BANK
POLSKA KASA OPIEKI
SPOLKA AKCYJNA

Interim financial statements
of the Bank Pekao S.A. Group
for the first quarter of 2006
prepared according to the
International Financial Reporting Standards

1 Summary

In this quarterly report 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 individual financial statements fulfil the requirements of International Accounting Standard - IAS 34 "Interim Financial Reporting".

Net profit of the Group in the first quarter of 2006 was the best quarterly result achieved to date and amounted to PLN 418.3 million, i.e. 26.6% higher than in the first quarter of 2005 confirming continued growth in Group's profitability.

The increase in the net profit was possible thanks to increased business activity which translated into higher income, particularly fee and commission income, with stable operating costs and lower cost of risk.

- Group's income amounted to PLN 1,134.0 million in the first quarter of 2006 and was by 8.9% higher than in the previous year, with interest income being higher by 6.6% and other income higher by 11.3%.
- In the first quarter of 2006, the Group noted a continued positive trend in the results of its business activity, with successful sales of key products: mutual funds, consumer loans "Express Loan", PLN mortgage loans and credit cards. Sales of the "Express Loan" in the first quarter of 2006 were 57.3% higher than in the previous year reaching PLN 363.2 million. Sales of PLN mortgage loans amounted to PLN 405.3 million contributing to a growth in the stock of 5.8% in the first quarter of 2006. The value of mutual funds increased by 5.7% and the number of credit cards increased by 9.3% compared with the end of 2005.
- In the first quarter of 2006, total overhead costs including depreciation were kept under control and amounted to PLN 582.4 million, i.e. were by 1.2% higher than in the previous year. In the first quarter of 2006, the Group's cost / income ratio amounted to 51.4% and was by 3.9 p.p. lower than in the previous year.
- In the first quarter of 2006, impairment losses on loans and advances amounted to PLN 58.4 million and were 7.7% lower than in the previous year. This resulted primarily from the effective credit risk management and improved macroeconomic situation. The ratio of impaired receivables to total receivables decreased from 15.6% at the end of 2005 to 15.4% at the end of March 2006.
- Savings of the Group's clients increased by PLN 1,715.9 million i.e. by 2.6% in the first quarter of 2006 resulting from an increase both in the savings of individual clients and in corporate deposits. The savings of retail clients increased by PLN 377.7 million in the first quarter of 2006. High demand for mutual funds allowed for further increase in mutual funds assets by PLN 1,101.7 million in the first quarter of 2006 bringing the total retail savings at the PLN 45.5 billion level confirming Group's significant market share. Corporate deposits increased by PLN 1,338.2 million in the first quarter of 2006.
- In the first quarter of 2006, the gross loan portfolio grew by PLN 449.5 million, i.e. by 1.4% . This growth was driven by successful sale of the "Express Loan" and PLN mortgage loans and an increase in the volume of corporate loans.

2 Accounting principles adopted in the preparation of the quarterly report

The interim consolidated report of the Group of Bank Pekao S.A. and the stand alone 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 Decree of the Council of Ministers dated 19th October 2005 on current and periodic information submitted by the issuers of securities.

The consolidated financial report of the Group and enclosed financial report of the Bank have been prepared in accordance with the accounting principles applied for the purpose of asset and liabilities valuation and measurement of financial results, as disclosed in the consolidated report and the stand alone report of Bank Pekao S.A. for the year 2005, published on 22nd March 2006.

There were no changes of accounting principles in the first quarter of 2006 financial reports in comparison to the accounting principles applied for the Group and the Bank annual reports for the year 2005.

In this report the data have been presented to manner assuring comparability.

3 Financial statements

CONSOLIDATED INCOME STATEMENT (in '000 PLN**)**	**I Quarter 2006 period from 06-01-01 to 06-03-31**	**I Quarter 2005 period from 05-01-01 to 05-03-31**
Interest income	915 096	948 292
Interest expense	(343 858)	(406 225)
Net interest income	**571 238**	**542 067**
Fee and commission income	506 209	405 296
Fee and commission expense	(46 141)	(38 877)
Net fee and commission income	**460 068**	**366 419**
Dividend income	-	-
Result on financial instruments at fair value	2 527	25 477
Result on investment securities	31 971	15 049
Foreign exchange result	52 320	79 067
Other operating income	49 267	67 129
Other operating expenses	(33 416)	(53 654)
Net other operating income	**15 851**	**13 475**
Net impairment losses on financial assets and net provisions for guarantees and commitments	(58 375)	(63 306)
Overhead costs	(582 391)	(575 685)
Operating profit	**493 209**	**402 563**
Share of profit (loss) of associates and joint venture entities valued at the equity method	20 762	11 530
Profit before income tax	**513 971**	**414 093**
Income tax expense	(95 654)	(83 602)
Net profit for the period	**418 317**	**330 491**
1. Attributable to equity holders of the Company	418 860	331 463
2. Attributable to minority interest	(543)	(972)
Earnings per share (in PLN per share)		
- basic for the period	2,51	1,99
- diluted for the period	2,51	1,99

CONSOLIDATED BALANCE SHEET
(in '000 PLN)

	31.03.2006	31.12.2005	31.03.2005
Assets			
Cash and balances with Central Bank	3 484 022	3 574 791	2 516 501
Debt securities eligible for rediscounting at the Central Bank	5 254	6 106	8 244
Loans and advances to banks	8 302 448	6 966 026	7 207 397
Financial assets as held for trading	1 909 078	2 502 366	1 847 555
Derivative financial instruments	482 176	499 290	552 807
Other financial instruments at fair value through profit or loss	1 739 849	1 781 317	1 577 513
Loans and advances to customers	28 524 551	28 223 730	25 896 190
Net investment in the finance lease	783 493	745 891	612 370
Investment securities	16 225 668	14 490 772	16 550 946
1. Available for sale	13 600 564	11 902 898	12 264 726
2. Held to maturity	2 625 104	2 587 874	4 286 220
Assets of disposal group classified as held for sale	159 503	167 366	-
Investments in associated undertakings	188 574	167 814	136 076
Intangible assets	617 909	645 457	609 967
Tangible fixed assets	1 413 202	1 441 141	1 508 415
Investment property	61 477	61 259	102 649
Income taxes	225 885	182 180	94 741
1. Current tax assets	660	886	18 588
2. Deferred income tax assets	225 225	181 294	76 153
Other assets	709 894	516 450	928 575
Total assets	**64 832 983**	**61 971 956**	**60 149 946**
Liabilities and shareholders' equity			
Liabilities			
Amounts due to the Central Bank	1 895 029	1 950 710	2 103 038
Amounts due to other banks	2 105 329	1 997 043	2 606 698
Financial liabilities as held for trading	1 245 771	558 973	-
Derivative financial instruments	523 766	607 689	539 274
Amounts due to customers	48 494 093	46 847 877	44 961 141
Debt securities in issue	-	4	23 557
Liabilities directly associated with assets classified as held for sale	32 258	39 663	-
Current income tax liabilities	63 879	5 621	38 530
Provisions for deferred income tax	-	1	4 968
Provisions	100 745	108 727	104 446
Other liabilities	1 551 855	1 432 922	1 540 093
Total liabilities	**56 012 725**	**53 549 230**	**51 921 745**
Shareholders' equity			
Capital and reserves attributable to the Company's equity Holders	**8 805 303**	**8 407 290**	**8 210 396**
Share capital	166 733	166 482	166 482
Other capital and reserves	6 694 462	6 718 913	6 361 939
Prior and current year profits	1 944 108	1 521 895	1 681 975
Minority interest	14 955	15 436	17 805
Total shareholders' equity	**8 820 258**	**8 422 726**	**8 228 201**
Total liabilities and shareholders' equity	**64 832 983**	**61 971 956**	**60 149 946**
Capital adequacy ratio	19,45	19,47	19,66
Book value	8 805 303	8 407 290	8 210 396
Number of shares	166 733 320	166 481 687	166 481 687
Book value per share (in PLN per share)	52,81	50,50	49,32
Diluted number of shares	166 875 902	166 558 940	166 517 930
Diluted book value per share (in PLN per share)	52,77	50,48	49,31

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (in '000 PLN)	I Quarter 2006 period from 06-01-01 to 06-03-31	2005 period from 05-01-01 to 05-12-31	I Quarter 2005 period from 05-01-01 to 05-03-31
Shareholders equity at the beginning of the period	**8 422 726**	**8 023 481**	**7 903 625**
a) adjustment related to IFRS/IAS introduction	-	(192 460)	(176 492)
b) change of consolidation method	-	-	
c) adjustment due to fundamental errors	-	-	-
Adjusted shareholders equity at the beginning of the period	**8 422 726**	**7 812 245**	**8 017 197**
1. Share capital at the beginning of the period	166 482	166 482	166 482
a) Increase	251	-	-
- new shares issue	251	-	-
b) Decrease	-	-	-
- redemptions	-	-	-
1. Share capital at the end of the period	166 733	166 482	166 482
2. Earnings from previous years at the beginning of the period	1 521 895	1 512 265	1 527 004
a) adjustment related to IFRS/IAS introduction	-	(192 460)	(176 492)
b) change of consolidation method	-	-	-
2. Adjusted earnings from previous years at the end of the period	1 521 895)	1 319 805	1 350 512
a) Increase	3 353	1 761	-
- adjustment related to IFRS/IAS introduction	-	-	-
- other	3 353	1 761	-
b) Decrease	-	(1 337 383)	-
- appropriation to other reserve capital	-	(271 900)	-
- dividend	-	(1 065 483)	-
2. Earnings from previous years at the end of the period	1 525 248	(15 817)	1 350 512
3. Other capital and reserves at the beginning of the period	6 718 913	6 325 958	6 486 054
a) adjustment related to IFRS/IAS introduction	-	-	-
b) change of consolidation method	-	-	-
3. Adjusted other capital and reserves at the beginning of the period	6 718 913	6 325 958	6 486 054
a) Increase	28 321	393 691	68 292
- appropriation of net profit	-	271 900	-
- share premium on issue of new shares	26 810	-	-
- valuation of securities available for sale (net)	-	107 867	67 178
- employee share option proceeds	1 469	11 893	-
- foreign exchange differences on valuation of foreign branches	42	-	-
- other	-	2 031	-
b) Decrease	(52 723)	(736)	(30 064)
- valuation of securities available for sale (net)	(49 272)	-	-
- foreign exchange differences on valuation of foreign branches	-	(736)	-
- adjustment related to IFRS/IAS introduction	-	-	(30 064)
- foreign exchange differences on valuation of foreign branches for the previous years	-	-	-
- other	(3 500)	-	-
3. Other capital and reserves at the end of the period	6 694 469	6 718 913	6 361 939
4. Net profit	418 860	1 537 712	331 463
II. Shareholders' equity at the end of the period	8 805 302	8 407 290	8 210 396
III. Minority interest at the beginning of the period	15 436	18 776	18 776
a) Decrease	(481)	(3 340)	(971)
- net profit	(543)	(2 860)	(972)
- other	62	(480)	1
IV. Minority interest at the end of the period	14 955	15 436	17 805
Total equity	**8 820 258**	**8 422 726**	**8 228 201**

CONSOLIDATED STATEMENT OF CASH FLOW (in '000 PLN)	I Quarter 2006 period from 06-01-01 to 06-03-31	I Quarter 2005 period from 05-01-01 to 05-03-31
A. Cash flow from operating activities - indirect method		
I. Net profit (loss)	**418 860**	**331 463**
Adjustments:	**1 689 119**	**361 753**
Depreciation	79 313	80 475
Share of profit of associates	(20 762)	(11 530)
Foreign exchange differences	12 927	(108 133)
(Profit) loss on investing activities	(38 011)	(15 049)
Impairment	(5)	-
Interest and dividend	(199 030)	(265 906)
Change in loans and advances to banks	(708 488)	(198 282)
Change in financial assets as held for trading and other financial instruments at fair value through profit or loss	634 756	1 107 424
Change in derivative financial instruments	17 114	(49 325)
Change in loans and advances to customers	(299 969)	(146 618)
Change in net investment in the finance lease	(37 602)	(65 046)
Change in investment securities available for sale	-	(16 915)
Change in deferred income tax assets	(32 282)	32 598
Change in other assets	(185 213)	(207 493)
Change in amounts due to banks	52 605	1 225 436
Change in liabilities as held for trading	686 798	(590 119)
Change in derivative financial instruments and other financial liability at fair value through profit or loss	(83 923)	(84 409)
Change in amounts due to customers	1 646 216	(860 504)
Change in debt securities in issue	-	352
Change in provisions	(7 982)	3 833
Change in other liabilities	114 200	497 725
Income tax paid	(68 394)	(35 923)
Current tax	126 851	69 162
Net cash from operating activities	**2 107 979**	**693 216**
B. Cash flows from investing activities		
Investing activity inflows	**7 310 818**	**4 029 452**
Sale of shares in associates	-	-
Sale of shares in subsidiaries, net of cash disposed	-	-
Sale of investment securities	7 187 127	3 927 476
Proceeds from sale of intangible assets and tangible fixed Assets	6 039	846
Other investing inflows	117 652	101 130
Investing activity outflows	**(8 908 691)**	**(5 097 804)**
Purchase of associates	-	-
Purchase of subsidiaries, net of cash acquired	-	-
Purchase of investment securities	(8 882 836)	(5 069 913)
Purchase of intangible assets and tangible fixed assets	(25 825)	(27 563)
Other investing outflows	(30)	(328)
Net cash used in investing activities	(1 597 873)	(1 068 352)
C. Cash flows from financing activities		
Financing activity inflows	**27 062**	**-**
Proceeds from loans and advances from other banks	-	-
Proceeds from other loans and advances	-	-
Issue of debt securities	-	-
Increase of subordinated liabilities	-	-
Issue of ordinary shares	27 062	-
Sale of own shares	-	-
Other financing inflows	-	-

Financing activity outflows	**(4)**	**-**
Repayments of loans and advances from other banks	-	-
Repayments of other loans and advances	-	-
Redemption of debt securities	(4)	-
Decrease of subordinated liabilities	-	-
Other financial liabilities	-	-
Payments of financial lease liabilities	-	-
Dividends and other payments to shareholders	-	-
Other than payments to shareholders expenditures due to appropriation of profit	-	-
Purchase of own shares	-	-
Other financing outflows	-	-
Net cash from financing activities	**27 058**	**-**
D. Total net cash flow (A.III+/-B.III+/-C.III)	**537 164**	**(375 136)**
E. Net change in cash and cash equivalents	**537 164**	**(375 136)**
F. Cash and cash equivalents at the beginning of the period	**7 667 221**	**7 276 426**
G. Cash and cash equivalents at the end of the period (F+/- D)	**8 204 385**	**6 901 290**

QUARTERLY INDIVIDUAL FINANCIAL REPORT

INCOME STATEMENT (in '000 PLN)	**I Quarter 2006 period from 06-01-01 to 06-03-31**	**I Quarter 2005 period from 05-01-01 to 05-03-31**
Interest income	900 151	935 651
Interest expense	(350 521)	(420 318)
Net interest income	**549 630**	**515 333**
Fee and commission income	424 964	346 017
Fee and commission expense	(37 496)	(31 012)
Net fee and commission income	**387 468**	**315 005**
Dividend income	-	71 500
Result on financial instruments at fair value	1 876	23 662
Result on investment securities	31 971	15 049
Foreign exchange result	52 061	79 360
Other operating income	16 734	21 848
Other operating expenses	(15 300)	(13 911)
Net other operating income	**1 434**	**7 937**
Net impairment losses on financial assets and net provisions for guarantees and commitments	(49 872)	(63 563)
Overhead costs	(536 846)	(530 533)
Operating profit	**437 722**	**433 750**
Profit before income tax	**437 722**	**433 750**
Income tax expense	(84 305)	(74 176)
Net profit for the period	**353 417**	**359 574**

Earnings per share (in PLN per share)		
- basic for the period	2,12	2,16
- diluted for the period	2,12	2,16

BALANCE SHEET
(in '000 PLN)

	31.03.2006	31.12.2005	31.03.2005
Assets			
Cash and amounts due from Central Bank	3 482 911	3 573 613	2 514 903
Debt securities eligible for rediscounting at the Central Bank	5 254	6 106	8 244
Amounts due from banks	8 234 53 7	7 000 770	7 208 295
Financial assets held for trading	1 580 495	2 217 887	1 632 922
Derivative financial instruments	482 162	499 290	552 806
Other financial instruments at fair value through profit or loss	1 739 849	1 781 317	1 577 513
Loans and advances to customers	29 077 206	28 727 143	26 363 858
Investment securities	16 225 280	14 490 374	16 536 085
1. Available for sale	13 600 176	11 902 500	12 249 865
2. Held to maturity	2 625 104	2 587 874	4 286 220
Non-current assets held for sale	37 296	37 650	-
Shares in subsidiaries	514 667	514 666	544 801
Shares in associates	42 234	42 234	28 690
Intangible assets	609 267	636 048	596 873
Tangible fixed assets	1 396 222	1 422 389	1 487 582
Investment property	58 472	58 170	48 512
Income taxes	195 688	152 008	65 591
1. Current tax assets	-	-	17 893
2. Deferred income tax assets	195 688	152 008	47 698
Other assets	425 665	285 547	678 193
Total assets	**64 107 205**	**61 445 212**	**59 844 868**
Liabilities and shareholders' equity			
Liabilities			
Amounts due to the Central Bank	1 895 029	1 950 710	2 103 038
Amounts due to other banks	2 086 910	1 993 601	2 607 145
Financial liabilities held for trading	1 203 175	545 930	-
Derivative financial instruments	523 781	607 689	539 274
Amounts due to customers	48 491 188	46 849 748	45 063 686
Debt securities in issue	12	17	23 557
Current income tax liabilities	60 822	4 427	-
Provisions for deferred income tax	-	-	-
Provisions	98 724	105 013	100 419
Other liabilities	1 218 588	1 191 819	1 287 864
Total liabilities	**55 578 229**	**53 248 954**	**51 724 983**
Shareholders' equity			
Share capital	166 733	166 482	166 482
Profit for the year and retained earnings	1 860 196	1 506 779	1 754 632
Other capital and reserves	6 502 047	6 522 997	6 198 771
Total shareholders' equity	**8 528 976**	**8 196 258**	**8 119 885**
Total liabilities and shareholders' equity	**64 107 205**	**61 445 212**	**59 844 868**

Capital adequacy ratio (%)	**17,62**	**17,95**	**17,89**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (in '000 PLN)	**I Quarter 2006 period from 06-01-01 to 06-03-31**	**2005 period from 05-01-01 to 05-12-31**	**I Quarter 2005 period from 05-01-01 to 05-03-31**
I. Shareholders equity at the beginning of the period	**8 196 258**	**7 896 096**	**7 903 625**
a) adjustment related to IFRS/IAS introduction	-	(192 460)	(2 741)
b) adjustment due to fundamental errors	-	-	-
I. Adjusted shareholders equity at the beginning of the period	**8 196 258**	**7 703 636**	**7 900 884**
1. Share capital at the beginning of the period	166 482	166 482	166 482
a) Increase	251	-	-
- new shares issue	251	-	-
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	1 506 779	1 602 824	1 444 257
a) adjustment related to IFRS/IAS introduction	-	(192 460)	158 553
2. Adjusted retained earnings (loss) from previous years at the beginning of the period	1 506 779	1 410 363	1 602 810
a) Increase	-	-	-
-- adjustment related to IFRS/IAS introduction	-	-	-
b) Decrease	-	-	(207 752)
- adjustment related to IFRS/IAS introduction	-	-	(207 752)
- appropriation to reserve capital	-	(277 518)	-
- dividends	-	(1 065 483)	-
2. Retained earnings (loss) at the end of the period	1 506 779	67 363	1 395 058
3. Other capital at the beginning of the period	6 522 997	6 126 790	6 292 886
- adjustment related to IFRS/IAS introduction	-	-	(161 294)
3.Adjusted other capital at the beginning of the period	6 522 997	6 126 790	6 131 592
a) Increase	28 322	396 693	67 179
- appropriation of net profit	-	277 518	-
- issue of shares under its' nominal value	26 811	-	-
- valuation of securities available for sale (net)	-	107 282	67 179
- valuation of management options	1 469	11 893	-
- foreign exchange differences on branches abroad	42	-	-
b) Decrease	(49 272)	(486)	-
- valuation of securities available for sale (net)	(49 272)	-	-
- foreign exchange differences on branches abroad	-	(486)	-
3. Other capital at the end of the period	6 502 047	6 522 997	6 198 771
4. Net profit	353 417	268 578	359 574
II. Shareholders' equity at the end of the period	**8 528 976**	**8 196 258**	**8 119 885**

CASH FLOW STATEMENT (in '000 PLN)	I Quarter 2006 period from 06-01-01 to 06-03-31	I Quarter 2005 period from 05-01-01 to 05-03-31
A. Cash flow from operating activities - indirect method		
I. Net profit (loss)	**353 417**	**359 574**
Adjustments:	**1 621 867**	**766 870**
Depreciation	75 565	75 886
Foreign exchange differences	12 958	(108 134)
(Profit) loss on investing activities	(72 557)	(72 169)
Impairment	-	-
Interest and dividend	(199 030)	(265 800)
Change in loans and advances to banks	(700 548)	291 395
Change in financial assets as held for trading and other financial Instruments at fair value through profit or loss	678 860	1 065 489
Change in derivative financial instruments	17 128	(49 325)
Change in loans and advances to customers	(349 211)	(300 108)
Change in investment securities available for sale	550	(15 731)
Change in deferred income tax assets	(32 257)	30 945
Change in other assets	(139 304)	(254 444)
Change in amounts due to banks	37 628	1 207 644
Change in liabilities as held for trading	657 245	(438 219)
Change in derivative financial instruments and other financial liability at fair value through profit or loss	(83 908)	(84 409)
Change in amounts due to customers	1 641 440	(796 678)
Change in debt securities in issue	-	352
Change in provisions	(6 289)	4 798
Change in other liabilities	26 769	443 597
Income tax paid	(59 733)	(29 713)
Current tax	116 561	61 494
Net cash from operating activities	**1 975 284**	**1 126 444**
B. Cash flows from investing activities		
Investing activity inflows	**7 345 093**	**4 082 152**
Sale of shares in associates	-	-
Sale of shares in subsidiaries, net of cash disposed	-	-
Sale of investment securities	7 227 314	3 980 296
Proceeds from sale of intangible assets and tangible fixed assets	127	727
Other investing inflows	117 652	101 129
Investing activity outflows	**(8 904 917)**	**(5 085 713)**
Purchase of associates	-	-
Purchase of subsidiaries, net of cash acquired	-	-
Purchase of investment securities	(8 882 836)	(5 060 041)
Purchase of intangible assets and tangible fixed assets	(22 081)	(25 344)
Other investing outflows	-	(328)
Net cash used in investing activities	**(1 559 824)**	**(1 003 561)**
C. Cash flows from financing activities		
Financing activity inflows	**27 062**	**-**
Proceeds from loans and advances from other banks	-	-
Proceeds from other loans and advances	-	-
Issue of debt securities	-	-
Increase of subordinated liabilities	-	-
Issue of ordinary shares	27 062	-
Sale of own shares	-	-
Other financing inflows	-	-
Financing activity outflows	**(5)**	**-**

Repayments of loans and advances from other banks	-	-
Repayments of other loans and advances	-	-
Redemption of debt securities	(5)	-
Decrease of subordinated liabilities	-	-
Other financial liabilities	-	-
Payments of financial lease liabilities	-	-
Dividends and other payments to shareholders	-	-
Other than payments to shareholders expenditures due to appropriation of profit	-	-
Purchase of own shares	-	-
Other financing outflows	-	-
Net cash from financing activities	**27 057**	**-**
D. Total net cash flow (A.III+/-B.III+/-C.III)	**442 517**	**122 883**
E. Net change in cash and cash equivalents	**442 517**	**122 883**
F. Cash and cash equivalents at the beginning of the period	**7 688 574**	**6 776 809**
G. Cash and cash equivalents at the end of the period (F+/- D)	**8 131 091**	**6 899 692**

Selected financial statements translated into EUR:

Position	in '000 PLN		in '000 EUR	
	I Quarter of 2006	I Quarter of 2005	I Quarter of 2006	I Quarter of 2005
Net interest income	571 238	542 067	148 543	135 000
Net fee and commission income	460 068	366 419	119 635	91 256
Operating profit	493 209	402 563	128 253	100 257
Profit before income tax	513 971	414 093	133 652	103 129
Net profit (loss)	418 317	330 491	108 778	82 308
Net profit (loss) attributable to equity holders of the Company	418 860	331 463	108 919	82 550
Net profit (loss) attributable to minority interest	(543)	(972)	(141)	(242)
Net cash from operating activities	2 107 979	693 216	548 153	172 644
Net cash used in investing activities	(1 597 873)	(1 068 352)	(415 507)	(266 070)
Net cash from financing activities	27 058	-	7 036	-
Net increase / decrease in cash and cash equivalents	537 164	(375 136)	139 683	(93 427)
Total assets	64 832 983	60 149 946	16 473 050	14 729 276
Amounts due to the Central Bank	1 895 029	2 103 038	481 497	514 983
Amounts due to other banks	2 105 329	2 606 698	534 931	638 318
Amounts due to customers	48 494 093	44 961 141	12 321 593	11 009 903
Minority interest	14 955	17 805	3 800	4 360
Equity attributable to the Company's equity holders	8 805 303	8 210 396	2 237 290	2 010 529
Share capital	166 733	166 482	42 364	40 767
Number of shares	166 733 320	166 481 687	166 733 320	166 481 687
Book value per share (in zl/EUR per share)	52,81	49,32	13,42	12,08
Diluted book value per share (in zl/EUR per share)	52,77	49,31	13,41	12,07
Capital adequacy ratio	19,45	19,66	x	x
Earnings per 1 ordinary share (in zl/EUR per share)	2,51	1,99	0,65	0,50
Diluted earnings per 1 ordinary share (in zl/EUR per share)	2,51	1,99	0,65	0,50
Declared or paid dividend per share (in zl/EUR per share)	7,40	6,40	1,84	1,42

4 Additional information

4.1 The Group

Bank Pekao S.A. Capital Group as at 31st March 2006 consists of Bank Pekao S.A as the parent entity and 15 subsidiaries. As at 31st March 2006 there were no changes in the structure of the Group in comparison to the structure presented as at 31st December 2005.
The following entities are included in the consolidated financial report as at 31st March 2006:

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.					
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	real estate management and sale	100,00	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 with the use of the equity method. Companies that were not revalued, were recognized in the consolidated financial report at the cost of purchase. Companies were not revalued due to the immateriality of their financial results.					
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	39,56	subsidiary	not valuated under equity method

* On 3 April 2006, Bank Pekao S.A. divested of to Pirelli & C Real Estate S.p.A. 26,572 shares of Pekao Development Sp. z o.o. (Bank's subsidiary) representing the total par value of PLN 26,572,000, comprising a 75% stake in the Company's share capital, and carrying 75% of votes in the General Meeting of Pekao Development Sp. z o.o. The net book value of sold shares on the balance sheet of Bank Pekao S.A. is equal to their total par value

4.2 Achievements of Bank Pekao S.A.

Commercial activity

The performance in the first quarter of 2006 was primarily the result of a further development in its business activity. The key success factor was the increased sales pace, particularly in consumer loans, PLN mortgage loans and mutual funds.

Sales of the "Express Loan" in the first quarter of 2006 were 57.3% higher than in the previous year reaching PLN 363.2 million.

In the first quarter of 2006, sales of PLN mortgage loans amounted to PLN 405.3 million (22.8% higher compared to the first quarter of 2005) contributing to a growth in the stock of 5.8% compared to the end of 2005. The Bank continued its policy of selling mortgage loans in PLN.

The Pekao Group confirmed its leading position in the mutual funds market – total assets of mutual funds managed by PPIM S.A. reached the level of PLN 20.3 billion as at the end of March 2006 with market share amounting to 28.0%. Thanks to continued activities aimed at tailoring the product offer to the needs of clients, the sales of mutual funds were very satisfactory again.

Key commercial indicators:

	31.03.2006	31.12.2005	Change
Total number of PLN current accounts (in thousand) *	3,017.7	3,019.2	(1.5)
of which packages	2,180.0	2,176.9	3.1
Number of mortgage loans accounts (in thousand)	62.5	60.3	2.2
Number of "Express Loans" accounts (in thousand)	195.2	166.6	28.6
Number of mutual fund registers (in thousand)	709.6	665.3	44.3
Payment cards (in thousand)**	2,680.1	2,673.8	6.3
Credit	160.0	146.4	13.6
Charge	259.6	269.2	(9.6)
Debit (including Maestro)	2,260.5	2,258.2	2.3
Total number of outlets (in items)	779	778	1
Total number of ATMs (in items)	1,254	1,244	10

* 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

4.3 Achievements of subsidiaries

4.3.1 Pioneer Pekao TFI S.A.

As at 31 March 2006, 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 20,339.2 million and was higher by PLN 1,101.7 million compared with the end of 2005. As at 31 March 2006, the Company had 848.2 thousand open accounts (an increase by 5.3% during the first quarter of 2006).

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

(PLN million)

	31.03.2006	31.12.2005	Change
Net assets value of Pioneer Pekao TFI	**20,339.2**	**19,237.5**	**1,101.7**
- bond and money market funds	7,872.4	9,308.0	(1,435.6)
- equity funds	2,487.0	1,586.5	900.5
- balanced funds	9,979.8	8,343.0	1,636.8

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

In the first quarter of 2006, CDM provided the full scope of services (permitted to brokerage houses), excluding asset management.

After 3 months of 2006, the Company achieved:

- a 27.5% share in the bond trading volume at the Warsaw Stock Exchange;
- a 13.0% share in the stock trading volume at the Warsaw Stock Exchange;
- a 8.0% share in the futures trading volume at the Warsaw Stock Exchange.

At the end of March 2006, CDM maintained 138.5 thousand investment accounts and its market share was 16.0%. CDM offered also 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 the end of March 2006, CDM maintained 20.2 thousand on-line accounts.

4.4 Results achieved in the first quarter of 2006 and the factors which influenced these results

4.4.1 Results of the Group

Net profit of the Group in the first quarter of 2006 was the best result achieved to date and amounted to PLN 418.3 million, i.e. 26.6% higher than in the first quarter of 2005.

The increase in the net profit was possible thanks to increased business activity which translated into higher income, particularly fee and commission income, with stable operating costs and lower cost of risk.

Good results of Bank Pekao S.A. were accompanied by positive results of the Group's companies.

The consolidated profit and loss account for the first quarter of 2006 in comparison with the first quarter of 2005 is presented below:

(PLN million)

	I Q 2006	I Q 2005	Change
Net interest income *	573.3	537.7	6.6%
Fee and commission income	460.1	366.4	25.6%
Dividend income	0.0	0.0	x
Trading income	32.4	44.9	(27.8)
FX income	52.3	79.1	(33.9%)
Other operating income / cost net	15.9	13.5	17.8%
Total income	**1,134.0**	**1,041.6**	**8.9%**
Overhead costs (including depreciation)	**(582.4)**	**(575.7)**	**1.2%**
Personnel	(301.9)	(295.3)	2.2%
Non-personnel	(200.6)	(198.7)	1.0%
Depreciation	(79.9)	(81.6)	(2.1%)

Operating income	**551.6**	**465.9**	**18.4%**
Impairment losses on loans and advances	(58.4)	(63.3)	(7.7%)
Share in net profit (loss) of the associates	20.8	11.5	80.9%
Pre-tax profit	**514.0**	**414.1**	**24.1%**
Tax charge	(95.7)	(83.6)	14.5%
Net profit	**418.3**	**330.5**	**26.6%**
Attributable to equity holders of the Company	**418.9**	**331.5**	**26.4%**
Attributable to minority interest	(0.6)	(1.0)	(40.0%)

* including income on SWAP transactions.

The Group's income

In the first quarter of 2006, the Group's income amounted to PLN 1,134.0 million and was by PLN 92.4 million (8.9%) higher than in the comparable period of the previous year.

The growth in 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 as well as fee and commission income.

Interest income grew by 6.6%, among others, as a result of improving asset mix which was driven by increasing share of loans. This contributed to offsetting the impact of declining interest rates in the market.

Fee and commission income increased by 25.6% primarily thanks to commissions on investment products and loans.

The Group's overhead costs (including depreciation)

Overhead costs (including depreciation) in the first quarter of 2006 remained under control and amounted to PLN 582.4 million, i.e. were 1.2% higher compared with the previous year.

In the first quarter of 2006, the Group's cost / income ratio amounted to 51.4% and was by 3.9 p.p. lower than in the previous year.

As at the end of March 2006, the Bank had 14,761 employees (a reduction of 57 employees compared with the end of 2005), and the Group had 15,917 employees (25 employees less than at the end of 2005 on comparable basis).

Impairment losses on loans and advances

In the first quarter of 2006, impairment losses on loans and advances amounted to PLN 58.4 million and were by 7.7% lower than in the previous year. This resulted primarily from the effective credit risk management and improved macroeconomic situation. The ratio of impaired receivables to total receivables[1] decreased from 15.6% at the end of 2005 to 15.4% at the end of March 2006 as a result of an increase in the volume of not impaired receivables and a decrease in the volume of impaired receivables.

Loans

In the first quarter of 2006, the gross loans portfolio grew by PLN 449.5 million, i.e. by 1.4% (in terms of a nominal exposure). This growth was due to:

- the growth in the volume of corporate loans of PLN 315.4 million (by 1.3%);
- the growth in the volume of retail loans of PLN 134.1 million (by 1.6%).

(PLN million)

	31.03.2006	31.12.2005
Gross loans (principal)	**33,684.7**	**33,235.2**
corporate (principal)	25,373.6	25,058.2
retail (principal)	8,311.1	8,177.0

[1] loan receivables without buy-sell-back transactions and not quoted securities, valued under effective interest rate

Savings

Savings of the Group's clients increased by PLN 1,715.9 million i.e. by 2.6% in the first quarter of 2006 resulting from an increase both in the savings of individual clients and in corporate deposits.

The savings of retail clients increased by PLN 377.7 million in the first quarter of 2006. High demand for mutual funds allowed for further increase in mutual funds assets by PLN 1,101.7 million in the first quarter of 2006 bringing the total retail savings at the PLN 45.5 billion level confirming Group's significant market share.

Corporate deposits increased by PLN 1,338.2 million in the first quarter of 2006.

(PLN milllion)

	31.03.2006	31.12.2005
Deposits (principal)	**46,627.9**	**46,013.7**
corporate (principal)	21,457.8	20,119.6
retail (principal)	25,170.1	25,894.1
Pioneer Pekao TFI mutual funds	**20,339.2**	**19,237.5**
incl. distributed through the Group's network	19,056.8	18,009.2
Total savings	**66,967.1**	**65,251.2**
incl. retail	45,509.3	45,131.6

4.4.2 The structure of the net profit

The structure of the net profit of the Group is shown in the following table:

(PLN mil.)

	I Q 2006	I Q 2005
Net profit of Bank Pekao S.A.*	**353.4**	**359.6**
Net profit (loss) of entities consolidated under full method	**51.3**	**35.6**
Centralny Dom Maklerski Pekao S.A.	31.4	23.8
Pekao Development Sp. z o.o.	6.5	2.9
Pekao Leasing Sp. z o.o./Leasing Fabryczny Sp. z o.o.	4.1	0.7
Pekao Financial Services Sp. z o.o.	2.8	3.3
Pekao Faktoring Sp. z o.o.	2.4	2.2
Pekao Pioneer PTE S.A.	2.3	1.7
Centrum Kart S.A.	1.1	0.7
Pekao Fundusz Kapitalowy Sp. z o.o.**	0.5	0.6
Bank Pekao (Ukraina) Ltd. w Lucku	0.2	(0.3)
Drukbank Sp. z o.o.	0.0	0.2
Pekao Access Sp. z o.o.	0.0	(0.2)
Net profit (loss) of entities valued under equity method	**20.4**	**11.8**
Pioneer Pekao Investment Management S.A.	21.5	13.1
Krajowa Izba Rozliczeniowa S.A.	1.4	1.8
Grupa Inwestycyjna Nywig S.A.	-	0.0
Central Poland Fund LLC	0.0	(0.2)
Xelion. Doradcy Finansowi Sp. z o.o.	(2.5)	(2.8)
Exclusions and consolidation adjustments* **	**(6.8)**	**(76.5)**
Net profit (loss) of the Group	**418.3**	**330.5**

* the first quarter of 2005 includes income on dividends in the amount of PLN 71.5 million (PLN 96.7 million in the whole 2005) whereas in 2006, according to the proposals of the management bodies of the companies, dividends in the amount of PLN **157** million are expected to be accounted in the second quarter

** the result of the company includes 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.

In the first quarter of 2006, net profit of the Bank amounted to PLN 353.4 million and did not include income on dividends differently than in 2005, when dividends in the amount of PLN 71.5 million were accounted for. On a homogeneous basis, the growth in the net profit would amount to 22.7%.

The main items from the profit and loss account of the Bank are as follows:

(PLN million)

	I Q 2006	I Q 2005	Change
Net interest income*	551.7	510.9	8.0%
Non-interest income	472.7	445.4	6.1%
Total income (excluding dividend)	**1,024.4**	**956.3**	**7.1%**
Overhead costs (including depreciation)	**(536.8)**	**(530.5)**	**1.2%**
Operating income	**487.6**	**425.8**	**14.5%**
Impairment losses on loans and advances	(49.9)	(63.6)	(21.5%)
Pre-tax profit	437.7	362.3	20.8%
Net profit (excluding dividend)	**353.4**	**288.1**	**22.7%**
Dividend income	0.0	71.5	x
Net profit after dividend	353.4	359.6	(1.7%)

* including income on SWAP operations

The main items of the Bank's balance sheet at the end of March 2006 in comparison with the end of 2005 are as follows:

	31.03.2006	31.12.2005	Change
Total gross loans in PLN million*	33,036.1	32,748.7	0.9%
Impaired receivables to total receivables in %	14.5	14.7	(0.2 p.p.)
Total deposits in PLN million*	46,638.1	46,062.3	1.3%
Total assets in PLN mil.	64,107.2	61,445.2	4.3%
Mutual funds sold in Bank's network in PLN million	16,644.7	15,539.0	7.1%
Capital adequacy ratio in %	17.6	18.0	(0.4 p.p.)

* the nominal value

4.5 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 first quarter of 2006:

(PLN million)

	Retail banking area	Corporate banking area	Treasury and Investment banking area	Total
Interest income	352.7	107.0	111.5	571.2
Non-interest income	437.9	93.5	31.4	562.8
Total income	**790.6**	**200.5**	**142.9**	**1,134.0**

Information on main segments' results for the first quarter of 2005:

(PLN million)

	Retail banking area	Corporate banking area	Treasury and investment banking area	Total
Interest income	341.3	140.6	55.8	537.7
Non-interest income	345.1	82.6	76.2	503.9
Total income	**686.4**	**223.2**	**132.0**	**1,041.6**

4.6 Adjustments for provisions, deferred tax provision and assets

(PLN million)

	Group		Bank Pekao S.A.	
	31.03.2006	31.12.2005	31.03.2006	31.12.2005
Total provisions	**100.7**	**108.7**	**98.7**	**105.0**
of which:				
provisions for off-balance sheet liabilities	18.7	20.3	18.7	20.3
provisions for liabilities to employees	66.0	66.0	65.0	65.0
other provisions	16.0	22.4	15.0	19.7
Provision for deferred tax	**0.0**	**0.0**	**0.0**	**0.0**
Deferred tax assets	**225.2**	**181.3**	**195.7**	**152.0**

4.7 Write-offs for revaluation of assets

(PLN million)

	Group		Bank Pekao S.A.	
	I Q 2006	I Q 2005	I Q 2006	I Q 2005
Total	**(58.4)**	**(63.3)**	**(49.9)**	**(63.6)**
for loan receivables	(60.0)	(58.4)	(51.5)	(58.6)
for off-balance sheet liabilities	1.6	(4.9)	1.6	(5.0)
for financial assets	0.0	0.0	0.0	0.0

4.8 Information on contingent assets and liabilities

(PLN ths.)

	31.03.2006	31.12.2005
Contingent liabilities granted and received	17,376,469	15,994,786
Liabilities granted:	13,551,727	12,404,368
financial	11,913,880	10,990,273
guarantees	1,637,847	1,414,095
Liabilities received:	3,824,742	3,590,418
financial	713,197	457,353
guarantees	3,111,545	3,133,065
Financial derivatives	78,120,815	65,182,224
currency transactions	30,199,513	25,795,810
interest rate transactions	43,100,888	38,548,574
securities transactions	4,820,414	837,840
Other	7,058,935	6,615,255
Total off-balance sheet items	**102,556,219**	**87,792,265**

4.9 Post balance sheet events

Divestment to Pirelli RE of a 75% stake in the share capital of Pekao Development Sp. z o.o.

On 3 April 2006, Bank Pekao S.A. divested of to Pirelli & C Real Estate S.p.A. 26,572 shares of Pekao Development Sp. z o.o. (Bank's subsidiary) representing the total par value of PLN 26,572,000, comprising a 75% stake in the Company's share capital, and carrying 75% of votes in the General Meeting of Pekao Development Sp. z o.o. The net book value of sold shares on the balance sheet of Bank Polska Kasa Opieki S.A. is equal to their total par value.

Bank Polska Kasa Opieki S.A. currently holds 8,858 shares representing the total value of PLN 8,858,000, comprising a 25% stake in the share capital of Pekao Development Sp. z o.o. and carrying 25% of votes in the General Meeting of Shareholders of Pekao Development Sp. z o.o.

That operation did not require adjusting of financial data for 31 March 2006.

Agreement between the Ministry of the Treasury and UniCredito Italiano S.p.A.

The Management Board of Bank Pekao S.A. received from strategic investor UniCredito Italiano S.p.A. ("UniCredito") an information, that on 19 April 2006, the agreement between the State Treasury and the UniCredito has been signed. The agreement is aimed at ensuring that Bank BPH S.A. remains an independent bank on the Polish market. UniCredito will divest 200 outlets and banking services associated with them, operating under the BPH brand, for the benefit of an independent third party, by way of an international, competitive and transparent process. The operations not to be divested, might be incorporated into Bank Pekao S.A.

The parties agree that UniCredito shall make due efforts to cause the transaction to be carried out and completed at the latest within thirty months.

Appointment of Members of the Supervisory Board of Bank Pekao S.A. for new common term of office

On 4th May 2006, the following persons were appointed by the Ordinary General Meeting of Bank Pekao S.A. as the Members of the Supervisory Board of Bank Pekao S.A. for the period of common term of office of the Supervisory Board, lasting three years, which will began on 5th May 2006:

Paweł Dangel,

Paolo Fiorentino,

Fausto Galmarini,

Oliver Greene,

Andrea Moneta,
Enrico Pavoni,
Leszek Pawłowicz,
Jerzy Starak,
Jerzy Woźnicki.

4.10 Share capital increase of Bank Pekao S.A.

The share capital of the Bank was increased:

- on 16 January 2006 by the total amount of PLN 186,755,
- on 6 February 2006 by PLN 5,169,
- on 24 March 2006 by PLN 58,564,
- on 29 March 2006 by PLN 1,145, and
- on 21 April 2006 by PLN 74,937

as a result of issue of total 326,570 series F ordinary bearer shares. The share capital of the Bank amounts currently to PLN 166,808,257 and is divided into:

- 137,650,000 series A ordinary bearer shares with nominal value of PLN 1.00 each,
- 7,690,000 series B ordinary bearer shares with nominal value of PLN 1.00 each,
- 10,630,632 series C ordinary bearer shares with nominal value of PLN 1.00 each,
- 9,777,571 series D ordinary bearer shares with nominal value of PLN 1.00 each,
- 373,644 series E ordinary bearer shares with nominal value of PLN 1.00 each,
- 326,570 series F ordinary bearer shares with nominal value of PLN 1.00 each,
- 359,840 series H ordinary bearer shares with nominal value of PLN 1.00 each.

Total number of votes at the Bank's General Shareholders Meeting under all issued shares is 166,808,257. The increase was conducted as a result of registration on buyers accounts of 326,570 series F ordinary bearer shares issued within the conditional share capital increase on the base of Resolution No. 7 of the Extraordinary General Shareholders Meeting of the Bank conducted on 25 July 2003 on contingent increase of the statutory capital, exclusion of the pre-emptive rights on the series F and G shares of the Bank and amendment to the Statute of the Bank.

4.11 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.

4.12 Issuance, redemption and repayment of debt securities

<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.

The Bank acquired 88,430 registered series A bonds from Pekao Faktoring Sp. z o.o., for the purpose of redemption, and the total of 326,570 series A bonds from eligible persons, upon the request thereof for early redemption, pursuant to the implementation of the right of priority to take up the Bank's shares ensuing from the bonds, for the purpose of redemption thereof.

The period of acquisition of series A bonds from the Trustee by eligible persons lasted from 6 May until 30 December 2005.

Bonds of the other series will be available for purchase from the Trustee by the eligible persons in the following periods:

- 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 2006, 2007 and 2008 respectively shall be acquired by the Bank on 31 December 2006, 2007 and 2008 respectively to be redeemed at their nominal value.

As at the day of submitting this report, all the pre-emptive rights to take up F series shares pursuant to the implementation of the right of priority ensuing from the A series bonds were executed.

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 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.

4.13 Dividend paid

Pursuant to Resolution No. 8 of the General Meeting of Bank Pekao S.A., PLN 7.40 per one share was appropriated for the payment of dividend for 2005, i.e. 15.6% higher compared to the dividend for 2004 (PLN 6.40 per one share). The ex-dividend date was determined at 19 May 2006 and the date of dividend payment at 2 June 2006. All the Bank's shares are ordinary shares.

4.14 Effects of changes in the Group's structure

In the first quarter of 2006 there were no significant changes in the Group's structure.

4.15 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 2006.

4.16 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	# of shares and votes at the General Meeting	Share in share capital and total number of votes at the General Meeting
	31 March 2006		31 December 2005	
UniCredito Italiano S.p.A.	88,121,725	52,85%	88,121,725	52.93%
Other shareholders	78,611,595	47,15%	78,359,962	47.07%
Total	**166,733,320**	**100,00%**	**166,481,687**	**100.00%**

In the first quarter of 2006 share capital of the Bank was increased by the total amount of PLN 251,633 as a result of issue of series F ordinary bearer shares.

On 21 April 2006 the share capital of the Bank was increased by the amount of PLN 74,937 as a result of issue of series F ordinary bearer shares. As at the date of submitting this report, the share capital of the Bank amounts currently to PLN 166,808,257. The share of UniCredito Italiano S.p.A. in the share capital and the total number of votes at the General Meeting amounts to 52.83% while the share of other shareholders stands for 47.17%.

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.

4.17 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 120,154 shares of Bank Pekao S.A. All these shares were held by members of the Bank's management.

The Bank Pekao S.A. Capital Group is running an incentive programme in the form of management stock options. The Programme covers the Management Board of the Bank, the remaining managerial staff, key bank strategy employees, as well as employees of subsidiaries.

The incentive programme for 2003 covers 40 people on the day of conveying the report, with a total of 313,356 shares, 126,635 of which will be available for the management.

The incentive programme for 2004 includes 44 persons for a total 691,921 shares, 391,348 of which will be able to be purchased by the management.

The change in the number of shares in the incentive programme for 2003 in relation to the amount in the annual report for 2005 stems from enacting the priority principle in Bank's shares acquisition resulting from bonds. Therefore, 41 persons effectively acquired a total of 326,570 shares. The Bank has been informed that 29 persons participating in the programme have sold 145,136 shares since the beginning of 2006.

4.18 Pending litigations

In the first quarter of 2006 the number of the legal proceedings in courts, appropriate bodies of arbitration or public administration bodies, concerning the liabilities of the Group was 462. The total value of them was PLN 768,8 million. The number of legal proceedings concerning the receivables was 3,186 at total value of PLN 867.4 million.

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

- 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 23.6 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 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 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 first quarter of 2006, as well as all the proceedings together do not create any threat to financial liquidity of the Bank.

4.19 Transactions of related entities

In the first quarter of 2006, 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.

4.20 Loan or credit sureties and guarantees given

In the first quarter 2006, 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.

4.21 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.