



Pocztowy
Bank

Annual

2007

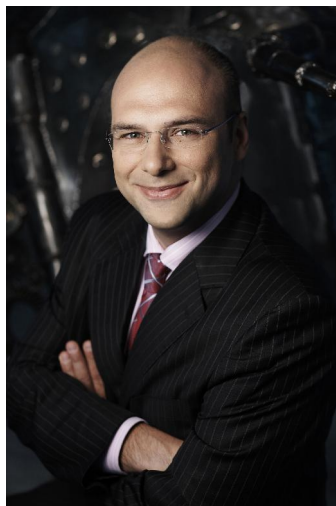
Raport

Warsaw, 30 December 2008 r.

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Letter from the President of the Board



Dear Madam or Sir:

I present you with an Annual Report summing up operations of Bank Pocztowy in 2007. The previous year was another significant step on the way to build a universal, modern and customer-friendly bank. In 2007, the Bank's net result was 30.4 million zlotys which is an increase of 6.1 million zlotys compared to 2006 and the best result ever achieved by the Bank. An important event for Bank Pocztowy took place in December 2007 the Bank's Supervisory Board passed and approved a new Bank Pocztowy Strategy for the years 2008-2010, the implementation of which will have a major impact on the standing of Bank Pocztowy in the Polish financial market in subsequent years.

The Bank's strategy for the years 2008-2010 directs actions at quick implementation of the retail banking strategy. At the same time, the Strategy formulates the objective of making Bank Pocztowy a universal bank well able to cater for the needs of individual customers, small businesses as well as large institutions. The way to achieve this objective is to develop access channels through setting up Financial Points in post offices, expanding mobile channels, changing the Bank's own network, launching cooperation with Postal Agencies as well as enlarging considerably the Bank's product offer. In addition, the new Strategy aims at improving competences in the field of international settlements, mass payments as well as interbank settlements.

All actions undertaken in 2007 were directed at preparing Bank Pocztowy for adopting and effective implementation of the Bank's Strategy, developing retail banking and transaction banking for institutional customers. In many cases, the actions that were carried out were a continuation of the actions initiated in the previous years.

In the past year, Bank Pocztowy, in cooperation with its main shareholder the Polish Post, continued the process of expanding the sale of bank products in post offices. According to the plan for the year 2007, 1180 Financial Points were set up in post offices offering an on-line access to the banking system which involved providing special training to over 3 thousand employees of the Polish Post who could, from then on, sell a wider scope of products and financial services of Bank Pocztowy. As part of the reorganisation of the Bank's own network, the Bank's branches were optimised. Currently, there are 57 of them. Establishing Financial Points in post offices involved their identification and visualisation carried out on a large scale. This, alongside with advertisements for the Bank's products in the media, contributed to the brand name Bank Pocztowy becoming more known, which resulted in Bank Pocztowy emerging as the strongest and the best known Polish brand name according to the ranking Marqa 2007 published by Rzeczpospolita daily.

Letter from the President of the Board

Aspiring to make Bank Pocztowy even more accessible and more customer-friendly, we have introduced new alternative access channels to banking services. For this purpose, the anytime banking channel www.pocztowy24.pl was made available in June 2007 through which Customers of Bank Pocztowy may use electronic banking services 24 hours a day 7 days a week. Our Customers may also use a new mobile channel SMS Pocztowy whereby it is possible, through a text message, to e.g. obtain information on funds available in an account or top up your mobile. This year, the Bank also launched a new website www.pocztowy.pl. Moreover, owing to the agreements concluded in 2007, we ensured that our customers have access to a free-of-charge cash dispenser network including Bank Pocztowy, PKO, Euronet, Cash4You and Kredyt Bank the largest network on the market comprising 4 thousand cash points.

The actions undertaken in 2007, both organisational and those related to investments, did not impede the dynamics of the Bank's financial results from the recent years. The net result of 30.4 million zlotys was the best one in the Bank's history, which was significantly influenced by an increase in the share of retail banking in the Bank's total income. I am convinced that the new Bank's Strategy for the years 2008-2010 will contribute not only to maintaining this upward tendency, but will increase the dynamics so the results achieved by Bank Pocztowy in subsequent years are even better and so that the Bank itself continues to have your trust.

I wish to warmly thank all of you who decided to use the offer of Bank Pocztowy. It is for you that we do our best to create the Bank that is capable of meeting your expectations. Each year we make every attempt so that our products and services are more and more interesting, attractive and accessible. All of this is achieved in cooperation with our shareholders the Polish Post and PKO BP to whom I would also wish to thank for assistance and support. I do believe that all together we are able to create postal banking that is up to the standards of the best postal banks in the world.



Piotr Kamiński

President of the Board

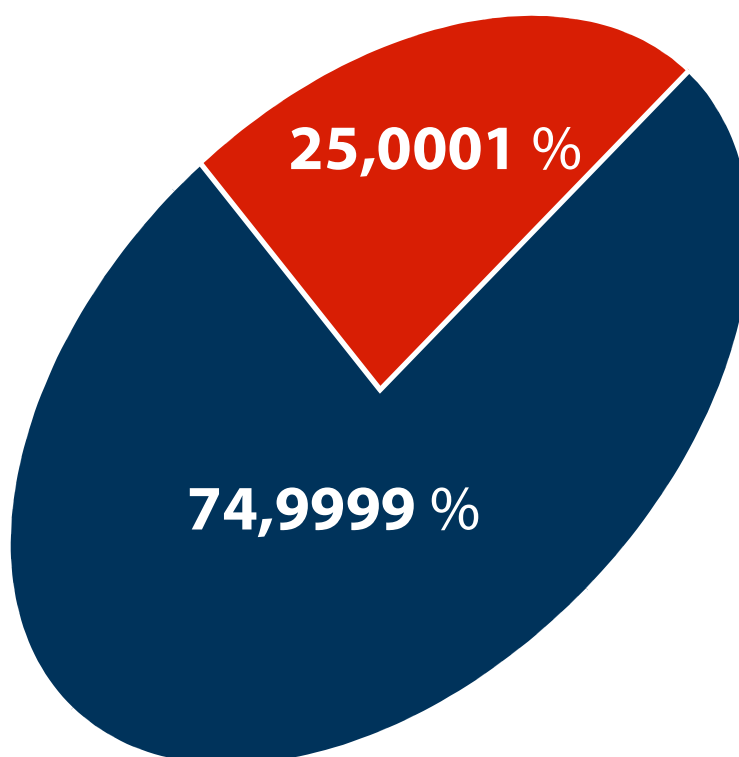
Bank Shareholders

As at 31st December 2007, the Bank's share capital consisted of 972 904 shares having a par value of PLN 100.00 each. During 2007, Bank Pocztowy shareholders' structure did not change.

As at 31st December 2007, the shareholders represented the percentage share as follows:

 p.p.u.p. Polish Post: **74,9999 %**

 PKOBP S.A.: **25,0001 %**



The representation in the number of votes at the General Meeting of Shareholders accounted for similar proportions.

Changes in the Bank's Management and Supervisory Board

During the sixth term of office (2004-2007, i.e. until the day on which the General Meeting of the Board was held on 27.04.2007 at which Financial Report for the year 2006 was approved), the Board of Bank Pocztowy consisted of the following persons:

- **Piotr Kamiński** - President of the Board,
- **Zbigniew Derdziuk** - Deputy President of the Board,
- **Piotr Sikora** - Member of the Board,
- **Piotr Tefelski** - Member of the Board,
- **Bronisława Trzeszkowska** - Member of the Board

On 23.01.2007, the Supervisory Board appointed Zbigniew Derdziuk as the Deputy President of the Board as of 24.01.2007.

At the end of the sixth term of the Board's office, the Supervisory Board appointed on 25.04.2007 a new Board of Bank Pocztowy S.A. The new Board for the seventh term of office consisted of the following persons:

- **Piotr Kamiński** as President of the Board,
- **Zbigniew Derdziuk** as Deputy President of the Board,
- **Piotr Sikora** as Member of the Board,
- **Piotr Tefelski** as Member of the Board,
- **Bronisława Trzeszkowska** as Member of the Board.

The resolutions came into effect as at the moment of approving by the General Meeting Financial Report for the year 2006, which took place on 27.04.2007.

15.11.2007 Deputy President of the Board Zbigniew Derdziuk resigned from his position.

As at 31.12.2007, the Board consisted of the following persons:

- **Piotr Kamiński** - President of the Board,
- **Piotr Sikora** - Member of the Board,
- **Piotr Tefelski** - Member of the Board,
- **Bronisława Trzeszkowska** - Member of the Board.

The Supervisory Board of Bank Pocztowy SA (7th term of office) consisted of the following eight persons as at 1st January 2007:

- **Sławomir Skrzypek** - Chairman of the Supervisory Board
- **Zbigniew Niezgoda** - Deputy Chairman of the Supervisory Board
- **Andrzej Podsiadło** - Deputy Chairman of the Supervisory Board
- **Mariusz Wnuk** - Secretary of the Supervisory Board
- **Andrzej Polakowski** - Member of the Supervisory Board
- **Andrzej Raj** - Member of the Supervisory Board
- **Janusz Starowiejski** - Member of the Supervisory Board
- **Marek Zuber** - Member of the Supervisory Board

Changes in the composition of the Supervisory Board:

- 10.01.2007 - Sławomir Skrzypek resigned his membership of the Supervisory Board.
- 23.01.2007 - the Supervisory Board removed Zbigniew Niezgoda from the position of Deputy President, appointing him as Chairman of the Supervisory Board of Bank Pocztowy S.A.
- 09.03.2007 - Extraordinary General Meeting of Bank Pocztowy S.A., following his resignation, removed Andrzej Podsiadło from the Supervisory Board and appointed as its members Rafał Juszcak and Wojciech Kwiatkowski.
- 12.04.2007 - Supervisory Board appointed Andrzej Polakowski and Rafał Juszcak as Deputy Chairmen of the Supervisory Board of Bank Pocztowy S.A.
- 25.04.2007 - Zbigniew Niezgoda resigned from the position of Chairman. 25.04.2007 Supervisory Board dismissed Andrzej Polakowski from the position of Deputy President, appointing him as Chairman of the Supervisory Board of Bank Pocztowy S.A.
- 27.04.2007 - Zbigniew Niezgoda resigned from the position of a member of the Supervisory Board.
- 27.04.2007 - Extraordinary General Meeting removed Janusz Starowiejski from the position of a member of the Supervisory Board and appointed as its members Marek Głuchowski and Tadeusz Mróz.
- 05.12.2007 - Supervisory Board appointed Tadeusz Mróz as Deputy Chairman of the Supervisory Board.

As at 31.12.2007, the Supervisory Board consisted of the following persons:

- **Andrzej Polakowski** - Chairman of the Supervisory Board,
- **Rafał Juszcak** - Deputy Chairman of the Supervisory Board,
- **Tadeusz Mróz** - Deputy Chairman of the Supervisory Board,
- **Mariusz Wnuk** - Secretary of the Supervisory Board,
- **Marek Głuchowski** - Member of the Supervisory Board,
- **Wojciech Kwiatkowski** - Member of the Supervisory Board,
- **Andrzej Raj** - Member of the Supervisory Board,
- **Marek Zuber** Member of the Supervisory Board.

External Conditions for the Bank's Operations in 2007

The growth rate for gross domestic product in the entire 2007 amounted to 6.5%. The main factor behind this increase was domestic demand. It was also influenced by investments and an increase in consumption achieved owing to pay rises. According to the data presented by the Main Statistical Office in 2007, there was a 20.4% increase in gross outlays on fixed assets compared to the previous year (in the previous year, the rise was 15.6%). The main driving force behind inflation which amounted to 4.0% was an increase in prices of food and fuels.

In 2007, the Monetary Policy Council increased the interest rates four times – the main reference rate was increased to 5.0%. The levels for the remaining rates were respectively: collateral loan: 6.50%, bill of exchange rediscount: 5.25%, and interest rates for bank deposits: 3.50%. The increases in interest rates of the National Bank of Poland and growing expectations of further control over monetary policy led to an increase in the financial market rates. An average monthly WIBOR 3M rate grew to 4.5% in June and to 5.7% in December (compared to 5.8% in the first quarter of the current year).

Despite turbulences in the world's financial markets (in particular in shares markets), the situation in the market of Polish debt instruments may be considered as relatively stable owing to the solid foundations that the Polish economy has. The increase in the profitability of the majority of instruments that can be observed is mainly due to the increase in the interest rates of the National Bank of Poland and the anticipation of further increases.

In the foreign currency market, the Polish zloty beat another records, reaching the highest levels against the main currencies in the recent years. Compared to the end of 2006, the Polish zloty rose by 16.3% against dollar, by 6.5% against euro and by 9.3% against the Swiss frank.

A good macroeconomic situation and an optimistic attitude adopted by businesses and households created favourable conditions for developing banks' activities. In the period January - December 2007, non-financial sector deposits went up by 11.7% compared to the previous year amounting to 419.4 billion zlotys. The decisive factor behind the fast development of banks was a dynamic increase in loans, which resulted from a high loan demand from both households and the enterprise sector. A high demand for loans from households resulted in their increase by 38.6% to the amount of 254.2 billion zlotys and the rise in their share in the portfolio of loans for non-financial entities up to 59.5%. A decisive impact on their dynamics was exerted by the high demand for mortgage loans, which increased by 50.6% up to 117.7 billion zlotys and constituted nearly half of the entire loan portfolio for this group of customers and 27.5% of all loans taken out by the entities from the non-financial sector. A further rise in the interest in loans in zlotys occurred, which had an effect on e.g. introducing S Recommendation (in 2006) and contributed to the increase in interest rates in Switzerland and the euro zone.

A high rate of increase and a bright outlook for the Polish economy were reflected in a significant rise in demand for loans among businesses, the value being higher by 20.7% compared with the previous year. Receivables from banks went up by 1.4% (up to 106.9 billion zlotys) and the portfolio of securities approximated the level from the end of 2006 (139.6 billion zlotys). The main changes in the portfolio's structure consisted in increasing the portfolio of the NBP cash bonds (by 14.8%), increasing (by 2.3%) the portfolio of Treasury bonds constituting the main item of the portfolio and further decrease in the level of Treasury bonds.

In the period from January to September 2007, development of banks' activity was financed mainly out of deposits and loans received from other banks (38.8%) and to a lesser extent deposits from the sector of governmental institutions, including local governments (20.2%), deposits from the non-financial sector entities (17.3%) and capitals (5.5%). Rapid development of the loan sector compared to a much lower increase in the level of deposits made it necessary to further expand financing from the funds available on the interbank market. As a consequence, payables to banks increased by 45.4% and their share in liabilities grew to 16.3% (from 12.7%).

Deposits from non-financial entities rose only by 4.5% (by 15.5 billion zlotys) up to 358.9 billion zlotys. Their increase was mainly caused by the rise in enterprise deposits by 5.9%, which was influenced by a favourable financial situation in businesses.

Key events in 2007

In 2007, a significant event in Bank Pocztowy S.A. was adopting a new Bank's Strategy for the years 2008-2010. Works on the Strategy were carried out for over a year. The document was prepared in cooperation with an international consultant McKinsey & Company and is based on experiences from the cooperation with the Polish Post and PKO BP. Ultimately, the Strategy of Bank Pocztowy S.A. for the years 2008-2010 was approved the Bank's Management and subsequently, in December 2007, by the Bank's Supervisory Board.

- The approved final document containing the Strategy sanctions the actions undertaken at the Bank from the end of 2006 which concentrate resources and efforts on quick implementation of the aggressive strategy of retail banking directed at individual customers through developing access channels including opening Financial Points in post offices, expanding mobile channels, reorganising the Bank's own network, entering into cooperation with Postal Agencies as well as extending and reorganising the product offer.
- Second line of actions contained in the Strategy focuses on improving competences in the field of settlements and payments, in particular international settlements, mass payments and interbank settlements.

Intensive works were being carried out consisting in organising the process of implementing the Strategy. In this respect, Bank Pocztowy introduced a number of internal changes. Developing banking system for individual customers received the bulk of attention and in the field of institutionalised customers special focus was placed on developing transaction banking. The changes were reflected in the new organisational structure of the Head Office. As part of the Bank's own network, works on adapting the structures for the new operating conditions defined by the strategic plan were commenced.

In 2007, developing the network for selling products to individual customers was continued in cooperation with the Polish Post initiated by the agreement of 5 September 2006. It allowed launching actions aimed at bringing into effect the solutions prepared as part of implementing "postal banking" the enterprise undertaken jointly by the Polish Post and Bank Pocztowy. According to the adopted schedule, the Bank, together with the Polish Post, opened in 2007 new Financial Points in post offices including on-line access to the banking system. It involved providing special training to over 3 thousand employees of the Polish Post and was accomplished by the mutual effort on the part of both institutions.

The new formula of the postal banking was combined with actions aimed at developing a new, modern and customer-friendly bank. As part of these actions, the Bank's brand name Pocztowy Bank and a new logo were made more recognisable. Alongside with the Bank's new visual identity, the system for visualisation and identification of Financial Points opened as part of the postal banking was introduced, which, accompanied by TV advertisements, made the Bank recognisable among a larger number of people.



One of the key tasks was to provide our customers with access to alternative channels whereby they could take advantage of the Bank's services. In June 2007, in cooperation with Inteligo Financial Services, the www (Pocztowy24) and mobile (PocztowySMS) channels were activated. Owing to the agreements concluded in 2007, the Bank made available to its retail customers cash dispensers in the number of around 4 thousands including PKO BP, Euronet, Cash4You, KredytBank and Bank Pocztowy free-of-charge cash points the largest network for standard interest-bearing current accounts on the market. In 2007, customers of Bank Pocztowy could for the first time withdraw money from cash dispensers marked with the logo of Bank Pocztowy and in October 2007 Bank Pocztowy launched a new, more customer-friendly internet website directed at the sale of the Bank's products www.pocztowy.pl.

In addition, in 2007 the Bank carried out works on the scoring system concerning allocating correct risk class for each business cash loan for loan agreements concluded with natural persons and introduced automated handling of loan applications.

In 2007, the Department of Postal Banking established in 2006 provided the Bank with assistance in implementing the postal banking system. The Department, jointly with the units of the Polish Post, implemented the project of opening Financial Points in Post Offices. Moreover, the support unit for the sale of postal banking products within the Polish Post network was created as part of this department. Important tasks within the process were performed by the central team of the Postal Banking Managers and Postal Banking Instructors. The teams undertook actions within the structure of the Polish Post which created similar structure with the aim of supporting implementation and monitoring of the sale at the Financial Points (Financial Services Managers). Both structures, that of the Bank and the Post, closely cooperated with each other on all levels.

Numerous organisational and investment actions carried out in 2007 with the aim of creating a bank able to implement the strategy of rapid development in the sector of individual customers did not have a negative effect on the dynamics of the Bank's financial results from the recent years. In 2007, the Bank reached the gross result of 35.9 million zlotys, i.e. by 4.5 million zlotys higher than in 2006. The net result amounting to 30.4 million zlotys was higher by 24.9% compared to 2006 (6.1 million zlotys in terms of value).

Functioning of Bank Pocztowy in 2007

The main areas of the Bank's activity in 2007 include:

Retail banking

In 2007, Bank Pocztowy offered its customers retail products in the three distribution channels:

- within the network of the Polish Post,
- within its own network,
- alternative channels (Pocztowy24 internet banking, PocztowySMS mobile banking)

placing an emphasis on the three groups of retail products:

- **interest-bearing current accounts,**
- **deposits for retail customers,**
- **loans for retail customers.**

Retail banking within the network of the Polish Post

In 2007, three groups of products for retail customers were sold within the Post's network:

- Postal accounts (interest-bearing current accounts and Postal Company Account),
- Fixed-term deposit accounts,
- Postal loans (cash loans).

Marketing and promotional actions included the sale of cash loans and accounts promoting the idea of postal banking. In Autumn 2007, a series of advertising campaigns were organised promoting the sale of Postal Loan Express, Postal Accounts and Postal Financial Points. Alongside with information provided at the places of sale, the campaign used television (as the main and the most effective channel enabling contact with potential customers), press and the radio. The advertising campaign used for the first time the so-called *product placement* (*Plebania* sitcom) which proved itself to be a perfect tool for communication with customers. As a result of the campaign, an interest in the Bank's offer increased considerably, in particular in loans. Owing to the competitions included in the campaign, the promotion contributed to building a base of potential customers in respect of whom the Bank will launch advertising actions in 2008.

The process of implementing Financial Points was correlated with the change in the sale related priorities in respect of the Bank's products. One of the fundamental tasks became selling Postal Cash Loans accompanied by changes in product offers, advertising and a significant increase in selling competences among the employees of the Polish Post (resulting from recruiting and training). These actions brought a rise in cash loans sale dynamics at the level of 140.0% compared to the previous year and the increase in an average balance in December 2007 by 18.4% (corrected data were included in the balance of loans within interest-bearing deposits accounts, monthly average for December 2007). The situation on the investment funds market contributed to the stagnation in the balance of fixed-term deposit accounts despite the increase in the sale activity within the network of the Polish Post by nearly 12.0%. In the past year, the sale of Postal Accounts was increased by 40.4% with a slight rise in the number of active accounts. This was caused by the actions undertaken with the aim of improving accounts' quality consisting in closing non-active accounts. The value of current funds deposited in Postal Accounts grew by 24.0%. Opening Financial Points in post offices caused a major increase in sale activity compared to the remaining points.

The sale of Postal Loan in post offices where Financial Points are located was higher by 60.0% than in the remaining post offices, Postal Fixed-term Deposit Account higher by 80.0% and Postal Accounts higher by 56.0%. Electronic service channels were used on a larger scale, in particular in the case of loan applications, 50.0% of which were transferred to the Bank in an electronic form. Resulting from technological changes in the agreement registration system, the share of automated registrations effected by post offices grew from 5.0% at the beginning of 2007 to nearly 25.0% at the end of the year, both for postal fixed-term deposit accounts, interest-bearing deposit accounts and postal loans. Towards the end of the year, postal accounts were opened in Financial Points using compatible systems, which shortened significantly the time of servicing the customer and lowered the costs of the entire process. Similar solution was used for Postal Deposits.

The project of postal banking in 2007

As a result of the agreement of 5 September 2006 entered into by the Polish Post and Bank Pocztowy, implementing solutions arising from the authorisation to act for and on behalf of the Bank was continued. The implementation included:

- acquainting employees of the Polish Post selling financial products with the knowledge of deposit products, interest-bearing deposit accounts and current accounts for micro-businesses sold within the network of the Polish Post as well as with the knowledge of applicable regulations and procedures,
- implementing technological solutions,
- recruiting, training and certifying employees of the Post so they can work at Financial Points,
- opening Financial Points with the aim of selling financial services including the field of servicing products of Bank Pocztowy by employees of the Polish Post for and on behalf of the Bank.

An essential element as far as development of sale is concerned was introducing new products. Since September 2007, Pocztowy24 internet account and PocztowySMS have been prepared for sale in the postal channel and interest-bearing deposit account have been enriched by adding the Plus Postal Account Package. Moreover, the loan process was improved enabling sending loan documents in the form of files so they can be printed off at the Post Office. The Postal Loan Express offer was made more attractive by simplifying procedures and required documents. In addition, the competitiveness of Postal Fixed-term Deposit Accounts was improved. Establishing Financial Points aims at preparing competences within the network of the Post permitting sale of specialised financial services. As a consequence, a trilateral agreement between the Polish Post, Bank Pocztowy and PKO TFI allowing the sale of the investment funds units within the network of the Polish Post was signed. Introduction of a new model for servicing at Financial Points was accompanied by technological changes. In 2007, implementing changes in the IT area was continued. Solutions allowing communication between the systems of the Polish Post and the Bank were introduced. In addition, implementing Postal Banking Modules within postal systems was started enabling on-line communication with the Bank's system as part of the centralised system having an increased functionality adapted for comprehensive banking service.



In 2007, the process of visualising Financial Points was begun allowing easier identification of financial services offered at post offices. Due to a different scope of works, they were divided into those related to marking Financial Points inside post offices (not requiring consent from third parties – the so-called internal visualisation) and outside post offices (requiring consent from properties' owners and local offices – the so-called external visualisation). The visualisation process will be continued in subsequent years alongside with opening another Financial Points.

Retail banking within the Bank's own network

At the beginning of 2007 there were 68 points within the Bank's own network. Within the year, the reorganisation process was started in response to the dynamic development of the newly created network of Financial Points in Post Offices. As a result, 13 Customer Service Points located in places where new Financial Points were opened were closed down. At the same time, two new Bank's points were created.

The sale actions undertaken by the Bank in 2007 (emphasis on acquiring customers with whom the Bank wants to build long-term relations on various levels) contributed to the increase in retail loans balance. Despite lower than in the previous year number of sold loans, their monthly balance for December grew from 241.3 million zlotys to 271.8 million zlotys in 2007. From the third quarter of 2007, actions were undertaken with the aim of increasing the dynamics of sale with regard to mortgage products. In addition, in 2007, customer service effectiveness within the Bank's own network was improved through offering each customer several products at the very start of cooperation: loan, Postal Account, Visa card, mobile access to an account. The year 2007 brought a 23.7% increase in the number of active interest-bearing deposit accounts up to 19.9 thousand at the end of the year.

A drop in the fixed-term deposit balance in 2007 was quickly compensated by the fast-growing dynamics in the sale of PKO/CREDIT SUISSE investment funds. In 2007, the value of sold funds amounted to over 71.6 million zlotys generating the total profit of 1.4 million zlotys.

Corporate activity

Settlements and servicing the Polish Post

The primary field of the Bank's activity within the area of corporate customers is servicing cash settlements. These actions are carried out based on the Bank's participation in servicing cash payments effected within the network of the Polish Post. The above direction of the Bank's development is confirmed by the Bank being placed on the cash settlement market arising above all from a dominant position of the Polish Post and the fact that the Post holds its account with Bank Pocztowy. The Bank has built its position in the payment market through the sale of current accounts and related services consisting mainly in accelerating the circulation of information and transfer of payments to the wholesaler's account.

In 2007, unlike in 2006, where an average balance of current funds decreased from 58.5 million in December 2005 to 4.9 million in December 2006, servicing accounts and settlements of the Polish Post was characterised by stabilisation in the level of average balances of the funds deposited in current and fixed-term accounts. This was influenced by introducing automated depositing of funds from current accounts at the end of the day. Within the period from December 2006 to December 2007, an average balance of current funds grew from 4.9 million zlotys to 6.2 million zlotys with the average monthly value of 5.2 million zlotys.

The year 2007 brought an increase in profits from commissions obtained by the Bank in connection with servicing the Polish Post and settlements effected jointly with the Polish Post. The commission result for settlement activity reached the value of 69.2 million zlotys at the end of 2007. In 2007, the Polish Post did not use any form of financing at the Bank. The income generated from servicing the Polish Post, much like in the previous years, consisted mainly of income from settlement activity. Commission income earned from settlement related activity (without the Post's own transfers) totalled the amount of 65.9 million zlotys at the end of the year. Within the commission result generated using services provided to the Polish Post, a significant role played commission related income obtained in the field of settlement services including:

- incorporation of cash payments accepted within the network of the Polish Post into interbank settlements (Standard Payments),
- servicing payment documents for ZUS (Social Insurance Company) and Revenue Offices (the so-called ZUS III),
- non-cash transfer of ZUS benefits in favour of its beneficiaries (the so-called ZUS IV).

In 2007, the Bank incorporated into interbank settlements 184.2 million transactions which was an increase by 7.4 million compared to the year 2006. It means that despite the worrying tendencies on the cash payment market, the figure for transactions serviced by the capital group of the Polish Post in 2007 was increased. Much of activity in the field of interbank settlements results in Bank Pocztowy gaining a strong position within the Polish settlement system allowing it to expand the scope of this activity owing to the advantage over competition.



Servicing corporate customers

In 2007, alongside with improving competitiveness in the field of settlement transactions, the main focus was placed on actions aimed at including Housing Cooperatives to the Bank's group of customers. In connection with this, actions were carried out with the aim of making the offer for this segment of customers more attractive while improving the efficiency of the process of including these entities in the group of the Bank's customers. Corporate customers were offered deposit and settlement products and loans, the majority of which constituted investment and revolving credits. The actions stimulated the sale activity implemented in 2007. The most notable effect was increasing an average balance of commercial credits. The shift in the values was from 128.7 million to 209.4 million at the end of 2007 (by 62.7%). Within 2007 deposit activity was characterised by a steady increase. An average current accounts balance grew from 193.6 million at the end of 2006 to the amount of 226.3 in 2007 (an increase by 16.9%). Generally, the result for banking activity including the costs of reserves for liabilities reached the level of 25.5 million compared to 23.4 million in the previous year (a rise by 10.4%).

Servicing Local Government Units

35 local government units joined the group of the Bank's customers in 2007 which allowed the Bank to obtain the right to service such institutions as schools, nursery schools, care homes, Housing Management Centres, community centres etc. All this resulted in an increase in an average balance of funds in current accounts. The balance was 114.3 million zlotys at the end of 2007 compared to 93.1 million zlotys one year earlier (a rise by 22.8%). Beneficial changes were also noted in the field of fixed-term deposit accounts of which an average balance was over 155.9 million zlotys at the end of 2007 versus 127.6 million zlotys in 2006 (an increase by 22.2%).

In the year 2007, Bank Pocztowy granted loans in the total amount of 81.2 million zlotys to 32 local government units. At the end of 2007, an average balance was 82.9 million zlotys and was higher by 36.4 million zlotys compared to the previous year (an increase by 78.4%). The total result for activities within the field of Local Government Units including reserves for liabilities in 2007 amounted to 6.7 million zlotys.



Changes in sale organisation and management

In 2007, significant customer service reorganisation was initiated and carried out resulting in centralisation of the sale processes. Current salespeople, employed earlier at the Bank's branches, became employees of the business department responsible for sale to institutional customers. It was expected that the implemented changes would contribute to improving customer service in subsequent years through optimising sale management. The reorganisation was followed by the stimulation in the activities related to the acquisition of the customer in the field of banking products and settlement services by singling out organisational units designed for this sphere of the Bank's activity. The reason behind the organisational changes was specialising sale staff allocated to servicing institutional customers and unifying the sale policy at the Bank.

Social activity

Bank Pocztowy have for years supported charities and socially beneficial initiatives carried out by public utility organisations creating thus a positive image and strengthening the Bank's position among its customers, employees and local communities. Donations made in 2007 supported in the first place the undertakings related to promoting education, providing equal educational opportunities for children and teenagers/students from small towns and rural areas, creating appropriate attitudes and protecting cultural heritage and traditions. The beneficiaries included: I Have a Dream Fund, Help for Children Foundation, Ludwig van Beethoven Association, Hope Association for Poor Families, Wiatrak Fund. In addition, Bank Pocztowy was particularly involved in providing assistance to the disabled, chronically and terminally ill as well as people in need. It supported the initiatives connected with health protection and promotion of healthy lifestyle. Owing to our assistance, Otwock Association of Palliative Care bought specialist medical equipment facilitating treatment of chronically and terminally ill children and adults, in particular suffering from cancer.

The Bank's donations to charities bring not only notable social benefits, but also promote an image of a committed and socially responsible institution sensitive to the needs of local communities. The Bank, by supporting various undertakings, strengthens the bonds with its customers and partners winning recognition from the opinion-forming circles. Social activity is very popular and should therefore be continued. The total value of donations made in 2007 amounts to 155.1 thousand zlotys.



In 2007 Bank Poczty sponsored such clubs as:

- Regional Rowing Association "Bydgoscia"
- Delecta Bydgosz - men's volleyball
- Sports club „Pałac” - women's volleyball
- „Polonia” Speedway Club
- Kujawsko-Pomorskie Association of Athletics

Awards

- Bank Poczty was awarded the title of "Reliable Employer of the Year" for the year 2006 in the competition organised by *Przeгляд Gospodarczy*.
- In addition, Bank Poczty was placed among the strongest and the most popular Polish brand names according to the Marqa 2007 ranking by *Rzeczpospolita*.

Financial Standing of the Bank in 2007*)

The Bank's total balance as at 31 December 2007 was 3 100.6 million zlotys and was higher by 473.2 million compared to the previous period. Much like in the previous years, changes in the Bank's total balance did not reflect real changes in the scale of activity due to substantial fluctuation in daily statuses of the Polish Post's funds which have had considerable share in the Bank's total deposits (over 30.0%). An average level of the Post's funds in 2007 amounted to 675.6 million zlotys, and in 2006 to 738.4 million zlotys. The changes in the scale of the Bank's activity in 2007 were, in the vast majority, the result of the high dynamics of an average monthly balance of loans (30.8%) with similar level of deposits compared to the previous year. The increase in the average loan balance totalled in December 2007 165.6 million zlotys whereas the total average balance dropped by 20.9 million zlotys. The average balance of working assets in December 2007 was 2 438.6 million and was lower compared to the average level from December 2006 by 0.1%

Structure of assets

The structure of working assets as per the average monthly balances underwent significant changes compared to December 2006. Resulting from lower volume of the Polish Post's funds, the average level of interbank deposits dropped by over 180.3 million zlotys. At the same time, the share of interbank deposits in working assets fell from 53.7% to 46.4% and their average balance in December 2007 reached the level of 1131.4 million zlotys. The average volume of securities grew slightly from 592.3 million zlotys in 2006 to 603.5 million zlotys in 2007 enlarging their share in the structure of working assets by 0.5 pp. Significant changes occurred in the internal structure of securities. This was the result of limitations in investing funds in Treasury bonds, the share of which calculated as per average monthly balances was 3.1% in December 2007 versus 35.9% in December 2006. The share of bonds in the structure of securities grew in 2007 by 27.8 pp and reached the level of 83.9%. Due to growing attractiveness, alongside with the changes in interest rates, bonds profitability and their average balance grew systematically from the beginning of 2007 (from 328.5 million in January 2007 to 506.6 million in December 2006). At the same time, however, rises in interest rates influenced the drop in valuation of the „old portfolio” of bonds.

*) According to the Bank's managerial information, selected data are presented as per average balances for December 2007. Average balances differ from the balances as at 31.12.2007 which are presented in the Financial Report.

Total share of loans¹⁾ in working assets grew from the level of 22.0% in 2006 to 28.9% in 2007 developing the potential for an increase in profitability of interest assets. The total loan balance compared to December 2006 grew by 32.6% and amounted to 720.0 million zlotys (as at 31.12.2007). Commercial loans²⁾ as at 31.12.2007 reached the value of 312.9 million zlotys and grew by 74.9% compared to the balance at the end of 2006. Within the corporate area, the loan balance was influenced by two facts: granting PKP a consortium loan (the balance of which at the end of December previous year was 35.8 million zlotys) as well as acquiring a new portfolio of investment loans. As regards retail credits, their balance as at 31.12.2007 was higher by 42.9 million zlotys (by 11.8%) compared to the level at the end of 2006 and reached the value of 407.1 million zlotys. The increase in the volume of loans within the retail area was particularly influenced by the rise in the balance of mortgage loans (mortgage loans and credits) by 46.3 million zlotys compared to the end of 2006.

The gross value of intangible assets grew in 2007 by 3.0 million zlotys reaching the level of 32.3 million zlotys. The increase resulted from the purchase of licence, concession and software. The net value of intangible assets at the end of December 2007 was 15.2 million zlotys.

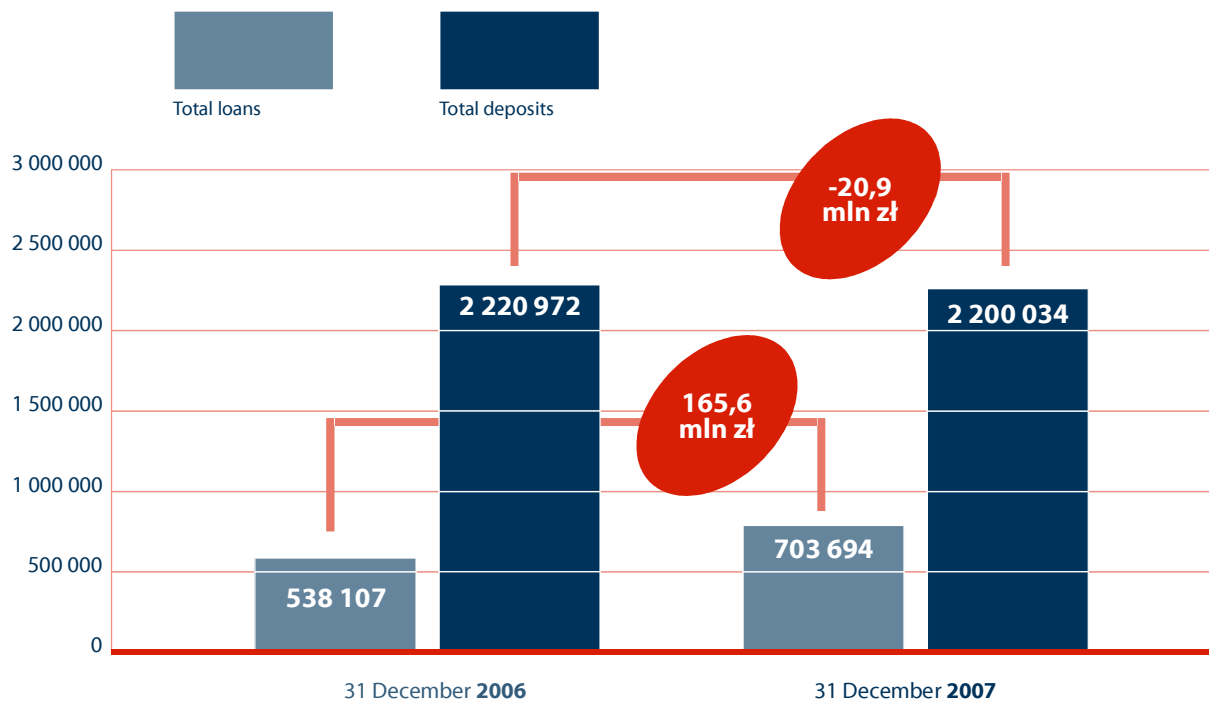
The value of fixed assets at the end of December 2007 reached the gross value of 62.9 million zlotys and capital work in progress constituted 10.7 million zlotys. In 2007, improvements to fixed assets amounted to 4.4 million zlotys and further fixed assets were purchased such as means of transport, machines, technical equipment for the amount of 2.3 million zlotys. The value arising from the purchase of IT equipment was lower by 5.0 million zlotys compared to 2006. Net fixed assets amounted to 42.8 million zlotys at the end of December 2007.

The total average monthly balance of deposits (including current and fixed-term deposits without due interest) was 2 200.0 million zlotys in 2007 and was lower by 0.9% compared to December 2006. In 2007, the total corporate deposits (without PP funds) grew reaching the growth dynamics of 108.9% their average balance exceeding the value of 824.1 million zlotys in December 2007.

The increase in the total volume of corporate deposits resulted from the rise in the average balance of current and fixed-term deposits amounting respectively to 53.9 million zlotys and 13.8 million zlotys. The total average monthly balance of retail deposits in the analysed period lowered by 0.4% and reached the level of 719.4 million in December 2007. Fixed-term deposits for natural persons dropped by 15.9% to the level of 384.2 million zlotys whereas the balance of current deposits showed an increase by 26.3% up to the value of 335.1 million zlotys. The average monthly status of the Post's total funds in December 2007 was 656.5 million zlotys and was lower by 85.6 million zlotys, i.e. by 11.5% compared to December in the previous year. The fall in the average balance of the Polish Post's funds resulted from the lower level (by 86.9 million) of fixed-term deposits. From November 2006, new PP funds management rules were introduced (O/N automatic deposits) which influenced the amount of the average monthly balance of the Polish Post's currents deposits which was around 5.0 million zlotys in 2007 compared to 66.0 million zlotys in the previous year.

1) Total gross loan (without special purpose reserves, interest and EIR correction for unsettled commissions)

2) Commercial credits include commercial credits (non-financial sector), accumulated liabilities and loans to financial sector and budget.



The Bank's equity capitals (without net profit from 2007) as at 31 December 2007 amounted to 200.3 million zlotys and were higher by 18.5 million zlotys compared to December in the previous year. The changes in the level of equity capitals resulted from reassessment and from the distribution of profit for 2006, which, according to the Bank's financial report for 2006 approved by the General Meeting of Bank Pocztowy S.A., was contributed to the supplementary and reserve capital. Reassessment of the fund lowered equity capitals by 3.9 million zlotys in the last year which resulted from valuation of securities while interest rates were on the increase. As at 31 December 2007, equity capitals, including net profit for 2007 in the amount of 30.4 million zlotys, amounted to 230.8 million zlotys.

Banking activity results

In December 2007, a one-time event took place, i.e. the sale of a part of the Bank's claims in the amount of 7.6 million zlotys (balance capital) and 4.0 million zlotys (off-balance capital) which influenced the increase in the remaining income and operating costs by 2.6 million zlotys.

The interest result³⁾ for 2007 was 84.8 million zlotys and was higher by 8.6 million zlotys compared to the analogous period in 2006 resulting from a much higher increase in the interest income (by 7.8%) than interest costs (by 3.0%). The share of interest result in the result for banking activity compared to 2006 grew by 2.1% reaching the level of 47.7%. Achieving significantly higher interest result compared to 2006 with high share of assets sensitive to changes in the market interest rates (interbank deposits, securities) resulted from the increase in interest income in respect of interbank deposits by 11.0 million zlotys.

3) In the management system, the following are shown on account of commission: commission costs paid to the Polish Post and agents, commission corrections as per EIR (effective interest rate) on account of loans and credits and cash loan insurance settlements as per EIR; in the report system, the same are shown as interest items.

The average monthly balance of interbank deposits which was higher by 11.8% and four rises in market interests rates resulted in higher profitability of interbank deposits. In addition, the interest result in 2007 was influenced by obtaining interest income for commercial loans that was higher by 3.3 million zlotys, including 1.3 million interest income from consortium loans.

The result generated from currency exchange in 2007 was 0.9 million zlotys (including full settlement of differences in currency exchange rates for SWAP transactions)

The 11.3% increase in the interest result was accompanied by the commission result⁴⁾ at the level that was higher than that obtained in 2006 by 2.4%, which resulted in the outcome for banking activity being 6.5% higher than the result in the previous year (177.9 million zlotys).

Income from commissions as per business lines in 2007

2007, much like the previous years, saw high share of the commission result in the result from banking activity, which in 2007 was 51.8%, (lower by 2.1% compared to the corresponding period in 2006). This was the result of the fact that the share of the commission income from settlement activity in the total commission income was 60.6%, the value of which in 2007 amounted to 65.9 million zlotys and was higher by 1.6 million zlotys compared to December 2006. Income from the Standard payments in 2007 was 29.6 million zlotys and was higher by 912.0 thousand zlotys than that generated in 2006 and commissions from ZUS settlements amounted to 36.3 million zlotys and were higher by 671.9 thousand zlotys compared to the amount in 2006. The structure of the commission income as per division into business lines changed slightly, the changes resulting from the increase in the share of retail area in the total income (by 3.0 pp), mainly due to the rise in the income from the Investment Funds Association (by 1 379.3 thousand zlotys) and the income from opening and holding accounts (by 899.1 thousand zlotys). The commission income from retail loans in 2007 increased by 1 118.5 thousand zlotys. The commission income from corporate sector exclusive of the Polish Post dropped in 2007 by 752.0 thousand zlotys, which had an effect on lowering the share of this income in the total commission income by 1.6 pp. The commission income from the Polish Post in 2007 grew by 744.7 thousand zlotys and their share in the structure increased by 0.5 pp.

Operating and depreciation costs

Total operating costs⁵⁾ at the end of 2007 reached the level of 132.4 million zlotys, i.e. higher by 9.6% than in the previous year. The costs growth dynamics was higher than that of the result for banking operations due to which the costs-income ratio did not improve. In terms of value, the increase in costs was 11.6 million zlotys. The rise in costs occurred both in staff costs (by 8.1 million zlotys) and operating costs (by 3.4 million zlotys). Personnel costs at the end of 2007 amounted to 58.2 million zlotys and were higher by 16.2% compared to the corresponding period in the previous year. The staff included reserves for prizes for employees in the amount of 1.5 million zlotys. In 2007, the employment at the Bank rose by 51 jobs and amounted to 988 jobs. The increase in jobs referred mainly to the areas of retail sale management, the majority of which was created in 2007 (17 jobs), risk management (10 jobs) and alternative channels development (9 jobs). The corporate department was centralised without creating additional jobs.

4) In the management system, the following are shown on account of commission in the Result section: commission costs paid to the Polish Post and agents, commission corrections as per EIR (effective interest rate) on account of loans and credits and cash loan insurance settlements as per EIR SP; in the report system, the same are shown as interest items.

5) In the management system, no personal costs of Pocztynion are shown in the Total Operations Costs section.

Operating costs with high 55.9% share in the total costs increased by 3.4 million zlotys, i.e. up to the level of 74.0 million zlotys (costs including payments to employees). The most profound influence on increasing operating costs, compared to 2006, had additional costs of creating reserves for the incentive fund for salespeople of the Polish Post in the amount of 1.3 million zlotys. The remaining factors having an effect on the increase in the costs concerned mainly rising IT costs by 1.5 million zlotys and the costs of leasing IT equipment by 0.5 million zlotys, which was the result of the Bank's technological development. In addition, 2007 saw an increase in the costs of transport services for the Polish Post by 0.5 million zlotys and the costs of services provided by the National Clearing House by 0.4 million zlotys. From the perspective of the entire Bank, there was a drop in some cost items. The most visible decrease in costs occurred in the following items: costs of postal service by 0.9 million zlotys, costs of telecommunication services by 0.5 million zlotys, forms purchases by 0.4 million zlotys, costs of services pertaining to maintaining buildings by 0.3 million zlotys and rent costs by 0.1 million zlotys.

Reserves for liabilities⁶⁾ and debt collecting

The quality ratio for total loans (share of loans at risk in the total number of loans) improved from 10.7% as at 31.12.2006 to 6.8% at the end of December 2007. The ratio for loans at risk decreased by 7.4 pp resulting from a more rapid increase in the volume of regular loans than loans at risk. The balance of loans at risk granted to businesses within a year dropped by 6.0 million zlotys to the level of 17.2 million zlotys. The consumption loans quality ratio as at 31.12.2007 was 7.9% and was lower by 1.7 pp compared to 2006. In 2007, as a result of debt collecting actions, the total amount of 21.9 million zlotys was regained including capital in the amount of 14.9 million zlotys. This amount comprises:

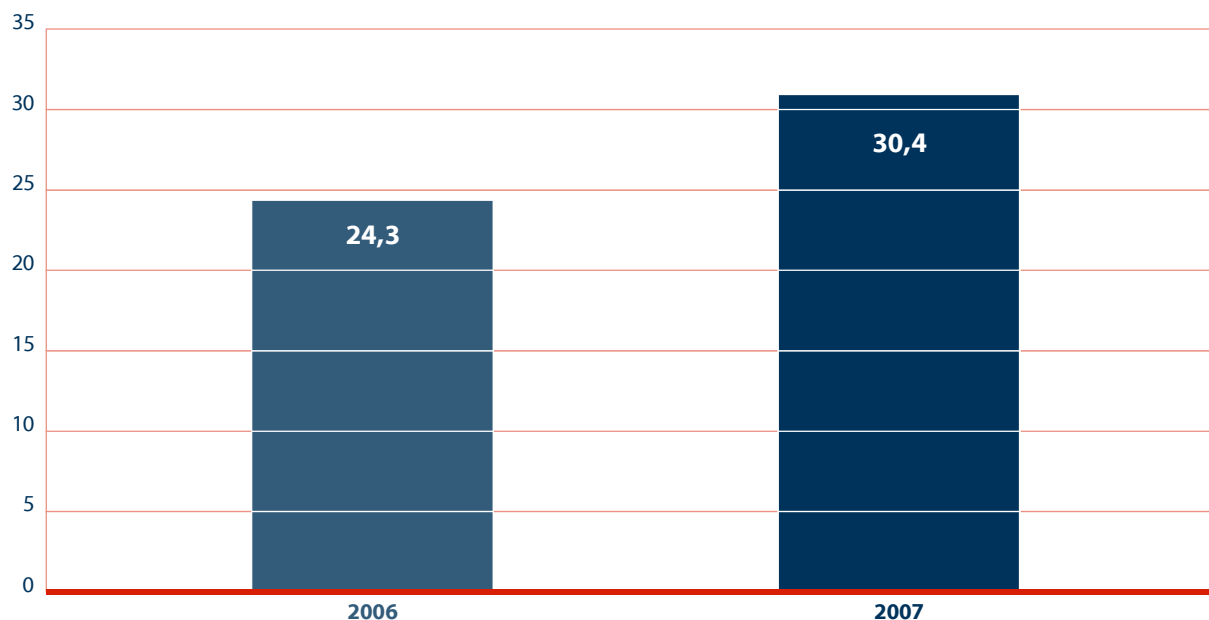
- loans for individual customers in the amount of 15.6 million zlotys including the capital of 9.5 million zlotys,
- loans for institutionalised customers in the amount of 6.3 million zlotys including the capital of 5.4 million zlotys.

Resulting from the sale of loan liabilities with the total value of 29.2 million zlotys (including 11.6 million zlotys capital) to ULTIMO Non-standardised Security Closed-End Investment Fund, the amount of 2.6 million zlotys was obtained. An additional significant result of the sale of liabilities was making use of specific purpose reserves in the amount of 7.6 million zlotys.

Comprehensive debt-collecting actions (including the sale of liabilities) brought a drop in the level of specific purpose reserves by 21.9 million zlotys.

6) Total gross loans (without special purpose reserves, interest, and EIR correction for unsettled commission).

The Bank's financial result and efficiency indexes in 2007



The net result in the amount of 30.4 million zlotys was higher by 24.9% compared to 2006. The increase in value amounted to 6.1 million zlotys.

The Bank's ROE⁷⁾ net index as at the end of December was 15.4% and was higher by 1.2 pp compared to 2006, which resulted from the higher growth dynamics for net profit (24.9%) compared to the dynamics of average equity capitals in 2007 (15.5%).

The index for return on net assets (ROA)⁷⁾ was 1.2% and was higher by 0.2 pp compared to the corresponding period in 2006.

Operating efficiency measured using the costs income ratio (C/I) in 2007 was 74.4% and, compared to the previous year, the same index was higher by 2.1 pp, which results from the costs incurred by the Bank with the aim of developing the potential for fast growth in subsequent years.

Net interest margin (average) in 2007 reached the level of 3.4% as a consequence of the increase in interest rates and higher share of loans in assets. In 2007, the index grew by 0.1 pp compared to the average value achieved in 2006.

The commission margin dropped to the level of 3.7% as a consequence of the lower increase in the commission result than the average monthly status of assets.

The index for loans at risk at the end of December 2007 improved considerably reaching the level of 6.8%, i.e. Lower by 3.9 pp than at the end of 2006.

7) ROE and ROA ratios calculated in relation to average yearly values of equity capitals and assets; interest and commission margin for average yearly value of assets (less reserve balance); growth ratios (r/r) are calculated as per relations between average amounts for December; employment efficiency ratios referring respectively to employment in December 2006 and 2007 as per average balances of deposits and loans in December 2006 and 2007. Bank Operations Result as per the Bank's order selected data presented as per average balances for December 2007.

Auditor's opinion

REGISTERED AUDITOR'S OPINION ON THE ABBREVIATED FINANCIAL REPORT TO THE SHAREHOLDERS AND SUPERVISORY BOARD OF BANK POCZTOWY S.A.

The attached abbreviated financial report of Bank Pocztowy S.A., based in Bydgoszcz, Jagiellońska 17, (hereafter referred to as „the Bank”) comprising of:

- (a) the balance sheet as at 31 December 2007, showing total assets and total equity and liabilities of PLN **3,100,592,923.65**;
- (b) the income statement for the financial year from 1 January 2007 to 31 December 2007, showing a net profit of **PLN 30,431,442.96**;
- (c) the statement of changes in equity for the financial year from 1 January to 31 December 2007, showing an increase in equity of **PLN 24,566,174.86**;
- (d) the cash flow statement for the financial year from 1 January to 31 December 2007, showing net cash inflows of **PLN 343,535,268.94**;

was prepared by the Management Board of the Bank based on the audited financial statements of the Bank for the year ended 31 December 2007 („the financial statements”). The financial statements were prepared in accordance with the Accounting Act of 29 September 1994 (uniform text, Journal of Laws of 2002, No. 76, item 694 with further amendments).

We have audited the financial statements of the Bank, from which the abbreviated financial report was derived, in accordance with auditing standards issued by the National Council of Registered Auditors in Poland. On 29 April 2008 we issued an unqualified audit opinion on these financial statements.

In our opinion, the accompanying abbreviated financial report presented in this Annual Report is consistent, in all material respects, with the Bank's financial statements from which it was derived.

For a full understanding of the Bank's financial position and the results of its operations for the year ended 31 December 2007, the abbreviated financial report should be read in conjunction with the financial statements from which it was derived and our opinion and audit report thereon.

On behalf of PricewaterhouseCoopers Sp. z o.o.:


Antoni F. Reczek
President of the Board


PricewaterhouseCoopers Sp. z o.o.

Registered auditor
No. 90011/503

Registered Audit Company
No. 144

Warsaw, 30 December 2008

A stylized graphic of an eye, composed of several overlapping, curved shapes in shades of light blue and grey. The eye is looking towards the right. The text is centered within the eye's iris area.

Financial

2007

report

BALANCE-SHEET - ASSETS (PLN)

		ASSETS	31.12.2006	31.12.2007
I.		Cash and balances with the central bank	41 003 276.48	561 952 356.69
	1.	Current account with the central bank	40 977 363.53	561 944 564.74
	2.	Other	25 912.95	7 791.95
II.		Debt securities entitled to rediscount at the central bank	0.00	0.00
III.		Loans and advances to other financial institutions	1 420 077 388.75	1 193 636 846.00
	1.	Current	489 722 734.11	436 359 342.36
	2.	Term	930 354 654.64	757 277 503.64
IV.		Loans and advances to non-financial sector	510 371 114.35	641 476 053.40
	1.	Current	66 152 111.12	73 858 387.53
	2.	Term	444 219 003.23	567 617 665.87
V.		Loans and advances to public sector	52 158 376.84	97 320 090.81
	1.	Current	21 108.00	21 108.00
	2.	Term	52 137 268.84	97 298 982.81
VI.		Receivables on repo transactions	0.00	0.00
VII.		Debt securities	544 880 684.82	526 460 260.51
	1.	Issued by banks	24 631 443.45	24 621 926.84
	2.	Issued by the State Treasury and municipalities	520 249 241.37	501 838 333.67
VIII.		Investments in subsidiaries	0.00	0.00
IX.		Investments in jointly controlled entities	0.00	0.00
X.		Investments in associates	0.00	0.00
XI.		Investments in other entities	7 470.84	6 984.90
	1.	In financial institutions	7 470.84	6 984.90
XII.		Other securities and other financial assets	0.00	350 000.00
XIII.		Intangible assets	14 262 910.72	15 176 857.73
XIV.		Tangible fixed assets	29 578 940.85	42 768 386.59
	1.	Fixed assets	29 247 423.60	42 597 188.87
	2.	Other tangible fixed assets	331 517.25	171 197.72
XV.		Other assets	7 842 549.95	8 375 435.95
	1.	Assets for disposal	0.00	0.00
	2.	Other	7 842 549.95	8 375 435.95
XVI.		Accruals and prepayments	7 226 880.34	13 069 651.07
	1.	Deferred tax assets	6 841 384.37	12 459 370.39
	2.	Other accruals and prepayments	385 495.97	610 280.68
Total assets			2 627 409 593.94	3 100 592 923.65

BALANCE-SHEET - EQUITY AND LIABILITIES (PLN)

		EQUITY AND LIABILITIES	31.12.2006	31.12.2007
I.		Amounts due to the central bank	98 009.04	43 850.91
II.		Amounts due to other financial institutions	391 781 601.97	42 861 942.02
	1.	Current	5 878 488.64	6 991 548.45
	2.	Term	385 903 113.33	35 870 393.57
III.		Amounts due to non-financial sector	1 699 436 424.03	2 455 606 921.98
	1.	Saving accounts, of which:	278 292 466.54	343 228 569.22
	a	Current	264 371 654.72	329 891 349.58
	b	Term	13 920 811.82	13 337 219.64
	2.	Other	1 421 143 957.49	2 112 378 352.76
	a	Current	657 563 643.45	1 563 961 417.29
	b	Term	763 580 314.04	548 416 935.47
IV.		Amounts due to public sector	168 384 882.44	201 982 456.55
	1.	Current	114 244 979.73	193 085 377.47
	2.	Term	54 139 902.71	8 897 079.08
V.		Liabilities from reverse-repo transactions	0.00	0.00
VI.		Debt securities in issue	0.00	0.00
VII.		Other liabilities due to financial instruments	0.00	0.00
VIII.		Special funds and other liabilities	94 368 992.46	95 219 772.42
IX.		Accruals and deferred income	55 301 858.15	55 922 445.71
	1.	Accruals	7 766 075.07	12 468 951.54
	2.	Other deferred income and interests	47 535 783.08	43 453 494.17
X.		Provisions	11 831 170.59	18 182 703.94
	1.	Deferred tax liability	4 120 538.36	5 899 140.28
	2.	Other provisions	7 710 632.23	12 283 563.66
XI.		Subordinated liabilities	0.00	0.00
XII.		Share capital	97 290 400.00	97 290 400.00
XIII.		Due payments to share capital (negative amount)	0.00	0.00
XIV.		Treasury shares (negative amount)	0.00	0.00
XV.		Supplementary capital	30 777 859.09	32 727 211.98
XVI.		Revaluation reserve	1 940 163.03	- 3 925 105.07
XVII.		Other reserves	51 831 321.99	74 248 880.25
	1.	General banking risk fund	24 938 981.62	47 356 539.88
	2.	Other	26 892 340.37	26 892 340.37
XVIII.		Net profit prior to approval	0.00	0.00
XIX.		Net profit (loss)	24 366 911.15	30 431 442.96
XX.		Retained earnings	0.00	0.00
		Total equity and liabilities	2 627 409 593.94	3 100 592 923.65

PROFIT AND LOSS ACCOUNT (PLN)

PROFIT AND LOSS ACCOUNT		2006	2007
I.	INTEREST INCOME	141 026 510.44	151 181 611.27
1.	from financial institutions	45 484 501.94	56 156 614.79
2.	from non-financial sector	62 453 377.46	63 396 746.86
3.	from public sector	2 322 025.89	3 144 478.02
4.	from securities with fixed income	30 766 605.15	28 483 771.60
II.	INTERESTS EXPENSE	56 457 513.58	64 653 905.80
1.	from financial institutions	2 543 302.53	3 247 283.43
2.	from non-financial sector	48 562 001.51	54 610 145.69
3.	from public sector	5 352 209.54	6 796 476.68
III.	NET INTEREST INCOME	84 568 996.86	86 527 705.47
	Fee and commission income	93 817 765.26	99 564 888.88
	Fee and commission expense	12 169 991.50	9 102 282.36
IV.	NET FEE AND COMMISSION INCOME	81 647 773.76	90 462 606.52
V.	INCOME ON SHARES AND OTHER VARIABLE-YIELD FINANCIAL INSTRUMENTS	0.00	0.00
VI.	RESULT FOR FINANCIAL OPERATIONS	344.07	3 069 159.53
1.	Securities and other financial instruments	344.07	17 159.53
2.	Other	0.00	3 052 000.00
VII.	NET FOREIGN EXCHANGE GAINS	856 038.85	- 2 127 576.64
VIII.	Result on banking activities	167 073 153.54	177 931 894.88
	Other operating income	5 546 560.97	10 118 339.69
	Other operating expenses	4 475 189.49	2 924 175.76
IX.	ADMINISTRATIVE EXPENSES	122 370 389.85	135 815 420.52
1.	Staff costs	44 054 091.86	53 268 411.64
2.	Insurance and other benefits	7 556 790.95	8 344 558.05
3.	Other	70 759 507.04	74 202 450.83
X.	DEPRECIATION AND AMORTISATION OF FIXED ASSETS AND INTANGIBLE ASSETS	8 441 331.26	5 858 804.44
XI.	IMPAIRMENT LOSSES AND WRITE-DOWNS	28 685 439.99	29 525 221.17
1.	Charges for identified impairment losses and general banking risk provision	28 685 439.99	29 505 810.52
2.	Financial assets write-downs	0.00	19 410.65
XII.	RELEASE OF IMPAIRMENT LOSSES AND REVERSAL OF WRITE DOWNS	22 713 148.15	21 937 912.47
	Release of identified impairment losses and provision for general banking risk	22 713 148.15	21 937 912.47
XIII.	NET RESULT ON IMPAIRMENT LOSSES AND WRITE-DOWNS	- 5 972 291.84	- 7 587 308.70
XIV.	OPERATING PROFIT	31 360 512.07	35 864 525.15
XV.	EXTRAORDINARY ITEMS	0.00	0.00
XVI.	PROFIT BEFORE INCOME TAX	31 360 512.07	35 864 525.15
	Gross profit	31 360 512.07	35 864 525.15
XVII.	OBLIGATORY DEDUCTIONS FROM FINANCIAL RESULT	6 993 600.92	5 433 082.19
	Income tax expense	6 993 600.92	5 433 082.19
XVIII.	NET PROFIT	24 366 911.15	30 431 442.96
	Net profit	24 366 911.15	30 431 442.96

STATEMENT OF CHANGES IN EQUITY FOR ACCOUNTING YEAR 2007 (PLN)

STATEMENT OF CHANGES IN EQUITY		2006	2007
I.	EQUITY AT THE BEGINNING OF THE PERIOD	181 904 071.31	206 206 655.26
	changes in adopted accounting policies	0.00	0.00
Ia.	Equity at the beginning of the period after adjustments	181 904 071.31	206 206 655.26
1.	Share capital at the beginning of the period	97 290 400.00	97 290 400.00
1.2.	Share capital at the end of the period	97 290 400.00	97 290 400.00
2.	Due payments to share capital	0.00	0.00
2.2.	Due payments to share capital at the end of the period	0.00	0.00
3.	Treasury shares at the beginning of the period	0,00	0,00
3.1.	Treasury shares at the end of the period	0.00	0.00
4.	Supplementary capital at the beginning of the period	28 863 716.42	30 777 859.09
4.1.	Changes in supplementary capital	1 914 142.67	1 949 352.89
	a) increases	1 914 142.67	1 949 352.89
	due to profit distribution (statutory deduction)	1 914 142.67	1 949 352.89
4.2.	Supplementary capital at the end of the period	30 777 859.09	32 727 211.98
5.	Revaluation reserve at the beginning of the period	2 004 490.23	1 940 163.03
5.1.	Changes in revaluation reserve	- 64 327.20	- 5 865 268.10
	a) increase	15 089.10	4 144 298.50
	due to available for sale assets valuation	15 089.10	4 144 298.50
	b) deduction	79 416.30	10 009 566.60
	due to available for sale assets valuation	79 416.30	10 009 566.60
5.2.	Revaluation reserve at the end of the period	1 940 163.03	- 3 925 105.07
6.	General banking risk fund at the beginning of the period	24 938 981.62	24 938 981.62
6.1.	Changes in general banking risk fund	0.00	22 417 558.26
	a) increase	0.00	22 417 558.26
6.2.	General banking risk fund at the end of the period	24 938 981.62	47 356 539.88
7.	Other reserves at the beginning of the period	1 930 980.20	26 892 340.37
7.1.	Changes in other reserves	24 961 360.17	0.00
	a) increase	24 961 360.17	0.00
	due to distribution of profit from previous years	24 961 360.17	0.00
7.2.	Other reserves at the end of the period	26 892 340.37	26 892 340.37
8.	Foreign currency exchange differences from revaluation of foreign subsidiaries	0.00	0.00
9.	Retained earnings at the beginning of the period	26 875 502.84	24 366 911.15
9.1.	Retained earnings at the beginning of the period	26 875 502.84	24 366 911.15
9.2.	Retained earnings at the beginning of the period after adjustments	26 875 502.84	24 366 911.15
9.3.	Change in retained earnings	- 26 875 502.84	- 24 366 911.15
	a) deduction	26 875 502.84	24 366 911.15
	due to distribution of profit from previous years	26 875 502.84	24 366 911.15
9.9.	Retained earnings at the end of the period	0.00	0.00
10.	Net result	24 366 911.15	30 431 442.96
	a) Net profit	24 366 911.15	30 431 442.96
II.	EQUITY AT THE END OF THE PERIOD	206 206 655.26	230 772 830.12
III.	EQUITY AFTER PROPOSED DISTRIBUTION OF PROFIT (LOSS COVER)	206 206 655.26	230 772 830.12

CASH FLOW STATEMENT FOR ACCOUNTING YEAR 2007 (PLN)

	ITEM	2006	2007
I.	NET PROFIT	24 366 911.15	30 431 442.96
II.	ADJUSTMENTS:	518 832 609.62	333 072 447.22
	1. Amortisation and depreciation	8 441 331.26	5 858 804.44
	2. Interest and dividends	16 935.81	4 281.31
	3. Losses on investing activities	- 14 675.88	- 30 843.75
	4. Change in provisions	2 667 949.50	6 351 533.35
	5. Change in debt securities	- 171 848 470.47	18 420 424.31
	6. Change in loans and advances to financial sector	- 90 428 847.14	49 026 731.48
	7. Change in loans and advances to non-financial sector and public sector	- 29 116 493.57	- 176 266 653.02
	8. Change in amounts due to financial sector	362 723 940.34	- 348 973 818.08
	9. Change in amounts due to non-financial sector and public sector	399 663 553.69	789 768 072.06
	10. Change in other liabilities	34 628 123.99	849 168.26
	11. Change in accruals and prepayments	649 573.02	- 1 139 894.26
	12. Change in accruals and deferred income	1 732 624.51	- 4 082 288.91
	13. Other adjustments	- 282 935.44	- 6 713 069.97
III.	NET CASH FROM OPERATING ACTIVITIES	543 199 520.77	363 503 890.18

I.	INFLOWS FROM INVESTING ACTIVITIES	22 639.95	53 224.03
	1. Proceeds from sale of intangible assets and tangible fixed assets	22 639.95	53 224.03
II.	OUTFLOWS FROM INVESTING ACTIVITIES	13 633 131.90	19 852 199.76
	1. Purchase of intangible assets and tangible fixed assets	13 633 131.90	19 852 199.76
III.	NET CASH FROM INVESTING ACTIVITIES	- 13 610 491.95	- 19 798 975.73

I.	INFLOWS FROM FINANCING ACTIVITIES	0.00	0.00
II.	OUTFLOWS FROM FINANCING ACTIVITIES	163 814.31	169 645.51
	1. Payments related to financial leasing	163 814.31	169 645.51
III.	NET CASH FROM FINANCING ACTIVITIES	- 163 814.31	- 169 645.51

D	Total net cash inflow (A+B+C)	529 425 214.51	343 535 268.94
E	Balance sheet change in cash and cash equivalents, of which:	529 425 214.51	343 535 268.94
	Change in cash and cash equivalents due to currency translation differences	- 122 261.44	- 613 104.73
F	Cash and cash equivalents at the beginning of the period	797 587 366.23	1 327 012 580.74
G	Cash and cash equivalents at the end of the period, of which:	1 327 012 580.74	1 670 547 849.68
	Restricted	- 183 783.00	- 117 742.89

OFF-BALANCE SHEET ITEMS (PLN)

	OFF-BALANCE SHEET ITEMS	31.12.2006	31.12.2007
I.	Off-balance sheet contingent liabilities granted and received	518 450 052.93	193 361 846.07
	1. Liabilities granted	318 450 052.93	157 107 846.07
	- financial	315 744 677.76	155 829 707.08
	- guarantee	2 705 375.17	1 278 138.99
	2. Liabilities received	200 000 000.00	36 254 000.00
	- financial	200 000 000.00	36 254 000.00
II.	Liabilities arising from the purchase/sale transactions	0.00	0.00
III.	Other	0.00	0.00



Bank's head office

2007

and branches

- Bank Poczty S.A.**
Head Office in Bydgoszcz
ul. Jagiellońska 17
85-959 Bydgoszcz
tel. (0 52) 349 31 00
- Bank Poczty S.A. Centrala**
Warsaw Head Office
ul. Polna 11
00-633 Warszawa
tel. (0 22) 328 75 00
- Branch in Bydgoszcz**
ul. Jagiellońska 17
85-959 Bydgoszcz
tel. (0 52) 349 92 89, 322 66 25
fax. (0 52) 349 92 42
- Customer Service Point in Bydgoszcz**
ul. Jezuicka 8/10
85-959 Bydgoszcz
tel. (0 52) 349 93 49-50
fax. (0 52) 349 93 49-50
- Customer Service Point in Inowrocław**
ul. Królowej Jadwigi 29
88-100 Inowrocław
tel. (0 52) 357 56 86
fax. (0 52) 357 56 86
- Customer Service Point in Świecie n/Wisłą**
ul. Mały Rynek 5
86-100 Świecie n/Wisłą
tel. (0 52) 331 54 11
fax. (0 52) 331 54 11
- Branch in Elbląg**
Pl. Słowiański 1/3
82-300 Elbląg
tel. (0 55) 230 69 30
fax. (0 55) 230 69 44
- Customer Service Point in Malbork**
ul. 17 Marca 38
82-200 Malbork
tel. (0 55) 272 23 57
fax. (0 55) 272 23 57
- Branch in Gdańsk**
ul. Grunwaldzka 46
80-241 Gdańsk Wrzeszcz
tel. (0 58) 340 40 30
fax. (0 58) 340 40 50
- Customer Service Point in Gdańsk**
ul. Długa 22/28
80-801 Gdańsk
tel. (0 58) 305 94 19
fax. (0 58) 305 94 19
- Customer Service Point in Kartuzy**
ul. Hallera 1
83-300 Kartuzy
tel. (0 58) 684 03 13
fax. (0 58) 684 03 13
- Customer Service Point in Gdynia**
ul. 10 lutego 10
81-301 Gdynia
tel. (0 58) 621 04 89, 620 31 20
fax. (0 58) 620 31 29
- Branch in Kalisz**
ul. Zamkowa 18/20
62-800 Kalisz
tel. (0 62) 768 10 10
fax. (0 62) 768 10 19
- Branch in Katowice**
Pl. Oddziałów Młodzieży Powstańczej 6
40-956 Katowice
tel. (0 32) 609 11 02
fax. (0 32) 609 11 19
- Customer Service Point in Bielsko-Biała**
ul. 1 Maja 2
43-300 Bielsko-Biała
tel. (0 33) 828 34 16
fax. (0 33) 828 34 20
- Customer Service Point in Częstochowa**
ul. Orzechowskiego 7
42-200 Częstochowa
tel. (0 34) 366 90 30
fax. (0 34) 366 90 30

- Customer Service Point in Opole**
ul. Krakowska 46
45-076 Opole
tel. (0 77) 402 24 12
fax. (0 77) 402 24 18
- Branch in Konin**
ul. Kolejowa 5A
62-510 Konin
tel. (0 63) 245 60 55-57
fax. (0 63) 245 60 56
- Customer Service Point in Koninie**
Pl. Wolności 1
62-510 Konin
tel (0 63) 240 60 08
fax. (0 63) 240 60 08
- Branch in Krakowie**
ul. Grochowska 2
31-500 Kraków
tel. (0 12) 410 63 00
fax. (0 12) 410 63 14
- Customer Service Point in Nowy Sącz**
ul. Dunajewskiego 10
33-300 Nowy Sącz
tel. (0 18) 449 69 11
fax. (0 18) 449 69 14
- Branch in Lublin**
ul. Krakowskie Przedmieście 50
20-002 Lublin
tel. (0 81) 536 04 10
fax. (0 81) 536 04 15
- Customer Service Point in Radom**
ul. Jacka Malczewskiego 5
26-607 Radom
tel. (0 48) 340 48 60
fax. (0 48) 340 48 70
- Branch in Łódź**
ul. Moniuszki 4
90-110 Łódź
tel. (0 42) 639 22 50
fax. (0 42) 639 22 72
- Customer Service Point in Łódź**
ul. Lodowa 101
93- 232 Łódź
tel. (0 42) 649 11 41
fax. (042) 649 11 42
- Customer Service Point in Piotrków Tryb.**
ul. Łódzka 50/52 B
97-300 Piotrków Trybunalski
tel. (0 44) 649 04 81
fax. (0 44) 649 04 90
- Customer Service Point in Sieradz**
ul. Rynek 21
98-200 Sieradz
tel. (0 43) 827 86 96
fax. (0 43) 827 86 99
- Customer Service Point in Skierniewice**
ul. Sienkiewicza 2
96-100 Skierniewice
tel. (0 46) 832 63 65
fax. (0 46) 832 63 67
- Branch in Olsztyn**
ul. Kopernika 40
10-580 Olsztyn
tel. (0 89) 521 18 00, 21
fax. (0 89) 521 18 26
- Customer Service Point in Biskupiec**
ul. Dworcowa 3
11-300 Biskupiec
tel. (0 89) 715 69 23
fax. (0 89) 715 69 25
- Customer Service Point in Ostróda**
ul. Mickiewicza 15
14-100 Ostróda
tel. (0 89) 646 04 54, 51
fax. (0 89) 646 04 52, 53
- Customer Service Point in Białystok**
ul. Warszawska 10
15- 001 Białystok
tel. (0 85) 664 99 86
fax. (0 85) 664 99 89

● **Customer Service Point in Suwałki**

ul. Kościuszki 25
16-400 Suwałki
tel. (0 87) 563 19 01, 03
fax. (0 87) 563 19 02

● **Branch in Piła**

Al. Wojska Polskiego 36
64-920 Piła
tel. (0 67) 215 66 50
fax. (0 67) 215 66 54

● **Customer Service Point in Wągrowiec**

ul. Pocztowa 12
62-100 Wągrowiec
tel. (0 67) 268 52 94
fax. (0 67) 268 52 94

● **Branch in Poznań**

ul. Św. Marcin 79
60-972 Poznań
tel. (0 61) 858 69 00
fax. (0 61) 852 41 47

● **Customer Service Point in Leszno**

ul. Dworcowa 3
64-110 Leszno
tel. (0 65) 529 57 55
fax. (0 65) 529 57 37

● **Branch in Gorzów Wielkopolski**

ul. Jagiellończyka 4
66-400 Gorzów Wielkopolski
tel. (0 95) 721 01 81
fax. (0 95) 721 01 98

● **Customer Service Point in Zielona Góra**

ul. Sienkiewicza 11 A
65-431 Zielona Góra
tel. (0 68) 320 63 33, 320 60 20
fax. (0 68) 320 63 34

● **Branch in Szczecin**

al. Niepodległości 43
70-404 Szczecin
tel. 0 91 43 29 830
fax. 43 29 834

● **Customer Service Point in Koszalin**

ul. Pocztowa 1
75-017 Koszalin
tel. (0 94) 347 34 10
fax. (0 94) 348 96 49

● **Customer Service Point in Słupsk**

ul. Kołłątaja 31
76-200 Słupsk
tel. (0 59) 848 61 80
fax. (0 59) 848 61 80

● **Customer Service Point in Wałcz**

ul. Kilińszczaków 30
78-600 Wałcz
tel. (0 67) 250 10 77
fax. (0 67) 258 54 11

● **Branch in Tarnów**

ul. Ochronek 5
33-100 Tarnów
tel. (0 14) 628 89 80
fax. (0 14) 628 89 84

● **Customer Service Point in Rzeszów**

ul. Adama Asnyka 9
35-950 Rzeszów
tel. (0 17) 850 93 00
fax. (0 17) 850 93 14

● **Oddział w Toruniu**

ul. Chełmińska 13
87-100 Toruń
tel. (0 56) 622 53 23
fax. (0 56) 654 96 87

● **Branch in Warszawa**

ul. Świętokrzyska 31/33
00-950 Warszawa
tel. (0 22) 829 49 00
fax. (0 22) 829 48 99

● **Customer Service Point in Ciechanów**

ul. Grodzka 1
06-400 Ciechanów
tel. (0 23) 671 23 80
fax. (0 23) 671 23 89

Customer Service Point in Ostrołęka

ul. Hallera 13
07-412 Ostrołęka
tel. (0 29) 769 41 61
fax. (0 29) 769 41 68

Customer Service Point in Płock

ul. Bielska 14
09-400 Płock
tel. (0 24) 269 68 32
fax. (0 24) 269 68 33

Customer Service Point in Siedlce

ul. Piłsudskiego 2
08-100 Siedlce
tel. (0 25) 640 23 33
fax.(0 25) 640 23 39

Customer Service Point in Warszawa (Praga)

ul. Targowa 73
03-700 Warszawa
tel. (0 22) 670 46 80
fax. (0 22) 670 49 20

Customer Service Point numer 2 in Warszawa

ul. Polna 11
00-633 Warszawa
tel. (0 22) 328 71 00,10
fax. (0 22) 328 71 19

Customer Service Point no. 3 in Warszawa

ul. Rakowiecka 26
00-940 Warszawa
tel. (022) 856 97 40
fax. (022) 856 97 40

Branch in Włocławek

ul. Chopina 54B
87-800 Włocławek
tel. (0 54) 231 37 90
fax. (0 54) 23 11 691

Customer Service Point in Rypin

ul. Mławska 14
87-500 Rypin
tel. (0 54) 280 29 16
fax. (0 54) 280 29 16

Branch in Wrocław

ul. Krasieńskiego 1
50-945 Wrocław
tel. (0 71) 346 78 43
fax. (0 71) 346 78 62

Customer Service Point in Legnica

ul. Piastowska 72
59-200 Legnica
tel. (0 76) 866 00 71
fax. (0 76) 866 00 80

Customer Service Point in Świdnica

Plac Grunwaldzki 1
58-100 Świdnica
tel. (0 74) 856 19 55
Fax. (0 74) 856 19 59