

*Translation of interim financial statements of
The PKO BANK POLSKI SA Group for the first two quarters of 2005
The only binding version is the originally issued Polish version of this report*



**PKO BANK POLSKI
SPÓŁKA AKCYJNA**

**INTERIM FINANCIAL STATEMENTS OF
THE PKO BANK POLSKI SA GROUP FOR THE FIRST TWO
QUARTERS OF 2005**

Prepared in accordance with International Financial Reporting Standards

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1. SUMMARY

- As at 30 June 2005:
 - total assets of the PKO BP SA Group amounted to PLN 88,002 million and increased by PLN 2,754 million compared to the end of 2004 (and by PLN 5,341 million compared to 30 June 2004).
 - the Group's total equity amounted to PLN 7,829 million and decreased by PLN 453 million compared to the end of 2004 as a result of the apportionment of PLN 1 billion to dividends from the 2004 profit.
- In the first half of 2005, the PKO BP SA Group achieved the gross pre-tax result amounting to PLN 1,112 million. After deductions resulting from tax charges and minority interest, the net result amounted to PLN 883 million. Compared to the same period in 2004, the gross result and the net result were 3.3% and 3.0% higher, respectively.
- The Group's gross result for the second quarter of 2005 amounted to PLN 569 million and was 4.8 % higher compared to the first quarter of 2005. The net result achieved by the Group in the second quarter 2005 amounted to PLN 467 million and was 12.3% higher compared to the balance for the first quarter of 2005.

2. ACCOUNTING POLICIES

The report was prepared in accordance with the International Financial Reporting Standards (IFRS), binding from the beginning of 2005, issued by the International Accounting Standards Board (IASB), and with the interpretations of 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 defined by the Decree of the Council of Ministers dated 21 March 2005 on current and periodic information submitted by securities' issuers (Journal of Laws No. 49, item 463).

The accounting policies applied in the report for the 2nd quarter of 2005 are consistent with those applied in the 1st quarter of 2005. These policies were described in detail in the Commentary to the Consolidated Report for the first quarter of 2005.

3. FINANCIAL STATEMENTS

Consolidated quarterly report 2/2005

For the 2 quarters of 2005 (period from 1 January 2005 to 30 June 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 to 30.06.2005	Period from 01.01 to 30.06.2004	Period from 01.01 to 30.06.2005	Period from 01.01 to 30.06.2004
SELECTED FINANCIAL DATA				
Interest income	2 887 953	2 552 439	707 745	539 502
Fees and commission income	724 754	834 603	177 614	176 408
Gross profit (loss)	1 111 586	1 076 426	272 414	227 521
Net profit (loss)	882 842	856 987	216 356	181 139
Net cash flow from operating activities	1 753 405	(3 065 293)	429 703	(647 903)
Net cash flow from investing activities	2 158 845	3 155 064	529 064	666 877
Net cash flow from financing activities	3 380	53 920	828	11 397
Total net cash flow	3 915 630	143 691	959 596	30 372
Total assets	88 002 355	82 661 692	21782 222	18 198 602
Amounts due to the Central Bank	945	-	234	-
Amounts due to other banks and other clients	76 115 097	73 130 175	18 839 904	16 100 166
Shareholders' equity	7 829 071	7 414 647	1 937 841	1 632 391
Share capital	1 000 000	1 000 000	247 519	220 158
Number of shares	1 000 000 000	1 000 000 000	1 000 000 000	1 000 000 000
Net book value per share (in PLN/EUR)	7.83	7.41	1.94	1.63
Diluted net book value per share (in PLN/EUR)	7.83	7.41	1.94	1.63
Capital adequacy ratio	15.54	21.02	X	X
Net profit (loss) per ordinary share (in PLN/EUR)	1.54	1.38	0.38	0.29
Diluted net profit (loss) per ordinary share (in PLN/EUR)	1.54	1.38	0.38	0.29

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BALANCE SHEET OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP			
ASSETS	As at 30.06.2005	As at 31.12.2004	As at 30.06.2004
Cash and balances with the Central Bank	4 727 818	3 525 323	3 445 815
Debt securities eligible for rediscounting at the Central Bank	-	-	-
Amounts due from other banks	14 347 662	13 207 769	11 012 720
Financial assets held for trading	421 863	369 516	528 606
Derivative financial instruments	283 371	1 365 456	613 799
Other financial instruments at fair value through profit or loss	20 213 656	-	-
Loans and advances to customers	41 248 819	39 096 044	36 723 668
Net investment in finance lease	573 632	484 635	440 879
Investment securities	2 000 999	23 457 944	26 485 352
Available-for-sale	1 607 879	21 561 050	23 178 008
Held-to-maturity	393 120	1 896 894	3 307 344
Investments in associates and joint ventures	180 272	177 722	46 144
Intangible assets	515 941	434 299	320 023
Tangible fixed assets	1 962 825	2 027 796	1 883 169
Investment properties	320 187	338 766	331 668
Non - current assets held for sale	12 350	-	5 285
Deferred tax asset	29 979	24 147	15 936
Current tax asset	-	-	-
Deferred tax asset	29 979	24 147	15 936
Other assets	1 162 981	739 016	808 628
TOTAL ASSETS	88 002 355	85 248 433	82 661 692

LIABILITIES	As at 30.06.2005	As at 31.12.2004	As at 30.06.2004
Amounts due to the Central Bank	945	144	-
Amounts due to other banks	1 638 231	881 069	1 703 733
Derivative financial instruments	378 018	793 739	320 413
Other financial liabilities at fair value through profit or loss	-	-	-
Amounts due to customers	74 476 866	73 234 149	71 426 442
Liabilities arising from securities issued	73 037	21 076	59 685
Other liabilities	3 321 425	1 289 718	1 088 203
Deferred tax liability	71 760	533 920	445 292
Provisions	213 002	212 226	203 277
Liabilities directly related with non-current assets held for sale	-	-	-
TOTAL LIABILITIES	80 173 284	76 966 041	75 247 045
Capital and reserves attributable to the Bank's shareholders			
Share capital	1 000 000	1 000 000	1 000 000
Retained earnings	684 803	1 632 984	1 027 938
Other capital and reserves	6 067 484	5 581 647	5 348 588
Minority interest	76 784	67 761	38 121
Total equity	7 829 071	8 282 392	7 414 647
TOTAL LIABILITIES AND EQUITY	88 002 355	85 248 433	82 661 692

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	As at 30.06.2005	As at 31.12.2004	As at 30.06.2004
Capital adequacy ratio	15.54	17.64	21.02
Book value	7 829 071	8 282 392	7 414 647
Number of shares	1 000 000 000	1 000 000 000	1 000 000 000
Book value per share (in PLN)	7.83	8.28	7.41
Diluted number of shares	1 000 000 000	1 000 000 000	1 000 000 000
Diluted book value per share (in PLN)	7.83	8.28	7.41

PROFIT AND LOSS ACCOUNT OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP		
	Period from 01.01.2005 to 30.06.2005	Period from 01.01 2004 to 30.06.2004
Interest income	2 887 953	2 552 439
Interest expense	(1 120 717)	(803 052)
Net interest income	1 767 236	1 749 387
Fees and commission income	724 754	834 603
Fees and commission expense	(148 439)	(118 761)
Net fees and commission income	576 315	715 842
Dividend income	14 266	18 840
Result from financial instruments at fair value	139 647	108 632
Result from investment securities	53 444	(5 707)
Foreign exchange result	331 839	174 599
Other operating income	334 712	257 851
Other operating expense	(66 457)	(70 797)
Net operating income	268 255	187 054
Impairment losses	(84 594)	(10 130)
General administrative expenses	(1 952 544)	(1 849 698)
Operating profit	1 113 864	1 088 819
Share of profit of associates and joint ventures	(2 278)	(12 393)
Gross profit (loss)	1 111 586	1 076 426
Income tax expense	(221 936)	(218 891)
Net profit (loss) for the period (without minority interest)	889 650	857 535
(Profit) loss attributable to minority shareholders	(6 808)	(548)
Net profit (loss)	882 842	856 987

Net profit (loss) annualized	1 536 920	1 385 176
Weighted average number of ordinary shares	1 000 000 000	1 000 000 000
Net profit (loss) per ordinary share (in PLN)	1.54	1.38
Weighted average diluted number of ordinary shares	1 000 000 000	1 000 000 000
Diluted profit (loss) per ordinary share (in PLN)	1.54	1.38

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP		
	Period from 01.01.2005 to 30.06.2005	Period from 01.01.2004 to 30.06.2004
EQUITY		
Share capital	1 000 000	1 000 000
Retained earnings, including:	684 803	1 027 938
Retained earnings from previous years	(198 039)	170 951
Net result of the current year	882 842	856 987
Other capital and reserves, including:	6 067 484	5 348 588
Reserve capital	3 313 996	2 803 303
Revaluation reserve	294 294	152 742
<i>Fair value adjustments of available-for-sale financial assets</i>	<i>149 616</i>	<i>2 237</i>
<i>Foreign exchange differences on subsidiaries</i>	<i>(2 450)</i>	<i>-</i>
<i>Differences arising on valuation of fixed assets</i>	<i>147 128</i>	<i>150 505</i>
Other reserves	1 459 194	1 392 543
General banking risk fund	1 000 000	1 000 000
Minority interest	76 784	38 121
Total equity	7 829 071	7 414 647
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	(159 835)	215 294
- adjustments associated with implementation of IFRS/IAS	230 988	215 294
- adjustments associated with implementation of effective interest rate	(390 823)	-
Adjusted shareholders' equity at the beginning of the period after restatement	7 910 699	6 614 429
Changes in shareholders' equity		
Net profit (loss) for the current year	882 842	856 987
Fair value adjustments of available-for-sale financial assets	12 144	(66 958)
Foreign exchange differences on subsidiaries	9 022	-
Other increases / decreases of shareholder's equity	(985 636)	10 189
Total shareholders' equity	7 829 071	7 414 647

CONDENSED STATEMENT OF CASH FLOWS OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP		
	Period from 01.01.2005 to 30.06.2005	Period from 01.01.2004 to 30.06.2004
Net cash flow from operating activities – indirect method	1 753 405	(3 065 293)
Net cash flow from investing activities	2 158 845	3 155 064
Net cash flow from financing activities	3 380	53 920
Total net cash flow	3 915 630	143 691
Cash and cash equivalents at the beginning of the period	5 335 244	4 715 232
Cash and cash equivalents at the end of the period	9 250 874	4 858 923
Components of cash and cash equivalents		
Cash at hand	1 008 772	930 101
Amounts due from the Central Bank	3 719 046	2 515 714
On demand receivables from banks and other financial institutions	4 520 682	1 409 817
Cash of the Brokerage house in Stock Exchange Guarantee Fund	2 374	3 291

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OFF-BALANCE SHEET ITEMS OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP		
	As at 30.06.2005	As at 30.06.2004
Contingent liabilities granted and received	13 689 169	22 304 569
Contingent liabilities granted:	8 502 063	17 289 478
Financial	7 143 202	16 624 788
to financial sector	2 743 560	791 841
to non-financial sector	4 073 436	14 415 073
to public sector	326 206	1 417 874
Guarantees	1 358 861	664 690
to financial sector	25 975	4 567
to non-financial sector	1 061 019	469 011
to public sector	271 867	191 112
Contingent liabilities received:	5 187 106	5 015 091
Financial	593 979	477 672
from financial sector	593 979	477 672
from non-financial sector	-	-
from public sector	-	-
Guarantees	4 593 127	4 537 419
from financial sector	44 864	24 511
from non-financial sector	267 978	848
from public sector	4 280 285	4 512 060
Spot off-balance sheet transactions	17 257 209	1 259 871
Forward off-balance sheet transactions	228 724 017	120 210 717
Other	15 388 361	2 951 847

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BALANCE SHEET OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA			
ASSETS	As at 30.06.2005	As at 31.12.2004	As at 30.06.2004
Cash and balances with the Central Bank	4 727 784	3 490 505	3 445 758
Debt securities eligible for rediscounting at the Central Bank	-	-	-
Amounts due from other banks	14 255 089	13 159 200	10 996 434
Financial assets held for trading	400 413	346 131	508 750
Derivative financial instruments	283 371	1 365 456	613 762
Other financial instruments at fair value through profit or loss	20 213 622	-	-
Loans and advances to customers	41 241 903	39 064 675	37 331 520
Net investment in finance lease	-	-	-
Investment securities	1 881 968	23 498 314	26 493 163
Available-for-sale	1 488 848	21 605 297	23 185 819
Held-to-maturity	393 120	1 893 017	3 307 344
Investments	601 245	564 249	325 771
Intangible assets	466 615	384 045	304 848
Tangible fixed assets	1 845 709	1 939 016	1 852 037
Investment properties	-	-	-
Non - current assets held for sale	-	-	-
Deferred tax asset	-	-	-
Current tax asset	-	-	-
Deferred tax asset	-	-	-
Other assets	767 378	416 973	537 444
TOTAL ASSETS	86 685 097	84 228 564	82 409 487

LIABILITIES	As at 30.06.2005	As at 31.12.2004	As at 30.06.2004
Amounts due to the Central Bank	945	144	-
Amounts due to other banks	1 546 530	800 403	1 592 300
Derivative financial instruments	378 018	793 739	320 413
Other financial liabilities at fair value through profit or loss	-	-	-
Amounts due to customers	73 638 737	72 576 273	71 472 990
Liabilities arising from securities issued	-	-	-
Other liabilities	3 164 702	1 165 812	998 775
Deferred tax liability	68 708	530 302	445 248
Provisions	207 333	207 033	200 870
Liabilities directly related with non-current assets held for sale	-	-	-
TOTAL LIABILITIES	79 004 973	76 073 706	75 030 596
Share capital	1 000 000	1 000 000	1 000 000
Retained earnings	690 461	1 590 367	1 053 342
Other capital	5 989 663	5 564 491	5 325 549
Total equity	7 680 124	8 154 858	7 378 891
TOTAL LIABILITIES AND EQUITY	86 685 097	84 228 564	82 409 487

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	As at 30.06.2005	As at 31.12.2004	As at 30.06.2004
Capital adequacy ratio	15.06	17.28	20.60
Book value	7 680 124	8 154 858	7 378 891
Number of shares	1 000 000 000	1 000 000 000	1 000 000 000
Book value per share (in PLN)	7.68	8.15	7.38
Diluted number of shares	1 000 000 000	1 000 000 000	1 000 000 000
Diluted book value per share (in PLN)	7.68	8.15	7.38

PROFIT AND LOSS ACCOUNT OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA		
	Period from 01.01.2005 to 30.06.2005	Period from 01.01 2004 to 30.06.2004
Interest income	2 820 656	2 536 462
Interest expense	(1 082 294)	(800 231)
Net interest income	1 738 362	1 736 231
Fees and commission income	708 122	846 482
Fees and commission expense	(153 347)	(119 678)
Net fees and commission income	554 775	726 804
Dividend income	14 272	18 840
Result from financial instruments at fair value	139 063	108 632
Result from investment securities	53 197	(6 097)
Foreign exchange result	342 202	175 233
Other operating income	85 823	108 958
Other operating expense	(29 566)	(41 385)
Net operating income	56 257	67 573
Impairment losses	(61 607)	6 951
General administrative expenses	(1 746 038)	(1 760 786)
Operating profit	1 090 483	1 073 381
Share of profit of associates and joint ventures	-	-
Gross profit (loss)	1 090 483	1 073 381
Income tax expense	(217 610)	(212 600)
Net profit (loss)	872 873	860 781

Net profit (loss) annualized	1 523 157	1 388 970
Weighted average number of ordinary shares	1 000 000 000	1 000 000 000
Net profit (loss) per ordinary share (in PLN)	1.52	1.39
Weighted average diluted number of ordinary shares	1 000 000 000	1 000 000 000
Diluted profit (loss) per ordinary share (in PLN)	1.52	1.39

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA		
	Period from 01.01.2005 to 30.06.2005	Period from 01.01.2004 to 30.06.2004
EQUITY		
Share capital	1 000 000	1 000 000
Retained earnings, including:	690 461	1 053 342
Retained earnings from previous years	(182 412)	192 561
Net result of the current year	872 873	860 781
Other capital, including:	5 989 663	5 325 549
Reserve capital	3 313 474	2 802 781
Revaluation reserve	296 189	152 768
<i>Fair value adjustments of available-for-sale financial assets</i>	149 061	2 263
<i>Foreign exchange differences on subsidiaries</i>	-	-
<i>Differences arising on valuation of fixed assets</i>	147 128	150 505
Other reserves	1 380 000	1 370 000
General banking risk fund	1 000 000	1 000 000
Total equity	7 680 124	7 378 891
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	(278 363)	187 835
- adjustments associated with implementation of IFRS/IAS	109 515	187 835
- adjustments associated with implementation of effective interest rate	(387 878)	-
Adjusted shareholders' equity at the beginning of the period after restatement	7 792 171	6 586 970
Changes in shareholders' equity		
Net profit (loss) for the current year	872 873	860 781
Fair value adjustments of available-for-sale financial assets transferred to the revaluation reserve	11 651	(66 936)
Other increases / decreases of shareholder's equity	(996 571)	(1 924)
Total shareholders' equity	7 680 124	7 378 891

CONDENSED STATEMENT OF CASH FLOWS OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA		
	Period from 01.01.2005 to 30.06.2005	Period from 01.01.2004 to 30.06.2004
Net cash flow from operating activities – indirect method	1 767 922	(3 084 494)
Net cash flow from investing activities	2 167 685	3 157 181
Net cash flow from financing activities	(1 330)	58 356
Total net cash flow	3 934 277	131 043
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	9 159 994	4 849 937
Components of cash and cash equivalents		
Cash at hand	1 008 738	930 044
Amounts due from the Central Bank	3 719 046	2 515 714
On demand receivables from banks and other financial institutions	4 429 836	1 400 888
Cash of the Brokerage house in Stock Exchange Guarantee Fund	2 374	3 291

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OFF-BALANCE SHEET ITEMS OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA		
	As at 30.06.2005	As at 30.06.2004
Contingent liabilities granted and received	13 937 379	22 331 541
Contingent liabilities granted:	9 048 533	17 317 191
Financial	7 693 447	16 647 085
to financial sector	3 354 495	812 888
to non-financial sector	4 012 746	14 416 323
to public sector	326 206	1 417 874
Guarantees	1 355 086	670 106
to financial sector	52 418	10 566
to non-financial sector	1 030 801	468 428
to public sector	271 867	191 112
Contingent liabilities received:	4 888 846	5 014 350
Financial	562 171	476 931
from financial sector	562 171	476 931
from non-financial sector	-	-
from public sector	-	-
Guarantees	4 326 675	4 537 419
from financial sector	43 805	24 511
from non-financial sector	2 585	848
from public sector	4 280 285	4 512 060
Spot off-balance sheet transactions	17 254 269	1 259 871
Forward off-balance sheet transactions	228 724 017	120 210 717
Other	13 041 783	2 957 955

Reconciliation of differences between IFRS/IAS and PAS

The below table presents the impact of IFRS/IAS implementation on equity and net profit in the reporting periods presented in this report.

- Reconciliation of differences between IFRS/IAS and PAS as at 30 June 2004

BALANCE SHEET OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BP SA GROUP

ASSETS	Note	PAS 30.06.2004	Adjustments	IFRS 30.06.2004
Cash and balances with the Central Bank	a	3 445 809	6	3 445 815
Debt securities eligible for rediscounting at the Central Bank		-	-	-
Amounts due from other banks	b	10 999 061	13 659	11 012 720
Financial assets held for trading		528 606	-	528 606
Derivative financial instruments	c	615 297	(1 498)	613 799
Other financial instruments at fair value through profit or loss		-	-	-
Loans and advances to customers	d	40 285 582	(3 561 914)	36 723 668
Net investment in finance lease	e	437 289	3 590	440 879
Investment securities		26 485 352	-	26 485 352
Available-for-sale		23 178 008	-	23 178 008
Held-to-maturity		3 307 344	-	3 307 344
Investments in associates and joint ventures	f	73 969	(27 825)	46 144
Intangible assets	g	361 521	(41 498)	320 023
Tangible fixed assets	h	1 885 810	(2 641)	1 883 169
Investment properties		331 668	-	331 668
Non - current assets held for sale		5 285	-	5 285
Deferred tax asset	i	19 562	(3 626)	15 936
Current tax asset		-	-	-
Deferred tax asset		19 562	(3 626)	15 936
Other assets	j	644 884	163 744	808 628
TOTAL ASSETS		86 119 695	(3 458 003)	82 661 692

LIABILITIES	Note	PAS 30.06.2004	Adjustments	IFRS 30.06.2004
Amounts due to the Central Bank		-	-	-
Amounts due to other banks	k	1 672 726	31 007	1 703 733
Derivative financial instruments	l	324 232	(3 819)	320 413
Other financial liabilities at fair value through profit or loss		-	-	-
Amounts due to customers	l	71 458 093	(31 651)	71 426 442
Liabilities arising from securities issued		59 685	-	59 685
Other liabilities	m	4 119 948	(3 031 745)	1 088 203
Deferred tax liability	n	445 252	40	445 292
Provisions	o	863 821	(660 544)	203 277
Liabilities directly related with non-current assets held for sale		-	-	-
TOTAL LIABILITIES		78 943 757	(3 696 712)	75 247 045

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Capital and reserves attributable to the Bank's shareholders				
Share capital		1 000 000	-	1 000 000
Retained earnings	p	850 389	177 549	1 027 938
Other capital and reserves	r	5 325 549	23 039	5 348 588
Minority interest	s	-	38 121	38 121
Total equity		7 175 938	238 709	7 414 647
TOTAL LIABILITIES AND EQUITY		86 119 695	(3 458 003)	82 661 692

IFRS/IAS adjustments' description as at 30 June 2004

a) Cash and balances with the Central Bank	6
- consolidation of subsidiaries according to IAS 27	6
b) Amounts due from other banks	13 659
- consolidation of subsidiaries according to IAS 27	50 553
- derecognition of the intra group transactions with consolidated entities according to IAS 27	(36 894)
c) Derivative financial instruments	(1 498)
- derecognition of the valuation of derivatives in subsidiaries, associates and joint ventures	(1 498)
d) Loans and advances to customers	(3 561 914)
- decrease of receivables from restricted interest	(2 744 871)
- change of the method of presentation of the provision for general banking risk	(661 597)
- derecognition of receivables from the Company's Social Fund	(37 318)
- derecognition of intra group transactions with consolidated entities according to IAS 27	(118 128)
e) Net investment in finance lease	3 590
- disclosure of lease receivables before the protocol of receipt	3 590
f) Investments in associates and joint ventures	(27 825)
- valuation of shares in subsidiaries, associates and joint ventures according to IAS 27 and IAS 36	(27 825)
g) Intangible assets	(41 498)
- adjustment of goodwill of subsidiaries, associates and joint ventures according to IAS 27 and IAS 36	(40 999)
- consolidation of subsidiaries, associates and joint ventures according to IAS 27	18
- change of the method of presentation in subsidiaries, associates and joint ventures	(517)
h) Tangible fixed assets	(2 641)
- consolidation of subsidiaries, associates and joint ventures according to IAS 27	191
- change of the method of presentation of tangible fixed assets in subsidiaries, associates and joint ventures	(2 832)
i) Deferred tax asset	(3 626)
- change of the method of presentation of deferred tax asset in subsidiaries, associates and joint ventures	(3 626)
j) Other assets	163 744
- consolidation of subsidiaries, associates and joint ventures according to IAS 27	239 239
- decrease of receivables from restricted interest on promissory notes	(12 299)
- derecognition of receivables from the Company's Social Fund	(65 804)
- change of the way of presentation in subsidiaries, associates and joint ventures	2 608
k) Amounts due to other banks	31 007
- consolidation of subsidiaries, associates and joint ventures according to IAS 27	149 135
- derecognition of the intra group transactions with consolidated entities according to IAS 27	(118 128)
l) Derivative financial instruments	(3 819)
- derecognition of the valuation of derivatives in subsidiaries, associates and joint ventures	(3 819)
l) Amounts due to customers	(31 651)

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- consolidation of subsidiaries, associates and joint ventures according to IAS 27	(36 894)
- change of the method of presentation in subsidiaries, associates and joint ventures	5 243
m) Other liabilities	(3 031 745)
- decrease in liabilities from restricted interest and capitalized interest	(2 974 226)
- decrease in liabilities from restricted interest on promissory bills	(12 299)
- derecognition of the liabilities from the Company's Social Fund	(103 122)
- consolidation of subsidiaries, associates and joint ventures according to IAS 27	55 445
- reclassification of the provisions in subsidiaries, associates and joint ventures into provisions	(1 053)
- change of the method of presentation in subsidiaries, associates and joint ventures	3 510
n) Deferred tax liability	40
- change of the method of presentation of deferred tax asset in subsidiaries, associates and joint ventures	40
o) Provisions	(660 544)
- change of the method of presentation of provision for general risk	(661 597)
- inclusion of the provisions in subsidiaries, associates and joint ventures into provisions	1 053
p) Retained earnings	177 549
- consolidation of subsidiaries, associates and joint ventures according to IAS 27 and adjustment of the valuation of shares in subsidiaries, associates and joint ventures according to IAS 27 and IAS 36	(51 806)
- capitalized interest recognized in the retained earnings	229 355
r) Other capital and reserves	23 039
- consolidation of subsidiaries, associates and joint ventures and settlement of reserves according to IAS 27	23 039
s) Minority interest	38 121
- consolidation of subsidiaries, associates and joint ventures according to IAS 27	38 121

• **Reconciliation of differences between IFRS/IAS and PAS 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
Debt securities eligible for rediscounting at the Central Bank		-	-	-
Amounts due from other banks		13 207 769	-	13 207 769
Financial assets held for trading		369 516	-	369 516
Derivative financial instruments		1 365 456	-	1 365 456
Other financial instruments at fair value through profit or loss		-	-	-
Loans and advances to customers	a	42 705 379	(3 609 335)	39 096 044
Net investment in finance lease		484 635	-	484 635
Investment securities		23 457 944	-	23 457 944
Available-for-sale		21 561 050	-	21 561 050
Held-to-maturity		1 896 894	-	1 896 894
Investments in associates and joint ventures	b	215 085	(37 363)	177 722
Intangible assets	c	478 728	(44 429)	434 299
Tangible fixed assets	d	2 027 388	408	2 027 796
Investment properties		338 766	-	338 766
Non - current assets held for sale			-	
Deferred tax asset	e	22 482	1 665	24 147
Current tax asset		-	-	-
Deferred tax asset		22 482	1 665	24 147

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Other assets	f	564 237	174 779	739 016
TOTAL ASSETS		88 762 708	(3 514 275)	85 248 433

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	Note	PAS 31.12.2004	Adjustments	IFRS 31.12.2004
LIABILITIES				
Amounts due to the Central Bank		144	-	144
Amounts due to other banks		881 069	-	881 069
Derivative financial instruments		793 739	-	793 739
Other financial liabilities at fair value through profit or loss		-	-	-
Amounts due to customers	g	73 213 633	20 516	73 234 149
Liabilities arising from securities issued		21 076	-	21 076
Other liabilities	h	4 356 677	(3 066 959)	1 289 718
Deferred tax liability	i	530 302	3 618	533 920
Provisions	j	870 370	(658 144)	212 226
Liabilities directly related with non-current assets held for sale		-	-	-
TOTAL LIABILITIES		80 667 010	(3 700 969)	76 966 041
Capital and reserves attributable to the Bank's shareholders				
Share capital		1 000 000	-	1 000 000
Retained earnings	k	1 517 515	115 469	1 632 984
Other capital and reserves	l	5 553 019	28 628	5 581 647
Minority interest	l	25 164	42 597	67 761
Total equity		8 095 698	186 694	8 282 392
TOTAL LIABILITIES AND EQUITY		88 762 708	(3 514 275)	85 248 433

IFRS/IAS adjustments' description as at 31 December 2004

a) Loans and advances to customers	(3 609 335)
- decrease in receivables from restricted interest	(2 847 728)
- change of the method of presentation of the provision for the general risk	(661 597)
- derecognition of receivables from the Company's Social Fund	(13 811)
- consolidation of subsidiaries according to IAS 27	23 078
- derecognition of intra group transactions with consolidated subsidiaries according to IAS 27	(113 012)
- change of the way of presentation in subsidiaries, associates and joint ventures	3 735
b) Investments in associates and joint ventures	(37 363)
- valuation of shares in subsidiaries, associates and joint ventures according to IAS 27 and IAS 36	(37 363)
c) Intangible assets	(44 429)
- adjustment of the goodwill of subsidiaries, associates and joint ventures according to IAS 27 and IAS 36	(44 511)
- consolidation of subsidiaries, associates and joint ventures according to IAS 27	82
d) Tangible fixed assets	408
- consolidation of subsidiaries, associates and joint ventures according to IAS 27	408
e) Deferred tax asset	1 665
- change of the method of presentation in subsidiaries, associates and joint ventures	1 665
f) Other assets	174 779
- consolidation of subsidiaries, associates and joint ventures according to IAS 27	262 338
- decrease in receivables from restricted interest on promissory notes	(12 892)
- derecognition of the receivables from the Company's Social Fund	(74 006)
- change of the method of presentation in subsidiaries, associates and joint ventures	(661)
g) Amounts due to customers	20 516
- consolidation of subsidiaries, associates and joint ventures according to IAS 27	117 224
- derecognition of the intra group transactions with consolidated subsidiaries according to IAS 27	(113 012)
- change of the way of presentation in subsidiaries, associates and joint ventures	16 304
h) Other liabilities	(3 066 959)

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- decrease in liabilities from restricted interest and capitalized interest	(3 022 084)
- decrease in liabilities from restricted interest on promissory notes	(12 892)
- derecognition of the liabilities from the Company's Social Fund	(87 817)
- consolidation of subsidiaries, associates and joint ventures according to IAS 27	75 926
- reclassification of the provisions in subsidiaries, associates and joint ventures into provisions	(3 453)
- change of the method of presentation in subsidiaries, associates and joint ventures	(16 639)
i) Deferred tax liability	3 618
- change of the method of presentation in subsidiaries, associates and joint ventures	3 049
- consolidation of subsidiaries, associates and joint ventures according to IAS 27	569
j) Provisions	(658 144)
- change of the method of presentation of provision for general risk	(661 597)
- reclassification of the provisions in subsidiaries, associates and joint ventures into provisions	3 453
k) Retained earnings	115 469
- consolidation of subsidiaries, associates and joint ventures according to IAS 27 and adjustment of the valuation of shares in subsidiaries, associates and joint ventures according to IAS 27 and IAS 36	(58 888)
- capitalized interest recognized in retained earnings	174 357
l) Other capital and reserves	28 628
- consolidation of subsidiaries, associates and joint ventures and settlement of reserves according to IAS 27	28 628
m) Minority interest	42 597
- consolidation of subsidiaries, associates and joint ventures according to IAS 27	42 597

• **Reconciliation of differences between IFRS/IAS and PAS as at 30 June 2004**

BALANCE SHEET OF POWSZECHNA KASA OSZCZĘDNOŚCI BP SA

ASSETS	Note	PAS 30.06.2004	Adjustments	IFRS 30.06.2004
Cash and balances with the Central Bank		3 445 758	-	3 445 758
Debt securities eligible for rediscounting at the Central Bank		-	-	-
Amounts due from other banks		10 996 434	-	10 996 434
Financial assets held for trading		508 750	-	508 750
Derivative financial instruments		613 762	-	613 762
Other financial instruments at fair value through profit or loss		-	-	-
Loans and advances to customers	a	40 774 688	(3 443 168)	37 331 520
Net investment in finance lease		-	-	-
Investment securities		26 493 163	-	26 493 163
Available-for-sale		23 185 819	-	23 185 819
Held-to-maturity		3 307 344	-	3 307 344
Investments	b	358 204	(32 433)	325 771
Intangible assets		304 848	-	304 848
Tangible fixed assets		1 852 037	-	1 852 037
Investment properties		-	-	-
Non - current assets held for sale		-	-	-
Deferred tax asset		-	-	-
Current tax asset		-	-	-
Deferred tax asset		-	-	-
Other assets	c	615 540	(78 096)	537 444
TOTAL ASSETS		85 963 184	(3 553 697)	82 409 487

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LIABILITIES	Note	PAS 30.06.2004	Adjustments	IFRS 30.06.2004
Amounts due to the Central Bank		-	-	-
Amounts due to other banks		1 592 300	-	1 592 300
Derivative financial instruments		320 413	-	320 413
Other financial liabilities at fair value through profit or loss		-	-	-
Amounts due to customers		71 472 990	-	71 472 990
Liabilities arising from securities issued		-	-	-
Other liabilities	d	4 087 797	(3 089 022)	998 775
Deferred tax liability		445 248	-	445 248
Provisions	e	868 498	(667 628)	200 870
Liabilities directly related with non-current assets held for sale		-	-	-
TOTAL LIABILITIES		78 787 246	(3 756 650)	75 030 596
Capital and reserves attributable to the Bank's shareholders				
Share capital		1 000 000	-	1 000 000
Retained earnings	f	850 389	202 953	1 053 342
Other capital		5 325 549	-	5 325 549
Total equity		7 175 938	202 953	7 378 891
TOTAL LIABILITIES AND EQUITY		85 963 184	(3 553 697)	82 409 487

IFRS/IAS adjustments' description as at 30 June 2004

a) Loans and advances to customers	(3 443 168)
- decrease in receivables from restricted interest	(2 744 871)
- change of the method of presentation of the provision for general banking risk	(661 597)
- derecognition of receivables from the Company's Social Fund	(36 700)
b) Investments	(32 433)
- valuation of shares in subsidiaries, associates and joint ventures according to IAS 27 and IAS 36	(32 433)
c) Other assets	(78 096)
- decrease in receivables from restricted interest on promissory notes	(12 299)
- derecognition of receivables from the Company's Social Fund	(65 797)
d) Other liabilities	(3 089 022)
- decrease in liabilities from restricted interest and capitalized interest	(2 974 226)
- decrease in liabilities from restricted interest on promissory notes	(12 299)
- derecognition of liabilities from the Company's Social Fund	(102 497)
e) Provisions	(667 628)
- change of the method of presentation of provision for general banking risk	(661 597)
- valuation of shares in subsidiaries, associates and joint ventures according to IAS 27 and IAS 36	(6 031)
f) Retained earnings	202 953
- valuation of shares in subsidiaries, associates and joint ventures according to IAS 27 and IAS 36	(26 402)
- capitalized interest recognized in retained earnings	229 355

Reconciliation of differences between IFRS/IAS and PAS as at 31 December 2004

BALANCE SHEET OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BP SA

ASSETS	Note	PAS 31.12.2004	Adjustments	IFRS 31.12.2004
Cash and balances with the Central Bank		3 490 505	-	3 490 505
Debt securities eligible for rediscounting at the Central Bank		-	-	-
Amounts due from other banks		13 159 200	-	13 159 200
Financial assets held for trading		346 131	-	346 131
Derivative financial instruments		1 365 456	-	1 365 456
Other financial instruments at fair value through profit or loss		-	-	-
Loans and advances to customers	a	42 587 084	(3 522 409)	39 064 675
Net investment in finance lease		-	-	-
Investment securities		23 498 314	-	23 498 314
Available-for-sale		21 605 297	-	21 605 297
Held-to-maturity		1 893 017	-	1 893 017
Investments	b	658 170	(93 921)	564 249
Intangible assets		384 045	-	384 045
Tangible fixed assets		1 939 016	-	1 939 016
Investment properties		-	-	-
Non - current assets held for sale		-	-	-
Deferred tax asset		-	-	-
Current tax asset		-	-	-
Deferred tax asset		-	-	-
Other assets	c	503 871	(86 898)	416 973
TOTAL ASSETS		87 931 792	(3 703 228)	84 228 564

LIABILITIES	Note	PAS 31.12.2004	Adjustments	IFRS 31.12.2004
Amounts due to the Central Bank		144	-	144
Amounts due to other banks		800 403	-	800 403
Derivative financial instruments		793 739	-	793 739
Other financial liabilities at fair value through profit or loss		-	-	-
Amounts due to customers		72 576 273	-	72 576 273
Liabilities arising from securities issued		-	-	-
Other liabilities	d	4 287 878	(3 122 066)	1 165 812
Deferred tax liability		530 302	-	530 302
Provisions	e	872 519	(665 486)	207 033
Liabilities directly related with non-current assets held for sale		-	-	-
TOTAL LIABILITIES		79 861 258	(3 787 552)	76 073 706
Capital and reserves attributable to the Bank's shareholders				
Share capital		1 000 000	-	1 000 000
Retained earnings	f	1 517 515	72 852	1 590 367
Other capital and reserves	g	5 553 019	11 472	5 564 491
Total equity		8 070 534	84 324	8 154 858

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TOTAL LIABILITIES AND EQUITY		87 931 792	(3 703 228)	84 228 564
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IFRS/IAS adjustments' description as at 31 December 2004

a) Loans and advances to customers	(3 522 409)
- decrease in receivables from restricted interest	(2 847 728)
- change of the method of presentation of provision for general banking risk	(661 597)
- derecognition of receivables from the Company's Social Fund	(13 084)
b) Investments	(93 921)
- valuation of shares in subsidiaries, associates and joint ventures according to IAS 27 and IAS 36	(93 921)
c) Other assets	(86 898)
- decrease in receivables from restricted interest on promissory notes	(12 892)
- derecognition of receivables from the Company's Social Fund	(74 006)
d) Other liabilities	(3 122 066)
- decrease in liabilities from restricted interest and capitalized interest	(3 022 084)
- decrease in liabilities from restricted interest on promissory notes	(12 892)
- derecognition of the liabilities from the Company's Social Fund	(87 090)
e) Provisions	(665 486)
- change of the method of presentation of provision for general banking risk	(661 597)
- valuation of shares in subsidiaries, associates and joint ventures according to IAS 27 and IAS 36	(3 889)
f) Retained earnings	72 852
- valuation of shares in subsidiaries, associates and joint ventures according to IAS 27 and IAS 36	(101 504)
- capitalized interest recognized in retained earnings	174 356
g) Other reserves	11 472
- valuation of shares in subsidiaries, associates and joint ventures according to IAS 27 and IAS 36	11472

4. IMPAIRMENT OF ASSETS

The balances of impairment allowances against assets at the balance sheet date:

	30.06.2005	30.06.2004
Impairment allowances against loans and advances	3 100 287	2 519 947*
Provision for future liabilities and impairment allowances against other receivables	80 894	53 168
Impairment allowances against tangible and intangible fixed assets	35 783	25 202
Financial assets revaluation (allowances)	270 709	28 885

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

Impairment losses through profit and loss

	01.01 – 30.06.2005	01.01 – 30.06.2004
Increases	(383 002)	(527 683)
Including:		
- impairment losses on loans and allowances	(346 724)	(488 425)
- impairment losses on off – balance sheet liabilities	(20 791)	(12 155)
- impairment losses on securities	-	(1 320)
- impairment losses on other receivables	(15 487)	(25 783)
Decreases	305 037	544 490
Including:		
- impairment losses on loans and allowances	272 957	514 518
- impairment losses on off – balance sheet liabilities	21 581	6 919
- impairment losses on securities	5 552	90
- impairment losses on other receivables	4 947	22 963
The balance at the end of the period	(77 965)	16 807

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

	30.06.2005	30.06.2004
Deferred tax liability	580 911	773 026
Deferred tax asset	512 203	327 778
Provision for off – balance sheet liabilities	23 104	26 457
Provision for future liabilities to employees	318 837	298 881
Provision for other assets	118 301	110 075

6. DESCRIPTION OF THE GROUP

6.1. ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

The PKO BP SA Group, defined in accordance with the IAS 27 “Consolidated and separate financial statements”, consists of the Bank as the parent company, 15 entities directly and indirectly controlled by the Bank, of which 3 are not consolidated.

The aggregate number of companies consolidated using the full method or accounted for using the equity method in the financial statements prepared as at 30 June 2005 amounts to 22, including the holding company and indirect subsidiaries.

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

Table 1. Subsidiaries, jointly controlled entities 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				
Parent 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

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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.	85 403*	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	Bankowe Towarzystwo Kapitałowe S.A.	18 566	100.00	Full method
Indirect subsidiaries				
Entities related to PKO Inwestycje Sp. z o.o.				
10	Fort Mokotów Sp. z o.o.	32 130	51.00	Full method
11	POMERANKA Sp. z o.o.	17 000	100.00	Full method
12	Wilanów Investments Sp. z o.o.	16 320	51.00	Full method
An entity related to PTE BANKOWY S.A.				
13	Finanse Agent Transferowy Sp. z o.o.	1 861	100.00	Full method
Other related entities subject to consolidation				
Jointly controlled entities				
14	Centrum Obsługi Biznesu Sp. z o.o.	17 498	41.44	Equity method
15	PKO/CREDIT SUISSE Towarzystwo Funduszy Inwestycyjnych S.A.	14 000	50.00	Equity method
16	WAWEL Hotel Development Sp. z o.o.	13 865	35.40	Equity method
Associates				
17	Bank Pocztowy S.A.	146 500	25.0001	Equity method
18	Kolej Gondolowa Jaworzyna Krynicka S.A.	15 531	38.23	Equity method
19	Ekogips S.A. – in liquidation	5 400	60.26	Equity method
20	Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	1 500	33.33	Equity method
21	Hotel Jan III Sobieski Sp. z o.o.	522	32.50	Equity method
22	Agencja Inwestycyjna CORP S.A.	29	22.31	Equity method

* includes capital injection (dopłata) amounting to 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. in liquidation,
- Przedsiębiorstwo Informatyki Bankowej „Elbank” Sp. z o.o. in liquidation,
- Sonet Hungary Kft in liquidation (a subsidiary of Inteligo Financial Services S.A.).

6.2. CHANGES IN THE ORGANISATION OF RELATED ENTITIES IN THE 2ND QUARTER OF 2005

In the 2nd quarter of 2005, the following events affected the structure of the Group:

- re-acquisition of POMERANKA Sp. z o.o. shares by PKO Inwestycje Sp. z o.o.,
On 20 April 2005, PKO Inwestycje Sp. z o.o. re-acquired from Bankowe Towarzystwo Kapitałowe S.A. 2 shares of POMERANKA Sp. z o.o., thus becoming the owner of 100% of shares in this company and obtaining the right to exercise 100% of votes at the shareholders’ meeting of POMERANKA Sp. z o.o.
- taking up by PKO Inwestycje Sp. z o.o. of shares in the increased share capital of POMERANKA Sp. z o.o.

On 6 May 2005, PKO Inwestycje Sp. z o.o. took up new shares in the increased share capital of POMERANKA Sp. z o.o. with a value of PLN 3,950 thousand. After the increase, the share capital of POMERANKA Sp. z o.o. amounts to PLN 4 million and is divided into 40,000 shares with a nominal value of PLN 100 each.

In April 2005, PKO BP SA made a capital injection into the share capital of PKO Inwestycje Sp. z o.o. amounting to PLN 16,950 thousand with a view to making a capital injection in POMERANKA Sp. z o.o.

In June 2005, PKO BP SA made a capital injection into the share capital of PKO Inwestycje Sp. z o.o. amounting to PLN 1,530 thousand for the realization of an investment project „Miasteczko Wilanów” (Wilanów Investments Sp. z o.o.).

6.3. RELATED PARTY TRANSACTIONS

In the 2nd quarter of 2005, PKO BP SA concluded transactions with the PKO BP SA Group entities relating to:

- keeping bank accounts,
- accepting deposits,
- granting loans, including for leasing activity,
- issuing debt securities,
- granting off balance sheet liabilities – credit lines, guarantees and foreign exchange transactions.

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

All significant transactions (exceeding the equivalent of EUR 500 thousand) between PKO BP SA and the PKO BP SA Group entities, not related to the Bank's current activities were presented in point 17 of this commentary.

7. SUMMARY OF MAJOR ACHIEVEMENTS OF PKO BP SA IN THE 2ND QUARTER OF 2005

7.1. GENERAL INFORMATION

Table 2. General operating data as at 30 June 2005:

Details	30.06.2005	31.03.2005	31.12.2004	Change from:	
				31.03.2005	31.12.2004
Total number of branches	1,261	1,264	1,266	(3)	(5)
- in the retail market area:	1,178	1,181	1,183	(3)	(5)
Regional Retail Branches	12	12	12	0	0
Independent branches	537	537	537	0	0
Subordinated branches	629	632	634	(3)	(5)
- in the corporate market area:	83	83	83	0	0
Regional Corporate Branches	13	13	13	0	0
Corporate client teams	13	13	13	0	0
Corporate centers	57	57	57	0	0
Number of ATMs	1,863	1,861	1,785	2	78
Number of employees (FTE)	34,681	35,100	35,386	(419)	(705)

7.2. BANKING ACTIVITIES

- As at 30 June 2005, the Bank's deposits amounted to PLN 74.9 billion, and since the beginning of the year they have increased by PLN 1.7 billion. At the same time, the balance of deposits was higher by PLN 2.4 billion compared to the prior year. In the 2nd quarter of 2005, a decrease in the volume of deposits was observed and was due to withdrawal of funds by the Ministry of the State Treasury in connection with the provisions of the Act on BGK dated 14 March 2003 and the Decree of the Minister of Finance dated 28 December 2004 on the principles of making placements from the State budget funds.

An increase in retail deposits (among others, thanks to the sale of subscribed deposits with a favorable, progressive interest rate and an embedded element) and housing deposits was noted.

Table 3. Deposits (in PLN million)

Deposits:	30.06.05	31.12.04	30.06.04	Change from:	
				31.12.04	30.06.04
- retail banking	53,850.5	52,932.6	54,235.1	917.9	(384.5)
- housing	7,890.3	7,327.8	6,756.7	562.5	1,133.6
- corporate*	11,402.3	12,106.3	9,957.8	(704.0)	1,444.5
- other (treasury operations, capital investments, BDM)	1,794.2	894.6	1,602.1	899.5	192.1
Total deposits	74,937.3	73,261.4	72,551.7	1,675.9	2,385.6

*) for the purpose of comparability with the 2004 data, SMEs deposits are included in the corporate market balances

- As at 30 June 2005, the gross value of loans and credits granted by PKO BP SA amounted to PLN 44.1 billion and in the 1st half of 2005 their balance rose by PLN 3.0 billion, of which in the 2nd quarter of 2005 – by PLN 0.9 billion, mainly due to a high dynamics of housing and consumer loans. Compared to the prior year, the gross value of loans and credits increased by PLN 4.7 billion.

In the 2nd quarter of 2005 (i.e. in the period from 29 March 2005 to 30 June 2005), the Bank carried out a promotional campaign of its mortgage housing loan, WŁASNY KĄT), which resulted in a high level of sale of this product. The total value of sales of “new portfolio” credits and loans in the 2nd quarter of 2005 exceeded PLN 2 billion. Additionally, as of 1 April 2005, the Bank modified its offer for the product of Housing Trust Account (*Mieszkaniowy Rachunek Powierniczy*), whereby 3 types of accounts adjusted to the character of transactions concluded on the property market were produced.

In the 2nd quarter of 2005, a significant increase in retail loans and credits was noted, among others, thanks to dynamic sales of a new credit product, Credit Program („*Program kredytowy*”), which changed client collaboration formula while keeping the current level of risk. Apart from the simplification of product servicing procedures, a new, different from the standard offer price structure was applied to that product, which can be summarized as follows: „higher commission, lower nominal interest”.

As far as corporate banking is concerned, in the 2nd quarter of 2005, the Bank enriched its product offer for this client category by introducing a Contingent Settlements Account („*Rachunek rozliczeń warunkowych*”), which is dedicated to the settlement of a separate transaction between the account holder and the beneficiary, and Multipurpose Credit Limit ("*Limit kredytowy wielocelowy*").

Table 4. Gross loans and credits (in PLN million)

Loans gross	30.06.05	31.12.04	30.06.04	Change from:	
				31.12.04	30.06.04
- retail banking	10,208.8	9,527.4	8,219.5	681.4	1,989.3
- housing market (new portfolio)	14,809.2	13,324.1	12,451.0	1,485.2	2,358.3
- housing receivables	3,065.3	3,085.2	3,259.5	(20.0)	(194.2)
- corporate *	16,054.8	15,172.1	15,530.9	882.7	523.9
Total loans and credits	44,138.2	41,108.8	39,460.8	3,029.3	4,677.3

*) for the purpose of comparability with the 2004 data, SMEs loans and credits are included in the corporate market balances

- In the 1st half of 2005, the number of savings-settlement accounts, ROR, and Inteligo accounts increased by a total of 262 thousand new items. Additionally, in this period, the Bank carried out an information campaign

directed to the holders of savings- settlement accounts concerning electronic banking services, PKO Inteligo. As a result of this campaign, the number of clients actively using electronic banking services increased. As at 30 June 2005, the number of agreements concerning using electronic banking services increased by 456 thousand and nearly all of those agreements were concluded in 2005 as the product was launched in the mid November 2004.

- In the 1st half of 2005, the number of banking cards increased by 341 thousand cards, of which 140 thousand related to credit cards. The increase in the number of credit card users is mainly due to promotional campaigns conducted in that period of time.

Table 5. Accounts and banking cards (in thousands)

Details	30.06.05	31.12.04	30.06.04	Change from:	
				31.12.05	30.06.04
Total number of accounts, of which:	5,774	5,512	5,289	262	485
- savings- settlement accounts(ROR)	5,271	5,148	4,985	123	286
- Inteligo	503	364	303	139	200
Number of banking cards, of which:	5,784	5,443	5,142	341	642
Credit cards	467	327	256	140	211

As far as the structural financing is concerned, in the 2nd quarter of 2005, the Bank:

- entered into an investment loan agreement with its indirectly related entity operating in the construction industry (POMERANKA Sp. z o.o.). The value of the loan amounted to PLN 52.1 million. The transaction was carried out at arm's length.
- entered into a working capital credit agreement (in the form of a banking syndicate) with a foreign entity operating in the banking industry, for the amount of EUR 10 million (the share of PKO BP SA amounted to EUR 1.0 million). The Bank operates as member of the syndicate.
- entered into: guarantee agreements for the total amount of PLN 60 million, investment loan agreement for the amount of CZK 750 million and an overdraft agreement for the amount of PLN 100 million.
- was the winner of tender proceedings for the total amount of PLN 2.3 billion for financing an entity operating in the central government and local council sector.
- entered into a loan agreement with an entity operating in the electric energy distribution sector for the total amount of PLN 100 million.
- concluded seven agreements for the issuance of municipal bonds for the total amount of PLN 34.7 million, among others for the following entities: Powiat Jarosławski (PLN 9.5 million), the town and council of Brzesk (PLN 9.6 million) and one agreement for the issuance of corporate bonds for an entity operating in the wholesale food industry (PLN 12.2 million) with the guarantee to close the issue.

7.3. BROKERAGE ACTIVITIES

In the 2nd quarter of 2005, Bankowy Dom Maklerski PKO BP SA:

- completed a public offering for Alchemia S.A. as part of exercising subscription rights (the value of the issue exceeded PLN 27 million) and obtained the Securities and Exchange Commission (*Komisja Papierów Wartościowych i Giełd*) approval to introduce shares of Elektrownia Kozienice to public trading,
- achieved PLN 2,305.6 million turnover on the share market, which is 65% higher compared to the 2nd quarter of 2004 (with a simultaneous 41% increase in turnover in this market),
- was the leader on the bond's market (1st place) with an average share in trading at the Stock Exchange in this quarter amounting to 40%, (i.e. 13 p.p. higher compared to the corresponding period in the prior year) considering a 24% decrease in trading on the bond's market; the total value of transactions made in the 2nd quarter of 2005 amounted to PLN 467.5 million and remained at the level similar to that achieved in the corresponding period of the prior year.

At the end of June 2005, BDM PKO BP SA managed 436.5 thousand accounts (i.e. 186.4 thousand more compared to the same period in the prior year), of which 88.1 thousand were investment accounts and 348.4 thousand – registered accounts.

7.4. IMPLEMENTATION OF INTEGRATED IT SYSTEM

During the 2nd quarter of 2005, the main activities related to the Integrated IT System (ZSI) project were focused on:

- further work on preparation of new technical projects and on creation of software for “detailed projects” accepted by the Bank for expected functionality of the Integrated IT System,
- describing test scripts and testing the system for the prepared solutions,
- continuing with the process of training “supertrainers” and other groups of employees included in the realization of the project,
- testing interface functioning for the Financial Terminal, and testing the Integrated IT System interface with the application required for servicing payment cards and credit cards,
- developing infrastructure for the start-up of a model branch/laboratory, which became operational on 30 May 2005, as well as on preparing its launch in the 3rd quarter of 2005.

8. SUMMARY OF ACHIEVEMENTS OF SUBSIDIARIES IN THE 2ND QUARTER OF 2005

Powszechnie Towarzystwo Emerytalne BANKOWY S.A.

In the 2nd quarter of 2005, the value of assets held by Bankowy OFE increased by PLN 176 million compared to the 1st quarter of 2005. At the end of the 2nd quarter of 2005, the value of assets of Bankowy OFE amounted to PLN 2,310 million which helped Bankowy OFE to maintain the 8th place on the open-end pension funds market at the end of the 2nd quarter of 2005 (the same as at the end of 1st quarter of 2005).

The number of Bankowy OFE participants amounted to 432,229 at the end of the 2nd quarter of 2005, which gave the 8th place on the pension funds market. The number of participants increased by 3,781 compared to the 1st quarter of 2005.

Centrum Elektronicznych Usług Płatniczych eService S.A.

At the end of the 2nd quarter of 2005, transactions with a value of PLN 3,454 million were generated in the terminals of eService S.A., which constituted a 120% increase compared to the 1st quarter of 2005. Cash disbursement transactions made at the PKO BP SA agencies accounted for 38% of total transactions.

The number of terminals installed at the end of the 2nd quarter of 2005 amounted to 25,577, i.e. 4.9% increase compared to the end of the 1st quarter of 2005. The company's share in the payment cards market, in terms of number of terminals at the end of the 2nd quarter of 2005 amounted to 26.5% (compared to 25% at the end of the 1st quarter of 2005).

During the 2nd quarter of 2005, the Company received:

- Golden Prize Rock Award for the greatest achievement in the area of development the chain of credit card acceptance in 2004, awarded by MasterCard Europe, and
- European Medal for rendered service “Autorization of the transactions conducted by the payment card”, awarded by the Committee Chamber of European Integration and Business Centre Club.

Bankowy Fundusz Leasingowy S.A.

In the 2nd quarter of 2005, the Company entered into lease contracts with a total value amounting to PLN 128.5 million, which constitutes a 37% increase compared to the 1st quarter of 2005.

In the 2nd quarter of 2005, the Company launched a new product called Ben Truck Leasing. It is a special product dedicated to the transport industry companies, which entails leasing of hard duty transport vehicles.

Inteligo Financial Services S.A.

In the 2nd quarter of 2005 the Company acquired 17 thousand of new customers and as at 30 June 2005 it was servicing over 419 thousand of clients.

The total value of Inteligo client's deposits at the end of the 2nd quarter of 2005 amounted to PLN 1,351 million. It means that compared to the 1st quarter of 2005 the value of deposits increased by PLN 51 million.

In the 2nd quarter of 2005 the Company extended its offer by offering new types of insurance policies and introduced the possibility of sale of mobile telephone credits directly from the Inteligo account.

Due to the expiry of the tenure of the Management Board of Inteligo Financial Services S.A., for the next tenure, of the Management Board Jacek Komaracki, Rafał Cytrycki oraz Mirosława Markiewicz were appointed.

PKO Inwestycje Sp. z o.o.

In the 2nd quarter of 2005, PKO Inwestycje Sp. z o.o. continued the realization of the following investment projects: „Marina Mokotów” and „Miasteczko Wilanów” in Warsaw and „Trzy Gracje” in Sopot (in the scope of selling apartments).

In the 2nd quarter of 2005, the realization of the investment project (construction of apartments) was carried out using the special purpose vehicle “POMERANKA” Sp. z o.o. The land was purchased in Gdansk Jelitkowo and the preliminary work regarding the project was commenced.

In the 2nd quarter of 2005 the preliminary work regarding the project “Business Center Fort Mokotów” was continued.

In July 2005 PKO, Inwestycje Sp. z o.o together with the companies JEDYNKA S.A. and „ETALON INWEST” Sp. z o.o. formed the company „UKRPOLINWESTYCJE” Sp. z o.o. based in Kijev (Ukraine), in which took up 55% of share capital. The core activities of the Company will be undertaking the steps leading to the realization of investment projects in Kijev or other Ukrainian cities.

Centrum Finansowe Puławska Sp. z o.o.

In the 2nd quarter of 2005 the level of rented office and commercial space in Centrum Finansowe Puławska accounted for 98 % of total leased space.

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.

Bankowe Towarzystwo Kapitałowe S.A.

In the 2nd quarter of 2005, after the change of core activities the Company commenced operating in the area of venture capital. The company conducted the preliminary work for realization of first projects and initial acquisition work on the market.

Kredyt Bank (Ukraina) S.A.

In the 2nd quarter of 2005, Kredyt Bank (Ukraina) S.A. reached 1.02% share on the Ukrainian banking sector in terms of net assets value, which ranked the Bank on the 23rd position among Ukrainian banks.

In the 2nd quarter of 2005, Kredyt Bank (Ukraina) S.A. was still included in the 2nd Group – “Big banks”, i.e. the group of banks with assets exceeding UAH 1,300 million

The loan portfolio and the deposits of Kredyt Bank (Ukraina) S.A. increased in the 2nd quarter of 2005 compared to the 1st quarter of 2005 by 9.9% and 10.3%, respectively. Additionally, net interest income and net fees and commission income were higher by 4.9% and 14.9%, respectively.

Kredyt Bank (Ukraina) S.A. together with PKO BP SA realizes the strategy aimed at developing retail banking.

9. FACTORS AND EVENTS WITH SIGNIFICANT IMPACT ON THE FINANCIAL PERFORMANCE

9.1. FINANCIAL PERFORMANCE OF THE PKO BP SA GROUP IN THE 2ND QUARTER OF 2005

9.1.1. Balance sheet data

The balance sheet of the parent company has the most significant impact on the balance sheet of the PKO BP SA Group. It determines both the value and the structure of the Group’s assets and liabilities. As at 30 June 2005, the value of total assets of PKO BP SA accounted for 98.5% of the total assets of the Group.

*Translation of interim financial statements of
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As at 30 June 2005, total assets of the Group amounted to PLN 88,002 million and increased by PLN 5,341 million (i.e. 6.5%) as compared to the previous year and by PLN 2,754 million¹ (3.2%) as compared to the end of 2004.

Table 6. Balance sheet items of the PKO BP SA Group (in PLN thousands)

	As at:			Change:	
	30.06.2005	31.12.2004	30.06.2004	31.12.2004	30.06.2004
Assets					
1. Cash and balances with the Central Bank	4 727 818	3 525 323	3 445 815	34.1%	37.2%
2. Amounts due from other banks	14 347 662	13 207 769	11 012 720	8.6%	30.3%
3. Financial instruments at fair value through profit or loss	20 918 890	1 734 972	1 142 405	1105.7%	1731.1%
4. Loans and advances to customers	41 248 819	39 096 044	36 723 668	5.5%	12.3%
5. Net investment in finance lease	573 632	484 635	440 879	18.4%	30.1%
6. Investment securities	2 000 999	23 457 944	26 485 352	(91.5%)	(92.4%)
7. Tangible fixed assets	1 962 825	2 027 796	1 883 169	(3.2%)	4.2%
8. Other assets	2 221 710	1 713 950	1 527 684	29.6%	45.4%
TOTAL ASSETS	88 002 355	85 248 433	82 661 692	3.2%	6.5%
Liabilities					
I. Liabilities, including:	80 173 284	76 966 041	75 247 045	4.2%	6.5%
1. Amounts due to the Central Bank	945	144	0	556.3%	x
2. Amounts due to other banks	1 638 231	881 069	1 703 733	85.9%	(3.8%)
3. Derivative financial instruments	378 018	793 739	320 413	(52.4%)	18.0%
4. Amounts due to customers	74 476 866	73 234 149	71 426 442	1.7%	4.3%
5. Other liabilities	3 679 224	2 056 940	1 796 457	78.9%	104.8%
II. Total equity	7 829 071	8 282 392	7 414 647	(5.5%)	5.6%
TOTAL EQUITY AND LIABILITIES	88 002 355	85 248 433	82 661 692	3.2%	6.5%

Compared to the end of June 2004, the most significant change in the structure of assets is the reclassification of "Investment securities" to "Financial instruments at fair value through profit or loss" due to the assignment of ALPL² portfolio from the financial assets available for sale portfolio.

9.1.2. Off-balance sheet items

As at 30 June 2005, the total off-balance sheet liabilities of the PKO BP Group amounted to PLN 262,017 million and increased by 33.7% as compared to the beginning of the year.

¹ Any differences in totals, share and dynamics may result from rounding to million zlotys and rounding percentage share to one decimal place.

² Assets and liabilities at fair value through profit or loss

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

Off-balance sheet items	As at:			Change	
	30.06.2005	31.12.2004	30.06.2004	31.12.2004	30.06.2004
I. Contingent liabilities granted and received, including:	13 689 169	11 835 988	22 304 569	15.7%	(38.6%)
1. Contingent liabilities granted:	8 502 063	6 477 067	17 289 478	31.3%	(50.8%)
a) financial	7 143 202	5 738 590	16 624 788	24.5%	(57.0%)
b) guarantees	1 358 861	738 477	664 690	84.0%	104.4%
2. Contingent liabilities received:	5 187 106	5 358 921	5 015 091	(3.2%)	3.4%
a) financial	593 979	758 291	477 672	(21.7%)	24.3%
b) guarantees	4 593 127	4 600 630	4 537 419	(0.2%)	1.2%
II. Off balance sheet transactions	245 981 226	170 084 928	121 470 588	44.6%	102.5%
III. Other	2 346 578	14 003 648	2 951 847	(83.2%)	(20.5%)
Total off – balance sheet items	262 016 973	195 924 564	146 727 004	33.7%	78.6%

The main item of the off-balance sheet liabilities (93.9%) were liabilities related to off -balance sheet transactions (spot and forward) amounting to PLN 245,981 million. During the period of 12 months, due to the high dynamics the share of this balance increased by 11.1 pp and by 7.1 p.p. as compared to the end of 2004. The balance comprised mainly derivative financial instruments operations and forward transactions carried out by PKO BP SA for the purpose of the regulation of the Bank's currency liquidity and for speculation and arbitrage purposes.

As at 30 June 2005, off – balance sheet contingent liabilities of the Group amounted to PLN 13,689 million and constituted 5.2% of total off-balance sheet liabilities, and included:

- financial contingent liabilities amounting to PLN 8,502 million, which were mainly related to the credit lines,
- contingent liabilities granted: guarantees amounting to PLN 5,187 million, which 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 1,853 million i.e. by 15.7%, and were higher by 38.6% compared to the previous year.

9.1.3. Financial result and performance indicators

In the 1st half of 2005, the PKO BP SA Group recorded a gross profit amounting to PLN 1,112 million. After deducting obligatory tax charges and profit (loss) of minority shareholders, the resulting net profit amounted to PLN 883 million. Compared to the corresponding period of 2004, the gross profit and the net profit were 3.3% and 3.0% higher, respectively.

In the 2nd quarter of 2005, the PKO BP SA Group recorded a gross profit amounting to PLN 569 million, which was 4.8% higher compared to the balance for the 1st quarter of 2005. The net profit realized in that period amounted to PLN 467 million and was 12.3% higher compared to the balance for the 1st quarter of 2005.

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Table 8. Main items of the profit and loss account (in PLN thousands):

	1 st half-year 2005	1 st half-year 2004	Change
1. Net interest income	1 767 236	1 749 387	101.0%
2. Net fees and commission income	576 315	715 842	80.5%
3. Dividend income	14 266	18 840	75.7%
4. Result from financial instruments at fair value	139 647	108 632	128.6%
5. Result from the investment securities	53 444	(5 707)	x
6. Foreign exchange result	331 839	174 599	190.1%
7. Net other operating income	268 255	187 054	143.4%
8. Total income items (1-7)	3 151 002	2 948 647	106.9%
9. Impairment losses	(84 594)	(10 130)	835.1%
10. General administrative expenses	(1 952 544)	(1 849 698)	105.6%
11. Share of profit of associates and joint ventures	(2 278)	(12 393)	18.4%
12. Gross profit	1 111 586	1 076 426	103.3%
13. Income tax expense	(221 936)	(218 891)	101.4%
14. Profit (loss) of minority shareholders	(6 808)	(548)	1242.3%
15. Net profit	882 842	856 987	103.0%
Cost to income ratio	62.0%	62.7%	

In the 1st half of 2005, the aggregated income items of the Group amounted to PLN 3,151 million and were PLN 202 million, i.e. 6.9% higher compared to the 1st half of 2004:

- net interest income amounted to PLN 1,767 million and was PLN 18 million, i.e. 1.0% higher compared to the 1st half of 2004 and consisted of interest income amounting to PLN 2,888 million and interest expenses amounting to PLN 1,121 million, i.e. 13.1% and 39.6% higher compared to the corresponding period of the previous year, respectively,
- net fees and commissions income amounted to PLN 576 million and was 19.5% lower compared to the corresponding period of 2004, income amounted to PLN 725 million and was 13.2% lower compared to the 1st half of 2004), expenses amounted to PLN 148 million and were 25.0% higher compared to the 1st half of 2004. The decrease in the income (composed of income from loans and allowances) is due to their amortization using the effective interest method. In the comparable conditions in 2004 the percentage change of commission income would amount to approximately 111%.
- the sum total of the result from financial instruments at fair value and the result from investment securities was PLN 193 million and was 87.6% higher compared to the previous year. The increase was due to, among others, the assignment of a significant part of debt securities portfolio into the ALPL portfolio starting from 1 January 2005. This assignment was performed in order to increase the transparency of the results from the valuation of debt securities and to recognize the results from the valuation of hedging and hedged instruments in the same category of the profit and loss account.
- foreign exchange result amounted to PLN 332 million and was 90.1% higher compared to the 1st half of 2004, mainly due to the higher result from the swap points from FX SWAP and CIRS transactions (the result from these transactions is of an interest type result),
- net other operating income amounted to PLN 268 million, i.e. 143.4% increase and consisted of operating income amounting to PLN 335 million and operating costs amounting to PLN 66 million.

Impairment losses decreased the result of the 1st half of 2005 by PLN 85 million and that amount was 8 times higher than in the comparable period in the previous year. However, one should notice that in the 1st half of 2004 this negative amount was relatively low due to the implementation of new policies concerning loan exposures classification and provisioning (according to the Decree of the Minister of Finance dated 10 December 2003 on the creation of provisions for risks relating to banking activities).

In the 1st half of 2005, the general administrative expenses of the Group amounted to PLN 1,953 million and were 5.6% higher compared to the 1st half of the previous year. In the same period, the general administrative expenses of PKO BP SA, the parent company, decreased by 0.8%. The increase in the general administrative expenses of the Group was due to the consolidation in the 1st half of 2005 of Wilanów Investment, which operates as part of the PKO Inwestycje Group, as well as due to the increase in the development –related costs of

Fort Mokotów (also the PKO Inwestycje Group). The increase in administrative expenses of these companies was compensated by the increase in their income presented under "Other operating income".

The following performance indicators were calculated based on the financial results of the PKO BP SA Group in the 2nd quarter of 2005. The cost to income ratio (C/I) in the period amounted to 62.0% and was 0.7 p.p. lower compared to the 1st half of 2004.

Table 9. Return on Assets (ROA) and Return on Equity (ROE) ratios.

Ratio	From 1.07.2004 to 30.06.2005
<i>1</i>	<i>2</i>
1. Net profit (loss)/average assets (ROA_{net}) ¹	1.80%
2. Net profit (loss)/average equity (ROE_{net}) ²	20.16%
2. Gross profit (loss)/average equity (ROE_{gross}) ³	24.79%

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.

³ ROE gross computed as proportion of gross 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.

9.1.4. Shareholders' equity

As at 30 June 2005, the shareholders' equity of the PKO BP SA Group amounted to PLN 7,829 million and was PLN 453 million, i.e. 5.5% lower compared to the end of 2004 and PLN 414 million, i.e. 5.6% higher compared to the end of June 2004. The decrease in shareholders' equity compared to the balance as at 31 December 2004 was the effect of the appropriation from the 2004 profit amounting to PLN 1 billion to dividends.

Table 10. Shareholders' equity (in PLN thousands)

Item	As at			Change from	
	30.06.2005	31.12.2004	30.06.2004	31.12.2004	30.06.2004
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
Share capital	1 000 000	1 000 000	1 000 000	0.0%	0.0%
Retained earnings	684 803	1 632 984	1 027 938	-58.1%	-33.4%
Other equity items	6 067 484	5 581 647	5 348 588	8.7%	13.4%
Minority interest	76 784	67 761	38 121	13.3%	101.4%
Total equity	7 829 071	8 282 392	7 414 647	-5.5%	5.6%
Solvency ratio	15.5%	17.6%	21.0%	(2.1 p.p.)	(5.5 p.p.)

9.2. FINANCIAL PERFORMANCE OF PKO BP SA IN THE 2ND QUARTER OF 2005

In the 1st half of 2005, PKO BP SA recorded a gross pre-tax profit amounting to PLN 1,090 million. After considering tax charges, the net profit amounted to PLN 873 million. Compared to the corresponding period of 2004, the gross pre-tax profit and the net profit were 1.6% and 1.4%, respectively.

The gross pre-tax profit recorded in the 2nd half of 2005 amounted to PLN 555 million and was 3.8% higher compared to the result achieved in the 1st quarter. The net profit realized in the same period amounted to PLN 462 million and was 12.5% higher compared to the net profit earned in the 1st quarter of the year.

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Table 11. Main items of the profit and loss account (in PLN thousands)

	1st half of 2005	1st half of 2004	Dynamics
1. Net interest result	1 738 362	1 736 231	100.1%
2. Net fees and commission result	554 775	726 804	76.3%
3. Dividend income	14 272	18 840	75.8%
4. Result from financial instruments at fair value	139 063	108 632	128.0%
5. Result from investment securities	53 197	(6 097)	x
6. Foreign exchange result	342 202	175 233	195.3%
7. Net other operating income	56 257	67 573	83.3%
8. Total income items (1-7)	2 898 128	2 827 216	102.5%
9. General administrative expenses	(1 746 038)	(1 760 786)	99.2%
10. Impairment losses	(61 607)	6 951	x
11. Gross profit	1 090 483	1 073 381	101.6%
12. Income tax expense	(217 610)	(212 600)	102.4%
13. Net profit	872 873	860 781	101.4%
Cost to income ratio	60.2%	62.3%	

In the 1st half of 2005, total income in the profit and loss account amounted to PLN 2.898 million and was PLN 71 million, i.e. 2.5% higher compared to the 1st half of 2004, respectively. Of this total amount:

- PLN 1,738 million referred to net interest, which was PLN 2 million, i.e. 0.1% higher compared to the 1st half of 2004. The balance of net interest is composed of interest income amounting to PLN 2,821 million and interest expenses amounting to PLN 1,082 million, which were higher by 11.2% and 35.2% higher compared to the 1st half of 2004, respectively.
- PLN 555 million referred to net commission result, which was 23.7% lower compared to the 1st half of 2004. Of this amount PLN 708 million referred to commission income (which was 16.3% lower compared to the 1st half of 2004), and PLN 153 million to commission expenses (28.1% higher compared to the 1st half of 2004). The decrease in the commission income resulted mainly from accounting for income from loans and credit, using the effective interest rate method; under conditions comparable to those in 2004, the dynamics of commission income would be approx. 111%.
- The total of the result presented from financial instruments at fair value through the profit or loss and result from investment securities amounted to PLN 192 million and was 87.5% higher compared to the result for the 1st half of 2004, (the commentary to this item is presented included in the section on the results of PKO BP Group of this document)
- Foreign exchange result amounted to PLN 342 million and was 95.3% higher compared to the 1st half of 2004. The increase was mainly due to achieving better results (on SWAP points) from FX SWAP and CIRS transactions (the result from these transactions is an interest-type result),
- The net result on other operating income and operating expenses amounted to PLN 56 million (with the dynamics of 83.3%) and was composed of other operating revenues amounting to PLN 86 million and other operating expenses amounting to PLN 30 million.

The financial result for the 1st half of 2005 was decreased by impairment allowances amounting to PLN 62 million, while in the 1st half of 2004, the Bank achieved a positive result from this item. The relatively high result in the 1st half of 2004 was to a large extent the effect of the implementation in this period of new policies concerning classification of credit exposures and creation of specific provisions (in accordance with the Decree of the Minister of Finance dated 10 December 2003 on policies concerning providing for risks relating to banking activities).

In the 1st half of 2005, general banking and administrative expenses amounted to PLN 1,746 million and were 0.8% lower compared to those incurred in the 1st half of 2004.

Table 12. Return on assets (ROA) and return on equity (ROE) ratios

Ratios	For the period from 1.07.2004 to 30.06.2005
1	2
1. Net profit (loss)/ average assets (ROA_{net}) ¹	1.80%
2. Net profit (loss)/ average equity (ROE_{net}) ²	20.23%
3. Net profit (loss)/ average equity (ROE_{gross}) ³	24.17%

¹ ROA net is 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 is 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.

³ ROE gross is computed as proportion of gross 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.

9.3. FACTORS THAT INFLUENCED BANK'S RESULTS

9.3.1. Macroeconomic environment

- The 2nd quarter 2005 saw a moderate improvement in the Polish economy – the dynamics of the production industry gradually increased, positive trends in the construction and building industry continued and retail sales gradually increased.
- In the 2nd quarter of 2005, a slight positive effect of seasonal factors and of the inflow of the EU funds was recorded. This resulted in a slightly higher compared to previous years, decrease in the unemployment rate, which at the end of June 2005 was 18.0%. At the same time, the number of persons employed in the corporate sector increased.
- In the 2nd quarter of 2005, a significant decrease in the inflation rate was noted, to the level of 1.4% in June, as compared to 3.4% year to year in March 2005. The decrease in the inflation rate was mainly the statistic effect of relatively high level of comparison, i.e. a significant increase in prices (especially food) in a comparable period in the prior year, i.e. in the period of Poland's accession to the EU. The dynamics of fuel prices was also lower than in the prior year.
- In the period covered by these financial statements, a growing trend of household deposits was recorded with their dynamics rising at the end of June to the level of 4.4% year to year. The increase was caused, among others, by the increase – in real terms - in the level of salary fund in corporate entities. At the same time, the growing trend of corporate deposits in the 2nd quarter of 2005 was slightly weaker than in the 1st quarter of 2005, which was due to an overall deterioration of financial results of enterprises compared to the prior year.
- In the 2nd quarter of 2005, the annual dynamics of housing loans remained at the level comparable to that in the 1st quarter. The increase in the number of housing loans was mainly stimulated by a high demand for housing loans. Since the beginning of 2005, the decreasing trend in corporate loans and credit was weakening.
- In the 2nd quarter of 2005, the Monetary Policy Council, reduced interest rates twice: first in April 2005 by 50 base points and changed the approach in the monetary policy from lax to neutral, and then in June 2005 – again by 50 base points, whilst changing the approach in the monetary policy from neutral to lax.

9.3.2. Regulatory environment

The following regulatory changes affected the Group's result for the 2nd quarter of 2005:

- as of 30 June 2005 - change in the policies concerning the requirements that are to be fulfilled by entities conducting brokerage activities, including the scope of service provided, settlement making, transaction registration and loan collaterals (with the proviso that IT systems should be adjusted to the requirements of the Decree by the end of October 2005), as well as changed as of 30 April 2005 reporting requirements in the scope of brokerage and trust activities.
- as of 30 April 2005 - change in the principles for granting by banks conducting brokerage activities of loans and credits for the purchase of securities admitted to public trading,
- as of 1 June 2005 – amended provisions of the VAT Act, which introduced, among others, a tax relief for bad debts, made the definition of taxable base more precise, offered new exemptions in the scope of

taxable trading, modified obligations/ requirements for consignment agreements and defined the amount of Input VAT deductible,

- as of 15 June 2005 - new requirements for the banks concerning banking secrecy.

9.3.3. Financial market

In the 2nd quarter of 2005, a significant decrease in the profitability of treasury bills, i.e. approx. 90 basis points on the whole length of the yield curve, was noted. The decrease was mainly due to the decision of the Monetary Policy Council to reduce interest rates as well as due to the increased expectations of investors for a more relaxed monetary policy.

Also, in the 2nd quarter of 2005, Polish zloty depreciated against USD by approx. 6.2% and appreciated against EUR by approx. 1%. The PLN exchange rate was clearly weaker at the beginning of the period due to high risk of earlier Parliamentary election. The information that the Parliamentary election will take place in September and the increased demand for Polish treasury bills by foreign investors contributed to the appreciation of Polish currency in May and June 2005.

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

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

11. ISSUANCE, REDEMPTION AND REPAYMENT OF DEBT SECURITIES

PKO BP SA is not an issuer of debt or any capital financial instruments.

Among other entities of the Group, only Bankowy Fundusz Leasingowy S.A. gains additional capital through the issuance of debt financial instruments. In the 2nd quarter of 2005 the Company:

- repaid on time 10 promissory notes of PKO BP SA amounting to PLN 5 million,
- repaid on time 9,000 commercial papers amounting to PLN 90 million,
- issued (under roll forward agreement) 7,500 commercial papers amounting to PLN 75 million with the repayment date 16 December 2005. The commercial papers of the new issue were sold on the secondary market.

12. SIGNIFICANT POST-BALANCE SHEET EVENTS, WHICH MAY HAVE A SIGNIFICANT EFFECT ON THE FUTURE RESULTS OF THE ISSUER

On 29 July 2005, the Management Board of PKO BP SA signed with Państwowe Przedsiębiorstwo Użyteczności Publicznej Poczta Polska with its registered office in Warsaw a letter of intent, in which both Parties expressed their will to extend cooperation with a view to optimal using of their potential to be able to enter into a strategic alliance in the future. In order to realize the intent expressed in this document, the Parties decided to set up a team, which within the period of 2 months is to consider and analyze the possibilities to extend cooperation of both parties.

13. THE POSITION OF THE MANAGEMENT BOARD REGARDING THE POSSIBILITY OF ACIEVING PREVIOUSLY PUBLISHED FORECASTS

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

14. INFORMATION ON DIVIDEND PAID OR DECLARED

According to the Resolution No. 8/2005 of the General Shareholders' Meeting of PKO BP SA dated 19 May 2005 regarding the 2004 dividend payment, the Bank will pay a dividend for 2004 amounting to a total of PLN 1,000,000 i.e. PLN 1 gross per share. The list of the shareholders entitled to receive dividend will be determined as of 19 August 2005. The dividend will be paid on 1 September 2005.

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

The quarterly report for the 1st quarter of 2005 was submitted to the Securities and Exchange Commission (KPWiG) on 16 May 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.

The share of the State Treasury in the share capital changes due to the fact that the process of the free of charge disposal of shares to vested employees is still in progress. According to the information published after the General Shareholders' Meeting on 19 May 2005, the share of the State Treasury in the share capital of the Bank increased by the indirect share of 14,053,435 shares.

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	53.18 %	531,767,019	1.4 %	54.58 %	545,820,454

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.

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

Presented below are the shares held by the members of the Management Board and the Supervisory Board of the Bank as at 9 August 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	-	-	4,101*

*) Changes in the number of issuer's shares held by the Members of the Supervisory Board as compared to the status in the 1st quarter of 2005 result from the appointment on 19 May 2005 of a new Supervisory Board of the Bank, the member of which is Ms Czesława Siwek who owns 4000 shares.

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

- According to the Cooperation Agreement dated 29 November 2002 (together with the Annex no. 1,2,3,4) between the Bank and its subsidiary, Inteligo Financial Services S.A., and the Arrangement dated 12 September 2003 being the appendix to the Cooperation Agreement, PKO BP SA has made in the 2nd quarter of 2005 a payment to the Company in the amount of PLN 28 million. The total amount of fees for the Company in the period from January to June 2005 amounted to PLN 50,5 million. The Agreement and the Arrangement describes the rules of cooperation between the Bank and the Company in the area of service and development of the operating system of the Inteligo Account, including the fees for the activities and services rendered by the Company to the Bank.

The payments in the 2nd quarter of 2005 included:

- fees for the services related to the current operating activities of the Company,
- adjustments to the infrastructure used to render the service of call center,

– re-invoicing of the costs of Centrum Bankowości Elektronicznej Inteligo and Call Center in Lublin.
Due to the complexity of the rules of cooperation between both companies, the agreement is not a typical agreement that is concluded between entities wishing to collaborate in the scope of their current operations.

- According to the Rental Agreement dated 7 December 1995 (amended by Annexes No. 1- 25) between the Bank and its subsidiary, Centrum Finansowe Puławska Sp. z o.o, PKO BP SA made in 2nd quarter of 2005 a payment to the Company amounting to PLN 14 million. The total amount of gross fees for the Company in the period from January 2005 to June 2005 amounted to PLN 30 million. The agreement describes the terms and conditions of rental of office space in the building located at Puławska 15 Street in Warsaw.

The payments related to the rental fees, maintenance and cleaning charges.

Due to the complexity of the rules of cooperation between both companies, the agreement is not a typical agreement that is concluded between entities wishing to collaborate in the scope of their current operations.

18. RESULTS OF CHANGES IN THE GROUP STRUCTURE, INCLUDING THE EFFECTS OF MERGER, TAKEOVER OR SALE OF THE GROUP'S ENTITIES, LONG-TERM INVESTMENTS, DIVISION, RESTRUCTURING AND DISCONTINUANCE OF ACTIVITIES

The results of changes on the company's structure including the result of merger, takeover or sale of group's entities have been described in point 6.2. of this commentary.

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

In the next quarters of the year, the results of the PKO BP SA Group will be affected by economic processes, which will take place in the Polish and global economy, as well as by reactions of financial markets to those processes.

The policy concerning interest rates realised by the Monetary Policy Council, as well as by other large central banks will be of great importance to the Bank's results.

Additionally, the activities of the Group in the next reporting periods will be affected by the following regulatory changes coming into effect in the 3rd quarter of 2005:

- changed as of 30 June 2005 reporting requirements towards the Polish Central Bank (NBP) and General Inspectorate for Banking Supervision (GINB) concerning the financial data required to determine the monetary policy and the financial situation of the State, as well as of the financial situation of banks and the risk for the banking sector;
- effective as of 1 July 2005, changes to the Personal Income Tax Act resulting in additional reporting requirements for the banks in connection with taxation of revenues from savings of non-resident individuals in the form of interest, as well as requirements concerning identification of such persons. These changes are to harmonize Polish tax regulations with the Directive No. 2003/48/WE of the European Council concerning taxation of revenues from savings paid out in the form of interest;
- effective as of 1 September 2005 amendments to the Tax Ordinance introducing a number of changes in the area of rights and obligations of taxpayers (awaiting the approval of the President).

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

During the 2nd quarter of 2005, PKO BP SA and its subsidiaries did not grant any surety ships or guarantees to a single entity or its subsidiary with the total amount of at least 10% of PKO BP SA's shareholders' equity.

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

As at 30 June 2005, the total value of court proceedings against the PKO BP SA amounted to PLN 393,351,725.46, while the total value of proceedings initiated by the Bank amounted to PLN 78,709,804.44.

Removed from the listing of pending court proceedings, in which the Bank is the defendant, is the claim of a physical person for damages resulting from the lack of revaluation and non-payment of funds gathered on the housing savings account (*księżeczka mieszkaniowa*) set up in 1971. On 22 March 2005, the District Court in Warsaw dismissed the claim and on 11 May 2005 the verdict became legally valid.

No court proceedings with the participation of PKO BP SA are in progress, the value of which accounts for at least 10% of the Bank's equity.

Other 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.

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

- Acting to the order of the Minister of the State Treasury and on the basis of the Act dated 30 August 1996 concerning commercialization and privatization (Journal of Laws 2002, No. 171, item 1397 with subsequent amendments) and § 14 section 1 of the Decree of the Minister of the State Treasury dated 29 January 2003 on the specific principles of dividing employees into groups with vested rights to shares, determining the number of shares to be allocated for each such group and the manner of acquiring shares by employees with vested rights (Journal of Laws No. 35, item 303), on 4 April 2005 the Bank made it known to the general public that it commenced a free of charge disposal to its employees with vested rights ("vested employees") of 105,000,000 (in words: one hundred and five million) of shares of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, series B, with a nominal value of PLN 1 (in words: one zloty) each.

This free of charge disposal of shares to vested employees, including signing appropriate agreements and issuance of deposit certificates confirming the transfer of ownership rights to the shares to the vested employees was carried out from 6 April 2005 to 10 May 2005, from 14 June 2005 to 13 July 2005 and from 14 July 2005 to 12 August 2005 in the places and on dates determined separately for the vested employees and to the beneficiaries of such vested employees. All activities relating to the free of charge acquisition of shares by vested employees were carried out in the Shares Distribution Points (*Punkty Dystrybucji Akcji*) located in the Bank's branches.

- The Supervisory Board during its meeting on 7 April 2005, in connection with the expiry of the term of office re-appointed the following persons as Members of the Bank's Management Board.
 - Mr Andrzej Podsiadło as the President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
 - Mr Kazimierz Małecki as the Vice-President, 1st Deputy President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
 - Mr Jacek Oblękowski as Member of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
- On 7 April 2005, the Supervisory Board of the Bank appointed a certified auditor for the audit of the Bank's financial statements. The appointed auditor is Ernst & Young Audit Sp. z o.o. with its registered office in Warsaw, at Emilii Plater 53 Street, entered on the list of entities authorised to audit the financial statements, kept by the Polish Chamber of Certified Auditors (KIBR) under Reg. No. 130. The contract is to cover the audit of the Bank's financial statements prepared in accordance with International Financial Reporting Standards for the years 2005 - 2007. Ernst & Young Audit Sp. z o.o. was the auditor of the Bank's financial statements for the years 2002 - 2004. Additionally, the Bank used the services of Ernst & Young Audit Sp. z o.o. in the following areas: audit of the financial statements prepared in the form of share issue prospectus, issuance of the statements required for the share issue prospectus, assistance in the implementation of the effective interest rate method, valuation and presentation of embedded derivatives, as well as assistance in the implementation of valuation of credit portfolios in accordance with IAS 39.

- On 13 April 2005, Mr Arkadiusz Kamiński resigned as Member of the Supervisory Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna effective as of 29 April 2005.
- On 19 May 2005, the Ordinary General Shareholders' Meeting of the Bank:
 - appointed the following persons: Mr Ryszard Kokoszczyński, Mr Andrzej Giryn, Ms Urszula Pałaszek, Mr Bazyl Samojlik, Mr Władysław Szymański, Mr Krzysztof Zdanowski, Mr Jerzy Osiatyński, Ms Czesława Siwek and Mr Stanisław Kasiewicz as Members of the Bank's Supervisory Board,
 - approved (i) the Directors' Report of PKO BP SA for 2004 (ii) the financial statements of PKO BP SA for 2004 (iii) the Report of the Bank's Management Board on the activities of the PKO BP SA Group for 2004 (iv) the consolidated financial statements of the PKO BP SA Group for 2004,
 - approved the performance of duties in 2004 by the Members of the Bank's Management and Supervisory Boards,
 - appropriated the Bank's profit for 2004 in the amount of PLN 1 511 065 thousand in the following manner: (i) shareholders' dividend - PLN 1,000,000 thousand (ii) reserve capital - PLN 500,865 thousand (iii) other reserves - PLN 10,000 thousand (iv) Social Fund - PLN 200 thousand, and transferred the amount of PLN 6,450 thousand from accumulated profits to the reserve capital,
 - transferred from the Bank's reserve capital the amount of PLN 100,000 thousand to increase the balance of the brokerage activities' fund to the total amount of PLN 250,000 thousand,
 - resolved that the Bank will start applying the International Financial Reporting Standards as of 1 January 2005.

23. SEGMENTATION OF ACTIVITIES OF THE PKO BP SA GROUP

The operating activities of the PKO BP SA Group are divided into five main industry segments: Corporate Segment, Retail Segment, Treasury Segment, Investments Segment, Housing Segment.

- Corporate Segment includes transactions of the parent company with large corporate clients.
- Retail Segment includes transactions of the parent 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 parent company.
- Housing Segment includes transactions of the parent 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 following thresholds outlined in IAS 14:

- 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.

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

• **As at 30 June 2005**

Primary split into industry segments

Consolidated profit and loss account

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Housing Segme	Total Capital Group
Management interest result together with fees and commission result	182 514	1 646 740	62 652	41 149	324 734	2 257 789
Income from shares and other securities	-	-	-	14 264	-	14 264
Foreign exchange result	7 906	20 645	67 681	-	23 899	120 131
Result from other operating income and expense.	3 028	5 955	101 837	24 293	460	135 573
Management result before credit risk	193 448	1 673 340	232 170	79 706	349 093	2 527 757
Impairment allowances	13 724	(68 342)	-	(5 244)	(6 291)	(66 153)
Direct costs of operations and costs allocated to the segment	(104 052)	(1 261 012)	(11 325)	(50 379)	(311 153)	(1 737 921)
Management result	103 120	343 986	220 845	24 083	31 649	723 683
Unallocated result together with unclassified segments result						168 110
The difference between the balance sheet result and the management result on FX swap and CIRS (swap points)						222 071
Income tax expense						(221 936)
Share of profit of associates and joint ventures						(2 278)
(Profit) loss attributable to minority shareholders						(6 808)
Net profit						882 842

Source: Management information

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Other information

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Housing Segment	Total Capital Group
Segment assets	13 091 483	11 939 487	34 881 172	1 599 790	17 580 799	79 092 731
Other (unallocated) assets together with unclassified segments assets						8 909 624
Total assets						88 002 355
Segment liabilities	7 527 995	58 282 278	1 409 888	204 298	7 895 440	75 319 899
Segment management result	103 120	343 986	220 845	24 083	31 649	723 683
Total segment liabilities	7 631 115	58 626 264	1 630 733	228 381	7 927 089	76 043 582
Other (unallocated) liabilities together with unclassified segments liabilities						11 958 773
Total liabilities						88 002 355

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 both segments as of the end of June 2005 and as of the end of June 2004 are not fully comparable.*

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• **As at 30 June 2004**

Primary split into industry segments

Consolidated profit and loss account

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Housing Segment	Total Capital Group
Management interest result together with fees and commission result	417 944	1 516 218	79 173	33 227	344 046	2 390 608
Income from shares and other securities	-	-	-	18 837	-	18 837
Foreign exchange result	-	-	66 268	-	-	66 268
Result from other operating income and expense.	2 235	10 459	78 962	18 052	(1 389)	108 319
Management result before credit risk	420 179	1 526 677	224 403	70 116	342 657	2 584 032
Impairment allowances	4 715	12 064	917	(30)	5 985	23 651
Direct costs of operations and costs allocated to the segment	(329 322)	(1 225 997)	(12 613)	(33 634)	(165 007)	(1 766 573)
Management result	95 572	312 744	212 707	36 452	183 635	841 110
Unallocated result together with unclassified segments result						138 744
The difference between the balance sheet result and the management result on FX swap and CIRS (swap points)						108 965
Income tax expense						(218 891)
Share of profit of associates and joint ventures						(12 393)
(Profit) loss attributable to minority shareholders						(548)
Net profit						856 987

Source: Management information

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Other information

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Housing Segment	Total Capital Group
Segment assets	14 218 163	7 363 956	36 714 346	1 006 392	15 360 450	74 663 307
Other (unallocated) assets together with unclassified segments assets						7 998 385
Total assets						82 661 692
Segment liabilities	9 962 837	54 702 559	1 482 150	119 960	6 760 243	73 027 749
Segment management result	95 572	312 744	212 707	36 452	183 635	841 110
Segment liabilities total	10 058 409	55 015 303	1 694 857	156 412	6 943 878	73 868 859
Other (unallocated) liabilities together with unclassified segments liabilities						8 792 833
Total liabilities						82 661 692

Source: Management information

Warsaw, 16 August 2005

*Member of the Management Board
Bank's Chief Accountant*

Krystyna Szewczyk