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PKO BANK POLSKI
SPÓŁKA AKCYJNA

Consolidated Financial Statements
of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group
for the year ended
31 December 2007

FINANCIAL SUPERVISION AUTHORITY

The consolidated annual report RS 2007

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

(for banks)

for the year of 2007 covering period from 2007-01-01 to 2007-12-31

containing consolidated financial statements in accordance with International Financial Reporting Standards

currency PLN

date of submission: 2008 -04-15

Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna
(full name of issuer)

PKO BP SA
(abbreviated name of issuer)

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Puławska (street)		15 (number)
(22) 521-91-82 (telephone)	521-91-83 (fax)	(e-mail)
525-000-77-38 (NIP)	016298263 (REGON)	www.pkobp.pl (www)

SELECTED FINANCIAL DATA	PLN thousand		EUR thousand	
	2007	2006	2007	2006
Net interest income	4 643 728	3 832 179	1 229 540	982 837
Net fees and commission income	2 335 199	1 866 252	618 301	478 637
Operating result	3 604 858	2 705 193	954 474	693 799
Net profit (loss) (including minority interest)	2 941 392	2 207 449	778 805	566 143
Net profit (loss)	2 903 632	2 149 052	768 807	551 166
Equity assigned to the shareholders of the holding company	11 920 949	10 078 306	3 328 015	2 630 587
Total equity	11 979 015	10 180 580	3 344 225	2 657 282
Net cash flow from operating activities	(9 083 702)	8 554 882	(2 405 132)	2 194 066
Net cash flow from investing activities	665 615	(5 324 963)	176 238	(1 365 690)
Net cash flow from financing activities	3 518 328	(457 369)	931 563	(117 301)
Total net cash flow	(4 899 759)	2 772 550	(1 297 331)	711 074
Basic earnings per share	2.90	2.15	0.77	0.55
Diluted earnings per share	2.90	2.15	0.77	0.55
Basic funds (Tier 1)	8 449 415	6 928 141	2 358 854	1 808 348
Supplementary funds (Tier 2)	1 517 988	-	423 782	-

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CONSOLIDATED INCOME STATEMENT
for the years ended 31 December 2007 and 31 December 2006

	Notes	2007	2006
Interest income	8	6 582 391	5 594 771
Interest expense	8	(1 938 663)	(1 762 592)
Net interest income		**4 643 728**	**3 832 179**
Fees and commission income	9	3 022 036	2 296 099
Fees and commission expense	9	(686 837)	(429 847)
Net fees and commission income		**2 335 199**	**1 866 252**
Dividend income	10	3 293	3 604
Result from financial instruments at fair value	11	(74 269)	(90 849)
Result from investment securities	12	9 382	50 356
Foreign exchange result	13	529 779	544 493
Other operating income	14	657 245	805 656
Other operating expenses	14	(360 284)	(493 907)
Net other operating income		**296 961**	**311 749**
Result on impairment	16	(56 643)	(651)
General administrative expenses	15	(4 082 572)	(3 811 940)
Operating profit		**3 604 858**	**2 705 193**
Share in net profits (losses) of associates	18	4 372	(3 705)
Profit (loss) before income tax		**3 609 230**	**2 701 488**
Income tax expense	19	(667 838)	(494 039)
Net profit (loss) (including minority interest)		**2 941 392**	**2 207 449**
Profit (loss) attributable to minority shareholders		37 760	58 397
Net profit (loss) attributable to the holding company		**2 903 632**	**2 149 052**
Earnings per share:	20		
- basic earnings per share		2.90	2.15
- diluted earnings per share		2.90	2.15

CONSOLIDATED BALANCE SHEET
for the years ended 31 December 2007 and 31 December 2006

	Notes	31.12.2007	31.12.2006
ASSETS			
Cash and amounts due from the Central Bank	23	4 682 627	4 628 134
Amounts due from banks	24	5 292 319	13 430 590
Financial assets held for trading	25	1 202 919	998 635
Derivative financial instruments	26	1 556 736	1 199 154
Other financial instruments at fair value through profit or loss	27	8 314 444	11 518 705
Loans and advances to customers	28	76 417 149	58 906 607
Investment securities, including:	29	5 716 238	6 763 188
Available for sale		5 716 238	6 763 188
Shares in associates and jointly controlled entities	30	178 584	180 162
Intangible assets	31	1 183 491	944 028
Tangible fixed assets	32	2 820 103	2 655 041
Current tax receivables	19	187 939	326
Deferred tax asset	19	72 154	33 454
Other assets	33	943 980	767 683
TOTAL ASSETS		**108 568 683**	**102 025 707**
LIABILITIES AND EQUITY			
Liabilities			
Amounts due to the Central Bank	35	1 279	1 387
Amounts due to the other banks	36	4 703 114	4 351 608
Derivative financial instruments	26	1 279 925	1 097 806
Amounts due to customers	38	86 610 593	83 507 175
Liabilities arising from securities issued	39	178 860	43 722
Subordinated liabilities	40	1 614 885	-
Other liabilities	41	1 732 333	2 220 347
Current tax liabilities	19	9 932	170 960
Deferred tax liability	19	4 446	23 922
Provisions	42	454 301	428 200
TOTAL LIABILITIES		**96 589 668**	**91 845 127**
Equity			
Share capital	47	1 000 000	1 000 000
Other capital	48	8 137 270	7 109 697
Currency translation differences from foreign operations		(47 761)	(13 672)
Retained earnings	48	(72 192)	(166 771)
Net profit for the year		2 903 632	2 149 052
Equity assigned to the shareholders of the holding company		**11 920 949**	**10 078 306**
Minority interest		58 066	102 274
TOTAL EQUITY		**11 979 015**	**10 180 580**
TOTAL EQUITY AND LIABILITIES		**108 568 683**	**102 025 707**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY
for the years ended 31 December 2007 and 31 December 2006

2007	Assigned to the shareholders of the holding company								Total	Minority interest	Total equity
	Share capital	Other capital				Currency translation differences	Retained earnings	Net profit (loss)			
		Reserve capital	Revaluation reserve	General banking risk fund	Other reserves						
As at 1 January 2007	**1 000 000**	**4 529 920**	**3 834**	**1 070 000**	**1 505 943**	**(13 672)**	**(166 771)**	**2 149 052**	**10 078 306**	**102 274**	**10 180 580**
Movement in available for sale investments less deferred tax	-	-	(46 900)	-	-	-	-	-	(46 900)	-	**(46 900)**
Movement in foreign exchange differences	-	-	-	-	-	(34 089)	-	-	(34 089)	-	**(34 089)**
Total income/expenses recognized directly in equity	**-**	**-**	**(46 900)**	**-**	**-**	**(34 089)**	**-**	**-**	**(80 989)**	**-**	**(80 989)**
Net profit (loss) for the period	-	-	-	-	-	-	-	2 903 632	2 903 632	-	**2 903 632**
Total income/expenses for the period	**-**	**-**	**(46 900)**	**-**	**-**	**(34 089)**	**-**	**2 903 632**	**2 822 643**	**-**	**2 822 643**
Transfer of net profit from previous years	-	-	-	-		-	2 149 052	(2 149 052)	-	-	**-**
Transfer from net profit to equity	-	1 062 391	-	-	12 082	-	(1 074 473)	-	-	-	**-**
Transfer from net profit to dividends	-	-	-	-	-	-	(980 000)	-	(980 000)	-	**(980 000)**
Movement in minority interest	-	-	-	-	-	-	-	-	-	(44 208)	**(44 208)**
As at 31 December 2007	**1 000 000**	**5 592 311**	**(43 066)**	**1 070 000**	**1 518 025**	**(47 761)**	**(72 192)**	**2 903 632**	**11 920 949**	**58 066**	**11 979 015**

2006	Assigned to the shareholders of the holding company								Total	Minority interest	Total equity
	Share capital	Other capital				Currency translation differences	Retained earnings	Net profit (loss)			
		Reserve capital	Revaluation reserve	General banking risk fund	Other reserves						
As at 1 January 2006	**1 000 000**	**3 297 396**	**(4 054)**	**1 000 000**	**1 500 821**	**(4 082)**	**206 305**	**1 734 820**	**8 731 206**	**43 784**	**8 774 990**
Movement in available for sale investments less deferred tax	-	-	7 888	-	-	-	-	-	7 888	-	**7 888**
Movement in foreign exchange differences	-	-	-	-	-	(9 590)	-	-	(9 590)	-	**(9 590)**
Total income/expenses recognized directly in equity	**-**	**-**	**7 888**	**-**	**-**	**(9 590)**	**-**	**-**	**(1 702)**	**-**	**(1 702)**
Net profit (loss) for the period	-	-	-	-	-	-	-	2 149 052	2 149 052	-	**2 149 052**
Total income/expenses for the period	**-**	**-**	**7 888**	**-**	**-**	**(9 590)**	**-**	**2 149 052**	**2 147 350**	**-**	**2 147 350**
Transfer of net profit from previous years	-	-		-		-	1 734 820	(1 734 820)	-	-	**-**
Transfer from net profit to equity	-	1 232 524	-	70 000	5 122	-	(1 307 896)	-	(250)	-	**(250)**
Transfer from net profit to dividends	-	-	-	-	-	-	(800 000)	-	(800 000)	-	**(800 000)**
Movement in minority interest	-	-	-	-	-	-	-	-	-	58 490	**58 490**
As at 31 December 2006	**1 000 000**	**4 529 920**	**3 834**	**1 070 000**	**1 505 943**	**(13 672)**	**(166 771)**	**2 149 052**	**10 078 306**	**102 274**	**10 180 580**

CONSOLIDATED CASH FLOW STATEMENT
for the years ended 31 December 2007 and 31 December 2006

	Notes	2007	2006
Cash flow from operating activities			
Net profit (loss)		2 903 632	2 149 052
Adjustments:		(11 987 334)	6 405 830
Profits/losses attributable to minority shareholders		37 760	58 397
Depreciation and amortisation		380 570	317 911
(Profit) loss from investing activities	49	(72 004)	(23 798)
Interest and dividends	49	(207 290)	(261 439)
Change in loans and advances to banks	49	3 184 072	1 273 901
Change in financial assets held for trading and other financial instruments valued at fair value through profit or loss		2 999 977	8 393 346
Change in derivative financial instruments (asset)		(357 582)	(61 927)
Change in loans and advances to customers	49	(17 480 950)	(11 491 259)
Change in deferred tax asset		(38 700)	(4 353)
Change in other assets		(363 910)	(63 141)
Change in amounts due to banks	49	(2 297 830)	1 974 089
Change in derivative financial instruments (liability) and other financial liabilities at fair value through profit or loss		182 119	(159 578)
Change in amounts due to customers	49	2 810 667	6 707 791
Change in liabilities arising from debt securities issued		135 138	(24 748)
Change in provisions	49	(12 189)	(512 081)
Change in other liabilities	49	(447 308)	360 543
Income tax paid		(878 148)	(782 023)
Current tax expense		717 120	516 217
Other adjustments	49	(278 846)	187 982
Net cash flow from operating activities		**(9 083 702)**	**8 554 882**
Cash flow from investing activities			
Inflows from investing activities		**6 610 995**	**80 486**
Sale of shares in associates		6 410	-
Sale of investment securities		6 513 022	-
Sale of intangible assets and tangible fixed assets		85 296	2 502
Sale of assets classified as held for sale according to IFRS 5		-	74 380
Other investing inflows		6 267	3 604
Outflows from investing activities		**(5 945 380)**	**(5 405 449)**
Purchase of a subsidiary, net of cash acquired		(175 177)	(87 689)
Purchase of shares in jointly controlled entities		-	(44 371)
Purchase of shares in associates		(5 000)	(4 248)
Purchase of investment securities		(5 025 179)	(4 654 113)
Purchase of intangible assets and tangible fixed assets		(740 024)	(615 028)
Net cash generated from/ (used in) investing activities		**665 615**	**(5 324 963)**
Cash flow from financing activities			
Issue of debt securities		1 597 374	-
Dividends paid to holding company shareholders		(980 000)	(800 000)
Dividends paid to minority shareholders		(16 250)	-
Draw /repayment of long-term liabilities		2 917 204	342 631
Net cash generated from/ (used in) financing activities		**3 518 328**	**(457 369)**
Total net cash flows		**(4 899 759)**	**2 772 550**
Cash and cash equivalents at the beginning of the period		14 163 158	11 390 608
Cash and cash equivalents at the end of the period	49	**9 263 399**	**14 163 158**
included those with limited disposal	34	8 120	5 487

NOTES (ADDITIONAL INFORMATION) TO THE CONSOLIDATED FINANCIAL STATEMENTS as at 31 December 2007

1. General information

The consolidated financial statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group ("the PKO BP SA Group", "the Group") have been prepared for the year ended 31 December 2007 and include comparative data for the year ended 31 December 2006. Financial data has been presented in PLN thousand.

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

The holding company was established in 1919 as Pocztowa Kasa Oszczędnościowa. Since 1950 the holding company had started operating as Powszechna Kasa Oszczędności state-owned bank. Pursuant to the Decree of the Council of Ministers dated 18 January 2000 (Journal of Laws No. 5, item 55 with subsequent amendments) Powszechna Kasa Oszczędności bank państwowy (a state-owned bank) was transformed into a state-owned joint-stock company, Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna with its registered office in Warsaw, Puławska 15, Poland.

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

The Bank's shareholding structure is as follows:

Name of entity	Number of shares	Number of votes	Nominal value of the share	Share in the share capital
		%		%
As at 31 December 2007				
State Treasury	514 935 409	51,49	1 zł	51,49
Other shareholders	485 064 591	48,51	1 zł	48,51
Total	**1 000 000 000**	**100,00**	**---**	**100,00**
As at 31 December 2006				
State Treasury	514 959 296	51,50	1 zł	51,50
Other shareholders	485 040 704	48,50	1 zł	48,50
Total	**1 000 000 000**	**100,00**	**---**	**100,00**

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

Bank's business activities

PKO BP SA is a universal commercial bank offering services to both domestic and foreign retail, corporate and other clients. PKO BP SA has the right to keep foreign exchange and to trade in foreign exchange, as well as to perform foreign currency and foreign exchange operations, open and hold bank accounts abroad and to place foreign exchange on these accounts. The Bank operates in United Kingdom through Foreign Banking Services Center (Centrum Bankowości Zagranicznej) in Warsaw.

In addition, the Group's subsidiaries also conduct activities relating to leasing, and real estate development as well as render other financial services. The scope of activities of the individual Group companies is presented in this note, in the table “Structure of the Group”.

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

Going concern

The consolidated financial statements of the PKO BP SA Group have been prepared on the basis that the Bank and the entities from the PKO BP SA Group would be a going concern during a period of at least 12 months from the balance sheet date, i.e. 31 December 2007.

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

Information on members of the Management and Supervisory Boards of the Group's holding company

As at 31 December 2007, the Bank's Management Board consisted of:

- Rafał Juszczak — President of the Management Board
- Berenika Duda-Uhryn — Vice-President of the Management Board
- Robert Działak — Vice-President of the Management Board
- Mariusz Klimczak — Vice-President of the Management Board
- Wojciech Kwiatkowski — Vice-President of the Management Board
- Aldona Michalak — Vice-President of the Management Board
- Adam Skowroński — Vice-President of the Management Board
- Stefan Świątkowski — Vice-President of the Management Board

During the year ended 31 December 2007, the following changes took place in the composition of the Bank’s Management Board:

On 10 January 2007 Sławomir Skrzypek resigned from the position of Vice-President of the Management Board due to his appointment to the position of President of the National Bank of Poland (NBP).

On 10 January 2007 the Supervisory Board of PKO BP SA delegated Marek Głuchowski, Chairman of the Supervisory Board of PKO BP SA, to act temporarily as President of the Management Board of PKO BP SA until 23 January 2007. Due to the fact that, during the period from 24 January 2007 to 26 January 2007, no candidate was appointed to be the acting President of the Management Board, the Supervisory Board delegated Marek Głuchowski to act temporarily as President of the Management Board of PKO BP SA, beginning from 27 January 2007 until 10 April 2007.

On 31 January 2007 Jacek Obłękowski resigned from the position of Vice-President of the Management Board.

On 22 February 2007 the Supervisory Board appointed:

- Robert Działak as Vice-President of the Management Board of the Bank as of 23 February 2007,

- Stefan Świątkowski as Vice-President the Management Board of the Bank as of 1 May 2007.

On 13 March 2007 Zdzisław Sokal resigned from the position of Vice-President of Management Board.

On 2 April 2007 the Supervisory Board of PKO BP SA:

- delegated Marek Głuchowski, Chairman of the Supervisory Board, to independently supervise the activities undertaken by the Bank's Management Board in conducting the affairs of PKO BP SA, beginning from 11 April 2007,
- appointed, as of 11 April 2007, Rafał Juszczak, Vice-President of the Management Board, to act as President of the Management Board of PKO BP SA until a new President of the Management Board is elected,
- delegated Adam Skowroński, Member of the Bank's Supervisory Board, to temporarily act as Vice-President of the Management Board during the period from 11 April 2007 to 30 April 2007.

On 20 June 2007 the Supervisory Board of PKO BP SA appointed Rafał Juszczak, Vice-President of the Management Board, to act as President of the Management Board. In addition, the Supervisory Board of PKO BP SA adopted resolutions appointing:

- Aldona Michalak to act as Vice-President of the Management Board as of 1 July 2007,
- Mariusz Klimczak to act as Vice-President of the Management Board as of 15 July 2007,
- Adam Skowroński to act as Vice-President of the Management Board as of 23 July 2007,
- Berenika Duda-Uhryn to act as Vice-President of the Management Board as of 10 September 2007.

On 8 August 2007 the Commission for Banking Supervision approved the appointment of Rafał Juszczak as President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.

As at 31 December 2007, the Bank's Supervisory Board consisted of:

- Marek Głuchowski — Chairman of the Supervisory Board
- Urszula Pałaszek — Vice-Chairman of the Supervisory Board
- Tomasz Siemiątkowski — Secretary of the Supervisory Board
- Maciej Czapiewski — Member of the Supervisory Board
- Jerzy Michałowski — Member of the Supervisory Board
- Agnieszka Winnik - Kalemba — Member of the Supervisory Board

During the year ended 31 December 2007, the following changes took place in the composition of the Bank's Supervisory Board:

On 31 January 2007 Jerzy Osiatyński resigned from the position of Member of the Supervisory Board of the Bank.

On 19 March 2007 the Extraordinary General Shareholders' Meeting appointed Maciej Czapiewski to the Supervisory Board of the Bank.

On 20 July 2007 Adam Skowroński resigned, as of 22 July 2007, from the position of Member of the Supervisory Board of PKO BP SA, due to being appointed Vice-President of the Management Board of PKO BP SA as of 23 July 2007.

Information about changes in the Management Board after 31 December 2007 is presented in Note 55 (Events after Balance Sheet date).

Structure of the Group

The PKO BP SA Group is formed by the following entities:

No.	Name of entity	Registered office	Activity	Share in the share capital (%)	
				31.12.2007	31.12.2006
Grupa Kapitałowa PKO BP SA					
Holding company					
1	**Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna**				
Direct subsidiaries					
2	Powszechne Towarzystwo Emerytalne BANKOWY SA	Warsaw	Pension fund management	100,00	100,00
3	Centrum Finansowe Puławska Sp. z o.o.	Warsaw	Management and use of Centrum Finansowe Pulawska	100,00	100,00
4	PKO Inwestycje Sp. z o.o.	Warsaw	Real estate development	100,00	100,00
5	Inteligo Financial Services SA	Warsaw	Technical servicing of Internet banking	100,00	100,00
6	Centrum Elektronicznych Usług Płatniczych "eService" SA	Warsaw	Servicing and settlement of card transactions	100,00	100,00
7	Bankowy Fundusz Leasingowy SA	Łódź	Leasing	100,00	100,00
8	Bankowe Towarzystwo Kapitałowe SA	Warsaw	Intermediation in shares and stock trading	100,00	100,00
9	PKO Towarzystwo Funduszy Inwestycyjnych SA	Warsaw	Investment fund management	75,00	75,00
10	KREDOBANK SA	Lviv, Ukraine	Financial services	98,182	69,933
Indirect subsidiaries					
	Subsidiaries of PTE BANKOWY SA				
11	Finanse Agent Transferowy Sp. z o.o.	Warsaw	Intemediary financial services	100,00	100,00
	Subsidiaries of PKO Inwestycje Sp. z o.o.				
12	POMERANKA Sp. z o.o.	Warsaw	Real estate development	100,00	100,00
13	Wilanów Investments Sp. z o.o.	Warsaw	Real estate development	100,00	100,00
14	UKRPOLINWESTYCJE Sp. z o.o.	Kiev, Ukraine	Real estate development	55,00	55,00
15	Fort Mokotów Sp. z o.o.	Warsaw	Real estate development	51,00	51,00
16	ARKADIA Inwestycje Sp. z o.o.	Międzyzdroje	Real estate development	100,00	-
	Subsidiaries of Fundusz Leasingowy SA				
17	Bankowy Leasing Sp. z o.o.	Łódź	Leasing	100,00	-
18	BFL Nieruchomości Sp. z o.o.	Łódź	Leasing	100,00	-

Other entities (associated and jointly controlled entities) included in the consolidated financial statements:

Jointly controlled entities

No.	Name	Registered office	Activity	Share in share capital (%)	
				31.12.2007	31.12.2006
Direct jointly controlled companies					
1	CENTRUM HAFFNERA Sp. z o.o.	Sopot	Real estate development	49.43	49.43
2	Centrum Obsługi Biznesu Sp. z o.o.	Poznań	Construction and maintenance of a hotel	41.44	41.44
Indirect jointly controlled companies					
Subsidiaries of CENTRUM HAFFNERA Sp. z o.o. (Indirectly jointly controlled by PKO BP SA)					
3	Centrum Majkowskiego Sp. z o.o.	Sopot	Real estate development	100.00	100.00
4	Kamienica Morska Sp. z o.o.	Sopot	Real estate development	100.00	100.00
5	Sopot Zdrój Sp. z o.o.	Sopot	Real estate development	100.00	100.00
6	Promenada Sopocka Sp. z o.o.	Sopot	Real estate development	100.00	100.00

Associated entities

No.	Name	Registered office	Activity	Share in share capital (%)	
				31.12.2007	31.12.2006
Direct associates					
1	Bank Pocztowy SA	Bydgoszcz	Financial services	25.0001	25.0001
2	Kolej Gondolowa Jaworzyna Krynicka SA	Krynica	Construction and operation of cable railway	37.53	37.53
3	Ekogips SA – in bankruptcy	Warsaw	Production of construction elements	60.26	60.26
4	Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	Poznan	Sureties in accordance with civil law and bill of exchange	33.33	33.33
5	Agencja Inwestycyjna CORP SA	Warsaw	Office real estate management	22.31	22.31
Indirect associates					
Associates of Bankowe Towarzystwo Kapitałowe SA					
6	FINDER SA*	Warsaw	Car location and fleet management services	46.43	46.43
7	INTER FINANCE Polska Sp. z o.o.**	Suchy Las near Poznan	Investing in sector of financial intermediation services on the Ukrainian market	-	45.00

* until 2 January 2007 - FINDER Sp. z o.o.

Information about changes in the parent's share in the share capital of the subsidiaries is presented in Note 53 "Business combinations".

Approval of financial statements

These consolidated financial statements have been approved for publication by the Bank's Management Board on 8 April 2007.

2. Accounting policies

Basis for preparation of financial statements and declaration of compliance with accounting standards

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards endorsed by the EU as at 31 December 2007.

Currently, taking under consideration the process of implementation of IFRS in the EU and the Group's activities, there are no differences between IFRS standards and IFRS standards endorsed by the EU as regards the accounting policies applied by the Group.

Changes in accounting policies

Presented below are the new or revised IFRS regulations and the new International Financial Reporting Interpretations Committee (IFRIC) interpretations which have been applied by the Group during the 12-month period ended 31 December 2007. The application of these regulations and interpretations had no effect on the financial statements, except for several additional disclosures.

IAS 1, *Presentation of Financial Statements – Disclosures on capital*

The Group applied the amended regulations of IAS 1. The principles for capital management are presented in Note 3,*Objectives and principles relating to financial and operational risk management*.

IFRS 7, *Financial Instruments: Recognition and Measurement*

The Group applied IFRS 7. The most significant amendments were made to Note 3 *Objectives and principles relating to financial and operational risk management*.

IFRIC 7, *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*

The application of this Interpretation had no significant effect on the financial statements of the Group.

IFRIC 8, *Scope of IFRS 2*

The Group applied IFRIC Interpretation 8. As a result, it amended certain of its accounting policies. The Group reviewed transactions which involved an issue of shares (or as a result of which the Group incurred a liability based on the value of equity instruments) in respect of payment for goods or services received, and concluded that there were no transactions that would require a different treatment due to application of IFRIC Interpretation 8.

IFRIC 9, *Reassessment of Embedded Derivatives*

The Group applied IFRIC Interpretation 9. According to this Interpretation, an assessment of whether a given contract contains an embedded derivative instrument is made at the date of first becoming a party to the contract. A reassessment can only be made when there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract. The application of this Interpretation did not lead to any significant changes in the treatment of embedded derivatives held by the Group.

IFRIC 10, *Interim Financial Reporting and Impairment*

The Group applied IFRIC Interpretation 10. According to this Interpretation, an entity may not reverse impairment losses recognized in the interim period on goodwill or investments in equity instruments

classified as available for sale. The application of this Interpretation did not lead to any significant changes affecting these consolidated financial statements.

New standards and interpretations which have been issued but are not yet effective

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee but have not yet come into effect:

- IFRS 8, *Operating segments,* (applicable to annual periods beginning on or after 1 January 2009),
- IAS 1 *Presentation of financial statements,* (applicable to annual periods beginning on or after 1 January 2009),
- IAS 23, *Borrowing costs,* (applicable to annual periods beginning on or after 1 January 2009),
- IFRIC 11 of IFRS 2, *Group and Treasury Share Transactions,* (applicable to annual periods beginning on or after 1 March 2007),
- IFRIC 12, *Service Concession Arrangements,* (applicable to annual periods beginning on or after 1 January 2008),
- IFRIC 13, *Customer Loyalty Programmes,* (applicable to annual periods beginning on or after 1 July 2008),
- IFRIC 14, IAS 19 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction,* (applicable to annual periods beginning on or after 1 January 2008),
- IFRS 3, *Business Combinations*, (revised in January 2008 – applicable to annual periods beginning on after 1 July 2009).
- IAS 27, *Consolidated and Separate Financial Statements*, (revised in January 2008 – applicable to annual periods beginning on after 1 July 2009).
- IFRS 2, *Share-based Payment – Vesting Conditions and Cancellations*, (amended in January 2008 – applicable to annual periods beginning on after 1 January 2009).
- Amendments to IAS 32 and IAS 1, *Puttable Financial Instruments*, (amendments in February 2008 – applicable to annual periods beginning on after 1 January 2009)

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

The subsidiaries of PKO BP SA in Poland kept their books of account for the year 2007 in accordance with the International Financial Reporting Standards, except for Fort Mokotów Sp. z o.o., and ARKADIA Inwestycje Sp. z o.o., which keep their books of account in accordance with the accounting principles specified in the Accounting Act of 29 September 1994 with subsequent amendments ("the Accounting Act") and with the regulations issued based on that Act ("Polish Accounting Standards"). Foreign entities of the Group keep their books of account in accordance with the relevant national regulations. The consolidated financial statements include adjustments which are not included in the books of account of the Group companies; these adjustments have been made to the financial statements in order to ensure their compliance with IFRS.

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

The Polish złoty is the presentation currency of these consolidated financial statements. The functional currency of the holding company and other entities included in these financial statements, except for

KREDOBANK S.A and UKRPOLINWESTYCJE Sp. z o.o., is the Polish złoty. The functional currency of KREDOBANK S.A. and UKRPOLINWESTYCJE Sp. z o.o is the Ukrainian hrivna.

The Group uses the average NBP rate effective at the balance sheet date as the closing exchange rate used in order to translate the assets and liabilities denominated in foreign currency at the balance sheet date.

Basic principles and accounting methods used by the PKO BP Group

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

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

a) Basis of consolidation

The consolidated financial statements include the financial statements of PKO BP SA and the financial statements of its subsidiaries, prepared for year ended 31 December 2007. The financial statements of the subsidiaries cover the same reporting period as the holding company's financial statements. Consolidation adjustments are made in order to eliminate any differences in the accounting policies applied by the Bank and its subsidiaries.

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

For the year ended 31 December 2007:

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

For the year ended 31 December 2006:

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

The full method consolidation of financial statements of subsidiaries involves adding up the full amounts of the individual items of the balance sheet, profit and loss account of the subsidiaries and of

the Bank, and performing appropriate consolidation adjustments and eliminations. The carrying amount of the Bank's investments in the subsidiaries and the equity of these entities at the date of their acquisition are eliminated at consolidation. The consolidated cash flow statement was prepared on the basis of the consolidated balance sheet and consolidated income statement as well as the additional notes and explanations.

The following items are eliminated in full at consolidation:

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

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

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

b) Purchase/sale of minority interests

If the Group increases/decreases its share in the net assets of its controlled subsidiaries, the excess of the cost of acquisition over the acquirer's interest in the net assets of the acquired subsidiary is recognized as goodwill. Goodwill is tested for impairment on an annual basis.

c) Estimates

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

The estimates and assumptions made at each balance sheet date reflect the conditions that existed at these dates (e.g. market prices, interest rates, exchange rates etc.). In spite of the fact that the estimates are based on the best understanding of the current situation and the activities that will be undertaken by the Bank, the actual results may differ from those estimates.

The Group presents the type and magnitude of changes in estimates if these changes affect the current period or if it is expected that they will significantly affect future periods.

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

Estimates and assumptions made by the Group are subject to periodic reviews. Adjustments to estimates are recognized in the periods in which the estimates were adjusted, provided that these

adjustments affect only the given period. If the adjustments affect both the period in which the adjustment was made as well as future periods, they are recognized in the period in which the adjustments were made and in the future periods.

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

- **Impairment of financial assets**

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

The Group uses three methods for estimation of impairment:

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

The Group expects that the methodology used for estimating impairment allowances will be developed in line with the increasing possibilities of acquiring impairment data from the existing information systems and applications and those being implemented. As a consequence, any new data obtained by the Group might affect the level of impairment allowances in the future.

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

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

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

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

- **Impairment of goodwill**

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

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

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

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

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

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

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

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

1) the average existing useful lives, which reflect the pace of the physical wear and tear, intensiveness of usage, etc.,
2) technical obsolescence,
3) the period of having control over the asset and legal and other limits on the use of the asset,
4) dependence of the useful lives of assets on the useful lives of other assets,
5) other factors affecting the useful lives of this type assets.

When the period of use of a given asset results from a contract, the useful live of that asset corresponds to the period defined in the contract; if, however, the estimated useful life is shorter than the period defined in the contract, the Group uses the estimated useful life.

d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash at nostro account with the Central Bank of Poland, current amounts due from other banks, and other cash due within up to three months and stated at nominal value.

e) Financial assets

The Group classifies financial assets into the following categories: financial assets valued at fair value through profit or loss, financial assets available for sale, loans and other receivables, financial assets held to maturity.

The Group determines the classification of the financial asset at the moment of its initial recognition.

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

This category includes: financial assets held for trading and financial assets designated at the moment of initial recognition as financial assets at fair value through profit or loss, due to the fact that these items are managed on a portfolio basis, using fair value measurement, in accordance with documented risk management policies and investment strategy of the holding company.

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

Equity instruments

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

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

Debt instruments

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

1) for those debt instruments for which there is an active market – with reference to market value,
2) for those debt instruments for which there is no active market - with reference to other value accepted as fair value and determined using one of the following methods:
    a) reference asset value method,
    b) the yield curve method based on market interest rates,
    c) the price of the last transaction concluded on the market, unless in the period between the date of the transaction and the balance sheet date there were significant changes in market conditions which might affect the price.

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

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

Derivative instruments

Derivative financial instruments are recognized at fair value at the date of transaction and are subsequently carried at fair value as of the balance sheet date. In the case where the estimated fair value is lower or higher than the fair value as of the preceding balance sheet date (for transactions concluded in the reporting period -acquisition cost or the sale price of the instrument), the Bank includes the difference, respectively, in the result on financial instruments at fair value or in the foreign exchange result (for transactions FX swap, FX forward and CIRS transactions), in correspondence with “Derivative financial instruments”.

The result of the ultimate settlement of derivative instrument transactions is reflected in the result from financial instruments at fair value or in the foreign exchange result. The nominal value of the underlying instruments is presented in off-balance sheet items from the date of the transaction until maturity. Off-balance sheet items denominated in foreign currencies are revalued at the end of each day according to the average NBP exchange rate.

The fair value of financial instruments which are traded on the market is their market price, less the costs of transaction. In other cases, fair value is calculated on the basis of a valuation model, based on data derived from an active market.

Embedded derivative instruments

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

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

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

1) the hybrid (comlex) instrument is not classified at fair-value and the effects of revaluation of such instrument are not recorded in the profit and loss account,
2) the characteristics and risks of the embedded derivative instrument are not closely related to the characteristics and risks of the host contract,
3) a separate instrument with the same characteristics as the embedded derivative would meet the definition of a derivative,
4) it is possible to reliably determine the fair value of the embedded derivative.

In the case of contracts which are not financial instruments and which include an instrument which fulfils the above conditions, embedded derivatives are recorded in the profit and loss account under the “Result from financial instruments at fair value”.

The fair value of financial instruments which are traded on the markets is their market price, less the costs of transaction. In other cases, fair value is calculated on the basis of a valuation model, based on data derived from an active market. The techniques used are based - among others - on the discounted cash flow models, option models and yield curves.

- **Financial assets available for sale**

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

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

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

Equity instruments

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

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

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

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

Debt instruments

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

1) for those debt instruments for which there is an active market - with reference to market price,
2) for those debt instruments for which there is no active market - with reference to other value accepted as the fair value and determined using one of the following methods:
   a) reference asset value method,
   b) the yield curve method based on market interest rates, adjusted for risk margin equal to the margin determined in the terms of the issue.

The results of changes in fair value in relation to the carrying amount of an instrument stated at amortized cost are taken to revaluation reserve, except for impairment losses, which are charged to the profit and loss account. Interest income and discounts calculated using the effective interest rate are presented as interest income, and the gain or loss recorded in the revaluation reserve is the difference between the fair value determined at the balance sheet date and the value of these assets at amortized cost.

- **Loans, advances and other receivables**

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

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

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

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

Loans and advances with unspecified repayment dates are valued at nominal value, increased by the amount of interest receivable and decreased by any impairment losses.

Receivables from services performed by the Group to contractors are valued at nominal value, increased by the amount of interest receivable and decreased by any impairment losses.

Receivables covered by the restructuring agreement are stated at nominal value plus the amount of interest receivable, less any impairment losses.

- **Financial assets held to maturity**

These are financial assets with fixed or determinable payments and maturity dates, which were acquired in order to be held and the Group is able to hold them to maturity.

Financial assets in this category are valued at amortized cost using the effective interest rate. Cost amortization is recorded in the profit and loss account under Interest income.

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

f) Accounting for transactions

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

g) Sale and repurchase contracts

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

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

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

h) Impairment of financial assets

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

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

1) significant financial difficulties of an issuer or debtor,
2) an actual breach of contract, such as a default or delinquency in interest or principal payments,
3) granting by the lender to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, of a concession that the lender would not otherwise consider,
4) a high probability of bankruptcy or other financial reorganization of an issuer or a debtor,
5) lack of turnover of a component of financial assets on the active market due to financial difficulties of an issuer or a debtor,
6) evidence that there is a measurable decrease in the estimated future cash flows from a group of financial assets, including the collectability of these cash flows.

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

The Group classifies loan and lease receivables on the basis of the amount of exposure into the individual and group portfolios.

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

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

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

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

The calculation of the present value of estimated cash flows relating to a financial asset for which the Bank holds collateral takes into account the cash flows arising from the seizure of the collateral, less costs to seize and sell.

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

Historical recovery parameters are adjusted on the basis of data from current observations, so as to take into account the impact of current conditions and exclude the factors that had impact in the past but no longer exist.

If, in the subsequent period, the amount of impairment loss is reduced because of an event that took place after the impairment was recognized (e.g. improvement in debtor's credit rating), then the impairment loss that was previously recognized is reversed by making an appropriate adjustment to the balance of impairment allowances. The amount of the reversal is recorded in the profit and loss account.

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

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

i) Derecognition of financial instruments

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

1) if the Group transfers substantially all the risks and rewards of ownership of the financial asset, then it derecognises the financial asset,
2) if the Group retains substantially all the risks and rewards of ownership of the financial asset, then it continues to recognise the financial asset,
3) if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, then the Group determines whether it has retained control of the financial asset. If the Group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset; if the Group has not retained control, then the financial asset is derecognized.

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

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

j) Tangible fixed assets and intangible assets

Tangible fixed assets and intangible assets are stated at the balance sheet date at acquisition cost or cost of production, less accumulated depreciation/amortization and impairment losses. This method is also applied to property covered by the revaluation performed in 1995, which were stated at fair value at the transition date. Depreciation is charged on all assets whose value decreases due to usage or passage of time, using the straight-line method over the estimated useful life of the given asset. The adopted depreciation periods and depreciation/amortization rates are subject to periodic verification. If there were any events or circumstances indicating that the carrying amount of tangible fixed assets may not be recoverable, then these assets are reviewed for impairment. Depreciation charges and impairment write-offs are expensed directly to the profit and loss account for the current period. Tangible fixed assets (land) and intangible assets with indefinite useful lives are not depreciated/amortized, but annually tested for impairment.

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

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

1) the amount of depreciation or amortization charges becomes equal to the initial cost of the asset, or
2) the asset is designated for liquidation, or
3) the asset is sold, or
4) the asset is found to be missing, or
5) it is found - as a result of verification - that the expected residual value of the asset exceeds its (net) carrying amount.

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

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

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

Intangible assets	Periods
Licences for computer softw are	2-10 years
Copyright, including rights to computer softw are	2-5 years
Other intangible assets	1-5 years

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

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

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

k) Investment property

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

l) Non-current assets held for sale

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

Non-current assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell. Impairment allowances for non-current assets held for sale are recognized in the profit and loss account for the period, in which write-offs were made. Depreciation for this category of assets is not accounted for.

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

The equity method involves valuation of shares and investments in other entities at the amount of the Group's share in the net assets of the given entity. The value of the Group's investment in net assets

of an associate or jointly controlled entity, including any non-amortizable goodwill arising on acquisition, is tested for impairment at least once a year.

If the share of the Group in the losses incurred by an associate or jointly controlled entity is equal to or higher than the carrying amount of the investment, the value of the investment is shown at nil, and any further losses (below the carrying amount equal to nil) are recorded at an amount of payment made or committed by the Group on behalf of the associate or jointly controlled entity in order to fulfill the obligations of this entity that the Group guaranteed or otherwise committed to fulfill.

n) Valuation of items denominated in foreign currencies and foreign exchange result

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

o) Currency exchange rates used in preparing consolidated financial statements

For translation of balance sheet and off-balance sheet items as at 31 December 2007 into Euro, the Group used the rate of 3.5820 PLN/EUR, which is the average NBP rate at the balance sheet date, whereas for translation of the balance sheet and off-balance-sheet items as at 31 December 2006 into Euro, the Group used the rate of 3.8312 PLN/EUR, which was the average NBP rate at the balance sheet date.

The main items of the income statement and cash flow statement for the year ended 31 December 2007 have been translated into Euro using the rate of 3.7768 PLN/EUR, which is the arithmetical mean of the average NBP rates at the last day of each month covered by the financial statements. However the financial data concerning the income statement and cash flow statement for the year ended 31 December 2006 have been translated into Euro using the rate of 3.8991 PLN/EUR, which was the arithmetical mean of the average NBP rates at the last day of each month covered by the comparative financial data.

EUR	2007	2006
Rate prevailing on the last day of the period	3.5820	3.8312
Rate representing the arithmetical mean of the rates prevailing on the last days of each month of the period	3.7768	3.8991
The highest rate in the period	3.9385	4.1065*
The low est rate of the period	3.5699	3.7565*

* Change of presentation – the highest and the lowest exchange rate from average exchange rates announced by the National Bank of Poland during the year

For translation of the balance sheet and off-balance sheet items as at 31 December 2007 into UAH, the Group used the rate of 0.4814 PLN/UAH, which is the average NBP rate at the balance sheet date, whereas for translation of the balance sheet and off-balance-sheet items as at 31 December 2006 into UAH the Group used the rate of 0.5760 PLN/UAH, which was the average NBP rate at the balance sheet date.

The main items of the income statement and of the cash flow statement for the year ended 31 December 2007 have been translated into UAH using the rate of 0.5456 PLN/UAH, which is the arithmetical mean of the average NBP rates at the last day of each month covered by the financial statements. The financial data concerning the income statement and the cash flow statement for the year ended 31 December 2006 have been translated into UAH with the rate of 0.6129 PLN/UAH, which was the arithmetical mean of the average NBP rates at the last day of each month covered by the comparative financial data.

UAH	2007	2006
Rate prevailing on the last day of the period	0.4814	0.5760
Rate representing the arithmetical mean of the rates prevailing on the last days of each month of the period	0.5456	0.6129
The highest rate in the period	0.6018	0.6529*
The low est rate of the period	0.4797	0.5663*

* Change of presentation – the highest and the lowest exchange rate from average exchange rates announced by the National Bank of Poland during the year

p) Off-balance sheet liabilities granted

Within its operations, the Bank enters into transactions, which, at the time of their conclusion, are not recognized in the balance sheet as assets or liabilities, however they give rise to contingent liabilities. A contingent liability is:

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

Granted credit lines and guarantees are the most significant items of off-balance sheet liabilities granted.

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

q) Deferred income tax

Due to timing differences between the moment income is recognized as earned and cost as incurred according to the accounting and tax regulations, the Group recognizes deferred tax liabilities and deferred tax assets. The amount of deferred tax is determined, using the balance sheet method, as a change in the balance of the following items - deferred tax assets and deferred tax liabilities. Deferred tax assets and deferred tax liabilities are presented in the balance sheet respectively as assets or liabilities. The change in the balance of a deferred tax liability or a deferred tax asset is included in taxation charge, except for the effects of valuation of financial assets recognized in revaluation reserve, where changes in the balance of a deferred tax liability or deferred tax asset are accounted for in correspondence with revaluation reserve. The calculation of deferred tax takes into account the balance of the deferred tax asset and deferred tax liability at the beginning and at the end of the reporting period.

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

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

The Group compensates deferred tax assets with deferred tax liabilities then and only then, when it owns enforceable legal entitlement to compensate current tax receivables with current tax liability and deferred tax is related to the same tax payer and the same tax authority.

r) Financial liabilities at fair value

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

s) Financial liabilities at amortized cost

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

t) Debt instruments issued

Debt instruments issued by the Group are recognised as liabilities and are measured at amortised cost using the effective interest rate. Interest expense and fees and commission expense paid based on the effective interest rate are recognised as interest expense in the profit and loss account.

u) Accruals and deferred income

This item mainly comprises commission recognized using the straight-line method and other income received in advance, which will be recognized in the profit and loss account in the future reporting periods.

Accruals include: accruals for costs of services performed for the Group by contractors, which will be recognized in the following periods, and accruals for amounts due to employees (e.g. bonuses, rewards and unused holiday payments).

Accruals and deferred income are presented in the balance sheet under “Other liabilities”.

v) Prepayments and deferred costs

Prepayments and deferred costs include particular kinds of expenses which will be recognized in the profit and loss account in the future reporting periods. Prepayments and deferred costs are presented in the balance sheet under “Other assets”.

w) Provisions

Provisions are liabilities of uncertain timing or amount.

According to the Collective Labour Agreement (Zakładowy Układ Zbiorowy), all employees of PKO BP SA are entitled to jubilee bonuses after completing a specified number of years in service and to retirement bonuses upon retirement. The Bank periodically performs an actuarial valuation of the provision for future liabilities to employees.

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

x) Financial result

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

- **Interest income and interest expenses**

Interest income and interest expense includes interest, together with discounts and premium, recognized on an accrual basis using the effective interest rate method. Interest income also includes fees and commission received and paid, which are part of the internal rate of return of the financial instrument.

- **Fees and commission income and expenses**

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

- **Dividend income**

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

- **Result on financial instruments measured at fair value**

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

- **Result on investment securities**

The result on investment securities includes gains and losses arising from the disposal of financial instruments classified as available for sale as well as other gains and losses arising from investment activities.

- **Foreign exchange result**

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

- **Other operating income and expenses**

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

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

Income from construction services (development activities) is recognized on a completed contract basis, which involves recognition of all construction costs incurred during the period of construction

under work-in-progress, and recognition of payments received on account of purchase of apartments under deferred income.

y) Current income tax

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

In calculating taxable profit, the Bank took into account the provisions of the Decree of the Minister of Finance dated 28 March 2003 on the extension of deadlines for payment of corporate income tax advances and corporate income tax liabilities by banks granting housing loans from the Mortgage Fund (Journal of Laws No. 58, item 511)

z) Shareholders' equity

Shareholders' equity is comprised of the capital and funds created by the Group companies in accordance with the binding legal regulations and the Articles of Association. Shareholders' equity also includes retained earnings and accumulated losses from previous years. The part of shareholders' equity of subsidiaries, other than share capital, which corresponds to the interest held in the subsidiary by the holding company, is added up with the appropriate components of the equity of the holding company. The shareholders' equity of the Group only includes that part of the shareholders' equity of the subsidiaries that was created after the date of acquisition of shares by the holding company. This applies, in particular, to a change in equity due to acquired profits or incurred losses as well as revaluation of financial assets available for sale.

1) Share capital comprises only the share capital of the holding company and is stated at nominal value in accordance with Articles of Association and the Register of Entrepreneurs,
2) Reserve capital is created according to the Articles of Associations of the Group companies, from the appropriation of net profits and from share premium,
3) Revaluation reserve comprises the effects of remeasurement of financial assets available for sale and the amount of the related deferred tax. In the balance sheet, the revaluation reserve is presented net,
4) Other reserves as envisaged by the Articles of Association are created by appropriation of profits,
5) The component of equity – foreign exchange differences – comprises foreign exchange differences resulting from the translation of the net result of a foreign entity using the weighted average rate established at the balance sheet date with reference to the average NBP rate,
6) General banking risk fund in PKO BP SA is created from profit after taxation according to the Banking Law Act dated 29 of August 1997.

Shareholders' equity also includes:

1) net profit (loss) under the approval process, decreased by planned dividends,
2) dividends declared after the balance sheet date but not paid.

The net profit (loss) for the period is gross result derived from current year income statement, adjusted by corporate income tax expense and profits (losses) of minority shareholders.

aa) Social Fund ("ZFŚS")

According to the Social Fund Act dated 4 March 1994, the Bank established a Social Fund [Zakładowy Fundusz Świadczeń Socjalnych] (Journal of Laws 1996, No. 70, item 335 with subsequent

amendments). The aim of this Fund is to finance social activities conducted for the benefit of employees and to subsidize the Bank's social facilities. The Fund's assets consist of accumulated contributions made by the Bank to the Social Fund, reduced by non-refundable expenditures from the Social Fund.

In the balance sheet, the Bank compensated the Fund's assets and liabilities due to the fact that the assets of the Social Fund are not controlled by the Bank.

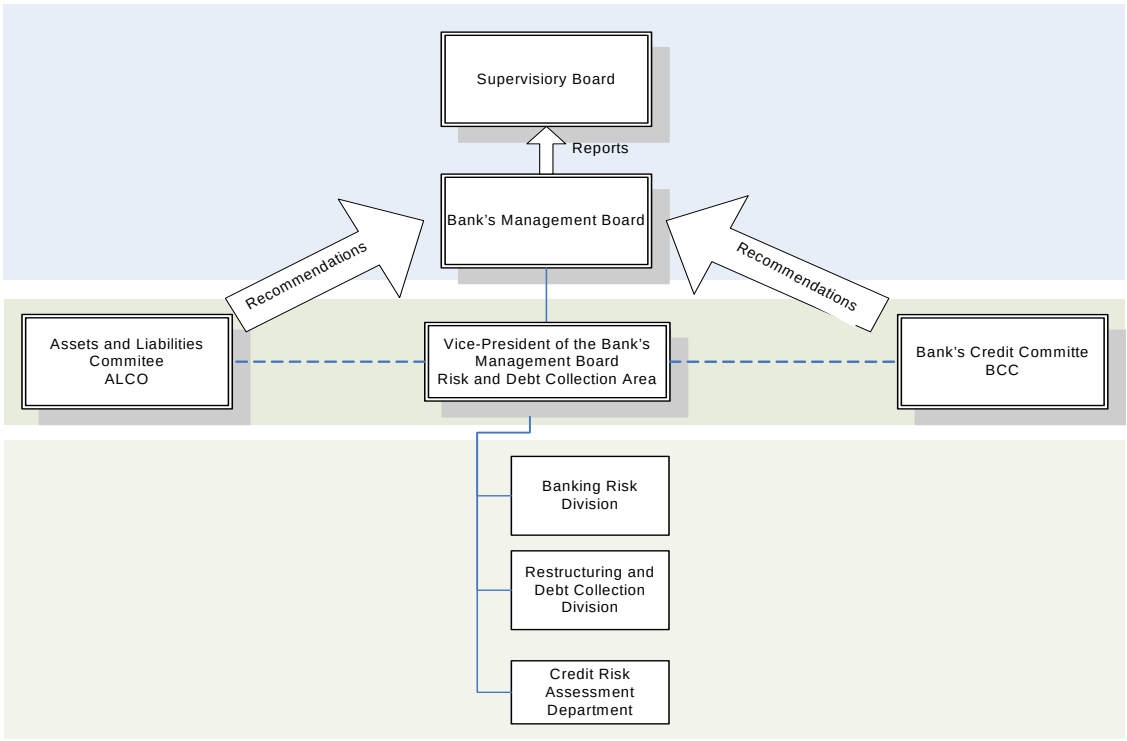
3. Objectives and principles relating to financial risk management

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

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

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

Organisational risk management model



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

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

The Banking Risk Division is managed by the Managing Director. Its tasks include first of all: development and implementation of comprehensive solutions in the area of management of credit risk, operational risk, compliance risk, market and strategic risk, as well as capital adequacy management.

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

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

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

- Assets & Liabilities Committee (KZAP),
- Credit Committee (KKB).

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

The Credit Committee takes loan decisions with regard to large individual loan exposures or issues recommendations in this respect to the Bank's Management Board.

There are also other credit committees operating at other levels of the Bank. They are responsible for issuing recommendations with regard to loan decisions which are significant due to the level of the risk involved and the size of the loan exposure.

The Bank supervises the activities of the individual Group companies. As part of this supervision, the Bank sets out and approves their development strategies, including risk management strategies, supervises their risk management systems and provides support in the development of these systems, and reflects the business risk of the particular Group companies in the reporting system of the Group.

Credit risk

Objectives and principles

The objective of creation an effective credit risk management is to increase the safety and profitability of services delivered. In this respect, the Bank and the Group companies apply the following principles:

- each loan transaction is subject to comprehensive credit risk assessment, which is reflected in an internal rating or credit scoring,
- credit risk relating to potential and concluded loan transactions is measured on a cyclical basis taking into consideration changing external conditions and changes in the financial standing of the borrowers,
- credit risk assessment is subject to additional verification by credit risk assessment forces independent of the business forces, if the criteria for the involvement of these forces are met,
- credit risk is diversified geographically, by industry, by product and by clients,
- credit decisions may be taken only by authorized persons,
- the Bank and other PKO BP SA Group companies hedge against credit risk by creating specific allowances (provisions) for the impairment of loan exposures.

Credit risk management in the Bank, KREDOBANK SA and BFL SA is conducted within the following environment:

- internal organisation which provides for the division of business functions from credit risk management functions, with defined responsibilities, tasks and mutual relations,
- system of internal regulations with defined methods of credit risk management; these regulations determine, among others, the method of assessing the credit risk arising from the individual loan exposures as well as methods of protecting against credit risk and taking loan granting decisions,
- IT environment which enables information flow necessary for credit risk assessment and control.

The credit risk management system is subject to continuous improvements and adaptation to new banking risk sources and factors.

In the year ended 31 December 2007, the Bank continued its work aiming at the development of portfolio credit risk measurement methodology, the widening of the estimated portfolio credit risk measures and performing stress tests. Portfolio credit risk measurement allows the Bank to account for credit risk in the price of its services and revise the level of impairment losses based on internal models.

In the year ended 31 December 2007, the Bank carried out intense work in order to implement appropriate solutions in the field of internal processes, IT systems and the required internal regulations to achieve compliance with the CRD Directive by the end of 2007.

In the year ended 31 December 2007, the Bank carried out a review of the internal regulations of BFL SA and KREDOBANK SA concerning credit risk management for compliance with its own credit risk management policies. As a result, the Bank issued a number of recommendations which are currently being successively implemented in these companies.

KREDOBANK SA has internal regulations concerning lending policies, taking loan granting decisions, assessment of borrowers, accepting and monitoring collateral, and identification of relationships existing between borrowers. In the year ended 31 December 2007, KREDOBANK SA revised its methodology of assessment of individual customers and prepared for testing a project of automation of the lending process related to individual customers as well as developed a set of rules and regulations for assessment of the quality of investment projects.

In the year ended 31 December 2007, BFL SA developed and implemented simplified risk assessment methods for the following new products: BanLex Leasing and BanMed Leasing, which are addressed to legal and medical sectors.

Maximum credit risk exposure

The table below presents maximum credit risk exposure of the Group as at 31 December 2007 and 31 December 2006.

Assets	31.12.2007	31.12.2006
Amounts due from banks	5 292 319	13 430 590
Financial assets held for trading	1 193 255	997 136
Derivative financial instruments	1 556 736	1 199 154
Other financial instruments at fair value through profit or loss	8 314 444	11 518 671
Loans and advances to customers	76 417 149	58 906 607
Instruments available for sale	5 636 880	6 672 538
Other assets	780 528	620 162
Total	**99 191 311**	**93 344 858**

Off-balance sheet items	31.12.2007	31.12.2006
Irrevocable liabilities granted	8 860 369	10 298 419
Guarantees granted	1 867 608	1 300 116
Letters of credit granted	562 155	237 650
Guarantees of issue (underwriting)	1 455 509	809 916
Total	**12 745 641**	**12 646 101**

Analysis of portfolio by sector

The table below shows the loans and advances granted to the Group's clients

Loans and advances granted to bank clients	31.12.2007	31.12.2006
Financial entities (other than banks)	1 221 198	369 998
Non-financial entities	73 934 130	54 921 707
State budget entities	3 677 424	6 061 924
Total gross loans and advances	**78 832 752**	**61 353 629**
Impairment allow ance	(2 415 603)	(2 447 022)
Total net loans and advances	**76 417 149**	**58 906 607**

Analysis of portfolio by rating class

Taking into account the nature of the Group's activities and the Groups credit and lease receivables volume, the most significant portfolios are kept under the Bank's and Bankowy Fundusz Leasingowy SA management. The table below presents information on credit quality of loans and advances granted by the Bank and BFL.

Exposures to corporate clients which are not considered to be individually impaired are classified by the Bank using internal ratings from A (first rate) to F (acceptable).

The following loan portfolios are covered by the rating system:

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

Analysis of the portfolio of PKO BP SA (%) by rating class (excluding public sector)

Rating class	31.12.2007	31.12.2006
A (first rate)	3%	1%
B (very good)	9%	7%
C (good)	21%	25%
D (satisfactory)	28%	21%
E (average)	26%	27%
F (acceptable)	13%	19%
Total	100%	100%

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

Analysis of exposures which are granted internal ratings is presented in the table below:

Rating class	31.12.2007*	31.12.2006*
A2 (first-rate)	0%	1%
A3 (very good)	3%	5%
A4 (good)	18%	10%
A5 (satisfactory)	26%	32%
A6 (average)	25%	27%
B1 (acceptable)	20%	20%
B2 (w eak)	6%	4%
C (doubtful)	1%	0%
D (poor)	1%	1%
Total	**100%**	**100%**

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

Collateral policy

Activities undertaken in respect of collateral are meant to properly secure the interests of the Group companies, among others by way of establishing collateral that will ensure the highest possible level of recovery in the event of enforcement activities. Policies regarding legal collateral measures are included in the internal regulations of the Group companies.

With regard to products financing acquisition of properties, the most common types of collateral include ordinary real estate mortgage and ceiling mortgage to secure an existing or future claim, suretyship/guarantee granted under general principles and bill of exchange guarantee, authorization to cash held in a bank account, promissory note and assignment of rights from the borrower's life insurance policy.

With regard to products offered to corporate clients, the most common types of collateral include registered pledge on movables, transfer of ownership of movables, authorization to cash held in a bank account, ordinary real estate mortgage and ceiling mortgage to secure an existing or future claim, suretyship/guarantee granted under general principles, promissory note.

With regard to retail banking products, the most common types of collateral include promissory note, bill of exchange guarantee and civil law suretyship/guarantee, authorization to cash held in a bank account and freezing of cash held in a bank account.

With regard to lease receivables, BFL SA, as an owner of the leased assets, treats them as a collateral for the given lease transaction. If the level of liquidity (demand for a given item of property, plant and equipment on the secondary market), rate of impairment of an asset or the financial position of the client according to the Company's internal procedures are not acceptable, an additional legal security is applied in the forms envisaged and used by banks. These mainly include registered pledges, transfers of ownership, real estate mortgages, transfers of receivables, authorizations to bank accounts, deposits, agreements for the repurchase of leased assets from their suppliers, etc.

Concentration of credit risk within the Group

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

- the biggest borrowers,
- the biggest capital groups,
- industries,
- geographical regions,
- ocurrencies.

Concentration of credit risk by the biggest business entities

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

Furthermore, according to Article 71.2 of the Banking Law, the total exposure of the Bank towards entities in which the Bank's current exposure exceeds 10% of the Bank's own funds, cannot exceed 800% of the Bank's own funds.

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

Total exposure of the Bank towards 20 biggest non-banking clients:

31.12.2007			31.12.2006		
No.	**Exposure***	**Share in the loan portfolio****	**No.**	**Exposure***	**Share in the loan portfolio****
1.	522 063	0.66%	1.	2 054 034***	3.35%
2.	411 531	0.52%	2.	632 310	1.03%
3.	307 286	0.39%	3.	604 000	0.98%
4.	304 498	0.38%	4.	502 266	0.82%
5.	291 115	0.37%	5.	383 980	0.63%
6.	273 340	0.34%	6.	345 700	0.56%
7.	268 399	0.34%	7.	258 511	0.42%
8.	264 861	0.33%	8.	257 958	0.42%
9.	259 316	0.33%	9.	206 357	0.34%
10.	255 336	0.32%	10.	202 863	0.33%
11.	204 178	0.26%	11.	200 755	0.33%
12.	201 004	0.25%	12.	198 949	0.32%
13.	190 227	0.24%	13.	181 350	0.30%
14.	179 210	0.23%	14.	176 649	0.29%
15.	176 649	0.22%	15.	171 470	0.28%
16.	175 053	0.22%	16.	162 434	0.26%
17.	170 245	0.21%	17.	145 228	0.24%
18.	169 608	0.21%	18.	133 119	0.22%
19.	162 951	0.20%	19.	133 043	0.22%
20.	152 094	0.19%	20.	127 031	0.21%
Total	4 938 964	6.21%	**Total**	7 078 007	11.54%

* Total exposure includes loans, advances, purchased debts, discounts on bills of exchange, realized guarantees and interest receivable. The value of the loan portfolio does not include off-balance and capital exposures.
** The value of the loan portfolio does not include off-balance and capital exposures.
*** Exposure to entities excluded from concentration limit based on Art. 71.3 of the Banking Law.

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

Concentration of credit risk by the biggest groups

As at 31 December 2007, the greatest exposure of the PKO BP SA Group towards a group of borrowers amounted to 2.67% and was due to the consolidation process of companies from the power supply industry. The 5 biggest groups include only clients of PKO BP SA.

Total exposure of the Group towards 5 biggest capital groups

31.12.2007			31.12.2006		
No.	**Exposure**	**Share in the loan portfolio***	**No.**	**Exposure**	**Share in the loan portfolio***
1	2 119 387	2.67%	1	1 244 383	2.02%
2	1 426 492	1.79%	2	649 038	1.06%
3	1 116 920	1.40%	3	580 689	0.95%
4	1 095 926	1.38%	4	529 951	0.86%
5	787 510	0.99%	5	437 242	0.71%
Total	**6 546 235**	**8.23%**	**Total**	**3 441 303**	**5.60%**

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

Concentration of credit risk by industry

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

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

Section	Description	31.12.2007		31.12.2006	
		Exposure	Number of entities	Exposure	Number of entities
D	Industrial processing	24.70%	15.67%	22.68%	16.32%
G	Wholesale and retail trade, repair of motor vehicles and personal and household goods	17.52%	31.68%	14.70%	33.99%
L	Public administration and national defense, obligatory social security and public health insurance	12.92%	0.58%	26.55%	0.73%
K	Property management, lease and services related to the running of business activities	10.50%	9.09%	8.66%	8.69%
F	Construction	4.98%	10.18%	3.40%	8.69%
E	Electricity, gas and water production and supply	4.20%	0.29%	6.93%	0.19%
Other exposures		25.18%	32.51%	17.08%	31.39%
Total		**100.00%**	**100.00%**	**100.00%**	**100.00%**

Concentration of credit risk by geographical region

	31.12.2007	31.12.2006
Poland		
mazowiecki	17.65%	21.20%
śląsko-opolski	13.24%	13.79%
wielkopolski	10.52%	9.42%
małopolsko-świętokrzyski	8.93%	7.84%
dolnośląski	8.00%	7.52%
lubelsko-podkarpacki	6.91%	6.91%
zachodnio-pomorski	7.01%	6.49%
łódzki	6.67%	6.41%
pomorski	6.46%	5.70%
kujawsko-pomorski	5.61%	5.51%
warmińsko-mazurski	3.69%	3.51%
podlaski	3.19%	2.57%
other (COK, CBE Inteligo and CRW)	0.06%	0.92%
Ukraine	**2.06%**	**2.21%**
Total	100.00%	100.00%

Concentration of credit risk by currency

The greatest currency exposures of the Group are those in CHF and they relate to the loan portfolio of the Bank. In the case of particular Group companies, the situation is different: for BFL SA, the greatest currency exposures are those in EUR (65%), and for KREDOBANK SA – USD loans, which account for nearly 75% of the currency loan portfolio and 39% of the total loan portfolio of that company.

A decreasing trend can be observed in the percentage of currency exposures within the Group. This is due to, among others, more rigorous criteria for granting currency housing loans, resulting from the Bank's implementation of Recommendation S concerning best practices to be applied with regard to mortgage-secured loan exposures, issued by the General Inspectorate for Banking Supervision, which became effective on 1 July 2006.

Concentration of credit risk by currency (%)

Currency	31.12.2007	31.12.2006
PLN	78.41%	75.12%
Foreign currencies, of w hich	21.59%	24.88%
CHF	15.08%	17.31%
EUR	3.88%	4.55%
USD	1.64%	2.03%
UAH	0.99%	0.99%
Total	100.00%	100.00%

Other types of concentration

In accordance with Recommendation S, the Bank implemented internal limits with regard to loans granted to individual clients for purchase of properties. In 2007 these limits had not been exceeded.

Overdue financial assets

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

Financial assets	Carrying amount	
	31.12.2007	31.12.2006
Loans and advances granted	231 451	133 671
Consumer	53 413	31 822
Corporate	118 761	45 161
Housing "old portfolio"	38 107	41 746
Housing "new portfolio"	21 170	14 942
to institutions	2 338	4 647
to individuals	18 832	10 295
Total*	**231 451**	**133 671**

* As at 31 December 2007 anexieted contracts and contracts with discounts in repayment we additionally included.

Financial assets which are overdue but not impaired include the following loans and advances granted:

Financial assets	31.12.2007		31.12.2006	
	up to 3 months	over 3 months	up to 3 months	over 3 months
Financial instruments at fair value through profit or loss	40	-	-	-
Loans and advances granted to clients of:	**1 726 117**	**35 631**	**1 222 231**	**2 152**
financial sector	426	-	1 925	-
public sector	109 653	-	94 436	-
non-financial sector	1 616 038	35 631	1 125 870	2 152
Total	**1 726 157**	**35 631**	**1 222 231**	**2 152**

The collaterals of the above receivables are mortgages, registered pledges, transfer of property rights, account lock-up, insurance, warranties and guarantees.

Individually impaired financial assets

	31.12.2007	31.12.2006
Loans and advances granted to clients	1 411 754	1 289 993
Financial assets available for sale	33 828	14 900
Total	**1 445 582**	**1 304 893**

As at 31 December 2007 the above assets were secured by the following collaterals established for the Group:

- for loans and advances to customers: ceiling mortgage and ordinary mortgage, registered pledge, promissory note of the debtor, transfer of receivables and rights to cash with a carrying amount of PLN 747,892 thousand,
- for available for sale financial assets: promissory notes, registered pledge on the bank account and debtor's shares with a value of PLN 12,600 thousand.

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

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

Renegotiated receivables

The purpose of the restructuring activity of the Group is to maximize the effectiveness of non-performing loans management, i.e. to receive highest recoveries and at the same time to limit to the minimum costs relating to those recoveries which, in case of debt collection activities, are very high.
The restructuring activities include change in payment conditions which are individually agreed in case of each contract. The changes may concern:

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

As a result of signing the restructuring agreement as well as of its timely execution, the loan being restructured is reset from overdue to current.

Evaluation of the ability of the debtor to fulfill the restructuring agreement conditions (debt payment according to agreed schedule) is an element of the restructuring process. Active restructuring agreements are monitored by the Bank on a systematic basis.

Management of assets taken over in exchange for debts

The assets taken over as a result of restructuring or debt collection activities are either used by the Group for internal purposes or designated for sale. Details of seized assets are analyzed in order to determine whether they can be used by the holding company for internal purposes. All of the assets taken over as a result of restructuring and debt collection activities in the years ended 31 December 2007 and 31 December 2006 were designated for sale.

The activities undertaken by the Group are aimed at selling the assets as soon as possible. In individual, justified cases assets are withheld from sale. This only occurs if circumstances which are beyond the control of the Group companies indicate that the sale of the assets at a later date will give rise to greater financial benefits. The primary procedure to be applied with respect to sale of assets is on unlimited tender. It is possible to choose another procedure, in cases when, due to the nature of the assets, it will assure finding a buyer and gaining more profitable offer for the Group.

The Group takes steps to broadly disseminate information about assets being sold to the public, by publishing such information on the Group companies' websites, placing announcements in national press, using internet portals, e.g. to carry out internet auctions, sending tender. In addition, PKO BP SA cooperates with two external firms operating all over Poland in respect of collection, transportation, storage and intermediation in the sale of assets taken over by the Group as a result of restructuring and debt collection activities. In addition, the Group has entered into cooperation agreements with external companies, which perform valuations of the movable and immovable properties that the Group has foreclosed or would like to foreclose in the course of realisation of collateral.

The carrying amounts of assets taken over in exchange for debts as at 31 December 2007 and 31 December 2006 are presented in Note 33, "Other assets", in line item "Non-current assets held for sale".

Market risk

Market risk includes: interest rate risk, currency risk, capital adequacy risk, derivatives risk, credit risk of financial institutions, as well as mid and long-term liquidity risk.

Market risk management is subject to constant evaluation and development in order to adopt it to changing market circumstances. The process of risk management includes the following:

1) identification of risk factors,
2) risk measurement,
3) system risk management,
4) risk monitoring,
5) risk reporting.

The market risk reporting system, as described in Management Board resolutions, is based on the following reports:

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

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

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

Interest rate risk

The objective of the interest rate risk management is to identify the areas of interest rate risk and to shape the structure of balance sheet and off-balance sheet liabilities in order to maximize the value of the net assets and interest result of the Bank within the adopted interest risk profile.

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 interest income sensitivity measures.

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

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

1) hypothetical scenarios – which are based on arbitral interest rate fluctuations: a parallel move in interest rate curves for the following currencies: PLN, EUR, USD, CHF and GBP by ±50 base points and by ±200 base points, and non-parallel moves in yield curves;
2) historical scenarios – in which interest rate fluctuations are adopted based on the behavior of interest rates in the past.

The main tools used in interest rate risk management include:

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

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

Methods of interest rate risk management in the other Group companies are defined by internal regulations implemented by those Group companies which are characterized by high values/levels of interest rate risk measures. These regulations are developed after consultation with the Bank and take into account the recommendations issued by the Bank to the Group companies.

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

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

Measures of interest rate gap and price sensitivity are determined for the other Group companies using similar methods to those used for determining the interest rate gap and price sensitivity for the Bank, taking into account the specific nature of the business conducted by the Group companies.

Fixed interest rate assets and liabilities (in PLN thousand)[1]

	31.12.2007	31.12.2006
Bank - Debt securities	10 249 727	15 021 274
Bank - Loans and advances based on fixed interest rates	327 179	734 753
Bank - Deposits from customers based on fixed interest rates	(12 201 685)	(14 660 248)
Bank - Inter-bank and negotiable placements	(19 482 320)	(16 655 690)
Bank - Inter-bank receivables	4 654 333	12 946 291
Group Entities – Assets	1 741 246	1 697 896
Group Entities – Liabilities	(1 250 901)	(960 265)
TOTAL	**(15 962 421)**	**(1 875 989)**

Floating interest rate assets and liabilities (in PLN thousand)[1]

	31.12.2007	31.12.2006
Bank - Debt securities	4 063 587	4 039 820
Bank - Loans and advances based on variable interest rates	76 601 451	59 491 751
Bank - Deposits from customers based on variable interest rates	(55 137 377)	(51 585 402)
Group Entities – Assets	1 629 518	1 013 404
Group Entities – Liabilities	(2 121 082)	(2 013 503)
TOTAL	**25 036 097**	**10 946 070**

Off-balance transactions (in PLN thousand) [1, 2]

	31.12.2007	31.12.2006
Bank - Derivatives	283 928	107 362
Group Entities - Derivatives	(425)	(195)
TOTAL	**283 503**	**107 167**

[1] For all currencies
[2] Fair value.

Repricing Gap	0-1 month	1-3 months	3-6 months	6-12 months	1-2 years	2-5 years	>5 years	Total
PLN (PLN thousand)								**31.12.2007**
Capital Group - Periodic gap	(14 351 137)	28 907 893	3 872 802	(8 663 100)	(1 277 801)	(269 576)	175 471	8 394 552
Capital Group - Cumulative gap	(14 351 137)	14 556 756	18 429 558	9 766 458	8 488 657	8 219 081	8 394 552	-
PLN (PLN thousand)								**31.12.2006**
Capital Group - Periodic gap	(19 693 389)	12 335 119	17 980 470	(2 119 939)	(2 209 503)	651 844	(34 568)	6 910 034
Capital Group - Cumulative gap	(19 693 389)	(7 358 270)	10 622 200	8 502 261	6 292 758	6 944 602	6 910 034	-
USD (USD thousand)								**31.12.2007**
Capital Group - Periodic gap	(316 854)	148 960	(63 449)	(79 846)	22 940	64 645	45 389	(178 215)
Capital Group - Cumulative gap	(316 854)	(167 894)	(231 343)	(311 189)	(288 249)	(223 604)	(178 215)	-
USD (USD thousand)								**31.12.2006**
Capital Group - Periodic gap	(444 994)	181 335	62 215	53 217	23 388	60 047	121 531	56 739
Capital Group - Cumulative gap	(444 994)	(263 659)	(201 444)	(148 227)	(124 839)	(64 792)	56 739	-

Repricing Gap	0-1 month	1-3 months	3-6 months	6-12 months	1-2 years	2-5 years	>5 years	Total
EUR (EUR thousand)								**31.12.2007**
Capital Group - Periodic gap	205 583	41 711	(24 425)	(27 655)	15 250	20 184	(45 832)	184 816
Capital Group - Cumulative gap	205 583	247 294	222 869	195 214	210 464	230 648	184 816	-
EUR (EUR thousand)								**31.12.2006**
Capital Group - Periodic gap	(500 210)	401 350	(21 537)	73 134	35 974	16 986	8 838	14 535
Capital Group - Cumulative gap	(500 210)	(98 860)	(120 397)	(47 263)	(11 289)	5 697	14 535	-
CHF (CHF thousand)								**31.12.2007**
Capital Group - Periodic gap	3 152 465	(3 155 375)	(1 091)	(2 374)	-	(330)	3 005	(3 700)
Capital Group - Cumulative gap	3 152 465	(2 910)	(4 001)	(6 375)	(6 375)	(6 705)	(3 700)	-
CHF (CHF thousand)								**31.12.2006**
Capital Group - Periodic gap	2 547 627	(2 430 896)	(966)	(1 553)	(2 565)	-	-	111 647
Capital Group - Cumulative gap	2 547 627	116 731	115 765	114 212	111 647	111 647	111 647	-

At the end of 2007 and 2006, the exposure of the PKO BP SA Group to the interest rate risk was mainly comprised of the exposure of the Bank. The interest rate risk generated by other Group companies with regard to PLN, EUR and CHF did not have a significant effect on the interest rate risk of the entire Group and therefore did not significantly affect its risk profile. The Group's exposure to the interest rate risk was within the adopted limits.

VaR and the results of stress testing analysis of the Group's financial assets exposed to the interest rate risk are presented in the following table:

	31.12.2007	31.12.2006
VaR for a 10-day time horizon (PLN thousand)*	10 521	4 813
Parallel move of interest rate curves by +200 base points (PLN thousands)	155 877	164 777

* Due to the nature of the activities carried out by the other Group companies generating significant interest rate risk and currency risk (BFL and KREDOBANK SA) as well as a the specific nature of the market in which they operate, the Bank does not calculate consolidated VaR. These companies apply their own risk measures in the interest rate risk management. KREDOBANK SA uses the 10-day interest rate VaR for the main currencies, which amounted to PLN 3.459 thousand as of 31 December 2007 and PLN 7.591 thousand as of 31 December 2006, respectively. The value of fund is calculated according to regulations concerning the calculation of capital adequacy ratio.

The level of the interest rate risk of the Group was low. As at 31 December 2007, the interest rate VaR for the holding period of 10 days (10-day VaR) amounted to PLN 10,521 thousand, which accounted for appx. 0.11% of the value of the Bank's own funds[3]. As at 31 December 2006, VaR for the Bank amounted to PLN 4,813 thousand, which accounted for appx. 0.07% of the Bank's own funds. The interest rate risk was generated mainly by the risk of a mismatch between the repricing dates of assets and liabilities.

Currency risk

The objective of currency risk management is to identify the areas of currency risk and to take measures to reduce the currency risk to acceptable levels. As part of currency risk management, the Bank's Management Board sets an adequate currency risk profile for the Bank consistent with the accepted financial plan of the Bank concerning the result from currency transactions.

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

Value at Risk (VaR) is defined as a potential loss incurred on currency positions due to fluctuations in exchange rates, while keeping an assumed level of confidence and holding period. Nethertheless, this measure does not express absolute maximal loss, on which the Group is exposed. The Bank adopts variance-covariance method with a confidence level of 99% for the purpose of determining VaR. In its currency risk management the Bank determines VaR by type of activity.

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

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

The main tools used in currency risk management include:

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

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

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

Methods of currency risk management in the other Group companies are defined by internal regulations implemented by those Group companies. These regulations are developed by these Group, which are characterized by high value/level of currency risk measures, after consultation with the Bank and taking into account the recommendations issued by the Bank to the Group companies.

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

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

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

VaR and stress analysis of the Group financial assets exposed to currency risk is stated cumulative in the table below:

	31.12.2007	**31.12.2006**
VaR for a 10-day time horizon (PLN thousands)*	1 646	2 598
Appreciation of PLN +10% (PLN thousands)	7 119	9 513

* Due to the nature of the activities carried out by the other Group companies generating significant interest rate risk and currency risk (BFL and KREDOBANK SA) as well as a the specific nature of the market in which they operate, the Bank does not calculate consolidated VaR. These companies apply their own risk measures in the interest rate risk management. KREDOBANK SA uses the 10-day interest rate VaR for the main currencies, which amounted to PLN 52 thousand and PLN 65 thousand, respectively.

Currency structure

In 2007 and 2006, the level of currency risk was low. The tables below present currency exposure by the specific types of assets, liabilities and off-balance sheet commitments.

	Currency translated to PLN – 31.12.2007				
	PLN	**EUR**	**CHF**	**Other**	**Total**
ASSETS, of which:					
Cash and balances with the Central Bank	4 376 155	129 366	7 665	169 441	**4 682 627**
Loans and advances and other amounts due from financial sector	3 496 484	1 917 534	835 214	228 571	**6 477 803**
Loans and advances to non-financial sector	57 472 069	2 608 841	11 969 316	1 919 894	**73 970 120**
Loans and advances to public sector	3 672 915	4 476	33	-	**3 677 424**
Securities	13 276 135	1 272 759	-	711 380	**15 260 274**
Non-current assets	7 764 006	-	-	211 321	**7 975 327**
Other assets and derivatives	2 587 877	152 322	1 717	98 826	**2 840 742**
TOTAL ASSETS (GROSS)	92 645 641	6 085 298	12 813 945	3 339 433	**114 884 317**
DEPRECIATION / AMORTISATION / IMPAIRMENT	(6 164 341)	(16 482)	(20 990)	(113 821)	**(6 315 634)**
TOTAL ASSETS (NET)	**86 481 300**	**6 068 816**	**12 792 955**	**3 225 612**	**108 568 683**
LIABILITIES, of which:					
Balances with the Central Bank	1 279	-	-	-	**1 279**
Amounts due to financial sector	1 905 578	1 051 685	2 128 230	467 928	**5 553 421**
Amounts due to non-financial sector	73 462 945	1 019 428	30 265	6 556 430	**81 069 068**
Amounts due to public sector	4 660 415	13 764	-	17 039	**4 691 218**
Liabilities arising from securities issued	166 823	-	-	12 037	**178 860**
Provisions	453 333	750	-	218	**454 301**
Subordinated liabilities	1 614 885	-	-	-	**1 614 885**
Other liabilities and derivatives and deferred tax liabilities	2 812 512	85 468	10 654	118 002	**3 026 636**
Equity	11 979 015	-	-	-	**11 979 015**
TOTAL LIABILITIES NAD EQUITY	97 056 785	2 171 095	2 169 149	7 171 654	**108 568 683**
OFF-BALANCE SHEET LIABILITIES GRANTED	**24 433 087**	**2 666 719**	**640 513**	**491 619**	**28 231 938**

	Currency translated to PLN – 31.12.2006				
	PLN	**EUR**	**CHF**	**Other**	**Total**
ASSETS, of which:					
Cash and balances with the Central Bank	4 322 996	133 162	7 380	164 596	**4 628 134**
Loans and advances and other amounts due from financial sector	9 437 950	1 078 344	93 410	3 191 213	**13 800 917**
Loans and advances to non-financial sector	39 744 236	2 566 686	10 798 565	1 812 220	**54 921 707**
Loans and advances to public sector	6 051 015	6 463	52	4 394	**6 061 924**
Securities	15 795 258	2 601 655	-	913 666	**19 310 579**
Non-current assets	7 578 025	-	-	154 815	**7 732 840**
Other assets and derivatives	1 982 281	29 852	1 684	64 535	**2 078 352**
TOTAL ASSETS (GROSS)	84 911 761	6 416 162	10 901 091	6 305 439	**108 534 453**
DEPRECIATION / AMORTISATION / IMPAIRMENT	(6 329 841)	(42 485)	(22 975)	(113 445)	**(6 508 746)**
TOTAL ASSETS (NET)	**78 581 920**	**6 373 677**	**10 878 116**	**6 191 994**	**102 025 707**
LIABILITIES, of which:					
Balances with the Central Bank	1 387	-	-	-	**1 387**
Amounts due to financial sector	1 767 957	1 470 045	25 922	1 373 776	**4 637 700**
Amounts due to non-financial sector	72 529 625	3 181 078	63 663	4 284 023	**80 058 389**
Amounts due to public sector	3 146 805	10 518	-	5 371	**3 162 694**
Liabilities arising from securities issued	43 722	-	-	-	**43 722**
Provisions	427 350	583	-	267	**428 200**
Other liabilities and derivatives and deferred tax liabilities	3 373 633	6 211	29 151	104 040	**3 513 035**
Equity	10 140 452	-	-	40 128	**10 180 580**
TOTAL LIABILITIES NAD EQUITY	**91 430 931**	**4 668 435**	**118 736**	**5 807 605**	**102 025 707**
OFF-BALANCE SHEET LIABILITIES GRANTED	**21 887 535**	**1 813 917**	**898 870**	**299 366**	**24 899 688**

Currency risk in the Bank is monitored and reported on a day-to-day basis. Currency positions generated in the course of principal activities are transferred to dealing activities of the Bank, where they are managed within the limits and thresholds set for this activity. Individual currency positions of a significant value in all currencies are closed on an ongoing basis within the limits set for the Bank's dealing activities.

Derivative instrument risk

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

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

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

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

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

Master agreements concluded by the Bank with the main counterparties on the basis of the master agreement of the Polish Banks Association (Związek Banków Polskich - ZBP) for domestic banks and the ISDA master agreement for foreign banks play a significant role in the process of mitigating the risk related to derivative instruments. Due to the complexity of these agreements and their significance for the Bank, the Bank implemented an internal procedure for concluding and managing such agreements.

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

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

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

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

Liquidity risk

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

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

The Bank makes use of the following liquidity risk measures:

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

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

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

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

Methods of liquidity risk management in the other Group companies are defined by internal regulations implemented by those Group companies which are characterized by high values/levels of liquidity risk measures. These regulations are developed after consultation with the Bank and taking into account the recommendations issued by the Bank to the Group companies.

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

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

Measure of the "contractual liquidity gap" is determined for the Group companies using similar methods to those used for determining the "contractual liquidity gap" for the Bank, taking into account the specific nature of the business conducted by the Group companies.

	a'vista	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 36 months	36 - 60 months	over 60 months
								31.12.2007
Capital Group - implemented periodic gap	345 692	1 396 127	3 084 207	4 257 614	6 468 291	11 809 269	6 827 315	(34 188 515)
Capital Group - implemented cumulative gap	345 692	1 741 819	4 826 026	9 083 640	15 551 931	27 361 200	34 188 515	-
								31.12.2006
Capital Group - implemented periodic gap	4 202 446	1 573 643	1 419 863	4 449 037	9 533 712	10 574 857	6 213 772	(37 967 330)
Capital Group - implemented cumulative gap	4 202 446	5 776 089	7 195 952	11 644 989	21 178 701	31 753 558	37 967 330	-

In all time horizons, the Group's cumulative[4] periodic liquidity gap as at 31 December 2007 and 31 December 2006 stated in real terms4 was positive. This means a surplus of assets receivable over liabilities payable.

Contractual off-balance sheet liquidity gap for the Bank's derivative instruments:

	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 36 months	36 - 60 months	over 60 months	Total
								31.12.2007
Total off-balance sheet receivables	3 137 822	2 213 190	2 636 408	3 901 614	9 997 467	5 491 463	6 514 926	33 892 890
Total off-balance sheet liabilities	3 224 597	2 105 843	2 498 399	3 799 604	9 412 307	5 139 605	6 236 867	32 417 222
Total individual gap	**(86 775)**	**107 347**	**138 009**	**102 010**	**585 160**	**351 858**	**278 059**	**1 475 668**
Total cumulative gap	**(86 775)**	**20 572**	**158 581**	**260 591**	**845 751**	**1 197 609**	**1 475 668**	**-**

[4] The liquidity gap in real terms of the PKO BP SA Group was calculated as the sum of the liquidity gap in real terms of the Bank and contractual liquidity gaps of the other companies from the PKO BP SA Group.

	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 36 months	36 - 60 months	over 60 months	Total
								31.12.2006
balance sheet receivables	6 774 429	2 552 398	1 581 148	2 153 376	6 685 059	5 130 427	5 915 517	30 792 354
Total off-balance sheet	6 738 555	2 468 719	1 447 950	2 205 502	6 328 020	4 788 182	5 638 867	29 615 795
Total individual gap	**35 874**	**83 679**	**133 198**	**(52 126)**	**357 039**	**342 245**	**276 650**	**1 176 559**
Total cumulative	**35 874**	**119 553**	**252 751**	**200 625**	**557 664**	**899 909**	**1 176 559**	**-**

At the end of 2007, the level of core deposits from non-financial sector represented appx. 91% of the total deposit base of the Bank, while at the end of 2006 core deposits accounted for appx. 92% of total deposit base.

Concentration of credit risk – interbank market

At the end of 2007, the exposure of the PKO BP SA Group on the interbank market was as follows (presented below are 20 largest exposures generated by the Bank alone).

Exposure of the PKO BP SA Group on the interbank market at the end of 2007:

Exposure on inter-bank market*				
Counterparty	Instrument type			Total
	Deposit	Securities	Derivatives	
Counterparty 1	379 100	-	14 974	394 074
Counterparty 2	335 965	-	-	335 965
Counterparty 3	300 000	-	5 890	305 890
Counterparty 4	293 280	-	-	293 280
Counterparty 5	276 889	-	3	276 892
Counterparty 6	232 386	-	15 464	247 850
Counterparty 7	219 040	17 910	-	236 950
Counterparty 8	-	-	204 608	204 608
Counterparty 9	204 155	-	(5 664)	204 155
Counterparty 10	179 100	-	(331)	179 100
Counterparty 11	100 000	-	65 231	165 231
Counterparty 12	150 000	-	12 373	162 373
Counterparty 13	150 000	-	(496)	150 000
Counterparty 14	-	150 451	(24 350)	126 101
Counterparty 15	100 000	-	25 792	125 792
Counterparty 16	100 000	-	25 307	125 307
Counterparty 17	108 746	-	5 286	114 032
Counterparty 18	-	-	107 840	107 840
Counterparty 19	100 000	-	-	100 000
Counterparty 20	100 000	-	-	100 000

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

Exposure of the PKO BP SA Group on the interbank market at the end of 2006:

Exposure on inter-bank market*				
Counterparty**	Instrument type			Total
	Deposit	Securities	Derivatives	
Counterparty 13	961 945	-	-	961 945
Counterparty 10	666 050	-	(422)	666 050
Counterparty 21	650 000	-	(3 881)	650 000
Counterparty 6	620 000	-	16 514	636 514
Counterparty 22	600 000	-	(1)	600 000
Counterparty 4	520 000	-	-	520 000
Counterparty 23	500 000	-	7 768	507 768
Counterparty 20	500 000	-	-	500 000
Counterparty 24	258 977	200 000	-	458 977
Counterparty 25	415 935	-	-	415 935
Counterparty 26	400 000	-	(1 235)	400 000
Counterparty 27	323 700	-	-	323 700
Counterparty 28	305 603	-	-	305 603
Counterparty 3	300 000	-	4 044	304 044
Counterparty 29	300 000	-	(2 854)	300 000
Counterparty 30	300 000	-	(6 289)	300 000
Counterparty 31	250 000	-	38 454	288 454
Counterparty 32	195 525	84 113	-	279 638
Counterparty 12	250 000	-	28 840	278 840
Counterparty 33	252 676	-	-	252 676

* Excluding exposure to the State Treasury and the National Bank of Poland
** Names of counterparts are similar with names stated in the table with highest expousure on the inter-banking market at the end 2007

For the purpose of determining the Group's exposure, placements and securities issued by the counterparties as well as the CDS transactions are stated at nominal value, while the other derivative instruments are stated at fair value. Total exposure to each counterparty ("Total") is the sum total of the exposures arising from placements and securities, increased by the exposure arising from CDS transactions (or decreased if the credit risk of the given entity has been transferred under the CDS transaction to another entity) and the exposure arising from other derivative instruments if it is possible (otherwise the exposure arising from other derivatives is not included in total exposure).

PKO BP SA has entered into derivative transactions with 14 counterparties listed in the table above, from among the Bank signed master agreements with the 11 counterparties. These agreements allow for the offsetting of mutual liabilities in the event of bankruptcy of any of the parties to the transaction. In total, at the end of 2007 PKO BP SA possessed 21 signed master agreements with domestic banks and 28 master agreements with foreign banks and lending institutions. In addition, the Bank is a party to 8 CSA (Credit Support Annex) agreements which enable it to hedge its exposure from derivative instruments and 2 ISMA agreements which allows for an offsetting of liabilities arising from REPO and BSB/SBB transactions.

Out of the 20 counterparties generating the largest exposures for PKO BP in 2006, as listed in the table above, 7 counterparties were also included in the population of the largest exposures in 2007.

Counterparties generating 20 largest exposures on the interbank market at the end of 2007 and 2006 come from the following countries (these are the countries in which the head office of the counterparty is located):

No.	Country	Counterparty
1.	Austria	Counterparty 10, Counterparty 13, Counterparty 15, Counterparty 19
2.	Belgium	Counterparty 5, Counterparty 22
3.	Denmark	Counterparty 17
4.	France	Counterparty 6, Counterparty 12, Counterparty 25, Counterparty 26,
5.	Spain	Counterparty 7, Counterparty 27, Counterparty 33
6.	Holland	Kontrhent 8
7.	Ireland	Counterparty 2, Counterparty 24
8.	Germany	Counterparty 1, Counterparty 3, Kontrachent 11, Counterparty 20
9.	Poland	Counterparty 9, Counterparty 16, Counterparty 26, Counterparty 29
10.	Portugal	Counterparty 4
11.	Sw itzerland	Counterparty 31
11.	USA	Counterparty 14
12.	Great Britain	Counterparty 18, Counterparty 21, Counterparty 23, Counterparty 28
13.	Italy	Counterparty 32

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

Rating	Counterparty
AA	Counterparty 2, Counterparty 5, Counterparty 6, Counterparty 8, Counterparty 11, Counterparty 12, Counterparty 14, Counterparty 17, Counterparty 18, Counterparty 19, Counterparty 21, Counterparty 22, Counterparty 23
A	Counterparty 1, Counterparty 3, Counterparty 4, Counterparty 7, Counterparty 9, Counterparty 10, Counterparty 13, Counterparty 15, Counterparty 16, Counterparty 20, Counterparty 24, Counterparty 29, Counterparty 32
BBB	Counterparty 28
No rating assigned	Counterparty 26

Assets and liabilities of the Group as at 31 December 2007, by maturity

Balance sheet items	Up to 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Impairment allowances	Total
Assets:							
Cash and balances with the Central Bank	4 682 627	-	-	-	-	-	**4 682 627**
Amounts due from banks	2 766 629	1 859 605	630 258	36 103	-	(276)	**5 292 319**
Financial assets held for trading	65 171	65 310	206 577	516 795	349 066	-	**1 202 919**
Other financial instruments at fair value through profit or loss	370	118	2 044 138	4 449 588	1 820 230	-	**8 314 444**
Loans and advances to customers	12 338 438	1 857 178	8 175 478	23 526 114	32 935 544	(2 415 603)	**76 417 149**
Securities available for sale	165 652	112 793	200 815	4 290 223	973 604	(26 849)	**5 716 238**
Derivative financial instruments*	1 556 736	-	-	-	-	-	**1 556 736**
Other	2 334 172	102 003	116 043	665 518	2 280 149	(111 634)	**5 386 251**
Total assets	**23 909 795**	**3 997 007**	**11 373 309**	**33 484 341**	**38 358 593**	**(2 554 362)**	**108 568 683**
Liabilities:							
Amounts due to the Central Bank	1 279	-	-	-	-	-	**1 279**
Amounts due to banks	1 059 850	623 066	102 807	2 885 161	32 230	-	**4 703 114**
Amounts due to customers	62 243 645	9 772 529	13 100 267	1 249 197	244 955	-	**86 610 593**
Liabilities arising from securities issued	53 427	102 198	11 198	12 037	-	-	**178 860**
Subordinated liabilities	-	-	-	-	1 614 885	-	**1 614 885**
Derivative financial instruments*	1 279 925	-	-	-	-	-	**1 279 925**
Other liabilities	1 164 143	657 996	192 719	100 650	85 504	-	**2 201 012**
Total liabilities:	65 802 269	11 155 789	13 406 991	4 247 045	1 977 574	-	**96 589 668**
Equity:	**-**	**-**	**-**	**-**	**11 979 015**	**-**	**11 979 015**
Total	**65 802 269**	**11 155 789**	**13 406 991**	**4 247 045**	**13 956 589**	**-**	**108 568 683**
Liquidity gap :	**(41 892 474)**	**(7 158 782)**	**(2 033 682)**	**29 237 296**	**24 402 004**	**(2 554 362)**	**-**

***** Additionally, the split of derivative instruments nationals according to maturity is presented in Note 26.

Assets and liabilities of the Group as at 31 December 2006, by maturity

Balance sheet items	Up to 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Impairment allowances	Total
Assets:							
Cash and balances with the Central Bank	4 628 134	-	-	-	-	-	**4 628 134**
Amounts due from banks	8 019 055	1 550 355	3 703 989	157 520	-	(329)	**13 430 590**
Financial assets held for trading	612 770	88 616	134 645	38 987	123 617	-	**998 635**
Other financial instruments at fair value through profit or loss	381 996	154 689	2 286 520	5 583 504	3 111 996	-	**11 518 705**
Loans and advances to customers	10 614 323	1 708 330	9 294 876	20 192 246	19 543 854	(2 447 022)	**58 906 607**
Securities available for sale	33 312	190 478	1 206 153	2 447 291	2 916 005	(30 051)	**6 763 188**
Derivative financial instruments*	1 199 154	-	-	-	-	-	**1 199 154**
Other	273 470	300 631	204 042	852 945	3 172 427	(222 821)	**4 580 694**
Total assets	**25 762 214**	**3 993 099**	**16 830 225**	**29 272 493**	**28 867 899**	**(2 700 223)**	**102 025 707**
Liabilities:							
Amounts due to the Central Bank	1 387	-	-	-	-	-	**1 387**
Amounts due to banks	2 022 976	878 280	968 649	379 493	102 210	-	**4 351 608**
Amounts due to customers	54 782 055	11 267 072	15 776 427	1 585 783	95 838	-	**83 507 175**
Liabilities arising from securities issued	-	-	43 722	-	-	-	**43 722**
Derivative financial instruments*	1 097 806	-	-	-	-	-	**1 097 806**
Other liabilities	363 822	1 613 440	471 570	86 613	307 984	-	**2 843 429**
Total liabilities:	58 268 046	13 758 792	17 260 368	2 051 889	506 032	-	**91 845 127**
Equity:	**-**	**-**	**-**	**-**	**10 180 580**	**-**	**10 180 580**
Total	**58 268 046**	**13 758 792**	**17 260 368**	**2 051 889**	**10 686 612**	**-**	**102 025 707**
Liquidity gap :	**(32 505 832)**	**(9 765 693)**	**(430 143)**	**27 220 604**	**18 181 287**	**(2 700 223)**	**-**

* Additionally, the split of derivative instruments nationals according to maturity is presented in Note 26.

Capital management

In 2007, as part of the activities carried out in order to achieve compliance with the CRD directive, the Bank developed and approved regulations setting out the principles of capital management (effective from 1 January 2008).

The objective of capital management in the Group is to maintain capital, at all times, at a level that is adequate to the risk profile of the Group, as well as to improve the Group's performance and enhance its value to the shareholders. Capital management processes in the Bank include the following:

1) maintaining, on a continuous basis, an adequate level of capital,
2) capital adequacy assessment,
3) realisation of the capital objectives set by the Bank,
4) assessment of the profitability of the individual profit centres and the individual Group companies,
5) monitoring of the level of capital adequacy ratio.

Capital management reports are submitted to ALCO for information purposes.

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

Basic funds are comprised of the following items:

1) principal funds comprising: initial capital, reserve capital, other reserve capital,
2) general banking risk fund,
3) retained earnings,
4) net profit under authorisation and net profit for the period, calculated in accordance with the accounting principles currently in force, less any expected charges and dividends, at an amount not higher that the amounts of profit verified by external auditors.

Basic funds are reduced by deducting the following items:

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

Supplementary funds are comprised of the following items:

1) unrealised gains on debt and equity instruments classified as available for sale – at an amount of 60% of their pre-tax value,
2) subordinated liabilities – at the amount defined in the decision of the Commission for Banking Supervision and in accordance with the principles set out therein.

Supplementary funds are reduced by 50% of the value of the bank's equity exposures to financial institutions, lending institutions, domestic banks, foreign banks and insurance companies. If, as a result of these deductions, the value of supplementary funds falls below zero, the resulting amount is deducted from basic funds.

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

1) goodwill of subsidiaries, associates and jointly controlled entities (which decreases the value of own funds),
2) negative goodwill of subsidiaries, associates and jointly controlled entities (which increases the value of own funds),
3) minority interests in equity (which increase the value of own funds),
4) foreign exchange differences from translation of foreign operations (foreign exchange losses decrease and foreign exchange gains increase the value of own funds).

The value of short-term capital reflects the sum total of daily market gains:

1) in 2006 – for the entire year 2006,
2) in 2007 – for the second half of 2007 - due to the inclusion in own funds of a portion of the verified profit for the first half of 2007.

In 2007, the value of own funds of the Group increased by PLN 2,906,572 thousand, which was mainly due to the following:

1) issue of subordinated debt by the Bank in the 4th quarter of 2007 in the amount of PLN 1,600,700 thousand and obtaining permission from the Commission for Banking Supervision for including these subordinated liabilities in supplementary funds,
2) including a portion of the Bank's net profit for the year 2006, in the amount of PLN 1,067,391 thousand, in principal funds,
3) including a portion of the verified profit for the first half of 2007, in the amount of PLN 653,720 thousand, in the basic funds of the Bank.

A detailed analysis of own funds of the Group is presented in the table below.

GROUP'S EQUITY	31.12.2007	31.12.2006
Basic funds (Tier 1)	**8 449 415**	**6 928 141**
Share capital	1 000 000	1 000 000
Reserve capital	5 592 311	4 529 920
Other reserve capital	1 518 025	1 505 943
General risk fund for unrealised banking activity risk	1 070 000	1 070 000
Result of the current period in the part verified by a certified auditor after reduction of forecasted charges	653 720	-
Unrealised losses on debt and equity securities classified as available for sale	(55 228)	(4 119)
Result from previous years	(72 192)	(166 771)
Intangible assets	(1 183 491)	(944 028)
Capital exposure	(84 035)	(151 406)
Exchange results from foreign entities translation	(47 761)	(13 672)
Minority interests	58 066	102 274
Supplementary funds (Tier 2)	**1 517 988**	**-**
Subordinated liabilities classified as complimentary equity	1 600 700	-
Unrealised profits on debt and equity classified as available for sale (up to 60% value before tax)	1 323	5 297
Capital exposure	(84 035)	(5 297)
Short-term equity (Tier 3)	**15 997**	**148 687**
TOTAL EQUITY	**9 983 400**	**7 076 828**

In the calculation of the capital adequacy ratio, the Group considers capital requirements relating to the following risks:

1) credit risk,
2) market risk,
3) settlement risk (delivery risk and counterparty risk).

The Bank and the other entities in the PKO BP SA Group are subject to regulations concerning the level of the capital adequacy ratio and capital requirements, as set out in the Banking Law and Resolutions of the Commission for Banking Supervision Nos. 1/2007, 2/2007, 3/2007, 4/2007 of 13 March 2007.

In the period under review, the PKO BP SA Group did not identify any breaches in the above respect.

The capital adequacy ratio as at 31 December 2007 amounted to 12.02%, which means an increase of 0.22 p.p. compared to 31 December 2006. The increase in the capital adequacy ratio was mainly due to the incorporation of the Bank's profits for 2006 and the verified part of the Bank's profits for 2007, decreased by any known deductions from these profits, in the Bank's equity, which caused a

total increase in the value of equity by 18%, as well as the inclusion of subordinated liabilities in the Bank's own funds, which caused an increase in the value of the Group's own funds by 17%.

Capital adequacy risk

The objective of capital adequacy management is to ensure compliance of the Bank and the PKO BP SA Group with prudence regulations relating to capital requirements arising from the level of taken risk, which are quantified in the form of capital adequacy ratio.

The main tools used in capital adequacy management are as follows:

1) selection of the methods of measurement of capital requirements for the individual types of risk which will be optimal in terms of the level of required capital, in accordance with Resolution 1/2007 of the Commission for Banking Supervision,
2) internal procedures determining among others: classification of new operations to the trading book or to the banking book and the method of calculation of capital requirements for the individual types of risk,
3) activities related to management of the level of own funds.

The Bank calculates capital requirements for the following risks:

1) credit risk in the banking book, including credit risk of derivative instruments,
2) currency risk jointly in the banking book and in the trading book,
3) equity price risk in the trading book (generic risk and specific risk),
4) generic interest rate risk in the trading book,
5) specific debt securities' price risk in the trading book,
6) counterparty risk and settlement-delivery risk in the trading book,
7) risk of the potential exceeding of exposure concentration limits and limits for large exposures as well as the capital concentration limit,
8) operational risk; however, in accordance with the regulations in force, capital requirements for operational risk were not included in the calculation of capital adequacy in 2007.

Group companies have no trading book, and therefore they do not generate capital requirement for market risk (except for currency risk); they only generate capital requirements for credit risk and operational risk.

The level of the Bank's capital adequacy in 2007 was safe. Due to dynamic development of lending activities and implementation, as of 1 January 2008, of the requirements of the New Capital Accord, which resulted in increased capital requirements, the holding company took the following actions in order to maintain the capital adequacy ratio above the level of 10%:

- in the 3rd quarter of 2007, part of the Bank's veified net profit for the first half of 2007 was included in own funds of the Bank,
- in the 4th quarter of 2007, the Bank conducted an issue of subordinated debt and acquired permission of the Commission for Banking Supervision for including it in the Bank's own funds.

In addition, the Bank continued to conduct preparatory work to enable securitization of transactions and issue of shares.

In 2007, as part of the activities aimed at achieving compliance with the requirements of the New Capital Accord concerning calculation of capital requirements, in accordance with Resolution 1/2007 of the Commission for Banking Supervision dated 13 March 2007, the holding company performed the following activities:

1) adjusted its information systems to enable calculation and reporting of capital requirements,
2) adjusted its internal processes to comply with capital adequacy reporting requirements,
3) developed and approved internal regulations setting out capital management policies (effective from 1 January 2008).

An important area of the New Capital Accord which required an adjustment in 2007 of the Bank's information systems, processes and procedures, is capital management in the Bank and in the Group, in accordance with Resolution 4/2007 of the Commission for Banking Supervision dated 13 March 2007 (the so called ICAAP process). The objective of capital management in the Bank is to maintain capital, at all times, at a level that is adequate to the risk profile of the Bank's Capital Group and to improve performance of the Group and enhance its value to the shareholders. Capital management involves an assessment of the level of equity (capital adequacy of the Group, profitability of the individual Bank's business lines and individual Group companies) as well as an assessment of the level of internal capital (adequacy of the economic capital required to cover each type of risk in the Bank and in the Group companies). The internal capital management process in the holding company involves the following:

1) identification of significant risks, including in particular:
   – credit risk (including credit default risk),
   – market risk (including currency risk, interest rate risk, liquidity risk),
   – operational risk,
   – business risk (including strategic risk, reputation risk),
2) assessment of internal capital for the individual types of risk,
3) calculation of aggregated internal capital for all significant risks arising in the operations of the Bank and of the Group companies,
4) stress testing of capital adequacy.

In addition, in 2007 the Bank developed and approved its public reporting policy in respect of capital adequacy, in accordance with the requirements of Resolution 6/2007 of the Commission for Banking Supervision dated 13 March 2007. This policy sets out the scope, frequency, place and form of publications as well as the method of verification of the disclosures relating to capital adequacy and of the information covered by publishing requirements, as defined in Resolution 6/2007 of the Commission for Banking Supervision. The document which contains the public reporting policy in respect of capital adequacy is available on the Bank's website. Communications about how to gain access to this policy are generally available in the branches of the Bank.

In accordance with § 6 of Resolution 6/2007 of the Commission for Banking Supervision, the holding company publishes information about capital adequacy in a document separate from the financial statements on an annual basis, not later than within 30 days of the date of authorization of the annual financial statements by the Annual General Shareholders' Meeting.

Exposure to risk

The tables below present the exposure of the Group to credit risk as well as to the individual types of market risk. The amounts have been calculated according to Resolution No. 1/2007 of the Commission for Banking Supervision dated 13 March 2007.

In the case of credit risk for balance sheet receivables, the risk weighted value is calculated as the product of the carrying amount and the risk weight appropriate for the given client and type of collateral.

For derivatives, the risk weighted value of credit risk exposure is obtained by calculating the balance sheet equivalent of a derivative using the original exposure method for transactions in the banking portfolio.

In the case of the other off-balance sheet liabilities, the credit risk exposure is calculated as the product of the balance sheet equivalent (being the product of the nominal value of off-balance sheet liability and percentage risk weight) and the risk weight appropriate for the given client and type of collateral.

Capital requirements resulting from credit risk are calculated as the sum total of risk weighted assets and off-balance sheet liabilities in the banking portfolio multiplied by 8%.

In the case of instruments classified to trading portfolio, capital requirements are calculated for the individual types of market risk.

Capital requirement structure as at 31 December 2007:

Balance sheet items

Instrument type	Carrying amount	Risk weighted value
Cash	1 708 936	-
Receivables	81 969 560	67 899 587
Debt securities	11 951 685	152 804
Other securities, shares	460 261	345 760
Non-current assets	4 003 594	2 820 103
Other	5 474 406	3 481 430
Total banking portfolio	**105 568 442**	**74 699 684**
Debt securities	2 990 576	1 089 407
Equity securities held for trading in the trading portfolio of the Bank	9 665	9 665
Total trading portfolio	**3 000 241**	**1 099 072**
Total balance sheet instruments	**108 568 683**	**75 798 756**

Off-balance sheet instruments

Instrument type	Replacement cost	Balance sheet equivalent	Risk weighted value
Derivatives			
Interest rate instruments:	*198 682 731*	*1 570 408*	*314 081*
FRA	73 860 000	243 636	48 727
IRS	124 822 731	1 326 772	265 354
Foreign currency instruments:	*14 823 154*	887 744	*178 302*
Currency forwards	1 469 673	16 272	3 254
Forwards - embedded derivatives	199	2	1
SWAP	2 268 825	22 688	4 538
CIRS	11 049 300	845 774	169 155
Options (delta equivalents - purchase of options)	35 157	3 008	1 354
Other instruments:	*303 726*	*29 460*	*6 327*
CDS	231 325	27 993	5 597
Other (including option sale, weighted risk 0%)	72 401	1 467	730
Total derivatives	**213 809 611**	**2 487 612**	**498 710**
of which:			
banking portfolio	38 235 646	1 150 782	230 591
trading portfolio	175 573 965	1 336 830	268 119

Other off-balance sheet instruments			
Instrument type	**Off-balance sheet value**	**Balance sheet equivalent**	**Risk weighted value**
Credit liabilities and other financial liabilities	25 551 010	3 879 300	3 851 352
Guarantees issued	1 256 670	694 901	691 375
Letters of credit	562 155	280 758	280 487
Other	572 033	309 616	262 547
Total banking portfolio	**27 941 868**	**5 164 575**	**5 085 761**
Underwriting guarantees	9 107	-	-
Guarantees of issue	1 455 509	1 455 509	1 248 269
Total trading portfolio	**1 464 616**	**1 455 509**	**1 248 269**

	Carrying amount and off-balance sheet value	**Risk weighted value**	**Capital requirement**
Total banking portfolio (credit risk)	**171 745 956**	**80 016 036**	**6 401 283**

Capital requirements for trading portfolio (market risk)	**Capital requirement**
Market risk	**220 143**
of which:	
Equity securities price risk	1 187
Debt instruments specific risk	166 634
Interest general risk	52 322
Other:	**24 248**
Settlement risk - delivery and contractor	24 248
Total capital requirement (credit and market risk)	**6 645 674**

Credit and market risk as at 31 December 2006:

Balance sheet items		
Instrument type	**Carrying amount**	**Risk weighted value**
Cash	1 429 379	-
Receivables	72 337 197	48 129 203
Debt securities	15 202 985	265 465
Other securities, shares	192 324	81 754
Non-current assets	3 599 069	2 655 041
Other	5 203 271	3 208 279
Total banking portfolio	**97 964 225**	**54 339 742**
Debt securities	4 059 987	2 048 461
Equity securities held for trading in the trading portfolio of the Bank	1 495	1 495
Total trading portfolio	**4 061 482**	**2 049 956**
Total balance sheet instruments	**102 025 707**	**56 389 698**

Off-balance sheet instruments			
Instrument type	**Replacement cost**	**Balance sheet equivalent**	**Risk weighted value**
Derivatives			
Interest rate instruments:	*137 881 756*	*1 178 589*	*235 718*
FRA	62 075 000	199 614	39 923
IRS	75 806 756	978 975	195 795
Foreign currency instruments:	*15 367 913*	*1 134 742*	*227 335*
Currency forwards	982 571	34 970	6 994
Forwards - embedded derivatives	3 809	1 181	591
SWAP	3 778 498	184 163	36 833
CIRS	833	50	10
FX futures	10 598 238	914 234	182 847
Options (delta equivalents - purchase of options)	3 964	144	60
Total derivatives	**153 249 669**	**2 313 331**	**463 053**
of which:			
banking portfolio	27 923 211	1 217 802	243 916
trading portfolio	125 326 458	1 095 529	219 137

Other off-balance sheet instruments			
Instrument type	**Carrying amount and off-balance sheet value**	**Balance sheet equivalent**	**Risk weighted value**
Credit liabilities and other financial liabilities	23 615 395	3 363 632	2 629 874
Guarantees issued	656 698	401 316	395 706
Letters of credit	237 650	108 929	108 258
Other	3 208 300	835 043	381 150
Total banking portfolio	**27 718 043**	**4 708 920**	**3 514 988**
Guarantees of issue	809 916	809 916	713 916
Total trading portfolio	**809 916**	**809 916**	**713 916**

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

Capital requirements for trading portfolio (market riskt)	**Capital requirement**
Market risk	**132 165**
of which:	
Equity securities price risk	214
Dept instruments specific risk	94 618
Interest general risk	37 333
Other:	**16 522**
Settlement risk - delivery and contractor	16 522
Total capital requirement (credit and market risk)	**4 796 579**

	31.12.2007	**31.12.2006**
Capital adequacy ratio	**12.02**	**11.80***

*Capital adequacy ratio as at 31 December 2006 was calculated based on restated data to reflect changes in the Banking Law, and the publication of Resolution No. 2/2007 of the Commission for Banking Supervision

Operational risk

Objectives and principles of operational risk management

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

The Group is guided by the following rules in operational risk management:

- operational risk management policies and procedures cover the full scope of the Group's activities,
- the above-mentioned regulations are in principle uniform in all of the Group companies, while any potential differences arise from the specific nature and size of the operations carried out by the Group companies,
- defined responsibilities and reporting lines in the area of operational risk management at various decision-taking levels,
- defined operational risk identification and assessment processes for all major areas of the Group's activities,
- operational risk management is performed at the level of comprehensive system solutions as well as day-to-day risk management activities.

Cooperation between the Group companies in the area of operational risk management is coordinated by the Compliance and Operational Risk Office of PKO BP SA, which, among others, issues opinions on the internal regulations governing the comprehensive system-based operational risk management, monitors operational events and reports on the Group's operational risks to the Management Board and Supervisory Board of the Bank. The holding company has the greatest impact on the Group's operational risk profile. The Group companies, due to considerably smaller size of their operations, generate only a limited exposure to operational risk.

In 2007, the Group companies improved the operational risk management process by implementing new solutions in the area of identification of operational risk, classification of operational events and calculation of the capital requirement for operational risk.

4. Fair value of financial assets and financial liabilities

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

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

As for many financial instruments there is no available market value, their fair values have been estimated using various valuation techniques. The fair value of financial instruments was measured using a model based on estimating the present value of future cash flows by discounting them using current interest rates. Any model calculations include certain simplifying assumptions and therefore are sensitive to those assumptions. Described below is the summary of main methods and assumptions used during estimation of fair values of financial instruments which are not presented in fair values in the Group's balance sheet.

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

- loans and advances granted by the Group to clients: loans with a maturity of up to 1 year, part of the housing loans portfolio (the "old" housing loans portfolio), loans with no specified

repayment schedule, new products that have been introduced to the Group's offer in the last quarter of the financial year,

– liabilities towards clients: liabilities with no specified payment schedule, liabilities based on variable interest rates with a maturity up to 1 year, other specific products for which no market exists, such as housing plan passbooks, bills of savings.

As regards loans and advances granted to clients, the fair value of those instruments has been calculated using discounted future cash flows applying current interest rates plus risk margin as well as agreed scheduled repayment dates in real terms. The actual margin level has been established based on transactions on instruments with similar credit risk executed during the quarter ended as of the balance sheet date.

Fair value of deposits and other liabilities towards clients different than banks with scheduled due date have been calculated using discounted future cash flows applying current interest rates for deposits with similar due dates.

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

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

The table below shows a summary of the carrying amounts and fair values for the individual groups of financial instruments which have not been presented at fair value in the Group's balance sheets as at 31 December 2007 and 2006, and for which there is a difference between their fair value and carrying amount:

	As at 31.12.2007		As at 31.12.2006	
	Carrying amount	Fair value	Carrying amount	Fair value
Amounts due from banks	5 292 319	5 287 519	13 430 590	13 429 199
Loans and advances to customers	76 417 149	76 816 457	58 906 607	59 106 992
Amounts due to other banks	4 703 114	4 702 821	4 351 608	4 351 351
Amounts due to customers	86 610 593	86 616 174	83 507 175	83 506 434
Subordinated liabilities	1 614 885	1 619 115	-	-

5. Custodial activities

The Bank is a direct participant in the National Depository for Securities (*Krajowy Depozyt Papierów Wartościowych*) and the Securities Register (at the National Bank of Poland). The Bank keeps customer investment accounts and services transactions made on the domestic and foreign markets, and provides custodial and asset management services. The assets held by the Bank under custodial services have not been disclosed in these consolidated financial statements due to the fact that they do not meet the criteria to be recognised as the Bank's assets.

6. Assets' securitization and debt package sales

During the years 2005 - 2006, the Bank sold a number of receivables classified as "lost" (balance sheet and off-balance sheet receivables) due to the Bank from corporate entities and retail clients. About 137,000 receivables were sold in total, with a total value of appx. PLN 2 billion. Due to the fact that the buyers are allowed to raise claims with regard to the receivables sold to them within the deadlines set out in the respective debt sale agreements, the Bank recognized provisions for potential claims, including those that had been raised until the date of these financial statements. The total carrying amount of these provisions as at 31 December 2007 is PLN 9,894 thousand (as at 31 December was PLN 39,290 thousand, respectively). The Bank did not receive any securities under the above transactions. In 2007 the Bank did not sell any portfolios of receivables.

7. Segment reporting

The primary segmentation key of the Group is based on business type (business segments) and the secondary - on geographical area (geographical segments).

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

Business segments

Segmentation by business is as follows:

- Corporate Segment includes transactions of the holding company with large corporate clients and the activity of Bankowy Fundusz Leasingowy SA.
- Retail Segment includes transactions of the holding company with small and medium sized companies and with private individuals as well as the activity of the following subsidiaries: KREDOBANK SA, Powszechne Towarzystwo Emerytalne Bankowy SA, PKO Towarzystwo Funduszy Inwestycyjnych SA, Inteligo Financial Services SA and Centrum Elektronicznych Usług Płatniczych eService SA.
- Treasury Segment includes inter-bank transactions, transactions in derivative instruments and debt securities,
- Investment Segment includes brokerage and investing activities of the holding company as well as the activity of Bankowe Towarzystwo Kapitałowe SA,
- Housing Segment includes transactions of the holding company connected with granting housing loans and accepting housing deposits as well as the activity of PKO Inwestycje Sp. z o.o.

The Bank did not separate any other segments as a result of not having reached any of the thresholds set forth in IAS 14, which are as follow:

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

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

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

The tables below present data concerning revenue and results of the particular business segments of the Group for the years ended 31 December 2007 and 31 December 2006, as well as selected assets and liabilities as at 31 December 2007 and 31 December 2006. The figures for the year 2006 have been restated to ensure comparability.

For the year ended 31 December 2007	Continued activities					
	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Housing Segment	All activities
Revenue						
External customer - related revenues	1 436 300	5 881 059	1 120 939	252 711	2 529 976	**11 220 985**
Sale among segments	-	31 998	-	-	2 957	**34 955**
Total segment revenue	1 436 300	5 913 057	1 120 939	252 711	2 532 933	**11 255 940**
Result						
Segment result	274 933	2 175 371	65 895	147 331	637 962	**3 301 492**
Unallocated result together w ith the result of unseparated segments	-	-	-	-	-	**71 932**
Difference betw een FX Sw ap and CIRS results (sw ap points) reported in B/S and management accounts	-	-	-	-	-	**231 434**
Result from continued activities before taxation	-	-	-	-	-	**3 604 858**
Share in the results of associates	-	-	-	-	-	**4 372**
Result before taxation and minority interest	-	-	-	-	-	**3 609 230**
Income tax (tax expense)	-	-	-	-	-	**(667 838)**
Profits/(loss) of minority shareholders	-	-	-	-	-	**37 760**
Net profit for the year	-	-	-	-	-	**2 903 632**

As at 31 December 2007	Continued activities					
	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Housing Segment	All activities
Assets and liabilities and equities						
Segment assets	22 276 903	27 778 372	17 397 052	1 137 723	35 235 885	**103 825 935**
Investments in associates and jointly controlled entities	-	-	-	178 584	-	**178 584**
Unallocated assets	-	-	-	-	-	**4 564 164**
Total assets	-	-	-	-	-	**108 568 683**
Segment liabilities and segment result	15 009 989	65 169 109	1 804 410	775 248	12 327 608	**95 086 364**
Unallocated liabilities and capital	-	-	-	-	-	**13 482 319**
Total liabilities	-	-	-	-	-	**108 568 683**
Other segment information						
Impairment allow ances*	73 014	(239 307)	-	6 168	24 764	**(135 361)**
Capital expenditure on tangible and intangible fixed assets	-	-	-	-	-	**782 726**
Depreciation of tangible and amortization of intangible fixed assets	-	-	-	-	-	**380 570**

* Does not include the result on impairment of non-separated segments

For the year ended 31 December 2006	Continued activities					
	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Housing Segment	All activities
Revenues						
External customer - related revenues	1 200 509	4 167 483	1 522 710	201 141	2 009 746	**9 101 589**
Sale among segments	-	43 827	-	-	3 020	**46 847**
Total segment revenue	1 200 509	4 211 310	1 522 710	201 141	2 012 766	**9 148 436**
Result						
Segment result	270 049	1 392 440	118 612	110 179	535 806	**2 427 086**
Unallocated result together w ith the result of unseparated segments	-	-	-	-	-	**39 970**
Difference betw een FX Sw ap and CIRS results (sw ap points) reported in B/S and management accounts	-	-	-	-	-	**238 137**
Result from continued activities before taxation	-	-	-	-	-	**2 705 193**
Share in the results of associates	-	-	-	-	-	**(3 705)**
Result before taxation and minority interest	-	-	-	-	-	**2 701 488**
Income tax (tax expense)	-	-	-	-	-	**(494 039)**
Profits/(loss) of minority shareholders	-	-	-	-	-	**58 397**
Net profit for the period	-	-	-	-	-	**2 149 052**

As at 31 December 2006	Continued activities					
	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Housing Segment	All activities
Assets and liabilities and equities						
Segment assets	19 293 605	19 127 175	28 158 790	1 619 540	25 137 161	**93 336 271**
Investments in associates and jointly controlled entities	-	-	-	180 162	-	**180 162**
Unallocated assets	-	-	-	-	-	**8 509 274**
Total assets	**-**	**-**	**-**	**-**	**-**	**102 025 707**
Segment liabilities and segment result	11 003 202	65 003 017	4 078 452	481 796	10 743 159	**91 309 626**
Unallocated liabilities and capital	-	-	-	-	-	**10 716 081**
Total liabilities	**-**	**-**	**-**	**-**	**-**	**102 025 707**

Other segment information						
Impairment allow ances*	73 156	(109 678)	-	15 177	22 277	**932**
Capital expenditure on tangible and intangible fixed assets	-	-	-	-	-	**581 564**
Depreciation of tangible and amortization of intangible fixed assets	-	-	-	-	-	**317 911**

* Does not include the result on impairment of non-separated segments

Segmentation by geographical region

Taking into account the fact that the Group's activity is also conducted outside Poland, segmentation by geographical region is a secondary reporting format.

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

Outside Poland, the Group carries out business activities in Ukraine - through KREDOBANK S.A. and UKRPOLINWESTYCJE Sp. z o.o.

The scope of the Group's activities outside Poland is relatively small compared to the results of the whole Group.

The tables below present revenues for the years ended 31 December 2007 and 31 December 2006, as well as capital expenditures and certain types of assets of the individual geographical segments as at 31 December 2007 and 31 December 2006, respectively.

For the year ended 31 December 2007	Poland	Ukraine	Total
Revenues			
Total segment revenues	10 943 556	312 384	11 255 940
Other segment information			
Segment assets	106 419 005	1 971 094	108 390 099
Investments in associates and jointly controlled entieties	178 584	-	178 584
Total assets	106 597 589	1 971 094	108 568 683
Capital expenditure on tangible and intangible fixed assets	712 823	69 903	782 726

For the year ended 31 December 2006	Poland	Ukraine	Total
Revenues			
Total segment revenues	8 912 993	235 443	9 148 436
Other segment information			
Segment assets	100 058 282	1 787 263	101 845 545
Investments in associates and jointly controlled entieties	180 162	-	180 162
Total assets	100 238 444	1 787 263	102 025 707
Capital expenditure on tangible and intangible fixed assets	513 595	67 969	581 564

8. Interest income and expenses

Interest income

	2007	2006
Income from loans and advances granted to customers	5 164 104	3 918 884
Income from securities at fair value through profit or loss	561 346	762 133
Income from placements w ith other banks	516 975	570 628
Income from investment securities	242 513	259 710
Income from trading securities	24 527	22 696
Other	72 926	60 720
Total	**6 582 391**	**5 594 771**

Interest expenses

	2007	2006
Relating to amounts due to customers	(1 699 494)	(1 557 426)
Relating to placements of other banks	(130 197)	(90 353)
Relating to ow n issue of debt securities	(28 711)	(5 160)
Relating to other placements from the money market	-	(4 964)
Other	(80 261)	(104 689)
Total	**(1 938 663)**	**(1 762 592)**

In the year ended 31 December 2007, the total amount of interest income, calculated using the effective interest rate method, arising from financial assets not valued at fair value through profit or loss, amounted to PLN 5,996,518 thousand (in the year ended 31 December 2006: PLN 4,809,942 thousand). In the year ended ended 31 December 2007, interest expense, calculated using the effective interest rate method, arising from financial liabilities which are not valued at fair value through profit or loss, amounted to PLN (1,893,712) thousand. In the year ended 31 December 2006: PLN (1,717,641) thousand.

Presented below is information on the net gains and losses on loans and advances and financial liabilities measured at amortized cost.

Net gains and losses on financial assets and liabilities measured at amortized cost*

2007	Gains	Losses	Net result
Loans and advances	5 813 771	-	5 813 771
Financial liabilities evaluated according to amortised cost	-	(1 858 402)	(1 858 402)
Total	**5 813 771**	**(1 858 402)**	**3 955 369**

2006	Gains	Losses	Net result
Loans and advances	4 711 522	-	4 711 522
Financial liabilities evaluated according to amortised cost	-	(1 657 903)	(1 657 903)
Total	**4 711 522**	**(1 657 903)**	**3 053 619**

* These items include selected balances of interest income/expense, fees and commission income/expense and result on impairment allowances.

9. Fees and commission income and expenses

Fees and commission income

	2007	2006
Revenues from financial assets, which are evaluated according to fair value through profits or losses, of which:	**257 241**	**224 204**
From loans and advances granted	257 241	224 204
Other fees and commissions	**2 763 588**	**2 071 306**
From accounts servicing	777 700	742 132
Relating to payment cards	705 767	549 936
From investment funds servicing (including management fees)	610 441	215 968
From credit insurance	202 260	46 300
From cash transactions	204 026	208 612
From operations with securities	87 722	71 277
From foreign mass transactions servicing	36 878	38 216
From sale and distribution of treasury stamps	28 523	56 457
Other*	110 271	142 408
From trust servicing	**1 207**	**589**
Total	**3 022 036**	**2 296 099**

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

Fees and commission expenses

	2007	2006
Relating to payment cards	(254 078)	(203 476)
Relating to acquisition services	(125 790)	(121 053)
From credit insurance	(152 205)	(6 880)
From asset management	(105 197)	(48 319)
From fees and commissions for operating services of other banks	(9 264)	(9 286)
From fees and commissions paid PPUP	(5 735)	(6 469)
Other*	(34 568)	(34 364)
Total	**(686 837)**	**(429 847)**

* Included in "Other" are, among others, expenses incurred by DM assiciated with Warsaw Stock Exchange (GPW) and KDPW, costs of insurance premium for holders of PKO VISA GOLD and PKO EC/MC Business, valuation of financial resources remaining at collective account, costs of currency turnover, accounting and clearing services, commission paid to agents and cost of premium related to security operations.

10. Dividend income

	2007	2006
Dividend income from the issuers		
Securities classified as available for sale	3 272	3 288
Securities classified as held for trading	21	316
Total	**3 293**	**3 604**

11. Result from financial instruments at fair value

	2007	2006
Debt securities	(337 105)	(127 809)
Derivative instruments	261 210	26 748
Equity instruments	2 589	3 803
Other	(963)	6 409
Total	**(74 269)**	**(90 849)**

2007	Gains	Losses	Net result
Financial assets held for trading	5 987 463	(5 735 895)	251 568
Financial assets identified on initial recognition at fair value through profit or loss	125 065	(450 902)	(325 837)
Total	**6 112 528**	**(6 186 797)**	**(74 269)**

2006	Gains	Losses	Net result
Financial assets held for trading	5 188 334	(5 149 872)	38 462
Financial assets identified on initial recognition at fair value through profit or loss	198 429	(327 740)	(129 311)
Total	**5 386 763**	**(5 477 612)**	**(90 849)**

Total change in the fair values of financial instruments at fair value through profit or loss determined using valuation models (where no quotations on an active market are available) in the year ended 31 December 2007 amounted to PLN 260,247 thousand (in the year ended 31 December 2006: PLN 33,157 thousand).

Fair value changes in hedge accounting

During the years ended 31 December 2007 and 31 December 2006, respectively, the PKO BP SA Group did not apply hedge accounting.

12. Result from investment securities / Result from financial assets and liabilities other than classified as at fair value through profit or loss

Financial assets available for sale	2007	2006
Gains taken directly to equity	-	10 111
Losses taken directly to equity	(57 006)	-
Total	**(57 006)**	**10 111**
Gains taken from equity	10 418	63 250
Losses taken from equity	(1 036)	(12 894)
Total	**9 382**	**50 356**

13. Foreign exchange result

	2007	2006
Foreign exchange differences resulting from financial instruments at fair value through profit or loss	255 445	257 529
Other foreign exchange differences	274 334	286 964
Total	**529 779**	**544 493**

14. Other operating income and costs

	2007	2006
Other operating income		
Net sales of finished goods, goods for resale and raw materials	491 695	579 081
Auxiliary revenues	25 257	27 048
Sales and liquidation of fixed assets and intangible assets and assets for sale	24 702	28 781
Received compensations, penalties and fines	20 122	13 312
Recovery of expired, written-off and unrecoverable receivables	19 469	16 705
Lease income	12 565	13 934
Sale of shares in subordinates	1 101	20 716
Other*	62 334	106 079
Total	**657 245**	**805 656**

* Included in "Other" are, among others: reversal of accruals (e.g. for costs of servicing computer hardware and software, maintenance of fire equipment, training services, mailing services), refund of costs of debt collection proceedings and receivables due to fee for organization of an issue of corporate bonds.

	2007	2006
Other operating costs		
Cost of finished goods, goods for resale and raw materials	(250 502)	(324 877)
Sales and liquidation of fixed assets and intangible assets	(23 636)	(30 523)
Leases	(20 710)	(25 809)
Donations	(8 348)	(8 651)
Auxiliary costs of Bank	(4 224)	(4 327)
Cost of maintenance of property and intangible assets	(4 013)	(6 343)
Other*	(48 851)	(93 377)
Total	**(360 284)**	**(493 907)**

* Included in "Other" are, among others: legal substitution, other receivables' impairment and bailiffs advances.

15. General administrative expenses

	2007	2006
Employee benefits	(2 288 712)	(2 255 255)
Non-personnel costs	(1 331 871)	(1 163 143)
Amortisation	(380 570)	(317 911)
Taxes and charge	(67 737)	(65 173)
Contribution and payments to Banking Guarantee Fund	(13 682)	(10 458)
Total	**(4 082 572)**	**(3 811 940)**

Payroll costs / Employee benefits

	2007	2006
Salaries and wages	(1 841 549)	(1 759 179)
Insurance and other employee benefits	(375 679)	(348 550)
Provisions for insurance and severance payments for employees, with whom the employment contracts are terminated for the reasons independent of employees	(68 153)	(37 000)
Provision for jubilee bonuses and retirement benefits	(3 331)	(110 526)
Total	**(2 288 712)**	**(2 255 255)**

16. Result on impairment allowances

For the year ended 31 December 2007	Impairment allowances at the beginning of the period	Increases			Decreases				Impairment allowances made at the end of period	Net impact of the created impairment allowances in the profit and loss account
		Impairment allowances made during the period	Foreign exchange differences	Other	Decrease in impairment allowances due to derecognition of assets, not impacting the profit and loss account	Impairment allowances reversed during the period	Foreign exchange differences	Other		
Financial assets available for sale carried at fair value through equity	14 937	5 992	-	-	-	2 303	6	-	18 620	(3 689)
not listed on stock exchange	14 937	5 992	-	-	-	2 303	6	-	18 620	(3 689)
Financial instruments valued at cost (unquoted equity instruments and underlying derivative instruments)	15 114	32	-	-	-	6 200	-	717	8 229	6 168
Loans and advances to customers and amounts due from banks valued at amortised cost	2 404 151	1 211 765	-	-	143 006	1 083 811	13 015	-	2 376 084	(127 954)
consumer loans	503 411	452 939	-	-	83 603	222 273	-	-	650 474	(230 666)
housing loans	530 998	181 306	-	-	-	222 453	-	-	489 851	41 147
corporate loans	1 369 413	577 520		-	59 403	639 032	13 015	-	1 235 483	61 512
receivables from banks	329	-	-	-	-	53	-	-	276	53
Finance lease receivables	43 200	-	-	-	-	3 405	-	-	39 795	3 405
Tangible fixed assets	51 219	1 574	-	80	-	49 820	-	-	3 053	48 246
Intangible fixed assets	31 681	-	-	-	-	16 308	-	-	15 373	16 308
Investments valued using the equity method	62 186	5 876	-	-	410	-	-	2 838	64 814	(5 876)
Other	150 937	70 438	16	269	3 424	77 187	2 188	-	138 861	6 749
Total	**2 773 425**	**1 295 677**	**16**	**349**	**146 840**	**1 239 034**	**15 209**	**3 555**	**2 664 829**	**(56 643)**

(in PLN thousand)

For the year ended 31 December 2006	Impairment allowances at the beginning of the period	Increases				Decreases			Impairment allowances made at the end of period	Net impact of the created impairment allowances in the profit and loss account
		Impairment allowances made during the period	Foreign exchange differences	Other	Decrease in impairment allowances due to derecognition of assets, not impacting the profit and loss account	Impairment allowances reversed during the period	Foreign exchange differences	Other		
Financial assets available for sale carried at fair value through equity	24 900	38	-	35	9 736	296	4	-	14 937	258
not listed on stock exchange	24 900	38	-	35	9 736	296	4	-	14 937	258
Financial instruments valued at cost (unquoted equity instruments and underlying derivative instruments)	15 999	-	-	-	-	850	-	35	15 114	850
Loans and advances to customers and amounts due from banks valued at amortised cost	2 944 787	1 059 247	288	-	479 371	1 059 074	9 139	52 587	2 404 151	(173)
consumer loans	603 576	269 303	-	-	74 474	294 994	-	-	503 411	25 691
housing loans	596 612	116 008	-	-	60 413	121 209	-	-	530 998	5 201
corporate loans	1 742 844	673 936	288	-	343 061	642 868	9 139	52 587	1 369 413	(31 068)
receivables from banks	1 755	-	-	-	1 423	3	-	-	329	3
Finance lease receivables	44 732	5 104	-	-	-	3 083	-	3 553	43 200	(2 021)
Tangible fixed assets	50 221	1 414	-	-	-	261	-	155	51 219	(1 153)
Intangible fixed assets	-	31 681	-	-	-	-	-	-	31 681	(31 681)
Investments valued using the equity method	57 015	5 433	-	31 349	31 349	262	-	-	62 186	(5 171)
Other	196 610	75 482	83	3 960	725	113 922	595	9 956	150 937	38 440
Total	**3 334 264**	**1 178 399**	**371**	**35 344**	**521 181**	**1 177 748**	**9 738**	**66 286**	**2 773 425**	**(651)**

17. Discountinued operations

In 2007 and 2006, the PKO BP SA Group had no material income or costs from discontinued operations.

18. Share in profits (losses) of jointly controlled entities and associates

Entity name	2007	2006
Jointly controlled entities		
Centrum Obsługi Biznesu Sp. z o.o.	(3 678)	(2 999)
WAWEL Hotel Development Sp. z o.o.*	-	(1 789)
PKO Towarzystwo Funduszy Inwestycyjnych SA**	-	(1 467)
Grupa Kapitałowa Centrum Haffnera Sp. z o.o.	1 963	(581)
Associated entities		
Bank Pocztowy SA	5 875	2 185
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	28	44
Agencja Inwestycyjna „CORP" SA	150	50
Associated entities of Bankowe Towarzystwo Kapitałowe SA		
FINDER SA***	34	852
Total	**4 372**	**(3 705)**

* Shares of this company were sold on 8 August 2006
** The company joined the PKO BP SA Group on 6 April 2006
*** Shares of this company were sold on 31 October 2006

Additional information on jointly controlled entities and associates is presented in Note 1 "General Information" and Note 53 "Business combinations".

19. Corporate income tax

	2007	2006
Consolidated income statement		
Current income tax expense	(716 704)	(522 812)
Deferred income tax related to temporary differences	48 866	28 773
Tax expense disclosed in the consolidated income statement	**(667 838)**	**(494 039)**
Tax expense disclosed in the consolidated equity related to temporary differences	11 001	(1 850)
Total	**(656 837)**	**(495 889)**

Gross profit before taxation	**3 609 230**	**2 701 488**
Corporate income tax calculated using the enacted tax rate 19% (2006: 19%)	(685 753)	(513 283)
Effect of other tax rates, i.e. in Ukraine (25%)*	(1 424)	(2 052)
Permanent differences between accounting gross profit and taxable profit, of which:	**21 065**	**804**
Other non-tax-deductible expenses	(23 431)	(29 206)
Reversed provisions and revaluation not constituting taxable revenue	31 051	33 310
Other non-taxable revenue	3 363	5 196
Dividend income	9 711	3 539
Other	371	(12 035)
Other differences between gross financial result and taxable income, including donations	**(7 573)**	**5 134**
Clearance of income tax loss	**5 847**	**15 358**
Income tax disclosed in the consolidated income statement	**(667 838)**	**(494 039)**
Effective tax rate	**18.50%**	**18.29%**
Temporary difference due to the deferred tax presented in the profit and loss account	48 866	28 773
Total current income tax expense disclosed in the consolidated income statement, of which:	**(716 704)**	**(522 812)**
Tax according to the enacted tax rate 19% (2006: 19%)	(714 881)	(520 711)
Effect of other tax rates: in Ukraine (25%)	(1 823)	(2 101)

* Current income tax charge of KREDOBANK SA in 2007 amounted to an equivalent of PLN 7,597 thousand (in 2006: PLN 8,755 thousand).

Liabilities/ receivables due to corporate income tax

	31.12.2007	31.12.2006
Current tax receivables	187 939	326
Current tax liabilities	9 932	170 960

The Group companies are corporate income tax payers. The amount of current tax liability is transferred to the Tax Authority appropriate for the companies' registered offices. The final settlement of the corporate income tax liabilities of the Group companies for the year 2007 was made within the statutory deadline i.e. 31 March 2008 after the end of the financial year.

Deferred tax asset/liability

	Consolidated balance sheet		Consolidated income statement	
	31.12.2007	31.12.2006	2007	2006
Deferred tax provision				
Interest accrued on receivables (loans)	99 944	95 630	4 314	14 638
Capitalised interest on regular housing loans	277 827	294 460	(16 633)	(19 724)
Interest on securities	28 126	36 021	(7 895)	(22 132)
Valuation of securities, of which:	1 901	5 165	(2 535)	(14 538)
taken to income statement	705	3 240	(2 535)	(14 538)
taken to equity	1 196	1 925	-	-
Other taxable temporary positive differences, of which:	141 176	89 889	51 419	20 958
taken to income statement	141 308	89 889	51 419	20 958
taken to equity	(132)	-	-	-
Gross deferred tax provision	**548 974**	**521 165**	-	-
taken to income statement	547 910	519 240	28 670	(20 798)
taken to equity	1 064	1 925		
Deferred tax assets				
Interest accrued on liabilities	138 252	143 349	(5 097)	(1 452)
Valuation of securities, of which:	33 217	20 107		
taken to income statement	22 065	19 057	3 008	10 306
taken to equity	11 152	1 050	-	-
Valuation of derivatives	62 331	44 031	18 300	(44 564)
Provision for jubilee bonuses and retirement benefits	60 944	57 764	3 180	17 719
Provision for other liabilities to employees	27 930	25 891	2 039	7 738
Cost of accruals	79 193	46 547	32 646	(5 669)
Valuation adjustment EIR	149 499	132 879	16 620	6 086
Other taxable temporary negative differences , of which:	65 316	60 129	5 148	16 934
taken to income statement	65 316	60 167	5 148	16 934
taken to equity	-	(38)	-	-
Foreign exchange differences of KREDOBANK SA	-	-	1 688	876
Gross deferred tax asset, of which:	**616 682**	**530 697**	-	-
taken to income statement	605 530	529 685	77 533	7 974
taken to equity	11 152	1 012	-	-
Deferred income tax asset (disclosed on the balance sheet)	**72 154**	**33 454**	-	-
Deferred tax liability (disclosed on the balance sheet)	**4 446**	**23 922**	-	-
Net deferred tax impact on income statement	-	-	**(48 866)**	**(28 773)**

As at 31 December 2007, the unsettled tax loss of the Group companies amounted to PLN 36,935 thousand. This loss may be utilized by the end of 2011.

Out of the above-mentioned amount, PLN 25,973 thousand was recognized as a deferred tax asset as at 31 December 2007.

20. Earnings per share

Basic earnings per share

Basic earnings per share are calculated on the basis of profit and loss attributable to ordinary shareholders of the Bank, by dividing the respective profits or losses by the weighted average number of ordinary shares outstanding during a given period.

Earnings per share

	2007	2006
Net profit attributable to ordinary shareholders (in PLN thousands)	2 903 632	2 149 052
Weighted average number of ordinary shares in the period (in thousands)	1 000 000	1 000 000
Earnings per share (in PLN per share)	2,90	2,15

Earnings per share from discontinued operations

In the years ended 31 December 2007 and 31 December 2006 respectively, the Group did not report any material income or costs from discontinued operations.

Diluted earnings per share

Diluted earnings per share are calculated on the basis of profit and loss attributable to ordinary shareholders, by dividing the respective profits or losses by the weighted average number of ordinary shares outstanding during a given period, adjusted for the effect of all dilutive potential ordinary shares.

There were no dilutive instruments in the Bank in 2007 and 2006.

Diluted earnings per share from discontinued operations

As stated above, in the years ended 31 December 2007 and 31 December 2006 respectively, the Bank did not report any material income or costs from discontinued operations.

21. Dividends paid and declared

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

In Resolution No. 7/2007 dated 26 April 2007, the Ordinary General Shareholders' Meeting of PKO BP SA decided to pay a dividend for the year 2006 in the amount of PLN 980,000 thousand, i.e. PLN 0.98 per share on a pre-tax basis. A list of the shareholders entitled to receive the dividend was determined as at 20 July 2007 and the payment was made on 2 August 2007.

At 8 April 2008 Management Board of the Bank decided in Resolution to recommend the Shareholders Meeting to pay a dividend for 2007 in amount of PLN 1,090,000 thousand, i.e. PLN 1.09 for one share.

22. Transferred financial assets which do not qualify for derecognition

As at 31 December 2007 and 31 December 2006, the Group did not hold any significant transferred financial assets in such a way that part or all of the financial assets did not qualify for derecognition.

23. Cash and amounts due from the Central Bank

	31.12.2007	31.12.2006
Current account w ith the Central Bank	2 972 067	1 429 379
Cash	1 708 906	3 196 284
Other funds	1 654	2 471
Total	**4 682 627**	**4 628 134**

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

Funds on the obligatory reserve account bear interest at the rate of 0.9 of the rediscount rate for bills of exchange; as at 31 December 2007, this interest rate was 4.275%.

As at 31 December and 31 December 2006, there were no restrictions as regards the use of these funds.

24. Amounts due from banks

	31.12.2007	31.12.2006
Placements w ith other banks	4 676 670	12 367 173
Loans and advances granted	372 257	232 673
Current accounts	183 784	246 793
Cash in transit	45 462	34 386
Other receivables	14 422	549 894
Total	**5 292 595**	**13 430 919**
Impairment allow ance	(276)	(329)
Net total	**5 292 319**	**13 430 590**

As at 31 December 2007, the nominal value of placements with other banks with a fixed interest rate amounted to PLN 4,596,601 thousand (as at 31 December 2006: PLN 12,294,042 thousand). Majority of those placements were short-term placements. The nominal value of placements with other banks with a floating interest rate amounted to PLN 200 thousand as at 31 December 2007 (as at 31 December 2006: PLN 299 thousand).

25. Financial assets held for trading

	31.12.2007	31.12.2006
Debt securities	1 193 255	997 136
- issued by the State Treasury	1 193 129	996 668
- issued by local government bodies	126	468
Shares in other entities - listed on stock exchange	9 664	1 495
Shares in other entities - not listed on stock exchange	-	4
Total financial assets held for trading	**1 202 919**	**998 635**

Financial assets held for trading (carrying amount) by maturity as at 31 December 2007 and as at 31 December 2006

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

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

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

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

As at 31 December 2006	up to 1 month	from 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 years	over 5 years	Total
Debt securities	**611 275**	**88 616**	**134 645**	**38 987**	**123 613**	**997 136**
- issued by the State treasury	611 275	88 616	134 177	38 987	123 613	**996 668**
- issued by local government bodies	-	-	468	-	-	**468**
Shares in other entities - not listed on stock exchange	**1 495**	**-**	**-**	**-**	**-**	**1 495**
Shares in other entities - listed on stock exchange	**-**	**-**	**-**	**-**	**4**	**4**
Total	**612 770**	**88 616**	**134 645**	**38 987**	**123 617**	**998 635**

The average yield of debt securities issued by the State Treasury as at 31 December 2006 amounted to 4.45% for PLN, 4.03% for EUR and 4.71% for USD.

The portfolio of debt securities held for trading as at 31 December 2006 was comprised of the following securities carried at nominal value:

- Treasury bills 67 080
- Treasury bonds 803 444
- Bonds denominated in USD 14 553
- Bonds denominated in EUR 95 780
- Municipal bonds 458

26. Derivative financial instruments

Derivative instruments used by the Group

The Group uses various types of derivatives with a view to manage the risk involved in its business activities. Forward contracts account for the majority of derivatives used by the Group. As at 31 December 2007 and 31 December 2006, the Group held the following derivative instruments:

Type of contract	31.12.2007		31.12.2006	
	Assets	Liabilities	Assets	Liabilities
IRS	882 368	814 180	644 385	773 582
FRA	146 575	144 704	68 646	76 228
FX Swap	73 193	67 132	104 133	32 737
CIRS	410 927	200 717	376 078	201 314
Forward	28 109	36 375	5 867	11 926
Options	15 528	16 424	45	2 019
Other	36	393	-	-
Total	**1 556 736**	**1 279 925**	**1 199 154**	**1 097 806**

Derivative instruments embedded in other instruments

The Group uses derivative instruments which are part of compound financial instruments, i.e. instruments including both a derivative and a host contract, which results in that part of the cash flows from the compound instrument change similarly to cash flows from a separate derivative. Derivatives embedded in other instruments cause that part of or all cash flows resulting from the host contract are modified on the basis of a certain interest rate, price of a security, price of commodity, foreign exchange rate, price index or interest rate index, credit rating or credit index or other variable, provided that the non-financial variable is not specific for any party to the contract.

Derivatives may also be embedded in loan and deposit agreements. The Group has analyzed the portfolio of loan and deposit agreements as well as non-financial agreements in order to determine whether any embedded derivatives should be separated and, based on the above, the Group has concluded that its product offer includes a structured deposit which contains an embedded derivative which should be separated and recognised and measured on a stand-alone basis using similar principles to those applied for stand-alone derivatives. The Group has not identified any loan agreements containing embedded derivatives, where embedded derivatives should be separated and recognized on a stand-alone basis. However, the Group has identified non-financial agreements which contain embedded derivatives being subject to separation and valuation on a stand-alone basis using similar principles to those applied to derivatives embedded in deposits.

Risk involved in derivative financial instruments

Market risk and credit risk are the main categories of derivative-related risk.

Derivative risk management objectives and policies and derivatives' exposure to credit risk are presented in Note 3.

The Group enters into derivative transactions with other financial institutions, mainly with banks and non-financial institutions. The tables below present notional amounts of derivative financial instruments and the fair values of such derivatives. The notional amounts of derivate financial instruments are recorded in off-balance positions. Derivative instrument becomes part of assets, when its fair value is positive and part of liabilities, when its fair value is negative.

Derivative financial instruments as at 31 December 2007

Notional amounts of underlying instruments and fair value of derivative financial instruments

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

Derivative financial instruments as at 31 December 2006

Notional amounts of underlying instruments and fair value of derivative financial instruments

	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	over 5 years	Total	Fair value (negative)	Fair value (positive)
Currency transactions								
- OTC market								
FX swap	4 356 008	2 032 835	1 100 723	-	-	**7 489 566**	32 737	104 133
Purchase	2 171 188	1 045 029	562 280	-	-	**3 778 497**	-	-
Sale	2 184 820	987 806	538 443	-	-	**3 711 069**	-	-
FX forward	409 346	439 806	868 158	263 963	-	**1 981 273**	11 926	5 867
Purchase	204 084	220 356	431 745	130 194	-	**986 379**	-	-
Sale	205 262	219 450	436 413	133 769	-	**994 894**	-	-
Options	-	7 819	29 575	3 952	-	**41 346**	98	25
Purchase	-	5 223	13 358	2 750	-	**21 331**	-	-
Sale	-	2 596	16 217	1 202	-	**20 015**	-	-
Cross Currency IRS	965 680	964 480	-	9 601 726	9 506 975	**21 038 861**	201 314	376 078
Purchase	488 840	487 640	-	4 832 050	4 789 709	**10 598 239**	-	-
Sale	476 840	476 840	-	4 769 676	4 717 266	**10 440 622**	-	-
Interest rate transactions								
Interest Rate Swap (IRS)	5 800 000	7 468 000	32 812 100	98 915 326	6 554 960	**151 550 386**	773 582	644 385
Purchase	2 900 000	3 734 000	16 406 050	49 457 663	3 277 480	**75 775 193**	-	-
Sale	2 900 000	3 734 000	16 406 050	49 457 663	3 277 480	**75 775 193**	-	-
Forward Rate Agreement (FRA)	13 300 000	18 825 000	64 900 000	21 350 000	-	**118 375 000**	76 228	68 646
Purchase	6 300 000	9 375 000	34 050 000	12 350 000	-	**62 075 000**	-	-
Sale	7 000 000	9 450 000	30 850 000	9 000 000	-	**56 300 000**	-	-
Other transactions								
Transactions on stock market index	-	952	-	68 701	-	69 653	1 921	20
Purchase	-	868	-	-	-	868	-	-
Sale	-	84	-	68 701	-	68 785		
Total derivative instruments	**24 831 034**	**29 738 892**	**99 710 556**	**130 203 668**	**16 061 935**	**300 546 085**	**1 097 806**	**1 199 154**

27. Other financial instruments at fair value through profit or loss

	31.12.2007	31.12.2006
Debt securities	8 292 362	11 499 502
- issued by the State Treasury	7 353 033	10 165 511
- issued by other banks	764 018	1 291 148
- issued by other financial institutions	129 142	17 412
- issued by non-financial entities	46 169	25 431
Shares and stocks in other entities	22 082	19 203
- not listed on stock exchange	22 082	19 203
Total	**8 314 444**	**11 518 705**

As at 31 December 2007 and 31 December 2006, the portfolio of securities at fair value through profit or loss was comprised of the following:

According to notional amount	31.12.2007	31.12.2006
in the holding company:		
treasury bonds	6 271 400	7 729 771
USD bonds	587 424	798 059
including issued by banks	234 349	448 799
EUR bonds	1 271 610	2 471 124
including issued by banks	555 210	632 148
PLN bonds issued by banks	-	200 000
in the subsidiaries:		
treasury bonds	100 587	60 646
investment certificates	10 000	10 960
other entities' bonds	95 833	47 780
treasury bonds	79 250	43 450
treasury bills	2 290	3 690
capital instruments	20 409	16 343

As at 31 December 2007, the average yield of debt securities issued by the State Treasury and Central Bank and included in the portfolio of other financial instruments at fair value through profit or loss was 5.96% for PLN, 5.52% for EUR, 4.57% for USD. As at 31 December 2006, the average yield on such securities was as follows: 4.33% for PLN, 4.29% for EUR, 5.14% for USD.

In the year ended 31 December 2007 the Bank issued a semi-annual structured deposit. The interest on this deposit was guaranteed at a certain level if the value of the USD/PLN exchange rate at the end of the holding period was within a certain defined range; otherwise no interest was paid. In the year ended 31 December 2006, the Bank had in its offer an annual deposit with embedded European binary options. The interest on such deposits consisted of two parts: a guaranteed part and additional interest depending on the level of the exchange rate.

Other financial instruments at fair value through profit or loss (carrying amount), by maturity

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

As at 31 December 2006	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	over 5 years	Total
Debt securities	**381 996**	**154 689**	**2 286 520**	**5 583 504**	**3 092 793**	**11 499 502**
- issued by the State Treasury	179 501	154 501	2 226 322	4 847 016	2 758 171	10 165 511
- issued by other banks	202 012	-	44 076	711 026	334 034	1 291 148
- issued by other financial institutions	-	-	13 944	2 880	588	17 412
- issued by non-financial entities	483	188	2 178	22 582	-	25 431
Shares and stocks in other entities - listed and not listed on stock exchange	**-**	**-**	**-**	**-**	**19 203**	**19 203**
Total	**381 996**	**154 689**	**2 286 520**	**5 583 504**	**3 111 996**	**11 518 705**

28. Loans and advances to customers

	31.12.2007	31.12.2006
Loans and advances		
Receivables valued using the collective methods (IBNR)	74 158 998	57 649 166
Receivables valued using the individual method	1 403 662	1 277 962
Receivables valued using the portfolio methods	1 619 194	1 440 737
Loans and advances - gross value	**77 181 854**	**60 367 865**
Allowances against exposures with portfolio impairment	(1 363 864)	(1 237 180)
Allowances against exposures with individual impairment	(536 271)	(640 330)
Allowances against exposures with collective impairment (IBNR)	(475 673)	(526 312)
Total impairment	**(2 375 808)**	**(2 403 822)**
Loans and advances - total net value	**74 806 046**	**57 964 043**

Finance and operating leases agreements

Finance lease

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

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

As at 31 December 2007

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

Net investment in the lease	
Present value of minimum lease payments	1 650 898
of which: un-guaranteed residual value to the lessor	24 501

As at 31 December 2006

Finance lease receivables	Gross investment in the lease	Present value of minimum lease payments	Unrealized gains
Gross investment in the lease and minimum lease payments			
Gross lease receivables:			
from 1 year to 5 years	408 374	350 029	58 345
above 5 years	666 418	593 822	72 596
Total	49 398	41 913	7 485
Total	**1 124 190**	**985 764**	**138 426**
Impairment allowances	(43 200)	(43 200)	X
Total after impairment allowances	**1 080 990**	**942 564**	**138 426**

Net investment in the lease	
Present value of minimum lease payments	985 764
of which: un-guaranteed residual value to the lessor	110 965

Operating lease

Operating lease agreement, under which the lessor retains substantially all of the risks and rewards incidental to the ownership of an asset, are reckoned among operating lease agreements. Lease payments under an operating lease are recognized as an expense in the income statement on a straight-line basis over the lease term.

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

The table below shows data concerning operating lease agreements concluded by the Group companies.

Total value of future lease payments under non-cancellable operating lease	31.12.2007	31.12.2006
For the period:		
up to 1 year	80 108	71 437
from 1 year to 5 years	132 277	152 766
above 5 years	24 104	21 021
Total	**236 489**	**245 224**

Lease and sub-lease payments recognized as an expense in the period from 1 January 2007 to 31 December 2007 amounted to PLN 72,520 thousand (in the period from 1 January 2006 to 31 December 2006: PLN 129,961 thousand).

29. Investment securities

	31.12.2007	31.12.2006
Available for sale	**5 743 087**	**6 793 239**
issued by central banks	2 633 505	2 640 272
issued by other banks	57 619	1 162 081
issued by other financial institutions	902	6 091
issued by non-financial entities	673 885	801 986
issued by the State Treasury	1 201 129	1 256 781
issued by local government bodies	1 176 047	926 028
Total investment securities	**5 743 087**	**6 793 239**
Impairment allow ances	(26 849)	(30 051)
Total net investment securities	**5 716 238**	**6 763 188**

Changes in investment securities

	2007	2006
Available for sale		
Balance at the beginning of the period	**6 763 188**	**1 881 378**
Foreign exchange differences	(1 626)	(315)
Increases	3 397 449	20 381 514
Decreases (redemption)	(4 380 104)	(15 510 367)
Change in the fair value	(62 669)	10 978
Balance at the end of the period	**5 716 238**	**6 763 188**

Securities available for sale (carrying amount), by maturity

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

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

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

in the holding company:

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

in subsidiary:

- tresury bonds 111 740

As at 31 December 2006	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	over 5 years	Total
Securities available for sale						
issued by central banks	-	-	-	-	2 640 272	**2 640 272**
issued by other banks	-	-	1 101 852	57 987	-	**1 159 839**
issued by other financial institutions	-	-	-	-	854	**854**
issued by non-financial entities	826	189 335	2 022	584 315	2 916	**779 414**
issued by the State Treasury	2 435	-	30 680	1 223 031	635	**1 256 781**
issued by local government bodies	-	1 143	71 599	581 958	271 328	**926 028**
Total	**3 261**	**190 478**	**1 206 153**	**2 447 291**	**2 916 005**	**6 763 188**

The average yield of available-for-sale securities as at 31 December 2006 amounted to 4.93%.

As at 31 December 2006, the portfolio of debt securities available for sale at nominal amount was comprised of the following:

in the holding company:

- bills of exchange 166 000
- corporate bonds in PLN 440 643
- corporate bonds in EUR 22 562
- municipial bonds 917 990
- treasury bonds 1 106 000
- bonds issued by banks 1 100 000
- bonds issued by National Bank of Poland 2 551 112

in the subsidiary:

- tresury bonds 88 089

As at 31 December 2007 and 31 December 2006, the PKO BP SA Group did not have any securities in the held-to-maturity portfolio.

30. Investments in associates and jointly controlled entities

a) Carrying amount of the Bank's investments in jointly controlled entities (i.e. acquisition cost adjusted for its share in the change in net assets and impairment losses)

Entity name	31.12.2007	31.12.2006
Centrum Obsługi Biznesu Sp. z o.o	10 519	14 197
Grupa Kapitałowa Centrum Haffnera Sp. z o.o.	45 752	43 789
Total	**56 271**	**57 986**

b) Carrying amount of the Bank's investments in associates (i.e. acquisition cost adjusted for its share in the change in net assets and impairment losses)

Entity name	31.12.2007	31.12.2006
Bank Pocztowy SA	113 000	113 000
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	1 626	1 598
Agencja Inwestycyjna CORP SA	301	226
FINDER SA*	7 386	7 352
Total	**122 313**	**122 176**

*until 2 January - FINDER Sp. z o.o.

Summary information on associated entities accounted for using the equity method:

Entity name	Total assets	Total liabilities	Total revenues	Net profit (loss)	% share
31.12.2007					
Bank Pocztowy SA	3 098 960	2 848 798	256 025	29 090	25.00%
Kolej Gondolowa Jaworzyna Krynicka SA	36 825	2 550	11 700	1 809	37.53%
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	14 653	9 575	312	42	33.33%
Agencja Inwestycyjna CORP SA	4 027	2 486	14 471	315	22.31%
Total	**3 154 465**	**2 863 409**	**282 508**	**31 256**	**X**
31.12.2006					
Bank Pocztowy SA	2 627 410	2 409 372	236 116	24 367	25.0001%
Kolej Gondolowa Jaworzyna Krynicka SA	38 289	6 733	12 225	2 274	37.53%
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	11 028	6 204	178	140	33.33%
Agencja Inwestycyjna CORP SA	3 818	2 255	14 265	374	22.31%
Total	**2 680 545**	**2 424 564**	**262 784**	**27 155**	**X**

The financial data presented in the above table are derived from the companies' financial statements prepared in accordance with Polish Accounting Standards. The data for the year 2006 are derived from audited financial statements.

Summary information on jointly controlled entities accounted for using the equity method:

Entity name	Total assets	Total liabilities	Total revenues	Net profit (loss)	% share
31.12.2007					
Centrum Obsługi Biznesu Sp. z o.o	125 269	98 920	20 933	(7 410)	41.44%
Grupa Centrum Haffnera Sp. z o.o.	172 534	79 973	2 681	2 098	49.43%
Total	**297 803**	**178 893**	**23 614**	**(5 312)**	**X**
31.12.2006					
Centrum Obsługi Biznesu Sp. z o.o	124 514	91 186	1 454	(8 843)	41.44%
Grupa Centrum Haffnera Sp. z o.o.	112 996	22 363	1 381	716	49.43%
Total	**237 510**	**113 549**	**2 835**	**(8 127)**	**X**

The data presented in the above table for Centrum Obsługi Biznesu Sp. z o.o. are derived from financial statements prepared in accordance with Polish Accounting Standards, and the data for Centrum Haffnera Sp. z o.o. are derived from consolidated financial statements prepared in accordance with IFRS. The data of both companies for the year 2006 are derived from audited financial statements.

In the consolidated financial statements for the first half of 2007, all associates and jointly controlled entities are accounted for using the equity method.

	2007	2006
Investment in associated entities at the beginning of the period	**122 176**	**120 378**
Share in profits (losses)	6 087	3 131
Dividends paid	(74)	(93)
Share in changes recognised directly in the equity of the entity	-	4 193
acquisition of shares in FINDER SA	-	945
acquisition of shares in INTER FINANCE Polska Sp. zo.o.	-	3 248
acquisition of shares Hotel Jan III Sobieski Sp. z o.o.	-	78 495
sale of shares Hotel Jan III Sobieski Sp. z o.o.	-	(78 495)
acquisition of shares P.L.ENERGIA SA	4 999	-
sale of shares P.L.ENERGIA SA	(4 999)	-
Investments' impairment	(5 876)	(5 433)
Investment in associate entities at the end of the period	**122 313**	**122 176**

	2007	2006
Investment in jointly controlled entities at the beginning of the period	**57 986**	**63 967**
Share in profits (losses)	(1 715)	(6 836)
Dividends paid	-	-
Share in changes recognised directly in the equity of the entity	-	44 371
acquisitions of shares in Centrum Haffnera Sp. z o.o.	-	44 371
Sale of Wawel Hotel Development Sp. z o.o.	-	(17 377)
Transfer of PKO TFI SA to subsidiaries	-	(26 139)
Investment in jointly controlled entities at the end of the period	**56 271**	**57 986**

As at 31 December 2007 and 31 December 2006, the holding company had no share in contingent liabilities of associates acquired jointly with other investors.

In 2007, PKO BP SA did not make any direct investments in jointly controlled entities or associates.

31. Intangible assets

For the year ended 31 December 2007	Development expenses	Patents and licenses	Goodwill acquired as a result of business consolidation (including goodwill of subsidiary entities)	Other, including expenses	Total
Purchase price as at 1 January 2007 including amortisation	-	623 278	205 655	115 095	**944 028**
Purchase of subsidiaries' shares	-	-	28 408	-	**28 408**
Purchase	-	9 813	-	296 124	**305 937**
Disposal and sale	-	(33)	-	(2)	**(35)**
Impairment allowance	-	16 308	-	-	**16 308**
Due to foreign exchange differences from translation of foreign entities	-	(999)	-	-	**(999)**
Transfers	-	292 754	-	(292 754)	**-**
Amortisation	-	(111 469)	-	(2 526)	**(113 995)**
Other changes*	2 539	(706)	3	2 003	**3 839**
Net carrying amount	**2 539**	**828 946**	**234 066**	**117 940**	**1 183 491**
As at 31 December 2006					
Purchase price (gross carrying amount)	-	1 340 482	205 655	129 593	**1 675 730**
Accumulated amortisation and impairment allowance	-	(717 204)	-	(14 498)	**(731 702)**
Net carrying amount	**-**	**623 278**	**205 655**	**115 095**	**944 028**
As at 31 December 2007					
Purchase price (gross carrying amount)	2 539	1 634 511	234 066	132 271	**2 003 387**
Accumulated amortisation and impairment allowance	-	(805 565)	-	(14 331)	**(819 896)**
Net carrying amount	**2 539**	**828 946**	**234 066**	**117 940**	**1 183 491**

* "Other changes" in "Patents and licenses" include mainly software transferred from assets under construction.

An item of intangible assets which is significant for the Group comprises capital expenditures incurred for the Integrated Information System (ZSI). Cumulative capital expenditures incurred for the ZSI system during the years 2003 – 2007 amounted to PLN 704,045 thousand (suitably during the years 2003 – 2006 amounted PLN 534,527 thousand).

For the year ended 31 December 2006	Development expenses	Patents and licenses	Goodwill acquired as a result of business consolidation (including goodwill of subsidiary entities)	Other, including expenses	Total
Purchase price as at 1 January 2006 including amortisation	963	189 132	156 304	342 371	**688 770**
Full method consolidation of subsidiaries	-	229	49 351	4	**49 584**
Purchase	-	6 848	-	288 013	**294 861**
Sale	-	(66)	-	(1)	**(67)**
Due to foreign exchange differences from translation of foreign entities	-	(204)	-	-	**(204)**
Transfers	-	507 603	-	(507 603)	**-**
Impairment allowence	-	(29 424)	-	(2 257)	**(31 681)**
Amortisation	-	(51 783)	-	(2 732)	**(54 515)**
Other changes*	(963)	943	-	(2 700)	**(2 720)**
Net carrying amount	**-**	**623 278**	**205 655**	**115 095**	**944 028**
As at 31 December 2005					
Purchase price (gross carrying amount)	1 862	831 134	156 336	353 219	**1 342 551**
Accumulated amortisation and impairment allowance	(899)	(642 002)	(32)	(10 848)	**(653 781)**
Net carrying amount	**963**	**189 132**	**156 304**	**342 371**	**688 770**
As at 31 December 2006					
Purchase price (gross carrying amount)	-	1 340 482	205 655	129 593	**1 675 730**
Accumulated amortisation and impairment allowance	-	(717 204)	-	(14 498)	**(731 702)**
Net carrying amount	**-**	**623 278**	**205 655**	**115 095**	**944 028**

* “Other changes” in “Patents and licenses” include mainly software transferred from assets under construction.

The table below shows data concerning goodwill included in in the Group’s financial statements

Goodwill	31.12.2007	31.12.2006
Powszechne Towarzystwo Emerytalne BANKOWY SA	51 158	51 158
Centrum Finansowe Puławska Sp. z o.o.	7 785	7 785
KREDOBANK SA	76 360	47 949
Wilanów Investment Sp. z o.o.	49 412	49 412
PKO Towarzystwo Funduszy Inwestycyjnych SA	49 351	49 351
Total goodwill	**234 066**	**205 655**

Additional detailed information concerning as a result of acquisition of subsidiaries’ shares and participations are presented in Note 53 “Business Combinations”.

As at 31 December 2007 the Group performed obligatory impairment tests for goodwill using models developed in accordance with IAS 36, taking into account the specific nature of the activities carried out by the individual companies. The test models based on discounted financial cash flows of the companies and an assumption to continue holding of the companies’ shares or participations. The financial cash flows forecasts are prepared based on the 3-5 year financial plans using diverse discount factors depending on the companies’ activities specific. The results of the impairment tests as at 31 December 2007 justify the current level of goodwill impairment write-offs.

The Group did not create any patents or licenses internally. In the period from 1 January 2007 to 31 December 2007, the PKO BP SA Group incurred capital expenditures for the purchase of tangible fixed assets and intangible assets in the amount of PLN 782,726 thousand (in the period from 1 January 2006 to 31 December 2006: PLN 581,564 thousand).

32. Tangible fixed assets

For the year ended 31 December 2007	Land and buildings, including investment real estate	Plant and machinery	Means of transport	Assets under construction	Other	Total
Gross value of tangible assets at the beginning of the period	**2 335 415**	**2 621 780**	**60 553**	**294 632**	**384 774**	**5 697 154**
Increases, of which:	**22 410**	**34 474**	**32 943**	**1 561 105**	**16 179**	**1 667 111**
Purchases and other changes	22 410	34 474	32 943	1 561 105	16 179	**1 667 111**
Decreases, of which:	**(48 540)**	**(259 357)**	**(18 042)**	**(1 230 105)**	**(28 316)**	**(1 584 360)**
Liquidation and sale	(25 083)	(247 129)	(15 823)	(47 333)	(21 739)	**(357 107)**
Fixed assets leased	-	-	-	(1 120 639)	-	**(1 120 639)**
Foreign exchange differences	(11 751)	(8 983)	(1 010)	(8 084)	(4 970)	**(34 798)**
Other	(11 706)	(3 245)	(1 209)	(54 049)	(1 607)	**(71 816)**
Transfers from expenses to tangible fixed assets	**41 507**	**200 427**	**1 054**	**(284 171)**	**41 183**	**-**
Gross value of fixed assets at the end of the period	**2 350 792**	**2 597 324**	**76 508**	**341 461**	**413 820**	**5 779 905**
Accumulated depreciation at the beginning of the period	**(500 103)**	**(2 137 360)**	**(31 743)**	**-**	**(321 688)**	**(2 990 894)**
Increases, of which:	**(75 373)**	**(162 927)**	**(10 306)**	**-**	**(21 503)**	**(270 109)**
Depreciation for the period	(74 688)	(161 880)	(10 226)	**-**	(21 376)	**(268 170)**
Other	(685)	(1 047)	(80)	-	(127)	**(1 939)**
Decreases, of which:	**11 635**	**252 025**	**15 432**	**-**	**25 162**	**304 254**
Liquidation and sale	9 218	246 006	14 332	-	21 483	**291 039**
Other	998	3 078	636	-	1 770	**6 482**
Foreign exchange differences	1 419	2 941	464	-	1 909	**6 733**
Accumulated depreciation at the end of the period	**(563 841)**	**(2 048 262)**	**(26 617)**	**-**	**(318 029)**	**(2 956 749)**
Impairment allowance						
Opening balance	(50 405)	(79)	-	(700)	(35)	**(51 219)**
Increases	-	(126)	-	(970)	-	**(1 096)**
Decreases	49 148	79	-	-	35	**49 262**
Closing balance	(1 257)	(126)	-	(1 670)	-	**(3 053)**
Net book value	**1 785 694**	**548 936**	**49 891**	**339 791**	**95 791**	**2 820 103**
Opening balance	**1 784 907**	**484 341**	**28 810**	**293 932**	**63 051**	**2 655 041**
Closing balance	**1 785 694**	**548 936**	**49 891**	**339 791**	**95 791**	**2 820 103**

As at 31 December 2007, the off-balance sheet value of machinery and equipment used under finance lease agreements and operating lease with the purchase options contracts amounted to PLN 13,310 thousand (as at 31 December 2006: PLN 17,860 thousand). In the years ended 13 December 2007 and 31 December 2006, respectively, there were no restrictions on the Group's right to use its tangible fixed assets due to them being pledged as collateral.

(in PLN thousand)

For the year ended 31 December 2006	Land and buildings, including investment real estate	Plant and machinery	Means of transport	Assets under construction	Other	Total
Gross value of tangible assets as at the beginning of the period	**2 328 095**	**2 570 959**	**54 380**	**225 627**	**364 101**	**5 543 162**
Increases, of which:	**9 168**	**35 504**	**19 412**	**1 043 979**	**8 842**	**1 116 905**
Full method consolidation of subsidiaries	390	817	288	-	555	**2 050**
Purchases and other changes	8 778	34 687	19 124	1 043 979	8 287	**1 114 855**
Decreases, of which:	**(18 428)**	**(116 545)**	**(13 272)**	**(805 808)**	**(8 860)**	**(962 913)**
Liquidation and sale	(12 042)	(107 005)	(12 618)	(20 281)	(7 081)	**(159 027)**
Fixed assets leased	-	-	-	(780 069)	-	**(780 069)**
Foreign exchange differences	(6 386)	(3 145)	(400)	(89)	(1 697)	**(11 717)**
Other	-	(6 395)	(254)	(5 369)	(82)	**(12 100)**
Transfers from expenses to tangible fixed assets	**16 580**	**131 862**	**33**	**(169 166)**	**20 691**	**-**
Gross value of fixed assets at the end of the period	**2 335 415**	**2 621 780**	**60 553**	**294 632**	**384 774**	**5 697 154**
Accumulated depreciation as at the beginning of the period	**(429 754)**	**(2 070 810)**	**(35 760)**	**-**	**(310 756)**	**(2 847 080)**
Increases, of which:	**(74 538)**	**(169 506)**	**(7 575)**	**-**	**(18 846)**	**(270 465)**
Depreciation for the period	(73 117)	(168 519)	(7 363)	-	(15 992)	**(264 991)**
Full method consolidation of subsidiaries	(112)	(649)	(197)	-	(358)	**(1 316)**
Other	(1 309)	(338)	(15)	-	(2 496)	**(4 158)**
Decreases, of which:	**4 189**	**102 956**	**11 592**	**-**	**7 914**	**126 651**
Liquidation and sale	3 329	96 927	11 186	-	6 926	**118 368**
Foreign exchange differences	860	1 776	331	-	973	**3 940**
Other	-	4 253	75	-	15	**4 343**
Accumulated depreciation at the end of the period	**(500 103)**	**(2 137 360)**	**(31 743)**	**-**	**(321 688)**	**(2 990 894)**
Impairment allowance						
Opening balance	(50 221)	(2 310)	-	-	-	**(52 531)**
Increases	(184)	(79)	-	(700)	(35)	**(998)**
Decreases	-	2 310	-	-	-	**2 310**
Closing balance	(50 405)	(79)	-	(700)	(35)	**(51 219)**
Net book value	**1 784 907**	**484 341**	**28 810**	**293 932**	**63 051**	**2 655 041**
Opening balance	**1 848 120**	**497 839**	**18 620**	**225 627**	**53 345**	**2 643 551**
Closing balance	**1 784 907**	**484 341**	**28 810**	**293 932**	**63 051**	**2 655 041**

In 2007 and 2006, the Group did not receive any compensation from third parties due to impairment or loss of tangible fixed assets, which was recognized in the income statement.

The balance sheet item "Land and buildings, including investment property" includes land which is not subject to depreciation. The largest item is the perpetual usufruct right to the plot of land in Warsaw with the carrying amount of PLN 26,640 thousand, whose fair value estimated by an independent expert (as at 30 March 2007) exceeded its carrying amount by appx. PLN 19,330 thousand. There are no restrictions on the Bank's rights to sell these properties, nor any contractual liabilities relating to these assets.

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

	2007	2006
Direct operating costs concerning the investment properties (including maintenance and repair costs) that in the given period did not bring rental income.	1 439	1 329

33. Other assets

	31.12.2007	31.12.2006
Inventory	365 304	255 369
Amounts due from recipients	225 762	141 889
Settlements of transactions carried out using cards	149 114	141 417
Accrued expenses	31 117	58 067
Receivables relating to foreign exchange activity	15 892	5 244
Receivables from the State budget due to distribution of Treasury stamps	8 373	10 850
Settlement due to securities trading	6 614	40 811
Fixed assets held for sale and discontinued activity	5 716	10 250
Receivables from other banks and non-bank point of sales due to distribution of Treasury stamps	3 753	14 332
Other*	132 335	89 454
Total	**943 980**	**767 683**

* Included in "Other" as at 31 December 2007 are mainly interbank and interbranch settlements, receivables arising from internal operations, receivables arising from other transactions with financial, non-financial and public entities.

a) Inventories

Inventories balance value according to type	31.12.2007	31.12.2006
Work in progress*	344 378	241 454
Raw materials	10 551	715
Goods for sale	9 910	12 778
Goods for sale	465	422
Total	**365 304**	**255 369**

* The balance is mainly comprised of expenses incurred for construction projects carried out by the Group companies carrying out real estate development activities.

In the years ended 31 December 2007 and 31 December 2006, respectively, the Group did not recognize any impairment write-downs against inventories and there were no inventories pledged as security.

b) Non-current assets held for sale

Non-current assets held for sale according to type	31.12.2007	31.12.2006
Assets held for sale	5 059	9 084
Leased assets	657	1 166
Total	**5 716**	**10 250**

34. Assets pledged as collateral/security for liabilities

The PKO BP SA Group had the following assets pledged as collateral for its own liabilities:

Liabilities from sell-buy-back transactions (SBB)

	31.12.2007	31.12.2006
Treasury bonds:		
nominal value	158 911	741 886
carrying value	160 943	746 655
Treasury bills:		
nominal value	2 360	19 270
carrying value	2 281	19 896

Fund for Protection of Guaranteed Money

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

	31.12.2007	31.12.2006
Fund's value	202 824	144 575
Nominal value of collateral/ security	201 000	146 000
Type of collateral/ security	treasury bonds	treasury bonds
Maturity of collateral/ security	24.06.2008	24.03.2007
Carrying value of collateral/ security	206 872	146 215

The Fund for Protection of Guaranteed Money is secured by Treasury bonds with maturities sufficient to secure their carrying amount over the period defined by the above Act. The Fund is increased or decreased on 1 July each year, in proportion to the amount providing the basis for calculation of statutory provision.

Stock exchange guarantee fund

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

	31.12.2007	31.12.2006
Stock exchange guarantee fund	8 120	5 487

Each direct participant in the National Depository of Securities (*Krajowy Depozyt Papierów Wartościowych - KDPW*) which holds the status of settlements-making participant is obliged to make payments to the settlement fund which guarantees the settlement of the stock exchange transactions covered by that fund. The amount of the payments depends on the value of transactions made by each participant and is updated by KDPW SA on a daily basis.

In addition, KREDOBANK SA, an entity consolidated using the full method, had the following assets pledged as collateral for its own liabilities:

	31.12.2007	31.12.2006
Cash collateral from international financial organizations		
value in UAH thousands	149 837	131 217
equal value in PLN thousands	72 132	75 581
Ukrainian Financial Department's bonds as collateral from financial organizations		
value in UAH thousands	60 000	53 000
equal value in PLN thousands	28 884	30 528

35. Amounts due to the Central Bank

	31.12.2007	31.12.2006
Up to 1 month	1 279	1 387
Total amount due to the Central Bank	**1 279**	**1 387**

The interest rate as at 31 December 2007 and 31 December 2006, respectively, amounted to 0.0071%.

36. Amounts due to other banks

	31.12.2007	31.12.2006
Other banks' deposits	3 485 970	3 680 163
Loans and advances received	1 079 430	475 765
Current accounts	94 212	176 463
Other deposits from money market	43 502	19 217
Total amounts due to other bank	**4 703 114**	**4 351 608**

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

As at 31 December 2007 and 31 December 2006 the PKO BP SA Group did not have any other financial liabilities valued at fair value through profit or loss.

38. Amounts due to customers

	31.12.2007	31.12.2006
Amounts due to corporate entities	**15 670 624**	**12 835 080**
Current accounts and overnight deposits	6 829 667	6 125 740
Term deposits	8 681 104	6 618 651
Other	159 853	90 689
Amounts due to state budget entities	**4 691 218**	**3 162 694**
Current accounts and overnight deposits	3 549 004	2 235 107
Term deposits	1 035 165	800 026
Other	107 049	127 561
Amounts due to individuals	**66 248 751**	**67 509 401**
Current accounts and overnight deposits	29 012 938	24 704 239
Term deposits	37 113 090	42 787 023
Other	122 723	18 139
Total amounts due to customers	**86 610 593**	**83 507 175**

39. Liabilities arising from debt securities issued

As at 31 December 2007 and 31 December 2006, the Group had liabilities arising from debt securities issued.

	31.12.2007	31.12.2006
Liabilities arising from the issue		
Bonds issued by:		
BFL SA	166 823	43 722
KREDOBANK SA	12 037	-
Total	**178 860**	**43 722**

	31.12.2007	31.12.2006
Liabilities arising from the issue with a payment period:		
Up to 1 month	53 427	-
From 1 month to 3 months	102 198	-
From 3 months to 1 year	11 198	43 722
From 1 year to 5 years	12 037	-
Total	**178 860**	**43 722**

As at 31 December 2007, the average interest rate of the securities issued by KREDOBANK was 13.75% and of the securities issued by BFL – 5.65%. As at 31 December 2006, the average interest rate of the securities issued by BFL was 4.50%; no securities were issued by KREDOBANK in 2006.

40. Subordinated liabilities

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

As at 31 December 2007

Subordinated liabilities	Nominal value	Currency	Interest rate (%)	Maturity date	Balance (PLN thousand)
Subordinated bonds	1 600 700	PLN	6.35%	30.10.2017	1 614 885

Change in subordinated liabilities	2007
As at the beginning of the period	**-**
Increases, of which:	**1 614 885**
issue of subordinated bonds	1 597 341
interest from subordinated bonds	17 544
As at the end of the period	**1 614 885**

41. Other liabilities

	31.12.2007	31.12.2006
Accrued costs	220 330	218 110
Revenues received in advance	321 273	300 904
Other liabilities (relating to)	1 190 730	1 701 333
liabilities relating to settlements of security transactions	323 286	230 586
liabilities arising from social and legal transactions	137 888	157 881
liabilities due to suppliers	136 426	126 362
inter-bank and inter-sector settlements	124 650	571 812
liabilities arising from transactions w ith non-financial entities	83 642	93 591
liabilities arising from foreign currency activities	64 176	76 464
settlement of acquisition of machines, tools, materials, w orks and services regarding building of tangible assets	58 328	114 656
liabilities relating to payment cards	38 348	3 798
liabilities relating to investment activities and ow n operations	34 266	56 259
liabilities arising from repayments of advances to borrow ers related w ith debt forgiveness due to State Treasury	33 341	30 895
liabilities arising from other settlements	32 782	85 909
liabilities due to UOKiK	16 597	16 597
liabilities arising from guarantees paid by suppliers and from non-cash retail loans for purchase of household products	14 973	19 549
liabilities relating to payments of benefits	9 225	9 989
other*	82 802	106 985
Total	**1 732 333**	**2 220 347**

*Item "other" includes, among others: liabilities from sale of marks of value, liabilities arising from bank transfers and other payment orders, amounts due from the operating branch of PKO BP SA to the PKO BP SA training and leisure centres in respect of funds deposited by these centres, balances arising from substitution services provided by Poczta Polska, payables to insurance companies and balances arising from settlement of funds allocated by customers for the purchase of investment fund units.

As at 31 December 2007 and 31 December 2006, none of the Group companies had overdue contractual liabilities, resulting from signed agreements.

42. Provisions

For the year ended 31 December 2007	Provision for disputes	Provisions for jubilee bonuses and retirement benefits	Provisions for liabilities and guarantees granted	Other provisions*	Total
As at 1 January 2007	**7 680**	**317 560**	**18 650**	**84 310**	**428 200**
Increase/revaluation	2 688	3 368	50 285	69 761	**126 102**
Utilisation	(2 064)	-	-	(435)	**(2 499)**
Release	(756)	-	(41 073)	(55 813)	**(97 642)**
Foreign exchange differences	-	-	(72)	-	**(72)**
Other changes and reclassifications	10	(71)	273	-	**212**
As at 31 December 2007	**7 558**	**320 857**	**28 063**	**97 823**	**454 301**

* Included in "Other provisions" is, among others, restructuring provision amounting to PLN 79,129 thousand and securitization provision amounting PLN 9,894 thousand, which is described in detail in Note 6.

For the year ended 31 December 2006	Provision for disputes	Provisions for jubilee bonuses and retirement benefits	Provisions for liabilities and guarantees granted	Other provisions*	Total
As at 1 January 2006	**7 538**	**210 794**	**16 912**	**104 653**	**339 897**
Increase/revaluation	1 379	110 625	5 767	42 416	**160 187**
Utilisation	(421)	(2)	-	-	**(423)**
Release	(816)	(3 864)	(4 001)	(62 759)	**(71 440)**
Acquisition/sale due to merger of business entities	-	7	-	-	**7**
Foreign exchange differences	-	-	(28)	-	**(28)**
As at 31 December 2006	**7 680**	**317 560**	**18 650**	**84 310**	**428 200**

* Included in "Other provisions" is, among others, restructuring provision amounting to PLN 37,000 thousand and securitization provision amounting PLN 39,290 thousand, which is described in detail in Note 6.

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

43. Employee benefits

On 10 November 2004, pursuant to the Act of 30 August 1996 on commercialization and privatization (Journal of Laws 2002, No. 171, item 1397 with subsequent amendments) and § 14.1 of the Decree of the Minister of State Treasury dated 29 January 2003 concerning detailed principles of dividing entitled employees into groups, determining the number of shares falling to each of those groups and the course of acquiring shares by entitled employees (Journal of Laws No. 35, item 303), employee shares of the holding company were granted to its employees. As a result, the employees received 105,000,000 shares, which account for 10.5% of the share capital of the holding company.

As at 31 December 2007 as well as at 31 December 2006, there were no significant employee benefit plans in the Group.

44. Social Fund ("ZFŚS")

In the consolidated balance sheet, the Group compensated the Fund's asset and liabilities due to the fact that the assets of the Social Fund are not considered to be the assets of the Group. Accordingly, the balance of the Social Fund in the consolidated balance sheet of the Group as at 31 December 2007 and 31 December 2006 was nil.

The following tables present the types and the carrying amounts of assets, liabilities and costs associated with the Social Fund:

	31.12.2007	31.12.2006
Loans granted to employees	92 769	96 292
Amount on the Social Fund account	37 406	18 493

	2007	2006
Contributions to the Social Fund in the period	30 500	30 117
Non-refundable expenditure by the Social Fund in the period	15 062	15 447

45. Contingent liabilities

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

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

* Relates to the Agreement for Organization, Conducting and Servicing of a Bond Issuance Program
** Debt securities denominated in EUR after translation into PLN

As at 31 December 2006, the Bank's underwriting agreements covered the following securities:

Issuer of securities underwritten	Type of underwritten securities	Amount to which the Bank committed in case of realisation of underwriting agreement	Contract period	Sub-issue type
Company A	corporate bonds	**349 720**	2009-12-31	Bonds Issue Agreement*
Company F	corporate bonds	**174 365**	2011-11-30	Bonds Issue Agreement*
Entity B	commercial bills	**69 920**	2009-12-30	Commercial Bill Issue Agreement
Company C	corporate bonds	**50 000**	2008-02-27	Bonds Issue Agreement*
Entity A	municipal bonds	**40 500**	2017-12-31	Bonds Issue Agreement*
Comapny D**	corporate bonds	**22 911**	2009-12-30	Bonds Issue Agreement*
Company G	corporate bonds	**21 000**	2008-06-30	Bonds Issue Agreement*
Total other with separate value not exceeding PLN 15 million each	corporate and municipal bonds	**81 500**		Bonds Issue Agreement*
Total		**809 916**		

**Relates to the Agreement for Organization, Conducting and Servicing of a Bond Issuance Program
** Debt securities denominated in EUR after translation into PLN

All securities under the sub-issue (underwriting) program have an unlimited transferability, are not quoted on the stock exchange and are not traded on a regulated OTC market.

46. Potential liabilities

As at 31 December 2007, the total value of court proceedings in which the Bank is a defendant (inbound) was PLN 177,916 thousand (as at 31 December 2006: PLN 295,162 thousand), while the total value of court proceedings in which the Bank filed the claim (outbound) was PLN 73,891 thousand (as at 31 December 2006: PLN 84,886 thousand).

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

a) Unfair competition proceedings

The Bank is a party to proceedings initiated on the basis of the decision dated 23 April 2001 of the President of the Competition and Consumer Protection Office (Urząd Ochrony Konkurencji i Konsumentów - UOKiK) upon request of the Polish Trade and Distribution Organization (Polska Organizacja Handlu i Dystrybucji - Związek Pracodawców) against the operators of the Visa and Europay payment systems and the banks issuing Visa and Mastercard/Eurocard/Mastercard banking cards. The claims under these proceedings relate to the use of practices limiting competition on the market of banking card payments in Poland, consisting of applying pre-agreed "interchange" fees for transactions made using Visa and Europay/ Eurocard/Mastercard cards as well as limiting access to this market by external entities. On 29 December 2006, UOKiK decided that the above practices did limit market competition and ordered that any such practices should be discontinued, and imposed a fine on, among others, PKO BP SA, in the amount of PLN 16,597 thousand. As at 31 December 2007, the Bank recognized a liability for the above amount. On 19 January 2007, the Bank filed an appeal from the decision of the President of UOKiK to the regional court. At the end of October 2007, the President of UOKiK sent the entire documentation to the Regional Court in Warsaw, the Court for Competition and Consumer Protection, including the appeals of the banks against the Decision, the banks' complaints against the immediate enforcement clause issued for the Decision as well as the banks' complaints against the costs of the proceedings. The Court has commenced the activities stipulated by the Code of Civil Procedure and issued a call to the parties to provide their reply to the appeals. As at 31 December 2007, there had been no other developments with respect to this matter.

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

As at the date of these financial statements, six administrative proceedings are pending to invalidate decisions issued by public administration authorities with respect to properties held by the holding company. These proceedings, in the event of an unfavorable outcome for the Bank, may result in re-privatization claims being raised against the Bank. Given the current status of these proceedings, it is not possible to assess their potential negative financial effects for the Bank. Moreover, with respect to three properties of the Bank claims were submitted by their former owners. Court proceedings are pending with respect to two properties. With respect to the other one property, the Bank is still in the process of negotiations in order to settle the legal status of this property. Until 31 December 2007 there had been no further developments with respect to this issue.

The consolidated financial statements for the year ended 31 December 2007 do not contain any provisions in respect of the potential liabilities described above.

In the opinion of the Management Board of PKO BP SA, the probability of serious claims arising against the Bank under the proceedings mentioned above is remote.

Financial liabilities granted

	31.12.2007	31.12.2006
Total financial liabilities granted:	**24 346 666**	**22 552 006**
to financial sector	564 551	1 709 213
to non-financial sector	23 551 708	19 145 852
to the public sector	230 407	1 696 941
of which: irrevocable liabilities granted	8 860 369	10 298 419

Guarantee liabilities granted

Guarantees	31.12.2007	31.12.2006
Liabilities granted to financial sector:	8 520	12 705
Liabilities granted to non-financial sector:	3 614 258	2 197 511
Liabilities granted to budget:	262 494	137 466
Total guarantees granted	**3 885 272**	**2 347 682**

In the years ended 31 December 2007 and 31 December 2006 respectively, the Bank and its subsidiaries did not grant any guarantees in respect of loans or advances and did not grant any guarantees to a single entity or a subsidiary thereof with a total value accounting for 10% of the Bank's equity.

Information on provisions for off-balance guarantee and financial liabilities is included in Note 42.

Contingent liabilities granted, by maturity as at 31 December 2007

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

Contingent liabilities granted, by maturity as at 31 December 2006

	Up to 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	> 5 years	Total
Financial liabilities granted	4 889 986	1 120 944	7 858 996	6 579 706	2 102 374	**22 552 006**
Guarantee liabilities granted	443 339	96 189	526 452	1 220 916	60 786	**2 347 682**
Total	**5 333 325**	**1 217 133**	**8 385 448**	**7 800 622**	**2 163 160**	**24 899 688**

Off-balance sheet liabilities received

	31.12.2007	31.12.2006
Liabilities received	**1 078 717**	**6 304 823**
1. financial	358 604	1 258 783
2. guarantee	720 113	5 046 040

Assets pledged as collateral for contingent liabilities

As at 31 December 2007 and 31 December 2006 the Group did not have any assets pledged as collateral for contingent liabilities.

Right to sell or pledge collateral established for the Group

As at 31 December 2007 and 31 December 2006, there was no collateral established for the Bank which the Bank was entitled to sell or encumber with another pledge in the event of fulfillment of all obligations by the owner of this collateral.

47. Share capital

In the years ended 31 December 2007 and 31 December 2006, respectively, there were no changes in the amount of the share capital of the holding company.

As at 31 December 2007, the share capital of PKO BP SA amounted to PLN 1,000,000 thousand and consisted of 1,000,000 thousand shares with nominal value of PLN 1 each (as at 31 December 2006: PLN 1,000,000 thousand, 1,000,000 thousand shares with a nominal value of PLN 1 each) - shares fully paid.

As at 31 December 2007, 485,056 thousand shares were subject to public trading (as at 31 December 2006: 490,000 thousand shares).

As at 31 December 2007 and 31 December 2006, the subsidiaries, jointly controlled entities and associates of the Bank did not have any shares in PKO BP SA.

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

48. Other capital and retained earnings

	31.12.2007	31.12.2006
Reserve capital	5 592 311	4 529 920
Revaluation reserve	(43 066)	3 834
General banking risk reserve	1 070 000	1 070 000
Other reserves	1 518 025	1 505 943
Retained earnings	(72 192)	(166 771)
Total	**8 065 078**	**6 942 926**

49. Supplement information to the cash flow statement

Cash and cash equivalents

	31.12.2007	31.12.2006
Cash and amounts in the Central Bank	4 682 627	4 628 134
Current receivables from financial institutions	4 580 772	9 535 024
Total	**9 263 399**	**14 163 158**

Cash flow from operating activities - other adjustments

	2007	2006
Valuation, interest accrued, discount, premium on debt securities decreased by deferred tax	(296 021)	41 256
Tangible and intangible assets liquidation and impairment w rite-offs	(58 363)	30 369
Valuation, impairment allow ances against investments in jointly controlled entities and associates	109 627	126 197
Foreign exchange differences on foreign entities translation	(34 089)	(9 590)
Other	-	(250)
Total other adjustments	**(278 846)**	**187 982**

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

Profit (loss) from investing activities	**2007**	**2006**
Income from sale and disposal of the tangible and intangible fixed assets	(83 684)	(15 121)
Sale and disposal costs of tangible and intangible fixed assets	11 680	12 619
Result from IFRS 5 classified asset	-	(21 296)
(Profit) loss from investing activities - total	**(72 004)**	**(23 798)**

Interests and dividends	**2007**	**2006**
Interest from available for sale portfolio securities, presented in the investing activities	(202 603)	(259 143)
Dividends received, presented in the investing activities	(6 267)	(3 604)
Interests paid from granted loans, presented in financial activity	1 580	1 308
Total interests and dividends	**(207 290)**	**(261 439)**

Change in amounts due from banks	**2007**	**2006**
Change in balance sheet's balances	8 138 271	(767 295)
Change in impairment write-offs for amounts due from banks	53	1 449
Exclusion of the cash and cash equivalents	(4 954 252)	2 039 747
Total change	**3 184 072**	**1 273 901**

Change in loans and advances to customers	**2007**	**2006**
Change in balance sheet's balances	(17 510 542)	(12 031 978)
Change in provisions for amounts due from customers	29 592	540 719
Total change	**(17 480 950)**	**(11 491 259)**

Change in amounts due to banks	**2007**	**2006**
Change in balance sheet's balances	351 398	2 268 883
Transfer of the repayments/received long term advances due from banks to financing activities	(2 649 228)	(294 794)
Total change	**(2 297 830)**	**1 974 089**

Change in amounts due to customers	**2007**	**2006**
Change in balance sheet's balances	3 103 418	6 759 612
Transfer of the repayments/received long term advances due from financial institutions other than banks to financing activities	(292 751)	(51 821)
Total change	**2 810 667**	**6 707 791**

Change in provisions	**2007**	**2006**
Change in balance sheet's balances	6 625	70 706
Change in impairment write-offs for amounts due from banks	(53)	(1 449)
Change in impairment write-offs for loans and advances to customers	(29 592)	(579 416)
Change of the deferred tax liability on the available for sale portfolio	10 831	(1 922)
Total change	**(12 189)**	**(512 081)**

Change in other liabilities	2007	2006
Change in balance sheet's balances	(488 014)	357 867
Interest and provision from subordinated liabilities	17 511	-
Reclassification of interests repayment from loans received from others than banks, financial institutions, presented in financial activity	23 195	2 676
Total change	**(447 308)**	**360 543**

50. Transactions with related parties

Transactions of the holding company with jointly controlled entities and associates accounted for using the equity metod.

All transactions with entities related by capital and personal relationships were entered into at an arm's length. The repayment terms are within a range from 1 month to 10 years.

31 December 2007

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

31 December 2006

Entity	Net receivables	including gross loans	Liabilities	Total revenues	including interest and fees and commission income	Total costs	including interest and fees and commission costs	Off – balance sheet liabilities granted
Sopot Zdrój Sp. z o.o.	2 059	2 055	234	1 941	1 941	39	39	191 038
Centrum Majkow skiego Sp. z o.o.	8 692	8 605	108	401	401	7	7	30 856
Kamienica Morska Sp. z o.o.	537	534	22	16	16	-	-	2 926
Promenada Sopocka Sp. z o.o.	6 224	6 156	885	461	461	12	12	39 436
INTER FINANCE Polska Sp. z o.o.	-	-	468	1	1	13	13	-
Poznański Fundusz Poręczeń Kredytow ych Sp. z o.o.	-	-	2 365	1	1	197	197	-
Agencja Inw estycyjna „CORP" SA	223	-	-	1 454	-	4 016	52	-
CENTRUM HAFNERA Sp. z o.o.	-	-	8 759	42	42	220	220	3 831
Centrum Obsługi Biznesu Sp z	25 214	25 211	2 368	54	54	49	49	7 169
Bank Pocztow y SA	3	-	8 602	14	-	63	63	-
Kolej Gondolow a Jaw orzyna Krynicka SA	2 918	2 000	1	143	143	14	-	586
Total	**45 870**	**44 561**	**23 812**	**4 528**	**3 060**	**4 630**	**652**	**275 842**

51. Transactions with the State budget and affiliated companies

Receivables, securities and liabilities from transactions with State budget, budgetary units and State Treasury related entities are disclosed in the Bank's balance sheet. The greatest loans agreements are presented in Note 3. The conditions of those transactions do not differ from market conditions.

According to the Act dated 30 November 1995 on the state support in the repayment of certain housing loans, the refund of guarantee premium to banks and amendments to certain acts (Journal of Laws 2003, No. 119, item 1115 with subsequent amendments), PKO BP SA receives payments from the State budget for the redemption of interest on housing loans. As part of the realization of statutory obligations by the State budget, during year ended 31 December 2007 the Bank recognized income in the amount of PLN 122,183 thousand (in 2006: PLN 155,032 thousand) due to temporary redemption by the State budget of interest on housing loans from the "old" portfolio. During this period, the Bank received PLN 107,348 thousand in cash (in 2006: PLN 135,236 thousand) in respect of temporary redemption by the State budget of interest on housing loans from the "old" portfolio. The difference of PLN 14,835 thousand (in 2006: PLN 19,796 thousand) between income recognized for this period and income received in cash is reflected in the balance sheet of the Group under "Loans and advances to customers".

PKO BP SA receives commission for settlements relating to the redemption of interest on housing loans (Journal of Laws, No.122, item 1310). For the year ended 31 December 2007, PKO BP SA received commission amounting to PLN 5,168 thousand (year ended 31 December 2006: PLN 4,619 thousand), which has been recognised in the income statement under "Fees and commission income".

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

As of 1 January 1996 the Bank became the general distributor of duty stamps. The amount received in this respect from the State budget in the year ended 31 December 2007 totalled PLN 27,146 thousand (2006: PLN 61,198 thousand) and was recognized in full by the Bank under "Fees and commission income".

In the year ended 31 December 2007, the Bank also recognized commission income of PLN 74 thousand (2006: PLN 113 thousand) in respect of its fees for servicing compensation payments made to pensioners who lost in 1991 the increases or additions to their pensions due for performing work in specific conditions or of a specific nature, as well as to public sector employees whose salaries were not adjusted in the second half of 1991 and in the first half of 1992. This amount was included under "Fees and commission income".

Dom Maklerski PKO BP (the Brokerage House of PKO BP) performs the role of an agent for the issue of retail Treasury bonds under the agreement signed between the Ministry of Finance as the issuer and the Bank on 11 February 2003. Under this agreement, Dom Maklerski receives a fee for providing the services of an agent for the issue of bonds. The amount received in this respect in 2007 was PLN 33,604 thousand (2006: PLN 48,085 thousand).

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

The transactions were concluded at arm's length.

Entity	31.12.2007			31.12.2006		
	Net receivables	Liabilities	Off-balance sheet guarantee and financial liabilities granted	Net receivables	Liabilities	Off-balance sheet liabilities granted
Entity 1	305 456	-	484 204	-	3 083	-
Entity 2	268 266	-	23 000	345 527	74 000	23 000
Entity 3	190 227	6 808	86 500	257 292	94 130	162 708
Entity 4	152 065	78 024	52 800	-	69 199	-
Entity 5	128 395	133 387	316 550	132 125	71 578	240 879
Entity 6	109 345	-	92 219	75 647	126 600	96 298
Entity 7	102 651	13 240	40 597	-	-	68 943
Entity 8	101 206	85 439	728 282	-	-	-
Entity 9	91 021	-	-	109 225	-	-
Entity 10	65 252	-	18 748	-	4 778	-
Entity 11	60 912	-	-	-	-	-
Entity 12	53 020	2 692	146 980	-	19 588	-
Entity 13	36 063	2 490	-	32 601	49 000	10 674
Entity 14	35 820	-	-	-	-	-
Entity 15	31 718	31 775	62 282	-	59 721	32 000
Other significant	202 241	1 680 370	1 229 488	642 737	1 502 883	1 421 605
Total	**1 933 658**	**2 034 225**	**3 281 650**	**1 595 154**	**2 074 560**	**2 056 107**

52. Benefits for the key management personnel of the holding company

a) Short-term employee benefits

Remuneration received from PKO BP SA

	2007	2006
Management Board		
Short-term employee benefits	1 655	1 848
Supervisory Board		
Short-term employee benefits	272	346
Total benefits	**1 927**	**2 194**

Remuneration received from the subsidiaries, associates and jointly controlled entities of PKO BP SA

	2007	2006
Management Board		
Short-term employee benefits	833	401
Supervisory Board		
Short-term employee benefits	287	62
Total benefits	**1 120**	**463**

b) Post-employment benefits

In the years ended 31 December 2007 and 31 December 2006, respectively, no post-employment benefits were paid.

c) Other long-term benefits

In the years ended 31 December 2007 and 31 December 2006, respectively, no "other long-term benefits" were paid.

d) Benefits due to termination of employment

In the years ended 31 December 2007 and 31 December 2006, respectively, no benefits were paid due to termination of employment.

e) Share-based payments

In the years ended 31 December 2007 and 31 December 2006, respectively, no benefits were paid in the form of share-based payments.

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

	31.12.2007	31.12.2006
Employees	850 624	612 301
Members of the Management Board	5 036	352
Members of the Supervisory Board	513	254
Total	**856 173**	**612 907**

The terms of interest and terms of repayment of the above amounts do not differ from market terms and terms of repayment of similar banking products.

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

	2007	2006
Management Board		
Short-term employee benefits	9 091	6 938
Supervisory Board		
Short-term employee benefits	1 294	1 153
Total benefits	**10 385**	**8 091**

53. Business combinations

As at 31 December 2007 and 31 December 2006, there were no business combinations involving either the parent or any of its subsidiaries, associates or jointly controlled entities.

Presented below are significant disclosures relating to purchase or sale of shares in subsidiaries, associates and jointly controlled entities during the year 2007.

a) concerning KREDOBANK SA

On 20 April 2007, PKO BP signed an agreement with the European Bank for Reconstruction and Development ("EBRD") concerning conditional purchase by PKO BP of shares in KREDOBANK SA. The transaction covered 6,194,908,483 shares of KREDOBANK SA with a total nominal value of UAH 61,949,084.83. These shares accounted for 28.2486% of the Company's share capital and 28.2486% of votes at the General Shareholders' Meeting. The condition necessary to complete the transaction was obtaining permission from the National Bank of Ukraine. On 26 July 2007, after receiving the

permit from the National Bank of Ukraine, the purchase transaction was executed. The price paid for the shares was EUR 17,348,177.00. As a result of the above transaction, PKO BP SA holds shares in KREDOBANK SA accounting for a total of 98.1815% of the Company's share capital and giving right to 98.1815% of votes at the General Shareholders' Meeting.

Presented below are the details of goodwill arising on the acquisition of shares in KREDOBANK SA, which took place in 2007.

KREDOBANK SA	
Date of acquisition	**26.07.2007**
Percentage share in the share capital of Company	28.249%
Acquisition price	66 160
Carrying value of Company net assets on the acquisition date	134 963
Share of PKO BP SA in the fair value of net assets of KBU at acquisition date	38 125
Goodwill at the acquisition date	**28 035**

KREDOBANK SA is restricted in making dividend payments to the investor. In accordance with the decision of the Extraordinary General Shareholders' Meeting of KREDOBANK SA dated 17 November 2005, the Company introduced a moratorium for payment of dividends in the period 2005 – 2008, as required by the approved "Strategy for dynamic development of KREDOBANK SA".

b) The Capital Group of Bankowy Fundusz Leasingowy SA

On 18 June 2007, Bankowy Leasing Sp. z o.o. with its registered office in Łódź was entered in the National Court Register. The share capital of the Company amounts to PLN 1,300 thousand and is divided into 2,600 shares with a nominal value of PLN 500 each. All of the shares in the Company's share capital were acquired by Bankowy Fundusz Leasingowy SA – a subsidiary of PKO BP SA. The total price paid for the acquisition of these shares was PLN 1,109,296. The principal activity of the Company is the provision of operating and finance lease services.

On 2 August 2007, an increase in the share capital of Bankowy Fundusz Leasingowy SA was registered in the National Court Register, by a total amount of PLN 10 million. All of the new shares in the increased share capital were acquired by PKO BP SA. Following the registration of the new shares, PKO BP SA holds 100% of the share capital of BFL SA and 100% of votes at its General Shareholders' Meeting.

On 16 July 2007, BFL Nieruchomości Sp. z o.o. with its registered office in Łódź was entered in the National Court Register. The share capital of the Company amounts to PLN 1,100 thousand and is divided into 2,200 shares with a nominal value of PLN 500 each. All of the shares in the share capital of the Company were acquired by Bankowy Fundusz Leasingowy SA – a subsidiary of PKO BP SA. The total price for the acquisition of these shares was PLN 1,109,296. The principal activity of the Company is the provision of operating and finance lease services with respect to real property.

As at 31 December 2007 and 31 December 2006, the investment in Bankowy Leasing Sp. z o.o. was accounted for using the full method in the consolidated financial statements of the PKO BP SA Group. As at 31 December 2007, the new subsidiaries of Bankowy Leasing Sp. z o.o. were accounted for using the full method in the consolidated financial statements of the PKO BP SA Group.

c) The Capital Group of PKO Inwestycje Sp. z o.o.

On 1 June 2007, the Pechersk Regional State Administration in Kiev (Ukraine) registered an increase in the share capital of UKRPOLINWESTYCJE Sp. z o.o. with its registered office in Kiev, which was effected through an increase in the nominal value of each share (from UAH 10,200 to UAH 15,250). The Company's share capital after this increase amounts to UAH 1,525,000 (the equivalent of USD 300,000) and is divided into 100 equal shares. Following the registration of the above changes, PKO Inwestycje Sp. z o.o., the Bank's subsidiary, holds 55 shares in UKROPOLINWESTYCJE Sp. z o.o.

with a total nominal value of UAH 838,750 (the equivalent of USD 165,000), giving right to 55 votes at the shareholders' meeting.

As at 31 December 2007 and 31 December 2006, the investment in UKRPOLINWESTYCJE Sp. z o.o. was accounted for using the full method in the consolidated financial statements of the PKO BP SA Group.

On 1 October 2007, ARKADIA Inwestycje Sp. z o.o. with its registered office in Międzyzdroje was entered in the National Court Register. The share capital of the company amounts to PLN 1 million and is divided into 1,000 shares with a nominal value of PLN 1,000 each. PKO Inwestycje Sp. z o.o. originally acquired 99% shares in the company, and purchased the remaining share in the company from the other shareholder on 8 November 2007. The company was set up for the purpose of carrying out the housing construction project "Osiedle Jantar" in Międzyzdroje.

On 21 December 2007 PKO Inwestycje Sp. z o.o. made an additional payment to the share capital of ARKADIA Inwestycje Sp. z o.o. in the amount of PLN 1 million.

As at 31 December 2007, the investment in ARKADIA Inwestycje Sp. z o.o. was accounted for using the full method in the consolidated financial statements of the PKO BP SA Group.

d) **Other subsidiaries, associates and jointly controlled entities**

On 10 January 2007, the Metropolitan Court in Budapest issued a decision on deleting Sonet Hungary Kft, a subsidiary of Inteligo Financial Services SA, from the register of entrepreneurs, thereby confirming the completion of the liquidation of this Company on 23 September 2006, i.e. the date on which the decision on the completion of liquidation became legally valid. The Company was deleted from the register on 11 January 2007.

54. Description of differences between the previously published financial statements and these financial statements

Presented below is the summary of significant changes included in the prior published data, restated for comparability purposes

Title (in relation to changed positions)	**2006** disclosed previously	**2006** comparative data	**Difference**	
Interest income	5 571 159	5 594 771	23 612	[1]
Interest expense	(1 762 414)	(1 762 592)	(178)	[1]
Fees and commission income	2 088 600	2 296 099	207 499	[1], [2]
Fees and commission expense	(366 039)	(429 847)	(63 808)	[1], [2]
Other operating income	1 021 737	805 656	(216 081)	[1], [2], [3]
Other operating expenses	(237 625)	(493 907)	(256 282)	[1], [2], [3], [4]
General administrative expenses	(4 117 178)	(3 811 940)	305 238	[4]

[1] Change in the presentation of selected items of income and expense of Dom Maklerski
[2] Change in the presentation of fees and commissions connected with management of PKO TFI funds
[3] Change in the presentation of impairment allowances for other assets
[4] Change in the presentation of costs arising from the settlement of investments

Title (in relation to changed positions)	**31.12.2006** disclosed previously	**31.12.2006** comparative data	**Difference**	
Financial assets held for trading	392 380	998 635	606 255	5)
Derivative financial instruments	1 199 556	1 199 154	(402)	5)
Other financial instruments at fair value through profit and loss	11 360 064	11 518 705	158 641	5)
Amounts due to the other banks	4 193 090	4 351 608	158 518	5)
Derivative financial instruments	1 098 863	1 097 806	(1 057)	5)
Amounts due to customers	82 900 142	83 507 175	607 033	5)

5) Transfer of SBB from off-balance sheet liabilities

55. Events after the balance sheet date

On 8 February 2008 the holding company concluded a credit agreement with one of the PKO BP SA's customers ('the Borrower'). The subject of the credit agreement is an investment loan of PLN 1,230,000,000 designated to finance part of the Borrower's purchase price of financial assets. The investment loan agreement was concluded for the 10-year period. The collateral of the loan is among others registered pledge on the Borrower's financial assets and the Borrower's amounts held on it's current bank accounts. The interest rate of the investment loan is calculated as WIBOR 6M plus the Bank's margin and is to be paid every 6 months.

On 25 February 2008, Urszula Pałaszek resigned from the position of the Vice-Chairman of the Supervisory Board of PKO BP SA.

On 26 February 2008, the following members of the Supervisory Board of PKO BP SA resigned from their positions:

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

In addition, on 26 February 2008 the Extraordinary General Meeting of PKO BP SA dismissed Maciej Czapiewski from his position in the Supervisory Board of PKO BP SA. At the same time, the Extraordinary General Meeting of PKO BP SA appointed the following persons to the Supervisory Board:

- Marzenę Piszczek,
- Jerzego Osiatyńskiego,
- Jana Bossaka,
- Eligiusza Jerzego Krześniaka,
- Romana Sobieckiego,
- Ryszarda Wierzbę,

In accordance with the resolution, the above persons were appointed to the Supervisory Board as of 26 February 2008, for a period until the end of the current term and for the next term of the Supervisory Board of the Bank.

In accordance with the resolution of the Extraordinary General Meeting of PKO BP SA, Urszula Pałaszek was appointed to the Supervisory Board of the next term.

In accordance with the Decision of Minister of Treasury of 6 February 2008:

- Marzena Piszczek was designated to the position of Chairman of the Supervisory Board of the Bank,
- Eligiusz Jerzy Wrześniak was designated to the position of Vice-Chairman of the Supervisory Board of the Bank.

On 6 March 2008 the Bank received a notification on the court's meeting related to the settlement attempt motioned by the buyer in the first of non-performing loans sale transaction as described in Note 6 of these financial statements. The total claims amount which has not been included in the Bank's provisions as at 31 December 2007 amounts to PLN 34,630 thousand and relates to claims filed with by the Bank after the claiming period. In the Bank's opinion, there is no basis for recognize the above claims.

Signatures of all Members of the Management Board of the Bank

08.04.2008	Rafał Juszczak	President of the Board	..... (signature)
08.04.2008	Berenika Duda - Uhryn	Vice-President of the Board	..... (signature)
08.04.2008	Robert Działak	Vice-President of the Board	..... (signature)
08.04.2008	Mariusz Klimczak	Vice-President of the Board	..... (signature)
08.04.2008	Wojciech Kwiatkowski	Vice-President of the Board	..... (signature)
08.04.2008	Aldona Michalak	Vice-President of the Board	..... (signature)
08.04.2008	Adam Skowroński	Vice-President of the Board	..... (signature)
08.04.2008	Stefan Świątkowski	Vice-President of the Board	..... (signature)

Signature of person responsible for keeping the books of account

08.04.2008

Danuta Szymańska

Director of the Bank
(signature)