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PKO BANK POLSKI
SPÓŁKA AKCYJNA

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

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SELECTED FINANCIAL DATA

SELECTED STAND-ALONE FINANCIAL DATA	PLN thousand		EUR thousand	
	for the period 01.01.2010 to 30.06.2010	for the period 01.01.2009 to 30.06.2009	for the period 01.01.2010 to 30.06.2010	for the period 01.01.2009 to 30.06.2009
Net interest income	3 007 412	2 197 393	751 064	486 321
Net fee and commission income	1 425 871	1 062 175	356 094	235 078
Operating profit	2 006 425	1 621 990	501 080	358 974
Net profit	1 612 540	1 288 891	402 712	285 254
Net comprehensive income	1 784 864	1 482 433	445 748	328 088
Net cash flow from / used in operating activities	(546 850)	(4 116 216)	(136 569)	(910 990)
Net cash flow from / used in investing activities	(516 326)	2 481 530	(128 946)	549 205
Net cash flow from / used in financing activities	(62 817)	134 377	(15 688)	29 740
Total net cash flows	(1 125 993)	(1 500 309)	(281 203)	(332 044)
Earnings per share for the period – basic (in PLN/EUR)	1.29	1.18	0.32	0.26
Earnings per share for the period – diluted (in PLN/EUR)	1.29	1.18	0.32	0.26

SELECTED STAND-ALONE FINANCIAL DATA	PLN thousand		EUR thousand	
	as at 30.06.2010	as at 31.12.2009	as at 30.06.2010	as at 31.12.2009
Total equity	21 964 381	20 179 517	5 297 984	4 912 009
Tier 1 capital	15 642 535	15 755 513	3 773 104	3 835 138
Tier 2 capital	958 495	1 052 650	231 197	256 231
Tier 3 capital	71 303	129 876	17 199	31 614

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

- the income statement, statement of comprehensive income and cash flow statement items – the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each of the six-month period ended 30 June 2010 and 2009, respectively: EUR 1 = PLN 4.0042 and EUR 1 = PLN 4.5184.
- the statement of financial position items – average NBP exchange rate as at 30 June 2010: EUR 1 = PLN 4.1458 and as at 31 December 2009: EUR 1 = PLN 4.1082.

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

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

	Notes	01.01-30.06.2010	01.01-30.06.2009
Continued operations:			
Interest and similar income	3	4 870 108	4 104 796
Interest expense and similar charges	3	(1 862 696)	(1 907 403)
Net interest income		**3 007 412**	**2 197 393**
Fee and commission income	4	1 808 534	1 398 516
Fee and commission expense	4	(382 663)	(336 341)
Net fee and commission income		**1 425 871**	**1 062 175**
Dividend income		109 744	101 214
Net income from financial instruments designated at fair value	5	(17 800)	63 571
Gains less losses from investment securities		35 947	(2 391)
Net foreign exchange gains	6	164 671	631 716
Other operating income	7	23 614	109 154
Other operating expenses	7	(24 587)	(37 500)
Net other operating income and expense		**(973)**	**71 654**
Net impairment allowance	8	(841 895)	(584 346)
Administrative expenses	9	(1 876 552)	(1 918 996)
Operating profit		**2 006 425**	**1 621 990**
Profit before income tax		**2 006 425**	**1 621 990**
Income tax expense	10	(393 885)	(333 099)
Net profit		**1 612 540**	**1 288 891**
Earnings per share:			
- basic earnings per share for the period (in PLN)		1.29	1.18
- diluted earnings per share for the period (in PLN)		1.29	1.18
Weighted average number of ordinary shares during the period		1 250 000 000	1 090 000 000
Weighted average diluted number of ordinary shares during the period		1 250 000 000	1 090 000 000

Discontinued operations:

In the first half of 2010 and 2009 PKO Bank Polski SA did not carry out discontinued operations.

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

	01.01-30.06.2010	01.01-30.06.2009
Profit for the period	**1 612 540**	**1 288 891**
Other comprehensive income	**172 324**	**193 542**
Unrealised net gains on financial assets available for sale (gross)	16 448	15 242
Deferred tax on unrealised net gains on financial assets available for sale	(3 125)	(2 899)
Cash flow hedge (gross)	196 298	223 699
Deferred tax on cash flow hedge	(37 297)	(42 500)
Total net comprehensive income	**1 784 864**	**1 482 433**

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

	Notes	30.06.2010	31.12.2009
ASSETS			
Cash and balances with the central bank		4 839 343	6 993 966
Amounts due from banks	13	3 096 831	2 053 767
Trading assets	14	3 578 988	2 212 955
Derivative financial instruments	15	1 854 819	2 029 921
Financial assets designated at fair value through profit and loss	17	12 231 404	12 356 532
Loans and advances to customers	18	122 493 160	114 425 789
Investment securities available for sale	19	8 907 307	7 965 697
Investments in subsidiaries, jointly controlled entities and associates	20	1 333 707	1 333 707
Non-current assets held for sale		16 790	13 851
Intangible assets	21	1 320 838	1 268 781
Tangible fixed assets	21	2 179 120	2 291 949
- including investment properties		193	322
Deferred income tax asset		297 941	275 204
Other assets		656 729	425 360
TOTAL ASSETS		**162 806 977**	**153 647 479**
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to the central bank		3 780	6 581
Amounts due to banks	22	5 463 285	4 166 725
Derivative financial instruments	15	3 253 599	1 544 370
Amounts due to customers	23	128 067 833	124 044 400
Subordinated liabilities		1 611 339	1 612 178
Other liabilities	24	1 792 173	1 319 917
Current income tax liabilities		53 880	175 165
Provisions	25	596 707	598 626
TOTAL LIABILITIES		**140 842 596**	**133 467 962**
Equity			
Share capital		1 250 000	1 250 000
Other capital		16 669 689	16 497 365
Retained earnings		2 432 152	-
Net profit for the period		1 612 540	2 432 152
TOTAL EQUITY		**21 964 381**	**20 179 517**
TOTAL EQUITY AND LIABILITIES		**162 806 977**	**153 647 479**
Capital adequacy ratio	33	12.51%	14.28%
Book value (in PLN thousand)		21 964 381	20 179 517
Number of shares		1 250 000 000	1 250 000 000
Book value per share (in PLN)		17.57	16.14
Diluted number of shares		1 250 000 000	1 250 000 000
Diluted book value per share (in PLN)		17.57	16.14

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

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

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

For the six-month period ended 30 June 2009	Share capital	Other capital						Retained earnings	Net profit for the period	Total equity
		Reserve capital	General banking risk fund	Other reserves	Financial assets available for sale	Cash flow hedge	Total other equity			
As at 1 January 2009	**1 000 000**	**7 216 986**	**1 070 000**	**1 395 000**	**(33 874)**	**-**	**9 648 112**	**-**	**2 881 260**	**13 529 372**
Transfer of net profit from previous years	-	-	-	-	-	-	-	2 881 260	(2 881 260)	-
Total comprehensive income	-	-	-	-	12 343	181 199	193 542	-	1 288 891	1 482 433
Transfer from retained earnings	-	-	-	1 881 260	-	-	1 881 260	(1 881 260)	-	-
Dividends paid	-	-	-	-	-	-	-	(1 000 000)	-	(1 000 000)
As at 30 June 2009	**1 000 000**	**7 216 986**	**1 070 000**	**3 276 260**	**(21 531)**	**181 199**	**11 722 914**	**-**	**1 288 891**	**14 011 805**

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

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

	Note	01.01-30.06.2010	01.01-30.06.2009
Net cash flow from operating activities			
Net profit		1 612 540	1 288 891
Adjustments:		(2 159 390)	(5 405 107)
Amortisation and depreciation		206 268	196 732
(Gains) losses on investing activities		(964)	61
Interest and dividends		(298 558)	(336 606)
Change in amounts due from banks		(20 487)	537 163
Change in trading assets and other financial assets designated at fair value through profit and loss		(1 240 905)	(5 565 634)
Change in derivative financial instruments (asset)		175 102	519 575
Change in loans and advances to customers		(8 501 581)	(7 257 762)
Change in deferred income tax asset and income tax receivables		(22 737)	38 885
Change in other assets		(234 308)	(70 299)
Change in amounts due to banks		1 293 759	(743 858)
Change in derivative financial instruments (liability)		1 709 229	(3 874 934)
Change in amounts due to customers		4 023 433	10 938 365
Change in impairment allowances and provisions		397 922	230 869
Change in other liabilities		534 234	260 409
Income tax paid		(578 330)	(685 638)
Current tax expense		457 045	339 613
Other adjustments		(58 512)	67 952
Net cash from / used in operating activities		**(546 850)**	**(4 116 216)**
Net cash flow from investing activities			
Inflows from investing activities		**6 028 243**	**8 502 998**
Proceeds from sale of investment securities		5 948 277	8 410 538
Proceeds from sale of intangible assets and tangible fixed assets		3 208	2 048
Other investing inflows		76 758	90 412
Outflows from investing activities		**(6 544 569)**	**(6 021 468)**
Purchase of a subsidiary, net of cash acquired		-	(474 190)
Purchase of investment securities		(6 393 884)	(5 345 532)
Purchase of intangible assets and tangible fixed assets		(150 685)	(201 746)
Net cash from / used in investing activities		**(516 326)**	**2 481 530**
Net cash flow from financing activities			
Repayment of interest from issued debt securities		(42 302)	(62 895)
Long-term borrowings		-	221 614
Repayment of long term borrowings		(20 515)	(24 342)
Net cash generated from financing activities		**(62 817)**	**134 377**
Net cash inflow/ (outflow)		**(1 125 993)**	**(1 500 309)**
including currency differences on cash and cash equivalents		133 570	164 977
Cash and cash equivalents at the beginning of the period		8 617 962	8 055 811
Cash and cash equivalents at the end of the period	**28**	**7 491 969**	**6 555 502**
of which restricted		4 476	5 464

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. General information

The condensed interim financial statements of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna ('PKO Bank Polski SA', 'the Bank') have been prepared for the six-month period ended 30 June 2010 and include comparative data for the six-month period ended 30 June 2009 (Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement) and comparative data as at 31 December 2009 (Statement of Financial Position). All data has been presented in PLN thousand, unless indicated otherwise.

The Bank was established in 1919 as the Pocztowa Kasa Oszczędnościowa. Since 1950 the Bank operated as the Powszechna Kasa Oszczędności State-owned bank. Pursuant to the Decree of the Council of Ministers dated 18 January 2000 (Journal of Laws No. 5, item 55 with subsequent amendments) Powszechna Kasa Oszczędności (a State-owned bank) was transformed into a State-owned joint-stock company, Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna with its head office in Warsaw, 15 Puławska Street, 02-515 Warsaw, Poland.

On 12 April 2000, Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna was entered in the Register of Companies by the District Court for the capital city of Warsaw, Commercial Court XVI Registration Department. At present, the appropriate Court of Registration is the District Court for the capital city of Warsaw, XIII Economic Department of the National Court Register. The Bank was registered under entry No. KRS 0000026438 and was granted a statistical REGON No. 016298263. The Bank's paid share capital amounts to PLN 1 250 000 thousand.

The Bank's shareholding structure is as follows:

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

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

Business activities of the Bank

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

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

Structure of the PKO Bank Polski SA Group

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

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

1) The second shareholder of the entity Fort Mokotów Inwestycje Sp. z o.o. is PKO BP Inwestycje Sp. z o.o.
2) PKO Bank Polski SA holds 1 share in the entity.
3) The previous name of the entity was PKO Inwestycje – Międzyzdroje Sp. z o.o.
4) Information on the disposal is presented in Note 20 'Investments in subsidiaries, jointly controlled entities and associates' .
5) The previous name of the entity was Baltic Dom 2 Sp. z.o.o.
6) Other shares of the entity PKO BP Finat Sp. z o.o. are in hold of PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA (19.6702%) and PKO Bank Polski SA (0.0011%).

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

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

Jointly controlled entities

No.	Name of Entity	Registered office	Activity	% Share capital 30.06.2010	% Share capital 31.12.2009
			Direct jointly controlled entities		
1	CENTRUM HAFFNERA Sp. z o.o.	Sopot	Real estate development	49.43	49.43
2	Centrum Obsługi Biznesu Sp. z o.o.	Poznań	Construction and maintenance of a hotel	41.44	41.44
			Indirect jointly controlled entities		
	Subsidiaries of CENTRUM HAFFNERA Sp. z o.o. (indirect jointly controlled by PKO Bank Polski SA)				
3	Centrum Majkowskiego Sp. z o.o.	Sopot	Real estate development	100.00	100.00
4	Kamienica Morska Sp. z o.o.	Sopot	Real estate development	100.00	100.00
5	Sopot Zdrój Sp. z o.o.	Sopot	Real estate development	100.00	100.00
6	Promenada Sopocka Sp. z o.o.	Sopot	Real estate development	100.00	100.00

Associates

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

1) Shares of the entity are recognised in non-current assets held for sale.

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

Internal organisational units of the Bank

The condensed interim financial statements of the Bank, comprising financial data for the six-month period ended 30 June 2010 and comparative financial data, were prepared on the basis of financial data submitted by all organisational units of the Bank through which it performs its activities. As at 30 June 2010, these organisational units included: the Bank's Head Office in Warsaw, Dom Maklerski PKO BP SA, COK - Centrum Kart Kredytowych i Operacji Kartowych, CBE Centrum Bankowości Elektronicznej Inteligo, 8 specialised units, 12 regional retail branches, 13 regional corporate branches, 55 corporate centres and 2028 agencies. Except for Dom Maklerski PKO BP SA, none of the organisational units listed above prepares separate financial statements.

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

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

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

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

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

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

- on 27 January 2010, the Supervisory Board of PKO Bank Polski SA adopted a resolution appointing Mr. Jakub Papierski as the Vice-President of the Management Board effective from 1 April 2010;
- on 10 March 2010, the Supervisory Board of PKO Bank Polski SA passed a resolution entrusting Mr. Jakub Papierski with the duties of the Vice-President of the Management Board, effective from 22 March 2010, for the joint term of the Board beginning on 20 May 2008. Simultaneously, in accordance with the above resolution, the Bank's Supervisory Board revoked its resolution dated 27 January 2010, which entrusted Mr. Jakub Papierski with the duties of the Vice-President of the Management Board effective from 1 April 2010.
- on 13 April 2010, the Polish Financial Supervision Authority approved unanimously the appointment of Mr. Zbigniew Jagiełło as the President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.

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

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

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

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

Approval of financial statements

These condensed interim financial statements, reviewed by the Supervisory Board's Audit Committee on 18 August 2010, have been approved for issue by the Management Board of the Bank on 17 August 2010.

These condensed interim financial statements are published together with condensed consolidated financial statements of the PKO Bank Polski SA Group for the six-month period ended 30 June 2010.

2. Summary of significant accounting policies and critical estimates

2.1. Summary of significant accounting policies

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

The accounting policies and calculation methods applied in the preparation of these condensed financial statements are consistent to those, which were applied in the preparation of financial statements of the Bank for the year ended 31 December 2009.

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

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

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

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

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

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

2.2. Critical estimates

In preparing financial statements, the Bank makes certain estimates and assumptions, which have a direct influence on both the financial statements presented and the notes to the financial statements.

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

Estimates and assumptions made by the Bank are subject to periodic reviews. Adjustments to estimates are recognized in the periods in which the estimates were adjusted provided that these adjustments affect only the given period. If the adjustments affect both the period in which the adjustment was made as well as future periods, they are recognized in the period in which the adjustments were made and in the future periods.

The main assumptions that were used by the Bank in performing estimates include the following areas:

2.2.1. Impairment of loans and advances

An impairment loss is incurred when there is objective evidence of impairment due to events that occurred after the initial recognition of the asset (‘a loss event’), when the loss has a reliably measurable impact on the expected future cash flows from the financial asset or group of financial assets. Future cash flows are assessed by the Bank on the basis of estimates based on historical parameters.

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

2.2.2. Impairment of investments in subsidiaries, associates and jointly controlled entities

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

2.2.3. Valuation of derivatives and non-quoted debt securities available for sale

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

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

2.2.4. Calculation of provisions for employee benefits

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

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

The Bank creates provisions for future liabilities arising from unused holiday leave (taking into account all outstanding unused holiday days), from damages and severance payments made to those employees whose employment contracts are terminated for reasons independent of the employee, and for the employee compensation costs incurred in the current period which will be paid out in future periods, including bonuses.

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

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

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

When the period of use of a given asset results from a contract term, the useful life of such an asset corresponds to the period defined in the contract. If, however, the estimated useful life is shorter than the period defined in the contract, the estimated useful life is applied.

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

3. Interest income and expense

Interest and similar income

	01.01-30.06.2010	**01.01-30.06.2009**
Income from loans and advances to customers	3 950 000	3 504 457
Income from derivative hedging instruments	308 411	78 370
Income from securities designated at fair value through profit and loss	242 888	190 704
Income from investment securities	222 251	187 659
Income from trading securities	72 484	39 720
Income from placements with banks	72 310	94 151
Other	1 764	9 735
Total	**4 870 108**	**4 104 796**

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

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

Interest expense and similar charges

	01.01-30.06.2010	01.01-30.06.2009
Interest expense on amounts due to customers	(1 789 115)	(1 809 993)
Interest expense on debt securities in issue	(41 463)	(56 193)
Interest expense on deposits from banks	(17 225)	(32 273)
Other	(14 893)	(8 944)
Total	**(1 862 696)**	**(1 907 403)**

4. Fee and commission income and expense

Fee and commission income

	01.01-30.06.2010	01.01-30.06.2009
Income from financial assets, which are not valued at fair value through profit and loss, of which:	**244 495**	**160 099**
Income from loans and advances	244 495	160 099
Other commissions	**1 563 273**	**1 237 638**
Income from payment cards	475 041	445 008
Income from maintenance of bank accounts	454 508	422 366
Income from loan insurance	338 084	92 971
Income from cash transactions	83 177	89 798
Income from maintenance of investment funds	72 989	43 916
Income from securities transactions	33 294	24 188
Income from foreign mass transactions servicing	21 515	20 054
Income from sale and distribution of marks of value	13 665	12 437
Other*	71 000	86 900
Income from trustee activities	**766**	**779**
Total	**1 808 534**	**1 398 516**

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

Fee and commission expense

	01.01-30.06.2010	01.01-30.06.2009
Expenses on payment cards	(175 589)	(180 704)
Expenses on loan insurance	(73 976)	(34 983)
Expenses on acquisition services	(68 868)	(69 818)
Expenses on clearing and settlement services	(11 823)	(11 788)
Expenses on operating services rendered by banks	(5 187)	(3 196)
Other*	(47 220)	(35 852)
Total	**(382 663)**	**(336 341)**

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

5. Net income from financial instruments designated at fair value

	01.01-30.06.2010	01.01-30.06.2009
Debt securities	29 383	21 920
Equity instruments	683	1 191
Derivative instruments [1)]	(47 884)	39 317
Other [1)]	18	1 143
Total	**(17 800)**	**63 571**

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

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

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

01.01-30.06.2009	Gains	Losses	Net result
Trading assets	9 077 188	(9 022 501)	54 687
Financial assets designated upon initial recognition at fair value through profit and loss	75 342	(66 458)	8 884
Total	**9 152 530**	**(9 088 959)**	**63 571**

The total change in fair value of financial instruments designated at fair value through profit and loss determined with use of valuation models (where no quotations from active market were available) in the period ended 30 June 2010 amounted to PLN (47 866) [*)] thousand (in the period ended 30 June 2009: PLN 40 460[*)] thousand).

6. Net foreign exchange gains

	01.01-30.06.2010	01.01-30.06.2009
Currency translation differences resulting from financial instruments designated at fair value through profit and loss	(1 935 478)	2 688 041
Other currency translations differences	2 100 149	(2 056 325)
Total	**164 671**	**631 716**

7. Other operating income and expense

	01.01-30.06.2010	01.01-30.06.2009
Other operating income		
Sundry income	9 179	10 233
Sales and disposal of tangible fixed assets and intangible assets	3 209	1 270
Recovery of expired and written-off receivables	1 538	14 815
Sale of shares in subsidiaries, jointly controlled entities and associates	545	-
Other	9 143	82 836
Total	**23 614**	**109 154**

	01.01-30.06.2010	01.01-30.06.2009
Other operating expenses		
Costs of sale and disposal of tangible fixed assets, intangible assets and assets held for sale	(2 522)	(2 100)
Sundry expenses	(2 182)	(2 627)
Donations	(1 899)	(2 226)
Other	(17 984)	(30 547)
Total	**(24 587)**	**(37 500)**

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

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

8. Net impairment allowance

For the six-month period ended 30 June 2010	Impairment allowances at the beginning of the period	Increases: Impairment allowances recognised during the period	Increases: Other	Decreases: Decrease in impairment allowances due to derecognition of assets	Decreases: Impairment allowances reversed during the period	Decreases: Other	Impairment allowances at the end of the period	Net impairment allowance – impact on the income statement
Investment securities available for sale	15 576	-	-	-	500	-	15 076	500
Loans and advances to customers and amounts due from banks measured at amortised cost	3 442 054	2 203 164	35 086	382 784	1 415 203	-	3 882 317	(787 961)
Tangible fixed assets	1 166	-	-	-	-	23	1 143	-
Intangible assets	15 373	-	-	-	-	-	15 373	-
Investments in subsidiaries, jointly controlled entities and associates	435 889	-	-	-	-	-	435 889	-
Other, of which:	315 840	164 900	-	11 922	110 466	970	357 382	(54 434)
provisions for legal claims and off-balance sheet liabilities	117 483	122 644	-	-	72 840	-	167 287	(49 804)
Total	**4 225 898**	**2 368 064**	**35 086**	**394 706**	**1 526 169**	**993**	**4 707 180**	**(841 895)**

For the six-month period ended 30 June 2009	Impairment allowances at the beginning of the period	Increases: Impairment allowances recognised during the period	Increases: Other	Decreases: Decrease in impairment allowances due to derecognition of assets	Decreases: Impairment allowances reversed during the period	Decreases: Other	Impairment allowances at the end of the period	Net impairment allowance – impact on the income statement
Investment securities available for sale	21 550	8 715	-	7 025	3 997	-	19 243	(4 718)
Loans and advances to customers and amounts due from banks measured at amortised cost	2 628 651	1 535 015	2 004	230 232	976 320	-	2 959 118	(558 695)
Tangible fixed assets	1 916	9	-	38	778	-	1 109	769
Intangible assets	15 373	-	-	-	-	-	15 373	-
Investments in subsidiaries, jointly controlled entities and associates	326 146	21 540	48 738	-	1 680	-	394 744	(19 860)
Other, of which:	245 303	82 009	99 829	3 413	80 167	48 738	294 823	(1 842)
provisions for legal claims and off-balance sheet liabilities	84 623	75 988	-	196	79 880	-	80 535	3 892
Total	**3 238 939**	**1 647 288**	**150 571**	**240 708**	**1 062 942**	**48 738**	**3 684 410**	**(584 346)**

9. Administrative expenses

	01.01-30.06.2010	01.01-30.06.2009
Staff costs	(1 053 233)	(1 012 761)
Overheads	(562 312)	(658 178)
Depreciation and amortisation	(206 268)	(196 732)
Taxes and other charges	(28 047)	(26 473)
Contribution and payments to Banking Guarantee Fund	(26 692)	(24 852)
Total	**(1 876 552)**	**(1 918 996)**

Wages and salaries/Employee benefits

	01.01-30.06.2010	01.01-30.06.2009
Wages and salaries	(879 136)	(838 603)
Insurance, of which:	(143 975)	(143 446)
contributions for retirement benefits and pensions*	(112 109)	(111 182)
Other employee benefits	(30 122)	(30 712)
Total	**(1 053 233)**	**(1 012 761)**

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

10. Income tax expense

	01.01-30.06.2010	01.01-30.06.2009
Income statement		
Current income tax expense	(457 045)	(339 613)
Deferred income tax related to temporary differences	63 160	6 514
Tax expense disclosed in the income statement	**(393 885)**	**(333 099)**
Tax expense disclosed in other comprehensive income related to temporary differences	(40 422)	(45 399)
Total	**(434 307)**	**(378 498)**

11. Earnings per share

Basic earnings per share

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

Earnings per share

	01.01-30.06.2010	01.01-30.06.2009
Profit per ordinary shareholders (in PLN thousand)	1 612 540	1 288 891
Weighted average number of ordinary shares during the period (in thousand)	1 250 000	1 090 000
Earnings per share (in PLN per share)	1.29	1.18

Earnings per share from discontinued operations

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

Diluted earnings per share

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

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

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

Diluted earnings per share from discontinued operations

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

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

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

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

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

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

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

13. Amounts due from banks

	30.06.2010	**31.12.2009**
Deposits with banks	2 417 755	1 133 859
Loans and advances	565 220	481 666
Receivables due from repurchase agreements	-	105 427
Current accounts	117 173	354 587
Cash in transit	29 845	5 337
Total	**3 129 993**	**2 080 876**
Impairment allowances	(33 162)	(27 109)
of which impairment allowance on amounts due from a foreign bank	(32 168)	(27 013)
Net total	**3 096 831**	**2 053 767**

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

14. Trading assets

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

15. Derivative financial instruments

Type of contract	30.06.2010		31.12.2009	
	Assets	Liabilities	Assets	Liabilities
IRS	1 520 375	1 507 471	1 307 705	1 296 136
FRA	18 152	17 746	7 613	8 298
FX Swap	22 618	140 932	90 056	27 181
CIRS	81 602	1 472 928	402 221	33 699
Forward	94 108	47 565	24 167	49 349
Options	113 809	62 272	198 159	127 847
Other	4 155	4 685	-	1 860
Total	**1 854 819**	**3 253 599**	**2 029 921**	**1 544 370**

16. Derivative hedging instruments

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

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

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

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

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

Cash flow hedges

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

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

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

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

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

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Other comprehensive income with regard to cash flows hedge	01.01-30.06.2010	01.01-30.06.2009
Other comprehensive income at the beginning of the period	147 254	-
Gains or losses transferred to other comprehensive income in the period	(1 202 393)	369 142
Amount transferred in the period from other comprehensive income to the income statement	1 398 691	(145 443)
Other comprehensive income at the end of the period (gross)	**343 552**	**223 699**
Tax effect	**(65 275)**	**(42 500)**
Net other comprehensive income at the end of the period	**278 277**	**181 199**
Ineffective part of cash flow hedge recognized through profit and loss	**(24 709)**	**1 534**

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

	30.06.2010	31.12.2009
Debt securities	**12 231 404**	**12 356 532**
issued by the State Treasury	7 098 538	5 362 314
issued by central banks	4 999 000	6 994 218
issued by local government bodies	133 866	-
Total	**12 231 404**	**12 356 532**

18. Loans and advances to customers

	30.06.2010	31.12.2009
Loans and advances to customers gross, of which:	**126 342 315**	**117 840 734**
consumer loans	24 622 762	23 344 509
corporate loans	43 628 830	41 910 393
mortgage loans	57 608 765	52 120 376
Interest	481 958	465 456
Impairment allowances on loans and advances to customers	(3 849 155)	(3 414 945)
Loans and advances to customers – net	**122 493 160**	**114 425 789**

	30.06.2010	31.12.2009
Loans and advances to customers		
Receivables valued using the group method (IBNR)	117 404 890	109 602 411
Receivables valued using the individual method	4 881 535	4 677 152
Receivables valued using the portfolio method	4 055 890	3 561 171
Loans and advances to customers – gross	**126 342 315**	**117 840 734**
Impairment allowances on exposures with portfolio impairment	(2 189 246)	(1 885 369)
Impairment allowances on exposures with individual impairment	(1 070 478)	(971 326)
Impairment allowances on exposures with group impairment (IBNR)	(589 431)	(558 250)
Total impairment allowances	**(3 849 155)**	**(3 414 945)**
Loans and advances to customers - net	**122 493 160**	**114 425 789**

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

19. Investment securities available for sale

	30.06.2010	31.12.2009
Debt securities available for sale, gross	**8 817 346**	**7 904 769**
issued by the State Treasury	5 813 449	4 782 374
issued by local government bodies	2 171 512	2 000 221
issued by non-financial institutions	666 326	786 873
issued by banks	92 396	90 086
issued by other financial institutions	73 663	245 215
Impairment allowances on debt securities available for sale	(13 183)	(13 183)
Total net debt securities available for sale	**8 804 163**	**7 891 586**
Equity instruments available for sale, gross	105 037	76 504
Impairment allowances on equity instruments available for sale	(1 893)	(2 393)
Total net equity instruments available for sale	**103 144**	**74 111**
Total net investment securities	**8 907 307**	**7 965 697**

20. Investments in subsidiaries, jointly controlled entities and associates

As at 30 June 2010, the Bank's investments in subsidiaries, jointly controlled entities and associates have been recognised at acquisition cost less impairment allowances.

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

As at 30 June 2010	Gross amount	Impairment	Carrying amount
Subsidiaries			
KREDOBANK SA [1]	786 746	(423 723)	363 023
PKO BP BANKOWY PTE SA	205 786	-	205 786
PKO Towarzystwo Funduszy Inwestycyjnych SA	186 989	-	186 989
Centrum Finansowe Puławska Sp. z o.o.	128 288	-	128 288
Bankowy Fundusz Leasingowy SA	70 000	-	70 000
Inteligo Financial Services SA	59 602	-	59 602
Centrum Elektronicznych Usług Płatniczych 'eService' SA	55 500	-	55 500
Fort Mokotów Inwestycje Sp. z o.o. [2]	43 546	-	43 546
Bankowe Towarzystwo Kapitałowe SA	18 566	(10 666)	7 900
PKO BP Inwestycje Sp. z o.o. [3]	4 503	-	4 503
PKO Finance AB	172	-	172
Jointly controlled entities			
Centrum Haffnera Sp. z o.o.	44 371	-	44 371
Centrum Obsługi Biznesu Sp. z o.o.	17 498	-	17 498
Associates			
Bank Pocztowy SA	146 500	-	146 500
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	1 500	(1 500)	-
Agencja Inwestycyjna CORP SA	29	-	29
Total	**1 769 596**	**(435 889)**	**1 333 707**

1) Exposure does not include shares taken up by PKO Bank Polski SA related to the 20th shares issue, disclosed as at 30 June 2010 under position 'Other assets' in the amount of PLN 157 925 thousand.
2) Value does not include capital contribution of PKO Bank Polski SA presented under position 'Loans and advances to customers' in the amount of PLN 8 053 thousand.
3) Value does not include capital contribution of PKO Bank Polski SA presented under position 'Loans and advances to customers' in the total amount of PLN 113 310 thousand.

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

As at 31 December 2009	Gross amount	Impairment	Carrying amount
Subsidiaries			
KREDOBANK SA	786 746	(423 723)	363 023
PKO BP BANKOWY PTE SA	205 786	-	205 786
PKO Towarzystwo Funduszy Inwestycyjnych SA	186 989	-	186 989
Centrum Finansowe Puławska Sp. z o.o.	128 288	-	128 288
Bankowy Fundusz Leasingowy SA	70 000	-	70 000
Inteligo Financial Services SA	59 602	-	59 602
Centrum Elektronicznych Usług Płatniczych 'eService' SA	55 500	-	55 500
Fort Mokotów Inwestycje Sp. z o.o. [1]	43 546	-	43 546
Bankowe Towarzystwo Kapitałowe SA	18 566	(10 666)	7 900
PKO BP Inwestycje Sp. z o.o. [2]	4 503	-	4 503
PKO Finance AB	172	-	172
Jointly controlled entities			
Centrum Haffnera Sp. z o.o.	44 371	-	44 371
Centrum Obsługi Biznesu Sp. z o.o.	17 498	-	17 498
Associates			
Bank Pocztowy SA	146 500	-	146 500
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	1 500	(1 500)	-
Agencja Inwestycyjna CORP SA	29	-	29
Total	**1 769 596**	**(435 889)**	**1 333 707**

1) Value does not include capital contribution of PKO Bank Polski SA, presented under position 'Loans and advances to customers' in the amount of PLN 8 053 thousand.
2) Value does not include capital contribution of PKO Bank Polski SA, presented under position 'Loans and advances to customers' in the total amount of PLN 113 310 thousand.

Selected information on associates

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

Data for the year 2009 are derived from audited financial statements.

In the first half of 2010, the following events occurred in PKO Bank Polski SA:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

g) concerning KREDOBANK SA

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

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

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

21. Intangible assets and tangible fixed assets

Intangible assets	30.06.2010	31.12.2009
Software	1 210 325	1 206 816
Other, including capital expenditure	110 513	61 965
Total	**1 320 838**	**1 268 781**

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

Tangible fixed assets	30.06.2010	31.12.2009
Land and buildings	1 446 729	1 466 018
Machinery and equipment	560 078	562 195
Assets under construction	74 350	160 362
Means of transport	1 186	1 296
Investment properties	193	322
Other	96 584	101 756
Total	**2 179 120**	**2 291 949**

22. Amounts due to banks

	30.06.2010	31.12.2009
Deposits of banks	2 330 000	1 399 985
Loans and advances	2 971 186	2 621 791
Current accounts	21 451	23 270
Other money market deposits	140 648	121 679
Total	**5 463 285**	**4 166 725**

23. Amounts due to customers

	30.06.2010	31.12.2009
Amounts due to retail clients	**91 842 591**	**86 627 306**
Current accounts and overnight deposits	44 418 331	37 613 105
Term deposits	46 807 976	48 746 371
Other	616 284	267 830
Amounts due to corporate entities	**28 242 257**	**27 736 114**
Current accounts and overnight deposits	10 263 540	8 784 705
Term deposits	16 261 792	17 298 043
Loans and advances	1 534 989	1 421 527
Other	181 936	231 839
Amounts due to local government bodies	**7 982 985**	**9 680 980**
Current accounts and overnight deposits	3 010 526	3 355 753
Term deposits	4 965 526	6 296 093
Other	6 933	29 134
Total	**128 067 833**	**124 044 400**

24. Other liabilities

	30.06.2010	31.12.2009
Accounts payables	279 836	201 827
Deferred income	308 815	252 675
Other liabilities	1 203 522	865 415
Total	**1 792 173**	**1 319 917**

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

25. Provisions

For the six-month period ended 30 June 2010	Provision for legal claims	Provisions for retirement & pension benefits and anniversary bonuses	Provisions for liabilities and guarantees granted	Other provisions*	Total
As at 1 January 2010, of which:	**6 841**	**367 291**	**110 642**	**113 852**	**598 626**
Short term portion	**6 841**	**27 277**	**110 642**	**113 852**	**258 612**
Long term portion	**-**	**340 014**	**-**	**-**	**340 014**
Increase/reassessment	-	-	122 644	3 388	**126 032**
Use/Reversal	-	-	(72 840)	(55 111)	**(127 951)**
As at 30 June 2010, of which:	**6 841**	**367 291**	**160 446**	**62 129**	**596 707**
Short term portion	**6 841**	**27 277**	**105 532**	**62 129**	**201 779**
Long term portion	**-**	**340 014**	**54 914**	**-**	**394 928**

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

For the six-month period ended 30 June 2009	Provision for legal claims	Provisions for retirement & pension benefits and anniversary bonuses	Provisions for liabilities and guarantees granted	Other provisions*	Total
As at 1 January 2009, including:	**6 841**	**364 945**	**77 782**	**111 785**	**561 353**
Short term portion	**6 841**	**46 517**	**77 782**	**111 785**	**242 925**
Long term portion	**-**	**318 428**	**-**	**-**	**318 428**
Increase/reassessment	-	-	75 988	6 021	**82 009**
Use/Reversal	-	(24 897)	(80 076)	(31 236)	**(136 209)**
As at 30 June 2009, including:	**6 841**	**340 048**	**73 694**	**86 570**	**507 153**
Short term portion	**6 841**	**37 730**	**73 694**	**86 570**	**204 835**
Long term portion	**-**	**302 318**	**-**	**-**	**302 318**

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

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

26. Off-balance sheet liabilities

Contingent liabilities

Underwriting programs

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

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

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

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

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

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

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

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

Contractual commitments

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

Loan commitments

	30.06.2010	31.12.2009
Financial sector	1 249 599	1 131 047
Non-financial sector	26 612 666	24 683 557
Public sector	1 307 750	1 814 276
Total	**29 170 015**	**27 628 880**
of which: irrevocable loan commitments	7 300 339	7 360 144

Loan commitments have been presented in nominal values.

Guarantees issued

Guarantees	30.06.2010	31.12.2009
Financial sector	2 049 232	373 918
Non-financial sector	6 752 955	5 066 241
Public sector	590 297	373 300
Total	**9 392 484**	**5 813 459**

Contingent assets

	30.06.2010	31.12.2009
Financial	203 458	628 627
Guarantees	2 758 214	2 702 564
Total	**2 961 672**	**3 331 191**

Assets pledged as collateral for contingent liabilities

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

27. Legal claims

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

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

a) Unfair competition proceedings

The Bank is a party to proceedings initiated on the basis of a decision dated 23 April 2001 of the President of the Competition and Consumer Protection Office (UOKiK) upon request of the Polish Trade and Distribution Organization (Polska Organizacja Handlu i Dystrybucji - Związek Pracodawców) against the operators of the Visa and Europay payment systems and the banks issuing Visa and Europay/Eurocard/Mastercard banking cards. The claims under these proceedings relate to the use of practices limiting competition on the market of banking card payments in Poland, consisting of applying pre-agreed ‘interchange’ fees for transactions made using Visa and Europay /Eurocard/Mastercard cards as well as limiting access to this market by external entities. On 29 December 2006, UOKiK decided that the practices, consisting of joint establishment of interchange fee, did limit market competition and ordered that any such practices should be discontinued, and imposed a fine on, among others, PKO Bank Polski SA, in the amount of PLN 16 597 thousand. As at 31 December 2007, the Bank recognized a liability for the above amount. On 19 January 2007, the Bank filed an appeal from the decision of the President of UOKiK to the regional court. At the end of October 2007, the President of UOKiK referred the case to the Regional Court in Warsaw, the Court for Competition and Consumer Protection, including the appeals of the banks against Settlement of the Decision; the Banks’ complaints against the immediate enforcement clause issued for the Decision as well as the Banks’ complaints against the costs of the proceedings. The Court has commenced the activities stipulated by the Code of Civil Procedure and issued a call to the parties to provide their reply to the appeals. On 21 January 2008 the Regional Court in Warsaw, the Court for Competition and Consumer Protection issued a resolution (in case of the Bank’s appeal to the Decision of UOKiK President No. DAR 15/2006 as of 29 December 2006), in which it decided to suspend execution of the Decision above in article I (a court order to abandon joint establishing interchange fee rates). After examination, on 12 November 2008, the District Court in Warsaw, the Competition and Consumers Protection Court issued a verdict changing sections I, II, III and V of the Decision appealed against. The Court ruled that the banks participating in the proceedings, including PKO Bank Polski SA, had not committed an act of unfair competition by being party to an agreement restricting competition on the market of acquiring outsourcing services associated with the settlement of the consumers’ liabilities to acceptors with respect to payment for goods and services purchased by the consumers with the use of credit and debit cards in the territory of Poland. The agreement in question set out common interchange fees on transactions concluded with the use of VISA and MasterCard cards in Poland. On 12 January 2009, the President of UOKiK appealed against the verdict of the Court of Competition and Consumer Protection reversing the decisions of the UOKiK President. The Bank submitted the reply to the appeal on 13 February 2009. On 22 April 2010, the Court of Appeal reversed the judgment of the Court of Competition and Consumer Protection. As at 30 June 2010, the liability in question amounted to PLN 16 597 thousand and has not changed since 31 December 2007.

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

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

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

As at the date of these financial statements, three administrative proceedings are pending to invalidate decisions issued by public administration authorities with respect to properties held by the Bank. These proceedings, in the event of an unfavourable outcome for the Bank, may result in re-privatization claims being raised against the Bank. Given the current status of these proceedings, it is not possible to assess their potential negative financial effects for the Bank. Moreover, with respect to two properties claims were submitted by their former owners (court proceedings are pending). Until 30 June 2010 no further changes occurred with regard to the described matter.

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

28. Supplementary information to the cash flow statement

Cash and cash equivalents

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

	30.06.2010	31.12.2009	30.06.2009
Cash and balances with the central bank	4 839 343	6 993 966	2 759 166
Current receivables from financial institutions	2 652 626	1 623 996	3 796 336
Total	**7 491 969**	**8 617 962**	**6 555 502**

Cash flow from interests and dividends, both received and paid

Interest income – received	01.01-30.06.2010	01.01-30.06.2009
Income from loans and advances	3 303 877	3 132 503
Income from securities at fair value through profit and loss	250 911	170 484
Income from placements	81 946	102 518
Income from investment securities	221 800	246 194
Income from trading securities	74 043	38 839
Other interests received (mainly as regards current accounts, realised guarantees, acquired receivables, securities issued by the State Treasury, adjustments of interests from previous years and interests from other receivables of the financial sector)	1 843 067	1 024 964
Interest income – received – total	**5 775 644**	**4 715 502**

Dividend income - received	01.01-30.06.2010	01.01-30.06.2009
Dividend income from subsidiaries, jointly controlled entities and associates	75 231	88 220
Dividend income from other entities	1 527	2 192
Dividend income – received – total	**76 758**	**90 412**

Interest expense – paid	01.01-30.06.2010	01.01-30.06.2009
Interest expense on deposits	(2 041 670)	(1 284 495)
Interest expense on loans and advances	(20 549)	(24 345)
Interest expense on debt securities in issue	(42 445)	(63 166)
Interest expense paid (mainly related to debt securities premiums, interest expense on cash collateral liabilities, interest expense on current accounts of special purpose funds)	(926 251)	(843 178)
Total	**(3 030 915)**	**(2 215 184)**

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

29. Transactions with the State Treasury and related entities

Receivables, securities and liabilities arising from transactions conducted with the State Treasury, state budgetary agencies and entities where the State Treasury is a shareholder are disclosed in the Bank's statement of financial position.

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

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

The Act on the coverage of repayment of certain housing loans by State Treasury guarantees was passed on 29 November 2000 and came into force on 1 January 2001 (Journal of Laws, 2000; No. 122, item 1310 with subsequent amendments). The coverage of the so called 'old portfolio' housing loan receivables by the guarantees of the State Treasury resulted in the neutralization of the default risk on these loans. The State Treasury guarantees are realized when a borrower fails to repay the loan on the dates specified in the loan agreement. The responsibility of the State Treasury is of an auxiliary nature and is effective if the recovery of the unpaid part of principal and interest which the Bank is obliged to commence, before the Bank lays claims to the State Treasury, becomes ineffective. The above-mentioned law covers 90% of unpaid loans taken out by housing cooperatives. As a consequence of the realization of the State Treasury's responsibilities as guarantor, the State Treasury itself enters into the rights of the satisfied creditor (the Bank) and thus becomes a creditor towards the borrower, in line with the concept of guarantee.

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

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

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

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

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

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

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

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

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

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

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

30. Related party transactions

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

30 June 2010

Entity	Capital relation	Net receivables	including gross loans	Liabilities	Total income	including interest and fee and commission income	Total expense	including interest and fee and commission expense	Contingent liabilities and commitments
PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA	Direct subsidiary	100	-	12 825	1 026	1 019	213	213	-
Centrum Finansowe Puławska Sp. z o.o.	Direct subsidiary	72 361	72 085	24 358	1 542	1 530	26 808	636	-
KREDOBANK SA	Direct subsidiary	514 724	233 427	1	6 128	6 128	-	-	437 658
PKO BP Inwestycje Sp. z o.o.	Direct subsidiary	113 310	-	5 978	2	2	369	143	1 500
Inteligo Financial Services SA	Direct subsidiary	224	-	112 393	875	32	30 967	2 310	-
Centrum Elektronicznych Usług Płatniczych 'eService' SA	Direct subsidiary	29 807	-	57 717	2 516	2 279	21 341	21 341	2 500
Bankowy Fundusz Leasingowy SA	Direct subsidiary	142 930	68 070	30 508	6 458	4 825	6 018	192	455 586
Bankowe Towarzystwo Kapitałowe SA	Direct subsidiary	-	-	3 856	2	2	79	79	10 000
PKO Towarzystwo Funduszy Inwestycyjnych SA	Direct subsidiary	12 412	-	6 519	71 399	71 260	128	128	467
Fort Mokotów Inwestycje Sp. z o.o.	Direct subsidiary	6 053	-	3 695	-	-	36	36	-
Fort Mokotów Sp. z o.o.	Indirect subsidiary	-	-	7 323	1	1	118	118	-
POMERANKA Sp. z o.o.	Indirect subsidiary	136 500	136 500	6 104	4 615	4 615	193	193	-
Wilanów Investments Sp. z o.o.	Indirect subsidiary	151 730	151 730	11 436	4 977	4 977	40	40	48 270
PKO BP Inwestycje – Rezydencja Flotylla Sp. z o.o. *	Indirect subsidiary	12 668	12 668	104	512	512	-	-	-
Bankowy Leasing Sp. z o.o.	Indirect subsidiary	629 589	629 091	772	15 145	15 026	5	5	70 363
BFL Nieruchomości Sp. z o.o.	Indirect subsidiary	263 108	262 155	-	5 783	5 783	12	12	9 685
PKO BP Finat Sp. z o.o.	Indirect subsidiary	-	-	4 998	4	4	104	80	-
Wisłok Inwestycje Sp. z o.o.	Indirect subsidiary	-	-	1 106	338	338	-	-	-
PKO BP Inwestycje – Sarnia Dolina Sp. z o.o.**	Indirect subsidiary	15 260	15 260	130	413	413	-	-	50 000
PKO BP Faktoring SA	Indirect subsidiary	75 995	75 995	4 002	1 219	1 219	2	2	74 005
CENTRUM HAFFNERA Sp. z o.o.	Direct jointly controlled entity	-	-	1 235	4	4	-	-	-
Centrum Obsługi Biznesu Sp. z o.o.	Direct jointly controlled entity	32 576	32 519	21 925	371	371	274	274	-
Centrum Majkowskiego Sp. z o.o.	Indirect jointly controlled entity	-	-	4 921	3	3	66	66	-
Kamienica Morska Sp. z o.o.	Indirect jointly controlled entity	-	-	158	3	3	-	-	-
Sopot Zdrój Sp. z o.o.	Indirect jointly controlled entity	219 866	219 866	7 344	2 600	2 600	4	4	-
Promenada Sopocka Sp. z o.o.	Indirect jointly controlled entity	45 915	45 915	927	549	549	-	-	-
Bank Pocztowy SA	Associate	-	-	143	31	24	1 354	319	1 372
Kolej Gondolowa Jaworzyna Krynicka SA	Associate available for sale	-	-	66	1	1	3	3	-
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	Associate	-	-	13 543	1	1	119	119	-
Agencja Inwestycyjna CORP SA	Associate	64	-	60	320	-	1 288	-	-
TOTAL		**2 587 192**	**1 955 281**	**344 147**	**126 838**	**123 521**	**89 541**	**26 313**	**1 161 406**

* The previous name was PKO Inwestycje – Międzyzdroje Sp. z o.o.
** The previous name was Baltic Dom 2 Sp. z.o.o.

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

31 December 2009

Entity	Capital relation	Net receivables	including gross loans	Liabilities	Total income	including interest and fee and commission income	Total expense	including interest and fee and commission expense	Contingent liabilities and commitments
PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA	Direct subsidiary	37	-	14 895	582	582	757	757	-
Centrum Finansowe Puławska Sp. z o.o.	Direct subsidiary	75 678	74 765	28 632	3 586	3 586	45 397	1 247	-
KREDOBANK SA	Direct subsidiary	322 573	263 416	1 282	18 684	18 684	-	-	268 792
PKO BP Inwestycje Sp. z o.o.	Direct subsidiary	113 310	-	6 291	947	947	2	2	-
Inteligo Financial Services SA	Direct subsidiary	10	-	113 229	1 833	1 833	54 250	688	-
Centrum Elektronicznych Usług Płatniczych ‘eService’ SA	Direct subsidiary	780	-	48 375	5 503	4 823	42 324	41 894	2 500
Bankowy Fundusz Leasingowy SA	Direct subsidiary	341 337	95 285	5 196	27 415	27 415	12 554	1 477	423 569
Bankowe Towarzystwo Kapitałowe SA	Direct subsidiary	-	-	4 535	4	4	263	263	10 000
PKO Towarzystwo Funduszy Inwestycyjnych SA	Direct subsidiary	8 590	-	3 875	91 219	90 733	318	318	466
PKO Finance AB	Direct subsidiary	-	-	-	-	-	230	-	-
Fort Mokotów Inwestycje Sp. z o.o.	Direct subsidiary	8 053	-	6 836	-	-	-	-	-
Fort Mokotów Sp. z o.o.	Indirect subsidiary	-	-	8 253	1	1	40	40	-
POMERANKA Sp. z o.o.	Indirect subsidiary	142 045	142 045	11 420	8 419	8 419	399	399	2 000
Wilanów Investments Sp. z o.o.	Indirect subsidiary	149 642	149 642	1 007	7 775	7 775	-	-	358
PKO BP Inwestycje – Rezydencja Flotylla Sp. z o.o. *	Indirect subsidiary	12 668	12 668	286	34	34	676	227	1 500
Bankowy Leasing Sp. z o.o.	Indirect subsidiary	544 216	543 827	713	16 962	16 962	40	40	72 469
BFL Nieruchomości Sp. z o.o.	Indirect subsidiary	226 248	226 248	3 068	8 372	8 372	60	60	-
PKO BP Finat Sp. z o.o.	Indirect subsidiary	-	-	4 870	7	7	179	179	-
Wisłok Inwestycje Sp. z o.o.	Indirect subsidiary	57 427	57 427	158	3 371	3 371	2	2	-
PKO BP Inwestycje – Sarnia Dolina Sp. z o.o.**	Indirect subsidiary	15 260	15 260	823	881	881	-	-	-
PKO BP Faktoring SA	Indirect subsidiary	13 667	12 500	219	326	326	4	4	22 833
CENTRUM HAFFNERA Sp. z o.o.	Direct jointly controlled entity	-	-	151	12	12	321	321	4 108
Centrum Obsługi Biznesu Sp z o.o.	Direct jointly controlled entity	32 627	32 627	23 313	1 146	1 146	686	686	-
Centrum Majkowskiego Sp. z o.o.	Indirect jointly controlled entity	-	-	4 904	5	5	151	151	-
Kamienica Morska Sp. z o.o.	Indirect jointly controlled entity	-	-	328	5	5	-	-	-
Sopot Zdrój Sp. z o.o.	Indirect jointly controlled entity	229 852	229 852	6 999	10 196	10 196	27	27	-
Promenada Sopocka Sp. z o.o.	Indirect jointly controlled entity	45 555	45 555	689	1 926	1 926	1	1	-
Bank Pocztowy SA	Associate	-	-	294	28	28	3 229	3 229	1 156
Kolej Gondolowa Jaworzyna Krynicka SA	Associate available for sale	-	-	4	5	5	46	46	-
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	Associate	-	-	437	1	1	47	47	-
Agencja Inwestycyjna CORP SA	Associate	-	-	58	-	-	1 784	-	-
TOTAL		**2 339 575**	**1 901 117**	**301 140**	**209 245**	**208 079**	**163 787**	**52 105**	**809 751**

* The previous name was PKO Inwestycje – Międzyzdroje Sp. z o.o.
** The previous name was Baltic Dom 2 Sp. z.o.o.

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

31. Remuneration – PKO Bank Polski SA key management

a. short-term employee benefits

Remuneration received from PKO Bank Polski SA

Name	Title	01.01-30.06.2010	01.01-30.06.2009
The Management Board of the Bank			
Zbigniew Jagiełło	President of the Bank's Management Board	471	-
Bartosz Drabikowski	Vice-President of the Bank's Management Board	424	139
Krzysztof Dresler	Vice-President of the Bank's Management Board	463	160
Jarosław Myjak	Vice-President of the Bank's Management Board	421	117
Wojciech Papierak	Vice-President of the Bank's Management Board	461	118
Jakub Papierski	Vice-President of the Bank's Management Board	270	-
Mariusz Zarzycki	Vice-President of the Bank's Management Board	460	160
Remuneration of the Management Board Members who ceased their functions in 2009			
Jerzy Pruski	President of the Bank's Management Board	-	140
Tomasz Mironczuk	Vice-President of the Bank's Management Board	-	120
Total short-term employee benefits of the Bank's Management Board		**2 970**	**954**
The Supervisory Board of the Bank			
Cezary Banasiński	Chairman of the Bank's Supervisory Board	21	5
Tomasz Zganiacz	Deputy-Chairman of the Bank's Supervisory Board	21	-
Jan Bossak	Member of the Bank's Supervisory Board	21	20
Mirosław Czekaj	Member of the Bank's Supervisory Board	21	-
Ireneusz Fąfara	Member of the Bank's Supervisory Board	21	-
Błażej Lepczyński	Member of the Bank's Supervisory Board	21	5
Piotr Marczak	Member of the Bank's Supervisory Board	-	-
Alojzy Zbigniew Nowak	Member of the Bank's Supervisory Board	21	-
Remuneration of the Supervisory Board Members who ceased their functions in 2009			
Marzena Piszczek	Chairman of the Bank's Supervisory Board	-	20
Eligiusz Jerzy Krześniak	Deputy-Chairman of the Bank's Supervisory Board	-	15
Jacek Gdański	Member of the Bank's Supervisory Board	-	5
Jerzy Osiatyński	Member of the Bank's Supervisory Board	-	15
Urszula Pałaszek	Member of the Bank's Supervisory Board	-	15
Roman Sobiecki	Member of the Bank's Supervisory Board	-	15
Jerzy Stachowicz	Member of the Bank's Supervisory Board	-	5
Ryszard Wierzba	Member of the Bank's Supervisory Board	-	20
Total short-term employee benefits of the Bank's Supervisory Board		**147**	**140**
Total short-term employee benefits		**3 117**	**1 094**

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

Remuneration received from related entities (other than State Treasury and State Treasury's related entities)

Name	Title	01.01-30.06.2010	01.01-30.06.2009
The Management Board of the Bank			
Zbigniew Jagiełło	President of the Bank's Management Board	20	-
Bartosz Drabikowski	Vice-President of the Bank's Management Board	19	110
Krzysztof Dresler	Vice-President of the Bank's Management Board	23	110
Jarosław Myjak	Vice-President of the Bank's Management Board	16	53
Wojciech Papierak	Vice-President of the Bank's Management Board	19	53
Mariusz Zarzycki	Vice-President of the Bank's Management Board	19	89
Jerzy Pruski	President of the Bank's Management Board	-	112
Tomasz Mironczuk	Vice-President of the Bank's Management Board	-	109
Total short-term employee benefits of the Bank's Management Board		**116**	**636**
The Supervisory Board of the Bank			
Jacek Gdański	Member of the Supervisory Board	-	21
Total short-term employee benefits of the Bank's Supervisory Board		**-**	**21**
Total short-term employee benefits		**116**	**657**

b. post-employment benefits

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

c. other long-term benefits

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

d. benefits due to termination of employment

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

e. share-based payments

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

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

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

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

32. Description of differences between previously published financial statements and the related information in these financial statements

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

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

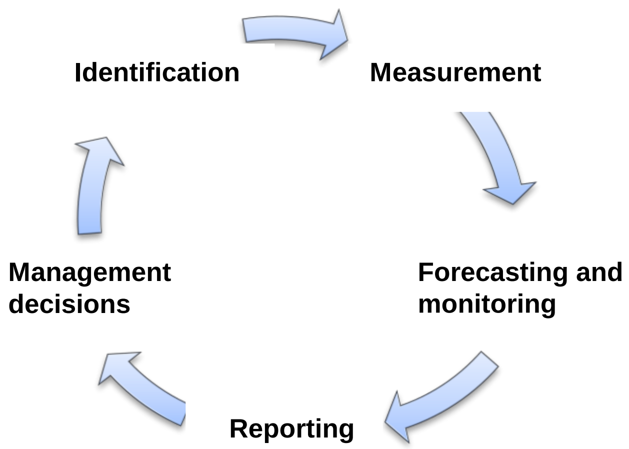
Risk management is one the most important internal processes in PKO Bank Polski SA. Risk management aims at ensuring an appropriate level of security and profitability of business activities in the changing legal and economic environment.

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

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

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

Risk management process scheme

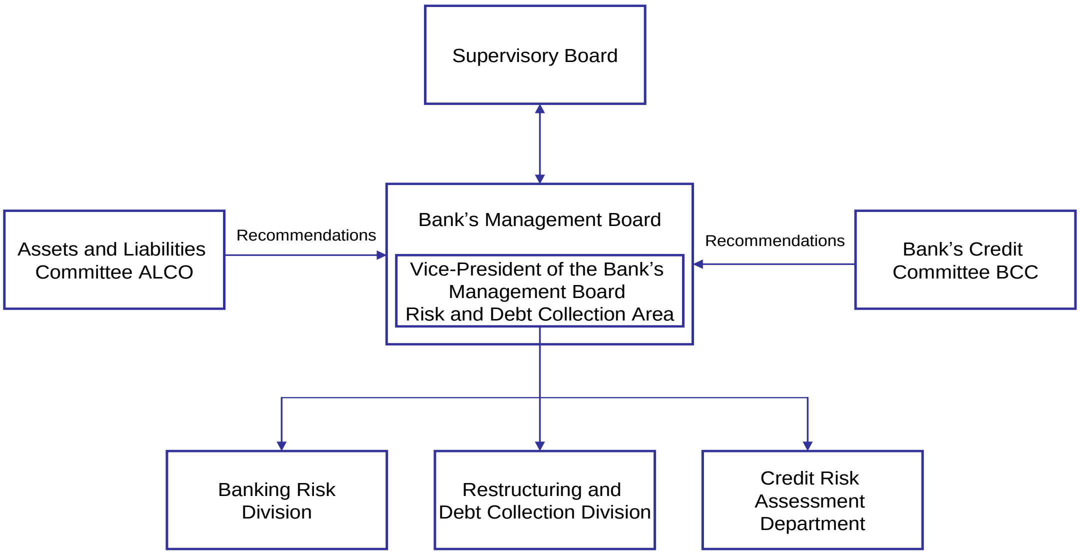


Risk management is based on the following principles:

- organizational independence of the Risk and Debt Collection Area from business activities is maintained;
- risk management is integrated with planning and controlling systems;
- Risk and Debt Collection Area supports the realisation of business objectives on a regular basis while maintaining an acceptable level of risk;

– risk level is controlled regularly;
– risk management model is regularly adjusted to new factors and sources of risk.

Scheme of the organization of risk management



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

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

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

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

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

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

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

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

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

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

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

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

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

33.1 Identification of significant types of risk

The significance of the individual types of risk is established at the Bank's level. When determining criteria of classifying a given type of risk as significant, an influence of a given type of risk on the Bank's activities is taken into account; whereas three types of risk are recognised:

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

Based on quantitative and qualitative information, an assessment of significance of given types of risk is performed in the Bank periodically. As a result of assessment, a given type of risk is being classified as significant/insignificant.

33.2 Credit risk management

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

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

The Bank applies the following principles of credit risk management:

- each loan transaction is subject to comprehensive credit risk assessment, which is reflected in an internal rating or credit scoring,
- credit risk 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 is subject to additional verification by credit risk assessment teams, which are independent of the business teams,
- terms of loan contracts that are offered to a client depend on the credit risk generated by the contract,
- loan granting decisions are made only by authorised persons, within their authority,

- credit risk is diversified by geographical location, by industry, by product and by clients,
- expected credit risk is mitigated by setting legal collateral, credit margins and impairment allowances on loan exposures.

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

33.2.1 Portfolio risk assessment

Credit risk measurement methods

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

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

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

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

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

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

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

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

Credit risk relating to the financing of corporate clients is assessed on two levels: the client and the transaction (excluding selected types of transactions for small and medium enterprises which are assessed based on a scoring method). These assessments are based on the ratings of the client and the transaction. The so-called cumulative rating is a synthetic measure of credit risk for the Bank. The

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

Bank prepared the methodology and developed dedicated IT software in order to include some entities from the segment of small and medium enterprises into the scoring method regardless the type of a transaction.

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 measurement and reporting system.

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

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

33.2.2 Forecasting and monitoring of credit risk

Bank's exposure to credit risk

Amounts due from banks	Exposure	
	30.06.2010	31.12.2009
Amounts due from banks impaired	32 631	27 496
of which assessed on an individual basis	32 168	27 013
Amounts due from banks not impaired	3 097 362	2 053 380
neither past due nor impaired	3 097 362	2 052 387
past due but not impaired	-	993
Gross total	**3 129 993**	**2 080 876**
Impairment allowances	**(33 162)**	**(27 109)**
Net total by carrying amount	**3 096 831**	**2 053 767**

Loans and advances to customers	Exposure	
	30.06.2010	31.12.2009
Loans and advances impaired	8 167 360	7 500 728
of which assessed on an individual basis	4 111 470	3 939 557
Loans and advances not impaired	118 174 955	110 340 006
neither past due nor impaired	117 300 023	109 572 952
past due but not impaired	874 932	767 054
Gross total	**126 342 315**	**117 840 734**
Impairment allowances	**(3 849 155)**	**(3 414 945)**
Net total by carrying amount	**122 493 160**	**114 425 789**

Investment securities available for sale – debt securities	Exposure	
	30.06.2010	31.12.2009
Debt securities impaired	13 183	13 183
of which assessed on an individual basis	13 183	13 183
Debt securities not impaired	8 804 163	7 891 586
neither past due nor impaired	8 804 163	7 891 586
Gross total	**8 817 346**	**7 904 769**
Impairment allowances	**(13 183)**	**(13 183)**
Net total by carrying amount	**8 804 163**	**7 891 586**

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

Exposure to credit risk

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

Items of the statement of financial position	30.06.2010	31.12.2009
Operations with the central bank	2 867 823	4 625 073
Amounts due from banks	3 096 831	2 053 767
Trading assets – debt securities	3 572 275	2 202 847
Derivative financial instruments	1 854 819	2 029 921
Financial instruments at fair value through profit and loss - debt securities	12 231 404	12 356 532
Loans and advances to customers	122 493 160	114 425 789
Investment securities available for sale - debt securities	8 804 163	7 891 586
Other assets - other financial assets	297 838	342 909
Total	**155 218 313**	**145 928 424**

Off-balance sheet items	30.06.2010	31.12.2009
Irrevocable liabilities granted	7 300 339	7 360 144
Guarantees granted	5 420 148	4 274 985
Letters of credit granted	418 493	230 078
Guarantees of issue (underwriting)	3 553 843	1 308 396
Total	**16 692 823**	**13 173 603**

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

	30.06.2010	31.12.2009
Amounts due from banks	**32 168**	**27 013**
Loans and advances to customers	**4 111 470**	**3 939 557**
financial entities	-	6 209
corporate loans	-	6 209
non-financial entities	4 105 261	3 917 272
consumer loans	40 776	33 454
mortgage loans	672 509	616 568
corporate loans	3 391 976	3 267 250
State budget entities	6 209	16 076
corporate loans	6 209	16 076
Investment securities available for sale	**13 183**	**13 183**
issued by non-financial entities	13 183	13 183
Total	**4 156 821**	**3 979 753**

Impairment of loan exposures

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

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

- verifying and aggregating the results of the impairment measurement;
- recording the results of impairment measurement.

PKO Bank Polski SA applies three methods of estimating impairment:

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

The structure of the loan portfolio and the recorded impairment allowances in respect of PKO Bank Polski SA's loan exposures is included in Note 18 'Loans and advances to customers'.

Concentration of credit risk within the Bank

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

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

Concentration by the biggest business entities

The Banking Law specifies maximum concentration limits for the Bank. According to Article 71 clause 1 of the Banking Law, the total value of the Bank's exposures, off-balance sheet liabilities and commitments granted or shares held by the Bank directly or indirectly in another entity, additional payments into a limited liability company as well as contributions or limited partnership sums - whichever higher - in a limited partnership or limited joint-stock partnership with a risk of one entity or a group of entities related by capital or management, cannot exceed 20% of the consolidated own funds if any of these entities is related to the Bank, or 25% of the consolidated own funds if any such entity is unrelated to the Bank.

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

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

As at 30 June 2010, the level of PKO Bank Polski SA risk concentration with respect to individual exposures was low – the biggest exposure to a single entity was equal to 7.2% of the Bank's own funds.

Concentration by the largest groups

The greatest exposure of the PKO Bank Polski SA towards a group of borrowers amounted to 1.13% of the Bank's loan portfolio.

As at 30 June 2010, the level of concentration risk with respect to a group of borrowers was low – the biggest exposure of PKO Bank Polski SA was equal to 8.5 % of the Bank's own funds.

Concentration by industry

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

The Bank's exposure increased compared with 31 December 2009 with respect to all sectors by PLN 1.3 billion. Total exposure to four largest sectors: "Industrial processing', "Wholesale and retail trade, repair of cars, motorcycles…', "Maintenance and rental of real estate…' and "Construction' constituted ca. 63% of the total portfolio of loans covered with industry analysis.

Concentration by geographical regions

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

Concentration of credit risk by currency

As at 30 June 2010, the share of currency exposures, other than PLN, in the total credit portfolio of the Bank amounted to 24.2%. The greatest part of currency exposures of the Bank are those in CHF and they constitute 77.2% of the Bank's currency portfolio.

Other types of concentration

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

33.2.3 Credit risk reporting

The Bank prepares monthly and quarterly credit risk reports for i.a. ALCO, BCC, the Management Board and the Supervisory Board. The reports contain information on historical credit risk amounts and credit risk forecasts.

33.2.4 Management decisions concerning credit risk

Basic credit risk management tools used by the Bank include:

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

- competence limits – they define the maximum level of credit decision-making powers with regard to the Bank's clients; the limits depend primarily on the amount of the Bank's exposure to a given client (or a group of related clients) and the loan transaction period; the competence limit depends on the credit decision-making level (in the Bank's organizational structure).

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

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

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

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

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

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

33.3 Interest rate risk management

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.

33.3.1 Interest rate risk measurement

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.

33.3.2 Forecasting and monitoring of interest rate risk

In the first half of 2010, the exposure of the PKO Bank Polski SA to the interest rate risk was within accepted limits. The Bank was mainly exposed to PLN interest rate risk, which represents about 97% of Bank's value at risk (VaR) as at 30 June 2010. The interest rate risk was generated mainly by the risk of a mismatch between the repricing dates of assets and liabilities.

VaR of the Bank and stress testing analysis of the PKO Bank Polski SA exposure to the interest rate risk are presented in the following table:

Name of sensitivity measure	30.06.2010	31.12.2009
VaR for a 10-day time horizon (PLN thousand)	14 565	17 086
Parallel move of interest rate curves by +200 base points (PLN thousand) (stress test)	354 438	164 418

As at 30 June 2010, the interest rate VaR for a 10-day time horizon amounted to PLN 14 565 thousand, which accounted for approximately 0.09% 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*.

33.3.3 Reporting of interest rate risk

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

33.3.4 Management decisions concerning interest rate risk

The main tools used in interest rate risk management include:

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

The Bank established limits and thresholds for interest rate risk comprising the following: price sensitivity, interest income sensitivity, limits for losses. These limits and thresholds have been set with regard to the Bank's portfolios.

33.4 Currency risk management

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.

33.4.1 Currency risk measurement

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

33.4.2 Forecasting and monitoring of currency risk

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

Name of sensitivity measure	30.06.2010	31.12.2009
VaR for a 10-day time horizon at 99% confidence level (PLN thousand)	19 305*	1 092
Change of CUR/PLN by +15% (PLN thousand) (stress-tests)	33 229*	4 440

* In case of elimination from the VaR calculation and stress-test analysis the currency position in UAH resulting from shares acquired in Kredobank SA, VaR for a 10-day time horizon at 99% confidence level as at 30 June 2010 would have amounted to ca. PLN 3 242 thousand and the stress-test scenario involving a change in PLN exchange rate by 15% would have amounted to ca. PLN 9 541 thousand. The position in UAH referred to above was transformed into a structural position on 22 July 2010.

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

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

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PKO Bank Polski SA currency positions are presented in the table below:

Currency position	30.06.2010	31.12.2009
USD	(8 420)	(6 777)
GBP	(726)	1 507
CHF	(32 466)	(3 594)
EUR	81 517	24 748
Other (Global Net)	181 624	13 715

*High value of Global Net currency position results from an open long currency position in UAH related to the Bank's purchase of KREDOBANK SA's shares from its new share issue. In the case of excluding a currency position in UAH, global net currency position would have amounted to ca. PLN 23 699 thousand.

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

33.4.3 Reporting of currency risk

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

33.4.4 Management decisions as regards currency risk

Main tools used in currency risk management include:

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

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

33.5 Liquidity risk management

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

The objective of liquidity risk management is to shape the structure of the statement of financial position and contingent liabilities and commitments to ensure the continuous and future (and potential) liquidity of the Bank, 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 a stable deposit base. In its liquidity risk management policy, the Bank also uses money market instruments, including NBP open market operations.

33.5.1 Liquidity risk measurement

The Bank makes use of the following liquidity risk measures:

1) the contractual liquidity gap method and the adjusted liquidity gap,
2) the surplus liquidity method,
3) analysis of stability of deposit and loan portfolios,
4) stress testing.

33.5.2 Forecasting and monitoring of liquidity risk

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

	a'vista	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 36 months	36 - 60 months	over 60 months
								30.06.2010
Adjusted gap	3 442 584	14 981 150	(1 264 774)	1 049 373	2 598 384	1 445 719	4 782 953	**(27 035 389)**
Cumulative adjusted gap	3 442 584	18 423 734	17 158 960	18 208 333	20 806 717	22 252 436	27 035 389	-
								31.12.2009
Adjusted gap	7 011 756	15 934 717	(3 179 007)	430 828	3 538 553	1 468 080	4 446 685	**(29 651 612)**
Cumulative adjusted gap	7 011 756	22 946 473	19 767 466	20 198 294	23 736 847	25 204 927	29 651 612	**-**

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

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

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

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

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

33.5.3 Reporting of liquidity risk

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

33.5.4 Management decisions as regards liquidity risk

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

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

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

[*] On 23 July 2010, the General Shareholders' Meeting of PKO Bank Polski SA adopted a resolution on a conditional disbursement of dividend in the amount of PLN 2 375 million on 20 December 2010, which would decrease a liquidity gap in real terms by the same amount effective from three to six-month period.

33.6 Derivative instruments risk management

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

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

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

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

33.6.1 Derivative instruments risk measurement

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

33.6.2 Forecasting and monitoring the risk of derivative instruments

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

33.6.3 Reporting of derivative instruments risk

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

33.6.4 Management decisions as regards derivative instruments risk

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

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

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

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

33.7 Operational risk management

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

The objective of operational risk management is to optimize operational efficiency by reducing operating losses, costs streamlining and improving the timing and adequacy of the response of PKO Bank Polski SA to events which are beyond its control.

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

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

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

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

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

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

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

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

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

In case operational risk is too high, the Bank takes the following actions:

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

33.8 Compliance risk management

Compliance risk is defined as the risk of legal sanctions, incurring financial losses or losing reputation or reliability due to failure of the Bank, 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 Bank as of entity that is reliable, fair, honest and compliant with law and adopted standards. This is achieved through mitigating compliance risk, reputation risk or the Bank's credibility and mitigating the risk of occurring financial losses or legal sanction risk.

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

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

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

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

Compliance risk management involves in particular:

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

33.9 Strategic risk management

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

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

In measuring the strategic risk, the Bank takes 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.

Monitoring of the strategic risk level is performed at least on an annual basis.

The Bank prepares reports concerning strategic risk on an annual basis. The reports on the level of strategic risk are addressed to the Bank's Management Board and managing directors in the Bank's Head Office.

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

33.10 Reputation risk management

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

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

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

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

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

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

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

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

33.11 Objectives and principles of capital adequacy management

33.11.1. Capital adequacy

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

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

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

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

The main measures of capital adequacy are:

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

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

Compared with 31 December 2009, the Bank's capital adequacy ratio decreased by 1.77 p.p., which was mainly caused by an increase in the Bank's total capital requirements (by ca. PLN 1 168 820 thousand), an increase in capital exposures decreasing the Bank's own funds (by ca. PLN 218 586 thousand) and transferring the Bank's retained earnings for the year 2009 to the own funds less expected burdens (amounting to PLN 57 152 thousand).

33.11.2. Own funds

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

In the first half of 2010, the Bank's own funds decreased by PLN 265 706 thousand, mainly as a result of an increase of capital exposures decreasing the Bank's own funds (by ca. PLN 218 586 thousand), and transferring the Bank's retained earnings for the year 2009 to the equity less expected burdens (amounting to PLN 57 152 thousand).

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

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

BANK'S OWN FUNDS	30.06.2010	31.12.2009
Basic funds (Tier 1 capital)	**15 642 535**	**15 755 513**
Share capital	1 250 000	1 250 000
Reserve capital	12 048 111	12 048 111
Other reserves	3 276 260	3 276 260
General banking risk fund for unidentified risk of banking activities	1 070 000	1 070 000
Retained earnings	57 152	-
Unrealised losses on debt and equity instruments classified as available for sale	(61 335)	(52 555)
Intangible assets	(1 320 838)	(1 268 781)
Capital exposures	(676 815)	(567 522)
Supplementary funds (Tier 2 capital)	**958 495**	**1 052 650**
Subordinated liabilities classified as supplementary funds	1 600 700	1 600 700
Unrealised gains on debt and equity instruments classified as available for sale (up to 60% of their pre-tax value)	34 610	19 472
Capital exposures	(676 815)	(567 522)
Short-term capital (Tier 3 capital)	**71 303**	**129 876**
TOTAL EQUITY	**16 672 333**	**16 938 039**

33.11.3. Capital requirements (Pillar 1)

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

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

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

An increase in the capital requirement in respect of credit risk resulted mainly from an increase in the Bank's loan portfolio in the first half of 2010 (both exposures of the statement of financial position and off-balance sheet exposures) by ca. 7%. An increase in the capital requirement results mainly from an increase in commitments due to issue underwriting by ca. 172%.

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

The table below presents the Bank's exposure to credit risk and particular types of market risk.

Capital requirements	30.06.2010	31.12.2009
Credit risk	**9 270 068**	**8 303 240**
credit risk (banking book)	9 188 375	8 228 968
counterparty risk (trading book)	81 693	74 272
Market risk	**431 701**	**230 171**
equity securities risk	966	2 390
specific risk of debt instruments	335 802	192 460
general risk of interest rates	94 933	35 321
Operational risk	**957 564**	**957 102**
Total capital requirement	**10 659 333**	**9 490 513**
Capital adequacy ratio	**12.51%**	**14.28%**

33.11.4. Internal capital (Pillar 2)

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

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

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

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

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

The total internal capital of the Bank is the sum of internal capital amount necessary to cover all of the significant risks for the Bank.

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

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

Disclosures (Pillar 3)

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

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

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

34. Events after the reporting period

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

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

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

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

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

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

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

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

Signatures of all Members of the Management Board of the Bank

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

Signature of person responsible for
maintaining the books of account

17.08.2010

Danuta Szymańska

Director of the Bank

…………………………
(signature)