Consolidated quarterly report 1/2005

For the 1st quarter of 2005 (period from 1 January 2005 to 31 March 2005)

Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna
(full name of issuer)

PKO BP SA
(abbreviated name of issuer)

02-515		**Warszawa**
(postal code)		(city)
Puławska		**15**
(street)		(number)
521-71-12	**521-83-74**	
(telephone)	(fax)	(e-mail)
525-000-77-38	**016298263**	**www.pkobp.pl**
(NIP)	(REGON)	(www)

	in PLN thousand		in EUR thousand	
	period from 01.01 - 31.03.2005	**period from 01.01 - 31.03.2004**	**period from 01.01 - 31.03.2005**	**period from 01.01 - 31.03.2004**
Interest income	1 454 145	1 287 455	362 151	268 561
Fees and commission income	347 450	381 061	86 532	79 489
Gross profit (loss)	542 758	540 048	135 172	112 653
Net profit (loss)	415 801	411 271	103 554	85 790
Net cash flow from operating activities	1 732 762	(955 995)	431 540	(199 419)
Net cash flow from investing activities	817 776	756 871	203 665	157 882
Net cash flow from financing activities	(56 268)	3 571	(14 013)	745
Total net cash flow	2 494 270	(195 553)	621 191	(40 792)
Total assets	88 813 763	82 486 886	21 748 356	18 715 365
Amounts due to Central Bank	360	-	88	76
Amounts due to the financial sector	1 391 892	1 182 621	340 841	293 308
Amounts due to the non-financial and the public sector	74 326 950	69 786 574	18 200 884	15 662 617
Shareholders' equity	8 383 146	7 162 182	2 052 831	1 766 546
Share capital	1 000 000	1 000 000	244 876	210 726
Number of shares	1 000 000 000	1 000 000 000	x	x
Net book value per share (in PLN/EUR)	8.38	7.16	2.05	1.51
Diluted net book value per share (in PLN/EUR)	8.38	7.16	2.05	1.51
Capital adequacy ratio	15.81	16.82	x	x
Net profit (loss) per ordinary share (in PLN/EUR)	1.55	1.26	0.39	0.26
Diluted net profit (loss) per ordinary share (in PLN/EUR)	1.55	1.26	0.39	0.26

CONSOLIDATED BALANCE SHEET OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP			
Assets	**As At 31.03.2005**	**As At 31.12.2004**	**As at 31.03.2004**
Cash and balances with the Central Bank	**4 549 454**	**3 525 323**	**3 178 444**
Financial assets at fair value	**21 016 206**	**1 730 137**	**907 254**
Equity securities	7 498	5 014	2 554
Debt securities	20 926 420	359 667	834 796
Derivatives	82 288	1 365 456	69 904
Available-for-sale financial assets	**1 233 716**	**21 087 719**	**24 825 876**
Equity securities	415 167	461 156	455 871
Debt securities	818 549	20 626 563	24 370 005
Loans, advances and other receivables not quoted on the active market	**55 284 736**	**52 503 751**	**45 053 461**
Due from financial sector	14 299 917	13 348 279	8 177 955
Due from non-financial sector	32 987 778	31 610 476	28 872 981
Due from public sector	7 997 041	7 544 996	8 002 525
Held-to-maturity investments	**1 833 904**	**1 875 908**	**3 840 816**
Debt securities quoted on active market	1 833 904	1 875 908	3 840 816
Hedging derivatives	**-**	**-**	**-**
Differences arising on fair value hedge against interest rate risk on hedged items	**-**	**-**	**-**
Interest accrued on financial assets	**800 768**	**906 858**	**685 877**
Tangible fixed assets	**2 292 412**	**2 366 560**	**2 339 560**
Intangible assets	**503 073**	**497 179**	**320 998**
including: goodwill of subsidiaries	*103 289*	*103 289*	*58 943*
Investments valued under the equity pick-up method	**201 372**	**191 344**	**60 897**
Deferred tax asset	**31 918**	**22 482**	**15 800**
Other assets	**1 066 204**	**828 342**	**1 257 903**
Fixed assets held for sale	**-**	**-**	**-**
Total assets	**88 813 763**	**85 535 603**	**82 486 886**

CONSOLIDATED BALANCE SHEET OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP			
Liabilities	**As at 31.03.2005**	**As at 31.12.2004**	**As at 31.03.2004**
Amounts due to the Central Bank	**360**	**144**	**-**
Financial liabilities at fair value	**371 187**	**793 739**	**77 520**
Derivatives	371 187	793 739	77 520
Financial liabilities at amortized cost	**75 797 733**	**72 359 004**	**71 050 973**
Deposits, advances and received loans due to:	75 718 842	72 337 928	70 969 195
financial sector	1 391 892	1 221 299	1 182 621
non-financial sector	68 590 758	65 756 302	66 090 906
public sector	5 736 192	5 360 327	3 695 668
Liabilities arising from securities issued	78 891	21 076	81 778
including: bonds issued	73 967	21 076	*76 845*
Subordinated liabilities	-	-	-
Financial liabilities arising on transfer of financial assets	**-**	**-**	**-**
Hedging derivatives	**-**	**-**	**-**
Interest accrued on financial liabilities	**1 970 880**	**1 874 215**	**1 905 139**
Provisions	**201 747**	**279 958**	**209 396**
For restructuring	-	-	-
For disputes	5 702	7 043	5 702
including: taxation related	-	-	-
For employees' benefits	186 996	258 734	190 354
For off-balance sheet liabilities	8 870	10 375	13 113
Other	179	3 806	227
Tax liabilities	**255 193**	**530 871**	**460 852**
Other liabilities	**1 833 517**	**1 338 927**	**1 620 824**
Due to employees	100 798	87 800	96 671
Due from leasing	20 091	393	11 524
Other	1 712 628	1 250 734	1 512 629
Liabilities arising on equity securities paid on demand	**-**	**-**	**-**
Liabilities held for sale	**-**	**-**	**-**
Total liabilities	**80 430 617**	**77 176 858**	**75 324 704**
EQUITY			
Share capital	**1 000 000**	**1 000 000**	**1 000 000**
Unpaid share capital (negative value)	**-**	**-**	**-**
Other equity instruments	**-**	**-**	**-**
Reserve capital	**2 805 595**	**2 805 253**	**1 784 836**
including: premium on shares issued	-	-	-
Revaluation reserve	**272 908**	**378 350**	**300 256**
Fair value adjustments of available for sale financial assets	133 956	241 267	149 052
Differences arising on valuation of fixed assets	148 213	148 555	151 204
Foreign exchange differences on subsidiaries	(9 261)	(11 472)	-
Other reserve capital including:	**3 826 919**	**2 562 643**	**3 638 226**
Retained earnings (loss) from previous years	1 425 788	192 643	1 475 246
General banking risk fund	1 000 000	1 000 000	800 000
Own shares (negative value)	**-**	**-**	**-**
Net profit (loss) for the period	**415 801**	**1 544 737**	**411 271**
Dividends paid during the year (negative value)	**-**	**-**	**-**
Minority capital	**61 923**	**67 762**	**27 593**
Revaluation reserve	-	-	-
Other	61 923	67 762	27 593
Total equity	**8 383 146**	**8 358 745**	**7 162 182**
Total liabilities	**88 813 763**	**85 535 603**	**82 486 886**

	As at 31.03.2005	**As at 31.12.2004**	**As at 31.03.2004**
Capital adequacy ratio	**15.81**	**17.46**	**16.82**
Book value	**8 383 146**	**8 358 745**	**7 162 182**
Number of shares	**1 000 000 000**	**1 000 000 000**	**1 000 000 000**
Book value per share (in PLN)	**8.38**	**8.36**	**7.16**
Diluted number of shares	**1 000 000 000**	**1 000 000 000**	**1 000 000 000**
Diluted book value per share (in PLN)	**8.38**	**8.36**	**7.16**

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

	Period from 01.01.2005 to 31.03.2005	Period from 01.01.2004 to 31.03.2004
Financial and operating income	**1 538 391**	**1 414 698**
Interest income	1 454 145	1 287 455
Interest expense	(594 872)	(398 153)
Net interest income	*859 273*	*889 302*
Dividend income	-	-
Fees and commission income	347 450	381 061
Fees and commission expense	(68 395)	(52 233)
Net fees and commission income	*279 055*	*328 828*
Realized result from financial assets and liabilities other than stated at fair value through profit and loss	65 881	8 669
Result from financial assets and liabilities at fair value through profit and loss	29 869	21 221
Result from fair value adjustments arising on hedge accounting	-	-
Foreign exchange result	173 052	83 016
Other operating income	152 777	128 771
Other operating expense	(21 516)	(45 109)
Result from other operating income / expenses	*131 261*	*83 662*
Overhead costs	**(759 962)**	**(677 626)**
Depreciation of tangible assets and amortization of intangible assets	**(116 536)**	**(125 608)**
Depreciation of tangible fixed assets	(79 590)	(87 870)
Depreciation of investment properties	(4 864)	(4 898)
Amortization of intangible assets	(32 082)	(32 840)
Provisions	**(79 534)**	**(99 643)**
Impairment write-offs	**(29 832)**	**24 135**
Impairment write-offs of financial assets not valued at fair value through profit and loss	(27 421)	48 545
Impairment write-offs	(2 411)	(24 410)
including: goodwill	-	-
Negative goodwill credited to profit and loss account	-	-
Share in net profit (loss) of companies valued under the equity pick-up method	**(9 769)**	**4 092**
Gross profit (loss)	**542 758**	**540 048**
Taxation	**(127 258)**	**(128 638)**
Current	(318 911)	(127 790)
Deferred	191 653	(848)
Net profit (loss) for the period	**415 500**	**411 410**
(Profit) loss attributable to minority shareholders	**301**	**(139)**
Net profit (loss)	**415 801**	**411 271**

	Period from 01.01.2005 to 31.03.2005	Period from 01.01.2004 to 31.03.2004
Net profit (loss) annualized	**1 549 267**	**1 263 707**
Weighted average number of ordinary shares	**1 000 000 000**	**1 000 000 000**
Net profit (loss) per ordinary share (in PLN)	**1.55**	**1.26**
Weighted average diluted number of ordinary shares	**1 000 000 000**	**1 000 000 000**
Diluted profit (loss) per ordinary share (in PLN)	**1.55**	**1.26**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP	Period from 01.01.2005 to 31.03.2005	Period from 01.01.2004 to 31.03.2004
EQUITY		
Shareholders' equity	**1 000 000**	**1 000 000**
Unpaid share capital	**-**	**-**
Equity instruments	**-**	**-**
Reserve capital	**2 805 595**	**1 784 836**
including: premium on shares issued	-	-
Revaluation reserve	**272 908**	**300 256**
Fair value adjustments of available-for-sale financial assets	133 956	149 052
Foreign exchange differences on subsidiaries	(9 261)	-
Differences arising on valuation of fixed assets	148 213	151 204
Other reserve capital including:	**3 826 919**	**3 638 226**
Retained earnings (loss) from previous years	1 425 788	1 475 246
General banking risk fund	1 000 000	800 000
Own shares (negative value)	**-**	**-**
Net profit (loss) for the period	**415 801**	**411 271**
Dividends paid during the year (negative value)	**-**	**-**
Minority capital	**61 923**	**27 593**
Revaluation reserve	-	-
Other	61 923	27 593
Total equity	**8 383 146**	**7 162 182**
Sources of changes in equity		
Equity as at the end of previous period	**8 070 534**	**6 399 135**
adjustments due to changes in accounting policies	(137 955)	268 467
- adjustments concerning implementation of IFRS/IAS	275 893	268 467
- adjustments concerning implementation of effective interest rate	(413 848)	-
Adjusted shareholders' equity at the beginning of the period for comparability	**7 932 579**	**6 667 602**
Changes in shareholders' equity		
Profit (loss) for the shareholders of the holding company	415 801	411 271
Profit (loss) attributable to minority shareholders	(301)	139
Fair value adjustments of available-for-sale financial assets	(22 262)	79 858
Foreign exchange differences on subsidiaries	2 211	-
Other increase / decrease of shareholder's equity	55 118	3 312
Total shareholders' equity	**8 383 146**	**7 162 182**

SHORTENED CONSOLIDATED STATEMENT OF CASH FLOW OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP		
	Period from 01.01.2005 to 31.03.2005	**Period from 01.01.2004 to 31.03.2004**
I. Net cash flow from operating activity – indirect method	**1 732 762**	**(955 995)**
II. Net cash flow from investing activity	**817 776**	**756 871**
III. Net cash flow from financing activity	**(56 268)**	**3 571**
IV. Total net cash flow	**2 494 270**	**(195 553)**
Cash and cash equivalents at the beginning of the period	**5 335 880**	**4 715 232**
Cash and cash equivalents at the end of the period	**7 830 150**	**4 519 679**
Components of cash and cash equivalents		
Cash at hand	1 015 782	803 440
Receivables from Central Banks	3 533 672	2 375 004
On demand receivables from banks and other financial institutions	3 278 622	1 336 260
Brokerage house cash in Stock Exchange Guarantee Fund	2 074	4 975

OFF-BALANCE SHEET ITEMS OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP		
	As at 31.03.2005	**As at 31.03.2004**
Contingent liabilities granted and received	**12 970 046**	**18 718 998**
Contingent liabilities granted:	7 642 317	13 943 700
Financial	6 367 385	13 460 962
to financial sector	2 299 082	1 896 859
to non financial sector	3 539 932	10 927 016
to public sector	528 371	637 087
Guarantees	1 274 932	482 738
to financial sector	5 532	6 013
to non financial sector	1 024 384	277 813
to public sector	245 016	198 912
Contingent liabilities received:	5 327 729	4 775 298
Financial	723 971	171 586
from financial sector	723 971	171 586
from non financial sector	-	-
from public sector	-	-
Guarantees	4 603 758	4 603 712
from financial sector	41 941	30 113
from non financial sector	226 769	471
from public sector	4 335 048	4 573 128
Spot off-balance sheet transactions	**3 931 825**	**1 858 994**
Forward off-balance sheet transactions	**216 713 698**	**94 240 099**
Other	**14 449 330**	**3 286 936**

BALANCE SHEET OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA			
Assets	**As At 31.03.2005**	**As At 31.12.2004**	**As at 31.03.2004**
Cash and balances with the Central Bank	**4 501 825**	**3 490 505**	**3 178 410**
Financial assets at fair value	**20 992 231**	**1 706 751**	**906 899**
Equity securities	7 298	5 014	2 554
Debt securities	20 902 649	336 281	834 796
Derivatives	82 284	1 365 456	69 549
Available-for-sale financial assets	**1 222 381**	**21 131 765**	**24 810 630**
Equity securities	413 341	459 475	455 867
Debt securities	809 040	20 672 290	24 354 763
Loans, advances and other receivables not quoted on the active market	**54 588 338**	**51 830 365**	**45 057 039**
Due from financial sector	14 569 177	13 583 433	9 098 783
Due from non-financial sector	32 022 120	30 701 981	27 955 731
Due from public sector	7 997 041	7 544 951	8 002 525
Held-to-maturity investments	**1 776 862**	**1 875 908**	**3 840 816**
Debt securities quoted on active market	1 776 862	1 875 908	3 840 816
Hedging derivatives	**-**	**-**	**-**
Differences arising on fair value hedge against interest rate risk on hedged items	**-**	**-**	**-**
Interest accrued on financial assets	**795 851**	**902 071**	**686 315**
Tangible fixed assets	**1 870 504**	**1 939 016**	**1 970 483**
Intangible assets	**391 727**	**384 045**	**252 753**
Investments valued under the equity pick-up method	**590 858**	**577 870**	**300 651**
Deferred tax asset	**-**	**-**	**-**
Other assets	**725 335**	**503 871**	**1 084 938**
Fixed assets held for sale	**-**	**-**	**-**
Total assets	**87 455 912**	**84 342 167**	**82 088 934**

BALANCE SHEET OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA			
Liabilities	**As at 31.03.2005**	**As at 31.12.2004**	**As at 31.03.2004**
Amounts due to the Central Bank	**360**	**144**	**-**
Financial liabilities at fair value	**371 187**	**793 739**	**73 701**
Derivatives	371 187	793 739	73 701
Financial liabilities at amortized cost	**74 784 963**	**71 512 220**	**70 821 853**
Deposits, advances and received loans due to:	74 784 963	71 512 220	70 821 853
financial sector	1 081 390	903 746	1 017 665
non-financial sector	67 967 382	65 248 147	66 108 520
public sector	5 736 191	5 360 327	3 695 668
Liabilities arising from securities issued	-	-	-
including: bonds issued	-	-	-
Subordinated liabilities	-	-	-
Financial liabilities arising on transfer of financial assets	**-**	**-**	**-**
Hedging derivatives	**-**	**-**	**-**
Interest accrued on financial liabilities	**1 960 091**	**1 864 455**	**1 905 139**
Provisions	**198 544**	**207 033**	**208 984**
For restructuring	-	-	-
For disputes	5 614	5 614	5 614
including: regarding taxation	-	-	-
For employees' benefits	184 113	184 113	190 257
For off-balance sheet liabilities	8 817	10 330	13 113
Other	-	6 976	-
Tax liabilities	**250 849**	**530 302**	**460 852**
Other liabilities	**1 686 227**	**1 265 794**	**1 548 296**
Due to employees	100 628	78 848	95 798
Due from leasing	347	393	1 093
Other	1 585 252	1 186 553	1 451 405
Liabilities arising on equity securities paid on demand	**-**	**-**	**-**
Liabilities held for sale	**-**	**-**	**-**
Total liabilities	**79 252 221**	**76 173 687**	**75 018 825**
EQUITY			
Share capital	**1 000 000**	**1 000 000**	**1 000 000**
Unpaid share capital (negative value)	**-**	**-**	**-**
Other equity instruments	**-**	**-**	**-**
Reserve capital	**2 805 073**	**2 804 731**	**1 784 089**
including: premium on shares issued	-	-	-
Revaluation reserve	**281 812**	**389 760**	**300 304**
Fair value adjustments of available-for-sale financial assets	133 599	241 205	149 100
Differences arising on valuation of fixed assets	148 213	148 555	151 204
Foreign exchange differences on subsidiaries	-	-	-
Other reserve capital including:	**3 706 132**	**2 509 287**	**3 583 034**
Retained earnings (loss) from previous years	1 336 132	139 287	1 423 034
General banking risk fund	1 000 000	1 000 000	800 000
Own shares (negative value)	**-**	**-**	**-**
Net profit (loss) for the period	**410 674**	**1 464 702**	**402 682**
Dividends paid during the year (negative value)	**-**	**-**	**-**
Minority capital	**-**	**-**	**-**
Revaluation reserve	-	-	-
Other	-	-	-
Total equity	**8 203 691**	**8 168 480**	**7 070 109**
Total liabilities	**87 455 912**	**84 342 167**	**82 088 934**

	As at 31.03.2005	**As at 31.12.2004**	**As at 31.03.2004**
Capital adequacy ratio	**15.19**	**17.26**	**16.78**
Book value	**8 203 691**	**7 761 041**	**7 070 109**
Number of shares	**1 000 000 000**	**1 000 000 000**	**1 000 000 000**
Book value per share (in PLN)	**8.21**	**7.77**	**7.07**
Diluted number of shares	**1 000 000 000**	**1 000 000 000**	**1 000 000 000**
Diluted book value per share (in PLN)	**8.21**	**7.77**	**7.07**

PROFIT AND LOSS ACCOUNT OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA		
	Period from 01.01.2005 to 31.03.2005	**Period from 01.01.2004 to 31.03.2004**
Financial and operating income	**1 420 188**	**1 376 918**
Interest income	1 422 430	1 278 904
Interest expense	(577 433)	(296 900)
Net interest income	*844 997*	*882 004*
Dividend income	-	-
Fees and commission income	338 030	392 638
Fees and commission expense	(70 682)	(51 839)
Net fees and commission income	*267 348*	*340 799*
Realized result from financial assets and liabilities other than stated at fair value through profit and loss	65 881	8 669
Result from financial assets and liabilities at fair value through profit and loss	29 869	21 221
Result from fair value adjustments arising on hedge accounting	-	-
Foreign exchange result	177 378	82 656
Other operating income	42 292	52 652
Other operating expense	(7 577)	(11 083)
Result from other operating income / expenses	*34 715*	*41 569*
Overhead costs	**(666 812)**	**(659 792)**
Depreciation of tangible assets and amortization of intangible assets	**(102 993)**	**(113 886)**
Depreciation of tangible fixed assets	(73 411)	(83 942)
Depreciation of investment properties	-	-
Amortization of intangible assets	(29 582)	(29 944)
Provisions	**(79 534)**	**(99 643)**
Impairment write-offs	**(27 848)**	**24 133**
Impairment write-offs of financial assets not valued at fair value through profit and loss	(25 437)	48 543
Impairment write-offs	(2 411)	(24 410)
Negative goodwill charged to profit and loss account	**-**	**-**
Share in net profit (loss) of companies valued under the equity pick-up method	**(7 827)**	**(1 444)**
Gross profit (loss)	**535 174**	**526 286**
Taxation	**(124 500)**	**(123 604)**
Current	(316 296	(125 090)
Deferred	191 796	1 486
Net profit (loss) for the period	**410 674**	**402 682**

	Period from 01.01.2005 to 31.03.2005	Period from 01.01.2004 to 31.03.2004
Net profit (loss) annualized	**1 472 694**	**1 255 118**
Weighted average number of ordinary shares	**1 000 000 000**	**1 000 000 000**
Net profit (loss) per ordinary share (in PLN)	**1.48**	**1.26**
Weighted average diluted number of ordinary shares	**1 000 000 000**	**1 000 000 000**
Diluted profit (loss) per ordinary share (in PLN)	**1.48**	**1.26**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA		
	Period from 01.01.2005 to 31.03.2005	**Period from 01.01.2004 to 31.03.2004**
EQUITY		
Shareholders' equity	**1 000 000**	**1 000 000**
Unpaid share capital	**-**	**-**
Equity instruments	**-**	**-**
Reserve capital	**2 805 073**	**1 784 089**
including: premium on shares issued	-	-
Revaluation reserve	**281 812**	**300 304**
Fair value adjustments of available-for-sale financial assets	133 599	149 100
Differences arising on valuation of fixed assets	148 213	151 204
Other reserve capital including:	**3 706 132**	**3 583 034**
Retained earnings (loss) from previous years	1 336 132	1 423 034
General banking risk fund	1 000 000	800 000
Own shares (negative value)	**-**	**-**
Net profit (loss) for the period	**410 674**	**402 682**
Dividends paid during the year (negative value)	**-**	**-**
Minority capital	**-**	**-**
Revaluation reserve	-	-
Other	-	-
Total equity	**8 203 691**	**7 070 109**
Sources of changes in equity		
Equity as at the end of previous period	**8 070 534**	**6 399 135**
adjustments due to changes in accounting policies	-	-
- adjustments concerning implementation of IFRS/IAS	76 255	331 506
- adjustments concerning implementation of effective interest rate	(385 748)	-
Adjusted shareholders' equity at the beginning of the period for comparability	**7 761 041**	**6 730 641**
Changes in shareholders' equity		
Profit (loss) for the shareholders of the holding company	410 674	402 682
Profit (loss) attributable to minority shareholders	-	-
Fair value adjustments of available-for-sale financial assets	(22 262)	79 640
Other increase / decrease of shareholder's equity	54 238	(142 854)
Total shareholders' equity	**8 203 691**	**7 070 109**

SHORTENED CONSOLIDATED STATEMENT OF CASH FLOW OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA		
	Period from 01.01.2005 to 31.03.2005	**Period from 01.01.2004 to 31.03.2004**
I. Net cash flow from operating activity – indirect method	**1 608 331**	**(964 479)**
II. Net cash flow from investing activity	**819 636**	**749 723**
III. Net cash flow from financing activity	**(88)**	**14 164**
IV. Total net cash flow	**2 427 879**	**(200 592)**
Cash and cash equivalents at the beginning of the period	**5 225 717**	**4 718 894**
Cash and cash equivalents at the end of the period	**7 653 596**	**4 518 302**
Components of cash and cash equivalents		
Cash at hand	968 153	803 406
Receivables from Central Banks	3 533 672	2 375 004
On demand receivables from banks and other financial institutions	3 149 697	1 334 917
Brokerage house cash in Stock Exchange Guarantee Fund	2 074	4 975

OFF-BALANCE SHEET ITEMS		
	As at 31.03.2005	**As at 31.03.2004**
Contingent liabilities granted and received		
Contingent liabilities granted:	8 149 730	13 984 277
Financial	6 870 235	13 496 413
to financial sector	2 851 296	1 932 310
to non financial sector	3 490 568	10 927 016
to public sector	528 371	637 087
Guarantees	1 279 495	487 864
to financial sector	25 445	11 728
to non financial sector	1 009 034	277 224
to public sector	245 016	198 912
Contingent liabilities received:	5 069 990	4 736 644
Financial	691 205	142 669
from financial sector	691 205	142 669
from non financial sector	-	-
from public sector	-	-
Guarantees	4 378 785	4 593 975
from financial sector	41 783	20 376
from non financial sector	1 954	471
from public sector	4 335 048	4 573 128
Irrevocable liabilities	9 504 520	111 602
Collaterals received	3 063 016	3 191 399
Spot off-balance sheet transactions	**3 934 396**	**1 858 994**
Forward off-balance sheet transactions	**216 713 698**	**94 240 099**
Other	**-**	**-**

Reconciliation of differences between IFRS/IAS
The below table presents the impact IFRS/IAS implementation on equity and net profit in reporting periods presented in the financial statements

- **reconciliation of differences between IFRS/IAS as at 31 March 2004**

BALANCE SHEET OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BP SA GROUP

ASSETS	Note	PAS 31.03.2004	Adjustments	IFRS 31.03.2004
Cash and balances with the Central Bank		**3 178 444**	**-**	**3 178 444**
Financial assets at fair value		**907 254**	**-**	**907 254**
Available-for-sale financial assets		**24 825 876**	**-**	**24 825 876**
Loans, advances and other receivables not quoted on the active market	a	**45 671 662**	(618 201)	**45 053 461**
Held-to-maturity investments		**3 840 816**	**-**	**3 840 816**
Hedging derivatives		**-**	**-**	**-**
Differences arising on fair value hedge against interest rate risk on hedged items		**-**	**-**	**-**
Interest accrued on financial assets	b	**3 296 256**	(2 610 379)	**685 877**
Tangible fixed assets	c	**2 339 343**	217	**2 339 560**
Intangible assets	d	**315 423**	5 575	**320 998**
including: goodwill of subsidiaries		*53 377*	*5 566*	*58 943*
Investments valued under the equity pick-up method	e	**78 178**	(17 281)	**60 897**
Deferred tax asset		**15 800**	**-**	**15 800**
Other assets	f	**1 105 110**	152 793	**1 257 903**
Fixed assets held for sale		**-**	**-**	**-**
Total assets		**85 574 162**	(3 087 276)	**82 486 886**
LIABILITIES				
Amounts due to the Central Bank		**-**	**-**	**-**
Financial liabilities at fair value		**77 520**		**77 520**
Other financial liabilities at fair value through profit and loss		**-**	**-**	**-**
Financial liabilities at amortized cost	g	**70 967 838**	83 135	**71 050 973**
Financial liabilities arising on transfer of financial assets		**-**	**-**	**-**
Hedging derivatives		**-**	**-**	**-**
Interest accrued on financial liabilities		**1 905 139**	**-**	**1 905 139**
Provisions	h	**870 993**	(661 597)	**209 396**
Tax liabilities		**460 852**	-	**460 852**
Other liabilities	i	**4 408 730**	(2 787 906)	**1 620 824**
Liabilities arising on equity securities paid on demand		**-**	**-**	**-**
Liabilities held for sale		**-**	**-**	**-**
EQUITY				
Share capital		**1 000 000**	**-**	**1 000 000**
Unpaid share capital (negative value)		**-**	**-**	**-**
Other equity instruments		**-**	**-**	**-**
Reserve capital	j	**1 784 089**	747	**1 784 836**
Revaluation reserve	k	**300 304**	(48)	**300 256**
Other reserve capital	l	**3 393 326**	244 900	**3 638 226**
Own shares (negative value)		**-**	**-**	**-**
Net profit (loss) for the period	ł	**404 882**	6 389	**411 271**
Dividends paid during the year (negative value)		**-**	**-**	**-**
Minority capital	m	**489**	27 104	**27 593**
Total liabilities		**85 574 162**	(3 087 276)	**82 486 886**

IFRS/IAS adjustments' description as at 31 March 2004

a) Loans, advances and other receivables not quoted on active market	(618 201)
- change in the presentation of the general risk provision	(661 597)
- consolidation of subsidiaries according to IAS 27	43 396
b) Accrued interest on financial assets	(2 610 379)
- decrease of receivables due to suspended interest	(2 610 379)
c) Tangible fixed assets	217
- consolidation of subsidiaries according to IAS 27	217
d) Intangible fixed assets	5 575
- adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	5 575
e) Investments in companies valued under the equity pick-up method	(17 281)
- adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	(17 281)
f) Other assets	152 793
- consolidation of subsidiaries according to IAS 27	152 793
g) Financial liabilities at amortized cost	83 135
- consolidation of subsidiaries according to IAS 27	83 135
h) Provisions	(661 597)
- change in the presentation of the general risk provision	(661 597)
i) Other liabilities	(2 787 906)
- decrease of liabilities due to suspended interest	(2 841 607)
- consolidation of subsidiaries according to IAS 27	53 701
j) Reserve capital	747
- adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	526
- consolidation of subsidiaries according to IAS 27	221
k) Revaluation reserve	(48)
- adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	(48)
l) Other reserve capital	244 900
- credit of the suspended interest to the retained earnings/loss from previous periods	231 228
- adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	(25 161)
- consolidation of subsidiaries according to IAS 27	38 833
ł) Net profit (loss) for the period	6 389
- adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	6 594
- consolidation of subsidiaries according to IAS 27	(205)
m) Minority interest	27 104
- consolidation of subsidiaries according to IAS 27	27 107
- adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	(3)

- **reconciliation of differences between IFRS/IAS as at 31 December 2004**

BALANCE SHEET OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BP SA GROUP

ASSETS	Note	PAS 31.12.2004	Adjustments	IFRS 31.12.2004
Cash and balances with the Central Bank		**3 525 323**	**-**	**3 525 323**
Financial assets at fair value		**1 730 137**	**-**	**1 730 137**
Available-for-sale financial assets	a	**21 087 519**	200	**21 087 719**
Loans, advances and other receivables not quoted on the active market	b	**53 142 549**	(638 798)	**52 503 751**
Held-to-maturity investments		**1 875 908**	**-**	**1 875 908**
Hedging derivatives		**-**	**-**	**-**
Differences arising on fair value hedge against interest rate risk on hedged items		**-**	**-**	**-**
Interest accrued on financial assets	c	**3 754 586**	(2 847 728)	**906 858**
Tangible fixed assets	d	**2 366 154**	406	**2 366 560**
Intangible assets	e	**478 728**	18 451	**497 179**
including: goodwill of subsidiaries		*84 920*	*18 369*	*103 289*
Investments valued under the equity pick-up method	f	**215 085**	(23 741)	**191 344**
Deferred tax asset		**22 482**	**-**	**22 482**
Other assets	g	**564 237**	264 105	**828 342**
Fixed assets held for sale		**-**	**-**	**-**
Total assets		**88 762 708**	(3 227 105)	**85 535 603**
LIABILITIES				
Amounts due to the Central Bank		**144**	**-**	**144**
Financial liabilities at fair value		**793 739**		**793 739**
Other financial liabilities at fair value through profit and loss		**-**	**-**	**-**
Financial liabilities at amortized cost	h	**72 241 284**	117 720	**72 359 004**
Financial liabilities arising on transfer of financial assets		**-**	**-**	**-**
Hedging derivatives		**-**	**-**	**-**
Interest accrued on financial liabilities		**1 874 215**	**-**	**1 874 215**
Provisions	i	**944 953**	(664 995)	**279 958**
Tax liabilities	j	**530 302**	569	**530 871**
Other liabilities	k	**4 282 373**	(2 943 446)	**1 338 927**
Liabilities arising on equity securities paid on demand		**-**	**-**	**-**
Liabilities held for sale		**-**	**-**	**-**
EQUITY				
Share capital		**1 000 000**	**-**	**1 000 000**
Unpaid share capital (negative value)		**-**	**-**	**-**
Other equity instruments		**-**	**-**	**-**
Reserve capital	l	**2 804 731**	522	**2 805 253**
Revaluation reserve	ł	**378 288**	62	**378 350**
Other reserve capital	m	**2 376 450**	186 193	**2 562 643**
Own shares (negative value)		**-**	**-**	**-**
Net profit (loss) for the period	n	**1 511 065**	33 672	**1 544 737**
Dividends paid during the year (negative value)		**-**	**-**	**-**
Minority capital	o	**25 164**	42 598	**67 762**
Total liabilities		**88 762 708**	(3 227 105)	**85 535 603**

IFRS/IAS adjustments' description as at 31 December 2004

a) Available-for-sale financial assets	200
- consolidation of subsidiaries according to IAS 27	200
b) Loans, advances and other receivables not quoted on active market	(638 798)
- change in the presentation of the general risk provision	(661 597)
- consolidation of subsidiaries according to IAS 27	22 799
c) Accrued interests on financial assets	(2 847 728)
- decrease of receivables due to suspended interest	(2 847 728)
d) Tangible fixed assets	406
- consolidation of subsidiaries according to IAS 27	406
e) Intangible fixed assets	18 451
- adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	18 369
- consolidation of subsidiaries according to IAS 27	82
f) Investments in companies valued under the equity pick-up method	(23 741)
- adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	(23 741)
g) Other assets	264 105
- consolidation of subsidiaries according to IAS 27	264 105
h) Financial liabilities at amortized cost	117 720
- consolidation of subsidiaries according to IAS 27	117 720
i) Provisions	(664 995)
- change in the presentation of the general risk provision	(661 597)
- adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	(3 398)
j) Tax liabilities	569
- consolidation of subsidiaries according to IAS 27	569
k) Other liabilities	(2 943 446)
- decrease of liabilities due to suspended and capitalized interest	(3 022 085)
- consolidation of subsidiaries according to IAS 27	78 639
l) Reserve capital	522
- adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	301
- consolidation of subsidiaries according to IAS 27	221
ł) Revaluation reserve	62
- adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	62
m) Other reserve capital	186 193
- credit of the capitalized interest to the retained earnings/loss form previous periods	174 356
- adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	(31 759)
- consolidation of subsidiaries according to IAS 27	43 596
n) Net profit (loss) for the period	33 672
- adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	32 632
- consolidation of subsidiaries according to IAS 27	1 040
o) Minority interest	42 598
- consolidation of subsidiaries according to IAS 27	42 598

- **reconciliation of differences between IFRS/IAS as of 1 January 2005**

BALANCE SHEET OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BP SA GROUP

ASSETS	Note	PAS 01.01.2005	Adjustments	IFRS 01.01.2005
Cash and balances with the Central Bank		**3 525 323**	-	**3 525 323**
Financial assets at fair value	a	**1 730 137**	19 953 740	**21 683 877**
Available-for-sale financial assets	b	**21 087 519**	(19 997 534)	**1 089 985**
Loans, advances and other receivables not quoted on the active market	c	**53 142 549**	(1 010 049)	**52 132 500**
Held-to-maturity investments		**1 875 908**	-	**1 875 908**
Hedging derivatives		-	-	-
Differences arising on fair value hedge against interest rate risk on hedged items		-	-	-
Interest accrued on financial assets	d	**3 754 586**	(2 847 728)	**906 858**
Tangible fixed assets	e	**2 366 154**	406	**2 366 560**
Intangible assets	f	**478 728**	18 451	**497 179**
including: goodwill of subsidiaries		*84 920*	*18 369*	*103 289*
Investments valued under the equity pick-up method	g	**215 085**	(23 741)	**191 344**
Deferred tax asset	h	**22 482**	6 729	**29 211**
Other assets	i	**564 237**	260 224	**824 461**
Fixed assets held for sale		-		
Total assets	j	**88 762 708**	(3 639 502)	**85 123 206**
LIABILITIES				
Amounts due to the Central Bank		**144**	-	**144**
Financial liabilities at fair value		**793 739**	-	**793 739**
Other financial liabilities at fair value through profit and loss		-	-	-
Financial liabilities at amortized cost	k	**72 241 284**	117 503	**72 358 787**
Financial liabilities arising on transfer of financial assets		-	-	-
Hedging derivatives		-	-	-
Interest accrued on financial liabilities		**1 874 215**	-	**1 874 215**
Provisions	l	**944 953**	(664 995)	**279 958**
Tax liabilities	ł	**530 302**	(7 097)	**523 205**
Other liabilities	m	**4 282 373**	(2 921 794)	**1 360 579**
Liabilities arising on equity securities paid on demand		-	-	-
Liabilities held for sale		-	-	-
EQUITY				
Share capital		**1 000 000**	-	**1 000 000**
Unpaid share capital (negative value)		-	-	-
Other equity instruments		-	-	-
Reserve capital	n	**2 804 731**	522	**2 805 253**
Revaluation reserve	o	**378 288**	(85 624)	**292 664**
Other reserve capital		**2 376 450**	(114 370)	**2 262 080**
Own shares (negative value)		-	-	-
Net profit (loss) for the period		**1 511 065**	-	**1 511 065**
Dividends paid during the year (negative value)		-	-	-
Minority capital	p	**25 164**	36 353	**61 517**
Total liabilities		**88 762 708**	(3 639 502)	**85 123 206**

IFRS/IAS adjustments' description as at 1 January 2005

a) Financial assets at fair value	19 953 740
- reclassification of the financial assets classified as available-for-sale to assets at fair value through profit and loss	19 953 740
b) Available-for-sale financial assets	(19 997 534)
- reclassification of the financial assets classified as available-for-sale to assets at fair value through profit and loss	(19 953 740)
- impairment of the debt securities	(43 994)
- consolidation of subsidiaries according to IAS 27	200
c) Loans, advances and other receivables not quoted on active market	(1 010 049)
- receivables value adjustment due to valuation at amortized cost	(384 355)
- receivables value adjustment due to impairment according to the IAS 39	(648 493)
- consolidation of subsidiaries according to IAS 27	22 799
d) Interest accrued on financial assets	(2 847 728)
- decrease of the receivables due suspended interest	(2 847 728)
e) Tangible fixed assets	406
- consolidation of subsidiaries according to IAS 27	406
f) Intangible assets	18 451
- adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	18 369
- consolidation of subsidiaries according to IAS 27	82
g) Investments in subsidiaries valued at equity pick-up method	(23 741)
- adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	(23 741)
h) Deferred tax asset	6 729
- tax effect on the valuation at amortized cost	6 729
i) Other assets	260 224
- consolidation of subsidiaries according to IAS 27	264 105
- receivables value adjustment due to impairment according to the IAS 39	(3 881)
j) Financial liabilites at amortized cost	117 503
- consolidation of subsidiaries according to IAS 27	117 720
- liabilities value adjustment due to valuation at amortized cost	(217)
k) Provisions	(664 995)
- release of the general banking risk provision	(661 597)
- adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	(3 398)
l) Tax liabilities	(7 097)
- consolidation of subsidiaries according to IAS 27	569
- tax effect on valuation at amortized cost	693
- tax effect on reclassification of the financial assets classified as available-for-sale to assets at fair value through profit and loss	(8 359)
ł) Other liabilities	(2 921 794)
- decrease of liabilities due to suspended interest	(3 022 084)
- consolidation of subsidiaries according to IAS 27	78 639
- liabilities value adjustment due to valuation at amortized cost	21 651
m) Reserve capital	522
- adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	301
- consolidation of subsidiaries according to IAS 27	221
n) Revaluation reserve	(85 624)
- adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	62
- reclassification of the financial assets classified as available-for-sale to assets at fair value through profit and loss	(105 223)
- tax effect on reclassification of the financial assets classified as available-for-sale to assets at fair value through profit and loss	19 992

- tax effect on valuation at amortized cost	(455)
o) Other reserve capital	(114 370)
- adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	(31 759)
- consolidation of subsidiaries according to IAS 27	43 595
- adjustment due to the valuation of certain financial assets with the use of amortized cost	(403 575)
- change in the presentation of the general risk provision	661 597
- adjustment due to impairment according to the IAS 39	(517 981)
- adjustment due to reclassification of the financial assets classified as available-for-sale to assets at fair value through profit and loss	105 223
- tax effect on valuation at amortized cost	(5 114)
- tax effect on reclassification of the financial assets classified as available-for-sale to assets at fair value through profit and loss	(28)
- adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	32 632
- consolidation of subsidiaries according to IAS 27	1 040
p) Minority interest	36 353
- receivables value adjustment due to valuation at amortized cost	(5 159)
- receivables value adjustment due to impairment according to the IAS 39	(1 086)
- consolidation of subsidiaries according to IAS 27	42 598

Reconciliation of differences between IFRS and PAS
The below table presents the impact of IFRS implementation on equity and net profit in reporting periods presented in the financial statements

Reconciliation of differences between IFRS and PAS as at 31 March 2004

BANK'S BALANCE SHEET	Note	PAS 31.03.2004	Adjustments	IFRS 31.03.2004
ASSETS				
Cash and balances with the Central Bank		3 178 410		3 178 410
Financial assets at fair value		906 899		906 899
Available-for-sale financial assets		24 810 630		
Loans, advances and other receivables not quoted on the active market	a	45 718 636	(661 597)	45 057 039
Held-to-maturity investments		3 840 816		3 840 816
Hedging derivatives		0		0
Differences arising on fair value hedge against interest rate risk on hedged items		0		0
Interest accrued on financial assets	b	3 296 694	(2 610 379)	686 315
Tangible fixed assets		1 970 483		1 970 483
Intangible assets		252 753		252 753
Investments valued under the equity pick-up method	c	350 027	(49 367)	300 651
Deferred tax asset		0		0
Other assets		1 084 938		1 084 938
Fixed assets held for sale		0		0
Total assets		85 410 286	(3 321 352)	82 088 934
LIABILITIES				
Amounts due to the Central Bank		0		0
Financial liabilities at fair value		73 701		73 701
Financial liabilities at amortized cost		70 821 853		70 821 853
Financial liabilities arising on transfer of financial assets		0		0
Hedging derivatives		0		0
Differences arising on fair value hedge against interest rate risk on hedged items		0		0
Interest accrued on financial liabilities		1 905 139		1 905 139
Provisions	d	876 237	(667 253)	208 984
Tax liabilities		460 852		460 852
Other liabilities		4 389 903	(2 841 607)	1 548 296
Liabilities arising on equity securities paid on demand		0		0
Liabilities held for sale		0		0
Total liabilities		0		0
EQUITY				
Share capital		1 000 000		1 000 000
Unpaid share capital (negative value)		0		0
Other equity instruments		0		0
Reserve capital		1 784 089		1 784 089
Revaluation reserve		300 304		300 304
Other reserve capital including:	f	3 393 326	189 708	3 583 034
Retained earnings (loss) from previous years		1 233 326	189 708	1 423 034
General banking risk fund		800 000		800 000
Own shares (negative value)		0		0
Net profit (loss) for the period	g	404 882	(2 200)	402 682
Dividends paid during the year (negative value)		0		0
Minority capital		0		0
Total equity		6 882 601	187 508	7 070 109
Total liabilities		85 410 286	(3 321 352)	82 088 934

IFRS/IAS adjustments' description as at 31 March 2004

a)	Loans, advances and other receivables not quoted on active market	(661 597)
-	Change in the presentation of the general risk provision	(661 597)
b)	Accrued interests on financial assets	(2 610 379)
-	decrease of receivables due to suspended interest	(2 610 379)
c)	Investments in companies valued under the equity pick-up method	(49 376)
-	adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	(49 376)
d)	Provisions	(667 253)
-	Change in the presentation of the general risk provision	(661 597)
-	reversal of the negative valuation of the subsidiaries, join-ventures and associates	(5 656)
e)	Other liabilities	(2 841 607)
-	decrease of liabilities due to suspended interest	(2 841 607)
f)	Other reserve capital	189 708
-	credit of the suspended interest to the retained earnings/loss form previous periods	231 228
-	adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	(41 520)
g)	Net profit (loss) for the period	2 200
-	adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	2 200

Reconciliation of differences between IFRS and PAS in the Bank's balance sheet as at 31 December 2004

BANK'S BALANCE SHEET	Note	PAS 31.03.2004	Adjustments	IFRS 31.03.2004
ASSETS				
Cash and balances with the Central Bank		3 490 505		3 490 505
Financial assets at fair value		1 706 751		1 706 751
Available-for-sale financial assets		21 131 765		21 131 765
Loans, advances and other receivables not quoted on the active market	a	52 491 962	(661 597)	51 830 365
Held-to-maturity investments		1 875 908		1 875 908
Hedging derivatives		0		0
Differences arising on fair value hedge against interest rate risk on hedged items		0		0
Interest accrued on financial assets	b	3 749 799	(2 847 728)	902 071
Tangible fixed assets		1 939 016		1 939 016
Intangible assets		384 045		384 045
including: goodwill		0		0
Investments valued under the equity pick-up method	c	658 170	(80 300)	577 870
Deferred tax asset		0		0
Other assets		503 871		503 871
Fixed assets held for sale		0		0
Total assets		87 931 792	(3 589 625)	84 342 167
LIABILITIES				
Amounts due to the Central Bank		144		144
Financial liabilities at fair value		793 739		793 739
Financial liabilities at fair value through profit and loss		0		0
Financial liabilities at amortized cost		71 512 220		71 512 220
Financial liabilities arising on transfer of financial assets		0		0
Hedging derivatives		0		0
Differences arising on fair value hedge against interest rate risk on hedged items		0		0
Interest accrued on financial liabilities		1 864 455		1 864 455
Provisions	d	872 519	(665 486)	207 033
Tax liabilities		530 302		530 302
Other liabilities	e	4 287 879	(3 022 085)	1 265 794
Liabilities arising on equity securities paid on demand		0		0
Liabilities held for sale		0		0
Total liabilities		0		0
EQUITY				
Share capital		1 000 000		1 000 000
Unpaid share capital (negative value)		0		0
Other equity instruments		0		0
Reserve capital		2 804 731		2 804 731
Revaluation reserve	f	378 288	11 472	389 760
Other reserve capital including:		2 376 450	132 837	2 509 287
Retained earnings (loss) from previous years	g	6 450	132 837	139 287
General banking risk fund		1 000 000		1 000 000
Own shares (negative value)		0		0
Net profit (loss) for the period	h	1 511 065	(46 363)	1 464 702
Dividends paid during the year (negative value)		0		0
Minority capital		0		0
Total equity		8 070 534	97 946	8 168 480
Total liabilities		87 931 792	(3 589 625)	84 342 167

IFRS/IAS adjustments' description as at 31 December 2004

a)	Loans, advances and other receivables not quoted on active market	(661 597)
-	Change in the presentation of the general risk provision	(661597)
b)	Accrued interests on financial assets	(2 847 728)
-	decrease of receivables due to suspended interest	(2 847 728)
c)	Investments valued under the equity pick-up method	(80 300)
-	adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	(80 300)
d)	Provisions	(665 486)
-	Change in the presentation of the general risk provision	(661 597)
-	adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	(3 889)
e)	Other liabilities	(3 022 085)
-	decrease of liabilities due to suspended interest	(3 022 085)
f)	Revaluation reserve	11 472
-	adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	11 472
g)	Other reserve capital	132 837
-	credit of the capitalized interest to the retained earnings/loss form previous periods	174 357
-	adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	(41 520)
h)	Net profit (loss) for the period	(46 363)
-	adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	(46 363)

Reconciliation of differences between IFRS and PAS in the Bank's balance sheet as at 1 January 2005

BANK'S BALANCE SHEET	Note	PAS 01.01.2005	Adjustments	IFRS 01.01.2005
ASSETS				
Cash and balances with the Central Bank		3 490 505		3 490 505
Financial assets at fair value	a	1 706 751	19 953 740	21 660 491
Available-for-sale financial assets	b	21 131 765	(19 997 734)	1 134 031
Loans, advances and other receivables not quoted on the active market	c	52 491 962	(1 011 483)	51 480 479
Held-to-maturity investments		1 875 908		1 875 908
Hedging derivatives		0		0
Differences arising on fair value hedge against interest rate risk on hedged items		0		0
Interest accrued on financial assets	d	3 749 799	(2 847 728)	902 071
Tangible fixed assets		1 939 016		1 939 016
Intangible assets		384 045		384 045
Investments valued under the equity pick-up method	e	658 170	(80 300)	
Deferred tax asset		0		0
Other assets		503 871		503 871
Fixed assets held for sale		0		0
Total assets		87 931 792	(3 983 505)	83 948 287
LIABILITIES				
Amounts due to the Central Bank		144		144
Financial liabilities at fair value		793 739		793 739
Financial liabilities at amortized cost	f	71 512 220	(217)	71 512 003
Financial liabilities arising on transfer of financial assets		0		0
Hedging derivatives		0		0
Differences arising on fair value hedge against interest rate risk on hedged items		0		0
Interest accrued on financial liabilities		1 864 455		1 864 455
Provisions	g	872 519	(665 486)	207 033
Tax liabilities		530 302	(7 876)	522 426
Other liabilities	i	4 287 879	(3 000 433)	1 287 446
Liabilities arising on equity securities paid on demand		0		0
Liabilities held for sale		0		0
Total liabilities		0		0
EQUITY				
Share capital		1 000 000		1 000 000
Unpaid share capital (negative value)		0		0
Other equity instruments		0		0
Reserve capital		2 804 731		2 804 731
Revaluation reserve	j	378 288	(74 214)	304 074
Other reserve capital including:		2 376 450	(235 279)	2 141 171
Retained earnings (loss) from previous years	k	6 450	(235 279)	(228 829)
General banking risk fund		1 000 000		1 000 000
Own shares (negative value)		0		0
Net profit (loss) for the period		1 511 065		1 511 065
Dividends paid during the year (negative value)		0		0
Minority capital		0		0
Total equity		8 070 534	(309 493)	7 761 041
Total liabilities		87 931 792	(3 983 505)	83 948 287

IFRS/IAS adjustments' description as at 1 January 2005

a)	Financial assets at fair value	19 953 740
-	reclassification of the financial assets classified as available-for-sale to assets at fair value through profit and loss	19 953 740
b)	Financial assets available for sale	(19 997 734)
-	reclassification of the financial assets classified as available-for-sale to assets at fair value through profit and loss	(19 953 740)
-	impairment of the debt securities according to IAS 39	(41 520)
c)	Loans, advances and other receivables not quoted on active market	(1 011 483)
-	receivables value adjustment due to valuation at amortized cost	(366 444)
-	receivables value adjustment due to impairment according to IAS 39	(645 039)
d)	Interest accrued on financial assets	(2 847 728)
-	decrease of the receivables due suspended interest	(2 847 728)
e)	Investments in subsidiaries valued at equity pick-up method	(80 300)
-	adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	(80 300)
f)	Financial liabilities at amortized cost	(217)
-	liabilities value adjustment due to valuation at amortized cost	(217)
g)	Provisions	(665 486)
-	release of the general banking risk provision	(661 597)
-	adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	(3 889)
h)	Tax liabilities	(7 876)
-	tax effect on valuation at amortized cost	483
-	tax effect on reclassification of the financial assets classified as available-for-sale to assets at fair value through profit and loss	(8 359)
i)	Other liabilities	(3 000 433)
-	liabilities value adjustment due to valuation at amortized cost	21 651
-	decrease of liabilities due to suspended interest	(3 022 084)
j)	Revaluation reserve	(74 214)
-	tax effect on reclassification of the financial assets classified as available-for-sale to assets at fair value through profit and loss	19 992
	tax effect on valuation at amortized cost	(455)
-	adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	11 472
-	reclassification of the financial assets classified as available-for-sale to assets at fair value through profit and loss	(105 223)
k)	Other reserve capital	(235 279)
-	tax effect on valuation at amortized cost	(11 633)
-	tax effect on reclassification of the financial assets classified as available-for-sale to assets at fair value through profit and loss	(28)
-	adjustment due to the valuation of certain financial assets at amortized cost	(387 878)
-	change in the presentation of the general risk provision	661 597
-	adjustment due to the impairment according to the IAS 39	(514 677)
-	adjustment of the retained earnings due to reclassification of the financial assets classified as available-for-sale to assets at fair value	105 223

	through profit and loss	
-	adjustment to the subsidiaries, joint ventures and associates valuation according to IAS 27 and IAS 36	(87 883)

Commentary to the quarterly report SAB – QSr I/05 for the 1st quarter of 2005

Summary

As of 31 March 2005:

1. the gross profit of the PKO BP SA Group amounted to PLN 543 million, and the net profit amounted to PLN 416 million,
2. the total assets of the PKO BP SA Group amounted to PLN 88,813 million and increased by PLN 3,278 million compared to 31 December 2004,
3. the capital adequacy ratio of the PKO BP SA Group amounted to 15.81 % and decreased by 1.65 percentage points in comparison to 31 December 2004.

1. BASIS FOR REPORT PREPARATION

Accounting policies

Basis for consolidated financial statements' preparation

The report was prepared in accordance with the accounting principles of the International Financial Reporting Standards (IFRS), binding from the beginning of 2005, issued by the International Accounting Standards Board (IASB) and interpretation thereof, as issued by the International Financial Reporting Interpretation Committee (IFRIC). Quarterly report was prepared in accordance with the International Accounting Standard (IAS) No. 34 (Interim financial reporting). It also contains additional information required by the Council of Ministers' Decree dated 21 March 2005 on current and periodic information submitted by securities' issuers. (Journal of Law No. 49, item 463).

Statement of Compliance

Effective 1 January 2005, the change in the Polish Accounting Act requires the company to prepare its consolidated financial statements in accordance with IFRS that have been adopted by the EU. At this particular time, due to the endorsement process of the EU, and the activities of the company, there is no difference in the policies applied by the company between IFRS and IFRS that have been adopted by the EU.

The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and all applicable International Financial Reporting Standards (IFRS) that have been adopted by the EU.

Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards have been condensed or omitted pursuant to International Accounting Standard No. 34, "Interim Financial Reporting".

These are the first interim condensed consolidated financial statements prepared in accordance with IFRS. The date of transition for this purpose was 1 January 2004. The last consolidated financial statements prepared in accordance with the Polish Accounting Act were for the year ended 31 December 2004.

Currently the Bank analyses the application of IAS 29 „Financial reporting in hyperinflationary economies" in relation to the valuation of the tangibles during the first time adoption of IFRS. According to the Bank's best knowledge the potential value of the adjustment will not be material in comparison to the total assets.

According to the IFRS, the financial statements were prepared as if the Bank's financial statements would always be in conformity with IFRS, excluding the exemptions listed in IFRS 1 „First-time Adoption of International Financial Reporting Standards". Particularly, the comparative data do not include the influence of the IAS 39: „Financial Instruments: Recognition and Measurement".

Principal accounting policies and methods used by the PKO BP SA Group SA

The financial statements have been prepared on a historical cost basis adjusted for the valuation of financial assets valued at fair value through profit and loss, available-for sale financial assets and derivatives.

The principal accounting policies and methods used by the PKO BP SA Group during the period from 1 January to 31 March 2005.

a) Method of consolidation and valuation of subsidiaries

Consolidation using the full method

The consolidated financial statements of the Group were prepared based on the financial statements of the holding company and the financial statements of the following subsidiaries:

- for the period ended 31 March 2005
  - Bankowy Fundusz Leasingowy S.A.,
  - Powszechne Towarzystwo Emerytalne BANKOWY S.A.,
  - Centrum Finansowe Puławska Sp. z o.o.,
  - Centrum Elektronicznych Usług Płatniczych „eService" S.A.,
  - Inteligo Financial Services S.A.,
  - Kredyt Bank (Ukraina) S.A.,
  - Dom Maklerski BROKER S.A.,
  - PKO Inwestycje Sp. z o.o. Group,
- for the period ended 31 March 2004
  - Bankowy Fundusz Leasingowy S.A.,
  - Powszechne Towarzystwo Emerytalne BANKOWY S.A.,
  - Centrum Finansowe Puławska Sp. z o.o.,
  - Centrum Elektronicznych Usług Płatniczych „eService" S.A.,
  - Inteligo Financial Services S.A.,
  - Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.,
  - PKO Inwestycje Sp. z o.o. Group.

The consolidation of subsidiaries using the full method involves adding up the full amounts of the individual items of the balance sheet, profit and loss account, as well as off-balance sheet items of the subsidiaries and of the Bank, and performing appropriate consolidation adjustments and eliminations. The consolidated cash flow statement was prepared on the basis of the consolidated balance sheet and consolidated profit and loss account as well as the additional notes and explanations. The carrying amount of the Bank's investments in subsidiaries and the equity of these entities are eliminated at consolidation.

The following items are eliminated in full at consolidation:

- inter-company receivables and payables, and any other settlements of a similar nature, between the consolidated entities,
- revenue and costs of business transactions conducted between the consolidated entities,
- gains or losses from business transactions conducted between consolidated entities, included in the value of the assets of the consolidated entities, except for losses that indicate permanent diminution of value,
- dividends calculated or paid by the subsidiaries to the holding company and to other consolidated entities,
- inter-company cash flows in the cash flow statement.

The goodwill on consolidation is not amortized however it is a subject to impairment testing, at least annually.

b) Cash at hand

Cash at hand and at nostro account in the National Bank of Poland are recorded in the nominal value.

c) Financial assets

The Group classifies financial assets to the following categories: financial assets at fair value through profit and loss; loans, advances and other receivables; held-to-maturity investments. Capital Group decides on classification of financial assets on initial recognition.

Derivative instruments

Speculative derivative financial instruments are stated at fair value. In the case where the estimated fair value is lower or higher than the fair value as of the preceding balance sheet date (for transactions concluded in the reporting period – acquisition cost or the sale price of the instrument), the difference is charged by the Group respectively to result from financial assets and liabilities at fair value through profit and loss or to foreign exchange result (FX swap, FX forward and CIRS transactions) with a corresponding entry to other financial assets or other liabilities arising from financial instruments, respectively.

The result of the ultimate settlement of derivative instrument transactions is reflected in the result from financial assets and liabilities at fair value through profit and loss or in the foreign exchange result. The nominal value of the underlying instruments is disclosed under off-balance sheet items from the date of the transaction's origination until maturity. Off-balance sheet items denominated in foreign currencies are revalued at the end of each day according to the average NBP exchange rate.

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

Embedded derivative instruments

PKO BP SA Group, has embedded derivative instruments, which are the components of complex financial and non-financial contracts, whereby all or part of the cash flows relating to such agreements vary in a similar way to the stand-alone derivative.

Embedded derivative instruments separated from host contracts and presented separately are valued at fair value and presented under "Financial assets at fair value through profit and loss", if the fair value is positive, or presented under "Other financial liabilities at fair value", if the fair value is negative. Changes in the fair value of derivative instruments are recorded in the profit and loss account under "Result from assets and liabilities at fair value".

Equity securities
Equity securities under the management of Bankowy Dom Maklerski PKO BP SA are classified as financial assets at fair value through profit and loss. The fair value is determined:

1) for which an active market exists – with reference to market price, and
2) for which there is no active market – according to the price of the last transaction concluded on the market, unless in the period between the date of the transaction and the balance sheet date market conditions influencing the price changed significantly.

Debt securities
The fair value of debt securities classified as financial assets at fair value through profit and loss is determined:

1) for those securities for which there is an active market – with reference to market price,
2) for those securities for which there is no active market – with reference to other values accepted as the fair value and determined using one of the following methods:
   a) reference asset value method,
   b) method using yield curve based on market interest rates, or
   c) the price of the last transaction concluded on the market, unless in the period between the date of the transaction and the balance sheet date there were significant changes in market conditions which might affect the price.

The effects of the fair value valuation are recorded as the result from financial assets and liabilities at fair value through profit and loss.

Available-for-sale financial assets

Equity securities

Equity securities classified as available-for-sale are valued at fair value, which in case of securities:

1) for which an active market exists – with reference to market price, and
2) for which there is no active market:
   a) current bid offer,
   b) valuation performed by a specialized external entity providing this kind of services, or
   c) on the basis of total assets of the issuer, less liabilities, provisions and accruals, taking into account the net result and general economic and financial situation of this entity (if the issuer reports a loss exceeding the total of its reserve capital, other reserve capital and regarding joint stock companies - 1/3 of share capital, and limited companies - 1/2 of share capital, the value of such security in the Bank's balance sheet is nil); not greater, however, than the initial acquisition cost.

The effects of changes in the fair value of equity securities classified as available-for-sale are credited/charged to the revaluation reserve, except of impairment losses, which are charged to the profit and loss account.

Debt securities

Available-for-sale debt securities are stated at fair value. The fair value is determined:

1) for those securities for which there is an active market – with reference to market price, and
2) for those securities for which there is no active market – with reference to other values accepted as the fair value and determined using one of the following methods:
   a) reference asset value method,
   b) method using yield curve based on market interest rates, or
   c) according to the initial value of the security together with income accrued less costs accrued and less impairment write-downs due to risks related to the issuer.

Differences between the fair value and the amortized cost of instrument are charged to revaluation reserve, except of impairment losses, which are charged to the profit and loss account. Interest and discount income calculated using the effective interest rate are classified as financial income. The profit/loss credited/charged to the revaluation reserve is calculated as a difference between the fair value and the amortized cost of the security as of the balance sheet date.

Loans, advances and other receivables not quoted on active market

Loans and advances of PKO BP Group are valued at amortized cost. The amortized cost is the amount of loan at the moment of initial recognition, decreased by any repayments of notional amount and decreased or increased by amortization of any differences between initial value and the value at the maturity date and decreased by any impairment write-offs. For the amortized cost valuation, the effective interest rate is used – i.e. the rate, which is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument or, when appropriate, a shorter period (moment of the next market valuation) to the net carrying amount of the financial asset, being the internal rate of return of the asset in the defined period; the rate considers all fees received, which influence the character of the instrument. Commissions and fees which are integral part of an effective return on a loan adjust the carrying value and are included in the effective interest rate calculation.

Loans and advances which do not have defined payments scheme are valued at nominal value, increased by accrued interest and decreased by impairment write-offs.

Receivables from services rendered by the Bank to clients are valued at nominal value increased by interest due and decreased by impairment write-offs.

Held-to-maturity investments

Debt securities traded on the active market classified as held-to-maturity are recorded at cost adjusted by accrued interest, discount and premium calculated using the effective interest rate and impairment write-offs.

d) Impairment of the financial assets

At each balance sheet date, the Group estimates, whether objective evidence exists indicating the impairment of any given financial asset. If such evidence exist, the Group estimates the value of the impairment write-off. The impairment of a financial asset and the losses incurred on that account is considered only if objective indications exist indicating the impairment of value in consequence of an event or events, which occurred after the initial recognition of the respective asset, and also if such an event (or events) impact future cash flows attached to the respective financial asset or group of financial assets that may be reliably estimated.

Objective indicators of a financial asset or group of financial assets' impairment may comprise of information obtained by the Group concerning the following events causing impairment losses:

1) significant financial difficulties of an issuer or debtor;
2) an actual breach of contract, such as a default or delinquency in interest or principal payments;
3) granting by the lender to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, of a concession that the lender would not otherwise consider;
4) a high probability of bankruptcy or other financial reorganization of the debtor;
5) the disappearance of an active market for that financial asset due to financial difficulties of the debtor,
6) noticeable data indicating the decrease of estimated future cash flows including disability to pay arising from the group of assets.

The Group first assesses whether objective indications exist for the impairment on the basis of the individual assessment. If the Group determines that for the given financial asset assessed individually there are not objective indications of its impairment, the given asset is included in a group of financial assets featuring similar characteristics, which is subsequently collectively assessed in terms of its possible impairment.

If objective evidence exists indicating the impairment of loans, advances and other receivables or held-to-maturity investment at amortized cost, the impairment amount is calculated as the difference between the carrying value in the balance sheet of the respective asset and the present value of estimated future cash flows discounted using the effective interest rate.

In case of impairment recognized on available-for-sale financial asset, an impairment loss is recognized in the profit and loss account for the period, which causes transfer of the downward revaluation from the revaluation reserve to the profit and loss account. The impairment write off is not reversed through the profit and loss account.

An impairment of financial assets at fair value through profit and loss account is not recognized.

e) Tangible fixed assets

Tangible fixed assets are recorded at balance sheet date at cost, less accumulated depreciation and impairment losses. The depreciation is calculated on all fixed assets, which value is diminished as a result of use or passage of time, using the straight line method over the estimated economic useful life of the asset, excluding vehicles, technical devices and machinery of Bankowy Fundusz Leasingowy S.A., which are depreciated using the diminishing balance method. Estimated economic useful life periods and depreciation rates are periodically reassessed. If certain events occurred or there were changes indicating that carrying value of the tangible fixed asset is impossible to recover, a review for impairment of these assets is performed. Depreciation charges and impairment losses are charged directly to profit and loss account of the current period.

f) Intangible assets

Intangible assets are recorded at acquisition costs or cost of production less accumulated amortization and impairment losses. The amortization is calculated on the straight line method through the estimated economic useful life of an asset.

Intangible assets are assessed for possible impairment loss recognition if objective evidence exists or there have been changes indicating that the carrying value of the asset may not be recoverable.

The amortization charges and impairment losses are charged directly to the profit and loss account as a current period expense. The estimated economic useful life periods and amortization rates are periodically verified.

g) Investments in subsidiaries, joint-ventures and associates valued using the equity pick – up method

The equity method is based on the valuation of shares in other entities at the value of share in net assets. Bank's investment value in the net assets of the subsidiary, joint venture or an associate including the goodwill recognized on the acquisition date is tested for impairment at least annually.

If the Bank's share in losses of the associate or joint venture is equal or is higher to its carrying amount, the value of the investment recognized at nil and any further loss (below the carrying value equal to zero) is recorded off balance sheet in the amount of the binding commitment or payment performed by the Bank for the liabilities, commitments of this associate or joint venture, which Bank guaranteed or committed to fulfill.

h) Valuation of items denominated in foreign currencies and foreign exchange result

The Group translated assets and liabilities, being the balance sheet and off-balance sheet positions in foreign currency into Polish zlotys using the average NBP rate prevailing for a given currency as at the balance sheet date. Impairment write-offs against loans, advances and other receivables denominated in foreign currencies which are created in Polish zloty are updated in line with the change in the currency revaluation of the assets for which these write-offs are created. Realised and unrealised foreign exchange differences are recorded in the profit and loss account.

i) Deferred tax

Deferred tax liabilities and deferred tax assets arise due to timing differences between the moment income is recognised as earned and cost recognised as incurred following the accounting principles adopted and tax regulations. The amount of deferred tax is determined, using the balance sheet method, as a change in the balance of the following items – deferred tax assets and deferred tax liabilities. Deferred tax liability and deferred tax asset of each of the Group entities are aggregated and presented net in the balance sheet under assets or liabilities, as appropriate. The change in the balance of deferred tax liability and deferred tax asset is included in the taxation, deferred part, except in so far they relate to the deferred tax effects of available-for-sale financial assets valuation. The calculation of deferred tax charge takes into account the balance of the deferred tax asset and deferred tax liability at the beginning and at the end of the reporting period.

j) Receivables write-offs

Write-offs of loan exposures and other receivables are charged against impairment write offs created against such exposures. In the case of loan exposures against which no impairment write-off was created or the impairment write off is lower than the exposure, before the receivable is written off, the impairment write off is adjusted to the difference between the receivable and impairment write off created. In the case of other receivables that were not fully covered by impairment write offs, the difference is also charged directly to expenses.

k) Financial liabilities at fair value

Financial liabilities at fair value include derivatives valued in accordance with point c).

l) Financial liabilities at amortized cost

Financial liabilities are valued at amortized cost using the effective interest rate. If a cash flow projection is indefinable for a financial liability and therefore the effective interest rate can not be reliably established, such liability is recorded at amount due.

m) Provisions

In accordance with the Collective Labour Agreement (Zakładowy Układ Zbiorowy), all employees of the PKO BP SA are entitled to jubilee bonuses after completing a specified number of years in service and to retirement bonuses upon retirement. The Group periodically performs an actuarial valuation of the future liabilities to employees.

The Group creates an accrual for the future liabilities of the Group relating to unused annual leave, taking into account all remaining unused holiday days and due to costs of the current period, which will be incurred in the next periods.

n) Financial result

The Group recognises all significant expense and income items in accordance with the principles: accrual basis; matching principle; principles of recognition and valuation of assets and liabilities; recognition of the impairment losses.

- Interest income and expense

Interest income and expense include interest, including discount and premium, recorded on the accrual basis using the effective interest rate.

Interest income and expense include also received payments included in the calculation of internal rate of return of a financial instrument. Such payments are deferred using the straight line method or using the effective interest rate.

- Fees and commission income and expense

Fees and commission income is recorded on the accrual basis at the moment of service rendering. Fees and commission income include fees collected by the Group for services not included in the calculation of the internal rate of return of loans, advances and other receivables as well as fees deferred using the straight line method for services rendered by the Bank for a period longer than three months. The commission expenses include mainly commissions paid to agents.

- Foreign exchange result

Foreign exchange result comprises foreign exchange gains and losses, both realised and unrealised, resulting from the daily revaluation of assets and liabilities denominated in foreign currency translated using the average NBP exchange rates and from the fair value valuation of derivatives not settled (FX forward, FX swap, CIRS).

- Other operating income and expenses

Other operating income and expenses include income and expenses not related directly to banking activity or the principal activities of subsidiaries consolidated using the full method. These mostly relate to a disposal or liquidation of fixed assets and assets held for sale, costs of compensations, fines and penalties.

o) Income tax

Corporate income tax is calculated on the basis of gross profit adjusted for non-taxable income, taxable income that does not constitute accounting income, non-tax deductible expenses and tax expenses which are not accounting costs according to Polish tax regulations. These items include mainly income and expenses relating to accrued interest payable and receivable and impairment write offs against receivables, off-balance sheet liabilities and other assets.
In calculating taxable income the Bank took into account the provisions of the Decree of the Finance Minister dated 28 March 2003 on the extension of deadlines for payments of advances and corporate income tax for banks granting housing loans from Mortgage Fund (Journal of Laws No. 58, item 511).

p) Shareholder's equity

Shareholder's equity is presented by type and in accordance with the binding legal regulations and the Bank's Statute. The shareholders' equity includes also retained earnings and losses. The share capital of PKO BP SA is stated at nominal value, at the amount stated in the Bank's Statute and Commercial Court Register. The reserve capital is created from the appropriations of net profit. Other reserve capital is created from the appropriations of net profit and is used to cover incurred losses.
The revaluation reserve includes:

- fair value adjustments of available-for-sale financial assets,
- deferred tax charge,
- differences arising on valuation of fixed assets.

Revaluation reserve is undistributable.
On the day of de-recognition from the books of the whole or a part of available-for-sale financial asset, the aggregate effects of periodic fair value adjustments credited/charged to the revaluation reserve are reversed. The whole or a part of previous fair value adjustments charged increases or decreases the value of the financial asset classified as available for sale.
Shareholders' equity also includes:

- financial result during the approval process decreased by planned dividends,
- declared but not paid dividends.

The net profit (loss) for the period is a result from the profit and loss account, which is adjusted with taxation.

2. ADJUSTMENTS RELATING TO PROVISIONS, DEFERRED TAX ASSET AND DEFERRED TAX LIABILITY

The data has been prepared using the principles of valuation of assets and liabilities and measurement of the result that were in force at the balance sheet date, including adjustments relating to provisions and the deferred tax asset and liability as described in the Accounting Act.

3. IMPAIRMENT OF ASSETS

The balances of impairment write offs against assets of the holding company at the balance sheet date are presented below:

Item	**31.03.2005**	**31.03.2004**
Impairment write offs on loans and advances	3 095 065	3 177 366*
Provisions against future liabilities and other receivables	403 135	474 603
Impairment write-offs of tangible and intangible fixed assets	35 783	261
Financial assets revaluation (write-off)	42 810	28 885

* Amount includes provisions created according to the Decree of the Minister of Finance dated 10 December 2003 on the creation of provisions for risk relating to banking activity (Journal of Laws No. 218, item 2147) and the amount of the provision for the general banking risk created according to the Banking Law (Journal of Laws No. 72, item 665, together with subsequent amendments)

Impairment write offs through profit and loss

	01.01 – 31.03.2005	**01.01 – 31.03.2004**
Increases	(198 633)	(227 345)
Decreases	168 801	251 480
At the end of the period	(29 832)	24 135

4. DESCRIPTION OF THE GROUP

4.1. ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATMENTS

The PKO BP SA Group, defined in accordance with the IAS 27 “Consolidated and separate financial statements”, consists of the Bank as the holding company, 14 entities directly and indirectly controlled by the Bank, including 3 unconsolidated.

The aggregate number of companies consolidated using the full method or accounted for using the equity pick-up method in the financial statements prepared as at 31 March 2005 amounts to 21, including the holding company and indirect subsidiaries.

Table 1 contains a detailed listing of subsidiaries, joint ventures and associates included in the Bank’s consolidated financial statements.

Table 1. Subsidiaries, joint ventures and associates included in the consolidated financial statements of the Bank

No.	Name of the entity	**Value of shares at purchase price**	**% of share capital**	**Consolidation method**
		PLN thousands	**%**	
PKO BP SA Group				
Holding company				
1	Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna			
Entities directly controlled by the Bank (direct subsidiaries)				
2	Powszechne Towarzystwo Emerytalne BANKOWY S.A.	205 786	100.00	Full method
3	Centrum Finansowe Puławska Sp. z o.o.	128 288	100.00	Full method
4	Kredyt Bank (Ukraina) S.A.	109 531	66.651	Full method
5	PKO Inwestycje Sp. z o.o.	66 923*	100.00	Full method
6	Inteligo Financial Services S.A.	59 602	100.00	Full method
7	Centrum Elektronicznych Usług Płatniczych eService S.A.	55 500	100.00	Full method
8	Bankowy Fundusz Leasingowy S.A.	30 000	100.00	Full method
9	Dom Maklerski BROKER S.A.	18 566	100.00	Full method
Indirect subsidiaries				
Podmioty zależne od PKO Inwestycje Sp. z o.o.				
10	Fort Mokotów Sp. z o.o.	32 130	51.00	Full method
11	Wilanów Investments Sp. z o.o.	14 790	51.00	Full method
Podmiot zależny od PTE BANKOWY S.A.				
12	Finanse Agent Transferowy Sp. z o.o.	1 861	100.00	Full method
Other related entities subject to consolidation				
Jointly controlled entities				
13	Centrum Obsługi Biznesu Sp. z o.o.	17 498	41.44	Equity pick-up method
14	PKO/CREDIT SUISSE Towarzystwo Funduszy Inwestycyjnych S.A.	14 000	50.00	Equity pick-up
15	WAWEL Hotel Development Sp. z o.o.	13 865	35.40	Equity pick-up
Associates				
16	Bank Pocztowy S.A.	146 500	25.0001	Equity pick
17	Kolej Gondolowa Jaworzyna Krynicka S.A.	15 531	38.23	Equity pick
18	Ekogips S.A. – w upadłości	5 400	60.26	Equity pick
19	Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	1 500	33.33	Equity pick
20	Hotel Jan III Sobieski Sp. z o.o.	522	32.50	Equity pick
21	Agencja Inwestycyjna CORP S.A.	29	22.31	Equity pick

* includes the capital injection payment (dopłata) of PLN 5.5 million

Based on the IAS 1 “Presentation of Financial Statements” the following subsidiaries have not been consolidated due to immateriality of their financial data:

- International Trade Center Sp. z o.o. w likwidacji,
- Przedsiębiorstwo Informatyki Bankowej „Elbank" Sp. z o.o. w likwidacji,
- Sonet Hungary Kft w likwidacji (a subsidiary of Inteligo Financial Services S.A.).

4.2. CHANGES IN THE ORGANISATION OF RELATED ENTITIES IN THE 1ST QUARTER OF 2005

In 1st quarter of 2005, the following events affected the structure of capital relations between PKO BP SA and other Group companies:

- acquisition of shares in Centrum Obsługi Biznesu Sp. z o.o.

  PKO BP SA acquired 34,992 of the company's shares, which constitutes 41.44% of the company's share capital and votes on the General Shareholders Meeting. The acquisition price amounted to PLN 17,496 thousand. The company is a joint venture of the Bank, City of Poznań and Buildco Poznań S.A. located in Luxemburg.

  The main business of the company is construction and maintenance of a hotel located in Poznań. The hotel will be managed by the international chain operator Sheraton. PKO BP SA took obligation to grant the company an investment loan of EUR 23,856 thousand and working capital loan denominated in PLN with a limitation to equivalent of EUR 1,500 thousand.

  On 25 January 2005 the increase of share capital was registered in the National Court Register.

- registration of the new company POMERANKA Sp. z o.o.

  The act on formation of POMERANKA Sp. z o.o was signed on 31 March 2005. The shareholders of the Company are subsidiaries of PKO BP SA, including:

  - PKO Inwestycje Sp. z o.o., which acquired 498 shares amounting to PLN 49,800,
  - Dom Maklerski BROKER S.A., acquired 2 shares amounting to PLN 200.

  The main business of the company will be realisation of the development projects of PKO Inwestycje Sp. z o.o.

  On 11 April 2005 the company was registered in the National Court Register,

- the process of liquidating the Bank's subsidiary company – PKO Towarzystwo Finansowe Sp. z o.o. has ended. On 22 February 2005 the Company was deleted from the National Court Register.

- change of the name and the core activity of Dom Maklerski BROKER S.A.

  In accordance with PKO BP SA strategy, there was a transfer of business activities from the Company to Bankowy Dom Maklerski PKO BP SA. The process ended at 1 April 2005.

  At 24 March 2005 The Company's General Shareholders Meeting has approved a new statute, specifying new core activity and enabling the Company to use the name Bankowe Towarzystwo Kapitałowe S.A. The main business of the Company will include activity regarding the private equity. The changes were registered in the National Court Register on 7 April 2005.

In January 2005 the Bank made an equity contribution to the company PKO Inwestycje Sp. z o.o amounting to PLN 1,020 thousand assigned for the realization of the investment project "Miasteczko Wilanów".

4.3. RELATED PARTY TRANSACTIONS

In 1st quarter of 2005 PKO BP SA concluded transactions with PKO BP SA Group entities relating to:

- running of bank accounts,
- accepting deposits,
- granting loans, including for leasing activity,
- issuing debt securities,
- covering costs of remuneration for activities and services performed for the Bank in relation to the maintenance of Inteligo accounts,
- rental of office and service space,

- granting off balance sheet liabilities – credit lines, guarantees and foreign exchange transactions.

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

All significant PKO BP SA transactions, which exceed the equivalent of EUR 500 thousand with PKO BP SA Group entities, not related to the Bank's current activities were presented in point 15 of this commentary.

5. SUMMARY OF MAJOR ACHIEVEMENTS OF PKO BP SA IN 1ST QUARTER OF 2005

5.1. BACKGROUND

- As at the end of March 2005 PKO BP SA had 1,264 outlets, including:
  - 1,181 outlets in the Retail Banking Customer Division, including: 12 Regional Retail Branches, 537 Branches and 632 offices. In comparison with the end of 2004, the total number of outlets in the Retail Market Area decreased by 2 (decrease concerned the offices).
  - 83 outlets conducted their activities in the Corporate Banking Customers Division, including: 13 Regional Corporate Branches, 13 Corporate Client Teams and 57 Corporate Centres.
- The number of savings-giro accounts in the 1st quarter of 2005 (including the active Inteligo and Graffiti accounts) increased by 178 thousand and amounted to 5,690 thousand at the end of March 2005.
- The number of ATMs as at 31 March 2005 amounted to 1,861 and increased in comparison with the end of 2004 by 76. The number of cash withdrawals from ATMs in the 1st quarter of 2005 amounted to almost 44 million, which remained at a comparable level with the previous quarter.
- The number of bank cards issued by PKO BP SA increased by 155 thousand during the 1st quarter of 2005 and amounted to 5,598 thousand as at 31 March 2005
- The number of Bank's employees amounted to 35,100 as at 31 March 2005 and was lower by 286 in comparison with the balance as at the end of 2004.

5.2. BUSINESS ACTIVITIES

5.2.1. Retail banking

- During the 1st quarter of 2005 interest rates for term deposits and for consumer loans offered to individuals did not change. Due to the decision of the Monetary Policy Board dated 30 March 2005 concerning decrease of the NBP basic interest rates by 50 basic points, the Bank introduced changes to the offer for individuals as of 15 April 2005.
- Major modifications made by the Bank in its offer for individual clients in the 1st quarter of 2005 were as follows:
  - introduction as of 1 February 2005 a new credit product "Program kredytowy", changing the cooperation with a client from financing only defined client's needs to flexible relations with client focusing not only on aim of financing, maintaining the assumed risk level. Apart from easier procedures, the new price structure has been implemented "higher commission, lower minimal interest rate",
  - performing the information campaign for the current accounts owners, concerning internet banking PKO Inteligo, thanks to which the number of clients actively using internet banking increased. In this period 182 thousand agreements for internet and telephone services for saving accounts and current accounts "Partner" were signed.

5.2.2. Housing market

In the 1st quarter 2005 the Bank:

- introduced as of 1 January 2005 a new product "NOWY DOM Remont z premią termoizolacyjną", which is a supplementary to the Bank's offer regarding loans for houses modernization,
- preformed a promotional campaign of consolidation loan and prepared a promotional campaign of housing loans WŁASNY KĄT Hipoteczny, which began on 29 March 2005 and will last until 30 June 2005,
- modified the offer of Mieszkaniowy Rachunek Powierniczy, consisting on separating three types of accounts conformed to the type of transaction on real estate market including: opened and close account for investors

and houses' buyers and transaction account for retail clients purchasing houses on the secondary market – the change is binding as of 1 April 2005.

5.2.3. Corporate banking

In the 1st quarter 2005 Bank:

- signed a guarantee agreement for PLN 230 million with the oil refine industry entity. As of 31 March 2005 the aggregated amount of agreements signed with this entity amounted to PLN 624 million,
- granted a revolving and investment loan for the ceramic tiles producer for the total amount of PLN 140 million,
- organized a revolving loan in the form of banking consortium amounting to USD 31 million for the entity operating in shipyard industry (the participation of PKO BP SA amounted to USD 15.5 million) – the loan is secured by a State Treasury guarantee.
- organized issues of four municipal bonds for the total amount of PLN 66 million; among the others for Zamosc city (PLN 30 million) and Swinoujscie city (PLN 20 million),
- organized two agreements of the municipal bonds: for the entity operating in energy sector amounting to PLN 350 million (with a guarantee of issue closing) and for the entity operating in financial sector amounting to PLN 100 million (without any guarantee of issue closing),
- implemented as of 14 February 2005 new product "Rachunek powierniczy" (based on Banking Law amended in May 2004, in which a group of custody accounts was selected),
- extended promotional conditions of products offered under European Program and banking electronic system Multicash.

As a part of the cooperation with banks and financial institutions, during the 1st quarter of 2005, the Bank signed:

- an ISDA agreement with the foreign bank and two general agreements, including ISDA agreement with domestic bank and an agreement for debt securities transactions with a domestic financial institution,
- an appendix to the previously signed general agreement for debt securities transactions, extending ability to settle transactions for additional funds (appendix signed with a domestic financial institution),
- a cooperation agreement with Korporacja Ubezpieczeń Kredytów Eksportowych S.A. regarding the sale of Europolisa,
- „Agreement for loan portfolio guarantee" with Bank Gospodarstwa Krajowego concerning guarantees granted by BGK from the EU Guarantee Fund,
- two agreements „stand by" for the total amount of PLN 150 million.

5.2.4. Money market activities

During the 1st quarter of 2005 the Bank's activities on the money market related to the following:

- maintained limited exposure for the interest rate risk and adopted current investment policy to the situation on the market,
- increased investment activities in foreign currency instruments – to the securities portfolio further purchases of bonds denominated in EUR and USD were made, investment in FX swap instruments and inter-bank deposits increased,
- another CIRS (Currency Interest Rate Swap) transaction was concluded – money obtained from this transaction was designed for financing loans granted in CHF.

5.2.5. Brokerage activities

Due to the constant increase in clients' assets resulting from the increasing scale of Bankowy Dom Maklerski PKO BP SA (BDM) activities and in order to comply with standards described in the decree of the Council of Ministers dated 27 May 2003 on the amount of own funds required by the Bank for brokerage activities due to the scale of activities performed (Journal of Laws No. 109, item 1033) on 29 March 2005, the Management Board made a resolution on increase in funds for brokerage activities by PLN 100 million to the total amount of PLN 250 million. The final decision on the level of the funds intended for brokerage activities will be taken by the Shareholder's Meeting in the 2nd quarter of 2005.

During the 1st quarter of 2005:

- the BDM turnover on the stock market amounted to PLN 2,997 million and was higher by 20% than in the previous quarter and higher comparing to the corresponding period of the previous year over twice (in this period the turnover on the market increased by 52%),
- BDM was a leader also on the bonds market with the average share in the Warsaw Stock Exchange turnover amounting to 37% (the 1st position on the market), by 16 percentage points higher than in corresponding period of the previous year. The total BDM turnover on the bonds market amounted to PLN 412 million and was 70% higher compared to the balance as at the 1st quarter of the previous year,
- BDM was also an offerer for such companies as: Zakłady Tworzyw Sztucznych Ząbkowice and Ciech S.A. The total value of the shares issues of the above companies amounted to PLN 289.9 million,
- issue prospectuses were prepared for such companies as: Polskie Górnictwo Naftowe i Gazownictwo (PGNiG), Holding Zremb Gorzów S.A., Spray S.A – the prospectuses of these companies were submitted to the Polish Securities and Exchange Commission ("KPWiG") in the 2nd quarter of 2005.

At the end of March 2005, BDM managed 376 thousand of accounts (12 thousand more than at the end of 2004), including 87 thousand of investment accounts and 289 thousand of register accounts.

5.3. EQUITY INSTRUMENTS

The main investment activities which were carried by the PKO BP SA in the 1st quarter of 2005 were described in the point 4.2 of this commentary.

5.4. RESTRUCTURING OF THE BANK

Reorganisation

During the 1st quarter of 2005, the Bank's activities concerning operational activities of the Bank's organization units focused on ensuring appropriate and efficient operating of the changes implemented during the previous year. In particular, these activities concerned realization of the tasks connected with the client service and sale of the products as well as with the cooperation of the Bank's organization units and Headquarters' organization departments.

Implementation of Integrated IT System

During the 1st quarter of 2005, the main activities related to the Integrated IT System project were focused on:

- continuance of activities on preparation of new technical projects and on creation of software for "detailed projects" accepted by the Bank for expected functionality of Integrated IT System,
- description of the test scripts and conducting tests of the system for the prepared solutions,
- preparation of the environment for performing user accepted test and creating new test scripts,
- carrying on the process of the trainings for "supertrainers",
- starting the process of mapping data from the ZORBA system for the conversion to Integrated IT System,
- performing activities testing interface functioning for the Financial Terminal,
- testing of an Integrated IT System interface with the application required for the servicing payment cards and credit cards,
- preparation of the infrastructure for starting-up the model branch/laboratory.

5.5. OTHER ACHIEVEMENTS

Bank's ratings

- On 13 January 2005 the rating agency Moody's raised the rate of financial strength of PKO BP SA from D+ to C-. Other ratings did not change.
- On 1 February 2005 the Bank obtained a report from the rating agency Capital Intelligence of December 2004 regarding PKO BP SA. In this report the rate of support of PKO BP SA was decreased from 1 to 2 (other rates

did not change). The change of rate was explained by the decrease in the State Treasury's share in the Bank's share capital.

Awards and distinctions granted during the 1st quarter of 2005

- "Debiut 2004 roku" on the Warsaw Stock Exchange – the award granted by the Stock Exchange Newspaper PARKIET for the last year privatization of PKO BP SA – the biggest one in the history of Warsaw Stock Exchange (February 2005),
- "Superbrands Polska 2004" – the title granted to the Bank in recognition of leading Polish brand in the financial sector (February 2005),
- "Tego, który zmienia polski przemysł" – the honours title granted to the President of PKO BP SA by Polskie Towarzystwo Wspierania Przedsiębiorczości (the Publisher of the economic monthly newspaper „Nowy Przemysł") for completing the privatization of the Bank (February 2005).

Sponsoring and charity work

During the 1st quarter of 2005, the sponsoring and charity work of the Bank were directed to support the Polish culture, life and health and included the following:

- Continuance of long-term program "PKO Bank Polski Kulturze Narodowej", under which the Bank was a patron of: the renovation of the copy of Michael Angelo fresco titled "Judgment day" and ceremony of making this work of art available for the audience, which took place in the National Museum in Krakow under the program "Na tropach Europy", solemn concert "V Wielki Recital", which was organized on the 85th anniversary of the Adam Mickiewicz University in Poznan, exhibition of manuscripts accompanying 9th Easter Ludwig van Beethoven Festival,
- Continuance of long-term program "PKO Bank Polski Blisko Ciebie" under which the Bank was a sponsor of Przegląd Piosenki Aktorskiej in Wrocław and international event in cross ski running "Bieg Piastów",
- Bank's support to health protection and promotion institutions, amongst others for the following foundations: Fundacja na rzecz Przeszczepów Wątroby i Wspierania Postępu w Chirurgii Przewodu Pokarmowego, Fundacja Służby Zdrowia Samodzielnego Publicznego Wojewódzkiego Szpitala Zespolonego in Szczecin, and hospitals: Szpital Zachodni im. Jana Pawła II in Grodzisk Mazowiecki, Caritas Polska and PCK Headqarters– support to victims of the disaster in Asia.

6. SUMMARY OF THE ACHIEVEMENTS OF SUBSIDIARIES IN THE 4TH QUARTER OF 2004, INCLUDING THE MOST IMPORTANT EVENTS

Powszechne Towarzystwo Emerytalne BANKOWY S.A.

In the 1st quarter 2005, the value of assets held by Bankowy OFE increased by PLN 148 million compared to the end of 4th quarter of 2004. At the end of the 1st quarter 2005 the value assets of Bankowy OFE amounted to PLN 2,134 million. The number of Bankowy OFE participants amounted to 407,351 at the end of the 1st quarter 2005.

Bankowy OFE maintains the 8th place on the open-end pension funds market at the end of the 1st quarter 2005 in terms of account total assets and number of clients.

At the beginning of April 2005, Insurance and Pension Funds Supervisory Commission issued for public an information comparing the return rates and value of the weighted average and the minimal return rate of all performing pension funds for the period from 29 March 2002 to 31 March 2005. Bankowy OFE managed to take the first position for the 7th time in a row with a result of 45.759% and with weighted average of 41,480%.

Centrum Elektronicznych Usług Płatniczych eService S.A.

In the 1st quarter of 2005 transactions amounting to PLN 1,575 million were generated in the terminals of eService S.A.

The number of terminals installed at the end of the 1st quarter 2005 amounted to 24,377, i.e. 7,5% increase compared to the end of 2004. The company's share in the payment cards market, in terms of number of terminals amounted to 25%.

In the 1st quarter of 2005 the company broadened its activity by new services concerning charging of the pre-paid cellular phones and gained new strategic clients from big retail centers.

On 23 March 2005 the eService service "Autoryzacja transakcji wykonywanych za pomocą kart płatniczych" was awarded a European Medal for the goods and services being at the European level. This service also obtained credentials of high quality of Polish Chamber of Hotels.

Bankowy Fundusz Leasingowy S.A.

In the 1st quarter of 2005 the Company entered into lease contracts with a total value PLN 93 million. According to the data published by Rzeczpospolita the Company after the 1st quarter 2005 ranked 13th, taking into account net value of the leased assets.

In the 1st quarter of 2005 the Company started cooperation with a new insurer in communication insurances. This cooperation aims at simplification and lowering of services' costs.

In the 1st quarter of 2005 the Company signed first lease agreements with companies, which finance them from the structural donations of European Union.

Inteligo Financial Services S.A.

In the 1st quarter of 2005 the Company acquired 22 thousand of customers and at the end of the 1st quarter of 2005 it was servicing over 400 thousand of clients. The share of Inteligo in the internet banking sector did has not change compared to the end of 2004 and on 31 March 2005 amounted to 11% in terms of number of accounts.

The total value of deposits at the end of the 1st quarter 2005 amounted to PLN 456 million. It means that during first 3 months of 2005 the value of deposits increased by PLN 81 million.

In the first quarter 2005 Inteligo clients' could purchase PZU and PZU Życie insurance as well as participation units of PKO/Credit Suisse TFI S.A. through the company's IT systems.

On 7 January 2005 the Company obtained the certificate for conformity with ISO 9001:2000 in the scope of projecting the programs' development, implementation of changes in production, implementation of changes and maintenance of systems.

On 1 February 2005 the Company obtained the return of VAT surplus, which amounted to over PLN 12 million.

PKO Inwestycje Sp. z o.o.

In the 1st quarter of 2005 PKO Inwestycje Sp. z o.o. continued an activity being the continuation of realized investment projects: „Marina Mokotów" and „Miasteczko Wilanów" in Warsaw and „Trzy Gracje" in Sopot (in the scope of selling apartments).

In the 1st quarter of 2005 the preliminary work regarding the project "Business Center Fort Mokotów" was continued.

On 31 March 2005 the agreement on the establishment of POMERANKA Sp. z o.o., in which PKO Inwestycje Sp. z o.o. acquired 99.6% of shares was signed. The main business of the company will be realisation of the development projects of PKO Inwestycje Sp. z o.o.

On 1 February 2005 the PKO Inwestycje Sp. z o.o. premises have been changed. The current site of the Company is the building of Centrum Finansowe Puławska.

Centrum Finansowe Puławska Sp. z o.o.

In the 1st quarter of 2005 the level of rented office and commercial space in Centrum Finansowe Puławska increased by 2.7% compared to the end of 2004 and accounted for 98.8%.

The level of rented space, keeping high standard of the building and the rational exploitation costs policy assure income on the projected level. The threat for the realization of the Company's projections could be the level of the average exchange rate of USD below the rates assumed in financial plan.

Dom Maklerski BROKER S.A.

In the 1st quarter of 2005 in accordance with PKO BP SA strategy, the transfer of business activities from the Company to Bankowy Dom Maklerski PKO BP SA was finished.

On 15 February 2005 the Commission of Securities and Stock Exchanges issued a decision upon the Company's request on withdrawing Dom Maklerski BROKER S.A.'s licence to perform brokerage activities.

At 24 March 2005 the Company's General Shareholders Meeting approved a new statute, specifying new core activity and enabling the Company to use the name Bankowe Towarzystwo Kapitałowe S.A. The main business of the Company will include activity regarding the private equity. Changes were registered in the National Court Register at 7 April 2005.

Kredyt Bank (Ukraina) S.A.

In the 1st quarter of 2005 Kredyt Bank (Ukraina) S.A. reached 1% share on the Ukrainian banking sector in terms of net assets value, which ranked the Bank on the 23rd position among Ukrainian banks.

The loan portfolio (gross) of Kredyt Bank (Ukraina) S.A. in the 1st quarter 2005 recorded a growth of 5.61%.

Liabilities to clients of Kredyt Bank (Ukraina) S.A. in the 1st quarter of 2005 increased by 16.56%.

In the 1st quarter of 2005 PKO BP SA granted a revolving loan of USD 18 million to Kredyt Bank (Ukraina) S.A.. The loan was granted for the repayment by Kredyt Bank (Ukraina) S.A. any of liabilities arising from credit agreements signed with Kredyt Bank S.A. in Warsaw as well as for financing the activity of clients of Kredyt Bank (Ukraina) S.A.

In the 1st quarter of 2005 Kredyt Bank (Ukraina) S.A. obtained, through the decision of Commission for supervision and regulation of banks of National Bank of Ukraine, the status of a specialized saving bank.

Additionally through the decision of the National Bank of Ukraine, Kredyt Bank (Ukraina) S.A. was included to the 2nd Group – "Big banks", i.e. to the group of banks, which assets exceed UAH 1,300 million.

7. FACTORS AND EVENTS WITH SIGNIFICANT IMPACT ON FINANCIAL PERFORMANCE

7.1. FINANCIAL PERFORMANCE OF THE PKO BP SA GROUP IN THE 1ST QUARTER OF 2005

7.1.1. Balance sheet data

The balance sheet of the holding company has the most significant impact on the balance sheet of the PKO BP SA Group. It determines both the value and the structure of the Group's assets and liabilities. As at 31 March 2005, the relation of total assets of PKO BP SA to total assets of the Group accounted for 98.5%.

As at 31 March 2005, total assets of the Group amounted to PLN 88,814 million and increased by PLN 6,327 million (i.e. 7.7%) as compared to the previous year and by PLN 3,278 million[1] (3.8%) as compared to the end of the year 2004.

Assets

The main categories of assets were loans and advances and financial assets (including accrued interest), which together accounted for 88.2% of total assets. When compared with the balance as of the end of the year 2004, the share of these items in total assets remained at the similar level.

Table 2. Structure and growth of assets (in PLN thousand)

Assets	**As at:**			**Growth**	
	31.03.2005	**31.12.2004**	**31.03.2004**	**31.03.2005**	**31.12.2004**
1	*2*	*3*	*4*	*5*	*6*
1. Amounts due to Central Bank	4 549 454	3 525 323	3 178 444	29.1%	43.1%
2. Financial assets	22 249 922	22 817 856	25 733 130	-2.5%	-13.5%
3. Loans, advances and other receivables not quoted on active market (including financial lease)	55 284 736	52 503 751	45 053 461	5.3%	22.7%
4. Interest accrued on financial assets	800 768	906 858	685 877	-11.7%	16.8%
5. Held-to-maturity investments	1 833 904	1 875 908	3 840 816	-2.2%	-52.3%
6. Tangible assets	2 292 412	2 366 560	2 339 560	-3.1%	-2.0%
7. Intangible assets	503 073	497 179	320 998	1.2%	56.7%
8. Investments valued using equity pick – up method	201 372	191 344	60 897	5.2%	230.7%
9. Other assets	1 098 122	850 824	1 273 703	29.1%	-13.8%
Total assets	**88 813 763**	**85 535 603**	**82 486 886**	**3.8%**	**7.7%**

As at 31 March 2005, loans and advances of the Group amounted to PLN 55,285 million and increased by PLN 10,231 million (i.e. 22.7%) when compared with the previous year and increased by PLN 2,781 million (i.e. 5.3%) as compared to the end of the year 2004. The annual increase resulted from an increase in receivables due from financial customers (by PLN 6,122 million) which mainly included Bank's deposits placed as well as increase in receivables due from the non - financial sector and public sector (by PLN 4,109 million). The increase in the 1st quarter of 2005 also resulted from an increase in receivables due from financial sector and from customers (by PLN 952 million and PLN 1,829 million, respectively).

As at the end of the 1st quarter of 2005 the financial assets of the Group amounted in aggregate to PLN 22,250 million and were lower by PLN 3,483 million (i.e. 13.5%) as compared to the previous year and lower by PLN 568 million (i.e. 2.5%) as compared to the end of the year 2004. The most significant item (i.e. PLN 21,016 million) in the total amount of financial assets were financial assets valued at fair value and available for sale financial assets amounting to PLN 1,234 million.

[1] *The possible differences in totals, share and dynamics result from rounding to million zloty and rounding percentage share to one decimal place.*

Liabilities and equity

At the end of March 2005, amounts due were the biggest items in the Group's total liabilities and equity (i.e. 85.3%) amounting to PLN 75,719 million. The second largest item was the shareholders' equity, which accounted for 9.4% and amounted to PLN 8,321 million. Compared with the previous year, the percentage of amounts due in total liabilities and equity remained at the similar level.

Table 3. Structure of liabilities and equity (in PLN thousand)

Liabilities and equity	**As at:**			**Growth**	
	31.03.2005	**31.12.2004**	**31.03.2004**	**31.03.2005**	**31.12.2004**
1	*2*	*3*	*4*	*5*	*6*
1. Amounts due to the Central Bank	360	144	0	150.0%	x
2. Financial liabilities, including:	76 168 920	73 152 743	71 128 493	4.1%	7.1%
- deposits	*75 718 842*	*72 337 928*	*70 969 195*	*4.7%*	*6.7%*
- other financial liabilities	*450 078*	*814 815*	*159 298*	*-44.8%*	*182.5%*
3. Interest accrued on financial liabilities	1 970 880	1 874 215	1 905 139	5.2%	3.5%
4. Provisions	201 747	279 958	209 396	-27.9%	-3.7%
5. Other liabilities	2 088 710	1 869 798	2 081 676	11.7%	0.3%
6. Minority interest	61 923	67 762	27 593	-8.6%	124.4%
7. Shareholders' equity (including net profit)	8 321 223	8 290 983	7 134 589	0.4%	16.6%
Total liabilities and equity	**88 813 763**	**85 535 603**	**82 486 886**	**3.8%**	**7.7%**

As at 31 March 2005 the biggest item in the total amount of amounts due were amounts due to non – financial sector (PLN 68,591 million) followed by amounts due to public sector (PLN 5,736 million).

As at the end of March 2005 the level of provisions and other liabilities amounted to PLN 2,290 million and remained at the comparable level to the balance as of 31 March 2004. Compared to the end of 2004, the total of the above items increased by PLN 141 million, i.e. by 6.5%.

7.1.2. Off-balance sheet items

As at 31 March 2005 total off-balance sheet liabilities of PKO BP Group amounted to PLN 248,065 million and increased by 26.6% as compared to the beginning of the year.

The main item of the off-balance sheet liabilities (88.9%) were liabilities related to the buy / sell operations. During the period of 12 months the share of this balance increased by 7.6% and by 2.1% as compared to the end of 2004. The balance comprised mainly of financial instruments operations and forward purchase / sale transactions carried out by PKO BP for the purpose of the regulation of the Bank's solvency, speculation and arbitrage purposes.

Table 4. Off-balance sheet items of PKO BP Group (in PLN thousand)

Off-balance sheet items	**As at:**			**Growth**	
	31.03.2005	**31.12.2004**	**31.03.2004**	**31.03.2005**	**31.12.2004**
1	*2*	*3*	*4*	*5*	*6*
I. Contingent liabilities granted and received, including:	**12 970 046**	**11 835 988**	**18 718 998**	**9.6%**	**-30.7 %**
1. Contingent liabilities granted:	7 642 317	6 477 067	13 943 700	18.0%	-45.2%
a) financial	6 367 385	5 738 590	13 460 962	11.0%	-52.7%
b) guarantees	1 274 932	738 477	482 738	72.6%	164.1%
2. Contingent liabilities received:	5 327 729	5 358 921	4 775 298	-0.6%	11.6%
a) financial	723 971	758 291	171 586	-4.5%	321.9%
b) guarantees	4 603 758	4 600 630	4 603 712	0.1%	0.0%
II. Liabilities arising from purchase / sale transaction	**220 645 523**	**170 084 928**	**96 099 093**	**29.7%**	**129.6%**
III. Other	**14 449 330**	**14 003 648**	**3 286 936**	**3.2%**	**339.6%**
Total off – balance sheet items	**248 064 899**	**195 924 564**	**118 105 027**	**26.6%**	**110.0%**

As at 31 March 2005, off – balance sheet contingent liabilities of the Group amounted to PLN 12,970 million and constituted 5.2% of total off-balance sheet liabilities, including:

- financial contingent liabilities granted amounted to PLN 6,367 million and were mainly related to the credit lines,
- contingent liabilities granted: guarantees amounted to PLN 4,604 million and were related mainly to guarantees and repayment guarantees.

As compared to the end of the year 2004 off – balance sheet contingent liabilities increased by PLN 1,134 million i.e. by 9.6%.

7.1.3. Financial result and performance indicators

In the 1st quarter 2005 PKO BP SA Group recorded a gross profit amounting to PLN 543 million. After deducting obligatory tax charges amounting to PLN 127 million, the resulting net profit amounted to PLN 416 million. Compared to the corresponding period of 2004 the gross profit and the net profit were 0.5% and 1.1% higher, respectively.

Table 5. Main items of the profit and loss account (in PLN thousands):

Item	1st quarter 2005	1st quarter 2004	Growth
1	*2*	*3*	*4*
1. Financial and operating income including:	1 538 391	1 414 698	108.7%
1.1. Net interest income	*859 273*	*889 302*	*96.6%*
1.2. Net fees and commission income	*279 055*	*328 828*	*84.9%*
1.3. Result from financial assets and liabilities	*95 750*	*29 890*	*320.3%*
1.4. Result from exchange rate differences (revaluation)	*173 052*	*83 016*	*208.5%*
1.5. Result from other operating income and expense	*131 261*	*83 662*	*156.9%*
2. General banking and administrative expenses	-759 962	-677 626	112.2%
3. Depreciation of tangible assets and amortization of intangible assets	-116 536	-125 608	92.8%
4. Provisions	-79 534	-99 643	79.8%
5. Impairment write-offs	-29 832	24 135	x
6. Other items of profit and loss account	-9 769	4 092	x
7. Gross profit (loss)	**542 758**	**540 048**	**100.5%**
8. Taxation	-127 258	-128 638	98.9%
9. Current year's net profit (loss)	**415 500**	**411 410**	**101.0%**
10. **(Profit) loss attributable to minority shareholders**	301	-139	x
11. Net profit (loss)	**415 801**	**411 271**	**101.1%**

In the 1st quarter of 2005 financial and operating income of the Group amounted to PLN 1,538 million and were PLN 124 million, (8.7%) higher compared to the 1st quarter 2004:

- net interest income amounted to PLN 859 million and was PLN 30 million, (3.4%) compared to the 1st quarter 2004 and consisted of interest income amounting to PLN 1,454 million and interest expenses amounting to PLN 595 million, i.e. 12.9% and 49.9% higher compared to the corresponding period of the previous year, respectively,
- net fees and commissions income amounted to PLN 279 million and was 5.1% lower compared to the corresponding period of 2004, income amounted to PLN 347 million (i.e. 8.8%) lower compared to the 1st quarter 2004), expenses amounted to PLN 68 million (i.e. 30.9%) higher compared to the 1st quarter of 2004,
- result from financial assets and liabilities amounted to PLN 96 million (and was more than three times higher compared to the 1st quarter of 2004),
- foreign exchange result amounted to PLN 173 million and was twice as high compared to the 1st quarter of 2004,
- result from other operating income and expenses amounted to PLN 131 million (an increase of 156.9%) and consisted of operating income amounting to PLN 153 million and operating costs amounting to PLN 22 million.

In the 1st quarter of 2005 the general expenses of the Group including the total of overhead expenses and related depreciation/amortisation charges amounted to PLN 876 million (of which PLN 117 million related to depreciation/amortisation charges) and were PLN 73 million compared to the balance in the 1st quarter of prior year.

In the 1st quarter 2005 the provisions and impairment write-offs in aggregate adjusted the financial result of the Group by PLN 30 million, and this amount was PLN 54 million higher compared to the 1st quarter of 2004.

Selected performance indicators:

The following performance indicators were calculated based upon the financial results of the PKO BP SA Group in the 1st quarter 2005:

Table 6. Base performance indicators

Indicator	**For the period from 1.01.2005 to 31.03.2005**	**For the period from 1.01.2004 to 31.03.2004**
1	*2*	*4*
1.Overhead expenses, depreciation and amortisation / result from banking activities **(C/I)**	**67.94%**	**67.83%**
2. Net fees and commission income / overhead costs	**33.24%**	**42.30%**

Table 7. Return on assets and return on equity

Ratios	**For the period from 1.04.2004 to 31.03.2005**
1	*2*
1. Net profit (loss)/average assets **(ROA_{net})** [1]	**1.81%**
2. Net profit (loss)/average equity **(ROE_{net})** [2]	**20.05%**

[1] *ROA net computed as proportion of net profit (loss) for the 12 month period to the arithmetic average of assets at the beginning and at the end of the period.*
[2] *ROE net computed as proportion of net profit (loss) for the 12 month period to the arithmetic average of equity (including profits brought forward and profit for the year) at the beginning and at the end of the period.*

7.2. FINANCIAL PERFORMANCE OF PKO BP SA IN THE 1ST QUARTER 2005

7.2.1. Balance sheet data

As at 31 March 2005 the total assets amounted to PLN 87,456 million and increased by PLN 5,367 million, i.e. 6.5% compared to 31 March 2004 and by PLN 3,508 million[2], i.e. 4.2% compared to the end of 2004.

Assets

The main categories of Bank's assets were loans and credits and financial assets, which accounted for 88% of total assets as at 31 March 2005. In comparison to the end of 2004, the share of these categories in total assets remained at the comparable level.

Table 8. Main items of assets (in PLN thousands)

Item	As at			Growth	
	31.03.2005	31.12.2004	31.03.2004	31.03.2005	31.12.2004
1	*2*	*3*	*4*	*5*	*6*
1. Cash and balances with the Central Bank	4 501 825	3 490 505	3 178 410	29.0%	41.6%
2. Financial assets	22 214 612	22 794 522	25 717 529	-2.5%	-13.6%
3. Loans, credits and other receivables non quoted on the market	54 588 338	51 480 479	45 057 039	6.0%	21.2%
4. Interest on investments	795 851	902 071	686 315	-11.8%	16.0%
5. Held-to-maturity investments	1 776 862	1 875 908	3 840 816	-5.3%	-53.7%
6. Tangible fixed assets	1 870 504	1 939 016	1 970 483	-3.5%	-5.1%
7. Intangible assets	391 727	384 045	252 753	2.0%	55.0%
8. Investments in subsidiaries valued under the equity pick-up method	590 858	577 870	300 651	2.2%	96.5%
9. Other assets	725 335	503 871	1 084 938	44.0%	-33.1%
Total assets	**87 455 912**	**83 948 287**	**82 088 934**	**4.2%**	**6.5%**

As at 31 March 2005 the amount of loans and credits amounted to PLN 54,588 million zlotys and was PLN 9,531 million (21.2%) higher compared to the balance as of 31 March 2004 and was PLN 3,108 million (6.0%) higher compared to the end of 2004. The annual increase resulted from both an increase of receivables from financial sector (by PLN 5,470 million) including mainly Bank's deposits placed as well as loans and credits granted to non-financial and budget sectors (in aggregate by PLN 4,061 million). In the 1st quarter of 2005 the increase resulted from both the increase of receivables from financial sector and the increase of loans (by PLN 1,037 million and PLN 2,071 million, respectively).

As at the end of 1st quarter of 2005 the financial assets amounted to PLN 22,215 million and decreased by PLN 580 million (2.5%) compared to the end of 2004, and by PLN 3,503 million compared to the end of 1st quarter of 2004. In the aggregate balance of financial assets the biggest item (PLN 20,992 million) were financial assets at fair value through profit or loss, followed by available-for-sale financial assets amounting to PLN 1,222 million.

The held-to-maturity investments amounted to PLN 1,777 million and were PLN 2,064 million (53.7%) lower compared to the end of 1st quarter of 2004. Compared to the end of 2004, this balance was PLN 99 million (5.3%) lower.

Liabilities and equity

As at the end of March 2005 the biggest item of liabilities and equity were deposits amounting to PLN 74,785 million and accounted for 85.5% of the balance sheet total. The second largest item was the shareholders' equity, which accounted for 9.4% of the balance sheet total and amounted to PLN 8,204 million.

[2] The possible differences in totals, share and dynamics result from rounding to million zloty and rounding percentage share to one decimal place.

Table 9. Main items of liabilities (in PLN thousands)

Item	As at:			Growth	
	31.03.2005	31.12.2004	31.03.2004	31.03.2005	31.12.2004
1	*2*	*3*	*4*	*5*	*6*
1. Amounts due to the Central Bank	360	144	0	150.0%	x
2. Financial liabilities, including:	75 156 150	72 305 742	70 895 554	3.9%	6.0%
- deposits	*74 784 963*	*71 512 003*	*70 821 853*	*4.6%*	*5.6%*
- other financial liabilities	*371 187*	*793 739*	*73 701*	*-53.2%*	*403.6%*
3. Interest accrued on financial liabilities	1 960 091	1 864 455	1 905 139	5.1%	2.9%
4. Provisions	198 544	207 033	208 984	-4.1%	-5.0%
5. Other liabilities	1 937 076	1 809 872	2 009 148	7.0%	-3.6%
6. Shareholders' equity	8 203 691	7 761 041	7 070 109	5.7%	16.0%
Total liabilities	**87 455 912**	**83 948 287**	**82 088 934**	**4.2%**	**6.5%**

As at 31 March 2005 in the total amounts of the deposits the most significant balances were deposits from the non-financial sector amounting to PLN 67,967 million followed by deposits from the budget sector amounting to PLN 5,736 million.

As at 31 March 2005 the balance of provisions and other liabilities amounted to PLN 2,136 million and compared to 31 March 2004 they were lower by PLN 83 million, i.e. by 3.7%. Compared to the end of 2004 the total of these items was higher by PLN 119 million, i.e. by 5.9%.

7.2.2. Financial result and performance indicators

In 1st quarter of 2005 PKO BP recorded a gross profit amounting to PLN 535 million. After deducting obligatory tax charge amounting to PLN 125 million, the resulting net profit amounted to PLN 411 million. Compared to the corresponding period of 2004, the gross profit and net profit were higher by 1.7% and 2.0%, respectively.

Table 10. Main items of the profit and loss account (in PLN thousand)

Item	1st quarter 2005	1st quarter 2004	Growth
1	*2*	*3*	*4*
1. Operating and financial revenues including:	1 420 188	1 376 918	103.1%
1.1 Net interest income	*844 997*	*882 004*	*95.8%*
1.2 Net fees and commission income	*267 348*	*340 799*	*78.4%*
1.3 Result from financial assets and liabilities	*95 750*	*29 890*	*320.3%*
1.4 Foreign exchange result (revaluation)	*177 378*	*82 656*	*214.6%*
1.5 Result from other operating income /expenses	*34 715*	*41 569*	*83.5%*
2. General banking and administrative expenses	-666 812	-659 792	101.1%
3. Depreciation of tangible assets and amortization of intangible assets	-102 993	-113 886	90.4%
4. Provisions	-79 534	-99 643	79.8%
5. Impairment write-offs	-27 848	24 133	x
6. Share in net profits/losses of subsidiaries accounted for using equity pick-up method	-7 827	-1 444	542.0%
7. Gross profit	**535 174**	**526 286**	**101.7%**
8. Corporate profits tax	-124 500	-123 604	100.7%
9. Net profit	**410 674**	**402 682**	**102.0%**

In the 1st quarter of 2005 financial and operating income amounted to PLN 1,420 million zlotys and were PLN 43 million (3.1%) higher compared to the 1st quarter of 2004, including:

- net interest income amounted to PLN 845 million and was PLN 37 million, i.e. 4,2% higher compared to the 1st quarter of 2004; it comprised of interest income amounting to PLN 1,422 million and interest expense amounting to PLN 577 million, i.e. 11.2% and 45.5% higher compared to the corresponding period of previous year, respectively,

- net fees and commissions and fees amounted to PLN 267 million and was 21.6% lower compared to the corresponding period of 2004, income amounted to PLN 338 million (i.e. 13.9% lower compared to the 1st quarter of 2004), and expenses amounted to PLN 71 million (i.e. 36.3% higher compared to the 1st quarter of 2004),
- result from financial assets and liabilities amounted to PLN 96 million (and was more than three times higher compared to the 1st quarter of 2004), including PLN 66 million from financial assets and liabilities other than those valued at fair value and PLN 30 million from items valued at fair value,
- foreign exchange result amounted to PLN 177 million and increased twice in comparison to the 1st quarter of 2004,
- other operating result amounted to PLN 35 million and comprised of other operating income amounting to PLN 42 million and other operating expenses amounting to PLN 8 million; it was 16.5% lower compared to the 1st quarter of 2004,

In the 1st quarter of 2005 the general expenses of the Bank, including overheads and depreciation/amortization expenses, amounted to PLN 770 million (of which PLN 103 million related to depreciation/amortization charges) and remained at the comparable level to that of the corresponding period of the prior year.

In the 1st quarter 2005 the provisions and impairment write-offs in aggregate adjusted the financial result by PLN 107 million. The balance was 42% higher compared to the 1st quarter 2004.

Selected performance indicators:

Table 11. Base performance indicators

Indicator	**For the period from 1.01.2005 to 31.03.2005**	**For the period from 1.01.2004 to 31.03.2004**
1	*2*	*3*
1.Overhead expenses, depreciation and amortisation / result from banking activities **(C/I)**	**61.3%**	**65.4%**
2. Net fees and commission income / overhead costs	**35.8%**	**44.9%**

Table 12. Return on assets and return on equity

Ratios	**For the period from 1.04.2004 to 31.03.2005**
1	*2*
1. Net profit (loss)/average assets **(ROA $_{net}$)** [1]	**1.74%**
2. Net profit (loss)/average equity **(ROE $_{net}$)** [2]	**19.28%**

[1] *ROA net computed as proportion of net profit (loss) for the 12 month period to the arithmetic average of assets at the beginning and at the end of the period.*
[2] *ROE net computed as proportion of net profit (loss) for the 12 month period to the arithmetic average of equity (including profits brought forward and profit for the year) at the beginning and at the end of the period.*

7.2.3. Shareholders' equity and capital adequacy ratio

As at 31 March 2005 the shareholders' equity amounted to PLN 8,204 million and was 443 million zlotys, i.e. 5.7% higher compared to the end of 2004 and was PLN 1,134 million, i.e. 16.0%, higher compared to 31 March 2004.

Table 13. Shareholders' equity (in PLN thousand)

Details	As at:			Growth:	
	31.03.2005	31.12.2004	31.03.2004	31.03.2005	31.12.2004
1	2	3	4	5	6
1. Share capital	1 000 000	1 000 000	1 000 000	0.0%	0.0%
2. Reserve capital	2 805 073	2 804 731	1 784 089	0.0%	57.2%
3. Revaluation reserve	281 812	304 074	300 304	-7.3%	-6.2%
4. Other reserves including:	3 706 132	2 187 534	3 583 034	69.4%	3.4%
- accumulated profits/losses from prior years	1 336 132	-182 466	1 423 034	x	-6.1%
- general risk fund	1 000 000	1 000 000	800 000	0.0%	25.0%
5. Net profit for the year	410 674	1 464 702	402 682	-72.0%	2.0%
Total shareholders' equity	**8 203 691**	**7 761 041**	**7 070 109**	**5.7%**	**16.0%**

As at 31 March 2005 the capital adequacy ratio was 15.19% and was 1.02 percentage points lower compared to the end of 2004. The decrease of the ratio related mainly the increase in the overall capital requirement resulting from the increase in loan granting activity and the ammended rules of capital adequacy ratio calculation implemented from 1 January 2005 The changes of regulations in this area comprised: the change in risk weights ratios concerning mortgage collateralised loans, the change in certain off balance sheet transactions equivalent calculation method, requirement to use exclusively market value method for balance sheet equivalents (earlier the Bank could also select primary exposured method).

7.3. FACTORS THAT INFLUENCED BANK'S RESULTS

7.3.1. Macroeconomic environment

- At the beginning of 2005 there was slight improvement on the labour market caused by the economic recovery, resulting in lower, than observed in previous years, seasonal growth of unemployment rate in January and in the decrease of unemployment rate to 19.4% in February. In January and February 2005 in the industrial sector the decreasing trend in unemployment reversed,
- In January and February 2005 the pace of growth in industrial production was slower and the growth of retail trade maintained at the low level, indicating the weakening of the economic growth in the 1st quarter 2005,
- In the 1st quarter of 2005 there was a significant decrease of the inflation rate to the level of 3.4% in March compared to 4.4% in December 2004. Strengthening of PLN exchange rate, lowering prices of goods and imported raw materials resulted in the decrease of the inflationary pressure. The growth of food prices was lower than in the corresponding period of 2004.
- At the beginning of 2005 an increase in households' deposits along with relatively stable growth of corporate deposits was noticed. The increase of interest rates in 2004 contributed to the growth of households deposits.
- In the first months of 2005 the growth of households' loans remained at high level. Good financial results of of companies enabled them to finance new investment projects from own funds. As a result of the above, no significant growth of demand for corporate loans was observed in the 1st quarter of 2005,
- In February 2005 Polish National Bank published *A report on inflation* along with the current inflationary perspectives. The report indicated the significant improvement of inflationary risks balance in years 2005 – 2006. Taking into account the weakening of prices' pressure and favorable perspective the Monetary Policy Council decided on changing the approach in the monetary policy to less strict as well as to lower the interest rates by 0.5 percentage point in March.

7.3.2. Regulatory environment

The financial results of PKO BP SA Capital Group in the 1st quarter 2005 were mainly influences by following factors:

- amendment dated 27 August 2004 to the Accounting Act (Journal of Laws No. 213, item 2155) requiring banks to prepare consolidated financial statements in accordance with the International Financial Reporting Standards, International Accounting Standards and their interpretations published in the form of decrees,
- implementation of the Decree of the Finance Minister dated 19 December 2002 concerning the rules on the accounting of banks (Journal of Laws No. 149, item 1673 with further amendments), requiring banks to implement from 1 January 2005 amortized cost method using effective interest rate in the valuation of certain financial assets (including loans and credits) and financial liabilities.
- change in the own funds' definition, modified prudency regulations including changes in the calculation method of capital adequacy ratio and introduction of concentration limits – on the basis of Banking Law amended in April 2004 (Journal of Laws No. 91, item 870) as well as accompanying regulations (Resolution No. 4/2004 and No. 4/2004 dated 8 September 2004 of Banking Supervisory Commission, Journal of Laws of NBP No. 15, items 25 and 27)
- increase of banks' burden concerning losing by client the evidence of signing the deposit agreement, check or check blanket, which arises from Banking Law amended in April 2004 (Journal of Laws No. 72, item 665 with further amendments)
- decrease in the ratio related to the banks' share in EU Guarantee Fund (in relation to revenues from interest on obligatory reserve),
- decrease in banks' burdens related to the system of deposits guarantees being in force resulting from the decrease of annual obligatory fee ratio and the ratio related to the amount of the deposits guarantee fund,
- solutions concerning operational risk management following the "M" recommendation of the General Inspector of Banking Supervision.

7.3.3. Financial market

During the 1st quarter of 2005 there was significant decrease in profitability of the whole yield curve. This decrease was caused mainly by investors' expectations for loosening of the monetary policy. After the decision of Monetary Policy Council in February concerning the change in the monetary policy approach from strict to less-strict, the market started to discount further decreases in interest rates and as a result the curve at the short end decreased by 100 base points and on the longer segment the decrease was lower due to increasing political risk and accounted for about 50 base points in case of 10-year bonds. In aggregate in the 1st quarter of 2005 the profitability of Treasury Bills decreased by 90 base points, of 2-year bonds by 75 base points, of 5-year bonds by 60 base points, and of 10-year bonds by 35 base points.

In the period January – March 2005 the zloty / USD exchange rate decreased by more than 5%, and zloty / EUR was nearly the same. In January and February zloty was appreciating against both currencies because of the capital inflow to Central Europe countries. In March the trend was slowed down by the increase of the market expectations for interest rates increases in the USA, which transformed into the weakening of the Polish currency.

8. SEASONALITY OR SERIALITY OF ACTIVITY IN THE REPORTING PERIOD

PKO BP SA is an universal bank, providing services in the whole country and its activity is exposed to the similar fluctuations as the entire Polish economy. The activities of other Group's companies do not indicate any particular seasonality or seriality.

9. INFORMATION ON ISSUING, REDEEMING AND REPAYMENT OF DEBT AND CAPITAL SECURITIES

PKO BP SA is not an issuer of debt and capital securities.

Among other companies of PKO BP SA Group only Bankowy Fundusz Leasingowy S.A. issues short-term debt securities. In the 1st quarter 2005 the company did not issue any new securities. In this period no debt securities of Bankowy Fundusz Leasingowy S.A. were due to be redeemed or repaid.

10. SIGNIFICANT POST-BALANCE SHEET EVENTS, WHICH WERE NOT INCLUDED IN THESE FINANCIAL STATEMENTS AND WHCIH MAY HAVE A SIGNIFICANT EFFECT ON THE FUTURE RESULTS OF THE ISSUER

- Due to the end of tenure of certain members of the Management Board, on 7 April 2005 the Supervisory Board decided to appoint again to the Bank's Management Board the following persons:

  1) Mr. Andrzej Podsiadło for the position of the President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
  2) Mr. Kazimierz Małecki for the position of the Vice-president and I Deputy President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
  3) Mr. Jacek Obłękowski for the position of the Member of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.

- On 7 April 2005 the Supervisory Board appointed the auditor of the Bank's financial statements. The appointed company is Ernst & Young Audit Sp. z o.o. located in Warsaw, Emilii Plater Street 53, being on the KIPR list of entities entitled to perform audits of financial statements under No. 130. The agreement is to be signed for the audits of Bank's financial statements for 2005 – 2007 prepared in accordance with IAS. In the past the Bank used Ernst & Young Audit Sp. z o.o. services in the area of: audits of financial statements for 2002 – 2004, audits of financial statements prepared in the prospectus form along with issuance of necessary statements for the purpose of the prospectus, assistance in implementation of effective interest rate, valuation and presentation of embedded derivatives and implementation of loan portfolio valuation according to IAS 39.
- On 13 April 2005 the Management Board assumed a resolution concerning the change from 15 April 2005 the interest rate on deposits and certain loans. The above resulted from analyses performed by the Bank following the Monetary Policy Council decision to lower the basic interest rates of NBP dated 30 March 2005.
- On 13 April 2005 Mr. Arkadiusz Kamiński resigned from the position of the Supervisory Board Member of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, effective 29 April 2005.
- On 25 April 2005 PKO BP SA made a capital contribution (dopłata) amounting to PLN 16,950 thousand to PKO Inwestycje Sp. z o.o. for realization of the investment project realized by the special purpose company - POMERANKA Sp. z o.o.
- On 10 May 2005 the Management Board assumed a resolution concerning the change from 14 May 2005 the interest rate on deposits and certain loans. The above resulted from analyses performed by the Bank following the Monetary Policy Council decision to lower the basic interest rates of NBP dated 27 April 2005.

11. OPINION OF THE MANAGEMENT BOARD REGARDING PERSPECTIVES FOR THE REALISATION OF EARLIER PUBLISHED PROJECTIONS OF THE RESULTS FOR THE YEAR, IN RELATION TO THE RESULTS PRESENTED IN QUARTERLY REPORT

The Bank did not publish any projections of the results for the year 2005.

12. INFORMATION ON PAID OR DECLARED DIVIDEND

On 29 March 2005 the Bank's Management Board assumed a resolution and decided on submission to the General Shareholders Meeting the recommendation of paying the dividend for 2004 amounting PLN 1,000,000,000, i.e. 1 PLN for each share. According to article 295, par. 2, item 2 of Commercial Code and par. 35 of the Bank's Statutes the recommendation accepted by the Supervisory Board will be presented to the General Shareholders Meeting.

The recommendation concerning the payout of the dividend for 2004 is consistent with the dividend policy described in "The rules of dividend policy for the year 2004 – 2006" published in the prospectus of PKO BP SA. Since the Bank has reached the level of own equity assuring the safety of the Bank's operations more dividend for 2004 is to be paid compared to the information presented in the prospectus (66.16% against 40% declared).

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

The quarterly report for the 4th quarter of 2004 was submitted to KPWiG on 14 February 2005.

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

According to the fact that on 6 April 2005 the process of distributing shares at no cost to entitled employees began, the share of the State Treasury in the share capital since the last report being submitted to KPWiG has changed and on the day of submission of this quarterly report for the 1st quarter 2005 was:

Shareholder	Percentage of votes as at the date of submitting previous quarterly report	Number of shares as at the date of submitting previous quarterly report	% change from the date of submitting previous quarterly report	Percentage of votes as at the date of submitting this report	Number of share as at the date of submitting this report
State Treasury	62,3 %	623 000 000	9,12 %	53,18 %	531 767 019

The percentage share of the above shareholder in the share capital of the Bank corresponds to the percentage of votes held at the General Shareholders' Meeting as at the date of submitting this report.

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

Presented below are the shares held by the members of the Management Board and the Supervisory Board of the Bank as at 9 May 2005

	Number of shares as at the date of submission of previous quarterly report*	Purchase	Disposal	Number of shares, options as at the day of submission of the report
Management Board	3.419	-	-	3.419
Supervisory Board	101	-	-	101

*) status as of 14 February 2005

In the period from submitting the previous quarter report there were no changes in the number of issuer's shares held by the Members of the Management and Supervisory Boards.

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

- On the basis of Cooperation Agreement signed with a subsidiary, Inteligo Financial Services S.A., on 29 November 2002 (with Annexes Nos. 1,2,3,4) and the Agreement of 12 September 2003 attached as an appendix to the Cooperation Agreement, during the 1st quarter of 2005 PKO BP SA paid to this company an amount of PLN 22 million. The agreements were signed in order to determine the principles of co-operation between the parties with respect to maintenance and development of the operating system servicing Inteligo accounts, including the amount of consideration for services provided by the company to the Bank.

  The payments made in the 1st quarter of 2005 included the following:
  - remuneration for services provided as part of the ongoing operating activities of the Company,
  - adjustment of infrastructure to enable it to maintain the call centre operations,
  - re-invoicing of the costs of Centrum Bankowości Elektronicznej Inteligo and Call Centre in Lublin.

  Due to comprehensive regulation of the cooperation between the parties, the agreement is not a typical or routine agreement arising from ongoing operations of the parties.

- On the basis of Lease Agreement signed with a subsidiary, Centrum Finansowe Puławska Sp. z o.o., on 7 December 1995 (and amended by Annexes Nos. 1 to 25), during the 1st quarter of 2005 PKO BP SA made payments to the company in the total gross amount of PLN 16 million. The agreement was signed in order to determine the terms of the lease of building located in Warsaw at Puławska 15 Street.

  The payments made included lease fees, maintenance fees and fees for the cleaning of shared space.

  Due to comprehensive regulation of the cooperation between the parties, the agreement is not a typical or routine agreement arising from ongoing operations of the parties.

16. RESULTS OF CHANGES IN THE COMAPNY STRUCTURE INCLUDING THE EFFECT OF COMPANIES MERGER, TAKEOVER OR SALE OF CAPITAL GROUP'S ENTITES, LONGTERM INVESTMENTS, DIVISION, RESTRUCTURING AND ABANDONMENT OF ACTIVITY

The results of changes on the company's structure including the result of merger, takeover or sale of group's entities, long-term investments, division, restructuring and abandonment of activity have been described in point 4.2. of this commentary.

17. FACTORS WHICH WILL INFLUENCE FUTURE FINANCIAL PERFORMANCE WITHIN AT LEAST THE NEXT QUARTER

Acting on the commission of the Minister of the State Treasury based on the Act on commercialization and privatization (2002 Journal of Laws No. 171, item 1397 together with subsequent amendments) and on par. 14 item 1 of the Resolution of the State Treasury Minister of 29 January 2003 concerning dividing entitled employees into groups, deciding on number of shares for each group and way of purchasing shares by entitled employees (journal of Laws No. 35, item. 303) on 4 April 2005 the Bank issued publicly an information about commencement to distribute at no-cost 105 million of shares series "B" of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna at nominal value of 1 zloty.

The distribution of shares of PKO BP SA at no cost to entitled persons (employees and their heirs), including signing agreements for distributing shares at no cost and issuing certificates of deposit confirming the transfer of ownership on the entitled person, is being realized since 6 April 2005. All steps concerning distributing shares at no cost are being realized in Shares Distribution Offices located in Bank's branches in the whole country.

The Bank will incur organization costs of the process of distributing shares at no cost to entitled employees and their heirs that will have impact on the results for at least the next quarter.

18. SURETYSHIPS AND GUARANTEES GRANTED BY THE ISSUER OR BY ITS SUBSIDIARY TO A SINGLE ENTITY OR ITS SUBSIDIARY IF THE TOTAL VALUE OF GRANTED SURETYSHIPS OR GUARANTEES AMOUNTS TO AT LEAST 10% OF THE ISSUER'S SHAREHOLDERS' EQUITY

During the 1st quarter of 2005, PKO BP SA and its subsidiaries did not grant any suretyships or guarantees to a single entity or its subsidiary in the total amount of at least 10% of PKO BP SA's shareholders' equity.

19. PROCEEDINGS PENDING BEFORE A COURT, ARBITRATION TRIBUNAL OR PUBLIC ADMINISTRATIVE AUTHORITY

As at 31 March 2005, the total value of court proceedings conducted against the PKO BP SA amounted to PLN 10,000,000,399,430,145.57, while the total value of proceedings initiated by the Bank amounted to PLN 95,303,035.99.

The proceedings conducted against PKO BP SA include an action initiated by a physical person against PKO BP S.A. for damages caused by the Bank's failure to revalue and pay funds collected on a savings pass book registered in 1971. On 22 March 2005, the Regional Court in Warsaw dismissed the claim, however the sentence is not yet binding.

Other Capital Group's companies have not conducted any proceedings before a court, arbitration tribunal or public administration authority concerning receivables or liabilities, the value of which accounts for at least 10% of shareholders' equity of PKO BP SA.

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

- In the 1st quarter of 2005 PKO BP SA incurred costs of preparation to distribute Bank's shares at no cost to entitled employees or their heirs including: deciding on the number of shares to employees' groups, preparing of the final list of entitled employees and the process of signing agreements for distributing at no cost with employees and their heirs as well as other costs arising from the finalization work connected to the initial public offering, e.g. consultancy services.
- In the 1st quarter of 2005 the project "The choice and implementation of the IT system supporting financial risk management" was finished. The project will significantly broaden the scope of analysis and will accelerate the pace of preparing analysis for the purposes of risk management, and at the same time lowering operating risk. The project was honored for implementation of AlgoSuite system by Gazeta Bankowa in the competition for the best computer project. Thanks to implementation of the AlgoSuite system it will be possible to develop advanced methods for capital adequacy valuation, compliant with New Capital Accord as well as with amended directive on capital adequacy of credit institutions.

21. ACTIVITY BRANCH SEGMENTATION OF PKO BP SA CAPITAL GROUP

The operating activities of the PKO BP SA Group are divided into seven main industry segments: Corporate Segment, Retail Segment, Treasury Segment, Investments Segment, Housing Segment, Leasing Segment, Pension Fund Management Segment and Other Segments.

- Corporate Segment includes transactions of the holding company with large corporate clients.
- Retail Segment includes transactions of the holding company with private individuals and small and medium enterprises
- Treasury Segment includes inter-bank transactions, derivative instruments and debt securities transactions.
- Investment Segment includes investing and brokerage activities of the holding company.
- Housing Segment includes transactions of the holding company connected with granting housing loans and receiving deposits.

The Bank decided not to separate any further segments as a result of not having reached the thresholds outlined in IAS 14, which are:

- segment revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments, or
- segment result, whether profit or loss, is 10% or more of the combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount, or
- segment assets are 10% or more of the total assets of all segments.

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

The split into industry segments represents the Group's primary segment reporting format.

- **As at 31 March 2005**

Primary split into industry segments (non audited data)

Consolidated profit and loss account

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Housing Segme	Total Capital Group
Management interest result together with result from fees and commission	87 580	875 751	20 994	18 371	155 294	1 157 990
Income from shares and other securities	0	0	0	0	0	0
Foreign exchange result	4 313	10 135	151 876	0	11 054	177 378
Result from other operating income and expense (together with result from financial operations).	2 045	5 826	44 955	35 124	304	88 254
Management result before credit risk	**93 938**	**891 712**	**217 825**	**53 495**	**166 652**	**1 423 622**
Impairment write-offs	5 866	(26 649)	0	(1 182)	(8 551)	(30 516)
Direct costs of operations and costs allocated to the segment	(51 314)	(617 076)	(6 256)	(24 136)	(146 653)	(845 435)
Management result	**48 490**	**247 987**	**211 569**	**28 177**	**11 448**	**547 671**
Unallocated result (including internal result – capital centre) together with unclassified segments result						4 856
Income tax						(127 258)
Share in profit and loss of equity-accounted entities						(9 769)
Minority (profits)/losses						301
Net profit						**415 801**

Source: Management information

Other information

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Housing Segment	Total Capital Group
Segment assets	13 704 333	11 357 020	37 328 240	1 305 125	16 082 367	79 777 085
Segment investments in equity-accounted entities				201 372		201 372
Total segment assets	**13 704 333**	**11 357 020**	**37 328 240**	**1 506 497**	**16 082 367**	**79 978 457**
Other (unallocated) assets together with unclassified segments assets						8 835 306
Total assets						**88 813 763**
Segment liabilities	9 776 792	58 341 741	839 585	191 899	6 837 185	75 987 202
Segment management result	48 490	247 987	211 569	28 177	11 448	547 671
Total segment liabilities	**9 825 282**	**58 589 728**	**1 051 154**	**220 076**	**6 848 633**	**76 534 873**
Other (unallocated) liabilities together with unclassified segments liabilities						12 278 890
Total liabilities						**88 813 763**
Capital expenditures (costs of acquiring assets)						
Depreciation						116 536
Other non-monetary costs						-

Source: Management information

Starting from 2 January 2005, due to the application of a new methodology related to corporate and retail segments clients classification assuming:

- *Acceptance of a classification criterion being the sales revenue (instead of the identification using the chart of accounts parameters applied in the past),*
- *Classification of small and medium enterprises to the retail segment (in the past this sub segment was the corporate segment element)*

the data on assets and liabilities related to the both segments as of the end of March 2005 and as of the end of March 2004 are not fully comparable.

- **As at 31 March 2004**

Primary split into industry segments (non audited data)

Consolidated profit and loss account

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Housing Segme	Total Capital Group
Management interest result together with result from fees and commission	208 149	729 551	48 265	17 991	184 086	1 188 042
Income from shares and other securities	0	0	0	0	0	0
Foreign exchange result	0	0	82 656	0	0	82 656
Result from other operating income and expense (together with result from financial operations).	1 350	7 511	8 870	9 649	(322)	27 058
Management result before credit risk	**209 499**	**737 062**	**139 791**	**27 640**	**183 764**	**1 297 756**
Impairment write-offs	23 190	8 757	157	90	13 173	45 367
Direct costs of operations and costs allocated to the segment	(163 592)	(599 789)	(6 833)	(16 236)	(81 853)	(868 303)
Management result	**69 097**	**146 030**	**133 115**	**11 494**	**115 084**	**474 820**
Unallocated result (including internal result – capital centre) together with unclassified segments result						61 136
Income tax						(128 638)
Share in profit and loss of equity-accounted entities						4 092
Minority (profits)/losses						(139)
Net profit						**411 271**

Source: Management information

Other information

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Housing Segment	Total Capital Group
Segment assets	14 634 539	6 745 812	37 352 620	1 096 697	14 099 796	73 929 464
Segment investments in equity-accounted entities				60 897		60 897
Total segment assets	**14 634 539**	**6 745 812**	**37 352 620**	**1 157 594**	**14 099 796**	**73 990 361**
Other (unallocated) assets together with unclassified segments assets						8 496 525
Total assets						**82 486 886**
Segment liabilities	9 305 115	55 968 976	845 336	172 301	5 789 905	72 081 633
Segment management result	69 097	146 030	133 115	11 494	115 084	474 820
Total segment liabilities	**9 374 212**	**56 115 006**	**978 451**	**183 795**	**5 904 989**	**72 556 453**
Other (unallocated) liabilities together with unclassified segments liabilities						9 930 433
Total liabilities						**82 486 886**
Capital expenditures (costs of acquiring assets)						
Depreciation						125 608
Other non-monetary costs						-

Source: Management information