

LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD OF PKO BP S.A.,

Dear Ladies and Gentlemen,

I am happy to inform you that 2006 turned out to be a highly successful year in the history of PKO Bank Polski, a just reward for all the hard work the Bank's personnel put in. Over the course of the year we spared no effort to strengthen our market position, improve the quality of our services, and ensure that our daily business was carried out more efficiently and productively.

As a result, we are once again able to report the best performance figures in the Polish banking market: this time not only gross profit (as was the case in the previous year) but also net profit broke the two billion zloty barrier, the first time this has been achieved in the Polish banking system. In 2006 PKO Bank Polski generated gross profit of PLN 2,502.1 million, that is PLN 428.8 million or 20.7 percent more than in the previous year, while net profit reached PLN 2,047.4 million, surpassing the figure of 2005 by PLN 370.6 million or 22.1 percent. Our balance-sheet total also increased: on December 31st, 2006 it amounted to PLN 99.1 billion, an increase on the previous year of PLN 8.7 billion or 9.7 percent.

In 2007 we intend to continue the rapid growth in profits and steady improvement in customer service quality which we have enjoyed for the past few years, which is sure to be welcome news for our customers and shareholders. Our good financial condition will allow us to pay our shareholders a solid dividend. The Management Board has recommended a dividend for 2006 of PLN 980 million, that is PLN 0.98 per share.

Despite growing competition, PKO BP has maintained its lead in many areas, in some cases even strengthening its position e.g. in the areas of e-banking, the housing market, payment cards, and municipal bond issues.

The bank remains a leader in the market for savings-giro accounts, of which it operates over 6 million, and in the e-banking market where it serves more than 2 million customers. The PKO Inteligo service is now used by over 20 percent of savings-giro account holders and as much as 40 percent of Partner account holders from the SME sector. This means that every month millions of banking operations are performed outside our branches.

PKO BP has also strengthened its position as the leader of the payment card market: we have now issued 7 million cards, over 900,000 of which are credit cards.

Last year also saw more records being broken in the housing loan market. In 2006 we granted housing loans worth a total of PLN 11 billion, that is 45 percent more than in the previous year.

As a universal bank PKO BP is developing its relations with business customers, of which it now serves over 400,000. In this segment the largest group are owners of small and medium-sized businesses. Another important source of clients for the Bank is the large companies and corporations sector. Last year we offered such clients new products and services including prestige payment cards.

We are delighted to see that our customers are responding enthusiastically to our European Programme, which provides a comprehensive service for projects supported by the EU. In 2006 alone PKO BP provided support for around 600 EU funded projects, committing in excess of PLN 1.2 billion for that purpose.

We also substantially developed our fruitful cooperation with local government and state-funded bodies, our proven partners, for which we offer an individually tailored service and new products. In 2006 PKO BP arranged 49 municipal bond issues, an area in which we are still the clear leader, with a 40 percent share in the market.

We are currently working hard on a new strategy for the years 2007-2012, the main assumptions of which we will announce shortly. Our management hope to create the conditions necessary to accelerate the bank's development, thus enabling it to become an institution which operates according to the highest global standards, develop its relations with its clients to the highest level, provide its staff with the opportunity to fulfil their professional ambitions, secure satisfactory investment returns for its shareholders, and act as a creator of solutions and point of reference for the banking market on the basis of its financial results and effectiveness indicators. That is why we need a new strategy to guide our development over the next six years, determine the way in which we accomplish that development, and enable us to maintain our leading position in Poland as well as strengthen our position in the region.

Raising the standard of customer service is another of our priorities for the coming years. The branch modernisation programme which we are currently implementing will go some way to helping us achieve this. The programme is a major challenge when you consider that our branch network consists of 1,239 outlets, not counting almost 2,300 agencies. In 2006 we began modernisation work in 470 branches; by the end of this year we plan to complete the modernisation of more than 600 branches. The work involves improving the equipment and technical installations as well as the arrangement and appearance of the spaces. In some cases we also carry out complete refurbishment.

This year we will also implement the decisive phase in the deployment of an Integrated Computer System, which will involve almost all our branches and clients. When the system is completed it will be a powerful weapon in the fight for market share, allowing us to more

rapidly and effectively tailor our offers to the needs of our clients and thus achieve even better results. Once the new computer system has been fully deployed our clients will also benefit from more efficient service, as all our front desk positions will be providing the same services.

In 2007 we will develop our cooperation with entities in the PKO BP Capital Group and other external partners. In September of last year we concluded a contract, together with Bank Pocztowy, with Poczta Polska. Poczta Polska's approximately 8,000 post office outlets will allow our organisations to create the largest retail network for popular banking products. As PKO BP takes up its position in Bank Pocztowy and in post offices, the released synergy will bring us extra revenue and accelerate our expansion in the market.

We owe our good financial condition and last year's successes to the creativity and determination of the members of our Management Board and management staff, to whom I would like to extend my warmest thanks. I would also like to thank the members of the Supervisory Board for their cooperation and support. Of course, the success of our operations and our chances of achieving our goals depend above all on the commitment and enthusiasm of PKO BP's entire 32,000 strong workforce, to each and every one of whom I would like to offer my sincerest gratitude.

Marek Głuchowski

Acting President of the Management Board of PKO Bank Polski

Warsaw, March 2006