BANK
POLSKA KASA OPIEKI
SPOLKA AKCYJNA

Interim financial statements of the Bank Pekao S.A. Group for the third quarter of 2005 prepared according to the International Financial Reporting Standards

1 Summary

In this quarterly report for the third quarter of 2005 the Bank and the Group present their results in accordance with the International Financial Reporting Standards (IFRS).

The Group's consolidated financial statements and the Bank's separate financial statements fulfil the requirements of International Accounting Standard - IAS 34 "Interim Financial Reporting" and IFRS 1 "First Time Adoption of International Financial Reporting Standards".

In the preparation of the financial statements according to IFRS, the Group applied the admissible exemptions.

The pro forma data for the third quarter of 2004 was prepared to ensure comparability of the results.

The results of the third quarter of 2005 confirmed the growth of the efficiency of the Pekao S.A. Group.

After three quarters of 2005, the net profit of the Group amounted to PLN 1,129.1 million and was 21.2% higher than in the previous year. In the third quarter of 2005 alone, the net profit of the Group amounted to PLN 403.7 million. It was the highest quarterly result in 2005.

The increase in the net profit by PLN 197.3 million in three quarters of 2005 compared with the three quarters of the previous year was possible thanks to the increased business activity which translated into higher income, particularly interest income, stable operating costs and lower cost of risk.

- Group's income amounted to PLN 3,277.5 million after three quarters of 2005 and was by 9.8% higher than in the previous year, with interest income being higher by 10.6% and other income higher by 8.9%.
- During the first three quarters of 2005, the Group noted a continued positive trend in the results of its business activity, with successful sales of key products: mutual funds, new consumer loans "Express Loan", PLN mortgage loans and credit cards. The sales of the consumer loans was almost four times higher than in the previous year. The sales of PLN mortgage loans amounted to PLN 1,241 million contributing to a growth in the stock of 15%. The value of mutual funds increased by 38.8% and the number of credit cards increased by 64.4% compared with the end of 2004.
- After three quarters of 2005, total overhead costs including depreciation were kept under control and amounted to PLN 1,736.9 million i.e. were by 0.6% higher than in the comparable period of the previous year. After three quarters of 2005, the Group's cost / income ratio amounted to 53.0% and was 4.8 p.p. lower than in the previous year.
- After three quarters of 2005, impairment losses on loans and advances amounted to PLN 189.9 million and were 23.1% lower than in the previous year. This resulted primarily from the effective credit risk management and improved macroeconomic situation. The ratio of non-performing loans to total loans decreased from 19.9% at the end of 2004 to 17.5% at the end of September 2005 (according to the NBP's classification) thanks to an increase in the volume of performing loans and the drop in the volume of non-performing loans.
- Total savings of the Group increased by PLN 6,038.9 million (10.7%) during three quarters of 2005 resulting from both an increase in the savings of individual clients (of PLN 3,232.2 million) and in corporate deposits (of PLN 2,806.7 million). High demand for mutual funds allowed for further increase in mutual funds assets by PLN 5,045.7 million during three quarters of 2005 bringing the total retail savings above the PLN 44 billion level confirming Group's significant market share.
- During three quarters of 2005, the loan portfolio increased by PLN 2,131.1 million (7.2%) primarily due to the successful sale of "Express Loan", continued sale of mortgage loans and acceleration in corporate lending (5.2%).

2 Accounting principles adopted in the preparation of the quarterly report

The consolidated report of the Capital Group of Bank Pekao S.A. and the attached separate report of Bank Pekao S.A. were prepared in compliance with the International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board.

The presented report meets the requirements of the International Accounting Standard 34 related to interim financial reports, and of the International Financial Reporting Standard IFRS 1, which describes the requirements concerning first-time adoption of International Financial Reporting Standards and of the Decree of the Council of Ministers dated 19 October 2005 on current and periodic information submitted by the issuers of securities.

The consolidated financial report of the Group and enclosed abbreviated financial statements of the Bank has been prepared in accordance with the accounting principles applied for the purpose of asset and liabilities valuation and measurement of the financial results as disclosed in the consolidated report for the first half of the year 2005 published on 13 September 2005. There were no changes in the third quarter document in comparison to the above described principles.

The financial data presented in the report were prepared as comparative data except for two areas related to IAS 39: calculation of specific provisions related to impairment accounting and valuation at amortised cost using the effective interest rate of receivables and loans. For the above mentioned financial assets, the Group has used the prospective approach. The Group has valued and recognised the related adjustments in the opening balance of 2005.

Taking into consideration the usefulness of the financial report, the Group has prepared pro-forma statements, which include balance sheet for 30.09.2004 and profit and loss statement for three quarters of 2004. Pro-forma statements approximate the effect of adjustments related to the above mentioned IAS 39 issues, i.e. impairment and valuation at amortised cost using effective interest rate.

3 Consolidated pro forma report

CONSOLIDATED PRO FORMA INCOME STATEMENT (in PLN ths.)	III Quarters cumulative (current year) from 1 Jan 2005 to 30 Sept 2005	III Quarters cumulative (previous year) from 1 Jan 2004 to 30 Sept 2004 PRO FORMA
I. Interest income	2,923,867	2,719,290
II. Interest expense	(1,171,314)	(1,113,291)
III. Net interest income	1,752,553	1,605,999
IV. Fee and commission income	1,278,147	1,213,904
V. Fee and commission expense	(130,718)	(120,793)
VI. Net fee and commission income	1,147,429	1,093,111
VII. Dividend income	346	9
VIII. Result on financial instruments at fair value	56,273	23,261
IX. Result on investment securities	68,990	7,824
X. Foreign exchange result	210,323	226,284
XI. Other operating income	195,095	204,504
XII. Other operating expenses	(153,473)	(176,043)
XIII. Net other operating income	41,622	28,461
XIV. Impairment losses on loans and advances	(189,943)	(246,881)
XV. Overhead costs	(1,736,947)	(1,725,917)
XVI. Operating profit	1,350,646	1,012,151
XVII. Share of profit of associates	35,036	30,437
XVIII. Profit before income tax	1,385,682	1,042,588
XIX. Income tax expense	(256,581)	(110,741)
XX. Net profit (loss)	1,129,101	931,847
1. Attributable to equity holders of the Company	1,131,641	934,700
2. Attributable to minority interest	(2,540)	(2,853)

CONSOLIDATED BALANCE SHEET PRO FORMA (in PLN ths.)	as at 30 Sept 2005	as at 30 Sept 2004
Assets		
I. Cash and balances with Central Bank	3,105,816	2,846,661
II. Debt securities eligible for rediscounting at the Central Bank	8,649	8,196
III. Loans and advances to banks	8,530,654	9,932,816
IV. Financial assets as held for trading	2,999,274	2,208,910
V. Derivative financial instruments	584,041	384,990
VI. Other financial instruments at fair value through profit or loss	1,677,983	1,524,558
VII. Loans and advances to customers	26,870,091	25,413,070
VIII. Net investment in the finance lease	673,063	524,645
IX. Investment securities	14,189,525	16,704,881
1. Available for sale	11,633,281	11,045,827
2. Held to maturity	2,556,244	5,659,054
X. Investments in associated undertakings	162,074	183,359
XI. Intangible assets	627,007	682,964
XII. Tangible fixed assets	1,469,430	1,506,934
XIII. Investment property	97,114	52,235
XIV. Income taxes	178,711	158,345
1. Current tax assets	321	-
2. Deferred income tax assets	178,390	158,345
XV. Other assets	994,506	938,939
Total assets	62,167,938	63,071,503
Liabilities		
I. Amounts due to the Central Bank	2,005,195	2,197,431
II. Amounts due to other banks	3,224,005	2,646,390
III. Financial liabilities as held for trading	571,038	527,125
IV. Derivative financial instruments	696,374	423,365
V. Other financial liability at fair value through profit or loss	-	-
VI. Amounts due to customers	45,591,524	47,642,495
VII. Debt securities in issue	3	546,050
VIII. Other liabilities	1,855,936	1,669,918
IX. Current income tax liabilities	42,663	-
X. Provisions for deferred income tax	3,449	1,581
XI. Provisions	94,127	110,052
Total liabilities	54,084,314	55,764,407
Equity		
Capital and reserves attributable to the Company's equity holders	8,067,805	7,288,571
XII. Share capital	166,482	166,482
XIII. Retained earnings	(26,288)	(327,286)
XIV. Other capital and reserves	7,927,611	7,449,375
Minority interest	15,819	18,525
Total equity	8,083,624	7,307,096
Total equity and liabilities	62,167,938	63,071,503

4 Financial statements

The below presented shortened consolidated financial report of the Group and shortened financial report of the Bank and accompanying comparative figures were prepared applying the same accounting principles for both periods. The exceptions from the above are two areas of IAS 39: measurement of impairment and measurement of amortized cost using effective interest method for loans and advances. The Group applied the adjustments pertaining to the above areas of IAS 39 prospectively as of 01.01.2005.

CONSOLIDATED	III Quarter (current year)	III Quarters cumulative (current year)	III Quarter (previous year)	III Quarters cumulative (previous year)
INCOME STATEMENT (in PLN ths.)	period from 05-07-01 to 05-09-30	period from 05-01-01 to 05-09-30	period from 04-07-01 to 04-09-30	period from 04-01-01 to 04-09-30
I. Interest income	969,551	2,923,867	946,624	2,760,073
II. Interest expense	(349,076)	(1,171,314)	(402,579)	(1,113,291)
III. Net interest income	620,475	1,752,553	544,045	1,646,782
IV. Fee and commission income	448,064	1,278,147	403,205	1,264,052
V. Fee and commission expense	(48,250)	(130,718)	(38,433)	(120,793)
VI. Net fee and commission income	399,814	1,147,429	364,772	1,143,259
VII. Dividend income	298	346	3	9
VIII. Result on financial instruments at fair value	3,087	56,273	18,128	23,261
IX. Result on investment securities	35,131	68,990	3,705	7,824
X. Foreign exchange result	63,845	210,323	76,298	226,284
XI. Other operating income	59,625	195,095	61,780	204,504
XII. Other operating expenses	(49,013)	(153,473)	(57,640)	(176,043)
XIII. Net other operating income	10,612	41,622	4,140	28,461
XIV. Impairment losses on loans and advances	(61,273)	(189,943)	(70,369)	(257,919)
XV. Overhead costs	(583,458)	(1,736,947)	(576,991)	(1,725,917)
XVI. Operating profit	488,531	1,350,646	363,731	1,092,044
XVII. Share of profit of associates	12,887	35,036	9,754	30,437
XVIII. Profit before income tax	501,418	1,385,682	373,485	1,122,481
XIX. Income tax expense	(97,710)	(256,581)	(38,065)	(125,242)
XX. Net profit (loss)	403,708	1,129,101	335,420	997,239
1. Attributable to equity holders of the Company	404,345	1,131,641	336,473	1,000,092
2. Attributable to minority interest	(637)	(2,540)	(1,053)	(2,853)

Net profit (loss)	1,131,641		1,000,092	
Weighted average number of ordinary shares	166,481,687		166,187,511	
Earnings per 1 ordinary share (in PLN per share)	6.80		6.02	
Weighted average number of ordinary shares for diluted earnings	166,543,189		166,187,511	
Diluted earnings per 1 ordinary share (in PLN per share)	6.79		6.02	

CONSOLIDATED BALANCE SHEET (in PLN ths.)	as at 30 Sept 2005	as at 30 Jun 2005	as at 31 Dec 2004	as at 30 Sept 2004
Assets				
I. Cash and balances with Central Bank	3,105,816	3,200,041	3,939,275	2,846,661
II. Debt securities eligible for rediscounting at the Central Bank	8,649	8,851	8,768	8,196
III. Loans and advances to banks	8,530,654	7,286,094	5,961,477	9,924,184
IV. Financial assets as held for trading	2,999,274	2,508,823	3,195,771	2,208,910
V. Derivative financial instruments	584,041	631,694	503,482	384,990
VI. Other financial instruments at fair value through profit or loss	1,677,983	1,736,328	1,336,721	1,524,558
VII. Loans and advances to customers	26,870,091	26,739,530	26,219,531	25,983,750
VIII. Net investment in the finance lease	673,063	638,502	547,324	524,645
IX. Investment securities	14,189,525	14,477,687	15,036,457	16,704,881
1. Available for sale	11,633,281	11,694,383	10,106,484	11,045,827
2. Held to maturity	2,556,244	2,783,304	4,929,973	5,659,054
X. Investments in associated undertakings	162,074	149,312	124,662	183,359
XI. Intangible assets	627,007	629,512	631,925	682,964
XII. Tangible fixed assets	1,469,430	1,489,705	1,541,828	1,506,934
XIII. Investment property	97,114	99,384	102,869	102,194
XIV. Income taxes	178,711	170,943	97,769	111,431
1. Current tax assets	321	317	13,131	-
2. Deferred income tax assets	178,390	170,626	84,638	111,431
XV. Other assets	994,506	750,210	729,488	888,980
Total assets	62,167,938	60,516,616	59,977,347	63,586,637

Liabilities				
I. Amounts due to the Central Bank	2,005,195	2,054,190	2,151,743	2,197,431
II. Amounts due to other banks	3,224,005	2,081,117	1,332,557	2,646,390
III. Financial liabilities as held for trading	571,038	90,424	590,119	527,125
IV. Derivative financial instruments	696,374	736,257	623,683	423,365
V. Other financial liability at fair value through profit or loss	-	-	-	-
VI. Amounts due to customers	45,591,524	45,993,771	45,821,645	47,633,863
VII. Debt securities in issue	3	2	23,205	546,050
VIII. Other liabilities	1,855,936	1,609,508	1,060,370	1,669,918
IX. Current income tax liabilities	42,663	117,570	256	-
X. Provisions for deferred income tax	3,449	2,866	1,222	1,581
XI. Provisions	94,127	106,176	349,066	358,505
Total liabilities	54,084,314	52,791,881	51,953,866	56,004,228
Equity				
Capital and reserves attributable to the Company's equity holders	8,067,805	7,708,279	8,004,705	7,563,884
XII. Share capital	166,482	166,482	166,482	166,482
XIII. Retained earnings	(26,288)	(26,288)	185,839	(117,366)
XIV. Other capital and reserves	7,927,611	7,568,085	7,652,384	7,514,768
Minority interest	15,819	16,456	18,776	18,525
Total equity	8,083,624	7,724,735	8,023,481	7,582,409
Total equity and liabilities	62,167,938	60,516,616	59,977,347	63,586,637

Capital adequacy ratio	19.62	19.94	21.71	19.06
Book value	8,067,805	7,708,279	8,004,705	7,563,884
Number of shares	166,481,687	166,481,687	166,481,687	166,121,847
Book value per share (in PLN per share)	48.46	46.30	48.08	45.53
Diluted numebr of shares	166,543,189	166,509,483	166,481,687	166,121,847
Diluted book value per share (in PLN per share)	48.44	46.29	48.08	45.53

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (in PLN ths.)	III Quarters cumulative (current year) period from 05-01-01 to 05-09-30	IV Quarters cumulative period from 04-01-01 to 04-12-31	III Quarters cumulative (previous year) period from 04-01-01 to 04-09-30
Shareholders equity at the beginning of the period	8,004,705	7,286,544	7,286,544
a) adjustment related to IFRS/IAS introduction	(192,460)	-	-
b) change of consolidation method	-	-	-
c) adjustment due to fundamental errors	-	-	-
Adjusted shareholders equity at the beginning of the period	7,812,245	7,286,544	7,286,544
1. Share capital at the beginning of the period	166,482	166,122	166,122
a) Increase	-	360	360
- new shares issue	-	360	360
b) Decrease	-	-	-
- redemptions	-	-	-
1. Share capital at the end of the period	166,482	166,482	166,482
2. Earnings from previous years at the beginning of the period	1,503,830	914,221	914,221
a) adjustment related to IFRS/IAS introduction	(192,460)	-	-
b) change of consolidation method	-	-	-
2. Adjusted earnings from previous years at the end of the period	1,311,370	914,221	914,221
a) Increase	5,343	309,435	-
- merger of leasing companies	-	309,435	-
- other	5,343	-	-
b) Decrease	(1,343,001)	(1,037,817)	(1,031,587)
- appropriation to general banking risk fund	-	(172,267)	(172,267)
- appropriation to other reserve capital	(277,518)	(92,301)	(92,301)
- appropriation to reserve capital	-	(17,291)	(17,291)
- dividend	(1,065,483)	(747,548)	(747,548)
- adjustment related to IFRS/IAS introduction	-	-	-
- other	-	(8,410)	(2,180)
2. Earnings from previous years at the end of the period	(26,288)	185,839	(117,366)
3. Other capital and reserves at the beginning of the period	6,334,393	6,206,201	6,206,201
a) adjustment related to IFRS/IAS introduction	-	-	-
b) change of consolidation method	-	-	-
3. Adjusted other capital and reserves at the beginning of the period	6,334,393	6,206,201	6,206,201
a) Increase	469,912	488,174	319,323
- appropriation of net profit	277,518	281,859	281,812
- share premium on issue of new shares	-	23,137	23,137
- merger of leasing companies	-	57,981	-
- valuation of securities available for sale (net)	182,686	126,839	10,311
- adjustment related to IFRS/IAS introduction	9,708	4,800	3,303
- foreign exchange differences on subordinated companies	-	(6,465)	737
- release of provisions for restructuring fund	-	23	23
b) Decrease	(8,335)	(359,982)	(10,848)
- foreign exchange differences on subordinated companies	(497)	-	-
- merger of leasing companies	-	(356,973)	-
- foreign exchange differences on valuation of foreign branches for the previous years	-	(921)	(921)
- sale of fixed assets	-	(5)	-
- other	(7,838)	(2,083)	(9,927)
3. Other capital and reserves at the end of the period	6,795,970	6,334,393	6,514,676
4. Net profit	1,131,641	1,317,991	1,000,092
II. Shareholders' equity at the end of the period	8,067,805	8,004,705	7,563,884
III. Minority interest at the beginning of the period	18,776	21,378	21,378
a) Decrease	(2,957)	(2,602)	(2,853)
- net profit	1,899	2,385	1,585
- other	(4,856)	(4,987)	(4,438)
IV. Minority interest at the end of the period	15,819	18,776	18,525
Total equity	8,083,624	8,023,481	7,582,409

CONSOLIDATED STATEMENT OF CASH FLOW	III Quarter (current year) period from 05-07-01 to 05-09-30	III Quarters cumulative (current year) period from 05-01-01 to 05-09-30	III Quarter (previous year) period from 04-07-01 to 04-09-30	III Quarters cumulative (previous year) period from 04-01-01 to 04-09-30
A. Cash flow from operating activities - indirect method				
I. Net profit (loss)	404,345	1,131,641	336,473	1,000,092
Adjustments:	212,683	(619,001)	338,108	(826,353)
Deprecition	77,771	239,015	78,720	237,890
Share of profit of associates	(12,887)	(35,036)	(9,754)	(30,437)
Foreign exchange differences	51,303	(149,052)	142,680	150,524
(Profit) loss on investing activities	(37,383)	(70,114)	(2,132)	(8,651)
Impariment	-	-	133	7,419
Interest and dividend	(199,982)	(662,783)	(231,326)	(690,749)
Change in loans and advances to banks	(185,989)	(530,220)	(208,902)	(615,108)
Change in financial assets as held for trading and other financial instruments at fair value through profit or loss	(432,106)	(144,765)	(1,007,524)	(964,506)
Change in derivative financial instruments	47,653	(80,559)	(29,103)	(127,166)
Change in loans and advances to customers	(130,359)	(1,120,924)	(95,789)	(956,619)
Change in net investment in the finance lease	(34,561)	(125,739)	122,591	56,433
Change in investment securities available for sale	-	-	-	-
Change in deferred income tax assets	(11,571)	(106,747)	(16,833)	(58,528)
Change in other assets	(151,238)	(317,472)	327,307	154,140
Change in amounts due to banks	1,093,893	1,744,900	180,434	674,501
Change in liabilities as held for trading	480,614	(19,081)	375,595	527,125
Change in derivative financial instruments and other financial liabilitiy at fair value through profit or loss	(39,883)	72,691	69,738	(15,867)
Change in amounts due to customers	(402,247)	(230,121)	1,093,114	342,194
Change in debt securities in issue	-	-	-	-
Change in provisions	(12,049)	(6,486)	972	(34,480)
Change in other liabilities	171,467	837,243	(445,122)	383,161
Income tax paid	(172,991)	(293,983)	(60,432)	(40,087)
Carrent tax	113,228	380,232	53,741	182,458
Net cash from operating activities	617,028	512,640	674,581	173,739
B.Cash flows from investing activities				
Investing activity inflows	10,204,153	25,709,440	6,011,797	18,062,531
Sale of shares in associates	-	-	31,576	31,849
Sale of shares in subsidiaries, net of cash disposed	-	-	-	-
Sale of investment securities	10,154,457	25,357,483	5,903,385	17,681,445
Proceeds from sale of intangible assets and tangible fixed assets	1,224	3,279	2,840	3,823
Other investing inflows	48,472	348,678	73,996	345,414
Investing activity outflows	(9,856,835)	(23,927,896)	(5,726,518)	(16,354,507)
Purchase of associates	-	(25,000)	(306)	(149)
Purchase of subsidiaries, net of cash acquired	-	-	-	-
Purchase of investment securities	(9,793,573)	(23,731,664)	(5,644,124)	(16,157,283)
Purchase of intangible assets and tangible fixed assets	(63,262)	(171,232)	(82,088)	(197,075)
Other investing outflows	-	-	-	-
Net cash used in investing activities	347,318	1,781,544	285,279	1,708,024
C. Cash flows from financing activities				
Financing activity inflows	-	2	52,772	161,285
Proceeds from loans and advances from other banks	-	-	-	-
Proceeds from other loans and advances	-	-	-	-
Issue of debt securities	-	2	22,479	117,189
Increase of subordinated liabilities	-	-	-	-
Issue of ordinary shares	-	-	23,497	23,497
Sale of own shares	-	-	-	-
Other financing inflows	-	-	6,796	20,599
Financing activity outflows	-	(1,088,688)	(46,246)	(852,794)
Repayments of loans and advances from other banks	-	-	-	-
Repayments of other loans and advances	-	-	-	-
Redemption of debt securities	-	(22,479)	(46,246)	(105,246)
Decrease of subordinated liabilities	-	-	-	-
Other financial liabilities	-	-	-	-
Payments of financial lease liabilities	-	-	-	-
Dividends and other payments to shareholders	-	(1,065,483)	-	(747,548)
Other than payments to shareholders expenditures due to appropriation of profit	-	-	-	-
Purchase of own shares	-	-	-	-
Other financing outflows	-	(726)	-	-
Net cash from financing activities	-	(1,088,686)	6,526	(691,509)
D. Total net cash flow (A.III+/-B.III+/-C.III)	964,346	1,205,498	966,386	1,190,254
E. Net change in cash and cash equivalents	964,346	1,205,498	966,386	1,190,254
F. Cash and casch equivalents at the beginning of the period	7,517,578	7,276,426	8,271,770	8,047,902
G. Cash and casch equivalents at the end of the period (F+/- D)	8,481,924	8,481,924	9,238,156	9,238,156

QUARTERLY INDIVIDUAL FINANCIAL REPORT

INCOME STATEMENT (in PLN ths.)	III Quarter (current year) period from 05-07-01 to 05-09-30	III Quarters cumulative (current year) period from 05-01-01 to 05-09-30	III Quarter (previous year) period from 04-07-01 to 04-09-30	III Quarters cumulative (previous year) period from 04-01-01 to 04-09-30
I. Interest income	955,235	2,882,381	931,518	2,713,846
II. Interest expense	(358,919)	(1,206,594)	(409,445)	(1,130,764)
III. Net interest income	596,316	1,675,787	522,073	1,583,082
IV. Fee and commission income	378,780	1,094,710	359,310	1,118,261
V. Fee and commission expense	(40,685)	(109,891)	(33,962)	(105,584)
VI. Net fee and commission income	338,095	984,819	325,348	1,012,677
VII. Dividend income	174	96,747	-	41,081
VIII. Result on financial instruments at fair value	3,605	55,468	14,251	17,596
IX. Result on investment securities	35,902	69,720	3,197	7,317
X. Foreign exchange result	62,284	208,850	74,941	224,222
XI. Other operating income	17,642	68,291	28,908	89,732
XII. Other operating expenses	(16,368)	(54,744)	(29,549)	(85,023)
XIII. Net other operating income	1,274	13,547	(641)	4,709
XIV. Impairment losses on loans and advances	(58,613)	(185,233)	(65,102)	(232,585)
XV. Overhead costs	(541,964)	(1,610,250)	(535,052)	(1,601,588)
XVI. Operating profit	437,073	1,309,455	339,015	1,056,511
XVII. Profit before income tax	437,073	1,309,455	339,015	1,056,511
XVIII. Income tax expense	(86,820)	(228,264)	(30,239)	(107,548)
XIX. Net profit (loss)	350,253	1,081,191	308,776	948,963

BALANCE SHEET (in PLN ths.)	as at 30 Sept 2005	as at 30 Jun 2005	as at 31 Dec 2004	as at 30 Sept 2004
Assets				
I. Cash and amounts due from Central Bank	3,104,638	3,197,714	3,935,112	2,845,281
II. Debt securities eligible for rediscounting at the Central Bank	8,649	8,851	8,768	8,196
III. Amounts due from banks	8,506,844	7,289,940	5,956,598	9,900,867
IV. Financial assets held for trading	2,717,824	2,220,737	2,939,203	1,953,773
V. Derivative financial instruments	584,041	631,709	503,481	384,990
VI. Other financial instruments at fair value through profit or loss	1,677,983	1,736,328	1,336,721	1,572,488
VII. Loans and advances to customers	27,249,401	27,246,722	26,533,709	26,318,661
VIII. Investment securities	14,188,707	14,476,084	15,028,457	16,679,064
1. Available for sale	11,632,463	11,692,780	10,098,484	11,020,010
2. Held to maturity	2,556,244	2,783,304	4,929,973	5,659,054
IX. Shares in subsidiares	544,790	544,801	544,801	517,770
X. Shares in joint-ventures	-	-	-	2,089
XI. Shares in associates	47,060	47,060	28,690	42,033
XII. Intangible assets	617,004	618,182	617,982	669,161
XIII. Tangible fixed assets	1,448,682	1,469,610	1,520,209	1,466,323
XIV. Investment property	44,154	45,863	48,556	50,398
XV. Income taxes	158,907	145,259	66,966	86,359
1. Current tax assets	-	-	11,009	-
2. Deferred income tax assets	158,907	145,259	55,957	86,359
XVI. Other assets	621,883	471,635	463,194	616,682
Total assets	61,520,567	60,150,495	59,532,447	63,114,135
Liabilities				
I. Amounts due to the Central Bank	2,005,195	2,054,190	2,151,743	2,197,431
II. Amounts due to other banks	3,233,748	2,081,439	1,350,796	2,731,262
III. Financial liabilities held for trading	533,477	85,860	438,219	415,325
IV. Derivative financial instruments	696,374	736,257	623,683	423,365
V. Other financial liabilities at fair value through profit or loss	-	-	-	-
VI. Amounts due to customers	45,523,453	46,029,168	45,860,364	47,559,954
VII. Debt securities in issue	17	17	23,205	546,050
VIII. Other liabilities	1,488,483	1,348,746	844,266	1,414,704
IX. Current income tax liabilities	38,611	114,081	-	12,469
X. Provisions for deferred income tax	-	-	-	-
XI. Provisions	90,367	102,500	344,075	328,059
Total liabilities	53,609,725	52,552,258	51,636,351	55,628,619
Equity				
XII. Share capital	166,482	166,482	166,482	166,482
XIII. Retained earnings	67,363	67,363	365,912	365,912
XIV. Other capital and reserves	7,676,997	7,364,392	7,363,702	6,953,122
Total equity	7,910,842	7,598,237	7,896,096	7,485,516
Total equity and liabilities	61,520,567	60,150,495	59,532,447	63,114,135
Capital adequacy ratio	17.65	18.48	20.65	18.05

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (in PLN ths.)	III Quarters cumulative (current year) period from 05-01-01 to 05-09-30	IV Quarters cumulative period from 04-01-01 to 04-12-31	III Quarters cumulative (previous year) period from 04-01-01 to 04-09-30
I. Shareholders equity at the beginning of the period	7,896,096	7,250,712	7,250,712
a) adjustment related to IFRS/IAS introduction	(192,460)	-	-
b) adjustment due to fundamental errors	-	-	-
I.. Adjusted shareholders equity at the beginning of the period	7,703,636	7,250,712	7,250,712
1. Share capital at the beginning of the period	166,482	166,122	166,122
a) Increase	-	360	360
- new shares issue	-	360	360
b) Decrease	-	-	-
- redemptions	-	-	-
1.2. Share capital at the end of the period	166,482	166,482	166,482
2. Retained earnings (loss) from previous years at the beginning of the period	1,602,824	1,285,727	1,285,727
a) adjustment related to IFRS/IAS introduction	(192,460)	-	-
2. Adjusted retained earnings (loss) from previous years at the beginning of the period	1,410,364	1,285,727	1,285,727
a) Increase	-	-	-
- adjustment related to IFRS/IAS introduction	-	-	-
- others	-	-	-
b) Decrease	(1,343,001)	(919,815)	(919,815)
- appropriation to general banking risk fund	-	(172,267)	(172,267)
- appropriation to reserve capital	(277,518)	-	-
- appropriation from earnings to reserve capital	-	-	-
- dividends	(1,065,483)	(747,548)	(747,548)
- other	-	-	-
2. Retained earnings (loss) at the end of the period	67,363	365,912	365,912
3. Other capital at the beginning of the period	6,126,790	5,798,863	5,798,863
- adjustment related to IFRS/IAS introduction	-	-	-
3.Adjusted other capital at the beginning of the period	6,126,790	5,798,863	5,798,863
a) Increase	469,272	328,848	206,217
- appropriation of net profit	277,518	172,267	172,267
- share premium on issue of new shares	-	23,137	23,137
- valuation of securities available for sale (net)	182,101	127,252	10,770
- foreign exchange differences on branches abroad	-	1,369	737
- adjustment related to IFRS/IAS introduction	9,708	4,800	-
- release of provisions for restructuring fund	-	23	23
- other	(55)	-	(717)
b) Decrease	(256)	(921)	(921)
- foreign exchange differences on branches abroad	(256)	-	-
- foreign exchange differences on valuation of foreign branches for the previous years	-	(921)	(921)
3. Other capital at the end of the period	6,595,806	6,126,790	6,004,159
4. Net profit	1,081,191	1,236,912	948,963
II. Shareholders' ecquity at the end of the period	7,910,842	7,896,096	7,485,516

CASH FLOW STATEMENT	III Quarter (current year) period from 05-07-01 to 05-09-30	III Quarters cumulative (current year) period from 05-01-01 to 05-09-30	III Quarter (previous year) period from 04-07-01 to 04-09-30	III Quarters cumulative (previous year) period from 04-01-01 to 04-09-30
A. Cash flow from operating activities - indirect method				
I. Net profit (loss)	350,253	1,081,191	308,776	948,963
Adjustments:	306,057	(186,404)	708,737	(657,528)
Deprecition	74,043	224,683	73,873	221,990
Foreign exchange differences	58,353	(148,380)	139,465	150,344
(Profit) loss on investing activities	(37,388)	(70,188)	(1,059)	(7,922)
Impariment	-	6,630	-	(25,593)
Interest and dividend	(199,982)	(759,247)	(241,925)	(705,710)
Change in loans and advances to banks	(115,811)	(55,881)	331,350	(213,839)
Change in financial assets as held for trading and other financial instruments at fair value through profit or loss	(438,742)	(119,883)	(1,001,146)	(906,563)
Change in derivative financial instruments	47,668	(80,560)	(29,103)	(129,697)
Change in loans and advances to customers	(2,477)	(1,186,056)	38,334	(1,004,312)
Change in investment securities available for sale	53,223	-	(13,156)	-
Change in deferred income tax assets	(56,213)	(104,936)	3,531	(59,337)
Change in other assets	(134,083)	(155,493)	434,193	320,709
Change in amounts due to banks	1,103,314	1,736,404	262,506	719,608
Change in liabilities as held for trading	447,617	95,258	263,795	415,325
Change in derivative financial instruments and other financial liabilitiy at fair value through profit or loss	(39,883)	72,691	69,738	(15,867)
Change in amounts due to customers	(505,715)	(336,911)	928,194	290,936
Change in debt securities in issue	-	-	-	-
Change in provisions	(12,133)	(5,254)	(6,053)	(49,231)
Change in other liabilities	154,236	650,013	(484,386)	266,171
Income tax paid	(179,779)	(293,502)	(107,560)	(92,996)
Carrent tax	89,809	344,208	48,146	168,456
Net cash from operating activities	656,310	894,787	1,017,513	291,435
B.Cash flows from investing activities				
Investing activity inflows	10,204,094	25,765,828	6,276,213	18,371,875
Sale of shares in associates	-	-	-	47,000
Sale of shares in subsidiaries, net of cash disposed	-	-	-	-
Sale of investment securities	10,154,415	25,340,350	6,185,196	17,958,400
Proceeds from sale of intangible assets and tangible fixed assets	1,206	2,940	2,656	3,261
Other investing inflows	48,473	422,538	88,361	363,214
Investing activity outflows	(9,852,387)	(23,908,053)	(5,825,148)	(16,449,259)
Purchase of associates	-	(25,000)	(149)	(149)
Purchase of subsidiaries, net of cash acquired	-	-	-	-
Purchase of investment securities	(9,793,572)	(23,721,791)	(5,749,065)	(16,275,404)
Purchase of intangible assets and tangible fixed assets	(58,815)	(161,262)	(75,934)	(173,706)
Other investing outflows	-	-	-	-
Net cash used in investing activities	351,707	1,857,775	451,065	1,922,616
C. Cash flows from financing activities				
Financing activity inflows	-	17	42,236	56,063
Proceeds from loans and advances from other banks	-	-	-	-
Proceeds from other loans and advances	-	-	-	-
Issue of debt securities	-	17	-	-
Increase of subordinated liabilities	-	-	-	-
Issue of ordinary shares	-	-	23,497	23,497
Sale of own shares	-	-	-	-
Other financing inflows	-	-	18,739	32,566
Financing activity outflows	-	(1,088,688)	-	(747,548)
Repayments of loans and advances from other banks	-	-	-	-
Repayments of other loans and advances	-	-	-	-
Redemption of debt securities	-	(22,479)	-	-
Decrease of subordinated liabilities	-	-	-	-
Other financial liabilities	-	-	-	-
Payments of financial lease liabilities	-	-	-	-
Dividends and other payments to shareholders	-	(1,065,483)	-	(747,548)
Other than payments to shareholders expenditures due to appropriation of profit	-	-	-	-
Purchase of own shares	-	-	-	-
Other financing outflows	-	(726)	-	-
Net cash from financing activities	-	(1,088,671)	42,236	(691,485)
D. Total net cash flow (A.III+/-B.III+/-C.III)	1,008,017	1,663,891	1,510,814	1,522,566
E. Net change in cash and cash equivalents	1,008,017	1,663,891	1,510,814	1,522,566
F. Cash and casch equivalents at the beginning of the period	7,432,683	6,776,809	7,725,961	7,714,209
G. Cash and casch equivalents at the end of the period (F+/- D)	8,440,700	8,440,700	9,236,775	9,236,775

Selected financial statements translated into EUR:

SELECTED FINANCIAL DATA (current year)	in PLN ths.			in EUR ths.		
	III Quarter cumulative from 1 Jan 2005 to 30 Sept 2005	III Quarter cumulative from 1 Jan 2004 to 30 Sept 2004	III Quarter cumulative from 1 Jan 2004 to 30 Sept 2004 PRO FORMA	III Quarter cumulative from 1 Jan 2005 to 30 Sept 2005	III Quarter cumulative from 1 Jan 2004 to 30 Sept 2004	III Quarter cumulative from 1 Jan 2004 to 30 Sept 2004 PRO FORMA
I. Net interest income	1,752,553	1,646,782	1,605,999	431,844	356,338	347,514
II. Net fee and commission income	1,147,429	1,143,259	1,093,111	282,736	247,384	236,532
III. Operating profit	1,350,646	1,092,044	1,012,151	332,811	236,302	219,014
IV. Profit before income tax	1,385,682	1,122,481	1,042,588	341,444	242,888	225,600
V. Net profit (loss)	1,129,101	997,239	931,847	278,220	215,787	201,637
VI. Net profit (loss) attributable to equity holders of the Company	1,131,641	1,000,092	934,700	278,846	216,405	202,255
VII. Net profit)loss) attributable to minority interest	(2,540)	(2,853)	(2,853)	(626)	(617)	(617)
VIII. Net cash from operating activities	512,640	173,739		126,319	37,594	
IX. Net cash used in investing activities	1,781,544	1,708,024		438,988	369,590	
X. Net cash from financing activities	(1,088,686)	(691,509)		(268,262)	(149,632)	
XI. Net increase / decrease in cash and cash equivalents	1,205,498	1,190,254		297,045	257,553	
XII. Total assets	62,167,938	63,586,637	63,071,503	15,872,935	14,506,898	14,389,374
XIII. Amounts due to the Central Bank	2,005,195	2,197,431	2,197,431	511,973	501,330	501,330
XIV. Amounts due to other banks	3,224,005	2,646,390	2,646,390	823,164	603,758	603,758
XV. Amounts due to customers	45,591,524	47,633,863	47,642,495	11,640,587	10,867,372	10,869,341
XVI. Minority interest	15,819	18,525	18,525	4,039	4,226	4,226
XVII. Equity attributable to the Company's equity holders	8,067,805	7,563,884	7,288,571	2,059,900	1,725,653	1,662,842
XVIII. Share capital	166,482	166,482	166,482	42,507	37,982	37,982
XIX. Number of shares	166,481,687	166,121,847	166,121,847	166,481,687	166,121,847	166,121,847
XX. Book value per share (in PLN / EUR per share)	48.46	45.53		12.37	10.39	
XXI. Diluted book value per share (in PLN/EUR per share)	48.44	45.53		12.37	10.39	
XXII. Capital adequacy ratio	19.62	19.06		x	x	
XXIII. Earnings per 1 ordinary share (in PLN / EUR per share)	6.80	6.02		1.68	1.30	
XXIV. Diluted earnings per 1 ordinary share (in PLN / EUR per share)	6.79	6.02		1.67	1.30	
XXV. Declared or paid dividend per share (in PLN / EUR per share)	6.40	4.50		1.42	1.01	

5 Impact of changes in accounting principles on consolidated statements

As at 30 September 2004

Net equity according to PAS (in PLN ths.)	**7,443,576**
changes:	
subsidiary shares valuation	4,958
total recognized sell-bay-back and buy sell-back	572
change in fixed assets	146,166
change in consolidation rules	5,576
accrued fees adjustment	(12,021)
valuation of investment property	(10,377)
adjustment of deferred tax	(14,566)
total changes	*120,308*
Net equity according to IFRS (*)	**7,563,884**

in PLN ths.

net result disclosed	**1,002,886**
Adjustments:	**(2,794)**
inclusion of share based payments according to IFRS 2	(3,385)
recognition of adjustments related to financial assets and liabilities due to sell-buy-back and buy-sell-back transactions.	383
adjustment to depreciation costs due to the revaluation of some fixed assets and property rights	(3,581)
adjustment due to amortisation of fees and commissions over time	(12,021)
adjustments related to the revaluation of equity investments	(2,102)
deferred tax correction related to the introduction of IFRS	17,912
Net result after transition to IFRS/*	**1,000,092**

(*) Without changes due to amortized cost measurement of loans and advances using EIR and without changes relating to impairment of loans and advances

6 Notes to the financial statements

6.1 The Group

Bank Pekao S.A. Capital Group consists of Bank Pekao S.A. as the parent entity and 16 subsidiaries. In the third quarter of 2005 there were no changes in the structure of the Group in comparison to the structure presented in the first half of 2005.
The following entities are included in the consolidated financial report at 30.09.2005:

No	Name of company	Core activity	% of shareholder's share capital	Status	Consolidation method
1.	Bank Pekao S.A.	banking	-	parent	-
2.	Bank Pekao (Ukraina) Ltd.	banking	100.00	subsidiary	full
3.	Centralny Dom Maklerski Pekao S.A.	brokerage	100.00	subsidiary	full
4.	Pekao Fundusz Kapitałowy Sp. z o.o.	financial	100.00	subsidiary	full
5.	Pekao Leasing Sp. z o.o.	leasing	100.00	subsidiary	full
6.	Pekao Faktoring Sp. z o.o.	financial	100.00	subsidiary	full
7.	Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A.	financial	65.00	subsidiary	full
8.	Drukbank Sp. z o.o.	no activities performed	100.00	subsidiary	full
9.	Centrum Kart S.A.	financial	100.00	subsidiary	full
10.	Pekao Financial Services Sp. z o.o.	financial	100.00	subsidiary	full
11.	Pekao Development Sp. z o.o.	real estate management	100.00	subsidiary	full
12.	Pekao Access Sp. z o.o.	consulting	55.26	subsidiary	full
13.	BDK Consulting Sp. z o.o.	consulting, hotels, transportation	99.99	subsidiary	full

The companies listed below were not consolidated, due to the insignificant size of their operations in comparison to the size of the operations of the whole Group. Companies that were not consolidated, in the consolidated financial statements are recognized at the cost of purchase established on 01.01.2004

14.	Fabryka Maszyn w Janowie Lubelskim Sp. z o.o.	manufacturing of spare parts to building machinery	86.68	subsidiary	non-consolidated
15.	Pekao Immobilier s.a.r.l.	real estate management	100.00	subsidiary	non-consolidated
16.	Nowe Ogrody Sp. z o. o.	real estate managament and sale	94.00	subsidiary	non-consolidated

Other listed below exposures of the Group constitute investments in the associated entities and are recognized in the consolidated report of the Group using the equity method. Companies that were not revalued, were recognized in the consolidated financial report at cost established on 01.01.2004. Companies were not revalued due to the immateriality of the financial results of these companies.

1.	Anica System S.A.	IT	33.84 / 13.49	co-subsidiary	equity
2.	Central Poland Fund LLC	financial intermediary	53.19	subsidiary	equity
3.	Xelion. Doradcy Finansowi Sp. z o.o.	auxiliary, financial and insurance	50.00	subsidiary	equity
4.	Pioneer Pekao Investment Management S.A.	financial intermediary	49.00	subsidiary	equity
5.	Krajowa Izba Rozliczeniowa S.A.	chamber of settlement	22.96	subsidiary	equity
6.	Grupa Inwestycyjna NYWIG S.A.	financial advisory	24.60	subsidiary	equity
7.	Hotel Jan III Sobieski Sp. z o.o.	hotel	37.50	subsidiary	equity
8.	Fabryka Sprzętu Okrętowego "Meblomor" S.A.	manufacturing of ship equipment	23.81	subsidiary	equity
9.	CPF Management	mutual funds management-dose not operate	40.00	subsidiary	not valuated under equity method
10.	Pracownicze Towarzystwo Emerytalne „Nowy Świat" S.A.	management of employee pension fund	39.57	subsidiary	not valuated under equity method

6.2 Achievements of Bank Pekao S.A.

Commercial activity

The Group's good performance in three quarters of 2005 was primarily the result of a further development in its business activity. The key success factor was the increased sales efficiency, particularly in the areas of consumer loans, mortgage loans and mutual funds.

Sales of the "Express Loan" in the first three quarters of 2005 were almost four times higher than in the previous year reaching PLN 1,184 million, of which PLN 495 million sold in the third quarter alone.

During the first three quarters of 2005, the sales of PLN mortgage loans amounted to PLN 1,241 million contributing to a growth in the stock of 15%. The Bank continued its policy of selling mortgage loans in PLN only.

The Pekao Group confirmed its leading position in the mutual funds market – the value of mutual funds reached the level of PLN 18.0 billion as at the end of September 2005 and their market share amounted to 33.8%. Thanks to continued activities aimed at tailoring the Bank's offer to the needs of its clients, the Bank's sales of mutual funds were very satisfactory. The assets of the mutual funds sold in the Group's network increased by 41.4% compared with the end of 2004 and amounted to PLN 16.8 billion as at the end of September 2005.

The results of the market activities in three quarters of 2005 include:

	30.09.2005	31.12. 2004	Change
Number of customers (in thousand)	3,377.7	3,372.3	5.4
Total number of PLN current accounts (in thousand) *	3,027.2	3,038.2	(11.0)
of which packages	2,174.9	2,149.6	25.3
Number of mutual fund registers (in thousand)	616.1	434.9	181.2
Payment cards (in thousand)**	2,649.3	2,582.5	66.8
Credit	117.7	71.6	46.1
Charge	278.2	294.0	(15.8)
Debit (including Maestro)	2,253.4	2,216.9	36.5
Total number of outlets (in items)	782	782	0
Total number of ATMs (in items)	1,236	1,211	25

* Number of accounts including accounts of pre-paid cards

** The number of cards is calculated according to the definition used by international payment organizations Visa and MasterCard

6.3 Achievements of subsidiaries

6.3.1 Pioneer Pekao TFI S.A.

As at 30 September 2005, the net asset value of Pioneer Pekao TFI S.A., a company managed by Pioneer Pekao Investment Management S.A. (in which the Bank holds a 49% share), amounted to PLN 18,048.0 million and was higher by PLN 5,045.7 million compared with the end of 2004.

As at 30 September 2005, the Company had 755.0 thousand open accounts (an increase by 32.5% from the end of 2004). In the third quarter of 2005, the Company offered its clients 6 new funds.

The net asset value of Pioneer Pekao TFI S.A. mutual funds is presented in the table below:

(PLN million)

	30.09.2005	31.12.2004	Change
Net assets value of Pioneer Pekao TFI	**18 048.0**	**13,002.3**	**38.8%**
Pioneer Balanced Investment Fund	3,177.9	2,629.7	20.8%
Pioneer Stable Growth Investment Fund	2,544.2	1,989.4	27.9%
Pioneer Dollar Bond Plus Investment Fund	2,542.0	2,234.3	13.8%
Pioneer Treasury Bond Investment Fund	2,344.0	697.7	235.9%
Pioneer Bond Investment Fund	1,394.9	1,293.4	7.9%
Pioneer Dollar Bond Investment Fund	1,088.0	905.4	20.2%
Pioneer Money Market Investment Fund	1,070.5	603.5	77.4%
Pioneer Capital Protection Investment Fund	915.9	581.5	57.5%
Pioneer Polish Equity Investment Fund	810.1	-	x
Pioneer European Bond Plus Investment Fund	730.3	490.0	49.0%
Other (III Pillar)	436.3	329.5	32.4%
Pioneer Bond Plus Investment Fund	284.3	173.0	64.3%
Pioneer American Equity Investment Fund	224.5	153.8	46.0%
Pioneer European Equity Investment Fund	187.4	63.4	195.6%
Pioneer Dynamic Capital Protection Investment Fund	102.9	-	x
Pioneer Growth & Income MIX 40 Fund	66.5	-	x
Pioneer Income MIX 20 Fund	61.7	-	x

Pioneer Growth MIX 60 Fund	28.7	-	x
Pioneer US Market Balanced Fund	28.6	-	x
Pioneer Small & Medium Polish Market Companies Fund	4.9	-	x
Pioneer Deposit Fund	4.4	-	x
Pioneer Aggressive Investment Fund	-	788.0	x
Pioneer Arbitrage Investment Fund	-	69.7	x
Net assets value of TFI (market)	**53,345.0**	**37,726.4**	**41.4%**
Market share of Pioneer Pekao TFI	*33.8%*	*34.5%*	*(0.7 p.p.)*

As at 30 September 2005 the net value of Pioneer Pekao TFI S.A. assets acquired through Bank Pekao S.A., CDM Pekao S.A. (the Central Brokerage House of Pekao S.A.) and Xelion. Doradcy Finansowi Sp. z o.o. amounted to PLN 16,763.7 million (92.9% of total assets), compared with PLN 11,857.2 million at the end of 2004 (91.2%).

6.3.2 Centralny Dom Maklerski Pekao S.A. (CDM)

In three quarters of 2005, CDM provided the full scope of services (permitted to brokerage houses), excluding asset management.

In three quarters of 2005, the Company achieved:

- a 29.5% share in the bond trading volume at the Warsaw Stock Exchange;
- a 12.6% share in the stock trading volume at the Warsaw Stock Exchange;
- a 9.5% share in the futures trading volume at the Warsaw Stock Exchange.

At the end of September 2005, CDM maintained 146.1 thousand investment accounts and its market share was 17.0%. CDM also offered on-line access to investment accounts, allowing its customers to buy and sell all instruments listed on the Warsaw Stock Exchange and on the OTC market (CeTO) through the Internet. As at 30 September 2005, CDM maintained 18.2 thousand on-line accounts.

6.4 Results achieved in three quarters of 2005 and the factors which influenced these results

6.4.1 Results of the Group

In order to ensure that the data for the first three quarters of 2005 and 2004 is comparable, previous year profit and loss account data was adjusted and is presented as pro forma data in this paragraph.

The results of the third quarter of 2005 confirmed the growth of the efficiency of the Pekao S.A. Group.

After three quarters of 2005, the net profit of the Group amounted to PLN 1,129.1 million and was 21.2% higher than in the previous year. In the third quarter of 2005 alone, the net profit of the Group amounted to PLN 403.7 million. It was the highest quarterly result in 2005.

The increase in the net profit of PLN 197.3 million in three quarters of 2005 compared with the three quarters of the previous year was possible thanks to the increased business activity which translated into higher income, particularly interest income, stable operating costs and lower cost of risk.

Apart from the good results of the Bank Pekao S.A., the results of the Group's companies, which were better than in the previous year, contributed to the improvement in the overall Group result.

The consolidated profit and loss account for the three quarters of 2005 in comparison with the three quarters of 2004 is presented below:

(PLN million)

	3Q 2005	3Q 2004 pro forma	Change
Net interest income *	1,745.4	1,578.5	10.6%
Fee and commission income	1,147.4	1,093.1	5.0%
Dividend income	0.4	0.0	x
Result on financial instruments at fair value	63.4	50.8	24.8%
Result on investment securities	69.0	7.8	784.6%
FX income	210.3	226.3	(7.1%)
Other operating income / cost net	41.6	28.4	46.5%
Total income	**3,277.5**	**2,984.9**	**9.8%**
Overhead costs (including depreciation)	**(1,736.9)**	**(1,725.9)**	**0.6%**
Personnel	(898.8)	(868.0)	3.5%
Non-personnel	(596.6)	(621.7)	(4.0%)
Depreciation	(241.5)	(236.2)	2.2%
Operating income	**1,540.6**	**1,259.0**	**22.4%**
Impairment losses on loans and advances	(189.9)	(246.9)	(23.1%)
Share in net profit (loss) of the associates	35.0	30.5	14.8%
Pre-tax profit	**1,385.7**	**1,042.6**	**32.9%**
Tax charge	(256.6)	(110.8)	131.6%
Net profit	**1,129.1**	**931.8**	**21.2%**
Attributable to equity holders of the Company	**1,131.6**	**934.7**	**21.1%**
Attributable to minority interest	(2.5)	(2.9)	(13.8%)

*Including income on SWAP transactions.

The Group's income

In three quarters of 2005, the Group's income amounted to PLN 3,277.5 million and was by PLN 292.6 million (9.8%) higher than in the comparable period of the previous year. In the third quarter alone, the Group's income amounted to PLN 1,133.3 million and was by 14.5% higher than in third quarter 2004 and by 2.8% higher than in second quarter of 2005.

The growth of income was due to the development of business activity, supported by pro-sales activities relating to the key products of both the Bank and the other Group companies. The main growth factors included: interest income, fee and commission income and the result on financial operations.

The interest income grew by 10.6 % mainly due to the increase in volumes and better spreads resulting, among others, from an increase in the loan portfolio which had a positive effect on the asset structure.

Positive contribution in the third quarter derived also from very active recovery activity.

Fee and commission income increased by 5.0% mainly thanks to an increase in mutual fund business activity and lending.

The Group's overhead costs (including depreciation)

Overhead costs (including depreciation) in three quarters of 2005 remained under control and amounted to PLN 1,736.9 million, i.e. were only 0.6% higher compared with the previous year.

After three quarters of 2005, the Group's cost / income ratio amounted to 53.0% and was 4.8 p.p. lower than in the previous year. In the third quarter alone cost/income ratio amounted to 51.5% and was the lowest quarterly ratio in 2005.

As at 30 September 2005, the Bank had 14,860 employees (a reduction of 431 employees compared with the end of 2004), and the Group had 15,968 employees (a reduction of 440 employees).

Impairment losses on loans and advances

In three quarters of 2005, impairment losses on loans and advances amounted to PLN 189.9 million and were 23.1% lower than in the previous year. This resulted primarily from the effective credit risk management and improved macroeconomic situation. The ratio of non-performing loans to total loans decreased from 19.9% at the end of 2004 to 17.5% at the end of September 2005 (according to the NBP classification) as a result of an increase in the volume of performing loans and a simultaneous decrease in the volume of non-performing loans.

Loans

In three quarters of 2005, the gross loans portfolio grew by PLN 2,131.1 million, i.e. by 7.2% (in terms of a nominal exposure). This growth was due to:

- the growth in the volume of corporate loans of PLN 1,196.3 million (by 5.2%);
- the growth in the volume of retail loans of PLN 934.8 million (by 13.8%).

(PLN million)

	30.09.2005	31.12.2004*
Gross loans (principal)	**31,785.0**	**29,653.9**
corporate (principal)	24,073.3	22,877.0
retail ** (principal)	7,711.7	6,776.9

* Information adjusted compared to the published previously to assure comparability due to the extension of consolidation.
** The item includes retail loans in Bank Pekao S.A.

Savings

Total savings of the Group increased by PLN 6,038.9 million i.e. by 10.7% in three quarters of 2005 resulting from both an increase in the savings of individual clients and in corporate deposits.

The savings of retail clients increased by PLN 3,232.2 million in three quarters of 2005. High demand for mutual funds allowed for further increase in mutual funds assets by PLN 5,045.7 million in three quarters of 2005 bringing the total retail savings above the PLN 44 billion level confirming Group's significant market share.

Corporate deposits increased by PLN 2,806.7 million in three quarters of 2005.

(PLN milllion)

	30.09.2005	31.12.2004
Deposits (principal)	**44,480.7**	**43,465.0**
corporate (principal)	18,134.6	15,327.9
retail (principal)	26,346.1	28,137.1
Bank's bonds (principal)	**0.0**	**22.5**
Pioneer Pekao TFI mutual funds	**18,048.0**	**13,002.3**
incl. sold in the Group's network	16,763.7	11,857.2
Total savings	**62,528.7**	**56,489.8**
incl. retail	44,394.1	41,161.9

6.4.2 The structure of the net profit

The structure of the consolidated profit and loss accounts of the related entities in three quarters of 2005 and the three quarters of 2004 is shown in the following table:

(PLN million)

	3Q 2005	3Q 2004 pro forma
Net profit of Bank Pekao S.A.	**1,081.2**	**883.6**
Net profit (loss) of entities consolidated under full method	**116.1**	**81.0**
Centralny Dom Maklerski Pekao S.A.	71.6	46.7
Pekao Development Sp. z o.o.	18.6	5.3
Pekao Financial Services Sp. z o.o.	10.5	7.4
Pekao Faktoring Sp. z o.o.	6.0	4.3
Pekao Pioneer PTE S.A.	4.7	3.3
Pekao Leasing Sp. z o.o./Leasing Fabryczny Sp. z o.o.	2.5	5.6
Centrum Kart S.A.	1.5	2.3
Drukbank Sp. z o.o.	0.0	0.0
Pekao Fundusz Kapitalowy Sp. z o.o.*	(0.1)	(1.4)
Pekao Access Sp. z o.o.	0.6	1.0
Bank Pekao (Ukraina) Ltd. in Luck	0.2	(1.9)
Pekao Uslugi Korporacyjne S.A.	-	8.4
Net profit (loss) of entities valued under equity method	**34.4**	**30.5**
Pioneer Pekao Investment Management S.A.	38.6	29.9
Krajowa Izba Rozliczeniowa S.A.	4.8	5.5
Jan III Sobieski Sp. z o.o.	0.0	0.0
Grupa Inwestycyjna Nywig S.A.	0.1	0.0
Central Poland Fund LLC	(0.3)	(0.1)
Xelion. Doradcy Finansowi Sp. z o.o.	(8.8)	(7.7)
Trinity Management Sp. z o.o.	-	6.3
NFI Jupiter S.A.	-	(3.4)
Exclusions and consolidation adjustments**	**(102.6)**	**(63.3)**
Net profit (loss) of the Group	**1,129.1**	**931.8**

* The result of the company include the valuation of associates based on equity method

** Include transactions within the Group, including dividends from subsidiaries and associates.

The results of Bank Pekao S.A.

Net profit of the Bank in three quarters of 2005 amounted to PLN 1,081.2 million and was higher by 22.4% than in the previous year.

The main items from the profit and loss account of the Bank in three quarters of 2005 in comparison with the three quarters of 2004 pro forma are as follows:

(PLN million)

	3Q 2005	3Q 2004 pro forma	Change
Net interest income*	1,668.6	1,514.8	10.2%
Non-interest income	1,436.3	1,285.0	11.8%
Total income	**3,104.9**	**2,799.8**	**10.9%**
Overhead costs (including depreciation)	**(1,610.3)**	**(1,601.6)**	**0.5%**
Operating income	**1,494.7**	**1,198.2**	**24.7%**
Impairment losses on loans and advances	(185.2)	(221.5)	(16.4%)
Pre-tax profit	1,309.5	976.6	34.1%
Net profit	**1,081.2**	**883.6**	**22.4%**
Cost / Income ratio	51.9%	57.2%	(5.3 p.p.)

* Including income on SWAP operations.

The main items of the Bank's balance sheet at the end of September of 2005 in comparison with the end of 2004 are as follows:

	30.09.2005	31.12.2004	Change
Total gross loans (principal) in PLN million*	31,287.9	29,284.4	2,003.5
Non-performing loans to total loans in %*	16.8	18.7	(1.9 p.p.)
Total deposits + own bonds (principal) in PLN million*	44,374.6	43,688.0	686.6
Total assets in PLN mil.	61,520.6	59,532.4	1,988.2
Mutual funds sold in Bank's network in PLN million	14,414.6	10,208.7	4,205.9
Capital adequacy ratio in %	17.7	20.7	(3.0 p.p.)

6.5 Segment reporting

Segment reporting of the Pekao Group covers following areas:

- Retail banking area – full-range of banking activity related to retail clients and small and micro companies with annual turnover not exceeding PLN 10 million, and also income of companies consolidated under the full method and assigned to retail activity,
- Corporate banking area – full-range of banking activity related to medium and large companies, and also income of companies consolidated under the full method and assigned to corporate activity,
- Treasury and investment activities area – Bank's involvement on inter-bank market, in debt securities and capital investments in companies, which are not a part of other segments, and also income of companies consolidated under the full method and assigned to this activity.

Information on main segments results for the three quarters of 2005*

(PLN million)

	Retail banking area	Corporate banking area	Treasury and investment banking area	Total
Interest income	1,031.9	311.6	409.1	1,752.6
Non-interest income	1,082.3	312.7	129.9	1,524.9
Total income	**2,114.2**	**624.3**	**539.0**	**3,277.5**

* due to implementation of IFRS data not fully comparable with data reported in previous reports

6.6 Adjustments for provisions, deferred tax provisions and assets

(PLN million)

	Group		Bank Pekao S.A.	
	30.09.2005	**30.09.2004 Pro forma**	**30.09.2005**	**30.09.2004 pro forma**
Total provisions	**94.2**	**110.0**	**90.4**	**79.6**
of which:				
provisions for off-balance sheet liabilities	16.5	24.6	16.4	24.6
provisions for liabilities to employees	62.9	48.5	61.7	47.5
other provisions	14.8	36.9	12.3	7.5
Provision for deferred tax	**3.4**	**1.6**	**0.0**	**0.0**
Deferred tax assets	**178.4**	**158.3**	**158.9**	**133.3**

6.7 Write-off for revaluation of assets

(PLN million)

	Group		Bank Pekao S.A.	
	3Q 2005	**3Q 2004 pro forma**	**3Q 2005**	**3Q 2004 pro forma**
Costs	**(1,034.5)**	**(1,004.6)**	**(1,005.1)**	**(965.2)**
loan receivables	(997.8)	(954.8)	(968.4)	(936.1)
off-balance sheet liabilities	(36.7)	(49.8)	(36.7)	(29.1)
Income	**844.6**	**757.7**	**819.9**	**743.7**
loan receivables	805.4	718.1	780.8	704.1
off-balance sheet liabilities	39.2	39.6	39.1	39.6
Total	**(189.9)**	**(246.9)**	**(185.2)**	**(221.5)**

6.8 Information on contingent assets and liabilities

CONSOLIDATED OFF-BALANCE SHEET ITEMS (in PLN ths.)	30.09.2005 r.	31.12.2004 r.
I. Contingent liabilities granted and received	16,343,874	15,754,946
1. Liabilities granted:	12,621,132	11,461,112
a) financial	11,248,359	10,518,643
b) guarantees	1,372,773	942,469
2. Liabilities received:	3,722,742	4,293,834
a) financial	473,651	779,858
b) guarantees	3,249,091	3,513,976
II. Financial derivatives	71,343,435	41,012,559
a) currency transactions	24,069,314	16,815,682
b) Interest rate transactions	41,844,916	22,425,486
c) securities transactions	5,429,205	1,771,391
III. Other	7,175,307	8,394,134
TOTAL OFF-BALANCE SHEET ITEMS	94,862,616	65,161,639

6.9 Post balance sheet events

No significant events occurred after the balance sheet date which were not reflected in the financial statements.

6.10 Seasonality or cyclical nature of the Bank’s activity

The demand for the financial services offered by the Bank is stable, and so the impact of seasonal changes is immaterial. Due to the nature of the Bank’s activity, it is not subject to seasonal or cyclical changes.

6.11 Issuance, redemption and repayment of debt securities

On 30 June 2005, F series bearer bonds were redeemed under the second bond issue programme.

<u>Issuance of registered bonds with pre-emptive rights to take up the Bank’s F and G shares</u>

The Bank issued 415 thousand registered A series bonds and 415 thousand registered B series bonds with pre-emptive rights to take up the Bank’s F series shares, and 415 thousand registered C series bonds and 415 thousand registered D series bonds with pre-emptive rights to take up the Bank’s G series shares.

1,660 of the Bank’s registered bonds were allocated to Pekao Faktoring (the Bank’s subsidiary) acting as the trustee, and registered in the Bonds Register of Centralny Dom Maklerski Banku Pekao S.A.

The Bonds were issued on the basis of Resolution No. 6 of the Bank’s Extraordinary General Meeting dated 25 July 2003 on the issue of registered bonds under an incentive programme.

Each Bond entitles to take up 1 ordinary bearer share of the Bank:
- 1 A series bond entitles taking up 1 F series share;
- 1 B series bond entitles taking up 1 F series share;
- 1 C series bond entitles taking up 1 G series share;
- 1 D series bond entitles taking up 1 G series share.

The nominal value of one bond is PLN 0.01.The total value of the issued A, B, C and D series bonds amounts to PLN 16,600. The issue price of one bond is equal to its nominal value.

The bonds do not bear interest. The bonds are not secured.

The issue price of F series shares amounts to PLN 108.37, and of G series shares PLN 123.06.

Bonds of each series will be available for purchase from the trustee by the eligible persons in the following periods:
- A series bonds in the period from 6 May to 30 December 2005.

- B series bonds in the period from the 31st day after the date of the General Shareholders' Meeting, approving financial statements for the financial year 2005 until 30 December 2006.
- C series bonds in the period from the 31st day after the date of the General Shareholders' Meeting, approving financial statements for the financial year 2006 until 30 December 2007.
- D series bonds in the period from the 31st day after the date of the General Shareholders' Meeting, approving financial statements for the financial year 2007 until 30 December 2008.

All Bonds which are not sold off by the trustee by 30 December 2005, 2006, 2007 and 2008 respectively shall be acquired by the Bank on 31 December 2005, 2006, 2007 and 2008 respectively to be redeemed at their nominal value.

The execution of the pre-emptive rights to take up F and G series shares can be exercised in the following periods:
- in respect of A series bonds - from 1 January 2006 to 31 December 2010;
- in respect of B series bonds - from 1 January 2007 to 31 December 2010;
- in respect of C series bonds - from 1 January 2008 to 31 December 2012;
- in respect of D series bonds - from 1 January 2009 to 31 December 2012.

6.12 Dividend paid

Pursuant to Resolution No. 8 of the General Meeting of Bank Pekao S.A., PLN 1,065,482,796.80 of the Bank's profit for 2004 was appropriated for the payment of dividend (PLN 6.40 per one share). The ex-dividend date was determined at 13 May 2005 and the date of dividend payment at 1 June 2005. All the Bank's shares are ordinary shares.

6.13 Effects of changes in the Group's structure

In the first three quarters of 2005 there were no significant changes in the Group's structure.

6.14 The position of the Management Board regarding the possibility of achieving previously published forecasts

The Bank has not published the forecast of financial results for 2005.

6.15 The information about the shareholders owning at least 5% of the total number of votes at the General Meeting of Bank Pekao S.A.

The shareholders of Bank Pekao S.A. owning directly or indirectly through their subsidiaries at least 5% of the total number of voting rights at the General Meeting of Bank Pekao S.A. are as follows:

Shareholder's name	# of shares and votes at the General Meeting	Share in share capital and total number of votes at the General Meeting in %	# of shares and votes at the General Meeting	Share in share capital and total number of votes at the General Meeting in %
	30 September 2005		31 December 2004	
UniCredito Italiano S.p.A.	88,121,725	52.93%	88,121,725	52.93%
Other shareholders	78,359,962	47.07%	78,359,962	47.07%
Total	**166,481,687**	**100.00%**	**166,481,687**	**100.00%**

According to the information known by the Bank, as at the date of submitting this report no significant changes were made in the shareholding structure.

6.16 The Issuer's shares held by the Management and Supervisory Board members

According to the Bank's knowledge, as at the date of submitting this report the members of the Bank's management and supervisory bodies held 10,000 shares of Bank Pekao S.A. All these shares were held by members of the Bank's management.

The number of the Bank's shares held by the members of the management and supervisory bodies has not changed since the date of submitting the previous quarterly report.

An incentive programme in the form of management options is in force in the Bank Pekao S.A. Group. The programme covers the Management Board, other management, key employees implementing the Bank's strategy and selected employees of the subsidiaries.

As at the date of submitting this report, 41 people participate in the incentive programme for the year 2003. The total number of shares offered under this programme was 653,126, of which 253,271 shares will be offered to the management.

The incentive programme for the year 2004 has 46 participants and the total number of shares offered is 717,662, of which 391,348 shares will be offered to the management.

Since the date of submitting the previous quarterly report in the number of shares has not changed.

In the second quarter of 2005 the Bank issued registered Series A, B, C and D bonds. The registered bonds were allocated to Pekao Factoring Sp. z o.o. acting as the Trustee.

The period for the acquisition of Series A bonds from the Trustee by the people participating in the Incentive Programme started on 6 May 2005 and will last until 30 December 2005. The execution of the right to take up Bank's shares can be exercised from 1 January 2006 and no later than 31 December 2010.

6.17 Pending litigations

In the third quarter of 2005 the number of the legal proceedings in courts, appropriate bodies of arbitration or public administration bodies, concerning the liabilities of the Group was 446. The total value of them was PLN 663.7 million. The number of legal proceedings concerning the receivables was 3,270 at total value of PLN 1,000.7 million.

The legal proceedings involving the largest amounts in receivables group include:

- The action in the course of proceedings brought by Pekao Leasing Sp. z o.o. against Salomon Industries S.A. The value of the subject of litigation amounts to PLN 67.4 million. The proceedings were instituted on December 15, 2003.
- The action brought by Bank Pekao S.A., Paris branch against LA HUPPE regarding the vindication of the loan receivables. The value of the subject of litigation amounts to EUR 15.2 million. The proceedings were instituted on December 23, 1998.
- The action in the course of proceedings brought by Pekao Leasing Sp. z o.o. against Royal Grant S.A. The value of the subject of litigation amounts to PLN 53.5 million. The proceedings were instituted on December 15, 2003.

According to the issuer's opinion any single proceeding that was in progress in courts, appropriate bodies of arbitration or public administration bodies in the third quarter of 2005, as well as all the proceedings together do not create any threat to financial liquidity of the Bank.

6.18 Transactions of related entities

In three quarters of 2005, the Bank and its subsidiaries have not concluded any transactions with related entities other than typical and routine transactions whose aggregate value exceeded the equivalent of EUR 500 thousand.

6.19 Loan or credit sureties and guarantees given

In three quarters of 2005, the Bank and its subsidiaries did not give any sureties or guarantees in respect of loans or advances to any single entity or a subsidiary of that entity, as a result of which the total value of the existing sureties and guarantees would equal 10% of the Bank's equity.

6.20 Other transactions concluded in the third quarter of 2005

<u>Registration of the share capital increase of Bank Pekao (Ukraina) Ltd.</u>

Upon registration by the National Bank of Ukraine of the relevant amendments to Bank Pekao (Ukraina) Ltd.'s Articles of Association regarding the increase in the share capital of Bank Pekao (Ukraina) Ltd., the share capital was increased from UAH 33.0 million to UAH 41.2 million.

Bank Polska Kasa Opieki S.A. currently holds shares in Bank Pekao (Ukraina) Ltd. of a total value of UAH 34.2 million, which constitutes 82.84% of the share capital of Bank Pekao (Ukraina) Ltd. and gives the right to 82.84% of the votes at the General Shareholders' Meeting of Bank Pekao (Ukraina) Ltd.

The remaining 17.6% of the shares in the share capital of Bank Pekao (Ukraina) Ltd. totalling UAH 7.1 million are held by Drukbank Sp. z o.o. (a wholly-owned subsidiary of Bank Polska Kasa Opieki S.A.) and give the right to 17.16% of the votes at the General Shareholders' Meeting of Bank Pekao (Ukraina) Ltd.

6.21 Assessment of the Bank's financial credibility

As at 30 September of 2005, Bank Pekao S.A. had the following financial credibility ratings:

Fitch Ratings	
Long-term rating	A
Short-term rating	F1
Individual rating	C
Support rating	1
Prospective rating	Positive

Standard and Poor's*	
Long-term rating local currency	A-
Long-term rating foreign currency	BBB+
Short-term rating	A-2
Prospective rating	Positive

Moody's Investors Service Ltd.	
The Bank has not ordered Moody's rating.	
Long-term deposit rating	A2
Short-term deposit rating	Prime-1
Financial strength	C
Prospective rating	Stable

***** On 25 August 2005, Standard & Poor's Ratings Services withdrew its ratings of the Bank's long-term liabilities from the CreditWatch list with positive implications and informed us of a simultaneous increase in these ratings as shown in the table above.

6.22 Factors which will affect the results of at least the next quarter

The predominant part of the assets of Bank Pekao S.A. and its subsidiaries is located on the territory of Poland. Therefore, the results of the Bank will be influenced by the economic events occurring in this country and the worldwide events that influence the domestic economy.

The Group results may be impacted by trends in PLN and USD interest rates. Additional impact may come from further development of economic situation in Poland, including the level of investments having an effect on the corporate customers loan demand, changes in the level of employment and salaries, which will impact the level of retail savings, improvement of customers creditworthiness and demand for loans.