

**SAB-QSr
IV/2004**

(for banks)

The Management Board of Powszechna Kasa Oszczędności Bank Polski SA hereby presents a consolidated quarterly report for the fourth quarter of 2004

14.02.2005
(date of submission)

SELECTED FINANCIAL DATA	in PLN thousand		in EUR thousand	
	4 quarters of 2004 period from 01.01.2004 to 31.12.2004	4 quarters of 2003 period from 01.01.2003 to 31.12.2003	4 quarters of 2004 period from 01.01.2004 to 31.12.2004	4 quarters of 2003 period from 01.01.2003 to 31.12.2003
I. Interest income	5 310 252	5 134 109	1 175 303	1 154 407
II. Fees and commission income	1 869 054	1 567 272	413 672	352 402
III. Result from banking activities	5 517 356	5 395 009	1 221 140	1 213 070
IV. Operating profit	1 893 227	1 632 856	419 022	367 148
V. Gross profit (loss)	1 872 007	1 623 728	414 326	365 096
VI. Net profit (loss)	1 514 381	1 190 982	335 174	267 793
VII. Net cash flow from operating activities	(1 053 894)	(6 408 369)	(233 255)	(1 440 925)
VIII. Net cash flow from investing activities	1 592 193	5 747 339	352 395	1 292 292
IX. Net cash flow from financing activities	81 713	(418 397)	18 085	(94 077)
X. Total net cash flow	620 012	(1 079 427)	137 225	(242 710)
XI. Total assets	88 258 666	84 570 156	21 637 329	17 928 801
XII. Amounts due to Central Bank	144	-	35	-
XIII. Amounts due to the financial sector	1 108 915	1 202 120	271 860	254 848
XIV. Amounts due to the non-financial and the public sector	72 975 343	71 500 460	17 890 498	15 158 037
XV. Shareholders' equity	8 066 078	6 397 411	1 977 465	1 356 246
XVI. Share capital	1 000 000	1 000 000	245 158	211 999
XVII. Number of shares	1 000 000 000	1 000 000 000	x	x
XVIII. Net book value per share (in PLN/EUR)	8.07	6.40	1.98	1.36
XIX. Diluted net book value per share (in PLN/EUR)	8.07	6.40	1.98	1.36
XX. Capital adequacy ratio	16.64	16.36	x	x
XXI. Net profit (loss) per ordinary share (in PLN/EUR)	1.51	1.19	0.34	0.27
XXII. Diluted net profit (loss) per ordinary share (in PLN/EUR)	1.51	1.19	0.34	0.27
XXIII. Declared or paid dividend per ordinary share (in PLN/EUR)	-	-	-	-

*Translation of the Consolidated Quarterly Report of PKO BP SA Group for the fourth quarter of 2004
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CONSOLIDATED BALANCE SHEET <i>(PLN thousands)</i>	As at 31.12.2004 end of 4 th quarter of 2004	As at 30.09.2004 end of previous quarter of 2004	As at 31.12.2003 end of 4 th quarter of 2003	As at 30.09.2003 end of previous quarter of 2003
ASSETS				
I. Cash and balances with the Central Bank	3 525 324	4 114 862	3 807 529	4 629 339
II. Debt securities eligible for rediscounting in the Central Bank	-	-	-	-
III. Amounts due from the financial sector	13 518 045	11 955 023	8 259 572	8 770 480
1. Short-term	13 410 439	11 911 415	8 040 528	8 560 751
a) current	1 809 920	2 119 783	907 703	540 817
b) other	11 600 519	9 791 632	7 132 825	8 019 934
2. Long-term	107 606	43 608	219 044	209 729
IV. Amounts due from the non-financial sector	35 070 558	34 342 009	31 151 081	30 608 045
1. Short-term	14 217 323	13 353 160	11 767 804	12 560 853
a) current	5 063 218	5 967 237	5 562 220	5 742 892
b) other	9 154 105	7 385 923	6 205 584	6 817 961
2. Long-term	20 853 235	20 988 849	19 383 277	18 047 192
V. Amounts due from the public sector	6 852 229	6 969 340	7 243 182	5 154 126
1. Short-term	2 260 486	2 262 529	1 962 181	1 961 131
a) current	19 811	49 909	24 413	74 175
b) other	2 240 675	2 212 620	1 937 768	1 886 956
2. Long-term	4 591 743	4 706 811	5 281 001	3 192 995
VI. Reverse repo transactions	-	-	283 713	1 933 146
VII. Debt securities	24 115 942	24 181 275	29 524 320	29 322 498
VIII. Amounts due from entities valued under the equity pick-up method	166 755	182 390	135 105	164 271
1. Subsidiaries	211	1 256	7 056	13 653
2. Joint-ventures	120 638	131 570	70 886	75 250
3. Associates	45 906	49 564	57 163	75 368
IX. Investment in subsidiaries valued under the equity pick-up method	44 807	43 638	28 156	39 564
X. Investment in joint-ventures valued under the equity pick-up method	43 089	38 355	44 119	56 557
XI. Investment in associates valued under the equity pick-up method	141 767	146 054	214	224
XII. Shares in other entities	469 631	496 648	386 716	344 203
XIII. Other securities and other financial assets	853 543	313 733	263 335	61 018
XIV. Intangible assets, including:	393 716	325 869	274 406	241 004
- goodwill	-	-	-	-
XV. Goodwill of subsidiaries and associates	85 892	90 914	59 915	11 676
XVI. Tangible fixed assets	2 365 989	2 237 493	2 449 915	2 365 789
XVII. Other assets	554 074	1 008 402	603 061	880 679
1. Assets acquired for sale	8 393	5 952	125	-
2. Inventory	22 237	20 537	22 245	25 751
3. Other	523 444	981 913	580 691	854 928
XVIII. Prepayments and accrued income	57 305	66 407	55 817	64 088
1. Deferred tax asset	25 214	24 873	21 348	21 911
2. Other prepayments and accrued income	32 091	41 534	34 469	42 177
TOTAL ASSETS	88 258 666	86 512 412	84 570 156	84 646 707

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CONSOLIDATED BALANCE SHEET <i>(PLN thousands)</i>	As at 31.12.2004 end of 4 th quarter of 2004	As at 30.09.2004 end of previous quarter of 2004	As at 31.12.2003 end of 4 th quarter of 2003	As at 30.09.2003 end of previous quarter of 2003
LIABILITIES AND EQUITY				
I. Amounts due to the Central Bank	144	61	-	-
II. Amounts due to the financial sector	1 108 915	1 166 319	1 202 120	2 072 878
1. Short-term	885 731	926 069	1 085 099	1 778 470
a) current	377 756	264 718	32 917	33 923
b) other	507 975	661 351	1 052 182	1 744 547
2. Long-term	223 184	240 250	117 021	294 408
III. Amounts due to the non-financial sector	67 605 804	67 381 489	68 321 670	67 789 634
1. Short-term	66 022 756	65 577 423	66 732 521	65 831 358
a) current, including:	21 737 053	21 232 647	21 268 902	20 164 088
- saving accounts	2 153 913	2 262 617	2 528 782	2 576 485
b) other, including:	44 285 703	44 344 776	45 463 619	45 667 270
- saving accounts	22 993 374	23 915 634	25 742 075	26 428 571
2. Long-term, including:	1 583 048	1 804 066	1 589 149	1 958 276
- saving accounts	935 782	1 152 300	1 257 017	3 864 158
IV. Amounts due to the public sector	5 369 539	4 150 171	3 178 790	2 759 862
1. Short-term	5 369 355	4 144 549	3 174 896	2 757 387
a) current	2 501 028	2 706 866	1 772 258	1 653 091
b) other	2 868 327	1 437 683	1 402 638	1 104 296
2. Long-term	184	5 622	3 894	2 475
V. Repo transactions	-	-	-	-
VI. Liabilities arising from securities issued	21 077	61 787	2 900	49 000
1. Short-term	21 077	61 787	2 900	49 000
2. Long-term	-	-	-	-
VII. Other liabilities arising from financial instruments	284 084	55 995	230 226	202 145
VIII. Amounts due to entities valued under the equity pick-up method	10 625	13 068	33 017	7 270
1. Subsidiaries	279	3 218	5 231	1 330
2. Joint-ventures	7 559	7 263	1 737	4 477
3. Associates	2 787	2 587	26 049	1 463
IX. Special funds and other liabilities	1 077 862	1 406 807	929 054	1 297 287
X. Accruals and deferred income	3 283 389	3 292 875	2 972 974	2 914 624
1. Accruals	159 816	223 867	114 961	150 886
2. Negative goodwill	16	17	18	19
3. Other deferred and suspended income	3 123 557	3 068 991	2 857 995	2 763 719
XI. Negative goodwill of subsidiaries and associates	-	-	-	-
XII. Provisions	1 405 954	1 288 582	1 301 491	1 274 611
1. Deferred tax liability	540 642	423 562	443 597	475 058
2. Other provisions	865 312	865 020	857 894	799 553
a) short-term	18 093	28 963	22 613	24 123
b) long-term	847 219	836 057	835 281	775 430
XIII. Subordinated liabilities	-	-	-	-
XIV. Minority capital	25 195	29 807	503	510
XV. Share capital	1 000 000	1 000 000	1 000 000	1 000 000

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CONSOLIDATED BALANCE SHEET <i>(PLN thousands)</i>	As at 31.12.2004 end of 4 th quarter of 2004	As at 30.09.2004 end of previous quarter of 2004	As at 31.12.2003 end of 4 th quarter of 2003	As at 30.09.2003 end of previous quarter of 2003
LIABILITIES AND EQUITY (continued)				
XVI. Unpaid share capital (negative value)	-	-	-	-
XVII. Own shares (negative value)	-	-	-	-
XVIII. Reserve capital	2 804 731	2 803 078	1 783 827	1 781 928
XIX. Revaluation reserve	382 932	272 974	220 664	338 507
XX. Other reserve capital	2 370 000	2 370 000	2 160 000	2 160 000
XXI. Foreign exchange differences subsidiaries and associates	(10 688)	(1 998)	-	-
1. Positive foreign exchange differences	-	-	-	-
2. Negative foreign exchange differences	(10 688)	(1 998)	-	-
XXII. Retained earnings (loss) from previous years	4 722	4 722	41 938	41 938
XXIII. Net profit (loss)	1 514 381	1 216 675	1 190 982	956 513
TOTAL LIABILITIES AND EQUITY	88 258 666	86 512 412	84 570 156	84 646 707
Capital adequacy ratio	16.64	16.57	16.36	16.68
Net book value	8 066 078	7 665 451	6 397 411	6 278 886
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)	8.07	7.67	6.40	6.28
Diluted number of shares	1 000 000 000	1 000 000 000	1 000 000 000	1 000 000 000
Diluted net book value per share (in PLN)	8.07	7.67	6.40	6.28

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CONSOLIDATED OFF-BALANCE SHEET ITEMS <i>(PLN thousands)</i>	As at 31.12.2004 end of 4th quarter of 2004	As at 30.09.2004 end of previous quarter of 2004	As at 31.12.2003 end of 4th quarter of 2003	As at 30.09.2003 end of previous quarter of 2003
I. Contingent liabilities granted and received	11 837 988	12 872 692	19 184 954	19 146 631
1. Contingent liabilities granted:	6 479 067	7 742 486	14 295 706	13 580 049
a) financial	5 740 590	6 582 058	13 913 213	13 131 719
b) guarantees	738 477	1 160 428	382 493	448 330
2. Contingent liabilities received:	5 358 921	5 130 206	4 889 248	5 566 582
a) financial	758 291	497 025	84 906	784 153
b) guarantees	4 600 630	4 633 181	4 804 342	4 782 429
II. Liabilities arising from purchase/sale transactions	125 049 746	102 371 284	57 281 929	75 902 295
III. Other	14 003 648	13 871 759	3 077 641	3 039 466
- irrevocable liabilities	9 504 544	9 253 631	97 355	90 649
- collateral accepted	4 499 104	4 618 128	2 980 286	2 948 817
TOTAL OFF-BALANCE SHEET ITEMS	150 891 382	129 115 735	79 544 524	98 088 392

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CONSOLIDATED PROFIT AND LOSS ACCOUNT <i>(PLN thousands)</i>	4th quarter of 2004 period from 01.10.2004 to 31.12.2004	4 quarters of 2004 period from 01.01.2004 to 31.12.2004	4th quarter of 2003 period from 01.10.2003 to 31.12.2003	4 quarters of 2003 period from 01.01.2003 to 31.12.2003
I. Interest income	1 422 308	5 310 252	1 250 004	5 134 109
II. Interest expense	(512 670)	(1 680 604)	(355 178)	(1 672 179)
III. Net interest income (I-II)	909 638	3 629 648	894 826	3 461 930
IV. Fees and commission income	533 941	1 869 054	425 325	1 567 272
V. Fees and commission expense	(85 745)	(277 721)	(69 416)	(233 746)
VI. Net fees and commission income (IV-V)	448 196	1 591 333	355 909	1 333 526
VII. Sales of finished goods, goods for resale and materials	14 811	89 578	102 290	149 673
VIII. Cost of finished goods, goods for resale and materials sold	(4 392)	(14 312)	(14 602)	(14 602)
IX. Selling expenses	-	-	-	-
X. Profit from sales (VII-VIII-IX)	10 419	75 266	87 688	135 071
XI. Income from shares and other variable income securities and financial instruments	145	3 396	908	4 406
1. From subsidiaries	-	-	-	-
2. From joint-ventures	-	-	-	-
3. From associates	-	-	-	-
4. From other companies	145	3 396	908	4 406
XII. Result from financial operations	(168 841)	(181 951)	22 115	59 674
XIII. Foreign exchange result	284 550	474 930	102 508	535 473
XIV. Result from banking activities	1 473 688	5 517 356	1 376 266	5 395 009
XV. Other operating income	95 761	315 515	59 749	262 014
XVI. Other operating expense	(67 904)	(194 456)	(50 633)	(168 366)
XVII. Overhead costs	(892 149)	(3 224 132)	(935 408)	(3 177 819)
XVIII. Depreciation of tangible assets and amortization of intangible assets	(127 804)	(519 577)	(162 758)	(515 980)
XIX. Provisions created and revaluation	(328 174)	(1 053 163)	(398 005)	(1 409 479)
1. Creation of specific provisions and provisions for general banking risk	(328 214)	(1 051 570)	(396 695)	(1 406 919)
2. Revaluation of financial assets	40	(1 593)	(1 310)	(2 560)
XX. Provisions released and revaluation	202 237	976 418	283 141	1 112 406
1. Release of specific provisions and provisions for general banking risk	239 986	975 044	283 141	1 108 658
2. Revaluation of financial assets	(37 749)	1 374	-	3 748
XXI. Change in provisions value and revaluation (XIX- XX)	(125 937)	(76 745)	(114 864)	(297 073)
XXII. Operating result	366 074	1 893 227	260 040	1 632 856
XXIII. Net extraordinary gains (losses)	218	229	111	401
1. Extraordinary gains	561	902	198	739
2. Extraordinary losses	(343)	(673)	(87)	(338)
XXIV. Amortization of goodwill of subsidiaries and associates	(5 022)	(21 537)	(4 683)	(13 441)
XXV. Amortization of negative goodwill of subsidiaries and associates	-	88	-	3 912
XXVI. Gross profit (loss)	361 270	1 872 007	255 468	1 623 728
XXVII. Taxation	(66 398)	(371 934)	(9 280)	(432 529)
1. Current	23 586	(315 444)	8 531	(571 767)
2. Deferred	(89 984)	(56 490)	(17 811)	139 238
XXVIII. Other obligatory charges against profit (loss)	-	-	-	-

CONSOLIDATED PROFIT AND LOSS ACCOUNT (continued) (PLN thousands)	4th quarter of 2004 period from 01.10.2004 to 31.12.2004	4 quarters of 2004 period from 01.01.2004 to 31.12.2004	4th quarter of 2003 period from 01.10.2003 to 31.12.2003	4 quarters of 2003 period from 01.01.2003 to 31.12.2003
XXIX. Share in net profit (loss) of companies valued under the equity pick-up method	2 817	14 418	(11 727)	(273)
XXX. (Profit) loss attributable to minority shareholders	17	(110)	8	56
XXXI. Net profit (loss)	297 706	1 514 381	234 469	1 190 982
Net profit (loss) annualized	-	1 514 381	-	1 190 982
Weighted average number of ordinary shares	-	1 000 000 000	-	1 000 000 000
Net profit (loss) per ordinary share (in PLN)	-	1.51	-	1.19
Weighted average diluted number of ordinary shares	-	1 000 000 000	-	1 000 000 000
Diluted profit (loss) per ordinary share (in PLN)	-	1.51	-	1.19

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (PLN thousands)	4th quarter of 2004 period from 01.10.2004 to 31.12.2004	4 quarters of 2004 period from 01.01.2004 to 31.12.2004	4th quarter of 2003 period from 01.10.2003 to 31.12.2003	4 quarters of 2003 period from 01.01.2003 to 31.12.2003
I. Shareholders' equity at the beginning of the period	7 665 451	6 397 411	6 278 886	5 480 419
a) adjustments due to changes in accounting policies	-	4 722	-	41 938
b) adjustments due to fundamental errors	-	-	-	-
I.a. Adjusted shareholders' equity at the beginning of the period (after restatement of comparative data)	7 665 451	6 402 133	6 278 886	5 522 357
1. Share capital at the beginning of the period	1 000 000	1 000 000	1 000 000	1 000 000
1.1. Changes in share capital	-	-	-	-
a) increase (by title)	-	-	-	-
b) decrease (by title)	-	-	-	-
1.2. Share capital at the end of the period	1 000 000	1 000 000	1 000 000	1 000 000
2. Unpaid share capital at the beginning of the period	-	-	-	-
2.1. Changes in unpaid share capital	-	-	-	-
a) increase (by title)	-	-	-	-
b) decrease (by title)	-	-	-	-
2.2. Unpaid share capital at the end of the period	-	-	-	-
3. Own shares at the beginning of the period	-	-	-	-
a) increase (by title)	-	-	-	-
b) decrease (by title)	-	-	-	-
3.1. Own shares at the end of the period	-	-	-	-
4. Reserve capital at the beginning of the period	2 803 078	1 783 827	1 781 928	806 579
4.1. Changes in reserve capital	1 653	1 020 904	1 899	977 248
a) increase (by title)	1 653	1 020 904	1 899	977 248
- appropriation of retained profit from previous years	-	1 017 994	-	974 793
- sales, liquidation of fixed assets	1 653	2 910	1 899	2 455
b) decrease (by title)	-	-	-	-
- coverage of the loss	-	-	-	-
4.2. Reserve capital at the end of the period	2 804 731	2 804 731	1 783 827	1 783 827
5. Revaluation reserve at the beginning of the period	272 974	220 664	338 507	539 047
5.1 Changes in revaluation reserve	109 958	162 268	(117 843)	(318 383)
a) increase (by title)	111 611	165 178	-	-
- revaluation credited to revaluation reserve	111 611	165 178	-	-
b) decrease (by title)	(1 653)	(2 910)	(117 843)	(318 383)
- revaluation charged to revaluation reserve	-	-	(115 944)	(315 928)
- sales, liquidation of fixed assets	(1 653)	(2 910)	(1 899)	(2 455)
5.2. Revaluation reserve at the end of the period	382 932	382 932	220 664	220 664
6. General banking risk fund at the beginning of the period	1 000 000	800 000	800 000	597 000
6.1. Changes in general banking risk fund	-	200 000	-	203 000
a) increase (by title)	-	200 000	-	203 000
- appropriation of net profit to general banking risk fund	-	200 000	-	203 000
b) decrease (by title)	-	-	-	-
6.2. General banking risk fund at the end of the period	1 000 000	1 000 000	800 000	800 000

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued) (PLN thousands)	4th quarter of 2004 period from 01.10.2004 to 31.12.2004	4 quarters of 2004 period from 01.01.2004 to 31.12.2004	4th quarter of 2003 period from 01.10.2003 to 31.12.2003	4 quarters of 2003 period from 01.01.2003 to 31.12.2003
7. Other reserve capital at the beginning of the period	1 370 000	1 360 000	1 360 000	1 350 000
7.1. Changes in other reserve capital	-	10 000	-	10 000
a) increase (by title)	-	10 000	-	10 000
- appropriation of net profit	-	10 000	-	10 000
b) decrease (by title)	-	-	-	-
7.2 . Other reserve capital at the end of the period	1 370 000	1 370 000	1 360 000	1 360 000
8. Foreign exchange differences on subsidiaries and associates	(8 690)	(10 688)	-	-
9. Retained earnings (loss) from previous years at the beginning of the period	4 722	-	41 938	1 187 793
9.1. Retained earnings at the beginning of the period	4 722	-	41 938	1 187 793
a) adjustments due to changes in accounting policies	-	4 722	-	41 938
b) adjustments due to fundamental errors	-	-	-	-
9.2. Adjusted retained earnings from previous years at the beginning of the period (after restatement to comparative data)	4 722	4 722	41 938	1 229 731
9.3. Change in retained earnings	-	-	-	(1 187 793)
a) increase (by title)	-	-	-	-
b) decrease (by title)	-	-	-	(1 187 793)
- obligatory appropriation of profit	-	-	-	(1 187 793)
9.4. Retained earnings from previous years at the end of the period	4 722	4 722	41 938	41 938
9.5. Retained loss from previous years at the beginning of the period	-	-	-	-
a) adjustments due to changes in accounting policies	-	-	-	-
b) adjustments due to fundamental errors	-	-	-	-
9.6. Adjusted retained loss from previous years at the beginning of the period (after restatement to comparative data)	-	-	-	-
9.7. Change in retained loss	-	-	-	-
a) increase (by title)	-	-	-	-
b) decrease (by title)	-	-	-	-
9.8. Retained loss from previous years at the end of the period	-	-	-	-
9.9. Retained earnings (loss) from previous years at the end of the period	4 722	4 722	41 938	41 938
10. Net result	297 706	1 514 381	234 469	1 190 982
a) net profit	297 706	1 514 381	234 469	1 190 982
b) net loss	-	-	-	-
II. Shareholders' equity at the end of the period	8 066 078	8 066 078	6 397 411	6 397 411
III. Shareholders' equity after proposed profit appropriation (covering of loss)	8 066 078	8 066 078	6 397 211	6 397 211

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CONSOLIDATED STATEMENT OF CASH FLOWS <i>(PLN thousands)</i>	4th quarter of 2004 period from 01.10.2004 to 31.12.2004	4 quarters of 2004 period from 01.01.2004 to 31.12.2004	4th quarter of 2003 period from 01.10.2003 to 31.12.2003	4 quarters of 2003 period from 01.01.2003 to 31.12.2003
A. Cash flows from operating activities - indirect method				
I. Net profit (loss)	297 706	1 514 381	234 469	1 190 982
II. Total adjustments:	(1 301 941)	(2 568 275)	(1 364 557)	(7 599 351)
1. Profit (loss) attributable to minority shareholders	(17)	110	(8)	(56)
2. Share in (profit) loss of companies valued under the equity pick-up method	(2 817)	(14 418)	11 727	273
3. Depreciation and amortization, including: - amortization of goodwill and negative goodwill on consolidation of subsidiaries	132 826 5 022	541 026 21 449	167 441 4 683	525 509 9 529
4. (Profit) loss from foreign exchange differences	-	-	2	2
5. Interest and share in profits (dividends paid and received)	(118 530)	(453 909)	(185 844)	(446 217)
6. (Profit) loss from investing activities	12 896	41 503	(95 254)	(19 075)
7. Change in provisions	123 197	(30 769)	151 192	53 351
8. Change in inventories	(1 700)	8	3 506	(1 018)
9. Change in debt securities	(78 715)	3 231 282	(1 674 223)	(8 645 588)
10. Change in amounts due from the financial sector	(1 872 120)	(4 355 983)	876 692	2 952 236
11. Change in amounts due from the non-financial and the public sector	(631 010)	(3 464 193)	(2 706 535)	(5 598 433)
12. Change in receivables from reverse repo transactions	-	283 713	1 649 433	263 531
13. Change in shares, other securities and other financial assets	(531 549)	(565 199)	(276 829)	256 002
14. Change in amounts due to the financial sector	(76 302)	(175 293)	(730 140)	(14 465)
15. Change in amounts due to the non-financial and the public sector	1 442 240	1 451 925	977 910	1 425 232
16. Change in liabilities arising from repo transactions	-	-	-	-
17. Change in liabilities arising from securities issued	-	-	-	-
18. Change in other liabilities	(310 780)	151 656	(360 950)	59 176
19. Change in prepayments and accruals	(54 950)	43 365	(27 592)	(887)
20. Change in deferred and suspended income	54 566	265 562	94 276	418 055
21. Other adjustments	610 824	481 339	760 639	1 173 021
III. Net cash flow from operating activities (I+/-II) - indirect method	(1 004 235)	(1 053 894)	(1 130 088)	(6 408 369)

*Translation of the Consolidated Quarterly Report of PKO BP SA Group for the fourth quarter of 2004
(SAB-QSr IV/2004)*

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CONSOLIDATED STATEMENT OF CASH FLOWS (continued) (PLN thousands)	4th quarter of 2004 period from 01.10.2004 to 31.12.2004	4 quarters of 2004 period from 01.01.2004 to 31.12.2004	4th quarter of 2003 period from 01.10.2003 to 31.12.2003	4 quarters of 2003 period from 01.01.2003 to 31.12.2003
B. Cash flows from investing activities				
I. Inflows	456 581	2 496 388	1 372 718	6 541 211
1. Sale of shares in subsidiaries	-	-	-	-
2. Sale of shares in joint-ventures	-	-	-	-
3. Sale of shares in associates	200	200	-	-
4. Sale of shares in other entities, other securities and other financial assets	329 159	2 016 514	994 885	5 884 730
5. Sale of intangible and tangible fixed assets	7 897	24 666	192 248	209 244
6. Sale of real estate and intangible assets investments	-	-	-	-
7. Other investment inflows	119 325	455 008	185 585	447 237
II. Outflows	(369 642)	(904 195)	(562 689)	(793 872)
1. Purchase of shares in subsidiaries	(460)	(143 089)	(78 420)	(114 004)
2. Purchase of shares in joint-ventures	-	-	-	-
3. Purchase of shares in associates	-	(146 500)	-	(4 600)
4. Purchase of shares in other entities, other securities and other financial assets	(600)	(1 621)	(92)	(234)
5. Purchase of intangible and tangible fixed assets	(368 582)	(612 985)	(484 177)	(675 034)
6. Investments in real estate and intangible assets	-	-	-	-
7. Other investment outflows	-	-	-	-
III. Net cash flow from investing activities (I-II)	86 939	1 592 193	810 029	5 747 339

C. Cash flows from financing activities				
I. Inflows	28 499	119 636	18 846	69 158
1. Long-term loans received from other banks	28 200	119 108	18 846	18 846
2. Long-term loans received from institutions in the financial sector other than banks	299	528	-	50 312
3. Issuance of debt securities	-	-	-	-
4. Increase in subordinated liabilities	-	-	-	-
5. Proceeds from share issuance and contributions to capital	-	-	-	-
6. Other financial inflows	-	-	-	-

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(SAB-QSr IV/2004)*

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CONSOLIDATED STATEMENT OF CASH FLOWS (continued) (PLN thousands)	4th quarter of 2004 period from 01.10.2004 to 31.12.2004	4 quarters of 2004 period from 01.01.2004 to 31.12.2004	4th quarter of 2003 period from 01.10.2003 to 31.12.2003	4 quarters of 2003 period from 01.01.2003 to 31.12.2003
II. Outflows	(10 604)	(37 923)	(153 711)	(487 555)
1. Repayments of long-term loans from other banks	(8 108)	(30 430)	-	(19 631)
2. Repayments of long-term loans from institutions in the financial sector other than banks	(1 022)	(1 245)	(151 136)	(458 730)
3. Redemption of debt securities	-	-	-	-
4. Repayment of other financial liabilities	-	-	-	-
5. Repayment of liabilities under finance lease agreements	(679)	(5 149)	(2 204)	(7 544)
6. Decrease in subordinated liabilities	-	-	-	-
7. Dividends and other amounts paid to shareholders	-	-	-	-
8. Dividends and other share in profit paid to minority shareholders	-	-	-	-
9. Outflows from profit appropriation other than payments to shareholders	-	-	-	-
10. Purchase of own shares	-	-	-	-
11. Other financial outflows	(795)	(1 099)	(371)	(1 650)
III. Net cash flow from financing activities (I + II)	17 895	81 713	(134 865)	(418 397)
D. Total net cash flow (A.III+/-B.III+/-C.III)	(899 401)	620 012	(454 924)	(1 079 427)
E. Balance sheet net change in cash and cash equivalents, including:	(899 401)	620 012	(454 924)	(1 079 427)
- change due to foreign exchange differences	-	-	-	-
F. Cash and cash equivalents at the beginning of the period	6 234 645	4 715 232	5 170 156	5 794 659
G. Cash and cash equivalents at the end of the period (F+/- D), including:	5 335 244	5 335 244	4 715 232	4 715 232
- of limited transferability	-	-	-	-

QUARTERLY CONDENSED FINANCIAL STATEMENTS

BALANCE SHEET <i>(PLN thousands)</i>	As at 31.12.2004 end of 4 th quarter of 2004	As at 30.09.2004 end of previous quarter of 2004	As at 31.12.2003 end of 4 th quarter of 2003	As at 30.09.2003 end of previous quarter of 2003
ASSETS				
I. Cash and balances with the Central Bank	3 490 505	4 080 128	3 807 487	4 629 318
II. Debt securities eligible for rediscounting in the Central Bank	-	-	-	-
III. Amounts due from the financial sector	13 775 659	12 124 153	8 554 860	9 000 433
1. Current	1 735 212	2 023 340	911 407	539 854
2. Term	12 040 447	10 100 813	7 643 453	8 460 579
IV. Amounts due from the non-financial sector	34 335 144	33 624 342	31 035 282	30 571 505
1. Current	5 782 048	5 950 845	5 562 220	5 742 892
2. Term	28 553 096	27 673 497	25 473 062	24 828 613
V. Amounts due from the public sector	6 852 229	6 969 340	7 243 182	5 154 126
1. Current	19 811	49 909	24 413	74 175
2. Term	6 832 418	6 919 431	7 218 769	5 079 951
VI. Reverse repo transactions	-	-	283 713	1 933 146
VII. Debt securities	24 133 437	24 106 944	29 587 425	29 368 498
VIII. Investment in subsidiaries	490 999	466 415	299 657	233 878
IX. Investment in joint-ventures	43 089	38 355	44 119	56 557
X. Investment in associates	141 767	146 054	214	224
XI. Shares in other entities	468 489	495 947	386 712	344 161
XII. Other securities and financial assets	852 586	311 875	261 453	58 256
XIII. Intangible assets, including:	384 045	317 297	263 323	229 537
- goodwill	-	-	-	-
XIV. Tangible fixed assets	1 939 016	1 803 420	2 063 015	1 985 033
XV. Other assets	494 726	966 724	566 571	865 662
1. Assets acquired for sale	-	-	-	-
2. Other	494 726	966 724	566 571	865 662
XVI. Prepayments and accrued income	25 140	30 501	29 604	37 595
1. Deferred tax asset	-	-	-	-
2. Other prepayments and accrued income	25 140	30 501	29 604	37 595
TOTAL ASSETS	87 426 831	85 481 495	84 426 617	84 467 929

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(SAB-QSr IV/2004)*

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BALANCE SHEET <i>(PLN thousands)</i>	As at 31.12.2004 end of 4th quarter of 2004	As at 30.09.2004 end of previous quarter of 2004	As at 31.12.2003 end of 4th quarter of 2003	As at 30.09.2003 end of previous quarter of 2003
LIABILITIES AND EQUITY				
I. Amounts due to the Central Bank	144	61	-	-
II. Amounts due to the financial sector	911 042	939 237	1 098 505	1 944 384
1. Current	367 782	244 660	37 738	37 260
2. Term	543 260	694 577	1 060 767	1 907 124
III. Amounts due to non-financial sector	67 096 094	66 727 627	68 374 173	67 822 984
1. Savings accounts, including:	25 693 499	26 855 824	29 527 874	30 359 160
a) current	2 118 110	2 205 670	2 528 782	2 576 485
b) term	23 575 389	24 650 154	26 999 092	27 782 675
2. Other, including:	41 402 595	39 871 803	38 846 299	37 463 824
a) current	19 506 157	18 873 740	18 758 236	17 599 153
b) term	21 896 438	20 998 063	20 088 063	19 864 671
IV. Amounts due to the public sector	5 369 539	4 150 171	3 178 790	2 759 862
1. Current	2 501 028	2 706 866	1 772 258	1 653 091
2. Term	2 868 511	1 443 305	1 406 532	1 106 771
V. Repo transactions	-	-	-	-
VI. Liabilities arising from debt securities issued	-	-	-	-
1. Short-term	-	-	-	-
2. Long-term	-	-	-	-
VII. Other liabilities arising from financial instruments	280 265	52 176	226 407	196 226
VIII. Special funds and other liabilities	1 019 073	1 373 140	879 804	1 278 089
IX. Accruals and deferred income	3 275 719	3 280 605	2 968 369	2 913 061
1. Accruals	152 189	211 677	110 356	149 368
2. Negative goodwill	16	17	18	19
3. Other deferred and suspended income	3 123 514	3 068 911	2 857 995	2 763 674
X. Provisions	1 408 877	1 293 027	1 303 158	1 274 437
1. Deferred tax liability	540 642	423 562	443 597	475 057
2. Other provisions	868 235	869 465	859 561	799 380
a) short-term	22 525	33 543	24 707	24 123
b) long-term	845 710	835 922	834 854	775 257
XI. Subordinated liabilities	-	-	-	-
XII. Share capital	1 000 000	1 000 000	1 000 000	1 000 000
XIII. Unpaid share capital (negative value)	-	-	-	-
XIV. Own share capital (negative value)	-	-	-	-
XV. Reserve capital	2 804 731	2 803 078	1 783 827	1 781 928
XVI. Revaluation reserve	372 244	270 976	220 664	338 507
XVII. Other reserve capital	2 370 000	2 370 000	2 160 000	2 160 000
XVIII. Retained earnings (loss) from previous years	4 722	4 722	41 938	41 938
XIX. Net profit (loss)	1 514 381	1 216 675	1 190 982	956 513
TOTAL LIABILITIES AND EQUITY	87 426 831	85 481 495	84 426 617	84 467 929

Capital adequacy ratio (in %)	16.73	17.65	16.90	16.96
Net book value	8 066 078	7 665 451	6 397 411	6 278 886
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)	8.07	7.67	6.40	6.28
Diluted number of shares	1 000 000 000	1 000 000 000	1 000 000 000	1 000 000 000
Diluted net book value per share (in PLN)	8.07	7.67	6.40	6.28

Translation of the Consolidated Quarterly Report of PKO BP SA Group for the fourth quarter of 2004
(SAB-QSr IV/2004)

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OFF-BALANCE SHEET ITEMS <i>(PLN thousands)</i>	As at 31.12.2004 end of 4 th quarter of 2004	As at 30.09.2004 end of previous quarter of 2004	As at 31.12.2003 end of 4 th quarter of 2003	As at 30.09.2003 end of previous quarter of 2003
I. Contingent liabilities granted and received	12 294 273	12 582 525	19 206 832	19 183 089
1. Contingent liabilities granted:	7 150 458	7 642 910	14 317 584	13 616 507
a) financial	6 292 493	6 562 182	13 926 208	13 154 670
b) guarantees	857 965	1 080 728	391 376	461 837
2. Contingent liabilities received:	5 143 815	4 939 615	4 889 248	5 566 582
a) financial	714 887	449 278	84 906	784 153
b) guarantees	4 428 928	4 490 337	4 804 342	4 782 429
II. Liabilities arising from purchase/sale transactions	125 053 169	102 326 795	57 248 906	75 776 858
III. Other, by title:	12 368 143	12 192 771	3 077 641	3 040 343
- irrevocable liabilities	9 504 544	9 253 631	97 355	90 649
- collateral accepted	2 863 599	2 939 140	2 980 286	2 949 694
TOTAL OFF-BALANCE SHEET ITEMS	149 715 585	127 102 091	79 533 379	98 000 290

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(SAB-QSr IV/2004)*

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PROFIT AND LOSS ACCOUNT <i>(PLN thousands)</i>	4th quarter of 2004 period from 01.10.2004 to 31.12.2004	4 quarters of 2004 period from 01.01.2004 to 31.12.2004	4th quarter of 2003 period from 01.10.2003 to 31.12.2003	4 quarters of 2003 period from 01.01.2003 to 31.12.2003
I. Interest income	1 390 744	5 244 964	1 239 843	5 099 542
II. Interest expense	(497 413)	(1 654 658)	(354 050)	(1 667 171)
III. Net interest income (I-II)	893 331	3 590 306	885 793	3 432 371
IV. Fees and commission income	522 604	1 865 208	441 340	1 606 340
V. Fees and commission expense	(87 678)	(284 153)	(67 728)	(231 250)
VI. Net fees and commission income (IV-V)	434 926	1 581 055	373 612	1 375 090
VII. Income from shares and other variable income securities and financial instruments	145	3 396	903	4 401
1. From subsidiaries	-	-	-	-
2. From joint-ventures	-	-	-	-
3. From associates	-	-	-	-
4. From other companies	145	3 396	903	4 401
VIII. Result from financial operations	(166 551)	(180 755)	22 403	59 897
IX. Foreign exchange result	253 193	434 934	89 461	532 164
X. Result from banking activities	1 415 044	5 428 936	1 372 172	5 403 923
XI. Other operating income	75 214	249 265	49 525	238 076
XII. Other operating expense	(59 111)	(157 809)	(26 242)	(135 687)
XIII. Overhead costs	(866 341)	(3 175 603)	(871 678)	(3 098 482)
XIV. Depreciation of tangible assets and amortisation of intangible assets	(114 044)	(471 396)	(149 919)	(468 448)
XV. Provisions created and revaluation	(314 395)	(1 018 061)	(388 902)	(1 372 427)
1. Creation of specific provisions and provisions for general banking risk	(313 666)	(1 017 051)	(387 696)	(1 369 971)
2. Revaluation of financial assets	(729)	(1 010)	(1 206)	(2 456)
XVI. Provisions released and revaluation	188 955	947 803	280 963	1 092 630
1. Release of specific provisions and provisions for general banking risk	226 768	947 155	280 963	1 088 882
2. Revaluation of financial assets	(37 813)	648	-	3 748
XVII. Change in provisions value and revaluation (XV+ XVI)	(125 440)	(70 258)	(107 939)	(279 797)
XVIII. Operating result	325 322	1 803 135	265 919	1 659 585
XIX. Net extraordinary gains (losses)	218	229	111	401
1. Extraordinary gains	561	902	198	739
2. Extraordinary losses	(343)	(673)	(87)	(338)
XX. Gross profit (loss)	325 540	1 803 364	266 030	1 659 986
XXI. Taxation	(64 358)	(361 762)	(1 910)	(416 182)
1. Current	26 098	(303 905)	18 875	(552 446)
2. Deferred	(90 456)	(57 857)	(20 785)	136 264
XXII. Other obligatory charges against profit (loss)	-	-	-	-
XXIII. Share in net profit (loss) of companies valued under the equity pick-up method	36 524	72 779	(29 651)	(52 822)
XXIV. Net profit (loss)	297 706	1 514 381	234 469	1 190 982
Net profit (loss) annualised	-	1 514 381	-	1 190 982
Weighted average number of ordinary shares	-	1 000 000 000	-	1 000 000 000
Net profit (loss) per ordinary share (in PLN)	-	1,51	-	1,19
Weighted average predicted number of ordinary shares	-	1 000 000 000	-	1 000 000 000
Diluted profit (loss) per ordinary share (in PLN)	-	1,51	-	1,19

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (PLN thousands)	4th quarter of 2004 period from 01.10.2004 to 31.12.2004	4 quarters of 2004 period from 01.01.2004 to 31.12.2004	4th quarter of 2003 period from 01.10.2003 to 31.12.2003	4 quarters of 2003 period from 01.01.2003 to 31.12.2003
I. Shareholders' equity at the beginning of the period	7 665 451	6 397 411	6 278 886	5 480 419
a) adjustments due to changes in accounting policies	-	4 722	-	41 938
b) adjustments due to fundamental errors	-	-	-	-
I.a. Adjusted shareholders' equity at the beginning of the period (after restatement to comparative data)	7 665 451	6 402 133	6 278 886	5 522 357
1. Share capital at the beginning of the period	1 000 000	1 000 000	1 000 000	1 000 000
1.1. Changes in share capital	-	-	-	-
a) increase (by title)	-	-	-	-
- issue of shares	-	-	-	-
- in-kind contribution	-	-	-	-
b) decrease (by title)	-	-	-	-
- write-offs	-	-	-	-
1.2. Share capital at the end of the period	1 000 000	1 000 000	1 000 000	1 000 000
2. Unpaid share capital at the beginning of the period	-	-	-	-
2.1. Changes in unpaid share capital	-	-	-	-
a) increase (by title)	-	-	-	-
b) decrease (by title)	-	-	-	-
2.2. Unpaid share capital at the end of the period	-	-	-	-
3. Own shares at the beginning of the period	-	-	-	-
a) increase (by title)	-	-	-	-
b) decrease (by title)	-	-	-	-
3.1. Own shares at the end of the period	-	-	-	-
4. Reserve capital at the beginning of the period	2 803 078	1 783 827	1 781 928	806 579
4.1. Changes in reserve capital	1 653	1 020 904	1 899	977 248
a) increase (by title)	1 653	1 020 904	1 899	977 248
- increase of reserve capital by in-kind contribution	-	-	-	-
- increase of reserve capital by fund for brokerage activity	-	-	-	-
- appropriation of retained profit from previous years	-	-	-	136 701
- appropriation of net profit	-	1 017 994	-	838 092
- sale, liquidation of fixed assets	1 653	2 910	1 899	2 455
b) decrease (by title)	-	-	-	-
- covering of losses	-	-	-	-
4.2. Reserve capital at the end of the period	2 804 731	2 804 731	1 783 827	1 783 827
5. Revaluation reserve at the beginning of the period	270 976	220 664	338 507	539 047
5.1. Changes in revaluation reserve	101 268	151 580	(117 843)	(318 383)
a) increase (by title)	102 921	154 490	-	-
- revaluation credited to revaluation reserve	102 921	154 490	-	-
b) decrease (by title)	(1 653)	(2 910)	(117 843)	(318 383)
- revaluation charged to revaluation reserve	-	-	(115 944)	(315 928)
- sale, liquidation of fixed assets	(1 653)	(2 910)	(1 899)	(2 455)
5.2. Revaluation reserve at the end of the period	372 244	372 244	220 664	220 664
6. General banking risk fund at the beginning of the period	1 000 000	800 000	800 000	597 000
6.1. Changes in general banking risk fund	-	200 000	-	203 000
a) increase (by title)	-	200 000	-	203 000
- appropriation of net profit to general banking risk fund	-	200 000	-	203 000
b) decrease (by title)	-	-	-	-
- transfers	-	-	-	-
6.2. General banking risk fund at the end of the period	1 000 000	1 000 000	800 000	800 000

Translation of the Consolidated Quarterly Report of PKO BP SA Group for the fourth quarter of 2004
(SAB-QSr IV/2004)

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued) <i>(PLN thousands)</i>	4th quarter of 2004 period from 01.10.2004 to 31.12.2004	4 quarters of 2004 period from 01.01.2004 to 31.12.2004	4th quarter of 2003 period from 01.10.2003 to 31.12.2003	4 quarters of 2003 period from 01.01.2003 to 31.12.2003
7. Other reserve capital at the beginning of the period	1 370 000	1 360 000	1 360 000	1 350 000
7.1. Changes in other reserve capital	-	10 000	-	10 000
a) increase (by title)	-	10 000	-	10 000
- appropriation of net profit	-	10 000	-	10 000
- transfer of fund for brokerage activity from special purpose fund	-	-	-	-
b) decrease (by title)	-	-	-	-
- increase of reserve capital by fund for brokerage activity	-	-	-	-
7.2. Other reserve capital at the end of the period	1 370 000	1 370 000	1 360 000	1 360 000
8. Retained earnings (loss) from previous years at the beginning of the period	4 722	-	41 938	1 187 793
8.1. Retained earnings at the beginning of the period	4 722	-	41 938	1 187 793
a) adjustments due to changes in accounting policies	-	4 722	-	41 938
b) adjustments due to fundamental errors	-	-	-	-
8.2. Adjusted retained earnings from previous years at the beginning of the period (after restatement to comparative data)	4 722	4 722	41 938	1 229 731
8.3. Change in retained earnings	-	-	-	(1 187 793)
a) increase (by title)	-	-	-	-
b) decrease (by title)	-	-	-	(1 187 793)
- appropriation of profit to reserve capital	-	-	-	(838 092)
- appropriation of profit to other reserve capital	-	-	-	(10 000)
- appropriation of profit to general banking risk fund	-	-	-	(203 000)
- transfer of retained profit to reserve capital	-	-	-	(136 701)
- appropriation to Company Social Fund	-	-	-	-
8.4. Retained earnings from previous years at the end of the period	4 722	4 722	41 938	41 938
8.5. Retained loss from previous years at the beginning of the period	-	-	-	-
a) adjustments due to changes in accounting policies	-	-	-	-
b) adjustments due to fundamental errors	-	-	-	-
8.6. Adjusted retained loss from previous years at the beginning of the period (after restatement to comparative data)	-	-	-	-
8.7. Change in retained loss	-	-	-	-
a) increase (by title)	-	-	-	-
b) decrease (by title)	-	-	-	-
- coverage of loss	-	-	-	-
8.8. Retained loss from previous years at the end of the period	-	-	-	-
8.9. Retained earnings (loss) from previous years at the end of the period	4 722	4 722	41 938	41 938
9. Net result	297 706	1 514 381	234 469	1 190 982
a) net profit	297 706	1 514 381	234 469	1 190 982
b) net loss	-	-	-	-
II. Shareholders' equity at the end of the period	8 066 078	8 066 078	6 397 411	6 397 411
III. Shareholders' equity after proposed profit appropriation (covering of loss)	8 066 078	8 066 078	6 397 211	6 397 211

STATEMENT OF CASH FLOWS (continued) <i>(PLN thousands)</i>	4th quarter of 2004 period from 01.10.2004 to 31.12.2004	4 quarters of 2004 period from 01.01.2004 to 31.12.2004	4th quarter of 2003 period from 01.10.2003 to 31.12.2003	4 quarters of 2003 period from 01.01.2003 to 31.12.2003
A. Cash flows from operating activities - indirect method				
I. Net profit (loss)	297 706	1 514 381	234 469	1 190 982
II. Total adjustments:	(1 287 134)	(2 706 131)	(1 481 115)	(7 698 391)
1. Share in (profit) loss of companies valued under the equity pick-up method	(36 524)	(72 779)	29 651	52 822
2. Depreciation and amortisation	114 044	471 396	149 919	468 448
3. (Profit) loss from foreign exchange differences	-	-	-	-
4. Interest and share in profits (dividends)	(119 325)	(455 008)	(185 585)	(447 237)
5. (Profit) loss from investing activities	12 944	41 551	(95 789)	(19 610)
6. Change in provisions	120 512	(69 683)	140 490	44 138
7. Change in debt securities	(176 203)	3 294 738	(1 397 992)	(8 349 950)
8. Change in amounts due from the financial sector	(1 939 362)	(4 395 291)	815 962	2 822 959
9. Change in amounts due from the non-financial and the public sector	(625 251)	(2 774 401)	(2 611 192)	(5 446 544)
10. Change in receivables from reverse repo transactions	-	283 713	1 649 433	262 248
11. Change in shares, other securities and other financial assets	(532 521)	(565 520)	(200 582)	332 250
12. Change in amounts due to the financial sector	(32 986)	(259 465)	(855 313)	(149 311)
13. Change in amounts due to the non-financial and the public sector	1 587 835	912 670	970 117	1 410 403
14. Change in liabilities arising from repo transactions	-	-	-	-
15. Change in liabilities arising from securities issued	-	-	-	-
16. Change in other liabilities	(333 448)	143 944	(391 020)	47 029
17. Change in prepayments and accruals	(54 128)	46 295	(31 040)	4 634
18. Change in deferred and suspended income	54 603	265 519	94 321	418 393
19. Other adjustments	672 676	426 190	437 505	850 937
III. Net cash flow from operating activities (I + II) - indirect method	(989 428)	(1 191 750)	(1 246 646)	(6 507 409)
B. Cash flows from investing activities				
I. Inflows	470 863	2 496 874	1 190 477	6 351 469
1. Sale of shares in subsidiaries	-	-	-	-
2. Sale of shares in joint-ventures	-	-	-	-
3. Sale of shares in associates	200	200	-	-
4. Sale of shares in other entities, other securities and other financial assets	334 146	2 021 501	994 882	5 884 622
5. Sale of intangible and tangible fixed assets	17 192	20 165	10 010	19 610
6. Sale of real estate and intangible assets investments	-	-	-	-
7. Other investment inflows	119 325	455 008	185 585	447 237

*Translation of the Consolidated Quarterly Report of PKO BP SA Group for the fourth quarter of 2004
(SAB-QSr IV/2004)*

The only binding version is the originally issued Polish version of this report

STATEMENT OF CASH FLOWS (continued) <i>(PLN thousands)</i>	4th quarter of 2004 period from 01.10.2004 to 31.12.2004	4 quarters of 2004 period from 01.01.2004 to 31.12.2004	4th quarter of 2003 period from 01.10.2003 to 31.12.2003	4 quarters of 2003 period from 01.01.2003 to 31.12.2003
II. Outflows	(363 024)	(868 989)	(252 407)	(514 698)
1. Purchase of shares in subsidiaries	(439)	(143 089)	(79 119)	(165 303)
2. Purchase of shares in joint-ventures	-	-	-	-
3. Purchase of shares in associates	-	(146 500)	-	(4 600)
4. Purchase of shares in other entities, other securities and other financial assets	(4)	(1 004)	(92)	(234)
5. Purchase of intangible and tangible fixed assets	(362 581)	(578 396)	(173 196)	(344 561)
6. Investments in real estate and intangible assets	-	-	-	-
7. Other investment outflows	-	-	-	-
III. Net cash flow from investing activities (I - II)	107 839	1 627 885	938 070	5 836 771
C. Cash flows from financing activities				
I. Inflows	4 874	72 146	9 434	59 746
1. Long-term loans received from other banks	4 874	72 146	9 434	9 434
2. Long-term loans received from institutions in the financial sector other than banks	-	-	-	50 312
3. Issuance of debt securities	-	-	-	-
4. Increase in subordinated liabilities	-	-	-	-
5. Proceeds from share issuance and contributions to capital	-	-	-	-
6. Other financial inflows	-	-	-	-
II. Outflows	(1 036)	(1 458)	(151 136)	(458 730)
1. Repayments of long-term loans from other banks	(948)	(1 147)	-	-
2. Repayments of long-term loans from institutions in the financial sector other than banks	(88)	(311)	(151 136)	(458 730)
3. Redemption of debt securities	-	-	-	-
4. Repayment of other financial liabilities	-	-	-	-
5. Repayment of liabilities under finance lease agreements	-	-	-	-
6. Decrease in subordinated liabilities	-	-	-	-
7. Dividends and other amounts paid to shareholders	-	-	-	-
8. Outflows from profit appropriation other than payments to shareholders	-	-	-	-
9. Purchase of own shares	-	-	-	-
10. Other financial outflows	-	-	-	-
III. Net cash flow from financing activities (I + II)	3 838	70 688	(141 702)	(398 984)
D. Total net cash flow (A.III +/- B.III +/- C.III)	(877 751)	506 823	(450 278)	(1 069 622)
E. Balance sheet net change in cash and cash equivalents, including:	(877 751)	506 823	(450 278)	(1 069 622)
- change due to foreign exchange differences				
F. Cash and cash equivalents at the beginning of the period	6 103 468	4 718 894	5 169 172	5 788 516
G. Cash and cash equivalents at the end of the period (F +/- D), including:	5 225 717	5 225 717	4 718 894	4 718 894
- of limited transferability				

Comments to the quarterly report SAB – QSr IV/04 for the 4th quarter of 2004

Summary

During the 4th quarter of 2004, i.e. compared with the end of September 2004:

- the gross profit of the PKO BP SA Group increased by PLN 361 million and net profit by PLN 298 million and, on a cumulative basis, after four quarters of 2004, the gross and net profit amounted to PLN 1,872 million and PLN 1,514 million, respectively,
- total assets of the PKO BP SA Group increased by PLN 1,746 million (compared with September 2003 – by PLN 3,689 million) and amounted to PLN 88,259 million as at 31 December 2004,
- the capital adequacy ratio of the PKO BP SA Group decreased by 0.07 percentage points and amounted to 16.64% at the end of December 2004.

1. BASIS FOR REPORT'S PREPARATION

The information included in this report is presented in the format set forth in the Decree of the Council of Ministers dated 11 August 2004 on the specific conditions which should be fulfilled by prospectuses and short-form prospectuses (Journal of Laws No. 186, item 1921).

The report for the 4th quarter of 2004 was prepared in accordance with the description of items presented in a SAB-Q quarterly report, as defined by the Polish Securities and Exchange Commission (KPWiG). The principal accounting policies used for valuation of assets and liabilities and measurement of the result have been described in detail in the SAB-SPr consolidated half-year report for the six-month period ended 30 June 2004, which was published in PKO BP SA's prospectus on 6 October 2004. These policies reflect the amendment effective from 1 January 2004 according to which interest on "watch" receivables should be recognised in the income statement as well as amendments relating to recognition and measurement of embedded derivatives.

The report reflects the changes introduced in the twelve month period ended 31 December 2004 to the classification and presentation of loan receivables as well as the changes in the methods of specific provisions estimation, resulting from the Decree of the Minister of Finance dated 10 December 2003 on the principles of providing for risks associated with banking activities (Journal of Laws No. 218, item 2147 together with subsequent amendments).

The financial data included in the report are presented according to the comparability principle.

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

The data has been prepared using the principles of valuation of assets and liabilities and measurement of the result that were in force at the balance sheet date, including adjustments relating to provisions and the deferred tax asset and liability as described in the Accounting Act dated 29 September 2004 (Journal of Laws from 2002, No. 76, item 694 together with subsequent amendments).

	31.12.2004	31.12.2003
Deferred tax liability	804 216	772 395
Deferred tax asset	263 573	328 798
General banking risk provision	661 597	661 597
Provision for off-balance sheet contingent liabilities	17 831	21 246
Provision for future employee benefits	256 547	235 810
Provision against other assets	105 740	103 113

3. IMPAIRMENT OF ASSETS

The balances of provisions against assets at the balance sheet date are presented below:

	31.12.2004	31.12.2003
Provisions against loan receivables, loan guarantees and deposits	2 440 678	2 576 889
Provisions against future liabilities and other receivables	446 432	386 525
Impairment write-offs of tangible and intangible fixed assets	35 783	1 017
Financial assets revaluation (write-off)	51 101	27 654

4. DESCRIPTION OF THE GROUP

4.1. ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

The capital group of PKO BP SA, defined in accordance with the Accounting Act dated 29 September 2004 (Journal of Laws from 2002, No. 76, item 694 together with subsequent amendments), consists of the Bank as the holding company, 11 entities directly controlled by the Bank (direct subsidiaries, including 2 unconsolidated) and 4 entities indirectly controlled by the Bank (indirect subsidiaries, including 1 unconsolidated).

The aggregate number of companies consolidated using the full method or accounted for using the equity method in the financial statements prepared as at 31 December 2004 amounts to 21, 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 ¹

No.	Name of the entity	Equity as at 31.12.2004	Net profit/ (loss) for the year ended 31.12.2004	Net profit/ (loss) for the 4th quarter for 2004	Method of consolidation/ valuation
		PLN thousands	PLN thousands	PLN thousands	
Capital Group					
Holding company					
1	Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna	8 066 078	1 514 381	297 706	-
Entities directly controlled by the Bank (direct subsidiaries)					
2	Centrum Finansowe Puławska Sp. z o.o.	202 717	53 866	29 506	Full method
3	Kredyt Bank (Ukraina) S.A. ²	76 649	6 229	(108)	Full method
4	PKO Inwestycje Sp. z o.o.	57 713	2 428	1 166	Equity pick-up method
5	Powszechnie Towarzystwo Emerytalne BANKOWY S.A.	53 953	22 331	(58)	Full method
6	Bankowy Fundusz Leasingowy S.A.	20 341	3 001	(306)	Equity pick-up method
7	Dom Maklerski BROKER S.A.	19 760	(916)	1 205	Full method

8	Inteligo Financial Services S.A.	13 420	9 310	8 784	Full method
9	PKO Towarzystwo Finansowe Sp. z o.o. - w likwidacji	779	(813)	0	Equity pick-up method
10	Centrum Elektronicznych Usług Płatniczych eService S.A.	(4 581)	(2 308)	137	Full method
Entities indirectly controlled by the Bank (indirect subsidiaries)					
11	Fort Mokotów Sp. z o.o. ³	66 275	12 595	7 426	Equity pick-up method
12	Wilanów Investments Sp. z o.o. ³	25 137	(3 863)	(1 924)	Equity pick-up method
13	Finanse Agent Transferowy Sp. z o.o. ⁴	3 498	536	186	Full method
Other consolidated subordinated entities					
Jointly controlled entities					
14	WAWEL Hotel Development Sp. z o.o.	51 073	12 258	4 457	Equity pick-up method
15	PKO/CREDIT SUISSE Towarzystwo Funduszy Inwestycyjnych S.A.	50 018	26 932	6 313	Equity pick-up method
Associates					
16	Bank Pocztowy S.A.	153 888	18 361	2 647	Equity pick-up method
17	Kolej Gondolowa Jaworzyna Krynicka S.A.	25 783	2 236	53	Equity pick-up method
18	Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	4 595	86	173	Equity pick-up method
19	Agencja Inwestycyjna CORP S.A.	1 101	427	(85)	Equity pick-up method
20	Hotel Jan III Sobieski Sp. z o.o.	(153 954)	50 025	17 848	Equity pick-up method
21	Ekogips S.A.	under liquidation			Equity pick-up method

1 Financial data per stand-alone accounts of the Group companies,

2 in PLN; profit/ (loss) translated using the average NBP rate prevailing as at the last day of each month of the year, other items of equity – using the average NBP rate as at 31 December 2004,

3 a subsidiary of PKO Inwestycje Sp. z o.o.,

4 a subsidiary of Powszechnie Towarzystwo Emerytalne BANKOWY S.A..

Based on the Accounting Act dated 29 September 1994 (Journal of Laws No. 121, item 591 with subsequent amendments) and the Decree of the Minister of Finance of 20 December 2001 on the specific accounting principles for banks (Journal of Laws No. 149, item 1673 with subsequent amendments), the following subsidiaries have not been consolidated or accounted for using the equity pick-up method, due to immateriality of their financial data or pending liquidation proceedings:

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

4.2. CHANGES IN THE ORGANISATION OF SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES IN THE 4TH QUARTER OF 2004

In the 4th quarter of 2004, the following events affected the structure of capital relations between the Bank and other Group companies:

- completion of liquidation proceedings of the Bank's associate, Wrocławskie Zintegrowane Centrum Logistyczne S.A. On 25 November 2004, this company was cancelled in the National Court Register (*KRS*)
- sale of the investment in Inteligo Technologies Sp. z o.o. (a subsidiary of Inteligo Financial Services S.A.)

5. SUMMARY OF MAJOR ACHIEVEMENTS OF PKO BP IN THE 4TH QUARTER OF 2004

5.1. BACKGROUND INFORMATION

- As at the end of December 2004 PKO BP SA had 1,266 outlets, of which:
 - 1,183 outlets in the Retail Banking Customer Division, including 12 Regional Retail Branches, 143 Centre Branches, 537 branches and 634 offices. In comparison with the end of the 3rd quarter of 2004, the number of outlets in the Retail Market Area decreased by 5.
 - in 4th quarter of 2004, 83 outlets conducted their activities in the Corporate Banking Customers Division, including: 13 Regional Corporate Branches, 13 Corporate Client Teams and 57 Corporate Centres.
- The number of savings-giro accounts in the 4th quarter of 2004 (including the active Inteligo and Graffiti accounts) increased by 120 thousand and amounted to 5,512 thousand at the end of December 2004.
- The number of ATMs as at 31 December 2004 amounted to 1,785 and remained at a level comparable to that in the 3rd quarter of 2004. The number of cash withdrawals from ATMs in the 4th quarter of 2004 exceeded 44 million, which constitutes a 4.6% increase in comparison with the third quarter of 2004.
- The number of bank cards issued by PKO BP SA increased by 130 thousand during the 4th quarter of 2004 and amounted to 5,443 thousand as at 31 December 2004.
- The number of Bank's FTEs amounted to 35,386 as at 31 December 2004 and was lower by 231 in FTEs comparison with the balance as at the end of September 2004.

5.2. BUSINESS ACTIVITIES

5.2.1 Retail Banking

Individual clients

- In the 4th quarter of 2004, interest rates for term deposits and consumer loans offered to individual clients did not change (Since 16 September 2004), as the basis interest rates did not change.
- Major modifications made by the Bank in the 4th quarter of 2004 with respect to the offer for individual clients, were as follows:
 - launching of a new product – credit card for students with interest rate similar to that offered to the holders of credit cards with savings-giro accounts,
 - extending product offer – IKE (*Indywidualne Konto Emerytalne - Individual Pension Account*) savings account with preferential interest rate and no handling charge for opening the account,
 - offering full electronic banking services to holders of savings-giro accounts.
- In the 4th quarter of 2004:
 - a sale campaign was carried out of 12 month deposit, offered in two 28-day subscriptions, distinguished by very attractive interest rate,

- the Bank continued to sell cash credit - „Very good credit”, for non-specified purpose with extended credit terms and variable commission depending on the credit term (promotional sale campaign started in September and ended on 31 December 2004).
- On 11 October 2004, the Bank launched the Privatisation Deposit program, which entitled the owner of the deposit to purchase the Bank’s shares. The maximum value of the deposit was PLN 20 thousand and the owner was guaranteed the purchase of the Bank’s shares up to the value of the deposit with no reduction. Client deposits were accepted up until the total balance of all deposits in Poland was PLN 1.1 billion. The allocation of shares took place on 4 November 2004.

Private Banking:

In the 4th quarter of 2004,

- a new credit product dedicated to affluent clients was launched - AURUM and PLATINIUM cash credit - with interest rates based on market rates and flexible construction to match its parameters to the individual needs of a borrower,
- a promotional sale of Diners Club cards was conducted in co-operation with Diners Club Polska Sp. z o.o.. As a result, approximately 7.5 thousands new cards were issued.

In December 2004, an agency agreement was signed with Diners Club Polska, guaranteeing the acceptability of Diners Club cards in eService outlets. The above initiated the process of extending the network of acceptance of Diners Club cards.

Small and medium enterprises

In the 4th quarter of 2004:

- PARTNER account holders were offered full access to e-banking services (internet and telephone services),
- a decision was made to withdraw the PARTNER loan from the Bank’s products as of 1 January 2005.

E-banking

As of 15 November 2004, e-banking services, PKO Inteligo, were made available to the Bank customers. As part of these services, holders of savings-giro account and Partner current account are allowed a remote access and management of their funds using the internet or call center. The catalogue of e-banking services covers, among others, the following: all types of bank transfers, transfers to defined bank accounts, bank transfers to Social Security Office (ZUS) and Tax Office (US), defining and modifying standing orders, opening term deposits, realization of standing orders, as well as access to the history of the account.

Activation of e-banking services is made upon entering into an appropriate agreement with the Bank. In the period from 15 November to 31 December 2004, approx. 90 thousand of such agreements with the Bank’s clients were made.

5.2.2 Housing market

In the 4th quarter of 2004:

- a promotional campaign for housing loan, WŁASNY KĄT Hipoteczny, was carried out in the period from 6 October 2004 to 31 December 2004. As a result, the Bank recorded the highest sales revenue – PLN 590 million in December 2004.
- a plan for the restructuring of credit portfolio was developed in respect of loans with partially deferred payment. As a result, borrowers will be able to swap partially deferred payment loan for WŁASNY KĄT housing loan, which should have a positive effect on the recovery of loans from this portfolio.

5.2.3 Corporate banking

In the 4th quarter of 2004, the Bank:

- organised a consortium to grant a syndicated loan for a petrochemical company in the amount of PLN 340 million (the Bank’s share in his loan was PLN 170 million),
- granted a revolving working capital loan in the amount of PLN 200 million,

- organized fourteen (14) issues of municipal bonds for the total amount of PLN 122.4 million, which covered issues of municipal bonds for the cities of: Rzeszów (PLN 25.0 million), Piła (PLN 25.3 million), Zabrze (PLN 15.0 million) and one (1) issue of corporate bonds for an entity operating in the lease sector in the amount of PLN 95 million zlotys,
- completed as part of the cooperation with banks and financial institutions the process of signing one framework agreement and two annexes to earlier signed framework agreements in respect of debt securities transactions and one custody agreement in respect of debt securities not admitted for public trading.

5.2.4 Money market activities:

In the 4th quarter of 2004, the Bank's activities on the money market related to the following:

- taking positions in respect of long term-term financial instruments with 5- and 10- year revaluation period,
- diversification of treasury assets portfolio by acquiring treasury and non-treasury foreign currency securities,
- obtaining long-term finance in CHF in order to finance own lending campaign in this currency - in the 4th quarter of 2004, the value of structural transactions was CHF 450 million,
- intensifying transactions with non-banking clients; in the 4th quarter of 2004, the value of transactions with non-banking clients increased by 15% compared to the previous quarter.

Additionally, in the 4th quarter of 2004:

- an annex was signed to the agreement with the Minister of Finance on the Bank's role as Dealer of State Treasury Securities in 2005,
- an annex was signed to the agreement with NBP on the Bank's role as Dealer of Money Market in 2005,
- a statement was issued by the Bank on its role as the Market Maker on the electronic trading platform, MTS-CeTO S.A.

5.2.5 Brokerage Activities

1. In the 4th quarter of 2004, Bankowy Dom Maklerski PKO BP SA (BDM):

- actively participated in the process of privatisation of the Bank as the co-leader managing the sub-issue for corporate clients; the value of its sub-issue exceeded PLN 2.7 billion. BDM acted as a sole managing agent of the sub-issue for the Bank's clients with a value of PLN 1.1 billion. BDM opened 64.6 thousand registered accounts,
- prepared share issue prospectuses and acted as an offerer for: EUROFAKTOR S.A. and DROZAPOL S.A., and additionally for BEEFSAN S.A., ATLANTA S.A., Browary Polskie Brok-Strzelec S.A.. The total value of the above companies share issues amounted to PLN 95.4 million.

2. In the 4th quarter of 2004:

- turnover of BDM on the stock market amounted to PLN 2.556 million and was nearly twice as high as that recorded in the previous quarter and by 191% higher compared the corresponding period of 2003,
- the BDM share in sales on the Warsaw Stock Exchange amounted to 6.4% and increased by 1.9 pp. compared to the 4th quarter of 2003.
- BDM was the leader on the bonds market - total sales amounted to PLN 919 million and the average share of BDM in sales on this market was 33.1% in the 4th quarter of 2004 (leading position among brokers), and was 14 p.p. higher than in the 4th quarter of 2003.

3. The following products were introduced to the BDM offer as of 1 October 2004:

- IKE – Bonds Account (*Konto IKE – Obligacje*), which is based on the relation between IKE (realised on the basis of the Act on individual pension accounts) and sale and management of treasury retail bonds, as part of the Bank's role of the bonds issue agent,
- IKE – Investment Account (*Konto IKE – Inwestycje*) in the form of a broker account addressed primarily to individuals who have basic knowledge of capital markets and decide to make investments on their own by investing in financial instruments available on the market, i.e. shares, bonds, rights to shares, rights issues.

4. At the end of 2004, BDM maintained 364 thousand accounts (which is 88% more compared to 2003), including 85.4 thousands - investment accounts and 278.6 thousands – registered accounts.

5.3. EQUITY INVESTMENTS

Key investing activities conducted by PKO BP SA in the 4th quarter of 2004 were as follows:

- decrease of the Bank's investment in the share capital of KGHM Polska Miedź Spółka Akcyjna to the level below 5% (in terms of share in the share capital and voting rights at the General Shareholders' Meeting),
- completion of liquidation proceedings with respect to the Bank's associate, Wrocławskie Zintegrowane Centrum Logistyczne Spółka Akcyjna. On 25 November 2004 this entity was cancelled from the National Court Register.

5.4. RESTRUCTURING OF THE BANK

Reorganisation

In the 4th quarter of 2004, the process of the reorganisation of the Bank was completed. The last stage was to restructure the Bank's Centre Branches. As a result, on 1 October 2004, 537 branches and 634 affiliated branches became operational. Creation of retail network with nearly 400 self reporting outlets (which previously were within the structure of other branches) made it possible to apply business solutions adopted as part of the Bank's reorganisation program.

As a result of the reorganization conducted in 2004:

- a corporate sales network was set up by creating regional corporate branches,
- restructuring of the Bank's Centre Branches was carried out and as a result, those branches are subordinated to the newly created Regional Retail Branches,
- a centralisation of support functions in the organisational structures was made (i.e. administration, accounting-settlement, cash management, IT, restructuring, debt collection, HR and payroll services, safety, credit risk assessment/ management and legal services).

At the same time, research work was carried out to check the possibilities for the enhancement in functioning of branches via centralisation of other tasks realised at the branch level.

In the 4th quarter of 2004, customer service and quality enhancement projects were completed. As a result, the Bank was able to offer new e-banking services, i.e. call centre and an internet access to Superkonto and Partner accounts to its clients.

Implementation of the Integrated IT System

In the 4th quarter of 2004, the main activities under Integrated IT System (ZSI) Project focused on the following:

- finalising an annex to the agreement for the supply and implementation of Integrated IT System with aim to remove functional gaps in the ZSI Software in accordance with the requirements of the Bank,
- agreeing terms and conditions of supplies, licenses and service fees with suppliers of the specialist software for ZSI purposes,
- upgrading one of the mainframe computers for the needs and requirements of the production environment, taking into account the compatibility with ZSI Software and other central applications of the Bank,
- developing detailed solutions for functional gaps of software, version R0.1,
- starting system tests in respect of ZSI Software in the scope of functionality of the R0.1 version,
- training sessions for the group of future super-trainers selected from the representatives of Regions and for employees of the ZSI Project Office.

Privatisation

In the 4th quarter of 2004, the Minister of the State Treasury disposed of 37.7% of the Bank's shares as part of the public offering.

The shares were offered as part of the Individual Investors Tranche (divided into the Bank Clients and Retail Investors Sub-Tranche), Polish Corporate Investors Tranche and Foreign Corporate Investors Tranche.

The price spread determined by the Minister of the State Treasury on 21 October 2004 ranged from PLN 17.50 to PLN 20.50 per share.

The total of 377,000,000 of the Bank's shares were allocated by the Minister of the State Treasury as part of the Initial Public Offering, of which:

- 55,811,678 shares accounting for 5.58% of the total number of shares and giving 5.58% of votes at the Bank's Annual General Meeting were allocated to the Client Sub-Tranche on 4 November 2004,
- 104,188,322 shares accounting for 10.42% of the total number of shares and giving 10.42% of votes at the Bank's Annual General Meeting were allocated to the Retail Investors Sub-Tranche on 6 November 2004; given the number of shares allocated to this Sub-Tranche, the purchase order average reduction rate was: 89.99% in the First Call and 94.84% in the Second Call,
- 132,000,000 shares accounting for 13.2% of the total number of shares and giving 13.2% of votes at the Bank's Annual General Meeting were allocated to the Polish Corporate Investors Tranche on 9 November 2004,
- 85,000,000 shares accounting for 8.5% of the total number of shares and giving 8.5% of votes at the Bank's Annual General Meeting were allocated to the Foreign Corporate Investors Tranche on 9 November 2004.

The selling price was PLN 20.50 per share, with the provision that shares in the Bank Clients Sub-Tranche and Retail Investors Sub-Tranche in the First Call were sold with a 4% discount, i.e. at PLN 19.68 per share, and in the Retail Investors Sub-Tranche in the Second Call – with a 2% discount thus giving PLN 20.09 per share.

After the completion of the Initial Public Offering, the shareholding structure of PKO Bank Polski SA was as follows:

- 62.3% – State Treasury,
- 29.2% – Domestic investors (corporate and retail sector),
- 8.5% – foreign investors.

The first trading of the Bank's shares on the Warsaw Stock Exchange took place on 10 November 2004. The closing rate on the first day was PLN 24.50 and was PLN 4.00 higher than the issue price. As at 31 December 2004, the closing rate was PLN 27.80.

5.5. OTHER ACHIEVEMENTS

Awards and distinctions in the 4th quarter of 2004:

- Award of the President of the Management Board of the Warsaw Stock Exchange to BDM:
 - for introducing to public trading in 2004 of the greatest number of companies,
 - for being the best market maker on the small enterprises market.
- Award on the IV Olympics of Banking services organised by the PENTOR Opinion Poll, finalist of the 10th Polish Capital-Finance Forum, TWOJE PIENIĄDZE, including:
 - 3rd prize for SUPERKONTO in the category „ROR dla Pana Andrzeja”,
 - 2nd prize for the INTELIGO account in the category of „ROR dla Pana Krzysztofa” (October 2004),
- THE BEST BANK – the title awarded by readers of Gazeta Prawna „The best in the years 1989-2004” (October 2004),
- The Patron of the National Library – the title awarded in recognition of the Bank's initiatives to support the National Culture (November 2004),
- Crystal Butterfly (Kryształowy Motyl) – the prize awarded by the Foundation „Porozumienie bez Barier” (December 2004).

Sponsoring and charity work

In the 4th quarter of 2004, sponsoring and charity activities were directed to support Polish culture, life and health and included the following:

- continuation of the long-term program „PKO Bank Polski for the National Culture”, under which the Bank was the Patron of the celebration of the 100-Anniversary of the Academy of Fine Arts in Warsaw, participated in the purchase of the original work (Étude No. 4 opus 10) signed by Fryderyk Chopin, exhibited in the Sotheby's Auction House. The purchase was donated as a gift to the Museum of Fryderyk Chopin in Warsaw,

- the Bank supported various institutions operating in the field of health protection and safety, raised funds for health programs carried out, among others, by Oncology Centre in Warsaw, Foundation for Children with Diabetes, Centrum Zdrowia Dziecka, Transplantology and Nefrology Clinic.

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

Powszechne Towarzystwo Emerytalne BANKOWY S.A.

In the 4th quarter of 2004 the value of assets held by Bankowy OFE increased by PLN 194 million compared to the balance as at the end of the 3rd quarter. As at the end of the 4th quarter of 2004 the value of assets of Bankowy OFE amounted to PLN 1,986 million. In terms of the value of managed assets Bankowy OFE holds 8th position on the market of open-end pension funds.

In the 4th quarter of 2004, the number of members of Bankowy OFE increased by 4,055 persons compared to the number of participants in the 3rd quarter, and as at 31 December 2004 amounted to 424,148 persons. In terms of the number of members, Bankowy OFE maintained the 8th position among open-end pension funds.

Powszechne Towarzystwo Emerytalne BANKOWY S.A., managing Bankowy OFE, obtained on 29 October 2004 a QMS (quality management system) certificate, PN-EN ISO 9001:2001 in the field of open pension fund asset management. The Certificate was granted by the Polskie Centrum Badań i Certyfikacji S.A., the largest Polish certifying body, a member of IQNet, an international organisation associating certifying organisations from different countries. The Certificate is of the same rank as any certificates granted by the most prominent global certifying organizations.

Centrum Elektronicznych Usług Płatniczych eService S.A.

In the 4th quarter of 2004, the number of terminals used by the Bank increased by 1,423 compared to the 3rd quarter, and as at 31 December 2004 amounted to 22,670 items.

During the 4th quarter of 2004, the Company recorded an increase in the number of transactions made using electronic terminals – by PLN 1,624 million (51.3%). The total value of transactions processed using the electronic terminals amounted to PLN 4,791¹ million.

In the 4th quarter of 2004 the company took steps to increase the scope of its services. As part of these activities, two agreements were signed: one for servicing transactions made using Diners Club cards and the other – for the service of re-loading of the GSM Heyah account.

Bankowy Fundusz Leasingowy S.A.

During the 4th quarter of 2004 the company entered into lease contracts with a total value of PLN 128 million. The cumulative value of contracts after four quarters of 2004 (873 – in terms of the numbers of new contracts) amounted to PLN 391 million.

At the end of 4th quarter of 2004, the company was ranked 12th on the market in terms of the net value of fixed assets leased (according to *The Association of Lease Companies*).

Inteligo Financial Services S.A.

During the 4th quarter of 2004 the company acquired 33 thousand of new customers and at the end of 4th quarter of 2004 was servicing approximately 379 thousand customers. As at the end of the 4th quarter of 2004, the company held 11% share in the internet banking market.

The total value of deposits collected by the company during the 4th quarter of 2004 increased by PLN 79 million compared to the 3rd quarter. However, the value of internet deposits decreased by PLN 27 million in comparison to the preceding quarter of 2004. This caused the decrease in the Inteligo's share in the internet bank deposits from 24% to 23%. As at the end of the 4th quarter of 2004, the total value of deposits amounted to PLN 1,239 million.

During the 4th quarter of 2004, the company increased the scope of cooperation with the Bank in the field of internet access to savings-giro accounts.

¹ This amount includes cash withdrawals made in the outlets and agencies of PKO BP SA using POS terminals.

PKO Inwestycje Sp. z o.o.

In the 4th quarter of 2004 PKO Inwestycje Sp. z o.o. continued its activities through subsidiaries.

The activities of Fort Mokotów Sp. z o.o., in which PKO Inwestycje Sp. z o.o. holds 51% of shares, established to carry out the „Marina” housing estate project in the 4th quarter of 2004, concentrated upon:

- sale of flats and housing apartments,
- continuation of construction work relating to the completion of stage I and stage II of the project, i.e. apartment buildings together with the housing estate infrastructure, as well as on developing common solutions for the planned „Centrum Biznesu Fort Mokotów” investment project.

In 2004, Fort Mokotów Sp. z o.o. recorded high financial results. As at the end of the 4th quarter of 2004, the net profit amounted to PLN 13 million.

In the 4th quarter of 2004, Wilanów Investmens Sp. z o.o., in which PKO Inwestycje Sp. z o.o. holds 51% of shares, established to carry out „the Miasteczko Wilanów” project, continued with stage I of this project and commenced the realisation of stage II. The level of completion of design work and the stage of completion of construction work was according to the plan.

Additionally, an out of court settlement was reached in an attempt to finalise dispute with the city of Łódź initiated by PKO Inwestycje Sp. z o.o. for the return of funds invested by the company in connection with the construction of the registered office of Powiatowy Urząd Pracy.

Centrum Finansowe Puławska Sp. z o.o.

The percentage of rented office and commercial space in the 4th quarter of 2004 remained at the same level as in the third quarter and amounts to 96.18%. The financial result and financial ratios remain stable.

Dom Maklerski BROKER S.A.

An increase in sales from brokerage activities was recorded in the 4th quarter of 2004. This was the result of a significant increase in trading at the Warsaw Stock Exchange.

At the same time, the company worked to transfer its brokerage activities to Bankowy Dom Maklerski. The completion of these works is planned for the first quarter of 2005.

Kredyt Bank (Ukraina) S.A.

In terms of net assets, the share of Kredyt Bank (Ukraina) S.A. in the domestic (Ukrainian) banking services market amounted to 1.0% and the bank was ranked 23 among Ukrainian banks.

The value of loans granted increased from UAH 897 million as at the end of the 3rd quarter of 2003 to UAH 1,027 million as at the end of the 4th quarter.

Given the political instability in Ukraine, Kredyt Bank (Ukraina) S.A. recorded a slight decrease in customer deposits, from UAH 1,027 million as at the end of the 3rd quarter of 2004 to UAH 966 million as at the end of the 4th quarter of 2004.

7. FACTORS AND EVENTS WITH SIGNIFICANT IMPACT ON FINANCIAL PERFORMANCE

7.1. FINANCIAL PERFORMANCE OF THE CAPITAL GROUP IN THE 4TH QUARTER OF 2004

Balance sheet data

The balance sheet of the holding company has the most significant impact on the balance sheet of the PKO BP SA Group. It determines both the value and the structure of the Group's assets and liabilities. As at the end of 4th quarter of 2004, the share of total assets of PKO BP SA accounted for 99,1% of total assets of the Group.

Assets

As at 31 December 2004, total assets of the Group amounted to PLN 88,259 million and increased by PLN 1,746 million (2.02%) during the 4th quarter of 2004.

The main categories of assets were receivables, debt securities and shares, accounting for 92.1% of total assets. The share of these items increased by 0.7 percentage points compared with the balance as at the end of December 2003.

Table 2. Structure and growth of assets

Assets	As at 31.12.2004		As at 31.12.2003		Growth
	PLN thousands	Structure	PLN thousands	Structure	
<i>I</i>	2	3	4	5	2/4
1. Cash and amounts due from the Central Bank	3 525 324	4.0%	3 807 529	4.5%	92.6%
2. Receivables	55 607 587	63.0%	47 072 653	55.7%	118.1%
3. Debt securities and shares	25 668 779	29.1%	30 246 860	35.8%	84.9%
4. Tangible fixed assets	2 265 989	2.7%	2 449 915	2.9%	96.6%
5. Other assets	1 090 987	1.2%	993 199	1.2 %	109.8%
Total assets	88 258 666	100.0%	84 570 156	100.0%	104.4%

As at 31 December 2004, total net receivables of the Group amounted to PLN 55,608 million and increased by 18.1% when compared with the previous year. Out of this amount:

- net receivables due from financial, non-financial institutions and from the public sector amounted to PLN 55,441 million and were PLN 8,787 million (18.8%) higher compared to the previous year, and PLN 2,174 million (4.1%) higher compared to the end of the third quarter of 2004. The annual increase resulted from an increase in receivables due from the financial sector (by PLN 5,258 million), which included the Bank's deposits placed, as well as increase in receivables due from customers (i.e. non-financial and public sector) by PLN 3,529 million. The increase in the 4th quarter of 2004 also resulted from an increase in receivables due from the financial sector and from customers (by PLN 1,563 million and PLN 611 million, respectively),
- there were no receivables from reverse-repo transactions (similar to 30 September 2004), which means that such receivables decreased by PLN 284 million during the period of one year,
- receivables from subsidiaries, jointly controlled entities and associates accounted for using the equity pick-up method amounted to PLN 167 million and were PLN 32 million higher compared to the previous year, while remaining at a comparable level to that as at the end of the 3rd quarter of 2004.

At the end of December 2004, the Group's investments in debt securities and shares amounted to PLN 25,669 million and decreased by PLN 4,578 million (15.1%) in comparison to the previous year. During the 4th quarter of 2004, the balance of these items increased by PLN 449 million.

Liabilities and equity

At the end of December 2004, amounts due were the biggest items in the Group's total liabilities and equity, as they accounted for 84.3% of the balance sheet total. The second largest item was the shareholders' equity, which accounted for 9.1% of the balance sheet total. Compared to the previous year, the share of amounts due to the Central Bank and to other sectors in the balance sheet total decreased by 2.0 percentage points, mainly as a result of 1.5 percentage points increase in shareholders' equity.

Table 3. Structure of liabilities and equity

Liabilities and equity	As at 31.12.2004		As at 31.12.2003		Growth
	PLN thousands	Structure	PLN thousands	Structure	
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>2/4</i>
1. Amounts due	74 400 188	84.3%	72 968 723	86.3%	102.0%
2. Special funds and other liabilities	1 077 862	1.2%	929 054	1.1%	116.0%
3. Accruals and deferred income	3 283 389	3.7%	2 972 974	3.5%	110.4%
4. Provisions	1 405 954	1.6%	1 301 491	1.5%	108.0%
5. Minority interests	25 195	0.0%	503	0.0%	5 009.0%
6. Shareholders' equity (incl. net profit)	8 066 078	9.1%	6 397 411	7.6%	126.1%
Total liabilities and equity	88 258 666	100.0%	84 570 156	100.0%	104.4%

As at 31 December 2004, total liabilities of the Group amounted to PLN 74,400 million, of which PLN 74,084 million related to amounts due to the financial, the non-financial and the public sector (this amount included the liabilities of PKO BP SA being the deposit base, which amounted to PLN 73,377 million). Other liabilities in the amount of PLN 316 million comprised mainly of liabilities arising from financial instruments and debt securities issued. The Group's liabilities increased by PLN 1,431 million compared to the prior year.

As for the remaining items of the Group liabilities and equity, a significant change from the prior year was noted only in minority interests. An increase in this balance is due to consolidation of Kredyt Bank (Ukraine) S.A., in which PKO BP SA has the share of 66.651%.

Financial result and performance indicators

After 4 quarters of 2004 the PKO BP SA Group recorded a gross profit amounting to PLN 1,872 million, of which PLN 361 million related to the 4th quarter itself. After deducting obligatory tax charges amounting to PLN 372 million, and adjusting the financial result for the Bank's share in the net profits of entities accounted for using the equity pick-up method and profits attributable to minority shareholders in the amount of PLN 14 million, the resulting net profit amounted to PLN 1,514 million, of which PLN 297 million related to the 4th quarter.

The result from banking activities for the period of 12 months of 2004 amounted to PLN 5,517 million and was 2.3% higher than the result for the corresponding period of 2003. The result recorded in the 4th quarter of 2004 amounted to PLN 1,474 million and was 7.1% lower than the result for the 4th quarter of 2003.

Table 4. Main items of the profit and loss account (in PLN thousands):

	4 quarters of 2004		4 quarters of 2003		Increase/ Decrease	
	Total	of which: 4th quarter	Total	of which: 4th quarter	4 quarters of 04 / 4 quarters of 03	4 th quarter of 04/ 4 th quarter 03
1. Net interest income	3 629 648	909 638	3 461 930	894 826	104.8%	101.7%
2. Net fees and commission income	1 591 333	448 196	1 333 526	355 909	119.3%	125.9%
3. Profit from sales	75 266	10 419	135 071	87 688	55.7%	11.9%
4. Result from financial operations and income from shares	(178 555)	(168 696)	64 080	23 023	x	x
5. Foreign exchange result	474 930	284 550	535 473	102 508	88.7%	277.6%
6. Result from other operating activities	121 059	27 857	93 648	9 116	129.3%	305.6%
7. General banking and administrative expenses	(3 224 132)	(892 149)	(3 177 819)	(935 408)	101.5%	95.4%
8. Depreciation of tangible fixed assets and amortisation of intangible assets	(519 577)	(127 804)	(515 980)	(162 758)	100.7%	78.5%
9. Change in provisions and revaluation of financial assets	(76 745)	(125 937)	(297 073)	(114 864)	25.8%	109.6%
10. Result from operating activities	1 893 227	366 074	1 632 856	260 040	115.9%	140.8%

11. Net extraordinary gains/ (losses)	229	218	401	111	57.1%	196.4%
12. Goodwill/ negative goodwill amortisation	(21 449)	(5 022)	(9 529)	(4 683)	225.1%	107.2%
13. Gross profit/ (loss)	1 872 007	361 270	1 623 728	255 468	115.3%	141.4%
14. Corporate profits tax	(371 934)	(66 398)	(432 529)	(9 280)	86.0%	715.5%
15. Shares in net profits/ (losses) of	14 308	2 834	(217)	(11 719)	x	x
16. Net profit/ (loss)	1 514 381	297 706	1 190 982	234 469	127.2%	127.0%

During the period from January to December 2004, the Group recorded net interest income amounting to PLN 3,630 million, i.e. 4.8% higher than in the previous year. It comprised of interest income in the amount of PLN 5,310 million and interest expense in the amount of PLN 1,681 million. The interest result recorded in the 4th quarter of 2004 amounted to PLN 910 million and was 1.7% higher than the result recorded in the 4th quarter of 2003.

Net fees and commission income for the four quarters of 2004 amounted to PLN 1,591 million (of which PLN 448 million in the 4th quarter) and was 19.3% higher when compared to the previous year. It consisted of fees and commission income in the amount of PLN 1,869 million and fees and commission expense in the amount of PLN 278 million.

Financial operations, income from shares and foreign exchange operations in the 12 months of 2004 totalled to a profit of PLN 296 million (which represents 49.3% of the result for the corresponding period of 2003), which consisted of: foreign exchange gains of PLN 475 million, income from shares of PLN 3 million and loss from financial operations amounting to PLN 182 million.

General expenses of the Group, including the total of general banking and administrative expenses and depreciation/amortisation expense, amounted to PLN 3,744 million for the four quarters of 2004 (of which PLN 520 million represented depreciation/amortisation charges) and remained at a level comparable to that of the previous year. Costs incurred in the 4th quarter of 2004 amounted to PLN 1,020 million and were 7.1% lower when compared with the corresponding period of 2003.

In 2004, the result on provisions and revaluation of financial assets was negative and decreased the Group's profit by PLN 77 million (in the 4th quarter of 2004 it amounted to -126 million PLN). Provision charges and revaluation for the four quarters of 2004 amounted to PLN 1,053 million (25.3% less than in the previous year), whereas the value of released provisions amounted to PLN 976 million (12.2% less than in the previous year).

The 2004 results of the PKO BP SA Group, when compared with the results for 2003, (adjusted for comparability purposes to reflect changes in the 2003 accounting policies), resulted in the following changes in the key performance indicators:

- return on assets (ROA) increased by 0.32 percentage points,
- return on equity (ROE) increased by 0.89 percentage points,
- cost/income ratio (C/I) decreased by 0.62 percentage points,
- coverage of overhead expenses by fees and commission income improved by 7.40 percentage points.

Table 5. Return on assets and return on equity

Ratios	For the 12 – month period ended 31.12.2004	For the 12-month period ended 31.12.2003
1	2	4
1. Net profit/ (loss) /average assets (ROA_{net}) ¹	1.75%	1.43%
2. Net profit / (loss)/average equity (ROE_{net}) ²	20.94%	20.05%

¹ ROA net computed as proportion of net profit/ (loss) for the 12 month period to the arithmetic average of assets at the beginning and at the end of the period.

² ROE net computed as proportion of net profit/ (loss) for the 12 month period to the arithmetic average of equity (including profits brought forward and profit for the year) at the beginning and at the end of the period

Table 6. Selected base performance indicators

Ratios	For the period from 1.01.2004 to 31.12.2004	For the period from 1.01.2003 to 31.12.2003
<i>1</i>	<i>2</i>	<i>4</i>
1. Overhead expenses, depreciation and amortisation/ result on banking activities (C/I)	67.85%	68.47%
2. Net fees and commission income / overhead costs	49.36%	41.96%

7.2. FINANCIAL PERFORMANCE OF PKO BP SA IN THE 4TH QUARTER OF 2004

Balance sheet data

As at 31 December 2004, total assets of the Bank amounted to PLN 87,427 million and increased by PLN 1,945 million, i.e. 2.3%, during the 4th quarter of 2004.

Assets

The main categories of assets were receivables, debt securities and shares, which accounted for 92.8% of total assets. The share of these items in the Bank's assets increased by 1.1 percentage points compared with the balance as at the end of 2003.

Table 7. Structure and growth of assets

Assets	As at 31.12.2004		As at 31.12.2003		Growth
	PLN thousand	Structure	PLN thousands	Structure	
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>2/4</i>
1. Cash and amounts due from the Central Bank	3 490 505	4.0%	3 807 487	4.5%	91.7%
2. Receivables due from financial, non financial and public sector	54 963 032	62.9%	46 833 324	55.5%	117.4%
3. Reverse-repo transactions	0	0.0%	283 713	0.3%	0.0%
4. Debt securities and shares	26 130 367	29.9%	30 579 580	36.2%	85.5%
5. Tangible fixed assets	1 939 016	2.2%	2 063 015	2.4%	94.0%
6. Other assets	903 911	1.0%	859 498	1.0%	105.2%
Total assets	87 426 831	100.0%	84 426 617	100.0%	103.6%

As at 31 December 2004, net receivables from financial, non-financial institutions and the public sector amounted to PLN 54,963 million and were PLN 8,130 million (17.4%) higher compared to the previous year, and PLN 2,245 million (4.3%) higher compared to the balance as at the end of the third quarter of 2004. The annual increase resulted from an increase in receivables due from the financial sector (by PLN 5,221 million), which included the Bank's deposits placed, as well as increase in receivables due from customers (i.e. non-financial and public sector) by PLN 2,910 million. The increase in the 4th quarter of 2004 also resulted from an increase in receivables due from the financial sector and from customers (by PLN 1,652 million and PLN 594 million, respectively).

The balance of assets at the end of 2004 did not include any receivables from reverse-repo transactions, which means that during the year such receivables decreased by PLN 284 million. The change in the balance of receivables from reverse-repo transaction results from current commercial operations of the Bank and from balances of open positions as at the last day of the reporting period.

At the end of December 2004, the Bank's investments in debt securities and shares amounted to PLN 26,130 million and decreased by PLN 4,449 million (14.5%) compared to the previous year, with a decrease of PLN 565 million (2.2%) attributable to the 4th quarter of 2004 alone.

Liabilities and equity

At the end of December 2004, the biggest items of the Bank's liabilities and equity were liabilities due to financial, non-financial and public sector, which amounted to PLN 73,377 million and accounted for 83.9% of the balance sheet total. The second largest item was the shareholders' equity, which accounted for 9.2% of the balance sheet total and amounted to PLN 8,066 million. Compared to the previous year, the share of liabilities due to those sectors in the balance sheet total of the Bank decreased by 2.2 percentage points, mainly as a result of 1.6 percentage points increase in shareholders' equity.

Table 8. Structure and growth of liabilities and equity

Liabilities and equity	As at 31.12.2004		As at 31.12.2003		Growth
	in PLN thousands	Structure	In PLN thousands	Structure	
<i>I</i>	2	3	4	5	2/4
1. Amounts due to the Central Bank	144	0.0%	0	0.0%	X
2. Amounts due to the financial, non-financial and public sector	73 376 675	83.9%	72 651 468	86.1%	101.0%
3. Accruals and deferred income	3 275 719	3.7%	2 968 369	3.5%	110.4%
4. Provisions	1 408 877	1.6%	1 303 158	1.5%	108.1%
5. Other liabilities	1 299 338	1.5%	1 106 211	1.3%	117.5%
6. Shareholders' equity (incl. net profit)	8 066 078	9.2%	6 397 411	7.6%	126.1%
Total liabilities and equity	87 426 831	100.0%	84 426 617	100.0%	103.6%

In the total amount of the Bank's liabilities to the financial, non-financial and public sector, representing the Bank's deposit base, term liabilities accounted for 66.6% and current liabilities - 33.4% of the total. This proportion did not change significantly during the 4th quarter of 2004; however, when compared to the previous year, the share of current liabilities in the total balance increased by 1.6 percentage points (as at the end of 2003 the share amounted to 31.8%).

At the end of 2004, the balance of provisions and other liabilities, including special funds and other liabilities of the Bank amounted to PLN 2,708 million and increased by PLN 299 million (12.4%) compared to the balance as at the end of 2003. However, when compared to the balance as at the end of the 3rd quarter of 2004, the total of these items decreased by PLN 10 million (0.4%).

Financial result and performance indicators

In 2004, PKO BP SA recorded a gross profit amounting to PLN 1,803 million, of which PLN 326 million was realised in the 4th quarter. After deducting obligatory tax charge amounting to PLN 362 million, and adjusting the financial result for the Bank's share in the net profits of entities accounted for using the equity pick-up method, which amounted to PLN 73 million, the resulting net profit amounted to PLN 1,514 million, of which PLN 298 million related to the 4th quarter.

The result on banking activities for 2004 amounted to PLN 5,429 million and was PLN 25 million (0.5%) higher than the result for the corresponding period of 2003. The result recorded in the 4th quarter of 2004 amounted to PLN 1,415 million and was PLN 43 million (3.1%) higher than the result for the corresponding period of 2003.

Table 9. Main items of the profit and loss account (in PLN thousands)

	4 quarters of 2004		4 quarters of 2003		Increase/ decrease	
	Total	including 4 th quarter	Total	including 4 th quarter	4 quarters of 04 / 4 quarters of 03	4 th quarter of 04/ 4 th quarter of 03
1. Result from banking activities, of which:	5 428 936	1 415 044	5 403 923	1 372 172	100.5%	103.1%
1.1. Net interest income	3 590 306	893 331	3 432 371	885 793	104.6%	100.9%
1.2. Net fees and commission income	1 581 055	434 926	1 375 090	373 612	115.0%	116.4%
1.3. Result from financial operations and income from shares	-177 359	-166 406	64 298	23 306	x	x
1.4 Foreign exchange result	434 934	253 193	532 164	89 461	81.7%	283.0%
2. Net operating income and expense	91 456	16 103	102 389	23 283	89.3%	69.2%
3. General banking and administrative expenses	-3 175 603	-866 341	-3 098 482	-871 678	102.5%	99.4%
4. Depreciation of tangible fixed assets and amortisation of intangible assets	-471 396	-114 044	-468 448	-149 919	100.6%	76.1%
5. Change in provisions and revaluation of financial assets	-70 258	-125 440	-279 797	-107 939	25.1%	116.2%
6. Result from operating activities	1 803 135	325 322	1 659 585	265 919	108.6%	122.3%
7. Extraordinary gains/ (losses)	229	218	401	111	57.1%	196.4%
8. Gross profit/ (loss)	1 803 364	325 540	1 659 986	266 030	108.6%	122.4%
9. Corporate profits tax	-361 762	-64 358	-416 182	-1 910	86.9%	3369.5%
10. Shares in the net profits/ (losses) of subordinated entities accounted for using the equity method	72 779	36 524	-52 822	-29 651	x	x
11. Gross profit/ (loss)	1 514 381	297 706	1 190 982	234 469	127.2%	127.0%

In 2004 the Bank recorded net interest income of PLN 3,590 million, which was PLN 158 million (4.6%) higher than in the previous year. It was comprised of interest income amounting to PLN 5,245 million and interest expense amounting to PLN 1,655 million. The net interest income for the 4th quarter of 2004 in the amount of PLN 893 million was 0.9% higher than the result recorded in the 4th quarter of 2003.

Net fees and commission income for 2004 amounted to PLN 1,581 million and was 15.0% higher compared to the previous year. It consisted of fees and commission income amounting to PLN 1,865 million and fees and commission expense in the amount of PLN 284 million. The fees and commission income, net for the 4th quarter of 2004 in the amount of PLN 435 million was 16.4% higher than the result recorded in the 4th quarter of 2003.

Financial operations, income from shares and foreign exchange operations in 2004 generated a profit amounting to PLN 258 million (which represents 43.2% of the profit for 2003), which consisted of: foreign exchange gains in the amount of PLN 435 million, income from shares in the amount of PLN 3 million and a loss from financial operations in the amount of PLN 181 million.

The change in the result from financial operations amounted to PLN - 167 million in comparison to the third quarter of 2004, whereas the change in foreign exchange result amounted to PLN 253 million.

The change in the net result from financial operations was affected by the following factors: a change in the presentation of the result on the CIRS (*Currency Interest Rate Swap*) amounting to PLN 106 million, a negative result on IRS and FRA transactions amounting to PLN 98 million, a change in the presentation of the financial effects of the Wschodni Bank Cukrownictwa shares valuation amounting to PLN 43 million and an increase of the result from other factors amounting to PLN 4 million.

The amount of PLN 106 million resulting from CIRS transactions, in the financial statements for three quarters period ended 30 September 2004 was presented in the result from financial operations. In the 4th quarter the amount of PLN 106 million increases the foreign exchange result, which means decreasing the result from financial operations by the same amount.

The IRS and FRA transactions are used by the Bank mainly to hedge the result realised on the financial assets classified as available for sale (AFS portfolio). Following the accounting regulations, the changes of the AFS portfolio valuation are recognised in the revaluation reserve. Negative result on IRS & FRA transactions resulting from PLN interest rates decrease in the 4th quarter of 2004 does not constitute an economic loss of the Bank as it was compensated by an increase in the valuation of AFS portfolio debt securities, amounting to PLN 103 million credited to the revaluation reserve.

General expenses of the Bank, including overhead costs and depreciation/amortisation expense, amounted to PLN 3,647 million in 2004 (of which PLN 471 million related to depreciation/amortisation charges) and were 2.2% higher when compared with the previous year. The costs incurred in the 4th quarter of 2004 amounted to PLN 980 million and were 4.0% lower when compared with the corresponding period of 2003.

In 2004, the result on provisions and revaluation decreased the Bank's profit by PLN 70 million (in the 4th quarter of 2004 it amounted to PLN -125 million). Provision charges and revaluation for 2004 amounted to PLN 1,018 million (and were 25.8% less than in the previous year), whereas the amount of released provisions amounted to PLN 948 million (13.3% less than in the previous year). The achievement of more favourable result on specific provisions was due to the following two factors: improvement in the quality of the loan portfolio on one hand and application of new principles of classification of loan exposures and recognition of specific provisions on the other hand (in accordance with the Decree of the Minister of Finance of 10 December 2003 on providing for risks relating to banking activities).

The 2004 results of PKO BP SA, when compared to the results for 2003, (adjusted for comparability purposes to reflect changes in the 2004 accounting policies), resulted in the following changes in the key performance indicators:

- return on assets (ROA) increased by 0.33 percentage points,
- return on equity (ROE) increased by 0.89 percentage points,
- cost/income ratio (C/I) increased by 1.17 percentage points,
- coverage of overhead costs by fees and commission income improved by 5.41 percentage points.

Table 10. Return on assets and return on equity

Ratios	For the period from 1.01.2004 to 31.12.2004	For the period from 1.01.2003 to 31.12.2003
<i>1</i>	<i>2</i>	<i>4</i>
1. Net profit/ (loss) / average assets (ROA_{net}) ¹	1.76%	1.43%
2. Net profit/ (loss)/ average equity (ROE_{net}) ²	20.94%	20.05%

¹ ROA net computed as proportion of net profit/ (loss) for the 12 month period to the arithmetic average of assets at the beginning and at the end of the period.

² ROE net computed as proportion of net profit/ (loss) for the 12 month period to the arithmetic average of equity (including profits brought forward and profit for the year) at the beginning and at the end of the period

Table 11. Key performance indicators

Ratios	For the period from 1.01.2004 to 31.12.2004	For the period from 1.01.2003 to 31.12.2003
<i>1</i>	<i>2</i>	<i>4</i>
1. Overhead expenses, depreciation and amortisation/ result on banking activities (C/I)	67.18%	66.01%
2. Net fees and commission income/ overhead costs	49.79%	44.38%

Shareholders' equity and capital adequacy ratio

As at 31 December 2004, the shareholders' equity amounted to PLN 8,066 million and was 26.1% higher compared to the previous year. Out of this amount, PLN 1,519 million (18.9%) represented accumulated profits from previous years and net profit for the year. When compared to the previous year, the balance of shareholders' equity (without profit) increased by PLN 1,382 million, mainly as a result of the appropriation of profit for 2003.

As at 31 December 2004, the capital adequacy ratio was 16.73% and remained at a level comparable to that of the prior year end (2003: 16.90%). However, when compared with the 3rd quarter of 2004, the capital adequacy ratio decreased by 0.92 percentage points, which – on one hand - was due to an increase in overall capital requirement resulting from the increase of loan granting activity, and – on the other – to the decrease in the balance of own funds used to calculate the capital adequacy ratio, which resulted from the increase in intangible assets decreasing those funds.

Table 12. Shareholders' equity

Details	As at 31.12.2004		As at 31.12.2003		Growth
	in PLN thousands	Structure	in PLN thousands	Structure	
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>2/4</i>
1. Share capital	1 000 000	12.4%	1 000 000	15.6%	100.0%
2. Reserve capital	2 804 731	34.8%	1 783 827	27.9%	157.2%
3. Revaluation reserve	372 244	4.6%	220 664	3.4%	168.7%
4. Other reserves	2 370 000	29.4%	2 160 000	33.8%	109.7%
Shareholders' equity (excluding current year profit)	6 546 975	81.2%	5 164 491	80.7%	126.8%
5. Accumulated profits/ (losses) from previous years	4 722	0.1%	41 938	0.7%	11.3%
6. Net profit for the year	1 514 381	18.8%	1 190 982	18.6%	127.2%
Total Shareholders' equity	8 066 078	100.0%	6 397 411	100.0%	126.1%

7.3. FACTORS THAT INFLUENCED THE BANK'S RESULT

7.3.1 Macroeconomic environment

- The growth in an industrial production, construction industry and foreign trade continued in October and November 2004, indicating that the high growth of GDP continued in the 4th quarter of 2004.
- Despite overall economic recovery, there were no visible effects on the labour market. The declining trend in employment continued. In December 2004, an increase, up to 19.1%, in the rate of registered unemployment was recorded compared to 18.7% in November 2004.
- Stabilization of annual inflation rate continued in the 4th quarter of 2004. Strengthening of Polish zloty contributed to this trend as it partially limited the pro-inflation increases in oil prices. As a result, the annual rate of increase in consumer prices reached 4.4% in December 2004.
- In October 2004, the Bank recorded a temporary increase in the level of household deposits which resulted from changes in cash demand before introducing shares of PKO BP SA to public trading. As at the end of December 2004, the balance of household deposits was 2.5% higher compared to the balance as at the end of September 2004. The growing trend in corporate deposits continued during the last months of 2004, supported by good financial results of enterprises.
- A rapid growth followed by a decrease in household credits was recorded in the 4th quarter of 2004. This was closely related to the public offering of the shares of PKO BP SA. Given the delayed growth in investments, no significant increase in demand for corporate loans followed.
- In November 2004, the National Bank of Poland published its Report on inflation together with inflation rate projection. The projection showed that the probability that the inflation rate will remain above the inflation target of the Monetary Policy Board (2.5%) in the next two years decreased, although is still above 50%. In order to bring the growing trend of inflation to a stop under considerable appreciation of Polish zloty, the Monetary Policy Board decided to keep interest rates unchanged.

7.3.2 Regulatory environment

The following regulatory changes had an effect on the Bank's results in the 4th quarter of 2004:

- The Act on Individual Pension Accounts (*Indywidualne Konta Emerytalne – IKE*), effective as of 1 September 2004 (2004 Journal of Laws No. 116, item 1205) enabled individuals to make savings in order to acquire an additional source of income upon retirement. PKO BP used this opportunity to offer its customers the following accounts: IKE-Bonds Account and IKE-Investment Account (as of 1 October 2004) and also Super IKE Deposit Account (as of 29 November 2004),
- The Act on Investment Funds (2004 Journal of Laws No. 146 item 1546). Despite the fact that it became effective as of 1 July 2004, the companies managing investment funds started to use financial instruments for savings deposits purposes as late as in the 4th quarter of 2004. This affected the allocation of savings in PKO BP.

Additionally, during the 4th quarter of 2004, the preparations were under way to implement regulatory solutions, which the Bank is obliged to apply as of the beginning of 2005. This relates in particular to the following:

- the requirement to prepare the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), which is an obligation for the issuers of securities admitted to public trading under the Act of 27 August 2004 on the amendments to the Accounting Act (Journal of Laws, No 213, item 2155),
- modification of solutions relating to creation of own funds, exposure concentration and capital adequacy, under the amended Banking Law being in force since 1 May 2004 (Journal of Laws, No.91, item 870),
- implementation of the provisions of Resolution of the Committee of the Banking Supervision on amended policies of establishing capital requirements and calculation of capital adequacy ratio (Resolution No. 4/2004 KNB of 8 September 2004 – Official NBP Journal, No. 15, item 25).

Implementation of the above regulatory solutions as of the beginning of 2005 required incurring by the Bank additional expenses and organisational resources relating to the development of new procedures and staff training. In particular, the implementation of IAS/IFRS, which as of the beginning of 2005 are the basis for the preparation of consolidated financial statements may have a significant effect on the situation of the Bank and on the Bank's assets and its financial situation in 2005 and 2004 (due to the requirement to prepare the 2004 comparative data for the purposes of the opening balance). The new solutions will have an effect on the Bank's results (among others, on the Bank's equity, financial result, deferred tax, specific provisions and key financial ratios). Adopting IAS/IFRS as the basic accounting policies will also require the Bank to adopt new reporting formats for the Securities and Exchange Commission, the National Bank of Poland and to the Committee for the Banking Supervision. This will require necessary IT solutions and Bank's staff training.

7.3.3 Financial market

During the 4th quarter of 2004, the financial market recorded a significant decrease in profitability of the whole yield curve by approximately 80 base points. The greatest decrease in profitability was in the segment of 5- and 10- year treasury bills and amounted to approximately 90 base points. The decrease in the profitability resulted from lack of earlier expected by the market increase in interest rates, as well as from increased expectations of investors for the decrease in interest rates in 2005. At the same time, limited supply of treasury bills caused by good situation of public finance proved by the execution of budget deficit and stabilisation of the amount of public debt, contributed to the increase in prices of treasury bills.

The appreciation of Polish zloty continued in the 4th quarter of 2004. Privatisation processes and positive approach of markets to Polish currency resulting from Poland's accession to the EU contributed to that trend. As at the end of 2004, the exchange rates against EUR and USD were as follows: 4.08 PLN/EUR and 2.99 PLN/USD, and represented strengthening of the Polish currency against EUR and USD by 7% and 16%, respectively compared to the end of the 3rd quarter of 2004.

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

- On 4 January 2005, the Management Board of the Bank resolved to give its permission for the purchase of shares of Centrum Obsługi Biznesu Sp. z o.o. with its registered office in Poznań. On 6 January 2005, the Bank issued representations concerning purchase of 34,992 shares of Centrum Obsługi Biznesu Sp. z o.o., and on

11 January 2005 transferred the amount of PLN 17,496 thousand as payment for the shares. After registration of the increase in the Company's share capital in the National Court Register which took place on 25 January 2005 the Bank has 41.44% shares in the share capital of the company. The purpose of the company is building and administration of a hotel located in Poznań, which would be managed by Sheraton – international hotel network operator.

- On 12 January 2005, the Bank made a payment (“dopłata”) to PKO Inwestycje Sp. z o.o. in the amount of PLN 1,020 thousand for the realisation of the „Miasteczko Wilanów” investment project.
- On 13 January 2005, the Moody's rating agency increased the scoring of financial strength of PKO BP SA from D plus with a positive perspective to C minus with a positive perspective. Other score remained unchanged.
- On 1 February 2005, the Bank received a report from Capital Intelligence, a rating agency, dated December 2004. According to this report, the rating for PKO BP SA support was decreased from 1 to 2, with other ratings being unchanged. According to the agency, the decrease was caused by the reduction of the share of the State Treasury in the Bank's share capital

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

The Bank did not publish any projections of the results for the year 2004.

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

Starting from the 1st quarter of 2005, the results of the Bank may be affected by the amendments to the Accounting Act of 29 September 1994 (2004 Journal of Laws No. 213, item 2155 with subsequent amendments) as well as the amendments to the Corporate Profits Tax Act of 15 February 1992 (2000 Journal of Laws No. 54, item 654 with subsequent amendments) – being currently in the draft phase - in the context of the requirement for banks to prepare annual consolidated accounts in accordance with International Accounting Standards, International Financial Reporting Standards and the related interpretations published in the form of resolutions of the European Commission.

The most vital issues, which might influence the Bank's financial result, include: impairment of loans, tax classification of those write-offs and valuation of assets (including loans and receivables originated by the Bank) and liabilities (deposits) at amortised cost using effective interest rate.

11. SHAREHOLDERS WITH AT LEAST 5% OF VOTES AT THE ISSUER'S GENERAL SHAREHOLDERS' MEETING, HELD DIRECTLY OR INDIRECTLY, AS AT THE DATE OF SUBMITTING THIS QUARTERLY REPORT

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.

Shareholder	Percentage of votes as at the date of submitting previous quarterly report	Number of shares as at the date of submitting previous quarterly report	% change from the date of submitting previous quarterly report	Percentage of votes as at the date of submitting this report	Number of share as at the date of submitting this report
State Treasury	62.3 %	623,000,000	0	62.3 %	623,000,000

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.

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

Presented below are the shares held by the members of the Management Board and the Supervisory Board of the Bank in the 4th quarter of 2004 according to the status as at 11 February 2005:

	Number of shares, options 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	2,603	-	2,502	101

*) status as of 9 November 2004

In the 4th quarter of 2004, on 18 November 2004 Mr Bazyli Samojlik purchased 1,000 of shares of PKO BP SA and on 17 December 2004 sold 1,000 shares of PKO BP SA. As of 31 December 2004 Mr Bazyli Samojlik did not own any shares of PKO BP SA.

In the 4th quarter of 2004, on 8 November 2004 Mr Andrzej Giryn purchased 2,502 shares of PKO BP SA and on 10 November 2004 sold 2,502 shares of PKO BP SA. As of 31 December 2004 Mr Andrzej Giryn did not own any shares of PKO BP SA.

In the 4th quarter of 2004, on 8 November 2004 relatives of Mr Andrzej Giryn purchased 4,807 shares of PKO BP SA and on 10 November 2004 sold 4,807 shares of PKO BP SA. As of 31 December 2004 relatives of Mr Andrzej Giryn did not own any shares of PKO BP SA.

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

As at 31 December 2004, the total value of court proceedings conducted against the Bank was PLN 10,000,000,391,361,850.30, while the total value of proceedings initiated by the Bank was PLN 92,071,761.21.

The court proceeding with the highest value was as follows:

- proceeding initiated by a physical person against PKO BP S.A. for damages caused by the Bank's failure to re-value and pay funds collected on a savings pass book registered in 1971. The value of the claim amounts to PLN 10,000,000,000 million. On 14 September 2004, the Regional Court delivered the above statement of claim to the Bank.

The claim for the payment of PLN 10,000,000,000 million is completely unjustified due to the fact that the plaintiff did not meet the statutory requirements for obtaining guarantee premium as well as due to the exclusion of funds collected on bank accounts from re-valuation under Art. 13 of the Act of 28 July 1990 amending the Civil Code Act (Journal of Laws No. 55, item 321). In addition, no such claims were ever recognised by the existing court jurisdiction. The court hearing will take place on 13 March 2005.

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

- On the basis of Cooperation Agreement signed with a subsidiary, Inteligo Financial Services S.A. ("IFS"), on 29 November 2002 (with Annexes Nos. 1,2,3,4) and the Agreement of 12 September 2003 attached as an appendix to the Cooperation Agreement, during the 4th quarter of 2004 PKO BP SA made a payment to this company in the amount of PLN 28 million. The total amount of consideration received by the company during the period from January 2004 to December 2004 amounted to PLN 75 million.

The Agreements were signed in order to determine the principles of co-operation between the parties with respect to maintenance and development of the operating system servicing Inteligo accounts, including the amount of consideration for services provided by the company to the Bank.

The payments made in the 4th quarter of 2004 included the following:

- remuneration for services provided as part of the ongoing operating activities of IFS,
- adjustment of infrastructure to enable it to maintain the call centre operations,
- re-invoicing of the costs of Centrum Bankowości Elektronicznej Inteligo and Call Centre in Lublin.

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

- On the basis of Lease Agreement signed with Centrum Finansowe Puławska Sp. z o.o., a subsidiary, on 7 December 1995 (and amended by Annexes Nos. 1 to 22), during the 4th quarter of 2004 PKO BP SA made payments to the company in the total gross amount of PLN 16 million. The total amount of gross consideration paid to the company during the period from January 2004 to December 2004 amounted to PLN 68 million. The agreement was signed in order to determine the terms and conditions of the lease of building located in Warsaw at ul. Puławska 15.

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

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

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

During the 4th quarter of 2004, the Capital Investment Department of PKO BP SA did not grant any suretyships or guarantees with a total value of at least 10% of the PKO BP SA shareholders' equity to a single entity or its subsidiary.

During the 4th quarter of 2004, the subsidiaries of PKO BP SA did not grant any suretyships or guarantees with a total value of at least 10% of the PKO BP SA shareholders' equity to a single entity or its subsidiary.

During the 4th quarter of 2004, PKO BP SA signed loan agreements with two entities for a total value of PLN 1,057.6 million, where the value of the agreements with a single borrower represents at least 10% of the Bank's shareholders' equity, including:

- 1) Borrower I – loan agreements for a total amount of PLN 550 million,
- 2) Bankowy Fundusz Leasingowy S.A. – loan agreements for a total amount of PLN 507.6 million.

Information on the agreements with Borrower I and Bankowy Fundusz Leasingowy S.A. is included in the Bank's current reports No.40/2004 dated 7 December 2004 and No. 43/2004 dated 31 December 2004, respectively.

16. OTHER DISCLOSURES MATERIAL FOR THE ASSESSMENT OF THE ISSUER'S HUMAN CAPITAL, ITS FINANCIAL POSITION, THE RESULTS OF ITS OPERATIONS AND ANY CHANGES THEREIN

1. On 22 October 2004, the Security Department obtained a quality management certificate, ISO 9001:2000. This Certificate proves that the Security Department implemented and applies a quality management system in respect of the Bank's security system design, management and monitoring.
2. On 17 January 2004, the Bank signed an Annex No. 1 to the Agreement dated 18 August 2003 for the supply and implementation of the integrated IT system between PKO BP SA and Accenture Sp. z o.o., Alnova Technologies Corporation S.L. and Softbank S.A., acting in the capacity of the Consortium. In accordance with this Annex the fees for the implementation of the integrated IT system was increased by USD 71,190 thousand. Information on the above Annex was included in the Bank's periodic report No. 42/2004 dated 2004.

The Capital Market Department does not have any significant information, which – in our opinion – is material to the assessment of human capital, financial position, the results of the Bank's operations, or any changes to the above.

Signatures of all Members of the Management Board of the Bank

14 February 2005	Andrzej Podsiadło	Board President
14 February 2005	Kazimierz Małecki	Vice-President I Deputy President
14 February 2005	Danuta Demianiuk	Vice-President
14 February 2005	Piotr Kamiński	Board Member
14 February 2005	Jacek Obłękowski	Board Member

Signature of the person responsible for keeping the books of account
14 February 2005

Krystyna Szewczyk

Chief Accountant - Board Member