PKO BANK POLSKI
SPÓŁKA AKCYJNA

Condensed Interim Consolidated Financial Statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group for the six-month period ended 30 June 2010

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SELECTED FINANCIAL DATA

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	for the period 01.01.2010 to 30.06.2010	for the period 01.01.2009 to 30.06.2009	for the period 01.01.2010 to 30.06.2010	for the period 01.01.2009 to 30.06.2009
Net interest income	3 066 179	2 301 627	765 741	509 390
Net fee and commission income	1 527 222	1 171 787	381 405	259 337
Operating profit	1 936 832	1 495 719	483 700	331 028
Net profit (including non-controlling interest)	1 500 741	1 159 779	374 792	256 679
Net profit attributable to the parent company	1 502 337	1 150 558	375 190	254 638
Net comprehensive income	1 712 549	1 355 209	427 688	299 931
Net cash flow from / used in operating activities	(51 302)	(3 674 597)	(12 812)	(813 252)
Net cash flow from / used in investing activities	(844 616)	2 283 533	(210 933)	505 385
Net cash flow from / used in financing activities	(151 986)	(73 426)	(37 957)	(16 250)
Total net cash flows	(1 047 904)	(1 464 490)	(261 701)	(324 117)
Earnings per share for the period – basic (in PLN/EUR)	1.20	1.06	0.30	0.23
Earnings per share for the period – diluted (in PLN/EUR)	1.20	1.06	0.30	0.23

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	as at 30.06.2010	as at 31.12.2009	as at 30.06.2010	as at 31.12.2009
Equity attributable to the company shareholders	22 143 829	20 428 541	5 341 268	4 972 626
Total equity	22 148 622	20 435 870	5 342 424	4 974 410
Tier 1 capital	16 160 969	16 254 416	3 898 155	3 956 579
Tier 2 capital	1 495 949	1 481 052	360 835	360 511
Tier 3 capital	71 303	129 876	17 199	31 614

The selected financial statements positions were recalculated into EUR according to the following exchange rates:

- the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement items – the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each six-month periods ended 30 June 2010 and 30 June 2009, respectively: EUR 1 = PLN 4.0042 and EUR 1 = PLN 4.5184.

- the statement of financial position items – average NBP exchange rate as at 30 June 2010: EUR 1 = PLN 4.1458 and as at 31 December 2009: EUR 1 = PLN 4.1082.

Condensed Interim Consolidated Financial Statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group (in PLN thousand) for the six-month period ended 30 June 2010

CONSOLIDATED INCOME STATEMENT
for the six-month periods ended 30 June 2010 and 30 June 2009 respectively

	Notes	01.01 – 30.06.2010	01.01 – 30.06.2009
Continued operations:			
Interest and similar income	4	5 033 176	4 332 615
Interest expense and similar charges	4	(1 966 997)	(2 030 988)
Net interest income		**3 066 179**	**2 301 627**
Fee and commission income	5	1 910 752	1 525 661
Fee and commission expense	5	(383 530)	(353 874)
Net fee and commission income		**1 527 222**	**1 171 787**
Dividend income		5 512	5 035
Net income from financial instruments designated at fair value	6	(22 605)	64 006
Gains less losses from investment securities		36 132	(3 972)
Net foreign exchange gains	7	165 954	640 182
Other operating income	8	189 338	311 247
Other operating expenses	8	(112 603)	(154 986)
Net other operating income and expense		**76 735**	**156 261**
Net impairment allowance	9	(883 284)	(764 081)
Administrative expenses	10	(2 035 013)	(2 075 126)
Operating profit		**1 936 832**	**1 495 719**
Share of profit (loss) of associates and jointly controlled entities		(4 994)	(332)
Profit before income tax		**1 931 838**	**1 495 387**
Income tax expense	11	(431 097)	(335 608)
Net profit (including non-controlling interest)		**1 500 741**	**1 159 779**
Net profit attributable to non-controlling interest		(1 596)	9 221
Net profit attributable to the parent company		**1 502 337**	**1 150 558**
Earnings per share:			
- basic earnings per share (PLN)		1.20	1.06
- diluted earnings per share (PLN)		1.20	1.06
Weighted average number of ordinary shares during the period		1 250 000 000	1 090 000 000
Weighted average (diluted) number of ordinary shares during the period		1 250 000 000	1 090 000 000

Discontinued operations:
In the six-month periods ended 30 June 2010 and 30 June 2009 the PKO Bank Polski SA Group did not carry out discontinued operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six-month periods ended 30 June 2010 and 30 June 2009 respectively

	01.01-30.06.2010	01.01-30.06.2009
Profit for the period	**1 500 741**	**1 159 779**
Other comprehensive income	**211 808**	**195 430**
Currency translation differences from foreign operations	39 905	1 403
Share in other comprehensive income of an associate	728	-
Unrealised net gains on financial assets available for sale (gross)	15 029	15 825
Deferred tax on unrealised net gains on financial assets available for sale	(2 855)	(2 997)
Cash flow hedge (gross)	196 298	223 699
Deferred tax on cash flow hedge	(37 297)	(42 500)
Total net comprehensive income	**1 712 549**	**1 355 209**
Total net comprehensive income, of which:	**1 712 549**	**1 355 209**
attributable to equity holders of PKO Bank Polski SA	1 714 527	1 345 985
attributable to non-controlling shareholders	(1 978)	9 224

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2010 and 31 December 2009

	Notes	30.06.2010	31.12.2009
ASSETS			
Cash and balances with the central bank		4 925 803	7 094 350
Amounts due from banks	14	3 091 631	2 023 055
Trading assets	15	3 578 988	2 212 955
Derivative financial instruments	16	1 853 638	2 029 122
Financial assets designated at fair value through profit and loss	18	12 232 494	12 360 690
Loans and advances to customers	19	124 665 467	116 572 585
Investment securities available for sale	20	9 148 040	7 944 317
Securities held to maturity	21	-	9 894
Investments in associates and jointly controlled entities	22	224 363	228 692
Non-current assets held for sale		16 790	13 851
Inventories		579 230	653 075
Intangible assets	23	1 625 747	1 572 577
Tangible fixed assets	23	2 688 837	2 777 694
including investment properties		193	322
Current income tax receivables		3 695	7 184
Deferred income tax asset		411 357	403 218
Other assets		653 264	575 426
TOTAL ASSETS		**165 699 344**	**156 478 685**
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to the central bank		3 780	6 581
Amounts due to banks	24	6 312 991	5 146 048
Derivative financial instruments	16	3 253 599	1 544 370
Amounts due to customers	25	129 259 485	125 072 934
Debt securities in issue		407 437	289 360
Subordinated liabilities		1 611 339	1 612 178
Other liabilities	26	2 077 328	1 566 623
Current income tax liabilities		58 106	181 893
Deferred income tax liability		22 106	20 534
Provisions	27	544 551	602 294
TOTAL LIABILITIES		**143 550 722**	**136 042 815**
Equity			
Share capital		1 250 000	1 250 000
Other capital		16 917 386	16 732 988
Currency translation differences from foreign operations		(68 504)	(108 791)
Retained earnings		2 542 610	248 806
Net profit for the period		1 502 337	2 305 538
Capital and reserves attributable to equity holders of the parent company		**22 143 829**	**20 428 541**
Non-controlling interest		4 793	7 329
TOTAL EQUITY		**22 148 622**	**20 435 870**
TOTAL EQUITY AND LIABILITIES		**165 699 344**	**156 478 685**

Capital adequacy ratio	36	12.98%	14.66%
Book value (in PLN thousand)		22 148 622	20 435 870
Number of shares	1	1 250 000 000	1 250 000 000
Book value per share (in PLN)		17.72	16.35
Diluted number of shares		1 250 000 000	1 250 000 000
Diluted book value per share (in PLN)		17.72	16.35

the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group (in PLN thousand)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six-month periods ended 30 June 2010 and 30 June 2009 respectively

For the six-month period ended 30 June 2010	Share capital	Other capital							Currency translation differences from foreign operations	Retained earnings	Net profit for the period	Total equity attributable to equity holders of the parent company	Non-controlling interest	Total equity
		Reserve capital	Other reserves	General banking risk fund	Share in other comprehensive income of an associate	Financial assets available for sale	Cash flow hedge	Total other equity						
As at 1 January 2010	**1 250 000**	**12 149 682**	**3 405 087**	**1 070 000**	**705**	**(11 762)**	**119 276**	**16 732 988**	**(108 791)**	**248 806**	**2 305 538**	**20 428 541**	**7 329**	**20 435 870**
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	-	2 305 538	(2 305 538)	**-**	-	**-**
Total comprehensive income	-	-	-	-	728	12 174	159 001	171 903	40 287	-	1 502 337	1 714 527	(1 978)	**1 712 549**
Transfer from retained earnings	-	12 495	-	-	-	-	-	12 495	-	(12 495)	-	**-**	-	**-**
Additional payment to equity for non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	165	**165**
Disposal of a subsidiary	-	-	-	-	-	-	-	**-**	-	761	-	**761**	(723)	**38**
As at 30 June 2010	**1 250 000**	**12 162 177**	**3 405 087**	**1 070 000**	**1 433**	**412**	**278 277**	**16 917 386**	**(68 504)**	**2 542 610**	**1 502 337**	**22 143 829**	**4 793**	**22 148 622**

For the six-month period ended 30 June 2009	Share capital	Other capital							Currency translation differences from foreign operations	Retained earnings	Net profit for the period	Total equity attributable to equity holders of the parent company	Non-controlling interest	Total equity
		Reserve capital	Other reserves	General banking risk fund	Share in other comprehensive income of an associate	Financial assets available for sale	Cash flow hedge	Total other equity						
As at 1 January 2009	**1 000 000**	**7 274 717**	**1 523 827**	**1 070 000**	**-**	**(33 237)**	**-**	**9 835 307**	**(57 413)**	**53 232**	**3 120 674**	**13 951 800**	**46 216**	**13 998 016**
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	-	3 120 674	(3 120 674)	-	-	**-**
Total comprehensive income	-	-	-	-	-	12 828	181 199	194 027	1 400	-	1 150 558	1 345 985	9 224	1 355 209
Transfer from retained earnings	-	43 840	1 881 260	-	-	-	-	1 925 100	-	(1 925 100)	-	-	-	**-**
Dividends paid	-	-	-	-	-	-	-	-	-	(1 000 000)	-	(1 000 000)	(32 620)	**(1 032 620)**
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	305	**305**
As at 30 June 2009	**1 000 000**	**7 318 557**	**3 405 087**	**1 070 000**	**-**	**(20 409)**	**181 199**	**11 954 434**	**(56 013)**	**248 806**	**1 150 558**	**14 297 785**	**23 125**	**14 320 910**

Condensed Consolidated Interim Financial Statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group (in PLN thousand) for the six-month period ended 30 June 2010

CONSOLIDATED CASH FLOW STATEMENT
for the six-month periods ended 30 June 2010 and 30 June 2009 respectively

	Note	01.01 - 30.06.2010	01.01 - 30.06.2009
Net cash flow from operating activities			
Net profit		1 502 337	1 150 558
Adjustments:		(1 553 639)	(4 825 155)
Net profit/loss attributable to non-controlling shareholders		(1 596)	9 221
Amortisation and depreciation		238 220	229 071
Losses on investing activities		(964)	(2 048)
Interest and dividends		(210 118)	(223 992)
Change in amounts due from banks		46 014	265 876
Change in trading assets and other financial assets designated at fair value through profit and loss		(1 237 837)	(5 562 049)
Change in derivative financial instruments (asset)		175 484	517 958
Change in loans and advances to customers		(8 680 971)	(7 229 888)
Change in deferred income tax asset and income tax receivables		(4 650)	8 249
Change in other assets		(6 932)	(139 091)
Change in amounts due to banks		1 239 996	(688 319)
Change in derivative financial instruments (liability)		1 709 229	(3 874 091)
Change in amounts due to customers		4 186 551	10 966 375
Change in debt securities in issue		118 077	87 484
Change in impairment allowances and provisions		497 549	445 016
Change in other liabilities		573 522	222 611
Income tax paid		(602 401)	(706 450)
Current tax expense		478 614	365 899
Other adjustments		(71 426)	483 013
Net cash from / used in operating activities		**(51 302)**	**(3 674 597)**
Net cash flow from investing activities			
Inflows from investing activities		**6 420 307**	**7 799 228**
Proceeds from sale of investment securities		6 414 837	7 790 026
Proceeds from sale of intangible assets and tangible fixed assets		3 837	6 916
Other investing inflows		1 633	2 286
Outflows from investing activities		**(7 264 923)**	**(5 515 695)**
Purchase of a subsidiary, net of cash acquired		-	(477 521)
Purchase of investment securities		(7 090 698)	(4 814 096)
Purchase of intangible assets and tangible fixed assets		(174 225)	(224 078)
Net cash from / used in investing activities		**(844 616)**	**2 283 533**
Net cash flow from financing activities			
Repayment of interest from issued debt securities		(42 302)	(62 895)
Dividends paid to non-controlling shareholders		-	(32 620)
Long-term borrowings		275 950	434 627
Repayment of long term borrowings		(385 634)	(412 538)
Net cash generated from financing activities		**(151 986)**	**(73 426)**
Net cash inflow / (outflow)		**(1 047 904)**	**(1 464 490)**
including currency translation differences on cash and cash equivalents		185 708	178 323
Cash and cash equivalents at the beginning of the period		8 992 393	8 270 243
Cash and cash equivalents at the end of the period	**30**	**7 944 489**	**6 805 753**
of which restricted		4 476	5 464

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The consolidated financial statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group ('the PKO Bank Polski SA Group', 'the Group') have been prepared for the six-month period ended 30 June 2010 and include comparative data for the six-month period ended 30 June 2009 (as regards consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement) and include comparative data as at 31 December 2009 (as regards consolidated statement of financial position). Financial data has been presented in PLN thousand unless indicated otherwise.

The parent company of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group is Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna ('PKO Bank Polski SA'; 'the parent company'; 'the Bank').

The parent company was established in 1919 as the Pocztowa Kasa Oszczędnościowa. Since 1950 the parent company operated as the 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 (a state-owned bank) was transformed into a state-owned joint-stock company, Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna with its head office in Warsaw, 15 Puławska Street, 02-515 Warsaw, Poland.

On 12 April 2000 Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna was entered in the Register of Companies 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 a statistical REGON No. 016298263. The Bank's paid share capital amounts to PLN 1 250 000 thousand.

The Bank's shareholding structure is as follows:

Shareholder	Number of shares	Number of votes %	Nominal value of the share	Shareholding %
As at 30 June 2010				
The State Treasury	512 406 277	40.99	PLN 1	40.99
Bank Gospodarstwa Krajowego	128 102 731	10.25	PLN 1	10.25
Other shareholders	609 490 992	48.76	PLN 1	48.76
Total	**1 250 000 000**	**100.00**	**---**	**100.00**
As at 31 December 2009				
The State Treasury	512 406 927	40.99	PLN 1	40.99
Bank Gospodarstwa Krajowego	128 102 731	10.25	PLN 1	10.25
Other shareholders	609 490 342	48.76	PLN 1	48.76
Total	**1 250 000 000**	**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'.

Business activities of the Group

PKO Bank Polski SA is a universal commercial bank offering services to both domestic and foreign retail, corporate and other clients. PKO Bank Polski SA is licensed to perform a full range of foreign exchange services; open and hold bank accounts abroad and to deposit foreign exchange in these accounts.

the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group (in PLN thousand)

In addition, through its subsidiaries, the Group conducts activities relating to leasing, factoring, investment funds, pension funds, Internet banking as well as servicing and settlement of card transactions and real estate development. The scope of activities of each of the Group entities is set out in this note, in the table 'Structure of the PKO Bank Polski SA Group'.

The Group operates in the Republic of Poland and through its subsidiaries, KREDOBANK SA and UKRPOLINWESTYCJE Sp. z o.o. – in Ukraine and through its subsidiary PKO Finance AB in Sweden.

Structure of the PKO Bank Polski SA Group

The PKO Bank Polski SA Group consists of the following entities:

No.	Entity name	Registered office	Activity	Share capital (%) 30.06.2010	Share capital (%) 31.12.2009
			Parent company		
1	**Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna**				
			Direct subsidiaries		
2	Bankowe Towarzystwo Kapitałowe SA	Warsaw	Services, including financial services	100.00	100.00
3	Bankowy Fundusz Leasingowy SA	Łódź	Leasing services	100.00	100.00
4	Centrum Elektronicznych Usług Płatniczych 'eService' SA	Warsaw	Servicing and settlement of card transactions	100.00	100.00
5	Centrum Finansowe Puławska Sp. z o.o.	Warsaw	Management and use of Centrum Finansowe Puławska	100.00	100.00
6	Inteligo Financial Services SA	Warsaw	Technical servicing of Internet banking	100.00	100.00
7	KREDOBANK SA	Lviv, Ukraine	Financial services	99.4948	99.4948
8	PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA	Warsaw	Pension fund management	100.00	100.00
9	PKO BP Inwestycje Sp. z o.o.	Warsaw	Real estate development	100.00	100.00
10	PKO Finance AB	Stockholm, Sweden	Financial services	100.00	100.00
11	PKO Towarzystwo Funduszy Inwestycyjnych SA	Warsaw	Investment fund management	100.00	100.00
12	Fort Mokotów Inwestycje Sp. z o.o.[1]	Warsaw	Real estate development	99.9885	99.9885
			Indirect subsidiaries		
	Subsidiaries of PKO BP Inwestycje Sp. z o.o.				
13	Wilanów Investments Sp. z o.o. [2]	Warsaw	Real estate development	99.9750	99.9750
14	POMERANKA Sp. z o.o. [2]	Warsaw	Real estate development	99.9975	99.9975
15	PKO BP Inwestycje - Rezydencja Flotylla Sp. z o.o. [3]	Warsaw	Real estate development	100.00	100.00
16	UKRPOLINWESTYCJE Sp. z o.o.	Kiev, Ukraine	Real estate development	55.00	55.00
17	Fort Mokotów Sp. z o.o.	Warsaw	Real estate development	51.00	51.00
18	WISŁOK Inwestycje Sp. z o.o.[4]	Rzeszów	Real estate development	-	80.00
19	PKO BP Inwestycje – Sarnia Dolina Sp. z o.o. [5]	Warsaw	Real estate development	56.00	56.00
	Subsidiaries of Bankowy Fundusz Leasingowy SA				
20	Bankowy Leasing Sp. z o.o. [2]	Łódź	Leasing services	99.9974	99.9969
21	BFL Nieruchomości Sp. z o.o. [2]	Łódź	Leasing services	99.9945	99.9930
	Subsidiary of Inteligo Financial Services SA				
22	PKO BP Finat Sp. z o.o. [6]	Warsaw	Intermediary financial services	80.3287	80.3287
	Subsidiary of Bankowe Towarzystwo Kapitałowe SA				
23	PKO BP Faktoring SA [2]	Warsaw	Factoring	99.9846	99.9846

1) The second shareholder of the entity Fort Mokotów Inwestycje Sp. z o.o. is PKO BP Inwestycje Sp. z o.o.
2) PKO Bank Polski SA holds 1 share in the entity.
3) The previous name of the entity was PKO Inwestycje – Międzyzdroje Sp. z o.o.
4) Information on the disposal is presented in Note 34 'Changes to the entities of the Group'.
5) The previous name of the entity was Baltic Dom 2 Sp. z.o.o.
6) Other shares of the entity PKO BP Finat Sp. z o.o. are in hold of PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA (19.6702%) and PKO Bank Polski SA (0.0011%).

Condensed Interim Consolidated Financial Statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group (in PLN thousand) for the six-month period ended 30 June 2010

Jointly controlled entities and associates included in the consolidated financial statements: Jointly controlled entities

No.	Name of Entity	Registered office	Activity	% Share capital	
				30.06.2010	31.12.2009
		Direct jointly controlled entities			
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 entities			
	Subsidiaries of CENTRUM HAFFNERA Sp. z o.o. (indirect jointly controlled by PKO Bank Polski 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

Associates:

No.	Name of Entity	Registered office	Activity	% Share capital	
				30.06.2010	31.12.2009
		Direct associates			
1	Bank Pocztowy SA	Bydgoszcz	Financial services	25.0001	25.0001
2	Kolej Gondolowa Jaworzyna Krynicka SA[1]	Krynica Górska	Construction and operation of cable railway	37.53	37.53
3	Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	Poznań	Provision of sureties and guarantees	33.33	33.33
4	Agencja Inwestycyjna CORP SA	Warsaw	Office real estate management	22.31	22.31

1) The entity shares are recognised in non-current assets held for sale

Information on changes in the participation in the share capital of the subsidiaries is set out in Note 34 ‘Changes to the entities of the Group’.

Seasonality or cyclical nature of activity in the interim period

Group’s operations are not due to significant seasonal or cyclic variances.

Information on members of the Management and Supervisory Board of the Bank

As at 30 June 2010, the Bank's Management Board consisted of:

- Zbigniew Jagiełło — President of the Management Board
- Bartosz Drabikowski — Vice-President of the Management Board
- Krzysztor Dresler — Vice-President of the Management Board
- Jarosław Myjak — Vice-President of the Management Board
- Wojciech Papierak — Vice-President of the Management Board
- Jakub Papierski — Vice-President of the Management Board
- Mariusz Zarzycki — Vice-President of the Management Board

During the six-month period ended 30 June 2010, the following changes took place in the composition of the Bank’s Management Board:

- on 27 January 2010, the Supervisory Board of PKO Bank Polski SA adopted a resolution appointing Mr. Jakub Papierski as the Vice-President of the Management Board effective from 1 April 2010;
- on 10 March 2010, the Supervisory Board of PKO Bank Polski SA passed a resolution entrusting Mr. Jakub Papierski with the duties of the Vice-President of the Management Board, effective from 22 March 2010, for the joint term of the Board beginning on 20 May 2008. Simultaneously, in accordance with the above resolution, the Bank’s Supervisory Board revoked its resolution dated from 27 January 2010, which entrusted Mr. Jakub Papierski with the duties of the Vice-President of the Management Board effective from 1 April 2010.

- on 13 April 2010, the Polish Financial Supervision Authority approved unanimously the appointment of Mr. Zbigniew Jagiełło as the President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.

As at 30 June 2010, the Bank's Supervisory Board consisted of:

- Cezary Banasiński — Chairman of the Supervisory Board
- Tomasz Zganiacz — Deputy-Chairman of the Supervisory Board
- Jan Bossak — Member of the Supervisory Board
- Mirosław Czekaj — Member of the Supervisory Board
- Ireneusz Fąfara — Member of the Supervisory Board
- Błażej Lepczyński — Member of the Supervisory Board
- Piotr Marczak — Member of the Supervisory Board
- Alojzy Zbigniew Nowak — Member of the Supervisory Board

During the six-month period ended 30 June 2010, the following changes took place in the composition of the Bank's Supervisory Board:

- on 25 June 2010, the Ordinary General Meeting of Shareholders of PKO Bank Polski SA appointed Mr. Piotr Marczak as the Member of the Supervisory Board of PKO Bank Polski SA. In accordance with the above resolution, Mr. Piotr Marczak has been appointed to the post effective from 25 June 2010.

Approval of financial statements

These Condensed Interim Consolidated Financial Statements of the Group, which were subject to review of the Bank's Supervisory Board Audit Committee on 18 August 2010, have been approved for issue by the Bank's Management Board on 17 August 2010.

These Condensed Interim Consolidated Financial Statements of the Group are published together with Condensed Financial Statements of the PKO Bank Polski SA for the six-month period ended 30 June 2010.

2. Summary of significant accounting policies and critical estimates

2.1. Summary of significant accounting policies

These Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' endorsed by the European Union.

The accounting policies and calculation methods applied by preparation of these Condensed Interim Consolidated Financial Statements are consistent to those, which were applied by preparation of Consolidated Financial Statements for the year ended 31 December 2009, apart from issues described below.

Since 1 January 2010, the Group has applied the amended IAS 27 'Consolidated and Separate Financial Statements' and the amended IFRS 3 'Business Combinations' introducing amendments to the identification of net assets of subsidiaries, the formula of calculation of goodwill, elements of acquisition costs, settlements of a purchase of a subsidiary and a settlement of a multi-stage business combinations. None of the above approved amendments has a significant influence on the Group's financial statements.

2.1.1. Standards and interpretations issued in 2010 after the date of publishing consolidated financial statements of the Group for the year 2009

In 2010, after the date of publishing the annual consolidated financial statements, i.e. after 15 March 2010, the International Accounting Standards Board issued 'Amendments to IFRS 2010' that amend 7 standards. Amendments contain changes in the presentation, recognition and valuation as well as include terminology and editing changes. Most of them apply to annual periods starting from 1 January 2011. None of the above-mentioned amendments has been applied by the Group in the preparation of these financial statements.

As at the date of these financial statements, amendments to IFRS 2010 have not been approved by the European Union yet.

Moreover, in July 2010 the European Union approved IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments, and amendments to the following standards and interpretations:

- IFRS 1, Limited exemption from comparative IFRS 7 disclosures for first-time adopters;
- IFRS 7, Financial instruments: Disclosures
- IAS 24, Related Party Disclosures
- IFRS 8 Operating segments,
- IFRIC 14, Pre-payments of a Minimum Funding Requirement.

None of the above approved amendments has a significant influence on the Group's financial statements.

2.2. Critical estimates

In preparing financial statements, 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 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 date. Actual results may differ from estimates.

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 the following areas:

2.2.1. Impairment of loans and advances

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 ("a loss event'), when the loss has a reliably measurable impact on the expected future cash flows from the financial asset or group of financial assets. Future cash flows are assessed by the Group on the basis of estimates based on historical parameters.

The adopted methodology used for estimating impairment allowances will be developed in line with the further accumulations of historic impairment data from the implemented information systems and applications. As a consequence, acquiring new data obtained by the Group could affect the level of impairment allowances in the future. The methodology and assumptions used in the estimates are reviewed on a regular basis to minimize the differences between the estimated and actual loss amounts. In the case of a -/+ 10% change in the present value of estimated cash flows for the loan portfolio individually determined to be impaired, the impairment allowance would increase by PLN 377 million or decrease by PLN 160 million respectively. This estimate was made for the loan portfolio assessed for impairment on an individual basis, i.e. on the basis of individual analysis of future cash flows arising both from own payments and realisation of the collateral, i.e. the positions for which an individual method is applied.

2.2.2. Valuation of derivatives 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 expected to be received from the given financial instrument. Options are valued using option pricing models. The variables and assumptions used in a 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 could affect the valuation of the above-mentioned instruments.

The valuation techniques used by the Group for non-option derivative instruments are based on yield curve based on available market data (deposit margins on interbank market, IRS quotations). The Group conducted a simulation to assess the potential influence of change of the yield curve on the transaction valuation. Upwards move of yield curve by 50 b.p. would result in decrease in non-option derivative instruments valuation by PLN 4 358 thousand. Analogous move downwards would result in valuation increase by PLN 3 270 thousand.

2.2.3. Calculation of provisions for employee benefits

The provision for retirement and pension benefits and anniversary bonuses is created individually for each employee on the basis of an actuarial valuation performed at the balance 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 Group. Valuation of the employee benefit provisions is performed using actuarial techniques and assumptions. The calculation of the provision includes all anniversary bonuses and retirement and pension benefits expected to be paid in the future. The provision was created on the basis of a list including all the necessary details of employees, in particular the length of their service, age and gender. The provisions calculated amount to discounted future payments, taking into account staff turnover, and relate to the service period ending on the balance date. Gains or losses resulting from actuarial calculations are recognized in the income statement.

The Group creates provisions for future liabilities 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 for the employee compensation costs incurred in the current period which will be paid out in future periods, including bonuses.

2.2.4. Useful economic lives of tangible fixed assets, intangible assets and investment properties

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

1) expected physical wear and tear, estimated based on the average period of use recorded to date, reflecting the normal physical wear and tear rate, intensity of use etc.,
2) technical or market obsolescence,
3) legal and other limitations on the use of the asset,
4) expected use of the asset assessed based on the expected production capacity or volume,
5) other factors affecting useful lives of such assets.

When the period of use of a given asset results from a contract term, the useful life of such an 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 estimated useful life is applied.

If the useful life of assets being subject to depreciation and classified as land and buildings was changed by +/- 10 years, it would influence the financial result as follows: a decrease in depreciation costs by PLN 15 million or an increase in depreciation costs by PLN 147 million respectively.

3. Information on the segments of activities

The PKO Bank Polski SA Group's segment reporting scheme is primarily based on the criteria of the groups of clients – recipients of the products and services offered by the parent company and other entities of the PKO Bank Polski SA Group. Every operating business segment comprises activities of providing products and services that are characterized by the similar risk and revenue – different from other business segments. The segment report below is recognised in an internal reporting system, i.e. information presented to the Management Board of PKO Bank Polski SA. It is used to assess achieved results and to allocate resources.

The segment report below presents an internal structure of the PKO Bank Polski SA Group. At present, the PKO Bank Polski SA Group comprises three basic segments: retail, corporate and investment segment:

1. The retail segment comprises transactions of the parent company with retail clients, clients of small and medium-sized enterprises and mortgage market clients, as well as activities of the following subsidiaries: KREDOBANK SA, PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA, PKO Towarzystwo Funduszy Inwestycyjnych SA, the Inteligo Financial Services SA Group, Centrum Elektronicznych Usług Płatniczych eService SA, and the PKO BP Inwestycje Sp. z o.o. Group and Fort Mokotów Inwestycje Sp. z o. o.

   This segment comprises, among others, the following products and services: current and saving accounts, deposits, private banking services, investment products, credit and debit cards, consumer and mortgage loans, corporate loans for small and medium-sized enterprises and housing market customers.

2. The corporate segment includes transactions of the parent company with large corporate clients, as well as activities of the Bankowy Fundusz Leasingowy SA Group and of the Bankowe Towarzystwo Kapitałowe SA Group.

   This segment comprises, among others, the following products and services: current accounts, deposits, depositary services, currency and derivative products, sell buy back and buy sell back transactions, investment loans, leases and factoring. Within the segment, PKO Bank Polski SA also enters, individually or in consortium with other banks, into loan agreements financing large investment projects.

3. The investment segment comprises investing and brokerage activities, interbank transactions, derivative instruments and debt securities transactions and activities of PKO Finance AB and Centrum Finansowe Puławska Sp. z .o.o.

Accounting policies applied in the segmentation report are consistent with accounting policies described in Note 2 of these statements.

Disclosed values of assets and liabilities are operating assets and liabilities applied by operating activities segment. Values of assets, liabilities, income and expenses of a particular segment are based on internal management information. To particular segments there have been assigned assets and liabilities as well as income and expense related to these assets and liabilities.

The tables below present data relating to results of individual business segments of the PKO Bank Polski SA Group for the six-month period ended 30 June 2010 and 30 June 2009 and of assets and liabilities as at 30 June 2010 and as at 31 December 2009.

the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group (in PLN thousand)

For the six-month period ended 30 June 2010	**Continued operations**			
	Retail segment	**Corporate segment**	**Investment segment**	**Total activity of the Group**
Net interest income	2 767 997	390 024	(91 842)	3 066 179
Net fee and commission income	1 357 957	115 791	53 474	1 527 222
Other net income	139 169	38 784	83 775	261 728
Result from financial operations	(2 536)	(1 083)	17 146	13 527
Net foreign exchange gains	72 654	33 277	60 023	165 954
Dividend income	-	-	5 512	5 512
Net other operating income	56 046	19 595	1 094	76 735
Income/expenses relating to internal customers	13 005	(13 005)	-	-
Net impairment allowance	(773 833)	(103 528)	(5 923)	(883 284)
Administrative expenses	(1 850 121)	(132 255)	(52 637)	(2 035 013)
Amortization and depreciation	(213 205)	(15 811)	(9 204)	(238 220)
Share of profit (loss) of associates and jointly controlled entities	-	-	-	(4 994)
Segment gross profit	1 635 331	295 504	(13 153)	1 931 838
Income tax expense (tax burden)	-	-	-	(431 097)
Net profit attributable to non-controlling shareholders	-	-	-	(1 596)
Net profit (loss) attributable to the parent company	**1 635 331**	**295 504**	**(13 153)**	**1 502 337**

As at 30 June 2010	**Continued operations**			
	Retail segment	**Corporate segment**	**Investment segment**	**Total activity of the Group**
Assets	103 867 838	35 502 918	26 328 588	**165 699 344**
Liabilities	105 905 427	28 933 389	8 711 906	**143 550 722**

For the six-month period ended 30 June 2009	**Continued operations**			
	Retail segment	**Corporate segment**	**Investment segment**	**Total activity of the Group**
Net interest income	2 543 628	246 522	(488 523)	2 301 627
Net fee and commission income	1 022 962	104 221	44 604	1 171 787
Other net income	520 228	128 071	213 213	861 512
Result on financial operations	(2 629)	5 018	57 645	60 034
Net foreign exchange gains	411 769	108 290	120 123	640 182
Dividend income	-	-	5 035	5 035
Net other operating income	98 088	27 763	30 410	156 261
Income/expenses relating to internal customers	13 000	(13 000)	-	-
Net impairment allowance	(621 689)	(131 118)	(11 274)	(764 081)
Administrative expenses, of which:	(1 885 546)	(136 720)	(52 860)	(2 075 126)
Amortization and depreciation	(204 743)	(15 571)	(8 757)	(229 071)
Share of profit (loss) of associates and jointly controlled entities	-	-	-	(332)
Segment gross profit	1 579 583	210 977	(294 841)	1 495 387
Income tax expense (tax burden)	-	-	-	(335 608)
Net profit attributable to non-controlling shareholders	-	-	-	9 221
Net profit (loss) attributable to the parent company	**1 579 583**	**210 977**	**(294 841)**	**1 150 558**

As at 31 December 2009	**Continued operations**			
	Retail segment	**Corporate segment**	**Investment segment**	**Total activity of the Group**
Assets	96 506 139	36 426 481	23 546 065	**156 478 685**
Liabilities	100 543 469	28 402 191	7 097 155	**136 042 815**

the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group (in PLN thousand)

As an additional reporting scheme, the PKO Bank Polski SA Group uses geographical areas. The PKO Bank Polski SA Group conducts its activities in Ukraine – through KREDOBANK SA and through UKRPOLINWESTYCJE Sp. z o.o.

For the six-month period ended 30 June 2010	**Poland**	**Ukraine**	**Total**
Net interest income	3 025 052	41 127	3 066 179
Net fee and commission income	1 507 521	19 701	1 527 222
Other net income	270 519	(8 791)	261 728
Administrative expenses	(1 978 323)	(56 690)	(2 035 013)
Net impairment allowance	(862 838)	(20 446)	(883 284)
Share of profit (loss) of associates and jointly controlled entities	-	-	(4 994)
Segment gross profit	**1 961 931**	**(25 099)**	**1 931 838**
Income tax expense (tax burden)	-	-	(431 097)
Net profit attributable to non-controlling interest	-	-	(1 596)
Net profit/loss	**1 961 931**	**(25 099)**	**1 502 337**

As at 30 June 2010	**Poland**	**Ukraine**	**Total**
Assets of the segment	163 477 634	2 221 710	**165 699 344**
Liabilities of the segment	142 054 918	1 495 804	**143 550 722**

For the six-month period ended 30 June 2009	**Poland**	**Ukraine**	**Total**
Net interest income	2 214 584	87 043	2 301 627
Net fee and commission income	1 147 050	24 737	1 171 787
Other net income	856 504	5 008	861 512
Administrative expenses	(2 006 095)	(69 031)	(2 075 126)
Net impairment allowance	(584 447)	(179 634)	(764 081)
Share of profit (loss) of associates and jointly controlled entities	-	-	(332)
Segment gross profit	**1 627 596**	**(131 877)**	**1 495 387**
Income tax expense	-	-	(335 608)
Net profit attributable to non-controlling interest	-	-	9 221
Net profit/(loss)	**1 627 596**	**(131 877)**	**1 150 558**

As at 31 December 2009	**Poland**	**Ukraine**	**Total**
Assets of the segment	154 555 349	1 923 336	**156 478 685**
Liabilities of the segment	134 726 841	1 315 974	**136 042 815**

the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group (in PLN thousand)

4. Interest income and expense

Interest and similar income

	01.01-30.06.2010	01.01-30.06.2009
Income from loans and advances to customers	4 104 451	3 731 976
Income from derivative hedging instruments	308 411	78 370
Income from securities designated at fair value through profit and loss	242 888	191 736
Income from investment securities	229 355	185 462
Income from placements with banks	72 605	94 326
Income from trading securities	72 484	39 720
Other	2 982	11 025
Total	**5 033 176**	**4 332 615**

In the ‘Income from derivative hedging instruments’ the Group presents interest income from derivative instruments designated for hedge accounting that are effective hedging instruments in the respect of cash flow hedge. Details of hedging relationships applied by the Group are included in Note 17 ‘Derivative hedging instruments’.

Interest expense and similar charges

	01.01-30.06.2010	01.01-30.06.2009
Interest expense on amounts due to customers	(1 859 362)	(1 881 616)
Interest expense on debt securities in issue	(53 603)	(66 870)
Interest expense on deposits from banks	(17 235)	(32 273)
Other	(36 797)	(50 229)
Total	**(1 966 997)**	**(2 030 988)**

5. Fee and commission income and expense

Fee and commission income

	01.01-30.06.2010	01.01-30.06.2009
Income from financial assets, which are not valued at fair value through profit and loss, of which:	**246 140**	**163 699**
Income from loans and advances	246 140	163 699
Other commissions	**1 663 846**	**1 361 183**
Income from payment cards	475 221	445 562
Income from maintenance of bank accounts	461 401	436 372
Income from loan insurance	338 084	92 971
Income from maintenance of investment and pension funds (including management fees)	158 122	148 254
Income from cash transactions	88 765	89 798
Income from securities transactions	33 296	24 270
Income from foreign mass transactions	21 515	20 054
Income from sale and distribution of marks of value	13 665	12 437
Other*	73 777	91 465
Income from trustee activities	**766**	**779**
Total	**1 910 752**	**1 525 661**

* Included in ‘Other’ are commissions received for servicing bond sale transactions, commissions of Dom Maklerski for servicing primary issue and commissions for servicing the debt level of borrowers towards the State budget.

Condensed Interim Consolidated Financial Statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group (in PLN thousand) for the six-month period ended 30 June 2010

Fee and commission expense

	01.01-30.06.2010	01.01-30.06.2009
Expenses on payment cards	(158 681)	(161 216)
Expenses on loan insurance	(73 976)	(34 983)
Expenses on acquisition services	(73 114)	(76 753)
Expenses on asset management fees	(12 861)	(23 099)
Expenses on clearing and settlement services	(11 823)	(11 788)
Expenses on operating services rendered by banks	(5 188)	(3 314)
Other*	(47 887)	(42 721)
Total	**(383 530)**	**(353 874)**

* Included in 'Other' are: fee and expenses paid by the brokerage house (Dom Maklerski) to Warsaw Stock Exchange (GPW) and the National Depository for Securities (KDPW) and fee and commissions paid due to other accounting and clearing services.

6. Net income from financial instruments designated at fair value

	01.01-30.06.2010	01.01-30.06.2009
Derivative instruments[1)]	(48 923)	39 780
Debt securities	25 617	21 892
Equity instruments	683	1 191
Other[1)]	18	1 143
Total	**(22 605)**	**64 006**

In the net income from financial instruments at fair value, position 'Derivative instruments', an ineffective portion related to hedges against fluctuations in cash flows was recognized and it amounted to PLN (24 709) thousand in the period ended 30 June 2010 (in the period ended 30 June 2009 an ineffective portion related to hedges against fluctuations in cash flows amounted to PLN 1 534 thousand).

01.01-30.06.2010	Gains	Losses	Net result
Trading assets	5 642 611	(5 689 475)	(46 864)
Financial assets designated upon initial recognition at fair value through profit and loss	39 158	(14 899)	24 259
Total	**5 681 769**	**(5 704 374)**	**(22 605)**

01.01-30.06.2009	Gains	Losses	Net result
Trading assets	9 075 836	(9 021 149)	54 687
Financial assets designated upon initial recognition at fair value through profit and loss	76 262	(66 943)	9 319
Total	**9 152 098**	**(9 088 092)**	**64 006**

The total change in fair values of financial instruments designated at fair value through profit and loss determined with use of valuation models (where no quotations from active market were available) in the period ended 30 June 2010 amounted to PLN (48 905)[*)] thousand (in the period ended 30 June 2009: PLN 40 923[*)] thousand).

[*)] The total amount of the items marked with [1)] in Note 6 'Net income from financial instruments designated at fair value'.

Condensed Interim Consolidated Financial Statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group (in PLN thousand) for the six-month period ended 30 June 2010

7. Net foreign exchange gains

	01.01-30.06.2010	01.01-30.06.2009
Currency translations differences resulting from financial instruments designated at fair value through profit and loss	(1 935 478)	2 687 737
Currency translations differences from exchange operations	2 101 432	(2 047 555)
Total	**165 954**	**640 182**

8. Other operating income and expense

	01.01-30.06.2010	01.01-30.06.2009
Other operating income		
Net income from sale of goods, commodities and materials*	115 747	187 984
Sales and disposal of tangible fixed assets, intangible assets, and assets held for sale	25 613	27 380
Damages, penalties and fines received	14 318	10 615
Sundry income	9 383	10 988
Recovery of expired and written-off receivables	1 538	14 815
Sale of shares in jointly controlled entities and associates	577	245
Other	22 162	59 220
Total	**189 338**	**311 247**

*Included in 'Net income from sale of goods, commodities and materials' are mainly income related to real estate activities, income related to sales of electronic charging of mobile phones, cards and other IT services.

	01.01-30.06.2010	01.01-30.06.2009
Other operating expenses		
Costs of sale of goods, commodities and materials*	(54 092)	(89 216)
Costs of sale and disposal of tangible fixed assets, intangible assets and assets held for sale	(25 372)	(27 217)
Sundry expenses	(2 182)	(2 799)
Donations	(1 960)	(2 273)
Other	(28 997)	(33 481)
Total	**(112 603)**	**(154 986)**

* Included in 'Costs of sale of goods, commodities and materials' is mainly expense related to real estate activities.

the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group (in PLN thousand)

9. Net impairment allowance

For the six-month period ended 30 June 2010	Impairment allowances at the beginning of the period	Increases			Decreases				Impairment allowances at the end of the period	Net impairment allowance – impact on the income statement
		Impairment allowances recognised during the period	Currency translation differences	Other	Decrease in impairment allowances due to derecognition of assets	Impairment allowances reversed during the period	Currency translation differences	Other		
Investment securities available for sale	21 572	3 922	1 407	-	-	2 951	-	-	23 950	(971)
Loans and advances to customers and amounts due from banks measured at amortised cost	3 964 233	2 634 584	80 688	35 086	400 155	1 755 872	-	189	4 558 375	(878 712)
Tangible fixed assets	1 856	-	-	-	-	16	-	23	1 817	16
Intangible assets	95 135	-	-	-	-	-	-	-	95 135	-
Investments in entities measured using equity method	5 028	-	-	-	-	44	-	-	4 984	44
Non-current assets held for sale	1 680	-	-	-	-	-	-	-	1 680	-
Other, of which:	359 043	118 180	4 184	3 624	25 014	114 519	-	1 919	343 579	(3 661)
provisions for legal claims and off-balance sheet liabilities	119 849	68 801	123	-	743	74 736	-	47	113 247	5 935
Total	**4 448 547**	**2 756 686**	**86 279**	**38 710**	**425 169**	**1 873 402**	**-**	**2 131**	**5 029 520**	**(883 284)**

For the six-month period ended 30 June 2009	Impairment allowances at the beginning of the period	Increases			Decreases				Impairment allowances at the end of the period	Net impairment allowance – impact on the income statement
		Impairment allowances recognised during the period	Currency translation differences	Other	Decrease in impairment allowances due to derecognition of assets	Impairment allowances reversed during the period	Currency translation differences	Other		
Investment securities available for sale	25 691	10 534	436	-	7 025	5 076	-	-	24 560	(5 458)
Loans and advances to customers and amounts due from banks measured at amortised cost	2 945 987	2 062 642	21 569	2 004	230 232	1 314 712	-	-	3 487 258	(747 930)
Tangible fixed assets	2 035	18	-	-	39	799	-	-	1 215	781
Intangible assets	91 733	-	-	7 610	-	-	-	-	99 343	-
Investments in entities measured using equity method	4 360	-	-	-	-	-	-	-	4 360	-
Other, of which:	219 549	258 771	1 078	100 162	9 314	247 297	80	12 783	310 086	(11 474)
provisions for legal claims and off-balance sheet liabilities	87 602	77 522	-	-	422	80 757	80	568	83 297	3 235
Total	**3 289 355**	**2 331 965**	**23 083**	**109 776**	**246 610**	**1 567 884**	**80**	**12 783**	**3 926 822**	**(764 081)**

10. Administrative expenses

	01.01-30.06.2010	01.01-30.06.2009
Staff costs	(1 138 436)	(1 096 501)
Overheads	(597 348)	(691 983)
Depreciation and amortisation expense	(238 220)	(229 071)
Taxes and other charges	(34 317)	(32 719)
Contribution and payments to Banking Guarantee Fund	(26 692)	(24 852)
Total	**(2 035 013)**	**(2 075 126)**

Wages and salaries / Employee benefits

	01.01-30.06.2010	01.01-30.06.2009
Wages and salaries	(949 447)	(906 291)
Insurance, of which:	(157 391)	(156 910)
contributions for retirement benefits and pensions*	(121 209)	(120 390)
Other employee benefits	(31 598)	(33 300)
Total	**(1 138 436)**	**(1 096 501)**

*Total expense incurred by the Group related to contributions for retirement benefits and pensions.

11. Income tax expense

	01.01-30.06.2010	01.01-30.06.2009
Consolidated income statement		
Current income tax expense	(478 614)	(365 898)
Deferred income tax related to temporary differences	47 517	30 290
Tax expense disclosed in the consolidated income statement	**(431 097)**	**(335 608)**
Tax expense disclosed in consolidated other comprehensive income related to temporary differences	(40 152)	(45 497)
Total	**(471 249)**	**(381 105)**

12. Earnings per share

Basic earnings per share

The basic earnings per share ratio is calculated on the basis of profit or loss attributable to ordinary shareholders of the Bank, by dividing the respective profit and loss by the weighted average number of ordinary shares outstanding during a given period.

Earnings per share

	01.01-30.06.2010	01.01-30.06.2009
Profit per ordinary shareholders (in PLN thousand)	1 502 337	1 150 558
Weighted average number of ordinary shares during the period (in thousand)	1 250 000	1 090 000
Earnings per share (in PLN per share)	1.20	1.06

Earnings per share from discontinued operations

In the periods ended 30 June 2010 and 30 June 2009, the Group did not report any material income or expenses from discontinued operations.

Diluted earnings per share

The diluted earnings per share ratio is calculated on the basis of profit or loss attributable to ordinary shareholders, by dividing the respective profit or loss by the weighted average number of ordinary shares outstanding during a given period, adjusted for the effect of all potential dilutive ordinary shares.

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There were no dilutive instruments in the first half of 2010 or in the first half of 2009.

Diluted earnings per share from discontinued operations

In the periods ended 30 June 2010 and 30 June 2009, the Group did not report any material income or expenses from discontinued operations.

13. Dividends paid and declared (in total or per share) on ordinary shares and other shares

On 23 July 2010, the Ordinary General Meeting of Shareholders of PKO Bank Polski SA, after adjournment on 25 June 2010, continued its session and passed Resolution No. 39/2010 on disbursement of dividend for the year 2009 in the amount of PLN 2 375 000 thousand, i.e. PLN 1.9 gross per share. The date of record for dividend was determined as at 23 October 2010 and the dividend payment date was determined as at 20 December 2010. The dividend will be disbursed on the condition that by the date of 10 December 2010 Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna ultimately shall not take control over a bank with its registered seat on the territory of the Republic of Poland by direct or indirect acquisition of the majority of shares, and shall not acquire the rights to take control in the manner specified above.

On 28 April 2010, the Ordinary General Shareholders' Meeting of PKO Towarzystwo Funduszy Inwestycyjnych SA passed Resolution No. 4 on disbursement of dividend of PLN 61 209 thousand for the year 2009 to PKO Bank Polski SA.

On 10 May 2010, the Ordinary General Shareholders' Meeting of Inteligo Financial Services SA passed Resolution No. 13 on disbursement of dividend of PLN 1 424 thousand for the year 2009 to PKO Bank Polski SA.

On 17 June 2010, the Ordinary General Shareholders' Meeting of Centrum Finansowe Puławska Sp. z o.o. passed Resolution No. 4 on disbursement of dividend of PLN 12 491 thousand for the year 2009 to PKO Bank Polski SA.

On 29 June 2010, the Ordinary General Shareholders' Meeting of Centrum Elektronicznych Usług Płatniczych eService SA passed Resolution No. 3 on disbursement of dividend of PLN 29 000 thousand for the year 2009 to PKO Bank Polski SA.

14. Amounts due from banks

	30.06.2010	31.12.2009
Deposits with banks	2 443 569	1 160 377
Current accounts	438 958	617 388
Receivables due from repurchase agreements	-	105 427
Loans and advances	212 154	161 378
Cash in transit	30 112	5 594
Total	**3 124 793**	**2 050 164**
Impairment allowances	(33 162)	(27 109)
of which impairment allowance on exposure to a foreign bank	(32 168)	(27 013)
Net total	**3 091 631**	**2 023 055**

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15. Trading assets

	30.06.2010	31.12.2009
Debt securities	3 572 275	2 202 847
issued by the State Treasury	3 569 074	2 198 840
issued by local government bodies	2 887	2 208
issued by banks	314	1 799
Shares in other entities - listed on stock exchange	6 713	10 108
Total	**3 578 988**	**2 212 955**

16. Derivative financial instruments

Type of contract	30.06.2010		31.12.2009	
	Assets	Liabilities	Assets	Liabilities
IRS	1 519 194	1 507 471	1 306 906	1 296 136
FRA	18 152	17 746	7 613	8 298
FX Swap	22 618	140 932	90 056	27 181
CIRS	81 602	1 472 928	402 221	33 699
Forward	94 108	47 565	24 167	49 349
Options	113 809	62 272	198 159	127 847
Other	4 155	4 685	-	1 860
Total	**1 853 638**	**3 253 599**	**2 029 122**	**1 544 370**

17. Derivative hedging instruments

As at 30 June 2010, the Group applies the following hedging strategies:

1. hedges against fluctuations in cash flows from mortgage loans in CHF and negotiated term deposits in PLN, following from the risk of fluctuations in interest rates and foreign exchange rates, using CIRS transactions;
2. hedges against fluctuations in cash flows from floating interest rate loans in PLN, following from the risk of fluctuations in interest rates, using IRS transaction

The characteristics of the cash flow hedges applied by the Group are presented in the table below:

Hedging strategy:	Hedges against fluctuations in cash flows from mortgage loans in CHF and negotiated term deposits in PLN, resulting from the risk of fluctuations in interest rates and in foreign exchange rates, using CIRS transactions	Hedges against fluctuations from loans in PLN at float rate, resulting from the risk of fluctuations in interest rates, using IRS transactions
Type of hedge relationship	Cash flow hedge accounting (macro cash flow hedge).	Cash flow hedge accounting (macro cash flow hedge).
Description of hedge relationship	Elimination of the risk of cash flow fluctuations generated by mortgage loans denominated in CHF and negotiated term deposits in PLN resulting from fluctuations in reference interest rates in CHF and PLN, and changes in foreign exchange rates CHF/PLN during the hedged period.	Elimination of the risk of cash flow fluctuations generated by floating rate PLN loans resulting from the interest rate risk in the period covered by the hedge.
Hedged risk	Currency risk and interest rate risk.	Interest rate risk.
Hedging instrument	CIRS transactions where the Group pays coupons based on 3M CHF LIBOR, and receives coupons based on 3M WIBOR on the nominal amount defined in CHF and PLN respectively.	IRS transactions where the Group pays coupons based on variable 3M WIBOR, and receives coupons based on a fixed rate on the nominal amount for which they were concluded.

Hedging strategy:	**Hedges against fluctuations in cash flows from mortgage loans in CHF and negotiated term deposits in PLN, resulting from the risk of fluctuations in interest rates and in foreign exchange rates, using CIRS transactions**	**Hedges against fluctuations from loans in PLN at float rate, resulting from the risk of fluctuations in interest rates, using IRS transactions**
Hedged position	1) The portfolio of floating rate mortgage loans denominated in CHF. 2) The portfolio of short-term negotiable term deposits, including renewals in the future (high probability of occurrence).	The portfolio of loans in PLN indexed to the variable 3M WIBOR rate.
Hedge effectiveness	The effectiveness of the hedge is verified by applying prospective and retrospective effectiveness tests. Tests are performed on a monthly basis.	The effectiveness of the hedge is verified by applying prospective and retrospective effectiveness tests. The tests are performed on a monthly basis.
The date of establishing a hedging relationship	Beginning from 1 April 2009, gradually on the dates of resetting the CIRS designated for hedge accounting.	May, July, December 2009 April-June 2010
Periods in which cash flows are expected and in which they should have an impact on the financial result	July 2010 to January 2017	July 2010 to December 2012

Cash flow hedges

The fair value of derivative instruments constituting cash flow hedges related to the interest rate and / or foreign exchange rate as at 30 June 2010 and as at 31 December 2009.

Type of derivative financial instrument:	Carrying amount/fair value					
	30.06.2010			31.12.2009		
	Assets	Liabilities	Total	Assets	Liabilities	Total
Interest Rate Swaps	6 508	1 881	**4 627**	7 610	93	**7 517**
Cross Interest Rate Swaps	876	1 207 505	**(1 206 629)**	344 651	25 219	**319 432**
Total	**7 384**	**1 209 386**	**(1 202 002)**	**352 261**	**25 312**	**326 949**

The nominal value of the hedging instruments by maturity as at 30 June 2010 and as at 31 December 2009.

Type of derivative financial instrument:	Nominal value as at 30 June 2010					
	Up to 6 months	6 – 12 months	1 – 2 years	2 – 5 years	Over 5 years	Total
IRS in PLN thousand	140 000	3 375 000	750 000	30 000	-	**4 295 000**
CIRS						
in PLN thousand	1 079 415	577 650	1 111 160	10 261 938	2 386 710	**15 416 873**
in CHF thousand	400 000	200 000	400 000	3 600 000	850 000	**5 450 000**

Type of derivative financial instrument:	Nominal value as at 31 December 2009					
	Up to 6 months	6 – 12 months	1 – 2 years	2 – 5 years	Over 5 years	Total
IRS in PLN thousand	260 000	140 000	-	30 000	-	**430 000**
CIRS						
in PLN thousand	418 155	1 115 740	1 666 295	9 022 190	3 314 055	**15 536 435**
in CHF thousand	150 000	400 000	600 000	3 250 000	1 200 000	**5 600 000**

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Other comprehensive income as regards cash flows hedge	01.01-30.06.2010	01.01-30.06.2009
Other comprehensive income at the beginning of the period	147 254	-
Gains or losses transferred to other comprehensive income in the period	(1 202 393)	369 142
Amount transferred in the period from other comprehensive income to the income statement	1 398 691	(145 443)
Other comprehensive income at the end of the period (gross)	**343 552**	**223 699**
Tax effect	**(65 275)**	**(42 500)**
Net other comprehensive income at the end of the period	**278 277**	**181 199**

Ineffective part of cash flow hedge recognized through profit and loss	**(24 709)**	**1 534**

18. Financial assets designated at fair value through profit and loss

	30.06.2010	31.12.2009
Debt securities	**12 232 494**	**12 360 690**
issued by the State Treasury	7 098 538	5 362 314
issued by central banks	4 999 000	6 994 218
issued by local government bodies	133 866	-
Issued by non-financials entities	1 090	4 158
Total	**12 232 494**	**12 360 690**

19. Loans and advances to customers

	30.06.2010	31.12.2009
Loans and advances to customers gross, of which:	**129 190 680**	**120 509 709**
consumer loans	24 763 018	23 483 449
corporate loans	45 811 677	43 990 773
mortgage loans	57 992 902	52 471 695
Interest	623 083	563 792
Impairment allowances on loans and advances to customers	(4 525 213)	(3 937 124)
Loans and advances to customers – net	**124 665 467**	**116 572 585**

	30.06.2010	31.12.2009
Loans and advances to customers		
Receivables valued using the group method (IBNR)	118 242 682	110 707 613
of which receivables related to finance lease	*1 956 510*	*2 062 495*
Receivables valued using the individual method	6 623 053	6 049 833
of which receivables related to finance lease	*331 845*	*221 395*
Receivables valued using the portfolio method	4 324 945	3 752 263
of which receivables related to finance lease	*101 141*	*74 814*
Loans and advances to customers – gross	**129 190 680**	**120 509 709**
Impairment allowances on exposures with portfolio impairment	(2 346 063)	(1 989 868)
of which impairment allowances on lease receivables	*(48 416)*	*(37 980)*
Impairment allowances on exposures with individual impairment	(1 553 083)	(1 344 098)
of which impairment allowances on lease receivables	*(29 924)*	*(24 163)*
Impairment allowances on exposures with group impairment (IBNR)	(626 067)	(603 158)
of which impairment allowances on lease receivables	*(9 197)*	*(9 679)*
Total impairment allowances	**(4 525 213)**	**(3 937 124)**
Loans and advances to customers - net	**124 665 467**	**116 572 585**

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20. Investment securities available for sale

	30.06.2010	31.12.2009
Debt securities available for sale, gross	**9 043 351**	**7 867 725**
issued by the State Treasury	6 073 514	4 982 606
issued by local government bodies	2 171 512	2 000 221
issued by non-financial institutions	675 574	794 812
issued by banks	122 751	90 086
Impairment allowances on debt securities available for sale	(21 922)	(19 155)
Total net debt securities available for sale	**9 021 429**	**7 848 570**
Equity instruments available for sale, gross	128 639	98 164
Impairment allowances on equity instruments available for sale	(2 028)	(2 417)
Total net equity instruments available for sale	**126 611**	**95 747**
Total net investment securities	**9 148 040**	**7 944 317**

21. Securities held to maturity

	30.06.2010	31.12.2009
Debt securities held to maturity	**-**	**9 894**
issued by the State Treasury	-	9 894
Total	**-**	**9 894**

22. Investments in associates and jointly controlled entities

a) the value of the Bank's investments in jointly controlled entities (i.e. the acquisition cost adjusted to the Bank's share in the change in the entity's net assets after acquisition date and impairment allowance)

Entity name	30.06.2010	31.12.2009
Centrum Obsługi Biznesu Sp. z o.o.	9 158	11 182
Centrum Haffnera Sp. z o.o. Group	34 863	38 058
Total	**44 021**	**49 240**

b) the value of the Bank's investments in associates (i.e. the acquisition cost adjusted to the Bank's share in the change in the entity's net assets after acquisition date and impairment allowance)

Entity name	30.06.2010	31.12.2009
Bank Pocztowy SA	180 095	179 173
Agencja Inwestycyjna CORP SA	247	279
Total	**180 342**	**179 452**

Selected data on associated entities accounted for using the equity method

Entity name	Total assets	Total liabilities	Total revenues	Net profit	% share
As at 30.06.2010					
Bank Pocztowy SA	3 883 311	3 595 803	161 598	2 708	25.0001
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	16 448	24	299	4	33.33
Agencja Inwestycyjna CORP SA	3 153	1 663	7 041	338	22.31
Total	**3 902 912**	**3 597 490**	**168 938**	**3 050**	**X**
As at 31.12.2009					
Bank Pocztowy SA	3 914 409	3 631 441	309 820	9 338	25.0001
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	16 291	25	573	34	33.33
Agencja Inwestycyjna CORP SA	3 710	2 073	14 823	479	22.31
Total	**3 934 410**	**3 633 539**	**325 216**	**9 851**	**X**

The information presented in the above table for given entities is derived from financial statements prepared in accordance with the Polish Accounting Standards. According to the Group's estimates, differences between the above-mentioned financial statements and the statements prepared in accordance with IFRS are not significant from the perspective of the consolidated financial statements of the Group. The information for the year 2009 is derived from audited financial statements.

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Selected data on jointly controlled entities accounted for using the equity method

Entity name	Total assets	Total liabilities	Total revenues	Net profit	% share
30.06.2010					
Centrum Obsługi Biznesu Sp. z o.o	126 559	103 381	9 709	(3 191)	41,44
Centrum Haffnera Sp. z o.o. Group	347 238	271 179	18 634	(9 426)	49,43
Total	**473 797**	**374 560**	**28 343**	**(12 617)**	**X**
31.12.2009					
Centrum Obsługi Biznesu Sp. z o.o	129 648	103 772	18 470	(6 041)	41,44
Centrum Haffnera Sp. z o.o. Group	367 513	282 087	32 219	(117)	49,43
Total	**497 161**	**385 859**	**50 689**	**(6 158)**	**X**

The information presented in the above table for Centrum Obsługi Biznesu Sp. z o.o. is derived from financial statements prepared in accordance with the Polish Accounting Standards, and the information for Centrum Haffnera Sp. z o.o. is derived from consolidated financial statements prepared in accordance with Polish Accounting Standards. According to the Group's estimates, differences between the above-mentioned financial statements and the statements prepared in accordance with IFRS are not significant from the perspective of the consolidated financial statements of the Group. The information for the year 2009 is derived from audited financial statements.

	01.01-30.06.2010	01.01-30.06.2009
Investments in associates at the beginning of the period	**179 452**	**190 463**
Share of profit (loss)	225	6 899
Share in other comprehensive income	728	-
Dividends paid	(107)	(94)
Share in changes recognised directly in equity	-	(15 531)
Reclassification of Kolej Gondolowa Jaworzyna Krynicka SA shares to non-current assets held for sale	-	(15 531)
Change in impairment allowances on investments	44	-
Investments in associates at the end of the period	**180 342**	**181 737**

	01.01-30.06.2010	01.01-30.06.2009
Investments in jointly controlled entities at the beginning of the period	**49 240**	**56 682**
Share of profit (loss)	(5 219)	(7 231)
Investments in jointly controlled entities at the end of the period	**44 021**	**49 451**

As at 30 June 2010 and 31 December 2009, the parent company had no share in contingent liabilities and commitments of associates acquired jointly with other investors.

In the Condensed Interim Consolidated Financial Statements for the period ended 30 June 2010 all associates and jointly controlled entities have been recognized under the equity method.

23. Intangible assets and tangible fixed assets

Intangible assets	30.06.2010	31.12.2009
Software	1 235 471	1 230 452
Goodwill	264 933	264 933
Development costs	3 486	3 414
Other, including capital expenditure	121 857	73 778
Total	**1 625 747**	**1 572 577**

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Tangible fixed assets	30.06.2010	31.12.2009
Land and buildings	1 757 259	1 749 813
Machinery and equipment	654 382	651 577
Assets under construction	111 622	207 251
Means of transport	44 311	44 832
Investment properties	193	322
Other	121 070	123 899
Total	**2 688 837**	**2 777 694**

24. Amounts due to banks

	30.06.2010	31.12.2009
Loans and advances	3 820 481	3 597 839
Deposits of banks	2 330 000	1 399 985
Current accounts	21 862	26 545
Other money market deposits	140 648	121 679
Total	**6 312 991**	**5 146 048**

25. Amounts due to customers

	30.06.2010	31.12.2009
Amounts due to retail clients	**92 815 075**	**87 557 401**
Current accounts and overnight deposits	44 525 973	37 730 475
Term deposits	47 672 818	49 559 096
Other	616 284	267 830
Amounts due to corporate entities	**28 461 416**	**27 834 542**
Current accounts and overnight deposits	10 481 396	8 895 727
Term deposits	16 230 714	17 286 459
Loans and advances	1 567 370	1 420 517
Other	181 936	231 839
Amounts due to state budget entities	**7 982 994**	**9 680 991**
Current accounts and overnight deposits	3 010 535	3 355 764
Term deposits	4 965 526	6 296 093
Other	6 933	29 134
Total	**129 259 485**	**125 072 934**

26. Other liabilities

	30.06.2010	31.12.2009
Accounts payables	312 759	227 492
Deferred income	374 365	291 704
Other liabilities	1 390 204	1 047 427
Total	**2 077 328**	**1 566 623**

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27. Provisions

For the six-month period ended 30 June 2010	Provision for legal claims	Provisions for retirement & pension benefits and anniversary bonuses	Provisions for liabilities and guarantees granted	Other provisions*	Total
As at 1 January 2010, including:	**8 128**	**368 295**	**111 721**	**114 150**	**602 294**
Short term portion	**8 128**	**27 418**	**111 721**	**114 150**	**261 417**
Long term portion	**-**	**340 877**	**-**	**-**	**340 877**
Increase/reassessment	24	-	68 777	3 497	**72 298**
Use/Reversal	(743)	-	(74 736)	(55 159)	**(130 638)**
Currency translation differences	-	-	123	-	**123**
Other changes and reclassifications	(47)	-	-	521	**474**
As at 30 June 2010, including:	**7 362**	**368 295**	**105 885**	**63 009**	**544 551**
Short term portion	**7 362**	**27 418**	**105 885**	**63 009**	**203 674**
Long term portion	**-**	**340 877**	**-**	**-**	**340 877**

*Included in 'Other provisions' is: restructuring provision amounting to PLN 48 630 thousand and provision for potential claims on receivables sold amounting to PLN 10 696 thousand.

For the six-month period ended 30 June 2009	Provision for legal claims	Provisions for retirement & pension benefits and anniversary bonuses	Provisions for liabilities and guarantees granted	Other provisions*	Total
As at 1 January 2009, including:	**9 352**	**365 186**	**78 250**	**113 228**	**566 016**
Short term portion	**9 352**	**46 648**	**78 250**	**113 228**	**247 478**
Long term portion	**-**	**318 538**	**-**	**-**	**318 538**
Increase/reassessment	338	37	77 184	6 035	**83 594**
Use/Reversal	(1 000)	(24 897)	(80 179)	(31 740)	**(137 816)**
Currency translation differences	-	-	(80)	-	**(80)**
Other changes and reclassifications	(568)	(24)	-	1 249	**657**
As at 30 June 2009, including:	**8 122**	**340 302**	**75 175**	**88 772**	**512 371**
Short term portion	**8 122**	**37 734**	**75 175**	**88 772**	**209 803**
Long term portion	**-**	**302 568**	**-**	**-**	**302 568**

*Included in 'Other provisions' is: restructuring provision amounting to PLN 50 662 thousand and provision for potential claims on receivables sold amounting to PLN 30 720 thousand.

Provisions for legal claims were recognized in the amount of expected outflow of economic benefits.

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28. Off-balance sheet liabilities

Contingent liabilities

Underwriting programs

As at 30 June 2010, underwriting agreements covered the following securities (the Group's maximum liability as regards the purchase of securities):

Issuer of securities underwritten	Type of underwritten securities	Off-balance sheet guarantee liabilities	Contract period	Sub-issue type
Company A	corporate bonds	480 000	2013.07.31	Bonds Issue Agreement*
Company B	corporate bonds	460 000	2025.12.31	Bonds Issue Agreement*
Company C	corporate bonds	199 786	2010.11.08	Bonds Issue Agreement*
Company D	corporate bonds	164 881	2012.01.02	Bonds Issue Agreement*
Company E	corporate bonds	36 000	2016.12.30	Bonds Issue Agreement*
Company F	corporate bonds	13 000	2018.12.31	Bonds Issue Agreement*
Entity A	municipal bonds	11 000	2025.12.31	Bonds Issue Agreement*
Total		**1 364 667**		

* Relates to the Agreement for Organization, Conducting and Servicing of the Bond Issuance Program

As at 31 December 2009, underwriting agreements covered the following securities (the Group's maximum liability as regards the purchase of securities):

Issuer of securities underwritten	Type of underwritten securities	Off-balance sheet guarantee liabilities	Contract period	Sub-issue type
Company A	corporate bonds	500 000	2025.12.31	Bonds Issue Agreement*
Company B	corporate bonds	199 786	2010.11.08	Bonds Issue Agreement*
Company C	corporate bonds	119 915	2012.01.02	Bonds Issue Agreement*
Company D	corporate bonds	44 500	2016.12.30	Bonds Issue Agreement*
Company E	corporate bonds	13 000	2018.12.31	Bonds Issue Agreement*
Entity A	municipal bonds	15 000	2025.12.31	Bonds Issue Agreement*
Total		**892 201**		

* Relates to the Agreement for Organization, Conducting and Servicing of the Bond Issuance Program.

No securities belonging to the Group under the underwriting program have limited transferability; are quoted on the stock exchange or traded on a regulated OTC market.

Contractual commitments

As at 30 June 2010, contractual commitments concerning intangible assets amounted to PLN 1 100 thousand (as at 31 December 2009, it amounted to PLN 1 748 thousand).

Loan commitments

	30.06.2010	31.12.2009
Financial sector	874 308	783 978
Non-financial sector	26 615 757	24 786 905
Public sector	1 307 750	1 814 276
Total	**28 797 815**	**27 385 159**
of which: irrevocable loan commitments	6 751 271	6 985 527

Loan commitments are presented in nominal value.

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Guarantees issued

Guarantees	30.06.2010	31.12.2009
Financial sector	1 528 137	22 587
Non-financial sector	6 767 078	5 101 594
Public sector	590 297	373 300
Total	**8 885 512**	**5 497 481**

Contingent assets

	30.06.2010	31.12.2009
financial	280 077	843 627
guarantees	4 231 468	3 736 394
Total	**4 511 545**	**4 580 021**

Assets pledged as collateral for contingent liabilities

As at 30 June 2010 and 31 December 2009 the Group had no assets pledged as collateral for contingent liabilities.

29. Legal claims

As at 30 June 2010, the total value of court proceedings in which the Bank is a defendant was PLN 182 619 thousand (as at 31 December 2009: PLN 232 234 thousand), while the total value of court proceedings in which the Bank is the plaintiff was PLN 87 361 thousand (as at 31 December 2009: PLN 71 114 thousand).

The most significant disputes of PKO Bank Polski SA are described below:

a) Unfair competition proceedings

The Bank is a party to proceedings initiated on the basis of a decision dated 23 April 2001 of the President of the Competition and Consumer Protection Office (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 Europay/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 practices, consisting of joint establishment of interchange fee, did limit market competition and ordered that any such practices should be discontinued, and imposed a fine on, among others, PKO Bank Polski 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 referred the case to the Regional Court in Warsaw, the Court for Competition and Consumer Protection, including the appeals of the banks against Settlement of 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. On 21 January 2008 the Regional Court in Warsaw, the Court for Competition and Consumer Protection issued a resolution (in case of the Bank's appeal to the Decision of UOKiK President No. DAR 15/2006 as of 29 December 2006), in which it decided to suspend execution of the Decision above in article I (a court order to abandon joint establishing interchange fee rates). After examination, on 12 November 2008, the District Court in Warsaw, the Competition and Consumers Protection Court issued a verdict changing sections I, II, III and V of the Decision appealed against. The Court ruled that the banks participating in the proceedings, including PKO Bank Polski SA, had not committed an act of unfair competition by being party to an agreement restricting competition on the market of acquiring outsourcing services associated with the settlement of the consumers' liabilities to acceptors with respect to payment for goods and services purchased by the consumers with the use of credit and debit cards in the territory of Poland. The agreement in question set out common interchange fees on transactions concluded with the use of VISA and MasterCard cards in Poland. On 12 January 2009, the President of UOKiK appealed against the verdict of the Court of Competition and Consumer Protection reversing the decisions of the UOKiK President. The Bank submitted the reply to the appeal on 13 February 2009. On 22 April 2010, the Court of Appeal reversed the judgment of the Court of Competition and Consumer Protection. As at 30 June 2010, the liability in question amounted to PLN 16 597 thousand and has not changed since 31 December 2007.

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With reference to the Decision of UOKiK President as of 12 December 2008 imposing a fine on PKO Bank Polski SA for the unfair and misleading for customers advertisement of the 'Max Lokata' term deposit, the Bank recognised a provision. As at 30 June 2010 liability amounted to PLN 5 712 thousand (as at 31 December 2009 it amounted to PLN 5 712 thousand). On 2 January 2009, the Bank appealed against the verdict. On 10 March 2010, the Court of Competition and Consumer Protection issued a decision dismissing the Bank's appeal and sustaining the decision of UOKiK dated 12 December 2008. The decision of the SOKiK (Court of Competition and Consumer Protection) was delivered to the Bank's agent for litigation on 19 April 2010. The judgment is not legally binding. On 4 May 2010, the Bank appealed against the judgment.

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

As at the date of these financial statements, three administrative proceedings are pending to invalidate decisions issued by public administration authorities with respect to properties held by the Bank. These proceedings, in the event of an unfavourable 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 two properties claims were submitted by their former owners (court proceedings are pending). Until 30 June 2010 no further changes occurred with regard to the described matter.

In the opinion of the Management Board of PKO Bank Polski SA, the probability of significant claims arising against the Bank in relation to the above mentioned proceedings is remote.

30. Supplementary information to the cash flow statement

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash on nostro account with the National Bank of Poland, current amounts due from banks, as well as other cash equivalents with maturities up to three months from the date of acquisition.

	30.06.2010	31.12.2009	30.06.2009
Cash and balances with the central bank	4 925 803	7 094 350	2 861 363
Current receivables from financial institutions	3 018 686	1 898 043	3 944 390
Total	**7 944 489**	**8 992 393**	**6 805 753**

Cash flow from interests and dividends, both received and paid

Interest income - received	01.01-30.06.2010	01.01-30.06.2009
Income from loans and advances	3 474 517	3 229 641
Income from securities designated at fair value through profit and loss	251 177	171 479
Income from placements	82 060	102 529
Income from investment securities	223 269	242 648
Income from trading securities	74 043	38 839
Other received interests (mainly as regards current accounts, realised guarantees, acquired receivables, securities issued by the State Treasury, adjustments of interests from previous years and interests from other receivables of a financial sector)	1 843 076	1 024 981
Total	**5 948 142**	**4 810 117**

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Dividend income - received	**01.01-30.06.2010**	**01.01-30.06.2009**
Dividend income from jointly controlled entities and associates	107	94
Dividend income from other entities	1 527	2 192
Total	**1 634**	**2 286**

Interest expense – paid	**01.01-30.06.2010**	**01.01-30.06.2009**
Interest expense on deposits	(2 114 791)	(1 359 736)
Interest expense on loans and advances	(34 470)	(62 587)
Interest expense on debt securities in issue	(42 451)	(65 237)
Other interest expense (mainly related to debt securities premiums, interest expense on cash collateral liabilities, interest expense on current accounts of special purpose funds)	(926 352)	(843 201)
Total	**(3 118 064)**	**(2 330 761)**

Dividend cash flows - paid	**01.01-30.06.2010**	**01.01-30.06.2009**
Dividend paid to non-controlling shareholders	-	(32 620)
Total	**-**	**(32 620)**

31. Transactions with the State Treasury and with related entities

Receivables, securities and liabilities arising from transactions conducted with the State Treasury, state budgetary agencies and other entities partially owned by the State Treasury are disclosed in the Group’s statement of financial position.

In accordance with the 30 November 1995 Act in relation to State support in the repayment of certain mortgage loans, reimbursement to banks of guarantee premiums paid and amendments to several acts (Journal of Laws, 2003; No. 119, item 1115 with subsequent amendments), PKO Bank Polski SA receives payments from the State budget in respect of interest receivable on those loans.

	01.01.-30.06.2010	**01.01.-30.06.2009**
Income due to temporary redemption by the State budget of interest on housing loans from the “old” portfolio recognized for this period	87 848	96 532
Income due to temporary redemption by the State budget of interest on housing loans from the “old” portfolio received in cash	53 013	38 052
Difference between income recognized for this period and income received in cash – “Loans and advances to customers”	34 835	58 480

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 (Journal of Laws 2000, No.122, item 1310). The coverage of the so called ‘old portfolio’ housing loan receivables by the guarantees of the State Treasury resulted in the neutralization of the default risk on 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.

the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group (in PLN thousand)

PKO Bank Polski SA receives commission from the State Treasury for settlements relating to redemption of interest on housing loans.

	01.01.-30.06.2010	01.01.-30.06.2009
Fee and commission income	3 716	3 631

As of 1 January 1996 the Bank became the general distributor of duty stamps and receives commission from the State Treasury.

	01.01.-30.06.2010	01.01.-30.06.2009
Fee and commission income	13 665	9 651

Dom Maklerski PKO Bank Polski SA (the brokerage house of PKO Bank Polski SA) performs the role of an agent for the issue of retail Treasury bonds under an agreement signed between the Ministry of Finance and PKO Bank Polski SA on 11 February 2003. Under this agreement, Dom Maklerski PKO Bank Polski SA receives a fee for providing the services of an agent for the issue of bonds.

	01.01.-30.06.2010	01.01.-30.06.2009
Fee and commission income	16 354	21 890

Significant transactions of PKO Bank Polski SA with the State Treasury's related entities

	30.06.2010			31.12.2009		
Entity	**Total receivables**	**Total liabilities**	**Contingent liabilities and commitments both guarantees and financial**	**Total receivables**	**Total liabilities**	**Contingent liabilities and commitments both guarantees and financial**
Entity 1	458 250	-	305 500	1 533 250	-	1 155 500
Entity 2	440 055	-	276 489	357 919	-	286 807
Entity 3	409 952	400 030	398 088	414 164	-	400 225
Entity 4	343 732	27 220	248 275	327 619	141 797	245 258
Entity 5	266 667	130 401	940 930	316 667	-	130 146
Entity 6	180 655	191 536	149 345	200 000	179 408	85 000
Entity 7	73 026	21 112	326 974	-	-	-
Entity 8	72 460	-	-	78 498	-	-
Entity 9	57 650	-	12 295	38 272	-	11 644
Entity 10	53 078	29 185	12 922	35 905	25 192	4 139
Entity 11	50 751	85 356	31 249	59 466	39 944	106 898
Entity 12	45 511	19 358	-	54 613	-	-
Entity 13	41 458	-	-	41 082	-	-
Entity 14	38 494	-	-	42 978	-	-
Entity 15	25 593	-	2 008	29 469	-	945
Other significant exposures	116 356	1 093 020	2 223 243	378 014	3 540 719	857 527
Total	**2 673 688**	**1 997 218**	**4 927 318**	**3 907 916**	**3 927 060**	**3 284 089**

As at 30 June 2010 and 31 December 2009 no significant impairment allowances were recognized for the above-mentioned receivables.

the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group (in PLN thousand)

32. Related party transactions

All mentioned below transactions with entities related by capital relationships were arm's length transactions. Repayment terms are within a range from 1 month to 10 years.

30 June 2010

Entity	Net receivables	including gross loans	Liabilities	Total income	including interest and fee and commission income	Total expense	including interest and fee and commission expense	Contingent liabilities and commitments
Sopot Zdrój Sp. z o.o.	219 886	219 866	7 344	2 600	2 600	4	4	-
Centrum Majkowskiego Sp. z o.o.	-	-	4 921	3	3	66	66	-
Kamienica Morska Sp. z o.o.	-	-	158	3	3	-	-	-
Promenada Sopocka Sp. z o.o.	45 915	45 915	927	549	549	-	-	-
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	-	13 543	1	1	119	119	-
Agencja Inwestycyjna CORP SA	64	-	60	320	-	1 288	-	-
CENTRUM HAFFNERA Sp. z o.o.	-	-	1 235	4	4	-	-	-
Centrum Obsługi Biznesu Sp z o.o.	32 576	32 519	21 925	371	371	274	274	-
Bank Pocztowy SA	-	-	143	31	24	1 354	319	1 372
Kolej Gondolowa Jaworzyna Krynicka SA	-	-	66	1	1	3	3	-
Total	**298 441**	**298 300**	**50 322**	**3 883**	**3 556**	**3 108**	**785**	**1 372**

31 December 2009

Entity	Net receivables	including gross loans	Liabilities	Total income	including interest and fee and commission income	Total expense	including interest and fee and commission expense	Contingent liabilities and commitments
Sopot Zdrój Sp. z o.o.	229 852	229 852	6 999	10 196	10 196	27	27	-
Centrum Majkowskiego Sp. z o.o.	-	-	4 904	5	5	151	151	-
Kamienica Morska Sp. z o.o.	-	-	328	5	5	-	-	-
Promenada Sopocka Sp. z o.o.	45 555	45 555	689	1 926	1 926	1	1	-
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	-	437	1	1	47	47	-
Agencja Inwestycyjna CORP SA	-	-	58	-	-	1 784	-	-
CENTRUM HAFFNERA Sp. z o.o.	-	-	151	12	12	321	321	4 108
Centrum Obsługi Biznesu Sp z o.o.	32 627	32 627	23 313	1 146	1 146	686	686	-
Bank Pocztowy SA	-	-	294	28	28	3 229	3 229	1 156
Total	**308 034**	**308 034**	**37 173**	**13 319**	**13 319**	**6 246**	**4 462**	**5 264**

33. Remuneration – PKO Bank Polski SA key management

a) short-term employee benefits

Remuneration received from PKO Bank Polski SA

	01.01.-30.06.2010	01.01.-30.06.2009
The Management Board of the Bank		
Short-term employee benefits	2 970	954
The Supervisory Board of the Bank		
Short-term employee benefits	147	140
Total	**3 117**	**1 094**

Remuneration received from related companies (other than from the State Treasury and related entities)

	01.01.-30.06.2010	01.01.-30.06.2009
The Management Board of the Bank		
Short-term employee benefits	116	636
The Supervisory Board of the Bank		
Short-term employee benefits	-	21
Total	**116**	**657**

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b) post-employment benefits

In the six-month periods ended 30 June 2010 and 30 June 2009 respectively no post-employment benefits were granted.

c) other long-term benefits

In the six-month periods ended 30 June 2010 and 30 June 2009 respectively no “other long-term benefits” were granted.

d) benefits due to termination of employment

In the six-month periods ended 30 June 2010 and 30 June 2009 respectively no benefits were granted due to termination of employment.

e) share-based payments

In the six-month periods ended 30 June 2010 and 30 June 2009 respectively no benefits were granted in the form of share-based payments.

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

	30.06.2010	31.12.2009
Employees	1 460 950	1 384 420
The Management Board members	186	135
The Supervisory Board members	2 699	2 466
Total	**1 463 835**	**1 387 021**

Remuneration received by members of the Management Boards and the Supervisory Boards of the PKO Bank Polski SA Group subsidiaries

	01.01.-30.06.2010	01.01.-30.06.2009
The Management Board		
Short-term employee benefits	8 578	9 214
The Supervisory Board		
Short-term employee benefits	446	1 929
Total	**9 024**	**11 143**

34. Changes to the entities of the Group

The information below concerns share purchase transactions with subsidiaries, associates and jointly controlled entities (direct and indirect) which were concluded within the first half of 2010:

a) concerning WISŁOK Inwestycje Sp. z o.o.

On 26 February 2010, all the shares in possession of PKO BP Inwestycje Sp. z o.o., the subsidiary of PKO Bank Polski SA, comprising shares in the entity WISŁOK Inwestycje Sp. z o.o. changed its holder and became the property of the entity JEDYNKA SA with headquarters in Rzeszów due to the fact that all the criteria included in Contingent Agreement of Shares Sale dated from 23 November 2009 have been met.

The selling price of the shares amounted to PLN 3 952 thousand.

b) concerning BFL Nieruchomości Sp. z o.o.

On 5 March 2010, the increase in the share capital of BFL Nieruchomości Sp. z o.o. in the total amount of PLN 2 000 thousand was registered with the National Court Register. As a result, the Company's share capital amounts to PLN 9 100 thousand and consists of 18 200 shares of PLN 500 nominal value each.

All the shares in the increased share capital were taken up by Bankowy Fundusz Leasingowy SA, a subsidiary company of PKO Bank Polski SA, for a price equal to the nominal value of the shares taken up.

As at 30 June 2010, Bankowy Fundusz Leasingowy SA held a total of 99.9945% of the Company's share capital and of voting rights at the Company's General Shareholders' Meeting.

c) concerning PKO Inwestycje - Międzyzdroje Sp. z o.o.

On 26 March 2010, the change of name from PKO Inwestycje – Międzyzdroje Sp. z o.o. to PKO BP Inwestycje – Rezydencja Flotylla Sp. z o.o. was registered in the National Court Register.

d) concerning Baltic Dom 2 Sp. z o.o.

On 7 April 2010, the change of name from Baltic Dom 2 Sp. z o.o. to PKO BP Inwestycje – Sarnia Dolina Sp. z o.o. was registered in the National Court Register.

e) concerning Bankowy Leasing Sp. z o.o.

On 27 April 2010, the increase in the share capital of Bankowy Leasing Sp. z o.o. in the total amount of PLN 2 700 thousand was registered with the National Court Register. As a result, the Company's share capital amounts to PLN 19 000 thousand and consists of 38 000 shares of PLN 500 nominal value each.

All the shares in the increased share capital were taken up by Bankowy Fundusz Leasingowy SA, a subsidiary company of PKO Bank Polski SA, for a price equal to the nominal value of the shares taken up.

As at 30 June 2010, Bankowy Fundusz Leasingowy SA held a total of 99.9974% of the Company's share capital and of voting rights at the Company's General Shareholders' Meeting.

f) concerning PKO BP Inwestycje – Sarnia Dolina Sp. z o.o.

On 23 June 2010, PKO BP Inwestycje Sp. z o.o., the subsidiary of PKO Bank Polski SA, made an additional payment of PLN 210 thousand to PKO BP Inwestycje – Sarnia Dolina Sp. z o.o.

and events that will influence the PKO Bank Polski SA Group structure in subsequent quarters of 2010:

g) concerning KREDOBANK SA

In the first half of 2010, PKO Bank Polski SA transferred to KREDOBANK SA the amount of UAH 367.5 million related to the subscription for the new 20th share issue. The increase in the share capital mentioned above was registered on 22 July 2010.

h) concerning BFL Nieruchomości Sp. z o.o.

On 24 June 2010, Bankowy Fundusz Leasingowy SA, the subsidiary of PKO Bank Polski SA, transferred to BFL Nieruchomości Sp. z o.o. the amount of PLN 800 thousand related to the purchase of the shares in the increased share capital of the entity. The increase in the share capital mentioned above needs to be registered in the National Court Register.

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

In the first half of 2010, there were no changes introduced as regards the previously published financial statements.

36. Objectives and principles of risk management related to financial instruments

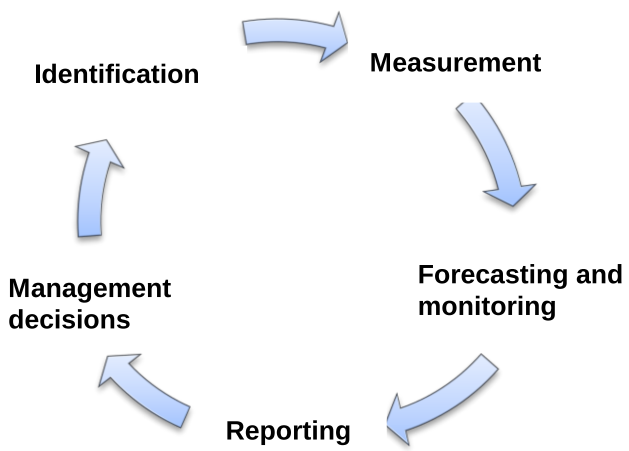
Risk management is one the most important internal processes in both PKO Bank Polski SA and other entities of the PKO Bank Polski SA Group, and especially KREDOBANK SA and in Bankowy Fundusz Leasingowy SA Group. Risk management aims at ensuring an appropriate level of security and profitability of business activities in the changing legal and economic environment.

Banking activity is exposed to a number of risks, including credit risk, interest rate risk, currency risk, liquidity risk, derivative instruments risk, operational risk, compliance risk, strategic risk and reputation risk. Controlling the impact of these risks on the functioning of the PKO Bank Polski SA Group is one of the most important objectives in the management of the Bank and the Group and the level of the risks plays an important role in the planning process.

The process of banking risk management consists in the Group of the following stages:

- risk identification – the identification of actual and potential sources of risk and estimation of the significance of the potential influence of a given type of risk on the Group (frequency, intensity),
- risk assessment – defining risk assessment tools adequate to the type and significance of the risk, data availability and quantitative risk assessment by means of defined tools,
- risk forecasting and monitoring – preparing risk level forecasts and monitoring deviances from forecasts and adopted reference points (for example limits, thresholds, plans, measurements from the previous period, issued recommendations and suggestions),
- risk reporting – periodic informing the Management about the results of risk assessment, taken actions and recommendations; scope, frequency and the form of reporting is adjusted to the managing level of the recipients,
- management decisions – making decisions that influence the process of management or the risk level (among others: issuing internal regulations, establishing the level of risk tolerance, establishing limits and thresholds, issuing recommendations, making decisions about the use of tools supporting risk management).

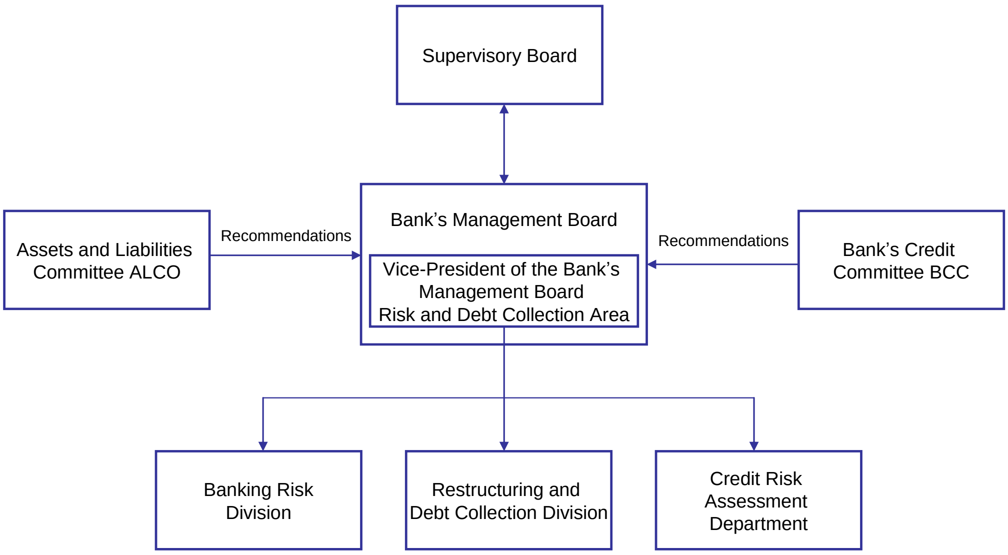
Risk management process scheme



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

– organizational independence of the Risk and Debt Collection Area from business activities is maintained;
– risk management is integrated with planning and controlling systems;
– Risk and Debt Collection Area supports the realisation of business objectives on a regular basis while maintaining an acceptable level of risk;
– risk level is controlled regularly;
– risk management model is regularly adjusted to new factors and sources of risk.

Scheme of the organization of risk management



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

The Bank's Management Board is responsible for the strategic risk management, including supervising and monitoring of 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 enacts internal regulations defining the risk management system. Risk management is conducted by organizational units of the Bank's Head Office (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.

Credit risk, interest rate risk, currency risk management and liquidity risk management in the Bank are supported by the following committees:

- Assets & Liabilities Committee (ALCO),
- Bank's Credit Committee (BCC),
- Central Credit Committee (CCC),
- regional credit committees in retail and corporate branches.

ALCO and BCC are committees chaired by the Vice-President of the Bank's Management Board who is in charge of the Risk and Debt Collection Area.

ALCO makes decisions within the scope of granted authorisations and issues recommendations to the Bank's Management Board with regard to portfolio credit risk management, interest rate risk management, currency risk, liquidity risk and the Bank's asset and liabilities management.

BCC makes loan decisions with regard to significant individual loan exposures, or issues recommendations in this respect to the Bank's Management Board.

CCC supports the decisions taken by the relevant managing directors and the Management Board members with its recommendations and the credit committees operating in the regions support branch directors and directors of the Regional Corporate Branches in matters bearing a higher risk level.

The Bank supervises activities of the individual subsidiaries of the PKO Bank Polski SA Group. As part of this supervision, the Bank sets out and approves their development strategies, including the level of the risk. The Bank also supervises the entities' risk management systems and provides support in the development of these systems. Additionally, it reflects business risk of the particular Group entities in the risk reporting and risk monitoring system of the entire Group.

In the first half of 2010, the priority of the PKO Bank Polski SA Group was to sustain strong capital position and stabile growth of deposit base that determine the growth of the Bank's credit portfolio.

As a result, in the first half of 2010 the Bank:

- continued actions aimed at gaining new deposits from retail clients,
- considered the influence of financial crisis in the methods used to asses relevant risks (among others in stress-test scenarios).

In the first half of 2010, the Bank mitigated slightly the restricted policy, run since the 4th quarter of 2008, regarding detail credits in foreign currency, by setting higher own contribution requirements in case of mortgages, restricting the loans attributable to the high-risk clients and increasing the loan margins for the newly granted loans for the corporate and retail clients. Liberalization manifested itself by increasing an acceptable level of LTV for mortgage loans granted in EUR to retail clients.

Due to growing costs of living as regards households, the Bank updated in the first half of 2010 parameters applied in retail credit ratings, such as minimum fixed expenses and the current consumption expenses.

36.1. Identification of significant types of risk

The significance of the individual types of risk is established at the Bank's level as well as at the particular subsidiaries of the PKO Bank Polski SA Group level. When determining criteria of classifying a given type of risk as significant, an influence of a given type of risk on the Bank's as well as on a given entity's of the Group and the whole Group`s activities are taken into account, whereas three types of risk are recognised:

- considered as significant a priori – being managed actively,
- potentially significant – for which significance monitoring is being made,
- other non-defined or non-occurring in the Group types of risk (insignificant and non-monitored).

Based on quantitative and qualitative information, an assessment of significance of given types of risk is performed in the Bank periodically. As a result of assessment, a given type of risk is being classified as significant/insignificant. Similar assessment is conducted periodically in the entities of the Group. In particular, monitoring is conducted if significant change in activities took place or the profile of the Bank or the Group changed.

36.2. Credit risk management

Credit risk is defined as a risk of occurrence of losses due to a counterparty's default of payments to the Bank or as a risk of decrease in economic value of amounts due to the Bank as a result of deterioration of a counterparty's ability to repay due amounts.

The objective of credit risk management is to reduce losses of loan portfolio and to minimize the risk of loans threatened with impairment, while maintaining an expected level of yield and loan portfolio value.

The Bank and the entities of the Group apply the following principles of credit risk management:

- a loan transaction is subject to comprehensive credit risk assessment, which is reflected in an internal rating or credit scoring,
- credit risk assessment related to loan transactions is measured on the stage of a loan request review and a cyclical basis during the monitoring process, taking into consideration changes in external conditions and in the financial standing of the borrowers,
- credit risk assessment of exposures which are significant due to their risk levels or their value is subject to additional verification by credit risk assessment teams, which are independent of the business teams,
- terms of loan contracts that are offered to a client depend on the credit risk generated by the contract,
- loan granting decisions are made only by authorised persons, within their authority,
- credit risk is diversified by geographical location, by industry, by product and by clients,
- expected credit risk is mitigated by setting legal collateral, credit margins and impairment allowance on loan exposures.

The above-mentioned policies are executed by the Bank through the use of advanced credit risk management methods, both on the level of individual exposures and on the level of the whole credit portfolio of the Bank. These methods are verified and developed to ensure compliance with the internal ratings based requirements (IRB), i.e. advanced credit risk management method, which can be used while calculating capital requirements for credit risk after being approved by the Polish Financial Supervision Authority.

The Group entities, which have significant credit risk levels (KREDOBANK SA, BFL SA Group) manage their credit risk individually, but the methods used by them for credit risk assessment and measurement are adjusted to the methods used by PKO Bank Polski SA, taking into account the specific nature of the activities of these companies.

Any changes to the solutions used by the Group companies are agreed every time with the Bank's units responsible for risk management.

The BFL SA Group and KREDOBANK SA measure credit risk regularly and the results of such measurements are submitted to the Bank.

KREDOBANK SA and the BFL SA Group have units responsible for risk in their organizational structures, which are in particular responsible for:

- developing methods of credit risk assessment, recognizing provisions and allowances,
- controlling and monitoring credit risk during the lending process,
- the quality and effectiveness of restructuring and enforcement of the amounts due from clients.

In these companies, the credit decision limits depend primarily on: the amount of the exposure to a given client, the amount of an individual credit transaction and the period of credit transaction.

The process of credit decision-making at KREDOBANK SA and the BFL SA Group is supported by credit committees, which are involved in the case of transactions which generate increased credit risk.

Appropriate organizational units of the Banking Risk Area participate in managing the credit risk in the Group companies by giving their opinions on projects and periodically reviewing internal regulations of the companies relating to the assessment of credit risk and preparation of recommendations relating to amendments in the drafts of regulations. The Bank supports implementation of the recommended changes in principles for assessing credit risk in the Group entities.

In the first half of 2010, KREDOBANK SA has centralised the process of the assessment of credit risk and introduced a pilot version of Early Warning System (EWS) related to legal persons. KREDOBANK SA introduced a service of informing clients through text messages (SMS) of which prevention SMS – three days in advance before repayment date and SMS – third day of the overdue credit repayment. KREDOBANK conducted activities aimed at systematization of credit operations monitoring, in particular through creation of the databases containing current loans insurance contracts. KREDOBANK created Restructuring Committee in order to increase the effectiveness of activities during the decision process concerning loans restructuration.

The main directions of the credit risk management policy of the BFL SA Group, set in the first half of 2010, include creation of the safe leasing portfolio guaranteeing positive consolidated BFL SA Group net results, fund's security and pursuit limiting the share of threatened receivables in portfolio. The Group Policy defines the criteria for industry, clients, subjects/entities to be assigned for undesirable and the limits of exposure by the client as well as client concentration. The aim of the BFL SA Group is to develop leasing activity by the Bank's distribution channels/banking distribution channel.

36.2.1. Portfolio risk assessment

Credit risk measurement methods

In order to assess the level of credit risk and profitability of loan portfolios, the Bank uses different credit risk measurement and valuation methods, including:

- Probability of Default (PD);
- Expected Loss (EL);
- Credit Value at Risk (CVaR);
- effectiveness measures used in scoring methodologies (Accuracy Ratio);
- share and structure of non-performing loans (according to IFRS);
- coverage ratio of non-performing loans threatened with impairment allowances (according to IFRS)
- cost of risk.

PKO Bank Polski SA extends regularly the scope of credit risk measures used, taking account of the internal rating-based method (IRB) requirements, and extends the use of risk measures to cover the whole Bank's loan portfolio with these methods.

The portfolio credit risk measurement methods make it possible, among other things, to reflect the credit risk in the price of products; determine the optimum cut-off levels and determine impairment allowances.

The Bank performs analysis and stress-tests regarding the influence of potential changes in macroeconomic environment on the quality of Bank's loan portfolio. The test results are reported to the Bank's Executives. The above-mentioned information enables the Bank to identify and take measures to limit the negative influence of unfavorable market changes on the Bank's performance.

The Bank assesses the risk of individual credit transactions with the use of scoring and rating methods, which are created, developed and supervised by the Banking Risk Division. The assessment methods are supported by specialist application software. The scoring method is defined by Bank's internal regulations whose main aim is to ensure uniform and objective assessment of credit risk during the credit process.

The Bank assesses the credit risk of retail clients on two levels: the client's borrowing capacity and his creditworthiness. The assessment of borrowing capacity involves an examination of the client's financial situation, whereas the creditworthiness assessment involves scoring and evaluating the client's credit history obtained from external sources and internal records of the Bank.

In the first half of 2010, the Bank continued developing scoring assessment methods, specifically by carrying out validation of new loans offered via electronic channels.

Credit risk relating to the financing of corporate clients is assessed on two levels: the client and the transaction (excluding selected types of transactions for small and medium enterprises which are assessed based on a scoring method). These assessments are based on the ratings of the client and the transaction. The so-called cumulative rating is a synthetic measure of credit risk. The Bank prepared the methodology and developed dedicated IT software in order to include some entities from the segment of small and medium enterprises into the scoring method regardless the type of a transaction.

Condensed Interim Consolidated Financial Statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group (in PLN thousand) for the six-month period ended 30 June 2010

The information about ratings and scoring is widely used at the Bank for the purposes of credit risk management, the system of credit decision-making powers, determining the amounts above which independent credit assessment services are activated and in the credit risk assessment and reporting system.

In order to reduce the period of response as regards warning signals suggesting an increase in credit risk level, in the first half of 2010, the Bank developed a dedicated application to support the Early Warning System (EWS).

In December 2009, the Bank introduced new methods of risk assessment related to transactions involving derivates and of monitoring limits set on those transactions which resulted in a more precise approach towards management of individual corporate clients exposures who perform transactions on derivative instruments.

36.2.2. Forecasting and monitoring credit risk

Group's exposure to credit risk

Amounts due from banks	30.06.2010	31.12.2009
Amounts due from banks impaired	32 631	27 496
of which assessed on an individual basis	32 168	27 013
Amounts due from banks not impaired	3 092 162	2 022 668
neither past due nor impaired	3 092 162	2 021 675
past due but not impaired	-	993
Gross total	**3 124 793**	**2 050 164**
Impairment allowances	(33 162)	(27 109)
Net Total by carrying amount	**3 091 631**	**2 023 055**

Loans and advances to customers	30.06.2010	31.12.2009
Loans and advances impaired	9 879 373	9 108 150
of which assessed on an individual basis	5 554 428	5 386 944
Loans and advances not impaired	119 311 307	111 401 559
neither past due nor impaired	117 797 551	110 143 014
past due but not impaired	1 513 756	1 258 545
Gross total	**129 190 680**	**120 509 709**
Impairment allowances	(4 525 213)	(3 937 124)
Net total by carrying amount	**124 665 467**	**116 572 585**

the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group (in PLN thousand)

Investment securities – debt securities*	30.06.2010	31.12.2009
Debt securities impaired	22 432	20 592
of which assessed on an individual basis	22 432	20 592
Debt securities not impaired	9 020 919	7 857 027
neither past due nor impaired	9 020 919	7 857 027
Gross total	**9 043 351**	**7 877 619**
Impairment allowances	(21 922)	(19 155)
Net total by carrying amount	**9 021 429**	**7 858 464**

*The note includes debt securities from the portfolios: 'Available for sale' and 'Held to maturity'.

Exposure to credit risk

The table below presents maximum exposure to credit risk of the Group as at 30 June 2010 and as at 31 December 2009.

Items of the statement of financial position	30.06.2010	31.12.2009
Current account in the central bank	2 867 823	4 625 073
Amounts due from banks	3 091 631	2 023 055
Trading assets – debt securities	3 572 275	2 202 847
Derivative financial instruments	1 853 638	2 029 122
Financial instruments at fair value through profit and loss - debt securities	12 232 494	12 360 690
Loans and advances to customers	124 665 467	116 572 585
Investment securities - debt securities*	9 021 429	7 858 464
Other assets - other financial assets	346 483	376 438
Total	**157 651 240**	**148 048 274**

*The note includes debt securities from the portfolios: 'Available for sale' and 'Held to maturity'.

Off-balance sheet items	30.06.2010	31.12.2009
Irrevocable liabilities granted	6 751 271	6 985 527
Guarantees granted	5 027 686	4 018 748
Letters of credit granted	418 493	230 078
Guarantees of issue (underwriting)	3 439 333	1 248 655
Total	**15 636 783**	**12 483 008**

Individually determined to be impaired financial assets for which individual impairment allowance has been recognised by carrying amount gross

	30.06.2010	31.12.2009
Amounts due from banks	**32 168**	**27 013**
Loans and advances to customers	**5 554 428**	**5 386 944**
Financial entities	13 256	40 712
corporate loans	13 256	40 712
Non-financial entities	5 534 963	5 330 156
consumer loans	45 075	40 500
mortgage loans	806 971	761 205
corporate loans	4 682 917	4 528 451
State budget entities	6 209	16 076
corporate loans	6 209	16 076
Financial assets available for sale	**22 566**	**20 616**
issued by financial entities	9	8
issued by non-financial entities	22 557	20 608
Total	**5 609 162**	**5 434 573**

Impairment allowances on loan exposures

The PKO Bank Polski SA Group performs a monthly review of loan exposures in order to identify loan exposures threatened with impairment, measure the impairment of loan exposures and record impairment allowances or provisions. The process of determining the impairment allowances and provisions consists of the following stages:

- identifying the indications of impairment and events significant from the point of view of identifying those indications;
- registering in the Bank's IT systems the events that are material from the point of view of identifying any indications of impairment of loan exposures;
- determining the method of measuring impairment;
- measuring impairment and determining an impairment allowances or provision;
- verifying and aggregating the results of the impairment measurement;
- recording the results of impairment measurement.

The PKO Bank Polski SA Group applies three methods of estimating impairment:

- the individualized method applied in respect of individually significant loans, which show the indication of impairment or are restructured;
- the portfolio method applied in respect of individually insignificant loans, in the case of which indication of individual impairment have been recognized,
- the group method (IBNR) applied in respect of the loans in the case of which indications of individual impairment have not been identified, but there is a possibility of losses incurred but not recognized occurring.

The structure of the loan portfolio and the recorded impairment charges in respect of the PKO Bank Polski SA Group loan exposures is included in Note 19 'Loans and advances to customers'.

Concentration of credit risk within the Group

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

- the largest borrowers,
- the largest capital groups,
- industries,
- geographical regions,
- currencies,
- exposures with established mortgage collateral.

Concentration by the biggest business entities

The Banking Law specifies maximum concentration limits for the Bank, applied in the Group. According to Article 71 clause 1 of the Banking Law, the total value of the Bank's exposures, off-balance sheet liabilities and commitments 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 with a risk of one entity or a group of entities related by capital or management, cannot exceed 20% of the consolidated own funds if any of these entities is related to the Bank, or 25% of the consolidated own funds if any such entity is unrelated to the Bank.

Furthermore, according to the Article 71 clause 2 of the Banking Law, the aggregate amount of the Bank's exposures in excess of 10% of its own funds towards individual entities, shall not exceed the large exposure limit, which is 800% of the own funds.

As at 30 June 2010 and 31 December 2009, those concentration limits had not been exceeded.

As at 30 June 2010, the level of the PKO Bank Polski SA Group risk concentration with respect to individual exposures was low – the biggest exposure to a single entity was equal to 6.8% of the consolidated own funds.

The 20 largest borrowers of the Group include only clients of PKO Bank Polski SA.

Concentration by the largest groups

The greatest exposure of the PKO Bank Polski SA Group towards a group of borrowers amounted to 1.10% of the PKO Bank Polski SA Group's credit portfolio. The 5 biggest groups include only clients of PKO Bank Polski SA.

As at 30 June 2010, the level of concentration risk with respect to individual exposures was low – the biggest exposure of the Group to a single entity was equal to 8.0 % of the Group's consolidated own funds.

Concentration by industry

The Group 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.

The Groups's exposure increased compared with 31 December 2009 with respect to all sectors by PLN 1.6 billion. Total exposure to four largest sectors: "Industrial processing', "Wholesale and retail trade, repair of cars, motorcycles…', "Maintenance and rental of real estate…' and "Construction' constituted ca. 63% of the total portfolio of loans granted to business entities.

Significant Cencentration risk by industry was identified In KREDOBANK and BFL (resulting from the character of activities limited to the corporate clients).

Concentration by geographical regions

The Bank's loan portfolio is diversified in terms of geographical location.

As at 30 June 2010, the largest concentration of the Bank's loan portfolio was in the Mazowiecki region. Half of the Bank's loan portfolio is concentrated in four regions: Mazowiecki, Śląsko-Opolski, Wielkopolski and Małopolsko-Świętokrzyski, which is consistent with the regions' domination both in terms of population and economy in Poland.

Concentration of credit risk by currency

As at 30 June 2010, the share of exposure in convertible currencies, other than PLN, in the total credit portfolio of the Group amounted to 25.1%. The greatest part of the Group's currency exposures are those in CHF, which constitute 72.0% of the Group's currency portfolio, and they relate to the currency credit portfolio of the Bank. In case of particular Group entities, the situation is different, i.e. for the BFL SA Group, the greatest currency exposures are those in EUR (69.0% of currency credit portfolio), and for KREDOBANK SA – USD denominated loans account for nearly 78.5% of the currency credit portfolio and 41.4% of the total credit portfolio.

Significant concentration risk was identified in KREDOBANK, and resulted from the character of the Ukrainian market, where due to weak local currency the majority of loans are granted in a foreign currency.

Other types of concentration

In accordance with the Recommendation S of the Banking Supervision Authority, the Group implemented internal limits with regard to the loan portfolio with an established mortgage collateral. In the first half of 2010, these limits have not been exceeded.

36.2.3. Credit risk reporting

The Bank prepares monthly and quarterly credit risk reports for i.a. ALCO, BCC, the Management Board and the Supervisory Board. The reports contain information on historical credit risk amounts and credit risk forecasts. In addition to the information concerning the Bank, the reports also contain information about the credit risk level for two Group companies (KREDOBANK SA and the BFL SA Group), which have significant credit risk levels.

36.2.4. Management decisions concerning credit risk

Basic credit risk management tools used by the Bank include:

- minimum transaction requirements determined for a given type of transaction (e.g. minimum LtV, maximum loan amount, required collateral),
- the principles of defining credit availability, including cut-offs – the minimum number of points awarded in the process of creditworthiness assessment with the use of a scoring system (for retail clients) or the client's rating class or cumulative rating class (for corporate clients), which a client must obtain to receive a loan,
- concentration limits – the limits defined in Article 71 clause 1 of the Banking Law, sector limits and limits relating to exposures with established mortgage collateral,
- competence limits – they define the maximum level of credit decision-making powers with regard to the Bank's clients; the limits depend primarily on the amount of the Bank's exposure to a given client (or a group of related clients) and the loan transaction period; the competence limit depends on the credit decision-making level (in the Bank's organizational structure),
- minimum credit margins – credit risk margins related to a given credit transaction concluded by the Bank with a given corporate client; whereas the interest rate offered to a client cannot be lower than the reference rate plus credit risk margin.

Collateral management policy plays a significant role in establishing minimum transaction conditions as regards credit risk. The Bank and the Group entities' collateral management is meant to secure properly the credit risk, to which the Group is exposed, including first of all the fact of establishing collateral that will ensure the highest possible level of recovery in the event of realisation of collateral.

The Bank follows the following rules with respect to accepting legal collateral for loans:

- in the case of substantial loans (in terms of value), several types of collateral are established. If possible, personal guarantees are combined with collateral established on assets;
- liquid types of collateral (i.e. collateral established on liquid assets, which the Bank is likely to dispose of quickly for a price approximating the value of the assets put up as collateral) are preferred;
- types of collateral which are exposed to a risk of significant adverse fluctuations of value are treated as auxiliary collateral;
- when an asset is accepted as collateral, an assignment of rights from the insurance policy relating to this asset or the insurance policy issued to the Bank are accepted as additional collateral;
- effective establishment of collateral in compliance with the loan agreement is necessary to make the funds available.

The policy regarding legal collateral is defined by internal regulations of the Group subsidiaries.

The type of collateral depends on the product and the type of the client. With regard to real estate financing products, collateral is required to be established on the property. Until an effective mortgage is established, the following types of collateral are used (depending on type and amount of loan): an increased credit margin or/and a collateral in the form of a cession of receivables related to the construction agreement, bill of exchange, guarantee or an insurance of receivables.

With regard to retail banking loans for individuals, usually personal guarantees are used (a civil law surety/guarantee, a bill of exchange) or collateral is established on the client's bank account, his car or securities.

With regard to loans for the financing of small and medium enterprises and corporate clients, collateral can be established among others on: trade receivables, bank accounts, movable property, real estate or securities.

With regard to lease contracts, the BFL SA Group, as the owner of leased assets, treats them as collateral of the transaction.

36.3. Interest rate risk management

The interest rate risk is a risk of incurring losses on assets and liabilities sensitive to interest rate fluctuations, as a result of unfavourable changes in the interest rates on the market.

The objective of interest rate risk management is to mitigate the risk of incurring losses arising from market interest rate changes to an acceptable level.

Interest rate risk assessment

In the process of interest rate risk management, the Group uses the Value at Risk (VaR) model, interest income sensitivity measure, stress testing and a repricing gap.

36.3.1. Forecasting and monitoring of interest rate risk

The PKO Bank Polski SA Group's exposure on interest rate risk as at 30 June 2010 and 31 December 2009 consisted mainly of the Bank's exposure. The interest rate risk for such currencies as PLN, EUR and CHF, generated by the Group entities, did not have a material influence on the interest rate risk of the Group and, as a result, did not change significantly its risk profile. Interest rate risk for USD was changed significantly by the exposure of the entities of the Group, where the most significant exposure concerned KREDOBANK SA.

The exposure of the Group to the interest rate risk was within accepted limits.

VaR of the Bank and stress testing analysis of the Group's exposure to the interest rate risk are presented in the following table:

Name of sensitivity measure	30.06.2010	31.12.2009
VaR for a 10-day time horizon (in PLN thousand)*	14 565	17 086
Parallel move of interest rate curves by +200 base points (in PLN thousand) (stress test)	425 034	233 304

* Due to the nature of the activities carried out by the other Group entities generating significant interest rate risk as well as the specific nature of the market in which they operate, the Group does not calculate consolidated VaR. These entities 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 ca. PLN 36 726 thousand as at 30 June 2010 and to PLN 40 048 thousand as at 31 December 2009.

As at 30 June 2010, the Bank's interest rate VaR for a 10-day time horizon amounted to PLN 14 565 thousand, which accounted for approximately 0.09% of the value of the Bank's own funds. As at 31 December 2009, VaR for the Bank amounted to PLN 17 086 thousand, which accounted for approximately 0.10% of the Bank's own funds[*].

36.3.2. Reporting of interest rate risk

The Bank prepares daily, weekly, monthly, quarterly and semi-annually reports addressing interest rate risk, whereas monthly for the last month of the quarter, quarterly and semi-annually reports are prepared also for the Group. Reports gather the information on interest rate risk exposure and updates on available limits regarding the risk. Reports are prepared mainly for ALCO, the Bank's Management Board and the Bank's Supervisory Board.

36.3.3. Management decisions as regards interest rate risk

Main tools used by the Group in interest rate risk management include:

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

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

The Group established limits and thresholds for interest rate risk comprising the following: price sensitivity, interest income sensitivity, limits and threshold for losses and limits on instruments sensitive to interest rate fluctuations.

Methods of interest rate risk management in the Group entities are defined by internal regulations implemented by those Group entities which are characterized by significant values of interest rate risk measure outcomes. These regulations are developed after consultation with the Bank and take into account recommendations issued by the Bank for Group entities.

36.4. Currency risk management

Currency risk is the risk of incurring losses due to unfavorable exchange rate changes. The currency risk is generated by maintaining open currency positions in a given foreign currency.

The objective of managing the currency risk is to reduce the risk of incurring losses arising from a mismatch of currency structure of statement of financial position items and of off-balance sheet items to an acceptable level.

36.4.1. Currency risk measurement

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

36.4.2. Forecasting and monitoring of currency risk

VaR of the Bank and stress-testing of the Group's financial assets exposed to currency risk are stated cumulatively in the table below:

Name of sensitivity measure	30.06.2010	31.12.2009
VaR for a 10-day time horizon (PLN thousand)*	19 305**	1 092
Change of CUR/PLN by +15% (PLN thousand) (stress-tests)	21 052**	697

* Due to the nature of the activities carried out by the other Group entities generating significant currency risk 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 currency risk management. KREDOBANK SA uses the 10-day interest rate VaR which amounted to PLN 247 thousand as of 30 June 2010 and PLN 64 thousand as of 31 December 2009.

** In case of elimination from the VaR calculation and stress-test analysis the currency position in UAH resulting from shares acquired in Kredobank SA, VaR for a 10-day time horizon at 99% confidence level as at 30 June 2010 would have amounted to ca. PLN 3 242 thousand and the stress-test scenario involving a change PLN exchange rate by 15% for the Group would have amounted to ca. PLN 2 636 thousand. An item in UAH referred to above was transformed into a structural position on 22 July 2010.

The level of currency risk was low both as at 30 June 2010 and as at 31 December 2009. An increase in currency risk level as at 30 June 2010 resulted from an open long currency position in UAH related to the Bank's purchase of KREDOBANK SA's shares from its new share issue.

The Group currency positions are presented in the table below:

Currency position	30.06.2010	31.12.2009
USD	(90 362)	(31 811)
GBP	(341)	1 501
CHF	(31 269)	(3 634)
EUR	83 140	26 489
Other (Global Net)	179 181*	12 101

*High value of Global Net currency position of the Group results from an open long currency position in UAH related to the Bank's purchase of KREDOBANK SA's shares from its new share issue. In the case of excluding a currency position in UAH, global net currency position would have amounted to ca. PLN 21 256 thousand.

The volume of currency positions is a key factor determining the level of currency risk on which the Group is exposed (except for volatility of foreign exchange rates). The level of currency positions is determined by all foreign currency transactions, which are concluded by the Group, both in the statement of financial position and off-balance sheet. Exposure of the Bank to currency risk is low (with reference to own funds, VaR for a 10-day time horizon for the Bank's currency position as at 30 June 2010 amounted to ca. 0.12%).

36.4.3. Reporting of currency risk

PKO Bank Polski SA prepares daily, weekly, monthly, quarterly and semi-annually reports addressing currency risk, whereas monthly for the last month of the quarter, quarterly and semi-annually reports are prepared for the Group. Reports gather the information on currency risk exposure and updates on available limits regarding the risk. Reports are prepared mainly for ALCO, the Bank's Management Board and the Bank's Supervisory Board

36.4.4. Management decisions as regards currency risk

Main tools used by the Group in currency risk management include:

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

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

Methods of currency risk management in the Group entities are defined by internal regulations implemented by these entities. The regulations are developed by entities, for which currency risk measurement tools obtain a significant value, after consulting the Bank's opinion and having taken into account recommendations issued to the entities by the Bank.

36.5. Liquidity risk management

The liquidity risk is a risk of the lack of the possibility to pay the debts on time due to the lack of liquid assets. Lack of liquidity may arise from inconvenient structure of the statement of financial position, misfit cash flows, not received payments from contractors, sudden withdraw of cash by clients or other market events.

The objective of liquidity risk management is to shape the structure of the statement of financial position and contingent liabilities and commitments to ensure the continuous and future (and potential) liquidity, taking into account the nature of its activities and requirements which may occur due to changes in market environment.

The Group's policy concerning liquidity is based on keeping a portfolio of liquid securities and building a stable deposit base. In its liquidity risk management policy, money market instruments, including NBP open market operations are used.

36.5.1. Liquidity risk measurement

The Group 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.

36.5.2. Forecasting and monitoring of liquidity risk

Liquidity gaps presented below include among others the Group's items of the statement of financial position in real terms concerning the following: permanent balances on deposits of non-financial sector and their maturity, permanent balances on loans in current accounts for non-financial entities and their maturity and liquid securities and their maturity.

	a'vista	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 36 months	36 - 60 months	over 60 months
								30.06.2010
Group - Adjusted gap	3 701 756	14 569122	(1 618 762)	956 094	2 543 734	1 691 594	5 026 364	**(26 869 902)**
Group - Cumulative adjusted gap	3 701 756	18 270 878	16 652 116	17 608 210	20 151 944	21 843 538	26 869 902	**-**
								31.12.2009
Group - Adjusted gap	7 168 054	15 375 687	(3 609 590)	316 614	3 587 227	1 655 613	4 769 757	**(29 263 362)**
Group - Cumulative adjusted gap	7 168 054	22 543 741	18 934 151	19 250 765	22 837 992	24 493 605	29 263 362	**-**

In all time horizons, PKO Bank Polski SA Group's cumulative adjusted liquidity gap[*] as at 30 June 2010 and 31 December 2009 was positive. This means a surplus of assets receivable over liabilities payable[**].

The table below presents the Bank's liquidity reserve as at 30 June 2010 and as at 31 December 2009:

Name of sensitivity measure	30.06.2010	31.12.2009
Liquidity reserve to 1 month* (in PLN million)	11 385	16 030

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

As at 30 June 2010, the level of permanent balances on deposits constituted ca. 95% of all deposits in the Bank (excluding inter-bank market), which means a decrease by ca. 0.9 p.p. as compared to the end of 2009.

36.5.3. Reporting of liquidity risk

The Bank prepares daily, weekly, monthly, quarterly and semi-annually reports addressing liquidity risk whereas monthly for the last month of the quarter, quarterly and semi-annually reports are prepared for the Group. Reports gather the information on interest rate risk exposure and updates on available limits regarding the risk. Reports are prepared mainly for ALCO, the Bank's Management Board and the Bank's Supervisory Board.

36.5.4. Management decisions as regards liquidity risk

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

1) procedures for liquidity risk management, including in particular emergency plans,
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 Bank's lending activities.

[*] The PKO Bank Polski SA Group's liquidity gap in real terms has been determined as the sum of the PKO Bank Polski SA's liquidity gap in real terms and contractual liquidity gaps of the remaining entities of the PKO Bank Polski SA Group.

[**] On 23 July 2010, the General Meeting of Shareholders of PKO Bank Polski SA adopted a resolution on paying out a dividend conditionally amounting to PLN 2 375 million on 20 December 2010, which would lower the value of liquidity gap in real terms by the same amount effective from three to six months.

To ensure an adequate liquidity level, the Bank and the subsidiaries of the PKO Bank Polski SA Group's 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 subsidiaries of the Group are defined by internal regulations implemented by the entities which are characterized by high levels of liquidity risk measure outcomes. These regulations are developed after consultation with the Bank and take into account recommendations issued by the Bank.

36.6. Derivative instruments risk management

The risk of derivative instruments is a risk of incurring losses arising from taking up by the Bank a position in financial instruments, which meet all of the following conditions:

1) the value of an instrument changes with the change of the underlying instrument,
2) it does not require any initial net investment or requires only a small initial net investment compared with other types of contracts which similarly respond to changes in market terms,
3) it is to be settled at a future date.

The derivative instruments risk includes the following risk types: credit risk, interest rate risk or currency risk and liquidity risk.

The objective of managing the derivative instrument risk is to mitigate the risk of incurring losses arising from derivative instruments to the level acceptable by the Bank's general risk profile. The process of derivatives management in the Bank is integrated with the management of interest rate, currency, liquidity and credit risks.

36.6.1. Derivative instruments risk measurement

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

36.6.2. Forecasting and monitoring the risk of derivative instruments

Monitoring the risk of derivative instruments takes place as part of monitoring of other types of financial and credit risk. The Bank pays particular attention to monitor financial risk related to the maintenance of currency options portfolio and customer credit risk resulting from amounts due to the Bank in respect of derivative instruments.

36.6.3. Reporting of derivative instruments risk

The Bank prepares daily, weekly, monthly, quarterly and semi-annually reports addressing derivative instruments risk whereas monthly for the last month of the quarter, quarterly and semi-annually reports are prepared also for the Group. Reports gather the information on derivative instruments risk exposure and updates on available limits regarding the risk. Reports are prepared mainly for ALCO, the Bank's Management Board and the Bank's Supervisory Board.

36.6.4. Management decisions as regards derivative instruments risk

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 – International Swaps and Derivatives Association), ZBP (Polish Bank Association) specifying, among others, settlement mechanisms.

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 major business partners based on the standards developed by the Polish Banks Association (domestic banks) and ISDA (foreign banks and credit institutions), which allow offsetting mutual liabilities, both due (mitigation of settlement risk) and not yet due (mitigation of pre-settlement risk), are particularly important for mitigating the risk associated with derivative instruments. Additional collateral for exposures, resulting from derivative instruments are collateral deposits escrowed by counterparties as a part of CSA agreement (Credit Support Annex).

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

36.7. Operational risk management

Operational risk is defined as the risk of occurrence of a loss due to non-compliance or unreliability of internal processes, people and systems or external events.

The objective 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 Group to events which are beyond its control.

Operational risk management is performed through systemic solutions as well as regular ongoing management of the risk. Systemic operational risk management is centralised at the PKO Bank Polski SA head office level. The ongoing operational risk management is conducted by every organizational unit of the Bank.

The main tools for managing the operational risk are as follows:

- control instruments,
- human resources management (proper staff selection, enhancement of professional qualification of employees, motivation packages),
- setting threshold values of Key Risk Indicators (KRI),
- contingency plans,
- insurances,
- outsourcing.

The entities of the Group manage operational risk according to principles of managing the risk in PKO Bank Polski SA, considering their specific nature and scale of activity. In the first half of 2010, the entities of the Group continued their works as regards development the system of key risk indicators as regards operational risk.

Identification and assessment of operational risk comprises operational risk appearing in the existing products, processes and IT software of the Bank; the above is conducted with the use of:

- accumulation of data on operational events,
- results of internal audit,
- results of functional internal control,
- Key Risk Indicators (KRI).

Measurement of operational risk in the Bank aims at defining the scale of threats related to the existence of operational risk with the use of defined risk measures.

The Bank continuously monitors the level of KRI and operating events which exceed threshold values for operational risk.

In the first half of 2010, the dominant impact on the operational risk profile of the Group is exercised by the following three entities: PKO Bank Polski SA, the BFL SA Group and KREDOBANK SA (in total over 99% of all financial results). The other entities of the Group, considering their significantly smaller scale and type of activity, generate only reduced operational risk.

Bank and the Group's entities prepare reports concerning operating risk on a quarterly basis. The reports are addressed to the Bank's Management Board and the Bank's Supervisory Board. The reports contain among others:

- information on the operating risk profile of PKO Bank Polski SA resulting from the process of identifying and assessing the threats, for products, processes and IT software of the Bank,
- information on the results of measuring and monitoring operating risk,
- information on operating events and their financial effects,

- the most important projects and initiatives as regards operational risk management.

If the level of operational risk is too high, the Bank takes the following actions:

- risk avoidance – withdrawing from too risky activity or resigning from undertaking it if there is no possibility of the managing it,
- reducing the scale of activities characterized by too high risk, if it can be possibly managed and it is possible to take actions reducing risk,
- risk transfer – insurance against the risk of occurring operational events ensuring the maintenance of operational risk on such a level that the Bank's activities are not threatened.

36.8. Compliance risk management

Compliance risk is defined as the risk of legal sanctions, incurring financial losses or losing reputation or reliability due to failure of the Group, its employees or entities acting on its behalf to comply with the provisions of the law, internal regulations, standards adopted by the Bank, including ethical standards.

The objective of compliance risk management is to strengthen the image of the Group as of entities that are reliable, fair, honest and compliant with law and adopted standards. This is achieved through mitigating compliance risk, reputation risk or the Group's credibility and mitigating the risk of occurring financial losses or legal sanction risk.

The Group adopted a zero tolerance policy against compliance risk, which means that the Group focuses its actions towards eliminating this risk.

In all of entities of the PKO Bank Polski SA Group principles of compliance risk management are consistent.

The Bank performs an identification and assessment of compliance risk. In order to identify compliance risk, information on cases of non-compliance and their origins are being used, including information based on internal audits results, functional control and external controls.

While performing an assessment a character and potential losses are defined together with methods of reducing or eliminating compliance risk. Assessment is held through workshops.

Bank prepares reports concerning compliance risk on a quarterly basis. The reports are addressed to the Bank's Management Board and the Bank's Supervisory Board. The reports contain among others:

- non-compliance cases
- most important adjusting activities in the Bank

Compliance risk management involves in particular:

- preventing involvement of the Group in illegal activities;
- ensuring data protection;
- development of ethical standards and monitoring of their application;
- conflict of interest management;
- preventing situations where the Group's employees could be perceived as pursuing their own interest in the professional context;
- professional, fair and transparent formulation of offers of products, advertising and marketing messages;
- prompt, fair and professional consideration of complaints, requests and quality claims of clients.

36.9. Strategic risk management

The strategic risk is defined as a risk related to the possibility of negative financial consequences caused by erroneous decisions, decisions made on the basis of an inappropriate assessment or failure to make correct decisions relating to the direction of the Bank's strategic development.

The objective of managing the strategic risk is to identify threats related to establishing and realising the Bank's strategic aims and to reduce their negative impact on the realisation of the adopted business strategy.

In measuring the strategic risk, the Bank takes into account selected types of factors, mainly as follows:

- external factors,
- factors related to the growth and development of the banking operations,
- factors related to the management of human resources,
- factors related to investment activities,
- factors related to the organization's culture.

Monitoring of the strategic risk level are performed in the Bank on an annual basis at mimimum.

Strategic risk reporting is conducted annually in the Bank. Reports on strategic risk are prepared mainly for the Bank's Management Board and for managing directors of the Bank's headquarters.

Management of strategic risk in the Bank is mainly applied in the form of actions undertaken if an elevated level of strategic risk occurs.

36.10. Reputation risk management

The reputation risk is defined as the risk related to a possibility of negative variations from the planned results of the Bank due to the deterioration of the Bank's image.

The objective of managing the reputation risk is to protect the Bank's image and limit the probability of the occurrence and level of reputation-related losses.

Reputation risk ratios are calculated based on annual assessment of negative image-related events identified in a given calendar year for particular types of image-related events. Main tools used to determine the Bank's reputation risk level are:

- a catalogue of image-related events categories containing a list of image-related categories with appropriate weights assigned;
- a register of image-related events containing a list of negative image-related events that occurred grouped by image-related events categories.

Monitoring of image-related events is performed on an ongoing basis and includes:

- monitoring the external and internal communication channels of the Bank with the environment in terms of identifying the negative impact of image-related events;
- gathering and analyzing information related to the occurrence or a possibility of occurrence of image-related events;
- recording data on the identified negative impact of image-related events.

The reports on the level of reputation risk are prepared in the Bank on an annual basis. The reports are addressed to the organizational units of the Banking Risk Division.

Management of reputation risk within the Group mainly comprises of selecting effective tools for protective measures aimed at eliminating, mitigating or minimizing the unfavourable effect of image-related events on the Group's image depending on the nature, importance, scale and dynamics of the negative effects of image-related events.

36.11. Objectives and principles of capital adequacy management

36.11.1. Capital adequacy

Capital adequacy is the maintenance of a level of capital by the PKO Bank Polski SA Group which is sufficient to meet regulatory capital requirements (the so-called Pillar 1) and internal capital requirements (the so-called Pillar 2).

The objective of capital adequacy management is to maintain constantly capital on a level that is adequate to the risk scale and profile of the Group's activities.

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

1) identifying and monitoring of significant types of risks;
2) assessing internal capital to cover the individual risk types and total internal capital;
3) monitoring, reporting, forecasting and limiting of capital adequacy;
4) performing internal capital allocations to business segments, client segments and entities in the Group in connection with profitability analyses;
5) using tools affecting the capital adequacy level (including: tools affecting the level of equity, the scale of equity item reductions and the level of the loan portfolio).

The main measures of capital adequacy are:

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

The capital adequacy level of the Group in the first half of 2010 remained on a level significantly above the statutory limits.

Compared with 31 December 2009, the Group's capital adequacy level decreased by 1.68 p.p., which was mainly caused by an increase in the Group's total capital requirement (by ca. PLN 1 180 870 thousand).

36.11.2. Own funds

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

In the first half of 2010, the Group's own funds decreased by PLN 137 123 thousand, mainly as a result of an decrease in short-term equity (by ca. PLN 58 573 thousand), and retained earnings of the Group from previous years (by PLN 81 196 thousand; whereas in retained earnings of the Group retained earnings of the Bank for the year 2009 were taken into account less expected burden (PLN 57 152 thousand)).

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The structure of the Group's own funds is presented in the table below:

GROUP'S OWN FUNDS	30.06.2010	31.12.2009
Basic funds (Tier 1)	**16 160 969**	**16 254 416**
Share capital	1 250 000	1 250 000
Reserve capital	12 162 177	12 149 682
Other reserves	3 405 087	3 405 087
General banking risk fund for unidentified banking activities risk	1 070 000	1 070 000
Retained earnings	167 610	248 806
Unrealised losses on debt and equity instruments classified as available for sale	(62 203)	(52 749)
Intangible assets	(1 625 747)	(1 572 577)
of which goodwill of subsidiaries	(264 933)	(264 933)
Equity exposures	(142 244)	(142 371)
Currency translation differences from foreign operations	(68 504)	(108 791)
Non-controlling interest	4 793	7 329
Supplementary funds (Tier 2)	**1 495 949**	**1 481 052**
Subordinated liabilities classified as supplementary funds	1 600 700	1 600 700
Unrealised profits on debt and equity instruments classified as available for sale (up to 60% of their values before tax)	37 493	22 723
Equity exposures	(142 244)	(142 371)
Short-term equity (Tier 3)	**71 303**	**129 876**
TOTAL EQUITY	**17 728 221**	**17 865 344**

36.11.3. Capital requirements (Pillar 1)

The Group calculates capital requirements in accordance with Resolution No. 76/2010 of the Polish Financial Supervision Authority dated 10 March 2010 – (Basel II): in respect of credit risk – using the standardized approach; in respect of the Bank's operational risk – standardized approach, for the Group's entities using Basic Indicator Approach and in respect of market risk – using the basic approach.

The scale of the Bank and of the Group trading activities is significant, therefore the total capital requirements constitute sum of the capital requirements for:

1) credit risk – including credit risk of the banking book and counterparty credit risk,
2) market risk – including foreign exchange risk, commodities risk, equity securities risk, specific risk of debt instruments, general risk of interest rates,
3) operational risk,
4) other types of capital requirements in respect of:
    a) settlement/delivery risk,
    b) the risk of exceeding the exposure concentration limit and the large exposure limit,
    c) the risk of exceeding the capital concentration threshold.

An increase in capital requirements because of credit risk was mainly due to high dynamics in the growth of the Group's loan portfolio by ca. 7% in the first half of 2010 (statement of financial position exposures and off-balance sheet exposures).

An increase in capital requirements because of market risk results from an increase in liabilities concerning guarantees of issue by ca. 172%.

the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group (in PLN thousand)

The tables below show the Group's exposure to credit risk, particular types of credit risk and given types of market risk.

Capital requirements	30.06.2010	31.12.2009
Credit risk	**9 457 152**	**8 487 800**
credit risk (banking book)	9 375 602	8 413 635
counterparty risk (trading book)	81 550	74 165
Market risk	**415 128**	**204 148**
equity securities risk	966	2 390
specific risk of debt instruments	320 748	168 088
general risk of interest rates	93 414	33 670
Operational risk	**1 057 922**	**1 057 384**
Total capital requirements	**10 930 202**	**9 749 332**
Capital adequacy ratio	**12.98%**	**14.66%**

36.11.4. Internal capital (Pillar 2)

Internal capital is designated by the Group in accordance with Resolution No 383/2008 of the Polish Financial Supervision Authority dated 17 December 2008 on detailed principles for functioning of risk management system and internal control system and detailed terms of estimating internal capital by banks and reviewing the process of estimating and maintaining internal capital (Financial Supervision Authority's Journal of Laws 2008, No. 8, item 37).

Internal capital is the estimated amount of capital that is necessary to cover all of the significant, identified risks characteristic of the Group's activities and the effect of changes in the business environment, taking account of the anticipated risk level.

In the first half of 2010, the relation of the Group's own funds to its internal capital remained on a level exceeding both the threshold set by the law and the Group's internal limits.

The internal capital in the PKO Bank Polski SA Group is intended to cover each of the significant risk types:

1) credit risk (as regards insolvency and concentration risk),
2) currency risk,
3) interest rate risk,
4) liquidity risk,
5) operational risk,
6) business risk (including strategic risk).

The total internal capital of each of the Group's entities is the sum of internal capital amount necessary to cover all of the significant risks for each of the entities.

The total internal capital of the Group is the sum of internal capital of the Bank and internal capitals of all of the Group's entities.

The correlation coefficient for different types of risk and different companies of the Group used in the internal capital calculation is equal to 1.

The Bank regularly monitors the significance of the individual risk types relating to the Bank's activities and activities of Group's entities.

Disclosures (Pillar 3)

In accordance with § 6 of Resolution 385/2008 of the Polish Financial Supervision Authority dated 17 December 2008, on the detailed principles and methods for banks to disclose qualitative and quantitative information concerning capital adequacy and the scope of the information to be announced (Financial Supervision Authority's Journal of Laws 2008, No. 8, item 39), the Powszechna Kasa Oszczędności Bank Polski SA, which is the holding company within the meaning of §3 of the resolution, publishes information about capital adequacy in a separate document on an annual basis, not later than within 30 days of the date of authorization of the annual financial statements by the Ordinary General Shareholders' Meeting.

The report "Capital Adequacy and Risk Management (Pillar 3) of the Powszechna Kasa Oszczędności Bank Polski SA Group as at 31 December 2009" was published on the Bank's official website on 23 July 2010.

Details of the scope of capital adequacy information disclosed, the method of its verification and publication are presented in the PKO Bank Polski SA Capital Adequacy Information Policies, which are available on the Bank's website (www.pkobp.pl).

37. Events after the reporting period

On 6 July 2010, the Management Board of the Bank passed a resolution about its intention of conducting an issue of subordinated bonds of the maximum value of PLN 5 000 000 thousand. The funds collected as a result of an issue, after having received the approval of the Polish Financial Supervision Authority, would be allocated as an increase in Tier 2 capital pursuant to Article 127, clause 3 point 2b of the Banking Law.

On 21 July 2010, Mr. Mariusz Zarzycki resigned from the post of the Vice-President of the Management Board of PKO Bank Polski SA effective from 31 July 2010.

On 22 July 2010, the Ukrainian National Registrator in Lviv registered an increase in KREDOBANK SA's equity as a result of the 20th shares issue. Due to the registration, the share of PKO Bank Polski SA in the share capital and a number of votes at the General Shareholders' Meeting of KREDOBANK SA increased from 99.4948% do 99.5655%.

The Ordinary General Shareholders' Meeting of PKO Bank Polski SA convened for 25 June 2010 and continued, after adjournment, on 23 July 2010. During the Meeting, there was adopted a resolution on distribution of profit of PKO Bank Polski SA earned by the Bank in 2009 as follows:

1) dividends for the shareholders in the amount of PLN 2 375 000 thousand,
2) the reserve capital in the amount of PLN 50 000 thousand,
3) the reserves in the amount of PLN 7 152 thousand.

The distribution of profit as specified above shall take place on the condition that by the date of 10 December 2010 PKO Bank Polski SA ultimately shall not take control over a bank with its registered seat on the territory of the Republic of Poland by direct or indirect acquisition of the majority of shares, and shall not acquire the rights to take control in the manner specified above. Should the condition specified in above fail to be fulfilled, the profit for the year 2009 that amounts to PLN 2 432 152 thousand shall be distributed in the following manner:

1) the reserve capital in the amount of PLN 2 425 000 thousand
2) the reserves in the amount of PLN 7 152 thousand.

Should the condition specified above be fulfilled or not fulfilled, the Management Board of the Company shall be obliged to inform the shareholders about such an event by making a relevant statement which shall be made public in a form of a current report.

Signatures of all Members of the Management Board of the Bank

17.08.2010	Zbigniew Jagiełło	President of the Management Board	.... (signature)
17.08.2010	Bartosz Drabikowski	Vice-President of the Management Board	.... (signature)
17.08.2010	Krzysztof Dresler	Vice-President of the Management Board	.... (signature)
17.08.2010	Jarosław Myjak	Vice-President of the Management Board	.... (signature)
17.08.2010	Wojciech Papierak	Vice-President of the Management Board	.... (signature)
17.08.2010	Jakub Papierski	Vice-President of the Management Board	.... (signature)

Signature of person responsible for maintaining the books of account

17.08.2010

Danuta Szymańska

Director of the Bank

....

(signature)