

Bank  BPH

**Bank BPH Group
Financial Report**

2 quarters

2005

INCOME STATEMENT OF THE BANK BPH GROUP FOR THE FIRST TWO QUARTERS OF 2005	Notes	1 Jan. 2005 - 30 June 2005	1 Jan. 2004 - 30 June 2004
Interest income		1 881 902	1 213 122
Interest expenses		-919 767	-341 389
Net interest income	2	962 135	871 733
Losses on loans and advances	3	-135 085	-132 711
Net interest income after losses on loans and advances		827 050	739 022
Fee and commission income		608 263	558 578
Fee and commission expenses		-137 284	-74 282
Net fee and commission income	4	470 979	484 296
Net trading result	5	81 019	44 654
General administrative expenses	6	-784 694	-782 737
Balance of other operating income and expenses	7	17 013	30 845
Operating profit		611 367	516 080
Net income from investments	8	-20 234	-11 242
Amortisation of goodwill and intangible assets		-10 950	-10 267
Balance of other income and expenses		-2 206	-2 561
Profit from ordinary activities		577 977	492 010
Income tax		-122 976	-89 392
Minority interests		-6	-6 653
Net income		454 995	395 965

Net income (loss) (per year)	809 622 000	576 541 000
Weighted average number of ordinary shares	28 716 230	28 716 230
Earnings (loss) per ordinary share (in PLN)	28.19	20.08

Weighted average diluted number of ordinary shares	28 716 230	28 716 230
Diluted earnings (loss) per ordinary share (in PLN)	28.19	20.08

BALANCE SHEET OF THE BANK BPH GROUP

Assets	Notes	As at 30 June 2005	As at 31 Dec. 2004	As at 30 June 2004
Cash and balances with the central bank	9	1 957 889	4 058 952	2 106 188
Trading assets	10	4 063 374	5 362 144	3 546 723
Loans and advances to, and placements with banks	11	11 029 971	7 977 047	4 702 614
Loans and advances to customers	12	32 450 981	29 822 352	28 853 392
Loan loss provisions	13	-1 813 283	-1 776 470	-2 560 580
Other financial assets	14	8 730 909	4 074 630	8 426 587
Property and equipment	15	926 130	960 127	972 695
Intangible assets	16	285 295	305 842	361 530
Other assets		1 328 157	864 354	685 493
Tax assets		700 448	737 188	520 942
Total assets		58 959 423	51 648 978	47 094 642

Liabilities	Notes	As at 30 June 2005	As at 31 Dec. 2004	As at 30 June 2004
Amounts owed to the Central Bank		86 218	77 133	101 343
Amounts owed to banks	17	8 271 275	5 802 571	6 431 962
Amounts owed to customers	18	36 120 414	34 329 152	31 917 848
Liabilities evidenced by certificates	19	4 421 880	2 095 628	759 494
Provisions	20	634 610	744 960	443 909
Income tax provision		573 420	647 369	378 234
Trading liabilities	21	1 589 922	2 094 551	1 064 031
Other liabilities		1 314 459	670 679	1 005 371
Subordinated liabilities		-	-	-
Minority interests		132	126	118
Shareholders' equity		6 520 513	5 834 178	5 370 566
Total liabilities and shareholders' equity		58 959 423	51 648 978	47 094 642

Capital adequacy ratio	13.45	13.99	14.66
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Book value	6 520 513 000	5 834 178 000	5 370 566 000
Number of shares	28 716 230	28 716 230	28 716 230
Book value per share (in PLN)	227.07	203.17	187.02

Diluted number of shares	28 716 230	28 716 230	28 716 230
Diluted book value per share (in PLN)	227.07	203.17	187.02

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE BANK BPH GROUP	1 Jan. 2005 - 30 June 2005	1 Jan. 2004 - 31 Dec. 2004	1 Jan. 2004 - 30 June 2004
I. Opening balance of shareholders' equity	5 850 273	5 302 084	5 302 084
a) changes of accounting policies	-	-	-
b) material error adjustments	-	-	-
c) adjustment for audited data of GBG S.A and BPH Bank Hipoteczny for 2003	-	-275	-275
d) adjustments related to IFRS/IAS introduction	-	-38 462	-37 947
e) adjustments related to effective interest rate introduction	-	-58 801	-58 801
f) consolidation adjustments	-	48 466	48 466
I.a. Opening balance of shareholders' equity after adjustment to comparable data	5 850 273	5 253 012	5 253 527
1. Opening balance of share capital	143 581	143 581	143 581
1. Closing balance of share capital	143 581	143 581	143 581
2. Opening balance of supplementary capital	1 465 484	1 524 301	1 524 301
a) increase	2 006	1 389	1 290
- allocation of profit	2 006	451	450
- fixed asset sales	-	938	840
b) decrease	-16	-63 155	-63 157
- consolidation adjustments	-	-63 155	-63 157
- other	-16	-	-
2. Closing balance of supplementary capital	1 467 474	1 462 535	1 462 434
3. Opening balance of revaluation reserve	150 910	66 987	66 987
adjustments related to IFRS/IAS introduction	-2 711	-4 914	-
3. Opening balance of revaluation reserve	148 199	62 073	66 987
a) increase	257 339	109 654	8 932
- repricing of securities and derivatives	257 339	106 893	-
- tax effect of the repricing of securities and derivatives	-	-	6 171
- consolidation adjustments	-	2 761	2 761
b) decrease	-46 998	-20 817	-34 408
- valuation of securities and derivatives	-	-	-33 568
- tax effect of the repricing of securities and derivatives	-46 998	-19 879	-
- fixed asset sales	-	-938	-840
3. Closing balance of revaluation reserve	358 540	150 910	41 511
4. Opening balance of general risk fund	912 074	867 520	867 520
a) increase	137 547	64 136	64 136
- allocation of profit	137 547	64 136	64 136
b) decrease	-	-19 582	-19 582
- consolidation adjustments	-	-19 582	-19 582
4. Closing balance of general risk fund	1 049 621	912 074	912 074
5. Opening balance of other reserves	2 324 924	2 324 924	2 324 924
a) increase	20 635	-	-

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE BANK BPH GROUP	1 Jan. 2005 - 30 June 2005	1 Jan. 2004 - 31 Dec. 2004	1 Jan. 2004 - 30 June 2004
- consolidation adjustments	20 619	-	-
- other	16	-	-
b) decrease	-	-	-
5. Closing balance of other reserves	2 345 559	2 324 924	2 324 924
6. Opening balance of retained profits	853 303	374 771	374 771
6.1. Opening balance of retained profits (losses)	853 303	374 771	374 771
a) changes of accounting policies	-	-	-
b) material error adjustments	-	-	-
c) adjustment for audited data of GBG S.A and BPH Bank Hipoteczny for 2003	-	-275	-275
d) adjustments related to IFRS/IAS introduction	7 625	-38 462	-37 947
e) adjustments related to effective interest rate introduction	-	-58 801	-58 801
f) consolidation adjustments	-	48 466	48 466
6.2. Closing balance of retained profits after adjustment to comparable data	860 928	325 699	326 214
a) increase	-	79 288	79 288
- consolidation adjustments	-	79 288	79 288
b) decrease	-160 185	-315 425	-315 425
- allocation of profit	-160 185	-315 425	-315 425
6. Closing balance of retained profits	700 743	89 562	90 077
8. Net income of the current year	454 995	750 592	395 965
II. Closing balance of shareholders' equity	6 520 513	5 834 178	5 370 566

CONSOLIDATED CASH FLOW STATEMENT	1 Jan. 2005 - 30 June 2005	1 Jan. 2004 - 30 June 2004
I. Net cash flow from operating activities - indirect method	3 637 014	1 517 159
II. Net cash flow from investing activities	-198 226	62 663
III. Net cash flow from financing activities	1 526 494	79 962
IV. Total net cash flow	4 965 282	1 659 784

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS OF THE BANK BPH GROUP

(1) Changes in consolidated companies

In these statements of the Bank BPH Group, the following subsidiaries: BPH Bank Hipoteczny, BPH Finance plc., BPH PBK Leasing S.A. and indirect subsidiaries of Bank BPH SA which are the subsidiaries of BPH PBK Leasing SA, i.e. BPH Leasing SA and PBK Leasing SA., are fully consolidated.

Other companies were not consolidated because of their significance (IAS 1).

The impact of including leasing companies on the results of Q2 2005 is presented in the table below:

INCOME STATEMENT OF THE BANK BPH GROUP FOR TWO QUARTERS of 2005	Bank BPH Group	BPH PBK Leasing
Interest income	1 881 902	51 053
Interest expenses	-919 767	-28 923
Net interest income	962 135	22 130
Losses on loans and advances	-135 085	-2 225
Net interest income after losses on loans and advances	827 050	19 905
Fee and commission income	608 264	-
Fee and commission expenses	-137 285	-
Net fee and commission income	470 979	-
Net trading result	81 019	-135
General administrative expenses	-784 694	-14 690
Balance of other operating income and expenses	17 013	561
Operating profit	611 367	5 641
Net income from investments	-20 234	-
Amortisation of goodwill and intangible assets	-10 950	-
Balance of other income and expenses	-2 206	-
Profit from ordinary activities	577 977	5 641
Income tax	-122 976	-676
Minority interests	-6	-
Net income	454 995	4 965

(2) NET INTEREST INCOME	1 Jan. 2005 – 30 June 2005	1 Jan. 2004 – 30 June 2004
Interest income from:	1 828 613	1 210 612
loans and money market transactions	1 574 561	1 024 868
dividends	14 371	16 474
other	239 681	169 270
Interest expenses for:	-893 131	-341 389
deposits, loans received and money market transactions	-840 769	-324 842
other	-52 362	-16 547
Result from leasing transactions	26 653	2 510
income	53 289	2 855
expenses	-26 636	-345
NET INTEREST INCOME	962 135	871 733

(3) LOSSES ON LOANS AND ADVANCES	1 Jan. 2005 – 30 June 2005	1 Jan. 2004 – 30 June 2004
Allocations to	-678 186	-687 967
provisions for loans and advances	-661 207	-652 141
provisions for contingent liabilities	-16 979	-35 826
Releases from	543 101	555 256
provisions for loans and advances	523 313	520 045
provisions for contingent liabilities	19 788	35 211
NET CHARGE FOR LOSSES ON LOANS AND ADVANCES	-135 085	-132 711

(4) NET FEE AND COMMISSION INCOME	1 Jan. 2005 – 30 June 2005	1 Jan. 2004 – 30 June 2004
Income from:	608 264	558 578
securities and custodian business	39 760	31 165
loans and advances	88 487	99 004
domestic payments	281 761	253 586
international payments	185 868	166 731
Other	12 388	8 092
Expenses of:	-137 285	-74 282
securities and custodian business	-7 971	-6 717
loans and advances	-10 744	-11 779
domestic payments	-99 552	-41 557
international payments	-7 660	-7 968
other	-11 358	-6 261
NET FEE AND COMMISSION INCOME	470 979	484 296

(5) NET TRADING RESULT	1 Jan. 2005 – 30 June 2005	1 Jan. 2004 – 30 June 2004
Result on equity instruments	350	-13
Result on fixed income instruments	32 098	17 002
Exchange gain (loss)	48 571	27 665
NET TRADING RESULT	81 019	44 654

(6) GENERAL ADMINISTRATIVE EXPENSES	1 Jan. 2005 – 30 June 2005	1 Jan. 2004 – 30 June 2004
Salaries and employee benefits	-357 278	-354 539
Building maintenance and rents	-124 432	-117 372
Other expenses	-191 312	-185 661
Depreciation	-111 672	-125 165
GENERAL ADMINISTRATIVE EXPENSES	-784 694	-782 737

(7) BALANCE OF OTHER OPERATING INCOME AND EXPENSES	1 Jan. 2005 – 30 June 2005	1 Jan. 2004 – 30 June 2004
Other operating income	78 780	113 106
Other operating expenses	-61 767	-82 261
BALANCE OF OTHER OPERATING INCOME AND EXPENSES	17 013	30 845

(8) NET INCOME FROM INVESTMENTS	1 Jan. 2005 – 30 June 2005	1 Jan. 2004 – 30 June 2004
Profit on sales	14 342	25 041
Loss on sales	-34 576	-36 283
NET INCOME FROM INVESTMENTS	-20 234	-11 242

(9) CASH AND BALANCES WITH THE CENTRAL BANK	30 June 2005	31 Dec. 2004	30 June 2004
Cash	931 211	800 003	933 497
Balances with the central bank	978 321	776 813	667 765
Debt securities and bills issued by the State Treasury and other public issuers eligible for discounting at the Central Bank	48 357	2 482 136	504 926
a) treasury bills and non-interest bearing treasury securities and similar debt securities issued by the State Treasury and other issuers	20 777	2 436 308	464 450
b) bills of exchange	27 580	45 828	40 476
CASH AND BALANCES WITH THE CENTRAL BANK	1 957 889	4 058 952	2 106 188

(10) TRADING ASSETS	30 June 2005	31 Dec. 2004	30 June 2004
Debt securities and other fixed-income securities	2 521 758	3 094 699	2 373 571
bonds	2 057 585	2 442 237	1 953 134
T-bills	-	21 777	19 830
eurobonds	182 153	135 523	299 805
other	282 020	495 162	100 802
Positive fair value of derivatives	1 541 616	2 267 445	1 173 152
TRADING ASSETS	4 063 374	5 362 144	3 546 723

(11) LOANS AND ADVANCES TO, AND PLACEMENTS WITH BANKS BY TYPE	30 June 2005	31 Dec. 2004	30 June 2004
Money market placements	10 735 369	7 738 525	4 437 621
Loans and advances	161 965	158 406	189 434
Other	101 310	61 854	62 217
Interest	31 327	18 262	13 342
LOANS AND ADVANCES TO, AND PLACEMENTS WITH BANKS BY TYPE	11 029 971	7 977 047	4 702 614

(12) LOANS AND ADVANCES TO CUSTOMERS BY TYPE	30 June 2005	31 Dec. 2004	30 June 2004
Deposits	5 797	5 707	5 707
Loans and advances	31 078 084	29 534 954	28 570 913
Other	109 418	162 338	19 008
Finance lease receivables	1 148 790	10 178	164 382
Interest	108 892	109 175	93 382
LOANS AND ADVANCES TO CUSTOMERS BY TYPE	32 450 981	29 822 352	28 853 392

(13) LOAN LOSS PROVISIONS	PROVISIONS FOR BANKS			PROVISIONS FOR CUSTOMERS			TOTAL		
	30 June 2005	31 Dec. 2004	30 June 2004	30 June 2005	31 Dec. 2004	30 June 2004	30 June 2005	31 Dec. 2004	30 June 2004
Opening balance	1	26 184	26 184	1 783 379	2 646 810	2 646 810	1 783 380	2 672 994	2 672 994
allocations to loan loss provisions			174	687 312	1 202 002	653 060	687 312	1 202 002	653 234
release of loan loss provisions				-503 346	-932 298	-517 097	-503 346	-932 298	-517 097
use		-20 933		-167 744	-896 158	-77 073	-167 744	-917 091	-77 073
revaluation		-5 250	46	11 402	-66 482	-12 751	11 402	-71 732	-12 705
other				2 279	-177 405	-158 773	2 279	-177 405	-158 773
CLOSING BALANCE OF LOAN LOSS PROVISIONS	1	1	26 404	1 813 282	1 776 469	2 534 176	1 813 283	1 776 470	2 560 580

(14) OTHER FINANCIAL ASSETS	30 June 2005	31 Dec. 2004	30 June 2004
Assets available for sale	1 692 977	3 830 103	8 392 172
Assets held to maturity	15 844	15 591	15 687
Non-marketable securities at fair value reported in the income statement (FVO)	6 898 296	-	-
Other	123 792	228 936	18 728
OTHER FINANCIAL ASSETS	8 730 909	4 074 630	8 426 587

(15) PROPERTY AND EQUIPMENT BY TYPE	30 June 2005	31 Dec. 2004	30 June 2004
Land	19 976	20 172	12 127
Buildings, premises	607 469	624 602	527 930
Other property and equipment	184 180	226 615	387 041
Property and equipment under construction	106 768	83 030	40 891
Other (assets leased out to be sold)	7 737	5 708	4 706
PROPERTY AND EQUIPMENT	926 130	960 127	972 695

(16) INTANGIBLE ASSETS BY TYPE	30 June 2005	31 Dec. 2004	30 June 2004
Goodwill	162 219	170 283	202 095
Other intangible assets	123 076	135 559	159 435
INTANGIBLE ASSETS	285 295	305 842	361 530

(17) AMOUNTS OWED TO BANKS BY TYPE	30 June 2005	31 Dec. 2004	30 June 2004
Account balances	60 259	129 252	80 451
Money market placements	6 078 638	3 220 564	3 965 678
Loans and advances received	2 062 191	2 255 918	2 355 086
Other	45 023	172 846	6 141
Interest	25 164	23 991	24 606
AMOUNTS OWED TO BANKS	8 271 275	5 802 571	6 431 962

(18) AMOUNTS OWED TO CUSTOMERS BY TYPE	30 June 2005	31 Dec. 2004	30 June 2004
Account balances	10 781 977	11 467 327	10 348 140
Deposits	21 691 200	20 035 294	19 348 230
Loans and advances received	220 074	289 300	335 610
Other	3 302 837	2 445 977	1 803 246
Interest	124 326	91 254	82 622
AMOUNTS OWED TO CUSTOMERS	36 120 414	34 329 152	31 917 848

(19) LIABILITIES EVIDENCED BY CERTIFICATES	30 June 2005	31 Dec. 2004	30 June 2004
Bonds	4 161 820	1 778 075	639 274
Certificates	70 023	196 244	4 500
Other	157 673	98 386	97 778
Interest	32 364	22 923	17 942
TOTAL LIABILITIES EVIDENCED BY CERTIFICATES	4 421 880	2 095 628	759 494

(20) PROVISIONS	30 June 2005	31 Dec. 2004	30 June 2004
Provisions for income taxes	573 420	647 369	378 234
Provisions for retirement benefits and similar obligations	20 091	20 209	28 590
Provision for restructuring costs	9 683	10 109	608
Provision for leaves	6 291	6 719	4 104
Provisions for contingent liabilities	14 129	16 854	17 373
Other	10 996	43 700	15 000
TOTAL PROVISIONS	634 610	744 960	443 909

(21) TRADING LIABILITIES	30 June 2005	31 Dec. 2004	30 June 2004
Negative fair values of derivatives	1 589 922	2 094 551	1 064 031
TOTAL TRADING LIABILITIES	1 589 922	2 094 551	1 064 031

(22) CONTINGENT LIABILITIES	30 June 2005	31 Dec. 2004	30 June 2004
I. Contingent liabilities granted and received	22 914 204	20 863 109	16 277 363
1. Contingent liabilities granted:	12 369 518	11 533 949	11 357 328
a) financing	10 739 906	9 789 770	9 994 719
b) guarantee	1 629 612	1 744 179	1 362 609
2. Contingent liabilities received:	10 544 686	9 329 160	4 920 035
a) financing	2 389 763	945 981	1 214 929
b) guarantee	8 154 923	8 383 179	3 705 106
II. Contingent liabilities under buy/sell transactions	55 068 268	66 583 974	58 988 819
III. Other	184 121 237	199 563 051	212 951 451
- securities issued as guarantees	259 483	210 791	221 044
- securities received as guarantees and other collateral deducted from risk-weighted assets	4 494 622	3 957 871	3 875 078
- transactions in securities	2 749 472	107 021	1 247 892
- liabilities under transactions in securities	176 617 660	195 287 368	207 607 437
TOTAL CONTINGENT LIABILITIES	262 103 709	287 010 134	288 217 633

BPH GROUP

(23) SEGMENT REPORTING	Segments			Other (not allocated to segments)	Exclusions	Consolidated value (2+3+4+5-6)	
	Retail	Corporate	International Markets*				
INCOME STATEMENT	2	3	4	5	6		
Interest income	1Q 2005	637 928	520 282	808 546	147 147	-1 204 993	908 910
	2Q 2005	521 037	355 747	1 116 463	173 557	-1 193 811	972 992
External income	1Q 2005	300 024	314 607	277 627	16 652	x	
	2Q 2005	244 667	207 589	504 476	16 260		
Internal income	1Q 2005	337 904	205 675	530 919	130 495	-1 204 993	
	2Q 2005	276 370	148 158	611 987	157 297	-1 193 811	
Interest expense	1Q 2005	-359 752	-410 077	-795 458	-76 746	1 204 993	-437 040
	2Q 2005	-230 510	-255 066	-1 083 135	-107 827	1 193 811	-482 727
External expense	1Q 2005	-184 300	-151 257	-101 483	0	x	
	2Q 2005	-131 499	-77 875	-273 353	0		
Internal expense	1Q 2005	-175 452	-258 820	-693 975	-76 746	1 204 993	
	2Q 2005	-99 011	-177 191	-809 782	-107 827	1 193 811	
Net interest income	1Q 2005	278 176	110 205	13 088	70 401	0	471 870
	2Q 2005	290 527	100 681	33 328	65 730	0	490 265
Losses on loans and advances	1Q 2005	-47 897	-32 083	0	0		-79 980
	2Q 2005	-45 708	-9 397	0	0	0	-55 105
Net interest income after losses on loans and advances	1Q 2005	230 279	78 122	13 088	70 401	0	391 890
	2Q 2005	244 819	91 284	33 328	65 730	0	435 160
Fee and commission income	1Q 2005	224 633	93 765	0	-31 728		286 670
	2Q 2005	236 630	136 804	714	-52 555	0	321 593
Fee and commission expense	1Q 2005	-54 442	-7 358	-1 378	6 608		-56 570
	2Q 2005	-50 023	-44 633	-2 491	16 433	0	-80 714
Net fee and commission income	1Q 2005	170 191	86 407	-1 378	-25 120	0	230 100
	2Q 2005	186 607	92 171	-1 777	-36 122	0	240 879
Trading result	1Q 2005	0	0	43 472	703		44 175
	2Q 2005	0	0	37 507	-663	0	36 844
General administrative expenses	1Q 2005	-285 092	-108 719	-15 635	5 907		-403 538
	2Q 2005	-261 003	-101 140	-13 174	-5 838	0	-381 156
Balance of other operating income and expenses	1Q 2005	0	0		4 076		4 076
	2Q 2005	0	0	0	12 937	0	12 937
Operating profit	1Q 2005	115 379	55 810	39 548	55 967	0	266 703
	2Q 2005	170 422	82 315	55 884	36 043	0	344 664
Net income from investments	1Q 2005	-300	-389	-2 991	-726		-4 406
	2Q 2005	23	0	16 916	-32 766	0	-15 828
Amortisation of goodwill and intangible assets	1Q 2005	-4 822	-536	0	0		-5 358
	2Q 2005	-5 033	-559	0	0	0	-5 592
Balance of other income and expenses	1Q 2005	0	0	0	-1 112		-1 112
	2Q 2005	0	0	0	-1 094	0	-1 094
Profit from ordinary activities	1Q 2005	110 257	54 885	36 557	54 129	0	255 827
	2Q 2005	165 412	81 756	72 799	2 182	0	322 150
Income tax	1Q 2005				-50 505		-50 505
	2Q 2005				-72 471	0	-72 471
Minority interests	1Q 2005	-3					-3
	2Q 2005	-3					-3
Net income	1Q 2005	110 254	54 885	36 557	3 624	0	205 319
	2Q 2005	165 409	81 756	72 799	-70 289	0	249 676

* Excluding results on sales of treasury and custody products as generated by International Markets Division and presented entirely in the results of Corporate and Retail segments.

Income on sales of treasury and custody products generated by International Markets Division and presented entirely in result of Corporate and Retail segments amounted to PLNm 79,5 (thereoff PLN 40.2 m in 1Q2005 and PLN 39.3 m in 2Q 2005). Custody related income does not include fx margin.

Growth of the interest margin in retail segment resulted from higher decrease of interest expenses (PLN -129 m) than interest income (PLN -116 m). Lower margin in corporate segment in second Quarter of 2005 resulted from higher decrease of interest income (PLN -165 m) than interest expenses (PLN -155 m).

Percentage growth of fee and commission in both segments was comparable, and accounted for 9.7% in corporate segment and 6.7% in retail segment.

General administrative expenses were lower in each segment: Retail –8%, Corporate –7%, and INM –16%.

Operating profit was higher in business segments as a result of higher net fee and commission income and lower general administrative expenses.

Assets		Retail	Corporate	International markets	Other (not allocated to segments)	Total assets
Total assets	31.03.2005	14 431 396	18 387 970	15 543 429	4 534 339	52 897 134
Total assets	30.06.2005	16 328 814	19 954 646	18 010 431	4 665 532	58 959 423

Liabilities		Retail	Corporate	International markets	Other (not allocated to segments)	Total liabilities
Total liabilities	31.03.2005	22 218 034	14 604 544	8 353 826	7 720 730	52 897 134
Total liabilities	30.06.2005	24 506 067	16 019 410	9 959 867	8 474 079	58 959 423

**ABRIDGED FINANCIAL STATEMENTS OF BANK BPH SA FOR THE FIRST
QUARTER OF 2005**

INCOME STATEMENT OF BANK BPH SA	1 Jan. 2005 – 30 June 2005	1 Jan. 2004 – 30 June 2004
Interest income	1 827 387	1 119 584
Interest expenses	-891 401	-315 849
Net interest income	935 986	803 735
Losses on loans and advances	-129 510	-124 620
Net interest income after losses on loans and advances	806 476	679 115
Fee and commission income	603 603	525 971
Fee and commission expenses	-135 645	-62 868
Net fee and commission income	467 958	463 103
Net trading result	81 329	43 781
General administrative expenses	-756 829	-732 864
Balance of other operating income and expenses	16 511	97 443
Operating profit	615 445	550 578
Net income from investments	-20 334	-11 214
Amortisation of goodwill and intangible assets	-10 950	-10 267
Balance of other income and expenses	-2 206	-2 153
Profit from ordinary activities	581 955	526 944
Income tax	-119 981	-83 091
Minority interests	-	-
Net income	461 974	443 853

Net income (loss) (per year)	800 573 000	597 506 000
Weighted average number of ordinary shares	28 716 230	28 716 230
Earnings (loss) per ordinary share (in PLN)	27.88	20.81

Weighted average diluted number of ordinary shares	28 716 230	28 716 230.0
Diluted earnings (loss) per ordinary share (in PLN)	27.88	20.81

BALANCE SHEET OF BANK BPH SA

Assets	As at 30 June 2005	As at 31 Dec. 2004	As at 30 June 2004
Cash and balances with the Central Bank	1 956 866	4 058 896	2 106 059
Trading assets	4 054 553	5 353 878	3 544 260
Loans and advances to, and placements with, banks	11 976 663	8 912 712	5 429 857
Loans and advances to customers	30 228 374	28 689 943	27 890 701
Loan loss provisions	-1 753 384	-1 764 836	-2 547 586
Other financial assets	9 045 261	4 200 068	8 587 358
Property and equipment	910 620	958 071	971 487
Intangible assets	281 159	304 983	360 850
Other assets	1 324 333	858 571	679 923
Tax assets	683 602	731 993	516 764
Total assets	58 024 445	51 572 286	47 022 909

Liabilities	As at 30 June 2005	As at 31 Dec. 2004	As at 30 June 2004
Amounts owed to the Central Bank	86 218	77 133	101 343
Amounts owed to banks	8 031 621	5 819 299	6 433 129
Amounts owed to customers	36 119 497	34 325 185	31 913 914
Liabilities evidenced by certificates	3 789 790	2 055 172	719 110
Provisions	627 719	743 845	442 685
Income tax provision	566 529	646 254	377 010
Trading liabilities	1 581 861	2 093 469	1 062 946
Other liabilities	1 298 080	645 947	985 004
Subordinated liabilities	-	-	-
Shareholders' equity	6 489 659	5 812 236	5 364 778
Total liabilities and shareholders' equity	58 024 445	51 572 286	47 022 909

Capital adequacy ratio	13.09	14.02	14.68
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Book value	6 489 659 000	5 812 236 000	5 364 778 000
Number of shares	28 716 230	28 716 230	28 716 230
Book value per share (in PLN)	225.99	202.40	186.82

Diluted number of shares	28 716 230	28 716 230	28 716 230
Diluted book value per share (in PLN)	225.99	202.4	186.8

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF BANK BPH SA	1 Jan. 2005 – 30 June 2005	1 Jan. 2004 – 31 Dec. 2004	1 Jan. 2004 – 30 June 2004
I. Opening balance of shareholders' equity	5 812 236	5 290 421	5 290 421
a) changes of accounting policies			
b) material error adjustments			
c) adjustments related to IFRS/IAS introduction		-38 462	-37 947
d) adjustments related to effective interest rate introduction		-53 810	-53 810
I.a. Opening balance of shareholders' equity after adjustment to comparable data	5 812 236	5 198 149	5 198 664
1. Opening balance of share capital	143 581	143 581	143 581
1. Closing balance of share capital	143 581	143 581	143 581
2. Opening balance of supplementary capital	1 459 467	1 458 535	1 458 535
a) increase		932	834
b) decrease		-	-
2. Closing balance of supplementary capital	1 459 467	1 459 467	1 459 369
3. Opening balance of revaluation reserve	150 787	69 247	69 247
a) adjustments related to IFRS/IAS introduction	-2 711	-4 914	
3. Opening balance of revaluation reserve	148 076	64 333	69 247
a) increase	257 578	107 265	6 171
repricing of securities and derivatives	257 578	107 265	-
tax effect of the repricing of securities and derivatives	-	-	6 171
b) decrease	-47 044	-20 811	-33 907
repricing of securities and derivatives			-33 073
tax effect of the repricing of securities and derivatives	-47 044	-19 879	-
other		-932	-834
3. Closing balance of revaluation reserve	358 610	150 787	41 511
4. Opening balance of other reserves	905 978	843 341	843 341
a) increase	137 547	62 637	62 637
profit distribution	137 547	62 637	62 637
b) decrease	-	-	-
4. Closing balance of general risk fund	1 043 525	905 978	905 978
5. Opening balance of other reserves	2 324 924	2 324 924	2 324 924
a) increase	-	-	-
b) decrease	-	-	-
5. Closing balance of other reserves	2 324 924	2 324 924	2 324 924
6. Opening balance of retained profits	827 499	450 793	450 793
6.1. Opening balance of retained profits (losses)	827 499	450 793	450 793
a) changes of accounting policies	-	-	-
b) material error adjustments	-	-	-
c) adjustments related to IFRS/IAS introduction	7 625	-38 462	-37 947
d) adjustments related to effective interest rate	-	-53 810	-53 810

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF BANK BPH SA	1 Jan. 2005 – 30 June 2005	1 Jan. 2004 – 31 Dec. 2004	1 Jan. 2004 – 30 June 2004
introduction			
6.2. Closing balance of retained profits after adjustment to comparable data	835 124	358 521	359 036
a) increase	-	-	-
b) decrease	-137 546	-313 474	-313 474
profit distribution in previous years	-137 546	-313 474	-313 474
6. Closing balance of retained profits	697 578	45 047	45 562
7. Net income of the current year	461 974	782 452	443 853
II. Closing balance of shareholders' equity	6 489 659	5 812 236	5 364 778

CASH FLOW STATEMENT OF BANK BPH SA	1 Jan. 2005 – 30 June 2005	1 Jan. 2004 – 30 June 2004
I. Net cash flow from operating activities - indirect method	3 851 564	1 494 270
II. Net cash flow from investing activities	-197 741	318 205
III. Net cash flow from financing activities	1 312 166	86 786
IV. Total net cash flow	4 965 989	1 899 261



Comments to Consolidated Report of
Bank BPH Group according to
International Financial Reporting Standards

2 quarters
2005

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1. Summary

Another quarter of dynamic business growth – higher profits and further improvement of the Bank's efficiency

- Reaching a pre-tax profit of PLN 578 m and net profit of PLN 455 m for 1H2005.
- A 25.9% pre-tax profit upturn and 21.5% net profit growth in 2Q2005.
- Pre-tax ROE improvement to 18.8% along with earnings per share jumping to PLN 28.2.
- A continued high growth pace in assets (by 25.2% y/y), net loans (by 16.4%) and customers' deposits (by 13.2%).
- Enhanced market share of 20.2% in mortgage lending - the second position in the sector; a dynamic increase in the number of credit cards (by 66% up to 280,000 at the end of June 2005), Harmonium packages for SME (by 47%) and 12% growth (in 1H05) in loans for these customers well exceeding the market average of 5%.
- Development in corporate loans by 5.1% (y/y); 16.3% corporate deposits growth, transactional banking products, particularly including cash management, new debt-instruments issues for companies, and a spectacular surge in derivatives volumes as well as overall transactions of the money and currency market.

During the second quarter of 2005, Bank BPH achieved very good financial results. Consolidated pre-tax profit came to PLN 322.2 m and net profit to PLN 249.5 m. This means growth by 25.9% and 21.5% in comparison with the first quarter 2005 respectively. In the whole first half of 2005 Bank BPH Group achieved pre-tax profit at the level of PLN 578 m (up by 17.5% y/y) and net profit – PLN 455 m (+14.9% y/y). As a result, the efficiency ratio - pre-tax ROE increased to 18.8% vs. 17.3% at the end of the first quarter and 18.5% at the end of June 2004. Net ROE of 14.8% was by 0.9 p.p. higher than as at the end of the first quarter and only by 0.1 p.p. lower than for the 1H2004. Earnings per share reached PLN 28.2 and are 40% higher than in the first half of previous year. Business expansion as the main factor behind income growth was reflected by an overall 18.5% increase in the operating profit, including i.a. 10.4% growth in net interest income, in spite of interest margin decline to the level of 3.6%, as well as an 81% rise in the trading result.

The C/I ratio improved by 3.5 p.p. to 51.2% as com-

pared with the previous year and by 2.6 p.p. vis-à-vis the first quarter of this year. Such visible improvement of this ratio is a consequence of maintaining a stable cost level along with 8% growth in the result on banking activity.

The Bank's business development was recorded in all market segments. Retail loan portfolio grew by 7.9% during the second quarter alone and by 22% as compared with the same period last year. A high growth dynamics in mortgage lending was maintained. Hence its volume totalled PLN 8.4 bn as at the end of June this year, up by 34% y/y and 12% over the same period of the prior year. The Bank strengthened its market share in mortgages by 1.6 p.p. to 20.2% within a 12-month period. Household deposits climbed by 8% y/y and 1.5% during the second quarter only, thanks to a more attractive deposit offer (*e-lokata, Plany Inwestycyjne, lokata dynamiczna Intrata PLUS*). The number of internet banking and call centre's clients went up by 85% (to 381,000) and 46% (up to 457,000) respectively.

Having won a market share of over 16%, Bank BPH has become a leader in the EU financing for SMEs. This success is attributable to an attractive lending offer (Euro Ekspres Kredyt, Kredyt Unijny) as well as training and information activity.

The volume of corporate loans as at the end of June 2005 stood at PLN 16.4 bn and was 5.1% higher compared to the second quarter of 2004, while corporate deposits grew over the same period by 16.3% totalling PLN 13.1 bn, which translates into 1.2 p.p. enhancement of the market share to 11.6%. The Bank continued dynamic development in settlement transactions for companies. Owing to the implementation of modern services based on the Global Account Information and Transfer Service (GAITS) solutions, new international customers were acquired, who conclude transactions among their subsidiaries in many countries. In 2Q2005 the number of electronic banking transactions conducted through a so-called TRANS-Collect system came to 9.8 m, positioning the Bank as second in the sector's mass payments. Newly introduced solutions and products for companies, such as: BusinessNet, EuropaKonto and GAITS have been awarded in the Europroduct competition for the integrated package of international electronic services addressed at corporate clients.

A significant upturn in the number of transactions and

turnover on the money, currency and capital markets was recorded. The volumes of derivatives for clients went up by 201% over the year, assets under custody by 52% and inter-bank transactions by 27%. In the first half of 2005 the International Markets Division arranged issues of medium and long-term corporate bonds for the total amount of PLN 455 m, which constitutes a 66% share in new bond issues, ranking the Bank first in the market. A sizeable rise in the number and volume of trading transactions with customers positively impacted the Bank's financial results. Revenues from the sale of treasury derivatives and debt-securities transactions grew by 37% in 1H2005 vs. the same period of last year. Treasury transactions with clients are carried out automatically using fully integrated front and back-office systems. The Bank has launched a service of two out of three WSE remote brokers.

Favorable sales results were also recorded in the Bank's capital group companies. The value of newly leased assets in BPH PBK Leasing SA increased over the year by PLN 105.7 m, up by 29.2%. The Bank's subsidiary - BPH TFI SA (an investment fund) raised its assets to approx. PLN 2 bn as at the end of June 2005, a 15% hike only during the second quarter, and with an overall growth rate of 35.7% for the first half of 2005.

2. Principles used in preparing the consolidated quarterly report and their changes

The report was developed further to accounting principles stemming from International Financial Reporting Standards (IFRS), binding from the beginning of this year, issued by the International Accounting Standards Board (IASB) and interpretation thereof, as issued by the International Financial Reporting Interpretation Committee (IFRIC). Quarterly report is also compliant with International Accounting Standard (IAS) No. 34 (mid-year financial reporting). It also contains additional information required by the Council of Ministers' Ordinance dated 21 March 2005 on current and periodic information submitted by securities' issuers.

The Bank's reports are consolidated directly within the financial reports of Bank Austria Creditanstalt AG (BA-CA) with its seat in Vienna (Austria), as the majority shareholder, and indirectly within financial report of the whole HVB Group.

The Bank BPH Group consolidated report includes

BPH Bank Hipoteczny SA w Warszawie (former HVB Bank Hipoteczny SA w Warszawie), in which the Bank holds a 99.941% share, the 100% owned BPH PBK Leasing SA w Warszawie, being consolidated from 1 January 2005, and BPH Finance plc with its seat in London, first consolidated on 1 June 2005. Other Bank's subsidiaries and associated entities are only consolidated due to their immateriality.

Principles of accounting applied in 2Q 2005 are identical as those in 1Q. A detailed discussion of the principles of accounting is provided in the Comments to the Consolidated Report for 1Q 2005.

3. Bank BPH SA's quotations¹

During 2Q 2005, Bank BPH stock prices on the Warsaw Stock Exchange continued a modest growth trend from 1Q. During the period, the main stock exchange indices rose slightly, i.e. WIG20 by 3.0% and WIG by 4.2%. The WIG Banki industry index was slightly above the overall trend at 7.4% growth during 2Q.

The 2Q prices varied widely. Initially, almost from the beginning of April until mid May, most of the shares traded in Warsaw lost ground and the main indices shrunk by 6% - 8%. The second half of the quarter saw a rather sharp reversal of the trend with WIG and WIG20 gaining each 12%. The initial downward trend was mainly attributable to a slump on the international markets, but also to a relatively abundant IPO offering that diverted some of the investors from the secondary market. The subsequent upturn in the second half of May and in June was mainly caused by improved investor sentiment on the international markets. Additionally, company figures published for 1Q, especially those included in the WIG20 index bolstered the trading.

During 2Q, Bank BPH shares traded above both the market and the industry average and gained altogether 13.9%. 2Q also saw a historical price record at PLN 610 on 22 June. The Bank's shares copied the market in posting poorer results during the first half of the quarter and picking up strongly during the second half. The quarterly volume of the Bank BPH share trading stood at 1.764 million shares, which was historically the second highest volume (after 2Q 1996). The average volume was 28,455 shares per session.

¹ Bank BPH's shares are quoted on the primary market of the Warsaw Stock Exchange in the continuous listing system. The shares belong to the group of most liquid assets on the Warsaw Stock Exchange and form part of the prestigious WIG20 index. Global Depositary Receipts (GDR) of the Bank are also listed on the London Stock Exchange..

Bank BPH's share quotations on Warsaw Stock Exchange and standardized value of WIG20 index in 2005.



4. Macroeconomic conditions and market situation²

The published 1Q economic growth figures greatly disappointed; GDP rose only by 2.1% on 1Q 2004 (at the 3.0% market consensus), the fourth quarter back-to-back when a fall was recorded.

The GDP component that disappointed the most was the gross spending on fixed assets at 1% (7.4% in 4Q 2004). Other GDP components posted the following results: private consumption at 1.7%, collective consumption at 2.5%, accumulation at -3.1% (as compared to 1.9%, 2.4% and 6.9% respectively in 2004).

In the face of the GDP figures and the weak manufacturing growth in May at 0.9% y/y, rather than the expected 3.7% y/y, the Monetary Policy Council reduced the interest rates in June to the following levels: 5% reference rate; 6.5% Lombard rate; 3.5% deposit rate, per annum. The Council also modified its monetary policy from neutral to relaxed.

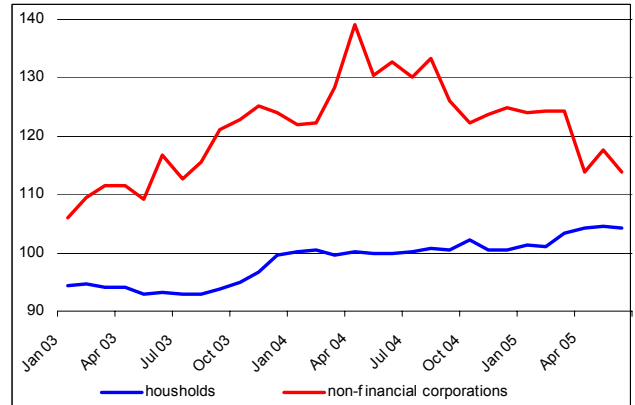
2Q saw a continued fall in all inflation rate measures:

- consumer price index (CPI) fell to 1.4% y/y at the end of June, primarily due to the fall in the CPI clothing and footwear by 5.4% y/y;
- purchased price index (PPI) continued to fall and posted just 0.1% y/y at the end of the period, mainly due to the reduced prices in manufacturing by 0.9% y/y;
- all base inflation ratios fell, bringing net inflation in May to 1.5% y/y, as compared to 2.3% y/y in April.

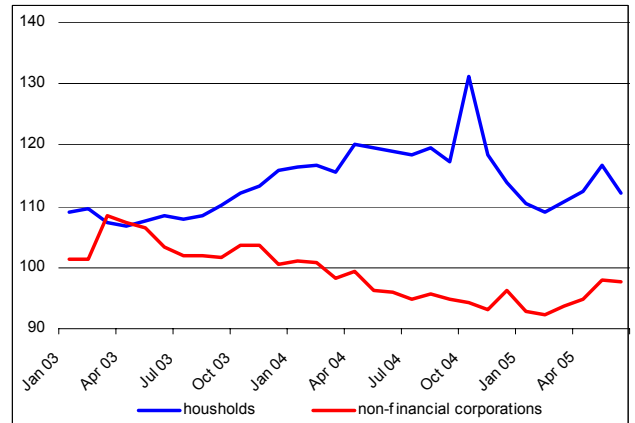
During the period in question, there was a slight decrease to the annual trend of M3 money supply to 10.7% y/y at the end of June (11.0% at the end of March). Household borrowing stood at 12.1% y/y, while their deposit rate continued to chug along reaching 4.5% y/y. Compared to 1Q, company deposit growth rate fell to 13.8% y/y (from 24.4% y/y in 1Q),

while corporate borrowing fell by 2.2% y/y (compared to 6.2% fall in 1Q).

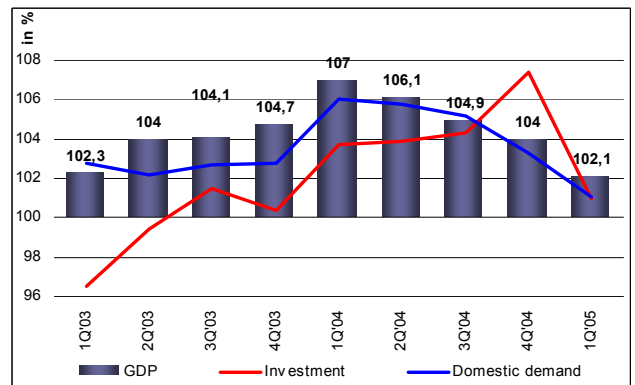
Dynamics of Household and Corporations deposits (% y/y)



Dynamics of Household and Corporations loans (% y/y)



GDP GROWTH (corresponding period of previous year = 100)



² June data is preliminary, base inflation data refers to May.

5. Profit and loss account of Bank BPH Group

5.1 Net interest income

Net interest income in 2Q2005 increased by 10.3% (or PLN 46 m), mainly due to a significant boost in retail loan volumes (including mortgages) as compared to the same period last year.

Net interest income

	2Q 2005		1Q 2005		Change (1/2)		2Q 2004		Change (1/5)		
	1	2	3	4	5	6	7	PLN m	%	PLN m	%
Interest income	945.3	883.3	62.0	7.0	652.2	293.1	44.9				
Interest expenses	-469.0	-424.2	-44.8	10.6	-210.4	-258.6	122.9				
Result from leasing transactions	13.9	12.7	1.2	9.7	2.5	11.4	453.4				
NET INTEREST INCOME	490.3	471.9	18.4	3.9	444.3	46.0	10.3				

5.2 Information on provisions

Losses on loans and advances (loans impairments)

	2Q 2005		1Q 2005		Change (1/2)		2Q 2004		Change (1/5)		
	1	2	3	4	5	6	7	PLN m	%	PLN m	%
Allocations to	-321.7	-356.5	34.8	-9.8	-254.0	-67.7	26.7				
Provisions for loans and advances	-315.5	-345.7	30.2	-8.7	-234.9	-80.6	34.3				
Provisions for contingent liabilities	-6.2	-10.8	4.6	-42.4	-19.1	12.9	-67.4				
Releases from	266.6	276.5	-9.9	-3.6	196.3	70.3	35.8				
Provisions for loans and advances	251.5	271.8	-20.3	-7.5	177.9	73.6	41.4				
Provisions for contingent liabilities	15.1	4.7	10.4	220.9	18.4	-3.3	-18.0				
NET CHARGE FOR LOSSES ON LOANS AND ADVANCES	-55.1	-80	24.9	-31.1	-57.7	2.6	-4.5				

5.3 Net fee and commission income

As compared to 1Q, the net fee and commission income rose by PLN 10.8 m (4.7%). The greatest increase was recorded in fees and commissions from lending (higher volume) and foreign payments.

Structure of fee and commission income

	2Q 2005		1Q 2005		Change (1/2)		2Q 2004		Change (1/5)		
	1	2	3	4	5	6	7	PLN m	%	PLN m	%
Securities and custodian business	13.1	18.7	-5.6	-30.1	9.9	3.2	32.6				
Loans and advances	42.9	34.8	8.1	23.4	53.4	-10.5	-19.6				
Domestic payments	87.8	94.4	-6.6	-7.0	108.2	-20.4	-18.9				
Foreign payments	94.2	84	10.2	12.1	83.9	10.3	12.2				
Other	2.9	-1.9	4.8	253.2	2.6	0.3	11.8				
NET FEE AND COMMISSION INCOME	240.9	230.1	10.8	4.7	258.0	-17.1	-6.6				

5.4 General administrative expenses

The general administrative expenses were reduced by 5.5% (by PLN 22.3 m) to PLN 381.2 m, as compared to 1Q, due to a continued tight cost control policy. The greatest contribution came from maintenance and office rent as well as from depreciation.

The expenses were down PLN 10.7 m (2.7%) from a comparable period of the previous year.

Changes in expenses

	2Q 2005		1Q 2005		Change (1/2)		2Q 2004		Change (1/5)		
	1	2	3	4	5	6	7	PLN m	%	PLN m	%
Salaries and employee benefits	178.2	179.1	-0.9	-0.5	174.8	3.4	1.9				
Building maintenance and rents	57.9	66.6	-8.7	-13.1	59.3	-1.4	-2.4				
Other expenses	94.3	97.0	-2.7	-2.8	94.7	-0.3	-0.4				
Depreciation	50.8	60.9	-10.1	-16.6	63.1	-12.3	-19.5				
TOTAL	381.2	403.5	-22.3	-5.5	391.8	-10.7	-2.7				

5.5 Information on asset impairment write-off

Within the first six months of the IFRS 3 implementation, Bank BPH has made write offs totalling PLN 10,950,000 with respect of goodwill components acquired as a result of the acquisition of HypoVereinsbank Polska S.A., BA-CA Polska S.A. and SBR „Samopomoc Chłopska”.

During 2Q, PLN 32,866,000 was written off with respect of the Bank's stake in BPH Auto Finanse S.A. (formerly known as PBK Inwestycje S.A.) .

During the first six months of 2005, the Bank liquidated fixed assets and intangible assets worth PLN 3,023,000.

6. Bank BPH Group's balance sheet

6.1 Assets

Compared to 2004, the Group increased its balance-sheet total by 14.2% to PLN 58,959 million owing mostly to increased dues from customers (higher lending volume mostly from the retail segment), increased dues from banks (higher interbank deposits) and increased other financial assets (higher non-marketable debt securities).

Changes in asset structure

	2Q 2005		Change (1/2)		2Q 2004		Change (1/5)	
	1	2	3	4	5	6	7	
			PLN m	%	PLN m	%		
Cash and balances with central bank	1 958	4 059	-2 101	-51.8	2 106	-148	-7.0	
Trading assets	4 063	5 362	-1 299	-24.2	3 547	516	14.5	
Amounts due from banks	11 030	7 977	3 053	38.3	4 703	6 327	134.5	
Amounts due from customers	32 451	29 822	2 629	8.8	28 853	3 598	12.5	
Loan loss provisions	-1 813	-1 776	-37	2.1	-2 561	748	-29.2	
Other financial assets	8 731	4 075	4 656	114.3	8 427	304	3.6	
Property and equipment	926	960	-34	-3.5	973	-47	-4.8	
Intangible assets	285	306	-21	-6.9	362	-77	-21.3	
Other assets	1 328	864	464	53.7	685	643	93.9	
TOTAL ASSETS	58 959	51 649	7 310	14.2	47 095	11 864	25.2	

6.2 Loans and loan loss provisions

2Q saw a further improvement to the quality of our lending portfolio. Doubtful category dropped from 11.1% at the end of 2004 to 10.3%; the Watch category came down from 5.3% to 5.1%.

Loan book quality

Dues category	as at 30.06.2005		as at 31.12.2004		as at 30.06.2004	
	PLN m	%	PLN m	%	PLN m	%
Normal	26 430.3	84.6	24 840.5	83.7	23 072.6	80.2
Watch	1 588.4	5.1	1 571.3	5.3	1 422.8	4.9
Non-performing, Including:	3 221.3	10.3	3 281.6	11.1	4 264.9	14.8
Substandard	595.5	1.9	558.8	1.9	540.7	1.9
Doubtful	517.4	1.7	642.5	2.2	767.0	2.7
Loss	2 108.4	6.7	2 080.3	7.0	2 957.2	10.3
TOTAL	31 240.0	1.0	29 693.40	100.0	28 760.3	100.0

6.3 Liabilities

Most of the changes to the asset financing structure are attributable to higher deposits on the interbank market, an Eurobond issue and customer deposits.

Changes in assets financing sources

	as at 30.06.2005		as at 31.12.2004		Change (1/2)		as at 31.06.2004		Change (1/5)	
	1	2	3	4	5	6	7			
Amounts owed to central bank	86	77	9	11.7	101	-15	-14.9			
Amounts owed to banks	8 271	5 803	2 468	42.5	6 432	1 839	28.6			
Amounts owed to customers	36 120	34 329	1 791	5.2	31 918	4 202	13.2			
Liabilities evidenced by certificates	4 422	2 096	2 326	111.0	760	3 662	481.8			
Provisions	635	745	-110	-14.8	444	191	43.0			
Trading liabilities	1 590	2 095	-505	-24.1	1 064	526	49.4			
Other liabilities	1 314	671	643	95.8	1 005	309	30.8			
Minority interests	0	0	0	0.0	0	0	0.0			
Equity	6 521	5 834	687	11.8	5 371	1 150	21.4			
TOTAL LIABILITIES	58 959	51 649	7 310	14.2	47 095	11 864	25.2			

6.4 Information on deferred income tax reserve and assets

The balance of deferred tax assets and reserve is reported in the Balance Sheet. Any changes to the figures for the previous quarter are due to the timing differences.

Balance of assets and provisions from deferred income taxes

	as at 30.06.2005	as at 31.12.2004	as at 30.06.2004
Assets from income tax	700 448	737 188	520 942
Provisions for income taxes	573 420	647 369	378 234

7. Break down into business segments

The Group's business segmentation strictly follows its management structure, which consists of sales and risk management (interest rate risk, currency risk and liquidity risk):

- the sales competence comprises two segments, Retail Banking and Corporate Banking;
- the interest rate, currency and liquidity risks are managed by a single central segment of International Markets.

Selected items of 2Q 2005 Profit and Loss Account and Balance Sheet as at 30.06.2005 by business segments (in PLN ths.)

PROFIT AND LOSS ACCOUNT		Business segments			Other (not allocated to segments)	consolidated value (1+2+3+4)
		Retail	Corporate	INM*		
		1	2	3		
Net interest income	Q1 2005	278 176	110 205	13 088	70 401	471 870
	Q2 2005	290 527	100 681	33 328	65 730	490 265
Losses on loans	Q1 2005	-47 897	-32 083	0	0	-79 980
	Q2 2005	-45 708	-9 397	0	0	-55 105
Net fee and commission income	Q1 2005	170 191	86 407	-1 378	-25 120	230 100
	Q2 2005	186 607	92 171	-1 777	-36 122	240 879
Net trading result	Q1 2005	0	0	43 472	703	44 175
	Q2 2005	0	0	37 507	-663	36 844
Operating and general administrative expenses	Q1 2005	-285 092	-108 719	-15 635	5 907	-403 538
	Q2 2005	-261 003	-101 140	-13 174	-5 838	-381 156
Gross operating profit	Q1 2005	110 257	54 885	36 557	54 129	255 827
	Q2 2005	165 412	81 756	72 799	2 182	322 150
BALANCE SHEET		1	2	3	4	
Total assets	31.03.2005	14 431 396	18 387 970	15 543 429	4 534 339	52 897 134
	30.06.2005	16 328 814	19 954 646	18 010 431	4 665 532	58 959 423
Total liabilities	31.03.2005	22 218 034	14 604 544	8 353 826	7 720 730	52 897 134
	30.06.2005	24 506 067	16 019 410	9 959 867	8 474 079	58 959 423

* Excluding results on sales of treasury and custody products as generated by International Markets Division and presented entirely in the results of Corporate and Retail segments

8. Important achievements of Bank BPH Group and list of key developments

Summarized below are 2Q developments involving the Group members:

8.1 Restructuring of PBK Inwestycje SA (PBKI) into a specialised leasing operation

1Q saw the beginning of a restructuring project to transform PBKI into a specialised leasing company intended to recover the expenditure made by Bank BPH on the company's development.

Vehicle leasing will be the new core competence of PBKI. The case of separating vehicles from all other leasing business segments in the BPH Group is justified taking into account the separate product, specific legal regulations and risk estimation principles, as well as the sales network specific of this segment. To this end PBKI had to change its structure and in particular to transfer its investment portfolio to another company. During 1Q, the portfolio was transferred to Final Holding Sp. z o.o. (previously known as BPH PBK Doradztwo Finansowe Sp. z o.o.), a PBKI subsidiary at the time that was subsequently sold to the Bank. 2Q developments included:

In April, the Court registered:

- a change of firm of the company to manage PBKI's investment portfolio from BPH PBK Doradztwo Finansowe Sp. z o.o. into Final Holding Sp. z o.o., as well as

- an initial capital increase by issuing 108,603 shares at the face value of PLN 500 each. After the court registration, the company's initial capital stands at PLN 61,901,500 divided into 123,803 shares carrying 123,803 General Meeting votes.

The resulting share holdings:

- 85,203 shares worth the combined total of PLN 42,601,500 were transferred to PBKI in exchange for its non-cash contribution in the form of its investments/debt portfolio; and
- 23,400 shares worth the combined total of PLN 11,700,000 transferred to the Bank in exchange for cash,

- the Bank purchased from PBKI its shares of Final Holding Sp. z o.o. with the combined nominal value of PLN 50,201,500 equivalent of 81.10% of the company's initial capital and carrying 100,403 General Meeting votes (81.10% of total votes). The shares were purchased for PLN 44,199,782.03 equivalent of the net value of Final Holding Sp. z o.o. assets proportional to the shares purchased. Following the transaction, the Bank holds the total of 123,803 shares in Final Holding Sp. z o.o. worth the combined amount of PLN 61,901,500 and equal to 100% of the company's initial capital carrying 123,803 General Meeting votes (100% of all votes),

- In June, the Court registered a capital increase and the change of PBKI company name into BPH Auto Finanse SA. The capital increase was executed through an issue of 1.2 m F-series shares with the face value of PLN 100 and the sales price of PLN 125 each; all shares were purchased by the Bank in exchange for cash. Of the resulting PLN 150 m, PLN 120 m was injected into the company's initial capital and the PLN 30 m balance went to its reserve capital. After the registering, the total initial capital stands at PLN 155,805 ths. and is divided into 1,558,050 shares each worth PLN 100 at the face value and representing 1,558,050 votes of BPH Auto Finanse SA General Meeting. Bank BPH holds 100% of BPH Auto Finanse SA initial capital and the same in the voting power. The company has changed its bylaws and business profile to vehicle leasing and fleet management as its core competencies.

8.2 Capital increase in BPH Finance plc

In April 2005, BPH Finance plc had a capital increase registered. The Bank paid GBP 12,499.50 for 49,998 shares worth GBP 1 at the face value (British law permits share transactions at prices lower than the face value). After this transaction, the Bank has

49,999 shares representing 99.99% of the initial capital and the same proportion of votes. The remaining single share is held by Asset SA, a subsidiary of Final Holding SA. The Bank's total capital spending on BPH Finance plc stands at GBP 12,500.50. BPH Finance plc is a special purpose vehicle established to issue bonds on international financial markets.

8.3 Divestment of Diana Development Sp. z o.o.

Also in April 2005, PBK Property Sp. z o.o., a subsidiary, sold 65,131 shares in Diana Development Sp. z o.o., each worth PLN 100 at the face value and representing 100% of the initial capital and 100% of the General Meeting votes. The sales price of EUR 3,298,226 was booked by PBK Property Sp. z o.o. as PLN equivalent at PLN 13,244,026.50. The book value of the holding sold stood at PLN 9,903,403.85.

The holding was sold to MaMaison Residences SA of Luxembourg. This is a subsidiary of Orco Property Group SA active in the development, renting and management of luxury hotels and apartments.

8.4 BPH PBK Zarządzanie Funduszami Sp. z o.o. increases capital to purchase shares of CA IB Investment Management SA

In April the Court registered the initial capital increase of BPH PBK Zarządzanie Funduszami Sp. z o.o., carried out by issuing 4,600 shares worth each PLN 500 at the face value. The shares worth the combined total of PLN 2.3 m were purchased by the Bank for cash. Following the registration, BPH PBK Zarządzanie Funduszami Sp. z o.o. has PLN 10.2 m in initial capital divided into 20,400 shares worth each PLN 500 at the face value and carrying 20,400 votes of the General Meeting of BPH PBK Zarządzanie Funduszami Sp. z o.o.

The Bank's share in the initial capital and the voting rights of BPH PBK Zarządzanie Funduszami Sp. z o.o. remains unchanged at 100%.

Prior to the capital increase registration, BPH PBK Zarządzanie Funduszami Sp. z o.o. purchased 25,686 shares in CA IB Investment Management SA, at the face value of PLN 100 each, representing 40% of the company's initial capital and carrying 25,686 votes of the General Meeting of CA IB Investment Management SA (40% of the total votes). The purchase price was estimated at PLN 2,157,624 by an independent expert. The shares were purchased from CA IB Polska SA, a party related to BPH PBK Zarządzanie Funduszami Sp. z o.o., as both belonged to Bank Austria Creditanstalt AG Group. The transaction aimed to supplement

BPH Group's offering by including customer asset management services.

8.5 Asset SA sells holdings

In May 2005, Asset SA, an indirect Bank subsidiary, sold a number of its holdings to a private person not related to either itself or the Bank BPH:

1. two shares in Rest-Invest Sp. z o.o. of Warsaw, representing 100% of its initial capital and 100% of general meeting votes for the combined price of PLN 1.00;
2. 51,000 shares in Łomżyńska Bawełna Narew Sp. z o.o. of Łomża, in liquidation, representing 51% of its initial capital and 51% of general meeting votes for the combined price of PLN 1.00;
3. 460,000 shares in Polskie Sieci Teleinformatyczne S.A. of Katowice, representing 44% of its initial capital and 25% of general meeting votes for the combined price of PLN 1.00;
4. two shares in Pom-Press Sp. z o.o. of Bydgoszcz, in liquidation, representing 20% of its initial capital and 20% of general meeting votes for the combined price of PLN 1.00;
5. 30 shares in Giełda Bydgoska S.A. of Bydgoszcz, representing 20% of its initial capital and 20% of general meeting votes for the combined price of PLN 1.00.

As on the day of transfer of ownership, the book value of all assets sold by Asset S.A. stood at PLN 1.00.

Asset S.A. also sold to the same investor shares of the following companies (never exceeding 20% of the initial company capital): MSP Apex Sp. z o.o., Regionalna Agencja Rozwoju S.A. in liquidation, Zakład Ubezpieczeń Hestia S.A., in receivership; Koh-Vera S.A., in receivership; and Huta Ostrowiec S.A., in receivership.

Upon the sales of the assets, Asset S.A. ceased to hold interests in any of the companies mentioned.

8.6 Registration of a capital increase in BPH Bank Hipoteczny SA, a subsidiary

In June this year, the Court registered an initial capital increase in BPH Bank Hipoteczny SA, a subsidiary, carried out through the issue of 206 F-series shares each worth PLN 100,000 at the face value. All of the shares were purchased by Bank BPH for cash. Following the registration, the company's initial capital stands at PLN 169.8 m divided into 1,698 shares worth at the face value PLN 100,000 each and carrying 1,698 votes of the general meeting of BPH Bank Hipoteczny SA.

The BPH Group's share in the initial capital and the general meeting votes of BPH Bank Hipoteczny SA remained unchanged at 100%. Bank BPH SA has 99.941% of the capital and of the votes.

8.7 Establishment of Centrum Usług Księgowych Sp. z o.o.

In May 2005, the new company Centrum Usług Księgowych Sp. z o.o. was entered in the Entrepreneur Register of the National Court Register. Bank BPH SA is the founder and the sole partner in the company, and holds 100 shares of the company each worth PLN 500 at the face value and representing the combined total of PLN 50,000, or 100% of the company shares. The Bank's holding in the company carries 100% voting power at the general meeting. The new company's core competence is keeping books of other companies, primarily members of the Bank BPH Group.

8.8 Establishment of Bankowe Doradztwo Podatkowe Sp. z o.o.

Also in May the National Court Register registered the new company Bankowe Doradztwo Podatkowe Sp. z o.o. Bank BPH SA and two private individuals, tax advisors, are the founders and partners in the company. Of the total 100 shares issued at the face value of PLN 505 each, the Bank purchased 74 shares representing 74% of the share capital. The other shares were purchased by the two partners (tax advisors) and carry additional voting power with three votes per share. As a result, the shares held by the Bank carry 48.68% of the general meeting votes. The Bank's capital expenditure on the company Bankowe Doradztwo Podatkowe stands at PLN 37,370.

The company will focus on providing tax advisory services, primarily for members of Bank BPH Group. The company will be able to start these activities as soon as it is registered as a legal person certified for providing tax advisory services

9. Information on the issuer's human resources situation, property, finance, financial result and their developments

On 10 June, the Ordinary Annual General Meeting of Bank BPH SA adopted Resolution No. 15/2005 on the appropriation of 2004 profits, the dividend amount and payment date. The 2004 dividend was established at PLN 22.10 per share to all shareholders who held shares on 30 June 2005. The dividend was paid on 15 July 2005.

By the decision of the same GSM the Supervisory Board was expanded to 14 members, including new members: Messrs Marek Józefiak and Michael Mendel, effective upon the registration of relevant amendments to the Articles of Association in the Register of Entrepreneurs of the National Court Register, which was carried out on 27 June 2005.

On 10 June, the Supervisory Board appointed for a new term the following Management Board:

- Mr. Józef Wancer, President
- Mr. Mirosław Boniecki, Deputy President
- Mr. Mariusz Grendowicz, Deputy President
- Mr. Anton Knett, Deputy President
- Mr. Niels Lundorff, Deputy President
- Ms. Katarzyna Niezgoda, Deputy President
- Mr. Wojciech Sobieraj, Deputy President.

The Eurobond programme saw the first issue of five-year bonds worth at the face value EUR 500 million. All of the Eurobonds were purchased at a discount by BPH Finance plc, a subsidiary, with the aim to pledge them as a security for creditors of BPH Finance plc. With respect to debt securities issued by the company on terms and conditions close to those for Bank BPH's Issue one Eurobonds. The pledge established on the issue day shall be governed by English law.

- In June 2005, BPH Bank Hipoteczny S.A., a Group member, made the first public issue of its mortgage bonds with a combined nominal value of PLN 200,000 and the maturity period of seven years.

10. Developments after the report date with a significant potential impact on the future financial performance

Apart from another issue of bonds, performed under the Bond Issue Program, no other developments with a significant potential impact on future financial results occurred.

11. Factors that influence results of at least one quarter

- The Group's performance will be affected by the lower interest rates following the latest reduction on 30 June. The Monetary Policy Council, however, is likely to hold up any further reductions in the face of improved manufacturing sector growth figures published on 19 July. Interest income should not, therefore, be expected to shrink by much.

- The economic pick-up improves the likelihood of further credit volume growth, especially in the corporate sector.
- Mortgage loans should be expected to sell fast during the coming quarters.
- The reduction of barriers to imports of used cars after the Poland's accession to the EU and an amendment of the Act on the income tax from legal persons of 2004 will continue to adversely affect the performance of BPH Leasing.

12. Shareholders controlling directly or indirectly 5 per cent or more of the issuer's GSM votes

The shareholder structure remained unchanged throughout the quarter, as well as on the reporting date.

Shareholders possessing at least 5 per cent of total votes at the Bank's GSM

Item	Shareholder's name	SHARES		VOTES AT GSM	
		Number	%	Number	%
1	HVB Group, including:	20.458.354	71.24	20.458.354	71.24
	Bank Austria Creditanstalt AG	20.450.487	71.21	20.450.487	71.21
2	State Treasury	1.058.000	3.68	1.058.000	3.68
3	The Bank of New York	1.158.556	4.04	1.158.556	4.04
4	Other shareholders	6.041.320	21.04	6.041.320	21.04
TOTAL		28.716.230	100	28.716.230	100

13. Information on the Bank's shares held by the issuer's Management Board and Supervisory Board members

The issuer's shares held by the Bank's Management Board members

	Number of shares held at:	
	30.06.2005	31.03.2005
Józef Wancer, President of the Management Board	0	0
Mirosław Boniecki, Deputy President of the Management Board	131	131
Mariusz Grendowicz, Deputy President of the Management Board	0	0
Anton Knett, Deputy President of the Management Board	0	0
Niels Lundorff, Deputy President of the Management Board	0	0
Katarzyna Niezgoda, Deputy President of the Management Board	0	0
Wojciech Sobieraj, Deputy President of the Management Board	0	0

The issuer's shares held by the Bank's Supervisory Board members

	Number of shares held at:	
	30.06.2005	31.03.2005
Alicja Kornasiewicz, Chairperson	0	0
Erich Hampel, First Deputy Chairperson	0	0
Regina Prehofer, Second Deputy Chairperson	0	0
Helmut Bernkopf	0	0
Stefan Ermisch	0	0
Krystyna Gawlikowska-Hueckel	0	0
Wolfgang Haller	0	0
Marek Józefiak*	0	0
Anna Krajewska	0	0
Michael Mendel*	0	0
Janusz Reiter	0	0
Johann Strobl	0	0
Andrzej Szelaż	0	0
Marek Wierzbowski	23	23

* Supervisory Board's members since 27 June 2005

No change in the number of shares held by persons managing or supervising the Bank occurred by the date of the submission of this report.

14. New proceedings before courts and other public administration bodies

During 2Q 2005, Bank BPH Group was not involved in any proceedings before any court, arbitration authority or public administration body, related to the issuer's or the issuer's subsidiary's debt or claims, the value of which would constitute at least 10 per cent of the issuer's equity; or in any two or more proceedings related to liabilities or receivables of the combined value which would constitute at least 10 per cent of the issuer's equity.

15. Management Board's position on actual performance against published annual forecasts

The Management Board of Bank BPH SA did not publish any financial forecasts for 2005.

16. Information on transactions with related entities

25,686 shares in CA IB Investment Management SA with face value up 100 each and representing 40% of initial capital, which entitle to execution of 25,686 votes at this general meeting (40% of the total number of votes) were purchased from CA IB Polska SA, an entity related to BPH PBK Zarządzanie Funduszami Sp. z o.o. (indirectly the issuer) both being members of

the Bank Austria Creditanstalt AG Group. The price for shares purchased was equal to PLN 2,157,624 being estimated by an independent valuation expert

All other transactions concluded with related entities in 2Q 2005 were entirely routine and typical in nature and carried out at arms'-length.

Transactions of related entities exceeding EUR 500 thousand

(in PLN thousand)	01.01.2005-30.06.2005				
	Dominant entity	Other entities of HVB Group	Subsidiaries	Associated entities	Consolidated entities
- FX transactions	3 077 586	610 298	5 337	0	206 108
- Forward, FX Swap	40 791 779	1 808 203	40 185	0	1 360 432
- IRS/CIRS	3 441 712	217 497	0	0	7 206
- FRA	8 460 492	752 873	0	0	0
- Options	188 125	0	10 732	0	0
- Off-balance sheet guarantees extended	13 863	618	0	90	1 344
- Placements	481 166 108	869 917	0	0	0
- Loans	0	40 444	16 801	0	4 509
- Deposits	806 901	18 737 297	1 819 038	1 021 377	1 587 988
- Securities	1 490 952	305 200	275 800	0	1 427 650
TOTAL	539 437 518	23 342 347	2 167 893	1 021 467	4 595 237

17. Information on loan underwriting or guarantees

No transactions carried out by Bank BPH Group fell within the scope of Art. 98 section 6 point 7 of the Council of Ministers' Ordinance dated 21 March 2005.

18. Additional information

During 2Q 2005, there appeared no new items, which could be defined as extraordinary (untypical) whether in terms of type, volume or impact on assets, liabilities, net financial result or cash flows. The Group's activity is neither seasonal nor cyclical.

The figures presented below were converted into comparative data as at end of last year's reporting period to account for presentation changes introduced as a result of IFRS implementation.

Balance Sheet data adjusted for comparability, as at 30 June 2004

BALANCE SHEET - NEW PATTERN (in PLN thousand)	Bank BPH Group	IAS adjustments/reclassification adjustments	Total
I. Cash and balances with central bank	2 105 676	512	2 106 188
II. Trading assets	4 412 264	-865 541	3 546 723
III. Loans and advances to, and placements with banks	4 702 632	-18	4 702 614
IV. Loans and advances to customers	29 664 847	-811 455	28 853 392
V. Loan loss provisions	-2 285 305	-275 275	-2 560 580
VI. Other financial assets	8 528 292	-101 705	8 426 587
VII. Property and equipment	940 918	31 777	972 695
VIII. Intangible assets	418 403	-56 873	361 530
IX. Other assets	1 143 769	-458 276	685 493
Tax assets	672 094	-151 152	520 942
TOTAL ASSETS	49 631 496	-2 536 854	47 094 642
I. Amounts owed to central bank	0	101 343	101 343
II. Amounts owed to banks	6 771 844	-339 882	6 431 962
III. Amounts owed to customers	31 918 169	-321	31 917 848
IV. Liabilities evidenced by certificates	772 039	-12 545	759 494
V. Provisions	858 613	-414 704	443 909
Income tax provision	524 319	-146 085	378 234
VI. Trading liabilities	1 929 572	-865 541	1 064 031
VII. Other liabilities	1 933 580	-928 209	1 005 371
VIII. Subordinated liabilities	0	0	0
IX. Minority interests	126	-8	118
X. Equity	5 447 553	-76 987	5 370 566
TOTAL LIABILITIES	49 631 496	-2 536 854	47 094 642

Profit and Loss Account data adjusted for comparability, as at 30 June 2004

PROFIT AND LOSS ACCOUNT - NEW PATTERN (in PLN thousand)	Period from 01.01.2004 to 30.06.2004	IAS adjustment	After IAS adjustment
Interest income	1 188 495	24 627	1 213 122
Interest expenses	-609 244	267 855	-341 389
Net interest income	579 251	292 482	871 733
Losses on loans and advances	-137 700	4 989	-132 711
Net interest income after losses on loans and advances	441 551	297 481	739 022
Fee and commission income	479 366	79 212	558 578
Fee and commission expenses	-86 325	12 043	-74 282
Net Fee and commission	393 041	91 255	484 296
Net trading result	466 312	-416 778	44 654
General administrative expenses	-782 584	-1 854	-782 737
Balance of other operating income and expenses	-27 937	2 908	30 845
Operating profit	547 958	-31 878	516 080
Net income from investments	14 055	-25 297	-11 242
Amortization of goodwill and intangible assets	-29 408	19 141	-10 267
Balance of other income and expenses	-2 561		-2 561
Profit from ordinary activities	530 044	-38 034	492 010
Income tax	-99 406	10 014	-89 392
Minority interests	-6 660	7	-6 653
Net income	423 978	-28 013	395 965