PKO Bank Polski
Results 2007

Warsaw, 15 April 2008

PKO BANK POLSKI

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SUMMARY

PKO BP reports very good results for year 2007

- **Historically high level of consolidated net profit - more than PLN 2.9 bn**
- **18.8% growth of revenues and 7.1% growth of costs (YoY)**
- **Drop of cost to income ratio – from 58.5% to 52.7% (YoY)**
- **Good performance of ROE and ROA ratios – 26.2% and 2.8% respectively**
- **Significant increase in outstanding loans and customer savings – by 27.8% and 10.0% respectively (YoY)**
- **Market leader in terms of new sales of mutual funds – PLN 8.1 bn new AuM acquired**
- **Further positive outcomes of implementation of the new strategy**

HIGHLIGHTS

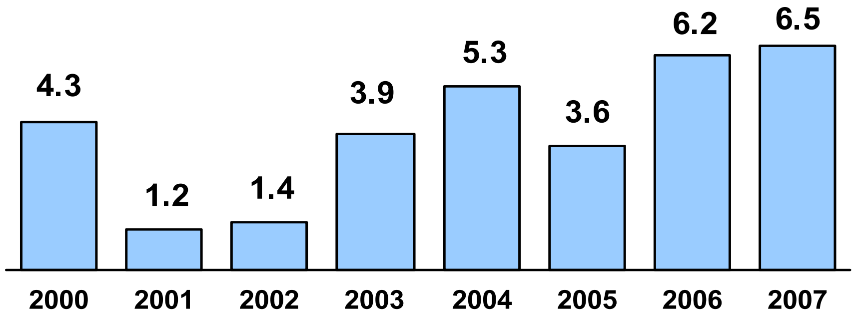
		2006	2007	Change
Net profit	PLN mln	2 149	2 904	35.1%
ROE - net	%	22.7	26.2	3.5 pp.
Gross profit	PLN mln	2 701	3 609	33.6%
C/I	%	58.5	52.7	-5.8 pp.
C/I (Bank)	%	59.3	52.5	-6.8 pp.
Outstanding loans (Bank)	PLN mln	59 518	76 061	27.8%
Deposits (Bank)	PLN mln	85 677	86 933	1.5%
Assets	PLN mln	102 026	108 569	6.4%
Dividends	PLN mln	800	980	22.5%

* Dividends paid in Q3
Number of shares: 1 bn

Sound macroeconomic fundamentals - basis for sustained economic growth

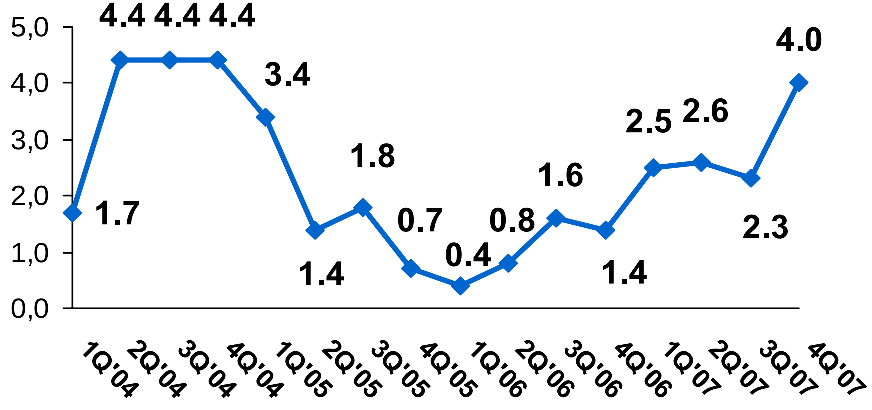
GDP growth rate

%



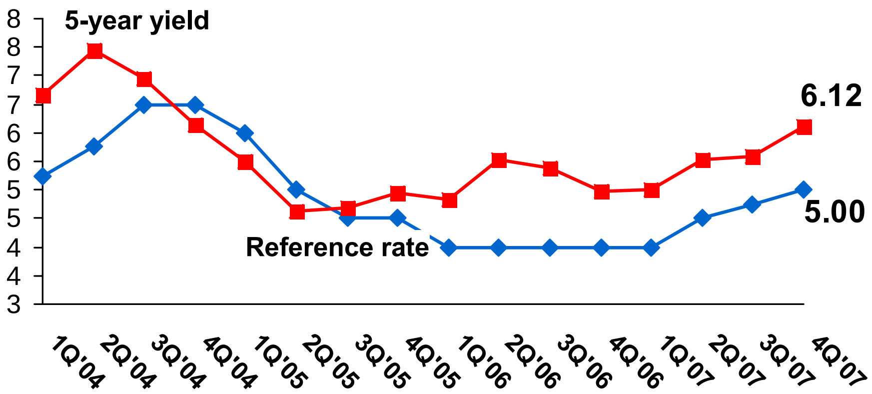
Inflation rate

%



Interest rates

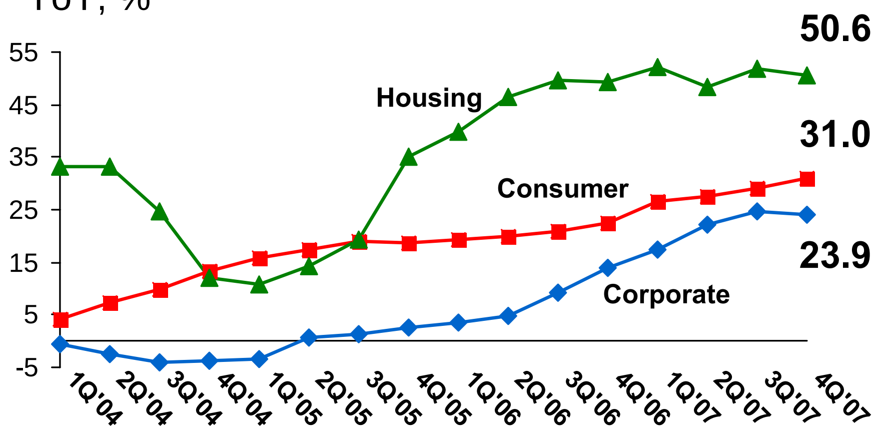
%



- **Favourable macroeconomic conditions -** dynamic GDP growth supported by strong consumption and investment.
- **Strong increase in households disposable income and employment.**
- Growing inflation pressures caused tightening monetary policy by MPC. In addition higher risk aversion stimulated an **increase in market interest rates.**

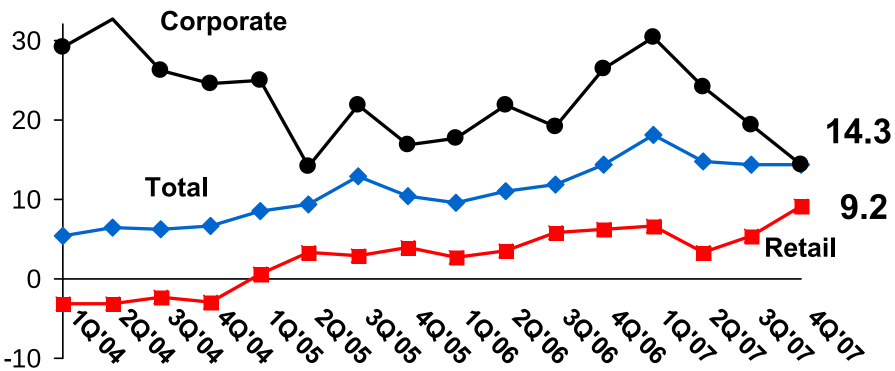
Good economic environment supports development of financial sector

Loans growth rate
YoY, %

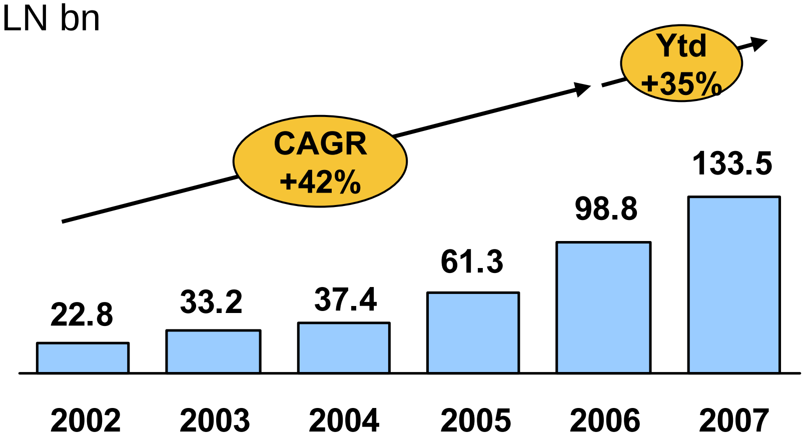


- Thanks to continued growth of mortgages and consumer loans, **credit to the households kept growing strongly** – above 35% YoY.
- **Growth of corporate loans accelerated** to 24% YoY in 2H2007 due to high investments of the corporate sector.
- At the end of 2007 **rate of growth of retail deposits increased** as customers switched from mutual funds to bank deposits.

Deposits growth rate
YoY, %



Mutual funds market
PLN bn

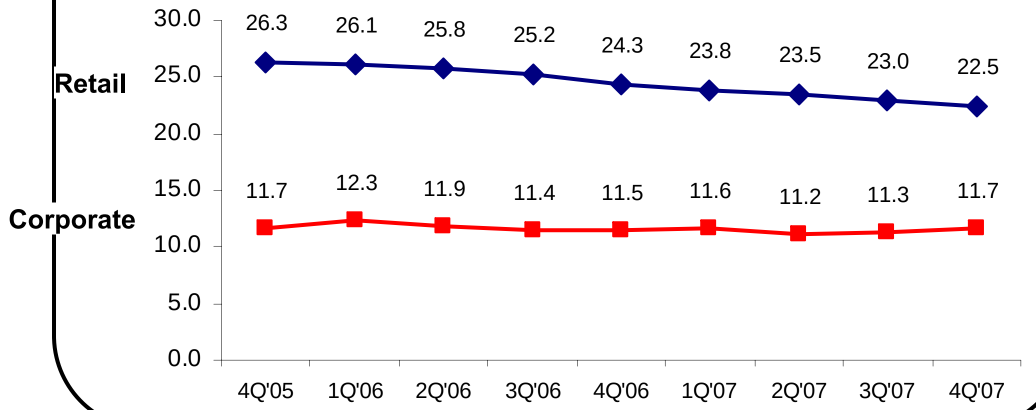


PKO BP MARKET SHARES

Improved position on mutual funds business and stabilization on fast developing and competitive deposits and loans markets

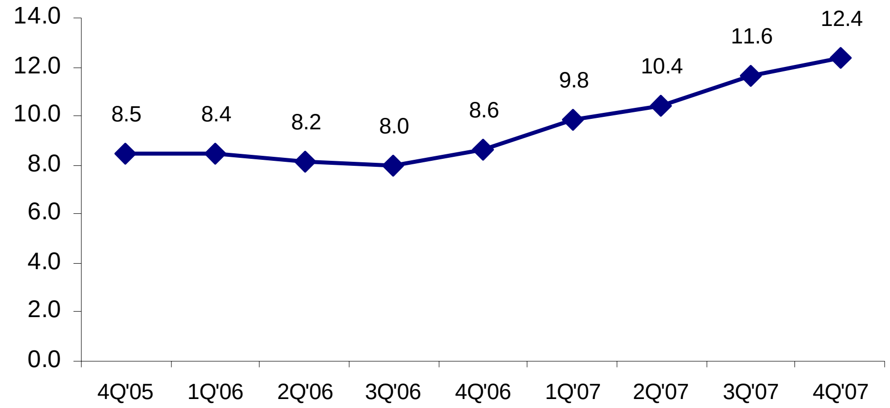
Loans market shares

%



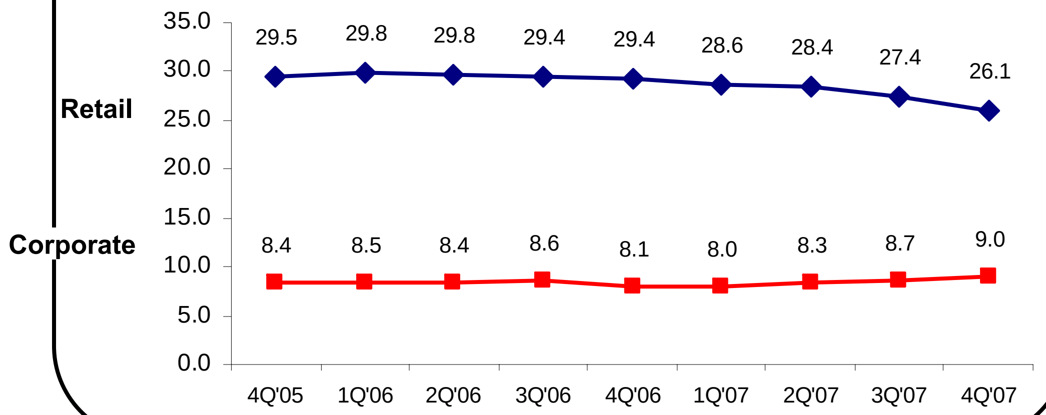
Mutual funds market shares

%



Deposits market shares

%

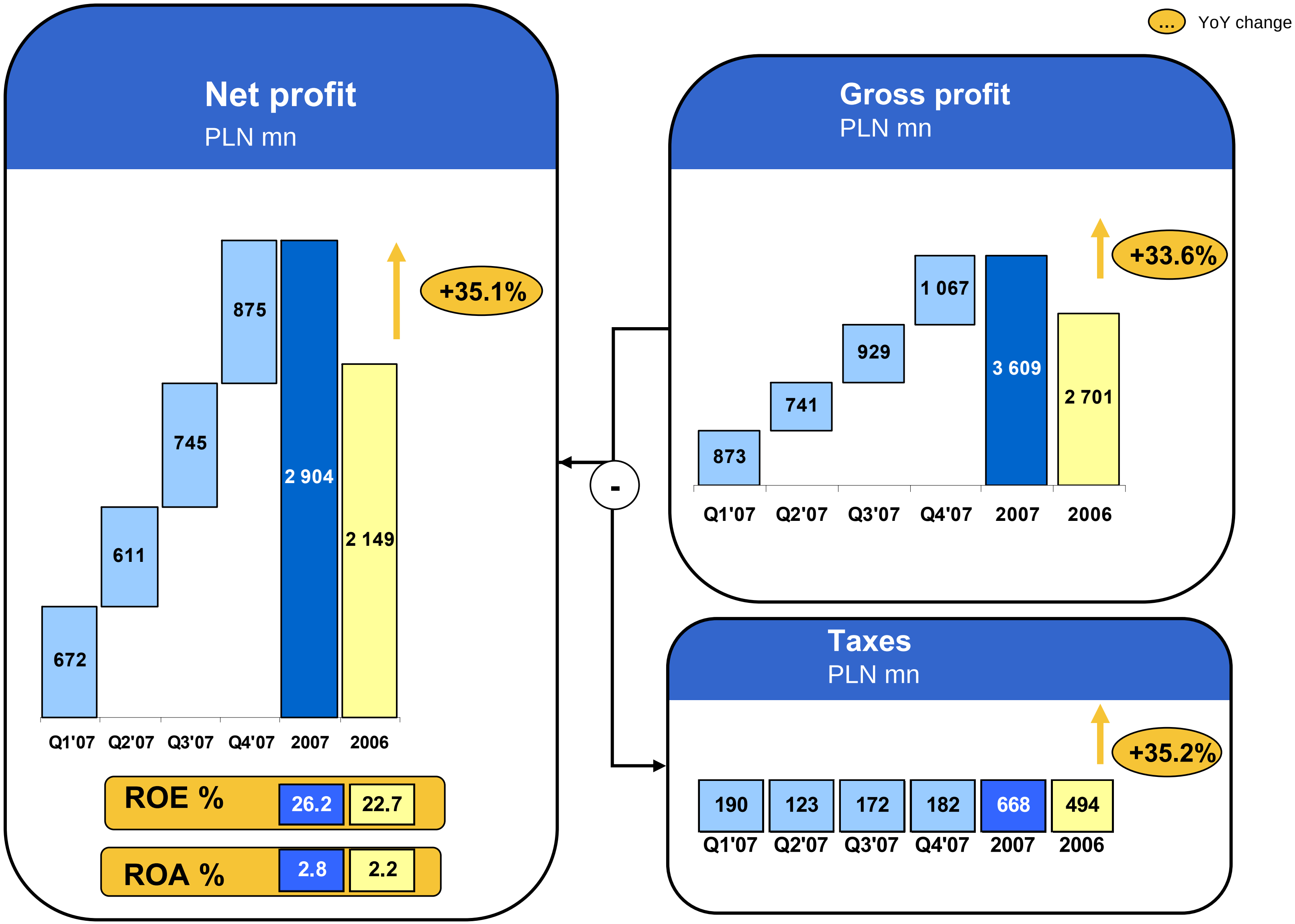


- The market share of retail deposits and loans fell down slightly in the 2007 end, **but the market position of corporate business improved at the same time.**
- **PKO BP in 2007 radically increased market share in mutual funds (+3.8 pp), third position on the market. PKO TFI was one of the funds that achieved a positive balance of units sale during the worse situation at the WSE in IV quarter 2007.**

FINANCIAL RESULTS – PROFITS

Consolidated

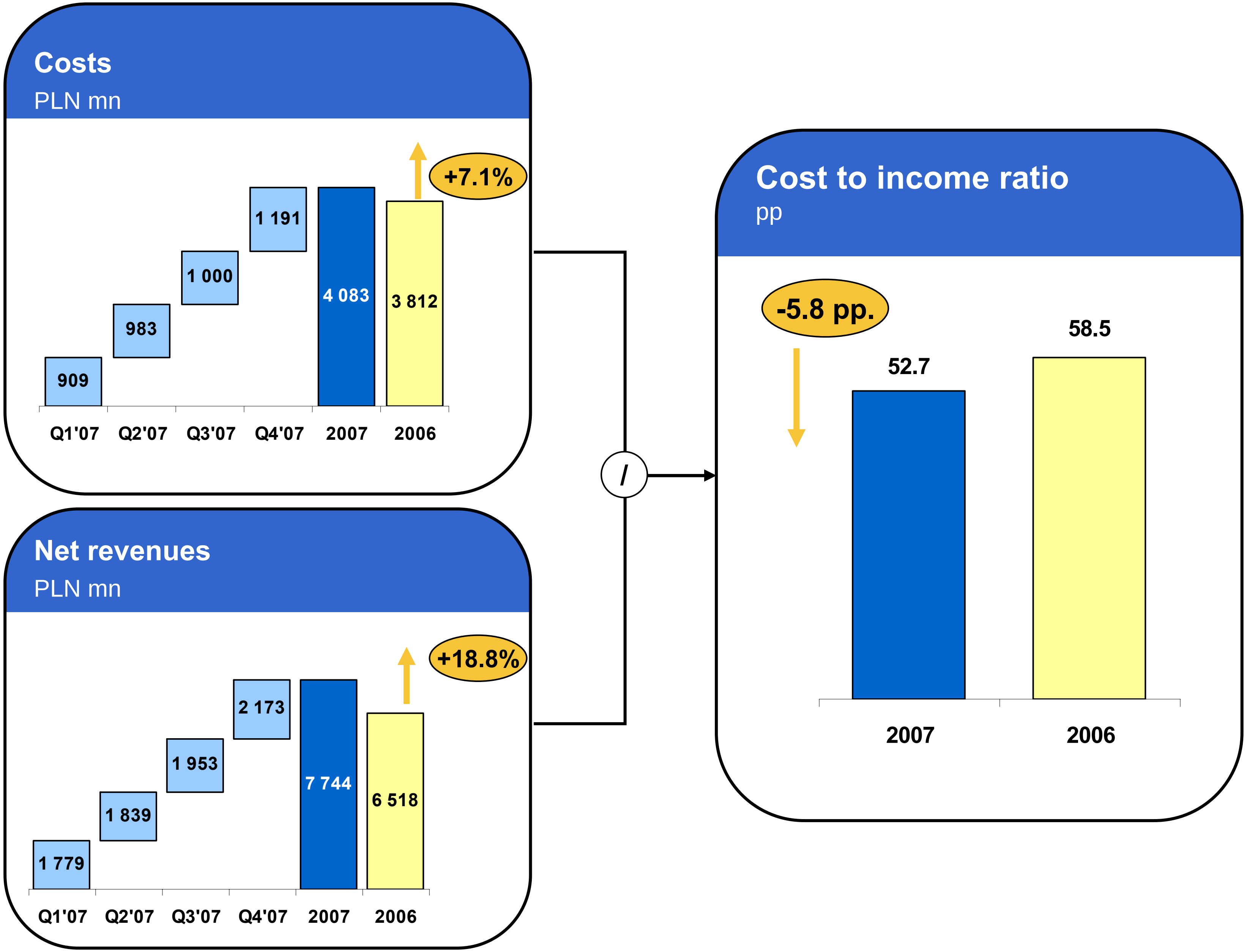
- **Record net profit in 2007, more than PLN 2.9 bn.**
- **ROE and ROA increase** up to 26.2% and 2.8% accordingly



FINANCIAL RESULTS – PROFITS

Further quarter of financial results growth

Consolidated

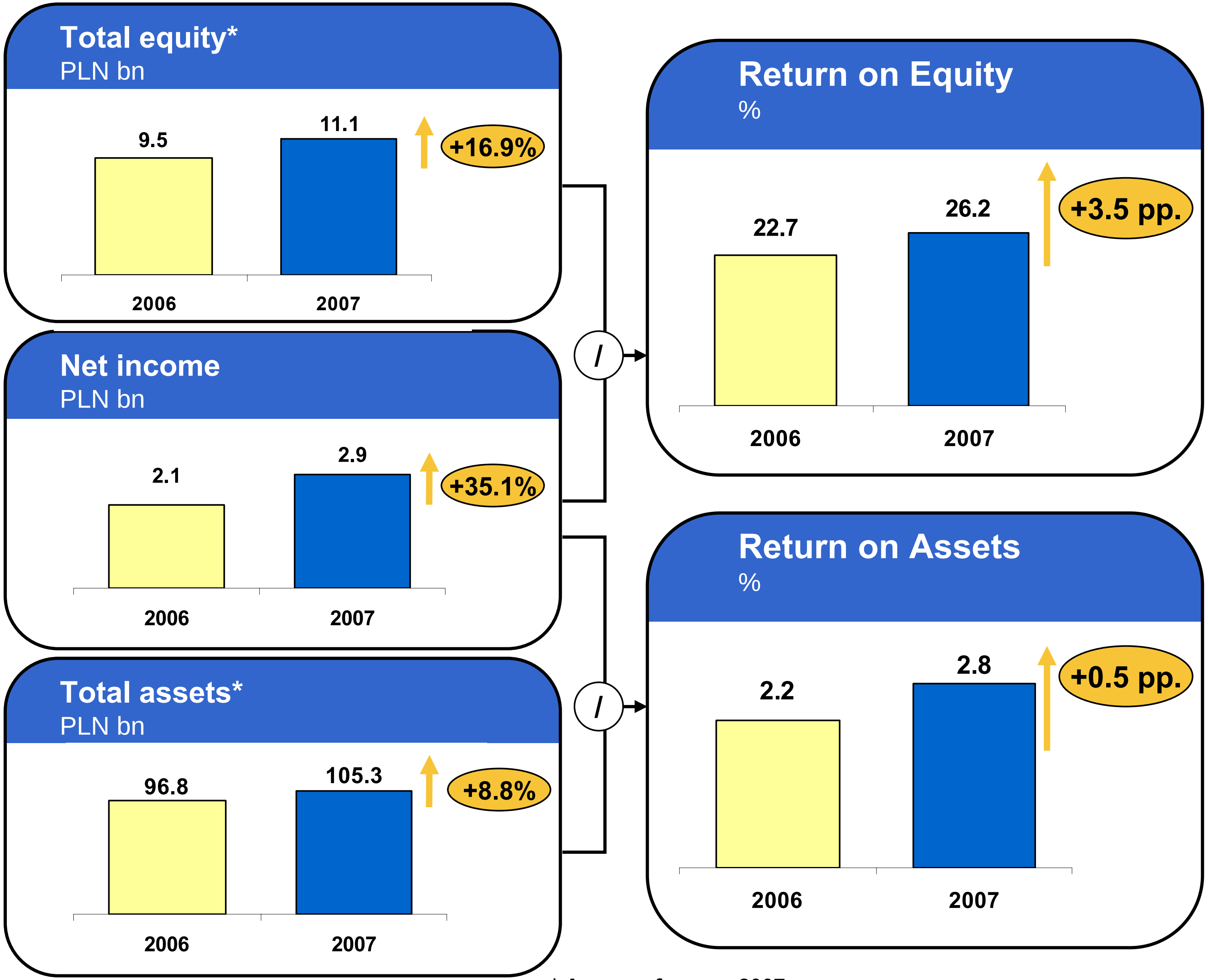


- Keeping costs under control (+7% YoY) and achieving significant growth of revenue (+19% YoY) enables PKO BP to have 35% net profit growth and a big drop of C/I ratio (-5.8 pp. YoY).

PROFITABILITY

Significant improvement of capital and assets profitability

Consolidated



- **Dynamic growth of shareholder value:**
  - ROE from 22.7% to 26.2%;
  - ROA from 2.2% to 2.8%.
- Improvement in profitability reached mainly due to significant growth of net profit.

* Average for year 2007

NET PROFIT OF PKO BP GROUP

Mutual funds and BFL (leasing) business activity has achieved the biggest dynamics of net profit growth

PLN mn	Activity	2006	2007	Change
	Consolidated net profit	**2 149.1**	**2 903.6**	**35.1%**
	Banking	2 047.4	2 720.0	32.9%
PKO TFI SA Zarządzające Funduszami PKO/CREDIT SUISSE	Mutual funds	65.5	122.9	87.6%
BANKOWY	Pension fund	20.0	24.4	21.8%
inteligo	Internet banking	31.8	22.1	-30.5%
eService	Payments	15.5	20.0	28.9%
BANKOWY LEASING	Leasing	4.7	8.9	86.9%
КРЕДОБАНК GRUPA PKO BP	Banking in Ukraine	16.7	2.8	-83.0%
PKO INWESTYCJE	Real estate development	37.1	13.6	-63.3%

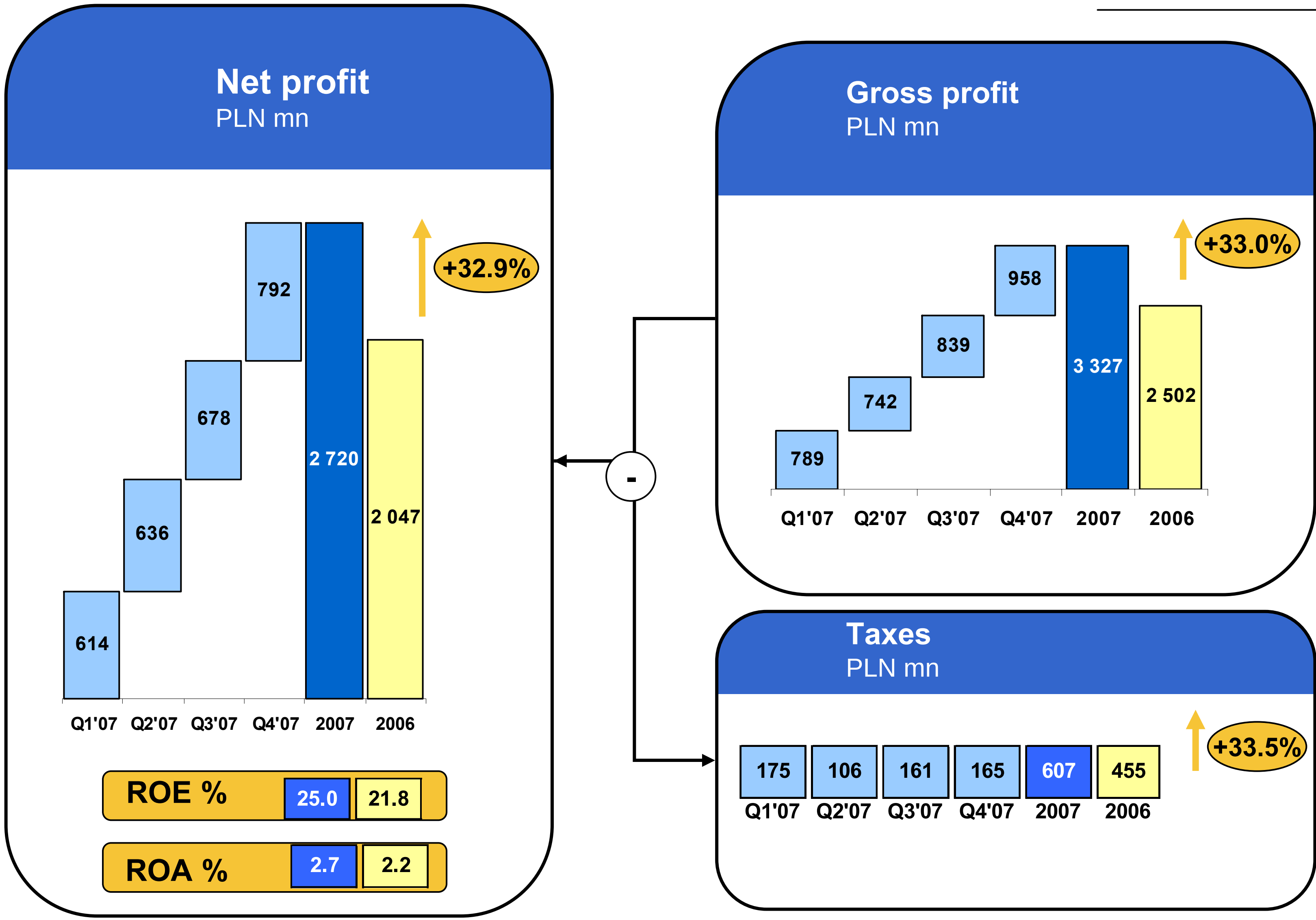
FINANCIAL RESULTS – PROFITS

Further quarter of achieving the record net profit by Bank PKO BP

... YoY change

Unconsolidated

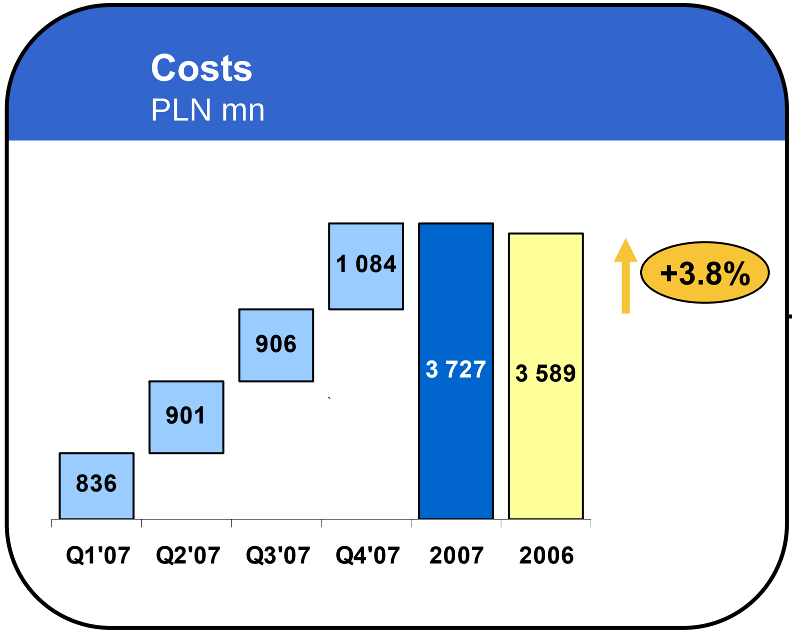
- More then PLN 2.7 bn of net profit since the beginning of the year.
- **ROE and ROA increase** up to 25.0% and 2.7% accordingly.

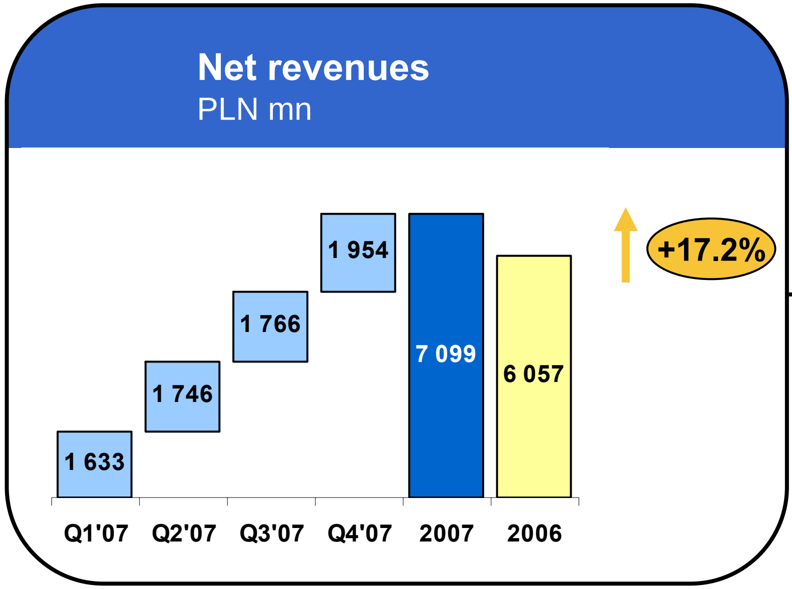


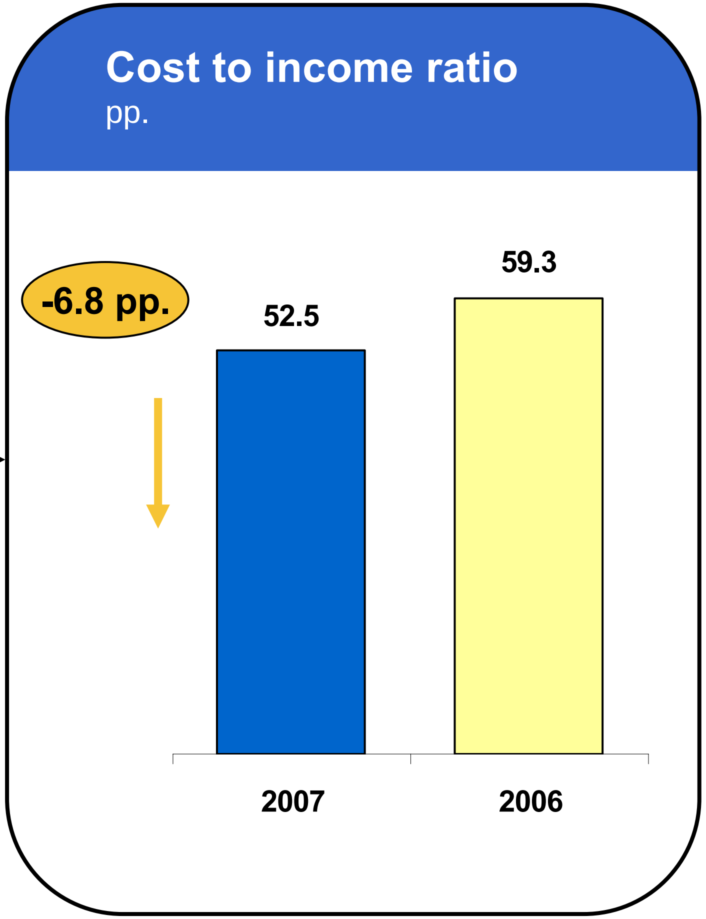
The dominant entity of the Group managed its cost effectively and improved C/I ratio

Unconsolidated

... YoY change





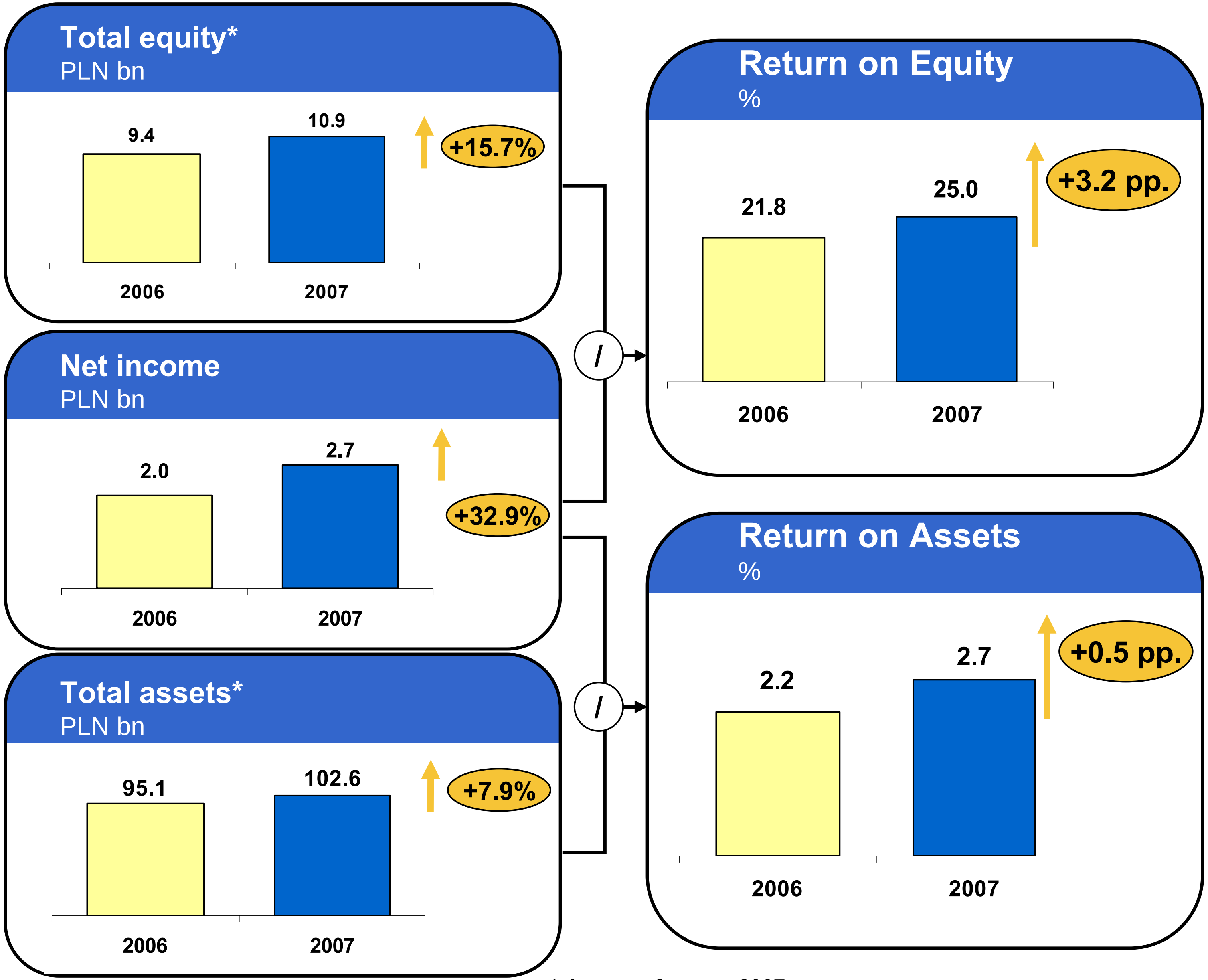


- Bank improved its net profit by 33% YoY due to having more than 17.2% growth of revenue and keeping cost under control (+3.8% YoY).
- As a result **C/I ratio dropped by 6.8 percentage points - from 59.3% to 52.5%.**

PROFITABILITY

Significant growth of shareholders value

Unconsolidated



- **Due to achieving 33% growth of net profit in comparison to 2006 PKO BP has improved capital and assets profitability by increasing its ratios:**
  - ROE from 21.8% to 25.0%;
  - ROA from 2.2% to 2.7%.

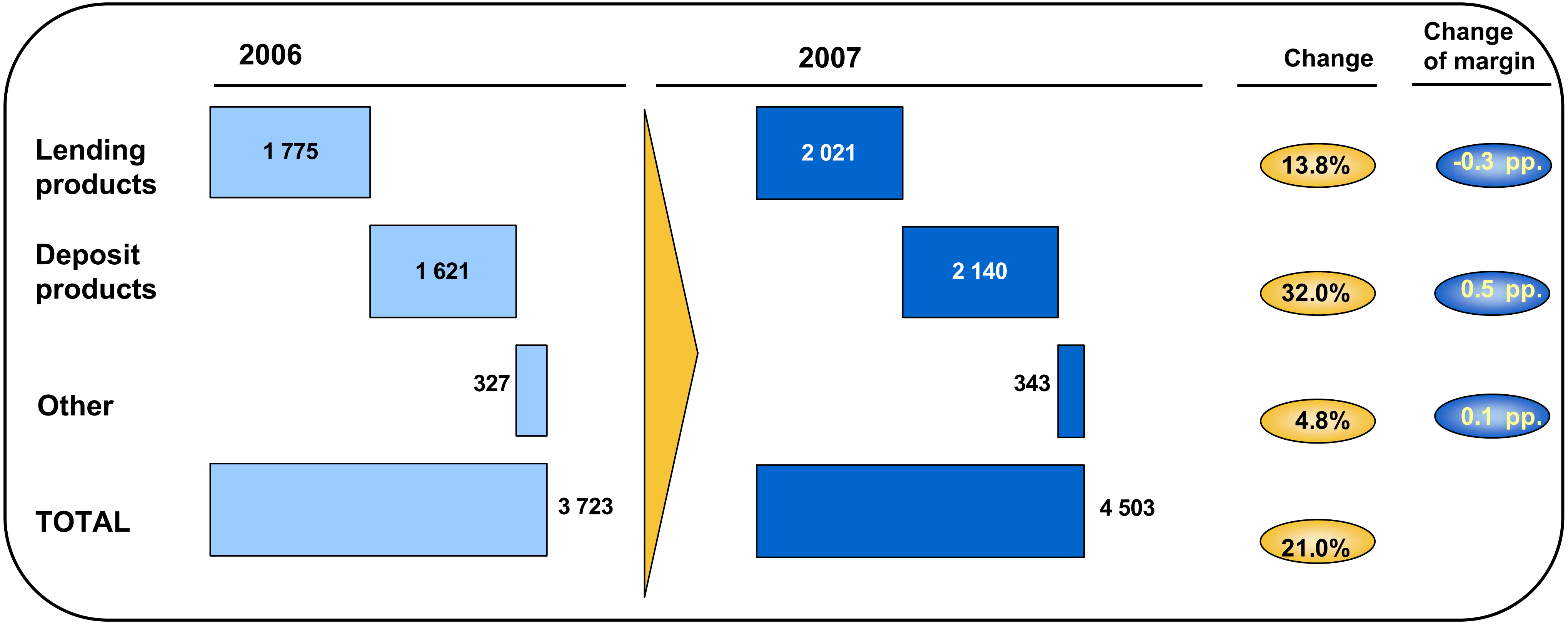
* Average for year 2007

NET INTEREST INCOME

Significant growth of net interest income due to dynamic improvement of deposit margin

Net interest income
PLN mn

Unconsolidated



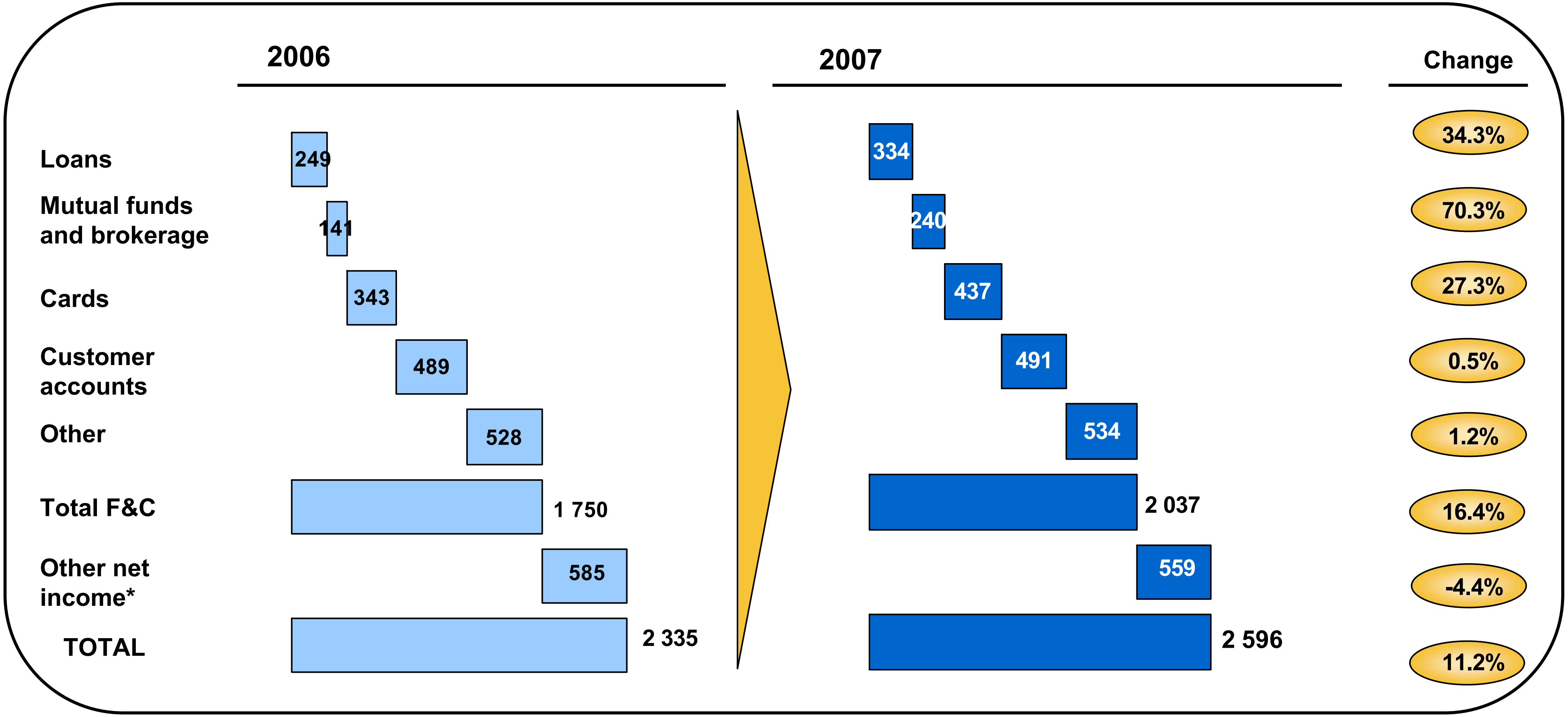
- **Deposit products brought the largest increase in NII** –mainly due to:
  - increase of margin (+0.5 pp);
  - growth of deposit base (+4.0%);
  - acquisition of new customers (+3.1% in terms of number of current accounts).
- **NII on lending products also significantly increased** despite a drop of margins (-0.3 pp).

NON- INTEREST INCOME

Growth of F&C income due to dynamic sale of mutual funds units and loans

Non-interest income
PLN mn

Unconsolidated



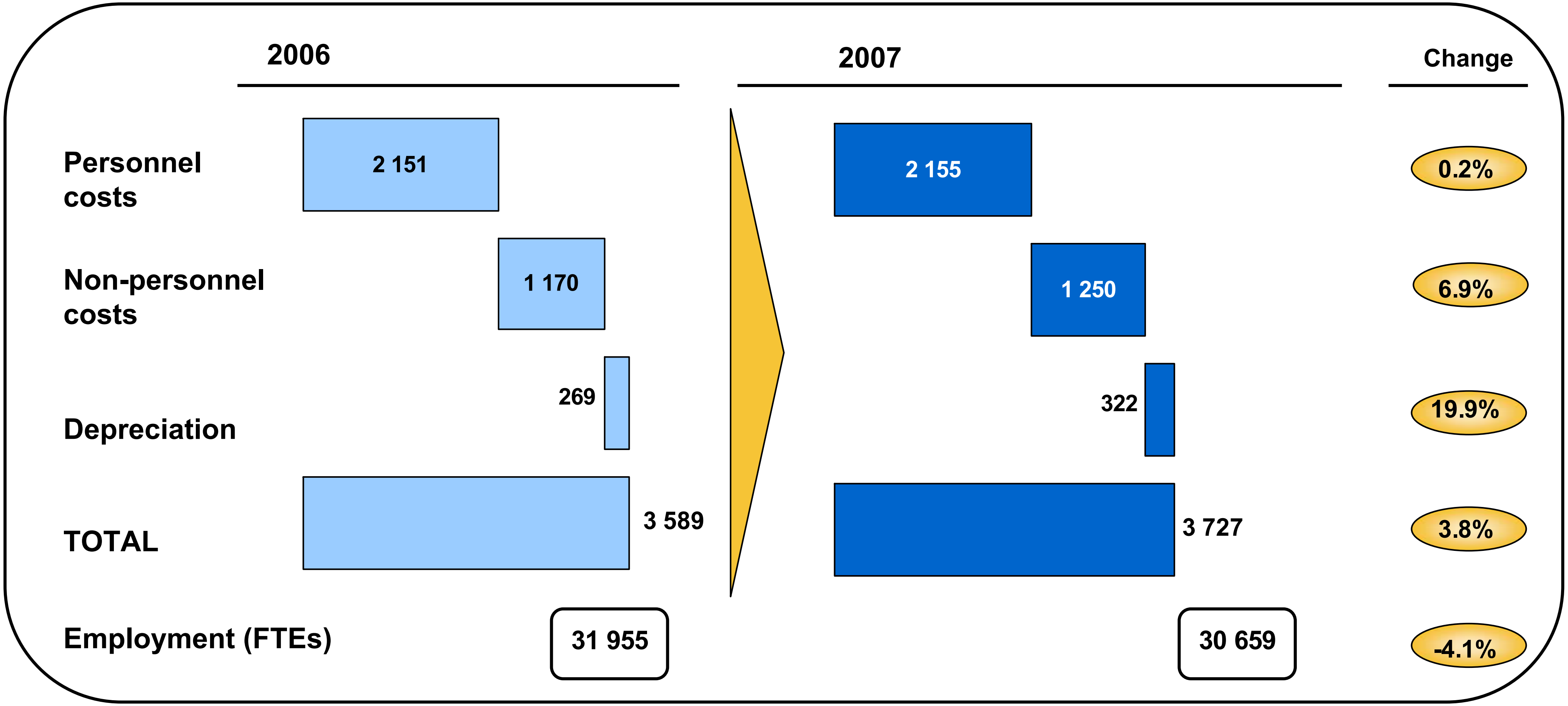
* Dividend income, financial result, FX result

COSTS

Further keeping costs under tight control

Operating costs
PLN mn

Unconsolidated

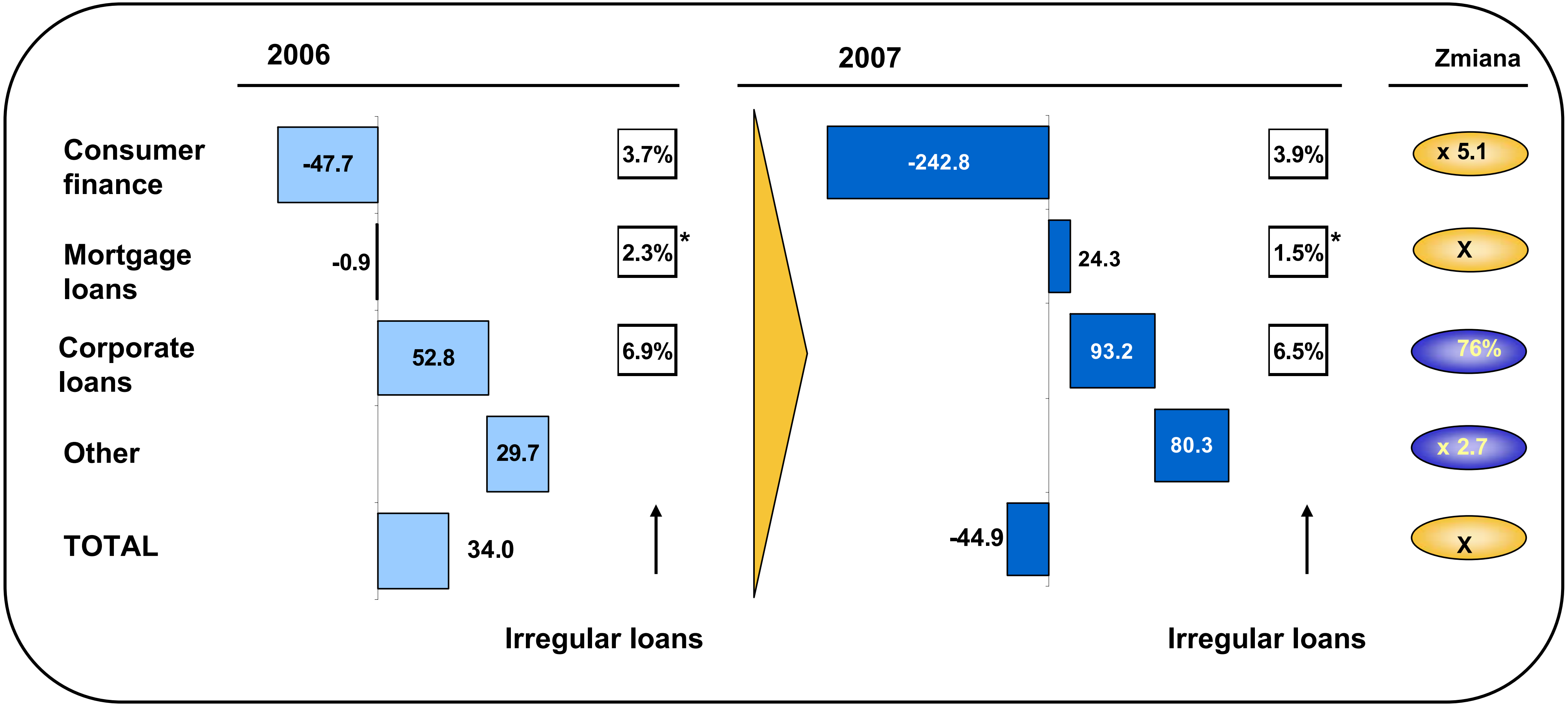


Risk provisioning and impairment

Consecutive year of loan portfolio quality improvement

Impairment losses
PLN mn

Unconsolidated



- **Higher impairment write-offs due to increase in consumer and credit card loans impairment write-offs.**

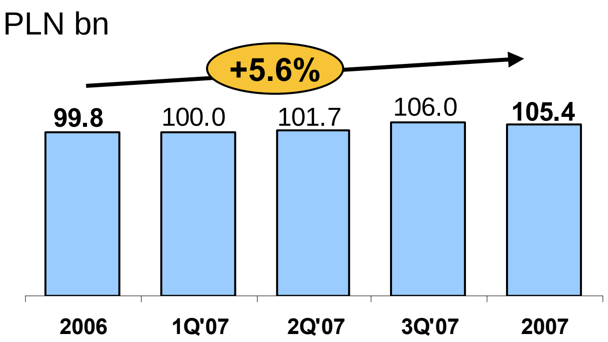
* New housing loans portfolio

BALANCE SHEET

PKO BP continues to increase outstanding loan volume and acquire new customer savings

Unconsolidated

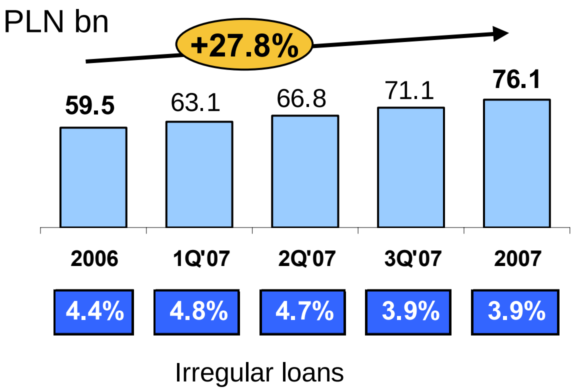
Assets



Market position

2

Gross loans

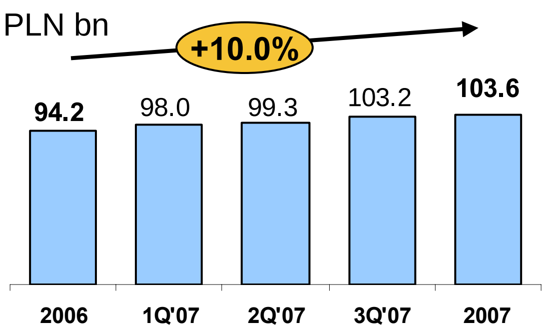


Market share

Individuals 22.5%

Corporations 11.7%

Customer savings



Market share

Individuals 21.1%

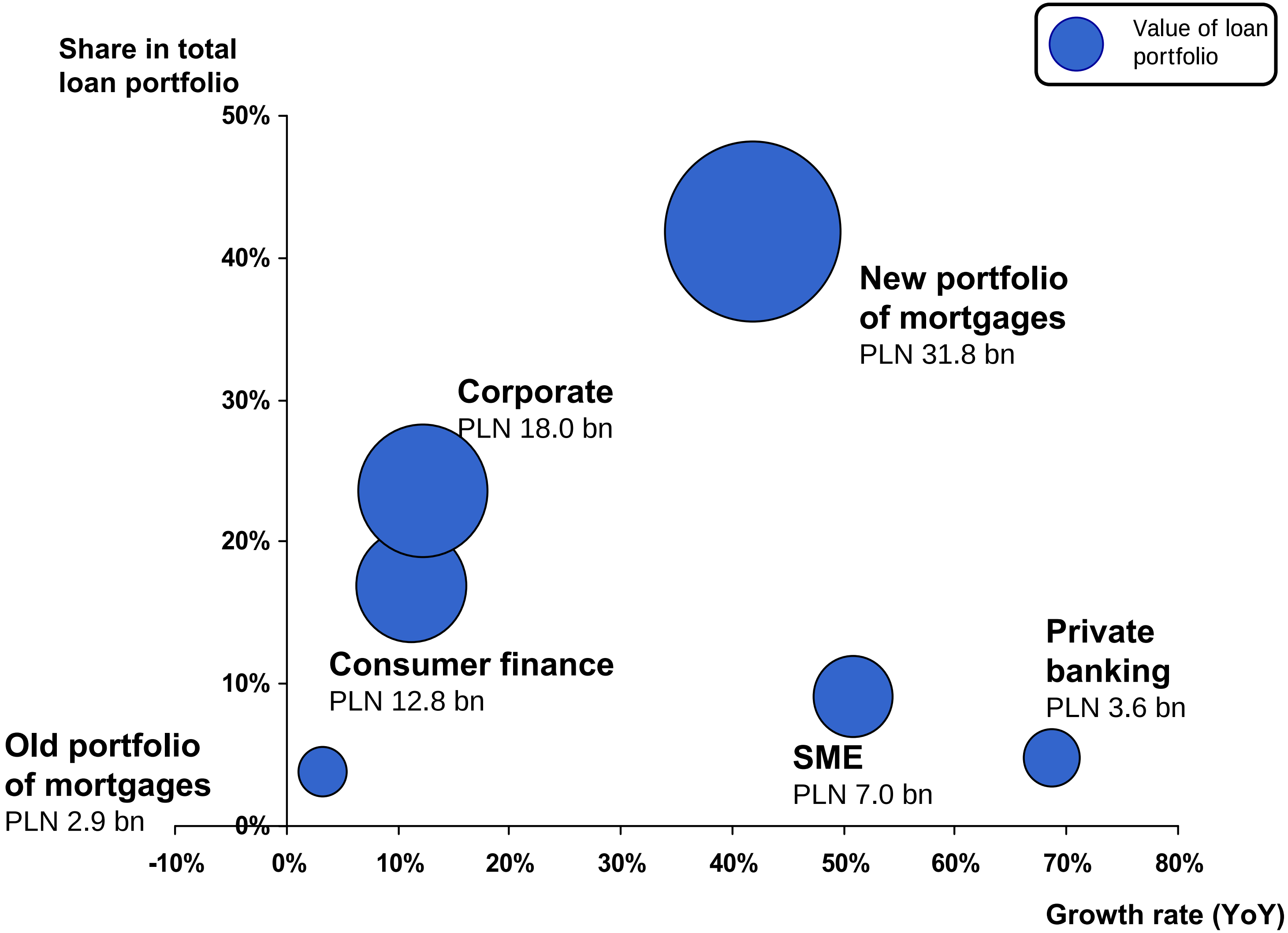
Corporations 9.0%

- **Two-digit growth rate of loans.**
- Increase in outstanding loans by **27.8%** YoY.
- Improved quality of loan portfolio – ratio of irregular loans declined by 0.6 pp.
- **Strong market position in retail segment** – market share in loans and savings much above 20%.

LENDING ACTIVITY – VOLUMES

The biggest dynamics of volume increase achieved by private banking, SME and mortgage loans

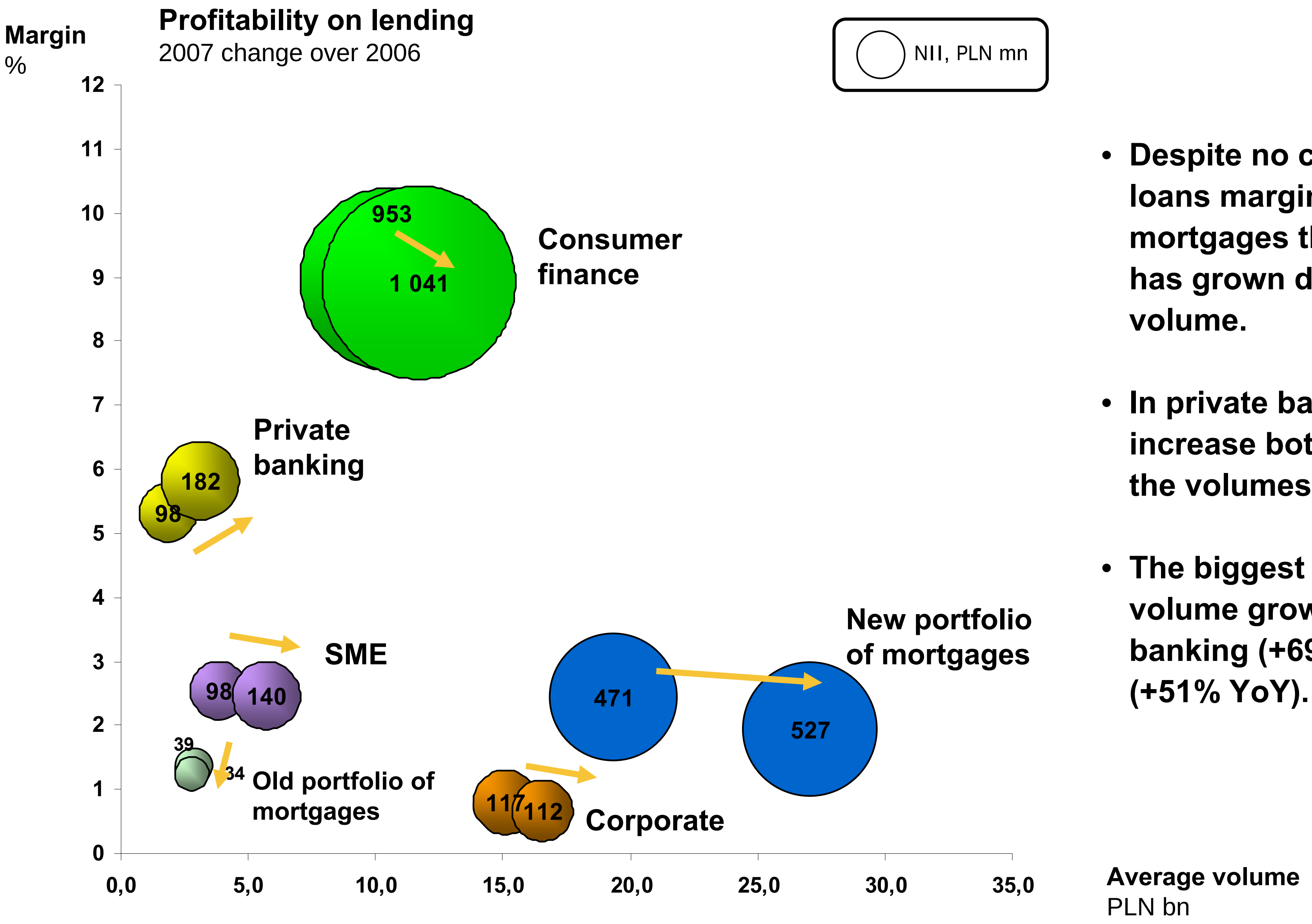
Unconsolidated



- **Retail loans represent 30% of the whole lending portfolio.**
- **Mortgage lending gives large potential due to large size and fast growth rate – of more than 40% annually.**
- **PKO BP heavily develops its private banking and SME banking businesses.**
- **The biggest increase in volumes achieved by mortgage loans (PLN +9.4 bn) despite of lowering of sale dynamics in IV quarter.**

LENDING – PROFITABILITY

The biggest growth of interest income was in retail and private banking loans

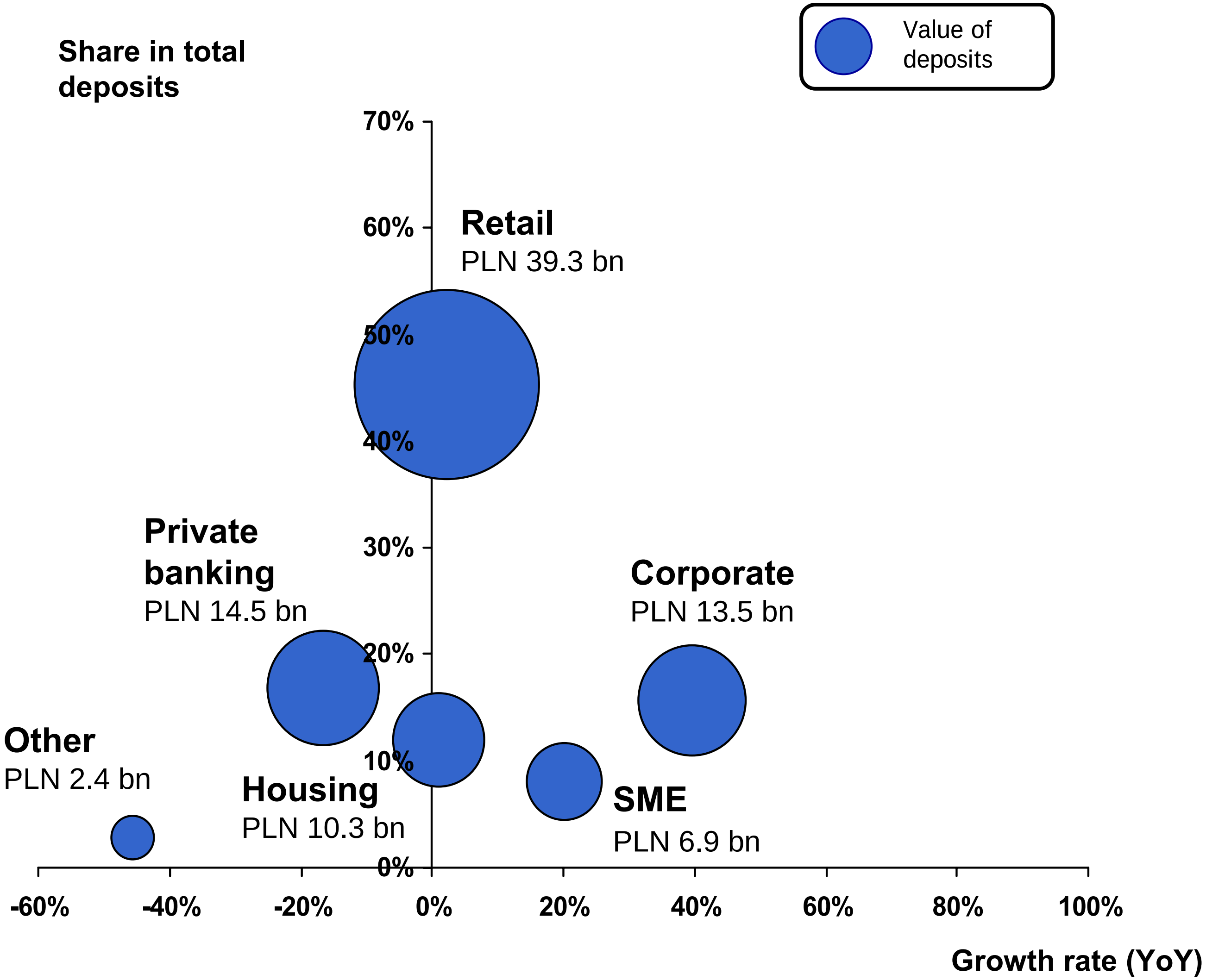


- Despite no changes in retail loans margin and lower in mortgages the interest income has grown due to higher loans volume.
- In private banking loans increase both the margin and the volumes.
- The biggest dynamics of volume growth was for private banking (+69% YoY) and SME (+51% YoY).

DEPOSITS – VOLUMES

Dynamic growth of corporate and SME deposits, stable growth of retail and mortgage and drop in volume of private banking and others deposits

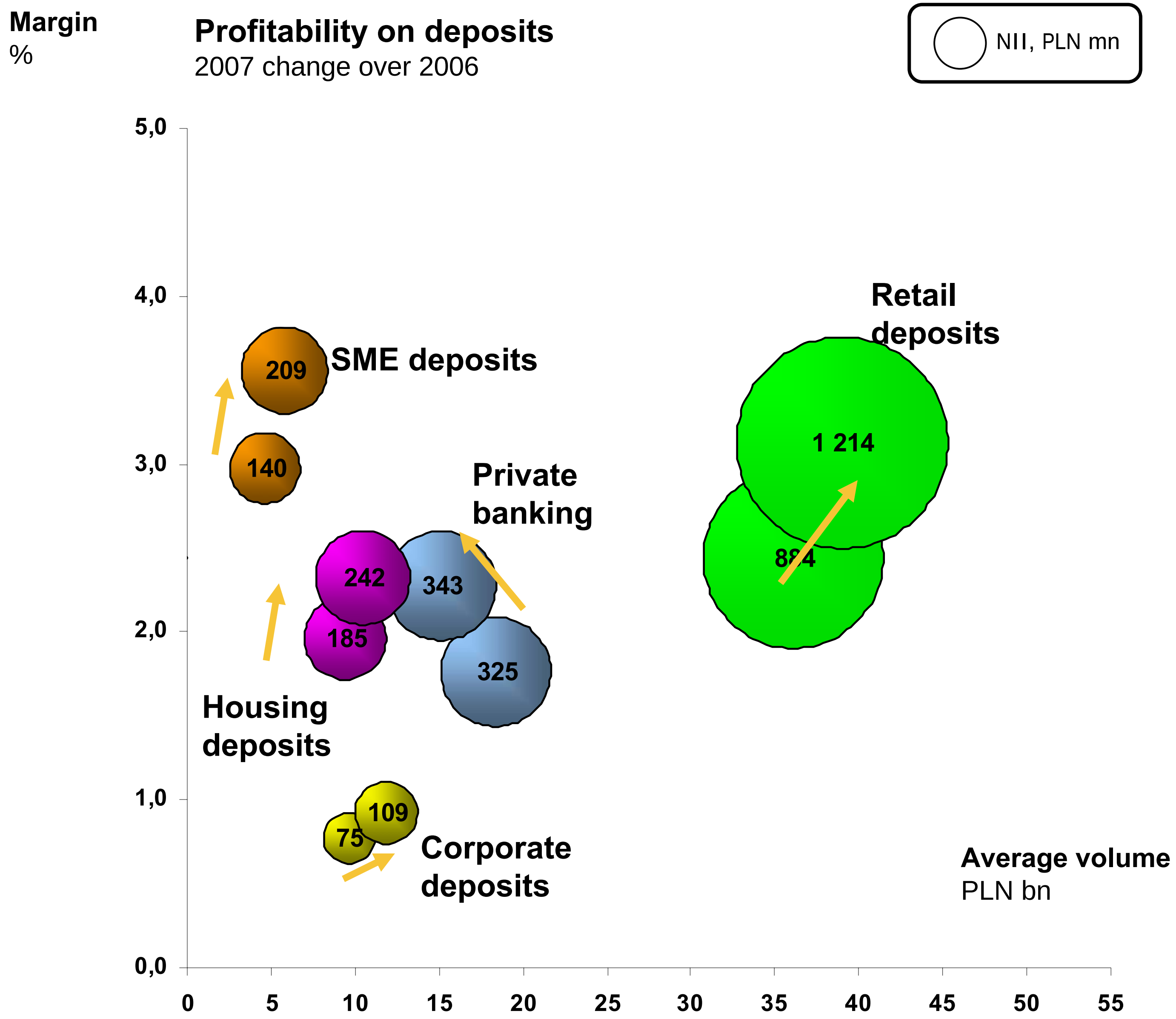
Unconsolidated



- **Retail deposits represent close to 70% of the total deposit base.**
- **Despite a massive growth of mutual funds clients deposits increased by 4%.**
- **Fall in private banking deposits (PLN -2.8 bn) was compensated by increase in corporate deposits (PLN +3.9 bn).**

DEPOSITS – PROFITABILITY

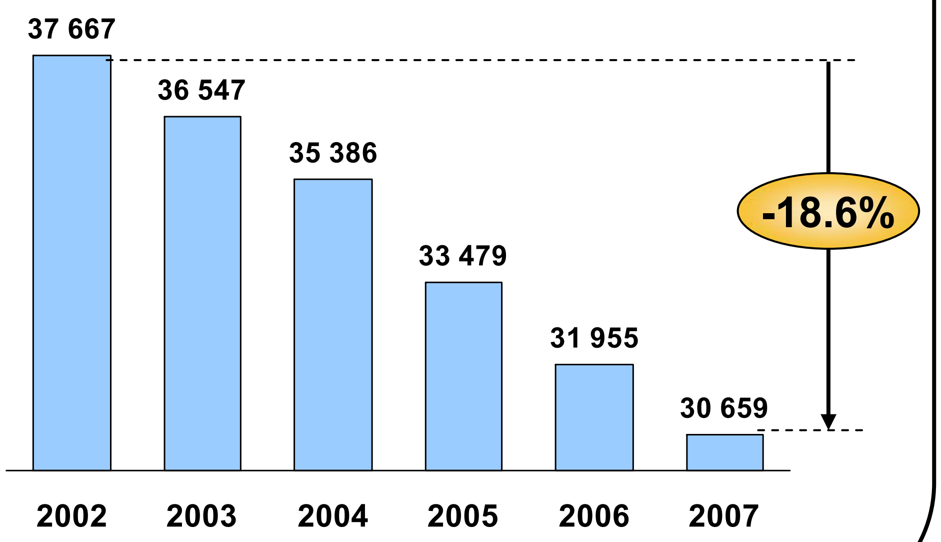
Due to market interest rate increase grew the margin and interest income of whole deposit portfolio

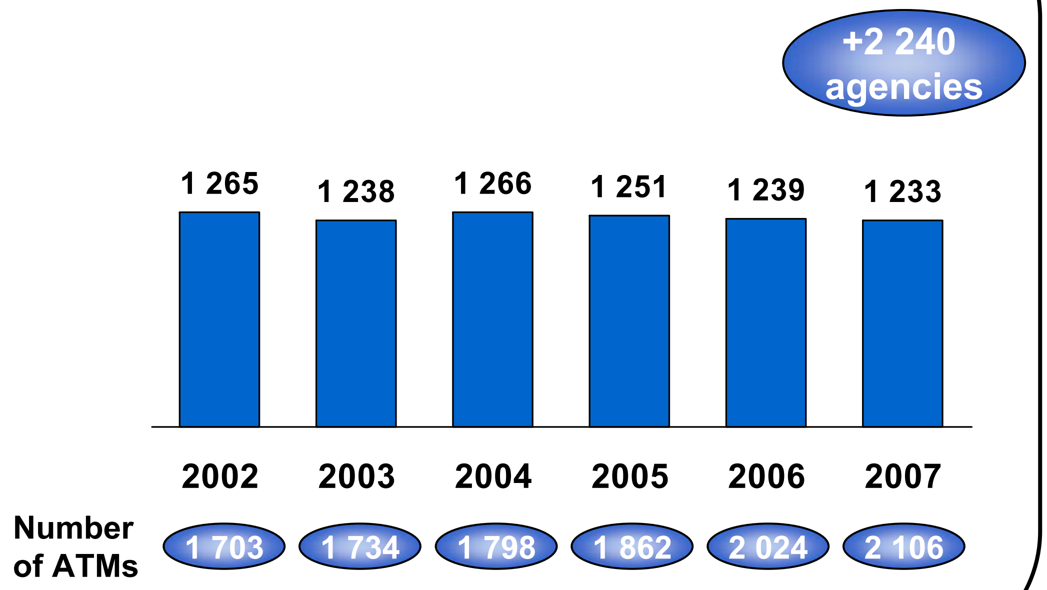


- **Increase in both margins and volume enables to obtain higher profitability of deposits.**
- **As a result 2007 revenues on deposits were 32% higher than in the year 2006.**

OUTLETS AND EMPLOYEES

Further reduction of employment and a stable level of outlets

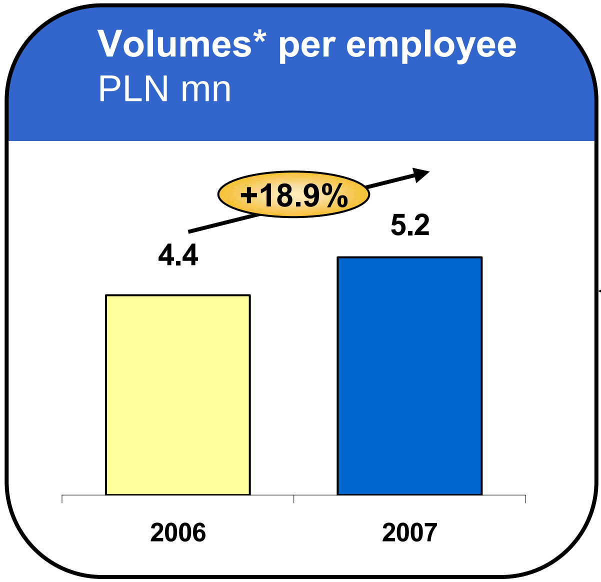


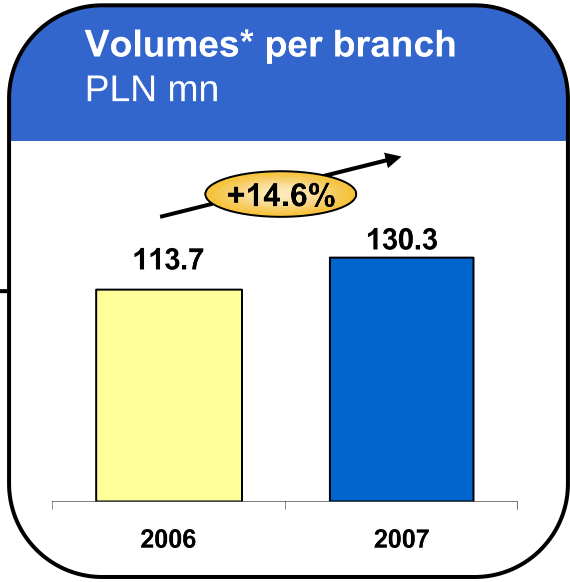


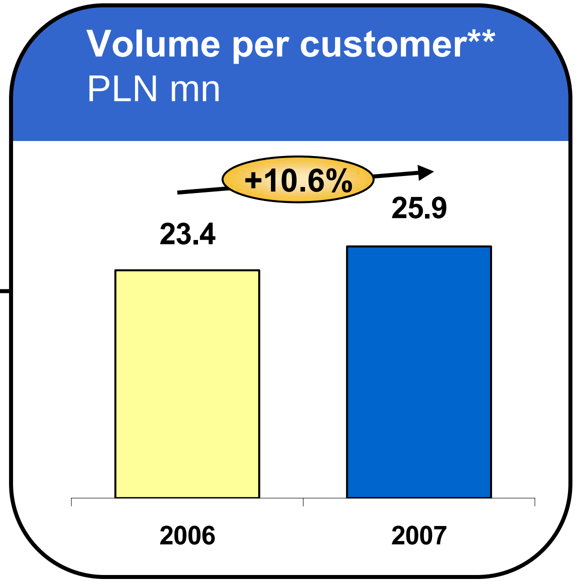
- **PKO BP has the largest branch network in Poland:**
  - 1 233 own branches (1 150 retail branches and 83 corporate banking centres) and 2 240 agencies;
  - first branch in London was opened in December 2007.
- **Bank gradually develops ATM network (2 106).**
- **Systematic reduction of employment.** Bank reduced the number of FTEs by 1 296 (-4.1% YoY).

EFFICIENCY

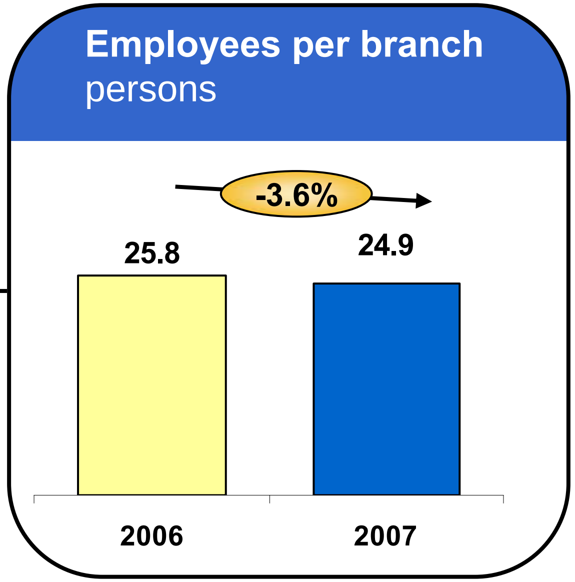
Bank systematically improved its efficiency

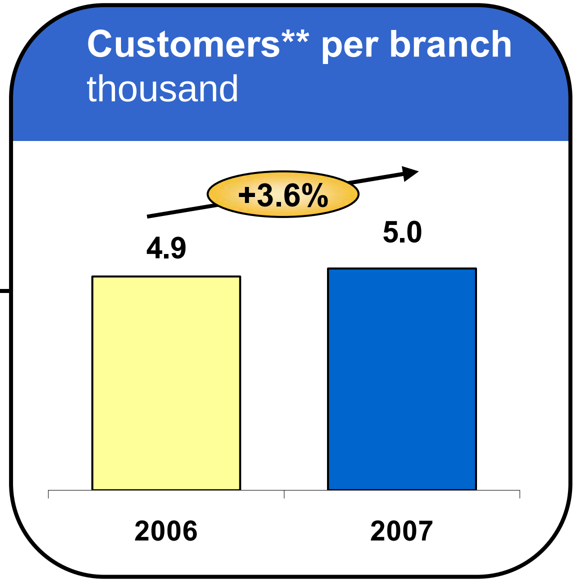






- **Improvement of efficiency due to significant increase in volumes per branch and per customer.**

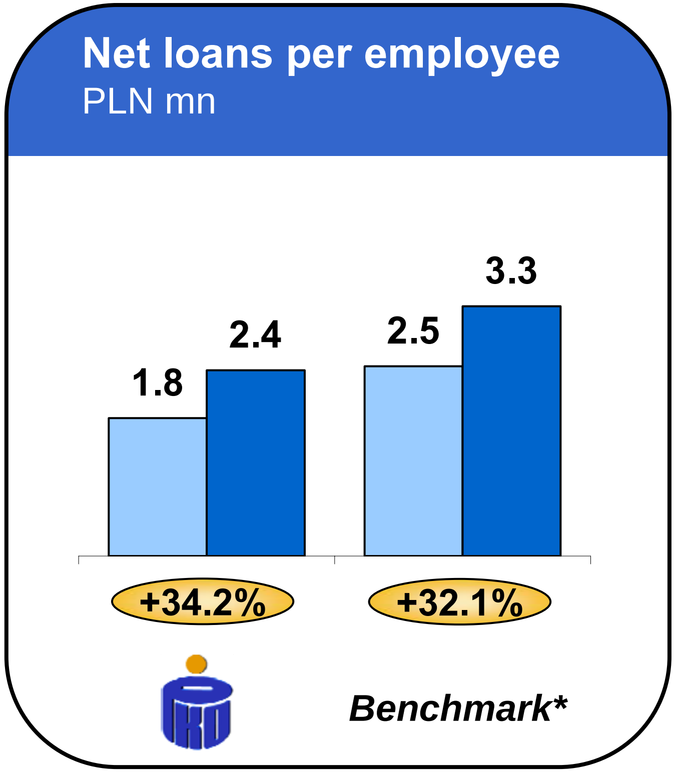


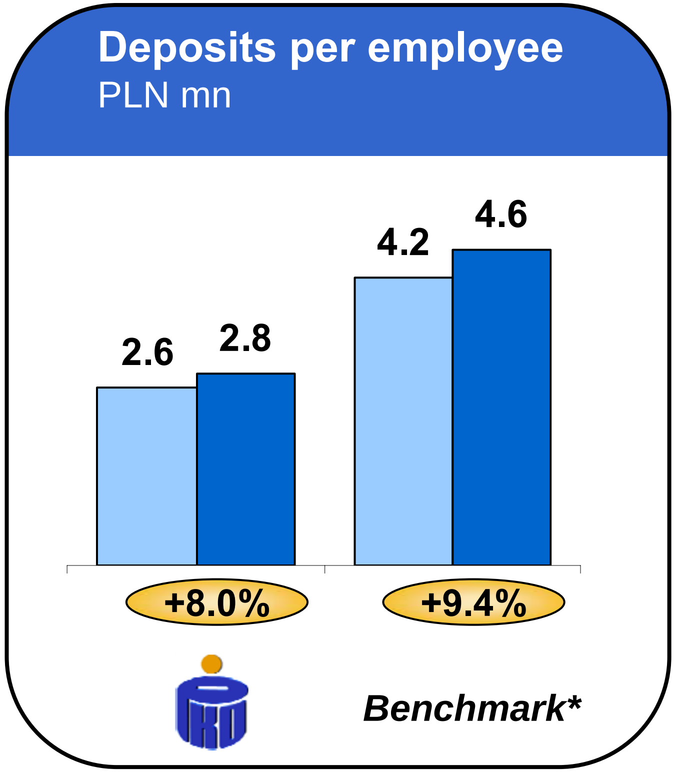


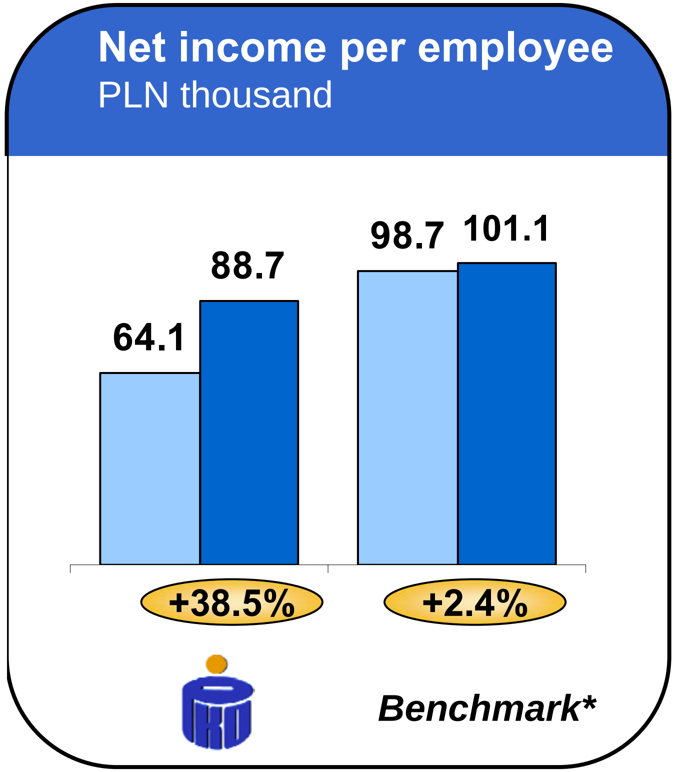
* Total loans and deposits ** number of customer accounts

EFFICIENCY – BENCHMARKING

PKO BP continuously improved its efficiency per employee, both by reducing staff and selling more loans and deposits achieving at the same time record net profit





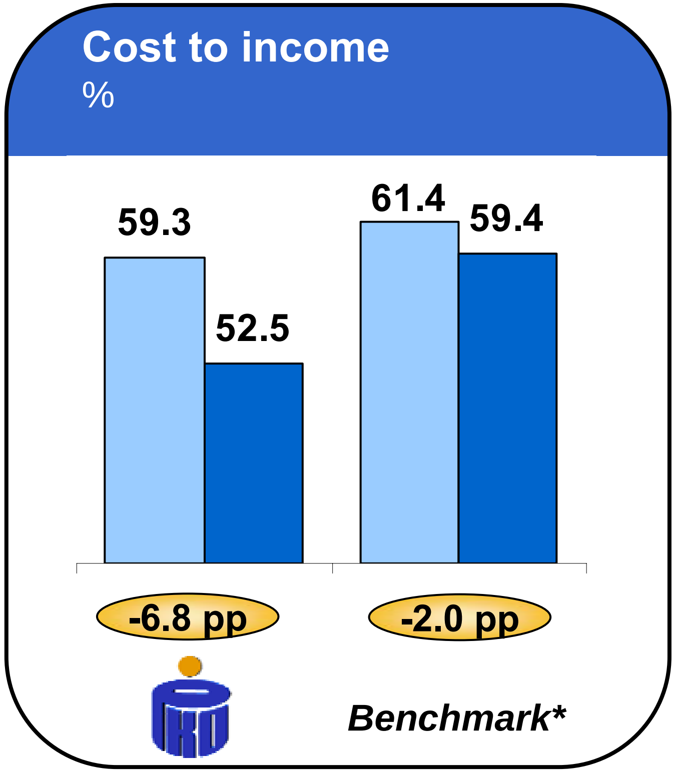


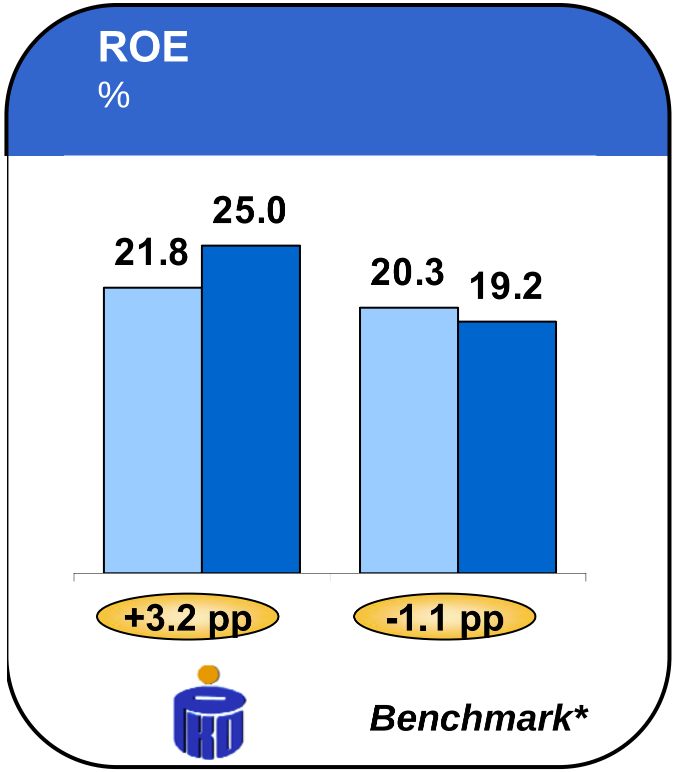
2006
2007

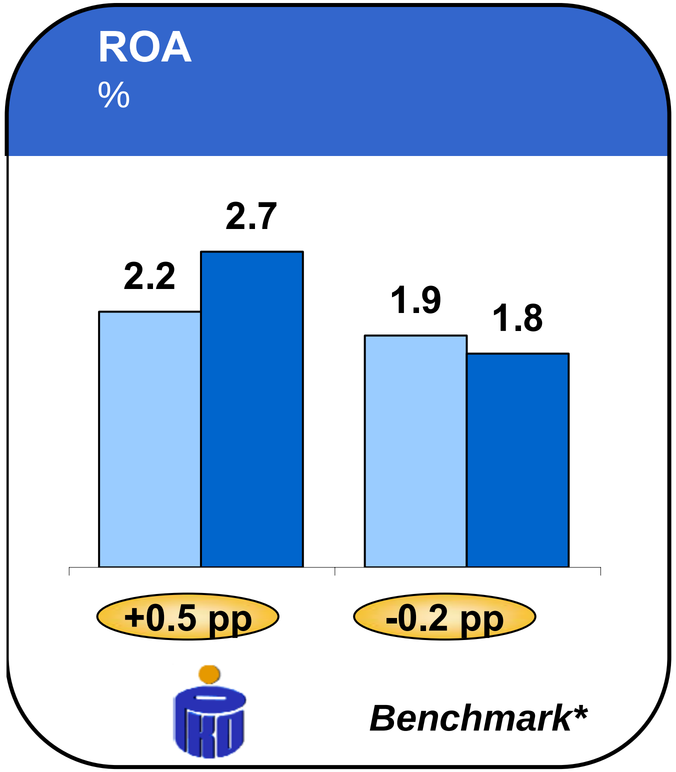
- **PKO BP significantly narrowed the gap between main competitors in terms of net income per employee.**
- **The efficiency in terms of loan volumes has grown faster than in peer group, for deposits there is still some room for improvement.**

* Average for top 7 banks (Bank Pekao, Bank Handlowy, BRE Bank, ING Bank Slaski, BZ WBK, Kredyt Bank, Bank Millennium)

PKO BP achieved a big improvement in its profitability, both in absolute and relative terms







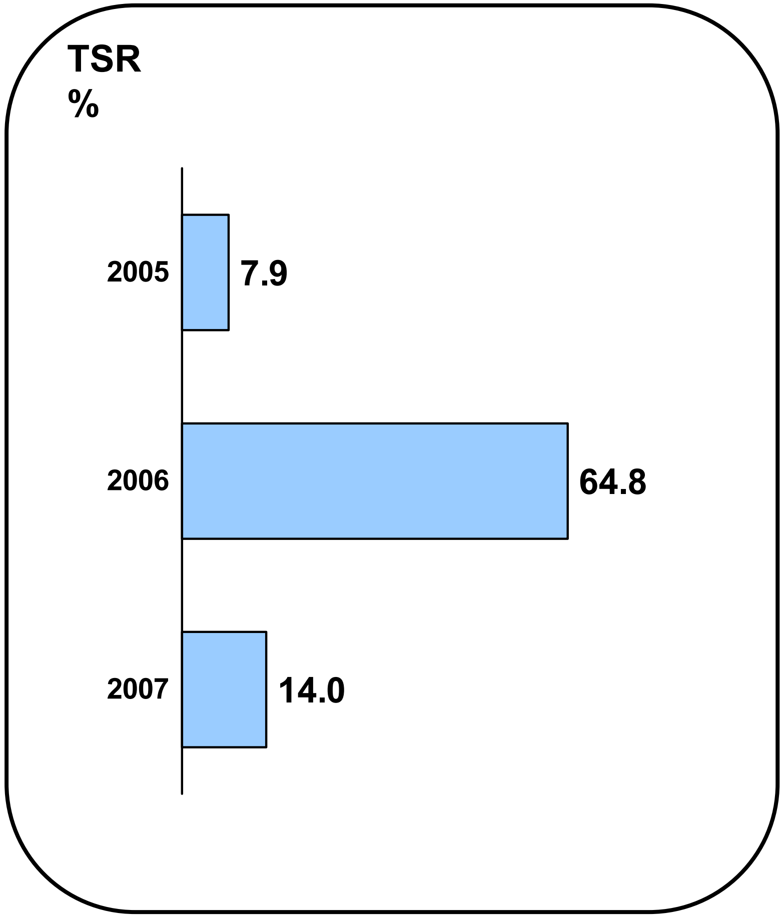
2006
2007

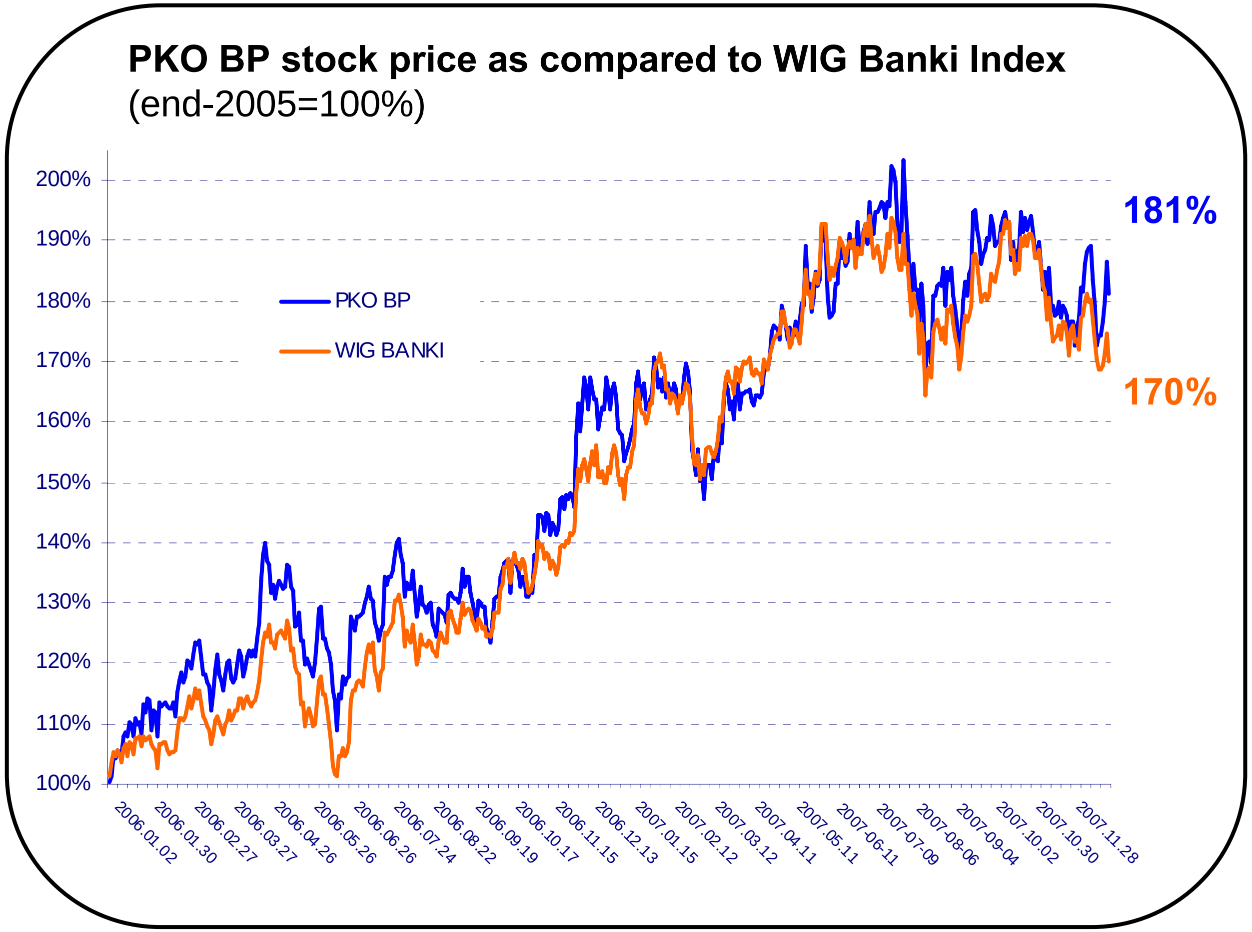
- **Due to record net profit PKO BP reports very high profitability.**
- **All profitability ratios reported much better dynamics of improvement than for the banks in peer group (results of top 7 banks).**

* Average for top 7 banks (Bank Pekao, Bank Handlowy, BRE Bank, ING Bank Slaski, BZ WBK, Kredyt Bank, Bank Millennium)

PERFORMANCE ON THE STOCK MARKET

High TSR in accordance to other banks traded on the WSE





- **Positive effects of implementing new strategy are reflected in PKO BP stock price increase.**
- **High TSR results from stock price increase as well as dividend for shareholders.**

RECENT ACHIEVMENTS

Positive acknowledgement of the market due to record financial results and modified product offer

Prizes

- Bank of the year 2007 in Poland – a prestigious award of „The Banker" monthly magazine granted to PKO BP SA for its financial results, development strategy and market achievements.
- The first position in the ranking of the strongest Polish financial brands organized by the „Rzeczpospolita" daily newspaper.
- Premium Brand 2006 in the category of financial institutions - a title granted to PKO BP for the second time in a row in a ranking of most reputable brands under the patronage of the "Forbes".
- Dom Maklerski PKO BP awarded by Stock Exchange in Warsaw two prizes for its pro-active approach in the year 2007:
  - the most active market creator in terms of trading in stocks on the Main Market of the Stock Exchange in Warsaw;
  - the most active market creator of the New Connect market.

Business successes

- Acceptance of New Strategy of PKO BP for 2007 -2012 "New Opening", which implemented wide-ranging system changes – result: growth of Bank's business activity and cost saving.
- The first stage of a mass implementation of the Integrated IT System in branches and agencies has been successfully completed.
- Strengthening of leading position in e-banking (2,7 mn customers by the end of year 2007).
- Introducing new attractive products, such as "Max Pożyczka Mini Rata" consumer loan, packages for our customers from small and medium enterprises segment, and new treasury products.
- Maintenance the leadership among card issuers for retail customers and on the SME market, in property finance, and banking service provider for local governments.
- Opening the PKO BP branch in London – first outlet of the Polish bank in Great Britain.

BACK UPS

PROFIT AND LOSS ACCOUNT

IFRS, Consolidated

P&L, PLN thousand	2006	2007	Change
Net interest income	3 832 179	4 643 728	21.2%
Net fees and commission income	1 866 252	2 335 199	25.1%
Dividend income	3 604	3 293	-8.6%
Result from financial instruments at fair value	(90 849)	(74 269)	-18.3%
Result from the investment securities	50 356	9 382	-81.4%
Foreign exchange result	544 493	529 779	-2.7%
Net other operating income	311 749	296 961	-4.7%
Total income items	**6 517 784**	**7 744 073**	**18.8%**
Impairment losses	(651)	(56 643)	87x
General administrative expenses	(3 811 940)	(4 082 572)	7.1%
Share in net profit (losses) of associates and jointly controlled entities	(3 705)	4 372	x
Gross profit	**2 701 488**	**3 609 230**	**33.6%**
Income tax expense	(494 039)	(667 838)	35.2%
Profit (loss) of minority shareholders	58 397	37 760	-35.3%
Net profit	**2 149 052**	**2 903 632**	**35.1%**

BALANCE SHEET

IFRS, Consolidated

ASSETS, PLN thousand	End - 2006	End - 2007	Change
Cash and balances with the Central Bank	4 628 134	4 682 627	1.2%
Amounts due from other banks	13 430 590	5 292 319	-60.6%
Financial assets held for trading	998 635	1 202 919	20.5%
Derivative financial instruments	1 199 154	1 556 736	29.8%
Other financial instruments valued at fair value through profit or loss	11 518 705	8 314 444	-27.8%
Loans and advances to customers	58 906 607	76 417 149	29.7%
Investment securities	6 763 188	5 716 238	-15.5%
Tangible fixed assets	2 655 041	2 820 103	6.2%
Other assets	1 925 653	2 566 148	33.3%
TOTAL ASSETS	102 025 707	108 568 683	6.4%

LIABILITIES, PLN thousand	End - 2006	End - 2007	Change
Amounts due to the Central Bank	1 387	1 279	-7.8%
Amounts due to the other banks	4 351 608	4 703 114	8.1%
Derivative financial instruments	1 097 806	1 279 925	16.6%
Amounts due to customers	83 507 175	86 610 593	3.7%
Subordinated liabilities	-	1 614 885	x
Other liabilities	2 887 151	2 379 872	-17.6%
Total equity	10 180 580	11 979 015	17.7%
Total liabilities	102 025 707	108 568 683	6.4%

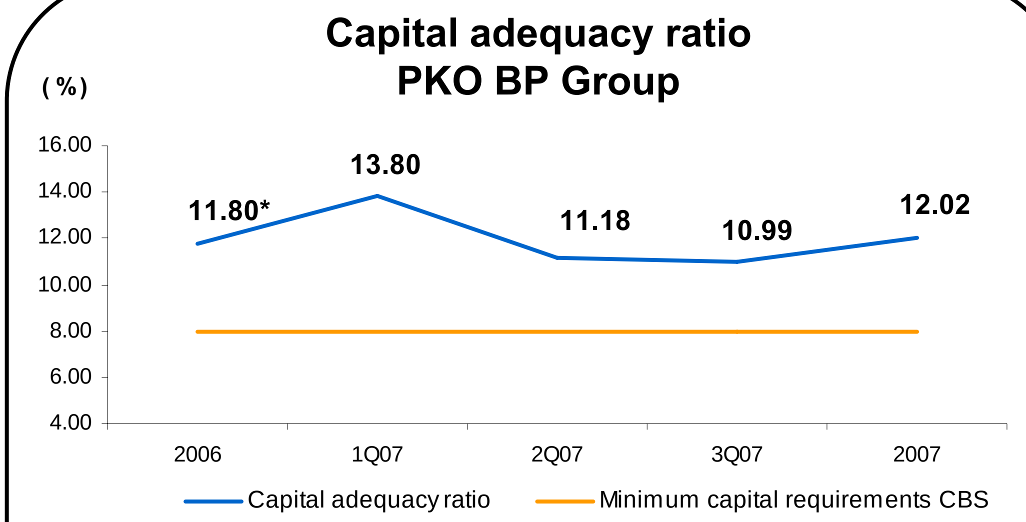
PROFIT AND LOSS ACCOUNT

IFRS, Unconsolidated

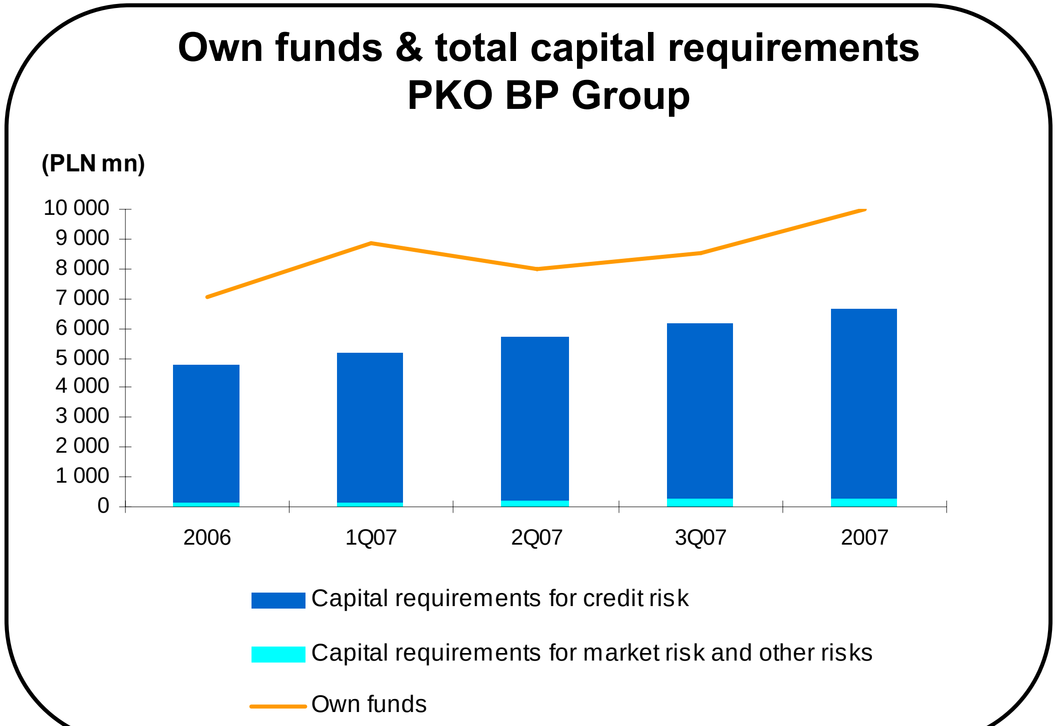
P&L, PLN thousand	2006	2007	Change
Net interest income	3 722 561	4 503 107	21.0%
Net fees and commission income	1 749 863	2 037 095	16.4%
Dividend income	18 624	52 113	179.8%
Result from financial instruments at fair value	(94 420)	(77 701)	-17.7%
Result from the investment securities	49 091	6 521	-86.7%
Foreign exchange result	532 570	522 693	-1.9%
Net other operating income	78 790	55 415	-29.7%
Total income items	**6 057 079**	**7 099 243**	**17.2%**
Impairment losses	34 018	(44 948)	x
General administrative expenses	(3 589 033)	(3 727 150)	3.8%
Gross profit	**2 502 064**	**3 327 145**	**33.0%**
Income tax expense	(454 673)	(607 154)	33.5%
Net profit	**2 047 391**	**2 719 991**	**32.9%**

CAPITAL ADEQUACY

Increase of capital adequacy ratio due to growth of own funds



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

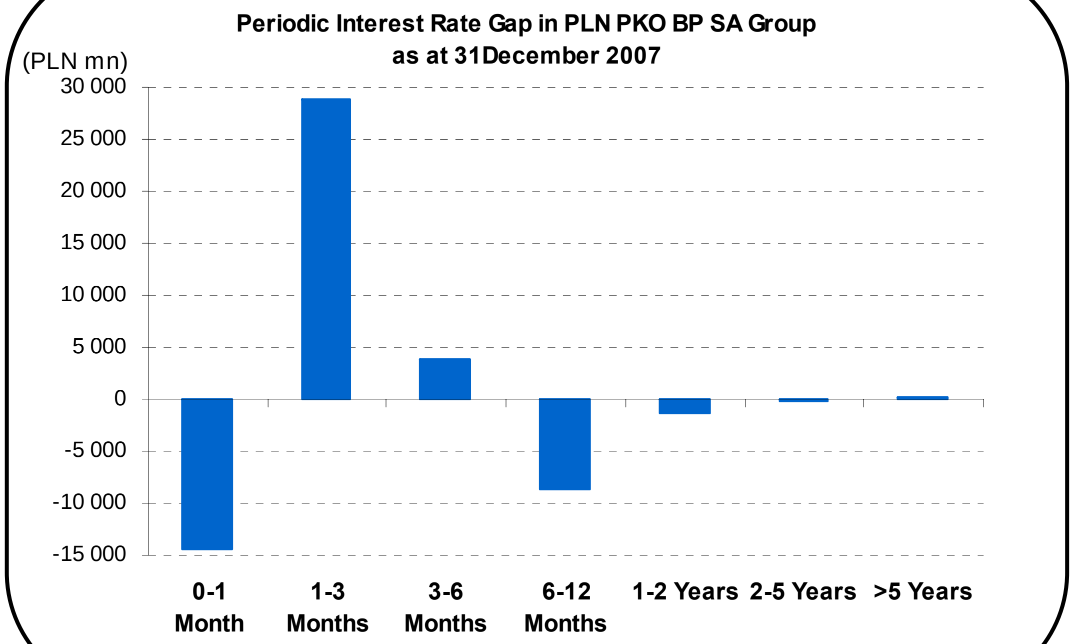


- **Increase in capital adequacy ratio from 11.80% in the 2006 to 12.02% in the 2007 (at the minimum capital adequacy ratio equals to 8% by Commission for Banking Supervision) mainly due to increase in own funds.**

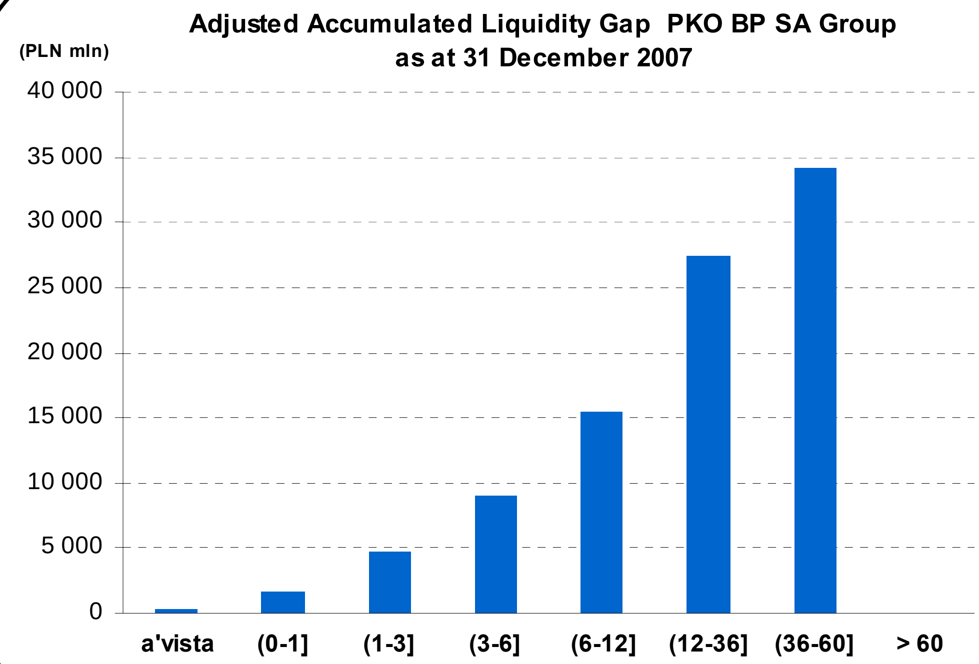
- **Increase in capital requirements for credit risk by PLN 1 753 mn compared to the 2006.**
- **Increase in capital requirements for market risk and other risks by PLN 96 mn compared to the 2006.**

MARKET RISK

Interest Rate Risk



Liquidity Risk

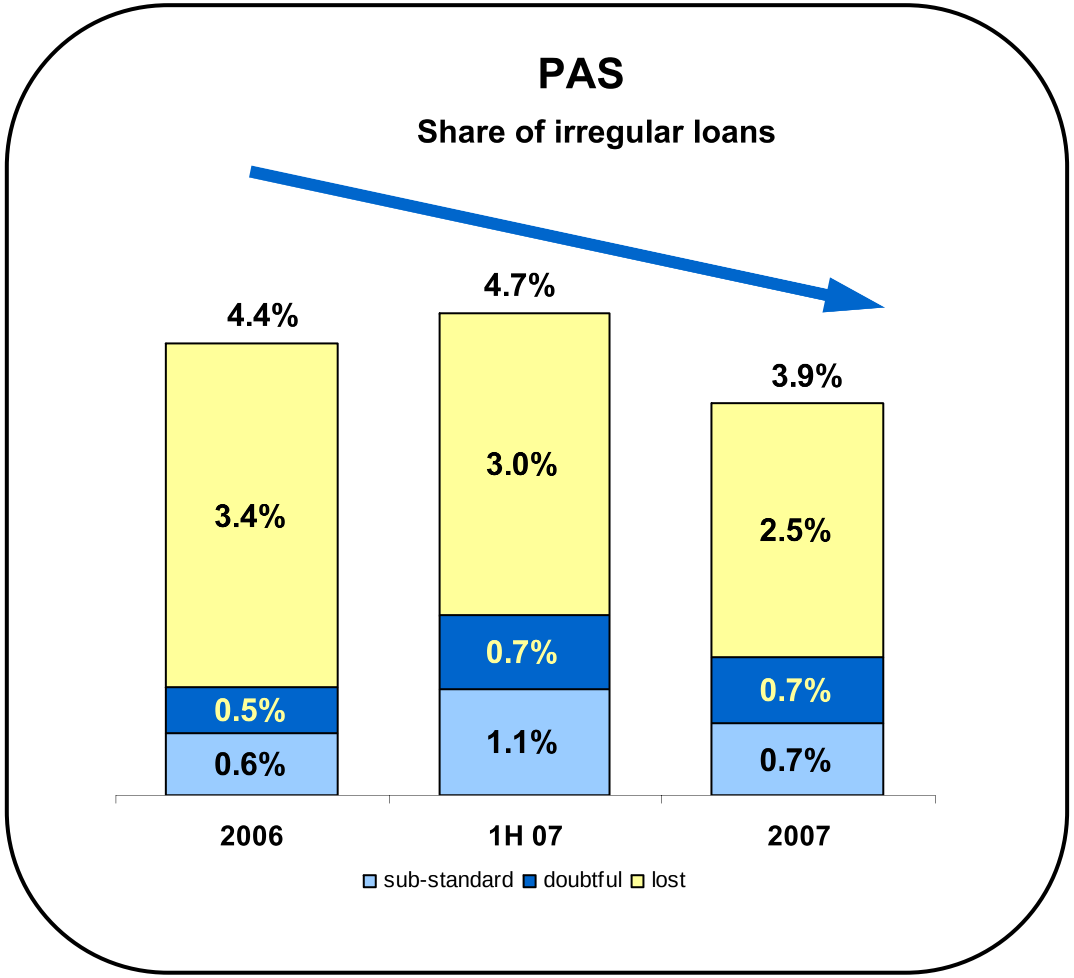


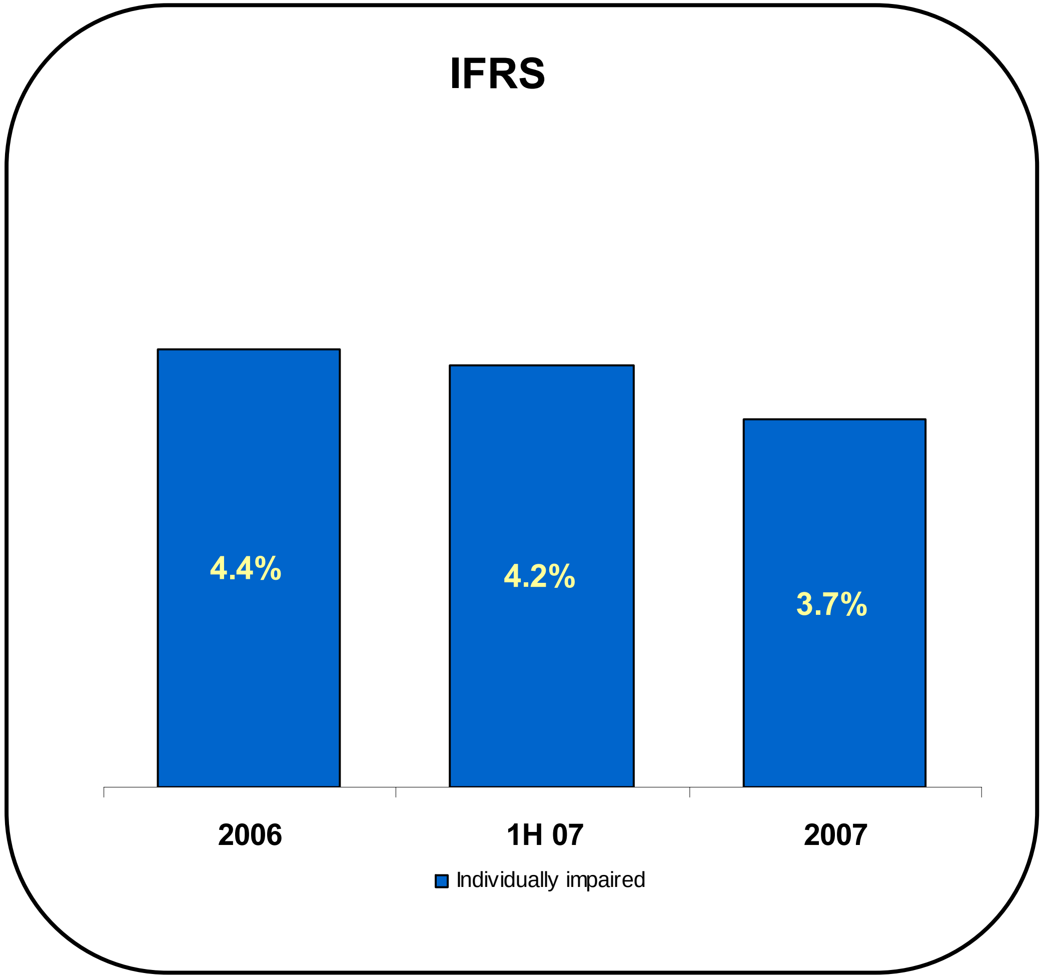
- As at 31 December 2007 the periodic interest rate gap in PLN was negative for periods up to 1 month and 6 months to 5 years. The gap was positive for other periods.

- As at 31 December 2007 the adjusted accumulated liquidity gap in real terms was positive in all time periods. This means that there is an excess of maturing assets over maturing liabilities

QUALITY OF LOAN PORTFOLIO – PKO BP

Systematic improvement of loan book quality accompanied by increase of volumes





- **Share of irregular loans in total loan portfolio was 3.9% (2007) in comparison to 4.4% (2006) - decrease by 0.5 pp.**
- **Irregular loans share decrease due to dynamic increase in portfolio value.**
- **Share of individually impaired loans in total loan portfolio was 3.7% (2007) in comparison to 4.4% (2006) - decrease by 0.7 pp.**

LOAN PORTFOLIO – PKO BP

PAS

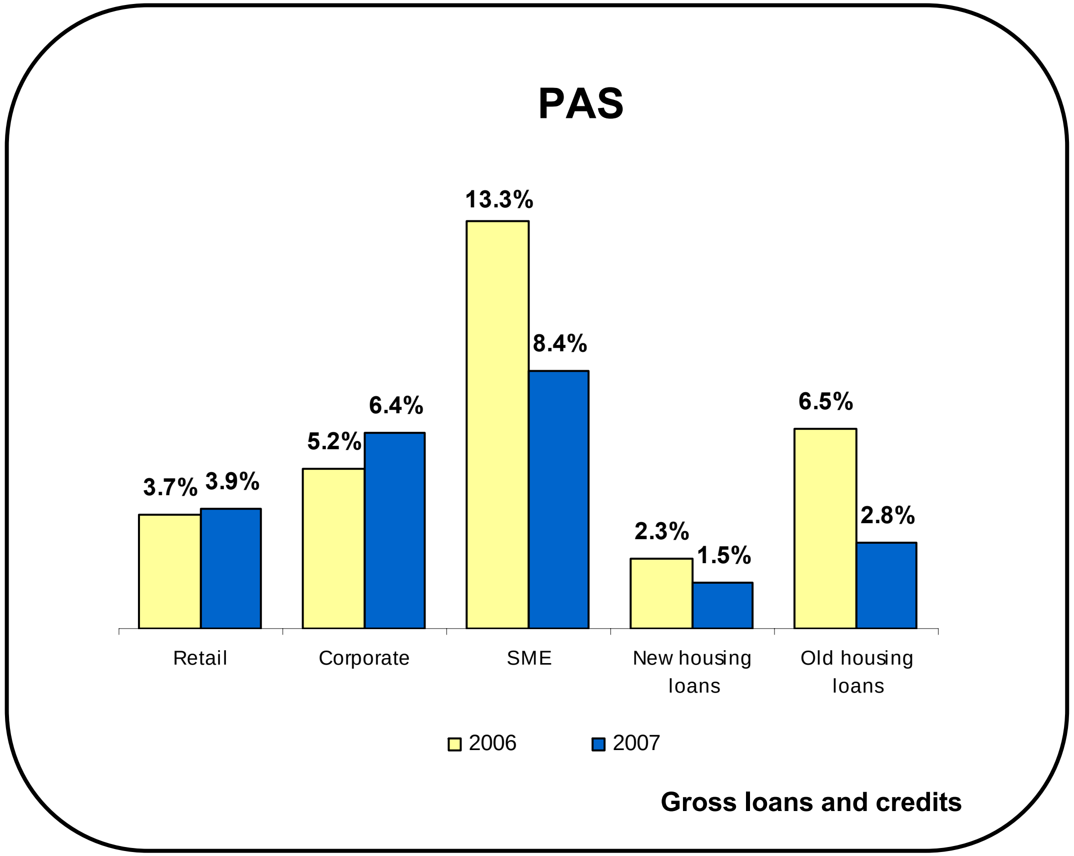
mln PLN	2006	1H 07	2007	Change 2007 /2006	Change 2007 /1H 07
Normal	54 167	60 978	71 147	31.3%	16.7%
Watch	2 715	2 633	1 972	-27.4%	-25.1%
Irregular, including:	2 643	3 169	2 941	11.3%	-7.2%
- sub-standard	366	701	541	47.8%	-22.8%
- doubtful	270	487	496	83.5%	1.8%
- lost	2 007	1 980	1 905	-5.1%	-3.8%
TOTAL	59 525	66 778	76 060	27.8%	13.9%

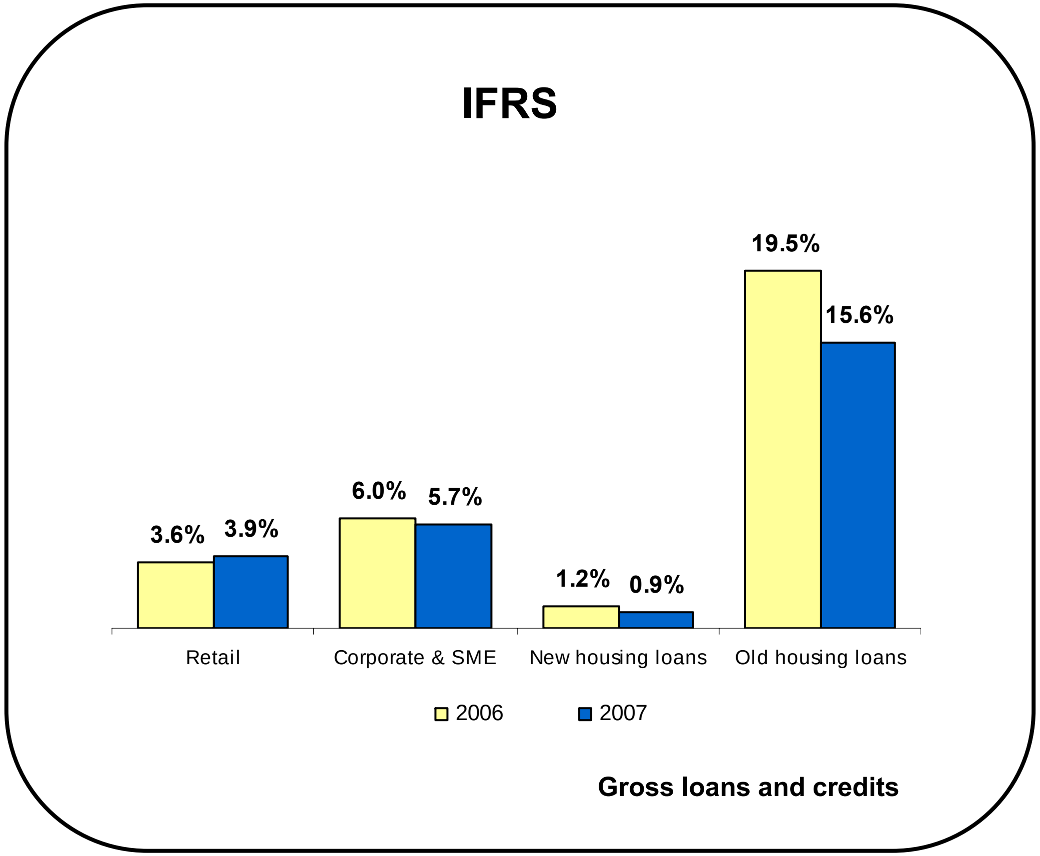
IFRS

mln PLN	2006	1H 07	2007	Change 2007 /2006	Change 2007 /1H 07
Normal & collectively impaired	56 919	63 962	73 259	28.7%	14.5%
Individually impaired	2 606	2 817	2 801	7.5%	-0.6%
TOTAL	59 525	66 778	76 061	27.8%	13.9%

- Irregular loans amounted to PLN 2 941mn (2007) in comparison to PLN 2 643 mn (2006) - increased by 11.3%.
- Increase in irregular loans value because of shift of loans to worse risk class.
- Individually impaired loans amounted to PLN 2 801mn (2007) in comparison to PLN 2 606 mn (2006) - increased by 7.5%.

PORÓWNANIE KREDYTÓW WG LINII BIZNESOWYCH – PKO BP





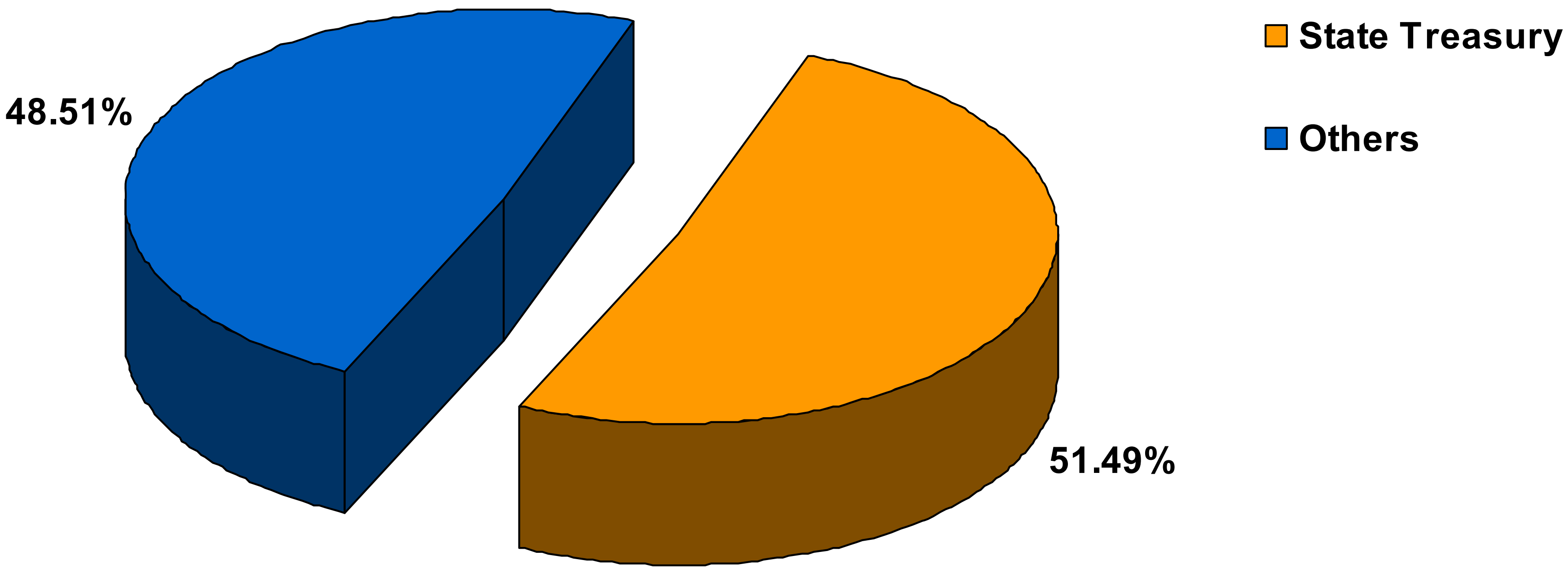
Share of irregular loans:

- Retail: 3.9% (2007) increase from 3.7% (2006);
- Corporate and SME: 6.9% (2007) down from 7.0% (2006);
- New housing loans: 1.5% (2007) down from 2.3% (2006).

Share of individually impaired loans:

- Retail: 3.9% (2007) increase from 3.6% (2006);
- Corporate and SME: 5.7% (2007) down from 6.0% (2006);
- New housing loans: 0.9% (2007) down from 1.2% (2006).

Dominant stake of State Treasury in the Bank shares



RATING OF PKO BP

Rating Agency / Category	Fitch	Moody's Investors Service	Standard & Poor's	Capital Intelligence
Long-term (foreign/local)		A2/Aa2 with stable outlook	/BBBpi	A-
Short-term (foreign/local)		Prime-1/Prime-1 with stable outlook		A2
Individual				
Support	2			2
Financial Strength		C with stable outlook		BBB+
Outlook				Stable

In 2007 Moody's Investors Service granted ratings for PKO BP SA, ordered by the Bank.
The granted ratings are the same as ratings allotted to Bank on the „Public information" base.