



**PKO BANK POLSKI
SPÓŁKA AKCYJNA**

***INTERIM FINANCIAL STATEMENTS OF THE
POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA
FOR THE FOURTH QUARTER OF 2008***

***Prepared in accordance with
International Financial Reporting Standards***

February 2009

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1. KEY FINANCIAL INDICATORS

NET PROFIT	PLN 3 300.6 million	+ 13.7%	(y/y)	the result of increase in income items by 23.1% (y/y), with 6.3% (y/y) increase in costs
RESULTS ON BUSINESS ACTIVITIES*	PLN 9 478.0 million	+ 23.1%	(y/y)	due to the increase in interest result by 31.9% (y/y) and in foreign exchange result by 41.4% (y/y)
NET INTEREST INCOME	PLN 6 127.3 million	+ 31.9%	(y/y)	the result of higher deposit margins and 32.4% (y/y) increase in net loan portfolio volume
NET FEE AND COMMISSION INCOME	PLN 2 411.6 million	+ 3.4%	(y/y)	the result of increase in fee and commission income due to granted loans by 18.1% as well as 2.7% (y/y) increase in the number of banking cards and transactions made using those cards
COSTS	PLN -4 296.0 million	+ 6.3%	(y/y)	the result of 6.1% (y/y) increase in staff costs and overhead costs by 5.3% (y/y)
ROE net	25.2%	- 1.0	pp.	the result of 13.7% (y/y) increase in net profit and increase in equity by total of 18.4% (y/y)
ROA net	2.7%	- 0.04	pp.	with 24.2% (y/y) increase in assets

* result on business activities as the total of income items.

KEY FINANCIAL INDICATORS derived from the financial statements of the PKO BP SA Group				
	Period from 01.01.2008 to 31.12.2008	Period from 01.01.2007 to 31.12.2007	Period from 01.01.2008 to 31.12.2008	Period from 01.01.2007 to 31.12.2007
	PLN thousand		EUR thousand	
Result on business activities*:	9 478 014	7 702 346	2 683 393	2 039 384
Net interest income	6 127 315	4 646 567	1 734 751	1 230 292
Net fee and commission income	2 411 580	2 331 847	682 761	617 413
Net other income	939 119	723 932	265 881	191 679
Administrative expenses	(4 296 046)	(4 040 845)	(1 216 287)	(1 069 912)
Operating profit	4 176 572	3 604 858	1 182 461	954 474
Net impairment charge	(1 005 396)	(56 643)	(284 645)	(14 998)
Gross profit	4 192 166	3 609 230	1 186 876	955 632
Net profit for the period (including minority interest)	3 319 131	2 941 392	939 705	778 805
Net profit	3 300 618	2 903 632	934 463	768 807
Total net cash flows	(962 073)	(4 901 890)	(272 380)	(1 297 895)
Net cash flow from operating activities	3 220 104	(9 085 833)	911 668	(2 405 696)
Net cash flow from investing activities	(3 075 138)	665 615	(870 626)	176 238
Net cash flow from financing activities	(1 107 039)	3 518 328	(313 422)	931 563
Total equity	14 177 960	11 979 015	3 398 035	3 344 225
Attributable to equity holders of the parent company	14 131 744	11 920 949	3 386 958	3 328 015
Tier 1 capital	11 265 718	8 449 415	2 700 057	2 358 854
Tier 2 capital	1 528 517	1 517 988	366 340	423 782
Market indicators				
earnings per share for the period - basic	3.30	2.90	0.93	0.77
earnings per share for the period - diluted	3.30	2.90	0.93	0.77
P/BV	2.50	4.39	2.50	4.39
P/E	10.76	18.12	10.76	18.12

* result on business activities as the total of income items.

KEY FINANCIAL INDICATORS derived from the condensed financial statements of the PKO BP SA				
	Period from 01.01.2008 to 31.12.2008	Period from 01.01.2007 to 31.12.2007	Period from 01.01.2008 to 31.12.2008	Period from 01.01.2007 to 31.12.2007
	PLN thousand		EUR thousand	
Result on business activities*:	8 905 850	7 057 516	2 521 404	1 868 650
Net interest income	5 968 083	4 503 107	1 689 670	1 192 308
Net fee and commission income	2 132 815	1 993 772	603 838	527 900
Net other income	804 952	560 637	227 896	148 442
Administrative expenses	(3 969 247)	(3 685 423)	(1 123 764)	(975 806)
Operating profit	3 912 673	3 327 145	1 107 747	880 943
Net impairment charge	(1 023 930)	(44 948)	(289 893)	(11 901)
Gross profit	3 912 673	3 327 145	1 107 747	880 943
Net profit	3 061 204	2 719 991	866 681	720 184
Total net cash flows	(945 615)	(4 849 265)	(267 720)	(1 283 961)
Net cash flow from operating activities	3 429 872	(8 252 025)	971 057	(2 184 925)
Net cash flow from investing activities	(3 048 466)	473 187	(863 075)	125 288
Net cash flow from financing activities	(1 327 021)	2 929 573	(375 703)	775 676
Total equity	13 709 316	11 729 541	3 285 715	3 274 579
Tier 1 capital	11 003 657	8 324 410	2 637 249	2 323 956
Tier 2 capital	1 294 488	1 202 935	310 250	335 828
Market indicators				
earnings per share for the period - basic	3.06	2.72	0.87	0.72
earnings per share for the period - diluted	3.06	2.72	0.87	0.72
P/BV	2.59	4.48	2.59	4.48
P/E	11.60	19.34	11.60	19.34

* result on business activities as the total of income items.

2. CONDENSED FINANCIAL STATEMENTS¹

2.1. CONDENSED FINANCIAL STATEMENTS OF THE PKO BP SA GROUP

INCOME STATEMENT OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP					
	Notes	4th quarter period from 01.10.2008 to 31.12.2008	4 quarters cumulatively period from 01.01.2008 to 31.12.2008	4th quarter period from 01.10.2007 to 31.12.2007	4 quarters cumulatively period from 01.01.2007 to 31.12.2007
Interest income		2 536 638	9 033 781	1 847 092	6 559 333
Interest expense		(918 249)	(2 906 466)	(531 280)	(1 912 766)
Net interest income	1	1 618 389	6 127 315	1 315 812	4 646 567
Fee and commission income		790 457	3 144 760	818 855	3 083 416
Fee and commission expense		(178 345)	(733 180)	(207 202)	(751 569)
Net fee and commission income	2	612 112	2 411 580	611 653	2 331 847
Dividend income		18 056	21 956	22	3 293
Net income from financial instruments designated at fair value	3	(27 901)	(120 667)	(22 477)	(73 314)
Gains less losses from investment securities		(674)	(2 986)	2 911	6 543
Foreign exchange result		187 922	749 118	140 559	529 779
Other operating income		225 379	701 105	288 581	620 057
Other operating expenses		(90 022)	(409 407)	(113 444)	(362 426)
Net other operating income and expense	4	135 357	291 698	175 137	257 631
Net impairment charge	5	(577 367)	(1 005 396)	80 643	(56 643)
Administrative expenses	6	(1 238 202)	(4 296 046)	(1 241 109)	(4 040 845)
Operating profit		727 692	4 176 572	1 063 151	3 604 858
Share of profit of associates and jointly controlled entities		(3 707)	15 594	3 441	4 372
Profit before income tax		723 985	4 192 166	1 066 592	3 609 230
Income tax expense		(177 070)	(873 035)	(182 379)	(667 838)
Net profit (including minority interest)		546 915	3 319 131	884 213	2 941 392
Profit attributable to minority shareholders		(1 210)	18 513	9 442	37 760
Net profit (attributable to the parent company)	7	548 125	3 300 618	874 771	2 903 632
Earnings per share for the period					
- basic		0,55	3,30	0,87	2,90
- diluted		0,55	3,30	0,87	2,90

¹ In this section, information is presented in PLN thousand.

BALANCE SHEET OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP			
ASSETS	Notes	As at 31.12.2008	As at 31.12.2007
Cash and balances with Central Bank		5 836 892	4 682 627
Amounts due from banks	9	3 363 599	5 261 236
Financial assets held for trading		1 496 147	1 202 919
Derivative financial instruments		3 687 493	1 556 736
Other financial instruments at fair value through profit or loss		4 555 544	8 314 444
Loans and advances to customers	10	101 176 184	76 417 149
Investment securities available for sale		8 614 913	5 716 238
Investments in associates and jointly controlled entities		247 145	178 584
Inventory		622 410	365 304
Intangible assets		1 352 778	1 183 491
Tangible fixed assets		2 964 659	2 820 103
<i>of which: investment property</i>		24 169	32 766
Current tax receivables		6 649	187 939
Deferred income tax asset	11	200 312	72 154
Other assets		630 452	578 676
TOTAL ASSETS		134 755 177	108 537 600
LIABILITIES AND EQUITY	Notes	As at 31.12.2008	As at 31.12.2007
Liabilities			
Amounts due to the Central Bank		2 816	1 279
Amounts due to other banks		6 988 603	4 703 114
Derivative financial instruments		6 150 337	1 279 925
Amounts due to customers	12	102 939 281	86 579 510
Debt securities in issue		211 573	178 860
Subordinated liabilities		1 618 755	1 614 885
Other liabilities		1 667 776	1 732 333
Current income tax liabilities		468 182	9 932
Deferred income tax liability	11	20 585	4 446
Provisions	11	509 309	454 301
TOTAL LIABILITIES		120 577 217	96 558 585
Equity			
Share capital		1 000 000	1 000 000
Other capital		9 835 307	8 137 270
Currency translation differences from foreign operations		(57 413)	(47 761)
Retained earnings		53 232	(72 192)
Net profit for the period		3 300 618	2 903 632
Capital and reserves attributable to shareholders of the parent company		14 131 744	11 920 949
Minority interest		46 216	58 066
Total equity		14 177 960	11 979 015
TOTAL LIABILITIES AND EQUITY		134 755 177	108 537 600
Capital adequacy ratio (%)	13 - 19	11,28	12,02*

*As a result of the publication and implementation of the Banking Supervisory Commission Resolution 2/2007, the capital adequacy ratio for the comparative period is prepared under a different basis. The major difference refers to the methodology of regulatory capital calculation for credit and operational risk.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP

Items	Period from 01.01.2008 to 31.12.2008	Period from 01.01.2007 to 31.12.2007
Share capital	1 000 000	1 000 000
Other capital, of which:	9 835 307	8 137 270
Supplementary capital	7 274 717	5 592 311
Revaluation reserve	(33 237)	(43 066)
<i>of which: fair value adjustments to available-for-sale financial assets</i>	<i>(33 237)</i>	<i>(43 066)</i>
Reserve capital	1 523 827	1 518 025
General banking risk fund	1 070 000	1 070 000
Currency translation differences from foreign operations	(57 413)	(47 761)
Retained earnings	53 232	(72 192)
Net profit for the period	3 300 618	2 903 632
Attributable to shareholders of the parent company	14 131 744	11 920 949
Minority interest	46 216	58 066
<i>of which: net result for the current period</i>	<i>18 513</i>	<i>37 760</i>
Total equity	14 177 960	11 979 015
Sources of changes in equity		
Equity as at the end of the previous period	11 979 015	10 180 580
Changes in equity		
Net profit for the period attributable to the shareholders of the parent company	3 300 618	2 903 632
Profit of the minority shareholders	18 513	37 760
Fair value adjustments to available-for-sale financial assets recognised in the revaluation reserve	7 319	(46 900)
Currency translation differences from foreign operations	(23 786)	(34 089)
Other increases/decreases in equity	(1 103 719)	(1 061 968)
Total equity	14 177 960	11 979 015

CONDENSED CASHFLOW STATEMENT OF
THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP

	Period from 01.01.2008 to 31.12.2008	Period from 01.01.2007 to 31.12.2007
Net cash flow from operating activities	3 220 104	(9 085 833)
Net cash flow from investing activities	(3 075 138)	665 615
Net cash flow from financing activities	(1 107 039)	3 518 328
Total net cash flow	(962 073)	(4 901 890)
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	8 270 243	9 232 316
Cash and cash equivalents, of which:	8 270 243	9 232 316
Cash in hand	2 415 629	1 708 937
Amounts due from the Central Bank	3 421 263	2 973 690
Current receivables from financial institutions	2 425 385	4 541 569
Cash of the brokerage house ('Dom Maklerski') in the Stock Exchange Guarantee Fund	7 966	8 120

OFF-BALANCE SHEET ITEMS OF
THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP

Items	As at 31.12.2008	As at 31.12.2007
Off-balance sheet contingent liabilities granted:	22 729 534	19 371 569
financial	18 426 835	15 486 297
guarantees	4 302 699	3 885 272
Liabilities arising from the purchase/sale transactions	426 287 641	418 646 951
Other, of which:	15 365 924	18 269 487
irrevocable liabilities	7 714 609	8 860 369
collateral received	7 651 315	9 409 118
Total off-balance sheet items	464 383 099	456 288 007

EXPLANATORY NOTES – THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP

NET INTEREST INCOME OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP

Note 1	4th quarter period from 01.10.2008 to 31.12.2008	4 quarters cumulatively period from 01.01.2008 to 31.12.2008	4th quarter period from 01.10.2007 to 31.12.2007	4 quarters cumulatively period from 01.01.2007 to 31.12.2007
Interest income, of which:	2 536 638	9 033 781	1 847 092	6 559 333
Loans and advances to customers	2 192 939	7 683 621	1 528 142	5 164 104
Financial assets at fair value through profit or loss	1 12 794	444 426	130 012	561 346
Amounts due from other banks	74 831	388 768	100 241	491 078
Investment securities	103 899	345 130	60 685	245 352
Financial assets held for trading	18 279	64 046	7 109	24 527
Other	33 896	107 790	20 903	72 926
Interest expenses, of which:	(918 249)	(2 906 466)	(531 280)	(1 912 766)
Amounts due to customers	(858 528)	(2 657 756)	(448 653)	(1 697 116)
Placements with other banks	(6 439)	(49 465)	(34 536)	(106 678)
Debt securities in issue	(36 118)	(131 721)	(20 887)	(28 711)
Other	(17 164)	(67 524)	(27 204)	(80 261)
Net interest income	1 618 389	6 127 315	1 315 812	4 646 567

NET FEE AND COMMISSION INCOME OF THE POWSZECHNA KASA OSZCZEDNOSCI BANK POLSKI SA GROUP

Note 2	4th quarter period from 01.10.2008 to 31.12.2008	4 quarters cumulatively period from 01.01.2008 to 31.12.2008	4th quarter period from 01.10.2007 to 31.12.2007	4 quarters cumulatively period from 01.01.2007 to 31.12.2007
Fee and commission income, of which:	790 457	3 144 760	818 855	3 083 416
Credit related fees and commissions	81 758	315 641	68 890	267 169
Maintenance of bank accounts	203 194	805 449	195 083	770 642
Payment cards	228 668	851 370	199 928	703 023
Investment and pension funds (including management fees)	84 304	448 071	169 936	630 190
Cash transactions	45 513	188 345	49 715	204 077
Loan insurance intermediary and other	147 020	535 884	135 303	508 315
Fee and commission expenses, of which:	(178 345)	(733 180)	(207 202)	(751 569)
Payment cards	(85 092)	(309 766)	(69 303)	(254 078)
Acquisition services	(36 561)	(134 773)	(34 904)	(129 005)
Asset management and related fees on investment and pension funds	(9 410)	(73 719)	(51 747)	(126 606)
Loan insurance intermediary and other	(47 282)	(214 922)	(51 248)	(241 880)
Net fee and commission income	612 112	2 411 580	611 653	2 331 847

RESULT ON THE FINANCIAL INSTRUMENTS AT FAIR VALUE OF THE POWSZECHNA KASA OSZCZEDNOSCI BANK POLSKI SA GROUP

Note 3	4th quarter period from 01.10.2008 to 31.12.2008	4 quarters cumulatively period from 01.01.2008 to 31.12.2008	4th quarter period from 01.10.2007 to 31.12.2007	4 quarters cumulatively period from 01.01.2007 to 31.12.2007
Financial assets held for trading	2 536	(5 198)	(3 625)	(8 679)
Derivatives	(40 360)	(78 770)	102 050	261 210
Other	33	73	(1)	(8)
Financial assets at fair value through profit or loss	9 890	(36 772)	(120 901)	(325 837)
TOTAL	(27 901)	(120 667)	(22 477)	(73 314)

**OTHER OPERATING INCOME AND EXPENSES OF
THE POWSZECHNA KASA OSZCZEDNOSCI BANK POLSKI SA GROUP**

Note 4	4th quarter period from 01.10.2008 to 31.12.2008	4 quarters cumulatively period from 01.01.2008 to 31.12.2008	4th quarter period from 01.10.2007 to 31.12.2007	4 quarters cumulatively period from 01.01.2007 to 31.12.2007
Other operating income, of which:	225 379	701 105	288 581	620 057
Sale of products, merchandise and materials	91 356	391 753	222 348	430 315
Sundry income	5 217	25 162	2 753	25 257
Sale of shares in subsidiaries	244	13 171	1 101	1 101
Sale, liquidation of tangible and intangible assets	3 602	15 065	12 592	24 702
Other	124 960	255 954	49 787	138 682
Other operating expenses, of which:	(90 022)	(409 407)	(113 444)	(362 426)
Sale of products, merchandise and materials	(53 054)	(259 794)	(81 928)	(229 093)
Sale, liquidation of tangible fixed assets, intangible assets and assets held for sale	(13 982)	(28 321)	(7 915)	(23 636)
Other	(22 986)	(121 292)	(23 601)	(109 697)
Total	135 357	291 698	175 137	257 631

**NET IMPAIRMENT CHARGE
OF THE POWSZECHNA KASA OSZCZEDNOSCI BANK POLSKI SA GROUP**

Note 5	4th quarter period from 01.10.2008 to 31.12.2008	4 quarters cumulatively period from 01.01.2008 to 31.12.2008	4th quarter period from 01.10.2007 to 31.12.2007	4 quarters cumulatively period from 01.01.2007 to 31.12.2007
Net impairment charge on:				
loans and advances	(477 934)	(950 612)	(10 323)	(124 549)
off-balance sheet items	6 175	6 386	2 228	(11 144)
securities, financial assets and goodwill on consolidation	(85 843)	(22 192)	1 595	(3 397)
other liabilities and tangible fixed assets	(19 765)	(38 978)	87 143	82 447
Total	(577 367)	(1 005 396)	80 643	(56 643)

**ADMINISTRATIVE EXPENSES OF
THE POWSZECHNA KASA OSZCZEDNOSCI BANK POLSKI SA GROUP**

Note 6	4th quarter period from 01.10.2008 to 31.12.2008	4 quarters cumulatively period from 01.01.2008 to 31.12.2008	4th quarter period from 01.10.2007 to 31.12.2007	4 quarters cumulatively period from 01.01.2007 to 31.12.2007
Staff costs	(683 391)	(2 429 165)	(677 140)	(2 288 712)
Overhead expenses	(420 515)	(1 356 437)	(446 302)	(1 288 548)
Depreciation and amortisation	(114 171)	(429 904)	(96 590)	(382 166)
Other	(20 125)	(80 540)	(21 077)	(81 419)
Total	(1 238 202)	(4 296 046)	(1 241 109)	(4 040 845)

**CONSOLIDATED NET PROFIT OF
THE POWSZECHNA KASA OSZCZEDNOSCI BANK POLSKI SA GROUP**

Note 7	4th quarter period from 01.10.2008 to 31.12.2008	4 quarters cumulatively period from 01.01.2008 to 31.12.2008	4th quarter period from 01.10.2007 to 31.12.2007	4 quarters cumulatively period from 01.01.2007 to 31.12.2007
PKO BP	379 744	3 061 204	792 134	2 719 991
PKO TFI	16 143	104 873	34 094	122 853
KREDOBANK	(196 991)	(196 293)	(1 795)	2 844
BFL Group	2 522	8 828	1 677	8 867
PTE Group	72 785	90 029	5 792	24 359
CFP	1 135	10 992	3 004	4 180
eService	9 002	27 873	5 167	20 003
PKO Inwestycje Group	(8 283)	(5 095)	16 321	13 621
Inteligo	3 160	25 473	6 771	22 082
BTK	(219)	818	(532)	(934)
PKO Finance AB	125	96	-	-
consolidation adjustments	269 002	171 820	12 138	(34 234)
Consolidated net profit	548 125	3 300 618	874 771	2 903 632

**IMPAIRMENT ALLOWANCE OF
THE POWSZECHNA KASA OSZCZEDNOSCI BANK POLSKI SA GROUP**

Note 8	As at 31.12.2008	As at 31.12.2007
Loans, advances, realised guarantees and bank placements	2 877 693	2 415 879
Tangible and intangible assets	17 408	18 426
Financial assets	106 134	91 663
Other assets	99 865	84 546
Total	3 101 100	2 610 514

**STRUCTURE OF AMOUNTS DUE FROM BANKS OF
THE POWSZECHNA KASA OSZCZEDNOSCI BANK POLSKI SA GROUP**

Note 9	As at 31.12.2008	As at 31.12.2007
Gross amounts due from banks, of which:	3 391 710	5 261 512
Current accounts with other banks	384 686	152 701
Placements with other banks	2 106 309	4 676 670
Loans and advances with other banks	289 636	372 257
Other	611 079	59 884
Impairment allowance on amounts due from banks	(28 111)	(276)
Total	3 363 599	5 261 236

**STRUCTURE OF LOANS AND ADVANCES TO CUSTOMERS OF
THE POWSZECHNA KASA OSZCZEDNOSCI BANK POLSKI SA GROUP**

Note 10	As at 31.12.2008	As at 31.12.2007
Gross loans and advances, of which:	104 025 766	78 832 752
Consumer	20 776 264	18 303 165
Corporate	37 137 849	26 810 539
Mortgage	45 589 436	33 260 792
Accrued interest	522 217	458 256
Impairment allowance on loans and advances	(2 849 582)	(2 415 603)
Total	101 176 184	76 417 149

PROVISIONS, DEFERRED TAX ASSETS AND LIABILITIES OF
THE POWSZECHNA KASA OSZCZEDNOSCI BANK POLSKI SA GROUP

Note 11	As at 31.12.2008	As at 31.12.2007
Deferred income tax liabilities	20 585	4 446
Deferred income tax asset	200 312	72 154
Provisions for off-balance sheet items	30 895	34 903
Provisions for future liabilities to employees	446 028	399 986
Provision for other future liabilities	32 386	19 412
Total	730 206	530 901

AMOUNTS DUE TO CUSTOMERS OF
THE POWSZECHNA KASA OSZCZEDNOSCI BANK POLSKI SA GROUP

Note 12	As at 31.12.2008	As at 31.12.2007
Deposits, of which:	102 939 281	86 579 510
current	40 337 421	39 360 526
term	62 601 860	47 218 984

RISK WEIGHTED BALANCE SHEET ASSETS OF
THE POWSZECHNA KASA OSZCZEDNOSCI BANK POLSKI SA GROUP as at 31.12.2008

Note 13	carrying amount	risk weighted value
Banking portfolio	130 651 796	85 012 537
Trading portfolio	4 103 381	1 066 500
Total	134 755 177	86 079 037

RISK WEIGHTED OFF-BALANCE SHEET ITEMS OF
THE POWSZECHNA KASA OSZCZEDNOSCI BANK POLSKI SA GROUP as at 31.12.2008

Note 14	credit equivalent	weighted value
Derivative instruments	241 574 199	2 453 864
Banking portfolio	43 933 292	415 606
of which: long term FX instruments	14 798 243	233 121
Trading portfolio	197 640 907	2 038 258
of which: long term FX instruments	2 368 952	25 527
Other off-balance sheet items	30 519 046	9 229 646
Banking portfolio	29 697 837	8 571 498
Trading portfolio	821 209	658 148
Total	272 093 245	11 683 510

CAPITAL REQUIREMENTS OF
THE POWSZECHNA KASA OSZCZEDNOSCI BANK POLSKI SA GROUP as at 31.12.2008

Note 15	risk weighted value	capital requirement
Banking portfolio - credit risk	93 999 641	7 519 971
Counterparty credit risk - trading portfolio	2 038 258	163 061
Market risk		202 677
Currency risk - both portfolios		-
Commodity price risk - trading portfolio		-
Equity securities price risk - trading portfolio		1 069
Debt instruments specific risk - trading portfolio		167 505
Interest rate risk - trading portfolio		34 103
Operational risk - both portfolios		1 252 826
Other		-
Settlement risk - counterparty's delivery - trading portfolio		-
Securities underwriting risk - trading portfolio		-
Other		-
Total capital requirement		9 138 535

**RISK WEIGHTED BALANCE SHEET ASSETS OF
THE POWSZECHNA KASA OSZCZEDNOSCI BANK POLSKI SA GROUP as at 31.12.2007***

Note 16	carrying amount	risk weighted value
Banking portfolio	105 568 443	74 699 683
Trading portfolio	3 000 241	1 099 072
Total	108 568 683	75 798 755

* As a result of the publication and implementation of the Banking Supervisory Commission Resolution 2/2007, the capital adequacy ratio for the comparative period is prepared under a different basis. The major difference refers to the methodology of regulatory capital calculation for credit and operational risk.

**RISK WEIGHTED OFF-BALANCE SHEET ITEMS OF
THE POWSZECHNA KASA OSZCZEDNOSCI BANK POLSKI SA GROUP as at 31.12.2007***

Note 17	credit equivalent	weighted value
Derivative instruments	213 809 611	498 710
Banking portfolio	38 235 646	230 591
of which long term FX instruments	6 500 689	99 956
Trading portfolio	175 573 965	268 119
of which long term FX instruments	694 990	15 596
Other off-balance sheet items	29 406 484	6 334 030
Banking portfolio	27 941 868	5 085 761
Trading portfolio	1 464 616	1 248 269
Total	243 216 095	6 832 740

* As a result of the publication and implementation of the Banking Supervisory Commission Resolution 2/2007, the capital adequacy ratio for the comparative period is prepared under a different basis. The major difference refers to the methodology of regulatory capital calculation for credit and operational risk.

**CAPITAL REQUIREMENTS OF
THE POWSZECHNA KASA OSZCZEDNOSCI BANK POLSKI SA GROUP as at 31.12.2007***

Note 18	risk weighted value	capital requirement
Banking portfolio - credit risk	80 016 035	6 401 283
Counterparty credit risk - trading portfolio:	268 119	24 248
Market risk		220 143
Currency risk - both portfolios		-
Commodity price risk - trading portfolio		-
Equity securities price risk - trading portfolio		1 187
Debt instruments specific risk - trading portfolio		166 633
Interest rate risk - trading portfolio		52 322
Other		-
Settlement risk - counterparty's delivery - trading portfolio		-
Securities underwriting risk - trading portfolio		-
Other		-
Total capital requirement		6 645 674

* As a result of the publication and implementation of the Banking Supervisory Commission Resolution 2/2007, the capital adequacy ratio for the comparative period is prepared under a different basis. The major difference refers to the methodology of regulatory capital calculation for credit and operational risk.

**REGULATORY CAPITAL AND SHORT-TERM CAPITAL OF
THE POWSZECHNA KASA OSZCZEDNOSCI BANK POLSKI SA GROUP**

Note 19	As at 31.12.2008	As at 31.12.2007*
Tier 1 capital	11 265 718	8 449 415
Share capital	1 000 000	1 000 000
Supplementary capital	7 274 717	5 592 311
Reserve capital	1 523 827	1 518 025
General banking risk fund	1 070 000	1 070 000
Net income of the current period in the part audited by a certified auditor after reduction of forecasted charges	1 824 745	653 720
Retained earnings	53 232	(72 192)
Unrealised losses on debt and equity securities classified as available for sale	(43 346)	(55 228)
Investments in shares of banks and other financial institutions (50%)	(73 482)	(84 035)
Intangible assets	(1 352 778)	(1 183 491)
<i>of which: goodwill</i>	(164 720)	(234 066)
Currency translation differences from foreign operations	(57 413)	(47 761)
Minority interest	46 216	58 066
Tier 2 capital	1 528 517	1 517 988
Subordinated liabilities classified as supplementary funds	1 600 700	1 600 700
Unrealised profits on debt and equity securities classified as available-for-sale (60% of pre-tax balance)	1 298	1 323
Investments in shares of banks and other financial institutions (50%)	(73 481)	(84 035)
Tier 3 capital	91 048	15 997
Total regulatory capital and short-term capital	12 885 283	9 983 400

* As a result of the publication and implementation of the Banking Supervisory Commission Resolution 2/2007, the capital adequacy ratio for the comparative period is prepared under a different basis. The major difference refers to the methodology of regulatory capital calculation for credit and operational risk.

2.2. CONDENSED FINANCIAL STATEMENTS OF THE PKO BP SA

INCOME STATEMENT OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA					
	Notes	4th quarter period from 01.10.2008 to 31.12.2008	4 quarters cumulatively period from 01.01.2008 to 31.12.2008	4th quarter period from 01.10.2007 to 31.12.2007	4 quarters cumulatively period from 01.01.2007 to 31.12.2007
Interest income		2 430 362	8 646 426	1 760 054	6 245 091
Interest expense		(859 097)	(2 678 343)	(484 519)	(1 741 984)
Net interest income	1	1 571 265	5 968 083	1 275 535	4 503 107
Fee and commission income		726 954	2 813 078	701 688	2 648 092
Fee and commission expense		(177 811)	(680 263)	(181 144)	(654 320)
Net fee and commission income	2	549 143	2 132 815	520 544	1 993 772
Dividend income		18 055	130 896	22	52 113
Net income from financial instruments at fair value	3	(24 300)	(114 968)	(21 733)	(76 746)
Gains less losses from investment securities		680	(951)	2 912	6 521
Foreign exchange result		193 259	743 928	138 669	522 693
Other operating income		36 922	160 736	47 963	140 607
Other operating expenses		(49 559)	(114 689)	(19 721)	(84 551)
Net other operating income and expenses	4	(12 637)	46 047	28 242	56 056
Net impairment charge		(604 479)	(1 023 930)	87 316	(44 948)
Administrative expenses	5	(1 113 016)	(3 969 247)	(1 073 929)	(3 685 423)
Operating profit		577 970	3 912 673	957 578	3 327 145
Profit before income tax		577 970	3 912 673	957 578	3 327 145
Income tax expense		(198 226)	(851 469)	(165 444)	(607 154)
Net profit		379 744	3 061 204	792 134	2 719 991
Earnings per share for the period					
basic		0,38	3,06	0,79	2,72
diluted		0,38	3,06	0,79	2,72

BALANCE SHEET OF THE POWSZECHNA KASA OSZCZEDNOŚCI BANK POLSKI SA

ASSETS	As at 31.012.2008	As at 31.12.2007
Cash and balances with Central Bank	5 758 248	4 594 084
Amounts due from banks	3 906 973	5 315 799
Financial assets held for trading	1 496 147	1 202 919
Derivative financial instruments	3 689 368	1 556 750
Other financial instruments at fair value through profit or loss	4 546 497	8 101 534
Loans and advances to customers	98 170 312	73 822 193
Investment securities	8 756 511	5 841 553
Investments in subsidiaries, associates and jointly controlled entities	823 518	1 054 395
Intangible assets	1 155 042	927 610
Tangible fixed assets	2 462 967	2 270 480
<i>of which: investments property</i>	24 169	32 766
Current tax receivables	-	187 707
Deferred income tax asset	127 878	35 531
Other assets	470 557	429 699
TOTAL ASSETS	131 364 018	105 340 254
LIABILITIES AND EQUITY	As at 31.12.2008	As at 31.12.2007
Liabilities		
Amounts due to the Central Bank	2 816	1 279
Amounts due to other banks	5 699 452	3 624 455
Derivative financial instruments	6 150 337	1 280 265
Amounts due to customers	101 856 930	85 215 463
Subordinated liabilities	1 618 755	1 614 885
Other liabilities	1 355 396	1 421 321
Current income tax liabilities	466 370	-
Provisions	504 646	453 045
TOTAL LIABILITIES	117 654 702	93 610 713
Equity		
Share capital	1 000 000	1 000 000
Other capital	9 648 112	8 009 550
Net profit for the period	3 061 204	2 719 991
Total equity	13 709 316	11 729 541
TOTAL LIABILITIES AND EQUITY	131 364 018	105 340 254
Capital adequacy ratio (%)	11,21	11,87*

* As a result of the publication and implementation of the Banking Supervisory Commission Resolution 2/2007, the capital adequacy ratio for the comparative period is prepared under a different basis. The major difference refers to the methodology of regulatory capital calculation for credit and operational risk.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA

Items	Period from 01.01.2008 to 31.12.2008	Period from 01.01.2007 to 31.12.2007
Share capital	1 000 000	1 000 000
Other capital, of which:	9 648 112	8 009 550
Supplementary capital	7 216 986	5 591 995
Revaluation reserve	(33 874)	(42 445)
<i>of which: fair value adjustments to available-for-sale financial assets</i>	<i>(33 874)</i>	<i>(42 445)</i>
Reserve capital	1 395 000	1 390 000
General banking risk fund	1 070 000	1 070 000
Retained earnings	-	-
Net profit for the period	3 061 204	2 719 991
Total equity	13 709 316	11 729 541
Sources of changes in equity		
Equity as at the end of the previous period	11 729 541	10 035 724
Changes in equity		
Net profit of the Bank	3 061 204	2 719 991
Fair value adjustments to available-for-sale financial assets recognised in the revaluation reserve	8 571	(46 174)
Other increases/decreases in equity	(1 090 000)	(980 000)
Total equity	13 709 316	11 729 541

CONDENSED CASHFLOW STATEMENT OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA

Items	Period from 01.01.2008 to 31.12.2008	Period from 01.01.2007 to 31.12.2007
Net cash flow from operating activities	3 429 872	(8 252 025)
Net cash flow from investing activities	(3 048 466)	473 187
Net cash flow from financing activities	(1 327 021)	2 929 573
Total net cash flow	(945 615)	(4 849 265)
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	8 055 811	9 001 426
Cash and cash equivalents, of which:	8 055 811	9 001 426
Cash in hand	2 336 985	1 620 394
Amounts due from the Central Bank	3 421 263	2 973 690
Current receivables from financial institutions	2 289 597	4 399 222
Cash of the a brokerage house, Dom Maklerski, in the Stock Exchange Guarantee Fund	7 966	8 120

OFF-BALANCE SHEET ITEMS OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA

Items	As at 31.12.2008	As at 31.12.2007
Off-balance sheet contingent liabilities granted:	23 041 809	19 659 505
financial	18 482 266	15 442 749
guarantees	4 559 543	4 216 756
Liabilities arising from the purchase/sale transactions	426 400 785	418 738 219
Other, of which:	11 211 363	13 386 552
irrevocable liabilities	7 714 609	8 856 029
collateral received	3 496 754	4 530 523
Total off-balance sheet items	460 653 957	451 784 276

EXPLANATORY NOTES – THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA

NET INTEREST INCOME OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA

Note 1	4th quarter period from 01.10.2008 to 31.12.2008	4 quarters cumulatively period from 01.01.2008 to 31.12.2008	4th quarter period from 01.10.2007 to 31.12.2007	4 quarters cumulatively period from 01.01.2007 to 31.12.2007
Interest income, of which:	2 430 362	8 646 426	1 760 054	6 245 091
Loans and advances to customers	2 084 812	7 296 124	1 441 064	4 859 524
Financial assets at fair value through profit or loss	109 786	433 975	125 164	549 200
Amounts due from other banks	75 981	389 275	102 071	490 256
Investment securities	107 745	355 460	64 786	249 718
Financial assets held for trading	18 279	64 046	7 109	24 527
Other	33 759	107 546	19 860	71 866
Interest expenses, of which:	(859 097)	(2 678 343)	(484 519)	(1 741 984)
Amounts due to customers	(809 855)	(2 496 984)	(433 036)	(1 572 859)
Placements with other banks	(17 754)	(60 771)	(28 959)	(106 663)
Debt securities in issue	(31 028)	(115 315)	(17 511)	(17 511)
Other	(460)	(5 273)	(5 013)	(44 951)
Net interest income	1 571 265	5 968 083	1 275 535	4 503 107

NET FEE AND COMMISSION INCOME OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA

Note 2	4th quarter period from 01.10.2008 to 31.12.2008	4 quarters cumulatively period from 01.01.2008 to 31.12.2008	4th quarter period from 01.10.2007 to 31.12.2007	4 quarters cumulatively period from 01.01.2007 to 31.12.2007
Fee and commission income, of which:	726 954	2 813 078	701 688	2 648 092
Credit related fees and commissions	83 027	313 309	69 929	262 635
Maintenance of bank accounts	195 319	780 759	189 137	748 760
Payment cards	230 935	848 610	202 390	701 759
Investment funds (including management fees)	27 633	159 570	60 228	240 330
Cash transactions	45 513	188 345	49 665	203 871
Loan insurance intermediary and other	144 527	522 485	130 339	490 737
Fee and commission expenses, of which:	(177 811)	(680 263)	(181 144)	(654 320)
Payment cards	(95 482)	(348 243)	(79 522)	(283 868)
Acquisition services	(36 565)	(134 773)	(34 903)	(129 001)
Loan insurance intermediary and other	(45 764)	(197 247)	(66 719)	(241 451)
Net fee and commission income	549 143	2 132 815	520 544	1 993 772

RESULT ON THE FINANCIAL INSTRUMENTS AT FAIR VALUE OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA

Note 3	4th quarter period from 01.10.2008 to 31.12.2008	4 quarters cumulatively period from 01.01.2008 to 31.12.2008	4th quarter period from 01.10.2007 to 31.12.2007	4 quarters cumulatively period from 01.01.2007 to 31.12.2007
Financial assets held for trading	2 536	(5 198)	(6 231)	(11 285)
Derivatives	(39 349)	(77 551)	101 578	260 798
Other	33	73	(1)	(8)
Financial assets at fair value through profit or loss	12 480	(32 292)	(117 079)	(326 251)
TOTAL	(24 300)	(114 968)	(21 733)	(76 746)

**OTHER OPERATING INCOME AND EXPENSES OF
THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA**

Note 4	4th quarter period from 01.10.2008 to 31.12.2008	4 quarters cumulatively period from 01.01.2008 to 31.12.2008	4th quarter period from 01.10.2007 to 31.12.2007	4 quarters cumulatively period from 01.01.2007 to 31.12.2007
Other operating income, of which:	36 922	160 736	47 963	140 607
Sundry income	4 755	22 849	2 218	23 842
Sale of shares in subsidiaries, associates and jointly controlled entities	-	3 746	-	-
Sale, liquidation of tangible and intangible assets	1 386	6 130	10 267	17 555
Other	30 781	128 011	35 478	99 210
Other operating expenses, of which:	(49 559)	(114 689)	(19 721)	(84 551)
Sale, liquidation of tangible fixed assets, intangible assets and assets held for sale	(9 603)	(13 152)	(4 388)	(14 460)
Other	(39 956)	(101 537)	(15 333)	(70 091)
Total	(12 637)	46 047	28 242	56 056

ADMINISTRATIVE EXPENSES OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA

Note 5	4th quarter period from 01.10.2008 to 31.12.2008	4 quarters cumulatively period from 01.01.2008 to 31.12.2008	4th quarter period from 01.10.2007 to 31.12.2007	4 quarters cumulatively period from 01.01.2007 to 31.12.2007
Staff costs	(640 153)	(2 269 539)	(638 676)	(2 155 112)
Overhead costs	(362 192)	(1 270 174)	(336 248)	(1 138 944)
Depreciation and amortisation	(93 616)	(361 382)	(83 217)	(323 755)
Other	(17 055)	(68 152)	(15 788)	(67 612)
Total	(1 113 016)	(3 969 247)	(1 073 929)	(3 685 423)

3. COMMENTARY ON THE CONDENSED FINANCIAL STATEMENTS

3.1. FINANCIAL RESULTS

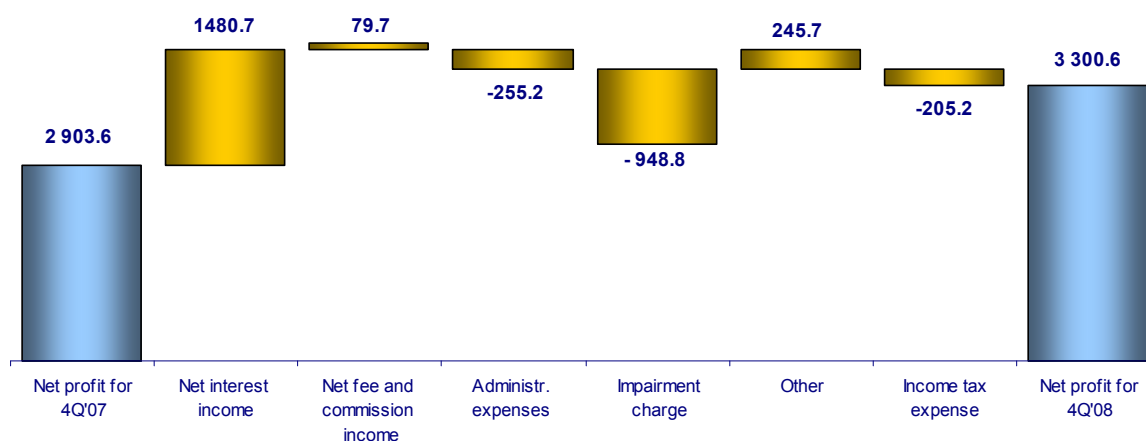
3.1.1. The PKO BP SA Group

Financial results and profitability ratios

The consolidated net profit of the PKO BP SA Group in 2008 amounted to PLN 3 300.6 million and was PLN 397.0 million higher than in 2007. The consolidated net profit in the 4th quarter of 2008 amounted to PLN 548.1 million and was PLN 326.6 million lower than in the corresponding period of 2007.

Due to the additional credit portfolio review of Kredobank SA and financial situation in Ukraine, in 2008 the PKO BP SA Group recognised impairment losses for receivables in the subsidiary company Kredobank SA in the amount of PLN (-)263.9 million (PLN (-)246.3 million in the 4th quarter of 2008) as well as an impairment loss for goodwill on Kredobank SA in the amount of PLN (-)76.4 million in the 4th quarter of 2008. Excluding these adjustments and other result of Kredobank amounting to PLN 67.6 million which is included in the consolidated financial result of the PKO BP SA Group, the net result of the PKO BP SA Group would have amounted to PLN 3 573.3 million in 2008 and PLN 821.5 million in the 4th quarter of 2008 and it would have been PLN 669.6 million higher than in 2007.

Chart 1. Movements in income statement items of the PKO BP SA Group (in PLN million)



The costs to income ratio (C/I), after 4 quarters of 2008, amounted to 45.3% and was 7.14 pp. lower than in the corresponding period of 2007. Return on assets and return on equity ratios are presented in the table below.

Table 1. The main financial indicators of the PKO BP SA Group

Ratios			
Items	As at 31.12.2008	As at 31.12.2007	Change
ROA gross (gross profit / average total assets)	3.4%	3.4%	0.02
ROA net (net profit / average total assets)	2.7%	2.8%	-0.04 pp.
ROE gross (gross profit / average total equity)	32.1%	32.6%	-0.52 pp.
ROE net (net profit / average total equity)	25.2%	26.2%	-0.97 pp.
C/I (costs to income ratio)	45.3%	52.5%	-7.14 pp.

In the 4th quarter of 2008 the total of consolidated income items amounted to PLN 2 543.3 million and was PLN 319.6 million (i.e. 14.4%) higher than in the 4th quarter of 2007. The increase in income was mostly caused by an increase in interest income and increase in foreign exchange result (by PLN 302.6 million and PLN 47.4 million respectively).

The main consolidated income items are as follows:

Table 2. Movements in income statement items of the PKO BP SA Group (in PLN million)

Income statement items	4th quarter period from 1.10.2008 to 31.12.2008	Change (4th q 08/ 4th q 07)	4 quarters cumulatively period from 01.01.2008 to 31.12.2008	Change (08/07)	Comment
Net interest income	1 618.4	23.0% ↑	6 127.3	31.9% ↑	(+) 31.9% (y/y) mainly as a result of increase in deposit margins due to higher market interest rates and increase in the volume of loan portfolio.
Net fee and commission income	612.1	0.1% ↑	2 411.6	3.4% ↑	(+) 3.4 % (y/y) mainly as a result of increase in fee and commission income related to loans and increase in the number of payment cards (by 2.7% y/y) and related card transactions offset by a decrease in commission income from management fees.
Other net income	312.8	5.6% ↑	939.1	29.7% ↑	(+) 29.7% (y/y) as a result of: 1) increase of foreign exchange result by PLN 219 million (41.4% y/y) - the effect of higher spreads between PLN interest rate and foreign interests rates and the effect of an increase in sales of loans denominated in foreign currencies offset by a decrease in net income from financial activities deriving from increased risk aversion in financial markets, 2) increase of dividends income by PLN 18.7 million.
Administrative expenses	-1 238.2	-0.2% ↓	-4 296.0	6.3% ↓	Increase of 6.3% (y/y) and C/I at the level of 45.3% (-7.14 pp. y/y) as a result of: 1) increase in staff costs by 6.1% (y/y) - offset by employment reduction of 1 595 full time equivalents (y/y) at the Group 2) increase in overhead expenses of 5.3% (y/y), offset by profitability increase of 23.1% y/y.
Impairment charges	-577.4	x ↓	-1 005.4	17.7x ↓	A 17.7 fold increase as a result of: 1) increase in impairment charges for receivables in the subsidiary company Kredobank SA, due to the additional credit portfolio review of Kredobank SA and financial crisis in Ukraine, where the subsidiary operates, in the amount of PLN (-)263.9 million, 2) an impairment loss for goodwill on subsidiary company Kredobank SA in the amount of PLN (-) 76.4 million, 3) deterioration in the quality of the consumer loan portfolio and an increase in impairment charges for corporate loans at the Bank.

Balance sheet and off-balance sheet items

Table 3. Movements in the balance sheet items of the PKO BP SA Group (in PLN thousand)

BALANCE SHEET OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI S.A. GROUP			
Items	As at 31.12.2008	Change 31.12.2008/ 31.12.2007	Comments
Cash and balances with central bank	5 836 892	24.6%	Increase in assets of PLN 26.2 billion (+ 24.2% 2008/2007), comprising mainly of the increase in loans and advances to customers of PLN 24.8 billion (+ 32.4% 2008/2007), decrease in amounts due from banks of PLN 1.9 billion (- 36.1% 2008/2007) and decrease in financial assets by PLN 0.6 billion (- 3.7% 2008/2007).
Amounts due from banks	3 363 599	-36.1%	
Loans and advances to customers	101 176 184	32.4%	
Financial assets	14 666 604	-3.7%	
Other assets	9 711 898	39.9%	
TOTAL ASSETS	134 755 177	24.2%	
Amount due to banks	6 991 419	48.6%	Increase in assets was financed by the increase in amounts due to customers by PLN 16.4 billion (+ 18.9% 2008/2007) and increase in equity as a result of profit accumulation (+ 18.4% 2008/2007).
Amounts due to customers	102 939 281	18.9%	
Securities in issue and subordinated liabilities	1 830 328	2.0%	
Other liabilities	8 816 189	2.5x	
TOTAL LIABILITIES	120 577 217	24.9%	
Total equity	14 177 960	18.4%	
TOTAL LIABILITIES AND EQUITY	134 755 177	24.2%	
Loans/Deposits (Amounts due to customers)	98.3%	10 pp.	(+) 10 pp. resulting from the increase in loans by 32.4% (2008/2007) and increase in deposits by 18.9% (2008/2007)
Interest bearing assets/Assets	88.5%	-0.8 pp.	Ratio remained at a stable level.
Interest paying liabilities/Liabilities	82.9%	-2.8 pp.	Result of increase in proportion of other liabilities in the total balance of liabilities.

As at 31 December 2008, the total of off-balance sheet items of the PKO BP SA Group amounted to PLN 464.4 billion and increased by 1.8%, compared to 31 December 2007. The main share in that balance related to liabilities resulting from sale/purchase transactions, which equaled PLN 426.3 billion.

3.1.2. PKO BP SA

Financial result and profitability ratios

The net profit recorded by PKO BP SA in 2008 amounted to PLN 3 061.2 million and was PLN 341.2 million higher than in 2007. The net profit in the 4th quarter of 2008 amounted to PLN 379.7 million and was PLN 412.4 million lower than in the 4th quarter of 2007.

Chart 2. Movements in the profit and loss account items of the PKO BP SA (in PLN million)

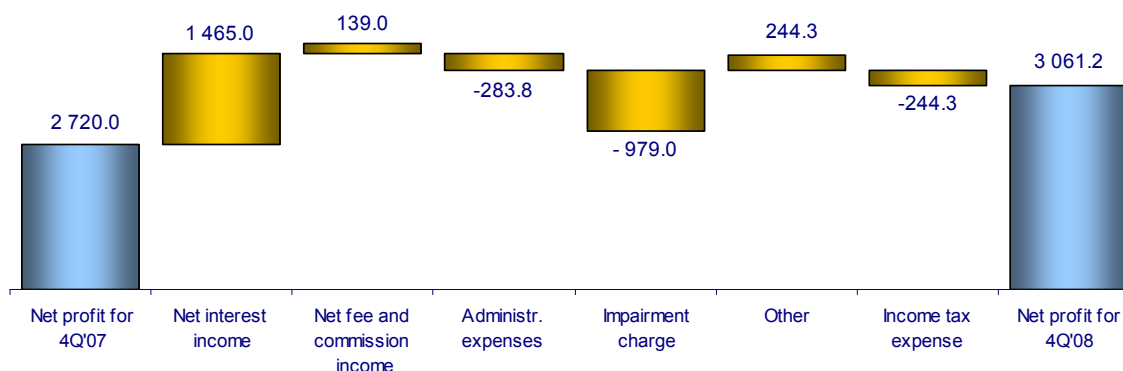


Table 4. The main financial indicators of the PKO BP SA

Ratios			
Items	As at 31.12.2008	As at 31.12.2007	Change
ROA gross (gross profit / average total assets)	3.3%	3.2%	0.06 pp.
ROA net (net profit / average total assets)	2.6%	2.7%	-0.07 pp.
ROE gross (gross profit / average total equity)	30.8%	30.6%	0.19 pp.
ROE net (net profit / average total equity)	24.1%	25.0%	-0.93 pp.
C/I (costs to income ratio)	44.6%	52.2%	-7.65 pp.

Table 5. Movements in income statement items of the PKO BP SA

Income statement items	4 th quarter period from 01.10.2008 to 31.12.2008	Change (4 th q 08/ 4 th q 07)	4 quarters cumulatively period from 01.01.2008 to 31.12.2008	Change cumulatively (08/07)	Comment
Net interest income	1 571.3	23.2% ↑	5 968.1	32.5% ↑	(+) 32.5% (y/y) mainly as a result of increase in deposit margins due to higher market interest rates and increase in the volume of loan portfolio.
Net fee and commission income	549.1	5.5% ↑	2 132.8	7.0% ↑	(+) 7.0% (y/y) mainly as a result of increases in fee and commission income relating to loan portfolio, the number of payment cards (+2.7% y/y) and related card transactions; offset by decrease in fee and commission income related to investment funds.
Other net income	175.1	18.2% ↑	805.0	43.6% ↑	(+) 43.6% (y/y) as a result of: 1) higher by PLN 78.8 million dividend income, 2) increase of foreign exchange result by 42.3% (y/y) - the effect of higher spreads between PLN interest rate and foreign interests rates and the effect of an increase in sales of loans denominated in foreign currencies, offset by decrease in net income from financial activities deriving from an increase of risk aversion in financial markets.
Administrative expenses	-1 113.0	3.6% ↓	-3 969.2	7.7% ↓	7.7% (y/y) increase and C/I at the level of 44.6% (-7.65 p.p. y/y) as a result of: 1) overhead costs increase of 11.5% (y/y) - i.a. as a result of increase in advertising and promotional costs, 2) staff costs increase of 5.3% and employment reduction of 1463 full time equivalents (y/y), offset by an increase in income items of 26.2% (y/y).
Impairment charges	-604.5	x ↓	-1 023.9	22.8x ↓	A 22.8 fold increase (y/y) as a result of: 1) impairment loss on subsidiary company Kredobank SA in the amount of PLN (-)356.1 million, 2) deterioration in the quality of the consumer loan portfolio and an increase in impairment charges for corporate loans. Without considering impairment loss for Kredobank SA, the result in 2008 would have amounted to PLN (-)667.8 million. i.a. a 14.9 fold increase.

In the 4th quarter of 2008, PKO BP SA recognised impairment loss for subsidiary company Kredobank SA in the amount of PLN (-)356.1 million. Without this adjustment, the net result of PKO BP SA would have amounted to PLN 3 417.3 million in 2008 and PLN 735.8 million in the 4th quarter of 2008. The net result of PKO BP SA in the 4th quarter of 2008 includes the valuation adjustment in the amount of PLN (-)30.3 million on derivatives such as forward, option and CIRS contracts with corporate clients.

3.2. BUSINESS DEVELOPMENT²

3.2.1. Segment information on the PKO BP SA Group

The primary reporting format of the PKO BP SA Group is based on business segments. A business segment comprises delivery of products and services with similar business risk and profitability which are different than those of other business segments. As secondary segment information, the PKO BP SA Group presents geographical segmentation which provides information about products or services delivered in a specific economic environment. These products or services are analysed separately because their risk and return on investment differ from those of segments operating in different economic environments.

The PKO BP SA Group typically settles inter-segment transactions as if they were concluded between unrelated parties, using internal settlement rates. The internal transfer of funds between the PKO BP SA Group entities is settled using transfer rates based on market interest rates. Transactions between business segments are carried out on an arm's length basis.

The valuation of assets and liabilities as well as income and costs of business segments are based on the Group's internal management information. Assets and liabilities as well as income and costs related to specific segments have been allocated to them.

Business segments

Business segments have been distinguished based on client groups and products. This way of distinguishing segments is coherent with the management model of the PKO BP SA Group. Segmentation by business is as follows:

1. The retail segment which comprises transactions of the parent entity with retail clients, small and medium-sized enterprises, mortgage market clients and operations 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 PKO Inwestycje Sp. z o.o. Group,
This segment includes, i.a. the following products and services: current accounts, saving accounts, fixed-term deposit accounts, private-banking services, investment products, credit and debit cards, consumer and mortgage loans as well as loans for small and medium-sized enterprises and mortgage market clients.
2. The corporate segment which includes transactions of the parent entity made with large corporate clients and operations of the Bankowy Fundusz Leasingowy SA Group.
This segment includes, i.a. the following products and services: current, saving and fixed-term deposit accounts, safekeeping of securities, currency and derivative products, sell-buy-back and buy-sell-back transactions, loans and leasing. This segment also includes financing large investment projects, either by the Group or in a consortium with other Banks.
3. The investment segment which comprises investing and brokerage activities, inter-bank transactions, derivative instruments and debt securities transactions, BTK SA and PKO Finance AB activities.

Assets and liabilities of a given segment represent operating assets and liabilities used by the segment in its operating activities. Costs of a given segment comprise costs which can be directly attributed to the segment as well as costs based on rational allocation.

² In this document, any differences in totals, percentages and ratios of changes are due to rounding of amounts to full million and rounding of percentages to one decimal place.

The tables below present information relating to income and results of individual business segments of the PKO BP SA Group for the 12-month period ended 31 December 2008 and 31 December 2007, and selected assets and liabilities as at 31 December 2008 and 31 December 2007.

In January 2008, the PKO BP SA Group changed the method of business segment result calculation, as well as the manner and scope of business segment identification, i.e. the main criteria are based on client groups. As a result, the mortgage segment, which consists mainly of mortgage loans, is currently reported as a part of the retail segment. The financial information for the year 2007 was respectively restated for comparability purposes.

Geographical segments

The PKO BP SA Group conducts its business in Ukraine – through KREDOBANK SA and Ukrpolinwestycje Sp. z o.o.

Table 6. Business segments of the PKO BP SA Group (in PLN million)

Continued activities				
Period from 01.01.2008 to 31.12.2008	Retail segment	Corporate segment	Investment segment	All activities of PKO BP SA Group
Net interest income	5 563.2	419.2	144.8	6 127.3
Net fee and commission income	2 119.1	198.4	94.0	2 411.6
Other net income	776.2	172.6	(9.6)	939.1
Result from financial operations	0.8	18.1	(142.5)	(123.7)
Foreign exchange result	495.9	145.0	108.2	749.1
Dividend income	-	-	22.0	22.0
Net other operating income	253.5	35.5	2.8	291.7
Income/expenses related to internal clients	26.0	(26.0)	-	-
Impairment charges allocated to segments	(798.9)	(199.4)	(15.9)	(1 014.3)
Impairment charges not allocated to segments				8.9
Administrative expenses, of which:	(3 906.3)	(283.3)	(106.4)	(4 296.0)
Depreciation and amortisation	(387.3)	(34.4)	(8.2)	(429.9)
Results of associates	-	-	-	15.6
Segment gross profit	3 753.3	307.5	106.9	4 192.2
Income tax expense				(873.0)
Minority interest				18.5
Net profit	3 753.3	307.5	106.9	3 300.6

Balance sheet items as at 31.12.2008	Retail segment	Corporate segment	Investment segment	All activities of PKO BP SA Group
Assets	87 289.9	32 394.8	15 070.5	134 755.2
investments in associates and jointly controlled entities	-	-	-	247.1
capital expenditure	778.8	91.1	19.5	889.4
Liabilities	89 934.9	21 907.3	8 735.0	120 577.2

Table 7. Business segments of the PKO BP SA Group (in PLN million)

Continued activities				
Period from 01.01.2007 to 31.12.2007	Retail segment	Corporate segment	Investment segment	All activities of PKO BP SA Group
Net interest income	4 131.4	258.1	257.1	4 646.6
Net fee and commission income	2 075.3	139.5	117.0	2 331.8
Other net income	571.1	71.3	81.5	723.9
Result from financial operations	3.9	6.2	(76.9)	(66.8)
Foreign exchange result	305.6	72.6	151.6	529.8
Dividend income	-	-	3.3	3.3
Net other operating income	238.7	15.4	3.5	257.6
Income/expenses related to internal clients	22.9	(22.9)	-	-
Impairment charges allocated to segments	(189.3)	82.4	0.3	(106.6)
Impairment charges not allocated to segments				50.1
Administrative expenses, of which:	(3 793.7)	(186.4)	(60.6)	(4 040.7)
Depreciation and amortisation	(356.4)	(21.6)	(4.2)	(382.2)
Results of associates	-	-	-	4.4
Segment gross profit	2 794.8	364.9	395.3	3 609.3
Income tax expense	-	-	-	(667.8)
Minority interest	-	-	-	(37.8)
Net profit	2 794.8	364.9	395.3	2 903.7

Balance sheet items as at 31.12.2007	Retail segment	Corporate segment	Investment segment	All activities of PKO BP SA Group
Assets	66 046.6	22 357.8	20 133.2	108 537.6
investments in associates and jointly controlled entities	0	0	0	178.6
capital expenditure	579.0	193.4	10.4	782.7
Liabilities	75 280.7	15 061.3	6 216.5	96 558.6

Table 8. Geographical segments of the PKO BP SA Group (in PLN million)

Continued activities			
Period from 01.01.2008 to 31.12.2008	Poland	Ukraine	All activities of PKO BP SA Group
Net interest income	5 983.9	143.4	6 127.3
Net fee and commission income	2 368.2	43.4	2 411.6
Other net income	942.6	(3.5)	939.1
Administrative expenses	(4 153.4)	(142.7)	(4 296.0)
Impairment charges	(741.5)	(263.9)	(1 005.4)
Segment gross profit	4 415.4	(223.3)	4 192.2
Net profit	3 472.9	(172.3)	3 300.6
Segment assets - as at 31.12.2008	132 896.9	1 858.3	134 755.2
Segment liabilities - as at 31.12.2008	119 159.3	1 417.9	120 577.2

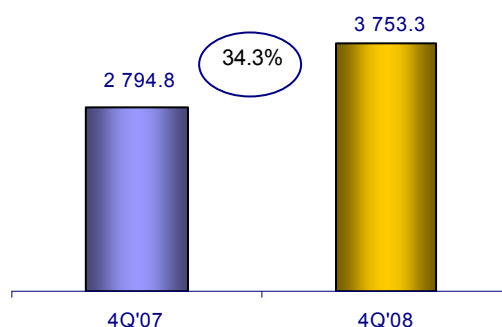
Table 9. Geographical segments of the PKO BP SA Group (in PLN million)

Continued activities			
Period from 01.01.2007 to 31.12.2007	Poland	Ukraine	All activities of PKO BP SA Group
Net interest income	4 529.9	116.7	4 646.6
Net fee and commission income	2 293.9	38.0	2 331.8
Other net income	738.7	(14.8)	723.9
Administrative expenses	(3 941.8)	(99.1)	(4 040.8)
Impairment charges	(39.6)	(17.0)	(56.6)
Segment gross profit	3 585.5	23.7	3 609.2
Net profit	2 885.7	17.9	2 903.6
Segment assets - as at 31.12.2007	106 566.5	1 971.1	108 537.6
Segment liabilities - as at 31.12.2007	94 808.5	1 750.1	96 558.6

3.2.2. Retail segment

The result of the retail segment increased by PLN 958.5 million, i.e. 34.3% (y/y). The increase of the segment's result was mainly caused by an increase of net interest income (by 34.7% y/y) due to an increase in deposit margins resulting from higher market interest rates and increase in the gross³ loan portfolio by 30.9% (y/y).

Retail segment results



3.2.2.1. Activities of the PKO BP SA in the retail segment

As at December 31, 2008, the total value of deposits of the retail segment of the PKO BP SA and assets managed by PKO TFI was PLN 92.2 billion. Since the beginning of the year, the volume has increased by PLN 4.5 billion (i.e. 5.1%) as a result of an increase in deposit volumes by 18.2% y/y, offset by a decrease of volume of the assets managed by PKO TFI by 50.8% since the beginning of the year, due to depressed equities market.

Table 10. Deposits of the PKO BP SA and assets managed by PKO TFI (in PLN million)⁴

Items	As at 31.12.2008	As at 30.09.2008	As at 31.12.2007	Change since:	
				30.09.2008	31.12.2007
Client deposits, of which:					
- retail and private banking	65 749	58 308	53 767	12.8%	22.3%
- small and medium entities	8 239	7 042	6 958	17.0%	18.4%
- mortgage	9 966	10 512	10 290	-5.2%	-3.1%
Total deposits	83 954	75 863	71 014	10.7%	18.2%
Assets under PKO TFI's management	8 209	10 883	16 685	-24.6%	-50.8%
Total clients' savings	92 163	86 746	87 699	6.2%	5.1%

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

As at 31 December 2008, the gross value of loans and advances to the retail segment of PKO BP SA was PLN 76.0 billion and this was an increase by PLN 17.9 billion (i.e. 30.9%) since the beginning of the year.

Table 11. Gross loans and advances* of PKO BP SA (in PLN million)

Items	As at 31.12.2008	As at 30.09.2008	As at 31.12.2007**	Change since:	
				30.09.2008	31.12.2007
Gross loans and advances*, of which:					
- retail and private banking	18 820	18 507	16 414	1.7%	14.7%
- small and medium entities	9 762	9 100	6 907	7.3%	41.3%
- mortgage banking	41 396	35 135	30 299	17.8%	36.6%
- housing market (including refinanced by state budget)	6 053	5 606	4 467	8.0%	35.5%
Total	76 032	68 348	58 087	11.2%	30.9%

* without interest due and interest not due

** data for the year of 2007 restated for comparative purposes

Source: Bank's Management information.

³ According to Bank's Management information.

⁴ In the year of 2007 resegmentation of corporate deposits took place where a portion of corporate deposits was moved to small and medium enterprises category. The shift did not have a significant impact on the data presented.

Table 12. Accounts and banking cards of PKO BP SA (in thousands of units)

Items	As at 31.12.2008	As at 30.09.2008	As at 31.12.2007	Change since:	
				30.09.2008	31.12.2007
Total number of accounts, of which:	6 366	6 321	6 207	45	159
Inteligo current accounts	692	686	659	6	34
Total number of banking cards, of which:	7 493	7 467	7 296	26	197
Credit cards	1 046	1 051	1 010	- 5	37

Table 13. Branches and ATMs of the PKO BP SA

Items	As at 31.12.2008	As at 30.09.2008	As at 31.12.2007	Change since:	
				30.09.2008	31.12.2007
Total number of branches	1 228	1 218	1 233	10	- 5
- Retail Market Area:	1 160	1 150	1 150	10	10
Regional Retail Branches	12	12	12	-	-
Independent branches	496	541	574	- 45	- 78
Subordinated branches	652	597	564	55	88
Number of ATM's	2 313	2 287	2 106	26	207

Table 14. New products of the PKO BP SA in the retail segment in the 4th quarter of 2008.

Product	Product's characteristics
Savings Account 5%	Since 15 October 2008, the Bank offers a savings account with 5% interest rate p.a. Savings accounts holders were provided with free of charge access to electronic banking services. Since 15 December 2008 the Bank's offer of savings account was made more attractive mainly by an interest rate increase from 5% to 6% p.a. for deposits above PLN 50 000.
3- and 6- month term deposits	Since 15 December 2008, the Bank has offered two term deposits: a 3-month term deposit with fixed interest rate at 7% p.a. and a 6-month term deposit with variable interest rate at 7% p.a. The minimum amount of both 3- and 6-month deposits is PLN 1000. The customers are allowed to roll the deposit over automatically for the same period of time and on the conditions as at roll over date, provided the deposit is still in the Bank's offer.
Negotiated term deposits	Since 5 December 2008, the Bank has increased the interest rate for negotiated term deposits for retail clients and private banking customers by 0.7 p.p. on average.
Term deposits in USD	From 3 November 2008 to 15 January 2009, the Bank offered two term deposits denominated in USD with a fixed interest rate. For a 3-month deposit the interest rate is 2,5% p.a., and for a 6-month deposit it amounts to 3,00% p.a. The characteristic feature of these term deposits was cash as the only form of payment. The minimum amount of both deposits accounted for USD 1000.
Sales Package Express	Since the 1 December 2008, the Bank has offered a 'Sales Package Express' which improves the process of financing operating leases.
BILIX Service	Within the iPKO the Bank offers BILIX service, a new electronic form of payment offered by National Clearing Chamber (KIR S.A.). The BILIX is a modern, fast, convenient and easy form of invoice and bill payments. Within this service clients may receive bills and invoices in electronic form only and effect payments through internet access to the bank account.

3.2.2.2. Activities of the PKO BP SA Group's entities in the retail segment

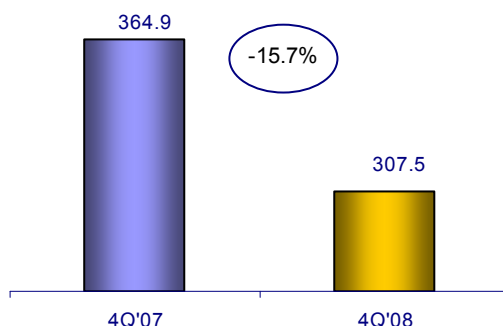
Table 15. Activities and achievements of the PKO BP SA Group's entities in the retail segment in the 4th quarter of 2008

SUBSIDIARY	SIGNIFICANT EVENTS OF THE 4TH QUARTER OF 2008
PKO Towarzystwo Funduszy Inwestycyjnych SA	1. The value of the funds' assets managed by PKO Towarzystwo Funduszy Inwestycyjnych SA amounted to PLN 8.2 billion at the end of the 4th quarter of 2008, which is a decrease of 24.6% as compared to the end of the 3rd quarter of 2008. The decrease in value of the funds' assets is a result of the decrease in value of the funds' shares on the stock exchange and increased redemption of funds' shares. 2. PKO TFI SA has a 11.1% share in the investment funds market (share decrease by 1.3 pp. y/y), which is the third largest market share.
KREDOBANK SA	1. Total assets of KREDOBANK SA in the 4th quarter decreased by PLN 183.2 million, i.e. 7.9% and as at 31 December 2008 they amounted to PLN 2 146.1 million (UAH 5 753.7 million). 2. The Bank's loan portfolio (gross) in the 4th quarter increased by PLN 86.6 million, i.e. 4.6% and as at 31 December 2008 amounted to PLN 1 969.2 million (UAH 5 279.2 million). 3. Clients' term deposits in the 4th quarter decreased by PLN 182.4 million, i.e. 15.7% and as at 31 December 2008 amounted to PLN 977 million (UAH 2 619.3 million). 4. As of 31 December 2008, the branches network of KREDOBANK SA consisted of 27 branches and 149 subordinated branches in 22 out of 24 Ukrainian districts and in the Independent Republic of the Crimea. During the 4th quarter, the network decreased by 5 branches. 5. In the 4th quarter of 2008 KREDOBANK SA received from PKO BP SA a revolving loan in the amount of USD 90 million. The financial information of KREDOBANK SA as at December 31, 2008, was recalculated according to the average NBP exchange rate prevailing as at 31 December 2008 (1 UAH = PLN 0.3730).
Powszechne Towarzystwo Emerytalne BANKOWY SA	1. At the end of the 4th quarter of 2008, the value of assets of Bankowy OFE, under PTE BANKOWY management amounted to PLN 4 030 million, which is a decrease of PLN 93 million as compared to the end of the 3rd quarter of 2008. The decrease in value of net assets of Bankowy OFE is a result of the share prices decrease of companies listed on the Warsaw Stock Exchange. 2. At the end of the 4th quarter of 2008, the Bankowy OFE was in the 9th position in respect of OFEs' net assets value and 10th position in respect of the number of active member accounts in the pension fund market.
Inteligo Financial Services SA	1. At the end of the 4th quarter of 2008, the Company enabled access to electronic bank systems for 2.6 million of PKO BP SA customers using iPKO services, which is 171 thousand customers more than at the end of the 3rd quarter of 2008. 2. Under Inteligo account offer, the Company serviced over 610 thousand clients. The number of customers having Inteligo accounts increased in the 4th quarter by 5 thousand. 3. At the end of December of 2008, Inteligo customers' deposits amounted to PLN 2.3 billion and increased by PLN 27 million as compared to the end of September 2008.
Centrum Elektronicznych Usług Płatniczych eService SA	1. In the 4th quarter of 2008, transactions with a total value of PLN 5.6 billion were generated in the use of eService SA terminals. 2. In terms of value of card transactions (including cash withdrawals), the Company's market share amounted to approximately 28.5% at the end of December of the current year (as estimated by the Company). 3. The number of terminals installed at the end of the 4th quarter amounted to 52 461 units, which constitutes a 3.7% increase as compared to the end of the 3rd quarter 2008. 4. In terms of installed terminals, company's market share amounted to 29% (as estimated by the Company).
PKO Inwestycje Sp. z o.o.	1. In the 4th quarter of 2008, PKO Inwestycje Sp. z o.o., with the use of project companies, continued construction projects, including: - the 'Nowy Wilanów' project in Warsaw through the company Wilanów Investments Sp. z o.o., - the 'Neptun Park' project in Gdansk Jelitkowo through the company POMERANKA Sp. z o.o., - the 'Kuźmiska' project in Kiev in Ukraine through the company UKRPOLINWESTYCJE Sp. z o.o., - the 'Osiedle Rezydencja Flotyła' project in Międzyzdroje through the company PKO Inwestycje – Międzyzdroje Sp. z o.o., - the 'Osiedle Wisłok' project in Rzeszów through the company WISŁOK Inwestycje Sp. z o.o. - the 'Osiedle Samia Dolina' project in Janków near Gdańsk through the company Baltic Dom 2 Sp. z o.o. 2. The company Fort Mokotów Sp. z o.o. continued warranty services for the completed project 'Marina Mokotów'. 3. On 2 December 2008 the partners in WISŁOK Inwestycje Sp. z o.o. passed a resolution to increase 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. On 18 December 2008 PKO Inwestycje Sp. z o.o. contributed the first installment in the amount of PLN 800 thousand.

3.2.3. CORPORATE SEGMENT

The result of the corporate segment decreased by PLN 57.4 million, i.e. 15.7% (y/y) in spite of an increase of net interest income by 62.4% (y/y) and increase in the corporate gross loan portfolio⁵ by 40.5% (y/y).

Corporate segment results



3.2.3.1. Activities of the PKO BP SA in the corporate segment

Table 16. Gross loans and advances and deposits of PKO BP SA (in PLN million)⁴

Items	As at 31.12.2008	As at 30.09.2008	As at 31.12.2007	Change since	
				30.09.2008	31.12.2007
Gross corporate loans*)	25 251	23 015	17 974	9.7%	40.5%
Corporate deposits	17 036	17 268	13 542	-1.3%	25.8%

*without interest due and interest not due

*management information of PKO BP SA

Source :Bank's Management information.

Table 17. Branches and ATM's of PKO BP SA

Items	As at 31.12.2008	As at 30.09.2008	As at 31.12.2007	Change since:	
				30.09.2008	31.12.2007
Total number of branches	1 228	1 218	1 233	10	- 5
- Corporate Market Area:	68	68	83	-	- 15
Regional Corporate Branches	13	13	13	-	-
Corporate Centers	55	55	70	-	- 15
Number of ATM's	2 313	2 287	2 106	26	207

Table 18. Activities and achievements of PKO BP SA in the corporate segment in the 4th quarter of 2008

Scope of activity	Activity
Loan activity	The Bank organized 4 syndicated loans in the total amount of PLN 411.4 million (the Bank's share).
Issue of non-treasury debt securities	The Bank entered into 11 contracts for the issue of municipal debt securities in the total amount of PLN 124.5 million.
Cooperation with banks and financial institutions	Within the said activity the Bank signed: 1. a general agreement and 2 appendices to previously signed general agreements for debt securities transactions with domestic financial institutions and 3 agreements for purchase/sale of monetary assets with banks operating in Poland, 2. 4 general agreements (domestic ISDA) and 4 collateral agreements to previously signed general agreements with domestic financial institutions and banks (among which: general agreement and collateral agreement with the State Treasury, represented by the Ministry of Finance as well as a securities pledge agreement and 2 general agreements with the National Bank of Poland), 3. agreement with the National Bank of Poland for granting a lombard loan collateralized with a pledge on rights to securities other than Treasury bills and securities issued by the National Bank of Poland and agreement for this pledge.
New products	On 1 December 2008, the Bank offered pre-paid cards for corporate clients. Cards are dedicated to all corporate clients for various cash withdrawals: bonuses/ perks/ scholarships/ benefits/ business trips equivalents. The implementation of the product was the result of the customers needs and the Bank's competitive position.

⁵ According to Bank's Management information.

International cooperation

In the 4th quarter of 2008, the Bank completed:

- a non-revolving loan contract with Kredobank SA for the total amount of USD 90 million.
- 2 ISDA contracts with foreign banks, appendix and Credit Support Annex to previously signed ISDA contracts.

3.2.3.2. Activities of the PKO BP SA Group entities in the corporate segment

Table 19. Activities and achievements of the PKO BP SA Group entities in the corporate segment

SUBSIDIARY	SIGNIFICANT EVENTS OF THE 4TH QUARTER OF 2008
Bankowy Fundusz Leasingowy SA	1. In the 4th quarter of 2008, the BFL SA Group's entities leased out a total net value of assets amounting to PLN 276.0 million. 2. The total carrying amount of the lease investments of the BFL SA Group's entities amounted to PLN 2 317 million at the end of the 4th quarter of 2008 and increased by 12.3% as compared to the end of September 2008.

3.2.4. INVESTMENT SEGMENT

3.2.4.1. Activities of PKO BP SA in the investment segment

The 4th quarter of 2008 brought further deterioration on the financial markets. The global financial system suffered from lack of market liquidity. Faced with the harshening crisis, investors were withdrawing funds from emerging markets and invested them in US Treasury bonds, which are perceived as safe. It caused a fierce sale of the Polish zloty and its depreciation by 20% against major foreign currencies. This resulted in a deterioration of the results in the investment segment.

Investment segment results

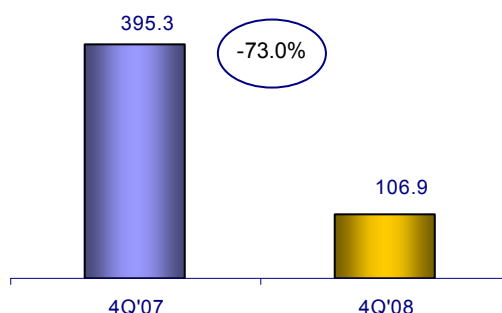


Table 20. Activities and achievements of PKO BP SA in the investment segment in the 4th quarter of 2008

Investment activity	Activity
Treasury activities	In the 4th quarter financial markets were dominated by high volatility. During this time the Bank took actions aiming at stabilizing its deposit base. The Bank reported, especially in the first weeks of the quarter, significant increase in short-term deposits. The attained funds were held on the current account and invested in short-term investments. Bank did not use the funds of the National Bank of Poland which supplied the money market. The Bank monitored the exposure to counterparty credit risk and took actions aiming at its reduction.
Brokerage activities	1) In the 4th quarter of 2008 the Bank's turnover in equity market reached PLN 4.8 billion, which was PLN 119.3 million more than in the 3rd quarter. The equities turnover in the analysed period increased by 102.5% and was higher than the turnover rate on the Warsaw Stock Exchange (99.5%). The Bank has retained the 7th position on the stock market in the analyzed quarter with a market share of 6.45%. In 2008 the Bank's stock turnover reached PLN 18.95 billion, which represents 7th position on the market (market share of 5.9%). 2) In the 4th quarter of 2008 the Bank's bond turnover reached PLN 1.1 billion, i.e. PLN 792.2 million more than in the 3rd quarter. The share of 47.1% of the total market in the 4th quarter enabled the Bank to retain the leading market position. In 2008 the Bank's bond turnover of PLN 2.2 billion enabled the Bank to reach 1st position on the market. 3) Within the primary market in the 4th quarter the Bank conducted services for motivational programme for the following companies: TIM S.A. and ElektroTIM S.A. 4) On the NewConnect stock market the Bank executed a turnover of PLN 6.8 million, which represents 6th position on the market. The Bank acts as a market maker on the NewConnect market for 30 clients, being in first position in the market.

3.2.4.2. Activities of the PKO BP SA Group entities in the investment segment

Table 21. Activities of the PKO BP SA Group entities in the investment segment

SUBSIDIARY	SIGNIFICANT EVENTS OF THE 4TH QUARTER OF 2008
Bankowe Towarzystwo Kapitałowe SA	In the 4th quarter of 2008 the company's activity comprised establishing a subsidiary company Bankowy Faktoring SA.
PKO Finance AB	The Company's activity is to raise funds for PKO BP SA deriving from issue of eurobonds. The Company has not started its statutory activity in 2008.

3.2.5. Other areas of activity

Table 22. Other areas of activities of the PKO BP SA Group entities

SUBSIDIARY	SIGNIFICANT EVENTS OF THE 4TH QUARTER OF 2008
Centrum Finansowe Puławska Sp. z o.o.	As at December 31, 2008, the Company rented 100% of the office and commercial space in the managed building Centrum Finansowe Puławska, of which 89,5% was rented by PKO BP SA Group entities.

4. ADDITIONAL INFORMATION

4.1 ACCOUNTING POLICIES APPLIED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The accounting policies applied in the 4th quarter of 2008 do not differ from those applied in the prior quarters. These policies were described in detail in the consolidated financial statements of PKO BP SA for the first half of 2008. When preparing the consolidated quarterly report, the Bank applied the following accounting policies:

1. International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and Interpretations issued by International Financial Reporting Interpretations Committee (IFRIC),
2. International Accounting Standard No. 34 „Interim Financial Reporting”,
3. Decree of the Minister of Finance dated 19 October 2005 on current and periodic information issued by the issuers of securities (Journal of Laws, No. 209, item 1744).

4.2 COMPARATIVE INFORMATION – CHANGES IN PRESENTATION

The following table shows significant changes in the presentation of prior period comparative information compared to that originally published.

Table 23. Financial data of the PKO BP SA Group

INCOME STATEMENT OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP			
	4 quarters period from 01.01.2007 to 31.12.2007 previously presented	4 quarters period from 01.01.2007 to 31.12.2007 comparative information	Difference
Interest income	6 582 391	6 559 333	(23 058) ^{1) 5)}
Interest expense	(1 938 663)	(1 912 766)	25 897 ¹⁾
Fee and commission income	3 022 036	3 083 416	61 380 ⁶⁾
Fee and commission expense	(686 837)	(751 569)	(64 732) ^{1) 3) 6)}
Net income from financial instruments at fair value	(74 269)	(73 314)	955 ^{1) 2)}
Gain less losses from investment securities	9 382	6 543	(2 839) ⁵⁾
Other operating income	657 245	620 057	(37 188) ^{1) 2) 4) 6)}
Other operating expenses	(360 284)	(362 426)	(2 142) ^{1) 2) 6)}
Administrative expenses	(4 082 572)	(4 040 845)	41 727 ^{3) 4)}

1) Change in presentation of selected income and costs of a brokerage house, Dom Maklerski

2) Change in presentation of selected income and costs related to financial operations

3) Change in presentation of fees related to KIR, BIK and SWiFT services

4) Change in presentation of non-scheduled amortisation

5) Change in presentation of gains from investments securities

6) Change in presentation of income and costs related to management of pension funds

Table 24. Financial data of the PKO BP SA Group – condensed cashflow statement

CONDENSED CASHFLOW STATEMENT OF THE POWSZECHNA KASA OSZCZEDNOSCI BANK POLSKI SA GROUP			
	4 quarters period from 01.01.2007 to 31.12.2007 previously presented	4 quarters period from 01.01.2007 to 31.12.2007 comparative information	Difference
Cash and cash equivalents at the end of the period	9 263 399	9 232 316	(31 083) ⁵⁾

5) Change in presentation - netting of selected balance sheet items related to transactions between Bank units.

Table 25. Financial data of the PKO BP SA - income statement

INCOME STATEMENT OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI S.A.			
Items	Period from 01.01.2007 to 31.12.2007 previously presented	Period from 01.01.2007 to 31.12.2007 comparative data	Difference
Interest income	6 270 988	6 245 091	(25 897) ¹⁾
Interest expense	(1 767 881)	(1 741 984)	25 897 ¹⁾
Fee and commission expense	(610 997)	(654 320)	(43 323) ³⁾
Net income from financial instruments at fair value	(77 701)	(76 746)	955 ²⁾
Other operating income	116 415	140 607	24 192 ²⁾
Other operating expenses	(61 000)	(84 551)	(23 551) ^{2),4)}
Administrative expenses	(3 727 150)	(3 685 423)	41 727 ^{3),4)}

1) Change in presentation of selected income and costs of a brokerage house, Dom Maklerski

2) Change in presentation of selected income and costs related to financial operations

3) Change in presentation of fees related to KIR, BIK and SWIFT services

4) Change in presentation of non-scheduled amortisation

Table 26. Financial data of the PKO BP SA – condensed cashflow statement

CONDENSED CASHFLOW STATEMENT OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA			
	4 quarters period from 01.01.2007 to 31.12.2007 previously presented	4 quarters period from 01.01.2007 to 31.12.2007 comparative data	Difference
Cash and cash equivalents at the end of the period	9 032 509	9 001 426	(31 083) ⁵⁾

5) Change in presentation - netting of selected balance sheet items related to transactions between Bank units.

4.3 RISK MANAGEMENT

The majority of risk that the PKO BP Group is exposed to is generated by the Parent Entity of the Group. The detailed information about risk management is disclosed in the consolidated financial statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group for the twelve-month period ended 31 December 2008.

4.3.1. Managing credit, market and operational risk

The Bank is exposed to a number of risks, including credit risk, market risk, operational risk and business risk. Managing the impact of these risks on activities of PKO BP SA is one of the key objectives of the Bank's risk management, while the risk level is a key factor in the Bank's planning process.

The risk management process is supervised by the Bank's Supervisory Board. Information about the Bank's risk profile as well as the most important activities undertaken in the area of risk management is provided to the Board on a regular basis.

The Management Board is responsible for the risk management strategy, including supervising and monitoring of activities undertaken by the Bank in the area of risk management. The Management Board approves of 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 competences), falling under the Banking Risk Division, the Restructuring and Debt Collection Division and the Credit Risk Assessment Department.

Management of market risk and portfolio credit risk is facilitated by the two committees (chaired by the Vice-President of the Bank's Management Board who is in charge of the Risk and Debt Collection Function):

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

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

CC takes loan decisions with regard to significant individual loan exposures, or issues recommendations in this respect addressed 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 that are significant due to the level of risk involved or the size of loan exposures.

4.3.2. Credit risk

Credit risk is defined as the risk of loss due to default on payment by counterparty or the risk of decline in the economical value of the Bank's receivables due to deterioration of the counterparty's ability to settle their obligations towards the Bank.

The most important tools of credit risk management employed by the Bank include:

- loan granting criteria, including the cut-off point – the number of scoring points that a client must obtain in order to receive financing, facilitated by scoring measures (retail clients) or rating class/total rating measures (corporate clients),
- the minimum transaction parameters for specific types of transactions (eg. the minimum LtV, the minimum loan value, required collateral),
- the minimum loan margins,
- concentration limits,
- competence limits.

PKO BP SA measures credit risk and profitability of credit portfolios using the following methods:

- probability of default (PD),
- expected loss (EL),
- Credit Value-at-Risk (CVaR),
- scoring effectiveness measures (accuracy ratio),
- value and share of doubtful loans,
- value and structure of exposures where evidence of impairment exists.

As at 31 December 2008, the value of non-performing loans (NPL), measured as the ratio of the value of NPL's to the total value of loans, amounted to 3.4%⁶ (as compared to 3.7%⁶ as at 31 December 2007).

The Bank constantly develops credit risk measures, including requirements set out by the internal rating based approach (IRB). Moreover, the Bank widens the range of application of the credit risk measures, with the ultimate goal of applying the measures to the entire loan portfolio.

The collateral policy employed by the Bank aims at securing interests of the Bank, mainly through establishing collateral that is likely to generate the largest possible recovery of funds in case of debt collection. Types of collateral depend on categories of products and clients.

The Bank prepares credit risk reports on monthly and quarterly basis. These reports contain historical values of credit risk as well as credit risk forecasts.

The Bank recognises impairment allowances for loans, in accordance with the International Financial Reporting Standards, as approved by the European Union.

⁶ Accounted in accordance with International Financial Reporting Standards.

Table 27. Allowance rates applicable to NPL

	Allowance rates
Delay in payments above 30 months for consumers or above 48 months for other customers	100%
Delay in payments 12-30 months (for consumers) or 12-48 months for other customers	78%-85%
Delay in payments 6-12 months	59%-61%
Delay in payments 3-6 months	45%-53%
Delay in payments 1-3 months	8%-15%
Creditworthiness deterioration - rating "H"	31%
Creditworthiness deterioration - rating "G"	15%

4.3.3. Market risk

Interest rate risk

Interest rate risk is defined as the risk of loss resulting from adverse changes of market interest rates. In the process of interest rate risk management, the Bank measures risk using, among others, the internal Value at Risk ("VaR") model, stress tests and price sensitivity measures.

Table 28. Interest risk VaR level (PLN thousand)

	As at 31.12.2008	As at 31.12.2007
10 day 99.0% VaR	72 337	36 300*

*VaR calculated as at 31 December 2007 reflects the changes in the VaR methodology introduced in 2008. VaR calculated according to the methodology used on 31 December 2007 amounted to PLN 10 521 thousand.

PKO BP SA prepares interest rate risk reports on daily, weekly, monthly, quarterly and semi-annual bases. Each report presents interest risk exposure and risk profile as well as utilization of interest risk limits.

Currency risk

Currency risk is the risk of loss resulting from adverse movements in foreign currency exchange rates. Foreign exchange risk results from the Bank having open positions in foreign currencies. Such positions are calculated as the difference between assets and liabilities, including off-balance sheet items. The Bank measures currency risk using the internal VaR model and stress tests.

The Bank's currency positions at the end of 2008 and at the end of 2007, and the currency VaR level are as follows:

Table 29. Value of currency positions and VaR (PLN thousand)

Currency	Currency position as at 31.12.2008	Currency position as at 31.12.2007
USD	(97 267) *	(32 684)
GBP	(1 497)	(3 137)
CHF	(10 304)	37 786
EUR	20 134	(32 882)
other	18 062	11 637
	31.12.2008	31.12.2007
10 day 99.0% VaR	11 297*	1 646

* VaR as at 31 December 2008 resulted mainly from USD position due to the acquisition of KREDOBANK SA shares, registered on 31 December 2008.

PKO BP SA prepares currency risk reports on daily, weekly and monthly, quarterly and semi-annual bases. Each report presents currency risk exposure and risk profile, as well as utilization of currency risk limits.

Liquidity risk

Liquidity risk is defined as the risk of the Bank's inability to settle its liabilities in a timely manner because of an inappropriate balance sheet structure of assets and liabilities, unmatched cashflows, clients' defaults on payments owed to the Bank, a sudden withdrawal of funds from the Bank or other negative events in the financial market.

PKO BP SA employs the following liquidity measures:

- the contractual liquidity gap and the liquidity gap in real terms;
- liquidity reserve;
- liquid assets to total assets ratio;
- analysis of stability of the deposit base and net outflows due to the growth of loan portfolio;
- stress testing.

Liquidity reserve at the end of 2008 and at the end of 2007 is presented below.

Table 30. Liquidity reserve (PLN million)⁷

	31.12.2008	31.12.2007
Liquidity reserve	6 666	9 248

4.3.4. Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes and systems, human factors or external events.

The purpose of operational risk management is to optimize operational effectiveness through operational losses reduction, cost rationalization, and adequacy and time of reaction of the PKO BP SA, in case of external events.

The structure of operational risk threats to the Bank is similar to those of other universal banks with a large number of branches.

In order to manage operational risk, the Bank has implemented internal policies and procedures aimed at identifying, monitoring, reporting and mitigating of operational risk. The Bank has also developed a formal process of collecting and reporting information about operational risk events and losses from such events. Impact of the Bank's operational risk events is immaterial.

PKO BP SA prepares operational risk reports on semi-annual bases. Reports present information concerning operational risk profile as a consequence of risk identification and valuation processes, as well as results of operational risk estimation and monitoring, and operational events and their financial effects.

4.3.5. Compliance risk

Compliance risk is defined as the risk of law sanctions and financial, reputation or reliability loss resulting from non-compliance with law regulations, internal regulation, ethical norms and standards of procedures of PKO BP SA, by PKO BP SA, PKO BP SA employees or others acting on behalf of PKO BP SA.

The purpose of compliance risk management is to strengthen the PKO BP SA image as a:

- trustworthy,
- fair and reliable institution,
- which acts in compliance with the law and generally accepted standards.

⁷ Liquidity reserve equals the gap between the most liquid assets and expected and potential liabilities which mature in a given period of time.

The Bank should achieve these goals by eliminating compliance risk, counteracting possible reputation, reliability or financial losses, as well as law sanctions resulting from contravening law regulations, and prescribed practices.

4.3.6. Capital adequacy

Capital adequacy entails maintenance of a specific level of capital, which is sufficient to meet regulatory capital requirements (i.e. Pillar 1) and internal capital requirements (i.e. Pillar 2).

The objective of capital adequacy management is to continuously maintain capital on a level that is adequate to the risk scale and profile of the PKO BP SA activities.

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

- identifying and monitoring of all significant types of risk;
- designating internal capital to cover for individual risk types;
- determining the total internal capital necessary to cover for all significant risk types;
- performing capital adequacy stress tests;
- monitoring, reporting, forecasting and limiting of capital adequacy;
- performing internal capital allocations to business lines in connection with profitability analyses;
- using tools affecting the capital adequacy level (including tools affecting the level of regulatory capital, the level of regulatory capital reductions and the level of the loan portfolio).

The main measures of capital adequacy are:

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

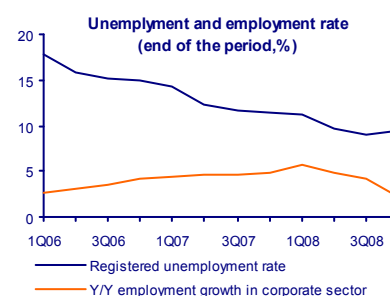
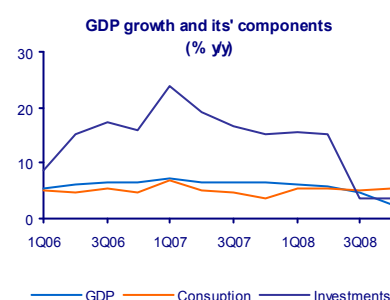
The capital adequacy level of the Bank in 2008 remained on a safe level and was significantly above the statutory limits.

4.4. EXTERNAL ENVIRONMENT

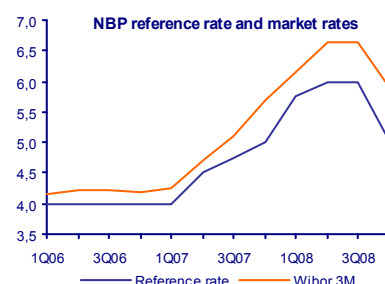
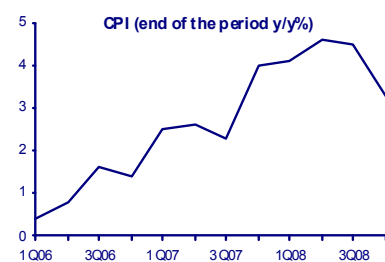
Macroeconomic environment

In the 4th quarter of 2008:

- along with the global economic slowdown, the domestic economy indicated a slowdown in the dynamics of economic growth (by 3% y/y), compared to the 1st half of the year (6% y/y), with a continued significant decrease in both export and domestic demand;
- the financial situation of households continued to improve, but at a slower pace (the annual salary in the corporate sector increased at an average by 7% y/y, and after social benefits revalorization in March pensions increased by 11% y/y). The increase in the employment rate was significantly lower, and there was reported an increase of registered unemployment rate since November (to 9.5% at the end of December),
- the inflation rate, as measured by the Consumer Price Index, fell to 3.3% y/y in December, as compared to 4.5% in September. The decrease of the inflation rate resulted mainly from fierce drop in crude oil prices in the international market,
- since banks attempted to acquire deposits, acting under pressure of liquidity lack and limited access to interbank financing, the value of deposits increased dynamically. In the 4th quarter of 2008, the value of deposits grew by PLN 31.4 billion, which was the highest quarterly increase in the whole 2008. The growth mainly resulted from household deposits, which increased by ca. PLN 26 billion (26% y/y). Corporate deposits grew by ca. PLN 6.7 billion, whereas y/y growth amounted to 3.7% only.

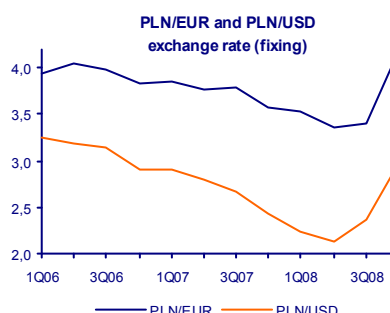


- the volume of the loan portfolio dynamically increased and it was the highest growth compared to other quarters, mostly resulting from deep Polish zloty depreciation, which increased the value of loans denominated in foreign currencies. Total loan portfolio volume in the 4th quarter, increased by PLN 68 billion and more than PLN 43 billion derived from changes of foreign exchange rates. Mortgage loans grew by more than PLN 39 billion and almost half of it (PLN 18 billion) was caused by Polish zloty depreciation. The depreciation caused about 64% (PLN 12 billion) of the growth of corporate loans, which amounted to PLN 19.2 billion in total. This high nominal increase of the loan portfolio volume in the 4th quarter led to higher dynamic of growth than in 2007. The total loans value increased by 37% (y/y), the value of consumer loans by 44.8% (y/y), mortgage loans by 63% (y/y) and corporates loans by 29.2% (y/y).
- the Monetary Policy Council cut interests rates by 100 bps - NBP reference interest rate decreased to 5.25%.



The activities and results of the PKO BP SA Group in the 4th quarter of 2008, were affected by macroeconomic factors in Ukraine, where the PKO BP SA Group's subsidiary KREDOBANK SA operates. The factors were as follows:

- fierce increase of currency crisis risk correlated with limited access to foreign financing as a result of the global financial crisis, together with a very high foreign debt ratio of corporates and some flexibility improvements made to the currency system along with the risk of a fierce decrease of national foreign currency reserves (with the inability to restrain the hryvna depreciation pressure),
- negative economic growth and a perspective of deep economic recession in 2009,
- the hryvna depreciation of 58% - at the end of the 4th quarter UAH/USD exchange rate was 7.7 UAH/USD, compared with 4.86 UAH/USD at the end of the 3rd quarter.
- deep deterioration of the condition of the banking sector along with a limited access to foreign financing, which was a significant factor of heretofore growth, as well as fierce credit risk increase (recession, hryvna depreciation) and liquidity problems,
- information about the outflow of household deposits as a result of a fear of a crisis in the banking sector,
- a loan granted by the International Monetary Fund to stabilize the condition of the economy and the financial sector with the possibility of a capital injection into the banking sector.



Situation in the financial markets

In the 4th quarter of 2008, yield on Treasury bills decreased by 100 basis points whereas yield on 10-year bonds decreased by 45 bps. to 85 bps. for 2-year bonds. In October, yield on bonds increased for a short period of time from 125 to 170 bps. The quarterly increase of prices of Polish treasury securities, in particular at the short end of the yield curve was a result of introducing the process of loosening the monetary policy and of growing expectations regarding the scale and pace of subsequent interest rates cuts. Foreign investors decreased their exposure in Polish bonds by PLN 7 billion (altogether by PLN 23 billion in 2008), which was caused by the following factors:

- deterioration of economic and fiscal perspectives, including risk of state budget outturn in 2009 (risk of budget amendments during the year),
- increasing loan demand of Polish and global economy,
- unstable and worsening global condition,
- increasing risk aversion among investors.

Decrease in yields during the last two months, accompanied by monetary policy loosening, was simultaneously limited by following factors:

- current and forecasted loan demand in 2009,
- volume of treasury securities issue in the primary market,

- weakening investors' expectations regarding Poland joining the euro area, which negatively affected long-term bonds profitability.

Globally loosening of monetary policy, including base markets, led to decrease of i.a. German bonds profitability (by more than 100 bps) and at the same time influenced pricing of Polish bonds (to a limited extend).

Moreover, limited trust to counterparties, both globally and in the national market caused an increase of interbank market prices in October and a decrease in the two following months, together with sustained high spread levels comparing to the reference interest rate (ca. 90 bps).

In the 4th quarter of 2008, the PLN/EUR exchange rate rapidly depreciated by 22% (to 4.17 PLN/EUR at the end of December) and PLN/USD depreciated by 25% (to 2.96 PLN/USD). The depreciation was a result of the following factors:

- deepening crisis in global financial markets,
- crisis spread to the emerging countries (including Poland), along with:
- fierce economic slowdown,
- rapid capital outflow from the emerging countries.

In the 4th quarter, the PLN exchange rate was subject to fluctuations on an unprecedented scale.

Regulatory factors

In the 4th quarter of 2008, the financial position and organization of the PKO BP SA Group was affected by the following initiatives:

- 'Trust Package' of the National Bank of Poland aimed at improving liquidity on the interbank market by, among others: enabling to conduct open market operations in form of repo operations with maturity date of 3 months, introducing currency SWAP operations, using currency deposits as a refinanced loans collateral, introducing modifications in lombard loan operational system,
- Polish Financial Supervision Authority recommendations regarding the review of credit policy rules and loan granting procedures applied by banks,
- Information concerning Polish Financial Supervision Authority activities with reference to SII (announced on 17 December 2008) and T recommendation (in progress),
- The act of 4 September 2008 – amendment to the Banking Act (Dz.U. 192 item 1179), which imposed additional information duties on banks, related to widened access to bank secrecy (effective as of 12 November 2008),
- The act of 7 November 2008 – amendment to the Value Added Tax Act and other acts (Dz.U. No. 209, item 1320), effective as of 1 December 2008 (introduced simplifications for VAT registered companies)

The situation of the PKO BP SA Group was also affected by regulation changes, which took place in Ukraine, such as:

- Resolution 319 of the National Bank of Ukraine (NBU) - additional actions in terms of banks activity (with subsequent changes), which introduced a number of restrictions aimed at neutralizing the impact of the global financial crisis (i.a. concerning granting loans denominated in foreign currencies to clients without income in foreign currencies, terminating term deposits, the currency spread level),
- Resolution 351 of the NBU – amendment to Byelaw of the mechanism of fixing the official exchange rate of the hryvna against foreign currencies and the exchange price of metals (effective as of 28 November 2008), which introduced a fixed exchange rate of the hryvna against the dollar,
- Resolution 211 of the NBU „About the amendments to some acts of law issued by the National Bank of Ukraine, introducing changes in terms of decreasing banks' regulatory capital by the value of investment fund securities”.

The banking sector results in Ukraine in the following periods will be affected by rules on loan provisions for consumer loans denominated in foreign currencies, which were changed on 28 December 2008 (Resolution 406 – amendment to Byelaw on recognition and reversal of provisions regarding compensation of possible loss due to bank credit activities).

4.5. THE STRUCTURE OF THE PKO BP SA GROUP

4.5.1. Consolidated entities

Entities included in the consolidated financial statements are the PKO BP SA – the parent company of the PKO BP SA Group and its subsidiaries as defined in IAS 27 „Consolidated and separate financial statements”.

Table 31. Entities included in the consolidated financial statements of the PKO BP SA Group

No.	Entity name	Cost (PLN thousand)	Share in capital (%)	Consolidation method
Parent company				
1	Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna			
Direct subsidiaries				
2	KREDOBANK SA ¹	356 102	98.5619	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	Bankowy Fundusz Leasingowy SA	70 000	100	full method
7	PKO Towarzystwo Funduszy Inwestycyjnych SA	69 055	75	full method
8	Inteligo Financial Services SA	59 602	100	full method
9	Centrum Elektronicznych Usług Płatniczych eService SA	55 500	100	full method
10	Bankowe Towarzystwo Kapitałowe SA	18 566	100	full method
11	PKO Finance AB	172	100	full method
Subsidiaries of PKO Inwestycje Sp. z o.o.				
12	Wilanów Investments Sp. z o.o.*	82 981	100	full method
13	POMERANKA Sp. z o.o.*	19 000	100	full method
14	PKO Inwestycje - Międzyzdroje Sp. z o.o.*	7 575	100	full method
15	Baltic Dom 2 Sp. z o.o.	6 619	56	full method
16	WISŁOK Inwestycje Sp. z o.o.*	2 800	80	full method
17	Fort Mokotów Sp. z o.o.*	2 040	51	full method
18	UKRPOLINWESTYCJE Sp. z o.o.	519	55	full method
Subsidiaries of Inteligo Financial Services SA				
19	Finanse Agent Transferowy Sp. z o.o. ²	7 600	80	full method
Subsidiaries of Bankowy Fundusz Leasingowy SA				
20	Bankowy Leasing Sp. z o.o.	1 309	100	full method
21	BFL Nieruchomości Sp. z o.o.	1 109	100	full method

* items included in this item are stocks and shares at purchase price and the specific capital contributions made

1. both cost and share in capital of Kredobank SA include the XVIII share issue, acquired by PKO BP SA on 31 December 2008, and presented in the balance sheet of PKO BP SA as receivables

2. other shares of Finanse Agent Transferowy Sp. z o.o. in hold of Powszechne Towarzystwo Emerytalne BANKOWY SA – subsidiary of PKO BP SA

Additionally, the following jointly controlled and associated entities have been included in the consolidated financial data under the equity method.

Table 32. Other associates and jointly controlled entities included in the consolidated financial statements under the equity method

No.	Entity name	Cost PLN thousand	Share in 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 Sopotka 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

* items included in this item are stocks and shares at purchase price and specific capital contributions made

4.5.2. Changes to the group structure

In the 4th quarter of 2008, the structure of the PKO BP SA Group was affected by the following factors:

1. Increase of share capital and acquisition of shares of Finanse Agent Transferowy Sp. z o.o.

On 11 December 2008, an increase of share capital of Finanse Agent Transferowy Sp. z o.o. of PLN 7 600 thousand has been registered with the National Court Register. All shares were acquired by Inteligo Financial Services SA – the PKO BP SA subsidiary at nominal value of shares.

As a result of increase of share capital the shareholders of Finanse Agent Transferowy Sp. z o.o. are PKO BP SA's subsidiaries, including:

- Inteligo Financial Services SA, which holds 80.33% of share capital and 80.33% of voting rights on General Shareholders Meeting,
- Powszechne Towarzystwo Emerytalne BANKOWY SA (heretofore the sole shareholder), which holds 19.67% of share capital and 19.67% of voting rights on General Shareholders Meeting.

2. Increase of share capital and acquisition of shares of KREDOBANK SA

As a result of increase in share capital, on 31 December 2008, PKO BP SA acquired 13 044 501 852 shares of KREDOBANK SA with total nominal value of UAH 130 445 018.52. The price of acquired shares, together with additional costs amounted to PLN 48 737 276.17.

As a result of abovementioned acquisition PKO BP SA increased its share in share capital and voting rights on General Shareholders Meeting from 98.1815% to 98.5619%.

3. Capital injection into WISŁOK Inwestycje Sp. z o.o.

On 18 December 2008, PKO Inwestycje Sp. z o.o. (a PKO BP SA's subsidiary) made a capital injection into WISŁOK Inwestycje Sp. z o.o. in the amount of PLN 800 thousand.

4.5.3. Related party transactions

In the 4th quarter of 2008, PKO BP SA provided the following services to its related parties (subsidiaries) at an arms' length: keeping bank accounts, accepting deposits, extending loans and advances, issuing debt securities, providing guarantees and conducting spot foreign exchange transactions.

Details of related party transactions of PKO BP SA with a total value exceeding the PLN equivalent of EUR 500 thousand and not relating to current business activities of the Bank, are presented in section 5 of this Report.

5. OTHER INFORMATION

Identification data

PKO BP SA, with its registered Head Office in Warsaw at 15 Puławska Street, has been entered in the Register of Entrepreneurs of the National Court Register kept by the District Court in Warsaw, Entry No. KRS 0000026438. The Company was granted statistical number (REGON) 016298263 and 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

Awards and distinctions granted to PKO BP SA in the 4th quarter of 2008:

1. For the fourth time the PKO *Visa Infinite* card has won the prestigious credit cards ranking organized by the *Forbes* magazine.
22 platinum and 4 black cards issued by banks operating in Poland were assessed. The PKO *Visa Infinite* card is one of the most exclusive and elitist credit cards in the world. The card is issued only at the Bank's invitation to clients with a high social and professional status. Just a few banks in the European Union countries issue such a card, designed not only to satisfy needs of a narrow group of people with high social, professional and material status but also with the intention to built the prestige of the Bank-issuer brand. PKO BP SA was the first Bank in Poland to issue such a card. The card was issued in September 2005. Currently about 500 people use the PKO BP black card. Apart from international prestige, the card offers convenience and full financial flexibility. The card also offers additional services, such as insurance package, reimbursement of medical services costs and *MC Global Service* or *Priority Pass* services. The PKO *Visa Infinite* credit limit can amount to PLN 1 million. The limit is set individually, depending on the client's creditability and needs. Criteria considered in the ranking embraced the accessibility of the card (the higher the accessibility, the lower the mark), issuance and maintenance fees, financial requirements and card's functionality.
2. For the second time Warsaw Town Hall granted the titles of Warsaw Culture Patron. This year PKO BP SA received the laureate title. The title of a Culture Patron is granted to persons and institutions that supported the organization of culture events in Warsaw. PKO BP SA received the title for "the biggest financial contribution for the organization of culture events". PKO BP SA supported the publication of Warsaw Uprising Photo Album created by Eugeniusz "Brok" Lokajski.
3. PKO BP SA received a laureate title of the Polish Certification Programme 'Client's Friendly Company' (4th edition), indicating joining the Top 20 companies and institutions deserving such a title and special promotional logo. The Programme is organized by Management Institute Foundation of Warsaw in co-operation with professional partners: TNS OBOP Market Research Company and Researcher by *Call Centre Poland* Company. The purpose of participation is to obtain a confirmation of high quality of services and effective CRM policy
4. Once again PKO BP SA won the ranking for the strongest brand in the financial sector, organised by Rzeczpospolita. This position has been held already for three years. In category of the most valuable brands in Poland PKO BP SA is ranked second. The valuation of PKO BP SA brand was accounted for PLN 2.3 billion. It means that the value of the brand has increased by 55% (y/y).

Issuance, redemption and repayment of debt and equity securities

In the 4th quarter of 2008, Bankowy Fundusz Leasingowy SA increased the amount of its debt under the bond issue programme to PLN 600 million, using its liquid funds to redeem its maturing bonds and to finance current activities. In the 4th quarter of 2008 BFL issued 35 500 bonds with a total nominal value of PLN 355 million and bought out 25 500 bonds with a total nominal value of PLN 255 million.

Shareholders holding, directly or indirectly, at least 5% of votes at the General Shareholders' Meeting

The interim report for the 3rd quarter of 2008 was submitted to the Polish Financial Supervision Authority (KNF) on 7 November 2008.

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 which holds 512 435 409 of the Bank's shares. This equates to 51.24% 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 33. Ownership structure of PKO BP SA

Shareholder	Percentage of votes at the General Shareholders' Meeting as at the date of submitting previous quarterly report	Number of shares as at the date of submitting previous quarterly report	Percentage point change from the date of submitting previous quarterly report	Percentage of votes at the General Shareholders' Meeting as at the date of submitting this Report	Number of shares as at the date of submitting this Report
StateTreasury	51,24%	512 435 409	0,0 pp.	51,24%	512 435 409

Changes in the number of PKO BP SA shares held by the Management or Supervisory Board Members

Table 34. 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 the date of submitting previous quarterly report	Purchase	Disposal	Number of shares as at the date of submitting this Report
I. Management Board of PKO BP SA					
1.	Jerzy Pruski, President of the Bank's Management Board	-----	-----	-----	-----
2.	Bartosz Drabikowski, Vice-President of the Bank's Management Board	-----	-----	-----	-----
3.	Krzysztof Dresler, Vice-President of the Bank's Management Board	-----	-----	-----	-----
4.	Tomasz Mironczuk, Vice-President of the Bank's Management Board	-----	-----	-----	-----
5.	Jarosław Myjak*, Vice-President of the Bank's Management Board	x	x	x	-----
6.	Wojciech Papierak, Vice-President of the Bank's Management Board	2500	-----	-----	2500
7.	Mariusz Zarzycki, Vice-President of the Bank's Management Board	-----	-----	-----	-----
II. Supervisory Board of PKO BP SA					
1.	Marzena Piszczek, President of the Bank's Supervisory Board	-----	-----	-----	-----
2.	Eligiusz Jerzy Krześniak, Vice-President of the Bank's Supervisory Board	-----	-----	-----	-----
3.	Jan Bossak, member of the Bank's Supervisory Board	-----	-----	-----	-----
4.	Jerzy Osiatyński, member of the Bank's Supervisory Board	-----	-----	-----	-----
5.	Urszula Pałaszek, member of the Bank's Supervisory Board	-----	-----	-----	-----
6.	Roman Sobiecki, member of the Bank's Supervisory Board	-----	-----	-----	-----
7.	Ryszard Wierzbą, member of the Bank's Supervisory Board	-----	-----	-----	-----

* Management Board member, who was not member of the Bank's Management Board at the date of the previous Report's submission. As at 15 December 2008, he had no shares of PKO BP SA.

Information on any transaction or a number of transactions concluded by the issuer or its subsidiary with other Group entities, with a value exceeding Euro 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 41) with the Bank's subsidiary, Centrum Finansowe Puławska Sp. z o.o. ("CFP"), in the 4th quarter of 2008, PKO BP SA made payments to CFP in the total gross amount of PLN 12.5 million. As at the 4th quarter of the year 2008 the total amount of payments was PLN 49.2 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 4.5.2 of this Report.

Factors which may affect future financial performance within at least the next quarter

In subsequent quarters, the results of the PKO BP SA and the PKO BP SA Group will be affected by economic processes which will take place in the Polish and global economies, as well as by 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 guarantees constitutes at least 10% of the Issuer's net assets.

In the 4th quarter of 2008, PKO BP SA and its subsidiaries did not grant any guarantees or warranties on loans on advances to a single entity or capital group that would constitute at least 10% of the PKO BP SA net assets.

Proceedings pending before the court, arbitration tribunal or public administrative authority

As at 31 December 2008, the total value of court proceedings against the Bank was ca. PLN 319 543 thousand, while the total value of court proceedings initiated by the Bank was circa PLN 74 981 thousand.

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

No other Group entities have conducted any proceedings before court, arbitration tribunal or public administration authorities concerning receivables or liabilities, the value of which amounts to at least 10% of the shareholders' equity of PKO BP SA.

Integrated Information System of PKO BP SA

Most important activities within the Integrated Information System Application ('ZSI') project in the 4th quarter of 2008 comprise:

- system activities concerning functionality development of 'ZSI' in consecutive versions of software, assumption specifications, as well as initiated activities regarding creating software for a version planned to be implemented in the 1st quarter of 2009.

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

In the resolution of as 1 December 2008, the Management Board of the PKO BP SA declared to come forward to General Shareholders Meeting with a proposal to freeze dividend payout for 2008.

Other information on subsequent events

1. On 6 January 2009, Bankowy Factoring SA has been registered with the National Court Register. Initial capital of the company accounts for PLN 1 million. All shares in the initial capital were acquired by the subsidiary of PKO BP SA – Bankowe Towarzystwo Kapitałowe SA for total amount of PLN 1 330 thousand.
2. With reference to the Extraordinary Shareholders Meeting of Kredobank SA's resolution on the increase in share capital of Kredobank SA, on 16 February 2009 the Management Board of the PKO BP SA approved acquisition of new issued shares of Kredobank up to the amount of USD 133 million along with a premature repayment of all subordinated loans in the amount of USD 38 million granted by PKO BP SA to Kredobank SA.

Other disclosures significant for evaluation of the issuer's human resources, financial situation, financial performance, and any changes therein

1. On 9 December 2008, the Supervisory Board passed a resolution appointing Mr. Jarosław Myjak as Vice President of the Management Board of the PKO BP SA, effective as of 15 December 2008.

According to the passed resolution Mr. Jarosław Myjak has been appointed to hold the function in PKO BP SA for the collective Management Board term for the period from 20 May 2008.

2. As a result of statutory approvals and the offer for purchase of 99.92% AIG Bank Polska S.A. shares and 100% AIG Credit S.A. shares, placed on 28 November 2008 by the Bank – PKO BP SA participates in the negotiation process to buy shares listed above, without exclusive rights. At the moment of shares purchase agreement, purchase will occur after complying with Polish law regulation. Purchase will be financed by PKO BP SA's own funds. PKO BP S.A. will publish the information about the purchase of the above mentioned shares in current report, irrespective of the fact whether the transaction will be executed or not.

20 February 2009 Danuta Szymańska

Director of the Bank

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(signature)