

President of the Board letter

Ladies and Gentlemen,

I have the pleasure to present the Annual Report of the PKO BP Group for the year 2007. Worthy of note is - and it gives me a great deal of satisfaction - that in this period the potential of the Bank and the Group enhanced, measured both in terms of scope of business activities and in terms of shareholders' equity. In this period we introduced several wide-ranging changes deriving from implementing the new strategy of the PKO BP for 2007 - 2012, "The New Opening", as we called it.

Last year we initiated activities with the objective to enhance Bank's operating model, foster modernisation, and take full advantage of Bank's huge potential. The performance achieved gives us all reasons for satisfaction, particularly in the light of the fact that in our activities we managed to combine successfully ambitious business targets with an idea to create a powerful and sustainable institution marked by innovative business solutions, sustainable capital base and a competitive offer. I am deeply convinced that the outcome of all undertaken efforts will prove a source of satisfaction for our shareholders and customers, whose expectations and needs set the benchmark for Bank's activities.

The PKO BP Capital Group's pre-tax profit amounted to over PLN 3.6 billion in 2007, which represents an increase close to 34% year-on-year, and a net profit amounted to over PLN 2.9 billion, an increase of ca. 35%. Owing to the record-high financial performance, the PKO BP Group has become one of the income-strongest institutions in Poland. This excellent performance was made possible thanks to enhanced business activity, new initiatives supporting sales of banking products and services, cost rationalisation, and reduction in workforce. The positive development has translated into efficiency indicators. The key indicators: the return on equity as well as the return on assets are among the highest in banking sector in Poland.

Despite of changes taking place in banking services, and in particular, after a merger of the two our major competitors, the PKO has managed to remain the leader in retail banking. While consequently implementing our new strategy, we are committed to regain the number one position in banking sector in Poland in the nearest future. This is why we have to grow at a faster pace than our competitors, boost income, and make a better use of our numerous strengths and comparative advantages. Last year saw the launch of such projects, and virtually the entire Bank and its employees were involved in. The first stage of a mass - implementation of the Integrated IT System in our branches and outlets has been successfully completed. We also developed and commenced with implementation of a new sales-fostering concept that involves a new approach to the Internet.

We strengthened our leadership position in e-banking, a tool used by 2.7 million Bank's customers by the end of the last year. A new motivation system for our employees, based on Management by Objectives, was introduced. These are but a few examples of projects carried out in the framework of the PKO BP new strategy.

We took the utmost care to maintain Bank's position as a market leader, and our efforts were accompanied by activities aiming at meeting needs of our customers. Higher standards achieved resulted from implementation of modernised service as well as an extended and better tailored offer. We introduced new, very well received products, such as "Max Pozyczka Mini Rata" consumer loan, packages for our customers from small and medium enterprises segment, and new treasury products.

Last year the PKO BP maintained its leadership among card issuers for retail customers. It also strengthened its position as a leader on the small and medium enterprises market, in property finance, and banking service provider for local governments. We were also active abroad. As the very first Polish bank we opened Bank's outlet in Great Britain in 2007. In Kredobank, our subsidiary in Ukraine, we resolved on a share capital increase by USD 35 million, and we increased our stake in Kredobank's share capital up to 99%.

The entire results performed last year have the source in an excellent and dedicated work of all employees of the Bank PKO BP. On behalf of the Management Board I would like

to express my heartfelt thanks to all employees. Let me also express my thanks to the Members of the Supervisory Board for their competent and valuable support.

Rafał Juszcak
President of the Board