



**PKO BANK POLSKI  
SPÓŁKA AKCYJNA**

**INTERIM FINANCIAL STATEMENTS  
OF  
THE PKO BANK POLSKI SA GROUP  
FOR THE THIRD QUARTER OF 2007**

Prepared in accordance with  
International Financial Reporting Standards

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## **1. SUMMARY**

- The net profit of the PKO BP SA Group in the 3rd quarter of 2007 amounted to PLN 745 million (increase of PLN 131.8 million, i.e. 21.5% on a y/y basis) with revenues PLN 282 million (i.e. 16.9%) higher on a y/y basis and operating expenses PLN 89 million (i.e. 9.8%) higher, also on a y/y basis.
- The consolidated net profit for the three quarters of 2007 amounted to PLN 2,029 million and was 29.5% higher on a y/y basis:
  - interest income amounted to PLN 3,330 million and was 18.5% higher on a y/y basis, mainly as a result of the increase in interest result on deposits,
  - fees and commission income amounted to PLN 1,722.5 million and were 26.4% higher, mainly due to commission for management of investment funds, card commission and commission for loans granted,
  - operating expenses amounted to PLN 2,892 million, and were 6.0% higher on a y/y basis, mainly due to increased personnel costs.
- The PKO BP Group recorded a PLN 6.9 billion, i.e. 6.8%, increase in total assets, compared to the end of 2006, to the level of PLN 109.0 billion as at 30 September 2007 thanks to the increase in loans and advances of PLN 12.4 billion, i.e. by 21.0%.
- The results achieved contributed to the improvement in the following consolidated financial ratios:
  - return on assets (ROA net) amounted to 2.5% and was 0.5 pp. higher than in the prior year,
  - return on equity (ROE net) was 25.2% and increased by 3.8 pp.,
  - costs to income ratio (C/I) decreased by 5.5 pp. to 51.9%.

## **2. ACCOUNTING POLICIES**

The consolidated quarterly report was prepared in accordance with the International Financial Reporting Standards binding from the beginning of 2005, issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC). This consolidated quarterly has been prepared in accordance with the International Accounting Standards No. 34 „Interim financial reporting” and includes additional information, as required by the Decree of the Minister of Finance dated 19 October 2005 on current and periodic information issued by the issuers of securities (Journal of Laws No. 209, item 1744).

The accounting policies applied in the report for the 3rd quarter of 2007 are consistent with those applied in previous quarters. These policies were described in detail in the 2007 half year Consolidated Annual Report.

**3. FINANCIAL STATEMENTS**  
**Consolidated quarterly report 3/2007**

for the 3<sup>rd</sup> quarter of 2007 covering the period from 1 January 2007 to 30 September 2007

<b>Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna</b>				
(issuer full name)				
<b>PKO BP SA</b>				
(issuer abbreviated name)				
<b>02-515</b> (postal code)				<b>Warszawa</b> (city)
<b>Puławska</b> (street)				<b>15</b> (number)
<b>(22) 521-91-82</b> (telephone)	<b>521-91-83</b> (fax)	<b>(e-mail)</b>		
<b>525-000-77-38</b> (NIP)	<b>016298263</b> (REGON)	<b>www.pkobp.pl</b> (www)		
<b>Data derived from consolidated financial statements</b>	<b>PLN thousand</b>		<b>EUR thousand</b>	
<b>SELECTED FINANCIAL DATA</b>	<b>Period from 01.01.2007 to 30.09.2007</b>	<b>Period from 01.01.2006 to 30.09.2006</b>	<b>Period from 01.01.2007 to 30.09.2007</b>	<b>Period from 01.01.2006 to 30.09.2006</b>
Net interest income	3 330 007	2 809 258	869 136	717 178
Net fees and commission income	1 722 450	1 362 713	449 562	347 888
Operating result	2 541 707	1 997 706	663 389	509 996
Net profit (loss) for the current year (including minority interest)	2 057 179	1 614 296	536 926	412 115
Net profit (loss)	2 028 861	1 566 223	529 535	399 842
Equity assigned to the shareholders of the holding company	11 091 297	9 483 573	2 936 147	2 380 714
Total equity	11 138 748	9 579 139	2 948 709	2 404 704
Net cash flow from operating activities	(6 349 406)	7 752 183	(1 657 203)	1 979 062
Net cash flow from investing activities	1 033 284	(6 641 924)	269 688	(1 695 623)
Net cash flow from financing activities	1 361 833	(660 734)	355 440	(168 679)
Total net cash flows	(3 954 289)	449 525	(1 032 074)	114 760
Basic earnings per share for the period	2.03	1.57	0.53	0.40
Diluted earnings per share for the period	2.03	1.57	0.53	0.40
Basic funds (Tier 1)*	8 717 436	7 138 291	2 307 726	1 791 965
Supplementary funds (Tier 2)	-	-	-	-
<b>Data derived from condensed financial statements</b>	<b>PLN thousand</b>		<b>EUR thousand</b>	
<b>SELECTED FINANCIAL DATA</b>	<b>Period from 01.01.2007 to 30.09.2007</b>	<b>Period from 01.01.2006 to 30.09.2006</b>	<b>Period from 01.01.2007 to 30.09.2007</b>	<b>Period from 01.01.2006 to 30.09.2006</b>
Net interest income	3 227 572	2 731 990	842 400	697 452
Net fees and commission income	1 506 165	1 259 188	393 111	321 459
Operating result	2 369 567	1 836 527	618 460	468 849
Gross profit	2 369 567	1 836 527	618 460	468 849
Net profit	1 927 857	1 492 363	503 173	380 987
Total equity	10 960 360	9 461 444	2 901 485	2 375 159
Net cash flow from operating activities	(6 101 777)	7 794 964	(1 592 571)	1 989 983
Net cash flow from investing activities	1 121 765	(6 548 433)	292 782	(1 671 755)
Net cash flow from financing activities	1 159 104	(801 245)	302 528	(204 551)
Total net cash flows	(3 820 908)	445 286	(997 262)	113 677
Basic earnings per share for the period	1.93	1.49	0.50	0.38
Diluted earnings per share for the period	1.93	1.49	0.50	0.38
Basic funds (Tier 1)*	8 051 658	6 724 364	2 131 478	1 688 054
Supplementary funds (Tier 2)	-	-	-	-

\* The value of Tier 1 as at 30 September 2006 was calculated data in order to include amendments to the Banking Law and the publication of Resolution no. 2/2007 of KNB (Commission of Banking Supervision).

<b>BALANCE SHEET OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP</b>		
<b>ASSETS</b>	<b>As at 30.09.2007</b>	<b>As at 31.12.2006</b>
Cash and amounts due from the Central Bank	4 398 414	4 628 134
Amounts due from banks	8 450 276	13 430 590
Financial assets held for trading	1 486 990	998 635
Derivative financial instruments	1 076 951	1 199 154
Other financial instruments at fair value through profit or loss	11 999 695	11 518 705
Loans and advances to customers	71 292 704	58 906 607
Investment securities	5 287 014	6 763 188
1. Available for sale	5 287 014	6 763 188
Investments in associates and jointly controlled entities	183 104	180 162
Intangible assets	1 076 870	944 028
Tangible fixed assets	2 677 659	2 655 041
Current tax receivables	32 135	326
Deferred tax asset	113 715	33 454
Other assets	883 920	767 683
<b>TOTAL ASSETS</b>	<b>108 959 447</b>	<b>102 025 707</b>

<b>LIABILITIES AND EQUITY</b>	<b>As at 30.09.2007</b>	<b>As at 31.12.2006</b>
<b>Liabilities</b>		
Amounts due to the Central Bank	1 478	1 387
Amounts due to other banks	7 541 898	4 351 608
Derivative financial instruments	1 117 936	1 097 806
Amounts due to customers	86 403 758	83 507 175
Liabilities arising from securities issued	291 999	43 722
Other liabilities	2 026 298	2 220 347
Current tax liabilities	9 604	170 960
Deffered tax liabilities	7 223	23 922
Provisions	420 505	428 200
<b>TOTAL LIABILITIES</b>	<b>97 820 699</b>	<b>91 845 127</b>
<b>Equity</b>		
Share capital	1 000 000	1 000 000
Other capital	8 160 599	7 109 697
Currency translation differences from foreign operations	(25 971)	(13 672)
Retained earnings	(72 192)	(166 771)
Net profit for the period	2 028 861	2 149 052
<b>Equity assigned to the shareholders of the holding company</b>	<b>11 091 297</b>	<b>10 078 306</b>
Minority interest	47 451	102 274
<b>Total equity</b>	<b>11 138 748</b>	<b>10 180 580</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>108 959 447</b>	<b>102 025 707</b>

<b>Capital adequacy ratio</b>	<b>10.99</b>	<b>11.80*</b>
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\* Capital adequacy ratio as at 31 December 2006 was calculated based on restated data in order to include amendments to the Banking Law and the publication of Resolution no. 2/2007 of KNB (Commission of Banking Supervision).

<b>PROFIT AND LOSS ACCOUNT OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP</b>				
	<b>3rd Quarter Period from 01.07.2007 to 30.09.2007</b>	<b>3 Quarters cumulatively Period from 01.01.2007 to 30.09.2007</b>	<b>3rd Quarter Period from od 01.07.2006 do 30.09.2006</b>	<b>3 Quarters cumulatively Period from 01.01.2006 to 30.09.2006</b>
Interest income	1 689 621	4 730 687	1 402 169	4 120 766
Interest expense	(480 759)	(1 400 680)	(432 298)	(1 311 508)
<b>Net interest income</b>	<b>1 208 862</b>	<b>3 330 007</b>	<b>969 871</b>	<b>2 809 258</b>
Fees and commission income	786 612	2 219 057	593 997	1 674 918
Fees and commission expense	(179 128)	(496 607)	(105 830)	(312 205)
<b>Net fees and commission income</b>	<b>607 484</b>	<b>1 722 450</b>	<b>488 167</b>	<b>1 362 713</b>
Dividend income	107	3 271	88	3 590
Result from financial instruments at fair value	(77 529)	(56 034)	(16 047)	(73 939)
Result from investment securities	2 012	4 380	19 665	20 792
Foreign exchange result	136 428	389 220	127 235	419 933
Other operating income	170 400	420 957	160 803	486 613
Other operating expense	(94 799)	(243 212)	(78 943)	(279 161)
<b>Net other operating income and expense</b>	<b>75 601</b>	<b>177 745</b>	<b>81 860</b>	<b>207 452</b>
Result on impairment allowances	(25 256)	(137 286)	16 035	(24 513)
General administrative expenses	(1 000 335)	(2 892 046)	(911 357)	(2 727 580)
<b>Operating result</b>	<b>927 374</b>	<b>2 541 707</b>	<b>775 517</b>	<b>1 997 706</b>
Share in the profits (losses) of associates and jointly controlled entities	1 253	931	2 114	866
<b>Gross profit (loss)</b>	<b>928 627</b>	<b>2 542 638</b>	<b>777 631</b>	<b>1 998 572</b>
Income tax expense	(172 241)	(485 459)	(145 885)	(384 276)
<b>Net profit (loss) (including minority interest)</b>	<b>756 386</b>	<b>2 057 179</b>	<b>631 746</b>	<b>1 614 296</b>
Profit (loss) attributable to minority shareholders	11 064	28 318	18 215	48 073
<b>Net profit (loss)</b>	<b>745 322</b>	<b>2 028 861</b>	<b>613 531</b>	<b>1 566 223</b>
<b>Earnings per share</b>				
– basic earnings per share for the period	0.75	2.03	0.61	1.57
– diluted earnings per share for the period	0.75	2.03	0.61	1.57

<b>STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP</b>		
	<b>Period from 01.01.2007 to 30.09.2007</b>	<b>Period from 01.01.2006 to 30.09.2006</b>
<b>EQUITY</b>		
<b>Share capital</b>	<b>1 000 000</b>	<b>1 000 000</b>
<b>Other capital, of which:</b>	<b>8 160 599</b>	<b>7 090 217</b>
Reserve capital	5 592 311	4 529 920
Revaluation reserve	(19 737)	(15 646)
<i>Fair value adjustments to available-for-sale financial assets</i>	(19 737)	(15 646)
Other reserves	1 518 025	1 505 943
General banking risk fund	1 070 000	1 070 000
<b>Currency translation differences from foreign operations</b>	(25 971)	(6 096)
<b>Retained earnings</b>	(72 192)	(166 771)
<b>Net profit for the period</b>	2 028 861	1 566 223
<b>Equity assigned to the shareholders of the holding company</b>	<b>11 091 297</b>	<b>9 483 573</b>
Minority interest	47 451	95 566
<i>Including the result for the period</i>	28 318	48 073
<b>Total equity</b>	<b>11 138 748</b>	<b>9 579 139</b>
<b>Sources of changes in equity</b>		
<b>Equity as at the end of the previous period</b>	10 180 580	8 774 990
Adjustments due to changes in accounting policies	-	-
<b>Equity as at the beginning of the period, restated</b>	<b>10 180 580</b>	<b>8 774 990</b>
<b>Changes in equity</b>		
Net profit (loss) for the period attributable to the shareholders of the holding company	2 028 861	1 566 223
Profit (loss) of the minority shareholders	28 318	48 073
Fair value adjustments to available-for-sale financial assets recognised in the revaluation reserve	(23 571)	(11 592)
Currency translation differences from foreign operations	(12 299)	(2 014)
Other increases/decreases in equity	(1 063 141)	(796 541)
<b>Total equity</b>	<b>11 138 748</b>	<b>9 579 139</b>

<b>OFF-BALANCE SHEET ITEMS OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP</b>		
	<b>As at 30.09.2007</b>	<b>As at 31.12.2006</b>
<b>Off-balance sheet contingent liabilities granted:</b>	<b>17 732 321</b>	<b>14 601 269</b>
1. financial	14 553 993	12 253 587
2. guarantees	3 178 328	2 347 682
<b>Liabilities arising from the purchase/sale transactions</b>	<b>422 813 490</b>	<b>308 950 992</b>
<b>Other, of which:</b>	<b>20 372 543</b>	<b>18 205 730</b>
- irrevocable liabilities	10 602 484	10 298 419
- collateral received	9 770 059	7 907 311
<b>Total off-balance sheet items</b>	<b>460 918 354</b>	<b>341 757 991</b>

<b>CONDENSED STATEMENT OF CASH FLOW OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP</b>		
	<b>Period from 01.01.2007 to 30.09.2007</b>	<b>Period from 01.01.2006 to 30.09.2006</b>
<b>Net cash flow from operating activities</b>	(6 349 406)	7 752 183
<b>Net cash flow from investing activities</b>	1 033 284	(6 641 924)
<b>Net cash flow from financing activities</b>	1 361 833	(660 734)
<b>Total net cash flow</b>	<b>(3 954 289)</b>	<b>449 525</b>
<b>Cash and cash equivalents at the beginning of the period</b>	14 163 158	11 390 608
<b>Cash and cash equivalents at the end of the period</b>	10 208 869	11 840 133
<b>Cash and cash equivalents, of which:</b>	<b>10 208 869</b>	<b>11 840 133</b>
Cash on hand	1 427 593	1 107 164
Amounts due to the Central Bank	2 970 821	2 621 796
Current receivables from financial institutions	5 801 897	8 107 349
Cash of the Brokerage House in the Stock Exchange Guarantee Fund	8 558	3 824



<b>BALANCE SHEET OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA</b>		
<b>ASSETS</b>	<b>As at 30.09.2007</b>	<b>As at 31.12.2006</b>
Cash and amounts due from the Central Bank	4 314 555	4 543 677
Amounts due from banks	8 451 344	13 349 723
Financial assets held for trading	1 486 990	997 432
Derivative financial instruments	1 076 951	1 199 349
Other financial instruments at fair value through profit or loss	11 800 562	11 373 301
Loans and advances to customers	68 960 220	57 339 790
Investment securities	5 359 692	6 805 567
1. Available for sale	5 359 692	6 805 567
2. Held to maturity	-	-
Investments in associates and jointly controlled entities	1 054 395	892 301
Intangible assets	822 473	726 458
Tangible fixed assets	2 131 849	2 157 382
Current tax receivables	31 594	-
Deferred tax asset	75 660	-
Other assets	408 211	432 347
<b>TOTAL ASSETS</b>	<b>105 974 496</b>	<b>99 817 327</b>

<b>LIABILITIES AND EQUITY</b>	<b>As at 30.09.2007</b>	<b>As at 31.12.2006</b>
<b>Liabilities</b>		
Amounts due to the Central Bank	1 478	1 387
Amounts due to other banks	6 792 272	3 875 868
Derivative financial instruments	1 117 818	1 097 796
Amounts due to customers	85 051 430	82 277 072
Liabilities arising from securities issued	-	-
Other liabilities	1 634 854	1 925 573
Current tax liabilities	-	170 960
Deferred tax liabilities	-	8 378
Provisions	416 284	424 569
<b>TOTAL LIABILITIES</b>	<b>95 014 136</b>	<b>89 781 603</b>
<b>Equity</b>		
Share capital	1 000 000	1 000 000
Other capital	8 032 503	6 988 333
Retained earnings	-	-
Net profit for the period	1 927 857	2 047 391
<b>Total equity</b>	<b>10 960 360</b>	<b>10 035 724</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>105 974 496</b>	<b>99 817 327</b>

<b>Capital adequacy ratio</b>	<b>10.77</b>	<b>11.69*</b>
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\* Capital adequacy ratio as at 31 December 2006 was calculated based on restated data in order to include amendments to the Banking Law and the publication of Resolution no. 2/2007 of KNB (Commission of Banking Supervision).

<b>PROFIT AND LOSS ACCOUNT OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA</b>				
	<b>3rd Quarter Period from 01.07.2007 to 30.09.2007</b>	<b>3 Quarters cumulatively Period from 01.01.2007 to 30.09.2007</b>	<b>3rd Quarter Period from od 01.07.2006 do 30.09.2006</b>	<b>3 Quarters cumulatively Period from 01.01.2006 to 30.09.2006</b>
Interest income	1 609 356	4 504 231	1 350 461	3 975 357
Interest expense	(435 334)	(1 276 659)	(406 753)	(1 243 367)
<b>Net interest income</b>	<b>1 174 022</b>	<b>3 227 572</b>	<b>943 708</b>	<b>2 731 990</b>
Fees and commission income	679 128	1 946 404	532 956	1 548 757
Fees and commission expense	(159 763)	(440 239)	(99 635)	(289 569)
<b>Net fees and commission income</b>	<b>519 365</b>	<b>1 506 165</b>	<b>433 321</b>	<b>1 259 188</b>
Dividend income	107	52 091	106	18 610
Result from financial instruments at fair value	(79 677)	(60 210)	(16 250)	(74 096)
Result from investment securities	1 827	3 609	19 120	19 979
Foreign exchange result	134 531	384 024	125 323	409 337
Other operating income	27 456	76 051	53 148	105 664
Other operating expense	(11 598)	(44 237)	(53 015)	(77 007)
<b>Net other operating income and expense</b>	<b>15 858</b>	<b>31 814</b>	<b>133</b>	<b>28 657</b>
Result on impairment allowances	(20 988)	(132 264)	16 699	(6 615)
General administrative expenses	(906 353)	(2 643 234)	(833 787)	(2 550 523)
<b>Operating result</b>	<b>838 692</b>	<b>2 369 567</b>	<b>688 373</b>	<b>1 836 527</b>
<b>Gross profit (loss)</b>	<b>838 692</b>	<b>2 369 567</b>	<b>688 373</b>	<b>1 836 527</b>
Income tax expense	(160 777)	(441 710)	(130 573)	(344 164)
<b>Net profit (loss)</b>	<b>677 915</b>	<b>1 927 857</b>	<b>557 800</b>	<b>1 492 363</b>

Earnings per share				
– basic earnings per share for the period	0.68	1.93	0.56	1.49
– diluted earnings per share for the period	0.68	1.93	0.56	1.49

<b>STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA</b>		
	<b>Period from 01.01.2007 to 30.09.2007</b>	<b>Period from 01.01.2006 to 30.09.2006</b>
<b>EQUITY</b>		
<b>Share capital</b>	<b>1 000 000</b>	<b>1 000 000</b>
<b>Other capital, of which:</b>	<b>8 032 503</b>	<b>6 969 081</b>
Reserve capital	5 591 995	4 529 604
Revaluation reserve	(19 492)	(15 523)
<i>Fair value adjustments to available-for-sale financial assets</i>	(19 492)	(15 523)
Other reserves	1 390 000	1 385 000
General banking risk fund	1 070 000	1 070 000
<b>Retained earnings</b>	-	-
<b>Net profit for the period</b>	1 927 857	1 492 363
<b>Total equity</b>	<b>10 960 360</b>	<b>9 461 444</b>
<b>Sources of changes in equity</b>		
<b>Equity at the end of the previous year</b>	10 035 724	8 780 394
<b>Changes in equity</b>		
Net profit (loss) of the Bank	1 927 857	1 492 363
Fair value adjustments to available-for-sale financial assets recognised in the revaluation reserve	(23 221)	(11 063)
Other increases/decreases in shareholders' equity	(980 000)	(800 250)
<b>Total equity</b>	<b>10 960 360</b>	<b>9 461 444</b>

<b>OFF-BALANCE SHEET ITEMS OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA</b>		
	<b>As at 30.09.2007</b>	<b>As at 31.12.2006</b>
<b>Off-balance sheet contingent liabilities granted</b>	<b>18 006 418</b>	<b>14 799 391</b>
1. financial	14 580 078	12 286 757
2. guarantees	3 426 340	2 512 634
<b>Liabilities arising from the purchase/sale transactions</b>	<b>422 875 337</b>	<b>308 180 994</b>
<b>Other, of which:</b>	<b>15 600 378</b>	<b>13 948 116</b>
- irrevocable liabilities	10 600 021	10 296 573
- collateral received	5 000 357	3 651 543
<b>Total off-balance sheet items</b>	<b>456 482 133</b>	<b>336 928 501</b>

<b>CONDENSED STATEMENT OF CASH FLOW OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA</b>		
	Period from 01.01.2007 to 30.09.2007	Period from 01.01.2006 to 30.09.2006
Net cash flow from operating activities	(6 101 777)	7 794 964
Net cash flow from investing activities	1 121 765	(6 548 433)
Net cash flow from financing activities	1 159 104	(801 245)
<b>Total net cash flow</b>	<b>(3 820 908)</b>	<b>445 286</b>
Cash and cash equivalents at the beginning of the period	13 879 643	<b>11 204 636</b>
Cash and cash equivalents at the end of the period	<b>10 058 735</b>	<b>11 649 922</b>
<b>Components of cash and cash equivalents</b>	<b>10 058 735</b>	<b>11 649 922</b>
Cash on hand	1 343 734	1 054 096
Amounts due from the Central Bank	2 970 821	2 621 796
Current receivables from financial institutions	5 735 622	7 970 206
Cash of the Brokerage House in the Stock Exchange Guarantee Fund	8 558	3 824

#### 4. IMPAIRMENT OF THE PKO BP SA GROUP'S ASSETS

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

	30.09.2007	31.12.2006
Impairment allowances against loans and advances, realized guarantees and placements	2 353 897	2 447 351
Impairment allowances against tangible fixed assets and intangible assets	82 883	82 901
Impairment allowances against financial assets	93 271	92 237
Impairment allowances against other assets	74 064	77 732

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

	Period from 01.01.2007 to 30.09.2007	Period from 01.01.2006 to 30.09.2006
<b>Increases, of which:</b>	<b>(963 158)</b>	<b>(704 809)</b>
impairment losses on loans and advances	(896 450)	(670 983)
impairment losses on off-balance sheet liabilities	(44 285)	(16 822)
impairment losses on securities and financial assets	(8 696)	(8 711)
impairment losses on other receivables and tangible fixed assets	(13 727)	(8 293)
<b>Decreases, of which:</b>	<b>825 872</b>	<b>680 296</b>
impairment losses on loans and advances	782 224	639 326
impairment losses on off-balance sheet liabilities	30 913	23 561
impairment losses on securities and financial assets	3 704	7 637
impairment losses on other receivables and tangible fixed assets	9 031	9 772
<b>Balance at the end of the period</b>	<b>(137 286)</b>	<b>(24 513)</b>

#### 5. ADJUSTMENTS DUE TO PROVISIONS, DEFERRED TAX ASSET AND DEFERRED TAX LIABILITY IN THE PKO BP SA GROUP

	30.09.2007	31.12.2006
Deferred tax liability	549 292	521 165
Deferred tax asset	655 784	530 697
Provision for off-balance sheet liabilities	36 990	26 330
Provision for future liabilities to employees	334 831	354 996
Provision for other future liabilities	48 684	46 874

## 6. DESCRIPTION OF THE PKO BP SA GROUP

### 6.1 ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Included in the consolidated financial statements is the Bank – the parent company of the PKO BP SA Group – and its subsidiaries as defined under IAS 27 „Consolidated and separate financial statements”.

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

No.	Entity name	Value of investment*	% of share capital	Consolidation method
		PLN thousands	%	
<b>Holding company</b>				
1	Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna			
<b>Direct subsidiaries</b>				
2	KREDOBANK SA	307 364	98.1815	Full method
3	Powszechne Towarzystwo Emerytalne BANKOWY SA	205 786	100.00	Full method
4	Centrum Finansowe Puławska Sp. z o.o.	128 288	100.00	Full method
5	PKO Inwestycje Sp. z o.o.	123 313	100.00	Full method
6	PKO Towarzystwo Funduszy Inwestycyjnych SA	69 055	75.00	Full method
7	Inteligo Financial Services SA	59 602	100.00	Full method
8	Centrum Elektronicznych Usług Płatniczych eService SA	55 500	100.00	Full method
9	Bankowy Fundusz Leasingowy SA	40 000	100.00	Full method
10	Bankowe Towarzystwo Kapitałowe SA	18 566	100.00	Full method
<b>Indirect subsidiaries</b>				
Subsidiaries of PKO Inwestycje Sp. z o.o.				
11	Wilanów Investments Sp. z o.o.	82 981	100.00	Full method
12	POMERANKA Sp. z o.o.	19 000	100.00	Full method
13	Fort Mokotów Sp. z o.o.	2 040	51.00	Full method
14	UKRPOLINWESTYCJE Sp. z o.o.	519	55.00	Full method
Subsidiary of PTE BANKOWY SA				
15	Finanse Agent Transferowy Sp. z o.o.	2 861	100.00	Full method
Subsidiary of Bankowy Fundusz Leasingowy SA				
16	Bankowy Leasing Sp. z o.o.	1 300	100.00	Full method
17	BFL Nieruchomości Sp. z o.o.	1 100	100.00	Full method

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

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

No.	Entity name	Value of investment*	% of share capital	Consolidation method
		PLN thousands	%	
<b>Jointly controlled entities</b>				
1	CENTRUM HAFFNERA Sp. z o.o.	44 371	49.43	Equity method
2	Centrum Obsługi Biznesu Sp. z o.o.	17 498	41.44	Equity method
<b>Subsidiaries of CENTRUM HAFFNERA Sp. z o.o.</b>				
3	Sopot Zdrój Sp. z o.o.	58 923	100.00	Equity method
4	Promenada Sopocka Sp. z o.o.	10 058	100.00	Equity method
5	Centrum Majkowskiego Sp. z o.o.	6 609	100.00	Equity method
6	Kamienica Morska Sp. z o.o.	976	100.00	Equity method

<b>Associates</b>				
7	Bank Pocztowy SA	146 500	25.0001	Equity method
8	Kolej Gondolowa Jaworzyna Krynicka SA	15 531	37.53	Equity method
9	Ekogips SA – w upadłości [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
<b>Associates of Bankowe Towarzystwo Kapitałowe SA</b>				
12	FINDER SA	6 500	46.43	Equity method
13	P.L. ENERGIA SA	5 000	20.32	Equity method

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

## **6.2 CHANGES IN THE ORGANISATION OF SUBORDINATED ENTITIES IN THE 3RD QUARTER OF 2007**

In the 3rd quarter of 2007, the following events affected the structure of PKO BP SA:

- Purchase of shares of KREDOBANK SA from EBRD

On 20 April 2007, PKO BP SA signed with the European Bank for Reconstruction and Development conditional agreement for the purchase by PKO BP of shares of KREDOBANK SA which represent 28.2486% of the share capital of this company and give the same amount of voting rights at the general shareholders' meeting.

On 16 July 2007, PKO BP SA received permission from the National Bank of Ukraine for the purchase of the shares referred to above and on 26 July 2007 the transaction of purchase of shares of KREDOBANK SA from EBRD was executed. The purchase price of the shares was EUR 17,348,177.00.

As a result of realization of the above transaction, PKO BP SA holds shares of KREDOBANK SA which account for a total of 98.1815% of the share capital of this company and give right to 98.1815% of votes at the general shareholders' meeting of this company.

- Taking up shares in the increased share capital of KREDOBANK SA

On 9 July 2007 and on 23 July 2007, PKO BP SA registered for the 17th issue of shares of KREDOBANK SA in the total amount of 17,353,578,610 pieces and a total nominal value of UAH 173,535,786.10.

On 5 September 2007, the increase in the share capital of KREDOBANK SA referred to above was registered by the National Registry of Ukraine in Lvov, the Execution Committee of the Lvov City Council in the Frankovski Region of the Lvov City.

After registration of the above issue, the share of PKO BP in the share capital of KREDOBANK SA and in the votes at the general shareholders' meeting of this company remained at the current level of 98.1815%.

- Setting up the Bankowy Fundusz Leasingowy Nieruchomości Sp. z o.o. company

On 16 July 2007, a company under the name of Bankowy Fundusz Leasingowy Nieruchomości Sp. z o.o. with registered office in Łódź was registered in the National Court Register. The share capital of this newly created company amounts to PLN 1,100 thousand and is divided into 2,200 shares with a nominal value of PLN 500 each.

All shares in this company were taken up by Bankowy Fundusz Leasingowy SA, the subsidiary of PKO BP SA.

The main area of the company's business activities includes rendering lease of real estate based on operating and finance lease contracts.

- Taking up shares in the increased share capital of Bankowy Fundusz Leasingowy SA

On 2 August 2007, an increase in the share capital of Bankowy Fundusz Leasingowy SA for the total amount of PLN 10 million was registered in the National Court Register.

All shares in the increased share capital were taken up by PKO BP SA. After registration of the above issue, PKO BP SA holds 100% of shares in the share capital of BFL SA which give right to 100% of votes at the general shareholders' meeting of this company.

### **6.3 RELATED PARTY TRANSACTIONS**

In the 3rd quarter of 2007, PKO BP SA provided at arm's length the following services to its related parties (subordinated entities):

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

Details of related party transactions of PKO BP SA with a total value exceeding PLN equivalent of EUR 500 thousand and not relating to current business activities of the Bank have been presented in point 19 of this Report.

## **7. FACTORS AND EVENTS WITH SIGNIFICANT IMPACT ON FINANCIAL RESULT**

### **7.1 MACROECONOMIC FACTORS**

In the 3rd quarter of 2007:

- real economy data indicates a slow down in the dynamics of economic growth compared to the 2nd quarter of 2007 (6.7% on a y/y basis), with continued stimulation of the effect of domestic demand and sustained high negative share of net export,
- labor market saw positive effects of: good economic conditions, seasonal trends, higher inflow of EU funds for the activation of unemployed and work emigration, which all resulted in higher than in previous years decrease in the registered unemployment rate, which in August 2007 was 12.0%; also, further increase in the annual dynamics of employment in private sector was observed,
- inflation rate fell to 2.3% y/y in September 2007 from 2.6% y/y at the end of the 2nd quarter, while the average quarter inflation rate fell to approx. 2.0% y/y from 2.4% y/y in the 2nd quarter; this resulted mainly from lower dynamics of transport prices and decrease in the prices of communications, recreation and culture (effect of internet price promotions),
- upward trend in household deposits, which at the end of September 2007 increased by 8.2% y/y, and compared to the end of December 2006 - by 3.7%, which was caused by smaller outflow of funds to investment funds, which – in turn – was the result of worsening of economic conditions on the share market. Corporate deposits increased, and at the end of August 2007 the increase was 19.5% counted on a year-to-year basis; in comparison with the balance in December 2006, the increase was 5.8%;
- increase in the dynamics of household loans continued (increase by 39.6% y/y) and was stimulated mainly by high demand for housing and consumer loans. Also, the increase in the dynamics of corporate loans was recorded (increase by 24.5% y/y);
- In August 2007, the Monetary Policy Council increased, for the third time from the beginning of the year, the National Bank of Poland interest rates by 25 base points and, as a result, at the end of September, the NBP reference rate was 4.75%.

At the same time, in the 3rd quarter of 2007 the results of the PKO BP SA Group were affected by certain macroeconomic conditions in Ukraine, where the subsidiary of PKO BP SA, KREDOBANK SA, operates. The factors referred to above, are among others:

- continued favorable economic conditions in the real economy area with simultaneous strong increase in the inflation rate to 14.4% y/y from 13% in the 2nd quarter of 2007 due to significant increases in food prices,
- maintaining high dynamics in loans and deposits (above 75% y/y for loans and over 45% y/y for deposits),
- stabilization of the exchange rate of the Ukrainian Hryvna at UAH/USD 5.05 due to continuing by the Central Bank of Ukraine of the policy of interventions on the currency market.

### **7.2 REGULATORY FACTORS**

In the 3rd quarter of 2007, operations of the PKO BP SA Group were affected by the following new regulatory solutions:

- Resolution of the Polish Supervisory Authority dated 3 July 2007 defining policies for advertising of investment funds, which significantly limited advertisements (mostly TV spots).
- Resolution No. 83/2007 of the Management Board of the National Bank of Ukraine requiring that Ukrainian banks create, as of 1 October 2007, their provisions in accordance with new regulations.

- Ruling of the European Commission No. 1287/2006 dated 10 August 2006 introducing implementation measures to Directive No. 2004/39/WE of the European Parliament and European Council concerning financial instruments market (MiFID), which imposed on the investment firms, including companies managing open-end investment funds, brokerage houses, as well as investment banks, new information requirements (to keep registers, logs of transactions, market transparency) and the requirements aiming at protecting investor interests. The new polices were to be implemented as of 1 November 2007. In the 3rd quarter of 2007, implementation works were intensified, which caused that organizations were to incur additional financial, technical and organizational outlays, including those related to adjustment of their operating systems.

In the 3rd quarter of 2007, brokerage houses and entities making joint investments (investment and pension funds) conducted intensified preparatory works aimed at implementing new policies of capital adequacy based on the New Capital Accord resulting from the Directive 2006/49/WE.

### 7.3 SITUATION OF THE FINANCIAL MARKET

In the 3rd quarter of 2007:

- crisis on the market of mortgage loans in the USA, and consequently on the market of financial instruments secured by those loans, caused worsening of the financial situation of many entities operating on this market. The situation quieted at the end of September 2007 after firm reactions of the central banks of the Euro zone and of Great Britain and USA, especially after the FED reduced interest rates by 50 base points,
- financial market saw an increase in the profitability of treasury securities, amounting to – depending on the maturity – from several to over 30 base points, which was due to further increasing of the NBP interest rates and sustaining investor expectations to continue with the cycle of monetary policy tightening; in addition, a rapid increase of risk aversion, in response to the crisis on the financial instruments market caused by the US real estate market coupled with reduced liquidity on financial markets, contributed to an increase in the profitability of Polish bonds, despite decreased profitability of, American bonds, which discounted loosening of monetary policy,
- the result of the circumstances referred to above was the non-parallel shifting of the yield curve for bonds and swaps, which resulted in a decreased efficiency of the transactions hedging interest rate risk (mainly IRS),
- Polish zloty depreciated against Euro by 0.3% (to PLN/EUR 3.78 at the end of September 2007) and appreciated by approx. 4.8% against US Dollar (to PLN/USD 2.66); major depreciation of Polish zloty was recorded at the end of July 2007 due to the increased risk aversion, as referred to above; stabilization of currency market in the second half of September 2007 caused that the losses incurred were recovered. Strong depreciation of US Dollar throughout the entire period translated into visible strengthening of Polish zloty against US Dollar.

## 8. ACTIVITIES OF PKO BP SA IN THE 3RD QUARTER OF 2007

### 8.1 GENERAL INFORMATION

Table 3. Basic operating data

Items	30.09.2007	31.12.2006	30.09.2006	Change since:	
				31.12.2006	30.09.2006
<b>Total number of branches</b>	<b>1 233</b>	<b>1 239</b>	<b>1 243</b>	<b>-6</b>	<b>-10</b>
- Retail Market Area:	1 150	1 156	1 160	-6	-10
Regional Retail Branches	12	12	12	0	0
Independent branches	574	574	574	0	0
Subordinated branches	564	570	574	-6	-10
- Corporate Market Area:	83	83	83	0	0
Regional Corporate Branches	13	13	13	0	0
Corporate client teams	-*	13	13	-13	-13
Corporate centers	70	57	57	13	13
<b>Number of ATMs</b>	<b>2 091</b>	<b>2 024</b>	<b>1 890</b>	<b>67</b>	<b>201</b>
<b>Total staff (FTEs)</b>	<b>31 094</b>	<b>31 955</b>	<b>32 302</b>	<b>-861</b>	<b>-1 208</b>

\*) Corporate client teams were transformed into corporate centers

### 8.2 BANKING ACTIVITIES

- As at 30 September 2007, total **deposits** of PKO BP SA and assets managed by PKO TFI amounted to PLN 103.2 billion. From the beginning of the year, their volume increased by PLN 9.0 billion (i.e. by 9.5%) and was accompanied by a structural change of increasing the share of assets managed by PKO TFI.



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

Items	As at:			Change since:	
	30.09.2007	31.12.2006	30.09.2006	31.12.2006	30.09.2006
1. Client deposits, of which:	<b>83 456.5</b>	<b>81 320.3</b>	<b>80 851.2</b>	<b>2.6%</b>	<b>3.2%</b>
- retail banking	39 260.3	38 367.4	37 589.5	2.3%	4.4%
- private banking	14 542.5	17 324.5	17 798.4	-16.1%	-18.3%
- small and medium sized enterprises (SMEs)	6 019.8	5 787.7	5 000.1	4.0%	20.4%
- housing	10 515.8	10 160.4	9 735.4	3.5%	8.0%
- corporate	13 118.1	9 680.4	10 727.7	35.5%	22.3%
2. Other deposits	3 388.3	4 356.5	1 702.7	-22.2%	99.0%
<b>Total deposits</b>	<b>86 844.8</b>	<b>85 676.9</b>	<b>82 553.9</b>	<b>1.4%</b>	<b>5.2%</b>
<b>Assets managed by PKO TFI</b>	<b>16 340.9</b>	<b>8 541.7</b>	<b>6 763.0</b>	<b>91.3%</b>	<b>141.6%</b>
<b>Total funds deposited</b>	<b>103 185.7</b>	<b>94 218.6</b>	<b>89 316.9</b>	<b>9.5%</b>	<b>15.5%</b>

Source: Bank's management information and data of PKO TFI

- As at 30 September 2007, **the gross value of loans and advances** granted by PKO BP SA amounted to PLN 71.1 billion and from the beginning of the year increased by PLN 11.6 billion (i.e. by 19.4%), mainly due to increase in the balance of housing loans, loans to small and medium sized enterprises (SMEs) and private banking.

In the 3rd quarter of 2007, the Bank recorded a PLN 3.6 billion (i.e. 3.9%) increase in the gross value of loans and advances, mainly due to increase of PLN 3.1 billion (i.e. 11.6%) in the volume of housing loans and increase of PLN 0.5 billion (i.e. 4.5%) in retail banking loans.

During the period July-September 2007, in the area of consumer loans:

- current product offer was extended to include a cash loan called „Max Pożyczka Mini Rata” (*Max Loan Mini Installment*) with increased customer accessibility due to limiting the formalities required to obtain such loan,
- Szybki Serwis Kredytowy was modified as regards its price and servicing process.

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

Items	As at:			Change since:	
	30.09.2007	31.12.2006	30.09.2006	31.12.2006	30.09.2006
<b>Gross loans and advances</b>					
- retail banking	12 243.3	11 518.0	11 561.1	6.3%	5.9%
- private banking	3 320.5	2 132.4	1 914.6	55.7%	73.4%
- SMEs	6 322.1	4 574.9	4 248.0	38.2%	48.8%
- housing loans	30 062.9	22 461.7	21 102.2	33.8%	42.5%
- housing receivables	2 827.5	2 822.6	2 853.4	0.2%	-0.9%
- corporate	16 311.7	16 008.6	14 889.8	1.9%	9.5%
<b>Total</b>	<b>71 087.9</b>	<b>59 518.2</b>	<b>56 569.1</b>	<b>19.4%</b>	<b>25.7%</b>

Source: PKO BP SA's management information

\* without interest due and interest not due

- In the 3rd quarter of 2007, as part of its structural financing, PKO BP SA:
  - organised 3 bilateral loans with a total value of PLN 304 million and 2 syndicated loans with a total value of PLN 345 million,
  - concluded 3 agreements for the issuance of non-treasury debt securities for corporate clients for the total amount of PLN 55 million,
  - concluded 11 agreements for the issuance of municipal bonds for the total value of PLN 55 million.
- In the 3rd quarter of 2007, the **total number of savings-settlement accounts (ROR) and Inteligo current accounts** increased by 57 thousand accounts and at 30 September 2007 amounted to 6,176 thousand accounts.

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

From the beginning of the year, the number of accounts increased by 158 thousand accounts, of which the number of ROR accounts increased by 110 thousand, while the number of Inteligo accounts – by 48 thousand .

- As at 30 September 2007, the number of users of **electronic banking services of PKO Inteligo** was over 1.6 million and in the 3rd quarter of 2007 increased by 8.1%.
- In the 3rd quarter of 2007, **the number of banking cards** issued by PKO BP SA increased by 88 thousand cards and as at 30 September 2007 amounted to 7,244 thousand cards. During the same period, the number of credit cards increased by over 30 thousand cards to 1,002 thousand. Compared to the number of banking cards issued at the end of 2006, the increase in the number of banking cards issued was 284 thousand, of which credit cards – by 67 thousand cards.

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

Item	30.09.2007	31.12.2006	30.09.2006	Change since:	
				31.12.2006	30.09.2006
Total number of accounts, of which:	6 176	6 018	5 962	158	214
- saving-settlement accounts (ROR)	5 533	5 423	5 387	110	146
- Inteligo current accounts	643	595	575	48	68
Total number of banking cards, of which:	7 244	6 960	6 674	284	570
- credit cards	1 002	935	696	67	306

- In the 3rd quarter of 2007, the activities of PKO BP **on the money market** concentrated on the following areas:
  - trading activities with retail (individual) and corporate clients of PKO BP SA – a significant increase in the volume of transactions with corporate clients was recorded; compared to the 3rd quarter of 2006 the volume of SPOT and FWD transactions and sales of currency options increased four times.
  - managing the Bank’s investment portfolio and financial risk which consisted in concluding transactions balancing the risk of interest rate, currency and liquidity risk generated in all areas of the PKO BP SA’s activities.

### **8.3 BROKERAGE ACTIVITIES**

In the 3rd quarter of 2007, Dom Maklerski PKO BP SA (“DM”):

- recorded turnover of PLN 6.7 billion (with a 6.1% share in the total turnover on the stock market and was ranked 7th on this market), which was 21% lower than in the prior quarter due to stock exchange crisis in July and August 2007 (during the period from 1 July 2007 to 16 August 2007, the WIG index fell by 17.8%),
- the number of agreements signed by DM PKO BP SA with companies and the Stock Exchange in Warsaw as regards its role as market maker and issuer was 61 and 34, respectively, which gives DM the leader position; as part of its primary market participant activities, it carried out share issues for Armatura Kraków and OPONEO.PL; it also carried out an issue of “D” series shares of Makarony Polskie on the Stock Exchange in Warsaw.
- maintained a leading position on the bonds market and realized PLN 354 million turnover (49.4% of total turnover on the bonds market); it also realized a turnover of 39 thousand contracts on the options market (which accounted for 16.6% share in this market and ranked it 2nd); on the market of forward contracts, DM realized a turnover of 229 thousand contracts (4.1% of forwards market share).

At the end of September 2007, DM PKO BP SA maintained a total of 342.1 thousand accounts, of which 95.6 thousand related to cash and securities accounts and 246.5 thousand – to registry accounts. Compared to the number of accounts kept at the end of June 2007, the number of cash and securities accounts increased by 1.4 thousand, while the number of registry accounts decreased by 7.3 thousand, mainly due to repurchase of treasury bonds with earlier series and smaller interest in the bonds product offer proposed.

### **8.4 PRIZES AND AWARDS**

In the 3rd quarter of 2007, PKO BP SA was awarded the following prizes:

- Inteligo account was ranked first in the ranking of Internet banks (in all categories except for user-friendly procedures, in which it was ranked 3rd), organized by the „Newsweek” weekly (September 2007),
- the Press Officer of PKO BP SA was ranked first in the poll „Journalists’ opinions on the WIG 20 listed companies” conducted by the research institute, ARC Rynek i Opinia (July 2007).

## **9. ACTIVITIES OF SUBSIDIARIES IN THE 3RD QUARTER OF 2007**

### KREDOBANK SA

During the 3rd quarter of 2007, total assets of KREDOBANK SA increased by PLN 120.7 million i.e. by 5.9% and at 30 September 2007 amounted to PLN 2,174.9 million (UAH 4,098.1 million)<sup>2</sup>. The gross value of credit portfolio of this company increased in the 3rd quarter of 2007 by PLN 29.9 million i.e. by 1.9% and at 30 September 2007 amounted to PLN 1,645.6 million (UAH 3,100.8 million). Clients' term deposits fell in the 3rd quarter of 2007 by PLN 2.2 million i.e. by 0.2% and at the end of September 2007 amounted to PLN 1,126.8 million (UAH 2,123.3 million).

As at 30 September 2007, the network of KREDOBANK SA included 24 branches and 146 representative offices in 19 out of 24 regions of Ukraine and in the Autonomous Republic of Crimea. During the 3rd quarter of 2007, the above numbers increased by 1 branch and 10 representative offices.

### Powszechne Towarzystwo Emerytalne BANKOWY SA

At the end of September 2007, the value of assets of the Bankowy Open-End Pension Fund (Bankowy OFE), managed by PTE BANKOWY, amounted to PLN 4,306 million which is PLN 22 million less compared to the end of the 2nd quarter of 2007. Decrease in total net assets of Bankowy OFE was caused by reduced indexes of companies listed on the Stock Exchange in Warsaw.

At the end of the 3rd quarter of 2007, the position of Bankowy OFE on the market of pension funds remained unchanged (ranked 8th in terms of OFE assets).

### Centrum Finansowe Puławska Sp. z o.o.

As at 30 September 2007, the Company leased out 98.3% of office and commercial space in the building Centrum Finansowe Puławska, of which 84.5% was leased out to the PKO BP SA Group companies. Compared to the end of the 2nd quarter of 2007, the area of the office and commercial space leased out slightly increased (by 0.19%).

### PKO Inwestycje Sp. z o.o.

In the 3rd quarter 2007, PKO Inwestycje Sp. z o.o., through special purpose vehicles (SPVs), continued realization of the following investment projects: „Marina Mokotów” and „Nowy Wilanów” in Warsaw, „Neptun Park” in Gdańsk and „Kuźmińska” in Kiev, Ukraine.

The „Marina Mokotów” project was realized by a special purpose vehicle, Fort Mokotów Sp. z o.o., in which PKO Inwestycje Sp. z o.o. holds 51% shares. The project has already been completed.

The project „Nowy Wilanów” is carried out by another SPV, Wilanów Investments Sp. z o.o. PKO Inwestycje Sp. z o.o. holds 100% shares in this company. The project assumes construction in 3 stages of 1,898 housing units. The company is currently completing the 1st stage of this project which assumes construction of 532 flats in 4 housing units. At the same time, the company continued its work related to the realization of stage 2 of the project, which – in turn – consisted of construction of 500 flats in 5 buildings.

The „Neptun Park” project is carried out by a special purpose vehicle, POMERANKA Sp. z o.o. PKO Inwestycje Sp. z o.o. holds 100% shares in this company. The company is currently completing all work relating to the 1st stage of this project, which consists in constructing 5 buildings with 119 flats (all flats have already been sold). In September 2007, the company started to give out the keys to the flats to flat owners. The company has started realization of the 2nd stage of the project, which covers the construction of 6 buildings with 208 flats.

The „Kuźmińska” project is carried out by a special purpose vehicle, UKRPOLINWESTYCJE Sp. z o.o. PKO Inwestycje Sp. z o.o. holds 55% shares in this company. The investment is carried out in collaboration with the Ukrainian partner, IK Komfort Sp. z o.o. The company continued its work related to the construction of 10 two-storey buildings in Kiev, Ukraine.

### PKO Towarzystwo Funduszy Inwestycyjnych SA

At the end of September 2007, the value of total assets managed by PKO Towarzystwo Funduszy Inwestycyjnych SA was PLN 16.3 billion, which accounts for a 12.2% increase compared to the end of the 2nd quarter of this year. PKO TFI SA ranks 4th on the investment funds market with 11.6% market share.

### Inteligo Financial Services SA

At the end of the 3rd quarter of 2007, the company made available its electronic banking systems to 1.7 million customers of PKO BP SA using the PKO Inteligo services. At the same time, as part of its Inteligo product offer, the company kept 692 thousand accounts for over 570 thousand clients. The number of clients serviced as part of

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<sup>2</sup> All financial data of KREDOBANK SA was translated using the average NBP rate prevailing as at 30 September 2007 (UAH = PLN 0.5307).

the Inteligo account product increased by 12 thousand compared to the number of clients at the end of the 2nd quarter of 2007.

In the 3rd quarter of 2007, the value of deposits of Inteligo clients was PLN 1,976 million and increased compared to the end of June 2007 by PLN 69 million.

#### Centrum Elektronicznych Usług Płatniczych eService SA

In the 3rd quarter of 2007, transactions with a value of PLN 3,840 million were generated using the Centrum Elektronicznych Usług Płatniczych eService SA terminals. As far as the value of pay cards transactions is concerned, the company estimated that its share in the card transaction market at the end of the 3rd quarter of 2007 was 30%.

The number of terminals installed at the end of the 3rd quarter of 2007 amounted to 43,575 units, which accounts for a 5.2% increase compared to the end of the 2nd quarter of 2007. eService SA's estimated share in the market as regards the number of terminals is 35%.

#### Bankowy Fundusz Leasingowy SA

In the 3rd quarter of 2007, the Bankowy Fundusz Leasingowy SA signed 1,798 lease agreements for fixed assets with a net value of PLN 318.2 million. The total carrying amount of lease investments amounted to PLN 1,366.3 million at the end of the 3rd quarter of 2007 and compared to the 2nd quarter of 2007 increased by 12.1%. This ranked BFL SA 9th among lease companies.

#### Bankowe Towarzystwo Kapitałowe SA

At the end of the 3rd quarter of 2007, BTK SA managed the investment portfolio with a value of PLN 11.5 million which covered the FINDER SA and P.L. ENERGIA SA. exposures. Compared to the end of the 2nd quarter of 2007, the value of the assets managed has not changed.

## **10. FINANCIAL PERFORMANCE OF THE PKO BP SA GROUP FOR THE 3RD QUARTER OF 2007**

### **10.1 BALANCE SHEET DATA**

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

Items	As at:		Change
	30.09.2007	31.12.2006	
<b>ASSETS</b>			
Cash and amounts due from the Central Bank	4 398.4	4 628.1	-5,0%
Amounts due from other banks	8 450.3	13 430.6	-37,1%
Financial assets held for trading	1 487.0	998.6	48,9%
Derivative financial instruments	1 077.0	1 199.2	-10,2%
Other financial instruments at fair value through profit or loss	11 999.7	11 518.7	4,2%
Loans and advances to customers	71 292.7	58 906.6	21,0%
Investment securities	5 287.0	6 763.2	-21,8%
Tangible fixed assets	2 677.7	2 655.0	0,9%
Other assets	2 289.7	1 925.7	18,9%
<b>TOTAL ASSETS</b>	<b>108 959.4</b>	<b>102 025.7</b>	<b>6,8%</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities, of which:</b>	<b>97 820.7</b>	<b>91 845.1</b>	<b>6,5%</b>
Amounts due to the Central Bank	1.5	1.4	6,6%
Amounts due to other banks	7 541.9	4 351.6	73,3%
Derivative financial instruments	1 117.9	1 097.8	1,8%
Amounts due to customers	86 403.8	83 507.2	3,5%
Other liabilities	2 755.6	2 887.2	-4,6%
Total equity	11 138.7	10 180.6	9,4%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>108 959.4</b>	<b>102 025.7</b>	<b>6,8%</b>

During the period of the three quarters of 2007, the value of total assets of the PKO BP SA Group increased by PLN 6.9 billion. Also, changes occurred in the structure of assets of the PKO BP SA Group – the share of loans

and advances to customers increased (from 57.7% to 65.4%), mainly at the expense of decrease in the share of inter-bank placements and securities, the share of which in total assets decreased from 32.1% to 25.0%.

On the liabilities and equity side, a significant increase in „amounts due to other banks” is the effect of use by PKO BP SA of a syndicated loan with a value of CHF 950 million taken out to general financing purposes.

## 10.2 OFF-BALANCE SHEET ITEMS

As at 30 September 2007, total off-balance sheet items of the PKO BP Group amounted to PLN 460,918 million and increased by 34.9% compared to the end of 2006. The main items of off-balance sheet items were liabilities arising from purchase/ sale transactions with a value of PLN 422,813 million. These comprised mainly transactions with the use of derivative financial instruments and forward exchange transactions made by PKO BP SA in order to regulate own currency liquidity, as well as for speculation and arbitrage purposes.

## 10.3 FINANCIAL RESULT AND PERFORMANCE INDICATORS

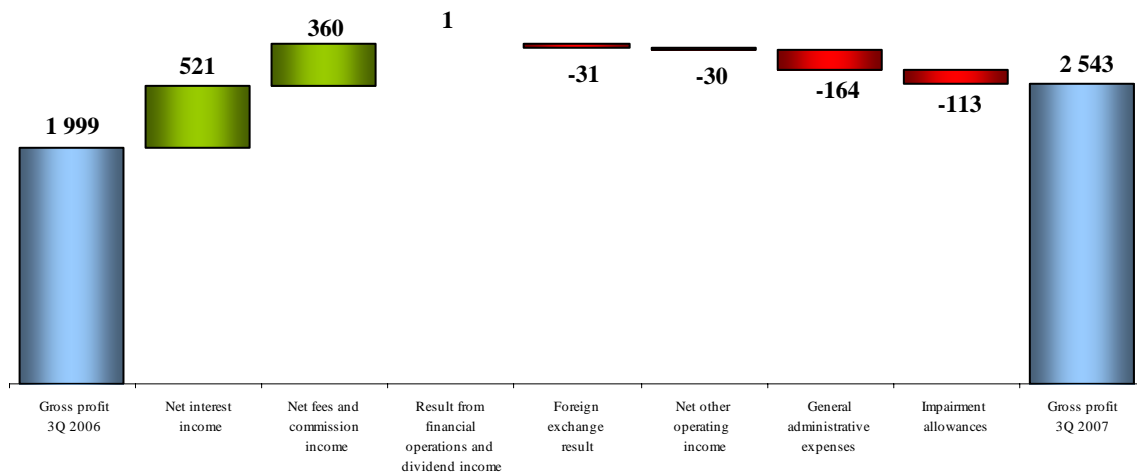
The consolidated pre-tax profit for the 3rd quarter of 2007 amounted to PLN 929 million and net profit – to PLN 745 million and was PLN 151 million and PLN 132 million, respectively, higher compared to the corresponding period of 2006.

During the period of the three quarters of 2007, the PKO BP SA Group recorded a net profit of PLN 2,029 million, which increased by PLN 463 million compared to the corresponding period of 2006.

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

Items	3 quarters of 2007		3 quarters of 2006		Dynamics	
	Total	of which: Quarter 3	Total	of which: Quarter 3	3Q07/ 3Q06	Q3 07/ Q3 06
1. Net interest income	3 330.0	1 208.9	2 809.3	969.9	118.5%	124.6%
2. Net fees and commission income	1 722.5	607.5	1 362.7	488.2	126.4%	124.4%
3. Dividend income	3.3	0.1	3.6	0.1	91.1%	121.6%
4. Result from financial instruments at fair value through profit or loss	-56.0	-77.5	-73.9	-16.0	-75.8%	-483.1%
5. Result from investment securities	4.4	2.0	20.8	19.7	21.1%	10.2%
6. Foreign exchange result	389.2	136.4	419.9	127.2	92.7%	107.2%
7. Net other operating income	177.7	75.6	207.5	81.9	85.7%	92.4%
<b>8. Total income items (1-7)</b>	<b>5 571.0</b>	<b>1 953.0</b>	<b>4 749.8</b>	<b>1 670.8</b>	<b>117.3%</b>	<b>116.9%</b>
9. Result on impairment allowances	-137.3	-25.3	-24.5	16.0	560.1%	x
10. General administrative expenses	-2 892.0	-1 000.3	-2 727.6	-911.4	106.0%	109.8%
11. Share in the profits (losses) of associates and jointly controlled entities	0.9	1.3	0.9	2.1	107.5%	59.3%
<b>12. Profit before income tax</b>	<b>2 542.6</b>	<b>928.6</b>	<b>1 998.6</b>	<b>777.6</b>	<b>127.2%</b>	<b>119.4%</b>
13. Income tax expense	-485.5	-172.2	-384.3	-145.9	126.3%	118.1%
<b>14. Net profit (loss) (including minority shareholders)</b>	<b>2 057.2</b>	<b>756.4</b>	<b>1 614.3</b>	<b>631.7</b>	<b>127.4%</b>	<b>119.7%</b>
15. Profit (loss) of minority shareholders	28.3	11.1	48.1	18.2	58.9%	60.7%
<b>16. Net profit (loss)</b>	<b>2 028.9</b>	<b>745.3</b>	<b>1 566.2</b>	<b>613.5</b>	<b>129.5%</b>	<b>121.5%</b>

Change in the items of the consolidated profit and loss account (in PLN million)



**Income items**

In the 3rd quarter of 2007, the total of consolidated income items amounted to PLN 1,953 million and was PLN 282 million (i.e. 16.9%) higher compared to the result for the corresponding period of 2006. The main items contributing to this increase was the increase in the net interest income and net fees and commission income (by PLN 239 million and PLN 119 million, respectively).

During the period of the first 3 quarters of 2007, the total of income items in the profit and loss account of the PKO BP SA Group amounted to PLN 5,571 million and was PLN 821 million (i.e. 17.3%) higher compared to the corresponding period of 2006. The main items of the consolidated profit and loss account were as follows:

- Net interest income amounted to PLN 3,330 million and was PLN 521 million (i.e. 18.5%) higher than in the corresponding period of the prior year, mainly as a result of increase of margin on deposits in response to the increase in basic interest rates and volume of loans and advances,
- Net fees and commission income amounted to PLN 1,722 million and increased by PLN 360 million (i.e. by 26.4% y/y); the increase referred to above is the result of the high dynamics of sales of investment funds, increase in the number of banking cards and transactions made with the use of those cards, development of credit activities and the related sales of insurance products.

Table 9. Net fees and commission income of the PKO BP SA Group (w in PLN million).

Items	3 quarters of 2007		3 quarters of 2006		Dynamics	
	Total	Of which: Quarter 3	Total	Of which: Quarter 3	3Q 07/ 3Q 06	Q3 07/ Q3 06
<b>I. Fees and commission income, of which in respect of:</b>	<b>2 219.1</b>	<b>786.6</b>	<b>1 674.9</b>	<b>594.0</b>	<b>132.5%</b>	<b>132.4%</b>
1) keeping bank accounts	571.1	187.9	551.8	184.8	103.5%	101.7%
2) servicing payment cards	361.0	48.9	291.1	45.7	124.0%	107.1%
3) extended loans and advances	198.5	68.2	163.4	60.0	121.5%	113.6%
4) cash operations	154.1	50.0	155.0	52.0	99.4%	96.2%
5) activities relating to servicing investment funds	456.4	167.5	152.9	61.4	298.5%	272.8%
6) securities transactions	71.4	19.6	47.6	12.6	150.1%	155.6%
7) other	406.5	244.3	313.2	177.4	129.8%	137.8%
<b>II. Total fees and commission expense, of which in respect of:</b>	<b>-496.6</b>	<b>-179.1</b>	<b>-312.2</b>	<b>-105.8</b>	<b>159.1%</b>	<b>169.3%</b>
1) payment cards	-159.5	-41.0	-125.8	-23.2	126.8%	176.9%
2) acquisition services	-94.1	-31.3	-88.8	-28.9	106.1%	108.2%
3) other	-243.0	-106.9	-97.7	-53.8	248.7%	198.8%
<b>NET FEES AND COMMISSION INCOME (I-II)</b>	<b>1 722.5</b>	<b>607.5</b>	<b>1 362.7</b>	<b>488.2</b>	<b>126.4%</b>	<b>124.4%</b>

- Net result from financial operations amounted to PLN (-)52 million and approximated the result achieved in the corresponding period of 2006; negative result was mainly due to the increased profitability of Polish treasury bonds in the 3rd quarter of 2007, which was higher than increase in quotations of the hedging instruments,
- Foreign exchange result amounted to PLN 389 million and was PLN 31 million i.e. 7.3% lower than in the prior year due to the reduced balance of the interest rate-type result included in this balance (from swap points) due to narrowing spreads between Polish and foreign interest rates,
- Net other operating income amounted to PLN 178 million and was PLN 30 million (i.e. 14.3%) lower than in the prior year, mainly due to decrease in the revenues of PKO Inwestycje from development activities resulting from the realization of the given investment cycle.

#### **Impairment result**

The result on impairment allowances in the 3rd quarter of 2007 amounted to PLN (-)25 million and was PLN 41 million lower than in the corresponding period of 2006. On a cumulative basis i.e. from the beginning of 2007, the balance of this item was PLN (-)137 million i.e. 113 million lower than in the prior year. The decrease in the impairment result was mainly due to the increase in consumer loans impairment write-offs.

#### **General administrative expenses**

In the 3rd quarter of 2007, general administrative expenses of the PKO BP SA Group amounted to PLN 1,000 million and were PLN 89 million (i.e. 9.8%) higher than in the corresponding period of 2006, mainly due to the increase in personnel expenses and the Integrated IT System depreciation (these items were not present in the 3rd quarter of 2006).

During the three quarters of 2007, general administrative expenses of the PKO BP SA Group amounted to PLN 2,892 million and were PLN 164 million i.e. 6.0% higher than in the prior year.

*Table 10. General administrative expenses of the PKO BP SA Group (in PLN millions)*

Items	3 quarters of 2007		3 quarters of 2006		Dynamics	
	Total	Of which: Quarter 3	Total	Of which: Quarter 3	3Q 07/ 3Q 06	Q3 07/ Q3 06
1. Employee benefits	1 610.3	565.3	1 537.2	507.9	104.8%	111.3%
2. Non-personnel and other expenses	997.4	335.0	931.5	317.4	107.1%	105.5%
3. Depreciation and amortization	284.4	100.1	258.9	86.1	109.8%	116.3%
4. <b>Total</b>	<b>2 892.0</b>	<b>1 000.3</b>	<b>2 727.6</b>	<b>911.4</b>	<b>106.0%</b>	<b>109.8%</b>

#### Financial ratios

The costs to income ratio (C/I) after the three quarters of 2007 was 5.5 pp. lower than in the corresponding period of 2006 thanks to higher dynamics of total income items (117.3%) rather than general administrative expenses (106.0%). The financial results achieved by the PKO BP SA Group translated into higher ROA and ROE ratios.

*Table 11. Main financial ratios of the PKO BP SA Group*

Items	30.09.2007	30.09.2006
1. Gross profit (loss)/ average assets (ROA <sub>gross</sub> )*	3.2%	2.6%
2. Net profit (loss)/ average assets (ROA <sub>net</sub> )*	2.5%	2.0%
3. Gross profit (loss)/ average equity (ROE <sub>gross</sub> )**	31.3%	27.0%
4. Net profit (loss)/ average equity (ROE <sub>net</sub> )**	25.2%	21.4%
5. Costs to income ratio (C/I)	51.9%	57.4%

#### **10.4 SHAREHOLDERS' EQUITY**

As at 30 September 2007, the shareholders' equity of the PKO BP SA Group amounted to PLN 11,139 million and was PLN 958 million i.e. 9.4% higher than at the end of 2006.

Table 12. *Equity of the PKO BP SA Group (in PLN millions)*

Items	As at		Change
	30.09.2007	31.12.2006	
1. Share capital	1 000.0	1 000.0	0.0%
2. Other capital and reserves	8 160.6	7 109.7	14.8%
3. Currency translation differences on foreign operations	-26.0	-13.7	90.0%
4. Retained earnings	-72.2	-166.8	-56.7%
5. Net profit for the period	2 028.9	2 149.1	-5.6%
<b>6. Equity assigned to the shareholders of the holding company</b>	<b>11 091.3</b>	<b>10 078.3</b>	<b>10.1%</b>
7. Minority interest	47.5	102.3	-53.6%
<b>8. Total shareholders' equity</b>	<b>11 138.7</b>	<b>10 180.6</b>	<b>9.4%</b>
<b>Capital adequacy ratio</b>	<b>10.99</b>	<b>11.80*</b>	<b>-0.81</b>

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

### 11. FINANCIAL PERFORMANCE OF PKO BP SA FOR THE 3RD QUARTER OF 2007

The pre-tax profit earned by the PKO BP SA in the 3rd quarter of 2007 amounted to PLN 839 million and net profit – PLN 678 million and were, respectively, PLN 150 million and PLN 120 million higher than in the 3rd quarter of 2006.

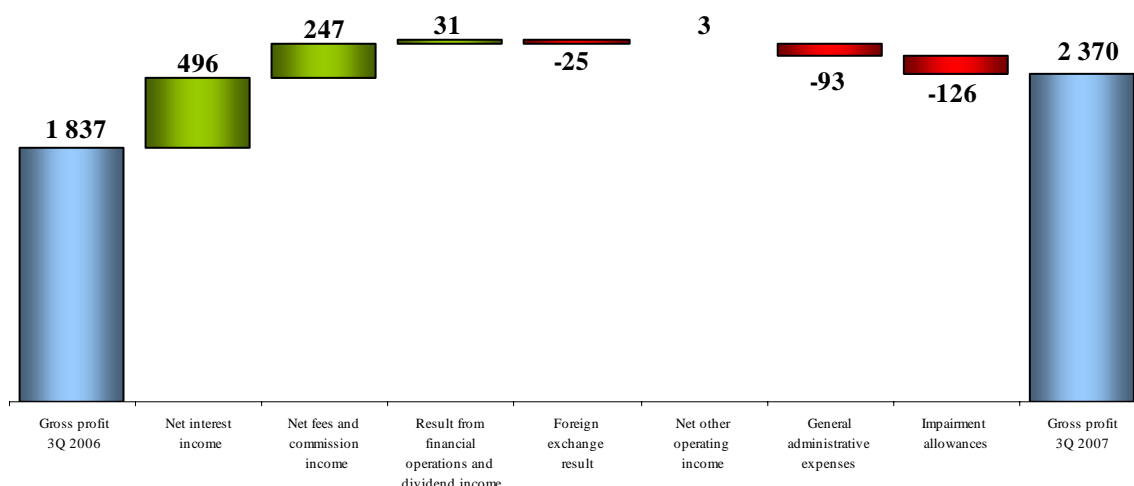
During the three quarters of 2007, PKO BP SA earned a pre-tax profit of PLN 2,370 million. After considering the income tax expense, the net profit amounted to PLN 1,928 million. Compared to the corresponding period of 2006, the pre-tax profit and net profit were PLN 533 million and PLN 435 million, respectively, higher than in the prior year.

Table 13. *Main items of the profit and loss account of PKO BP SA (in PLN millions)*

Items	3 quarters of 2007		3 quarters of 2006		Dynamics	
	Total	Of which: Quarter 3	Total	Of which: Quarter 3	3Q 07/3Q 06	Q3 07/Q3 06
1. Net interest income	3 227.6	1 174.0	2 732.0	943.7	118.1%	124.4%
2. Net fees and commission income	1 506.2	519.4	1 259.2	433.3	119.6%	119.9%
3. Dividend income	52.1	0.1	18.6	0.1	279.9%	100.9%
4. Result from financial instruments at fair value through profit or loss	-60.2	-79.7	-74.1	-16.3	-81.3%	-490.3%
5. Result from investment securities	3.6	1.8	20.0	19.1	18.1%	9.6%
6. Foreign exchange result	384.0	134.5	409.3	125.3	93.8%	107.3%
7. Net other operating income	31.8	15.9	28.7	0.1	111.0%	119x
<b>8. Total income items (1-7)</b>	<b>5 145.1</b>	<b>1 766.0</b>	<b>4 393.7</b>	<b>1 505.5</b>	<b>117.1%</b>	<b>117.3%</b>
9. Result on impairment allowances	-132.3	-21.0	-6.6	16.7	x	-125.7%
10. General administrative expenses	-2 643.2	-906.4	-2 550.5	-833.8	103.6%	108.7%
<b>11. Profit before income tax</b>	<b>2 369.6</b>	<b>838.7</b>	<b>1 836.5</b>	<b>688.4</b>	<b>129.0%</b>	<b>121.8%</b>
12. Income tax expense	-441.7	-160.8	-344.2	-130.6	128.3%	123.1%
<b>13. Net profit</b>	<b>1 927.9</b>	<b>677.9</b>	<b>1 492.4</b>	<b>557.8</b>	<b>129.2%</b>	<b>121.5%</b>



Change in the items of the Bank's profit and loss account (in PLN million)



In the 3rd quarter of 2007, total income items amounted to PLN 1,766 million and were PLN 261 million (i.e. 17.3%) higher than in the corresponding period of 2006. On a yearly cumulative basis, the Bank's revenues amounted to PLN 5,145 million and compared to the corresponding period of the prior year were PLN 751 million (i.e. 17.1%) higher.

The increase in revenues is the effect of the development of PKO BP SA's business activities which were actively supported by sales proactive activities. The main items that contributed to the increase in revenues as compared to the corresponding period of the three quarters of the prior year were as follows:

- Net interest income was PLN 3,228 million and was PLN 496 million (i.e. 18.1%) higher than in the corresponding period of the prior year, mainly as a result of increase in margin on deposits following the increase in basic interest rates and increase in the volume of loans and advances,
- Net fees and commission income was PLN 1,506 million and was PLN 247 million i.e. 19.6% higher, the increase in the net fees and commission income was the effect of high dynamics in sales of investment funds, increase in the number of banking cards and the number of transactions made with the use of these cards, development of credit activities and the related sales of insurance products.

Table 14. Net fees and commission income of PKO BP SA (in PLN thousands).

Items	3 quarters of 2007		3 quarters of 2006		Dynamics	
	Total	Of which: Quarter 3	Total	Of which: Quarter 3	3Q 07/ 3Q 06	Q3 07/ Q3 06
<b>I. Fees and commission income, of which in respect of:</b>	<b>1 946.4</b>	<b>679.1</b>	<b>1 548.8</b>	<b>533.0</b>	<b>125.7%</b>	<b>127.4%</b>
1) keeping bank accounts	555.2	182.5	537.7	179.6	103.3%	101.6%
2) servicing payment cards	357.3	47.5	288.3	44.5	123.9%	106.9%
3) extended loans and advances	193.0	66.7	160.1	59.6	120.5%	112.1%
4) cash operations	154.0	50.0	154.9	52.0	99.4%	96.1%
5) activities relating to servicing investment funds	221.7	74.1	56.2	12.1	394.4%	609.7%
6) securities transactions	71.4	19.7	47.4	12.5	150.7%	157.2%
7) other	393.9	238.7	304.2	172.7	129.5%	138.3%
<b>II. Total fees and commission expense, of which in respect of:</b>	<b>-440.2</b>	<b>-159.8</b>	<b>-289.6</b>	<b>-99.6</b>	<b>152.0%</b>	<b>160.3%</b>
1) payment cards	-179.1	-48.0	-140.5	-38.6	127.4%	124.5%
2) acquisition services	-94.1	-31.3	-88.8	-28.9	106.1%	108.0%
3) expenses incurred in domestic trading (including insurance of loans and advances)	-99.1	-40.0	-3.0	-2.0	33x	20x
4) Other	-68.0	-40.5	-57.3	-30.1	118.6%	134.6%
<b>NET FEES AND COMMISSION INCOME (I-II)</b>	<b>1 506.2</b>	<b>519.4</b>	<b>1 259.2</b>	<b>433.3</b>	<b>119.6%</b>	<b>119.9%</b>

**The result on impairment allowances** in the 3rd quarter of 2007 amounted to PLN (-)21 million and was PLN 38 million lower than in the corresponding period of 2006. On a yearly cumulative basis, this balance amounted to PLN (-)132 million and was PLN 126 million lower than in the corresponding period of the prior year. The decrease, both in the 3rd quarter of 2007 alone and on a yearly cumulative basis, is the result of an increase in consumer loans impairment write-offs.

**General administrative expenses** of PKO BP SA in the 3rd quarter of 2007 amounted to PLN 906 million and were PLN 73 million higher than in the corresponding period of the prior year, while on a yearly cumulative basis, general administrative expenses increased by PLN 93 million. The increase, compared to the 3rd quarter 2006, is the result of increase of personnel costs and increase in the ZSI (*Integrated IT System*) depreciation charge (items not present in the 3rd quarter of 2006).

Table 15. *General administrative expenses of PKO BP SA (in PLN thousands)*

Items	3 quarters of 2007		3 quarters of 2006		Dynamics	
	Total	Of which: Quarter 3	Total	Of which: Quarter 3	3Q 07/ 3Q 06	Q3 07/ Q3 06
1. Employee benefits	1 515.1	531.8	1 463.6	481.3	103.5%	110.5%
2. Non-personnel and other expenses	888.8	291.1	866.3	279.8	102.6%	104.0%
3. Depreciation and amortization	239.3	83.5	220.6	72.7	108.5%	114.9%
4. <b>Total</b>	<b>2 643.2</b>	<b>906.4</b>	<b>2 550.5</b>	<b>833.8</b>	<b>103.6%</b>	<b>108.7%</b>

*Comments to the individual items presented in the description of the PKO BP SA Group (paragraph 10.3) relate also to the results of PKO BP SA.*

The financial result achieved by the Bank translated into higher ROA and ROE ratios.

Table 16. *Main financial ratios of PKO BP SA*

Ratios	30.09.2007	30.09.2006
1. Gross profit (loss)/ average assets (ROA <sub>gross</sub> )	3.0%	2.4%
2. Net profit (loss)/ average assets (ROA <sub>net</sub> )	2.5%	2.0%
3. Gross profit (loss)/ average equity (ROE <sub>gross</sub> )	29.7%	24.9%
4. Net profit (loss)/ average equity (ROE <sub>net</sub> )	24.3%	20.5%
5. Costs to income ratio (C/I)	51.4%	58.1%

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

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

## 13. ISSUANCE, REDEMPTION AND REPAYMENT OF DEBT SECURITIES

- On 25 September 2007, the Management Board of PKO BP SA expressed its intent, by way of resolution, to issue bonds with a 10-year maturity period and the right of the Bank to make early redemption of all bonds within 5 years of issue date („call option”). The bonds will be issued as “no document” bearer bonds, non-convertible, non-collateralised and not giving right to shares in profits. PKO BP SA does not intend to introduce these bonds to public trading. The bonds will be denominated in PLN or EUR. The purpose of the issue has not been specified. The bonds will be issued based on the Law on bonds, and the funds obtained from their issue will be allocated to increase the supplementary capital (funds) of PKO BP SA in accordance with Art. 127 paragraph 3 point 2 letter “b” of the Act – Banking Law. The bonds will be offered as part of a non-public offering, solely on the territory of the Republic of Poland.
- The other companies of the PKO BP SA Group, which obtained funds through issuance of debt securities were as follows:
  - Bankowy Fundusz Leasingowy SA,

In the 3rd quarter of 2007, Bankowy Fundusz Leasingowy SA increased its debt relating to issuance of bonds to the amount of PLN 460 million and allocated the funds obtained to redeem earlier series of bonds

at their maturity dates and to finance its current activities. When compared to the 2nd quarter of 2007, the debt of Bankowy Fundusz Leasingowy SA increased by PLN 110 million.

In the 3rd quarter of 2007, the company issued 41,000 bonds with a nominal value of PLN 410 million and redeemed 30,000 bonds with a nominal value of PLN 300 million.

– POMERANKA Sp. z o.o.

On 30 July 2007, POMERANKA Sp. z o.o. issued 1,200 ordinary bearer bonds, class “A” with a total nominal value of PLN 12 million and the maturity date set at 15 January 2008. All bonds were taken up by PKO Inwestycje Sp. z o.o.

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

- On 1 October 2007, „ARKADIA Inwestycje” Sp. z o.o. with its registered office in Międzyzdroje was registered in the National Court Register. The share capital of this company amounts to PLN 1 million and is divided into 1,000 shares with a nominal value of PLN 1,000 each.

The shareholders of this company are the subsidiaries of PKO BP SA, including:

- PKO Inwestycje Sp. z o.o., which took up 999 shares with a total nominal value of PLN 999,000,
  - POMERANKA Sp. z o.o., which took up 1 share with a nominal value of PLN 1,000.
- On 23 October 2007, the subscription ended for the purchase of bonds issued by PKO BP SA, referred to in point 13 of this Report. The Agents for this emission are Deutsche Bank Polska SA and HSBC Bank Polska SA. On 26 October 2007, the Management Board of PKO BP SA announced the following details of the issue:
    - total nominal value of bonds amounts to PLN 1,600,700,000
    - bonds were issued based on the Law on bonds and the funds obtained from the issuance of bonds were allocated to increase the supplementary capital (fund) of PKO BP SA based on Art. 127 paragraph 3 point 2 letter “b” of the Act Banking Law.
    - nominal value of one bond is PLN 100,000,
    - issue price equals nominal value of one bond,
    - bonds bear interest rate calculated in half-year interest rate periods, interest on bonds is calculated on the nominal value according to variable interest rate equaling 6M WIBOR, increased by margin of 100 base points per year with the proviso that if PKO BP SA does not use the right to early redeem all bonds within 5 years of the issue date („call option”), interest rate of bonds will be increased by an additional margin of 25 base points per annum,
    - bonds related benefits are solely of monetary character,
    - assessment of liabilities until total redemption of bonds should be made on the basis of statements and information made available by PKO BP SA as the public company, in the manner and in accordance with policies set forth in the act dated 29 July 2005 on public offering and introduction of financial instruments to organized systems of trading and on public companies.
  - The rating agency, Moody’s Investors Service Ltd, granted PKO BP SA ratings at the Bank’s request. The ratings granted comply with the ratings the Bank received from the Moody’s ratings in the “Public information” database. Thereby, the rating agency confirms high ratings given to the financial strength of the Bank and long- and short-term assessment of foreign currency and Polish zloty deposits.

#### **15. POSITION OF THE PKO BP SA’S MANAGEMENT BOARD AS REGARDS THE POSSIBILITY OF ACHIEVING PREVIOUSLY PUBLISHED FORECASTS**

PKO BP SA did not publish any financial forecasts for 2007.

#### **16. INFORMATION ON DIVIDEND PAID OR DECLARED**

On 2 August 2007, PKO BP SA paid dividend for the year 2006 in the amount of PLN 0.98 per share.

#### **17. SHAREHOLDERS HOLDING, DIRECTLY OR INDIRECTLY, AT LEAST 5% OF VOTES AT THE GENERAL SHAREHOLDERS MEETING**

The interim report for the 2nd quarter of 2007 was submitted to the Polish Financial Supervision Authority on 8 August 2007.

To the best knowledge of the Bank, the shareholder holding, directly or indirectly, at least 5% of total votes at the General Shareholders’ Meeting of the Bank is the State Treasury.

As at 30 September 2007, the State Treasury held 514,935,409 of the Bank’s shares.

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

*Table 17. Ownership structure of PKO BP SA*

Shareholder	Percentage of votes at the General Shareholders' Meeting as at the date of submitting previous quarterly report	Number of shares as at the date of submitting previous quarterly report	% change from the date as at the date of submitting previous quarterly report	Percentage of votes at the General Shareholders' Meeting as at the date of submitting this Report	Number of shares as at the date of submitting this Report
State Treasury	51.49%	514,943,765	0.00 pp.	51.49%	514,935,409

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

*Table 18. Shares held by the PKO BP SA's Management or the PKO BP SA's Supervisory Board Members as at 7 November 2007*

	Name	Number of shares as at the date of submitting previous quarterly report	Purchase	Disposal	Number of shares as at the date of submitting this Report
<b>I.</b>	<b>Management Board of PKO BP SA</b>				
1.	Rafał Juszcak, President of the Management Board of PKO BP SA	----	----	----	----
2.	Berenika Duda-Uhryn, Vice-president of the Management Board of PKO BP SA	----	----	----	----
3.	Robert Działak, Vice-president of the Management Board of PKO BP SA	----	----	----	----
4.	Mariusz Klimczak, Vice-president of the Management Board of PKO BP SA	----	----	----	----
5.	Wojciech Kwiatkowski, Vice-president of the Management Board of PKO BP SA	----	----	----	----
6.	Aldona Michalak, Vice-president of the Management Board of PKO BP SA	----	----	----	----
7.	Adam Skowroński, Vice-president of the Management Board of PKO BP SA	----	----	----	----
8.	Stefan Świątkowski, Vice-president of the Management Board of PKO BP SA	----	----	----	----
<b>II.</b>	<b>Supervisory Board of PKO BP SA</b>				
1.	Marek Głuchowski, President of the Supervisory Board of PKO BP SA	----	----	----	----
2.	Urszula Palaszek, Vice-president of the Supervisory Board of PKO BP SA	----	----	----	----
3.	Maciej Czapiewski, Member of the Supervisory Board of PKO BP SA	----	----	----	----
4.	Jerzy Michałowski, Member of the Supervisory Board of PKO BP SA	----	----	----	----
5.	Tomasz E. Siemiątkowski, Member of the Supervisory Board of PKO BP SA	----	----	----	----
6.	Agnieszka Winnik-Kalemba, Member of the Supervisory Board of PKO BP SA	----	----	----	----

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

In executing the provisions of the lease agreement of 7 December 1995 (amended by Annexes no. 1 to 34) with the Bank's subsidiary, Centrum Finansowe Puławska Sp. z o.o. ("CFP"), in the 3rd quarter of 2007, PKO BP SA made payments to the CFP in the total gross amount of PLN 10.5 million. The total remuneration of the Company for the period from January 2007 to September 2007 was PLN 30.9 million. The agreement determines the terms and conditions for the lease of space in the building located in Warsaw at 15 Puławska Street.

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

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

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

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

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

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

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

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

During the 3rd quarter of 2007, PKO BP SA and PKO BP SA's subsidiaries did not grant any suretyships or guarantees to a single entity or its subsidiary with the total amount of at least 10% of the bank's shareholders' equity.

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

As at 30 September 2007, the total value of court proceedings against PKO BP SA amounted to PLN 230,066,136 while the total value of the proceedings initiated by the Bank amounted to PLN 73,569,804.

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

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

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

- On 8 August 2007, the Commission for Banking Supervision consented to Mr Rafał Juszcak's acting as President of the Management Board of PKO BP SA. In addition, in the 3rd quarter of 2007, the following members of the Management Board of PKO BP SA started to perform the following functions:
  - Ms Aldona Michalak was appointed as Vice-president of the Management Board of PKO BP SA as of 1 July 2007
  - Mr Mariusz Klimczak was appointed as Vice-president of the Management Board of PKO BP SA as of 15 July 2007
  - Mr Adam Skowroński was appointed as Vice-president of the Management Board of PKO BP SA as of 23 July 2007
  - Ms Berenika Duda-Uhryn was appointed as Vice-president of the Management Board of PKO BP SA as of 10 September 2007

The above persons were appointed for a joint term of office of the Management Board of PKO BP SA that commenced on 19 May 2005.

On 20 July 2007, Mr Adam Skowroński resigned as Member of the Supervisory Board of PKO BP SA as of 22 July 2007 due to his appointment to act as Vice-president of the Management Board of PKO BP SA as of 23 July 2007.

- On 18 July 2007, as part of the realization of the new strategy, PKO BP SA signed an agreement with NatWest, the bank operating as part of the Royal Bank of Scotland. The purpose of this collaboration is to

develop modern and customer friendly bank products and services for Poles working or intending to work in the UK.

- On 30 July 2007, the PKO BP SA signed an Annex No. 2 to the agreement for the supply and implementation of the Integrated IT System (ZSI) dated 18 August 2003 between PKO BP and Accenture Sp. z o.o., Alnova Technologies Corporation S.L. and Softbank SA (currently Asseco Poland SA), operating as Consortium. The subject of this Annex is to broaden the current scope of works related to the ZSI which are the consequence of taking by the PKO BP SA the decision to increase functionalities of the information system implemented. The necessity to equip the ZSI with extended functionalities results from changes to legal regulations and growing business needs of PKO BP SA. It is also to ensure the realization by PKO BP SA of its plans to modernize customer services and product offer. The Annex provides for including in the extended functionalities, among others, products subject to the New Capital Accord/IAS requirements, Individual Pension Accounts (*IKEs*), PKO/CS Investment Funds, foreign operations, insurance products as well as development of alternative distribution channels.

The Consortium's net remuneration for the works defined in the Annex referred to above is USD 11,038,042.

In accordance with the Annex 2 provisions, the completion of mass implementation of the ZSI is scheduled for the end of November 2008.

- In the 3rd quarter of 2007, an agreement was signed for the Civil Liability Insurance Coverage for Boards' Members of equity companies (D&O), which guarantees the insurance coverage for the Members of the Management and Supervisory Boards of PKO BP SA and the PKO BP SA Group entities.

## **25. SEGMENTATION OF ACTIVITIES OF THE PKO BP SA GROUP**

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

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

### **Business segments**

Segmentation by business is as follows:

- Corporate Segment includes transactions of the parent company with large corporate clients and operations of Bankowy Fundusz Leasingowy SA.
- Retail Segment covers transactions of the parent company with private individuals and also small and medium-sized enterprises as well as operations of the following subsidiaries: KREDOBANK SA, Powszechnie Towarzystwo Emerytalne Bankowy SA, PKO Towarzystwo Funduszy Inwestycyjnych SA, Inteligo Financial Services SA and Centrum Ekonomicznych Usług Płatniczych eService SA.
- Treasury Segment covers inter-bank transactions, transactions made using derivative instruments and debt securities,
- Investments Segment covers brokerage and investing activities of the parent company and operations of Bankowe Towarzystwo Kapitałowe SA.
- Housing Segment covers transactions of the parent company connected with granting housing loans and accepting housing deposits and operations of PKO Inwestycje Sp.z o.o.

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

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

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

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

The tables below present data relating to revenue and results of individual business segments of the PKO BP SA Group for the 9-month periods ended 30 September 2007 and 30 September 2006 and selected assets and liabilities as at 30 September 2007 and 31 December 2006.

The financial data for the three quarters of 2006 were restated for comparability purposes.

*Translation of Interim Financial Statements of the PKO BP SA Group for the 3rd quarter of 2007*  
*The Polish original should be referred to in matters of interpretation*

For the 9 month period ended 30.09.2007	Continued activities					
	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Housing Segment	All activities
<b>Revenue</b>						
External customer-related revenues	1 034 950	4 222 269	884 451	203 119	1 751 121	<b>8 095 910</b>
Inter-segment sales	-	22 690	-	-	2 276	<b>24 966</b>
Total segment revenue	1 034 950	4 244 959	884 451	203 119	1 753 397	<b>8 120 876</b>
<b>Result</b>						
Segment result	225 582	1 568 081	50 868	128 570	434 104	<b>2 407 205</b>
Unallocated result together with the result of non-separated segments	-	-	-	-	-	<b>(23 885)</b>
Difference between FX Swap and CIRS results reported for accounting and management information purposes (Swap points)	-	-	-	-	-	<b>158 387</b>
Result from continued activities before taxation	-	-	-	-	-	<b>2 541 707</b>
Share in the results of associates and jointly controlled entities	-	-	-	-	-	<b>931</b>
Result before taxation and minority interest	-	-	-	-	-	<b>2 542 638</b>
Income tax (tax charge)	-	-	-	-	-	<b>(485 459)</b>
Profit (loss) of minority shareholders	-	-	-	-	-	<b>(28 318)</b>
<b>Net profit for the period</b>	-	-	-	-	-	<b>2 028 861</b>
<b>Assets and equity and liabilities as at 30 September 2007</b>						
Segment assets and jointly controlled entities	19 902 479	25 567 033	22 429 663	993 530	33 210 353	<b>102 103 058</b>
Unallocated assets	-	-	-	183 104	-	<b>183 104</b>
Total assets	-	-	-	-	-	<b>108 959 447</b>
Segment liabilities and result	14 822 532	63 646 063	2 844 261	621 368	12 344 746	<b>94 278 970</b>
Unallocated liabilities	-	-	-	-	-	<b>14 680 477</b>
Total liabilities	-	-	-	-	-	<b>108 959 447</b>
<b>Other segment information</b>						
Result on impairment allowances*	67 030	(173 163)	-	1 400	(11 579)	<b>(116 312)</b>

\*without impairment allowances relating to non-separated segments

*Translation of Interim Financial Statements of the PKO BP SA Group for the 3rd quarter of 2007*  
*The Polish original should be referred to in matters of interpretation*

For the 9 month period ended 30.09.2006	Continued activities					
	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Housing Segment	All activities
<b>Revenue</b>						
External customer-related revenues	885 434	2 977 952	1 151 641	150 584	1 445 050	6 610 661
Inter-segment sales	-	31 867	-	-	2 385	34 252
Total segment revenue	885 434	3 009 819	1 151 641	150 584	1 447 435	6 644 913
<b>Result</b>						
Segment result	210 395	946 489	73 320	69 306	413 688	1 713 198
Unallocated result together with the result of non-separated segments	-	-	-	-	-	103 443
Difference between FX Swap and CIRS results reported for accounting and management information purposes (Swap points)	-	-	-	-	-	181 065
Result from continued activities before taxation	-	-	-	-	-	1 997 706
Share in the results of associates and jointly controlled entities	-	-	-	-	-	866
Result before taxation and minority interest	-	-	-	-	-	1 998 572
Income tax (tax charge)	-	-	-	-	-	(384 276)
Profit (loss) of minority shareholders	-	-	-	-	-	(48 073)
<b>Net profit for the year</b>	-	-	-	-	-	1 566 223
<b>Assets and equity and liabilities as at 31 December 2006</b>						
Segment assets	19 293 605	19 127 175	28 158 790	1 619 540	25 137 161	93 336 271
Investments in associates and jointly controlled entities	-	-	-	180 162	-	180 162
Unallocated assets	-	-	-	-	-	8 509 274
Total assets	-	-	-	-	-	102 025 707
Liabilities and segment result	11 003 202	65 003 017	4 078 452	481 796	10 743 159	91 309 626
Unallocated liabilities	-	-	-	-	-	10 716 081
Total liabilities	-	-	-	-	-	102 025 707
<b>Other segment information</b>						
Result on impairment allowances*	67 360	(103 013)	-	850	(6 043)	(40 846)

\*without impairment allowances relating to non-separated segments

### Segmentation by geographical regions

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

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

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

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



The tables below present data relating to revenue of the individual geographical segments for the 9-month periods ended 30 September 2007 and 30 September 2006 respectively, and selected assets as at 30 September 2007 and 31 December 2006.

<b>For the 9 month period ended 30 September 2007</b>	<b>Poland</b>	<b>Ukraine</b>	<b>Total</b>
<b>Revenues</b>			
Total segment revenues	7 890 430	230 446	8 120 876
<b>Other segment information</b>			
Segment assets	106 840 501	1 935 842	108 776 343
Unallocated assets	-	-	-
Investments in associates	183 104	-	183 104
<b>Total assets</b>	<b>107 023 605</b>	<b>1 935 842</b>	<b>108 959 447</b>

<b>For the 9 month period ended 30 September 2006</b>	<b>Poland</b>	<b>Ukraine</b>	<b>Total</b>
<b>Przychody</b>			
Total segment revenues	6 479 744	165 169	6 644 913
<b>Other segment information as at 31 December 2006</b>			
Segment assets	100 058 282	1 787 263	101 845 545
Unallocated assets	-	-	-
Investments in associates	180 162	-	180 162
<b>Total assets</b>	<b>100 238 444</b>	<b>1 787 263</b>	<b>102 025 707</b>

## 26. CREDIT RISK AND MARKET RISK OF THE PKO BP GROUP

- Balance as at 30 September 2007

<b>Balance sheet instruments</b>		
	<b>Carrying amount</b>	<b>Risk weighted value</b>
Banking portfolio	105 881 531	68 992 492
Trading portfolio	3 077 916	864 945
<b>Total balance sheet instruments</b>	<b>108 959 447</b>	<b>69 857 437</b>

<b>Off-balance sheet instruments</b>			
	<b>Replacement cost</b>	<b>Credit equivalent</b>	<b>Risk weighted value</b>
<i>Derivatives</i>	<b>212 167 663</b>	<b>2 031 793</b>	<b>593 168</b>
Banking portfolio	40 251 225	947 201	189 723
Trading portfolio	171 916 438	1 084 592	403 445
<i>Other off-balance sheet instruments</i>	<b>32 732 250</b>	<b>6 658 495</b>	<b>6 025 777</b>
Banking portfolio	30 540 459	5 799 786	5 292 564
Trading portfolio	2 191 791	858 709	733 213
<b>Total off-balance sheet instruments</b>	<b>244 899 913</b>	<b>8 690 288</b>	<b>6 618 945</b>
	<b>Carrying amount and off-balance sheet amount</b>	<b>Risk weighted value</b>	<b>Capital requirement</b>
<b>Total banking portfolio (credit risk)</b>	<b>176 673 215</b>	<b>74 474 779</b>	<b>5 957 982</b>

<b>Capital requirements for the trading portfolio (market risk)</b>	<b>Capital requirement</b>
<b>Market risk, of which:</b>	<b>216 770</b>
Currency risk	-
Commodity price risk	-
Equity securities price risk	646
Debt securities special risk	140 247
Interest rate general risk	75 877
<b>Other:</b>	<b>19 588</b>
Settlement risk - counterparty delivery	19 588
Securities underwriting risk	-
Other	-

<b>Total capital requirement (credit and market risk)</b>	<b>6 194 340</b>
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The credit and market risks were calculated based on the provisions of the Resolution of the Commission for Banking Supervision No. 4/2004 dated 8 September 2004.

- **Balance as at 31 December 2006**

<b>Balance sheet instruments</b>		
	<b>Carrying amount</b>	<b>Risk weighted value</b>
Banking portfolio	97 964 225	54 339 742
Trading portfolio	4 061 482	2 049 956
<b>Total balance sheet instruments</b>	<b>102 025 707</b>	<b>56 389 698</b>

<b>Off-balance sheet instruments</b>			
	<b>Replacement cost</b>	<b>Credit equivalent</b>	<b>Risk weighted value</b>
<b>Derivatives</b>	<b>153 258 397</b>	<b>2 313 331</b>	<b>463 053</b>
Banking portfolio	27 923 211	1 217 802	243 916
Trading portfolio	125 335 186	1 095 529	219 137
<b>Other off-balance sheet instruments</b>	<b>28 527 959</b>	<b>5 518 835</b>	<b>4 228 904</b>
Banking portfolio	27 718 043	4 708 919	3 514 988
Trading portfolio	809 916	809 916	713 916
<b>Total off-balance sheet instruments</b>	<b>181 786 356</b>	<b>7 832 166</b>	<b>4 691 957</b>

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

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

<b>Total capital requirement (credit and market risk)</b>	<b>4 796 579</b>
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The credit and market risks were calculated based on the provisions of the Resolution of the Commission for Banking Supervision No. 4/2004 dated 8 September 2004.

Own funds of the PKO BP SA Group

<b>OWN FUNDS</b>	<b>30.09.2007</b>	<b>31.12.2006</b>
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	(34 875)	(4 119)
Unrealised profits from debt and equity securities classified as available for sale (in the amount of 60% of value before tax)	6 375	5 297
Result from previous years	(72 192)	(222 671)
Verified by the certified auditor part of the current year result less forecasted profit charges	653 720	
Currency translation differences from foreign operations	(25 971)	(13 672)
Minority interest	47 451	102 274
Intangible assets	(1 076 869)	(944 028)
Equity exposure	(173 124)	(156 703)
Short-term capital	5 581	148 687
<b>TOTAL OWN FUNDS</b>	<b>8 510 431</b>	<b>7 076 828</b>

8 November 2007

Danuta Szymańska

Bank's Director

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(Signature)