BANK
POLSKA KASA OPIEKI
SPOLKA AKCYJNA

Interim financial statements of the Bank Pekao S.A. Group for the second 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 second quarter of 2006 was the best quarterly result achieved to date and amounted to PLN 446.9 million. In the first half of the 2006 the net profit amounted to PLN 865.2 million, i.e. 19.3% higher than in the first half 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.

- Group's income amounted to PLN 2,312.8 million in the first half of 2006 and was by 7.9% higher than in the previous year, with interest income being higher by 2.1% and other income higher by 14.2%.
- In the first half of 2006, the Group noted a continued positive trend in the results of its business activity, with successful sales of key products: consumer loans "Express Loan", PLN mortgage loans, mutual funds and credit cards. Sales of the "Express Loan" in the first half of 2006 were 32.4% higher than in the previous year reaching PLN 911.3 million. Sales of PLN mortgage loans amounted to PLN 1,020.4 million contributing to a growth in the stock of 16.5% in the first half of 2006. The value of mutual funds increased by 5.1% and the number of credit cards increased by 30.0% compared with the end of 2005.
- In the first half of 2006, total overhead costs including depreciation were kept under control and amounted to PLN 1,166.0 million, i.e. were by 1.1% higher than in the previous year. In the first half of 2006, the Group's cost / income ratio amounted to 50.4% and was by 3.4 p.p. lower than in the previous year.
- In the first half of 2006, impairment losses on loans and advances amounted to PLN 109.8 million and were 14.6% 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 14.8% at the end of June 2006.
- Savings of the Group's clients increased by PLN 2,578.7 million i.e. by 4.0% in the first half 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 1,032.1 million in the first half of 2006 and exceeded the level of PLN 46 billion confirming Group's significant market share. Corporate deposits increased by PLN 1,546.6 million in the first half of 2006.
- In the first half of 2006, the gross loan portfolio grew by PLN 993.4 million, i.e. by 3.0% . 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 19^{th} 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 22^{nd} March 2006.

There were no changes of accounting principles in the first half 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 in a manner assuring comparability.

3 Financial statement

CONSOLIDATED INCOME STATEMENT (in '000 PLN)	II Quarter 2006 period from 06-04-01 to 06-06-30	II Quarters 2006 Cumulative period from 06-01-01 to 06-06-30	II Quarter 2005 period from 05-04-01 to 05-06-30	II Quarters 2005 Cumulative period from 05-01-01 to 05-06-30
Interest income	939 937	1 855 033	1 006 024	1 954 316
Interest expense	(367 293)	(711 151)	(416 013)	(822 238)
Net interest income	**572 644**	**1 143 882**	**590 011**	**1 132 078**
Fee and commission income	524 707	1 030 916	424 787	830 083
Fee and commission expense	(55 899)	(102 040)	(43 591)	(82 468)
Net fee and commission income	**468 808**	**928 876**	**381 196**	**747 615**
Dividend income	1 638	1 638	48	48
Result on financial instruments at fair value	16 870	19 397	27 709	53 186
Result on investment securities	31 441	63 412	18 769	33 818
Foreign exchange result	67 916	120 236	67 411	146 478
Other operating income	39 714	88 981	68 341	135 470
Other operating expenses	(20 245)	(53 661)	(50 806)	(104 460)
Net other operating income	**19 469**	**35 320**	**17 535**	**31 010**
Net impairment losses on financial assets and net provisions for guarantees and commitments	(51 385)	(109 760)	(65 323)	(128 629)
Overhead costs	(583 582)	(1 165 973)	(577 804)	(1 153 489)
Operating profit	**543 819**	**1 037 028**	**459 552**	**862 115**
Share of profit (loss) of associates and joint venture entities valued at the equity method	15 226	35 988	10 619	22 149
Profit before income tax	**559 045**	**1 073 016**	**470 171**	**884 264**
Income tax expense	(112 154)	(207 808)	(75 269)	(158 871)
Net profit for the period	**446 891**	**865 208**	**394 902**	**725 393**
1. Attributable to equity holders of the Company	446 132	864 992	395 833	727 296
2. Attributable to minority interest	759	216	(931)	(1 903)
Earnings per share (in PLN per share)				
- basic for the period		5,19		4,37
- diluted for the period		5,18		4,37

CONSOLIDATED BALANCE SHEET

(in '000 PLN)

	30.06.2006	31.12.2005	30.06.2005
Assets			
Cash and balances with Central Bank	3 027 986	3 574 791	3 200 041
Debt securities eligible for rediscounting at the Central Bank	4 010	6 106	8 851
Loans and advances to banks	9 051 044	6 966 026	7 286 094
Financial assets as held for trading	2 698 602	2 502 366	2 508 823
Derivative financial instruments	621 118	499 290	631 694
Other financial instruments at fair value through profit or loss	1 689 741	1 781 317	1 736 328
Loans and advances to customers	29 050 716	28 223 730	26 739 530
Net investment in the finance lease	859 868	745 891	638 502
Investment securities	15 736 070	14 490 772	14 477 687
1. Available for sale	14 256 522	11 902 898	11 694 383
2. Held to maturity	1 479 548	2 587 874	2 783 304
Assets of disposal group classifield as held for sale	53 165	167 366	-
Investments in associated undertakings	155 040	167 814	149 312
Intangible assets	610 239	645 457	629 512
Tangible fixed assets	1 418 154	1 441 141	1 489 705
Investment property	58 359	61 259	99 384
Income taxes	277 135	182 180	170 943
1. Current tax assets	-	886	317
2. Deferred income tax assets	277 135	181 294	170 626
Other assets	1 481 719	516 450	750 210
Total assets	**66 792 966**	**61 971 956**	**60 516 616**
Liabilities and Shareholders' equity'			
Liabilities			
Amounts due to the Central Bank	1 838 971	1 950 710	2 054 190
Amounts due to other banks	4 484 353	1 997 043	2 081 117
Financial liabilities as held for trading	554 825	558 973	90 424
Derivative financial instruments	568 654	607 689	736 257
Amounts due to customers	49 866 024	46 847 877	45 993 771
Debt securities in issue	2	4	2
Liabilities directly associated with assets classified as held for sale	-	39 663	-
Current income tax liabilities	97 278	5 621	117 570
Provisions for deferred income tax	-	1	2 866
Provisions	90 071	108 727	106 176
Other liabilities	1 470 772	1 432 922	1 609 508
Total liabilities	**58 970 950**	**53 549 230**	**52 791 881**
Shareholders' equity			
Capital and reserves attributable to the Company's equity	**7 806 799**	**8 407 290**	**7 708 279**
Share capital	166 808	166 482	166 482
Other capital and reserves	6 881 567	6 718 913	6 840 789
Prior and current year profits	758 424	1 521 895	701 008
Minority interest	15 217	15 436	16 456
Total Shareholders' equity	**7 822 016**	**8 422 726**	**7 724 735**
Total liabilities and Shareholders' equity	**66 792 966**	**61 971 956**	**60 516 616**
Capital adequacy ratio	18,43	19,47	19,94
Book value	7 806 799	8 407 290	7 708 279
Number of shares	166 808 257	166 481 687	166 481 687
Book value per share (in PLN per share)	46,80	50,50	46,30
Diluted number of shares	166 935 209	166 558 940	166 509 483
Diluted book value per share (in PLN per share)	46,77	50,48	46,29

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (in '000 PLN)	II Quarters (current year) from 1 Jan 2006 to 30 Jun 2006	IV Quarters (previous year) from 1 Jan 2005 to 31 Dec 2005	II Quarters (previous year) from 1 Jan 2005 to 30 Jun 2005
Shareholders equity at the beginning of the period	**8 422 726**	**8 023 481**	**8 023 481**
a) adjustments related to IFRS/IAS introduction	-	(192 460)	(192 460)
Adjusted shareholders equity at the beginning of the period	**8 422 726**	**7 831 021**	**7 831 021**
1. Share capital at the beginning of the period	166 482	166 482	166 482
a) Increase	326	-	-
- new shares issue	326	-	-
b) Decrease	-	-	-
1. Share capital at the end of the period	166 808	166 482	166 482
2. Earnings from previous years at the beginning of the period	1 521 895	1 512 265	1 512 265
a) adjustments related to IFRS/IAS introduction	-	(192 460)	(192 460)
b) change of consolidation method	-	-	-
2. Adjusted earnings from previous years at the end of the period	1 521 895	1 319 805	1 319 805
a) Increase	34 118	1 761	21 918
- adjustment related to IFRS/IAS introduction	-	-	16 575
- other	34 118	1 761	5 343
b) Decrease	(1 662 581)	(1 337 383)	(1 368 011)
- appropriation to general banking risk fund	(70 000)	-	-
- appropriation to other reserve capital	(346 418)	(271 900)	(277 518)
- appropriation to reserve capital	(8 890)	-	-
- dividend	(1 234 381)	(1 065 483)	(1 065 483)
- other	(2 892)	-	(25 010)
2. Earnings from previous years at the end of the period	(106 568)	(15 817)	(26 288)
3. Other capital and reserves at the beginning of the period	6 718 913	6 325 958	6 325 958
3. Adjusted other capital and reserves at the beginning of the peric	6 718 913	6 325 958	6 325 958
a) Increase	463 479	393 691	514 810
- appropriation of net profit	425 308	271 900	277 518
- share premium on issue of new shares	34 851	-	-
- valuation of securities available for sale (net)	-	107 867	227 312
- employee share option proceeds	2 939	11 893	2 831
- foreign exchange differences on subordinated companies	60	-	-
- release of provisions for restructuring fund	321	-	7 149
- other	-	2 031	-
b) Decrease	(300 825)	(736)	21
- valuation of securities available for sale (net)	(268 952)	-	-
- foreign exchange differences on subordinated companies	-	(736)	-
- other	(31 873)	-	21
3. Other capital and reserves at the end of the period	6 881 567	6 718 913	6 840 789
4. Net profit	864 992	1 537 712	727 296
II. Shareholders' equity at the end of the period	7 806 799	8 407 290	7 708 279
III. Minority interest at the beginning of the period	15 436	18 776	18 776
a) Decrease	(219)	(3 340)	(2 320)
- net profit	216	(2 860)	-
- other	(435)	(480)	(2 320)
IV. Minority interest at the end of the period	15 217	15 436	16 456
Total equity	**7 822 016**	**8 422 726**	**7 724 735**

CONSOLIDATED STATEMENT OF CASH FLOW (in '000 PLN)	II Quarter (current year) from 1 April 2006 to 30 June	II Quarters cumulative (current year) from 1 Jan 2006 to 30 June 2006	II Quarter (previous year) from 1 April 2005 to 30 June 2005	II Quarters cumulative (previous year) from 1 Jan 2005 to 30 June 2005
A. Cash flow from operating activities - indirect method				
I. Net profit (loss)	**446 132**	**864 992**	**395 833**	**727 296**
Adjustments:	**226 268**	**1 915 387**	**(1 193 437)**	**(831 684)**
Deprecation	78 460	157 773	80 769	161 244
Share of profit of associates	(15 226)	(35 988)	(10 619)	(22 149)
Foreign exchange differences	50 756	63 683	(92 222)	(200 355)
(Profit) loss on investing activities	(8 730)	(46 741)	(17 682)	(32 731)
Impairment	(11 527)	(11 532)	-	-
Interest and dividend	(223 216)	(422 246)	(196 895)	(462 801)
Change in loans and advances to banks	(457 117)	(1 165 605)	105 996	(344 231)
Change in financial assets as held for trading and other financial instruments at fair value through profit or loss	(739 416)	(104 660)	114 279	287 341
Change in derivative financial instruments	(138 942)	(121 828)	(78 887)	(128 212)
Change in loans and advances to customers	(524 921)	(824 890)	(1 087 161)	(990 565)
Change in net investment in the finance lease	(76 375)	(113 977)	(33 609)	(91 178)
Change in investment securities available for sale	570	570	13 178	-
Change in deferred income tax assets	333	(31 949)	(107 380)	(95 176)
Change in other assets	(664 634)	(849 847)	64 507	(166 234)
Change in amounts due to banks	2 322 966	2 375 571	(803 975)	651 007
Change in liabilities as held for trading	(690 946)	(4 148)	(499 695)	(499 695)
Change in derivative financial instruments and other financial liabilities at fair value through profit or loss	44 888	(39 035)	196 983	112 574
Change in amounts due to customers	1 371 931	3 018 147	68 652	172 126
Change in debt securities in issue	-	-	(352)	-
Change in provisions	(10 674)	(18 656)	250 183	5 563
Change in other liabilities	(145 060)	(30 860)	733 930	665 776
Income tax paid	(49 333)	(117 727)	(91 279)	(120 992)
Current tax	112 481	239 332	197 842	267 004
Net cash from operating activities	**672 400**	**2 780 379**	**(797 604)**	**(104 388)**
B.Cash flows from investing activities				
Investing activity inflows	**10 183 634**	**17 494 452**	**11 475 835**	**15 505 287**
Sale of investment securities	9 918 097	17 105 224	11 275 550	15 203 026
Proceeds from sale of intangible assets and tangible fixed assets	2 189	8 228	1 209	2 055
Other investing inflows	**263 348**	**381 000**	**199 076**	**300 206**
Investing activity outflows	(9 794 324)	(18 703 015)	(8 973 257)	(14 071 061)
Purchase of associates	-	-	(25 000)	(25 000)
Purchase of investment securities	(9 723 747)	(18 606 583)	(8 868 178)	(13 938 091)
Purchase of intangible assets and tangible fixed assets	(70 216)	(96 041)	(80 344)	(107 907)
Other investing outflows	(361)	(391)	265	(63)
Net cash used in investing activities	**389 310**	**(1 208 563)**	**2 502 578**	**1 434 226**
C. Cash flows from financing activities				
Financing activity inflows	**8 115**	**35 177**	**2**	**2**
Issue of debt securities	-	-	2	2
Issue of ordinary shares	8 115	35 177	-	-
Financing activity outflows	**(1 234 381)**	**(1 234 385)**	**(1 088 688)**	**(1 088 688)**
Redemption of debt securities	-	(4)	(22 479)	(22 479)
Dividends and other payments to shareholders	(1 234 381)	(1 234 381)	(1 065 483)	(1 065 483)
Other financing outflows	-	-	(726)	(726)
Net cash from financing activities	**(1 226 266)**	**(1 199 208)**	**(1 088 686)**	**(1 088 686)**
D. Total net cash flow (A.III+/-B.III+/-C.III)	**(164 556)**	**372 608**	**616 288**	**241 152**
E. Net change in cash and cash equivalents	**(164 556)**	**372 608**	**616 288**	**241 152**
F. Cash and cash equivalents at the beginning of the period	**8 204 385**	**7 667 221**	**6 901 290**	**7 276 426**
G. Cash and cash equivalents at the end of the period (F+/-D)	**8 039 829**	**8 039 829**	**7 517 578**	**7 517 578**

INCOME STATEMENT (in '000 PLN)	**II Quarter 2006 period from 06-04-01 to 06-06-30**	**II Quarters 2006 Cumulative period from 06-01-01 to 06-06-30**	**II Quarter 2005 period from 05-04-01 to 05-06-30**	**II Quarters 2005 Cumulative period from 05-01-01 to 05-06-30**
Interest income	924 019	1 824 170	991 495	1 927 146
Interest expense	(373 847)	(724 368)	(427 357)	(847 675)
Net interest income	**550 172**	**1 099 802**	**564 138**	**1 079 471**
Fee and commission income	424 793	849 757	369 913	715 930
Fee and commission expense	(45 502)	(82 998)	(38 194)	(69 206)
Net fee and commission income	**379 291**	**766 759**	**331 719**	**646 724**
Dividend income	170 025	170 025	25 073	96 573
Result on financial instruments at fair value	17 575	19 451	28 201	51 863
Result on investment securities	31 441	63 412	18 769	33 818
Foreign exchange result	67 129	119 190	67 206	146 566
Other operating income	72 892	89 626	28 801	50 649
Other operating expenses	(17 218)	(32 518)	(24 465)	(38 376)
Net other operating income	**55 674**	**57 108**	**4 336**	**12 273**
Net impairment losses on financial assets and net provisions for guarantees and commitments	(51 042)	(100 914)	(63 057)	(126 620)
Overhead costs	(538 281)	(1 075 127)	(537 753)	(1 068 286)
Operating profit	**681 984**	**1 119 706**	**438 632**	**872 382**
Profit before income tax	**681 984**	**1 119 706**	**438 632**	**872 382**
Income tax expense	(99 763)	(184 068)	(67 268)	(141 444)
Net profit for the period	**582 221**	**935 638**	**371 364**	**730 938**

Earnings per share (in PLN per share)				
- basic for the period		5,61		4,39
- diluted for the period		5,61		4,39

BALANCE SHEET
(in '000 PLN)

	30.06.2006	31.12.2005	30.06.2005
Assets			
Cash and amounts due from Central Bank	3 026 392	3 573 613	3 197 714
Debt securities eligible for rediscounting at the Central Bank	4 010	6 106	8 851
Loans and advances to banks	9 032 943	7 000 770	7 289 940
Financial assets held for trading	2 348 399	2 217 887	2 220 737
Derivative financial instruments	621 108	499 290	631 709
Other financial instruments at fair value through profit or loss	1 689 741	1 781 317	1 736 328
Loans and advances to customers	29 552 124	28 727 143	27 246 722
Investment securities	15 735 602	14 490 374	14 476 084
1. Available for sale	14 256 054	11 902 500	11 692 780
2. Held to maturity	1 479 548	2 587 874	2 783 304
Non-current assets held for sale	41 226	37 650	-
Shares in subsidiaries	514 668	514 666	544 801
Shares in associates	51 092	42 234	47 060
Intangible assets	601 922	636 048	618 182
Tangible fixed assets	1 398 189	1 422 389	1 469 610
Investment property	55 378	58 170	45 863
Income taxes	249 986	152 008	145 259
1. Current tax assets	-	-	-
2. Deferred income tax assets	249 986	152 008	145 259
Other assets	1 262 604	285 547	471 635
Total assets	**66 185 384**	**61 445 212**	**60 150 495**
Liabilities and Shareholders' equity			
Liabilities			
Amounts due to the Central Bank	1 838 971	1 950 710	2 054 190
Amounts due to other banks	4 322 283	1 993 601	2 081 439
Financial liabilities held for trading	501 116	545 930	85 860
Derivative financial instruments	568 706	607 689	736 257
Amounts due to customers	49 857 714	46 849 748	46 029 168
Debt securities in issue	12	17	17
Current income tax liabilities	93 828	4 427	114 081
Provisions for deferred income tax	-	-	-
Provisions	87 859	105 013	102 500
Other liabilities	1 247 895	1 191 819	1 348 746
Total liabilities	**58 518 384**	**53 248 954**	**52 552 258**
Shareholders' equity			
Share capital	166 808	166 482	166 482
Profit for the year and retained earnings	935 638	1 506 779	798 301
Other capital and reserves	6 564 554	6 522 997	6 633 454
Total Shareholders' equity	**7 667 000**	**8 196 258**	**7 598 237**
Total liabilities and Shareholders' equity	**66 185 384**	**61 445 212**	**60 150 495**
Capital adequacy ratio	16,31	17,95	18,48

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (in '000 PLN)	II Quarters (current year) from 1 Jan 2006 to 30 Jun 2006	IV Quarters (previous year) from 1 Jan 2005 to 31 Dec 2005	II Quarters (previous year) from 1 Jan 2005 to 30 Jun 2005
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)	(199 988)
I. Adjusted shareholders equity at the beginning of the period	8 196 258	7 703 636	7 703 637
1. Share capital at the beginning of the period	166 482	166 482	166 482
a) Increase	326	-	-
- new shares issue	326	-	-
b) Decrease	-	-	-
1.2. Share capital at the end of the period	166 808	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) adjustments related to IFRS/IAS introduction	-	(192 460)	(33 893)
2. Adjusted retained earnings (loss) from previous years at the beginning of the period	1 506 779	1 410 364	1 410 364
a) Increase	-	-	-
b) Decrease	(1 506 779)	(1 343 001)	(1 343 001)
- appropriation to general banking risk fund	(70 000)	-	-
- appropriation to reserve capital	(202 398)	(277 518)	(277 518)
- dividends	(1 234 381)	(1 065 483)	(1 065 483)
2. Retained earnings (loss) at the end of the period	-	67 363	67 363
3. Other capital at the beginning of the period	6 522 997	6 126 790	6 292 886
- adjustments related to IFRS/IAS introduction	-	-	(166 095)
3.Adjusted other capital at the beginning of the period	6 522 997	6 126 790	6 126 791
a) Increase	310 509	396 693	506 704
- appropriation of net profit	272 398	277 518	277 518
- issue of shares under its' nominal value	34 851	-	-
- valuation of securities available for sale; in which:	-	107 282	226 355
gains and losses from valuation of securities available for sale	-	130 707	279 633
provision for deferred income tax	-	(23 425)	(53 278)
- valuation of management options	2 939	11 893	2 831
- foreign exchange differences on branches abroad	321	-	-
b) Decrease	(268 952)	(486)	(41)
- valuation of securities available for sale; in which:	(268 952)	-	-
gains and losses from valuation of securities available for sale	(331 958)	-	-
provision for deferred income tax	63 006	-	-
- foreign exchange differences on branches abroad	-	(486)	(41)
3. Other capital at the end of the period	6 564 554	6 522 997	6 633 454
4. Net profit	935 638	1 439 416	730 938
II. Shareholders' equity at the end of the period	**7 667 000**	**8 196 258**	**7 598 237**

CASH FLOW STATEMENT (in '000 PLN)	II Quarter (current year) from 1 April 2006 to 30 June 2006	II Quarters cumulative (current year) from 1 Jan 2006 to 30 June 2006	II Quarter (previous year) from 1 April 2005 to 30 June 2005	II Quarters cumulative (previous year) from 1 Jan 2005 to 30 June 2005
A. Cash flow from operating activities - indirect method				
I. Net profit (loss)	**582 221**	**935 638**	**371 364**	**730 938**
Adjustments:	**29 465**	**1 651 332**	**(1 259 331)**	**(492 461)**
Depreciation	75 042	150 607	74 754	150 640
Foreign exchange differences	50 662	63 620	(98 599)	(206 733)
(Profit) loss on investing activities	8 015	(64 542)	39 369	(32 800)
Impairment	-	-	6 630	6 630
Interest and dividend	(391 631)	(590 661)	(293 465)	(559 265)
Change in loans and advances to banks	(468 850)	(1 169 398)	(231 465)	59 930
Change in financial assets as held for trading and other financial instruments at fair value through profit or loss	(717 796)	(38 936)	(746 630)	318 859
Change in derivative financial instruments	(138 946)	(121 818)	(78 903)	(128 228)
Change in loans and advances to customers	(473 674)	(822 885)	(883 471)	(1 183 579)
Change in investment securities available for sale	15	565	(37 492)	(53 223)
Change in deferred income tax assets	(2 715)	(34 972)	(79 668)	(48 723)
Change in other assets	(849 882)	(989 186)	233 034	(21 410)
Change in amounts due to banks	2 179 315	2 216 943	(574 554)	633 090
Change in liabilities as held for trading	(702 059)	(44 814)	85 860	(352 359)
Change in derivative financial instruments	44 925	(38 983)	196 983	112 574
Change in amounts due to customers	1 366 526	3 007 966	965 482	168 804
Change in debt securities in issue	-	-	(352)	-
Change in provisions	(10 865)	(17 154)	2 081	6 879
Change in other liabilities	(1 275)	25 494	52 180	495 777
Income tax paid	(39 821)	(99 554)	(84 010)	(113 723)
Current tax	102 479	219 040	192 905	254 399
Net cash from operating activities	**611 686**	**2 586 970**	**(887 967)**	**238 477**
B.Cash flows from investing activities				
Investing activity inflows	**10 275 300**	**17 620 393**	**11 479 582**	**15 561 734**
Sale of investment securities	9 899 971	17 127 285	11 205 639	15 185 935
Proceeds from sale of intangible assets and tangible fixed assets	660	787	1 007	1 734
Other investing inflows	374 669	492 321	272 936	374 065
Investing activity outflows	**(9 787 682)**	**(18 692 599)**	**(8 969 953)**	**(14 055 666)**
Purchase of associates	-	-	(25 000)	(25 000)
Purchase of investment securities	(9 723 747)	(18 606 583)	(8 868 178)	(13 928 219)
Purchase of intangible assets and tangible fixed assets	(63 935)	(86 016)	(77 103)	(102 447)
Other investing outflows	-	-	328	-
Net cash used in investing activities	**487 618**	**(1 072 206)**	**2 509 629**	**1 506 068**
C. Cash flows from financing activities				
Financing activity inflows	**8 114**	**35 176**	**17**	**17**
Issue of debt securities	-	-	17	17
Issue of ordinary shares	8 114	35 176	-	-
Financing activity outflows	**(1 234 381)**	**(1 234 386)**	**(1 088 688)**	**(1 088 688)**
Redemption of debt securities	-	(5)	(22 479)	(22 479)
Dividends and other payments to shareholders	(1 234 381)	(1 234 381)	(1 065 483)	(1 065 483)
Other financing outflows	-	-	(726)	(726)
Net cash from financing activities	**(1 226 267)**	**(1 199 210)**	**(1 088 671)**	**(1 088 671)**
D. Total net cash flow (A.III+/-B.III+/-C.III)	**(126 963)**	**315 554**	**532 991**	**655 874**
E. Net change in cash and cash equivalents	**(126 963)**	**315 554**	**532 991**	**655 874**
F. Cash and cash equivalents at the beginning of the period	**8 131 091**	**7 688 574**	**6 899 692**	**6 776 809**
G. Cash and cash equivalents at the end of the period (F+/- D)	**8 004 128**	**8 004 128**	**7 432 683**	**7 432 683**

Selected financial statements translated into EUR:

Position	in PLN ths.		in EUR ths.	
	II Quarters of 2006	II Quarters of 2005	II Quarters of 2006	II Quarters of 2005
Net interest income	1 143 882	1 132 078	293 288	277 436
Net fee and commission income	928 876	747 615	238 161	183 217
Operating profit	1 037 028	862 115	265 891	211 277
Profit before income tax	1 073 016	884 264	275 118	216 705
Net profit (loss)	865 208	725 393	221 837	177 771
Net profit (loss) attributable to equity holders of the Company	864 992	727 296	221 782	178 237
Net profit (loss) attributable to minority interest	216	(1 903)	55	(466)
Net cash from operating activities	2 780 379	(104 388)	712 881	(25 582)
Net cash used in investing activities	(1 208 563)	1 434 226	(309 872)	351 483
Net cash from financing activities	(1 199 208)	(1 088 686)	(307 473)	(266 802)
Net increase / decrease in cash and cash equivalents	372 608	241 152	95 536	59 099
Total assets	66 792 966	60 516 616	16 519 010	14 978 990
Amounts due to the Central Bank	1 838 971	2 054 190	454 808	508 450
Amounts due to other banks	4 484 353	2 081 117	1 109 055	515 115
Amounts due to customers	49 866 024	45 993 771	12 332 696	11 384 315
Minority interest	15 217	16 456	3 763	4 073
Equity attributable to the Company's equity holders	7 806 799	7 708 279	1 930 751	1 907 943
Share capital	166 808	166 482	41 254	41 207
Number of shares	166 808 257	166 481 687	166 808 257	166 481 687
Book value per share (in zl/EUR per share)	46,80	46,30	11,57	11,46
Diluted book value per share (in zl/EUR per share)	46,77	46,29	11,57	11,46
Earnings per 1 ordinary share (in zl/EUR per share)	5,19	4,37	1,33	1,07
Diluted earnings per 1 ordinary share (in zl/EUR per share)	5,18	4,37	1,33	1,07
Declared or paid dividend per share (in zl/EUR per share)	7,40	6,40	1,84	1,42
Capital adequacy ratio	18,43	19,94	x	x
Risk weighted assets	34 289 023	31 314 360	x	x
Core funds	6 625 266	6 760 141	x	x
Supplementary funds	(171 913)	216 537	x	x

4 Additional information

4.1 The Group

Bank Pekao S.A. Capital Group as at 30 June 2006 consists of Bank Pekao S.A as the parent entity and 13 subsidiaries. The composition of the Group as at 30 June 2006 in comparison to the structure presented as at 31st March 2006 has changed.

Change relates to two subsidiaries and results from the sale of 75% shares of Pekao Development Sp. z o.o to Pirelli & C Real Estate S.p.A. The transaction took place on 3 April 2006.

The effect of sale of 75% of shares of Pekao Development Sp. z. o.o was as follows (PLN ths.):

Value of net assets sold	62 085
Gross gain on sale	14 665
Sale price (cash inflow)	76 750

As a result of this transaction Bank's share in Pekao Development Spółka z o.o. has been reduced to 25% (name of the company has also changed to: Pirelli Pekao Real Estate Spółka z o.o.). Financial data of this company starting from the second quarter is presented in Group's consolidated report under the equity method and is reported among associated entities.

Moreover, in the aftermath of Pekao Development Sp. z o.o. sale, Group's control over Nowe Ogrody Sp. z o.o., being an ownership of Pekao Development, has discontinued.

The following entities are included in the consolidated financial report as at 30 June 2006:

No	Name of company	Core activity	% of shareholder's share capital	Status	Consolidation method
1.	Bank Pekao S.A.	banking	-	parent	-
2.	UniCredit Bank Ltd. (ex Bank Pekao (Ukraine) 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 Access Sp. z o.o.	consulting	55,26	subsidiary	full
12.	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.					
13.	Fabryka Maszyn w Janowie Lubelskim Sp. z o.o.	manufacturing of spare parts to building machinery	86,68	subsidiary	non-consolidated
14.	Pekao Immobilier s.a.r.l.	real estate management	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	associate	equity
2.	Central Poland Fund LLC	financial intermediary	53,19	associate	equity
3.	Xelion. Doradcy Finansowi Sp. z o.o.	auxiliary, financial and insurance	50,00	associate	equity
4.	Pioneer Pekao Investment Management S.A.	financial intermediary	49,00	associate	equity
5.	Pirelli Pekao Real Estate Sp. z o. o.	real estate management	25,00	associate	equity
6.	Krajowa Izba Rozliczeniowa S.A.	chamber of settlement	22,96	associate	equity
7.	Hotel Jan III Sobieski Sp. z o.o.	hotel	37,50	associate	equity
8.	Fabryka Sprzętu Okrętowego "Meblomor" S.A.	manufacturing of ship equipment	23,81	associate	equity
9.	CPF Management	mutual funds management-dose not operate	40,00	associate	not valuated under equity method

4.2 Achievements of Bank Pekao S.A.

Commercial activity

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

In the first half of 2006, sales of the "Express Loan" ("Pożyczka Ekspresowa") were 32.4% higher than in the first half of 2005 with total sales reaching PLN 911 million, of which PLN 548 million sold in the second quarter alone.

In the first half of 2006, the sales of mortgage loans amounted to PLN 1,020 million (28.7% higher compared to the first half of 2005) with PLN 615 million of mortgage loans sold in the second quarter alone. The Bank continued its policy of offering PLN mortgage loans.

The Pekao Group confirmed its leading position in the mutual funds market – at the end of June 2006 market share of mutual funds managed by PPIM S.A. amounted to 26.2%.

Key commercial indicators:

	30.06.2006	31.12.2005	Change
Total number of PLN current accounts (in thousand) *	3,026.1	3,019.2	6.9
of which packages	2,190,9	2,176.9	14.0
Number of mortgage loans accounts (in thousand)	66.0	60.3	5,7
Number of "Express Loans" accounts (in thousand)	239.8	166.6	73,2
Number of mutual fund registers (in thousand)	742.4	665.3	77,1
Payment cards (in thousand)**	2,695.6	2,673.8	21,8
Credit	190.0	146.4	43,6
Charge	240.1	269.2	(29,1)
Debit (including Maestro)	2,265.5	2,258.2	7,3
Total number of outlets (in items)	779	778	1
Total number of ATMs (in items)	1,257	1,244	13

* 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 30 June 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 20,222.5 million and was higher by PLN 985.0 million compared with the end of 2005. As at 30 June 2006, the Company had 877.0 thousand open accounts (an increase by 8.9% during the first half of 2006).

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

(PLN million)

	30.06.2006	31.12.2005	Change
Net assets value of Pioneer Pekao TFI	**20,222.5**	**19,237.5**	**985.0**
- bond and money market funds	6,818.0	9,308.0	(2,490.0)
- equity funds	3,028.4	1,586.5	1,441.9
- balanced funds	10,376.1	8,343.0	2,033.1

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

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

After 6 months of 2006, the Company achieved:

- a 30.5% share in the bond trading volume at the Warsaw Stock Exchange,
- a 13.1% share in the stock trading volume at the Warsaw Stock Exchange,
- a 7.9% share in the futures trading volume at the Warsaw Stock Exchange.

At the end of June 2006, CDM maintained 139.3 thousand investment accounts and its market share was 15.9%. 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 June 2006, CDM maintained 16.8 thousand on-line accounts, i.e. a 1.5 thousand increase in comparison to December 2005.

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

4.4.1 Results of the Group

In the second quarter of 2006 the Group achieved another quarterly record of net profit which amounted to PLN 446.9 million.

Net profit of the Group in the first half of 2006 amounted to PLN 865.2 million, i.e. 19.3% higher than in the first half 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 half of 2006 and 2005 is presented below:

(PLN million)

	I H 2006	I H 2005	Change
Net interest income *	1,150.5	1,126.6	2.1%
Fee and commission income	928.9	747.6	24.3%
Dividend income	1.6	0.0	x
Trading income	76.3	92.5	(17.5%)
FX income	120.2	146.5	(18.0%)
Other operating income / cost net	35.3	31.0	13.9%
Total income	**2,312.8**	**2,144.2**	**7.9%**
Overhead costs (including depreciation)	**(1,166.0)**	**(1,153.5)**	**1.1%**
Personnel	(606.2)	(595.2)	1.8%
Non-personnel	(401.4)	(397.0)	1.1%
Depreciation	(158.3)	(161.3)	(1.9%)
Operating income	**1,146.8**	**990.7**	**15.8%**
Impairment losses on loans and advances	(109.8)	(128.6)	(14.6%)
Share in net profit (loss) of the associates	36.0	22.2	62.2%
Pre-tax profit	**1,073.0**	**884.3**	**21.3%**
Tax charge	(207.8)	(158.9)	30.8%
Net profit	**865.2**	**725.4**	**19.3%**
Attributable to equity holders of the Company	**865.0**	**727.3**	**18.9%**
Attributable to minority interest	0.2	(1.9)	x

* including income on SWAP transactions.

The Group's income

In the first half of 2006, the Group's income amounted to PLN 2,312.8 million and was by PLN 168.6 million (7.9%) 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 fee and commission income as well as interest income.

Fee and commission income increased by 24.3% primarily thanks to commissions on investment products and loans.

Interest income grew by 2.1%, 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.

The Group's overhead costs (including depreciation)

Overhead costs (including depreciation) in the first half of 2006 remained under control and amounted to PLN 1,166.0 million, i.e. were 1.1% higher compared with the previous year.

In the first half of 2006, the Group's cost / income ratio amounted to 50.4% and was by 3.4 p.p. lower than in the previous year.

As at the end of June 2006, the Bank had 14,742 employees (a reduction of 76 employees compared with the end of 2005), and the Group had 15,891 employees (51 employees less than at the end of 2005, which includes the decrease in employment due to divestment of Pekao Development).

Impairment losses on loans and advances

In the first half of 2006, impairment losses on loans and advances amounted to PLN 109.8 million and were by 14.6% 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 14.8% at the end of June 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 half of 2006, the gross loans portfolio grew by PLN 993.4 million, i.e. by 3.0%. This growth was driven by:

- the growth in the volume of corporate loans of PLN 313.2 million (by 1.2%);
- the growth in the volume of retail loans of PLN 680.2 million (by 8.3%).

(PLN million)

	30.06.2006	31.12.2005
Gross loans (principal)	**34,228.6**	**33,235.2**
corporate (principal)	25,371.4	25,058.2
retail (principal)	8,857.2	8,177.0

Savings

Savings of the Group's clients increased by PLN 2,578.7 million i.e. by 4.0% in the first half 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 1,032.1 million in the first half of 2006 as a result of increase in deposits (by PLN 47.1 million) and in mutual funds (by PLN 985.0 million). Due to unfavourable situation on the stock exchange in the second quarter, which resulted in negative valuation of mutual funds (PLN -263 million), funds in the second quarter decreased by PLN 116.7 million.

At the end of June 2006 total retail savings reached the PLN 46 billion level confirming Group's significant market share.

Corporate deposits increased by PLN 1,546.6 million in the first half of 2006.

(PLN million)

	30.06.2006	31.12.2005
Deposits (principal)	**47,607.4**	**46,013.7**
corporate (principal)	21,666.2	20,119.6
retail (principal)	25,941.2	25,894.1
Pioneer Pekao TFI mutual funds	**20,222.5**	**19,237.5**
incl. distributed through the Group's network	18,868.4	18,009.2
Total savings	**67,829.9**	**65,251.2**
incl. retail	46,163.7	45,131.6

[1] loan receivables without buy-sell-back transactions and not quoted securities, measured at amortized cost, using effective interest rate

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 million)

	I H 2006	I H 2005
Net profit of Bank Pekao S.A.	**935.6**	**730.9**
Net profit (loss) of entities consolidated under full method	**105.9**	**72.6**
Centralny Dom Maklerski Pekao S.A.	75.5	43.7
Pekao Development Sp. z o.o. *	6.5	10.5
Pekao Leasing Sp. z o.o./Leasing Fabryczny Sp. z o.o.	6.4	1.9
Pekao Financial Services Sp. z o.o.	4.9	6.6
Pekao Faktoring Sp. z o.o.	4.8	4.0
Pekao Pioneer PTE S.A.	4.0	2.7
Centrum Kart S.A.	1.7	1.1
Pekao Fundusz Kapitałowy Sp. z o.o.**	1.4	0.8
Pekao Access Sp. z o.o.	0.8	0.3
Drukbank Sp. z o.o.	0.0	1.0
UniCredit Bank Ltd. / Bank Pekao (Ukraine) Ltd. in Luck***	(0.1)	0.0
Net profit (loss) of entities valued under equity method	**35.2**	**21.8**
Pioneer Pekao Investment Management S.A.	43.5	25.4
Krajowa Izba Rozliczeniowa S.A.	2.6	3.0
Central Poland Fund LLC	0.0	(0.7)
Xelion. Doradcy Finansowi Sp. z o.o.	(5.4)	(5.9)
Pirelli Pekao Real Estate Sp. z o.o. ****	(5.5)	-
Grupa Inwestycyjna Nywig S.A.	-	0.0
Exclusions and consolidation adjustments*****	**(211.5)**	**(99.9)**
Net profit (loss) of the Group	**865.2**	**725.4**

* equity valuation of the subsidiary since the II quarter 2006 due to sale of 75% of shares which took place on 3 April 2006. Net profit presented equals to I quarter 2006 result,
** the result of the company includes the valuation of associates based on equity method,
*** change in the name of the company,
**** Bank's share in net result for II quarter 2006,
***** include transactions within the Group, including dividends from subsidiaries and associates.

The results of Bank Pekao S.A.

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

(PLN million)

	I H 2006	I H 2005	Change
Net interest income*	1,106.3	1,074.0	3.0%
Non-interest income	1,189.4	993.3	19.7%
Total income	**2,295.7**	**2,067.3**	**11.1%**
Overhead costs (including depreciation)	**(1,075.1)**	**(1,068.3)**	**0.6%**
Operating income	**1,220.6**	**999.0**	**22.2%**
Impairment losses on loans and advances	(100.9)	(126.6)	(20.3%)
Pre-tax profit	1,119.7	872.4	28.3%
Net profit	**935.6**	**730.9**	**28.0%**

* including income on SWAP operations

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

	30.06.2006	31.12.2005	Change
Total gross loans in PLN million*	33,551.3	32,748.7	2.5%
Impaired receivables to total receivables in %	14.0	14.7	(0.7 p.p.)
Total deposits in PLN million*	47,602.8	46,062.3	3.3%
Total assets in PLN mil.	66,185.4	61,445.2	7.7%
Mutual funds sold in Bank's network in PLN million	16,629.3	15,539.0	7.0%
Capital adequacy ratio in %	16.3	18.0	(1.7 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 half of 2006:

(PLN million)

	Retail banking area	Corporate banking area	Treasury and Investment banking area	Total
Interest income	715.7	219.5	208.6	1,143.8
Non-interest income	884.1	222.5	62.4	1,169.0
Total income	**1,599.8**	**442.0**	**271.0**	**2,312.8**

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

(PLN million)

	Retail banking area	Corporate banking area	Treasury and investment banking area	Total
Interest income	712.4	249.1	170.6	1,132.1
Non-interest income	707.0	234.9	70.2	1,012.1
Total income	**1,419.4**	**484.0**	**240.8**	**2,144.2**

* data comparable with the first half of 2006, different than published for first half of 2005 due to changes in methodology for allocation of revenues by segment.

4.6 Adjustments for provisions, deferred tax provision and assets

(PLN million)

	Group		Bank Pekao S.A.	
	30.06.2006	**31.12.2005**	**30.06.2006**	**31.12.2005**
Total provisions	**90.1**	**108.7**	**87.9**	**105.0**
of which:				
provisions for off-balance sheet liabilities	12.7	20.3	12.6	20.3
provisions for liabilities to employees	61.5	66.0	60.4	65.0
other provisions	15.9	22.4	14.9	19.7
Provision for deferred tax	**0.0**	**0.0**	**0.0**	**0.0**
Deferred tax assets	**277.1**	**181.3**	**250.0**	**152.0**

4.7 Write-offs for revaluation of assets

(PLN million)

	Group		Bank Pekao S.A.	
	I H 2006	**I H 2005**	**I H 2006**	**I H 2005**
Total	**(109.8)**	**(128.6)**	**(100.9)**	**(126,6)**
for loan receivables	(117.5)	(122.5)	(108.6)	(120,4)
for off-balance sheet liabilities	7.7	(6.1)	7.7	(6,2)
for financial assets	0.0	0.0	0.0	0.0

4.8 Information on contingent assets and liabilities

(PLN ths.)

	30.06.2006	31.12.2005
Contingent liabilities granted and received	20 361 784	15 994 786
Liabilities granted:	16 183 880	12 404 368
financial	14 192 107	10 990 273
guarantees	1 991 773	1 414 095
Liabilities received:	4 177 904	3 590 418
financial	1 267 445	457 353
guarantees	2 910 459	3 133 065
Financial derivatives	94 487 702	65 182 224
currency transactions	37 439 901	25 795 810
Interest rate transactions	49 685 533	38 548 574
securities transactions	7 362 268	837 840
Other	7 066 428	6 615 255
Total off-balance sheet items	**121 915 914**	**87 792 265**

4.9 Post balance sheet events

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

4.10 Divestment to Pirelli RE of a 75% stake in the share capital of Pekao Development

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.

As a result of this transaction Pirelli Pekao Real Estate Sp. z o.o. was founded in which 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 this company and carrying 25% of votes in the General Meeting of Shareholders.

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

On 4 May 2006, the Ordinary General Meeting of Bank Pekao S.A. appointed 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 5 May 2006.

The Supervisory Board was constituted on the meeting held on 5 June 2006 with:

Mr. Jerzy Woźnicki as Chairman of the Supervisory Board,

Mr. Paolo Fiorentino as Deputy Chairman, Secretary of the Supervisory Board,

Mr. Andrea Moneta as Deputy Chairman of the Supervisory Board,

Mr. Paweł Dangel as a Member of the Supervisory Board,

Mr. Fausto Galmarini as a Member of the Supervisory Board,

Mr. Oliver Greene as a Member of the Supervisory Board,

Mr. Enrico Pavoni as a Member of the Supervisory Board,

Mr. Leszek Pawłowicz as a Member of the Supervisory Board,

Mr. Jerzy Starak as a Member of the Supervisory Board.

4.12 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.

4.13 Plaintiff to the court to repeal resolutions of Bank’s GSM

On 22 June 2006 Bank Pekao S.A. received from Bank’s shareholder, who on the Annual General Meeting of the Bank on 4 May 2006 represented 50 votes, a plaintiff to the court to make invalid resolutions No. 12 and 13 of the AGM of the Bank of 4th May 2006 and to repeal resolutions No. 4-8 and 11 of the AGM of 4 May 2006.

In the Bank's opinion the whole plaintiff is groundless.

4.14 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.

4.15 Issuance, redemption and repayment of debt securities

Issuance of registered bonds with pre-emptive rights to take up the Bank's F and G shares

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:

The nominal value of one bond is PLN 0.01. 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.

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.

B series bonds are available for purchase from the Trustee by the eligible persons until 30 December 2006.

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

- 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.

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.

4.16 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.

4.17 Effects of changes in the Group's structure

Effects of changes in the Group's structure are discussed in point 4.1.

4.18 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.

4.19 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
	30 June 2006		31 December 2005	
UniCredito Italiano S.p.A.	88,121,725	52.83%	88,121,725	52.93%
Other shareholders	78,686,532	47,17%	78,359,962	47.07%
Total	**166,808,257**	**100,00%**	**166,481,687**	**100.00%**

In the first half of 2006 share capital of the Bank was increased by the total amount of PLN 326,570 as a result of issue of series F ordinary bearer shares.

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.

4.20 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 72,513 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 employees for realisation of Bank's strategy, as well as employees of subsidiaries.

The incentive programme for 2003 covers 39 people on the day of conveying the report, with a total of 294,841 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 33 persons participating in the programme have sold 202,367 shares since the beginning of 2006.

4.21 Pending litigations

In the second 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 424. The total value of them was PLN 745.3 million. The number of legal proceedings concerning the receivables was 3.155 at total value of PLN 898.6 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 second quarter of 2006, as well as all the proceedings together do not create any threat to financial liquidity of the Bank.

4.22 Information about integration of Bank Polska Kasa Opieki S.A. (Pekao S.A.) and Bank Przemysłowo - Handlowy S.A. (BPH S.A.)

On the 5th April 2006 the Banking Supervision Commission approved UniCredito Italiano S.p.A. (UniCredito) exercising its voting rights at Bank BPH S.A. General Shareholders Meeting.

On 22nd May 2006 the Program for the integration of Bank Pekao S.A. and Bank BPH S.A. has been launched. The first phase has been focused on the preliminary selection of assets to be disposed in line with the Agreement between UniCredito and Ministry of Treasury of 19th April 2006, and comparison of the business models of the two banks.

So far 14 taskforces focusing on business and functional areas, and coordinated by Program Management Office, have been launched involving circa 300 people in both banks.

The overall process is supervised by Steering Committee with members from UniCredito, BPH S.A. and Pekao S.A.

4.23 Transactions of related entities

In the first half 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.

4.24 Loan or credit sureties and guarantees given

In the first half of 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.

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

Bank Pekao S.A. and its subsidiaries mainly run their business on the territory of Poland which therefore makes Bank's results dependent on economic development of the country and economic trends.

Polish economy expands at high rate due to effects accomplished in the past few years in significant growth in work efficiency which led to improving competitiveness of polish companies and keeping high growth rate of export. Domestic demand has also clearly improved. It is expected that positive trends observed in economy development will continue in the next quarters.

Acceleration of economic growth rate, high prices of energy raw materials and influence of drought on food prices will have impact on gradual inflation increase from currently low base. Additionally central banks of the world biggest economies continue the process of strict monetary policy. Therefore interest rates in Poland can be expected to become stable in current year.

Fast economic growth makes favourable conditions for banks activities progress. Gradual acceleration of growth rate in retail and corporate customers loans and in the level of retail savings is observed. Improvement in corporate financial situation as well as continuation in declining unemployment decrease the costs of credit risk. It is expected that all above trends will continue in the next quarters.