Bank Polski

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

SELECTED FINANCIAL DATA DERIVED FROM THE CONSOLIDATED FINANCIAL STATEMENTS

SELECTED FINANCIAL DATA	PLN thousand		EUR thousand	
	for the period from 01.01.2011 to 30.06.2011	for the period from 01.01.2010 to 30.06.2010	for the period from 01.01.2011 to 30.06.2011	for the period from 01.01.2010 to 30.06.2010
Net interest income	3 574 546	3 066 179	901 002	765 741
Net fee and commission income	1 541 403	1 527 222	388 527	381 405
Operating profit	2 311 028	1 936 832	582 519	483 700
Profit before income tax	2 307 231	1 931 838	581 562	482 453
Net profit (including non-controlling shareholders)	1 837 147	1 500 741	463 072	374 792
Net profit attributable to the parent company	1 838 314	1 502 337	463 367	375 190
Earnings per share for the period – basic (in PLN/EUR)	1.47	1.20	0.37	0.30
Earnings per share for the period – diluted (in PLN/EUR)	1.47	1.20	0.37	0.30
Net comprehensive income	1 757 367	1 712 549	442 963	427 688
Net cash flow from / used in operating activities	2 089 581	(51 302)	526 701	(12 812)
Net cash flow from / used in investing activities	(482 189)	(844 616)	(121 541)	(210 933)
Net cash flow from / used in financing activities	(160 920)	(151 986)	(40 562)	(37 957)
Total net cash flows	1 446 472	(1 047 904)	364 600	(261 701)

SELECTED FINANCIAL DATA	PLN thousand		EUR thousand	
	as at 30.06.2011	as at 31.12.2010	as at 30.06.2011	as at 31.12.2010
Total assets	178 701 860	169 660 501	44 825 631	42 840 315
Total equity	20 641 935	21 359 568	5 177 829	5 393 422
Share capital attributable to the equity holders of the parent company	20 640 839	21 357 578	5 177 555	5 392 919
Share capital	1 250 000	1 250 000	313 550	315 633
Number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Book value per share (in PLN/EUR)	16.51	17.09	4.14	4.31
Diluted number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Diluted book value per share (in PLN/EUR)	16.51	17.09	4.14	4.31
Capital adequacy ratio	12.58%	12.47%	12.58%	12.47%
Tier 1 capital	16 691 630	15 960 255	4 186 934	4 030 062
Tier 2 capital	1 542 141	1 512 546	386 831	381 927
Tier 3 capital	68 647	145 928	17 219	36 848

Selected items of the consolidated financial statements were translated into EUR using the following rates:

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

- statement of financial position items – average NBP exchange rate as at 30 June 2011: EUR 1 = PLN 3.9866 and as at 31 December 2010: EUR 1 = PLN 3.9603.

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

	Note	01.01-30.06.2011	01.01-30.06.2010
Continuing operations:			
Interest and similar income	4	5 602 314	5 033 176
Interest expense and similar charges	4	(2 027 768)	(1 966 997)
Net interest income		**3 574 546**	**3 066 179**
Fee and commission income	5	1 899 854	1 910 752
Fee and commission expense	5	(358 451)	(383 530)
Net fee and commission income		**1 541 403**	**1 527 222**
Dividend income		6 537	5 512
Net income from financial instruments designated at fair value	6	(35 276)	(22 605)
Gains less losses from investment securities		15 937	36 132
Net foreign exchange gains	7	132 385	165 954
Other operating income	8	230 109	189 338
Other operating expense	8	(150 042)	(112 603)
Net other operating income and expense		**80 067**	**76 735**
Net impairment allowance and write-downs	9	(881 400)	(883 284)
Administrative expenses	10	(2 123 171)	(2 035 013)
Operating profit		**2 311 028**	**1 936 832**
Share of profit (loss) of associates and jointly controlled entities		(3 797)	(4 994)
Profit before income tax		**2 307 231**	**1 931 838**
Income tax expense	11	(470 084)	(431 097)
Net profit (including non-controlling interest)		**1 837 147**	**1 500 741**
Net profit/(loss) attributable to non-controlling shareholders		(1 167)	(1 596)
Net profit attributable to the equity holders of the parent company		**1 838 314**	**1 502 337**
Earnings per share:	12		
– basic earnings per share for the period (in PLN)		1.47	1.20
– diluted earnings per share for the period (in PLN)		1.47	1.20
Weighted average number of ordinary shares during the period (in thousand)		1 250 000	1 250 000
Weighted average diluted number of ordinary shares during the period (in thousand)		1 250 000	1 250 000

Discontinued operations:

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

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

	Note	01.01-30.06.2011	01.01-30.06.2010
Profit for the year (including non-controlling interest)		**1 837 147**	**1 500 741**
Other comprehensive income net of tax		**(79 780)**	**211 808**
Currency translation differences from foreign operations		(26 318)	39 905
Share in other comprehensive income of an associate		(367)	728
Unrealised net gains on financial assets available for sale (gross)		28 856	15 029
Deferred tax on unrealised net gains on financial assets available for sale	11	(5 482)	(2 855)
Cash flow hedges (gross)	17	(94 406)	196 298
Deferred tax on cash flow hedges	11	17 937	(37 297)
Total net comprehensive income		**1 757 367**	**1 712 549**
Total net comprehensive income, of which attributable to:		**1 757 367**	**1 712 549**
equity holders of PKO Bank Polski SA		1 758 261	1 714 527
non-controlling shareholders		(894)	(1 978)

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

	Note	30.06.2011	31.12.2010
ASSETS			
Cash and balances with the central bank		7 643 539	6 182 412
Amounts due from banks	14	2 225 799	2 307 032
Trading assets	15	1 618 339	1 503 649
Derivative financial instruments	16	1 695 315	1 719 085
Financial assets designated at fair value through profit and loss	18	12 331 438	10 758 331
Loans and advances to customers	19	135 680 439	130 668 119
Investment securities available for sale	20	10 967 850	10 219 400
Investments in associates and jointly controlled entities	21	168 012	172 931
Non-current assets held for sale		19 801	19 784
Inventories		525 154	530 275
Intangible assets	22	1 781 502	1 802 037
Tangible fixed assets, including:	22	2 517 981	2 576 445
investment properties		254	259
Current income tax receivables		2 694	4 318
Deferred income tax asset		637 641	582 802
Other assets		886 356	613 881
TOTAL ASSETS		**178 701 860**	**169 660 501**
LIABILITIES AND EQUITY			
Liabilities			
Amounts due to the central bank		2 368	3 370
Amounts due to banks	23	6 220 068	5 233 875
Derivative financial instruments	16	2 258 812	2 404 795
Amounts due to customers	24	139 093 383	132 981 215
Debt securities in issue	25	3 457 057	3 298 867
Subordinated liabilities		1 612 902	1 611 779
Other liabilities	26	4 666 186	2 092 834
Current income tax liabilities		147 156	67 744
Deferred income tax liability		28 445	22 764
Provisions	27	573 548	583 690
TOTAL LIABILITIES		**158 059 925**	**148 300 933**
Equity			
Share capital		1 250 000	1 250 000
Other capital		17 713 012	16 888 145
Currency translation differences from foreign operations		(136 338)	(109 747)
Unappropriated profits		(24 149)	112 297
Net profit for the year		1 838 314	3 216 883
Capital and reserves attributable to equity holders of the parent company		**20 640 839**	**21 357 578**
Non-controlling interest		1 096	1 990
TOTAL EQUITY		**20 641 935**	**21 359 568**
TOTAL LIABILITIES AND EQUITY		**178 701 860**	**169 660 501**

Capital adequacy ratio	37.1.2	12.58%	12.47%
Book value (in PLN thousand)		20 641 935	21 359 568
Number of shares (in thousand)	1	1 250 000	1 250 000
Book value per share (in PLN)		16.51	17.09
Diluted number of shares (in thousand)		1 250 000	1 250 000
Diluted book value per share (in PLN)		16.51	17.09

(in PLN thousand)

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

for the six-month period ended 30 June 2011	Share capital	Other capital: Reserve capital	Other capital: Other reserves	Other capital: General banking risk fund	Other capital: Share in other comprehensive income of an associate	Other capital: Financial assets available for sale	Other capital: Cash flow hedges	Other capital: Total other capital	Currency translation differences from foreign operations	Unappropriated profits	Net profit for the period	Total equity attributable to equity holders of the parent company	Non-controlling interest	Total equity
As at 1 January 2011	1 250 000	12 212 177	3 412 239	1 070 000	976	(25 171)	217 924	16 888 145	(109 747)	112 297	3 216 883	21 357 578	1 990	21 359 568
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	-	3 216 883	(3 216 883)	-	-	-
Total comprehensive income	-	-	-	-	(367)	23 374	(76 469)	(53 462)	(26 591)	-	1 838 314	1 758 261	(894)	1 757 367
Transfer from unappropriated profits	-	830 200	48 129	-	-	-	-	878 329	-	(878 329)	-	-	-	-
Dividends declared	-	-	-	-	-	-	-	-	-	(2 475 000)	-	(2 475 000)	-	(2 475 000)
As at 30 June 2011	1 250 000	13 042 377	3 460 368	1 070 000	609	(1 797)	141 455	17 713 012	(136 338)	(24 149)	1 838 314	20 640 839	1 096	20 641 935

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

(in PLN thousand)

CONSOLIDATED STATEMENT OF CASH FLOWS
for the six-month periods ended 30 June 2011 and 30 June 2010 respectively

	Note	01.01-30.06.2011	01.01-30.06.2010
Net cash flow from operating activities			
Net profit		1 838 314	1 502 337
Adjustments:		251 267	(1 553 639)
Profit/loss of non-controlling shareholders		(1 167)	(1 596)
Amortisation and depreciation		251 381	238 220
Losses on investing activities		(11 007)	(964)
Interest and dividends		(157 146)	(210 118)
Change in amounts due from banks		68 643	46 014
Change in trading assets and financial assets at fair value through profit and loss		(1 687 797)	(1 237 837)
Change in derivative financial instruments (asset)		23 770	175 484
Change in loans and advances to customers		(5 445 687)	(8 680 971)
Change in deferred income tax asset and in income tax receivables		(53 215)	(4 650)
Change in other assets		(267 371)	(6 932)
Change in amounts due to banks		1 151 870	1 239 996
Change in derivative financial instruments (liability)		(145 983)	1 709 229
Change in amounts due to customers		6 114 189	4 186 551
Change in debt securities in issue		34 172	118 077
Change in impairment allowances and provisions		439 296	497 549
Change in other liabilities		116 558	573 522
Income tax paid		(439 977)	(602 401)
Current income tax expense		519 389	478 614
Other adjustments		(258 651)	(71 426)
Net cash from / used in operating activities		**2 089 581**	**(51 302)**
Net cash flow from investing activities			
Inflows from investing activities		**2 112 307**	**6 420 307**
Proceeds from sale of investment securities		2 097 580	6 414 837
Proceeds from sale of intangible assets and tangible fixed assets		13 288	3 837
Other investing inflows		1 439	1 633
Outflows from investing activities		**(2 594 496)**	**(7 264 923)**
Purchase of investment securities available for sale		(2 409 010)	(7 090 698)
Purchase of intangible assets and tangible fixed assets		(185 486)	(174 225)
Net cash from / used in investing activities		**(482 189)**	**(844 616)**
Net cash flow from financing activities			
Proceeds from debt securities in issue		44 482	-
Redemption of debt securities		(119)	-
Repayment of interest from issued debt securities		(40 307)	(42 302)
Long-term borrowings		232 493	275 950
Repayment of long-term borrowings		(397 469)	(385 634)
Net cash generated from financing activities		**(160 920)**	**(151 986)**
Net cash inflow/ (outflow)		**1 446 472**	**(1 047 904)**
of which currency translation differences on cash and cash equivalents		5 128	185 708
Cash and cash equivalents at the beginning of the period		8 438 681	8 992 393
Cash and cash equivalents at the end of the period	30	**9 885 153**	**7 944 489**
of which restricted		5 447	4 476

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The interim consolidated financial statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group ('the PKO Bank Polski SA Group', 'the Group') have been prepared for the six-month period ended 30 June 2011 and include comparative data for the six-month period ended 30 June 2010 (as regards consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows) and include comparative data as at 31 December 2010 (as regards consolidated statement of financial position). Financial data has been presented in PLN thousand unless indicated otherwise.

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

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

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

The Bank's shareholding structure is as follows:

Name of entity	Number of shares	Number of votes %	Nominal value of 1 share	Share in equity %
As at 30 June 2011				
The State Treasury	512 406 277	40.99	PLN 1	40.99
Bank Gospodarstwa Krajowego	128 102 731	10.25	PLN 1	10.25
Other shareholders	609 490 992	48.76	PLN 1	48.76
Total	**1 250 000 000**	**100.00**	---	**100.00**
As at 31 December 2010				
The State Treasury	512 406 277	40.99	PLN 1	40.99
Bank Gospodarstwa Krajowego	128 102 731	10.25	PLN 1	10.25
Other shareholders	609 490 992	48.76	PLN 1	48.76
Total	**1 250 000 000**	**100.00**	---	**100.00**

Amendments to the Memorandum of Association of PKO Bank Polski SA

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

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

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

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

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

Business activities of the Group

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

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

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

(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 (%) 30.06.2011	Share capital (%) 31.12.2010
			Parent company		
1	**Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna**				
			Direct subsidiaries		
2	Bankowe Towarzystwo Kapitałowe SA	Warsaw	Services, including financial services	100.00	100.00
3	Bankowy Fundusz Leasingowy SA	Łódź	Leasing services	100.00	100.00
4	Centrum Elektronicznych Usług Płatniczych 'eService' SA	Warsaw	Servicing and settlement of card transactions	100.00	100.00
5	Centrum Finansowe Puławska Sp. z o.o.[1]	Warsaw	Management and use of Centrum Finansowe Puławska	100.00	100.00
6	Fort Mokotów Inwestycje Sp. z o.o.[2]	Warsaw	Real estate development	99.9885	99.9885
7	Inteligo Financial Services SA	Warsaw	Technical servicing of Internet banking	100.00	100.00
8	KREDOBANK SA	Lviv, Ukraine	Financial services	99.5655	99.5655
9	PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA	Warsaw	Pension fund management	100.00	100.00
10	PKO Finance AB	Stockholm, Sweden	Financial services	100.00	100.00
11	PKO Towarzystwo Funduszy Inwestycyjnych SA	Warsaw	Investment fund management	100.00	100.00
12	Qualia Development Sp. z o.o. [3]	Warsaw	Real estate development	100.00	100.00
			Indirect subsidiaries		
	Subsidiaries of Qualia Development Sp. z o.o.				
13	Qualia Sp. z o.o.	Warsaw	Act as the general partner in limited partnerships of the Qualia Development Group companies	100.00	0.00
14	Fort Mokotów Sp. z o.o. [4]	Warsaw	Real estate development	51.00	51.00
15	PKO BP Inwestycje - Neptun Park Sp. z o.o. [5]	Warsaw	Real estate development	99.9975	99.9975
16	PKO BP Inwestycje - Nowy Wilanów Sp. z o.o. [5]	Warsaw	Real estate development	99.9750	99.9750
17	Qualia – Rezydencja Flotylla Sp. z o.o. [6]	Warsaw	Real estate development	100.00	100.00
18	Qualia Spółka z ograniczoną odpowiedzialnością - Sopot Sp. k. [7]	Warsaw	Real estate development	99.9787	0.00
19	Sarnia Dolina Sp. z o. o. [8]	Warsaw	Real estate development	56.00	56.00
20	UKRPOLINWESTYCJE Sp. z o.o.	Kiev, Ukraine	Real estate development	55.00	55.00
	Subsidiaries of Bankowy Fundusz Leasingowy SA				
21	Bankowy Leasing Sp. z o.o. [9]	Łódź	Leasing services	99.9988	99.9978
22	BFL Nieruchomości Sp. z o.o. [9]	Łódź	Leasing services	99.9973	99.9952
	Subsidiary of Inteligo Financial Services SA				
23	PKO BP Finat Sp. z o.o. [10]	Warsaw	Intermediary financial services	80.3287	80.3287
	Subsidiary of Bankowe Towarzystwo Kapitałowe SA				
24	PKO BP Faktoring SA [9]	Warsaw	Factoring	99.9889	99.9867

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

(in PLN thousand)

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

Jointly controlled entities

No.	Name of Entity	Registered Office	Activity	Share capital (%) 30.06.2011	Share capital (%) 31.12.2010
	Direct jointly controlled entities				
1	CENTRUM HAFFNERA Sp. z o.o.	Sopot	Real estate development	49.43	49.43
2	Centrum Obsługi Biznesu Sp. z o.o.	Poznań	Construction and maintenance of a hotel	41.44	41.44
	Indirect jointly controlled entities				
	Subsidiaries of CENTRUM HAFFNERA Sp. z o.o. (indirect jointly controlled by PKO Bank Polski SA)				
3	Centrum Majkowskiego Sp. z o.o.	Sopot	Real estate development	100.00	100.00
4	Kamienica Morska Sp. z o.o.	Sopot	Real estate development	100.00	100.00
5	Sopot Zdrój Sp. z o.o.	Sopot	Real estate development	100.00	100.00
6	Promenada Sopocka Sp. z o.o.	Sopot	Real estate development	100.00	100.00

Associates

No.	Name of Entity	Registered Office	Activity	Share capital (%) 30.06.2011	Share capital (%) 31.12.2010
	Direct associates				
1	Bank Pocztowy SA	Bydgoszcz	Financial services	25.0001	25.0001
2	Kolej Gondolowa Jaworzyna Krynicka SA [1]	Krynica Górska	Construction and operation of cable railway	37.53	37.53
3	Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	Poznań	Provision of sureties and guarantees	33.33	33.33
4	Agencja Inwestycyjna CORP SA	Warsaw	Office real estate management	22.31	22.31
	Indirect associates				
	Subsidiaries of Bank Pocztowy SA (indirect associates of PKO Bank Polski SA)				
5	Centrum Operacyjne Sp. z o.o.	Bydgoszcz	Activities supporting financial services	100.00	100.00
6	Spółka Dystrybucyjna Banku Pocztowego Sp. z o.o.	Warsaw	Financial intermediary services	100.00	100.00

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

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

Seasonality or cyclicality of interim period

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

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

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

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

During the six months ended 30 June 2011, the following changes took place in the composition of the Management Board:

1. On 2 March 2011, the Supervisory Board of PKO Bank Polski SA reappointed Zbigniew Jagiełło President of the Management Board of PKO Bank Polski SA for the joint term of office of the Bank's Management Board which commenced on the date of the Annual General Shareholders' Meeting of PKO Bank Polski SA approving the financial statements of PKO Bank Polski SA for 2010.

2. On 1 April 2011 the Supervisory Board of PKO Bank Polski SA passed resolutions appointing:
   - Piotr Alicki as the Vice-President of the Management Board,
   - Bartosz Drabikowski as the Vice-President of the Management Board,
   - Jarosław Myjak as the Vice-President of the Management Board,
   - Jacek Obłękowski as the Vice-President of the Management Board,
   - Jakub Papierski as the Vice-President of the Management Board.

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

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

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

During the six months ended 30 June 2011, the following change took place in the composition of the Supervisory Board:

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

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

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

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

Approval of financial statements

These Condensed Interim Consolidated Financial Statements, reviewed by the Supervisory Board's Audit Committee on 10 August 2011, have been approved for issue by the Management Board on 9 August 2011.

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

2. Summary of significant accounting policies and estimates and judgements

2.1.1. Summary of significant accounting policies

These Condensed Interim Consolidated Financial Statements of the PKO Bank Polski SA Group have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' approved by the European Union.

The accounting policies and calculation methods applied by preparation of these Condensed Consolidated Financial Statements are consistent to those, which were applied by preparation of Consolidated Financial Statements of the Group for the year ended 31 December 2010.

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

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

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

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

Furthermore, in June 2011 revised IAS 1 'Presentation of financial statements' was published; the revised standard requires entities to divide the items presented in other comprehensive income into two groups based on whether they will be eligible for inclusion in the profit/loss in the future and changing the title of the statement of comprehensive income to the 'statement of results and other comprehensive income'. Amendments to IAS 1 apply for annual periods beginning on or after 1 July 2012 and as at the date of these financial statements have not yet been approved by the European Union. In June 2011 the International Accounting Standards Board also published amendments to IAS 19 'Employee benefits' which include new requirements in respect of recognizing and measuring the costs of defined benefit plans and severance benefits, as well as change the required disclosures relating to all employee benefits. The amendments to IAS 19 apply to annual periods beginning on or after 1 January 2013 and as at the date of these financial statements they have not yet been approved by the European Union. None of the above changes have been applied by the Bank in the preparation of these financial statements.

2.2. Critical estimates and judgements

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

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

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

The most significant areas in which the Group performs critical estimates are presented below:

2.2.1. Impairment of loans and advances

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

The adopted methodology used for estimating impairment allowances will be developed in line with the further possibilities of 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 loans and advanves' portfolio individually determined to be impaired, the estimated impairment allowance would increase by PLN 314 million or decrease by PLN 185 million respectively. This estimate was made for the loans and advances' portfolio assessed for impairment on an individual basis, i.e. on the basis of individual analysis of future cash flows arising both from own payments and realisation of the collateral, i.e. the positions for which an individual method is applied.

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

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

Options are valued based on available market data, data received from contractors as well as using option pricing models. The variables used in a valuation include any available data derived from observable markets.

The valuation techniques used by the Group for non-option derivative instruments are based on yield curve based on available market data (deposit margins on interbank market, IRS quotations). The Group conducted a simulation to assess the potential influence of change of the yield curve on the transaction valuation. Upwards move of yield curve by 50 bp. would result in decrease in non-option derivative instruments valuation by PLN 35 234 thousand. Analogous move in the opposite direction would result in valuation increase by PLN 44 814 thousand (including financial instruments classified into hedge accounting: decrease by PLN 42 371 thousand when moving the curve upward and increase by PLN 51 741 thousand when moving the curve downward).

2.2.3. Calculation of provision 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. The basis for calculation of these provisions are internal regulations, and especially the Collective Labour Agreement ('Zakładowy Układ Zbiorowy Pracy') being in force at the Group. Valuation of the employee benefit provisions is performed using actuarial techniques and assumptions. The calculation of the provision includes all anniversary bonuses and retirement and pension benefits expected to be paid in the future. The provision was created on the basis of a list including all the necessary details of employees, in particular the length of their service, age and gender. The provisions calculated amount to discounted future payments, taking into account staff turnover. Gains or losses resulting from actuarial calculations are recognized in the income statement.

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

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

In estimating useful lives of particular types of tangible fixed assets, intangible assets and investment properties, the Group considers following factors:

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

3. Information on the segments of activities

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

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

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

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

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

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

(in PLN thousand)

3) The investment segment comprises own activity i.e. investing and brokerage activities, interbank transactions, derivative instruments and debt securities transactions and activities of PKO Finance AB and Centrum Finansowe Puławska Sp. z .o.o. (own activities). In the net result of the segment, the net result of internal settlements related to funds transfer pricing, the result on long-term sources of financing and the result on positions classified for hedge accounting is presented. Internal funds transfer is based on transfer pricing dependant on interest rates. The transactions between business segments are conducted on arm's length. Long-term external financing includes the issuance of bonds, subordinated liabilities and funds under the EMTN programme issuance as well as amounts due to financial institutions.

The PKO Bank Polski SA Group typically settles inter-segment transactions as if they were concluded between unrelated parties, using internal settlement rates. The transactions between business segments are conducted on arm's length.

Accounting policies applied in the segmentation report are consistent with accounting policies applied during the preparation of these financial statements.

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

The current income tax expense was presented only on the Group level.

The tables below present data relating to income and results of individual business segments of the PKO Bank Polski SA Group for the six-month period ending 30 June 2011 and 30 June 2010 and of selected assets and liabilities as at 30 June 2011 and as at 31 December 2010.

For the six-month period ended 30 June 2011	Continuing activities				
	Retail segment	Corporate segment	Investment segment		Total activity of the Group
			Own activities	Transfer centre	
Net interest income	2 694 762	298 009	115 336	466 439	3 574 546
Net fee and commission income	1 366 477	127 136	47 790	-	1 541 403
Other net income	127 287	46 271	92 690	(66 598)	199 650
Net result from financial operations	851	793	5 361	(26 344)	(19 339)
Net foreign exchange gains	64 078	30 930	77 631	(40 254)	132 385
Dividend income	-	-	6 537	-	6 537
Net other operating income and expense	49 343	27 563	3 161	-	80 067
Income/expenses relating to internal customers	13 015	(13 015)	-	-	-
Net impairment allowance and write downs	(774 106)	(105 969)	(1 325)	-	(881 400)
Administrative expenses, of which:	(1 909 702)	(144 052)	(69 417)	-	(2 123 171)
Amortisation and depreciation	(224 703)	(17 582)	(9 096)	-	(251 381)
Share in gains or losses of associates and jointly controlled entities	-	-	-	-	(3 797)
Segment gross profit	1 504 718	221 395	185 074	399 841	2 307 231
Income tax expense (tax burden)	-	-	-	-	(470 084)
Profit/loss attributable to non-controlling shareholders	-	-	-	-	(1 167)
Net profit attributable to the equity holders of the parent company	**1 504 718**	**221 395**	**185 074**	**399 841**	**1 838 314**

As at 30 June 2011	Continuing activities				
	Retail segment	Corporate segment	Investment segment		Total activity of the Group
			Own activities	Transfer centre	
Assets	115 837 573	39 274 249	23 590 038	-	**178 701 860**
Liabilities	113 694 147	31 306 742	13 059 036	-	**158 059 925**

(in PLN thousand)

For the six-month period ended 30 June 2010	Continuing activities*				
	Retail segment	Corporate segment	Investment segment		Total activity of the Group
			Own activities	Transfer centre	
Net interest income	2 481 476	318 805	137 367	128 531	3 066 179
Net fee and commission income	1 357 957	115 791	53 474	-	1 527 222
Other net income	119 061	35 209	91 005	16 453	261 728
Net result from financial operations	(3 536)	(476)	21 277	(3 738)	13 527
Net foreign exchange gains	53 546	29 095	63 122	20 191	165 954
Dividend income	-	-	5 512	-	5 512
Net other operating income and expense	56 046	19 595	1 094	-	76 735
Income/expenses relating to internal customers	13 005	(13 005)	-	-	-
Net impairment allowance and write downs	(773 859)	(103 536)	(5 889)	-	(883 284)
Administrative expenses, of which:	(1 840 886)	(125 213)	(68 914)	-	(2 035 013)
Amortisation and depreciation	(213 205)	(15 811)	(9 204)		(238 220)
Share in gains or losses of associates and jointly controlled entities	-	-	-	-	(4 994)
Segment gross profit	1 343 749	241 056	207 043	144 984	1 931 838
Income tax expense (tax burden)	-	-	-	-	(431 097)
Profit/loss attributable to non-controlling shareholders	-	-	-	-	(1 596)
Net profit attributable to the equity holders of the parent company	**1 343 749**	**241 056**	**207 043**	**144 984**	**1 502 337**

*due to presentation changes in the segments result, data for 2010 have been brought to comparability.

As at 31 December 2010	Continuing activities*				
	Retail segment	Corporate segment	Investment segment		Total activity of the Group
			Own activities	Transfer centre	
Assets	112 010 210	34 963 122	22 687 169	-	**169 660 501**
Liabilities	109 307 500	27 721 094	11 272 339	-	**148 300 933**

*due to presentation changes in the segments result, data for 2010 have been brought to comparability.

Additionally, the PKO Bank Polski SA Group applies information on segments by geographical areas. The PKO Bank Polski SA Group activity is also conducted in Ukraine – through KREDOBANK SA and UKRPOLINWESTYCJE Sp. z o.o.

For the six-month period ended 30 June 2011	Poland	Ukraine	Total
Net interest income	3 550 809	23 737	3 574 546
Net fee and commission income	1 524 086	17 317	1 541 403
Other net income	196 099	3 551	199 650
Administrative expenses	(2 075 659)	(47 512)	(2 123 171)
Net impairment allowance and write-downs	(892 847)	11 447	(881 400)
Share in profit/loss of associates and jointly controlled entities	-	-	(3 797)
Segment gross profit	**2 302 488**	**8 540**	**2 307 231**
Income tax expense (tax burden)	-	-	(470 084)
Profit (loss) attributable to non-controlling shareholders	-	-	(1 167)
Net profit (loss)	**2 302 488**	**8 540**	**1 838 314**

As at 30 June 2011	Poland	Ukraine	Total
Assets of the segment	177 269 777	1 432 083	**178 701 860**
Liabilities of the segment	157 157 548	902 377	**158 059 925**

(in PLN thousand)

For the six-month period ended 30 June 2010	Poland	Ukraine	Total
Net interest income	3 029 850	36 329	3 066 179
Net fee and commission income	1 507 695	19 527	1 527 222
Other net income	270 519	(8 791)	261 728
Administrative expenses	(1 978 203)	(56 810)	(2 035 013)
Net impairment allowance and write-downs	(862 697)	(20 587)	(883 284)
Share in profit/loss of associates and jointly controlled entities	-	-	(4 994)
Segment gross profit	**1 967 164**	**(30 332)**	**1 931 838**
Income tax expense (tax burden)	-	-	(431 097)
Profit (loss) attributable to non-controlling shareholders	-	-	(1 596)
Net profit (loss)	**1 967 164**	**(30 332)**	**1 502 337**

As at 31 December 2010	Poland	Ukraine	Total
Assets of the segment	168 030 912	1 629 589	**169 660 501**
Liabilities of the segment	147 264 946	1 035 987	**148 300 933**

NOTES TO THE CONSOLIDATED INCOME STATEMENT

4. Interest income and expense

Interest and similar income

	01.01-30.06.2011	01.01-30.06.2010
Income from loans and advances to customers	4 601 737	4 104 451
Income from derivative hedging instruments	351 145	308 411
Income from securities designated at fair value through profit and loss	256 316	242 888
Income from investment securities available for sale	247 738	229 355
Income from placements with other banks	96 958	72 605
Income from trading securities	45 304	72 484
Other	3 116	2 982
Total	**5 602 314**	**5 033 176**

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

In the six-month period ended 30 June 2011 interest income from impaired loans amounted to PLN 176 902 thousand. This income has been included in the position ‘Income from loans and advances to customers’.

Interest expense and similar charges

	01.01-30.06.2011	01.01-30.06.2010
Interest expense on customers	(1 902 444)	(1 859 362)
Interest expense on debt securities in issue	(104 015)	(53 603)
Interest expense on deposits from banks	(19 399)	(17 235)
Other	(1 910)	(36 797)
Total	**(2 027 768)**	**(1 966 997)**

(in PLN thousand)

5. Fee and commission income and expense

Fee and commission income

	01.01-30.06.2011	01.01-30.06.2010
Income from financial assets, which are not valued at fair value through profit and loss, including:	**278 295**	**246 140**
Income from loans and advances	278 295	246 140
Other commissions	**1 620 352**	**1 663 846**
Income from payment cards	501 426	475 221
Income from maintenance of bank accounts	462 630	461 401
Income from loan insurance	262 157	338 084
Income from maintenance of investment funds and pension funds (including management fees)	186 799	158 122
Income from cash transactions	82 376	88 765
Income from securities transactions	32 652	33 296
Income from servicing foreign mass transactions	23 393	21 515
Income from sale and distribution of court fee stamps	10 618	13 665
Other*	58 301	73 777
Income from fiduciary services	**1 207**	**766**
Total	**1 899 854**	**1 910 752**

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

Fee and commission expense

	01.01-30.06.2011	01.01-30.06.2010
Expenses on payment cards	(145 231)	(158 681)
Expenses on loan insurance	(68 464)	(73 976)
Expenses on acquisition services	(69 789)	(73 114)
Expenses on asset management fees	(18 416)	(12 861)
Expenses on settlement services	(11 875)	(11 823)
Expenses on fee and commissions for operating services granted by banks	(5 476)	(5 188)
Other*	(39 200)	(47 887)
Total	**(358 451)**	**(383 530)**

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

6. Net income from financial instruments at fair value

	01.01-30.06.2011	01.01-30.06.2010
Derivative instruments[1)]	(34 298)	(48 923)
Debt securities	(3 319)	25 617
Equity instruments	1 390	683
Structured bank securities at fair value through profit and loss[1)]	952	-
Other[1)]	(1)	18
Total	**(35 276)**	**(22 605)**

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

(in PLN thousand)

01.01-30.06.2011	Gains	Losses	Net result
Trading assets	6 350 737	(6 381 789)	(31 052)
Financial assets designated upon initial recognition at fair value through profit and loss	48 861	(53 085)	(4 224)
Total	**6 399 598**	**(6 434 874)**	**(35 276)**

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

The total change in fair values of financial instruments designated at fair value through profit and loss determined with use of valuation models (where no quotations from active market were available) in the period ended 30 June 2011 amounted to PLN (33 347)[1)] thousand (in the period ended 30 June 2010: PLN (48 905)[1)] thousand).

7. Net foreign exchange gains

	01.01-30.06.2011	01.01-30.06.2010
Currency translation differences resulting from financial instruments designated at fair value through profit and loss	107 869	(1 935 478)
Currency translation differences from foreign operations	24 516	2 101 432
Total	**132 385**	**165 954**

8. Other operating income and expense

	01.01-30.06.2011	01.01-30.06.2010
Other operating income		
Net income from sale of products and services	133 019	115 747
Sales and disposal of tangible fixed assets, intangible assets and assets held for sale	41 918	25 613
Damages, penalties and fines received	11 090	14 318
Sundry income	8 530	9 383
Recovery of expired and written-off receivables	449	1 538
Sale of shares in jointly controlled entities and associates	-	577
Other	35 103	22 162
Total	**230 109**	**189 338**

	01.01-30.06.2011	01.01-30.06.2010
Other operating expenses		
Costs of sale of products and services	(95 640)	(54 092)
Costs of sale and disposal of tangible fixed assets, intangible assets and assets held for sale	(30 509)	(25 372)
Sundry expenses	(2 259)	(2 182)
Donations	(6 289)	(1 960)
Other	(15 345)	(28 997)
Total	**(150 042)**	**(112 603)**

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

(in PLN thousand)

9. Net impairment allowance and write-downs

For the six-month period ended 30 June 2011	Impairment allowances at the beginning of the period	Increases			Decreases				Impairment allowances at the end of the period	Net impairment allowance – impact on the income statement
		Impairment allowances recognised during the period	Currency translation differences	Other	Decrease in impairment allowances due to derecognition of assets	Impairment allowances reversed during the period	Currency translation differences	Other		
Investment securities available for sale	21 909	306	-	-	16	296	622	-	21 281	(10)
Loans and advances to customers and amounts due from banks measured at amortised cost	4 885 595	1 913 605	-	14 768	400 672	1 069 879	24 505	2 015	5 316 897	(843 726)
Tangible fixed assets	18 434	36	-	-	17 254	-	-	-	1 216	(36)
Intangible assets	132 972	2 076	-	-	-	-	-	-	135 048	(2 076)
Investments in entities measured using equity method	60 138	643	-	-	-	-	-	-	60 781	(643)
Non-current assets held for sale	2 961	-	-	-	-	-	-	-	2 961	-
Other, including:	314 214	131 653	-	7	10 198	96 744	508	-	338 424	(34 909)
provisions for legal claims and off-balance sheet liabilities	89 799	102 786	-	-	22	83 431	26	-	109 106	(19 355)
Total	**5 436 223**	**2 048 319**	**-**	**14 775**	**428 140**	**1 166 919**	**25 635**	**2 015**	**5 876 608**	**(881 400)**

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

10. Administrative expenses

	01.01-30.06.2011	01.01-30.06.2010
Staff costs	(1 145 184)	(1 138 436)
Overheads	(622 803)	(597 348)
Depreciation and amortisation	(251 381)	(238 220)
Taxes and other charges	(35 435)	(34 317)
Contribution and payments to the Bank Guarantee Fund	(68 368)	(26 692)
Total	**(2 123 171)**	**(2 035 013)**

Wages and salaries / Employee benefits

	01.01-30.06.2011	01.01-30.06.2010
Wages and salaries	(956 808)	(949 447)
Social Security, including:	(155 772)	(157 391)
contributions to retirement pay and pensions*	(117 360)	(121 209)
Other employee benefits	(32 604)	(31 598)
Total	**(1 145 184)**	**(1 138 436)**

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

11. Income tax expense

	01.01-30.06.2011	01.01-30.06.2010
Consolidated income statement		
Current income tax expense	(519 389)	(478 614)
Deferred income tax related to temporary differences	49 305	47 517
Tax expense in the consolidated income statement	**(470 084)**	**(431 097)**
Tax expense in other comprehensive income related to temporary differences	12 455	(40 152)
Total	**(457 629)**	**(471 249)**

12. Earnings per share

Basic earnings per share

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

Earnings per share

	01.01-30.06.2011	01.01-30.06.2010
Profit per ordinary shareholder (in PLN thousand)	1 838 314	1 502 337
Weighted average number of ordinary shares during the period (in thousand)	1 250 000	1 250 000
Earnings per share (in PLN per share)	1.47	1.20

Earnings per share from discontinued operations

As at 30 June 2011 and 30 June 2010, the Group did not report any material expenses or income from discontinued operations.

Diluted earnings per share

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

(in PLN thousand)

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

Diluted earnings per share from discontinued operations

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

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

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

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

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

14. Amounts due from banks

	30.06.2011	31.12.2010
Deposits with banks	1 876 621	1 493 827
Current accounts	288 035	722 717
Loans and advances	60 942	112 551
Cash in transit	22 811	6 862
Receivables due from repurchase agreements	4 250	-
Total	**2 252 659**	**2 335 957**
Impairment allowances on receivables, including:	(26 860)	(28 925)
impairment allowances on exposure to a foreign bank	(26 076)	(28 089)
Net total	**2 225 799**	**2 307 032**

15. Trading assets

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

(in PLN thousand)

16. Derivative financial instruments

Type of contract	30.06.2011		31.12.2010	
	Assets	Liabilities	Assets	Liabilities
IRS	1 375 506	1 373 686	1 447 237	1 553 029
CIRS	167 427	704 988	126 219	687 977
FX Swap	76 573	106 716	62 204	83 613
FRA	22 224	14 833	12 157	11 107
Options	29 655	20 423	46 397	25 382
Forward	20 218	34 285	18 356	42 972
Other	3 712	3 881	6 515	715
Total	**1 695 315**	**2 258 812**	**1 719 085**	**2 404 795**

(in PLN thousand)

17. Derivative hedging instruments

As at 30 June 2011, the Group applies the following hedging strategies:

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

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

Hedging strategy:	**Hedges against fluctuations in cash flows from mortgage loans in CHF and negotiated term deposits in PLN, resulting from the risk of fluctuations in interest rates and in foreign exchange rates, using CIRS transactions**	**Hedges against fluctuations from loans in PLN at float rate, resulting from the risk of fluctuations in interest rates, using IRS transactions**	**Hedges against fluctuations from loans in EUR at float rate, resulting from the risk of fluctuations in interest rates, using IRS transactions**
Description of hedge relationship	Elimination of the risk of cash flow fluctuations generated by mortgage loans denominated in CHF and negotiated term deposits in PLN resulting from fluctuations in reference interest rates in CHF and PLN, and changes in foreign exchange rates CHF/PLN during the hedged period.	Elimination of the risk of cash flow fluctuations generated by floating rate PLN loans resulting from the interest rate risk in the period covered by the hedge.	Elimination of the risk of cash flow fluctuations generated by floating rate EUR loan portfolio resulting from the interest rate risk in the period covered by the hedge.
Hedged risk	Currency risk and interest rate risk.	Interest rate risk.	Interest rate risk.
Hedging instrument	CIRS transactions where the Bank pays coupons based on 3M CHF LIBOR, and receives coupons based on 3M WIBOR on the nominal amount defined in CHF and PLN respectively.	IRS transactions where the Bank pays coupons based on variable 3M WIBOR, and receives coupons based on a fixed rate on the nominal amount for which they were concluded.	IRS transactions where the Bank pays coupons based on variable 3M EURIBOR, and receives coupons based on a fixed rate on the nominal amount for which they were concluded.
Hedged position	1) The portfolio of floating rate mortgage loans denominated in CHF. 2) The portfolio of short-term negotiable term deposits, including renewals in the future (high probability of occurrence). The Bank designated the hedged position according to the regulations of IAS 39.AG.99C as adopted by the EU.	The portfolio of loans in PLN indexed to the variable 3M WIBOR rate.	The portfolio of loans in EUR indexed to the variable EURIBOR rate.
Periods in which cash flows are expected and in which they should have an impact on the financial result	July 2011 to January 2017	July 2011 to October 2013	July 2011 to March 2016

Cash flow hedges

The fair value of derivative instruments constituting cash flow hedges related to the interest rate and / or foreign exchange rate as at 30 June 2011 and 31 December 2010:

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

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

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

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

Other comprehensive income as regards cash flow hedges	01.01-30.06.2011	01.01-30.06.2010
Other comprehensive income at the beginning of the period (gross)	269 042	147 254
Gains or losses transferred to other comprehensive income in the period	253 257	(1 202 393)
Amount transferred from other comprehensive income to profit and loss	(347 663)	1 398 691
- interest income	(351 145)	(308 411)
- net foreign exchange gains	3 482	1 707 102
Accumulated other comprehensive income at the end of the period (gross)	**174 636**	**343 552**
Tax effect	**(33 181)**	**(65 275)**
Accumulated other comprehensive income at the end of the period (net)	**141 455**	**278 277**

Ineffective part of cash flow hedges recognized through profit and loss	**(26 066)**	**(24 709)**

Effect on other comprehensive income in the period (gross)	**(94 406)**	**196 298**
Deferred tax on cash flow hedges	**17 937**	**(37 297)**
Effect on other comprehensive income in the period (net)	**(76 469)**	**159 001**

(in PLN thousand)

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

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

19. Loans and advances to customers

	30.06.2011	31.12.2010
Gross loans and advances, including:	**140 970 476**	**135 524 789**
Mortgage	65 943 609	62 441 248
Corporate	49 240 523	46 912 413
Consumer	24 975 346	25 446 265
Interest	810 998	724 863
Impairment allowances on loans and advances	(5 290 037)	(4 856 670)
Net loans and advances	**135 680 439**	**130 668 119**

	30.06.2011	31.12.2010
Loans and advances to customers		
Valued with the individual method	5 722 553	6 562 353
Impaired, including:	5 122 429	5 899 231
Receivables from finance leases	*111 286*	*125 556*
Not impaired, including:	600 124	663 122
Receivables from finance leases	*149 913*	*155 373*
Valued with the portfolio method, including:	5 640 398	4 987 943
Receivables from finance leases	*137 503*	*102 133*
Valued with the group method (IBNR), including:	129 607 525	123 974 493
Receivables from finance leases	*2 342 965*	*2 177 602*
Loans and advances to customers – gross	**140 970 476**	**135 524 789**
Allowances for exposures valued with the individual method	(1 722 457)	(1 765 956)
Impaired, including:	(1 722 457)	(1 765 956)
Allowances on lease receivables	*(29 004)*	*(29 509)*
Allowances for exposures valued with the portfolio method, including:	(2 884 561)	(2 593 103)
Allowances on lease receivables	*(61 964)*	*(48 013)*
Allowances for impairment on exposures with group impairment (IBNR), including:	(683 019)	(497 611)
Allowances on lease receivables	*(14 757)*	*(12 383)*
Total allowances	**(5 290 037)**	**(4 856 670)**
Loans and advances to customers - net	**135 680 439**	**130 668 119**

As at 30 June 2011, the share of impaired loans amounted to 7.6% (as at 31 December 2010: 8.0%); whereas the coverage ratio for impaired loans (calculated as total impairment allowances on total loans and advances to customers divided by gross carrying amount of impaired loans) amounted to 49.2% (as at 31 December 2010: 44.6%).

As at 30 June 2011 the share of loans overdue by more than 90 days in the gross amount of loans and advances was 4.6% (as at 31 December 2010: 4.3%).

(in PLN thousand)

The increase in the volume of loans assessed under the portfolio method in the first half of 2011 by PLN 652 455 thousand resulted mainly from the increase in delays in repayment in the portfolio of mortgage loans and corporate loans (mainly small and medium enterprises).

20. Investment securities available for sale

	30.06.2011	31.12.2010
Debt securities available for sale (gross)	**10 897 868**	**10 144 678**
issued by banks	50 829	50 858
corporate bonds	50 829	50 858
issued by non-financial institutions	1 332 195	1 456 333
corporate bonds in PLN	1 321 823	1 445 357
corporate bonds in UAH	7 610	8 214
bills of exchange	2 762	2 762
issued by the State Treasury	6 709 862	5 813 314
Treasury bonds in PLN	6 577 723	5 636 357
Treasury bonds in UAH	131 142	153 323
Treasury bills	997	23 634
issued by local government bodies	2 804 982	2 824 173
municipal bonds	2 804 982	2 824 173
Impairment of debt securities available for sale	**(20 655)**	**(21 259)**
corporate bonds in PLN	(10 283)	(10 283)
corporate bonds in UAH	(7 610)	(8 214)
bills of exchange	(2 762)	(2 762)
Total net debt securities available for sale	**10 877 213**	**10 123 419**
Equity securities available for sale (gross)	**91 263**	**96 631**
Equity securities admitted to public trading	79 070	85 491
Equity securities not admitted to public trading	12 193	11 140
Allowance for impairment on equity securities available for sale	**(626)**	**(650)**
Impairment of equity securities not admitted to public trading	(626)	(650)
Total net equity securities available for sale	**90 637**	**95 981**
Total net investment securities available for sale	**10 967 850**	**10 219 400**

21. Investments in associates and jointly controlled entities

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

Entity name	30.06.2011	31.12.2010
Centrum Obsługi Biznesu Sp. z o.o.	9 196	9 298
The Centrum Haffnera Sp. z o.o. Group	27 080	31 981
Total	**36 276**	**41 279**

b) the value of the Bank's investments in associates (i.e. the acquisition cost adjusted to share in net assets change and allowances for impairment losses)

Entity name	30.06.2011	31.12.2010
Bank Pocztowy SA	131 427	131 427
Agencja Inwestycyjna CORP SA	309	225
Total	**131 736**	**131 652**

(in PLN thousand)

Selected data on associated entities accounted for using the equity method

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

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

The information concerning Bank Pocztowy presented in the above table is derived from the consolidated financial statements prepared in accordance with IFRS/IAS. The data for the remaining companies have been derived from the financial statements prepared in accordance with the Polish Accounting Standards. According to the Group's estimates, differences between the above-mentioned financial statements and the statements prepared in accordance with IFRS/IAS are not significant from the perspective of the financial statements of the Group.

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

Entity name	Total assets	Total liabilities	Total revenue	Net profit	% share
30.06.2011					
Centrum Obsługi Biznesu Sp. z o.o.	122 632	98 893	11 641	(1 935)	41.44
The Centrum Haffnera Sp. z o.o. Group	322 014	264 506	17 260	(11 226)	49.43
Total	**444 646**	**363 399**	**28 901**	**(13 161)**	**X**
31.12.2010					
Centrum Obsługi Biznesu Sp. z o.o.	124 979	98 835	20 151	(980)	41.44
The Centrum Haffnera Sp. z o.o. Group	327 145	258 450	44 958	(11 262)	49.43
Total	**452 124**	**357 285**	**65 109**	**(12 242)**	**X**

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

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

	01.01-30.06.2011	01.01-30.06.2010
Investments in associates at the beginning of the period	**131 652**	**179 452**
Share in profit/(loss)	1 206	225
Share in other comprehensive income	(367)	728
Dividends paid	(112)	(107)
Change in impairment allowances of investment	(643)	44
Investment in associates at the end of the period	**131 736**	**180 342**

(in PLN thousand)

	01.01-30.06.2011	01.01-30.06.2010
Investments in jointly controlled entities at the beginning of the period	**41 279**	**49 240**
Share of profit (loss)	(5 003)	(5 219)
Investments in jointly controlled entities at the end of the period	**36 276**	**44 021**

As at 30 June 2011 and 31 December 2010, the parent company had no share in contingent liabilities and commitments of associates and jointly controlled entities acquired jointly with other investors.

In the Interim Consolidated Financial Statements for the period ended 30 June 2011 all associates and jointly controlled entities are accounted for using the equity method.

22. Intangible assets and tangible fixed assets

Intangible assets	30.06.2011	31.12.2010
Software	1 442 678	1 279 303
Goodwill	227 902	229 740
Development costs	3 486	3 486
Other, including capital expenditure	107 436	289 508
Total	**1 781 502**	**1 802 037**

Tangible fixed assets	30.06.2011	31.12.2010
Land and buildings	1 692 206	1 722 797
Machinery and equipment	602 156	603 388
Assets under construction	76 738	96 022
Means of transport	51 088	47 703
Investment properties	254	259
Other	95 539	106 276
Total	**2 517 981**	**2 576 445**

23. Amounts due to banks

	30.06.2011	31.12.2010
Loans and advances	4 026 578	4 068 332
Banks deposits	2 035 678	1 027 518
Current accounts	25 567	44 379
Other money market deposits	132 245	93 646
Total	**6 220 068**	**5 233 875**

(in PLN thousand)

24. Amounts due to customers

	30.06.2011	31.12.2010
Amounts due to retail clients	**96 792 401**	**95 107 854**
Current accounts and overnight deposits	48 815 666	46 416 011
Term deposits	47 629 271	48 398 185
Other money market deposits	347 464	293 658
Amounts due to corporate entities	**37 894 436**	**31 826 551**
Current accounts and overnight deposits	11 204 665	11 264 473
Term deposits	24 792 860	18 705 259
Loans and advances received	1 896 911	1 856 819
Amounts due to state budget entities	**4 406 546**	**6 046 810**
Current accounts and overnight deposits	2 441 358	2 689 369
Term deposits	1 953 507	3 349 821
Other money market deposits	11 681	7 620
Total	**139 093 383**	**132 981 215**

25. Debt securities in issue

	30.06.2011	31.12.2010
Debt securities in issue		
Financial instruments designated at fair value through profit and loss	43 415	-
bank securities issued by PKO Bank Polski SA	43 415	-
Financial instruments measured at amortized cost	3 413 642	3 298 867
bonds issued by PKO Finance AB	3 268 369	3 187 766
bonds issued by BFL SA	145 273	111 101
Total	**3 457 057**	**3 298 867**

	30.06.2011	31.12.2010
Debt securities in issue by maturity:		
up to 1 month	69 707	24 901
from 1 month to 3 months	75 566	86 200
from 3 months to 1 year	82 524	23 389
from 1 year to 5 years	3 229 260	3 164 377
Total	**3 457 057**	**3 298 867**

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

In the first half of 2011 BFL SA issued bonds with a nominal value of PLN 320 000 thousand and redeemed bonds with a nominal value of PLN 270 000 thousand. As at 30 June 2011, the Company's debt in respect of the bonds issued amounted to PLN 170 000 thousand (at nominal value) of which the debt in respect of the Bank amounted to PLN 23 990 thousand (at nominal value).

26. Other liabilities

	30.06.2011	31.12.2010
Accounts payable	356 085	304 515
Deferred income	304 799	345 302
Other liabilities, including:	4 005 302	1 443 017
dividend declared	2 475 000	-
Total	**4 666 186**	**2 092 834**

(in PLN thousand)

27. Provisions

For the six-month period ended 30 June 2011	Provision for legal claims	Provisions for anniversary bonuses and retirement benefits	Provisions for liabilities and guarantees granted	Other provisions*	Total
As at 1 January 2011, including:	7 479	411 792	82 320	82 099	583 690
Short term provision	7 479	29 628	82 320	82 023	201 450
Long term provision	-	382 164	-	76	382 240
Increase of provision	-	-	102 786	4 318	107 104
Release of provision	-	-	(83 431)	-	(83 431)
Use of provision	(22)	-	-	(33 767)	(33 789)
Currency translation differences	-	-	(26)	-	(26)
As at 30 June 2011, including:	7 457	411 792	101 649	52 650	573 548
Short term provision	7 457	29 628	101 649	52 650	191 384
Long term provision	-	382 164	-	-	382 164

* Included in 'Other provisions' is i.a.: restructuring provision amounting to PLN 36 395 thousand and provision for potential claims on receivables sold amounting to PLN 10 866 thousand.

For the six-month period ended 30 June 2010	Provision for legal claims	Provisions for anniversary bonuses and retirement benefits	Provisions for liabilities and guarantees granted	Other provisions*	Total
As at 1 January 2010, including:	8 128	368 295	111 721	114 150	602 294
Short term provision	8 128	27 418	111 721	114 150	261 417
Long term provision	-	340 877	-	-	340 877
Increase of provision	24	-	68 777	3 497	72 298
Release of provision	-	-	(74 736)	(18)	(74 754)
Use of provision	(743)	-	-	(55 141)	(55 884)
Currency translation differences	-	-	123	-	123
Other changes and reclassifications	(47)	-	-	521	474
As at 30 June 2010, including:	7 362	368 295	105 885	63 009	544 551
Short term provision	7 362	27 418	105 885	63 009	203 674
Long term provision	-	340 877	-	-	340 877

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

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

(in PLN thousand)

OTHER NOTES

28. Off-balance sheet liabilities

Contingent liabilities

Underwriting programs

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

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

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

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

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

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

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

Contractual commitments

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

Loan commitments

	30.06.2011	31.12.2010
Financial sector	1 571 136	752 074
Non-financial sector	27 381 974	27 747 336
Public sector	1 441 855	1 005 614
Total	**30 394 965**	**29 505 024**
of which: irrevocable loan commitments	6 210 813	7 001 338

Loan commitments have been presented in nominal values.

(in PLN thousand)

Guarantees issued

Guarantees and sureties	30.06.2011	31.12.2010
Financial sector	880 379	2 234 228
Non-financial sector	8 443 154	4 792 355
Public sector	448 366	253 771
Total	**9 771 899**	**7 280 354**

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

Off-balance sheet liabilities received

	30.06.2011	31.12.2010
Financial	666 350	403 874
Guarantees	3 567 173	3 726 067
Total	**4 233 523**	**4 129 941**

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

Assets pledged as collateral for contingent liabilities

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

29. Legal claims

As 30 June 2011, the total value of court proceedings in which the Bank is a defendant was PLN 355 873 thousand (as at 31 December 2010: PLN 308 304 thousand), while the total value of court proceedings in which the Bank is the plaintiff was PLN 92 370 thousand (as at 31 December 2010: PLN 60 207 thousand).

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

a) Unfair competition proceedings

The Bank is a party to proceedings initiated on the basis of a decision dated 23 April 2001 of the President of the Competition and Consumer Protection Office (Urząd Ochrony Konkurencji i Konsumentów - UOKiK) upon request of the Polish Trade and Distribution Organization (Polska Organizacja Handlu i Dystrybucji - Związek Pracodawców) against the operators of the Visa and Europay payment systems and the banks issuing Visa and Europay/Eurocard/Mastercard banking cards. The claims under these proceedings relate to the use of practices limiting competition on the market of banking card payments in Poland, consisting of applying pre-agreed 'interchange' fees for transactions made using Visa and Europay/Eurocard/Mastercard cards as well as limiting access to this market by external entities. On 29 December 2006, UOKiK decided that the practices, consisting of joint establishment of interchange fee, did limit market competition and ordered that any such practices should be discontinued, and imposed a fine on, among others, PKO Bank Polski SA, in the amount of PLN 16 597 thousand. This issue in detail was described in the annual consolidated financial statements of PKO Bank Polski SA Group for the year 2010. In the period from 1 January to 30 June 2011 the date of the trial had not been set. As at 30 June 2011 the Bank had a liability to the above amount.

With reference to the decision of President of the Competition and Consumer Protection Office (Urząd Ochrony Konkurencji i Konsumentów - UOKiK) as of 12 December 2008 imposing a fine on PKO Bank Polski SA for the unfair advertisement of the 'Max Lokata' term deposit, the Bank recognised a provision in the amount of PLN 5 712 thousand as at 31 December 2008. On 9 February 2011, the decision of the court of the second instance was issued. In this decision, the Court of Appeals dismissed the Bank's appeal from the decision of the court of the first instance (the District Court in Warsaw, the Competition and Consumer Protection Court). The latter decision dismissed the Bank's appeal from the decision of the Chairman of UOKiK of 12 December 2008. This means that the Bank was obliged to fulfil the duties imposed on it by decision of the Chairman of UOKiK of 12 December 2008 within the deadline specified therein. On 2 March 2011 PKO Bank Polski SA paid the pecuniary penalty in the amount of PLN 5 712 thousand.

(in PLN thousand)

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

As at the date of these financial statements, four administrative proceedings are pending to invalidate decisions issued by public administration authorities with respect to properties held by the Bank and one administrative proceeding with respect to property held by Centrum Finansowe Puławska Sp. z o.o. These proceedings, in the event of an unfavourable outcome for the Bank and the Company, may result in re-privatization claims being raised against the Bank and the Company. Given the current status of these proceedings, it is not possible to assess their potential negative financial effects for the Group. Moreover, with respect to two properties claims were submitted by their former owners (court proceedings are pending).

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

30. Supplementary information to the statement of cash flows

Cash and cash equivalents

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

	30.06.2011	31.12.2010	30.06.2010
Cash and balances with the central bank	7 643 539	6 182 412	4 925 803
Current receivables from financial institutions	2 241 614	2 256 269	3 018 686
Total	**9 885 153**	**8 438 681**	**7 944 489**

Cash flow from interests and dividends, both received and paid

Interest income - received	01.01 – 30.06.2011	01.01 – 30.06.2010
Income from loans and advances	3 984 848	3 474 517
Income from securities at fair value through profit and loss	297 225	251 177
Income from placements	104 333	82 060
Income from investment securities	184 580	223 269
Income from trading securities	45 077	74 043
Other interest received (mainly from current accounts, realized guarantees, purchased debts, previous years interest adjustments and other receivables interest from financial sector)	670 888	1 843 076
Total	**5 286 951**	**5 948 142**

Dividend income - received	01.01 – 30.06.2011	01.01 – 30.06.2010
Dividend income from jointly controlled entities and associates	112	107
Dividend income from other entities	1 439	1 527
Total	**1 551**	**1 634**

Interest expense – paid	01.01 – 30.06.2011	01.01 – 30.06.2010
Interest expense on deposits - paid	(1 383 237)	(2 114 791)
Interest expense on loans and advances - paid	(45 856)	(34 470)
Interest expense on debt securities in issue - paid	(40 424)	(42 451)
Other (mainly premium from debt securities, interest expense on cash collateral liabilities, interest expense on current account of special purpose funds)	(550 042)	(926 352)
Total	**(2 019 559)**	**(3 118 064)**

(in PLN thousand)

31. Transactions with the State Treasury and related entities

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

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

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

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

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 loans on the dates specified in the loan agreement. The responsibility of the State Treasury is of an auxiliary nature and is effective if the recovery of the unpaid part of loans and interest which the Bank is obliged to commence, before it 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 on housing loans for the State Budget.

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

As of 1 January 1996, the Bank became the general distributor of value marks and receives commission from the State Budget.

	01.01-30.06.2011	01.01-0.06.2010
Fee and commission income	10 618	13 665

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

	01.01-0.06.2011	01.01-30.06.2010
Fee and commission income	14 322	16 354

(in PLN thousand)

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

The transactions were concluded at arm's length.

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

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

(in PLN thousand)

32. Related party transactions

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

30 June 2011

Entity	Receivables	including loans	Liabilities	Total revenues	including interest and fee and commission income	Total expense	including interest and fee and commission expense	Contingent liabilities and commitments
Agencja Inwestycyjna CORP SA	-	-	60	306	-	1 310	-	-
Bank Pocztowy SA	-	-	17	16	16	438	-	1 374
CENTRUM HAFFNERA Sp. z o.o.	-	-	183	5	5	-	-	-
Centrum Majkowskiego Sp. z o.o.	-	-	4 801	3	3	56	56	-
Centrum Obsługi Biznesu Sp. z o.o.	30 681	30 681	21 529	443	443	292	292	-
Kamienica Morska Sp. z o.o.	-	-	120	3	3	-	-	-
Kolej Gondolowa Jaworzyna Krynicka SA	8 599	8 599	1 901	211	211	14	14	2 976
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	-	7 060	-	-	283	283	-
Promenada Sopocka Sp. z o.o.	44 041	44 041	912	696	696	-	-	-
Sopot Zdrój Sp. z o.o.	210 913	210 913	1 586	3 416	3 416	24	24	-
Total	**294 234**	**294 234**	**38 169**	**5 099**	**4 793**	**2 417**	**669**	**4 350**

31 December 2010

Entity	Receivables	including loans	Liabilities	Total revenues	including interest and fee and commission income	Total expense	including interest and fee and commission expense	Contingent liabilities and commitments
Agencja Inwestycyjna CORP SA	61	-	87	628	-	2 425	-	-
Bank Pocztowy SA	-	-	105	146	131	1 962	419	1 330
CENTRUM HAFFNERA Sp. z o.o.	-	-	2 478	9	9	59	59	-
Centrum Majkowskiego Sp. z o.o.	-	-	4 765	6	6	93	93	-
Centrum Obsługi Biznesu Sp. z o.o.	30 799	30 799	22 285	753	752	558	557	-
Kamienica Morska Sp. z o.o.	-	-	66	6	6	-	-	-
Kolej Gondolowa Jaworzyna Krynicka SA	5 824	5 824	538	74	74	9	9	8 375
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	-	16 178	1	1	152	141	-
Promenada Sopocka Sp. z o.o.	43 805	43 805	691	1 165	1 165	-	-	-
Sopot Zdrój Sp. z o.o.	209 785	209 785	4 049	5 617	5 617	60	60	-
Total	**290 274**	**290 213**	**51 242**	**8 405**	**7 761**	**5 318**	**1 338**	**9 705**

33. Remuneration – PKO Bank Polski SA key management

a) short-term employee benefits*

Remuneration received from PKO Bank Polski SA

	01.01-30.06.2011	01.01-30.06.2010
The Management Board of the Bank		
Short-term employee benefits	7 023	2 970
The Supervisory Board of the Bank		
Short-term employee benefits	494	147
Total renumeration	**7 517**	**3 117**

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

	01.01-30.06.2011	01.01-30.06.2010
The Management Board of the Bank		
Short-term employee benefits	15	116
Total renumeration	**15** **	**116** ***

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

(in PLN thousand)

b) post-employment benefits

In the 6 month period ended accordingly 30 June 2011 and 30 June 2010, no post-employment benefits were granted.

c) other long-term benefits

In the 6 month period ended accordingly 30 June 2011 and 30 June 2010, no ‘other long-term benefits’ were granted.

d) benefits due to termination of employment

In the 6 month period ended accordingly 30 June 2011 and 30 June 2010, no benefits were granted due to termination of employment.

e) share-based payments

In the 6 month period ended accordingly 30 June 2011 and 30 June 2010, no benefits were granted in the form of share-based payments.

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

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

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

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

	01.01-30.06.2011	01.01-30.06.2010
The Management Board		
Short-term employee benefits	8 939	8 578
The Supervisory Board		
Short-term employee benefits	-	446
Total employee benefits	**8 939**	**9 024**

34. Changes to the entities of the Group

The information below concerns share purchase transactions with subsidiaries (direct and indirect), which were concluded within the first half of 2011:

1) concerning Bankowe Towarzystwo Kapitałowe SA

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

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

As at 30 June 2011 PKO Bank Polski SA’s share in the registered capital of Bankowe Towarzystwo Kapitałowe SA and the share of votes on the Company’s General Shareholders’ Meeting amounted to 100%.

2) concerning PKO BP Faktoring SA

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

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

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

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

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

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

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

In the first half of 2011, the increase in the share capital of BFL Nieruchomości Sp. z o.o. in the total amount of PLN 8 000 thousand, including: on 27 January, amount of PLN 1 000 thousand and 9 May, amount of PLN 7 000 thousand, was registered with the National Court Register. As a result, the Company's share capital amounts to PLN 18 400 thousand and consists of 36 800 shares of PLN 500 nominal value each.

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

As at 30 June 2011, Bankowy Fundusz Leasingowy SA held a total of 99.9973% of the share capital and of voting rights at the General Shareholders' Meeting of the company BFL Nieruchomości Sp. z o.o.

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

In the first half of 2011, the increase in the share capital of Bankowy Leasing Sp. z o.o. in the total amount of PLN 19 300 thousand, including: on 27 January, amount of PLN 6 600 thousand and 11 May, amount of PLN 12 700 thousand, was registered with the National Court Register. As a result, the Company's share capital amounts to PLN 42 000 thousand and consists of 84 000 shares of PLN 500 nominal value each.

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

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

6) **concerning changes in the Qualia Development Sp. z o.o. Group (up to 10 May 2011 under the name PKO BP Inwestycje Sp. z o.o. Group)**

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

As part of such actions:

- Qualia Sp. z o.o. was established (the Company was registered in the National Court Register on 25 February 2011). The Company's share capital amounts to PLN 5 000 and consists of 100 shares, each of PLN 50 par value. On the day of the Company's establishment, its shares with a par value of PLN 4 950 were acquired by Qualia Development Sp. z o.o. - a subsidiary of PKO Bank Polski SA, and one share with a par value of PLN 50 was acquired by Qualia – Rezydencja Flotylla Sp. z o.o. - a subsidiary of Qualia Development Sp. z o.o. Since 28 April 2011, Qualia Development Sp. z o.o., which bought one share for a price equal to its par value, has been the sole shareholder of the Company.
- Qualia spółka z ograniczoną odpowiedzialnością - Sopot Spółka komandytowa was established (the Partnership was registered with the National Court Register on 11 March 2011). The partners are: Qualia Sp. z o.o. (general partner, amount of contribution: PLN 1 thousand) and Qualia Development Sp. z o.o. (limited partner, the limited partner's amount of contribution and limit of liability: PLN 4 700 thousand; increased from PLN 1 thousand by the partners' resolution of 31 March 2011). The activities of Qualia spółka z ograniczoną odpowiedzialnością - Sopot Spólka komandytowa comprise the preparation and execution of the investment project in Sopot at Bohaterów Monte Cassino Street.
- On 6 April 2011, Qualia Sp. z o.o. bought from PKO Bank Polski SA one share in PKO BP Inwestycje – Nowy Wilanów Sp. z o.o. for PLN 21.4 thousand;
- On 6 April 2011, Qualia Sp. z o.o. bought from PKO Bank Polski SA one share in PKO BP Inwestycje – Neptun Park Sp. z o.o. for PLN 0.8 thousand.

The following companies changed their names in the first half of 2011:

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

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

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

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

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

OBJECTIVES AND PRINCIPLES OF RISK MANAGEMENT RELATED TO FINANCIAL INSTRUMENTS

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

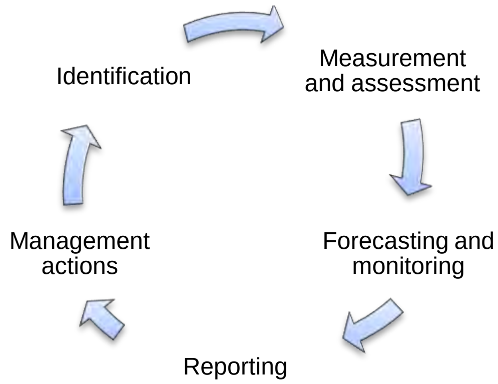
Risk management is one the most important internal processes in both PKO Bank Polski SA and the other entities of the PKO Bank Polski SA Group, especially KREDOBANK SA and Bankowy Fundusz Leasingowy SA Group. Risk management aims at ensuring an appropriate level of security and profitability of business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

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

The process of banking risk management in the PKO Bank Polski SA Group consists of the following stages:

- risk identification – the identification of current and potential sources of risk and estimation of the significance of the potential influence of a given type of risk on the Group. The types of risk which are perceived as material in the banking activity are identified within the risk identification process of specific entity of the Group or the whole Group,
- risk measurement and assessment – defining risk assessment tools adequate to the type, significance of the risk, data availability and quantitative risk assessment by means of defined tools, as well as risk assessment aimed at identifying the scale or scope of risk, taking into account the achievement of goals of risk management. Within risk measurement, stress-test are being conducted on the basis of assumptions providing a fair risk assessment,
- 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 monitoring is performed with the frequency adequate to the materiality and volatility of a specific risk type,
- risk reporting – periodic informing the Management of the Bank about the results of risk assessment, taken actions and recommendations. Scope, frequency and the form of reporting are adjusted to the managing level of recipients,
- management actions – including, in particular, issuing internal regulations, establishing the level of risk tolerance, establishing limits and thresholds, issuing recommendations, making decisions about the use of tools supporting risk management. The aim of taking management actions is to form the risk management process and risk level.

The risk management process is described on the chart below:



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

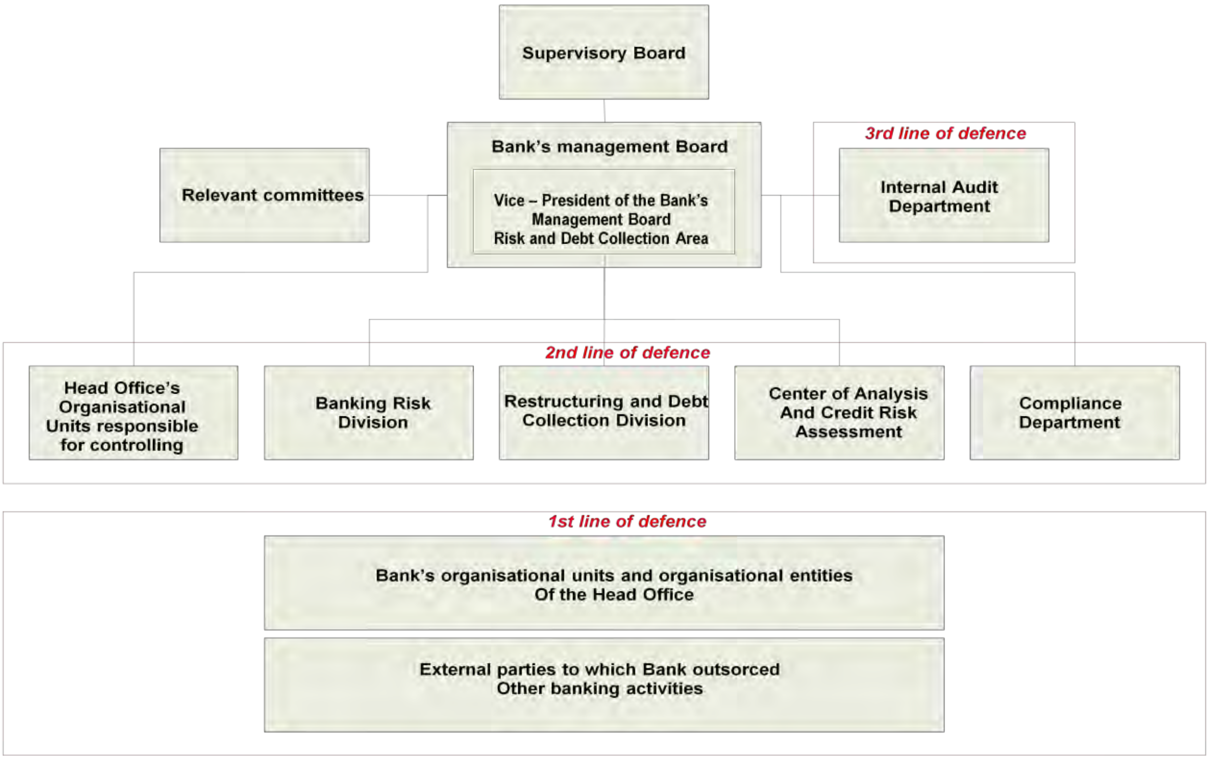
- the Group manages all of the identified types of banking risk,
- the risk level is monitored on a current basis,

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

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

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

The organization of risk management chart



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

The Bank's Management Board is responsible for the 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.

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

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

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

- the function of the second line of defence as regards creating system solutions is independent of the function of the first line of defence,

- the function of the third line of defence is independent of the functions of the first and second lines of defence,
- the function of managing the compliance risk reports directly to the President of the Management Board of the Bank.

The first line of defense is being performed in the organizational units of the Bank, the organizational units of the Head Office and entities of the Group and concerns the activities of those units and entities which may generate risk. The units, cells and entities of the Group are responsible for identifying risks, designing and implementing appropriate controls, including in the external entities, unless controls have been implemented as part of the measures taken in the second line of defense. At the same time the Group's entities are obliged to have comparable and cohesive systems of risk control in the Bank and in the Group's entities, taking into account the specific business characteristic of each entity and market conditions.

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

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

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

The Banking Risk Division is responsible for:

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

The Restructuring and Debt Collection Department is responsible for:

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

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

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

RC:

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

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

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

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

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

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

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

Moreover, ORC prepares operating risk management recommendations for member companies of the PKO Bank Polski SA Group, which are submitted to the companies of the PKO Bank Polski SA Group as part of the Bank's corporate governance.

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

The internal regulations concerning management of certain types of risk in the entities of the Group are defined by internal regulations implemented by those entities, after consulting the Bank's opinion and having taken into account the recommendations issued to the entities by the Bank. The internal regulations of the entities concerning risk management allow for consistent and comparable assessment of particular types of risk within the Bank and entities of the Group, as well as reflect the specific nature of the entity's activity and the market on which it operates.

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

36.1. Identification of significant types of risks

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

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

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

36.2. Credit risk management

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

The objective of credit risk management is to minimize losses on the credit portfolio as well as to minimize the risk of occurrence of loans threatened with impairment exposure, while keeping expected level of profitability and value of credit portfolio at the same time.

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

- each loan transaction is subject to comprehensive credit risk assessment, which is reflected in an internal rating or credit scoring,
- credit risk relating to potential and concluded loan transactions is measured on a cyclical basis, taking into consideration changes in external conditions and in the financial standing of the borrowers,
- credit risk assessment of exposures which are significant due to their risk levels is subject to additional verification by credit risk assessment teams, which are independent of the business teams,
- terms of loan contracts that are offered to a client depend on the credit risk generated by the contract,
- loan granting decisions are made only by authorised persons, within their authority,
- credit risk is diversified by geographical location, by industry, by product and by clients,
- expected credit risk is mitigated by setting appropriate credit margins and appropriate allowances for credit losses.

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

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

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

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

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

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

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

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

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

36.2.1. Portfolio risk measurement

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 IAS),
- coverage ratio of non-performing loans with impairment allowances (according to IAS),
- cost of risk.

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

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

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

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

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

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

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

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

(in PLN thousand)

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

36.2.2. Forecasting and monitoring credit risk

The Group's exposure to credit risk

Amounts due from banks	30.06.2011	31.12.2010
Amounts due from banks impaired	26 553	28 559
including valued with an individual method	26 076	28 089
Amounts due from banks not impaired	2 226 106	2 307 398
neither past due nor impaired	2 226 106	2 307 047
past due but not impaired	-	351
past due up to 4 days	-	351
Gross total	**2 252 659**	**2 335 957**
Impairment allowances	(26 860)	(28 925)
Total receivables by carrying amount (net)	**2 225 799**	**2 307 032**

Loans and advances to customers	30.06.2011	31.12.2010
Loans and advances impaired	10 762 827	10 887 174
including valued with an individual method	5 122 429	5 899 231
Loans and advances not impaired	130 207 649	124 637 615
neither past due nor impaired	123 982 079	120 260 937
past due but not impaired	6 225 570	4 376 678
past due up to 4 days	3 092 244	2 027 160
past due over 4 days	3 133 326	2 349 518
Gross total	**140 970 476**	**135 524 789**
Impairment allowances	(5 290 037)	(4 856 670)
Total receivables by carrying amount (net)	**135 680 439**	**130 668 119**

Investment securities – debt securities	30.06.2011	31.12.2010
Debt securities impaired	20 655	21 259
including valued with on an individual basis	20 655	21 259
Debt securities not impaired	10 877 213	10 123 419
neither past due nor impaired	10 877 213	10 123 419
Total gross	**10 897 868**	**10 144 678**
Impairment allowances	(20 655)	(21 259)
Total instruments by carrying amount (net)	**10 877 213**	**10 123 419**

(in PLN thousand)

Maximum exposure to credit risk

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

Items of the statement of financial position	30.06.2011	31.12.2010
Current account in the central bank	5 225 439	3 782 717
Amounts due from banks	2 225 799	2 307 032
Trading assets - debt securities	1 605 666	1 491 053
Derivative financial instruments	1 695 315	1 719 085
Other financial instruments at fair value through profit and loss - debt securities	12 331 438	10 758 331
Loans and advances to customers	135 680 439	130 668 119
Investment securities - debt securities	10 877 213	10 123 419
Other assets - other financial assets	516 535	352 473
Total	**170 157 844**	**161 202 229**

Off-balance sheet items	30.06.2011	31.12.2010
Irrevocable loan commitments	6 210 813	7 001 338
Guarantees granted	3 919 167	4 554 377
Letters of credit granted	2 706 287	229 946
Guarantees of issue (underwriting)	3 146 445	2 496 031
Total	**15 982 712**	**14 281 692**

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

	30.06.2011	31.12.2010
Amounts due from banks	**26 076**	**28 089**
Loans and advances to customers	**5 122 429**	**5 899 231**
Financial entities	37 872	41 188
corporate loans	37 872	41 188
Non-financial entities	5 077 022	5 850 521
consumer loans	78 760	91 982
mortgage loans	874 017	903 038
corporate loans	4 124 245	4 855 501
State budget entities	7 535	7 522
corporate loans	7 535	7 522
Financial assets available for sale	**20 655**	**21 376**
issued by financial entities	-	8
issued by non-financial entities	20 655	21 368
Total	**5 169 160**	**5 948 696**

Allowances for credit losses

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

- identifying the indications of impairment and events significant from the point of view of identifying those indications,
- registering in the Group'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 charge or provision,
- verifying and aggregating the results of the impairment measurement,

– recording the results of impairment measurement.

The PKO Bank Polski SA Group implements three methods of measuring the impairment:

– the individualized method applied in respect of individually significant loans, which show the indications of impairment or having the need for individual opinion because of transactions specifics, from which they are becoming and from events determining the repayment of exposition,

– the portfolio method applied in respect of individually insignificant loans, in the case of which indications of individual impairment have been recognized,

– the group method (IBNR) applied in respect of the loans in the case of which indications of individual impairment have not been identified, but there is a possibility of losses incurred but not recognized occurring.

The structure of loan portfolio and loan impairment allowances of the PKO Bank Polski SA Group is shown in Note 19 'Loans and advances to customers'.

Concentration of credit risk within the Group

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

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

Concentration by the largest business entities

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

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

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

As at 30 June 2011, the level of concentration risk in PKO Bank Polski SA Group with respect to individual exposures was low – the largest exposure to a single entity was equal to 18.9% of the Bank's own consolidated funds (as at 31 December 2010 amounted to 8.5%*, 6.1* and 5.1% of the consolidated own funds).

Among 20 of the largest borrowers of the Group there are exclusively clients of PKO Bank Polski SA.

Concentration by the largest groups

The greatest exposure of the PKO Bank Polski SA Group towards a group of borrowers amounted to 2.72% of loan portfolio of PKO Bank Polski SA Group. Top 5 of the largest groups contains exclusively the clients of PKO Bank Polski SA.

* concentration in respect of the entities exempted from concentration limits

As at 30 June 2011, the concentration of credit risk by the largest groups was low. The greatest exposure of the Group towards a group amounted to 21.0% of the own consolidated funds (as at 31 December 2010 12.5%* and 6.7% of the consolidated the Group's own funds).

Concentration of credit risk by industry

As compared with 31 December 2010 the exposure of the Group in industry sectors has increased by PLN 3.2 billion. The total exposure in the four largest industry sectors: 'Industrial processing', 'Wholesale and retail trade, repair of cars, including motorcycles', 'Business activity connected with maintenance and rental of real estate' and 'Construction' amounted to approx. 67% of the total loan portfolio covered by an analysis of the sector.

Concentration of credit risk by geographical regions

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

As at 30 June 2011 and as at 31 December 2010, the largest concentration of the Group's loan portfolio was in the mazowiecki region. Half of the Group's loan portfolio is concentrated in four regions: mazowiecki, śląsko-opolski, wielkopolski and małopolsko-świętokrzyski, which is consistent with the regions' domination both in terms of population and economy in Poland.

Concentration of credit risk by currency

As at 30 June 2011, the share of currency exposures, other than PLN, in the total credit portfolio of the Group amounted to 23.0% (as at 31 December 2010 amounted to 23.6%). The greatest parts of currency exposures of the Group are those in CHF and they are related to Bank's credit portfolio. In case of Group's entities the situation is different, i.e. in the BFL SA currency portfolio, the EUR exposure constitutes the largest part (81.5% of the currency portfolio), similarly in the BFL SA Group's portfolio loans granted in EUR (61.7% of the currency portfolio) while in KREDOBANK SA loans granted in USD constitute approx. 81.6% of the currency portfolio and 38.9% of the whole entity's portfolio.

A decrease in the share of loans denominated in foreign currencies in 2011 results from concentration of new sales of mortgage loans in the Polish currency. The significant risk of concentration has been identified in KREDOBANK resulting from the specifics of Ukraine's market, on which, because of weak local currency, the currency loans are the most popular.

Other types of concentration

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

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

As at 30 June 2011 and as at 31 December 2010, these limits have not been exceeded.

36.2.3. Credit risk reporting

The Bank prepares monthly and quarterly credit risk reports for i.a. ALCO, CCC, the Bank's Management Board and the Bank's Supervisory Board. The reporting of credit risk covers specifically cyclic information on the results of risk measurement and the scale of risk exposure of the credit portfolio. In addition to the information concerning the Bank, the reports also contain information about the credit risk level for two Group entities (KREDOBANK SA and the BFL SA Group), which have significant credit risk levels.

36.2.4. Management decisions concerning credit risk

Basic credit risk management tools used by the Bank include:

- minimum transaction requirements determined for a given type of transaction (e.g. minimum LTV, maximum loan amount, required collateral),
- the principles of defining credit availability, including cut-offs – the minimum number of points awarded in the process of creditworthiness assessment with the use of a scoring system (for retail clients) or the client's rating class or cumulative rating class (for corporate clients), which a client must obtain to

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

receive a loan,

- concentration limits – the limits defined in art. 71 clause 1 of the Banking Law,
- industry-related limits – limits which reduce the risk level related to financing institutional clients that conduct business activities in industries characterized by high level of credit risk,
- limits on credit exposures related to the Bank's customers - the limits defining the appetite for credit risk as result of from the recommendations of S and T,
- loan limits defining the maximum level of Bank's exposure to specific client or country from the wholesale operations and the settlement limits as well as limits for exposure period,
- competence limits – they define the maximum level of credit decision-making powers with regard to the Bank's clients; the limits depend primarily on the amount of the Bank's exposure to a given client (or a group of related clients) and the loan transaction period; the competence limit depends on the credit decision-making level (in the Bank's organizational structure),
- minimum credit margins – credit risk margins relating to a given credit transaction concluded by the Bank with a given institutional client; the interest rate offered to a client cannot be lower than the reference rate plus credit risk margin.

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

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

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

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

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

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

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

When signing a leasing agreement, BFL SA Group, as a proprietor of leased objects, treats them as collateral.

36.3. Interest rate risk management

The interest rate risk is a risk of incurring losses on the Bank's balance and off-balance sheet items to interest rate fluctuations, as a result of changes in the interest rates on the market.

The objective of interest rate risk management is to mitigate the risk of incurring losses arising from market interest rate changes to an acceptable level by shaping the structure of balance and off-balance sheet items.

36.4. Interest rate risk measurement

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

36.5. Forecasting and monitoring of interest rate risk

As at 30 June 2011 and 31 December 2010, the exposure of the PKO Bank Polski SA Group to the interest rate risk comprised mainly of the exposure of the Bank. Interest rate risk generated by the other Group entities with regard to PLN, EUR and CHF did not have a significant effect on the interest rate risk of the entire Group and therefore did not significantly affect its risk profile. Interest rate risk with regard to USD was significantly altered by exposure of the Group, in which the biggest part has the exposure of KREDOBANK SA.

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

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

Name of sensitivity measure	30.06.2011	31.12.2010
VaR for a 10-day time horizon (in PLN thousand)*	58 909	39 004
Parallel movement of interest rate curves by 200 base points (in PLN thousand) (stress tests)	647 421	522 641

* Due to the nature of the activities carried out by the other Group entities generating significant interest risk as well as a the specific nature of the market in which they operate, the Group does not calculate consolidated VaR. These companies apply their own risk measures in the interest risk management. KREDOBANK SA uses the 10-day VaR, which amounted to PLN 22 795 thousand as of 30 June 2011 and PLN 30 150 thousand as of 31 December 2010 respectively.

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

36.5.1. Reporting of interest rate risk

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

36.5.2. Management decisions concerning the interest rate risk

The main tools used in interest rate risk management in the Group include:

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

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

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

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

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

36.6.1. Currency risk measurement

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

36.6.2. Forecasting and monitoring of currency risk

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

Name of sensitivity measure	30.06.2011	31.12.2010
VaR for a 10-day time horizon (in PLN thousand)*	975	3 171
Change of CUR/PLN by15% (in PLN thousands) (stress-tests)	2 289	6 081

* Due to the nature of the activities carried out by the other Group entities generating significant currency risk as well as the specific nature of the market in which they operate, the Bank does not calculate consolidated VaR. These companies apply their own risk measures in the currency risk management. KREDOBANK SA uses the 10-day currency rate VaR which amounted to approx. PLN 181 thousand as of 30 June 2011 and approx. PLN 182 thousand as of 31 December 2010.

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

The Group's currency positions are presented in the table below:

Currency position	30.06.2011	31.12.2010
USD	1 588	(78 916)
GBP	317	48 073
CHF	(26 640)	(18 820)
EUR	28 689	(4 035)
Other (Global Net)	11 302	11 257

The volume of currency positions is a key factor determining the level of currency risk on which the Group is exposed (except for volatility of foreign exchange rates). The level of currency positions is determined by all foreign currency transactions, which are concluded by the Group, both in the statement of financial position and off-balance sheet transactions. The Bank's exposure 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 2011 amounted to approx. 0.01%).

36.6.3. Reporting of currency risk

The Bank prepares daily, weekly, monthly, quarterly reports addressing currency risk whereas monthly reports for the last month of a quarter and quarterly reports concern the Group as well. Reports gather the information on currency risk exposure and updates on available limits regarding the risk. Reports are prepared mainly for ALCO, the Bank's Management Board and the Bank's Supervisory Board.

36.6.4. Management decisions concerning currency risk

The main tools used in currency risk management in the Group include:

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

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

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

36.7. Liquidity risk management

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

The objective of liquidity risk management is to shape the structure of the Bank's statement of financial position and contingent liabilities and commitments that will 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 Group's policy concerning liquidity is based on keeping a portfolio of liquid securities and increasing stable sources of financing (stable deposits, in particular). In its liquidity risk management policy, the Bank also uses money market instruments, including NBP open market operations.

36.7.1. Liquidity risk measurement

The Group makes use of the following liquidity risk measures:

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

36.7.2. Forecasting and monitoring of liquidity risk

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

	a'vista	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 24 months	24 - 60 months	over 60 months
								30.06.2011
The Group - adjusted gap in real terms	4 343 857	11 178 481	(1 479 836)	(2 528 573)	2 601 175	4 148 279	(317 020)	**(17 946 363)**
The Group - cumulative adjusted gap in real terms	4 343 857	15 522 338	14 042 502	11 513 929	14 115 104	18 263 383	17 946 363	-
								31.12.2010
The Group - adjusted gap in real terms	3 207 473	14 102 549	(949 842)	(106 638)	3 800 570	5 160 414	(1 014 208)	**(24 200 318)**
The Group - cumulative adjusted gap in real terms	3 207 473	17 310 022	16 360 180	16 253 542	20 054 112	25 214 526	24 200 318	-

In all time horizons, PKO Bank Polski SA Group's realized cumulative adjusted liquidity gap* as at 30 June 2011 and 31 December 2010 was positive. This means a surplus of assets receivable over liabilities payable.

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

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

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

As at 30 June 2011, the level of permanent balances on deposits constituted ca. 94.7% of all deposits in the Bank (excluding inter-bank market), which means a decrease by ca. (0.5) pp. as compared to the end of 2010.

36.7.3. Reporting of liquidity risk

The Bank prepares daily, weekly, monthly and quarterly reports addressing liquidity risk whereas monthly for the last month of the quarter and quarterly reports are prepared for the Group. 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.

36.7.4. Management decisions concerning liquidity risk

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

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

To ensure an adequate liquidity level, the Bank and the subsidiaries of the PKO Bank Polski SA Group's accepted limits and thresholds for liquidity risk. The limits and thresholds were set for both current liquidity measures and medium and long-term liquidity measures.

Methods of liquidity risk management in the subsidiaries of the Group are defined by internal regulations implemented by the entities which are characterized by high levels of liquidity risk measure outcomes.

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

These regulations are developed after consultation with the Bank and take into account recommendations issued by the Bank for Group entities.

36.8. Operational risk management

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

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

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

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

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

The other Group entities manage the operational risk in accordance with the rules implemented by the PKO Bank Polski SA, taking into account the specific nature of the business conducted by the Group entities.

In first half of 2011, the process of convergence in informatic solutions concerning the management of operational risk in BFL SA Group and in KREDOBANK SA was implemented.

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

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

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

The Bank regularly monitors:

- under the system-based operational risk management activities :
  - tolerance of operational risk,
  - limits for operational risk,
  - effectiveness and timeliness of actions taken to reduce or transfer the operational risk,

– under the on-going operational risk management activities:
  - KRI values,
  - operating events and their effects, divided by areas of the Bank activities,
  - effects of actions taken following external control recommendations or internal audits,
  - quality of the internal functional controls.

The dominant impact on the operational risk profile in the first half of 2011 is exercised by the following three entities, that is: PKO Bank Polski SA, the BFL SA Group and KREDOBANK SA. The other Group entities, considering their significantly smaller scale and type of activity, generate only reduced operational risk.

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

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

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

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

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

36.9. Compliance risk management

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

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

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

The rules concerning the process of compliance risk management adopted by all PKO Banku Polskiego SA Group's entities are inherent within the Group.

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 i.a.:

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

Compliance risk management involves in particular:

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

36.10. Strategic risk management

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

Managing the strategic risk is aimed at maintaining, on an acceptable level, the negative financial consequences resulting from bad decisions, decisions made on the basis of an incorrect assessment or failing to make appropriate decisions to the direction of the strategic development of the Bank.

In measuring the strategic risk, the Bank takes into account an impact of selected types of factors, distinguished in the activity and in the environment, which comprise in particular:

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

Monitoring and measuring the strategic risk level are performed at least on an annual basis.

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

The strategic risk management in the Bank relates in particular to activities taken up in the situation of higher level of strategic risk.

36.11. Reputation risk management

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

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

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

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

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

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

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

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

37. Capital adequacy

Objectives and principles of capital adequacy management were described in details in the annual consolidated financial statement of PKO Bank Polski SA Group for 2010. These financial statements contain also the information of Group's own funds elements calculated for the purpose of capital adequacy as well as the calculation methods of capital requirements concerning the individual risk types.

The level of Group's capital adequacy as at 30 June 2011 remained on the safe level significantly above the statutory limits.

The capital adequacy ratio, which is one of the main ratios of capital adequacy of the Group as compared to 31 December 2010 increased by 0.11 pp., which has been mainly caused by the increase in the total Bank's own funds calculated for the purpose of capital adequacy.

37.1.1. Own funds for the capital adequacy requirements

As at 30 June 2011 the value of the Group's own funds calculated for the purpose of capital adequacy increased by PLN 683 689 thousand, mainly as a result of including the Bank's financial result for 2010 to funds, reduced by deducting the expected charges – (PLN 836 209 thousand).

The structure of the Group's own funds, calculated for the purpose of capital adequacy is presented in the table below:

(in PLN thousand)

GROUP'S OWN FUNDS	30.06.2011	31.12.2010
Basic funds (Tier 1)	**16 691 630**	**15 960 255**
Share capital	1 250 000	1 250 000
Reserve capital	13 042 377	12 212 177
Other reserves	3 460 368	3 412 239
General banking risk fund for unidentified banking activities risk	1 070 000	1 070 000
Profits from previous years	(24 149)	112 297
Unrealised losses on debt and equity instruments classified as available for sale	(72 431)	(67 406)
Intangible assets, including:	(1 781 502)	(1 802 037)
goodwill of subsidiaries	(227 902)	(229 740)
Equity exposures	(116 465)	(118 285)
Negative currency translation differences from foreign operations	(137 664)	(110 720)
Non-controlling interest	1 096	1 990
Supplementary funds (Tier 2)	**1 542 141**	**1 512 546**
Subordinated liabilities classified as supplementary funds	1 600 700	1 600 700
Unrealised profits on debt and equity instruments classified as available for sale (up to 80% of their values before tax)	56 580	29 158
Positive currency translation differences from foreign operations	1 326	973
Equity exposures	(116 465)	(118 285)
Short-term equity (Tier 3)	**68 647**	**145 928**
TOTAL EQUITY	**18 302 418**	**17 618 729**

37.1.2. Capital requirements (Pillar 1)

The table below shows the Group's capital requirements in terms of the individual risk type.

Capital requirements	30.06.2011	31.12.2010
Credit risk	**10 387 098**	**9 821 710**
credit risk (banking book)	10 311 174	9 756 757
counterparty risk (trading book)	75 924	64 953
Market risk	**404 276**	**422 154**
equity securities risk	7 808	767
specific risk of debt instruments	324 312	341 058
general risk of interest rates	72 156	80 329
Operational risk	**852 068**	**1 057 922**
Total capital requirements	**11 643 442**	**11 301 786**
Capital adequacy ratio	**12.58%**	**12.47%**

In the first half of 2011, an increase in the capital requirement in respect of credit risk resulted mainly from an increase of ca. 3.84% in the Group's loans portfolio.

The decrease of market risk capital requirement was mainly due to the decrease in value of commercial and municipal bonds by ca. 3%, and increase in commitments due to issue underwriting by ca. 26% at the same time.

The drop in the capital requirements in respect of operational risk results from the first-time use of the AMA (advanced measurement approach) to the data for current year's June in respect of the operational risk capital requirement. In accordance with the PFSA recommendations the requirement constitutes 75% of the requirement calculated according to the standardized approach (STA) for comparative purposes. The requirement for December 2010 was calculated using the standardized approach (STA). The requirement of operationalrisk of Group entities was calculated using the basic index approach (BIA) in both periods.

37.1.3. Internal capital (Pillar 2)

Rules of determining Group's internal capital were described in annual consolidated financial statement of PKO Bank Polski SA Group for 2010.

37.1.4. Disclosures (Pillar 3)

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

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).

The report 'Capital Adequacy and Risk Management (Pillar III) of the PKO Bank Polski SA Group as at 31 December 2010' was published on the Bank's official website on 27 July 2011.

INFORMATION ON EVENTS AFTER THE REPORTING PERIOD

38. Events after the reporting period

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

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

Signatures of all Members of the Management Board of the Bank

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

Signature of person responsible for
maintaining the books of account

09.08.2011

Danuta Szymańska

Director of the Bank

....

(signature)