This document is a translation of a document originally issued in Polish. The only binding version is the original Polish version.

Consolidated Financial Statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group for the 6-month period ended 30 June 2007, together with the condensed standalone financial statements of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna for the 6-month period ended 30 June 2007

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FINANCIAL SUPERVISION AUTHORITY

The semi-annual consolidated report PSr 2007

(according to § 86.1 par. 2 **of the Decree of the Minister of Finance dated 19 October 2005** – Journal of Laws No. 209, item 1744)

(for banks)

for the 6-month period of 2007 covering the period from 2007-01-01 to 2007-06-30

containing consolidated financial statements in accordance with International Financial Reporting Standards

currency PLN

containing condensed financial statements in accordance with International Financial Reporting Standards

currency PLN

date of submission: 2007-09-26

Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna

(full name of issuer)

PKO BP SA

(abbreviated name of issuer)

02-515		**Warszawa**
(postal code)		(city)
Puławska		**15**
(street)		(number)
(22) 521-71-12	**521-71-11**	
(telephone)	(fax)	(e-mail)
525-000-77-38	**016298263**	**www.pkobp.pl**
(NIP)	(REGON)	(www)

Consolidated financial statements data	**in PLN thousand**		**in EUR thousand**	
SELECTED FINANCIAL DATA	**Period from 01.01.2007 to 30.06.2007**	**Period from 01.01.2006 to 30.06.2006**	**Period from 01.01.2007 to 30.06.2007**	**Period from 01.01.2006 to 30.06.2006**
Net interest income	2 107 978	1 828 109	547 726	468 722
Net fees and commission income	1 109 361	861 164	288 251	220 800
Operating result	1 614 333	1 222 189	419 460	313 366
Net profit (loss) (including minority interest)	1 300 793	982 550	337 991	251 923
Net profit (loss)	1 283 539	952 692	333 508	244 267
Equity assigned to the shareholders of the holding company	10 378 952	8 855 519	2 756 108	2 190 117
Total equity	10 414 958	8 918 689	2 765 669	2 205 740
Net cash flow from operating activities	(5 493 869)	4 693 054	(1 427 498)	1 203 285
Net cash flow from investing activities	1 150 658	(5 699 349)	298 981	(1 461 297)
Net cash flow from financing activities	81 177	(1 265)	21 093	(324)
Total net cash flow	(4 262 034)	(1 007 560)	(1 107 425)	(258 335)
Basic earnings per share	1.28	0.95	0.33	0.24
Diluted earnings per share	1.28	0.95	0.33	0.24
Basic funds (Tier 1)	8 140 338	7 109 264	2 161 649	1 887 850

Condensed financial statements data	**in PLN thousand**		**in EUR thousand**	
SELECTED FINANCIAL DATA	**Period from 01.01.2007 to 30.06.2007**	**Period from 01.01.2006 to 30.06.2006**	**Period from 01.01.2007 to 30.06.2007**	**Period from 01.01.2006 to 30.06.2006**
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 (loss)	1 530 875	1 148 154	397 775	294 383
Net profit (loss)	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	(5 414 237)	4 679 192	(1 406 807)	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 flow	(4 164 761)	(956 561)	(1 082 150)	(245 259)
Basic earnings per share	1.25	0.93	0.32	0.24
Diluted earnings per share	1.25	0.93	0.32	0.24
Basic funds (Tier 1)	7 645 298	6 727 822	2 030 192	1 663 902

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(in PLN thousand)

THE CONSOLIDATED FINANCIAL STATEMENTS OF THE PKO BP SA GROUP FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2007

CONSOLIDATED INCOME STATEMENT
for the 6-month periods ended 30 June 2007 and 30 June 2006

	Note	01.01 - 30.06.2007 unaudited	01.01 - 30.06.2006 unaudited
Interest income	9	3 027 781	2 707 242
Interest expense	9	(919 803)	(879 133)
Net interest income		**2 107 978**	**1 828 109**
Fees and commission income	10	1 417 814	1 060 379
Fees and commission expense	10	(308 453)	(199 215)
Net fees and commission income		**1 109 361**	**861 164**
Dividend income	11	3 164	3 502
Result from financial instruments at fair value	12	21 495	(57 892)
Result from investment securities	13	2 368	1 127
Foreign exchange result	14	252 792	292 698
Other operating income	15	278 473	357 707
Other operating expenses	15	(157 557)	(151 405)
Net other operating income		**120 916**	**206 302**
Result on impairment	17	(112 030)	(40 548)
General administrative expenses	16	(1 891 711)	(1 872 273)
Operating profit		**1 614 333**	**1 222 189**
Share in net profits (losses) of associates and jointly controlled entities	19	(322)	(1 248)
Profit (loss) before income tax		**1 614 011**	**1 220 941**
Income tax expense	20	(313 218)	(238 391)
Net profit (loss) (including minority interest)		**1 300 793**	**982 550**
Profit (loss) attributable to minority shareholders		17 254	29 858
Net profit (loss) attributable to the holding company		**1 283 539**	**952 692**

Earnings per share:	21		
- basic earnings per share		1.28	0.95
- diluted earnings per share		1.28	0.95

(in PLN thousand)

CONSOLIDATED BALANCE SHEET
as at 30 June 2007 and 31 December 2006

	Note	30.06.2007 unaudited	31.12.2006
ASSETS			
Cash and amounts due from the Central Bank	24	3 591 954	4 628 134
Amounts due from banks	25	8 642 160	13 430 590
Financial assets held for trading	26	906 014	998 635
Derivative financial instruments	27	1 370 418	1 199 154
Other financial instruments at fair value through profit or loss	28	12 918 566	11 518 705
Loans and advances to customers	29	66 657 018	58 906 607
Investment securities, including:	30	5 535 233	6 763 188
Available for sale		5 535 233	6 763 188
Shares in associates and jointly controlled entities	31	181 850	180 162
Intangible assets	33	1 004 404	944 028
Tangible fixed assets	34	2 598 346	2 655 041
Current tax receivables	20	536	326
Deferred tax asset	20	105 869	33 454
Other assets	35	955 273	767 683
TOTAL ASSETS		**104 467 641**	**102 025 707**

LIABILITIES AND EQUITY			
Liabilities			
Amounts due to the Central Bank	37	1 415	1 387
Amounts due to the other banks	38	4 704 696	4 351 608
Derivative financial instruments	27	1 114 207	1 097 806
Amounts due to customers	40	84 536 477	83 507 175
Liabilities arising from securities issued	41	242 101	43 722
Other liabilities	42	2 983 559	2 220 347
Current tax liabilities	20	24 315	170 960
Deferred tax liability	20	15 230	23 922
Provisions	43	430 683	428 200
TOTAL LIABILITIES		**94 052 683**	**91 845 127**
Equity			
Share capital	47	1 000 000	1 000 000
Other capital	48	8 184 620	7 109 697
Currency translation differences from foreign operations		(17 015)	(13 672)
Retained earnings	48	(72 192)	(166 771)
Net profit for the period		1 283 539	2 149 052
Equity assigned to the shareholders of the holding company		**10 378 952**	**10 078 306**
Minority interest		36 006	102 274
TOTAL EQUITY		**10 414 958**	**10 180 580**
TOTAL EQUITY AND LIABILITIES		**104 467 641**	**102 025 707**

The accompanying notes to the consolidated financial statements presented on pages 10-125 are an integral part of these financial statements.

(in PLN thousand)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

For the 6 month period ended 30 June 2007 (unaudited)	**Assigned to the shareholders of the holding company**								**Total**	**Minority interest**	**Total equity**
		Other capital									
	Share capital	**Reserve capital**	**Revaluation reserve**	**General banking risk fund**	**Other reserves**	**Currency translation reserves**	**Retained earnings**	**Net profit (loss)**			
As at 1 January 2007	**1 000 000**	**4 529 920**	**3 834**	**1 070 000**	**1 505 943**	**(13 672)**	**(166 771)**	**2 149 052**	**10 078 306**	**102 274**	**10 180 580**
Movement in available for sale investments less deferred tax	-	-	450	-	-	-	-	-	450	-	**450**
Movement in exchange rates	-	-	-	-	-	(3 343)	-	-	(3 343)	-	**(3 343)**
Total	-	-	450	-	-	(3 343)	-	-	(2 893)	-	**(2 893)**
Net profit (loss) for the period	-	-	-	-	-	-	-	1 283 539	1 283 539	-	**1 283 539**
Total	-	-	450	-	-	(3 343)	-	1 283 539	1 280 646	-	**1 280 646**
Transfer of net profit from previous years	-	-	-	-	-	-	2 149 052	(2 149 052)	-	-	-
Transfer from net profit to equity	-	1 062 391	-	-	12 082	-	(1 074 473)	-	-	-	-
Transfer from net profit to dividends	-	-	-	-	-	-	(980 000)	-	(980 000)	-	**(980 000)**
Movement in minority interest	-	-	-	-	-	-	-	-	-	(66 268)	**(66 268)**
As at 30 June 2007	**1 000 000**	**5 592 311**	**4 284**	**1 070 000**	**1 518 025**	**(17 015)**	**(72 192)**	**1 283 539**	**10 378 952**	**36 006**	**10 414 958**

For the 6 month period ended 30 June 2006 (unaudited)	**Assigned to the shareholders of the holding company**								**Total**	**Minority interest**	**Total equity**
	Share capital	**Reserve capital**	**Revaluation reserve**	**General banking risk fund**	**Other reserves**	**Currency translation reserves**	**Retained earnings**	**Net profit (loss)**			
As at 1 January 2006	**1 000 000**	**3 297 396**	**(4 054)**	**1 000 000**	**1 500 821**	**(4 082)**	**206 305**	**1 734 820**	**8 731 206**	**43 784**	**8 774 990**
Movement in available for sale investments less deferred tax	-	-	(26 978)	-	-	-	-	-	(26 978)	-	**(26 978)**
Movement in exchange rates	-	-	-	-	-	(1 151)	-	-	(1 151)	-	**(1 151)**
Total	-	-	**(26 978)**	-	-	**(1 151)**	-	-	**(28 129)**	-	**(28 129)**
Net profit (loss) for the period	-	-	-	-	-	-	-	952 692	952 692	-	**952 692**
Total	-	-	**(26 978)**	-	-	**(1 151)**	-	**952 692**	**924 563**	-	**924 563**
Transfer of net profit from previous years	-	-	-	-	-	-	1 734 820	(1 734 820)	-	-	-
Transfer from net profit to equity	-	1 232 524	-	70 000	5 122	-	(1 307 896)	-	(250)	-	**(250)**
Transfer from net profit to dividends	-	-	-	-	-	-	(800 000)	-	(800 000)	-	**(800 000)**
Movement in minority interest	-	-	-	-	-	-	-	-	-	19 386	**19 386**
As at 30 June 2006	**1 000 000**	**4 529 920**	**(31 032)**	**1 070 000**	**1 505 943**	**(5 233)**	**(166 771)**	**952 692**	**8 855 519**	**63 170**	**8 918 689**

(in PLN thousand)

CONSOLIDATED CASH FLOW STATEMENT
for the 6-month periods ended 30 June 2007 and 30 June 2006, respectively

	Note	01.01 - 30.06.2007 unaudited	01.01 - 30.06.2006 unaudited
Cash flow from operating activities			
Net profit (loss)		1 283 539	952 692
Adjustments:		(6 777 408)	3 740 362
Profits/losses attributable to minority shareholders		17 254	29 858
Depreciation and amortisation		184 280	172 821
Profit (loss) from foreign exchange		-	-
(Profit) loss from investing activities	49	5 094	(30 671)
Interest and dividends	49	(128 407)	(51 113)
Change in loans and advances to banks	49	1 562 629	(426 809)
Change in financial assets held for trading and other financial instruments valued at fair value through profit or loss		(1 307 240)	6 744 607
Change in derivative financial instruments (asset)		(171 264)	29 169
Change in loans and advances to customers	49	(7 782 602)	(5 920 504)
Change in deferred tax asset		(72 415)	(74 283)
Change in other assets and in current income tax receivables		(187 800)	(141 637)
Change in amounts due to banks	49	215 055	177 583
Change in derivative financial instruments (liability) and other financial liabilities at fair value		16 401	67 147
Change in amounts due to customers	49	1 045 250	3 257 372
Change in liabilities arising from debt securities issued		198 379	30 063
Change in provisions	49	25 761	(31 301)
Change in other liabilities	49	(279 394)	127 524
Income tax paid		(541 423)	(575 385)
Current tax expense		394 778	327 823
Other adjustments	49	28 256	28 098
Net cash flow from operating activities		**(5 493 869)**	**4 693 054**
Cash flow from investing activities			
Inflows from investing activities		**1 337 786**	**36 674**
Sale of shares in associates	31	410	-
Sale of investment securities		1 329 342	-
Sale of intangible assets and tangible fixed assets		4 802	36 599
Other investing inflows		3 232	75
Outflows from investing activities		**(187 128)**	**(5 736 023)**
Purchase of a subsidiary, net of cash acquired	51	(1 309)	(55 055)
Purchase of shares in jointly controlled entities	31	-	(44 370)
Purchase of shares in associates	31	(5 000)	(4 248)
Purchase of investment securities		-	(5 475 047)
Purchase of intangible assets and tangible fixed assets		(180 819)	(157 303)
Other investing outflows		-	-
Net cash generated from/ (used in) investing activities		**1 150 658**	**(5 699 349)**

(in PLN thousand)

CONSOLIDATED CASH FLOW STATEMENT
for the 6-month periods ended 30 June 2007 and 30 June 2006, respectively (continued)

Cash from from financing activities			
Issue of shares		-	-
Issue of debt securities		-	-
Redemption of dept securities		-	-
Dividends paid to holding company shareholders		-	-
Dividends paid to minority shareholders		(29 400)	-
Drawing/repayment of long term liabilities		110 577	(1 265)
Net cash generated from/ (used in) financing activities		**81 177**	**(1 265)**
Total net cash flows		**(4 262 034)**	**(1 007 560)**
Cash and cash equivalents at the beginning of the period		14 163 158	11 390 608
Cash and cash equivalents at the end of the period	49	**9 901 124**	**10 383 048**
included those with limited disposal	36	14 517	1 978

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at 30 June 2007

1. General information

The consolidated financial statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group ("the PKO BP SA Group", "the Group") have been prepared for the 6-month period ended 30 June 2007 and include comparative data for the 6-month period ended 30 June 2006 (with respect to the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement) and comparative data as at 31 December 2006 (with respect to the consolidated balance sheet and consolidated off-balance sheet items).

The holding company of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group is Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna ("PKO BP SA", "the holding company", "the Bank").

The holding company was established in 1919. Pursuant to the Decree of the Council of Ministers dated 18 January 2000, Powszechna Kasa Oszczędności bank państwowy (a state-owned bank) was transformed into a state-owned joint-stock company, Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna with its registered office in Warsaw, Puławska 15, Poland.

On 12 April 2000 Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna was entered in the Commercial Register kept by the District Court for the capital city of Warsaw, Commercial Court XVI Registration Department. At present, the appropriate Court of Registration is the District Court for the capital city of Warsaw, XIII Economic Department of the National Court Register. The Bank was registered under entry No. KRS 0000026438 and was granted statistical REGON No. 016298263. The Bank's share capital amounts to PLN 1,000,000 thousand.

The Bank's shareholding structure is as follows:

Name of entity	Number of shares	Number of votes %	Nominal value of the share	Share in the share capital %
As at 30 June 2007				
State Treasury	514 943 765	51.49	PLN 1	51.49
Other shareholders	485 056 235	48.51	PLN 1	48.51
Total	**1 000 000 000**	**100.00**	**---**	**100.00**
As at 31 December 2006				
State Treasury	514 959 296	51.50	PLN 1	51.50
Other shareholders	485 040 704	48.50	PLN 1	48.50
Total	**1 000 000 000**	**100.00**	**---**	**100.00**

The Bank is a public company quoted on the Warsaw Stock Exchange. According to the Warsaw Stock Exchange Bulletin (*Cedula Giełdowa*), the Bank is classified under the macro-sector "Finance", sector "Banks".

Bank's business activities

The Bank's activities correspond to the following activities set forth in the Polish Classification of Activities (PKD):

- other banking services - PKD 65.12.A,
- insurance and pension funds supporting activities - PKD 67.20.Z,
- brokerage activities and fund management - PKD 67.12.Z,
- other financial intermediation services, not classified elsewhere - PKD 65.23.Z,
- supporting financial activities, not classified elsewhere - PKD 67.13.Z,
- purchase and sale of foreign currencies - PKD 65.12.A,
- intermediation in foreign money transfers initiated by residents and domestic settlements with non-residents –PKD 65.12.B.

According to the Articles of Association of PKO BP SA, the Bank's activities include mainly:

- accepting call (demand) or term deposits and keeping accounts of those deposits,
- keeping other types of bank accounts,
- extending loans,
- extending cash advances,
- extending and confirming bank guarantees and opening and confirming letters of credit,
- performing monetary bank settlements,
- operations including cheques, bills of exchange and operations with warrants,
- issuing bank securities,
- issuing payment cards and performing operations using such cards,
- conducting forward transactions,
- purchase and disposal of debts.

PKO BP SA is a universal commercial bank offering services to both domestic and foreign retail, corporate and other clients. PKO BP SA has the right to keep foreign exchange and to trade in foreign exchange, as well as to perform foreign currency and foreign exchange operations, open and hold bank accounts abroad and to place foreign exchange on these accounts.

The Bank conducts its activity on the following markets:

- currency market,
- money market,
- market of securities, including debt securities issued by the State Treasury and the Central Bank,
- market of corporate clients and sole traders, irrespective of the scale of performed activities,
- market of retail clients.

In addition, the Group's subsidiaries also conduct activities relating to leasing, and real estate development as well as render other financial services. The scope of activities of the individual Group companies is presented in this note, in the table “Structure of the Group”.

The Group operates on the territory of the Republic of Poland and **-** through its subsidiaries, KREDOBANK SA and UKRPOLINWESTYCJE Sp. z o.o. **-** on the territory of Ukraine.

Going concern

The consolidated financial statements of the PKO BP SA Group have been prepared on the basis that the Bank and the entities from the PKO BP SA Group will be a going concern during a period of at least 12 months from the balance sheet date, i.e. 30 June 2007. As at the date of signing these consolidated financial statements, the Bank's Management Board is not aware of any facts or circumstances that would indicate a threat to the continued activity of the Bank or the entities from the PKO BP SA Group in at least 12 months following the balance sheet date due to an intended or compulsory withdrawal from or a significant limitation in the activities carried out by the Bank or other entities from the PKO BP SA Group.

Reporting periods covered by these consolidated financial statements

The consolidated financial statements of the PKO BP SA Group are presented for the 6-month period ended 30 June 2007, and include comparative data for the 6-month period ended 30 June 2006 (with respect to the consolidated income statement, statement of changes in consolidated equity and consolidated cash flow statement) and comparative data as at 31 December 2006 (with respect to the consolidated balance sheet and consolidated off-balance sheet items). The financial data is presented in PLN thousands.

Information on members of the Management and Supervisory Boards of the Group's holding company

As at 30 June 2007, the Bank's Management Board consisted of:

- Rafał Juszczak — Acting President of the Management Board
- Robert Działak — Vice-President of the Management Board
- Wojciech Kwiatkowski — Vice-President of the Management Board
- Stefan Świątkowski — Vice-President of the Management Board

During the 6-month period ended 30 June 2007, the following changes took place in the composition of the Bank’s Management Board:

On 10 January 2007 Sławomir Skrzypek resigned from the position of Vice-President of Management Board due to his appointment to the position of President of the National Bank of Poland (NBP).

On 10 January 2007 the Supervisory Board of PKO BP SA delegated Marek Głuchowski, Chairman of the Supervisory Board of PKO BP SA, to act temporarily as President of the Management Board of PKO BP SA until 23 January 2007. Due to the fact that, during the period from 24 January 2007 to 26 January 2007, no candidate was appointed to be the acting President of the Management Board, the Supervisory Board delegated Marek Głuchowski to act temporarily as President of the Management Board of PKO BP SA, beginning from 27 January 2007 until 10 April 2007.

On 31 January 2007 Jacek Obłękowski resigned from the position of Vice-President of the Management Board.

On 22 February 2007 the Supervisory Board appointed:

- Robert Działak as Vice-President of the Management Board of the Bank as of 23 February 2007,
- Stefan Świątkowski as Vice-President the Management Board of the Bank as of 1 May 2007.

On 13 March 2007 Zdzisław Sokal resigned from the position of Vice-President of Management Board.

On 2 April 2007 the Supervisory Board of PKO BP SA:

- delegated Marek Głuchowski, Chairman of the Supervisory Board, to independently supervise the activities undertaken by the Bank’s Management Board in conducting the affairs of PKO BP SA, beginning from 11 April 2007,
- appointed, as of 11 April 2007, Rafał Juszczak, Vice-President of the Management Board, to act as President of the Management Board of PKO BP SA until a new President of the Management Board is elected,
- delegated Adam Skowroński, Member of the Bank’s Supervisory Board, to temporarily act as Vice-President of the Management Board during the period from 11 April 2007 to 30 April 2007.

Changes in the composition of the Management Board of the Bank subsequent to 30 June 2007 are presented in Note 53 (Events after the balance sheet date).

As at 30 June 2007, the Bank's Supervisory Board consisted of:

- Marek Głuchowski — Chairman of the Supervisory Board
- Urszula Pałaszek — Vice-Chairman of the Supervisory Board
- Tomasz Siemiątkowski — Secretary of the Supervisory Board
- Jerzy Michałowski — Member of the Supervisory Board
- Maciej Czapiewski — Member of the Supervisory Board
- Adam Skowroński — Member of the Supervisory Board
- Agnieszka Winnik - Kalemba — Member of the Supervisory Board

During the 6-month period ended 30 June 2007, the following changes took place in the composition of the Bank's Supervisory Board:

On 31 January 2007 Jerzy Osiatyński resigned from the position of a member of the Supervisory Board of the Bank.

On 19 March 2007 the Extraordinary General Shareholders' Meeting appointed Maciej Czapiewski to the Supervisory Board of the Bank.

Internal organizational units of PKO BP SA

The financial statements of PKO BP SA, comprising financial data for the 6-month ended 30 June 2007 and comparative financial data, were prepared on the basis of financial data submitted by all organizational units of the Bank through which it performs its activities. As at 30 June 2007, these organizational units included: the Bank's Head Office in Warsaw, Dom Maklerski PKO BP SA, COK - Centrum Operacji Kartowych, CBE - Centrum Bankowości Elektronicznej Inteligo, 9 specialized units, 12 regional retail branches, 13 regional corporate branches, 574 independent branches, 564 offices (subordinated branches), 13 corporate client teams, 70 corporate centers and 2,260 agencies. Except for Dom Maklerski PKO BP SA, none of the organizational units listed above prepares separate financial statements.

(in PLN thousand)

Structure of the Group

The PKO BP SA Group is formed by PKO BP SA and the following subsidiaries:

No.	Name	Registered office	Activity	Share in share capital (%)	
				30.06.2007	31.12.2006
The PKO BP SA Group					
Holding company					
1	Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna				
Direct subsidiaries					
2	Powszechne Towarzystwo Emerytalne BANKOWY SA	Warsaw	Pension fund management	100.00	100.00
3	Centrum Finansowe Puławska Sp. z o.o.	Warsaw	Management and use of Centrum Finansowe Puławska	100.00	100.00
4	PKO Inwestycje Sp. z o.o.	Warsaw	Real estate development	100.00	100.00
5	Inteligo Financial Services SA	Warsaw	Technical servicing of Internet banking	100.00	100.00
6	Centrum Elektronicznych Usług Płatniczych "eService" SA	Warsaw	Servicing and settlement of card transactions	100.00	100.00
7	Bankowy Fundusz Leasingowy SA	Łódź	Leasing	100.00	100.00
8	Bankowe Towarzystwo Kapitałowe SA	Warsaw	Intermediation in shares and stock trading	100.00	100.00
9	PKO Towarzystwo Funduszy Inwestycyjnych SA	Warsaw	Investment fund management	75.00	75.00
10	KREDOBANK SA	Lviv, Ukraine	Financial services	69.933	69.933
Indirect subsidiaries					
	Subsidiaries of PTE BANKOWY SA				
11	Finanse Agent Transferowy Sp. z o.o.	Warsaw	Intemediary financial services	100.00	100.00
	Subsidiaries of PKO Inwestycje Sp. z o.o.				
12	POMERANKA Sp. z o.o.	Warsaw	Real estate development	100.00	100.00
13	Wilanów Investments Sp. z o.o.	Warsaw	Real estate development	100.00	100.00
14	UKROPOLINWESTYCJE Sp. z o.o.	Kiev, Ukraine	Real estate development	55.00	55.00
15	Fort Mokotów Sp. z o.o.	Warsaw	Real estate development	51.00	51.00
	Subsidiaries of Fundusz Leasingowy SA				
16	Bankowy Leasing Sp. z o.o.	Łódź	Leasing	100.00	-

Information on changes in the share capital of subsidiaries is presented in Note 51.

(in PLN thousand)

Other entities (associates and jointly controlled entities) included in the consolidated financial statements:

Jointly controlled entities

No.	Name	Registered office	Acitivity	Share in share capital (%)	
	Direct jointly controlled companies			30.06.2007	31.12.2006
1	CENTRUM HAFFNERA Sp. z o.o.	Sopot	Real estate development	49.43	49.43
2	Centrum Obsługi Biznesu Sp. z o.o.	Poznań	Construction and operation of a hotel	41.44	41.44
	Indirect jointly controlled companies				
	Subsidiaries of CENTRUM HAFFNERA Sp. z o.o.(Indirectly jointly controlled by PKO BP SA)				
4	Centrum Majkowskiego Sp. z o.o.	Sopot	Real estate development	100.00	100.00
5	Kamienica Morska Sp. z o.o.	Sopot	Real estate development	100.00	100.00
6	Sopot Zdrój Sp. z o.o.	Sopot	Real estate development	100.00	100.00
7	Promenada Sopocka Sp. z o.o.	Sopot	Real estate development	100.00	100.00

Associated entities

Moreover, the holding company has a significant influence on the following associated entities:

No.	Name	Registered office	Activity	Share in share capital (%)	
				30.06.2007	31.12.2006
	Direct associates				
1	Bank Pocztowy SA	Bydgoszcz	Financial services	25.0001	25.0001
2	Kolej Gondolowa Jaworzyna Krynicka SA	Krynica	Construction and operation of cable railway	37.53	37.53
3	Ekogips SA – in bankruptcy	Warsaw	Production of construction elements	60.26	60.26
4	Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	Poznań	Sureties in accordance with civil law and bill of exchange law	33.33	33.33
6	Agencja Inwestycyjna CORP SA	Warsaw	Office real estate management	22.31	22.31
	Indirect associates				
	Associates of Bankowe Towarzystwo Kapitałowe SA				
7	FINDER SA*	Warsaw	Car location and fleet management services	46.43	46.43
8	P.L. ENERGIA SA**	Krzywopłoty	Natural gas and crude oil extraction and distribution services	33.77	-
9	INTER FINANCE Polska Sp. z o.o.	Suchy Las near Poznań	Investing in sector of financial intermediation services on the Ukrainian market	-	45.00

* until 2 January 2007 - FINDER Sp. z o.o.

**Information on acquisition of shares in PL ENERGIA SA by Bankowe Towarzystwo Kapitałowe SA is included in Note 31.

Approval of financial statements

These consolidated financial statements of the PKO BP S.A. Group have been approved for publication by the Bank's Management Board on 21 Septermber 2007.

2. Accounting policies

Basis for preparation of financial statements and declaration of compliance with accounting standards

In accordance with the Accounting Act of 29 September 1994 with subsequent amendments ("Accounting Act"), beginning from 1 January 2005 the Group has an obligation to prepare consolidated financial statements in accordance with International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and their interpretations promulgated in the form of European Commission regulations. At present, taking into account the process of implementation of IFRS in the European Union and the Group's activities, there are no differences between IFRSs and the IFRSs endorsed by the European Union as regards the accounting policies applied by the Group.

Pursuant to Art. 45, section 1c of the Accounting Act and Resolution No. 28/2005 of the General Shareholders' Meeting of PKO BP SA dated 19 May 2005, beginning from 1 January 2005 the Bank prepares its standalone financial statements in accordance with IAS/IFRS.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including in particular International Accounting Standard 34, and in accordance with all relevant International Financial Reporting Standards endorsed by the EU as at 30 June 2007.

Changes in accounting policies

Presented below are the new or revised IFRS regulations and the new IFRIC interpretations which have been applied by the Group during the 6-month period ended 30 June 2007. The application of these regulations and interpretations had no effect on the financial statements, except for several additional disclosures.

IAS 1, *Presentation of Financial Statements – Disclosures on capital*

The Group applied the amended regulations of IAS 1. The principles for capital management are presented in Note 2, point y) Equity.

IFRS 7, *Financial Instruments: Recognition and Measurement*

The Group applied IFRS 7. The most significant amendments were made to Note 3, *Objectives and principles relating to financial risk management.*

IFRIC 7, *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*

The application of this Interpretation had no significant effect on the financial statements of the Group.

IFRIC 8, *Scope of IFRS 2*

The Group applied IFRIC Interpretation 8. As a result, it amended certain of its accounting policies. The Group reviewed transactions which involved an issue of shares (or as a result of which the Group incurred a liability based on the value of equity instruments) in respect of payment for goods or services received, and concluded that there were no transactions that would require a different treatment due to application of IFRIC Interpretation 8.

IFRIC 9, *Reassessment of Embedded Derivatives*

The Group applied IFRIC Interpretation 9. According to this Interpretation, an assessment of whether a given contract contains an embedded derivative instrument is made at the date of first becoming a party to the contract. A reassessment can only be made when there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract. The application of this Interpretation did not lead to any significant changes in the treatment of embedded derivatives held by the Group.

IFRIC 10, *Interim Financial Reporting and Impairment*

The Group applied IFRIC Interpretation 10. According to this Interpretation, an entity may not reverse impairment losses recognized in the interim period on goodwill or investments in equity instruments classified as available for sale. The application of this Interpretation did not lead to any significant changes affecting these consolidated financial statements.

New standards and interpretations which have been issued but are not yet effective

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee but have not yet come into effect:

IFRS 8, *Operating segments* - applicable to annual periods beginning on or after 1 January 2009 – this Standard has not been endorsed by EU at the date of authorization of these financial statements,

IAS 23, *Borrowing costs (amended in March 2007)* - applicable to annual periods beginning on or after 1 January 2009 - this Standard has not been endorsed by EU at the date of authorization of these financial statements,

IFRIC 11, *Group and Treasury Share Transactions* - applicable to annual periods beginning on or after 1 March 2007,

IFRIC 12, *Service Concession Arrangements* - applicable to annual periods beginning on or after 1 January 2008 - this Interpretation has not been endorsed by EU at the date of authorization of these financial statements,

IFRIC 13, *Customer Loyalty Programmes* - applicable to annual periods beginning on or after 1 July 2008 - this Interpretation has not been endorsed by EU at the date of authorization of these financial statements,

IFRIC 14, *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction* - applicable to annual periods beginning on or after 1 January 2008 - this Interpretation has not been endorsed by EU at the date of authorization of these financial statements.

The Management Board does not expect the application of the above standards and interpretations to have a material impact on the accounting policies of the Group.

Certain Group entities keep books of accounts in accordance with accounting policies specified in the Accounting Act dated 29 September 1994 ("the Accounting Act") with subsequent amendments and the regulations issued based on that Act ("Polish Accounting Standards"). Foreign entities of the Group keep their books of accounts in accordance with adequate domestic regulations. The consolidated financial statements include a number of adjustments not included in the books of account of the Group entities, which were made in order to bring the financial statements of those entities to conformity with IFRS.

All items presented in the financial statements of the individual Group companies, including KREDOBANK S.A. and UKRPOLINWESTYCJE Sp. z o.o. are measured in functional currency i.e. in the currency of the basic economic environment in which the given entity operates.

The Polish złoty is the presentation currency of these consolidated financial statements. The functional currency of the holding company and other entities included in these financial statements, except for KREDOBANK S.A and UKRPOLINWESTYCJE Sp. z o.o., is the Polish złoty. The functional currency of KREDOBANK S.A. and UKRPOLINWESTYCJE Sp. z o.o is the Ukrainian hrivna.

The Group uses the average NBP rate effective at the balance sheet date as the closing exchange rate used in order to translate the assets and liabilities denominated in foreign currency at the balance sheet date.

Principal accounting policies and methods applied by the PKO BP SA Group

In these financial statements, all items were recognized at historical cost, except for financial assets recognized at fair value through profit or loss, financial assets available for sale and derivatives, which are stated at fair value.

The principal accounting policies and methods applied by the PKO BP SA Group:

a) Basis of consolidation

The consolidated financial statements include the financial statements of PKO BP SA and the financial statements of its subsidiaries, prepared for the six month period ended 30 June 2007. The financial statements of the subsidiaries cover the same reporting period as the holding company's financial statements. Consolidation adjustments are made in order to eliminate any differences in the accounting policies applied by the Bank and its subsidiaries.

The consolidated financial statements of the Group were prepared based on the financial statements of the holding company and the financial statements of the following subsidiaries:

- for the 6-month period ended 30 June 2007:
  - The Bankowy Fundusz Leasingowy SA Group,
  - The Powszechne Towarzystwo Emerytalne BANKOWY SA Group,

- Centrum Finansowe Puławska Sp. z o.o.,
- Centrum Elektronicznych Usług Płatniczych „eService" SA,
- Inteligo Financial Services SA,
- KREDOBANK SA,
- Bankowe Towarzystwo Kapitałowe SA,
- The PKO Inwestycje Sp. z o.o. Group,
- PKO Towarzystwo Funduszy Inwestycyjnych SA

▪ for the year ended 31 December 2006:

- Bankowy Fundusz Leasingowy SA,
- The Powszechne Towarzystwo Emerytalne BANKOWY SA Group,
- Centrum Finansowe Puławska Sp. z o.o.,
- Centrum Elektronicznych Usług Płatniczych „eService" SA,
- Inteligo Financial Services SA,
- KREDOBANK SA,
- Bankowe Towarzystwo Kapitałowe SA,
- The PKO Inwestycje Sp. z o.o Group.
- PKO Towarzystwo Funduszy Inwestycyjnych SA.

▪ for the 6-month period ended 30 June 2006:

- Bankowy Fundusz Leasingowy SA,
- The Powszechne Towarzystwo Emerytalne BANKOWY SA Group,
- Centrum Finansowe Puławska Sp. z o.o.,
- Centrum Elektronicznych Usług Płatniczych „eService" SA,
- Inteligo Financial Services SA,
- KREDOBANK SA,
- Bankowe Towarzystwo Kapitałowe SA,
- The PKO Inwestycje Sp. z o.o. Group,
- PKO Towarzystwo Funduszy Inwestycyjnych SA.

The full method consolidation of financial statements of subsidiaries involves adding up the full amounts of the individual items of the balance sheet, profit and loss account of the subsidiaries and of the Bank, and performing appropriate consolidation adjustments and eliminations. The carrying amount of the Bank's investments in the subsidiaries and the equity of these entities at the date of their acquisition are eliminated at consolidation. The consolidated cash flow statement was prepared on the basis of the consolidated balance sheet and consolidated income statement as well as the additional notes and explanations.

The following items are eliminated in full at consolidation:

▪ inter-company receivables and payables, and any other settlements of a similar nature, between the consolidated entities,

▪ revenue and costs arising from business transactions conducted between the consolidated entities,

▪ gains or losses which arose from business transactions conducted between consolidated entities, included in the carrying amount of the assets of the consolidated entities, except for losses indicating impairment,

▪ dividends accrued or paid by the subsidiaries to the holding company and to other consolidated entities,

▪ inter-company cash flows in the cash flow statement.

Subsidiaries are consolidated from the date on which control was acquired to the day when it ceased.

The results of the subsidiaries are included in the consolidated financial statements for that part of the reporting period in which they were controlled by the Group.

b) Purchase/sale of minority interests

If the Group increases/decreases its share in the net assets of its controlled subsidiaries, the excess of the cost of acquisition over the acquirer's interest in the net assets of the acquired subsidiary is recognized as goodwill. Goodwill is tested for impairment on an annual basis.

c) Estimates

In preparing financial statements in accordance with IFRS, the Group makes certain estimates and assumptions, which have a direct influence on both the financial statements presented and the notes to the financial statements.

The estimates and assumptions made at each balance sheet date reflect the conditions that existed at these dates (e.g. market prices, interest rates, exchange rates etc.). In spite of the fact that the estimates are based on the best understanding of the current situation and the activities that will be undertaken by the Bank, the actual results may differ from those estimates.

The Group presents the type and magnitude of changes in estimates if these changes affect the current period or if it is expected that they will significantly affect future periods.

The estimates and assumptions that are used by the Group in determining the value of its assets and liabilities as well as revenues and costs, are made based on historical data and other factors which are available and are considered to be proper in the given circumstances. Assumptions regarding the future and the data available are used for assessing carrying amounts of assets and liabilities which cannot be determined unequivocally using other sources. In making assessments the Group takes into consideration the reasons and sources of the uncertainties that are anticipated at the balance sheet date.

Estimates and assumptions made by the Group are subject to periodic reviews. Adjustments to estimates are recognized in the periods in which the estimates were adjusted, provided that these adjustments affect only the given period. If the adjustments affect both the period in which the adjustment was made as well as future periods, they are recognized in the period in which the adjustments were made and in the future periods.

The main assumptions about the future that were used by the Group in performing estimates include first of all the following areas:

- Impairment of financial assets

At each balance sheet date, the Group assesses whether there is any objective evidence that the value of a given financial asset or a group of financial assets is impaired. Evidence indicating impairment are events or groups of events which occurred after the date of the initial recognition of the asset/group of assets and which indicate that the expected future cash flows to be derived from the given asset or group of assets may have decreased. When evidence of impairment is found, the Group estimates the amount of impairment allowance.

The Group uses three methods for estimation of impairment:

a) for loans which were found to be individually impaired and which are considered individually significant, impairment is estimated on the basis of an analysis of the future cash flows expected for each asset,

b) for loans which were found to be individually impaired and which are not considered individually significant, impairment is estimated for the individual types of exposures, on the basis of the expected average cash flows generated by the particular loan portfolios,

c) for loans which were not found to be individually impaired, but for which it was found that they may have given rise to incurred but not reported losses, impairment write-downs are estimated on the basis of the expected time when the losses will be identified, the probability of the losses being identified and the expected amount of the loss at the moment when it is identified.

The Group expects that the methodology used for estimating impairment allowances will be developed in line with the increasing possibilities of acquiring impairment data from the existing information systems and applications and those being implemented. As a consequence, any new data obtained by the Group might affect the level of impairment allowances in the future.

- Impairment of investments in associates and jointly controlled entities

At each balance sheet date, the Group makes an assessment of whether there are any indicators of impairment in the value of investments in associates and jointly controlled entities. If any such indicators exist, the Group estimates the value in use of the investment or the fair value of the investment less costs to sell, depending on which of these values is higher. The projection for the value in use requires making assumptions, e.g. about the future cash flows that the Group may receive from dividends or the cash inflows from the potential disposal of the investment, less the costs of disposal. The adoption of other assumptions with reference to the projected cash flows might affect the carrying amount of certain investments.

- Impairment of other non-current assets

At each balance sheet date, the Group makes an assessment of whether there are any indicators of impairment of any of its non-current assets (or cash-generating units). If any such indicators exist, the Group estimates the recoverable amount and the value in use of the given non-current asset (or cash-generating unit). In order to estimate these values, it is necessary to adopt certain assumptions, e.g. about the expected future cash flows that the Group may receive from the continued use or disposal of the non-current asset (or cash-generating unit). The adoption of other assumptions with reference to future cash flows may affect the carrying amount of certain non-current assets.

- Impairment of goodwill

Goodwill arising on acquisition of a business entity is recognized at the acquisition cost, being an excess of the costs of acquiring control over the entity over the share of the holding company in the net fair value of the identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is stated at acquisition cost less any cumulative impairment losses. The test for impairment is carried out on an annual basis.

Impairment is calculated by estimating the recoverable amount of the cash-generating unit to which the given goodwill relates. In the case where the recoverable amount of the cash-generating unit is lower than the carrying amount, an impairment write-down is recognized. In the case where goodwill represents part of a cash-generating unit and part of operations conducted within this unit is sold, when calculating the gain or loss on the disposal of these operations, the goodwill related to sold operations is included in the carrying amount of these operations. Goodwill sold in such circumstances is valued on the basis of the relative value of the operations sold and the value of the remaining part of the cash-generating unit.

- Valuation of derivatives and non-quoted debt securities available for sale

The fair value of non-option derivatives and debt securities available for sale not listed on an active market is determined using valuation models based on discounted cash flows that may be received from the given financial instrument. Options are valued using option pricing models. The variables and assumptions used in valuation include any available data derived from observable markets. In the valuation of non-quoted debentures available for sale, assumptions are also made about the contractor's credit risk, which may have an impact on the pricing of the instruments. Any change in these assumptions might affect the valuation of the above-mentioned instruments.

- Calculation of provision for retirement benefits and jubilee bonuses

The provision for retirement benefits and jubilee bonuses is created individually for each employee on the basis of actuarial valuation performed at the balance sheet date by an independent actuary. The basis for calculation of these provisions are internal regulations, and especially the Collective Labour Agreement ("*Zakładowy Układ Zbiorowy Pracy*") being in force at the Bank. Valuation of employee benefit provisions is performed using actuarial techniques and assumptions in accordance with International Financial Reporting Standards and International Accounting Standards, especially IAS 19. The calculation of the provision includes all bonuses and retirement benefits that may be paid in the future. The provision was created on the basis of a list including all the necessary details of the employees, in particular the length of their service, age and gender. The provisions calculated equal discounted payments to be made in the future, taking into account staff turnover, and relate to the period until the balance sheet date. Gains or losses resulting from actuarial calculations are recognized in the income statement.

- Useful lives of tangible fixed assets, intangible assets and investment properties

In estimating the useful lives of particular types of tangible fixed assets, intangible assets and investment property, the Group considers a number of factors, including the following:

- the average existing useful lives, which reflect the pace of the physical wear and tear, intensiveness of usage, etc.,
- technical obsolescence,
- the period of having control over the asset and legal and other limits on the use of the asset,
- dependence of the useful lives of assets on the useful lives of other assets,
- other factors affecting the useful lives of non-current assets of this type.

When the period of use of a given asset results from a contract, the useful live of that asset corresponds to the period defined in the contract; if, however, the estimated useful life is shorter than the period defined in the contract, the Group uses the estimated useful life.

d) Cash and cash equivalents

"Cash and cash equivalents" consist of cash on hand, cash at *nostro* account with the Central Bank of Poland, current amounts due from other banks, and other cash due within up to three months and stated at nominal value.

e) Financial assets

The Group classifies financial assets into the following categories: financial assets valued at fair value through profit or loss, financial assets available for sale, loans and other receivables, financial assets held to maturity.

The Group determines the classification of the financial asset at the moment of its initial recognition.

- Financial assets at fair value through profit or loss

This category includes: financial assets held for trading and financial assets designated at the moment of initial recognition as financial assets at fair value through profit or loss, due to the fact that these items are managed on a portfolio basis, using fair value measurement, in accordance with documented risk management policies and investment strategy of the holding company.

Financial assets held for trading comprise: debt securities and equity securities, loans and receivables which were acquired or classified into this category with an intention to sell them in a short period of time. Derivative instruments are also included in this category.

<u>Equity instruments</u>

The equity instruments managed by Dom Maklerski PKO BP SA are classified into financial assets at fair value through profit or loss, where the fair value is measured as follows:

1) for those equity instruments for which there is an active market - with reference to market value,
2) for those equity instruments for which there is no active market - with reference to the price of the last transaction concluded on the market, unless in the period between the date of the transaction and the balance sheet date there were significant changes in market conditions which might affect the price.

<u>Debt instruments</u>

Debt securities are classified into the category of financial assets at fair value through profit or loss, where the fair value is measured as follows:

1) for those debt instruments for which there is an active market - with reference to market value,
2) for those debt instruments for which there is no active market - with reference to other value accepted as fair value and determined using one of the following methods:
   a) reference asset value method,
   b) the yield curve method based on market interest rates,
   c) the price of the last transaction concluded on the market, unless in the period between the date of the transaction and the balance sheet date there were significant changes in market conditions which might affect the price.

The effects of changes in fair value are recorded as income or expense from financial instruments stated at fair value through profit or loss.

Interest income on these instruments is determined using the effective interest rate; the same applies to any amortization of discount or premium, which is recognized in the income statement under interest income and interest expense, as appropriate.

Derivative instruments

Derivative financial instruments are recognized at fair value at the date of transaction and are subsequently carried at fair value as of the balance sheet date. In the case where the estimated fair value is lower or higher than the fair value as of the preceding balance sheet date (for transactions concluded in the reporting period - acquisition cost or the sale price of the instrument), the difference is included, respectively, in the result on financial instruments at fair value through profit or loss or in the foreign exchange result (FX swap, FX forward and CIRS transactions), in correspondence with “Derivative financial instruments”.

The result of the ultimate settlement of derivative instrument transactions is reflected in the result from financial assets and liabilities stated at fair value through profit or loss or in the foreign exchange result. The nominal value of the underlying instruments is presented in off-balance sheet items from the date of the transaction until maturity. Off-balance sheet items denominated in foreign currencies are revalued at the end of each day according to the average NBP exchange rate.

The fair value of financial instruments which are traded on the market is their market price, less the costs of transaction. In other cases, fair value is calculated on the basis of a valuation model, based on data derived from an active market.

Embedded derivative instruments

The Group has embedded derivative instruments, which are the components of financial and non-financial contracts, whereby all or part of the cash flows relating to such contracts vary in a similar way to the stand-alone derivative. An assessment of whether a given contract contains an embedded derivative instrument is made at the date of first becoming a party to the contract. A reassessment can only be made when there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract.

Embedded derivative instruments separated from host contracts and recognized separately in the accounting records are valued at fair value. Valuation is presented in the balance sheet under “Derivative Financial Instruments”. Changes in the fair value of derivative instruments are recorded in the profit and loss account under the “Result from financial assets and financial liabilities valued at fair value”.

Embedded derivative instrument is recognized separately from the host contract, if all of the following conditions are met:

- the financial instrument from which the embedded derivative instrument is separated is not classified as held for trading or available-for-sale, and the effects of revaluation of such instrument are charged to income or cost of financial operations of the current financial period,
- the characteristics and risks of the embedded derivative instrument are not closely related to the characteristics and risks of the host contract,
- a separate instrument with the same characteristics as the embedded derivative would meet the definition of a derivative,
- it is possible to reliably determine the fair value of the embedded derivative.

In the case of contracts which are not financial instruments and which include an instrument which fulfils the above conditions, embedded derivatives are classified into financial assets valued at fair value through profit or loss or financial liabilities and are valued at fair value, with changes in fair value recorded in profit and loss account.

The fair value of financial instruments which are traded on the markets is their market price, less the costs of transaction. In other cases, fair value is calculated on the basis of a valuation model, based on data derived from an active market. The techniques used are based - among others - on the discounted cash flow models, option models and yield curves.

- Financial assets available for sale

These are financial assets for which the holding period is not defined, and they are classified neither into the portfolio of assets valued at fair value through profit or loss nor into assets held to maturity. This portfolio includes: debt securities and equity securities, and loans and receivables that were not included into other categories. Interest on assets available for sale is calculated using the effective interest rate method and is charged to profit and loss account under "Interest income".

Financial assets available for sale are valued at fair value, and gains and losses arising from changes in fair value compared with valuation using amortized cost are taken to revaluation reserve. The item included in revaluation reserve is taken to the profit and loss account at the moment the asset is sold or found to be impaired. If an asset classified as available for sale is found to be impaired, the increases in the value of the asset that were previously recognized on its revaluation to fair value reduce the amount of the "Revaluation reserve". If the amount of the previous increases in value is not sufficient to cover the impairment, the difference is charged to the profit and loss account.

Impairment losses on equity instruments are not reversed through profit or loss, i.e. any future increases in the fair value of such instruments are recognized in revaluation reserve.

Dividends from equity instruments are recorded in the profit and loss account when the entity's right to receive the payment has been established.

<u>Equity instruments</u>

Equity instruments classified as available for sale are stated at fair value. The fair value is determined as follows:

1) for equity instruments for which an active market exists - with reference to market value,
2) for equity instruments for which there is no active market:
   a) as current bid offer,
   b) valuation performed by a specialized external entity providing services of this kind.

If it is not possible to determine fair value, equity instruments are stated at acquisition cost less impairment losses.

The effects of changes in the fair value of equity instruments classified as available-for-sale are taken to revaluation reserve, except for impairment losses, which are charged to profit and loss account.

<u>Debt instruments</u>

Debt instruments classified as available-for-sale are stated at fair value. The fair value is determined as follows:

1) for those debt instruments for which there is an active market - with reference to market price,
2) for those debt instruments for which there is no active market - with reference to other value accepted as the fair value and determined using one of the following methods:
   a) reference asset value method,
   b) the yield curve method based on market interest rates, adjusted for risk margin equal to the margin determined in the terms of the issue.

The results of changes in fair value in relation to the carrying amount of an instrument stated at amortized cost are taken to revaluation reserve, except for impairment losses, which are charged to profit and loss account. Interest income and discounts calculated using the effective interest rate are presented as interest income, and the gain or loss recorded in the revaluation reserve is the difference between the fair value determined at the balance sheet date and the value of these assets at amortized cost.

- Loans, advances and other receivables

Loans and receivables comprise financial assets that are not quoted on an active market, which are featured with fixed or determinable payments, and which are not derivative instruments, other than:

- financial assets, which are to be sold by the Group at once or in a short period of time and which are classified as financial assets held for trading and also these assets which were designated as valued at fair value through profit or loss at initial recognition,
- financial assets designated by the Group as available for sale at initial recognition, or
- financial assets whose owner may not recover the full amount of the initial investment due to other reasons than deterioration in credit repayment and which are classified as available for sale.

This category includes loans, advances and other receivables acquired and granted. Loans and receivables are valued at amortized cost using the effective interest rate, with an allowance for impairment losses.

Loans and advances are measured at amortized cost. Amortized cost is the amount at which the loan or advance was measured at the date of initial recognition, less principal repayments, and increased or decreased by the cumulative amortization of any difference between that initial amount and the amount at maturity, and decreased by any impairment losses. Valuation at amortized cost is performed using the effective interest rate - the rate that discounts the expected future cash flow to the net present value over the period to maturity or the date of the next market valuation, and which is the internal rate of return of the asset for the given period; the calculation of this rate includes the payments received by the Bank which affect the financial characteristics of the instrument. Commissions/fees and transaction costs which are an integral part of the effective return on a loan or advance, adjust their carrying amounts and are included in the calculation of the effective interest rate.

Loans and advances with unspecified repayment dates are valued at nominal value, increased by the amount of interest receivable and decreased by any impairment losses.

Receivables from services performed by the Group to contractors are valued at nominal value, increased by the amount of interest receivable and decreased by any impairment losses.

- *Renegotiated receivables*

The purpose of the restructuring activity of the Bank is to maximize the effectiveness of non-performing loans management, i.e. to receive highest recoveries and at the same time to limit to the minimum costs relating to those recoveries which, in case of debt collection activities, are very high.

The restructuring activities include change in payment conditions which are individually agreed in case of each contract. The changes may concern:
- repayment dead-line,
- repayment schedule,
- interest rate,
- payment recognition order,
- collateral,
- amount to be repaid (reduction of the amount).

As a result of signing the restructuring agreement as well as its timely execution, the loan being restructured is reset from overdue to current.

Evaluation of the ability of the debtor to fulfill the restructuring agreement conditions (debt payment according to agreed schedule) is an element of the restructuring process. Active restructuring agreements are monitored by the Bank on a systematic basis. The Bank reacts quickly to any indicators that may have impact on servicing the debt timely.

- Financial assets held to maturity

These are financial assets with fixed or determinable payments and maturity dates, which were acquired in order to be held and the Group is able to hold them to maturity.

Financial assets in this category are valued at amortized cost using the effective interest rate. Cost amortization is recorded in the profit and loss account under Interest income.

Debt instruments quoted on an active market and held to maturity are presented at acquisition cost, adjusted by accrued interest, discount and premium (calculated using the effective interest rate), with an allowance for any impairment losses.

f) Accounting for transactions

Financial assets and financial liabilities, including forward transactions giving rise to an obligation or a right to acquire or sell in the future a given number of specified financial instruments at a given price, are recognized in the books of account under the date on which the contract was entered into, irrespective of the settlement date provided in the contract.

g) Sale and repurchase contracts

Repo and reverse-repo transactions and sell-buy back, buy-sell back transactions are transactions for the sale or purchase of securities with a commitment to buy or sell back the security at an agreed date and price.

Repo transactions are recognized at the date of the transaction under amounts due to other banks or amounts due to customers in respect of deposits, depending on the contractor. Reverse-repo securities are recognized under amounts due from banks or loans extended to customers, depending on the contractor.

The difference between the sale price and the repurchase price is recognized as interest expense/income, as appropriate, and is amortized over the term of the contract using the effective interest rate.

h) Impairment of financial assets

At each balance sheet date, the Group makes an assessment of whether there is objective evidence that a given financial asset is impaired. If such evidence exists, the Group determines the amounts of impairment losses. An impairment loss is incurred when there is objective evidence of impairment due to one or more events that occurred after the initial recognition of the asset and have an impact on the expected future cash flows to be derived from the financial asset or group of financial assets, and these cash flows are reliably measurable.

The following are considered by the Group as loss events:

1) significant financial difficulties of an issuer or debtor;
2) an actual breach of contract, such as a default or delinquency in interest or principal payments;
3) granting by the lender to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, of a concession that the lender would not otherwise consider;
4) a high probability of bankruptcy or other financial reorganization of an issuer or a debtor;
5) lack of turnover of a component of financial assets on the active market due to financial difficulties of an issuer or a debtor,
6) evidence that there is a measurable decrease in the estimated future cash flows from a group of financial assets, including the collectability of these cash flows.

The Group first assesses impairment on an individual basis. If, for a given financial asset assessed individually, there are no objective indications of impairment, the asset is included in a group of financial assets with similar characteristics, which are subsequently assessed for impairment on a collective basis.

The Group classifies loan and lease receivables on the basis of the amount of exposure into the individual and group portfolios.

In the individual portfolio, each individual loan or lease exposure is tested for impairment. If the exposure is found to be impaired, an allowance is recognized against the amount of the receivable. If there is no objective evidence of impairment for a given exposure, this exposure is included in the portfolio of loans or lease receivables that are assessed on a collective basis.

Within the group portfolio, groups with similar credit risk characteristics are identified, which are then assessed for impairment on a collective basis.

If there is objective evidence for the impairment of financial assets classified as loans and receivables, finance lease receivables or investments held to maturity, the amount of the impairment allowance is the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred), discounted using the effective interest rate from the date on which the financial asset was found to be impaired.

The carrying amount of an asset is decreased by impairment allowances, and the amount of impairment losses is charged to profit and loss account.

The calculation of the present value of estimated cash flows relating to a financial asset for which the Bank holds collateral takes into account the cash flows arising from the seizure of the collateral, less costs to seize and sell.

Future cash flows from a group of financial assets assessed for impairment on a collective basis are estimated on the basis of cash flows generated from contracts and historical parameters of recoveries generated from assets with similar risk characteristics.

Historical recovery parameters are adjusted on the basis of data from current observations, so as to take into account the impact of current conditions and exclude the factors that had impact in the past but no longer exist.

If, in the subsequent period, the amount of impairment loss is reduced because of an event that took place after the impairment was recognized (e.g. improvement in debtor's credit rating), then the impairment loss that was previously recognized is reversed by making an appropriate adjustment to the balance of impairment allowances. The amount of the reversal is recorded in the profit and loss account.

In the case of impairment of a financial asset classified as available for sale, the amount of the impairment loss is charged to the profit and loss account, which results in the necessity to transfer the effects of its “downwards” valuation from the revaluation reserve to the profit and loss account. Impairment losses recognized against non-quoted equity instruments are not reversed through profit and loss account.

No impairment losses are recognized against financial assets at fair value through profit or loss.

i) Derecognition of financial instruments

Financial instruments are derecognized when the Group’s contractual rights to cash flows generated by those financial assets expire or when the Group transfers all rights and rewards related to those financial assets to the third party.

Usually the Group derecognizes loans when they have been forgiven, when the period of limitation expired, or when the loan is not recoverable. Loans and other amounts due are written off against the impairment allowances that were recognized for these accounts. In the case where no allowances were recognized against the account or the amount of the allowance is less than the amount of the loan or other receivable, before the loan or receivable is written off, the amount of the impairment allowance is increased by the difference between the value of the receivable and the amount of the allowances that have been recognized to date.

j) Tangible fixed assets and intangible assets

Tangible fixed assets and intangible assets are stated at the balance sheet date at acquisition cost or cost of production, less accumulated depreciation/amortization and impairment losses. This method is also applied to property covered by the revaluation performed in 1995, which were stated at fair value at the transition date. Depreciation/amortization is charged on all assets whose value decreases due to usage or passage of time, using the straight-line method over the estimated useful life of the given asset. The adopted depreciation/amortization periods and depreciation/amortization rates are subject to periodic verification. If there were any events or circumstances indicating that the carrying amount of tangible fixed assets may not be recoverable, then these assets are reviewed for impairment. Depreciation/amortization charges and impairment losses are expensed directly to the profit and loss account for the current period. Tangible fixed assets (land) and intangible assets with indefinite useful lives are not depreciated/amortized, but tested for impairment.

Costs relating to acquisition or construction of buildings are allocated to significant parts of the building (components), when such components have different useful lives or when each of the components generates benefits for the Bank in a different manner. Each component of the building is depreciated separately.

Depreciation of tangible fixed assets and amortization of intangible assets begins on the first day of the month following the month in which the asset has been brought into use, and ends no later than at the time when:

1) the amount of depreciation or amortization charges becomes equal to the initial cost of the asset, or
2) the asset is designated for liquidation, or
3) the asset is sold, or
4) the asset is found to be missing, or
5) it is found - as a result of verification - that the expected residual value of the asset exceeds its (net) carrying amount.

For intangible assets it is assumed that the residual value is nil, unless there is an obligation of a third party to buy back the asset, or if there is an active market which will continue to exist at the end of the asset's period of use and it is possible to determine the value of the asset on this market.

Depreciation periods used for the main categories of tangible fixed assets and intangible assets in the PKO BP SA Group are as follows:

Tangible assets	**Periods**
Buildings, premises, cooperative rights to premises	2-60 years
Leasehold improvements (buildings, premises)	2-10 years (or term of the lease if shorter)
Plant and machinery	3-15 years
Computer hardware	2-10 years
Motor vehicles	3-5 years
Intangible assets	**Periods**
Licences for computer software	2-10 years
Copyright, including rights to computer software	2-5 years
Other intangible assets	1-5 years

Goodwill arising on acquisition of a business entity is initially recognized at the acquisition cost, being an excess of the costs of acquiring control over the entity over the share of the holding company in the net fair value of the identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is stated at acquisition cost, less any cumulative impairment losses. The test for impairment is carried out on an annual basis.

Goodwill arising on the acquisition of subsidiaries is recognized under intangible assets, and goodwill arising on acquisition of associates is recognized under “Investments in associates and jointly controlled entities”.

As of the date of acquisition, the acquired goodwill is allocated to each cash-generating unit, which can take advantage of combination synergies. Impairment is calculated by estimating the recoverable amount of the cash-generating unit to which the given goodwill relates. In the case where the recoverable amount of the cash-generating unit is lower than the carrying amount, an impairment loss is recognized. In the case where goodwill represents part of a cash-generating unit and part of operations conducted within this unit is sold, when calculating the gain or loss on the disposal of these operations, the goodwill related to sold operations is included in the carrying amount of these operations. Goodwill sold in such circumstances is valued on the basis of the relative value of the operations sold and the value of the remaining part of the cash-generating unit.

k) Investment property

Initially, investment property is measured at its cost, which includes transaction costs. After initial recognition, investment property is measured using the cost model (i.e. at cost less accumulated amortization and impairment losses). Investment property is de-recognized when disposed of or permanently withdrawn from use and no future benefits are expected from its disposal. Gains or losses on derecognition of investment property are recognized in the income statement for the year in which such derecognition took place.

l) Non-current assets held for sale

Non-current assets held for sale include assets whose carrying amount is to be recovered as a result of resale and not due to continued use. Such assets only include assets available for immediate sale in the current condition, the sale of which is highly probable, i.e. the entity decided to fulfill the plan for the sale of the asset, and started to actively seek for the buyer in order to complete the sale plan. In addition, such assets are offered for sale at a price which is reasonable with respect to their current fair value and it is expected that the sale will be recognized as completed within one year from the date of classification of the asset into this category.

Non-current assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell. Impairment allowances for non-current assets held for sale are recognized in the profit and loss account for the period in which these allowances were made. No depreciation is charged on assets classified into this category.

m) Investments in associates and jointly controlled entities accounted for using the equity method

The equity method involves valuation of shares and investments in other entities at the amount of the Group's share in the net assets of the given entity. The value of the Group's investment in net assets of an associate or jointly controlled entity, including any non-amortizable goodwill arising on acquisition, is tested for impairment at least once a year.

If the share of the Group in the losses incurred by an associate or jointly controlled entity is equal to or higher than the carrying amount of the investment, the value of the investment is shown at nil, and any further losses (below the carrying amount equal to nil) are recorded at an amount of payment made or committed by the

(in PLN thousand)

Group on behalf of the associate or jointly controlled entity in order to fulfill the obligations of this entity that the Group guaranteed or otherwise committed to fulfill.

n) Valuation of items denominated in foreign currencies and foreign exchange result

The balance sheet and off-balance sheet monetary assets and liabilities in foreign currency are translated into Polish złoty using the average NBP rate prevailing for a given currency as at the balance sheet date. Impairment allowances for loan exposures and other receivables denominated in foreign currencies, which are created in Polish złoty, are updated in line with a change in the valuation of the foreign currency assets for which these impairment allowances are created. Realized and unrealized foreign exchange differences are recorded in the profit and loss account.

o) Exchange rates used in preparing consolidated financial statements

For translation of balance sheet and off-balance sheet items as at 30 June 2007 into Euro, the Group used the rate of 3.7658 PLN/EUR, which is the average NBP rate at the balance sheet date, whereas for translation of the balance sheet and off-balance-sheet items as at 31 December 2006 into Euro, the Group used the rate of 3.8312 PLN/EUR, which was the average NBP rate at the balance sheet date.

The main items of the income statement and cash flow statement for 6-month period ended 30 June 2007 have been translated into Euro using the rate of 3.8486 PLN/EUR, which is the arithmetical mean of the average NBP rates at the last day of each month covered by the financial statements. The financial data concerning the income statement and cash flow statement for the 6-month period ended 30 June 2007 have been translated into Euro using the rate of 3.9002 PLN/EUR, which was the arithmetical mean of the average NBP rates at the last day of each month covered by the comparative financial data.

EUR	**01.01.-30.06.2007**	**01.01.-30.06.2006**
Rate prevailing on the last day of the period	3.7658	4.0434
Rate representing the arithmetical mean of the rates prevailing on the last days of each month of the period	3.8486	3.9002
The highest rate in the period	3.9320	4.0434
The lowest rate in the period	3.7658	3.7726

For translation of the balance sheet and off-balance sheet items as at 30 June 2007 into UAH, the Group used the rate of 0.5562 PLN/UAH, which is the average NBP rate at the balance sheet date, whereas for translation of the balance sheet and off-balance-sheet items as at 31 December 2006 into UAH the Group used the rate of 0.5760 PLN/UAH, which was the average NBP rate at the balance sheet date.

The main items of the income statement and of the cash flow statement for the 6-month period ended 30 June 2007 have been translated into UAH using the rate of 0.5738 PLN/UAH, which is the arithmetical mean of the average NBP rates at the last day of each month covered by the financial statements. The financial data concerning the income statement and the cash flow statement for the 6-month period ended 30 June 2006 have been translated into UAH with the rate of 0.6256 PLN/UAH, which was the arithmetical mean of the average NBP rates at the last day of each month covered by the comparative financial data.

UAH	**01.01.-30.06.2007**	**01.01.-30.06.2006**
Rate prevailing on the last day of the period	0.5562	0.6340
Rate representing the arithmetical mean of the rates prevailing on the last days of each month of the period	0.5738	0.6256
The highest rate in the period	0.6015	0.6420
The lowest rate in the period	0.5560	0.6089

p) Off-balance sheet liabilities granted

Within its operations, the Bank enters into transactions, which, at the time of their conclusion, are not recognized in the balance sheet as assets or liabilities, however they give rise to contingent liabilities. A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only at the time of the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group;

- a present obligation resulting from past events, but not recognized in the balance sheet, because it is not probable that an outflow of cash or other assets will be required to fulfill the obligation, or the amount of the obligation cannot be measured reliably.

Granted credit lines and guarantees are the most significant items of off-balance sheet liabilities granted.

For off-balance sheet liabilities granted which carry the risk of default by the commissioning party, provisions are recognized in accordance with IAS 37 and IAS 39.

q) Deferred income tax

Due to timing differences between the moment income is recognized as earned and cost as incurred according to the Accounting Act and to tax regulations, the Group recognizes deferred tax liabilities (provisions) and deferred tax assets. The amount of deferred tax is determined, using the balance sheet method, as a change in the balance of the following items - deferred tax assets and deferred tax liabilities. Deferred tax assets and deferred tax liabilities are presented in the balance sheet respectively as assets or liabilities. The change in the balance of a deferred tax liability or a deferred tax asset is included in taxation charge, except for the effects of valuation of financial assets recognized in revaluation reserve, where changes in the balance of a deferred tax liability or deferred tax asset are accounted for in correspondence with revaluation reserve. The calculation of deferred tax takes into account the balance of the deferred tax asset and deferred tax liability at the beginning and at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all a part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

r) Financial liabilities at fair value

Financial liabilities at fair value through profit or loss include derivatives valued in accordance with point e) of this note.

s) Financial liabilities at amortized cost

Financial liabilities are valued at amortized cost using the effective interest rate. If it is not possible to determine the cash flow projection for a financial liability and, therefore, to reliably determine the effective interest rate, such a liability is recorded at the amount due.

t) Accruals and deferred income

This item mainly comprises commission recognized using the straight-line method and other income received in advance, which will be recognized in the profit and loss account in the future reporting periods.

Accruals include: accruals for costs of services performed for the Group by contractors, which will be recognized in the following periods, and accruals for amounts due to employees (e.g. bonuses, rewards and unused holiday payments).

Accruals and deferred income are presented in the balance sheet under “Other liabilities”.

u) Prepayments and deferred costs

Prepayments and deferred costs include particular kinds of expenses which will be recognized in the profit and loss account in the future reporting periods. Prepayments and deferred costs are presented in the balance sheet under “Other assets”.

v) Provisions

Provisions are liabilities of uncertain timing or amount.

According to the Collective Labour Agreement (*Zakładowy Układ Zbiorowy*), all employees of PKO BP SA are entitled to jubilee bonuses after completing a specified number of years in service and to retirement bonuses upon retirement. The Bank periodically performs an actuarial valuation of the provision for future liabilities to employees.

The Group creates accruals for the future liabilities of the Group arising from unused annual leave, taking into account all outstanding unused holiday days, from damages and severance payments made to those employees whose employment contracts are terminated for reasons independent of the employee, and for the costs of the current period which will be incurred in the future periods.

w) Financial result

The Group recognizes all significant costs and income in accordance with the following principles: accrual basis, matching principle, principles for recognition and valuation of assets and liabilities, principles for recognition of impairment losses.

- Interest income and interest expenses

Interest income and interest expense includes interest, together with discounts and premium, recognized on an accrual basis using the effective interest rate method.

Interest income also includes fees and commission received and paid, which are part of the internal rate of return of the financial instrument.

- Fees and commission income and expenses

Fees and commission income is generally recognized on an accrual basis at the moment when the service is performed. Fees and commission income includes one-off amounts charged by the Group for services not related to the internal rate of return on loans and other receivables, as well as amounts charged by the Group for services performed over a period exceeding 3 months, which are recognized on a straight-line basis.

Fees and commission income also includes fees and commission recognized on a straight-line basis, received on loans granted with unspecified repayment dates.

- Dividend income

Income from dividends is recognized in the income statement of the Group at the date on which the shareholders' rights to receive the dividend have been established.

- Result on financial instruments measured at fair value

The result on financial instruments measured at fair value through profit or loss includes gains and losses arising from the disposal of financial instruments classified as financial assets/liabilities measured at fair value through profit or loss as well as the effect of their fair value measurement.

- Result on investment securities

The result on investment securities includes gains and losses arising from the disposal of financial instruments classified as available for sale as well as other gains and losses arising from investment activities.

- Foreign exchange result

Foreign exchange result comprises foreign exchange gains and losses, both realized and unrealized, resulting from daily revaluation of assets and liabilities denominated in foreign currency using the average NBP exchange rates at the balance sheet date and from the fair value valuation of outstanding derivatives (FX forward, FX swap, CIRS).

- Other operating income and expenses

Other operating income and expense include income and costs not related directly to banking activity. Other operating income mostly includes income from sale or liquidation of non-current assets and assets seized in exchange for debts, recovered bad debts, received compensation, fines and penalties, income from lease/rental of properties and income from reversed provisions for claims under dispute and assets seized in exchange for debts. Other operating expense mostly includes costs of sale or liquidation of non-current assets, including assets seized in exchange for debts, costs of debt collection, costs of provisions recognized for claims under dispute and donations.

Other operating income and expense in subordinates also include, respectively, income from sale of finished goods, goods for resale and raw materials, and the corresponding costs of their production.

Income from construction services (development activities) is recognized on a completed contract basis, which involves recognition of all construction costs incurred during the period of construction under work-in-progress, and recognition of payments received on account of purchase of apartments under deferred income.

x) Current income tax

Current income tax is calculated on the basis of pre-tax profit adjusted for non-taxable income, taxable income that does not constitute accounting income, non-tax deductible expenses and tax costs which are not accounting costs, in accordance with Polish tax regulations. These items mainly include income and expenses relating to accrued interest receivable and payable and provisions for receivables, off-balance sheet liabilities and other assets.

In calculating taxable profit, the Bank took into account the provisions of the Decree of the Minister of Finance dated 28 March 2003 on the extension of deadlines for payment of corporate income tax advances and corporate income tax liabilities by banks granting housing loans from the Mortgage Fund.

y) Shareholders' equity

Shareholders' equity is comprised of the capital and funds created by the Group companies in accordance with the binding legal regulations and the Articles of Association. Shareholders' equity also includes retained earnings and accumulated losses from previous years. The part of shareholders' equity of subsidiaries, other than share capital, which corresponds to the interest held in the subsidiary by the holding company, is added up with the appropriate components of the equity of the holding company. The shareholders' equity of the Group only includes that part of the shareholders' equity of the subsidiaries that was created after the date of acquisition of shares by the holding company. This applies, in particular, to a change in equity due to acquired profits or incurred losses as well as revaluation of financial assets available for sale.

- Share capital comprises only the share capital of the holding company and is stated at nominal value in accordance with Articles of Association and the Register of Entrepreneurs.
- Reserve capital is created according to the Articles of Associations of the Group companies, from the appropriation of net profits and from share premium.
- Revaluation reserve comprises the effects of remeasurement of financial assets available for sale and the amount of the related deferred tax. In the balance sheet, the revaluation reserve is presented net.
- Other reserves as envisaged by the Articles of Association are created by appropriation of profits.
- The component of equity - exchange differences - comprises exchange differences resulting from the translation of the net result of a foreign entity using the weighted average rate established at the balance sheet date with reference to the average NBP rate.
- General banking risk fund in PKO BP SA is created from profit after taxation according to the Banking Law dated 29 of August 1997.

Shareholders' equity also includes:

- net profit (loss) under the approval process, decreased by planned dividends,
- dividends declared after the balance sheet date but not paid.

The net profit (loss) for the period is the result derived from the income statement, adjusted by corporate income tax expense.

Management of capital

As a part of the Bank's activities aiming at adapting to the requirements of the directive on capital adequacy, in the first half of 2007, the Bank drew up and approved regulations regarding management of capital (effective as of 1 January 2008).

Management of capital in the Bank's capital group aims at ensuring continuous maintenance of equity at a level adequate to the risk profile of the Group and increasing profitability of the Group and the value of the Bank's capital group to its shareholders. Equity management processes in the Group include the following:

- continuous maintenance of an adequate level of equity,
- assessment of the adequacy of the level of equity of the Bank,
- realization of the Bank's capital objectives,
- assessment of profitability of the profits centers of the Bank and of the individual Group companies,
- monitoring of capital adequacy ratio.

Management reports are provided to Assets and Liabilities Management Committee for information purposes.

(in PLN thousand)

Bank’s funds reflected in the calculation of the capital adequacy ratio are presented below:

BANK'S EQUITY	**30.06.2007** unaudited	**31.12.2006**
Share capital	1 000 000	1 000 000
Reserve capital	5 592 311	4 530 138
Other reserve capital	1 518 025	1 561 625
General risk fund for unrealised banking activity risk	1 070 000	1 070 000
Unrealised losses on debt and equity securities classified as available for sale	(33 746)	(4 119)
Unrealised profits from debt and equity securities classified as available for sale (in the amount of 60% of value before tax)	23 444	5 297
Result from previous years	(72 192)	(222 671)
Exchange results from foreign entities translation	(17 015)	(13 672)
Minority interests	36 006	102 274
Intangible assets	(1 004 404)	(944 028)
Equity exposure	(186 076)	(156 703)
Short-term captial	28 039	148 687
TOTAL EQUITY	**7 954 392**	**7 076 828**

Core capital, which includes authorized share capital, reserve capital and other reserves, has the greatest share in the Bank’s own funds. The major items that decrease the value of own funds are intangible assets, measured at carrying amount, and the Bank’s capital exposures to financial and lending institutions (BFL SA, PTE Bankowy SA, BTK SA, PKO TFI SA, Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.) and banks (Kredobank SA, Bank Pocztowy).

In the calculation of the capital adequacy ratio, the Bank considers capital requirements relating to the following risks:

- credit risk,
- market risk,
- settlement risk (delivery and counterparty risk).

The Bank is subject to regulations concerning the level of capital adequacy ratio and capital requirements as set out in the Banking Law and Resolutions of the Commission for Banking Supervision Nos. 1/2007, 2/2007, 3/2007, 4/2007 of 13 March 2007. Detailed data in this field has been presented in Note 3 “Objectives and principles relating to financial risk management”

In the period under review, the PKO BP SA Group did not identify any breaches in the above respect. The capital adequacy ratio as at 30 June 2007 amounted to 11.18%, which means a decrease of 0.62 p.p. compared to the balance as at 31 December 2006. The decrease in the capital adequacy ratio was due to the following:

- A dynamic growth in the loan portfolio, which resulted in an increase of the capital requirement by appx. 19%;
- An increase in items decreasing the value of the Group’s own funds, including intangible assets, by appx. PLN 60 million, and an increase in capital exposures to banks and financial institutions of appx. PLN 29 million.

z) Social Fund (“ZFŚS”)

According to the Social Fund Act dated 4 March 1994, the Bank established a Social Fund [*Zakładowy Fundusz Świadczeń Socjalnych*]. The aim of this Fund is to finance social activities conducted for the benefit of employees and to subsidize the Bank's social facilities. The Fund's assets consist of accumulated contributions made by the Bank to the Social Fund, reduced by non-refundable expenditures from the Social Fund.

In the balance sheet, the Bank compensated the Fund's assets and liabilities due to the fact that the assets of the Social Fund are not controlled by the Bank.

3. Objectives and principles relating to financial risk management

Risk management is one of the most important internal processes both in the Bank and the PKO BP SA Group entities, in particular KREDOBANK SA and Bankowy Fundusz Leasingowy SA (BFL SA). The objective of risk management is to ensure the proper level of safety and profitability of lending activity in the changing legal and economic environment. Risk management comprises management of credit risk, market risk and operational risk.

Due to the specific nature of its activities, the Group identifies first of all credit risk concentration. Concentration of exposure to credit risk is presented in this Note.

Credit risk

Objectives and principles

The objective of creation an effective credit risk management is to increase the safety and profitability of services delivered. In this respect, the Bank and the Group companies follow the following principles:

– each loan transaction is subject to comprehensive credit risk assessment, which is reflected in an internal rating or credit scoring,
– credit risk relating to potential and concluded loan transactions is measured on a cyclical basis taking into consideration changing external conditions and changes in the financial standing of the borrowers,
– credit risk assessment is subject to additional verification by credit risk assessment forces independent of the business forces, if the criteria for the involvement of these forces are met,
– credit risk is diversified geographically, by industry, by product and by clients,
– credit decisions may be taken only by authorized persons,
– the Bank and other PKO BP SA Group companies hedge against credit risk by creating specific allowances (provisions) for the impairment of loan exposures.

The credit risk management system is subject to continuous improvements and adaptation to new banking risk sources and factors.

In the 6-month period ended 30 June 2007, the continued its work connected to the development of portfolio credit risk measurement methodology, the widening of the estimated portfolio credit risk measures and performing stress testing. Portfolio credit risk measurement allows the Bank to account for credit risk in the price of its services and revise the level of impairment losses based on internal models.

In the 6-month period ended 30 June 2007, the Bank carried out intense work in order to implement appropriate solutions in the field of internal processes, IT systems and the required internal regulations to achieve compliance with the CRD Directive by the end of 2007.

In the 6-month period ended 30 June 2007, the Bank carried out a review of the internal regulations of BFL SA and KREDOBANK SA concerning credit risk management for compliance with its own credit risk management policies. As a result, the Bank issued a number of recommendations which are currently being successively implemented in these companies.

KREDOBANK SA has internal regulations concerning lending policies, taking loan granting decisions, assessment of debtors, accepting and monitoring collateral, and identification of relationships existing between borrowers. In the 6-month period ended 30 June 2007, KREDOBANK SA revised its methodology of assessment of individual customers and prepared for testing a project of automation of the lending process related to individual customers as well as developed a set of rules and regulations for assessment of the quality of investment projects.

In the 6-month period ended 30 June 2007, BFL SA developed and implemented simplified risk assessment methods for new products: BanLex Leasing and BanMed Leasing, addressed to legal and medical sectors.

(in PLN thousand)

Concentration of credit risk

The table below presents maximum credit risk exposure of the Group as at 30 June 2007 and 31 December 2006.

	30.06.2007 unaudited	**31.12.2006**
Amounts due from banks	8 642 160	13 430 590
Financial assets held for trading	900 648	997 136
Derivative financial instruments	1 370 418	1 199 154
Other financial instruments at fair value through profit or loss	12 918 532	11 518 671
Loans and advances to customers	66 657 018	58 906 607
Financial assets available for sale	5 414 339	6 672 538
Other assets	521 245	364 128

	30.06.2007 unaudited	**31.12.2006**
Irrevocable liabilities granted	11 046 270	10 298 419
Guarantees granted	911 304	656 698
Letters of credit granted	479 502	237 650
Underwriting	2 164 854	809 916

Analysis of portfolio by sector

The table below shows the loans and advances granted to the Group's clients. It shows a decline in the amount of exposure to the public sector due to full repayment of loans by one of the borrowers and an increase in the amount of exposure to other sectors in the first half of 2007.

Loans and advances granted to the Group's clients

	30.06.2007 unaudited	**31.12.2006**
financial (other than banks) sector	594 347	369 998
non-financial sector	63 996 423	54 921 707
state budget sector	4 545 462	6 061 924
Total gross loans and advances	69 136 232	61 353 629
Impairment allowance	(2 479 214)	(2 447 022)
Total net loans and advances	66 657 018	58 906 607

Analysis of portfolio by rating class

Taking into account the nature of the Group's activities and the Groups credit and lease receivables volume, the most significant portfolios are kept under the Bank's and BFL's management. The table below presents information on credit quality of loans and advances granted by the Bank and BFL.

Exposures to corporate clients which are not considered to be individually impaired are classified by the Bank using internal ratings from A (excellent) to F (acceptable).

The following loan portfolios are covered by the rating system:

- corporate clients,
- housing market corporate clients,
- small and medium enterprises (excluding certain product groups which are assessed in a simplified manner).

(in PLN thousand)

Analysis of the portfolio of PKO BP SA (%) by rating class (excluding public sector)

Rating class	**30.06.2007** unaudited	**31.12.2006**.
A (excellent)	2%	1%
B (very good)	9%	7%
C (good)	23%	25%
D (satisfactory)	25%	21%
E (average)	24%	27%
F (acceptable)	17%	19%
Total	**100%**	**100%**

As regards the portfolio managed by Bankowy Fundusz Leasingowy, exposures below a certain level are subject to simplified procedures, which do not include rating assessment.

Analysis of exposures which are granted internal ratings is presented in the table below:

Rating	**30.06.2007** unaudited	**31.12.2006**
A2 (first-rate)	0.9%	0.6%
A3 (very good)	4.4%	4.9%
A4 (good)	10.3%	9.6%
A5 (satisfactory)	32.8%	32.4%
A6 (average)	29.1%	27.3%
B1(acceptable)	6.8%	20.1%
B2 (weak)	15.3%	4.1%
C (doubtful)	0.2%	0.0%
D (poor)	0.2%	1.0%
Total	**100%**	**100%**

Collateral policy

Activities undertaken in respect of collateral are meant to properly secure the interests of the Group companies, among others by way of establishing collateral that will ensure the highest possible level of recovery in the event of enforcement activities. Policies regarding legal collateral measures are included in the internal regulations of the Group companies.

With regard to products financing acquisition of properties, the most common types of collateral include ordinary real estate mortgage and ceiling mortgage to secure an existing or future claim, suretyship/guarantee granted under general principles and bill of exchange guarantee, authorization to cash held in a bank account, promissory note and assignment of rights from the borrower’s life insurance policy.

With regard to products offered to corporate clients, the most common types of collateral include registered pledge on movables, transfer of ownership of movables, authorization to cash held in a bank account, ordinary real estate mortgage and ceiling mortgage to secure an existing or future claim, suretyship/guarantee granted under general principles, promissory note.

With regard to retail banking products, the most common types of collateral include promissory note, bill of exchange guarantee and civil law suretyship/guarantee, authorization to cash held in a bank account and freezing of cash held in a bank account.

With regard to lease receivables, BFL SA, as an owner of the leased assets, treats them as a collateral for the given lease transaction. If the level of marketability (demand for a given item of property, plant and equipment on the secondary market), rate of impairment of the asset or the financial position of the client according to the Company’s internal procedures are not acceptable, an additional legal security is applied in the forms envisaged and used by Banks. These mainly include registered pledges, transfers of ownership, real estate mortgages, transfers of receivables, authorizations to bank accounts, deposits, agreements for the repurchase of leased assets from their suppliers, etc.

(in PLN thousand)

Concentration of credit risk within the Group

The Group defines the risk of concentration of credit risk as one arising from a considerable exposure to single entities or to groups of entities whose repayment capacity depends on a common risk factor. The Group analyses the risk of credit risk concentration towards:

- the biggest borrowers,
- the biggest capital groups,
- industries,
- geographical regions and currencies.

Concentration of credit risk by the biggest business entities

The Banking Law specifies maximum concentration limits for the Bank, and effectively for the Group. According to Article 71.1 of the Banking Law, the total value of the Bank's exposures, off-balance sheet liabilities granted or shares held by the Bank directly or indirectly in another entity, additional payments into a limited liability company as well as contributions or limited partnership sums - whichever higher - in a limited partnership or limited joint-stock partnership for one entity or for a group of entities related by capital or management, cannot exceed 20% of the Bank's consolidated own funds if any of these entities is related to the Bank, or 25% of the Bank's consolidated own funds if these entities are not related to the Bank.

Furthermore, according to Article 71.2 of the Banking Law, the total exposure of the Bank towards entities in which the Bank's current exposure exceeds 10% of the Bank's own funds, cannot exceed 800% of the Bank's own funds.

As at 30 June 2007, those concentration limits had not been exceeded.

Exposure of the Bank towards 20 biggest non-banking clients

30.06.2007 unaudited			31.12.2006		
Customer	**Exposure***	**Share in the loan portfolio****	**Customer**	**Exposure***	**Share in the loan portfolio****
Customer 1	1 391 059***	2.08%	Customer 1	2 054 034***	3.45%
Customer 2	577 123	0.86%	Customer 2	632 310	1.06%
Customer 3	402 370	0.60%	Customer 21	604 000	1.01%
Customer 4	319 107	0.48%	Customer 3	502 266	0.84%
Customer 5	290 012	0.43%	Customer 22	383 980	0.65%
Customer 6	266 294	0.40%	Customer 4	345 700	0.58%
Customer 7	221 299	0.33%	Customer 8	258 511	0.43%
Customer 8	216 865	0.32%	Customer 5	257 958	0.43%
Customer 9	192 067	0.29%	Customer 7	206 357	0.35%
Customer 10	186 075	0.28%	Customer 6	202 863	0.34%
Customer 11	178 342	0.27%	Customer 9	200 755	0.34%
Customer 12	176 649	0.26%	Customer 10	198 949	0.33%
Customer 13	168 538	0.25%	Customer 11	181 350	0.30%
Customer 14	166 948	0.25%	Customer 12	176 649	0.30%
Customer 15	161 970	0.24%	Customer 16	171 470	0.29%
Customer 16	151 549	0.23%	Customer 18	162 434	0.27%
Customer 17	149 815	0.22%	Customer 19	145 228	0.24%
Customer 18	144 531	0.22%	Customer 23	133 119	0.22%
Customer 19	137 739	0.21%	Customer 15	133 043	0.22%
Customer 20	127 051	0.19%	Customer 20	127 031	0.21%
Total	5 625 403	8.41%	**Total**	7 078 007	11.86%

* Total exposure includes loans, advances, purchased debts, discounts on bills of exchange, realized guarantees and interest receivable. The value of the loan portfolio does not include off-balance and capital exposures.
** The value of the loan portfolio does not include off-balance and capital exposures.
*** Exposure to entities excluded from concentration limit based on Art. 71.3 of the Banking Law.

The 20 biggest borrowers of the Group include only clients of PKO BP SA.

(in PLN thousand)

Concentration of credit risk by the biggest groups

As at 30 June 2007, the greatest exposure of the PKO BP SA Group towards a group of borrowers amounted to 2.46% and was due to the consolidation of companies from the power supply industry. The 5 biggest groups include only clients of PKO BP SA.

Total exposure of the Group towards 5 biggest capital groups

30.06.2007 unaudited			31.12.2006		
Group	**Exposure**	**Share in the loan portfolio***	**Group**	**Exposure**	**Share in the loan portfolio***
Group 1	1 714 727	2.46%	Group 3	1 244 383	2.01%
Group 2	1 202 378	1.73%	Group 6	649 038	1.05%
Group 3	884 853	1.27%	Group 7	580 689	0.94%
Group 4	587 196	0.84%	Group 4	529 951	0.86%
Group 5	536 770	0.77%	Group 8	437 242	0.71%
Total	4 925 924	7.07%	**Total**	3 441 303	5.57%

* The value of the loan portfolio does not include off-balance and capital exposures.

Concentration of credit risk by industry

The Bank applies industry limits in order to mitigate credit risk related to corporate clients operating in selected industries characterized by a high level of credit risk as well as to avoid excessive concentration of exposure to individual industries.

As at 30 June 2007, there had been an increase in the Group's exposure to the following industries: "Industrial processing", "Construction", "Trade and repairs" and "Property management and lease", and a decrease in exposure to the following industries: "Electricity production and supply" and "Public administration and national defense".

The total exposure towards three biggest industries: "Industrial processing", "Wholesale and retail trade" and "Public administration and national defense" exceeds 60% of the value of loans granted to corporate entities and relates mainly to the loan portfolio of the Bank due to its significant share in the entire Group (96%).
Analysis of exposure to industry segments is presented in the table below:

Analysis of loan exposures to corporate clients by industry segments (%)

Section	Description	30.06.2007 unaudited		31.12.2006	
		Total exposure	**Number of entities**	**Total exposure**	**Number of entities**
D	Industrial processing	24.99%	16.11%	22.68%	16.32%
L	Public administration and national defense, obligatory social security and public health insurance	18.22%	0.65%	26.55%	0.73%
G	Wholesale and retail trade, repair of motor vehicles and personal and household goods	17.05%	32.93%	14.70%	33.99%
K	Property management, lease and services related to the running of business activities	9.23%	8.41%	8.66%	8.69%
F	Construction	4.84%	9.77%	3.40%	8.69%
E	Electricity, gas and water production and supply	4.38%	0.30%	6.93%	0.19%
Other exposures		21.29%	31.84%	17.08%	31.38%
Total		100.00%	100.00%	100.00%	100.00%

(in PLN thousand)

Concentration of credit risk by geographical region

The greatest concentration of the Group's exposures is within the Mazovia (*mazowiecki*) region, which is largely due to loans granted by the Bank to the state budget entities. Almost half of exposures are concentrated in the following three regions: *mazowiecki*, *śląsko-opolski* and *wielkopolski*, which are characterized by the greatest economic potential. 2.2% of the Group's exposures are concentrated in Ukraine (the loan portfolio of KREDOBANK SA).

Concentration of credit risk by geographical region (%)

Region	**30.06.2007** **unaudited**	**31.12.2006**
mazowiecki	19.26%	21.20%
śląsko-opolski	14.07%	13.79%
wielkopolski	10.04%	9.42%
małopolsko-świętokrzyski	8.35%	7.84%
dolnośląski	7.77%	7.52%
lubelsko-podkarpacki	6.89%	6.91%
zachodnio-pomorski	6.84%	6.49%
łódzki	6.43%	6.41%
pomorski	6.12%	5.70%
kujawsko-pomorski	5.47%	5.51%
warmińsko-mazurski	3.57%	3.51%
podlaski	2.91%	2.57%
Other	0.06%	0.92%
Ukraine	2.22%	2.21%
Total	**100.00%**	**100.00%**

Concentration of credit risk by currency

At the end of the first half of 2007, the percentage of foreign currency exposures in the entire loan portfolio of the Group amounted to 23%. The greatest currency exposures of the Group are those in CHF and they relate to the loan portfolio of the Bank. In the case of particular Group companies, the situation is different: for BFL SA, the greatest currency exposures are those in EUR (63%), and for KREDOBANK SA – USD loans, which account for nearly 79% of the currency loan portfolio and 47% of the total loan portfolio of that company.

A decreasing trend can be observed in the percentage of currency exposures within the Group. This is due to, among others, more rigorous criteria for granting currency housing loans, resulting from the Bank's implementation of Recommendation S concerning best practices to be applied with regard to mortgage-secured loan exposures, issued by the General Inspectorate for Banking Supervision, which became effective on 1 July 2006.

Concentration of credit risk by currency (%)

Currency	**30.06.2007** **unaudited**	**31.12.2006**
PLN	76.93%	75.12%
Foreign currencies, of which:	23.07%	24.88%
CHF	16.28%	17.31%
EUR	3.85%	4.55%
USD	2.04%	2.03%
UAH	0.90%	0.99%
Total	100%	100%

(in PLN thousand)

Other types of concentration

In accordance with Recommendation S, the Bank implemented internal limits with regard to loans granted to individual clients for purchase of properties. These limits cover the type of transaction and currency of the loan. In the first half of 2007, these limits had not been exceeded.

Overdue financial assets

Financial assets whose terms had been renegotiated (or otherwise they would be considered as overdue or impaired) include the following loans and advances granted:

Loans and advances granted	Carrying amount	
	30.06.2007 unaudited	31.12.2006
Consumer	29 320	31 822
Corporate	46 474	45 161
Housing "old portfolio"	19 146	41 746
Housing "new portfolio"	42 898	14 942
to institutions	29 423	4 647
to individuals	13 475	10 295
Total	**137 838**	**133 671**

Financial assets which are overdue but not impaired include the following loans and advances granted:

Loans and advances granted	30.06.2007 unaudited		31.12.2006	
	up to 1 month	from 1 to 3 months	up to 1 month	from 1to 3 months
Financial sector, of which:	2 451	-	1 925	-
banks	-	-	-	-
Public sector	265 166	-	94 436	-
Non-financial sector, of which	1 490 584	127 315	1 021 278	104 592
corporate customers	824 012	44 880	477 328	23 844
Total	**1 758 201**	**127 315**	**1 117 639**	**104 592**

The collaterals of the above receivables are mortgages, registered pledges, transfer of property rights, warranties and guarantees.

Management of assets taken over in exchange for debts

The assets taken over as a result of restructuring or debt collection activities are either used by the Bank for internal purposes or designated for sale. Details of seized assets are analyzed in order to determine whether they can be used by the holding company for internal purposes. All of the assets taken over as a result of restructuring and debt collection activities in the 6-month periods ended 30 June 2007 and 30 June 2006 were designated for sale. In the Group companies, all assets taken over in exchange for debts are designated for sale.

The activities undertaken by the Group are aimed at selling the assets as soon as possible. In individual, justified cases assets are withheld from sale. This only occurs if circumstances which are beyond the control of the Group companies indicate that the sale of the assets at a later date will give rise to greater financial benefits. The primary procedure to be applied with respect to sale of assets is on unlimited tender. Irrespective of the procedures indicated, for assets which, due to their nature, are not easily marketable and have not been sold in spite of previous efforts to sell them, the Group companies organize regular tenders which include all of the assets seized as a result of restructuring or debt collection proceedings.

The Group takes steps to disseminate information about assets being sold to the public, by publishing such information on the Group companies' websites, placing announcements in national press, using internet portals, e.g. to carry out internet auctions, sending tender invitations by post and by electronic mail (such invitations are addressed to entities which, due to the nature of their business, might be interested in the purchase of a given asset designated for sale by a Group company). In addition, the holding company cooperates with two external firms operating all over Poland in respect of collection, transportation, storage and intermediation in the sale of assets taken over by the Bank as a result of restructuring and debt collection activities.

The carrying amounts of assets taken over in exchange for debts as at 30 June 2007 and 31 December 2006 are presented in Note 35, "Other assets", "Non-current assets held for sale".

Market risk

Market risk includes: interest rate risk, currency risk, capital adequacy risk, equity price risk in the trading book, derivatives risk, credit risk of financial institutions, as well as mid and long-term liquidity risk.

Market risk management is subject to constant evaluation and development in order to adopt it to changing market circumstances. The process of risk management includes the following:

1) identification of risk factors,
2) risk measurement,
3) system risk management,
4) risk monitoring,
5) risk reporting.

The market risk reporting system, as described in Management Board resolutions, is based on the following reports:

1) daily and weekly **-** prepared for operational purposes,
2) monthly **-** considered during the meetings of the Asset and Liability Management Committee,
3) quarterly **-** considered during the Management Board meetings,
4) half-yearly **-** considered during the Supervisory Board meetings.

These reports relate to the market risks which can affect the Bank. Additionally, a report on the market risk in the PKO BP SA Group is attached to the monthly and quarterly reports at the end of each quarter.

The companies in the PKO BP SA Group which, due to the nature of their activities, are characterized by a significant level of market risk, have their own internal regulations (submitted to the Bank for consultation) for management of each type of risk. These regulations define, among others, the procedure for the reporting of market risk to the Management of these companies.

Interest rate risk

The objective of the interest rate risk management is to identify the areas of interest rate risk and to shape the structure of balance sheet and off-balance sheet liabilities in order to maximize the value of the net assets and interest result of the Bank within the adopted interest risk profile.

In the process of interest rate risk management, the Bank measures risk using, among others, the internal Value at Risk (VaR) model, stress tests and interest income sensitivity measures.

Vale at Risk (VaR) is defined as a potential loss resulting from a change in the present value of future cash flows from a financial instrument, while keeping an assumed level of confidence and holding period. However, this measure does not express the absolute maximum loss to which the Group is exposed. The Bank adopts a confidence level of 99% for the purpose of determining VaR. In its interest rate risk management the Bank uses, among others, VaR determined for particular financial instruments and for the Bank's portfolios.

Stress-tests are used to estimate potential losses arising from an interest rate position under market conditions that cannot described in a standard manner using statistical measures. Two types of scenarios are used by the Bank:

1) hypothetical scenarios – which are based on arbitral interest rate fluctuations: a parallel move in interest rate curves for the following currencies: PLN, EUR, USD, CHF and GBP by ±50 base points and by ±200 base points, and non-parallel moves in yield curves;
2) historical scenarios – in which interest rate fluctuations are adopted based on the behavior of interest rates in the past.

The main tools used in interest rate risk management include:

1) procedures for interest rate risk management,
2) limits and thresholds for interest rate risk, and
3) defining allowable transactions for interest rates.

The Bank has set limits and thresholds for interest rate risk including: price sensitivity, interest income sensitivity, loss limits and limits for instruments sensitive to changes in interest rates. These limits were set separately for each of the Bank's portfolios.

Methods of interest rate risk management in the Group companies are defined by internal regulations implemented by those Group companies which are characterized by high values/levels of interest rate risk measures. These regulations are developed after consultation with the Bank and take into account the recommendations issued by the Bank to the Group companies.

In the process of interest rate risk management, the Group uses the following measures:

1) measures of interest rate risk set for the individual Group companies and for the Bank,
2) measures of interest rate gap and price sensitivity (BPV), set for the Capital Group,
3) stress tests assuming parallel moves in interest rates for the following currencies: PLN, EUR, USD, CHF and GBP by ±200 base points, set for the Bank.

Measures of interest rate gap and price sensitivity are determined for the Group companies using similar methods to those used for determining the interest rate gap and price sensitivity for the Bank, taking into account the specific nature of the business conducted by the Group companies.

During the period covered by these financial statements, there were no changes in methods or assumptions applied in sensitivity analysis in comparison to the prior period.

Currency risk

The objective of currency risk management is to identify the areas of currency risk and to take measures to reduce the currency risk to acceptable levels. As part of currency risk management, the Bank's Management Board sets an adequate currency risk profile for the Bank consistent with the accepted financial plan of the Bank concerning the result from currency transactions.

The Bank measures currency risk using the Value at Risk model and stress tests.

Vale at Risk (VaR) is defined as a potential loss incurred on currency positions due to fluctuations in exchange rates, while keeping an assumed level of confidence and holding period. However, this measure does not express the absolute maximum loss to which the Group is exposed. The Bank adopts a confidence level of 99% for the purpose of determining VaR. In its currency risk management the Bank determines VaR by type of activity.

Stress-testing and crash-testing is used to estimate potential losses arising from currency position under extraordinary market conditions that cannot be described in a standard manner using statistical measures. Two types of scenarios are used by the Bank:
1) hypothetical scenarios – which assume a hypothetical appreciation or depreciation of currency rates (by 10% and 50%),
2) historical scenarios – based on the behavior of currency rates observed in the past.

The main tools used in currency risk management include:

1) procedures for currency risk management,
2) limits and thresholds for currency risk, and
3) defining allowable transactions in foreign currencies and the exchange rates used in such transactions.

The Bank set limits for the following items: currency positions, Value at Risk calculated for a 10-day time horizon and daily loss from speculative transactions on currency market.

Methods of currency risk management in the Group companies are defined by internal regulations implemented by those Group companies which are characterized by high values/levels of currency risk measures. These regulations are developed after consultation with the Bank and take into account the recommendations issued by the Bank to the Group companies.

In the process of currency risk management, the Group uses the following measures:

1) measures of currency risk set for the Bank,
2) measures of currency risk set for the individual Group companies by the Bank,
3) stress tests assuming 10% appreciation or depreciation of currency rates set for the Group.

Measures of currency position are determined for the Group companies using similar methods to those used for determining the currency position for the Bank, taking into account the specific nature of the business conducted by the Group companies.

Derivative instrument risk

The objective of derivative risk management is to monitor the use of derivative instruments and to keep derivative risk within the range defined by the general risk profile of the Bank. Derivative risk management in the Bank is fully integrated with the management of other risks, such as: interest rate, currency, liquidity and credit risk. The principles of derivative risk management in the Bank define the risks related to derivative transactions and the tasks for individual organizational units in the process of derivative risk management.

The Bank measures the risk related to derivative instruments using, among others, the Value at Risk (VaR) model described in the section on interest rate risk or on currency risk, depending on the risk factor which affects the value of the instrument.

The main tools used in derivative risk management are as follows:

1) procedures for derivative risk management,
2) limits and thresholds set for the risk related to derivative instruments,
3) master agreements (ISDA, ZBP) specifying, among others, settlement mechanisms.

Derivative risk management is carried out by imposing limits on the individual derivative instruments included in the Bank's trading and banking portfolios, monitoring limits observation and reporting risk level.

Master agreements concluded by the Bank with the main counterparties on the basis of the master agreement of the Polish Banks Association (*Związek Banków Polskich - ZBP*) for domestic banks and the ISDA master agreement for foreign banks play a significant role in the process of mitigating the risk related to derivative instruments. Due to the complexity of these agreements and their significance for the Bank, the Bank implemented an internal procedure for concluding and managing such agreements.

Methods of derivative risk management in the Group companies are defined by internal regulations implemented by those Group companies which take positions in derivative instruments or plan to take positions in such instruments. These regulations are developed after consultation with the Bank and take into account the recommendations issued by the Bank to the Group companies.

In the process of derivative risk management, the Group uses the following measures:

1) measures of derivative risk set for the individual Group companies and for the Bank,
2) positions taken by the Group companies in particular derivative instruments, defined by the Bank.

Positions taken by the Group companies in particular derivative instruments are determined using similar methods to those used for positions taken by the Bank in such instruments, taking into account the specific nature of the business conducted by the Group companies.

Capital adequacy risk

The objective of capital adequacy risk management is to ensure that the Bank and the PKO BP SA Group follow prudence regulations concerning capital adequacy requirements due to risk exposure, expressed as capital adequacy ratio.

The main tools used in capital adequacy management are as follows:

1) selection of optimum (in terms of the level of required capital) measures for capital adequacy requirements for specific types of risk, according to resolution No. 1/2007 of the Commission for Banking Supervision,
2) internal procedures defining: classification of new transactions to trading portfolio or banking portfolio, determining original positions for transactions classified to trading or banking portfolio, determining the market result realized on original positions in the trading portfolio, determining the loss realized on original positions in the banking portfolio, application of price estimation techniques used for the calculation of market results realized on positions classified to trading portfolio.

The Bank calculates capital requirements for the following risks:

1) credit risk for the banking book,

2) currency risk for banking and trading books jointly,
3) equity securities price risk for the trading book (general and specific risk),
4) general interest rate risk for the trading book,
5) specific risk related to the prices of debt instruments in the trading book,
6) counterparty risk and delivery/settlement risk for the trading book.

The companies in the PKO BP SA Group do not have trading books, and therefore they do not generate capital adequacy requirement in respect of market risk; they only generate capital adequacy requirement in respect of credit risk.

Price risk of equity securities in the trading book

The objective of equity securities price risk management is to shape the Bank's balance sheet structure to ensure the adequacy of the Bank's price risk profile to the nature of its business activities and to reduce the impact of unfavorable changes in share prices on the financial results of the Bank.

Limits for equity securities price risk are set separately for the individual sub-portfolios of the trading book. The items that are subject to limits include open positions, daily losses and options' sensitivity.

The price risk of equity securities in the trading book is immaterial from the point of view of the size of the Bank's activity.

Liquidity risk

The objective of liquidity risk management is to shape the structure of the Bank's balance sheet and off-balance sheet liabilities to ensure the continuous solvency of the Bank taking into account the nature of its activities and the requirements which may occur due to changes in market environment.

The Bank's policy concerning liquidity is based on keeping a portfolio of liquid securities and stable deposits. In its liquidity risk management policy, the Bank also uses money market instruments, including NBP open market operations.

The Bank makes use of the following liquidity risk measures:

1) the "contractual liquidity gap" method and the "liquidity gap in real terms" method,
2) the "surplus liquidity" method,
3) analysis of stability of deposit and loan portfolios,
4) stress testing.

The main tools for liquidity risk management in the PKO BP SA Group are as follows:

1) procedures for liquidity risk management,
2) limits and thresholds mitigating liquidity risk,
3) deposit, investment and derivative transactions, including structural currency transactions and transactions for sale or purchase of securities,
4) transactions ensuring long-term financing of lending activities.

To ensure an adequate liquidity level, the Bank and the PKO BP SA Group companies accepted limits and thresholds for liquidity risk. The limits and thresholds were set for both current liquidity measures and medium and long-term liquidity measures.

Methods of liquidity risk management in the Group companies are defined by internal regulations implemented by those Group companies which are characterized by high values/levels of liquidity risk measures. These regulations are developed after consultation with the Bank and take into account the recommendations issued by the Bank to the Group companies.

In the process of liquidity risk management, the Group uses the following measures:

1) measures of liquidity risk set for the individual Group companies and for the Bank,
2) measure of the "contractual liquidity gap", determined for the Capital Group.

Measure of the "contractual liquidity gap" is determined for the Group companies using similar methods to those used for determining the "contractual liquidity gap" for the Bank, taking into account the specific nature of the business conducted by the Group companies.

30 June 2007

Interest rate risk

Financial assets and liabilities with fixed interest rates (in PLN thousands)[1]

	30.06.2007 unaudited
Bank - Debt securities	12 343 325
Bank - Loans and advances based on fixed interest rates	701 205
Bank - Deposits from customers based on fixed interest rates	(13 862 314)
Bank - Inter-bank and negotiable deposits	(17 160 066)
Bank - Inter-bank receivables	8 056 273
Group entities – Assets	1 509 083
Group entities – Liabilities	(1 407 542)
TOTAL	**(9 820 036)**

Financial assets and liabilities with variable interest rates (in PLN thousands)[1]

	30.06.2007 unaudited
Bank - Debt securities	5 872 591
Bank - Loans and advances based on variable interest rates	66 848 144
Bank - Deposits from customers based on variable interest rates	(54 272 171)
Group entities – Assets	1 209 875
Group eantities – Liabilities	(1 555 474)
TOTAL	**18 102 965**

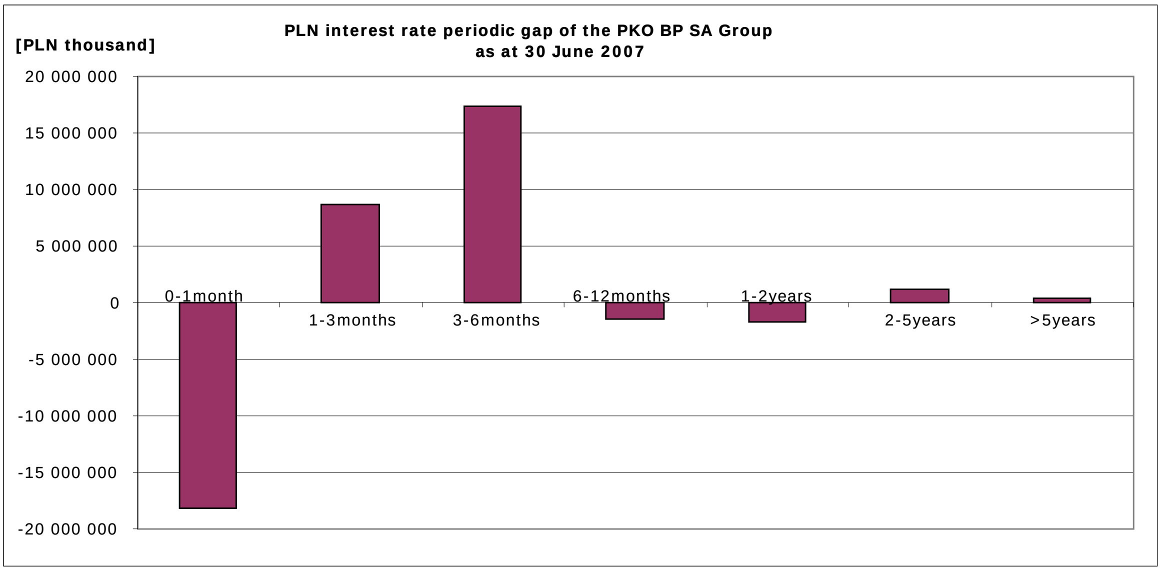
Off-balance sheet transactions (in PLN thousands)[1,2]

	30.06.2007 unaudited
Bank - Derivatives	284 866
Group entities - Derivatives	82
TOTAL	**284 948**

[1] Total for all currencies.
[2] Fair value.

(in PLN thousand)

PLN Repricing Gap unaudited	**0-1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Bank - Periodic gap	(18 261 830)	8 715 150	17 440 775	(1 448 743)	(1 709 439)	1 104 426	341 244	6 181 583
Bank – Cumulative gap	(18 261 830)	(9 546 680)	7 894 095	6 445 352	4 735 913	5 840 339	6 181 583	-
Group entities - Periodic gap	72 789	(54 634)	(87 116)	48 745	51 127	46 447	1 732	79 090
Group entities - Cumulative gap	72 789	18 155	(68 961)	(20 216)	30 911	77 358	79 090	-
TOTAL - Periodic gap	**(18 189 041)**	**8 660 516**	**17 353 659**	**(1 399 998)**	**(1 658 312)**	**1 150 873**	**342 976**	**6 260 673**
TOTAL - Cumulative gap	**(18 189 041)**	**(9 528 525)**	**7 825 134**	**6 425 136**	**4 766 824**	**5 917 697**	**6 260 673**	-



At the end of the first half of 2007, the PKO BP SA Group had a negative cumulative PLN gap in a time horizon of 3 months and a positive cumulative gap in longer time horizons. At the end of the first half of 2007, the exposure of the PKO BP SA Group to the PLN interest rate risk was mainly comprised of the Bank's exposure. The PLN interest rate risk generated by the other Group companies had no significant influence on the interest rate risk of the whole Group and therefore it did not materially affect its risk profile.

USD Repricing Gap (in USD ths.) unaudited	**0-1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Bank - Periodic gap	(230 485)	169 868	(43 114)	16 290	-	-	75 635	(11 806)
Bank – Cumulative gap	(230 485)	(60 617)	(103 731)	(87 441)	(87 441)	(87 441)	(11 806)	-
Group entities - Periodic gap	(89 760)	-	(52 832)	(35 553)	24 172	63 407	59 080	(31 486)
Group entities - Cumulative gap	(89 760)	(89 760)	(142 592)	(178 145)	(153 973)	(90 566)	(31 486)	-
TOTAL - Periodic gap	**(320 245)**	**169 868**	**(95 946)**	**(19 263)**	**24 172**	**63 407**	**134 715**	**(43 292)**
TOTAL - Cumulative gap	**(320 245)**	**(150 377)**	**(246 323)**	**(265 586)**	**(241 414)**	**(178 007)**	**(43 292)**	-

The exposure of the Group to the interest rate risk in USD was comprised of both the exposure of the Bank and of other Group companies. The subsidiaries' interest rate risk increased the Group's interest rate risk in the time horizons of up to 1 month and over 3 months.

(in PLN thousand)

EUR Repricing Gap (in EUR ths.) unaudited	**0-1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Bank - Periodic gap	(279 627)	465 068	(21 603)	(71 895)	256 367	751	17 253	366 314
Bank – Cumulative gap	(279 627)	185 441	163 838	91 943	348 310	349 061	366 314	-
Group entities - Periodic gap	(11 954)	-	(10 152)	(6 542)	15 010	12 896	2 953	2 211
Group entities - Cumulative gap	(11 954)	(11 954)	(22 106)	(28 648)	(13 638)	(742)	2 211	-
TOTAL - Periodic gap	**(291 581)**	**465 068**	**(31 755)**	**(78 437)**	**271 377**	**13 647**	**20 206**	**368 525**
TOTAL - Cumulative gap	**(291 581)**	**173 487**	**141 732**	**63 295**	**334 672**	**348 319**	**368 525**	**-**

The exposure of the Group to the interest rate risk in EUR is mainly comprised of the Bank's exposure. The EUR interest rate risk which is generated by the other Group companies had no significant influence on the Group's interest rate risk and therefore did not affect its risk profile.

CHF Repricing Gap (in CHF ths.) unaudited	**0-1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Bank - Periodic gap	2 487 221	(2 347 136)	(425)	(3 901)	(74)	-	742	136 427
Bank – Cumulative gap	2 487 221	140 085	139 660	135 759	135 685	135 685	136 427	-
Group entities - Periodic gap	(725)	-	-	-	-	-	-	(725)
Group entities - Cumulative gap	(725)	(725)	(725)	(725)	(725)	(725)	(725)	-
TOTAL - Periodic gap	**2 486 496**	**(2 347 136)**	**(425)**	**(3 901)**	**(74)**	**-**	**742**	**135 702**
TOTAL - Cumulative gap	**2 486 496**	**139 360**	**138 935**	**135 034**	**134 960**	**134 960**	**135 702**	**-**

The exposure of the Group to the interest rate risk in CHF is mainly comprised of the Bank's exposure. The CHF interest rate risk generated by the Group companies did not have a significant influence on the Group's interest rate risk and therefore did not affect its risk profile.

The Group's exposure to the interest rate risk remained within the approved limits.

As at 30 June 2007, VaR and the stress-test analysis of the Group's financial assets sensitive to interest rate risk (jointly for the banking and trading book) were as follows:

Sensitivity measure	**VaR for a 10-day time horizon (PLN thousands)**	**Parallel move of interest rate curves by +200 base points (PLN thousands)**
Bank	23 359	(231 127)
Group companies	-	(60 205)

The Bank does not calculate the consolidated VaR amount considering the nature of the activities of the Group's companies which generate highest interest rate risk (BFL and KREDOBANK S.A.) as well as specific of the market the Group's companies operate on. Those companies use their own risk measures in order to manage interest rate risk. The 10-day VaR for main currencies is calculated by KREDOBANK S.A., the value of which amounted to PLN 8,801 thousand as at the end of June 2007.

The interest rate risk in the Group was low. As at 30 June 2007, the Bank's interest rate VaR for the time horizon of 10 days amounted to PLN 23,359 thousand, which accounted for ca. 0.30% of the Bank's own funds[3]. The interest rate risk was generated mainly by the risk of a mismatch in the repricing dates of assets and liabilities.

Currency risk

As at 30 June 2007, VaR and the stress-test analysis of the Group's financial assets sensitive to currency risk (jointly for the banking and trading book) were as follows:

Sensitivity measure	VaR for a 10-day time horizon (PLN thousands)	Appreciation of PLN +10% (PLN thousands)
Bank	3 552	(9 850)
Group companies	-	(1 560)

The Bank does not calculate the consolidated VaR amount considering the nature of the activities of the Group's companies which generate highest currency risk (BFL and KREDOBANK S.A.) as well as specific of the market the Group's companies operate on. Those companies use their own risk measures in order to manage currency risk. The 10-day VaR is calculated by KREDOBANK S.A., the value of which amounted to PLN 66 thousand as at the end of June 2007.

Liquidity risk

unaudited	a' vista	(0 - 1) month	(1 - 3) months	(3 - 6) months	(6 - 12) months	(12 - 36) months	(36 - 60) months	over 60 months
Bank - Periodic gap	1 023 402	(426 517)	4 577 346	4 226 306	7 601 828	10 400 123	9 825 599	(37 228 087)
Bank – Cumulative gap	1 023 402	596 885	5 174 231	9 400 537	17 002 365	27 402 488	37 228 087	-
Group entities - Periodic gap	87 614	(362 295)	(431 242)	(11 930)	15 755	185 735	596 553	(80 190)
Group entities - Cumulative gap	87 614	(274 681)	(705 923)	(717 853)	(702 098)	(516 363)	80 190	-
TOTAL - Periodic gap	**1 111 016**	**(788 812)**	**4 146 104**	**4 214 376**	**7 617 583**	**10 585 858**	**10 422 152**	**(37 308 277)**
TOTAL - Cumulative gap	**1 111 016**	**322 204**	**4 468 308**	**8 682 684**	**16 300 267**	**26 886 125**	**37 308 277**	**-**

In all time horizons, the Group's cumulative periodic liquidity gap stated in real terms[4] was positive. This means a surplus of assets receivable over liabilities payable.

At the end of June 2007, the level of core deposits of non-financial entities represented appx. 88% of the total deposit base of the Bank.

Contractual off-balance sheet liquidity gap for the Bank's derivative instruments:

(PLN thousands)	0-1 month	1-3 months	3-6 months	6-12 months	12-36 months	36-60 months	more than 60 months	Total
Total off-balance sheet receivables	2 716 151	1 511 390	1 591 056	4 208 166	7 973 887	5 102 247	7 682 784	30 785 681

(PLN thousands)	0-1 month	1-3 months	3-6 months	6-12 months	12-36 months	36-60 months	more than 60 months	Total
Total off-balance sheet liabilities	2 632 278	1 436 195	1 668 770	4 137 658	7 505 621	4 683 995	7 230 659	29 295 176

(PLN thousands)	0-1 month	1-3 months	3-6 months	6-12 months	12-36 months	36-60 months	more than 60 months	Total

[3] Own funds calculated in accordance with regulations concerning calculation of capital adequacy ratio.

[4] The liquidity gap in real terms of the PKO BP SA Group was calculated as the sum of the liquidity gap in real terms of the Bank and contractual liquidity gaps of the other companies from the PKO BP SA Group.

(in PLN thousand)

Total individual gap	83 873	75 195	(77 714)	70 508	468 266	418 252	452 125	1 490 505
Total cumulative gap	83 873	159 068	81 354	151 862	620 128	1 038 380	1 490 505	-

Concentration of credit risk - inter-bank market

At the end of June 2007, the level of exposure of PKO BP SA on the inter-bank market was as follows (the listing includes 20 largest exposures):

Exposure on inter-bank market				
Counterparty	**Instrument type**			**Total**
	Deposit	**Securities**	**Derivatives**	
Counterparty 1		851 071		851 071
Counterparty 2	660 000		(14 604)	660 000
Counterparty 3	550 000		5 935	555 935
Counterparty 4	550 000			550 000
Counterparty 5	500 000			500 000
Counterparty 6	480 000		(2 705)	480 000
Counterparty 7	458 447		6 060	464 507
Counterparty 8	327 989	18 829	15 038	361 856
Counterparty 9	200 000		15 521	215 521
Counterparty 10	215 468			215 468
Counterparty 11	200 000		7 539	207 539
Counterparty 12	200 000		3 156	203 156
Counterparty 13	200 000			200 000
Counterparty 14	200 000			200 000
Counterparty 15	192 107			192 107
Counterparty 16	175 000			175 000
Counterparty 17	100 000	73 179		173 179
Counterparty 18	170 000		(47)	170 000
Counterparty 19		167 934		167 934
Counterparty 20			161 113	161 113

Excluding exposure to the State Treasury and the National Bank of Poland

For the purpose of determining the Group's exposure, placements and securities issued by the counterparties are stated at nominal value, and derivative instruments at fair value. Total exposure to each counterparty ("Total") is the sum total of the exposures related to placements and securities and the exposure related to derivative instruments if this exposure is positive (otherwise the exposure related to derivative instruments is not included in the total exposure).

PKO BP SA has signed master agreements with all of the 10 counterparties listed in the table above with whom the Bank entered into derivative transactions. These agreements allow for the offsetting of mutual liabilities in the event of bankruptcy of any of the parties to the transaction. In total, PKO BP SA signed 24 master agreements with domestic banks and 27 master agreements with foreign banks and lending institutions. In addition, the Bank is a party to 8 CSA (Credit Support Annex) agreements which enable it to hedge its exposure from derivative instruments and 1 ISMA agreement which allows for an offsetting of liabilities arising from REPO and BSB/SBB transactions.

Counterparties generating 20 largest exposures on the interbank market come from the following countries (these are the countries in which the head office of the counterparty is located):

(in PLN thousand)

No.	Country	Counterparty
1.	Austria	Counterparty 5, Counterparty 13
2.	France	Counterparty 9, Counterparty 15
3.	Greece	Counterparty 16
4.	Germany	Counterparty 1, Counterparty 3, Counterparty 8, Counterparty 20
5.	Poland	Counterparty 2, Counterparty 6, Counterparty 7, Counterparty 10, Counterparty 11, Counterparty 14, Counterparty 18
6.	Portugal	Counterparty 4
7.	Switzerland	Counterparty 12
8.	USA	Counterparty 17, Counterparty 19

Analysis of counterparties by rating is as follows:

Rating	Counterparty
AAA	Counterparty 1, Counterparty 19
AA	Counterparty 9, Counterparty 12, Counterparty 15, Counterparty 17, Counterparty 20
A	Counterparty 2, Counterparty 3, Counterparty 4, Counterparty 5, Counterparty 6, Counterparty 7, Counterparty 8, Counterparty 11, Counterparty 13, Counterparty 14, Counterparty 16
No rating	Counterparty 10, Counterparty 18

The ratings were determined based on external ratings granted by Moody's, S&P and Fitch (when rating was granted by two agencies, the lower rating was applied, and when rating was granted by three agencies, the middle rating was applied).

(in PLN thousand)

Assets and liabilities of the Group as at 30 June 2007, by maturity (unaudited)

Balance sheet items	Up to 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Impairment allowances	Total
Assets:							
Cash and balances with the Central Bank	3 591 954	-	-	-	-	-	**3 591 954**
Amounts due from banks	5 185 017	1 163 082	2 256 680	37 657	-	(276)	**8 642 160**
Financial assets held for trading	254 430	117 050	235 538	73 965	225 031	-	**906 014**
Other financial instruments at fair value through profit or loss	2 082 137	735 665	1 708 183	6 075 178	2 317 403	-	**12 918 566**
Loans and advances to customers	11 301 519	2 836 135	8 881 340	22 816 865	23 300 373	(2 479 214)	**66 657 018**
Securities available for sale	106 610	423 418	232 163	3 957 753	843 940	(28 651)	**5 535 233**
Other	1 075 058	1 079 436	351 302	606 957	3 279 469	(175 526)	**6 216 696**
Total assets:	**23 596 725**	**6 354 786**	**13 665 206**	**33 568 375**	**29 966 216**	**(2 683 667)**	**104 467 641**
Liabilities:							
Amounts due to the Central Bank	1 415	-	-	-	-	-	**1 415**
Amounts due to banks	3 529 194	119 458	619 322	304 087	132 635	-	**4 704 696**
Amounts due to customers	56 266 746	11 319 747	15 366 966	1 380 507	202 511	-	**84 536 477**
Liabilities arising from securities issued	121 305	102 434	4 440	13 922	-	-	**242 101**
Other liabilities	1 759 931	1 426 985	688 384	149 493	543 201	-	**4 567 994**
Total liabilities:	**61 678 591**	**12 968 624**	**16 679 112**	**1 848 009**	**878 347**	-	**94 052 683**
Equity:	-	-	-	-	10 414 958	-	**10 414 958**
Total	**61 678 591**	**12 968 624**	**16 679 112**	**1 848 009**	**11 293 305**	-	**104 467 641**
Liquidity gap	**(38 081 866)**	**(6 613 838)**	**(3 013 906)**	**31 720 366**	**18 672 911**	**(2 683 667)**	**-**

(in PLN thousand)

Currency risk

In the first half of 2007, currency risk remained at a low level. The tables below present currency exposure analyzed by separate types of assets, liabilities and off-balance sheet liabilities.

	Currency translated to PLN – 30.06.2007 unaudited				
ASSETS, of which:	**PLN**	**EUR**	**CHF**	**Other**	**Total**
Cash and balances with the Central Bank	3 333 058	104 580	4 316	150 000	**3 591 954**
Loans and advances and other amounts due from financial sector	7 254 203	668 573	186 522	1 127 485	**9 236 783**
Loans and advances to non-financial sector	48 456 600	2 309 684	11 308 247	1 921 892	**63 996 423**
Loans and advances to public sector	4 539 359	5 864	42	197	**4 545 462**
Securities	15 337 386	3 172 826	-	906 694	**19 416 906**
Non-current assets	7 484 734	-	-	181 589	**7 666 323**
Other assets and derivatives	2 267 566	148 752	1 257	62 145	**2 479 720**
TOTAL ASSETS (GROSS)	88 672 906	6 410 279	11 500 384	4 350 002	110 933 571
DEPRECIATION/ AMORTISATION/ IMPAIRMENT	(6 302 320)	(22 008)	(20 198)	(121 404)	**(6 465 930)**
TOTAL ASSETS (NET)	82 370 586	6 388 271	11 480 186	4 228 598	**104 467 641**
LIABILITIES, of which:					
Balances with the Central Bank	1 415	-	-	-	**1 415**
Amounts due to financial sector	1 960 848	1 808 767	245 829	1 135 585	**5 151 029**
Amounts due to non-financial sector	72 077 953	3 336 686	68 426	4 022 823	**79 505 888**
Amounts due to public sector	4 564 926	9 698	-	9 632	**4 584 256**
Liabilities arising from securities issued	228 179	-	-	13 922	**242 101**
Provisions	430 167	92	-	424	**430 683**
Other liabilities and derivatives and deferred tax liability	3 917 779	141 333	637	77 562	**4 137 311**
Equity	10 376 994	-	-	37 964	**10 414 958**
TOTAL EQUITY AND LIABILITIES	93 558 261	5 296 576	314 892	5 297 912	**104 467 641**
OFF-BALANCE SHEET LIABILITIES GRANTED	**23 067 404**	**2 254 934**	**908 028**	**545 965**	26 776 331

The Bank's currency risk is monitored and reported on a day-to-day basis. Currency positions which are generated from the Bank's core activities are transferred to its speculative activities. After that, they are managed within thresholds and limits established for that kind of activities. Individually significant currency positions in all currencies are systematically closed within the Bank's speculative activity limits.

31 December 2006

Interest rate risk

Financial assets and liabilities with fixed interest rates (in PLN thousand)[5]

	31.12.2006
Bank - Debt securities	15 021 274
Bank - Loans and advances based on fixed interest rates	734 753
Bank - Deposits from customers based on fixed interest rates	(14 660 248)
Bank - Inter-bank and negotiable deposits	(16 655 690)
Bank - Inter-bank receivables	12 946 291
Group entities – Assets	1 697 896
Group entities – Liabilities	(960 265)
TOTAL	**(1 875 989)**

Financial assets and liabilities with variable interest rates (in PLN thousands)[5]

	31.12.2006
Bank - Debt securities	4 039 820
Bank - Loans and advances based on variable interest rates	59 491 751
Bank - Deposits from customers based on variable interest rates	(51 585 402)
Group entities – Assets	1 013 404
Group entities – Liabilities	(2 013 503)
TOTAL	**10 946 070**

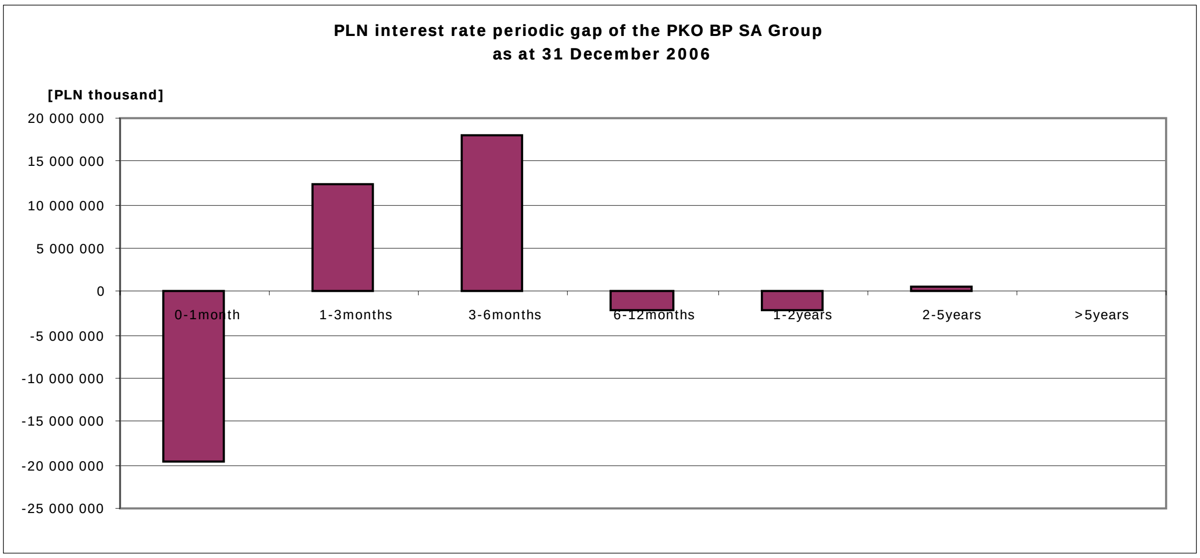
Off-balance sheet transactions (in PLN thousands)[5,6]

	31.12.2006
Bank - Derivatives	107 362
Group entities - Derivatives	(195)
TOTAL	**107 167**

PLN Repricing Gap unaudited	**0-1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Bank - Periodic gap	(19 599 952)	12 463 891	18 015 885	(2 146 871)	(1 965 852)	635 915	(34 780)	7 368 236
Bank – Cumulative gap	(19 599 952)	(7 136 061)	10 879 824	8 732 953	6 767 101	7 403 016	7 368 236	-
Group entities - Periodic gap	(93 437)	(128 772)	(35 415)	26 932	(243 651)	15 929	212	(458 202)
Group entities - Cumulative gap	(93 437)	(222 209)	(257 624)	(230 692)	(474 343)	(458 414)	(458 202)	-
TOTAL - Periodic gap	**(19 693 389)**	**12 335 119**	**17 980 470**	**(2 119 939)**	**(2 209 503)**	**651 844**	**(34 568)**	**6 910 034**
TOTAL - Cumulative gap	**(19 693 389)**	**(7 358 270)**	**10 622 200**	**8 502 261**	**6 292 758**	**6 944 602**	**6 910 034**	**-**

[5] Total for all currencies.
[6] Fair value.

(in PLN thousand)



At the end of 2006, the PKO BP SA Group had a negative cumulative PLN gap in a time horizon of up to 3 months and a positive cumulative gap for longer horizons. At the end of 2006, the exposure of the PKO BP SA Group to the interest rate risk in PLN was mainly comprised of the Bank's exposure. The PLN interest rate risk generated by the other Group companies had no significant influence on the interest rate risk of the whole Group and therefore it did not affect its risk profile.

USD Repricing Gap (in USD ths.) unaudited	**0-1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Bank - Periodic gap	(378 458)	181 384	99 566	86 261	-	-	52 374	41 127
Bank – Cumulative gap	(378 458)	(197 074)	(97 508)	(11 247)	(11 247)	(11 247)	41 127	-
Group entities - Periodic gap	(66 536)	(49)	(37 351)	(33 044)	23 388	60 047	69 157	15 612
Group entities - Cumulative gap	(66 536)	(66 585)	(103 936)	(136 980)	(113 592)	(53 545)	15 612	-
TOTAL - Periodic gap	**(444 994)**	**181 335**	**62 215**	**53 217**	**23 388**	**60 047**	**121 531**	**56 739**
TOTAL - Cumulative gap	**(444 994)**	**(263 659)**	**(201 444)**	**(148 227)**	**(124 839)**	**(64 792)**	**56 739**	-

The exposure of the Group to the interest rate risk in USD was mainly comprised of the exposures of the Bank and of KREDOBANK S.A. The subsidiaries' USD interest rate risk increased the Group's interest rate risk in the following time horizons: up to 1 month and over 1 year. The subsidiaries' interest rate risk decreased the interest rate risk in the time horizons from 1 month to 1 year.

EUR Repricing Gap (in EUR ths.) unaudited	**0-1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Bank - Periodic gap	(497 048)	401 894	(5 310)	78 608	26 377	1 022	7 355	12 898
Bank – Cumulative gap	(497 048)	(95 154)	(100 464)	(21 856)	4 521	5 543	12 898	-
Group entities - Periodic gap	(3 162)	(544)	(16 227)	(5 474)	9 597	15 964	1 483	1 637
Group entities - Cumulative gap	(3 162)	(3 706)	(19 933)	(25 407)	(15 810)	154	1 637	-
TOTAL - Periodic gap	**(500 210)**	**401 350**	**(21 537)**	**73 134**	**35 974**	**16 986**	**8 838**	**14 535**
TOTAL - Cumulative gap	**(500 210)**	**(98 860)**	**(120 397)**	**(47 263)**	**(11 289)**	**5 697**	**14 535**	-

The exposure of the Group to the interest rate risk in EUR was mainly comprised of the exposures of the Bank and of KREDOBANK S.A. The EUR interest rate risk generated by the other Group companies had no significant influence on the Group's interest rate risk and therefore it did not affect its risk profile.

CHF Repricing Gap (in CHF ths.) unaudited	**0-1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Bank - Periodic gap	2 547 713	(2 430 896)	(966)	(1 553)	(2 565)	-	-	111 733
Bank – Cumulative gap	2 547 713	116 817	115 851	114 298	111 733	111 733	111 733	-
Group entities - Periodic gap	(86)	-	-	-	-	-	-	(86)
Group entities - Cumulative gap	(86)	(86)	(86)	(86)	(86)	(86)	(86)	-
TOTAL - Periodic gap	**2 547 627**	**(2 430 896)**	**(966)**	**(1 553)**	**(2 565)**	**-**	**-**	**111 647**
TOTAL - Cumulative gap	**2 547 627**	**116 731**	**115 765**	**114 212**	**111 647**	**111 647**	**111 647**	**-**

The exposure of the Group to the CHF interest rate risk was mainly comprised of the Bank's exposures. The CHF interest rate risk generated by the Group companies did not have a significant influence on the Group's interest rate risk and therefore it did not affect its risk profile.

The Group's exposure to the interest rate risk remained within the accepted limits.

As at 31 December 2006, VaR and the stress-test analysis of the Group's financial assets sensitive to the interest rate risk (jointly for the banking and trading book) were as follows:

Sensitivity measure	**VaR for a 10-day time horizon (PLN thousands)**	**Parallel move of interest rate curves by +200 base points (PLN thousands)**
Bank	4 813	(108 072)
Group companies	-	(56 705)

The Bank does not calculate the consolidated VaR amount considering the nature of the activities of the Group's companies which generate highest interest rate risk (BFL and KREDOBANK S.A.) as well as specific of the market the Group's companies operate on. Those companies use their own risk measures in order to manage interest rate risk. The 10-day VaR for main currencies is calculated by KREDOBANK S.A., the value of which amounted to PLN 7,591 thousand as at the end of December 2006.

The interest rate risk in the PKO BP SA Group remained at a low level. As at 31 December 2006, the interest rate VaR for the time horizon of 10 days (10-day VaR) amounted to PLN 4,813 thousand, which accounted for approximately 0.07% of the Bank's own funds[7]. The interest rate risk was mainly generated by the risk of a mismatch between the repricing dates of assets and liabilities.

Currency risk

As at 31 December 2006, VaR and the stress-test analysis of the Group's financial assets sensitive to currency risk (jointly for the banking and trading book) were as follows:

Sensitivity measure	**VaR for a 10-day time horizon (PLN thousands)**	**Appreciation of PLN +10% (PLN thousands)**
Bank	2 598	(8 720)
Group companies	-	(793)

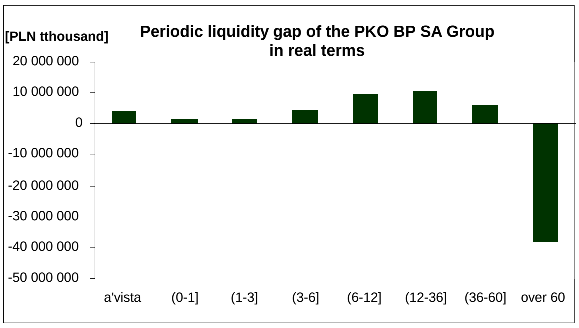
The Bank does not calculate the consolidated VaR amount considering the nature of the activities of the Group's Companies which generate highest currency risk (BFL and KREDOBANK S.A.) as well as specific of the market the Group's companies operate on. Those companies use their own risk measures in order to manage

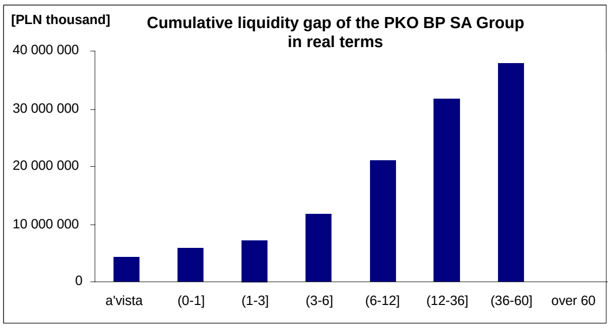
[7] Own funds calculated in accordance with regulations concerning calculation of capital adequacy ratio.

currency risk. The 10-day VaR is calculated by KREDOBANK S.A., the value of which amounted to PLN 65 thousand as at the end of December 2006.

Liquidity risk

unaudited	a' vista	(0 - 1) month	(1 - 3) months	(3 - 6) months	(6 - 12) months	(12 - 36) months	(36 - 60) months	over 60 months
Bank - Periodic gap	4 088 906	1 755 373	1 766 932	4 465 463	9 578 027	10 481 513	5 654 981	(37 791 195)
Bank – Cumulative gap	4 088 906	5 844 279	7 611 211	12 076 674	21 654 701	32 136 214	37 791 195	-
Group entities - Periodic gap	113 540	(181 729)	(347 069)	(16 426)	(44 315)	93 344	558 791	(176 136)
Group entities - Cumulative gap	113 540	(68 189)	(415 258)	(431 684)	(475 999)	(382 655)	176 136	-
TOTAL - Periodic gap	**4 202 446**	**1 573 644**	**1 419 863**	**4 449 037**	**9 533 712**	**10 574 857**	**6 213 772**	**(37 967 331)**
TOTAL - Cumulative gap	**4 202 446**	**5 776 090**	**7 195 953**	**11 644 990**	**21 178 702**	**31 753 559**	**37 967 331**	-





In all time horizons, the cumulative liquidity gap of the PKO BP SA Group in real terms[8] was positive. This means a surplus of assets receivable over liabilities payable.

At the end of December 2006, the level of core deposits of non-financial entities represented 92% of the Bank's total deposit base.

Contractual off-balance sheet liquidity gap for the Bank's derivative instruments:

(PLN thousands)	0-1 month	1-3 months	3-6 months	6-12 months	12-36 months	36-60 months	more than 60 months	Total
Total off-balance sheet receivables	6 774 429	2 552 398	1 581 148	2 153 376	6 685 059	5 130 427	5 915 517	30 792 354

(PLN thousands)	0-1 month	1-3 months	3-6 months	6-12 months	12-36 months	36-60 months	more than 60 months	Total
Total off-balance sheet liabilities	6 738 555	2 468 719	1 447 950	2 205 502	6 328 020	4 788 182	5 638 867	29 615 795

(PLN thousands)	0-1 month	1-3 months	3-6 months	6-12 months	12-36 months	36-60 months	more than 60 months	Total
Total individual gap	35 874	83 679	133 198	(52 126)	357 039	342 245	276 650	1 176 559
Total cumulative gap	35 874	119 553	252 751	200 625	557 664	899 909	1 176 559	-

Concentration of credit risk - inter-bank market

At the end of December 2006, the level of exposure of PKO BP SA on the inter-bank market was as follows (the listing includes 20 largest exposures):

[8] The liquidity gap in real terms of the PKO BP SA Group was calculated as the sum of the liquidity gap in real terms of PKO BP SA and contractual liquidity gaps of the other companies from the PKO BP SA Group.

(in PLN thousand)

Exposure on inter-bank market				
Counterparty	**Instrument type**			**Total**
	Deposit	**Securities**	**Derivatives**	
Counterparty 5	961 945			961 945
Counterparty 21	666 050		(422)	666 050
Counterparty 22	650 000		(3 881)	650 000
Counterparty 23	620 000		16 514	636 514
Counterparty 24	600 000		(1)	600 000
Counterparty 4	520 000			520 000
Counterparty 25	500 000		7 768	507 768
Counterparty 26	500 000			500 000
Counterparty 27	258 977	200 000		458 977
Counterparty 15	415 935			415 935
Counterparty 28	400 000		(1 235)	400 000
Counterparty 29	323 700			323 700
Counterparty 30	305 603			305 603
Counterparty 3	300 000		4 044	304 044
Counterparty 2	300 000		(2 854)	300 000
Counterparty 31	300 000		(6 289)	300 000
Counterparty 12	250 000		38 454	288 454
Counterparty 32	195 525	84 113		279 638
Counterparty 9	250 000		28 840	278 840
Counterparty 33	252 676			252 676

Excluding exposure to the State Treasury and the National Bank of Poland. The names of the counterparties are consistent with those presented in the table showing the largest exposures on the inter-bank market at the end of June 2007.

For the purpose of determining the Group's exposure, placements and securities issued by the counterparties are stated at nominal value, and derivative instruments at fair value. Total exposure to each counterparty ("Total") is the sum total of the exposures related to placements and securities and the exposure related to derivative instruments if this exposure is positive (otherwise the exposure related to derivative instruments is not included in the total exposure).

Counterparties generating 20 largest exposures on the interbank market come from the following countries (these are the countries in which the head office of the counterparty is located):

No.	Country	Counterparty
1.	Austria	Counterparty 5, Counterparty 21
2.	Belgium	Counterparty 24
3.	France	Counterparty 23, Counterparty 15, Counterparty 31, Counterparty 9
4.	Spain	Counterparty 29, Counterparty 33
5.	Ireland	Counterparty 27
6.	Germany	Counterparty 26, Counterparty 3
7.	Poland	Counterparty 28, Counterparty 2
8.	Portugal	Counterparty 4
9.	Switzerland	Counterparty 12
10.	Great Britain	Counterparty 22, Counterparty 25, Counterparty 30
11.	Italy	Counterparty 32

(in PLN thousand)

Analysis of counterparties by rating is as follows:

Rating	Counterparty
AAA	-
AA	Counterparty 22, Counterparty 23, Counterparty 24, Counterparty 25, Counterparty 15, Counterparty 29,Counterparty 31, Counterparty 12, Counterparty 9, Counterparty 33
A	Counterparty 5, Counterparty 21, Counterparty 4, Counterparty 26, Counterparty 27, Counterparty 3, Counterparty 2, Counterparty 32
B	Counterparty 30
No rating	Counterparty 28

The ratings were determined based on external ratings granted by Moody's, S&P and Fitch (when rating was granted by two agencies, the lower rating was applied, and when rating was granted by three agencies, the middle rating was applied).

(in PLN thousand)

Assets and liabilities of the Group as at 31 December 2006, by maturity

Balance sheet items	Up to 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Impairment allowances	Total
Assets:							
Cash and balances with the Central Bank	4 628 134	-	-	-	-	-	**4 628 134**
Amounts due from banks	8 019 055	1 550 355	3 703 989	157 520	-	(329)	**13 430 590**
Financial assets held for trading	612 770	88 616	134 645	38 987	123 617	-	**998 635**
Other financial instruments at fair value through profit or loss	381 996	154 689	2 286 520	5 583 504	3 111 996	-	**11 518 705**
Loans and advances to customers	10 614 323	1 708 330	9 294 876	20 192 246	19 543 854	(2 447 022)	**58 906 607**
Securities available for sale	33 312	190 478	1 206 153	2 447 291	2 916 005	(30 051)	**6 763 188**
Securities held to maturity	-	-	-	-	-	-	**-**
Other	673 275	1 099 980	204 042	852 945	3 172 427	(222 821)	**5 779 848**
Total assets:	**24 962 865**	**4 792 448**	**16 830 225**	**29 272 493**	**28 867 899**	**(2 700 223)**	**102 025 707**
Liabilities:							
Amounts due to the Central Bank	1 387	-	-	-	-	-	**1 387**
Amounts due to banks	2 022 976	878 280	968 649	379 493	102 210	-	**4 351 608**
Amounts due to customers	54 782 055	11 267 072	15 776 427	1 585 783	95 838	-	**83 507 175**
Liabilities arising from securities issued	-	-	43 722	-	-	-	**43 722**
Other liabilities	1 461 628	1 613 440	471 570	86 613	307 984	-	**3 941 235**
Total liabilities:	58 268 046	13 758 792	17 260 368	2 051 889	506 032	-	**91 845 127**
Equity:	-	-	-	-	10 180 580	-	**10 180 580**
Total	**58 268 046**	**13 758 792**	**17 260 368**	**2 051 889**	**10 686 612**	**-**	**102 025 707**
Liquidity gap	**(33 305 181)**	**(8 966 344)**	**(430 143)**	**27 220 604**	**18 181 287**	**(2 700 223)**	**-**

(in PLN thousand)

Currency risk

	Currency translated to PLN – 31.12.2006				
ASSETS, of which:	**PLN**	**EUR**	**CHF**	**Other**	**Total**
Cash and balances with the Central Bank	4 322 996	133 162	7 380	164 596	**4 628 134**
Loans and advances and other amounts due from financial sector	9 437 950	1 078 344	93 410	3 191 213	**13 800 917**
Loans and advances to non-financial sector	39 744 236	2 566 686	10 798 565	1 812 220	**54 921 707**
Loans and advances to public sector	6 051 015	6 463	52	4 394	**6 061 924**
Securities	15 795 258	2 601 655	-	913 666	**19 310 579**
Non-current assets	7 578 025	-	-	154 815	**7 732 840**
Other assets and derivatives	1 982 281	29 852	1 684	64 535	**2 078 352**
TOTAL ASSETS (GROSS)	84 911 761	6 416 162	10 901 091	6 305 439	**108 534 453**
DEPRECIATION/ AMORTISATION/ IMPAIRMENT	(6 329 841)	(42 485)	(22 975)	(113 445)	**(6 508 746)**
TOTAL ASSETS (NET)	78 581 920	6 373 677	10 878 116	6 191 994	**102 025 707**
LIABILITIES, of which:					
Balances with the Central Bank	1 387	-	-	-	**1 387**
Amounts due to financial sector	1 767 957	1 470 045	25 922	1 373 776	**4 637 700**
Amounts due to non-financial sector	72 529 625	3 181 078	63 663	4 284 023	**80 058 389**
Amounts due to public sector	3 146 805	10 518	-	5 371	**3 162 694**
Liabilities arising from securities issued	43 722	-	-	-	**43 722**
Provisions	427 350	583	-	267	**428 200**
Other liabilities and derivatives and deferred tax liability	3 373 633	6 211	29 151	104 040	**3 513 035**
Equity	10 140 452	-	-	40 128	**10 180 580**
TOTAL EQUITY AND LIABILITIES	**91 430 931**	**4 668 435**	**118 736**	**5 807 605**	**102 025 707**
OFF-BALANCE SHEET LIABILITIES GRANTED	**21 887 535**	**1 813 917**	**898 870**	**299 366**	**24 899 688**

The Bank's currency risk is monitored and reported on a day-to-day basis. Currency positions which are generated from the Bank's core activities are transferred to its speculative activities. After that they are managed within thresholds and limits established for that kind of activities. Individually significant currency positions in all currencies are systematically closed within the Bank's speculative activity limits.

Exposure to risk

The tables below present the exposure of the Group to credit risk as well as to the individual types of market risk. The amounts have been calculated on the basis of Resolution No. 1/2007 of the Commission for Banking Supervision dated 13 March 2007.

In the case of credit risk for balance sheet receivables, the risk weighted value is calculated as the product of the carrying amount and the risk weight appropriate for the given client and type of collateral.

For derivatives, the risk weighted value of credit risk exposure is obtained by calculating the balance sheet equivalent of a derivative using the original exposure method for transactions in the banking portfolio.

In the case of the other off-balance-sheet liabilities, the credit risk exposure is calculated as the product of the balance sheet equivalent (being the product of the nominal value of off-balance sheet liability and percentage risk weight) and the risk weight appropriate for the given client and type of collateral.

(in PLN thousand)

Capital requirements resulting from credit risk are calculated as the sum total of risk weighted assets and off-balance-sheet liabilities in the banking portfolio multiplied by 8%.

In the case of instruments classified to trading portfolio, capital requirements are calculated for the individual types of market risk.

Credit and market risk as at 30 June 2007:

Balance sheet items		
Instrument type	**Carrying amount** unaudited	**Risk weighted value** unaudited
Cash	1 333 393	-
Receivables	75 405 582	57 302 956
Debt securities	15 658 056	520 691
Other securities, shares	534 022	409 523
Non-current assets	3 602 750	2 598 346
Other	4 584 253	2 779 591
Total banking portfolio	**101 118 056**	**63 611 107**
Debt securities	3 344 219	1 661 627
Equity securities held for trading in the trading portfolio of the Bank	5 366	5 366
Total trading portfolio	**3 349 585**	**1 666 993**
Total balance sheet instruments	**104 467 641**	**65 278 100**

Off-balance sheet instruments			
Instrument type	**Replacement cost** unaudited	**Balance sheet equivalent** unaudited	**Risk weighted value** unaudited
Derivatives			
Interest rate instruments:	*171 034 319*	*1 335 992*	*267 198*
FRA	71 960 000	128 060	25 612
IRS	99 074 319	1 207 932	241 586
Foreign currency instruments:	*15 305 083*	1 182 677	*236 770*
Currency forwards	1 669 388	47 342	9 468
Forwards - embedded derivatives	2 936	604	302
SWAP	2 298 614	75 067	15 013
CIRS	10 635	106	21
FX futures	11 253 782	1 058 549	211 710
Options (delta equivalents - purchase of options)	69 728	1 009	256
Other instruments:	*7 649*	*765*	*382*
Other	7 649	765	382
Total derivatives	**186 347 051**	**2 519 434**	**504 350**
of which:			
banking portfolio	34 448 067	1 483 862	297 183
trading portfolio	151 898 984	1 035 572	207 167

(in PLN thousand)

Other off-balance sheet instruments			
Instrument type	**Off-balance sheet value** unaudited	**Credit equivalent** unaudited	**Risk weighted value** unaudited
Credit liabilities	24 291 010	3 534 271	3 457 836
Guarantees issued	911 304	630 220	630 220
Letters of credit	479 502	239 426	238 755
Other	1 456 161	540 097	362 606
Total banking portfolio	**27 137 977**	**4 944 014**	**4 689 417**
Underwriting guarantees	2 164 854	858 709	733 213
Total trading portfolio	**2 164 854**	**858 709**	**733 213**

	Carrying amount and off-balance sheet value unaudited	**Risk weighted value** unaudited	**Capital requirement** unaudited
Total banking portfolio (credit risk)	**162 704 100**	**68 597 707**	**5 487 817**

Capital requirements for trading portfolio (market risk)	**Capital requirement** unaudited
Market risk	**188 073**
of which:	
Currency risk	-
Commodity price risk	-
Equity securities price risk	1 139
Dept instruments specific risk	145 331
Interest general risk	41 603
Other:	**17 952**
Settlement risk - delivery and contractor	17 952
Securities issue underwriting risk	-
Total capital requirement (credit and market risk)	**5 693 842**

(in PLN thousand)

Credit and market risk as at 31 December 2006:

Balance sheet items		
Instrument type	**Carrying amount**	**Risk weighted value**
Cash	1 429 379	-
Receivables	72 337 197	48 129 203
Debt securities	15 202 985	265 465
Other securities, shares	192 324	81 754
Non-current assets	3 599 069	2 655 041
Other	5 203 271	3 208 279
Total banking portfolio	**97 964 225**	**54 339 742**
Debt securities	4 059 987	2 048 461
Equity securities held for trading in the trading portfolio of the Bank	1 495	1 495
Total trading portfolio	**4 061 482**	**2 049 956**
Total balance sheet instruments	**102 025 707**	**56 389 698**

Off-balance sheet instruments			
Instrument type	**Replacement cost**	**Balance sheet equivalent**	**Risk weighted value**
Derivatives			
Interest rate instruments:	*137 881 756*	*1 178 589*	*235 718*
FRA	62 075 000	199 614	39 923
IRS	75 806 756	978 975	195 795
Foreign currency instruments:	*15 376 641*	*1 134 742*	*227 335*
Currency forwards	982 571	34 970	6 994
Forwards - embedded derivatives	3 809	1 181	591
SWAP	3 778 498	184 163	36 833
CIRS	833	50	10
FX futures	10 598 238	914 234	182 847
Options (delta equivalents - purchase of options)	12 692	144	60
Other instruments:	-	-	-
SBB	-	-	-
Other	-	-	-
Total derivatives	**153 258 397**	**2 313 331**	**463 053**
of which:			
banking portfolio	27 923 211	1 217 802	243 916
trading portfolio	125 335 186	1 095 529	219 137

Off-balance sheet items			
Instrument type	**Off-balance sheet value**	**Credit equivalent**	**Risk weighted value**
Credit liabilities	23 615 395	3 363 632	2 629 874
Guarantees issued	656 698	401 316	395 706
Letters of credit	237 650	108 929	108 258
Other	3 208 300	835 043	381 150
Total banking portfolio	**27 718 043**	**4 708 920**	**3 514 988**
Underwriting guarantees	809 916	809 916	713 916
Total trading portfolio	**809 916**	**809 916**	**713 916**

(in PLN thousand)

	Carrying amount and off-balance sheet value	Risk weighted value	Capital requirement
Total banking portfolio (credit risk)	**153 605 479**	**58 098 646**	**4 647 892**

Capital requirements for trading portfolio (market riskt)	Capital requirement
Market risk	**132 165**
of which:	**-**
Currency risk	-
Commodity price risk	-
Equity securities price risk	214
Dept instruments specific risk	94 618
Interest general risk	37 333
Other:	**16 522**
Settlement risk - delivery and contractor	16 522
Total capital requirement (credit and market risk)	**4 796 579**

	30.06.2007 unaudited	31.12.2006
Capital adequacy ratio	**11.18**	**11.80***

*Capital adequacy ratio as at 31 December 2006 was calculated based on restated data to reflect changes in the Banking Law, and the publication of Resolution No. 2/2007 of the Commission for Banking Supervision

4. Objectives and principles of operational risk management

Operational risk is defined as a risk of occurrence of a loss due to non-compliance or unreliability of internal processes, people and systems or external events. The purpose of operational risk management is to optimize operational efficiency by reducing operating losses, costs streamlining and improving the timing and adequacy of the response of the Bank and of the PKO BP SA Group companies to events which are beyond their control.

In its operational risk management policy, the Bank follows the following rules:

- operational risk management policies and procedures cover the full scope of the Bank's activities,
- defined responsibilities and reporting lines in the area of operational risk management at various decision-taking levels in the Bank,
- defined operational risk identification and assessment processes for all major areas of the Bank's activities in the internal regulations,
- regular monitoring of operational transactions in excess of specified threshold and communicating them to the Management Board,
- operational risk management is performed at the level of comprehensive system solutions and day-to-day risk management activities,
- delegating comprehensive operational risk management to selected Head Office units and specialized organizational units, which are responsible for defining detailed targets,
- operational risk management process is coordinated by the Bank's Compliance and Operational Risk Office.
- the Bank issues opinions on the selected solutions regarding operational risk management in the Group companies.

The operational risk management policies designed in the Group companies are consistent with the policies of PKO BP SA, while the scope of responsibilities of particular organizational units and the scope of information collected on operational events gives consideration to the structure and specific nature of the activities carried out by these companies.

The operational risk management policies and methods in KREDOBANK SA are set out in the bank's Operational Risk Management Regulations, the procedure for identification of operational risk in the process of designing and reviewing internal regulations, and the procedure for classification of operational events (revised in June 2007).

(in PLN thousand)

In the first half of 2007, as part of its preparation for implementation of the provisions of the New Capital Accord, the Bank adjusted its internal regulations for calculation of the capital adequacy ratio for the Bank's operational risk.

In the first half of 2007, the Group companies continued the process of implementation of the operational risk management system that was commenced in the previous year.

In the first half of 2007, BFL SA created a separate organizational unit dealing with operational risk management system. The company developed, together with the Bank, internal regulations for operational risk management.

Other Group entities are in the final phase of the process of designing, together with the Bank, internal regulations for operational risk management

5. Fair value of financial assets and financial liabilities

The Group holds financial instruments which are not stated at fair value in the balance sheet. The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

As for many financial instruments there is no available market value, their fair values have been estimated using various valuation techniques. The fair value of financial instruments was measured using a model based on estimating the present value of future cash flows by discounting them using current interest rates.

Any model calculations include certain simplifying assumptions and therefore are sensitive to those assumptions. Described below is the summary of main methods and assumptions used during estimation of fair values of financial instruments witch are not presented in fair values in the Group's balance sheet.

For certain categories of financial instruments, it has been assumed that their fair value equals their carrying amount. This applies, in particular, to the following categories of financial instruments:

- Loans and advances granted to clients: loans with a maturity of up to 1 year, part of the housing loans portfolio (the “old” housing loans portfolio), loans with no specified repayment schedule;
- Liabilities towards clients: liabilities with no specified payment schedule, liabilities based on variable interest rates with a maturity of minimum 6 months, other specific products for which no market exists, such as housing plan passbooks, bills of savings and
- Financial assets and liabilities of the Group's companies.

As regards loans and advances granted to clients, the fair value of those instruments has been calculated using discounted future cash flows applying current interest rates plus risk margin as well as agreed scheduled repayment dates in real terms. The actual margin level has been established based on transactions on instruments with similar credit risk executed during the quarter ended as of the balance sheet date.

Fair value of deposits and other liabilities with scheduled due date have been calculated using discounted future cash flows applying current interest rates for deposits with similar due dates.

The table below presents a summary of the carrying amounts and fair values of the individual groups of financial instruments which have not been presented at fair value in the balance sheet of the Group as at 30 June 2007 and for which there is a significant difference between their fair value and carrying amount:

	Carrying amount (unaudited)	**Fair value** (unaudited)	**Difference** (unaudited)
Loans and advances to customers	66 657 018	67 193 056	(536 038)
Amounts due to customers	84 536 477	84 493 133	43 344

6. Custodial activities

The Bank is a direct participant of the National Depository for Securities (*Krajowy Depozyt Papierów Wartościowych*) and Securities Register (at NBP). The Bank keeps customer investment accounts and services transactions made on the domestic and foreign markets. As a member of the Council of Depository Banks (*Rada Banków Depozytariuszy*) and the Council for Non-treasury Securities (*Rada ds. Nieskarbowych Papierów*

Dłużnych) operating as part of the Polish Banks Association (*Związek Banków Polskich*), the Bank participates in the creation of regulations and market standards.

7. Assets' securitization and debt package sales

During the years 2005 - 2006, the Bank sold a number of receivables classified as "lost" (balance sheet and off-balance sheet receivables) due to the Bank from corporate entities and retail clients. About 137,000 receivables were sold in total, with a total value of appx. PLN 2 billion. Due to the fact that the buyers are allowed to raise claims with regard to the receivables sold to them within the deadlines set out in the respective debt sale agreements, the Bank recognized provisions for potential claims, including those that had been raised until the date of these financial statements. The total carrying amount of these provisions as at 30 June 2007 is PLN 39,290 thousand.

The Bank did not receive any securities under the above transactions.

In the first half of 2007 the Bank did not sell any portfolios of receivables.

8. Segment reporting

The primary segmentation key of the Group is based on business type (business segments) and the secondary - on geographical area (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 holding company with large corporate clients and the activity of Bankowy Fundusz Leasingowy SA.
- Retail Segment includes transactions of the holding company with small and medium sized companies and with private individuals as well as the activity of the following subsidiaries: Kredobank SA, Powszechne Towarzystwo Emerytalne Bankowy SA, PKO Towarzystwo Funduszy Inwestycyjnych SA, Inteligo Financial Services SA and Centrum Elektronicznych Usług Płatniczych eService SA.
- Treasury Segment includes inter-bank transactions, transactions in derivative instruments and debt securities.
- Investment Segment includes brokerage and investing activities of the holding company as well as the activity of Bankowe Towarzystwo Kapitałowe SA.
- Housing Segment includes transactions of the holding company connected with granting housing loans and accepting housing deposits as well as the activity of PKO Inwestycje Sp. z o.o.

The Bank did not separate any other segments as a result of not having reached any of the thresholds set forth in IAS 14, which are as follow:

- segment revenue from sales to external customers and from transactions with other segments account for 10% or more of the total external and internal revenue of all segments, or
- segment result, whether profit or loss, accounts for 10% or more of the aggregated result of all segments which recorded profit or suffered 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 had not been separated were 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 concerning revenue and results of the particular business segments of the Group for the 6-month period ended 30 June 2007 and 30 June 2006, as well as selected assets and liabilities as at 30 June 2007 and 31 December 2006.

The figures for the first half of 2006 have been restated to ensure comparability.

(in PLN thousand)

	Continued activities					
6 months period ended 30 June 2007 unaudited	**Corporate Segment**	**Retail Segment**	**Treasury Segment**	**Investment Segment**	**Housing Segment**	**All activities**
Revenue						
External customer - related revenues	652 364	2 678 432	677 928	159 430	1 082 036	**5 250 190**
Inter-segment sales	-	15 342	-	-	1 536	**16 878**
Total segment revenue	652 364	2 693 774	677 928	159 430	1 083 572	**5 267 068**
Result						
Segment result	98 733	914 254	96 054	107 357	292 509	**1 508 907**
Unallocated result together with the result of unseparated segments	-	-	-	-	-	**5 277**
Difference between FX Swap and CIRS results (swap points) reported in B/S and management accounts	-	-	-	-	-	**100 149**
Result from continued activities before taxation	-	-	-	-	-	**1 614 333**
Share in the results of associates	-	-	-	-	-	**(322)**
Result before taxation and minority interest	-	-	-	-	-	**1 614 011**
Income tax (tax expense)	-	-	-	-	-	**(313 218)**
Profits/(loss) of minority shareholders	-	-	-	-	-	**17 254**
Net profit for the period	-	-	-	-	-	**1 283 539**
Assets and liabilities and equities as at 30 June 2007 (unaudited)						
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	-	-	-	-	-	**5 033 359**
Total assets	-	-	-	-	-	**104 467 641**
Segment liabilities and segment result	13 567 801	62 972 174	2 109 320	664 830	11 755 569	**91 069 694**
Unallocated equity and liabilities	-	-	-	-	-	**13 397 947**
Total liabilities	-	-	-	-	-	**104 467 641**

Other segment information (unaudited)						
Impairment allowances*	(7 568)	(107 496)	-	1 400	16 496	**(97 168)**
Capital expenditure on tangible and intangible fixed assets	-	-	-	-	-	**230 642**
Depreciation of tangible and amortization of intangible fixed assets	-	-	-	-	-	**184 280**
Other non-cash expenditures	-	-	-	-	-	-

*Does not include the result on impairment of non-separated segments

(in PLN thousand)

	Continued activities					
6 months period ended 30 June 2006 (unaudited)	**Corporate Segment**	**Retail Segment**	**Treasury Segment**	**Investment Segment**	**Housing Segment**	**All activities**
Revenue						
External customer - related revenues	592 197	1 897 813	768 520	94 651	1 022 777	**4 375 958**
Inter-segment sales	-	19 704	-	-	1 667	**21 371**
Total segment revenue	592 197	1 917 517	768 520	94 651	1 024 444	**4 397 329**
Result						
Segment result	121 348	575 369	39 061	35 761	280 397	**1 051 936**
Unallocated result together with the result of unseparated segments	-	-	-	-	-	**49 555**
Difference between FX Swap and CIRS results (swap points) reported in B/S and management accounts	-	-	-	-	-	**120 698**
Result from continued activities before taxation	-	-	-	-	-	**1 222 189**
Share in the results of associates	-	-	-	-	-	**(1 248)**
Result before taxation and minority interest	-	-	-	-	-	**1 220 941**
Income tax (tax expense)	-	-	-	-	-	**(238 391)**
Profits/(loss) of minority shareholders	-	-	-	-	-	**29 858**
Net profit for the period	-	-	-	-	-	**952 692**
Assets and liabilities and equities as at 31 December 2006						
Segment assets	19 293 605	19 127 175	28 158 790	1 619 540	25 137 161	**93 336 271**
Investments in associates and jointly controlled entities	-	-	-	180 162	-	**180 162**
Unallocated assets	-	-	-	-	-	**8 509 274**
Total assets	-	-	-	-	-	**102 025 707**
Segment liabilities and segment result	11 003 202	65 003 017	4 078 452	481 796	10 743 159	**91 309 626**
Unallocated equity and liabilities	-	-	-	-	-	**10 716 081**
Total liabilities	-	-	-	-	-	**102 025 707**

Other segment information						
Impairment allowances*	22 571	(63 186)	-	850	(9 761)	**(49 526)**
Capital expenditure on tangible and intangible fixed assets	-	-	-	-	-	**156 617**
Depreciation of tangible and amortization of intangible fixed assets	-	-	-	-	-	**172 821**
Other non-cash expenditures	-	-	-	-	-	-

*Does not include the result on impairment of non-separated segments

(in PLN thousand)

Segmentation by geographical region

Taking into account the fact that the Group's activity is also conducted outside Poland, segmentation by geographical region is a secondary reporting format.

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

Outside Poland, the Group carries out business activities in Ukraine **-** through KREDOBANK S.A.

The size of the Group's activities outside Poland is small compared to the results of the whole Group.

The tables below present revenues for the 6-month periods ended 30 June 2007 and 30 June 2006, as well as capital expenditures and certain types of assets of the individual geographical segments as at 30 June 2007 and 31 December 2006.

6 month period ended 30 June 2007 unaudited	**Poland**	**Ukraine**	**Total**
Revenues			
Total segment revenues	5 116 208	150 860	5 267 068
Other segment information unaudited			
Segment assets	102 333 899	1 951 892	104 285 791
Investments in associates and jointly controlled companies	181 850	-	181 850
Total assets	102 515 749	1 951 892	104 467 641
Capital expenditure on tangible and intangible fixed assets	201 334	29 308	230 642

6 month period ended 30 June 2006 unaudited	**Poland**	**Ukraine**	**Total**
Revenues			
Total segment revenues	4 291 730	105 599	4 397 329
As at 31 December 2006			
Other segment information			
Segment assets	100 058 282	1 787 263	101 845 545
Investments in associates and jointly controlled companies	180 162	-	180 162
Total assets	100 238 444	1 787 263	102 025 707
Capital expenditure on tangible and intangible fixed assets in the period from 01.01.06 to 30.06.06	135 341	21 276	156 617

(in PLN thousand)

9. Interest income and expenses

Interest income

	01.01-30.06.2007 unaudited	01.01-30.06.2006 unaudited
Income from loans and advances granted to customers	2 283 021	1 855 774
Income from securities at fair value through profit or loss	302 617	478 585
Income from placements with other banks	277 085	274 962
Income from investment securities	124 233	55 448
Income from trading securities	8 499	12 195
Other	32 326	30 278
Total	**3 027 781**	**2 707 242**

Interest expenses

	01.01-30.06.2007 unaudited	01.01-30.06.2006 unaudited
Relating to amounts due to customers	(800 883)	(776 580)
Relating to placements of other banks	(68 293)	(40 234)
Relating to own issue of debt securities	(3 856)	(1 995)
Relating to other placements from the money market	-	(2 704)
Other	(46 771)	(57 620)
Total	**(919 803)**	**(879 133)**

In the 6-month period ended 30 June 2007, the total amount of interest income, calculated using the effective interest rate method, arising from financial assets not valued at fair value through profit or loss, amounted to PLN 2,716,665 thousand (in the 6-month period ended 30 June 2006: PLN 2,216,462 thousand). In the 6-month period ended 30 June 2007, interest expense, calculated using the effective interest rate method, arising from financial liabilities which are not valued at fair value through profit or loss, amounted to PLN (886,671) thousand. In the 6-month period ended 30 June 2006: PLN (831,269) thousand.

Presented below is information on the net gains and losses on loans and advances and financial liabilities measured at amortized cost.

Net gains and losses on financial assets and liabilities measured at amortized cost*

01.01. - 30.06.2007 unaudited	Gains	Losses	Net result
Advances and loans	2 600 007	-	2 600 007
Financial liabilities measured at amortised cost	-	(873 032)	(873 032)
Total	**2 600 007**	**(873 032)**	**1 726 975**

01.01. - 30.06.2006 unaudited	Gains	Losses	Net result
Advances and loans	2 194 221	-	2 194 221
Financial liabilities measured at amortised cost	-	(821 513)	(821 513)
Total	**2 194 221**	**(821 513)**	**1 372 708**

* The item includes selected balances of interest income/expense, fee and commission income/expense and result on impairment allowances.

(in PLN thousand)

10. Fees and commission income and expenses

Fees and commission income

	01.01 - 30.06.2007 unaudited	**01.01 - 30.06.2006** unaudited
Income from financial assets at fair value through profit or loss, of which:	**130 328**	**103 381**
From loans and advances granted	130 328	103 381
Other comission	**1 286 793**	**956 911**
From accounts servicing	381 229	365 692
From payment cards	312 037	245 359
From investment funds servicing (including management fees)	288 848	91 480
From cash operations	104 082	102 949
From loans insurance	74 823	11 414
From operations with securities	49 291	33 267
From foreign mass transactions servicing	17 712	15 856
From sale and distribution of treasury stamps	15 737	26 014
Handling fees	3 622	1 539
From guarantees, letters of credit and similar operations	2 370	1 958
Other*	37 042	61 383
From trust services	**693**	**87**
Total	**1 417 814**	**1 060 379**

* Included in "Other" are, among others, commissions received: for public offering services, from the Ministry of Finance for preparing counters for servicing bond sale transactions, for establishing security in the form of housing loans insurance, for management of borrowers' debt towards the State Treasury, and for home banking.

Fees and commission expenses

	01.01 - 30.06.2007 unaudited	**01.01 - 30.06.2006** unaudited
Relating to payment cards	(118 523)	(102 597)
Relating to acquisition services	(62 873)	(59 847)
Relating domestic transactions (including loans insurance costs)	(59 078)	(982)
Relating to asset management	(48 189)	(14 957)
Relating to foreign currency trade	(6 069)	(195)
Commisison for operating services of other banks	(5 318)	(5 820)
Commission paid to Polish Post Office	(2 732)	(3 313)
Relating to settlement services	(793)	(647)
Commission paid to intermediaries	(545)	(7 083)
Relating to operations with securities	(109)	(64)
Other*	(4 224)	(3 710)
Total	**(308 453)**	**(199 215)**

*Included in "Other" are, among others: costs of insurance premiums for the holders of the PKO VISA GOLD and PKO EC/MC Business cards, revaluation of cash held in a collective account.

11. Dividend income

	01.01 - 30.06.2007 unaudited	**01.01 - 30.06.2006** unaudited
Dividend income from the issuers		
Securities classified as available for sale	3 162	3 281
Securities classified as held for trading	2	221
Total	**3 164**	**3 502**

(in PLN thousand)

12. Result from financial instruments at fair value

Result from financial assets and liabilities at fair value through profit or loss in the 6-month periods ended 30 June 2007 and 30 June 2006, respectively:

	01.01 - 30.06.2007 unaudited	**01.01 - 30.06.2006** unaudited
Debt securities	(194 451)	(237 946)
Derivative instruments	213 408	176 615
Equity instruments	2 416	(710)
Other	122	4 149
Total	**21 495**	**(57 892)**

1.01.-30.06.2007 unaudited	**Gains**	**Losses**	**Net result**
Financial assets held for trading	3 648 479	(3 437 849)	210 630
Financial assets designated on initial recognition at fair value through profit or loss	92 955	(282 090)	(189 135)
Total	**3 741 434**	**(3 719 939)**	**21 495**
1.01.-30.06.2006 unaudited	**Gains**	**Losses**	**Net result**
Financial assets held for trading	3 746 906	(3 571 432)	175 474
Financial assets designated on initial recognition at fair value through profit or loss	164 251	(397 617)	(233 366)
Total	**3 911 157**	**(3 969 049)**	**(57 892)**

Total change in the fair values of financial instruments at fair value through profit or loss determined using valuation models (where no quotations on an active market are available) in the 6-month period ended 30 June 2007 was PLN 213,530 thousand (in the 6-month period ended 30 June 2006: PLN 180,764 thousand).

Fair value changes in hedge accounting

During the 6-month periods ended 30 June 2007 and 30 June 2006, respectively, the PKO BP SA Group did not apply hedge accounting.

13. Result from investment securities / Result from financial assets and liabilities other than classified as at fair value through profit or loss

Realized result from financial assets and liabilities other than classified as at fair value through profit or loss

Financial assets available for sale	**01.01 - 30.06.2007** unaudited	**01.01 - 30.06.2006** unaudited
Gains taken directly to equity	30 583	2 598
Losses taken directly to equity	(29 965)	(35 787)
Total	**618**	**(33 189)**
Gains taken from equity	3 403	3 208
Losses taken from equity	(1 035)	(2 081)
Total	**2 368**	**1 127**

In the 6-month period ended 30 June 2007, gains or losses from financial assets available for sale taken directly to equity amounted to PLN 618 thousand (in the 6-month period ended 30 June 2006: PLN (33,189) thousand).

Gains or losses from financial assets taken from equity to profit and loss account in the 6-month period ended 30 June 2007 amounted to PLN 2,368 thousand (in the 6-month period ended 30 June 2006: PLN 1,127 thousand).

(in PLN thousand)

14. Foreign exchange result

	01.01 - 30.06.2007 unaudited	01.01 - 30.06.2006 unaudited
Foreign exchange differences resulting from financial instruments at fair value through profit or loss	150 598	(253 215)
Other foreign exchange differences	102 194	545 913
Total	**252 792**	**292 698**

15. Other operating income and expenses

	01.01 - 30.06.2007 unaudited	01.01 - 30.06.2006 unaudited
Other operating income		
Net sales of finished goods, goods for resale and raw materials	180 052	238 292
From asset management on behalf of third parties	28 250	32 746
Auxiliary revenues	13 717	13 144
Release of impairment write-downs against other receivables	6 682	4 776
Lease income	6 789	6 634
Sales and liquidation of fixed assets and intangible assets	5 597	10 058
Recovery of expired, written-off and unrecoverable receivables	5 367	2 934
Received compensations, penalties and fines	5 025	7 300
Returns of debt collector advances	1 354	1 348
Result on the sale of collector coins	359	563
Other*	25 281	39 912
Total	**278 473**	**357 707**

* Included in “Other” are, among others: release of provisions for invoices, refund of costs of debt collection proceedings, fees for organization of an issue of corporate bonds.

	01.01 - 30.06.2007 unaudited	01.01 - 30.06.2006 unaudited
Other operating expenses		
Cost of finished goods, goods for resale and raw materials	(88 177)	(85 094)
Costs of sales and liquidation of fixed asseds, tangible assets and assets available for sale	(11 752)	(9 266)
Impairment write-downs against other receivables	(11 644)	(4 463)
Leases	(9 851)	(2 723)
Cost of asset management on behalf of third parties	(8 592)	(7 237)
Donations	(4 096)	(4 542)
Costs of tangible and intangible assets development with no economic result	(3 994)	(3 262)
Bank's auxiliary costs	(1 982)	(2 184)
Paid debt collector advances	(1 731)	(2 135)
Compensation, penalties and fines paid	(1 525)	(769)
Cost of maintenance of property and intangible assets	(809)	(816)
Other*	(13 404)	(28 914)
Total	**(157 557)**	**(151 405)**

* Included in “Other” are, among others: costs of court representation paid by the Bank, impairment allowances recognized for receivables barred by the statute of limitations, forgiven and bad debts, result on sale of collection coins, unexplained cash shortages and damages.

(in PLN thousand)

16. General administrative expenses

	01.01 - 30.06.2007 unaudited	**01.01 - 30.06.2006** unaudited
Employee costs	(1 045 009)	(1 029 336)
Non-personnel costs	(620 130)	(629 816)
Depreciation and amortisation	(184 280)	(172 821)
Taxes and charges	(35 450)	(35 071)
Contribution and payments to Banking Guarantee Fund	(6 842)	(5 229)
Total	**(1 891 711)**	**(1 872 273)**

Payroll costs / Employee benefits

	01.01 - 30.06.2007 unaudited	**01.01 - 30.06.2006** unaudited
Salaries and wages	(865 095)	(854 850)
Insurance and other employee benefits	(179 914)	(174 486)
Total	**(1 045 009)**	**(1 029 336)**

(in PLN thousand)

17. Result on impairment allowances

6 month period ended 30 June 2007 unaudited	**Impairment allowances at the beginning of the period**	**Increases**			**Decreases**					
		Impairment allowances made during the period	**Foreign exchange differences**	**Other**	**Decrease in impairment allowances due to derecognition of assets, not impacting the profit and loss account**	**Impairment allowances reversed during the period**	**Foreign exchange differences**	**Other**	**Impairment allowances at the end of the period**	**Net impact of the created impairment allowances in the profit and loss account**
Financial assets available for sale carried at fair value through equity	14 937	-	-	-	-	-	-	-	14 937	-
not listed on stock exchange	14 937	-	-	-	-	-	-	-	14 937	-
Financial instruments valued at cost (unquoted equity instruments and underlying derivative instruments)	15 114	-	-	-	-	1 400	-	-	13 714	1 400
Loans and advances to customers and amounts due from banks valued at amortised cost	2 404 151	576 302	83	-	58 288	484 355	2 602	-	2 435 291	(91 947)
consumer loans	503 411	289 023	-	-	58 027	174 596	-	-	559 811	(114 427)
housing loans	530 998	71 907	-	-	261	71 450	-	-	531 194	(457)
corporate loans	1 369 413	215 372	83	-	-	238 256	2 602	-	1 344 010	22 884
receivables from banks	329	-	-	-	-	53	-	-	276	53
Finance lease receivables	43 200	999	-	-	-	-	-	-	44 199	(999)
Tangible fixed assets	51 220	440	-	73	-	232	-	-	51 501	(208)
Intangible fixed assets	31 681	-	-	-	-	-	-	-	31 681	-
Investments valued using the equity method	62 186	2 915	-	-	410	-	-	-	64 691	(2 915)
Other intangible fixed assets	150 936	45 920	-	-	338	28 559	342	11 320	156 297	(17 361)
Total	**2 773 425**	**626 576**	**83**	**73**	**59 036**	**514 546**	**2 944**	**11 320**	**2 812 311**	**(112 030)**

(in PLN thousand)

6 month period ended 30 June 2006 unaudited	**Impairment allowances at the beginning of the period**	**Increases**			**Decreases**					
		Impairment allowances made during the period	**Foreign exchange differences**	**Other**	**Decrease in impairment allowances due to derecognition of assets, not impacting the profit and loss account**	**Impairment allowances reversed during the period**	**Foreign exchange differences**	**Other**	**Impairment allowances at the end of the period**	**Net impact of the created impairment allowances in the profit and loss account**
Financial assets available for sale carried at fair value through equity	24 900	-	-	-	-	163	-	9 737	15 000	163
not listed on stock exchange	24 900	-	-	-	-	163	-	9 737	15 000	163
Financial instruments valued at cost (unquoted equity instruments and underlying derivative instruments)	16 000	13	-	-	-	858	-	-	15 155	845
Loans and advances to customers and amounts due from banks valued at amortised cost	2 944 787	442 479	112	167	67 506	393 861	1 450	7 452	2 917 276	(48 618)
consumer loans	603 576	243 365	-	-	47 889	172 382	-	-	626 670	(70 983)
housing loans	596 612	58 487	-	-	11 152	46 274	-	-	597 673	(12 213)
corporate loans	1 742 821	140 584	112	167	7 042	175 202	1 450	7 452	1 692 538	34 618
receivables from banks	1 778	43	-	-	1 423	3	-	-	395	(40)
Finance lease receivables	44 732	366	-	-	-	-	-	465	44 633	(366)
Tangible fixed assets	50 221	21	-	-	-	229	-	13	50 000	208
Investments valued using the equity method	57 015	2 184	-	-	-	-	-	-	59 199	(2 184)
Other intangible fixed assets	138 643	17 771	144	7 428	533	27 175	253	26 959	109 066	9 404
Total	**3 276 298**	**462 834**	**256**	**7 595**	**68 039**	**422 286**	**1 703**	**44 626**	**3 210 329**	**(40 548)**

Impairment losses were recognized and reversed in the Group's normal course of business.

Impairment allowances against loans and advances and receivables carried at amortized cost, as well as reversals of such allowances, are included in the income statement under “Result on impairment allowances”.

(in PLN thousand)

18. Discontinued operations

In the first half of 2007 and in the first half of 2006, the PKO BP SA Group had no material income or costs from discontinued operations.

19. Share in profit (loss) of jointly controlled entities and associates

Entity name	01.01 - 30.06.2007 unaudited	01.01 - 30.06.2006 unaudited
Jointly controlled entities		
Centrum Obsługi Biznesu Sp. z o.o.	(3 478)	(92)
PKO Towarzystwo Funduszy Inwestycyjnych SA (former PKO/Credit Suisse TFI SA)*	-	(1 467)
WAWEL Hotel Development Sp. z o.o.**	-	(1 789)
Grupa Kapitałowa Centrum Haffnera Sp. z o.o.	899	(158)
Associated entities		
Bank Pocztowy SA	2 914	2 185
Kolej Gondolowa Jaworzyna Krynicka SA	-	-
Ekogips SA (in bankruptcy)	-	-
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	21	21
Agencja Inwestycyjna „CORP" SA	101	52
Associated entities of Bankowe Towarzystwo Kapitałowe SA		
FINDER SA***	(300)	-
P.L. ENERGIA SA****	(479)	-
Total	**(322)**	**(1 248)**

* The company joined the PKO BP SA Group on 6 April 2006
** Shares in this company were sold on 8 August 2006
*** until 2 January 2007 - FINDER Sp. z o.o.
**** The details of acquisition of shares in PL ENERGIA SA by Bankowe Towarzystwo Kapitałowe SA are disclosed in Note 31.

Additional information on jointly controlled entities and associates is presented in Note 1, General Information.

20. Corporate income tax

	01.01 - 30.06.2007 unaudited	01.01 - 30.06.2006 unaudited
Consolidated income statement		
Corporate income tax for the period	394 778	327 824
Current income tax expense	394 778	327 824
Deferred tax	(81 560)	(89 433)
Related to arisen and reversed timing differences	(81 560)	(89 433)
Tax expense disclosed in the consolidated income statement	**313 218**	**238 391**
Deferred tax charged to revaluation reserve		
Related to arisen and reversed temporary differences	105	(5 760)
Tax expense disclosed in the consolidated equity	**105**	**(5 760)**
Total	**313 323**	**232 631**

(in PLN thousand)

	01.01 - 30.06.2007 unaudited	01.01 - 30.06.2006 unaudited
Gross profit before taxation	**1 614 011**	**1 220 941**
Corporate income tax calculated using the enacted tax rate 19% (2006: 19%)	306 662	231 979
Effect of other tax rates, i.e. in Ukraine (25%)*	761	889
Permanent differences between accounting gross profit and taxable profit, of which:	**2 818**	**11 882**
Other non-tax-deductible expenses	13 009	62 137
Reversed provisions and revaluation not constituting taxable revenue	(7 084)	(58 441)
Settlement of capitalised interest	(503)	(1 032)
Other non-taxable revenue	(4 160)	(3 686)
Dividend income	(9 876)	(3 516)
Other	11 432	16 420
Other differences between gross financial result and taxable income, including donations	**6 189**	**(2 660)**
Temporary difference due to the deferred tax presented in the profit and loss account	**(81 560)**	**(89 433)**
Current income tax charge	**393 724**	**327 064**
Effect of other tax rates: in Ukraine (25%)	**1 054**	**760**
Effective tax rate	**19.41%**	**19.53%**
Corporate income tax in the consolidated income statement	313 218	238 391
Income tax assigned to discontinued operations	-	-
Total	**313 218**	**238 391**

*Current income tax charge of KREDOBANK SA in the first half of 2007 amounted to an equivalent of PLN 4,391 thousand (in the first half of 2006: PLN 3,166 thousand).

Liabilities/ receivables due to corporate income tax

	30.06.2007 unaudited	31.12.2006
Current tax receivables	536	326
Current tax liabilities	24 315	170 960

The Group companies are corporate income tax payers. The amount of current tax liability is transferred to the Tax Authority appropriate for the companies' registered offices. The final settlement of the corporate income tax liabilities of the Group companies for the year 2006 was made within the statutory deadline i.e. 31 March 2007.

(in PLN thousand)

Deferred tax asset/liability

	Consolidated balance sheet		Consolidated income statement	
	30.06.2007 unaudited	31.12.2006	01.01 - 30.06.2007 unaudited	01.01 - 30.06.2006 unaudited
Deferred tax liability				
Interest accrued on receivables (loans)	90 450	95 630	(5 180)	6 531
Interest on securities	27 109	39 437	(12 328)	(25 794)
Settlement of discount from securities (less premium)	(1 421)	(3 416)	1 995	9 241
Capitalised interest from restructuring bonds	-	-	-	-
Interest on operations with the state budget	2 612	984	1 628	(1 077)
Capitalised interest on regular housing loans	285 780	294 460	(8 680)	(9 432)
Valuation of derivatives	-	-	-	-
Valuation of embedded derivatives	-	217	(217)	(146)
Other increases	97 559	67 218	30 341	9 676
Valuation of securities, of which:	8 524	5 165	(2 461)	(16 221)
taken to income statement	779	3 240	(2 461)	(16 221)
taken to equity	7 745	1 925	-	-
Total other taxable temporary differences recognized by the Group companies	15 255	21 470	(6 215)	12 658
Other adjustments	-	-	-	(1 591)
Gross deferred tax liability	**525 868**	**521 165**	**(1 117)**	**(16 155)**
Net deferred tax liability	**(54 303)**	**23 922**	-	-
Deferred tax asset				
Interest accrued on liabilities	141 997	143 349	(1 352)	13 768
Provision for future liabilities to employees	32 284	23 344	6 393	10 895
Provision for jubilee bonuses and retirement benefits	60 311	60 311	2 547	(734)
Cost of accruals	76 212	46 547	29 665	216
Interest on operations with the state budget	-	-	-	-
Valuation of derivatives	63 901	44 031	19 870	10 211
Valuation of embedded derivatives	-	-	-	-
Other	24 784	26 675	(1 891)	10 324
EIR valuation adjustment	142 648	132 879	9 769	7 196
Valuation of securities, of which:	38 034	20 107	12 275	21 097
taken to income statement	31 332	19 057	12 275	21 097
taken to equity	6 702	1 050	-	-
Total other deductible temporary differences recognized by the Group companies	36 336	33 454	3 167	(1 072)
taken to income statement	36 311	33 492	2 819	(1 072)
KBU foreign exchange differences	-	-	348	-
taken to equity	25	(38)	-	-
Other adjustments	-	-	-	1 377
Gross deferred tax asset	**616 507**	**530 697**	**80 443**	**73 278**
Net deferred tax asset	**36 336**	**33 454**	-	-
Total deferred tax (consolidated deferred tax liability - consolidated deferred tax asset)	**(90 639)**	**(9 532)**	-	-
Total deferred tax in the income statement	**(91 657)**	**(10 446)**	**(81 560)**	**(89 433)**

Due to the fact that the Group does not compensate deferred tax assets and deferred tax liabilities of individual Group companies, the amount of PLN 90,639 thousand presented as at 30 June 2007 includes deferred tax asset at amount of PLN 105,869 thousand and deferred tax liability at amount of PLN 15,230 thousand. As at 31 December 2006, the amount of PLN 9,532 thousand comprises deferred tax asset at amount of PLN 33,454 thousand and deferred tax liability at amount of PLN 23,922 thousand.

As at 30 June 2007, the unsettled tax loss of the Group companies amounted to PLN 50,850 thousand. This loss may be utilized by the end of 2009. Out of the above-mentioned amount, PLN 13,541 thousand was recognized as a deferred tax asset as at 30 June 2007.

21. Earnings per share

Basic earnings per share

Basic earnings per share are calculated on the basis of profit or loss attributable to ordinary shareholders of the Bank, by dividing the respective profits or losses by the weighted average number of ordinary shares outstanding during a given period.

Earnings per share

	01.01 - 30.06.2007 unaudited	**01.01 - 30.06.2006** unaudited
Net profit attributable to ordinary shareholders (in PLN thousands)	1 283 539	952 692
Weighted average number of ordinary shares in the period (in thousands)	1 000 000	1 000 000
Earnings per share (in PLN per share)	1.28	0.95

Earnings per share from discontinued operations

In the 6-month periods ended 30 June 2007 and 30 June 2006 respectively, the Group did not report any material income or costs from discontinued operations.

Diluted earnings per share

Diluted earnings per share are calculated on the basis of profit or loss attributable to ordinary shareholders, by dividing the respective profits or losses by the weighted average number of ordinary shares outstanding during a given period, adjusted for the effect of all dilutive potential ordinary shares.

There were no dilutive instruments in the Bank in the first half of 2007 and the first half of 2006.

Diluted earnings per share from discontinued operations

As stated above, in the 6-month periods ended 30 June 2007 and 30 June 2006 respectively, the Bank did not report any material income or costs from discontinued operations.

22. Dividends paid and declared

Dividends declared after the balance sheet date are not recognized by the Bank as liabilities existing as at the balance sheet date.

On 19 March 2007 the Bank's Management Board adopted a resolution and decided to submit to the General Shareholders' Meeting a recommendation for payment of a divided for 2006 in the amount of PLN 980,000 thousand, i.e. PLN 0.98 per share.

In Resolution No. 7/2007 dated 26 April 2007, the Ordinary General Shareholders' Meeting of PKO BP SA decided to pay a dividend for the year 2006 in the amount of PLN 980,000 thousand, i.e. PLN 0.98 per share on a pre-tax basis. A list of the shareholders entitled to receive the dividend was determined as at 20 July 2007 and the payment was made on 2 August 2007.

As at 30 June 2007, the share capital of PKO BP SA amounted to PLN 1,000,000 thousand and was divided into 1,000,000 thousand shares with a nominal value of PLN 1 each (as at 31 December 2006: PLN 1,000,000 thousand).

(in PLN thousand)

23. Transferred financial assets which do not qualify for derecognition

As at 30 June 2007 and 31 December 2006, the Group did not hold any significant transferred financial assets in such a way that part or all of the financial assets did not qualify for derecognition.

24. Cash and amounts due from the Central Bank

	30.06.2007 unaudited	31.12.2006
Current account with the Central Bank	2 255 651	1 429 379
Cash	1 333 339	3 196 284
Other funds	2 964	2 471
Total	**3 591 954**	**4 628 134**

During the course of the day, the Bank may use the funds from the obligatory reserve account for ongoing payments, on the basis of an instruction submitted to the Central Bank of Poland (NBP). It must, however, ensure that the average monthly balance on this account complies with the requirements that result from the obligatory reserve declaration.

Funds on the obligatory reserve account bear interest at the rate of 0.9 of the rediscount rate for bills of exchange; as at 30 June 2007, this interest rate was 4.275%.

As at 30 June 2007 and 31 December 2006, there were no restrictions as regards the use of these funds.

25. Amounts due from banks

	30.06.2007 unaudited	31.12.2006
Placements with other banks	7 836 834	12 367 173
Loans and advances granted	233 650	232 673
Current accounts	222 555	246 793
Cash in transit	38 929	34 386
Other receivables	310 468	549 894
Total	**8 642 436**	**13 430 919**
Impairment allowance	(276)	(329)
Net total	**8 642 160**	**13 430 590**

As at 30 June 2007, the nominal value of placements with other banks with a fixed interest rate amounted to PLN 7,768,387 thousand (as at 31 December 2006: PLN 12,294,042 thousand). Majority of those placements were short-term placements. The nominal value of placements with other banks with a floating interest rate amounted to PLN 327 thousand as at 30 June 2007 (as at 31 December 2006: PLN 299 thousand).

Amounts due from banks, by maturity

By the remaining term from the balance sheet date to maturity

	30.06.2007 unaudited	31.12.2006
Current accounts	222 555	246 793
Term deposits with a maturity period:	8 380 952	13 149 740
up to 1 months	4 923 533	7 737 876
from 1 month to 3 months	1 163 082	1 550 355
from 3 months to 1 year	2 256 680	3 703 989
from 1 year to 5 years	37 657	157 520
above 5 years	-	-
Cash in transit	38 929	34 386
Total	**8 642 436**	**13 430 919**
Impairment allowance	(276)	(329)
Net total	**8 642 160**	**13 430 590**

(in PLN thousand)

Effective interest rate - 30.06.2007	**PLN**	**EUR**	**USD**	**GBP**	**CHF**
Inter-bank placements	4.25	4.02	5.33	-	2.42
Effective interest rate - 31.12.2006	**PLN**	**EUR**	**USD**	**GBP**	**CHF**
Inter-bank placements	4.12	3.56	5.58	5.31	2.17

26. Financial assets held for trading

	30.06.2007 unaudited	**31.12.2006**
Debt securities	900 648	997 136
- issued by central banks	-	-
- issued by other banks	-	-
- issued by other financial institutions	-	-
- issued by non-financial entities	-	-
- issued by the State Treasury	900 519	996 668
- issued by local government bodies	129	468
Shares in other entities - listed on stock exchanges	5 366	1 495
Shares in other entities - not listed on stock exchanges	-	4
Total financial assets held for trading	**906 014**	**998 635**

Financial assets held for trading (carrying amount) by maturity as at 30 June 2007 (unaudited)

As at 30 June 2007 (unaudited)	up to 1 month	from 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 years	over 5 years	Total
Debt securities	**249 064**	**117 050**	**235 538**	**73 965**	**225 031**	**900 648**
- issued by the State treasury	249 064	117 050	235 409	73 965	225 031	**900 519**
- issued by local government bodies	-	-	129	-	-	**129**
Shares in other entities - listed on stock exchanges	**5 366**	-	-	-	-	**5 366**
Total	**254 430**	**117 050**	**235 538**	**73 965**	**225 031**	**906 014**

The average yield of debt securities issued by the State Treasury as at 30 June 2007 amounted to 5.44% for PLN, 4.56% for EUR, 4.71% for USD.

The portfolio of debt securities held for trading as at 30 June 2007 was comprised of the following:

- Treasury bills with a nominal value of: 80,513 PLN thousand,
- Treasury bonds with a nominal value of: 743,723 PLN thousand,
- Bonds denominated in EUR with a nominal value of: 71,550 PLN thousand,
- Municipal bonds with a nominal value of: 125 PLN thousand.

(in PLN thousand)

Financial assets held for trading (carrying amount) by maturity as at 31 December 2006

As at 31 December 2006	up to 1 month	from 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 years	over 5 years	Total
Debt securities	**611 275**	**88 616**	**134 645**	**38 987**	**123 613**	**997 136**
- issued by the State treasury	611 275	88 616	134 177	38 987	123 613	**996 668**
- issued by local government bodies	-	-	468	-	-	**468**
Shares in other entities - not listed on stock exchanges	**1 495**	**-**	**-**	**-**	**-**	**1 495**
Shares in other entities - listed on stock exchanges	**-**	**-**	**-**	**-**	**4**	**4**
Total	**612 770**	**88 616**	**134 645**	**38 987**	**123 617**	**998 635**

The average yield of debt securities issued by the State Treasury as at 31 December 2006 amounted to: 4.45% for PLN, 4.03% for EUR, 4.71% for USD.

The portfolio of debt securities held for trading as at 31 December 2006 was comprised of the following:

- Treasury bills with a nominal value of: 65,880 PLN thousand,
- Treasury bonds with a nominal value of: 803,444 PLN thousand,
- Bonds denominated in USD with a nominal value of: 14,553 PLN thousand,
- Bonds denominated in EUR with a nominal value of: 95,780 PLN thousand,
- Municipal bonds with a nominal value of: 458 PLN thousand.

(in PLN thousand)

27. Derivative financial instruments

Derivative instruments used by the Group

The PKO BP SA Group uses various types of derivatives with a view to manage the risk involved in its business activities. Forward contracts account for the majority of derivatives used by the Group. As at 30 June 2007 and 31 December 2006, the Group held the following derivative instruments:

	30.06.2007 unaudited		31.12.2006	
Type of contract	**Assets**	**Liabilities**	**Assets**	**Liabilities**
IRS	826 911	766 774	644 385	773 582
FRA	85 214	83 188	68 646	76 228
FX Swap	32 738	13 559	104 133	32 737
CIRS	411 824	194 864	376 078	201 314
Forward	13 205	52 842	5 867	11 926
Options	526	2 980	45	2 019
Total	**1 370 418**	**1 114 207**	**1 199 154**	**1 097 806**

Derivative instruments embedded in other instruments

The Group uses derivative instruments which are part of compound financial instruments, i.e. instruments including both a derivative and a host contract, which results in that part of the cash flows from the compound instrument change similarly to cash flows from a separate derivative. Derivatives embedded in other instruments cause that part of or all cash flows resulting from the host contract are modified on the basis of a certain interest rate, price of a security, price of commodity, foreign exchange rate, price index or interest rate index, credit rating or credit index or other variable, provided that the non-financial variable is not specific for any party to the contract.

Derivatives may also be embedded in loan and deposit agreements. The Group has analyzed the loan agreements, deposit agreements and non-financial agreements in order to determine whether any embedded derivative instruments should be separated and, based on the above, the Group concluded that there were no deposit agreements with embedded derivatives in its offer. There are no loan agreements with embedded derivatives, where embedded derivatives should be separated and individually recognized. However, there are non-financial agreements within the Group which include embedded derivatives being subject to separation and individual valuation using similar principles to those applied to derivatives embedded in deposits.

Risk involved in derivative financial instruments

Market risk and credit risk are the main categories of derivative-related risk.

Derivative risk management objectives and policies and derivatives' exposure to credit risk are presented in Note 3.

The Bank enters into derivative transactions with other financial institutions, mainly other banks.

The tables below present notional amounts of derivative financial instruments and the fair values of such derivatives. The notional amounts of certain financial instruments are used for the purpose of comparison with balance sheet instruments, but do not necessarily indicate what the future cash flow amounts will be or what the present fair value of such instruments is, and therefore do not reflect the Bank's exposure to credit or price risk.

Derivative financial instrument valuations become positive (assets) or negative (liabilities) as a result of fluctuations of market interest rates, indices or foreign exchange rates, compared with their terms.

(in PLN thousand)

Derivative financial instruments as at 30 June 2007 (unaudited)

Notional amounts of underlying instruments and fair value of derivative financial instruments

	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	over 5 years	Total	Fair value (negative)	Fair value (positive)
Currency transactions								
- OTC market								
FX swap	2 733 089	1 294 443	546 694	-	-	**4 574 226**	13 559	32 738
Purchase	1 371 738	652 400	274 476	-	-	**2 298 614**	-	-
Sale	1 361 351	642 043	272 218	-	-	**2 275 612**	-	-
FX forward	1 381 029	760 613	1 161 893	54 243	-	**3 357 778**	52 842	13 205
Purchase	691 214	377 436	576 114	26 509	-	**1 671 273**	-	-
Sale	689 815	383 177	585 779	27 734	-	**1 686 505**	-	-
Options	189 765	86 803	180 723	-	-	**457 291**	1 034	115
Purchase	150 073	55 405	119 870	-	-	**325 348**	-	-
Sale	39 692	31 398	60 853	-	-	**131 943**	-	-
Cross Currency IRS	173 152	-	2 285 940	7 996 575	11 852 165	**22 307 832**	194 864	411 824
Purchase	86 576	-	1 149 440	4 035 715	5 982 051	**11 253 782**	-	-
Sale	86 576	-	1 136 500	3 960 860	5 870 114	**11 054 050**	-	-

(in PLN thousand)

Notional amounts of underlying instruments and fair value of derivative financial instruments (continued)

Interest rate transactions								
Interest Rate Swap (IRS)	3 914 000	4 960 000	52 633 670	126 567 218	10 073 750	**198 148 638**	766 774	826 911
Purchase	1 957 000	2 480 000	26 316 835	63 283 609	5 036 875	**99 074 319**	-	-
Sale	1 957 000	2 480 000	26 316 835	63 283 609	5 036 875	**99 074 319**	-	-
Forward Rate Agreement (FRA)	16 401 440	23 900 000	77 360 000	18 750 000	-	**136 411 440**	83 188	85 214
Purchase	7 750 000	13 050 000	40 610 000	10 550 000	-	**71 960 000**	-	-
Sale	8 651 440	10 850 000	36 750 000	8 200 000	-	**64 451 440**	-	-
Other transactions								
Futures on bonds	-	514	-	-	-	**514**	-	-
Purchase	-	514	-	-	-	**514**	-	-
Sale	-	-	-	-	-	**-**	-	-
WIG futures	-	11 998	7 588	2 533	-	**22 119**	-	-
Purchase	-	-	7 588	2 533	-	**10 121**	-	-
Sale	-	11 998	-	-	-	**11 998**	-	-
Equity instruments options	-	2 508	800	66 676	-	**69 984**	1 946	411
Purchase	-	776	112	-	-	**888**	-	-
Sale	-	1 732	688	66 676	-	**69 096**	-	-
Total derivative instruments	**24 792 475**	**31 016 879**	**134 177 308**	**153 437 245**	**21 925 915**	**365 349 822**	**1 114 207**	**1 370 418**

(in PLN thousand)

Derivative financial instruments as at 31 December 2006

Notional amounts of underlying instruments and fair value of derivative financial instruments

	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	over 5 years	Total	Fair value (negative)	Fair value (positive)
Currency transactions								
- OTC market								
FX swap	4 356 008	2 032 835	1 100 723	-	-	**7 489 566**	32 737	104 133
Purchase	2 171 188	1 045 029	562 280	-	-	**3 778 497**	-	-
Sale	2 184 820	987 806	538 443	-	-	**3 711 069**	-	-
FX forward	409 346	439 806	868 158	263 963	-	**1 981 273**	11 926	5 867
Purchase	204 084	220 356	431 745	130 194	-	**986 379**	-	-
Sale	205 262	219 450	436 413	133 769	-	**994 894**	-	-
Options	-	7 819	29 575	3 952	-	**41 346**	98	25
Purchase	-	5 223	13 358	2 750	-	**21 331**	-	-
Sale	-	2 596	16 217	1 202	-	**20 015**	-	-
Cross Currency IRS	965 680	964 480	-	9 601 726	9 506 975	**21 038 861**	201 314	376 078
Purchase	488 840	487 640	-	4 832 050	4 789 709	**10 598 239**	-	-
Sale	476 840	476 840	-	4 769 676	4 717 266	**10 440 622**	-	-

(in PLN thousand)

Notional amounts of underlying instruments and fair value of derivative financial instruments (continued)

Interest rate transactions								
Interest Rate Swap (IRS)	5 800 000	7 468 000	32 812 100	98 915 326	6 554 960	**151 550 386**	773 582	644 385
Purchase	2 900 000	3 734 000	16 406 050	49 457 663	3 277 480	**75 775 193**	-	-
Sale	2 900 000	3 734 000	16 406 050	49 457 663	3 277 480	**75 775 193**	-	-
Forward Rate Agreement (FRA)	13 300 000	18 825 000	64 900 000	21 350 000	-	**118 375 000**	76 228	68 646
Purchase	6 300 000	9 375 000	34 050 000	12 350 000	-	**62 075 000**	-	-
Sale	7 000 000	9 450 000	30 850 000	9 000 000	-	**56 300 000**	-	-
Other transactions								
WIG futures	-	833	-	-	-	**833**	-	-
Purchase	-	833	-	-	-	**833**	-	-
WIG options	-	119	-	68 701	-	**68 820**	1 921	20
Purchase	-	35	-	-	-	**35**	-	-
Sale	-	84	-	68 701	-	**68 785**	-	-
Total derivative instruments	**24 831 034**	**29 738 892**	**99 710 556**	**130 203 668**	**16 061 935**	**300 546 085**	**1 097 806**	**1 199 154**

28. Other financial instruments at fair value through profit or loss

	30.06.2007 unaudited	31.12.2006
Debt securities	12 897 781	11 499 502
- issued by the State Treasury	11 770 900	10 165 511
- issued by central banks	-	-
- issued by other banks	983 373	1 291 148
- issued by other financial institutions	110 231	17 412
- issued by non-financial entities	33 277	25 431
Shares and stocks in other entities	20 785	19 203
- listed on stock exchange	-	-
- not listed on stock exchange	20 785	19 203
Total	**12 918 566**	**11 518 705**

As at 30 June 2007 and 31 December 2006, the portfolio of securities at fair value through profit or loss was comprised of the following:

in the holding company:

		30.06.2007 unaudited		31.12.2006	
▪	treasury bills with a nominal value of	75 686	PLN thousand	-	PLN thousand
▪	treasury bonds with a nominal value of	9 587 709	PLN thousand	7 729 771	PLN thousand
▪	USD bonds with a nominal value of	798 526	PLN thousand	798 059	PLN thousand
▪	of which those issued by banks	294 724	PLN thousand	448 799	PLN thousand
▪	EUR bonds with a nominal value of	2 302 787	PLN thousand	2 471 124	PLN thousand
▪	of which those issued by banks	683 493	PLN thousand	632 148	PLN thousand
▪	PLN bonds issued by banks, with a nominal value of	-	PLN thousand	200 000	PLN thousand

in the subsidiaries:

		30.06.2007 unaudited		31.12.2006	
▪	treasury bonds with a nominal value of	85 236	UAH thousand	60 646	UAH thousand
▪	promissory notes with a nominal value of:	1 000	UAH thousand	-	UAH thousand
▪	investment certificates with a nominal value of	10 960	UAH thousand	10 960	UAH thousand
▪	bonds issued by other entities, with a nominal value of	66 556	UAH thousand	47 780	UAH thousand
▪	treasury bonds with a nominal value of	43 450	PLN thousand	43 450	PLN thousand
▪	treasury bills with a nominal value of	3 690	PLN thousand	3 690	PLN thousand
▪	Equity instruments	20 309	PLN thousand	16 343	PLN thousand

As at 30 June 2007, the average yield of debt securities issued by the State Treasury and Central Bank and included in the portfolio of other financial instruments at fair value through profit or loss was 5.26% for PLN, 4.79% for EUR, 5.32% for USD. As at 31 December 2006, the average yield on such securities was as follows: 4.33% for PLN, 4.29% for EUR, 5.14% for USD.

In the 6-month period ended 30 June 2007, the Bank did not issue any financial instruments comprised of a liability and equity component. In the 6-month period ended 30 June 2006, the Bank had in its offer an annual deposit with embedded European binary options. The interest on such deposits consisted of two parts: a guaranteed part and an additional interest depending on the level of the exchange rate.

(in PLN thousand)

Other financial instruments at fair value through profit or loss (carrying amount), by maturity (unaudited)

As at 30 June 2007 unaudited	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	over 5 years	Total
Debt securities	**2 082 137**	**735 665**	**1 708 183**	**6 075 178**	**2 296 618**	**12 897 781**
- issued by other banks	-	-	44 342	487 196	451 835	**983 373**
- issued by other financial institutions	-	-	13 716	41 116	55 399	**110 231**
- issued by non-financial entities	-	1 205	7 549	22 214	2 309	**33 277**
- issued by the State Treasury	2 082 137	734 460	1 642 576	5 524 652	1 787 075	**11 770 900**
Shares and stocks in other entities - listed and not listed on stock exchanges	-	-	-	-	**20 785**	**20 785**
Total	**2 082 137**	**735 665**	**1 708 183**	**6 075 178**	**2 317 403**	**12 918 566**

As at 31 December 2006	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	over 5 years	Total
Debt securities	**381 996**	**154 689**	**2 286 520**	**5 583 504**	**3 092 793**	**11 499 502**
- issued by the State Treasury	179 501	154 501	2 226 322	4 847 016	2 758 171	10 165 511
- issued by other banks	202 012	-	44 076	711 026	334 034	1 291 148
- issued by other financial institutions	-	-	13 944	2 880	588	17 412
- issued by non-financial entities	483	188	2 178	22 582	-	25 431
Shares and stocks in other entities - listed and not listed on stock exchanges	-	-	-	-	**19 203**	**19 203**
Total	**381 996**	**154 689**	**2 286 520**	**5 583 504**	**3 111 996**	**11 518 705**

(in PLN thousand)

29. Loans and advances to customers

Loans and advances	30.06.2007 unaudited	31.12.2006
Receivables valued using the collective methods (IBNR)	64 778 718	57 649 166
Receivables valued using the individual method	1 534 787	1 277 962
Receivables valued using the portfolio methods	1 556 845	1 440 737
Loans and advances - gross value	**67 870 350**	**60 367 865**
Allowances against exposures with portfolio impairment	(1 305 753)	(1 237 180)
Allowances against exposures with individual impairment	(571 074)	(640 330)
Allowances against exposures with collective impairment (IBNR)	(558 188)	(526 312)
Total impairment	**(2 435 015)**	**(2 403 822)**
Loans and advances - total net value	**65 435 335**	**57 964 043**

Analysis of loans and advances to customers by maturity

	30.06.2007 unaudited	31.12.2006
Gross loans and advances granted		
to public entities	4 545 462	6 061 924
up to 1 month	217 691	189 959
from 1 to 3 months	802 839	96 509
from 3 months to 1 year	1 077 610	2 461 667
from 1 to 5 years	1 425 141	2 195 941
above 5 years	1 022 181	1 117 848
to financial entities other than banks	594 347	369 998
up to 1 month	77 832	68 889
from 1 to 3 months	51 000	42 291
from 3 months to 1 year	180 083	168 420
from 1 to 5 years	269 158	90 398
above 5 years	16 274	-
to non-financial entities	62 730 541	53 935 943
up to 1 month	10 917 309	10 272 653
from 1 to 3 months	1 919 223	1 519 194
from 3 months to 1 year	7 358 700	6 447 918
from 1 to 5 years	20 341 815	17 312 085
above 5 years	22 193 494	18 384 093
Total	**67 870 350**	**60 367 865**

Effective interest rate (for the Bank)

As at 30 June 2007

Loans	PLN	EUR	USD	CHF
Housing loans	5.36	7.87	8.91	4.88
Corporate loans	5.66	4.17	5.48	5.14
Consumer loans	12.11	6.56	14.22	10.77
Loans for business entities	6.08	4.06	4.45	5.46

As at 31 December 2006

Loans	PLN	EUR	USD	CHF
Housing loans	6.15	7.39	9.20	4.56
Corporate loans	5.10	4.13	7.23	4.20
Consumer loans	11.06	8.69	14.12	10.14
Loans for business entities	5.33	4.05	7.20	4.53

(in PLN thousand)

Finance and operating leases

Finance lease

The Group conducts lease activities through the company Bankowy Fundusz Leasingowy SA.

The value of gross investments in the lease and the minimum lease payments resulting from finance lease agreements amounted to:

As at 30 June 2007 (unuadited)

Finance lease receivables	Gross investment in the lease unaudited	Present value of minimum lease payments unaudited
Gross investment in the lease and minimum lease payments		
Gross lease receivables:		
up to 1 year	489 442	416 707
from 1 year to 5 years	869 368	780 751
above 5 years	81 281	68 424
Total	**1 440 091**	**1 265 882**
Impairment allowances	(44 199)	(44 199)
Total after impairment allowances	**1 395 892**	**1 221 683**

	Gross investment in the lease unaudited	Present value of minimum lease payments unaudited	Unearned finance income unaudited
up to 1 year	489 442	416 707	72 735
from 1 year to 5 years	869 368	780 751	88 617
above 5 years	81 281	68 424	12 857
Total	**1 440 091**	**1 265 882**	**174 209**

Net investment in the lease	
Present value of minimum lease payments	1 265 882
of which: un-guaranteed residual value to the lessor	20 273

(in PLN thousand)

As at 31 December 2006

Finance lease receivables	Gross investment in the lease	Present value of minimum lease payments
Gross investment in the lease and minimum lease payments		
Gross lease receivables:		
up to 1 year	408 374	350 029
from 1 year to 5 years	666 418	593 822
above 5 years	49 398	41 913
Total	**1 124 190**	**985 764**
Impairment allowances	(43 200)	(43 200)
Total after impairment allowances	**1 080 990**	**942 564**

	Gross investment in the lease	Present value of minimum lease payments	Unearned finance income
up to 1 year	408 374	350 029	58 345
from 1 year to 5 years	666 418	593 822	72 596
above 5 years	49 398	41 913	7 485
Total	**1 124 190**	**985 764**	**138 426**

Net investment in the lease	
Present value of minimum lease payments	985 764
of which: un-guaranteed residual value to the lessor	110 965

Operating lease

Operating lease agreement is an agreement under which the lessor retains substantially all of the risks and rewards incidental to the ownership of an asset. Lease payments under an operating lease are recognized as an expense in the income statement on a straight-line basis over the lease term.

Rental and tenancy agreements concluded by the Bank in the course of its normal operating activities meet the criteria of operating lease. All agreements are concluded at an arm's length.

The table below shows data concerning operating lease agreements concluded by the Group.

Total value of future lease payments under non-cancellable operating lease	30.06.2007 unaudited	31.12.2006
For the period:		
up to 1 year	16 723	15 116
from 1 year to 5 years	65 947	57 992
above 5 years	155 852	172 116
Total	**238 522**	**245 224**

Lease and sub-lease payments recognized as an expense in the period from 1 January 2007 to 30 June 2007 amounted to PLN 69,475 thousand (in the period from 1 January 2006 to 30 June 2006: PLN 62,812 thousand).

(in PLN thousand)

30. Investment securities

	30.06.2007 unaudited	31.12.2006
Securities available for sale	**5 563 884**	**6 793 239**
- issued by central banks	2 572 421	2 640 272
- issued by other banks	372 691	1 162 081
- issued by other financial institutions	5 228	6 091
- issued by non-financial entities	938 687	801 986
- issued by the State Treasury	793 418	1 256 781
- issued by local government bodies	881 439	926 028
Impairment allowances	(28 651)	(30 051)
Total net investment securities	**5 535 233**	**6 763 188**

Changes in investment securities

	01.01-30.06.2007 unaudited	01.01-30.06.2006 unaudited
Securities available for sale		
Balance at the beginning of the period	**6 763 188**	**1 881 378**
Foreign exchange differences	(404)	1 018
Increases	1 580 695	8 470 175
Decreases (redemption)	(2 807 702)	(2 934 868)
Change in the fair value	(544)	(32 387)
Balance at the end of the period	**5 535 233**	**7 385 316**

As at 30 June 2007 the value of financial assets whose impairment write-offs were calculated using the individualized method amounted to PLN 14,900 thousand. The collaterals for the above assets included deposit ceiling mortgage and in blanco bills of exchange of the total amount of PLN 6,665 thousand.

(in PLN thousand)

Securities available for sale (carrying amount), by maturity (unaudited)

As at 30 June 2007 unaudited	**up to 1 month**	**from 1 to 3 months**	**from 3 months to 1 year**	**from 1 to 5 years**	**over 5 years**	**Total**
Securities available for sale						
issued by central banks	-	-	-	2 572 421	-	**2 572 421**
issued by other banks	-	370 449	-	-	-	**370 449**
issued by other financial institutions	-	-	-	-	17	**17**
issued by non-financial entities	76 806	49 409	138 499	531 727	121 048	**917 489**
issued by the State Treasury	-	2 428	38 643	298 687	453 660	**793 418**
issued by local government bodies	1 153	1 132	55 021	554 918	269 215	**881 439**
Total	**77 959**	**423 418**	**232 163**	**3 957 753**	**843 940**	**5 535 233**

The average yield of available-for-sale securities as at 30 June 2007 amounted to 5.65%.

As at 30 June 2007, the portfolio of debt securities available for sale was comprised of the following:

in the holding company:

- commercial papers issued under the bill of exchange law, with a nominal value of 27,000 PLN thousand,
- corporate bonds denominated in PLN with a nominal value of 745,240 PLN thousand,
- corporate bonds denominated in EUR with a nominal value of 22,177 PLN thousand,
- municipal bonds with a nominal value of 861,796 PLN thousand,
- treasury bonds with a nominal value of 700,000 PLN thousand,
- NBP bonds with a nominal value of 2,551,112 PLN thousand,
- bonds issued by banks, with a nominal value of 370,000 PLN thousand.

in the subsidiary:

- treasury bonds with a nominal value of 98,595 PLN thousand.

As at 31 December 2006	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	over 5 years	Total
Securities available for sale						
issued by central banks	-	-	-	-	2 640 272	**2 640 272**
issued by other banks	-	-	1 101 852	57 987	-	**1 159 839**
issued by other financial institutions	-	-	-	-	854	**854**
issued by non-financial entities	826	189 335	2 022	584 315	2 916	**779 414**
issued by the State Treasury	2 435	-	30 680	1 223 031	635	**1 256 781**
issued by local government bodies	-	1 143	71 599	581 958	271 328	**926 028**
Total	**3 261**	**190 478**	**1 206 153**	**2 447 291**	**2 916 005**	**6 763 188**

The average yield of available-for-sale securities as at 31 December 2006 amounted to 4.93%.

As at 31 December 2006, the portfolio of debt securities available for sale was comprised of the following:

in the holding company:

- commercial papers issued under the bill of exchange law, with a nominal value of 166,000 PLN thousand,
- corporate bonds with a nominal value of 571,273 PLN thousand,
- corporate bonds in EUR, with a nominal value of 22,562 PLN thousand,
- municipal bonds with a nominal value of 917,990 PLN thousand,
- treasury bonds with a nominal value of 1,106,000 PLN thousand,
- bonds issued by banks, with a nominal value of 1,100,000 PLN thousand,
- NBP bonds with a nominal value of 2,551,112 PLN thousand.

in the subsidiary:

- treasury bonds with a nominal value of 88,089 PLN thousand.

As at 30 June 2007 and 31 December 2006, the PKO BP SA Group did not have any securities in the held-to-maturity portfolio.

(in PLN thousand)

31. Investments in associates and jointly controlled entities

a) Carrying amount of the Bank's investments in jointly controlled entities (i.e. acquisition cost adjusted for its share in the change in net assets and impairment losses)

Entity name	30.06.2007 unaudited	31.12.2006
Centrum Obsługi Biznesu Sp. z o.o	10 719	14 197
Centrum Haffnera Sp. z o.o. Group	44 688	43 789
Total	**55 407**	**57 986**

b) Carrying amount of the Bank's investments in associates (i.e. acquisition cost adjusted for its share in the change in net assets and impairment losses)

Entity name	30.06.2007 unaudited	31.12.2006
Bank Pocztowy SA	113 000	113 000
Kolej Gondolowa Jaworzyna Krynicka SA	-	-
Ekogips SA (in bankruptcy)	-	-
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	1 619	1 598
Agencja Inwestycyjna CORP SA	251	226
FINDER SA*	7 052	7 352
INTER FINANCE Polska Sp. z o.o.	-	-
P.L. ENERGIA SA	4 521	-
Total	**126 443**	**122 176**

*until 2 January 2007 – FINDER Sp. z o.o.

Summary information on associated entities accounted for using the equity method:

Entity name	Total assets	Total liabilities	Total revenues	Net profit (loss)	% share
30.06.2007 (unaudited)					
Bank Pocztowy SA	2 267 653	2 038 099	123 019	14 117	25.0001%
Kolej Gondolowa Jaworzyna Krynicka SA	36 828	3 389	7 320	1 895	37.53%
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	12 947	7 960	176	80	33.33%
Agencja Inwestycyjna CORP SA	3 699	1 992	6 799	320	22.31%
Total	**2 321 127**	**2 051 440**	**137 314**	**16 412**	**---**
31.12.2006					
Bank Pocztowy SA	2 627 410	2 409 372	236 116	24 367	25.0001%
Kolej Gondolowa Jaworzyna Krynicka SA	38 289	6 733	12 225	2 274	37.53%
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	11 028	6 204	178	140	33.33%
Agencja Inwestycyjna CORP SA	3 818	2 255	14 265	374	22.31%
Total	**2 680 545**	**2 424 564**	**262 784**	**27 155**	**---**

The data presented in the above table are derived from the companies' financial statements prepared in accordance with Polish Accounting Standards. The data for the year 2006 are derived from audited financial statements.

(in PLN thousand)

Summary information on jointly controlled entities accounted for using the equity method:

Entity name	Total assets	Total liabilities	Total revenues	Net profit (loss)	% share
30.06.2007 (unaudited)					
Centrum Obsługi Biznesu Sp. z o.o	127 088	100 223	10 149	(6 926)	41.44%
Centrum Haffnera Sp. z o.o. Group	154 987	63 692	1 660	(54)	49.43%
Total	**282 075**	**163 915**	**11 809**	**(6 980)**	**---**
31.12.2006					
Centrum Obsługi Biznesu Sp. z o.o	124 514	91 186	1 454	(8 843)	41.44%
Centrum Haffnera Sp. z o.o. Group	112 996	22 363	1 381	716	49.43%
Total	**237 510**	**113 549**	**2 835**	**(8 127)**	**---**

The data presented in the above table for Centrum Obsługi Biznesu Sp. z o.o. are derived from financial statements prepared in accordance with Polish Accounting Standards, and the data for Centrum Haffnera Sp. z o.o. are derived from consolidated financial statements prepared in accordance with IFRS. The data of both companies for the year 2006 are derived from audited financial statements.

In the consolidated financial statements for the first half of 2007, all associates and jointly controlled entities are accounted for using the equity method.

	01.01-30.06.2007 unaudited	01.01-30.06.2006 unaudited
Investment in associate entities at the beginning of the period	**122 176**	**120 378**
Share in profits (losses)	2 257	2 258
Dividends paid	(75)	(75)
Share in changes recognised directly in the equity of the entity	5 000	4 248
acquisition of shares in FINDER SA	-	1 000
acquisition of shares in INTER FINANCE Polska Sp. zo.o.	-	3 248
acquisition of shares in P.L. ENERGIA SA	5 000	-
Investments impairment	(2 915)	(2 185)
Investment in associate entities at the end of the period	**126 443**	**124 624**

	01.01-30.06.2007 unaudited	01.01-30.06.2006 unaudited
Investment in jointly controlled entities at the beginning of the period	**57 986**	**63 967**
Share in profits (losses)	(2 579)	(251)
Share in taxes	-	-
Dividends paid	-	-
Share in changes recognised directly in the equity of the entity	-	44 370
acquisitions of shares in Centrum Haffnera Sp. z o.o.	-	44 370
Reclassification of Wawel Hotel Development Sp. z o.o. to non-current assets held for sale	-	(19 166)
Transfer of PKO TFI SA to subsidiaries	-	(27 604)
Investment in jointly controlled entities at the end of the period	**55 407**	**61 316**

As at 30 June 2007 and 31 December 2006, the holding company had no share in contingent liabilities of associates acquired jointly with other investors.

In the first half of 2007, PKO BP SA did not make any direct investments in jointly controlled entities or associates.

In the first half of 2007, Bankowe Towarzystwo Kapitałowe SA – a subsidiary of the Bank – made the following investments in associates:

- On 17 January 2007, the Company took up 25,500 shares in the increased share capital of P.L. ENERGIA SA, with a nominal value of PLN 100 each. The price paid for the acquired shares was PLN 4,999,785.

  As a result of the above transaction, Bankowe Towarzystwo Kapitałowe SA holds shares which account for 33.77% of the share capital of P.L. ENERGIA SA and give right to 32.08% of votes at the General Shareholders' Meeting of this company. The principal activity of P.L. ENERGIA SA is the provision of services in the field of extraction and distribution of natural gas and crude oil.

- On 23 April 2007, the Company disposed of 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 amounted to PLN 410 thousand.

  The above investment accounted for 45% of the share capital of the company and entitled to 45% of votes at the shareholders' meeting of INTER FINANCE Polska Sp. z o.o. Following the disposal, Bankowe Towarzystwo Kapitałowe SA holds no shares in INTER FINANCE Polska Sp. z o.o.

On 2 January 2007, FINDER SA, an associate of Bankowe Towarzystwo Kapitałowe SA, was entered to the National Court Register, and thus the process of transformation of this company from a limited liability company into a joint stock company has been completed. The level of interest of BTK SA in the share capital and votes at the General Shareholders' Meeting of the company did not change.

32. Investments in subsidiaries

On 1 June 2007, the Pechersk Regional State 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 an increase in the nominal value of each share (from UAH 10,200 to UAH 15,250). After the increase, the Company's share capital amounts to 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. with a total nominal value of UAH 838,750 (the equivalent of USD 165,000), giving right to 55 votes at the shareholders' meeting.

On 20 April 2007, PKO BP signed an agreement with the European Bank for Reconstruction and Development ("EBRD") concerning conditional purchase by PKO BP of shares in KREDOBANK SA. The transaction covers 6,194,908,483 shares of KREDOBANK SA with a total nominal value of UAH 61,949,084.83. These shares account for 28.2486% of the Company's share capital and 28.2486% of votes at the General Shareholders' Meeting. The condition necessary to complete the transaction is obtaining permission from the National Bank of Ukraine. As a result of the above transaction, PKO BP SA will hold shares in KREDOBANK SA accounting for a total of 98.1815% of the Company's share capital and giving right to 98.1815% of votes at the General Shareholders' Meeting. Considering the nature of the agreement concluded with EBRD (i.e. repurchase of minority shares) the Group recognized an appropriate financial liability in its consolidated financial statements as at 30 June 2007, as it has been described in detail in Note 51 "Business combinations". On 16 July 2007, the National Bank of Ukraine issued the permit and on 26 July 2007 the acquisition of KREDOBANK SA's shares from the EBRD was executed, as it has been described in detail in Note 53, "Events after the balance sheet date".

KREDOBANK SA is restricted in making dividend payments to the investor. In accordance with the decision of the Extraordinary General Shareholders' Meeting of KREDOBANK SA dated 17 November 2005, the Company introduced a moratorium for payment of dividends in the period 2005 – 2008, as required by the approved "Strategy of dynamic development of KREDOBANK SA".

In the consolidated financial statements of the PKO BP SA Group as at 30 June 2007 and 31 December 2006, investments in KREDOBANK SA and UKROPOLINWESTYCJE Sp z o.o. were accounted for using the full method.

On 18 June 2007, Bankowy Leasing Sp. z o.o. with its registered office in Łódź was entered to the National Court Register. The share capital of the Company amounts to PLN 1,300 thousand and is divided into 2,600 shares with a nominal value of PLN 500 each. All of the shares in the share capital of the Company were taken up by Bankowy Fundusz Leasingowy SA – a subsidiary of PKO BP SA. The principal activity of the Company is the provision of operating and finance lease services.

As at 30 June 2007, the financial statements of Bankowy Leasing Sp. z o.o. were included in the consolidated financial statements of the PKO BP SA Group using the full method.

(in PLN thousand)

33. Intangible assets

6 month period ended 30 June 2007 unaudited	**Development costs**	**Patents and licenses**	**Goodwill acquired as a result of business combination (including goodwill of subsidiary entities)**	**Other including expenditures**	**Total**
Purchase price as at 1 January 2007 including amortisation	-	623 278	205 655	115 095	**944 028**
Full method consolidation of subsidiaries	-	-	-	-	**-**
Purchase	-	4 328	27 319	78 697	**110 344**
Disposal and sale	-	-	-	-	**-**
Impairment allowance	-	-	-	-	**-**
Due to foreign exchange differences from translation of foreign entities to presentation currency	-	(185)	-	-	**(185)**
Transfers	-	147 538	-	(147 538)	**-**
Amortisation	-	(52 971)	-	(1 546)	**(54 517)**
Other changes*	2 374	1 642	-	718	**4 734**
Net carrying amount	**2 374**	**723 630**	**232 974**	**45 426**	**1 004 404**
As at 31 December 2006					
Purchase price (gross amount)	-	1 340 482	205 655	129 593	**1 675 730**
Accumulated amortisation and impairment allowance	-	(717 204)	-	(14 498)	**(731 702)**
Net carrying amount	**-**	**623 278**	**205 655**	**115 095**	**944 028**
As at 30 June 2007					
Purchase price (gross amount)	2 374	1 487 762	232 974	60 213	**1 783 323**
Accumulated amortisation and impairment allowance	-	(764 132)	-	(14 787)	**(778 919)**
Net carrying amount	**2 374**	**723 630**	**232 974**	**45 426**	**1 004 404**

* "Other changes" in "Patents and licenses" include mainly software transferred from assets under construction.

An item of intangible assets which is significant for the Group comprises capital expenditures incurred for the Integrated Information System (ZSI). Cumulative capital expenditures incurred for the ZSI system during the years 2003-2007 amounted to PLN 593,495 thousand.

(in PLN thousand)

6 month period ended 30 June 2006 unaudited	**Development costs**	**Patents and licenses**	**Goodwill acquired as a result of business combination (including goodwill of subsidiary entities)**	**Other including expenditures**	**Total**
Purchase price as at 1 January 2007 including amortisation	963	189 132	156 304	342 371	**688 770**
Full method consolidation of subsidiaries	-	229	49 351	4	**49 584**
Purchase	97	2 107	-	89 864	**92 068**
Sale	-	-	-	-	**-**
Due to foreign exchange differences from translation of foreign entities to presentation currency	(21)	(29)	-	-	**(50)**
Moved to discontinued operations	-	-	-	-	**-**
Transfers	-	187 234	-	(187 234)	-
Amortisation	(148)	(25 025)	-	(1 294)	**(26 467)**
Other changes*	-	57 690	-	(60 382)	**(2 692)**
Net carrying amount	**891**	**224 104**	**205 655**	**370 563**	**801 213**
As at 31 December 2005					
Purchase price (gross amount)	1 862	831 134	156 336	353 219	**1 342 551**
Accumulated amortisation and impairment allowance	(899)	(642 002)	(32)	(10 848)	**(653 781)**
Net carrying amount	**963**	**189 132**	**156 304**	**342 371**	**688 770**
As at 30 June 2006					
Purchase price (gross amount)	1 922	888 958	205 687	381 224	**1 477 791**
Accumulated amortisation and impairment allowance	(1 031)	(664 854)	(32)	(10 661)	**(676 578)**
Net carrying amount	**891**	**224 104**	**205 655**	**370 563**	**801 213**

* "Other changes" in "Patents and licenses" include mainly software transferred from assets under construction.

Since 1 January 2004 goodwill has been annually tested for impairment.

As at 30 June 2007, the net carrying amount of goodwill recognized in the Group balance sheet resulted from acquisition of shares in the following companies: Centrum Finansowe Puławska Sp. z o.o., KREDOBANK S.A., Powszechne Towarzystwo Emerytalne PTE S.A., PKO Towarzystwo Funduszy Inwestycyjnych S.A. and Wilanów Investments Sp. z o.o. (a subsidiary of PKO Inwestycje Sp. z o.o.).

According to IAS 36, as at 30 June 2007, the Group performed analysis of impairment indicators for goodwill on acquisition. The analysis did not reveal any necessity to provide for impairment tests.

The Group did not create any patents or licenses internally.

In the period from 1 January 2007 to 30 June 2007, the PKO BP SA Group incurred capital expenditures for the purchase of tangible fixed assets and intangible assets in the amount of PLN 230,642 thousand (in the period from 1 January 2006 to 30 June 2006: PLN 156,617 thousand).

(in PLN thousand)

34. Tangible fixed assets

6 month period ended 30 June 2007 unaudited	**Land and buildings, including investment real estate**	**Plant and machinery**	**Means of transport**	**Assets under construction**	**Other**	**Total**
Gross value of tangible assets as at 01.01.2007	**2 335 415**	**2 621 780**	**60 553**	**294 632**	**384 774**	**5 697 154**
Increases, of which:	**152 390**	**170 921**	**15 383**	**598 918**	**29 624**	**967 236**
Full method consolidation of subsidiaries	-	-	-	-	-	-
Purchases and other changes	132 110	10 503	15 383	598 918	4 627	**761 541**
Transfers from expenses to tangible fixed assets	20 280	160 418	-	-	24 997	**205 695**
Decreases, of which:	**(23 574)**	**(190 223)**	**(3 379)**	**(747 057)**	**(15 285)**	**(979 518)**
Classification as an asset item available for sale	-	-	-	-	-	-
Liquidation and sale	(11 066)	(70 865)	(2 598)	-	(8 122)	**(92 651)**
Transfers from expenses to tangible fixed assets	-	-	-	(205 695)	-	**(205 695)**
Fixed assets leased	-	-	-	(533 545)	-	**(533 545)**
Foreign exchange differences	(2 218)	(1 595)	(191)	(1 204)	(840)	**(6 048)**
Other	(10 290)	(117 763)	(590)	(6 613)	(6 323)	**(141 579)**
Gross value of fixed assets at the end of the period	**2 464 231**	**2 602 478**	**72 557**	**146 493**	**399 113**	**5 684 872**
Accumulated depreciation as at 1.01.2007	**(500 103)**	**(2 137 360)**	**(31 743)**	-	**(321 688)**	**(2 990 894)**
Increases, of which:	**(136 617)**	**(79 341)**	**(4 490)**	-	**(9 719)**	**(230 167)**
Depreciation for the period	(44 262)	(79 172)	(4 485)	-	(2 643)	**(130 562)**
Full method consolidation of subsidiaries	-	-	-	-	-	-
Other	(92 355)	(169)	(5)	-	(7 076)	**(99 605)**
Decreases, of which:	**3 363**	**167 514**	**2 154**	-	**13 005**	**186 036**
Liquidation and sale	2 787	70 723	1 870	-	8 055	**83 435**
Other	275	96 187	188	-	4 599	**101 249**
Foreign exchange differences	301	604	96	-	351	**1 352**
Accumulated depreciation at the end of the period	**(633 357)**	**(2 049 187)**	**(34 079)**	-	**(318 402)**	**(3 035 025)**
Impairment allowance						
Opening balance	(50 405)	(79)	-	(700)	(35)	**(51 219)**
Increases	(317)	-	-	-	-	**(317)**
Decreases	-	30	-	-	5	**35**
Closing balance	(50 722)	(49)	-	(700)	(30)	**(51 501)**
Net book value	**1 780 152**	**553 242**	**38 478**	**145 793**	**80 681**	**2 598 346**
Opening balance	**1 784 907**	**484 341**	**28 810**	**293 932**	**63 051**	**2 655 041**
Closing balance	**1 780 152**	**553 242**	**38 478**	**145 793**	**80 681**	**2 598 346**

As at 30 June 2007, the off-balance sheet value of machinery and equipment used under finance lease agreements and operating lease with the purchase options contracts amounted to PLN 27,092 thousand (as at 31 December 2006: PLN 17,860 thousand). In the 6-month period ended 30 June 2007 and 30 June 2006, there were no restrictions on the Group's right to use its tangible fixed assets due to them being pledged as collateral.

(in PLN thousand)

6 month period ended 30 June 2006 unaudited	**Land and buildings, including investment real estate**	**Plant and machinery**	**Means of transport**	**Assets under construction**	**Other**	**Total**
Gross value of tangible assets as at 01.01.2006	**2 331 346**	**2 570 959**	**54 380**	**225 627**	**364 101**	**5 546 413**
Increases, of which:	**5 163**	**26 569**	**10 471**	**389 588**	**5 267**	**437 058**
Full method consolidation of subsidiaries	390	817	289	-	555	**2 051**
Purchases and other changes	4 773	25 752	10 182	389 588	4 712	**435 007**
Decreases, of which:	**(3 560)**	**(54 572)**	**(5 859)**	**(367 247)**	**(3 432)**	**(434 670)**
Liquidation and sale	(1 113)	(50 622)	(5 660)	-	(3 093)	**(60 488)**
Fixed assets leased	-	-	-	(333 143)	-	**(333 143)**
Foreign exchange differences	(1 132)	(558)	(71)	(16)	(301)	**(2 078)**
Other	(1 315)	(3 392)	(128)	(34 088)	(38)	**(38 961)**
Gross value of fixed assets at the end of the period	**2 332 949**	**2 542 956**	**58 992**	**247 968**	**365 936**	**5 548 801**
Accumulated depreciation as at 1.01.2006	**(433 005)**	**(2 070 810)**	**(35 760)**	-	**(310 756)**	**(2 850 331)**
Increases, of which:	**(39 195)**	**(98 517)**	**(3 643)**	-	**(7 376)**	**(148 731)**
Depreciation for the period	(38 926)	(97 817)	(3 430)	-	(6 978)	**(147 151)**
Full method consolidation of subsidiaries	(112)	(650)	(197)	-	(359)	**(1 318)**
Other	(157)	(50)	(16)	-	(39)	**(262)**
Decreases, of which:	**868**	**51 323**	**5 610**	-	**3 188**	**60 989**
Liquidation and sale	226	50 530	5 503	-	3 040	**59 299**
Other	642	793	107	-	148	**1 690**
Accumulated depreciation at the end of the period	**(471 332)**	**(2 118 004)**	**(33 793)**	-	**(314 944)**	**(2 938 073)**
Impairment allowance	-	-	-	-	-	-
Opening balance	(50 221)	(2 310)	-	-	-	**(52 531)**
Increases	-	-	-	-	-	-
Decreases	221	2 310	-	-	-	**2 531**
Closing balance	(50 000)	-	-	-	-	**(50 000)**
Net book value	**1 811 617**	**424 952**	**25 199**	**247 968**	**50 992**	**2 560 728**
Opening balance	**1 848 120**	**497 839**	**18 620**	**225 627**	**53 345**	**2 643 551**
Closing balance	**1 811 617**	**424 952**	**25 199**	**247 968**	**50 992**	**2 560 728**

In the first half of 2007 and the first half of 2006, the Group did not receive any compensation from third parties due to impairment or loss of tangible fixed assets, which was recognized in the income statement.

(in PLN thousand)

The balance sheet item “Land and buildings, including investment property” includes land which is not subject to depreciation. The largest item is the perpetual usufruct right to the plot of land in Warsaw with the carrying amount of PLN 26,437 thousand, whose fair value estimated by an independent expert (as at 30 March 2007) exceeded its carrying amount by appx. PLN 25,900 thousand. There are no restrictions on the Bank's rights to sell these properties, nor any contractual liabilities relating to these assets.

The amounts of income/costs connected with investment properties of the Group are presented below.

	01.01 -30.06.2007 unaudited	**01.01 -30.06.2006** unaudited
Direct average operating costs concerning the investment properties (including maintenance and repair costs) that in the given period did not bring rental income.	721	743

35. Other assets

	30.06.2007 unaudited	**31.12.2006**
Inventory	280 541	255 369
Settlements of transactions carried out using cards	155 613	141 417
Amounts due from customers	153 485	141 889
Settlements of securities trading transactions	141 684	40 811
Prepayments	48 959	58 067
Inter-bank and inter- branch clearing accounts	32 359	874
Receivables from the State budget due to distribution of treasury stamps	12 569	10 850
Fixed assets held for sale and discontinued activity	11 550	10 250
Receivables from other banks and non-banking points of sale of treasury stamps	8 592	14 332
Fees and commission receivables	7 999	5 509
Receivables relating to foreign exchange activity	4 951	5 244
Receivables due to cash collateral given	3 993	3 202
Other*	92 978	79 869
Total	**955 273**	**767 683**

Included in “Other” are mainly receivables arising from own operations.

a) Inventories

Carrying value of inventory, by type	**30.06.2007** unaudited	**31.12.2006**
Work in progress*	268 411	241 454
Finished products	-	715
Raw materials	226	422
Goods for sale	11 904	12 778
Total	**280 541**	**255 369**

*The balance is mainly comprised of expenses incurred for construction projects carried out by the Group companies carrying out real estate development activities.

In the 6-month periods ended 30 June 2007 and 30 June 2006, respectively, the Group did not recognize any impairment write-downs against inventories.

In the 6-month periods ended 30 June 2007 and 30 June 2006, respectively, there were no inventories pledged as security.

(in PLN thousand)

b) Non-current assets held for sale

Non-current assets held for sale	**30.06.2007** unaudited	**31.12.2006**
Assets held for sale	10 652	9 084
Leased assets	898	1 166
Total	**11 550**	**10 250**

36. Assets pledged as collateral/security for liabilities

The PKO BP SA Group had the following assets pledged as collateral/security for its own liabilities:

Liabilities from sell-buy-back transactions (SBB):

As at 30 June 2007, liabilities arising from SBB transactions were pledged with the following collaterals:
- treasury bonds with par value of PLN 1,776,521 thousand and carrying value of PLN 1,756,701 thousand,
- treasury bills with par value of PLN 108,609 thousand and carrying value of PLN 104,522 thousand,
- foreign bonds with par value of PLN 764,457 thousand and carrying value of PLN 773,437 thousand.

As at 31 December 2006, liabilities arising from SBB transactions were pledged with the following collaterals:
- treasury bills with par value of PLN 19,270 thousand and carrying value of PLN 19,896 thousand,
- treasury bonds with par value of PLN 741,886 thousand and carrying value of PLN 746,655 thousand.

Fund for Protection of Guaranteed Money

PKO BP SA creates a fund for the protection of guaranteed money in accordance with Article 25 of the Act on the Bank Guarantee Fund (*Bankowy Fundusz Gwarancyjny*) dated 14 December 1994 (Journal of Laws 2000, No. 9, item 131 with subsequent amendments).

	30.06.2007 unaudited	**31.12.2006**
Fund's value	196 653	144 575
Nominal value of collateral/ security	203 000	146 000
Type of collateral/ security	treasury bonds	treasury bonds
Maturity of collateral/ security	12.08.2007	24.03.2007
Carrying value of collateral/ security	201 944	146 215

Cash pledged as collateral for securities' transactions conducted by DOM MAKLERSKI PKO BP SA are deposited in the National Depository for Securities (KDPW), as part of the Stock exchange guarantee fund.

	30.06.2007 unaudited	**31.12.2006**
Stock exchange guarantee fund	14 517	5 487

In addition, KREDOBANK SA, an entity consolidated using the full method, had the following assets pledged as collateral for own liabilities:

As at 30 June 2007:

- cash pledged as collateral for loans received from foreign financial organizations in a total amount of UAH 94,414 thousand (the equivalent of PLN 52,513 thousand).

As at 31 December 2006:

- cash pledged as collateral for loans received from foreign financial organizations in a total amount of UAH 131,217 thousand (the equivalent of PLN 75,581 thousand),
- debt securities of the Ministry of Finance of Ukraine pledged as collateral for loans received from foreign financial organizations in a total amount of UAH 53,000 thousand (the equivalent of PLN 30,528 thousand).

(in PLN thousand)

37. Amounts due to the Central Bank

	30.06.2007 unaudited	31.12.2006
Up to 1 month	1 415	1 387
Total amount due to the Central Bank	**1 415**	**1 387**

The interest rates as at 30 June 2007 and 31 December 2006 were 0.0071% and 0.0071%, respectively.

38. Amounts due to other banks

	30.06.2007 unaudited	31.12.2006
Other banks' deposits	1 951 434	3 680 163
Loans and advances received	702 603	475 765
Current accounts	2 009 433	176 463
Other deposits from money market	41 226	19 217
Total amounts due to other banks	**4 704 696**	**4 351 608**

Structure, by the remaining term from the balance sheet date to maturity

	30.06.2007 unaudited	31.12.2006
Current accounts	2 009 433	176 463
Amounts due with maturity period:	2 695 263	4 175 145
up to 1 month	1 519 761	1 846 513
from 1 month to 3 months	119 458	878 280
from 3 months to 1 year	619 322	968 649
from 1 year to 5 years	304 087	379 493
above 5 years	132 635	102 210
Total	**4 704 696**	**4 351 608**

As at 30 June 2007

Effective interest rate	**PLN**	**EUR**	**USD**	**GBP**	**CHF**
Inter-bank deposits	4.25	4.02	5.33	-	2.42

As at 31 December 2006

Effective interest rate	**PLN**	**EUR**	**USD**	**GBP**	**CHF**
Inter-bank deposits	4.12	3.56	5.58	5.31	2.17

39. Other financial liabilities valued at fair value through profit or loss

As at 30 June 2007 and 31 December 2006 the PKO BP SA Group did not have any other financial liabilities valued at fair value through profit or loss.

40. Amounts due to customers

	30.06.2007 unaudited	31.12.2006
Amounts due to corporate entities	**14 146 798**	**12 835 080**
Current accounts and overnight deposits	6 952 710	6 125 740
Term deposits	7 065 493	6 618 651
Other	128 595	90 689
Amounts due to state budget entities	**4 584 256**	**3 162 694**
Current accounts and overnight deposits	3 344 086	2 235 107
Term deposits	1 126 005	800 026
Other	114 165	127 561
Amounts due to individuals	**65 805 423**	**67 509 401**
Current accounts and overnight deposits	27 147 976	24 704 239
Term deposits	38 634 589	42 787 023
Other	22 858	18 139
Total amounts due to customers	**84 536 477**	**83 507 175**

(in PLN thousand)

Structure, by the remaining term from the balance sheet date to maturity

	30.06.2007 unaudited	**31.12.2006**
Current accounts and overnight deposits	37 444 772	33 065 086
Amounts due with maturity periods:	47 091 705	50 442 089
Up to 1 month	18 821 974	21 716 969
From 1 month to 3 months	11 319 747	11 267 072
From 3 months to 1 year	15 366 966	15 776 427
From 1 year to 5 years	1 380 507	1 585 783
Over 5 years	202 511	95 838
Total	**84 536 477**	**83 507 175**

Effective interest rate (for the Bank)

As at 30 June 2007

Deposits	**PLN**	**EUR**	**USD**	**GBP**	**CHF**
Retail deposits	1.54	1.00	1.79	1.06	0.26
Corporate deposits	2.55	2.24	4.27	1.72	0.81
Retail deposits - current	0.18	0.27	0.13	0.15	0.09
Retail deposits - term	2.42	1.40	2.46	1.93	0.46
IRA (IKE) deposits	3.91	-	-	-	-
Deposits of business entities	2.31	2.08	4.18	1.72	0.81

As at 31 December 2006

Deposits	**PLN**	**EUR**	**USD**	**GBP**	**CHF**
Retail deposits	1.69	1.14	2.04	1.04	0.22
Corporate deposits	2.28	2.39	3.92	3.83	1.02
Retail deposits - current	0.18	0.30	0.15	0.15	0.10
Retail deposits - term	2.49	1.56	2.75	1.85	0.37
IRA (IKE) deposits	3.90	-	-	-	-
Deposits of business entities	2.09	2.21	3.92	3.83	1.02

41. Liabilities arising from debt securities issued

As at 30 June 2007 and 31 December 2006, the Group had liabilities arising from debt securities issued.

	30.06.2007 unaudited	**31.12.2006**
Liabilities arising from the issue of		
Bonds	242 101	43 722
Total	**242 101**	**43 722**

	30.06.2007 unaudited	**31.12.2006**
Liabilities arising from the issue of securities by maturity:		
Up to 1 month	121 305	-
From 1 month to 3 months	102 434	-
From 3 months to 1 year	4 440	43 722
From 1 year to 5 years	13 922	-
Total	**242 101**	**43 722**

As at 30 June 2007 and 31 December 2006, the average interest rates of the above securities were 4.69% and 4.5%, respectively.

(in PLN thousand)

42. Other liabilities

	30.06.2007 unaudited	31.12.2006
Accrued expenses	248 621	218 110
Prepayments	335 477	300 904
Other liabilities, of which:	2 399 461	1 701 333
dividend	980 000	-
liabilities arising from inter-bank and inter- branch transactions	496 499	571 812
liabilities arising from settlements of operations on securities	172 385	230 586
liabilities arising from transactions with non-financial entities	122 780	93 591
liabilities due to suppliers	94 148	126 362
liabilities arising from social and legal transactions	84 015	157 881
liabilities due to minority shareholders	65 330	-
liabilities arising from foreign currency activities	51 927	76 464
liabilities relating to investment activities and own operations	44 336	56 259
liabilities arising from repayments of advances to borrowers related with remission of debt against State Treasury	32 437	30 895
settlement of customers funds for the purchase of participation units issued by investment fund	25 374	34 511
liabilities due to UOKiK	16 597	16 597
liabilities relating to payments of benefits	7 246	9 989
liabilities arising from guarantees paid by suppliers and from non-cash retail loans for purchase of household products	5 542	19 549
settlements relating to the substitution service of the Polish Post	5 025	-
liabilities due to insurance companies	3 544	6 133
liabilities arising from sale of treasury stamps	89	20 331
liabilities due to acquisition of machinery and equipment and services relating to building of tangible assets	7 366	114 656
liabilities arising from other settlements	-	85 909
other *	184 821	49 808
Total	**2 983 559**	**2 220 347**

* As at 30 June 2007 the line "other" includes, among others, liabilities from payment cards at amount of PLN 27,876 thousand (as at 31 December 2006, PLN 3,541 thousand), various operating liabilities at amount of PLN 23,419 PLN (as at 31 December 2006, PLN 11,800 thousand) as well as liabilities arising from declared dividends to minority shareholders at amount of PLN 16,250 thousand (as at 31 December 2006, there was no such liability).

As at 30 June 2007 and 31 December 2006, none of the Group companies had overdue contractual liabilities.

43. Provisions

6 month period ended 30 June 2007 unaudited	**Provision for disputes**	**Provisions for jubilee bonuses and retirement benefits**	**Provisions for liabilities and guarantees granted**	**Other provisions***	**Total**
As at 1 January 2007	**7 680**	**317 560**	**18 650**	**84 310**	**428 200**
Increase/revaluation	622	-	38 177	-	**38 799**
Utilisation	(338)	-	-	-	**(338)**
Release	(90)	-	(23 301)	(12 489)	**(35 880)**
Foreign exchange differences	-	-	(17)	-	**(17)**
Other changes and reclassifications	-	(40)	(41)	-	**(81)**
As at 30 June 2007	**7 874**	**317 520**	**33 468**	**71 821**	**430 683**

* Included in "Other provisions" is, among others, securitization provision amounting to PLN 39,290 thousand (as at 31 December 2006: PLN 39,290 thousand), which is described in detail in Note 7.

(in PLN thousand)

6 month period ended 30 June 2006 unaudited	**Provision for disputes**	**Provisions for jubilee bonuses and retirement benefits**	**Provisions for liabilities and guarantees granted**	**Other provisions**	**Total**
As at 1 January 2006	**7 538**	**210 794**	**16 912**	**104 653**	**339 897**
Increase/revaluation	265	-	25	19 203	**19 493**
Utilisation	(205)	-	-	-	**(205)**
Release	-	(3 864)	(6 980)	-	**(10 844)**
Acquisition/sale due to merger of business entities	-	7	-	-	**7**
Foreign exchange differences	-	-	(5)	-	**(5)**
Other changes	31	12	120	-	**163**
As at 30 June 2006	**7 629**	**206 949**	**10 072**	**123 856**	**348 506**

Provisions for disputes were recognized at the amount of the expected outflow of economic benefits.

44. Employee benefits

On 10 November 2004, pursuant to the Act of 30 August 1996 on commercialization and privatization (Journal of Laws 2002, No. 171, item 1397 with subsequent amendments) and § 14.1 of the Decree of the Minister of State Treasury dated 29 January 2003 concerning detailed principles of dividing entitled employees into groups, determining the number of shares falling to each of those groups and the course of acquiring shares by entitled employees (Journal of Laws No. 35, item 303), employee shares of the holding company were granted to its employees. As a result, the employees received 105,000,000 shares, which account for 10.5% of the share capital of the holding company.

As at 30 June 2007 as well as at 31 December 2006, there were no significant employee benefit plans in the Group.

45. Social Fund (“ZFŚS”)

In the consolidated balance sheet, the Group compensated the Fund's asset and liabilities due to the fact that the assets of the Social Fund are not considered to be the assets of the Group. Accordingly, the balance of the Social Fund in the consolidated balance sheet of the Group as at 30 June 2007 and 31 December 2006 was nil.

The following tables present the types and the carrying amounts of assets, liabilities and costs associated with the Social Fund:

	30.06.2007 unaudited	**31.12.2006**
Loans granted to employees	97 354	96 292
Amount on the Social Fund account	43 070	18 493

	01.01 - 30.06.2007 unaudited	**01.01 - 30.06.2006** unaudited
Contributions to the Social Fund in the period	27 950	29 031
Non-refundable expenditure by the Social Fund in the period	3 736	4 190

(in PLN thousand)

46. Contingent liabilities

As at 30 June 2007, the Bank's underwriting agreements covered the following securities (unaudited):

Issuer of securities underwritten	Type of underwritten securities	Amount to which the Bank committed in case of realisation of underwriting agreement	Contract period	Sub-issue type
Company A	corporate bonds	**349 701**	2009-12-31	Bonds Issue Agreement*
Company B	commercial bills	**259 682**	2009-12-30	PKO BP SA Commercial Bill Issue Agreement
Company C	corporate bonds	**50 000**	2008-02-27	Bonds Issue Agreement
Entity A	municipal bonds	**40 500**	2017-12-31	Bonds Issue Agreement*
Company D**	corporate bonds	**22 519**	2009-12-30	Bonds Issue Agreement*
Company E	corporate bonds	**14 000**	2011-11-30	Bonds Issue Agreement*
Entity B	municipal bonds	**13 550**	2014-12-31	Bonds Issue Agreement*
Entity C	municipal bonds	**13 500**	2011-12-31	Bonds Issue Agreement*
Entity D	municipal bonds	**10 000**	2016-12-31	Bonds Issue Agreement*
Total other with individual value under PLN 10 million	municipal bonds	**85 256**		Bonds Issue Agreement*
Total		**858 709**		

* Relates to the Agreement for Organization, Conducting and Servicing of a Bond Issuance Program
** Debt securities denominated in EUR after translation into PLN

(in PLN thousand)

As at 31 December 2006, the Bank's underwriting agreements covered the following securities:

Issuer of securities underwritten	Type of underwritten securities	Amount to which the Bank committed in case of realisation of underwriting agreement	Contract period	Sub-issue type
Company A	corporate bonds	**349 720**	2009-12-31	Bonds Issue Agreement
Company F	corporate bonds	**174 365**	2011-11-30	Bonds Issue Agreement*
Entity B	commercial bills	**69 920**	2009-12-30	PKO BP SA Commercial Bill Issue Agreement
Company C	corporate bonds	**50 000**	2008-02-27	Bonds Issue Agreement
Entity A	municipal bonds	**40 500**	2017-12-31	Bonds Issue Agreement
Company D**	corporate bonds	**22 911**	2009-12-30	Bonds Issue Agreement
Company G	corporate bonds	**21 000**	2008-06-30	Bonds Issue Agreement
Entity C	municipal bonds	**11 500**	2011-12-31	Bonds Issue Agreement
Entity D	municipal bonds	**10 000**	2016-12-31	Bonds Issue Agreement
Total other with individual value under PLN 10 million	municipal bonds	**60 000**		Bonds Issue Agreement
Total		**809 916**		

* Relates to the Agreement for Organization, Conducting and Servicing of a Bond Issuance Program

** Debt securities denominated in EUR after translation into PLN

All securities under the sub-issue (underwriting) program have an unlimited transferability, are not quoted on the stock exchange and are not traded on a regulated OTC market.

(in PLN thousand)

Potential liabilities

As at 30 June 2007, the total value of court proceedings in which the Bank is a defendant (inbound) was PLN 203,566 thousand (as at 31 December 2006: PLN 295,162 thousand), while the total value of court proceedings in which the Bank filed the claim (outbound) was PLN 76,985 thousand (as at 31 December 2006: PLN 84,886 thousand).

The most significant disputes of the PKO BP SA Group are described below:

a) Unfair competition proceedings

The Bank is a party to proceedings initiated on the basis of the decision dated 23 April 2001 of the President of the Competition and Consumer Protection Office (*Urząd Ochrony Konkurencji i Konsumentów - UOKiK*) upon request of the Polish Trade and Distribution Organization (*Polska Organizacja Handlu i Dystrybucji - Związek Pracodawców*) against the operators of the Visa and Europay payment systems and the banks issuing Visa and Mastercard/Eurocard/Mastercard banking cards. The claims under these proceedings relate to the use of practices limiting competition on the market of banking card payments in Poland, consisting of applying pre-agreed “interchange” fees for transactions made using Visa and Europay/ Eurocard/Mastercard cards as well as limiting access to this market by external entities. On 29 December 2006, UOKiK decided that the above practices did limit market competition and ordered that any such practices should be discontinued, and imposed a fine on, among others, PKO BP SA, in the amount of PLN 16,597 thousand. As at 30 June 2007, the Bank had a liability for the above amount. On 19 January 2007, the Bank filed an appeal from the decision of the President of UOKiK to the regional court. Until the date of preparation of these financial statements, there had been no further developments with respect to this issue.

b) Re-privatization claims relating to properties held by the holding company

As at the date of these financial statements, six administrative proceedings are pending to invalidate decisions issued by public administration authorities with respect to properties held by the Bank. These proceedings, in the event of an unfavorable outcome for the Bank, may result in re-privatization claims being raised against the Bank. Given the current status of these proceedings, it is not possible to assess their potential negative financial effects for the Bank. Moreover, with respect to six properties of the Bank claims were submitted by their former owners. Court proceedings are pending with respect to four properties. With respect to the other two properties, the Bank is still in the process of negotiations in order to settle the legal status of these properties. Until the date of preparation of these financial statements, there had been no further developments with respect to this issue. The consolidated financial statements for the 6-month period ended 30 June 2007 do not contain any provisions in respect of the potential liabilities described above.

In the opinion of the Management Board of PKO BP SA, the probability of serious claims arising against the Bank under the proceedings mentioned above is remote.

Financial liabilities granted

	30.06.2007 unaudited	**31.12.2006**
Total financial liabilities granted:	**23 943 350**	**22 552 006**
to financial sector	486 444	1 709 213
to non-financial sector	22 099 805	19 145 852
to the public sector	1 357 101	1 696 941
of which: irrevocable liabilities granted	11 046 270	10 298 419

(in PLN thousand)

Guarantee liabilities granted

	30.06.2007 unaudited	31.12.2006
Amounts due to financial sector:	9 047	12 705
guarantees	9 047	12 705
Amounts due to non-financial sector:	2 653 173	2 197 511
guarantees	2 637 156	2 187 280
sureties	16 017	10 231
Amounts due to the public sector:	170 761	137 466
guarantees	170 761	137 466
Total guarantees granted	**2 832 981**	**2 347 682**

In the 6-month periods ended 30 June 2007 and 30 June 2006 respectively, the Bank and its subsidiaries did not grant any guarantees in respect of loans or advances and did not grant any guarantees to a single entity or a subsidiary thereof with a total value accounting for 10% of the Bank's equity.

Information on provisions for off-balance guarantee and financial liabilities is included in Note 43.

Contingent liabilities granted, by maturity as at 30 June 2007 (unaudited)

	Up to 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	> 5 years	Total
Financial liabilities granted	4 744 799	1 639 404	7 839 919	7 888 221	1 831 007	**23 943 350**
Guarantee liabilities granted	348 754	87 140	1 039 603	1 278 050	79 434	**2 832 981**
Total	**5 093 553**	**1 726 544**	**8 879 522**	**9 166 271**	**1 910 441**	**26 776 331**

Contingent liabilities granted, by maturity as at 31 December 2006

	Up to 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	> 5 years	Total
Financial liabilities granted	4 889 986	1 120 944	7 858 996	6 579 706	2 102 374	**22 552 006**
Guarantee liabilities granted	443 339	96 189	526 452	1 220 916	60 786	**2 347 682**
Total	**5 333 325**	**1 217 133**	**8 385 448**	**7 800 622**	**2 163 160**	**24 899 688**

Off-balance sheet liabilities received

	30.06.2007 unaudited	31.12.2006
Liabilities received	**6 361 805**	**6 304 823**
1. financial	1 339 416	1 258 783
2. guarantee	5 022 389	5 046 040

Assets pledged as collateral for contingent liabilities

As at 30 June 2007 and 31 December 2006 the Group did not have any assets pledged as collateral for contingent liabilities.

47. Share capital

In the 6-month periods ended 30 June 2007 and 30 June 2006, respectively, there were no changes in the amount of the share capital of the holding company.

As at 30 June 2007, the share capital of PKO BP SA amounted to PLN 1,000,000 thousand and consisted of 1,000,000 thousand shares with nominal value of PLN 1 each (as at 31 December 2006: PLN 1,000,000 thousand, 1,000,000 thousand shares with a nominal value of PLN 1 each) **-** shares fully paid.

As at 30 June 2007, 485,056 thousand shares were subject to public trading (as at 31 December 2006: 490,000 thousand shares).

As at 30 June 2007 and 31 December 2006, the subsidiaries, jointly controlled entities and associates of the Bank did not have any shares in PKO BP SA.

Information on the shareholders of PKO BP SA is presented in Note 1.

(in PLN thousand)

48. Other capital and retained earnings

	30.06.2007 unaudited	31.12.2006
Reserve capital	5 592 311	4 529 920
other	5 592 311	4 529 920
Revaluation reserve	4 284	3 834
General banking risk reserve	1 070 000	1 070 000
Other reserves	1 518 025	1 505 943
Retained earnings	(72 192)	(166 771)
Total	**8 112 428**	**6 942 926**

49. Notes to the cash flow statement

Cash and cash equivalents

	30.06.2007 unaudited	31.12.2006	30.06.2006 unaudited
Cash and amounts in the Central Bank	3 591 954	4 628 134	4 092 191
Current receivables from financial institutions	6 309 170	9 535 024	6 290 857
Total	**9 901 124**	**14 163 158**	**10 383 048**

Cash flow from operating activities - other adjustments

	01.01 - 30.06.2007 unaudited	01.01 - 30.06.2006 unaudited
Valuation, interest accrued, discount, premium on debt securities decreased by deferred tax	33 218	(11 041)
Disposal of tangible and intangible assets	10 281	(51 067)
Valuation, impairment allowances against investments in jointly controlled entities and associates	(11 900)	91 607
Foreign exchange differences on foreign entities translation	(3 343)	(1 151)
Other	-	(250)
Total other adjustments	**28 256**	**28 098**

Reconciliation of differences between the balance sheet changes and the cash flow statement changes of items presented under operating activities in the cash flow statement

Profit (loss) from investing activities	01.01 - 30.06.2007 unaudited	01.01 - 30.06.2006 unaudited
Income from sale and disposal of the tangible and intangible fixed assets	(3 300)	(35 139)
Sale and disposal costs of tangible and intangible fixed assets	8 394	4 468
(Profit) loss from investing activities - total	**5 094**	**(30 671)**

Interests and dividends	01.01 - 30.06.2007 unaudited	01.01 - 30.06.2006 unaudited
Interest from available for sale portfolio securities, presented in the investing activities	(133 987)	(51 038)
Dividends received, presented in the investing activities	(3 232)	(75)
Paid finance lease interest, presented in financial activity	6	-
Interest paid from loans received, presented in financial activity	8 806	-
Total interests and dividends	**(128 407)**	**(51 113)**

(in PLN thousand)

Change in amounts due from banks	**01.01 - 30.06.2007** unaudited	**01.01 - 30.06.2006** unaudited
Balance sheet balances change	4 788 430	776 228
Change in impairment write-downs for amounts due from banks	53	1 383
Exclusion of the cash and cash equivalents	(3 225 854)	(1 204 420)
Total change	**1 562 629**	**(426 809)**

Change in loans and advances to customers	**01.01 - 30.06.2007** unaudited	**01.01 - 30.06.2006** unaudited
Balance sheet balances change	(7 750 411)	(5 946 731)
Change in provisions for amounts due from customers	(32 191)	26 227
Total change	**(7 782 602)**	**(5 920 504)**

Change in amounts due to banks	**01.01 - 30.06.2007** unaudited	**01.01 - 30.06.2006** unaudited
Balance sheet balances change	353 116	178 847
Transfer of the repayments/received long term advances due to banks to financing activities	(138 061)	(1 264)
Total change	**215 055**	**177 583**

Change in amounts due to customers	**01.01 - 30.06.2007** unaudited	**01.01 - 30.06.2006** unaudited
Balance sheet balance change	1 029 302	3 256 583
Transfer of the repayments/received long term advances due to financial institutions other than banks to financing activities	15 948	789
Total change	**1 045 250**	**3 257 372**

Change in provisions	**01.01 - 30.06.2007** unaudited	**01.01 - 30.06.2006** unaudited
Balance sheet balances change	(6 209)	(9 901)
Change in impairment write-downs for amounts due from banks	(53)	(1 383)
Change in impairment write-downs for loans and advances to customers	32 191	(26 227)
Change of the deferred tax liability on the available for sale portfolio	(168)	6 210
Total change	**25 761**	**(31 301)**

Change in other liabilities	**01.01 - 30.06.2007** unaudited	**01.01 - 30.06.2006** unaudited
Balance sheet balances change	763 212	925 784
Declared dividends	(980 000)	(800 000)
Liabilities to minority shareholders	(65 330)	-
Reclassification of interests repayment from loans received from others than banks financial institutions, presented in financial activity	2 724	1 740
Total change	**(279 394)**	**127 524**

(in PLN thousand)

50. Transactions with related parties

Transactions of the holding company with jointly controlled entities and associates accounted for using the equity method

All transactions with entities related by capital and personal relationships were entered into at an arm's length. The repayment terms are within a range from 1 month to 10 years.

30 June 2007 **(unaudited)**

Entity	Net receivables	including gross loans	Liabilities	Total revenues	including interest and fees commission income	Total costs	including interest and fees commission costs	Off-balance sheet liabilities granted
Sopot Zdrój Sp. z o.o.	23 564	23 323	347	377	377	6	6	166 488
Centrum Majkowskiego Sp. z o.o.	17 742	17 552	8	298	298	-	-	21 297
Kamienica Morska Sp. z o.o.	814	809	-	26	26	-	-	2 610
Promenada Sopocka Sp. z o.o.	8 467	8 351	349	223	223	9	9	36 462
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	-	25	19	13	85	85	908
Agencja Inwestycyjna „CORP” SA	120	-	-	643	-	1 115	24	-
CENTRUM HAFNERA Sp. z o.o.	-	-	6 484	8	8	251	251	3 766
Centrum Obsługi Biznesu Sp z o.o.	32 307	32 151	3 002	504	504	39	36	-
Bank Pocztowy SA	1	1 000	4	49	46	27	1	520
Kolej Gondolowa Jaworzyna Krynicka SA	1 985	-	4 092	-	-	22	22	-
P.L.ENERGIA SA	9 044	9 000	90	309	309	1	1	-
Total	**94 044**	**92 186**	**14 401**	**2 456**	**1 804**	**1 555**	**435**	**232 051**

31 December 2006

Entity	Net receivables	including gross loans	Liabilities	Total revenues	including interest and fees commission income	Total costs	including interest and fees commission costs	Off-balance sheet liabilities granted
International Trade Center Sp. z o.o. (in liquidation)	-	-	-	-	-	-	-	-
Przedsiębiorstwo Informatyki Bankowej Elbank Sp.z o.o. (in liquidation)	-	-	-	-	-	-	-	-
Sopot Zdrój Sp. z o.o.	2 059	2 055	234	1 941	1 941	39	39	191 038
Centrum Majkowskiego Sp. z o.o.	8 692	8 605	108	401	401	7	7	30 856
Kamienica Morska Sp. z o.o.	537	534	22	16	16	-	-	2 926
Promenada Sopocka Sp. z o.o.	6 224	6 156	885	461	461	12	12	39 436
FINDER Sp. z o.o.	-	-	-	-	-	-	-	-
INTER FINANCE Polska Sp. z o.o.	-	-	468	1	1	13	13	-
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	-	2 365	1	1	197	197	-
Agencja Inwestycyjna „CORP” SA	223	-	-	1 454	-	4 016	52	-
Ekogips SA (in bankruptcy)	-	-	-	-	-	-	-	-
CENTRUM HAFNERA Sp. z o.o.	-	-	8 759	42	42	220	220	3 831
Centrum Obsługi Biznesu Sp z o.o.	25 214	25 211	2 368	54	54	49	49	7 169
Bank Pocztowy SA	3	-	8 602	14	-	63	63	-
Kolej Gondolowa Jaworzyna Krynicka SA	2 918	2 000	1	143	143	14	-	586
Total	**45 870**	**44 561**	**23 812**	**4 528**	**3 060**	**4 630**	**652**	**275 842**

Transactions with the State budget

According to the Act dated 30 November 1995 on the state support in the repayment of certain housing loans, the refund of guarantee premium to banks and amendments to certain acts (Journal of Laws 2003, No. 119, item 1115 with subsequent amendments), PKO BP SA receives payments from the State budget for the redemption of interest on housing loans. As part of the realization of statutory obligations by the State budget, during the 6-month period ended 30 June 2007 the Bank recognized income in the amount of PLN 55,145 thousand (in the first half of 2006: PLN 73,864 thousand) due to temporary redemption by the State budget of interest on housing loans from the "old" portfolio. During this period, the Bank received PLN 33,302 thousand in cash (in the 6-month period of 2006: PLN 34,075 thousand) in respect of temporary redemption by the State budget of interest on housing loans from the "old" portfolio. The difference of PLN 21,843 thousand (in the 6-month period of 2006: PLN 39,789 thousand) between income recognized for this period and income received in cash is reflected in the balance sheet of the Group under "Loans and advances to customers".

PKO BP SA receives commission for settlements relating to the redemption of interest on housing loans. In the 6-month period ended 30 June 2007, PKO BP SA received a commission for the fourth quarter of 2006 amounting to PLN 1,581 thousand and commission for the first quarter of 2007 amounting to PLN 1,234 thousand (in the 6-month period of 2006, commission for the fourth quarter of 2005 amounting to PLN 1,456 thousand and commission for the first quarter of 2006 amounting to PLN 970 thousand). This commission is included in the profit and loss account under "Fees and commission income".

The balance sheet of the Group includes receivables, securities and liabilities arising from transactions with the State Treasury, state budget entities and entities for which the State Treasury is the shareholder. The largest loan exposures were disclosed in Note 3. These transactions were concluded at an arm's length.

As of 1 January 1996 the Bank became the general distributor of duty stamps. The amount received in this respect from the State budget in the 6-month period ended 30 June 2007 totalled PLN 16,376 thousand (in the 6-month period ended 2006: PLN 32,119 thousand) and was recognized in full in the Bank's income under "Fees and commission income".

In the 6-month period ended 30 June 2007, the Bank also recognized commission income of PLN 46 thousand (in the 6-month period ended 2006: PLN 54 thousand) in respect of its fees for servicing compensation payments for pensioners who in 1991 lost the increases or additions to their pensions payable for performing work in specific conditions or of a specific nature, as well as for public sector employees whose salaries were not adjusted in the second half of 1991 and in the first half of 1992. This amount was included under "Fees and commission income".

The Act on the coverage of repayment of certain housing loans by State Treasury guarantees was passed on 29 November 2000 and came into force on 1 January 2001. The coverage of the "old" portfolio housing loan receivables by the guarantees of the State Treasury resulted in the neutralization of the default risk of these loans. The State Treasury guarantees are realized when a borrower fails to repay the loan on the dates specified in the loan agreement. The responsibility of the State Treasury is of an auxiliary nature and is effective if the recovery of the unpaid part of principal and interest which the Bank is obliged to commence, before the Bank lays claims to the State Treasury, becomes ineffective. The above-mentioned law covers 90% of unpaid loans taken out by housing cooperatives. As a consequence of the realization of the State Treasury's responsibilities as guarantor, the State Treasury itself enters into the rights of the satisfied creditor (the Bank) and thus becomes a creditor towards the borrower, in line with the concept of guarantee.

(in PLN thousand)

Significant transactions of PKO BP SA with the State Treasury related entities [aggregated data]. The transactions were concluded at arm's length.

Entity	30.06.2007 (unaudited)			31.12.2006 (unaudited)		
	Total receivables	Total liabilities	Off-balance guarantees and financial liabilities granted	Total receivables	Total liabilities	Off-balance guarantees and financial liabilities granted
Entity 1	318 966	40 000	23 000	345 527	74 000	23 000
Entity 2	216 865	61 392	101 772	257 292	94 130	162 708
Entity 3	160 588	30 717	210 303	132 125	71 578	240 879
Entity 4	114 710	-	56 629	-	-	68 943
Entity 5	100 123	30 000	-	109 225	-	-
Entity 6	-	525 024	-	-	300 398	-
Entity 7	32 000	202 056	50 000	40 000	127 412	50 000
Entity 8	-	90 000	-	-	60 750	-
Entity 9	82 863	77 729	82 840	75 647	126 600	96 298
Entity 10	-	67 260	-	-	25 399	-
Entity 11	-	-	604 870	383 120	-	231 560
Entity 12	-	-	562 658	-	-	538 312
Entity 13	4 420	-	195 580	26 049	-	30 000
Entity 14	-	-	130 033	-	16 065	130 063
Entity 15	-	35 000	82 000	-	-	37 000
Other significant exposures	271 741	671 231	263 435	226 169	1 178 228	447 344
Total	**1 302 276**	**1 830 409**	**2 363 120**	**1 595 154**	**2 074 560**	**2 056 107**

Benefits for the key management personnel of the holding company

a) Short-term employee benefits

<u>Remuneration received from PKO BP SA</u>

	01.01 - 30.06.2007 unaudited	**01.01 - 30.06.2006** unaudited
Management Board		
Short-term employee benefits	506	939
Supervisory Board		
Short-term employee benefits	166	112
Total benefits	**672**	**1 051**

<u>Remuneration received from the subsidiaries, associates and jointly controlled entities of PKO BP SA</u>

	01.01 - 30.06.2007 unaudited	**01.01 - 30.06.2006** unaudited
Management Board		
Short-term employee benefits	310	241
Supervisory Board		
Short-term employee benefits	119	-
Total benefits	**429**	**241**

b) Post-employment benefits

In the 6-month periods ended 30 June 2007 and 30 June 2006, respectively, no post-employment benefits were paid.

c) Other long-term benefits

In the 6-month periods ended 30 June 2007 and 30 June 2006, respectively, no "other long-term benefits" were paid.

(in PLN thousand)

d) Benefits due to termination of employment

In the 6-month periods ended 30 June 2007 and 30 June 2006, respectively, no benefits were paid due to termination of employment.

e) Share-based payments

In the 6-month periods ended 30 June 2007 and 30 June 2006, respectively, no benefits were paid in the form of share-based payments.

Loans, advances, guarantees and other allowances provided by the Bank to the management personnel and employees

	01.01 - 30.06.2007 unaudited	**01.01 - 30.06.2006** unaudited
Employees	664 352	614 444
Members of the Management Board	291	11
Members of the Supervisory Board	141	24
Total	**664 784**	**614 479**

The terms of interest and terms of repayment of the above amounts do not differ from market terms and terms of repayment of similar banking products.

Remuneration received by members of Management and Supervisory Boards of the Group's subsidiaries

	01.01 - 30.06.2007 unaudited	**01.01 - 30.06.2006** unaudited
Management Board		
Short-term employee benefits	4 411	4 052
Supervisory Board		
Short-term employee benefits	719	552
Total benefits	**5 130**	**4 604**

51. Business combinations

Acquisition of business entities

As at 30 June 2007 and 31 December 2006, there was no merger of the holding company or its subsidiaries, associates and jointly controlled entities with other entities.

Considering the conditional agreement of acquisition of 28.2486% shares in KREDOBANK SA's capital from EBRD concluded on 20 April 2007, i.e. an existing obligation to repurchase own capital instruments from minority shareholders, the Group recognized in its consolidated financial statements as at 30 June 2007 the appropriate financial liability in the amount of EUR 17,348.2 thousand (i.e. PLN 65,330 thousand), which resulted in recognition of goodwill at amount of PLN 27,319 thousand.

On 26 July 2007, as all the agreement's conditions were met (including National Bank of Ukraine permit), PKO BP acquired from EBRD 6,194,908,483 shares in KREDOBANK SA at a total par value of UAH 61,949,084.83.

Presented below are the details of goodwill arising on acquisitions of shares in the subsidiaries of the Bank, which took place during the years 2004 – 2006.

Data concerning acquisition of shares in KREDOBANK SA (PLN thousand)

Entity name	KREDOBANK SA		
Date of acquisition	26.08.2004	24.10.2005	14.08.2006
Percentage share in the share capital of Company	66.651%	2.367%	0.915%
Acquisition price	109 531	2 439	1 206
Fair value of Company net assets on the acquisition date of which:	93 047	84 540*	91 139*
- Cash and amounts due from Central Bank	39 897		
- Amounts due from financial sector	132 240		
- Amounts due from other sectors	583 973		
- debt securities	52 167		
- Intangible assets	2 505		
- Tangible fixed assets	66 366		
- Other assets	10 538		
- Prepayments and deferred costs	7 344		
- Liabilities	799 784		
- Special funds and other liabilities and equity	1 001		
- Accruals and deferred income, restricted and provisions	1 198		
Share of PKO BP SA in the fair value of net assets of KBU at acquisition date	62 017	2 001	834
Goodwill at the acquisition date	47 514	438**	372**
Good will as at 30 June 2007	47 514	438	372

* For shares acquired on 24 October 2005 and 14 August 2006 – carrying amount

** As it was not possible to identify separate cash-generating units within KREDOBANK SA, the whole goodwill was allocated to the value of the entire company.

Data concerning acquisition of shares in Wilanów Investments Sp. z o.o. (PLN thousand)

Entity name	Wilanów Investments Sp. z o.o.
Date of acquisition	03.11.2005
Percentage share in the share capital of Company	49%
Acquisition price	66 661
Fair value of Company assets, liabilities and contingent liabilities as at 31.10.2005, of which:	35 201
- Cash and amounts due from Central Bank	13 602
- Financial assets available for sale	
- Loans, advances and other liabilities	
- Interest from financial assets	
- Tangible fixed assets	362
- Intangible assets	84
- Other assets	131 303
- Financial assets valued at amortized costs	89 162
- Interest from the financial liabilities	
- Reserves	6
- Other liabilities	20 982
Fair value of assets, liabilities and contingent liabilities for the number of acquired shares	17 249
Goodwill at the acquisition date	49 412*
Goodwill as at 30 June 2007	49 412

* As it was not possible to identify separate cash-generating units within the company, the whole goodwill was allocated to the value of the whole investment project.

Data concerning acquisition of 25% shares in PKO TFI SA (PLN thousand)

Entity name	PKO Towarzystwo Funduszy Inwestycyjnych SA
Date of acquisition	6.04.2006
Percentage share in the share capital of Company	25%
Acquisition price	55 055
Fair value of Company assets, liabilities and contingent liabilities as at 31.03.2006, of which:	22 816
- Intangible assets	191
- Tangible fixed assets	678
- Short-term receivables	16 036
- Short-term investments	40 575
- Other assets	665
- Provisions for liabilities	(900)
- Short-term liabilities and others	(34 429)
Fair value of assets, liabilities and contingent liabilities	5 704
Goodwill at the acquisition date	49 351*
Goodwill as at 30 June 2007	49 351

* As it was not possible to identify separate cash-generating units within the company, the whole goodwill was assigned to the value of the whole investment project.

Disposal of business entities

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, Bankowe Towarzystwo Kapitałowe SA does not hold any shares in INTER FINANCE Polska Sp. z o.o.

52. Description of differences between the previously published financial statements and these financial statements

Presented below is the summary of significant changes included in the prior published data, restated for comparability purposes:

Title (in relation to restated positions)	**01.01. - 30.06. 2006** previously presented	**01.01. - 30.06. 2006** comparable data	**Difference**
Fees and commission income	1 012 979	1 060 379	47 400 [1)]
Fees and commission expenses	(184 258)	(199 215)	(14 957) [1)]
Other operating income	430 559	357 707	(72 852) [1), 2), 3)]
Other operating expenses	(94 706)	(151 405)	(56 699) [2), 4)]
General administrative expenses	(1 969 381)	(1 872 273)	97 108 [1), 2),3) 4)]

1) Change in the presentation of commission and fees related to managing of PKO TFI funds

2) Change in the presentation concerning offsetting income/expenses related to GSM top-ups

3) Change in the presentation of provisions for employee benefits

4) Change in the presentation of costs related to investment settlements

(in PLN thousand)

Presented below is the summary of significant changes included in the prior published data, restated for comparability purposes.

Title (in relation to restated positions)	**31.12. 2006** previously presented	**31.12. 2006** comparable data	**Difference**
Financial assets held for trading	392 380	998 635	606 255 [5)]
Derivative financial instruments	1 199 556	1 199 154	(402) [5)]
Other financial instruments at fair value through profit or loss	11 360 064	11 518 705	158 641 [5)]
Amounts due to other banks	4 193 090	4 351 608	158 518 [5)]
Derivative financial instruments	1 098 863	1 097 806	(1 057) [5)]
Amounts due to customers	82 900 142	83 507 175	607 033 [5)]

[5)] Transfer of SBB from off-balance sheet liabilities

53. Events after the balance sheet date

- On 20 June 2007, the Supervisory Board of PKO BP SA passed resolutions appointing:

  Aldona Michalak to the position of Vice-President of the Management Board of the Bank as of 1 July 2007,

  Mariusz Klimczak to the position of Vice-President of the Management Board of the Bank as of 15 July 2007,

  Adam Skowroński to the position of Vice-President of the Management Board of the Bank as of 23 July 2007,

  Berenika Duda-Uhryn to the position of Vice-President of the Management Board of the Bank as of 10 September 2007.
- On 10 July 2007 the buyer of non-performing receivables, sold to a securitization fund, presented to the Bank a statement of withdrawal from the sale agreement with respect to 21 776 receivables claiming a compensation of PLN 27,662 thousand. The PKO BP SA's Management Board considers the probability of the above claim realization as remote.
- On 16 July 2007, BFL Nieruchomości Sp. z o.o. with its registered office in Łódź was entered in the National Court Register. The Company's share capital amounts to PLN 1,100 thousand. All of the shares were acquired by Bankowy Fundusz Leasingowy SA, a subsidiary of PKO BP.
- On 16 July 2007, PKO BP obtained a permit from the National Bank of Ukraine, which was required for the purchase by PKO BP SA of the shares in KREDOBANK SA held by the European Bank for Reconstruction and Development, in accordance with the agreement dated 20 April 2007. The purchase of shares in KREDOBANK SA from EBRD was executed on 26 July 2007. The purchase price amounted to EUR 17,348,177.00.
- On 18 July 2007, as part of realization of a 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 transfer of funds between customer accounts in Poland and in the UK.
- On 20 July 2007, Adam Skowroński resigned, as of 22 July 2007, from the position of member of the Supervisory Board of PKO BP SA due to having been appointed, as of 23 July 2007, to the position of Vice-President of PKO BP SA.
- On 27 July 2007, the Bank signed a syndicated loan agreement in Swiss Francs with a consortium of banks. 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 month or half-year interest period, as chosen by the Bank in each period at the end of which the loan interest is due and payable,

– loan funds will be utilized within 270 days of the date of signing the loan agreement;

– repayment of loan principal will be made in the form of a 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 Information 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 Information 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 Information 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 the 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's renumeration for the completion of the work defined in the Annex will be USD 11,038,042 (net).

  According to Annex No. 2, the implementation of mass roll-outs under the Integrated Information System will be completed by the end of November 2008.

  The above agreement is 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.
- 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 Company's share capital and votes at the General Shareholders' Meeting (including shares purchased from EBRD) will be 98.1815%.
- On 2 August 2007, the increase in the share capital of Bankowy Fundusz Leasingowy SA by a total of PLN 10 million was entered in the National Court Register. All of the shares in the increased share capital were taken up by PKO BP SA. After registration, the share capital of BFL SA amounts to PLN 40 million and is divided into 4 million shares with a nominal value of PLN 10 each. After the registration of the above issue of shares, PKO BP holds shares which account for 100% of the share capital of BFL SA and give right to 100% of votes at the General Shareholders' Meeting of the Company.
- On 8 August 2007, the Commission for Banking Supervision gave its consent for the appointment of Rafał Juszczak to the position of President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
- On 5 September 2007, the Ukrainian National Registrar in Lvov, Executive Committee of the Lvov Municipal Board in the Frankowski Region of the City of Lvov registered an increase in the share capital of KREDOBANK SA by a total of 17,353,578,610 shares and of a total nominal value of UAH 173,535,786.10. After the registration, the share of PKO BP SA in the Company's share capital and votes at the General Shareholders' Meeting amounts to 98.1815%.

Signatures of all Members of the Management Board of the Bank

21.09.2007	Rafał Juszczak	President of the Board	.... (signature)
21.09.2007	Berenika Duda-Uhryn	Vice-President of the Board	.... (signature)
21.09.2007	Robert Działak	Vice-President of the Board	.... (signature)
21.09.2007	Mariusz Klimczak	Vice-President of the Board	.... (signature)
21.09.2007	Wojciech Kwiatkowski	Vice-President of the Board	.... (signature)
21.09.2007	Aldona Michalak	Vice-President of the Board	.... (signature)
21.09.2007	Adam Skowroński	Vice-President of the Board	.... (signature)
21.09.2007	Stefan Świątkowski	Vice-President of the Board	.... (signature)

Signature of person responsible for keeping the books of account

21.09.2007

Danuta Szymańska

Director of the Bank
(signature)

. (in PLN thousand)

CONDENSED FINANCIAL STATEMENTS
OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA
FOR THE SIX-MONTH PIERIOD ENDED 30 JUNE 2007

INCOME STATEMENT
For the 6-month periods ended 30 June 2007 and 30 June 2006, respectively

	01.01.-30.06.2007 unaudited	**01.01.-30.06.2006** unaudited
Interest income	2 881 590	2 613 541
Interest expense	(841 207)	(836 537)
Net interest income	**2 040 383**	**1 777 004**
Fees and commission income	1 252 645	995 259
Fees and commission expense	(271 450)	(182 774)
Net fees and commission income	**981 195**	**812 485**
Dividend income	51 984	18 504
Result from financial instruments at fair value	19 467	(57 846)
Result from investment securities	1 782	859
Foreign exchange result	249 493	284 014
Other operating income	76 511	84 413
Other operating expenses	(41 783)	(31 229)
Net other operating income	**34 728**	**53 184**
Result on impairment allowances	(111 276)	(23 314)
General administrative expenses	(1 736 881)	(1 716 736)
Operating profit	**1 530 875**	**1 148 154**
Profit (loss) before income tax	**1 530 875**	**1 148 154**
Income tax expense	(280 933)	(213 591)
Net profit (loss)	**1 249 942**	**934 563**
Earnings per share:		
- basic earnings per share	1.25	0.93
- diluted earnings per share	1.25	0.93

(in PLN thousand)

BALANCE SHEET
As at 30 June 2007 and 31 December 2006

	30.06.2007 unaudited	31.12.2006
ASSETS		
Cash and amounts due from the Central Bank	3 529 707	4 543 677
Amounts due from banks	8 689 792	13 349 723
Financial assets held for trading	906 014	997 432
Derivative financial instruments	1 370 418	1 199 349
Other financial instruments at fair value through profit or loss	12 715 461	11 373 301
Loans and advances to customers	64 533 641	57 339 790
Investment securities, including:	5 558 605	6 805 567
Available for sale	5 558 605	6 805 567
Held to maturity	-	-
Shares in associates and jointly controlled entities	881 636	892 301
Intangible assets	753 137	726 458
Tangible fixed assets	2 077 886	2 157 382
Current tax receivables	-	-
Deferred tax asset	63 629	-
Other assets	605 167	432 347
TOTAL ASSETS	**101 685 093**	**99 817 327**

LIABILITIES AND EQUITY		
Liabilities		
Amounts due to the Central Bank	1 415	1 387
Amounts due to the other banks	4 060 188	3 875 868
Derivative financial instruments	1 114 143	1 097 796
Amounts due to customers	83 234 306	82 277 072
Other liabilities	2 533 610	1 925 573
Current tax liabilities	7 962	170 960
Deferred tax liability	-	8 378
Provisions	427 084	424 569
TOTAL LIABILITIES	**91 378 708**	**89 781 603**
Equity		
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
Total equity	**10 306 385**	**10 035 724**
TOTAL EQUITY AND LIABILITIES	**101 685 093**	**99 817 327**

Capital adequacy ratio	**11.17**	**11.69***

*Capital adequacy ratio as at 31 December 2006 was calculated based on data restated to reflect changes in the Banking Law, and the publication of Resolution No. 2/2007 of the Commission for Banking Supervision

(in PLN thousand)

STATEMENT OF CHANGES IN EQUITY
For the 6-month periods ended 30 June 2007 and 30 June 2006, respectively

For the 6 month period ended 30 June 2007 (unaudited)	Share capital	Other capital				Retained earnings	Net profit (loss)	Total equity
		Reserve capital	Revaluation reserve	General banking risk fund	Other reserves			
As at 1 January 2007	**1 000 000**	**4 529 604**	**3 729**	**1 070 000**	**1 385 000**	-	**2 047 391**	**10 035 724**
Movement in available for sale investments less deferred tax	-	-	719	-	-	-	-	**719**
Profits/losses presented directly in equity, total	-	-	**719**	-	-	-	-	**719**
Net profit (loss) for the period	-	-	-	-	-	-	1 249 942	**1 249 942**
Profits/losses for the period, total	-	-	**719**	-	-	-	**1 249 942**	**1 250 661**
Transfer of net profit from previous years	-	-	-	-	-	2 047 391	(2 047 391)	-
Transfer from net profit to equity	-	1 062 391	-	-	5 000	(1 067 391)	-	-
Transfer from net profit to dividends	-	-	-	-	-	(980 000)	-	**(980 000)**
As at 30 June 2007	**1 000 000**	**5 591 995**	**4 448**	**1 070 000**	**1 390 000**	-	**1 249 942**	**10 306 385**

For the 6 month period ended 30 June 2006 (unaudited)	Share capital	Other capital				Retained earnings	Net profit (loss)	Total equity
		Reserve capital	Revaluation reserve	General banking risk fund	Other reserves			
As at 1 January 2006	**1 000 000**	**3 297 080**	**(4 460)**	**1 000 000**	**1 380 000**	**430 976**	**1 676 798**	**8 780 394**
Movement in available for sale investments less deferred tax	-	-	(26 478)	-	-	-	-	**(26 478)**
Profits/losses presented directly in equity, total	-	-	**(26 478)**	-	-	-	-	**(26 478)**
Net profit (loss) for the period	-	-	-	-	-	-	934 563	**934 563**
Profits/losses for the period, total	-	-	**(26 478)**	-	-	-	**934 563**	**908 085**
Transfer of net profit from previous years	-	-	-	-	-	1 676 798	(1 676 798)	-
Transfer from net profit to equity	-	1 232 524	-	70 000	5 000	(1 307 774)	-	**(250)**
Transfer from net profit to dividends	-	-	-	-	-	(800 000)	-	**(800 000)**
As at 30 June 2006	**1 000 000**	**4 529 604**	**(30 938)**	**1 070 000**	**1 385 000**	-	**934 563**	**8 888 229**

(in PLN thousand)

CASH FLOW STATEMENT
For the 6-month periods ended 30 June 2007 and 30 June 2006, respectively

	01.01 - 30.06.2007 unaudited	01.01 - 30.06.2006 unaudited
Cash flow from operating activities		
Net profit (loss)	1 249 942	934 563
Adjustments:	(6 664 179)	3 744 629
Depreciation and amortisation	155 819	147 879
(Profit) loss from foreign exchange differences	-	-
(Profit) loss from investing activities	5 094	(30 479)
Interest and dividends	(185 969)	(51 113)
Change in loans and advances to banks	1 509 193	(404 442)
Change in financial assets held for trading and other financial instruments valued at fair value through profit or loss	(1 250 742)	6 776 136
Change in derivative financial instruments (asset)	(171 069)	29 169
Change in loans and advances to customers	(7 221 797)	(5 682 200)
Change in deferred tax asset	(63 629)	(75 054)
Change in other assets	(172 820)	(195 911)
Change in amounts due to banks	184 348	169 586
Change in derivative financial instruments (liability) and other financial liabilities at fair value	16 347	67 147
Change in amounts due to customers	977 371	3 256 670
Change in provisions	21 862	(10 646)
Change in other liabilities	(369 239)	16 381
Income tax paid	(516 108)	(594 722)
Current tax expense	353 110	313 785
Other adjustments	64 050	12 443
Net cash from operating activities	**(5 414 237)**	**4 679 192**
Cash flow from investing activities		
Inflows from investing activities	**1 403 329**	**86 060**
Sale of shares in subsidiaries	-	-
Sale of shares in jointly controlled entities	-	-
Sale of shares in associates	-	-
Redemption of investment securities	1 348 047	51 038
Sale of intangible assets and tangible fixed assets	3 300	34 947
Other investing inflows	51 982	75
Outflows from investing activities	**(130 992)**	**(5 720 568)**
Purchase of a subsidiary, net of cash acquired	-	(55 056)
Purchase of shares in jointly controlled entities	-	(44 370)
Purchase of shares in associates	-	-
Purchase of investment securities	-	(5 495 240)
Purchase of intangible assets and tangible fixed assets	(130 992)	(125 902)
Other investing outflows	-	-
Net cash used in investing activities	**1 272 337**	**(5 634 508)**

(in PLN thousand)

CASH FLOW STATEMENT
For the 6-month periods ended 30 June 2007 and 30 June 2006, respectively (continued)

	01.01 - 30.06.2007 unaudited	**01.01 - 30.06.2006** unaudited
Cash flow from financing activities		
Issue of shares	-	-
Issue of debt securities	-	-
Redemption of debt securities	-	-
Dividends paid to holding company shareholders	-	-
Dividends paid to minority shareholders	-	-
Received long term advances	-	-
Repayments of long-term advances	-	-
Other financing inflows / outflows	(22 861)	(1 245)
Net cash generated from / (used in) financing activities	**(22 861)**	**(1 245)**
Net increase (decrease) in cash and cash equivalents	**(4 164 761)**	**(956 561)**
Cash and cash equivalents at the beginning of the period	13 879 643	11 204 636
Cash and cash equivalents at the end of the period	**9 714 882**	**10 248 075**
- include those with limited disposal	14 517	1 978

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

As at 30 June 2007

1. Approval of financial statements

These condensed stand-alone financial statements were approved for publication by the Management Board of the Bank on 21 September 2007.

These financial statements are published together with the consolidated financial statements of the PKO BP SA Group for the 6-month period ended 30 June 2007.

2. Uniformity of accounting principles and calculation methods used during preparation of semi-annual financial statements and the last annual financial statements

The interim condensed financial statements for the 6-month period ended 30 June 2007 were prepared according to IAS 34 "*Interim Financial Reporting*".

The interim condensed financial statements do not contain all information and disclosures required in the annual financial statements and should be read together with the consolidated financial statements for the 6-month period ended 30 June 2007.

A detailed description of the accounting policies of the Bank is presented in Note 2 of the consolidated financial statements of the PKO BP SA Group for the 6-month period ended 30 June 2007, except for the policies for the valuation of the Bank's equity investments.

The accounting policies applied in the preparation of these condensed financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2006. In addition, the Bank has applied IFRS 7 effective from 1 January 2007 in these condensed financial statements.

In the standalone financial statements of the Bank, the shares in subsidiaries, associates and jointly controlled entities are stated at acquisition cost less impairment.

3. Seasonality and periodicity of activity in the interim period

In the Bank's activity there are no significant events being subject to seasonal fluctuations or of periodic nature.

4. Type and amounts of changes in estimates provided in previous interim periods of the current financial year or changes in estimates provided in previous financial years if they significantly affect the current interim period

The Bank did not make any changes in the amounts of estimates which significantly affected the financial statements.

5. Issues, redemptions and repayments of debt and equity securities

In the first half of 2007 and the first half of 2006, the Bank did not issue, redeem or repay any of its own debt securities.

6. Dividends paid (collectively or per share), divided into ordinary and other shares

On 26 April 2007 the General Shareholders' Meeting of PKO BP SA adopted a resolution concerning payment of a dividend for 2006 amounting to PLN 980 000 thousand, i.e. PLN 0.98 per share on a pre-tax basis. A list of shareholders entitled to receive a dividend for 2006 was determined on 20 July 2007 and the payment was made on 2 August 2007.

7. Significant events after the end of the interim period, not reflected in the financial statements for the interim period

- On 20 June 2007, the Supervisory Board of PKO BP SA passed resolutions appointing:

  Aldona Michalak to the position of Vice-President of the Management Board of the Bank as of 1 July 2007,

  Mariusz Klimczak to the position of Vice-President of the Management Board of the Bank as of 15 July 2007,

  Adam Skowroński to the position of Vice-President of the Management Board of the Bank as of 23 July 2007,

  Berenika Duda-Uhryn to the position of Vice-President of the Management Board of the Bank as of 10 September 2007.
- On 10 July 2007 the buyer of non-performing receivables, sold to a securitization fund, presented to the Bank a statement of withdrawal from the sale agreement with respect to 21 776 receivables claiming a compensation of PLN 27,662 thousand. The PKO BP SA's Management Board considers the probability of the above claim realization as remote.
- On 16 July 2007, PKO BP obtained a permit from the National Bank of Ukraine, which was required for the purchase by PKO BP SA of the shares in KREDOBANK SA held by the European Bank for Reconstruction and Development, in accordance with the agreement dated 20 April 2007. The purchase of shares in KREDOBANK SA from EBRD was executed on 26 July 2007. The purchase price amounted to EUR 17,348,177.00.
- On 18 July 2007, as part of realization of a 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 transfer of funds between customer accounts in Poland and in the UK.
- On 20 July 2007, Adam Skowroński resigned, as of 22 July 2007, from the position of member of the Supervisory Board of PKO BP SA due to having been appointed, as of 23 July 2007, to the position of Vice-President of PKO BP SA.
- On 27 July 2007, the Bank signed a syndicated loan agreement in Swiss Francs with a consortium of banks. 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 month or half-year interest period, as chosen by the Bank in each period at the end of which the loan interest is due and payable,
  - loan funds will be utilized within 270 days of the date of signing the loan agreement;
  - repayment of loan principal will be made in the form of a 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 Information 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 Information 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 Information 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 the 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's remuneration for the completion of the work defined in the Annex will be USD 11,038,042 (net).

According to Annex No. 2, the implementation of mass solutions under the Integrated Information System will be completed by the end of November 2008. The above agreement is 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.

- 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 Company's share capital and votes at the General Shareholders' Meeting (including shares purchased from EBRD) will be 98.1815%.
- On 2 August 2007, the District Court in Łódź registered an increase in the share capital of Bankowy Fundusz Leasingowy SA with its registered office in Łódź by a total of PLN 10,000,000. All of the new shares in the increased share capital were taken up by PKO BP SA. The Bank acquired 1,000,000 shares with a nominal value of PLN 10 each and a total nominal value of PLN 10,000,000, for the price of PLN 10,000,000, equal to the nominal value of the shares. After registration, the share capital of BFL SA amounts to PLN 40,000,000 and is divided into 4,000,000 shares with a nominal value of PLN 10 each. PKO BP holds 4,000,000 shares in BFL SA, which account for 100% of the share capital and give right to 100% of votes at the General Shareholders' Meeting of BFL SA.
- On 8 August 2007, the Commission for Banking Supervision gave its consent for the appointment of Rafał Juszczak to the position of President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
- On 5 September 2007, the Ukrainian National Registrar in Lvov, Executive Committee of the Lvov Municipal Board in the Frankowski Region of the City of Lvov registered an increase in the share capital of KREDOBANK SA by a total of 17,353,578,610 shares and of a total nominal value of UAH 173,535,786.10. After the registration, the share of PKO BP SA in the Company's share capital and votes at the General Shareholders' Meeting amounts to 98.1815%.

8. Effect of changes in the structure of the business entity during the first half of the year, including mergers, acquisitions or disposals of subsidiaries and long-term investments, restructuring and discontinuance of activities

On 20 April 2007, PKO BP signed an agreement with the European Bank for Reconstruction and Development ("EBRD") concerning conditional purchase by PKO BP of shares in KREDOBANK SA. The transaction covers 6,194,908,483 shares of KREDOBANK SA with a total nominal value of UAH 61,949,084.83. These shares account for 28.2486% of the Company's share capital and 28.2486% of votes at the General Shareholders' Meeting. The condition necessary to complete the transaction is obtaining permission from the National Bank of Ukraine. As a result of the above transaction, PKO BP SA will hold shares in KREDOBANK SA accounting for a total of 98.1815% of the Company's share capital and giving right to 98.1815% of votes at the General Shareholders' Meeting.

KREDOBANK SA is restricted in making dividend payments to the investor. In accordance with the decision of the Extraordinary General Shareholders' Meeting of KREDOBANK SA dated 17 November 2005, the Company introduced a moratorium for payment of dividends in the period 2005 – 2008, as required by the approved "Strategy of dynamic development of KREDOBANK SA".

As at 30 June 2007 and 31 December 2006, the Bank did not combine with any other business entities.

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, Bankowe Towarzystwo Kapitałowe SA does not hold any shares in INTER FINANCE Polska Sp. z o.o.

(in PLN thousand)

9. Other:

- *Recognition and reversal of impairment allowances for tangible fixed assets, intangible assets and other assets*

Result on impairment losses (unaudited)

		Increases			Decreases				
6 month period ended 30 June 2007 unaudited	**Impairment allowances at the beginning of the period**	**Impairment allowances made during the period**	**Foreign exchange differences**	**Other**	**Decrease in impairment allowances due to de-recognition of assets, not impacting the profit and loss account**	**Impairment allowances reversed during the period**	**Foreign exchange differences**	**Other**	**Impairment allowances at the end of the period**	**Net impact of created impairment allowances in the profit and loss account**
Loans and advances to customers and amounts due from banks valued at amortised cost	2 333 720	556 423	-	-	58 288	470 241	-	-	2 361 614	(86 182)
consumer loans	503 411	289 023	-	-	58 027	174 596	-	-	559 811	(114 427)
housing loans	530 998	71 907	-	-	261	78 261	-	-	524 383	6 354
corporate loans	1 298 982	195 493	-	-	-	217 331	-	-	1 277 144	21 838
receivables from banks	329	-	-	-	-	53	-	-	276	53
Financial assets available for sale valued at fair value through equity	14 900	-	-	-	-	-	-	-	14 900	-
not listed on stock exchange	14 900	-	-	-	-	-	-	-	14 900	-
Financial instruments valued at cost (unquoted equity instruments and underlying derivative instruments)	15 114	-	-	-	-	1 400	-	-	13 714	1 400
Impairment of:	82 901	440	-	73	-	232	-	-	83 182	(208)
Tangible fixed assets	51 220	440	-	73	-	232	-	-	51 501	(208)
Investment properties	-	-	-	-	-	-	-	-	-	-
Intangible fixed assets	31 681	-	-	-	-	-	-	-	31 681	-
Goodwill	-	-	-	-	-	-	-	-	-	-
Other intangible fixed assets	31 681	-	-	-	-	-	-	-	31 681	-
Impairment of the investments in associates and jointly controlled entities valued using the equity method	54 470	10 666	-	-	-	-	-	-	65 136	(10 666)
Other	136 812	38 750	-	-	-	23 130	-	6 543	145 889	(15 620)
Total	**2 637 917**	**606 279**	**-**	**73**	**58 288**	**495 003**	**-**	**6 543**	**2 684 435**	**(111 276)**

(in PLN thousand)

		Increases			Decreases					
6 month period ended 30 June 2006 unaudited	**Impairment allowances at the beginning of the period**	**Impairment allowances made during the period**	**Foreign exchange differences**	**Other**	**Decrease in impairment allowances due to de-recognition of assets, not impacting the profit and loss account**	**Impairment allowances reversed during the period**	**Foreign exchange differences**	**Other**	**Impairment allowances at the end of the period**	**Net impact of created impairment allowances in the profit and loss account**
Loans and advances to customers and amounts due from banks valued at amortised cost	2 869 302	424 410	-	-	67 138	382 950	-	-	2 843 624	(41 460)
consumer loans	603 576	243 365	-	-	47 889	172 382	-	-	626 670	(70 983)
housing loans	596 612	58 487	-	-	11 152	46 274	-	-	597 673	(12 213)
corporate loans	1 667 359	122 558	-	-	6 674	164 291	-	-	1 618 952	41 733
receivables from banks	1 755	-	-	-	1 423	3	-	-	329	3
Financial assets available for sale valued at fair value through equity	-	-	-	-	-	-	-	-	-	-
Financial instruments valued at cost (unquoted equity instruments and underlying derivative instruments)	15 965	-	-	-	-	851	-	-	15 114	851
Finance lease receivables	-	-	-	-	-	-	-	-	-	-
Investments held to maturity valued at amortised cost	-	-	-	-	-	-	-	-	-	-
Impairment of:	50 221	21	-	-	-	229	-	13	50 000	208
Tangible fixed assets	50 221	21	-	-	-	229	-	13	50 000	208
Investment properties	-	-	-	-	-	-	-	-	-	-
Intangible fixed assets	-	-	-	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-	-	-
Other intangible fixed assets	-	-	-	-	-	-	-	-	-	-
Impairment of the investments in associates and jointly controlled entities valued using the equity method	72 567	-	-	-	-	6 515	-	-	66 052	6 515
Other	147 712	12 745	-	-	101	23 317	-	33 824	103 215	10 572
Total	**3 155 767**	**437 176**	-	-	**67 239**	**413 862**	-	**33 837**	**3 078 005**	**(23 314)**

Included in “Other” are mainly impairment allowances for other assets and off-balance sheet liabilities.

The above impairment allowances were recognized and reversed in the normal course of the Bank’s business.

Impairment allowances for loans and advances, and receivables valued at amortized cost, as well as reversals of such allowances, are included in the income statement under the line item “Result on impairment losses”.

- ***Capital expenditure incurred*** *(unaudited)*

In the period from 1 January 2007 to 30 June 2007, PKO BP SA incurred capital expenditures of PLN 184,666 thousand for the acquisition of tangible fixed assets and intangible assets (in the period from 1 January 2006 to 30 June 2006: PLN 121,434 thousand).

- ***Settlements due to legal disputes***

As at 30 June 2007, the total value of court proceedings in which the Bank is a defendant (inbound) was PLN 203,566 thousand (as at 31 December 2006: PLN 295,162 thousand), while the total value of court proceedings in which the Bank filed claims (outbound) was PLN 76,985 thousand (as at 31 December 2006: PLN 84,886 thousand).

The most important disputes of the Bank are listed below:

a) Unfair competition proceedings

The Bank is a party to proceedings initiated on the basis of the decision dated 23 April 2001 of the President of the Competition and Consumer Protection Office (*Urząd Ochrony Konkurencji i Konsumentów - UOKiK*) upon request of the Polish Trade and Distribution Organization (*Polska Organizacja Handlu i Dystrybucji - Związek Pracodawców*) against the operators of the Visa and Europay payment systems and the banks issuing Visa and Mastercard/Eurocard/Mastercard banking cards. The claims under these proceedings relate to the use of practices limiting competition on the market of banking card payments in Poland, consisting of applying pre-agreed “interchange” fees for transactions made using Visa and Europay/ Eurocard/Mastercard cards as well as limiting access to this market by external entities. On 29 December 2006, UOKiK decided that the above practices did limit market competition and ordered that any such practices should be discontinued, and imposed a fine on, among others, PKO BP SA, in the amount of PLN 16,597 thousand. As at 30 June 2007, the Bank had a liability for the above amount. On 19 January 2007, the Bank filed an appeal from the decision of the President of UOKiK to the regional court. Until the date of preparation of these financial statements, there had been no further developments with respect to this issue.

b) Re-privatization claims relating to properties held by the holding company

As at the date of these financial statements, six administrative proceedings are pending to invalidate decisions issued by public administration authorities with respect to properties held by the Bank. These proceedings, in the event of an unfavorable outcome for the Bank, may result in re-privatization claims being raised against the Bank. Given the current status of these proceedings, it is not possible to assess their potential negative financial effects for the Bank. Moreover, with respect to six properties of the Bank claims were submitted by their former owners. Court proceedings are pending with respect to four properties. With respect to the other two properties, the Bank is still in the process of negotiations in order to settle the legal status of these properties. Until the date of preparation of these financial statements, there had been no further developments with respect to this issue. The financial statements for the 6-month period ended 30 June 2007 do not contain any provisions in respect of the potential liabilities described above.

In the opinion of the Management Board of PKO BP SA, the probability of serious claims arising against the Bank under the proceedings mentioned above is remote.

(in PLN thousand)

All transactions with entities related by capital and personal relationships were entered into at an arm's length.

Presented below are transactions of PKO BP SA with parties related in terms of capital as at 30 June 2007:

Entity	Net receivables	including gross loans	Liabilities	Total revenues	including interest and fees and commission income	Total costs	including interest and fees and commission costs	Off – balance sheet liabilities granted
Direct subsidiaries, of which:	930 777	682 786	170 270	72 144	70 105	61 085	2 078	343 737
Centrum Finansowe Puławska Sp. z o.o.	98 756	98 756	24 652	2 397	2 397	17 161	318	-
Bankowy Fundusz Leasingowy S.A.	531 833	399 886	605	13 404	12 715	1 620	17	329 382
KREDOBANK S.A.	245 538	184 144	363	7 858	7 858	-	-	11 070
Indirect subsidiaries	21 164	21 164	69 826	650	650	1 077	1 077	38 520
Direct jointly controlled companies	32 307	32 151	9 486	512	512	290	287	3 766
Indirect jointly controlled companies	50 587	50 035	704	924	924	15	15	226 857
Direct associates	2 106	1 000	4 121	711	59	1 249	132	1 428
Indirect associates	9 044	9 000	90	309	309	1	1	-
Total	**1 045 985**	**796 136**	**254 497**	**75 250**	**72 559**	**63 717**	**3 590**	**614 308**

Presented below are transactions of PKO BP SA with parties related in terms of capital as at 31 December 2006:

Entity	Net receivables	including gross loans	Liabilities	Total revenues	including interest and fees and commission income	Total costs	including interest and fees and commission costs	Off – balance sheet liabilities granted
Direct subsidiaries, of which:	971 091	832 531	107 221	42 411	41 540	66 343	2 001	97 217
Centrum Finansowe Puławska Sp. z o.o.	109 333	108 458	10 948	2 556	2 556	20 363	126	-
Bankowy Fundusz Leasingowy S.A.	635 568	606 986	721	12 429	11 712	1 003	4	83 539
KREDOBANK S.A.	202 199	101 070	1 410	3 743	3 743	-	-	10 025
Indirect subsidiaries	48 906	43 817	71 944	3 422	3 422	824	824	46 175
Direct jointly controlled companies	125 566	121 089	32 315	2 372	2 372	290	290	23 392
Indirect jointly controlled companies	-	-	3 077	-	-	3	3	297 189
Direct associates	82 367	81 596	42	711	390	956	-	-
Indirect associates	-	-	-	-	-	-	-	-
Total	**1 227 930**	**1 079 033**	**214 599**	**48 916**	**47 724**	**68 416**	**3 118**	**463 973**

(in PLN thousand)

Significant transactions of PKO BP SA with the State Treasury related entities [aggregated data]. The transactions were concluded at arm's length.

Entity	30.06.2007 (unaudited)			31.12.2006 (unaudited)		
	Total receivables	Total liabilities	Off-balance guarantees and financial liabilities granted	Total receivables	Total liabilities	Off-balance guarantees and financial liabilities granted
Entity 1	318 966	40 000	23 000	345 527	74 000	23 000
Entity 2	216 865	61 392	101 772	257 292	94 130	162 708
Entity 3	160 588	30 717	210 303	132 125	71 578	240 879
Entity 4	114 710	-	56 629	-	-	68 943
Entity 5	100 123	30 000	-	109 225	-	-
Entity 6	-	525 024	-	-	300 398	-
Entity 7	32 000	202 056	50 000	40 000	127 412	50 000
Entity 8	-	90 000	-	-	60 750	-
Entity 9	82 863	77 729	82 840	75 647	126 600	96 298
Entity 10	-	67 260	-	-	25 399	-
Entity 11	-	-	604 870	383 120	-	231 560
Entity 12	-	-	562 658	-	-	538 312
Entity 13	4 420	-	195 580	26 049	-	30 000
Entity 14	-	-	130 033	-	16 065	130 063
Entity 15	-	35 000	82 000	-	-	37 000
Other significant exposures	271 741	671 231	263 435	226 169	1 178 228	447 344
Total	**1 302 276**	**1 830 409**	**2 363 120**	**1 595 154**	**2 074 560**	**2 056 107**

(in PLN thousand)

- ***Income tax***

	01.01 – 30.06.2007 unaudited	**01.01 – 30.06.2006** unaudited
Income statement		
Current income tax	353 110	313 786
Current income tax expense	353 110	313 786
Deferred tax	(72 177)	(100 195)
Relating to the arising and reversal of temporary differences	(72 177)	(100 195)
Tax expense disclosed in the income statement	**280 933**	**213 591**
Relating to the arise and reversal of temporary differences	1 043	(7 258)
Tax expense disclosed in equity	**1 043**	**(7 258)**
Total	**281 976**	**206 333**

	01.01 – 30.06.2007	**01.01 – 30.06.2006**
Gross profit before taxation	**1 530 875**	**1 148 154**
Corporate income tax calculated using enacted tax rate in Poland of 19% (2006: 19%)	290 866	218 149
Permanent differences between accounting gross profit and taxable profit, of which:	**(9 567)**	**(4 132)**
	-	-
Other non-tax-deductible expenses	11 733	8 889
Reversed provisions and revaluation not constituting taxable revenue	(7 056)	(5 904)
Settlement of capitalised interest	(503)	(1 032)
Other non-taxable revenue	(4 160)	(3 686)
Dividend income	(9 877)	(3 516)
Other	296	1 118
Other differences between accounting gross profit and taxable income, including donations:	**(367)**	**(427)**
Temporary difference resulting from deferred tax presented in the income statement	**(72 177)**	**(100 195)**
Tax expense resulting from current corporate income tax	353 110	313 786
Tax due to the effective tax rate:	**18.35%**	**18.60%**
Corporate income tax in the income statement	**280 933**	**213 591**
Total	**280 933**	**213 591**

(in PLN thousand)

	Balance sheet		Income statement	
	30.06.2007 unaudited	31.12.2006	01.01 – 30.06.2007 unaudited	01.01 – 30.06.2006 unaudited
Deferred tax liability				
Interest accrued on receivables (loans)	90 450	95 630	(5 180)	6 531
Interest on securities	27 109	39 437	(12 328)	(25 794)
Settlement of discount from securities (less premium)	(1 421)	(3 416)	1 995	9 241
Capitalised interest from restructuring bonds	-	-	-	-
Interest on transactions with the state budget	2 612	984	1 628	(1 077)
Capitalised interest on regular housing loans	285 780	294 460	(8 680)	(9 432)
Valuation of derivatives	-	-	-	-
Valuation of embedded derivatives	-	217	(217)	(146)
Other increases	103 486	73 145	30 341	9 676
Valuation of securities, of which:	8 524	5 165	-	-
taken to income statement	779	3 240	(2 461)	(16 221)
taken to equity	7 745	1 925	-	-
Gross deferred tax liability	**516 540**	**505 622**	**5 098**	**(27 222)**
Net deferred tax liability	**(63 629)**	**8 378**	-	-
Deferred tax asset				
Interest accrued on liabilities	141 997	143 349	(1 352)	13 768
Provision for future liabilities to employees	32 284	25 891	6 394	10 895
Provision for jubilee bonuses and retirement benefits	60 311	57 764	2 547	(734)
Cost of accruals	76 212	46 547	29 665	216
Interest on transactions with the state budget	-	-	-	-
Valuation of derivatives	63 901	44 031	19 870	10 211
Valuation of embedded derivatives	-	-	-	-
Other	24 784	26 675	(1 891)	10 324
EIR valuation adjustment	142 648	132 879	9 769	7 196
Valuation of securities, of which:	38 034	20 107	-	-
taken to income statement	31 332	19 057	12 275	21 097
taken to equity	6 702	1 050	-	-
Gross deferred tax asset	**580 171**	**497 243**	**77 276**	**72 973**
Net deferred tax asset	-	-	-	-
Total deferred tax (deferred tax liability - deferred tax asset)	**(63 629)**	**8 378**	-	-
Total deferred tax in the income statement	**(64 672)**	**7 505**	**(72 177)**	**(100 195)**

	30.06.2007 unaudited	31.12.2006
Current tax receivables	-	-
Current tax liability	7 962	170 960

- ***Additional information to the cash flow statement***

Cash and cash equivalents

	30.06.2007 unaudited	31.12.2006	30.06.2006 unaudited
Cash and amounts in the Central Bank	3 529 707	4 543 677	4 043 893
Current receivables from financial institutions	6 185 175	9 335 966	6 204 182
Total	**9 714 882**	**13 879 643**	**10 248 075**

(in PLN thousand)

Cash flow from operating activities - other adjustments

	01.01-30.06.2007 unaudited	**01.01-30.06.2006** unaudited
Valuation, interest accrued, discount, premium on debt securities decreased by deferred tax	33 789	(585)
Impairment allowances and other non-cash changes in tangible and intangible fixed assets	19 596	5 926
Valuation, impairment allowances against investments in jointly controlled entities and associates	10 665	7 352
Other	-	(250)
Total other adjustments	**64 050**	**12 443**

Reconciliation of differences between the balance sheet changes and the cash flow statement changes of items presented under operating activities in the cash flow statement

(Profit) loss from investing activities	**01.01-30.06.2007** unaudited	**01.01-30.06.2006** unaudited
Income from sale and disposal of the tangible and intangible fixed assets	(3 300)	(34 947)
Sale and disposal costs of tangible and intangible fixed assets	8 394	4 468
(Profit) loss from investing activities - total	**5 094**	**(30 479)**

Interest and dividends	**01.01-30.06.2007** unaudited	**01.01-30.06.2006** unaudited
Interests received from securities classified to available for sale portfolio, presented in investing activities	(133 987)	(51 038)
Dividends presented in investing activities	(51 982)	(75)
Interest and dividends - total	**(185 969)**	**(51 113)**

Change in loans and advances to banks	**01.01-30.06.2007** unaudited	**01.01-30.06.2006** unaudited
Balance sheet balances' change	4 970 399	761 891
Change in impairment allowances on loans and advances to banks	53	1 426
Exclusion of the cash and cash equivalents change	(3 461 259)	(1 167 759)
Change in loans and advances to banks - total	**1 509 193**	**(404 442)**

Change in loans and advances to customers	**01.01-30.06.2007** unaudited	**01.01-30.06.2006** unaudited
Balance sheet balances' change	(7 193 851)	(5 706 092)
Change in impairment allowances on loans and advances due from customers	(27 946)	23 892
Change in loans and advances to customers - total	**(7 221 797)**	**(5 682 200)**

(in PLN thousand)

Change in amounts due to customers	**01.01-30.06.2007** unaudited	**01.01-30.06.2006** unaudited
Balance sheet balances' change	957 234	3 256 670
Transfer of the repayments/received long term advances due to financial institutions other than banks financing activities	20 137	-
Change in amounts due to customers – total	**977 371**	**3 256 670**

Change in provisions	**01.01-30.06.2007** unaudited	**01.01-30.06.2006** unaudited
Balance sheet balances' change	(5 863)	8 462
Impairment allowances on receivables due from banks	(53)	(1 426)
Impairment allowances on receivables due from customers	27 946	(23 892)
Change of the deferred tax liability on fair value change of the available for sale portfolio	(168)	6 210
Change in provisions - total	**21 862**	**(10 646)**

Change in other liabilities	**01.01-30.06.2007** unaudited	**01.01-30.06.2006** unaudited
Balance sheet balances' change	608 037	815 136
Declared dividends	(980 000)	(800 000)
Reclassification of interest repayment from loans received from financial institutions other than banks, presented in financing activities	2 724	1 245
Change in other liabilities - total	**(369 239)**	**16 381**

Description of differences between the previously published financial statements and these financial statements

Presented below is the summary of significant changes included in the prior published data, restated for comparability purposes:

Title (in relation to restated positions)	**01.01. - 30.06. 2006** previously presented	**01.01. - 30.06. 2006** comparable data	**Difference**
Other operating income	88 748	84 413	(4 335) [1)]
Other administrative expenses	(1 721 071)	(1 716 736)	4 335 [1)]

[1)] Change in the presentation of provisions for employee benefits

(in PLN thousand)

Presented below is the summary of significant changes included in the prior published data, restated for comparability purposes:

Title (in relation to restated positions)	**31.12. 2006** previously presented	**31.12. 2006** comparable data	**Difference**
Financial assets held for trading	391 177	997 432	606 255 [2)]
Derivative financial instruments	1 199 751	1 199 349	(402) [2)]
Other financial instruments at fair value through profit or loss	11 214 660	11 373 301	158 641 [2)]
Loans and advances to customers	57 220 980	57 339 790	118 810 [3)]
Investments in subsidiaries	1 005 611	892 301	(113 310) [3)]
Other assets	437 847	432 347	(5 500) [3)]
Amounts due to other banks	3 717 350	3 875 868	158 518 [2)]
Derivative financial instruments	1 098 853	1 097 796	(1 057) [2)]
Amounts due to customers	81 670 039	82 277 072	607 033 [2)]

[2)] Transfer of SBB from off-balance sheet liabilities

[3)] Change in the presentation of revocable capital payments to subsidiaries

(in PLN thousand)

Signatures of all Members of the Bank's Management Board

21.09.2007	Rafał Juszczak	President of the Board	.... (signature)
21.09.2007	Berenika Duda-Uhryn	Vice-President of the Board	.... (signature)
21.09.2007	Robert Działak	Vice-President of the Board	.... (signature)
21.09.2007	Mariusz Klimczak	Vice-President of the Board	.... (signature)
21.09.2007	Wojciech Kwiatkowski	Vice-President of the Board	.... (signature)
21.09.2007	Aldona Michalak	Vice-President of the Board	.... (signature)
21.09.2007	Adam Skowroński	Vice-President of the Board	.... (signature)
21.09.2007	Stefan Świątkowski	Vice-President of the Board	.... (signature)

Signature of person responsible for keeping the books of account

21.09.2007

Danuta Szymańska

Director of the Bank
(signature)

PKO BANK POLSKI

SPÓŁKA AKCYJNA

DIRECTORS' REPORT ON THE ACTIVITIES OF THE PKO BP SA GROUP IN THE 1ST HALF OF 2007

WARSAW, SEPTEMBER 2007

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1. INTRODUCTION

The PKO BP SA Group continues to be an unquestionable leader on the market in terms of the profit, the value of assets and the value and volume of loans.

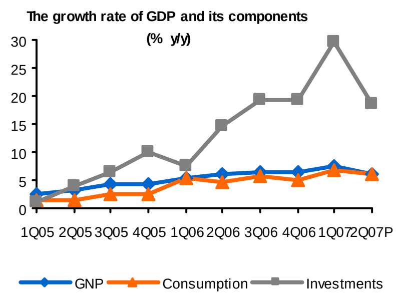
The net profit earned by the PKO BP SA Group in the 1st half of 2007 was 34.7% higher compared to the previous year.

Compared to the end of 2006, total assets increased by PLN 2,442 million, and equity of the Group increased by PLN 234 million.

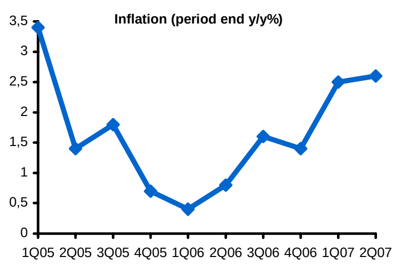
Income statement (PLN million)	**1st half of 2007**	**1st half of 2006**	**Change**
Total income items, of which:	3 618	3 135	15.4%
- net interest income	*2 108*	*1 828*	*15.3%*
- net commission income	*1 109*	*861*	*28.8%*
Result on impairment allowances	-112	-41	176.3%
General administrative expenses	-1 892	-1 872	1.0%
Profit before tax	1 614	1 221	32.2%
Net profit	1 284	953	34.7%
Balance sheet (PLN million)	**30.06.2007**	**31.12.2006**	**Change**
Total assets	104 468	102 026	2.4%
Loans and advances to customers	66 657	58 907	13.2%
Liabilities to clients	84 536	83 507	1.2%
Equity	10 415	10 181	2.3%
Ratios (%)	**30.06.2007**	**30.06.2006**	**Change**
ROE net	25.7	21.2	4.5 pp.
ROA net	2.5	1.9	0.6 pp.
Costs to income ratio	52.3	59.7	-7.4 pp.

2. FACTORS AND EVENTS WHICH AFFECTED THE ACTIVITIES AND PERFORMANCE OF THE PKO BP SA GROUP

2.1 Macroeconomic factors



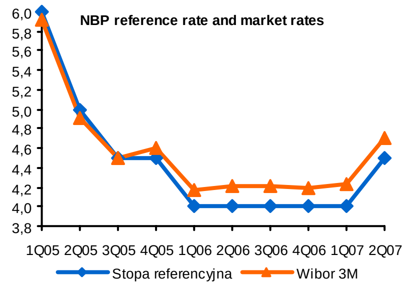
During the 1st half of 2007, the rate of economic growth significantly accelerated, first of all due to the revival of domestic demand, which was mainly caused by a dynamic growth of investments, combined with a very high dynamics of growth in individual consumption. A decline in the growth rate of exports with a continued strong position of imports resulted in a deterioration of the foreign trade result. The growth of the GDP in the 1st quarter of 2007 in comparison to the corresponding period of the previous year amounted to 7.4%. The 2nd quarter of 2007 saw a continuation of economic boom, however, due to the disappearance of non-recurring atmospheric factors (which triggered strong production in the construction industry in the 1st quarter of 2007), the growth rate of the GDP decreased to 6.7% year-to-year. The high rate of the economic growth contributed to further improvement on the labour market and stabilization of the situation in public finance.



In the 1st half of 2007 the inflation rate increased to 2.6% year-to-year and thus, for the first time in over two years, it exceeded the inflation target set by the NBP (i.e. 2.5%). Compared to December 2006, the inflation rate increased by 1.2 p.p., and this increase was mainly due to the statistical effect of a low reference base, increase in the prices of food and fuel.

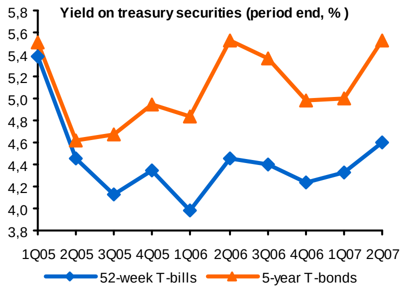
The Group's performance was also affected by the macroeconomic factors in Ukraine, where PKO BP SA's subsidiary, KREDOBANK SA, operates. The most important factors were as follows: • an increase in the rate of economic growth to 7.9% year-to-year, • a dynamic lending campaign, • a decrease in the main NBU interest rate by 50 base points to 8%, • an increase of political uncertainty due to the decision to dissolve the Parliament and announce earlier elections.

2.2 Monetary policy of the National Bank of Poland



In the period of January – June 2007, the Monetary Policy Council (MPC) increased twice the NBP interest rates by a total of 50 base points (at the end of June, the NBP reference rate was 4.5%). The Board justified its decisions mainly by the risk of an increase in the inflation rate in a mid term above the NBP inflation target (2.5%), combined with a high growth rate of wages and salaries and a strong economic growth.

2.3 Financial market



In the 1st half of 2007, there was an increase in the profitability of Polish treasury securities (TS) over the whole yield curve, from almost 40 base points (for annual bills) to appx. 60 base points (for 2-year bonds). This increase, in particular in relation to short-maturity securities, resulted from the decision of the MPC to increase interest rates in April and June by a total of 50 base points as well as from increased market expectations for further increases, supported by published macroeconomic data. At the same time, the move in expectations (compared to the previous ones) towards a more restrictive monetary policy, among others in the USA and in the Euro zone, led to a decline in the prices of bonds on foreign markets, resulting in a decline in the prices of Polish long-term bonds. The scale of the decline in the prices of Polish treasury securities was mitigated by the continuing very good macroeconomic and fiscal conditions.

In the 1st half of the year, the Polish zloty strengthened against Euro by appx. 1.7% (to the level of PLN/EUR 3.77) and against the US dollar by more than 3.8% (to the level of PLN/USD 2.80), and remained under the prevailing influence of global factors. In the first months of the year, the Polish zloty strongly depreciated as a result of a strong global increase in aversion to risk which had a negative influence on the currencies of emerging markets. At the end of the 1st quarter of 2007, the situation began to consolidate (with a decline in the global investors' aversion to risk) and the Polish zloty started to appreciate. This trend was continued in the 2nd quarter of 2007.

2.4 Regulatory environment

The Group's performance in the 1st half of 2007 was affected by the following new regulatory solutions: • modified principles for payment of interest on the obligatory reserve, • an increase in the level of transfers to be made to the guaranteed money protection fund, • granting the banks a right to deduct a portion of specific provisions for certain exposures for corporate income tax purposes, • amendments to the Banking Law which imposed new obligations on banks towards market and clients and increased risk assessment requirements, • resolutions of the Commission for Banking Supervision providing the basis for implementation of new capital adequacy policies, • verdict of the Antimonopoly Court on the basis of which the banks' practice of charging commission on cash withdrawals was disallowed; in April 2007 PKO BP SA discontinued the practice of charging commission on cash withdrawals.

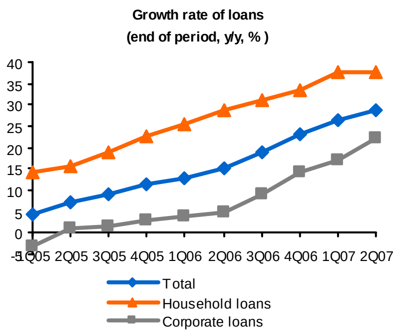
The position of the PKO BP SA Group was also affected by legislation concerning the Ukrainian market, including a change in the principles for determining the amount of the banks' regulatory capital, recognising provisions for non-performing loans, corporate management and new disclosure requirements concerning credit terms granted to clients.

2.5 Competitive environment

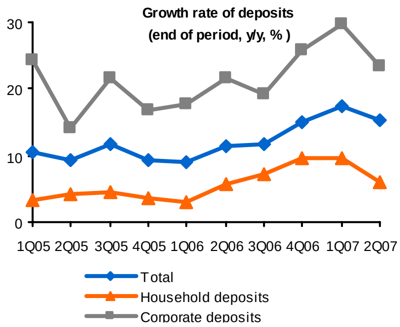
<u>Banking sector</u>

In the 1st half of 2007, banks recorded a high growth rate in the volume of sales, which resulted in an appx. 16% increase in net assets and appx. 21% increase in the net results of the banking sector compared to the 1st half of 2006. The factors that had the greatest effect on the banks' performance were as follows:

- A high increase in household loans, by 18% since the beginning of 2007, and by 37% year-to-year. Housing loans and consumer loans had the greatest share in this increase. The growth rate of housing loans slightly decreased, among others due to the appreciation of Polish zloty against CHF (by appx. 5% in the 1st half of 2007), which resulted in a decrease in the value of loans denominated in CHF. The value of housing loans increased by appx. 24% since the beginning of 2007 and by 51% on a year-to-year basis;



- A strong acceleration of growth in corporate loans (the volume of such loans increased in the 1st half of 2007 by appx. 13%, and by 21% on a year-to-year basis). A particularly significant increase was noted in the volume of loans granted to small and medium-sized enterprises;
- A decline in the growth on the market of household deposits resulting mainly from a strong outflow of funds to alternative forms of saving, and a slight increase in the value of deposits held on corporate accounts. Household deposits increased by appx. 5% on a year-to-year basis. Term deposits continued to fall: by PLN 8.8 billion in the 1st half of 2007, and by PLN 11.5 billion on a year-to-year basis. Corporate deposits have increased by 3% since the beginning of 2007 (appx. 24% on a year-to-year basis);



- Increasing costs of banking operations, mainly due to the growth of employment and increases in wages and salaries.

Along with the development of banking activities, and in particular the continued maintenance of high operating efficiency, there were a number of changes which resulted from increased competition, especially in the segment of consumer finance, housing loans, loans to small and medium-sized enterprises, as well as from the development of distribution channels for banking products through an increase in the number of partner outlets, modernization of own branches network, and the opening of specialized branches for new business lines under a new brand.

<u>Non-banking sector</u>

- <u>The investment funds sector</u> was the most dynamically developing segment of the financial market. The value of assets held by investment funds in the 1st half of 2007 increased by appx. 41%, to PLN 139 billion. The increase in investment funds' assets was more dynamic that the increase in bank deposits (term deposits showed a decrease). At the end of the 1st half of 2007, the value of net assets managed by TFIs accounted for 31% of the value of all funds deposited with banks (an increase of 7.2 p.p. compared to 2006).
- <u>The open-end pension funds (OFE) market</u> – in the 1st half of 2007, the value of assets held by open-end pension funds increased by 18.4% to PLN 138.3 billion. Pension funds held 7.4% of shares in PKO BP SA.
- <u>The lease market</u> was the second most dynamically developing segment of the financial market, immediately after the market of mutual funds. The following factors contributed to this development: growth of investments, boom on the construction market, increased sales on the motor industry market. In the 1st half of 2007, lease companies financed investments with a value of PLN 15.4 billion. The value of leased assets increased by appx. 70% on a year-to-year basis. Lease companies closely collaborated with banks, especially within their own capital groups.

3. ORGANISATION OF THE PKO BP SA GROUP

As at 30 June 2007, the PKO BP SA Group was composed of the Bank as the holding company and 17 direct or indirect subsidiaries (including two which were not consolidated due to the immateriality of data).

3.1 Entities included in the consolidated financial statements

These consolidated financial statements include the Bank – which is the holding company of the PKO BP SA Group, and the Bank's subsidiaries, as defined in IAS 27 "Consolidated and separate financial statements".

Table 1. Entities comprising the PKO BP SA Group

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

* value of shares at acquisition cost, inclusive of specific capital injections

Table 2. Other subordinated entities included in the consolidated financial statements

No.	Entity name	Value of investments*	Percentage of share capital	Consolidation method
		PLN thousand	%	
Jointly controlled entities				
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
Subsidiaries of CENTRUM HAFFNERA Sp. z o.o.				
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
Associates				
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 bankruptcy	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
Associates of Bankowe Towarzystwo Kapitałowe SA				
12	FINDER SA	6 500	46.43	Equity method
13	P.L. ENERGIA SA	5 000	33.77	Equity method

* value of shares at acquisition cost, inclusive of specific capital injections

3.2 Changes in the organization of subsidiaries, associates and jointly controlled entities

In the 1st half of 2007, the following events had an impact on the structure of the PKO BP SA Group:

- Completion of liquidation proceedings of Sonet Hungary Kft

  On 10 January 2007, the Metropolitan Court in Budapest issued a decision to remove Sonet Hungary Kft, a subsidiary of Inteligo Financial Services SA. from the register of entrepreneurs. The decision confirmed the completion of liquidation of this Company on 23 September 2006, i.e. the date on which the court's decision became legally valid. The Company was removed from the register on 11 January 2007.

- Taking up shares in the increased share capital of P.L. ENERGIA SA

  On 17 January 2007, Bankowe Towarzystwo Kapitałowe SA, the Bank's subsidiary, took up 25,500 shares in the increased share capital of P.L. ENERGIA SA with a nominal value of PLN 100 each. The total purchase price was PLN 4,999,785.

  As a result of the above transaction, Bankowe Towarzystwo Kapitałowe SA holds 33.77% of shares in P.L. ENERGIA SA, which give right to 32.08% of votes at the General Shareholders' Meeting of this Company.

  The principal business activities of P.L. ENERGIA SA include rendering services in the field of natural gas and crude oil mining and distribution.

- Transformation of FINDER Sp. z o.o. into a joint-stock company

  On 2 January 2007, FINDER SA, an associate of Bankowe Towarzystwo Kapitałowe SA, was entered in the National Court Register. This entry marked the completion of the process of transformation of this entity from a limited liability company into a joint-stock company. The share of BTK SA in the share capital and votes at the General Shareholders' Meeting of this Company did not change.

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

  On 20 April 2007, PKO BP SA signed a conditional agreement with European Bank for Reconstruction and Development ("EBRD") for purchase by PKO BP SA of the shares of KREDOBANK SA. The above transaction covers 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 necessary to complete this transaction is obtaining permission from the National Bank of Ukraine.

  As a result of completion of the above transaction, PKO BP SA will hold shares of KREDOBANK SA which will account for a total of 98.1815% of the Company's share capital and will give right to 98.1815% of votes at the General Shareholders' Meeting.

- Disposal of shares in INTER FINANCE Polska 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 of the value of investment of PKO Inwestycje Sp. z o.o. in UKRPOLINWESTYCJE Sp. z o.o.

  On 1 June 2007, the Pechersk Regional State 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 an increase in the nominal value of the shares (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. with a total nominal 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 stock Company were taken up by Bankowy Fundusz Leasingowy S.A., a subsidiary of PKO BP SA.

  The principal activity of the Company is the provision of operating and finance lease services.

4. PRINCIPLES OF PREPERATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements for the 1st half of 2007 the Bank applied policies resulting from the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, which were adopted by the Bank with the beginning of 2005, Interpretations issued by the International Financial Reporting Interpretations Committee, and the provisions of the International Accounting Standards, including in particular International Accounting Standard 34, *"Interim financial reporting".*

The accounting policies applied in the preparation of the consolidated financial statements for the 1st half of 2007 have been presented in detail in Note 2 of the notes to the financial statements, which are an integral part of the financial statements.

5. FINANCIAL PERFORMANCE OF THE PKO BP SA GROUP

5.1 Balance sheet structure

The balance sheet of the holding company has the most significant influence on the balance sheet of the Group. It determines both the value and the structure of the Group's assets and liabilities. As at 30 June 2007, total assets of PKO BP SA accounted for 97.4% of total assets of the Group.

Assets

Table 3. Major asset categories of the PKO BP SA Group (in PLN thousand)

Specification	As at:		Change:	
	30.06.2007	31.12.2006	PLN thousand	%
1	*2*	*3*	*4*	*5*
1. Cash and balances with the Central Bank	3 591 954	4 628 134	(1 036 180)	(22.4)%
2. Amounts due from banks	8 642 160	13 430 590	(4 788 430)	(35.7)%
3. Financial assets held for trading	906 014	998 635	(92 621)	(9.3)%
4. Derivative financial instruments	1 370 418	1 199 154	171 264	14.3%
5. Other financial instruments at fair value through profit or loss	12 918 566	11 518 705	1 399 861	12.2%
6. Loans and advances to customers	66 657 018	58 906 607	7 750 411	13.2%
7. Investment securities	5 535 233	6 763 188	(1 227 955)	(18.2)%
8. Tangible fixed assets	2 598 346	2 655 041	(56 695)	(2.1)%
9. Other assets	2 247 932	1 925 653	322 279	16.7%
TOTAL ASSETS	**104 467 641**	**102 025 707**	**2 441 934**	**2.4%**

The structure of the assets of the PKO BP SA Group has changed compared to 31 December 2006. The main asset category, loans and advances to customers, increased by 13.2% (from 57.7% to 63.8% of total assets). As a result, the share of inter-bank deposits and investment securities in total assets has decreased – by 4.9 pp and 1.3 pp, respectively.

Table 4. Loans and advances to customers of the PKO BP SA Group (in PLN thousand)

Specification	As at:		Change:	
	30.06.2007	31.12.2006	PLN thousand	%
1	*2*	*3*	*4*	*5*
I. Loans and advances to customers:	65 435 335	57 964 043	7 471 292	12.9%
1. Gross loans and advances, of which:	67 870 350	60 367 865	7 502 485	12.4%
- to public sector entities	4 545 462	6 061 924	(1 516 462)	(25.0)%
- to financial institutions other than banks	594 347	369 998	224 349	60.6%
- to non-financial entities	62 730 541	53 935 943	8 794 598	16.3%
2. Allowance for exposures showing indicators of impairment	(2 435 015)	(2 403 822)	(31 193)	1.3%
II. Net finance lease receivables	1 221 683	942 564	279 119	29.6%
Loans and advances to customers (I+II)	**66 657 018**	**58 906 607**	**7 750 411**	**13.2%**

As at 30 June 2007, the share of foreign currency loans in total loan portfolio of the PKO BP SA Group amounted to 23.1% and decreased by 1.8 pp compared to the end of 2006. Loans denominated in CHF constitute the most significant foreign currency exposure of the PKO BP SA Group and relate to the Bank's portfolio. The decline in the share of foreign currency exposures in the loan portfolio results from the implementation of Recommendation S in the Bank, which introduced more rigorous criteria for granting foreign currency housing loans.

Liabilities and equity

Table 5. Major items of liabilities and equity of the PKO BP SA Group (in PLN thousand)

Specification	As at:		Change:	
	30.06.2007	31.12.2006	PLN thousand	%
1	*2*	*3*	*4*	*5*
1. Liabilities, of which:	94 052 683	91 845 127	2 207 556	2.4%
- Amounts due to the Central Bank	1 415	1 387	28	2.0%
- Amounts due to other banks	4 704 696	4 351 608	353 088	8.1%
- Derivative financial instruments	1 114 207	1 097 806	16 401	1.5%
- Amounts due to customers	84 536 477	83 507 175	1 029 302	1.2%
- Other liabilities	3 695 888	2 887 151	808 737	28.0%
2. Total equity	10 414 958	10 180 580	234 378	2.3%
Total liabilities and equity	**104 467 641**	**102 025 707**	**2 441 934**	**2.4%**

As at 30 June 2007, the main item of the Group's liabilities and equity (80.9%) were amounts due to customers, the balance of which increased by 1.2% compared to the end of 2006. They were the main source of financing of the activities of the Group.

Compared to the end of 2006, the balance of amounts due to customers showed the following movements:

– amounts due to corporate clients increased by PLN 1,312 million, i.e. by 10.2%, of which: term deposits increased by PLN 447 million (i.e. by 6.8%), and current and overnight deposits increased by PLN 827 million (i.e. by 13.5%),

– amounts due to public sector entities also showed an increase; their balance as at 30 June 2007 amounted to PLN 4,584 million and increased by PLN 1,422 million (i.e. by 44.9%) compared to the end of 2006,

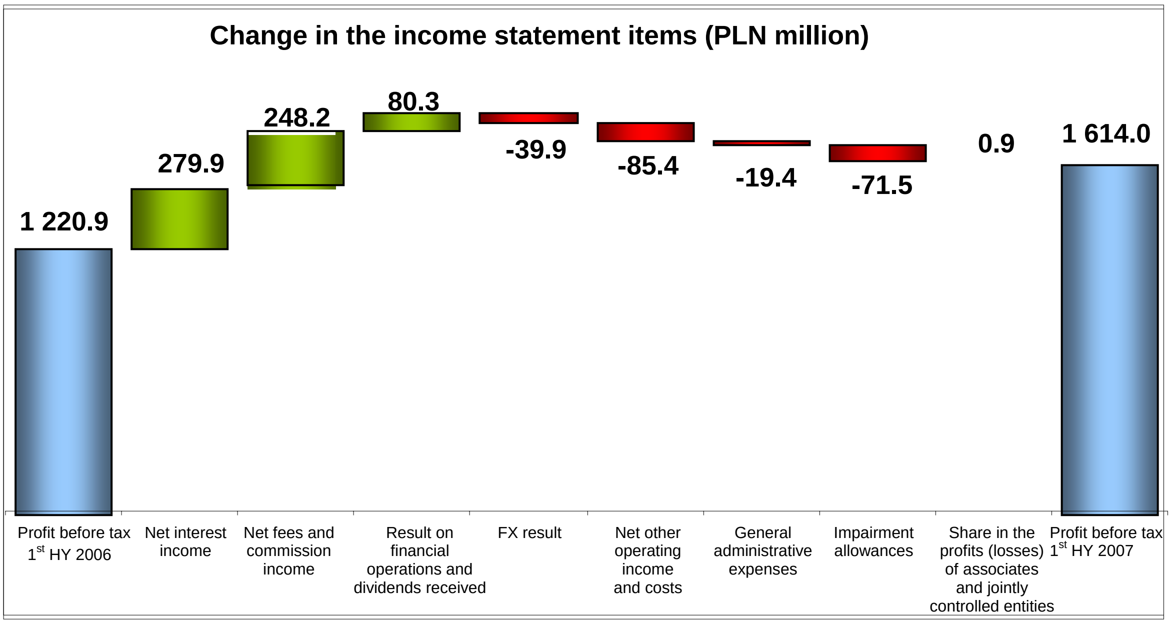
– amounts due to individual clients decreased by PLN 1,704 million, i.e. by 2.5% (of which: term deposits decreased by PLN 4,152 million, i.e. by 9.7% whereas current and overnight deposits increased by PLN 2,444 million, i.e. by 9.9%).

5.2 Income statement

Table 6. Main items of the income statement of the PKO BP SA Group (in PLN thousand)

Specification	1st half of 2007	1st half of 2006	Dynamics
1	*2*	*3*	*4*
1. Net interest income	2 107 978	1 828 109	115.3%
2. Net fees and commission income	1 109 361	861 164	128.8%
3. Dividend income	3 164	3 502	90.3%
4. Result from financial instruments at fair value through profit or loss	21 495	(57 892)	x
5. Result from investment securities	2 368	1 127	210.1%
6. Foreign exchange result	252 792	292 698	86.4%
7. Net other operating income	120 916	206 302	58.6%
8. Total income items (1-7)	**3 618 074**	**3 135 010**	**115.4%**
9. Result on impairment allowances	(112 030)	(40 548)	276.3%
10. General administrative expenses	(1 891 711)	(1 872 273)	101.0%
11. Share in the profits (losses) of associates	(322)	(1 248)	25.8%
12. Profit before tax	**1 614 011**	**1 220 941**	**132.2%**
13. Income tax expense	(313 218)	(238 391)	131.4%
14. Net profit (loss) (including minority interests)	**1 300 793**	**982 550**	**132.4%**
15. Profits (losses) of minority shareholders	17 254	29 858	57.8%
16. Net profit	**1 283 539**	**952 692**	**134.7%**

In the 1st half of 2007, the PKO BP SA Group reported profit before tax amounting to PLN 1,614 million. After the deduction of the income tax expense and the profits (losses) of minority shareholders, the net profit amounted to PLN 1,284 million. Compared to the results for the 1st half of 2006, profit before tax was PLN 393 million higher and net profit – PLN 331 million higher.



5.2.1 Income items

Net interest income

Table 7. Interest income and interest expense of the PKO BP SA Group (in PLN thousand)

Specification	1st half of 2007	1st half of 2006	Dynamics
1	2	3	4
Interest income, of which:	**3 027 781**	**2 707 242**	**111.8%**
- from loans and advances to customers	2 283 021	1 855 774	123.0%
- from securities at fair value through profit or loss	302 617	478 585	63.2%
- from placements with other banks	277 085	274 962	100.8%
- from investment securities	124 233	55 448	224.1%
- other	40 825	42 473	96.1%
Total interest expense, of which:	**(919 803)**	**(879 133)**	**104.6%**
- relating to amounts due to customers	(800 883)	(776 580)	103.1%
- relating to deposits from other banks	(68 293)	(40 234)	169.7%
- other	(50 627)	(62 319)	81.2%
Net interest income	**2 107 978**	**1 828 109**	**115.3%**

Compared to previous year, the Group's net interest income was PLN 280 million (i.e. 15.3%) higher as a result of the PLN 321 million (i.e. 11.8% year-to-year) increase in interest income and PLN 41 million (i.e. 4.6% year-to-year) increase in interest expense.

Net fees and commission income

Table 8. Net fees and commission income of the PKO BP SA Group (in PLN thousand)

Specification	1st half of 2007	1st half of 2006	Dynamics
1	2	3	4
Fees and commission income, of which:	**1 417 814**	**1 060 379**	**133.7%**
- from the running of bank accounts	381 229	365 692	104.2%
- from the servicing of investment funds and transactions in securities	338 139	124 747	271.1%
- from payment cards	312 037	245 359	127.2%
- from loans and advances granted	130 328	103 381	126.1%
- from cash transactions	104 082	102 949	101.1%
- other	151 999	118 251	128.5%
Fees and commission expense, of which:	**(308 453)**	**(199 215)**	**154.8%**
- from payment cards	(118 523)	(102 597)	115.5%
- from acquisition services	(62 873)	(59 847)	105.1%
- other	(127 057)	(36 771)	345.5%
Net fees and commission income	**1 109 361**	**861 164**	**128.8%**

Net fees and commission income achieved in the 1st half of 2007 was PLN 248 million higher compared to that achieved in the prior year, thanks to an increase in fees and commission income by PLN 357 million, with an increase in fees and commission expense of PLN 109 million.

The increase in fees and commission income in the 1st half of 2007 was the effect of, among others:

- high dynamics of the sales of investment funds participation units and launching of new investment products (linked to the sale of investment fund units), which generate additional commission income,
- increase in the number of banking cards and the number of transactions made with the use of these cards,
- high dynamics of the sales of loans,
- sales of insurance products.

The increase of fees and commission expense in the 1st half of 2007 was mainly due to an increase in expense on insurance contracts (related to loan granting activities) and an increase in payment cards commission expense accompanied by an increase of income.

Other income items

- Income from dividends amounted to PLN 3.1 million and decreased by 9.7% compared to June 2006.
- The result from financial operations amounted to PLN 24 million and was PLN 81 million higher than in the corresponding period of 2006 (mainly due to improved conditions on financial markets). It was comprised of the following:
  - a PLN 79 million increase of the result on financial instruments at fair value through profit or loss,
  - a PLN 1.2 million increase of the result on investment securities.
- Foreign exchange result for the 1st half of 2007 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 mainly due to the decrease in the result on swap transactions (swap points) as a result of narrowing spreads between the Polish and foreign interest rates (e.g. the difference between the average 1M interest rates in CHF and PLN in the 1st half of 2007 was 106 bp. lower than in the corresponding period of 2006).
- In the 1st half of 2007, net other operating income amounted to PLN 121 million and was PLN 85 million (i.e. 41.4%) lower than in the 1st half of the prior year. This was caused by the PLN 79 million decrease in operating income and the PLN 6 million increase in operating expense (i.e. 22.2% and 4.1%, respectively).

The comments on the specific income items presented in the description of performance of the PKO BP SA Group (point 5.2.1) also apply to the performance of PKO BP SA on standalone basis.

5.2.2 Result on impairment allowances

Table 9. Result on impairment allowances of the PKO BP SA Group (in PLN thousand)

Specification	1st half of 2007	1st half of 2006	Change (PLN thousands)
1	*2*	*3*	*4*
1. Loans and advances to customers and amounts due from banks measured at amortized cost	(91 947)	(48 618)	(43 329)
- consumer loans	(114 427)	(70 983)	(43 444)
- housing loans	(457)	(12 213)	11 756
- corporate loans	22 884	34 618	(11 734)
- amounts due from banks	53	(40)	93
2. Other	(20 083)	8 070	(28 153)
Total	**(112 030)**	**(40 548)**	**(71 482)**

In the 1st half of 2007, the result on impairment allowances was PLN 71 million lower than in the 1st half of 2006. Out of the total amount of the decrease, PLN 43 million referred to the result on impairment of loans and advances, including mainly consumer loans.

5.2.3 General administrative expenses

Table 10. General administrative expenses of the PKO BP SA Group (in PLN thousand)

Specification	1st half of 2007	1st half of 2006	Dynamics
1	*2*	*3*	*4*
1. Employee benefits	1 045 009	1 029 336	101.5%
2. Non-personnel costs	620 130	629 816	98.5%
3. Depreciation/amortization	184 280	172 821	106.6%
4. Other (taxes and charges, Banking Guarantee Fund)	42 292	40 300	104.9%
Total	**1 891 711**	**1 872 273**	**101.0%**

In the 1st half of 2007, general administrative expenses were PLN 19 million (i.e. 1.0%) higher than in the corresponding period of the previous year. The highest increase (6.6%) related to depreciation/amortization and resulted from the fact that the Bank commenced depreciation of the Integrated Information System due to its successive implementation.

5.2.4 Key financial ratios

The results achieved by the PKO BP SA Group translated into the following key financial ratios:

Table 11. Financial ratios of the PKO BP SA Group

Specification	1st half of 2007	1st half of 2006
1	*2*	*3*
1. Profit (loss) before tax/average assets (ROA[1] $_{gross}$)	3.1%	2.5%
2. Net profit (loss)/average assets (ROA $_{net}$)	2.5%	1.9%
3. Profit (loss) before tax/average equity (ROE[2] $_{gross}$)	32.0%	26.9%
4. Net profit (loss)/average equity (ROE $_{net}$)	25.7%	21.2%
5. Costs to income ratio (C/I)	52.3%	59.7%

5.3 Equity and capital adequacy ratio

Table 12. Equity of the PKO BP SA Group (in PLN thousand)

Specification	As at:		Change %
	30.06.2007	31.12.2006	
1	*2*	*3*	*4*
1. Share capital	1 000 000	1 000 000	0.0%
2. Other capital items	8 184 620	7 165 597	14.2%
3. Cumulative translation adjustments (from translation of foreign entities)	(17 015)	(13 672)	24.5%
4. Retained earnings	(72 192)	(222 671)	(67.6)%
5. Net profit for the period	1 283 539	2 149 052	(40.3)%
6. Equity attributable to the shareholders of the holding company	10 378 952	10 078 306	3.0%
7. Minority interests	36 006	102 274	(64.8)%
Total equity	**10 414 958**	**10 180 580**	**2.3%**
Capital adequacy ratio	**11.18**	**11.80**	**(0.62)pp.**

As at 30 June 2007, the share capital of PKO BP SA was comprised of 1,000,000,000 shares with a nominal value of PLN 1 each, of which 510,000,000 were registered shares Series A, 105,000,000 were bearer shares Series B and 385,000,000 were bearer shares Series C.

As at 30 June 2007, equity of the PKO BP SA Group amounted to PLN 10,415 million and was PLN 234 million (i.e. 2.3%) higher compared to the end of 2006.

[1] *The ROA gross and ROA net ratios are calculated as the relation of, respectively, profit (loss) before tax and net profit (loss) to the arithmetical mean of the balances of assets at the beginning and end of the reporting period.*
[2] *The ROE gross and ROE net ratios are calculated as the relation of, respectively, profit (loss) before tax and net profit (loss) to the arithmetical mean of the balances of shareholders' equity (including accumulated profits from previous years and net profit for the period) at the beginning and end of the reporting period.*

6. BUSINESS ACTIVITIES OF PKO BP SA, THE HOLDING COMPANY OF THE PKO BP SA GROUP

6.1 Financial performance of PKO BP SA

6.1.1 Balance sheet structure

Assets

Table 13. Main asset categories of PKO BP SA (in PLN thousand)

Specification	As at:		Change:	
	30.06.2007	31.12.2006	PLN thousand	%
1	*2*	*3*	*4*	*5*
1. Cash and balances with the Central Bank	3 529 707	4 543 677	(1 013 970)	(22.3)%
2. Amounts due from banks	8 689 792	13 349 723	(4 659 931)	(34.9)%
3. Financial assets held for trading	906 014	997 432	(91 418)	(9.2)%
4. Derivative financial instruments	1 370 418	1 199 349	171 069	14.3%
5. Other financial instruments at fair value through profit or loss	12 715 461	11 373 301	1 342 160	11.8%
6. Loans and advances to customers	64 533 641	57 339 790	7 193 851	12.5%
7. Investment securities	5 558 605	6 805 567	(1 246 962)	(18.3)%
8. Tangible fixed assets	2 077 886	2 157 382	(79 496)	(3.7)%
9. Other assets	2 303 569	2 051 106	252 463	12.3%
Total assets	**101 685 093**	**99 817 327**	**1 867 766**	**1.9%**

The structure of the assets of the PKO BP SA Group has changed compared to 31 December 2006. The main asset category, loans and advances to customers, increased by 12.5% (from 57.4% to 63.5% of total assets). As a result, the share of inter-bank deposits and investments securities in total assets has decreased – by 4.9 pp and 1.3 pp, respectively.

Liabilities and Equity

Table 14. Major items of liabilities and equity of PKO BP SA (in PLN thousand)

Specification	As at:		Change:	
	30.06.2007	31.12.2006	PLN thousand	%
1	*2*	*3*	*4*	*5*
1. Liabilities, of which:	91 378 708	89 781 603	1 597 105	1.8%
- amounts due to the Central Bank	1 415	1 387	28	2.0%
- amounts due to other banks	4 060 188	3 875 868	184 320	4.8%
- derivative financial instruments	1 114 143	1 097 796	16 347	1.5%
- amounts due to customers	83 234 306	82 277 072	957 234	1.2%
- other liabilities	2 968 656	2 529 480	439 176	17.4%
2. Total equity	10 306 385	10 035 724	270 661	2.7%
Total liabilities and equity	**101 685 093**	**99 817 327**	**1 867 766**	**1.9%**

As at 30 June 2007, the main item of the liabilities and equity of PKO BP SA (81.9%) were amounts due to customers, the balance of which amounted to PLN 83,234 million and increased by 1.2% compared to 31 December 2006.

6.1.2 Income statement

In the 1st half of 2007 PKO BP SA reported profit before tax amounting to PLN 1,531 million. After the deduction of the income tax expense and the profits (losses) of minority shareholders, it gave a net profit of PLN 1,250 million. Compared to the results for the 1st half of 2006, profit before tax was PLN 383 million higher and net profit – PLN 315 million higher.

Table 15. Main items of the income statement of PKO BP SA (in PLN thousand)

Specification	1st half of 2007	1st half of 2006	Dynamics
1	*2*	*3*	*4*
1. Net interest income	2 040 383	1 777 004	114,8%
2. Net fees and commission income	981 195	812 485	120,8%
3. Dividend income	51 984	18 504	280,9%
4. Result from financial instruments at fair value through profit or loss	19 467	(57 846)	x
5. Result from investment securities	1 782	859	207,5%
6. Foreign exchange result	249 493	284 014	87,8%
7. Net other operating income	34 728	53 184	65,3%
8. Total income items (1-7)	**3 379 032**	**2 888 204**	**117,0%**
9. Result on impairment allowances	(111 276)	(23 314)	477,3%
10. General administrative expenses	(1 736 881)	(1 716 736)	101,2%
11. Profit before tax	**1 530 875**	**1 148 154**	**133,3%**
12. Income tax expense	(280 933)	(213 591)	131,5%
13. Net profit	**1 249 942**	**934 563**	**133,7%**

In the 1st half of 2007, the total of the Bank's income was PLN 491 million (i.e. 17%) higher than in the corresponding period of the previous year. High income dynamics resulted from the growth in the Bank's business operations, supported by activities boosting sales both in the Bank and in the other Group companies.

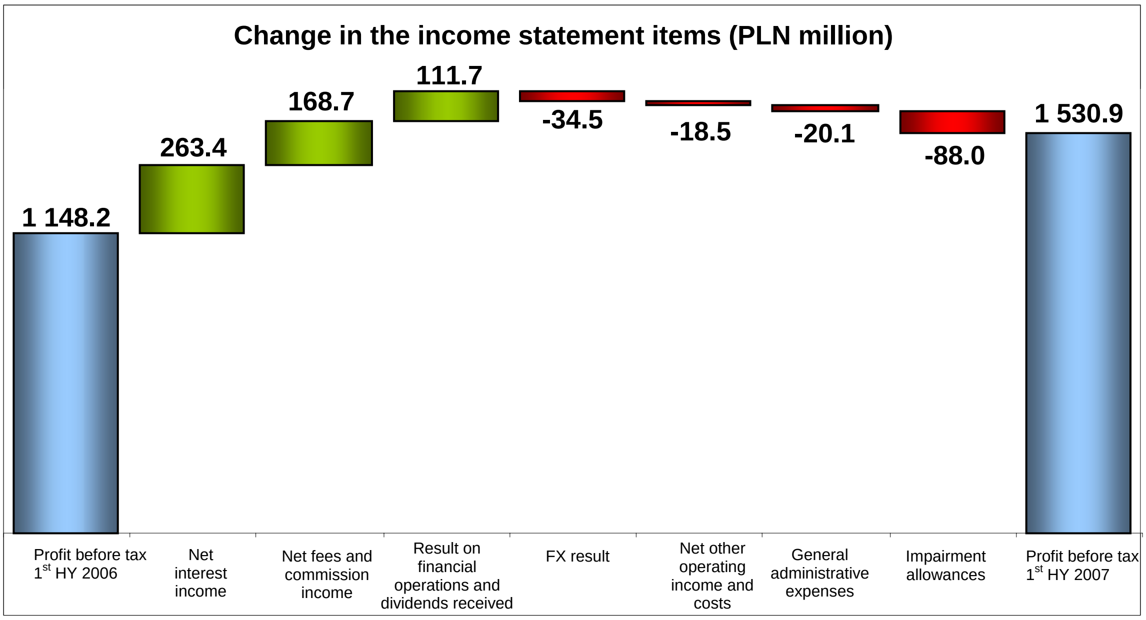


Table 16. Interest income and interest expense of PKO BP SA (in PLN thousand)

Specification	1st half of 2007	1st half of 2006	Dynamics
1	*2*	*3*	*4*
Interest income, of which:	**2 881 590**	**2 613 541**	**110.3%**
- from loans and advances to customers	2 143 423	1 765 420	121.4%
- from securities at fair value through profit or loss	296 762	477 244	62.2%
- from placements with other banks	273 616	273 729	100.0%
- from investment securities	124 233	55 448	224.1%
- other	43 556	41 700	104.5%
Interest expense, of which:	**(841 207)**	**(836 537)**	**100.6%**
- relating to amounts due to customers	(739 790)	(744 730)	99.3%
- relating to deposits from other banks	(68 285)	(43 943)	155.4%
- other	(33 132)	(47 864)	69.2%
Net interest income	**2 040 383**	**1 777 004**	**114.8%**

Net interest income increased by PLN 263 million, mainly due to an increase in the volume of interest-bearing assets and an improvement of their structure (increase in the percentage of loans).

Table 17. Fees and commission income and expense of PKO BP SA (in PLN thousand)

Specification	1st half of 2007	1st half of 2006	Dynamics
1	*2*	*3*	*4*
Fees and commission income, of which:	**1 252 645**	**995 259**	**125.9%**
- from the running of bank accounts	370 752	356 812	103.9%
- from payment cards	309 754	243 800	127.1%
- from the servicing of investment funds and transactions in securities	196 950	77 281	254.8%
- from loans and advances granted	126 209	100 578	125.5%
- from cash transactions	103 983	102 879	101.1%
- other	144 997	113 909	127.3%
Fees and commission expense, of which:	**(271 450)**	**(182 774)**	**148.5%**
- from payment cards	(131 040)	(101 929)	128.6%
- from acquisition services	(62 871)	(59 807)	105.1%
- other	(77 539)	(21 038)	368.6%
Net fees and commission income	**981 195**	**812 485**	**120.8%**

Net fees and commission income was PLN 169 million higher, mainly due to an increase in the income from the servicing of investment funds (an increase of PLN 104 million, i.e. 135%) and from payment cards due to the growing number of the cards (+8.5% year–to-year) and the number of transactions made with the use of such cards (net income from payment cards increased by PLN 37 million, i.e. by 26%).

Result on financial operations and dividend income increased by PLN 78 million and PLN 33 million, respectively.

Income items which were lower in the 1st half of 2007 than in the corresponding period of the prior year were as follows:

– Foreign exchange result (decreased by 12.2%),
– Net other operating income (decreased by 34.7%).

The result on impairment allowances amounted to PLN (-) 111 million in the 1st half of 2007 and was PLN 88 million lower than in corresponding period of 2006. This was mainly due to the increase in the impairment of loans and advances, including mainly consumer loans.

Table 18. General administrative expenses of PKO BP SA (in PLN thousand)

Specification	1st half of 2007	1st half of 2006	Dynamics
1	*2*	*3*	*4*
1. Employee benefits	983 378	982 318	100.1%
2. Non-personnel costs	563 738	554 464	101.7%
3. Depreciation/amortization	155 819	147 879	105.4%
4. Other	33 946	32 075	105.8%
TOTAL	**1 736 881**	**1 716 736**	**101.2%**

6.1.3 Financial ratios[3]

The results achieved by PKO BP SA translated into the following key financial ratios:

Table 19. Financial ratios of PKO BP SA

Specification	1st half of 2007	1st half of 2006
1	*2*	*3*
1. Profit (loss) before tax/average assets (ROA $_{gross}$)	2.9%	2.3%
2. Net profit (loss)/average assets (ROA $_{net}$)	2.4%	1.9%
3. Profit (loss) before tax/average equity (ROE $_{gross}$)	30.1%	24.9%
4. Net profit (loss)/average equity (ROE $_{net}$)	24.6%	20.3%
5. Costs to income ratio (C/I)	51.4%	59.4%

6.1.4 Equity and capital adequacy ratio

Table 20. Equity of PKO BP SA (in PLN thousand)

Specification	As at:		Change
	30.06.2007	31.12.2006	
1	*2*	*3*	*4*
1. Share capital	1 000 000	1 000 000	0.0%
2. Other capital items	8 056 443	6 988 333	15.3%
3. Retained earnings	0	0	x
4. Net profit for the period	1 249 942	2 047 391	(38.9)%
Total equity	**10 306 385**	**10 035 724**	**2.7%**
Capital adequacy ratio	**11.17**	**11.69**	**(0.52) pp.**

[3] *The ratios were calculated in the manner described in point 5.2.4 (footnotes 1 and 2).*

6.2 Key business areas of the Bank

Table 21. Deposits of PKO BP SA and assets managed by PKO TFI (in PLN million)

Specification	As at:			Change since:	
	30.06.2007	**31.12.2006**	**30.06.2006**	**31.12.2006**	**30.06.2006**
1	*2*	*3*	*4*	*5*	*6*
1. Deposits from clients, of which:	82 163.4	81 320.3	78 845.2	1.0%	4.2%
- retail banking	39 240.3	38 367.4	37 591.6	2.3%	4.4%
- private banking	14 898.6	17 324.5	17 997.7	(14.0)%	(17.2)%
- SMEs	5 694.3	5 787.7	4 607.5	(1.6)%	23.6%
- housing	10 176.3	10 160.4	9 102.9	0.2%	11.8%
- corporate	12 153.9	9 680.4	9 545.5	25.6%	27.3%
2. Other (interbank) deposits	2 580.8	4 356.5	2 468.0	(40.8)%	4.6%
Total deposits of PKO BP	**84 744.2**	**85 676.9**	**81 313.2**	**(1.1)%**	**4.2%**
Assets managed by PKO TFI	**14 563.2**	**8 541.7**	**6 318.8**	**70.5%**	**130.5%**
Total	**99 307.4**	**94 218.6**	**87 632.0**	**5.4%**	**13.3%**

Source: Bank's management information

The volume of deposits held by PKO BP and assets managed by PKO TFI has increased by 5.4% since the beginning of the year, mainly due to an increase of PLN 6 billion (70.5%) in assets managed by PKO TFI. Deposits from clients increased in the 1st half of 2007 by 1%; a decrease in private banking deposits (mainly due to investing funds in the participation units of PKO TFI) was compensated by an increase in corporate deposits.

Compared to June 2006, the total value of deposits held by PKO BP and assets managed by PKO TFI increased by 13.3%, with an increase of 130.5% in the value of assets managed by PKO TFI.

Table 22. Interest-bearing assets of PKO BP SA, gross (in PLN million)

Specification	30.06.2007	31.12.2006	30.06.2006	Change since:	
				31.12.2006	**30.06.2006**
1	*2*	*3*	*4*	*5*	*6*
1. Gross loans*), of which:	**66 778.4**	**59 518.2**	**54 463.8**	**12.2%**	**22.6%**
- retail banking	11 718.2	11 518.0	10 894.5	1.7%	7.6%
- private banking	3 124.1	2 132.4	1 694.3	46.5%	84.4%
- SMEs	5 764.4	4 574.9	3 943.3	26.0%	46.2%
- housing market (new portfolio)	26 930.5	22 461.7	19 700.1	19.9%	36.7%
- housing receivables	2 775.6	2 822.6	2 850.3	(1.7)%	(2.6)%
- corporate	16 465.6	16 008.6	15 381.4	2.9%	7.0%
2. Securities and inter-bank placements	**25 501.6**	**32 099.2**	**33 637.9**	**(20.6)%**	**(24.2)%**
Interest-bearing assets, gross	**92 280.0**	**91 617.4**	**88 101.7**	**0.7%**	**4.7%**

Source: Bank's management information
*) Without interest due and not due

At the end of the 1st quarter of 2007, the gross balance of interest-bearing assets of the Bank was 0.7% higher compared to the value as at 31 December 2006 and 4.7% higher compared to the value as at 30 June 2006. Loans accounted for 72.4% of the total value of interest-bearing assets and increased by 7.4 pp compared to the end of 2006.

The gross balance of loans of PKO BP SA in the 1st half of 2007 increased by 12.2%, mainly due to a high growth in housing loans, loans to SMEs and to the private banking sector (an increase of 19.9%, 26% and 46.5%, respectively). Compared to the balance as at 30 June 2006, gross loans increased by 22.6%.

Table 23. Accounts kept and banking cards issued by PKO BP SA (in thousands)

Specification	30.06.2007	31.12.2006	30.06.2006	Change since:	
				31.12.2006	30.06.2006
1	*2*	*3*	*4*	*5*	*6*
Number of accounts, of which:	6 167	6 070	5 941	1.6%	3.8%
- savings-giro (ROR) accounts)*	5 492	5 423	5 338	1.3%	2.9%
*- Inteligo accounts **)*	675	647	603	4.4%	12.0%
Current	*627*	*595*	*554*	*5.5%*	*13.3%*
Other	*48*	*52*	*49*	*(7.7)%*	*(2.0)%*
Number of banking cards***)	7 156	6 960	6 596	2.8%	8.5%
of which: credit cards	*972*	*935*	*681*	*4.0%*	*42.7%*

Source:*) Bank's management information, **)Centrum Bankowości Elektronicznej (CBE) Inteligo, ***)Centrum Operacji Kartowych (COK)

6.2.1 Retail banking

<u>Individual clients and private banking</u>

In the 1st half of 2007, as part of its deposit-investment activities the Bank conducted three subscriptions for the following investment deposits:

– the annual "Equity/Balanced" deposit (*lokata "Akcji/Zrównoważony*"), under which the investment part of the deposit is allocated for purchase of participation units issued by the PKO/Credit Suisse equity open-end investment fund ("*Akcji – fundusz inwestycyjny otwarty*") or by the balanced open-end investment fund ("*Zrównoważony – fundusz inwestycyjny otwarty*"),

– the "Balanced/ American Stock Market" deposit (*lokata "Zrównoważony/ Amerykańskiego Rynku Akcji*"), under which the investment part of the deposit is allocated for purchase of participation units issued by the PKO/Credit Suisse balanced open-end investment fund ("*Zrównoważony – fundusz inwestycyjny otwarty*") and by the Global Currency Fund - specialized open-end investment fund, a sub-fund of the American Stock Market ("*Światowy Fundusz Walutowy - specjalistyczny fundusz inwestycyjny otwarty, Subfundusz Amerykańskiego Rynku Akcji*"),

– the annual "Strategic Allocation" deposit (*lokata "Strategiczna Alokacja"*), marketed under the Polish name: "*Porywająca Siła Zysków*", under which the investment part of the deposit is allocated for purchase of participation units issued by the PKO/Credit Suisse Strategic Allocation Fund – specialized open-end investment fund ("*Fundusz Strategicznej Alokacji - specjalistyczny fundusz inwestycyjny otwarty*").

In addition, in the 1st half of 2007 the Bank:

– expanded the range of the PKO/Credit Suisse investment fund units distributed by the Bank's branches to include those issued by the SMEs equity investment fund (*Akcji Małych i Średnich Spółek*),

– expanded the range of the investment funds available to e-banking clients to include the following three funds (money market, long-term bonds and the New Europe stocks).

With respect to loan products, the Bank introduced a loan for the purchase of shares in the following companies: Elektrotim SA, Makarony Polskie SA., Automotive Components Europe (A.C.E. S.A.) and Internet Group SA.

<u>Small and medium-sized enterprises (SMEs)</u>

In the 1st half of 2007, the most significant activities of the Bank in the field of cooperation with SMEs included promotional sales of the "Quick Credit Limit" (*Szybki Limit Kredytowy - SLK*) and of the PKO EURO BIZNES credit cards. The Bank expanded its cooperation with Bank Gospodarstwa Krajowego (BGK) and with local and regional guarantee funds in order to overcome the barriers in granting loans to small and micro enterprises resulting from lack of sufficient collateral.

6.2.2 Corporate banking

As part of structural funding activities, the Bank:

- organised 2 syndicated loans, with the Bank's share amounting to PLN 150 million and EUR 12.5 million, concluded 5 bilateral loan agreements for a total amount of PLN 733 million, acceded to a syndicated loan granted to a company from the railway sector by purchasing a loan tranche amounting to EUR 10 million, and granted two bank guarantees to a related party for a total amount of PLN 250 million,
- entered into 4 agreements for the issuance of non-treasury debt securities to corporate entities for a total amount of PLN 320 million,
- entered into 7 agreements for the issuance of municipal bonds for an amount of PLN 45 million (among others, to the local authorities of Solec Kujawski and Piekary Śląskie).

In the 1st half of 2007, the Bank launched a new Business-type credit card, with a diversified image depending on the client's segment as well as the prestige of the card and the package of additional services available to the client.

6.2.3 Real estate financing

Mortgage loans

As at 30 June 2007, the value of debt in respect of housing market products amounted to PLN 26.9 billion. Compared to the balance at the end of 2006, it increased by PLN 4.4 billion i.e. 20%. This increase was 58% higher than that noted in the 1st half of 2006.

In the 1st half of 2007, sales of the new portfolio loans hit the record amount of PLN 7.9 billion, which means that it was 63% higher compared to the corresponding period of 2006. In the course of three months (April, May, June) sales exceeded PLN 1.4 billion.

In order to increase product attractiveness, the Bank introduced the following:

- a loan with interest subsidized by BGK,
- a new pricing system tailored to the client's needs and based on cross-selling and rewarding the client for loyalty,
- modifications to the mortgage loan "WŁASNY KĄT" aimed at simplifying loan granting procedures and extending the range of investments financed by the loan.

Deposits held on housing plan passbooks

As at 30 June 2007, PKO BP SA kept 2,066.7 thousand accounts for housing plan passbooks, with the total value of savings amounting to PLN 6,921 million. This number included 38.5 thousand housing plan passbook accounts linked to the investment funds of PKO TFI SA (offered by the Bank since 1 February 2007).

6.2.4 Money market activities

In the 1st half of 2007, an increase was noted in the sales of derivative instruments dedicated to corporate clients – compared to the corresponding period of the prior year, the value of such transactions increased over four times. An increase was also noted in the volume of foreign exchange transactions. The total value of sales in all segments increased by 35% compared to the 1st half of 2006.

The investment securities portfolio is mainly comprised of Polish treasury securities and, to a lesser extent, securities issued by governments and financial institutions in foreign currencies. In the 1st half of 2007, there was a decrease in surplus cash that could have been invested in the Bank's treasury assets. The Bank's investment policy was adjusted to current conditions on the market of treasury securities. With an increasing profitability of those securities, hedging transactions had a positive impact on the results of the Group.

In accordance with its financial risk management strategy, the Bank entered into hedging transactions in order to hedge the interest rate, currency and liquidity risk in the Bank taken as a whole. From the point of view of currency liquidity management, it should be noted that there has been a decrease in the growth rate of the CHF funds' deficit. At the end of the 1st half of 2007, the Bank's liabilities denominated in CHF from CIRS transactions amounted to CHF 4.5 billion, and the funds acquired as a result of these transactions were used to finance lending activities.

6.2.5 Brokerage activities

At the end of June 2007, DM PKO BP kept a total of 349.4 thousand accounts, of which 94.2 thousand were investment (cash and securities) accounts and 255.2 thousand - registry accounts. Compared to the end of the 1st half of 2006, the number of investment (cash and securities) accounts increased by 11.1 thousand, while the number of registry accounts decreased by 60 thousand, mainly due to redemption of treasury bonds and a decreased interest in the bonds' offer.

In the 1st half of 2007, Dom Maklerski PKO BP ("DM"):

- taking advantage of the boom on capital market, recorded a PLN 16.2 billion turnover on the stock market, i.e. PLN 4.3 billion higher than in the corresponding period of 2006 (with a 6.6% share in the total turnover on the stock market). Acting as a market maker on the stock market, DM recorded a turnover of PLN 4.4 billion. The number of agreements signed with companies and with the Warsaw Stock Exchange under which DM acted as market maker and issuer was 57 and 36, respectively, which gives it a leading position on the market,
- retained a leading position on the bonds' market with a total turnover of PLN 877.6 million (which accounts for 44.2% of the total turnover on the bonds' market),
- recorded a turnover of 68.9 thousand transactions on the options' market; this result gave it a 23.8% share in the options' market in June 2007 and ranked it first on this market (in the 1st half of 2007, DM's share amounted to 18.4%, which ranked it second on the market),
- recorded a turnover of 371.9 thousand contracts on the futures' market (4.9% share in the market), which means a 120% turnover dynamics compared to the corresponding period of the prior year, i.e. 9 pp higher than the growth on the WSE,
- as part of its primary market participant activities, it carried out a successful initial public offering of the shares of ELEKTROTIM S.A. and Makarony Polskie SA, public offerings of the shares of Projprzem S.A. and TIM S.A., Internet Group S.A. and Centrostal S.A. for a total amount of PLN 571.2 million, and a private placement for EMC Instytut Medyczny S.A. for an amount of PLN 5.8 million; in addition, it signed agreements with 2 companies for preparing an initial public offering,
- expanded its product offer by 7 investment funds.

6.2.6 Human Resources of the Bank

The number of PKO BP SA employees as at 30 June 2007 was 31,309 (in terms of full-time equivalent) and decreased by 646 i.e. 2% compared to 31 December 2006.

<u>Remuneration system</u>

The primary legal act that regulates the remuneration system at the Bank is the Collective Bargaining Agreement dated 28 March 1994 (with subsequent amendments) and the resulting regulations agreed with the trade unions.

In the 1st half of 2007, the Bank continued its activities aimed at increasing the competitiveness of remuneration offered by the Bank in relation to other banks. It made attempts to link the level of remuneration to the individual performance of each employee, by adjusting the incentive system to the new organisational and functional structure of the Bank. The solutions implemented in this respect are meant to strengthen the impact of increased remuneration on business activities, and to translate it into the desired levels of economic performance and improved work effectiveness.

<u>Training</u>

In the 1st half of 2007, appx. 33 thousand employees participated in group and individual training programs, of which 24 thousand participated in in-house training programs conducted by internal lecturers. Nearly 2 thousand employees participated in training courses organised for top and middle management of the Bank.

6.2.7 Distribution channels

Table 24. Distribution channels of PKO BP SA as at 30 June 2007

Specification	30.06.2007	31.12.2006	30.06.2006	Change since:	
				31.12.2006	30.06.2006
Total number of branches	**1 233**	**1 239**	**1 248**	**-6**	**-15**
- Retail market:	*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
- Corporate market:	*83*	*83*	*83*	*0*	*0*
Regional corporate branches	13	13	13	0	0
Corporate client teams	-	13	13	-13	-13
Corporate centres	70	57	57	13	13
Number of agencies	**2 260**	**2 277**	**2 285**	**-17**	**-25**
Number of ATMs	**2 088**	**2 024**	**1 863**	**64**	**225**

In the 1st half of 2007, PKO BP's ATMs carried out approximately 115 million cash withdrawal transactions for a total amount exceeding PLN 30 billion. The number of self-service terminals available to customers within the PKO BP SA network amounted to 190.

In the 1st half of 2007, PKO BP's ATMs were made available to the clients of Bank Pocztowy.

E-banking

As at 30 June 2007, the number of accounts with an access to the PKO Inteligo e-banking services amounted to more than 1.5 million, while the number of current Inteligo accounts was 627 thousand.

The number of transactions carried out using e-banking services expressed as a percentage of total transactions carried out by the Bank's clients is increasing. The rate of migration of non-cash transactions to e-banking channels increased from 51.6% at the end of January 2007 to 60.9% at 30 June 2007.

In the 1st half of 2007, PKO BP provided its Inteligo clients holding accounts in the Integrated IT System with an opportunity to purchase participation units issued by the PKO/CREDIT SUISSE investment funds managed by PKO TFI.

Since February 2007, the Inteligo account offer has been expanded to include three new investment funds: Money Market, Extra Bonds and the New Europe Stocks.

7. ACTIVITIES OF OTHER GROUP COMPANIES[4]

Bankowe Towarzystwo Kapitałowe SA

The Company has been carrying out venture capital activities since 2006.

- The value of the Company's equity at the end of June 2007 amounted to PLN 12,388 thousand.
- At the end of the 1st half of 2007 the Company reported a net loss of PLN 2,020 thousand (in the corresponding period of 2006, the Company reported a net loss of PLN 1,081 thousand). The continuing losses result from the nature of the Company's activities.
- At the end of June 2007, the Company managed an investment portfolio of PLN 11.5 million, including investments in FINDER SA and P.L. ENERGIA SA. Compared to the corresponding period of the prior year, the value of the investment portfolio increased by PLN 1.7 million, due to the acquisition of shares in P.L. ENERGIA SA and the disposal of shares in INTER FINANCE Polska Sp. z o.o.

Bankowy Fundusz Leasingowy SA

The Company offers operating and finance lease services in respect of vehicles, machinery, equipment and real estate as well as other financial agency services. Special services of the Company include: BanCar Leasing, representing lease of passenger cars and trucks and Bankowy Wynajem - a long-term lease of vehicles.

[4] *The financial data of the PKO BP SA Group companies are derived from their IAS/IFRS financial statements.*

- The value of equity of the BFL SA Group (BFL SA and its subsidiary, Bankowy Leasing Sp. z o.o.) at the end of the 1st half of 2007 amounted to PLN 44,345 thousand.
- The BFL SA Group closed the 1st half of 2007 with a net profit of PLN 4,356 thousand (in the corresponding period of 2006, BFL SA earned a net profit of PLN 4,359 thousand).
- In the 1st half of 2007, the Company realised lease agreements for a total amount of PLN 648.4 million, which means an increase of 82.9% compared to the 1st half of 2006. The high rate of growth in the value of realised lease agreements results from the dynamic development of the lease market.
- The total carrying amount of the investments leased out by the Company amounted to PLN 1,218.1 million at the end of June 2007 (at the end of June 2006: PLN 739 million). As regards the net carrying amount of the leased assets, the Company ranked 8th at the end of the 1st half of 2007 (according to data published by the Polish Leasing Companies Association (*Związek Przedsiębiorstw Leasingowych*).

Centrum Elektronicznych Usług Płatniczych eService SA

The main activities of eService SA include: the acquisition (to the Bank's order) of points of sale (the so-called acceptors) to execute transactions with the use of payment cards, the management of POS terminals' network, processing of data relating to card transactions performed at POS terminals, and servicing of cash withdrawals at POS terminals installed, among other places, in PKO BP SA agencies and branches.

- The value of the Company's equity as at 30 June 2007 amounted to PLN 30,137 thousand.
- At the end of June 2007, the Company reported a net profit of PLN 9,350 thousand (in the corresponding period of 2006, the Company reported a net profit of PLN 6,148 thousand). The increase in the net profit results mainly from the widening of the Company's product offer.
- The Company's share in the card acceptance market as regards the number of eService terminals reached the level of 34.5% (at the end of the 1st half of 2006: 30%). The number of eService terminals at the end of June 2007 amounted to 41,415, which means an increase of 14.9% in relation to December 2006.
- In the 1st half of 2007, eService terminals processed 45.7 million transactions with a total value of PLN 6.8 billion, which means a 30.6% increase in the value of processed transactions compared to the 1st half of 2006. As regards the value of generated card transactions, the Company's estimated share in the market at the end of June 2007 amounted to 30.7% (at the end of June 2006: 26%).

Centrum Finansowe Puławska Sp. z o.o.

The Company manages the building "Centrum Finansowe Puławska" located at 15 Puławska Street in Warsaw.

- The value of the Company's equity at the end of June 2007 amounted to PLN 208,359 thousand.
- At the end of June 2007, the Company reported a net profit of PLN 1,295 thousand (in the corresponding period of 2006: a net profit of PLN 4,275 thousand).
- The percentage of leased out office and commercial space in the CFP building was subject to slight fluctuations and amounted to 98.1% at the end of the 1st half of 2007 (at the end of the 1st half of 2006: 99%).

Inteligo Financial Services SA

The main business activity of Inteligo Financial Services SA is the provision of e-banking services. The Company provides a platform for the development of electronic services of PKO BP SA in the field of keeping accounts and selling other banking products using interactive distribution channels.

- The value of the Company's equity at the end of the 1st half of 2007 amounted to PLN 82,065 thousand.
- The Company closed the 1st half of 2007 with a net profit of PLN 6,955 thousand (in the corresponding period of 2006: a net profit of PLN 6,253 thousand).
- The value of deposits held by PKO BP SA clients using the Inteligo accounts increased in the 1st half of 2007 by PLN 74 million compared to the end of 2006, and amounted to PLN 1,907 million at the end of June 2007.

- At the end of the 1st half of 2007, the Company provided access to e-banking systems for over 1.5 million PKO BP SA clients using the PKO Inteligo service line and provided Inteligo account services to over 558 thousand clients.
- In January 2007 the Company signed a data transmission services agreement with Bank Pocztowy SA to enable the bank to provide and maintain electronic access to bank accounts for its clients.
- In February 2007 the Company was entered in the register of telecommunication companies kept by the Polish Electronic Communications Office (*Urząd Komunikacji Elektronicznej – UKE*).

KREDOBANK SA

KREDOBANK SA in Lvov conducts banking activities in Ukraine.

- The value of equity of KREDOBANK SA as at 30 June 2007 amounted to PLN 134,558.7 thousand (an equivalent of UAH 241,925 thousand)[5].
- At the end of June 2007, KREDOBANK SA reported a net profit of PLN 2,535.8 thousand (UAH 4,559.2 thousand). In the corresponding period of 2006, KREDOBANK SA reported a net profit of PLN 7,030 thousand (UAH 12,639 thousand). The decrease in the net profit is due to higher operating expenses incurred in the course of the Company's development.
- The loan portfolio (gross) of KREDOBANK SA had increased by PLN 227.0 million (UAH 408.1 million) i.e. 16.3% since the beginning of the year 2007 and amounted to PLN 1,615.7 million (UAH 2,904.9 million) at the end of June 2007.
- The value of deposits increased by PLN 159.0 million (UAH 285.9 million) i.e. 12.2% during the 1st half of 2007 and amounted to PLN 1,460.3 million (UAH 2,625.5 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. In the 1st half of 2007, the Bank's network was increased by additional 3 branches and 30 local offices.
- In January 2007, KREDOBANK SA received a subordinated loan from PKO BP for an amount of USD 7.5 million, to be repaid by 30 January 2015.
- In February 2007, KREDOBANK issued 25,000 bonds with a total nominal value of UAH 25 million and a maturity of 20 February 2012. All bonds were sold to the clients on the Ukrainian market.
- On 7 May 2007, the General Shareholders' Meeting of KREDOBANK SA decided to increase the share capital of KREDOBANK SA by UAH 176,750,000 (the equivalent of PLN 98.3 million) through an additional share issue.

PKO Inwestycje Sp. z o.o.

The Company's main activity is construction and development. PKO Inwestycje Sp. z o.o. specializes in the management of big development projects.

Development projects are carried out by PKO Inwestycje Sp. z o. o. itself or by its subsidiaries.

The following construction projects are currently being carried out: "Marina Mokotów" and "Nowy Wilanów" in Warsaw, "Neptun Park" in Gdańsk Jelitkowo and "Kuźmińska" in Kiev.

- The value of equity of the PKO Inwestycje Sp. z o. o. Group (PKO Inwestycje Sp. z o. o. and its subsidiaries) amounted to PLN 59,989 thousand at the end of the 1st half of 2007. The decrease in equity compared to the end of 2006 results mainly from a change in the accounting treatment of the additional capital injections made by PKO Inwestycje Sp. z o.o. to its subsidiaries (reclassification of additional capital injections from equity to liabilities).
- The PKO Inwestycje Sp. z o. o. Group incurred in the 1st half of 2007 a net loss in the total amount of PLN 9,268 thousand (in the corresponding period of 2006, the Group incurred a net loss of a total amount of PLN 520 thousand).

Powszechne Towarzystwo Emerytalne BANKOWY SA

The main area of the activities of Powszechne Towarzystwo Emerytalne BANKOWY SA ("PTE") is the management of an open-end pension fund. Since 2003, the Bank has been in the possession of 100% of PTE's shares.

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[5] *All amounts reported by Kredobank SA as at 30 June 2007 and 30 June 2006 were translated into PLN using the average NBP rate prevailing on 30 June 2007 (1 UAH = 0.5562 PLN).*

- The value of equity of the PTE BANKOWY SA Group (PTE BANKOWY SA and its subsidiary, Finanse Agent Transferowy Sp. z o.o.) amounted to PLN 104,028 thousand as at 30 June 2007.
- At the end of June 2007, the PTE BANKOWY SA Group reported a net profit of PLN 9,626 thousand (in the corresponding period of 2006: a net profit of PLN 9,940 thousand).
- At the end of June 2007, the value of the assets held by Bankowy OFE amounted to PLN 4,328 million, which means an increase of 16.8% compared to the end of 2006 (i.e. 3.8 pp higher compared to the 1st half of 2006).
- At 30 June 2007, the number of accounts kept for members of Bankowy OFE amounted to 472,320.
- At the end of the 1st half of 2007, Bankowy OFE was ranked 8th on the market of pension funds, both as regards the value of assets and the number of accounts (the same as at the end of the 1st half of 2006).

PKO Towarzystwo Funduszy Inwestycyjnych SA

The business activities of PKO Towarzystwo Funduszy Inwestycyjnych SA include setting up and management of investment funds.

- The value of the Company's equity as at 30 June 2007 amounted to PLN 73,682 thousand.
- At the end of June 2007, the Company reported a net profit of PLN 49,165 thousand (in the corresponding period of 2006: a net profit of PLN 30,254 thousand).
- At the end of June 2007, the value of assets of the funds managed by the Company amounted to PLN 14.6 billion, which gave the Company a 10.4 % share in the investment funds market and ranked it 4th among such companies (according to data at the end of June 2006: 8.19% share in the investment funds market and ranked 4th on that market).
- In the 1st half of 2007, PKO TFI SA included the following 2 new funds in its offer: PKO/CREDIT SUISSE Strategic Allocation – specialized open-end investment fund and PKO/CREDIT SUISSE Umbrella – specialized open-end investment fund with the following sub-funds: PKO/CREDIT SUISSE Akcji Plus (equity fund), PKO/CREDIT SUISSE Zrównoważony Plus (balanced fund), PKO/CREDIT SUISSE Stabilnego Wzrostu Plus (stable growth fund) and PKO/CREDIT SUISSE Papierów Dłużnych Plus (debt securities fund).

8. RISK MANAGEMENT POLICY

Risk management is one of the most important internal processes in the PKO BP SA Group. The aim of risk management is to ensure an appropriate level of security and profitability of lending activities in the changing legal and economic environment. The key risks in the PKO BP SA Group comprise credit risk, market risk and operational risk. Presented below is a brief description of these risks and the related management mechanisms.

Credit risk assessment is applied by those Group companies which are exposed to a significant credit risk. In the 1st half of 2007, the Bank performed a review of the internal regulations of BFL SA and KREDOBANK SA relating to credit risk management for compliance with its own credit risk management policies. As a result, the Bank issued a number of recommendations which are currently being successively implemented by these companies.

Financial risk profile of the Bank in the 1st half of 2007

Due to the structure of the Group, financial risk is mainly generated by the holding company, PKO BP SA. In the 1st half of 2007, the interest rate and currency risk measures of the Bank remained at a safe level. The Bank has a stable deposit base and a portfolio of liquid securities which ensure a sufficient financial liquidity for the Bank. At the same time, in the 1st half of 2007 the Bank exchanged the PLN liquidity for foreign currency liquidity in order to finance loans extended in foreign currencies.

In the 1st half of 2007, the Bank used derivative instruments for investment and hedging purposes and held speculative positions in interest rates and foreign currencies.

The operational risk management policies of the Group companies are consistent with those of the Bank. In the 1st half of 2007, the Group companies continued the implementation of the operational risk management system, commenced in 2006.

9. CAPITAL MANAGEMENT POLICY

In the 1st half of 2007, the Bank developed and approved regulations setting out its capital management policies, in order to comply with the requirements of the capital requirement directive (these policies will be effective from 1 January 2008).

Management of capital in the Group aims at ensuring continued maintenance of equity at a level adequate to the risk profile of the Group and increasing profitability of the Group and the value of the Bank to its shareholders. Equity management processes in the Bank include the following:

- continuous maintenance of an adequate level of equity,
- assessment of the adequacy of the level of equity of the Bank,
- realization of the Bank's capital objectives,
- assessment of profitability of the profits centres of the Bank and of the individual Group companies,
- monitoring of capital adequacy ratio.

Management reports are provided to the Assets and Liabilities Management Committee for information purposes.

The Bank's equity is the sum total of the following items:

- share capital, reserve capital, other reserves,
- general banking risk fund (created for unidentified banking risks),
- unrealized losses on debt and equity instruments classified as available for sale ("AFS"),
- unrealized gains on debt and equity instruments classified as available for sale (at the amount of 60% of pre-tax gains),
- subordinated liabilities,
- profit or loss under the approval process,
- profit or loss from prior years,
- current net profit or loss for the period.

Core capital, which includes authorized share capital, reserve capital and other reserves, has the greatest share in the Bank's own funds. The major items that decrease the value of own funds are intangible assets, measured at carrying amount, and the Bank's capital exposures to financial and credit institutions (BFL SA, PTE Bankowy SA, BTK SA, PKO TFI SA, Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.) and banks (Kredobank SA, Bank Pocztowy).

In the calculation of the capital adequacy ratio, the Bank considers capital requirements relating to the following risks:

- credit risk,
- market risk,
- settlement risk (delivery and counterparty risk).

The Bank is subject to regulations concerning the level of capital adequacy ratio and capital requirements as set out in the Banking Law and Resolutions of the Commission for Banking Supervision Nos. 1/2007, 2/2007, 3/2007, 4/2007 of 13 March 2007.

In the period under review, the PKO BP SA Group did not identify any breaches in the above respect. The capital adequacy ratio as at 30 June 2007 amounted to 11.18%, which means a decrease of 0.62 pp compared to 31 December 2006. The decrease in the capital adequacy ratio was due to the following:

- a dynamic growth in the loan portfolio, which resulted in an increase of the capital requirement by over 19%;
- an increase in items decreasing the value of the Group's own funds, including intangible assets, by over PLN 60 million and capital involvement in banks and financial institutions in the amount of over PLN 29 million.

10. MAJOR EQUITY INVESTMENTS

Major equity investments of PKO BP SA and its subsidiaries relating to purchase and sale of shares in other subsidiaries, associates and jointly controlled entities are presented in point 3.2 of this Report.

11. RELATED PARTY TRANSACTIONS

The listing of significant transactions of PKO BP SA with its subsidiaries, associates and jointly controlled entities, including the balance of loans granted to these companies by the Bank as at 30 June 2007, is presented in the consolidated financial statements of the PKO BP SA Group.

Underwriting agreements and guarantees granted to subsidiaries

The Agreement for Organisation, Conducting and Servicing of a Bond Issuance Program signed by PKO BP SA with its subsidiary, Bankowy Fundusz Leasingowy SA, on 20 June 2006, was terminated on 15 June 2007.

The terms of the issue of bonds by Bankowy Fundusz Leasingowy SA are currently regulated by the Agreement for Organisation, Conducting and Servicing of a Bond Issuance Program signed by PKO BP SA on 14 December 2006, for an amount of up to PLN 500 million. Out of this amount, until 30 June 2007 the Company was allowed to issue bonds for an amount of up to PLN 350 million.

As at 30 June 2007, Bankowy Fundusz Leasingowy SA issued bonds for a total amount of PLN 350 million: bonds with a value of PLN 229,150 thousand were sold on the secondary market, and bonds with a value of PLN 120,850 thousand were taken up by PKO BP SA.

In April 2007, PKO BP SA granted the following guarantees to Bankowy Fundusz Leasingowy SA:

- a guarantee for an amount up to EUR 57 million, for the benefit of the European Investment Bank in Luxembourg (EIB), to secure the loan granted to the Company by the EIB; the guarantee was issued for a period ending on 31 March 2017,
- a guarantee for an amount up to PLN 22 million, for the benefit of the European Bank for Reconstruction and Development (EBRD), to secure the loan granted to the Company by the EBRD; the guarantee was issued for a period ending on 30 June 2013.

12. INTERNATIONAL COOPERATION

European Bank for Reconstruction and Development

In the 1st half of 2007, Bankowy Fundusz Leasingowy SA made use of a subsequent tranche of the loan granted by the EBRD in 2005 for a total amount of PLN 60 million, amounting to PLN 20 million. As at 30 June 2007 the total amount of the funds utilized by the Company under this loan was PLN 40 million. These funds are provided under the "EU/EBRD SME Finance Facility" project, financed by the European Commission, and are to be used for the development of small and medium-sized enterprises.

Co-operation with other foreign institutions

In the 1st half of 2007, the Bank signed:

- an ISDA agreement and two Credit Support Annexes to ISDA agreements signed in the past with foreign banks,
- a TBMA/ISMA Global Repurchase Master Agreement and an LVP agreement with foreign banks,
- a subordinated loan agreement for an amount of USD 7.5 million for KREDOBANK SA.

Cooperation with rating agencies

Rating scores are currently assigned to PKO BP SA by four rating agencies: Moody's, Standard & Poor's, Capital Intelligence and Fitch Ratings. These ratings are granted free of charge on the basis of generally available information, in particular interim and annual reports, and on the basis of information provided by the Bank directly to the representatives of the above agencies.

- On 24 February 2007 Moody's Investors Service assigned two new ratings to the Bank: Aaa – Long-term domestic currency deposit rating with a stable outlook and P–1 – Short-term domestic currency deposit rating with a stable outlook. The new ratings were granted due to implementation of the new JDA methodology (acquisition of external support) and amendments to the BFSR methodology (measuring the internal financial strength of the bank).

- On 8 March 2007 the Bank received a report by Capital Intelligence informing that the rating of PKO BP SA's financial strength was increased from BBB- to BBB with a stable outlook. The report was dated February 2007. The change in the rating was justified by a systematic growth of profitability. The agency additionally underlined the improving quality of the loan portfolio and reporting transparency.
- On 11 April 2007 the Reuters agency announced that Moody's Investors Service had reduced PKO BP SA's long-term domestic currency deposit rating from Aaa to Aa2 (the other ratings did not change). The change in the rating was justified by changes in the JDA assessment methodology.

Table 25. PKO BP SA ratings as at 30 June 2007

FITCH RATINGS	
Support rating	2
STANDARD AND POOR'S	
Long-term domestic currency liabilities rating	BBBpi
MOODY'S INVESTORS SERVICE	
Long-term foreign currency deposit rating	A2 stable outlook
Short-term foreign currency deposit rating	Prime-1 stable outlook
Long-term domestic currency deposit rating	Aa2 stable outlook
Short-term domestic currency deposit rating	Prime-1 stable outlook
Financial strength	C stable outlook
CAPITAL INTELLIGENCE	
Long-term foreign currency liabilities rating	BBB+
Short-term foreign currency liabilities rating	A2
Domestic strength	BBB
Support rating	2
Outlook	Stable

- In June 2007 Standard & Poor's retained the following ratings granted to KREDOBANK SA in 2006:
  - International long-term credit rating – "B",
  - Outlook – "Stable",
  - International short-term credit rating – "B",
  - Ukrainian rating - "uaBBB".

13. INVESTOR RELATIONS

Shareholders

According to the Bank's knowledge, the State Treasury is the only shareholder who holds, directly or indirectly through subsidiaries, at least 5% of total votes at the General Shareholders' Meeting of the Bank.

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

At the date of this report, the interest held by the above shareholder in the share capital of PKO BP SA and votes at the General Shareholders' Meeting of the Bank amounted to 51.49%.

Changes in Articles of Association

On 26 April 2007, the Ordinary General Meeting of PKO BP SA resolved to enter amendments to the Bank's Articles of Association and authorized the Supervisory Board of the Bank to compile the consolidated text of the amended Articles of Association.

The amendments made to the Articles of Association were as follows:

- expanding the scope of the principal activities of the Bank to include services related to disposal and repurchase of investment fund units,
- a requirement for Management Board to convene a General Meeting to appoint Supervisory Board members if, due to the expiry of the office a Supervisory Board member, the number of Supervisory Board members falls below six,
- liquidation of the position of Vice-President, First Deputy President of Management Board,

- increase of the maximum number of members of Management Board from eight to nine,
- deleting the provision stating that declarations on behalf of the Bank should be made by two commercial proxies acting jointly,
- deleting the ruling as a form of taking decisions by the Management Board,
- including legal matters within the scope of competence of the President of Management Board,
- amending the scope of matters within the competence of a member of Management Board accepted by the Polish Financial Supervision Authority, to include risk (including credit risk) management (previously this included strategy and planning, organisation and restructuring, investor relations and legal matters),
- introducing a requirement to acquire consent of the Supervisory Board to the appointment and dismissal of the director and deputy directors of an internal control unit.

The consolidated text of the Articles of Association of PKO BP SA was made available to the public on 26 June 2007, in the current report No. 29/2007, and was included on the Bank's website.

<u>Corporate governance</u>

In the current report No. 28/2007 dated 22 June 2007, the Bank submitted to the Warsaw Stock Exchange a declaration of the Management Board of PKO BP SA, accepted by the Supervisory Board, regarding compliance with corporate governance rules, together with the Bank's comments to the document on "Good practices in public companies 2005". According to the above documents, PKO BP SA complies with all corporate governance rules applicable to joint-stock companies being the issuers of shares, convertible bonds or bonds with priority right admitted to trading on the official market, except for Rules 5, 28, 38, which the Bank complies with only partially, and Rule 20, which the Bank does not comply with at all.

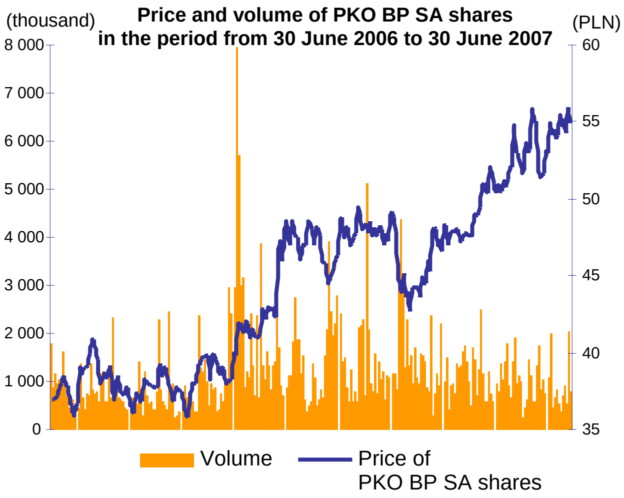
Detailed explanations and justification regarding compliance or non-compliance with corporate governance rules are included in the comments attached to the declaration.

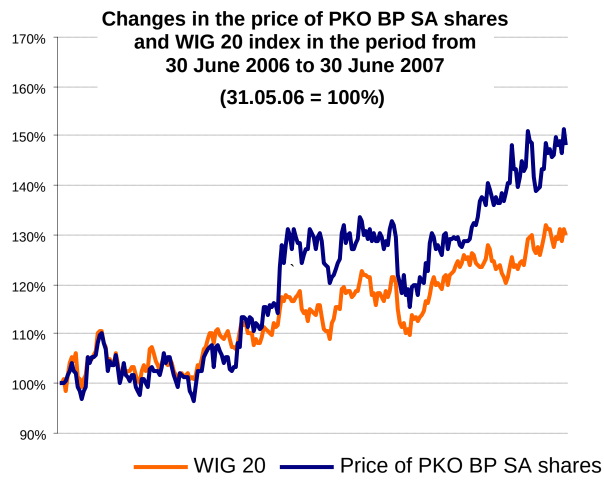
<u>Listed price of PKO BP SA shares</u>

In the 1st half of 2007, the average price of the PKO BP shares was PLN 49.03 (in the 1st half of 2006: PLN 34.59) and showed a continued growing tendency. The highest price (PLN 56.00) was noted on 28 June 2006. The following factors affected the prices of the Bank's shares: trends prevailing on the Stock Exchange and financial performance of the Bank.

	1st half of 2007	*1st half of 2006*
Price of PKO BP shares at the beginning of the period (PLN)	47.00	29.00
Price of PKO BP shares at the end of the period (PLN)	54.90	37.00
Dividend per 1 share (PLN)*	-	-
Return for the shareholder	**16.8%**	**27.6%**
Return for the shareholder (annualised)	**33.9%**	**55.6%**

*) Dividends for 2006 in the amount of PLN 0.98 per share were paid on 2 August 2007.





14. SERVICE PROMOTION AND IMAGE BUILDING OF THE GROUP

<u>Promotional activities</u> of the PKO BP SA Group in the 1st half of 2007 were mainly concentrated on the following:

- Intensifying promotional activities covering the strategic and other products and services important for the Group,
- Increasing the aspirations and prestige of the PKO BP brand,
- Strengthening the image of the Bank among shareholders and clients as a leader in the area of banking services in Poland.

The Bank, as a patron and sponsor, supported and carried out the organization of cultural, sports, social and local events through the following sponsorship programs:

- "PKO Bank Polski Kulturze Narodowej" (PKO BP for the Polish Culture),
- "PKO Bank Polski Blisko Ciebie" (PKO BP Close to You),
- "PKO Bank Polski Reprezentacji Olimpijskiej" (PKO BP for the Polish Olympic Representation).

<u>Awards and Distinctions granted to the Group companies:</u>

- Rock Awards 2006 – silver prize granted by MasterCard for setting up a portfolio of over half a million MasterCard credit cards,
- 1st place in *Newsweek's* ranking of "100 Most Valuable Companies in Poland" (April),
- Premium Brand 2006 in the category of financial institutions - a title granted to PKO BP for the second time in a ranking of most reputable brands organised by MMT Management under the patronage of the monthly "Forbes" (June),
- Main Award in the ranking of "50 biggest banks in Poland" organized by the monthly *BANK*, 1st prize in the category of "Banks in the Internet" (June),
- Rock Awards 2006 – golden prize granted to Centrum Elektronicznych Usług Płatniczych eService SA for outstanding contribution to the development of banking card acceptance network and silver prize for introducing chip cards acceptance, both awards granted by MasterCard Europe,
- 1st place of KREDOBANK SA in the category of Company of the Year in consulting and investment services, as part of the "Rycerz Galicki 2006" contest,
- 1st place for KREDOBANK SA in the category of foreign investment, as a part of the "Investor of the Year 2006" organized by public administration and the Chamber of Industry and Commerce in Lvov,
- The title of *"Mecenas Gazel Biznesu"* ("Patron of Business Gazelles") granted to Bankowy Fundusz Leasingowy SA.

Furthermore, as the first bank in Poland, PKO BP SA was granted ISO/IEC 27001:2005 certificate confirming compliance of the Information Security Management System with the ISO/IEC 27001:2005 standard (February).

15. GOVERNING BODIES OF PKO BP SA IN THE REPORTING PERIOD

Members of Management Board in the reporting period:

Table 26. Members of Management Board in the 1st half of 2007

No.	Name	Function	Date of appointment
1.	Sławomir Skrzypek	Vice-President of the Management Board	▪ 20.12.2005 – appointed for the common term of Management Board which commenced on 19.05.2005
		Acting President of the Management Board	▪ 29.09.2006 ▪ resigned from these positions as of 10.01.2007
2.	Rafał Juszczak*	Member of the Management Board	▪ 01.07.2006 – appointed for the common term of Management Board which commenced on 19.05.2005
		Vice-President of the Management Board	▪ 29.09.2006
		Acting President of the Management Board	▪ 11.04.2007
3.	Wojciech Kwiatkowski**	Vice-President of the Management Board	▪ 01.11.2006 – appointed for the common term of Management Board which commenced on 19.05.2005
4.	Jacek Obłękowski	Member of the Management Board	▪ 20.06.2002 ▪ 19.05.2005 – reappointed for the next term which commenced on that day
		Vice-President of the Management Board	▪ 29.09.2006 ▪ resigned from this position as of 31.01.2007
5.	Zdzisław Sokal*	Member of the Management Board	▪ 01.07.2006 - appointed for the common term of Management Board which commenced on 19.05.2005
		Vice-President of the Management Board	▪ 29.09.2006 ▪ resigned from this position as of 13.03.2007.
6.	Marek Głuchowski	Acting President of the Management Board	▪ appointed temporarily for the period from 10.01.2007 to 23.01.2007 and from 27.01.2007 to 10.04.2007
7.	Robert Działak***	Vice-President of the Management Board	▪ 23.02.2007 – appointed for the common term of Management Board which commenced on 19.05.2005
8.	Stefan Świątkowski***	Vice-President of the Management Board	▪ 01.05.2007 – appointed for the common term of Management Board which commenced on 19.05.2005
9.	Adam Skowroński	Vice-President of the Management Board	▪ 02.04.2007 - appointed temporarily for the period from 11.04.2007 to 30.04.2007

** Appointed by the Supervisory Board of the Bank on 26 June 2006; on 20 June 2007 the Supervisory Board delegated Rafał Juszczak, Vice-President of the Management Board, to act as the President of the Management Board for the common term of Management Board which commenced on 19 May 2005.*
*** Appointed by the Supervisory Board of the Bank on 29 September 2006.*
**** Appointed by the Supervisory Board of the Bank on 22 February 2007.*

- On 10 January 2007 Sławomir Skrzypek resigned from the position of Vice-President of Management Board of PKO BP SA, Acting President of the Management Board due to his appointment to the position of President of the National Bank of Poland (NBP). On the same day the Supervisory Board of PKO BP SA delegated Marek Głuchowski, Chairman of the Supervisory Board of PKO BP SA, to act temporarily as President of the Management Board of PKO BP SA until 23 January 2007. Due to the fact that, during the period from 24 January 2007 to 26 January 2007, no candidate was appointed to be the acting President of the Management Board, the Supervisory Board delegated Marek Głuchowski to act temporarily as President of the Management Board of PKO BP SA, beginning from 27 January 2007 until 10 April 2007.
- On 2 April 2007 the Supervisory Board of PKO BP SA appointed, as of 11 April 2007, Rafał Juszczak, Vice-President of the Management Board, to act as President of the Management Board of PKO BP SA until a new President of the Management Board is elected.
- On 20 June 2007, the Supervisory Board of PKO BP SA appointed Mr Rafał Juszczak, Vice-president of the Management Board of the Bank, to act as President of the Management Board for the common term which commenced on 19 May 2005, effective from the date on which the Commission for Banking Supervision approves Mr Rafał Juszczak as acting President of the Management Board.

Members of Supervisory Board in the reporting period:

Table 27. Members of Supervisory Board of PKO BP SA in the 1st half of 2007

No.	Name	Function	Date of appointment / resignation
1.	Marek Głuchowski	Chairman of the Supervisory Board	appointed on 18.04.2006, delegated to act temporarily as President of the Management Board from 10.01.2007 to 23.01.2007 and from 27.01.2007 to no longer than 10.04.2007
2.	Urszula Pałaszek	Member of the Supervisory Board Vice-Chairman of the Supervisory Board	appointed on 19.05.2005 from 20.05.2005
3.	Tomasz Siemiątkowski	Member of the Supervisory Board Secretary of the Supervisory Board	appointed on 18.04.2006 from 26.06.2006
4.	Jerzy Michałowski	Member of the Supervisory Board	appointed on 18.04.2006
5.	Jerzy Osiatyński	Member of the Supervisory Board Member of the Supervisory Board	appointed on 25.03.2002 appointed on 19.05.2005, resigned as of 31.01.2007
6.	Adam Skowroński	Member of the Supervisory Board	appointed on 18.04.2006, on 2.04.2007 delegated to act temporarily as Vice-President of the Management Board from 11.04.2007 to 30.04.2007
7.	Agnieszka Winnik-Kalemba	Member of the Supervisory Board	appointed on 18.04.2006
8.	Maciej Czapiewski	Member of the Supervisory Board	appointed on 19.03.2007

Bank's shares held by members of Management and Supervisory Boards

Shares held in the Bank by members of Management and Supervisory Boards as at 30 June 2007:

No.	Name	Number of shares as at the date of the previous report	Purchased	Disposed of	Number of shares as at the date of this report
I.	**Management Board**				
1.	Rafał Juszczak, Acting President of Management	-----------	-----------	---------	-----------
2.	Robert Działak, Vice-President of Management Board	-----------	-----------	---------	-----------
3.	Wojciech Kwiatkowski, Vice-President of Management Board	-----------	-----------	---------	-----------
4.	Stefan Świątkowski, Vice-President of Management Board	-----------	-----------	---------	-----------
II.	**Supervisory Board**				
1.	Marek Głuchowski, Chairman of Supervisory Board	-----------	-----------	--------	-----------
2.	Urszula Pałaszek, Vice-Chairman of Supervisory Board	-----------	-----------	--------	-----------
3.	Maciej Czapiewski, Member of Supervisory Board	-----------	-----------	---------	-----------
4.	Jerzy Michałowski, Member of Supervisory Board	-----------	-----------	--------	-----------
5.	Tomasz E. Siemiątkowski, Secretary of Supervisory Board	-----------	-----------	--------	-----------
6.	Adam Skowroński, Member of Supervisory Board	-----------	-----------	---------	-----------
7.	Agnieszka Winnik-Kalemba, Member of Supervisory Board	-----------	-----------	--------	-----------

Emoluments and other benefits provided to members of Management and Supervisory Boards

Full information on emoluments and other benefits provided to members of the Bank's Management and Supervisory Boards in the reporting period has been presented in Note 50 to the consolidated financial statements of PKO BP SA for the 1st half of 2007.

16. SIGNIFICANT POST-BALANCE SHEET EVENTS

- On 20 June 2007, the Supervisory Board of PKO BP SA appointed the following persons to the position of Vice-President of Management Board for the common term of the Management Board which commenced on 19 May 2005:
  - Aldona Michalak as of 1 July 2007,
  - Mariusz Klimczak as of 15 July 2007,
  - Adam Skowroński as of 23 July 2007,
  - Berenika Duda-Uhryn as of 10 September 2007.
- On 9 July 2007 and 23 July 2007, PKO BP SA subscribed for the 17th issue shares of KREDOBANK SA in the total number of 17,353,578,610 shares and with a total nominal value of UAH 173,535,786.10. The increase in the share capital was registered on 5 September 2007 by the Ukrainian National Registrar in Lvov, Executive Committee of the Lvov City Council in the Frankowski Region of the City of Lvov. After registration of the above share issue, the share of PKO BP SA in the share capital and votes at the General Shareholders' Meeting of this Company amounts to 98.1815%.
- On 16 July 2007, BFL Nieruchomości Sp. z .o.o. with its registered office in Łódź was registered in the National Court Register by the Regional Court in Łódź. The share capital of this Company amounts to PLN 1,100,000. All shares have been acquired by Bankowy Fundusz Leasingowy SA, the PKO BP's subsidiary.
- On 16 July 2007, PKO BP SA obtained a permit from the National Bank of Ukraine, being the prerequisite condition for the completion of the transaction of purchase by PKO BP SA of KREDOBANK SA shares held 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 the EBRD was completed on 26 July 2007. The price paid for the acquisition of the shares was EUR 17,348,177.00.
- On 18 July 2007, as part of implementation of a new strategy, PKO BP SA 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 financial 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 transfer of funds between customer accounts in Poland and in the UK.
- On 20 July 2007, Adam Skowroński resigned, as of 22 July 2007, from the position of member of the Supervisory Board of PKO BP SA due to having been appointed, as of 23 July 2007, to the position of Vice-President of the Management Board of PKO BP SA.
- On 27 July 2007, the Bank signed a syndicated loan agreement in Swiss Francs with a consortium of banks. 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 month or half-year interest period, as chosen by the Bank in each period at the end of which the loan interest is 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 a 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 instalments with the last instalment 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 delivery and implementation of the Integrated Information 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 Information 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 Information 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 of, among others, the products responding to the requirements of the 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's remuneration for the completion of the work defined in the Annex will be USD 11,038,042 (net).

  According to Annex 2, the implementation of mass roll-outs under the Integrated Information System will be completed by the end of November 2008.

- On 2 August 2007, the increase in the share capital of Bankowy Fundusz Leasingowy SA with its registered office in Łódź by a total of PLN 10 million was registered in the National Court Register. All of the new shares in the increased share capital were taken up by PKO BP SA. After registration, the share capital of BFL SA amounts to PLN 40 million and is divided into 4 million shares with a nominal value of PLN 10 each. Subsequent to registration of share capital increase, PKO BP SA holds shares representing 100% of the share capital of BFL SA and giving right to 100% of votes at the General Shareholders' Meeting of this Company.

- On 8 August 2007, the Commission for Banking Supervision gave its consent for the appointment of Rafał Juszczak to the position of President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.

17. REPRESENTATIONS OF THE MANAGEMENT BOARD

The Management Board of PKO BP SA hereby represents that, according to its best knowledge:

- the half-year consolidated financial statements and comparative data were prepared in accordance with the accounting principles in force and give a true and fair view of the financial position and results of the PKO BP SA Group;
- the half-year Directors' Report on the activities of the PKO BP SA Group gives a true view of the Group's development, achievements and standing, including a description of the main risks and threats.

The Management Board of PKO BP SA hereby represents that the entity authorised to audit financial statements which performed a review of the half-year consolidated financial statements was selected in accordance with law, and that both this entity and the certified auditors who performed the review met the conditions required to issue an impartial and independent review report, in accordance with the relevant national laws.

This Directors' Report on the activities of the PKO BP SA Group in the 1st half of 2007 consists of 35 consecutively numbered pages.

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President of Management Board
Rafał Juszczak

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Vice-President of Management Board
Berenika Duda-Uhryn

_ _
Vice-President of Management Board
Robert Działak

_ _
Vice-President of Management Board
Mariusz Klimczak

_ _
Vice-President of Management Board
Wojciech Kwiatkowski

_ _
Vice-President of Management Board
Aldona Michalak

_ _
Vice-President of Management Board
Adam Skowroński

_ _
Vice-president
Stefan Świątkowski

Independent Auditor's Review Report on the Interim Consolidated Financial Statements for the six month period ended 30 June 2007

To the Supervisory Board of Powszechna Kasa Oszczędności Bank Polski S.A.

1. We have reviewed the attached interim consolidated financial statements of Powszechna Kasa Oszczędności Bank Polski S.A. Group ('the Group') where Powszechna Kasa Oszczędności Bank Polski S.A. is the dominant entity ('the Bank'), and is located in Warsaw at Puławska 15 Street, for the six month period ended 30 June 2007, including:

   - the interim consolidated balance sheet as of 30 June 2007 with total assets amounting to 104,467,641 thousand zlotys,
   - the interim consolidated income statement for the period from 1 January 2007 to 30 June 2007 with a net profit amounting to 1,283,539 thousand zlotys,
   - the interim consolidated statement of changes in equity for the period from 1 January 2007 to 30 June 2007 with a net increase of equity amounting to 234,378 thousand zlotys,
   - the interim consolidated cash flow statement for the period from 1 January 2007 to 30 June 2007 with a net cash outflow amounting to 4,262,034 thousand zlotys, and
   - the interim explanatory notes

   ('the attached interim consolidated financial statements').

2. The truth and fairness[1] of the attached interim consolidated financial statements prepared in accordance with International Financial Reporting Standards applicable to interim financial reporting as adopted by the European Union ('IAS 34') and the proper maintenance of the consolidation documentation are the responsibility of the Bank's Management Board. Our responsibility is to issue a report on these financial statements based on our review.

3. We conducted our review in accordance with the provisions of the law binding in Poland and auditing standards issued by the National Council of Statutory Auditors. These standards require that we plan and perform our review in such a way as to obtain moderate assurance as to whether the financial statements are free of material misstatement. The review was mainly based on applying analytical procedures to the financial data, review of documentation supporting the amounts and disclosures in the consolidated financial statements and discussions with the management of the Bank as well as its employees. The scope of work[2] of a review differs significantly from an audit of financial statements, the objective of which is to express an opinion on the truth and fairness[3] of the financial statements. Review provides less assurance than an audit. We have not performed an audit of the attached interim consolidated financial statements and, accordingly, do not express an audit opinion.

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[1] Translation of the following expression in Polish language: "prawidłowość, *rzetelność i jasność*"

[2] In Polish language two expressions are used (*"zakres i metoda")* that in English language translation are covered by one expression "the scope of work"

[3] Translation of the following expression in Polish language: "*prawidłowo, rzetelnie i jasno*"

4. Our review did not reveal the need to make material changes for the attached interim consolidated financial statements to present truly and fairly[4] in all material respects the financial position of the Group as at 30 June 2007 and the financial result, for the 6 month period ended 30 June 2007 in accordance with IAS 34.

on behalf of
Ernst & Young Audit sp. z o.o.
Rondo ONZ 1, 00-124 Warsaw
Registration No. 130

(-)

Dominik Januszewski
Certified Auditor
Registration No. 9707/7255

Certified Auditor
Registration No. 10018/7417

(-)

Arkadiusz Krasowski

Warsaw, 21 September 2007

[4] Translation of the following expression in Polish language: "*rzetelny, prawidłowy i jasny*"

Independent Auditors' Review Report on the Interim Condensed Financial Statements for the six month period ended 30 June 2007

To the Supervisory Board of Powszechna Kasa Oszczędności Bank Polski S.A.

1. We have reviewed the attached interim condensed financial statements of Powszechna Kasa Oszczędności Bank Polski S.A. ('the Bank') located at Warsaw, at Puławska 15 Street, for the six month period ended 30 June 2007, including:

   - the interim condensed balance sheet as of 30 June 2007 with total assets amounting to 101,685,093 thousand zlotys,
   - the interim condensed income statement for the period from 1 January 2007 to 30 June 2007 with a net profit amounting to 1,249,942 thousand zlotys,
   - the interim condensed statement of changes in equity for the period from 1 January 2007 to 30 June 2007 with a net increase of equity amounting to 270,661 thousand zlotys,
   - the interim condensed cash flow statement for the period from 1 January 2007 to 30 June 2007 with a net cash outflow amounting to 4,164,761 thousand zlotys, and
   - the interim condensed explanatory notes

   ('the attached interim condensed financial statements').

2. The truth and fairness[1] of the attached interim condensed financial statements prepared in accordance with International Financial Reporting Standards applicable to interim financial reporting as adopted by the European Union ('IAS 34') and the proper maintenance of the accounting records are the responsibility of the Bank's Management Board. Our responsibility is to issue a report on these financial statements based on our review.

3. We conducted our review in accordance with the provisions of the law binding in Poland and auditing standards issued by the National Council of Statutory Auditors. These standards require that we plan and perform our review in such a way as to obtain moderate assurance as to whether the financial statements are free of material misstatement. The review was mainly based on applying analytical procedures to the financial data, review of accounting records and discussions with the management of the Bank as well as its employees. The scope of work[2] of a review differs significantly from an audit of financial statements, the objective of which is to express an opinion on the truth and fairness[3] of the financial statements. Review provides less assurance than audit. We have not performed an audit of the attached interim condensed financial statements and, accordingly, do not express an audit opinion.

[1] Translation of the following expression in Polish language: "prawidłowość, *rzetelność i jasność*"

[2] In Polish language two expressions are used (*"zakres i metoda")* that in English language translation are covered by one expression "the scope of work"

[3] Translation of the following expression in Polish language: "*prawidłowo, rzetelnie i jasno*"

4. Our review did not reveal the need to make material changes for the attached interim condensed financial statements to present truly and fairly[4] in all material respects the financial position of the Bank as at 30 June 2007 and the financial result, for the 6 months ended 30 June 2007 in accordance with IAS 34.

on behalf of
Ernst & Young Audit sp. z o.o.
Rondo ONZ 1, 00-124 Warsaw
Registration No. 130

(-)

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Arkadiusz Krasowski

Warsaw, 21 September 2007

4 Translation of the following expression in Polish language: "*rzetelny, prawidłowy i jasny*"