BANK PEKAO SA

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the period from 1 January 2010 to 30 June 2010

Warsaw, August 2010

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Consolidated income statement

(In PLN thousand)

	NOTE	II QUARTER 2010 Period from 01.04.2010 to 30.06.2010	I HALF 2010 Period from 01.01.2010 to 30.06.2010	II QUARTER 2009 Period from 01.04.2009 to 30.06.2009	I HALF 2009 Period from 01.01.2009 to 30.06.2009
Interest income	8	1 606 604	3 183 476	1 661 740	3 512 273
Interest expense	8	(604 082)	(1 175 834)	(713 603)	(1 654 456)
Net interest income		1 002 522	2 007 642	948 137	1 857 817
Fee and commission income	9	691 637	1 372 878	667 066	1 303 293
Fee and commission expense	9	(103 194)	(212 207)	(113 389)	(220 927)
Net fee and commission income		588 443	1 160 671	553 677	1 082 366
Dividend income	10	7 708	7 708	5 954	5 954
Result on financial assets and liabilities held for trading	11	154 476	276 797	186 134	451 721
Result on fair value hedge accounting	26	(8 795)	(6 844)	(280)	(280)
Net result on other financial instruments at fair value through profit and loss		(351)	11 809	84 487	29 382
Gains (losses) on disposal of:	12	26 137	61 870	45 705	50 851
loans and other financial receivables		791	1 387	913	3 498
available for sale financial assets and held to maturity investments		25 553	60 709	44 710	47 399
financial liabilities		(207)	(226)	82	(46)
Operating income		1 770 140	3 519 653	1 823 814	3 477 811
Net impairment losses on financial assets and off-balance sheet commitments:	15	(136 012)	(276 903)	(153 442)	(244 964)
loans and other financial receivables		(142 001)	(285 312)	(150 177)	(259 028)
available for sale financial assets and held to maturity investments		-	-	(2)	131
off-balance sheet commitments		5 989	8 409	(3 263)	13 933
Net result on financial activity		1 634 128	3 242 750	1 670 372	3 232 847
Administrative expenses	13	(804 608)	(1 602 380)	(830 886)	(1 649 891)
personnel expenses		(476 010)	(943 797)	(467 720)	(929 643)
other administrative expenses		(328 598)	(658 583)	(363 166)	(720 248)
Depreciation and amortization		(98 566)	(206 728)	(110 871)	(220 226)
Net result on other provisions		320	1 157	1 018	920
Net other operating income and expenses	14	13 538	30 982	14 643	35 770
Operating costs		(889 316)	(1 776 969)	(926 096)	(1 833 427)
Gains (losses) from subordinated entities	16	18 649	39 434	12 150	25 201
Gains (losses) on disposal of property, plant and equipment, and intangible assets		135	35	(1 169)	41 296
Profit before income tax		763 596	1 505 250	755 257	1 465 917
Income tax expense		(141 997)	(278 701)	(140 913)	(281 927)
Net profit for the period		621 599	1 226 549	614 344	1 183 990
1.Attributable to equity holders of the Bank		619 115	1 221 827	613 204	1 179 499
2.Attributable to non-controlling interest		2 484	4 722	1 140	4 491
Earnings per share (in PLN per share)	18				
basic for the period		2.36	4.66	2.34	4.50
diluted for the period		2.36	4.66	2.34	4.50

For presentation of consolidated income statement information (short version) consistent with the quarterly format please refer to Report on Activities of Bank Pekao S.A. Capital Group for the first half of 2010.

Consolidated statement of comprehensive income

(In PLN thousand)

	NOTE	II QUARTER 2010 Period from 01.04.2010 to 30.06.2010	I HALF 2010 Period from 01.01.2010 to 30.06.2010	II QUARTER 2009 Period from 01.04.2009 to 30.06.2009	1 HALF 2009 Period from 01.01.2009 to 30.06.2009
Net profit		621 599	1 226 549	614 344	1 183 990
1.Attributable to equity holders of the Bank		619 115	1 221 827	613 204	1 179 499
2.Attributable to non-controlling interest		2 484	4 722	1 140	4 491
Other comprehensive income					
Foreign currency translation differences		51 915	56 660	(12 553)	34 865
Change in fair value of available-for-sale financial assets		(168 900)	27 066	105 306	(93 121)
Change in fair value of cash flow hedges		47 808	101 137	(52 669)	(139 940)
Income tax expenses on other comprehensive income	17	23 233	(24 052)	(11 337)	43 393
Other comprehensive income (net)		(45 944)	160 811	28 747	(154 803)
Total comprehensive income		575 655	1 387 360	643 091	1 029 187
1.Attributable to equity holders of the Bank		573 171	1 382 638	641 951	1 024 696
2.Attributable to non-controlling interest		2 484	4 722	1 140	4 491

Consolidated statement of financial position

(In PLN thousand)

	NOTE	30.06.2010	31.12.2009
ASSETS			
Cash and due from Central Bank		7 626 317	9 620 329
Debt securities eligible for rediscounting at Central Bank		139	158
Loans and advances to banks	20	7 647 031	7 202 675
Financial assets held for trading	21	1 855 187	3 753 979
Derivative financial instruments (held for trading)	22	2 242 372	2 407 545
Other financial instruments at fair value through profit and loss	23	1 075 871	2 394 086
Loans and advances to customers	24	78 825 069	76 380 061
Receivables from financial leases	25	3 083 251	3 103 477
Hedging instruments	26	59 306	87 543
Investments securities	27	26 795 415	21 274 025
1.Available for sale		22 946 761	17 466 202
2.Held to maturity		3 848 654	3 807 823
Assets held for sale	28	38 580	39 908
Investments in subsidiaries		185 907	239 949
Intangible assets	29	670 409	708 473
Property, plant and equipment	30	1 765 753	1 822 396
Investment properties		76 150	65 239
Income tax assets		655 334	682 728
1.Current tax receivable		1 472	220 581
2.Deferred tax assets		653 862	462 147
Other assets		825 820	833 483
TOTAL ASSETS		133 427 911	130 616 054
LIABILITIES			
Liabilities			
Amounts due to Central Bank		914 713	1 100 176
Amounts due to other banks	32	6 665 376	7 379 005
Financial liabilities held for trading		67 941	981 354
Derivative financial instruments (held for trading)	22	2 468 798	1 592 073
Amounts due to customers	33	99 509 395	97 249 996
Hedging instruments	26	768 491	150 452
Debt securities issued	34	1 817 455	2 032 234
Income tax liabilities		126 294	6 080
1.Current income tax payable		116 956	3 575
2.Deferred tax liabilities		9 338	2 505
Provisions	35	235 845	255 009
Other liabilities		1 846 685	1 498 599
TOTAL LIABILITIES		114 420 993	112 244 978
Equity attributable to equity holders of the Bank			
Share capital		262 361	262 331
Other capital and reserves		17 389 861	15 587 032
Retained earnings and profit for the period		1 272 209	2 438 656
Total equity attributable to equity holders of the Bank		18 924 431	18 288 019
Non-controlling interest		82 487	83 057
TOTAL EQUITY		19 006 918	18 371 076
TOTAL EQUITY AND LIABILITIES		133 427 911	130 616 054

Consolidated statement of changes in equity

(In PLN thousand)

For the period from 1 January 2010 to 30 June 2010

		OTHER CAPITAL AND RESERVES										
	SHARE CAPITAL	TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES FROM FINANCIAL INSTRUMENTS	FOREIGN CURRENCY TRANSLATION DIFFERENCES	OTHER	RETAINED EARNINGS AND CURRENT YEAR PROFIT	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON-CONTROLLING INTEREST	TOTAL EQUITY
Equity as at 1 January 2010	262 331	15 587 032	9 120 232	1 337 850	4 993 548	(46 762)	(179 560)	361 724	2 438 656	18 288 019	83 057	18 371 076
Management options	30	4 380	3 649	-	-	-	-	731	-	4 410	6	4 416
Options exercised (share issue)	30	3 649	3 649	-	-	-	-	-	-	3 679	-	3 679
Revaluation of management share options	-	731	-	-	-	-	-	731	-	731	6	737
Valuation of financial instrument	-	104 151	-	-	-	104 151	-	-	-	104 151	-	104 151
Revaluation of available-for-sale investments net of tax	-	22 230	-	-	-	22 230	-	-	-	22 230	-	22 230
Revaluation of hedging financial instruments net of tax	-	81 921	-	-	-	81 921	-	-	-	81 921	-	81 921
Appropriation of retained earnings and current year profit	-	1 637 638	-	100 000	1 533 986	-	-	3 652	(1 176 907)	460 731	(1 401)	459 330
Dividend paid	-	-	-	-	-	-	-	-	(761 096)	(761 096)	(6 123)	(767 219)
Profit appropriation	-	1 637 638	-	100 000	1 533 986	-	-	3 652	(1 637 638)	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	1 221 827	1 221 827	4 722	1 226 549
Other	-	56 660	-	-	-	-	56 660	-	10 460	67 120	825	67 945
Foreign currency translation differences	-	56 660	-	-	-	-	56 660	-	7 064	63 724	-	63 724
Other	-	-	-	-	-	-	-	-	3 396	3 396	825	4 221
Equity as at 30 June 2010	262 361	17 389 861	9 123 881	1 437 850	6 527 534	57 389	(122 900)	366 107	1 272 209	18 924 431	82 487	19 006 918

Consolidated statement of changes in equity (cont.)

(In PLN thousand)

For the period from 1 January 2009 to 30 June 2009

	SHARE CAPITAL	OTHER CAPITAL AND RESERVES: TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES FROM FINANCIAL INSTRUMENTS	FOREIGN CURRENCY TRANSLATION DIFFERENCES	OTHER	RETAINED EARNINGS AND CURRENT YEAR PROFIT	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON-CONTROLLING INTEREST	TOTAL EQUITY
Equity as at 1 January 2009	262 213	12 194 504	9 105 832	1 237 850	1 579 227	34 326	(112 786)	350 055	3 490 596	15 947 313	89 125	16 036 438
Management options	-	1 420	-	-	-	-	-	1 420	-	1 420	17	1 437
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of management share options	-	1 420	-	-	-	-	-	1 420	-	1 420	17	1 437
Valuation of financial instrument	-	(189 668)	-	-	-	(189 668)	-	-	-	(189 668)	-	(189 668)
Revaluation of available-for-sale investments net of tax	-	(76 317)	-	-	-	(76 317)	-	-	-	(76 317)	-	(76 317)
Revaluation of hedging financial instruments net of tax	-	(113 351)	-	-	-	(113 351)	-	-	-	(113 351)	-	(113 351)
Appropriation of retained earnings and current year profit	-	3 460 975	-	100 000	3 346 530	-	-	14 445	(2 281 476)	1 179 499	(3 433)	1 176 066
Dividend paid	-	-	-	-	-	-	-	-	-	-	(7 924)	(7 924)
Profit appropriation	-	3 460 975	-	100 000	3 346 530	-	-	14 445	(3 460 975)	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	1 179 499	1 179 499	4 491	1 183 990
Other	-	38 103	-	-	3 238	-	34 865	-	-	38 103	(7 025)	31 078
Foreign currency translation differences	-	34 865	-	-	-	-	34 865	-	-	34 865	-	34 865
Other	-	3 238	-	-	3 238	-	-	-	-	3 238	(7 025)	(3 787)
Equity as at 30 June 2009	262 213	15 505 334	9 105 832	1 337 850	4 928 995	(155 342)	(77 921)	365 920	1 209 120	16 976 667	78 684	17 055 351

Consolidated cash flow statement

(In PLN thousand)

	I HALF 2010 Period from 01.01.2010 to 30.06.2010	I HALF 2009 Period from 01.01.2009 to 30.06.2009
Cash flow from operating activities – indirect method		
Net profit for the period	1 221 827	1 179 499
Adjustments:	3 439 794	3 470 433
Depreciation expense	206 728	220 226
Share of profit (losses) in associates	(39 434)	(25 201)
(Gains) losses on foreign exchange differences	(389 686)	55 086
(Gains) losses on investing activities	(60 744)	(88 649)
Interest and dividend	(344 404)	(91 069)
Change in loans and advances to banks	648 967	3 636 776
Change in financial assets held for trading and other financial instruments at fair value through profit and loss	3 217 007	2 869 225
Change in derivative financial instruments (assets)	165 173	1 154 995
Change in loans and advances to customers and debt securities eligible for rediscounting at Central Bank	(2 444 989)	(71 481)
Change in receivables from financial leases	20 226	175 736
Change in investment securities available for sale	(72 345)	(11 701)
Change in tax assets	3 343	(11 352)
Change in other assets	(91 024)	(159 890)
Change in amounts due to banks	(899 092)	(4 250 745)
Change in liabilities held for trading	(913 413)	67 311
Change in derivative financial instruments (liabilities) and other financial instruments at fair value	876 725	(2 617 717)
Change in amounts due to customers	2 259 399	2 550 208
Change in debt securities issued	11 244	8 784
Change in provisions	(19 164)	(20 624)
Change in other liabilities	965 688	430 475
Income tax paid (negative sign)	(148 260)	(640 144)
Current tax expense	487 849	290 184
Net cash flows from operating activities	4 661 621	4 649 932
Cash flow from investing activities		
Investing activity inflows	124 170 143	33 851 853
Sale of investment securities	123 889 169	33 655 451
Sale of intangible assets and property, plant and equipment	3 975	850
Other investing inflows	276 999	195 552
Investing activity outflows	(128 727 753)	(37 081 845)
Acquisition of investments in subsidiaries and associates	-	(7 500)
Acquisition of investment securities	(128 615 434)	(36 948 869)
Acquisition of intangible assets and property, plant and equipment	(112 319)	(125 476)
Net cash flows from investing activities	(4 557 610)	(3 229 992)

Consolidated cash flow statement (cont.)

(In PLN thousand)

	I HALF 2010 Period from 01.01.2010 to 30.06.2010	I HALF 2009 Period from 01.01.2009 to 30.06.2009
Cash flows from financing activities		
Financing activity inflows	79 793	97 351
Issue of debt securities	76 114	97 351
Issue of shares	3 679	-
Financing activity outflows	(1 084 493)	(779 271)
Redemption of debt securities	(323 397)	(779 271)
Dividends and other payments to shareholders	(761 096)	-
Net cash flows from financing activities	(1 004 700)	(681 920)
Total net cash flows	(900 689)	738 020
Net change in cash and cash equivalents	(900 689)	738 020
Cash and cash equivalents at the beginning of the period	14 653 202	11 666 789
Cash and cash equivalents at the end of the period	13 752 513	12 404 809

Notes to financial statements

(In PLN thousand)

1. General information

Bank Polska Kasa Opieki Spółka Akcyjna (hereafter “Bank Pekao S.A.” or “the Bank”), with its headquarters in Warsaw 00-950, Grzybowska Street 53/57, was incorporated on 29 October 1929 in the Commercial Register of the District Court in Warsaw and has been continuously in operation since its incorporation.

Bank Pekao S.A. is registered in the National Court Registry – Enterprise Registry of the Warsaw District Court XII Economic Division of the National Court Registry in Warsaw under the reference number KRS 0000014843.

Bank Pekao S.A. Capital Group (“Group” or “Bank Pekao S.A. Group”) is part of the UniCredit S.p.A. Group with its seat in Roma, Italy.

The condensed consolidated interim financial statements of Bank Pekao S.A. Capital Group for the period from 1 January 2010 to 30 June 2010 contain financial information of the Bank, the Bank’s subsidiaries and subordinated entities accounted for using equity method.

2. Group structure

The Group consists of Bank Pekao S.A. as the parent entity and the following subordinated entities:

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP’S OWNERSHIP RIGHTS IN SHARE CAPITAL/ VOTING	
CONSOLIDATED SUBSIDIARIES			30.06.2010	31.12.2009
Open Joint Stock Company UniCredit Bank, including:	Lutsk, Ukraine	Banking	100.00	100.00
BDK Consulting Ltd.	*Lutsk, Ukraine*	*Consulting, hotel and transport services*	*99.99*	*99.99*
Centralny Dom Maklerski Pekao S.A.	Warsaw	Brokerage	100.00	100.00
Pekao Fundusz Kapitałowy Sp. z o.o.	Warsaw	Business consulting	100.00	100.00
Pekao Leasing Sp. z o.o. (*)	Warsaw	Leasing services	36.49	36.49
Pekao Faktoring Sp. z o.o.	Lublin	Factoring services	100.00	100.00
Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A.	Warsaw	Pension fund management	65.00	65.00
Pekao Telecentrum Sp. z o.o.	Cracow	Services	100.00	100.00
Centrum Kart S.A.	Warsaw	Financial support	100.00	100.00
Pekao Financial Services Sp. z o.o.	Warsaw	Financial services	100.00	100.00
Pekao Bank Hipoteczny S.A. (**)	Warsaw	Banking	99.96	99.96
Pekao Leasing Holding S.A., including (*):	Warsaw	Leasing services	80.10	80.10
Pekao Leasing Sp. z o.o.	*Warsaw*	*Leasing services*	*50.87*	*50.87*
Centrum Bankowości Bezpośredniej Sp. z o.o.	Cracow	Call-center services	100.00	100.00
Holding Sp. z o.o., including: (**)	Warsaw	Non-financial holding	100.00	100.00
Pekao Bank Hipoteczny S.A.	*Warsaw*	*Banking*	*0.04*	*0.04*
Finanse Ltd.	*London, UK*	*Financial brokerage*	*-*	*0.02*
Finanse Ltd. (ex. Finanse plc)	London, UK	Financial brokerage	100.00	99.98

Notes to financial statements (cont.)

(In PLN thousand)

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/ VOTING	
UNCONSOLIDATED SUBSIDIARIES			30.06.2010	31.12.2009
Pekao Property S.A., including:	Warsaw	Real estate development	100.00	100.00
Metropolis	*Warsaw*	*Real estate development (SPV)*	*100.00*	*100.00*
Jana Kazimierza Development Sp. z o.o.	*Warsaw*	*Real estate development (SPV)*	*100.00*	*100.00*
Property Sp. z o.o./In liquidation/, including:	Warsaw	Real estate management	100.00	100.00
FPB Media Sp. z o.o.	*Warsaw*	*Real estate development*	*100.00*	*100.00*

(*)The total share of the Group in Pekao Leasing Sp. z o.o. equity is 87.36% (36.49% directly and 50.87% via Pekao Leasing Holding S.A.)
(**)The total share of the Group in Pekao Bank Hipoteczny S.A. equity is 100% (99.96% directly and 0.04 % via Holding Sp. z o.o.).

Associates

Bank Pekao S.A. Capital Group has an interest in the following associated entities:

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/ VOTING	
			30.06.2010	31.12.2009
Central Poland Fund LLC (*)	Wilmington, Deleware USA	Mutual fund	53.19	53.19
Xelion. Doradcy Finansowi Sp. z o.o. (**)	Warsaw	Supporting, financial and insurance	50.00	50.00
Pioneer Pekao Investment Management S.A.	Warsaw	Asset management	49.00	49.00
Pirelli Pekao Real Estate Sp. z o.o.	Warsaw	Real estate development	25.00	25.00
Krajowa Izba Rozliczeniowa S.A.	Warsaw	Clearing house	34.44	34.44
CPF Management	Tortola, British Virgin Islands	Financial brokerage – not operating	40.00	40.00
Polish Banking System S.A. /in liquidation/	Warsaw	Pending liquidation	48.90	48.90
PPP Budpress Sp. z o.o. /in liquidation/	Żyrardów	Pending liquidation	36.20	36.20

(*) The Group holds over 50% of voting rights in Central Poland Fund LLC. The Group has no control over the entity due to provisions in the Company's Articles of Association.
(**) The Group holds 50% of voting rights in Xelion. Doradcy Finansowi Sp. z o.o. Due to the provisions in the Company's Articles of Association this entity is classified by the Group as an associated entity.

The Group held no shares in joint - ventures as at 30 June 2010.

Changes in Group structure

The composition of the Capital Group has not changed compared to 31 December 2009.

Centrum Bankowości Bezpośredniej Sp. z o.o. has been consolidated since 1 January 2010.

Changes in the Group in 2009, as a result of the merger transaction of the leasing entities, were described in the Consolidated Financial Statement of Bank Pekao S.A. Capital Group as at and for the year ended 31 December 2009.

Notes to financial statements (cont.)

(In PLN thousand)

3. Statement of compliance

The condensed consolidated interim financial statements of Bank Pekao S.A. Capital Group have been prepared in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" (IAS 34) as adopted by the European Union and other applicable regulations.

These financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Bank Pekao S.A. Capital Group as at and for the year ended 31 December 2009.

The consolidated financial statements of the Bank Pekao S.A. Capital Group as at and for the year ended 31 December 2009 are available upon request from the Bank's registered office at the Local Court for the Capital City of Warsaw, XII Business Division of the National Court Register KRS, Warsaw, at 100 Czerniakowska Street or at Bank website, www.pekao.com.pl

In accordance with Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal, No 33, item 259) the Bank is required to publish the financial report for the six months ended 30 June 2010.

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

These condensed consolidated interim financial statements were approved by the Management Board on 2 August 2010.

Notes to financial statements (cont.)

(In PLN thousand)

4. Significant accounting policies

The condensed consolidated financial statements of Bank Pekao S.A. Capital Group have been prepared based on the following valuation principles:

- at fair value for: derivatives, financial assets and liabilities held for trading, financial assets designated at inception as fair value through profit or loss and available-for-sale financial assets, except for those for which fair value cannot be reliably measured,
- at amortized cost for other financial assets, including loans and advances and other financial liabilities,
- at historical cost for non-financial assets and liabilities,
- non-current assets (or disposal groups) classified as held for sale are recognized at the lower of the carrying value or the fair value less costs to sell.

The accounting policies applied by the Bank in these condensed consolidated interim financial statements are the same as those applied by the Bank in the consolidated financial statements of Bank Pekao S.A. Capital Group for the year ended 31 December 2009.

Since 30 June 2010 a consolidated income statement and consolidated statement of comprehensive income in the interim condensed consolidated half-year financial statements of the Group present half-year and quarterly data for the period ended 30 June 2010. To ensure comparability data for the quarter ended 30 June 2009 was disclosed in the comparable period.

Changes in published standards and interpretations, which become effective since 1st January 2010, had no impact on these interim consolidated financial statements.

The Bank does not take into consideration interpretations and amendments to the Standards, pending approval by the European Union or that have been approved by European Union, but are not yet effective (Annex 1 or Annex 2 to the financial statement).

In the opinion of the Bank, the amendments to the standards and interpretations will not have a significant impact on the Bank Pekao S.A. Capital Group consolidated financial statements, except for the new IFRS 9 “Financial Instruments”, described in the 2009 consolidated financial statement.

5. Accounting estimates

The preparation of interim financial statements in accordance with IFRS requires management of the Bank to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

The estimates made at the balance sheet were based on the market data on that date (e.g. market prices, interest rates, exchange rates).

Whilst, the estimates are based on the best knowledge concerning current conditions and activities of the Group, actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgments made by management in applying the Group’s accounting policies were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2009.

During the six months ended 30 June 2010 management reassessed the following estimates:

- Impairment of financial assets and off-balance sheet commitments
- Fair value valuation for derivative financial instruments
- Impairment of other assets

Notes to financial statements (cont.)

(In PLN thousand)

6. Financial risk management

Credit risk

The credit risk management process and measurement methods have not changed in relation to those described in the consolidated financial statements of the Bank Pekao S.A. Capital Group as at 31 December 2009.

Exposure to credit risk

The table below presents the Group's exposure to credit risk with impairment recognized by ageing:

	LOANS AND ADVANCES TO BANKS (*)		LOANS AND ADVANCES TO CUSTOMERS (*)	
	30.06.2010	31.12.2009	30.06.2010	31.12.2009
Gross carrying value of exposure individually impaired				
– current	1 173	985	504 480	431 389
– up to 1 month	-	-	94 892	132 014
– between 1 month and 3 months	-	-	198 062	176 111
– between 3 months and 1 year	-	52 876	366 967	686 256
– between 1 year and 5 years	62 964	10 088	1 442 080	907 423
– above 5 years	-	-	921 612	867 408
Total gross carrying value	64 137	63 949	3 528 093	3 200 601
Allowance for impairment:				
– current	(1 173)	(985)	(57 175)	(66 053)
– up to 1 month	-	-	(11 008)	(23 920)
– between 1 month and 3 months	-	-	(19 284)	(30 394)
– between 3 months and 1 year	-	(45 000)	(83 083)	(410 166)
– between 1 year and 5 years	(54 000)	(9 000)	(1 092 403)	(685 260)
– above 5 years	-	-	(794 765)	(757 304)
Total allowance for impairment	(55 173)	(54 985)	(2 057 718)	(1 973 097)
Net carrying value of exposure individually impaired	8 964	8 964	1 470 375	1 227 504
Gross carrying value of exposure collectively impaired				
– current	-	-	29 885	200 253
– up to 1 month	-	-	17 610	21 400
– between 1 month and 3 months	-	-	47 553	37 469
– between 3 months and 1 year	-	-	656 585	604 155
– between 1 year and 5 years	181	9 952	1 107 526	882 865
– above 5 years	20 763	9 053	746 720	730 482
Total gross carrying value	20 944	19 005	2 605 879	2 476 624
Allowance for impairment:				
– current	-	-	(23 811)	(93 762)
– up to 1 month	-	-	(10 983)	(18 752)
– between 1 month and 3 months	-	-	(25 280)	(26 237)
– between 3 months and 1 year	-	-	(410 456)	(392 851)
– between 1 year and 5 years	(164)	(9 933)	(910 056)	(683 205)
– above 5 years	(20 580)	(9 053)	(724 606)	(715 157)
Total allowance for impairment	(20 744)	(18 986)	(2 105 192)	(1 929 964)
Net carrying value of exposure collectively impaired	200	19	500 687	546 660

Notes to financial statements (cont.)

(In PLN thousand)

The table below presents the Group's exposure to credit risk with no impairment recognized by ageing:

	LOANS AND ADVANCES TO BANKS (*)		LOANS AND ADVANCES TO CUSTOMERS (*)			
			CORPORATE		RETAIL	
	30.06.2010	31.12.2009	30.06.2010	31.12.2009	30.06.2010	31.12.2009
Gross carrying value of exposure with no impairment						
– current	7 642 936	7 197 966	51 223 970	50 862 051	26 874 147	25 539 938
– up to 30 days	-	-	570 712	312 689	924 046	1 029 812
– between 30 days and 60 days	-	-	462 043	64 722	241 576	183 279
– between 60 days and 89 days	-	-	28 796	31 526	117 310	114 842
Total gross carrying value	7 642 936	7 197 966	52 285 521	51 270 988	28 157 079	26 867 871
IBNR PROVISION:						
– current	(3 128)	(4 274)	(248 658)	(233 886)	(78 052)	(69 087)
– up to 30 days	-	-	(11 568)	(9 031)	(53 704)	(52 968)
– between 30 days and 60 days	-	-	(15 365)	(8 980)	(54 864)	(38 559)
– between 60 days and 89 days	-	-	(2 888)	(3 329)	(42 046)	(42 391)
Total IBNR provision	(3 128)	(4 274)	(278 479)	(255 226)	(228 666)	(203 005)
Net carrying value of exposure with no impairment	7 639 808	7 193 692	52 007 042	51 015 762	27 928 413	26 664 866

(*) Loans and advances to banks and loans and advances to customers include receivables from financial leases and debt securities eligible for rediscounting at Central Bank.

Classification of exposures to debt securities according to Standard & Poor's ratings as at 30 June 2010

	DEBT SECURITIES					
RATING	HELD FOR TRADING	DESIGNATED TO FAIR VALUE THROUGH PROFIT & LOSS	AVAILABLE FOR SALE	HELD TO MATURITY	REPO TRANSACTIONS	TOTAL
AAA		-	-	-	-	-
AA- to AA+	-	-	-	-	-	-
A- to A+	1 409 736	1 075 871	13 937 212	3 532 905	3 921 382	23 877 106
BBB+ to BBB-	-	-	-	-	-	-
BB+ to BB-	-	-	-	-	-	-
B+ to B-	291 060	-	-	-	-	291 060
under B-	-	-	-	-	-	-
no rating	154 391	-	8 994 667	315 749	-	9 464 807
Total	1 855 187	1 075 871	22 931 879	3 848 654	3 921 382	33 632 973

Notes to financial statements (cont.)

(In PLN thousand)

Classification of exposures to debt securities according to Standard & Poor's ratings as at 31 December 2009

RATING	DEBT SECURITIES					
	HELD FOR TRADING	DESIGNATED TO FAIR VALUE THROUGH PROFIT & LOSS	AVAILABLE FOR SALE	HELD TO MATURITY	REPO TRANSACTIONS	TOTAL
AAA	-	-	-	-	-	-
AA- to AA+	-	-	-	-	-	-
A- to A+	3 488 957	2 394 040	12 817 984	3 510 704	3 892 261	26 103 946
BBB+ to BBB-	-	-	268 806	-	-	268 806
BB+ to BB-	-	-	-	-	-	-
B+ to B-	68 428	-	-	-	-	68 428
under B-	-	-	-	-	-	-
no rating	196 594	-	4 364 539	297 119	-	4 858 252
Total	3 753 979	2 394 040	17 451 329	3 807 823	3 892 261	31 299 432

Derivative financial instruments

	TRADING DERIVATIVES		DERIVATIVE HEDGING INSTRUMENTS	
	30.06.2010	31.12.2009	30.06.2010	31.12.2009
Banks	1 571 841	1 754 924	59 306	87 543
Other financial institutions	78 444	60 102	-	-
Non-financial entities	592 087	592 519	-	-
Total	2 242 372	2 407 545	59 306	87 543

Credit risk management of Open Joint Stock Company UniCredit Bank

The credit risk management process in Open Joint Stock Company UniCredit Bank (Ukraine) ("UCB") is consistent with the Bank Pekao S.A. Group Credit Policy and adapted to the Ukraine market requirements.

Since 2003 the credit policy is approved annually by the statutory bodies of UCB and issued in the form of in internal regulation bounding within UCB.

Bank Pekao S.A. exercises strict supervision and control over underwriting process in UCB. All credit decisions are taken by the Management Board of Open Joint Stock Company UniCredit Bank, however credit exposures above USD 5 million (or its equivalent in other currencies), require approval of Bank Pekao S.A. The credit underwriting scheme is compliant with the standards of credit risk management that are currently enforced in Bank Pekao S.A.

Notes to financial statements (cont.)

(In PLN thousand)

The table below presents loan portfolio of Open Joint Stock Company UniCredit Bank:

	30.06.2010		31.12.2009	
	CORPORATE	RETAIL	CORPORATE	RETAIL
Gross carrying value of exposure with no impairment				
– current	1 835 806	288 539	1 967 027	272 490
– up to 30 days	91 827	17 942	128 921	18 891
– between 30 days and 60 days	172 124	11 004	956	4 939
– between 60 days and 89 days	6 457	6 744	7 570	3 035
Total gross carrying value	2 106 214	324 229	2 104 474	299 355
IBNR Provision	(42 319)	(3 375)	(42 708)	(3 679)
Net carrying value of exposure with no impairment	2 063 895	320 854	2 061 766	295 676

	30.06.2010	31.12.2009
	CORPORATE AND RETAIL	CORPORATE AND RETAIL
Gross carrying value of impaired exposure		
Individually impaired exposure		
Gross carrying value	305 689	277 176
Allowance for impairment	(100 919)	(70 335)
Net carrying value of exposure individually impaired	204 770	206 841
Collectively impaired exposure		
Gross carrying value	156 809	162 841
Allowance for impairment	(89 157)	(95 709)
Net carrying value of exposure collectively impaired	67 652	67 132

In 2009, the Ukrainian GDP noted a 15.0% drop, the inflation rate was to 16.4%, and the financial sector suffered a UAH 7 billion loss in the first quarter of 2009 compared to a UAH 2.1 billion profit recorded in the corresponding period of the previous year. In the first half of 2010 an increase in demand for exported steel, which, together with the chemical sector production, represents over 60% of exports, resulted in an increase in GDP by 6.3% (according to official data). Nonetheless, the dependence of the increase in GDP on the global demand for steel, the high indebtedness of the state and budget deficit pose a significant risk to the government forecast of a GDP increase of 4.0% in 2010. As at the end of March 2010 Ukraine's debt reached nearly 95% of GDP, including the government debt of over 30% of GDP. Furthermore, the government has raised prices for gas by 50% for households and does not exclude subsequent increases already in the autumn 2010. This fact may contribute to further shrinkage of consumer spending and slower economic growth, which according to analysts, is supposed to fall to 1% in 2011.

The assessment of this exposure is of a particularly complex nature in the light of the current market conditions and the resulting difficulties when forecasting future earnings. In addition, the parameters and the information used to assess the carrying value of the Group's loan portfolio in Ukraine are heavily influenced by the macroeconomic and market environment, which could be rapidly affected, as it has been in the recent past, by unforeseeable developments.

Recognizing the climate of significant uncertainty in the Ukrainian macroeconomic environment and increased credit risk the Management of Bank Pekao S.A. and UCB strengthened further its controls and monitoring on subsidiary's activities.

Notes to financial statements (cont.)

(In PLN thousand)

Market risk

The model related to the measurement of market risk has not changed in relation to the one described in the consolidated financial statements of the Bank Pekao S.A. Capital Group as at 31 December 2009.

The main tool used to measure the market risk is Value at Risk (VaR).

The table below presents the market risk exposure of the trading portfolio of the Group measured by Value at Risk in the first half of 2010 and in 2009.

IN PLN THOUSAND	30.06.2010	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
Foreign exchange risk	34	10	205	1 310
Interest rate risk	3 604	2 196	3 958	6 479
Trading portfolio	3 633	2 119	4 000	6 473

IN PLN THOUSAND	31.12.2009	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
Foreign exchange risk	35	18	246	3 144
Interest rate risk	4 070	2 641	6 902	13 858
Trading portfolio	4 071	2 641	6 923	13 859

Interest rate risk

The interest rate risk management process and measurement methods have not changed in relation to those described in the consolidated financial statements of the Bank Pekao S.A. Capital Group as at 31 December 2009.

The table below presents the sensitivity levels of interest income (NII) and of economic value of the Bank equity (EVE) to interest rate growth by + 100 bp assuming perfect elasticity of the Bank's administered rates to the market rates changes (including re-pricing of current accounts) as at 30 June 2010 and 2009.

SENSITIVITY IN %	30.06.2010	31.12.2009
NII	(2.41)	(4.85)
EVE	(3.32)	(3.30)

Currency risk

The foreign currency exchange risk management process has not changed in relation to that described in the consolidated financial statements of the Bank Pekao S.A. Capital Group as at 31 December 2009.

Notes to financial statements (cont.)

(In PLN thousand)

The table below presents the Group's foreign currency risk profile by major foreign currencies measured at Value at Risk.

CURRENCY	30.06.2010	31.12.2009
USD	698	770
EUR	1 071	2 156
CHF	455	135
Other	37	83
Currencies total (*)	1 349	2 706

(*) VaR presented in "Currencies total" is VaR for the whole portfolio, and includes correlations among currencies.

Liquidity risk

The liquidity risk management process has not changed in relation to that described in the consolidated financial statements of the Bank Pekao S.A. Capital Group as at 31 December 2009.

Adjusted liquidity gap as at 30 June 2010

	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Assets	48 577 953	7 879 396	21 188 952	32 082 528	23 699 082	133 427 911
Liabilities	29 012 830	9 376 621	13 550 618	24 456 011	57 031 831	133 427 911
Net off-balance sheet items	(5 629 964)	160 514	2 635 057	1 450 981	638 571	(744 841)
Periodic gap	13 935 159	(1 336 711)	10 273 391	9 077 498	(32 694 178)	(744 841)
Cumulated gap		12 598 448	22 871 839	31 949 337	(744 841)	

Adjusted liquidity gap as at 31 December 2009

	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Assets	49 948 147	8 405 908	15 079 992	24 752 131	32 429 876	130 616 054
Liabilities	29 119 416	7 310 230	11 308 079	25 282 286	57 596 043	130 616 054
Net off-balance sheet items	(6 544 578)	575 788	4 554 559	2 060 070	755 558	1 401 397
Periodic gap	14 284 153	1 671 466	8 326 472	1 529 915	(24 410 609)	1 401 397
Cumulated gap		15 955 619	24 282 091	25 812 006	1 401 397	

Notes to financial statements (cont.)

(In PLN thousand)

Structure of financial liabilities by contractual maturities

30.06.2010	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
BALANCE SHEET LIABILITIES						
Amounts due to banks (*)	3 300 773	387 188	523 780	2 152 158	1 216 190	7 580 089
Amounts due to customers	79 880 879	10 430 505	8 292 295	827 923	77 793	99 509 395
Debt securities issued	-	272 346	919 217	625 892	-	1 817 455
Financial liabilities held for trading	-	-	-	30 484	37 457	67 941
Total	83 181 652	11 090 039	9 735 292	3 636 457	1 331 440	108 974 880
OFF-BALANCE SHEET COMMITMENTS (**)						
Off- balance sheet commitments Financial liabilities granted	24 530 216	-	-	-	-	24 530 216
Off- balance sheet commitments Guarantees liabilities granted	5 327 149	-	-	-	-	5 327 149
Total	29 857 365	-	-	-	-	29 857 365

31.12.2009	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
BALANCE SHEET LIABILITIES						
Amounts due to banks (*)	3 780 258	632 478	715 751	2 633 416	717 278	8 479 181
Amounts due to customers	78 218 196	11 118 778	6 674 084	823 339	415 599	97 249 996
Debt securities issued	28 869	122 604	775 079	1 105 682	-	2 032 234
Financial liabilities held for trading	-	-	-	498 978	482 376	981 354
Total	82 027 323	11 873 860	8 164 914	5 061 415	1 615 253	108 742 765
OFF-BALANCE SHEET COMMITMENTS (**)						
Off- balance sheet commitments Financial liabilities granted	25 634 081	-	-	-	-	25 634 081
Off- balance sheet commitments Guarantees liabilities granted	4 738 347	-	-	-	-	4 738 347
Total	30 372 428	-	-	-	-	30 372 428

(*) Including Central Bank
(**) Exposure amounts from financing-related off-balance sheet commitments granted and guarantee liabilities granted have been allocated earliest tenors, for which an outflow of assets from the Bank is possible based on contracts entered into by the Bank. However, the expected by the Bank flows from off-balance exposures are actually significantly lower and are differently distributed in time than those indicated from the specification presented above. The above is a consequence of considerable diversification of amounts due to customers and stages of life of individual contracts. Risk monitoring and management in relation to the outflow of assets from off-balance exposures are provided by the Bank on continuous basis. The Bank estimates also more probable flows that are presented in Tables "Adjusted liquidity gap".

Other risks

The management processes and methods of measurement of other risks identified under Pillar II (Business, Real Estate and Financial Investment risks) have not changed in relation to those described in the consolidated financial statements of the Bank Pekao S.A. Capital Group as at 31 December 2009.

Notes to financial statements (cont.)

(In PLN thousand)

Fair value of financial assets and liabilities

The measurement of fair value of financial instruments, for which market values from active markets are available, is based on market quotations of the given instrument (mark-to-market).

The measurement of fair value of Over-the-counter ("OTC") derivatives and of instruments with limited liquidity (i.e. for which no market quotations are available), is made based on the quotations of other instruments on active markets by replication thereof using a number of valuation techniques, including the estimation of present value of future cash flows (mark-to-model).

As at 30 June 2010 and 31 December 2009, the Group classified the financial assets and liabilities measured at fair value into the following three categories based on the valuation method:

- Method 1: mark-to-market applies exclusively to quoted securities;
- Method 2: mark-to-model valuation with model parameterization, based exclusively on quotations from active markets for given type of instrument. The method is applied for linear and non-linear derivative instruments on interest rate and foreign exchange markets (including forward transactions on securities and non-liquid Treasury or Central Bank securities);
- Method 3: mark-to-model valuation with partial model parameterization, based upon estimated risk factors. This method is applicable for derivatives on inactive markets (mainly options for equity or commodity market instruments), unquoted corporate or community securities, and derivatives for which an adjustment of fair value was made by credit risk-related write-downs.

As at 30 June 2010

	METHOD 1	METHOD 2	METHOD 3	TOTAL
Assets:	15 571 789	12 206 153	401 512	28 179 454
Financial assets held for trading	1 687 337	13 459	154 391	1 855 187
Derivative financial instruments, including:	-	2 196 339	46 033	2 242 372
- Banks	-	1 525 183	45 427	1 570 610
- Customers	-	671 156	606	671 762
Other financial instruments at fair value through profit and loss	1 075 871	-	-	1 075 871
Hedging instruments	-	59 306	-	59 306
Securities available for sale	12 808 581	9 937 049	201 088	22 946 718
Liabilities:	67 941	3 191 356	45 933	3 305 230
Financial liabilities held for trading	67 941	-	-	67 941
Derivative financial instruments, including:	-	2 422 865	45 933	2 468 798
- Banks	-	2 250 951	3 461	2 254 412
- Customers	-	171 914	42 472	214 386
Hedging instruments	-	768 491	-	768 491

Notes to financial statements (cont.)

(In PLN thousand)

As at 31 December 2009

	METHOD 1	METHOD 2	METHOD 3	TOTAL
Assets:	18 072 804	7 642 921	393 630	26 109 355
Financial assets held for trading	3 546 026	11 359	196 594	3 753 979
Derivative financial instruments, including:	-	2 340 376	67 169	2 407 545
- Banks	-	1 693 482	61 442	1 754 924
- Customers	-	646 894	5 727	652 621
Other financial instruments at fair value through profit and loss	2 394 086	-	-	2 394 086
Hedging instruments	-	87 543	-	87 543
Securities available for sale	12 132 692	5 203 643	129 867	17 466 202
Liabilities:	981 354	1 681 082	61 443	2 723 879
Financial liabilities held for trading	981 354	-	-	981 354
Derivative financial instruments, including:	-	1 530 630	61 443	1 592 073
- Banks	-	1 393 213	2 044	1 395 257
- Customers	-	137 417	59 399	196 816
Hedging instruments	-	150 452	-	150 452

7. Operating segments

Segment reporting is based on the application of the management model ("Model"), in which the main criteria for segmentation in Group reporting is the classification of customers based on their profile and service model.

The Model assumes that budgeting and monitoring of results at the segments' level is focused mainly on operating income.

The Group settles transactions between segments on an arm's length basis by applying current market prices. Fund transfers between the Bank's business divisions namely retail, corporate and treasury, and Assets and Liabilities Management and other unit are based on market prices applicable to the funds' currency and maturity.

The reportable segments of the Group are:

- Retail banking – all banking activities related to retail customers (excluding private banking customers), small and micro companies with annual turnover not exceeding PLN 10 million, as well as the revenues of Group consolidated subsidiaries, and income from Group associated entities accounted for using the equity method, that are assigned to the retail banking activity,
- Private banking – all banking activities related to the wealthiest and most demanding individual customers,
- Corporate and International banking – all banking activities related to the medium and large companies, the revenue of Group consolidated subsidiaries that are assigned to the Corporate and International banking activity, treasury and investment activity including inter-bank market in debt securities and other instruments,
- Assets and Liabilities Management and other – includes supervision and monitoring of fund transfers, other activities centrally managed including proceeds from collections as well as revenue from Group consolidated subsidiaries and income from Group associated entities accounted using equity method that are not assigned to other segments.

Notes to financial statements (cont.)

(In PLN thousand)

Information on revenues of the Group's operating segments for the first half of 2010

	RETAIL BANKING	PRIVATE BANKINNG	CORPORATE AND INTERNATIONAL BANKING	ASSETS AND LIABILITIES MANAGEMENT AND OTHER	GROUP TOTAL
External interest income	1 209 185	15 227	1 767 841	191 223	3 183 476
External interest expense	(458 745)	(106 739)	(613 318)	2 968	(1 175 834)
External net interest income	750 440	(91 512)	1 154 523	194 191	2 007 642
Internal interest income	885 503	122 720	834 243	(1 842 466)	-
Internal interest expense	(579 778)	(11 257)	(1 266 348)	1 857 383	-
Internal net interest income	305 725	111 463	(432 105)	14 917	-
Dividend income and income from equity investments	34 760	-	-	12 382	47 142
Net interest income	1 090 925	19 951	722 418	221 490	2 054 784
Net non-interest income	983 429	17 725	418 035	51 865	1 471 054
Operating income	2 074 354	37 676	1 140 453	273 355	3 525 838
Allocated assets	33 128 265	586 631	90 204 351	899 263	124 818 510
Non-allocated assets					8 609 401
Total assets					133 427 911
Allocated liabilities	50 504 291	6 555 887	55 177 000	(1 818 027)	110 419 151
Non-allocated liabilities					23 008 760
Total liabilities					133 427 911

Notes to financial statements (cont.)

(In PLN thousand)

Information on revenues of the Group's operating segments for the first half of 2009.

	RETAIL BANKING	PRIVATE BANKINNG	CORPORATE AND INTERNATIONAL BANKING	ASSETS AND LIABILITIES MANAGEMENT AND OTHER	GROUP TOTAL
External interest income	1 242 737	19 730	2 026 158	223 648	3 512 273
External interest expense	(650 436)	(162 833)	(837 524)	(3 663)	(1 654 456)
External net interest income	592 301	(143 103)	1 188 634	219 985	1 857 817
Internal interest income	1 242 450	182 105	1 117 950	(2 542 505)	-
Internal interest expense	(656 060)	(15 360)	(1 604 076)	2 275 496	-
Internal net interest income	586 390	166 745	(486 126)	(267 009)	-
Dividend income and income from equity investments	20 969	-	-	10 186	31 155
Net interest income	1 199 660	23 642	702 508	(36 838)	1 888 972
Net non-interest income	942 239	15 358	578 542	59 059	1 595 198
Operating income	2 141 899	39 000	1 281 050	22 221	3 484 170
Allocated assets	32 008 696	673 149	84 759 075	690 559	118 131 479
Non-allocated assets					10 072 005
Total assets					128 203 484
Allocated liabilities	49 969 529	6 724 769	52 823 149	(2 081 582)	107 435 865
Non-allocated liabilities					20 767 619
Total liabilities					128 203 484

Notes to financial statements (cont.)

(In PLN thousand)

Geographical segment

The operating activity of Bank Pekao S.A. Group is concentrated in Poland through the network of branches and the Group's subsidiaries and associates.

In addition to Poland, Bank Pekao Group conducts activities in the following countries:

- Ukraine – through the subsidiaries of Bank Pekao S.A.
- France – through the branch of Bank Pekao S.A. in Paris.

Results generated by activities of the Group performed through the branch of Bank Pekao S.A. in Paris are insignificant in comparison to the result of the Group.

The following table presents geographical segment information for the Group's business activities conducted in Poland and Ukraine:

	POLAND	UKRAINE	TOTAL GROUP
I half of 2010			
Operating income	3 424 894	100 944	3 525 838
Segment assets	121 045 223	3 773 287	124 818 510
I half of 2009			
Operating income	3 354 801	129 369	3 484 170
Segment assets	114 371 701	3 759 778	118 131 479

8. Interest income and expense

Interest income

	II QUARTER 2010	I HALF 2010	II QUARTER 2009	I HALF 2009
Loans and other receivables from customers	1 256 284	2 528 120	1 324 449	2 792 995
Placements in other banks	39 517	78 999	46 306	110 918
Reverse repo transactions	10 399	29 695	9 901	19 600
Investment securities	258 449	472 333	209 947	414 149
Financial assets held for trading	31 509	49 970	25 185	55 353
Financial assets designated to fair value through profit and loss	10 446	24 359	45 952	119 258
Total	1 606 604	3 183 476	1 661 740	3 512 273

Interest expense

	II QUARTER 2010	I HALF 2010	II QUARTER 2009	I HALF 2009
Customers' deposits	(509 124)	(990 062)	(593 616)	(1 352 116)
Other banks' deposits	(16 539)	(31 539)	(35 064)	(85 543)
Repo transactions	(20 832)	(36 537)	(23 584)	(78 530)
Loans from other banks	(37 508)	(77 690)	(42 735)	(97 913)
Debt securities issued	(20 079)	(40 006)	(18 604)	(40 354)
Total	(604 082)	(1 175 834)	(713 603)	(1 654 456)

Notes to financial statements (cont.)

(In PLN thousand)

9. Fee and commission income and expense

Fee and commission income

	II QUARTER 2010	I HALF 2010	II QUARTER 2009	I HALF 2009
Customer accounts maintenance and payment orders	212 251	419 586	222 837	446 733
Payment cards	200 920	401 793	188 109	355 837
Loans and advances	103 310	203 262	105 695	195 620
Acquisition services	72 189	144 275	54 763	118 713
Securities operations	37 991	71 791	33 463	57 627
Custody activity	12 935	25 108	11 703	21 758
Pension and investment funds service fees	17 737	34 139	20 455	38 990
Guarantees, letters of credit and similar transactions	12 651	26 638	9 701	22 454
Other	21 653	46 286	20 340	45 561
Total	691 637	1 372 878	667 066	1 303 293

Fee and commission expense

	II QUARTER 2010	I HALF 2010	II QUARTER 2009	I HALF 2009
Payment cards	(83 032)	(171 387)	(86 528)	(161 881)
Bank drafts and transfers	(5 305)	(11 573)	(6 249)	(10 875)
Securities operations	(5 653)	(11 155)	(5 974)	(10 739)
Accounts maintenance	(1 875)	(3 224)	(2 309)	(3 574)
Custody activity	(1 156)	(2 506)	(1 027)	(2 057)
Pension funds management charges	(1 441)	(2 174)	(1 409)	(2 286)
Acquisition services	(138)	(266)	(5 290)	(18 566)
Other	(4 594)	(9 922)	(4 603)	(10 949)
Total	(103 194)	(212 207)	(113 389)	(220 927)

10. Dividend income

	II QUARTER 2010	I HALF 2010	II QUARTER 2009	I HALF 2009
From issuers of securities available for sale	7 708	7 708	5 954	5 954
Total	7 708	7 708	5 954	5 954

11. Result on financial assets and liabilities held for trading

	II QUARTER 2010	I HALF 2010	II QUARTER 2009	I HALF 2009
Foreign currency exchange result	136 842	266 479	208 248	376 081
Gains (losses) on derivatives	11 844	9 585	(36 801)	48 774
Gains (losses) on debt securities	5 790	733	14 687	26 866
Total	154 476	276 797	186 134	451 721

Notes to financial statements (cont.)

(In PLN thousand)

12. Gains (losses) on disposal

Realized gains

	II QUARTER 2010	I HALF 2010	II QUARTER 2009	I HALF 2009
Loans and other financial receivables	791	1 387	1 018	3 834
Available for sale financial assets – debt instruments	25 546	53 775	2 412	3 822
Available for sale financial assets – equity instruments (*)	7	6 934	44 788	48 711
Investments held to maturity	-	-	(2 767)	-
Debt securities issued	82	242	172	539
Total	26 426	62 338	45 623	56 906

(*) including profit from the sale of MasterCard shares	-	-	44 651	44 651

Realized losses

	II QUARTER 2010	I HALF 2010	II QUARTER 2009	I HALF 2009
Loans and other financial receivables	-	-	(105)	(336)
Available for sale financial assets – debt instruments	-	-	24	(5 027)
Available for sale financial assets – equity instruments	-	-	(107)	(107)
Investments held to maturity	-	-	360	-
Debt securities issued	(289)	(468)	(90)	(585)
Total	(289)	(468)	82	(6 055)

Net realized profit	26 137	61 870	45 705	50 851

13. Administrative expenses

Personnel expenses

	II QUARTER 2010	I HALF 2010	II QUARTER 2009	I HALF 2009
Wages and salaries	(401 087)	(792 839)	(396 093)	(778 700)
Insurance and other charges related to employees	(72 039)	(147 407)	(70 941)	(148 731)
Pension programs costs due define contributions	(427)	(848)	(376)	(740)
Share-based payments expense	(2 457)	(2 703)	(310)	(1 472)
Total	(476 010)	(943 797)	(467 720)	(929 643)

Other administrative expenses

	II QUARTER 2010	I HALF 2010	II QUARTER 2009	I HALF 2009
Other administrative expenses	(302 732)	(605 745)	(334 676)	(662 193)
Taxes and charges	(9 240)	(19 456)	(10 078)	(21 294)
Bank Guarantee Fund fee	(9 789)	(19 578)	(11 392)	(22 783)
Financial supervision authority fee (KNF)	(6 837)	(13 804)	(7 020)	(13 978)
Total	(328 598)	(658 583)	(363 166)	(720 248)

Total administrative expenses	(804 608)	(1 602 380)	(830 886)	(1 649 891)

Notes to financial statements (cont.)

(In PLN thousand)

14. Net other operating income and expenses

Other operating income

	II QUARTER 2010	I HALF 2010	II QUARTER 2009	I HALF 2009
Rental income and other miscellaneous income	8 632	16 899	13 769	29 179
Credit insurance charges	6 026	9 981	5 829	13 611
Recovery of debt collection costs	3 746	6 589	2 245	3 554
Compensation, penalty fees and fines received	25	164	28	321
Refunding of administrative costs	1 822	3 522	2 296	5 765
Income from written off liabilities	1 244	2 285	-	92
Releases of impairment of litigation and other assets	144	6 234	1 192	1 498
Releases of provisions for liabilities	114	114	669	4 732
Gains on sale of other assets	696	1 451	2	13
Other	10 930	23 799	6 529	20 077
Total	33 379	71 038	32 559	78 842

Other operating expenses

	II QUARTER 2010	I HALF 2010	II QUARTER 2009	I HALF 2009
Credit insurance costs	(4 091)	(7 311)	(5 279)	(11 145)
Customers complaints expense	(1 476)	(2 870)	(2 010)	(3 900)
Impairment of litigations receivables and other assets	(124)	(424)	(794)	(1 421)
Costs of litigation and claims	(1 219)	(2 436)	(862)	(2 339)
Compensation, penalty fees and fines paid	(242)	(733)	(2 206)	(5 212)
Losses on disposal of other assets	(7)	(89)	(2)	(9)
Other	(12 682)	(26 193)	(6 763)	(19 046)
Total	(19 841)	(40 056)	(17 916)	(43 072)

Net other operating income and expenses	13 538	30 982	14 643	35 770

Notes to financial statements (cont.)

(In PLN thousand)

15. Net impairment losses on financial assets and off-balance sheet commitments

I HALF 2010	OPENING BALANCE	INCREASES		DECREASES			CLOSING BALANCE	IMPACT ON PROFIT AND LOSS(***)
		IMPARIMENT CHARGES	OTHER (*)	WRITE-OFFS OF ASSETS FROM THE BALANCE SHEET	RELEASE OF IMPARIMENT CHARGES	OTHER (*)		
Impairment of financial assets and off- balance sheet commitments								
Loans and advances to banks valued at amortized cost	78 245	3 467	3 794	-	(1 567)	(4 894)	79 045	(1 900)
Derivative financial instruments (**)	4 793	-	491	-	-	(4 793)	491	-
Loans and advances to customers valued at amortized cost	4 193 778	750 900	119 737	(66 704)	(471 134)	(29 125)	4 497 452	(279 766)
Receivables from financial leasing	167 514	45 741	805	(5 125)	(36 303)	(29)	172 603	(9 438)
Financial assets available for sale	7 280	-	871	-	-	-	8 151	
Investments held to maturity valued at amortized cost	-	-	-	-	-	-	-	-
Impairment of off-balance sheet commitments	103 251	36 703	2 551	-	(45 112)	(890)	96 503	8 409
Total financial assets and off-balance sheet commitments	4 554 861	836 811	128 249	(71 829)	(554 116)	(39 731)	4 854 245	(282 695)
Impairment of other assets:								
Investments in subsidiaries and associates	3 759	-	133	-	-	-	3 892	-
Intangible assets	10 961	-	215	-	-	-	11 176	-
Goodwill	-	-	-	-	-	-	-	-
Other intangible assets	10 961	-	215	-	-	-	11 176	-
Property, plant and equipment	12 863	-	809	-	-	(762)	12 910	-
Investment properties	4 352	-	35	-	-	-	4 387	-
Other	108 300	424	720	(285)	(6 234)	(404)	102 521	5 810
Total impairment of other assets	140 235	424	1 912	(285)	(6 234)	(1 166)	134 886	5 810
Total	4 695 096	837 235	130 161	(72 114)	(560 350)	(40 897)	4 989 131	(276 885)

(*) Including foreign exchange differences and transfers between positions
(**) The amount of PLN 4 793 thousand has been reclassified into the item “Loans and advances to customers and loans and advances to banks valued at amortized costs”
(***) „Impairment of financial assets and off-balance sheet commitments” balance includes net impairment in the amount of PLN (282 695) thousand and proceeds from recovered bad debt in the amount of PLN 5 792 thousand, the total is PLN (276 903) thousand.

Notes to financial statements (cont.)

(In PLN thousand)

I HALF 2009	OPENING BALANCE	INCREASES		DECREASES			CLOSING BALANCE	IMPACT ON PROFIT AND LOSS(***)
		IMPARIMENT CHARGES	OTHER (*)	WRITE-OFFS OF ASSETS FROM THE BALANCE SHEET	RELEASE OF IMPARIMENT CHARGES	OTHER (*)		
Impairment of financial assets and off- balance sheet commitments								
Loans and advances to banks valued at amortized cost	100 797	3 482	9 764		(6 383)	(25 111)	82 549	2 901
Derivative financial instruments (**)	71 831	-	-	-	-	(66 163)	5 668	-
Loans and advances to customers valued at amortized cost	3 921 575	807 555	273 718	(53 058)	(564 909)	(100 004)	4 284 877	(242 646)
Receivables from financial leasing	184 309	32 638	-	(12 565)	(9 591)	(273)	194 518	(23 047)
Financial assets available for sale	18 933	-	-	-	-	(1 255)	17 678	-
Investments held to maturity valued at amortized cost	121	-	10	-	(131)	-	-	131
Impairment of off-balance sheet commitments	140 661	56 077	1 634	-	(70 010)	(506)	127 856	13 933
Total financial assets and off-balance sheet commitments	4 438 227	899 752	285 126	(65 623)	(651 024)	(193 312)	4 713 146	(248 728)
Impairment of other assets:								
Investments in subsidiaries and associates	3 786	-	52	-	-	-	3 838	-
Intangible assets	11 212	-	-	-	-	-	11 212	-
Goodwill	-	-	-	-	-	-	-	-
Other intangible assets	11 212	-	-	-	-	-	11 212	-
Property, plant and equipment	14 401	5	448	-	-	(674)	14 180	(5)
Investment properties	9 979	-	275	-	-	-	10 254	-
Other	144 382	1 421	8 777	(430)	(1 498)	(22 506)	130 146	77
Total impairment of other assets	183 760	1 426	9 552	(430)	(1 498)	(23 180)	169 630	72
Total	4 621 987	901 178	294 678	(66 053)	(652 522)	(216 492)	4 882 776	(248 656)

(*) Including foreign exchange differences and transfers between positions
(**) The amount of PLN 66 163 thousand has been reclassified into the item "Loans and advances to customers and loans and advances to banks valued at amortized costs"
(***) „Impairment of financial assets and off-balance sheet commitments" balance includes net impairment in the amount of PLN (248 728) thousand and proceeds from recovered bad debt in the amount of PLN 3 764 thousand, the total is PLN (244 964) thousand.

Notes to financial statements (cont.)

(In PLN thousand)

16. Gains (losses) from subordinated entities

	II QUARTER 2010	I HALF 2010	II QUARTER 2009	I HALF 2009
Share of profit (loss) in associates				
Xelion. Doradcy Finansowi Sp. z o.o.	108	210	(1 555)	(3 543)
Pioneer Pekao Investment Management S.A.	17 454	34 535	12 802	24 512
Krajowa Izba Rozliczeniowa S.A.	1 392	3 537	910	3 592
Pirelli Pekao Real Estate Sp. z o.o.	(317)	584	6	671
Central Poland Fund LLC	12	568	(13)	(31)
Total profit (loss) from subordinated entities	18 649	39 434	12 150	25 201

17. Basic components of income tax charge presented in the income statement and equity

	II QUARTER 2010	I HALF 2010	II QUARTER 2009	I HALF 2009
INCOME STATEMENT				
Current income tax	(292 469)	(487 849)	(113 793)	(290 184)
Current tax charge disclosed In the income statement	(290 010)	(482 112)	(110 082)	(293 927)
Adjustments related to the current tax from previous years	16	(741)	-	13 050
Other taxes (eg. withholding tax, income tax relating to foreign branches)	(2 475)	(4 996)	(3 711)	(9 307)
Deferred income tax	150 472	209 148	(27 120)	8 257
Occurrence and reversal of temporary differences	150 472	209 148	(27 120)	8 257
Tax charge disclosed in the consolidated income statement	(141 997)	(278 701)	(140 913)	(281 927)
EQUITY				
Deferred income tax	23 233	(24 052)	(11 337)	43 393
Income and costs disclosed in other comprehensive income:				
Revaluation of financial instruments, used as cash flows hedges	(9 084)	(19 216)	10 007	26 589
Revaluation of available for sale financial assets – debt securities	32 313	(4 843)	(21 112)	17 029
Revaluation of available for sale financial assets – with equity rights	4	7	(232)	(225)
Tax charge disclosed in other comprehensive income	23 233	(24 052)	(11 337)	43 393
Total charge	(118 764)	(302 753)	(152 250)	(238 534)

18. Earnings per share

Earnings per share

Basic earnings per share are calculated by dividing net profit of the Group by the weighted average number of the ordinary shares outstanding during the given period

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Notes to financial statements (cont.)

(In PLN thousand)

	II QUARTER 2010	I HALF 2010	II QUARTER 2009	I HALF 2009
Net profit	619 115	1 221 827	613 204	1 179 499
Weighted average number of ordinary shares in the period	262 354 553	262 344 331	262 212 629	262 212 629
Earnings per share (in PLN per share)	2.36	4.66	2.34	4.50

Diluted earnings per share

Diluted earnings per share are calculated by dividing net profit of the Group by the weighted average number of the ordinary shares outstanding during the given period adjusted for all potential dilution of ordinary shares.

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

	II QUARTER 2010	I HALF 2010	II QUARTER 2009	I HALF 2009
Net profit	619 115	1 221 827	613 204	1 179 499
Weighted average number of ordinary shares in the period	262 354 553	262 344 331	262 212 629	262 212 629
Adjustments to the number of shares for the purpose of calculation of diluted earnings per share	78 231	80 627	-	-
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	262 432 784	262 424 958	262 212 629	262 212 629
Diluted earnings per share (in PLN per share)	2.36	4.66	2.34	4.50

19. Dividend payment

A dividend of 2.90 per share from the net profit for the financial year 2009 was paid by the Bank to its shareholders in 2010.

20. Loans and advances to banks

Loans and advances to banks by product type

	30.06.2010	31.12.2009
Current accounts and overnight placements	4 033 417	3 317 570
Interbank placements	212 451	201 698
Loans and advances	1 536 428	822 449
Repo transactions	325 931	1 471 910
Debt securities	1 275 445	1 275 560
Receivables in transit	322 591	172 743
Interest accrued	19 813	18 990
Total gross amount	7 726 076	7 280 920
Impairment provision	(79 045)	(78 245)
Total net amount	7 647 031	7 202 675

Notes to financial statements (cont.)

(In PLN thousand)

Loans and advances to banks by quality

	30.06.2010	31.12.2009
Loans and advances to banks, including:		
gross value of non impaired receivables	7 640 995	7 197 967
gross value of impaired receivables	85 081	82 953
individual impairment charges	(55 173)	(54 985)
collective impairment charges (*)	(23 872)	(23 260)
Total	7 647 031	7 202 675

(*) Including estimated impairment for losses, incurred but not reported (IBNR)

Loans and advances to banks by contractual maturities

	30.06.2010	31.12.2009
Loans and advances to banks, including:		
up to 1 month	5 726 188	5 150 553
between 1 and 3 months	806 605	51 551
between 3 months and 1 year	272 922	1 030 357
between 1 and 5 years	860 546	874 059
over 5 years	40 002	155 410
Interest accrued	19 813	18 990
Total gross amount	7 726 076	7 280 920
Impairment provision	(79 045)	(78 245)
Total net amount	7 647 031	7 202 675

Loans and advances to banks by currencies

	30.06.2010	31.12.2009
PLN	4 271 875	3 507 448
CHF	145 502	7 948
EUR	2 047 498	2 098 512
USD	700 742	1 334 799
Other currencies	481 414	253 968
Total	7 647 031	7 202 675

Changes in impairment balances in the first half of 2010 and 2009 are presented in the Note 15.

Notes to financial statements (cont.)

(In PLN thousand)

21. Financial assets and liabilities held for trading

Financial assets held for trading by product type

30.06.2010	ASSETS	LIABILITIES
Securities issued by State Treasury	1 700 796	67 941
T- bills	359 773	-
T- bonds	1 341 023	67 941
Securities issued by banks	154 391	-
Total	1 855 187	67 941
Including:		
Quoted	1 687 337	67 941
Unquoted	167 850	-

31.12.2009	ASSETS	LIABILITIES
Securities issued by State Treasury	3 557 385	981 354
T- bills	367 134	-
T- bonds	3 190 251	981 354
Securities issued by banks	196 594	-
Total	3 753 979	981 354
Including:		
Quoted	3 546 025	981 354
Unquoted	207 954	-

Financial assets / liabilities held for trading by maturities

30.06.2010	ASSETS	LIABILITIES
Debt securities, including:		
up to 1 month	434 780	-
between 1 and 3 months	187 355	-
between 3 months and 1 year	639 693	-
between 1 and 5 years	332 049	30 484
over 5 years	261 310	37 457
Total	1 855 187	67 941

31.12.2009	ASSETS	LIABILITIES
Debt securities, including:		
up to 1 month	2 765	-
between 1 and 3 months	842 989	-
between 3 months and 1 year	1 639 015	-
between 1 and 5 years	544 499	498 978
over 5 years	724 711	482 376
Total	3 753 979	981 354

Notes to financial statements (cont.)

(In PLN thousand)

22. Derivative financial instruments

Fair value of trading derivatives

30.06.2010	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	1 554 798	1 788 543
Forward Rate Agreements (FRA)	1 160	1 320
Options	19 350	19 350
Other	893	685
Foreign currency transactions		
Cross-Currency Interest Rate Swaps (CIRS)	328 411	48 664
Currency Forward Agreements	113 051	90 242
Currency Swaps	135 901	451 323
Options	52 980	32 307
Transactions based on equity securities		
Options	35 828	36 364
Total	2 242 372	2 468 798

31.12.2009	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	1 214 132	1 329 632
Forward Rate Agreements (FRA)	260	183
Options	17 087	17 087
Other	1 191	3 235
Foreign currency transactions		
Cross-Currency Interest Rate Swaps (CIRS)	292 498	12 988
Currency Forward Agreements	164 542	90 399
Currency Swaps	633 501	48 721
Options	30 363	35 857
Transactions based on equity securities		
Options	53 971	53 971
Total	2 407 545	1 592 073

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

	30.06.2010	31.12.2009
Debt securities	1 075 871	2 394 040
Equity securities	-	46
Total	1 075 871	2 394 086

Notes to financial statements (cont.)

(In PLN thousand)

	30.06.2010	31.12.2009
Securities issued by State Treasury	1 075 871	2 394 040
T-bonds	1 075 871	2 394 040
Securities issued by business entities	-	-
Total	1 075 871	2 394 040
Including		
Quoted	1 075 871	2 394 040
Unquoted	-	-

Debt securities measured at fair value through profit and loss by maturities

	30.06.2010	31.12.2009
Debt securities, including:		
between 3 months and 1 year	-	-
between 1 and 5 years	1 075 871	2 394 040
over 5 years	-	-
Total	1 075 871	2 394 040

24. Loans and advances to customers

Loans and advances to customers by product type

	30.06.2010	31.12.2009
Mortgage	21 562 463	20 222 229
Current accounts	10 989 793	10 257 743
Operating loans	15 099 850	16 165 666
Investment loans	16 372 430	16 642 896
Payment cards receivables	629 706	726 928
Purchased debt receivables	998 234	961 238
Other loans and advances	12 181 439	11 362 632
Debt securities	1 581 408	1 552 129
Repo transactions	3 635 013	2 415 121
Receivables in transit	30 890	29 029
Interest accrued	241 295	238 228
Total gross amount	83 322 521	80 573 839
Impairment provision	(4 497 452)	(4 193 778)
Total net amount	78 825 069	76 380 061

Notes to financial statements (cont.)

(In PLN thousand)

Loans and advances to customers by customer type

	30.06.2010	31.12.2009
Receivables from corporate	49 367 357	47 514 278
Receivables from individuals	29 890 875	28 385 843
Receivables from budget entities	3 822 994	4 435 490
Interest accrued	241 295	238 228
Total gross amount	83 322 521	80 573 839
Impairment provision	(4 497 452)	(4 193 778)
Total net amount	78 825 069	76 380 061

Loans and advances to customers by quality

	30.06.2010	31.12.2009
Loans and advances to customers, including:		
gross value of non impaired receivables	77 514 527	75 242 029
gross value of impaired receivables	5 807 994	5 331 810
individual impairment charges	(1 993 933)	(1 920 569)
collective impairment charges (*)	(2 503 519)	(2 273 209)
Total	78 825 069	76 380 061

(*) Including estimated impairment for losses, incurred but not reported (IBNR)

Loans and advances to customers by contractual maturities

	30.06.2010	31.12.2009
Loans and advances to customers, including:		
up to 1 month	17 589 398	14 557 850
between 1 and 3 months	1 313 981	1 740 718
between 3 months and 1 year	8 714 001	9 119 543
between 1 and 5 years	20 191 099	21 604 373
over 5 years	35 272 747	33 313 127
Interest accrued	241 295	238 228
Total gross amount	83 322 521	80 573 839
Impairment provision	(4 497 452)	(4 193 778)
Total net amount	78 825 069	76 380 061

Loans and advances to customers by currencies

	30.06.2010	31.12.2009
PLN	57 670 248	55 609 026
CHF	6 953 582	6 466 200
EUR	10 383 307	10 722 334
USD	3 337 897	3 100 699
Other currencies	480 035	481 802
Total	78 825 069	76 380 061

Changes in impairment balances in the first half of 2010 and 2009 are presented in the Note 15.

Notes to financial statements (cont.)

(In PLN thousand)

25. Receivables from financial leases

The Group conducts leasing operations through its subsidiaries Pekao Leasing Sp. z o.o. and Open Joint Stock Company UniCredit Bank. The value of gross lease investments and minimum lease payments were respectively:

30.06.2010	GROSS LEASING INVESTMENT	PRESENT VALUE OF MINIMUM LEASING PAYMENTS
Up to one year	1 475 012	1 311 027
Between 1 and 5 years	1 970 315	1 807 537
Over 5 years	152 260	137 290
Total	3 597 587	3 255 854
Unrealized financial revenues	(341 733)	
Net leasing investment	3 255 854	
Non-guarantee residual values attributed to lessor	-	
Present value of minimum lease payments	3 255 854	
Value of provision	(172 603)	
Balance sheet value	3 083 251	

31.12.2009	GROSS LEASING INVESTMENT	PRESENT VALUE OF MINIMUM LEASING PAYMENTS
Up to one year	1 644 755	1 483 042
Between 1 and 5 years	1 846 465	1 691 725
Over 5 years	104 631	96 224
Total	3 595 851	3 270 991
Unrealized financial revenues	(324 860)	
Net leasing investment	3 270 991	
Non-guarantee residual values attributed to lessor	-	
Present value of minimum lease payments	3 270 991	
Value of provision	(167 514)	
Balance sheet value	3 103 477	

The Group is acting as a lessor in financial leases mainly for transport vehicles, machines and equipment.

Moreover, when the Capital Group is a lessee in a finance lease contract among the Group entities, the inter-company transactions relating to the finance lease are subject to elimination in the consolidated financial statements.

26. Hedge accounting

The Group applies the following types of hedge accounting.

- fair value hedge accounting for fixed coupon debt securities classified as available-for-sale (AFS) hedged with interest rate swap (IRS) transactions,
- cash flow hedge accounting for floating-rate financial assets hedged with interest rate swap (IRS) transactions,
- cash flow hedge accounting by designating a new hedging relationship for floating-rate financial assets and liabilities hedged with cross-currency interest rate swap (CIRS) transactions.

Notes to financial statements (cont.)

(In PLN thousand)

Fair value hedge

Description of hedging relationship

The Group hedges the interest rate risk component of the fair value changes of the hedged item related to the volatility of market swap curves with the designated IRS transactions.

Hedged item

The hedged items are fixed-coupon debt securities classified as AFS, denominated in EUR and USD.

Hedging derivative

The hedging derivatives consist of IRS transactions in EUR and USD (short position in fixed-rate) for which the Group receives floating-rate payments, and pays fixed-rate.

The Table below presents the fair values of hedging derivative in fair value hedge:

	30.06.2010	
FAIR VALUE	ASSETS	LIABILITIES
Interest Rate Swaps (IRS)	-	186 435
Total	-	186 435

	31.12.2009	
FAIR VALUE	ASSETS	LIABILITIES
Interest Rate Swaps (IRS)	-	116 162
Total	-	116 162

Financial Statement presentation

The result of the change in the hedged items' fair value that relates to the hedged risk is presented in the income statement line item "Result on fair value hedge accounting". The remaining portion of change in the hedged items' fair value (resulting from spread between swap yield curve and bond yield curve) is recognized according to the accounting principles applicable to AFS (i.e. in revaluation reserve in equity). Interest accrued on AFS bonds is presented in net interest income.

Changes in the fair value of hedging derivatives under the fair value hedge accounting is presented in the income statement line item "Result on fair value hedge accounting". Interest accrued on the hedging derivatives under the fair value hedge accounting is presented in net interest income.

The following amounts were recognized by the Group in the income statement line item "Result on fair value hedge accounting" related to fair value hedge in the current period:

TYPE OF GAINS/LOSSES	I HALF OF 2010	I HALF 2009
Gains/losses from revaluation of hedging instruments to fair value	(72 054)	(9 379)
Gains/losses from revaluation of hedged item associated with hedged risk to fair value	65 210	9 099
Result on fair value hedge accounting	(6 844)	(280)
Net interest income of hedging instruments	(30 623)	(3 229)

Notes to financial statements (cont.)

(In PLN thousand)

Cash flow hedge of floating-rate loans and floating-rate deposits

Description of hedging relationship

The Group hedges portion of the interest rate risk and the foreign currency risk resulting from the volatility of cash flows from floating-rate assets and liabilities with the designated CIRS transactions (basis swap).

Hedged items

Cash flows from floating-rate assets and liabilities portfolio is designated as the hedged items.

Hedging derivatives

The hedging derivatives consist of a portfolio of CIRS transactions (basis swap), where the Group pays floating-rate currency cash flows, and receives floating-rate PLN/currency cash-flows.

The Table below presents fair value of hedging derivatives used in cash flow hedge:

	30.06.2010	
FAIR VALUE	ASSETS	LIABILITIES
Cross- Currency Interest Rate Swaps (CIRS)	5 185	581 641
Total	5 185	581 641

	31.12.2009	
FAIR VALUE	ASSETS	LIABILITIES
Cross- Currency Interest Rate Swaps (CIRS)	40 786	29 656
Total	40 786	29 656

Financial Statements presentation

The effective portion of the change in hedging derivatives' fair value is recognized in revaluation reserve in equity. The ineffective portion of change in hedging derivatives' fair value is recognized in the result on financial assets and liabilities held for trading (Note 11). The interest on CIRS transactions and hedged items is presented in net interest income (Note 8).

During the reporting period the following amounts – related to cash flow hedge for floating- rate loans and floating- rate deposits – were recognized by the Group in profit or loss and equity:

	I HALF 2010	I HALF 2009
Revaluation reserves (deferral of fair value changes of hedging instruments related to the portion recognized as effective hedge - gross value)	30 801	(37 873)
Interest income on hedging derivatives	77 031	24 178
Ineffective portion in changes in fair value of hedging transactions recognized in income statement	1 755	-
Period in which the cash flows related to the hedged items are expected to occur	01.07.2010 - 09.09.2019	01.07.2009 - 30.12.2013

Notes to financial statements (cont.)

(In PLN thousand)

Changes in revaluation reserves during the period:

	I HALF 2010	I HALF 2009
Opening balance	(35 395)	-
Deferral of fair value changes of hedging instruments related to the portion recognized as effective hedge	66 196	(37 873)
Amount of the deferral of fair value changes of hedging instruments of the effective hedge removed from revaluation reserves and presented in net profit or loss	-	-
Closing balance	30 801	(37 873)

Cash flow hedge of floating-rate loans

Description of hedging relationship

The Group hedges portion of the interest rate risk resulting in the volatility of cash flows on floating-rate assets with the designated IRS transactions.

Hedged items

Cash flows from floating-rate assets is the hedged items.

Hedging derivatives

The hedging derivatives consist of portfolio of IRS transactions (short position in floating rate – the Group receives fixed payments and pays floating-rate).

The Table below presents fair value of hedging derivatives used in cash flow hedge:

	30.06.2010	
FAIR VALUE	ASSETS	LIABILITIES
Interest Rate Swaps (IRS)	54 121	415
Total	54 121	415

	31.12.2009	
FAIR VALUE	ASSETS	LIABILITIES
Interest Rate Swaps (IRS)	46 757	4 634
Total	46 757	4 634

Financial Statements presentation

The effective portion of change in hedging derivatives fair value is recognized in revaluation reserve in equity. The ineffective portion of change in hedging fair value is recognized in the fair value adjustments in hedge accounting. The interest from IRS transactions and hedged items is presented in net interest income (Note 8).

Notes to financial statements (cont.)

(In PLN thousand)

During the reporting period the following amounts- related to cash flow hedge for floating- rate loans- were recognized by the Group in profit or loss and equity:

	I HALF 2010	I HALF 2009
Revaluation reserves (deferral of fair value changes of hedging instruments related to the portion recognized as effective hedge - gross value)	27 837	7 093
Interest income on hedging derivatives	12 826	(7 082)
Period in which the cash flows related to the hedged items are expected to occur	01.07.2010 - 20.11.2017	01.07.2009 - 20.11.2017

Changes in revaluation reserves during the period:

	I HALF 2010	I HALF 2009
Opening balance	(7 104)	108 283
Deferral of fair value changes of hedging instruments related to the portion recognized as effective hedge	34 618	(101 728)
Amount of the deferral of fair value changes of hedging instruments of the effective hedge removed from revaluation reserves and presented in net profit or loss	323	538
Closing balance	27 837	7 093

27. Investment securities

	30.06.2010	31.12.2009
Debt securities available for sale (AFS)	22 931 879	17 451 329
Equity securities available for sale (AFS)	14 882	14 873
Debt securities held to maturity (HTM)	3 848 654	3 807 823
Total	26 795 415	21 274 025

Debt securities available for sale (AFS)

	30.06.2010	31.12.2009
Securities issued by State Treasury	13 937 211	13 086 790
T-bills	30 098	20 709
T-bonds	13 907 113	13 066 081
Securities issued by Central Banks	8 808 067	4 249 195
Securities issued by banks	-	-
Securities issued by business entities	102 818	-
Securities issued by local governments	83 783	115 344
Total	22 931 879	17 451 329
including impairment of assets	(5 163)	(4 335)
including:		
Quoted	12 808 229	12 132 342
Unquoted	10 123 650	5 318 987

Notes to financial statements (cont.)

(In PLN thousand)

Equity securities available for sale (AFS)

	30.06.2010	31.12.2009
Shares	14 882	14 873
Quoted	352	329
Unquoted	14 530	14 544
Total	14 882	14 873
including impairment of assets	(2 988)	(2 945)

Debt securities held to maturity (HTM)

	30.06.2010	31.12.2009
Securities issued by State Treasury	3 532 905	3 510 704
T- bills	472 803	491 977
T- bonds	3 060 102	3 018 727
Securities issued by Central Banks	315 749	297 119
Securities issued by business entities	-	-
Total	3 848 654	3 807 823
including impairment of assets	-	-

Investment debt securities according to contractual maturities

	30.06.2010	31.12.2009
Debt securities, including:		
up to 1 month	9 143 994	4 613 889
between 1 and 3 months	181 532	203 852
between 3 months and 1 year	2 737 527	2 248 175
between 1 and 5 years	9 545 502	10 046 393
over 5 years	5 171 978	4 146 843
Total	26 780 533	21 259 152

28. Assets held for sale

As at 30 June 2010 assets held for sale included real estate and other property, plant and equipment identified as held for sale by the Group.

Assets held for sale

	30.06.2010	31.12.2009
Property, plant and equipment	15 123	16 446
Other assets	23 457	23 462
Total	38 580	39 908

Notes to financial statements (cont.)

(In PLN thousand)

Assets disposed

	30.06.2010	31.12.2009
Sales revenues	915	160 903
Net carrying value of divested assets (including sale costs)	1 262	110 229
Profit/loss on sale before income tax	(347)	50 674

29. Intangible assets

	30.06.2010	31.12.2009
a) Intangible assets, including:	615 849	653 913
Research and development expenditures	10 480	9 368
Licenses and patents	416 122	459 951
Other	4 002	4 557
Assets under construction and prepayments for assets under construction	185 245	180 037
b) Goodwill	54 560	54 560
Total	670 409	708 473

In the first half of 2010, the Group acquired intangible assets in the amount of PLN 47 465 thousand, (in 2009 the Group acquired PLN 169 306 thousand).

In the first half of 2010 and in 2009 there have been no restrictions to legal titles to intangible assets as security banking liabilities.

30. Property, plant and equipment

	30.06.2010	31.12.2009
Fixed assets, including:	1 709 477	1 776 298
Land and buildings	1 271 464	1 318 314
Machinery and equipment	345 115	364 550
Transport vehicles	54 740	53 724
Other	38 158	39 710
Fixed assets in progress and prepayments for fixed assets in progress	56 276	46 098
Total	1 765 753	1 822 396

In the first half of 2010 the Group acquired “Property, plant and equipment” in the amount of PLN 62 147 thousand (in 2009 value of property, plant and equipment acquired amounted to PLN 154 300 thousand), while value of property, plant and equipment sold amounted to PLN 3 444 thousand (PLN 7 419 thousand in 2009).

In the first half of 2010 and in 2009 there have been no restrictions to legal titles to property, plant and equipment as security backing liabilities.

Contractual liabilities

As at 30 June 2010 the Group signed agreements with contractors for the future purchase of intangible assets totaling PLN 117 446 thousand and property, plant and equipment totaling PLN 70 341 thousand.

As at 30 June 2009 the Group signed agreements with contractors for the future purchase of intangible assets totaling PLN 50 721 thousand and property, plant and equipment totaling PLN 20 971 thousand.

Notes to financial statements (cont.)

(In PLN thousand)

31. Assets pledged as collateral

As at 30 June 2010 the Group held the following financial assets pledged as collateral:

TYPE OF TRANSACTION	PLEDGE INSTRUMENT	CARRYING VALUE OF ASSETS USED TO PLEDGE LIABILITIES	NOMINAL VALUE OF ASSETS USED TO PLEDGE LIABILITIES	VALUE OF LIABILITIES SUBJECT TO PLEDGE
Repo	bonds	139 782	149 900	140 151
Sell-buy-back	bonds	2 253 293	2 231 285	2 252 883
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds, bills	410 627	381 600	-
Lombard and technical loan	bonds, bills	5 086 431	5 076 400	-
Other credits	bonds	450 951	500 000	364 220
Issue of mortgage bonds	receivables backed by mortgage, bonds and hedging instruments	1 433 204	1 446 191	703 052

As at 31 December 2009 the Group held the following financial assets pledged as collateral:

TYPE OF TRANSACTION	PLEDGE INSTRUMENT	CARRYING VALUE OF ASSETS USED TO PLEDGE LIABILITIES	NOMINAL VALUE OF ASSETS USED TO PLEDGE LIABILITIES	VALUE OF LIABILITIES SUBJECT TO PLEDGE
Repo	bonds	10 953	11 411	10 937
Sell-buy-back	bonds	1 633 067	1 679 470	1 636 608
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds, bills	390 938	381 600	-
Lombard and technical loan	bonds, bills	4 025 273	4 148 371	-
Other credits	bonds	614 435	610 000	377 611
Issue of mortgage bonds	receivables backed by mortgage, bonds and hedging instruments	1 372 172	1 385 020	705 773

32. Amounts due to other banks

Amounts due to other banks by product type

	30.06.2010	31.12.2009
Current accounts and overnight deposits	1 025 584	2 023 297
Deposits from other banks and other liabilities	1 345 678	3 353 686
Loans and advances received	2 689 610	827 890
Funds in transit	124 997	33 816
Repo transactions	1 471 699	1 133 077
Interest accrued	7 808	7 239
Total	6 665 376	7 379 005

Notes to financial statements (cont.)

(In PLN thousand)

Amounts due to other banks by currencies

	30.06.2010	31.12.2009
PLN	3 758 143	4 674 035
CHF	768 472	598 133
EUR	1 686 397	1 661 918
USD	221 282	241 938
Other currencies	231 082	202 981
Total	6 665 376	7 379 005

33. Amounts due to customers

Amounts due to customers by entities and product type

	30.06.2010	31.12.2009
Amounts due to corporate, including:	45 900 157	46 085 463
Current accounts and overnight deposits	16 715 397	16 686 591
Term deposits and other liabilities	29 114 895	29 309 212
Interest accrued	69 865	89 660
Amounts due to budget entities, including:	8 080 138	6 348 830
Current accounts and overnight deposits	3 429 902	3 766 810
Term deposits and other liabilities	4 638 585	2 576 741
Interest accrued	11 651	5 279
Amounts due to individuals, including:	44 234 908	44 066 784
Current accounts and overnight deposits	27 664 408	24 600 199
Term deposits and other liabilities	16 451 459	19 253 940
Interest accrued	119 041	212 644
Repo transactions, including:	921 169	514 281
Forward transactions	920 985	514 156
Interest accrued	184	125
Funds in transit	373 023	234 639
Total	99 509 395	97 249 996

Amounts due to customers by currencies

	30.06.2010	31.12.2009
PLN	83 877 131	81 855 622
CHF	115 063	105 768
EUR	8 699 040	8 604 177
USD	5 900 284	5 955 292
Other currencies	917 877	729 137
Total	99 509 395	97 249 996

Notes to financial statements (cont.)

(In PLN thousand)

34. Debt securities issued

Debt securities issued by type

	30.06.2010	31.12.2009
Bonds	-	28 094
Certificates of deposit	1 113 875	1 297 058
Mortgage bonds	696 854	699 282
Interest accrued	6 726	7 800
Total	1 817 455	2 032 234

There have been no instances of default on repayment of principal or interest or redemption of its own securities by the Group.

Changes in debt securities issued

	I HALF 2010	2009
Opening balance	2 032 234	2 470 702
Increase (issuance)	76 114	495 928
Decrease (repurchase)	(306 536)	(876 968)
Decrease (partial payment)	(16 861)	(55 560)
Foreign currency exchange differences	21 401	8 398
Other changes	11 103	(10 266)
Closing balance	1 817 455	2 032 234

35. Provisions

Roll-forward of provisions in the reporting period

I HALF 2010	PROVISIONS FOR LITIGATION AND CLAIMS	PROVISONS FOR RETIREMENT BENEFITS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
Opening balance	16 977	121 022	103 251	13 759	255 009
Provision charges/revaluation	588	6 387	36 703	8 852	52 530
Provision utilization	(4)	-	-	(11 969)	(11 973)
Provision releases	(1 602)	-	(45 112)	(144)	(46 858)
Foreign currency exchange differences	29	-	2 551	-	2 580
Other changes	(708)	(13 845)	(890)	-	(15 443)
Closing balance	15 280	113 564	96 503	10 498	235 845

Notes to financial statements (cont.)

(In PLN thousand)

2009	PROVISIONS FOR LITIGATION AND CLAIMS	PROVISONS FOR RETIREMENT BENEFITS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
Opening balance	18 529	116 197	140 661	31 352	306 739
Provision charges/revaluation	2 149	13 811	52 232	4 275	72 467
Provision utilization	(212)	(8 926)	-	(16 628)	(25 766)
Provision releases	(3 458)	(70)	(88 634)	(4 247)	(96 409)
Foreign currency exchange differences	(977)	-	(385)	44	(1 318)
Other changes	946	10	(623)	(1 037)	(704)
Closing balance	16 977	121 022	103 251	13 759	255 009

36. Contingent liabilities

Litigation

As at 30 June 2010 the number of legal proceedings against the Group amounted to 505 with a total value of PLN 324 619 thousand (as at 31 December 2009 there were 570 litigations amounting to PLN 825 449 thousand).

As at 30 June 2010, the Group created provisions for litigations against the Group, which according to legal opinion are associated with a risk of outflow of funds related to the fulfillment of court rulings. The value of provisions, created as at 30 June 2010 stood at PLN 15 280 thousand (as at 31 December 2009 PLN 16 977 thousand).

As at 30 June 2010, in case of all other material litigations against the Group, the risk of cash outflows related to the fulfillment of court rulings is believed to be remote.

Financial commitments

Financial commitments by entities

	30.06.2010	31.12.2009
Financial commitments to:		
financial entities	2 634 953	2 931 772
non - financial entities	20 255 416	21 634 284
budget entities	1 639 847	1 068 025
Total	24 530 216	25 634 081

Notes to financial statements (cont.)

(In PLN thousand)

Guarantees

Guarantees by entities

	30.06.2010	31.12.2009
Liabilities to financial entities	421 630	344 413
Guarantees	349 978	286 044
Sureties	59 429	20 961
Confirmed exports letters of credit	12 223	37 408
Liabilities to non-financial entities	4 890 791	4 519 749
Guarantees	4 526 461	4 369 749
Securities underwriting guarantees	363 330	150 000
Sureties	1 000	-
Liabilities to budget entities	14 728	26 185
Guarantees	12 728	24 185
Securities underwriting guarantees	2 000	2 000
Total	5 327 149	4 890 347

Securities underwriting

As at 30 June 2010, the following securities programs have been in place, covered by underwriting

NAME OF ISSUER	TYPE OF SECURITIES	OUTSTANDING UNDERWRITING AMOUNT TO WHICH THE BANK HAS UNDERTAKEN TO COMMIT ITSELF	CONTRACT LIFE	TYPE OF UNDERWRITING
Starostwo Powiatowe Zduńska Wola	Community bonds	2 000	22.03.2006 – 31.12.2010	Unconditional
Zakład Utylizacyjny Sp. z .o.o.	Bonds	200 000	05.08.2009 – 31.12.2010	Conditional
Zakład Komunikacji Miejskiej w Gdańsku Sp. z o.o.	Bonds	121 330	26.03.2010 – 30.04.2012	Conditional
Międzynarodowe Targi Łódzkie Sp. z o.o.	Bonds	40 000	31.05.2010 - 30.06.2011	Conditional
Międzynarodowe Targi Łódzkie Sp. z o.o.	bonds	2 000	31.05.2010 - 30.06.2011	Conditional

Securities issued by Starostwo Powiatowe Zduńska Wola, Zakład Utylizacyjny Sp. z .o.o., Zakład Komunikacji Miejskiej w Gdańsku Sp. z o.o. and Międzynarodowe Targi Łódzkie Sp. z o.o. covered by the Bank underwriting are classified as securities with unlimited marketability, unquoted on stock exchanges and not subject to regulated off-the-floor trading.

37. Related party transactions

The credit granting process applicable to the Bank's management and entities related to the Bank

The credit granting process applicable to the Bank's management and entities related to the Bank is the same as that described in the 2009 annual consolidated financial statements.

Notes to financial statements (cont.)

(In PLN thousand)

Related party transactions

Related party transactions as at 30 June 2010

NAME OF ENTITY	LOANS AND ADVANCES	SECURITIES	RECEIVABLES FROM REVALUATION OF DERIVATIVES	OTHER RECEIVABLES	LIABILITIES FROM LOANS AND DEPOSITS	LIABILITIES FROM REVALUATION OF DERIVATIVES	OTHER LIABILITIES
Bank's parent entity							
UniCredit S.p.A.	72 901	-	-	-	4 096	-	12 825
Entities of UniCredit Group exclusive of Pekao S.A. Group entities	1 058 470	-	241 747	20 094	3 067 126	826 635	21 435
Pekao S.A. Group entities							
Subsidiaries							
Property Sp. z o.o. (In liquidation)	-	-	-	-	3 258	-	-
Pekao Property S.A.	-	-	-	-	727	-	-
Jana Kazimierza Development Sp. z o.o.	74 069	-	-	-	5 468	-	-
Metropolis Sp. z o.o.	-	-	-	-	1 272	-	-
FPB- Media Sp. z o.o.	14 070	-	-	-	210	-	-
Associates							
Pirelli Pekao Real Estate Sp. z o.o.	-	-	-	-	6 602	-	-
Xelion. Doradcy Finansowi Sp. z o.o.	-	-	-	-	6 994	-	-
Pioneer Pekao Investment Management S.A.	-	-	-	68	102 808	-	-
Krajowa Izba Rozliczeniowa S.A.	-	-	-	-	12 071	-	-
Pekao S.A. Group entities total	88 139	-	-	68	139 410	-	-
Key management Staff of the Bank or its parent entity	3 650	-	-	-	11 644	-	-
Total	1 223 160	-	241 747	20 162	3 222 276	826 635	34 260

Notes financial statements (cont.)

(In PLN thousand)

Related party transactions as at 31 December 2009

NAME OF ENTITY	LOANS AND ADVANCES	RECEIVABLES FROM REVALUATION OF DERIVATIVES	OTHER RECEIVABLES	LIABILITIES FROM LOANS AND DEPOSITS	LIABILITIES FROM REVALUATION OF DERIVATIVES	OTHER LIABILITIES
Bank's parent entity						
UniCredit S.p.A.	2 712 916	-	-	826	-	8 487
Entities of UniCredit Group exclusive of Pekao S.A. Group entities	429 553	270 987	19 929	2 696 088	286 901	32 532
Pekao S.A. Group entities						
Subsidiaries						
Property Sp. z o.o. /in liquidation/	-	-	-	3 294	-	-
Pekao Property S.A.	-	-	-	659	-	-
Centrum Bankowości Bezpośredniej Sp. z o.o.	-	-	-	7 482	-	-
Jana Kazimierza Development Sp. z o.o.	97 908	-	-	8 343	-	-
Metropolis Sp. z o.o.	-	-	-	1 354	-	-
FPB- Media Sp. z o.o.	14 348	-	-	103	-	-
Associates						-
Pirelli Pekao Real Estate Sp. z o.o.	-	-	-	14 055	-	-
Xelion. Doradcy Finansowi Sp. z o.o.	-	-	43	6 463	-	-
Pioneer Pekao Investment Management S.A.	-	-	33	169 154	-	-
Krajowa Izba Rozliczeniowa S.A.	-	-	-	9 474	-	-
Pekao S.A. Group entities total	112 256	-	76	220 381	-	-
Key management Staff of the Bank or its parent entity	3 658	-	-	13 905	-	-
Total	3 258 383	270 987	20 005	2 931 200	286 901	41 019

On 11 December 2009, Bank Pekao S.A. entered into a credit facility agreement with UniCredit Luxembourg, allowing Bank Pekao S.A. to raise a loan from UniCredit Luxembourg up to EUR 500 million.

Notes to financial statements (cont.)

(In PLN thousand)

Income and expenses from transactions with related parties for the period from 1 January 2010 to 30 June 2010

NAME OF ENTITY	INTEREST INCOME	INTERES EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	OTHER INCOME	OTHER EXPENSES
Bank's parent entity						
UniCredit S.p.A.	715	(53)	156	(1 926)	526	(5 204)
Entities of UniCredit Group exclusive of Peako S.A. Group entities	62 302	(48 488)	137 210	(2 891)	6 195	(81 923)
Pekao S.A. Group entities						
Subsidiaries						
Metropolis Sp. z o.o.	-	(22)	1	-	-	-
Property Sp. z o.o. (In liquidation)	-	(62)	1	-	-	-
Pekao Property S.A.	1	(11)	2	-	5	-
Jana Kazimierza Development Sp. z o.o.	2 954	(45)	2	-	-	-
FPB-Media Sp. z o.o.	324	-	2	-	-	-
Associates						
Pioneer Pekao Investment Management S.A.	-	(3 394)	272	-	39	-
Xelion. Doradcy Finansowi Sp. z o.o.	-	(133)	10	(21)	75	-
Krajowa Izba Rozliczeniowa S.A.	-	(271)	15	-	-	(5 727)
Pirelli Pekao Real Estate Sp. z o.o.	1	(130)	16	-	2	-
Pekao S.A. Group entities total	3 280	(4 068)	321	(21)	121	(5 727)
Key management Staff of the Bank or its parent entity	86	(206)	3	-	-	-
Total	66 383	(52 815)	137 690	(4 838)	6 842	(92 854)

Notes to financial statements (cont.)

(In PLN thousand)

Income and expenses from transactions with related parties for the period from 1 January 2009 to 30 June 2009

NAME OF ENTITY	INTEREST INCOME	INTERES EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	OTHER INCOME	OTHER EXPENSES
Bank's parent entity						
UniCredit S.p.A.	1 757	(31)	1 483	(1 843)	508	(15 119)
Entities of UniCredit Group exclusive of Pekao S.A. Group entities	17 019	(80 222)	98 995	(472)	3 896	(4 003)
Pekao S.A. Group entities						
Subsidiaries						
Centrum Bankowości Bezpośredniej Sp. z o.o.	-	(106)	1	-	-	(14)
Property Sp. z o.o. (In liquidation)	-	(62)	1	-	-	-
Pekao Property S.A.	-	(25)	2	-	-	-
Associates						
Pioneer Pekao Investment Management S.A.	-	(6 051)	194	-	50	-
Xelion. Doradcy Finansowi Sp. z o.o.	3	(176)	27	(30)	76	-
Krajowa Izba Rozliczeniowa S.A.	-	(1 058)	3	-	-	(3 983)
Pirelli Pekao Real Estate Sp. z o.o.	1	(675)	7	-	3	-
Bankowe Doradztwo Podatkowe Sp. z o.o.	-	-	-	-	20	-
Pekao S.A. Group entities total	4	(8 153)	235	(30)	149	(3 997)
Key management Staff of the Bank or its parent entity	125	(235)	2	-	-	-
Total	18 905	(88 641)	100 715	(2 345)	4 553	(23 119)

Notes to financial statements (cont.)

(In PLN thousand)

The off-balance sheet exposure related to financing as at 30 June 2010 amounted to PLN 673 672 thousand (PLN 894 921 thousand as at 31 December 2009); guarantee-related exposure as at 30 June 2010 amounted to PLN 199 169 thousand (PLN 148 980 thousand as at 31 December 2009), and credit card limits as at 30 June 2010 totaled PLN 15 thousand (PLN 30 thousand as at 31 December 2009).

Remuneration of Bank's Management Board and Supervisory Board Members

	VALUE OF BENEFITS	
	I HALF 2010	I HALF 2009
Management Board of the Bank		
Short-term employee benefits (*)	8 459	9 002
Other long-term benefits	756	263
Termination benefits	-	-
Share-based payments (**)	545	309
Total	9 760	9 574
Supervisory Board of the Bank		
Short-term employee benefits (*)	335	303
Total	335	303

(*) Short-term employee benefits include: base salary, bonuses and other benefits, including in particular the cost of life insurance and health insurance policies and of medical treatment, child education costs. Provision for the expected amount of bonus to be paid in 2011 for the year 2010 in the amount of PLN 3 935 thousand is presented in "short-term employee benefits".

(**) The value of share-based payments is a part of Payroll/Employee Expenses, recognized according to IFRS 2 during the reporting period in the income statement, representing the settlement of initial fair value of options (the right of first refusal to take up the Bank stock), allotted to options granted to Members of Management Board of the Bank.

Bank's Management Board and Supervisory Board Members did not receive any remuneration from subsidiaries and associated entities in the first half year of 2010 and 2009.

Remuneration of Members of Supervisory Boards and management Boards of Group subsidiaries

	VALUE OF BENEFITS	
	I HALF 2010	I HALF 2009
Companies' Management Boards		
Short-term employee benefits	8 511	9 227
Termination benefits	147	576
Share-based payments	158	180
Other long-term benefits	271	55
Total	9 087	10 038
Companies' Supervisory Boards		
Short-term employee benefits	14	16
Total	14	16

(In PLN thousand)

38. Subsequent events

There have been no significant subsequent events.

Signatures of all Members of the Management Board

02.08.2010	Alicja Kornasiewicz	Member of the Management Board, acting President of the Management Board	
Date	First name/Surname	Position/Function	Signature
02.08.2010	Luigi Lovaglio	First Vice-President of the Management Board, Manager General	
Date	First name/Surname	Position/Function	Signature
02.08.2010	Diego Biondo	Vice-President of the Management Board	
Date	First name/Surname	Position/Function	Signature
02.08.2010	Marco Iannaccone	Vice-President of the Management Board	
Date	First name/Surname	Position/Function	Signature
02.08.2010	Andrzej Kopyrski	Vice-President of the Management Board	
Date	First name/Surname	Position/Function	Signature
02.08.2010	Grzegorz Piwowar	Vice-President of the Management Board	
Date	First name/Surname	Position/Function	Signature
02.08.2010	Marian **Ważyński**	Vice-President of the Management Board	
Date	First name/Surname	Position/Function	Signature

Annexes to the financial statements

Annex 1

New standards, interpretations and amendments to published standards that have been approved and published by the European Union, but have entered or will enter into force only after the balance sheet.

IAS 32 (amendment) “Financial instruments: presentation”

Date of approval in the EU – December 23, 2009

Date of application - the first financial year beginning after January 31, 2010

Description:
The amendment to standard clarifies how to account for certain rights when the issued instruments are denominated in a currency other than the functional currency of the issuer. If such instruments are issued pro rata to the issuer’s existing shareholders for a fixed amount of cash, they should be classified as equity even if their exercise price is denominated in a currency other than the issuer’s functional currency.

Annex 2

New standards, interpretations and amendments to published standards that have been published by the International Accounting Standards Board (IASB) and are awaiting approval by the European Union.

Improvements to International Financial Reporting Standards 2010

Date of application - most of the amendments in the first financial year beginning after 30 June 2010 or 31 December 2010.

Description:
The Improvements contains amendments to different standards.

IFRS 1 (amendment) "First-time Adoption of International Financial Reporting Standards"

Date of application - the first financial year beginning after 30 June 2010.

Description:
The proposed amendment would provide relief to first-time adopters from the requirement to provide comparative period disclosures for the information required to be presented by the Amendments to IFRS 7 if the first IFRS reporting period starts earlier than 1 January 2010.

IFRS 9 "Financial Instruments"

Date of application - the first financial year beginning after 31 December 2012

Description:
The standard is issued as part of comprehensive review of financial instruments accounting. The new standard reduces the complexity of the current requirements and to replace IAS 39 "Financial Instruments: Recognition and Measurement". The new standard deals with classification and measurement of financial assets only.

IAS 24 (amendment) "Related Party Disclosures"

Date of application - the first financial year beginning after 31 December 2010

Description:
The changes introduced relate mainly to the related party disclosure requirements for government – related entities and the definition of a related party.

IFRIC 14 (amendment) "Prepayments of a Minimum Funding"

Date of application - the first financial year beginning after 31 December 2010

Description:
Under the amended IFRIC 14 prepayments made to the plan where there are Minimum Funding Requirements should be recognized as an asset.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

Date of application - the first financial year beginning after 30 June 2010

Description:
The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with IAS 39.41. The above described equity instruments shall be measured at the fair value and the difference between the carrying amounts of the financial liability extinguished and the initial measurement of the equity instruments issued should be recognized in profit or loss.

Annex 3

Glossary

IFRS – International Financial Reporting Standards – the standards, interpretations and their structure adopted by the International Accounting Standards Board IASB.

IAS – International Accounting Standards – previous name of the standards forming part of the current IFRS.

IFRIC – International Financial Reporting Interpretations Committee – committee operating under the International Accounting Standards Board publishing interpretations of IFRS.

CIRS – Currency Interest Rate Swap – this is a transaction exchange of principal amounts and interest payments in different currencies between two partners.

IRS – Interest Rate Swap – agreement between two partners, under which partners pay each other (at specified intervals during the contract live) of contractual principal and interest on the contract, charged at a different rate.

FRA – Forward Rate Agreement – contract under which two counterparties agree the interest rate that will apply in the future for a specified amount in currency transactions for a predetermined period.

CAP – cap option is the financial agreement, which limits the risks borne by lenders on a variable rate, is susceptible to the potential for loss as a result of the growth rate. Cap option is a series of call options on interest rates, in which the issuer guarantees the buyer that he will compensate the additional interest costs, which he must pay from your loan if the loan interest rate rises above the agreed interest rate.

FLOOR – floor option is the financial agreement, which reduces the risk of incurring losses resulting from lower interest rates by the lender providing the loan at a variable rate of interest. Floor option is a series of put options on interest rates, the issuer guarantees the interest which he must pay the loan if the interest rate on the loan falls below the agreed interest rate.

IBNR – Incurred But Not Reported losses.

VaR – Value at Risk – the amount by which the market value of an asset or portfolio may be reduced based on specific, within a fixed time and a specified probability.