Foreign exchange result in the 3rd quarter of 2006 amounted to PLN 127 million and was PLN 16 million lower than the result for the 3rd quarter of 2005. Foreign exchange result for the first three quarters of 2006 amounted to PLN 420 million and was 11.6% lower than the result for the period of January – September 2005.

The result on FX SWAP and CIRS transactions (which is of an interest type) and foreign exchange differences accounted for the majority of the above figure. The decrease in the foreign exchange result was the effect of narrowing spreads between Polish and foreign interest rates after successive decreases of Polish interest rates with simultaneous increases in interest rates abroad.

- Net other operating income in the period of July – September 2006 amounted to PLN 152 million and was PLN 47 million lower than in the corresponding period of 2005. The main reason for that was the fact that the effects of the impairment and the disposal of assets held for sale (respectively: Jan III Sobieski Sp. z o.o. and Wawel Hotel Development Sp. z o.o.) were recognized in the 3rd quarter of 2006. Net other operating income for the three quarters of 2006 amounted to PLN 488 million (an increase of 12.3% on a year-to-year basis) and consisted of: operating income of PLN 680 million and operating expense of PLN 192 million.

An increase in the above item was mainly due to the increase in revenues earned by the consolidated companies from the PKO Inwestycje Group as a result of development of their property development activities (Note 8 includes a disclosure on the investment projects carried out by the PKO Inwestycje Group).

The result on impairment write-downs in the 3rd quarter of 2006 amounted to PLN 16 million and improved by PLN 69 million compared to the corresponding period of 2005. The result for the three quarters of 2006 amounted to PLN (-) 25 million and improved by PLN 116 million than the result for the corresponding period of the previous year, mainly due to the improvement of the result on impairment of loans and advances. This related to the improvement of loan portfolio quality as a result of more efficient credit risk management and improvement in the financial standing of borrowers.

In the 3rd quarter of 2006, general administrative expenses of the PKO BP S.A. Group amounted to PLN 932 million and were PLN 126 million (i.e. 11.9%) lower than in the corresponding period of 2005. In the period from January to September 2006 general administrative expenses of the PKO BP S.A. Group amounted to PLN 2,902 million and were 3.5% lower than in the previous year.

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

Items	30.09.2006	30.09.2005
<i>1</i>	<i>2</i>	<i>3</i>
1. Gross profit (loss)/ average assets (ROA ³ _{gross})	2.6%	- ⁴
2. Net profit (loss)/ average assets (ROA _{net})	2.0%	-
3. Gross profit (loss)/ average equity (ROE _{gross})	27.0%	24.8%
4. Net profit (loss)/ average equity (ROE ⁵ _{net})	21.4%	19.9%

9.1.4. Shareholders' equity

As at 30 September 2006, the shareholders' equity of the PKO BP S.A. Group amounted to a total of PLN 9,579 million and was PLN 804 million i.e. 9.2% higher than at the end of 2005.

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

Items	30.09.2006	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	7 146 117	5 850 063	22.2%
3. Currency translation differences on foreign operations	(6 096)	(4 082)	49.3%
4. Retained earnings	(222 671)	150 405	x
5. Current period result	1 566 223	1 734 820	(9.7)%
Equity attributable to the parent company's shareholders	9 483 573	8 731 206	8.6%
Minority interest	95 566	43 784	118.3%
Total shareholders' equity	9 579 139	8 774 990	9.2%
Capital adequacy ratio (%)	12.62%	13.90%	

9.2 FINANCIAL PERFORMANCE OF PKO BP S.A. IN THE 3RD QUARTER OF 2006

In the 3rd quarter of 2006, PKO BP S.A. recorded a pre-tax profit of PLN 688 million and net profit of PLN 558 million, which were 19.1% and 24.1% (respectively) higher than in the 3rd quarter of 2005.

In the first three quarters of 2006, PKO BP S.A. earned a pre-tax profit of PLN 1,837 million. After deducting income tax charge, the net profit amounted to PLN 1,492 million. Compared to the nine-month period of 2005, the pre-tax profit and net profit were 9.4% and 12.2% higher, respectively.

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 ROA gross and ROA net cannot be calculated on a basis comparable with 2005 due to the fact that the Bank implemented IAS/IFRS as of 1 January 2005 and there were no total assets according to IAS/IFRS as at 30 September 2004.

⁵ 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.

The costs to income (C/I) ratio for the first three quarters of 2006 amounted to 58.1% and was 1.7 pp. lower than in the corresponding period of 2005.

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

Items	3 quarters of 2006		3 quarters of 2005		Change	
	Total	Of which: Quarter 3	Total	Of which: Quarter 3	3 quarters 2006/ 3 quarters 2005	Q3 2006/ Q3 2005
1. Net interest income	2 714 960	937 956	2 602 957	872 740	104.3%	107.5%
2. Net fees and commission income	1 233 037	420 552	857 859	278 573	143.7%	151.0%
3. Dividend income	18 610	106	28 881	14 609	64.4%	0.7%
4. Result from financial instruments at fair value	(74 096)	(16 250)	133 573	(13 635)	x	119.2%
5. Result from investment securities	19 979	19 120	257 894	204 697	7.7%	9.3%
6. Foreign exchange result	409 337	125 323	480 335	138 133	85.2%	90.7%
7. Net other operating income	76 173	18 654	86 062	36 136	88.5%	51.6%
8. Total income items (1-7)	4 398 000	1 505 461	4 447 561	1 531 253	98.9%	98.3%
9. Result on impairment write-downs	(6 615)	16 699	(110 246)	(40 732)	6.0%	x
10. General administrative expenses	(2 554 858)	(833 787)	(2 659 259)	(912 427)	96.1%	91.4%
11. Profit before income tax	1 836 527	688 373	1 678 056	578 094	109.4%	119.1%
12. Income tax expenses	(344 164)	(130 573)	(347 379)	(128 641)	99.1%	101.5%
13. Net profit	1 492 363	557 800	1 330 677	449 453	112.2%	124.1%
General administrative expenses to Total income items (C/I)	58.1%	55.4%	59.8%	59.6%		

In the 3rd quarter of 2006, total income items of the Bank amounted to PLN 1,505 million and were PLN 26 million lower than in the corresponding period of 2005. In the Bank's profit and loss account for the three quarters of 2006, total income items amounted to PLN 4,398 million and were PLN 50 million lower than in the corresponding period of 2005.

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

- Net interest income in the 3rd quarter of 2006 amounted to PLN 938 million and was PLN 65 million i.e. 7.5% higher compared to the corresponding period of 2005. Net interest income for the first three quarters of 2006 amounted to PLN 2,715 million and was PLN 112 million i.e. 4.3% higher than the result for the corresponding period of 2005 - the balance of net interest income comprised interest income of PLN 3,958 million and interest expense of PLN 1,243 million, which were, respectively, 4.9% and 20.2% lower than those for the first three quarters of 2005.
- Net fees and commission income in the 3rd quarter of 2006 amounted to PLN 421 million and was PLN 142 million (i.e. 51.0%) higher than in the 3rd quarter of 2005. Net fees and commission income for the first three quarters of 2006 amounted to PLN 1,233 million and was 43.7% higher than the result for the first 9 months of 2005; the above amount consisted of fees and commission income amounting to PLN 1,513 million (38.3% higher than in the previous year) and fees and commission expense amounting to PLN 280 million (18.4% higher than in the prior year).
- Dividend income for the first three quarters of 2006 amounted to PLN 19 million and was 35.6% lower than in the corresponding period of 2005; the impact of the 3rd quarter alone on that item was negligible.
- In the 3rd quarter of 2006, the total of the result from financial instruments at fair value and result from investment securities amounted to a profit of PLN 3 million and was PLN 188 million lower than in the 3rd quarter of 2005. The total result on those instruments for the first three quarters of 2006 amounted to PLN (-) 54 million.
- In the 3rd quarter of 2006, foreign exchange result amounted to PLN 125 million and was PLN 13 million lower than in the 3rd quarter of 2005. Foreign exchange result for the first nine months of 2006 amounted to PLN 409 million and was PLN 71 million (i.e. 14.8%) lower than in the corresponding period of 2005.
- In the 3rd quarter of 2006, net other operating income amounted to PLN 19 million and was 48.4% lower than in the corresponding period of 2005. Net other operating income for the first three quarters of 2006 amounted to PLN 76 million (a decrease of 11.5% compared to the corresponding period of 2005) and comprised other operating income of PLN 163 million and other operating expenses of PLN 87 million.

Comments to the individual income items presented in the description of the results of the PKO BP S.A. Group (paragraph 9.1.3) also refer to the results of PKO BP S.A..

The result on impairment write-downs for the 3rd quarter of 2006 amounted to PLN 17 million and improved by PLN 57 million compared to the corresponding period of 2005. The result on impairment write-downs for the first three quarters of 2006 amounted to PLN (-) 7 million and improved by PLN 104 million compared to the result for the first three quarters of the previous year; this was mainly due to the improvement of the result on impairment of loans and advances and the result on impairment of other receivables and tangible fixed assets.

In the 3rd quarter of 2006, general administrative expenses of the Bank amounted to PLN 834 million and were 8.6% lower than in the 3rd quarter of 2005. General administrative expenses of the Bank for the first nine months of 2006 amounted to PLN 2,555 million and were PLN 104 million (i.e. 3.9%) lower than in the corresponding period of 2005.

The following main financial ratios were calculated based on the financial results of PKO BP S.A.:

Ratios	30.09.2006	30.09.2005
<i>1</i>	<i>2</i>	<i>3</i>
1. Gross profit (loss)/ average assets (ROA ⁶ _{gross})	2.4%	-
2. Net profit (loss)/ average assets (ROA _{net})	2.0%	-
3. Gross profit (loss)/ average equity (ROE ⁷ _{gross})	24.9%	23.7%
4. Net profit (loss)/ average equity (ROE _{net})	20.5%	19.0%

9.3 FACTORS AFFECTING FINANCIAL PERFORMANCE OF PKO BP S.A.

9.3.1 Macroeconomic factors

In the 3rd quarter of 2006:

- **the rate of economic growth** was slightly lower than in the 2nd quarter of 2006, despite the fact that the economic situation continued to be satisfactory 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 with a negative contribution to the increase of the GDP balance in foreign trade,
- **labour market** saw a positive effect of seasonal factors, 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, which – in turn – caused a slightly higher decrease than that observed in prior years, decrease in the registered unemployment rate. In September registered unemployment rate was 15.2%; at the same time, the private sector recorded relatively high increase in the number of persons employed, on a year-to-year basis.
- **inflation rate increased** significantly – in September 2006, the inflation rate was 1.6% compared to 0.8% at the end of the 2nd quarter; the increase in the inflation rate was caused by higher prices of food, fuel and Internet services, as a result of termination of the promotional offer by one of the major providers,
- the upward trend of both **household deposits** and corporate deposits accelerated slightly; the increase in the number of household deposits was mainly due to higher disposable income, while the cause of the opposite trend was due to re-direction of funds to investment funds after temporary worsening of situation on the stock market of shares and bonds. Additionally, in the period analyzed a slight decrease in the annual dynamics of **corporate deposits** was recorded – at the end of September 2006, the balance of corporate deposits increased by 19.4%, calculated on a year-to year basis, compared to 21.7% increase at the end of June, also calculated on a year-to year basis,
- the dynamics of **household loans and advances** slightly increased, stimulated mainly by high demand for housing loans; a significant increase in the demand for corporate loans was also noted – at the end of September the balance of **corporate loans** was 9.9% higher, calculated on a year-to-year basis, compared to 5.2% increase at the end of June 2006, also calculated on a year-to-year basis,
- the Monetary Policy Council did not change interest rates, and thereby since the last reduction on 28 February 2006 **the NBP reference rate** remained at the level of 4.0%.

At the same time, the results of the PKO BP S.A. Group in the 3rd quarter of 2006 were affected by the following macroeconomic factors on Ukraine, where the Bank's subsidiary, KREDOBANK S.A., operates:

⁶ 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.

⁷ 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.

- further increase in the dynamics of the GDP with positive effect of higher investments and net export, and decrease in the unemployment rate,
- increase in the inflation rate to 9.1% in September 2006, calculated on a year-to-year basis, compared to 6.8% in June 2006, also calculated on a year-to-year basis,
- maintaining very high dynamics of the increase in loans and advances i.e. approx. 65%, calculated on a year-to-year basis, and deposits – by over 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.

9.3.2. Regulatory factors

The following regulatory factors had an impact on the activities of the PKO BP S.A. Capital Group in the 3rd quarter of 2006:

- Recommendation „S” of the Commission for Banking Supervision concerning good practices in the area of credit exposures secured by mortgage, which relates to use by banks, as of 1 July 2006, tightened criteria of extending currency loans, including assessment of potential client creditworthiness. The implementation of the new requirements affected the change of demand for currency housing loans. The Recommendation caused also an increase in the costs incurred by banks due to the requirement of an ongoing monitoring of changes on the property market;
- preparation for the implementation of policies resulting from the Directive of the Council and the EU Parliament relating to capital requirements for lending institutions and investment firms based on the New Basel Capital Accord, especially after publication in August and September 2006 of drafts of Resolutions of the Commission for Banking Supervision, which will come into effect on the Polish banking market as of 1 January 2007;
- amended Act on public contracts, which came into effect on 25 May 2006 and simplified tender procedures, thus facilitating better access of the beneficiaries to the EU structural funds, which had an impact on the banks’ credit campaign;

Given the fact that regulatory changes facilitate better use of the EU structural funds (amended Act on the National Development Plan and amended Decree of the Minister of Regional Development relating to the sector-operating programs called „Human Resources Development”) have been binding since 13 September 2006, their effect on the banks’ credit campaigns relating to utilization of the EU structural funds may be seen only in the subsequent periods.

Also, the financial situation of the PKO BP S.A. Group was affected by legislative changes within Ukrainian banking system, including the requirement to apply as of 1 July 2006 in the profit and loss account the effective interest rate method.

9.3.3. Financial markets

In the 3rd quarter of 2006, the profitability of treasury securities decreased by approx. 5 base points in the case of one-year NBP bills and approx. 15 base points - for treasury bonds. This moderate decrease in the profitability of one-year bills reflected lower investor expectations as regards NBP interest rate increase. On the other hand, smaller profitability of Polish treasury bonds was caused by a decrease in the profitability of long-term German bonds – by approx. 40 base points as well as American bonds – by approx. 60 base points. At the same time, the following factors had a negative impact on Polish NBP bills and treasury bonds:

- periodical escalations of investor doubts concerning closer increases in interest rates in Poland, as a result of higher than expected increases inflation rate;
- uncertainties as regards political developments in Poland,
- investor doubts concerning the 2007 national budget.

In the 3rd quarter of 2006, Polish zloty appreciated against EUR by approx. 1.5% (with an exchange rate at PLN/EUR 3.98 at the end of September) and by over 1% against USD (to PLN/USD 3.14 at the end of September). In the circumstances of US dollar depreciating on the global currency markets, yet better investor mood around currencies of the emerging markets and positive effects of favourable foundations of Polish economy, in July and August 2006 Polish zloty strongly appreciated against US dollar. This positive trend was reversed in September, mainly as a result of political uncertainties.

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

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

Among other entities of the Group, only Bankowy Fundusz Leasingowy S.A. raises additional funds through the issuance of debt securities. In the 3rd quarter of 2006, this company did not carry out any new issues. Also, no debt securities of Bankowy Fundusz Leasingowy S.A. were due for redemption or payment during this period.

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

After the date of the preparation of the Report, there were no events that could affect future financial result of the PKO BP S.A. Capital Group.

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

PKO BP S.A. did not publish any financial forecasts for 2006.

14. INFORMATION ON DIVIDEND PAID OR DECLARED

On 1 August 2006, PKO BP S.A. paid dividend in the amount of PLN 0.8 billion i.e. PLN 0.80 gross per share.

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

The interim report for the 2nd quarter of 2006 was submitted to the Securities and Exchange Commission on 11 August 2006.

To the best knowledge of the Bank, the shareholders with at least 5% of total votes at the General Shareholders' Meeting of the Bank, held directly or indirectly, are:

- State Treasury
- Julius Baer Investment Management LLC.

During the period from the date of making the shares available to the eligible persons, i.e. from 6 April 2005 to 30 September 2006, the State Treasury sold to the employees entitled or their successors 104,497,025 shares of the Bank, which represented 10.45% of the total number of shares of PKO BP S.A., giving 104,497,025 votes i.e. 10.45% of the total number of votes at the General Shareholders' Meeting of the Bank.

As at 30 September 2006, the State Treasury held 514,976,596 shares of the Bank.

The share of the State Treasury in the share capital of PKO BP S.A. is 51.50% and equals the percentage of votes at the General Shareholders' Meeting of the Bank as at the date of submitting the Report.

As at 30 September 2006, Julius Baer Investment Management LLC held 53,150,746 shares of the Bank which gave the right to exercise 50,157,999 votes at the General Shareholders' Meeting of PKO BP S.A..

The share of the above shareholder in the share capital of the Bank is 5.32% and gives the right to 5.02% of 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 30 September 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	51.51%	515,087,146	-0.01 pp.	51.50%	514,976,596
Julius Baer Investment Management LLC	5.02%	53,150,746	0.00 pp.	5.02%	53,150,746

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

Table 12. Shares held by the Management or Supervisory Board Members as at 27 October 2006

	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.	Sławomir Skrzypek, Vice-President of the Management Board, acting as President ¹⁾	-----	-----	-----	-----
2.	Kazimierz Małecki, Vice-President and First Deputy of the President of the Management Board	2627	-----	-----	2627
3.	Danuta Demianiuk, Vice-President of the Management Board	-----	-----	-----	-----
4.	Rafał Juszcak, Vice-President of the Management Board	-----	-----	-----	-----
5.	Jarosław Myjak, Vice-President of the Management Board ²⁾	-----	-----	-----	-----
6.	Jacek Obłąkowski, Vice-President of the Management Board	512	-----	-----	512
7.	Zdzisław Sokal, Vice-President of the Management Board	-----	-----	-----	-----
II. Supervisory Board					
1.	Marek Głuchowski, President of the Supervisory Board	-----	-----	-----	-----
2.	Urszula Pałaszek, Vice-President of the Supervisory Board	-----	-----	-----	-----
3.	Jerzy Michałowski, Member of the Supervisory Board	-----	-----	-----	-----
4.	Jerzy Osiatyński, Member of the Supervisory Board	-----	-----	-----	-----
5.	Tomasz Siemiątkowski, Member of the Supervisory Board	-----	-----	-----	-----
6.	Adam Skowroński, Member of the Supervisory Board	-----	-----	-----	-----
7.	Agnieszka Winnik-Kalemba, Member of the Supervisory Board	-----	-----	-----	-----

1) appointed to act as President of the Management Board on the basis of Resolution of the Bank's Supervisory Board dated 29 September 2006

2) appointed Vice-President of the Supervisory Board as of 2 October 2006 on the basis of Resolution of the Bank's Supervisory Board dated 29 September 2006

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

- In accordance with 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 3rd quarter of 2006 PKO BP S.A. made payments to the CFP in the total amount of PLN 10.4 million. The total value of remuneration to CFP for the period January – September 2006 was PLN 32.6 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.

- In accordance with the Cooperation Agreement dated 10 April 2006 with its subsidiary, Inteligo Financial Services S.A. („IFS”), (superseding the Cooperation Agreement dated 29 November 2002 and Agreement dated 12 September 2003), in the 3rd quarter 2006 PKO BP S.A. made payments to the IFS in the total amount of PLN 19.2 million. The total value of the IFS remuneration for the period from January – September 2006 from both agreements, the new and the old one, amounted to PLN 63.4 million.

Based on the above Cooperation Agreement, IFS provides services to the Bank in the area of banking services and IT-related services (i.e. ensuring electronic access of the Bank's clients to the PKO BP S.A. accounts – the Inteligo and PKO Inteligo accounts).

Due to the scope of services covered by this Agreement, the Cooperation Agreement is not a typical or routine agreement.

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 result of merger, takeover or sale of Group entities have been described in paragraph 6.2 of this interim 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 S.A. 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 3rd quarter of 2006, PKO BP S.A. 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 PKO BP S.A. shareholders' equity.

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

As at 30 September 2006, the total value of court proceedings against PKO BP S.A. amounted to PLN 303,081,722, while the total value of the proceedings initiated by the Bank amounted to PLN 72,088,380.

No court proceedings with the participation of PKO BP S.A. 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 S.A..

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

- On 29 August 2006, the Bank signed an agreement for the sale of the portfolio of receivables due to PKO BP S.A. from business entities and physical persons related to those entities. The sale was made to the securitization fund. The sale transaction covered 1,009 receivable items with a total value of approx. PLN 755 million. On 30 August 2006, the Acquirer paid the consideration for the receivable portfolio. The transaction will be settled in the 4th quarter of 2006.

Currently, the Bank works to further restructure its portfolio of non-performing loans.

- On 5 September 2006, the Bank signed a Cooperation Agreement with PPUP Poczta Polska. The purpose of the Cooperation Agreement was to carry out decisions presented in the letter of intent between Poczta Polska and PKO BP S.A. dated 29 July 2005 (about which the Bank informed in its current report no. 31/2005 dated 29 July 2005). The purpose of the Agreement was to extend the scope of the cooperation to achieve an optimum use of the potential and resources of the Parties and to include in this cooperation entities related to Poczta Polska and the Bank.

The Agreement will be carried out as part of joint projects. Realization of individual tasks will be subject to separate agreements between the Parties of the Cooperation Agreement.

- On 29 September 2006, Mr Andrzej Podsiadło resigned as President of the Bank's Management Board as of 29 September 2006, thus shortening his term of office (current report no. 32/2006 dated 26 June 2006). Given the above, the Supervisory Board appointed Mr Sławomir Skrzypek to act as President of the Management Board of PKO BP S.A. up until the election of the President of the Management Board, no later however than by 30 November 2006.

On the same date, the Supervisory Board of PKO BP S.A. resolved to appoint Mr Wojciech Kwiatkowski and Jarosław Myjak as Vice-Presidents of the Management Board effective as of 1 November 2006 and 2 October 2006, respectively. Pursuant to the resolutions of the Supervisory Board, Mr Kwiatkowski and Mr Myjak were appointed for the above functions at PKO BP S.A. for a joint term of office that commenced on 19 May 2005.

At the same time, the Supervisory Board of PKO BP S.A. appointed, effective from 29 September 2006, Mr Rafał Juszczyk, Jacek Oblękowski and Zdzisław Sokal, currently Board Members, as Vice-Presidents of the Management Board.

More information on the newly appointed Management Board Members is presented in the current report no. 45/2006 dated 29 September 2006.

23. SEGMENTATION OF ACTIVITIES OF THE PKO BP S.A. GROUP

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

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

Business segments

Segmentation by business is as follows:

- Corporate Segment includes transactions of the 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,
- segment result, whether a profit or loss, amounts to 10% or more of the aggregated result of all segments in profit or loss, whichever greater in absolute value, or,

Translation of Interim Financial Statements of the PKO BP S.A. Group for the 3rd quarter of 2006
The Polish original should be referred to in matters of interpretation

– segment assets amounts to 10% or more of total assets of all segments.

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

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

The tables below present data relating to revenues and results of individual business segments of the Group for the period of 9 months ended 30 September 2006 and 30 September 2005 and certain types of assets and liabilities as at 30 September 2006 and 31 December 2005.

For the 9-month period ended 30 September 2006	Continued activities					
	Corporate Segment	Retail Segment	Treasury Segment	Investments Segment	Housing Segment	All activities
Revenue						
External customer-related revenues	885 434	2 977 952	1 151 641	150 584	1 445 050	6 610 662
Inter-segment sales	-	31 867	-	-	2 385	34 252
Total segment revenue	885 434	3 009 819	1 151 641	150 584	1 447 435	6 644 913
Result						
Segment result**	178 847	923 389	73 320	75 821	406 623	1 658 002
Unallocated result together with the result of non-separated segments	-	-	-	-	-	158 640
Difference between FX Swap and CIRS results reported for accounting and management information purposes (Swap points)	-	-	-	-	-	181 065
Result from continued activities before taxation	-	-	-	-	-	1 997 706
Share in the results of associates and jointly controlled entities	-	-	-	-	-	866
Result before taxation and minority interest	-	-	-	-	-	1 998 572
Income tax (tax expense)	-	-	-	-	-	(384 276)
Profit (loss) of minority shareholders	-	-	-	-	-	48 073
Net profit for the period	-	-	-	-	-	1 566 223
Assets and equity and liabilities as at 30 September 2006						
Segment assets	16 508 688	17 964 652	30 956 091	1 738 386	23 841 394	91 009 211
Investments in associates and jointly controlled entities	-	-	-	186 193	-	186 193
Unallocated assets	-	-	-	-	-	5 898 768
Total assets	-	-	-	-	-	97 094 172
Segment liabilities and equity	11 709 622	63 281 815	1 616 048	285 801	10 229 977	87 123 265
Unallocated liabilities and equity	-	-	-	-	-	9 970 907
Total liabilities and equity	-	-	-	-	-	97 094 172
Other segment information						
Result on impairment write-downs*	67 360	(103 013)	-	7 365	(6 043)	(34 331)

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

** the effect of a significant increase in business activities on the property market (Housing Segment)

Translation of Interim Financial Statements of the PKO BP S.A. Group for the 3rd quarter of 2006
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	Continued activities					
For the 9-month period ended 30 September 2005	Corporate Segment	Retail Segment	Treasury Segment	Investments Segment	Housing Segment	All activities
Revenue						
External customer-related revenues	953 812	2 549 887	1 620 758	386 066	1 356 187	6 866 710
Inter-segment sales	-	35 778	-	146	3 739	39 662
Total segment sales	953 812	2 585 665	1 620 758	386 212	1 359 925	6 906 372
Result						
Segment result**	108 531	537 558	266 175	294 756	118 232	1 325 251
Unallocated result together with the result of non-separated segments	-	-	-	-	-	93 521
Difference between FX Swap and CIRS results reported for accounting and management information purposes (Swap points)	-	-	-	-	-	295 896
Result from continued activities before taxation	-	-	-	-	-	1 714 668
Share in the results of associates and jointly controlled entities	-	-	-	-	-	18 132
Result before taxation and minority interest	-	-	-	-	-	1 732 800
Income tax (tax expense)	-	-	-	-	-	(354 726)
Profit (loss) of minority shareholders	-	-	-	-	-	5 298
Net profit for the year	-	-	-	-	-	1 372 776
Assets and equity and liabilities as at 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 equity	9 667 761	60 664 568	2 140 553	468 621	9 142 438	82 083 941
Unallocated liabilities and equity	-	-	-	-	-	9 529 240
Total liabilities and equity	-	-	-	-	-	91 613 181
Other segment information						
Result on impairment write-downs*	(17 284)	(21 360)	-	-	(61 665)	(100 309)

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

** the effect of including in the profit and loss account of reclassification of debt securities in the first half of the year (in accordance with IAS) from the AFS portfolio to ALPL portfolio (Treasury Segment activity)

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

Outside Poland, the Group carries out its activities in Ukraine – through KREDOBANK S.A.

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 9-month period ended 30 September 2006 and 30 September 2005 and certain types of the assets as at 30 September 2006 and 31 December 2005.

For the 9-month period ended 30 September 2006	Poland	Ukraine	Total
Revenues			
Total segment revenues	6 479 744	165 169	6 644 913
Other segment information			
Segment assets	95 341 614	1 566 365	96 907 979
Unallocated assets	-	-	-
Investments in associates	186 193	-	186 193
Total assets	95 527 807	1 566 365	97 094 172

For the 9-month period ended 30 September 2005	Poland	Ukraine	Total
Revenues			
Total segment revenues	6 778 369	128 003	6 906 372
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 S.A. GROUP

• Balance as at 30 September 2006

Balance sheet instruments		
	Carrying amount	Risk weighted value
Banking portfolio	94 982 711	51 852 349
Trading portfolio	2 111 461	897 204
Total balance sheet instruments	97 094 172	52 749 553

Off-balance-sheet instruments			
	Replacement cost	Credit equivalent	Risk weighted value
<i>Derivatives</i>	147 654 562	2 420 223	491 930
Banking portfolio	27 336 143	1 098 365	219 782
Trading portfolio	120 318 419	1 321 858	272 148
<i>Other off-balance-sheet instruments</i>	28 256 122	4 815 716	3 610 606
Banking portfolio	27 390 239	4 236 591	3 031 481
Trading portfolio	865 883	579 125	579 125
Total off-balance-sheet instruments	175 910 684	7 235 939	4 102 536

	Carrying amount and off-balance sheet value	Risk weighted value	Capital requirement
Total banking portfolio (credit risk)	149 709 093	55 103 612	4 408 289

Capital requirements for trading portfolio (market risk)	Capital requirement
Market risk:	106 341
Currency risk	-
Commodity price risk	-
Securities price risk	703
Debt instruments specific risk	70 407
Interest rate general risk	35 231
Other:	16 665
Settlement risk - delivery and contractor	16 665
Securities underwriting risk	-
Other	-

Total capital requirement (credit and market risk)	4 531 295
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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 equivalent	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 instruments</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 value	Risk weighted value	Capital requirement
Total banking portfolio (credit risk)	143 382 105	43 671 671	3 493 734

Capital requirements for trading portfolio (market risk)	Capital requirement
Market risk:	108 522
Currency risk	-
Commodity price risk	-
Security price risk	249
Debt instruments specific risk	66 863
Interest rate general risk	41 410
Other:	15 474
Settlement risk - delivery and contractor	15 474
Securities underwriting risk	-
Other	-

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

31 October 2006	Sławomir Skrzypek	Vice-president, acting as President of Management Board (signature)
31 October 2006	Kazimierz Małecki	Vice-president, First Deputy President (signature)
31 October 2006	Danuta Demianiuk	Vice-president (signature)
31 October 2006	Rafał Juszcak	Vice-president (signature)
31 October 2006	Jarosław Myjak	Vice-president (signature)
31 October 2006	Jacek Oblękowski	Vice-president (signature)
31 October 2006	Zdzisław Sokal	Vice-president (signature)