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Bank Polski

Condensed Interim Financial Statements of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna for the six-month period ended 30 June 2011

SELECTED FINANCIAL DATA DERIVED FROM THE STAND-ALONE FINANCIAL STATEMENTS

SELECTED STAND-ALONE FINANCIAL DATA	PLN thousand		EUR thousand	
	for the period from 01.01.2011 to 30.06.2011	for the period from 01.01.2010 to 30.06.2010	for the period from 01.01.2011 to 30.06.2011	for the period from 01.01.2010 to 30.06.2010
Net interest income	3 519 460	3 007 412	887 117	751 064
Net fee and commission income	1 432 507	1 425 871	361 079	356 094
Operating profit	2 349 013	2 006 425	592 094	501 080
Profit before income tax	2 349 013	2 006 425	592 094	501 080
Net profit	1 895 164	1 612 540	477 696	402 712
Earnings per share for the period – basic (in PLN/EUR)	1.52	1.29	0.38	0.32
Earnings per share for the period – diluted (in PLN/EUR)	1.52	1.29	0.38	0.32
Net comprehensive income	1 842 600	1 784 864	464 447	445 748
Net cash flow from / used in operating activities	2 022 074	(546 850)	509 685	(136 569)
Net cash flow from / used in investing activities	(535 985)	(516 326)	(135 101)	(128 946)
Net cash flow from / used in financing activities	(18 045)	(62 817)	(4 548)	(15 688)
Total net cash flows	1 468 044	(1 125 993)	370 036	(281 203)
SELECTED STAND-ALONE FINANCIAL DATA	PLN thousand		EUR thousand	
	as at 30.06.2011	as at 31.12.2010	as at 30.06.2011	as at 31.12.2010
Total assets	176 651 941	167 238 919	44 311 429	42 228 851
Total equity	20 569 448	21 201 848	5 159 647	5 353 596
Share capital	1 250 000	1 250 000	313 550	315 633
Number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Book value per share (in PLN/EUR)	16.46	16.96	4.13	4.28
Diluted number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Diluted book value per share (in PLN/EUR)	16.46	16.96	4.13	4.28
Capital adequacy ratio	12.17%	11.99%	12.17%	11.99%
Tier 1 capital	16 306 203	15 449 743	4 090 253	3 901 155
Tier 2 capital	1 000 416	967 418	250 945	244 279
Tier 3 capital	68 647	145 928	17 219	36 848

Selected items of the stand-alone financial statements were translated into EUR using the following rates:

- income statement, statement of comprehensive income and statement of cash flows items – the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month of the six-month period ended 30 June 2011 and 2010, respectively: EUR 1 = PLN 3.9673 and EUR 1 = PLN 4.0042;
- statement of financial position items – average NBP rate as at 30 June 2011: EUR 1 = PLN 3.9866 and 31 December 2010: EUR 1 = PLN 3.9603.

Table of contents Page

INCOME STATEMENT
for the six-month periods ended 30 June 2011 and 30 June 2010 respectively

	Note	01.01-30.06.2011	01.01-30.06.2010
Continuing operations:			
Interest and similar income	3	5 489 274	4 870 108
Interest expense and similar charges	3	(1 969 814)	(1 862 696)
Net interest income		**3 519 460**	**3 007 412**
Fee and commission income	4	1 788 993	1 808 534
Fee and commission expense	4	(356 486)	(382 663)
Net fee and commission income		**1 432 507**	**1 425 871**
Dividend income		93 765	109 744
Net income from financial instruments designated at fair value	5	(35 378)	(17 800)
Gains less losses from investment securities		15 110	35 947
Net foreign exchange gains	6	130 259	164 671
Other operating income	7	39 179	23 614
Other operating expense	7	(27 934)	(24 587)
Net other operating income and expense		**11 245**	**(973)**
Net impairment allowance and write-downs	8	(857 735)	(841 895)
Administrative expenses	9	(1 960 220)	(1 876 552)
Operating profit		**2 349 013**	**2 006 425**
Profit before income tax		**2 349 013**	**2 006 425**
Income tax expense	10	(453 849)	(393 885)
Net profit		**1 895 164**	**1 612 540**
Earnings per share	11		
– basic earnings per share for the period (in PLN)		1.52	1.29
– diluted earnings per share for the period (in PLN)		1.52	1.29
Weighted average number of ordinary shares during the period (in thousand)		1 250 000	1 250 000
Weighted average diluted number of ordinary shares during the period (in thousand)		1 250 000	1 250 000

Discontinued operations:

In the first half of 2011 and 2010 PKO Bank Polski SA did not carry out discontinued operations.

STATEMENT OF COMPREHENSIVE INCOME
for the six-month periods ended 30 June 2011 and 30 June 2010 respectively

	Note	01.01-30.06.2011	01.01-30.06.2010
Profit for the period		**1 895 164**	**1 612 540**
Other comprehensive income net of tax		**(52 564)**	**172 324**
Unrealised net gains on financial assets available for sale (gross)		29 512	16 448
Deferred tax on unrealised net gains on financial assets available for sale	10	(5 607)	(3 125)
Cash flow hedges (gross)	16	(94 406)	196 298
Deferred tax on cash flow hedges	10	17 937	(37 297)
Total net comprehensive income		**1 842 600**	**1 784 864**

STATEMENT OF FINANCIAL POSITION
as at 30 June 2011 and 31 December 2010

	Note	30.06.2011	31.12.2010
ASSETS			
Cash and balances with the central bank		7 571 825	6 112 562
Amounts due from banks	13	2 285 302	2 379 239
Trading assets	14	1 618 339	1 503 649
Derivative financial instruments	15	1 695 702	1 719 764
Financial assets designated at fair value through profit and loss	17	12 331 438	10 758 331
Loans and advances to customers	18	134 169 257	128 933 129
Investment securities available for sale	19	10 726 672	9 876 252
Investments in subsidiaries, jointly controlled entities and associates	20	1 509 507	1 467 507
Non-current assets held for sale		19 801	19 784
Intangible assets	21	1 508 739	1 528 267
Tangible fixed assets, including:	21	2 027 394	2 077 140
investment properties		254	259
Deferred income tax asset		519 130	462 923
Other assets		668 835	400 372
TOTAL ASSETS		176 651 941	167 238 919
LIABILITIES AND EQUITY			
Liabilities			
Amounts due to the central bank		2 368	3 370
Amounts due to banks	22	5 324 269	4 164 181
Derivative financial instruments	15	2 258 885	2 404 795
Amounts due to customers	23	141 552 787	135 289 055
Debt securities in issue	24	43 415	-
Subordinated liabilities		1 612 902	1 611 779
Other liabilities	25	4 449 866	1 787 599
Current income tax liabilities		144 291	61 854
Provisions	26	693 710	714 438
TOTAL LIABILITIES		156 082 493	146 037 071
Equity			
Share capital		1 250 000	1 250 000
Other capital		17 424 284	16 640 639
Net profit for the year		1 895 164	3 311 209
TOTAL EQUITY		20 569 448	21 201 848
TOTAL LIABILITIES AND EQUITY		176 651 941	167 238 919

Capital adequacy ratio	35.1.2	12.17%	11.99%
Book value (in PLN thousand)		20 569 448	21 201 848
Number of shares (in thousand)		1 250 000	1 250 000
Book value per share (in PLN)		16.46	16.96
Diluted number of shares (in thousand)		1 250 000	1 250 000
Diluted book value per share (in PLN)		16.46	16.96

(in PLN thousand)

STATEMENT OF CHANGES IN EQUITY
for the six-month periods ended 30 June 2011 and 30 June 2010 respectively

for the six-month period ended 30 June 2011	Share capital	Other capital						Unappropriated profits	Net profit for the period	Total equity
		Reserve capital	General banking risk fund	Other reserves	Financial assets available for sale	Cash flow hedges	Total other capital			
As at 1 January 2011	1 250 000	12 098 111	1 070 000	3 283 412	(28 808)	217 924	16 640 639	-	3 311 209	21 201 848
Transfer of net profit from previous years	-	-	-	-	-	-	-	3 311 209	(3 311 209)	-
Total comprehensive income	-	-	-	-	23 905	(76 469)	(52 564)	-	1 895 164	1 842 600
Transfer from unappropriated profits	-	800 000	-	36 209	-	-	836 209	(836 209)		-
Dividends declared	-	-	-	-	-	-	-	(2 475 000)	-	(2 475 000)
As at 30 June 2011	1 250 000	12 898 111	1 070 000	3 319 621	(4 903)	141 455	17 424 284	-	1 895 164	20 569 448

for the six-month period ended 30 June 2010	Share capital	Other capital						Unappropriated profits	Net profit for the period	Total equity
		Reserve capital	General banking risk fund	Other reserves	Financial assets available for sale	Cash flow hedges	Total other capital			
As at 1 January 2010	1 250 000	12 048 111	1 070 000	3 276 260	(16 282)	119 276	16 497 365	-	2 432 152	20 179 517
Transfer of net profit from previous years	-	-	-	-	-	-	-	2 432 152	(2 432 152)	-
Total comprehensive income	-	-	-	-	13 323	159 001	172 324	-	1 612 540	1 784 864
As at 30 June 2010	1 250 000	12 048 111	1 070 000	3 276 260	(2 959)	278 277	16 669 689	2 432 152	1 612 540	21 964 381

(in PLN thousand)

STATEMENT OF CASH FLOWS

for the six-month periods ended 30 June 2011 and 30 June 2010 respectively

	Note	01.01-30.06.2011	01.01-30.06.2010
Net cash flow from operating activities			
Net profit		1 895 164	1 612 540
Adjustments:		126 910	(2 159 390)
Amortisation and depreciation		218 244	206 268
(Gains) losses from investing activities		(11 007)	(964)
Interest and dividends		(223 835)	(298 558)
Change in amounts due from banks		106 238	(20 487)
Change in trading assets and financial assets at fair value through profit and loss		(1 687 797)	(1 240 905)
Change in derivative financial instruments (asset)		24 062	175 102
Change in loans and advances to customers		(5 753 927)	(8 501 581)
Change in deferred income tax asset and in income tax receivables		(56 207)	(22 737)
Change in other assets		(268 480)	(234 308)
Change in amounts due to banks		1 159 086	1 293 759
Change in derivative financial instruments (liability)		(145 910)	1 709 229
Change in amounts due to customers		6 263 732	4 023 433
Change in impairment allowances and provisions		505 881	397 922
Change in other liabilities		250 798	534 234
Income tax paid		(415 287)	(578 330)
Current income tax expense		497 724	457 045
Other adjustments		(336 405)	(58 512)
Net cash from / used in operating activities		**2 022 074**	**(546 850)**
Net cash flow from investing activities			
Inflows from investing activities		**2 176 072**	**6 028 243**
Proceeds from sale of investment securities		2 113 947	5 948 277
Proceeds from sale of intangible assets and tangible fixed assets		12 374	3 208
Other investing inflows		49 751	76 758
Outflows from investing activities		**(2 712 057)**	**(6 544 569)**
Increase in equity of subsidiaries		(42 000)	-
Purchase of investment securities		(2 515 855)	(6 393 884)
Purchase of intangible assets and tangible fixed assets		(154 202)	(150 685)
Net cash from / used in investing activities		**(535 985)**	**(516 326)**
Net cash flow from financing activities			
Proceeds from debt securities in issue		44 482	-
Redemption of debt securities in issue		(119)	-
Repayment of interest from issued debt securities		(40 307)	(42 302)
Repayment of long-term loans		(22 101)	(20 515)
Net cash generated from financing activities		**(18 045)**	**(62 817)**
Net cash inflow/(outflow)		**1 468 044**	**(1 125 993)**
including currency translation differences on cash and cash equivalents		18 293	133 570
Cash and cash equivalents at the beginning of the period		8 199 997	8 617 962
Cash and cash equivalents at the end of the period	29	**9 668 041**	**7 491 969**
of which restricted		5 447	4 476

NOTES TO THE FINANCIAL STATEMENTS

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1. General information

The condensed interim financial statements of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna ('PKO Bank Polski SA', 'the Bank') have been prepared for the six-month period ended 30 June 2011 and include comparative data for the six-month period ended 30 June 2010 (Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows) and comparative data as at 31 December 2010 (Statement of Financial Position). All data has been presented in PLN thousand, unless indicated otherwise.

The Bank was established in 1919 as Pocztowa Kasa Oszczędnościowa. Since 1950 the Bank 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, Puławska 15, 02-515 Warsaw, Poland.

On 12 April 2000 Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna was entered into 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:

Name of entity	Number of shares	Number of votes %	Nominal value of 1 share	Share in equity %
As at 30 June 2011				
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 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**

Amendments to the Memorandum of Association of PKO Bank Polski SA

On 14 April 2011, the Extraordinary General Shareholders' Meeting passed Resolution No. 3/2011 on amending the Memorandum of Association of PKO Bank Polski SA (the content of the resolution passed by the Bank was published in the Bank's current report no. 13/2011). The proposed amendments to the Bank's Memorandum of Association were presented by the State Treasury – the Bank's shareholder. The amendments referred to in the Resolution related to the following issues:

1) restricting the voting rights of the shareholders and adopting a policy for cumulating and reducing votes,
2) the statutory number of members of the Supervisory Board,
3) the agenda for the first meeting of the new term of office of the Supervisory Board,
4) the definition of the parent company and subsidiary.

The amendments to the Memorandum of Association of PKO Bank Polski SA referred to above, implemented by the Extraordinary General Shareholders' Meeting of the Bank on 14 April 2011, were registered with the National Court Register by the Registration Court for the Capital City of Warsaw, the XIII Business Department of the National Court Register (KRS).

As an effect of the above amendments, the announced decrease in interest of the State Treasury in the share capital of PKO Bank Polski SA, which may reoccur in subsequent years (although the interest will not drop below 25%), will not lead to limiting the control of the State Treasury over the Bank's strategic decisions.

(in PLN thousand)

The Bank is a public company listed on the Warsaw Stock Exchange. According to the Warsaw Stock Exchange Listing, the Bank is classified under the macro-sector 'Finance', sector 'Banks'.

Business activities

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.

Structure of the PKO Bank Polski SA Group

The PKO Bank Polski SA Group includes the following entities:

No.	Entity name	Registered office	Activity	Share capital (%)	
				30.06.2011	31.12.2010
			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. [1]	Warsaw	Management and use of Centrum Finansowe Puławska	100.00	100.00
6	Fort Mokotów Inwestycje Sp. z o.o. [2]	Warsaw	Real estate development	99.9885	99.9885
7	Inteligo Financial Services SA	Warsaw	Technical servicing of Internet banking	100.00	100.00
8	KREDOBANK SA	Lviv, Ukraine	Financial services	99.5655	99.5655
9	PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA	Warsaw	Pension fund management	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	Qualia Development Sp. z o.o. [3]	Warsaw	Real estate development	100.00	100.00
			Indirect subsidiaries		
	Subsidiaries of Qualia Development Sp. z o.o.				
13	Qualia Sp. z o.o.	Warsaw	Act as the general partner in limited partnerships of Qualia Development Group	100.00	-
14	Fort Mokotów Sp. z o.o. [4]	Warsaw	Real estate development	51.00	51.00
15	PKO BP Inwestycje - Neptun Park Sp. z o.o. [5]	Warsaw	Real estate development	99.9975	99.9975
16	PKO BP Inwestycje - Nowy Wilanów Sp. z o.o. [5]	Warsaw	Real estate development	99.9750	99.9750
17	Qualia – Rezydencja Flotylla Sp. z o.o. [6]	Warsaw	Real estate development	100.00	100.00
18	Qualia spółka z ograniczoną odpowiedzialnością - Sopot Sp. k. [7]	Warsaw	Real estate development	99.9787	-
19	Sarnia Dolina Sp. z o. o. [8]	Warsaw	Real estate development	56.00	56.00
20	UKRPOLINWESTYCJE Sp. z o.o.	Kiev, Ukraine	Real estate development	55.00	55.00
	Subsidiaries of Bankowy Fundusz Leasingowy SA				
21	Bankowy Leasing Sp. z o.o. [9]	Łódź	Leasing services	99.9988	99.9978
22	BFL Nieruchomości Sp. z o.o. [9]	Łódź	Leasing services	99.9973	99.9952
	Subsidiaries of Inteligo Financial Services SA				
23	PKO BP Finat Sp. z o.o. [10]	Warsaw	Intermediary financial services	80.3287	80.3287
	Subsidiaries of Bankowe Towarzystwo Kapitałowe SA				
24	PKO BP Faktoring SA [9]	Warsaw	Factoring	99.9889	99.9867

1 from 1 July 2011 Centrum Finansowe Puławska Sp. z o.o. - in liquidation
2 the second shareholder of the entity is Qualia Development Sp. z o.o.
3 the previous name of the entity was PKO BP Inwestycje Sp. z o.o.
4 as of 28 July 2011 Fort Mokotów Sp. z o.o. - in liquidation
5 the second shareholder of the entity is Qualia Sp. z o.o.
6 the previous name of the entity was PKO BP Inwestycje - Rezydencja Flotylla Sp. z o.o.
7 the limited partner of the entity is Qualia Development Sp. z o.o., the general partner is Qualia Sp. z o.o., in the share capital position the share in the total interests invested by partnerships was presented
8 the previous name of the entity was PKO BP Inwestycje - Sarnia Dolina Sp. z o.o.
9 PKO Bank Polski SA holds 1 share in the entity
10 PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA holds other shares of the entity (19.6702%) while PKO Bank Polski SA has 1 share

(in PLN thousand)

Additionally, the Bank holds shares in the following jointly controlled entities and associates:

Jointly controlled entities

No.	Name of Entity	Registered office	Activity	% Share capital 30.06.2011	% Share capital 31.12.2010
			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 30.06.2011	% Share capital 31.12.2010
			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
			Indirect associates		
	Subsidiaries of Bank Pocztowy SA (indirect associated by PKO Bank Polski SA)				
5	Centrum Operacyjne Sp. z o.o.	Bydgoszcz	Activities supporting financial services	100.00	100.00
6	Spółka Dystrybucyjna Banku Pocztowego Sp. z o.o.	Warsaw	Financial intermediary services	100.00	100.00

1) In the first half of 2011 and in 2010, shares in the entity are recognized in non-current assets held for sale.

Information about changes in the participation in the share capital of the subsidiaries is set out in Note 20 'Investments in subsidiaries, jointly controlled entities and associates'.

Internal organisational units of the Bank

The financial statements of the Bank comprising financial data for the six-month period ended 30 June 2011 and comparative financial data, were prepared on the basis of financial data submitted by all organisational units of the Bank through which it performs its activities. As at 30 June 2011, these organisational units included: the Bank's Head Office in Warsaw, Dom Maklerski PKO BP SA, Centrum Operacji Kartowych, 11 specialised units, 12 regional retail branches, 13 regional corporate branches, 54 corporate centres and 1709 agencies. None of the organisational units listed above prepares separate financial statements.

Indication whether the Bank is a parent company or a significant investor and whether it prepares consolidated financial statements

PKO Bank Polski SA is the parent company of the Powszechna Kasa Oszczędności Bank Polski SA Group and a significant investor for its subsidiaries and jointly controlled entities, whose the Bank is the owner. Accordingly, PKO Bank Polski SA prepares consolidated financial statements for the Group, which include the financial data of these entities.

Seasonality or cyclicality in the interim period

The Bank's activities are not subject to significant seasonality or cyclicality.

(in PLN thousand)

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

As at 30 June 2011, the Bank's Management Board consisted of:

• Zbigniew Jagiełło	President of the Management Board
• Piotr Alicki	Vice-President of the Management Board
• Bartosz Drabikowski	Vice-President of the Management Board
• Jacek Obłękowski	Vice-President of the Management Board
• Jarosław Myjak	Vice-President of the Management Board
• Jakub Papierski	Vice-President of the Management Board

During the six-month period ended 30 June 2011, the following changes took place in the composition of the Bank's Management Board:

1. On 2 March 2011, the Supervisory Board of PKO Bank Polski SA reappointed Zbigniew Jagiełło President of the Management Board of PKO Bank Polski SA for the joint term of office of the Bank's Management Board which commenced on the date of the Ordinary General Shareholders' Meeting of PKO Bank Polski SA approving the financial statements of PKO Bank Polski SA for 2010.
2. On 1 April 2011, the Supervisory Board of PKO Bank Polski SA passed a resolution establishing:
    - Piotr Alicki on the position of the Vice-President of the Management Board,
    - Bartosz Drabikowski on the position of the Vice-President of the Management Board,
    - Jarosław Myjak on the position of the Vice-President of the Management Board,
    - Jacek Obłękowski on the position of the Vice-President of the Management Board,
    - Jakub Papierski on the position of the Vice-President of the Management Board.

In accordance with the resolutions passed, the above-mentioned persons were appointed to the specified positions at PKO Bank Polski SA for the joint term of office of the Bank's Management Board which commenced on the date of the Ordinary General Shareholders' Meeting of PKO Bank Polski SA approving the financial statements of PKO Bank Polski SA for 2010.

3. On 16 May 2011, the Supervisory Board of PKO Bank Polski SA passed a resolution appointing Andrzej Kołatkowski the Vice-President of the Bank's Management Board responsible for risk and debt collection area for the joint term of office of the Bank's Management Board, which commenced on the date of the Ordinary General Shareholders' Meeting of PKO Bank Polski SA approving the financial statements of PKO Bank Polski SA for 2010, provided that the approval of the Polish Financial Supervision Authority is obtained.

   On 9 August 2011, the Polish Financial Supervision Authority has approved unanimously Andrzej Kołatkowski as Vice-President of the Management Board of PKO Bank Polski SA.

During the six-month period ended 30 June 2011, the following changes took place in the composition of the Bank's Supervisory Board:

The Ordinary General Shareholders' Meeting of the Bank convened 30 June 2011, on the basis of art 385 § 1 of the Commercial Companies Code in conjunction with §11 clause 2 of the Bank's Articles of Association, appointed the following members of the Bank's Supervisory Board:

- Cezary Banasiński,
- Tomasz Zganiacz,
- Jan Bossak,
- Mirosław Czekaj,
- Krzysztof Kilian,
- Ewa Miklaszewska,
- Piotr Marczak,
- Marek Mroczkowski,
- Ryszard Wierzba.

The State Treasury, as Authorized Shareholder, on the basis of § 11 clause 1 of the Bank's Articles of Association has established the list of members of Supervisory Board to 9 and on the basis of § 12 clause 1 of the Bank's Articles of Association has appointed:

- Cezary Banasiński – as the Chairman of the Supervisory Board,
- Tomasz Zganiacz – as the Deputy Chairman of the Supervisory Board.

Approval of financial statements

These condensed interim financial statements, reviewed by the Supervisory Board's Audit Committee of the Bank on 10 August 2011, have been approved for issue by the Management Board of the Bank on 9 August 2011.

These condensed interim financial statements are published together with condensed consolidated financial statements of the PKO Bank Polski SA Group for the six-month period ended 30 June 2011.

2. Summary of significant accounting policies and estimates and judgements

2.1. Summary of significant accounting policies

These condensed interim financial statements of PKO Bank Polski SA have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' approved by the European Union.

The accounting policies and calculation methods applied in the preparation of these condensed interim financial statements are consistent to those, which were applied in the preparation of financial statements of the Bank for the year ended 31 December 2010.

These condensed interim financial statements for the first half of 2011 should be read in conjunction with financial statements of PKO Bank Polski SA for 2010 prepared in accordance with International Financial Reporting Standards, as approved by the European Union.

In these condensed interim financial statements the Bank has applied 'Improvements to IFRSs 2010' for the first time, including the amendments to IAS 34 and the revised IAS 24 'Related Party Disclosures', applicable as of 1 January 2011. The above changes have no significant impact on the scope of disclosures presented in these financial statements.

2.1.1. Standards and interpretations issued in 2011 after the date of publishing financial statements for the year 2010

In 2011, after the date of publishing the annual financial statements, i.e. after 7 March 2011, the International Accounting Standards Board issued IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 '*Disclosure of Interests in Other Entities*' and IFRS 13 'Fair Value Measurements'. All the standards listed apply to annual periods starting from 1 January 2013. None of the issued amendments has been applied by the Bank in the preparation of these financial statements. As at the date of preparation of these financial statements, the above standards have not been approved yet by the European Union.

Furthermore, in June 2011 revised IAS 1 'Presentation of financial statements' was published; the revised standard requires entities to divide the items presented in other comprehensive income into two groups based on whether they will be eligible for inclusion in the profit/loss in the future and changing the title of the statement of comprehensive income to the 'statement of results and other comprehensive income'. Amendments to IAS 1 apply for annual periods beginning on or after 1 July 2012 and as at the date of these financial statements have not yet been approved by the European Union. In June 2011 the International Accounting Standards Board also published amendments to IAS 19 'Employee benefits' which include new requirements in respect of recognizing and measuring the costs of defined benefit plans and severance benefits, as well as change the required disclosures relating to all employee benefits. The amendments to

IAS 19 apply to annual periods beginning on or after 1 January 2013 and as at the date of these financial statements they have not yet been approved by the European Union. None of the above changes have been applied by the Bank in the preparation of these financial statements.

2.2. Critical estimates and judgements

While preparing financial statements, the Bank makes certain estimates and accepts the assumptions, which have a direct influence on both the financial statements presented and the notes to the financial statements. The principles for making material estimations and judgements are consistent with those used in preparing the annual financial statements of the Bank as at and for the year ended 31 December 2010.

The estimates and assumptions that are used by the Bank in determining the value of 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 Bank takes into consideration the reasons and sources of the uncertainties that are anticipated at the end of the reporting period. Actual results may differ from estimates.

Estimates and assumptions made by the Bank are subject to periodic reviews. Adjustments to estimates are recognized in the period in which the estimates were adjusted provided that these adjustments affect only the given period. However, 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 most significant areas in which the Bank performs critical estimates are presented below:

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'), and when the event 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 increasing possibilities of acquiring information indicating impairment from the existing and implemented information systems and applications. As a consequence, acquiring new data 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 loans and advances portfolio individually determined to be impaired, the estimated impairment allowance of loans and advances would increase by PLN 315 million or decrease by PLN 186 million respectively. This estimate was made for the loans and advances portfolio assessed for impairment on an 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. Impairment of investments in subsidiaries, associates and jointly controlled entities

At each balance date, the Bank makes an assessment of whether there are any indicators of impairment in the investments in subsidiaries, associates and jointly controlled entities. If any such indicators exist, the Bank estimates the value in use of the investment or the fair value less costs of sale of the asset, depending on which of these values is higher and if carrying amount of the asset exceeds its value in use, the Bank recognizes an impairment allowance in the income statement. The above mentioned projection for the value in use requires making assumptions, e.g. about future cash flows that the Bank may receive from dividends or the cash inflows from a potential disposal of the investment, less costs of the disposal. The adoption of different assumptions with reference to the projected cash flows could affect the carrying amount of certain investments.

2.2.3. 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. In the valuation of non-quoted debt securities 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.

Options are valued on the basis of the data derived from regulated market, on the basis of the data received from counterparties of the Bank or using option pricing models. The variables used in a valuation are derived from available market data.

The valuation techniques used by the Bank for non-option derivative instruments are based on yield curve constructed on the basis of available market data (deposit margins on interbank market, IRS transactions quotations). The Bank 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 bp. would result in decrease in non-option derivative instruments valuation by PLN 35 234 thousand. Analogous move in the opposite direction would result in valuation increase by PLN 44 814 thousand (including financial instruments classified into hedge accounting: decrease by PLN 42 371 thousand moving the field curve upward and increase by PLN 51 741 thousand moving the field curve downward).

2.2.4. 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 periodically by an independent actuarial consulting company. The value of provisions for employee benefits is calculated on the basis of internal regulations and, in particular, Collective Labour Agreements being in force at the Bank. 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 of people including all the necessary details concerning employees, in particular the length of their service, age and gender. The provisions calculated equate to discounted payments that will be made in the future, taking into account staff turnover. Gains or losses resulting from actuarial calculations are recognized in the income statement.

The Bank creates provisions for future liabilities arising from unused holiday leave, taking into account all outstanding unused holiday days as well as 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.

2.2.5. 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 following factors are taken into account:

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 these contract terms. When the estimated useful life is shorter than the period defined in the contract terms, the estimated useful life is applied.

(in PLN thousand)

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 13 million or an increase in depreciation costs by PLN 148 million respectively.

NOTES TO THE INCOME STATEMENT

3. Interest income and expense

Interest and similar income

	01.01-30.06.2011	01.01-30.06.2010
Income from loans and advances to customers	4 499 424	3 950 000
Income from derivative hedging instruments	351 145	308 411
Income from securities designated at fair value through profit and loss	256 316	242 888
Income from investment securities available for sale	237 031	222 251
Income from trading securities	45 304	72 484
Income from placements with banks	97 061	72 310
Other	2 993	1 764
Total	**5 489 274**	**4 870 108**

In the 'Income from derivative hedging instruments' the Bank presents interest income from derivative instruments designated for hedge accounting that are effective hedging instruments in the respect of cash flow hedges. Details of hedging relationships applied by the Bank are included in Note 16 of the condensed interim financial statements of the Bank 'Derivative hedging instruments'.

During the six-month period ended 30 June 2011 the value of interest income from loans for which evidence of impairment has been identified amounted to PLN 176 902 thousand. This income has been included in the position 'Income from loans and advances to customers'.

Interest expense and similar charges

	01.01-30.06.2011	01.01-30.06.2010
Interest expense on customers	(1 907 642)	(1 789 115)
Interest expense on debt securities in issue	(41 431)	(41 463)
Interest expense on deposits from banks	(19 399)	(17 225)
Other	(1 342)	(14 893)
Total	**(1 969 814)**	**(1 862 696)**

(in PLN thousand)

4. Fee and commission income and expense

Fee and commission income

	01.01-30.06.2011	01.01-30.06.2010
Income from financial assets, which are not valued at fair value through profit and loss, including:	**275 024**	**244 495**
Income from loans and advances	275 024	244 495
Other commissions	**1 512 762**	**1 563 273**
Income from payment cards	486 832	475 041
Income from maintenance of bank accounts	456 921	454 508
Income from loan insurance	262 157	338 084
Income from maintenance of investment funds (including management fees)	104 750	72 989
Income from cash transactions	76 910	83 177
Income from securities transactions	32 607	33 294
Income from servicing foreign mass transactions	23 393	21 515
Income from sale and distribution of court fee stamps	10 618	13 665
Other*	58 574	71 000
Income from fiduciary activities	**1 207**	**766**
Total	**1 788 993**	**1 808 534**

* Included in 'Other' are i.a.: commissions received for servicing bond sale transactions, commissions of the Brokerage House (Dom Maklerski) for servicing Initial Public Offering issue and commissions for servicing indebtedness of borrowers against the State budget.

Fee and commission expense

	01.01-30.06.2011	01.01-30.06.2010
Expenses on payment cards	(169 302)	(175 589)
Expenses on loan insurance	(68 464)	(73 976)
Expenses on acquisition services	(62 072)	(68 868)
Expenses on settlement services	(11 875)	(11 823)
Expenses on fee and commissions for operating services rendered by banks	(5 436)	(5 187)
Other*	(39 337)	(47 220)
Total	**(356 486)**	**(382 663)**

* Included in 'Other' are i.a.: fee and expenses paid by the Brokerage House (Dom Maklerski) to Warsaw Stock Exchange (GPW) and to the National Depository for Securities (KDPW).

5. Net income from financial instruments at fair value

	01.01-30.06.2011	01.01-30.06.2010
Derivative instruments[1)]	(34 393)	(47 884)
Debt securities	(3 326)	29 383
Structured bank securities at fair value through profit and loss[1)]	952	-
Equity instruments	1 390	683
Other[1)]	(1)	18
Total	**(35 378)**	**(17 800)**

In the net income from financial instruments at fair value, position 'Derivative instruments', in the period ended 30 June 2011, an ineffective portion related to cash flow variability hedges was recognized and it amounted to PLN (26 066) thousand (in the period ended 30 June 2010, an ineffective portion related to cash flow variability hedges was recognized and it amounted to PLN (24 709) thousand).

(in PLN thousand)

01.01-30.06.2011	Gains	Losses	Net result
Trading assets	6 351 993	(6 383 140)	(31 147)
Financial assets designated upon initial recognition at fair value through profit and loss	48 854	(53 085)	(4 231)
Total	**6 400 847**	**(6 436 225)**	**(35 378)**

01.01-30.06.2010	Gains	Losses	Net result
Trading assets	5 643 734	(5 689 558)	(45 824)
Financial assets designated upon initial recognition at fair value through profit and loss	39 072	(11 048)	28 024
Total	**5 682 806**	**(5 700 606)**	**(17 800)**

The total change in fair values of financial instruments at fair value through profit and loss determined with use of valuation models (where no quotations from active market are available) in the period ended 30 June 2011 amounted to PLN (33 442)[*)] thousand (in the period ended 30 June 2010 PLN (47 866)[*)] thousand).

6. Net foreign exchange gains

	01.01-30.06.2011	01.01-30.06.2010
Currency translation differences resulting from financial instruments at fair value through profit and loss	107 869	(1 935 478)
Other currency translation differences	22 390	2 100 149
Total	**130 259**	**164 671**

7. Other operating income and expense

	01.01-30.06.2011	01.01-30.06.2010
Other operating income		
Sales and disposal of tangible fixed assets and intangible assets	12 374	3 209
Sundry income	8 398	9 179
Recovery of expired and written-off receivables	411	1 538
Sale of shares in subsidiaries, jointly controlled entities and associates	-	545
Other	17 996	9 143
Total	**39 179**	**23 614**

	01.01-30.06.2011	01.01-30.06.2010
Other operating expenses		
Donations	(6 083)	(1 899)
Costs of sale and disposal of tangible fixed assets, intangible assets and assets held for sale	(3 133)	(2 522)
Sundry expenses	(2 259)	(2 182)
Other	(16 459)	(17 984)
Total	**(27 934)**	**(24 587)**

[*] Comprises the total amount of the items marked with [1)] presented in Note 5 'Net income from financial instruments at fair value'.

(in PLN thousand)

8. Net impairment allowance and write-downs

For the six-month period ended 30 June 2011	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	Other	Decrease in impairment allowances due to derecognition of assets	Impairment allowances reversed during the period	Other		
Investment securities available for sale	13 578	-	-	-	-	-	13 578	-
Loans and advances to customers and amounts due from banks measured at amortised cost	4 298 054	1 844 903	14 768	336 696	1 006 681	2 015	4 812 333	(838 222)
Non-current assets held for sale	1 281	-	-	-	-	-	1 281	-
Tangible fixed assets	18 381	-	-	17 254	-	-	1 127	-
Intangible assets	18 017	-	-	-	-	-	18 017	-
Investments in subsidiaries, jointly controlled entities and associates	450 962	-	-	-	-	-	450 962	-
Other, including:	404 246	114 377	-	4 840	94 864	-	418 919	(19 513)
provisions for legal claims and off-balance sheet liabilities	222 448	91 797	-	-	83 091	-	231 154	(8 706)
Total	**5 204 519**	**1 959 280**	**14 768**	**358 790**	**1 101 545**	**2 015**	**5 716 217**	**(857 735)**

(in PLN thousand)

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	Other	Decrease in impairment allowances due to derecognition of assets	Impairment allowances reversed during the period	Other		
Investment securities available for sale	15 576	-	-	-	500	-	15 076	500
Loans and advances to customers and amounts due from banks measured at amortised cost	3 442 054	2 203 164	35 086	382 784	1 415 203	-	3 882 317	(787 961)
Tangible fixed assets	1 166	-	-	-	-	23	1 143	-
Intangible assets	15 373	-	-	-	-	-	15 373	-
Investments in subsidiaries, jointly controlled entities and associates	435 889	-	-	-	-	-	435 889	-
Other, including:	315 840	164 900	-	11 922	110 466	970	357 382	(54 434)
provisions for legal claims and off-balance sheet liabilities	117 483	122 644	-	-	72 840	-	167 287	(49 804)
Total	**4 225 898**	**2 368 064**	**35 086**	**394 706**	**1 526 169**	**993**	**4 707 180**	**(841 895)**

9. Administrative expenses

	01.01-30.06.2011	01.01-30.06.2010
Staff costs	(1 056 229)	(1 053 233)
Overheads	(588 450)	(562 312)
Depreciation and amortisation	(218 244)	(206 268)
Taxes and other charges	(28 929)	(28 047)
Contribution and payments to the Bank Guarantee Fund	(68 368)	(26 692)
Total	**(1 960 220)**	**(1 876 552)**

Wages and salaries / Employee benefits

	01.01-30.06.2011	01.01-30.06.2010
Wages and salaries	(883 942)	(879 136)
Social Security, including:	(142 099)	(143 975)
contributions for retirement pay and pensions*	(111 234)	(112 109)
Other employee benefits	(30 188)	(30 122)
Total	**(1 056 229)**	**(1 053 233)**

* Total expense incurred by the Bank related to contributions for retirement pay and pensions.

10. Income tax expense

	01.01-30.06.2011	01.01-30.06.2010
Income statement		
Current income tax expense	(497 724)	(457 045)
Deferred income tax related to temporary differences	43 875	63 160
Tax expense in the income statement	**(453 849)**	**(393 885)**
Tax expense in other comprehensive income related to temporary differences	12 330	(40 422)
Total	**(441 519)**	**(434 307)**

11. Earnings per share

Basic earnings per share

The basic earnings per share ratio is calculated on the basis of profit and 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

	01.01-30.06.2011	01.01-30.06.2010
Profit per ordinary shareholder (in PLN thousand)	1 895 164	1 612 540
Weighted average number of ordinary shares during the period (in thousand)	1 250 000	1 250 000
Profit per share (in PLN per share)	1.52	1.29

Earnings per share from discontinued operations

In the periods ended respectively 30 June 2011 and 30 June 2010, there were no material income or expenses from discontinued operations.

(in PLN thousand)

Diluted earnings per share

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

There were no dilutive instruments in the first half of 2011 as well as in the first half of 2010.

Diluted earnings per share from discontinued operations

In the periods ended 30 June 2011 and 30 June 2010, the Bank did not report any material income or expenses from discontinued operations.

12. Dividends declared and received (in total and per share) on ordinary shares and other shares

In accordance with the Resolution No. 8/2011 of the Ordinary General Shareholders' Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna dated 30 June 2011, the dividend for 2010 was set at a level of PLN 2 475 000 thousand, i.e. PLN 1.98 per share.

The list of shareholders entitled to dividend for 2010 will be determined as at 31 August 2011, and dividend will be paid out on 15 September 2011.

On 28 April 2011, the Ordinary General Shareholders' Meeting of PKO Towarzystwo Funduszy Inwestycyjnych SA passed Resolution No. 4 on payment of dividend for 2010 amounting to PLN 48 200 thousand to PKO Bank Polski SA.

On 15 June 2011, the Ordinary General Shareholders' Meeting of Centrum Elektronicznych Usług Płatniczych 'eService' SA passed Resolution No. 3 on payment of dividend for 2010 amounting to PLN 22 200 thousand to PKO Bank Polski SA.

On 28 June 2011, the Ordinary General Shareholders' Meeting of Inteligo Financial Services SA passed Resolution No. 13 on payment of dividend for 2010 amounting to PLN 16 716 thousand to PKO Bank Polski SA.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

13. Amounts due from banks

	30.06.2011	31.12.2010
Deposits with banks	1 883 176	1 501 919
Loans and advances	259 043	345 620
Current accounts	145 072	557 408
Cash in transit	22 811	6 862
Receivables due from repurchase agreements	4 250	-
Total	**2 314 352**	**2 411 809**
Impairment allowance on receivables, including:	(29 050)	(32 570)
amounts due from a foreign bank	(28 266)	(31 734)
Net total	**2 285 302**	**2 379 239**

(in PLN thousand)

14. Trading assets

	30.06.2011	31.12.2010
Debt securities	**1 605 666**	**1 491 053**
issued by the State Treasury, including:	1 586 650	1 483 144
Treasury bills	61 440	-
Treasury bonds	1 525 210	1 483 144
issued by local government bodies, including:	17 050	7 390
municipal bonds	17 050	7 390
issued by banks, including:	1 134	-
BGK bonds	1 134	-
issued by non-financial institutions, including:	748	509
corporate bonds	748	509
issued by other financial institutions, including:	84	10
corporate bonds	84	10
Shares in other entities - listed on stock exchanges	**12 673**	**12 596**
Total	**1 618 339**	**1 503 649**

15. Derivative financial instruments

Type of contract	30.06.2011		31.12.2010	
	Assets	Liabilities	Assets	Liabilities
IRS	1 375 893	1 373 759	1 447 916	1 553 029
CIRS	167 427	704 988	126 219	687 977
FX Swap	76 573	106 716	62 204	83 613
FRA	22 224	14 833	12 157	11 107
Options	29 655	20 423	46 397	25 382
Forward	20 218	34 285	18 356	42 972
Other	3 712	3 881	6 515	715
Total	**1 695 702**	**2 258 885**	**1 719 764**	**2 404 795**

(in PLN thousand)

16. Derivative hedging instruments

As at 30 June 2011, the Bank 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, resulting from the risk of fluctuations in interest rates, using IRS transactions,
3) hedges against fluctuations in cash flows from floating interest rate loans in EUR, resulting from the risk of fluctuations in interest rates, using IRS transactions.

The characteristics of the cash flow hedges applied by the Bank 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	Hedges against fluctuations from loans in EUR at float rate, resulting from the risk of fluctuations in interest rates, using IRS transactions
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.	Elimination of the risk of cash flow fluctuations generated by floating rate EUR loan portfolio resulting from the interest rate risk in the period covered by the hedge.
Hedged risk	Currency risk and interest rate risk.	Interest rate risk.	Interest rate risk.
Hedging instrument	CIRS transactions where the Bank 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 Bank pays coupons based on variable 3M WIBOR, and receives coupons based on a fixed rate on the nominal amount for which they were concluded.	IRS transactions where the Bank pays coupons based on variable 3M EURIBOR, and receives coupons based on a fixed rate on the nominal amount for which they were concluded.
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 Bank designated the hedged position according to the regulations of IAS 39.AG.99C as adopted by the EU.	The portfolio of loans in PLN indexed to the variable 3M WIBOR rate.	The portfolio of loans in EUR indexed to the variable EURIBOR rate.
Periods in which cash flows are expected and in which they should have an impact on the financial result	July 2011 to January 2017	July 2011 to October 2013	July 2011 to March 2016

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 2011 and 31 December 2010.

Type of instrument:	Carrying amount/fair value					
	30.06.2011			31.12.2010		
	Assets	Liabilities	Total	Assets	Liabilities	Total
IRS	49 762	18 758	**31 004**	103 219	18 755	**84 464**
CIRS	75 267	611 609	**(536 342)**	50 702	537 228	**(486 526)**
Total	**125 029**	**630 367**	**(505 338)**	**153 921**	**555 983**	**(402 062)**

The nominal value of hedging instruments by maturity as at 30 June 2011 and as at 31 December 2010 is as follows:

Type of instrument:	Nominal value as at 30 June 2011					
	Up to 6 months	6 – 12 months	1 – 2 years	2 – 5 years	Over 5 years	Total
IRS in PLN thousand	1 200 000	1 500 000	306 000	125 000	-	**3 131 000**
IRS						
in PLN thousand	-	-	-	1 578 694	-	**1 578 694**
in EUR thousand	-	-	-	396 000	-	**396 000**
CIRS						
in PLN thousand	1 320 160	-	5 280 640	10 313 750	1 485 180	**18 399 730**
in CHF thousand	400 000	-	1 600 000	3 125 000	450 000	**5 575 000**

Type of instrument:	Nominal value as at 31 December 2010					
	Up to 6 months	6 – 12 months	1 – 2 years	2 – 5 years	Over 5 years	Total
IRS in PLN thousand	3 375 000	1 700 000	780 000	125 000	-	**5 980 000**
IRS						
in PLN thousand	-	-	-	1 128 686	-	**1 128 686**
in EUR thousand	-	-	-	285 000	-	**285 000**
CIRS						
in PLN thousand	632 780	1 265 560	1 740 145	12 418 308	1 423 755	**17 480 548**
in CHF thousand	200 000	400 000	550 000	3 925 000	450 000	**5 525 000**

Other comprehensive income as regards cash flows hedges	01.01-30.06.2011	01.01-30.06.2010
Other comprehensive income at the beginning of the period (gross)	269 042	147 254
Gains or losses transferred to other comprehensive income in the period	253 257	(1 202 393)
Amount transferred from other comprehensive income to profit and loss	(347 663)	1 398 691
- interest income	(351 145)	(308 411)
- net foreign exchange gains	3 482	1 707 102
Accumulted other comprehensive income at the end of the period (gross)	**174 636**	**343 552**
Tax effect	**(33 181)**	**(65 275)**
Accumulted other comprehensive income at the end of the period (net)	**141 455**	**278 277**
Ineffective part of cash flow hedges recognized through profit and loss	**(26 066)**	**(24 709)**
Effect on other comprehensive income in the period (gross)	**(94 406)**	**196 298**
Deferred tax on cash flow hedges	**17 937**	**(37 297)**
Effect on other comprehensive income in the period (net)	**(76 469)**	**159 001**

(in PLN thousand)

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

	30.06.2011	31.12.2010
Debt securities	**12 331 438**	**10 758 331**
issued by the State Treasury, including:	8 330 274	6 631 702
Treasury bills	5 051 243	1 893 058
Treasury bonds	3 279 031	4 738 644
issued by central banks, including:	3 769 517	3 997 780
NBP money market bills	3 769 517	3 997 780
issued by local government bodies, including:	231 647	128 849
municipal bonds PLN	102 164	-
municipal bonds EUR	129 483	128 849
Total	**12 331 438**	**10 758 331**

18. Loans and advances to customers

	30.06.2011	31.12.2010
Gross loans and advances to customers, including:	**138 952 540**	**133 198 613**
Mortgage	65 741 000	62 183 520
Corporate	47 596 390	45 046 772
Consumer	24 911 298	25 367 184
Interest	703 852	601 137
Impairment allowances on loans and advances to customers	(4 783 283)	(4 265 484)
Net loans and advances to customers	**134 169 257**	**128 933 129**

	30.06.2011	31.12.2010
Loans and advances to customers		
Valued with the individual method, of which:	4 477 258	5 059 607
impaired	4 140 269	4 686 388
not impaired	336 989	373 219
Valued with the portfolio method	5 431 716	4 803 630
Valued with the group method (IBNR)	129 043 566	123 335 376
Loans and advances to customers - gross	**138 952 540**	**133 198 613**
Allowances on exposures valued with the individual method, of which:	(1 324 864)	(1 276 776)
impaired	(1 324 864)	(1 276 776)
Allowances on exposures valued with the portfolio method	(2 793 678)	(2 508 826)
Allowances on exposures valued with the group method (IBNR)	(664 741)	(479 882)
Allowances - total	**(4 783 283)**	**(4 265 484)**
Loans and advances to customers – net	**134 169 257**	**128 933 129**

As at 30 June 2011, the share of impaired loans amounted to 6.9% (as at 31 December 2010: 7.1%), whereas the coverage ratio for impaired loans (calculated as total impairment allowances on loans and advances to customers divided by gross carrying amount of impaired loans) amounted to 50.0% (as at 31 December 2010: 44.9%).

As at 30 June 2011, the share of loans overdue by more than 90 days in the gross amount of loans and advances to customers amounted to 3.9% (as at 31 December 2010: 3.6%).

An increase in the volume of loans assessed under the portfolio method in the first half of 2011 by PLN 628 086 thousand resulted mainly from the increase in delays in repayment in the portfolio of mortgage loans and corporate loans (mainly for small and medium – sized enterprises).

(in PLN thousand)

19. Investment securities available for sale

	30.06.2011	31.12.2010
Debt securities available for sale (gross)	**10 674 330**	**9 817 952**
issued by the State Treasury	6 470 107	5 486 623
Treasury bonds	6 470 107	5 486 623
issued by local government bodies	2 804 982	2 824 173
municipal bonds	2 804 982	2 824 173
issued by non-financial institutions	1 324 585	1 448 119
corporate bonds	1 321 823	1 445 357
bills of exchange	2 762	2 762
issued by banks	50 829	50 858
corporate bonds	50 829	50 858
issued by other financial institutions	23 827	8 179
corporate bonds	23 827	8 179
Impairment of debt securities available for sale	**(13 045)**	**(13 045)**
corporate bonds	(10 283)	(10 283)
bills of exchange	(2 762)	(2 762)
Total net debt securities available for sale	**10 661 285**	**9 804 907**
Equity instruments available for sale (gross)	**65 920**	**71 878**
Equity securities admitted to public trading	53 830	60 866
Equity securities not admitted to public trading	12 090	11 012
Allowance for impairment on equity securities available for sale	**(533)**	**(533)**
Impairment of equity securities not admitted to public trading	(533)	(533)
Total net equity instruments available for sale	**65 387**	**71 345**
Total net investment securities available for sale	**10 726 672**	**9 876 252**

(in PLN thousand)

20. Investments in subsidiaries, jointly controlled entities and associates

As at 30 June 2011, the Bank's investments in subsidiaries, jointly controlled entities and associates have been recognised at acquisition cost adjusted by impairment allowances.

The Bank's individual shares in subsidiaries, jointly controlled entities and associates are presented below.

As at 30 June 2011	Gross value	Impairment	Carrying amount
Subsidiaries			
KREDOBANK SA	935 619	(423 723)	511 896
PKO BP BANKOWY PTE SA	205 786	-	205 786
PKO Towarzystwo Funduszy Inwestycyjnych SA	186 989	-	186 989
Centrum Finansowe Puławska Sp. z o.o.	167 288	-	167 288
Bankowy Fundusz Leasingowy SA	70 000	-	70 000
Inteligo Financial Services SA	59 602	-	59 602
Centrum Elektronicznych Usług Płatniczych 'eService' SA	55 500	-	55 500
Fort Mokotów Inwestycje Sp. z o.o.[1]	43 546	-	43 546
Bankowe Towarzystwo Kapitałowe SA	21 566	(10 666)	10 900
Qualia Development Sp. z o.o. [2] (previous name PKO BP Inwestycje Sp. z o.o.)	4 503	-	4 503
PKO Finance AB	172	-	172
Jointly controlled entities			
Centrum Haffnera Sp. z o.o.	44 371	-	44 371
Centrum Obsługi Biznesu Sp. z o.o.	17 498	-	17 498
Associates			
Bank Pocztowy SA	146 500	(15 073)	131 427
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	1 500	(1 500)	-
Agencja Inwestycyjna CORP SA	29	-	29
Total	**1 960 469**	**(450 962)**	**1 509 507**

1) Value does not include capital contribution of PKO Bank Polski SA presented in the statement of financial position as loans and advances to customers in the amount of PLN 8 053 thousand.
2) Value does not include capital contribution of PKO Bank Polski SA presented in the statement of financial position as loans and advances to customers in the amount of PLN 124 450 thousand.

As at 31 December 2010	Gross value	Impairment	Carrying amount
Subsidiaries			
KREDOBANK SA	935 619	(423 723)	511 896
PKO BP BANKOWY PTE SA	205 786	-	205 786
PKO Towarzystwo Funduszy Inwestycyjnych SA	186 989	-	186 989
Centrum Finansowe Puławska Sp. z o.o.	128 288	-	128 288
Bankowy Fundusz Leasingowy SA	70 000	-	70 000
Inteligo Financial Services SA	59 602	-	59 602
Centrum Elektronicznych Usług Płatniczych 'eService' SA	55 500	-	55 500
Fort Mokotów Inwestycje Sp. z o.o.[1]	43 546	-	43 546
Bankowe Towarzystwo Kapitałowe SA	18 566	(10 666)	7 900
PKO BP Inwestycje Sp. z o.o. [2]	4 503	-	4 503
PKO Finance AB	172	-	172
Jointly controlled entities			
Centrum Haffnera Sp. z o.o.	44 371	-	44 371
Centrum Obsługi Biznesu Sp. z o.o.	17 498	-	17 498
Associates			
Bank Pocztowy SA	146 500	(15 073)	131 427
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	1 500	(1 500)	-
Agencja Inwestycyjna CORP SA	29	-	29
Total	**1 918 469**	**(450 962)**	**1 467 507**

1) Value does not include capital contribution of PKO Bank Polski SA presented in the statement of financial position as loans and advances to customers in the amount of PLN 8 053 thousand.
2) Value does not include capital contribution of PKO Bank Polski SA presented in the statement of financial position as loans and advances to customers in the amount of PLN 113 310 thousand.

(in PLN thousand)

Selected information on associated entities

Entity name	Total assets	Total liabilities	Total revenue	Net profit	% share
30.06.2011					
The Bank Pocztowy SA Group	4 451 590	4 109 224	203 987	9 260	25.0001
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	17 271	140	249	9	33.33
Agencja Inwestycyjna CORP SA	3 118	1 666	6 269	580	22.31
Total	**4 471 979**	**4 111 030**	**210 506**	**9 849**	**X**
31.12.2010					
The Bank Pocztowy SA Group	4 156 609	3 835 948	369 797	14 412	25.0001
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	16 896	45	604	32	33.33
Agencja Inwestycyjna CORP SA	3 017	1 593	13 007	503	22.31
Total	**4 176 522**	**3 837 586**	**383 408**	**14 947**	**X**

Data for the year 2010 have been derived from the financial statements audited by an independent registered auditor; therefore, they could have changed as compared with the data presented in the financial statements for 2010, where the initial financial data was presented.

Financial data concerning Bank Pocztowy, presented in the above table is derived from consolidated financial statements prepared in accordance with the IFRS/IAS. Data about other companies are derived from financial statements prepared in accordance with the Polish Accounting Standards. According to the Bank's estimates, differences between the above-mentioned financial statements and the statements prepared in accordance with IFRS/IAS are not significant from the perspective of the financial statements of the Bank.

In the first half of 2011, the following events occurred in the PKO Bank Polski SA Group:

1) concerning Bankowe Towarzystwo Kapitałowe SA

On 12 January 2011, an increase in the share capital of Bankowe Towarzystwo Kapitałowe SA of PLN 3 000 thousand was registered with the National Court Register. As a result of the said increase, the Company's share capital amounts to PLN 24 243.9 thousand and consists of 242 439 shares, each of PLN 100 par value.

All the shares in the increased share capital were acquired by PKO Bank Polski SA for a price equal to the nominal value of the shares taken up.

As at 30 June 2011, the interest of PKO Bank Polski SA in the share capital and in the votes at the General Shareholders' Meeting of the Company was 100%.

2) concerning PKO BP Faktoring SA

On 7 March 2011, an increase in the share capital of PKO BP Faktoring SA in the total amount of PLN 1 500 thousand was registered with the National Court Register. As a result of the said increase, the Company's share capital amounts to PLN 9 000 thousand and consists of 9 000 shares, each of PLN 1 thousand par value.

All shares in the increased share capital were acquired by Bankowe Towarzystwo Kapitałowe SA, a subsidiary of PKO Bank Polski SA, for PLN 3 000 thousand. Following the registration of the said share issue, the interest of BTK SA in the share capital and in the votes at the General Shareholders' Meeting of the Company is 99.9889%.

3) concerning Centrum Finansowe Puławska Sp. z o.o.

On 13 June 2011, an increase in the share capital of Centrum Finansowe Puławska Sp. z o.o. of PLN 39 000 thousand was registered with the National Court Register. As a result of the said increase, the Company's share capital amounts to PLN 117 808 thousand and consists of 14 726 shares, each of PLN 8 thousand par value.

All shares in the increased share capital were acquired by PKO Bank Polski SA for a price equal to the nominal value of the shares taken up. The funds raised as a result of the above-mentioned capital increase were used for early repayment of the loan with PKO Bank Polski SA.

As at 30 June 2011, the interest of PKO Bank Polski SA in the share capital and in the votes at the General Shareholders' Meeting of the Company was 100%.

4) **concerning BFL Nieruchomości Sp. z o. o.**

In the first half of 2011, the increase in the share capital of BFL Nieruchomości Sp. z o.o. in the total amount of PLN 8 000 thousand, including: 27 January, amount of PLN 1 000 thousand and 9 May, amount of PLN 7 000 thousand, was registered with the National Court Register. As a result of the said increase, the Company's share capital amounts to PLN 18 400 thousand and consists of 36 800 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 2011, Bankowy Fundusz Leasingowy SA held a total of 99.9973% of the share capital and of voting rights at the General Shareholders' Meeting of the company BFL Nieruchomości Sp. z o.o.

5) **concerning Bankowy Leasing Sp. z o. o.**

In the first half of 2011, the increase in the share capital of Bankowy Leasing Sp. z o.o. in the total amount of PLN 19 300 thousand, including: 27 January, amount of PLN 6 600 thousand and 11 May, amount of PLN 12 700 thousand, was registered with the National Court Register. As a result of the said increase, the Company's share capital amounts to PLN 42 000 thousand and consists of 84 000 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 of PKO Bank Polski SA, for a price equal to the nominal value of the shares taken up.

As at 30 June 2011, Bankowy Fundusz Leasingowy SA held a total of 99.9988% of the share capital and of voting rights at the General Shareholders' Meeting of the company Bankowy Leasing Sp. z o.o.

6) **concerning changes in the Qualia Development Sp. z o.o. Group (till 10 May of this year appearing under the name of the PKO BP Inwestycje Sp. z o. o. Group)**

In the first half of 2011, the Qualia Development Sp. z o.o. Group carried out actions aimed at implementing a new concept of development activities within the Group structure, in which Qualia Development Sp. z o.o. manages the Group and acts as a limited partner in limited partnerships established within the Group, Qualia Sp. z o.o. acts as a general partner, and investment projects are executed by limited partnerships.

As part of such actions:

- Qualia Sp. z o.o. was established (the Company was registered in the National Court Register on 25 February 2011).

  The Company's share capital amounts to PLN 5 thousand and consists of 100 shares, each of PLN 50 par value. On the day of the Company's establishment, its shares with a par value of PLN 4 950 were acquired by Qualia Development Sp. z o.o. - a subsidiary of PKO Bank Polski SA, and one share with a par value of PLN 50 was acquired by Qualia – Rezydencja Flotylla Sp. z o.o. - a subsidiary of Qualia Development Sp. z o.o.

  Since 28 April 2011, Qualia Development Sp. z o.o., which bought one share for a price equal to its par value, has been the sole shareholder of the Company.

- Qualia spółka z ograniczoną odpowiedzialnością - Sopot Spółka komandytowa was established (the Partnership was registered with the National Court Register on 11 March 2011).

  The partners are: Qualia Sp. z o.o. (general partner, amount of contribution: PLN 1 thousand) and Qualia Development Sp. z o.o. (limited partner, the limited partner's amount of contribution and limit of liability: PLN 4 700 thousand; increased from PLN 1 thousand by the partners' resolution of 31 March 2011).

(in PLN thousand)

The activities of Qualia spółka z ograniczoną odpowiedzialnością - Sopot Spółka komandytowa comprise the preparation and execution of the investment project in Sopot at Bohaterów Monte Cassino Street.

- On 6 April 2011, Qualia Sp. z o.o. bought from PKO Bank Polski SA one share in PKO BP Inwestycje – Nowy Wilanów Sp. z o.o. for PLN 21.4 thousand;
- On 6 April 2011, Qualia Sp. z o.o. bought from PKO Bank Polski SA one share in PKO BP Inwestycje – Neptun Park Sp. z o.o. for PLN 0.8 thousand.

In the first half of 2011, the following companies changed their names:

- the company PKO BP Inwestycje Sp. z o. o. changed its name to Qualia Development Sp. z o.o., on 11 May 2011 the change was registered with the National Court Register,
- the company PKO BP Inwestycje – Sarnia Dolina Sp. z o.o. changed its name to Sarnia Dolina Sp. z o. o., on 29 June 2011 the change was registered with the National Court Register,
- the company PKO BP Inwestycje - Rezydencja Flotylla Sp. z o.o. changed its name to Qualia - Rezydencja Flotylla Sp. z o. o., on 30 June 2011 the change was registered with the National Court Register.

In the first half of 2011, the following additional contributions to the capital of the Qualia Development Sp. z o.o. Group companies were made:

- PKO Bank Polski SA made additional contributions to Qualia Development Sp. z o.o. in the total amount of PLN 11 140 thousand (including: PLN 5 340 thousand on 25 March and PLN 5 800 thousand on 1 June);
- Qualia Development Sp. z o.o. made an additional contribution to Qualia Sp. z o.o. of PLN 25 thousand.

21. Intangible assets and tangible fixed assets

Intangible assets	30.06.2011	31.12.2010
Software	1 409 286	1 248 339
Other, including capital expenditure	99 453	279 928
Total	**1 508 739**	**1 528 267**

Tangible fixed assets	30.06.2011	31.12.2010
Land and buildings	1 401 575	1 422 122
Machinery and equipment	494 217	502 731
Assets under construction	54 158	65 592
Means of transport	925	1 036
Investment properties	254	259
Other	76 265	85 400
Total	**2 027 394**	**2 077 140**

22. Amounts due to banks

	30.06.2011	31.12.2010
Bank deposits	2 035 678	1 027 502
Loans and advances	3 128 376	2 999 116
Current accounts	27 970	43 901
Other money market deposits	132 245	93 662
Total	**5 324 269**	**4 164 181**

(in PLN thousand)

23. Amounts due to customers

	30.06.2011	31.12.2010
Amounts due to retail clients	**96 086 862**	**94 347 108**
Current accounts and overnight deposits	48 706 784	46 308 729
Term deposits	47 032 614	47 744 721
Other money market deposits	347 464	293 658
Amounts due to corporate entities	**41 059 383**	**34 895 145**
Current accounts and overnight deposits	11 045 693	11 139 468
Term deposits	24 868 066	18 735 277
Loans and advances received*	5 145 624	5 020 400
Amounts due to state budget entities	**4 406 542**	**6 046 802**
Current accounts and overnight deposits	2 441 354	2 689 361
Term deposits	1 953 507	3 349 821
Other money market deposits	11 681	7 620
Total	**141 552 787**	**135 289 055**

*In 'Loan and advances received' there is included a loan of EUR 800 000 thousand from PKO Finance AB, the Bank's subsidiary, as funds gathered through Eurobonds issue.

24. Debt securities in issue

	30.06.2011	31.12.2010
Debt securities in issue		
Financial instruments designated at fair value through profit and loss	43 415	-
Bank securities issued by PKO Bank Polski SA	43 415	-
Total	**43 415**	**-**

	30.06.2011	31.12.2010
Debt securities in issue by maturity:		
from 1 to 5 years	43 415	-
Total	**43 415**	**-**

In the first half of 2011, the Bank issued bank securities with nominal value of PLN 44 482 thousand classified as liabilities designated to be measured at fair value through profit and loss, in accordance with IAS 39.9. In the first half of 2011, bank securities in the amount of PLN 119 thousand were redeemed.

25. Other liabilities

	30.06.2011	31.12.2010
Accounts payable	304 350	236 504
Deferred income	284 977	312 480
Other liabilities, including:	3 860 539	1 238 615
dividend declared	2 475 000	-
Total	**4 449 866**	**1 787 599**

(in PLN thousand)

26. Provisions

For the six-month period ended 30 June 2011	Provision for legal claims	Provisions for anniversary bonuses and retirement benefits	Provisions for liabilities and guarantees granted	Other provisions*	Total
As at 1 January 2011, including:	6 311	410 723	216 137	81 267	714 438
Short term provision	6 311	29 537	81 965	81 267	199 080
Long term provision	-	381 186	134 172	-	515 358
Increase of provision	-	-	91 797	4 318	96 115
Use of provision	-	-	-	(33 752)	(33 752)
Release of provision	-	-	(83 091)	-	(83 091)
As at 30 June 2011, including:	6 311	410 723	224 843	51 833	693 710
Short term provision	6 311	29 537	224 843	51 833	312 524
Long term provision	-	381 186	-	-	381 186

*Included in 'Other provisions' is: restructuring provision of PLN 36 395 thousand and provision of PLN 10 866 thousand for potential claims on impaired loans portfolios sold.

For the six-month period ended 30 June 2010	Provision for legal claims	Provisions for anniversary bonuses and retirement benefits	Provisions for liabilities and guarantees granted	Other provisions*	Total
As at 1 January 2010, including:	6 841	367 291	110 642	113 852	598 626
Short term provision	6 841	27 277	110 642	113 852	258 612
Long term provision	-	340 014	-	-	340 014
Increase of provision	-	-	122 644	3 388	126 032
Use of provision	-	-	-	(55 111)	(55 111)
Release of provision	-	-	(72 840)	-	(72 840)
As at 30 June 2010, including:	6 841	367 291	160 446	62 129	596 707
Short term provision	6 841	27 277	105 532	62 129	201 779
Long term provision	-	340 014	54 914	-	394 928

* Included in 'Other provisions' is i.a.: restructing provision of PLN 48 630 thousand and provision of PLN 10 696 thousand for potential claims on sold impaired loans portfolios.

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

OTHER NOTES

27. Off – balance sheet liabilities

Contingent liabilities

Underwriting programs

As at 30 June 2011, the Bank's underwriting agreements covered the following securities (maximum liability of the Bank to acquire the securities):

Issuer of securities underwritten	Type of underwritten securities	Off-balance sheet liabilities resulting from underwriting agreement	Contract period	Sub-issue type
Company A	corporate bonds	500 000	31.10.2013	Bonds Issue Agreement*
Company B	corporate bonds	399 500	31.07.2013	Bonds Issue Agreement*
Company C	corporate bonds	155 000	31.12.2024	Bonds Issue Agreement*
Company D	corporate bonds	150 000	02.01.2012	Bonds Issue Agreement*
Company E	corporate bonds	74 900	30.12.2015	Bonds Issue Agreement*
Company F	corporate bonds	13 000	31.12.2018	Bonds Issue Agreement*
Entity A	municipal bonds	2 000	31.12.2025	Bonds Issue Agreement*
Total		1 294 400		

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

(in PLN thousand)

As at 31 December 2010, the Bank's underwriting agreements covered the following securities (maximum liability of the Bank to acquire the securities):

Issuer of securities underwritten	Type of underwritten securities	Off-balance sheet liabilities resulting from underwriting agreement	Contract period	Sub-issue type
Company A	corporate bonds	304 000	31.07.2013	Bonds Issue Agreement*
Company B	corporate bonds	200 000	02.01.2012	Bonds Issue Agreement*
Company C	corporate bonds	155 000	31.12.2024	Bonds Issue Agreement*
Company D	corporate bonds	74 900	30.12.2015	Bonds Issue Agreement*
Company E	corporate bonds	13 000	31.12.2018	Bonds Issue Agreement*
Entity A	municipal bonds	4 000	31.12.2025	Bonds Issue Agreement*
Total		**750 900**		

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

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

Contractual commitments

On 30 June 2011 the Bank did not have contractual commitments concerning intangible assets (as at 31 December 2010: the value of commitments amounted to PLN 1 100 thousand).

Granted loan commitments

	30.06.2011	31.12.2010
Financial sector	1 876 501	1 139 573
Non-financial sector	27 375 967	27 790 351
Public sector	1 441 855	1 005 614
Total	**30 694 323**	**29 935 538**
including: irrevocable loan commitments	6 806 166	7 001 338

Granted loan commitments have been presented in nominal values.

Guarantees issued

	30.06.2011	31.12.2010
Financial sector	1 771 495	2 504 479
Non-financial sector	8 431 468	5 494 578
Public sector	448 366	253 771
Total	**10 651 329**	**8 252 828**

In the first half of 2011 significant changes took place in the off-balance sheet liabilities in respect of three entities: in respect of an underwritten issue of corporate bonds – a drop of PLN 1 000 000 thousand and an increase of PLN 350 000 thousand, and in respect of a letter of credit – an increase of PLN 2 300 000 thousand. All other changes resulted from the on-going operations of the Bank.

Off-balance sheet liabilities received

	30.06.2011	31.12.2010
Financial	548 861	395 625
Guarantees	2 129 490	2 231 427
Total	**2 678 351**	**2 627 052**

The off-balance sheet liabilities received were shown at nominal values.

Assets pledged as collateral for contingent liabilities

As at 30 June 2011 and as at 31 December 2010 the Bank had no assets pledged as collateral for contingent liabilities.

28. Legal claims

As 30 June 2011, the total value of court proceedings in which the Bank is a defendant was PLN 355 873 thousand (as at 31 December 2010: PLN 308 304 thousand), while the total value of court proceedings in which the Bank is the plaintiff was PLN 92 370 thousand (as at 31 December 2010: PLN 60 207 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 (Urząd Ochrony Konkurencji i Konsumentów - UOKiK) upon request of the Polish Trade and Distribution Organization (Polska Organizacja Handlu i Dystrybucji - Związek Pracodawców) against the operators of the Visa and Europay payment systems and the banks issuing Visa and 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. This issue is described in detail in the annual stand - alone financial statements of PKO Bank Polski SA for 2010. In the period from 1 January to 30 June 2011 the date of the trial had not been set. As at 30 June 2011 the Bank had a liability to the above amount.

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 in the amount of PLN 5 712 thousand as at 31 December 2008. On 9 February 2011, the decision of the court of the second instance was issued. In this decision, the Court of Appeals dismissed the Bank's appeal from the decision of the court of the first instance (the District Court in Warsaw, the Competition and Consumer Protection Court). The latter decision dismissed the Bank's appeal from the decision of the Chairman of the Office for Competition and Consumer Protection of 12 December 2008. This means that the Bank was obliged to fulfil the duties imposed on it by decision of the Chairman of the Office for Competition and Consumer Protection of 12 December 2008 within the deadline specified therein.
On 2 March 2011, PKO Bank Polski SA paid a fine of PLN 5 712 thousand.

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

As at the date of these financial statements, four 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 2011 there had been no further developments with respect to this issue.

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.

29. Supplementary information to the statement of cash flows

Cash and cash equivalents

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

(in PLN thousand)

	30.06.2011	31.12.2010	30.06.2010
Cash and balances with the central bank	7 571 825	6 112 562	4 839 343
Current receivables from financial institutions	2 096 216	2 087 435	2 652 626
Total	**9 668 041**	**8 199 997**	**7 491 969**

Cash flow from interests and dividends, both received and paid

Interest income – received	01.01-30.06.2011	01.01-30.06.2010
Income from loans and advances	3 775 849	3 303 877
Income from securities at fair value through profit and loss	297 225	250 911
Income from placements	104 026	81 946
Income from investment securities	174 084	221 800
Income from trading securities	45 077	74 043
Other interest received (mainly from current accounts, realized guarantees, purchased debts, previous years interest adjustments and other receivables interest from financial sector)	670 809	1 843 067
Total interest income - received	**5 067 070**	**5 775 644**

Dividend income – received	01.01-30.06.2011	01.01-30.06.2010
Dividend income from subsidiaries, jointly controlled entities and associates	48 312	75 231
Dividend income from other entities	1 439	1 527
Total dividend income - received	**49 751**	**76 758**

Interest expense – paid	01.01-30.06.2011	01.01-30.06.2010
Interest expense on deposits – paid	(1 328 907)	(2 041 670)
Interest expense on loans and advances - paid	(22 101)	(20 549)
Interest expense on debt securities in issue - paid	(40 424)	(42 445)
Other (mainly premium from debt securities, interest expense on cash collateral liabilities, interest expense on current account of special purpose funds)	(550 020)	(926 251)
Total	**(1 941 452)**	**(3 030 915)**

30. Transactions with the State Treasury and related entities

The State Treasury has control over the Bank as it holds a 40.99% interest in the Bank's share capital. The Bank's shareholding structure is described in detail in Note 1 'General Information' to these financial statements.

Receivables, securities and liabilities arising from transactions conducted with the State Treasury and other state budgetary agencies are disclosed in the Bank'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 of guarantee premium paid and amendments of 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 mortgage loans.

	01.01-30.06.2011	01.01-30.06.2010
Income due to temporary redemption by the State budget of interest on housing loans from the 'old' portfolio recognized for this period	79 551	87 848
Income due to temporary redemption by the State budget of interest on housing loans from the 'old' portfolio received in cash	34 921	53 013
Difference between income recognized for this period and income received in cash – 'Loans and advances to customers'	44 630	34 835

(in PLN thousand)

The Act on the coverage of repayment of certain mortgage loans by State Treasury (Journal of Laws, 2000, No. 122 item 1310 with subsequent amendments) guarantees was passed on 29 November 2000 and came into force on 1 January 2001. 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 loans 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.

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

	01.01-30.06.2011	01.01-30.06.2010
Fee and commission income	2 468	3 716

As of 1 January 1996 the Bank became the general distributor of duty stamps. The Bank receives commissions in this respect from the State Treasury.

	01.01-30.06.2011	01.01-30.06.2010
Fee and commission income	10 618	13 665

Dom Maklerski PKO BP 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 as the issuer and the Bank on 11 February 2003. Under this agreement, Dom Maklerski PKO BP SA receives a fee for providing the services of an agent for the issue of bonds.

	01.01-30.06.2011	01.01-30.06.2010
Fee and commission income	14 322	16 354

(in PLN thousand)

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

The transactions were concluded at arm's length.

	30.06.2011						31.12.2010					
Entity	Total receivables	Total liabilities	Contingent liabilities and commitments – financial and guarantee	Interest income	Fee and commission income	Interest expense	Total receivables	Total liabilities	Contingent liabilities and commitments – financial and guarantee	Interest income	Fee and commission income	Interest expense
Entity 1	430 403	-	150 668	2 525	412	(218)	349 633	-	260 851	5 067	639	(15)
Entity 2	211 710	54 059	262 376	6 471	1 859	(616)	154 846	128 924	407 670	19 133	883	(2 222)
Entity 3	145 392	259 702	-	-	-	-	195 894	-	2 428	-	-	-
Entity 4	115 910	-	9 997	2 777	289	-	91 040	-	8 002	3 518	270	(2)
Entity 5	60 383	19 836	155 000	1 418	7	(392)	66 421	38 943	155 000	3 219	9	(137)
Entity 6	54 276	10 561	95 724	1 884	406	(504)	60 246	28 101	89 754	2 699	355	(766)
Entity 7	46 680	10 000	50 000	-	-	-	58 340	6 827	50 000	-	-	-
Entity 8	39 866	-	-	179	3	(6)	39 603	-	-	353	5	(7)
Entity 9	30 909	5 173	51 081	1 710	20	(20)	57 438	-	24 562	4 366	38	(381)
Entity 10	29 527	-	-	752	4	(56)	34 011	-	-	1 812	6	(81)
Entity 11	27 306	120 000	-	906	7	(5 279)	36 409	65 092	-	2 407	10	(1 498)
Entity 12	22 800	6 033	-	640	30	(1)	23 620	-	580	1 484	29	(176)
Entity 13	21 376	-	3 176	678	33	-	23 790	-	3 601	1 424	72	-
Entity 14	13 181	-	-	391	-	-	15 182	-	-	592	-	-
Entity 15	10 978	-	1 022	169	27	(56)	11 596	-	405	-	-	(40)
Other significant exposures	85 509	1 280 870	2 908 320	8 064	2 355	(30 519)	201 180	1 611 577	3 511 500	46 235	6 146	(80 004)
Total	1 346 206	1 766 234	3 687 364	28 564	5 452	(37 667)	1 419 249	1 879 464	4 514 353	92 309	8 462	(85 329)

As at 30 June 2011 and accordingly as at 31 December 2010, no significant impairment allowances were recognized for above-mentioned receivables.

(in PLN thousand)

31. Related party transactions

All transactions presented below with subsidiaries, jointly controlled entities and associates were arm's length transactions. Repayment terms are within a range from 1 month to 10 years.

30 June 2011

Entity	Capital relation	Receivables	including loans	Liabilities	Total income	including interest and fee and commission income	Total expense	including interest and fee and commission expense	Contingent liabilities and commitments
Bankowe Towarzystwo Kapitałowe SA	Direct subsidiary	-	-	665	2	2	7	7	7 000
Bankowy Fundusz Leasingowy SA	Direct subsidiary	53 994	29 865	30 257	3 413	2 747	6 459	1 062	747 971
Centrum Elektronicznych Usług Płatniczych 'eService' SA	Direct subsidiary	23 599	-	32 186	6 600	6 411	23 359	23 144	2 500
Centrum Finansowe Puławska Sp. z o.o.	Direct subsidiary	-	-	6 180	1 146	1 146	21 434	376	-
Fort Mokotów Inwestycje Sp. z.o.o.	Direct subsidiary	8 053	-	1 860	1	1	53	53	-
Inteligo Financial Services SA	Direct subsidiary	26 459	-	125 266	869	847	25 740	2 367	-
KREDOBANK SA	Direct subsidiary	217 195	204 874	3 900	3 326	3 326	-	-	345 852
PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA	Direct subsidiary	-	-	2 249	1 396	1 307	82	82	-
PKO Finance AB	Direct subsidiary	-	-	3 267 638	-	-	58 839	58 720	-
PKO Towarzystwo Funduszy Inwestycyjnych SA	Direct subsidiary	16 257	-	5 607	94 467	94 339	142	142	467
Qualia Development Sp. z o.o. *	Direct subsidiary	124 450	-	2 540	36	28	23	23	2 401
Bankowy Leasing Sp. z o.o.	Indirect subsidiary	1 211 004	1 210 972	96	28 710	28 665	29	1	171 910
BFL Nieruchomości Sp. z o.o.	Indirect subsidiary	341 010	341 010	1 359	8 710	8 710	10	10	6 943
Fort Mokotów Sp. z o.o.	Indirect subsidiary	-	-	5 874	1	1	116	116	-
PKO BP Faktoring SA	Indirect subsidiary	129 455	129 455	1 606	3 066	3 066	-	-	120 545
PKO BP Finat Sp. z o.o.	Indirect subsidiary	-	-	5 586	3	3	95	76	-
PKO BP Inwestycje - Neptun Park Sp. z o.o.	Indirect subsidiary	127 040	127 040	8 832	4 220	4 220	108	108	-
PKO BP Inwestycje - Nowy Wilanów Sp. z o.o.	Indirect subsidiary	132 088	132 088	31 771	4 294	4 294	234	234	67 912
Qualia - Rezydencja Flotylla Sp. z o.o.**	Indirect subsidiary	26 136	26 136	618	685	685	-	-	42 531
Qualia Spółka z ograniczoną odpowiedzialnością – Sopot Sp.k.***	Indirect subsidiary	-	-	5	-	-	-	-	-
Qualia Sp. z o.o.****	Indirect subsidiary	-	-	5	-	-	-	-	-
Sarnia Dolina Sp. z o. o.*****	Indirect subsidiary	15 625	15 625	5	437	437	-	-	50 000
UKRPOLINWESTYCJE Sp. z o.o.	Indirect subsidiary	-	-	-	-	-	-	-	-
CENTRUM HAFFNERA Sp. z o.o.	Direct jointly controlled entity	-	-	183	5	5	-	-	-
Centrum Obsługi Biznesu Sp. z o.o.	Direct jointly controlled entity	30 681	30 681	21 529	443	443	292	292	-
Centrum Majkowskiego Sp. z o.o.	Indirect jointly controlled entity	-	-	4 801	3	3	56	56	-
Kamienica Morska Sp. z o.o.	Indirect jointly controlled entity	-	-	120	3	3	-	-	-
Promenada Sopocka Sp. z o.o.	Indirect jointly controlled entity	44 041	44 041	912	696	696	-	-	-
Sopot Zdrój Sp. z o.o.	Indirect jointly controlled entity	210 913	210 913	1 586	3 416	3 416	24	24	-
Agencja Inwestycyjna CORP SA	Associate	-	-	60	306	-	1 310	-	-
Bank Pocztowy SA	Associate	-	-	17	16	16	438	-	1 374
Kolej Gondolowa Jaworzyna Krynicka SA	Associate available for sale	8 599	8 599	1 901	211	211	14	14	2 976
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	Associate	-	-	7 060	-	-	283	283	-
TOTAL		2 746 599	2 511 299	3 572 274	166 481	165 028	139 147	87 190	1 570 382

* Previous name - PKO BP Inwestycje Sp. z o.o.

** Previous name – PKO BP Inwestycje – Rezydencja Flotylla Sp. z o.o.

*** Registered in National Court Register (KRS) on 11 March 2011

**** Registered in National Court Register (KRS) on 25 February 2011

***** Previous name – PKO BP Inwestycje – Sarnia Dolina Sp. z o.o.

(in PLN thousand)

31 December 2010

Entity	Capital relation	Receivables	including loans	Liabilities	Total income	including interest and fee and commission income	Total expense	including interest and fee and commission expense	Contingent liabilities and commitments
Bankowe Towarzystwo Kapitałowe SA	Direct subsidiary	3 000	-	4 175	4	4	108	108	7 000
Bankowy Fundusz Leasingowy SA	Direct subsidiary	50 467	41 652	26 882	8 496	5 855	10 799	272	807 665
Centrum Elektronicznych Usług Płatniczych 'eService' SA	Direct subsidiary	864	-	27 342	5 110	5 110	37 908	37 907	2 500
Centrum Finansowe Puławska Sp. z o.o.	Direct subsidiary	64 940	64 810	28 744	2 935	2 935	43 802	891	-
Fort Mokotów Inwestycje Sp. z o.o.	Direct subsidiary	8 053	-	3 591	1	1	108	108	-
Inteligo Financial Services SA	Direct subsidiary	7 822	-	120 044	1 741	22	50 838	4 512	-
KREDOBANK SA	Direct subsidiary	247 819	130 096	25	9 827	9 827	-	-	489 427
PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA	Direct subsidiary	121	-	234	3 317	3 195	400	400	-
PKO Finanse AB	Direct subsidiary	-	-	3 188 019	-	-	22 892	22 664	-
PKO Towarzystwo Funduszy Inwestycyjnych SA	Direct subsidiary	15 557	-	3 686	162 142	161 752	248	248	467
Qualia Development Sp. z o.o. *	Direct subsidiary	113 310	-	1 509	9	9	638	203	1 500
Bankowy Leasing Sp. z o.o.	Indirect subsidiary	946 242	946 169	230	35 654	35 442	6	6	126 889
BFL Nieruchomości Sp. z o.o.	Indirect subsidiary	307 305	307 305	1 501	13 210	13 210	15	15	5 071
Fort Mokotów Sp. z o.o.	Indirect subsidiary	-	-	6 293	1	1	211	211	-
PKO BP Faktoring SA	Indirect subsidiary	92 542	92 542	1 196	3 911	3 911	-	-	157 476
PKO BP Finat Sp. z o.o	Indirect subsidiary	-	-	5 856	7	7	168	168	-
PKO BP Inwestycje - Neptun Park Sp. z o.o.	Indirect subsidiary	132 016	131 500	14 802	8 090	8 090	298	298	-
PKO BP Inwestycje - Nowy Wilanów Sp. z o.o.	Indirect subsidiary	132 088	132 088	20 020	9 168	9 168	120	120	67 912
Qualia - Rezydencja Flotylla Sp. z o.o.**	Indirect subsidiary	13 909	13 909	89	1 461	1 461	-	-	54 759
Sarnia Dolina Sp. z o. o.***	Indirect subsidiary	15 260	15 260	149	828	828	-	-	50 000
WISŁOK Inwestycje Sp. z o.o.****	Indirect subsidiary	-	-	-	337	337	-	-	-
CENTRUM HAFFNERA Sp. z o.o.	Direct jointly controlled entity	-	-	2 478	9	9	59	59	-
Centrum Obsługi Biznesu Sp. z o.o.	Direct jointly controlled entity	30 799	30 799	22 285	753	752	558	557	-
Centrum Majkowskiego Sp. z o.o.	Indirect jointly controlled entity	-	-	4 765	6	6	93	93	-
Kamienica Morska Sp. z o.o.	Indirect jointly controlled entity	-	-	66	6	6	-	-	-
Promenada Sopocka Sp. z o.o.	Indirect jointly controlled entity	43 805	43 805	691	1 165	1 165	-	-	-
Sopot Zdrój Sp. z o.o.	Indirect jointly controlled entity	209 785	209 785	4 049	5 617	5 617	60	60	-
Agencja Inwestycyjna CORP SA	Associate	61	-	87	628	-	2 425	-	-
Bank Pocztowy SA	Associate	-	-	105	146	131	1 962	419	1 330
Kolej Gondolowa Jaworzyna Krynicka SA	Associate available for sale	5 824	5 824	538	74	74	9	9	8 375
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	Associate	-	-	16 178	1	1	152	141	-
TOTAL		2 441 589	2 165 544	3 505 629	274 654	268 926	173 877	69 469	1 780 371

* Previous name - PKO BP Inwestycje Sp. z o.o.

** Previous name – PKO BP Inwestycje – Rezydencja Flotylla Sp. z o.o.

*** Previous name – PKO BP Inwestycje – Sarnia Dolina Sp. z o.o.

**** Shares in the entity disposed on 26 February 2010

(in PLN thousand)

32. Remuneration – PKO Bank Polski SA key management

a) short-term employee benefits*

Remuneration received from PKO Bank Polski SA

Name	Title	01.01-30.06.2011	01.01-30.06.2010
	The Management Board of the Bank		
Zbigniew Jagiełło	President of the Bank's Management Board	1 390	471
Piotr Alicki	Vice-President of the Bank's Management Board	529	-
Bartosz Drabikowski	Vice-President of the Bank's Management Board	1 030	424
Krzysztof Dresler	Vice-President of the Bank's Management Board	1 031	463
Jarosław Myjak	Vice-President of the Bank's Management Board	1 029	421
Jacek Obłękowski	Vice-President of the Bank's Management Board	4	-
Wojciech Papierak	Vice-President of the Bank's Management Board	1 030	461
Jakub Papierski	Vice-President of the Bank's Management Board	980	270
Mariusz Zarzycki	Vice-President of the Bank's Management Board	-	460
Total short-term employee benefits of the members of the Management Board		**7 023**	**2 970**
	The Supervisory Board of the Bank		
Cezary Banasiński	Chairman of the Bank's Supervisory Board	96	21
Tomasz Zganiacz	Deputy-Chairman of the Bank's Supervisory Board	84	21
Mirosław Czekaj	Secretary of the Bank's Supervisory Board	72	21
Jan Bossak	Member of the Bank's Supervisory Board	60	21
Ireneusz Fąfara	Member of the Bank's Supervisory Board	-	21
Błażej Lepczyński	Member of the Bank's Supervisory Board	60	21
Piotr Marczak	Member of the Bank's Supervisory Board	60	-
Alojzy Zbigniew Nowak	Member of the Bank's Supervisory Board	60	21
Krzysztof Kilian	Member of the Bank's Supervisory Board	0.5	-
Ewa Miklaszewska	Member of the Bank's Supervisory Board	0.5	-
Marek Mroczkowski	Member of the Bank's Supervisory Board	0.5	-
Ryszard Wierzba	Member of the Bank's Supervisory Board	0.5	-
Total short-term employee benefits of the members of the Supervisory Board		**494**	**147**
Total short-term employee benefits		**7 517**	**3 117**

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

Name	Title	01.01-30.06.2011	01.01-30.06.2010
	The Management Board of the Bank		
Zbigniew Jagiełło	President of the Bank's Management Board	8	20
Bartosz Drabikowski	Vice-President of the Bank's Management Board	-	19
Krzysztof Dresler	Vice-President of the Bank's Management Board	-	23
Jarosław Myjak	Vice-President of the Bank's Management Board	-	16
Wojciech Papierak	Vice-President of the Bank's Management Board	7	19
Mariusz Zarzycki	Vice-President of the Bank's Management Board	-	19
Total short-term employee benefits		**15 ****	**116 *****

b) post-employment benefits

In the six month periods ended 30 June 2011 and 30 June 2010 respectively no post-employment benefits were paid.

c) other long-term benefits

In the six month periods ended 30 June 2011 and 30 June 2010 respectively no 'other long-term benefits' were paid.

* Includes remuneration from the Bank and the Bank's subsidiaries, unless stated otherwise.
** Includes remuneration from associates in the amount of PLN 15 thousand.
*** Includes remuneration from associates in the amount of PLN 46 thousand.

(in PLN thousand)

d) benefits due to termination of employment

In the six month periods ended 30 June 2011 and 30 June 2010 respectively no benefits were granted due to termination of employment.

e) share-based payments

In the six month periods ended 30 June 2011 and 30 June 2010 respectively no benefits were granted in the form of share-based payments.

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

	30.06.2011	31.12.2010
The Management Board members	221	199
The Supervisory Board members	2 400	2 400
Total	**2 621**	**2 599**

Interest conditions and repayment periods of the above items are set at arm's length.

33. Differences between previously published financial statements and these financial statements

In the first half of the 2011 there were no changes as compared to previously published financial statements.

OBJECTIVES AND PRINCIPLES OF RISK MANAGEMENT RELATED TO FINANCIAL INSTRUMENTS

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

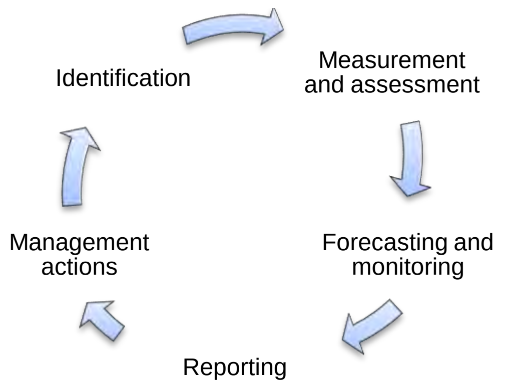
Risk management is one the most important internal processes in PKO Bank Polski SA. Risk management aims at ensuring an appropriate level of security and profitability of business activity in the changing legal and economic environment and the level of the risks plays an important role in the planning process.

At the Bank, the following types of risk have been identified, which are subject to management: credit risk, interest rate risk, currency risk, liquidity risk, price risk of equity instruments, operational risk, compliance risk, business risk (including strategic risk), and reputation risk. Derivatives risk is a subject to a special control due to the specific characteristics of these instruments.

The process of banking risk management consists in PKO Bank Polski SA 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 financial situation in the Bank. Within the risk identification process, types of risk perceived as material in the banking activity are identified,
- risk measurement and 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, as well as risk assessment aimed at identifying the scale or scope of risk, taking into account the achievement of goals of risk management. Within risk measurement, stress-test are being conducted on the basis of assumption providing a fair risk assessment,
- risk forecasting and monitoring – preparing risk level forecasts and monitoring deviances from forecasts and adopted reference points (e.g. limits, thresholds, plans, measurements from the previous period, issued recommendations and suggestions). Risk monitoring is performed with the frequency adequate to the materiality and volatility of a specific risk type,
- risk reporting – periodic informing the Management of the Bank 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 actions – including, 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. The objective of taking management actions is to form the risk management and credit risk level.

The risk management process is described on the chart below:



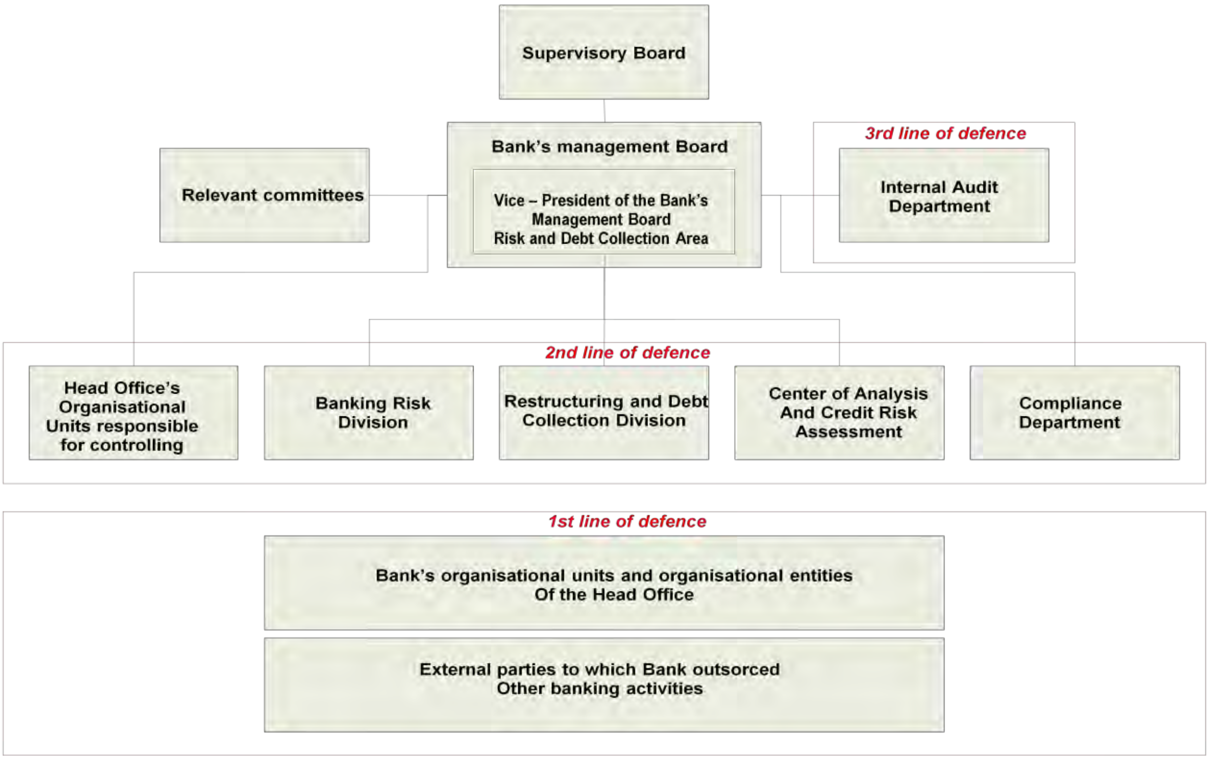
Risk management in the PKO Bank Polski SA is based especially on the following principles:

- the Bank manages all of the identified types of banking risk,
- the risk level is monitored on a current basis,
- the risk management process is appropriate to the scale of the operations and to the materiality, scale and complexity of a given risk and tailored to new risk factors and sources on a current basis,
- the risk management methods (in particular the models and their assumptions) and the risk measurement systems are tailored to the scale and complexity of the risk and verified and validated on a periodical basis,
- the risk management process supports the pursuit of the Bank's strategy in keeping with the risk management strategy, in particular with regard to the level of tolerance of the risk,
- the area of risk and debt collection remains organizationally independent of business activities,
- risk management is integrated with the planning and controlling systems.

Risk management in the Bank takes place in all of the organizational units of the Bank.

The organization of risk management is presented in the chart below:

The organization of risk management chart



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 PKO Bank Polski SA and the most important activities taken in the area of risk management.

The Bank's Management Board is responsible for the risk management, including supervising and monitoring of activities taken by the Bank in the area of risk management. The Bank's Management Board takes the most important decisions affecting the risk profile of the Bank and enacts internal regulations defining the risk management system.

The risk management process is carried out in three, mutually independent lines of defence:

1) the first line of defence, which is functional internal control that ensures using risk controls and compliance of the activities with the generally applicable laws,
2) the second line of defence, which is the risk management system, including risk management methods, tools, process and organization of risk management,
3) the third line of defence, which is an internal audit.

The independence of the lines of defence consists of preserving organizational independence in the following areas:

- the function of the second line of defence as regards creating system solutions is independent of the function of the first line of defence,
- the function of the third line of defence is independent of the functions of the first and second lines of defence,
- the function of managing the compliance risk reports directly to the Chairman of the Management Board of the Bank.

The first line of defence is effected in the organizational units of the Bank, the organizational units of the Head Office and the external entities which the Bank commissioned to carry out the activities related to banking activities and concerns the activities of those units and entities which may generate risk. The units and entities are responsible for identifying risks, designing and implementing appropriate controls, including in the external entities, unless controls have been implemented as part of the measures taken in the second line of defence.

The second line of defence is effected, in particular, in the Risk and Debt Collection Area, the specialist organizational units of the Bank responsible for credit analyses, the organizational unit of the Head Office managing the compliance risk, as well as the organizational units of the Head Office responsible for controlling.

The third line of defence is effected as part of internal audit, including the audit of the effectiveness of the system of managing the risk relating to the Bank's activities.

The organizational units of the Head Office of the Bank that are grouped within the Banking Risk Division, the Restructuring and Debt Collection Division, and the Analysis and Credit Risk Assessment Centre manage risk within the limits of competence assigned to them.

The Banking Risk Division is responsible for:

- identifying risk factors and sources,
- measuring, assessing, and monitoring and reporting risk levels (material risks) on a regular basis,
- measuring and assessing capital adequacy,
- preparing recommendations for the Management Board of the Bank or committees regarding the acceptable level of risk,
- creating internal regulations on managing risk and capital adequacy,
- developing IT systems dedicated to supporting risk and capital adequacy management.

The Restructuring and Debt Collection Department is responsible for:

- recovering receivables from difficult clients swiftly and increasing the effectiveness of such measures,
- effective and early monitoring of delays in the collection of receivables from retail market clients,
- selling difficult receivables effectively and outsourcing the tasks carried out, as well as effective management of assets taken over as a result of recovering the Bank's receivables.

The Analysis and Credit Risk Assessment Centre (*Centrum Analiz i Oceny Ryzyka Kredytowego*) is responsible for evaluating and verifying the level of credit risk level assessed in respect of individual credit exposures, which due to the scale of the exposure, client's segment or risk level required independent assessment. In connection with the implementation of the T Recommendation by the Bank, the Analysis and Credit Risk Assessment Centre takes lending decisions in respect of individual clients.

Risk management is supported by the following committees:

- Risk Committee (RC),
- Assets & Liabilities Committee (ALCO),
- Bank's Credit Committee (BCC),
- Central Credit Committee (CCC),
- the Operating Risk Committee (ORC),
- credit committees which operate in the regional retail and corporate branch offices.

RC:

- monitors the integrity, adequacy and efficiency of the bank risk management system, as well as capital adequacy and implementation of the risk management policies consistent with the Bank's Strategy, and
- analyses and evaluates the application of strategic risk limits specified in the PKO Bank Polski SA's Bank Risk Management Strategy.

The RC supports the Supervisory Board in the bank risk management process by formulating recommendations and making decisions concerning capital adequacy and the efficiency of the bank risk monitoring system.

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. President of this Committee is the Chairman of Bank 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 Bank's 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.

ORC supports the Bank's Management Board in the process of managing operating risk by:

- giving recommendations, inter alia, as to the Bank's Management Board approval of the level of operating risk tolerance, operating risk limits reserved for the competences of the Bank's Management Board, defining operating risk stress tests and other activities related to systemic management of the operating risk,
- taking decisions in respect of thresholds and critical values of key risk indicators (KRI), operating risk limits reserved for the competences of ORC, values of key parameters used in calculating value at risk (VaR) in respect of operating risk, and individual approach to outliers.

PKO Bank Polski SA's top priority is to maintain its strong capital position and to further increase in its stable sources of financing, which are a precondition for increasing the loan portfolio.

34.1. Identifications of significant types of risk

The significance of the individual types of risk is established at the Bank's 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 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 Bank 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. In particular, monitoring is conducted if significant change in activities took place or the profile of the Bank changed.

34.2. 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 eterioration of a counterparty's ability to repay amounts due to the Bank.

The objective of credit risk management is to optimize the loan portfolio in terms of its quality and value, which at the same time is characterized by its high profitability and safety understood as minimalizing the risk of loans threatened with impairment.

The Bank applies the following principles of credit risk management:

- each loan transaction is subject to comprehensive credit risk assessment, which is reflected in an internal rating or credit scoring,
- credit risk relating to potential and concluded loan transactions is measured on a cyclical basis, taking into consideration 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 its 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 assessment of 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 appropriate credit margins and appropriate allowances for credit losses.

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 Financial Supervision Authority.

34.2.1. Measurement of credit risk

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 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 unfavourable 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.

The evaluation of credit risk related to financing institutional clients is performed in two dimensions: in respect of the client and of the transaction. The assessment measures comprise ratings of clients and transactions. The comprehensive measure of credit risk which reflects both risk factors is the aggregate rating. As of 1 September 2010, the Bank prevailing scoring methods for credit risk evaluation of clients in the SME segment, and a dedicated software application. This method is available next to rating methods. Implementation of this methods resulted in shortening the assessment process of loan applications as well as improvement of credit risk management effectiveness.

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 response time to warning signs indicating the elevated credit risk levels, the EWS (Early Warning System) application has been in place at the Bank since August 2010. In June 2011, as part of the second stage of EWS development, the functionality of automatic identification of adverse events was carried out.

In the first half of 2011, the Bank incorporated the identification of default-indicating events in the rating system. As a result, consistency was achieved between the rating system and the system of identification of individual indicators of credit exposure impairment. Moreover, the rating system was extended as follows: 10 rating classes were introduced in place of the former 8 rating classes. At the same time, it was decided that credit exposures previously classified in class 'G' (due to the low probability of default) would not be automatically considered impaired. Moreover, the conditions defining the availability of financing were generally maintained.

(in PLN thousand)

34.2.2. Forecasting and monitoring of credit risk

Exposure of the Bank to credit risk

Amounts due from banks	Exposure 30.06.2011	Exposure 31.12.2010
Amounts due from banks impaired	36 734	42 720
including valued with an individual method	36 257	42 250
Amounts due from banks not impaired	2 277 618	2 369 089
neither past due nor impaired	2 277 618	2 368 738
past due but not impaired	-	351
past due up to 4 days	-	351
Gross total	**2 314 352**	**2 411 809**
Impairment allowances	**(29 050)**	**(32 570)**
Net total by carrying amount	**2 285 302**	**2 379 239**

Loans and advances to customers	Exposure 30.06.2011	Exposure 31.12.2010
Loans and advances impaired	9 571 985	9 490 018
including valued with an individual method	4 140 269	4 686 388
Loans and advances not impaired	129 380 555	123 708 595
neither past due nor impaired	123 837 164	119 904 124
past due but not impaired	5 543 391	3 804 471
past due up to 4 days	3 090 336	2 025 979
past due over 4 days	2 453 055	1 778 492
Gross total	**138 952 540**	**133 198 613**
Impairment allowances	**(4 783 283)**	**(4 265 484)**
Net total by carrying amount	**134 169 257**	**128 933 129**

Investment securities available for sale – debt securities	Exposure 30.06.2011	Exposure 31.12.2010
Debt securities impaired	13 045	13 045
insluding valued with an individual method	13 045	13 045
Debt securities not impaired	10 661 285	9 804 907
neither past due nor impaired	10 661 285	9 804 907
Gross total	**10 674 330**	**9 817 952**
Impairment allowances	**(13 045)**	**(13 045)**
Net total by carrying amount	**10 661 285**	**9 804 907**

(in PLN thousand)

Maximum exposure to credit risk

The table below presents maximum exposure to credit risk of the Bank as at 30 June 2011 and as at 31 December 2010.

Items of the statement of financial position	30.06.2011	31.12.2010
Current account in the central bank	5 225 439	3 782 717
Amounts due from banks	2 285 302	2 379 239
Trading assets – debt securities	1 605 666	1 491 053
Derivative financial instruments	1 695 702	1 719 764
Financial instruments at fair value through profit and loss - debt securities	12 331 438	10 758 331
Loans and advances to customers	134 169 257	128 933 129
Investment securities available for sale - debt securities	10 661 285	9 804 907
Other assets - other financial assets	449 073	289 587
Total	**168 423 162**	**159 158 727**

Off-balance sheet items	30.06.2011	31.12.2010
Irrevocable loan commitments	6 806 166	7 001 338
Guarantees granted	4 370 474	5 048 902
Letters of credit granted	2 706 287	229 946
Guarantees of issue (underwriting)	3 574 568	2 973 980
Total	**17 457 495**	**15 254 166**

Financial assets individually determined to be impaired for which individual impairment allowance has been recognized by carrying amount gross

	30.06.2011	31.12.2010
Amounts due from banks	**36 257**	**42 250**
Loans and advances to customers	**4 140 269**	**4 686 388**
Non-financial entities	4 132 734	4 678 866
consumer loans	75 010	88 303
mortgage loans	873 414	764 065
corporate loans	3 184 310	3 826 498
State budget entities	7 535	7 522
corporate loans	7 535	7 522
Investment debt securities available for sale	**13 045**	**13 045**
issued by non-financial entities	13 045	13 045
Total	**4 189 571**	**4 741 683**

Allowances for credit losses

PKO Bank Polski SA performs a monthly review of credit exposures in order to identify credit exposures threatened with impairment, measure the impairment of credit exposures and record impairment charges or provisions. The process of determining the impairment charges 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 indications of impairment of credit exposures,
- determining the method of measuring impairment,
- measuring impairment and determining an impairment charge or provision,
- verifying and aggregating the results of the impairment measurement,
- recording the results of impairment measurement.

The method of determining the amount of impairment charges is dependent on the type of indications of impairment identified and the individual significance of a credit exposure. The events considered as indications of individual impairment are, in particular, as follows:

- a loan being overdue for at least 3 months,
- a significant deterioration in a customer's internal rating,
- entering into restructuring agreement or granting a discount concerning debt repayment (the indication of impairment will be recognized, if the convenience granted to the consumer is a result of its difficult legal or economic position).

When determining the overdue period of a loan, the amounts of interest not paid according to the schedule or instalment payments exceeding accepted thresholds are taken into account.

PKO Bank Polski SA applies three methods of estimating impairment:

- the individualized method applied in respect of individually significant loans, which show the indications of impairment or having the need for individual opinion because of transactions specifics, from which they are becoming and from events determining the repayment of exposition,
- the portfolio method applied in respect of individually insignificant loans, in the case of which indications 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 credit portfolio structure and allowances for credit losses of PKO Bank Polski SA are presented in Note 18 'Loans and advances to customers'.

Concentration of credit risk within the Bank

PKO Bank Polski SA 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 Bank analyses the risk of credit risk concentration in respect of:

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

Concentration by the largest business entities

The Banking Law specifies maximum concentration limits for the Bank. 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 Bank's own funds if any of these entities is related to the Bank, or 25% of the Bank's 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 equal or in excess of 10% of its own funds towards individual entities, shall not exceed the large exposure limit, which is 800% of the Bank's own funds.

As at 30 June 2011 and as at 31 December 2010 concentration limits were not exceeded.

As at 30 June 2011, the level of the Bank risk concentration with respect to individual exposures was low – the largest exposure to a single entity was equal to 19.9% of the Bank's own funds (as at 31 December 2010 amounted to 9.1%*, 6.5* and 5.4% of the Bank's own funds).

* concentration in respect of the entities exempted from concentration limits.

Concentration by the largest groups

The largest concentration of the PKO Bank Polski SA into the capital group is 2.78% of the loan portfolio of the Bank.

As at 30 June 2011, the concentration risk by the largest capital groups was low. The greatest exposure of the PKO Bank Polski SA towards a capital group amounted to 22.1% of the Bank's own funds (as at 31 December 2010 7.2% of the Bank's own funds)

Concentration of credit risk by industry

Industry sectors limits are applied in Bank, whose objective is to reduce the level of risk connected with financing of corporate customers running the business on the high level of credit risk in selected sectors and avoiding of excessive level of concentration in industry sectors.

As compared with 31 December 2010 the exposure of the PKO Bank Polski SA in industry sectors has increased over PLN 3.2 billion. The total exposure in the four largest industry sectors: 'Industrial processing', 'Wholesale and retail trade, repair of cars, motorcycles', 'Business activity connected with maintenance and rental of real estate' and 'Construction' amounted to approx. 68% of the total loan portfolio covered by the analysis of the sector.

Concentration of credit risk by geographical regions

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

As at 30 June 2011 and as at 31 December 2010 the largest concentration of the Bank's loan portfolio was in the mazowiecki region. More than 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 2011, the share of currency exposures, other than PLN, in the total credit portfolio of the Bank amounted to 22.4% (as at 31 December 2010 it to amounted to 22.8%). The greatest parts of currency exposures of PKO Bank Polski SA are those in CHF.

A decrease in the share of loans denominated in foreign currencies in 2011 results from concentration of new sales of mortgage loans in the Polish currency.

Other types of concentration

In accordance with the Recommendation S and T of the Polish Financial Supervision Authority, the Bank has implemented internal limits with regard to:

- portfolio of exposures secured with mortgage collateral,
- portfolio of loans granted to individual clients.

As at 30 June 2011 and as at 31 December 2010 these limits were not exceeded.

34.2.3. Credit risk reporting

The Bank prepares monthly and quarterly credit risk reports for i.a. ALCO, CCC, the Bank's Management Board and the Bank's Supervisory Board. The reporting of credit risk covers specifically cyclic information on the results of risk measurement and the scale of risk exposure of the credit portfolio.

34.2.4. 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 art. 71 clause 1 of the Banking Law,
- industry-related limits – limits which limit the risk level related to financing institutional clients that conduct business activities in industries characterized by high level of credit risk,
- limits on credit exposures related to the Bank's customers – the limits defining the appetite for credit risk as result of among other the recommendations of S and T,
- credit limits defining the Bank's maximum exposure to a given client or country in respect of wholesale operations and settlement limits and limits for the period of exposure,
- 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 relating to a given credit transaction concluded by the Bank with a given corporate client; 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 terms as regards credit risk. The Bank's collateral management is meant to secure properly the credit risk, to which the Bank 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 tangible 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 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 as mortgage 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–sized enterprises and corporate clients, collateral can be established on: trade receivables, bank accounts, movable property, real estate or securities.

34.3. Interest rate risk management

The interest rate risk is a risk of incurring losses on the Bank's balance and off-balance sheet items sensitive to interest rate fluctuations, as a result of 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 by shaping the structure of balance and off-balance sheet items.

34.3.1. Interest rate risk measurement

In the process of interest rate risk management, PKO Bank Polski SA uses, in particularly, the Value at Risk (VaR) model, interest income sensitivity measure, stress tests and a repricing gap.

34.3.2. Forecasting and monitoring of interest rate risk

Exposure of the PKO Bank Polski SA to interest rate risk was at 30 June 2011, within accepted limits. The Bank was mainly exposed to PLN interest rate risk, which represents about 59% of Bank's value at risk (VaR) as at 30 June 2011. Interest rate risk was determined mainly by the risk of a timing mismatch between the repricing of interest rates of Banks assets and liabilities.
VaR of the Bank and stress tests analysis of the PKO Bank Polski SA exposure to the interest rate risk are presented in the following table:

Name of sensitivity measure	30.06.2011	31.12.2010
VaR for a 10-day time horizon (in PLN thousand)	58 909	39 004
Parallel movement of interest rate curves by 200 base points (in PLN thousand) (stress tests)	606 111	475 091

As at 30 June 2011, the Bank's interest rate VaR for a 10-day time horizon amounted to PLN 58 909 thousand, which accounted for approximately 0.34% of the value of the Bank's own funds. As at 31 December 2010, VaR for the Bank amounted to PLN 39 004 thousand, which accounted to approximately 0.24% of the Bank's own funds*.

34.3.3. Reporting of interest rate risk

The Bank prepares daily, weekly, monthly and quarterly reports addressing interest rate risk. Reports present the information on interest rate risk exposure and usages of available limits regarding the risk. Reports are prepared mainly for ALCO, the Bank's Management Board and the Bank's Supervisory Board.

34.3.4. Management decisions as regards interest rate risk

The main tools used in interest rate risk management in PKO Bank Polski SA include:

- procedures for interest rate risk management,
- limits and thresholds for interest rate risk,
- defining allowable transactions based on interest rates.

The Bank 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.

34.4. Currency risk management

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

The purpose of managing the currency risk is to mitigate the risk of incurring losses arising from the structure of the Bank's currency mismatch to an acceptable level by shaping the structure of balance and off-balance sheet items.

34.4.1. Currency risk measurement

PKO Bank Polski SA measures currency risk using the Value at Risk model (VaR) and stress tests.

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

The value at risk (VaR) is defined as a potential loss arising from currency position and foreign exchange rate volatility under the assumed confidence level and taking into account the correlation between the risk factors.

34.4.2. Forecasting and monitoring of currency risk

VaR of the Bank and stress-testing of PKO Bank Polski SA financial assets exposed to currency risk are stated cumulatively for all currencies in the table below:

Name of sensitivity measure	30.06.2011	31.12.2010
VaR for a 10-day time horizon (in PLN thousand)	975	3 171
Change in CUR/PLN 15% (in PLN thousand) (stress-tests)	2 406	3 954

The level of currency risk was low both at 30 June 2011 and 31 December 2010.

The currency positions (for individual currency) are presented in the table below:

Currency position	30.06.2011	31.12.2010
USD	10 977	(60 735)
GBP	324	48 110
CHF	(26 829)	(19 038)
EUR	18 679	(13 120)
Other (Global Net)	12 886	18 424

The volume of currency positions is a key factor determining the level of currency risk on which the Bank 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 Bank, both in the statement of financial position (such as loans) and off-balance sheet (such as derivatives, CIRS transactions in particular). In accordance with the currency risk management principles at the Bank, the daily currency position opened by the Bank within the banking book (such as disbursement of loans denominated in foreign currency in PLN, repayment in PLN of loans denominated in foreign currency by the clients, exposure currency conversion) is closed every day, also using derivative instruments. This means that the currency position of the Bank at the end of the day may constitute only of generated new position in banking book on this day and currency position in trading book within the limits which results in a low exposure of the Bank to currency risk (with reference to own funds, VaR for a 10-day time horizon for the Bank's currency position as at the end of the first half of 2011 amounted to approx. 0.01%).

34.4.3. Reporting of currency risk

The Bank prepares daily, weekly, monthly and quarterly reports addressing currency risk. Reports present the information on currency risk exposure and usages of available limits regarding the risk. Reports are prepared mainly for ALCO, the Bank's Management Board and the Bank's Supervisory Board.

34.4.4. Management decisions concerning currency risk

Main tools used in currency risk management in the Bank include:

- procedures for currency risk management,
- limits and thresholds for currency risk,
- defining allowable types of transactions in foreign currencies and the exchange rates used in such transactions.

The Bank has set 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.

34.5. Liquidity risk management

The liquidity risk is defined as the lack of possibility to pay the debts on time due to the lack of liquid assets; lack of liquidity may arise from inappropriate structure of the Bank's statement of financial position, misfit of cash flows, not received payments from contractors, sudden withdrawal of cash by clients or other market events.

The objective of liquidity risk management is to pay present and future debts (also potential) on time, taking into account the nature of performed activities and requirements which may occur due to changes in market environment, by shaping the structure of the Bank's statement of financial position and contingent liabilities and commitments.

PKO Bank Polski SA's policy concerning liquidity is based on keeping a portfolio of liquid securities and increasing stable sources of financing (stable deposits, in particular). In its liquidity risk management policy, the Bank also uses money market instruments, including NBP open market operations.

34.5.1. Liquidity risk measurement

The Bank makes use of the following liquidity risk measures:

- the contractual liquidity gap method and the liquidity gap in real terms,
- liquidity reserve,
- measure of stability of deposit and loan portfolios,
- stress tests (liquidity stress tests).

34.5.2. Forecasting and monitoring of liquidity risk

Liquidity gaps presented below include i.a. the Bank'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 maturit

	a'vista	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 24 months	24 - 60 months	over 60 months
								30.06.2011
Adjusted gap in real terms	4 364 023	11 348 732	(1 100 003)	(2 589 789)	2 742 318	4 121 195	(687 809)	**(18 198 667)**
Cumulative adjusted gap in real terms	4 364 023	15 712 755	14 612 752	12 022 963	14 765 281	18 886 476	18 198 667	-
								31.12.2010
Adjusted gap in real terms	3 220 646	14 309 944	(711 294)	(65 793)	3 965 229	5 019 030	(1 317 240)	**(24 420 522)**
Cumulative adjusted gap in real terms	3 220 646	17 530 590	16 819 296	16 753 503	20 718 732	25 737 762	24 420 522	-

In all time horizons, PKO Bank Polski SA cumulative liquidity gap in real terms as at 30 June 2011 and 31 December 2010 was positive. This means a surplus of assets receivable over liabilities payable.

The table below presents liquidity reserve of the Bank as at 30 June 2011 and 31 December 2010:

Name of sensitivity measure	30.06.2011	31.12.2010
Liquidity reserve up to 1 month* (in PLN million)	12 460	10 151

*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 2011, the level of core deposits constituted about 94.7% of all deposits in the Bank (except for interbank market), which means a decrease by approximately (0.5) pp. as compared to the end of 2010.

34.5.3. Reporting of liquidity risk

The Bank prepares daily, weekly, monthly and quarterly reports addressing liquidity risk. Reports present the information on liquidity risk exposure and usages of available limits regarding the risk. Reports are prepared mainly for ALCO, the Bank's Management Board and the Bank's Supervisory Board.

34.5.4. Management decisions concerning liquidity risk

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

– procedures for liquidity risk management, emergency plans in particular,
– limits and thresholds mitigating liquidity risk,
– deposit, investment and derivative transactions, including structural currency transactions and transactions for sale or purchase of securities,
– transactions ensuring long-term financing of Bank's lending activities.

To ensure an adequate liquidity level, the PKO Bank Polski SA has accepted limits and thresholds for liquidity risk. The limits and thresholds were set for short, medium and long-term liquidity measures.

34.5.5. 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 purpose of operational risk management is to optimize operational efficiency by reducing operating losses, costs streamlining and improving the timing and adequacy of the response of the Bank 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 instruments (proper staff selection, enhancement of professional qualification of employees, motivation packages),
- setting threshold values of Key Risk Indicators (KRI),
- tolerance and operational risk limits,
- contingency plans,
- insurance,
- outsourcing.

In order to manage the operational risk, the Bank gathers internal and external data about operating events and their causes, data on the operating environment, and data related to the quality of internal functional controls.

Identification and assessment of operational risk comprises operational risk appearing in the existing products, processes and IT applications 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 measurement of operational risk comprises:

- KRI calculation,
- calculation of VaR for operating risk,
- scenario-based analyses.

The Bank regularly monitors:

- under the system-based operational risk management activities :
    - tolerance of operational risk,
    - limits for operational risk,

  - effectiveness and timeliness of actions taken to reduce or transfer the operational risk,
- under the on-going operational risk management activities:
  - KRI values,
  - operating events and their effects, broken down by areas of the Bank activities,
  - effects of actions taken following external control recommendations or internal audits,
  - quality of the internal functional controls.

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

- information on the operational risk profile of the Bank 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.

Each month, information on operational risk is prepared and forwarded to members of the Bank's Management Board and organizational units of the Bank responsible for system-based operating risk management. The scope of information is diversified and tailored to the scope of responsibilities of individual recipients of the information.

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 managing it,
- reducing the scale of activities characterized by too high level of 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.

34.5.6. 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 PKO Bank Polski SA, 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 purpose of compliance risk management is to ensure the Bank's compliance with law and adopted standards and the Bank's acting as an entity that is reliable, fair and honest, through mitigating compliance risk, reputation risk or risk of the Bank's credibility and mitigating the risk of occurring financial losses or legal sanction risk resulting from breach of regulations and ethical standards.

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

The Bank performs identification and assessment of compliance risk. In order to identify compliance risk, information on cases of non-compliance and their origins is 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.

The 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:

- the results of the identification and assessment of compliance risk,

- instances of non-compliance identified at the Bank and within the banking sector in Poland,
- the most important changes in the regulatory environment and actions carried out at the Bank in order to adapt to the new regulations and standards,
- the results of external audits performed at the Bank,
- the status of implementation of post-inspection recommendations of the PFSA,
- the Bank's correspondence with external regulators.

Compliance risk management involves in particular:

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

34.5.7. 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.

Managing the strategic risk is aimed at maintaining, on an acceptable level, the negative financial consequences resulting from bad decisions, decisions made on the basis of an incorrect assessment or failing to make appropriate decisions on the direction of the strategic development of the Bank.
In measuring the strategic risk, the Bank takes into account an impact of selected types of factors, distinguished in the activity and in the environment, which comprise in particular:

- 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 is performed in the Bank on an annual basis at minimum.

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 Head Office.

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

34.5.8. 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 in the Bank mainly comprises preventive activities aimed at reducing or minimizing the scale and the scope of reputation events, as well as selection of effective tools for protective measures aimed at eliminating, mitigating or minimizing the unfavourable effect of unfavourable events on the Bank's image.

35. Capital adequacy

Objectives and principles of capital adequacy management were in details presented in the annual PKO Bank Polski SA financial statements for the year 2010. In these statements there was also included the information concerning components of the Bank's own funds calculated for capital adequacy purposes as well as the methods of capital requirements calculation for particular risk purposes.

The level of capital adequacy of the Bank as at 30 June 2011 remained on a safe level significantly above the statutory limits.

The capital adequacy ratio of the Bank, one of the main capital adequacy measures, as compared to 31 December 2010, increased by 0.18 pp., which has been mainly caused by the increase of the Bank's own funds calculated for capital adequacy purposes.

(in PLN thousand)

35.1.1. Own funds for the capital adequacy requirements

As at 30 June 2011, own funds of the Bank calculated for capital adequacy purposes increased by PLN 812 177 thousand, which was mainly due to the recognition of profit earned by the Bank in 2010 after expected charges deduction (i.e. PLN 836 209 thousand) to the Bank's own funds.

The structure of the Bank's own funds, determined for the purposes of the capital adequacy is presented in the table below:

BANK'S OWN FUNDS	30.06.2011	31.12.2010
Basic funds (Tier 1)	**16 306 203**	**15 449 743**
Share capital	1 250 000	1 250 000
Reserve capital	12 898 111	12 098 111
Other reserves	3 319 621	3 283 412
General banking risk fund for unidentified banking activities risk	1 070 000	1 070 000
Unrealised losses on debt and equity instruments classified as available for sale	(70 749)	(65 935)
Intangible assets	(1 508 739)	(1 528 267)
Equity exposures	(652 041)	(657 578)
Supplementary funds (Tier 2)	**1 000 416**	**967 418**
Subordinated liabilities classified as supplementary funds	1 600 700	1 600 700
Unrealised profits on debt and equity instruments classified as available for sale (80% of their values before tax)	51 757	24 296
Equity exposures	(652 041)	(657 578)
Short-term equity (Tier 3)	**68 647**	**145 928**
TOTAL OWN FUNDS	**17 375 266**	**16 563 089**

35.1.2. Capital requirements (Pillar 1)

The table below presents the Bank's capital requirements as regards particular types of risk.

Capital requirements	30.06.2011	31.12.2010
Credit risk	**10 217 991**	**9 625 972**
credit risk (banking book)	10 142 015	9 560 923
counterparty risk (trading book)	75 976	65 049
Market risk	**444 955**	**465 911**
equity securities risk	7 808	767
specific risk of debt instruments	360 467	379 948
general risk of interest rates	76 680	85 196
Operational risk	**757 943**	**957 564**
Total capital requirements	**11 420 889**	**11 049 447**
Capital adequacy ratio	**12.17%**	**11.99%**

In the first half of 2011, an increase in the capital requirement in respect of credit risk resulted mainly from an increase of ca. 4%: in the Bank's loans portfolio.

The decrease of market risk capital requirement was mainly due to the decrease in value of commercial and municipal bonds by ca. 3%, and increase in commitments due to issue underwriting by ca. 20% at the same time.

The drop in the capital requirements in respect of operating risk results from the first-time use of the AMA (advanced measurement approach) to the data for current year June in respect of the operating risk capital requirement. In accordance with the PFSA recommendations the requirement constitutes 75% of the requirement calculated according to the standardized approach (STA) for comparative purposes. The requirement for December 2010 was calculated using the standardized approach (STA).

35.1.3. Internal capital (Pillar 2)

The principles of calculation of internal capital in the Bank were in details presented in the annual financial statements of PKO Bank Polski SA for the year 2010.

35.1.4. 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 (PFSA's Journal of Laws 2008, No. 8, item 39, with subsequent amendments), the Powszechna Kasa Oszczędności Bank Polski SA, which is the parent 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 PKO Bank Polski SA Group as at 31 December 2010' was published on the Bank's official website on 27 July 2011.

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).

INFORMATION ON THE EVENTS AFTER THE REPORTING PERIOD

36. Events after the reporting period

- On 5 July 2011 the Bank concluded a borrowing agreement with its subsidiary PKO Finance AB with its registered office in Sweden ('the Issuer') according to which the Bank will borrow from the Issuer funds obtained by way of issuing bonds by the Issuer ('Borrowing Agreement') issued under the Euro Bond Issue Plan of which the Bank informed in its report no. 35/2008. The Bank is the Issuer's sole shareholder. The Issuer is the Bank's related entity within the meaning of the Accounting Act. The subject matter of the Borrowing Agreement is the Issuer granting to the Bank borrowings of CHF 250 million for the Bank's general finance purposes. The interest rate on the borrowing is fixed and amounts to 3.538% per annum. Interest is payable in annual settlement periods. The borrowing agreement was concluded for 5 years. The loan is not secured. The Borrowing Agreement does not stipulate contractual penalties. As at the date of concluding the Borrowing Agreement, the total amount of the Bank's exposure in respect of the agreements concluded with the Issuer during the last 12 months (including the value of the Borrowing Agreement) was PLN 3 966 million.
- On 8 July 2011 the Management Board of PKO Bank Polski SA obtained information on a claim filed by the Bank's shareholder on determining the invalidity of Resolution No. 1/2011 of the Extraordinary General Shareholders' Meeting of the Bank dated 14 April 2011 on appointment of the Chairman of the Extraordinary General Shareholders' Meeting.
- On 18 July 2011, an application for approval of the Bank's Prospectus prepared in connection with the public offering of up to 190 602 731 of the Bank's shares (i.e. up to 15.25% of the Bank's share capital) and the application for admitting and introducing 197 500 000 A-series shares of the Bank for trading on the basic market of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) was filed with the Polish Financial Supervision Authority.
- Other events concerning the Group's entities:
  - On 1 July 2011, PKO Bank Polski SA, as the sole shareholder of Centrum Finansowe Puławska Sp. z o.o., passed a resolution on the Company's winding up and opening its liquidation as of 1 July 2011. The relevant motion was filed with the National Court register on 4 July of the current year. The winding up of the Company will not result in any changes to the scope of activities of the PKO Bank Polski SA Group.
  - On 1 July 2011, the transformation of PKO BP Inwestycje – Nowy Wilanów Sp. z o.o. into a limited partnership and the change in its name to Qualia spółka z ograniczoną odpowiedzialnością – Nowy Wilanów Spółka komandytowa was registered with the National Court Register.
  - On 1 July 2011, the transformation of PKO BP Inwestycje – Neptun Park Sp. z o.o. into a limited partnership and the change in its name to Qualia spółka z ograniczoną odpowiedzialnością. – Neptun Park Spółka komandytowa was registered with the National Court Register.

- On 4 July 2011 the Memorandum of Association of Qualia spółka z ograniczoną odpowiedzialnością - Projekt 1 Spółka komandytowa (limited liability limited partnership) was drawn up. The partnership is part of the Qualia Development Group. The Partners are: Qualia Development Sp. z o.o. (limited partner) and Qualia Sp. z o.o. (general partner). The Partnership's business is development activity. The registration proceedings of the Partnership with the National Court Register have not yet been finalized.
- On 21 July 2011 a new partnership - Qualia spółka z ograniczoną odpowiedzialnością - Pomeranka Spółka komandytowa (limited liability limited partnership) was registered with the National Court Register; the Partnership is part of the Qualia Development Group. The Partners are: Qualia Development Sp. z o.o. (limited partner) and Qualia Sp. z o.o. (general partner). The Partnership's business is development activity.
- On 28 July 2011 the Extraordinary General Shareholders' Meeting of Fort Mokotów Sp. z o.o. decided to dissolve the Partnership and open its liquidation proceedings as of 28 July 2011. The liquidation is related to the completion of the development project.
- On 8 August 2011, PKO Bank Polski SA has signed a conditional sale agrement with Inteligo Financial Services SA and PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA for the sale of shares of PKO BP Finat Sp. z o.o. After the conditions described in those agreements are met, the Bank will become the sole shareholder of PKO BP Finat Sp. z o.o.

Signatures of all Members of the Management Board of the Bank

09.08.2011	Zbigniew Jagiełło	President of the Board	.... (signature)
09.08.2011	Piotr Alicki	Vice-President of the Board	.... (signature)
09.08.2011	Bartosz Drabikowski	Vice-President of the Board	.... (signature)
09.08.2011	Andrzej Kołatkowski	Vice-President of the Board	.... (signature)
09.08.2011	Jarosław Myjak	Vice-President of the Board	.... (signature)
09.08.2011	Jacek Obłękowski	Vice-President of the Board	.... (signature)
09.08.2011	Jakub Papierski	Vice-President of the Board	.... (signature)

Signature of person responsible for
maintaining the books of account

09.08.2011

Danuta Szymańska

Director of the Bank

....
(signature)