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

PKO BANK POLSKI

SPÓŁKA AKCYJNA

Consolidated Financial Statements of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group for the six-month period ended 30 June 2008

including the condensed entity Financial Statements of Powszechna Kasa Oszczędności Banku Polskiego Spółka Akcyjna for the six-month period ended 30 June 2008

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FINANCIAL SUPERVISION COMMISSION

Consolidated semi-annual report PSr 2008

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

(for banks)

for the six-month period	from 2008-01-01 to 2008-06-30
containing consolidated financial statements in accordance with	International Financial Reporting Standards
currency	PLN
date of submission:	2008-09 -26

Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna

(full name of issuer)

PKO BP SA

(abbreviated name of issuer)

02-515		**Warszawa**
(postal code)		(city)
Puławska		**15**
(street)		(numer)
(22) 521-71-92	**521-71-44**	
(telephone)	(fax)	(e-mail)
525-000-77-38	**016298263**	**www.pkobp.pl**
(NIP)	(REGON)	(www)

Data derived from the Consolidated Financial Statements SELECTED FINANCIAL DATA	PLN thousand period from 01.01.2008 to 30.06.2008	PLN thousand period from 01.01.2007 to 30.06.2007	EUR thousand period from 01.01.2008 to 30.06.2008	EUR thousand period from 01.01.2007 to 30.06.2007
Net interest income	2 914 429	2 121 145	838 058	551 145
Net fee and commission income	1 172 193	1 091 547	337 070	283 621
Operating profit	2 334 119	1 614 333	671 187	419 458
Net profit (including minority interest)	1 862 852	1 300 793	535 672	337 990
Net profit	1 848 313	1 283 539	531 491	333 507
Equity attributable to the parent company	12 630 175	10 378 952	3 765 481	2 756 108
Total equity	12 671 895	10 414 958	3 777 919	2 765 669
Net cash flow from / used in operating activities	2 859 729	(5 497 682)	822 328	(1 428 483)
Net cash flow from / used in investing activities	(191 134)	1 150 658	(54 961)	298 980
Net cash flow from / used in financing activities	75 362	81 177	21 671	21 093
Total net cash flows	2 743 957	(4 265 847)	789 038	(1 108 410)
Earnings per share for period - basic	1.85	1.28	0.53	0.33
Earnings per share for period - diluted	1.85	1.28	0.53	0.33
Tier 1 capital	9 427 411	8 449 415	2 810 629	2 243 724
Tier 2 capital	1 498 330	1 517 988	446 703	452 563
Tier 3 capital	35 904	15 997	10 704	4 769

Data derived from the condensed financial statements of PKO BP SA SELECTED FINANCIAL DATA	PLN thousand period from 01.01.2008 to 30.06.2008	PLN thousand period from 01.01.2007 to 30.06.2007	EUR thousand period from 01.01.2008 to 30.06.2008	EUR thousand period from 01.01.2007 to 30.06.2007
Net interest income	2 843 481	2 053 550	817 656	533 581
Net fee and commission income	1 043 366	963 381	300 025	250 319
Operating income	2 282 993	1 530 875	656 485	397 773
Net profit	1 824 745	1 249 942	524 714	324 777
Total equity	12 425 807	10 306 385	3 704 552	2 736 838
Net cash flow from / used in operating activities	2 770 744	(5 418 050)	796 740	(1 407 792)
Net cash flow from / used in investing activities	(300 805)	1 272 337	(86 498)	330 596
Net cash flow from / used in financing activities	(61 800)	(22 861)	(17 771)	(5 940)
Total net cash flows	2 408 139	(4 168 574)	692 472	(1 083 136)
Earnings per share for period - basic	1.82	1.25	0.52	0.32
Earnings per share for period - diluted	1.82	1.25	0.52	0.32
Tier 1 capital	9 131 970	8 324 409	2 722 548	2 210 529
Tier 2 capital	1 162 737	1 202 936	308 762	319 437
Tier 3 capital	35 904	15 997	9 534	4 248

(in PLN thousand)

CONSOLIDATED INCOME STATEMENT
for the six-month periods ended 30 June 2008 and 30 June 2007

	Notes	01.01-30.06.2008	01.01-30.06.2007
Interest and similar income	8	4 175 498	3 028 154
Interest expense and similar charges	8	(1 261 069)	(907 009)
Net interest income		**2 914 429**	**2 121 145**
Fee and commission income	9	1 532 053	1 432 445
Fee and commission expense	9	(359 860)	(340 898)
Net fee and commission income		**1 172 193**	**1 091 547**
Dividend income	10	3 860	3 164
Net income from financial instruments at fair value through profit and loss	11	(61 109)	21 365
Gains less losses from investment securities	12	(183)	2 368
Net foreign exchange gains	13	371 323	252 792
Other operating income	14	345 155	227 164
Other operating expenses	14	(224 910)	(161 836)
Net other operating income and expense		**120 245**	**65 328**
Net impairment allowance	16	(176 702)	(112 030)
Administrative expenses	15	(2 009 937)	(1 831 346)
Operating profit		**2 334 119**	**1 614 333**
Share of profit (loss) of associates and jointly controlled entities	18	16 822	(322)
Profit before income tax		**2 350 941**	**1 614 011**
Income tax expense	19	(488 089)	(313 218)
Net profit (including minority interest)		**1 862 852**	**1 300 793**
Net profit attributable to minority shareholders		14 539	17 254
Net profit attributable to the parent company		**1 848 313**	**1 283 539**
Earnings per share:	20		
- basic earnings per share		1.85	1.28
- diluted earnings per share		1.85	1.28

(in PLN thousand)

CONSOLIDATED BALANCE SHEET
as at 30 June 2008 and 31 December 2007

	Notes	30.06.2008	31.12.2007
ASSETS			
Cash and balances with the central bank	23	4 790 500	4 682 627
Amounts due from banks	24	7 286 399	5 261 236
Trading assets	25	1 080 920	1 202 919
Derivative financial instruments	26	2 181 000	1 556 736
Financial assets designated at fair value through profit or loss	27	5 061 621	8 314 444
Loans and advances to customers	28	85 663 012	76 417 149
Investment securities available for sale	29	5 938 368	5 716 238
Investments in associates and jointly controlled entities	30	256 910	178 584
Inventories	31	507 823	365 304
Intangible assets	32	1 274 819	1 183 491
Tangible fixed assets	33	2 840 734	2 820 103
- including investment properties		31 945	32 766
Current income tax receivables	19	2 245	187 939
Deferred income tax asset	19	75 732	72 154
Other assets	34	662 423	578 676
TOTAL ASSETS		**117 622 506**	**108 537 600**
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to the central bank	36	1 164	1 279
Amounts due to other banks	37	4 748 269	4 703 114
Derivative financial instruments	26	1 914 233	1 279 925
Amounts due to customers	39	92 575 955	86 579 510
Debt securities in issue	40	142 350	178 860
Subordinated liabilities	41	1 617 408	1 614 885
Other liabilities	42	3 256 543	1 732 333
Current income tax liabilities	19	255 869	9 932
Deferred income tax liability	19	4 091	4 446
Provisions	43	434 729	454 301
TOTAL LIABILITIES		**104 950 611**	**96 558 585**
Equity			
Share capital	46	1 000 000	1 000 000
Other capital	47	9 733 560	8 137 270
Currency translation differences from foreign operations		(53 992)	(47 761)
Retained earnings	47	102 294	(72 192)
Net profit for the period		1 848 313	2 903 632
Capital and reserves attributable to equity holders of the parent company		**12 630 175**	**11 920 949**
Minority interest		41 720	58 066
TOTAL EQUITY		**12 671 895**	**11 979 015**
TOTAL EQUITY AND LIABILITIES		**117 622 506**	**108 537 600**

(in PLN thousand)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six-month periods ended 30 June 2008 and 30 June 2007

For the six-month period ended 30 June 2008	Attributable to equity holders of the parent company										
		Other capital									
	Share capital	Reserve capital	Revaluation reserve	General banking risk fund	Other reserves	Currency translation differences from foreign operations	Retained earnings	Net profit	Total	Minority interest	Total equity
As at 1 January 2008	**1 000 000**	**5 592 311**	**(43 066)**	**1 070 000**	**1 518 025**	**(47 761)**	**(72 192)**	**2 903 632**	**11 920 949**	**58 066**	**11 979 015**
Net change in available for sale investments less deferred tax	-	-	(42 856)	-	-	-	-	-	(42 856)	-	**(42 856)**
Currency translation differences	-	-	-	-	-	(6 231)	-	-	(6 231)	(115)	**(6 346)**
Total income/expenses recognized directly in equity	**-**	**-**	**(42 856)**	**-**	**-**	**(6 231)**	**-**	**-**	**(49 087)**	**(115)**	**(49 202)**
Net profit for the period	-	-	-	-	-	-	-	1 848 313	1 848 313	14 539	**1 862 852**
Total profit for the period	**-**	**-**	**(42 856)**	**-**	**-**	**(6 231)**	**-**	**1 848 313**	**1 799 226**	**14 424**	**1 813 650**
Transfer of net profit from previous years	-	-	-	-		-	2 903 632	(2 903 632)	-	-	**-**
Transfer from net profit to reserves	-	1 634 146	-	-	5 000	-	(1 639 146)	-	-	-	**-**
Dividends related to 2007	-	-	-	-	-	-	(1 090 000)	-	(1 090 000)	(30 750)	**(1 120 750)**
Other	-	-	-	-	-	-	-	-	-	(20)	**(20)**
As at 30 June 2008	**1 000 000**	**7 226 457**	**(85 922)**	**1 070 000**	**1 523 025**	**(53 992)**	**102 294**	**1 848 313**	**12 630 175**	**41 720**	**12 671 895**

For the six-month period ended 30 June 2007	Attributable to equity holders of the parent company										
		Other capital									
	Share capital	Reserve capital	Revaluation reserve	General banking risk fund	Other reserves	Currency translation differences from foreign operations	Retained earnings	Net profit	Total	Minority interest	Total equity
As at 1 January 2007	**1 000 000**	**4 529 920**	**3 834**	**1 070 000**	**1 505 943**	**(13 672)**	**(166 771)**	**2 149 052**	**10 078 306**	**102 274**	**10 180 580**
Net change in available for sale investments less deferred tax	-	-	450	-	-	-	-	-	450	-	**450**
Currency translation differences	-	-	-	-	-	(3 343)	-	-	(3 343)	(1 437)	**(4 780)**
Total income/expenses recognized directly in equity	**-**	**-**	**450**	**-**	**-**	**(3 343)**	**-**	**-**	**(2 893)**	**(1 437)**	**(4 330)**
Net profit for the period	-	-	-	-	-	-	-	1 283 539	1 283 539	17 254	**1 300 793**
Total profit for the period	**-**	**-**	**450**	**-**	**-**	**(3 343)**	**-**	**1 283 539**	**1 280 646**	**15 817**	**1 296 463**
Transfer of net profit from previous years	-	-		-		-	2 149 052	(2 149 052)	-	-	**-**
Transfers from net profit to reserves	-	1 062 391	-		12 082	-	(1 074 473)	-	-	-	**-**
Dividends related to 2006	-	-	-	-	-	-	(980 000)	-	(980 000)	(45 650)	**(1 025 650)**
Other	-	-	-	-	-	-	-	-	-	(36 435)	**(36 435)**
As at 30 June 2007	**1 000 000**	**5 592 311**	**4 284**	**1 070 000**	**1 518 025**	**(17 015)**	**(72 192)**	**1 283 539**	**10 378 952**	**36 006**	**10 414 958**

(in PLN thousand)

CONSOLIDATED CASH FLOW STATEMENT
for the six-month periods ended 30 June 2008 and 30 June 2007

	Note	01.01-30.06.2008	01.01-30.06.2007
Net cash flow from operating activities			
Net profit		1 848 313	1 283 539
Adjustments:		1 011 416	(6 781 221)
Profit/loss of minority shareholders		14 539	17 254
Amortisation and depreciation		207 932	184 280
Gains (losses) on disposals of fixed assets	48	(2 461)	5 094
Interest and dividends	48	(146 925)	(128 407)
Change in amounts due from banks	48	611 197	1 562 629
Change in trading assets and other financial assets valued at fair value through profit or loss		3 374 822	(1 307 240)
Change in derivative financial instruments (asset)		(624 264)	(171 264)
Change in loans and advances to customers	48	(9 460 599)	(7 782 602)
Change in deferred income tax asset and income tax receivables		182 116	(72 415)
Change in other assets		(226 266)	(187 800)
Change in amounts due to other banks	48	(104 504)	215 055
Change in derivative financial instruments (liability)		634 308	16 401
Change in amounts due to customers	48	6 004 528	1 041 437
Change in debt securities in issue		(36 510)	198 379
Change in impairment allowances and provisions	48	203 559	25 761
Change in other liabilities	48	448 734	(279 394)
Income tax paid		(236 032)	(541 423)
Current tax expense		481 969	394 778
Other adjustments	48	(314 727)	28 256
Net cash from / used in operating activities		**2 859 729**	**(5 497 682)**
Net cash flow from investing activities			
Inflows from investing activities		**3 342 484**	**3 762 859**
Proceeds from sale of shares in associates		-	410
Proceeds from sale of investment securities		3 324 042	3 754 415
Proceeds from sale of intangible assets and tangible fixed assets		14 598	4 802
Other investing inflows		3 844	3 232
Outflows from investing activities		**(3 533 618)**	**(2 612 201)**
Purchase of a subsidiary, net of cash acquired		(6 340)	(1 309)
Purchase of shares in associates		-	(5 000)
Purchase of investment securities		(3 174 363)	(2 425 073)
Purchase of intangible assets and tangible fixed assets		(352 915)	(180 819)
Net cash from / used in investing activities		**(191 134)**	**1 150 658**
Net cash flow from financing activities			
Dividends paid to minority shareholders		-	(29 400)
Long-term borrowings		557 458	200 346
Repayment of long term loans		(482 096)	(89 769)
Net cash generated from financing activities		**75 362**	**81 177**
Net cash inflow/ (outflow)		**2 743 957**	**(4 265 847)**
Cash and cash equivalents at the beginning of the period		9 232 316	14 134 206
Cash and cash equivalents at the end of the period	48	**11 976 273**	**9 868 359**
included those under limited control	35	6 495	14 517

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at 30 June 2008

1. General information

The consolidated financial statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group ("the PKO BP SA Group", "the Group") have been prepared according to International Financial Reporting Standards as adopted by the EU for the six-month period ended 30 June 2008 and includes comparative data for the half-year ended 30 June 2007 (Consolidated Income Statement, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement) and comparative data for the year ended 31 December 2007 (Consolidated Balance Sheet). Data has been presented in PLN thousand.

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

The parent company was established in 1919 as the Pocztowa Kasa Oszczędnościowa. From 1950 the parent company operated as the Powszechna Kasa Oszczędności State-owned bank. Pursuant to the Decree of the Council of Ministers dated 18 January 2000 (Journal of Laws No. 5, item 55 with subsequent amendments) Powszechna Kasa Oszczędności (a State-owned bank) was transformed into a State-owned joint-stock company, Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna with its head office in Warsaw, Puławska 15, 02-515 Warsaw, Poland.

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

The Bank's shareholding structure is as follows:

Shareholder	Number of shares	Number of votes %	Nominal value of the share	% shareholding
As at 30 June 2008				
The State Treasury	514 935 409	51.49	PLN 1	51.49
Other shareholders	485 064 591	48.51	PLN 1	48.51
Total	**1 000 000 000**	**100.00**	**---**	**100.00**
As at 31 December 2007				
The State Treasury	514 935 409	51.49	PLN 1	51.49
Other shareholders	485 064 591	48.51	PLN 1	48.51
Total	**1 000 000 000**	**100.00**	**---**	**100.00**

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

Business activities

PKO BP SA is a universal commercial bank offering services to both domestic and foreign retail, corporate and other clients. PKO BP SA is licensed to perform a full range of foreign exchange services; open and hold bank accounts abroad and to deposit foreign exchange in these accounts.

The Bank operates in the United Kingdom through its Foreign Banking Services Center (Centrum Bankowości Zagranicznej) in Warsaw.

In addition, Group subsidiaries conduct activities relating to leasing, and real estate development as well as render other financial services. The scope of activities of each of the Group entities is set out in this note, in the table "Structure of the Group".

The Group operates in the Republic of Poland and through its subsidiaries, KREDOBANK SA and UKRPOLINWESTYCJE Sp. z o.o. – in Ukraine.

Going concern

The consolidated financial statements of the PKO BP SA Group have been prepared on the basis that the Bank and the entities from the PKO BP SA Group will be a going concern during a period of at least 12 months from the balance date of 30 June 2008.

As at the date of signing these consolidated financial statements, the Management Board is not aware of any facts or circumstances that would indicate a threat to the continued activity of the Bank or the entities of the PKO BP SA Group for at least 12 months following the balance date as a result of any intended or compulsory withdrawal or significant limitation in the activities of the Bank or other entities from the PKO BP SA Group.

Information on members of the Management and Supervisory Board of the Group's parent company

As at 30 June 2008, the Bank's Management Board consisted of:

- Jerzy Pruski — President of the Management Board
- Bartosz Drabikowski — Vice-President of the Management Board
- Mariusz Klimczak — Vice-President of the Management Board
- Tomasz Mironczuk — Vice-President of the Management Board

During the six-month period ended 30 June 2008, the following changes took place in the composition of the Management Board:

On 11 April 2008 the Supervisory Board of PKO BP SA appointed Jerzy Pruski to the position of acting President of the Management Board with effect from 20 May 2008 for a joint term of the Management Board, beginning that day. Supervisory Board appointed Jerzy Pruski to perform a function of the President of the Management Board of the Bank until the date of the approval of his appointment as President by the Financial Supervision Commission.

On 17 June 2008 the Polish Financial Supervision Authority agreed to the appointment of Jerzy Pruski as the President of the Management Board of PKO BP SA.

On 20 May 2008 the Supervisory Board appointed:

- Bartosz Drabikowski as Vice-President of the Management Board of the Bank as of 20 May 2008,
- Mariusz Klimczak as Vice-President the Management Board of the Bank as of 20 May 2008.
- Tomasz Mironczuk as Vice-President of the Management Board of the Bank as of 20 May 2008,
- Krzysztof Dresler as Vice-President of the Management Board of the Bank as of 1 July 2008,
- Wojciech Papierak as Vice-President of the Management Board of the Bank as of 1 July 2007,
- Mariusz Zarzycki as Vice-President of the Management Board of the Bank as of 1 September 2008.

The above named persons were authorized by appropriate resolutions of the Supervisory Board to constitute the Management Board from 20 May 2008.

As at 30 June 2008, the Bank's Supervisory Board consisted of:

- Marzena Piszczek — Chairman of the Supervisory Board
- Eligiusz Jerzy Krześniak — Vice-Chairman of the Supervisory Board
- Jan Bossak — Member of the Supervisory Board
- Jerzy Osiatyński — Member of the Supervisory Board
- Urszula Pałaszek — Member of the Supervisory Board
- Roman Sobiecki — Member of the Supervisory Board
- Ryszard Wierzba — Member of the Supervisory Board

During the six-month period ended 30 June 2008, the following changes took place in the composition of the Bank's Supervisory Board:

On 25 February 2008 Urszula Pałaszek resigned from the post of Vice-President of the Supervisory Board of the Bank.

On 26 February 2008, the following members of the Supervisory Board resigned from the post of Members of the Supervisory Board of the Bank:

- Marek Głuchowski,
- Agnieszka Winnik-Kalemba,
- Tomasz Siemiątkowski,
- Jerzy Michałowski.

On 26 February 2008 the Extraordinary General Meeting PKO BP SA removed Maciej Czapiewski with immediate effect from the post of Member of the Supervisory Board of PKO BP SA.

On 26 February 2008 the Extraordinary General Meeting of PKO BP SA appointed the following persons to the Supervisory Board of the Bank:

- Jan Bossak,
- Eligiusz Jerzy Krześniak,
- Roman Sobiecki,
- Ryszard Wierzba,
- Marzena Piszczek,
- Jerzy Osiatyński.

In accordance with the appropriate resolutions, the above - named were appointed to constitute the Supervisory Board from 26 February 2008 until the end of the current term of office and for the subsequent term, with the exception of Urszula Pałaszek, who was appointed for the subsequent term only.

(in PLN thousand)

Structure of the Group

The PKO BP SA Group consists of the following entities:

No.	Entity name	Registered office	Activity	% Share capital held by the Group 30.06.2008	% Share capital held by the Group 31.12.2007
PKO BP SA Group					
	Parent company				
1	**Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna**				
	Direct subsidiaries				
2	Powszechne Towarzystwo Emerytalne BANKOWY SA	Warsaw	Pension fund management	100.00	100.00
3	Centrum Finansowe Puławska Sp. z o.o.	Warsaw	Management and use of Centrum Finansowe Pulawska (H.O.)	100.00	100.00
4	PKO Inwestycje Sp. z o.o.	Warsaw	Real estate development	100.00	100.00
5	Inteligo Financial Services SA	Warsaw	Technical servicing of Internet banking	100.00	100.00
6	Centrum Elektronicznych Usług Płatniczych "eService" SA	Warsaw	Servicing and settlement of card transactions	100.00	100.00
7	Bankowy Fundusz Leasingowy SA	Łódź	Leasing services	100.00	100.00
8	Bankowe Towarzystwo Kapitałowe SA	Warsaw	Intermediation in shares and stock trading	100.00	100.00
9	PKO Towarzystwo Funduszy Inwestycyjnych SA	Warsaw	Investment fund management	75.00	75.00
10	KREDOBANK SA	Lviv, Ukraine	Financial services	98.1815	98.1815
	Indirect subsidiaries				
	Subsidiaries of Powszechne Towarzystwo Emerytalne BANKOWY SA				
11	Finanse Agent Transferowy Sp. z o.o.	Warsaw	Intemediary financial services	100.00	100.00
	Subsidiaries of PKO Inwestycje Sp. z o.o.				
12	POMERANKA Sp. z o.o.	Warsaw	Real estate development	100.00	100.00
13	Wilanów Investments Sp. z o.o.	Warsaw	Real estate development	100.00	100.00
14	UKRPOLINWESTYCJE Sp. z o.o.	Kiev, Ukraine	Real estate development	55.00	55.00
15	Fort Mokotów Sp. z o.o.	Warsaw	Real estate development	51.00	51.00
16	ARKADIA Inwestycje Sp. z o.o.	Międzyzdroje	Real estate development	100.00	100.00
17	WISŁOK Inwestycje Sp. z o. o.	Rzeszów	Real estate development	80.00	-
18	Baltic Dom 2 Sp. z o. o.	Warsaw	Real estate development	50.00	-
	Subsidiaries of Bankowy Fundusz Leasingowy SA				
19	Bankowy Leasing Sp. z o.o.	Łódź	Leasing services	100.00	100.00
20	BFL Nieruchomości Sp. z o.o.	Łódź	Leasing services	100.00	100.00

(in PLN thousand)

Associates and jointly controlled entities included in the consolidated financial statements:

Jointly controlled entities:

No.	Name of Entity	Registered office	Activity	% Share capital held by the Group	
				30.06.2008	31.12.2007
	Direct jointly controlled entities				
1	CENTRUM HAFFNERA Sp. z o.o.	Sopot	Real estate development	49.43	49.43
2	Centrum Obsługi Biznesu Sp. z o.o.	Poznań	Construction and maintenance of a hotel	41.44	41.44
	Indirect jointly controlled entities				
	Subsidiaries of CENTRUM HAFFNERA Sp. z o.o. (indirect jointly controlled by PKO BP SA)				
3	Centrum Majkowskiego Sp. z o.o.	Sopot	Real estate development	100.00	100.00
4	Kamienica Morska Sp. z o.o.	Sopot	Real estate development	100.00	100.00
5	Sopot Zdrój Sp. z o.o.	Sopot	Real estate development	100.00	100.00
6	Promenada Sopocka Sp. z o.o.	Sopot	Real estate development	100.00	100.00

Associated entities:

No.	Name of Entity	Registered office	Activity	% Share capital held by the Group	
				30.06.2008	31.12.2007
	Direct associates				
1	Bank Pocztowy SA	Bydgoszcz	Financial services	25.0001	25.0001
2	Kolej Gondolowa Jaworzyna Krynicka SA	Krynica Górska	Construction and operation of cable railway	37.53	37.53
3	Ekogips SA – in liquidation	Warsaw	Production of construction elements	60.26	60.26
4	Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	Poznań	Provision of sureties and guarantees	33.33	33.33
5	Agencja Inwestycyjna CORP SA	Warsaw	Office real estate management	22.31	22.31
	Indirect associates				
	Associates of Bankowe Towarzystwo Kapitałowe SA				
6	FINDER SA	Warsaw	Car location and fleet management services	46.43	46.43

Information about changes in the parent's participation in the share capital of the subsidiaries is set out in Note 52 "Business combinations".

Approval of financial statements

These consolidated financial statements have been approved for issue by the Management Board on 23 September 2008.

2. Summary of significant accounting policies

Basis of preparation of the financial statements

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards endorsed by the EU (IFRS) as at 30 June 2008 as applicable to interim financial reporting (IAS 34).

Taking into consideration the scope of the Group's activities, the IFRS as adopted by the EU that are used by the Group do not differ from IFRS standards not adopted by the EU.

Changes in accounting policies

Set out below are the new or revised IFRS regulations and the new guidance of the International Financial Reporting Interpretations Committee (IFRIC). In the six-month period ended 30 June 2008, the Group did not opt for early adoption of any of these regulations.

New standards and interpretations, which have been published and are currently effective

The International Accounting Standards Board and the International Financial Reporting Interpretations Committee have issued the following standards and amendments to existing standards, the effects of which are where appropriate incorporated in these financial statements.

- IFRIC Interpretation 11 - Group and Treasury Share Transactions (introduced in November 2006; applicable to annual periods starting on 1 March 2007 or later);
- IFRIC Interpretation 12 - Service Concession Arrangements (introduced in November 2006; applicable to annual periods starting on 1 January 2008 or later);
- IFRIC interpretation 14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (introduced in July 2007; applicable to annual periods starting on 1 January 2008 or later);

Of the above-mentioned interpretations only the IFRIC Interpretation 11 was approved by the European Union.

The Group does not consider that these standards will have a material effect on its consolidated financial statements.

New standards and interpretations and amendments to existing standards and interpretations, which have been published, but are not yet effective

The International Accounting Standards Board and the International Financial Reporting Interpretations Committee have issued the following standards and amendments to existing standards, which are not yet effective:

- Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards and IAS 27 - Consolidated and Separate Financial Statements (introduced in May 2008; applicable to annual periods starting on 1 January 2009 or later);
- Amendments to IFRS 2 - Share-based Payment (introduced in January 2008; applicable to annual periods starting on 1 January 2009 or later);
- IFRS 3 - Business Combinations (revised in January 2003; applicable prospectively for business combinations where the acquisition date falls on 1 July 2009 or later);
- IFRS 8 – Operating Segments (issued in November 2006; applicable to annual periods starting on 1 January 2009 or later);
- Improvements to International Financial Reporting Standards. Amendments to 20 standards (majority of changes applicable to annual periods starting on 1 January 2009);
- IAS 1 - Presentation of Financial Statements (revised in September 2007; applicable to annual periods starting on 1 January 2009 or later);
- Amendments to IAS 23 - Borrowing Costs (introduced in March 2007; applicable to annual periods starting on 1 January 2009 or later);
- IAS 27 - Consolidated and Separate Financial Statements (revised in January 2008; applicable to annual periods starting on 1 July 2009 or later);
- Amendments to IAS 32 - Financial Instruments: Presentation and IAS 01 - Presentation of Financial Statements (introduced in February 2008; applicable to annual periods starting on 1 January 2009 or later);
- Amendments to IAS 39 - Financial Instruments: Recognition and Measurement (introduced in July 2008; applicable to annual periods starting on 1 July 2009 or later);
- IFRIC Interpretation 13 - Customer Loyalty Programmes (introduced in June 2007; applicable to annual periods starting on 1 July 2008 or later);

- IFRIC Interpretation 15 - Agreements for the construction of real estate (introduced in July 2008; applicable to annual periods starting on 1 January 2009 or later);
- IFRIC Interpretation 16 - Hedges of a net investment in a foreign operation (introduced in July 2008; applicable to annual periods starting on 1 October 2008 or later);

Of the above-mentioned standards, interpretations and amendments to these regulations, only the IFRS 8 Standard was approved by the European Union.

The Management Board does not expect the introduction of the above-mentioned standards and interpretations to have a significant effect on the accounting policies applied by the Group. The Group intends to apply them in the periods indicated in the relevant standards and interpretations (without early adoption).

The subsidiaries of PKO BP SA in Poland maintain their books of account for the six-month period ended 30 June 2008 in accordance with the International Financial Reporting Standards, except for Fort Mokotów Sp. z o.o., which maintains its books of account in accordance with accounting principles specified in the Accounting Act of 29 September 1994 with subsequent amendments ("the Accounting Act") and with regulations issued based on that Act ("Polish Accounting Standards"). Foreign entities of the Group keep their books of account in accordance with the relevant local regulations. The consolidated financial statements include adjustments in the respect of these entities which are not included in the books of account of the Group's companies; but which have been made financial statements in order to ensure their compliance with IFRS.

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

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

Basic principles and accounting methods used by the PKO BP Group

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

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

a) Basis of consolidation

The consolidated financial statements include the financial statements of PKO BP SA and its subsidiaries, prepared for the six-month period ended 30 June 2008. The parent company and consolidated subsidiary reporting periods for the financial statements are co-terminous. Consolidation adjustments are made in order to eliminate any differences in the accounting policies applied by the Bank and its subsidiaries.

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

For the six-month period ended 30 June 2008:

- The Bankowy Fundusz Leasingowy SA Group,
- The Powszechne Towarzystwo Emerytalne BANKOWY SA Group,
- The PKO Inwestycje Sp. z o.o. Group,
- Centrum Finansowe Puławska Sp. z o.o.,

- Centrum Elektronicznych Usług Płatniczych „eService" SA,
- Inteligo Financial Services SA,
- KREDOBANK SA,
- Bankowe Towarzystwo Kapitałowe SA,
- PKO Towarzystwo Funduszy Inwestycyjnych SA.

For the year ended 31 December 2007:

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

For the six-month period ended 30 June 2007:

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

The "full" method of consolidation requires the adding up of all full amounts of the individual items of balance sheet, income statement of the subsidiaries and of the Bank, and making appropriate consolidation adjustments and eliminations. The carrying amount of the Bank's investments in subsidiaries and the equity of these entities at the date of their acquisition are eliminated at consolidation. The consolidated cash flow statement was prepared on the basis of the consolidated balance sheets, consolidated income statements and the additional notes and explanations.

The following items are eliminated in full at consolidation:

1) inter-company receivables and payables, and any other settlements of a similar nature, between the consolidated entities,
2) revenue and costs arising from business transactions conducted between the consolidated entities,
3) gains or losses from business transactions conducted between consolidated entities, included in the carrying amount of the assets of the consolidated entities, except for losses indicating impairment,
4) dividends accrued or paid by the subsidiaries to the parent company and to other consolidated entities,
5) inter-company cash flows in the cash flow statement.

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

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

- **Impairment of goodwill**

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

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

b) Purchase/sale of minority interests

If the Group increases/decreases its share in the net assets of its controlled subsidiaries, the excess of the cost of acquisition over the acquiror's interest in the net assets of the acquired subsidiary is recognized as goodwill. Goodwill is tested for impairment on an annual basis. Disposals of shares to minority interests result in gains and losses for the Group that are recorded in the income statement.

c) Estimates

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

The estimates and assumptions made on each balance date reflect the conditions that existed at these dates (e.g. market prices, interest rates, exchange rates etc.). The estimates are based on the best understanding of the current situation and the activities that are to be undertaken by the Group, but the ultimate outcome may differ from these estimates.

The Group presents in its financial statements the nature and magnitude of only these estimates which significantly affect the current period, or which are believed to significantly affect the future periods.

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

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

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

- **Impairment of financial assets**

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

The Group uses three methods for estimation of impairment:

1) for loans which were found to be individually impaired and which are considered individually significant, impairment is estimated on the basis of an analysis of future cash flows from each asset,
2) for loans which were found to be individually impaired and which are not considered individually significant, impairment is estimated for individual types of exposures, on the basis of expected average cash flows generated by particular loan portfolios,
3) for loans which were not found to be individually impaired, but for which it was found that they may have given rise to incurred but not reported losses, impairment allowances are estimated on the basis of expected time of identification of losses, probability of the losses being identified and the expected amount of the loss at the moment of its identification.

The Group anticipates that the methodology used for estimating impairment allowances will be developed in line with the further accumulations of historic impairment data from the existing information systems and applications. As a consequence, new data obtained by the Group could affect the level of impairment allowances in the future.

- **Impairment of investments in associates and jointly controlled entities**

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

- **Impairment of other non-current assets**

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

- **Valuation of derivates and non-quoted debt securities available for sale**

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

- **Calculation of provision for retirement and pension benefits and anniversary bonuses**

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

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

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

1) average existing useful lives, which reflect physical wear and tear and intensity of use,
2) technical obsolescence,
3) the period of control over the asset as well as legal and other limits on the use of the asset,
4) dependence of useful lives of assets on the useful lives of other assets,
5) other factors affecting useful lives of such assets.

When the period of use of a given asset results from a contract term, the useful life of such an asset corresponds to the period defined in the contract; if, however, the estimated useful life is shorter than the period defined in the contract, the estimated useful life is applied.

d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash on nostro accounts with the National Bank of Poland, current amounts due from other banks, as well as other cash equivalents with maturities up to three months from the date of acquisition. These amounts are presented in their nominal values.

e) Financial assets

Financial assets are classified into the following categories: financial assets valued at fair value through profit or loss; financial assets available for sale; loans and other receivables; financial assets held to maturity. The classification of the financial asset occurs at the moment of initial recognition.

- **Financial assets at fair value through profit or loss**

This category includes financial assets held for trading and financial assets designated at the moment of initial recognition as financial assets at fair value through profit or loss.

Financial assets are classified as held for trading, if they are:

1) acquired or incurred principally for the purpose of selling or repurchasing in the near term,

2) a part of portfolio of specific financial instruments, managed jointly on a portfolio basis and for which exists confirmation of an actual pattern of short-term gain generation,

3) a derivative (except for a derivative that is a financial guarantee contract or designated and effective hedging instrument).

Each financial asset may be designated at the moment of initial recognition as a financial asset at fair value through profit or loss, except for investment in capital instruments, for which market prices quoted on an active market do not exist and which can not be reliably valued at fair value.

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

Equity instruments

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

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

Debt instruments

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

1) for debt instruments for which there is an active market – with reference to market value (bid price),
2) for debt instruments for which there is no active market - according to one of the following methods:
   a) the reference asset value method,
   b) discounted cash flow method based on market interest rates,
   c) the price of the last transaction concluded on the market, unless in the period between the date of the transaction and the balance date there were significant changes in market conditions which might affect the price.

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

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

Derivative instruments

A derivative instrument becomes an asset if its fair value is positive and it becomes a liability if its fair value is negative. The fair value of instruments that are actively traded on the marked is their market price. In other cases, fair value is derived with the use of valuation models which use information from active markets. Valuation techniques are based on discounted cash flow models, option models and yield curves.

Derivative financial instruments are recognized at fair value at the date of transaction and are subsequently carried at fair value at the balance date. Where the estimated fair value is lower or higher than the fair value as of the preceding balance date (for transactions concluded in the reporting period –initial fair value), the Group includes the difference, respectively, in the net income on financial instruments at fair value through profit or loss or in the foreign exchange gains (for transactions FX swap, FX forward and CIRS transactions), in correspondence with "Derivative financial instruments".

The result of the ultimate settlement of derivative instrument transactions is reflected in the result from financial instruments at fair value through profit or loss or in the foreign exchange gains. The nominal value of the underlying instruments is presented in off-balance sheet items from the date of the transaction until maturity.

Embedded derivative instruments

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

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

Derivative instruments are recognized separately from the host contract, if all of the following conditions are met:

1) the hybrid (complex) instrument is not classified at fair value through profit or loss,
2) the economic characteristics and risks of the embedded derivative instrument are not closely related to the economic characteristics and risks of the host contract,
3) a separate instrument with the same characteristics as the embedded derivative would meet the definition of a derivative,
4) it is possible to reliably determine the fair value of the embedded derivative.

In the case of contracts which are not financial instruments and which include an instrument which fulfils the above conditions, profits and losses from embedded derivatives are recorded in the income statement under the “Net income from financial instruments at fair value through profit or loss”.

- **Financial assets available for sale**

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

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

Impairment losses on equity instruments are not reversed through profit or loss. Any future increases in the fair value of such instruments are recognized in revaluation reserve. Dividends from equity instruments are recorded in the income statement when the entity's right to receive the payment has been established.

Equity instruments

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

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

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

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

Debt instruments

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

1) for debt instruments for which there is an active market - with reference to market value (bid price),
2) for debt instruments for which there is no active market - according to one of the following methods:
   a) reference asset value method,
   b) discounted cash flow method based on market interest rates, adjusted for risk margin equal to the margin determined in the terms of the issue.

The results of difference between the fair value an instrument and the value stated at amortized cost are taken to revaluation reserve, except for impairment losses, which are charged to the income statement. Interest income and discounts calculated using the effective interest rate are shown as interest and similar income.

- **Loans and advances**

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

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

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

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

- **Financial assets held to maturity**

Financial assets held to maturity are assets with fixed or determinable payments and maturity dates with respect to which management has the positive intention and ability to hold to maturity.

Financial assets in this category are valued at amortized cost using the effective interest rate. The amortization is recorded in the income statement under interest and similar income.

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

f) Accounting for transactions

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

g) Sale and repurchase contracts

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

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

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

h) Impairment of financial assets

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

The following are particularly considered by the Group as loss events:

1) significant financial difficulties of the issuer or the debtor,
2) breach of a contract by the issuer or the debtor, such as a default or a delinquency in contracted payments of interest or principal,
3) granting of a concession by the lender to the issuer or the borrower, for economic or legal reasons relating to the borrower's financial difficulty, that the lender would not otherwise consider,
4) high probability of bankruptcy or other financial reorganization of the issuer or the debtor,

5) discontinuance of trading activity relating to a given financial asset on the active market due to financial difficulties of the issuer or the debtor,
6) evidence that there is a measurable reduction in the estimated future cash flows from a group of financial assets, including collectability of these cash flows.

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

Loan and lease receivables are classified on the basis of the amount of exposure into the individual and group portfolios.

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

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

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

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

The calculation of the present value of estimated cash flows relating to financial assets for which there is held collateral takes into account cash flows arising from the realisation of the collateral, less costs to possess and sell.

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

Historical recovery parameters are adjusted on the basis of data from current observations, so as to take into account the impact of current conditions and exclude currently non-relevant factors.

In subsequent periods, if the amount of impairment loss is reduced because of an event subsequent to the impairment being recognized (e.g. improvement in debtor's credit rating), the impairment loss that was previously recognized is reversed by making an appropriate adjustment to impairment allowances. The amount of the reversal is recorded in the income statement.

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

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

i) Derecognition of financial instruments

Financial instruments are derecognized when contractual rights to the cash flows from the financial asset expire, or when the financial asset is transferred to another entity. The financial asset is transferred when 1) the contractual rights to receive the cash flows from the financial asset is transferred or 2) retains the contractual rights to receive cash flows from the financial asset, but assumes a contractual obligation to pay cash flows to an entity outside the Group. When the Group transfers a financial asset, it evaluates the extent to which it retains the risks and rewards of ownership of the financial asset. In such cases:

1) If all the risks and rewards of ownership of the financial asset are substantially transferred, then it derecognises the financial asset,
2) If all the risks and rewards of ownership of the financial asset are substantially retained, then the financial asset continues to be recognised,
3) If substantially all the risks and rewards of ownership of the financial asset are neither transferred nor retained, then a determination is made as to whether control of the financial asset has been retained. If the Group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset; if control has not been retained, then the financial asset is derecognized.

The Group removes a financial liability (or a part of a financial liability) from its balance sheet when the obligation specified in the contract is discharged or cancelled or expires.

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

j) Leases

The Group is a party to lease agreements, based on which it conveys in return for payment to use and take profits (the lessor) from tangible and intangible assets during a fixed period (the rights). The Group is also a party to lease agreements, based on which it receives tangible fixed assets for an agreed period of time (the lessee). The classification of leases is based on the extent to which risks and rewards incidental to ownership of an asset lie with the lessor or the lessee.

A lease is classified as finance lease if:
- The lease transfers ownership of the asset to the lessee after the end of the lease term;
- The lessee has an option to purchase the asset at a price that is expected to be sufficiently lower than fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- The leased assets are of such a specialized nature that only the lessee can use them without major modifications;
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent;
- The lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

- **The Group as a lessor**

In case of finance lease agreements, the Group, as a lessor, has receivables of the present value of the lease payments, increased by a possible unguaranteed residual value assigned to the lessor, fixed at the date of the lease agreement. These receivables are disclosed under “Loans and advances to customers”. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

In operating leases, initial direct costs that are incremental and directly attributable to negotiating and arranging a lease, are added to the carrying value of the leased asset during the period fixed in the lease agreement, on the same basis as in the case of contracts for hire. Conditional lease payments constitute income when they are due. Lease payments due from agreements, which do not meet the finance lease criteria (operational lease agreements) constitute income and are recognised on a straight-line basis during the lease term.

- **The Group as a lessee**

Lease payments under an operating lease are recognised as an expense in the income statement and are recognized on a straight-line basis over the lease term.

k) Inventories

Inventories related mainly to developing activities of the Group are valued at the lower of two values: the purchase price/cost of production and net realizable value.

Expenses incurred in bringing the inventories to their present location and condition are treated as follows: Finished goods (housing and service premises) and work in progress (housing and service premises in progress and land held for development) – as direct expenses and part of indirect costs of production. In the case of long-term preparatory or production periods cost or purchase price is increased by finance charges specifically incurred for such purchases.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories is assigned by using the first-in, first-out (FIFO) method.

l) Tangible fixed assets and intangible assets

Tangible fixed assets and intangible assets are stated at acquisition cost or cost of production, less accumulated depreciation/amortization and impairment losses. Property was stated at fair value at the IFRS transition date. Depreciation is charged on all assets, whose value decreases due to usage or passage of time, using the straight-line method over the estimated useful life of the given asset. The adopted depreciation/amortization rates and periods are subject to periodic verification. If there were any events or circumstances indicating that the carrying amount of tangible fixed assets may not be recoverable, then these assets are reviewed for impairment. Depreciation/amortization charges and impairment write-offs are expensed directly to the income statement for the current period. Land and intangible assets with indefinite useful lives are not depreciated/ amortized, but they are annually tested for impairment.

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

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

1) the amount of depreciation or amortization charges becomes equal to the initial cost of the asset, or
2) the asset is designated for liquidation, or
3) the asset is sold, or
4) the asset is found to be missing, or

5) it is found - as a result of verification - that the expected residual value of the asset exceeds its (net) carrying amount.

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

Depreciation/amortization periods for basic groups of tangible fixed assets and intangible assets applied by PKO BP SA Group:

Tangible assets	Periods
Buildings, premises, cooperative rights to premises	2-60 years
Leaseholds improvements (buildings, premises)	2-10 years (or term of the lease if shorter)
Plant and machinery	3-15 years
Computer hardware	2-10 years
Motor vehicles	3-5 years

Intangible assets	**Periods**
Software	2-10 years
Other intangible assets	1-5 years

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

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

As of the date of acquisition, the acquired goodwill is allocated to each identifiable cash-generating unit. Impairment is calculated by estimating the recoverable amount of the cash-generating unit to which the given goodwill relates. Where the recoverable amount of the cash-generating unit is lower than its carrying amount, an impairment loss is recognized. Where goodwill represents part of a cash-generating unit and there is a sale of a part of operations conducted within this unit, for the purpose of calculating gains and losses on the disposal, the goodwill related to the operations is included in the carrying amount of these operations.

m) Investment property

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

n) Non-current assets held for sale

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

Non-current assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell. Impairment allowances for non-current assets held for sale are recognized in the income statement for the period, in which these allowances are made. These assets are not depreciated.

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

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

If the share of the Group in the losses incurred by an associate or a jointly controlled entity is equal to or higher than the carrying amount of the investment, the value of the investment is shown at nil. Further losses (below the carrying amount) are recorded at the amount of a payment or a payment commitment by the Group on behalf of the associate or jointly controlled entity in order to fulfil the obligations that the Group guaranteed or otherwise committed to settle.

p) Valuation of items denominated in foreign currencies and foreign exchange gains

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

q) Currency exchange rates used in preparing consolidated financial statements

At the balance date, monetary assets denominated in foreign currency are translated into Polish zloty, using a closing rate - the average NBP rate for a given currency as at the balance date. Non-monetary assets valued at historical cost in foreign currency are translated into Polish zloty, using exchange the rate as of the date of the transaction. Non-monetary assets valued at fair value through profit or loss in foreign currency are translated into Polish zloty, using exchange rates as at the date of the determination fair value.

Income and expenses as well as assets, liabilities and stockholder's equity of a foreign subsidiary are translated from its functional currency into the presentation currency, using the following principles:

– Assets and liabilities at the balance date and comparative data – translated using the closing exchange rate prevailing at the balance sheet day;

– Income and expenses for the current and comparative periods - translated using exchange rates prevailing on a day of a particular transaction;

– All foreign exchange differences resulting from the translation are recognized as a separate equity component.

Balance sheet and off-balance sheet items denominated in Euro as at 30 June 2008 were translated at the rate of 3.3542 PLN/EUR, which is the average NBP rate at the balance date. For translation of the balance sheet and off-balance-sheet items denominated in Euro as at 31 December 2007, the Group used the rate of 3.5820 PLN/EUR, which was the average NBP rate at the balance date.

The items of the income statement and the cash flow statement for the six-month period ended 30 June 2008 have been translated into Euro using the rate of 3.4776 PLN/EUR, which is the arithmetical mean of the average NBP rates at the last day of each month covered by the financial statements. The financial data concerning the income statement and cash flow statement for the six-month period ended 30 June 2007 has been translated into Euro using the rate of 3.8486 PLN/EUR, which was the arithmetical mean of the average NBP rates on the last day of each month covered by the comparative financial data.

(in PLN thousand)

EUR	01.01-30.06.2008	01.01-30.06.2007
Rate prevailing on the last day of the period	3.3542	3.7658
Rate representing the arithmetical mean of the rates prevailing on the last day of each month of the period	3.4776	3.8486
The highest rate in the period	3.6577	3.9385*
The lowest rate in the period	3.3542	3.7465*

* Change of presentation – the highest and the lowest exchange rate from average exchange rates announced by the National Bank of Poland during the first six-month period ended 30 June 2007

For translation of the balance sheet and off-balance sheet items in UAH as at 30 June 2008, the Group used the rate of 0.4662 PLN/UAH, which is the average NBP rate at the balance date. For translation of the balance sheet and off-balance-sheet items as at 31 December 2007 into UAH the Group used the rate of 0.4814 PLN/UAH, which was the average NBP rate at the balance date.

The main items of the income statement and of the cash flow statement for the six-month period ended 30 June 2008 have been translated into UAH using the rate of 0.4617 PLN/UAH, which is the arithmetical mean of the average NBP rates at the last day of each month covered by the financial statements. The financial data concerning the income statement and the cash flow statement for the six-month period ended 30 June 2007 have been translated into UAH with the rate of 0.5738 PLN/UAH, which was the arithmetical mean of the average NBP rates on the last day of each month covered by the comparative financial data.

UAH	01.01-30.06.2008	01.01-30.06.2007
Rate prevailing on the last day of the period	0.4662	0.5562
Rate representing the arithmetical mean of the rates prevailing on the last day of each month of the period	0.4617	0.5738
The highest rate in the period	0.4992	0.6018*
The lowest rate in the period	0.4324	0.5492*

* Change of presentation – the highest and the lowest exchange rate from average exchange rates announced by the National Bank of Poland during the first six-month period ended 30 June 2007

r) Contingent liabilities and commitments

The Group enters into transactions, which, at the time of their inception, are not recognized in the balance sheet as assets or liabilities; however they give rise to contingent liabilities and commitments. A contingent liability or commitment is:

1) a possible obligation that arises from past events and whose existence will be confirmed only at the time of occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group,
2) a present obligation resulting from past events, but not recognized in the balance sheet, because it is not probable that an outflow of cash or other assets will be required to fulfil the obligation, or the amount of the obligation cannot be measured reliably

At inception, a financial guarantee is stated at fair value. Following the initial recognition, the financial guarantee is measured at the higher of:

1) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
2) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18 Revenue.

Credit lines and guarantees are the most significant items of contingent liabilities and commitment granted.

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

s) Deferred income tax

The amount of deferred tax is calculated as the difference between the tax base and book value of assets and liabilities. The Group forms deferred income assets and liabilities. An amount of deferred tax is determined using the balance sheet method – as a change in the balance sheet amounts of deferred income tax and liabilities. Deferred tax assets and deferred tax liabilities are presented in the balance sheet respectively as assets or liabilities. The change in the balance of a deferred tax liability or a deferred tax asset is included in income tax expense, except for the effects of valuation of financial assets recognized in revaluation reserve, where changes in the balance of a deferred tax liability or deferred tax asset are accounted for in correspondence with revaluation reserve. The calculation of deferred tax takes into account the balance of the deferred tax asset and deferred tax liability at the beginning and at the end of the reporting period.

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

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

The Group uses the 19% tax rate for entities operating on the territory of Poland, and a 25% tax rate for entities operating in Ukraine.

Deferred tax assets are offset with deferred tax liabilities only when there exists enforceable legal entitlement to offset current tax receivables with current tax liabilities and deferred tax is related to the same tax payer and the same tax authority.

t) Financial liabilities at fair value through profit or loss

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

u) Financial liabilities at amortized cost

Financial liabilities other than valued at fair value through profit or loss are valued at amortized cost using the effective interest rate. If it is not possible to determine a cash flow projection for a financial liability, and therefore to reliably determine the effective interest rate, the liability is recorded in the amount due.

v) Debt instruments issued by the Group

Debt instruments issued by the Group are recognised as liabilities and are measured at amortised cost using the effective interest rate. Interest expense and fee and commission expense paid based on the effective interest rate are recognised as interest expense in the income statement.

w) Accruals and deferred income

An accruals and deferred income mainly comprises fee and commission income recognized using the straight-line method and other income received in advance, which will be recognized in the income statement in future reporting periods.

Accruals include accruals for the cost of services performed for the Group by counterparties, which will be recognized in following periods, and accruals for amounts due to employees (e.g. bonuses, rewards and unused holiday payments). Accruals and deferred income are shown in the balance sheet under "Other liabilities".

x) Prepayments and deferred costs

Prepayments and deferred costs include particular kinds of expenses which will be recognized in the income statement in future reporting periods. Prepayments and deferred costs are shown in the balance sheet under “Other assets”.

y) Provisions

Provisions are liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. According to the Collective Labour Agreement (Zakładowy Układ Zbiorowy), all employees of PKO BP SA are entitled to anniversary bonuses after completing a specified number of years in service and to retirement bonuses upon retirement. The Group periodically performs an actuarial valuation of provisions for future liabilities to employees.

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

z) Financial result

The Group recognizes all significant expenses and income in accordance with the following policies: accrual basis, matching principle, policies for recognition and valuation of assets and liabilities; policies for recognition of impairment charges.

- **Interest income and expense**

Interest income and interest expenses include interest, together with discounts and premiums, recognized on an accrual basis using the effective interest rate method. Interest income also includes fee and commission received and paid, which are part of the effective interest rate of the financial instrument.

- **Fee and commission income and expenses**

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

- **Dividend income**

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

- **Net income from financial instruments at fair value through profit or loss**

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

- **Gains less losses from investment securities**

Gains less losses from investment securities include gains and losses arising from disposal of financial instruments classified as available for sale.

- **Foreign exchange gains**

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

- **Other operating income and expense**

Other operating income and expense includes income and expense not related directly to banking activity. Other operating income mainly includes gains from sale or liquidation of non-current assets and assets possessed in exchange for debts, recovered bad debts, legal damages, fines and penalties, income from lease/rental of properties and income from reversal of provisions for claims under dispute and assets possessed in exchange for debts. Other operating expense mainly includes losses from sale or liquidation of non-current assets, including assets possessed in exchange for debts, costs of debt collection, costs of provisions recognized for claims under dispute and donations.

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

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

aa) Current income tax

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

In calculating taxable income, the Bank took into account the Decree of the Minister of Finance dated 28 March 2003. The Decree extends deadlines for advances and payments of corporate income tax. Such extensions are granted to banks that participate in a programme of extending construction and development loans with the use of funds from the Mortgage Fund (Journal of Laws No. 58, item 511).

bb) Shareholders' equity

Shareholders' equity comprises capital and the other funds of the Group entities in accordance with the relevant legal regulations and the Articles of Association. Shareholders' equity also includes retained earnings and accumulated losses from previous years. A portion of shareholders' equity of subsidiaries, other than share capital, corresponding to the interest attributable to the parent company, is added to appropriate components of the equity of the parent company. The shareholders' equity of the Group only includes only a portion of the shareholders' equity of the subsidiaries that was created after the acquisition date. This particularly applies to a change in equity due to acquired profits or incurred losses as well as revaluation of financial assets available for sale. Shareholder's equity comprises:

1) Share capital comprises solely the share capital of the parent company and is stated at nominal value in accordance with Articles of Association and the Register of Entrepreneurs,
2) Reserve capital is created according to the Articles of Association of the Group entities, from the appropriation of net profits and from share premium and it is to cover the potential losses of Group entities,
3) Revaluation reserve comprises the effects of remeasurement of financial assets available for sale and the amount of the related deferred tax. In the balance sheet, the revaluation reserve is presented in the net amount,

4) Other reserves as envisaged by the Articles of Association are created by appropriation of profits,
5) Capital component - Foreign exchange differences comprise foreign exchange differences resulting from the translation of the net result of a foreign entity and acquisition price using the rate constituting arithmetic mean of average NBP rates established on the day ending each month of the balance sheet period with reference to the average NBP rate and foreign exchange differences resulted from valuation of net asset in foreign entity.
6) General banking risk fund in PKO BP SA is created from profit after tax according to "The Banking Act" dated 29 of August 1997 (Journal of Laws 2002, No. 72, item 665 with subsequent amendments) and it is to cover unidentified risks of Group entities.

Shareholders' equity also includes:

1) net profit (loss) of the period prior to the approval of the shareholder's meeting under the approval process less dividends declared up to balance date,
2) dividends declared after the balance date but not paid.

Net profit (loss) for the period comprises profit (loss) before income tax generated (incurred) in the current year, adjusted by corporate income tax expense and profit (loss) attributable to the minority shareholders.

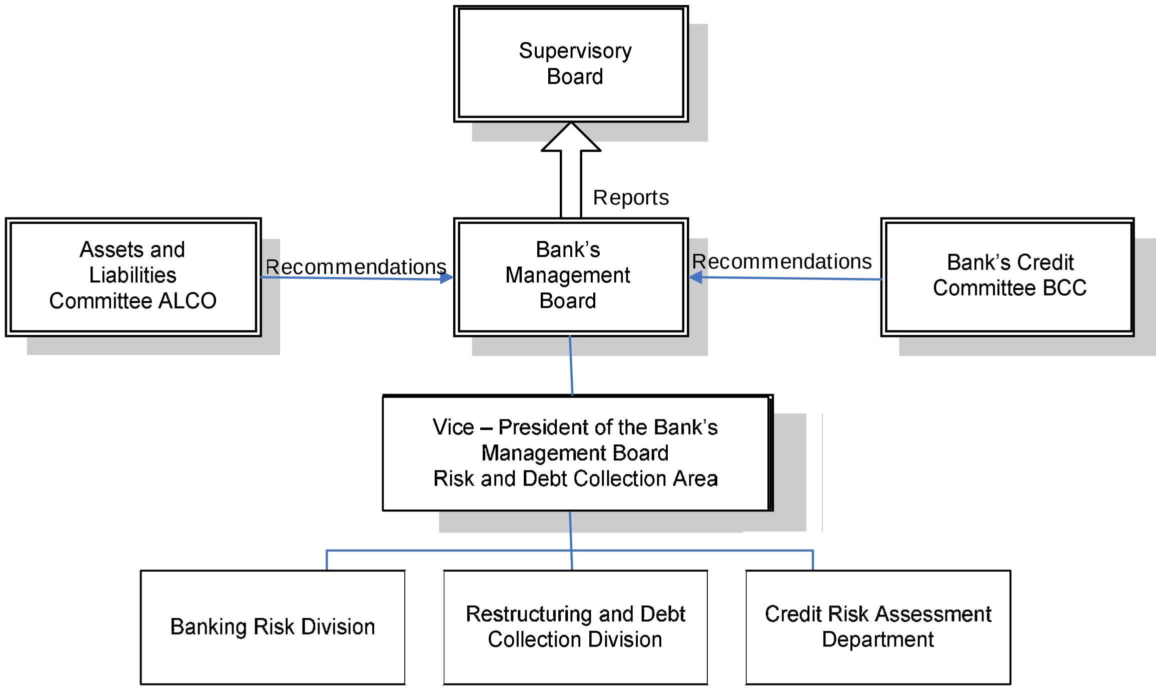
3. Objectives and principles of risk management

Banking activity is exposed to a number of risks, including credit risk, market risk, operational risk and business risk. Controlling the impact of these risks on the operations of the PKO BP SA Group is one of the most important objectives in the management of both the Bank and the Group. The level of the risks plays an important role in the planning process.

Risk management in the Bank is based on the following principles:

- full organisational independence of the risk and debt collection function from the business function,
- risk management is integrated with planning and controlling processes,
- the risk and debt collection function provides an ongoing support for meeting business objectives while keeping risk at an acceptable level,
- level of risk is controlled on an ongoing basis,
- the risk management model is adjusted on a ongoing basis to reflect new risk factors and risk sources.

Organisational risk management model



Banking risk management process in the Group consists of the following actions:

- identification of the risk – determination of both the actual and the potential risk factors, resulting from current and planned activity of the Bank,
- measuring of the risk,
- making decisions about acceptable level of risk, planning of activities, giving recommendations and instructions, building procedures and supporting tools,
- monitoring of the risk – full-time supervision at the risk level based on accepted methods of measuring the risk,
- reporting to management on a cyclical basis – about exposure to risk and steps taken to mitigate that risk.

Risk management process is carried out through:

- methods and methodology, as stated in internal regulations,
- the IT environment of the Bank, which facilitates the flow of information necessary for risk assessment and risk control (including: the central information system supporting risk assessment and central databases),
- the internal organization, including organizational units, their tasks, scope of their responsibilities and their cooperation.

The risk management process is supervised by the Supervisory Board of the Bank, which is informed on a regular basis about the risk profile of the Bank and of the PKO BP SA Group as well as of the most important activities taken in the area of risk management.

The Management Board is responsible for the risk management strategy, including supervising and monitoring of activities taken by the Bank in the area of risk management. The Management Board approves the most important decisions affecting the risk profile of the Bank and internal regulations defining the risk management system. Operational risk management is conducted by organizational units of the Bank (within the scope of their authorizations), which are grouped into the Banking Risk Division, the Restructuring and Debt Collection Division and the Credit Risk Assessment Department.

Tasks of the Banking Risk Division include development and implementation of comprehensive solutions in the area of management of credit risk, operational risk, compliance risk, market and strategic risk, as well as capital adequacy management.

The task of the Restructuring and Debt Collection Division is to ensure an effective and efficient debt collection and restructuring of doubtful and defaulted receivables.

The task of the Credit Risk Assessment Department is to assess and review estimated credit risk arising from individual loan exposures which require particular attention due to their size or their level of risk.

Market risk management and portfolio credit risk management in the Bank are supported by the following two committees, which are chaired by the Vice-President of the Bank's Management Board who is in charge of the Risk and Debt Collection Function:

- Assets & Liabilities Committee (ALCO),
- Credit Committee (CC).

ALCO makes decisions and issues recommendations to the Bank's Management Board with regard to market risk management, portfolio credit risk management and asset and liability management.

CC makes loan decisions with regard to significant individual loan exposures, or issues recommendations in this respect to the Bank's Management Board. There are also other credit committees operating at various levels of the Bank. They are responsible for issuing recommendations with regard to loan decisions which are significant due to the level of the risk involved or the size of the loan exposure.

The Bank supervises activities of the individual subsidiaries of the Group. As part of this supervision, the Bank sets out and approves their development strategies, including risk management strategies. The Bank also supervises the entities' risk management systems and provides support in the development of these systems. Additionally, it reflects business risk of the particular Group entities in the risk reporting and risk monitoring system of the entire Group.

Credit risk

Credit risk is defined as a risk of occurrence of losses due to a counterparty's default of payments to the Bank or as a risk of decrease in economic value of amounts due to the Bank as a result of deterioration of a counterparty's ability to repay amounts due to the Bank.

The Bank and the Group entities apply the following principles of credit risk management:

- each loan transaction is subject to comprehensive credit risk assessment, which is reflected in an internal rating or credit scoring,
- credit risk relating to potential and concluded loan transactions is measured on a cyclical basis, taking into consideration changes in external conditions and in the financial standing of the borrowers,
- credit risk assessment of exposures which are significant due to their risk levels is subject to additional verification by credit risk assessment teams, which are independent of the business teams,
- terms of loan contracts that are offered to a client depend on the credit risk generated by the contract,
- loan granting decisions are made only by authorised persons, within their authority,
- credit risk is diversified by geographical location, by industry, by product and by clients,

- expected credit risk is mitigated by setting appropriate credit margins and appropriate allowances for credit losses,

The above-mentioned policies are executed by the Bank through the use of advanced credit risk management methods, both on the level of individual exposures and on the level of the whole credit portfolio of the Bank. These methods are verified and developed to ensure compliance with the internal ratings based requirements.

Rating and scoring methods

The Bank assesses the risk of individual credit transactions with the use of scoring and rating methods, which are created, developed and supervised by the Banking Risk Division. The assessment methods are supported by specialist central application software.

The Bank assesses the credit risk of retail clients on two levels: the client's borrowing capacity and his creditworthiness. The assessment of borrowing capacity involves an examination of the client's financial situation, whereas the creditworthiness assessment involves scoring and evaluating the client's credit history obtained from external sources and internal records of the Bank. In the first half of 2008, the Bank continued developing such credit risk assessment methods relating to retail clients. Among other things, it extended the behavioural scoring system by adding more revolving facilities offered by the Bank to retail clients, such as credit cards and Inteligo revolving loans. In this period, the Bank also updated the minimum values of the parameters used for assessing the borrowing power of retail clients applying for consumer loans, credit cards, revolving loans. The changes in the parameter values involved increasing, among others, the minimum fixed expenses of a household and its outgoings on consumption.

Credit risk relating to the financing of corporate clients is assessed on two levels: the client and the transaction (excluding corporate clients treated as a part of the retail market, who are assessed in a simplified manner). These assessments are based on the ratings of the client and the transaction. The so-called cumulative rating is a synthetic measure of credit risk for the Bank. The information about ratings and scoring is widely used at the Bank for the purposes of credit risk management, the system of credit decision-making powers, determining the amounts above which independent credit assessment services are activated, and the reporting system.

Collateral policy

Group collateral management is meant to secure properly the interests of the Group by way of establishing collateral that will ensure the highest possible level of recovery in the event of realisation of collateral. Group policies regarding legal collateral measures are included in the internal regulations of the Group subsidiaries.

The type of collateral depends on the product and the type of the client.

With regard to real estate financing products, collateral is required to be established on the property. Until an effective mortgage is established, the following types of collateral are used (depending on the type and amount of loan): insurance of receivables, guarantee or an increased credit margin.

With regard to retail banking products, usually personal guarantees are used (a civil law surety/guarantee, a bill of exchange) or collateral is established on the client's bank account, his car or securities.

With regard to loans for the financing of small and medium enterprises and corporate clients, collateral can be established on: trade receivables, bank accounts, movable property, real estate or securities.

The Bank follows the following rules with respect to accepting legal collateral for loans:

- In the case of substantial loans (in terms of value), several types of collateral are established. If possible, personal guarantees are combined with collateral established on assets;
- Liquid types of collateral (i.e. collateral established on liquid assets, which the Bank is likely to dispose of quickly for a price approximating the value of the assets put up as collateral) are preferred;
- Types of collateral which are exposed to a risk of significant adverse fluctuations of value are treated as auxiliary collateral;
- When an asset is accepted as collateral, an assignment of rights from the insurance policy relating to this asset or the insurance policy issued to the Bank are accepted as additional collateral;
- Effective establishment of collateral in compliance with the loan agreement is necessary to make the funds available.

Collateral is monitored on a periodic basis in order to determine the current credit risk level of a transaction. The following aspects are monitored:

- The financial standing of the entity which provided the personal guarantee;
- The condition and value of assets put up as collateral;
- Other factors affecting the Bank's ability to recover the receivable.

Collateral in the form of mortgage on real estate is subject to special scrutiny. The Bank monitors such real estate on a periodic basis (taking into account the LtV – loan to value ratio). It also monitors prices on the real estate market. Should such an analysis show a significant drop in real estate prices, the Bank will undertake additional steps to regularise the position.

With regard to lease contracts, BFL S.A., as the owner of leased assets, treats them as collateral of the transaction. Should the liquidity (demand for a given kind of fixed asset on secondary markets), rate of impairment of an asset, or financial standing of the client be unacceptable according to internal procedures, additional legal collateral measures are used in the form accepted by banks. These include: mortgages, registered pledges, transfer of ownership, repurchase agreements concluded with suppliers with respect to leased assets, and the following forms of financial security: transfers of receivables, liens on bank accounts and deposits.

Portfolio risk measurement

In order to assess the level of credit risk and profitability of loan portfolios, the Bank uses different credit risk measurement and valuation methods, including:

- Probability of Default (PD);
- Expected Loss (EL);
- Credit Value at Risk (CVaR);
- Effectiveness measures used in scoring methodologies (Accuracy Ratio);
- Share and structure of non-performing loans;
- Share and structure of exposures for which an individual loss of value has been determined.

The Bank regularly extends the scope of credit risk measures used, taking account of the internal rating-based method (IRB) requirements, and extends the use of risk measures to cover the whole loan portfolio with these methods.

The portfolio credit risk measurement methods make it possible, among other things, to reflect the credit risk in the price of services; determine the optimum cut-off levels and determine impairment allowances.

Credit risk management tools

Basic credit risk management tools used by the Bank include:

- The principles of defining credit availability, including cut-offs – the minimum number of points awarded in the process of creditworthiness assessment with the use of a scoring system (for retail clients) or the client's rating class or cumulative rating class (for corporate clients), which a client must obtain to receive a loan;
- Minimum transaction requirements determined for a given type of transaction (e.g. minimum LtV, maximum loan amount, required collateral);
- Minimum credit margins – credit risk margins relating to a given credit transaction concluded by the Bank with a given corporate client; the interest rate offered to a client cannot be lower than the reference rate plus credit risk margin;
- Concentration limits – the limits defined in §71, clause 1 of the Banking Law, sector limits and limits relating to real estate financing;
- Competence limits – they define the maximum level of credit decision-making powers with regard to the Bank's clients; the limits depend primarily on the amount of the Bank's exposure to a given client (or a group of related clients) and the loan transaction period; the competence limit depends on the credit decision-making level (in the Bank's organizational structure).

Credit risk reporting

The Bank prepares monthly and quarterly credit risk reports for ALCO, the Credit Committee, the Management Board and the Supervisory Board. The reports contain information about the historical credit risk amounts and credit risk forecasts. In addition to the information concerning the Bank, the reports also contain information about the credit risk level for two Group companies, KREDOBANK S.A. and BFL S.A., which have significant credit risk levels.

Credit risk management at the Group subsidiaries

The Group companies, which have significant credit risk levels (KREDOBANK S.A., BFL S.A.) manage their credit risk individually, but the methods used by them for credit risk assessment and measurement are adjusted to the methods used by PKO BP SA, taking into account the specific nature of the activities of these companies.

Any changes to the solutions used by the Group companies are agreed with the Bank's units responsible for risk management.

BFL S.A. and KREDOBANK S.A. measure credit risk regularly, and the results of such measurements are submitted to the Bank.

KREDOBANK S.A. and BFL S.A. have units responsible for risk in their organizational structures, which are in particular responsible for:

- Developing methods of credit risk assessment, recognizing provisions and allowances;
- Controlling and monitoring credit risk during the lending process;
- The quality and effectiveness of restructuring and enforcement of the amounts due from clients.

In these companies, the credit decision limits depend primarily on: the amount of the Bank's exposure to a given client, the amount of an individual credit transaction and the period of credit transaction.

The process of credit decision-making at KREDOBANK S.A. and BFL S.A. is supported by credit committees, which are involved in the case of transactions which generate increased credit risk.

(in PLN thousand)

Loans and advances to customers	Exposure	
	30.06.2008	31.12.2007
Loand and advances impaired	4 846 599	3 213 760
Loand and advances not impaired	83 447 028	75 618 992
neither past due nor impaired	79 493 432	73 857 244
past due but not impaired	3 953 596	1 761 748
Gross total	**88 293 627**	**78 832 752**
including: renegotiated loans and advances (otherwise they would be past due or impaired)	***214 262***	***231 451***
Impairment allowances	**(2 630 615)**	**(2 415 603)**
Net total	**85 663 012**	**76 417 149**

Maximum exposure to credit risk

The table below presents maximum exposure to credit risk of the Group as at 30 June 2008 and as at 31 December 2007.

Balance sheet items	30.06.2008	31.12.2007
Operations with the central bank	3 238 594	2 972 067
Amounts due from banks	7 286 399	5 292 319
Trading assets - debt securities	1 072 526	1 193 255
Derivative financial instruments	2 181 000	1 556 736
Other financial instruments designated at fair value through profit or loss - debt securities	5 061 621	8 314 444
Loans and advances to customers	85 663 012	76 417 149
Investment securities available for sale - debt securities	5 865 326	5 636 880
Other assets - other financial assets	434 647	780 528
Total	**110 803 125**	**102 163 378**

Off-balance sheet items	30.06.2008	31.12.2007
Irrevocable liabilities granted	9 848 048	8 860 369
Guarantees granted	2 877 640	1 867 608
Letters of credit granted	253 012	562 155
Guarantees of issue (underwriting)	876 646	1 455 509
Total	**13 855 346**	**12 745 641**

Analysis of portfolio by sector

The table below shows the loans and advances to customers:

Loans and advances to customers	30.06.2008	31.12.2007
Financial entities (other than banks)	1 550 526	1 221 198
Non-financial entities	83 641 727	73 934 130
State budget entities	3 101 374	3 677 424
Total gross loans and advances to customers	**88 293 627**	**78 832 752**
Allowances for impairment losses	(2 630 615)	(2 415 603)
Total net loans and advances	**85 663 012**	**76 417 149**

Analysis of portfolio by rating class

Taking into account the nature of the Group's activities and the Group's loan and lease receivables' volume, the most significant portfolios are managed by the Bank and Bankowy Fundusz Leasingowy S.A. (BFL S.A.). The table below presents information on credit quality of loans and advances granted by the Bank and BFL S.A.

Exposures to corporate clients which are not considered to be individually impaired are classified by the Bank with the use of an internal rating scale from A (first rate) to F (acceptable).

(in PLN thousand)

The following loan portfolios are covered by the rating system:

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

PKO BP SA portfolio structure by rating class is shown below (table does not include budget entities):

Entities with rating	30.06.2008	31.12.2007
	carrying amount	carrying amount
A (first rate)	456 740	353 026
B (very good)	1 762 244	1 218 104
C (good)	3 251 753	2 828 162
D (satisfactory)	6 084 807	3 698 367
E (average)	5 299 275	3 414 719
F (acceptable)	4 742 501	1 755 596
TOTAL	**21 597 320**	**13 267 974**

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

An analysis of exposures which are internally rated is presented in the table below:

Rating class	30.06.2008*	31.12.2007*
A2 (first rate)	2 977	1 591
A3 (very good)	74 784	44 752
A4 (good)	301 557	238 240
A5 (satisfactory)	415 754	339 237
A6 (average)	489 554	322 268
B1 (acceptable)	241 413	254 636
B2 (weak)	186 621	70 990
C (mean)	9 643	12 609
D (bad)	4 243	8 625
Total	**1 726 546**	**1 292 948**

* Part of the portfolio of the Company's lease receivables is managed in a simplified manner, with no ratings being assigned to those receivables.

Other financial instruments which are not individually determined to be impaired and are not rated, are characterized with satisfactory level of the credit risk. It concerns, in particular retail loans (including mortgages) which are not individually significant and thus do not create significant credit risk.

As at 30 June 2008 and 31 December 2007, all of the above securities and receivables are neither past due nor impaired.

(in PLN thousand)

Structure of PKO BP SA debt securities and amounts due from other banks - by external rating class:

30 June 2008

Rating /portfolio	Treasury bonds			NBP bonds	Treasury bills		Foreign bonds	Municipal bonds	Interbank deposits
	held for trading	designated at fair value through profit or loss	available for sale	available for sale	held for trading	designated at fair value through profit or loss	designated at fair value through profit or loss	held for trading	
AAA	6 793	-	-	-	-	-	-	-	-
AA- do AA+	-	-	-	-	-	-	344 643	-	2 524 601
A- do A+	850 615	4 081 019	1 012 098	2 580 588	214 988	281 396	155 376	-	2 278 766
BBB- do BBB+	-	-	-	-	-	-	-	-	211 940
BB- do BB+	-	-	-	-	-	-	-	-	-
B- do B+	-	-	-	-	-	-	-	-	63 582
without rating	-	-	-	-	-	-	106 630	129	1 275 238
Total	**857 408**	**4 081 019**	**1 012 098**	**2 580 588**	**214 988**	**281 396**	**606 649**	**129**	**6 354 127**

31 December 2007

Rating/ portfolio	Treasury bonds			NBP bonds	Treasury bills		Foreign bonds	Municipal bonds	Interbank deposits
	held for trading	designated at fair value through profit or loss	available for sale	available for sale	held for trading	designated at fair value through profit or loss	designated at fair value through profit or loss	held for trading	
AAA	-	-	-	-	-	-	-	-	233 278
AA- do AA+	-	-	-	-	-	-	542 259	-	3 046 632
A- do A+	1 132 957	7 221 218	1 093 563	2 633 505	60 172		221 759	-	1 242 090
BBB- do BBB+	-	-	-	-	-	-	-	-	121 750
BB- do BB+	-	-	-	-	-	-	-	-	-
B- do B+	-	-	-	-	-	-	-	-	-
without rating	-	-	-	-	-	-	116 299	126	-
Total	**1 132 957**	**7 221 218**	**1 093 563**	**2 633 505**	**60 172**	**-**	**880 317**	**126**	**4 643 749**

Structure of other debt securities in PKO BP SA – (municipal and corporate bonds) by internal rating class:

Entities with rating	30.06.2008	31.12.2007
	carrying amount	carrying amount
A (first rate)	36 208	97 430
B (very good)	825 422	320 840
C (good)	344 856	650 690
D (satisfactory)	807 519	309 841
E (average)	119 262	530 570
F (acceptable)	251 629	104 838
TOTAL	**2 384 896**	**2 014 209**

(in PLN thousand)

Concentration of credit risk within the Group

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

- the largest borrowers,
- the largest capital groups,
- industries,
- geographical regions,
- currencies.

Concentration by the biggest business entities

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

Furthermore, according to the Article 71.2 of the Banking Law, the aggregate amount of the Bank's exposures equal or in excess of 10% of its own funds towards individual entities, shall not exceed the large exposure limit, which is 800% of the Bank's own funds.

As at 30 June 2008 and 31 December 2007, those concentration limits had not been exceeded.

Total exposure of the Group towards the 20 largest non-banking sector clients:

30.06.2008			31.12.2007		
No.	**Exposure***	**Share in the loan portfolio****	**No.**	**Exposure***	**Share in the loan portfolio****
1.	447 416	0.50%	1.	522 063	0.66%
2.	382 633	0.43%	2.	411 531	0.52%
3.	375 017	0.42%	3.	307 286	0.39%
4.	290 561	0.33%	4.	304 498	0.38%
5.	282 331	0.32%	5.	291 115	0.37%
6.	273 084	0.31%	6.	273 340	0.34%
7.	269 644	0.30%	7.	268 399	0.34%
8.	261 756	0.29%	8.	264 861	0.33%
9.	252 916	0.28%	9.	259 316	0.33%
10.	235 208	0.26%	10.	255 336	0.32%
11.	223 994	0.25%	11.	204 178	0.26%
12.	217 122	0.24%	12.	201 004	0.25%
13.	201 103	0.23%	13.	190 227	0.24%
14.	198 976	0.23%	14.	179 210	0.23%
15.	195 094	0.22%	15.	176 649	0.22%
16.	190 452	0.22%	16.	175 053	0.22%
17.	187 257	0.21%	17.	170 245	0.21%
18.	176 649	0.20%	18.	169 608	0.21%
19.	169 689	0.19%	19.	162 951	0.20%
20.	167 302	0.19%	20.	152 094	0.19%
Total	**4 998 204**	**5.62%**	**Total**	**4 938 964**	**6.21%**

* Total exposure includes loans, advances, purchased debts, discounts on bills of exchange, realized guarantees and interest receivable. The value of the loan portfolio does not include off-balance and capital exposures.
** The value of the loan portfolio does not include off-balance sheet and capital exposures.

(in PLN thousand)

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

Concentration of credit risk by the largest groups

As at 30 June 2008, the greatest exposure of the PKO BP SA Group towards a group of borrowers amounted to 1.91% of portfolio value and was due to a consolidation process of companies from the power supply industry. The 5 biggest groups include only clients of PKO BP SA.

Total exposure of the Group towards the 5 biggest capital groups:

30.06.2008			31.12.2007		
No.	**Exposure**	**Share in the loan portfolio***	**No.**	**Exposure**	**Share in the loan portfolio***
1	1 700 446	1.91%	1	2 119 387	2.67%
2	1 393 350	1.57%	2	1 426 492	1.79%
3	1 322 436	1.49%	3	1 116 920	1.40%
4	1 263 455	1.42%	4	1 095 926	1.38%
5	694 448	0.78%	5	787 510	0.99%
Total	**6 374 135**	**7.17%**	**Total**	**6 546 235**	**8.23%**

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

Concentration of credit risk by industry

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

Analysis of exposure to industry segments is presented in the table below:

Section	Description	30.06.2008		31.12.2007	
		Exposure	**Number of entities**	**Exposure**	**Number of entities**
D	Industrial processing	25.91%	15.08%	24.70%	15.67%
G	Wholesale and retail trade. repair of motor vehicles and personal and household goods	18.77%	30.9%	17.52%	31.68%
K	Property management. lease and services related to the running of business activities	11.16%	9.86%	10.50%	9.09%
L	Public administration and national defense. obligatory social security and public health insurance	8.77%	0.57%	12.92%	0.58%
F	Construction	6.30%	11.64%	4.98%	10.18%
E	Electricity. gas and water production and supply	3.38%	0.48%	4.20%	0.29%
Other exposure		25.71%	31.47%	25.18%	32.51%
Total		**100.00%**	**100.00%**	**100.00%**	**100.00%**

(in PLN thousand)

Concentration of credit risk by geographical regions

Region	30.06.2008	31.12.2007
Poland		
mazowiecki	17.64%	17.65%
śląsko-opolski	12.62%	13.24%
wielkopolski	10.42%	10.52%
małopolsko-świętokrzyski	9.08%	8.93%
dolnośląski	7.61%	8,00%
lubelsko-podkarpacki	6.64%	6.91%
zachodnio-pomorski	7.08%	7.01%
łódzki	6.39%	6.67%
pomorski	6.48%	6.46%
kujawsko-pomorski	5.26%	5.61%
warmińsko-mazurski	3.45%	3.69%
podlaski	3.26%	3.19%
other	1.95%	0.06%
Ukraine	**2.12%**	**2.06%**
Total	**100.00%**	**100.00%**

Concentration of credit risk by currency

At the end of the first six-month period ended 30 June 2008, the share of currency exposures, other than PLN, in the total credit portfolio of the Group amounted to 22%. The greatest parts of currency exposures are those in CHF and they relate to the credit portfolio of the Bank. In case of particular Group entities, the case is different, i.e. for BFL SA, the greatest currency exposures are those in EUR (66% of currency credit portfolio), and for KREDOBANK SA – in USD (USD denominated loans, accounts for nearly 77.2% of the currency credit portfolio and 39% of the total credit portfolio of the bank.

Concentration of credit risk by currency (%)

Currency	30.06.2008	31.12.2007
PLN	77.81%	78.41%
Foreign currencies, of which:	22.19%	21.59%
CHF	15.93%	15.08%
EUR	3.55%	3.88%
USD	1.66%	1.64%
UAH	1.04%	0.99%
GBP	0.01%	0.00%
Total	**100.00%**	**100.00%**

Other types of concentration

In accordance with the Recommendation S of the Banking Supervision Commission, the Bank implemented internal limits with regard to loans granted to individual clients for purchase of properties. In the first six-month period ended 30 June 2008 these limits had not been exceeded.

(in PLN thousand)

Past due financial assets

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

Financial assets	Carrying amount	
	30.06.2008	**31.12.2007**
Loans and advances	**214 262**	**231 451**
Consumer	47 446	53 413
Corporate	110 448	118 761
Mortgage	56 368	59 277
Total	**214 262**	**231 451**

Financial assets which are past due at the reporting date but not impaired include the following loans and advances granted:

Financial assets	30.06.2008			31.12.2007		
	up to 3 months	**over 3 months**	**Total**	**up to 3 months**	**over 3 months**	**Total**
Financial instruments at fair value through profit or loss	-	-	-	40	-	**40**
Loans and advances to clients:	**3 917 862**	**35 734**	**3 953 596**	**1 726 117**	**35 631**	**1 761 748**
financial sector	157	-	**157**	426	-	**426**
public sector	209 727	-	**209 727**	109 653	-	**109 653**
non-financial sector	3 707 978	35 734	**3 743 712**	1 616 038	35 631	**1 651 669**
Total	**3 917 862**	**35 734**	**3 953 596**	**1 726 157**	**35 631**	**1 761 788**

Collateral for the above receivables includes: mortgages, registered pledges, transfers of property rights, account lock-ups, loan exposure insurances, warranties and guarantees.

Individually determined to be impaired financial assets

	30.06.2008	**31.12.2007**
Loans and advances to customers	1 028 347	931 532
- from financial sector	16 852	17 240
- from non-financial sector	1 000 768	904 663
- from public sector	10 727	9 629
Financial assets available for sale	27 157	33 828
Total	**1 055 504**	**965 360**

As at 30 June 2008, financial assets individually determined to be impaired were secured by the following collaterals established for the Group:

– for loans and advances to customers: ceiling mortgages and ordinary mortgages, registered pledges, promissory notes, transfers of receivables and rights to cash - with a carrying total amount of PLN 781 578 thousand,

– for financial assets available for sale: blank promissory notes, registered pledges on the bank account and on debtor's shares with a total nil value.

(in PLN thousand)

In determining impairment allowances for the above assets, the Group considered the following factors:

- delay in payment of the amounts due by the debtor,
- the debt being declared as due and payable,
- enforcement proceedings against the debtor,
- declaration of the debtor's bankruptcy or filling a petition to declare bankruptcy,
- the amount of the debt being challenged by the debtor,
- commencement of corporate recovery proceedings against the debtor,
- establishing imposed administration over the debtor or suspending the debtor's activities,
- a decline in debtor's rating to a level indicating a significant threat to the repayment of debt,
- additional impairment indicators identified for exposures to housing cooperatives arising from housing loans of the so called "old portfolio", covered by State Treasury guarantees,
- expected future cash flows from the exposure and the related collateral.

Credit risk of financial institutions

As at 30 June 2008, the greatest exposures of the PKO BP SA Group on the interbank market were as follows:

Inter-bank portfolio*					
Counterparty	Instrument type				Total
	Deposits	Securities	Credit Default Swap	Other derivatives	
Counterparty 1	850 000	-	-	1 052	851 052
Counterparty 2	561 356	-	-	90 832	652 188
Counterparty 3	500 000	-	-	9 532	509 532
Counterparty 4	500 000	-	-	-	500 000
Counterparty 5	400 000	-	-	6 725	406 725
Counterparty 6	370 000	-	-	11 811	381 811
Counterparty 7	350 000	-	-	-	350 000
Counterparty 8	300 000	16 771	-	-	316 771
Counterparty 9	-	-	180 149	91 442	271 591
Counterparty 10	-	-	190 746	67 619	258 365
Counterparty 11	246 542	-	-	-	246 542
Counterparty 12	211 940	-	-	-	211 940
Counterparty 13	156 283	-	-	(4 381)	156 283
Counterparty 14	100 000	-	-	49 987	149 987
Counterparty 15	100 000	-	-	26 307	126 307
Counterparty 16	110 000	-	-	-	110 000
Counterparty 17	105 970	-	-	-	105 970
Counterparty 18	105 970	-	-	-	105 970
Counterparty 19	105 970	-	-	-	105 970
Counterparty 20	100 000	-	-	5	100 005

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

(in PLN thousand)

The table below presents the greatest exposures of the PKO BP SA Group on the interbank market as at 31 December 2007:

Interbank portfolio*					
Counterparty**	Instrument type				Total
	Deposit	Securities	Credit Default Swap	Other derivatives	
Counterparty 15	379 100	-	-	14 974	394 074
Counterparty 11	335 965	-	-	-	335 965
Counterparty 21	300 000	-	-	5 890	305 890
Counterparty 22	293 280	-	-	-	293 280
Counterparty 18	276 889	-	-	3	276 892
Counterparty 23	232 386	-	-	15 464	247 850
Counterparty 8	219 040	17 910	-	-	236 950
Counterparty 9	-	-	158 275	46 333	204 608
Counterparty 24	204 155	-	-	(5 664)	204 155
Counterparty 6	179 100	-	-	(331)	179 100
Counterparty 14	100 000	-	-	65 231	165 231
Counterparty 25	150 000	-	-	12 373	162 373
Counterparty 1	150 000	-	-	(496)	150 000
Counterparty 26	-	150 451	(24 350)	-	126 101
Counterparty 27	100 000	-	-	25 792	125 792
Counterparty 28	100 000	-	-	25 307	125 307
Counterparty 29	108 746	-	-	5 286	114 032
Counterparty 10	-	-	73 050	34 790	107 840
Counterparty 30	100 000	-	-	-	100 000
Counterparty 31	100 000	-	-	-	100 000

* Excluding exposure to the State Treasury and the National Bank of Poland
**Counterparty names (expressed as numbers) presented in the above table are consistent with counterparty names presented in the table "the greatest exposures of the PKO BP SA Group on the interbank market" as at 30 June 2008.

For the purpose of determining exposures, placements and securities issued by the counterparties as well as the CDS transactions are stated at nominal values, while the other derivative instruments are stated at market values (recent bid price). Total exposure to each counterparty ("Total") is the sum total of exposures arising from placements and securities, increased by the exposure arising from CDS transactions (or decreased if the credit risk of the given entity has been transferred under the CDS transaction to another entity) and exposure arising from other derivative instruments if it is positive (otherwise the exposure arising from other derivatives is not included in total exposure). Exposure arising from instrument is calculated from the moment of entering into transaction.

Of the 11 counterparties listed in the table above as at 30 June 2008, with whom the Bank carried out derivative instrument transactions, 7 counterparties signed master agreements with the Bank (counterparties: 2,5,9,10,13,14,15). In the other four cases, exposures were restricted to short-term FX swaps and IRS transactions, which amounted only to 0,3% of the total IRS portfolio. Master agreements allow for offsetting of mutual liabilities in the event of bankruptcy of any of the parties to the transaction. As at 30 June 2008 PKO BP SA had 21 master agreements signed with domestic banks and 28 with foreign banks and lending institutions. In addition to this, the Bank is a party to 11 CSA (Credit Support Annex) agreements which enable it to hedge its exposure from derivative instruments and 2 ISMA agreements which allow for an offsetting of liabilities arising from REPO and BSB/SBB transactions.

9 out of the 20 counterparties generating the largest exposures for PKO BP as at 31 December 2007 were also included in the population of the largest exposures as at 30 June 2008.

The counterparties generating the 20 largest exposures on the interbank market as at 30 June 2008 and 31 December 2007 come from the following countries (classified by location of registered office):

(in PLN thousand)

Geographical localization of counterparties:

No.	Country	Counterparty
1.	Austria	Counterparty 1, Counterparty 4, Counterparty 6, Counterparty 19, Counterparty 27, Counterparty 30
2.	Belgium	Counterparty 3, Counterparty 18
3.	Denmark	Counterparty 29
4.	France	Counterparty 23, Counterparty 25
5.	Greece	Counterparty 20
6.	Spain	Counterparty 8
7.	Holland	Counterparty 9
8.	Ireland	Counterparty 11
9.	Germany	Counterparty 14, Counterparty 15, Counterparty 21, Counterparty 31
10.	Poland	Counterparty 2, Counterparty 5, Counterparty 7, Counterparty 13, Counterparty 16, Counterparty 24, Counterparty 28
11.	Portugal	Counterparty 22
12.	USA	Counterparty 26
13.	United Kingdom	Counterparty 10, Counterparty 17
14.	Italy	Counterparty 12

Counterparty structure by rating is presented in the table below. The ratings were determined based on external ratings granted by Moody's, S&P and Fitch (when a rating was granted by two agencies, the lower rating was applied, whereas when a rating was granted by three agencies, the middle rating was applied).

Rating	Counterparty
AA	Counterparty 3, Counterparty 9, Counterparty 10, Counterparty 11, Counterparty 14, Counterparty 18, Counterparty 23, Counterparty 25, Counterparty 26, Counterparty 29, Counterparty 30
A	Counterparty 1, Counterparty 2, Counterparty 4, Counterparty 5, Counterparty 6, Counterparty 8, Counterparty 12, Counterparty 13, Counterparty 15, Counterparty 20, Counterparty 21, Counterparty 22, Counterparty 24, Counterparty 27, Counterparty 28, Counterparty 31
BBB	Counterparty 17, Counterparty 19
Without rating	Counterparty 7, Counterparty 16

Renegotiated receivables

The purpose of the restructuring activity of the Group is to maximize the effectiveness of non-performing loan management. The aim is to receive the highest possible recoveries and, at the same time, incur the minimal possible costs relating to these recoveries which, in the case of debt collection activities, are very high. The restructuring activities include a change in payment terms which is individually agreed on an each contract basis. Such changes may concern:

1) repayment deadline,
2) repayment schedule,
3) interest rate,
4) payment recognition order,
5) collateral,
6) amount to be repaid (reduction of the amount).

As a result of signing a restructuring agreement the loan being restructured is reset from overdue to current.

Evaluation of the ability of a debtor to fulfil the restructuring agreement conditions (debt repayment according to the agreed schedule) constitutes an element of the restructuring process. Active restructuring agreements are monitored by the Bank on an on-going basis.

Management of foreclosed collateral

Foreclosed collateral as a result of restructuring or debt collection activities are either used by the Bank for internal purposes or designated for sale. Details of the foreclosed assets are analyzed in order to determine whether they can be used by the Group for internal purposes. All of the assets taken over as a result of restructuring and debt collection activities in the period from 1 January 2008 to 30 June 2008 were designated for sale.

Activities undertaken by the Group are aimed at selling foreclosed assets as soon as possible. In individual cases, assets may be withheld from sale. This occurs only if circumstances, which are beyond the control of the Group, indicate that the sale of the assets at a later date is likely to generate greater financial benefits. The primary procedure for a sale of assets is open auction. Other procedures are acceptable in cases where they provide a better chance of finding a buyerand generate higher proceeds for the Group.

The Group takes steps to broadly disseminate broadly to the public the information about assets being sold by publishing it on the Group's website; placing announcements in the national press; using internet portals (e.g. to carry out internet auctions), sending offers directly to potentially interested entities from a given type of industry. In addition, PKO BP SA cooperates with external firms operating all over Poland in respect of collection, transportation, storage and intermediation in the sale of assets taken over by the Group as a result of restructuring and debt collection activities. The Group has also entered into cooperation agreements with external companies, which perform valuations of the movable and immovable properties that the Bank has foreclosed or would like to foreclose in the course of realization of collateral.

The carrying amounts of assets taken over in exchange for debts as at 30 June 2008 and 31 December 2007 are presented in Note 34, "Other assets", in line item "Non-current assets held for sale".

Market risk

Market risk includes: interest rate risk, currency risk, derivatives risk and liquidity risk.

The market risk reporting system is based on the following reports:

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

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

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

Interest rate risk

The objective of interest rate risk management is to identify areas of interest rate risk and to shape the structure of the balance sheet and contingent liabilities and commitments in a way to maximise the value of net assets and interest income within the adopted interest risk profile.

In the process of interest rate risk management, the Bank uses the Value at Risk (VaR) model, stress testing and interest income sensitivity measures.

Value at Risk (VaR) is defined as the potential loss resulting from a change in the present value of the future cash flows from a financial instrument, while keeping an assumed level of confidence and holding period. The Bank adopts a variance-covariance method with a confidence level of 99% for the purpose of determining VaR. In its interest rate risk management the Bank uses, among others, VaR determined for particular financial instruments and for the Bank's portfolios.

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

1) hypothetical scenarios – which are based on arbitrary interest rate fluctuations: a parallel move in interest rate curves for the following currencies: PLN, EUR, USD, CHF and GBP by ±50 basis points and by ±200 basis points,
2) historical scenarios – in which interest rate fluctuations are adopted based on the behaviour of interest rates in the past, including: the highest historical change, a bend of a profit curve along with portfolio positions, a bend of profit curve of peak and twist types.

The main tools used in interest rate risk management include:

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

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

Methods of interest rate risk management in the other Group entities are defined by internal regulations implemented by those Group entities which are characterized by significant values of interest rate risk measure outcomes. These regulations are developed after consultation with the Bank and take into account recommendations issued by the Bank for Group entities.

The Group uses the following measures in the process of interest rate risk management:

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

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

Repricing Gap	0-1 month	1-3 months	3-6 months	6-12 months	1-2 years	2-5 years	>5 years	Total
PLN (PLN thousand)								**30.06.2008**
The Group periodic gap	(6 968 089)	7 668 400	13 063 061	(4 893 686)	1 157 290	(350 257)	(33 243)	**9 643 476**
The Group cumulative gap	(6 968 089)	700 311	13 763 372	8 869 686	10 026 976	9 676 719	9 643 476	**-**
PLN (PLN thousand)								**31.12.2007**
The Group periodic gap	(14 351 137)	28 907 893	3 872 802	(8 663 100)	(1 277 801)	(269 576)	175 471	**8 394 552**
The Group cumulative gap	(14 351 137)	14 556 756	18 429 558	9 766 458	8 488 657	8 219 081	8 394 552	**-**
USD (USD thousand)								**30.06.2008**
The Group periodic gap	(87 664)	(43 793)	(86 090)	(38 745)	38 550	50 627	149 239	**(17 876)**
The Group cumulative gap	(87 664)	(131 457)	(217 547)	(256 292)	(217 742)	(167 115)	(17 876)	**-**
USD (USD thousand)								**31.12.2007**
The Group periodic gap	(316 854)	148 960	(63 449)	(79 846)	22 940	64 645	45 389	**(178 215)**
The Group cumulative gap	(316 854)	(167 894)	(231 343)	(311 189)	(288 249)	(223 604)	(178 215)	**-**
EUR (EUR thousand)								**30.06.2008**
The Group periodic gap	(152 873)	49 772	(59 462)	(41 978)	14 235	31 078	(12 800)	**(172 028)**
The Group cumulative gap	(152 873)	(103 101)	(162 563)	(204 541)	(190 306)	(159 228)	(172 028)	**-**
EUR (EUR thousand)								**31.12.2007**
The Group periodic gap	205 583	41 711	(24 425)	(27 655)	15 250	20 184	(45 832)	**184 816**
The Group cumulative gap	205 583	247 294	222 869	195 214	210 464	230 648	184 816	**-**
CHF (CHF thousand)								**30.06.2008**
The Group periodic gap	3 575 837	(3 453 198)	4 141	(1 020)	(32)	(69)	2 927	**128 586**
The Group cumulative gap	3 575 837	122 639	126 780	125 760	125 728	125 659	128 586	**-**
CHF (CHF thousand)								**31.12.2007**
The Group periodic gap	3 152 465	(3 155 375)	(1 091)	(2 374)	-	(330)	3 005	**(3 700)**
The Group cumulative gap	3 152 465	(2 910)	(4 001)	(6 375)	(6 375)	(6 705)	(3 700)	**-**

The repricing gap presents the difference between the current value of an asset and liabilities exposed to interest rate risk, which are subject to repricing in a given time period, whereas assets and liabilities are recognized on the day of the transaction.

At 30 June 2008 and at the end of 2007, the exposure of the PKO BP SA Group to the interest rate risk mainly comprised of the exposure of the Bank. Interest rate risk generated by the other Group entities with regard to PLN, EUR and CHF did not have a significant effect on the interest rate risk of the entire Group and therefore did not significantly affect its risk profile. Interest rate risk with regard to USD was significantly changed by exposure of the Group, in which the biggest part has the exposure of KREDOBANK S.A.

Exposure of the Group to interest rate risk was within accepted limits.

VaR of the Bank and stress testing analysis of the Group's exposure to the interest rate risk are presented in the following table:

Name of sensivity measure	30.06.2008	31.12.2007
VaR for a 10-day time horizon (PLN thousand)*	5 609	10 521
Parallel move of interest rate curves by +200 base points (PLN thousand)	88 951	155 877

* Due to the nature of the activities carried out by the other Group entities generating significant interest rate risk (BFL and KREDOBANK SA) as well as a the specific nature of the market in which they operate, the Bank does not calculate consolidated VaR. These companies apply their own risk measures in the interest rate risk management. KREDOBANK SA uses the 10-day interest rate VaR for the main currencies, which amounted to PLN 3 347 thousands as of 30 June 2008 and PLN 3 459 thousands as of 31 December 2007, respectively.

The level of the interest rate risk of the Group was low. As at 30 June 2008, the interest rate VaR for the holding period of 10 days (10-day VaR) amounted to PLN 5 609 thousand, which accounted for approximately 0.05% of the value of the Bank's own funds[1]. As at 31 December 2007, VaR for the Bank amounted to PLN 10 521 thousand, which accounted to approximately 0.11% of the Bank's own funds. The interest rate risk was generated mainly by the risk of a mismatch between the repricing dates of assets and liabilities.

Currency risk

The objective of currency risk management is to identify the areas of currency risk and to take measures to reduce the currency risk to acceptable levels.

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

Currency risk of the Bank is monitored and reported on daily basis. The currency positions, generated in basic banking activity are transferred to the dealing activity of the Bank, where they are managed within limits and threshold values for this activity. Individual currency positions of significant values in all currencies are systematically closed within limits for dealing activity of the Bank.

The Bank adopts a variance-covariance method with a confidence level of 99% for the purpose of determining VaR. In its currency risk management the Bank determines VaR by type of activity.

Stress-testing and crash-testing are used to estimate potential losses arising from currency position under extraordinary market conditions that cannot be described in a standard manner using statistical measures. Two types of scenarios are used by the Bank:

1) hypothetical scenarios – which assume a hypothetical appreciation or depreciation of currency rates (by 10% and 50%),
2) historical scenarios – based on the behaviour of currency rates observed in the past.

The main tools used in currency risk management include:

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

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

Methods of currency risk management in the particular Group entities are defined by internal regulations implemented by these entities. The regulations are developed by the Group entities, which are characterized by high level of currency risk measure outcomes. The regulations are issued after consultation with the Bank and take into account recommendations issued by the Bank to the Group entities.

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

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

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

[1] Own funds calculated in accordance with regulations governing calculation of the capital adequacy ratio.

VaR of the Bank and stress-testing of the Group financial assets exposed to currency risk are stated cumulatively in the table below:

Name of sensivity measure	30.06.2008	31.12.2007
VaR for a 10-day time horizon (PLN thousand)*	2 147	1 646
Change of PLN +10% (PLN thousands)	6 839	7 119

* Due to the nature of the activities carried out by the other Group entities generating significant currency risk (BFL and KREDOBANK S.A.) as well as a the specific nature of the market in which they operate, the Bank does not calculate consolidated VaR. These companies apply their own risk measures in the currency risk management. KREDOBANK S.A. uses the 10-day interest rate VaR which amounted to PLN 284 thousand as of 30.06.2008 and PLN 183 thousand as of 31.12.2007.

Currency structure

In the first half-year period ended 30 June 2008 and in the year 2007, the level of currency risk was low. The tables below present currency exposure by the specific types of assets, liabilities and contingent liabilities and commitments.

	Currency translated to PLN – 30.06.2008				
	PLN	**EUR**	**CHF**	**Other**	**Total**
ASSETS, of which:					
Cash and balances with the central bank	4 504 983	126 043	7 861	151 613	**4 790 500**
Loans and advances and other amounts due from financial sector	6 969 602	795 724	695 942	375 709	**8 836 977**
Loans and advances to non-financial sector	64 670 150	2 714 968	14 176 734	2 079 823	**83 641 675**
Loans and advances to public sector	3 097 446	3 928	-	-	**3 101 374**
Investment securities	10 992 459	519 732	-	593 142	**12 105 333**
Tangible assets	7 936 141	-	-	220 872	**8 157 013**
Other assets and derivatives	3 267 227	91 511	3 457	143 651	**3 505 846**
TOTAL ASSETS (GROSS)	101 438 008	4 251 906	14 883 994	3 564 810	**124 138 718**
DEPRECIATION / AMORTISATION / IMPAIRMENT	(6 336 692)	(23 703)	(32 568)	(123 249)	**(6 516 212)**
TOTAL ASSETS (NET)	**95 101 316**	**4 228 203**	**14 851 426**	**3 441 561**	**117 622 506**
EQUITY AND LIABILITIES, of which:					
Amounts due to the central bank	1 164				**1 164**
Amounts due to financial sector	3 424 432	2 246 909	391 652	499 096	**6 562 089**
Amounts due to non-financial sector	78 071 909	3 188 141	82 985	3 088 020	**84 431 055**
Amounts due to public sector	6 195 632	23 917	-	111 531	**6 331 080**
Debt securities in issue	130 524	-	-	11 826	**142 350**
Provisions	434 683	5	-	41	**434 729**
Subordinated liabilities	1 617 408	-	-	-	**1 617 408**
Other liabilities, derivatives and deferred tax liabilities	5 087 735	240 956	19 966	82 079	**5 430 736**
Equity	12 671 895	-	-	-	**12 671 895**
TOTAL EQUITY AND LIABILITIES	**107 635 382**	**5 699 928**	**494 603**	**3 792 593**	**117 622 506**
CONTINGENT LIABILITIES GRANTED	**27 305 607**	**2 819 550**	**942 801**	**677 589**	**31 745 547**

(in PLN thousand)

	Currency translated to PLN – 31.12.2007				
	PLN	**EUR**	**CHF**	**Other**	**Total**
ASSETS, of which:					
Cash and balances with the central bank	4 376 155	129 366	7 665	169 441	**4 682 627**
Loans and advances and other amounts due from financial sector	3 465 401	1 917 534	835 214	228 571	**6 446 720**
Loans and advances to non-financial sector	57 472 069	2 608 841	11 969 316	1 919 894	**73 970 120**
Loans and advances to public sector	3 672 915	4 476	33	-	**3 677 424**
Investment securities	13 276 135	1 272 759	-	711 380	**15 260 274**
Tangible assets	7 764 006	-	-	211 321	**7 975 327**
Other assets and derivatives	2 587 877	152 322	1 717	98 826	**2 840 742**
TOTAL ASSETS (GROSS)	92 614 558	6 085 298	12 813 945	3 339 433	**114 853 234**
DEPRECIATION / AMORTISATION / IMPAIRMENT	(6 164 341)	(16 482)	(20 990)	(113 821)	**(6 315 634)**
TOTAL ASSETS (NET)	**86 450 217**	**6 068 816**	**12 792 955**	**3 225 612**	**108 537 600**
EQUITY AND LIABILITIES, of which:					
Amounts due to the central bank	1 279	-	-	-	**1 279**
Amounts due to financial sector	1 905 578	1 051 685	2 128 230	467 928	**5 553 421**
Amounts due to non-financial sector	73 431 862	1 019 428	30 265	6 556 430	**81 037 985**
Amounts due to public sector	4 660 415	13 764	-	17 039	**4 691 218**
Debt securities in issue	166 823	-	-	12 037	**178 860**
Provisions	453 333	750	-	218	**454 301**
Subordinated liabilities	1 614 885	-	-	-	**1 614 885**
Other liabilities, derivatives and deferred tax liabilities	2 812 512	85 468	10 654	118 002	**3 026 636**
Equity	11 979 015	-	-	-	**11 979 015**
TOTAL EQUITY AND LIABILITIES	**97 025 702**	**2 171 095**	**2 169 149**	**7 171 654**	**108 537 600**
CONTINGENT LIABILITIES GRANTED	**24 433 087**	**2 666 719**	**640 513**	**491 619**	**28 231 938**

Currency risk of the Bank is monitored and reported on daily basis. The currency positions, generated in basic banking activity are transferred to the dealing activity of the Bank, where they are managed within limits and threshold values for this activity. Individual currency positions of significant values in all currencies are systematically closed within limits for dealing activity of the Bank.

Derivative instrument risk

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

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

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

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

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

Master agreements concluded by the Bank with the main counterparties on the basis of the master agreement of the Union of Polish Banks (Związek Banków Polskich - ZBP) for domestic banks and the ISDA master agreement for foreign banks and credit institutions play a significant role in the process of mitigating the risk related to derivative instruments. Additional collateral for exposures, resulting from derivative instruments are collateral deposits escrowed by counterparties as a part of CSA agreement (Credit Support Annex).

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

The Group uses the following measures in the process of derivative risk management:

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

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

Liquidity risk

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

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

The Bank makes use of the following liquidity risk measures:

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

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

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

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

Methods of liquidity risk management in the other Group entities are defined by internal regulations implemented by those Group entities which are characterized by high levels of liquidity risk measure outcomes. These regulations are developed after consultation with the Bank and take into account recommendations issued by the Bank.

(in PLN thousand)

The Group uses the following measures in the process of liquidity risk management:

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

Measure of the contractual liquidity gap is determined for the Group entities using similar methods to those used for determining the contractual liquidity gap for the Bank itself, taking into account the specific nature of the Group entities.

Liquidity gaps in real terms presented below include: adjustments to real terms concerning permanent balances on deposits from non-financial institutions and their maturity, adjustments to real terms concerning permanent balance on loans in current account of non-financial subjects and its maturity, which constitute the main differences between the gap in real and nominal terms.

	a'vista	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 36 months	36 - 60 months	over 60 months
								30.06.2008
The Group adjusted gap	2 743 781	(405 326)	1 108 415	2 984 833	4 918 190	9 737 553	7 456 261	**(28 543 707)**
The Group - cumulative adjusted gap	2 743 781	2 338 455	3 446 870	6 431 703	11 349 893	21 087 446	28 543 707	**-**
								31.12.2007
The Group - adjusted gap	345 692	1 396 127	3 084 207	4 257 614	6 468 291	11 809 269	6 827 315	**(34 188 515)**
The Group - cumulative adjusted gap	345 692	1 741 819	4 826 026	9 083 640	15 551 931	27 361 200	34 188 515	**-**

In all time horizons, the Group's cumulative[2] liquidity gap in real terms as at 30 June 2008 and 31 December 2007 was positive. This means a surplus of assets receivable over liabilities payable.

As at 30 June 2008, the level of core deposits from the non-financial sector represented approximately 89% of the total deposit base of the Bank, while as at 31 December 2007 the level of core deposits accounted for approximately 91% of the total deposit base.

[2] The Group's liquidity gap in real terms has been determined as the sum of the Bank's gap in real terms and contractual liquidity gaps of the remaining entities of the Group.

(in PLN thousand)

Outstanding contractual maturities of the Group as at 30 June 2008*

	Up to 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Contractual value	Carrying amount
Assets:							
Cash and balances with the central bank	4 790 500	-	-	-	-	4 790 500	**4 790 500**
Amounts due from banks	6 713 744	448 151	67 084	33 542	-	7 262 521	**7 286 399**
Trading assets	102 773	48 564	421 246	351 157	153 100	1 076 840	**1 080 920**
Other financial instruments designated at fair value through profit or loss	56 732	32 401	1 536 642	3 162 785	184 385	4 972 945	**5 061 621**
Loans and advances to customers	14 961 635	1 732 900	6 782 781	25 496 639	39 423 846	88 397 801	**85 663 012**
Securities available for sale	410 664	77 347	157 885	4 303 916	1 073 884	6 023 696	**5 938 368**
Derivative financial instruments	6 423 682	1 651 579	8 278 882	20 698 380	5 436 710	42 489 233	**2 181 000**
Liabilities:							
Amounts due to the central bank	1 164	-	-	-	-	1 164	**1 164**
Amounts due to other banks	1 296 595	119 128	552 982	2 730 982	43 933	4 743 620	**4 748 269**
Amounts due to customers	60 567 940	9 938 717	17 819 308	2 289 866	282 239	90 898 070	**92 575 955**
Debt securities in issue	106 860	27 447	10 239	11 826		156 372	**142 350**
Subordinated liabilities	-	-	-	-	1 600 700	1 600 700	**1 617 408**
Derivative financial instruments	6 361 348	1 650 054	7 907 476	19 528 964	5 162 554	40 610 396	**1 914 233**
Other liabilities	2 745 410	672 922	515 397	766	92	3 934 587	**3 951 232**

*the above analysis does not include cash flows from future interests

(in PLN thousand)

Outstanding contractual maturities of the Group as at 31 December 2007*

	Up to 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Contractual value	Carrying amount
Assets:							
Cash and balances with the central bank	4 682 627	-	-	-	-	4 682 627	**4 682 627**
Amounts due from banks	2 655 747	1 859 605	630 258	36 103	-	5 181 713	**5 261 236**
Trading assets	65 171	65 310	206 577	516 795	324 052	1 177 905	**1 202 919**
Other financial instruments designated at fair value through profit or loss	370	118	2 044 138	4 449 588	1 849 130	8 343 344	**8 314 444**
Loans and advances to customers	12 472 227	1 857 178	8 175 478	23 526 114	32 935 544	78 966 541	**76 417 149**
Securities available for sale	165 652	112 793	200 815	4 290 223	839 946	5 609 429	**5 716 238**
Derivative financial instruments	3 137 822	2 213 190	6 538 022	15 488 930	6 514 926	33 892 890	**1 556 736**
Liabilities:							
Amounts due to the central bank	1 279	-	-	-	-	1 279	**1 279**
Amounts due to other banks	1 046 192	623 066	102 807	2 885 161	32 230	4 689 456	**4 703 114**
Amounts due to customers	60 641 998	9 772 529	13 100 267	1 249 197	244 955	85 008 946	**86 579 510**
Debt securities in issue	58 703	102 198	11 198	12 037	-	184 136	**178 860**
Subordinated liabilities	-	-	-	-	1 600 700	1 600 700	**1 614 885**
Derivative financial instruments	3 224 597	2 105 843	6 298 003	14 551 912	6 236 867	32 417 222	**1 279 925**
Other liabilities	1 146 696	657 996	192 719	100 650	85 504	2 183 565	**2 201 012**

*the above analysis does not include cash flows from future interests

Operational risk and compliance risk

Operational risk management objectives and policies

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

The Bank's internal regulations determine unambiguously the segregation of competencies in the area of operational risk management. According to these regulations, the entirety of issues connected to operational risk management is supervised by the Management Board, which:

- sets goals of operational risk management,
- establishes operational risk policy,
- approves operational risk reports.

Operational risk management is performed through systemic solutions as well as regular ongoing management of the risk.

Systemic management of operational risk includes building internal regulations and using other tools related to operational risk, in the scope of:

- human resources,
- organization of the Bank,
- accounting,
- communication and IT technologies,
- security,
- internal processes,
- customer service processes,
- outsourcing of banking activities.

Systemic operational risk management is centralised at the Bank's head office level. Each business and support line has a designated unit which is responsible for identification and monitoring of operational threats and taking adequate steps to ensure an acceptable level of operational risk.

The ongoing operational risk management consists of:

- prevention of operational threats arising at a stage of product development - both in internal processes and systems,
- undertaking steps aimed at limiting the number and scale of occurring threats ('operational events'),
- eliminating negative effects of operational events,
- registering data on operational events.

The ongoing operational risk management is conducted by every organizational unit of the Bank.

A vital role in the process of operational risk management is fulfilled by the Banking Risk Division, which coordinates identification, measurement, reporting and monitoring of operational risk in the PKO BP SA Group.

In order to limit exposure to operational risk, the Bank applies solutions of various kinds, such as:

- control solutions,
- human resources management (proper staff selection, enhancement of professional qualification of employees, motivation packages),
- setting threshold values of Key Risk Indicators (KRI),
- contingency plans,
- insurances,
- outsourcing.

The selection of instruments, which are used to limit operational risk, is made in consideration with:

- availability and adequacy of the instruments,
- nature of an activity or a process, in which operational risk was identified,
- importance of risk,
- cost of instrument's implementation.

In addition, internal regulations prevent the Bank from engaging in excessively risky activities. If such activity is already in place, the regulations call for abandonment of it, or for limitation of its scope. The level of operational risk is regarded as excessive if potential benefits are lower than potential operational losses for a given type of activity.

Measurement of operational risk is conducted with the use of:

- accumulation of data on operational events,
- results of internal audit,
- results of functional internal control,
- results of self-assessment of operational risk,
- Key Risk Indicators (KRI).

The Bank continuously monitors the level of KRI and operating events which exceed threshold values for operational risk.

Reporting on operational risk of the Bank and the Group is conducted on a half-yearly basis. The Management Board and the Supervisory Board of the Bank receive the reports. Reports include the following information:

- operational risk profile of the Bank, resulting from identification and assessment of threats and assessment,
- results of measurement and monitoring of operational risk,
- operational events and their financial effects,
- the most important projects and ventures undertaken in the scope of operational risk management.

The parent company – PKO BP SA. has a decisive impact on operational risk profile. The other Group entities generate only a fraction of operational risk, due to their smaller scale of activity. They manage operational risk according to principles of managing the risk in PKO BP SA., considering their specific nature and scale of activity.

In the first six-month period ended 30 June 2008, the Group entities worked on improving the operational risk management process, by standardizing the form of management reporting in the area of operational risk.

Compliance risk management objectives and policies

Compliance risk is defined as the risk of legal sanctions, incurring financial losses or losing reputation or reliability due to failure of the Bank, its employees or entities acting on its behalf to comply with the provisions of the law, internal regulations, standards adopted by the Bank, including ethical standards.

The objective of compliance risk management is to strengthen the image of the PKO BP SA. Group as of entities that are reliable, fair, honest and compliant with law and adopted standards. This is achieved through mitigating compliance risk, reputation risk and legal sanction risk.

In the 1st half-year of 2008, work was commenced on the implementation of principles of compliance risk management in the PKO BP SA. Group entities. The cooperation of the Group entities in this area is coordinated by the Banking Risk Division of the Bank PKO BP SA., which, among other, assesses the entities' internal compliance with compliance risk regulations.

Capital adequacy

Capital adequacy is the maintenance of a level of capital by the PKO BP SA Group which is sufficient to meet regulatory capital requirements (the so-called Pillar 1) and internal capital requirements (the so-called Pillar 2). The objective of capital adequacy management is to maintain capital on a level that is adequate to the risk scale and profile of the Group's activities.

The process of managing the Group's capital adequacy comprises:

1) identifying and monitoring of all of significant risks;
2) designating internal capital to cover the individual risk types;
3) determining the total internal capital necessary to cover all the significant risk types;
4) performing capital adequacy stress tests;
5) monitoring, reporting, forecasting and limiting of capital adequacy;
6) performing internal capital allocations to business lines in connection with profitability analyses;
7) using tools affecting the capital adequacy level (including: tools affecting the level of equity, the scale of equity item reductions and the level of the loan portfolio).

The main measures of capital adequacy are:

- the capital adequacy ratio whose minimum level in accordance with the Banking Act is 8%;
- the ratio of equity to internal capital whose acceptable minimum level in accordance with the Banking Act is 1.0.

The capital adequacy level of the Group in the first six-month period ended 30 June 2008 remained on a safe level and was significantly above the statutory limits.

Compared with 31 December 2007, the Group's capital adequacy level dropped by 1.1 p.p., which was mainly due to high dynamics in the growth of the loan portfolio and the negative effect of implementing Basel II on the capital requirement level.

Own funds

Own funds comprise basic funds, supplementary funds and short-term capital.

Basic funds are comprised of the following items:

1) principal funds comprising: share capital, reserve capital, other reserve capital,
2) general banking risk fund,
3) retained earnings,
4) net profit prior to approval and net profit for the current reporting period, calculated based on appropriate accounting standards, decreased by any expected charges and dividends, in amounts not exceeding amounts audited by certified public accountants, in accordance with the Banking Act, Article 127, Point 2c.

Basic funds are reduced by deducting the following items:

1) intangible assets stated at carrying amount,
2) the Bank's equity exposures to financial institutions, lending institutions, domestic banks, foreign banks and insurance companies – in the amount of 50% of the value of such exposures,
3) unrealised losses on debt and equity instruments classified as available for sale.

Supplementary funds are comprised of the following items:

1) subordinated liabilities,
2) unrealised gains on debt and equity instruments classified as available for sale – in the amount of 60% of their pre-tax value.

Moreover, the supplementary funds are reduced by 50% of the value of the Bank's equity exposures to financial institutions, lending institutions, domestic banks, foreign banks and insurance companies. If the amount of reduction would result in supplementary funds failing below nil, the amount is subtracted from the basic funds.

The own funds of the Group include also short-term capital:

- as at 31 December 2007, the own funds of the Group include short-term capital for the six-month period ended 31 December 2007, due to including a part of approved profit for the first six-month period ended 30 June 2007 in the calculation of the funds,
- as at 30 June 2008, the own funds of the Group include short-term capital for the six-month period ended 30 June 2008.

In addition, the following items are included in the calculation of consolidated own funds:

1) goodwill of subsidiaries (which decreases the value of own funds),
2) negative goodwill of subsidiaries (which increases the value of own funds),
3) minority interests in equity (which increase the value of own funds),
4) foreign exchange differences from translation of foreign operations (negative differences decrease own funds, whereas positive differences increase own funds).

In the first half of 2008, the value of own funds of the Group increased by PLN 988,017 thousand, which was mainly due to contribution of app. 60% of the net profit for 2007.

(in PLN thousand)

The structure of the Group's own funds is presented in the table below:

GROUP'S OWN FUNDS	30.06.2008	31.12.2007
Basic funds (Tier 1 capital)	**9 427 411**	**8 449 415**
Share capital	1 000 000	1 000 000
Reserve capital	7 226 457	5 592 311
Other reserves	1 523 025	1 518 025
General banking risk fund	1 070 000	1 070 000
Net profit for the current period in the part verified by a certified auditor after deduction of forecasted charges	-	653 720
Retained earnings	102 294	(72 192)
Unrealised losses on debt and equity instruments classified as available for sale	(104 904)	(55 228)
Intangible assets, of which:	(1 274 819)	(1 183 491)
Goodwill of subsidiaries	(240 410)	(234 066)
Equity exposures	(102 370)	(84 035)
Foreign currency exchange differences from revaluation of foreign subsidiaries	(53 992)	(47 761)
Minority capital	41 720	58 066
Supplementary funds (Tier 2 capital)	**1 498 330**	**1 517 988**
Subordinated liabilities classified as suplementary funds	1 600 700	1 600 700
Unrealised profits on debt and equity instruments classified as available for sale (up to 60% of their values before tax)	-	1 323
Equity exposures	(102 370)	(84 035)
Short-term equity (Tier 3 capital)	**35 904**	**15 997**
TOTAL EQUITY	**10 961 646**	**9 983 400**

Capital requirements (Pillar 1)

From January 2008, the Group calculates capital requirements in accordance with Resolution No. 1/2007 of the Banking Supervision Commission dated 13 March 2007 (Basel II): in respect of credit risk – using the standardized approach; in respect of operational risk – using the basic indicator approach, and in respect of market risk – using the basic approach.

The scale of the Bank's and the Group's trading activities is significant, therefore the total capital requirements constitute sum of the capital requirements for:

1) credit risk – including credit risk of the banking book and counterparty credit risk,
2) market risk – including foreign exchange risk, commodities risk, equity securities risk, specific risk of debt instruments, general risk of interest rates,
3) operational risk,
4) other types of capital requirements in respect of:
    - settlement/delivery risk,
    - the risk of exceeding the exposure concentration limit and the large exposure limit,
    - the risk of exceeding the capital concentration threshold.

Implementation of Basel II as of the beginning of 2008 resulted in an increase in the total capital requirement for the Bank of approximately PLN 0.5 billion, which was mainly due to introducing a new capital requirement for operational risk (+ PLN 1.0 billion), accompanied by a decrease in the capital requirement in respect of credit risk (- PLN 0.5 billion). Moreover, a significant increase in the credit portfolio in the 1st half of 2008 resulted in an increase in the capital requirement in respect of credit risk.

(in PLN thousand)

The tables below show the Group's exposure to credit risk and other types of risk. The amounts as at 30 June 2008 have been calculated in accordance with Resolution No. 1/2007 of the Banking Supervision Commission dated 13 March 2007.

Capital requirements	30.06.2008	31.12.2007
Credit risk	**6 740 578**	**6 425 531**
credit risk (banking book)	6 679 179	6 401 283
counterparty risk (trading book)	61 399	24 248
Market risk	**196 429**	**220 143**
foreign exchange risk	-	-
commodities risk	-	-
equity securities risk	1 572	1 187
specific risk of debt instruments	167 724	166 634
general risk of interest rates	27 133	52 322
Operational risk	**1 089 024**	**-**
Other kinds of risk*	-	**-**
Total capital requirements	**8 026 031**	**6 645 674**
Capital adequacy ratio	**10.93**	**12.02****

* Includes capital requirements in regards to the settlement and delivery risks, the risk of exceeding the exposure concentration limit and the large exposure limit, and the risk of exceeding the capital concentration threshold.

**Lack of comparability in terms of capital requirements (at 30 June 2008, capital requirements have been calculated in accordance with the New Basel Accord, where the basic difference between this and the calculation at 31 December 2007 are a new methodologies for calculation of credit and operational risk requirements).

The Bank calculates capital requirements on account of credit risk, according to the following formula:

- in case of balance sheet items – a product of a carrying amount, a risk weight and 8 % (considering collateral),
- in case of contingent liabilities and commitments – a product of nominal value of liability, a risk weight and 8% (considering collateral),
- in case of off-balance sheet transactions (derivative instruments) – product of risk weight, balance sheet equivalent of off-balance sheet transaction and 8 %; the value of the balance sheet equivalent is calculated in accordance with the mark-to-market method.

The structure of the capital requirement for credit risk and a risk weighted value on account of specific risk of instruments from the trading portfolio of the Bank as at 30 June 2008 is as follows:

Balance sheet items

Instrument type	Carrying amount	Risk - weighted value
Cash	1 548 236	-
Receivables	92 629 348	68 762 850
Debt securities	8 934 661	411 182
Other securities, shares	334 676	187 699
Non-current assets	4 124 637	2 849 413
Other	6 582 369	1 083 489
Total banking book	**114 153 927**	**73 294 633**
Debt securities	3 460 185	1 406 709
Equity securities held for trading in the trading book	8 394	8 394
Total trading book	**3 468 579**	**1 415 103**
Total	**117 622 506**	**74 709 736**

(in PLN thousand)

Instrument type	Nominal value	Balance sheet equivalent	Risk - weighted value
Derivatives			
Interest rate instruments:	*237 438 918*	*2 303 072*	*791 573*
FRA	94 200 000	219 146	78 490
IRS	143 238 918	2 083 926	713 083
Foreign currency instruments:	*19 205 033*	981 951	*309 075*
Currency forwards (including embedded instruments)	1 562 597	16 662	12 676
SWAP (including current transaction)	3 656 721	19 465	4 388
CIRS	12 423 099	895 938	254 648
Options (delta equivalents - purchase of options)	1 562 616	49 886	37 363
Other instruments:	*646 304*	*289 122*	*10 839*
SBB*	255 219	245 871	2 189
CDS	370 895	43 251	8 650
Others (options and futures on stock indicies)	20 190	-	-
Total derivatives	**257 290 255**	**3 574 145**	**1 111 486**
of which:			
banking book	39 919 710	1 243 189	343 389
trading book	217 370 545	2 330 956	768 098

* the above nominal values constitutes a difference between fair values of underlying assets, operations and amounts received or granted.

Instrument type	Nominal value	Balance sheet equivalent	Risk - weighted value
Line-of-credit contingent liabilities liabilities and other financial liabilities	27 738 249	9 348 926	8 491 163
Guarantees granted	2 877 640	1 458 217	1 231 096
Letters of credit granted	253 012	126 506	126 568
Other	72 271	14 454	2 891
Total banking book	**30 941 172**	**10 948 102**	**9 851 718**
Underwriting guarantees	278 513	-	-
Guarantees of issue	876 646	876 646	666 822
Total trading book	**1 155 159**	**876 646**	**666 822**

The structure of the capital requirement for credit risk and a risk weighted value on account of specific risk of instruments from the trading portfolio of the Bank as at 31 December 2007 is as follows:

Balance sheet items

Instrument type	Carrying amount	Risk - weighted value
Cash	1 708 936	-
Receivables	81 938 477	67 893 370
Debt securities	11 951 685	152 804
Other securities, shares	460 261	345 760
Non-current assets	4 003 594	2 820 103
Other	5 474 406	3 481 430
Total banking book	**105 537 359**	**74 693 467**
Debt securities	2 990 576	1 089 407
Equity securities held for trading in the trading portfolio of the Bank	9 665	9 665
Total trading book	**3 000 241**	**1 099 072**
Total	**108 537 600**	**75 792 539**

(in PLN thousand)

Instrument type	Nominal value	Balance sheet equivalent	Risk - weighted value
Derivatives			
Interest rate instruments:	*198 682 731*	*1 570 408*	*314 081*
FRA	73 860 000	243 636	48 727
IRS	124 822 731	1 326 772	265 354
Foreign currency instruments:	*14 823 154*	*887 744*	*178 302*
Currency forwards (including embedded instruments)	1 469 872	16 274	3 255
SWAP	2 268 825	22 688	4 538
CIRS	11 049 300	845 774	169 155
Options (delta equivalents - purchase of options)	35 157	3 008	1 354
Other instruments:	*303 726*	*29 460*	*6 327*
CDS	231 325	27 993	5 597
Others (options and future on stock indicies)	72 401	1 467	730
Total derivatives	**213 809 611**	**2 487 612**	**498 710**
of which:			
banking book	38 235 646	1 150 782	230 591
trading book	175 573 965	1 336 830	268 119

Instrument type	Nominal value	Balance sheet equivalent	Risk - weighted value
Line-of-credit contingent liabilities and other financial liabilities	24 346 666	3 274 110	3 246 162
Guarantees granted	1 867 608	1 284 250	1 280 724
Letters of credit granted	562 155	280 758	280 487
Other	1 193 065	325 458	278 389
Total banking book	**27 969 494**	**5 164 575**	**5 085 761**
Underwriting guarantees	9 107	-	-
Guarantees of issue	1 455 509	1 455 509	1 248 269
Total trading book	**1 464 616**	**1 455 509**	**1 248 269**

Internal capital (Pillar 2)

As of the beginning of 2008, internal capital is designated in accordance with Resolution No 4/2007 of the Banking Supervision Commission of 13 March 2007 on detailed principles for functioning of risk management system and internal control system and detailed terms of estimating internal capital by banks and reviewing the process of estimating and maintaining internal capital (NBP Journal of 2007, No. 3, item 6).

Internal capital is the amount of capital estimated by the Bank that is necessary to cover all of the significant risks characteristic of the Bank's activities and the effect of changes in the business environment, taking account of the anticipated risk level.

The internal capital in the PKO BP SA Group is intended to cover each of the significant risk types:

1) credit risk, including default risk;
2) market risk, including currency risk, interest rate risk and liquidity risk;
3) operational risk;
4) business risk, including strategy risk and reputation risk.

The Bank regularly monitors the significance of the individual risk types relating to the Bank's and the Group's activities.

Disclosures (Pillar 3)

Pursuant to the requirements of Resolution No. 6/2007 of the Banking Supervision Commission of 13 March 2007 on the detailed principles and methods for banks to disclose qualitative and quantitative information concerning capital adequacy and the scope of the information to be announced, the Bank:

- in the fourth quarter of 2007 adopted the Information Policy Principles within the scope of capital adequacy;
- in the second quarter of 2008 published a report entitled "Capital adequacy and risk management (Pillar 3) of the PKO BP SA Group as at 31 December 2007", constituting the fulfilment of the information disclosure requirements specified in appendices no. 1 and 2 to the Resolution No. 6/2007 of the Banking Supervision Commission.

Both of the above-mentioned documents are available on the Bank's internet website (www.pkobp.pl).

4. Fair value of financial assets and financial liabilities

The Group holds certain financial instruments which are not stated at fair value in the balance sheet.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Where there is no market value of financial instruments available, their fair values have been estimated using various valuation techniques. The fair value of financial instruments was measured using a model based on estimating the present value of future cash flows by discounting them using relevant interest rates. Such a model includes certain simplifying assumptions and therefore is sensitive to those assumptions. Set out below is a summary of the main methods and assumptions used for estimation of fair values of financial instruments which are not presented at fair values.

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

- loans and advances to clients: loans with a maturity of up to 1 year, a portion of the housing loans portfolio (the so called "old portfolio"), loans with no specified repayment schedule, which are due at the moment of valuation and for which the fair value equals their carrying amount,
- amounts due to clients: liabilities with no specified payment schedule, negotiable deposits with interest rates based on market reference rates, other specific products for which no active market exists, such as housing plan passbooks and bills of savings.

With regards to loans and advances to clients, the fair value of these instruments has been calculated using discounted future cash flows, and applying current interest rates plus a risk margin and relevant scheduled repayment dates. The current margin level has been established based on transactions with similar credit risk executed during the last quarter ended as of the balance date.

The fair value of deposits and other amounts due to clients, which have set maturities has been calculated using the discounted expected future cash flows and applying current interest rates characteristic of given deposit products.

The fair value of the subordinated debt of the Bank has been estimated based on the expected future cash flows discounted using the rate of return on Treasury bonds with similar maturity.

The fair value of interbank placements and deposits has been estimated based on the expected future cash flows discounted using the current interbank interest rates.

(in PLN thousand)

The fair value of finance lease liabilities has been estimated based on expected cash flows discounted using internal rate of return for lease transactions of the same kind, made by the Group in the period directly preceding the balance date.

The table below shows a summary of the carrying amounts and fair values for the individual groups of financial instruments which have not been presented at fair value in the Group's balance sheets as at 30 June 2008 and 31 December 2007:

	As at 30.06.2008		As at 31.12.2007	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Amounts due from banks	7 286 399	7 285 876	5 261 236	5 256 436
Loans and advances to customers	85 663 012	86 413 137	76 417 149	76 816 457
Amounts due to other banks	4 748 269	4 746 909	4 703 114	4 702 821
Amounts due to clients	92 575 955	92 616 888	86 579 510	86 585 091
Subordinated liabilities	1 617 408	1 626 727	1 614 885	1 619 115

5. Trustee activities

The Bank is a direct participant in the National Depository for Securities (*Krajowy Depozyt Papierów Wartościowych*) and the Securities Register (at the National Bank of Poland). The Bank maintains customer investment accounts, services transactions made on the domestic and foreign markets, and provides custody services. Due to a trustee or a similar relationship, these assets are not assets of the Group, and therefore they are not included in its balance sheet. As a member of the Council of Depositary Banks and the Council of Non-treasury Debt Securities by the Union of Polish Banks, PKO BP SA takes part in developing regulations and market standards.

6. Asset securitization and debt portfolio sales

During the years 2005 - 2006, the Bank sold a number of receivables classified as default (both balance sheet and off-balance sheet receivables) which were due to the Bank from corporate entities and retail clients. About 137 000 receivables were sold in total, with a total value of approximately PLN 2 billion. Due to the fact that the buyers are allowed to raise claims with regard to the receivables sold to them within the deadlines set out in the respective debt sale agreements, the Bank recognized provisions for potential claims, including those that had been raised until the date of these financial statements. The total carrying amount of these provisions as at 30 June 2008 is PLN 9 881 thousand (as at 31 December 2007 was PLN 9 894 thousand, respectively). The Bank did not receive any securities from these transactions. In 2007 the Bank did not sell any portfolios of receivables.

In the first six-month period ended 30 June 2008, certain activities were conducted so as to sell 150 thousand of receivables with a total nominal value of PLN 2 billion. Receivables were divided into four portfolios. Two were sold to securitization funds, whereas the other two were sold to SPVs..

7. Segmental reporting

The primary basis of the PKO BP SA Group reporting scheme is business segments. A business segment comprises activities of providing products and services that are characterized by the similar risk and rewards – different from other business segments. As an additional reporting scheme, the Group uses geographical business segmentation, which provides information about products and services rendered in a specified business area. Such area is subject to separate analysis taking into account risks and returns which are different than in other business areas.

The PKO BP SA Group typically settles inter-segment transactions as if they were concluded between unrelated parties, using internal settlement rates. Internal fund transfer between the Bank's parties is based on transfer rates (based on market interest rates). The transactions between business segments are conducted on arm's length.

Disclosed values of assets, liabilities, income and expenses of a particular segment are based on internal management information. Certain assets and liabilities and their related income and expenses have been assigned to each segment.

Business segments

Business segments have been determined using customer groups and product criteria. Such an allocation is congruent with the way the business is managed by the Group. Segmentation by business is as follows:

- The retail segment comprises transactions of the parent entity with retail clients, small and medium-sized enterprises and mortgage market clients, as well as activities of the following subsidiaries: KREDOBANK SA, the Powszechne Towarzystwo Emerytalne BANKOWY SA Group, PKO Towarzystwo Funduszy Inwestycyjnych SA, Inteligo Financial Services SA, Centrum Elektronicznych Usług Płatniczych eService SA, and the PKO Inwestycje Sp. z.o.o. Group. This segment comprises, among others, the following products and services: current and saving accounts, deposits, private banking services, investment products, credit and debit cards, consumer and mortgage loans, corporate loans for small and medium-sized enterprises and housing market customers.
- The corporate segment includes transactions of the parent entity with large corporate clients, as well as activities of the Bankowy Fundusz Leasingowy SA Group. This segment comprises, among others, the following products and services: current and saving accounts, deposits, depositary services, currency and derivative products, sell buy back and buy sell back transactions, investment loans and leases. Within the segment, the Bank also enters, individually or in consortium with other banks, into loan agreements financing large investment projects.
- The investment segment comprises investing and brokerage activities, inter-bank transactions, derivative instruments and debt securities transactions, as well as activities of BTK SA.
- Other activity comprises items not allocated to any of the other segments, as well as activities of Centrum Finansowe Puławska Sp. z o.o.

Assets and liabilities of a given segment represent assets and liabilities used by the segment in its operating activities. Administrative expenses of a particular business segment comprise expenses which can be directly attributed to the segment, as well as expenses which can be attributed to the segment on the basis of rational criteria.

The tables below present data relating to results of individual business segments of the PKO BP SA Group for the six-month periods ended 30 June 2008 and 30 June 2007, and selected assets and liabilities as at 30 June 2008 and 31 December 2007.

In January 2008, the PKO BP SA Group changed the method of business segment result calculation. It also changed the manner and scope of business segment categorization in a way that each segment is now determined by the group of customers. As a result, the housing segment (comprising mainly mortgage loans) presented so far, is currently a part of the retail segment. The financial data for the year 2007 was restated for comparability purposes.

(in PLN thousand)

For the six- month period ended 30 June 2008	Continued activity				
	Retail segment	Corporate segment	Investment segment	Other	Total activity of the Group
Net interest income	**2 651 833**	**229 314**	**107 952**	**(74 670)**	**2 914 429**
Fee and commission income	**1 035 172**	**83 649**	**45 555**	**7 817**	**1 172 193**
Other income	**305 352**	**84 963**	**20 193**	**23 628**	**434 136**
Net income from financial operations	844	8 213	(62 706)	(7 643)	(61 292)
Foreign exchange result	227 273	60 534	82 354	1 162	371 323
Dividend income	-	-	-	3 860	3 860
Net other operating income	77 235	16 216	545	26 249	120 245
Income/expenses relating to internal customers	13 000	(13 000)	-	-	-
Net impairment allowance	**(137 362)**	**(107 697)**	**61 568**	**6 789**	**(176 702)**
Administrative expenses, of which:	**(1 832 842)**	**(132 878)**	**(49 991)**	**5 774**	**(2 009 937)**
Amortization and depreciation	(180 292)	(16 301)	(3 831)	(7 508)	**(207 932)**
Share in profit of subsidiaries, associates and jointly controlled entities	**-**	**-**	**282**	**16 540**	**16 822**
Gross profit (loss) of the segment	**2 022 153**	**157 351**	**185 559**	**(14 122)**	**2 350 941**
Income tax expense	-	-	-	-	**(488 089)**
Profit attributable to minority shareholders	-	-	-	-	**(14 539)**
Net profit (loss) attributable to the parent entity	**2 022 153**	**157 351**	**185 559**	**(14 122)**	**1 848 313**

As at 30 June 2008	Continued activity				
	Retail segment	Corporate segment	Investment segment	Other	Total activity of the Group
ASSETS	**69 246 699**	**24 573 984**	**16 909 135**	**6 892 688**	**117 622 506**
investments in associates and jointly controlled entities	-	-	-	256 910	256 910
investment expenses	-	-	-	350 342	350 342
LIABILITIES	**76 602 520**	**16 951 220**	**5 612 179**	**5 784 692**	**104 950 611**

For the six-month period ended 30 June 2007	Continued activity				
	Retail segment	Corporate segment	Investment segment	Other	Total activity of the Group
Net interest income	**1 877 798**	**123 721**	**115 423**	**4 203**	**2 121 145**
Fee and commission income	**1 049 715**	**70 349**	**71 105**	**(99 622)**	**1 091 547**
Other income	**199 363**	**44 098**	**94 459**	**7 097**	**345 017**
Net income from financial operations	2 720	1 196	24 835	(5 018)	**23 733**
Foreign exchange result	147 690	36 256	68 846	-	**252 792**
Dividend income	-	-	-	3 164	**3 164**
Net other operating income	48 953	6 646	778	8 951	**65 328**
Income/expenses relating to internal customers	12 032	(12 032)	-	-	**-**
Net impairment allowance	**(91 517)**	**(7 890)**	**(2 915)**	**(9 708)**	**(112 030)**
Administrative expenses, of which:	**(1 731 560)**	**(78 451)**	**(19 258)**	**(2 077)**	**(1 831 346)**
Amortization and depreciation	(164 099)	(8 818)	(1 702)	(9 661)	(184 280)
Share in profit of subsidiaries, associates and jointly controlled entities	**-**	**-**	**(779)**	**457**	**(322)**
Gross profit (loss) of the segment	**1 303 799**	**151 827**	**258 035**	**(99 650)**	**1 614 011**
Income tax expense	-	-	-	-	**(313 218)**
Profit attributable to minority shareholders	-	-	-	-	**(17 254)**
Net profit (loss) attributable to the parent entity	**1 303 799**	**151 827**	**258 035**	**(99 650)**	**1 283 539**

(in PLN thousand)

As at 31 December 2007	Continued activity				
	Retail segment	Corporate segment	Investment segment	Other	Total activity of the Group
ASSETS	**63 511 538**	**21 150 398**	**19 693 484**	**4 182 180**	**108 537 600**
investments in associates and jointly controlled entities	-	-	-	178 584	178 584
investment expenses	-	-	-	782 726	782 726
LIABILITIES	**72 736 848**	**14 944 731**	**6 012 821**	**2 864 185**	**96 558 585**

Geographical segments

The PKO BP SA Group activity is also conducted in Ukraine – via Kredobank S.A. and Ukrpolinwestycje Sp. z o.o. The scale of this activity is small in comparison to the Group's overall results.

For the six- month period ended 30 June 2008	Poland	Ukraine	Total activity of the PKO BP SA Group
Net interest income	**2 855 636**	**58 793**	**2 914 429**
Net fees and commission income	**1 150 102**	**22 091**	**1 172 193**
Net other income	**441 685**	**(7 549)**	**434 136**
Administrative expenses	(1 952 005)	(57 932)	(2 009 937)
Net impairment allowance	(174 337)	(2 365)	(176 702)
Gross profit of the segment	2 337 903	13 038	2 350 941
Net profit attributable to the parent entity	**1 838 291**	**10 022**	**1 848 313**

As at 30 June 2008	Poland	Ukraine	Total activity of the PKO BP SA Group
Assets of the segment	115 525 328	2 097 178	**117 622 506**
Liabilities of the segment	103 163 502	1 787 109	**104 950 611**

For the six-month period ended 30 June 2007	Poland	Ukraine	Total activity of the PKO BP SA Group
Net interest income	**2 067 974**	**53 171**	**2 121 145**
Net fee and commission income	**1 072 551**	**18 996**	**1 091 547**
Net other income	**351 953**	**(6 936)**	**345 017**
Administrative expenses	(1 785 690)	(45 656)	(1 831 346)
Net impairment allowance	(105 133)	(6 897)	(112 030)
Gross profit of the segment	1 601 328	12 683	1 614 011
Net profit attributable to the parent entity	**1 274 140**	**9 399**	**1 283 539**

As at 31 December 2007	Poland	Ukraine	Total activity of the PKO BP SA Group
Assets of the segment	106 566 506	1 971 094	**108 537 600**
Liabilities of the segment	94 808 497	1 750 088	**96 558 585**

(in PLN thousand)

8. Interest income and expense

Interest and similar income

	01.01-30.06.2008	01.01-30.06.2007
Income from loans and advances to customers	3 495 984	2 283 021
Income from securities at fair value through profit or loss	236 730	302 617
Income from placements with other banks	207 813	277 458
Income from investment securities	156 006	124 233
Income from trading securities	31 832	8 499
Other	47 133	32 326
Total	**4 175 498**	**3 028 154**

Interest expense and similar charges

	01.01-30.06.2008	01.01-30.06.2007
Interest expense on customers	(1 107 550)	(801 001)
Interest expense on deposits from other banks	(44 973)	(55 381)
Interest expense on debt securities in issue	(59 822)	(3 856)
Other	(48 724)	(46 771)
Total	**(1 261 069)**	**(907 009)**

In the six-month period ended 30 June 2008 the total amount of interest and similar income, calculated using the effective interest rate method and arising from financial assets not valued at fair value through profit or loss, amounted to PLN 3 906 936 thousand. In the six-month period ended 30 June 2007 interest income amounted to PLN 2 717 038 thousand. In the six-month period ended 30 June 2008, interest expense, calculated using the effective interest rate method and arising from financial liabilities which are not valued at fair value through profit or loss, amounted to PLN (1 239 291) thousand. In the six-month period ended 30 June 2007 interest expense amounted to PLN (874 894) thousand.

(in PLN thousand)

Net gains and losses from financial assets and liabilities measured at amortized cost

	01.01-30.06.2008	01.01-30.06.2007
Net gains and losses from financial assets and liabilities measured at amortized cost	**3 583 600**	**2 597 861**
Interest income from loans and advances to customers	3 495 984	2 283 021
Interest income from placements with other banks	207 813	277 458
Fee and commission income from loans and advances to customers	123 288	130 328
Net impairment allowance on loans and advances to customers and amounts due from other banks	(239 510)	(91 947)
Net impairment allowance on finance lease receivables	(3 975)	(999)
Losses from financial liabilities valued at amortized cost	**(1 212 345)**	**(860 238)**
Interest expense on amounts due to customers	(1 107 550)	(801 001)
Interest expense on amounts due to banks	(44 973)	(55 381)
Interest expense on debt securities in issue	(59 822)	(3 856)
Net result	**2 371 255**	**1 737 623**

9. Fee and commission income and expense

Fee and commission income

	01.01-30.06.2008	01.01-30.06.2007
Income from financial assets, which are not valued through profit or loss, of which:	**123 288**	**130 328**
Income from loans and advances	123 288	130 328
Other fee and commissions	**1 408 303**	**1 301 424**
Income from maintenance of bank accounts	416 376	383 210
Income from payment cards	415 903	321 934
Income from portfolio and other management fees	228 916	247 217
Income from loan insurance intermediary and other services	109 129	92 498
Income from cash transactions	96 951	104 082
Income from securities transactions	22 920	51 775
Income from foreign mass transactions servicing	20 364	17 712
Income from sale and distribution of marks of value	12 196	15 737
Other*	85 548	67 259
Income from trust servicing	**462**	**693**
Total	**1 532 053**	**1 432 445**

* Included in "Other" are: commissions received: for public offering services, for servicing bond sale transactions, and for home banking and revenues from arrangement fees, guarantees granted, issued letters of credit and other similar operations.

(in PLN thousand)

Fee and commission expense

	01.01-30.06.2008	01.01-30.06.2007
Expenses on payment cards	(146 455)	(118 523)
Expenses on acquisition services	(65 350)	(62 873)
Expenses on loan insurance intermediary and other services	(47 707)	(45 905)
Expenses on portfolio and other management fees	(43 392)	(48 189)
Expenses on fee and commissions for operating services granted by other banks	(3 578)	(5 318)
Expenses on fee and commissions paid to PPUP	(2 628)	(2 732)
Other*	(50 750)	(57 358)
Total	**(359 860)**	**(340 898)**

* Included in "Other" are: fee and expenses paid to Warsaw Stock Exchange (GPW) and the National Depository for Securities (KDPW), valuation of financial sources deposited on a collective account, costs of currency turnover, accounting and clearing services and fee and commissions paid to sales agents and intermediaries.

10. Dividend income

	01.01-30.06.2008	01.01-30.06.2007
Dividend income from the issuers of:		
Securities classified as available for sale	3 844	3 162
Securities classified as held for trading	16	2
Total	**3 860**	**3 164**

11. Net income from financial instruments at fair value through profit or loss

	01.01-30.06.2008	01.01-30.06.2007
Debt securities	(56 623)	(195 415)
Derivative instruments	(942)	214 372
Equity instruments	(3 585)	2 416
Other	41	(8)
Total	**(61 109)**	**21 365**

01.01-30.06.2008	Gains	Losses	Net result
Trading assets	120 049	(171 846)	(51 797)
Financial assets designated upon initial recognition at fair value through profit or loss	6 163 463	(6 172 775)	(9 312)
Total	**6 283 512**	**(6 344 621)**	**(61 109)**

01.01-30.06.2007	Gains	Losses	Net result
Trading assets	3 634 926	(3 423 948)	210 978
Financial assets designated upon initial recognition at fair value through profit or loss	92 955	(282 568)	(189 613)
Total	**3 727 881**	**(3 706 516)**	**21 365**

The total change in fair values of financial instruments at fair value through profit or loss determined use of valuation models (where no quotations from active market were available) in the six-month period ended 30 June 2008 amounted to PLN (901) thousand (in the six-month period ended 30 June 2007: PLN 214 364 thousand).

(in PLN thousand)

Fair value changes in hedge accounting

During the six-month periods ended 30 June 2008 and 30 June 2007, the PKO BP SA Group did not apply hedge accounting.

12. Gains less losses from financial assets and liabilities other than classified as at fair value through profit or loss

Financial assets available for sale	01.01-30.06.2008	01.01-30.06.2007
Gains transferred directly to equity	-	30 583
Losses transferred directly to equity	(52 909)	(30 028)
Total	**(52 909)**	**555**
Gains transferred from equity	2 084	3 403
Losses transferred from equity	(2 267)	(1 035)
Total	**(183)**	**2 368**

13. Net foreign exchange gains

	01.01-30.06.2008	01.01-30.06.2007
Foreign exchange differences resulting from financial instruments at fair value through profit or loss	116 588	150 598
Other foreign exchange differences	254 735	102 194
Total	**371 323**	**252 792**

14. Other operating income and expense

	01.01-30.06.2008	01.01-30.06.2007
Other operating income		
Net income from sale of goods, commodities and materials	243 975	143 106
Sundry income	12 083	13 964
Sales and disposal of tangible fixed assets, intangible assets, and assets held for sale	8 196	5 597
Damages, penalties and fines received	5 816	4 284
Recovery of expired and written-off receivables	7 443	5 367
Sale of shares in subordinates	3 746	-
Other*	63 896	54 846
Total	**345 155**	**227 164**

* Included in "Other" are: reversal of accruals (e.g. for costs of servicing computer hardware and software), costs of consulting and advisory services, refund of costs of debt collection proceedings, reversal of impairment allowance on other receivables, and income from prior year adjustments.

(in PLN thousand)

	01.01-30.06.2008	01.01-30.06.2007
Other operating expenses		
Costs of sale of goods, commodities and materials	(162 033)	(88 177)
Costs of sale and disposal of tangible fixed assets, intangible assets and assets held for sale	(9 292)	(11 752)
Donations	(2 427)	(4 096)
Sundry expenses	(2 616)	(1 982)
Costs of tangible fixed assets construction and intangible assets development - not capitalized	(364)	(3 994)
Other*	(48 178)	(51 835)
Total	**(224 910)**	**(161 836)**

* Included in "Other" are: legal costs, impairment allowances for other assets and bailiffs advances, and costs of prior year adjustments.

15. Administrative expenses

	01.01-30.06.2008	01.01-30.06.2007
Staff costs	(1 158 382)	(1 045 009)
Non-personnel costs	(603 599)	(559 765)
Depreciation and amortization expense	(207 932)	(184 280)
Taxes and other charges	(31 657)	(35 450)
Contribution and payments to Banking Guarantee Fund	(8 367)	(6 842)
Total	**(2 009 937)**	**(1 831 346)**

Wages and salaries / Employee benefits

	01.01-30.06.2008	01.01-30.06.2007
Wages and salaries	(944 983)	(865 095)
Insurance	(161 302)	(156 113)
Other employee benefits	(52 097)	(23 801)
Total	**(1 158 382)**	**(1 045 009)**

(in PLN thousand)

16. Net impairment allowance

For the six-month period ended 30 June 2008	Impairment allowances at the beginning of the period	Increases			Decreases				Impairment allowances made at the end of period	Net impairment allowances
		Impairment allowances made during the period	Foreign exchange differences	Other	Decrease in impairment allowances due to derecognition of assets, not impacting income statement	Impairment allowances reversed during the period	Foreign exchange differences	Other		
Financial assets available for sale, including:	26 849	6 136	-	-	-	8 313	1	247	24 424	2 177
carried at fair value through equity (not listed on stock exchange)	18 620	6 136	-	-	-	8 313	1	-	16 442	2 177
valued at cost (unquoted equity instruments and related derivative instruments)	8 229		-	-	-		-	247	7 982	-
Loans and advances to customers and amounts due from other banks valued at amortised cost	2 415 879	930 762	24	5 367	32 006	687 277	2 134	-	2 630 615	(243 485)
Non-financial sector	2 302 842	909 668	24	5 367	29 998	671 257	2 134	-	2 514 512	(238 411)
consumer loans	650 474	380 820	-	-	27 806	204 973	-	-	798 515	(175 847)
mortgage loans	489 851	145 328	-	-	-	184 398	-	-	450 781	39 070
corporate loans	1 162 517	383 520	24	5 367	2 192	281 886	2 134	-	1 265 216	(101 634)
Financial sector	44 059	3 279	-	-	276	1 904	-	-	45 158	(1 375)
amounts due from banks	276		-	-	276		-	-	-	-
corporate loans	43 783	3 279				1 904			45 158	(1 375)
Budget sector	29 183	13 840	-	-	-	14 116	-	-	28 907	276
corporate loans	29 183	13 840				14 116			28 907	276
Finance lease receivables	39 795	3 975	-	-	1 732		-	-	42 038	(3 975)
Tangible fixed assets	3 053	190	-		-	522	-	103	2 618	332
Intangible assets	15 373	-	-	-	-		-	-	15 373	-
Investments in entities valued using equity method	64 814	-	-	-	38	61 568	-		3 208	61 568
Other	138 861	35 279	-	3 376	1 865	37 985	425	7 405	129 836	2 706
Total	**2 664 829**	**972 367**	**24**	**8 743**	**33 909**	**795 665**	**2 560**	**7 755**	**2 806 074**	**(176 702)**

(in PLN thousand)

		Increases			Decreases					
For the six-month period ended 30 June 2007	**Impairment allowances at the beginning of the period**	**Impairment allowances made during the period**	**Foreign exchange differences**	**Other**	**Decrease in impairment allowances due to derecognition of assets, not impacting the income statement**	**Impairment allowances reversed during the period**	**Foreign exchange differences**	**Other**	**Impairment allowances made at the end of period**	**Net impairment allowances**
Financial assets available for sale, including:	30 051	-	-	-	-	1 400	-	-	28 651	1 400
carried at fair value through equity (not listed on stock exchange)	14 937	-	-	-	-	-	-	-	14 937	-
valued at cost (unquoted equity instruments and related derivative instruments)	15 114	-	-	-	-	1 400	-	-	13 714	1 400
Loans and advances to customers and amounts due from other banks valued at amortised cost	2 447 351	577 301	83	-	58 288	484 355	2 602	-	2 479 490	(92 946)
Non-financial sector	2 326 256	569 273	83	-	56 730	473 130	2 602	-	2 363 150	(96 143)
consumer loans	503 411	289 023	-	-	56 469	174 596	-	-	561 369	(114 427)
mortgage loans	530 998	71 907	-	-	261	78 261	-	-	524 383	6 354
corporate loans	1 291 847	208 343	83	-	-	220 273	2 602	-	1 277 398	11 930
Financial sector	42 833	1 952	-	-	1 558	1 496	-	-	41 731	(456)
amounts due from banks	329	-	-	-	-	53	-	-	276	53
corporate loans	42 504	1 952			1 558	1 443			41 455	(509)
Budget sector	35 062	5 077	-	-	-	9 729	-	-	30 410	4 652
corporate loans	35 062	5 077				9 729			30 410	4 652
Finance lease receivables	43 200	999	-	-	-	-	-	-	44 199	(999)
Tangible fixed assets	51 220	440	-	73	-	232	-	-	51 501	(208)
Intangible assets	31 681	-	-	-	-	-	-	-	31 681	-
Investments in entities valued using equity method	62 186	2 915	-	-	410	-	-	-	64 691	(2 915)
Other	150 936	45 920		-	338	28 559	342	11 320	156 297	(17 361)
Total	**2 773 425**	**626 576**	**83**	**73**	**59 036**	**514 546**	**2 944**	**11 320**	**2 812 311**	**(112 030)**

(in PLN thousand)

17. Discontinued operations

In the first six-month period ended 30 June 2008 and the first six-month period ended 30 June 2007, the PKO BP SA Group had no material income or expense from discontinued operations.

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

Entity	01.01-30.06.2008	01.01-30.06.2007
Jointly controlled entities		
Centrum Obsługi Biznesu Sp. z o.o.	6 539	(3 478)
Grupa Kapitałowa Centrum Haffnera Sp. z o.o.	26	899
Associates		
Bank Pocztowy SA	6 083	2 914
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	40	21
Kolej Gondolowa Jaworzyna Krynicka SA	3 814	-
Agencja Inwestycyjna „CORP" SA	38	101
Subsidiaries of Bankowe Towarzystwo Kapitałowe S.A.		
FINDER SA*	282	(300)
P.L. ENERGIA SA**	-	(479)
Total	**16 822**	**(322)**

* until 2 January 2007 – FINDER Sp. z o.o.
** the entity was sold on 31 December 2007

Additional information on jointly controlled entities and associates is presented in Note 1 "General Information" and Note 52 "Business combinations".

19. Income tax expense

	01.01-30.06.2008	01.01-30.06.2007
Consolidated income statement		
Current income tax expense	(481 969)	(394 778)
Deferred income tax related to temporary differences	(6 120)	81 560
Tax expense disclosed in the consolidated income statement	**(488 089)**	**(313 218)**
Tax expense disclosed in the consolidated equity	10 053	(105)
Total	**(478 036)**	**(313 323)**

(in PLN thousand)

	01.01-30.06.2008	01.01-30.06.2007
Profit before income tax	**2 350 941**	**1 614 011**
Corporate income tax calculated using the enacted tax rate 19% (2006: 19%)	(446 678)	(306 662)
Effect of other tax rates : Ukraine (25%)*	(782)	(761)
Permanent differences between accounting gross profit and taxable profit, of which:	**(43 821)**	**(2 818)**
Other non-tax-deductible expenses	(21 061)	(13 009)
Reversed provisions and positive revaluation not constituting taxable income	(38 451)	7 084
Other non-taxable income	8 917	4 160
Dividend income	21 432	9 876
Other	(14 658)	(10 929)
Other differences between gross financial result and taxable income, including donations	**245**	**(6 189)**
Tax loss settlement	**2 947**	**3 212**
Income tax disclosed in the consolidated income statement	**(488 089)**	**(313 218)**
Effective tax rate	**20.76%**	**19.41%**
Temporary difference due to the deferred tax presented in the consolidated income statement	(6 120)	81 560
Current income tax expense disclosed in the consolidated income statement, of which:	**(481 969)**	**(394 778)**
Corporate income tax calculated using the enacted tax rate 19% (2006: 19%)	(481 306)	(393 724)
Effect of other tax rates: Ukraine (25%)	(663)	(1 054)

* Current income tax charge of KREDOBANK SA as at 30 June 2008 amounted to an equivalent of PLN 2 761 thousand (as at 30 June 2007: PLN 4 391 thousand).

Current income tax liabilities/ receivables

	30.06.2008	31.12.2007
Current income tax receivables	2 245	187 939
Current income tax liability	255 869	9 932

The Group entities are corporate income tax payers. The amount of current tax liability is transferred to the appropriate tax authorities. The final settlement of the corporate income tax liabilities of the Group entities for the year 2008 was made within the statutory deadline of 31 March 2009.

Tax authorities can verify the correctness of income tax settlements within 5 years from the end of the accounting year in which the tax declaration was submitted.

(in PLN thousand)

Deferred tax asset/liability

	Consolidated balance sheet		Consolidated income statement	
	30.06.2008	31.12.2007	01.01-30.06.2008	01.01-30.06.2007
Deferred tax liability				
Interest accrued on receivables (loans)	106 073	99 944	6 129	(5 180)
Capitalised interest on mortgage loans	269 054	277 827	(8 773)	(8 680)
Interest on securities	30 707	28 126	2 581	(10 333)
Valuation of securities, of which:	192	1 901	x	x
transferred to income statement	192	705	(513)	(2 461)
transferred to equity	-	1 196	x	x
Difference between book value and tax value of tangible assets	163 000	133 926	29 074	30 341
Other taxable temporary positive differences	18 793	7 250	x	x
transferred to income statement	19 012	7 382	11 630	(4 804)
transferred to equity	(219)	(132)	-	-
Gross deferred tax liability	**587 819**	**548 974**	**-**	**-**
transferred to income statement	588 038	547 910	40 128	(1 117)
transferred to equity	(219)	1 064	x	x
Deferred tax assets				
Interest accrued on liabilities	164 464	138 252	26 212	(1 352)
Valuation of securities, of which:	41 671	33 217	x	x
transferred to income statement	22 689	22 065	624	12 275
transferred to equity	18 982	11 152	-	-
Valuation of derivative instruments	58 534	62 331	(3 797)	19 870
Provision for anniversary bonuses and retirement benefits	106 288	88 874	17 414	8 940
Cost of accruals	71 630	79 193	(7 563)	29 665
Adjustment to valuation at amortized cost	157 455	149 499	7 956	9 769
Other temporary negative differences, of which:	59 121	65 316	x	x
transferred to income statement	58 181	65 316	(7 135)	928
transferred to equity	940	-	-	-
Foreign exchange differences of a foreign subsidiary, KREDOBANK S.A.	297	-	297	348
Gross deferred income tax asset, of which:	**659 460**	**616 682**	**x**	**x**
transferred to income statement	639 538	605 530	34 008	80 443
transferred to equity	19 922	11 152	x	x
Deferred tax impact on the income statement	**(71 641)**	**(67 708)**	-	-
transferred to income statement	(51 500)	(57 620)	(6 120)	(81 560)
transferred to equity	(20 141)	(10 088)	-	-
Deferred income tax asset (presented in the balance sheet)	**75 732**	**72 154**	**x**	**x**
Deferred tax liability (presented in the balance sheet)	**4 091**	**4 446**	**x**	**x**
Net deferred tax impact on the income statement	**-**	**-**	**(6 120)**	**(81 560)**

As at 30 June 2008, the unsettled tax loss of the Group entities amounted to PLN 12 187 thousand. This loss may be utilized by the end of 2014.

Of the above-mentioned amount, PLN 117 thousand was recognized as a deferred tax asset as at 30 June 2008.

20. Earnings per share

Basic earnings per share

The basic earnings per share ratio is calculated on the basis of profit or loss attributable to ordinary shareholders of the Bank, by dividing the respective profit or loss by the weighted average number of ordinary shares outstanding during a given period.

Earnings per share

	01.01-30.06.2008	01.01-30.06.2007
Profit per ordinary shareholder (PLN thousand)	1 848 313	1 283 539
Weighted average number of shares during the period (thousand)	1 000 000	1 000 000
Profit per share (PLN per share)	1.85	1.28

Earnings per share from discontinued operations

In the six-month periods ended 30 June 2008 and 30 June 2007, the Group did not report any material income or expenses from discontinued operations.

Diluted earnings per share

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

There were no dilutive instruments in the Bank in the first six-month period ended 30 June 2008 nor in the first six-month period ended 30 June 2007.

Diluted earnings per share from discontinued operations

As stated above, in the six-month periods ended 30 June 2008 and 30 June 2007 the Bank did not report any material income or expenses from discontinued operations.

21. Dividends paid and declared

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

On 8 April 2008 the Management Board of the Bank recommended a dividend for 2007 in the amount of PLN 1 090 000 thousand or PLN 1.09 for one share.

In the Resolution No. 7/2008 dated 20 May 2008, the Ordinary General Shareholders' Meeting of PKO BP SA declared a dividend for the year 2007 in the amount of PLN 1,090,000 thousand, i.e. PLN 1.09 per share on a pre-tax basis. The list of shareholders entitled to receive the dividend was determined as at 18 August 2008. The payment was made on 4 August 2008.

On 29 April 2008 by way of Resolution No. 3 the Annual General Meeting of PKO Towarzystwo Funduszy Inwestycyjnych SA declared a dividend of PLN 92 250 thousand and 30 750 thousand respectively to PKO BP SA and minority interests.

22. Transferred financial assets which do not qualify for derecognition

As at 30 June 2008 and 31 December 2007, the Group did not hold any significant transferred financial assets in such a way that part or all of the financial assets would not qualify for derecognition.

(in PLN thousand)

23. Cash and balances with the central bank

	30.06.2008	31.12.2007
Current account with the central bank	3 238 594	2 972 067
Cash	1 547 621	1 708 906
Other funds	4 285	1 654
Total	**4 790 500**	**4 682 627**

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

Funds on the obligatory reserve account bear interest of 0.9 of the rediscount rate for bills of exchange. As at 30 December 2008, this interest rate was 5.625%.

As at 30 June 2008 and 31 December 2007, there were no further restrictions as regards the use of these funds.

24. Amounts due from banks

	30.06.2008	31.12.2007
Deposits with other banks	6 315 020	4 676 670
Loans and advances	312 458	372 282
Current accounts	255 944	183 784
Cash in transit	8 313	14 379
Receivables due from repurchase agreements	394 664	14 397
Total	**7 286 399**	**5 261 512**
Impairment allowances	-	(276)
Net total	**7 286 399**	**5 261 236**

As at 30 June 2008, the nominal value of placements with other banks with a fixed interest rate amounted to PLN 6,234,065 thousand (as at 31 December 2007: PLN 4,596,601 thousand). The majority of those placements were short-term placements. The nominal value of placements with other banks with a floating interest rate amounted to PLN 57,077 thousand as at 30 June 2008 (as at 31 December 2007: PLN 200 thousand). As at 30 June 2008, the total value of accrued interests of placements with other banks amounted to PLN 23 878 thousand (as at 31 December 2007: PLN 79 869 thousand).

25. Trading assets

	30.06.2008	31.12.2007
Debt securities	1 072 526	1 193 255
issued by the State Treasury	1 072 397	1 193 129
issued by local government bodies	129	126
Shares in other entities - listed on stock exchange	8 394	9 664
Total trading assets	**1 080 920**	**1 202 919**

(in PLN thousand)

Trading assets (carrying amount) by maturity as at 30 June 2008 and as at 31 December 2007 (nominal values at the contract maturity date, interest, premium, discount up to 1 month):

As at 30 June 2008	up to 1 month	1 - 3 months	3 months - 1 year	1 year - 5 years	over 5 years	Total
Debt securities	**94 379**	**48 564**	**421 246**	**351 157**	**157 180**	**1 072 526**
issued by the State Treasury	94 379	48 564	421 117	351 157	157 180	**1 072 397**
issued by local government bodies	-	-	129	-	-	**129**
Shares in other entities - listed on stock exchange	**8 394**	-	-	-	-	**8 394**
Total	**102 773**	**48 564**	**421 246**	**351 157**	**157 180**	**1 080 920**

The average yield on debt securities issued by the State Treasury as at 30 June 2008 amounted to 6.71% for PLN and 4.83% for EUR.

The portfolio of trading assets as at 30 June 2008 comprised the following securities carried at nominal values:

• Treasury bills	227 320
• Treasury bonds	850 848
• Bonds denominated in EUR	6 708
• Municipal bonds	123

As at 31 December 2007	up to 1 month	1 month - 3 months	3 months - 1 year	1 year - 5 years	over 5 years	Total
Debt securities	**55 507**	**65 310**	**206 577**	**516 795**	**349 066**	**1 193 255**
issued by the State Treasury	55 507	65 310	206 451	516 795	349 066	**1 193 129**
issued by local government bodies	-	-	126	-	-	**126**
Shares in other entities - listed on stock exchange	**9 664**	-	-	-	-	**9 664**
Total	**65 171**	**65 310**	**206 577**	**516 795**	**349 066**	**1 202 919**

The average yield on debt securities issued by the State Treasury as at 31 December 2007 amounted to 5.97% for PLN, 4.38% for EUR.

The portfolio of debt securities held for trading as at 31 December 2007 comprised the following securities carried at nominal values:

• Treasury bills	61 780
• Treasury bonds	1 108 839
• Bonds denominated in EUR	7 164
• Municipal bonds	123

(in PLN thousand)

26. Derivative financial instruments

Derivative instruments used by the Group

The Bank and the other entities within the Group use various types of derivatives with a view to manage risk involved in its business activities. As at 30 June 2008 and 31 December 2007, the Group held the following derivative instruments:

Type of contract	30.06.2008		31.12.2007	
	Assets	Liabilities	Assets	Liabilities
IRS	1 471 141	1 445 044	882 368	814 180
FRA	146 646	137 894	146 575	144 704
FX Swap	99 095	39 740	73 193	67 132
CIRS	384 434	197 940	410 927	200 717
Forward	33 753	31 093	28 109	36 375
Options	37 530	53 898	15 528	16 424
Other	8 401	8 624	36	393
Total	**2 181 000**	**1 914 233**	**1 556 736**	**1 279 925**

The majority of the derivatives used by the Bank are forward contracts and the most frequently used types of derivatives are: IRS, FRA, FX Swap, CIRS and Forwards. The remaining entities in the Group may enter into transactions in derivatives exclusively for the purpose of hedging against the risk resulting from their core activities (the banking portfolio).

(in PLN thousand)

Derivative financial instruments as at 30 June 2008

Nominal amounts of underlying instruments and fair value of derivative financial instruments:

	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	over 5 years	Total	Fair value (negative)	Fair value (positive)
Currency transactions								
FX swap	4 111 905	689 118	736 845	-	-	**5 537 868**	39 740	99 095
Purchase	2 064 121	355 224	382 503	-	-	**2 801 848**	-	-
Sale	2 047 784	333 894	354 342	-	-	**2 736 020**	-	-
FX forward	356 399	675 389	2 043 573	46 617	-	**3 121 978**	31 093	33 753
Purchase	179 340	337 963	1 022 783	22 511	-	**1 562 597**	-	-
Sale	177 059	337 426	1 020 790	24 106	-	**1 559 381**	-	-
Options	1 162 676	2 478 927	2 384 613	1 607 009	-	**7 633 225**	53 330	37 530
Purchase	583 234	1 240 955	1 184 017	790 823	-	**3 799 029**	-	-
Sale	579 442	1 237 972	1 200 596	816 186	-	**3 834 196**	-	-
Cross Currency IRS	-	293 420	861 946	16 753 076	6 774 360	**24 682 802**	197 940	384 434
Purchase	-	146 710	431 679	8 437 852	3 406 858	**12 423 099**	-	-
Sale	-	146 710	430 267	8 315 224	3 367 502	**12 259 703**	-	-
Interest rate transactions								
Interest Rate Swap (IRS)	25 860 000	14 018 000	85 441 764	146 184 454	14 973 618	**286 477 836**	1 445 044	1 471 141
Purchase	12 930 000	7 009 000	42 720 882	73 092 227	7 486 809	**143 238 918**	-	-
Sale	12 930 000	7 009 000	42 720 882	73 092 227	7 486 809	**143 238 918**	-	-
Forward Rate Agreement (FRA)	10 700 000	17 050 000	51 950 000	14 500 000	-	**94 200 000**	137 894	146 646
Purchase	6 650 000	8 250 000	25 650 000	7 600 000	-	**48 150 000**	-	-
Sale	4 050 000	8 800 000	26 300 000	6 900 000	-	**46 050 000**	-	-
Other transactions								
Bond forward	63 579	-	6 028	1 247	-	**70 854**	-	-
Purchase	30 371	-	3 053	624	-	**34 048**	-	-
Sale	33 208	-	2 975	623	-	**36 806**	-	-
Credit Default Swaps (CDS)	-	-	-	370 895	-	**370 895**	8 624	6 161
Purchase	-	-	-	370 895		**370 895**	-	-
Other (stock market index derivatives)	58 606	207 350	818	-	-	**266 774**	568	2 240
Purchase	3 005	203 784	706	-	-	**207 495**	-	-
Sale	55 601	3 566	112	-	-	**59 279**	-	-
Total derivative instruments	**42 313 165**	**35 412 204**	**143 425 587**	**179 463 298**	**21 747 978**	**422 362 232**	**1 914 233**	**2 181 000**

(in PLN thousand)

Derivative financial instruments as at 31 December 2007

Nominal amounts of underlying instruments and fair value of derivative financial instruments:

	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	over 5 years	Total	Fair value (negative)	Fair value (positive)
Currency transactions								
FX swap	2 729 270	643 248	845 554	-	-	**4 218 072**	67 132	73 193
Purchase	1 356 838	324 984	432 144	-	-	**2 113 966**	-	-
Sale	1 372 432	318 264	413 410	-	-	**2 104 106**	-	-
FX forward	966 764	1 004 944	906 335	71 852	-	**2 949 895**	36 375	28 145
Purchase	486 809	499 958	448 069	35 229	-	**1 470 065**	-	-
Sale	479 955	504 986	458 266	36 623	-	**1 479 830**	-	-
Options	195 247	445 795	614 253	135 922	-	**1 391 217**	16 424	15 324
Purchase	95 177	152 629	338 580	71 110	-	**657 496**	-	-
Sale	100 070	293 166	275 673	64 812	-	**733 721**	-	-
Cross Currency IRS	-	1 095 785	1 397 535	10 545 309	8 866 607	**21 905 236**	200 717	410 927
Purchase	-	555 435	705 155	5 317 678	4 471 031	**11 049 299**	-	-
Sale	-	540 350	692 380	5 227 631	4 395 576	**10 855 937**	-	-
Interest rate transactions								
Interest Rate Swap (IRS)	10 336 000	12 814 000	78 651 500	132 577 610	15 266 352	**249 645 462**	814 180	882 368
Purchase	5 168 000	6 407 000	39 325 750	66 288 805	7 633 176	**124 822 731**	-	-
Sale	5 168 000	6 407 000	39 325 750	66 288 805	7 633 176	**124 822 731**	-	-
Forward Rate Agreement (FRA)	18 709 142	32 714 000	68 050 000	16 950 000	-	**136 423 142**	144 704	146 575
Purchase	9 600 000	16 710 000	37 400 000	10 150 000	-	**73 860 000**	-	-
Sale	9 109 142	16 004 000	30 650 000	6 800 000	-	**62 563 142**	-	-
Other transactions								
Bond forward	10 856	9 636	5 310	2 686	-	**28 488**	-	-
Purchase	5 428	4 818	2 531	1 343	-	**14 120**	-	-
Sale	5 428	4 818	2 779	1 343	-	**14 368**	-	-
Credit Default Swaps (CDS)	-	-	-	109 575	121 750	**231 325**	376	-
Purchase	-	-	-	109 575	121 750	**231 325**	-	-
Other (stock market index derivatives)	281	8 002	1 940	-	-	**10 223**	17	204
Purchase	281	2 034	-	-	-	**2 315**	-	-
Sale	-	5 968	1 940	-	-	**7 908**	-	-
Total derivative instruments	**32 947 560**	**48 735 410**	**150 472 427**	**160 392 954**	**24 254 709**	**416 803 060**	**1 279 925**	**1 556 736**

27. Financial assets designated at fair value through profit or loss

	30.06.2008	31.12.2007
Debt securities	5 061 621	8 292 362
- issued by the State Treasury	4 391 276	7 353 033
- issued by other banks	505 294	764 018
- issued by other financial institutions	113 794	129 142
- issued by non-finacial entities	51 257	46 169
Shares in other entities	-	22 082
not listed on stock exchange	-	22 082
Total	**5 061 621**	**8 314 444**

As at 30 June 2008 and 31 December 2007, the portfolio of securities designated at fair value through profit or loss comprised of the following:

According to nominal amount	30.06.2008	31.12.2007	Currency
In the parent company:			
treasury bills	300 000	-	PLN thousand
treasury bonds	3 747 211	6 271 400	PLN thousand
USD bonds	500 691	587 424	PLN thousand
including issued by banks	193 378	234 349	PLN thousand
EUR bonds	509 838	1 271 610	PLN thousand
including issued by banks	342 128	555 210	PLN thousand
In subsidiaries:			
treasury bonds	60 587	100 587	UAH thousand
investment certificates	10 000	10 000	UAH thousand
bonds of other entities	110 308	95 833	UAH thousand
treasury bonds	-	79 250	UAH thousand
treasury bills	-	2 290	UAH thousand
equity instruments	-	20 409	UAH thousand

As at 30 June 2008, the average yield on debt securities issued by the State Treasury and the central bank and included in the portfolio of other financial instruments at fair value through profit or loss was 6.82% for PLN, 6.87% for EUR, 5.23% for USD. As at 31 December 2007, the average yield on such securities was as follows: 5.96% for PLN, 5.52% for EUR, 4.57% for USD.

(in PLN thousand)

Financial assets designated at fair value through profit or loss (carrying amount), by maturity (nominal values at the contract maturity date, interest, premium, discount up to 1 month, impairment – from 1 to 3 months) **:**

As at 30 June 2008	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	over 5 years	Total
Debt securities	**56 732**	**32 401**	**1 536 642**	**3 162 785**	**273 061**	**5 061 621**
- issued by other banks	-	-	-	428 269	77 025	**505 294**
- issued by other financial institutions	-	15	66 433	1 165	46 181	**113 794**
- issued by non-financial entities	2 029	926	2 687	40 359	5 256	**51 257**
- issued by the State Treasury	54 703	31 460	1 467 522	2 692 992	144 599	**4 391 276**
Shares in other entities - listed and not listed on stock exchanges	**-**	**-**	**-**	**-**	**-**	**-**
Total	**56 732**	**32 401**	**1 536 642**	**3 162 785**	**273 061**	**5 061 621**

As at 31 December 2007	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	over 5 years	Total
Debt securities	**370**	**118**	**2 044 138**	**4 449 588**	**1 798 148**	**8 292 362**
issued by the State Treasury	355	-	2 039 128	3 835 108	1 478 442	**7 353 033**
issued by other banks	-	-	-	505 390	258 628	**764 018**
issued by other financial institutions	15	-	-	72 118	57 009	**129 142**
issued by non-financial entities	-	118	5 010	36 972	4 069	**46 169**
Shares in other entities - listed and not listed on stock exchanges	**-**	**-**	**-**	**-**	**22 082**	**22 082**
Total	**370**	**118**	**2 044 138**	**4 449 588**	**1 820 230**	**8 314 444**

(in PLN thousand)

28. Loans and advances to customers

	30.06.2008	31.12.2007
Loans and advances		
Receivables valued using the collective method (IBNR)	83 109 923	74 158 998
Receivables valued using the individual method	1 349 687	1 403 662
Receivables valued using the portfolio method	1 886 841	1 619 194
Finance lease receivables	1 947 176	1 650 898
Loans and advances - gross	**88 293 627**	**78 832 752**
Allowance for impairment on exposures with portfolio impairment	(1 518 080)	(1 363 864)
Allowance for impairment on exposures with individual impairment	(591 176)	(536 271)
Allowance for impairment on exposures with collective impairment (IBNR)	(479 321)	(475 673)
Allowance for impairment on finance lease receivables	(42 038)	(39 795)
Total impairment allowances	**(2 630 615)**	**(2 415 603)**
Loans and advances - net	**85 663 012**	**76 417 149**

Finance and operating lease agreements

Finance lease - lessor

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

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

As at 30 June 2008

Finance lease receivables	Gross lease investment	Present value of the minimal lease payments	Unearned interest
Gross lease investment value and minimal lease payments			
Gross lease receivables:			
up to 1 year	661 803	534 171	127 632
from 1 to 5 years	1 364 665	1 182 421	182 244
over 5 years	271 346	230 584	40 762
Total	**2 297 814**	**1 947 176**	**350 638**
Impairment allowances	(42 038)	(42 038)	**X**
Total, including impairment allowances	**2 255 776**	**1 905 138**	**350 638**

Net lease investment	
Present value of the minimal lease payments, of which	1 947 176
non guaranteed final amounts due to the lessor	2 208

As at 31 December 2007

Finance lease receivables	Gross lease investment	Present value of the minimal lease payments	Unrealised gains
Gross lease investment value and the minimal lease payments			
Gross lease receivables:			
up to 1 year	619 742	517 024	102 718
from 1 to 5 years	1 174 457	1 031 024	143 433
over 5 years	124 481	102 850	21 631
Total	**1 918 680**	**1 650 898**	**267 782**
Impairment allowances	(39 795)	(39 795)	**X**
Total, including impairment allowances	**1 878 885**	**1 611 103**	**267 782**

(in PLN thousand)

Net lease investment	
Present value of the minimal lease payments, of which	1 650 898
non guaranteed final amounts due to the lessor	24 501

Operating lease - lessee

Operating lease agreements, under which the lessor retains substantially the risk and rewards incidental to the ownership of an asset, are classified as operating lease agreements. Lease payments under operating leases are recognized as expenses in the income statement, on a straight-line basis over the lease term.

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

The table below presents data on operating lease agreements concluded by the Group entities:

Total value of future lease payments under non-cancellable operating lease	**30.06.2008**	**31.12.2007**
For period:		
up to 1 year	87 876	80 108
from 1 year to 5 years	150 272	132 277
above 5 years	44 956	24 104
Total	**283 104**	**236 489**

Lease and sub-lease payments recognized as an expense in the period from 1 January 2008 to 30 June 2008 amounted to PLN 44 711 thousand (in the period from 1 January 2007 to 30 June 2007: PLN 69 475 thousand).

29. Investment securities

	30.06.2008	**31.12.2007**
Available for sale	**5 962 792**	**5 743 087**
- issued by the central bank	2 580 587	2 633 505
- issued by other banks	57 597	57 619
- issued by other financial institutions	18 647	902
- issued by non-financial institutions	805 060	673 885
- issued by the State Treasury	1 274 680	1 201 129
- issued by local government bodies	1 226 221	1 176 047
Total investment securities	**5 962 792**	**5 743 087**
Allowance for impairment on investment securities	(24 424)	(26 849)
Total net investment securities	**5 938 368**	**5 716 238**

Change in investment securities:

	01.01-30.06.2008	**01.01.-30.06.2007**
Investment securities available for sale		
Balance at the beginning of the period	**5 716 238**	**6 763 188**
Foreign exchange differences	(1 596)	(404)
Increases	3 130 497	1 580 695
Decreases (redemption)	(2 853 862)	(2 808 801)
Change in the fair value	(52 909)	555
Balance at the end of the period	**5 938 368**	**5 535 233**

(in PLN thousand)

Investment securities available for sale (carrying amounts), by maturity (nominal values at the contract maturity date, interest, premium, discount up to 1 month, impairment – from 1 to 3 months)**:**

As at 30 June 2008	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	over 5 years	Total
Investment securities available for sale						
issued by the central bank	-	-	-	2 580 587	-	**2 580 587**
issued by other banks	-	-	-	55 410	-	**55 410**
issued by other financial institutions	-	-	-	436	17 768	**18 204**
issued by non-financial institutitions	373 665	24 635	27 939	351 332	5 695	**783 266**
issued by the State Treasury	1 052	30 840	29 433	758 246	455 109	**1 274 680**
issued by local government bodies	11 554	21 872	100 513	557 874	534 408	**1 226 221**
Total	**386 271**	**77 347**	**157 885**	**4 303 885**	**1 012 980**	**5 938 368**

The average yield of available-for-sale securities as at 30 June 2008 amounted to 6.74%.

As at 30 June 2008, the portfolio of debt securities available for sale, at nominal values, comprised the following:

In the parent company:

• corporate bonds in PLN	1 152 388
• corporate bonds in EUR	23 151
• municipal bonds	1 195 552
• treasury bonds	1 075 000
• bonds issued by the central bank, NBP	2 551 112

In subsidiaries:

• treasury bonds	270 498
• treasury bills	3 850
• shares	21

(in PLN thousand)

As at 31 December 2007	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	over 5 years	Total
Securities available for sale						
issued by the central bank	-	-	-	2 633 505	-	**2 633 505**
issued by other banks	-	-	-	55 377	-	**55 377**
issued by other financial institutions	-	-	-	-	437	**437**
issued by non-financial institutions	136 030	107 292	6 546	394 154	5 720	**649 742**
issued by the State Treasury	156	-	69 600	650 695	480 678	**1 201 129**
issued by local government bodies	2 617	5 501	124 669	556 492	486 769	**1 176 048**
Total	**138 803**	**112 793**	**200 815**	**4 290 223**	**973 604**	**5 716 238**

The average yield of available-for-sale securities as at 31 December 2007 amounted to 6.05%.

As at 31 December 2007, the portfolio of debt securities available for sale, at nominal values comprised the following:

In the parent company:

- bills of exchange 2 150
- corporate bonds in PLN 596 668
- corporate bonds in EUR 24 723
- municipal bonds 1 171 442
- treasury bonds 1 125 000
- bonds issued by National Bank of Poland 2 551 112

in subsidiaries:

- treasury bonds 111 740

As at 30 June 2008 and 31 December 2007, the PKO BP SA Group did not have any securities in the held-to-maturity portfolio.

(in PLN thousand)

30. Investments in associates and jointly controlled entities

a) The value of the Bank's investments in jointly controlled entities (i.e. the acquisition cost adjusted for the Bank's share in the change in the entity's net assets after acquisition date and allowances for impairment losses)

Entity name	30.06.2008	31.12.2007
Centrum Obsługi Biznesu Sp. z o.o	17 058	10 519
Grupa Kapitałowa Centrum Haffnera Sp. z o.o.	45 778	45 752
Total	**62 836**	**56 271**

b) The value of the Bank's investments in associates (i.e. the acquisition cost adjusted for the Bank's share in the change in the entities net assets and allowances for impairment losses)

Entity name	30.06.2008	31.12.2007
Bank Pocztowy SA	170 627	113 000
Kolej Gondolowa Jaworzyna Krynicka SA	13 838	-
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	1 666	1 626
Agencja Inwestycyjna CORP SA	275	301
FINDER SA	7 668	7 386
Total	**194 074**	**122 313**

Selected data on associated entities accounted for using the equity method

Entity name	Total assets	Total liabilities	Total revenues	Net profit (loss)	% share
30.06.2008					
Bank Pocztowy SA	2 484 130	2 221 621	144 919	13 618	25.0001%
Kolej Gondolowa Jaworzyna Krynicka SA	38 183	310	9 690	3 809	37.53%
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	14 842	9 540	175	178	33.33%
Agencja Inwestycyjna CORP SA	3 645	1 897	6 405	426	22.31%
Total	**2 540 800**	**2 233 368**	**161 189**	**18 031**	**X**
31.12.2007					
Bank Pocztowy SA	3 100 593	2 851 637	253 816	30 431	25.0001%
Kolej Gondolowa Jaworzyna Krynicka SA	36 860	2 792	11 726	1 602	37.53%
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	14 653	9 575	312	42	33.33%
Agencja Inwestycyjna CORP SA	4 027	2 486	14 471	315	22.31%
Total	**3 156 133**	**2 866 490**	**280 325**	**32 390**	**X**

The financial information presented above is derived from the Group entities' financial statements prepared in accordance with Polish Accounting Standards. According to the Group's estimates, differences between the above-mentioned financial statements and the statements prepared in accordance with IFRS are not significant from the perspective of the consolidated financial statements of the Group. The 2007 figures are derived from audited financial statements.

(in PLN thousand)

Selected data on jointly controlled entities accounted for using the equity method:

Entity name	Total assets	Total liabilities	Total revenues	Net profit (loss)	% share
30.06.2008					
Centrum Obsługi Biznesu Sp. z o.o	145 024	101 802	10 923	12 770	41.44%
Grupa Centrum Haffnera Sp. z o.o.	199 779	107 133	1 804	(367)	49.43%
Total	**344 803**	**208 935**	**12 727**	**12 403**	**X**
31.12.2007					
Centrum Obsługi Biznesu Sp. z o.o	124 103	93 224	20 903	(4 401)	41.44%
Grupa Centrum Haffnera Sp. z o.o.	176 952	83 896	2 729	1 961	49.43%
Total	**301 055**	**177 120**	**23 632**	**(2 440)**	**X**

The information presented in the above table for Centrum Obsługi Biznesu Sp. z o.o. is derived from financial statements prepared in accordance with the Polish Accounting Standards, and the information for Centrum Haffnera Sp. z o.o. is derived from consolidated financial statements prepared in accordance with Polish Accounting Standards. According to the Group' s estimates, differences between the above-mentioned financial statements and the statements prepared in accordance with IFRS are not significant from the perspective of the consolidated financial statements of the Group. The information for the both companies for the year 2007 is derived from audited financial statements.

In the consolidated financial statements for the first six-month period ended 30 June 2008, all associates and jointly controlled entities are accounted for using the equity method.

	01.01-30.06.2008	01.01-30.06.2007
Investments in associates at the beginning of the period	**122 313**	**122 176**
Share of profit	10 257	2 257
Dividends paid	(64)	(75)
Share in changes in equity	-	5 000
acquisition of P.L.ENERGIA S.A. shares	-	5 000
Change in impairment allowances of investment	61 568	(2 915)
Investment in associates at the end of the period	**194 074**	**126 443**

In the first six-month period of 2008 the Group has reversed some allowances for impairment on investments in associates, valuated under the equity method: on Bank Pocztowy SA in the amount of PLN 51 544 thousand and on Kolej Gondolowa Jaworzyna Krynicka SA in the amount of PLN 10 024 thousand, as a result of the reversal of loss events. Such reversal of loss events enabled the Bank to recognize its share in the associates' profits: PLN 6 083 thousand from Bank Pocztowy SA and PLN 3 814 thousand from Kolej Gondolowa Jaworzyna Krynicka SA.

	01.01-30.06.2008	01.01-30.06.2007
Investments in jointly controlled entities at the beginning of the period	**56 271**	**57 986**
Share of profit (loss)	6 565	(2 579)
Investments in jointly controlled entities at the end of the period	**62 836**	**55 407**

As at 30 June 2008 and 31 December 2007, the parent company had no share in contingent liabilities and commitments of associates acquired jointly with other investors.

In the first six-month period ended 30 June 2008, PKO BP SA did not make any direct investments in jointly controlled entities or associates.

(in PLN thousand)

31. Inventories

Carrying amount of inventories	30.06.2008	31.12.2007
Work-in-progress*	445 491	344 378
Finished goods	12 767	10 551
Supplies	40 613	9 910
Materials	8 907	465
Other	45	-
Total	**507 823**	**365 304**

* The balance relates mainly to real estate developments, which constitute the core business of some of the Group entities.

At 30 June 2008, the short-term portion of inventories amounted to PLN 136 113 thousand, whereas the long-term portion amounted to PLN 371 710 thousand (at 31 December 2007, PLN 113 717 thousand and PLN 251 587 thousand, respectively).

In the six-month periods ended 30 June 2008 and 30 June 2007, the Group did not record any allowances for impairment of inventories, and none of the inventories were pledged.

32. Intangible assets

For the six- month period ended 30 June 2008	Development costs	Software	Goodwill aquired as a result of business combinations (including subsidiaries' goodwill)	Other, including capitalised expenses	Total
Purchase price as at 1 January 2008 including accumulated amortisation	2 539	828 946	234 066	117 940	**1 183 491**
Purchase of shares of subsidiaries	-	-	6 344	-	**6 344**
Purchases	26	3 198	-	150 858	**154 082**
Sales and disposals	-	(158)	-	-	**(158)**
Foreign exchange differences on revaluation of foreign entities' operations results into the presentation currency	-	(195)	-	-	**(195)**
Transfers	-	81 476	-	(81 476)	**-**
Amortisation	-	(67 596)	-	(1 336)	**(68 932)**
Other value changes	90	97	-	-	**187**
Net carrying amount	**2 655**	**845 768**	**240 410**	**185 986**	**1 274 819**
As at 31 December 2007					
Purchase price (gross carrying amount)	2 539	1 634 511	234 066	132 271	**2 003 387**
Accumulated amortisation and impairment allowances	-	(805 565)	-	(14 331)	**(819 896)**
Net carrying amount	**2 539**	**828 946**	**234 066**	**117 940**	**1 183 491**
As at 30 June 2008					
Purchase price (gross carrying amount)	2 655	1 717 582	240 410	202 314	**2 162 961**
Accumulated amortisation and impairment allowances	-	(871 814)	-	(16 328)	**(888 142)**
Net carrying amount	**2 655**	**845 768**	**240 410**	**185 986**	**1 274 819**

The most significant item of capital expenditure of the Group relates to outlays on the Integrated Information System (ZSI). The cumulative capital expenditures incurred for the ZSI system during the years 2003 – 2008 amounted to PLN 758 418 thousand (during the years 2003 – 2007, they amounted to PLN 704 045 thousand).

The expected useful life of the ZSI system is 10 years. At 30 June 2008, the remaining useful life is 8,5 years.

(in PLN thousand)

For the six- month period ended 30 June 2007	Development costs	Software	Goodwill aquired as a result of entities' business combinations (including subsidiaries' goodwill)	Other, including capitalised expenses	Total
Purchase price as at 1 January 2007 including accumulated amortisation	-	623 278	205 655	115 095	**944 028**
Purchase of shares of subsidiaries	-	-	27 319	-	**27 319**
Purchases	-	4 328	-	78 697	**83 025**
Foreign exchange differences on revaluation of foreign entities' operations results into the presentation currency	-	(185)	-	-	**(185)**
Transfers	-	147 538	-	(147 538)	**-**
Amortisation	-	(52 971)	-	(1 546)	**(54 517)**
Other value changes	2 374	1 642	-	718	**4 734**
Net carrying amount	**2 374**	**723 630**	**232 974**	**45 426**	**1 004 404**
As at 31 December 2006					
Purchase price (gross carrying amount)	-	1 340 482	205 655	129 593	**1 675 730**
Accumulated amortisation and impairment allowances	-	(717 204)	-	(14 498)	**(731 702)**
Net carrying amount	**-**	**623 278**	**205 655**	**115 095**	**944 028**
As at 30 June 2007					
Purchase price (gross carrying amount)	2 374	1 487 762	232 974	60 213	**1 783 323**
Accumulated amortisation and impairment allowances	-	(764 132)	-	(14 787)	**(778 919)**
Net carrying amount	**2 374**	**723 630**	**232 974**	**45 426**	**1 004 404**

The table below presents data concerning goodwill included in the Group’s financial statements as at 30 June 2008 and 30 June 2007.

Net goodwill	**30.06.2008**	**31.12.2007**	**30.06.2007**
Powszechne Towarzystwo Emerytalne BANKOWY SA	51 158	51 158	51 158
Centrum Finansowe Puławska Sp. z o.o	7 785	7 785	7 785
KREDOBANK SA	76 360	76 360	75 268
Wilanów Investment Sp. z o.o.	49 412	49 412	49 412
PKO Towarzystwo Funduszy Inwestycyjnych SA	49 351	49 351	49 351
Baltic Dom 2 Sp. z o.o.	6 344	-	-
Total net goodwill	**240 410**	**234 066**	**232 974**

Additional information on goodwill arising on the acquisition of subsidiaries in the first six-month period ended June 2008 is presented in Note 52 “Business Combinations”.

In compliance with IAS 36, the Bank performed an analysis of loss events relating to goodwill as at 30 June 2008. The outcomes of the analysis did not indicate a need to perform any full tests for impairment.

The Group does not produce any software internally. In the period from 1 January 2008 to 30 June 2008, the PKO BP SA Group incurred capital expenditures for the purchase of tangible fixed assets and intangible assets in the amount of PLN 350 342 thousand (in the period from 1 January 2007 to 30 June 2007: PLN 230 642 thousand).

(in PLN thousand)

33. Tangible fixed assets

For the six - month period ended 30 June 2008	Land and buildings	Plant and machinery	Means of transport	Assets under construction	Investment properties	Other	Total
Gross value of tangible assets as at the beginning of the period	**2 311 781**	**2 597 324**	**76 508**	**341 461**	**39 011**	**413 820**	**5 779 905**
Increases, of which:	**1 733**	**3 266**	**13 285**	**710 973**	**-**	**1 259**	**730 516**
Purchases and other changes	1 733	3 266	13 285	710 973	-	1 259	**730 516**
Decreases, of which:	**(8 012)**	**(187 028)**	**(8 832)**	**(564 113)**	**(23)**	**(7 917)**	**(775 925)**
Disposals and sales	(5 259)	(183 592)	(7 029)	-	(23)	(6 967)	**(202 870)**
Transfer of tangible assets to lease	-	-	-	(532 332)	-	-	**(532 332)**
Foreign exchange differences	(2 002)	(1 579)	(169)	(1 611)	-	(878)	**(6 239)**
Other	(751)	(1 857)	(1 634)	(30 170)	-	(72)	**(34 484)**
Transfers from assets under construction to tangible fixed assets	**22 854**	**30 506**	**1 083**	**(76 101)**	**-**	**21 658**	**-**
Gross value of fixed assets at the end of the period	**2 328 356**	**2 444 068**	**82 044**	**412 220**	**38 988**	**428 820**	**5 734 496**
Accumulated depreciation as at the beginning of the period	**(557 596)**	**(2 048 262)**	**(26 617)**	**-**	**(6 245)**	**(318 029)**	**(2 956 749)**
Increases, of which:	**(38 738)**	**(83 468)**	**(6 065)**	**-**	**(798)**	**(12 098)**	**(141 167)**
Depreciation for the period	(37 933)	(83 190)	(6 005)	**-**	-	(11 872)	**139 000**
Other	(805)	(278)	(60)	-	(798)	(226)	**(2 167)**
Decreases, of which:	**7 370**	**186 024**	**5 982**	**-**	**-**	**7 396**	**206 772**
Disposal and sales	2 391	183 185	4 956	-	-	6 889	**197 421**
Other	4 752	2 374	954	-	-	182	**8 262**
Foreign exchange differences	227	465	72	-	-	325	**1 089**
Accumulated depreciation at the end of the period	**(588 964)**	**(1 945 706)**	**(26 700)**	**-**	**(7 043)**	**(322 731)**	**(2 891 144)**
Impairment allowances							
Opening balance	(1 257)	(126)	-	(1 670)	-	-	**(3 053)**
Decreases	-	-	-	435	-	-	**435**
Closing balance	(1 257)	(126)	-	(1 235)	-	-	**(2 618)**
Net book value	**1 738 135**	**498 236**	**55 344**	**410 985**	**31 945**	**106 089**	**2 840 734**
Opening balance	**1 752 928**	**548 936**	**49 891**	**339 791**	**32 766**	**95 791**	**2 820 103**
Closing balance	**1 738 135**	**498 236**	**55 344**	**410 985**	**31 945**	**106 089**	**2 840 734**

As at 30 June 2008, the carrying value of machinery and equipment used under finance lease agreements and operating leases with purchase options contracts amounted to PLN 3 623 thousand (as at 31 December 2007: PLN 13 310 thousand). In the six-month period ended 30 June 2008 and 30 June 2007, respectively, there were no restrictions on the Group's right to use its tangible fixed assets as a result of pledges.

(in PLN thousand)

For the six - month period ended 30 June 2007	Land and buildings	Plant and machinery	Means of transport	Assets under construction	Investment properties	Other	Total
Gross value of tangible assets as at the beginning of the period	**2 294 280**	**2 621 780**	**60 553**	**294 632**	**41 135**	**384 774**	**5 697 154**
Increases, of which:	**132 110**	**10 503**	**15 383**	**598 918**	**-**	**4 627**	**761 541**
Purchases and other changes	132 110	10 503	15 383	598 918	-	4 627	**761 541**
Decreases, of which:	**(22 959)**	**(190 223)**	**(3 379)**	**(541 362)**	**(615)**	**(15 285)**	**(773 823)**
Disposals and sales	(11 066)	(70 865)	(2 598)	-	-	(8 122)	**(92 651)**
Transfer of tangible assets to lease	-	-	-	(533 545)	-	-	**(533 545)**
Foreign exchange differences	(2 218)	(1 595)	(191)	(1 204)	-	(840)	**(6 048)**
Other	(9 675)	(117 763)	(590)	(6 613)	(615)	(6 323)	**(141 579)**
Transfers from assets under construction to tangible fixed assets	**20 280**	**160 418**	**-**	**(205 695)**	**-**	**24 997**	**-**
Gross value of fixed assets at the end of the period	**2 423 711**	**2 602 478**	**72 557**	**146 493**	**40 520**	**399 113**	**5 684 872**
Accumulated depreciation as at the beginning of the period	**(495 453)**	**(2 137 360)**	**(31 743)**	**-**	**(4 650)**	**(321 688)**	**(2 990 894)**
Increases, of which:	**(135 819)**	**(79 341)**	**(4 490)**	**-**	**(798)**	**(9 719)**	**(230 167)**
Depreciation for the period	(43 463)	(79 172)	(4 485)	-	-	(2 643)	**(129 763)**
Other	(92 356)	(169)	(5)	-	(798)	(7 076)	**(100 404)**
Decreases, of which:	**3 363**	**167 514**	**2 154**	**-**	**-**	**13 005**	**186 036**
Disposals and sales	2 787	70 723	1 870	-	-	8 055	**83 435**
Foreign exchange differences	275	96 187	188	-	-	4 599	**101 249**
Other	301	604	96	-	-	351	**1 352**
Accumulated depreciation at the end of the period	**(627 909)**	**(2 049 187)**	**(34 079)**	**-**	**(5 448)**	**(318 402)**	**(3 035 025)**
Impairment allowances							
Opening balance	(50 405)	(79)	-	(700)	-	(35)	**(51 219)**
Increases	(317)	-	-	-	-	-	**(317)**
Decreases	-	30	-	-	-	5	**35**
Closing balance	(50 722)	(49)	-	(700)	-	(30)	**(51 501)**
Net book value	**1 745 080**	**553 242**	**38 478**	**145 793**	**35 072**	**80 681**	**2 598 346**
Opening balance	**1 748 422**	**484 341**	**28 810**	**293 932**	**36 485**	**63 051**	**2 655 041**
Closing balance	**1 745 080**	**553 242**	**38 478**	**145 793**	**35 072**	**80 681**	**2 598 346**

In the first six-month period ended 30 June 2008 and the first six-month period ended 30 June 2007, the Group did not recognise in the income statement any compensation from third parties due to impairment or loss of tangible fixed assets.

(in PLN thousand)

The tangible assets item "Land and buildings, including investment property" includes land which is not subject to depreciation. The largest item is the perpetual usufruct right to a plot of land in Warsaw with the carrying amount of PLN 24 843 thousand, whose fair value estimated by an independent expert (on 10 November 2007) exceeded its carrying amount by approximately PLN 79 157 thousand. There are no restrictions on the Bank's rights to sell these properties, nor any contractual liabilities relating to these assets.

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

	01.01-01.06.2008	01.01-01.06.2007
Direct average operating costs concerning the investment properties (including maintenance and repair costs) that in the given period did not bring rental income	750	721

34. Other assets

	30.06.2008	31.12.2007
Amounts due from customers	227 656	225 762
Settlements of payment cards transactions	169 326	149 114
Accruals and prepayments	67 714	31 117
Receivables relating to foreign exchange activities	3 533	15 892
Receivables from the state budget due to distribution of marks of value	18 954	8 373
Settlements of investment securities turnover	9 414	6 614
Fixed assets held for trade and discontinued operations	5 764	5 716
Receivables from other banks	-	3 753
Other*	160 062	132 335
Total	**662 423**	**578 676**

* Included in "Other" are mainly interbank and inter-branch settlements, receivables arising from internal operations, receivables arising from other transactions with financial, non-financial and public entities.

Tangible assets held for sale

Tangible assets held for sale, by kind of asset	30.06.2008	31.12.2007
Assets for held for sale	4 125	5 059
Lease objects	-	657
Other	1 639	-
Total	**5 764**	**5 716**

35. Pledged assets

The PKO BP SA Group had the following pledged assets:

Liabilities from sell-buy-back transactions (SBB)

	30.06.2008	31.12.2007
Treasury bonds:		
nominal value	217 615	158 911
carrying amount	221 777	160 943
Treasury bills:		
nominal value	44 100	2 360
carrying amount	41 801	2 281

Bank deposit guarantee fund

PKO BP SA contributes to a fund for the guarantee of retail deposits in accordance with Article 25 of the Act on the Bank Guarantee Fund (Bankowy Fundusz Gwarancyjny) dated 14 December 1994 (Journal of Laws 2000, No. 9, item 131 with subsequent amendments).

	30.06.2008	31.12.2007
Deposits guarantee fund as contributed by the Bank	216 087	202 824
Nominal value of the pledge	230 000	201 000
Type of the pledge	treasury bonds	treasury bonds
Maturity of the pledge	12.12.2008	24.06.2008
Carrying value of the pledged asset	223 560	206 872

The Bank's contribution to the Fund is secured by Treasury bonds with maturities sufficient to secure their carrying amount over the period defined by the above Act. The Fund is increased or decreased on 1 July of each year, in proportion to the amount providing the basis for calculation of mandatory reserve deposits.

Stock exchange guarantee fund

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

	30.06.2008	31.12.2007
Stock exchange guarantee fund	6 495	8 120

Each direct participant which holds the status of settlements-making participant is obliged to make payments to the settlement fund which guarantees a proper settlement of the stock exchange transactions covered by that fund. The amount of the payments depends on the value of transactions made by each participant, and is updated by KDPW SA on a daily basis.

In addition, KREDOBANK SA, an entity consolidated using the full method, had the following pledged assets:

	30.06.2008	31.12.2007
Cash pledged as collateral for loans from foreign financial institutions		
UAH thousand	93 471	149 837
PLN thousand	43 576	72 132
Bonds issued by the Ukraine Ministry of Finance, pledged as collateral for loans received from other financial institutions		
UAH thousand	60 000	60 000
PLN thousand	27 972	28 884

36. Amounts due to the central bank

	30.06.2008	31.12.2007
Up to 1 month	1 164	1 279
Total amount due to the central bank	**1 164**	**1 279**

The interest rate as at 30 June 2008 and as at 31 December 2007 was 0.0071%.

(in PLN thousand)

37. Amounts due to other banks

	30.06.2008	31.12.2007
Other bank deposits	1 007 839	1 436 694
Loans and advances	3 239 681	3 128 706
Current accounts	432 925	94 212
Other money market deposits	67 824	43 502
Total amounts due to other banks	**4 748 269**	**4 703 114**

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

As at 30 June 2008 and 31 December 2007 the PKO BP SA Group had no other financial liabilities valued at fair value through profit or loss.

39. Amounts due to customers

	30.06.2008	31.12.2007
Amounts due to corporate entities	**14 796 941**	**15 639 541**
Current accounts and overnight deposits	5 708 267	6 798 584
Term deposits	8 532 733	8 267 334
Loans and advances	394 812	413 770
Other	161 129	159 853
Amounts due to state budget entities	**6 331 080**	**4 691 218**
Current accounts and overnight deposits	3 903 755	3 549 004
Term deposits	2 335 213	1 035 165
Other	92 112	107 049
Amounts due to retail clients	**71 447 934**	**66 248 751**
Current accounts and overnight deposits	30 874 241	29 012 938
Term deposits	40 402 347	37 113 090
Other	171 346	122 723
Total amounts due to customers	**92 575 955**	**86 579 510**

40. Debt securities in issue

As at 30 June 2008 and 31 December 2007, the Group had the following liabilities from debt securities in issue:

	30.06.2008	31.12.2007
Debt securities in issue		
Bond issued by:		
BFL SA	130 524	166 823
KREDOBANK SA	11 826	12 037
Total	**142 350**	**178 860**

	30.06.2008	31.12.2007
Debt securities in issue by maturity:		
Up to 1 month	92 838	53 427
From 1 month to 3 months	27 447	102 198
From 3 months to 1 year	10 239	11 198
From 1 year to 5 years	11 826	12 037
Total	**142 350**	**178 860**

(in PLN thousand)

As at 30 June 2008, the average interest rate of securities issued by KREDOBANK was 13.20% and of securities issued by BFL – 6.53%. As at 31 December 2007, the average interest rate of securities issued by KREDOBANK and BFL amounted to 13.75% and 5.65%, respectively.

41. Subordinated liabilities

In the 4th quarter of 2007, the Bank issued subordinated bonds with 10-year maturities, of a total value of PLN 1 600 700 thousand. The interest on these bonds accrues on a semi-annual basis. Interest on the bonds is calculated on the nominal value of the bonds using a variable interest rate equal to WIBOR 6M plus a margin of 100 base points per annum.

As at 30 June 2008

Subordinated liabilities	Nominal value	Currency	Interest rate (%)	Maturity date	Balance
Subordinated bonds	1 600 700	PLN	7,50%	30.10.2017	1 617 408

As at 31 December 2007

Subordinated liabilities	Nominal value	Currency	Interest rate (%)	Maturity date	Balance
Subordinated bonds	1 600 700	PLN	6,35%	30.10.2017	1 614 885

Change in subordinated liabilities

	01.01-30.06.2008
As at the beginning of the period	**1 614 885**
Increases, of which:	**2 523**
interest from subordinated bonds	2 523
Subordinated liabilities as at the end of the period	**1 617 408**

42. Other liabilities

	30.06.2008	31.12.2007
Accounts payables	299 649	220 330
Deferred income	312 538	321 273
Other liabilities relating to:	2 644 356	1 190 730
declared dividend	1 120 750	-
inter-bank and inter-branch settlements	465 389	124 650
liabilities relating to settlements of security transactions	315 952	323 286
liabilities arising from foreign currency activities	173 316	64 176
liabilities due to suppliers	97 794	136 426
liabilities arising from transactions with non-financial institutions	97 345	83 642
liabilities due to legal settlements	86 475	137 888
liabilities relating to payment cards	56 853	38 348
liabilities arising from repayment obligation of advances from borrowers related with debt forgiveness from the State Treasury	37 546	33 341
liabilities relating to investment activities and internal operations	22 257	34 266
liabilities due to UOKiK (the Competition and Consumer Protection Office)	16 597	16 597
liabilities arising from other settlements	6 049	32 782
liabilities relating to payments of benefits	5 181	9 225
settlement of acquisition of machines, materials, works and services regarding construction of tangible assets	71	58 328
other*	142 781	97 775
Total	**3 256 543**	**1 732 333**

*Item "other" includes: liabilities from sale of Treasury stamps, liabilities arising from bank transfers and other payment orders, balances arising from services provided by Poczta Polska, payables to insurance companies and balances arising from settlement of funds allocated by customers for the purchase of investment fund units.

(in PLN thousand)

As at 30 June 2008 and 31 December 2007, none of the Group entities had overdue contractual liabilities.

43. Provisions

For six - month period ended 30 June 2008	Provision for legal claims	Provisions for anniversary bonuses and retirement benefits	Provisions for liabilities and guarantees granted	Other provisions*	Total
As at 1 January 2008, including:	**7 558**	**320 857**	**28 063**	**97 823**	**454 301**
short term portion	7 558	41 084	28 063	97 823	174 528
long term portion	-	279 773	-	-	279 773
Increase/reassessment	-	434	32 229	916	33 579
Use	(580)	(6)	-	-	(586)
Release	(316)	(164)	(36 999)	(17 781)	(55 260)
Foreign exchange differences	-	-	(17)	-	(17)
Other changes and reclassifications	2 818	79	(185)	-	2 712
As at 30 June 2008, including:	**9 480**	**321 200**	**23 091**	**80 958**	**434 729**
short term portion	9 480	41 427	23 091	80 958	154 956
long term portion	-	279 773	-	-	279 773

* Included in “Other provisions” is: restructuring provision amounting to PLN 61 928 thousand and securitization provision amounting PLN 9 881 thousand, which is described in detail in Note 6.

For six - month period ended 30 June 2007	Provision for legal claims	Provisions for anniversary bonuses and retirement benefits	Provisions for liabilities and guarantees granted	Other provisions*	Total
As at 1 January 2007, including	**7 680**	**317 560**	**18 650**	**84 310**	**428 200**
short term portion	7 680	54 441	18 650	84 310	165 081
long term portion	-	263 119	-	-	263 119
Increase/reassessment	622	-	38 177	-	**38 799**
Use	(338)	-	-	-	**(338)**
Release	(90)	-	(23 301)	(12 489)	**(35 880)**
Foreign exchange differences	-	-	(17)	-	**(17)**
Other changes and reclassifications	-	(40)	(41)	-	**(81)**
As at 30 June 2007, including:	**7 874**	**317 520**	**33 468**	**71 821**	**430 683**
short term portion	7 874	54 401	33 468	71 821	167 564
long term portion	-	263 119	-	-	263 119

* Included in “Other provisions” is a restructuring provision amounting to PLN 23,988 thousand and a securitization provision amounting PLN 39,290 thousand.

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

(in PLN thousand)

44. Contingent liabilities

Underwriting programs

As at 30 June 2008, the Bank's underwriting agreements covered the following securities:

Issuer of securities underwritten	Type of underwritten securities	Amount to which the Bank committed in case of realisation of underwriting agreement	Contract period	Sub-issue type
Company A	corporate bonds	**54 740**	2011-11-30	Bonds Issue Agreement*
Company B	corporate bonds	**148 400**	2009-12-31	Bonds Issue Agreement*
Company C	commercial bills	**299 491**	2009-12-31	Commercial Bill Issue Agreement PKO BP SA
Company D	corporate bonds	**149 815**	2012-01-02	Bonds Issue Agreement*
Entity A	municipal bonds	**177 000**	2008-12-31	Bonds Issue Agreement*
Company E**	corporate bonds	**16 660**	2009-12-30	Bonds Issue Agreement*
Total of others, whose separate values do not exceed PLN 15 million each	municipal bonds	**85 280**		
Total		**931 386**		

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

** Debt securities denominated in EUR after translation into PLN

As at 31 December 2007, the Bank's underwriting agreements covered the following securities:

Issuer of securities underwritten	Type of underwritten securities	Amount to which the Bank committed in case of realisation of underwriting agreement	Contract period	Sub-issue type
Company A	corporate bonds	**725 517**	2009-12-31	Bonds Issue Agreement*
Company B	commercial bills	**299 529**	2009-12-31	Commercial Bill Issue Agreement PKO BP SA
Entity A	municipal bonds	**213 000**	2011-12-31	Bonds Issue Agreement*
Company D	corporate bonds	**94 534**	2011-11-30	Bonds Issue Agreement*
Company E**	corporate bonds	**17 792**	2009-12-30	Bonds Issue Agreement*
Total of others, whose separate values do not exceed PLN 15 million each	municipal bonds	**49 839**		Bonds Issue Agreement*
Total		**1 400 211**		

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

** Debt securities denominated in EUR after translation into PLN

No securities under the underwriting program have limited transferability; are quoted on the stock exchange or traded on a regulated OTC market.

Contractual commitments

As at 30 June 2008 amount of contractual liabilities, concerning intangible assets and tangible fixed assets amounted to USD 53 995 thousands, what is an equivalent of PLN 134 272 thousands.

(in PLN thousand)

Loan commitments

	30.06.2008	31.12.2007
Total loan commitments to:	**27 738 249**	**24 346 666**
financial sector	904 062	564 551
non-financial sector	26 549 459	23 551 708
public sector	284 728	230 407
of which: irrevocable loan commitments	9 848 048	8 860 369

Guarantees issued

Guarantees	30.06.2008	31.12.2007
Financial sector	7 483	8 520
Non-financial sector	3 736 549	3 614 258
Budget	263 266	262 494
Total	**4 007 298**	**3 885 272**

In the six-month periods ended 30 June 2008 and 30 June 2007, the Group did not issue any guarantees in respect of loans or advances and did not issue any guarantees to a single entity or a subsidiary thereof with a total value accounting for 10% of the Bank's equity.

Information on provisions for contingent guarantees and financial liabilities is included in Note 43.

Contingent liabilities by maturity as at 30 June 2008

	Up to 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	over 5 years	Total
Financial liabilities	10 142 698	734 112	5 791 864	6 655 080	4 414 495	**27 738 249**
Guarantee liabilities issued	544 136	81 445	1 180 624	2 029 910	171 183	**4 007 298**
Total	**10 686 834**	**815 557**	**6 972 488**	**8 684 990**	**4 585 678**	**31 745 547**

Contingent liabilities by maturity as at 31 December 2007

	Up to 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	over 5 years	Total
Financial liabilities	5 996 907	846 343	7 967 694	7 405 452	2 130 270	**24 346 666**
Guarantee liabilities issued	724 128	98 931	977 951	1 960 497	123 765	**3 885 272**
Total	**6 721 035**	**945 274**	**8 945 645**	**9 365 949**	**2 254 035**	**28 231 938**

Contingent assets

	30.06.2008	31.12.2007
Received	**4 299 912**	**5 063 779**
1. financial	293 311	899 453
2. guarantees	4 006 601	4 164 326

Assets pledged as collateral for contingent liabilities

As at 30 June 2008 and 31 December 2007 the Group had no assets pledged as collateral for contingent liabilities.

Right to sell or pledge collateral established for the Group

As at 30 June 2008 and 31 December 2007, there was no collateral established for the Group which the Group was entitled to sell or encumber with another pledge in the event of fulfilment of all obligations by the owner of the collateral.

45. Legal claims

As at 30 June 2008, the total value of court proceedings in which the Bank is a defendant was PLN 196 771 thousand (as at 31 December 2007: PLN 177 916 thousand), while the total value of court proceedings in which the Bank is the plaintiff was PLN 55 425 thousand (as at 31 December 2006: PLN 73 891 thousand).

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

a) Unfair competition proceedings

The Bank is a party to proceedings initiated on the basis of a decision dated 23 April 2001 of the President of the Competition and Consumer Protection Office (Urząd Ochrony Konkurencji i Konsumentów - UOKiK) upon request of the Polish Trade and Distribution Organization (Polska Organizacja Handlu i Dystrybucji - Związek Pracodawców) against the operators of the Visa and Europay payment systems and the banks issuing Visa and Mastercard/Eurocard/Mastercard banking cards. The claims under these proceedings relate to the use of practices limiting competition on the market of banking card payments in Poland, consisting of applying pre-agreed "interchange" fees for transactions made using Visa and Europay/ Eurocard/ Mastercard cards as well as limiting access to this market by external entities. On 29 December 2006, UOKiK decided that the practices, consisting of joint establishment of interchange fee, did limit market competition and ordered that any such practices should be discontinued, and imposed a fine on, among others, PKO BP SA, in the amount of PLN 16,597 thousand. As at 31 December 2007, the Bank recognized a liability for the above amount. On 19 January 2007, the Bank filed an appeal from the decision of the President of UOKiK to the regional court. At the end of October 2007, the President of UOKiK referred the case to the Regional Court in Warsaw, the Court for Competition and Consumer Protection, including the appeals of the banks against Settlement of the Decision; the banks' complaints against the immediate enforcement clause issued for the Decision as well as the banks' complaints against the costs of the proceedings. The Court has commenced the activities stipulated by the Code of Civil Procedure and issued a call to the parties to provide their reply to the appeals. On 21 January 2008 the Regional Court in Warsaw, the Court for Competition and Consumer Protection issued a resolution (in case of the Bank's appeal to the Decision of UOKiK President No. DAR 15/2006 as of 29 December 2006), in which it decided to suspend execution of the Decision above in article I (a court order to abandon joint establishing interchange fee rates). As of 30 June 2008, the Bank continues to provide for a liability of PLN 16 597 thousands.

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

As at the date of these financial statements, four administrative proceedings are pending to invalidate decisions issued by public administration authorities with respect to properties held by the Bank. These proceedings, in the event of an unfavourable outcome for the Bank, may result in re-privatization claims being raised against the Bank. Given the current status of these proceedings, it is not possible to assess their potential negative financial effects for the Bank. Moreover, with respect to three properties claims were submitted by their former owners. Court proceedings are pending with respect to two properties. With respect to the third property, the Bank is in the process of negotiations in order to settle the legal status. Until 30 June 2008 there had been no further developments with respect to this issue. The consolidated financial statements for the six-month period ended 30 June 2008 do not contain any provisions in respect of the potential liabilities resulting from re-privatization claims.

In the opinion of the Management Board of PKO BP SA, the probability of significant claims arising against the Bank in relation to the above mentioned proceedings is remote.

(in PLN thousand)

46. Share capital

In the six-month periods ended 30 June 2008 and 30 June 2007 there were no changes in the amount of the share capital of the parent company.

As at 30 June 2008, the share capital of PKO BP SA amounted to PLN 1,000,000 thousand and consisted of 1,000,000 thousand ordinary shares with nominal value of PLN 1 each (the same as at 31 December 2007). All issued shares are fully paid.

The structure of the Bank's share capital:

Series	Type	Number	Nominal value of 1 share	Issue value (PLN)
Series A	ordinary, registered shares	510 000 000	PLN 1	510 000 000
Series B	ordinary, registered shares	105 000 000	PLN 1	105 000 000
Series C	oridinary, bearer shares	385 000 000	PLN 1	385 000 000
Total	---	**1 000 000 000**	---	**1 000 000 000**

On 10 November 2004, based on a Resolution dated 30 August 1996 on commercialization and privatization (Journal of Laws 2002, No. 171, item 1397 with subsequent amendments) and Par. 14, Resolution 1 of the Ministry of the State Treasury dated 29 January 2003 on specific rules for categorization of employees into groups, setting a number of shares to be allocated on each of such groups, and procedures for acquiring shares by authorized employees (Journal of Laws No. 35, item 303), the parent company of the Group has issued its shares to its employees. As a result, the parent company's employees received 105 000 000 shares, which constitute 10.5% of the share capital of the parent company.

As at 30 June 2008, 485,065 thousand shares were subject to public trading (as at 31 December 2007: 485,065 thousand shares).

As at 30 June 2008 and 31 December 2007, the subsidiaries, jointly controlled entities and associates of the Bank did not hold shares in PKO BP SA.

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

47. Other capital and retained earnings

	30.06.2008	31.12.2007
Reserve capital	7 226 457	5 592 311
Revaluation reserve	(85 922)	(43 066)
General banking risk reserve	1 070 000	1 070 000
Other reserves	1 523 025	1 518 025
Total other capital	**9 733 560**	**8 137 270**
Retained earnings	102 294	(72 192)
Total	**9 835 854**	**8 065 078**

48. Supplementary information to the cash flow statement

Cash and cash equivalents

	30.06.2008	31.12.2007	30.06.2007
Cash and balances with the central bank	4 790 500	4 682 627	3 591 954
Current receivables from other financial institutions	7 185 773	4 549 689	6 276 405
Total	**11 976 273**	**9 232 316**	**9 868 359**

(in PLN thousand)

Cash flow from operating activities - other adjustments

	01.01-30.06.2008	01.01-30.06.2007
Interest accrued, discount, premium - on debt securities decreased by deferred tax	(257 262)	33 218
Disposal and impairment allowances for tangible fixed assets and intangible assets	20 887	10 281
Valuation, impairment allowances for investments in jointly controlled entities and associates	(72 121)	(11 900)
Foreign exchange differences from valuation of foreign entities	(6 231)	(3 343)
Total	**(314 727)**	**28 256**

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

Gains (losses) on disposal of fixed assets	01.01-30.06.2008	01.01-30.06.2007
Income from sale and disposal of tangible fixed assets and intangible assets	(4 569)	(3 300)
Costs of sale and disposal of tangible fixed assets and intangible assets	2 108	8 394
Gains (losses) on disposal of fixed assets - total	**(2 461)**	**5 094**

Interests and dividends	01.01-30.06.2008	01.01-30.06.2007
Interest from investment securities of the available for sale portfolio, presented in the investing activities	(166 429)	(133 987)
Dividends received, presented in the investing activities	(3 844)	(3 232)
Interest paid from finance leases, presented in financing activities	-	6
Interest paid from loans granted, presented in finance activities	23 348	8 806
Total interests and dividends	**(146 925)**	**(128 407)**

Change in amounts due from banks	01.01-30.06.2008	01.01-30.06.2007
Change in the balance sheet's amount	(2 025 163)	4 788 430
Change in impairment allowances on amounts due from banks	276	53
Exclusion of a change in the balance of cash and cash equivalents	2 636 084	(3 225 854)
Total change	**611 197**	**1 562 629**

Change in loans and advances to customers	01.01-30.06.2008	01.01-30.06.2007
Changes in the balance sheet's amount	(9 245 863)	(7 750 411)
Change in the impairment allowances on amounts due from customers	(214 736)	(32 191)
Total change	**(9 460 599)**	**(7 782 602)**

Change in amounts due to other banks	01.01-30.06.2008	01.01-30.06.2007
Changes in the balance sheet's amount	45 040	353 116
Transfer of loans and advances received from other banks/repayment of these loans and advances - to financing activities	(149 544)	(138 061)
Total change	**(104 504)**	**215 055**

(in PLN thousand)

Change in amounts due to customers	01.01-30.06.2008	01.01-30.06.2007
Changes in the balance sheet's amount	5 996 445	1 025 489
Transfer of loans and advances received from non-financial entities/repayment of these loans and advances - to financial activities	8 083	15 948
Total change	**6 004 528**	**1 041 437**

Change in allowances and provisions	01.01-30.06.2008	01.01-30.06.2007
Changes in the balance sheet's amount	(19 927)	(6 209)
Change in impairment allowances on amounts due from banks	(276)	(53)
Change in impairment allowances on loans and advances to customers	214 736	32 191
Change in the balance of deffered tax provisions related to valuation of an available-for-sale portfolio included in deferred income tax	9 026	(168)
Total change	**203 559**	**25 761**

Change in other liabilities	01.01-30.06.2008	01.01-30.06.2007
Changes in the balance sheet's amount	1 524 210	763 212
Declared dividend	(1 120 750)	(980 000)
Amounts due to minority shareholders	-	(65 330)
Transfer of repayment of interest on loans and advances to non-financial entities, presented in financial activities	45 274	2 724
Total change	**448 734**	**(279 394)**

49. Transactions with the State Treasury and related entities

Receivables, securities and liabilities arising from transactions conducted with the State Treasury and other state budgetary agencies are disclosed in the Group balance sheet. All of the above are arm's length transactions.

In accordance with the 30 November 1995 Act in relation to State support in the repayment of certain housing loans (Journal of Laws, 2003; No. 119, item 115 with subsequent amendments) PKO BP SA receives payments from the State budget in respect of interest receivable on those loans. In the six months to 30 June 2008 the Bank included an amount of PLN 59 367 thousands (in the six months to 30 June 2007 PLN 55 145 thousands) in income in respect of the State's acceptance of the liability to the Bank for these amounts. Of the total income recognized PLN 35 416 thousands (in the first half of 2007 PLN 33 302 thousand) was received in cash and the balance of PLN 23 951 thousands (in the six months to 30 June 2007 PLN 21 843 thousands) is shown under "loans and advances from customers".

PKO BP SA receives commission for settlements relating to redemption of interest on housing loans (Journal of Laws, No.122, item 1310). For the six-month period ended 30 June 2008, PKO BP SA received commission amounting to PLN 5 812 thousand (the six-month period ended 30 June 2007: PLN 1 234 thousand), which has been recognised in the income statement under "Fees and commission income".

The Act on the coverage of repayment of certain housing loans by State Treasury guarantees was passed on 29 November 2000 and came into force on 1 January 2001. The coverage of the so called „old portfolio" housing loan receivables by the guarantees of the State Treasury resulted in the neutralization of the default risk on these loans. The State Treasury guarantees are realized when a borrower fails to repay the loan on the dates specified in the loan agreement. The responsibility of the State Treasury is of an auxiliary nature and is effective if the recovery of the unpaid part of principal and interest which the Bank is obliged to commence, before the Bank lays claims to the State Treasury, becomes ineffective. The above-mentioned law covers 90% of unpaid loans taken out by housing cooperatives. As a consequence of the realization of the State Treasury's responsibilities as guarantor, the State Treasury itself enters into the rights of the satisfied creditor (the Bank) and thus becomes a creditor towards the borrower, in line with the concept of guarantee.

As of 1 January 1996 the Bank became the general distributor of duty stamps. The amount received in this respect from the State Treasury in the six-month period ended 30 June 2008 totalled PLN 12 431 thousand (in the six-month period ended 30 June 2007: PLN 16 376 thousand) and was recognized in full by the Bank under "Fee and commission income".

In the six-month period ended 30 June 2008, the Bank also recognized fee and commission income of PLN 20 thousand (in the six-month period ended 30 June 2007: PLN 46 thousand) in respect of its fees for servicing compensation payments made to pensioners who lost, in 1991, certain supplements to their pensions working conditions hardship and to public sector employees whose salaries were not revised in the second half of 1991 and in the first half of 1992. This amount was included under "Fee and commission income".

Dom Maklerski PKO BP SA (the brokerage house of PKO BP SA) performs the role of an agent for the issue of retail Treasury bonds under an agreement signed between the Ministry of Finance as the issuer and the Bank on 11 February 2003. Under this agreement, Dom Maklerski PKO BP SA receives a fee for providing the services of an agent for the issue of bonds. The amount received in this respect in the six-month period ended 30 June 2008 was PLN 24 883 thousand (in the six-month period ended 30 June 2007: PLN 12 639 thousand).

(in PLN thousand)

Significant transactions of PKO BP SA with the State Treasury's related entities.

The transactions were concluded at arm's length.

Entity	30.06.2008			31.12.2007		
	Total receivables	Total liabilities	Contingent liabilities and committments	Total receivables	Total liabilities	Contingent liabilities and committments
Entity 1	381 759	-	680 212	305 456	-	484 204
Entity 2	261 639	-	23 000	268 266	-	23 000
Entity 3	189 104	31 150	248 506	128 395	133 387	316 550
Entity 4	163 685	-	642 691	101 206	85 439	728 282
Entity 5	152 065	-	33 714	152 065	78 024	52 800
Entity 6	110 129	37 500	-	109 345	-	92 219
Entity 7	96 613	35 000	41 301	102 651	13 240	40 597
Entity 8	81 919	170 139	-	91 021	-	-
Entity 9	68 700	7 151	131 300	53 020	2 692	146 980
Entity 10	61 698	6 200	38 302	65 252	-	18 748
Entity 11	61 364	155 414	154 000	190 227	6 808	86 500
Entity 12	56 429	-	-	60 912	-	-
Entity 13	50 000	-	200 000	-	-	-
Entity 14	33 542	-	-	35 820	-	-
Entity 15	31 735	-	-	36 063	2 490	-
Other entities' significacant exposures	228 478	2 697 616	1 155 936	233 959	1 712 145	1 291 770
Total	**2 028 859**	**3 140 170**	**3 348 962**	**1 933 658**	**2 034 225**	**3 281 650**

50. Related party transactions

Transactions of the parent company with jointly controlled entities and associates accounted for using the equity method.

All transactions with entities related by capital and personal relationships were arm's length transactions. Repayment terms are within a range from 1 month to 10 years.

30 June 2008

Entity	Net receivables	including gross loans	Liabilities	Total revenues	including interest and fee and commission income	Total costs	including interest and fee and commission costs	Contingent liabilities and commitments
Sopot Zdrój Sp. z o.o.	79 506	78 373	2 572	406	406	1	1	111 498
Centrum Majkowskiego Sp. z o.o.	-	-	8 667	2	2	195	195	-
Kamienica Morska Sp. z o.o.	-	-	2 023	7	7	6	6	3 019
Promenada Sopocka Sp. z o.o.	17 831	17 556	706	67	67	10	10	22 359
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	-	10 239	1	1	91	91	-
Agencja Inwestycyjna „CORP" SA	105	-	-	250	-	2 195	-	-
CENTRUM HAFNERA Sp. z o.o.	-	-	1 362	8	8	53	53	3 354
Centrum Obsługi Biznesu Sp z o.o.	27 361	27 219	34 433	1 239	1 239	5	4	-
Bank Pocztowy SA	50 008	-	1 726	247	247	1 379	538	925
Kolej Gondolowa Jaworzyna Krynicka SA	-	-	258	8	8	641	4	1 500
Total	**174 811**	**123 148**	**61 986**	**2 235**	**1 985**	**4 576**	**902**	**142 655**

(in PLN thousand)

31 December 2007

Entity	Net receivables	including gross loans	Liabilities	Total revenues	including interest and fee and commission income	Total costs	including interest and fee and commission costs	Contingent liabilities and committments
Sopot Zdrój Sp. z o.o.	49 400	48 696	1 033	678	678	10	10	131 833
Centrum Majkowskiego Sp. z o.o.	-	-	15 834	475	475	6	6	-
Kamienica Morska Sp. z o.o.	-	-	782	45	45	9	9	3 224
Promenada Sopocka Sp. z o.o.	15 204	15 013	1 066	285	285	15	15	27 617
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	-	10 155	1	1	223	223	-
Agencja Inwestycyjna „CORP" SA	468	-	10	1 255	-	2 340	-	-
CENTRUM HAFNERA Sp. z o.o.	-	-	4 842	18	18	325	325	3 582
Centrum Obsługi Biznesu Sp z o.o.	30 057	29 891	544	1 292	1 292	76	38	1 001
Bank Pocztowy SA	2	-	3 539	41	30	710	326	1 834
Kolej Gondolowa Jaworzyna Krynicka SA	996	-	4	91	91	35	-	508
Total	**96 127**	**93 600**	**37 809**	**4 181**	**2 915**	**3 749**	**952**	**169 599**

51. Remuneration – parent company key management

a) Short-term employee benefits

Remuneration received from PKO BP SA:

	01.01-30.06.2008	01.01-30.06.2007
The Management Board of the Bank		
Short-term employee benefits	1 542	753
The Supervisory Board of the Bank		
Short-term employee benefits	123	161
Total	**1 665**	**914**

Remuneration received from related companies (other than from State Treasury and related entities):

	01.01-30.06.2008	01.01-30.06.2007
The Management Board of the Bank		
Short-term employee benefits	613	310
The Supervisory Board of the Bank		
Short-term employee benefits	91	119
Total	**704**	**429**

b) Post-employment benefits

In the six-month periods ended 30 June 2008 and 30 June 2007 no post-employment benefits were paid.

c) Other long-term benefits

In the six-month periods ended 30 June 2008 and 30 June 2007 no “other long-term benefits” were paid.

(in PLN thousand)

d) Benefits due to termination of employment

In the six-month periods ended 30 June 2008 and 30 June 2007 no benefits were paid due to termination of employment.

e) Share-based payments

In the six-month periods ended 30 June 2008 and 30 June 2007 no benefits were paid in the form of share-based payments.

Loans, advances and guarantees provided by the Bank to the management and other employees:

	30.06.2008	31.12.2007
Employees	1 023 368	850 624
The Management Board members	10 832	5 036
The Supervisory Board members	57	513
Total	**1 034 257**	**856 173**

Interest and repayment periods of the above items are set at arm's length.

Remuneration received by members of the Management Boards and the Supervisory Boards of the Group's subsidiaries:

	01.01-30.06.2008	01.01-30.06.2007
The Management Board		
Short-term employee benefits	4 866	4 411
The Supervisory Board		
Short-term employee benefits	700	719
Total	**5 566**	**5 130**

52. Business combinations

The information below concerns share purchase transactions with subsidiaries, which were concluded within the first six 6 months of 2008.

a) relating to the PKO Inwestycje Sp. z o.o. Group

On 18 January 2008, PKO Inwestycje Sp. z o.o. made a capital contribution to ARKADIA Inwestycje Sp. z o.o. in the amount of PLN 4 074 800.

On 24 January 2008, WISŁOK Inwestycje Sp. z o.o. with its seat in Rzeszów was registered in the National Court Register. The entity share capital amounts to PLN 500 thousand and consists of 5 000 shares, each of PLN 100 par value.

The entity's shareholders are PKO Inwestycje Sp. z o.o., which took up 4,000 shares with a total value of PLN 400 thousand and Jedynka SA, which took up 1,000 shares with a total value of PLN 100 thousand. The shares taken up by PKO Inwestycje Sp. z o.o. represent 80% of the Company's share capital and carry 80% of voting rights at the Shareholders' Meeting. The entity was formed in order to execute a housing project in Rzeszów called "Osiedle Siemieńskiego".

On 28 January 2008, PKO Inwestycje Sp. z o.o. concluded 2 transactions in which it purchased a total of 50 shares in Baltic Dom 2 Sp. z o.o. with a total nominal value of PLN 25 thousand, representing 50% of the entity's share capital and entitling to 50% of votes at the Shareholders' Meeting. The price for the acquired shares including additional fees was PLN 6 008 862.

(in PLN thousand)

The entity carries out works related to the execution of a housing project in Bąków near Gdańsk.

The information below concerns goodwill arising as a result of acquiring the shares in Baltic Dom 2 Sp. z o.o.

Baltic Dom 2 Sp. z o.o.	
Acquisition date	**28.01.2008**
Share in the entity capital	50,00%
Purchase value	6 009
Book value of the entity net assets on the acquisition date	(670)
PKO Inwestycje Sp. z o.o. share in fair value of the entity's net asset on acquisition date	(335)
Entity goodwill on the acquisition date	**6 344**

On 30 June 2008, PKO Inwestycje Sp. z o.o. returned to PKO BP SA a capital contribution received for an execution of investment projects of PLN 5.5 million.

As at 30 June 2008 and 30 June 2007, PKO Inwestycje was consolidated in the consolidated financial statements of the PKO BP SA Group, using the full entity method. As at 30 June 2008, new subsidiaries of PKO Inwestycje Sp. z o.o. were consolidated using the entity accounting method in the consolidated financial statements of the PKO BP SA Group.

b) relating to Powszechne Towarzystwo Emerytalne BANKOWY SA

On 14 February 2008, Powszechne Towarzystwo Emerytalne BANKOWY SA – a subsidiary of PKO BP SA – made a capital contribution to Finanse Agent Transferowy Sp. z o.o. of PLN 1,500,000.

As at 30 June 2008 and 30 June 2007, Powszechne Towarzystwo Emerytalne BANKOWY SA and Finanse Agent Transferowy Sp. z o.o. were consolidated using the entity method in the consolidated financial statements of the PKO BP SA Group.

In case of subsidiary KREDOBANK SA, there are limitations to the ability to transfer funds to the Bank in the form of dividends. Pursuant to a decision of the Extraordinary General Shareholders' Meeting of KREDOBANK SA dated 17 November 2005, a moratorium was introduced on payment of dividends in the years 2005 – 2008.

53. Differences between previously published financial statements and the related information in these financial statements

Presented below are significant changes included in the prior published data, restated for comparability purposes:

INCOME STATEMENT
of the Powszechna Kasa Oszczędności Bank Polski SA Group

Title (in relation to changed positions)	**01.01-30.06.2007** presented previously	**01.01-30.06.2007** comparative data	**Difference**
Interest and similar income	3 027 781	3 028 154	373 [1]
Interest expense and similar charges	(919 803)	(907 009)	12 794 [1]
Fee and commission income	1 417 814	1 432 445	14 631 [1]
Fee and commission expense	(308 453)	(340 898)	(32 445) [1), 3)]
Net income from financial instruments designated at fair value through profit or loss	21 495	21 365	(130) [1), 2)]
Other operating income	278 473	227 164	(51 309) [1), 2), 4)]
Other operating expenses	(157 557)	(161 836)	(4 279) [1), 2)]
Administrative expenses	(1 891 711)	(1 831 346)	60 365 [3), 4)]

1) Change in the presentation of selected items of income and expenses of a brokerage house, Dom Maklerski PKO BP SA
2) Change in the presentation of selected items of income and expense from financial operation
3) Change in the presentation of costs on account of KIR, BIK, SWiFT services
4) Change in the presentation of incomes/expenses on account of recharge costs of cell phones.

(in PLN thousand)

BALANCE SHEET
of the Powszechna Kasa Oszczędności Bank Polski SA Group

Item (relates to restated items)	**31.12.2007** presented previously	**31.12.2007** comparative data	**Difference**
Amounts due from banks	5 292 319	5 261 236	(31 083) 5)
Amounts due to customers	86 610 593	86 579 510	(31 083) 5)

5) Change in presentation due to netting off selected balance sheet items of the Bank's units

CASH FLOW STATEMENT
of the Powszechna Kasa Oszczędności Bank Polski SA Group

Item (relates to resteted items)	**31.12.2007** presented previously	**31.12.2007** comparative data	**Difference**
Cash at the end of the period	9 263 399	9 232 316	(31 083) 5)

5) Change in presentation due to netting off selected balance sheet items of the Bank's units

54. Post balance sheet events

On 3 July 2008, the National Court Register registered a change in the name of ARKADIA Inwestycje Sp. z o.o. to PKO Inwestycje – Międzyzdroje Sp. z o.o.

On 4 July 2008, PKO BP SA, in connection with a contract signed on 27 June 2008 with Svenska Standardbolag AB with its seat in Sweden, made a payment for the purchase of 5 000 shares of Aktiebolaget Grundstenen 108756 with its registered office in Sweden with a total nominal value of 500 000 Swedish crowns, i.e. PLN 177 150 (at the mid NBP rate of 4 July of this year). The purchased shares represent 100% of the entity's share capital and carry 100% of votes at the entity. The purchase price for the shares, including the additional costs, was 504 969 Swedish crowns, i.e. PLN 178 910.52 (at the mid NBP rate of 4 July of this year).

On 15 July 2008, PKO BP SA passed a resolution approving an Eurobond issue programme (the EMTN programme) by its subsidiary Aktiebolaget Grundstenen 108756 (future name: PKO Finance AB) with its registered office in Sweden ("the Issuer"), in which the Bank is the sole shareholder. The Issuer is a related entity as defined by the Accounting Act.

The EMTN programme has the following terms and conditions:

- programme value: EUR 3,000,000,000 or its equivalent in other currencies;
- programme currencies: EUR, USD and CHF;
- maturity of individual tranches issued under the Programme: 1 to 15 years;
- proceeds of issue shall be used for the Bank's general financing purposes, including ensuring the Bank's liquidity and financing the Bank's capital needs;
- interest rate: interest on the notes issued under the Programme shall be calculated on the basis of a fixed interest rate, a variable interest rate or interest rates linked to selected indices;
- interest periods: 1 month to 1 year;
- denomination: at least EUR 50,000 or its equivalent in other currencies;
- types of issue: senior notes, subordinated notes, public issues and private placements;
- programme registration: the Luxembourg Stock Exchange (Bourse de Luxembourg);

- method of settlements between the Issuer and the Bank: the Issuer shall grant a loan to the Bank in the amount equal to the proceeds of issue at the interest rate applicable to the proceeds of issue. The settlements between the Issuer and the Bank shall be effected via a clearing agent, through dedicated accounts used solely for settling the issue and upon the Bank's consent;
- the Issuer shall receive appropriate contractual remuneration for administrating the EMTN programme.

At the same time, on 16 July 2008, the Supervisory Board of the Bank agreed to concluding a loan agreement between the Bank and the Issuer. Obtaining the above-mentioned approval from the Supervisory Board was a precondition for launching the EMTN programme.

On 17 July 2008, the Swedish Registration Office Bolagsverket registered the change in name of Aktiebolaget Grundstenen 108756 to PKO Finance AB.

On 21 August 2008 Mariusz Klimczak submitted his resignation as a Vice-President of the Management Board of PKO BP SA beginning from 30 September 2008

On 22 August 2008, the share capital of the PKO Inwestycje – Międzyzdroje Sp. z o.o. (previous name: ARKADIA Inwestycje Sp. z o.o.) was increased by total amount of PLN 1.5 million. All shares in the increased share capital in the company were taken by PKO Inwestycje Sp. z o.o. – a subsidiary of PKO BP SA.

On 15th September 2008 Moody's Investors Service („Moody's") assigned a rating for the Loan Participation Note Programme in the amount of EUR 3 billion established by PKO Finance AB for PKO BP SA.

Senior unsecured debt issued under the programme will be rated at Aa2, subordinated debt at Aa3 and short-term debt at Prime-1. The outlook on all ratings is stable.

PKO BP SA is rated at C (BFSR) and Aa2/P-1 for local currency deposits, with a stable outlook. PKO BP SA's financial strength rating (BFSR) of C reflects a basic credit assessment of A3. PKO BP SA benefits from an uplift to its basic credit assessment Moody's assessment of the very high probability of support from the Polish authorities in case of need. The main shareholder is the Polish State Treasury with 51.49% stake in the PKO BP SA.

On 15 September 2008, Bankowe Towarzystwo Kapitałowe SA – a wholly owned subsidiary of the Bank - has sold all possessed share of FINDER SA.

Signatures of all Members of the Management Board of the Bank

23.09.2008	Jerzy Pruski	President of the Board	.... (signature)
23.09.2008	Bartosz Drabikowski	Vice-President of the Board	.... (signature)
23.09.2008	Krzysztof Dresler	Vice-President of the Board	.... (signature)
23.09.2008	Mariusz Klimczak	Vice-President of the Board	.... (signature)
23.09.2008	Tomasz Mironczuk	Vice-President of the Board	.... (signature)
23.09.2008	Wojciech Papierak	Vice-President of the Board	.... (signature)
23.09.2008	Mariusz Zarzycki	Vice-President of the Board	.... (signature)

Signature of person responsible for maintaining the books of account

23.09.2008

Danuta Szymańska

Director of the Bank
(signature)

(in PLN thousand)

CONDENSED FINANCIAL STATEMENTS OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2008

INCOME STATEMENT

For the six-month periods ended 30 June 2008 and 30 June 2007:

	01.01-30.06.2008	01.01-30.06.2007
Interest and similar income	3 996 826	2 881 963
Interest expense and similar charges	(1 153 345)	(828 413)
Net interest income	**2 843 481**	**2 053 550**
Fee and commission income	1 376 587	1 267 276
Fee and commission expense	(333 221)	(303 895)
Net fee and commission income	**1 043 366**	**963 381**
Dividend income	112 801	51 984
Net income from financial instruments at fair value through profit or loss	(60 907)	19 337
Gains less losses from investment securities	(1 603)	1 782
Net foreign exchange gains	366 285	249 493
Other operating income	74 906	62 148
Other operating expense	(39 309)	(46 062)
Net other operating income and expense	**35 597**	**16 086**
Net impairment allowance	(184 574)	(111 276)
Administrative expenses	(1 871 453)	(1 713 462)
Operating profit	**2 282 993**	**1 530 875**
Profit before income tax	**2 282 993**	**1 530 875**
Income tax expense	(458 248)	(280 933)
Net profit	**1 824 745**	**1 249 942**

Earnings per share		
- basic	1.82	1.25
- diluted	1.82	1.25

(in PLN thousand)

BALANCE SHEET

As at 30 June 2008 and 31 December 2007

	30.06.2008	31.12.2007
ASSETS		
Cash and balances with the central bank	4 690 825	4 594 084
Amounts due from banks	7 483 981	5 315 799
Trading assets	1 080 920	1 202 919
Derivative financial instruments	2 181 000	1 556 750
Financial assets designed at fair value through profit or loss	4 969 064	8 101 534
Loans and advances to customers	82 736 955	73 822 193
Investment securities available for sale	6 058 283	5 841 553
Investments in subsidiaries, associates and jointly controlled entities	1 101 733	1 054 395
Intangible assets	1 012 148	927 610
Tangible fixed assets	2 307 442	2 270 480
- of which investment properties	31 945	32 766
Current income tax receivables	-	187 707
Deferred income tax asset	32 413	35 531
Other assets	644 020	429 699
TOTAL ASSETS	**114 298 784**	**105 340 254**
EQUITY AND LIABILITIES		
Liabilities		
Amounts due to the central bank	1 164	1 279
Amounts due to other banks	3 504 921	3 624 455
Derivative financial instruments	1 915 201	1 280 265
Amounts due to customers	91 234 853	85 215 463
Subordinated liabilities	1 617 408	1 614 885
Other liabilities	2 921 466	1 421 321
Current income tax liabilities	246 093	-
Provisions	431 871	453 045
TOTAL LIABILITIES	**101 872 977**	**93 610 713**
Equity		
Share capital	1 000 000	1 000 000
Other capital	9 601 062	8 009 550
Net profit for the period	1 824 745	2 719 991
TOTAL EQUITY	**12 425 807**	**11 729 541**
TOTAL EQUITY AND LIABILITIES	**114 298 784**	**105 340 254**

	30.06.2008	31.12.2007
Capital adequacy ratio	**10.67**	**11.87***

* Lack of comparability in terms of capital requirements (at 30 June 2008, capital requirements have been calculated in accordance with the New Basel Accord, where the basic difference between this and the calculation at 31 December 2007 are a new methodologies for calculation of credit and operational risk requirements).

(in PLN thousand)

STATEMENT OF CHANGES IN EQUITY

For the six-month periods ended 30 June 2008 and 30 June 2007:

For the six - month period ended 30 June 2008	Share capital	Other capital: Reserve capital	Other capital: Revaluation reserve	Other capital: General banking risk fund	Other capital: Other reserves	Retained earnings	Net profit	Total equity
As at 1 January 2008	**1 000 000**	**5 591 995**	**(42 445)**	**1 070 000**	**1 390 000**	**-**	**2 719 991**	**11 729 541**
Net change in available for sale investments less deferred tax	-	-	(38 479)	-	-	-	-	**(38 479)**
Total income/expenses recognized directly in equity	**-**	**-**	**(38 479)**	**-**	**-**	**-**	**-**	**(38 479)**
Net profit for the period	-	-	-	-	-	-	1 824 745	**1 824 745**
Total profit for the period	**-**	**-**	**(38 479)**	**-**	**-**	**-**	**1 824 745**	**1 786 266**
Transfer of net profit from previous years	-	-	-	-	-	2 719 991	(2 719 991)	-
Transfer from net profit to reserves	-	1 624 991	-	-	5 000	(1 629 991)	-	-
Dividends related to 2007	-	-	-	-	-	(1 090 000)	-	**(1 090 000)**
As at 30 June 2008	**1 000 000**	**7 216 986**	**(80 924)**	**1 070 000**	**1 395 000**	**-**	**1 824 745**	**12 425 807**

For the six- month period ended 30 June 2007	Share capital	Other capital: Reserve capital	Other capital: Revaluation reserve	Other capital: General banking risk fund	Other capital: Other reserves	Retained earnings	Net profit	Total equity
As at 1 January 2007	**1 000 000**	**4 529 604**	**3 729**	**1 070 000**	**1 385 000**	**-**	**2 047 391**	**10 035 724**
Net changes in available for sale investments less deferred tax	-	-	719	-	-	-	-	**719**
Total income/expenses recognized directly in equity	**-**	**-**	**719**	**-**	**-**	**-**	**-**	**719**
Net profit for the period	-	-	-	-	-	-	1 249 942	**1 249 942**
Total profit for the period	**-**	**-**	**719**	**-**	**-**	**-**	**1 249 942**	**1 250 661**
Transfer of net profit from previous years	-	-	-	-	-	2 047 391	(2 047 391)	**-**
Transfer from net profit to reserves	-	1 062 391	-	-	5 000	(1 067 391)	-	**-**
Dividends related to 2006	-	-	-	-	-	(980 000)	-	**(980 000)**
As at 30 June 2007	**1 000 000**	**5 591 995**	**4 448**	**1 070 000**	**1 390 000**	**-**	**1 249 942**	**10 306 385**

(in PLN thousand)

CASH FLOW STATEMENT

For the six-month periods ended 30 June 2008 and 30 June 2007:

	01.01-30.06.2008	01.01-30.06.2007
Net cash flow from operating activities		
Net profit	1 824 745	1 249 942
Adjustments:	945 999	(6 667 992)
Depreciation and amortisation	174 624	155 819
Gains (losses) on disposal of fixed assets	(2 461)	5 094
Interest and dividends	(167 864)	(185 969)
Change in amounts due from banks	143 492	1 509 193
Change in trading assets and other financial instruments designated at fair value at profit or loss	3 254 469	(1 250 742)
Change in derivative financial instruments (asset)	(624 250)	(171 069)
Change in loans and advances to customers	(9 124 791)	(7 221 797)
Change in deferred tax asset and income tax receivables	190 825	(63 629)
Change in other assets	(214 321)	(172 820)
Change in amounts due to other banks	(119 649)	184 348
Change in derivative financial instruments (liability)	634 936	16 347
Change in amounts due to customers	6 038 439	973 558
Change in impairment allowances and provisions	197 605	21 862
Change in other liabilities	455 419	(369 239)
Income tax paid	(200 011)	(516 108)
Current tax expense	446 104	353 110
Other adjustments	(136 567)	64 050
Net cash from/used in operating activities	**2 770 744**	**(5 418 050)**
Net cash flow from investing activities		
Inflows from investing activities	**3 273 197**	**3 809 697**
Proceeds from sale of investment securities	3 267 193	3 754 415
Proceeds from sale of intangible assets and tangible fixed assets	4 569	3 300
Other investing inflows	1 435	51 982
Outflows from investing activities	**(3 574 002)**	**(2 537 360)**
Purchase of investment securities	(3 271 701)	(2 406 368)
Purchase of intangible assets and tangible fixed assets	(302 301)	(130 992)
Net cash from/used in investing activities	**(300 805)**	**1 272 337**
Net cash flow from financing activities		
Repayment of long term loans	(61 800)	(22 861)
Net cash flow generated from financing activities	**(61 800)**	**(22 861)**
Net cash inflow/(outflow)	2 408 139	(4 168 574)
Cash and cash equivalents at the beginning of the period	**9 001 426**	**13 850 691**
Cash and cash equivalents at the end of the period	**11 409 565**	**9 682 117**
including those under limited control	6 495	14 517

ADDITIONAL INFORMATION TO THE CONDENSED FINANCIAL STATEMENTS

as at 30 June 2008

1. Approval of financial statements

These condensed separate financial statements have been approved for issue by the Management Board of the Bank on 23 September 2008.

These financial statements are published together with the consolidated financial statements of the PKO BP SA Group for the six-month period ended 30 June 2008.

2. Uniformity of accounting principles and calculation methods used during preparation of the interim financial statements and the last annual financial statements

These interim condensed financial statements for the six-month period ended 30 June 2008 were prepared according to IAS 34 "Interim Financial Reporting".

The interim condensed financial statements do not contain all information and disclosures required in the annual financial statements and should be read together with the consolidated financial statements for the six-month period ended 30 June 2008.

A detailed description of the accounting policies of the Bank is presented in Note 2 of the consolidated financial statements of the PKO BP SA Group for the six-month period ended 30 June 2008, except for the policies for the valuation of the Bank's equity investments.

Accounting policies applied in the preparation of these condensed financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2007.

In the separate financial statements of the Bank, the shares in subsidiaries, associates and jointly controlled entities are stated at acquisition cost less impairment.

3. Seasonality and cyclical nature of activity in the interim period

There are no significant events subject to seasonal or cyclical fluctuations.

4. Type and amount of changes in estimates provided in previous interim periods of the current financial year or changes in estimates provided in previous financial years if they significantly affect the current interim period

The Bank did not make any significant changes in estimated amounts which would significantly affect these financial statements. During the regular course of operations, the Bank creates impairment allowances which are presented in Note 9 of the condensed separate financial statements.

5. Issues, redemptions and repayments of debt and equity securities

In the first half of 2008 and the first half of 2007, the Bank did not issue, redeem or repay any of its own debt securities.

6. Dividends paid (collectively or per share), divided into ordinary and other shares

On 20 May 2008 the General Shareholders' Meeting of PKO BP SA adopted resolution No. 7/2008, concerning payment of a dividend for 2007 amounting to PLN 1 090 000 thousand, i.e. PLN 1.09 per share on a pre-tax basis. A list of shareholders entitled to receive the dividend for 2007 was determined on 18 August 2008. The payment was made on 4 September 2007.

7. Events after the balance date

On 3 July 2008, the National Court Register registered the change in name of ARKADIA Inwestycje Sp. z o.o. to PKO Inwestycje – Międzyzdroje Sp. z o.o.

On 4 July 2008, PKO BP SA, in relation to the contract signed on 27 June 2008 with Svenska Standardbolag AB with its seat in Sweden, made a payment for the purchase of 5,000 shares of Aktiebolaget Grundstenen 108756 with its registered office in Sweden with a total nominal value of 500,000 Swedish crowns, i.e. PLN 177,150 (at the mid NBP rate of 4 July of this year). The purchased shares represent 100% of the Company's share capital and carry 100% of votes at the Company. The purchase price for the shares, including the additional costs, was 504,969 Swedish crowns, i.e. PLN 178,910.52 (at the mid NBP rate of 4 July of this year).

On 15 July 2008, PKO BP SA passed a resolution approving the opening of the Eurobond issue programme (EMTN programme) by its subsidiary Aktiebolaget Grundstenen 108756 (the future name: PKO Finance AB) with its registered office in Sweden ("the Issuer"), in which the Bank is the sole shareholder. The Issuer is a related entity as defined by the Accounting Act.

The EMTN programme has the following terms and conditions:

- programme value: EUR 3,000,000,000 or its equivalent in other currencies
- programme currencies: EUR, USD and CHF;
- maturity of individual tranches issued under the Programme: 1 to 15 years;
- proceeds of issue shall be used for the Bank's general financing purposes, including ensuring the Bank's liquidity and financing the Bank's capital needs;
- interest rate: interest on the notes issued under the Programme shall be calculated on the basis of a fixed interest rate, a variable interest rate or interest rates linked to selected indices;
- interest periods: 1 month to 1 year;
- denomination: at least EUR 50,000 or its equivalent in other currencies;
- types of issue: senior notes, subordinated notes, public issues and private placements;
- programme registration: the Luxembourg Stock Exchange (Bourse de Luxembourg);
- method of settlements between the Issuer and the Bank: the Issuer shall grant a loan to the Bank in the amount equal to the proceeds of issue at the interest rate applicable to the proceeds of issue. The settlements between the Issuer and the Bank shall be effected via a clearing agent, through dedicated accounts used solely for settling the issue and upon the Bank's consent;
- the Issuer shall receive appropriate contractual remuneration for administrating the EMTN programme.

At the same time, on 16 July 2008, the Supervisory Board of the Bank agreed to the conclusion of a loan agreement between the Bank and the Issuer. Obtaining the above-mentioned approval from the Supervisory Board was a precondition for launching the EMTN programme.

On 17 July 2008, the Swedish Registration Office Bolagsverket registered the change in name of Aktiebolaget Grundstenen 108756 to PKO Finance AB.

On 21 August 2008 Mariusz Klimczak submitted his resignation as Vice-President of the Management Board of PKO BP SA beginning from 30 September 2008.

On 22 August 2008, the share capital of the PKO Inwestycje – Międzyzdroje Sp. z o.o. (previous name: ARKADIA Inwestycje Sp. z o.o.) was improved by total amount of PLN 1.5 million. All shares in the increased share capital in the company were taken by PKO Inwestycje Sp. z o.o. – a subsidiary of PKO BP SA.

On 15 September 2008, Moody's Investors Service („Moody's") assigned a rating for the Loan Participation Note Programme in the value EUR 3 billion established by PKO Finance AB for PKO BP SA.

Senior unsecured debt issued under the programme will be rated at Aa2, subordinated debt at Aa3 and short-term debt at Prime-1. The outlook on all ratings is stable.

PKO BP SA is rated at C (BFSR) and Aa2/P-1 for local currency deposits, with a stable outlook. PKO BP's financial strength rating (BFSR) of C reflects a basic credit assessment of A3. PKO BP benefits from an uplift to its basic credit assessment to factor in Moody's assessment of the very high probability of support from the Polish authorities in case of need. The main shareholder is the Polish State Treasury with 51.49% stake in the PKO BP SA.

On 15 September 2008, Bankowe Towarzystwo Kapitałowe SA – a wholly owned subsidiary of the Bank - has sold all possessed share of FINDER SA.

8. Effect of changes in the structure of the business entity during the first half of the year, including mergers, acquisitions or disposals of subsidiaries and long-term investments, restructuring and discontinuance of activities

As at 30 June 2008 and as at 30 June 2007, there were no business combinations between the Bank and other entities.

On 30 June 2008, PKO Inwestycje Sp. z o.o. returned to the Bank a capital contribution received for the execution of investment projects of PLN 5.5 million.

In the 1st half of 2008, the subsidiaries of PKO BP SA made the following transactions:

a) transactions of taking up or acquiring of shares in other subsidiaries:

- on 24 January 2008, PKO Inwestycje Sp. z o.o. took up 4,000 shares in WISŁOK Inwestycje Sp. z o.o. with its seat in Rzeszów with a total value of PLN 400 thousand, representing 80% of the Company's share capital and carrying 80% of voting rights at the Shareholders' Meeting;
- on 28 January 2008, PKO Inwestycje Sp. z o.o. concluded 2 transactions in which it purchased a total of 50 shares in Baltic Dom 2 Sp. z o.o. with a total nominal value of PLN 25 thousand, representing 50% of the Company's share capital and carrying 50% of votes at the Shareholders' Meeting; the price for the acquired shares, including additional fees was PLN 6 008 862.

b) capital contributions:

- on 18 January 2008, PKO Inwestycje Sp. z o.o. made a capital contribution to ARKADIA Inwestycje Sp. z o.o. of PLN 4 074 800;
- on 14 February 2008, Powszechne Towarzystwo Emerytalne BANKOWY SA made a capital contribution to Finanse Agent Transferowy Sp. z o.o. of PLN 1 500 000.

(in PLN thousand)

9. Net impairment allowances

For the six-month period ended 30 June 2008	Impairment allowances at the beginning of the period	Increases: Impairment allowances made during the period	Increases: Other	Decreases: Decrease in impairment allowances due to derecognition of assets, not impacting income statement	Decreases: Impairment allowances reversed during the period	Decreases: Other	Impairment allowances made at the end of period	Net impairment allowances
Financial assets available for sale, including:	26 816	6 136	-	-	8 313	246	24 393	2 177
carried at fair value through equity (not listed on stock exchange)	18 587	6 136	-	-	8 313	-	16 410	2 177
valued at cost (unquoted equity instruments and related derivative instruments)	8 229	-	-	-	-	246	7 983	-
Loans and advances to customers and amounts due from other banks valued at amortised cost	2 307 004	904 056	-	28 082	666 221	-	2 516 757	(237 835)
Financial sector	44 059	3 279	-	276	1 904	-	45 158	(1 375)
amounts due from banks	43 783	3 279	-	-	1 904	-	45 158	(1 375)
corporate loans	276	-	-	276	-	-	-	-
Non-financial sector	2 233 762	886 937	-	27 806	650 201	-	2 442 692	(236 736)
consumer loans	650 474	380 820	-	27 806	204 973	-	798 515	(175 847)
mortgage loans	489 851	145 328	-	-	184 398	-	450 781	39 070
corporate loans	1 093 437	360 789	-	-	260 830	-	1 193 396	(99 959)
Budget sector	29 183	13 840	-	-	14 116	-	28 907	276
corporate loans	29 183	13 840	-	-	14 116	-	28 907	276
Tangible fixed assets	1 957	190	-	-	87	103	1 957	(103)
Intangible assets	15 373	-	-	-	-	-	15 373	-
Investments in entities valued using equity method	65 136	381	-	38	47 720	-	17 759	47 339
Other	122 187	32 381	-	1 231	36 229	-	117 108	3 848
Total	**2 538 473**	**943 144**	**-**	**29 351**	**758 570**	**349**	**2 693 347**	**(184 574)**

(in PLN thousand)

For the six-month period ended 30 June 2007	Impairment allowances at the beginning of the period	Increases: Impairment allowances made during the period	Increases: Other	Decreases: Decrease in impairment allowances due to derecognition of assets, not impacting income statement	Decreases: Impairment allowances reversed during the period	Decreases: Other	Impairment allowances made at the end of period	Net impairment allowances
Financial assets available for sale, including:	30 014	-	-	-	1 400	-	28 614	1 400
carried at fair value through equity (not listed on stock exchange)	14 900	-	-	-	-	-	14 900	-
valued at cost (unquoted equity instruments and related derivative instruments)	15 114	-	-	-	1 400	-	13 714	1 400
Loans and advances to customers and amounts due from other banks valued at amortised cost	2 333 720	556 423	-	58 288	470 241	-	2 361 614	(86 182)
Financial sector	42 833	1 952	-	1 558	1 496	-	41 731	(456)
amounts due from banks	42 504	1 952	-	1 558	1 443	-	41 455	(509)
corporate loans	329	-	-	-	53	-	276	53
Non-financial sector	2 255 825	549 394	-	56 730	459 016	-	2 289 473	(90 378)
consumer loans	503 411	289 023	-	56 469	174 596	-	561 369	(114 427)
mortgage loans	530 998	71 907	-	261	78 261	-	524 383	6 354
corporate loans	1 221 416	188 464	-	-	206 159	-	1 203 721	17 695
Budget sector	35 062	5 077	-	-	9 729	-	30 410	4 652
corporate loans	35 062	5 077	-	-	9 729	-	30 410	4 652
Intangible assets	51 220	440	73	-	232	-	51 501	(208)
Tangible fixed assets	31 681	-	-	-	-	-	31 681	-
Investments in entities valued using equity method	54 470	10 666	-	-	-	-	65 136	(10 666)
Other	136 812	38 750	-	-	23 130	6 543	145 889	(15 620)
Total	**2 637 917**	**606 279**	**73**	**58 288**	**495 003**	**6 543**	**2 684 435**	**(111 276)**

10. Capital expenditure

In the period from 1 January 2008 to 30 June 2008, PKO BP SA incurred capital expenditure related to purchases of tangible fixed assets and intangible assets of PLN 298,274 thousand (PLN 184,666 thousand in the period from 1 January 2007 to 30 June 2007).

11. Settlements arising from legal proceedings

As at 30 June 2008, the total value of court proceedings in which the Bank is a defendant (inbound) was PLN 196,771 thousand (as at 31 December 2007: PLN 177,916 thousand), while the total value of court proceedings in which the Bank filed the claim (outbound) was PLN 55,425 thousand (as at 31 December 2006: PLN 73,891 thousand).

The most important disputes of the Bank are listed below:

a) Unfair competition proceedings

The Bank is a party to proceedings initiated on the basis of a decision dated 23 April 2001 of the President of the Competition and Consumer Protection Office (Urząd Ochrony Konkurencji i Konsumentów - UOKiK) upon request of the Polish Trade and Distribution Organization (Polska Organizacja Handlu i Dystrybucji - Związek Pracodawców) against the operators of the Visa and Europay payment systems and the banks issuing Visa and Mastercard/Eurocard/Mastercard banking cards. The claims under these proceedings relate to the use of practices limiting competition on the market of banking card payments in Poland, consisting of applying pre-agreed "interchange" fees for transactions made using Visa and Europay/ Eurocard/ Mastercard cards as well as limiting access to this market by external entities. On 29 December 2006, UOKiK decided that the practices, consisting of joint establishment of interchange fee, did limit market competition and ordered that any such practices should be discontinued, and imposed a fine on, among others, PKO BP SA, in the amount of PLN 16,597 thousand. As at 31 December 2007, the Bank recognized a liability for the above amount. On 19 January 2007, the Bank filed an appeal from the decision of the President of UOKiK to the regional court. At the end of October 2007, the President of UOKiK referred the case to the Regional Court in Warsaw, the Court for Competition and Consumer Protection, including the appeals of the banks against Settlement of the Decision; the banks' complaints against the immediate enforcement clause issued for the Decision as well as the banks' complaints against the costs of the proceedings. The Court has commenced the activities stipulated by the Code of Civil Procedure and issued a call to the parties to provide their reply to the appeals. On 21 January 2008 the Regional Court in Warsaw, the Court for Competition and Consumer Protection issued a resolution (in case of the Bank's appeal to the Decision of UOKiK President No. DAR 15/2006 as of 29 December 2006), in which it decided to suspend execution of the Decision above in article I (a court order to abandon joint establishing interchange fee rates). As of 30 June 2008, the Bank continues to provide for a liability of PLN 16 597 thousands.

(in PLN thousand)

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

As at the date of these financial statements, four administrative proceedings are pending to invalidate decisions issued by public administration authorities with respect to properties held by the Bank. These proceedings, in the event of an unfavourable outcome for the Bank, may result in re-privatization claims being raised against the Bank. Given the current status of these proceedings, it is not possible to assess their potential negative financial effects for the Bank. Moreover, with respect to three properties claims were submitted by their former owners. Court proceedings are pending with respect to two properties. With respect to the third property, the Bank is in the process of negotiations in order to settle the legal status. Until 30 June 2008 there had been no further developments with respect to this issue. The consolidated financial statements for the six-month period ended 30 June 2008 do not contain any provisions in respect of the potential liabilities resulting from re-privatization claims.

In the opinion of the Management Board of PKO BP SA, the probability of significant claims arising against the Bank in relation to the above mentioned proceedings is remote.

12. Investments in subsidiaries, associates and jointly controlled entities

As at 30 June 2008, the Bank's investments in subsidiaries, associates and jointly-controlled entities have been presented at cost, less any impairment allowances.

The below table presents the Bank's shares in particular subsidiaries, associates and jointly-controlled entities**:**

30 June 2008

Entity	Gross amount	Impairment	Carrying amount
Subsidiaries			
Powszechne Towarzystwo Emerytalne BANKOWY SA	205 785	-	205 785
KREDOBANK SA	307 365	-	307 365
Centrum Finansowe Puławska Sp. z o.o.	128 288	-	128 288
PKO Inwestycje Sp. z o.o.	4 503	-	4 503
Inteligo Financial Services SA	59 602	-	59 602
Centrum Elektronicznych Usług Płatniczych "eService" SA	55 500	-	55 500
Bankowy Fundusz Leasingowy SA	40 000	-	40 000
Bankowe Towarzystwo Kapitałowe SA	18 566	(10 666)	7 900
PKO Towarzystwo Funduszy Inwestycyjnych SA (former PKO/Credit Suisse Towarzystwe Funduszy Inwestycyjnych SA)	69 054	-	69 054
Jointly-related entities			
Centrum Obsługi Biznesu Sp. z o.o	17 498	-	17 498
Grupa Centrum Haffnera Sp. z o.o.	44 371	-	44 371
Associates			
Bank Pocztowy SA	146 500	-	146 500
Kolej Gondolowa Jaworzyna Krynicka SA	15 531	(1 693)	13 838
Ekogips SA (w upadłości)	5 400	(5 400)	-
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	1 500	-	1 500
Agencja Inwestycyjna CORP SA	29	-	29
Total	**1 119 492**	**(17 759)**	**1 101 733**

(in PLN thousand)

31 December 2007

Entity	Gross amount	Impairment	Carrying amount
Subsidiaries			
Powszechne Towarzystwo Emerytalne BANKOWY SA	205 785	-	205 785
KREDOBANK SA	307 365	-	307 365
Centrum Finansowe Puławska Sp. z o.o.	128 288	-	128 288
PKO Inwestycje Sp. z o.o.	4 503	-	4 503
Inteligo Financial Services SA	59 602	-	59 602
Centrum Elektronicznych Usług Płatniczych "eService" SA	55 500	-	55 500
Bankowy Fundusz Leasingowy SA	40 000	-	40 000
Bankowe Towarzystwo Kapitałowe SA	18 566	(10 666)	7 900
PKO Towarzystwo Funduszy Inwestycyjnych SA	69 054	-	69 054
Przedsiebiorstwo Informatyki Bankowej "Elbank" Sp. z o.o. (in liquidation)	6	(6)	-
International Trade Center Sp. z o.o. (in liquidation)	33	(33)	-
Jointly controlled entities			
Centrum Obsługi Biznesu Sp. z o.o	17 498	-	17 498
Grupa Centrum Haffnera Sp. z o.o.	44 371	-	44 371
Associates			
Bank Pocztowy SA	146 500	(33 500)	113 000
Kolej Gondolowa Jaworzyna Krynicka SA	15 531	(15 531)	-
Ekogips SA (in bankrupcy)	5 400	(5 400)	-
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	1 500	-	1 500
Agencja Inwestycyjna CORP SA	29	-	29
Total	**1 119 531**	**(65 136)**	**1 054 395**

13. Contingent liabilities and commitments

As at 30 June 2008, the Bank was an underwriter to the following issues:

Name of the issuer	Type of the guaranteed securities	Bank's guarantee amount exposure	Contract term	Type of underwriting
Company A	corporate bonds	**54 740**	2011-11-30	Bonds Issue Agreement*
Company B	corporate bonds	**148 400**	2009-12-31	Bonds Issue Agreement*
Company C	commercial bills	**299 491**	2009-12-31	Commercial Bill Issue Agreement PKO BP SA
Company D	corporate bonds	**149 815**	2012-01-02	Bonds Issue Agreement*
Entity A	corporate bonds	**177 000**	2008-12-31	Bonds Issue Agreement*
Company E**	corporate bonds	**16 660**	2009-12-30	Bonds Issue Agreement*
Total of the balance, whose individual values do not exceed PLN 15 million	municipal bonds	**85 280**		Bonds Issue Agreement*
Total		**931 386**		

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

(in PLN thousand)

As at 31 December 2007, the Bank was an underwriter to the following issues:

Name of the issuer	Type of the guaranteed securities	Bank's guarantee amount exposure	Contract term	Type of underwriting
Company A	corporate bonds	**725 517**	2009-12-31	Bonds Issue Agreement*
Company B	commercial bills	**299 529**	2009-12-31	Commercial Bill Issue Agreement PKO BP SA
Entity A	municipal bonds	**213 000**	2011-12-31	Bonds Issue Agreement*
Company D	corporate bonds	**94 534**	2011-11-30	Bonds Issue Agreement*
Company E**	corporate bonds	**17 792**	2009-12-30	Bonds Issue Agreement*
Total of the balance, whose individual values do not exceed PLN 15 million	municipal bonds	**49 839**		Bonds Issue Agreement*
Total		**1 400 211**		

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

The securities that are underwritten by the Bank are not subject to any sales limitations, not quoted on exchanges, and not subject to any regulated OTC market.

14. Transactions with the State Treasury and related parties

The table below presents significant transactions of PKO BP SA with related parties to the State Treasury (aggregated data). All transactions have been conducted at arms' length.

Entity	30.06.2008			31.12.2007		
	Total receivables	Total liabilities	Off – balance sheet financial and guarantee liabilities granted	Total receivables	Total liabilities	Off – balance sheet financial and guarantee liabilities granted
Entity 1	381 759	-	680 212	305 456	-	484 204
Entity 2	261 639	-	23 000	268 266	-	23 000
Entity 3	189 104	31 150	248 506	128 395	133 387	316 550
Entity 4	163 685	-	642 691	101 206	85 439	728 282
Entity 5	152 065	-	33 714	152 065	78 024	52 800
Entity 6	110 129	37 500	-	109 345	-	92 219
Entity 7	96 613	35 000	41 301	102 651	13 240	40 597
Entity 8	81 919	170 139	-	91 021	-	-
Entity 9	68 700	7 151	131 300	53 020	2 692	146 980
Entity 10	61 698	6 200	38 302	65 252	-	18 748
Entity 11	61 364	155 414	154 000	190 227	6 808	86 500
Entity 12	56 429	-	-	60 912	-	-
Entity 13	50 000	-	200 000	-	-	-
Entity 14	33 542	-	-	35 820	-	-
Entity 15	31 735	-	-	36 063	2 490	-
Other entities' signifiacant exposures	228 478	2 697 616	1 155 936	233 959	1 712 145	1 291 770
Total	**2 028 859**	**3 140 170**	**3 348 962**	**1 933 658**	**2 034 225**	**3 281 650**

(in PLN thousand)

15. Related-party transactions

All transactions with entities related by capital and personal relationships are arm's length transactions.

Set out below are transactions of PKO BP SA with parties related in terms of capital as at 30 June 2008:

Entity	Net receivables	of which gross loans and advances	Liabilities	Total income	of which interest and commission income	Total expense	of which interest and commission expenses	Contingent liabilities and committments
Direct subsidiaries, of which:	1 341 877	619 272	258 922	224 326	113 545	71 116	23 198	500 319
Centrum Finansowe Puławska Sp. z o. o.	108 199	89 059	39 595	19 056	2 429	22 168	764	-
Bankowy Fundusz Leasingowy S.A.	663 789	232 517	24 601	18 611	17 856	4 644	313	390 568
KREDOBANK S.A.	363 320	297 696	15 124	7 326	7 326	36	36	104 799
Indirect subsidiaries	337 815	335 945	15 148	9 899	9 899	240	240	85 753
Direct jointly controlled entities	27 361	27 219	35 795	1 247	1 247	58	57	3 354
Indirect jointly controlled entities	97 337	95 929	13 968	482	482	212	212	136 875
Direct associates	50 113	-	12 223	48 225	256	4 306	633	2 425
Indirect associates	-	-	-	-	-	-	-	-
Total	**1 854 503**	**1 078 365**	**336 056**	**284 179**	**125 429**	**75 932**	**24 340**	**728 726**

Set out below are transactions of PKO BP SA with parties related in terms of capital as at 31 December 2007:

Entity	Net receivables	of which gross loans and advances	Liabilities	Total income	of which interest and commission income	Total expense	of which interest and commission expenses	Contingent liabilities and committments
Direct subsidiaries, of which:	1 022 685	601 227	215 226	181 602	173 932	138 763	6 397	451 802
Centrum Finansowe Puławska Sp. z o. o.	96 044	93 909	31 872	5 030	5 027	38 027	718	-
Bankowy Fundusz Leasingowy S.A.	535 394	302 472	12 207	29 108	26 861	6 039	113	442 515
KREDOBANK S.A.	257 428	204 846	1 140	16 325	16 325	391	391	4 802
Indirect subsidiaries	137 407	137 230	20 521	2 132	2 092	1 900	1 894	110 582
Direct jointly controlled entities	30 057	29 891	5 386	1 310	1 310	401	363	4 583
Indirect jointly controlled entities	64 604	63 709	18 715	1 483	1 483	40	40	162 674
Direct associates	1 466		13 708	1 388	122	3 308	549	2 342
Total	**1 256 219**	**832 057**	**273 556**	**187 915**	**178 939**	**144 412**	**9 243**	**731 983**

(in PLN thousand)

16. Income tax

	01.01-30.06.2008	01.01-30.06.2007
Income statement		
Current income tax expense	(446 104)	(353 110)
Deferred income tax on temporary differences	(12 144)	72 177
Tax expense presented in the income statement	**(458 248)**	**(280 933)**
Tax expense disclosed in the equity on temporary differences	9 026	(168)
Total	**(449 222)**	**(281 101)**

	01.01-30.06.2008	01.01-30.06.2007
Profit before tax	**2 282 993**	**1 530 875**
Corporate income tax calculated using the enacted tax rate 19%	(433 769)	(290 866)
Permanent differences between accounting gross profit and taxable profit, of which:	**(24 619)**	**9 567**
Other non-tax-deductible expenses	(17 445)	(11 733)
Reversed provisions and positive revaluation, constituting non-taxable income	(38 554)	7 056
Other non-taxable revenue	9 047	4 160
Dividend income	21 432	9 877
Other	901	209
Other differences between accounting gross profit and taxable profit, including donations	**140**	**367**
Income tax presented in the income statement	**(458 248)**	**280 933**
Effective tax rate	**20.07%**	**18.35%**
Temporary difference due to the deferred tax presented in the income statement	(12 144)	72 177
Current income tax expense presented in the income statement	**(446 104)**	**(353 110)**

Current income tax liabilities/ receivables

	30.06.2008	31.12.2007
Current tax receivables	-	187 707
Current tax liabilities	246 093	-

The tax authorities may verify the correctness of income tax settlements within 5 years from the end of the accounting year in which the tax declaration was submitted.

(in PLN thousand)

Deffered tax assets/provisions

	Balance sheet		Income statement	
	30.06.2008	31.12.2007	01.01-30.06.2008	01.01-30.06.2007
Deferred tax liability				
Interest accrued on receivables (loans)	106 073	99 944	6 129	(5 180)
Capitalised interest on mortgage loans	269 053	277 827	(8 774)	(8 680)
Interest on investment securities	30 707	28 126	2 581	(10 333)
Valuation of securities, of which:	192	1 901	x	x
transfered to income statement	192	705	(513)	(2 461)
transfered to equity	-	1 196	-	-
Difference between tax value and book value of tangible assets	163 000	133 926	29 074	30 341
Other taxable temporary positive differences	14 704	2 804	11 900	1 411
Gross deferred tax liability	**583 729**	**544 528**	**-**	**-**
transfered to income statement	583 729	543 332	40 397	5 098
transfered to equity	-	1 196	-	-
Deferred tax assets				
Interest accrued on liabilities	164 464	138 252	26 212	(1 352)
Valuation of investment securities, of which:	41 671	33 217	x	x
transfered to income statement	22 689	22 065	624	12 275
transfered to equity	18 982	11 152	-	-
Valuation of derivative instruments	58 534	62 331	(3 797)	19 870
Provision for anniversary bonuses and retirement benefits	106 288	88 874	17 414	8 940
Cost of accruals	71 630	79 193	(7 563)	29 665
Adjustment to valuation at amortized cost	157 455	149 499	7 956	9 769
Other temporary positive differences	16 100	28 693	(12 593)	(1 891)
Gross deferred tax asset	**616 142**	**580 059**	**-**	**-**
transfered to the income statement	597 160	568 907	28 253	77 276
transfered to equity	18 982	11 152	-	-
Deferred tax impact on the income statement	**(32 413)**	**(35 531)**	**-**	**-**
transfered to the income statement	(13 431)	(25 575)	12 144	(72 177)
transfered to equity	(18 982)	(9 956)	-	-
Deferred income tax asset (disclosed in the balance sheet)	**32 413**	**35 531**	**-**	**-**
Net deferred tax impact on the income statement	**-**	**-**	**12 144**	**(72 177)**

17. Additional information to the cash flow statement

Cash and cash equivalents

	30.06.2008	31.12.2007	30.06.2007
Cash and balances with the central bank	4 690 825	4 594 084	3 529 707
Current amounts due from financial entities	6 718 740	4 407 342	6 152 410
Total	**11 409 565**	**9 001 426**	**9 682 117**

(in PLN thousand)

Cash flow from operating activities - other adjustments

	01.01-30.06.2008	01.01-30.06.2007
Valuation accrued, interest, discount, premium-on debt securities less deferred tax	(93 298)	33 789
Disposal of tangible fixed assets and intangible assets	4 069	19 596
Valuation, impairment allowances of shares of jontly controlled entities and associates	(47 338)	10 665
Total adjustments	**(136 567)**	**64 050**

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

Gains (losses) on disposal of fixed assets	01.01-30.06.2008	01.01-30.06.2007
Income from sale or disposal of tangible fixed and intangible assets	(4 569)	(3 300)
Costs of disposals and sales of tangible fixed assets and intangible assets	2 108	8 394
Total profit/loss on disposal of fixed assets	**(2 461)**	**5 094**

Interest and dividends	01.01-30.06.2008	01.01-30.06.2007
Interest from securities from available for sale portfolio, disclosed in investing activity	(166 429)	(133 987)
Dividends received, disclosed in investing activity	(1 435)	(51 982)
Total interest and dividends	**(167 864)**	**(185 969)**

Change in amounts due from banks	01.01-30.06.2008	01.01-30.06.2007
Change in the balance sheet's amounts	(2 168 182)	4 970 399
Change in impairment allowances on amounts due from banks	276	53
Elimination of change in cash and cash equivalents	2 311 398	(3 461 259)
Total change	**143 492**	**1 509 193**

Change in loans and advances to customers	01.01-30.06.2008	01.01-30.06.2007
Change in the balance sheet's amounts	(8 914 762)	(7 193 851)
Changes in impairment allowances on loans and advances to customers	(210 029)	(27 946)
Total change	**(9 124 791)**	**(7 221 797)**

Change in amounts due to customers	01.01-30.06.2008	01.01-30.06.2007
Change in the balance sheet's amounts	6 019 390	953 421
Transfer of loans and advances received from non-financial entities/repayment of these loans and advances - to financing activities	19 049	20 137
Total change	**6 038 439**	**973 558**

(in PLN thousand)

Change in provisions and impairment allowances	01.01-30.06.2008	01.01-30.06.2007
Change in the balance sheet amounts	(21 174)	(5 863)
Change in impairment allowances on amounts due from banks	(276)	(53)
Change in impairment allowances on loans and advances to customers	210 029	27 946
Change in the balance of deferred tax provisions related to valuation of an available for sale portfolio included in deferred income tax	9 026	(168)
Total change	**197 605**	**21 862**

Change in other liabilities	01.01-30.06.2008	01.01-30.06.2007
Change in the balance sheet amounts	1 502 668	608 037
Dividend declared	(1 090 000)	(980 000)
Transfer of interest on loans and advances to non-financial entities, presented in financial activities	42 751	2 724
Total change	**455 419**	**(369 239)**

18. Description of differences between the previously published financial statements and these financial statements

Presented below is the summary of significant changes included in the prior published data, restated for comparability purposes:

INCOME STATEMENT
of Powszechna Kasa Oszczędności Bank Polski SA

Title (in relation to changed positions)	**01.01-30.06.2007** presented previously	**01.01-30.06.2007** comparative data	**Difference**
Interest and similar income	2 881 590	2 881 963	373 1)
Interest expense and similar charges	(841 207)	(828 413)	12 794 1)
Fee and commission income	1 252 645	1 267 276	14 631 1)
Fee and commission expense	(271 450)	(303 895)	(32 445) 1), 3)
Net income from financial instruments at fair value through profit or loss	19 467	19 337	(130) 1), 2)
Other operating income	76 511	62 148	(14 363) 1), 2)
Other operating expenses	(41 783)	(46 062)	(4 279) 1), 2)
Administrative expenses	(1 736 881)	(1 713 462)	23 419 3)

1) Change in the manner of disclosing chosen revenues and expenses of a the brokerage house, Dom Maklerski PKO BP SA.
2) Change in the manner of disclosing chosen revenues and expenses from financing activities.
3) Change in the manner of disclosing expenses from KIR, BIK, SWiFT services.

(in PLN thousand)

BALANCE SHEET
of Powszechna Kasa Oszczędności Bank Polski SA

Item (relates to restated items)	**31.12.2007** presented previously	**31.12.2007** comparative data	**Difference**
Amounts due from banks	5 346 882	5 315 799	(31 083) [4)]
Amounts due to customers	85 246 546	85 215 463	(31 083) [4)]

[4)] Change in presentation due to netting off selected balance sheet items of the Bank's units

CASH FLOW STATEMENT
of Powszechna Kasa Oszczędności Bank Polski SA

Item (relates to restated items)	**31.12.2007** presented previously	**31.12.2007** comparative data	**Difference**
Cash at the end of the period	9 032 509	9 001 426	(31 083) [4)]

[4)] Change in presentation due to netting off selected balance sheet items of the Bank's units

Signatures of all Members of the Bank's Management Board

23.09.2008	Jerzy Pruski	President of the Board	.... (signature)
23.09.2008	Bartosz Drabikowski	Vice-President of the Board	.... (signature)
23.09.2008	Krzysztof Dresler	Vice-President of the Board	.... (signature)
23.09.2008	Mariusz Klimczak	Vice-President of the Board	.... (signature)
23.09.2008	Tomasz Mironczuk	Vice-President of the Board	.... (signature)
23.09.2008	Wojciech Papierak	Vice-President of the Board	.... (signature)
23.09.2008	Mariusz Zarzycki	Vice-President of the Board	.... (signature)

Signature of person responsible for maintaining the books of account

23.09.2008

Danuta Szymańska

Director of the Bank
(signature)

PKO BANK POLSKI
SPÓŁKA AKCYJNA

THE PKO BP SA GROUP
DIRECTORS' REPORT
FOR THE FIRST HALF OF 2008

Warsaw, September 2008

CONTENTS

1. KEY FINANCIAL INDICATORS

NET PROFIT	PLN 1 848.3 million	+ 44.0% (y/y)	as a result of increase in income items by 27.1% (y/y), and in expense items by 9.8% (y/y).
RESULTS ON BUSINESS ACTIVITIES*	PLN 4 520.8 million	+ 27.1% (y/y)	as a result of an increase in net interest income by 37.4% (y/y) and in fee and commission income by 7.4% (y/y).
NET INTEREST INCOME	PLN 2 914.4 million	+ 37.4% (y/y)	as a result of a 28.5% (y/y) increase in net loan portfolio and higher deposit margins.
FEE AND COMMISSION INCOME	PLN 1 172.2 million	+ 7.4% (y/y)	as a result of a 3.4% (y/y) increase in the number of banking cards and in the volume of payment card transactions.
COSTS	PLN -2 009.9 million	+ 9.8% (y/y)	as a result of a 10.8% (y/y) increase in staff costs and an increase in amortization and depreciation expense by 12.8% (y/y).
ROE net	30.0%	+ 4.4 bp.	as a result of a 44.0% (y/y) increase in net profit and an increase in equity of 21.7% (y/y).
ROA net	3.1%	+ 0.6 bp.	as a result of a 12.6% (y/y) increase in total assets.

** Result on business activities as the total of income items.*

2. FINANCIAL RESULTS[1]

2.1. The PKO BP SA Group

Consolidated income statement

Chart 1. Movements in the income statement items of the PKO BP SA Group (PLN million)

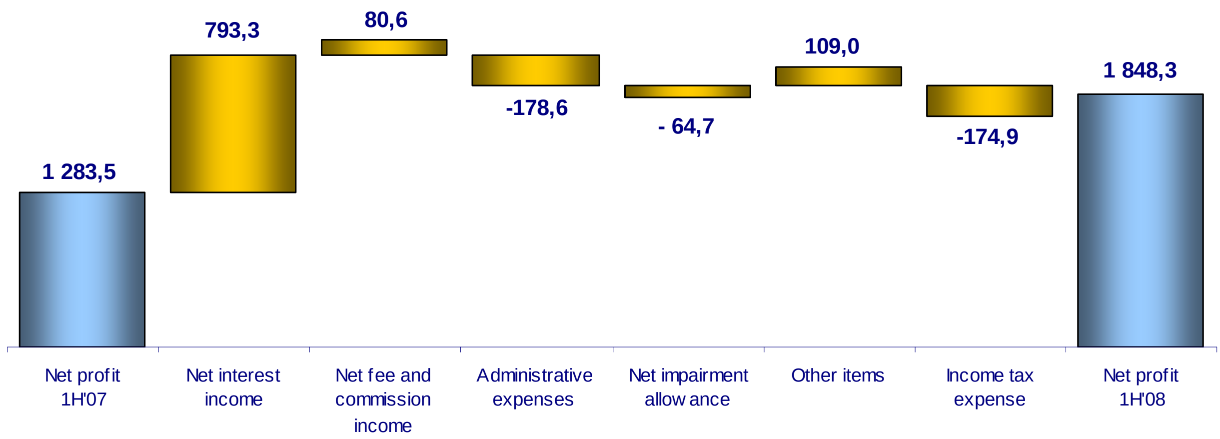


Table 1. Main income items of the PKO BP SA Group (PLN million)

Item	01.01-30.06.2008	01.01-30.06.2007	Change (%)	Comment
Net interest income	2 914.4	2 121.1	37.4%	(+) 37.4% (y/y) mainly as a result of an increase in deposit margins as a consequence of increased market interest rates, and a 28.5% (y/y) increase in the volume of the net loan portfolio.
Net fee and commission income	1 172.2	1 091.5	7.4%	(+) 7.4% (y/y) mainly as a result of an increase in the number of payment cards (3.4% y/y) and the value of payment card transactions. Additionally, net fee and commission income was affected by a growth in fee and commission income from maintenance of bank accounts and a drop in income from portfolio.
Other income	434.1	345.0	25.8%	(+) 25.8% (y/y) as a result of: 1) an increase of net foreign exchange gains by PLN 118.5 million (46.9% y/y); - the effect of increased spreads between the PLN interest rates and foreign interest rates, an increase in sales of loans denominated in foreign currencies, and a decrease in income from financial operations due to an increase in risk aversion on the market. 2) the effect of an increase in net other operating income generated by PKO Inwestycje Sp. z o.o. and eService SA.
Administrative expenses	-2 009.9	-1 831.3	9.8%	An increase of 9.8% (y/y); C/I at the level of 44.5% (-7.02 p.p. y/y) as a result of: 1) an increase in staff costs by 10.8% (y/y) - along with an employment reduction of 500 full time equivalents (y/y) at the Group's level; 2) an increase in depreciation and amortisation expense of 12.8% (y/y), mainly as a result of implementation of the Integrated IT System (ZSI) modules during 2007, along with an overall profitability increase of 27.1% y/y.
Net impairment allowance	-176.7	-112.0	57.7%	A decrease of 57.7% (y/y) resulting from an increase in impairment allowances on corporate loans and a deterioration in the quality of the consumer loan portfolio.

[1] *In this section of the Report, differences in total balances and percentages result from rounding the amounts to PLN million and rounding percentages to one decimal place.*

Table 2. Selected financial data of the PKO BP SA Group (PLN million)

SELECTED FINANCIAL INDICATORS OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP

	01.01-30.06.2008	01.01-30.06.2007	Changes in PLN million	Change in %
Result on business activities*:	**4 520.8**	**3 557.7**	**963.0**	**27.1**
Net interest income	2 914.4	2 121.1	793.3	37.4
Net fee and commission income	1 172.2	1 091.5	80.6	7.4
Net other income	434.1	345.0	89.1	25.8
Administrative expenses	**- 2 009.9**	**- 1 831.3**	**- 178.6**	**9.8**
Operating profit	**2 334.1**	**1 614.3**	**719.8**	**44.6**
Net impairment allowance	- 176.7	- 112.0	- 64.7	57.7
Gross profit	2 350.9	1 614.0	736.9	45.7
Net profit for the period (including minority interest)	1 862.9	1 300.8	562.1	43.2
Net profit for the parent entity	**1 848.3**	**1 283.5**	**564.8**	**44.0**

** result on business activities as total of net income items*

Table 3. Interest income and expense of the PKO BP SA Group (PLN million)

NET INTEREST INCOME OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANKU POLSKIEGO S.A. GROUP

Note	01.01-30.06.2008	Structure 1H 2008	01.01-30.06.2007	Change 1H 2008/ 1H 2007	Comment
Interest income, of which:	**4 175.5**	**100%**	**3 028.2**	**37.9%**	Large interest income growth (+37.9% y/y) as a result of: 1) a 53.1% y/y increase in income from loans and advances to customers - mainly as a result of increased market interest rates and large growth of the loan portfolio (+28.5% y/y), along with: 2) a decrease of income from securities at fair value through profit or loss (-21.8% y/y); 3) a decrease of income from deposits with other banks (-25.1% y/y) as a result of a decrease in the average level of deposits by approx. 50% y/y*.
Loans and advances to customers	**3 496.0**	83.7%	2 283.0	53.1%	
Financial assets designated at fair value through profit or loss	**236.7**	5.7%	302.6	-21.8%	
Placements with other banks	**207.8**	5.0%	277.5	-25.1%	
Investment securities	**156.0**	3.7%	124.2	25.6%	
Trading securities	**31.8**	0.8%	8.5	3.7x	
Other	**47.1**	1.1%	32.3	45.8%	
Interest expenses, of which:	**- 1 261.1**	**100.0%**	**- 907.0**	**39.0%**	An increase in interest expense of 39% (y/y) - a result of an increase in amounts due to customers (+38.3% y/y), and a decrease in amounts due to other banks (-18.8% y/y).
Amounts due to customers	**- 1 107.6**	87.8%	- 801.0	38.3%	
Deposits from other banks	**- 45.0**	3.6%	- 55.4	-18.8%	
Debt securities in issue	**- 59.8**	4.7%	- 3.9	15.5x	
Other	**- 48.7**	3.9%	- 46.8	4.2%	
Net interest income	**2 914.4**	**x**	**2 121.1**	**37.4%**	Net interest income for the first half of 2008 was higher than in the first half of 2007 by PLN 793 million, which was due to an increase in interest income of 1 147 PLN million and an increase in interest expense of 354 PLN million.

** the average level of placements with other banks was calculated on the basis of management data of the Bank. 99% of the consolidated balance sheet item "Placements with other banks" accounts for the Bank.*

Table 4. Fee and commission income and expenses of the PKO BP SA Group (PLN million)

FEE AND COMMISSION INCOME OF POWSZECHNA KASA OSZCZĘDNOŚCI BANKU POLSKIEGO SA

Note	01.01-30.06.2008	Structure 1H 2008	01.01-30.06.2007	Change 1H2008 / 1H 2007	Comment
Fee and commission income, of which:	**1 532.1**	**100.0%**	**1 432.4**	**7.0%**	Fee and commission income increased of 7.0% y/y as a result of: 1) an increase in fee and commission income from payment card services (29.2% y/y), facilitated by an increase in the number of payment cards of 3.4% y/y, and an increase in the volume of payment card transactions of 9% y/y; 2) an increase in fee and commission income from maintenance of bank accounts (+ 8.7%y/y), along with a decrease in portolio and other management fees by 7.4% y/y (an effect economic situation on the stock exchange, which resulted in lower interest of clients in capital market).
Credit related fee and commissions	416.4	27.2%	383.2	8.7%	
Payment cards	415.9	27.1%	321.9	29.2%	
Loan and advances granted	123.3	8.0%	130.3	-5.4%	
Loan insurance	109.1	7.1%	92.5	18.0%	
Cash transactions	97.0	6.3%	104.1	-6.9%	
Investment fund services	228.9	14.9%	247.2	-7.4%	
Securities operations	22.9	1.5%	51.8	-55.7%	
Other*	118.6	7.7%	101.4	16.9%	
Fee and commission expenses, of which:	**- 359.9**	**100.0%**	**- 340.9**	**5.6%**	An increase in fee and commission expense was mostly determined by expenses relating to payment card services due to a dynamic increase in the number of payment cards and the volume of payment card transactions (to a smaller extent).
Payment cards	- 146.5	40.7%	- 118.5	23.6%	
Acquisition services	- 65.4	18.2%	- 62.9	3.9%	
Loan insurance	- 47.7	13.3%	- 45.9	3.9%	
Asset management	- 43.4	12.1%	- 48.2	-10.0%	
Other	- 57.0	15.8%	- 65.4	-12.9%	
Net fees and commission income	**1 172.2**	**x**	**1 091.5**	**7.4%**	Fee and commission income in the first half of 2008 was higher than in the first half of 2007 by 81 PLN million, mainly as a result of a increase in income generated from payment card transactions.

**including distribution of value marks, mass foreign operations, trustee services, guarantees, letters of credit and other.*

Table 5. Administrative expenses of the PKO BP SA Group (PLN million)

ADMINISTRATIVE EXPENES OF POWSZECHNA KASA OSZCZĘDNOŚCI BANKU POLSKIEGO SA					
Note	**01.01-30.06.2008**	**Structure 1H 2008**	**01.01-30.06.2007**	**Change 1H 2008/ 1H 2007**	**Comment**
Staff costs	-1158.4	57.6%	-1045.0	10.8%	Increase of 9.8% y/y mainly as a result of: 1) an increase in staff costs by 10.8% y/y, 2) an increase in amortization and depreciation expense by 12.8% y/y (implementation of the ZSI modules).
Non-personnel costs	-643.6	32.0%	-602.1	6.9%	
Depreciation and amortisation	-207.9	10.3%	-184.3	12.8%	
Total	**-2 009.9**	**100.0%**	**-1 831.3**	**9.8%**	

Table 6. Key financial ratios of the PKO BP SA Group

Ratios			
Note	**As at 30.06.2008**	**As at 30.06.2007**	**Change**
ROA gross (gross profit / average total assets)	3.9%	3.1%	0.83 p.p.
ROA net (net profit / average total assets)	3.1%	2.5%	0.65 p.p.
ROE gross (gross profit / average total equity)	37.7%	32.0%	5.64 p.p.
ROE net (net profit / average total equity)	30.0%	25.7%	4.39 p.p.
C/I (costs to income ratio)	44.5%	51.5%	-7.02 p.p.

The consolidated balance sheet – main items

The balance sheet of the parent entity constitutes the most important component of the consolidated balance sheet. It determines both the total assets and the structure of assets and liabilities. As at 30 June 2008, the relation of PKO BP SA's total assets to the Group's total assets was 97.2%.

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

BALANCE SHEET OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANKU POLSKIEGO S.A. GROUP						
Note	**As at 30.06.2008**	**Structure 1 H 2008**	**Change 1 H 2008/2007**	**As at 31.12.2007**	**Structure 2007**	**Comment**
Cash and balances with the central bank	4 790.5	4.1%	2.3%	4 682.6	4.3%	An increase in assets by 9.1 PLN billion (1H'2008/2007), resulted from an increase in the loan portfolio of 9.2 PLN billion (1H'2008/2007), along with a decrease in securities of PLN 3.2 billion (1H'2008/2007).
Amounts due from banks	7 286.4	6.2%	38.5%	5 261.2	4.8%	
Loans and advances to customers	85 663.0	72.8%	12.1%	76 417.1	70.4%	
Securities	12 080.9	10.3%	-20.7%	15 233.6	14.0%	
Other assets	7 801.7	6.6%	12.4%	6 943.0	6.4%	
TOTAL ASSETS	**117 622.5**	**100.0%**	**8.4%**	**108 537.6**	**100.0%**	
Amounts due to other banks	4 749.4	4.0%	1.0%	4 704.4	4.3%	An increase in financial assets resulted mainly from an increase in amounts due to customers by 6.0 PLN billion (1H'2008/2007).
Amounts due to customers	92 576.0	78.7%	6.9%	86 579.5	79.8%	
Debt securities in issue and subordinated liabilities	1 759.8	1.5%	-1.9%	1 793.7	1.7%	
Other liabilities	5 865.5	5.0%	68.5%	3 480.9	3.2%	
TOTAL LIABILITIES	**104 950.6**	**89.2%**	**8.7%**	**96 558.6**	**89.0%**	
Total equity	**12 671.9**	**10.8%**	**5.8%**	**11 979.0**	**11.0%**	
TOTAL LIABILITIES AND EQUITY	**117 622.5**	**100.0%**	**8.4%**	**108 537.6**	**100.0%**	

Table 8. Loans and advances to customers of the PKO BP SA Group – structure by type (PLN million)

LOANS AND ADVANCES TO CUSTOMERS OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANKU POLSKIEGO S.A. GROUP					
Structure	**As at 30.06.2008**	**As at 31.12.2007**	**Change in PLN mln**	**Change in %**	**Comment**
Gross loans and advances to customers, of which:	88 293.6	78 832.8	9 460.9	12.0%	An increase of the gross loan portfolio of 12.0% in 1H2008/2007 along with a change in its sector structure: a decrease in the share of loans and advances to the budgetary sector of 1.2 p.p., and the increase in loans and advances to the non-financial sector of 0.9 p.p.
financial sector (other than banks)	1 550.5	1 221.2	329.3	27.0%	
non-financial sector	83 641.7	73 934.1	9 707.6	13.1%	
budgetary sector	3 101.4	3 677.4	- 576.1	-15.7%	
Impairment allowances for losses on loans and advances	- 2 630.6	- 2 415.6	- 215.0	8.9%	
Net loans and advances to customers	**85 663.0**	**76 417.1**	**9 245.9**	**12.1%**	

Table 9. Loans and advances to the PKO BP SA Group – structure by contractual terms (PLN million)

LOANS AND ADVANCES TO CUSTOMERS OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANKU POLSKIEGO S.A. GROUP

Term structure	As at 30.06.2008	Structure 1 H 2008	As at 31.12.2007	Structure 2007	Comment
Contractual values of gross loans and advances, of which:	**88 397.8**	**100.0%**	**78 966.5**	**100.0%**	
up to 1 month	14 961.6	16.9%	12 472.2	15.8%	A large increase of the loan portfolio of the Bank was characterized by an increase in the share of loans with maturities above 5 years of 2.9 p.p. due to extensive sales of mortgage loans; on the other hand, a decrease in the share of loans and advances with maturities from 1 month to 1 year.
from 1 to 3 months	1 732.9	2.0%	1 857.2	2.4%	
from 3 months to 1 year	6 782.8	7.7%	8 175.5	10.4%	
from 1 year to 5 years	25 496.6	28.8%	23 526.1	29.8%	
above 5 years	39 423.8	44.6%	32 935.5	41.7%	
Impairment allowances, adjustment and accrued interests	**- 2 734.8**	**x**	**- 2 549.4**	**x**	
Net loans and advances	**85 663.0**	**x**	**76 417.1**	**x**	

Table 10. Amounts due to the customers of the PKO BP SA Group - structure by type (PLN million)

AMOUNTS DUE TO CUSTOMERS OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANKU POLSKIEGO S.A. GROUP

Structure	As at 30.06.2008	As at 31.12.2007	Change in PLN mln	Change in %	Comment
Amounts due to corporate clients	14 796.9	15 639.5	- 842.6	-5.4%	An increase of the amounts due to customers of 6.9% (1H2008/2007) resulted from an increase in amounts due to retail customers (+7.8% 1H2008/2007). On the other hand, - a decrease in amounts due to corporate clients (-5.4% 1H2008/2007).
Amounts due to the budgetary clients	6 331.1	4 691.2	1 639.9	35.0%	
Amounts due to retail customers	71 447.9	66 248.8	5 199.2	7.8%	
Total amounts due to customers	**92 576.0**	**86 579.5**	**5 996.4**	**6.9%**	

Table 11. Amounts due to customers of the PKO BP SA Group – structure by contractual terms (PLN million)

AMOUNTS DUE TO CUSTOMERS OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANKU POLSKIEGO S.A. GROUP

Term structure	As at 30.06.2008	Structure 1 H 2008	As at 31.12.2007	Structure 2007	Comment
Contractual values of term liabilities, of which:	90 898.1	100.0%	85 008.9	100.0%	Change in the term structure of amounts due to customers was chacacterized by a 5.3% (1H2008/2007) increase in the share of liabilities with maturities longer than 3 months, at the cost of liabilities with shorter maturities. Increasing interest rates in Poland influenced customers preferences in investing cash surpluses by transfering cash from current deposits to term deposits.
up to 1 month	60 567.9	66.6%	60 642.0	71.3%	
from 1 to 3 months	9 938.7	10.9%	9 772.5	11.5%	
from 3 months to 1 year	17 819.3	19.6%	13 100.3	15.4%	
from 1 year to 5 years	2 289.9	2.5%	1 249.2	1.5%	
above 5 years	282.2	0.3%	245.0	0.3%	
Acrrued interests	1 677.9	x	1 570.6	x	
Total	**92 576.0**	**x**	**86 579.5**	**x**	

Equity and capital adequacy ratio

Table 12. Equity and capital adequacy ratio of the PKO BP SA Group (PLN million)

THE POWSZECHNA KASA OSZCZĘDNOŚCI BANKU POLSKIEGO S.A. GROUP EQUITY

Note	As at 30.06.2008	As at 31.12.2007	Change 1 H 2008/2007	Comment
Equity, of which:	**12 671.9**	**11 979.0**	**5.8%**	+ 5.8% (1H2008/2007) - due to retained earnings. 59.93% of the net profit for 2007 has been committed to reserve capital and other reserves.
Share capital	1 000.0	1 000.0	0.0%	
Reserve capital	7 226.5	5 592.3	29.2%	
General banking risk fund	1 070.0	1 070.0	0.0%	
Other reserves	1 523.0	1 518.0	0.3%	
Revaluation reserve	- 85.9	- 43.1	99.5%	
Currency translation differences from foreign operations	- 54.0	- 47.8	13.0%	
Retained earnings	102.3	- 72.2	x	
Net profit for the period	1 848.3	2 903.6	-36.3%	
Minority interest	41.7	58.1	-28.2%	
Equity	**10 961.6**	**9 983.4**	**9.8%**	The change is determined by large retained earnings.
Capital adequacy ratio (%)	**10.93**	**12,02***	**-1.09 bp.**	-1.09 p.p. (1H2008/2007) - mainly due to introduction of new operational risk capital requirements.

*the capital adequacy ratio as at 31 December 2007 has been calculated based on data that has been transformed to acknowledge changes in the Banking Act and the Resolution No. 2/2007 of the Banking Supervisory Commission. Capital requirement - lack of comparability (as at 30 June 2008 it has been calculated in accordance with New Basel Accord; arisen difference resulted from different methodology of calculating capital requirements for credit and operational risk).

2.2. PKO BP SA

Chart 2. Movements in the income statement items of PKO BP SA (PLN million)

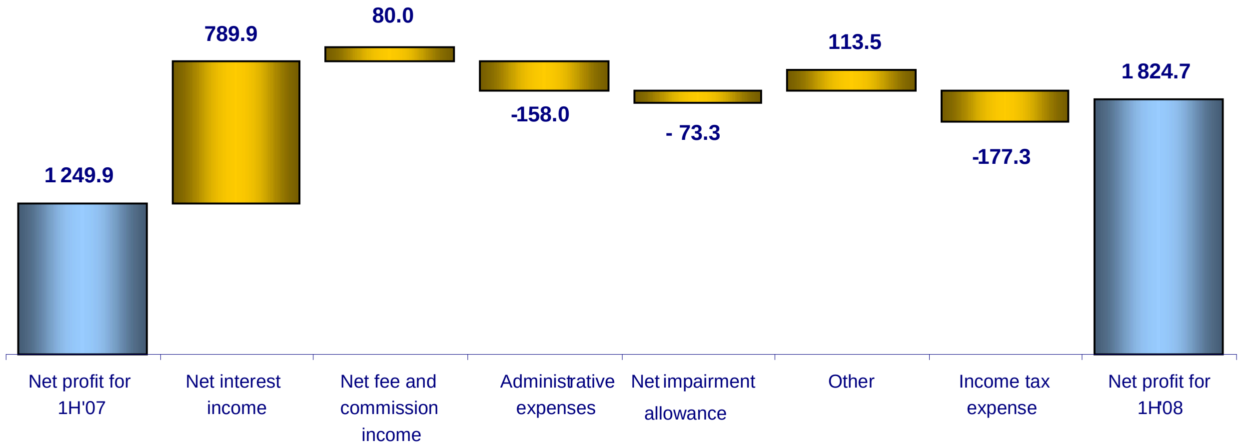


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Table 13. Main income statement items of PKO BP SA (PLN million)

Item	01.01 - 30.06.2008	01.01-30.06.2007	Change 1H 2008/ 1H 2007	Comment
Net interest income	2 843.5	2 053.6	38.5%	(+) 38.5% (y/y) - mainly as a result of increased deposit margins due to increased market interest rates and a 28.2% (y/y) increase in the volume of the net loan portfolio.
Net fee and commission income	1 043.4	963.4	8.3%	(+) 8.3% (y/y) - mainly as a result of an increase in the number of payment cards (3.4% y/y) and the volume of payment card transactions; on the other hand - an decrease in portfolio and other management fees.
Other net income	452.2	338.7	33.5%	(+) 33.5% (y/y) as a result of: **1)** higher dividend income by PLN 60.8 million, **2)** increase of net foreign exchange gains of 46.8% (y/y) - the effect of increased spreads between PLN interest rates and foreign interests rates and an increase in sales of loans denominated in foreign currencies, along with a drop in income from financial operations due to risk aversion on the financial market.
Administrative expenses	-1 871.5	-1 713.5	9.2%	An increase of 9.2% (y/y); and C/I at the level of 43.1% (-7.93 p.p. y/y) resulted from: **1)** an increase of staff costs increase of 10.1% and employment reduction of 1089 full time equivalents (y/y) (as at 30.06.2008: 30 220 full time equivalents); **2)** an increase in amortisation and depreciation expense of 12.1% (y/y) maily due to implementation of the IT System (ZSI) modules during 2007, along with an overall profitability increase of 29.3% (y/y).
Net impairment allowance	-184.6	-111.3	65.9%	A decrease of 65.9% (y/y) resulting from an increase in impairment allowances on corporate loans and a deterioration in the quality of the consumer loan portfolio.

Table 14. Interest income and expense of PKO BP SA (PLN million)

NET INTEREST RESULT OF THE PKO BP SA

Note	01.01-30.06.2008	Structure 1H 2008	01.01-30.06.2007	Change 1H 2008/ 1H 2007	Comment
Interest income, of which:	**3 996.8**	**100.0%**	**2 882.0**	**38.7%**	A substantial increase from the net interest income (38.7% y/y) - mainly due to an increase in income from loans and advances to customers (54.9% y/y) mainly as a consequence of increased interest rates and an increase of the loan portfolio (+ 28.2% y/y).
Loans and advances to customers	3 319.4	83.1%	2143.4	54.9%	
Financial assets designated at fair value through profit or loss	231.7	5.8%	296.8	-21.9%	
Amounts due from other banks	207.3	5.2%	274.0	-24.3%	
Investment securities	159.5	4.0%	124.2	28.4%	
Trading securities	31.8	0.8%	11.2	183.2%	
Other	47.1	1.2%	32.3	45.8%	
Interest expenses, of which:	**-1153.3**	**100.0%**	**-828.4**	**39.2%**	An overall increase of 39.2% y/y - mainly due to an increase in amounts due to customers (42.0% y/y) and an increase in costs relating to subordinated liabilities in issue.
Amounts due to customers	-1050.3	91.1%	-739.9	42.0%	
Placements with other banks	-45.0	3.9%	-55.4	-18.8%	
Debt securities in issue	-53.8	4.7%	-	x	
Other	-4.3	0.4%	-33.1	-87.2%	
Net interest income	**2 843.5**	**x**	**2 053.6**	38.5%	Net interest income for the first half of 2008 was higher by PLN 790 million than for the first half of 2007. Interest income increased by PLN 1 115 million whereas interest expense increased by PLN 325 million.

Table 15. Fee and commission income and expense of PKO BP SA (PLN million)

NET FEE AND COMMISSION INCOME
POWSZECHNA KASA OSZCZĘDNOŚCI BANKU POLSKIEGO SA

Note	01.01-30.06.2008	Structure 1H 2008	01.01-30.06.2007	Change 1H 2008/ 1H 2007	Comment
Fee and commision income, of which:	**1376.6**	**100.0%**	**1267.3**	**8.6%**	An increase in fee and commision income of 8.6% y/y resulted from, among others: 1) an increase in the number of payment cards (+3.4% y/y), and the volume of payment card transactions, 2) an increase in income from maintenance of bank accounts and a decrease in portfolio and other management fees as a response to a depreased stock exchange market.
Maintenaince of bank accounts	403.7	29.3%	372.7	8.3%	
Payment cards	412.7	30.0%	319.7	29.1%	
Credit related fees and commissions	121.2	8.8%	126.2	-4.0%	
Loan insurance intermediary	109.1	7.9%	92.5	18.0%	
Cash transactions	97.0	7.0%	104.0	-6.8%	
Portfolio and other management fees	96.0	7.0%	106.0	-9.5%	
Fees and commission related to securities transactions	22.9	1.7%	51.8	-55.7%	
Other*	114.0	8.3%	94.4	20.8%	
Fee and commission expenses, of which:	**-333.2**	**100.0%**	**-303.9**	**9.7%**	An increase of fee and commission expenses was determined by expenses associated with an increase in the number of payment cards and the volume of payment card transactions.
Payment cards	-163.8	49.1%	-131.0	25.0%	
Acquisition services	-65.3	19.6%	-62.9	3.9%	
Loan insurance intermediary	-47.7	14.3%	-45.9	3.9%	
Other	-56.4	16.9%	-64.1	-12.0%	
Net fee and commission income	**1043.4**	**x**	**963.4**	**8.3%**	In the first half of 2008 net fee and commission income was by approx. PLN 80 million higher than in the first half of 2007, due to an increase in commission income by approx. PLN 109 million.

*including distribution of value marks, mass foreign operations, trustee services, guarantees, letters of credit and other.

Table 16. Administrative expenses of PKO BP SA (PLN million)

ADMINISTRATIVE EXPENES OF
POWSZECHNA KASA OSZCZĘDNOŚCI BANKU POLSKIEGO SA

Note	01.01-30.06.2008	Structure 1H 2008	01.01-30.06.2007	Change 1H 2008/ 1H 2007	Comment
Staff costs	- 1 082.3	57.8%	- 983.4	10.1%	Increase of 9.2% (y/y) - mainly as a result of: 1) an increase in staff costs of approx. 10.1% y/y; 2) an increase in non-personel costs of approx. 7.0% y/y.
Non-personnel costs	- 614.6	32.8%	574.3	7.0%	
Depreciation and amortisation	- 174.6	9.3%	- 155.8	12.1%	
Total	**- 1 871.5**	**100.0%**	**-1 713.5**	**9.2%**	

Table 17. Key financial ratios of PKO BP SA

Ratios			
Item	**As at 30.06.2008**	**As at 30.06.2007**	**Change**
ROA gross (gross profit / average total assets)	3.8%	2.9%	0.84 p.p.
ROA net (net profit / average total assets)	3.1%	2.4%	0.64 p.p.
ROE gross (gross profit / average total equity)	35.9%	30.1%	5.83 p.p.
ROE net (net profit / average total equity)	29.0%	24.6%	4.37 p.p.
C/I (costs to income ratio)	43.1%	51.1%	-7.93 p.p.

Table 18. Main items of the balance sheet of PKO BP SA (PLN million)

BALANCE SHEET OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI S.A.

Item	As at 30.06.2008	Change 30.06.2008/ 31.12.2007	Comments
Cash and bances with the central bank	4 690.8	2.1%	An increase in assets of PLN 9.0 billion - due to an increase in loans and advances to customers of PLN 8.9 billion (+12.1% 1H'08/2007) and an increase in amounts due from banks of PLN 2.2 billion (40.8% 1H'08/2007).
Amounts due from banks	7 484.0	40.8%	
Loans and advances to customers	82 737.0	12.1%	
Investment securities	12 108.3	-20.1%	
Other assets	7 278.8	12.6%	
TOTAL ASSETS	**114 298.8**	**8.5%**	
Amount due to banks	3 506.1	-3.3%	An increase in financial assets - the effect of an increase in amounts due to customers of PLN 6.0 billion (+ 7.1% 1H'08/2007) and an increase in equity resulting from retained earnings (+5.9% 1H'08/2007).
Amounts due to customers	91 234.9	7.1%	
Debt securities in issue and subordinated liabilities	1 617.4	0.2%	
Other liabilities	5 514.6	74.8%	
TOTAL LIABILITIES	**101 873.0**	**8.8%**	
Total equity	12 425.8	5.9%	
TOTAL LIABILITIES AND EQUITY	**114 298.8**	**8.5%**	
Loans/Deposits (Amounts due to customers)	90.7%	4.1 p.p.	(+) 4.1 pp. - due to an increase in loans of 12.1% (1H'08/2007) and an increase in deposits of 7.1%.
Interest bearing assets/Assets	89.5%	0.0 p.p.	Their ratio remained on a stable level.
Interest paying liabilities/Liabilities	83.3%	-1.4 p.p.	(-) 1.4 pp. - due to an increase in the share of the total balance of liabilities and equity.

3. BUSINESS DEVELOPMENT

3.1. Overall strategy for the period 2008-2012

One of the overall objectives of PKO BP SA is to build a strong financial group. The Bank is taking steps to improve effectiveness of capital investments. It is focusing on development of the existing entities with an aim of extending the Group's product offer and, at the same time, it is open to new investments in financial entities operating in Poland and in the Central and Eastern Europe region. The Bank has the capacity to undertake new capital investments. Each potential undertaking shall be individually adjusted to the level of the Bank's available funds.

3.2. Business segments[2]

3.2.1. Retail segment

3.2.1.1. Activities of PKO BP SA

As at 30 June 2008, the total value of deposits of the retail segment of PKO BP SA and assets managed by PKO TFI was PLN 86.9 billion. Since the beginning of the year, the volume decreased by PLN 0.8 billion (i.e. 0.9%) as a result of a depressed stock exchange (a decrease in the volume of assets managed by PKO TFI of 27.5% since the beginning of the year, along with an increase in deposit volumes by 5.4% since the beginning of the year).

Table 19. Deposits of PKO BP SA and assets managed by PKO TFI (PLN million)[3]

Items	As at 30.06.2008	As at 31.12.2007	As at 30.06.2007	As at 31.12.2007	As at 30.06.2007
Client deposits, of which:					
- retail and private banking	58 018	53 702	54 088	8.0%	7.3%
- small and medium enterprizes	6 648	6 949	5 689	-4.3%	16.9%
- housing market clients	10 087	10 277	10 167	-1.9%	-0.8%
Total deposits	**74 753**	**70 928**	**69 943**	**5.4%**	**6.9%**
Assets under PKO TFI's management	**12 099**	**16 685**	**14 563**	**-27.5%**	**-16.9%**
Total clients' savings	**86 852**	**87 614**	**84 506**	**-0.9%**	**2.8%**

Source: management information of PKO BP and PKO TFI.

As at 30 June 2008, the gross value of loans and advances to the retail segment of PKO BP SA was PLN 63.3 billion, constituing an increase of PLN 5.3 billion (i.e. 9.1%) since the beginning of the year.

Table 20. Gross loans and advances of PKO BP SA (PLN million)*

Items	As at 30.06.2008	As at 31.12.2007**	As at 30.06.2007**	As at 31.12.2007	As at 30.06.2007
Gross loans and advances*), of which:					
- retail and private banking	17 202	16 406	14 831	4.8%	16.0%
- small and medium enterprizes	8 146	6 904	5 760	18.0%	41.4%
- mortgage banking	32 966	30 284	26 135	8.9%	26.1%
- housing market (including supported by the State budget)	5 011	4 465	3 548	12.2%	41.2%
Total	63 325	**58 059**	**50 274**	**9.1%**	**26.0%**

** without interest due and interest not due*

*** data for the year of 2007 restated for comparative purposes*

Source: management information of PKO BP.

Table 21. Accounts and payment cards of PKO BP SA (thousand of units)

Items	As at 30.06.2008	As at 31.12.2007	As at 30.06.2007	Change since: 31.12.2007	Change since: 30.06.2007
Total number of accounts, of which:	**6 269**	**6 207**	**6 134**	**62**	**135**
- current and savings accounts	5 591	5 548	5 506	43	85
- Inteligo current accounts	678	659	627	19	50
Total number of banking cards, of which:	**7 397**	**7 269**	**7 156**	**101**	**241**
- credit cards	1 042	1 010	972	32	70

[2] The volumes of loans and deposits of particular segments presented in this section do not comprise allocation of 'other deposits' and 'other loans and advances' (the volumes presented in previous reports included allocation by objects).
[3] In the year of 2007 resegmentation of corporate deposits took place where a portion of corporate deposits was moved to the small and medium enterprises category. The shift did not have a significant impact on the data presented.

Table 22. Branches and ATMs of PKO BP SA

Items	As at 30.06.2008	As at 31.12.2007	As at 30.06.2007	Change since: 31.12.2007	Change since: 30.06.2007
Total number of branches	1 219	1 233	1 233	- 14	- 14
Retail Market Area:	**1 151**	**1 150**	**1 150**	**1**	**1**
Regional retail branches	12	12	12	-	-
Retail teams	574	574	574	-	-
Retail centers	565	564	564	1	1
Number of ATM's	**2 266**	**2 106**	**2 088**	**160**	**178**

Table 23. Activities and achievements of PKO BP SA in the retail segment in the first half of 2008

Product	Product's characteristics
Indexed Bonds	In the period from 12 December 2007 to 18 January 2008, the Bank offered Trend Spotter Indexed Bonds, which are currently traded on the Warsaw Stock Exchange. The bonds had 3-year terms, the minimal subscription price was PLN 5,000, and the index, composed by Barclays Capital, was based on six underlying assets of various industry sectors.
Max Lokata	In the period from 28 January to 24 February 2008, the Bank offered an annual deposit called "Max Lokata". The product bore a 6% annual interest rate during a 12-month period. The contract of the product was flexible in a sense that it allowed for partial withdrawals of funds during its term.
Indian Bonds	From 18 March to 4 April 2008 the Bank offered 2-year Indian Bonds ("Tygrys gospodarczy"). The product gave an investor an opportunity to invest in shares of the eight most popular Indian companies listed on BSE SENSEX 30. Payment of initial capital at maturity is guaranteed.
Guaranteed Profit	The Guaranteed Profit product ('Gwarantowany Zysk') was offered from 27 March to 17 April 2008 in co-operation with PZU Życie SA. The product is a group endowment policy.
Energy Bonds	From 28 May to 18 June 2008 the Bank offered 2-year structured Energy Bonds ("Obligacje Energetyczne") listed on the Warsaw Stock Exchange with a minimum subscription of PLN 20,000. The interest rate on the bonds is dependant upon an increase in the value of a portfolio of four main energy sources.
Olimpic Deposit	From 24 June to 24 July 2008 the Bank offered a 16-month structured deposit marketed under the name Olympic Deposit ('Lokata Olimpijska'). The interest rate depends on EUR/PLN exchange rate throughout the life of the placement.
e-Banking	The Bank has increased the offer of deposits for retail clients, offering savings accounts as a part of the Inteligo account. The product offers an interest rate which is dependent on the size of the initial investment with a maximum limit of 5.3%. The product has been offered since 23 April 2008. The account is accessed by website and phone.

3.2.1.2. Activities of the PKO BP SA Group

Table 24. Activities and achievements of the PKO BP SA Group's entities in the retail segment in the first half of 2008

SUBSIDIARY	SIGNIFICANT EVENTS OF THE FIRST HALF OF 2008
PKO Towarzystwo Funduszy Inwestycyjnych SA	1. The value of net asset of PKO Towarzystwo Funduszy Inwestycyjnych S.A. equalled PLN 85 820 thousand as at 30 June 2008. 2. At at the end of June 2008, the entity generated net income of PLN 64 766 thousand (PLN 49 165 thousand as at 30 June 2007). 3. The value of the Funds' assets managed by PKO Towarzystwo Funduszy Inwestycyjnych SA amounted to PLN 12.1 billion at the end of June 2008, constituing a 12.4% share in the investment funds market, which is the third largest market share (market share and the entity's place in the investment funds market in the first half of 2008 did not change in comparison with the end of 2007). 4. The Annual General Meeting approved a distribution of dividends for the year 2007 in the gross amount of PLN 123 million, including PKO BP SA dividends to PKO BP SA in the gross amount of PLN 92.25 million.
Centrum Elektronicznych Usług Płatniczych eService SA	1. As at 30 June 2008, net assets of Inteligo Financial Services SA equalled PLN 53 499 thousand. 2. As at the end of June 2008, the entity generated net income of PLN 13 086 thousand (PLN 9 350 thousand as at the end of June 2007). The increase in the net income was facilitated by an increase in profitability of sales branches and extending of their functionalities, for instance increasing sales of mobile phone recharge services and increasing the number of cash withdrawals from branches of PKO BP SA and Poczta Polska. 3. The number of e-Service terminals increased to 49 077 at the end of June 2008, which constitutes a 6.5% increase in comparison with the end of 2007. In terms of installed terminals, Company's market share amounted to 29.0% (as estimated by the Company). 4. In the first half of 2008, transactions with a total value of PLN 8.8 billion were generated in the use of eService SA terminals. This constitutes an increase of 28.6% in comparison with the first half of 2007. In terms of the value of transactions, the Company's market share amounted to 28.3% (as estimated by the Company).

SUBSIDIARY	SIGNIFICANT EVENTS OF THE 2ND QUARTER OF 2008
KREDOBANK SA	1. Total net assets of KREDOBANK SA at 30 June 2008 amounted PLN 198 424 thousand (UAH 425 619 thousand). 2. In the first half of 2008 KREDOBANK SA generated net profit of PLN 2 934 thousand (UAH 6 294 thousand). In the first half of 2007, the entity generated net profit of PLN 2 535.8 thousand (UAH 4 559.2 thousand). 3. The Bank's gross loan portfolio increased by PLN 146 million (UAH 429 million), i.e. 8.6% and as at 30 June 2008, amounted to PLN 1 854 million (UAH 3 977 million). 4. Clients' term deposits increased by PLN 195 million (UAH 485 million), i.e. 20%, and as at 30 June 2008, amounted to PLN 1 172 million (UAH 2 515 million). 5. At the end of 30 June 2008, the outlets network of KREDOBANK SA consisted of 26 centers and 161 subordinated branches in 19 out of 24 Ukrainian districts and in the Independent Republic of the Crimea. During the first half of 2008, the network increased by 2 branches and 5 centers. 6. In the first half of 2008 KREDOBANK SA received from PKO BP SA a subordinated loan in the amount of USD 10 million with maturity on 15 April 2016. 7. In the first half of 2008, KREDOBANK SA entered with PKO BP SA into revolving loan for a total of USD 95 million. 8. In June 2008, KREDOBANK SA initiated an issue of bonds for a total amount of UAH 50.75 and with a maturity on 27 June 2013. Funds obtained from the issue will be used for log-term financing of corporate entities. As at 30 June 2008, the subscription has not ended. 9. KREDOBANK offers a vast spectrum of services related to international undertakings. It cooperates within an international settlements with financial institutions in 17 countries. It has 46 nostro accounts and 59 loro accounts. The financial information of KREDOBANK SA as at 30 June 2008 was recalculated according to the average NBP exchange rate prevailing as at 30 June 2007, i.e. 1UAH = PLN 0.5562, at 31 December 2007 at the rate of 1UAH = PLN 0.4814, and at 31 June 2008 at the rate of 1 UAH = PLN 0.4662.
Powszechne Towarzystwo Emerytalne BANKOWY SA	1. As at 30 June 2008, the value of net assets of the PTE Bankowy SA Group (PTE BANKOWY SA and its subsidiary, Finanse Agent Transferowy Sp. z o.o.) amounted to PLN thousand 126 965. 2. The PTE Bankowy SA Group generated net profit of PLN 12 157 as at the end of June 2008 (PLN thousand 9 626 as at the end of June 2007). 3. Net assets under the management of BANKOWY OFE amounted to PLN 4 071 million, which is a decrease of 4.8% as compared to the end of 2007. The decrease in Bankowy OFE's net assets value was mainly caused by falling stock prices on depressed Warsaw Stock Exchange. 4. At at 30 June 2008, the number of investment accounts with BANKOWY OFE amounted to 472 765. 5. As at the end of June 2008, Bankowy OFE took 8th position in the market in respect of OFEs' assets value and 9th position in the market in respect of the number of active member accounts.
Inteligo Financial Services SA	1. The entity's net assets amounted to 109 062 thousand at the end of June 2008. 2. The net profit for the first half of 2008 amounted to 13 910 thousand (PLN 6 955 thousand for the first haf of 2007) 3. The value of deposits on Inteligo accounts increased in the first half of 2008 by PLN 134 million, and amounted to PLN 2 198 million. The increase in deposits in the first half of 2008 was larger than in the first half of 2007 by PLN 60 million. 4. At the end of June 2008, the entity enabled access to electronic bank systems to approximately 2.28 million of PKO BP SA customers using iPKO services, and serviced over 597 thousand of clients within the Inteligo account. 5. In March 2008, electronic services offered prevoiusly under the name of PKO Inteligo changed its name into iPKO. This was one of the elements of implementation of a new strategy for development of electonical servicing by PKO BP SA. 6. In April 2008, the Company signed a contract with Polska Telefonia Cyfrowa Sp. z o.o. regarding cooperation on offering telecommunication services.
PKO Inwestycje Sp. z o.o.	1. Net assets of the PKO Inwestycje Sp. z o.o. Group (PKO Inwestycje Sp z o.o. and its subsidiaries) amounted to PLN 83 104 thousand at 30 June 2008. 2. The PKO Inwestycje Sp z o.o Group generated net profit of PLN 2 409 thousand in the first half of 2008 (it incurred net loss of PLN 9 268 thousand in the first half of 2007). The fluctuations stem from the method of accounting for revenue from the construction undertakings. 3. In the first half of 2008, the company's activities focused on the following construction and development undertakings: the 'Nowy Wilanów' project through the company Wilanów Investments Sp. z o.o., the 'Neptun Park' project through the company POMERANKA Sp. z o.o., the 'Kuzminska' project through the company UKRPOLINWESTYCJE Sp. z o.o., the 'Osiedle Jantar' project through the company ARKADIA Inwestycje Sp. z o.o., the 'Osiedle Siemienskiego' project through the company WISŁOK Inwestycje Sp. z o.o., the 'Osiedle Bakowo' project through the company Baltic Dom 2 Sp. z o.o. 4. The "Marina Mokotów" project carried out in 2007 by Fort Mokotów Sp. z o.o. has been finished as far as construction works are concerned. At present, the company takes steps to assure continued warranty services for the completed project 'Marina Mokotów'. 5. On 7 March 2008, the extraordinary Meeting of the shareholders ARKADIA Inwestycje Sp. z o.o. decided to increase the Company's share capital by PLN 1.5 million by issuing new shares, which will be held by PKO Inwestycje Sp. z o.o. (in June and July 2008) 6. On 23 June 2008 WISŁOK Inwestycje Sp. z o.o. partners resolved to recommend an increase in the Company's capital by PLN 2 million. The additional capital contribution attributable to PKO Inwestycje Sp. z o.o. equals PLN 1.6 million. The increase will take place in the 3rd quarter of 2008.

3.2.2. Corporate segment

3.2.2.1. Activities of PKO BP SA

Table 25. Gross loans and advances and deposits of PKO BP SA (PLN million)* [3]

Item	As at 30.06.2008	As at 31.12.2007	As at 30.06.2007	Change since:	
				31.12.2007	30.06.2007
Gross corporate loans*)	20 101	17 965	16 453	11.9%	22.2%
Corporate deposits	15 426	13 526	12 142	14.0%	27.0%

**without interest due and interest not due*

Source:management data of PKO BP

Table 26. Branches and ATM's of PKO BP SA

Item	As at 30.06.2008	As at 31.12.2007	As at 30.06.2007	Change since: 31.12.2007	Change since: 30.06.2007
Total number of branches	1 219	1 233	1 233	- 14	- 14
- Corporate Market Area:	**68**	**83**	**83**	**- 15**	**- 15**
Regional corporate branches	13	13	13	-	-
Corporate client teams	-	-	-	-	-
Corporate centers	55	70	70	- 15	- 15
Number of ATM's	**2 266**	**2 106**	**2 088**	**160**	**178**

Table 27. Activities and achievements of PKO BP SA in the corporate segment in the first half of 2008

Scope of activity	Activity
Loan activity	The Bank organized three bilateral loans, which amounted in total to PLN 4,018.8 million in which the Bank's share amounted to PLN 404.1 million. At the same time, the Bank granted three bank guarantees in the total amount of PLN 576 million.
Issue of non-treasury debt securities	The Bank signed four contracts for the issue of municipal debt securities in the total amount of PLN 33.1 million and a consortium contract for the issue of corporate debt securities, without underwriting the issue in the amount of PLN 400 million (The Bank's participation is PLN 200 million).
Cooperation with banks and other financial institutions	The Bank entered into an ISDA agreement and signed an appedix to an existing agreement with a foreign bank. It also signed three Credit Support Annexes to existing ISDA agreements.

3.2.2.2. Activities of the PKO BP SA Group

Table 28. Activities and achievements of the PKO BP SA Group's entities in the corporate segment

SUBSIDIARY	SIGNIFICANT EVENTS OF THE FIRST HALF OF 2008
Bankowy Fundusz Leasingowy SA	1. Net assets of the BFL SA Group (BFL S.A. and its subsidiaries) as at 30 June 2008 amounted to PLN 80 504 thousand. 2. The Group generated net proft of 3 743 thousand in the first half of 2008 (PLN 4 356 thousand in the first half of 2007). 3. In the first half of 2008, the BFL SA Group entities leased out assets with a total net value amounting to PLN 781.9 million, whch constituted an increase of 20.6% in comparison with the first half of 2007. 4. The total carrying value of the lease investments of the BFL SA Group entities amounted to PLN 1 874 million as at 30 June 2008(PLN 1 595 million at the end of 2007). 5. On 16 May 2008 the extraordinary Shareholders Meeting of BFL SA Group decided to increase the Company's share capital by PLN 30 million by issuing new shares, which will be held by PKO BP SA. As at the end on June 2008 the share capital increase had not been registered by the registrar of companies.

3.2.3. Investment segment

3.2.3.1. Activities of PKO BP SA

Table 29. Activities and achievements of PKO BP SA in the investment segment in the first half of 2008

	Investment activity	Activity
Treasury activities	**financial risk management**	In the interests of financial risk management, the Bank entered into transations which aimed at balancing interest rate, currency and liquidity risks. In the first half of 2008, the Bank gained funds in CHF (with the use of CIRS transations). The Bank's long-term liabilities denominated in CHF increased to the level of CHF 5.3 billion.
	interbank market	In the first half of 2008, the Bank still had a high level of dealing turnover on interbank interest rate and currency markets. The Bank's operations accounted for 25% of all T-bills transactions with clients from non-banking sector, 6% of Spot transactions, and 12% of IRS transactions carried out on the interbank markets.

	Investment activity	Activity
Brokerage activities	**primary market**	In regards to the Bank' activities on the primary market: 1. The Bank underwrote shares of Jutrzenka S.A. and SONEL S.A. and co-underwrote shares of SELENA. The Bank also took part in a sales consortium dealing with sales of shares of Zakłady Azotowe TARNÓW w Mościcach S.A. Total subscriptions for these issues amounted to 195 million PLN. 2. The Bank finalized a subscripton of the Tygrys Gospodarczy indexed bonds and carried out a subscripton for the Energetyczne bonds. The issuer is Barclays Bank and a brokerage house, Dom Maklerski PKO BP, whereas PKO BP is a co-ordinator. The total value of the structured bonds placed amounts to PLN 102 million.
	NewConnect market	The Bank, as a market maker on the NewConnect market, executed a turnover of PLN 47.2 million, with a market share of 7.78% in the first half of 2008 (4th position in the market as at 30 June 2008 - a jump from the 7th position as at 31 December 2007). At 30 June 2008, the Bank acted as a market maker for 27 entities of New Connect (i.e. 14 more than at the end of 2007), which represents the 1st place in the market in terms of the number of clients serviced.
	future contracts market	In the first half of 2008 the Bank executed a turnover of 426.2 thousand of future contracts (i.e. 54.3 thousand more than in the first half of 2007), giving it the 8th position on the market with a share of 3.5% (a decrease of 1.42 p.p.).
	index option market	In the first half of 2008 the Bank executed a turnover of 39.2 thousand of options. A 57% turnover dynamics and a 13.2% market share (a decrease of 5.16 p.p. in comparison with the first half of 2007) made the Bank remain on the 2nd place in the market in terms of options turnover.
	bond market	In the first half of 2008 the Bank's bond turnover reached 50.1% of the total market, constituting an increase of 5.93 p.p. in comparison with the first half of 2007. The Bank retained the leading market position along with turnover of PLN 0,8 billion.
	stock market	1. The Bank executed a turnover of PLN 9.4 billion and retained the 8th place in the market in terms of a turnover volume. The Bank's share in the stock market turnover was 5.52% (a decrease of 1.12 p.p.) 2. Being a market maker for bonds, the Bank executed a turnover of PLN 2.77 billion, i.e. 63% of the turnover executed in the first half of 2007. Such change was due to actions taken by a brokerage house, Dom Maklerski PKO SA to mitigate risk in case of a possible market distress.

3.2.3.2. Activities of the PKO BP SA Group

Table 30. Activities of the PKO BP SA Group's entities in the investment segment

SUBSIDIARY	SIGNIFICANT EVENTS OF THE FIRST HALF OF 2008
Bankowe Towarzystwo Kapitałowe SA	1. Net assets of the entity amounted to PLN 13 144 thousand at 30 June 2008. 2. In the first half of 2008, the entity incurred a net lost in the amount of PLN 293 thousand (a loss of PLN 2 020 thousand in the first half of 2007). 3. At 30 June 2008, the entity managed an investment portfolio of PLN 6.5 million, including exposure to the FINDER SA company.

3.2.4. Other activities

Table 31. Other activities of the PKO BP SA Group's entities

SUBSIDIARY	SIGNIFICANT EVENTS OF THE FIRST HALF OF 2008
Centrum Finansowe Puławska Sp. z o.o.	1. Net assets of the entity amounted to PLN 202 641 thousand as at 30 June 2008. 2. The entity generated net profit of PLN 4 262 thusand in the first half of 2008 (PLN 1 295 thousand in the first half of 2007). 3. During the first half of 2008, the level of rented office and commercial areas was stable and, as at 30 June 2008 equalled 100%. 4. At at 30 June 2008, 90.7% of the office and commercial space of the Centrum Finansowe Puławska building was rented out to entities of the PKO BP SA Group. 5. A shareholders meeting agreed to a distribution of dividends in the gross amount of PLN 16.6 million.

4. INTERNAL CONDITIONS

4.1. Structure of the PKO BP SA Group and its development strategy

The PKO BP SA Group as at 30 June 2008 consists of PKO BP SA (the parent company) and 19 direct and indirect subsidiaries.
Included in the consolidated financial statements are the Bank – the parent company of the PKO BP SA Group and its subsidiaries as defined in IAS 27 „Consolidated and separate financial statements".

Table 32. Entities comprising the PKO BP SA Group

No.	Entity name	Value of investment PLN thousand	Share capital (%)	Consolidation method
Parent company				
1	Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna			
Direct subsidiaries				
2	KREDOBANK SA	307 364	98,1815	full method
3	Powszechne Towarzystwo Emerytalne BANKOWY SA	205 786	100	full method
4	Centrum Finansowe Puławska Sp. z o.o.	128 288	100	full method
5	PKO Inwestycje Sp. z o.o.*	117 813	100	full method
6	PKO Towarzystwo Funduszy Inwestycyjnych SA	69 055	75	full method
7	Inteligo Financial Services SA	59 602	100	full method
8	Centrum Elektronicznych Usług Płatniczych eService SA	55 500	100	full method
9	Bankowy Fundusz Leasingowy SA	40 000	100	full method
10	Bankowe Towarzystwo Kapitałowe SA	18 566	100	full method
Indirect subsidiaries				
Subsidiaries of PKO Inwestycje Sp. z o.o.				
11	Wilanów Investments Sp. z o.o.*	82 981	100	full method
12	POMERANKA Sp. z o.o. *	19 000	100	full method
13	ARKADIA Inwestycje Sp. z o.o.*	6 075	100	full method
14	Baltic Dom 2 Sp. z o.o.	6 009	50	full method
15	Fort Mokotów Sp. z o.o. *	2 040	51	full method
16	UKRPOLINWESTYCJE Sp. z o.o. *	519	55	full method
17	WISŁOK Inwestycje Sp. z o.o.*	400	80	full method
Subsidiaries of PTE BANKOWY S.A.				
18	Finanse Agent Transferowy Sp. z o.o. *	4 361	100	full method
Subsidiaries of Bankowy Fundusz Leasingowy S.A.				
19	Bankowy Leasing Sp. z o.o.	1 309	100	full method
20	BFL Nieruchomości Sp. z o.o.	1 109	100	full method

* *Value of shares at acquisition cost, inclusive of specific capital injections.*

Table 33. Other subordinated entities included in the consolidated financial statements

No.	Entity Name	Value of investment PLN thousand	Share capital (%)	Consolidation method
Jointly controlled entities				
1	CENTRUM HAFFNERA Sp. z o.o.	44 371	49.43	equity method
2	Centrum Obsługi Biznesu Sp. z o.o.	17 498	41.44	equity method
Subsidiaries of CENTRUM HAFFNERA Sp. z o.o.				
3	Sopot Zdrój Sp. z o.o.	58 923	100	equity method
4	Promenada Sopocka Sp. z o.o.	10 058	100	equity method
5	Centrum Majkowskiego Sp. z o.o.	6 609	100	equity method
6	Kamienica Morska Sp. z o.o.	976	100	equity method
Associates				
7	Bank Pocztowy SA	146 500	25.0001	equity method
8	Kolej Gondolowa Jaworzyna Krynicka SA	15 531	37.53	equity method
9	Ekogips SA – w upadłości	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
Associate of Bankowe Towarzystwo Kapitałowe S.A.				
12	FINDER SA	6 500	46.43	equity method

In the six month period ended 30 June 2008 the Bank and its subordinates did not acquire own shares.

4.2. Changes in organization of subordinated entities

In the first half of 2008, the following events had an impact on the structure of the PKO BP SA Group:

1. **Establishment of WISŁOK Inwestycje Sp. z o.o.**

   On 24 January 2008, WISŁOK Inwestycje Sp. z o.o. with its seat in Rzeszów was registered in the National Court Register. The entity share capital amounts to PLN 500 thousand and consists of 5 000 shares, each of PLN 100 par value.

   The entity's shareholders are PKO Inwestycje Sp. z o.o., which took up 4 000 shares with a total value of PLN 400 thousand and Jedynka SA, which took up 1 000 shares with a total value of PLN 100 thousand.

   The shares taken up by PKO Inwestycje Sp. z o.o. represent 80% of the Company's share capital and carry 80% of voting rights at the Shareholders' Meeting. The entity was formed in order to execute a housing project in Rzeszów called "Osiedle Siemieńskiego".

2. **Acquiring shares in Baltic Dom 2 Sp. z o.o.**

   On 28 January 2008, PKO Inwestycje Sp. z o.o. concluded two transactions in which it purchased 50 shares in Baltic Dom 2 Sp. z o.o. with a total nominal value of PLN 25 thousand, representing 50% of the entity's share capital and entitling to 50% of votes at the Shareholders' Meeting. The price for the acquired shares including additional fees was PLN 6 008 862.

   The entity carries out works related to the execution of a housing project in Bąków near Gdańsk.

3. **Reimbursement of additional capital contribution made by PKO BP SA to PKO Inwestycje Sp. z o.o.**

   On 30 June 2008, PKO Inwestycje Sp. z o.o. returned to PKO BP SA a capital contribution received for an execution of investment projects of PLN 5.5 million.

At the same time, in the first half of 2008 PKO BP SA subsidiaries made a capital contribution to its subsidiaries. On 18 January 2008, PKO Inwestycje Sp. z o.o. made a capital contribution to ARKADIA Inwestycje Sp. z o.o. in the amount of PLN 4 074 800 and on 14 February 2008 Powszechne Towarzystwo Emerytalne BANKOWY SA made a capital contribution to Finanse Agent Transferowy Sp. z o.o. in the amount of PLN 1 500 000.

The list of main capital investments of PKO BP SA and its subsidiaries concerning the transactions of acquiring and selling shares in subordinated entities was presented in Note 30 to the interim consolidated financial statement of PKO BP SA Group for the period ended 30 June 2008.

4.3. Related – party transactions

In the first half of 2008, PKO BP SA provided at arms' length the following services to its related parties (subordinated entities): keeping bank accounts, accepting deposits, extending loans and advances, issuing debt securities, providing guarantees and conducting spot foreign exchange transactions.

Additionally, under the rental contract with Centrum Finansowe Puławska Sp. z o.o., the Bank made a payment in the first half 2008 to the entity in the amount of PLN 24.1 million. The payment regarded mainly rental and maintenance fees.

The list of significant transaction between PKO BP SA and its subordinates, including loans and advances to subordinates as at 30 June 2008, was presented in the consolidated financial statements of the PKO BP SA Group.

5. OBJECTIVES AND PRINCIPLES OF RISK MANAGEMENT

Banking activity is exposed to a number of risks, including credit risk, market risk, operational risk and business risk. Controlling the impact of these risks on the operations of the PKO BP SA Group is one of the most important objectives in the management of both the Bank and the Group, while the level of the risks plays an important role in the planning process.

Risk management in the Bank is based on the following principles:

- full organizational independence of the risk and debt collection function from the business function,
- risk management is integrated with planning and controlling processes,
- the risk and debt collection function provides an ongoing support for meeting business objectives while keeping risk at an acceptable level,
- level of risk is controlled on an ongoing basis,
- the risk management model is adjusted on an ongoing basis to reflect new risk factors and risk sources.

Due to dominating role of PKO BP SA in PKO BP SA Group, the banking risk profile of the Group is mainly formed by PKO BP SA.

5.1. Credit risk

In the first half of 2008, the credit risk management was developed and tailored to the current needs mainly by the introduction of the mainly following changes:

- the process of granting loans to corporate clients was improved. The changes related to the credit risk assessment methodologies applied to corporate clients and IT tools supporting credit risk assessment;
- the behavioral scoring system was extended by adding more revolving facilities offered by the Bank to retail clients;
- the minimum values of the parameters used for assessing the borrowing power of retail clients applying for consumer loans, credit cards, revolving loans were updated;
- a requirement to seek the opinion of the Bank Credit Committee with respect to KREDOBANK S.A. applications concerning credit transactions with clients generating the biggest credit exposure to that Bank was introduced;
- a scoring system was implemented at KREDOBANK S.A. for assessing retail clients (cash loans) and a scoring system for credit cards was prepared for implementation.

5.2. Market risk

In the first half of 2008, interest rate risk and currency risk measures of the Bank remained at a safe level.

In the first half of 2008 the Bank performed an active deposit policy introducing new deposit products and exchanged the PLN liquidity for foreign currency liquidity in order to finance loans in foreign currencies.

The Bank used derivative instruments for investment and hedging purposes and held speculative positions in interest rates and foreign currencies.

In the 1st half of 2008, the Bank regularly assessed financial institutions, reviewed the credit and settlement limits granted, and established limits for new clients in accordance with the demand reported by business departments.

5.3. Operational risk

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

The Operating Risk and Compliance Office coordinate cooperation of PKO BP SA Group entities in the area of operating risk management. As a part of the cooperation, the Operating Risk and Compliance Office issues opinions on the internal regulations concerning the system solutions for operating risk management, monitors operating events and informs the Management Board and the Supervisory Board of PKO BP SA about operating risk within the Group.
The parent company – PKO BP S.A. has a decisive impact on operating risk profile. The other Group's entities generate only a fraction of operational risk, due to significantly smaller scale of their activity.

5.4. Capital adequacy management

Capital adequacy is a state in which the level of the capital base owned by the PKO BP SA Group is sufficient to meet regulatory capital requirements (the so-called Pillar 1) and internal capital requirements (the so-called Pillar 2). The objective of the capital adequacy management is to maintain continuously capital on a level that is adequate to the risk scale and profile of the Group's activities.

The process of managing the Group's capital adequacy comprises:

- identifying and monitoring of all significant risks;
- designating internal capital for covering the individual risk types;
- determining the total internal capital necessary to cover all the significant risk types;
- performing capital adequacy stress tests;
- monitoring, reporting, forecasting and limiting of capital adequacy;
- performing internal capital allocations to business lines for the profitability analyses;
- using tools affecting the capital adequacy level (including tools affecting the level of equity, the scale of equity item reductions and the level of the loan portfolio).

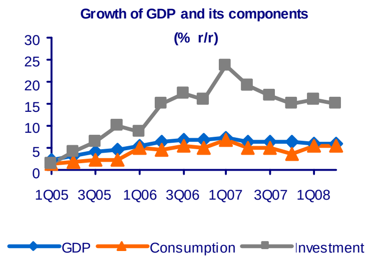
The main measures of capital adequacy are:

- the capital adequacy ratio whose minimum level in accordance with the Banking Law Act (art. 128 paragraph 1 point 3) is 8%;
- the ratio of equity to internal capital whose acceptable minimum level in accordance with the Banking Law Act is 1.0.

The capital adequacy level of the Group in the first six-month period ended 30 June 2008 remained on a safe level and was significantly above the statutory limits. Compared with 31 December 2007, the Group's capital adequacy level dropped by 1.1 p.p., which was mainly due to high dynamics of the loan portfolio and a negative effect of implementing Basel II on the capital requirements level.

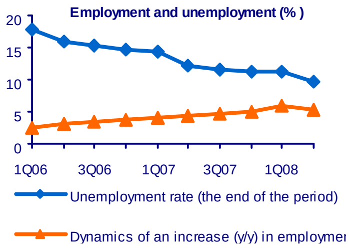
6. EXTERNAL CONDITIONS HAVING IMPACT ON GROUP'S OUTCOMES

Macroeconomic environment

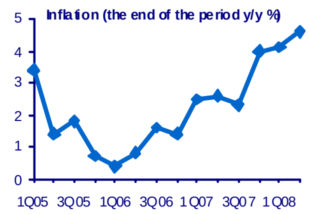


In the first half of 2008 economic data indicated some slow down in economic growth (6.1% y/y and 5.8% y/y in first and second quarter of 2008 respectively) because of a slow down in investments and despite a continuous stimulating effect of domestic demand. In spite of decrease in export, deficit in foreign trade increased slightly due to decrease in import.

In the first half of 2008, households' income was still increasing (wages and salaries in the corporate sector increased by 11.7%, whereas, in March 2008, social benefits have been revalued). There was an increase in the employment rate, yet the unemployment rate was declining at a smaller pace than in 2007 (down to 9.6% at the end of June 2008).



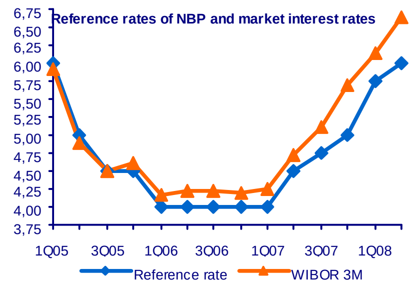
In the first half of 2008 the inflation rate, as measured by the Consumer Price Index, increased to the level of 4.6% (y/y) which was above the target inflation rate of National Bank of Poland (i.e. 2.5%). Comparing to the December 2007 the inflation rate increased by 0.6 p.p. mainly as a result of increase in energy prices (fuels, electricity and gas), food and service prices.



Public finance condition in the first half of 2008 was very good. The accumulated state deficit amounted to 12.5% of the annual plan of PLN 27.1 billion. This was due to reduction of expenses in an environment of favorable economic conditions and an improving situation on the labor market. Moderate needs of the public sector for external financing, along with unfavourable market conditions and expectations of a tightening monetary policy by the Monetary Policy Council (Rada Polityki Pieniężnej-RPP), lead to a decrease in the value of bond issues on the primary market and an increase in issues of T-bills.

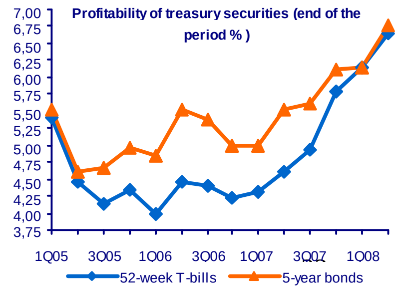
At the same time, the activities and results of PKO BP SA Group were affected by macroeconomic factors in Ukraine, since the PKO BP SA Group has a direct subsidiary in Ukraine, KREDOBANK SA. The factors were as follows: the Ukrainian Central Bank allowed the Ukrainian currency UAH to appreciate to 4.85 UAH/USD from 5.05 UAH/USD; the Ukrainian Central Bank increased the discount rate twice (in January and April) by total of 400 p.p. to 12.0%, the inflation rate has maintained its strong upward trend (to over 30% y/y), along with a slow down in economic growth to around 6% (y/y) compared with 7.3% in the previous year, maintenance of strong loan and deposit growth (increase of over 70% y/y for loans and about 50% y/y for deposits); Standard&Poors Agency lowered its rating grades for the Ukraine to "BB-" (for domestic currency long-term debt) from „BB" and from „B+" (for foreign exchange long-term debt) to „BB-"; Ukraine's accession to World Trade Organization (WTO) on 16 May 2008.

Monetary policy of the central bank, NBP



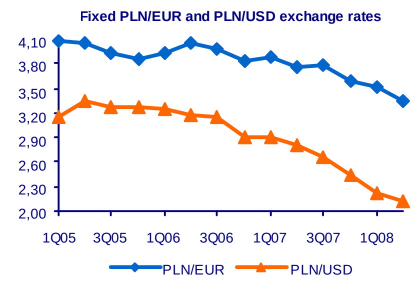
Between January and June 2008, the Monetary Policy Council increased the NBP interest rates four times (in January, February, March and June) by 100 p.p. As a result, the reference NBP rate as at the end of June was 6.0%. The main reason for the Council's decisions was the risk that inflation would stabilize in the mid term at a level exceeding the target set by the NBP, due to a large income dynamics and a big increase in domestic demand.

Financial markets



In the 1st half of 2008, the profitability of Polish Treasury securities (PTS) grew rapidly along the entire profitability curve. The increase was approx. 65 p.p. (in the case of bonds) and 85 p.p. (in the case of Treasury bills). This increase was stimulated by the increases in NBP interest rates by a total of 100 p.p. and market expectations toward further increases in connection with the macroeconomic data published, concerning in particular prices and the labor market situation.

In the 1st half of the year the exchange rate of the Polish zloty increased by approx. 6.3% against the euro (to PLN 3.35/ EUR 1) and by nearly 13% against the American dollar (to PLN 2.12 / USD 1), remaining under the prevailing influence of global factors, such as the strong depreciation of the American dollar, the better opinion of investors on the foundations of the Polish economy and the opinion about the relatively low risk of crisis of financial instruments associated with the American mortgage market. Further interest rate increases by the Monetary Policy Council additionally supported the Polish zloty.



Regulatory factors

During the first half of 2008, the financial position and organization of the PKO BP SA Group was affected by the following new regulations:

- Resolutions 1-5 of the Commission for Banking Supervision dated 13 March 2007 (NBP Official Journal Nos. 2 and 3, with subsequent amendments), which have implemented the EU directives based on the New Capital Accord to the Polish law;,
- Resolution 9/2007 of the Commission for Banking Supervision dated 13 March 2007 on determining liquidity norms applicable to banks (NBP Official Journal No 3), effective as of 1 January 2008, starting from 30 June, banks will be obliged to comply with the four supervisory current- and long term liquidity measures specified in this resolution and to report exceeds,
- Resolutions of the Banking Guarantee Fund Board, which, as of 1 January 2008, amended banks' obligations with respect to the setting up of a guaranteed money protection fund and the obligatory annual payments to be made to the Banking Guarantee Fund,
- Decree of the President of the Council of Ministers dated 27 December 2007 on payments to cover costs of banking supervision (Journal of Laws No. 249, item 1855), which set out the level of costs incurred by the banks due to being covered, as of 1 January 2008, by financial supervision;
- Decree of the Council of Ministers dated 24 December 2007 on the specific accounting principles for investment funds (Journal of Laws No. 248, item 1859), effective from 31 December 2007;
- Amendment to the Act on the Social Security System (Journal of Laws of 2007, no. 11, item 74), changing the additional costs of labor by decreasing the pension contribution payable by employers as of 1 January 2008,
- Resolution No. 458 of the Board of the National Bank of Ukraine dated 17 December 2007, which has modified the method of calculation of the capital adequacy ratio,
- Resolution no. 1 of the Management Board of the National Bank of Ukraine dated 4 January 2008, introducing changes with respect to the liquidity of banks,
- Resolution no. 30 of the Management Board of the National Bank of Ukraine dated 15 February 2008, introducing changes in the risk weights relating to certain credit exposures as of 11 April 2008, which affect the level of capital adequacy,
- Resolution no. 88 of the Management Board of the National Bank of Ukraine dated 2 April 2008, introducing changes in the method of recognizing mandatory provisions (excluding funds borrowed from resident banks and international financial organizations and subordinated loans) as of 1 May 2008.

The Group's operations are affected significantly by the Bank's participation in the implementation of a uniform system of payments in euro (SEPA), which introduces uniform principles, rules and standards for making domestic and trans-border payments in euro. The directive of the Parliament and of the Council of 13 November 2007 (PSD) constitutes the legal basis for SEPA.

Competitive environment

Banking sector

The financial results of the banking sector remained good in the first half of 2008. Good macroeconomic conditions, growing business volumes, interest rates and margins contribute to the improvement of these results. The financial result of the banking sector amounted to PLN 8.6 billion, i.e. 20.5% more than in the previous year. Because of an increase in interest income, banks were able to offset the adverse effect of a downturn on the capital market on commission income. The most important factors affecting the development of banks were:

- rapid development of loan granting activity in the sector of households. The value of loans has increased by 15.2% since the beginning of 2008, and by approx. 35% in relation to the 1st half of 2007. Housing and consumer loans had the biggest contribution to this increase. However, the growth of housing loans slowed down. The value of such loans increased by approx. 43% (year-to-year), compared with 51% (year-to-year) at the end of 2007.
- maintenance of the fast growth in loans for corporate clients. Their volume increased by approx. 24% year-to-year. In particular, the financing of small and medium enterprises increased as a result of more liberal credit policies;
- high growth in the deposit base, mainly resulting from obtaining households deposits. In the 1st half of the year, the value of such deposits increased by approx. PLN 29 billion (a growth of approx. 22% year-to-year). This was mainly due to the reallocation of assets from the capital market, associated with a downturn on the stock exchange, as well as growing interest rates and the fast growth in household incomes. Current deposits grew faster and their value came up to the level of term deposits. The value of corporate deposits was lower than as at the end of 2007 by more than PLN 6 billion, which was a result of a slow-down in their growth to 6.2% year-to-year.

The fact that loans continued to grow significantly faster than deposits of the non-financial sector (almost twice as fast) encouraged banks to take more intensive actions aimed at seeking additional sources of financing and aggressive efforts to obtain the savings of individuals. This resulted in growing competition on the banking market, which was accompanied by changes in the offer of deposit products (development of savings accounts and structured products), development of the network of bank facilities and an increase in employment. However, the increased scale of operations was associated with the higher operating expenses of banks.

Non-banking sector

– The investment fund sector – in the first half of 2008 a downward trend on the market of investment funds continued, resulting from a downturn on the Warsaw Stock Exchange, which was largely a consequence of fluctuations on foreign financial markets following the crisis on the US mortgage loan market. The assets of investment funds dropped to PLN 96.4 billion, i.e. by PLN 37.6 billion (28.1%) compared with the end of 2007. This was due to a negative balance of redemptions and payments (PLN 19.5 billion) and a decrease in the valuation of participation units (PLN 18.1 billion) resulting from a significant decrease of prices on the Warsaw Stock Exchange. The process of conversion of funds withdrawn from investment funds to bank deposits continued.
– The market of open pension funds - in the first half of 2008, the assets of open pension funds decreased to PLN 236.4 billion, i.e. by PLN 3.6 billion (2.6%) compared to the end of 2007. The situation on the pension fund market was affected mainly by: the loss on management fees, affected by the downturn on the Warsaw Stock Exchange and inflow of new funds (transfers from the Social Insurance Fund (ZUS) amounted to approx. PLN 10.7 billion, including PLN 10.2 billion in cash and PLN 0.49 billion in bonds). The number of Open Pension Fund (OFE) members increased to 13.5 million (by approx. 368 thousand compared with 2007). As at the end of first half of 2008, pension funds held PKO BP SA shares with a value of approx. PLN 3.5 billion, i.e. 12.5% less than as at the end of 2007.
– The lease market – in the 1st half of 2008, the growth of the lease sector was slower than a year before. According to preliminary figures, lease companies financed assets worth approx. PLN 17.5 billion, representing an increase of approx. 13% on a year-to-year basis (compared with 69.9% year-to-year in the 1st half of 2007). The slower growth of the sector was a result of lower demand for vehicles. Leasing of cars was still the main driver in the sector. Approx. 16.2% of domestic capital expenditure, i.e. 0.3 p.p. more than in the 1st half of 2007, was financed in this way.
– The factoring market – in the 1st half of 2008 it was the fastest-growing segment of the financial market. The turnover of 12 biggest companies amounted to approx. PLN 16 billion, representing an increase of more than 100% year-to-year. The significant development of this segment was mainly due to the increased awareness of entrepreneurs as to the benefits of factoring.

Ukrainian banking sector

In the 1st half of 2008, total loans increased by 21.4% to UAH 518.1 billion. Retail loans increased by 23.8% to UAH 192.4 billion, and corporate loans increased by 20% to UAH 325.7 billion. Total deposits increased by 14.8% to UAH 321.6 billion. Retail deposits were growing faster than corporate deposits (118.1% and 110.1% respectively). The gap between the value of loans and deposits increased. New loans were to a growing extent financed with external funds - loans obtained on foreign and domestic markets. Solvency ratio continued to fall. The current and short-term liquidity of the sector decreased compared with the end of 2007.

7. OTHER INFORMATION

General information

PKO BP SA registered in Warsaw at 15 Puławska Street, was entered in the Register of Companies by the District Court for the capital city of Warsaw, under entry No. KRS 0000026438.The Company was granted a statistical number (REGON) 016298263 and a tax identification number (NIP) 525-000-77-38.

Seasonality or cyclical nature of activities in the reporting period

PKO BP SA is a universal bank, which provides services on the territory of Poland, and thus 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 similarly do not show any particular seasonality or cyclical nature.

Prizes and awards

1. "Business - Friendly Bank" – 10 branches of PKO BP SA were the finalists in the 9th contest organized by the Polish Commercial Chamber, Polish-American Foundation for Counseling Small and Medium Business, and the Warsaw Institute of Banking,
2. Dom Maklerski PKO BP SA was granted two awards by the Warsaw Stock Exchange:
   - for the most active market maker on the Main Market of the Warsaw Stock Exchange in 2007,
   - for the most active market maker on the NewConnect Market in 2007.
3. For the 7th time, PKO BP SA was awarded with the "European Medal" – this time for the iPKO Biznes product offer. This was already the 16th edition of the undertaking organized by the Office of the Committee for European Integration and Business Centre Club;
4. The Bank received the "Golden Statuette of the Most Trusted Brand" in the category of "Bank" in the biggest European consumer survey 'The Most Trusted Brands 2008' conducted by the "Reader's Digest";
5. 1st place, in the ranking of the 50 biggest Polish banks, organized by the "Bank" magazine, for the best financial results;
6. "Brand of the best reputation 2008" received in the "Finance" category, granted by the Independent Polish Brands Reputation Ranking;
7. "The Golden Portfolio 2007" prize awarded to PKO Towarzystwo Funduszy Inwestycyjnych SA by the editor of Gazeta Giełda Parkiet to the management of the investment fund, the PKO/CREDIT SUISSE Shares of the Small and Medium Enterprises, for the best investments returns within the category;
8. The "EU STANDAR Emblem" prize awarded to Centrum Elektronicznych Usług Płatniczych eService SA by the Media Partner Group (an editor of Przegląd Gospodarczy) for offering products and services characterized by the highest quality;
9. The "Benefactor of the Year" prize awarded to Financial Services SA and PKO BP SA in the category of 'cooperation of a company with a non-governmental organization', granted by the Academy for the Development of Philanthropy in Poland for the support of the Artificial Heart Development program.
10. 7th place for KREDOBANK SA in the TOP-10 ranking of terms of the volume of refinancing of mortgage loans;
11. Recognition for KREDOBANK SA in the category of 'the most active bank financing small and medium enterprises' from the EBOiR program which supports commerce.

Underwriting agreements and guarantees issued to the Group subsidiaries

In the first half of 2008, PKO BP SA signed an annex to the Underwriting Agreement of a Bond Issuance Program by the Bank's subsidiary, Bankowy Fundusz Leasingowy SA, on 14 December 2006, which increased the maximum value of the bond issue program by PLN 100 million, to the level of PLN 600 million.

As at 30 June 2008 Bankowy Fundusz Leasingowy SA issued bonds of PLN 545 million, of which PLN 130.9 million was placed in the market while PLN 414.1 million was held by the PKO BP SA. The off-balance guarantees amounted to PLN 55 million as at 30 June 2008.

In the first half of 2008, PKO BP SA issued:

- To Centrum Elektronicznych Usług Płatniczych eService SA – a guarantee for up to maximum PLN 210 thousand to the benefit of Garrick Investments Sp. z o.o. as a pledge for liabilities arising from a rental agreement; the guarantee is issued for the period ending 10 September 2008,
- To Bankowy Fundusz Leasingowy SA – a guarantee for up to maximum PLN 342 thousand to the benefit of Salzburg Center Development SA as a pledge for liabilities arising from a rental agreement; the guarantee is issued for the period ending 16 June 2013,
- to Bankowy Fundusz Leasingowy SA – a guarantee for up to maximum PLN 405 thousand to the benefit of Salzburg Center Development SA as a pledge for liabilities arising from a rental agreement; the guarantee is issued for the period ending 18 September 2008,
- to PKO Towarzystwo Funduszy Inwestycyjnych SA – a guarantee for up to maximum PLN 467 thousand to the benefit of Salzburg Center Development SA as a pledge for liabilities arising from rental agreement; the guarantee is issued for the period ending 31 July 2013.

Events that occurred after the date on which the report was prepared and that may affect future financial results

1. On 3 July 2008, Polish Court Register registered ARKADIA Inwestycje Sp. z o.o. as PKO Inwestycje – Międzyzdroje Sp. z o.o.
2. On 4 July 2008, PKO BP SA, according to an agreement dated 27 June 2008 with Svenska Standardbolag AB (registered in Sweden), made payment for the purchase of 5000 shares of Aktiebolaget Grundstenen 108756 registered in Sweden. The purchased shares represent 100% of the entity's capital share and entitles PKO BP SA to 100% of the votes in the Company. The purchase price with additional expenses amounted to SEK 504 969.00 (PLN 178 910.52) (according to the average exchange rate of NBP on 4 July 2008).
3. On 15 July 2008, PKO BP SA resolved to initiate a euro-bonds issue program (the EMTN program) with the use of its subordinated entity PKO Finance AB (previous name: Aktiebolaget Grundstenen 108756) registered in Sweden („Issuer"). PKO BP is the only shareholder. The issuer is a related party as defined by the IAS 24.

   The EMTN program will be carried out according to the following conditions:

   – Program value: EUR 3 000 000 000 or its equivalent in other currencies;
   – Program currencies: EUR, USD and CHF;
   – Redemption of particular tranches: 1 year to 15 years;
   – Funds obtained from the issue will be used for the Bank's general financial purposes, including liquidity capital needs;
   – Interest rate: fixed, floating or tied to selected indices;
   – Interest period: 1 month to 1 year;
   – The nominal value of one bond will not be less than EUR 50 000 or its equivalent in other currency;
   – Types of issue: senior, junior, public, and nonpublic (so called: private placement);
   – Place of program registration: Stock Exchange in Luxembourg;
   – Settlement type between the Issuer and the Bank: the Issuer will give the Bank a loan in the amount of funds obtained from the issue and at the rate equaling the rate of the issue. The settlement will be made by an intermediary (settlement agent) after the Bank's approval, using accounts exclusively dedicated to the issue settlements;
   – The Issuer will generate remuneration for administrative services granted in respect of the program, as defined in the agreement.

   On 16 July 2008, the Supervisory Board of PKO BP SA gave its consent to the signing of an agreement between the Bank and the Issuer. The consent was a crucial element for the initiation of the EMTN program.

On 17 July 2008, the Swedish Registration Office Bolagsverket registered the change in name of Aktiebolaget Grundstenen 108756 to PKO Finance AB.
On 15th September 2008 Moody's Investors Service („Moody's") assigned a rating for the Loan Participation Note Programme in the amount of EUR 3 billion established by PKO Finance AB for PKO BP SA. Senior unsecured debt issued under the programme will be rated at Aa2, subordinated debt at Aa3 and short-term debt at Prime-1. The outlook on all ratings is stable.

4. On 21 August 2008 Mr. Mariusz Klimczak resigned from a post of a Vice-President of the Management Board of the PKO BP SA as of 30 September 2008.

5. On 22 August 2008, share capital of the PKO Inwestycje – Międzyzdroje Sp. z o.o. (previous name: ARKADIA Inwestycje Sp. z o.o.) was increased by total amount of PLN 1.5 million. All shares were acquired by PKO Inwestycje Sp. z o.o. – a subsidiary of PKO BP SA.

6. On 15 September 2008 Bankowe Towarzystwo Kapitałowe SA – a subsidiary wholly owned by PKO BP SA sold 285 125 registered shares of Finder SA (registered in Warsaw) of the nominal value of PLN 1 140 500 (PLN 4 per share) for the price from the range of PLN 9 181 310.13 to 9 668 873.88 depending on the terms of payment.

Shareholders holding, directly or indirectly, at least 5% of votes at the General Shareholders' Meeting

To the best knowledge of the Bank, the only 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 June 2008, State Treasury holds 514 935 409 of the Bank's shares.

This equates to 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 submission of this report.

Table 34. Ownership structure of PKO BP SA as at 30 June 2008

Shareholder	Percentage of votes at the General Shareholders' Meeting as at 31.12.2007	Number of shares as at 31.12.2007	Percentage point change in the period 31.12.2007 - 30.06.2008	Percentage of votes at the General Shareholders' Meeting as at 30 June 2008	Number of shares as at 30 June 2008
State Treasury	51.49%	514 935 409	0.00 p.p.	51.49%	514 935 409

Changes in the ownership of PKO BP SA and rights to the shares grated to the Management or Supervisory Board Members

Table 35 Shares held by the PKO BP SA's Management or Supervisory Board Members as at the date of submitting this Report

No.	Name	Number of shares as at 31.12.2007	Purchase	Disposal	Number of shares as at 30.06.2008
I.	Management Board				
1.	Jerzy Pruski*, President of the Bank's Management Board	x	x	x	-----
2.	Bartosz Drabikowski*, Vice-President of the Bank's Management Board	x	x	x	-----
3.	Mariusz Klimczak, Vice-President of the Bank's Management Board	-----	-----	-----	-----
4.	Tomasz Mironczuk*, Vice-President of the Bank's Management Board	x	x	x	-----
II.	Supervisory Board				
1.	Marzena Piszczek*, Chairman of the Bank's Supervisory Board	x	x	x	-----
2.	Eligiusz Jan Krześniak*, Vice-Chairman of the Bank's Supervisory Board	x	x	x	-----
3.	Jan Bossak*, member of the Bank's Supervisory Board	x	x	x	-----
4.	Jerzy Osiatyński*, member of the Bank's Supervisory Board	x	x	x	-----
5.	Urszula Pałaszek*, cmember of the Bank's Supervisory Board	-----	-----	-----	-----
5.	Roman Sobiecki*, member of the Bank's Supervisory Board	x	x	x	-----
6.	Ryszard Wierzba*, member of the Bank's Supervisory Board	x	x	x	-----

** members of the Management Board and the Supervisory Board who were appointed after 31 December 2007.*
The list of the Members of the Management Board does not include Krzysztof Dresler and Wojciech Papierak, who were appointed as of 1 July 2008, and Mariusz Zarzycki who was appointed as of 1 September 2008.

Benefits for the key management of the parent company

Complete information about remuneration and other benefits provided to PKO BP SA Management Board and Supervisory Board members in the reporting period is presented in Note 51 to the interim consolidated financial statements for the six-month period ended 30 June 2008.

Information on any 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 dated 7 December 1995 (amended by Annexes No. 1 to 38) with the Bank's subsidiary, Centrum Finansowe Puławska Sp. z o.o., during the period from January to June 2008, PKO BP SA made payments to CFP in the total gross amount of PLN 24.1 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.

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 the PKO BP SA Group entities have been described in point 4.2 of this Report.

Factors that may affect future financial performance within at least the next quarter

In subsequent quarters, the results of the Bank 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 a 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.

Information on guarantees or warranties on loans and advances granted by the Issuer or by the Issuer's subsidiary – cumulatively to a single entity or its subsidiary, if the total value of outstanding warranties and guaranties constitutes at least 10% of the Issuer's net assets.

On 8 February 2008, the Bank concluded a loan agreement with one of the PKO BP SA clients ("the Borrower"). Based on this agreement, the Bank granted to the Borrower an investment loan of PLN 1230 000 000 for financing a part of the costs of financial assets purchased by the Borrower. The investment loan agreement was signed for a period of 10 years. The agreement will be secured, among others, by a registered pledge on financial assets and the Borrower's bank accounts. The interest rate on the investment loan is based on WIBOR 6M rate + the Bank's margin and interest is payable every 6 months.

Proceedings pending before the court, arbitration tribunal or public administrative authority

As at 30 June 2008, the total value of court proceedings against the Bank was approx. PLN 196 771 thousand, while the total value of proceedings initiated by the Bank was approx. PLN 55 425 thousand. The provision for legal claims as at 30 June 2008 is PLN 9.48 million.

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

Integrated Information System of PKO BP SA

In the first half of 2008 the Bank continued the implementation of the Integrated Information System Application ('ZSI'). The main ZSI activities were focused on the development of functionalities in successive versions of the application.

The most important tasks competed under the ZSI Project in the first half of 2008 include the following:

- implementation of the next version of ZSI;
- conversion trial tests for the implementation of ZSI in the remaining branches took (conversion planned for the 3rd quarter);
- the scope and the specific assumptions for the subsequent 3 versions of ZSI were agreed.

As at the end of first half of 2008 the ZSI is in use in 604 branches and 1071 agencies and operates 6.1 million accounts.

Position of the PKO BP SA Management Board in regards to possibility of achieving previously published forecasts

PKO BP SA did not publish any financial forecasts for 2008.

Information on dividend paid or declared

On 20 May 2008 the Annual General Meeting decided to a distribution of dividends for the year 2007 in the amount of PLN 1.09 per share. The list of the shareholders entitled to receive the dividend will be drawn up as at 18 August 2008, and the dividends will be paid out on 4 September 2008.

Other disclosures significant for evaluation of the issuer's human resources, financial situation, financial performance, and any changes therein

1. As of 26 February 2008, the following members of the Supervisory Board of PKO BP SA resigned from their positions in the Supervisory Board:
    1) Mr. Marek Głuchowski
    2) Ms. Agnieszka Winnik-Kalemba
    3) Mr. Tomasz Siemiątkowski
    4) Mr. Jerzy Michałowski

    In addition, Ms Urszula Pałaszek resigned from the position of a Vice-Chairman of the Supervisory Board of PKO BP SA as of 25 February 2008.
2. On 26 February 2008, pursuant to § 11 section 1 of the Bank's Articles of Association, the State Treasury, as the Eligible Shareholder, determined the number of the Supervisory Board members to include 7 persons. On 26 February 2008, based on Art. 385 § 1 of the Code of Commercial Companies and Partnerships, the Extraordinary General Meeting of PKO BP SA dismissed Maciej Czapiewski from his position in the Supervisory Board of PKO BP SA with an effect as of 26 February 2008. On 26 February 2008, based on Art. 385 § 1 of the Code of Commercial Companies and Partnerships, the Extraordinary General Meeting appointed the following persons to the Supervisory Board:
    1) Mr. Jan Bossak
    2) Mr. Eligiusz Jerzy Krześniak
    3) Mr. Roman Sobiecki
    4) Mr. Ryszard Wierzba
    5) Ms. Marzena Piszczek
    6) Mr. Jerzy Osiatyński

    In accordance with the resolution adopted by the Extraordinary General Meeting, the above persons were appointed to the Supervisory Board as of 26 February 2008, for a period until the end of the current term and for the next term of the Supervisory Board. In accordance with the above resolution, Mrs Urszula Pałaszek was appointed to the Supervisory Board of the next term. The State Treasury, as the Eligible Shareholder under § 12 section 1 of the Articles of Association of PKO BP SA, appointed:
    1) Ms. Marzena Piszczek – as the Chairman of the Bank's Supervisory Board of the current and next term,
    2) Mr. Eligiusz Jerzy Krześniak – as a Vice-Chairman of the Bank's Supervisory Board of the current and the next term.
3. During the years 2005–2006 the Bank sold a number of receivables classified as "loss" (including both balance sheet and off-balance sheet items) which were due to the Bank from corporate entities and individuals. The total number of receivables covered by the sale amounted to approx. 137 000, with a total face value of approx. PLN 2 billion. As the buyers of those receivables were entitled to raise claims with respect to the purchased receivables within the periods specified in the receivables sale agreements, the Bank recognized provisions for potential claims. On 6 March 2008, the Bank received a notification about a court sitting to be held at the request of the buyer in the first receivables sale transaction, on the matter of an attempt to reach an agreement. The value of the claims that were not covered by the provision recognized by the Bank for this transaction as at 31 December 2007, amounting to PLN 34,630 thousand, relates to receivables that were challenged by the buyer after the termination of the period to raise claims. The Bank believes that there are no grounds to admit these claims.

4. On 11 April 2008, the Supervisory Board of PKO BP SA appointed Mr. Jerzy Pruski as President of the Management Board of PKO BP SA, effective as of 20 May 2008, for the common term of the Board beginning on that date. The Supervisory Board appointed Mr. Pruski as the acting President of the Management Board of PKO BP SA for the period from 20 May 2008 to the date on which the Polish Financial Supervision Commission approves his appointment as the President of the Management Board of PKO BP SA. On June 17 2008 the Polish Financial Supervision Supervision Commission approved his appointment as the President of the Management Board of PKO BP SA.

5. On 17 April 2008, the Supervisory Board of PKO BP SA selected an authorized entity to audit the financial statements of the Bank. This entity is PricewaterhouseCoopers Sp. z o.o. registered in Warsaw, entered by the National Chamber of Statutory Auditors on the list of entities authorized to audit financial statements under No. 144. The scope of the contract covers the audit and review of annual and interim financial statements of the Bank for the years 2008 -2010.

6. On 20 May 2008 Supervisory Board of PKO BP SA appointed:
   - Mr. Bartosz Drabikowski as a Vice President of the Management Board of PKO BP SA as of 20 May 2008
   - Mr. Mariusz Klimczak as a Vice President of the Management Board of PKO BP SA as of 20 May 2008
   - Mr. Tomasz Mironczuk as a Vice President of the Management Board of PKO BP SA as of 20 May 2008
   - Mr. Krzysztof Dresler as a Vice President of the Management Board of PKO BP SA as of 1 July 2008
   - Mr. Wojciech Papierak as a Vice President of the Management Board of PKO BP SA as of 1 July 2008
   - Mr. Mariusz Zarzycki as a Vice President of the Management Board of PKO BP SA as of 1 September 2008.

According to the related resolution, the above-mentioned persons were appointed for the said positions for the common term of the Board, beginning on 20 May 2008.

Management of PKO BP SA in the first half of 2008

Table 36. Members of the Management Board of PKO BP SA as at 30 June 2008

No.	Name	Function	Appointment date
1	Jerzy Pruski	President of the Management Board	1) On 11 April 2008, the Supervisory Board of PKO BP SA appointed Mr. Jerzy Pruski as the acting President of the Management Board of PKO BP SA, effective as of 20 May 2008, for the joint term of the Board beginning on that date. The Supervisory Board appointed Mr. Pruski as the acting President of the Management Board of PKO BP SA for the period from 20 May 2008 to the date on which the Polish Financial Supervision Commission approves his appointment as the President of the Management Board of PKO BP SA. 2) On 17 June 2008 the Financial Supervision Supervision Commission approved his appointment as the President of the Management Board of PKO BP SA.
2	Bartosz Drabikowski	Vice-President of the Management Board	Appointed on 20 May 2008 for the joint term of the Board beginning on that day.
3	Mariusz Klimczak	Vice-President of the Management Board	Appointed on 20 May 2008 for the joint term of the Board beginning on that day.
4	Tomasz Mironczuk	Vice-President of the Management Board	Appointed on 20 May 2008 for the joint term of the Board beginning on that day.

Table 37. Members of the Supervisory Board of PKO BP SA as at 30 June 2008

No.	Name	Function	Appointment date
1	Marzena Piszczek	Chairman of the Supervisory Board	Appointed on 26 February 2008 for the term ending on 19 May 2008 and for the current term of the Supervisory Board.
2	Eligiusz Jerzy Piszczak	Chairman of the Supervisory Board	Appointed on 26 February 2008 for the term ending on 19 May 2008 and for the current term of the Supervisory Board.
3	Jan Bossak	Chairman of the Supervisory Board	Appointed on 26 February 2008 for the term ending on 19 May 2008 and for the current term of the Supervisory Board.
4	Jerzy Osiatyński	Member of the Supervisory Board	Appointed on 26 February 2008 for the term ending on 19 May 2008 and for the current term of the Supervisory Board.
5	Urszula Pałaszek	Chairman of the Supervisory Board	Appointed on 19 May 2005.
		Vice-Chairman of the Supervisory Board	On 20 May 2005, Urszula Pałaszek resigned from a function of the Vice-Chairman of the Supervisory Board as of 25 February 2008; on 26 February 2008 she was appointed into the Supervisory Board for the current term.
6	Roman Sobiecki	Member of the Supervisory Board	Appointed on 26 February 2008 for the term ending on 19 May 2008 and for the current term of the Supervisory Board.
7	Ryszard Wierzba	Member of the Supervisory Board	Appointed on 26 February 2008 for the term ending on 19 May 2008 and for the current term of the Supervisory Board.

Table 38. Members of the Management Board of PKO BP SA of the previous tenure

No.	Name	Function	Appointment date
1	Rafał Juszczak	Member of the Management Board	Appointed on 1 July 2006 for the joint term starting on 19 May 2005
		Vice-President of the Management Board	29 September 2006
		Vice-President acting attr. President of the Management Board	On 11 April 2007 (on 2 Aplil 2007 the Supervisory Board of PKO BP SA appointed Mr. Rafał Juszczak to act for the President of the Management Board from 11 April 2007 untill the appointment of the President of the Management Board.
		President of the Management Board	On 20 June 2007 (on 8 July 2007, the Banking Supervisory Commission agreed on appointment of Rafał Juszczak as the President of the Management Board of PKO BP S.A.
2	Wojciech Kwiatkowski	Vice-President of the Management Board	Appointed on 1 November 2006 for the term starting on 19 May 2005 and for the current term of the Supervisory Board.
3	Robert Działak	Vice-President of the Management Board	Appointed on 23 February 2007 for the term starting on 19 May 2005 and for the current term of the Supervisory Board.
4	Stefan Świątkowski	Vice-President of the Management Board	Appointed on 1 May 2007 for the term starting on 19 May 2005 and for the current term of the Supervisory Board.
5	Adam Skowroński	Vice-President of the Management Board	Appointed to act for Vice-President of the Management Board for the period of 11 April 2007 to 30 April 2007.
			Appointed on 23 July 2007 to act for Vice-President of the Management Board for the common term starting on 19 May 2005.
6	Aldona Michalak	Vice-President of the Management Board	Appointed on 23 July 2007 for the term starting on 19 May 2005 and for the current term of the Supervisory Board.
7	Mariusz Klimczak	Vice-President of the Management Board	Appointed on 15 July 2007 for the term starting on 19 May 2005.
8	Berenka Duda-Uhryn	Vice-President of the Management Board	Appointed on 10 September 2005 for the term starting on 19 May 2005.

Table 39. Members of the Supervisory Board of PKO BP SA until 26 February 2008

No.	Name	Function	Appointment date / ending date of appointment
1	Marek Głuchowski	Chairman of the Supervisory Board	Appointed on 18 April 2006; in the period from 10 January 2007 to 23 January 2007 and 27 January 2007 to 10 April 2007 - appointed to act for the President of the Management Board; he resigned on 26 February 2008.
2	Urszula Pałaszek	Vice-Chairman of the Supervisory Board	Appointed on 19 May 2005; on 20 May 2005 resigned from the function of the Vice-Chairman of the Supervisory Board as of 25 February 2008; appointed on 26 Fabruary 2008 into the Supervisory Board for the current term.
3	Tomasz Siemiątkowski	Member of the Supervisory Board	Appointed on 18 April 2006.
		Secretary of the Supervisory Board	On 26 June 2006, he resigned as of 26 February 2008.
4	Jerzy Michałowski	Member of the Supervisory Board	Appointed on 18 April 2006; resigned on 26 February 2008.
5	Agnieszka Winnik-Kalemba	Member of the Supervisory Board	Appointed on 18 April 2006; resigned on 26 February 2008.
6	Maciej Czapiewski	Member of the Supervisory Board	Appointed on 19 March 2007; resigned on 26 February 2008.

Cooperation with rating agencies

On 27 June 2008, the Moody's Investors Service agency issued a credit opinion, in which it sustained the level of chargeable rating assigned on 31 October 2007.

Ratings which are assigned free of charge by other rating agencies have not changed as well during the first half of 2008.

Table 40. Ratings assigned to PKO BP SA as at 30 June 2008

Rating with a charge	
*Moody's Investors Service**	
Long-term rating for deposits in foreign currencies	A2 -with a stable perspective
Sort-term rating for deposits in foreign currencies	Prime-1- with a stable perspective
Long-term rating for deposits in a domestic currency	Aa2 with a stable perspective
Sort-term rating for deposits in a domestic currency	Prime-1 with a stable perspective
Financial strengh	C with a stable perspective
Rating not requested by the Bank**	
Fitch Ratings	
Support Rating	2
Standard and Poor's	
Long-term rating for liabilities in a domestic currency	BBBpi
Capital Intelligence	
Long-term rating for liabilities in a domestic currency	A-
Sort-term rating for liabilities in a domestic currency	A2
Strength on a national scale	BBB+
Support Rating	2
Perspective for upholding the rating	Stable

*the Moody's Investors Service agency grants a rating for a fee, in accordance with its own procedure for rating banks.
** agencies: Standard & Poor's, Capital Intelligence and Fitch Ratings grant ratings for no charge (not requested by a bank), based on available published data, particularly based on interim and annual financial statements and information about the Bank gathered through indirect an direct communication with representatives of the Bank.

As at 30 June 2008, KREDOBANK SA had the following agency ratings assigned by Standard & Poor's

– Long-term credit ranking on the international scale – „B"
– Prognosis – „Stable",
– Short-term credit ranking on the international scale – „B",
– Rating on the Ukrainian scale - "uaBBB".

Corporate governance

On 1 January 2008, new rules for corporate governance have been introduced in the form of a document 'Good Practices of Warsaw Stock Exchange Companies' approved by the Supervisory Board of the Warsaw Stock Exchange S.A. on 4 July 2007 (Resolution no.12/1170/2007).

The Bank strives to implement recommendations and good practices to the greatest extend. In case there is a violation of a rule or an incident of breaking the rule, the Bank shall inform the market about it, in compliance with § 29 of the Regulation of the Warsaw Stock Exchange S.A.

As at the date of publication of the report, the Bank has not communicated any violations against the 'Good Practices of Warsaw Stock Exchange Companies'.

Declaration of the Management Bard of PKO BP SA

The Management Bard of PKO BP SA certifies that, to the best of its knowledge,

1. the interim financial statements and comparative data have been prepared in accordance with binding accounting and reporting standards and present a true and fair view of financial condition and results of operations of the PKO BP Group;
2. the interim Directors' Report presents a true and fair value of the progress and achievements as well as condition of the PKO BP Group, including a description of the basic risks and threats.

The Management Board of PKO BP SA certifies that the entity authorized to audit the financial statements and which is performing the interim review of the consolidate financial statements, has been elected as the PKO BP SA Group auditor in compliance with applicable laws. The entity as well as the certified auditor performing the review fulfilled all criteria for providing unbiased and independent review memo in compliance with applicable laws.

The Directors' Report on the PKO BP Group for the first half of 2008 consists of 33 pages.

President of the Management Board
Jerzy Pruski

Vice President of the Management Board
Bartosz Drabikowski

Vice President of the Management Board
Krzysztof Dresler

Vice President of the Management Board
Mariusz Klimczak

Vice President of the Management Board
Tomasz Mironczuk

Vice President of the Management Board
Wojciech Papierak

Vice President of the Management Board
Mariusz Zarzycki

PricewaterhouseCoopers Sp. z o.o.
Al. Armii Ludowej 14
00-638 Warszawa
Polska
Telephone +48 (22) 523 4000
Facsimile +48 (22) 523 4040
http://www.pwc.com/pl

Independent registered auditor's report on the review of the condensed interim financial statements for the period from 1 January to 30 June 2008

to the shareholders and the Supervisory Board of the Powszechna Kasa Oszczędności Bank Polski SA

We have reviewed the accompanying condensed financial statements of the Powszechna Kasa Oszczędności Bank Polski SA (hereinafter called *the Bank*), Warsaw, 15 Puławska Street, comprising:

(a) the income statement for the period from 1 January to 30 June 2008, showing a net profit of PLN 1 824 745 thousand;

(b) the balance sheet as at 30 June 2008, showing total assets and total liabilities and equity of PLN 114 298 784 thousand;

(c) the statement of changes in equity for the period from 1 January to 30 June 2008, showing an increase in equity of PLN 696 266 thousand;

(d) the cash flow statement for the period from 1 January to 30 June 2008, showing a net increase in cash and cash equivalents of PLN 2 408 139 thousand;

(e) notes to the condensed financial statements.

The Bank's Management Board is responsible for preparing condensed interim financial statements in accordance with the International Financial Reporting Standards, approved by the European Union, concerning interim reporting (IAS 34). Our responsibility was to present a report on these financial statements based on our review.

We conducted the review in accordance with auditing standards issued by the National Council of Registered Auditors in Poland, applicable in the Republic of Poland and International Standard on Review Engagements 2410. These standards require that we plan and perform the review to obtain reasonable assurance that the interim condensed financial statements are free of material misstatements. We conducted the review by analysing the interim condensed financial statements, inspecting the accounting records, and making use of information obtained from the Bank's Management Board and the employees.

PricewaterhouseCoopers Sp. z o.o. is entered into the National Court Register maintained by the District Court for the Capital City of Warsaw, under KRS number 0000044655, NIP 526-021-02-28. The share capital is PLN 10,363,900. The seat of the Company is in Warsaw at Al. Armii Ludowej 14.

PRICEWATERHOUSECOOPERS

Independent registered auditor's report
on the review of the condensed interim financial statements
for the period from 1 January to 30 June 2008

to the shareholders and the Supervisory Board
of the Powszechna Kasa Oszczędności Bank Polski SA (cont.)

The scope of the work performed was significantly narrower than the scope of an audit of the financial statements, because the review was not aimed at expressing an opinion on the truth and fairness of the condensed interim financial statements. This report does not constitute an audit opinion from the audit of condensed financial statements within the meaning of the Accounting Act of 29 September 1994 (uniform text, *Journal of Laws* of 2002, No. 76, item 694 with further amendments).

Our review did not indicate the need for any significant changes to the accompanying financial statements to ensure that that they comply with International Accounting Standard 34 "Interim Financial Reporting".

On behalf of PricewaterhouseCoopers Sp. z o.o. and conducting the review:

Antoni F. Reczek President of the Management Board	Registered Audit Company
Registered Auditor No. 90011/503	No. 144

Warsaw, 23 September 2008

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Sp. z o.o.
Al. Armii Ludowej 14
00-638 Warszawa
Polska
Telephone +48 (22) 523 4000
Facsimile +48 (22) 523 4040
http://www.pwc.com/pl

Independent registered auditor's report
on the review of the consolidated interim financial statements
for the period from 1 January to 30 June 2008

to the shareholders and the Supervisory Board
of the Powszechna Kasa Oszczędności Bank Polski SA

We have reviewed the accompanying consolidated interim financial statements of the Powszechna Kasa Oszczędności Bank Polski SA Group (hereinafter called *the Group*), prepared by the Powszechna Kasa Oszczędności Bank Polska SA (hereinafter called *the Parent Company*), Warsaw, 15 Puławska Street, comprising:

(a) the consolidated income statement for the period from 1 January to 30 June 2008, showing a net profit of PLN 1 862 852 thousand (including the net profit attributable to the Parent Company of PLN 1 848 313 thousand);

(b) the consolidated balance sheet as at 30 June 2008, showing total assets and total liabilities and equity of PLN 117 622 506 thousand;

(c) the consolidated statement of changes in equity for the period from 1 January to 30 June 2008, showing an increase in equity of PLN 692 880 thousand;

(d) the consolidated cash flow statement for the period from 1 January to 30 June 2008, showing a net increase in cash and cash equivalents of PLN 2 743 957 thousand;

(e) notes to the consolidated financial statements.

The Parent Company's Management Board is responsible for preparing consolidated interim financial statements in accordance with the International Financial Reporting Standards, approved by the European Union, concerning interim reporting (IAS 34). Our responsibility was to present a report on these consolidated financial statements based on our review.

We conducted the review in accordance with auditing standards issued by the National Council of Registered Auditors in Poland, applicable in the Republic of Poland and International Standard on Review Engagements 2410. These standards require that we plan and perform the review to obtain reasonable assurance that the consolidated interim financial statements are free of material misstatements. We conducted the review by analysing the interim consolidated financial statements, inspecting the documentation on consolidation, and making use of information obtained from the Parent Company's Management Board and employees of the Group.

PRICEWATERHOUSECOOPERS

Independent registered auditor's report
on the review of the consolidated interim financial statements
for the period from 1 January to 30 June 2008

to the shareholders and the Supervisory Board
of the Powszechna Kasa Oszczędności Bank Polski SA (cont.)

The scope of the work performed was significantly narrower than the scope of an audit of the financial statements, because the review was not aimed at expressing an opinion on the truth and fairness of the interim consolidated financial statements. This report does not constitute an audit opinion from the audit of consolidated financial statements within the meaning of the Accounting Act of 29 September 1994 (uniform text, *Journal of Laws* of 2002, No. 76, item 694 with further amendments).

Our review did not indicate the need for any significant changes to the accompanying consolidated interim financial statements to ensure that they give a true and fair view of the Group's material and financial position as at 30 June 2008 and of the results of its operations for the period from 1 January to 30 June 2008, in accordance with the International Accounting Standard 34 "Interim Financial Reporting".

On behalf of PricewaterhouseCoopers Sp. z o.o. and conducting the review:

Antoni F. Reczek President of the Management Board	Registered Audit Company
Registered Auditor No. 90011/503	No. 144

Warsaw, 23 September 2008