



**PKO BANK POLSKI  
SPÓŁKA AKCYJNA**

**INTERIM FINANCIAL STATEMENTS  
OF  
THE POWSZECHNA KASA OSZCZĘDNOŚCI  
BANK POLSKI SA GROUP  
FOR THE SECOND QUARTER OF 2007**

Prepared in accordance with  
International Financial Reporting Standards

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## **1. SUMMARY**

- As at 30 June 2007:
  - total assets of the PKO BP Group amounted to PLN 101,756 million and were PLN 495 million i.e. 0.5% higher compared to the end of 2006;
  - the Group's total equity amounted to PLN 10,453 million and in the 1st half of 2007 increased by PLN 272 million i.e. by 2.7%.
- The gross profit earned by the PKO BP Group in the 2nd quarter of 2007 amounted to PLN 726 million and was 19.2% higher compared to that earned in the corresponding period of 2006. The net profit for the period amounted to PLN 611 million and was 29.9% higher compared to that recorded in the 2nd quarter of 2006.
- During the 1st half of 2007, the PKO BP Group earned a gross profit of PLN 1,598 million. After considering income tax charge and profit (loss) attributable to the minority shareholders, the net profit amounted to PLN 1,284 million. Compared to the results achieved in the 1st half of 2006, the gross profit increased by 30.9% and the net profit - by 34.7%.
- The results achieved contributed to the improvement of the consolidated financial ratios, which after the 1st half of 2007 were as follows:
  - ROA net was 2.5% and was 0.6 p.p. higher compared to the corresponding period of the previous year,
  - ROE net was 25.6% and was 4.4 p.p. higher,
  - C/I decreased by 7.1 p.p. to 52.6% compared to 59.7% in the 1st half of 2006.

## **2. ACCOUNTING POLICIES**

In preparing this consolidated quarterly Report, the Bank adopted accounting policies resulting from International Financial Reporting Standards, effective from the beginning of 2005, issued by the International Accounting Standards Board (IASB) and interpretations thereof issued by the International Financial Reporting Interpretations Committee (IFRIC). The consolidated quarterly report was prepared in accordance with the International Accounting Standard No 34 "*Interim Financial Reporting*" and includes additional disclosures required by the Decree of the Minister of Finance of 19 October 2005 on current and interim financial information to be provided by the issuers of securities (Journal of Laws No 209, item 1744).

The accounting policies applied in the Report for the 2nd quarter of 2007 are consistent with those applied in the previous quarters. These policies were described in detail in the Annual Consolidated Report for the year 2006.

### 3. FINANCIAL STATEMENTS

#### Consolidated quarterly report 2/2007

for the 2nd quarter of 2007 covering the period from 1 January 2007 to 30 June 2007

<b>Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna</b>					
(Issuer full name)					
<b>PKO BP SA</b>					
(Issuer abbreviated name)					
<b>02-515</b>				<b>Warsaw</b>	
(postal code)				(city)	
<b>Puławska</b>				<b>15</b>	
(street)				(number)	
<b>(22) 521-91-82</b>		<b>521-71-11</b>			
(telephone)		(fax)		(e-mail)	
<b>525-000-77-38</b>		<b>016298263</b>		<b>www.pkobp.pl</b>	
(NIP)		(REGON)		(www)	
<b>Data derived from consolidated financial statements</b>		<b>PLN thousand</b>		<b>EUR thousand</b>	
<b>SELECTED FINANCIAL DATA</b>		<b>Period from 01.01.2007 to 30.06.2007</b>	<b>Period from 01.01.2006 to 30.06.2006</b>	<b>Period from 01.01.2007 to 30.06.2007</b>	<b>Period from 01.01.2006 to 30.06.2006</b>
Net interest income		2 107 978	1 828 109	547 726	468 722
Net fees and commission income		969 456	828 721	251 898	212 482
Operating result		1 598 618	1 222 189	415 377	313 366
Net profit (loss) for the current year (including minority interest)		1 300 993	982 550	338 043	251 923
Net profit (loss)		1 283 739	952 692	333 560	244 267
Equity assigned to the shareholders of the holding company		10 379 152	8 855 519	2 756 161	2 190 117
Total equity		10 452 967	8 918 689	2 775 763	2 205 740
Net cash flow from operating activities		(5 924 689)	4 693 054	(1 539 440)	1 203 285
Net cash flow from investing activities		1 221 029	(5 699 349)	317 266	(1 461 297)
Net cash flow from financing activities		134 480	(1 265)	34 943	(324)
Total net cash flows		(4 569 180)	(1 007 560)	(1 187 232)	(258 335)
Basic earnings per share for the period		1.28	0.95	0.33	0.24
Diluted earnings per share for the period		1.28	0.95	0.33	0.24
Basic funds (Tier 1)*		8 130 338	7 109 264	2 158 994	1 758 239
Supplementary funds (Tier 2)		-		-	-
<b>Data derived from condensed financial statements</b>		<b>PLN thousand</b>		<b>EUR thousand</b>	
<b>SELECTED FINANCIAL DATA</b>		<b>Period from 01.01.2007 to 30.06.2007</b>	<b>Period from 01.01.2006 to 30.06.2006</b>	<b>Period from 01.01.2007 to 30.06.2007</b>	<b>Period from 01.01.2006 to 30.06.2006</b>
Net interest income		2 040 383	1 777 004	530 162	455 619
Net fees and commission income		981 195	812 485	254 949	208 319
Operating result		1 530 875	1 148 154	397 775	294 383
Gross profit		1 530 875	1 148 154	397 775	294 383
Net profit		1 249 942	934 563	324 778	239 619
Total equity		10 306 385	8 888 229	2 736 838	2 198 207
Net cash flow from operating activities		(5 724 705)	4 679 192	(1 487 477)	1 199 731
Net cash flow from investing activities		1 272 337	(5 634 508)	330 597	(1 444 672)
Net cash flow from financing activities		(22 861)	(1 245)	(5 940)	(319)
Total net cash flows		(4 475 229)	(956 561)	(1 162 820)	(245 259)
Basic earnings per share for the period		1.25	0.93	0.32	0.24
Diluted earnings per share for the period		1.25	0.93	0.32	0.24
Basic funds (Tier 1)*		7 645 298	6 727 822	2 030 192	1 663 902
Supplementary funds (Tier 2)		-		-	-

\* The value of *Tier 1* as at 30 June 2007 was calculated based on restated data in order to include amendments to the Banking Law and the publication of Resolution no. 2/2007 of KNB (Commission for Banking Supervision).

<b>BALANCE SHEET OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP</b>		
<b>ASSETS</b>	<b>As at 30.06.2007</b>	<b>As at 31.12.2006</b>
Cash and amounts due from the Central Bank	3 591 954	4 628 134
Amounts due from banks	8 334 999	13 430 590
Financial assets held for trading	664 923	392 380
Derivative financial instruments	1 288 596	1 199 556
Other financial instruments at fair value through profit or loss	10 836 429	11 360 064
Loans and advances to customers	66 656 992	58 906 607
Investment securities	5 535 233	6 763 188
1. Available for sale	5 535 233	6 763 188
2. Held to maturity	-	-
Investments in associates and jointly controlled entities	181 850	180 162
Intangible assets	977 085	944 028
Tangible fixed assets	2 598 346	2 655 041
Current tax receivables	11 607	326
Deferred tax asset	79 581	33 454
Other assets	998 559	767 683
<b>TOTAL ASSETS</b>	<b>101 756 154</b>	<b>101 261 213</b>
<b>LIABILITIES AND EQUITY</b>		
	<b>As at 30.06.2007</b>	<b>As at 31.12.2006</b>
<b>Liabilities</b>		
Amounts due to the Central Bank	1 415	1 387
Amounts due to other banks	2 702 170	4 193 090
Derivative financial instruments	1 007 371	1 098 863
Amounts due to customers	83 904 343	82 900 142
Liabilities arising from securities issued	242 101	43 722
Other liabilities	2 986 306	2 220 347
Current tax liability	16 353	170 960
Deferred tax liability	15 354	23 922
Provisions	427 774	428 200
<b>TOTAL LIABILITIES</b>	<b>91 303 187</b>	<b>91 080 633</b>
<b>Equity</b>		
Share capital	1 000 000	1 000 000
Other capital	8 242 123	7 165 597
Currency translation differences from foreign operations	(17 015)	(13 672)
Retained earnings	(129 695)	(222 671)
Net profit for the period	1 283 739	2 149 052
<b>Equity assigned to the shareholders of the holding company</b>	<b>10 379 152</b>	<b>10 078 306</b>
Minority interest	73 815	102 274
<b>Total equity</b>	<b>10 452 967</b>	<b>10 180 580</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>101 756 154</b>	<b>101 261 213</b>
<b>Capital adequacy ratio</b>	<b>11,35</b>	<b>11.80*</b>

\* Capital adequacy ratio as at 31 December 2006 was calculated based on restated data in order to include amendments to the Banking Law and the publication of Resolution no. 2/2007 of KNB (Commission for Banking Supervision).

<b>PROFIT AND LOSS ACCOUNT OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP</b>				
	2nd Quarter Period from 01.04.2007 to 30.06.2007	2nd Quarter cumulatively Period from 01.01.2007 to 30.06.2007	2nd Quarter Period from 01.04.2006 to 30.06.2006	2nd Quarter cumulatively Period from 01.01.2006 to 30.06.2006
Interest income	1 533 982	3 027 781	1 364 442	2 707 242
Interest expense	(454 810)	(919 803)	(440 863)	(879 133)
<b>Net interest income</b>	<b>1 079 172</b>	<b>2 107 978</b>	<b>923 579</b>	<b>1 828 109</b>
Fees and commission income	638 821	1 229 720	522 201	1 012 979
Fees and commission expense	(153 782)	(260 264)	(99 761)	(184 258)
<b>Net fees and commission income</b>	<b>485 039</b>	<b>969 456</b>	<b>422 440</b>	<b>828 721</b>
Dividend income	3 156	3 164	3 502	3 502
Result from financial instruments at fair value	13 591	21 495	(50 594)	(57 892)
Result from investment securities	1 670	2 368	700	1 127
Foreign exchange result	133 451	252 792	145 204	292 698
Other operating income	218 641	473 450	107 577	405 107
Other operating expense	(113 991)	(206 789)	(65 187)	(166 362)
<b>Net other operating income and expense</b>	<b>104 650</b>	<b>266 661</b>	<b>42 390</b>	<b>238 745</b>
Result on impairment allowances	(119 852)	(119 008)	(14 410)	(40 548)
General administrative expenses	(973 405)	(1 906 288)	(870 993)	(1 872 273)
<b>Operating result</b>	<b>727 472</b>	<b>1 598 618</b>	<b>601 818</b>	<b>1 222 189</b>
Share in the profits (losses) of associates and jointly controlled entities	(1 732)	(322)	7 260	(1 248)
<b>Gross profit (loss)</b>	<b>725 740</b>	<b>1 598 296</b>	<b>609 078</b>	<b>1 220 941</b>
Income tax expense	(107 040)	(297 303)	(118 526)	(238 391)
<b>Net profit (loss) (including minority interest)</b>	<b>618 700</b>	<b>1 300 993</b>	<b>490 552</b>	<b>982 550</b>
Profit (loss) attributable to minority shareholders	7 433	17 254	19 805	29 858
<b>Net profit (loss)</b>	<b>611 267</b>	<b>1 283 739</b>	<b>470 747</b>	<b>952 692</b>
<b>Earnings per share</b>				
– basic earnings per share for the period	0.61	1.28	0.47	0.95
– diluted earnings per share for the period	0.61	1.28	0.47	0.95

<b>STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP</b>		
	<b>Period from 01.01.2007 to 30.06.2007</b>	<b>Period from 01.01.2006 to 30.06.2006</b>
<b>EQUITY</b>		
<b>Share capital</b>	<b>1 000 000</b>	<b>1 000 000</b>
<b>Other capital, of which:</b>	<b>8 242 123</b>	<b>7 130 731</b>
Reserve capital	5 592 311	4 530 138
Revaluation reserve	4 284	(31 032)
<i>Fair value adjustments to available-for-sale financial assets</i>	4 284	(31 032)
Other reserves	1 575 528	1 561 625
General banking risk fund	1 070 000	1 070 000
<b>Currency translation differences from foreign operations</b>	<b>(17 015)</b>	<b>(5 233)</b>
<b>Retained earnings</b>	<b>(129 695)</b>	<b>(222 671)</b>
<b>Net profit for the period</b>	<b>1 283 739</b>	<b>952 692</b>
<b>Equity assigned to the shareholders of the holding company</b>	<b>10 379 152</b>	<b>8 855 519</b>
Minority interest	73 815	63 170
<i>Including the result for the period</i>	17 254	29 858
<b>Total equity</b>	<b>10 452 967</b>	<b>8 918 689</b>
<b>Sources of changes in equity</b>		
<b>Equity as at the end of the previous period</b>	<b>10 180 580</b>	<b>8 774 990</b>
Adjustments due to changes in accounting policies	-	-
Recognition of minority interest	-	-
Adjustments associated with implementation of IFRS/IAS	-	-
<b>Equity as at the beginning of the period, restated</b>	<b>10 180 580</b>	<b>8 774 990</b>
<b>Changes in equity</b>		
Net profit (loss) for the period attributable to the shareholders of the holding company	1 283 739	952 692
Profit (loss) of the minority shareholders	17 254	29 858
Fair value adjustments to available-for-sale financial assets recognised in the revaluation reserve	450	(26 978)
Currency translation differences from foreign operations	(3 343)	(1 151)
Other increases/decreases in equity	(1 025 713)	(810 722)
<b>Total equity</b>	<b>10 452 967</b>	<b>8 918 689</b>

<b>OFF-BALANCE SHEET ITEMS OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP</b>		
	<b>As at 30.06.2007</b>	<b>As at 31.12.2006</b>
<b>Off-balance sheet contingent liabilities granted:</b>	<b>15 730 061</b>	<b>14 601 269</b>
1. financial	12 897 080	12 253 587
2. guarantees	2 832 981	2 347 682
<b>Liabilities arising from the purchase/sale transactions</b>	<b>374 155 270</b>	<b>308 950 992</b>
<b>Other, of which:</b>	<b>20 376 685</b>	<b>18 205 730</b>
- irrevocable liabilities	11 046 270	10 298 419
- collateral received	9 330 415	7 907 311
<b>Total off-balance sheet items</b>	<b>410 262 016</b>	<b>341 757 991</b>

<b>CONDENSED STATEMENT OF CASH FLOW OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP</b>		
	<b>Period from 01.01.2007 to 30.06.2007</b>	<b>Period from 01.01.2006 to 30.06.2006</b>
<b>Net cash flow from operating activities</b>	(5 924 689)	4 693 054
<b>Net cash flow from investing activities</b>	1 221 029	(5 699 349)
<b>Net cash flow from financing activities</b>	134 480	(1 265)
<b>Total net cash flow</b>	<b>(4 569 180)</b>	<b>(1 007 560)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	14 163 158	11 390 608
<b>Cash and cash equivalents at the end of the period</b>	9 593 978	10 383 048
<b>Cash and cash equivalents, of which:</b>	<b>9 593 978</b>	<b>10 383 048</b>
Cash on hand	1 333 393	2 819 610
Amounts due to the Central Bank	2 258 561	1 272 581
Current receivables from financial institutions	5 987 453	6 288 879
Cash of the Brokerage House in the Stock Exchange Guarantee Fund	14 571	1 978



<b>BALANCE SHEET OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA</b>		
<b>ASSETS</b>	<b>As at 30.06.2007</b>	<b>As at 31.12.2006</b>
Cash and amounts due from the Central Bank	3 529 707	4 543 677
Amounts due from banks	8 379 324	13 349 723
Financial assets held for trading	664 923	391 177
Derivative financial instruments	1 288 596	1 199 751
Other financial instruments at fair value through profit or loss	10 633 324	11 214 660
Loans and advances to customers	64 414 831	57 220 980
Investment securities	5 558 605	6 805 567
1. Available for sale	5 558 605	6 805 567
2. Held to maturity	-	-
Investments in associates and jointly controlled entities	994 946	1 005 611
Intangible assets	753 137	726 458
Tangible fixed assets	2 077 886	2 157 382
Current tax receivables	11 071	-
Deferred tax asset	44 596	-
Other assets	655 905	437 847
<b>TOTAL ASSETS</b>	<b>99 006 851</b>	<b>99 052 833</b>

<b>LIABILITIES AND EQUITY</b>	<b>As at 30.06.2007</b>	<b>As at 31.12.2006</b>
<b>Liabilities</b>		
Amounts due to the Central Bank	1 415	1 387
Amounts due to other banks	2 057 667	3 717 350
Derivative financial instruments	1 007 307	1 098 853
Amounts due to customers	82 602 167	81 670 039
Liabilities arising from securities issued	-	-
Other liabilities	2 607 735	1 925 573
Current tax liability	-	170 960
Deferred tax liability	-	8 378
Provisions	424 175	424 569
<b>TOTAL LIABILITIES</b>	<b>88 700 466</b>	<b>89 017 109</b>
<b>Equity</b>		
Share capital	1 000 000	1 000 000
Other capital	8 056 443	6 988 333
Retained earnings	-	-
Net profit for the period	1 249 942	2 047 391
<b>Total equity</b>	<b>10 306 385</b>	<b>10 035 724</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>99 006 851</b>	<b>99 052 833</b>

<b>Capital adequacy ratio</b>	<b>11.26</b>	<b>11.70*</b>
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\* Capital adequacy ratio as at 31 December 2006 was calculated based on rested data in order to include amendments in the Banking Act and the publication of Resolution no. 2/2007 of KNB (Commission for Banking Supervision).

<b>PROFIT AND LOSS ACCOUNT OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA</b>				
	<b>2nd Quarter Period from 01.04.2007 to 30.06.2007</b>	<b>2nd Quarter cumulatively Period from 01.01.2007 to 30.06.2007</b>	<b>2nd Quarter Period from 01.04.2006 to 30.06.2006</b>	<b>2nd Quarter cumulatively Period from 01.01.2006 to 30.06.2006</b>
Interest income	1 461 014	2 881 590	1 317 550	2 613 541
Interest expense	(414 430)	(841 207)	(420 349)	(836 537)
<b>Net interest income</b>	<b>1 046 584</b>	<b>2 040 383</b>	<b>897 201</b>	<b>1 777 004</b>
Fees and commission income	660 042	1 252 645	512 736	995 259
Fees and commission expense	(165 566)	(271 450)	(94 996)	(182 774)
<b>Net fees and commission income</b>	<b>494 476</b>	<b>981 195</b>	<b>417 740</b>	<b>812 485</b>
Dividend income	51 976	51 984	18 504	18 504
Result from financial instruments at fair value	13 376	19 467	(50 379)	(57 846)
Result from investment securities	924	1 782	218	859
Foreign exchange result	131 939	249 493	138 305	284 014
Other operating income	35 161	83 322	32 343	84 413
Other operating expense	(22 028)	(41 783)	(16 657)	(31 229)
<b>Net other operating income and expense</b>	<b>13 133</b>	<b>41 539</b>	<b>15 686</b>	<b>53 184</b>
Result on impairment allowances	(109 060)	(118 087)	(1 838)	(23 314)
General administrative expenses	(901 257)	(1 736 881)	(851 676)	(1 716 736)
<b>Operating result</b>	<b>742 091</b>	<b>1 530 875</b>	<b>583 761</b>	<b>1 148 154</b>
<b>Gross profit (loss)</b>	<b>742 091</b>	<b>1 530 875</b>	<b>583 761</b>	<b>1 148 154</b>
Income tax expense	(105 831)	(280 933)	(102 604)	(213 591)
<b>Net profit (loss)</b>	<b>636 260</b>	<b>1 249 942</b>	<b>481 157</b>	<b>934 563</b>

Earnings per share				
– basic earnings per share for the period	0.64	1.25	0.48	0.93
– diluted earnings per share for the period	0.64	1.25	0.48	0.93

<b>STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA</b>		
	<b>Period from 01.01.2007 to 30.06.2007</b>	<b>Period from 01.01.2006 to 30.06.2006</b>
<b>EQUITY</b>		
<b>Share capital</b>	<b>1 000 000</b>	<b>1 000 000</b>
<b>Other capital, of which:</b>	<b>8 056 443</b>	<b>6 953 666</b>
Reserve capital	5 591 995	4 529 604
Revaluation reserve	4 448	(30 938)
<i>Fair value adjustments to available-for-sale financial assets</i>	4 448	(30 938)
Other reserves	1 390 000	1 385 000
General banking risk fund	1 070 000	1 070 000
<b>Retained earnings</b>	-	-
<b>Net profit for the period</b>	1 249 942	934 563
<b>Total equity</b>	<b>10 306 385</b>	<b>8 888 229</b>
<b>Sources of changes in equity</b>		
<b>Equity at the end of the previous year</b>	10 035 724	8 780 394
<b>Changes in equity</b>		
Net profit (loss) of the Bank	1 249 942	934 563
Fair value adjustments to available-for-sale financial assets recognised in the revaluation reserve	719	(26 478)
Other increases/decreases in shareholders' equity	(980 000)	(800 250)
<b>Total equity</b>	<b>10 306 385</b>	<b>8 888 229</b>

<b>OFF-BALANCE SHEET ITEMS OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA</b>		
	<b>As at 30.06.2007</b>	<b>As at 31.12.2006</b>
<b>Off-balance sheet contingent liabilities granted</b>	<b>15 905 364</b>	<b>14 799 391</b>
1. financial	12 851 635	12 286 757
2. guarantees	3 053 729	2 512 634
<b>Liabilities arising from the purchase/sale transactions</b>	<b>374 194 136</b>	<b>308 982 423</b>
<b>Other, of which:</b>	<b>15 725 940</b>	<b>13 948 116</b>
- irrevocable liabilities	11 043 853	10 296 573
- collateral received	4 682 087	3 651 543
<b>Total off-balance sheet items</b>	<b>405 825 440</b>	<b>337 729 930</b>

<b>CONDENSED STATEMENT OF CASH FLOW OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA</b>		
	<b>Period from 01.01.2007 to 30.06.2007</b>	<b>Period from 01.01.2006 to 30.06.2006</b>
<b>Net cash flow from operating activities</b>	<b>(5 724 705)</b>	<b>4 679 192</b>
<b>Net cash flow from investing activities</b>	<b>1 272 337</b>	<b>(5 634 508)</b>
<b>Net cash flow from financing activities</b>	<b>(22 861)</b>	<b>(1 245)</b>
<b>Total net cash flow</b>	<b>(4 475 229)</b>	<b>(956 561)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>13 879 643</b>	<b>11 204 636</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>9 404 414</b>	<b>10 248 075</b>
<b>Components of cash and cash equivalents</b>	<b>9 404 414</b>	<b>10 248 075</b>
Cash on hand	1 271 146	1 220 459
Amounts due from the Central Bank	2 258 561	2 823 434
Current receivables from financial institutions	5 860 190	6 202 204
Cash of the Brokerage House in the Stock Exchange Guarantee Fund	14 517	1 978

#### 4. IMPAIRMENT OF THE GROUP'S ASSETS

The value of impairment of the Group's assets at the balance sheet date:

	<b>30.06.2007</b>	<b>31.12.2006</b>
Impairment allowances against loans and advances, realized guarantees and placements	2 479 490	2 447 351
Impairment allowances against tangible fixed assets and intangible assets	83 594	82 901
Impairment allowances against financial assets	93 344	92 237
Impairment allowances against other assets	79 638	77 732

Impairment losses taken to the Group's profit and loss account are as follows:

	<b>Period from 01.01.2007 to 30.06.2007</b>	<b>Period from 01.01.2006 to 30.06.2006</b>
<b>Increases, of which:</b>	<b>(626 806)</b>	<b>(475 264)</b>
impairment losses on loans and advances	(577 300)	(442 845)
impairment losses on off-balance sheet liabilities	(38 176)	(12 455)
impairment losses on securities and financial assets	(2 921)	(2 197)
impairment losses on other receivables and tangible fixed assets	(8 409)	(17 767)
<b>Decreases, of which:</b>	<b>507 798</b>	<b>434 716</b>
impairment losses on loans and advances	477 544	393 861
impairment losses on off-balance sheet liabilities	23 302	19 410
impairment losses on securities and financial assets	1 404	1 021
impairment losses on other receivables and tangible fixed assets	5 548	20 424
<b>Balance at the end of the period</b>	<b>(119 008)</b>	<b>(40 548)</b>

#### 5. ADJUSTMENTS DUE TO THE GROUP'S PROVISIONS, DEFERRED TAX ASSET AND DEFERRED TAX LIABILITY

	<b>30.06.2007</b>	<b>31.12.2006</b>
Deferred tax liability	533 832	521 165
Deferred tax asset	598 059	530 697
Provision for off-balance sheet liabilities	38 353	26 330
Provision for future liabilities to employees	341 509	354 996
Provision for other future liabilities	47 912	46 874

## 6. DESCRIPTION OF THE PKO BP GROUP

### 6.1 ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the financial statements of the Bank as the holding company of the PKO BP Group, and its subsidiaries, as defined under IAS 27 “*Consolidated and Separate Financial Statements*”. Additionally, the consolidated financial statements include jointly controlled and associated entities using the equity method.

*Table 1. Entities included in the consolidated financial statements of the PKO BP Group*

No.	Entity name	Value of investment *	% of share capital	Consolidation method
		in PLN thousands	%	
<b>Holding company</b>				
1	Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna			
<b>Direct subsidiaries</b>				
2	Powszechne Towarzystwo Emerytalne BANKOWY SA	205 786	100.00	Full method
3	KREDOBANK SA	144 605	69.933	Full method
4	Centrum Finansowe Puławska Sp. z o.o.	128 288	100.00	Full method
5	PKO Inwestycje Sp. z o.o.	123 313	100.00	Full method
6	PKO Towarzystwo Funduszy Inwestycyjnych SA	69 055	75.00	Full method
7	Inteligo Financial Services SA	59 602	100.00	Full method
8	Centrum Elektronicznych Usług Płatniczych eService SA	55 500	100.00	Full method
9	Bankowy Fundusz Leasingowy SA	30 000	100.00	Full method
10	Bankowe Towarzystwo Kapitałowe SA	18 566	100.00	Full method
<b>Indirect subsidiaries</b>				
Subsidiaries of PKO Inwestycje Sp. z o.o.				
11	Wilanów Investments Sp. z o.o.	82 981	100.00	Full method
12	POMERANKA Sp. z o.o.	19 000	100.00	Full method
13	Fort Mokotów Sp. z o.o.	2 040	51.00	Full method
14	UKRPOLINWESTYCJE Sp. z o.o.	519	55.00	Full method
Subsidiary of PTE BANKOWY SA				
15	Finanse Agent Transferowy Sp. z o.o.	2 861	100.00	Full method
Subsidiary of Bankowy Fundusz Leasingowy SA				
16	Bankowy Leasing Sp. z o.o.	1 300	100.00	Full method

\* value of shares at purchase price and specific capital injections made

*Table 2. Other subordinated entities included in the consolidated financial statements using equity method*

No.	Entity name	Value of investment *	% of share capital	Consolidation method
		in PLN thousands	%	
<b>Jointly controlled entities</b>				
1	CENTRUM HAFFNERA Sp. z o.o.	44 371	49.43	Equity method
2	Centrum Obsługi Biznesu Sp. z o.o.	17 498	41.44	Equity method
<b>Subsidiaries of CENTRUM HAFFNERA Sp. z o.o.</b>				
3	Sopot Zdrój Sp. z o.o.	58 923	100.00	Equity method
4	Promenada Sopocka Sp. z o.o.	10 058	100.00	Equity method
5	Centrum Majkowskiego Sp. z o.o.	6 609	100.00	Equity method
6	Kamienica Morska Sp. z o.o.	976	100.00	Equity method
<b>Associates</b>				
7	Bank Pocztowy SA	146 500	25.0001	Equity method
8	Kolej Gondolowa Jaworzyna Krynicka SA	15 531	37.53	Equity method
9	Ekogips SA – in bankructcy	5 400	60.26	Equity method
10	Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	1 500	33.33	Equity method
11	Agencja Inwestycyjna CORP SA	29	22.31	Equity method
<b>Associates of Bankowe Towarzystwo Kapitałowe SA</b>				
12	FINDER SA	6 500	46.43	Equity method
13	P.L. ENERGIA SA	5 000	33.77	Equity method

\* value of shares at purchase price and specific capital injections made

## **6.2 CHANGES IN THE ORGANISATION OF SUBORDINATED ENTITIES IN THE 2ND QUARTER OF 2007**

In the 2nd quarter of 2007, the following events affected the structure of the PKO BP Group:

- Signing an agreement with EBRD concerning re-acquisition of the KREDOBANK SA shares

On 20 April 2007, PKO BP signed with European Bank for Reconstruction and Development (“EBRD”) an agreement concerning conditional purchase by PKO BP of shares of KREDOBANK SA. Subject to the above transaction are the shares of KREDOBANK SA which account for 28.2486% of the Company’s share capital and votes at the general shareholders’ meeting.

The condition required to realize the transaction is obtaining the permission from the National Bank of Ukraine.

As a result of realization of the above transaction, PKO BP SA will hold shares of KREDOBANK SA which account for a total of 98.1815% of the Company’s share capital and give right to 98.1815% votes at the general shareholders’ meeting.

- Disposal of shares in INTER FINANCE Sp. z o.o.

On 23 April 2007, Bankowe Towarzystwo Kapitałowe SA, the Bank’s subsidiary, sold 409 shares in the share capital of INTER FINANCE Polska Sp. z o.o. with a total nominal value of PLN 409 thousand. The selling price was PLN 410 thousand.

The shares sold accounted for 45% of the Company’s share capital and gave right to 45% of votes at the shareholders’ meeting of INTER FINANCE Polska Sp. z o.o.

After the disposal referred to above, Bankowe Towarzystwo Kapitałowe SA does not hold any shares in INTER FINANCE Polska Sp. z o.o.

- Increase in the investment of PKO Inwestycje Sp. z o.o. in UKRPOLINWESTYCJE Sp. z o.o.

On 1 June 2007, the Peczerska Regional National Administration in Kiev, Ukraine, registered an increase in the share capital of UKRPOLINWESTYCJE Sp. z o.o. with its registered office in Kiev, which was effected

through the increase in the nominal value of share (from UAH 10,200 to UAH 15,250). After the increase, the Company's share capital is UAH 1,525,000 (the equivalent of USD 300,000) and is divided into 100 equal shares.

After the above changes have been registered, PKO Inwestycje Sp. z o.o., the Bank's subsidiary, holds 55 shares in UKROPOLINWESTYCJE Sp. z o.o. at a total par value of UAH 838,750 (the equivalent of USD 165,000) giving right to 55 votes at the shareholders' meeting.

- Setting up of Bankowy Leasing Sp. z o.o.

On 18 June 2007, a new company, Bankowy Leasing Sp. z o.o. with its registered office in Łódź, was registered in the National Court Register. The Company's share capital is PLN 1,300 thousand and is divided into 2,600 shares with a nominal value of PLN 500 each.

All shares in the newly created Company were taken up by Bankowy Fundusz Leasingowy S.A., the subsidiary of PKO BP SA.

The main scope of the Company's activities is providing operating and finance lease services.

### 6.3 RELATED PARTY TRANSACTIONS

In the 2nd quarter of 2007, PKO BP SA provided the following services to its related parties (subordinated entities):

- keeping bank accounts,
- accepting deposits,
- extending loans and advances,
- issuing debt securities,
- issuing guarantees and conducting spot forex transactions.

All transactions were conducted at arms' length.

Details of transactions of PKO BP with related parties, the amount of which exceeds the Polish zloty equivalent of EUR 500 thousand, and which do not result from the day-to-day operating activities of the Bank, have been presented in Note 16 of this Report.

## 7. MAJOR ACTIVITIES OF PKO BP IN THE 2ND QUARTER OF 2007

### 7.1 GENERAL INFORMATION

Table 3. Basic operating data

Items	30.06.2007	31.12.2006	30.06.2006	Change since:	
				31.12.06	30.06.06
<b>Total number of branches</b>	<b>1 233</b>	<b>1 239</b>	<b>1 248</b>	<b>-6</b>	<b>-15</b>
- in the Retail Market Area:	1 150	1 156	1 165	-6	-15
Regional Retail Branches	12	12	12	0	0
Independent branches	574	574	574	0	0
Subordinated branches	564	570	579	-6	-15
- in the Corporate Market Area:	83	83	83	0	0
Regional Corporate Branches	13	13	13	0	0
Corporate client teams *)	0	13	13	-13	-13
Corporate centers	70	57	57	13	13
<b>Number of ATMs</b>	<b>2 088</b>	<b>2 024</b>	<b>1 863</b>	<b>64</b>	<b>225</b>
<b>Number of employees (full time posts)</b>	<b>31 309</b>	<b>31 955</b>	<b>32 700</b>	<b>-646</b>	<b>-1 391</b>

\*) Corporate client teams have been transformed into corporate centers

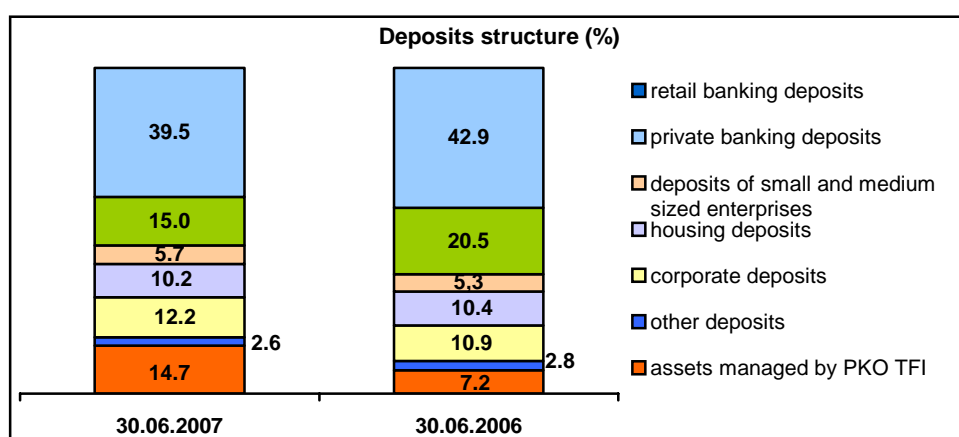
## 7.2 BANKING ACTIVITIES

- As at 30 June 2007, deposits of the Bank and assets managed by PKO TFI amounted to PLN 99.3 billion, and since the beginning of the year have increased by PLN 5.1 billion (i.e. by 5.4%), mainly due to PLN 6.0 billion increase in assets managed by PKO TFI. The balance of client deposits in the 1st half of 2007 increased by PLN 0.8 billion with a simultaneous decrease in private banking deposits by PLN 2.4 billion, mainly due to the transfer of some funds to investment deposits of PKO TFI. The decrease referred to above was balanced with an PLN 2.5 billion increase in corporate deposits.

Table 4. Deposits of PKO BP and assets managed by PKO TFI (in PLN millions)<sup>1</sup>

Items	Balance at:			Change since:	
	30.06.2007	31.12.2006	30.06.2006	31.12.2006	30.06.2006
1. Client deposits, of which	<b>82 163.4</b>	<b>81 320.3</b>	<b>78 845.2</b>	<b>843.1</b>	<b>3 318.3</b>
- retail banking	39 240.3	38 367.4	37 591.6	872.9	1 648.7
- private banking	14 898.6	17 324.5	17 997.7	-2 425.8	-3 099.0
- SMEs (small and medium sized enterprises)	5 694.3	5 787.7	4 607.5	-93.4	1 086.8
- housing	10 176.3	10 160.4	9 102.9	16.0	1 073.5
- corporate	12 153.9	9 680.4	9 545.5	2 473.5	2 608.4
2. Other deposits (interbank)	2 580.8	4 356.5	2 468.0	-1 775.8	112.8
<b>Total deposits of PKO BP</b>	<b>84 744.2</b>	<b>85 676.9</b>	<b>81 313.2</b>	<b>-932.7</b>	<b>3 431.0</b>
<b>Assets managed by PKO TFI</b>	<b>14 563.2</b>	<b>8 541.7</b>	<b>6 318.8</b>	<b>6 021.5</b>	<b>8 244.4</b>
<b>Total funds deposited</b>	<b>99 307.4</b>	<b>94 218.6</b>	<b>87 632.0</b>	<b>5 088.8</b>	<b>11 675.4</b>

Source: Bank's management information



- As at 30 June 2007, **the gross value of loans and advances** extended by PKO BP amounted to PLN 66.8 billion and increased cumulatively from the beginning of the year by PLN 7.3 billion i.e. by 12.2%, mainly due to an increase in the balance of housing loans, loans to small and medium sized enterprises and loans to private banking sector i.e. by 19.9%, 26% and 46.5%, respectively.

In the 2nd quarter of 2007, an increase was noted in the gross value of loans and advances by PLN 3.7 billion i.e. by 5.8%, mainly as a result of increase in the volume of housing loans by PLN 2.4 billion i.e. by 9.9%, retail loans by PLN 0.7 billion i.e. by 5.9% and loans to small and medium sized enterprises by PLN 0.6 billion i.e. by 12.7%.

During the period from April 2007 to June 2007, in the area of loan products:

- the Bank ceased to extend loans in connection with receivables arising from sale of securities on regulated markets,

<sup>1</sup> In this document, any differences in totals, percentages and ratios of change are due to the rounding of amounts to full million and the rounding of percentages to one decimal place.



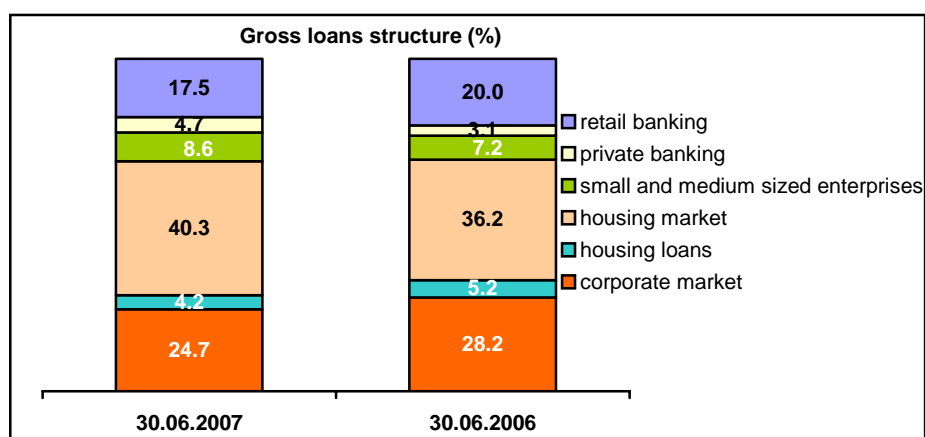
- a loan offer was launched for the purchase of shares of Automotive Components Europe (A.C.E. S.A.) and Internet Group S.A.,
- the Bank continued its price promotion i.e. reduced commission charge for extending “Szybki serwis kredytowy” (the *Quick Credit Service*) loan, a loan dedicated to small and medium sized enterprises, and carried out a promotional campaign of this product in mass media and internet,
- the Bank continued with its spring promotional campaign of the „WŁASNY KĄT” housing loan; sale enhancing and promotional activities in this respect caused that sales of mortgage loans hit the record level of PLN 4.4 billion in the 2nd quarter of 2007, which gives the dynamics of 162% increase compared to the corresponding period of 2006.

Table 5. Gross loans and advances\* of PKO BP (in PLN millions)

Items	Balance at:			Change since:	
	30.06.2007	31.12.2006	30.06.2006	31.12.2006	30.06.2006
- retail banking	11 718.2	11 518.0	10 894.5	200.3	823.7
- private banking	3 124.1	2 132.4	1 694.3	991.7	1 429.9
- SMEs	5 764.4	4 574.9	3 943.3	1 189.5	1 821.1
- housing loans	26 930.5	22 461.7	19 700.1	4 468.8	7 230.4
- housing receivables	2 775.6	2 822.6	2 850.3	-47.0	-74.7
- corporate	16 465.6	16 008.6	15 381.4	457.0	1 084.2
<b>Total loans and advances</b>	<b>66 778.4</b>	<b>59 518.2</b>	<b>54 463.8</b>	<b>7 260.2</b>	<b>12 314.6</b>

Source: Bank's management information

\* without interest due and interest not due



- Other activities in the 2nd quarter of 2007:
  - implementation of procedural changes in the savings-settlements accounts which consist in eliminating redundant forms and significant limitation of the content of other accounts' contracts,
  - including in the product offer the PKO TFI Strategic Allocation Fund (“Fundusz Strategicznej Alokacji”), which enables to make investments in the funds offered by PKO TFI,
  - commencement of business activities by PKO/CREDIT SUISSE Umbrella Fund, a specialized open-end investment fund of the umbrella-type (“sfio”- *specjalistyczny fundusz inwestycyjny otwarty*), which is the second – after PKO/ CREDIT SUISSE Global Currency Fund – open-end investment fund in the product offer of PKO TFI; the new fund is made up of four sub-funds with diverse investment profile,
  - commencement of sale of participation units of PKO TFI through post offices,
  - making the ATMs of PKO BP available to the clients of Bank Pocztowy.
- In the 2nd quarter of 2007, the **total number of savings-settlement accounts (ROR) and Inteligo current accounts** increased by a total of 65 thousand and amounted to 6,133 thousand accounts as at 30 June 2007. In the 1st half of 2007, this number increased by a total of 115 thousand accounts, of which the number of ROR accounts alone increased by 83 thousand accounts, while the number of Inteligo accounts increased by 32 thousand accounts.

- As at 30 June 2007, the number of users of the **PKO Inteligo service line** exceeded 1.5 million and increased by more than 7% compared to the 1st quarter of 2007. Of this amount, the number of accounts of individual clients increased by 7.2%, while the number of accounts kept for small and medium sized enterprises – by 5.8%.
- During the period from April 2007 to June 2007, **the number of banking cards** issued by PKO BP increased by 100 thousand and amounted to 7,156 thousand at the end of June 2007. During this period, the number of credit cards increased by 29 thousand to 972 thousand. The increase in the number of banking cards compared to 31 December 2006 amounted to 196 thousand, including an increase of 37 thousand in the number of credit cards.

The following events occurred in the 2nd quarter of 2007 with respect to banking cards:

- the promotional campaign of issuance of silver cards with the WŁASNY KAŹ image was carried out for those customers who in the period from 2 April to 30 June 2007 applied for the WŁASNY KAŹ housing loan, the MIX mortgage loan or for the mortgage or consolidated loan,
- the promotional campaign of issuance of the PKO EURO BIZNES credit cards was commenced; this concerned the customers who have the PARTNER-type current accounts and applied for issuance or extension of working capital or investment loan,
- the product offer was extended to include the Business-type credit card for corporate clients – the image of new corporate credit cards was differentiated depending on the customer segment as well as for the prestige of the card and the related package of additional services.

*Table 6. Accounts and banking cards of PKO BP (in thousands)*

Items	30.06.2007	31.12.2006	30.06.2006	Change since:	
				31.12.2006	30.06.2006
Total number of accounts, of which:	6 133	6 018	5 892	115	241
- savings-settlement accounts, ROR	5 506	5 423	5 338	83	168
- Inteligo current accounts	627	595	554	32	73
Number of banking cards, of which:	7 156	6 960	6 596	196	560
- credit cards	972	935	681	37	291

- In the 2nd quarter of 2007, the activities of PKO BP SA on **the money market** concentrated on the following three areas:
  - managing the Bank’s investment portfolio – the current trading policy relating to the investment portfolio was correlated with the situation on the treasury securities market and consisted mainly in maintaining moderate exposure to the interest rate risk. The situation on the financial market in the 2nd quarter of 2007 has been described in paragraph 8.3.3. of this Report;
  - financial risk management - which consisted in active management of liquidity, currency and interest rate risks generated in all areas of the Bank’s activities. During 2nd quarter of 2007, a further increase, albeit slower, was noted in the balance of long-term liabilities denominated in CHF, this related to financing the Bank’s lending activities; similar to prior periods, the funds were acquired by entering into CIRS (Currency Interest Rate Swap) transactions;
  - trading activities with retail and corporate clients – in the 2nd quarter of 2007, a significant growth was noted in the volume of foreign exchange and derivative transactions with corporate clients; compared to the previous quarter, the volume of foreign exchange transactions with such clients increased by 20%, while the volume of derivative transactions – by 25%.

### **7.3 BROKERAGE ACTIVITIES**

In the 2nd quarter of 2007, Dom Maklerski PKO BP (*DM - Brokerage House*):

- benefiting from boom in capital market, DM recorded PLN 8.5 billion turnover on the stock market i.e. PLN 2.4 billion more than in the corresponding period of 2006 (with a 6.8% share in the total turnover on the stock market); acting as a market maker on the stock market, DM recorded turnover of PLN 2.2 billion. Also, the number of agreements with companies listed on the Stock Exchange in Warsaw, under which the DM acted as market maker and issuer was 57 and 36 agreements, respectively, which ensured its leading position on the market,
- maintained a leading position on the bonds’ market with a total turnover of PLN 479.4 million (which accounts for 46.5% of the total turnover on the bonds’ market),

- recorded a turnover of 39 thousand transactions on the options' market; this result gave the DM a 21.7% share in the options' market and caused that it was ranked first on the market (in the 1st quarter – second),
- recorded a turnover of 172 thousand contracts on the futures' market (4.8% share in the market),
- as part of its primary market participant activities, the DM successfully carried out the initial public offering of shares of Makarony Polskie SA and carried out public subscriptions for the shares of Internet Group SA and Centrostal SA for the total amount of PLN 360 million.

At the end of June 2007, DM PKO BP kept a total of 349.4 thousand accounts, of which 94.2 thousand were investment and securities accounts and 255.2 thousand - active registry accounts. Compared to the end of the 1st quarter of 2007, the number of investment (cash and securities) accounts increased by 1.9 thousand, while the number of registry accounts decreased by 39.3 thousand, mainly due to redemption of treasury bonds and smaller interest in the bonds offer proposed by the Bank.

#### **7.4 AWARDS AND DISTINCTIONS**

- Awards and distinctions granted to PKO BP SA in the 2nd quarter of 2007:
  - Ranked 1st in the ranking/competition of the “100 most valuable firms in the country” organized by the Newsweek weekly (April 2007),
  - Promotional Emblem “Teraz Polska” – Prize awarded for the European Program in the 17th edition of the “Teraz Polska” competition held under the honorable patronage of the President of the Republic of Poland (May 2007),
  - The Best Reputation Brand – PKO BP won this title in the ranking of reputation of the Premium Brand Competition 2006 in the category of finance; the competition was organized by MMT Management under the patronage of the Forbes monthly (June 2007),
  - The Main Award in the ranking of the BANK monthly magazine called the “50 largest banks in Poland in 2007” – and the 1st Prize in the category “Banks in network” (June 2007),
  - 5th Diamond to the Golden Statuette of the Leader of Polish Business – award granted by Polish Business Centre Club to the companies who have already won the Statuette of the Leader of Polish Business and each year confirm its high rank on the market (June 2007),
  - Patron of the Year – title awarded by the Polish National Philharmonic in Warsaw for the financial support as part of the Program called “PKO Bank Polski for the Polish National Culture” (June 2007).

#### **7.5 ACTIVITIES OF SUBSIDIARIES IN THE 2ND QUARTER OF 2007**

##### Powszechne Towarzystwo Emerytalne BANKOWY SA

At the end of June 2007, the value of assets held by the Bankowy Open-End Pension Fund (OFE), managed by PTE BANKOWY, amounted to PLN 4,328 million, which accounts for an increase of PLN 293 million compared to the 1st quarter of 2007.

At the end of the 2nd quarter of 2007, Bankowy OFE was ranked 8th on the market of open-end pension funds, both in terms of the value of OFE assets and the number of accounts kept (472,320 accounts).

##### Centrum Elektronicznych Usług Płatniczych eService SA

In the 2nd quarter of 2007, transactions with a value of PLN 3,635 million were generated using the eService SA terminals. As far as the value of pay card transactions is concerned, the Company estimated that its share in the card transaction market at the end of the 2nd quarter of 2007 was 30.7%.

The number of terminals operational at the end of the 2nd quarter of 2007 amounted to 41,415 pieces, which accounts for a 7.2% increase compared to the number of terminals operated at the end of the 1st quarter of 2007. The Company's share in the market as regards the number of terminals was 34.5%.

##### Inteligo Financial Services SA

At the end of the 2nd quarter of 2007, the Company offered access to electronic banking systems to 1.5 million of the PKO BP SA's clients using the PKO Inteligo services. At the same time, the Company operated 627 thousand Inteligo accounts for over 558 thousand clients. The number of Inteligo clients serviced increased by 12 thousand compared to the number of accounts operated at the end of the 1st quarter of 2007.

In the 2nd quarter of 2007, the value of deposits held by the Inteligo clients amounted to PLN 1,907 million and increased by PLN 3 million compared to the end of March 2007.

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PKO Inwestycje Sp. z o.o.

In the 2nd quarter of 2007, PKO Inwestycje Sp. z o.o. continued, using special purpose vehicles (SPVs), the realization of the following investment projects: “Marina Mokotów” and “Nowy Wilanów” in Warsaw, “Neptun Park” in Gdańsk and “Kuzmińska” in Kiev, Ukraine.

The project “Marina Mokotów” is carried out by a special purpose vehicle, Fort Mokotów Sp. z o.o. PKO Inwestycje Sp. z o.o. holds 51% shares in the share capital of this Company. The construction stage of the project has already been completed and the housing apartments in all buildings are being delivered to customers.

The project “Nowy Wilanów” is carried out by a special purpose vehicle, Wilanów Investments Sp. z o.o. PKO Inwestycje Sp. z o.o. holds 100% shares in the share capital of this Company. As part of the Stage I of the investment, the Company completed the construction of 4 housing buildings. As part of the Stage II of the investment, the Company undertook construction works of 5 housing buildings. In the 2nd quarter of the current year the architectural competition for the next buildings of the Stage II and Stage III of this project was closed. Currently, works are underway to obtain the required construction permits.

The housing project “Neptun Park” is carried out by an SPV, POMERANKA Sp. z o.o. PKO Inwestycje Sp. z o.o. holds 100% shares in the share capital of this Company. The Company continues work connected with Task I of the project – construction of 119 apartments – the stage of completion is 85%. At the same time, the Company commenced the II Stage of this project – the construction of 48 apartments.

The “Kuzmińska” project is realized by another SPV, UKRPOLINWESTYCJE Sp. z o.o. PKO Inwestycje Sp. z o.o. holds 55% shares in the share capital of this Company. The project is realized in cooperation with the Ukrainian partner, IK Komfort Sp. z o.o., and involves the construction of five, terraced, 2-storey residential buildings in Kiev. The construction works are scheduled to be completed at the end of 2007.

Bankowy Fundusz Leasingowy SA

In the 2nd quarter of 2007, the Company signed 1,882 agreements for the lease of fixed assets with a net value of PLN 379.5 million. The total carrying amount of the net investment in the lease amounted to PLN 1,218.1 million at the end of the 2nd quarter of 2007 and increased by 13.6% compared to the end of the 1st quarter of 2007. Taking into account total assets leased, the Company was ranked 8th among lease companies (according to data published by Association of Lease Companies).

Centrum Finansowe Puławska Sp. z o.o.

As at 30 June 2007, the Company leased out 98.1% of office and commercial space in the building Centrum Finansowe Puławska, which is managed by the Company. 83.4% of total commercial space leased was the PKO BP Group companies. The amount of space leased out slightly increased (by 0.26%) compared to the end of the 1st quarter 2007.

Bankowe Towarzystwo Kapitałowe SA

At the end of the 2nd quarter of 2007, BTK SA managed the investment portfolio with a value of PLN 11.5 million, which comprised its engagement in FINDER SA and P.L. ENERGIA SA.

KREDOBANK SA

During the 2nd quarter of 2007, the value of total assets of KREDOBANK SA increased by PLN 74.5 million (UAH 134 million) i.e. by 3.8% and amounted to PLN 2,054.2 million (UAH 3,693.2 million) as at 30 June 2007<sup>2</sup>.

In the 2nd quarter of 2007, the gross loan portfolio of the Company increased by PLN 39.8 million (UAH 71.5 million) i.e. by 2.5% and amounted to PLN 1,615.7 million (UAH 2,904.9 million) at the end of June 2007.

During the 2nd quarter of 2007, the value of client term deposits increased by PLN 96.1 million (UAH 172.8 million) i.e. by 9.3% and amounted to PLN 1,129.0 million (UAH 2,029.9 million) at the end of June 2007.

As at 30 June 2007, KREDOBANK SA had 23 branches and 136 local offices in 18 out of 24 Ukrainian provinces and the Autonomous Republic of Crimea. During the 2nd quarter of 2007, the bank established 2 new branches and 15 new local offices.

On 7 May 2007, the General Shareholders’ Meeting of KREDOBANK SA resolved to increase the share capital of KREDOBANK SA by UAH 176,750,000 (i.e. PLN 98.3 million) through the issuance of additional shares. The subscription of shares was carried out by 29 July 2007. After subscription registration, KREDOBANK SA’s share capital will amount to UAH 396,049,469.16 (i.e. PLN 220.3 million).

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<sup>2</sup>The financial data of KREDOBANK SA was converted using the National Bank of Poland average exchange rate as at 30 June 2007 (1 UAH= 0,5562 PLN).

In June 2007, the international rating agency, Standard & Poor's sustained the following ratings granted to KREDOBANK SA in 2006:

- long-term credit rating at international rates - „B”,
- forecast - „Stable”,
- short-term credit rating at international rates - „B”,
- rating according to the Ukrainian rating scale - "uaBBB".

#### PKO Towarzystwo Funduszy Inwestycyjnych SA

The value of Fund assets managed by the Company amounted to PLN 14.6 billion at the end of June 2007, which represents an increase of 26.3% in the value of assets compared to the end of the 1st quarter of 2007, and ranks the Company 4th on the market of investment funds, with a 10.4% share in that market.

On 27 April 2007, the General Shareholders' Meeting of the Company resolved to pay dividend for 2006 in the gross amount of 65 million, of which to PKO BP SA – in the amount of PLN 48,735 thousand.

## 8. FACTORS AND EVENTS WITH SIGNIFICANT IMPACT ON FINANCIAL RESULTS

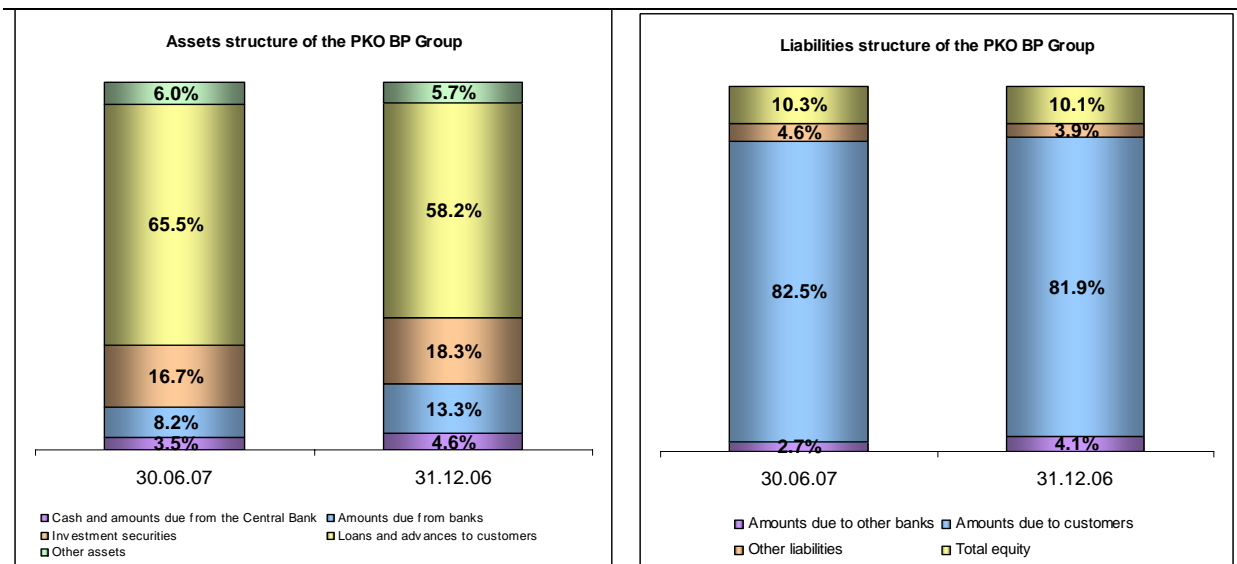
### 8.1 FINANCIAL PERFORMANCE OF THE PKO BP GROUP IN THE 2ND QUARTER OF 2007

#### 8.1.1. Balance sheet data

The balance sheet of the holding company has the most significant impact on the balance sheet of the PKO BP Group. It determines both the value and the structure of assets and liabilities of the Group. As at 30 June 2007, the ratio of total assets of PKO BP to total assets of the Group was 97.3%.

*Table 7. Main balance sheet items of the PKO BP Group (in PLN thousands)*

Items	As at 30.06.2007	As at 31.12.2006	Change
<b>AKTYWA</b>			
Cash and amounts due from the Central Bank	3 591 954	4 628 134	- 22.4%
Amounts due from banks	8 334 999	13 430 590	- 37.9%
Financial assets held for trading	664 923	392 380	69.5%
Derivative financial instruments	1 288 596	1 199 556	7.4%
Other financial instruments at fair value through profit or loss	10 836 429	11 360 064	- 4.6%
Loans and advances to customers	66 656 992	58 906 607	13.2%
Investment securities	5 535 233	6 763 188	- 18.2%
Tangible fixed assets	2 598 346	2 655 041	- 2.1%
Other assets	2 248 682	1 925 653	16.8%
<b>TOTAL ASSETS</b>	<b>101 756 154</b>	<b>101 261 213</b>	<b>0.5%</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities, of which:</b>	<b>91 303 187</b>	<b>91 080 633</b>	<b>0.2%</b>
Amounts due to the Central Bank	1 415	1 387	2.0%
Amounts due to other banks	2 702 170	4 193 090	- 35.6%
Derivative financial instruments	1 007 371	1 098 863	- 8.3%
Amounts due to customers	83 904 343	82 900 142	1.2%
Other liabilities	3 687 888	2 887 151	27.7%
<b>Total equity</b>	<b>10 452 967</b>	<b>10 180 580</b>	<b>2.7%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>101 756 154</b>	<b>101 261 213</b>	<b>0.5%</b>



Compared to the balance as at 31 December 2006, the Bank recorded changes in the structure of balance sheet of the PKO BP Group - the share of loans and advances to customers increased from 58.2% to 65.5%, mainly as a result of a decrease in the share of inter-bank placements and cash and amounts due from the Central Bank, the total share of which in total assets decreased from 17.8% to 11.7%.

### 8.1.2. Off-balance sheet items

As at 30 June 2007, the total of off-balance sheet items of the PKO BP Group amounted to PLN 410,262 million and increased by PLN 68,504 million i.e. 20.0% compared to the balance at the end of December 2006.

The main item of the off-balance sheet items (91.2%) were liabilities relating to purchase/sale transactions amounting to PLN 374,155 million. Compared to the balance as at 31 December 2006, the share of this item in the total of off-balance sheet liabilities slightly increased i.e. by 0.8 p.p. The balance comprised mainly derivative transactions and forward exchange transactions carried out by PKO BP to regulate the Bank's currency liquidity, as well as for speculation and arbitrage purposes.

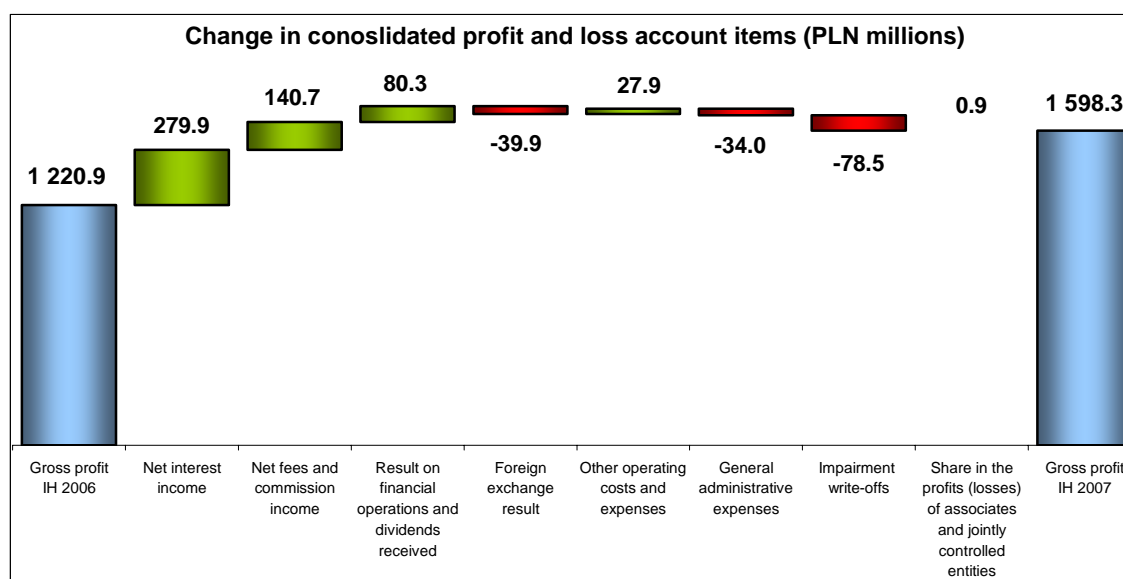
### 8.1.3. Financial result and performance indicators

In the 2nd quarter of 2007, the consolidated pre-tax profit was PLN 726 million and net profit was PLN 611 million. Compared to the corresponding period of 2006, the pre-tax profit and the net profit were higher by PLN 117 million and PLN 141 million, respectively.

In the 1st half of 2007, the PKO BP Group recorded a consolidated pre-tax profit of PLN 1,598 million. After deducting income tax charge and the profit (loss) attributable to minority shareholders, the resulting net profit amounted to PLN 1,284 million. Compared to the corresponding period of 2006, the pre-tax profit and the net profit were higher by PLN 377 million and PLN 331 million, respectively.

Table 8. Main items of the profit and loss account of the PKO BP Group (in PLN thousands)

Items	1st half of 2007		1st half of 2006		Dynamics	
	Total	of which: 2nd quarter	Total	of which: 2nd quarter	1H07/ 1H06	IIQ07/ IIQ06
1. Net interest income	2 107 978	1 079 172	1 828 109	923 579	115.3%	116.8%
2. Net fee and commission income	969 456	485 039	828 721	422 440	117.0%	114.8%
3. Dividend income	3 164	3 156	3 502	3 502	90.3%	90.1%
4. Result from financial instruments at fair value	21 495	13 591	(57 892)	(50 594)	x	x
5. Result from investment securities	2 368	1 670	1 127	700	210.1%	238.6%
6. Foreign exchange result	252 792	133 451	292 698	145 204	86.4%	91.9%
7. Net other operating income	266 661	104 650	238 745	42 390	111.7%	246.9%
<b>8. Total income items (1-7)</b>	<b>3 623 914</b>	<b>1 820 729</b>	<b>3 135 010</b>	<b>1 487 221</b>	<b>115.6%</b>	<b>122.4%</b>
9. Result on impairment allowances	(119 008)	(119 852)	(40 548)	(14 410)	293.5%	831.7%
10. General administrative expenses	(1 906 288)	(973 405)	(1 872 273)	(870 993)	101.8%	111.8%
11. Share in the profits (losses) of subordinated entities	(322)	(1 732)	(1 248)	7 260	25.8%	x
<b>12. Gross profit</b>	<b>1 598 296</b>	<b>725 740</b>	<b>1 220 941</b>	<b>609 078</b>	<b>130.9%</b>	<b>119.2%</b>
13. Income tax expense	(297 303)	(107 040)	(238 391)	(118 526)	124.7%	90.3%
<b>Net profit (loss) (including minority shareholders)</b>	<b>1 300 993</b>	<b>618 700</b>	<b>982 550</b>	<b>490 552</b>	<b>132.4%</b>	<b>126.1%</b>
Profit (loss) of minority shareholders	17 254	7 433	29 858	19 805	57.8%	37.5%
<b>Net profit/(loss)</b>	<b>1 283 739</b>	<b>611 267</b>	<b>952 692</b>	<b>470 747</b>	<b>134.7%</b>	<b>129.9%</b>
<b>General administrative expenses to Total income items (C/I)</b>	<b>52.6%</b>	<b>53.5%</b>	<b>59.7%</b>	<b>58.6%</b>		



### Income items

In the 2nd quarter of 2007, the total of income items of the PKO BP Group amounted to PLN 1,821 million and was PLN 334 million (i.e. 22.4%) higher compared to the corresponding period of 2006. The increase in revenues was mainly due to the increase in net interest income and net fee and commission income of PLN 156 million and PLN 63 million, respectively, as well as due to an increase in other operating income and other operating expense in the net amount of PLN 62 million.

In the 1st half of 2007, the total of income items of the PKO BP Group amounted to PLN 3,624 million and was PLN 489 million (i.e. 15.6%) higher compared to the corresponding period of 2006. The individual items in the profit and loss account of the PKO BP Group were as follows:

- Net interest income amounted to PLN 2,108 million and was PLN 280 million (i.e. 15.3%) higher compared to the corresponding period of 2006. This was due to the increase by PLN 321 million (i.e. 11.8%), counted on a year-to-year basis, in interest income and increase of interest expense by PLN 41 million (i.e. 4.6%), counted on a year-to-year basis.

The increase in the net interest income was the effect of growth in volume of interest bearing assets and their structure improvement (increase in loans and advances share).

- Net fee and commission income amounted to PLN 969 million and was PLN 141 million (i.e. 17.0%) higher, counted on a year-to-year basis. The fee and commission income increased by PLN 217 million (i.e. 21.4%) and fee and commission expense - by PLN 76 million (i.e. 41.2%).

The increase in commission income is mainly due to:

- increase in the number of banking cards and the number of transactions made with the use of these cards (growth of revenues by PLN 126 million, i.e. by 67.3%),
- sale of insurance products (six-fold increase in revenues, by PLN 63 million),
- servicing the investment funds (growth of revenues by PLN 57 million, i.e. by 128.6%),
- increase in lending activities (growth of revenues by PLN 27 million, i.e. by 25.8%)

The increase in commission expense is the result of growth of costs from insurance contracts (by PLN 46 million) related to credit action dynamics and increase in commission costs of banking cards servicing (by PLN 28 million, i.e. by 31.3%).

- Result from financial operations amounted to PLN 24 million and was PLN 81 million higher than in the corresponding period of the prior year (mainly due to improvement in financial markets). Out of this amount:
  - PLN 79 million relates to the result from financial instruments at fair value through profit or loss
  - PLN 1.2 million – to the result from investment securities,

- Foreign exchange result amounted to PLN 253 million and was PLN 40 million i.e. 13.6% lower than the result for the 1st half of 2006.

The decrease in the foreign exchange result was due to the decrease in the result on swap transactions (swap points) caused by narrowing spreads between Polish and foreign interest rates (e.g. difference between 1M average percentage rates for CHF and PLN in the first half-year and the second quarter of 2007 were lower by 106 b.p. and 79 b.p., respectively, compared to the corresponding periods of 2006).

- Net other operating income amounted to PLN 267 million and was PLN 28 million (i.e. 11.6%) higher than in the corresponding period of 2006. Net other operating income consisted of: operating income of PLN 68 million and operating expense of PLN 41 million, which were respectively 16.9% and 24.4% higher compared to the corresponding period of 2006. The increase in both operating income and expenses of PKO TFI had a significant impact on those items at the Group level. This was mainly due the fact that operating income and expenses of the first half of 2006 included second quarter only (the company was consolidated using the full method starting from the second quarter of 2006) as well as development of the company's activities.

### **Impairment result**

The result on impairment allowances in the 2nd quarter of 2007 amounted to PLN (-)120 million and was PLN 121 million lower compared to the prior quarter and PLN 105 million lower compared to the corresponding period of 2006. In the 1st half of 2007, impairment allowances amounted to PLN (-)119 million and were PLN 78 million lower compared to the corresponding period of the previous year.

The decrease in the impairment result was mainly due to the increase in corporate loans impairment write-offs during the second quarter of the current year.

### **General administrative expenses**

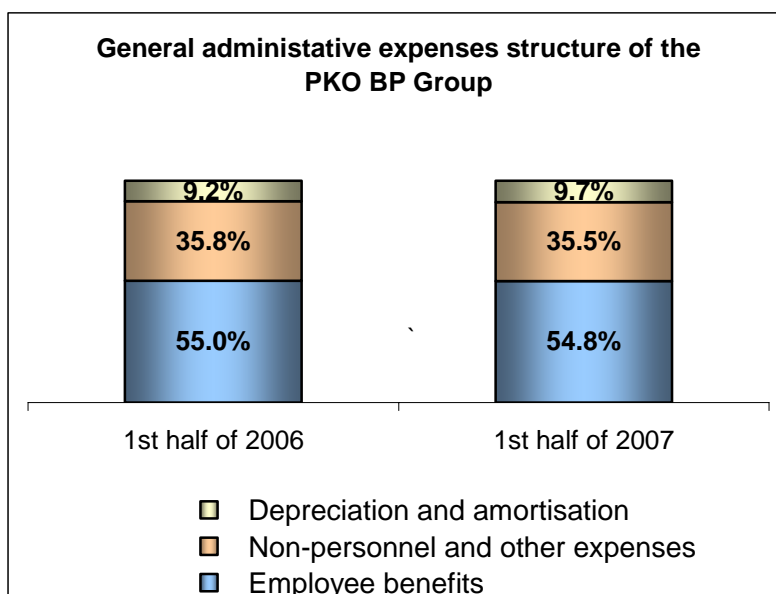
In the 2nd half of 2007, general administrative expenses of the PKO BP Group amounted to PLN 973 million and were PLN 102 million (i.e. 11.8%) higher than in the corresponding period of 2006. This high dynamics of costs in the 2nd quarter of 2007, compared to the 2nd quarter of 2006, is the result, among others, of a relatively low level of depreciation charges in 2nd quarter of 2006 (related to the result of re-assessment by PKO BP in June 2006 of useful lives of intangible assets registered before 1 January 2006) and increased amortization charges of ZSI in the 2nd quarter 2007 (which did not exist in 2nd quarter of 2006).

In the 1st half of 2007, general administrative expenses amounted to PLN 1,906 million and were PLN 34 million (i.e. 1.8%) higher compared to the corresponding period of the previous year.



Table 9. General administrative expenses of the PKO BP Group (in PLN thousands)

Items	1st half of 2007		1st half of 2006		Dynamics	
	Total	of which: 2 <sup>nd</sup> quarter	Total	of which: 2 <sup>nd</sup> quarter	1H07/ 1H06	IIQ07/ IIQ06
1. Employee benefits	(1 045 010)	(540 371)	(1 029 336)	(529 008)	101.5%	102.1%
2. Non-personnel and other expenses	(676 998)	(337 576)	(670 116)	(284 856)	101.0%	118.5%
3. Depreciation and amortization	(184 280)	(95 458)	(172 821)	(57 129)	106.6%	167.1%
<b>Total</b>	<b>(1 906 288)</b>	<b>(973 405)</b>	<b>(1 872 273)</b>	<b>(870 993)</b>	<b>101.8%</b>	<b>111.8%</b>



#### Financial ratios

The ratio of costs to income (C/I) for the 1st half of 2007 amounted to 52.6% and was 7.1 p.p. lower compared to the corresponding period of 2006, due to the higher dynamics of income items (115.6%) than general administrative expenses (101.8%).

The results of the PKO BP Group translated into higher rates of return on assets and equity:

Indices	30.06.2007	30.06.2006
1. Gross profit (loss)/ average assets (ROA <sup>3</sup> <sub>gross</sub> )	3.1%	2.5%
2. Net profit (loss)/ average assets (ROA <sub>net</sub> )	2.5%	1.9%
3. Gross profit (loss)/ average equity (ROE <sup>4</sup> <sub>gross</sub> )	31.8%	26.9%
4. Net profit (loss)/ average equity (ROE <sub>net</sub> )	25.6%	21.2%

#### 8.1.4. Shareholders' equity

As at 30 June 2007, the shareholders' equity of the PKO BP Group amounted to a total of PLN 10,357 million and was PLN 176 million i.e. 1.7% higher than at the end of 2006.

<sup>3</sup> ROA gross and ROA net computed as proportion of, respectively, gross and net profit (loss) for the period to the arithmetic average of assets at the beginning and at the end of the period.

<sup>4</sup> ROE gross and ROE net computed as proportion of, respectively, gross and net profit (loss) for the period to the arithmetic average of equity (including retained earnings and profit for the period) at the beginning and at the end of the period.

*Table 10. Shareholders' equity of the PKO BP Group (in PLN thousands)*

Items	As at 30.06.2007	As at 31.12.2006	Change
1. Share capital	1 000 000	1 000 000	0.0%
2. Other capital	8 242 123	7 165 597	15.0%
3. Currency translation differences from foreign operations	(17 015)	(13 672)	24.5%
4. Retained earnings	(129 695)	(222 671)	(41.8)%
5. Net profit for the period	1 283 739	2 149 052	(40.3)%
<b>Equity assigned to the shareholders of the holding company</b>	<b>10 379 152</b>	<b>10 078 306</b>	<b>3.0%</b>
Minority interest	73 815	102 274	(27.8)%
<b>Total equity</b>	<b>10 452 967</b>	<b>10 180 580</b>	<b>2.7%</b>
<b>Capital adequacy ratio (%)</b>	<b>11.35</b>	<b>11.80</b>	<b>(0.45) p.p.</b>

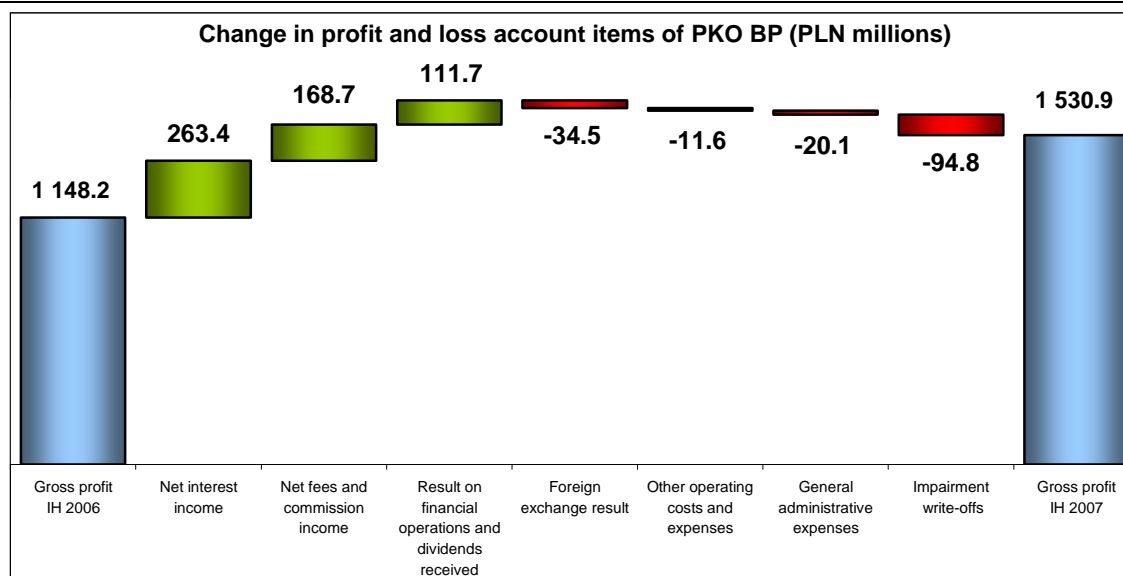
## 8.2 FINANCIAL PERFORMANCE OF PKO BP FOR THE 2ND QUARTER OF 2007

In the 2nd quarter of 2007, PKO BP SA recorded a pre-tax profit of PLN 742 million and a net profit of PLN 636 million, which were PLN 158 million and PLN 155 million, respectively, higher than in the 2nd quarter of 2006.

In the 1st half of 2007, PKO BP SA recorded a pre-tax profit of PLN 1,531 million. After deducting income tax charge, the resulting net profit amounted to PLN 1,250 million. Compared to the corresponding period of 2006, the pre-tax profit and the net profit were higher by PLN 383 million and PLN 315 million, respectively.

*Table 11. Main profit and loss items of PKO BP SA (in thousands)*

Items	1st half of 2007		1st half of 2006		Dynamics	
	Total	of which: 2nd quarter	Total	of which: 2nd quarter	1H07/ 1H06	IIQ07/ IIQ06
1. Net interest income	2 040 383	1 046 584	1 777 004	897 201	114.8%	116.6%
2. Net fee and commission income	981 195	494 476	812 485	417 740	120.8%	118.4%
3. Dividend income	51 984	51 976	18 504	18 504	280.9%	280.9%
4. Result from financial instruments at fair value	19 467	13 376	(57 846)	(50 379)	x	x
5. Result from investment securities	1 782	924	859	218	207.5%	423.9%
6. Foreign exchange result	249 493	131 939	284 014	138 305	87.8%	95.4%
7. Net other operating income	41 539	13 133	53 184	15 686	78.1%	83.7%
<b>8. Total income items (1-7)</b>	<b>3 385 843</b>	<b>1 752 408</b>	<b>2 888 204</b>	<b>1 437 275</b>	<b>117.2%</b>	<b>121.9%</b>
9. Result on impairment allowances	(118 087)	(109 060)	(23 314)	(1 838)	506.5%	5933.6%
10. General administrative expenses	(1 736 881)	(901 257)	(1 716 736)	(851 676)	101.2%	105.8%
<b>11. Profit before income tax</b>	<b>1 530 875</b>	<b>742 091</b>	<b>1 148 154</b>	<b>583 761</b>	<b>133.3%</b>	<b>127.1%</b>
12. Income tax expense	(280 933)	(105 831)	(213 591)	(102 604)	131.5%	103.1%
<b>13. Net profit</b>	<b>1 249 942</b>	<b>636 260</b>	<b>934 563</b>	<b>481 157</b>	<b>133.7%</b>	<b>132.2%</b>
<b>General administrative expenses to Total income items (C/I)</b>	<b>51.3%</b>	<b>51.4%</b>	<b>59.4%</b>	<b>59.3%</b>		



In the 2nd quarter of 2007, the total of **income items** of the Bank amounted to PLN 1,752 million and was PLN 315 million (i.e. 21.9%) higher than in the corresponding period of 2006. Total income earned in the 1st half of 2007 amounted to PLN 3,386 million and was PLN 498 million (i.e. 17.2%) higher.

The increase in the Bank's income is due to the continued development of business activities supported by proactive pro-sale business. The individual items of the profit and loss account of the Bank were as follows:

- net interest income, which increased by PLN 263 million, i.e. 14.8%, mainly as a result of increase in the volume of interest bearing assets and improvement in their structure (increase in the share of loans and advances)
- net fee and commission income was PLN 169 million (i.e. 20.8%) higher mainly due to the increase in revenues made with the use of payment cards i.e. due to the increase in the number of banking cards (+8.5% counted on a year-to-year basis) and transactions made with the use of banking cards. After considering costs of banking cards, the result increased by PLN 83 million (i.e. 87.4%), also due to the activities relating to servicing of investment funds (increase by PLN 104 million i.e. by 235%).

**The result on impairment allowances** for the 2nd quarter of 2007 amounted to PLN (-)109 million and was PLN 107 million lower than in the corresponding period of 2006, mainly as a result of higher impairment allowances against corporate loans. In the 1st half of 2007, this item amounted to PLN (-)118 million and was PLN 95 million lower than in the corresponding period of the prior year.

In the 2nd quarter of 2007, **general administrative expenses** of the Bank amounted to PLN 901 million and were 5.8% higher compared to those incurred in the 2nd quarter of 2006, while when considered cumulatively from the beginning of the year – general administrative expenses increased by 1.2%. Higher dynamics of costs compared to the 2nd quarter of 2006 is the result of a relatively low level of depreciation/ amortization charges during this period in connection with re-assessment in June 2006 of useful lives of intangible assets (registered before 1 January 2006) and amortization charges of ZSI in the 2nd quarter 2007 (which did not exist in 2nd quarter of 2006).

Table 12. General administrative expenses of PKO BP SA (in PLN thousands).

Items	1 <sup>st</sup> half of 2007		1 <sup>st</sup> half of 2006		Dynamics	
	Total	of which: 2 <sup>nd</sup> quarter	Total	of which: 2 <sup>nd</sup> quarter	1H07/ 1H06	IIQ07/ IIQ06
1. Employee benefits	(983 378)	(508 664)	(982 317)	(503 842)	100.1%	101.0%
2. Non-personnel and other expenses	(597 684)	(311 803)	(586 540)	(304 089)	101.9%	102.5%
3. Depreciation and amortization	(155 819)	(80 790)	(147 879)	(43 745)	105.4%	184.7%
<b>Total</b>	<b>(1 736 881)</b>	<b>(901 257)</b>	<b>(1 716 736)</b>	<b>(851 676)</b>	<b>101.2%</b>	<b>105.8%</b>

Comments to the individual items presented in the description of the results of the PKO BP Group (paragraph 8.1.3) also relate to the results of PKO BP.

The results of PKO BP translated into higher rates of return on assets and equity:

Indices	30.06.2007	30.06.2006
1. Gross profit (loss)/ average assets (ROA <sup>5</sup> <sub>gross</sub> )	3.0%	2.3%
2. Net profit (loss)/ average assets (ROA <sub>net</sub> )	2.4%	1.9%
3. Gross profit (loss)/ average equity (ROE <sup>6</sup> <sub>gross</sub> )	30.1%	24.9%
4. Net profit (loss)/ average equity (ROE <sub>net</sub> )	24.6%	20.3%

### 8.3 FACTORS AFFECTING FINANCIAL PERFORMANCE

#### 8.3.1 Macroeconomic factors

In the 2nd quarter of 2007:

- The financial data of real economy (the production sold and retail sales) indicate a slight slow-down in the dynamics of economic growth compared to the very high pace of growth in the Gross Domestic Product (GDP) in the 1st quarter of 2007 (i.e. 7.4% year to year), which most probably was stimulated by the national demand, with high negative balance in the net export present.
- Labor market saw positive effects of good economic situation, seasonal factors, better absorption of the EU funds for the activation of the unemployed, increase in the number of persons seeking employment abroad; these factors contributed to greater than that observed in the prior years decrease in the unemployment rate, which in May 2007 was 13.0%, at the same time, the private sector recorded further increase in the number of persons employed, counted on a year-to-year basis.
- The inflation rate increased to 2.6% from 2.5% at the end of the 1st quarter, counted on a year-to-year basis, while the average quarterly inflation rate ratio increased from 2.0% to approx. 2.4%, counted on a year-to-year basis. This resulted mainly from further increase in the prices of fuel and food, as well as other consumer goods and services, although their increase was rather not significant.
- A decrease in the pace of growth of household's deposits was registered, which in June was 5.9%, counted on a year-to-year basis, and 9.5% in March. This downward trend was influenced by high outflow of funds to alternative forms of savings (during the reporting period, investment funds recorded an inflow of PLN 12.5 billion), although the increasing disposable income of households could have an effect on the increase of households' deposits. At the same time, a decrease in the balance of corporate deposits to 23.1% at the end of June, calculated on a year-to-year basis, was recorded, while at the end of the 1st quarter of 2007, the increase was 29.6%, calculated on a year-to-year basis.
- The dynamics of loans and advances granted to households stabilized at high level and further increase in the dynamics of loans and advances to corporate entities was recorded.
- The Monetary Policy Council increased interest rates twice, by a total of 50 base points and – as a result - the NBP reference rate at the end of June was 4.5%.

At the same time, the results of the PKO BP SA Group in the 2nd quarter of 2007 were affected by the following macroeconomic factors in Ukraine, where the Bank's subsidiary, KREDOBANK SA, operates:

- continued positive trends in the area of real economy as regards further increase in the dynamics of the GDP, with a positive effect of higher investments and net export and a slight decrease in the unemployment rate,
- increase in the inflation rate to nearly 13.0%, calculated on a year-to-year basis, as compared to 10.1%, calculated on a year-to-year basis, mainly as a result of a continued high increase in energy prices,
- maintaining high dynamics of loans and advances and deposits (over 70% for loans and advances and over 40% for deposits, on a year-to-year basis),
- decision of the National Bank of Ukraine to reduce, as of 1 June, interest rates by 50 base points to the level of 8.00%,
- stabilization of the Ukrainian currency, Hryvna, at the level of 5.05 UAH/USD, due to the continued policy of interventions of the Central Bank on the currency market in order to counteract the pressure, as a result of political uncertainty, to appreciate the Ukrainian currency.

<sup>5</sup> ROA gross and ROA net computed as proportion of, respectively, gross and net profit (loss) for the period to the arithmetic average of assets at the beginning and at the end of the period.

<sup>6</sup> ROE gross and ROE net computed as proportion of, respectively, gross and net profit (loss) for the period to the arithmetic average of equity (including retained earnings and profit for the period) at the beginning and at the end of the period.

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### **8.3.2. Regulatory factors**

The following regulatory factors had an impact on the activities of the PKO BP Group in the 2nd quarter of 2007:

- amendment of the Banking Law Act (Journal of Laws, No. 42, item 272) binding from 1 April 2007, which imposed on banks, among others, the obligation to establish and apply a formalized management process consisting of internal control and risk management systems. This Act requires that banks issue to their customers justification for its opinion on the customer credit capacity. Also, the Act changed the definition of exposure concentration, made changes to provisions concerning securitization of assets, modified definition of own funds and imposed on banks the requirement to present to market participants current information on capital adequacy, as well as extended requirements concerning risk assessment.
- Resolutions 1-5/2007 of the Commission for Banking Supervision dated 13 March 2007 (NBP Official Journal No. 2 and No. 3), which created regulatory environment for the implementation of new policies concerning capital adequacy as defined in the Directives No. 2006/48/WE and 2006/49/WE, which included regulatory solutions proposed in the New Capital Accord effective as of 1 April 2007. These relate to banks' capital adequacy, own funds, exposure concentration limits, including limit of large concentrations as well as policies of functioning of risk management systems and conditions for assessment and keeping internal capital.
- The decision of the Anti-Monopoly Court, the result of which was the decision of the Office of Competition and Consumer Protection concerning entry to the Register of Banned Provisions (item 1021) of collecting by banks commission on cash drawings made in branches; as of 16 April, 2007 PKO BP ceased to collect such commission from its clients.
- Amendment of the Act on organization and functioning of pension funds which allows persons born after 1948 wishing to retire early to leave open-end pension funds.

### **8.3.3. Financial markets**

In the 2nd quarter of 2007, the profitability of treasury securities increased and was – depending on the maturity date – from 30 to 90 base points. Revaluation of treasury securities, especially at the short end of the yield curve was the effect of the increase in the NBP interest rates by a total of 50 base points and of the increase in market expectations for further increases, by at least 50 base points in the perspective of the next 12 months. At the same time, expectations for a more restrictive (compared to earlier expectations) monetary policy in the largest global economies, including in the USA and in the Euro zone, caused revaluation of bonds on base markets thus causing worsening of quotations of Polish long-term bonds. However, very good macroeconomic and fiscal situation in Poland as well as stabilization of Polish political scene caused that the scale of revaluation in prices of treasury securities was rather limited, as it was in prior quarters.

During the period from April 2007 to June 2007, Polish zloty appreciated against Euro by 2.7% (to 3.77 PLN/EUR at the end of June) and against US Dollar by approx. 3.7% (to 2.80 PLN/USD at the end of June). The Polish zloty exchange rate was shaped mainly by the situation on global markets and the appreciation was the effect of weakening of the USD exchange rate with decreasing, especially at the beginning of quarter, risk bonus on investments on emerging markets, among others in Poland. Domestic factors were of lesser importance to the Polish zloty exchange rate, also with limited positive effect of increase in expectations for tightening of monetary policy by the Polish Monetary Policy Council.

## **9. SEASONALITY OR CYCLICAL NATURE OF ACTIVITIES IN THE REPORTING PERIOD**

PKO BP SA is a universal bank, providing services on the whole territory of Poland, and its activities are exposed to similar fluctuations to those affecting the entire Polish economy. The activities of other Group companies do not indicate any particular seasonality or cyclical nature.

## **10. ISSUANCE, REDEMPTION AND REPAYMENT OF DEBT AND EQUITY SECURITIES**

Among entities of the PKO BP Group, the following raise capital through the issuance of debt securities:

- Bankowy Fundusz Leasingowy S.A.,
- KREDOBANK SA.

Compared to the balance at the end of the 1st quarter of 2007, the debt of Bankowy Fundusz Leasingowy S.A. from the issuance of bonds did not change and at the end of the 2 quarter was PLN 350 million.

During the 2nd quarter of 2007, the Company issued 13,000 bonds with a total nominal value of PLN 130 million and redeemed 13,000 bonds with a nominal value of PLN 130 million.

As at 30 June 2007, the portfolio of PKO BP contained 12,085 corporate bonds of the Company with a total nominal value of PLN 120,850 thousand. The remaining 22,915 corporate bonds with a total nominal value of PLN 229,150 thousand were sold on the secondary market.

In the 2nd quarter of 2007, KREDOBANK SA paid interest in respect of the first interest coupon of the bonds issued in the total amount of UAH 857 thousand.

#### **11. EVENTS THAT OCCURRED AFTER THE DATE ON WHICH THE REPORT WAS PREPARED AND THAT MAY AFFECT FUTURE FINANCIAL RESULTS**

- On 16 July 2007, BFL Nieruchomości Sp. z o.o. with its registered office in Łódź was registered in the National Court Register. The share capital of this Company amounts to PLN 1,100 thousand. All shares have been acquired by Bankowy Fundusz Leasingowy SA, the PKO BP's subsidiary.
- On 16 July 2007, PKO BP obtained a permit from the National Bank of Ukraine, being the pre-requisite condition for the realization of the transaction of purchase by PKO BP SA of KREDOBANK SA's shares owned by the European Bank for Reconstruction and Development, in accordance with the agreement dated 20 April 2007. The transaction of purchase of KREDOBANK SA shares from EBRD was conducted on 26 July 2007. The acquisition price was EUR 17,348,177.00.
- In July 2007, PKO BP subscribed for 17,353,578,610 shares in the increased share capital of KREDOBANK SA with a total nominal value of UAH 173,535,786.10. The above increase in the share capital requires permission of the National Bank of Ukraine. After registration of the above share issue, the share of PKO BP in the share capital and votes at the general shareholders' meeting of this Company (including shares purchase from EBRD) will be 98.1815%.
- On 18 July 2007, as part of the realization of the new strategy, PKO Bank Polski signed a cooperation agreement with the NatWest Bank, which belongs to the Royal Bank of Scotland Group. The purpose of this cooperation is to develop modern and user-friendly banking products and services for Polish nationals working or intending to work in the UK. The first service product of the cooperation between these two institutions will be a free of charge funds transfer between customer accounts in Poland and in the UK.
- On 27 July 2007, the Bank signed with a consortium of banks an agreement for a syndicated loan in Swiss Francs. The loan funds will be used to finance the general needs of the Bank and the loan terms and conditions will be as follows:
  - loan principal - CHF 950,000,000;
  - loan term - 5 years with two options for extension, each time by 1 year, upon the consent of each lender
  - the loan will not be collateralized;
  - loan interest will be based on the market reference rate i.e. CHF LIBOR increased by margin, correlated with 1 month, 3 months or half year interest period, as chosen by the Bank in each period, at the end of which the loan interest will be due and payable;
  - loan funds will be utilised within 270 days of the date of signing the loan agreement;
  - repayment of loan principal will be made in the form of one-off payment at the end of the loan-term, however, if the Bank decides to extend the loan, loan repayment will be made in four equal installments with the last installment being repaid at the end of the loan-term;
  - the Bank will have the possibility to repay the loan before the maturity date upon prior notification of lenders.
- On 30 July 2007, the Bank signed Annex No. 2 to the agreement for the supply and implementation of the Integrated IT System (ZSI) dated 18 August 2003 signed between PKO BP SA and Accenture Sp z o.o., Alnova Technologies Corporation S.L. and Softbank S.A. (currently Asseco Poland SA), operating as the Consortium.

The subject of the Annex referred to above is, among others, increasing the scope of work relating to implementation of the Integrated IT System, which is the consequence of the Bank's decision to extend the functionalities of the IT system under implementation. The necessity to equip the Integrated IT system in additional functionalities results from changes in the regulatory environment and the growing business needs of the Bank. This is also to ensure the realization by the Bank of its plans to modernize client service and enhance product offer. The new Annex covers the issue of inclusion in the additional system functionalities, among others, the products responding to the requirements of New Capital Accord/IAS, Individual Pension Accounts, PKO/CS Investment Funds, foreign operations, insurance products and extension of the functionalities of alternative distribution channels.

The Consortium net fee for the completion of the work defined in Annex will be USD 11,038,042.

According to Annex No. 2, the completion of implementation of mass solutions under the Integrated IT System will be at the end of November 2008.

The above agreement was considered to be significant due to the fact that it covers a significant area of key operations of the Bank and is a continuation of an agreement disclosed earlier in the Bank' Share Issue Prospectus and in the annex to that agreement described in the current report No.42/2004.

## **12. POSITION OF THE MANAGEMENT BOARD AS REGARDS THE POSSIBILITY OF ACHIEVING PREVIOUSLY PUBLISHED FORECASTS FOR THE CURRENT YEAR**

PKO BP did not publish any financial forecasts for 2007.

## **13. INFORMATION ON DIVIDEND PAID (OR DECLARED)**

On 26 April 2007, the Ordinary General Shareholders' Meeting of PKO BP resolved to pay dividend for 2006 in the amount of PLN 0.98 per share. The list of shareholders entitled to receive dividend was set as at 20 July 2007, while dividend payment took place on 2 August 2007.

## **14. SHAREHOLDERS HOLDING, DIRECTLY OR INDIRECTLY THROUGH SUBSIDIARIES, AT LEAST 5% OF VOTES AT THE GENERAL SHAREHOLDERS' MEETING**

The interim report for the 1st quarter of 2007 was submitted to the Polish Financial Supervision Authority on 15 May 2007.

To the best knowledge of the Bank, the shareholder with at least 5% of total votes at the General Shareholders' Meeting of the Bank, held directly or indirectly through subsidiaries, is the State Treasury.

As at 30 June 2007, the State Treasury held 514,943,765 shares of the Bank.

The share of the above shareholder in the share capital of the Bank is 51.49% and matches the percentage share in the total number of votes at the General Shareholders' Meeting of the Bank as at the date of submitting the Report.

*Table 13. Ownership structure of PKO BP as at 30 June 2007*

Shareholder	Percentage of votes at the General Shareholders' Meeting as at the date of submitting previous quarterly report	Number of shares as at the date of submitting previous quarterly report	% change from the date of submitting previous quarterly report	Percentage of votes at the General Shareholders' Meeting as at the date of submitting this Report	Number of shares as at the date of submitting this Report
State Treasury	51.49%	514,945,555	0,00 p.p.	51.49%	514,943,765

## **15. CHANGES IN THE NUMBER OF PKO BP SHARES HELD BY THE MANAGEMENT OR SUPERVISORY BOARD MEMBERS**

*Table 14. Shares held by the Management or Supervisory Board Members as at 6 August 2007*

No.	Name	Number of shares as at the date of submitting previous quarterly report	Purchase	Disposal	Number of shares as at the date of submitting this Report
<b>I.</b>	<b>Management Board</b>				
1.	Rafał Juszcak, Acting President of the Management Board	-----	-----	-----	-----
2.	Robert Działak, Vice-president of the Management Board	-----	-----	-----	-----
3.	Mariusz Klimczak, Vice-president of the Management Board <sup>1)</sup>	-----	-----	-----	-----
4.	Wojciech Kwiatkowski, Vice-president of the Management Board	-----	-----	-----	-----
5.	Aldona Michalak, Vice-president of the Management Board <sup>2)</sup>	-----	-----	-----	-----
6.	Adam Skowroński, Vice-president of the Management Board <sup>3)</sup>	-----	-----	-----	-----
7.	Stefan Świątkowski, Vice-president of the Management Board	-----	-----	-----	-----

No.	Name	Number of shares as at the date of submitting previous quarterly report	Purchase	Disposal	Number of shares as at the date of submitting this Report
<b>II.</b>	<b>Supervisory Board</b>				
1.	Marek Głuchowski, President of the Supervisory Board	-----	-----	-----	-----
2.	Urszula Pałaszek, Vice-president of the Supervisory Board	-----	-----	-----	-----
3.	Maciej Czapiewski, Member of the Supervisory Board	-----	-----	-----	-----
4.	Jerzy Michałowski, Member of the Supervisory Board	-----	-----	-----	-----
5.	Tomasz E. Siemiątkowski, Member of the Supervisory Board	-----	-----	-----	-----
6.	Agnieszka Winnik-Kalemba, Member of the Supervisory Board	-----	-----	-----	-----

- 1) Management Board Member appointed by way of the Resolution of the Supervisory Board dated 20 June 2007 to act as Vice-President of the Board as of 15 July 2007.
- 2) Management Board Member appointed by way of the Resolution of the Supervisory Board dated 20 June 2007 to act as Vice-President of the Board as of 1 July 2007.
- 3) Management Board Member appointed by way of the Resolution of the Supervisory Board dated 20 June 2007 to act as Vice-President of the Board as of 23 July 2007.

**16. INFORMATION ON A TRANSACTION OR A NUMBER OF TRANSACTIONS CONCLUDED BY THE ISSUER OR ITS SUBSIDIARY WITH OTHER GROUP ENTITIES, WITH A VALUE EXCEEDING EUR 500,000, IF THEY ARE NOT TYPICAL OR ROUTINE TRANSACTIONS**

In executing the provisions of the Lease Agreement of 7 December 1995 (amended by Annexes no. 1 to 34) with the Bank's subsidiary, Centrum Finansowe Puławska Sp. z o.o. ("CFP"), in the 2nd quarter of 2007, PKO BP SA made payments to the CFP in the total gross amount of PLN 8 million. The total remuneration of the Company for the period from January 2007 to June 2007 amounted to PLN 20.4 million. The agreement determines the terms and conditions for the lease of space in the building located in Warsaw at 15 Puławska Street.

The payments that were made by the Bank related to rental fees, maintenance costs and costs of cleaning common space.

Due to the comprehensive regulation of all issues connected with cooperation between the parties to the agreement, the agreement is not a typical or routine agreement concluded by the parties in the course of their day-to-day operations.

**17. RESULTS OF CHANGES IN THE BANK'S STRUCTURE, INCLUDING THE EFFECTS OF MERGER, TAKEOVER OR DISPOSAL OF THE GROUP ENTITIES, LONG-TERM INVESTMENTS, DIVISION, RESTRUCTURING AND DISCONTINUATION OF ACTIVITIES**

The results of changes in the Bank's structure, including the results of merger, takeover or sale of Group entities have been described in paragraph 6.2 of this Report.

**18. FACTORS WHICH MAY AFFECT FUTURE FINANCIAL PERFORMANCE WITHIN AT LEAST THE NEXT QUARTER**

In the next few quarters, the results of the Bank and the PKO BP Group will be affected by economic processes which will take place in the Polish and global economy, as well as by response of the financial markets to those processes.

The interest rate policy applied by the Monetary Policy Council and by other largest central banks will also have a great influence on the Bank's performance.

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

During the 2nd quarter of 2007, PKO BP SA and its subsidiaries did not grant any suretyships or guarantees to a single entity or its subsidiary with the total amount of at least 10% of the Bank's shareholders' equity.



## 20. PROCEEDINGS PENDING BEFORE THE COURT, ARBITRATION TRIBUNAL OR PUBLIC ADMINISTRATIVE AUTHORITY

As at 30 June 2007, the total value of court proceedings against PKO BP amounted to PLN 203,566,350 while the total value of the proceedings initiated by PKO BP amounted to PLN 76,984,596.

No court proceedings with the participation of PKO BP are in progress, the value of which amounts to at least 10% of the Bank's shareholders' equity.

Other Group companies have not conducted any proceedings before the court, arbitration tribunal or public administration authority concerning receivables or liabilities, the value of which amounts to at least 10% of the shareholders' equity of PKO BP.

## 21. OTHER DISCLOSURES SIGNIFICANT FOR EVALUATION OF THE ISSUER'S HUMAN RESOURCES, FINANCIAL SITUATION, FINANCIAL PERFORMANCE AND ANY CHANGES THEREIN

- On its meeting on 2 April 2007, the Supervisory Board of the Bank:
  - delegated Dr Marek Gluchowski, President of the Supervisory Board, to independently supervise the activities of the Management Board of the Bank as of 11 April 2007,
  - appointed Mr Rafał Juszcak, Vice-president of the Management Board, to act as President of the Management Board of the Bank as of 11 April 2007 until such time as the new President of the Management Board is elected,
  - delegated Dr Adam Skowroński, Member of the Supervisory Board of the Bank, to temporarily act as Vice-president of the Management Board during the period from 11 April 2007 to 30 April 2007.
- On 11 April 2007, the Reuters information agency announced that the *Moody's Investors Service* rating agency reduced the long-term rating for the domestic currency deposits at PKO BP from Aaa to Aa2 with other ratings remaining unchanged. According to the rating agency, the above change resulted from a change in the methodology of assessment which, among others, consists in attaching greater importance to the intrinsic financial strength of banks rather than to the level of external support in the process of determining the *rating*. The above change related to the JDA methodology (obtaining external support), under which *Moody's* assigned to the Bank two new *ratings* at the end of February 2007.
- On 20 April 2007, the Supervisory Board of PKO BP adopted a new strategy for the Bank „New Opening, Strategy for the Growth of PKO BP in the years 2007-2012”. The main objectives of the strategy were presented at the Ordinary General Shareholders' Meeting of PKO BP on 26 April 2007.

During the 2nd quarter of 2007, a number of changes were effected in the organizational structure of PKO BP with a view to efficient implementation of this new strategy.

- The Ordinary General Shareholders' Meeting of PKO BP held on 26 April 2007:
  - approved: (i) Directors' Report on the activities of PKO BP for the year 2006, (ii) financial statements of PKO BP for the year 2006, (iii) Directors' Report on the activities of the PKO BP Group for the year 2006, (iv) consolidated financial statements of the PKO BP Group for the year 2006,
  - appropriated the 2006 profit of PKO BP of PLN 2,047,391 thousand in the following manner: (i) dividend to shareholders – PLN 980,000 thousand, (ii) reserve capital – PLN 1,062,391 thousand, (iii) other capital – PLN 5,000 thousand,
  - acknowledged the fulfillment of duties by Members of the Management and Supervisory Boards in 2006,
  - defined policies for remunerating President of the Management Board of PKO BP,
  - approved Regulations of the Supervisory Board of PKO BP,
  - made amendments to the Statutes of PKO BP.

The content of the Resolutions of the General Shareholders' Meeting of PKO BP was published in the current report No 25/2006 dated 27 April 2007.

- On 20 June 2007, the Supervisory Board of PKO BP appointed Mr Rafał Juszcak, Vice-president of the Management Board of the Bank to act as President of the Management Board. The underlying Resolution becomes binding on the day the Commission for Banking Supervision approves Mr Juszcak as acting President of the Management Board. In addition, the Supervisory Board of PKO BP passed Resolutions concerning the following:
  - appointment of Ms Aldona Michalak to act as Vice-president of the Management Board of the Bank as of 1 July 2007,

- 
- appointment of Mr Mariusz Klimczak to act as Vice-president of the Management Board of the Bank as of 15 July 2007,
  - appointment of Mr Adam Skowroński to act as Vice-president of the Management Board of the Bank as of 23 July 2007,
  - appointment of Ms Berenika Duda-Uhryn to act as Vice-president of the Management Board of the Bank as of 10 September 2007,

In accordance with the Resolutions, the above persons were appointed for the above posts for a joint term of office, which started on 19 May 2005.

On 20 June 2007, Mr Adam Skowroński resigned from the position of the Supervisory Board Member as of 22 June 2007 due to his appointment as Vice-president of the PKO BP's Management Board as of 23 June 2007.

## **22. SEGMENTATION OF ACTIVITIES OF THE PKO BP GROUP**

The primary segmentation key is based on business segments and the secondary - on geographical segments.

The Group usually settles inter-segment transactions as if they were concluded between unrelated parties, using internal settlement rates.

### **Business segments**

Segmentation by business is as follows:

- Corporate Segment includes transactions of the parent company with large corporate clients and operations of the subsidiary assigned to this segment.
- Retail Segment covers transactions of the parent company with private individuals and also small and medium-sized enterprises as well as operations of the subsidiaries assigned to this segment,
- Treasury Segment covers inter-bank transactions, transactions made using derivative instruments and debt securities,
- Investments Segment covers brokerage and investing activities of the parent company and operations of the subsidiary assigned to this segment.
- Housing Segment covers transactions of the parent company connected with granting housing loans and accepting housing deposits and operations of the subsidiary assigned to this segment.

The Bank has not identified any other segments as a result of not having reached the thresholds set forth in IAS 14, which are as follows:

- segment revenue from sales to external customers and from transactions with other segments amounts to 10% or more of the total external and internal revenue of all segments, or
- segment result, whether a profit or loss, accounts for 10% or more of the aggregated result of all segments in profit or loss, whichever greater in absolute value, or
- segment assets account for 10% or more of total assets of all segments.

According to IAS 14, segments which were not separated have been disclosed as unallocated reconciling items.

The assets and liabilities of a given segment represent operating assets and liabilities used by that segment in its operating activities.

The tables below present data relating to revenue and results of individual business segments of the Group for the periods of 6 months ended 30 June 2007 and 30 June 2006, respectively, and selected assets and liabilities as at 30 June 2007 and 31 December 2006.

*Translation of Interim Financial Statements of the PKO BP SA Group for the 2nd quarter of 2007  
The Polish original should be referred to in matters of interpretation*

For the 6 month period ended 30.06.2007	Continued activities					
	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Housing Segment	All activities
<b>Revenue</b>						
External customer-related revenues	652 364	2 678 522	677 928	159 430	1 082 036	5 250 280
Inter-segment sales	-	15 342	-	-	1 536	16 878
Total segment revenue	652 364	2 693 864	677 928	159 430	1 083 572	5 267 158
<b>Result</b>						
Segment result	98 733	914 254	96 054	107 357	276 794	1 493 192
Unallocated result together with the result of non-separated segments	-	-	-	-	-	5 277
Difference between FX Swap and CIRS results reported for accounting and management information purposes (Swap points)	-	-	-	-	-	100 149
Result from continued activities before taxation	-	-	-	-	-	1 598 618
Share in the results of associates and jointly controlled entities	-	-	-	-	-	(322)
Result before taxation and minority interest	-	-	-	-	-	1 598 296
Income tax (tax charge)	-	-	-	-	-	(297 303)
Profit (loss) of minority shareholders	-	-	-	-	-	(17 254)
<b>Net profit for the period</b>	-	-	-	-	-	1 283 739
<b>Assets and equity and liabilities as at 30 June 2007</b>						
Segment assets	20 590 621	24 769 475	22 567 649	1 162 365	30 162 322	99 252 432
Investments in associates and jointly controlled entities	-	-	-	181 850	-	181 850
Unallocated assets	-	-	-	-	-	2 321 872
Total assets	-	-	-	-	-	101 756 154
Segment liabilities and result	13 567 801	62 972 174	2 109 320	664 830	11 739 854	91 053 979
Unallocated liabilities	-	-	-	-	-	10 702 175
Total liabilities	-	-	-	-	-	101 756 154
<b>Other segment information</b>						
Result on impairment allowances*	(7 568)	(107 591)	-	1 400	16 496	(97 263)

\*without impairment allowances relating to non-separated segments

*Translation of Interim Financial Statements of the PKO BP SA Group for the 2nd quarter of 2007  
The Polish original should be referred to in matters of interpretation*

For the 6 month period ended 30.06.2006	Continued activities					
	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Housing Segment	All activities
<b>Revenue</b>						
External customer-related revenues	592 197	1 897 813	768 520	94 651	1 022 777	<b>4 375 958</b>
Inter-segment sales	-	19 704	-	-	1 667	<b>21 371</b>
Total segment revenue	592 197	1 917 517	768 520	94 651	1 024 444	<b>4 397 329</b>
<b>Result</b>						
Segment result	121 348	575 369	39 061	35 761	280 397	<b>1 051 936</b>
Unallocated result together with the result of non-separated segments	-	-	-	-	-	<b>49 555</b>
Difference between FX Swap and CIRS results reported for accounting and management information purposes (Swap points)	-	-	-	-	-	<b>120 698</b>
Result from continued activities before taxation	-	-	-	-	-	<b>1 222 189</b>
Share in the results of associates and jointly controlled entities	-	-	-	-	-	<b>(1 248)</b>
Result before taxation and minority interest	-	-	-	-	-	<b>1 220 941</b>
Income tax (tax charge)	-	-	-	-	-	<b>(238 391)</b>
Profit (loss) of minority shareholders	-	-	-	-	-	<b>(29 858)</b>
<b>Net profit for the year</b>	-	-	-	-	-	<b>952 692</b>
<b>Assets and equity and liabilities as at 31 December 2006</b>						
Segment assets	19 293 605	19 127 175	28 158 790	1 619 540	25 137 161	<b>93 336 271</b>
Investments in associates and jointly controlled entities	-	-	-	180 162	-	<b>180 162</b>
Unallocated assets	-	-	-	-	-	<b>7 744 780</b>
Total assets	-	-	-	-	-	<b>101 261 213</b>
Liabilities and segment result	11 003 202	65 003 017	4 078 452	481 796	10 743 159	<b>91 309 626</b>
Unallocated liabilities	-	-	-	-	-	<b>9 951 587</b>
Total liabilities	-	-	-	-	-	<b>101 261 213</b>
<b>Other segment information</b>						
Result on impairment allowances*	22 571	(63 186)	-	850	(9 761)	<b>(49 526)</b>

\* without impairment allowances relating to non-separated segments

### Segmentation by geographical regions

Given the fact that the Group's activities are also conducted outside Poland, segmentation by geographical region is a secondary reporting format.

The operating activities of the PKO BP SA Group, which cover all business segments, are concentrated on the activities in Poland through PKO BP SA and subordinated entities.

Outside Poland, the Group carries out its activities in Ukraine – through KREDOBANK SA and UKRPOLINWESTYCJE Sp. z o.o.

The scope of activities of the Group outside Poland is relatively small compared to the result of the whole Group.

The tables below present data relating to revenue of the individual geographical segments for the 6 month periods ended 30 June 2007 and 30 June 2006, respectively, and selected assets as at 30 June 2007 and 31 December 2006.

<b>For the 6 month period ended 30 June 2007</b>	<b>Poland</b>	<b>Ukraine</b>	<b>Total</b>
<b>Revenues</b>			
Total segment revenues	5 116 298	150 860	5 267 158
<b>Other segment information</b>			
Segment assets	99 622 412	1 951 892	101 574 304
Unallocated assets	-	-	-
Investments in associates	181 850	-	181 850
<b>Total assets</b>	<b>99 804 262</b>	<b>1 951 892</b>	<b>101 756 154</b>

<b>For the 6 month period ended 30 June 2006</b>	<b>Poland</b>	<b>Ukraine</b>	<b>Total</b>
<b>Revenues</b>			
Total segment revenues	4 291 730	105 599	4 397 329
<b>Other segment information as at 31 December 2006</b>			
Segment assets	99 293 788	1 787 263	101 081 051
Unallocated assets	-	-	-
Investments in associates	180 162	-	180 162
<b>Total assets</b>	<b>99 473 950</b>	<b>1 787 263</b>	<b>101 261 213</b>

### 23. CREDIT RISK AND MARKET RISK OF THE PKO BP SA GROUP

- **Balance as at 30 June 2007**

<b>Balance sheet instruments</b>		
	<b>Carrying amount</b>	<b>Risk weighted value</b>
Banking portfolio	98 923 215	63 061 115
Trading portfolio	2 832 939	1 171 897
<b>Total balance sheet instruments</b>	<b>101 756 154</b>	<b>64 233 012</b>

<b>Off-balance sheet instruments</b>			
	<b>Replacement cost</b>	<b>Credit equivalent</b>	<b>Risk weighted value</b>
<i>Derivatives</i>	<b>187 286 939</b>	<b>2 618 295</b>	<b>524 153</b>
Banking portfolio	34 945 515	1 533 607	307 132
Trading portfolio	152 341 424	1 084 688	217 021
<i>Other off-balance sheet instruments</i>	<b>30 949 849</b>	<b>5 802 723</b>	<b>5 422 630</b>
Banking portfolio	28 758 058	4 944 014	4 689 417
Trading portfolio	2 191 791	858 709	733 213
<b>Total off-balance sheet instruments</b>	<b>218 236 788</b>	<b>8 421 018</b>	<b>5 946 783</b>

	<b>Carrying amount and off-balance sheet amount</b>	<b>Risk weighted value</b>	<b>Capital requirement</b>
<b>Total banking portfolio (credit risk)</b>	<b>162 626 788</b>	<b>68 057 664</b>	<b>5 444 613</b>

<b>Capital requirements for the trading portfolio (market risk)</b>	<b>Capital requirement</b>
<b>Market risk, of which:</b>	<b>188 073</b>
Currency risk	-
Commodity price risk	-
Equity securities price risk	1 139
Debt securities special risk	145 331
Interest rate general risk	41 603
<b>Other:</b>	<b>17 952</b>
Settlement risk - business partner delivery	17 952
Securities underwriting risk	-
Other	-
<b>Total capital requirement (credit and market risk)</b>	<b>5 650 638</b>

The credit and market exposures were calculated based on the provisions of the Resolution of the Commission for Banking Supervision No 4/2004 dated 8 September 2004.

• **Balance as at 31 December 2006**

<b>Balance sheet instruments</b>		
	<b>Carrying amount</b>	<b>Risk weighted value</b>
Banking portfolio	97 965 282	54 339 741
Trading portfolio	3 295 931	1 284 405
<b>Total balance sheet instruments</b>	<b>101 261 213</b>	<b>55 624 146</b>

<b>Off-balance sheet instruments</b>			
	<b>Replacement cost</b>	<b>Credit equivalent</b>	<b>Risk weighted value</b>
<i>Derivatives</i>	<b>154 015 221</b>	<b>2 389 886</b>	<b>478 364</b>
Banking portfolio	27 923 211	1 217 802	243 916
Trading portfolio	126 092 010	1 172 084	234 448
<i>Other off-balance sheet instruments</i>	<b>28 527 959</b>	<b>5 422 836</b>	<b>4 228 904</b>
Banking portfolio	27 718 043	4 708 920	3 514 988
Trading portfolio	809 916	713 916	713 916
<b>Total off-balance sheet instruments</b>	<b>182 543 180</b>	<b>7 812 722</b>	<b>4 707 268</b>

	<b>Carrying amount and off-balance sheet amount</b>	<b>Risk weighted value</b>	<b>Capital requirement</b>
<b>Total banking portfolio (credit risk)</b>	<b>153 606 536</b>	<b>58 098 645</b>	<b>4 647 892</b>

<b>Capital requirements for the trading portfolio (market risk)</b>	<b>Capital requirement</b>
<b>Market risk, of which:</b>	<b>132 165</b>
Currency risk	-
Commodity price risk	-
Equity securities price risk	214
Debt securities special risk	94 618
Interest rate general risk	37 333
<b>Other:</b>	<b>16 522</b>
Settlement risk - business partner delivery	16 522
Securities underwriting risk	-
Other	-
<b>Total capital requirement (credit and market risk)</b>	<b>4 796 579</b>

The credit and market exposures were calculated based on the provisions of the Resolution of the Commission for Banking Supervision No 4/2004 dated 8 September 2004.

8 August 2007

Danuta Szymańska

Bank's Director

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(Signature)