PKO BANK POLSKI
SPÓŁKA AKCYJNA

THE PKO BANK POLSKI SA GROUP
DIRECTORS' REPORT
FOR THE FIRST HALF OF 2010

Warsaw, August 2010

This document is a translation of a document originally issued in Polish. The only binding version is the original Polish version.

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1. KEY FINANCIAL DATA[1]

Table 1. Key financial data of the PKO Bank Polski SA Group

NET PROFIT	**1 502.3**	**PLN million**	**+**	**30.6%**	**(y/y)**
RESULT ON BUSINESS ACTIVITIES*	**4 855.1**	**PLN million**	**+**	**12.0%**	**(y/y)**
NET INTEREST INCOME	**3 066.2**	**PLN million**	**+**	**33.2%**	**(y/y)**
NET FEE AND COMMISSION INCOME	**1 527.2**	**PLN million**	**+**	**30.3%**	**(y/y)**
ADMINISTRATIVE EXPENSES	**-2 035.0**	**PLN million**	**-**	**1.9%**	**(y/y)**
NET IMPAIRMENT ALLOWANCE	**-883.3**	**PLN million**	**+**	**15.6%**	**(y/y)**
ROE NET	**14.3**	**%**	**-**	**3.2**	**pp.**
ROA NET	**1.7**	**%**	**-**	**0.1**	**pp.**

**Result on business activities defined as operating profit before administrative expenses and net impairment allowance*

In the first half of 2010, the financial standing of the banking sector improved compared with the corresponding period of the prior year, but it was still affected by negative risk factors related to uncertainty about the future economic situation and the clients' credit risk. The results and financial standing of the banking sector were considerably impacted, in particular during the second quarter of this year, by fluctuations in exchange rates, mainly a significant depreciation of the PLN against the dollar and Swiss franc, resulting from the exchange rates of those currencies appreciating in the global markets. The situation in the deposit and loan market was marked by a boom in the market of mortgage loans, a slump in consumer loans and corporate loans and a slower rate of growth in deposits from individuals.

In this period, PKO Bank Polski SA continued its activities to maintain its strong deposit and equity base – these measures will constitute a basis for a stable development of business activities, while the priorities relating to business effectiveness and effective cost control being maintained.

The net profit of the PKO Bank Polski SA Group generated in the first half of this year amounted to PLN 1 502.3 million, which represents an increase of PLN 351.8 million compared with the corresponding period of the previous year. The generated profit was determined by:

- ⇒ the high level of the result on business activities of the PKO Bank Polski SA Group – PLN 4 855.1 million, determined by increase in net interest income as well as fee and commission income in correspondence with a decrease in net foreign exchange gains;
- ⇒ the effective structure of the statement of financial position – an increase in the deposits of the PKO Bank Polski SA Group of PLN 15.1 billion (y/y) and an increase in equity base of PLN 7.8 billion (y/y) allowed business activities to increase dynamically. The loans to deposits ratio amounted to 96.4% as at the end of the first half of 2010;
- ⇒ a rationalization in the operating costs, which translated into a decrease in such costs of 1.9% on a year to year basis (y/y), including mainly overheads and other costs (decrease of 12.2%) which, accompanied by a 12.0% increase in income, brought a fall in the C/I ratio to 41.9%;
- ⇒ a prudent approach to credit risk, which resulted in an increase in impairment allowances, including predominantly consumer and mortgage loans.

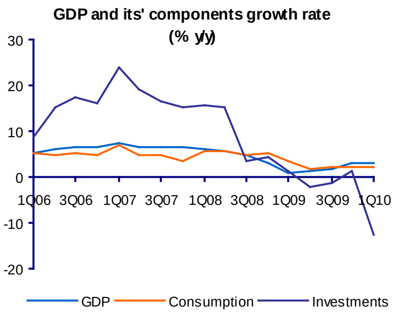
[1] *The ROE net ratio calculated as the net profit for the period from 1 July 2009 to 30 June 2010 divided by average equity (computed as the average of the equity balances as at the end of consecutive quarters in the period from 30 June 2009 to 30 June 2010); the ROA net ratio calculated as the net profit for the period from 1 July 2009 to 30 June 2010 divided by average assets (computed as the average of the assets as at the end of consecutive quarters in the period from 30 June 2009 to 30 June 2010).*

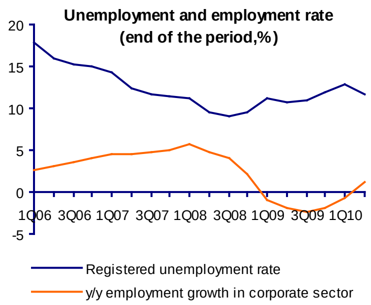
2. External factors influencing the activities and results of the PKO Bank Polski SA Group

Macroeconomic environment

In the first half of 2010:

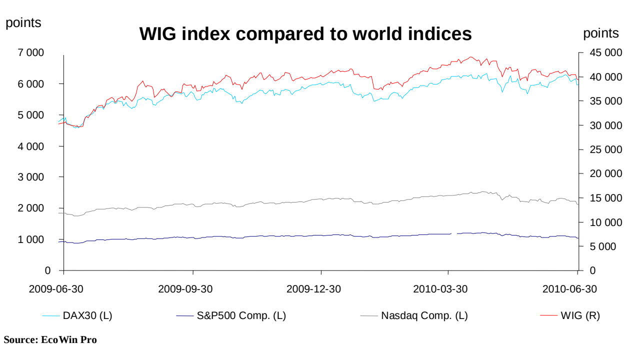
- the acceleration of the economic growth continued, after a dramatic slowdown in the first half of 2009, accompanied by increased exports and the rebuilding of inventories, as well as stabilization of the rate of growth of private consumption, despite capital expenditure projects being considerably reduced (partly due to weather conditions at the beginning of the year, unfavourable for construction activities, partly due to a dramatic reduction in expenditure by businesses on plant and machinery, which was caused by the low utilization of capacity); the published monthly data indicated that the rate of GDP growth was maintained at a level of ca. 3.0% y/y, compared with an increase of 3.3% y/y in the fourth quarter of 2009 and of 1.8% y/y in 2009;
- the low pace of increase in household income was continued, along with the decrease in annual pace of increase in wages and salaries in the business sector reached an average of 3.3%, with employee pensions and disability pensions increasing by 6.8% (January- May); after a fall in employment in enterprises in the first quarter (annualized), the second quarter saw an increase in employment compared with the corresponding period of the prior year; in the first quarter the unemployment rate grew to 12.9%, whereas in the second quarter it fell to 11.6%, due to seasonal factors;
- inflation measured with the CPI fell to 2.3% in June this year y/y, from 3.5% y/y in December last year; the decrease in the ratio resulted mainly from the core inflation ratio falling due to the low cost and pressure of demand, and the slower pace in the annual growth of food prices and non-alcohol beverages growing, as well as of the energy carriers.

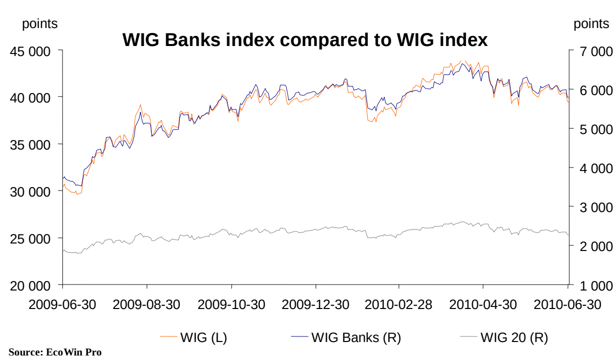




Situation on stock exchange

After a dramatic slump in basic indices of the Warsaw Stock Exchange (WSE) reported in February, followed by an increase in March and April, the falling tendency in the stock market returned in May and June. At the end of the first half of 2010, the majority of indices of the WSE reported a decrease compared with the end of 2009. The main index WIG decreased by 1.5%, the index of companies with the greatest capitalization WIG20 decreased by 4.9%, and the index WIG Banks decreased by 1.4% compared with the increase of 31.5%, 57.9% and 28.3% respectively in the 2nd half of 2009. The index of medium companies (mWIG80) fell less dramatically (by 1.0%). Only the index of small companies (sWIG80) increased by 1.2%.





During the first half of 2010 the capitalization of 383 companies listed in the main market (including 23 foreign companies) increased by 1.6% to PLN 727 billion. In the first half of 2010, 27 companies made their debut on the WSE. At the same time, 20 entities were withdrawn from trading. At the end of the first half of 2010, the annual average P/E ratio was 20.3. The main event in that half of the year was PZU S.A.'s debut on the WSE. This was the largest IPO in the history of the Polish capital market and the largest one in European markets since 2007.

The situation on the WSE affected the banking market and the non-banking financial market. The following trends were noted:

- volatility in valuations of banks,
- an increase in the share of investment funds and slight increase in the share of bank deposits in the savings of individuals and a decrease in the share of equity instruments.
- an increase in the value of assets of investment funds and pension funds.

The monetary policy of the Central Bank

In the first half of 2010 the Monetary Policy Council maintained interest rates at an unchanged level of 3.5% in respect of the reference rate of the National Bank of Poland. The Council justified their decisions with the continued low inflation pressure, accompanied by a low rate of economic growth.

Situation in the Polish banking sector

In the first half year of 2010, the financial standing of the banking industry improved compared with the corresponding period of the prior year, but it was still affected by negative risk factors related to the uncertain economic situation and, consequently, credit risk. The situation in the deposit and loan market was marked by a boom in the market of mortgage loans, a slump in consumer loans and corporate loans and a slower rate of growth in deposits from individuals.

The costs of credit risk materializing, cumulated in the banks' loan portfolios due to their lenient credit policy in the period of business prosperity, continued to significantly affect banks' financial results. Bad debts continued to grow, although the pace of growth was lower than at the end of the prior year. At the end of May 2010 bad debts due from the non-financial sector grew by 31% y/y compared with 78% y/y at the end of 2009. This was mainly due to corporate bad debts growing more slowly; they increased by 17% y/y as at the end of May 2010, whereas retail bad debts grew by 47% y/y. Due to the low increase in the entire loan portfolio, the share of bad debts in total debts increased to 8.6%, from 7.6% as at the end of the prior year.

Changes in the volume of loans and deposits in PLN terms were largely due to changes in currency exchange rates, including the depreciation of the Polish zloty in the second quarter of this year (in particular against the Swiss franc), which led to an increase in the PLN value of foreign currency loans and deposits.

In the first half of 2010 the value of the total loan portfolio grew by approximately PLN 35 billion, at a growth rate of 9% y/y, 70% of which was due to currency fluctuations. The increase in the portfolio related mainly to retail loans, whose volume grew by PLN 38 billion, thanks to the continued boom in the market of mortgage loans. Banks applying a more lenient credit policy, due to growing competition in the market of mortgage loans, additionally stimulated by the approaching deadline for introducing more restrictive principles of assessing creditworthiness, resulting from T Recommendation, had a positive impact on the improved situation. The value of the portfolio of mortgage loans grew by PLN 31.5 billion, 60% of which was due to currency fluctuations. The value of newly granted mortgage loans was approximately PLN 24 billion, including PLN 13.8 billion granted in the second quarter.

Banks limited lending to consumers (consumer loans). In the period from January to June 2010 the value of consumer loans grew by PLN 2.5 billion compared with PLN 10 billion in the corresponding period of the prior year, and the growth rate was ca. 6.5% y/y. Banks continued to apply more severe criteria and terms of granting loans, due to the quality of the loan portfolio deteriorating.

The first half of this year saw a slight increase in the volume of corporate loans, of approximately PLN 0.5 billion (i.e. 5% y/y). This was mainly due to currency fluctuations (after being adjusted for the impact of currency fluctuations, corporate loans decreased compared with the corresponding period of the prior year). According to a survey made by the NBP, banks continued to gradually relax their criteria for granting loans, after them being significantly tightened up in 2009, at the same time the growth was hindered by a low demand for loans presented by companies.

In the period from January to June 2010 the deposit base grew at a slower pace than the year before. The total value of deposits grew by PLN 29 billion compared with PLN 37 billion in the corresponding period of the prior year, and the growth rate was 9% y/y. The growth of retail deposits slowed down – in the first half of 2010 they increased by approximately PLN 15.3 billion compared with PLN 31.3 billion in the prior year. This was due to the financial standing of individuals deteriorating, the interest rate on deposits falling and PZU S.A. shares being issued. The value of corporate deposits grew by PLN 2.6 billion and the value of deposits from governmental and self-governmental institutions increased by approximately PLN 13 billion, being a significant source of growth in the banks' deposit base.

Situation in the Polish industries other than the banking sector

Investment funds

In the first half of 2010, the investment fund market developed at a slower pace than in the second half of 2009. Two counter-tendencies were noted. Until April, the growing tendency continued that began in February 2009, whereas in May and June there was a downturn. Consequently, in the first half of 2010 the fund assets grew to PLN 101.4 billion, i.e. by PLN 8 billion (i.e. 8.6%), compared with an increase of PLN 15.9 billion in the second half of 2009 (i.e. of 20.6%). This was due to a positive balance of net payment and redemption (PLN +6.3 billion) and a positive management result (PLN +1.9 billion). The favourable business climate in the investment fund market had a positive impact on fee-based revenue of banks that participated in their distribution.

Open pension funds

In the first half of 2010, assets of open pension funds grew to PLN 193.2 billion, i.e. by PLN 14.6 billion (8.2%). The increase was the same as in the first half of 2009. This was mainly due to an inflow of new funds from the Social Security Office (ZUS), and, to a lesser degree, the management result, which resulted from the business climate in the stock market being worse.

Leasing market

In the first half of 2010, the growth rate in the leasing industry was higher than the year before. This was due to a considerable increase in new leasing transactions in the second quarter of 2010, which amounted to 15.1% y/y compared with a decrease of 1.7% (y/y) reported in the preceding quarter. The value of assets financed by leasing companies in the first half of 2010 was higher by 7% compared with the prior year.

After a period of recession, the gradual recovery in the leasing market was triggered mainly by an increase in the leasing of vehicles in response to expected amendments to tax regulations. Leasing was adversely affected by weak investment demand, including the postponement of capital expenditure, as well as by a continued decrease in orders resulting from a lack of improvement in internal demand.

Financial market

In the first half of 2010, the yield of Polish Treasury securities (TS) decreased, while the yield curve flattened slightly. Yields of yearly Treasury bills decreased minimally, whereas the yield of 2-year bonds fell by approximately 20 basis points and the yield of 5- and 10-year bonds fell by approximately 30 basis points. The first quarter of 2010 saw a slump in the yields of Polish TS all along the yield curve, while the global risk premium dropped and the PLN exchange rate appreciated. In the second quarter of 2010 prices of Polish Treasury securities declined due to the global increase in the risk averse attitude caused by a fiscal crisis in Greece, the growth in market expectations of an increase in interest rates in Poland, as well as by a deteriorated market assessment of the Polish fiscal standing.

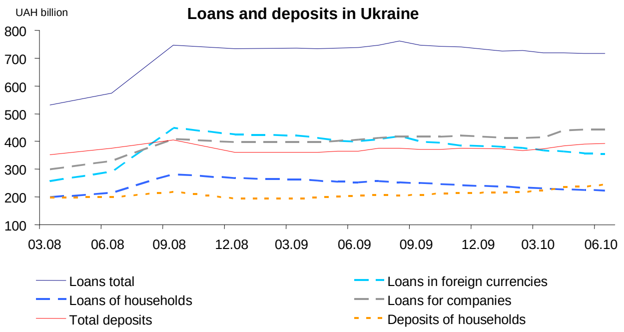
In the first half year the situation in the interbank market improved significantly as regards the mutual trust between banks - market players, and there was a gradual withdrawal from the policy of reduced credit limits. Consequently, WIBOR rates dropped considerably – the 3M WIBOR fell as at the end of June by 40 basis points to 3.87%.

In the first half year of 2010 there was a strong increase in the excessive liquidity of the banking industry, of nearly PLN 30 billion up to PLN 70 billion, due to the Ministry of Finance continuing swaps of foreign currency funds with the EU in the NBP and financing a part of the budgetary deficit and outflows with bonds issued in international markets, accompanied by the NBP reducing the degree of providing liquidity to the banking sector through repo operations.

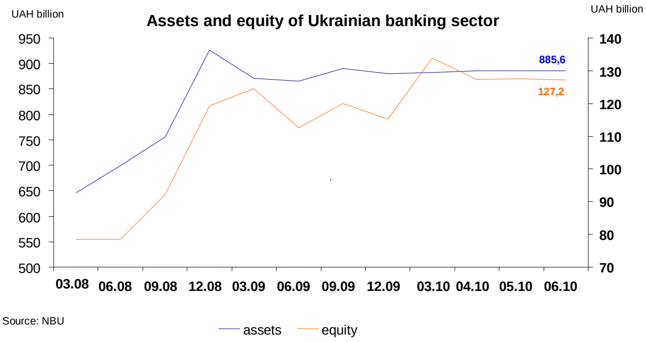
In the first half of 2010, a slight depreciation of the Polish zloty against the euro was observed, as well as its strong depreciation against the dollar and Swiss franc, whereas the rates of the dollar and franc appreciated strongly in the global markets. The PLN/EUR exchange rate dropped by nearly 1% to PLN/EUR 4.15, the PLN/USD exchange rate declined by more than 19% to PLN/USD 3.39 and the PLN/CHF exchange rate fell by 13% to PLN/CHF 3.13. While there was a global decline in the risk premium and an increase in demand for assets in the emerging markets, in the first quarter of 2010 the Polish zloty strongly appreciated against the euro and slightly depreciated against the dollar, since the dollar appreciated globally due to the fiscal crisis in Greece and fears as to the crisis being dispersed to other countries of the Eurozone. Increased financial problems in the Eurozone in the second quarter of 2010 brought about a high increase in the global risk premium and a stronger appreciation of the dollar against the euro, which resulted in the PLN being depreciated (due to financial assets being disposed of in the emerging markets), particularly against the dollar.

Ukrainian banking industry

In the first half of 2010, business activities increased, after a global economic boom, following a very strong recession in the Ukrainian economy in 2009. In the first half year, foreign demand grew, whereas domestic demand (consumption and investments) stabilized. At the beginning of 2010 discussions with the International Monetary Fund were resumed relating to a stabilization loan from the IMF after a temporary suspension of the aid programme in the period of presidential elections at the end of 2009. Ultimately, in June, the Ukraine was granted consent to draw another loan from the IMF - Stand-by-Agreement - designated for stabilizing the country's public finance and the banking industry. The improvement in the economy, the stabilization of the political situation as well as the resumption of cooperation with the IMF resulted in the first half year in a pronounced decrease in the CDS spreads relating to the Ukraine's debt, as well as in a slight appreciation of the Ukrainian hryvnia (while significant administrative limitations of the foreign exchange market still applied, contributing to a lower volatility of the exchange rate).



Source: NBU



Source: NBU

According to the data published by the National Bank of Ukraine, in the first half of 2010, the falling tendency in assets of the Ukrainian banking industry, which started in the fourth quarter of 2008, was stopped. In the first half of 2010 the assets of the banking industry grew by UAH 5.3 billion (0.6%) compared with a decrease of 6.2% the year before, and equity grew by UAH 12 billion (13% y/y), which was due to a strong increase in the first quarter of 2010 (+7.5% y/y), triggered largely by regulatory solutions that allowed an increase in the share capital of 100% of subordinated loans and due to a stabilization in the second quarter of 2010.

In the first half of 2010 a slight falling tendency continued as regards loans. They fell by 3.2% (UAH -23.4 billion) compared with the end of 2009. Foreign currency loans dropped dramatically (-7.9%), which resulted from regulatory limitations. The volume of retail loans decreased, whereas the volume of corporate loans grew. Retail loans declined more than in the prior half of the year (-8.3% and -5.3% respectively). The volume of corporate loans increased by 5.3% compared with an increase of 4.3% in the prior half of the year. Lending was positively affected by the regulatory solutions introduced (allowances while classifying transactions and while computing the regulatory capital adequacy ratio).

In the first half of 2010 the value of deposits grew by 4.6% (compared with an increase of 2.9% in the prior half of the year), of which retail deposits grew by 13.8% (compared with 6.3% in the prior half of the year), which resulted from the growing confidence in the banking industry, as well as from an increase in interest rates.

The quality of the loan portfolio deteriorated, yet the increase in bad debts during the first half of 2010 was lower than in the prior half of the year (an increase of 10.9% compared with an increase of 72% in the second half of 2009). Due to losses suffered by banks, the ROE and ROA ratios of the banking sector maintained their negative values of -13.5% and -1.9%, respectively, compared with -32.5% and -4.4% as at the end of 2009.

Regulatory environment

The following new regulatory solutions influenced the financial and organizational situation of the PKO Bank Polski SA Group in the 1st half of 2010:

– an amendment to the Act on Counteracting Money Laundering and Financing Terrorism (*Journal of Laws* of 2009, No. 166, item 1377) by virtue of which banks, brokerage houses, investment fund management companies and leasing companies should introduce new procedures, which made it necessary to incur adaptation costs (procedures, IT, training),
– Resolution No. 52/2010 passed by the Polish Financial Supervision Authority (PFSA) on 23 February 2010 on T Recommendation relating to best practices in managing risk of retail loans (*Official Journal of PFSA* No. 2 item 12), aimed at reducing risks being accumulated in banks (the deadline for its final introduction are 23 August and 23 December 2010),

- Resolution No 53/2010 by the Polish Financial Supervision Authority on 23 February 2010 r. on Recommendation I concerning currency risk management in banks and the principles of banks conducting transactions subject to currency risk (*Official Journal of PFSA*, No. 2, item 13), which puts banks under new obligations to their clients in order to mitigate the credit risk associated with concluding lending transactions in foreign currencies and to improve currency risk management (effective from 1 July 2010),
- a recommendation of the Polish Banks Association which puts banks under an obligation to implement, as of 1 January 2010, best practices in transferring personal accounts on the Polish market, which affects the revenues of banks that participate in client migration,
- an amendment of 26 June 2009 to the Act on the Organization and Operations of Pension Funds (*Journal of Laws* of 2009, No. 127, item 1049) which contributed to a reduction in fees for managing pension fund assets collected by open pension funds from 1 January 2010 on, which led to a decrease in their revenues and which affected their results of operations,
- the Decree of the Minister of Finance dated 20 November 2009 on the manner and conditions of operations of investment companies, banks referred to in Art. 70 Clause 2 of the Act on trading in financial instruments and custodian banks (*Journal of Laws* of 2 December 2009), imposing on banks, brokerage houses and investments funds new disclosure requirements towards their clients,

The situation of the PKO Bank Polski SA Group was influenced by the new legal solutions introduced in the Ukraine where KREDOBANK SA – a subsidiary of PKO Bank Polski SA – operates, including:

- Resolution No. 541 of the National Bank of Ukraine (NBU) on amendments to the Instructions on the operating procedures for banks in the Ukraine dated 10 September 2009, which allows banks to increase their share capital by subordinated loans in the period from 3 January 2010 to 1 January 2012,
- Resolution No. 115 of the National Bank of Ukraine dated 5 March 2010 which enables banks that grant loans to corporate entities to take advantage of concessions when classifying transactions for creating specific provisions and calculating capital adequacy,
- Resolution No. 259 of the National Bank of Ukraine, decreasing the reference rate of the central bank, starting from 8 June, to 9.5% from 10.25%; a decrease of another percentage point was made effective from 8 July 2010,
- Resolution No. 210 of the NBU dated 20 April 2010 introducing, effective from 1 May 2010, changes to the manner of banks setting up mandatory reserves (100% of the calculated reserve must be provided in a separate account with the NBU),
- Resolution of the Management Board of the NBU No. 762 dated 5 March 2010 introducing changes to the registration of foreign investments made in cash,
- Resolution No. 115 of the NBU dated 5 March 2010 introducing allowances while classifying loans granted to industry manufacturers and while calculating regulatory capital adequacy.

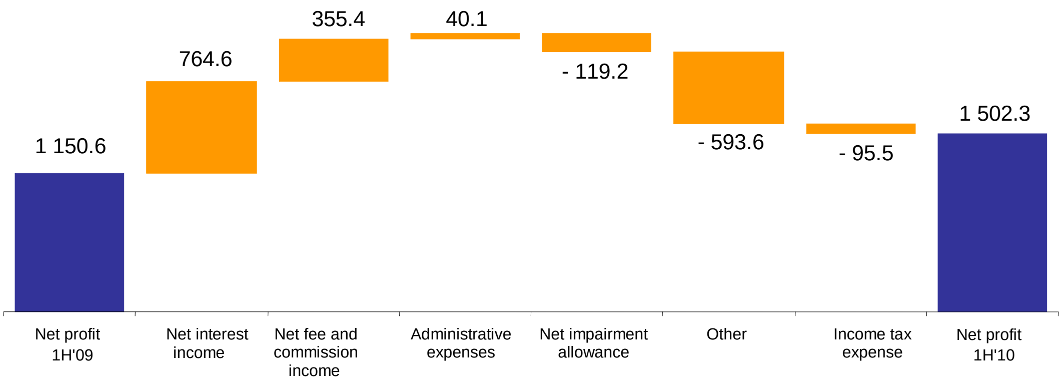
3. FINANCIAL RESULTS[2]

3.1. The PKO Bank Polski SA Group

Consolidated income statement

The consolidated net profit of the PKO Bank Polski SA Group in the first half of 2010 amounted to PLN 1 502.3 million and was PLN 351.8 million higher than in the corresponding period of 2009.

Chart 1. Movements in income statement items of the PKO Bank Polski SA Group (in PLN million)



In the income statement of PKO Bank Polski SA Group for the first half of 2010 the sum of income items amounted to PLN 4 855.1 million and was PLN 520.2 million higher than compared with the prior year 2009 (increase by 12.0% y/y). The main consolidated items of the income statement were as follows:

Table 2. Movements in income statement items of the PKO Bank Polski SA Group (in PLN million)

Income statement items	01.01.- 30.06.2010	01.01. - 30.06.2009	Change	Comment
Net interest income	3 066.2	2 301.6	33.2%	There was an increase in revenue from loans resulting from a growth in the loan portfolio of 15.6% y/y and in revenue from hedging derivatives (in the second quarter of 2009 hedge accounting was introduced). The interest expense dropped by 3.2% y/y along with the strong growth of amounts due to customers (+13.3% y/y).
Net fee and commission income	1 527.2	1 171.8	30.3%	Increase mainly as a result of higher commission income from loans and their insurance, from maintaining bank accounts and payment cards. Compared with the corresponding period of the prior year, the result on activities related to investment funds and open pension funds increased.
Other income	261.7	861.5	-69.6%	This is mainly due to the net foreign exchange gains/losses being PLN 474.2 million lower, related to the Bank introducing hedge accounting in the second quarter of 2009, this translated into a portion of net foreign exchange gains/losses (mainly net gains/losses on CIRS) being transferred to other income statement items.
Administrative expenses	-2 035.0	-2 075.1	-1.9%	A decline in administrative expenses and the C/I ratio amounting to 41.9% (-6.0 pp. y/y), mainly due to overheads and other expenses decreasing by 12.2% y/y. Employment in the Group was reduced by 1 405 FTEs y/y and amounted to 30 702 full time equivalents (FTEs) as at 30 June 2010.
Net impairment allowance	-883.3	-764.1	15.6%	An increase mainly due to a deterioration of net write-downs of consumer and mortgage loans, while the quality of corporate loans remained stable.
Net profit attributable to the parent company	1 502.3	1 150.6	30.6%	An increase mainly due to an increase in net interest income and net fee-based income, while net other income declined, costs were stable and net write-downs deteriorated.
Interest related income*	*3 115.4*	*2 808.6*	*10.9%*	*An increase due to an increase in revenue from loans (an impact of lower interest rates balanced by the increase in the loan portfolio), as well as due to an increase in revenue from securities. Interest expense dropped by 3.2% y/y, whereas the amounts due to clients grew considerably (+13.3% y/y).*

** Including net gains/losses on FX Swap and CIRS not included in the hedge accounting.*

[2] *In this section of the Directors' Report, any differences in total balances, percentages and growth rates result from rounding the amounts to PLN million and rounding percentages to one decimal place.*

Net interest income

In the first half of 2010, net interest income was PLN 764.6 million higher than in the corresponding period of the previous year. It was mainly the result of the increase in interest revenues by PLN 700.6 million.

Table 3. Interest income and expenses of the PKO Bank Polski SA Group (PLN million)

Items	01.01-30.06.2010	Structure 1H 2010	01.01-30.06.2009	Structure 1H 2009	Change 1H 2010/ 1H 2009	Comment
Interest income, of which:	**5 033.2**	**100.0%**	**4 332.6**	**100.0%**	**16.2%**	A high rate of growth of interest income (16.2% y/y), mainly due to: 1) an increase in revenue from loans and advances to customers (PLN +372.5 million y/y), while the loan portfolio grew (+15.6% y/y), 2) revenue from hedging derivatives (PLN +230.0 million y/y) - due to hedge accounting being introduced in the second quarter of 2009, 3) revenue from securities (PLN +127.8 million y/y), while the portfolio grew approximately by 41%.
Loans and advances to customers	4 104.5	81.5%	3 732.0	86.1%	10.0%	
Derivative hedging instruments	308.4	6.1%	78.4	1.8%	3.9x	
Securities designated at fair value through profit and loss	242.9	4.8%	191.7	4.4%	26.7%	
Investment securities	229.4	4.6%	185.5	4.3%	23.7%	
Placements with banks	72.6	1.4%	94.3	2.2%	-23.0%	
Trading securities	72.5	1.4%	39.7	0.9%	82.5%	
Other	3.0	0.1%	11.0	0.3%	-73.0%	
Interest expenses, of which:	**(1 967.0)**	**100.0%**	**(2 031.0)**	**100.0%**	**-3.2%**	The negative rate of growth of interest expense (-3.2% y/y) due to: 1) a decline in costs of amounts due to clients (PLN -22.3 million y/y), determined by the Bank's deposit policy and, 2) a decline in interest expense on deposits from financial institutions (PLN -15.0 million y/y) and in costs of servicing subordinated bonds (PLN -13.3 million y/y) resulting from a drop in interest rates.
Amounts due to customers	(1 859.4)	94.5%	(1 881.6)	92.6%	-1.2%	
Debt securities in issue	(53.6)	2.7%	(66.9)	3.3%	-19.8%	
Deposits from banks	(17.2)	0.9%	(32.3)	1.6%	-46.6%	
Other	(36.8)	1.9%	(50.2)	2.5%	-26.7%	
Net interest income	**3 066.2**	**x**	**2 301.6**	**x**	**33.2%**	The net interest income reported in the first half of 2010 was PLN 764.6 million higher than in the prior year, to which an increase in revenue of PLN 700.6 million and a decrease in costs of PLN 64.0 million contributed.

Fee and commission income

In the first half of 2010, fee and commission income was PLN 355.4 million higher than in the corresponding period of the previous year, whereas income significantly increased by PLN 385.1 million.

Table 4. Fee and commission income and expenses of the PKO Bank Polski SA Group (PLN million)

Items	01.01-30.06.2010	Structure 1H 2010	01.01-30.06.2009	Structure 1H 2009	Change 1H 2010/ 1H 2009	Comment
Fee and commission income, related to:	**1 910.8**	**100.0%**	**1 525.7**	**100.0%**	**25.2%**	The growth rate of fee and commission income (25.2% y/y), as a result of, i.a.: 1) an increase in the income from granted loans and their insurance (PLN +327.6 million y/y) along with an increase of the credit portfolio by 15.6% (y/y), 2) increase of number of banking card transactions (PLN +29.7 million y/y), 3) an increase in income on bank accounts maintenance (PLN +25.0 million y/y), 4) increase in income related to investment fund management and securities driven by the improved trends in the stock exchange, along with a decrease in cash transactions revenues.
Payment cards	475.2	24.9%	445.6	29.2%	6.7%	
Bank accounts maintenance	461.4	24.1%	436.4	28.6%	5.7%	
Loan insurance	338.1	17.7%	93.0	6.1%	3.6x	
Loan and advances granted	246.1	12.9%	163.7	10.7%	50.4%	
Maintenance of investment funds and open pension funds (including management income)	158.1	8.3%	148.3	9.7%	6.7%	
Cash transactions	88.8	4.6%	89.8	5.9%	-1.2%	
Securities operations	33.3	1.7%	24.3	1.6%	37.2%	
Foreign mass transactions servicing	21.5	1.1%	20.1	1.3%	7.3%	
Sale and distribution of marks of value	13.7	0.7%	12.4	0.8%	9.9%	
Other*	74.5	3.9%	92.2	6.0%	-19.2%	
Fee and commissions expenses, related to:	**(383.5)**	**100.0%**	**(353.9)**	**100.0%**	**8.4%**	The growth of commission expenses was driven by the expenses connected with loans insurance, along with significant decrease in expenses connected with assets management.
Payment cards	(158.7)	41.4%	(161.2)	45.6%	-1.6%	
Loan insurance	(74.0)	19.3%	(35.0)	9.9%	2.1x	
Acquisition services	(73.1)	19.1%	(76.8)	21.7%	-4.7%	
Assets management	(12.9)	3.4%	(23.1)	6.5%	-44,3%	
Other**	(64.9)	16.9%	(57.8)	16.3%	12,2%	
Net fee and commission income	**1 527.2**	**x**	**1 171.8**	**x**	**30.3%**	Net fee and commission income for the first half of 2010 was higher by PLN 355,4 million than in the first half of 2009, mainly as a result of changes in fee and commission income.

*In respect of: disposal of bonds, fees charged by Dom Maklerski (*Brokerage House*) for servicing a primary issuance, administering amounts due from borrowers to the State Budget, trustee activities.
***Included in "Other" are: fee and expanses paid by* Dom Maklerski *(Brokerage House) to Warsaw Stock Exchange (GPW) and the National Depository for Securities (KDPW), accounting and clearing services, operating services granted by banks.*

Administrative expenses

Restructuring activities started in 2009 and a cost discipline continued in the first half of 2010 resulted in the Group administrative expenses being reduced by 1.9% compared with the first half of 2009. The largest savings compared with the prior year related to promotion and advertising costs and IT costs.

Table 5. Administrative expenses of PKO Bank Polski SA Group (PLN million)

Items	01.01-30.06.2010	Structure 1H 2010	01.01-30.06.2009	Structure 1H 2009	Change 1H 2010/ 1H 2009	Comment
Staff costs	(1 138.4)	55.9%	(1 096.5)	52.8%	3.8%	A negative rate of growth (-1.9% y/y) due to a decrease in overheads and other costs of 12.2% y/y (which resulted from saving initiatives introduced in 2009), while employee costs grew (+3.8% y/y).
Overheads and other*	(658.4)	32.4%	(749.6)	36.1%	-12.2%	
Depreciation and amortisation	(238.2)	11.7%	(229.1)	11.0%	4.0%	
Total	**(2 035.0)**	**100.0%**	**(2 075.1)**	**100.0%**	**-1.9%**	

** Other: taxes and other charges, contribution and payments to Banking Guarantee Fund.*

Net impairment allowance

Net impairment allowance reflects a conservative approach of PKO Bank Polski SA Group to credit risk, which is believed to translate into stable financial results in the coming years. The increase in net impairment allowance in the first half of 2010 (+15.6% y/y) was due to the deterioration in the quality of the loan portfolio, mainly the consumer loan portfolio and mortgage loan portfolio.

Key financial indicators

The summary of results, achieved by PKO Bank Polski SA Group in the first half of 2010, is represented by the following main financial efficiency indicators, which are shown in the table below.

Table 6. Key financial indicators of the PKO Bank Polski SA Group

	30.06.2010	30.06.2009*	Change
ROA net (net profit / average total assets)	1.7%	1.8%	-0.1 pp.
ROE net (net profit / average total equity)	14.3%	17.5%	-3.2 pp.
C/I (cost to income ratio)	41.9%	47.9%	-6.0 pp.
Interest margin (net interest income / average interest–earning assets)	4.1%	4.7%	-0.5 pp.
Share of loans valued using individual and portfolio method**	8.5%	8.2%	0.3 pp.
The share of impaired loans***	7.6%	7.1%	0.5 pp.

** The change compared to previously published data results from the changed manner of calculating ROE, ROA and interest margin. To calculate the denominator of the said ratios, the average of quarterly balances of respective items of assets and equity and liabilities was used. Data brought to comparability.*

*** Calculated by way of dividing the gross carrying amount of loans and advances to customers, valued using the individual method and the portfolio method, by the gross book value of loans and borrowings advanced to clients.*

****Calculated by dividing the gross carrying amount of impaired loans and borrowings by the gross book value of loans and advances to customers.*

Consolidated statement of financial position – main items

The statement of financial position of the PKO BP SA Group is strongly influenced by the statement of financial position of the parent entity. It determines both the size of total assets and the structure of assets and liabilities. As at 30 June 2010 total assets of PKO Bank Polski SA accounted for 98.3% of the total assets of the PKO Bank Polski SA Group.

As at 30 June 2010, total assets of the PKO Bank Polski SA Group amounted to PLN 165 699 million, which represents an increase of 5.9% compared to the end of 2009.

Loans and borrowings advanced to clients represent the most significant item of the Group assets and they amounted to PLN 124 665 million as at the end of June 2010, i.e. 75.2% of total assets.
Assets are mainly financed by amounts due to clients, which accounted for PLN 129 259 million as at the end of June 2010, i.e. 90.0% of total liabilities.

The evolutions in the main items of the statement of financial position of the PKO Bank Polski SA Group during the last six months are presented in the table below:

Table 7. Main items in the statement of financial position of the PKO Bank Polski SA Group (in PLN million)

	30.06.2010	31.12.2009	Change	Comment
Cash and balances with the Central Bank	4 925.8	7 094.4	-30.6%	Increase in assets by PLN 9.2 billion (+ 5.9% 1H2010/2009), comprising mainly of the increase in loans and advances to customers by PLN 8.1 billion (+ 6.9% 1H2010/2009) - mainly mortgage loans and in securities of PLN 2.4 billion (+ 10.8% 1H2010/2009) offset by a decrease in cash and balances with the Central Bank of PLN 2.2 billion 1H2010/2009.
Amounts due from banks	3 091.6	2 023.1	52.8%	
Loans and advances to customers	124 665.5	116 572.6	6.9%	
Securities	24 959.5	22 527.9	10.8%	
Other assets	8 056.9	8 260.8	-2.5%	
Total assets	**165 699.3**	**156 478.7**	**5.9%**	
Amount due to banks	6 316.8	5 152.6	22.6%	The increase in amounts due to customers by 4.2 billion (+3.3% 1H2010/2009) - mainly current liabilities due to retail customers and corporate customers along with the decrease in amounts due to public sector and increase in amount due to banks by PLN 1.2 billion (+ 22.6% 1H2010/2009) along with an increase in equity by 8.4% (1H2010/2009).
Amounts due to customers	129 259.5	125 072.9	3.3%	
Debt securities in issue and subordinated liabilities	2 018.8	1 901.5	6.2%	
Other liabilities	5 955.7	3 915.7	52.1%	
Total liabilities	**143 550.7**	**136 042.8**	**5.5%**	
Total equity	22 148.6	20 435.9	8.4%	
Total liabilities and equity	**165 699.3**	**156 478.7**	**5.9%**	
Loans/Deposits (amounts due to customers)	96.4%	93.2%	3.2 pp.	Increase in loans by PLN 8.1 billion (1H2010/2009) and increase in securities by PLN 2.4 billion (1H2010/2009) and increase in amounts due to customers by PLN 4.2 billion (1H2010/2009).
Interest bearing assets/Assets	92.2%	90.2%	2.0 pp.	
Interest paying liabilities/Liabilities	80.8%	80.2%	0.5 pp.	

Equity and capital adequacy ratio

In the end of the first half of 2010 equity increased by 8.4% compared with the end of 2009 and accounted for 13.4% of total liabilities and equity of PKO Bank Polski SA Group.

The capital adequacy ratio of the PKO Bank Polski SA Group was at safe level of 12.98% as at the end of the first half of 2010, this level exceeds the minimum level of this ratio specified in the Banking Law. The decrease in capital adequacy measured with reference to the capital adequacy ratio, compared to the end of 2009, is mainly a result of higher capital requirements due to credit risk, which reflect net growth of the credit portfolio by 6.9%.

Table 8. Own funds and capital adequacy ratio of the PKO Bank Polski SA Group (PLN million)

Items	As at 30.06.2010	As at 31.12.2009	Change 1H2010/ 2009	Comment
Equity, of which:	**22 148.6**	**20 435.9**	**8.4%**	+8.4% 1H2010/2009 - the effect of the prior year profit being retained under equity until the decision of paying dividend for 2009 is made.
Share capital	1 250.0	1 250.0	0.0%	
Reserve capital	12 162.2	12 149.7	0.1%	
General banking risk fund	1 070.0	1 070.0	0.0%	
Other reserves	3 405.1	3 405.1	0.0%	
Cash flow hedge	278.3	119.3	2.3x	
Other	1.8	(11.1)	x	
Currency translation differences from foreign operations	(68.5)	(108.8)	-37.0%	
Retained earnings	2 542.6	248.8	10.2x	
Net profit for the period	1 502.3	2 305.5	-34.8%	
Minority interest	4.8	7.3	-34.6%	
Own funds	**17 728.2**	**17 865.3**	**-0.8%**	-0.8% 1H2010/2009 - the effect of an increase in intangible assets that reduce equity and a lower level of short-term capital.
Capital adequacy ratio (%)	**12.98%**	**14.66%**	**-1.68 pp.**	-1.68 pp. 1H2010/2009 - an increase in capital requirements resulting from a grow in the loan portfolio.[3]

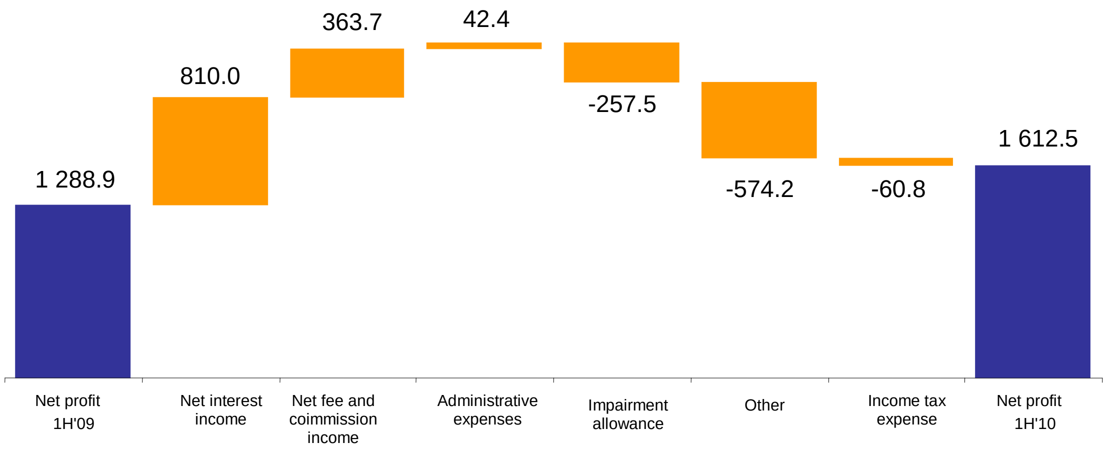
[3] *On 23 July 2010, the Ordinary General Meeting of Shareholders passed a conditional resolution on distribution of profit earned in the year 2009, as a result of which the net profit for the year 2009 in the amount of PLN 57 million was included in own funds as at 30 June 2010. As a consequence, own funds decreased as compared to 31 March 2010.*
Should the condition described in paragraph 1 point 2 of the resolution be fulfilled, the whole net profit for the year 2009 will be included in own funds and an estimated level of the capital adequacy ratio as at 30 June 2010 would amount to 14.72%.
The above calculations are an estimate and they are used for comparative purposes only to the data as at 31 March 2010.

3.2. PKO Bank Polski SA

Income statement of PKO Bank Polski SA

In the first half of 2010, the net profit of PKO Bank Polski SA amounted to PLN 1 612.5 million and was PLN 323.6 million higher compared with the corresponding period of 2009.

Chart 2. Movements in income statement items of PKO Bank Polski SA (PLN million)



In the income statement of PKO Bank Polski SA for the first half of 2010, the sum of income items amounted to PLN 4 724.9 million and was PLN 599.5 million higher than compared with the corresponding period of 2009 (increase by 14.5% y/y). The main items of the income statement were as follows:

Table 9. Movements in income statement items of PKO Bank Polski SA (PLN million)

Income statement items	01.01.-30.06.2010	01.01. -30.06.2009	Change	Comment
Net interest income	3 007.4	2 197.4	36.9%	Increase as a result of gains realized from loans (due to lower interest rates offset by the increase of loan portfolio) and increase in income from hedging derivatives (hedge accounting introduced in the Bank in 2nd quarter of 2009) and income from securities The interest expense dropped by 2.3% y/y along with the strong growth of amounts due to customers (+13.3% y/y).
Net fee and commission income	1 425.9	1 062.2	34.2%	Increase mainly as a result of higher commission income from loans and their insurance, from maintaining bank accounts and payment cards. In comparison to the corresponding period of the previous year there was an increase in income from activities connected with service of investment funds.
Other income	291.6	865.8	-66.3%	Decrease in income caused mainly by the decrease in foreign exchange gains by PLN 467.0 million. The decrease in foreign exchange gains is related to the introduction of hedge accounting in the 2nd quarter of 2009, which resulted in transfer of the part of foreign exchange gains (mainly from CIRS transactions) into other income statement items.
Administrative expenses	-1 876.6	-1 919.0	-2.2%	Decrease in administrative expenses and C/I ratio at 39.7% (-6.8 pp. y/y) mainly as a result of decrease in overheads and other expenses by 13.0% y/y (mainly promotion and advertisement costs and IT costs). Employment within Bank has been reduced by 1 254 full time equivalents y/y, to 27 540 full time equivalents as at 30 June 2010.
Net impairment allowance	-841.9	-584.3	44.1%	An increase mainly due to a deterioration of net write-downs of consumer and mortgage loans, while the quality of corporate loans remained stable.
Net income	1 612.5	1 288.9	25.1%	Increase mainly as a result of increase in net interest income as well as net fee and commission income along with decrease other income, dropping expenses and lowering income from impairment allowance.
Interest related income*	*3 056.6*	*2 704.4*	*13.0%*	*Increase as a result of the increase in income from loans (due to a decrease in market interest rates offset by an increase in loan portfolio) along with an increase in income from securities. Interest expense dropped by 2.3% y/y along with a significant increase in amounts due to customers (+13.3% y/y).*

** Including result on FX Swap and CIRS transactions not included in the hedge accounting*

Net interest income

In the first half of 2010, net interest income was PLN 810.0 million higher than in the corresponding period of the previous year. It was mainly the result of the increase in interest income by PLN 765.3 million.

Table 10. Interest income and expenses of PKO Bank Polski SA (PLN million)

Items	01.01-30.06.2010	Structure 1H 2010	01.01-30.06.2009	Structure 1H 2009	Change 1 H2010/ 1 H 2009	Comment
Interest income, of which:	**4 870.1**	**100.0%**	**4 104.8**	**100.0%**	**18.6%**	A high growth rate of interest income (18.6% y/y) mainly as a result of an increase in : 1) income on loans and advances to customers (+PLN 445.5 million y/y) along with an increase in the loan portfolio (+16.6% y/y), 2)income from derivative hedging instruments amounting to PLN 230.0 million y/y – as a result of implementation hedging instruments in the second quarter of 2009. 3) income from securities (+ PLN 119.5 million y/y) while the portfolio increased by ca. 39.0%
Loans and advances to customers	3 950.0	81.1%	3 504.5	85.4%	12.7%	
Derivative hedging instruments	308.4	6.3%	78.4	1.9%	3.9x	
Securities designated at fair value through profit and loss	242.9	5.0%	190.7	4.6%	27.4%	
Investment securities	222.3	4.6%	187.7	4.6%	18.4%	
Trading securities	72.5	1.5%	39.7	1.0%	82.5%	
Placements with banks	72.3	1.5%	94.2	2.3%	-23.2%	
Other	1.8	0.0%	9.7	0.2%	-81.9%	
Interest expenses, of which:	**(1 862.7)**	**100.0%**	**(1 907.4)**	**100.0%**	**-2.3%**	Negative growth rate of interest expense (-2.3% y/y) as a result of: 1) decrease in expenses on amounts due to customers (PLN 20.9 million y/y), due to the change in the Bank's deposit policy. 2) decrease in interest expense on deposits from financial institutions (PLN -15.0 million) and debt securities in issue expenses (PLN -14.7 million y/y) as a result of decrease in market interest rates**.**
Amounts due to customers	(1 789.1)	96.0%	(1 810.0)	94.9%	-1.2%	
Debt securities in issue	(41.5)	2.2%	(56.2)	2.9%	-26.2%	
Deposits from banks	(17.2)	0.9%	(32.3)	1.7%	-46.6%	
Other	(14.9)	0.8%	(8.9)	0.5%	66.5%	
Net interest income	**3 007.4**	**x**	**2 197.4**	**x**	**36.9%**	Net interest income for the first half of 2010 was PLN 810.0 million higher than in the comparable period of the prior year, with an increase in interest income of PLN 765.3 million and an decrease in interest expense of PLN 44.7 million.

Net fee and commission income

In the first half of 2010, net fee and commission income was ca. PLN 363.7 million higher than in corresponding period of the previous year, along with significant income increase by PLN 410.0 million.

Table 11. Fee and commission income and expenses of PKO Bank Polski SA (PLN million)

Items	01.01-30.06.2010	Structure 1H 2010	01.01-30.06.2009	Structure 1H 2009	Change 1H 2010/ 1H 2009	Comment
Fee and commission income, of which:	**1 808.5**	**100.0%**	**1 398.5**	**100.0%**	**29.3%**	The increase in fee and commission income of 29.3% y/y, mainly as a result of an increase in: 1) income from loans and their insurance (PLN 329.5 million y/y) along with an increase of credit portfolio by 16.6% y/y, 2) income from maintenance of bank accounts (+PLN 32.1 million y/y). 4) increase in income from investment fund maintenance along with an increase in income from securities transactions as a result of better situation on the Stock Exchange 3) payment cards transactions (an increase of incomes by PLN 30.0 million y/y) along with decrease in cash operations revenues.
Payment cards	475.0	26.3%	445.0	31.8%	6.7%	
Maintenance of bank accounts	454.5	25.1%	422.4	30.2%	7.6%	
Loan insurance	338.1	18.7%	93.0	6.6%	3.6x	
Granted loans and advances	244.5	13.5%	160.1	11.4%	52.7%	
Cash transactions	83.2	4.6%	89.8	6.4%	-7.4%	
Investment and pension funds (including management fees)	73.0	4.0%	43.9	3.1%	66.2%	
Securities transactions	33.3	1.8%	24.2	1.7%	37.6%	
Mass foreign operations	21.5	1.2%	20.1	1.4%	7.3%	
Sales and distribution of duty stamps	13.7	0.8%	12.4	0.9%	9.9%	
Other*	71.8	4.0%	87.7	6.3%	-18.1%	
Fee and commission expenses, of which:	**(382.7)**	**100.0%**	**(336.3)**	**100.0%**	**13.8%**	The growth of commission expenses was driven by the expenses connected with loan insurance by PLN 39.0 y/y.
Payment cards	(175.6)	45.9%	(180.7)	53.7%	-2.8%	
Loan insurance	(74.0)	19.3%	(35.0)	10.4%	2.1x	
Acquisition services	(68.9)	18.0%	(69.8)	20.8%	-1.4%	
Other**	(64.2)	16.8%	(50.8)	15.1%	26.3%	
Net fee and commission income	**1 425.9**	**x**	**1 062.2**	**x**	**34.2%**	Net fee and commission income for the first half of 2010 was higher by PLN 363.7 million than in the first half of 2009, mainly as a result of change in fee and commission income.

**In respect of: disposal of bonds, fees charged by Dom Maklerski (Brokerage House) for servicing a primary issuance, administering amounts due from borrowers to the State Budget, trustee activities.*

***Included in "Other" are: fee and expenses paid by Dom Maklerski (Brokerage House) to Warsaw Stock Exchange (GPW) and the National Depository for Securities (KDPW) accounting and clearing services, operating services granted by banks.*

Administrative expenses

Restructuring activities undertaken in the year 2009 and expenses discipline continued in the first half of 2010 resulted in the reduction in administrative expenses by 2.2% as compared to the first half of 2009. The largest savings as compared to the corresponding period of the previous year concerned PR and advertisement expenses as well as IT expenses.

Table 12. Administrative expenses of PKO Bank Polski SA (PLN million)

Items	01.01-30.06.2010	Structure 1H 2010	01.01-30.06.2009	Structure 1H 2009	Change 1H 2010/ 1 H 2009	Comment
Staff costs	(1 053.2)	56.1%	(1 012.8)	52.8%	4.0%	The negative rate of growth (-2.2% y/y) was mainly a result of decrease in overheads and other expenses by PLN 92.5 million y/y (mainly PR and advertisement expenses as well as IT related expenses, as a result of implemented in 2009 savings initiative) along with an increase in staff costs (+4.0% y/y).
Overheads and other*	(617.1)	32.9%	(709.5)	37.0%	-13.0%	
Depreciation and amortization	(206.3)	11.0%	(196.7)	10.3%	4.8%	
TOTAL	**(1 876.6)**	**100.0%**	**(1 919.0)**	**100.0%**	**-2.2%**	

** Other: taxes and other charges, contribution and payments to Banking Guarantee Fund.*

Net impairment allowance

Net impairment allowance reflects a conservative approach of PKO Bank Polski SA to credit risk, which is believed to translate into stable financial results in the coming years. The increase in the net impairment allowance charge (+44.1% y/y) in the first half of 2010 was due to the deterioration in the quality of the loan portfolio, mainly the consumer loan portfolio and mortgage loan portfolio. In the first half of 2010 PKO Bank Polski SA concluded a guarantee agreement related to a loan portfolio of its subsidiary, KREDOBANK SA, which resulted in provisions for off-balance sheet liabilities being set up, as regards the Bank, in the amount of approximately PLN (-) 55 million.

Key financial indicators

The summary of results, achieved by PKO Bank Polski SA in the first half of 2010, is represented by the following main financial efficiency indicators, which are shown in the table below.

Table 13. Key financial indicators of PKO Bank Polski SA

	30.06.2010	30.06.2009*	Change
ROA net (net profit / average total assets)	1.8%	1.8%	0.0 pp.
ROE net (net profit / average total equity)	15.0%	17.4%	-2.4 pp.
C/I (cost to income ratio)	39.7%	46.5%	-6.8 pp.
Interest margin (net interest income / average interest–earning assets)	4.1%	4.6%	-0.5 pp.
Share of Loans valued using individual and portfolio method**	7.1%	6.8%	0.3 pp.
The share of impaired loans***	6.5%	6.1%	0.4 pp.

** The change compared to previously published data results from the changed manner of calculating ROE, ROA and interest margin. To calculate the denominator of the said ratios, the average of quarterly balances of respective items of assets and equity and liabilities was used. Data brought to comparability.*

*** Calculated by way of dividing the gross book value of loans and borrowings advanced to clients, valued using the individual method and the portfolio method, by the gross book value of loans and borrowings advanced to clients.*

****Calculated by dividing the gross book value of impaired loans and borrowings by the gross book value of loans and borrowings advanced to clients.*

Statement of financial position – main items

As at 30 June 2010, total assets of PKO Bank Polski SA amounted to PLN 162 807 million, which represents an increase of 6.0% compared to 31 December 2009.
The main items of the statement of financial position of PKO Bank Polski SA for the six-month period are presented in the table below:

Table 14. Movements in the statement of financial position items of PKO Bank Polski SA (PLN million)

	30.06.2010	31.12.2009	Change	Comment
Cash and balances with the Central Bank	4 839.3	6 994.0	-30.8%	Increase in assets by PLN 9.2 billion (+ 6.0% 1H2010/2009), comprising mainly of the increase in loans and advances to customers by PLN 8.1 billion (+ 7.1% 1H2010/2009) – mainly mortgage loans along with increase in securities of PLN 2.2 billion (+ 9.7% 1H2010/2009) offset by a decrease in cash and balances with the Central Bank of PLN 2.2 billion 1H2010/2009.
Amounts due from banks	3 096.8	2 053.8	50.8%	
Loans and advances to customers	122 493.2	114 425.8	7.1%	
Securities	24 717.7	22 535.2	9.7%	
Other assets	7 659.9	7 638.8	0.3%	
Total assets	**162 807.0**	**153 647.5**	**6.0%**	
Amount due to banks	5 467.1	4 173.3	31.0%	The increase in amounts due to customers by PLN 4.0 billion (+ 3.2% 1H2010/2009) - mainly current liabilities due to retail and corporate customers along with the decrease in total amounts due to public sector entities and the increase in liabilities due to banks by PLN 1.3 billion (+ 31.0% 1H2010/2009) and increase in equity by 8.8% (1H2010/2009).
Amounts due to customers	128 067.8	124 044.4	3.2%	
Subordinated liabilities	1 611.3	1 612.2	-0.1%	
Other liabilities	5 696.4	3 638.1	56.6%	
Total liabilities	**140 842.6**	**133 468.0**	**5.5%**	
Total equity	21 964.4	20 179.5	8.8%	
Total liabilities and equity	**162 807.0**	**153 647.5**	**6.0%**	
Loans/Deposits (amounts due to customers)	95.6%	92.2%	3.4 pp.	Increase in loans by PLN 8.1 billion (1H2010/2009) and increase in securities by PLN 2.2 billion (1H2010/2009) and increase in amounts due to customers by PLN 4.0 billion (1H2010/2009).
Interest bearing assets/Assets	92.3%	90.5%	1.8 pp.	
Interest paying liabilities/Liabilities	80.7%	80.2%	0.5 pp.	

Loans and advances to customers are the most important position of assets of the Bank and, as at 30 June 2010, they amounted to PLN 122 493 million, which constituted 75.2% of total assets.
Main sources of financing of assets are amounts due to customers which, as at 30 June 2010, amounted to PLN 128 068 million, i.e. 90.9% of total liabilities.

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4. BUSINESS DEVELOPMENT[4]

4.1. Strategy and mission of PKO Bank Polski SA

The PKO Bank Polski SA Group consists of PKO Bank Polski SA and its subsidiaries which – supplementing its product offer – at the same time pursue their own business goals. Particular companies provide specialist financial services in respect of leases, factoring, investment funds, pension funds or electronic payment services in respect of banking cards. The potential of every entity conduce to building the synergy effects of the whole PKO Bank Polski SA Group.

The PKO Bank Polski SA Group carries out its mission in accordance with which PKO Bank Polski SA is and will remain a universal bank with a Polish character, in which the client comes first. By consolidating its strong position in retail banking and its leading role in the mortgage loan market, the Bank also stimulates activities in the corporate segment. As an entity which has a significant impact on the condition of the Polish financial system, the Bank attaches a lot of weight to modernizing and expanding its product mix, continuing to improve its service standards, responding quickly to the dynamic market changes and changes in clients' expectations, controlling the level of the risk incurred in its operations while ensuring effective management of the capital entrusted to it for its shareholders and conditions enabling the satisfactory career development of its employees at the same time.

The strategy of PKO Bank Polski SA for 2010-2012, which was adopted by the Supervisory Board of the Bank on 24 February 2010, will serve the purpose of consolidating the Bank's leading position in all the key market segments. It assumes continuing its sustainable development while maintaining the stable profitability of the operations, corresponding to the shareholders' expectations, and preserving a prudent risk management policy. The PKO Bank Polski SA Group will attain its strategic objectives thanks to its competitive edge which already exists in various areas, as well as in those that are currently under way, such as:

1. Increasing the productization of the Bank's enormous client base.
2. Developing the internet bank and on-line channels.
3. An efficient, centralized support process.
4. Increasing its presence in major cities.
5. A strong capital and deposit base.
6. Provision of comprehensive services within the Group.
7. Local decision-making.

The key events which had an impact on the operations and results of the PKO Bank Polski SA Group in the first half of 2010 were related to the results achieved by particular PKO Bank Polski SA Group entities, and are described in other Notes to this report.

4.2. Market shares of PKO Bank Polski SA

In the first half of 2010, the Bank further established itself as the industry leader in terms of the share in the loan market. Compared to the first half of 2009, as regards loans, an increase in mortgage loans (private clients) denominated in PLN (+2.3 pp.) and loans advanced to institutional clients (+1.2 pp.) is remarkable.

As regards deposits, compared with the first half of 2009, the market share of institutional clients grew (+1.5 pp.), while the market share of retail deposits remained stable.

[4] *In this section of the Directors' Report, any differences in total balances, percentages and growth rates result from rounding the amounts to PLN million and rounding percentages to one decimal place.*

*Table 15. Market shares of PKO Bank Polski SA (%)**

	30.06.2010	31.12.2009**	30.06.2009**	Change 30.06.2010/ 31.12.2009	Change 30.06.2010/ 30.06.2009
Loans and advances to:	**17.0**	**16.6**	**15.9**	**0.4 pp.**	**1.1 pp.**
retail clients	19.7	19.5	18.8	0.2 pp.	0.9 pp.
mortgage loans	20.8	21.0	20.1	-0.2 pp.	0.7 pp.
PLN	33.8	33.3	31.5	0.5 pp.	2.3 pp.
FX	13.8	14.3	15.0	-0.5 pp.	-1.2 pp.
consumer loans and other	17.7	17.1	16.6	0.6 pp.	1.1 pp.
institutional clients	14.1	13.8	12.9	0.3 pp.	1.2 pp.
Amounts due to:	**18.3**	**18.5**	**17.6**	**-0.2 pp.**	**0.7 pp.**
retail clients	23.3	23.4	23.3	-0.1 pp.	0.0 pp.
institutional clients	12.3	12.9	10.8	-0.6 pp.	1.5 pp.

**Data according to NBP reporting system – WEBIS.*
***The change compared to previously published data results due to repo transactions being included in loans, effective from June 2010. Data for consecutive periods have been brought to comparability.*

4.3. Operations by segments

4.3.1. Retail segment

4.3.1.1. Activities of PKO Bank Polski SA

The activities of the Bank in the retail segment were concentrated on increasing attractiveness and competitiveness of the offered products and services along with simultaneous improvement of sales efficiency.

As at 30 June 2010, the total value of deposits of the retail segment of PKO Bank Polski SA amounted to PLN 99.7 billion. Since the beginning of the year, the volume has increased by PLN 4.0 billion (i.e. 4.1%) as a result of an increase in retail and private banking deposit volumes ((+) 5.5% since the beginning of the year).

Table 16. Deposits of PKO Bank Polski SA (PLN million)

	30.06.2010	31.12.2009	30.06.2009	Change since:	
				31.12.2009	30.06.2009
Clients deposits, of which:					
- retail and private banking	87 810	83 214	80 424	5.5%	9.2%
- small and medium entities	7 665	8 331	7 601	-8.0%	0.8%
- mortgage market	4 233	4 195	3 504	0.9%	20.8%
Total deposits	**99 708**	**95 741**	**91 528**	**4.1%**	**8.9%**

Source: Bank's Management information

As at 30 June 2010, the gross value of loans and advances to the retail segment of PKO Bank Polski SA was PLN 96.6 billion which constituted an increase of PLN 8.4 billion (i.e. 9.5%) since the beginning of the year.

Table 17. Gross loans and advances of PKO Bank Polski SA (in PLN million)*

	30.06.2010	31.12.2009	30.06.2009	Change since:	
				31.12.2009	30.06.2009
Gross loans and advances, of which:					
- retail and private banking	22 723	21 566	19 860	5.4%	14.4%
- small and medium entities	13 396	11 993	11 011	11.7%	21.7%
- mortgage banking	53 714	47 541	44 348	13.0%	21.1%
- mortgage market (including refinanced by the state budget)	6 736	7 116	6 623	-5.3%	1.7%
Total loans and advances	**96 569**	**88 216**	**81 842**	**9.5%**	**18.0%**

Source: Bank's Management information
** without interest due and interest not due*

As at 30 June 2010, the total number of current accounts amounted to 6.2 million units and the number of credit cards remained unchanged and amounted to 1.1 million units.

Table 18. Accounts and banking cards of PKO Bank Polski SA (in thousands of units)

	30.06.2010	31.12.2009	30.06.2009	Change since:	
				31.12.2009	30.06.2009
Number of current accounts, of which:	**6 236**	**6 276**	**6 311**	**(40)**	**(75)**
- Inteligo current accounts	704	702	698	2	7
Number of banking cards, of which:	**7 253**	**7 456**	**7 462**	**(203)**	**(209)**
- credit cards	1 102	1 106	1 050	(4)	52

The Bank's own net of ATMs comprised 2 390 items as at the end of the first half of 2010, which allowed a further reduction in costs of cash service and the expansion of services availability to clients.

The Bank's retail sales network comprised 1 154 branches. During the first half of the year actions were continued that aimed at optimizing the Bank's network, which resulted in the number of branches decreasing by 6. The segment comprised 12 regional retail branches, 2 028 agencies cooperated with the Bank. A decrease in the number of agencies resulted from new principles of cooperation with agencies being prepared since August 2009 and introduced in May 2010. The said principles require agents to meet higher standards of client service, i.a. in respect of fittings, location or number of stands in agencies.

Table 19. Branches and ATMs of PKO Bank Polski SA

	30.06.2010	31.12.2009	30.06.2009	Change since:	
				31.12.2009	30.06.2009
Total number of branches	1 222	1 228	1 237	(6)	(15)
- in the retail segment:	1 154	1 160	1 169	(6)	(15)
Number of ATM's	2 390	2 388	2 356	2	34
Number of agencies	2 028	2 175	2 223	(147)	(195)

The main activities aimed at specified groups of products and services to retail segment customers are detailed below.

Table 20. Activities and achievements of PKO Bank Polski SA in the retail segment in the 1st half of 2010

Product	Product characteristics
Cash advance	On 25 March 2010, a new extended insurance option for the package of life insurance and job loss insurance was added to the Bank's product mix, which is offered to recipients of cash advances. As part of sales boosting activities cross-sell actions taken in the first half year, focused on selected groups of clients, offering better pricing terms compared with the standard offer (interest rates that were 2 pp. lower)
Cash loan for private banking clients	From January to February 2010 the Bank carried out a central up-sell loan offer action for selected private banking clients to whom cash loans were granted. According to the offer, private clients were offered an increase in loan limit on favorable price conditions.
Mortgage loan	In the 1st half of 2010, PKO Bank Polski SA sold a significant amount of mortgage loans – PLN 5.9 billion. On 4 January 2010, a Savings Programme "A Lower Instalment" was introduced, which consisted of combining the mortgage loan with regular investment in the units of PKO TFI SA (an investment fund management company). By purchasing units in PKO TFI SA along with a mortgage loan the client is entitled to receive a loan margin on the loan being raised that is 0.2 pp. lower. The client declares a minimum level of regular payments – at present, three options of minimum payments are defined, i.e. PLN 200, 300 and 400. A campaign was conducted promoting mortgage loans in PLN and EUR. A special offer was introduced for clients purchasing real property as part of projects that were carried out by selected developers in the first half of 2010 (including ca. 130 developers). Under the special offer for selected developers, sales of 983 items with a total volume of PLN 269 million were reported. A special offer for clients of industry fairs was also introduced. In the first half of 2010, as part of nearly 50 fair events organized, sales of 3.737 items with a total volume of PLN 806 million were reported.

Product	Product characteristics
Credit Cards	As regards credit cards, in the period from January to March 2010 there was a promotion for the Visa card in connection with the winter Olympic Games in Vancouver. From March to June 2010 holders of Visa PKO BP credit cards had an opportunity to participate in a promotion (drawing on FIFA World Cup South Africa), encouraging cashless transactions. Between April and June, the Bank participated in a discount programme organized by MasterCard - "4 pory roku" (*4 Seasons*). MasterCard card users could avail themselves of special discounts. There has been a promotion since May until November, aimed at supporting the sales of Visa and MasterCard cards. The promotion consists in waiving the annual fee for the card if at least one transaction is done within the time limit specified by the Bank.
SME loans	A price promotion intended for SME clients who, by the date preceding the date of loans based on scoring client assessment method coming into force, file an application for a Fast Credit Limit (SLK). The promotion consists of lowering the rate of commission for granting, extending and increasing the SLK from 4% to 3% and of lowering the margin rate to 3 pp. A catalogue of real property that may be put up as security of the Mortgage Borrowing was extended.
Loans for securities purchase INVESTOR/ISSUE	In order to make the product more attractive, the following actions were undertaken in May 2010: 1) the structure of interest on the loan was changed: from the managed rate to the interest rate based on 1M WIBOR/3M WIBOR and the Bank's margin, fixed during the term of the loan, 2) options were provided to pay the upfront fee for the loan in a cashless form, through debiting the investment account, 3) a catalogue of security on liquid assets was extended by: a. deposits in bank accounts maintained by PKO Bank Polski SA in the Polish and convertible currencies, b. Treasury bills in the Bank's deposit account with the Central Register of Treasury Bills, c. Treasury bonds in the register account conducted by the Brokerage House, 4) the Bank cancelled the option to refinance the "Issue" loan, financing the purchase of securities, with the "Investor" loan.
'NASZ REMONT z premią remontową BGK'	As of 1 July 2009, the loan 'NASZ REMONT z premią remontową BGK' was added to the offer. This product is a new form of support from the state budget (from the BGK found for Thermal Modernization and Building Repairs) for repair works performed by housing co-operatives and condominiums. In the first half of 2010 PKO Bank Polski SA, thanks to the highest sales of overhaul loans in the entire period of being offered by the Bank (the growth rate compared to the figure of the first half of 2009 was 179%), reinforced its leading position in utilizing the BGK Thermomodernization and Overhaul Fund.
Current account	Introducing a promotion sale of the e-mail PUSH service – delivering bank statements from the current account to the client's mailbox. Promotional activities related to current accounts included also a promotion of debit cards by waiving the fee for issuing the card.
WIG20 Structured Policy	Introduced to sale in the period between 31 May 2010 and 25 June 2010. A guarantee of 100% return of capital invested if the period of the Insurer's liability is fully met. The minimum amount of the policy is PLN 5 000. The policy ensures a 100 % share in an increase or decrease in WIG 20 after 3 year from the start of the investment, provided that the value of WIG 20 throughout 3 years is always higher than the lower limit and lower than the upper limit. The value of the lower limit varies between 50% and 60% of the WIG 20 closing rate on 6 July 2010. The value of the upper limit varies between 140% and 150% of the WIG 20 closing rate on 6 July 2010. If, at any moment during the investment period, WIG 20 achieves or exceeds the upper or the lower limit, the client receives endowment insurance benefit of 5% per 3 years.
iPKO, Inteligo	In March a campaign for a remote sale of Max Pożyczka started for selected iPKO clients. Clients may avail themselves of the offer via electronic channels. The campaign continued until 15 May 2010, and clients could additionally benefit from the interest rate being lower by 2 pp. compared with the standard offer. The said interest rate was conditioned upon the client signing a loan agreement for a period of between 13 and 60 months. Clients may avail themselves of the offer through expressing their will to be granted the loan during a conversation with a consultant. In April a service of securities accounts via iPKO and Inteligo Internet websites was launched. Since 11 May 2010 the Inteligo Table of Fees and Commissions has been aligned with the domestic banking market. Changes in the Table promote an independent performance of transactions through introducing null fees for transactions performed via self-service channels. Clients to whom new price terms apply may perform international transfers. A principle of unifying fees for individual and business account clients was introduced. In May, as part of the Inteligo Account, a new loan product was launched – the Inteligo Loan. Tests of mobile payments via cellular phones were initiated. As part of a pilot programme, Inteligo clients received phones with an SIM card that enabled contactless payments in sale and service outlets. An option to order a report from BIK (*Credit Information Bureau*) was made available.

Product	Product characteristics
SME packages	The activities relating to SME packages were focused on the acquisition of new accounts. The Bank introduced temporary, promotional reductions in charges for product packages (extended on to Q3): 1) a promotional campaign for the Debut package which consisted of refraining from collecting a charge for maintaining an account for a period of three months for clients commencing business activities and clients conducting activities for no more than 12 months; 2) a price promotion for Business Packages covering the transformation of accounts into Package accounts, consisting of lowering the monthly charge for a period of three months for maintaining the BUSINESS PARTNER account within the individual packages: - Business Development – exemption from 50% of the charge; - Business Comfort and Business Success – no charge.
Deposit 6+6	A new deposit offer by PKO Bank Polski SA introduced on 2 February 2010 – a term deposit 6+6 M with a fixed interest rate. After placing a deposit, the client can decide whether to maintain it for six months or 12 months. The minimum amount of a deposit is PLN 1 000, with the possibility of withdrawing part of the funds before the maturity date up to the minimum amount of PLN 1 000. The interest rate on the term deposit 6+6 M after it has been maintained for 6 months is 4.40%, whereas after it has been maintained for 12 months the interest rate on the deposit is 4.60%. In the period from the date of the deposit being placed to the last day of the sixth month of its term the cash deposited bears no interest. On 22 February 2010, a term deposit 6+6 was introduced to the offer of Inteligo account and iPKO for individual customers.
Deposit 9+9	A new product offered by the Bank since 22 March 2010. A deposit with a fixed interest rate, where the interest rate on the deposit after it has been maintained for nine months is 4.50% *per annum*, whereas after it has been maintained for 18 months the interest rate on the deposit is 4.80% *per annum*. After nine months the client can decide whether to go on saving for another nine months. The contractual period of the deposit is 18 months, and the minimum amount of the deposit is PLN 1 000. During the term of the deposit any amount of the funds may be withdrawn up to the minimum amount of PLN 1 000. In March 2010, the deposit 9+9 was introduced and made available within iPKO service.

4.3.1.2. Activities of the PKO Bank Polski SA Group

Table 21. Activities of the PKO Bank Polski SA Group in the retail segment

SUBSIDIARY	SIGNIFICANT EVENTS IN THE 1ST HALF OF 2010
KREDOBANK SA	1. As at 30 June 2010, the equity of KREDOBANK SA amounted to PLN 224 479 thousand (UAH 522 894 thousand). 2. As at 30 June 2010, KREDOBANK SA reported a net loss of PLN 49 860 thousand (UAH 129 507 thousand). In the same period of 2009, KREDOBANK SA reported a net loss of PLN 125 604 thousand (UAH 294 638 thousand). The financial result of KREDOBANK SA was mainly affected by an increase in impairment allowance on loans, which resulted from the economic situation in the Ukraine and the deteriorated financial standing of the bank's clients. 3. The loan portfolio (gross) of KREDOBANK SA in the first half of 2010 increased by PLN 186 million i.e. 10.6% - the increase of loan portfolio was a result of increase of PLN/UAH exchange rates in 2010 (until the end of the 1st half of 2010 the gross loan portfolio denominated in UAH had decreased by UAH 412 million i.e. 8.4%). As at 30 June 2010, gross loan portfolio of the entity amounted to PLN 1 942 million (UAH 4 525 million). 4. In the first half of 2010, clients' term deposits decreased by PLN 111 million, i.e. 11.3% (the value of deposits denominated in PLN decreased by UAH 213 million, i.e. 7.7% as a result of change of exchange rate). As at 30 June 2010, the term deposits amounted to PLN 1 094 million (UAH 2 549 million). 5. In the first half of 2010 PKO Bank Polski SA: a) transferred to KREDOBANK SA funds in the amount of UAH 367.5 million in respect of subscribing for shares of a new XX issue. The said capital increase was registered on 22 July 2010. b) granted KREDOBANK SA the second subordinated loan in the amount of USD 15 million. The loan was registered by the National Bank of Ukraine and increased the regulatory capital of the Company. c) granted KREDOBANK SA a guarantee of repayment of borrowers' debt covering a part of the loan portfolio. The nominal value of the guarantee is USD 37 677 thousand and the guarantee expires on 10 January 2012. 6. As at 30 June 2010, the network of KREDOBANK SA branches consisted of 16 branches and 138 subordinated branches in 22 out of 24 Ukrainian districts and in the Autonomous Republic of the Crimea (i.e. 4 branches and 4 subordinated branches less than in the end of 2009). *Items from interim statement of financial position relating to KREDOBANK SA at the end of June 2010 were translated using rate of 1 UAH = 0.4293 PLN, while at the end of 2009 were translated using the average NBP rate as at last day of the month (1 UAH = 0.3558 PLN).* *Income statement items relating to KREDOBANK SA were translated using the average of NBP exchange rates prevailing as at the last day of each month of first half of 2010 and 2009 (0.3850 PLN/UAH and 0.4263 PLN/UAH respectively)*

SUBSIDIARY	SIGNIFICANT EVENTS IN THE 1ST HALF OF 2010
PKO Towarzystwo Funduszy Inwestycyjnych SA	1. As at 30 June 2010, the equity of the PKO TFI SA amounted to PLN 53 883 thousand. 2. As at 30 June 2010, PKO TFI SA earned a net profit of PLN 27 711 thousand (in the corresponding period of 2009 company earned PLN 29 280 thousand). 3. The asset value of the funds managed by the entity amounted to PLN 8.8 billion as at 30 June 2010, resulting in the Company having an 8.6%* share in the investment fund market and holding the 5th place among the funds. 4. Since 1 January 2010 the Company has managed the investment funds portfolios independently. 5. In the first half of 2010 the Company introduced to its offer 4 new investment sub-funds, offered under the Parasolowy – fio PKO Fund, and consolidated investment sub-funds under the PKO Światowy Fundusz Walutowy – sfio. 6. In the 1st half of 2010, the Company paid dividend to PKO Bank Polski SA for 2009 in the amount of PLN 61 209 thousand (gross). * *Source: Chamber of Fund and Asset Management*
PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA	1. As at 30 June 2010, the equity of the PTE BANKOWY SA amounted to PLN 230 890 thousand. 2. In the first half of 2010, PTE BANKOWY SA earned a net profit of PLN 4 879 thousand (in the corresponding period in 2009 company earned PLN 11 863 thousand). 3. As at the end of June 2010, the net assets of PKO BP Bankowy OFE managed by PKO BP BANKOWY PTE SA, amounted to PLN 5 383 million, which is an increase of PLN 471 million in results comparison to the end of 2009. An increase in value of PKO BP Bankowy OFE's net assets from positive trends at the Warsaw Stock Exchange. 4. As at the end of June 2010, the number of accounts maintained for participants of PKO BP OFE Bankowy amounted to 475 745. 5. At the end of the 1st half of 2010, PKO BP Bankowy OFE possessed the 10th largest net assets amongst pension funds and the 10th largest number of active member accounts, the same as at the end of 2009*. * *Source*: www.knf.gov.pl
Inteligo Financial Services SA	1. As at the end of June 2010, the IFS SA Group (Inteligo Financial Services SA and it's subsidiary PKO BP Finat Sp. z o.o.) equity amounted to PLN 145 408 thousand. 2. In the first half of 2010, the Group earned a net profit of PLN 10 619 thousand (in the first half of 2009: PLN 14 439 thousand). 3. The Company provided services to over 618.0 thousand Inteligo account clients (at the end of 2009 the number of clients amounted to 617.6 thousand). 4. As at the end of the first half of 2010, the value of the deposits of PKO Bank Polski SA Inteligo account clients increased by PLN 150 million, reaching at the end of June PLN 2 690 million. An increase in deposits from clients during the period from January to June 2010 was lower than an increase in deposits from clients in the corresponding period of 2009 by PLN 27 million. 5. In the first half of 2010 PKO BP Finat Sp. z o.o., a subsidiary of Inteligo Financial Services SA, obtained a positive opinion on certifying the correctness of internal controls, in line with the international standard SAS 70. 6. In the 1st half of 2010, the Company paid dividend to PKO Bank Polski SA for 2009 in the amount of PLN 1 424 thousand (gross).
Centrum Elektronicznych Usług Płatniczych Service SA	1. As at 30 June 2010, the company's equity amounted to PLN 75 202 thousand. 2. In the first half of 2010, the company earned a net profit of PLN 13 999 thousand (in the first half of 2009: PLN 14 918 thousand). 3. The number of eService terminals was 54273 as at the end of the first half of 2010, which represents an increase of 290 compared with the end of 2009. 4.The Company's estimated share in the market of bank card acceptance in terms of the number of terminals installed amounted to 23% at the end of June 2010 5. In the first half of 2010, transactions amounting to PLN 10.1 billion were generated with the use of CEUP eService SA terminals, representing an increase of 1.0 % in relation to the first half of 2009. 6. On June 2010, The Company's General Shareholders' Meeting decided to pay out the dividend for 2009 of PLN 29 million, gross, to PKO Bank Polski SA.

SUBSIDIARY	SIGNIFICANT EVENTS IN THE 1ST HALF OF 2010
PKO Inwestycje Sp. z o.o.	1.The value of equity of the PKO BP Inwestycje Sp. z o.o. Group (PKO BP Inwestycje Sp. z o. o. and its subsidiaries) at the end of June 2010 amounted to PLN 170 434 thousand. 2. The PKO BP Inwestycje Sp. z o.o. Group in the first half of 2010 generated a net loss of PLN 5 605 thousand (in the corresponding period of 2009: net profit of PLN 14 292 thousand). Fluctuations in the results are due to the accounting treatment applied to the investment projects carried out by the Group. 3. In the first half of 2010, the Company's activities were focused on the following development projects (conducted through SPVs): - "Nowy Wilanów" in Warsaw carried out by Wilanów Investments Sp. z o.o., - "Neptun Park" in Gdańsk Jelitkowo carried out by POMERANKA Sp. z o.o., - "Kuźmińska" in Kiev, Ukraine, carried out by UKRPOLINWESTYCJE Sp. z o.o. - "Osiedle Sarnia Dolina" in Jankowo (n/ Gdańsk) carried out PKO BP Inwestycje – Sarnia Dolina Sp. z o.o. - "Osiedle Rezydencja Flotylla" in Międzyzdroje carried out by PKO BP Inwestycje – Rezydencja Flotylla Sp. z o.o.
Fort Mokotów Inwestycje Sp. z o.o.	1. As at the end of June 2010, the Company's equity amounted to PLN 105 779 thousand. 2. The Company recorded a net loss of PLN 111 thousand for the first half of 2010 (in the first half of 2009 the loss amounted PLN 222 thousand). The loss resulted from the fact that the Company incurred start-up cost in the initial period of its operations. 3. In the 1st half of 2010, the Company continued working on the organization of a development project on the plot of land located at 107 Racławicka Street in Warsaw.

4.3.1.3. Activities taken by PKO Bank Polski SA towards KREDOBANK SA

Strengthening of the effectiveness of statutory organs of KREDOBANK SA

In the first half of 2010, the composition of the Supervisory and Management Boards of KREDOBANK SA changed. The changes were aimed to reinforce the function of planning and controlling, including the management of costs and restructuring processes.

Enhancing the safety of KREDOBANK SA operations

<u>Increase in share capital of KREDOBANK SA</u>

PKO Bank Polski SA participated in the increase in the share capital of KREDOBANK SA. As part of the 20th share issue, the Bank acquired shares with a nominal value of UAH 367 497 387.35, representing 99.83% of the new share issue. The increase in the share capital was registered on 22 July 2010. As a result of acquiring these shares, the interest of PKO Bank Polski SA in the share capital of KREDOBANK SA and the percentage of voting rights increased from 99.4948% to 99.5655%.

<u>Subordinated loan</u>

On 5 February 2010, PKO Bank Polski SA granted a second subordinated loan of USD 15 million to KREDOBANK SA. On 25 February 2010, the loan was registered by the National Bank of Ukraine and increased the regulatory capital of KREDOBANK SA.

<u>Guarantee</u>

On 30 June 2010 PKO Bank Polski SA granted a guarantee to repay the debt of KREDOBANK SA borrowers under selected loan agreements. The nominal value of the guarantee is USD 37 677 280.46 and the guarantee expires on 10 January 2012.

Ongoing cooperation of PKO Bank Polski SA with the representatives of the National Bank of Ukraine

The Management Board of PKO Bank Polski SA intensified its cooperation with the National Bank of Ukraine and the Ukrainian government. In the first half of 2010, a number of working meetings with representatives of the Ukraine took place. These contacts, in addition to discussing the current financial and economic situation of KREDOBANK SA, were aimed at improving the image of KREDOBANK SA as a subsidiary of a stable and reliable shareholder, PKO Bank Polski SA.

Restructuring activities at KREDOBANK SA

<u>The loan portfolio of KREDOBANK SA</u>

Actions were intensified that were aimed at the effective restructuring of the loan portfolio of KREDOBANK SA and the creating of a new "healthy" loan portfolio. Therefore, the Supervisory Board of KREDOBANK SA passed resolutions:

- appointing a KREDOBANK SA Restructuring Committee in KREDOBANK SA, comprising three Polish Board Members of KREDOBANK SA,
- introducing a new credit policy, determining the terms of KREDOBANK SA resuming lending.

In order to allow KREDOBANK SA to effectively enforce their bad debts, PKO Bank Polski SA granted a guarantee to repay the debt of KREDOBANK SA borrowers under selected loan agreements.

Cost and organizational restructuring and network optimization

In the first half of 2010, restructuring activities in the area of branch network optimization and cost and organizational restructuring of KREDOBANK SA, undertaken in 2009, were continued.

Continuing an intensified supervision over the investment

In 2010, as part of the intensified supervision over its investment, PKO Bank Polski SA:
- conducted detailed monitoring of the financial and economic position of KREDOBANK SA;
- continued cooperation in the area of implementing procedures at KREDOBANK SA that are similar to those applicable at PKO Bank Polski SA, including the development of amendments to already binding regulations;
- organized experience-sharing trips by its employees to KREDOBANK SA and traineeships for KREDOBANK SA's employees at PKO Bank Polski SA.

4.3.2. Corporate segment

4.3.2.1. Activities of PKO Bank Polski SA

In the first half of 2010 PKO Bank Polski SA continued its policy of financing Polish enterprises and local government units. From the perspective of credit policy the following was crucial:

1) value creating orientation of the result management, taking into consideration costs of risks and the capital-intensive nature,
2) a rational price policy based on ROE,
3) the effective management of credit risk at the decision and monitoring stages.

Despite a lowered demand in the loan market, resulting from the lack of investment needs, PKO Bank Polski SA reinforced its leader position in the sector and reported an increase in the corporate loan portfolio of ca. 11% compared with the first half of 2009. Focused actions aimed at facilitating access of business entities to sources of finance, along with intensified lending, allowed to maintain a high value of the Bank's portfolio of corporate loans, amounting to PLN 29.2 billion as at the end of June 2010.

In the first half of 2010 the Bank also conducted intense sales activities aimed at attracting funds from corporate clients. The said actions resulted in a dynamic increase in the portfolio of deposits of ca. 31% compared with the first half of 2009. The volume of corporate deposits exceeded PLN 26 billion as at the end of June 2010.

Table 22. Gross loans and advances and deposits of PKO Bank Polski SA (in PLN million)*

	30.06.2010	31.12.2009	30.06.2009	Change since:	
				31.12.2009	30.06.2009
Gross corporate loans	29 238	29 475	26 445	-0.8%	10.6%
Corporate deposits	26 285	26 133	20 123	0.6%	30.6%

Source: Bank's Management information.
** loans without interest due and interest not due*

The number of branches in the corporate segment remained unchanged compared with the end of 2009.

Table 23. Branches of PKO Bank Polski SA

	30.06.2010	31.12.2009	30.06.2009	Change since:	
				31.12.2009	30.06.2009
Total number of branches	1 222	1 228	1 237	(6)	(15)
- in the corporate segment:	68	68	68	-	-
regional corporate branches	13	13	13	-	-
corporate centers	55	55	55	-	-

The first half of 2010 was for PKO Bank Polski SA a period of continuing actions aimed at further improvements and increasing the efficiency of servicing corporate clients, as well as extending the product offer.

Those actions comprised mainly:
- centralizing and automating operational processes, related to, among others, corporate clients making negotiated deposits,
- simplifying the procedure of opening current and auxiliary accounts,
- optimizing the loan process,
- making the offer of financing local government units more flexible.

At the same time, the Bank offered new products to corporate clients:
- "Salary Account" for corporate clients,
- a settlement account in Russian rouble for clients trading with Russia,
- PKO Diners Club charge cards.

PKO Bank Polski SA, while increasing its effectiveness, actively takes the market opportunity in terms of attracting new clients interested in loan products (after a period of slowdown and crisis in 2009 there is an increase in the optimism of business entities and in confidence in financial institutions). At the same time in the first half of 2010 the Bank revised the price terms of client packages and cooperation principles related to Mikrorachunki (*microaccounts*).

In the first half of 2010, a process of preparing and launching a loyalty programme for corporate client was introduced.

Table 24. Activities and achievements of PKO Bank Polski SA in the corporate segment in the 1st half of 2010

Scope of activity	Activity
Loan activity	In the 1st half of 2010, the following key transactions were organized: - a working capital loan of PLN 300 million to a public sector entity; - concluding, as part of a consortium of banks, an agreement for granting an investment loan of PLN 300 million to a public sector entity (PKO Bank Polski SA's share in the financing was PLN 150 million), - concluding an agreement to finance business operations in the amount of PLN 250 million with a company manufacturing metal products, - concluding a revolving loan agreement for PLN 300 million with a client being a public sector entity, - concluding 4 agreements of the revolving and investment nature totalling PLN 165.5 million with a company of the ceramic industry.
Deposit activity	In the first half of 2010 the corporate segment increased its deposit portfolio by ca. PLN 6.2 billion compared with the first half of 2009.

4.3.2.2. Activities of the PKO Bank Polski SA Group

Table 25. Activities and of the PKO Bank Polski SA Group entities in the corporate segment

SUBSIDIARY	SIGNIFICANT EVENTS OF THE 1ST HALF OF 2010
Bankowy Fundusz Leasingowy SA	1. As at the end of the first half of 2010, the BFL SA Group (Bankowy Fundusz Leasingowy SA and it's subsidiaries) equity amounted to PLN 92 022 thousand. 2.In the first half of 2010, the Group generated a net profit of PLN 2 862 thousand (in the first half of 2009 the net profit of the Group amounted PLN 4 834 thousand). 3.In the first half of 2010, the BFL SA Group Companies leased out assets with a total value of PLN 480 million, which represents an increase of 14.9% compared with the first half of 2009. The increase results from the industry being stabilized and the financial standing of entities using leasing being improved. 4. In terms of the value of assets leased, at the end of June 2010, the BFL SA Group ranked 9th* in the market. 5. The total carrying value of the BFL SA Group lease investments as at the end of June 2010 was PLN 2 230 million (as at the end of 2009: PLN 2 229 million). 6. In the first half of 2010 Bankowy Fundusz Leasingowy SA, as part of utilizing EUR 50 million under a loan advanced by the European Investment Bank, financed the development of small and medium enterprises. ** Source: based on preliminary data published in the Rzeczpospolita daily on 12 July 2010*
Bankowe Towarzystwo Kapitałowe SA	1. As at the of June 2010, the BTK SA Group (Bankowe Towarzystwo Kapitałowe SA and it's subsidiary PKO BP Faktoring SA) equity amounted to PLN 7 165 thousand. 2. In the first half of 2010, the Group incurred a net loss of PLN 2 478 thousand (in the same period of 2009 the Group incurred a net loss of PLN 1 974 thousand). The loss resulted from the Group having incurred costs related to beginning new activities both by Bankowe Towarzystwo Kapitalowe SA and by PKO BP Bankowy Faktoring SA. 3. In 2010, PKO BP Faktoring SA – the subsidiary of BTK SA – rendered services of national factoring with recourse (incomplete), national non-recourse factoring (full) and export non-recourse factoring (full). 4. In the 1st half of 2010, the volume of factoring turnover amounted to PLN 291 million.

4.3.3. Investment segment

During the first four months of 2010 there was a pronounced tendency of growth in prices in the market of Treasury Securities, followed by weakening prices in the next months. During the entire period yields of Treasury bonds sank by 27-50 basis points. Treasury securities were in demand of investors across industries, which resulted in the spread between 2- and 10-year bonds being maintained between 100 and 120 basis points.

The increase in demand for Treasury securities was mainly due to the cost of financing on the monetary market being low and the excess liquidity of the banking sector growing gradually, as well as the introduction of a more restrictive Polish and global monetary policy in being postponed. The domestic market was also reinforced by an inflow of capital from foreign investors, who achieved a historically high exposure in Treasury bonds during last months. On the one hand, they were restoring their positions reduced after the crisis, and on the other hand they were investing funds for longer periods of time counting in addition on the appreciation of the zloty. The situation in the public sector and the economic conditions which were better than in other European countries were also to Poland's advantage. Additionally, at the end of the first half year, investors started to discount their expected decrease in the supply of Treasury securities in the coming quarters, which limited increases in yields.

After a long period of strong increases in share prices, the 1st half of 2010 saw the stabilization of stock exchange indices. The WIG20 index amounted to 2 388.72 points as at the end of 2009. In the following months, high volatility in trend could be observed varying from 2 160 to 2 620 points. Investors' feeling in the world and in Poland vary mainly in line with information on public finance i.a. in Greece published in Europe. The demand for shares is mainly stimulated by the expectations of the global economy reviving in the coming years. On the other hand, uncertain prospects of economic growth in the world remain a risk.

4.3.3.1. Activities of PKO Bank Polski SA

Table 26. Activities and achievements of PKO Bank Polski SA in the investment segment in the 1st half of 2010

		Development strategy and achieved results
Treasury activities	**Sale of Treasury products**	The sale of Treasury bonds takes place through a chain of consultants at the Bank's branches and dedicated corporate dealers acting as intermediaries. The Bank offers a wide range of treasury products. Apart from traditional foreign exchange operations and deposit products the Bank offers products tailored to individual needs of customers in terms of hedging of foreign exchange rates and interest rate. Turbulence on the foreign exchange market caused the decrease in customers' interest in derivatives. This trend continued in 2009 and in the 1st half of 2010. Nevertheless, in the 1st half of 2010, the value of SPOT transactions increased by 24% in comparison to the corresponding period in 2009 and 53% in the case of FORWARD transactions.
		Risk
		The Bank completed implementing the requirements of MIFiD. The implemented changes in the process of services to the customers should improve the process of concluding transactions and better recognition of risk by the customers.
	Inter-bank market	***Achieved results***
		1. The Bank is the dealer of Treasury bonds and the dealer of money market. The Bank is the market maker of the national interest rate and currency market. As a result of high activities of the Bank on inter-bank market the Bank took the first place in the contest for Dealer of Bonds for the second quarter of 2010. 2. At the end of June 2010 the share of the Bank in the IRS transactions' market was 23%, the share in the market of FRA transactions increased to 15.9% along with 9.1% in the market of SPOT transactions and 6.7% in the FORWARD's market.
		Risk
		In order to provide security of turnovers, in the 1st half of 2010 the Bank concluded with national and foreign banks 7 framework agreements and 10 hedging contracts.
Brokerage activities	**Share, futures and options markets**	1. In the first half of 2010 Dom Maklerski, in terms of turnover realized in the stock market, took fifth place, with a 6.7% share and the turnover of PLN 15.1 billion.With the growth of turnover on the contracts' market by 11%, the turnover of Dom Maklerski increased by nearly 45%, which promoted the entity to the 5th place from the 7th place taken at the end of 2009. Dom Maklerski experienced a strong rate of growth of turnover on the options market, compared with the second half of 2009. While the market turnovers increased by 46%, Dom Maklerski increased the value of concluded transactions by 54%. 2. In the first half of 2010 Dom Maklerski offered 148 investment funds managed by 10 management companies.
	Primary market	In the first half of 2010, Dom Maklerski was engaged in preparing and carrying out two significant public offerings of shares: PZU S.A. and Tauron S.A. The public offering of shares in PZU S.A. was record-breaking – the value of the offering was PLN 8.1 billion. Dom Maklerski was the Offeror and the Country Book Running Lead Co-Manager. The public offering of shares in Tauron S.A. was also successful. The value of the offering exceeded PLN 4.2 billion, which makes it one of the two largest offerings of companies of the energy industry in Europe this year. Dom Maklerski was the Country Book Running Lead Co-Manager. In the first half of 2010, Dom Maklerski also carried out the sale of shares in Mennica Polska S.A. by way of accelerated book building. The value of the transaction was PLN 347 million.
	***New Connect* market**	In the NewConnect market, in the first half of 2010, Dom Maklerski achieved a turnover of PLN 104.26 million and took the fifth place with a 8.2% market share. At the end of June 2010 Dom Maklerski was the market maker in the NewConnect market for 26 companies, which gives it second place in that market.
	Bond market	Dom Maklerski takes the first place in the bond market with a 40.53% share in the market turnover.

Table 27. Trustee activities in the 1st half of 2010

Scope of activity	**Activity**
Trustee activities	1. PKO Bank Polski SA is a direct participant in the National Securities Deposit and the Securities Register (NBP), also is a member of the Board of Depositary Banks and the Board for Non-Treasury Debt Securities (affiliated with the Polish Bank Assocation). Bank maintains securities accounts and handles transactions on Polish and foreign markets, as well as provides trustee services and acts as depositary for pension and investment funds, is an active participant in works related to developing regulations and market standards. 2. At the end of June 2010 Bank operated nearly 3.4 thousand securities accounts as part of custody services. 3. In 2010 the Bank's acquisition activities focused on attracting clients with a large portfolio of assets and settlement potential. As a result of such activities, clients' assets under custody increased from PLN 24 billion as at the end of 2009 to PLN 27.5 billion as at the end of June 2010.

Table 28. Structured finance in the 1st half of 2010

Scope of activity	Activity
Structured finance	1. In the 1st half of 2010, PKO Bank Polski SA took part in five bank guarantees, where financing value amounted to ca. PLN 600 million and granted to the subsidiary, operating in banking sector amounted to USD 37.7 million - in an arm's length transaction.The Bank granted its related entity a subordinated loan of USD 15 million - an arms-length transaction. 2. The Bank concluded 5 syndicated loans totalling PLN 2 125.1 million, in which the Bank's total share was PLN 545 million. The following agreements were also entered into: 45 agreements on issuing municipal bonds totalling PLN 345.1 million and 6 agreements on issuing corporate bonds totalling PLN 7.83 billion, including 3 agreements without underwriting totalling PLN 5 billion. The Bank also participated in a syndicated bond issuance with the value of PLN 3 billion (the Bank's share was PLN 480 million).

4.3.3.2. Activities of the PKO Bank Polski SA Group

Table 29. Activities of the PKO Bank Polski SA Group entities in the investment segment

SUBSIDIARY	SIGNIFICANT EVENTS OF THE 1ST HALF OF 2010
PKO Finance AB	1.As at 30 June 2010, the value of PKO Finance AB equity amounted to PLN 306 thousand (SEK 701 thousand). 2. As at the end of June 2010, the Company incurred a net loss of PLN 81 thousand (SEK 196 thousand). In the corresponding period of 2009 the net loss of the Company amounted to PLN 49 thousand (SEK 118 thousand). 3.The Company's core activity is to raise funds for PKO Bank Polski SA deriving from issue of eurobonds. As at 30 June 2010, the company has not started its statutory activities yet.
Centrum Finansowe Puławska Sp. z o.o.	1.The value of Company's equity at the end of June 2010 amounted to PLN 205 856 thousand. 2. In the first half of 2010 the reported net profit of PLN 7 477 thousand (in the corresponding period of 2009 the Company reached net profit of PLN 6 496 thousand). 3. As at 30 June 2010, the Company rented 100% of the office and commercial space in the managed by itself Centrum Finansowe Puławska building, 90.9% of which was rented by the entities of the PKO Bank Polski SA Group. 4. On June 2010, The Company's General Shareholders' Meeting decided to pay out the dividend for 2009 of PLN 12 491 thousand, gross, to PKO Bank Polski SA.

5. INTERNAL CONDITIONS

5.1. The structure and directions of development of the PKO Bank Polski SA Group

As at 30 June 2010 PKO Bank Polski SA Group consist of the Bank as a parent company and 21 entities as direct and indirect subsidiaries.

The consolidated financial statements include: PKO Bank Polski SA – the parent company of the PKO Bank Polski SA Group and its subsidiaries as defined in IAS 27 „Consolidated and separate Financial Statements".

Table 30. Entities included in the consolidated financial statements of the PKO Bank Polski SA Group

No.	Entity name	The value of exposure at acquisition cost (PLN thousand)	The share in the share capital (%)	Consolidation method
	Parent company			
1	Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna			
	Direct subsidiaries			
2	KREDOBANK SA	786 746	99.4948	full method
3	PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA	205 786	100	full method
4	PKO Towarzystwo Funduszy Inwestycyjnych SA	186 989	100	full method
5	Centrum Finansowe Puławska Sp. z o.o.	128 288	100	full method
6	PKO BP Inwestycje Sp. z o.o.*	117 813	100	full method
7	Bankowy Fundusz Leasingowy SA	70 000	100	full method
8	Inteligo Financial Services SA	59 602	100	full method
9	Centrum Elektronicznych Usług Płatniczych eService SA	55 500	100	full method
10	Fort Mokotów Inwestycje Sp. z o.o. *[1]	51 599	99.9885	full method
11	Bankowe Towarzystwo Kapitałowe SA	18 566	100	full method
12	PKO Finance AB	172	100	full method
	Subsidiaries of PKO BP Inwestycje Sp. z o.o.			
13	Wilanów Investments Sp. z o.o.*[2]	82 980	99.9750	full method
14	POMERANKA Sp. z o.o. *[2]	19 000	99.9975	full method
15	PKO BP Inwestycje - Sarnia Dolina Sp. z o.o. *	7 949	56	full method
16	PKO BP Inwestycje - Rezydencja Flotylla Sp. z o.o.*	7 575	100	full method
17	Fort Mokotów Sp. z o.o. *	2 040	51	full method
18	UKRPOLINWESTYCJE Sp. z o.o.	519	55	full method
	Subsidiary of Bankowe Towarzystwo Kapitałowe SA			
19	PKO BP Faktoring SA [2]	8 329	99.9846	full method
	Subsidiary of Inteligo Financial Services SA			
20	PKO BP Finat Sp. z o.o. [3]	7 600	80.3287	full method
	Subsidiaries of Bankowy Fundusz Leasingowy SA			
21	Bankowy Leasing Sp. z o.o. [2]	19 009	99.9974	full method
22	BFL Nieruchomości Sp. z o.o. [2]	9 109	99.9945	full method

** value of shares at acquisition cost, inclusive of specific capital injections.*

1 - The other shareholder in the company is PKO BP Inwestycje Sp. z o.o.

2 - PKO Bank Polski SA acquired directly 1 share in the entity.

3 - Remaining shares of PKO BP Finat Sp. z o.o. in hold of PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA (19.6702%) and PKO Bank Polski SA (1 share).

Table 31. Other subordinated entities included in the consolidated financial statements

No.	Entity name	The value of exposure at acquisition cost (PLN thousand)	The share in the share capital (%)	Consolidation method
	Jointly controlled entities			
1	CENTRUM HAFFNERA Sp. z o.o.	44 371	49.43	equity method
2	Centrum Obsługi Biznesu Sp. z o.o.	17 498	41.44	equity method
	Subsidiaries of CENTRUM HAFFNERA Sp. z o.o.			
3	Sopot Zdrój Sp. z o.o.*	67 126	100	equity method
4	Promenada Sopocka Sp. z o.o.	10 058	100	equity method
5	Centrum Majkowskiego Sp. z o.o.	6 609	100	equity method
6	Kamienica Morska Sp. z o.o.	976	100	equity method
	Associaties			
7	Bank Pocztowy SA	146 500	25.0001	equity method
8	Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	1 500	33.33	equity method
9	Agencja Inwestycyjna CORP SA	29	22.31	equity method

** value of shares at acquisition cost, inclusive of specific capital injections.*

In addition, PKO Bank Polski SA holds shares in an associate Kolej Gondolowa Jaworzyna Krynicka SA (37.53% interest in the Company's share capital), disclosed as non-current assets held for sale.

5.2. Changes in organization of subordinated entities

In the first half of 2010, the structure of the PKO Bank Polski SA Group was affected by the following events:

1) sale of shares in WISŁOK Inwestycje Sp. z o.o.

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

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

2) taking up shares in the increased share capital of BFL Nieruchomości Sp. z o.o.

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

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

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

3) taking up shares in the increased share capital of Bankowy Leasing Sp. z o.o.

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

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

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

4) concerning change in the name of PKO Inwestycje Międzyzdroje Sp. z o.o.

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

5) concerning change in the name of Baltic Dom 2 Sp. z o.o.

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

6) additional contribution to PKO Inwestycje – Sarnia Dolina Sp. z o.o.

On 23 June 2010, PKO BP Inwestycje Sp. z o.o. - a subsidiary of PKO Bank Polski SA – contributed to PKO BP Inwestycje – Sarnia Dolina Sp. z o.o. the amount of PLN 210 thousand.

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

7) payment for the XX share issue of KREDOBANK SA

In the 1st quarter of 2010, PKO Bank Polski SA transferred to KREDOBANK SA the amount of UAH 367.5 million related to the subscription for the new XX share issue. The increase in the share capital mentioned above was registered on 22 July 2010.

8) taking up shares in the increased share capital of spółki BFL Nieruchomości Sp. z o.o.

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

5.3. Related party transactions

In the first half of 2010, PKO Bank Polski SA provided (on arms-length) the following services to its related parties (subsidiaries): keeping bank accounts, accepting deposits, extending loans and advances, issuing debt securities, providing guarantees and conducting spot foreign exchange transactions.

A schedule of significant transactions of PKO Bank Polski SA with its subordinated entities, including the debt of the entities in respect of the Bank as at 30 June 2010 was disclosed in the financial statements of PKO Bank Polski SA for the first half of 2010.

6. PRINCIPLES OF RISK MANAGEMENT

Risk management is one of the most important internal processes in PKO Bank Polski SA as well as in the other entities comprising the PKO Bank Polski SA Group, especially in KREDOBANK SA and Bankowy Fundusz Leasingowy SA Group (BFL SA Group). The objectives of risk management are to ensure an adequate level of security and profitability of business operations in the changing legal and economic environment.

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

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

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

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

The Management Board of the Bank is responsible for the risk management strategy, including the supervision and monitoring of activities undertaken by the Bank in the area of risk management. The Management Board approves the most important decisions affecting the risk profile of the Bank and internal regulations defining the risk management system. Managing risk at an operational level is conducted by organizational units of the Bank (within the scope of their competences), falling under the Banking Risk Division, the Restructuring and Debt Collection Division and the Credit Risk Assessment Department.

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

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

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

- continued intensive actions aimed at gaining new deposits from its clients,
- considered the influence of financial crisis in the methods used to assess banking risk (e.g. in stress-test scenarios).

In the first half of 2010, the Bank has continued to follow the restricted policy since 4th quarter 2008 regarding retail credits in foreign currency, by setting higher own contribution requirements in case of mortgages, restricting the credits available for the high-risk clients and increasing the credit margins for the newly granted credits for the corporate and retail clients.

Due to increased costs of living, in the first half of 2010, the Bank updated parameters used to assess the creditworthiness of individual clients, including minimum fixed expenses and running expenses.

6.1. Credit risk

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

The purpose of credit risk management is to reduce losses on the loan portfolio and mitigate the risk of exposure being impaired, while maintaining the expected profitability and value of the loan portfolio.

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

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, 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.

The Bank assesses the credit risk of retail clients on two levels: the client's borrowing capacity and his creditworthiness. The assessment of credit ability consists in examining the client's financial condition, and the assessment of creditworthiness comprises scoring and the assessment of the client's records obtained from the Bank internal files and external databases.

Credit risk relating to the financing of corporate clients is assessed on two levels: the client and the transaction (excluding chosen types of transactions for SME clients, who are assessed based on the *scoring* approach). These assessments are based on the ratings of the client and the transaction. The so-called cumulative rating is a synthetic measure of credit risk.

The 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 the reporting system.

New principles of assessing the risk of transactions in derivatives and monitoring the limits for such transactions, as introduced in December 2009, allowed the adoption of a more precise approach to managing individual exposure of corporate clients trading in derivatives. The Bank is developing an Early Warning System (*System Wczesnego Ostrzegania*) and preparing its support with a dedicated IT application. EWS is aimed at early identification of potential increases of credit risk or risk associated with impairment of the collateral of loans granted to corporate clients, small and medium enterprises, institutional clients active on the mortgage markets and taking actions to prevent such risks from materializing or mitigate losses on loans.

The Group companies whose activities are exposed to credit risk conducted a review of credit risk policies and procedures (BFL SA in the second quarter of 2010, KREDOBANK SA in the first quarter of 2010) and made the necessary amendments to their credit risk policies.

*Table 32. The structure of loan portfolio and impairment allowances of the PKO Bank Polski SA Group (together with receivables related to finance lease, PLN thousand)**

	30.06.2010	31.12.2009
Loans and advances to customers - gross	**129 190 680**	**120 509 709**
Individual method	6 623 053	6 049 833
Port folio method	4 324 945	3 752 263
Group method (IBNR)	118 242 682	110 707 613
Impairment allowance	**(4 525 213)**	**(3 937 124)**
Individual method	(1 553 083)	(1 344 098)
Port folio method	(2 346 063)	(1 989 868)
Group method (IBNR)	(626 067)	(603 158)
Loans and advances to customers - net	**124 665 467**	**116 572 585**

In the first half 2010, the gross value of the Group's loans and advances to customers valued using individualized and portfolio method increased by PLN 573.2 million and PLN 572.7 million respectively.

In the first half of 2010 the growth rate of loan portfolio with identified indicators of impairment (individualized and portfolio method) was higher than the growth of entire loan portfolio, resulting in an increase of share of loans with identified indicators of impairment in the loan portfolio from 8.1% at 31 December 2009 to 8.5% at 30 June 2010.

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

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

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

In the first half of 2010 KREDOBANK SA centralized its assessment of credit risk and introduced a pilot version of the Early Warning System (*System Wczesnego Ostrzegania*), including corporate loans. It introduced notifying clients via short message service (SMS): a preventive SMS – three days before the repayment date and an SMS on the third day of delinquency of repayment. KREDOBANK SA ran a survey aimed at systemizing the monitoring of credit operations, in particular through preparing a database on existing security agreements concluded with clients. It appointed a Restructuring Committee with the purposes of increasing the effectiveness of actions taken while deciding on restructuring loans.

The main directions of the credit risk management policy adopted by the BFL SA Group in the first half of 2010 comprise building a safe leasing portfolio, to ensure a consolidated net profit being earned by the BFL SA Group, pursuing capital safety and aiming at limiting the share of bad debts in the portfolio. The policy defines i.a criteria for industries, clients and objects being deemed not recommended, as well as exposure limits per individual industries and clients. The objective of the BFL SA Group is to develop leasing activities via the bank distribution channel.

6.2. Interest rate risk

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

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

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

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

As at 30 June 2010 and 31 December 2009, the exposure of the PKO Bank Polski SA Group to the interest rate risk mainly comprised of the exposure of the Bank. Interest rate risk generated by the other

Group entities with regard to PLN, EUR and CHF did not have a significant effect on the interest rate risk of the entire Group and therefore did not significantly affect its risk profile. Interest rate risk with regard to USD was significantly changed by exposure of the Group, in which the biggest part has the exposure of KREDOBANK SA.

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

Table 33. VaR of the Bank and stress testing analysis of the Group's exposure to the interest rate risk (PLN thousand)

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

* Due to the nature of the activities carried out by the other Group entities generating significant interest rate risk as well as a the specific nature of the market in which they operate, the Group does not calculate consolidated VaR. These companies apply their own risk measures in the interest rate risk management. KREDOBANK SA uses the 10-day interest rate VaR for the main currencies, which amounted to PLN 36 726 thousand as at 30 June 2010 and PLN 40 048 thousand as at 31 December 2009, respectively.

As at 30 June 2010, the interest rate VaR for the holding period of 10 days (10-day VaR) amounted to PLN 14 565 thousand, which accounted for approximately 0.09 % of the value of the Bank's own funds. As at 31 December 2009, VaR for the Bank amounted to PLN 17 086 thousand, which accounted to approximately 0.10% of the Bank's own funds[5].

6.3. Currency risk

Currency risk is the risk of incurring losses due to unfavorable exchange rate changes. The risk is generated by maintaining open currency positions in a given foreign currency. The objective of managing the currency risk is to reduce the risk of incurring losses arising from a mismatch of currency structure of statement of financial position items and of off-balance sheet items to an acceptable level.

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

Methods of currency risk management in the other Group entities are defined by internal regulations implemented by these entities. The regulations are developed by the Group entities, which are characterized by high level of currency risk measure outcomes. The regulations are issued after consultation with the Bank and take into account recommendations issued by the Bank to the Group entities.

Table 34. VaR of the Bank and stress-testing of the Group financial assets exposed to currency risk (cumulatively, PLN thousand)

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

* Due to the nature of the activities carried out by the other Group entities generating significant currency risk as well as a the specific nature of the market in which they operate, the Bank does not calculate consolidated VaR. These companies apply their own risk measures in the currency risk management. KREDOBANK SA uses the 10-day interest rate VaR, which amounted to PLN 247 thousand as at 30 June 2010 and PLN 64 thousand as at 31 December 2009, respectively.
** If the UAH position, resulting from shares in KREDOBANK SA being taken up, were excluded from calculating VaR and from stress tests, the 10-day VaR for the Bank at a confidence level of 99% as at 30 June 2010 would be ca. PLN 3 242 thousand, and the value of the stress test scenario, being a change in the CURR/PLN rate of 15%, for the Group would amount to ca. PLN 2 636 thousand. The UAH position referred to above was converted into a structural position on 22 July 2010.

The level of currency risk was limited both as at 30 June 2010 and as at 31 December 2009.

Table 35. The Group's currency positions (PLN thousand)

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

**The high value of the net global position in other currencies of the Group results from a long UAH position being opened due to the Bank taking up newly issued shares in KREDOBANK SA. If the UAH position were excluded, the net global currency position of the Group in other currencies would be ca. PLN 21 256 thousand.*

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

6.4. Liquidity risk

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

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

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

The Bank makes use of the following liquidity risk measures: the contractual liquidity gap method and the liquidity gap in real terms method, the surplus liquidity method, analysis of stability of deposit and loan portfolios, as well as liquidity stress testing.

Methods of liquidity risk management in the other Group entities are defined by internal regulations implemented by those Group entities which are characterized by high levels of liquidity risk measure outcomes. These regulations are developed after consultation with the Bank and take into account recommendations issued by the Bank.

To ensure an adequate liquidity level, the Bank and the other entities of the PKO Bank Polski SA Group accepted limits and thresholds for liquidity risk. The limits and thresholds were set for both short-term liquidity measures, as well as for medium and long-term measures.

Table 36. Liquidity reserve of the Bank at the end of the first half of 2010 and at the end of 2009 (PLN million)

	30.06.2010	**31.12.2009**
Liquidity reserve to 1 month*	11 385	16 030

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

As at 30 June 2010, the level of permanent balances on deposits constituted approximately 95% of all deposits of the Bank's (excluding interbank market) – ca. 0.9 pp. decline compared to the end of 2009.

6.5. Derivative instrument risk

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

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

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

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

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

Master agreements concluded by the Bank with the major business partners based on the standards developed by the Polish Bank Association (domestic banks) and ISDA (foreign banks and credit institutions), which allow offsetting mutual liabilities, both due (mitigation of settlement risk) and not yet due (mitigation of pre-settlement risk), are particularly important for mitigating the risk associated with derivative instruments.

Additional collateral for exposures, resulting from derivative instruments are collateral deposits escrowed by counterparties as a part of CSA agreement (Credit Support Annex).

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

6.6. Operational risk

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 Group to events which are beyond its control.

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

The main tools for managing the operational risk are as follows:
- control instruments,
- human resources management (proper staff selection, enhancement of professional qualification of employees, motivation packages),
- setting threshold values of Key Risk Indicators (KRI),
- contingency plans,
- insurances,
- outsourcing,
- business continuity plan.

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

The other Group entities, manage operational risk according to principles of managing the risk in PKO Bank Polski SA, considering their specific nature and scale of activity of particular entities. In the first half of 2010 ,the Group entities continued to work upon developing a system of key indicators of operational risk.

6.7. Compliance risk

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

The objective of compliance risk management is to strengthen the image of the PKO Bank Polski SA Group as an entity that is reliable, fair, honest and compliant with law and adopted standards through mitigating compliance risk, covering the possibility of losing Group reputation or reliability as well as mitigating the risk of incurring financial losses or legal sanctions caused by the violation of regulations or codes of conduct.

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

In all of the PKO Bank Polski SA Group entities principles of compliance risk management are consistent with principles being in force at the Bank.

6.8. Strategic risk

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

The objective of strategic risk management is to identify the risks relating to setting and implementing the Bank's strategic goals and reducing their negative impact on the implementation of the adopted business strategy.

In measuring the strategic risk, the Bank takes the following into account:
- 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.

6.9. Reputation Risk

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.

The management of the Bank's reputation risk comprises in particular:
- monitoring the external and internal communication channels of the Bank with the environment in terms of identifying the negative impact of image-related events;
- accumulating 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;
- selecting effective tools for protective measures aimed at eliminating, mitigating or minimizing the unfavourable effect of image-related events on the Group's image depending on the nature, importance, scale and dynamics of the negative effects of image-related events;
- analyzing the nature, importance, scale and dynamics of the negative effects of image-related events;
- determining the level of reputation risk.

6.10. Capital adequacy

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

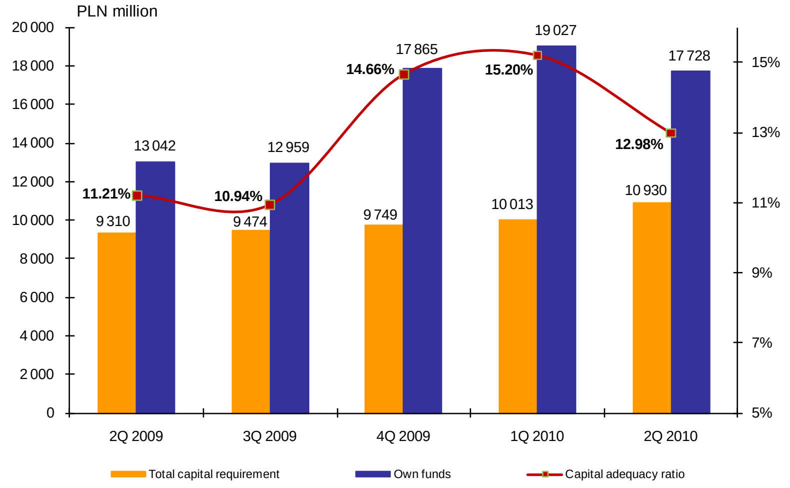
The objective of capital adequacy management is to maintain capital on a level that is adequate to the risk scale and profile of the Group's activities.

The process of managing the Group's capital adequacy comprises:
- identifying and monitoring of all of significant risks;
- assessing internal capital to cover the individual risk types and total internal capital;
- monitoring, reporting, forecasting and limiting of capital adequacy;
- performing internal capital allocations to business segments, client segments and entities in the Group in connection with profitability analyses;
- using tools affecting the capital adequacy level (including: tools affecting the level of equity, the scale of equity item reductions and the level of the loan portfolio).

The main measures of capital adequacy are:
- the capital adequacy ratio whose minimum level in accordance with the Banking Act is 8%;
- the ratio of equity to internal capital whose acceptable minimum level in accordance with the Banking Act is 1.0.

The capital adequacy level of the PKO Bank Polski SA Group in the first half of 2010 remained on a safe level and was significantly above the statutory limits.

Chart 3. Capital adequacy of the PKO Bank Polski SA Group



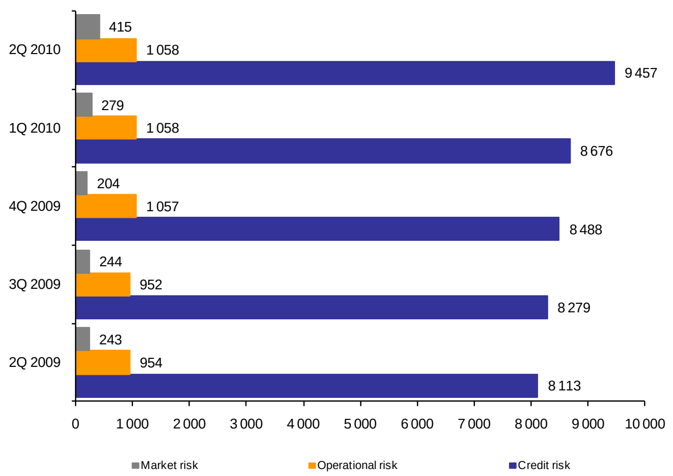
In the first half of 2010, the Group's capital adequacy level dropped by 1.68 pp. compared to the level at 31 December 2009, which was mainly due to an increase in the Group total capital requirement (by ca. PLN 1 181 million).

In the first half of 2010 the PKO Bank Polski SA Group own funds fell by PLN 137 million, mainly due to a decrease in the value of short-term capital (of PLN 59 million) and the Group's retained earnings (of PLN 81 million), and the PKO Bank Polski SA Group retained earnings included the unappropriated profit for 2009, net of expected reductions of PLN 57 million.

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

In the first half of 2010, an increase in the capital requirement relating to credit risk resulted mainly from an increase of ca. 7% in the Group's loan portfolio (balance sheet and off-balance sheet exposures).
An increase in capital requirement relating to market risk in the first half of 2010 resulted from underwriting liabilities being increased by ca. 172%.

Chart 4. Capital requirements of the PKO Bank Polski SA Group (PLN million)



7. INVESTOR RELATIONS

7.1. Shareholders holding, directly or indirectly, at least 5% of votes at the General Shareholders' Meeting

To the best knowledge of PKO Bank Polski SA, there are two shareholders that hold, directly or indirectly, significant shareholding (at least 5%): the State Treasury and Bank Gospodarstwa Krajowego, holding as at the date of submitting the report, respectively 512 406 277 and 128 102 731 of PKO Bank Polski SA's shares.

The share of the State Treasury and Bank Gospodarstwa Krajowego in the share capital of PKO Bank Polski SA amounts, respectively, to 40.99% and 10.25% and matches the percentage share in the total number of votes at the General Shareholders' Meeting of PKO Bank Polski SA.

Table 37. The shares held by the Shareholders as at the date of submitting the report

Shareholder	As at the date of submitting the report for the first half of 2010		As at the date of submitting the report for the first quarter of 2010		The change in the number of votes at the GSM in pp. after the report for the first quarter of 2010 was submitted (pp.)
	Number of shares	Number of votes (%)	Number of shares	Number of votes (%)	
The State Treasury	512 406 277	40.9925%	512 406 277	40.9925%	0.0000
Bank Gospodarstwa Krajowego	128 102 731	10.2482%	128 102 731	10.2482%	0.0000
Other shareholders	609 490 992	48.7593%	609 490 992	48.7593%	0.0000
Total	1 250 000 000	100.0000%	1 250 000 000	100.0000%	0.0000

7.2. Changes in the number of PKO Bank Polski SA shares held by Management or Supervisory Board Members

Table 38. Shares held by PKO Bank Polski SA's Management or Supervisory Board Members

No.	Name	Number of shares as at the date of submitting the report for the first quarter of 2010	Purchase	Disposal	Number of shares as at the date of submitting the report for the first half of 2010
	Management Board of the Bank				
1.	Zbigniew Jagiełło, President of the Bank's Management Board	2500	2500	0	5000
2.	Bartosz Drabikowski, Vice-President of the Bank's Management Board	0	0	0	0
3.	Krzysztof Dresler, Vice-President of the Bank's Management Board	0	0	0	0
4.	Jarosław Myjak, Vice-President of the Bank's Management Board	0	0	0	0
5.	Wojciech Papierak, Vice-President of the Bank's Management Board	3283	0	0	3283
6.	Jakub Papierski, Vice-President of the Bank's Management Board	0	0	0	0
	Supervisory Board of the Bank				
1.	Cezary Banasiński, President of the Bank's Supervisory Board	0	0	0	0
2.	Tomasz Zganiacz, Vice-President of the Bank's Supervisory Board	0	0	0	0
3.	Jan Bossak, member of the Bank's Supervisory Board	0	0	0	0
4.	Mirosław Czekaj, member of the Bank's Supervisory Board	0	0	0	0
5.	Ireneusz Fąfara, member of the Bank's Supervisory Board	0	0	0	0
6.	Błażej Lepczyński, member of the Bank's Supervisory Board	0	0	0	0
7.	Piotr Marczak*, member of the Bank's Supervisory Board	x	0	x	0
7.	Alojzy Nowak, member of the Bank's Supervisory Board	0	0	0	0

* *the Supervisory Board Member appointed after the report for the first quarter of 2010 was published*

7.3. Co-operation with rating agencies

Currently, the financial reliability ratings of PKO Bank Polski SA are awarded by four rating agencies:

- Moody's Investors Service assigns a *rating* to the Bank at a charge, in accordance with its own bank assessment procedure;
- *Standard & Poor's*, *Capital Intelligence* and *Fitch Ratings* assign a free-of-charge *rating* (not ordered by the Bank), on the basis of publicly available information, including primarily interim and annual reports, and information on the Bank made available during direct contacts of representatives of the agency with the Bank.

In March 2010 the Bank received a report of Capital Intelligence, a rating agency, dated January 2010, notifying it of the support rating being increased from 2 to 1 (other ratings unchanged). The increased rating is the highest rating awarded by the agency in the support category.

The ratings awarded free-of-charge by the other agencies did not change in first half of 2010.

Table 39. Ratings given to PKO Bank Polski SA as at 30 June 2010

***Rating* with a charge**	
Moody's Investors Service	
Long-term rating for deposits in foreign currencies	A2 with a stable perspective
Short-term rating for deposits in foreign currencies	Prime-1 with a stable perspective
Long-term rating for deposits in a domestic currency	A2 with a stable perspective
Short-term rating for deposits in a domestic currency	Prime-1 with a stable perspective
Financial strenght	C- with negative perspective
***Rating* not requested by the Bank**	
Fitch Ratings	
Support Rating*	2
Standard and Poor's	
Long-term rating for liabilities in a domestic currency	BBBpi
Capital Intelligence	
Long-term rating for liabilities in a foreign currency	A-
Short-term rating for liabilities in a foreign currency	A2
Strength on a national scale	BBB+
Supporting Rating	1
Perspective for upholding the rating	Stable

** On 9 August 2010 Fitch Ratings informed that level 2 of Support Rating was maintained.*

In March 2010 international rating agency *Standard & Poor's* gave a following *rating* for KREDOBANK SA:

– long-term credit rating on the international scale – „CCC+",
– forecast – „Stable",
– short-term credit rating on the international scale – „C",
– *rating* on the Ukrainian scale – "uaBB-".

The *rating* level and forecasts for KREDOBANK SA are identical to the *rating* level and forecasts for the Ukraine as a state.

8. OTHER INFORMATION

Identification data

PKO BP SA, with its registered Head Office in Warsaw at 15 Puławska Street, has been entered in the Register of Entrepreneurs of the National Court Register kept by the District Court in Warsaw, Entry No. KRS 0000026438. The Company was granted statistical number (REGON) 016298263 and tax identification number (NIP) 525-000-77-38.

The Management and Supervisory Board of PKO Bank Polski SA in the period

Table 40. The Management Board of PKO Bank Polski SA (as at 30 June 2010)

No.	Name	Post	Date of appointment
1.	Zbigniew Jagiełło	President of the Management Board	On 14 September 2009, the Bank's Supervisory Board appointed Zbigniew Jagiełło as the acting President of the Management Board of PKO Bank Polski SA, effective from 1 October 2009, for the joint term of the Board beginning on 20 May 2008. For the period since 1 October 2009 to the date on which the Polish Financial Supervision Authority approves his appointment as the President of the Management Board of PKO Bank Polski SA, the Supervisory Board appointed Zbigniew Jagiełło as the acting President of the Management Board of PKO Bank Polski SA. On 13 April 2010 the Polish Financial Supervision Authority approved Zbigniew Jagiełło's appointment as Chairman of the Management Board of PKO Bank Polski SA.
2.	Bartosz Drabikowski	Vice-President of the Management Board	Appointed on 20 May 2008 as Vice-President of the Management Board for the joint term of the Board beginning on that day.
3.	Krzysztof Dresler	Vice-President of the Management Board	Appointed on 20 May 2008, effective as of 1 July 2008, as Vice-President of the Management Board for the joint term of the Board beginning on 20 May 2008. On 27 October 2008, the Polish Financial Supervision Authority approved the appointment of Krzysztof Dresler as the Member of the Management Board of the Bank.
4.	Jarosław Myjak	Vice-President of the Management Board	Appointed on 9 December 2008, effective as of 15 December 2008, as Vice-President of the Management Board for the joint term of the Board beginning on 20 May 2008.
5.	Wojciech Papierak	Vice-President of the Management Board	Appointed on 20 May 2008 as Vice-President of the Management Board, effective from 1 July 2008 for the joint term of the Board beginning on 20 May 2008. On 7 July 2009, the Supervisory Board of the Bank entrusted Wojciech Papierak, Vice-President of the Bank's Management Board, with the duties of the President of the Management Board of PKO Bank Polski SA until the President of the Bank's Management Board is appointed. On 14 September 2009, the Supervisory Board revoked the Resolution No 75/2009 of the Bank's Supervisory Board dated 7 July 2009 on appointing as the acting President of the Management Board effective from 1 October 2009.
6.	Jakub Papierski	Vice-President of the Management Board	On 10 March 2010 appointed as Vice-President of the Management Board of PKO Bank Polski SA, effective from 22 March 2010 for the joint term of the Board beginning on 20 May 2008.
7.	Mariusz Zarzycki*	Vice-President of the Management Board	Appointed on 20 May 2008, effective as of 1 September 2008, as Vice-President of the Management Board for the joint term of the Board beginning on 20 May 2008.

** on 21 July 2010 Mariusz Zarzycki filed his resignation as Vice-President of the Bank's Management Board effective from 31 July 2010.*

Table 41. Supervisory Board of PKO Bank Polski SA (as at 30 June 2010)

No.	Name	Post	Date of appointment / recalling
1.	Cezary Banasiński	Chairman of the Supervisory Board	Appointed on 20 April 2009 until the end of the current term of the Bank's Supervisory Board (beginning on 20 May 2008). The Minister of State Treasury appointed Mr. Cezary Banasiński, a member of the Supervisory Board, as a Chairman of the Supervisory Board.
2.	Tomasz Zganiacz	Vice-Chairman of the Supervisory Board	Appointed on 31 August 2009 until the end of the current term of the Bank's Supervisory Board. The Minister of State Treasury appointed Mr. Tomasz Zganiacz a member of the Supervisory Board, as a Vice-Chairman of the Supervisory Board.
3.	Mirosław Czekaj	Secretary of the Supervisory Board	Appointed on 31 August 2009 until the end of the current term of the Bank's Supervisory Board. On 30 June 2010 chosen as Bank's Supervisory Board Secretary.
4.	Jan Bossak	Member of the Supervisory Board	Appointed on 26 February 2008 for the term, which ended on 19 May 2008 and for the current term of the Supervisory Board.
5.	Ireneusz Fąfara	Member of the Supervisory Board	Appointed on 31 August 2009 until the end of the current term of the Bank's Supervisory Board.
6.	Błażej Lepczyński	Member of the Supervisory Board	Appointed on 20 April 2009 until the end of the current term of the Bank's Supervisory Board.
7.	Piotr Marczak	Member of the Supervisory Board	Appointed on 25 June 2010 until the end of the current term of the Bank's Supervisory Board.
8.	Alojzy Zbigniew Nowak	Member of the Supervisory Board	Appointed on 31 August 2009 until the end of the current term of the Bank's Supervisory Board.

Amendments to the Memorandum of Association of PKO Bank Polski SA

In June 2010, the Ordinary General Meeting of Shareholders of the Bank passed an amendment to the Memorandum of Association of PKO Bank Polski SA. The principles of amendment to the Memorandum of Association of PKO Bank Polski SA are consistent with the Code of Commercial Companies and Banking Law. The new Memorandum of Association of Bank is announced in the Current Report No. 28 dated 25 June 2010.

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The need to introduce amendments to the Bank's Articles resulted chiefly from the following:

1) the need to take into consideration amendments to generally applicable provisions of law,
2) the need to adjust to requirements of banking supervision (including the content of resolutions passed by the PFSA),
3) the need to modify provisions on disposing real property.

From a materiality perspective, the suggested amendments to the Bank's articles relate to the following issues:

1) amending the manner of the Bank disposing real property (para. 9 Clause 1 point 5 of the Bank's Articles),
2) changing the responsibilities of the Bank Supervisory Board, mainly in order to adjust them to generally applicable provisions of law, in particular the Act of 7 May 2009 on statutory auditors and their self-governance, audit firms authorized to audit financial statements and public oversight, (*Journal of Laws* of 2009, No. 77, item 649), resolutions passed by the Polish Financial Supervision Authority and requirements specified in the protocol of the issue inspection carried out the Office of PFSA (para. 14a, para. 15 and para. 17a of the Bank's Articles),
3) providing for the option of advance divided payment being made (para. 34a of the Bank's Articles).

Additionally, the duties of the Bank Management Board were stated more precisely, in respect of risk management and internal controls (para. 22 and para. 26 of the Bank's Articles).

Seasonality or cyclical nature of activities in the reporting period

PKO Bank Polski SA is a universal bank, which provides services on the territory of Poland, and thus its activities are exposed to similar fluctuations to those affecting the entire Polish economy. The activities of other companies of the PKO Bank Polski SA Group similarly do not show any particular seasonality or cyclical nature.

Activities in the area of sponsoring, charity and promotion

Sponsoring activities carried out in the first half of 2010 were aimed at creating a positive image of PKO Bank Polski SA, enhancing the brand value and prestige, as well as supporting business. Thanks to the Bank's financial support, 34 projects were carried out, i.a. the cooperation with the Polish Olympic Committee was continued. PKO Bank Polski SA sponsored i.a.:

- the commemoration of the seventieth anniversary of the Katyń massacre,
- the European Economic Congress,
- the 17th Business Forum in Toruń,
- a series of 6 conferences organized by Infor Biznes,
- 30 symposia on "Contemporary Economy and Administration".

As part of charity activities, the Bank made 233 donations in the first half of 2010. As part of social aid the Bank co-financed a humanitarian and social aid programme: "Pamiętamy – nie jesteście sami" [We remember – you are not alone], in line with an agreement signed in 2007 with the Foundation for Polish and German Reconciliation. In the period analyzed the Bank focused in particular on activities for the benefit of disabled children, children from poor and maladjusted families, related to i.a.: protecting health, organizing rehabilitation camps, integration workshops, winter and summer holidays. As part of protecting and promoting health, the Bank co-financed the purchase of medical equipment. As regards social aid the Bank provided i.a. support to families in difficult situations in life and to youth clubs. As part of promoting education, the Bank supported the organization of competitions and education journeys, as well as the purchase of educational aid. Additionally, the Bank participated in providing financial support to flood victims.

Promotional activities carried out by PKO Bank Polski SA in the first half of 2010 were chiefly aimed at promoting new banking products and supporting the sale of existing products, and they were communicated mainly via television, press, Internet and windows of bank outlets. Promotional campaigns of the following deposit products were conducted: *Lokata 6+6 (6+6 Deposit), Polisa Strukturyzowana WIG20 (WIG 20 Structured Policy), Lokata z Funduszem (Deposit with Fund), Polisa Oszczędnościowa (Savings Policy)*.

Additionally, the following were carried out:

- 2 campaigns of Max Pożyczka Mini Raty (in March and June),
- a campaign of the VISA credit card issued on the occasion of the Winter Olympic Games in Vancouver,
- an Internet campaign of the Inteligo account, the mortgage loan and the mortgage borrowing for small and medium enterprises.

In the first half year promotional activities were also conducted that were related to PZU S.A. and Tauron Polska Energia SA being privatized.

Promotional activities carried out by the other companies of the Group in the first half of 2010 focused primarily on the following:

– building the position of PKO Towarzystwo Funduszy Inwestycyjnych SA on the investment fund market, mainly through: preparing and distributing educational brochures, papers and broadcasts on safe investments in investment funds,
– conducting marketing activities and supporting the sale of apartments in the housing estates: "Neptun Park" in Gdańsk Jelitkowo and "Nowy Wilanów" in Warsaw,
– Centrum Elektronicznych Usług Płatniczych eService SA carrying out actions to promote contactless cards, organizing competitions to promote the sale of prepaid recharge and sponsoring eService, the first league bridge team,
– PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA taking PR actions and co-organizing the Asset Management Forum,
– informing, promoting and supporting the sale of products offered by Inteligo Financial Services SA and companies of the Bankowy Fundusz Leasingowego SA Group,
– Centrum Finansowe Puławska Sp. z o.o. organizing a conference on the real property market.

Prizes and awards

In the first half of 2010 PKO Bank Polski SA was granted the following prizes and awards:

1. Reader's Digest Product of The Year 2009 – PKO Bank Polski SA was awarded prizes in four categories: bank account, mortgage loan, cash loan, deposit.
2. Entrepreneur Friendly Bank - PKO Bank Polski SA was awarded a Gold Prize and the Laureate title for implementing new standards of servicing institutional clients, responding flexibly to the needs of corporate clients, improving and enhancing the product offer and the manner it is being sold using the solid models of cooperation with small and medium enterprises. Additionally, 16 Bank branches were awarded prizes.
3. Złoty Bankier - PKO Bank Polski SA won a prize for the best mortgage loan in the market.
4. The Prize of the Stock Exchange - Dom Maklerski (*Brokerage House*) of PKO Bank Polski SA was awarded three prizes by the Stock Exchange for its achievements in 2009: for the highest value of new issues of listed companies in 2009, for the support in launching the Catalyst market and active operations in the market as regards acquisition, for the largest share in the market maker turnover in the NewConnect market in 2009.
5. Lampart 2009 (*Leopard 2009*) – the idea of Leopards lies in awarding the banks that made the greatest effort to create their brand last year and were successful in doing so. The manner of determining the winner is a special value – it is the competitors that vote. PKO Bank Polski SA took the second place in the following categories: retail banking, banking services for microenterprises.
6. Złote Godło Zaufania (*Gold Emblem of Trust*) - PKO Bank Polski SA brand was chosen by readers of Reader's Digest as the most trusted one: PKO Bank Polski SA received Złote Godło (*Gold Emblem*) of European Trusted Brand, as well as the title of the Most Environment Friendly Brand.
7. In the 6th edition of ranking of banks financing developers' housing projects, PKO Bank Polski SA took the first place in the general ranking (scoring 91 out of 100 points).
8. In the raking of 100 most valuable companies in Poland in 2009 PKO Bank Polski SA was valued at PLN 35.8 billion and took third place. The valuation was made by A.T. KEARNEY, a world's leading consulting firm specializing in strategic and operational management. The survey analyzed companies with remarkable turnover, profitability and with brand valued by the Poles.
9. In the 5th edition of Premium Brand 2009, assessing brand reputation among consumers and businesses, PKO Bank Polski SA won the best score in the category "banks" and was awarded the title of Brand of High Repute.
10. In the 18th edition of the Best Banks 2010 competition organized by Gazeta Bankowa, PKO Bank Polski SA won the category of "large banks".
11. The 50 largest banks in Poland 2010 – reflecting the market position of financial institution – organized by "Miesięcznik Finansowy BANK" issued by the Polish Banking Association, PKO Bank Polski SA was awarded the following: the main prize, a special distinction for the Bank as the institution with the highest capital power, a special prize awarded by the Credit Information Bureau (BIK) to banks for providing BIK reports, a special prize awarded by BIK to IFS for providing BIK reports.
12. In the 8th ranking of best financial institutions organized by Rzeczpospolita in the Bank category, PKO Bank Polski SA took the third place.

In the first half of 2010 the companies of the PKO Bank Polski SA Group were granted the following prizes and awards:

1. Inteligo Financial Services SA was awarded a distinction by BIK in the Innovation category, for implementing the following service: the purchase of BIK reports for Inteligo clients and iPKO e-banking users in PKO Bank Polski SA.
2. IT Leader of financial institutions in 2009 in the transaction systems category – the prize awarded to PKO Bank Polski SA by Gazeta Bankowa for the ATFI system being developed and implemented by PKO BP Finat Sp. z o.o., a subsidiary of Inteligo Financial Services SA.
3. Miasteczko Wilanów, whereby the Nowy Wilanów project is carried out, was granted the 2010 Award for Excellence ENEA by the Urban Land Institute.
4. Centrum Elektronicznych Usług Płatniczych eService SA was rewarded by the Polish Banking association in the "Partner 2009" category.

Additionally, KREDOBANK SA entered a TOP 20 list of safe deposits, with the "stable" rating, published the Ukrainian Internet agency "Economic Truth".

Underwriting agreements and guarantees issued to the subsidiaries

As at 30 June 2010, bonds' issues of Bankowy Fundusz Leasingowy SA – a subsidiary of PKO Bank Polski SA – regulates Underwriting Agreement of a Bond Issuance Program as of 14 December 2006, amended by annex at 28 March 2008, as a result of which the maximum value of the bond issue programme amounts to PLN 600 million.

As at the end of the first half of 2010, Bankowy Fundusz Leasingowy SA issued bonds for a total amount of PLN 485 million, including bonds with a value of PLN 410.64 million which were sold on the secondary market, and bonds with a value of PLN 74.36 million which were included in the portfolio of PKO Bank Polski SA.

In the first half of 2010 PKO Bank Polski SA granted the following:
- for KREDOBANK SA – a guarantee of repayment of borrowers' debt covering a part of the loan portfolio. The nominal value of the guarantee is USD 37 677 thousand and the guarantee expires on 10 January 2012,
- for Bankowy Fundusz Leasingowy SA – a guarantee up to PLN 388 thousand to the benefit of Cross Point Sp. z o.o. to secure the Company's rental liabilities; the guarantee is valid until 30 June 2015.

Loans and advances taken, guarantee and suretyship agreements not related to operating activity

PKO Bank Polski SA did not take out any loans or advances or receive any guarantees or suretyships that were not related to its operating activity.

In the first half of 2010, KREDOBANK SA did not take out any loans or advances or receive any guarantees or suretyships that were not related to its operating activity.

Significant contracts and important agreements with the central bank or supervisory authorities

In first half of 2010, PKO Bank Polski SA did not conclude any significant agreements with the central bank or with the regulators.

In first half of 2010, the PKO Bank Polski SA Group did not conclude any significant agreements with the Central Bank or with the regulators.

Simultaneously, in the first half of 2010 the remaining PKO Bank Polski SA Group companies did not conclude significant agreements.

Subsequent events which may have an impact on future financial results

1. On 6 July 2010 PKO Bank Polski SA adopted a resolution approving the issuance of subordinated bonds up to PLN 5 000 000 000 (five billion). The funds obtained under the issue – having been approved by the Polish Financial Supervision Authority – shall be earmarked to increase the Bank's supplementary funds based on Art. 127 Clause 3 point 2 b of the Banking Law.
2. On 21 July 2010 Mariusz Zarzycki filed his resignation as Vice-President of the Bank's Management Board effective from 31 July 2010.
3. PKO Bank Polski SA, acting based on para. 29 point 3 o the Stock Exchange Rules and Regulations, in its current report No. 36/2010 dated 23 July 2010 disclosed that it deviated, on a

one-off basis, from complying with the principles provided for in Part 4 of "Best Practices of Companies Listed in the Warsaw Stock Exchange" ("Best Practices") pertaining to the following:

- determining a period longer than 15 business days between the day of establishing the right to dividend and the day of paying the dividend (Part 4 Clause 6 of Best Practices) and
- determining such conditions for paying a conditional dividend that should be met after the day of establishing the right to dividend (Part 4 Clause 7 of Best Practices).

Benefits provided to members of management and supervisory boards

Full information regarding the remuneration and other benefits on behalf of the members of the Management Board of PKO Bank Polski SA and the Supervisory Board of PKO Bank Polski SA in the reporting period was disclosed in Note 33 of the PKO Bank Polski SA Group consolidated financial statements for the six-month period ended 30 June 2010.

Number of employees in PKO Bank Polski SA and in PKO Bank Polski SA Group as at 30 June 2010 and 30 June 2009

	As at 30.06.2010	As at 30.06.2009	Change
PKO Bank Polski SA	27 540	28 794	(1 254)
Other Group entities	3 162	3 313	(151)
Total	30 702	32 107	(1 405)

Results of changes in the Entity's structure, including the effects of merger, takeover or disposal of the Group entities, long-term investments, division, restructuring and discontinuation of activities

The results of changes in the Entity's structure, including the results of merger, takeover or sale of the Group entities have been described in point 5.2 of this Report.

Factors which may affect future financial performance within at least the next quarter

Results of the Bank and the Group within next quarters will be affected by economic processes which will take place in the Polish and global economies, as well as by a response of the financial markets. The interest rate policy applied by the Monetary Policy Council and by other largest central banks will also have a great influence on the Bank's performance.

Information of the issuer or its subsidiary granting a surety of repayment of a loan or borrowing, or a guarantee – jointly to one entity or its subsidiary if the total value of existing sureties or guarantees equals at least 10% of the issuer's equity

1. In the first half year of 2010 PKO Bank Polski SA subsidiaries did not grant a surety of repayment of loan or borrowing, or a guarantee to one entity or the subsidiary of such entity, whose total value would equal 10% of the Bank's equity.
2. On 1 February 2010 the Bank concluded an agreement to organize and service a bond issuance in stand-by form with one of the clients of PKO Bank Polski SA in the amount of PLN 1 500 000 000 (in words: one billion five hundred million zlotys). The agreement on organizing and servicing the bond issuance is valid until 31 January 2011. PKO Bank Polski SA underwrites the issue. The bonds bear interest based on 1M WIBOR plus the Bank's margin. The bonds are not secured. The agreement does not provide for contractual penalties.
3. On 1 March 2010 the Bank concluded an agreement to organize and service a bond issuance with one of the clients of PKO Bank Polski SA up to the amount of PLN 350 000 000 (in words: three hundred and fifty million zlotys). Since the Issuer had not issued the bonds by 30 April 2010, PKO Bank Polski SA underwriting obligations expired, and so expired the issuance agreement.

Proceedings pending before the court, arbitration tribunal or public administrative authority

As at 30 June 2010, the total value of court proceedings in the first half of 2010, which the Bank is a defendant was PLN 182 619 thousand (approximately), while the total value of court proceedings in which the Bank is the plaintiff was PLN 87 361 thousand (approximately).

No court proceedings with the participation of the Bank are in progress, the value of which amounts to at least 10% of the Bank's shareholders' equity.

Position of PKO Bank Polski SA Management Board in regards to possibility of achieving previously published forecasts

PKO Bank Polski SA did not publish any financial forecasts for 2010.

Information on dividend paid (or declared)

On 23 July 2010 the Annual General Meeting of PKO Bank Polski SA decided to a distribution of dividend for the year 2009 in the gross amount of PLN 1.90 per share. The list of the shareholders entitled to receive the dividend for 2009 will be drawn up as at 23 October 2010, and the dividends will be paid out on 20 December 2010. The dividend will be disbursed on the condition that by the date of 10 December 2010 PKO Bank Polski SA ultimately:

- shall not take control over a bank with its registered seat on the territory of the Republic of Poland by direct or indirect acquisition of the majority of shares

and

- shall not acquire the rights to take control in the manner specified in above.

Other disclosures significant for evaluation of the issuer's human resources, financial situation, financial performance, and any changes therein

On 22 April 2010 PKO Bank Polski SA was notified by Bank Gospodarstwa Krajowego with its seat in Warsaw of a cooperation agreement being concluded with the State Treasury on 21 April 2010, relating to the joint performance of ownership rights resulting from shares held in the Bank (PKO Bank Polski SA received a similar notification from the Ministry of the State Treasury on 26 April 2010).

Declaration of the Management Board of PKO Bank Polski SA

The Management Board of PKO Bank Polski SA certifies that, to the best of its knowledge*:*

1. the condensed consolidated interim financial statements and comparative data have been prepared in accordance with binding accounting and reporting standards and present a true and fair view of financial condition and results of the PKO Bank Polski SA Group,
2. the Directors' Report presents a true view of the development and achievements as well as condition of the PKO Bank Polski SA Group, including a description of the basic risks and threats.

The Management Board of PKO Bank Polski SA certifies that the entity authorized to audit the financial statements and which is performing the review of the condensed consolidated interim financial statements, has been elected as the auditor in compliance with applicable laws. The entity as well as the certified auditor performing the review fulfilled all criteria for providing unbiased and independent review report in compliance with applicable laws and professional norms.

The Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group Directors' Report for the first half of 2010 consists of 48 sequently numbered pages.

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President of the Bank's Management Board
Zbigniew Jagiełło

_ _
Vice–President of the Bank's Management Board
Bartosz Drabikowski

_ _
Vice–President of the Bank's Management Board
Krzysztof Dresler

_ _
Vice–President of the Bank's Management Board
Jarosław Myjak

_ _
Vice–President of the Bank's Management Board
Wojciech Papierak

_ _
Vice–President of the Bank's Management Board
Jakub Papierski

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