BANK
POLSKA KASA OPIEKI
SPOLKA AKCYJNA

Unconsolidated
Financial Statements
of Bank Pekao S.A.
for the year ended 31 December 2008

Warsaw. March 2009

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(in PLN thousand)

Income Statement

For the year ended as at 31 December 2008

	Notes	2008	2007
Interest income	9	7 672 910	4 404 556
Interest expense	9	(3 555 777)	(1 913 245)
Net interest income		**4 117 133**	**2 491 311**
Fee and commission income	10	2 561 039	2 077 842
Fee and commission expense	10	(487 645)	(281 225)
Net fee and commission income		**2 073 394**	**1 796 617**
Dividend income	11	525 537	243 184
Gains (losses) on financial instruments at fair value	12	53 696	27 731
Gains (losses) on investment securities	13	77 470	37 331
Foreign exchange gains (losses)		535 107	325 744
Other operating income	14	392 776	148 051
Other operating expense	14	(103 096)	(74 644)
Net other operating income		**289 680**	**73 407**
Net provision charges for financial assets and contingent liabilities and commitments	16	(212 246)	(128 768)
General and administrative expenses	15	(3 430 134)	(2 469 010)
Operating profit		**4 029 637**	**2 397 547**
Gross profit		**4 029 637**	**2 397 547**
Income tax	19	(683 792)	(390 947)
Net profit		**3 345 845**	**2 006 600**
Earnings per share (in PLN per share)			
– basic	20	12.76	11.42
– diluted	20	12.76	11.41

(in PLN thousand)

Balance Sheet

As at 31 December 2008

	Notes	31.12.2008	31.12.2007
Assets			
Cash and due from Central Bank	22	9 905 270	5 082 829
Debt securities eligible for rediscounting at Central Bank		840	1 108
Loans and receivables from banks	23	10 213 642	17 551 065
Financial assets held for trading	24	2 727 581	2 828 802
Derivative financial instruments	25	4 489 752	1 917 960
Other financial instruments at fair value through profit or loss	26	4 713 069	3 777 679
Loans and receivables from customers	27	75 105 146	63 955 254
Hedging derivative financial instruments	28	157 899	40 672
Investment securities	29	15 242 759	17 715 886
1. Available for sale		13 363 698	17 128 996
2. Held to maturity		1 879 061	586 890
Non- current assets held for sale	31	128 734	514
Investments in subsidiaries	32	1 506 442	1 631 694
Investments in associates	33	56 845	56 530
Intangible assets	34	721 888	668 183
Property, plant and equipment	35	1 808 694	1 908 424
Investment properties	36	63 283	55 730
Income taxes		286 699	349 412
1. Current tax receivable		-	-
2. Deferred tax assets	19	286 699	349 412
Other assets	37	849 914	2 026 814
Total assets		**127 978 457**	**119 568 556**
Liabilities			
Amounts due to Central Bank	39	4 817 499	1 485 921
Amounts due to other banks	40	8 091 435	6 884 279
Financial liabilities held for trading	41	405 979	491 382
Derivative financial instruments	25	5 150 384	1 683 306
Amounts due to customers	42	90 458 074	89 160 124
Hedging derivative financial instruments	28	373	29 083
Debt securities in issue	43	1 719 894	2 097 070
Current income tax payable		244 898	51 793
Deferred tax liabilities	19	-	-
Provisions	44	298 177	374 998
Other liabilities	45	1 220 410	2 932 216
Total liabilities		112 407 123	105 190 172
Equity			
Share capital	49	262 213	261 867
Other capital and reserves	50	11 963 276	12 109 917
Retained earnings and current year profit	50	3 345 845	2 006 600
Total equity		15 571 334	14 378 384
Total equity and liabilities		**127 978 457**	**119 568 556**

(in PLN thousand)

Statement of changes in equity

For the year ended as at 31 December 2008 and as at 31 December 2007

	Share capital	Total reserves	Other reserve capital, of which:						Priori and current year profito	Total equity
			Share premium	General banking risk fund	other reserve capital	Revaluation reserves from financial instruments	Exchange differences from translation of foreign entities	Other		
Equity as at 1st January 2008	**261 867**	**12 109 917**	***9 063 248***	***1 237 850***	***1 855 533***	***(278 058)***	***(678)***	***232 022***	**2 006 600**	**14 378 384**
Management options	**346**	**45 415**	***42 025***	**-**	**-**	**-**	**-**	***3 390***	**-**	**45 761**
Options exercised (share issue)	*346*	*42 025*	*42 025*	-	-	-	-	-	-	**42 371**
Revaluation of management share options	-	*3 390*	-	-	-	-	-	*3 390*	-	**3 390**
Valuation of financial instrument	**-**	**314 179**	**-**	**-**	**-**	***314 179***	**-**	**-**	**-**	**314 179**
Revaluation of available –for-sale investments net of deferred tax	-	*176 431*	-	-	-	*176 431*	-	-	-	***176 431***
Revaluation of hedging financial instruments net of deferred tax	-	*137 748*	-	-	-	*137 748*	-	-	-	***137 748***
Appropriation of retained earings and current year profit	**-**	**(510 641)**	**-**	**-**	**(510 641)**	**-**	**-**	**-**	**1 339 245**	**828 604**
Dividend paid	-	*(1 032 357)*	-		*(1 032 357)*	-	-	-	*(1 484 884)*	***(2 517 241)***
Profit appropration	-	*521 716*	-	-	*521 716*	-	-	-	*(521 716)*	**-**
Current year nett profit	-	-	-	-	-	-	-	-	*3 345 845*	***3 345 845***
Other	**-**	**4 406**	***559***	**-**	**-**	**-**	**3 847**	**-**	**-**	**4 406**
Foreign exchange differences from translation of foreign entities	-	*3 847*	-	-	-	-	*3 847*	-	-	***3 847***
Sale of Bank's own shares	-	*559*	*559*	-	-	-	-	-	-	***559***
Equity as at 31th December 2008	**262 213**	**11 963 276**	***9 105 832***	***1 237 850***	***1 344 892***	***36 121***	***3 169***	***235 412***	**3 345 845**	**15 571 334**

	Share capital	Total reserves	Other reserve capital, of which:						Priori and current year profito	**Total equity**
			Share premium	General banking risk fund	other reserve capital	Revaluation reserves from financial instruments	Exchange differences from translation of foreign entities	Other		
Equity as at 1st January 2007	**166 808**	**6 724 818**	**1 395 885**	**1 137 850**	**3 992 997**	**(15 141)**	**555**	**212 672**	**1 728 539**	**8 620 165**
Management options	**295**	**35 973**	**31 623**	**-**	**-**	**-**	**-**	**4 350**	**-**	**36 268**
Options exercised (share issue)	295	31 623	31 623	-	-	-	-		-	**31 918**
Revaluation of management share options	-	4 350	-	-	-	-	-	4 350	-	**4 350**
Valuation of financial instrument	**-**	**(262 917)**	**-**	**-**	**-**	**(262 917)**	**-**	**-**	**-**	**(262 917)**
Revaluation of available –for-sale investments net of deferred tax	-	(212 878)	-	-	-	(212 878)	-	-	-	**(212 878)**
Revaluation of hedging financial instruments net of deferred tax	-	(50 039)	-	-	-	(50 039)	-	-	-	**(50 039)**
Appropriation of retained earings and current year profit	**-**	**224 611**	**-**	**100 000**	**109 611**	**-**	**-**	**15 000**	**278 061**	**502 672**
Dividend paid	-	-	-	-	-	-	-	-	(1 503 928)	**(1 503 928)**
Profit appropration	-	224 611	-	100 000	109 611	-	-	15 000	(224 611)	**-**
Current year nett profit	-	-	-	-	-	-	-	-	2 006 600	**2 006 600**
Merger of Pekao 285	**94 764**	**5 388 665**	**7 635 740**	**-**	**(2 247 075)**	**-**	**-**	**-**	**-**	**5 483 429**
Share capital issued	94 764	-	-	-	-	-	-	-	-	**94 764**
Share	-	5 388 665	5 388 665	-	-	-	-	-	-	**5 388 665**
Recognition of minority acquisition	-	-	2 247 075	-	(2 247 075)	-	-	-	-	**-**
Other	**-**	**(1 233)**	**-**	**-**	**-**	**-**	**(1 233)**	**-**	**-**	**(1 233)**
Foreign exchange differences from translation of foreign entities	-	(1 233)	-	-	-	-	(1 233)	-	-	**(1 233)**
Equity as at 31st December 2007	**261 867**	**12 109 917**	**9 063 248**	**1 237 850**	**1 855 533**	**(278 058)**	**(678)**	**232 022**	**2 006 600**	**14 378 384**

(in PLN thousand)

Cash Flow Statements

For the year ended as at 31 December 2008

	2008	2007
Cash flow from operating activities - indirect method		
Net profit (loss)	3 345 845	2 006 600
Adjustments:	(6 635 371)	8 545 839
Depreciation expense	371 294	316 695
Gains (losses) on foreign exchange differences	(224 194)	355 271
Gains (losses) on investing activities	(76 676)	(63 768)
Impairment provisions	-	-
Interest and dividend	(609 648)	(1 080 144)
Change in loans and receivables from banks	(2 788 694)	2 318 736
Change in financial assets as held for trading and other financial instruments at fair value through profit or loss	(834 169)	10 045 479
Change in derivative financial instruments	(2 571 792)	(1 391 317)
Change in loans and receivables from customers and debt securities eligible for rediscounting at Central Bank	(11 149 624)	(2 032 690)
Change in investment securities available for sale	2 876 718	(824 442)
Change in deferred tax assets	(8 863)	349 139
Change in other assets	739 294	(284 353)
Change in amounts due to banks	4 538 734	(182 935)
Change in liabilities as held for trading	(85 403)	(614 997)
Change in derivative financial instruments and other financial liabilities at fair value through profit or loss	3 467 078	1 179 112
Change in amounts due to customers	1 297 950	689 419
Change in debt securities in issue	46 856	31 545
Change in provisins	(76 821)	50 409
Change in other liabilities	(1 751 042)	201 857
Income tax paid	(489 023)	(907 742)
Current tax	692 654	390 563
Net cash flows from operating activities	**(3 289 526)**	**10 552 439**
Cash flows from investing activities		
Investing activity inflows	25 125 388	42 157 453
Sale of subsidiaries and associates	87	-
Sale of investment securities	24 544 976	40 290 930
Sale of intangible assets and property. plant and equipment	851	700
Other investing inflows	579 474	839 783
Merger of “Pekao 285”	-	1 026 040
Investing activity outflows	(24 161 958)	(44 948 235)
Purchase of subsidiaries and associates	(5 182)	(474 729)
Purchase of investment securities	(23 710 793)	(43 643 758)
Purchase of intangible assets and property. plant and equipment	(445 983)	(338 176)
Other investing outflows	-	(491 572)
Net cash flows used in investing activities	**963 430**	**(2 790 782)**
Cash flows from financing activities		
Financing activity inflows	325 125	35 973
Issue of normal shares	282 195	-
Issue of ordinary shares	42 371	35 973
Sale of own shares	559	-
Financing activity outflows	(3 302 705)	(1 560 837)
Redemption of debt securities	(785 464)	(56 909)
Dividends and other payments to shareholders	(2 517 241)	(1 503 928)
Net cash flows from financing activities	**(2 977 580)**	**(1 524 864)**
Total net cash flows	**(5 303 676)**	**6 236 793**
Net change in cash and cash equivalents	(5 303 676)	6 236 793
Cash and cash equivalents at the beginning of the period	16 814 198	10 577 405
Cash and cash equivalents at the end of the period	11 510 522	16 814 198

Notes to the financial statements

1. General information

These unconsolidated financial statements of the Bank Polska Kasa Opieki Społka Akcyjna ("the Bank") called later "financial statements", cover the period from 1 January 2008 to 31 December 2008 and include the comparatives data:

- for the balance sheet as at 31 December 2007 .
- for the profit and loss account for the period from 1 January 2007 to 31 December 2007.

Comparative data for the profit and loss account for the period from 1 January 2007 to 31 December 2007 does not include comparative data relating to an organized part of Bank BPH ("Pekao 285") merged with Bank Pekao S.A. on 29 November 2007. Data related to Pekao 285 has been recognized in profit and loss account from date of the merger.

Bank Pekao S.A. head quartered in Warsaw, 00-950 Grzybowska Street 53/57 operates as a joint stock company under the Polish legal code including the Bank Law Act and Code of Commercial Companies and under its own articles of association.

Bank Pekao S.A. was initially recorded in the Commercial Register on 29 October 1929 maintained by the District Court in Warsaw and has been continuously in operation since that time.

The Bank is registered in the National Court Registry – Enterprise Registry managed by the Warsaw District Court. XII Economic Division of the National Court Registry in Warsaw under the reference number KRS 0000014843.

The Bank's identification number is REGON 000010205.

The Bank and entities within the Group were established for an unlimited timeframe.

Bank Pekao S.A. is a part of UniCredit S.p.A capital Group with its seat in Roma, Italy.

Shares of the Bank are quoted on the Warsaw Stock Exchange. Securities of the Bank traded on a regulated market are classified in the banking sector.

The Bank is a universal commercial bank offering a wide range of banking services to both individual and corporate clients. Its operations are denominated in both PLN and foreign currencies and it actively participates in both domestic and foreign financial markets. Moreover the Bank through its subsidiaries provides financial service, leasing. factoring and other investment activities.

The financial statements of the Bank for the year ended 31 December 2008 contain financial data of all branches performing activities.

The Bank also prepares consolidated financial statements of the Capital Group of the Bank Pekao S.A.

2. Business combinations

No business combinations occurred in 2008.

In 2007 there was business combination, completed through transfer of the organized part of Bank BPH S.A. into the operations of Bank Pekao S.A.

This transaction has been classified as business combination under common control and such has been accounted for using the book value accounting method, which is the accounting policy adopted for these type of transaction within the UniCredit Group.

The Bank recognized the assets and liabilities of the acquiree at their carrying values at the transfer date, adjusted only to unify the accounting policy applied by the acquiree. As result of such transaction neither goodwill nor any excess of the fair value of the net assets over the cost of the business combination was recognized. In applying the book value accounting method, the comparative figures of the Bank for the comparative periods presented have not been restated.

Background of the Transaction

On 12 November 2006 the Management Board of Bank Pekao passed a resolution on the intention to integrate Bank Pekao with an organized part of Bank BPH, to be completed through a division of Bank BPH, and the simultaneous transfer of selected assets and liabilities in the form of an organized part of the enterprise, hereafter referred to as “Pekao 285”, in exchange for shares in Bank Pekao S.A., which would be taken up by the shareholders of Bank BPH S.A.

On 15 November 2006 the Management Boards of Bank Pekao and Bank BPH signed the Division Plan of Bank BPH S.A., in accordance with art. 533 § 1 and art. 534 of the Commercial Code (“KSH”), which resolved that the division of Bank BPH would be carried out under art. 529 § 1 item 4 of the KSH and would result in a transfer of an organized part of the enterprise to Bank Pekao S.A., hereafter referred to as **“**Bank BPH Spin-off”.

On 31 January 2007 Bank Pekao and Bank BPH filed a joint application with the Banking Supervision Commission “the BSC”. The BSC’s consent to the Bank BPH Spin-off was granted on 3 October 2007.

Effective date of the Transaction

The Bank BPH Spin-off transaction became effective on 29 November 2007 when the appropriate District Court registered the issue of 94 763 559 of Bank Pekao ordinary bearer shares of I series.

Accounting for the Transaction

In applying the book value accounting method Bank Pekao recognized the assets and liabilities of Pekao 285 at their carrying values at the transfer date, adjusted only to unify the accounting policy applied by Bank BPH. The carrying value of Pekao 285 total assets at 29 November 2007 amounted to PLN 51 871 222 thousand. As both Bank Pekao and Bank BPH prepare their financial statements under IFRS as adopted by the EU, minor adjustments to unify the accounting policies were implemented at the transfer date.

In applying the book value accounting method to this transaction neither goodwill nor any excess of the fair value of the net assets over the cost of the business combination is recognized.

The difference between the carrying amount of Pekao 285’s net assets transferred, being PLN 5 458 012 thousand, and the nominal value of the shares issued by Bank Pekao, being PLN 94 764 thousand, was recognized in equity by the Bank as described below.

The transaction resulted in a 6.63% acquisition of minority interests by UniCredit Group; the acquisition of this minority interest is accounted for separately in equity by Bank Pekao as described below.

The results of operations of Pekao 285 have been consolidated with effect from 29 November 2007. The comparative figures of the Bank for the comparative periods presented have not been restated.

The above accounting policy is consistent with the policy of UniCredit Group applicable to intragroup transactions and, in the opinion of the Management Board of the Bank, results in the most appropriate reflection of the economic substance of the Bank BPH Spin-off transaction, which was carried out as a consequence of an internal reorganization of the Polish banks within the UniCredit Group.

Shareholders' equity instruments issued for the transaction

The merger transaction was completed by issuing ordinary shares of Bank Pekao to the shareholders of Bank BPH in exchange for their contribution of the Pekao 285 assets and liabilities to Bank Pekao.

As a result of this transaction Bank Pekao share capital was increased by PLN 94 764 thousand, through an issue 94 763 559 ordinary bearer shares of I series of nominal value of PLN 1,0 per share. The amount of PLN 5 388 665 thousand, representing the difference between the carrying amount of Pekao 285 net assets transferred and the nominal value of I series shares was recognized in the Bank's equity.

The share exchange ratio was determined at 1:3.3, being 1 ordinary share of Bank Pekao issued for every 3.3 shares of Bank BPH held by its shareholders registered as of the reference date of 7 December 2007. A fractional number of shares held was rounded down to the nearest whole number and a supplementary cash payment corresponding to the market value of the fraction being rounded down was paid by Bank Pekao.

The fair value of series I ordinary shares for the purposes of the supplementary cash payments was set at PLN 256.69 per share. This fair value was established based on the average market price quotation for Bank Pekao's shares for the 30 day trading sessions, for which quotations were held, preceding the reference date of 7 December 2007. The average market price was an arithmetic average calculated from average daily prices weighted by traded volumes.

As a result of the fractional ratio payments, Bank Pekao acquired 5 010 series I shares representing 0.0019 % of Bank's share capital. The Bank may not exercise voting rights on these shares. These shares may be sold to an investor selected by the Bank at its discretion.

Costs directly related to the issue of series I shares incurred by the Bank amounted to PLN 336 thousand and were recorded as a decrease in the Bank's equity.

Acquisition of minority interest by UCI

As a result of the Pekao 285 transfer to Bank Pekao, UniCredit Group's ownership share in the equity of Bank Pekao increased from 52,73% before the transfer to 59.36% after the transfer, thus representing a 6.63% minority interest acquisition by UniCredit Group. This minority interest acquisition was accounted for at the UCI consolidated level at fair value with the excess of fair value over the carrying value of the 6.63% of Bank Pekao recorded through the equity of UCI Group.

As a consequence, Bank Pekao recorded a corresponding transfer reflecting the minority interest acquisition by decreasing "Other reserves" in the amount of PLN 2 247.1 million, representing the difference between the book value of the 6.63% net assets and the market value of the 6.63% Bank Pekao shares on 29 November 2007, and a corresponding increase in "Supplementary capital" of the Bank.

Assets and Liabilities recognized at acquisition date

The following assets and liabilities were transferred from Bank BPH to Bank Pekao on 29 November 2007:

Net assets acquired as a result of the transaction are the following

(in PLN thousand):

Item name	Amount as at 29.11.2007
Assets	
Cash and amounts due from Central Bank	600 203
Financial assets as held for trading	1 340 094
Receivables due from banks	4 746 404
Receivables due from customers	29 555 375
Other financial assets	13 409 779
Property plant and equipment	527 486
Intangible assets	51 967
Other assets	1 639 914
Total assets	**51 871 222**
Liabilities	
Amounts due to banks	4 580 858
Amounts due to customers	36 659 455
Debt securities in issue	2 128 124
Provisions	457 825
Financial liabilities as held for trading	902 971
Other liabilities	1 683 977
Total equity	5 458 012
Total equity and liabilities	**51 871 222**

3. Information about the members of the Managmement Board and the Supervisory Board

Members of the Management Board of Bank Pekao S.A.

	31.12.2008		31.12.2007
1.	Jan Krzysztof Bielecki	1.	Jan Krzysztof Bielecki
	President of the Management Board. CEO		President of the Management Board. CEO
2.	Luigi Lovaglio	2.	Luigi Lovaglio
	First Vice President of the Management Board. GM		First Vice President of the Management Board. GM
3.	Diego Biondo	3.	Przemysław Gdanski
	Vice President of the Management Board		Vice President of the Management Board
4.	Paolo Iannone	4.	Paolo Iannone
	Vice President of the Management Board		Vice President of the Management Board
5.	Marco Iannaccone	5.	Christopher Kosmider
	Vice President of the Management Board		Vice President of the Management Board
6.	Andrzej Kopyrski	6.	Katarzyna Niezgoda
	Vice President of the Management Board		Vice President of the Management Board
7.	Katarzyna Niezgoda	7.	Grzegorz Piwowar
	Vice President of the Management Board		Vice President of the Management Board
8.	Grzegorz Piwowar	8.	Marian Wazynski
	Vice President of the Management Board		Vice President of the Management Board
9.	Marian Wazynski		
	Vice President of the Management Board		

(in PLN thousand)

During the period covered by the financial statements to the date of publication of these financial statements there were changes in the Management Board of the Bank as follows.

On 9 May 2008, Mr Przemyslaw Gdański, Vice President of the Bank resigned from his position.

On 4 June 2008, the Supervisory Board appointed Mr. Andrzej Kopyrski to the position of Vice President of the Management Board for the current term of office of the Management Board.

On 4 June 2008, Mr. Christopher Kosmider resigned from the position of Vice President and Member of the Management Board of Bank Pekao S.A.

On 11 December 2008, the Supervisory Board appointed Mr. Diego Biondo and Mr. Marco Iannaccone to the position of Vice President of the Management Board for the current common term of office of the Management Board.

Mr. Paolo Iannone resigned from the position of Vice President and Member of the Management Board of the Bank effective 1 January 2009.

The members of the Management Board shall be appointed for the common term, which shall last three years.

Members of the Supervisory Board of Bank Pekao S.A.

	31.12.2008		31.12.2007
1.	Jerzy Woznicki Chairman	1.	Jerzy Woznicki Chairman
2.	Paolo Fiorentino Deputy Chairman. Secretary	2.	Paolo Fiorentino Deputy Chairman. Secretary
3.	Federico Ghizzoni Deputy Chairman	3.	Federico Ghizzoni Deputy Chairman
4.	Pawel Dangel	4.	Pawel Dangel
5.	Fausto Galmarini	5.	Fausto Galmarini
6.	Oliver Greene	6.	Oliver Greene
7.	Enrico Pavoni	7.	Enrico Pavoni
8.	Leszek Pawłowicz	8.	Leszek Pawłowicz
9.	Krzysztof Pawłowski	9.	Krzysztof Pawłowski

During 2008 to the date of publication these financial statements there were no changes in the composition of the Supervisory Board of the Bank.

4. Going concern

The financial statements have been prepared on a going concern basis on the assumption that the Group will continue its business operations substantially unchanged in scope during a period not shorter than one year from the balance sheet date. As at the date of signing the financial statements the Management Board of the Bank is not aware of any facts or circumstances that would indicate this basis of preparation to be inappropriate.

5. Approval of the financial report

This financial report was approved by the Supervisory Board of the Bank for issue on 12 March 2009.

6. Accounting policies

6.1. Statement of compliance

Unconsolidated financial statements of the Bank have been prepared and present fairly in all material respects the financial position of the Bank as at 31 December 2008 and of its financial performance and its cash flows for the year then in accordance with International Financial Reporting Standards as adopted by the European Union, are in compliance with the respective regulations and the provisions of the Bank’s Statute that apply to the Bank’s unconsolidated financial statements and have been prepared from accounting records that in all material respects have been properly maintained

6.2. Basis of preparation of financial statement

The financial statements include the requirements of all the International Financial Reporting Standards and related Interpretations, except for the Standards and Interpretations mentioned below, which will be subject to the approval of the European Union, or have been approved by the European Union but have been or will be in force subsequent to the balance sheet date.

The Bank has not elected to early adopt any new Standards and Interpretations, which have been approved by the European Union, and which will be effective after the balance sheet date.

As at the balance sheet date, the Bank has not yet completed its analysis of how those standards and interpretations will impact the financial statements for the period when the standards and interpretations will be applied for the first time.

Standards and interpretations approved by EU

Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
Amendment to IFRS 2 *Share-based Payment*	The amendments to the Standard clarify the definition of *vesting* conditions and introduce the concept of *non-vesting* conditions. Non-vesting conditions are to be reflected in grant-date fair value and failure to meet non-vesting conditions will generally result in treatment as a cancellation.	The Bank has not yet completed its analysis of the impact of the improved Standard	1 January 2009
IFRS 8 *Operating Segments*	The Standard introduces the “management approach” to segment reporting and requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the Group’s Chief Operating Decision Maker in deciding how to allocate resources and in assessing performance.	Currently the Bank presents segment information in respect of its business and geographic segments (see note 10 of the consolidated financial statments) as it is under the management approach. The Standard will have no significant effect on the profit or loss or equity.	1 January 2009
Revised IAS 1 *Presentation of Financial Statements*	The revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income (effectively combining the income statement and all non-owner changes in equity in a single statement), or in two separate statements (a separate income statement followed by a statement of comprehensive income).	The Bank is currently evaluating whether to present a single statement of comprehensive income, or two separate statements.	1 January 2009
Revised IAS 23 *Borrowing Costs*	The revised Standard removes the option to expense borrowing costs and requires the capitalization of borrowing costs that relate to qualifying assets (those that take a substantial period of time to get ready for use or sale).	Revised IAS 23 is not relevant to the Bank’s financial statements as the Bank does not have any qualifying assets for which borrowing costs would be capitalised. .	1 January 2009

Standard/Interpretation	**Nature of impending change in accounting policy**	**Possible impact on financial statements**	**Effective date for periods beginning as the date or after that date**
Amendments to IAS 27, *Consolidated and Separate Financial Statements*	The amendments remove the definition of "cost method" currently set out in IAS 27, and instead require all dividends from a subsidiary, jointly controlled entity or associate to be recognised as income in the separate financial statements of the investor when the right to receive the dividend is established. In addition, the amendments provide guidance when the receipt of dividend income is deemed to be an indicator of impairment.	The amendments to IAS 27 are not expected to have any impact on these separate financial statements.	1 January 2009
Amendments to IAS 32 *Financial Instruments: Presentation*, and IAS 1, *Presentation of Financial Statements*	The amendments introduce an exemption to the principle otherwise applied in IAS 32 for the classification of instruments as equity; the amendments allow certain puttable instruments issued by an entity that would normally be classified as liabilities to be classified as equity if, and only if, they meet certain conditions.	The amendments are not relevant to the Group's financial statements as none of the Group entities have in the past issued puttable instruments that would be affected by the amendments.	1 January 2009
IFRIC 13 *Customer Loyalty Programmes*	The Interpretation explains how entities that grant loyalty award credits to customers who buy goods or services should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem those award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations.	The Bank does not expect the Interpretation to have any impact on the consolidated financial statements.	1 July 2008

(in PLN thousand)

Standards and interpretations not yet endorsed by the EU (*)

Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
Revised IFRS 1 *First Time Adoption of IFRS*	The revised version restructures the format of the IFRS without changing the standard's technical content. The revised version moves the exemptions and exceptions contained in the main body of the standard to different appendices.	The Bank has not yet completed its analysis of the impact of the revised standard.	1 January 2009
Revised IFRS 3 *Business Combinations*	The scope of the revised Standard has been amended and the definition of a business has been expanded. The revised Standard also includes a number of other potentially significant changes including: • All items of consideration transferred by the acquirer are recognised and measured at fair value as of the acquisition date, including contingent consideration. • Subsequent change in contingent consideration will be recognized in profit or loss. • Transaction costs, other than share and debt issuance costs, will be expensed as incurred. • The acquirer can elect to measure any non-controlling interest at fair value at the acquisition date (full goodwill), or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.	As the revised Standard should not be applied to business combinations prior to the date of adoption, the revised Standard is expected to have no impact on the financial statements with respect to business combinations that occur before the date of adoption of the revised Standard.	1 July 2009
Revised IAS 27 *Consolidated and Separate Financial Statements*	In the revised Standard the term minority interest has been replaced by non-controlling interest, and is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". The revised Standard also amends the accounting for non-controlling interest, the loss of control of a subsidiary, and the allocation of profit or loss and other comprehensive income between the controlling and non-controlling interest.	The Bank has not yet completed its analysis of the impact of the revised Standard.	1 July 2009

(in PLN thousand)

Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
Amendment to IAS 39, *Financial Instruments: Recognition and Measurement*	The amended Standard clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. In designating a hedging relationship the risks or portions must be separately identifiable and reliably measurable; however inflation cannot be designated, except in limited circumstances.	The Bank has not yet completed its analysis of the impact of the amendments to the Standard.	1 July 2009
Amendment to IAS 39 *Reclassification of Financial Assets: Effective Date and Transition*	The amendment clarifies the effective date when reclassification of non-derivative financial assets out of the fair value through profit and loss or out of available-for-sale categories is permitted (applies to reclassifications in circumstances allowed by amendments to IAS 39 issued on 27 November 2008). The amendments described above are applicable on or after 1 July 2008 and no reclassification shall be applied retrospectively. Any reclassification made on or after 1 November 2008 shall take effect only from the date when the reclassification is made and hence may not be applied retrospectively.	The Bank reclassified financial instruments from October 1, 2008 (see Note 30).	1 July 2008
IFRIC 12 *Service Concession Arrangements*	The Interpretation provides guidance to private sector entities on certain recognition and measurement with respect to accounting for public-to-private service concession arrangements.	IFRIC 12 is not relevant to the Bank's operations as none of the Bank's entity has concluded a concession arrangement.	1 January 2008

(in PLN thousand)

Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
IFRIC 15 *Agreements for the Construction of Real Estate*	IFRIC 15 clarifies that revenue arising from agreements for the construction of real estate is recognised by reference to the stage of completion of the contract activity in the following cases: 1. the agreement meets the definition of a construction contract in accordance with IAS 11.3; 2. the agreement is only for the rendering of services in accordance with IAS 18 (e.g., the entity is not required to supply construction materials); and 3. the agreement is for the sale of goods but the revenue recognition criteria of IAS 18.14 are met continuously as construction progresses. In all other cases, revenue is recognised when all of the revenue recognition criteria of IAS 18.14 are satisfied (e.g., upon completion of construction or upon delivery).	The Bank has not yet completed its analysis of the impact of the new Interpretation as this must be assessed on a contract by contract basis.	1 January 2009
IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*	The Interpretation explains the type of exposure that may be hedged, where in the group the hedged item may be held, whether the method of consolidation affects hedge effectiveness, the form the hedged instrument may take and which amounts are reclassified from equity to profit or loss on disposal of the foreign operation.	The Group has not yet completed its analysis of the impact of the new Interpretation.	1 October 2008
IFRIC 17 *Distributions of Non-cash Assets to Owners*	The Interpretation applies to non-reciprocal distributions of non-cash assets to owners acting in their capacity as owners. In accordance with the Interpretation a liability to pay a dividend shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity and shall be measured at the fair value of the assets to be distributed. The carrying amount of the dividend payable shall be remeasured at each reporting date, with any changes in the carrying amount recognised in equity as adjustments to the amount of the distribution. When the dividend payable is settled the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable shall be recognised in profit or loss.	As the Interpretation is applicable only from the date of application, it will not impact on the financial statements for periods prior to the date of adoption of the interpretation. Further, since it relates to future dividends that will be at the discretion of the board of directors/shareholders it is not possible to determine the effects of application in advance.	1 July 2009

(in PLN thousand)

Standard/Interpretation	**Nature of impending change in accounting policy**	**Possible impact on financial statements**	**Effective date for periods beginning as the date or after that date**
IFRIC 18 *Transfers of Assets from Customers*	The Interpretation applies to agreements in which an entity receives an item of property, plant and equipment from a customer that the entity must use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods and services, or to do both. This Interpretation also applies to agreements in which the entity receives cash from customer when that amount of cash must be used only to construct or acquire an item of property. The entity that received a contribution within the scope of the interpretation recognises this item as an asset if it determines that the transferred item meets the definition of an asset. The corresponding amount will be recognised as revenue. The exact timing of the revenue recognition will depend on the facts and circumstances of each particular arrangement.	The Bank has not yet completed its analysis of the impact of the new Interpretation.	1 July 2009

(*) These interpretations will be in force after UE's approval.

Amendments to the existing IAS did not have a significant impact on valuation of assets and liabilities of the Bank

The annual financial statements are prepared based on the principle of historical cost with the exception of derivative financial instruments, financial assets available for sale and financial assets at fair value through the profit and loss which have been recognized at fair value.

During the reporting period the Bank did not change significantly the accounting principles in the scope of assets and liabilities valuation and income measurement, as compared to the accounting principles adopted in prior period. In the fourth quarter of 2008 the Bank made use of the amendments introduced in the IAS 39 „Financial Instruments: Recognition and Measurement" and in the IFRS 7 "Financial Instruments: Disclosures", which under certain conditions allow for reclassification of financial instruments into other categories.

In relation to this and in line with the policy adopted by the UniCredit Group, the Bank has reclassified a part of its securities portfolio.

The reclassification, effective of 1 October 2008 considered a part of the debt securities portfolio:

- a part of corporate commercial papers was transferred from the available for sale category to the loans and receivables category,

- a part of the sovereign debt portfolio was transferred from the trading category into the held to maturity category.

The reclassification from the financial assets available for sale category to the loans and receivables category concerned the financial assets, which at the moment of reclassification met the definition of loans and receivables according to IAS 39. The reclassification was made due to a change in the Bank's intentions.

The reclassification of financial assets from the held for trading category to the financial assets held to maturity category was done due to the current financial crisis, which was considered to represent a rare circumstance, substantiating the possibility of the reclassification. The Bank has the intention and ability to hold those assets until maturity.

The change of accounting principles relating to the reclassification of the financial assets did not require the restatement of the comparative period.

The amount of financial assets reclassified based on the IAS 39 is presented (See Note 30).

The accounting principles as described below have been consistently applied for all the historical periods presented apart from data relating to the integration with BPH and to the change of IAS 39 described below.

The annual financial statements have been prepared in Polish Zloty and all amounts unless indicated otherwise are stated in PLN thousand.

6.3. Accounting estimates and judgments applying accounting polices

Preparing financial statements in accordance with IFRS requires the Management Board of the Bank to make certain estimates and to adopt certain assumptions which affect the amounts presented in the financial statements and in explanatory notes.

The estimates which were made as for each balance sheet date reflect the conditions which existed at those dates (e.g. market prices, interest rates, foreign exchange rates). While the estimates are based on the best knowledge regarding current conditions and activities which the Bank will undertake, the actual results may differ from such estimates.

Principal assumptions/subjective judgments adopted in making estimates by the Bank pertain primarily to:

- Impairment of financial assets

The assumptions presented herein regarding measurement of impairment of credit and loans are described in this note 6.6. in the part titled "Impairment of financial assets".

- Impairment of other non-current assets

At each balance sheet date the Bank reviews its assets for indications of impairment. Where such indications exist the Bank makes a formal estimation of the recoverable value. In the event of the carrying value of a given asset being in excess of its recoverable value, its impairment is stated and a write-off is made to adjust its value to the level of recoverable value. Recoverable value is the lower of the following two values: fair value of the given asset or cash generating unit less costs of disposal or the value in use determined for each asset separately.

If there are indications of impairment of common property i.e. assets which do not generate cash independently from other assets or Banks of assets and the recoverable value of the individual asset included among common property cannot be determined the Bank determines the recoverable value at the level of the cash generating unit to which the given asset belongs.

Estimation of value-in-use of a non-current asset (or cash generating unit) requires assumptions to be adopted regarding, among others, future cash flows which the Bank may obtain from the given non-current asset (or cash generating unit), any changes of amounts or times of occurrence of these cash flows and other factors such as lack of liquidity. Adoption of a different measurement assumption could affect the carrying value of some of the investments.

- Measurement of derivatives and debentures available for sale that do not have a quoted market price

The fair value of non-optional derivatives and debentures available for sale that do not have a quoted market price on an active market are measured using valuation models based on discounted cash flows. Options are valued using option valuation models. Variables used for the valuation includes where possible data from observable markets. However the Bank also adopts assumptions which affect the valuation of instruments. Adoption of the different measurement assumption could affect the carrying value of financial instruments.

- Measurement of management options

The assumptions adopted regarding measurement of management options are described in the section entitled “Employment Benefits” in the Note 45.

- Calculation of retirement and sickness pension severance payments provision

The severance payments provision is determined on an individual basis separately for each employee in accordance with the projected unit credit method.

The basis for the calculation of a provision for an employee is the expected amount of retirement or pension severance pay that is dependent on:

- the basis of the amount of retirement or pension severance pay and the percentage factor depending on the amount of years of employment in accordance with the GBA,

- the expected increase in the calculation basis until the retirement age.

The amount calculated as above is discounted using an actuarial technique taking into account the probability of the given person's reaching retirement age as an employee of the Bank and the financial discount.

The probability of the given person's reaching retirement age includes: possibility of dismissal from work, the risk of complete incapacitation for work and the risk of death.

The financial discount is based on the rate of profitability of securities free from risk(bonds) and denominated in the currency with which employee benefits are paid out.

- Goodwill

On the yearly basis, following the impairment triggers analysis, the Bank performs impairment tests relating to the goodwill, which was taken over together with the merged part of Bank BPH S.A.

(in PLN thousand)

6.4. Valuation of foreign currency items

- Functional and presentation currency

The financial statements of individual Bank entities including the Bank’s Branch in Paris are presented in their functional currency i.e. in the currency of the primary economic environment in which a given entity operates.

The financial report is presented in Polish Zloty. The Zloty is the functional currency and the presentation currency of the parent business entity.

The average NBP exchange rate is applied as at the balance sheet date.

- Transactions and balances

Transactions expressed in foreign currency are translated into the functional currency by applying the exchange rate at the date of the transaction. Exchange rate profits and losses due to settlements of these transactions and to the balance sheet valuation of monetary assets and liabilities expressed in foreign currency are accounted for in the profit and loss account.

Exchange rate differences due to non-monetary items, such as equity instruments classified to financial assets designated for fair value valuation through the profit and loss account are accounted for together with changes in the fair value of the profit and loss account.

Exchange rate differences due to non-monetary items such as equity instruments classified to financial assets available for sale are included in the revaluation reserve.

- Bank’s branch in Paris

Assets and liabilities of foreign business entities are translated into the Polish currency i.e. to the presentation currency as per the closing exchange rate for the balance sheet date. Revenues and costs in the profit and loss account are recalculated as per average exchange rates calculated on the basis of the exchange rates of the reporting period. except for the situations when exchange rates fluctuate significantly at the average exchange rate is not an acceptable approximation of the exchange rate from the transaction date. In such a situation. income and costs are translated on the basis of the exchange rate from the date of transaction.

Financial statements of the Bank’s Paris Branch, and the Bank foreign subsidiaries have been converted from the functional currencies of these entities into PLN using the following exchange rates:

- for conversion of the balance sheet items the following exchange rates published by the National Bank of Poland have been applied:

	31.12.2008	31.12.2007
PLN for 1 EUR	4.1724	3.5820

- for conversion of profit and loss account items for the period from the following arithmetic means of exchange rates published by the National Bank of Poland as at the end of each month of respectively the period from 1 January 2008 to 31 December 2008 and the period from 1 January 2007 to 31 December 2007 have been applied:

	2008	2007
PLN for 1 EUR	3.5321	3.7768

The foreign exchange differences from the valuation of foreign entities are accounted for as a separate component of equity.

6.5. Profit and loss account

Interest income and expense

The Bank recognizes interest income and expense related to financial instruments measured at amortized cost using the effective interest rate method. Also. interest income on financial assets available for sale is recognized using the effective interest method.

The effective interest rate is the rate which exactly discounts the estimated future cash inflows and payments made in the expected period until expiry of the financial instrument and in a shorter period where justified to the net carrying value of the financial asset or liability. The calculation of the effective interest rate includes all commissions paid and received by parties to the agreement points which are an integral part of the effective interest rate transaction costs and all other premiums and discounts.

Interest income contains interest as well as commissions received or receivables in respect of loans inter-bank deposits and securities held-to-maturity and available for saletaken up in calculation of the effective interest rate.

On discovery of an impaired financial asset measured at amortized cost and financial assets available for sale interest income continues to be recognized in the profit and loss account but is calculated on the basis of a revised value net of any provision for impairment. For the calculation of interest income on the newly determined fair value that interest rate is used according to which future cash flows were discounted for the purpose of impairment measurement.

Costs of the reporting period applicable to payables due to interest on customer accounts and to commitments for issuing the Bank's securities are accounted for in the profit and loss account using the effective interest rate.

Fee and commissions income and expense

Commissions received or paid in relation to banking operations carried out on customer accounts operations on payment cards as well as brokerage factoring and selling activities are recognized in the profit and loss account at the time the service is rendered while other fees and commissions are recognized on an accrual basis.

The Bank distinguishes between two basic types of fees and commissions related to credit operations:

- origination fees and commissions;

- commitment fees and commissions.

Origination fees and commissions are included in the effective interest rate calculation and constitute interest income.

Commitment fees and commissions are recognized on a straight line basis throughout the life of the facility they relate to and constitute fee and commission income.

In case of loans and advances without a defined repayment schedule and without a defined interest rate schedule (e.g. overdraft facilities and credit cards) fees and commissions are recognized on an accrual basis throughout the life of the facility using the straight line method and constitute fee and commission income.

Foreign exchange gains (losses)

The foreign exchange gains (losses) is calculated taking into account foreign exchange gains and losses both realized and unrealized arising from the daily valuation of assets and liabilities denominated in foreign currencies and recorded under foreign exchange income and cost. The exchange rate used for valuation of a given foreign currency used for valuation is the average exchange rate set by the President of NBP on the balance sheet date. Moreover the trade margins realized on foreign exchange transactions with the Bank's clients are reported under Foreign exchange gains (losses).

Other operating income and expenses

Other operating income include mainly gains realized on sale/liquidation of items of fixed assets and assets repossessed for debt amounts of uncollectible debts recovered. amounts of received damages, penalties and fines, income on rental of real estate write backs of provisions for court litigations and repossessed assets. Other operating costs comprise primarily the costs of sold or liquidated property, plant and equipment and assets seized for debts; debt collection costs; provisions for receivables under dispute and assets seized for debts and donations.

6.6. Valuation of the assets and liabilities. derivatives financial instruments

Financial assets

Financial assets are classified in the following categories:

- financial assets valued at fair value through the profit and loss

This category comprises two sub-categories: financial assets held for trading and financial assets designated at initial recognition for fair value valuation through the profit and loss.

Financial assets held for trading include in particular: debt and equity securities loans and receivables purchased or classified here with the aim of selling in the short term. The classification also includes derivative instruments that are not hedged instruments.

To the financial assets at the moment of initial disclosure as financial assets at fair value through profit or loss the debt securities are classified which were appointed by the Bank in the aim of elimination or significant decrease of incoherent valuation and the disclosure between the securities and derivatives economically secured against the interest rate risk of these securities. Otherwise these securities would be classified to the “held for sale” portfolio the valuation effect disclosed at the equity and the derivatives valuation economically secured these securities would be disclosed at profit and loss account. These inconsistency of the general ledger elimination is caused by the disclosure of the debt securities at the financial assets portfolio held for valuation of fair value through profit and loss account.

- held-to-maturity

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than:

a) those that the entity upon initial recognition designates as at fair value through profit or loss;

b) those that the entity designates as available for sale; and

c) those that meet the definition of loans and receivables.

The financial assets of that category are valued at amortized cost using the effective interest rate. Recognition of amortized cost taking into account the effective interest rate is recorded in interest income.

- loans and advances

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than:

a) those that the entity intends to sell immediately or in the near term which shall be classified as held for trading and those that the entity upon initial recognition designates as at fair value through profit or loss;

b) those that the entity upon initial recognition designates as available for sale; or

c) those for which the holder may not recover substantially all of its initial investment other than because of credit deterioration which shall be classified as available for sale.

This category contains debt securities bought from the issuer for which there is no active market credits, loans receivables, resulting from reverse repo transactions and other receivables received and granted. Loans and receivables are measured at amortized cost using the effective interest rate and taking into account any impairment.

- available for sale

These are the financial assets with a non-defined holding period. The portfolio is composed of debt and equity securities as well as loans and receivables not accounted for in other categories. Interest on assets available for sale is calculated using the effective interest rate method and accounted for in the profit and loss account.

Financial assets available for sale are measured at fair value and profits and losses resulting from a change of fair value in relation to amortized cost are charged to the revaluation reserve. The revaluation reserve item is carried to the profit and loss account upon sale of an asset or its impairment. In the event of impairment of the asset previously recognized surpluses from fair value measurement decrease the "Revaluation reserve". If the amount of previously recognized increases is insufficient to cover permanent impairment the difference is charged to the profit and loss account under the heading “Provision write-off’s and revaluation”.

Dividends due to equity instruments are accounted for in the profit and loss account at the moment of establishing the entity’s right to receive payments.

Standardized purchase and sale transactions of financial assets valued at fair value through the profit and loss statement held for trading (with the exclusion of derivative instruments) held to maturity and available for sale are recognized and excluded from the books by the Bank on the day of the transaction settlement i.e. the day of the receipt or delivery of the asset.

Changes in the fair value of the asset to be received between the date of the transaction and the date of the settlement are recognized in the same way as for the possessed asset.

Loans are recognized at the time of disbursement to the debtor.

Derivative instruments are recognized or excluded from the books at the date of the transaction.

Impairment of financial assets

For each balance sheet date the Bank assesses whether there is objective evidence of impairment of a given financial asset or of a group of such assets. Impairment of a financial asset or of a group of financial assets was incurred only if there is objective evidence for the impairment due to events that followed the initial recording of the specific asset (“the loss event”) and when the events affect the expected cash flows regarding these assets and the flows may be estimated in a reliable way.

Objective evidence for impairment of financial assets includes – as per the Bank’s principles – information on the following loss events:

- substantial financial problems of the issuer or debtor;
- failure to keep to the contract terms e.g. failing to repay or delay in repayment interest or part of capital;
- the Bank’s granting concessions or privileges to the debtor for economic and legal reasons following financial problems of the debtor which in other circumstances would not be taken into account;
- high probability of bankruptcy or of another financial reorganization of the debtor;
- disappearance of the active market for the particular financial assets due to financial difficulties;
- observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group including:

- adverse changes in the payment status of borrowers in the Bank or
- national or local economic conditions that correlate with defaults on the assets in the Bank.

The Bank classifies credit receivables by size into the individual and group portfolios.

In the individual portfolio each credit exposure is subjected to an impairment test. If there is objective evidence of impairment the carrying amount of the receivable is reduced. If for a given exposure no objective evidence of impairment exists the exposure is included in the credit portfolio subject to group assessment.

In a group portfolio group of similar credit risk characteristics are identified which are then assessed collectively for impairment.

If there is any objective evidence of impairment of financial assets classified as loans and receivables or as investments held-to-maturity then the amount of the impairment is the difference between the carrying amount of an asset and the current value of estimated future cash flows (excluding future credit losses that were not incurred) discounted using an original effective interest rate established with the initial recognition of a given financial asset. The carrying amount of the asset is then reduced through use of the allowance account and the amount of loss is recognized in the profit and loss account.

Calculation of the present value of estimated cash flows related to the impaired collateralized financial asset also takes into consideration the cash flows resulting from the liquidation of the collateral reduced by the costs of repossession and disposal.

Expected future cash flows related to the group of financial assets for impairment on a group basis are estimated on the basis of the historical cash recoveries recorded for assets of similar risk characteristics.

Historical parameters of recoveries are adjusted on the basis of the data coming from current observations so as to take into consideration the influence of current conditions and to exclude factors in the historical period that are not presently valid.

If in the next period the amount of impairment is lower due to an event taking place after the impairment (e.g. an improvement in the debtor’s credit rating) then the reduction of impairment is reversed through an appropriate adjustment of an amount on the allowance account. The amount of the reversal is recognized in the profit and loss account.

Sale and re-purchase agreements

Repo and reverse-repo transactions as well as sell-buy back and buy-sell back transactions are security sale or purchase operations with promise of repurchase or resale at an agreed date and price.

Sales transactions with the repurchase promise granted (repo and sell-buy back) are recorded. at the transaction date in payables to other banks or in payables to customers due to deposits. The purchased securities with the resale promise granted (reverse-repo and buy-sell back) are recorded as receivables from banks or as credits and loans granted to customers.

The difference between the selling and buying price is treated as interest expense/income respectively and accounted for over the duration of the contract using the effective interest rate.

Derivative financial instruments and hedge accounting

The Bank conducts operations in derivative financial instruments: currency transactions (spot, forward, currency swap and currency options, CIRS), exchange rate transactions (FRA, IRS, CAP). derivative transactions based on securities prices exchange rates and stocks indices. Derivative financial instruments are initially recorded at fair value as at the transaction date and subsequently valued to fair value. The fair value is established on the basis of quotations of the instruments in active markets as well as on the basis of valuation techniques including the models based on discounted cash flows and options valuation models depending on which of the valuation models is appropriate. Positive valuation of derivative financial instruments is presented in the balance sheet in the item of “Derivative financial instruments” on assets side and on the liabilities side if the fair value is negative. Changes in the financial instruments valuation to fair value are reflected in the profit and loss account.

In case of purchasing a financial instrument which has embedded derivative component the whole or part of cash flows related to such a financial instrument changes in the way similar to what would be the case with the embedded derivative instrument on its own. The embedded derivative instrument is reported separately from the basic contract. This occurs under the following conditions:

- the financial instrument is not included in assets for trading or in assets designated for fair value valuation through the profit and loss account whose revaluation results are reflected in financial income or cost of the reporting period,
- the nature of the embedded instrument and the related risks are not closely tied to the nature of the basic contract and to the risks resulting from it,
- a separate instrument whose characteristics correspond to the features of the embedded derivative instrument would meet the definition of the derivative instrument,
- it is possible to reliably establish the fair value of the embedded derivative instrument.

In case of contracts that are not financial instruments with a component of an instrument meeting the above conditions the built-in derivative instrument is classified in accordance with assets or liabilities of derivatives financial instruments with respect to profit and loss account in harmony of derivative financial instruments valuation.

The method of recognition of the changes in the fair value of an instrument depends on whether a derivative instrument is classified as held for trading or is designated as a hedging item under hedge accounting.

The changes of fair value of the derivative financial instruments held for trading are recognized directly in the profit and loss statement.

The Bank designates under the condition of meeting the IAS 39 criteria some of the derivative instruments as hedging items for the future highly probable cash flows concerning the hedged item.

At the moment the hedge relationship is established the Bank formally designates and documents the hedge relationship as well as the objective of the risk management and strategy of the established hedge relationship. The documentation contains the identification of the hedging instrument the hedged item the character of the risk being hedged and the way of measurement of the hedge effectiveness.

The changes in the fair value of the derivative financial instruments classified as cash flow hedging instruments are recognized:

- directly in the item „revaluation reserve” in the part constituting the effective hedge relationship,

- in the profit and loss account in the part representing in-effective hedge relationship.

The amounts cumulated in the revaluation reserve are transferred to the profit and loss account in the period in which the hedged item is reflected in the profit and loss.

The Bank ceases to apply hedge accounting when the hedging instrument matures or is disposed of. In such cases the acumulated profits or losses related to that hedging item are transferred from the revaluation reserve to the profit and loss account, provided the hadge relationship was effective and would remain intact until the forecasted hedged transaction occurred.

If the forecasted hedged transaction is no longer deemed highly probable the cumulative profits or losses relating to changes in valuation of the hedging instruments recognized in the revaluation reserve are transferred to the profit and loss account of the given period.

Financial Liabilities

The Bank's financial liabilities are classified to the followings categories:

- financial liabilities at fair value through profit and loss carried at fair value;
- financial liabilities not at fair value through profit and loss are carried at amortized cost using the effective interest rate.

Financial liabilities not at fair value through profit and loss consist of amounts due to banks and customers loans from other banks own debts securities issued.

Derecognition of financial instruments

A financial instrument is derecognized when the contractual rights to the cash flows expires or the Bank transfers all the risk and rewards of a financial instrument.

Most often. the Bank derecognizes loans in the event of:

- discontinuation of execution proceeding;
- death of borrower;
- conclusion of bankruptcy procedures;
- unconditional cancellation of a part of the loan.

6.7. Valuation of other balance sheet items

Equity investments

Subsidiaries

Subsidiaries are entities in which the Bank directly and indirectly has control. The control is ability to manage financial and operating policies in order to gain economic profits. Control basically is involved with larger number of votes in governing bodies.

Associates

Associated entities are entities in which the Bank has significant influence and are not subsidiaries or joint venture entities. The Bank usually determines significant influence by possession of 20 % to 50 % of the total number of votes in governing bodies.

Joint ventures

Joint ventures are entities in which contractually agreed and exist only when the strategic financial and operating decisions relating to the activity require the unanimous consent of parties sharing control.

Recognition and valuation

Investments in subsidiaries associates and join ventures are recorded at cost less any provision for impairment. The carrying value is subjected to tests impairment in accordance with IAS 36. Any impairment is recognized in the profit and loss account as "Other operating costs". Dividends are recognized in the profit and loss account when the Bank obtains legal rights to receipt.

Moreover equity investments in foreign entities represent non-monetary assets. Non-monetary assets are measured in accordance with historical cost expressed in the foreign currency and translated on the base of exchange rate from the transaction date. In this case the purchase price is calculated on the basis of balance sheet value as of the day of the transition into IFRS for the purposes of recalculation of the equity investment in foreign entities.

Recognizing transactions under common controls using book values

The accounting for transactions among entities under common control is excluded specifically from the scope of IFRS. As such following the applicable guidance in IAS 8 “Accounting Policies Changes in Accounting Estimates and Errors” in the absence of any specific guidance within IFRS. The Bank made an accounting policy election to be applied consistently to all business combinations of entities under common control to recognize such transactions using the book values to account for transfers of business occurring between entities within the UCI group of which the Bank is a member.
The elected accounting policy of Bank Pekao is as follows:

The combined entity recognizes the assets, liabilities and equity of the combining enterprises at their existing book value amounts adjusted only as a result of aligning the combining enterprises' accounting policies. There is no recognition of any new goodwill or negative goodwill.
The difference between the book value amount of the net assets received and the consideration paid, if any, are recognized in the Bank's equity.
In applying the book values method of accounting comparative periods presented are not restated.
If the transaction will result in the acquisition of minority interests the acquisition of any minority interest is accounted separately.
There is no guidance in IFRS as to how to determine the percentage of minority interests acquired from the perspective of the subsidiary. As such Pekao uses the same basis as the parent for determining the minority interests acquired.

Intangible assets

Intangible assets are deemed to include assets which fulfill the following requirements:

- they can be separated from an economic entity and sold, transferred. licensed or granted for use for a fee to third parties both separately and together with their accompanying contracts, assets or liabilities, or

- arise from contractual titles or other legal titles irrespective of whether those are transferable or separable from the business entity or other rights and obligations.

Goodwill

Goodwill on acquisition of a business entity is initially recognized at cost which is the surplus of the costs of business combination of business entities over the share of the acquiring entity in the net fair value of identifiable assets, liabilities and contingent liabilities. After the initial recognition goodwill is presented at cost less any accumulated impairment losses.

As at the date of acquisition the acquired goodwill is allocated to each of the cash generating units which may benefit from the synergies of business combination. Impairment is determined by estimating the recoverable value of the cash generating unit to which the given goodwill pertains. In the event of the recoverable value of the cash generating unit being less than the carrying value an impairment write-off is made. If the goodwill is a part of the cash generating unit and a part of activity of that unit is sold then in measuring the profit or loss on selling such activity goodwill related to the activity sold is included in the carrying value of the sold part of activity. In such circumstances goodwill is measured on the basis of the relative value of the activity sold and the value of the remaining part of the cash generating unit. Impairment test is made once a year. Ascertained impairment during the test is not subjected for the future adjustments.

Other intangible assets

Intangible assets are assets controlled by the Bank which do not have a physical form which are identifiable and represent future economic benefits for the Bank directly attributable to such assets.

These are mainly:

- computer software licenses;
- copyrights;
- costs of completed development work.

Intangibles acquired in a separate transaction are recognized at cost. Intangibles acquired in transactions of acquisition of a business entity are recognized at fair value as of the date of acquisition. After initial recognition this category of intangibles is treated using the historic cost model. The useful life of intangible assets is assessed and considered to be limited or indefinite.

In the case of amortisation being calculated from assets with limited useful life such costs are indicated in the profit and loss account under the heading “General and administrative expenses”. An intangible asset with an indefinite useful life is not be amortized.

With the exception of development costs intangible assets generated by the Bank on it’s own resources are not recognized in assets and outlays incurred for their generation are recognized in the profit and loss account for the year in which they were incurred.

As regards intangible assets with limited useful life the Bank makes a judgment as to whether there are indications of their impairment. Where it is found that such indications exist the Bank estimates the recoverable value of such intangible assets and make impairment. Useful lives are also subject to review annually. and where necessary adjusted starting from the next financial year.

For intangible assets of an indefinite useful life and investments in tangible assets the Bank performs a test for impairment on an annual basis irrespective of whether there are indications of impairment.

Research costs are charged to the profit and loss account at the time they are incurred. Outlays for development of a given project are carried forward to the next period where they will generate probable future economic benefits. After the initial recognition of outlays for development work the historic cost model is applied which requires that assets be recognized at cost less accumulated amortization and accumulated impairment write-offs. All outlays carried forward to the next period are amortized throughout the expected period of profits arising from the project.

Costs of development work are reviewed for any impairment on an annual basis – if an asset has not yet been commissioned or more often – when during a reporting period indications of impairment appear indicating that their carrying value may not be recoverable.

Loss or profit due to derecognition of intangible assets are measured as the difference between the net sales income and carrying value of the given asset and are recognized in the profit and loss account upon derecognition of the asset.

Property, plant and equipment

Fixed assets are controlled fixed assets and include outlays to construct assets. Fixed assets include fixed assets with an expected period of use above one year maintained to serve the Bank’s needs or to be transferred to other entities based on lease contracts or for other administrative purposes.

Fixed assets are recorded at historical cost reduced by depreciation/amortization and impairment write-downs. Historical cost is made up of the purchase price/cost of creation and costs directly related to the purchase of assets.

Each component part of property plant and equipment items whose purchasing price or generation cost is material in comparison with the purchase price or generation cost of the entire item is depreciated separately. The Bank separates the initial value of property plant and equipment into its significant parts.

(in PLN thousand)

Costs of modernization of property plant and equipment increase their carrying value or are recognized as a separate item of property plant and equipment only when it is probable that such expenditures will ensue with an inflow of economic benefits to the Bank and the cost of such expenses can be reliably measured.

Service and maintenance costs of tangible assets has an influence on profit and loss account in reporting period in which they incurred.

The cost of external financing for the purchase or construction of fixed assets is recognized as a cost in the period in which it is incurred.

Depreciation and amortization charge

The depreciation charge for fixed assets and the amortization charge for intangible assets are applied using the straight line method using defined depreciation rates throughout the period of their useful lives Depreciable amount is the cost of an asset or other amount substituted for cost less its residual value Depreciation rates defined for balance sheet purposes are periodically verified with results of verification effective starting from the year following the year of verification.

Balance sheet amortization depreciation and amortization rates applied to the basic groups of fixed tangible assets investment properties and intangible assets are as follows:

a/ depreciation rates used for fixed assets

Buildings; cooperative ownership right to an apartment. cooperative right to non-residential property	1.5 % - 10.0%
Technical equipment and machines	2.5% - 30.0%
Means of transport	12.5% - 30.0%

b/ amortization rates for intangible assets

Software licenses. Copyrights	14.0% - 50.0%
Costs of completed development works	33.3%
Other intangible assets	20.0%

c/ depreciation rates for investment properties

Buildings	1.5% - 10%

Land, fixed assets under construction and intangible assets in progress are not subject to amortization or depreciation.

Amortization and depreciation charges are recognized as the Bank General and administrative expenses while any impairment write-off's are included in other operating expense.

Investment properties

Initially investment property assets are recognized at cost including the transaction costs. After the initial entry investment property assets are measured in accordance with requirements of the purchasing price model.

Investment property assets are derecognized when disposed of. or in the case of permanent decommissioning of a property when no further benefits from its sale are expected. Any profits or losses due to derecognition of an investment property are charged to the profit and loss account in the period in which such derecognition occurred.

Non-current assets held for sale

Non-current assets held for sale include assets whose carrying value is to be recovered by way of their resale and not in their continued use. Only those assets are classified as held for sale that are available for immediate sale in their present condition whose sale is highly probable i.e. the decision has been made to fulfill the plan of selling the given asset an active programme has been launched to find a buyer and to complete the selling plan. Also such an asset is offered for sale at a price which is rational in reference to its present fair value and it is expected that the sale will be treated as sale completed within one year from the date of the asset's classification in this category.

Non-current assets held for sale are recognized at the lower of carrying value and fair value less the costs of selling such assets. For assets classified in this category depreciation is not applied.

Leases

The Bank is a party to lease contracts on the basis of which it grants for paid use non-current assets or intangible assets for an agreed period of time.

The Bank is also a party to lease contracts under which it takes for paid use or drawing benefits another party's non-current assets or intangible assets for an agreed period.

Operating lease

In the case of lease contracts contracted by the Bank as a lessor the subject of the lease is presented in the balance sheet due to the fact that there was no transfer of all the risks and rewards incidents deriving from the possession of the assets on lessee.

In the case of lease contracts. contracted by the Bank as a lessor the subject of the lease is not recognized in the balance sheet.

The whole amount of the operating lease payments is recognized as an income or costs in the profit and loss account using the straight-line method throughout the period of the lease.

Financial lease

In the case of lease contracts under which essentially all risks and rewards incident to ownership of the lease are transferred the subject of lease is recognized in assets as a non-current asset and a liability is recognized in the amount equal to the present value of minimum lease payments as of the date of commencement of the lease. Lease payments are divided into financial costs and reduction of the balance of the liability in such way as to enable obtaining a fixed rate of interest on the outstanding liability. Financial costs are recognized directly in the profit and loss account in item "Interest expense".

Fixed assets which are the basis of the finance lease contract are depreciated in the manner defined for the Bank's non-current assets. However. if it is uncertain whether the ownership of the subject of the contract has been transferred then non-current assets used pursuant to finance lease contracts are depreciated over the shorter of the expected useful life or the period of lease.

Prepayments

Prepayments refer to particular expenditure types that will be recognized in the profit and loss proportionally to time elapsed in the future reporting periods. Prepayments are presented in the balance sheet as "Other assets".

Provisions

Provisions are established when the Bank has an obligation (legal or constructive) resulting from past events and where it is probable that the fulfilment of such obligation will cause a necessity of transfer of assets representing economic benefits and it is possible to reliably estimate the amount of such liability. In the event that the time value of the money-in-time is significant. the amount of provisions is established by discounting forecasted future cash flows to the present value using a rate of discount reflecting current market evaluations of money-in-time and any risk related to the given obligation.

Provisions also includes provisions related to actuarial long-term employee benefits. All provisions are charged to the profit and loss account.

Employee benefits provisions

The amount of provision for retirement payment is established on the basis of an actuarial valuation performed by an independent actuary once a year.

The provision for restructuring costs is established when general criteria for recognition of provisions are met as well as detailed criteria for the obligation to establish restructuring provisions as per IAS 37.

The amount of employment restructuring provision is established by the Bank on the basis of the best available estimates of direct outlays which necessarily result from restructuring and are not connected with the Bank's current activities.

Provisions established are recognized on the liabilities side under the "Provisions" heading. and accordingly in the profit and loss account as remuneration costs.

Deferred income and accrued costs

This item mainly covers the income of commissions settled using the straight line method and other income charged in advance; that will be recognized in the profit and loss in the future periods.

Accrued costs include accrued costs resulting from services provided for the Bank by contractors which will be settled in future periods and accrued payroll and employee benefits (including annual and Christmas bonuses, other bonuses and awards and utilized holiday leave).

Deferred income and accrued costs are presented in the balance sheet under "other liabilities".

Equity of the Bank

Shareholders' equity is comprised of the capital and funds created by the Bank in accordance with the binding legal regulations and the Articles of Association. The Bank's equity also includes retained profits (losses) and the current profit (loss) for the year.

Presented below are descriptions of selected items of the equity:

a) statutory capital may be increased by the issue of new bearer shares or by an increase in the nominal value of the previously issued shares. The General Shareholders Meeting may increase the statutory capital by dedicating part of the supplementary capital or other capitals created from the profit in accordance with the Code of Commercial Companies and Statutes of Association;

b) reserve capital is created from yearly appropriations of the net profit. This capital is designated to cover the losses that may result from the Bank's activities. These annual appropriations should constitute at least 8% of net profit and should be made until the value of the reserve capital reaches at least one third of the statutory capital. In addition. the reserve capital is created with the surplus of the selling price of the issued shares over their nominal value once the costs of the shares issue have been covered Moreover the change of the value of the minorities shareholding caused by the increase of the share of the parent company in the share capital of the Bank was reflected as an increase of this item according to the accounting principles applied by UniCredit Group;

c) revaluation reserve includes: the accumulated amount of revaluation of fixed assets; the effects of revaluation of financial assets available for sale, the effect of the valuation of the cash flow hedging derivatives, foreign exchange differences arising from revaluation of the foreign branch's result at the average weighted exchange rate established as at the balance sheet date in relation to the average NBP exchange rate and the value of deferred tax for items that comprise temporary differences reflected in revaluation reserve. Revaluation reserve is presented net in the balance sheet;

d) other reserve capital utilized in accordance with the purposes defined in the Statute is created from appropriations of profits. Moreover the Other reserve capital was reduced by the value of the minority acquisition with the opposite (increase) entry in the Reserve capital;

e) bonds convertible into equity includes the equity fair value of financial instruments issued as part of transactions settled in equity instruments in accordance with IFRS 2;

f) general banking risk provision represents accumulated appropriations of net profit after tax in accordance with the terms of the Banking Law of 29 August 1997;

g) retained earnings comprises the total retained profits and uncovered losses;

h) net profit/loss which constitute profit/loss presented in profit and loss statement for period which concerns. Net profit includes income tax.

Share-based Payments

Employee participation programs are running at the Bank. under which senior and lower management staff crucial to realization of the Bank's Capital Group strategy are granted pre-emptive rights to buy shares of the Bank and shares of a dominant entity of UniCredit S.p.A. (see Note 46).

Transactions settled in equity instruments of Bank Pekao S.A.

The cost of transactions settled with employees in equity instruments is measured by reference to the fair value as of the granting date. The fair value is established on the basis of the Black-Scholes model for appraisal of dividend-yielding stock options. according to expectations of the Management Board concerning the number of rights to be exercised. No efficiency/results data except those related to the price of shares ("market conditions") are taken into account in the assessment of transactions settled in capital instruments.

The cost of share-based payments is recognized together with the accompanying increase of the value of equity in the period in which effectiveness/performance conditions were fulfilled. ending on the date when certain employees acquire full rights to the benefits ("vesting date"). The accumulated cost recognized for transactions settled in equity instruments for each balance sheet date until the vesting date reflects the extent of elapse of the vesting period and the number of rights to shares the rights to which – in the opinion of the Bank's Management Board for that date based on best available estimates of the number of equity instruments – will be eventually vested.

In the event of modifications of conditions for granting remuneration settled in equities as a part of fulfilment of the minimum requirements costs are recognized as if such conditions have not changed. Also, costs are recognized resulting from each increase in the value of the transaction resulting from modifications measured for the date of change.

In the event a right is cancelled it is treated in such way as if the rights were acquired on the date of cancellation and any unrecognized costs resulting from such rights are immediately recognized. In the case however where the cancelled share right is replaced by a new share right the cancelled right and the new right are treated as if they are a modification of the original right.

The diluting effect of options issued is taken into account when establishing the amount of earnings per share as additional dilution of shares (see Note 20).

Share options and shares of UniCredit S. p. A.

The Pekao Group entities joined the UniCredit-wide long term incentive program. The aim of the program is to offer the selected key employees of the Group the share options and performance shares of UniCredit S.p.A.

The fair value of the instruments granted to the Pekao Group employees was established following the Group-wide applied Hull and White model.

The expenses related to the services granted by the employees in return for the granted rights are recognized in "Wages and salaries" costs.

In the moment of realization of the instruments the Group will be obliged to pay to UniCredit S.p.A. the amount equal to the initial fair value of those instruments that actually vested.

6.8. Income tax and other taxes

Income tax

For purposes of financial reporting, the provision for deferred income tax is established using the balance-sheet liabilities method in reference to all temporary differences as at the balance sheet date between the taxable amount of assets and liabilities, and their carrying value as presented in the financial statements.

The deferred tax provision is recognized in reference to all positive temporary differences:

- except for situations where the deferred income tax provision arises from depreciation of goodwill or from the initial recognition of an asset or liability in a transaction other than merger of entities, and at the point of the transaction it has no influence on the gross financial result, nor for the taxable income or deductible loss, and
- in the case of positive temporary differences resulting from investments in subsidiaries or associates and participation in joint ventures – except for situations where the dates of reversal of temporary differences are subject to control and where it is probable that in the foreseeable future the temporary differences will not be reversed.

The deferred tax asset is recognised on all negative temporary differences and carryforward of unused tax losses and tax credits in an amount that is probable that the taxable income will be available against which above mentioned differences can be utilised:

- except for situations where deferred tax assets concerning negative temporary differences originate from initial recognition of an asset or liability in a transaction other than merger, and at the point of the transaction it has no influence on the gross financial result, nor for the taxable income or deductible loss, and
- in the case of negative temporary differences resulting from investments in subsidiaries or associates and participation in joint ventures, the deferred tax asset is recognized in the balance sheet only in such amount, in which it is probable that the above temporary differences will be reversed and taxable income will be available against which the negative temporary differences can be utilised.

The carrying value of a deferred tax asset is verified for each balance sheet date, and is reduced accordingly to the extent that it is no longer probable that the taxable income will be achieved sufficient for partial or full realization of a deferred income tax asset.

Deferred tax assets and deferred tax provisions are measured at tax rates which are predicted to be in force in the period in which an asset is realized or a provision is dissolved, assuming as the basis the tax rates (and tax regulations) which are legally or actually in place as of the balance sheet date.

The income tax regarding items directly recognized in equity is recognized in equity.

Bank offsets deferred tax assets and deferred tax provisions, where it has legal title to effect such offsetting, and the deferred assets and provisions pertain to the same taxpayer.

Current income tax is assessed at the tax rate in force and is calculated on the basis of the gross profit determined on the basis of relevant accounting regulations, adjusted by non-taxable income and non-deductible expenses.

Other taxes

Income, costs, and assets are recognized and reduced by the amount of VAT, tax on civil law acts, and other taxes on sales, except where:

- the tax on sale, paid upon purchase of goods and services, is not recoverable from the tax authorities; in that case, the sales tax is recognized accordingly as a part of the cost of acquisition of an asset, or as part of a cost item, and
- receivables and payables are presented with the amount of sales tax taken into account.

The net amount of sales tax recoverable from or payable to the tax authorities is recognized on the face of the balance sheet as a part of receivables or liabilities.

6.9. Other positions

Contingent liabilities and commitments

The Bank enters into transactions which are not recognized in the balance sheet as assets or liabilities upon signing but they cause contingent liabilities and promises. Contingent liabilities are characterized as being:

- a potential obligation whose existence will be confirmed upon occurrence or non-occurrence of uncertain future events that are beyond control of the Bank (e.g. disputes in progress);
- a current obligation which arises as a result of past events but is not recognized in the balance sheet, as it is improbable that it will be necessary to make expenses to fulfill the obligation, or the obligation amount cannot be reliably measured (mostly: unused credit lines and guarantees and letters of credit issued).

Cash and cash equivalents

Cash and cash equivalents in the Cash Flow Statement include “Cash due from the Central Bank” (except for the NBP bonds) and amounts current amounts due from banks with maturity up to three moths.

Segment reporting

Information of the Group’s business of the segment reporting is presented in the consolidated financial statements of the Capital Group of the Bank Pekao S.A. for the year ended as at 31 December 2008.

7. Purposes and rules of financial risk management.

The risk management policy of the Bank has a goal of optimizing the structure of the balance sheet and off-balance sheet positions under the consideration of all risks in relation to income and other risks interest rate, liquidity risk, foreign exchange rate risks) that the Bank encounters in conducting its daily activity. Risks are monitored and controlled with reference to profitability and equity coverage and are regularly reported in accordance with rules briefly presented below.

The Bank’s Management Board is responsible for achieving the strategic goals set within the risk management policy.

The Asset, Liability and Risk Committee controls the capital adequacy of the Bank as well as the liquidity risk and the market risk (interest rate and foreign exchange rate risks) related to the external banking supervision limits and to the internal limits of Bank.

The accounting policy for derivative instruments was presented at Note 7.7.

Credit risk

Credit risk is one of the basic risks associated with the activities of the Bank. The percentage share of loans in the Bank’s balance sheet makes it necessary to maintain this risk at a safe level.

The process of credit risk management is centralized and then managed mainly by units belonging to Risk Management Division located either in the Bank’s Head Office or in its local units.

(in PLN thousand)

Integration of various risks in the Risk Management Division in which apart from credit risk, market and operational risk are allocated, facilitates the effective management of all credit-related risks. The process covers all credit functions – credit analysis, underwriting, monitoring and loan administration, restructuring and vindication. Each function follows the credit policy of the Bank and its guidelines that are reviewed and endorsed annually by the Management Board and the Supervisory Board of the Bank. The integrity and efficiency of the credit functions is achieved through standardized use of various credit methods and methodologies supported by advanced IT tools. These tools are integrated into the ledger system of the Bank. Bank procedures facilitate credit risk mitigation. In particular those related to transaction risk evaluation, establishing collateral, setting authorization limits for granting loans and limiting of exposure to some areas of business activity in line with current client's segmentation scheme in the Bank.

The Bank's lending activity is limited by the restrictions of the Banking Law as well as internal limits. These refer in particular to concentration limits for specific sectors of the economy share of large exposures in the loan portfolio of the Bank and exposure limits for particular foreign countries, banks, and domestic financial institutions. Entitlement to make credit decisions to limitation of some business fields and internal or external caution standards includes not only credit but also loans and guarantees and derivatives transactions and debt securities as well. Protection of the quality of the Bank's loan portfolio is also enhanced by periodic reviews and continuous monitoring of loan repayments and the financial condition of the borrowers.

Concentration of credit risk

The Banking Law establishes maximum limits for the banks. According to article 71.1 of the Law the total balance sheet and off-balance sheet exposure of a Bank to the risks associated with a single borrower or a group of related borrowers may not exceed 20% of a bank's equity when at least one of those entities is related to the bank or 25% when no relation between those entities and the bank exists. Moreover, article 71.2 of the Law specifies a maximum total exposure limit with entities whose individual exposure exceeds 10% of a bank's equity, at a level of 800% of this equity.
As at 31 December 2008 the maximum exposure limits set forth in the Banking Law were not exceeded.

a) Concentration by entity:

	as at 31.12.2008
Exposure to 10 largest clients of the Bank	**% of portfolio**
Client 1	1.4%
Client 2	1.4%
Client 3	1.4%
Client 4	1.3%
Client 5	0.9%
Client 6	0.8%
Client 7	0.8%
Client 8	0.8%
Client 9	0.7%
Client 10	0.7%
Total	**10.2%**

In the table above 22% provides for a credit exposure, with the risk on the level of the State Treasury. Other exposures are due to transactions with large corporate clients (78%). None of the exposures mentioned above were classified as non performing.

(in PLN thousand)

b) Concentration by capital group:

Exposure to 5 largest capital groups which are the Bank's clients	as at 31.12.2008 % of portfolio
Group 1	2.2%
Group 2	1.9%
Group 3	1.4%
Group 4	1.3%
Group 5	1.3%
Total	**8.1%**

c) Concentration by industrial sector:

In order to mitigate credit risk associated with excessive sector concentration the Bank employs a system for monitoring the sector structure of its credit exposure. The system involves setting concentration ratios for particular sectors, monitoring the loan portfolio and gathering appropriate information. The system is based on the lending exposure in particular types of business activity according to the classification applied by the Polish Classification of Economic Activities (Polska Klasyfikacja Dzialalnosci - PKD). Concentration ratios are determined on the basis of investment risk, quality of the Bank's lending exposure, current economic trends in particular sectors, the Bank's equity and the total assets of particular sectors. Monthly comparison of the Bank's exposure to particular sectors with the current concentration ratios allows timely identification of the sectors in which the concentration of sector risk may become excessive. If such a situation arises, an analysis of the economic situation of that sector is performed considering the current and predicted trends and the quality of the current exposure to that sector. These measures enable the Bank to develop policies that reduce sector risk and allow for a timely reaction to a changing environment.

The table below presents the structure of the exposure by industrial sectors.

Sector description	31.12.2008	31.12.2007
Financial intermediation	18.0%	21.9%
Construction and real estate activities	17.9%	14.9%
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	12.9%	14.1%
Other manufacturing and recycling	7.1%	6.5%
Transport, storage and communication	6.5%	5.2%
Electricity, gas and water supply	6.1%	7.4%
Manufacture of basic metals and fabricated metal products	4.5%	4.0%
Renting and business activities; computer and related activities, research and development	4.5%	5.6%
Manufacture of food products; beverages and tobacco	4.3%	4.5%
Public administration and defence; compulsory social security	4.2%	3.4%
Manufacture of pulp, paper and paper products; publishing and printing	2.8%	2.1%
Manufacture of chemicals and chemical products	2.4%	2.0%
Other sectors	8.8%	8.4%
Total	**100.0%**	**100.0%**

(in PLN thousand)

Exposure to credit risk

The table below presents the Bank's exposure to credit risk by terms of past due:

	Loans and advances from banks		Loans and advances from customers	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Gross carrying amount exposure individually impaired				
Past due:				
- not past due	51 027	848	269 611	786 977
- up to 1 month	-	-	19 073	52 743
- between 1 month and 3 months	10 165	-	2 943	49 726
- between 3 months and 1year	34 826	-	314 642	175 091
- between 1 year and 5 years	-	-	873 473	967 559
- above 5 years	-	6 553	662 364	854 255
Total gross amount	**96 018**	**7 401**	**2 142 106**	**2 886 351**
Allowance for impairment				
- not past due	(46 023)	(841)	(84 927)	(312 453)
- up to 1 month	-	-	(7 387)	(21 653)
- between 1 month and 3 months	(9 000)	-	(1 589)	(44 888)
- between 3 months and 1year	(19 459)	-	(204 185)	(149 024)
- between 1 year and 5 years	-	-	(779 396)	(790 077)
- above 5 years	-	(6 553)	(550 686)	(731 260)
Total allowance	**(74 482)**	**(7 394)**	**(1 628 170)**	**(2 049 355)**
Net carrying amount individually impaired	**21 536**	**7**	**513 936**	**836 996**
Gross carrying amount exposure collectively impaired				
- not past due	-	2 024	60 701	105 179
- up to 1 month	-	-	13 812	27 519
- between 1 month and 3 months	-	9 800	19 598	27 681
- between 3 months and 1year	-	-	383 967	234 817
- between 1 year and 5 years	9 955		841 570	999 066
- above 5 years	9 409	8 098	796 982	964 042
Total gross amount	**19 364**	**19 922**	**2 116 630**	**2 358 304**
Allowance for impairment				
- not past due	-	-	(36 665)	(61 812)
- up to 1 month	-	-	(7 972)	(15 066)
- between 1 month and 3 months	-	(9 800)	(11 151)	(15 420)
- between 3 months and 1year	-	-	(236 132)	(151 557)
- between 1 year and 5 years	(9 924)	-	(685 116)	(861 923)
- above 5 years	(9 408)	(7 716)	(734 849)	(947 790)
Total allowance	**(19 332)**	**(17 516)**	**(1 711 885)**	**(2 053 568)**
Net carrying amount collectively impaired	**32**	**2 406**	**404 745**	**304 736**

(in PLN thousand)

	Loans and advances from banks		Loans and advances from customers	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Gross carrying amount but not impaired				
- not past due	10 200 943	17 553 037	72 663 798	61 844 901
- up to 30 days	-	-	1 637 043	1 043 221
- 30 – 60 days	-	-	242 554	168 845
- 60 – 89 days	-	-	71 376	113 249
Total gross amount	**10 200 943**	**17 553 037**	**74 614 771**	**63 170 216**
IBNR:				
- not past due	(8 869)	(4 385)	(288 574)	(278 245)
- up to 30 days	-	-	(65 442)	(37 295)
- 30 – 60 days	-	-	(42 730)	(18 600)
- 60 – 89 days	-	-	(31 560)	(22 554)
Total IBNR	**(8 869)**	**(4 385)**	**(428 306)**	**(356 694)**
Net carrying amount exposure with no impairment	**10 192 074**	**17 548 652**	**74 186 465**	**62 813 522**
Total loans and advances	**10 213 642**	**17 551 065**	**75 105 146**	**63 955 254**

Collateral

Pekao Bank has established specific policies with regard to collateral accepted to secure loans and guarantees. This policy is reflected under internal rules and regulations in the Bank. Pekao Bank emphasises the importance of this in relation to the effective implementation of Basel II therein.

The most commonly accepted collateral underlying loans and guarantees in Pekao Bank is as follows:

Collaterals	Principles of the assessment of collateral value
Mortgage: - Commercial - Residential	Collateral value defined as the fair market value as endorsed by a real estate expert. Other evidenced sources of evaluation are acceptable e.g. binding purchase offer bidding process documentation etc.
Registered Pledge / Transfer of ownership:	
- Inventories	Value is defined as well evidenced sources e.g. amount derived from pledge agreement amount disclosed in last financial statement insurance policy value commodities’ indexes value disclosed through foreclosure procedure supported with evidence files e.g. bailiffs’/receiver estimations.
- Machines and Appliances	Value is defined as expert assessment or current value based upon other sound sources e.g. binding purchase offer list of debtor’s fixed assets value evidenced by bailiff or court receiver etc.
- Cars	Value is defined under tables and indexes that are provided by e.g. insurance companies proving the car value referred to its producer age initial price etc. or other sound assessment sources e.g. insurance policy value.
- Other	Value is defined individually for each collateral given. Its assessment shall be derived from sound source that follows above listed guidelines.

(in PLN thousand)

Collaterals	Principles of the assessment of collateral value
Registered Pledge / Transfer of ownership:	
Securities and Cash	Value is defined upon individually estimated fair market value. Recovery rate shall be assessed prudently reflecting the securities price volatility.
Transfer of Receivables:	
- Clients with investment grade (rating) assigned by ECAI or internal rating system of the Bank	Value is defined upon individually assessed claims' amount.
- Other Clients	Value is defined upon individually assessed claims' amount.
Guarantees / Surities (incl. drafts) / Accession to debt:	
- Banks and Sovereigns	Up to guaranteed amount.
- Providers with investment grade (rating) assigned by ECAI or internal rating system of the Bank	Up to guaranteed amount.
- Others	Individually assessed fair market value.

Above disclosed principles on the collateral value assessment are being used within update process of credit assets measurement under International Accounting Standards that are introduced in Pekao Bank.

Emergency plan and sensitivity analysis for residential mortgage secured loans

Bank Pekao holds documented rules for proceedings on residential mortgage secured loans in case of material and adverse changes at the real estate market or the negative macroeconomic scenarios are to realize. This is a ground for prompt reaction of the Bank when such events occur at the real estate market on Poland.

Maximum credit exposure

The Bank's maximum credit exposure with no collateral and other factors limitating the credit risk:

	31.12.2008	31.12.2007
Cash, due from Central Bank	9 905 270	5 082 829
Loans and advances from banks and from customers	85 319 628	81 507 427
Financial assets held for trading	2 727 581	2 828 802
Derivative financial instruments (held for trading)	4 489 752	1 917 960
Other financial instruments at fair value through profit or loss	4 713 069	3 777 679
Hedging instruments	157 899	40 672
Investment securities	15 242 759	17 715 886
Total	**122 555 958**	**112 871 255**
Liabilities due for credits	29 709 839	32 534 925
Other contingent liabilities	7 039 208	6 261 878
Total	**36 749 047**	**38 796 803**
Total credit exposure	**159 305 005**	**151 668 058**

(in PLN thousand)

Overall characteristics of internal models used within the rating system

The Bank uses internally developed rating models for large/middle corporate and dedicated rating model for SME clients. The rating model for large/middle corporate bases on the quantitative (financial statement) and qualitative (environment/relationships managers information) parts which are combined in statistical model and predicts the probability of default in one-year horizon. The rating model for SME bases on same principles extended with information from its behavioural models. The model for SME comprises of three separate models dedicated for:

a) full accountancy SME
b) simplified accountancy SME
c) private entrepreneurs

The final rating is obtained after applying several rules warning signals and classifications from Bank internal monitoring tools. The master scale for both models consists from seventeen rating grades. The performance of rating models is monitored continuously and fine tuned if necessary.

The back testing of the models is carried out annually. The rating model classifies customers based on their creditworthiness independently from the nature of the transaction. Hence the model can be characterized as one-dimensional at a point-in-time. For credit risk purposes and those especially related to Group commitments arising on implementation of Basel II rules the Group applies Standard & Poor as the eligible external credit agency.

The mapping of internal rating to Standard & Poor master scale is as follows:

S & P Rating	PD Min	PD Max	PD Mid	PEKAO Min	PEKAO Max	PEKAO Rating
AAA	0.0001%	0.002%	0.001%	0.0001%	0.04%	Pk1
AA+	0.002%	0.006%	0.003%	0.0001%	0.04%	Pk1
AA	0.006%	0.013%	0.010%	0.0001%	0.04%	Pk1
AA-	0.013%	0.024%	0.018%	0.0001%	0.04%	Pk1
A+	0.024%	0.045%	0.033%	0.0001%	0.04%	Pk1
A	0.045%	0.076%	0.060%	(0.04%	0.08%]	Pk2
A-	0.076%	0.120%	0.095%	(0.08%	0.12%]	Pk3
BBB+	0.120%	0.190%	0.151%	(0.12%	0.19%]	Pk4
BBB	0.190%	0.308%	0.240%	(0.19%	0.28%]	Pk5+
BBB-	0.308%	0.507%	0.395%	(0.28%	0.63%]	Pk5/Pk5-
BB+	0.507%	0.834%	0.650%	(0.63%	0.94%]	Pk6+
BB	0.834%	1.383%	1.070%	(0.94%	1.25%]	Pk6
BB-	1.383%	2.311%	1.788%	(1.25%	2.00%]	Pk6-
B+	2.311%	3.861%	2.987%	(2.00%	4.25%]	Pk7+/Pk7
B	3.861%	7.560%	4.990%	(4.25%	7.50%]	Pk7-/Pk8+
B-	7.560%	17.353%	11.454%	(7.50%	11.50%]	Pk8
CCC	17.353%	26.290%	26.290%	(11.50%	20.00%]	Pk8-
D	26.290%	100.000%	100.000%	(20.00%	99.00%]	Pk9

(in PLN thousand)

Overall characteristics of monitoring process

Loans for large corporates are continually monitored constantly by business units and designated risk units of the Group. The monitoring process for mid-corporates and SME's is based on an internally developed systemic tool which is a combination of a statistical model and qualitative information from internal and external sources. Business units are extensively involved in this process. The Bank applies also a monitoring tool for its retail customers used for monitoring and soft collection purposes.

Overall characteristics of provisioning model

The Bank establishes loss allowances in line with International Accountancy Standards. Impairment of loans is recognized under an individual and collective approach with reference to a certain credit threshold of either customer separately on balance sheet and off balance sheet exposure. The Bank establishes allowances for incurred but not reported losses applying a statistical model of expected loss.

Credit portfolio neither impaired nor past-due

as at 31 December 2008

Gross carrying amount but not impaired	Corporate		Retail	
- not past due	50 255 009		22 408 789	
- up to 30 days	475 491		1 161 552	
- 30 – 60 days	105 290		137 264	
- 60 – 89 days	12 703		58 673	
Total gross Mount	**50 848 493**		**23 766 278**	
IBNR:		**coverage ratio**		**coverage ratio**
- not past due	(223 539)	0.44	(65 035)	0.29
- up to 30 days	(9 421)	1.98	(56 021)	4.82
- 30 – 60 days	(11 457)	10.88	(31 274)	22.78
- 60 – 89 days	(4 793)	37.73	(26 766)	45.62
Total IBNR	**(249 210)**	**0.49**	**(179 096)**	**0.75**
Net carrying amount exposure with no impairment	**50 599 283**		**23 587 182**	

as at 31 December 2007

Gross carrying amount but not impaired	Corporate		Retail	
- not past due	40 885 491		20 959 410	
- up to 30 days	168 777		874 444	
- 30 – 60 days	47 420		121 425	
- 60 – 89 days	65 986		47 263	
Total gross Mount	**41 167 674**		**22 002 542**	
IBNR:		**coverage ratio**		**coverage ratio**
- not past due	(210 675)	0.52	(67 570)	0.32
- up to 30 days	(5 390)	3.19	(31 905)	3.65
- 30 – 60 days	(3 089)	6.51	(15 511)	12.77
- 60 – 89 days	(5 412)	8.20	(17 142)	36.27
Total IBNR	**(224 566)**	**0.55**	**(132 128)**	**0.60**
Net carrying amount exposure with no impairment	**40 943 108**		**21 870 414**	

(in PLN thousand)

Market risk

In its activities the Bank is exposed to market risk i.e. interest rate And foreign exchange movements and equity price risks of securities held by the Bank as well as other risks resulting from changes in market conditions.

The main tool applied for market risk measurement is Value at Risk (VaR).

In normal market conditions VaR reflects level of one-day loss which won't be achieved with 99% degree of probability. Model is statistically verified on a current basis by comparison between VaR and daily profit or loss. Analysis for 2007 and also for 2008 confirmed model's adequacy.

The table below presents the trading portfolio market risk exposure of the Bank measured as Value at Risk in the year 2008 and 2007.

VaR in ths PLN	31.12. 2008	Min Y	Avg Y	Max Y
Foreign exchange risk	83	8	147	1 286
Interest rate risk	8 649	2 070	5 154	14 473
Trading portfolio	8 649	2 105	5 157	14 473

VaR in ths PLN	31.12. 2007	Min Y	Avg Y	Max Y
Foreign exchange risk	20	5	153	1 916
Interest rate risk	3 991	595	2 090	9 532
Trading portfolio	3 992	726	2 109	9 532

Interest rate risk

The classification of assets and liabilities according to their exposure to interest rate risk is as follows:

1. Assets and financial liabilities exposed to fair value risk related to interest rate
 - Debt securities with fixed interest rate.
 - Loans with fixed interest rate.
 - Client deposits with fixed interest rate.
 - Liabilities due to the issue of securities.
2. Assets and liabilities exposed to Cash flow risk related to interest rate
 - Debt securities with variable interest rate.
 - Loans with variable interest rate.
 - Client deposits with variable interest rate.
3. Assets and financial liabilities not directly exposed to the interest rate risk
 - Equity securities

The Bank is exposed to interest rate risk due to transactions in which notional amounts are recognized off-balance and which fair values are recognized as assets or liabilities off the balance sheet. These transactions include derivative transactions, Forward Rate Agreements (FRA), Interest Rate Swaps (IRS), interest rate options (Cap/Floor), currency swaps and foreign currency forward contracts.

In managing the interest rate risk of the banking book the Bank aims to maximize the economic value of capital employed and achieving the planned interest result within the accepted limits. The financial position of the Bank in relation to changing interest rates is monitored through the interest rate gap (repricing gap) duration analysis simulation analysis and stress testing. As of 31, December 2008 interest rate increased by 100 bp. assuming perfect elasticity of the Bank's administered rates to the market rates changes would result in a change of the net interest income by 2.98% and change of the economic value of equity by 2.7% (As at 31 December 2007 adequately 2.39% and 6.25%).

(in PLN thousand)

The table below presents the assets. liabilities and off-balance sheet exposures of the Bank classified as at 31 December 2008 by interest rate risk criterion:

	up to1 month inclusive		from 1 month to 3 months inclusive		from 3 months to 1 year inclusive		from 1 year to 5 years inclusive		above 5 years		Non interest bearings assets/liabilities	Total	
Balance sheet items	Book value	%	Book value	%	Book value	%	Book value	%	Book value	%	Book value	Book value	%
Assets:	**63 493 331**	**6.62**	**23 209 997**	**6.61**	**12 518 708**	**6.27**	**9 725 165**	**7.05**	**4 366 630**	**5.00**	**14 664 626**	**127 978 457**	**5.8**
Cash , due from Central Bank	4 911 014	4.73	1 688 709	5.91	-	0.00	-	0.00	-	0.00	3 305 547	9 905 270	3.4
Debt securities eligible for rediscounting in the Central Bank	125	5.25	715	5.25	-	0.00	-	0.00	-	0.00	-	840	5.25
Amounts due from banks	5 674 723	5.15	506 446	6.48	3 545 821	3.79	18 904	6.68	-	0.00	467 748	10 213 642	4.51
Financial assets held for trading	193 703	3.65	243 915	6.31	1 670 442	5.75	422 615	5.34	196 906	5.48	-	2 727 581	5.56
Other financial instruments at fair value through profit or loss	-	0.00	2 379 485	6.93	614 565	7.75	576 693	5.73	1 142 326	4.90	-	4 713 069	6.40
Loans and advances from customers	52 325 167	6.97	17 172 911	6.68	3 542 225	9.99	1 243 662	17.41	-	0.00	821 181	75 105 146	7.22
Debt securities available for sale*	44 785	1.61	943 365	6.19	2 854 555	4.81	6 862 902	5.45	2 658 092	5.50	-	13 363 698	5.36
Investment securities with held maturity	343 814	6.19	274 452	6.25	291 100	5.31	600 389	6.38	369 306	1.43	-	1 879 061	5.19
Others	-	0.00	-	0.00	-	0.00	-	0.00	-	0.00	10 070 150	10 070 150	
Liabilities:	**76 954 411**	**3.22**	**15 170 368**	**6.07**	**10 753 010**	**5.35**	**2 165 232**	**2.59**	**443 467**	**5.06**	**22 491 969**	**127 978 457**	**3.17**
Amounts due to banks	5 493 902	6.09	4 548 200	5.96	1 730 848	3.91	1 135 984	2.02	-	0.00	-	12 908 934	5.39
Amounts due to customers	71 148 464	2.99	10 622 168	6.12	8 384 368	5.78	179 293	2.17	123 781	3.98	-	90 458 074	3.62
Liabilities arising from securities issued	312 045	4.83	-	0.00	637 794	3.58	770 055	3.25	-	0.00	-	1 719 894	3.66
Other	-	0.00	-	0.00	-	0.00	79 900	5.28	319 686	5.48	22 491 969	22 891 555	0.09
Gap	**(13 461 080)**		**8 039 629**		**1 765 698**		**7 559 933**		**3 923 163**		**(7 827 343)**	**0**	
Off-balance sheet exposures													
Assets	50 398 527	0.00	40 137 461	0.00	58 574 186	0.00	29 148 505	0.00	9 671 630	0.00	-	187 930 309	
Liabilities	54 048 365	0.00	36 822 576	0.00	59 695 334	0.00	27 638 211	0.00	10 353 052	0.00	-	188 557 538	
Gap	**(3 649 839)**		**3 314 885**		**(1 121 148)**		**1 510 294**		**(681 422)**		**0**	**(627 229)**	
Total Gap	**(17 110 918)**		**11 354 514**		**644 550**		**9 070 227**		**3 241 741**		**(7 827 343)**	**(627 229)**	

(in PLN thousand)

The table below presents the assets. liabilities and off-balance sheet exposures of the Bank classified as at 31 December 2007 by interest rate risk criterion:

	up to1 month inclusive		from 1 month to 3 months inclusive		from 3 months to 1 year inclusive		from 1 year to 5 years inclusive		above 5 years		Non interest bearings assets/liabilities	Total	
Balance sheet items	Book value	%	Book value	%	Book value	%	Book value	%	Book value	%	Book value	Book value	%
Assets:	**62 114 598**	**6.69**	**21 036 373**	**6.21**	**6 763 061**	**7.21**	**12 212 762**	**7.31**	**3 720 041**	**5.39**	**13 721 721**	**119 568 556**	**5.89**
Cash , due from Central Bank	771 602	4.73	1 688 709	4.28	-	-	-	-	-	-	2 622 518	5 082 829	2.14
Debt securities eligible for rediscounting in the Central Bank	347	5.25	761	5.25	-	-	-	-	-	-	-	1 108	5.25
Amounts due from banks	12 751 018	5.27	1 430 220	5.15	926 556	4.84	-	-	-	-	2 443 270	17 551 065	4.51
Financial assets held for trading	567 733	4.53	630 663	5.42	252 231	5.80	1 003 128	5.79	375 048	5.41	-	2 828 802	5.40
Other financial instruments at fair value through profit or loss	-	-	2 571 712	5.23	13 809	7.70	652 869	6.99	539 290	4.45	-	3 777 679	5.43
Loans and advances from customers	45 934 872	7.24	13 315 022	6.89	2 878 833	9.36	1 808 753	14.06	17 774	6.71	-	63 955 254	7.45
Debt securities available for sale*	1 679 554	4.62	1 399 287	5.40	2 676 455	5.88	8 585 771	6.14	2 787 929	5.57	-	17 128 996	5.80
Investment securities with held maturity	409 472	4.91	-	-	15 177	4.35	162 241	4.91	-	-	-	586 890	4.90
Others	-	-	-	-	-	-	-	-	-	-	8 655 933	8 655 933	-
Liabilities:	**82 847 847**	**2.19**	**7 226 600**	**4.09**	**6 117 523**	**3.56**	**1 858 389**	**10.85**	**255 485**	**5.64**	**21 262 712**	**119 568 556**	**2.13**
Amounts due to banks	3 593 341	4.83	1 316 346	5.50	2 250 458	4.00	1 210 054	15.56	-	-	-	8 370 200	6.26
Amounts due to customers	79 254 505	2.07	5 896 634	3.78	3 570 716	3.38	411 359	1.03	26 910	4.57	-	89 160 124	2.23
Liabilities arising from securities issued	-	-	13 620	4.00	296 349	2.33	103 180	0.99	-	-	1 683 921	2 097 070	0.40
Other	-	-	-	-	-	-	133 796	6.10	228 575	5.77	19 578 791	19 941 162	0.11
Gap	**(20 733 249)**		**13 809 773**		**645 538**		**10 354 373**		**3 464 555**		**(7 540 991)**		
Off-balance sheet exposures													
Assets	57 546 832		42 679 911		80 328 791		43 414 584		8 507 902		-	232 478 021	-
Liabilities	59 261 130		44 706 686		80 427 976		40 269 446		7 518 194		-	232 183 432	-
Gap	**(1 714 297)**		**(2 026 775)**		**(99 184)**		**3 145 138**		**989 708**		**-**	**294 589**	**-**
Total Gap	**(22 447 547)**		**11 782 998**		**546 354**		**13 499 512**		**4 454 263**		**(7 540 991)**	**294 589**	

(in PLN thousand)

Currency risk

The objective of currency risk management is to create a currency profile of the balance sheet and off-balance items which will remain within external and internal limits. The Bank's exposure to currency risk is measured for internal purposes on a daily basis by means of the Value at Risk (VaR) model as well as the stress testing analysis that is supplementary to the VaR method.

The table below presents foreign currency exposure by the separate asset, liabilities and off balance-sheet by foreign currency transactions.

as at 31 December 2008

	PLN	EUR	USD	CHF	Other	**Total**
Assets						
Cash. due from Central Bank	8 878 647	679 951	156 171	27 531	162 970	**9 905 270**
Debt securities eligible for rediscounting in The Central Bank	840	-	-	-	-	**840**
Loans and advances from banks	4 659 926	2 981 656	2 179 383	322 511	70 166	**10 213 642**
Financial assets held for trading	2 477 880	193 605	55 782	-	314	**2 727 581**
Derivative financial instruments	3 877 930	256 499	341 346	7 341	6 636	**4 489 752**
Other financial instruments at fair value through profit or loss	2 353 845	432 625	1 926 599	-	-	**4 713 069**
Loans and advances from customers	55 854 050	10 883 878	1 771 914	6 418 634	176 670	**75 105 146**
Securities available for sale	11 533 970	268 937	1 175 319	-	385 472	**13 363 698**
Securities held to maturity	1 675 212	182 597	21 252	-	-	**1 879 061**
Investment in associates	1 563 287	-	-	-	-	**1 563 287**
Other	3 676 954	244 440	40 551	52 337	2 829	**4 017 111**
Total	**96 552 541**	**16 124 188**	**7 668 317**	**6 828 354**	**805 057**	**127 978 457**

	PLN	EUR	USD	CHF	Other	**Total**
Liabilities:						
Amount due to Central Bank	4 817 499	-	-	-	-	**4 817 499**
Amounts due to banks	3 465 499	3 970 016	142 848	48 647	464 425	**8 091 435**
Amounts due to customers	75 770 069	8 549 882	5 532 653	114 534	490 936	**90 458 074**
Derivative financial instruments	4 243 603	401 256	495 248	4 943	5 334	**5 150 384**
Liabilities arising from securities issued	1 319 072	75 941	324 881	-	-	**1 719 894**
Provisions	268 860	22 015	6 971	227	104	**298 177**
Rother	17 114 922	209 696	57 323	52 921	8 132	**17 442 994**
Total	**106 999 524**	**13 228 806**	**6 559 924**	**221 272**	**968 931**	**127 978 457**
Net exposure	(10 446 983)	2 895 382	1 108 393	6 607 082	(163 874)	-
Off-balance sheet assets	25 240 338	17 212 135	4 862 302	1 429 731	951 922	**49 696 428**
Off-balance sheet liavilities	15 400 592	20 063 118	6 055 028	8 069 521	783 623	**50 371 882**

(in PLN thousand)

as at 31 December 2007

	PLN	EUR	USD	CHF	Other	Total
Assets						
Cash. due from Central Bank	4 429 744	361 472	106 270	7 827	177 515	**5 082 828**
Debt securities eligible for rediscounting in The Central Bank	1 108	-	-	-	-	**1 108**
Loans and advances from banks	11 234 337	3 715 334	2 372 191	185 802	43 401	**17 551 065**
Financial assets held for trading	2 680 492	41 639	106 671	-	-	**2 828 802**
Derivative financial instruments	1 721 867	80 506	108 410	550	6 627	**1 917 960**
Other financial instruments at fair value through profit or loss	2 394 517	392 457	990 705	-	-	**3 777 679**
Loans and receivables from customers	48 867 124	8 131 082	1 222 058	5 726 269	8 721	**63 955 254**
Securities available for sale	14 727 520	805 423	1 200 615	-	395 438	**17 128 996**
Securities held to maturity	413 102	156 511	17 277	-	-	**586 890**
Investment In associates	1 688 224	-	-	-	-	**1 688 224**
Other	3 652 527	407 101	550 898	106 411	332 812	**5 049 749**
Total	**91 810 562**	**14 091 525**	**6 675 095**	**6 026 859**	**964 515**	**119 568 556**

	PLN	EUR	USD	CHF	Other	Total
Liabilities:						
Amount due to Central Bank	1 485 921	-	-	-	-	**1 485 921**
Amounts due to banks	3 988 310	2 015 506	777 175	237	103 051	**6 884 279**
Amounts due to customers	72 368 053	9 847 914	6 069 508	143 514	731 135	**89 160 124**
Derivative financial instruments	1 465 067	87 430	124 326	396	6 087	**1 683 306**
Liabilities arising from securities issued	1 666 000	98 508	332 562	-	-	**2 097 070**
Provisions	361 185	9 608	4 169	8	28	**374 998**
Other	17 206 373	347 960	236 934	20 748	70 843	**17 882 858**
Total	**98 540 909**	**12 406 926**	**7 544 674**	**164 903**	**911 144**	**119 568 556**
Net exposure	(6 730 347)	1 684 599	(869 579)	5 861 956	53 371	-
Off-balance sheet assets	22 618 254	11 506 882	8 997 777	1 381 655	669 839	**45 174 407**
Off-balance sheet liavilities	15 870 967	12 827 294	7 952 637	7 285 465	646 314	**44 582 677**

Liquidity risk

The objective of managing liquidity risk is:

- to ensure and maintain the Bank's solvency with respect to current and future planned payables taking into account the cost of acquiring liquidity and return on the Bank's equity,
- to avoid any crisis situations,
- to outline solutions that would allow the Bank to overcome such a situation in case of a crisis.

The Bank invests primarily in treasury securities of the Polish government, financial instruments of countries and financial institutions with the highest ratings, and those with high levels of liquidity. Due to their liquidity characteristics, regularly monitored these financial instruments would assist the Bank to overcome crisis situations.

In accordance with to the Banking Supervisory Board recommendations, the Bank introduced internal liquidity indicators that reflect the ratios of total adjusted maturing assets to total adjusted maturing liabilities.

In addition, the Bank employs procedures to protect against a liquidity risk increase and against any substantial deterioration of the Bank's financial liquidity.

The emergency plan in case of deterioration of financial liquidity of the Bank takes into consideration four levels of liquidity risk depending on the amount and duration of cash outflow from the non-banking client accounts. The plan also determines the sources from which the expected cash outflows will be covered and states to what extent the Bank's Management is responsible for making necessary decisions in order to restore the required liquidity level. Both the emergency plan and the possibility of obtaining cash from sources specified in this plan are subject to periodic verification.

(in PLN thousand)

The liquidity gaps presented below include among others adjustments of core deposits and their maturities which is the main element distinguishing the adjusted from the unadjusted gap. These changes arose unification of the risk assessment methodology in UniCredit Group.

Both gap versions take into account off-balance cash flows including those of credit lines. Off-balance cash flows are generated by derivatives, granted credit lines, guarantees etc. Granted credit lines are treated as potential cash outflows. However potential cash inflows resulting from maturing loans utilised as part of credit lines are not included which implies a negative liquidity gap character and it is a conservative approach to liquidity risk assessment in the Bank.

Moreover, these gaps are static i.e. they do not show an impact of changes in balance (e.g. new deposits) off-balance volumes or non-capital cash flows on the Bank's liquidity profile.

Pursuant to KNB Resolution No 9 of 13 March 2007 on fixing liquidity norms binding for banks, from January 2008 the Bank started calculating regulatory liquidity norms on a daily basis.

As of 31 December, 2008, liquidity norms were within the recommended limits, besides liquidity ratios up to 1 month for total FCY b/s.

(in PLN thousand)

The table presents assets and liabilities of the Bank as at 31 December 2008 by realistic maturity:

Balance sheet items	up to1 month inclusive	from 1 month to 3 months inclusive	from 3 months to 1 year inclusive	from 1 year to 5 years inclusive	above 5 years	Total
Assets	**27 085 422**	**9 925 554**	**25 970 631**	**33 493 136**	**31 503 714**	**127 978 457**
Cash, due from Central Bank	8 218 563	-	-	1 686 707		9 905 270
Debt securities eligible for rediscounting in the Central Bank	125	715	-		-	840
Amounts due from banks	3 883 373	451 402	3 041 904	2 795 238	41 725	10 213 642
Financial assets held for trading	2 727 581	-	-		-	2 727 581
Other financial instruments valued at fair value through profit and loss	-	-	625 494	2 979 243	1 108 332	4 713 069
Loans and receivables from customers	11 449 269	7 958 577	14 744 276	16 496 665	24 456 359	75 105 146
Debt securities held for sale	42 225	-	1 689 738	8 943 338	2 688 397	13 363 698
Debt securities held to maturity	141 263	268 812	262 005	591 945	615 036	1 879 061
Other	623 023	1 246 048	5 607 214		2 593 865	10 070 150
Liabilities	**17 520 692**	**8 228 144**	**16 208 740**	**16 778 176**	**69 242 705**	**127 978 457**
Amounts due to banks	5 802 519	3 440 958	301 271	2 779 373	584 813	12 908 934
Amounts due to customers	10 828 841	3 567 149	6 511 548	13 118 133	56 432 403	90 458 074
Liabilities arising from securities issued	279 314	-	559 910	880 670	-	1 719 894
Other	610 018	1 220 037	8 836 011	-	12 225 489	22 891 555
Gap	**9 564 730**	**1 697 410**	**9 761 891**	**16 714 960**	**(37 738 991)**	**-**
Off-balance sheet items						
Assets	28 988 413	5 233 447	7 480 005	6 642 727	1 456 390	49 800 982
Liabilities	34 547 994	5 496 050	11 295 750	11 966 222	18 193 700	81 499 716
Gap	**(5 559 581)**	**(262 603)**	**(3 815 745)**	**(5 323 495)**	**(16 737 310)**	**(31 698 734)**
Gap total	**4 005 149**	**1 434 807**	**5 946 146**	**11 391 465**	**(54 476 301)**	**(31 698 734)**

(in PLN thousand)

The table presents assets and liabilities of the Bank as at 31 December 2007 by realistic maturity:

Balance sheet items	up to1 month inclusive	from 1 month to 3 months inclusive	from 3 months to 1 year inclusive	from 1 year to 5 years inclusive	above 5 years	Total
Assets	**31 995 709**	**9 885 172**	**20 297 772**	**34 246 572**	**23 143 331**	**119 568 556**
Cash, due from Central Bank	3 395 658	-	-	1 687 171	-	5 082 829
Debt securities eligible for rediscounting in the Central Bank	347	761	-	-	-	1 108
Amounts due from banks	14 480 567	1 757 852	1 007 565	263 757	41 324	17 551 065
Financial assets held for trading	2 828 802	-	-	-	-	2 828 802
Other financial instruments valued at fair value through profit and loss	-	-	12 526	3 272 742	492 411	3 777 679
Loans and receivables from customers	10 385 538	6 841 745	13 093 209	17 413 779	16 220 983	63 955 254
Debt securities held for sale	8 450	280 881	1 666 775	11 416 614	3 756 276	17 128 996
Debt securities held to maturity	394 381	-	-	192 509	-	586 890
Other	501 966	1 003 933	4 517 697	-	2 632 337	8 655 933
Liabilities	**20 455 836**	**4 429 000**	**13 082 151**	**7 222 558**	**74 379 011**	**119 568 556**
Amounts due to banks	5 518 933	660 234	1 881 245	109 991	199 797	8 370 200
Amounts due to customers	14 454 972	2 799 929	4 385 737	5 712 056	61 807 430	89 160 124
Liabilities arising from securities issued	18 367	41 707	636 485	1 400 511	-	2 097 070
Other	463 564	927 130	6 178 684	-	12 371 784	19 941 162
Gap	**11 539 873**	**5 456 172**	**7 215 621**	**27 024 014**	**(51 235 680)**	**-**
Off-balance sheet items						
Assets	28 127 011	10 334 124	7 430 534	825 551	389 389	47 106 609
Liabilities	26 271 701	9 689 661	9 273 201	8 396 159	18 859 440	72 490 162
Gap	**1 855 310**	**644 463**	**(1 842 667)**	**(7 570 608)**	**(18 470 051)**	**(25 383 553)**
Gap total	**13 395 183**	**6 100 635**	**5 372 954**	**19 453 406**	**(69 705 731)**	**(25 383 553)**

(in PLN thousand)

The table presents assets and liabilities of the Bank as at 31 December 2008 by unrealistic maturity:

Balance sheet items	up to1 month inclusive	from 1 month to 3 months inclusive	from 3 months to 1 year inclusive	from 1 year to 5 years inclusive	above 5 years	Total
Assets	**31 284 368**	**7 281 292**	**22 773 544**	**34 434 549**	**32 204 704**	**127 978 457**
Cash , due from Central Bank	8 218 563	-	-	1 686 707	-	9 905 270
Debt securities eligible for rediscounting in the Central Bank	125	715	-	-	-	840
Amounts due from banks	3 883 373	451 402	3 041 904	2 795 238	41 725	10 213 642
Financial assets held for trading	183 533	109 916	1 653 256	568 730	212 146	2 727 581
Other financial instruments valued at fair value through profit and loss	-	-	625 494	2 979 243	1 108 332	4 713 069
Loans and receivables from customers	18 192 263	5 204 399	9 893 933	16 869 348	24 945 203	75 105 146
Debt securities held for sale	42 225	-	1 689 738	8 943 338	2 688 397	13 363 698
Debt securities held to maturity	141 263	268 812	262 005	591 945	615 036	1 879 061
Other	623 023	1 246 048	5 607 214	-	2 593 865	10 070 150
Liabilities	**73 051 843**	**15 674 967**	**16 035 788**	**6 494 533**	**16 721 326**	**127 978 457**
Amounts due to banks	5 802 519	3 440 958	301 271	2 779 373	584 813	12 908 934
Amounts due to customers	66 359 992	11 013 972	9 684 441	2 834 490	565 179	90 458 074
Liabilities arising from securities issued	279 314	-	559 910	880 670	-	1 719 894
Other	610 018	1 220 037	5 490 166	-	15 571 334	22 891 555
Gap	**(41 767 475)**	**(8 393 675)**	**6 737 756**	**27 940 016**	**15 483 378**	**-**
Off-balance sheet items						
Assets	28 988 413	5 233 447	7 480 005	6 642 727	1 456 390	49 800 982
Liabilities	30 267 113	5 226 071	18 054 701	21 757 545	8 264 043	83 569 473
Gap	**(1 278 700)**	**7 376**	**(10 574 696)**	**(15 114 818)**	**(6 807 653)**	**(33 768 491)**
Gap total	**(43 046 175)**	**(8 386 299)**	**(3 836 940)**	**12 825 198**	**8 675 725**	**(33 768 491)**

(in PLN thousand)

The table presents assets and liabilities of the Bank as at 31 December 2007 by unrealistic maturity:

Balance sheet items	up to1 month inclusive	from 1 month to 3 months inclusive	from 3 months to 1 year inclusive	from 1 year to 5 years inclusive	above 5 years	Total
Assets	**35 851 528**	**7 982 188**	**16 390 104**	**35 493 419**	**23 851 317**	**119 568 556**
Cash , due from Central Bank	3 395 658	-	-	1 687 171	-	5 082 829
Debt securities eligible for rediscounting in the Central Bank	347	761	-	-	-	1 108
Amounts due from banks	14 480 567	1 757 852	1 240 605	30 717	41 324	17 551 065
Financial assets held for trading	580 018	382 856	254 675	1 162 015	449 238	2 828 802
Other financial instruments valued at fair value through profit and loss	-	-	12 526	3 272 742	492 411	3 777 679
Loans and receivables from customers	16 490 141	4 555 905	8 697 826	17 731 651	16 479 731	63 955 254
Debt securities held for sale	8 450	280 881	1 666 775	11 416 614	3 756 276	17 128 996
Debt securities held to maturity	394 381	-	-	192 509	-	586 890
Other	501 966	1 003 933	4 517 697	-	2 632 337	8 655 933
Liabilities	**81 480 384**	**8 234 739**	**11 181 722**	**3 680 419**	**14 991 292**	**119 568 556**
Amounts due to banks	5 518 933	660 234	1 881 245	109 991	199 797	8 370 200
Amounts due to customers	75 479 519	6 605 668	4 491 908	2 169 917	413 112	89 160 124
Liabilities arising from securities issued	18 367	41 707	636 485	1 400 511	-	2 097 070
Other	463 565	927 130	4 172 084	-	14 378 383	19 941 162
Gap	**(45 628 856)**	**(252 551)**	**5 208 382**	**31 813 000**	**8 860 025**	**-**
Off-balance sheet items						
Assets	28 028 351	9 533 723	6 036 942	809 727	389 389	44 798 132
Liabilities	26 753 317	10 031 488	12 019 131	15 580 786	7 515 784	71 900 505
Gap	**1 275 034**	**(497 765)**	**(5 982 189)**	**(14 771 059)**	**(7 126 395)**	**(27 102 373)**
Gap total	**(44 353 822)**	**(750 316)**	**(773 807)**	**17 041 941**	**1 733 630**	**(27 102 373)**

Business Risk

Business risk is defined as adverse, unexpected changes in business volume and/or margins that are not due to credit, market or operational risks.

Earnings at Risk concept is used in business risk calculation, which makes it possible to calculate unexpected negative deviation in the realised financial result from the level assumed in the financial plan. In compliance with the approach assumed by the Bank, EaR is assessed in one-year time horizon at 99.97% confidence level.

Real Estate Risk

Real estate risk results from volatility in the Bank's real estate portfolio market value. It covers the real estate portfolio of the Bank. The risk does not cover real estates acquired through vindication or those constituting provisions.

Real estate risk is calculated in one-year time horizon with VaR under the variance-covariance method and at the assumed confidence level of 99.97%.

Financial Investment Risk

Financial investment risk stems from the Bank's banking book equity holdings in companies.

The main risk factor that impacts financial investment risk is changes in value of equity shares in subsidiaries, associates, other directly dependent companies and indirectly dependent ones, which are not consolidated within the Group.

Financial investment risk is assessed based on Value-at-Risk method in one-year time horizon and at the assumed confidence level of 99.97%.

Capital management

Value of the Bank depends vastly on possibilities of its growth, that is determined by own funds. Therefore, in the Bank the great concern is devoted to the policy of own funds developing.

In the policy of maintenance of own funds at an adequate level, Bank follows the subsequent rules:

1. Safe functioning – by means of balance preservation between ability to take the risk /which is limited by current own funds/ and the level of generated risk. To this end, Bank defines the level of capital which is necessary for covering each material risk occurring in its activities. If the amount of own funds necessary for covering regulatory capital requirements or internal capital is insufficient, then actions are undertaken, in order to decrease the level of risk. If there are no possibilities to perform such actions, the necessity of own funds increase is assumed.

2. Systematic and effective growth –under expansion of activities connected with the risk /capital requirements/ increase, Bank gathers appropriate amount of own funds as well as undertakes activities, which tend to capital strengthening by means of capital management optimization (in which limitation of offer of products, which absorb more capital – for example not granting the FX mortgages; reducing capital exposure in subsidiaries).

3. Creating value for shareholders through optimal usage of Bank's own funds – Bank has begun the process of capital allocation, which should reflect the point of view of a shareholder, who has invested his capital to Bank, and therefore to provide him safe and effective return from invested capital. It requires, from the one hand, capital allocation to products/clients/business lines/, provided the profits adequate to risk taken, and from the other hand, taking into consideration the cost of capital in business decisions.

In order to realize the above rules, Bank uses Tier 1 capital only, without additional supplying with Tier 2 capital (e.g. subordinated debt).

In Bank Pekao there is a formalized process for capital management and monitoring which was created within the ICAAP procedures. The Finance Division under the Chief Financial Officer is responsible for designing and implementing the capital management process in the Bank. The Management Board supported by the Asset-Liability and Risk Committee is ultimately responsible for capital management and approves the capital management process.

The capital management strategy defines objectives and general rules of the Bank in relation to capital adequacy management and monitoring such as guidelines on risk coverage sources, preferred structure of risk coverage capital, long-term capital targets, capital limit system, sources of additional capital in contingency situations and governance of capital management.

The capital management process is established to meet – among others – the following objectives:

- provide sufficient capital and similar resources to cover risk taken in order to protect depositors.
- maintain risk capital above minimum levels in order to provide further business expansion, offset changes to capital requirements and secure interests of shareholders.
- maintain the preferred capital structure in order to keep desirable quality of risk coverage capital.
- use of the capital absorption for risk-return analysis, risk-adjusted performance measurement, optimization of capital usage by different business activities and in result shareholders' value creation.

The Bank's capital adequacy is controlled by the Management Board and the Asset-Liability and Risk Committee. Periodic reports on the scale and directions of changes of the capital adequacy ratio together with indication of potential threats are prepared for the Management Board and for the Asset-Liability and Risk Committee. The level of basic types of risks is monitored according to the external limits of the banking supervision and the internal limits of the Bank. Analyses and evaluation of directions of business development activities are performed from the point of view of accordance with capital requirements. Forecasting and monitoring of risk weighted assets, own funds and capital adequacy ratio is the integral part of the planning and budgeting process.

New Capital Agreement regulations (Basel II) have been applied by Bank since January 1, 2008. These regulations are based on three pillars (minimal capital requirements, process of internal capital adequacy assessment, disclosures).

Regulatory capital requirements

A basic measure of capital adequacy is the capital adequacy ratio (CAR). The minimum capital adequacy ratio required by law equals to 8% both for the Bank and the Group. December 2008 CAR for the Bank amounted to 11.62 %, which is by 3.62 p.p. higher than minimum value. Bank's CAR meets also the recommendations of the Polish Financial Supervision Authority, which recommended to take firm and effective actions which would guarantee maintenance of capital adequacy ratio at a safe level, not lower than 10%.

Regulatory capital requirements calculation as of 31 December 2007 and 31 December 2008 is based on Resolution No. 1/2007 of the Commission for Banking Supervision of 13 March, 2007. December 2007 calculation was performed taking into consideration the specificity of the transition period, which was used by Bank Pekao S.A. This means – among others – that the operational risk capital requirement was not taken into account in the total capital requirement.

The standardised approach is used for credit risk capital requirement calculation (in accordance with Annex No. 4 to Resolution No. 1/2007), and financial collateral comprehensive method is used for the credit risk mitigation (in accordance with Annex No. 17 to Resolution No. 1/2007)

The standardised approach is applied for operational risk capital requirement calculation (in accordance with Annex No. 14 to Resolution No. 1/2007)

(in PLN thousand)

The table below presents the basic data concerning Bank capital adequacy as of 31 December 2008 and 31 December 2007.

Own funds	**31.12.2008**	**31.12.2007**
Share capital	262 213	261 867
Supplementary capital	9 295 139	9 252 555
Reserve capital	1 390 997	865 890
General banking risk fund	1 237 850	1 237 850
Net profit from the current period verified by external auditor reduced by the expected dividends (*)	1 766 481	521 716
Revaluation reserve arising from financial assets available for sale	(93 129)	(355 724)
Adjustment concerning intangible assets	(721 888)	(668 183)
Adjustment concerning investments in financial institutions	(1 464 558)	(1 683 215)
Own funds	**11 673 105**	**9 432 756**
Capital adequacy ratio	**11.62%**	**11.13%**

(*) Net profit for 1st half 2008 and net profit for 2007 reduced by the expected dividends..

Internal capital adequacy assessment

Since January 2008 the Bank has applied methods designed internally. During the internal capital adequacy assessment the Bank takes into consideration following risk's types:

- credit risk (including counterparty credit risk, concentration risk, country risk and residual risk),
- market risk (including interest rate risk in trading book, exchange rate risk, equity risk,
- commodity risk and volatility risk),
- liquidity risk (including liquidity mismatch risk, liquidity contingency risk, market liquidity risk, operational liquidity risk, funding risk and margin calls liquidity risk),
- interest rate risk in banking book,
- real estate risk,
- operational risk,
- financial investments risk
- compliance risk,
- reputation risk,
- strategic risk.

For each risk deemed material, the Bank develops and applies an assessment and measurement methodology.

Two approaches to risk assessment are applied by the Bank:

- qualitative, for risks which are hardly measurable or for which capital cannot absorb losses (compliance, liquidity, strategic and reputation risk),
- quantitative, for risks that can be measured by economic capital (remaining significant risks).

The target methodologies of risk measurement and its convergence into capital charge, to be applied by the Bank, are Value at Risk based models with assumptions resulting from risk appetite (99,97% confidence level and one year time horizon). These methodologies should be developed according to guidelines provided by UniCredit Group and complemented by stress-tests or scenario analyses. For the time being the interim methodologies (standard approach plus stress testing) are applied instead of the target ones until the latter are completely developed and implemented.

(in PLN thousand)

In the first step economic capital is calculated separately for each of quantifiable material risks defined by the Bank. In the next step economic capital figures for individual risks are being aggregated into one aggregated economic capital figure including diversification effect. Taking into account diversification effect, total aggregated economic capital is not greater (is equal or smaller) than sum of individual risks economic capital figures.

Economic capital surplus can be used to cover non-measurable risks and serves as additional protection in case not all risks were adequately captured or diversification matrix could not be precisely measured.

Fair value of balance sheet financial instruments

Fair value valuation of financial instruments traded on active markets bases on available quotations of these instruments (mark-to-market).

Valuation of instruments traded on not regulated markets (over-the-counter) and illiquid instruments (i.e. with no direct quotations available) bases on quotations of other instruments from active market and is performed by their replication. Various valuation techniques are applied including present value estimations of future cash flows (mark-to-model).

As of 31 December 2008 and 31 December 2007 Bank classified assets and liabilities recognized at fair value on three categories in terms of valuation methods:

Method 1: Mark-to-market based on prices quoted in active markets. Applies to securities quoted in active markets only.

Method 2: Mark-to-model for models which parameters base on prices of financial instruments quoted in relevant active markets. Applies to majority of derivatives including forwards for securities and to illiquid treasury bonds/bills.

Method 3: Mark-to-model for models which some parameters base on estimated risk factors. Applies to derivatives (mostly non-linear) in illiquid markets, commercial and municipal papers not quoted in active markets and derivatives carrying credit risk impairments.

As at 31 December 2008

	Method 1	Method 2	Method 3	Total
Assets:	**18 000 085**	**6 707 155**	**744 759**	**25 451 999**
Financial assets held for trading	2 555 832	22 799	148 950	2 727 581
Derivative financial instruments	-	4 281 386	208 366	4 489 752
Other financial instruments at fair value through profit or loss	4 087 574	625 495	-	4 713 069
Hedging derivative financial instruments	-	157 899	-	157 899
Available for sale	11 356 679	1 619 576	387 443	13 363 698
Liabilities:	**405 979**	**5 059 821**	**90 936**	**5 556 736**
Financial liabilities held for trading	405 979	-	-	405 979
Derivative financial instruments	-	5 059 448	90 936	5 150 384
Hedging derivative financial instruments	-	373	-	373

(in PLN thousand)

As at 31 December 2007

	Method 1	Method 2	Method 3	Total
Assets:	**18 199 141**	**3 726 931**	**3 768 037**	**25 694 109**
Financial assets held for trading	1 957 531	18 042	853 229	2 828 802
Derivative financial instruments	-	1 673 478	244 482	1 917 960
Other financial instruments at fair value through profit or loss	3 251 218	526 461	-	3 777 679
Hedging derivative financial instruments	-	40 672	-	40 672
Available for sale	12 990 392	1 468 278	2 670 326	17 128 996
Liabilities:	**491 382**	**1 467 317**	**245 072**	**2 203 771**
Financial liabilities held for trading	491 382	-	-	491 382
Derivative financial instruments	-	1 438 234	245 072	1 683 306
Hedging derivative financial instruments	-	29 083	-	29 083

There are certain financial instruments which are not recognized at fair value in the financial statements of the Bank. Fair value represents the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

In the case of certain groups of financial assets held on the basis of the amount of the payment due including impairment it has been assumed that fair value is equal to book value. This applies in particular to cash and cash equivalents current receivables and liabilities as well as other assets and liabilities.

As no quoted market price is readily available for the customer loans the fair value has been estimated using valuation techniques assuming that on initial recognition fair value is equal to book value. Fair value of non impaired loans is equal to the sum of future expected cash flows discounted to the balance sheet date. The discount rate is the sum of the appropriate market risk free rate, credit spread and sales margin (including fees income) for relevant loan product. The fair value of impaired loans is equal to the sum of expected recoveries discounted to the balance sheet date using the market risk free rate as the credit risk is incorporated into the average expected recoveries.

The fair value of central investment loan is presented on a net basis with the fair value financing and refinancing with the loan from NBP. On a gross basis the fair value adjustment at the end of December 2008 amounts to PLN 310 million for the loan and PLN 292 million for the refinancing (at 31 December 2007 the fair value adjustment amounts to PLN 385 million for the loan and PLN 365 million for the refinancing).

For investment in equity investments that do not have a quoted market price in an active market the fair value cannot be measured reliably. For those investments the carrying book value has been presented as the fair value in the table below. These investments consist of shares in financial sector companies companies taken over by the Bank through bad debt restructuring/conversion and miscellaneous other.

Equity shares in financial sector companies are associated with the performance of various banking and financial services and credit card payment settlements, these include BIK S.A. MTS-CeTO S.A. GPW S.A. Mastercard. These equity investments are long-term investments and at present the Bank is not planning to divest thereof.

(in PLN thousand)

As at 31.12.2008	Book value	Fair value	Increase/decrease of fair value over the book value
Assets			
Cash. due from Central Bank	9 905 270	9 905 270	
Loans and receivables from banks	10 213 642	10 325 656	112 014
Financial assets as held for trading	2 727 581	2 727 581	-
Derivative financial instruments	4 489 752	4 489 752	-
Other financial instruments at fair value through profit or loss	4 713 069	4 713 069	-
Loans and receivables from customers (*)	75 105 986	75 231 473	125 487
Hedging derivative financial instruments	157 899	157 899	-
Debt securities available for sale	13 363 698	13 363 698	-
Securities held to maturity	1 879 061	1 861 731	(17 330)
Investments in subsidiaries	1 506 442	1 506 442	-
Investments in associates	56 845	56 845	-
Total	**124 119 245**	**124 339 416**	**220 171**

(*) including: debt securities eligible for rediscounting at Central Bank

As at 31.12.2007	Book value	Fair value	Increase/decrease of fair value over the book value
Assets			
Cash. due from Central Bank	5 082 829	5 082 829	-
Loans and receivables from banks	17 551 065	17 553 935	2 870
Financial assets as held for trading	2 828 802	2 828 802	-
Derivative financial instruments	1 917 960	1 917 960	-
Other financial instruments at fair value through profit or loss	3 777 679	3 777 679	-
Loans and receivables from customers (*)	63 956 362	63 972 648	16 286
Hedging derivative financial instruments	40 672	40 672	-
Debt securities available for sale	17 128 996	17 128 996	-
Securities held to maturity	586 890	592 117	5 227
Investments in subsidiaries	1 631 694	1 631 694	-
Investments in associates	56 530	56 530	-
Total	**114 559 479**	**114 583 862**	**24 383**

(*) including: debt securities eligible for rediscounting at Central Bank

As no quoted market price is readily available for customer deposits the fair value of deposits has been estimated using valuation techniques assuming that on initial recognition fair value is equal to book value. The fair value of term deposits is equal to the sum of future expected cash flows discounted to the balance sheet date. The discounting rate is the sum of appropriate market risk free rate and sales margin. In case that the term deposit can be withdrawn before maturity and the fair value is below the notional value it is assumed that the fair value is equal to the notional value. For the current deposits it is assumed that the fair value is equal to the notional value.

In the amount of customers' deposits in the Bank the adjustment for the fair value as at 31 December 2008 amounted for PLN (33 939) thousand (as at 31 December 2007 amounted for PLN 66 397 thousand) and PLN (22 833) thousand (as at 31 December 2007 amounted for PLN (2 496) thousand) for the banks' deposits. Core deposits were not considered in the fair value of deposits.

In the amount of debt securities in issue in the Bank the adjustment for the fair value as at 31 December 2008 amounted for PLN (37 719) thousand (as at 31 December 2007 amounted for PLN (91 762) thousand).

(in PLN thousand)

For the other financial liabilities the Bank assumes that the carrying amount is similar to fair value

Mark-to-model valuation base on the present value estimations of future cash flows model. Future floating cash flows are estimated using rates from relevant markets (depending on issue specification). Fixed and implied cash flows are discounted using zero-coupon curves relevant for the issuer or market.

8. Custodial activities

The Bank's custodial activities are performed pursuant to a decision by the Financial Supervision Authority. Our clients include Polish and international financial institutions, custodian and investment banks, insurance companies, mutual and pension funds, as well as non-financial institutions. Our custodial services include, in particular, settlement of transactions executed on domestic and international financial markets, custody of assets, handling of securities and cash accounts, asset valuation, and services related to dividend and interest payments.

In 2008, the Bank continued to provide domestic and foreign financial institutions with custodial services in the territory of Poland, securities lending to ensure liquidity of their settlements, and settlement of derivatives market transactions. In the same period, the Bank won new clients, including foreign custodian banks and brokerage firms operating as remote members of the WSE, for which it acts as the clearing agent. Furthermore, we held on to our market leader position in depositary receipt programmes, handling more than 50% of such programmes.

9. Interest income and expense

Interest income

	2008	2007
Income on placements in other banks	577 753	482 049
Income on other placements on money market	123 433	61 652
Income on loans and receivables from customers	5 558 760	2 918 311
Income on investment securities	1 001 334	780 584
Income on financial assets held for trading	166 861	59 063
Income on financial assets designated at fair value through profit and loss	244 769	102 897
Total	**7 672 910**	**4 404 556**

Interest expense

	2008	2007
Expense on other banks' deposits	(262 969)	(121 350)
Expense on other deposits on the money market	(374 353)	(152 521)
Expense on customers' deposits	(2 614 633)	(1 310 908)
Expense on obtained loans	(206 067)	(264 660)
Expense due to the amortization of premium on securities	(44 798)	(58 618)
Expense on debt securities	(52 957)	(5 188)
Total	**(3 555 777)**	**(1 913 245)**

Total amount of interest income for the 2008, measured at amortized cost using the effective interest rate method, with reference to financial assets which are not valued at fair value through profit and loss, amounted to PLN 4 712 115 thousand (in 2007: PLN 3 124 246 thousand). Interest expense, calculated at 2008, amortized cost using the effective interest rate method, with reference to financial liabilities which are not valued at fair value through profit and loss, amounted to PLN 3 026 909 thousand (in 2007: PLN 1 666 204 thousand).

(in PLN thousand)

10. Fee and commission income and expense

Fee and commission income

	2008	2007
Accounts maintenance and payment orders	973 934	662 436
Payment cards	784 038	487 237
Acquisition services	303 484	633 385
Credits and loans granted	270 849	197 063
Guarantees and similar operations	37 978	23 817
Custody activity	58 671	33 304
Securities operations	33 556	9 202
Other	98 529	31 398
Total	**2 561 039**	**2 077 842**

Fee and commission expense

	2008	2007
Payment cards	(389 924)	(231 783)
Securities operations	(9 911)	(5 409)
Custody activity	(4 840)	(4 887)
Acquisition services	(31 644)	(15 831)
Accounts maintenance	(2 318)	(2 369)
Transfers	(24 507)	(7 196)
Other	(24 501)	(13 750)
Total	**(487 645)**	**(281 225)**

11. Dividend income

	2008	2007
Dividend income from the issuers:		
Subsidiaries	400 519	164 347
Associates	119 964	78 601
Other entities	5 054	236
Total	**525 537**	**243 184**

12. Gains (losses) on financial instruments at fair value

a/ Gains (losses) on assets and liabilities held for trading

	2008	2007
Derivative instruments	120 289	9 515
Debt instruments	27 033	31 784
Total	**147 322**	**41 299**

b/ Gains (losses) on financial assets and financial liabilities at fair value through profit and loss

	2008	2007
Debt instruments	(93 626)	(13 568)
Total	**(93 626)**	**(13 568)**
Total result on financial instruments valued at fair value (a+b)	**53 696**	**27 731**

(in PLN thousand)

Total change in the fair value of financial instruments valued at fair value through profit and loss established using valuation techniques (where no established quotations were published on the active market) in the 2008 was PLN 119 593 thousand (in 2007: PLN 12 843 thousand respectively).

13. Gains (losses) on investment securities

Realized gains (losses) on financial assets and liabilities other than valued at fair value through profit and loss

	2008	2007
Realized profit		
Financial assets available for sale	97 667	40 146
Investments held to maturity	2 706	-
Debt securities in issue	1 267	80
Total	**101 640**	**40 226**
Realized losses		
Financial assets available for sale	(16 783)	(2 696)
Investments held to maturity	(1 556)	-
Debt securities in issue	(5 831)	(199)
Total	**(24 170)**	**(2 895)**
Net realized profit	**77 470**	**37 331**

Change in the fair value of financial assets available for sale recognized in the 2008 directly in equity amounted to PLN 296 580 thousand (increase of equity) (in 2007 PLN 225 329 thousand (decrease of equity)).

Profits and losses from financial assets moved in the 2008 from equity to profit and loss account amounted to PLN 80 884 thousand (profit) (in 2007 PLN 37 450 thousand (profit)).

14. Other operating income and expense

	2008	2007
Other operating income		
Gains on sale of due from customers, properties and other assets	132 154	29 373
Rent and other revenue	55 991	25 057
Recovery of prescribed, written-off against provisions and bad debts	33 245	15 245
Releases of provisions for litigation and claims	54 036	8 032
Income from waved liabilities	19 676	-
Recovery administrative costs	19 695	5 121
Credit insurance	20 143	17 002
Recovery of debt collection costs	11 158	5 766
Releases of provisions for other assets	9 865	19 441
Compensation. fees and penalties	1 788	74
Other	35 025	22 940
Total	**392 776**	**148 051**

(in PLN thousand)

	2008	2007
Other operating expense		
Debt recovery costs	(19 560)	(13 777)
Losses on disposal of due from customers, properties and other assets	(17 663)	(3 441)
Credit insurance	(15 421)	(14 544)
Customers complaints	(4 305)	(2 646)
Provision charges for litigation and claims	(3 845)	(15 797)
Impairment of intangible and property, plant and equipment and other assets	(3 195)	(2 929)
Donations	(3 512)	(2 801)
Debts written off's	(3)	(10)
Compensations, fees and penalties	(247)	(258)
Other	(35 345)	(18 441)
Total	**(103 096)**	**(74 644)**

15. General and administrative expenses

	2008	2007
Payroll and employee benefits	(1 652 231)	(1 246 643)
including:		
Wages and salaries	(1 404 636)	(1 046 267)
Insurance and other charges related with employees	(244 205)	(196 025)
Cost of share-based payments	(3 390)	(4 351)
Other administrative costs	(1 328 586)	(874 624)
Amortization	(371 295)	(316 695)
Taxes and charges	(35 997)	(22 659)
Annual Bank Guarantee Fund fee	(15 813)	(8 389)
Polish Financial Supervision Authority (PFSA) fee	(26 212)	-
Total	**(3 430 134)**	**(2 469 010)**

16. Net provision charges for financial assets and contingent liabilities and commitments

	2008	2007
Provision charges		
Loans to clients and receivables from banks	(1 211 818)	(1 711 563)
Financial assets available for sale	(1)	(12 079)
Investments held to maturity	(37)	(28)
Investments in subsidiaries	-	(913)
Derivative financial instruments	(71 831)	-
Contingent liabilities and commitments	(106 089)	(240 058)
Total	**(1 389 776)**	**(1 964 641)**

	2008	2007
Provision releases		
Loans to clients and receivables from banks	1 017 488	1 614 964
Financial assets available for sale	3 350	-
Investments held to maturity	37	118
Investments in associates	1 672	-
Contingent liabilities and commitments	154 983	220 791
Total	**1 177 530**	**1 835 873**
Net provision	**(212 246)**	**(128 768)**

(in PLN thousand)

17. Impairment

2008	Impairment at the end of previous period	Increse			Decreases				Impairment changes balance at the end of the period	Influence on profit and loss statement
		Impairment charges during the period	Foreign exchange differences	Other (*)	Write off of assets from the balance sheet	Release of the provisions	Foreign exchange differences	Other (*)		
Impairment of the financial assets valued at the fair value through the profit and loss:										
Derivative financial instruments (**)	**-**	71 831	**-**	**-**	**-**	**-**	**-**	**-**	**71 831**	**71 831**
Impairment of the financial assets not valued at the fair value through the profit and loss:										
Financial assets available for sale	**15 168**	1	138	5 013	-	(3 350)	-	(4 779)	**12 191**	(3 349)
Loans to clients and receivables from banks valued at amortized cost	**4 488 912**	1 211 818	221 249	1 189	(48 853)	(1 025 121)	(75 891)	(910 005)	**3 863 298**	186 697
Investments held to maturity valued at amortized cost	**104**	37	17	-	-	(37)	-	-	**121**	
Impairment of:										
Property, plant and equipment	**15 392**	26	361	309	-	-	-	(3 302)	**12 786**	26
Investment real estate property	**8 773**	550	546	110	-	-	-	-	**9 979**	550
Intangible assets, in which:	**11 080**	-	-	-	-	-	-	(119)	**10 961**	-
Goodwill	**-**	-	-	-	-	-	-	-	**-**	-
Other intangible assets	**11 080**	-	-	-	-	-	-	(119)	**10 961**	-
Impairment of the investments in subsidiaries and associates	**44 728**	-	-	-	-	(1 672)	-	-	**43 056**	(1 672)
Other	**100 916**	2 619	-	929 307	(1 776)	(2 232)	(428)	(920 541)	**107 865**	**387**
Total	**4 685 073**	**1 286 882**	**222 311**	**935 928**	**(50 629)**	**(1 032 412)**	**(76 319)**	**(1 838 746)**	**4 132 088**	**254 470**

(*) The amount of PLN 910 005 thousand represents the credit risk allowance balance related to receivables classified to position “Assets classified as held for sale.
(**) In yhis the amount of PLN 26.2 million relating strictly to fx options and PLN 45.3 million for companies highlighting structural problems related to their industrial activity and with outstanding derivatives transactions within their exposures in the Bank.

(in PLN thousand)

2007	Impairment at the end of previous period	Increase				Decrease			Other	Impairment charges balance at the end of the period	Influence on the profit and loss statement
		Merger of "Pekao 285"	Impairment charges during the period	Foreign exchange differences	Other	Write off of assets from the balance sheet	Release of the provisions	Foreign exchange differences			
Impairment of the financial assets not valued at the fair value through the profit and loss:					-						
Financial assets available for sale	**400**	2 788	12 079	-	-	-	-	(99)		**15 168**	12 079
Loans to clients and receivables from banks valued at amortized cost	**3 615 774**	1 050 961	1 711 563	32 317		(216 307)	(1 614 964)	(90 196)	(236)	**4 488 912**	96 599
Investments held to maturity valued at amortized cost	**202**	-	28	-		-	(118)	(8)	-	**104**	(90)
Impairment of:					-						
Property. plant and equipment	**3 202**	12 884	83	-	56	-	-	(153)	(680)	**15 392**	83
Investment real estate property	**8 654**	-	-	-	350	-	-	(231)	-	**8 773**	-
Intangible assets	**10 961**	-	143	-	-	-	-	-	(24)	**11 080**	143
Goodwill	**-**	-	-	-	-	-	-	-	-	**-**	-
Other intangible assets	**10 961**	-	143	-	-	-	-	-	(24)	**11 080**	143
Impairment of the investments in subsidiaries and associates	**45 646**	3 066	913	-		-	-	-	(4 897)	**44 728**	913
Other	**101 174**	16 755	2 703	490	734	(1 111)	(19 441)		(388)	**100 916**	(16 738)
Total	**3 786 013**	**1 086 454**	**1 727 512**	**32 807**	**1 140**	**(217 418)**	**(1 634 523)**	**(90 687)**	**(6 225)**	**4 685 073**	**92 989**

(in PLN thousand)

Write downs and write backs related to impairment of loans advances and other financial assets and impairment reverse are presented in the profit and loss account under "Net impairment losses on financial assets and provisions for quarantees and commitments". Write downs for depreciation of other assets are presented under "other operating expenses", reversal of write downs for depreciation of other assets are presented under "other operating income".

18. Discontinued operations

In the 2008 and in the 2007 the Bank did not discontinue any of its operations.

19. Income tax

Reconciliation between tax calculated by applying the current tax rate to accounting profit and the actual tax charge presented in the profit and loss account.

	2008	2007
Accounting gross profit	**4 029 637**	**2 397 547**
Tax at applicable tax rate at 19%	**765 631**	**455 534**
Tax effect of the permanent differences	**(81 839)**	**(64 587)**
Non taxable income	(99 500)	(68 585)
Non tax deductible costs	17 294	6 865
Impact of other tax rates applied under a different tax jurisdiction	2 902	3 720
Influence of utilised tax losses	-	-
Tax relieves not included in the profit and loss account	340	(4 282)
Other	(2 875)	(2 305)
The effective tax charge of the accounting profit	**683 792**	**390 947**

The applicable tax rate at 19% is the binding in Poland corporate income tax rate.
The basic components of income tax charge presented in the profit and loss account and in the net equity:

	2008	2007
Profit and loss account		
Current income tax	**(692 654)**	**(390 563)**
Current tax charge disclosed in the profit and loss account	(670 880)	(402 342)
Adjustments related to the tax from previous years	(11 248)	14 579
Other taxes (for example: withholding tax, income tax relating to foreign branches)	(10 526)	(2 800)
Deferred income tax	**8 862**	**(384)**
Due to the occurrence and reversal of timing differences	8 862	(384)
Tax charge disclosed in the profit and loss account	**(683 792)**	**(390 947)**
Equity		
Deferred income tax	**(71 576)**	**55 392**
Due to the occurrence and reversal of timing differences	(71 576)	55 392
Tax charge disclosed in the net equity	**(71 576)**	**55 392**
Total	**(755 368)**	**(335 555)**

(in PLN thousand)

Deferred assets and liabilities

	As at 31 December 2007			Changes recognized in		As at 31 December 2008		
	Total deferred tax	in profit and loss account	in equity	Profit and loss account	equity	Total deferred tax	in profit and loss account	in equity
		Deferred tax liability						
Income receivable from the securities	91 706	91 706	-	(859)	-	90 847	90 847	-
Income receivable from loans given	234 918	234 918	-	19 384	-	254 302	254 302	-
Upward revaluation of the financial assets	396 863	396 863	-	66 488	7 029	470 379	463 350	7 029
Accelerated depreciation	118 174	118 174	-	(5 685)	-	112 489	112 489	-
Investment relief	23 508	23 508	-	(589)	-	22 919	22 919	-
Other	9 947	9 947	-	6 284	-	16 231	16 231	-
Gross deferred tax liability	**875 116**	**875 116**	**-**	**85 023**	**7 029**	**967 167**	**960 138**	**7 029**
		Deferred tax asset						
Future costs related to securities	-	-	-	-	-	-	-	-
Future costs related to deposits and loans received	188 771	188 771	-	41 105	-	229 876	229 876	-
Unrealized losses on financial instruments	497 875	433 328	64 547	63 791	(64 547)	497 119	497 119	-
Income received to be accounted for over time from the loans and current accounts	94 427	94 427	-	9 135	-	103 562	103 562	-
Costs due to the loan provisions charges	335 656	335 656	-	(4 770)	-	330 886	330 886	-
Personnel costs provisions	77 495	77 495	-	(16 101)	-	61 394	61 394	-
Accruals	19 554	19 554	-	(2 134)	-	17 420	17 420	-
Uncovered losses from previous years	7 092	7 092	-	(7 092)	-	-	-	-
Other	3 658	3 658	-	9 951	-	13 609	13 609	-
Gross deferred tax assets	**1 224 528**	**1 159 981**	**64 547**	**93 885**	**(64 547)**	**1 253 866**	**1 253 866**	**-**
Deferred tax charge	**X**	**X**	**X**	**8 862**	**(71 576)**	**X**	**X**	**X**
Net deferred tax assets	**349 412**	**284 865**	**64 547**	**X**	**X**	**286 699**	**293 728**	**(7 029)**
Net provision for the deferred tax	**-**	**-**	**-**	**X**	**X**	**-**	**-**	

(in PLN thousand)

	As at 31 December 2006			Changes recognized in		Increase being the result of merger with Bank BPH recognized in		As at 31 December 2007		
	Total deferred tax	in profit and loss account	in equity	Profit and loss account	equity	Profit and loss account	equity	Total deferred tax	in profit and loss account	in equity
				Deferred tax liability						
Income receivable from the securities	-	-	-	40 582	(3 720)	51 124	3 720	91 706	91 706	-
Income receivable from loans given	240 734	240 734	-	(51 990)	-	46 174	-	234 918	234 918	-
Upward revaluation of the financial assets	116 988	116 988	-	91 536	(4 264)	188 339	4 264	396 863	396 863	-
Accelerated depreciation	117 638	117 638	-	(26 169)	-	26 705	-	118 174	118 174	-
Investment relief	6 539	6 539	-	16 969	-	-	-	23 508	23 508	-
Other	8 081	8 081	-	(32 057)	-	33 923	-	9 947	9 947	-
Gross deferred tax liability	**489 980**	**489 980**	**-**	**38 871**	**(7 984)**	**346 265**	**7 984**	**875 116**	**875 116**	**-**
				Deferred tax asset						
Future costs related to securities	24 619	24 619	-	(26 632)	(1 829)	2 013	1 829	-	-	-
Future costs related to deposits and loans received	207 687	207 687	-	(48 771)	-	29 855	-	188 771	188 771	-
Unrealized losses on financial instruments	120 411	117 501	2 910	137 002	49 237	178 825	12 400	497 875	433 328	64 547
Income received to be accounted for over time from the loans and current accounts	60 928	60 928	-	(3 721)	-	37 220	-	94 427	94 427	-
Costs due to the loan provisions charges	271 380	271 380	-	(11 586)	-	75 862	-	335 656	335 656	-
Personnel costs provisions	54 521	54 521		21 792	-	1 182	-	77 495	77 495	-
Accruals	9 488	9 488	-	(16 021)	-	26 087	-	19 554	19 554	-
Uncovered losses from previous years	15 770	15 770	-	(8 678)	-	-	-	7 092	7 092	-
Other	-	-	-	(4 898)	-	8 556	-	3 658	3 658	-
Gross deferred tax assets	**764 804**	**761 894**	**2 910**	**38 487**	**47 408**	**359 600**	**14 229**	**1 224 528**	**1 159 981**	**64 547**
Deferred tax charge	**X**	**X**	**X**	**(384)**	**55 392**	**13 335**	**6 245**	**X**	**X**	**X**
Net deferred tax assets	**274 824**	**271 914**	**2 910**	**X**	**X**	**X**	**X**	**349 412**	**284 865**	**64 547**
Net provision for the deferred tax	**-**	**-**	**-**	**X**	**X**	**X**	**X**	**-**	**-**	**-**

(in PLN thousand)

As at 31 December 2008 and 31 December 2007 there were no temporary differences related to investments in subsidiaries, branches, affiliates, and joint ventures, for which no deferred tax liability was created due to meeting the condition to control the timing of reversal of the differences and existence of high probability that the differences will not reverse in a foreseeable future.

As at 31 December 2008 and 31 December 2007 there were no temporary differences, unused tax losses and tax credits that were not included in the deferred tax asset.

20. Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing net profit attributable to ordinary shareholders of the holding company by dividing net profit by the average weighted number of ordinary shares listed during a given period.

Earnings per share

	2008	2007
Net profit attributed to ordinary shareholders	3 345 845	2 006 600
Weighted average number of ordinary shares in the period	262 180 259	175 645 529
Earnings per each share (PLN per share)	12.76	11.42

Diluted earnings per share

Diluted earnings per share are calculated based on the respective profit of ordinary shareholders of the holding company by dividing the profit of such shareholders by the average weighted number of ordinary shares listed during a given period. adjusted for all potentially diluting ordinary shares.

There are diluting instruments in the Bank in the form of convertible bonds. For calculation purposes. it is assumed that these will be converted into shares.

	2008	2007
Net profit attributed to ordinary shareholders	3 345 845	2 006 600
Weighted average number of ordinary shares in the period	262 180 259	175 645 529
Adjustments to the number of shares for the purpose of calculating the diluted earnings per share	103 533	194 360
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	262 283 792	175 839 889
Diluted earnings per each share (PLN per share)	12.76	11.41

21. Recommendation not to pay out dividend

Management Board of Bank Polska Kasa Opieki S.A., having received the positive opinion of the Supervisory Board, will submit to the Ordinary General Meeting the proposal of allocation to Bank's basic funds of the entire net profit for year 2008.

Such a recommendation will contribute to achieve an extraordinary high level of capital adequacy ratio what is especially important in the circumstances of volatility of the macroeconomic environment and allowing Bank to be in a privileged position to capture business opportunities moving forward.

The final distribution of Bank net profit for year 2008 is subject to approval of the Ordinary General Meeting.

(in PLN thousand)

22. Cash and amounts due from Central Bank

	31.12.2008	31.12.2007
Cash	3 129 445	2 532 540
Current account in the Central Bank	5 006 653	802 444
NBP bonds *	1 686 707	1 687 171
Interest	81 058	59 105
Other funds	1 407	1 569
Total	**9 905 270**	**5 082 829**

(*) The NBP bond is a non-quoted debt security with maturity on 1st March 2012. issued in relation to reduction of the obligatory reserve rate. The bond is not included under "cash" in the statement of cash flows.

In the course of the day the Bank may use funds in the mandatory reserve account for ongoing payments pursuant to an instruction submitted to the National Bank of Poland. It must. however. ensure that the average monthly balance in such accounts comply with the requirements described in the mandatory reserve declaration.

Funds in the mandatory reserve account bear interest in the amount of 0.9 of the rediscount rate for bills of exchange amounts as at 31 December 2008 5.25%. As at 31 December 2008 this interest amounted to 4.73%.

23. Loans and receivables from banks

	31.12.2008	31.12.2007
Current account	2 003 700	4 251 495
Deposits and advances from other banks (*)	3 378 971	7 753 893
Loans and advances (*)	2 371 439	1 566 368
Unquoted securities	1 546 454	13 684
Repo transactions	649 600	2 564 669
Funds in transit	309 378	1 345 259
Interest	56 783	84 992
Total gross	**10 316 325**	**17 580 360**
Provision for the impairment of receivables	(102 683)	(29 295)
Total net	**10 213 642**	**17 551 065**

The variable interest rate due from banks amounts to PLN 309 653 thousand (as at 31 December 2007: PLN 2 474 054 thousand), fixed interest rate due from banks amounts to PLN 9 640 511 thousand (as at 31 December 2007: PLN 12 509 880 thousand).

(*) Include placements in Unicredit Bank Ltd. in the amount of PLN 2 606 453 thousand (as at 31 December 2007: PLN 622 354 thousand) and loan granted to Unicredit Bank Ltd. in the amount of PLN 15 401 thousand (as at 31 December 2007: PLN 257 308 thousand). For details see Note 32

(in PLN thousand)

As at 31 December 2008	Gross value of not - impaired loans	Gross value of impaired loans	Individual impairment charges	Collective impairment charges*	Total net value
Current account	2 003 700	-	-	-	2 003 700
Deposits in other banks	3 318 971	60 000	(54 000)	-	3 324 971
Loans given	2 317 245	54 194	(19 459)	(28 201)	2 323 779
Unlisted securities	1 545 431	1 023	(1 023)	-	1 545 431
Repo transactions	649 600	-	-	-	649 600
Funds in transit	309 378	-	-	-	309 378
Interest	56 618	165	-	-	56 783
Total	**10 200 943**	**115 382**	**(74 482)**	**(28 201)**	**10 213 642**

* Includes the estimated impairment for losses incurred but not reported (IBNR)

As at 31 December 2007	Gross value of not - impaired loans	Gross value of impaired loans	Individual impairment charges	Collective impairment charges*	Total net value
Current account	4 251 495	-	-	-	4 251 495
Deposits in other banks	7 753 893	-	-	-	7 753 893
Loans given	1 482 217	84 144	-	(28 447)	1 537 914
Unlisted securities	12 843	841	(841)	-	12 843
Repo transactions	2 564 669	-	-	-	2 564 669
Funds in transit	1 345 259	-	-	-	1 345 259
Interest	84 992	7	(7)	-	84 992
Total	**17 495 368**	**84 992**	**(848)**	**(28 447)**	**17 551 065**

* Includes the estimated impairment for losses incurred but not reported (IBNR)

24. Financial assets held for trading

	31.12.2008	31.12.2007
Debt securities		
- issued by the State Treasury	2 578 631	1 975 575
- issued by non bank financial entities	38 117	260 794
- issued by non-financial entities	55 550	491 057
- issued by other banks	55 283	101 376
Total financial assets held for trading	**2 727 581**	**2 828 802**

Financial assets held for trading - breakdown

	31.12.2008	31.12.2007
1. Debt securities		
a) with embedded instrument		
- quoted	3 853	4 459
- unquoted	-	-
b) other		
- quoted	2 551 979	1 953 073
- unquoted	171 749	871 270
2. Stock and shares		
- quoted	-	-
- unquoted	-	-
3. Other financial instruments		
- quoted	-	-
- unquoted	-	-
Total financial assets held for trading	**2 727 581**	**2 828 802**

(in PLN thousand)

Financial assets held for trading according to residual maturities:

31 December 2008	- up to 1 month Book value	- up to 1 month Average yield. (%)	- between 1 and 3 months Book value	- between 1 and 3 months Average yield. (%)	- between 3 months and 1 year Book value	- between 3 months and 1 year Average yield. (%)	- between 1 and 5 years Book value	- between 1 and 5 years Average yield. (%)	- above 5 years Book value	- above 5 years Average yield. (%)	undefined maturity Book value	Total Book value	Total Average yield. (%)
Debt securities													
- issued by the State Treasury	79 670	8.79	64 829	5.48	1 653 256	5.84	568 730	5.53	212 146	5.47	-	**2 578 631**	5.82
- issued by non bank financial entities	38 117	5.63	-		-		-		-		-	**38 117**	5.63
- issued by non-financial entities	30 298	6.08	25 252	6.12	-		-		-		-	**55 550**	6.10
- issued by other banks	35 448	5.37	19 835	5.54	-		-		-		-	**55 283**	5.43
Total	**183 533**	**7.03**	**109 916**	**5.64**	**1 653 256**	**5.84**	**568 730**	**5.53**	**212 146**	**5.47**	**-**	**2 727 581**	**5.82**
Including interest	1 425		-		25 115		20 291		7 456			**54 287**	

31 December 2007	- up to 1 month Book value	- up to 1 month Average yield. (%)	- between 1 and 3 months Book value	- between 1 and 3 months Average yield. (%)	- between 3 months and 1 year Book value	- between 3 months and 1 year Average yield. (%)	- between 1 and 5 years Book value	- between 1 and 5 years Average yield. (%)	- above 5 years Book value	- above 5 years Average yield. (%)	undefined maturity Book value	Total Book value	Total Average yield. (%)
Debt securities													
- issued by the State Treasury	12 390	5.45	114 875	5.54	237 057	5.86	1 162 015	5.82	449 238	5.24	-	**1 975 575**	5.67
- issued by non bank financial entities	196 441	5.31	64 353	5.55	-		-		-		-	**260 794**	5.37
- issued by non-financial entities	286 393	5.26	187 046	5.69	17 618	6.28	-		-		-	**491 057**	5.46
- issued by other banks	84 794	5.11	16 582	5.35	-		-		-		-	**101 376**	5.15
Total	**580 018**	**5.26**	**382 856**	**5.61**	**254 675**	**5.89**	**1 162 015**	**5.82**	**449 238**	**5.24**	**-**	**2 828 802**	**5.59**
Including interest	-		-		128		15 428		7 199			**22 755**	

25. Derivative financial instruments

Derivatives used by the Bank

In its operations the Bank uses different financial derivatives for managing the risk involved in the Bank's business. The majority of derivatives used by the Bank include over-the-counter contracts. Regulated stock exchange contracts (mainly futures) represent a small part of those derivatives.

Derivative foreign exchange transactions include either the obligation or right to purchase or sell foreign and domestic currency assets. Forward operations are based on the exchange rate specified during the transaction for a predefined date in the future. These transactions are valuated using the discounted cash flow models. Cash flows are discounted by zero-coupon curves relevant for the market.

Foreign exchange swaps combine the exchange of specific currencies as of the spot date and a reverse transaction as of the forward date with the exchange rates specified in advance during the conclusion of the contract. In these transactions an exchange of principals takes place. Foreign exchange swap transactions are mostly concluded in the process of managing the Bank's currency liquidity. These transactions are valuated using the discounted cash flow models. Cash flows are discounted by zero-coupon curves relevant for the market.

Foreign exchange options with delivery are contracts where one of the parties the option buyer, purchases from the other party the option issuer at a so-called premium price the right without the obligation to buy (call option) or sell (put option) at a specified point in the future or during a specified time range a foreign currency amount specified in the contract at the exchange rate set during the conclusion of the option.

In case of non-delivery options buyer of the option receives either amount of money equal to product of notional and difference between spot and strike price or nothing.

Barrier option with one barrier is type of option where the option exercise depends on the underlying crossing or reaching a given barrier level. Barrier may be reached starting from lower ("up") or from higher ("down") level of the underlying instrument. "In" options start their lives worthless and only become active in the event a predetermined knock-in barrier price is breached. "Out" options start their lives active and become null and void in the event a certain knock-out barrier price is breached.

Currency options are valuated on base of Garman-Kohlhagen model while barrier and Asian options on base of so-called extended Garman-Kohlhagen model. Parameters of the model base on market quotations of plain-vanilla at-the-money options and market spreads for out-of-the-money and in-the-money options (volatility smile) for standard maturities.

Derivatives relating to interest rates enable the Bank and its customers to transfer modify or limit the interest rate risk.

Interest rate swaps are contracts where parties swap between themselves interest cash flows calculated on a specified nominal value of the base instrument currency. These transactions are valuated using the discounted cash flow models. Floating (implied) cash flows are estimated on base of respective IRS rates. Floating and fixed cash flows are discounted by relevant zero-coupon money market rates.

Forward rate agreements involve both parties undertaking to pay interest on a predefined nominal amount for a specified period starting in the future and charged according to the interest rate determined on the day of the agreement. As the basis for settlements on value date the Parties will use the interest rate difference which will be in proportion to the nominal amount of the agreement and difference between the FRA rate (term rate as of the date of the transaction) and the reference rate. These transactions are valuated using the discounted cash flow.

Cross currency IRS involves both parties swapping capital and interest flows in different currencies in a specified period. These transactions are valuated using the discounted cash flow model. Valuation of Basis Swap transactions takes into account market quotations of basis spread as well.

In forward transactions on securities counterparties agree to buy or sell specified security on forward date for payment fixed on transaction date. This kind of transactions are valuated by valuation of the paper (mark-to-market or mark-to-model) and by valuation of the payment (discount method based on money market rate).

Interest rate options (cap/floor) are contracts where one of the parties the option buyer, purchases from the other party, the option issuer at a so-called premium price, the right without the obligation to borrow (cap) or lend (floor) at specified points in the future (independently) amounts specified in the contract at the interest rate set during the conclusion of the option. These transactions are valuated using the Black model. Parameters of the model base on market quotations of plain-vanilla at-the-money options for standard maturities.

Interest rate futures transactions refer to standardized forward contracts purchased on stock.

These contracts are valuated at direct quotations from respective stock exchanges.

Derivatives embedded in other instruments

The Bank uses derivatives embedded in complex financial instruments, i.e. such as including both a derivative and base agreement, which results in part of the cash flows of the combined instrument changing similarly to cash flows of an independent derivative. Derivatives embedded in other instruments cause part or all cash flows resulting from the base agreement to be modified as per a specific interest rate, price of a security, foreign exchange rate, price index or interest rate index.

Brady bond options are derivatives embedded in balance sheet financial instruments. In this case, embedded financial instruments are closely related to the base contract and thus the embedded derivative does not need to be isolated or recognized and valuated separately.

The Bank has deposits and certificates of deposits on offer which include embedded derivatives. Because this kind of instruments are not closely related to their respective deposit agreements, the embedded derivative is isolated and classified into the trading portfolio. The valuation of that instrument is recognized in the profit and loss account.

Embedded derivatives are plain vanilla options and exotic options for shares, markets shares index and other market indexes including interest rates indexes, foreign exchange rates and its baskets.

All embedded options are immediately closed back-to-back on interbank market.

Currency options embedded in deposits are valuated as other currency options.

Plain vanilla options (excluding currency options, currency options for baskets) embedded in deposits are valuated on base of extended Black-Sholes model using statistical measure of volatility.

Exotic options, including basket options, are valuated by Monte-Carlo simulation technique assuming Geometric Brownian Motion model of risk factors. Parameters of the model are set using statistical measures.

The Bank analyzed the loan agreement portfolio and the ordinary agreement portfolio in order to isolate embedded derivatives and decided that such agreements do not require isolation and separate treatment of embedded instruments.

Risk involved in financial derivatives

Market risk and credit risk are two main categories of derivatives-related risk.

At the beginning, financial derivatives usually have a small market value or no market value at all. This is due to the fact that derivatives require no initial net investment or require only minor net investments as compared with other agreements which react to changes in market conditions in a similar way.

Derivatives gain positive or negative value as a result of change in specific interest rates, prices of securities prices of commodities currency exchange rates price index credit standing or credit index or another market parameter. This results in derivatives becoming more or less advantageous than instruments with similar residual maturity available on the market at the same time.

Credit risk related to derivative contracts is a potential cost of concluding a new contract on the original terms and conditions if the other party to the original contract fails to meet its obligations. In order to assess the potential cost of replacement the Bank uses the same method as for credit risk assessment. In order to control its credit risk levels the Bank performs assessments of other contract parties using the same methods as for of credit decisions.

The following tables present nominal amounts of financial derivatives and fair values of such derivatives. Nominal amounts of certain financial instruments are used for comparison with balance sheet instruments but need not necessarily indicate what future cash flow amounts will be or what the current fair value of such instruments is and therefore do not reflect the Bank's credit or price risk level.

Derivatives become advantageous (assets) or disadvantageous (liabilities) due to fluctuations of market interest rates, indices or foreign exchange rates as compared with their terms.

As the result of significant increase of credit risk embedded in currency derivatives concluded with non-banking customers that occurred in 4th quarter 2008 the Bank performed a review of those derivatives as at 31 December 2008. Following the review allowance for credit risk was provided. See Note 17.

(in PLN thousand)

Financial derivatives as at 31 December 2008

Nominal values of base instruments and fair value of financial derivatives:

	- up to 1 month	- between 1 and 3 months	- between 3 months and 1 year	- 1 - 5 years	above 5 years	Total	Fair value (negative)	Fair value (positive)
Currency transactions								
Currency swaps	46 311 220	7 293 483	2 492 348	157 055	-	56 254 106	(1 638 588)	385 287
Purchase	22 589 983	3 646 761	1 189 353	74 671	-	27 500 768		
Sale	23 721 237	3 646 722	1 302 995	82 384	-	28 753 338		
Currency forward contracts	7 904 797	3 792 019	7 928 550	1 272 566	-	20 897 932	(299 638)	896 263
Purchase	3 990 849	1 952 147	4 124 628	667 692	-	10 735 316		
Sale	3 913 948	1 839 872	3 803 922	604 874	-	10 162 616		
Currency options	2 228 156	3 571 912	9 089 761	1 771 849	-	16 661 678	(391 714)	473 485
Purchase	1 119 615	1 788 992	4 534 516	886 669	-	8 329 792		
Sale	1 108 541	1 782 920	4 555 245	885 180	-	8 331 886		
Cross Currency IRS	-	-	384 351	11 552 236	1 515 227	13 451 814	(204 319)	369 806
Purchase	-	-	206 500	5 752 364	795 227	6 754 091		
Sale	-	-	177 851	5 799 872	720 000	6 697 723		
Interest rate transactions								
Interest rate swaps (IRS)	5 396 664	5 002 349	29 019 065	51 798 103	17 758 402	108 974 583	(2 471 719)	2 227 547
Purchase	3 116 436	2 224 597	15 496 862	25 622 934	9 373 788	55 834 617		
Sale	2 280 228	2 777 752	13 522 203	26 175 169	8 384 614	53 139 966		
Forward Rate Agreement (FRA)	-	-	24 944 480	-	-	24 944 480	(54 996)	36 977
Purchase	-	-	14 594 480	-	-	14 594 480		
Sale	-	-	10 350 000	-	-	10 350 000		

(in PLN thousand)

	- up to 1 month	- between 1 and 3 months	- between 3 months and 1 year	- 1 - 5 years	above 5 years	Total	Fair value (negative)	Fair value (positive)
Interest rate transactions								
Cap/Floor	-	-	-	1 428 050	227 286	1 655 336	(5 907)	5 907
Purchase	-	-	-	714 025	113 643	827 668		
Sale	-	-	-	714 025	113 643	827 668		
Other transactions						-		
Futures for debt securities	-	270 736	208 620	-	-	479 356	-	-
Purchase	-	-	208 620	-	-	208 620		
Sale	-	270 736	-	-	-	270 736		
Securities forward contracts	564 882	-	-	-	-	564 882	(2 688)	3 146
Purchase	257 472	-	-	-	-	257 472		
Sale	307 410	-	-	-	-	307 410		
Options embedded in deposits and structured certificates of deposit	508 262	10 254	1 254 148	2 875 060	-	4 647 724	(80 815)	91 334
Purchase	254 306	5 127	626 952	1 444 844	-	2 331 229		
Sale	253 956	5 127	627 196	1 430 216	-	2 316 495		
Total	**62 913 981**	**19 940 753**	**75 321 323**	**70 854 919**	**19 500 915**	**248 531 891**	**(5 150 384)**	**4 489 752**

(in PLN thousand)

Financial derivatives as at 31 December 2007

Nominal values of base instruments and fair value of financial derivatives:

	- up to 1 month	- between 1 and 3 months	- between 3 months and 1 year	- 1 - 5 years	above 5 years	Total	Fair value (negative)	Fair value (positive)
Currency transactions								
Currency swaps	21 862 477	11 786 400	3 160 392	55 998	-	36 865 267	(144 198)	239 281
Purchase	10 973 954	5 874 718	1 607 451	27 999	-	18 484 122		
Sale	10 888 523	5 911 682	1 552 941	27 999	-	18 381 145		
Currency forward contracts	6 857 757	24 580 603	7 542 742	868 846	-	39 849 948	(273 690)	365 126
Purchase	3 444 370	12 349 668	3 757 401	426 126	-	19 977 565		
Sale	3 413 387	12 230 935	3 785 341	442 720	-	19 872 383		
Currency options	379 067	7 051 703	12 872 460	2 640 048	-	22 943 278	(120 492)	116 990
Purchase	189 544	3 519 186	6 439 298	1 318 350	-	11 466 378		
Sale	189 523	3 532 517	6 433 162	1 321 698	-	11 476 900		
Cross Currency IRS	-	135 151	2 310 954	5 441 312	1 757 627	9 645 044	(113 670)	210 514
Purchase	-	67 544	1 236 418	2 701 301	861 022	4 866 285		
Sale	-	67 607	1 074 536	2 740 011	896 605	4 778 759		
Interest rate transactions								
Interest rate swaps (IRS)	4 478 666	14 682 340	33 615 566	55 625 333	14 971 615	123 373 520	(724 642)	676 039
Purchase	2 240 203	8 916 709	15 558 950	26 359 521	7 388 194	60 463 577		
Sale	2 238 463	5 765 631	18 056 616	29 265 812	7 583 421	62 909 943		
Forward Rate Agreement (FRA)	-	4 500 000	40 571 680	17 702 500	-	62 774 180	(52 657)	61 368
Purchase	-	2 500 000	22 867 620	9 740 000	-	35 107 620		
Sale	-	2 000 000	17 704 060	7 962 500	-	27 666 560		

(in PLN thousand)

Nominal values of base instruments and fair value of financial derivatives:

	- up to 1 month	- between 1 and 3 months	- between 3 months and 1 year	- 1 - 5 years	above 5 years	Total	Fair value (negative)	Fair value (positive)
Interest rate transactions								
Cap/Floor	4 000	36 742	63 775	785 237	223 286	1 113 040	(7 133)	4 057
Purchase	-	3 582	-	402 841	111 643	518 066		
Sale	4 000	33 160	63 775	382 396	111 643	594 974		
Other transactions								
Futures for debt securities	-	650 772	-	-	-	650 772	-	-
Purchase	-	401 184	-	-	-	401 184		
Sale	-	249 588	-	-	-	249 588		
Securities forward contracts	487 092	-	-	-	-	487 092	(1 752)	103
Purchase	292 876	-	-	-		292 876		
Sale	194 216	-	-	-		194 216		
Options embedded in deposits and structured certificates of deposit	-	280 674	755 539	3 028 983	-	4 065 196	(245 072)	244 482
Purchase	-	120 337	378 918	1 519 783	-	2 019 038		
Sale	-	160 337	376 621	1 509 200	-	2 046 158		
Total	**34 069 059**	**63 704 385**	**100 893 108**	**86 148 257**	**16 952 528**	**301 767 337**	**(1 683 306)**	**1 917 960**

(in PLN thousand)

26. Other financial instruments at fair value through profit and loss

	31.12.2008	31.12.2007
Debt securities		
- issued by non bank financial entities	625 494	538 986
- issued by the State Treasury	4 087 575	3 238 693
Total	**4 713 069**	**3 777 679**

Other financial instruments at fair value through profit and loss - breakdown

	31.12.2008	31.12.2007
1. Debt securities		
a) with embedded instrument		
- quoted	-	-
- unquoted	-	-
b) other		
- quoted	4 087 575	3 238 693
- unquoted	625 494	538 986
2. Stock and shares		
- quoted	-	-
- unquoted	-	-
3. Other financial instruments		
- quoted	-	-
- unquoted	-	-
Total	**4 713 069**	**3 777 679**

Debt securities have been designated by the Bank as at fair value through profit and loss among other in order to eliminate or significantly reduce a measurement or recognition inconsistency between debt securities and derivatives economically hedging interest rate risk attributable to the debt securities.

(in PLN thousand)

Other financial instruments at fair value through profit and loss according to residual maturities:

As at 31 December 2008	- up to 1 month		- between 1 and 3 months		- between 3 months and 1 year		- 1 - 5 years		above 5 years		undefined maturity	Total	
	Book value	Average yield (%)	Book value	Average yield (%)	Book value	Average yield (%)	Book value	Average yield (%)	Book value	Average yield (%)	Book value	Book value	Average yield (%)
Debt securities													
- issued by non bank financial entities	-		-		625 494	3.29	-		-		-	**625 494**	3.29
- issued by the State Treasury	-		-		-		2 979 243	6.24	1 108 332	5.44	-	**4 087 575**	6.02
Total	**-**		**-**		**625 494**	**3.29**	**2 979 243**	**6.24**	**1 108 332**	**5.44**	**-**	**4 713 069**	**5.66**
Including interest	-		-		7 346		62 097		23 706			**93 149**	-

Other financial instruments at fair value through profit and loss according to residual maturities:

As at 31 December 2007	- up to 1 month		- between 1 and 3 months		- between 3 months and 1 year		- 1 - 5 years		above 5 years		undefined maturity	Total	
	Book value	Average yield (%)	Book value	Average yield (%)	Book value	Average yield (%)	Book value	Average yield (%)	Book value	Average yield (%)	Book value	Book value	Average yield (%)
Debt securities													
- issued by non bank financial entities	-	-	-	-	12 526	4.75	526 460	4.28	-	-	-	**538 986**	4.29
- issued by the State Treasury	-	-	-	-	-		2 746 282	5.12	492 411	4.83	-	**3 238 693**	5.07
Total	**-**	**-**	**-**	**-**	**12 526**	**4.75**	**3 272 742**	**4.98**	**492 411**	**4.83**	**-**	**3 777 679**	**4.96**
Including interest	**-**	**-**	**-**	**-**	22	**-**	49 218		14 459	**-**	**-**	**63 699**	

(in PLN thousand)

27. Loans and receivables from customers

	31.12.2008	31.12.2007
Loans	75 675 460	66 417 115
Payment cards receivables	638 231	510 444
Purchased receivables	740 662	393 896
Realized guarantees and commitments	83 132	40 366
Unquoted securities	1 382 977	60 993
Repo transactions	59 860	732 997
Receivables in transit	16 152	62 097
Interest	277 033	196 963
Total gross	**78 873 507**	**68 414 871**
Impairment provisions	(3 768 361)	(4 459 617)
Total net	**75 105 146**	**63 955 254**

31.12.2008	Gross value of not - impaired loans	Gross value of impaired loans	Individual impairment charges	Collective impairment charges (*)	Total net value	Fair value
Loans given to						
state budget entities	2 107 686	2	-	(8 281)	2 099 407	2 099 272
non-banking financial entities	3 380 786	54 996	(8 543)	(26 389)	3 400 850	3 395 917
non-financial entities	45 185 204	2 693 395	(1 510 573)	(921 916)	45 446 110	45 499 212
general public	23 664 060	1 510 345	(109 052)	(1 183 607)	23 881 746	23 959 199
Interest	277 033	-	-	-	277 033	277 033
Total	**74 614 769**	**4 258 738**	**(1 628 168)**	**(2 140 193)**	**75 105 146**	**75 230 633**

* Includes the estimated impairment for losses incurred but not reported (IBNR)

Fixed interest rate loans and lending facilities extended from customers as at 31 December 2008 represented 6.78 % of the total loans and advances portfolio PLN 5 323 871 thousand.

31.12.2007	Gross value of not - impaired loans	Gross value of impaired loans	Individual impairment charges	Collective impairment charges (*)	Total net value	Fair value
Loans given to						
state budget entities	1 769 979	1 801	-	(6 834)	1 764 946	1 764 527
non-banking financial entities	5 018 792	56 313	(42 016)	(29 819)	5 003 270	5 003 306
non-financial entities	34 281 387	3 936 220	(1 919 903)	(1 320 285)	34 977 419	35 013 696
general public	21 903 095	1 250 321	(87 436)	(1 053 324)	22 012 656	21 993 048
Interest	196 963	-	-	-	196 963	196 963
Total	**63 170 216**	**5 244 655**	**(2 049 355)**	**(2 410 262)**	**63 955 254**	**63 971 540**

* Includes the estimated impairment for losses incurred but not reported (IBNR)

Fixed interest rate loans and lending facilities extended from customers as at 31 December 2007 represented 10.32 % of the total loans and advances portfolio PLN 7 034 399 thousand.

Changes in impairment balances in the reporting periods ended 31 December 2008 and 31 December 2007 are presented in the Note 17.

(in PLN thousand)

28. Cash flow hedge (macro hedge)

The hedge relationship description

The Bank, through the derivative interest rate swap (IRS) transacions, hedges a part of it’s interest rate risk exposure arising from the volatitilty of the cash flows related to the variable interest Polish zloty assets (with the exception of the debt securities classified as held to maturity).

Hedged items

Cash flows arising from variable rate assets

Hedging instruments

A portfolio of IRS transactions (a short position – the Bank receives fixed flow of payments and pays a variable flow).

As at 31 December 2008 the net fair value of the hedging instruments amounted to PLN 157 526 thousand (as at 31 December 2007 +11 589 thousand).

Balance sheet disclosure

The effective part of the hedging instruments valuation is recognized in revaluation equity.

Interest on hedged items and hedging instruments is recognized as interest income.

No.	31.12.2008	31.12.2007
Gross revaluation equity (deferral of the p&l recognition of th changes in the fair value of hedging instrument of the effective hedge)	108 283	(61 776)
Period in which the cash flows related to the hedged items are expected to occur.	01.01.2009 – 20.11. 2017	01.01.2008 - 20.11.2017

Changes in revaluation equity in 2008

Balance at the beginning of the period	(61 776)
Deferral of fair value changes of hedging instruments related to the part recognized as effective hedge	169 785
Amount of the deferral of fair value changes of hedging instruments of the effective hedge removed from revaluation equity and presented in net profit or loss.	274
Balance at the end of the period	**108 283**

(in PLN thousand)

29. Investment securities

	31.12.2008	31.12.2007
Securities available for sale	**13 375 889**	**17 144 164**
Debt securities	13 358 510	17 131 729
- issued by central banks	556 445	554 092
- issued by other banks	210 030	1 483 933
- issued by non bank financial entities	76 803	230 452
- issued by non financial entities	7 932	619 783
- issued by the State Treasury	12 339 701	13 834 692
- issued by local governments	167 599	408 777
Stock and shares in other entities	17 379	12 435
Securities held to maturity	**1 879 182**	**586 994**
- issued by central banks	79 978	394 381
- issued by other financial entities	21 252	17 277
- issued by the State Treasury	1 777 952	175 336
Total gross	**15 255 071**	**17 731 158**
Impairment of securities available for sale	(12 191)	(15 168)
Impairment of securities held to maturity	(121)	(104)
Total net	**15 242 759**	**17 715 886**

Securities available for sale - breakdown

	31.12.2008	31.12.2007
1. Debt securities		
a) with embedded instrument		
- quoted	201 501	175 706
- unquoted	-	-
b) other		
- quoted	11 361 902	13 020 379
- unquoted	1 790 602	3 931 003
2. Stock and shares		
- quoted	3 305	383
- unquoted	6 388	1 525
3. Other financial instruments		
- quoted	-	-
- unquoted	-	-
Total	**13 363 698**	**17 128 996**

Securities held to maturity - breakdown

	31.12.2008	31.12.2007
a) with embedded instrument		
- book value	-	-
- fair value	-	-
b) other		
- book value	1 879 061	586 890
- fair value	1 861 731	592 117
Total	**1 879 061**	**586 890**

(in PLN thousand)

Changes in investment securities

	31.12.2008	31.12.2007
Securities available for sale		
Balance at the beginning of the period	**17 128 996**	**12 574 059**
Merger of "Pekao 285"	-	863 736
Increase (purchase)	10 011 151	32 077 537
Decrease (sale and redemption)	(11 456 190)	(28 577 262)
Financial assets transferred into the CRD portfolio	(2 865 657)	-
Impairment charges during period	3 349	(12 079)
Changes in the fair value	201 286	(261 361)
Exchange rate differences	289 708	(346 654)
Other	51 055	811 020
Balance at the end of the period	**13 363 698**	**17 128 996**
Securities held to maturity		
Balance at the beginning of the period	**586 890**	**425 410**
Increase (purchase)	13 699 639	12 426 059
Decrease (sale and redemption)	(13 070 306)	(12 273 171)
Financial assets transferred from the TRD portfolio	602 507	
Impairment charges during period	-	28
Exchange rate differences	29 793	(13 673)
Other	30 538	22 237
Balance at the end of the period	**1 879 061**	**586 890**
Total investment securities net	**15 242 759**	**17 715 886**

(in PLN thousand)

Securities available for sale according to maturities:

As at 31 December 2008	- up to 1 month		- between 1 and 3 months		- between 3 months and 1 year		- 1 - 5 years		- above 5 years		undefined maturity	Total	
	Book value	Average yield. (%)	Book value	Average yield. (%)	Book value	Average yield. (%)	Book value	Average yield. (%)	Book value	Average yield. (%)	Book value	Book value	Average yield. (%)
Debt securities													
- issued by central banks	-		-		-		556 445	5.73	-		-	**556 445**	5.73
- issued by other banks	-		-		-		210 030	6.75	-		-	**210 030**	6.75
- issued by other financial entities	-		-		-		76 803	3.98	-		-	**76 803**	3.98
- issued by non financial entities	-		-		-		3 427	6.51	-		-	**3 427**	6.51
- issued by the State Treasury	42 225	3.57	-		1 637 858	6.23	7 980 914	5.11	2 678 704	5.61	-	**12 339 701**	5.36
- issued by local governments	-		-		51 880	6.80	115 719	6.61	-		-	**167 599**	6.67
Shares in other entities													
- listed	-	-	-	-	-	-	-	-	-	-	3 305	**3 305**	
- not listed	-	-	-	-	-	-	-	-	-	-	6 388	**6 388**	
Total	**42 225**	**3.57**	**-**		**1 689 738**	**6.24**	**8 943 338**	**5.20**	**2 678 704**	**5.61**	**9 693**	**13 363 698**	**5.41**
Including interest	523		-		19 848		197 938		41 640			**259 949**	

(in PLN thousand)

Securities available for sale according to maturities:

As at 31 December 2007	- up to 1 month		- between 1 and 3 months		- between 3 months and 1 year		- 1 - 5 years		- above 5 years		undefined maturity	Total	
	Book value	Average yield. (%)	Book value	Average yield. (%)	Book value	Average yield. (%)	Book value	Average yield. (%)	Book value	Average yield. (%)	Book value	Book value	Average yield. (%)
Debt securities													
- issued by central banks	5 397	5.61	-		-		548 695	4.19	-		-	**554 092**	4.20
- issued by other banks	-		-		80 109	5.56	1 403 824	5.62	-		-	**1 483 933**	5.61
- issued by other financial entities	-		-		85 651	5.60	144 801	5.24	-		-	**230 452**	5.37
- issued by non financial entities	-		-		6 631	5.73	427 485	5.45	181 026	5.50	-	**615 142**	5.46
- issued by the State Treasury	3 053	4.31	280 881	4.94	1 345 773	5.75	8 632 174	5.97	3 572 811	5.72	-	**13 834 692**	5.86
- issued by local governments	-		-		148 611	4.92	259 635	5.32	531	4.82	-	**408 777**	5.17
Shares in other entities													
- listed											383	**383**	
- not listed											1 525	**1 525**	
Total	**8 450**	**5.14**	**280 881**	**4.94**	**1 666 775**	**5.66**	**11 416 614**	**5.80**	**3 754 368**	**5.71**	**1 908**	**17 128 996**	**5.75**
Including interest	147		11 151		22 237		249 397		73 641			**356 573**	

(in PLN thousand)

Securities held to maturity according to maturities:

As at 31 December 2008	- up to 1 month		- between 1 and 3 months		- between 3 months and 1 year		- 1 - 5 years		above 5 years		undefined maturity	Total	
	Book value	Average yield. (%)	Book value	Averag e yield. (%)	Book value	Average yield. (%)	Book value	Average yield. (%)	Book value	Average yield. (%)	Book value	Book value	Averag e yield. (%)
Debt securities													
- issued by central banks	79 978	6.31	-		-		-		-		-	**79 978**	6.31
- issued by other financial entities	-		-		21 252	3.29	-		-		-	**21 252**	3.29
- issued by the State Treasury	61 285	5.20	268 812	5.37	240 753	5.40	591 945	5.15	615 036	4.78	-	**1 777 831**	5.09
Total	**141 263**	**5.83**	**268 812**	**5.37**	**262 005**	**5.23**	**591 945**	**5.15**	**615 036**	**4.78**	**-**	**1 879 061**	**5.12**
Including interest	243		80		894		17 166		13 159			**31 542**	

Securities held to maturity according to maturities:

As at 31 December 2007	- up to 1 month		- between 1 and 3 months		- between 3 months and 1 year		- 1 - 5 years		above 5 years		undefined maturity	Total	
	Book value	Average yield. (%)	Book value	Averag e yield. (%)	Book value	Average yield. (%)	Book value	Average yield. (%)	Book value	Average yield. (%)	Book value	Book value	Averag e yield. (%)
Debt securities													
- issued by central banks	394 381	5.61	-		-		-		-		-	**394 381**	5.61
- issued by other financial entities	-		-		-		17 277	4.28	-		-	**17 277**	4.28
- issued by the State Treasury	-		-		-		175 232	4.58	-		-	**175 232**	4.58
Total	**394 381**	**5.61**	**-**		**-**		**192 509**	**4.55**	**-**		**-**	**586 890**	**5.26**
Including interest	-		-		-		7 438		-			**7 438**	**-**

(in PLN thousand)

30. Reclassification debt securities

Bank made use of the amendment introduced in the IAS 39 „Financial Instruments: Recognition and Measurement" (European Commission Resolution 1004/2008 dated 15 October 2008), which under certain conditions allows for reclassification of financial instruments into other categories.

On the basis of the analysis performed, the decision was made to move part of debt securities from the available for sale category into the loans and receivables category and from the held for trading category into the held to maturity category.

The reclassification was done due to the current financial crisis, which is considered to be a rare circumstance, and due to change of the Banks intentions regarding the reclassified part of the portfolio.

Reclassification was done as at 1October 2008 according the fair value of the securities at that date.

The tables below present information concerning the reclassified financial assets.

	01.10.2008			31.12.2008		
	Nominal value	Book value	Fair Value	Nominal value	Book value	Fair Value
Financial assets transferred from the AFS into the loans and advances to customers	1 302 577	1 331 580	1 331 580	1 297 877	1 329 760	1 328 936
Financial assets transferred from the AFS into the loans and advances to banks	1 529 000	1 534 077	1 534 077	1 529 000	1 534 650	1 535 070
Financial assets transferred from the TRD into the HTM portfolio	563 669	602 507	602 507	563 669	615 036	581 149
Total	**3 395 246**	**3 468 164**	**3 468 164**	**3 390 546**	**3 479 446**	**3 445 155**

	01.10.2008	01.01-30.09.2008		01.10-31.12.2008	
	Average yield. (%)	Net interest income	Result on financial instruments at fair value	Net provision charges for financial assets	Net interest income
Financial assets transferred from the AFS into the loans and advances to customers	6.53	43 136	-	1 800	30 974
Financial assets transferred from the AFS into the loans and advances to banks	6.16	55 281	-	-	25 456
Financial assets transferred from the TRD into the HTM portfolio	4.78	17 611	(12 091)	-	8 703
Total		**116 028**	**(12 091)**	**1 800**	**65 133**

(in PLN thousand)

In case the Bank did not perform the reclassification, the Result on financial instruments through profit and loss and the Revaluation equity would have changed as follows:

31 December 2008	Result on financial instruments at fair value	Revaluation of the portfolio of financial assets available for sale
Financial assets transferred from the AFS into the loans and advances to customers	-	(824)
Financial assets transferred from the AFS into the loans and advances to banks	-	419
Financial assets transferred from the TRD into the HTM portfolio	(33 886)	-
Total	(33 886)	(405)

31. Non- current assets held for sale

In accordance with IRFS 5 „Non-current assets held for sale and discontinued operations", the Bank has separated in balance sheet in the item "Non-current assets held for sale" of Bank's properties fulfilling the requirements of IFRS 5 regarding classification of Non-current Assets Held for Sale.

As of 31 December 2008 non-current assets held for sale included identified as held for sale real estates and other tangible assets which were the property of the Bank.

The main components of the real estate category were the Bank's property located at Towarowa Street in Warsaw and the property at Marynarska Str. together with perpetual land lease rights.

The sale of the property located at Towarowa Str. was effectively executed in January 2009 when all necessary conditions related to the sale contract concluded with Bank BPH S.A. were met.

In 2008 the Bank' receivables, which inluded only exposures to corporates, medium and small enterprises, were reclassified to non-current assests held for sale.

The sale transaction had a form of actual sale to a securitization fund. The transaction was conclued in September 2008.

As of 31 December 2007 non-current assets held for sale included real estates which were the property of the Bank. During 2007 also the shares in Access Sp. z o.o. were presented in this position.

Non-current assets held for sale:

	31.12.2008	31.12.2007
Investment properties	128 734	514
Total non-current assets held for sale	**128 734**	**514**

(in PLN thousand)

Changes in value of 2008

	Property	Due from customers
Opening balance	**514**	**-**
Increase:	129 687	41 869
Transfer from investment properties	1 135	-
Transfer from tangible assets	105 090	-
Transfer from investments in subordinated undertakings	-	41 869
Other changes	23 462	-
Decrease:	(1 467)	(41 869)
Disposals	(1 135)	(41 869)
Transfer to tangible assets	(332)	**-**
Closing balance	**128 734**	-

The disposals were settled as follows:

	Property	Due from customers	Total
Income from sale	543	104 549	105 092
Book value of sold net assets (including costs of sales)	1 135	41 869	43 004
Profit / Loss on sale	(592)	62 680	62 088

Changes in value of 2007

	Property	Shares
Opening balance	**8 784**	**-**
Increase:	4 134	820
Transfer from investment properties	-	-
Transfer from tangible assets	2 639	-
Transfer from investments in subordinated undertakings	-	820
Foreign exchange differences	11	-
Other changes	1 484	-
Decrease:	(12 404)	(820)
Disposals	(12 194)	(820)
Other changes	(210)	-
Closing balance	**514**	**-**

The disposals were settled as follows in 2007:

	Property	Shares	Total
Income from sale	39 453	820	40 273
Book value of sold net assets (including costs of sales)	12 195	820	13 015
Profit / Loss on sale	27 258	-	27 258

(in PLN thousand)

32. Investments in subsidiaries

Selected data about shares in subsidiaries

as at 31 December 2008

Company	Registered office	Core business	Total assets	Total liabilities	Revenues	Profit/Loss	Proportion of share capital held	Book value of shares
UniCredit Bank Ltd (*)	Luck. Ukraine	Banking	3 963 035	3 652 802	368 614	35 169	100.00	657 349
Centralny Dom Maklerski Pekao S.A.	Warsaw	Brokerage	1 260 667	908 008	213 838	418 888	100.00	56 332
Pekao Faktoring Sp. z o.o.	Lublin	Financial	591 248	530 568	50 317	9 331	100.00	50 268
Pekao Fundusz Kapitałowy Sp. z o.o.	Warsaw	Financial	73 864	142	3 947	3 738	100.00	51 380
Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A.	Warsaw	Financial	58 388	3 623	40 286	16 541	65.00	88 126
Pekao Financial Services Sp. z o.o	Warsaw	Financial services	35 383	3 246	44 079	15 180	100.00	4 500
Pekao Leasing Sp. z.o.o.	Warsaw	Leasing	1 552 423	1 428 170	133 064	24 802	100.00	84 658
Centrum Kart S.A.	Warsaw	Financial support	43 776	7 621	1 452	7 020	100.00	17 592
Telecentrum Sp. z o.o. (ex.Drukbank Sp. z o.o.)	Warsaw	Not operating	8 737	9	518	267	100.00	8 193
Pekao Bank Hipoteczny S.A. (ex. BPH Bank Hipoteczny S.A.)	Warsaw	Banking	1 916 791	1 659 800	139 855	18 887	100.00	233 688
Pekao Holding Leasing S.A. (ex. BPH PBK Leasing S.A.) (*)	Warsaw	Leasing	2 061 481	1 709 936	170 381	36 092	80.10	166 345
Finanse plc	London. G. Britain	Financial brokerage	2 045	318	-	(51)	100.00	65
Final Holding Sp. z o.o.	Warsaw	Holding management	68 329	1 048	128	15 765	100.00	55 900
Pekao Property S.A. (ex. BPH Real Estate S.A.)	Warsaw	Real estate	30 827	666	3 685	1 724	100.00	24 376
Property Sp. z o.o. /w likwidacji/ (d. PBK Property Sp. z o.o. /w likwidacji/)	Warsaw	Real estate	13 939	185	-	39	100.00	6 998
Centrum Bankowości Bezpośredniej Sp. z o.o.	Cracow	Call centre	10 481	3 384	29 310	621	100.00	672
Total								**1 506 442**

(*)consolidated data with subsidiaries data included

(in PLN thousand)

as at 31 December 2007

Company	Registered office	Core business	Total assets	Total liabilities	Revenues	Profit/Loss	Proportion of share capital held	Book value of shares
UniCredit Bank Ltd)	Luck. Ukraine	Banking	2 918 186	2 553 133	222 062	(3 875)	100.00	657 349
Centralny Dom Maklerski Pekao S.A.	Warsaw	Brokerage	1 298 443	884 095	382 310	181 959	100.00	181 716
Pekao Faktoring Sp. z o.o.	Lublin	Financial	596 192	536 797	37 742	8 046	100.00	50 268
Pekao Fundusz Kapitałowy Sp. z o.o.	Warsaw	Financial	70 117	133	2 110	19 305	100.00	51 380
Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A.	Warsaw	Financial	84 967	34 276	31 903	13 552	65.00	88 126
Pekao Financial Services Sp. z o.o	Warsaw	Financial services	29 479	2 519	41 721	15 316	100.00	4 500
Pekao Leasing Sp. z.o.o.	Warsaw	Leasing	1 287 524	1 188 151	97 200	17 101	100.00	84 658
Centrum Kart S.A.	Warsaw	Financial support	38 835	5 950	41 469	4 338	100.00	17 592
Drukbank Sp. z o.o.	Warsaw	Not operating	8 463	1	286	(5 040)	100.00	8 193
BPH Bank Hipoteczny S.A.	Warsaw	Banking	1 711 588	1 457 346	119 553	590	100.00	233 688
BPH PBK Leasing S.A. (*)	Warsaw	Leasing	1 901 944	1 586 542	134 210	41 759	80.10	166 345
Finanse plc	London. G. Britain	Financial brokerage	1 721	335	-	-	100.00	65
Final Holding Sp. z o.o.	Warsaw	Holding management	55 553	16	3	200	100.00	55 900
BPH Real Estate S.A.	Warsaw	Real estate	28 906	469	3 845	2 530	100.00	24 376
Centrum Usług Księgowych Sp. z o.o.	Cracow	Accountant services	190	70	488	16	100.00	50
PBK Property Sp. z o.o. /w likwidacji/	Warsaw	Real estate	13 859	144	-	488	100.00	6 998
Centrum Bankowości Bezpośredniej Sp. z o.o.	Cracow	Call centre	9 375	2 899	29 066	147	98.00	490
Total								**1 631 694**

(*)consolidated data with subsidiaries data included

(in PLN thousand)

Change in shares in subsidiaries

Balance as at 31.12.2007	**1 631 694**
a) increase	182
- purchase and increase of share capital	182
b) decrease	(125 434)
- sale and decrease of share capital	(125 434)
Balance as at 31.12.2008	**1 506 442**

Balance as at 31.12.2006	**671 100**
a) increase	962 640
- purchase and increase of share capital	474 729
- acquired from BPH	487 911
b) decrease	(2 046)
- sale and decrease of share capital	(820)
- impairment in value of equity	(908)
-foreign exchange differences	(269)
- other	**(49)**
Balance as at 31.12.2007	**1 631 694**

Investments in subsidiaries	31.12. 2008	31.12. 2007
- in banks	891 037	891 037
- in other financial institutions	519 266	700 550
- in other non-financial institutions	96 139	40 107
Total	**1 506 442**	**1 631 694**

The carrying value of equity investment in UniCredit Bank Ltd., ("UCB") carried at cost, at 31 December 2008 amounts to PLN 657 349 thousand. In addition, at 31 December 2008, the financing provided to UniCredit Bank Ltd amounts to PLN 2 621 854 thousand balance sheet exposure and PLN 1 177 485 thousand undrawn credit lines and letters of credit.

At the end of 2008 there was a significant slowdown of Ukrainian economy as a result of steep fall in domestic and external demand due to the slump of global commodity prices, sharp economic slowdown in major trading partners, frozen credit activity and UAH depreciation. Real GDP growth decreased, industrial production shrunk and UAH exchange rate depreciated significantly against US dollar.

Two international organizations, the International Monetary Fund and the European Bank for Reconstruction and Development participated in the support aimed to restore financial and macroeconomic stability of Ukraine struck by the global financial crisis.

Recognizing the climate of uncertainty in the Ukrainian microeconomic environment, estimates of the recoverability of Bank Pekao's investments in Ukraine was performed based on valuations of the equity investment and the loan portfolio carried out during the preparation of the annual financial statements. In management's opinion these valuation supported the recoverability of the Bank's investments in Ukraine.

When assessing the recoverability of its investments in Ukraine at 31 December 2008, the assumption for achievement of the expected profits have been formulated taking into account the exceptional deterioration of market conditions in Ukraine in last weeks of December 2008. , it has not, however, been assumed that there will be a repetition of the extraordinary event such as those seen in the forth quarter of 2008 in Ukraine.

The valuations described above are complex by nature in light of the current market conditions and the resulting difficulties when forecasting earnings over the long term. In addition the parameters and the information used to assess the recoverability of the carrying value of Bank Pekao's investment in Ukraine are influenced by the macroeconomic and market environment, which could be still subject to a great deal of volatility, as it has been in the past few months.

Since first signals of the market deterioration in Ukraine, strict internal control measures were put in place in order to ensure the effective supervision over the lending and operating activities of UCB, especially in the risk management area.

In spite of all developments, in December 2008, UCB's loan portfolio indicated no no deterioration and the net profit for the year amounted to 35.2 million PLN.

(in PLN thousand)

33. Investments in associates

Selected data in associates

as at 31 December 2008

Company	Registered office	Core business	Total assets	Total liabilities	Revenues	Profit/Loss	Proportion of share capital held	Book value of shares
Krajowa Izba Rozliczeniowa S.A.	Warsaw	Clearing house	131 616	28 313	118 096	36 837	34.44	1 875
Pioneer Pekao Investment Management S.A.	Warsaw	Financial intermediary	501 890	41 393	608 007	194 719	49.00	14 995
Xelion Doradcy Finansowi Sp. z o.o.	Warsaw	Financial and insurance support	5 365	4 197	20 237	(15 211)	50.00	30 057
Pirelli Pekao Real Estate Sp. z o.o.	Warsaw	Real estate management	82 015	24 014	28 326	16 081	25.00	8 858
CPF Management	Tortola. British Virgin Islands	Investment funds management – not operating	-	-	-	-	40.00	-
Cental Poland Fund LLC	Wilmington. Deleware. USA	Financial intermediary	714	-	-	(485)	53.19	1 060
Polish Banking System S.A. /w likwidacji/		In liquidation	n/d.	n/d.	n/d.	n/d.	48.90	-
PPP Budpress Sp. z o.o. /w likwidacji/		In liquidation	n/d.	n/d.	n/d.	n/d.	36.20	-
Total								**56 845**

as at 31 December 2007

Company	Registered office	Core business	Total assets	Total liabilities	Revenues	Profit/Loss	Proportion of share capital held	Book value of shares
Krajowa Izba Rozliczeniowa S.A.	Warsaw	Clearing house	106 021	17 842	92 026	23 619	34.44	1 875
Pioneer Pekao Investment Management S.A	Warsaw	Financial intermediary	269 585	22 688	138 252	207 315	49.00	14 995
Xelion Doradcy Finansowi Sp. z o.o.	Warsaw	Financial and insurance support	10 945	4 565	36 258	(13 140)	50.00	25 057
Pirelli Pekao Real Estate Sp. z o.o.	Warsaw	Real estate management	133 776	44 451	92 135	52 672	25.00	8 858
CPF Management	Tortola. British Virgin Islands	Investment funds management – not operating	-	-	-	-	40.00	-
Cental Poland Fund LLC	Wilmington. Deleware. USA	Financial intermediary	1 746	-	-	(25)	53.19	933
Biuro Informcji Kredytowej S.A.	Warsaw	Credit information services	90 781	46 133	69 398	17 339	30.70	4 775
Bankowe Doradztwo Podatkowe Sp. z o.o.	Cracow	Tax advisory	632	197	910	162	74.00/48.68	37
Polish Banking System S.A. /w likwidacji/		In liquidation	n/d.	n/d.	n/d.	n/d.	48.90	-
PPP Budpress Sp. z o.o. /w likwidacji/		In liquidation	n/d.	n/d.	n/d.	n/d.	36.20	-
Total								**56 530**

(in PLN thousand)

Change in shares in associates

Balance as at 31.12.2007	**56 530**
a) increase	6 672
- purchase and increase of share capital	5 000
- other	1 672
b) decrease	(6 357)
- sale	(37)
- transfer to non-current assets held for sale	(4 775)
- other	(1 545)
Balance as at 31.12.2008	**56 845**

Balance as at 31.12.2006	**51 092**
a) increase	5 438
- merger of "Pekao 285"	3 112
- classified as non-current assets held for sale	2 325
- foreign exchange difference	1
b) decrease	-
Balance as at 31.12.2007	**56 530**

Investments in associates	31.12. 2008	31.12. 2007
- in banks	-	-
- in other financial institutions	47 987	42 860
- in other non-financial institutions	8 858	13 670
Total	**56 845**	**56 530**

As at 31 December 2008 Bank did not have investments in joint ventures.

34. Intangible assets

Intangible assets	31.12.2008	31.12.2007
a)intangible assets including	**670 213**	**616 508**
- development costs	2 996	14 428
- licenses	442 778	419 509
- itemes indualy the expenses on intangible assets and prepayments on intangible assets	218 413	177 819
- other	6 026	4 752
b) goodwill	**51 675**	**51 675**
Total	**721 888**	**668 183**

Goodwill - has been transferred to Pekao in effect of the integration with Bank BPH S.A. in a way of transfer of part of property of Bank BPH S.A in a form of an organized part of an enterprise.

The goodwill transferred to Pekao S.A. represents a part of the goodwill that was created in effect of the purchase by Bank BPH S.A. of Pierwszy Komercyjny Bank S.A. (PKBL) w Lublinie and it referres just to those branches of the former PKBL. which have been transferred to the Bank in effect of the Integration of the Banks. The recognized goodwill related to PKBL amounts to PLN 51 675 thousand.

(in PLN thousand)

31.12. 2008	Development costs	Licenses	Other (*)	Total
Gross book value				
Opening balance	**73 230**	**1 093 799**	**212 679**	**1 379 708**
Additions. including:	-	182 112	58 601	240 713
Acquisition		25	225 706	225 731
Other additions	-	508	14 474	14 982
Transfers from investments	-	181 579	(181 579)	-
Disposals. including:	(4 791)	(4 667)	(16 240)	(25 698)
Liquidation	(4 791)	(3 053)	(2 138)	(9 982)
Other disposals	-	(1 614)	(14 102)	(15 716)
Closing balance	**68 439**	**1 271 244**	**255 040**	**1 594 723**
Accumulated depreciation				
Opening balance	**58 802**	**674 171**	**19 147**	**752 120**
Amortization	11 341	156 876	2 617	170 834
Liquidation	(4 700)	(3 054)	(2 124)	(9 878)
Other	-	473	-	473
Closing balance	**65 443**	**828 466**	**19 640**	**913 549**
Impairment write-offs				
Opening balance	**-**	**119**	**10 961**	**11 080**
Changes of value	-	(119)	-	(119)
Closing balance	**-**	**-**	**10 961**	**10 961**
Net book value				
Opening balance	**14 428**	**419 509**	**182 571**	**616 508**
Closing balance	**2 996**	**442 778**	**224 439**	**670 213**

(*) Other movements include in particular assets under construction

(in PLN thousand)

31.12.2007	Development costs	Licenses	Other (*)	Total
Gross book value				
Opening balance	**82 578**	**994 820**	**142 257**	**1 219 655**
Additions. including:	985	123 807	86 038	210 830
Merger of "Pekao 285"	-	13 644	2 319	15 963
Acquisition	-	3	178 905	178 908
Other additions	-	-	15 959	15 959
Transfers from investments	985	110 160	(111 145)	-
Disposals. including:	(10 333)	(24 828)	(15 616)	(50 777)
Liquidation	(10 333)	(24 649)	(624)	(35 606)
Other disposals	-	(179)	(14 992)	(15 171)
Closing balance	**73 230**	**1 093 799**	**212 679**	**1 379 708**
Accumulated depreciation				
Opening balance	**54 953**	**541 970**	**14 721**	**611 644**
Merger of "Pekao 285"	-	13 353	2 319	15 672
Amortization	14 182	143 554	2 655	160 391
Liquidation	(10 333)	(24 534)	(571)	(35 438)
Other changes in value	-	(172)	23	(149)
Closing balance	**58 802**	**674 171**	**19 147**	**752 120**
Impairment write-offs				
Opening balance	**-**	**-**	**10 961**	**10 961**
Increases	-	119	24	143
Other changes in value	-	-	(24)	(24)
Closing balance	**-**	**119**	**10 961**	**11 080**
Net book value				
Opening balance	**27 625**	**452 850**	**116 575**	**597 050**
Closing balance	**14 428**	**419 509**	**182 571**	**616 508**

(*) Other movements include in particular assets under construction

As at 31 December 2008 and as at 31 December 2007 Bank did not have amounts of intangible assets whose deed title is restricted.

35. Property plant and equipment

	31.12.2008	31.12.2007
Property plant and equipment		
a) fixed assets including	**1 718 554**	**1 862 708**
Land and buildings	1 312 185	1 462 525
Machinery and equipment	348 459	345 157
Means of transport	31 656	29 166
Other property. plant and equipment	26 254	25 860
b) Capital work in progress and prepayments for capital work in progress	**90 140**	**45 716**
Total	**1 808 694**	**1 908 424**

(in PLN thousand)

Year ended 31 December 2008	Land and buildings	Machinery and equipment	Means of transport	Other property. plant and equipment	Total property. plant and equipment
Gross book value					
Opening balance as at 1 January 2008	**2 270 831**	**1 309 207**	**63 548**	**374 590**	**4 018 176**
Increases. including:	42 591	111 877	12 886	8 855	176 209
Acquisitions	-	-	-	10	10
Transfer from tangibles assets under construction	35 995	108 293	-	8 092	152 380
Other	6 596	3 584	12 886	753	23 819
Decreases. including:	(137 500)	(57 436)	(7 777)	(18 409)	(221 122)
Liquidation and sale	(1 960)	(36 351)	(7 751)	(17 750)	(63 812)
Transfer to non-current assets held for sale	(124 481)	(16 049)	-	(12)	(140 542)
Other	(11 059)	(5 036)	(26)	(647)	(16 768)
Closing balance	**2 175 922**	**1 363 648**	**68 657**	**365 036**	**3 973 263**
Depreciation					
Opening balance as at 1 January 2008	**805 959**	**955 393**	**30 714**	**348 118**	**2 140 184**
Increases. including:	83 499	105 615	10 485	7 674	207 273
Depreciation of the period	80 723	101 005	9 438	6 936	198 102
Other	2 776	4 610	1 047	738	9 171
Decreases. including:	(28 083)	(52 751)	(7 069)	(17 523)	(105 426)
Liquidation and sale	(1 749)	(35 770)	(7 055)	(16 693)	(61 267)
Transfer to non-current assets held for sale	(22 150)	(12 783)	-	(11)	(34 944)
Other	(4 184)	(4 198)	(14)	(819)	(9 215)
Closing balance	**861 375**	**1 008 257**	**34 130**	**338 269**	**2 242 031**
Impairment write-downs					
Opening balance as at 1 January 2008	**2 347**	**8 657**	**3 668**	**612**	**15 284**
Increases	431	246	17	2	696
Decreases	(416)	(1 971)	(814)	(101)	(3 302)
Closing balance	**2 362**	**6 932**	**2 871**	**513**	**12 678**
Net value					
Opening balance	**1 462 525**	**345 157**	**29 166**	**25 860**	**1 862 708**
Closing balance	**1 312 185**	**348 459**	**31 656**	**26 254**	**1 718 554**

(in PLN thousand)

Year ended 31 December 2007	Land and buildings	Machinery and equipment	Means of transport	Other property. plant and equipment	Total property. plant and equipment
Opening balance as at 1 January 2007	**1 589 500**	**985 469**	**35 749**	**284 302**	**2 895 020**
Increases. including:	703 862	410 234	32 353	103 962	1 250 411
Merger of "Pekao 285"	671 498	276 717	25 558	99 684	1 073 457
Acquisitions	21	-	1	5	27
Transfer from tangibles assets under construction	26 098	130 763	-	4 251	161 112
Other	6 245	2 754	6 794	22	15 815
Decreases. including:	(22 531)	(86 496)	(4 554)	(13 674)	(127 255)
Liquidation and sale	(2 034)	(81 129)	(4 547)	(13 287)	(100 997)
Transfer to non-current assets held for sale	(4 846)	(1 889)	-	(17)	(6 752)
Other	(15 651)	(3 478)	(7)	(370)	(19 506)
Closing balance	**2 270 831**	**1 309 207**	**63 548**	**374 590**	**4 018 176**
Depreciation					
Opening balance as at 1 January 2007	**504 949**	**748 365**	**16 477**	**271 565**	**1 541 356**
Increases. including:	309 697	292 801	18 669	90 431	711 598
Merger of "Pekao 285"	240 855	208 271	12 426	85 085	546 637
Depreciation of the period	60 837	81 630	6 243	5 240	153 950
Other	8 005	2 900	-	106	11 011
Decreases. including:	(8 687)	(85 773)	(4 432)	(13 878)	(112 770)
Liquidation and sale	(1 218)	(80 557)	(4 430)	(13 278)	(99 483)
Transfer to non-current assets held for sale	(2 182)	(1 643)	-	(14)	(3 839)
Other	(5 287)	(3 573)	(2)	(586)	(9 448)
Closing balance	**805 959**	**955 393**	**30 714**	**348 118**	**2 140 184**
Impairment write-downs					
Opening balance as at 1 January 2007	**2 744**	**350**	**-**	**-**	**3 094**
Increases. including:	30	8 713	3 668	612	13 023
Merger of "Pekao 285"	30	8 574	3 668	612	12 884
Decreases	(427)	(406)	-	-	(833)
Closing balance	**2 347**	**8 657**	**3 668**	**612**	**15 284**
Net value					
Opening balance	**1 081 807**	**236 754**	**19 272**	**12 737**	**1 350 570**
Closing balance	**1 462 525**	**345 157**	**29 166**	**25 860**	**1 862 708**

As at 31 December 2008 assets under construction amounted to PLN 89 976 thousand (as at 31 December 2007 PLN 45 552 thousand).

The amount of damages received and recognized in the profit and loss in relation to fixed assets lost in 2008 was PLN 1 075 thousand (in 2007 PLN 729 thousand).

In 2008 and in 2007 there were no pledges or restrictions on legal titles to fixed assets.

Agreement commitments

As at 31 December 2008 the Bank had agreements with its contractors for the future purchase of intangible assets in amount of PLN 55 919 thousand, including PLN 55 919 thousand in the 2009 and of property plant and equipment in amount of PLN 57 660 thousand including PLN 57 660 thousand in the 2009 (till the 31 December 2007 the Bank had agreements with its contractors for the future purchase of intangible assets in amount of PLN 66 104 thousand. and of property. plant and equipment in amount of PLN 12 055 thousand).

(in PLN thousand)

36. Investment property

The Bank measures investment property using the cost model.

There are no restrictions related to the rights to sell and to transfer the profit attributable to investment property owned by the Bank.

Changes in value of the investment property

	31.12.2008	31.12.2007
Gross value		
Opening balance	**95 379**	**90 194**
Increase of balance	18 606	9 823
Acquisitions of real estate	7	145
Transfer from own real estate	9 522	9 047
Other changes	9 077	632
Decrease of balance	(1 766)	(4 638)
Transfer to assets hold to sale	(1 758)	-
Other changes	(8)	(4 639)
Closing balance	**112 219**	**95 379**
Depreciation write-offs		
Opening balance	**30 876**	**31 624**
Increase of balance	8 821	6 587
Transfer from own real estate	3 276	3 687
Other changes	3 187	546
Depreciation	2 358	2 354
Decrease of balance	(740)	(7 335)
Transfer to non-current assets held for sale	(623)	-
Other changes	(117)	(7 335)
Closing balance	**38 957**	**30 876**
Depreciation write-offs due to loss of value		
Opening balance	**8 773**	**8 654**
Increase	1 206	350
Write down	550	-
Transfer from own real estate	110	350
Differences in exchange rates	546	-
Decrease	-	(231)
Differences in exchange rates	-	(231)
Closing balance	**9 979**	**8 773**
Net balance value		
Opening balance	**55 730**	**49 916**
Closing balance	**63 283**	**55 730**

Fair value of investment property as at 31 December 2008 amounted to PLN 86 586 thousand (as at 31 December 2007 amounted to PLN 66 799 thousand). Fair value was made on the basis of independent valuer who holds a recognized and relevant professional qualification.

The following amounts of income and expenses were recognized in profit and loss in relation with investment property:

	2008	2007
Income on rental of investment property	3 494	3 853
Direct operational expenses (including repair and maintenance) related to investment property bringing rental income	(686)	(802)
Direct operational expenses (including repair and maintenance) related to investment property not bringing rental income	(85)	(22)

(in PLN thousand)

37. Other assets

	31.12.2008	31.12.2007
Prepaid expenses	98 244	129 331
Perpetual usufruct rights	17 325	17 620
Accrued income	24 847	31 271
Other assets	918	1 695
Interbank and interbranch settlements	9 137	556 895
Other debtors	699 443	1 290 002
Total	**849 914**	**2 026 814**

Prepaid expenses represent expenditures. which will be amortized against profit and loss account in the future reporting periods.

Assets held for sale are repossessed assets that are presented at the amount of the debt in relation to which they were acquired less specific provisions of these assets at the amount of differences between the amount of debt lower than the fair value of acquired assets. If the selling price of the asset acquired exceeds the amount of the debt the surplus is the liability towards the debtor.

The Bank endeavors to sell repossessed real estate properties within 5 years and within 3 years for other repossessed assets. After the expiration of this time the Bank transfer the amount not disposed of assets to the appropriate items under fixed assets usufructed by the Bank.

The table below presents items of assets held to sale.

Item	31.12.2008	31.12.2007
Means of transport	117	135
Other assets	801	1 560
Total	**918**	**1 695**

38. Assets used to pledge liabilities

As at 31 December 2008 and 31 December 2007 the Bank held financial assets used to pledge liabilities.

31.12.2008

Type of transaction	Pledge instrument	Book value of the pledge instrument	Nominal value of the pledge instrument	Value of the liabilities pledged with the pledge instrument
Repo	bonds	4 916 299	4 960 384	4 685 619
Sell-buy-back	bonds	2 009 231	1 994 623	2 010 912
The Bank Guarantee Fund	bonds	252 989	240 000	-
Lombard and technical loan	bonds	3 267 378	3 115 000	-
Rother loans	bonds	556 445	530 000	547 339

(in PLN thousand)

31.12.2007

Type of transaction	Pledge instrument	Book value of the pledge instrument	Nominal value of the pledge instrument	Value of the liabilities pledged with the pledge instrument
Repo	bonds	1 207 152	1 180 533	1 208 252
Sell-buy-back	bonds	2 582 140	2 587 015	2 583 122
The Bank Guarantee Fund	bonds	149 606	155 000	-
Lombard and technical loan	bonds	1 487 013	1 500 000	-

39. Amounts due to Central Bank

	31.12.2008	31.12.2007
Received credits	1 469 675	1 485 921
Received credits	3 347 824	-
Total	**4 817 499**	**1 485 921**

40. Amounts due to other banks

	31.12.2008	31.12.2007
Current accounts	1 485 430	1 168 399
Bank deposits and other liabilities	3 948 963	3 299 635
Loans and advances	920 500	820 951
Due in transit	99 504	495 952
Repo transactions	1 620 036	1 083 127
Interest accrued	17 002	16 215
Total	**8 091 435**	**6 884 279**

The variable interest rate due to banks amounts to PLN 471 836 thousand (as at 31 December 2007: PLN 884 436 thousand), fixed interest rate due to banks amounts to PLN 7 503 093 thousand (as at 31 December 2007: PLN 5 487 675 thousand).

41. Financial liabilities held for trading

	31.12.2008	31.12.2007
Short position in securities	405 979	491 382
Total	**405 979**	**491 382**

(in PLN thousand)

42. Amounts due to customers

	31.12.2008	31.12.2007
Amounts due to corporate customers	**40 948 691**	**42 275 767**
Current accounts and overnight deposits	16 415 462	21 956 454
Time deposits and other liabilities	24 354 650	19 622 995
Due in transit	84 977	636 414
Interest accrued	93 602	59 904
Amounts due to budget entities	**6 845 972**	**8 465 130**
Current accounts and overnight deposits	4 051 719	6 260 322
Time deposits and other liabilities	2 782 928	2 187 383
Due in transit	-	6 713
Interest accrued	11 325	10 712
Amounts due to individuals	**40 938 591**	**35 712 058**
Current accounts and overnight deposits	17 473 986	18 061 507
Time deposits and other liabilities	22 946 787	17 569 942
Due in transit	318 012	2
Interest accrued	199 806	80 607
Repo transactions	**1 724 820**	**2 707 169**
Time transactions	1 723 395	2 703 862
Interest accrued	1 425	3 307
Total	**90 458 074**	**89 160 124**

Variable interest rate due to customers as at 31 December 2008 amounts to PLN 39 858 519 thousand (as at 31 December 2007 amounted to PLN 49 002 592 thousand), fixed rate amounts due to customers amounts to PLN 49 890 408 thousand (as at 31 December 2007 PLN 39 359 874 thousand).

43. Debt securities in issue

	31.12.2008	31.12.2007
Bonds convertible into shares	4	31 978
Certificates of deposit	1 716 883	2 049 587
Interest accrued	3 007	15 505
Total	**1 719 894**	**2 097 070**

The Bank never has defaulted on repayment of principal or interest or redemption its own securities.

Type of secutity	Issue currencyi	Nominal value in PLN ths	Maturity date	Interest terms
Certificates of deposit	EUR	5 992	2009-06-30	Synthetic structure dependent on DJ EuroStoxx 50
Certificates of deposit	EUR	32 891	2011-03-08	dependent on FTSE. EPRA and FTSE EPRA Euro indices Zero. DJ EuroSTOXX. Nikkei225. S&P500. HSCE
Certificates of deposit	EUR	2 758	2011-03-08	Guaranteed interest (2%) + premium interest dependent on indices– FTSE EPRA and FTSE EPEU. DJ EuroSTOXX. Nikkei225. S&P500. HSCEI

(in PLN thousand)

Certificates of deposit	EUR	3 955	2010-09-27	Interest dependent on: DXAEP, SPGTAQUE, SPGTINFE, DJGTT
Certificates of deposit	EUR	26 357	2010-09-27	interest dependent on indices: DXAEP, SPGTAQUE, SPGTINFE, DJGTT
Certificates of deposit	EUR	7 865	2010-11-22	interest dependent on indices S&P 500. FTSE 100. Nikkei 225
Certificates of deposit	PLN	144 729	2009-01-16	dependent on: equities. basket of 3 indicies: Nikkei 225; HSCEI; TWSE
Certificates of deposit	PLN	76 555	2009-06-18	dependent on: equities. basket of 3 indicies: Nikkei 225; HSCEI; TWSE
Certificates of deposit	PLN	33 396	2009-01-16	dependent on: equities. basket of 3 indicies: Nikkei 225; HSCEI; TWSE
Certificates of deposit	PLN	17 134	2009-06-18	dependent on: equities. basket of 3 indicies: Nikkei 225; HSCEI; TWSE
Certificates of deposit	PLN	4 150	2009-06-30	structure dependent on DJ EuroStoxx 50 index
Certificates of deposit	PLN	181 446	2009-05-18	structure dependent on Dow Jones Euro Stoxx Select Dividend 30 Index and Dow Jones Euro Stoxx 50 Price Index
Certificates of deposit	PLN	141 802	2009-08-03	interest dependent on indices: Dow Jones Euro Stoxx Select Dividend 30 Index and Dow Jones Euro Stoxx 50 Price Index
Certificates of deposit	PLN	3 000	2009-05-18	structure dependent on Dow Jones Euro Stoxx Select Dividend 30 Index and Dow Jones Euro Stoxx 50 Price Index
Certificates of deposit	PLN	157 436	2010-06-11	dependent on Dow Jones Euro Stoxx 50. S&P GSCI Gold Index Excess Return. CECE Trade Index EUR. S&P GSCI Agricultural Index ER
Certificates of deposit	PLN	153 733	2011-03-08	interest dependent on FTSE EPRA and FTSE EPRA EPEU, DJ EuroSTOXX. Nikkei225. S&P500, HSCEI
Certificates of deposit	PLN	13 240	2011-03-08	guaranteed interest (4%) + bonus interest dependent on indices – FTSE EPRA and FTSE EPRAEPEU. DJ EuroSTOXX, Nikkei225, S&P500, HSCEI
Certificates of deposit	PLN	45 078	2010-09-27	interest dependent on: DXAEP, SPGTAQUE, SPGTINFE, DJGTT
Certificates of deposit	PLN	171 174	2010-09-27	interest dependent on: DXAEP, SPGTAQUE, SPGTINFE, DJGTT
Certificates of deposit	PLN	76 950	2010-11-22	interest dependent on: S&P 500, FTSE 100, Nikkei 225 indices
Certificates of deposit	PLN	49 012	2010-03-02	interest dependent on: Russian Depository Index USD
Certificates of deposit	PLN	75 747	2010-03-02	interest dependent on: WIG20 Index
Certificates of deposit	USD	67 674	2009-01-16	interest dependent on: equities. a basket of 3 indices: Nikkei 225; HSCEI; TWSE
Certificates of deposit	USD	25 092	2009-06-18	interest dependent on: equities. a basket of 3 indices: Nikkei 225; HSCEI; TWSE
Certificates of deposit	USD	31 807	2009-01-16	guaranteed interest (3%) + interest dependent on indices: Nikkei 225; HSCEI; TWSE
Certificates of deposit	USD	8 533	2009-06-18	guaranteed interest (3%) + interest dependent on indices: Nikkei 225; HSCEI; TWSE
Certificates of deposit	USD	412	2009-06-30	interest dependent on DJ EuroStoxx 50

(in PLN thousand)

Certificates of deposit	USD	66 353	2009-05-18	interest dependent on DJ EuroStoxx 50. DJ EuroStoxx Select Divident 30
Certificates of deposit	USD	35 660	2009-08-03	interest dependent on: DJ EuroStoxx 50. DJ EuroStoxx Select Divident 30
Certificates of deposit	USD	31 736	2011-03-08	Dependent on: FTSE EPRA and FTSE EPEU. DJ EuroSTOXX. Nikkei225. S&P500. HSCEI
Certificates of deposit	USD	5 784	2011-03-08	Interest (guaranteed 4%) + bonus interest dewpendent on – FTSE EPRA and FTSE EPEU. DJ EuroSTOXX.,Nikkei225,S&P500, HSCEI
Certificates of deposit	USD	8 805	2010-09-27	interest dependent on: DXAEP, SPGTAQUE, SPGTINFE, DJGTT
Certificates of deposit	USD	30 995	2010-09-27	interest dependent on: DXAEP, SPGTAQUE, SPGTINFE, DJGTT
Certificates of deposit	USD	17 149	2010-11-22	interest dependent on: S&P 500, FTSE 100, Nikkei 225
bonds convertible into shares	PLN	4	2012-12-31	

31.12.2007

Type of secutity	Issue currencyi	Nominal value in PLN ths	Maturity date	Interest terms
Certificates of deposit	EUR	5 215	2009-06-30	Synthetic structure dependent on DJ EuroStoxx
Certificates of deposit	EUR	34 799	2008-12-16	dependent on a basket of 3 crude materials (metals)
Certificates of deposit	EUR	28 663	2011-03-08	dependent on FTSE EPRA and FTSE EPRA Euro indices Zero. DJ EuroSTOXX. Nikkei225, S&P500, HSCE
Certificates of deposit	EUR	2 421	2011-03-08	Guaranteed interest (2%) + premium interest dependent on indices– FTSE EPRA and FTSE EPRA Euro Zero, DJ EuroSTOXX, Nikkei225, S&P500, HSCE
Certificates of deposit	EUR	3 396	2010-09-27	Interest dependent on: DXAEP, SPGTAQUE, SPGTINFE, DJGTT
Certificates of deposit	EUR	23 022	2010-09-27	interest dependent on indices: DXAEP, SPGTAQUE, SPGTINFE, DJGTT
Certificates of deposit	EUR	6 842	2010-11-22	interest dependent on indices S&P 500, FTSE 100, Nikkei 225
Certificates of deposit	PLN	10 000	2008-03-31	interest dependent on: WIBOR 6M
Certificates of deposit	PLN	158 841	2009-01-16	dependent on: equities, basket of 3 asian indicies
Certificates of deposit	PLN	83 001	2009-06-18	dependent on: equities, basket of 3 asian indicies
Certificates of deposit	PLN	35 579	2009-01-16	dependent on: equities, basket of 3 asian indicies
Certificates of deposit	PLN	19 678	2009-06-18	dependent on: equities, basket of 3 asian indicies
Certificates of deposit	PLN	4 510	2009-06-30	dependent on: equities, basket of 3 asian indicies
Certificates of deposit	PLN	184 972	2009-05-18	structure dependent on DJ EuroStoxx 50 index
Certificates of deposit	PLN	144 497	2009-08-03	structure dependent on DJ EuroStoxx
Certificates of deposit	PLN	3 000	2009-05-18	interest dependent on indices: Dow Jones Euro Stoxx Select Dividend 30 Index and Dow Jones Euro Stoxx 50 Price Index
Certificates of deposit	PLN	197 561	2008-12-16	structure dependent on DJ EuroStoxx
Certificates of deposit	PLN	12 000	2008-03-04	dependent on a basket of 3 crude materials

(in PLN thousand)

				(metals)
Certificates of deposit	PLN	158 447	2011-03-08	interest dependent on: EPEU
Certificates of deposit	PLN	13 491	2011-03-08	interest dependent on FTSE EPRA and FTSE EPRA Euro Zero, DJ EuroSTOXX, Nikkei225, S&P500, HSCE
Certificates of deposit	PLN	7 900	2008-07-18	guaranteed interest (4%) + bonus interest dependent on indices – FTSE EPRA and FTSE EPRA Euro Zero, DJ EuroSTOXX, Nikkei225, S&P500, HSCE
Certificates of deposit	PLN	13 300	2008-01-28	Wibor 3M
Certificates of deposit	PLN	30 000	2008-10-24	Wibor 6M
Certificates of deposit	PLN	20 000	2008-03-27	Wibor 3M
Certificates of deposit	PLN	9 500	2008-08-22	Wibor 3M
Certificates of deposit	PLN	47 244	2010-09-27	Wibor 6M
Certificates of deposit	PLN	178 321	2010-09-27	interest dependent on: DXAEP, SPGTAQUE, SPGTINFE, DJGTT
Certificates of deposit	PLN	82 401	2010-11-22	interest dependent on: S&P 500, FTSE 100, Nikkei 225 indices
Certificates of deposit	PLN	5 000	2008-01-31	Bonus interest dependent on: WIBOR 6M
Certificates of deposit	PLN	182 151	2008-11-10	interest dependent on DJ EuroStoxx 50
Certificates of deposit	PLN	83 051	2008-12-15	interest dependent on DJ EuroStoxx 50
Certificates of deposit	USD	60 802	2009-01-16	interest dependent on: equities, a basket of 3 asian indices
Certificates of deposit	USD	22 731	2009-06-18	interest dependent on: equities, a basket of 3 asian indices
Certificates of deposit	USD	27 316	2009-01-16	interest dependent on: equities, a basket of 3 asian indices
Certificates of deposit	USD	7 595	2009-06-18	interest dependent on: equities, a basket of 3 asian indices
Certificates of deposit	USD	825	2009-06-30	interest dependent on DJ EuroStoxx 50
Certificates of deposit	USD	56 278	2009-05-18	interest dependent on DJ EuroStoxx
Certificates of deposit	USD	29 980	2009-08-03	dependent on a basket of 3 crude materials (metals)
Certificates of deposit	USD	56 611	2008-12-16	Dependent on: FTSE EPRA and FTSE EPRA Euro Zero, DJ EuroSTOXX, Nikkei225, S&P500, HSCE
Certificates of deposit	USD	26 595	2011-03-08	Interest (guaranteed 4%) + bonus interest dewpendent on – FTSE EPRA and FTSE EPRA Euro Zero, DJ EuroSTOXX, Nikkei225, S&P500, HSCE
Certificates of deposit	USD	4 807	2011-03-08	interest dependent on: DXAEP, SPGTAQUE, SPGTINFE, DJGTT
Certificates of deposit	USD	7 549	2010-09-27	interest dependent on: DXAEP, SPGTAQUE, SPGTINFE, DJGTT
Certificates of deposit	USD	26 683	2010-09-27	interest dependent on: DXAEP, SPGTAQUE, SPGTINFE, DJGTT
Certificates of deposit	USD	17 379	2010-11-22	interest dependent on: S&P 500. FTSE 100. Nikkei 225
bonds	PLN	31 846	2008-11-03	Fixed 5.3 %
bonds convertible into shares	PLN	4	2008-01-15	
bonds convertible into shares	PLN	4	2008-12-30	

(in PLN thousand)

Debt securities in issue to maturities:

31 December 2008	- up to 1 month		- between 1 and 3 months		- between 3 months and 1 year		- between 1 and 5 years		- above 5 years		undefined maturity	Total	
	Book value	Average yield. (%)	Book value	Average yield. (%)	Book value	Average yield. (%)	Book value	Average yield. (%)	Book value	Average yield. (%)	Book value	Book value	Average yield. (%)
- certificates of deposit	279 310	3.58	-		559 910	4.81	880 670	4.42	-		-	**1 719 890**	4.41
-bonds	-		-		-		4				-	**4**	-
Total	**279 310**	**3.58**	**-**		**559 910**	**4.81**	**880 674**	**4.42**	**-**		**-**	**1 719 894**	**4.41**
Including interest	1 928		-		645		434		-		-	**3 007**	

Debt securities in issue to maturities:

31 December 2007	- up to 1 month		- between 1 and 3 months		- between 3 months and 1 year		- between 1 and 5 years		- above 5 years		undefined maturity	Total	
	Book value	Average yield. (%)	Book value	Average yield. (%)	Book value	Average yield. (%)	Book value	Average yield. (%)	Book value	Average yield. (%)	Book value	Book value	Average yield. (%)
- certificates of deposit	18 363	5.20	41 707	5.45	604 361	3.92	1 400 511	5.67	-		-	**2 064 942**	5.15
-bonds	4		-		32 124	5.30	-				-	**32 128**	5.30
Total	**18 367**	**5.20**	**41 707**	**5.45**	**636 485**	**3.99**	**1 400 511**	**5.67**	**-**		**-**	**2 097 070**	**5.16**
Including interest	107		-		13 210		2 188		-		-	**15 505**	

(in PLN thousand)

44. Provisions

2008	Provisions for litigation and claims	Provisions for retirement benefits	Provisions for undrawn credit facilities and guarantees issued	Other provisions	Total
Balance as at 1 January 2007	**53 971**	**113 511**	**186 161**	**21 355**	**374 998**
Provision charges	3 845	1 062	106 089	3 811	114 807
Provision utilization	(6 124)	-	-	-	(6 124)
Provision releases	(33 423)	-	(154 983)	-	(188 406)
Foreign exchange differences	(109)	-	5 026	-	4 917
Other changes	(2 015)	-	-	-	(2 015)
Balance as at 31 December 2008	**16 145**	**114 573**	**142 293**	**25 166**	**298 177**

2007	Provisions for litigation and claims	Provisions for retirement benefits	Provisions for undrawn credit facilities and guarantees issued	Other provisions	Total
Balance as at 1 January 2007	**40 399**	**64 211**	**112 591**	**3 811**	**221 012**
Integration with "Pekao 285"	20 287	25 983	52 419	-	98 689
Provision charges	2 797	23 317	240 472	17 544	284 130
Provision utilization	(2 793)	-	-	-	(2 793)
Provision releases	(8 032)	-	(221 403)	-	(229 435)
Foreign exchange differences	1 731	-	2 082	-	3 813
Other changes	(418)	-	-	-	(418)
Balance as at 31 December 2007	**53 971**	**113 511**	**186 161**	**21 355**	**374 998**

45. Other liabilities

	31.12.2008	31.12.2007
Deferred income	167 093	166 920
Holiday pay accrual	51 255	49 739
Other accruals	149 996	231 979
Provision for administrative costs	92 379	104 467
Other costs to be paid	13 618	33 844
Other creditors	400 713	1 242 434
Liabilities due to settlement of merger with Pekao 285	-	594 765
Interbank and interbranch settlements	345 356	508 068
Total	**1 220 410**	**2 932 216**

46. Employee benefits

Bank Pekao S.A. employee share programs

Options to purchase the Bank's shares are granted as a part of the incentive program for senior management essential to the success of the Capital Bank Bank's strategy. These were established by resolution of Extraordinary General Meeting of Bank Pekao S.A on 25 July 2003.

The program involves a contingent increase of the Bank's share capital by issuing the following shares received in exchange for bonds with pre-emptive rights to take up the Bank's shares.

Type of shares	Number of options	Nominal value of 1 share	The issue price of one share	Establish basis of share issue price
Bearer common shares. F-share	830 000	1 PLN	108.37 PLN	the average of closing prices of the Bank's shares quoted at the Warsaw Stock Exchange in July and August 2003
Bearer common shares. G-share	830 000	1 PLN	123.06 PLN	the average of closing prices of the Bank's shares quoted at the Warsaw Stock Exchange in February and March 2004

After realization of the pre-emptive rights to take up the Bank's shares. the shares are recognized in the Bank's equity.

The incentive program will be implemented within the confines of sub program (each divided into two installments) at the following parameters :

	Program based on F-share issue		**Program based on G-share issue**	
Expiry date	31 December 2010		31 December 2012	
Realization price (in PLN)	108.37		123.06	
Number of options	415 000	415 000	415 000	415 000
Criteria to rights purchase	1. Executive of individual purposes in confines of the MBO* program during the 2003 year. 2. Remaining under contract of employment within Bank's capital group employee as at the date of option rights exercised.		1. Executive of individual purposes in confines of the MBO* program during the 2004 year. 2. Remaining under contract of employment within Bank's capital Group employee as at the date of option rights exercised.	
	3. Realization of assumed ROE for 2004	3. Realization of assumed ROE for 2005	3. Realization of assumed ROE for 2006	3. Realization of assumed ROE for 2007
Fair Value as at 31 December 2008 (in PLN thousand)	6 462	6 775	7 849	7 734
Assumptions of the fair value model adopted on the day of granted rights:				
Dividend rate (%)	4.27		5.12	
Volatility index (%)	31.75		31.75	
Risk-free interest rate (%)	5.33	5.41	6.66	6.70
Foreseen option validity period (in years)	4.76	5.26	6.18	6.68
Weighted average of stock price (in PLN)	112.50		125.00	

(in PLN thousand)

The fair value of the pre-emptive rights to take up the Bank's shares granted in period to the 31 December 2008. as at 31 December 2008 amounted to 28 820 ths. PLN and it is settled over time during the estimated period in which rights to acquire the Bank's shares are granted to participating individuals.

Costs of payroll in the year 2008 year was increased by PLN 1 657 thousand (in 2007 – PLN 3 798 thousand).

The fair value of the pre-emptive rights to take up the Bank's shares was recognized as of the day of granting options (pre-emptive rights to take up the Bank's shares) based on the Black-Scholes model for appraisal of dividend-yielding stock options. according to expectations of the Management Board concerning the number of rights to be exercised. The amount of the employee share program is adjusted as of every balance sheet date if expectations of the Management Board change concerning the number of rights to be exercised. No efficiency/results data except those related to the price of shares ("market conditions") are taken into account in the assessment of transactions settled in capital instruments.

The expected effective term of the pre-emptive rights to take up the Bank's shares is determined on the basis of historic data and does not need to specifically define all possible exercise scenarios.

The expected volatility index reflects the assumption according to historic volatility index.

No other parameters related to the granting of pre-emptive rights to take up the Bank's shares were taken into account in the assessment of the fair value.

The table below presents the number and weighted average exercise prices of shares options for each of the following Bank options:

	2008		2007	
	Number of shares	**Weighted average exercise price**	**Number of shares**	**Weighted average exercise price**
Outstanding at the beginning of the period	691 921	108.37/123.06	986 762	108.37/123.06
Granted during the period	-		-	-
Forfeited during the period	52 674		-	
Exercised during the period (*)	345 972	108.37/123.06	294 841	108.37
Expired during the period	-		-	-
Outstanding at the end of the period	293 275	123.06	691 921	108.37/123.06
Exercisable at the end of the period	0	-	-	-

(*) Average weighted price of option execution on exercise dates in 2008 was 200.13 PLN (in 2007 it was 232,47 PLN)

The UniCredit Group incentive program

The Long Term Incentive Program (2007 LTIP) constitutes a key element of the payroll policy of the UniCredit Group. according to which the salaries depend on market conditions and performance.

Following the best international practice. under the LTIP equity options and performance shares are granted to a selected group of high and top level managers and the most promising employees. in order to:

- Create incentives for realization of th strategic targets of the Group;
- Retain the key employees;
- Effectively compete in the international employment market.

(in PLN thousand)

The actual choice of the participants of the program and the benefits granted is performed upon the following criteria:

- Adherence to the corporate system of values. broad perspectives. strong corporate identity and consequence.
- Significance of the position: strategic importance to the business performance and corporate governance of the Group;
- The need with respect of employee retention: retention within the Group of the best employees. particularly searched by the competition;
- Evaluation of the performance and potential – realization of targets.

The fair value of share options and performance shares of UniCredit S.p.A. were established following the Hull and White model.

The fair value of the pre-emptive rights to embrace the shares of the Bank's parent entity granted until 31 December 2008 amounted to PLN 20 981 thousand as at 31 December 2008. It is amortized over the estmated vesting period.

The 2008 H/R expense was charged with the amount of PLN 1 733 thousand with respect to that.
The table below presents the changes of the number of share options and performance shares of UniCredit S.p.A. and the average execution prices.

	Share options		Performance shares	
2008	**Number**	**Avg execution price (*)**	**Number**	**Avg execution price**
Opening balance	1 100 111	17.64/29.58	351 632	-
Granted during the year	2 405 906	17.64/29.58	671 954	-
Redemeed during the year	217 705		69 586	-
Vested during the year	-		-	-
Terminated during the year	-		-	-
Existing at closing balance	3 288 312	17.64/29.58	954 000	-
Executable at closing balance	0	-	0	-

	Share options		Performance shares	
2007	**Number**	**Avg execution price (*)**	**Number**	**Avg execution price**
Opening balance	-	-	-	-
Granted during the year	1 223 217	29.58	390 981	-
Redemeed during the year	123 106	29.58	39 349	-
Vested during the year	-	-	-	-
Terminated during the year	-	-	-	-
Existing at closing balance	1 100 111	29.58	351 632	-
Executable at closing balance	-	-	0	-

(*)The value of 17.64 PLN refers to share options of UniCredit S.p.A. from 2008 (in 2007 it was 29.58 PLN)

(in PLN thousand)

47. Operational lease

Operational lease receivables

Bank as a lessor

The Bank is an operating lease lessor of buildings being classified as investment properties.

The amount of future minimum lease payments expected to be received under non-cancelable operating leases can be summarized as follows:

	31.12.2008	31.12.2007
Below 1 year	12 945	4 352
From 1 to 5 years	21 454	4 502
Over 5 years	853	2 117
Total	**35 252**	**10 971**

The operating lease payments recognized as income in 2008 amounted to PLN 39 885 thousand (in 2007 amounted to PLN 16 528 thousand).

Bank as a lessee

The Bank is an operating lease lessee of buildings.

The amount of future minimum lease payments expected to be paid under non-cancelable operating lease can be summarized as follows:

	31.12.2008	31.12.2007
Below 1 year	126 526	398 095
Over 1 to 5 years	256 441	216 557
Over 5 years	94 882	112 439
Total	**477 849**	**727 091**

The operating lease payments recognized as expense in 2008 amounted to PLN 180 935 thousand (in 2007 amounted to PLN 110 126 thousand).

The leases typically run for an indefinite period. For agreements concluded for indefinite period, future minimum lease payments were calculated on the basis of the agreement termination period. Termination period is normally fixed for 3 or 6 months. The leases are denominated in both PLN and foreign currencies. Payments are made in PLN regardless the currency of the contract.

Finance lease

The Bank has entered units as lessee on vehicles with a subsidiary entity Pekao Leasing Sp. z o.o. and Pekao Auto Finance S.A. a subsidiary from Pekao Leasing Holding S.A. on vehicles.

The agreements give to the Bank an option to purchase the assets subject to the leases after the expiry of the lease.

The book value of assets a subject of finance leases as at 31 December 2008 was PLN 29 941 thausand and as at 31 December 2007 as at was PLN 27 422 thousand.

The amount of future minimum lease payments under non-cancelable finance leases can be summarized as follows:

	31.12.2008	31.12.2007
Below 1 year	13 416	10 985
Over 1 to 5 years	16 525	16 437
Over 5 years	-	-
Total	**29 941**	**27 422**

(in PLN thousand)

48. Contingent liabilities

Litigation

As at 31 December 2007 the number of the legal proceedings in courts, appropriate bodies of concerning the liabilities of the Bank was 371 the total value of them was PLN 248 010 thousand (as at 31 December 2007 there were 715 court proceedings amounting on PLN 777 189 thousand).

As at 31 December 2008 Bank made a reserve on contingent liabilities being under the court sentence due to the Bank. which in law’s opinion are under the risk of funds outflow out of the obligation fulfillment. Amount of the reserves as at 31 December 2008 was PLN 16 145 thousand (as at 31 December 2007 PLN 53 971 thousand).

As regards all other significant proceedings in progress against the Bank as at 31 December 2008 the risk of cash outflow is remote.

Financial obligations granted

	31.12.2008	31.12.2007
Financial liabilities granted:	30 932 079	34 314 599
- towards financial entities (*)	1 856 534	2 726 872
- towards non-financial entities	27 117 372	29 315 970
- towards the budget	1 958 173	2 271 757
Including: granted irrevocable contingent liabilities and commitments	30 383 272	33 470 402

(*) Includes unused credit lines granted to UniCredit Bank Ltd. In to amount of PLN 296 180 thousand (Bank did not have inused credit lines granted to UniCredit Bank Ltd as at 31 December 2007). For details see Note 32

The Bank granted fixed-rate financial commitments in the nominal amount of PLN 11 580 925 thousand (as at 31 December 2007 amounts to PLN 4 440 578 thousand).

	31.12.2008	31.12.2007
Granted fixed-rate financial liabilities in total:	11 580 925	4 440 578
- with maturity date within a year of the balance day	5 676 672	907 364
- with maturity date within more than a year of the balance day	5 904 253	3 533 214
including: granted irrevocable liabilities	11 580 925	4 440 578

Guarantees liabilities granted

	31.12.2008	31.12.2007
1) Liabilities granted towards financial entities (*):	1 261 346	267 553
- guarantees	1 253 060	245 265
- confirmed export letters of credit	8 286	22 288
2) Liabilities granted towards non-financial entities (**):	4 818 838	3 871 799
- guarantees	4 818 825	3 871 752
- sureties	13	47
3) Liabilities granted towards the budget:	41 044	193 884
- guarantees	41 044	193 884
Total	**6 121 228**	**4 333 236**

(*) Includes guarantees granted to UniCredit Bank Ltd. in the amount of PLN 5 924 thousand (as at 31 December 2007: PLN 4 870 thousand). For details see Note 32

(**) Includes letters of credit in the amount of PLN 875 382 thousand granted for the benefit of UniCredit Bank Ltd., which collateralize a part of credit risk resulting from loans granted by IniCredit Bank Ltd. (Bank did not have letters of credit granted for the benefit of UniCredit Bank Ltd. as at 31 December 2007). For details see Note 32

(in PLN thousand)

Sub issue program

As at 31 December 2008 the following securities programs were subject to sub issue:

Issuer name	Type of securities	Remaining amount of submission to which the Bank undertook to engage	Contract validity period	Type of submission
Starostwo Powiatowe Zdunska Wola	municipality's bonds	4 930	22.03.06 – 31.12.10	unconditional
Poludniowy Koncern Energetyczny S.A.	bonds	14 500	25.09.06 – 01.07.09	conditional
Raiffeisen Leasing S.A	bonds	60 000	20.02.06 – 20.02.09	conditional

As at 31 December 2007 the following securities programs were subject to sub issue:

Issuer name	Type of securities	Remaining amount of submission to which the Bank undertook to engage	Contract validity period	Type of submission
Starostwo Powiatowe Zdunska Wola	municipality's bonds	8 610	22.03.06 – 31.12.15	unconditional
Polska Grupa Energetyczna S.A.	bonds	750 000	30.03.06 - 31.03.08	conditional
Poludniowy Koncern Energetyczny S.A.	Bonds	126 500	25.09.06 - 25.09.19	conditional
Raiffeisen Leasing S.A	Bonds	100 000	20.02.06 - 20.02.10	conditional

Securities issued by the County of Zdunska Wola, Poludniowy Koncern Energetyczny S.A., Raiffeisen Leasing S.A. underwritten by the Bank, are securities with unlimited transferability, not listed on stock exchanges and not traded on regulated over-the-counter markets.

49. Share capital

SHARE CAPITAL (STRUCTURE)						
Series/ Issue	Type of shares	Number of shares	Value of series / issue according to nominal value	Manner of capital coverage	Date of registration	Right to dividend (as at)
A	bearer common shares	137 650 000	137 650	paid in full	21.12.1997	1.01.1998
B	bearer common shares	7 690 000	7 690	paid in full	6.10.1998	1.01.1998
C	bearer common shares	10 630 632	10 631	paid in full	12.12.2000	1.01.2000
D	bearer common shares	9 777 571	9 777	paid in full	12.12.2000	1.01.2000
E	bearer common shares	373 644	374	paid in full	29.08.2003	1.01.2003
F	bearer common shares	621 411	621	paid in full	29.08.2003	19.05.2006 & 16.05.2007
G	bearer common shares	345 972	346	paid in full	29.08.2003	15.05.2008
H	bearer common shares	359 840	360	paid in full	12.08.2004	1.01.2004
I	bearer common shares	94 763 559	94 764	paid in full	29.11.2007	1.01.2008
Total number of shares		**262 212 629**				
Total share capital in thousand PLN			**262 213**			
Nominal value of one share = 1.00 PLN						

Changes of 2008 in shares	Shares issued and paid in full	Total
Balance as at the beginning of the period	261 866 657	261 866 657
Emission of G shares	345 972	345 972
Balance as at the end of the period	**262 212 629**	**262 212 629**

Changes of 2007 in shares	Shares issued and paid in full	Total
Balance as at the beginning of the period	166 808 257	166 808 257
Emission of F shares	294 841	294 841
Emission of I shares	94 763 559	94 763 559
Balance as at the end of the period	**261 866 657**	**261 866 657**

On 13 November 2008 the Bank sold in the series of stock exchange transactions 5 010 pieces of its own shares of series I (The Spin-off Issue Shares) of nominal value of PLN 1 each share which were not allocated to the shareholders of BPH following the BPH S.A. spin-off. And was purchased by the Bank in 2007.

(in PLN thousand)

The total amount of the transaction amounted to PLN 561 thousand . with the average sell price equal to PLN 111.93 per one share.

The shares sold constitute 0.0019% the share capital of Bank and represent 0.0019% votes at the General Meeting.

The reference price of the I series shares amounted to PLN 256.69. The total value of treasury shares purchased by the Bank at the reference price amounted to PLN 1 286 thousand. The Bank was not eligible to execute the voting rights on those shares.

50. Reserves. prior and current year profit

	31.12.2008	31.12.2007
Reserves:		
Supplementary capital	9 295 139	9 252 555
Share premium	9 105 832	9 063 248
Other	189 307	189 307
Revaluation reserve	39 291	(278 736)
Revaluation of the portfolio of financial assets available for sale	(65 133)	(280 829)
Deferred tax	13 545	52 810
Revaluation of the portfolio of hedging instruments	108 283	(61 776)
Deferred tax	(20 574)	11 737
Differences in the rate of exchange	3 170	(678)
General banking risk fund	1 237 850	1 237 850
Brokerage activity fund	15 000	15 000
Other reserve capital	1 344 891	1 855 533
Bonds convertible on shares –capital item	31 105	27 715
Total reserves	**11 963 276**	**12 109 917**
Prior year profit (loss) attributable to equity holders of the Bank		-
Profit for the year attributable to equity holders of the Bank	3 345 845	2 006 600
Total prior year proft (loss) and profit for the year attributable to equity holders of the Bank	**3 345 845**	**2 006 600**
Total other capital. reserves and profit for the period and for the year ended	**15 309 121**	**14 116 517**

From 1982 to 1984 and from 1988 to 1996 the Bank operated in a hyperinflationary economic environment. IAS 29 (Financial Reporting in Hyperinflationary Economies) requires the adjustment of each component of shareholders equity (except retained earnings and any revaluation reserve) by the index price of commodities and services for the period of hyperinflation. This retrospective application would have resulted in an increase in share capital and other reserves and a decrease in retained earnings in equivalent amounts. This adjustment would not have any effect on the total amount of the Bank's equity.

51. Additional information for the cash flow statement

Cash and cash equivalents

Balance items	31.12.2008	31.12.2007
Cash. amounts due from Central Bank (*)	8 137 505	3 336 553
Receivables from banks up to 3 month	3 373 017	13 477 645
Financial resources and equivalents of financial resources presented in the cash flow statements	**11 510 522**	**16 814 198**

*The item „Cash. amounts due from Central Bank" does not include the NBP Bond in amount of PLN 1 767 765 thousand (as at 31 December 2007 - PLN - 1 746 276 thousand)

Limited availability cash and cash equivalents as at 31 December 2008 amounted to PLN 2 992 602 thousand (as at 31 December 2007 PLN 3 107 274 thousand).

(in PLN thousand)

52. Transactions with related parties

The Bank is a parent entity of Capital Group of Bank Pekao S.A.

UniCredito Italiano S.p.A is a dominant entity.

Below all subsidiaries are listed in the following table:

Entity name	Registering body	Percentage participation in the capital	
		31.12.2008	31.12.2007
UniCredit Bank Ltd. (ex. Bank Pekao (Luck. Ukraine) Ltd.)	National Bank of Ukraine. National Bank Register. No. 265	100.00	100.00
Centralny Dom Maklerski Pekao S.A.	District Court for the capital city of Warsaw. XIII Commercial Department of the National Court Registry	100.00	100.00
Pekao Fundusz Kapitałowy Sp. z o.o.	District Court for the capital city of Warsaw. XII Commercial Department of the National Court Registry	100.00	100.00
Pekao Leasing Sp. z o.o.	District Court for the capital city of Warsaw. XIII Commercial Department of the National Court Registry	100.00	100.00
Pekao Faktoring Sp. z o.o.	District Court for the city of Lublin. XI Commercial Department of the National Court Registry	100.00	100.00
Pekao Pionier Powszechne Towarzystwo Emerytalne S.A.	District Court for the capital city of Warsaw. XIII Commercial Department of the National Court Registry	65.00	65.00
Pekao Telecentrum (ex/ Drukbank Sp. z o.o.)	District Court for the capital city of Warsaw. XII Commercial Department of the National Court Registry	100.00	100.00
Centrum Kart S.A.	District Court for the capital city of Warsaw. XII Commercial Department of the National Court Registry	100.00	100.00
Pekao Financial Services Sp. z o.o.	District Court for the capital city of Warsaw. XIII Commercial Department of the National Court Registry	100.00	100.00
Pekao Bank Hipoteczny (ex.BPH Bank Hipoteczny S.A)	District Court for the capital city of Warsaw. XIX Commercial Department of the National Court Registry	100.00	100.00
Pekao Leasing Holding (ex.BPH PBK Leasing S.A.)	District Court for the capital city of Warsaw. XIX Commercial Department of the National Court Registry	80.10	80.10
Finanse plc	Rejestr Firm dla Anglii i Walii	100.00	100.00
Final Holding Sp. z o. o.	District Court for the capital city of Warsaw. XIII Commercial Department of the National Court Registry	100.00	100.00
Pekao Property (ex.BPH Real Estate S. A.)	District Court for the capital city of Warsaw. XII Commercial Department of the National Court Registry	100.00	100.00
Centrum Usług Księgowych Sp. z o. o.	District Court for the capital city of Kraków-Śródmieście. XI Commercial Department of the National Court Registry	-	100.00
Property Sp. z o.o. w likwidacji (ex.PBK Property Sp. z o. o. w likwidacji)	District Court for the capital city of Warsaw. XII Commercial Department of the National Court Registry	100.00	100.00
Centrum Bankowości Bezpośredniej Sp. z o. o.	District Court for the capital city of Kraków-Śródmieście. XI Commercial Department of the National Court Registry	100.00	98.00

Information on subsidiaries and related and associated entities is provided in Note 31 and 32.

The credit procedure applicable to the Bank's Management and entities related to the Bank

Under the Banking Law. credit transactions with members of the Bank's Management Board and Supervisory Board as well as with the Bank's senior management and entities related thereto are subject to the Bylaws adopted by the Bank's Supervisory Board.

The Bylaws lay down detailed decision-making procedures applicable to transactions with such individuals and entities. including authority levels on which different decisions are allowed and competencies assigned thereto. In particular. concluding a transaction with a member of the Bank's Management Board or Supervisory Board or with an entity capitally and organize related thereto. in amounts specified in the Bylaws. requires authorization of the Bank's Management Board and Supervisory Board in the form of separate resolution.

Members of the Bank's Management and entities capitally and organize related thereto may use lending facilities offered by the Bank on standard terms and conditions applied by the Bank. In particular. the Bank may not offer such individuals or entities better interest rates for lending facilities.

Credit risk assessment follows methodologies used by the Bank with regard to the customer's segment and type of transaction.

Standard credit procedures are applied to entities associated with the Bank. and transaction decisions are made exclusively from the Bank's Head Office level.

(in PLN thousand)

Transactions with related entities as at 31.12.2008:

Entity name	Dues from loans and advances	Securities	Financial derivatives contracts	Other dues from	Dues to loans and advances	Financial derivatives contracts	Other dues to
Group parent company							
UniCredito Italiano S.p.A.	1 091 251	-	5 080	469	214	-	2 286
Entities of UniCredito Italiano Group's excluding entities of Pekao S.A. Group	1 872 421	-	270 068	52	4 136 625	744 735	45 031
Subsidiaries							
UniCredit Bank Ltd. (ex Bank Pekao Ukraina Ltd.)	2 621 903	-	-	-	98	-	86
Pekao Leasing Sp. z o.o.	928 673	-	7 513	2	47	3 505	20 988
Pekao Faktoring Sp. z o.o.	503 059	-	-	70	289	-	872
Centralny Dom Maklerski S.A.	-	-	-	125 384	1 107 817	-	1 276
Pekao Fundusz Kapitałowy Sp. z o.o.	-	-	-	-	68 713	-	-
Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A.	-	-	-	353	17 914	-	8
Pekao Telecentrum (ex Drukbank Sp. z o.o).	-	-	-	-	8 709	-	-
Centrum Kart S.A.	-	-	-	3	27 256	-	9 246
Pekao Financial Services Sp. z o.o.	-	-	-	-	12 735	-	-
Pekao Bank Hipoteczny S.A. (ex BPH Bank Hipoteczny S.A).	333 954	210 030	36 026	-	6 581	2 921	59
Pekao Leasing Holding S.A. (ex BPH PBK Leasing S.A)	339 691	4 055	1 448	-	6 844	1	6 035
Property Sp.z.o.o. w likwidacji (ex PBK Property Sp. z o.o w likwidacji).	-	-	-	-	3 343	-	-
Final Holding Sp. z o.o.	-	-	-	-	68 216	-	-
Pekao Property SA(ex BPH Real Estate S.A).	-	-	-	-	3 043	-	-
Centrum Bankowosci Bezpośredniej Sp.z o.o.	-	-	-	-	5 631	-	-
Associates							
Pirelli Pekao Real Estate Sp. z o.o.	-	-	-	-	56 880	-	-
Xelion Doradcy Finansowi Sp. z o.o.	1 597	-	-	-	85	-	-
Pioneer Pekao Investment Management S.A.	-	-	-	-	238 829	-	-
Krajowa Izba Rozliczeniowa S.A.	-	-	-	-	36 119	-	-
Key managing Staff of the Bank or it's Parent Company	6 238	-	-	-	7 885	-	-
Total	**7 698 787**	**214 085**	**320 135**	**126 333**	**5 813 873**	**751 162**	**85 887**

On 17 November 2008 Bank Pekao S. A. signed Liquidity Back up Facility Agreement with UniCredit CAIB AG, which allow Bank Pekao S.A. borrowing from UniCredit CAIB AG 800 mio Euro. Till 31 December 2008 Bank did not borrow any loan under this agreement

(in PLN thousand)

Transactions with related entities as at 31.12.2007

Entity name	Dues from loans and advances	Securities	Financial derivatives contracts	Other dues from	Dues to loans and advances	Financial derivatives contracts	Other dues to
Group parent company							
UniCredito Italiano S.p.A.	1 589 380	-	23 985	-	592 901	18 541	13 754
Entities of UniCredito Italiano Group's excluding entities of Pekao S.A. Group	2 360 425	-	397 440	283 162	2 081 909	83 316	637 161
Subsidiaries							
UniCredit Bank Ltd. (ex Bank Pekao (Ukraina) Ltd.)	881 099	-	-	149	1 204	-	224
Pekao Leasing Sp. z o.o.	884 569	-	77	736	88	122	15 781
Pekao Faktoring Sp. z o.o.	505 961	-	-	-	2 489	-	-
Centralny Dom Maklerski S.A.	-	-	-	26 804	803 495	-	3 928
Pekao Fundusz Kapitałowy Sp. z o.o.	-	-	-	-	64 966	-	-
Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A.	-	-	-	175	14 578	-	-
Drukbank Sp. z o.o.	-	-	-	-	8 462	-	-
Centrum Kart S.A.	-	-	-	-	22 289	-	7 458
Pekao Financial Services Sp. z o.o.	-	-	-	-	9 484	-	-
BPH Bank Hipoteczny S.A.	183 835	211 664	746	-	10 939	28 386	-
BPH PBK Leasing S.A.	247 327	107 733	-	-	2 912	-	8 537
PBK Property Sp. z o.o.	-	-	-	-	3 112	-	-
Final Holding Sp. z o.o.	-	-	-	-	189	-	-
BPH Real Estate S.A.	-	-	-	-	38	-	-
Centrum Usług Księgowych Sp. z o.o.	-	-	-	-	32	-	-
Associates							
Pirelli Pekao Real Estate Sp. z o.o.	-	-	-	-	89 157	-	-
Xelion. Doradcy Finansowi Sp. z o.o.	-	-	-	-	3 047	-	-
Pioneer Pekao Investment Management S.A.	-	-	-	-	214 999	-	-
Krajowa Izba Rozliczeniowa S.A.	-	-	-	-	26 162	-	-
Bankowe Doradztwo Podatkowe Sp. z o.o.	-	-	-	-	53	-	-
Key managing Staff of the Bank or it's Parent Company	**12 376**	**-**	**-**	**-**	**10 415**	**-**	**-**
Total	**6 664 972**	**319 397**	**422 248**	**311 026**	**3 962 921**	**130 365**	**686 843**

(in PLN thousand)

Income and expenses from transactions with related entities as at 31 December 2008:

Entity name	Income interest	Interest expense	Fee and commission income	Fee and commission expense	Other income	Other expense
Group parent company	**14 573**	**(265)**	**7 731**	**(2 080)**	**5 923**	**(19 606)**
Entities of UniCredito Italiano Group's excluding entities of Pekao S.A. Group	**67 531**	**(142 393)**	**267 783**	**(1 126)**	**8 047**	**(85 992)**
Entities of Pekao S.A. Group's						
Subsidiaries						
UniCredit Bank Ltd.	87 079	(85)	36	(4)	-	-
Centralny Dom Maklerski Pekao S.A.	-	(70 005)	2 616	(32)	4 355	(5 068)
Pekao Leasing Sp. z o. o.	53 730	(1 452)	176	-	8 076	(3 682)
Pekao Faktoring Sp. z o. o.	24 875	(9)	892	(1)	60	-
Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A.	-	(768)	3 802	-	10	-
Pekao Fundusz Kapitałowy Sp. z o. o.	-	(3 947)	3	-	14	-
Centrum Kart S.A.	-	(1 452)	17	-	1 192	(45 783)
Pekao Telecentrum Sp. z o. o. (ex Drukbank Sp. z o.o.)	-	(505)	2	-	-	-
Pekao Financial Services Sp. z o. o.	-	(566)	8	(32)	-	-
Pekao Bank Hipoteczny S.A. (ex BPH Bank Hipoteczny S.A.)	19 842	(257)	127	-	24 085	(37 284)
Pekao Leasing Holding S.A. (ex BPH PBK Leasing S.A.)	-	(7)	-	-	-	-
Pekao Leasing i Finanse S.A. (ex BPH Leasing S. A.)	12 663	(173)	168	-	1 791	(70)
Pekao Auto Finanse S.A. (ex BPH Auto Finance S.A.)	6 249	(649)	152	-	224	(4)
Final Holding Sp. z o.o.	-	(128)	2	-	-	-
Centrum Bankowości Bezpośredniej Sp. z o.o.	-	(129)	2	-	1 689	-
Centrum Usług Księgowych Sp. z o.o.	-	-	1	-	1	-
Metropolis Sp z o.o.					27	
Pekao Property SA (ex BPH Real Estate S.A.)	-	(85)	3	-	-	-
Property Sp. z o.o. in liquidation (ex PBK Property Sp.z o.o. in liquidation)	-	(144)	1	-	-	-

(in PLN thousand)

Income and expenses from transactions with related entities as at 31 December 2008:

Entity name	Income interest	Interest expense	Fee and commission income	Fee and commission expense	Other income	Other expense
Associates						
Pioneer Pekao Investment Management S.A.	1	(13 610)	666	-	-	-
Xelion Doradcy Finansowi Sp. z o. o.	10	(135)	32	(84)	152	-
Krajowa Izba Rozliczeniowa S.A.	-	(803)	8	-	-	(9 955)
Pirelli Pekao Real Estate Sp z o.o.	-	(3 932)	18	-	4	(199)
Bankowe Doradztwo Podatkowe Sp. z o.o.	-	-	-	-	20	-
Total entities of Pekao S.A. Group's	**204 449**	**(98 841)**	**8 732**	**(153)**	**41 700**	**(102 045)**
Key managing Staff of the Bank or it's Parent Company	1 035	(389)	7	-	-	(30)
Total related entities	**287 588**	**(241 888)**	**284 253**	**(3 359)**	**55 670**	**(207 673)**

(in PLN thousand)

Income and expenses from transactions with related entities as at 31 December 2007:

Entity name	Income interest	Interest expense	Fee and commission income	Fee and commission expense	Other income	Other expense
Group parent company	**12 096**	**(155)**	**384**	**(1 452)**	**414**	**(11 864)**
Entities of UniCredito Italiano Group's excluding entities of Pekao S.A. Group	**39 741**	**(24 058)**	**599 397**	**(7 293)**	**58 834**	**(29 722)**
Entities of Pekao S.A. Group's						
Subsidiaries						
UniCredit Bank Ltd.	12 362	(28)	2 700	(376)	-	-
Centralny Dom Maklerski Pekao S.A.	1	(42 969)	3 549	(73)	3 850	(648)
Pekao Leasing Sp. z o. o.	43 678	(786)	122	-	332	(52)
Pekao Faktoring Sp. z o. o.	14 498	(14)	946	(1)	56	-
Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A.	-	(498)	3 028	-	65	-
Pekao Fundusz Kapitałowy Sp. z o. o.	-	(2 110)	3	-	15	-
Centrum Kart S.A.	-	(943)	24	-	1 196	(40 858)
Drukbank Sp. z o. o.	-	(286)	1	-	-	-
Pekao Financial Services Sp. z o. o.	-	(311)	8	(39)	-	-
Pekao Access Sp. z o. o.	-	(1)	2	-	-	-
BPH Bank Hipoteczny S.A./*	1 495	(7)	4	-	-	(1 020)
BPH PBK Leasing S.A./*	-	(1)	-	-	-	-
BPH Leasing S.A./*	953	(3)	14	-	163	-
BPH Auto Finance S.A./*	589	(5)	10	-	-	(51)
Centrum Bankowości Bezpośredniej Sp. z o.o./*	-	-	-	-	67	-
Metropolis Sp z o.o./*	-	-	-	-	4	-

*/ data since the spin-off day till 31.12.2007

(in PLN thousand)

Income and expenses from transactions with related entities as at 31 December 2007:

Entity name	Income interest	Interest expense	Fee and commission income	Fee and commission expense	Other income	Other expense
Associates						
Pioneer Pekao Investment Management S.A.	-	(6 950)	1 138	-	-	-
Xelion Doradcy Finansowi Sp. z o. o.	-	(355)	34	(302)	116	-
Krajowa Izba Rozliczeniowa S.A.	-	(455)	6	-	-	(4 949)
Pirelli Pekao Real Estate Sp z o.o.	-	(3 442)	50	(5)	5	(1 325)
Bankowe Doradztwo Podatkowe Sp. z o.o./*	-	-	-	-	3	-
Total entities of Pekao S.A. Group's	**73 576**	**(59 164)**	**11 639**	**(796)**	**5 872**	**(48 903)**
Key managing Staff of the Bank or it's Parent Company	591	(203)	7	-	-	(24)
Total related entities	**126 004**	**(83 580)**	**611 427**	**(9 541)**	**65 120**	**(90 513)**

*/ data since the spin-off day till 31.12.2007

(in PLN thousand)

The off-balance sheet exposure related to: financing of related entities as at 31 December 2008 amounted to PLN 977 566 thousand (as at 31 December 2007 PLN 1 114 090 thousand); related to guarantying as at 31 December 2008 amounted to PLN 1 144 835. thousand (as at 31 December 2007 PLN 156 691 thousand); credit cards limits towards related entities as at 31 December 2008 amounted to PLN 25 thousand (as at 31 December 2007 PLN 72 thousand).

The off-balance sheet exposure for UniCredit Bank Ltd. related to: financing as at 31 December 2008 amounted to PLN 296 180 thousand (as at 31 December 2007 PLN 0 thousand); related to guarantying as at 31 December 2008 amounted to PLN 881 305. thousand (as at 31 December 2007 PLN 4 870 thousand).

In 2007 an issue capital was increased for UniCredit Bank Ltd. (before Bank Pekao (Ukraine) Ltd.) for PLN 148 352 thousand.

Management Board and Supervisory Board Remuneration

	2008	2007
Management Board of the Bank		
Short-term employee benefits (*)	18 567	15 865
Other long- term benefits	1 087	1 212
Termination benefits	2 558	2 898
Share-based payments (**)	620	1 458
Total	**22 832**	**21 433**
Supervisory Board of the Bank		
Short-term employee benefits (*)	584	533
Total	**584**	**533**
Grand total	**23 416**	**21 966**

(*) Short term employee benefits comprise of: base salaries. bonuses and other benefits. in particular cost of life insurance polices. health insurance and healthcare. children education costs.

(**) The value of Share-based payments was established as part of Payroll/Employee Expenses recognized by the Bank. according to IFRS 2 during the reporting period. representing the amortization of initial fair value of options (pre-emptive rights to take up the Bank's shares) pertaining to options granted to members of the Management Board of the Bank. Detailed information about the employee share program. including the method of the options fair value estimation are presented in the note 46“Employee benefits”.

In 2008 and 2007 Management Board and Supervisory Board Members did not receive any compensation in any form and they do not have any receivables by that title from subsidiaries. jointly controlled companies. and associated entities.

53. Repo and reverse repo transactions

The Bank increases it's funds by sales transactions with the repurchase promise granted (repo and sell-buy back) at the same price increased by interests.
Securities treated as repo and sell-buy back transactions are not excluded from the balance sheet due to the fact that the Bank holds all the benefits and the risk deriving from these assets.

(in PLN thousand)

	31.12.2008		31.12.2007	
	Assets fair value	Balance value liabilities	Assets fair value	Balance value liabilities
Financial assets held for trading				
- up to 1 month	276 506	276 534	1 533 099	1 533 148
- between 1 and 3 months	817 028	755 713	-	-
Total financial assets held for trading	**1 093 534**	**1 032 247**	**1 533 099**	**1 533 148**
Financial assets at fair value through profit or loss				
- up to 1 month	651 956	634 646	633 869	632 553
- between 1 and 3 months	1 345 896	1 300 421	-	-
Total financial assets at fair value through profit or loss	**1 997 852**	**1 935 067**	**633 869**	**632 553**
Financial assets available for sale				
- up to 1 month	2 274 482	2 266 303	1 616 501	1 619 852
- between 1 and 3 months	1 063 213	990 120	5 823	5 821
Total financial assets available for sale	**3 337 695**	**3 256 423**	**1 622 324**	**1 625 673**
Financial assets held to maturity				
- up to 1 month	174 272	169 701	-	-
- between 1 and 3 months	320 624	301 570	-	-
Total financial assets held to maturity	**494 896**	**471 271**	**-**	**-**
Loans and receivables from customers			-	-
- up to 1 month	1 553	1 523	-	-
Total loans and receivables from customers	**1 553**	**1 523**	**-**	**-**
Total	**6 925 530**	**6 696 531**	**3 789 292**	**3 791 374**

The Bank purchase securities with the resale promise granted in the future (reverse-repo and buy-sell back) at the same price increased by interests.
Securities treated as reverse repo and buy-sell back transactions are not disclosed at the balance sheet due to the fact that the Bank do not holds all the advantages of risks and awareness deriving from these assets.

	31.12.2008		31.12.2007	
	Net value assets	Hedged assets fair value	Net value assets	Hedged assets fair value
Amounts due from banks				
- up to 1 month	552 706	551 942	2 567 132	2 556 340
- between 1and 3 months	97 989	115 953	-	-
Loans and receivables from customers				
- up to 1 month	59 859	60 967	733 467	732 053
Total	**710 554**	**728 862**	**3 300 599**	**3 288 393**

Financial assets treated as reverse repo and buy-sell back are collaterals for the Bank. which can be sold or put them into collateral by the Bank.

54. Company's Social Benefits Fund („ZFSS")

The Social Benefits Fund Act of 4 March 1994 with subsequent amendments introduced the requirement to create a Company's Social Benefits Fund by all employers employing over 20 employees. The Bank Pekao SA are making periodic charges to the ZFSS Funds in amounts prescribed by the Act. Apart that, the Company contributed to the Fund in kind of fixed assets. The aim of the ZFSS Funds is financing of social activity in benefit of the employees and subsidizing the social premises. The liabilities of the ZFSS Funds represent the cumulated value of charges made by the Company towards the ZFSS Funds decreased by the amount of non-returnable expenditures of the ZFSS Funds.

(in PLN thousand)

In the individual balance sheet the Bank netted the ZFSS Funds assets against the ZFSS Funds value. due to the fact that the assets of the ZFSS Funds do not represent the assets of the Bank. For this reason the amount pertaining to the ZFSS Funds in the consolidated balance sheet as at 31 December 2008 and as at 31 December 2007 was nil.

The table below sets forth the categories and book values of assets. fund value and costs related to Social Benefits Funds:

	31.12.2008	31.12.2007
Advances to employees	37 383	41 626
Cash in the current account	5 501	7 829
Assets of ZFSS	**42 884**	**49 455**
Value of ZFSS	**42 884**	**49 455**

	2008	2007
Charges made towards the ZFSS	24 533	16 146

55. Events after the balance sheet date

FX rates changes

Subsequent to 31/12/08 there has been a significant depreciation of the polish zloty against other major currencies. This movement can have a significant effect on the values and risk profiles of foreign currency assets, liabilities and off balance sheet financial instruments.

Increase of share capital of Xelion. Doradcy Finansowi Sp. z o.o.

On 30 January 2009 the District Court for the Capital City of Warsaw. XIII Business Branch of the Domestic Registry Court registered the increase of share capital of Xelion.Doradcy Fianansowi Sp. z o.o. (Bank's affiliated company) by the amount of PLN 6.000.000.

On 9 January 2009. the Extraordinary General Meeting of Xelion. Doradcy Finansowi Sp. z o.o. adopted a resolution on increasing the share capital of Xelion. Doradcy Finansowi Sp. z o.o. by the amount of PLN 6.000.000.

The increase in the share capital of Xelion. Doradcy Finansowi Sp. z o.o. was a consequence of acquisition by Bank Pekao SA of 6.000 newly created shares in Xelion Doradcy Finansowi Sp. z o.o. with the par value of PLN 500 per share in the share capital of Xelion. Doradcy Finansowi Sp. z o.o. totalling PLN 3.000.000 nominal value which issue price was PLN 7.500.000 i.e. PLN 1.250 per share as well as take-up by UniCredit S.p.A. of 6.000 newly created shares in Xelion. Doradcy Finansowi Sp. z o.o. with the par value of PLN 500 per share in the share capital of Xelion. Doradcy Finansowi Sp. z o.o. totalling PLN 3.000.000 nominal value which issue price was PLN 7.500.000 i.e. PLN 1.250 per share.

Signatures of all members of the Management Board

Date	First Name/Family Name	Position/Function	Signature
12.03.2009	Jan Krzysztof Bielecki	President of the Management Board. CEO	
12.03.2009	Luigi Lovaglio	First Vice President of the Management Board. GM	
12.03.2009	Diego Biondo	Vice President of the Management Board	
12.03.2009	Marco Iannaccone	Vice President of the Management Board	
12.03.2009	Andrzej Kopyrski	Vice President of the Management Board	
12.03.2009	Katarzyna Niezgoda	Vice President of the Management Board	
12.03.2009	Grzegorz Piwowar	Vice President of the Management Board	
12.03.2009	Marian Ważyński	Vice President of the Management Board	