*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 Unconsolidated Interim Financial Statements of Bank Pekao S.A. for the period from 1 January 2010 to 30 June 2010

Warsaw, August 2010

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# Unconsolidated 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 | 7 | 1 496 114 | 2 956 175 | 1 531 667 | 3 235 684 |
| Interest expense | 7 | (577 653) | (1 125 255) | (688 257) | (1 588 781) |
| Net interest income | | 918 461 | 1 830 920 | 843 410 | 1 646 903 |
| Fee and commission income | 8 | 623 232 | 1 239 159 | 603 881 | 1 185 229 |
| Fee and commission expense | 8 | (97 509) | (199 195) | (105 081) | (207 103) |
| Net fee and commission income | | 525 723 | 1 039 964 | 498 800 | 978 126 |
| Dividend income | 9 | 222 951 | 255 238 | 416 105 | 416 105 |
| Result on financial assets and liabilities held for trading | 10 | 137 263 | 252 036 | 184 446 | 412 784 |
| Result on fair value hedge accounting | 24 | (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: | 11 | 25 346 | 60 480 | 45 786 | 50 034 |
| loans and other financial receivables | | - | - | 913 | 3 498 |
| available for sale financial assets and held to maturity investments | | 25 553 | 60 706 | 44 791 | 46 582 |
| financial liabilities | | (207) | (226) | 82 | (46) |
| Operating income | | 1 820 598 | 3 443 603 | 2 072 754 | 3 533 054 |
| Net impairment losses on financial assets and off-balance sheet commitments: | 14 | (112 278) | (230 396) | (112 039) | (169 075) |
| loans and other financial receivables | | (118 002) | (239 049) | (108 155) | (182 520) |
| available for sale financial assets and held to maturity investments | | - | - | (2) | 131 |
| off-balance sheet commitments | | 5 724 | 8 653 | (3 882) | 13 314 |
| Net result on financial activity | | 1 708 320 | 3 213 207 | 1 960 715 | 3 363 979 |
| Administrative expenses | 12 | (732 903) | (1 464 200) | (759 984) | (1 505 281) |
| personnel expenses | | (419 631) | (834 974) | (418 762) | (830 926) |
| other administrative expenses | | (313 272) | (629 226) | (341 222) | (674 355) |
| Depreciation and amortization | | (89 909) | (189 696) | (100 928) | (200 065) |
| Net result on other provisions | | 101 | 280 | 60 | 60 |
| Net other operating income and expenses | 13 | 9 627 | 22 634 | 11 071 | 24 634 |
| Operating costs | | (813 084) | (1 630 982) | (849 781) | (1 680 652) |
| Gains (losses) from subordinated entities | 15 | 1 627 | 7 629 | (25 000) | (25 000) |
| Gains (losses) on disposal of property, plant and equipment, and intangible assets | | 97 | 7 | (634) | 43 066 |
| Profit before income tax | | 896 960 | 1 589 861 | 1 085 300 | 1 701 393 |
| Income tax expense | | (129 671) | (252 492) | (132 895) | (248 923) |
| Net profit for the period | | 767 289 | 1 337 369 | 952 405 | 1 452 470 |
| Earnings per share (in PLN per share) | 17 | | | | |
| basic for the period | | 2.93 | 5.10 | 3.63 | 5.54 |
| diluted for the period | | 2.93 | 5.10 | 3.63 | 5.54 |

For presentation of unconsolidated 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.

# Unconsolidated 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 | I HALF 2009 Period from 01.01.2009 to 30.06.2009 |
|---|---|---|---|---|---|
| Net profit | | 767 289 | 1 337 369 | 952 405 | 1 452 470 |
| Other comprehensive income | | | | | |
| Foreign currency translation differences | | 45 | (46) | (122) | (46) |
| Change in fair value of available-for-sale financial assets | | (168 797) | 26 984 | 104 926 | (93 859) |
| Change in fair value of cash flow hedges | | 47 808 | 101 137 | (52 669) | (139 940) |
| Income tax expenses on other comprehensive income | 16 | 23 217 | (24 033) | (11 172) | 43 490 |
| Other comprehensive income (net) | | (97 727) | 104 042 | 40 963 | (190 355) |
| Total comprehensive income | | 669 562 | 1 441 411 | 993 368 | 1 262 115 |

# Unconsolidated statement of financial position

(In PLN thousand)

| | NOTE | 30.06.2010 | 31.12.2009 |
|---|---|---|---|
| ASSETS | | | |
| Cash and due from Central Bank | | 7 588 894 | 9 587 211 |
| Debt securities eligible for rediscounting at Central Bank | | 139 | 158 |
| Loans and advances to banks | 19 | 9 501 041 | 9 138 563 |
| Financial assets held for trading | 20 | 1 564 128 | 3 685 551 |
| Derivative financial instruments (held for trading) | 21 | 2 296 367 | 2 431 471 |
| Other financial instruments at fair value through profit and loss | 22 | 1 075 871 | 2 394 040 |
| Loans and advances to customers | 23 | 75 477 542 | 73 042 722 |
| Hedging instruments | 24 | 59 306 | 87 543 |
| Investment securities | 25 | 26 731 241 | 21 293 507 |
| 1. Available for sale | | 22 924 140 | 17 526 224 |
| 2.Held to maturity | | 3 807 101 | 3 767 283 |
| Assets held for sale | 26 | 38 392 | 38 580 |
| Investments in subsidiaries | | 1 370 483 | 1 426 442 |
| Investments in associates | | 39 345 | 39 345 |
| Intangible assets | 27 | 638 704 | 678 462 |
| Property, plant and equipment | 28 | 1 690 531 | 1 745 821 |
| Investment properties | | 65 859 | 54 967 |
| Income tax assets | | 506 744 | 557 768 |
| 1.Current tax receivable | | - | 219 798 |
| 2.Deferred tax assets | | 506 744 | 337 970 |
| Other assets | | 719 399 | 715 869 |
| TOTAL ASSETS | | 129 363 986 | 126 918 020 |
| LIABILITIES | | | |
| Liabilities | | | |
| Amounts due to Central Bank | | 914 713 | 1 100 176 |
| Amounts due to other banks | 30 | 4 918 018 | 5 462 055 |
| Financial liabilities held for trading | 20 | 67 941 | 981 354 |
| Derivative financial instruments (held for trading) | 21 | 2 469 876 | 1 594 037 |
| Amounts due to customers | 31 | 98 413 099 | 96 701 298 |
| Hedging instruments | 24 | 768 491 | 150 452 |
| Debt securities issued | 32 | 1 114 403 | 1 297 785 |
| Income tax liabilities | | 107 836 | - |
| 1.Current income tax payable | | 107 836 | - |
| 2.Deferred tax liabilities | | - | - |
| Provisions | 33 | 267 565 | 281 369 |
| Other liabilities | | 1 669 929 | 1 381 925 |
| TOTAL LIABILITIES | | 110 711 871 | 108 950 451 |
| Equity | | | |
| Share capital | | 262 361 | 262 331 |
| Other capital and reserves | | 17 052 385 | 15 242 975 |
| Retained earnings and profit for the period | | 1 337 369 | 2 462 263 |
| TOTAL EQUITY | | 18 652 115 | 17 967 569 |
| TOTAL EQUITY AND LIABILITIES | | 129 363 986 | 126 918 020 |

# Unconsolidated 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 |
| Equity as at 1 January 2010 | 262 331 | 15 242 975 | 9 120 232 | 1 337 850 | 4 590 737 | (46 588) | 3 046 | 237 698 | 2 462 263 | 17 967 569 |
| Management options | 30 | 4 201 | 3 649 | - | - | - | - | 552 | - | 4 231 |
| Options exercised (share issue) | 30 | 3 649 | 3 649 | - | - | - | - | - | - | 3 679 |
| Revaluation of management share options | - | 552 | - | - | - | - | - | 552 | - | 552 |
| Valuation of financial instruments | - | 104 088 | - | - | - | 104 088 | - | - | - | 104 088 |
| Revaluation of available-for-sale investments net of tax | - | 22 167 | - | - | - | 22 167 | - | - | - | 22 167 |
| Revaluation of hedging financial instruments net of tax | - | 81 921 | - | - | - | 81 921 | - | - | - | 81 921 |
| Appropriation of retained earnings and current year profit | - | 1 701 167 | - | 100 000 | 1 601 167 | - | - | - | (1 124 894) | 576 273 |
| Dividend paid | - | - | - | - | - | - | - | - | (761 096) | (761 096) |
| Profit appropriation | - | 1 701 167 | - | 100 000 | 1 601 167 | - | - | - | (1 701 167) | - |
| Net profit for the period | - | - | - | - | - | - | - | - | 1 337 369 | 1 337 369 |
| Other | - | (46) | - | - | - | - | (46) | - | - | (46) |
| Foreign currency translation differences | - | (46) | - | - | - | - | (46) | - | - | (46) |
| Equity as at 30 June 2010 | 262 361 | 17 052 385 | 9 123 881 | 1 437 850 | 6 191 904 | 57 500 | 3 000 | 238 250 | 1 337 369 | 18 652 115 |

# Unconsolidated 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 | | | | | | | RETAINED EARNINGS AND CURRENT YEAR PROFIT | TOTAL EQUITY |
|---|---|---|---|---|---|---|---|---|---|---|
| | | TOTAL OTHER CAPITAL AND RESERVES | SHARE PREMIUM | GENERAL BANKING RISK FUND | OTHER RESERVE CAPITAL | REVALUATION RESERVES FROM FINANCIAL INSTRUMENTS | FOREIGN CURRENCY TRANSLATION DIFFERENCES | OTHER | | |
| Equity as at 1 January 2009 | 262 213 | 11 963 276 | 9 105 832 | 1 237 850 | 1 344 892 | 36 121 | 3 169 | 235 412 | 3 345 845 | 15 571 334 |
| Management options | - | 1 347 | - | - | - | - | - | 1 347 | - | 1 347 |
| Options exercised (share issue) | - | - | - | - | - | - | - | - | - | - |
| Revaluation of management share options | - | 1 347 | - | - | - | - | - | 1 347 | - | 1 347 |
| Valuation of financial instrument | - | (190 309) | - | - | - | (190 309) | - | - | - | (190 309) |
| Revaluation of available-for-sale investments net of tax | - | (76 958) | - | - | - | (76 958) | - | - | - | (76 958) |
| Revaluation of hedging financial instruments net of tax | - | (113 351) | - | - | - | (113 351) | - | - | - | (113 351) |
| Appropriation of retained earnings and current year profit | - | 3 345 845 | - | 100 000 | 3 245 845 | - | - | - | (1 893 375) | 1 452 470 |
| Dividend paid | - | - | - | - | - | - | - | - | - | - |
| Profit appropriation | - | 3 345 845 | - | 100 000 | 3 245 845 | - | - | - | (3 345 845) | - |
| Net profit for the period | - | - | - | - | - | - | - | - | 1 452 470 | 1 452 470 |
| Other | - | (46) | - | - | - | - | (46) | - | - | (46) |
| Foreign currency translation differences | - | (46) | - | - | - | - | (46) | - | - | (46) |
| Equity as at 30 June 2009 | 262 213 | 15 120 113 | 9 105 832 | 1 337 850 | 4 590 737 | (154 188) | 3 123 | 236 759 | 1 452 470 | 16 834 796 |

# Unconsolidated 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 | 1 337 369 | 1 452 470 |
| Adjustments: | 2 717 552 | 2 671 788 |
| Depreciation expense | 189 696 | 200 065 |
| (Gains) losses on foreign exchange differences | (439 030) | 11 660 |
| (Gains) losses on investing activities | (60 713) | (89 602) |
| Impairment of financial assets | - | 25 000 |
| Interest and dividend | (589 872) | (511 983) |
| Change in loans and advances to banks | 450 754 | 3 636 168 |
| Change in financial assets held for trading and other financial instruments at fair value through profit and loss | 3 439 592 | 2 852 390 |
| Change in derivative financial instruments (assets) | 135 104 | 1 168 186 |
| Change in loans and advances to customers and debt securities eligible for rediscounting at Central Bank | (2 434 801) | (140 352) |
| Change in investment securities available for sale | (74 779) | (10 976) |
| Change in tax assets | 26 991 | (72 580) |
| Change in other assets | (99 668) | 80 415 |
| Change in amounts due to banks | (729 500) | (4 442 860) |
| Change in liabilities held for trading | (913 413) | 67 311 |
| Change in derivative financial instruments (liabilities) and other financial instruments at fair value | 875 839 | (2 618 764) |
| Change in amounts due to customers | 1 711 801 | 2 375 099 |
| Change in debt securities issued | 11 407 | 11 740 |
| Change in provisions | (13 804) | (16 307) |
| Change in other liabilities | 899 349 | 448 984 |
| Income tax paid (negative sign) | (112 700) | (557 093) |
| Current tax expense | 445 299 | 255 287 |
| Net cash flows from operating activities | 4 054 921 | 4 124 258 |
| Cash flow from investing activities | | |
| Investing activity inflows | 123 101 743 | 34 115 879 |
| Sale of instruments in subsidiaries and associates | 55 895 | - |
| Sale of investment securities | 122 613 043 | 33 632 035 |
| Sale of intangible assets and property, plant and equipment | 889 | 870 |
| Other investing inflows | 431 916 | 482 974 |
| Investing activity outflows | (127 370 757) | (36 770 378) |
| Acquisition of investments in subsidiaries and associates | - | (7 500) |
| Acquisition of investment securities | (127 272 583) | (36 648 375) |
| Acquisition of intangible assets and property, plant and equipment | (98 174) | (114 503) |
| Net cash flows from investing activities | (4 269 014) | (2 654 499) |

# Unconsolidated 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 | 82 207 | 52 098 |
| Issue of debt securities | 78 528 | 52 098 |
| Issue of shares | 3 679 | - |
| Financing activity outflows | (1 053 199) | (714 789) |
| Redemption of debt securities | (292 103) | (714 789) |
| Dividends and other payments to shareholders | (761 096) | - |
| Net cash flows from financing activities | (970 992) | (662 691) |
| Total net cash flows | (1 185 085) | 807 068 |
| Net change in cash and cash equivalents | (1 185 085) | 807 068 |
| Cash and cash equivalents at the beginning of the period | 14 577 917 | 11 510 522 |
| Cash and cash equivalents at the end of the period | 13 392 832 | 12 317 590 |

# 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. is part of the UniCredit S.p.A. Group with its seat in Roma, Italy.

The condensed unconsolidated interim financial statements of Bank Pekao S.A. for the period from 1 January 2010 to 30 June 2010 contain financial information of all of the activities performed by the Bank.

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

## 2. Business combinations

No business combinations occurred in I half of 2010 and in 2009.

## 3. Statement of compliance

The condensed unconsolidated interim financial statements 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 unconsolidated financial statements of the Bank as at and for the year ended 31 December 2009.

The unconsolidated financial statements of the Bank 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 unconsolidated interim financial statements have been prepared in Polish Zloty, and all amounts are stated in PLN thousand, unless indicated otherwise.

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

(In PLN thousand)

# 4. Significant accounting policies

The condensed unconsolidated financial statements of the Bank 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) held for sale are recognized at the lower of the carrying value or fair value less costs to sell.

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

Since 30 June 2010 a condensed income statement and condensed statement of comprehensive income in the interim condensed half-year financial statements of the Bank 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 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 financial statements, except for the new IFRS 9 “Financial Instruments”, described in the 2009 unconsolidated 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 Bank, actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgments made by management in applying the Bank’s accounting policies were the same as those that applied to the unconsolidated 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.

(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 unconsolidated financial statements of the Bank Pekao S.A. as at 31 December 2009.

*Exposure to credit risk*

The table below presents the Bank'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 | 408 298 | 302 594 |
| – up to 1 month | - | - | 28 822 | 35 307 |
| – between 1 month and 3 months | - | - | 60 442 | 98 692 |
| – between 3 months and 1 year | - | 52 876 | 285 956 | 519 348 |
| – between 1 year and 5 years | 62 964 | 10 088 | 1 188 280 | 832 725 |
| – above 5 years | - | - | 904 787 | 851 010 |
| Total gross carrying value | 64 137 | 63 949 | 2 876 585 | 2 639 676 |
| Allowance for impairment: | | | | |
| – current | (1 173) | (985) | (45 995) | (28 873) |
| – up to 1 month | - | - | (10 226) | (7 251) |
| – between 1 month and 3 months | - | - | (12 474) | (14 885) |
| – between 3 months and 1 year | - | (45 000) | (64 087) | (352 676) |
| – between 1 year and 5 years | (54 000) | (9 000) | (921 804) | (652 665) |
| – above 5 years | - | - | (785 287) | (744 115) |
| Total allowance for impairment | (55 173) | (54 985) | (1 839 873) | (1 800 465) |
| | | | | |
| Net carrying value of exposure individually impaired | 8 964 | 8 964 | 1 036 712 | 839 211 |
| | | | | |
| Gross carrying value of exposure collectively impaired | | | | |
| – current | - | - | 37 062 | 60 049 |
| – up to 1 month | - | - | 15 516 | 15 450 |
| – between 1 month and 3 months | - | - | 39 131 | 27 656 |
| – between 3 months and 1 year | - | - | 554 388 | 511 198 |
| – between 1 year and 5 years | 181 | 9 952 | 902 925 | 761 226 |
| – above 5 years | 20 763 | 9 053 | 746 696 | 712 860 |
| Total gross carrying value | 20 944 | 19 005 | 2 295 718 | 2 088 439 |
| Allowance for impairment: | | | | |
| – current | - | - | (23 587) | (57 415) |
| – up to 1 month | - | - | (9 721) | (9 429) |
| – between 1 month and 3 months | - | - | (23 737) | (16 956) |
| – between 3 months and 1 year | - | - | (374 472) | (333 402) |
| – between 1 year and 5 years | (164) | (9 933) | (758 373) | (607 399) |
| – above 5 years | (20 580) | (9 053) | (724 582) | (701 684) |
| Total allowance for impairment | (20 744) | (18 986) | (1 914 472) | (1 726 285) |
| | | | | |
| Net carrying value of exposure collectively impaired | 200 | 19 | 381 246 | 362 154 |

# Notes to financial statements (cont.)

(In PLN thousand)

The table below presents the Bank'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 | 9 505 086 | 9 140 330 | 47 452 356 | 46 390 460 | 25 738 946 | 24 477 902 |
| – up to 30 days | - | - | 104 004 | 113 473 | 835 359 | 960 823 |
| – between 30 days and 60 days | - | - | 63 024 | 37 697 | 209 534 | 157 992 |
| – between 60 days and 89 days | - | - | 6 301 | 8 853 | 89 147 | 92 838 |
| Total gross carrying value | 9 505 086 | 9 140 330 | 47 625 685 | 46 550 483 | 26 872 986 | 25 689 555 |
| | | | | | | |
| IBNR PROVISION: | | | | | | |
| – current | (13 209) | (10 750) | (196 606) | (182 147) | (75 447) | (67 294) |
| – up to 30 days | - | - | (9 320) | (8 814) | (50 991) | (51 634) |
| – between 30 days and 60 days | - | - | (11 801) | (8 700) | (53 077) | (37 042) |
| – between 60 days and 89 days | - | - | (2 453) | (2 873) | (39 392) | (40 177) |
| Total IBNR provision | (13 209) | (10 750) | (220 180) | (202 534) | (218 907) | (196 147) |
| | | | | | | |
| Net carrying value of exposure with no impairment | 9 491 877 | 9 129 580 | 47 405 505 | 46 347 949 | 26 654 079 | 25 493 408 |

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 | 13 845 572 | 3 491 352 | 3 921 382 | 23 743 913 |
| BBB+ to BBB- | - | - | - | - | - | - |
| BB+ to BB- | - | - | - | - | - | - |
| B+ to B- | - | - | - | - | - | - |
| under B- | - | - | - | - | - | - |
| no rating | 154 392 | - | 9 072 757 | 315 749 | - | 9 542 898 |
| Total | 1 564 128 | 1 075 871 | 22 918 329 | 3 807 101 | 3 921 382 | 33 286 811 |

# 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 | 12 735 800 | 3 470 164 | 3 892 261 | 25 981 222 |
| BBB+ to BBB- | - | - | 268 805 | - | - | 268 805 |
| BB+ to BB- | - | - | - | - | - | - |
| B+ to B- | - | - | - | - | - | - |
| under B- | - | - | - | - | - | - |
| no rating | 196 594 | - | 4 515 835 | 297 119 | - | 5 009 548 |
| Total | 3 685 551 | 2 394 040 | 17 520 440 | 3 767 283 | 3 892 261 | 31 259 575 |

Derivative financial instruments

| | TRADING DERIVATIVES | | DERIVATIVE HEDGING INSTRUMENTS | |
|---|---|---|---|---|
| | 30.06.2010 | 31.12.2009 | 30.06.2010 | 31.12.2009 |
| Banks | 1 624 575 | 1 777 743 | 59 306 | 87 543 |
| Other financial institutions | 79 705 | 61 338 | - | - |
| Non-financial entities | 592 087 | 592 390 | - | - |
| Total | 2 296 367 | 2 431 471 | 59 306 | 87 543 |

## Market risk

The model related to the measurement of market risk has not changed in relation to the one described in the unconsolidated financial statements of the Bank Pekao S.A. 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 Bank 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 |

# Notes to financial statements (cont.)

(In PLN thousand)

## Interest rate risk

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

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

| CURRENCY | 30.06.2010 | 31.12.2009 |
|---|---|---|
| USD | 682 | 708 |
| EUR | 415 | 1 446 |
| CHF | 402 | 76 |
| Other | 25 | 72 |
| Currencies total (*) | 647 | 1 938 |

(*) 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 unconsolidated financial statements of the Bank Pekao S.A. 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 | 46 328 280 | 7 140 065 | 22 473 160 | 30 257 306 | 23 165 175 | 129 363 986 |
| Liabilities | 28 405 319 | 9 233 445 | 12 924 156 | 23 177 122 | 55 623 944 | 129 363 986 |
| Net off-balance sheet items | (5 724 410) | 192 050 | 2 730 335 | 1 511 073 | 638 570 | (652 382) |
| Periodic gap | 12 198 551 | (1 901 330) | 12 279 339 | 8 591 257 | (31 820 199) | (652 382) |
| Cumulated gap | | 10 297 221 | 22 576 560 | 31 167 817 | (652 382) | |

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 | 48 531 254 | 7 199 923 | 15 657 270 | 23 454 142 | 32 075 431 | 126 918 020 |
| Liabilities | 28 076 800 | 7 041 146 | 11 411 245 | 23 819 022 | 56 569 807 | 126 918 020 |
| Net off-balance sheet items | (6 857 173) | 541 437 | 4 536 216 | 2 095 183 | 758 132 | 1 073 795 |
| Periodic gap | 13 597 281 | 700 214 | 8 782 241 | 1 730 303 | (23 736 244) | 1 073 795 |
| Cumulated gap | | 14 297 495 | 23 079 736 | 24 810 039 | 1 073 795 | |

# 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 (*) | 3 233 946 | 316 900 | 268 367 | 1 191 709 | 821 809 | 5 832 731 |
| Amounts due to customers | 79 414 118 | 10 372 190 | 8 067 259 | 524 650 | 34 882 | 98 413 099 |
| Debt securities issued | - | 272 346 | 452 934 | 389 123 | - | 1 114 403 |
| Financial liabilities held for trading | - | - | - | 30 484 | 37 457 | 67 941 |
| Total | 82 648 064 | 10 961 436 | 8 788 560 | 2 135 966 | 894 148 | 105 428 174 |
| OFF-BALANCE SHEET COMMITMENTS (**) | | | | | | |
| Off- balance sheet commitments Financial liabilities granted | 24 622 693 | - | - | - | - | 24 622 693 |
| Off- balance sheet commitments Guarantees liabilities granted | 6 209 409 | - | - | - | - | 6 209 409 |
| Total | 30 832 102 | - | - | - | - | 30 832 102 |

| 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 (*) | 3 963 913 | 224 680 | 159 023 | 1 500 571 | 714 044 | 6 562 231 |
| Amounts due to customers | 77 431 262 | 11 396 889 | 6 933 809 | 535 023 | 404 315 | 96 701 298 |
| Debt securities issued | 194 | 122 604 | 509 709 | 665 278 | - | 1 297 785 |
| Financial liabilities held for trading | - | - | - | 498 978 | 482 376 | 981 354 |
| Total | 81 395 369 | 11 744 173 | 7 602 541 | 3 199 850 | 1 600 735 | 105 542 668 |
| OFF-BALANCE SHEET COMMITMENTS (**) | | | | | | |
| Off- balance sheet commitments Financial liabilities granted | 25 841 565 | - | - | - | - | 25 841 565 |
| Off- balance sheet commitments Guarantees liabilities granted | 5 231 803 | - | - | - | - | 5 231 803 |
| Total | 31 073 368 | - | - | - | - | 31 073 368 |

(*) Including Central Bank
(**) Exposure amounts from financing-related off-balance sheet commitments granted and guarantee liabilities granted have been allocated for the 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 unconsolidated financial statements of the Bank Pekao S.A. as at 31 December 2009.

# Notes to financial statements (cont.)

(In PLN thousand)

## Ukraine Risk

At 30 June 2010, the net carrying value of shares in Open Joint Stock Company UniCredit Bank ("UCB") amount to PLN 577 349 thousand. Moreover, as at 30 June 2010, the financing extended to UCB amount to PLN 2 230 010 thousand balance sheet exposure and PLN 600 396 thousand of undrawn credit lines and letters of credit.

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.

Recognizing the climate of uncertainty in the Ukrainian macroeconomic environment, the Bank continued to closely monitor the recoverability of its Ukrainian investments based on measuring the value in use of its Ukrainian equity investments and the recoverability of its loan portfolio. In Management's view, its estimates confirmed the recoverability of the Bank's net carrying value of the Ukrainian investments at 30 June 2010.

The valuation described above is complex by nature in light of the scale of the financial crises experienced by Ukraine during the past year, and the resulting difficulties when forecasting over the long term. In addition, the parameters and information used to assess the recoverability of the net carrying value of the investment in Ukraine are heavily influenced by the macroeconomic and market environment, which could still be subject to a great deal of volatility, as it has been in the past year.

With the emergence of first signs of a deteriorating economy in the Ukraine, the Bank enhanced internal control to ensure effective supervision over credit activities and operations of UCB Bank Ltd., and in particular over the risk management area.

In spite of the negative business environment, UCB continues to report profit for the first half of 2010 profit of PLN 20 005 thousand (PLN 4 949 thousand for the first half of 2009).

## 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 Bank 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.

# Notes to financial statements (cont.)

(In PLN thousand)

As at 30 June 2010

| | METHOD 1 | METHOD 2 | METHOD 3 | TOTAL |
|---|---|---|---|---|
| Assets: | 15 189 091 | 12 134 630 | 596 091 | 27 919 812 |
| Financial assets held for trading | 1 396 278 | 13 459 | 154 391 | 1 564 128 |
| Derivative financial instruments, including: | - | 2 250 334 | 46 033 | 2 296 367 |
| - Banks | - | 1 579 148 | 45 427 | 1 624 575 |
| - Customers | - | 671 186 | 606 | 671 792 |
| 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 | 12 716 942 | 9 811 531 | 395 667 | 22 924 140 |
| Liabilities: | 67 941 | 3 192 434 | 45 933 | 3 306 308 |
| Financial liabilities held for trading | 67 941 | - | - | 67 941 |
| Derivative financial instruments, including: | - | 2 423 943 | 45 933 | 2 469 876 |
| - Banks | - | 2 250 768 | 3 461 | 2 254 229 |
| - Customers | - | 173 175 | 42 472 | 215 647 |
| Hedging instruments | - | 768 491 | - | 768 491 |

As at 31 December 2009

| | METHOD 1 | METHOD 2 | METHOD 3 | TOTAL |
|---|---|---|---|---|
| Assets: | 17 922 125 | 7 617 070 | 585 634 | 26 124 829 |
| Financial assets held for trading | 3 477 598 | 11 359 | 196 594 | 3 685 551 |
| Derivative financial instruments, including: | - | 2 364 302 | 67 169 | 2 431 471 |
| - Banks | - | 1 716 301 | 61 442 | 1 777 743 |
| - Customers | - | 648 001 | 5 727 | 653 728 |
| Other financial instruments at fair value through profit and loss | 2 394 040 | - | - | 2 394 040 |
| Hedging instruments | - | 87 543 | - | 87 543 |
| Securities available for sale | 12 050 487 | 5 153 866 | 321 871 | 17 526 224 |
| Liabilities: | 981 354 | 1 683 045 | 61 444 | 2 725 843 |
| Financial liabilities held for trading | 981 354 | - | - | 981 354 |
| Derivative financial instruments, including: | - | 1 532 593 | 61 444 | 1 594 037 |
| - Banks | - | 1 395 169 | 2 045 | 1 397 214 |
| - Customers | - | 137 424 | 59 399 | 196 823 |
| Hedging instruments | - | 150 452 | - | 150 452 |

# Notes to financial statements (cont.)

(In PLN thousand)

## 7. Interest income and expense

### Interest income

| | II QUARTER 2010 | I HALF 2010 | II QUARTER 2009 | I HALF 2009 |
|---|---|---|---|---|
| Loans and other receivables from customers | 1 124 175 | 2 257 327 | 1 171 448 | 2 461 855 |
| Placements in other banks | 63 488 | 124 974 | 71 848 | 166 064 |
| Reverse repo transactions | 10 399 | 29 695 | 9 901 | 19 600 |
| Investment securities | 256 289 | 470 042 | 207 322 | 413 607 |
| Financial assets held for trading | 31 317 | 49 778 | 25 196 | 55 300 |
| Financial assets designated to fair value through profit and loss | 10 446 | 24 359 | 45 952 | 119 258 |
| Total | 1 496 114 | 2 956 175 | 1 531 667 | 3 235 684 |

### Interest expense

| | II QUARTER 2010 | I HALF 2010 | II QUARTER 2009 | I HALF 2009 |
|---|---|---|---|---|
| Customers' deposits | (508 945) | (993 742) | (597 599) | (1 352 743) |
| Other banks' deposits | (16 612) | (31 599) | (35 419) | (85 443) |
| Repo transactions | (20 832) | (36 537) | (23 584) | (78 530) |
| Loans from other banks | (19 137) | (39 435) | (24 712) | (57 107) |
| Debt securities issued | (12 127) | (23 942) | (6 943) | (14 958) |
| Total | (577 653) | (1 125 255) | (688 257) | (1 588 781) |

## 8. 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 | 209 303 | 413 765 | 219 171 | 440 341 |
| Payment cards | 200 923 | 401 802 | 188 112 | 355 846 |
| Loans and advances | 98 698 | 195 130 | 101 109 | 186 787 |
| Acquisition services | 56 860 | 114 867 | 44 436 | 99 306 |
| Securities operations | 11 353 | 20 261 | 8 266 | 14 968 |
| Custody activity | 12 935 | 25 108 | 11 705 | 21 766 |
| Guarantees, letters of credit and similar transactions | 14 398 | 27 805 | 11 218 | 25 962 |
| Other | 18 762 | 40 421 | 19 864 | 40 253 |
| Total | 623 232 | 1 239 159 | 603 881 | 1 185 229 |

# Notes to financial statements (cont.)

(In PLN thousand)

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 | (5 179) | (11 308) | (6 076) | (10 507) |
| Securities operations | (2 393) | (4 401) | (2 641) | (4 949) |
| Accounts maintenance | (197) | (416) | (483) | (1 039) |
| Custody activity | (1 156) | (2 506) | (1 027) | (2 057) |
| Acquisition Services | (494) | (1 278) | (4 690) | (17 924) |
| Other | (5 058) | (7 899) | (3 636) | (8 746) |
| Total | (97 509) | (199 195) | (105 081) | (207 103) |

## 9. Dividend income

| | II QUARTER 2010 | I HALF 2010 | II QUARTER 2009 | I HALF 2009 |
|---|---|---|---|---|
| Subsidiaries | 122 328 | 154 615 | 275 777 | 275 777 |
| Associates | 92 930 | 92 930 | 134 374 | 134 374 |
| Other entities | 7 693 | 7 693 | 5 954 | 5 954 |
| Total | 222 951 | 255 238 | 416 105 | 416 105 |

## 10. 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 | 130 857 | 259 671 | 201 180 | 347 881 |
| Gains (losses) on derivatives | 9 200 | 4 123 | (31 413) | 38 066 |
| Gains (losses) on debt securities | (2 794) | (11 758) | 14 679 | 26 837 |
| Total | 137 263 | 252 036 | 184 446 | 412 784 |

## 11. Gains (losses) on disposal

Realized gains

| | II QUARTER 2010 | I HALF 2010 | II QUARTER 2009 | I HALF 2009 |
|---|---|---|---|---|
| Loans and other financial receivables | - | - | 1 018 | 3 834 |
| Available for sale financial assets – debt instruments | 25 546 | 53 772 | 2 413 | 3 822 |
| Available for sale financial assets – equity instruments (*) | 7 | 6 934 | 44 788 | 47 743 |
| Investments held to maturity | - | - | (2 767) | - |
| Debt securities issued | 82 | 242 | 172 | 539 |
| Total | 25 635 | 60 948 | 45 624 | 55 938 |

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

# Notes to financial statements (cont.)

(In PLN thousand)

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 | - | - | (3) | (4 983) |
| Investments held to maturity | - | - | 360 | - |
| Debt securities issued | (289) | (468) | (90) | (585) |
| Total | (289) | (468) | 162 | (5 904) |

| | | | | |
|---|---|---|---|---|
| Net realized profit | 25 346 | 60 480 | 45 786 | 50 034 |

## 12. Administrative expenses

Personnel expenses

| | II QUARTER 2010 | I HALF 2010 | II QUARTER 2009 | I HALF 2009 |
|---|---|---|---|---|
| Wages and salaries | (354 231) | (702 299) | (355 115) | (696 550) |
| Insurance and other charges related to employees | (63 079) | (130 119) | (63 347) | (133 029) |
| Share-based payments expense | (2 321) | (2 556) | (300) | (1 347) |
| Total | (419 631) | (834 974) | (418 762) | (830 926) |

Other administrative expenses

| | II QUARTER 2010 | I HALF 2010 | II QUARTER 2009 | I HALF 2009 |
|---|---|---|---|---|
| Other administrative expenses | (288 796) | (579 232) | (313 958) | (619 372) |
| Taxes and charges | (8 236) | (17 181) | (8 948) | (18 412) |
| Bank Guarantee Fund fee | (9 703) | (19 406) | (11 296) | ( 22 593) |
| Financial supervision authority fee (KNF) | (6 537) | (13 407) | (7 020) | (13 978) |
| Total | (313 272) | (629 226) | (341 222) | (674 355) |

| | | | | |
|---|---|---|---|---|
| Total administrative expenses | (732 903) | (1 464 200) | (759 984) | (1 505 281) |

# Notes to financial statements (cont.)

(In PLN thousand)

## 13. 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 | 9 392 | 18 313 | 10 646 | 22 517 |
| Credit insurance charges | 6 026 | 9 981 | 5 829 | 13 611 |
| Recovery of debt collection costs | 2 609 | 4 644 | 2 251 | 3 536 |
| Compensation, penalty fees and fines received | 8 | 108 | 21 | 314 |
| Refunding of administrative costs | 2 285 | 4 633 | 2 496 | 6 278 |
| Income from written off liabilities | 1 244 | 2 285 | - | 92 |
| Releases of impairment of litigation and other assets | 123 | 6 082 | 1 146 | 1 342 |
| Releases of provisions for liabilities | - | - | 669 | 4 732 |
| Gains on sale of other assets | - | 3 | - | 11 |
| Other | 4 081 | 9 093 | 4 346 | 9 119 |
| Total | 25 768 | 55 142 | 27 404 | 61 552 |

### 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 expense | (1 459) | (2 827) | (2 010) | (3 900) |
| Impairment of litigations receivables and other assets | (89) | (344) | (430) | (730) |
| Costs of litigation and claims | (1 219) | (2 436) | (862) | (2 339) |
| Compensation, penalty fees and fines paid | (202) | (675) | (2 219) | (5 200) |
| Losses on disposal of other assets | (4) | (86) | (2) | (9) |
| Other | (9 077) | (18 829) | (5 531) | (13 595) |
| Total | (16 141) | (32 508) | (16 333) | (36 918) |

| | | | | |
|---|---|---|---|---|
| Net other operating income and expenses | 9 627 | 22 634 | 11 071 | 24 634 |

# Notes to financial statements (cont.)

(In PLN thousand)

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

| | | INCREASES | | DECREASES | | | | |
|---|---|---|---|---|---|---|---|---|
| I HALF 2010 | OPENING BALANCE | IMPARIMENT CHARGES | OTHER (*) | WRITE-OFFS OF ASSETS FROM THE BALANCE SHEET | RELEASE OF IMPARIMENT CHARGES | OTHER (*) | CLOSING BALANCE | IMPACT ON PROFIT AND LOSS(***) |
| Impairment of financial assets and off- balance sheet commitments | | | | | | | | |
| Loans and advances to banks valued at amortized cost | 84 721 | 3 467 | 3 807 | - | (2 826) | (43) | 89 126 | (641) |
| Derivative financial instruments (**) | 4 793 | - | 491 | - | - | (4 793) | 491 | - |
| Loans and advances to customers valued at amortized cost | 3 925 431 | 702 678 | 77 959 | (20 324) | (458 344) | (33 968) | 4 193 432 | (244 334) |
| Financial assets available for sale | 7 258 | - | 871 | - | - | - | 8 129 | - |
| Investments held to maturity valued at amortized cost | - | - | - | - | - | - | - | - |
| Impairment of off-balance sheet commitments | 135 194 | 36 459 | 6 974 | - | (45 112) | (890) | 132 625 | 8 653 |
| Total financial assets and off-balance sheet commitments | 4 157 397 | 742 604 | 90 102 | (20 324) | (506 282) | (39 694) | 4 423 803 | (236 322) |
| | | | | | | | | |
| Impairment of other assets: | | | | | | | | |
| Investments in subsidiaries and associates | 148 056 | - | - | - | - | - | 148 056 | - |
| Intangible assets | 10 961 | - | - | - | - | - | 10 961 | - |
| Goodwill | - | - | - | - | - | - | - | - |
| Other intangible assets | 10 961 | - | - | - | - | - | 10 961 | - |
| Property, plant and equipment | 11 191 | - | 23 | - | - | (762) | 10 452 | - |
| Investment properties | 4 352 | - | 35 | - | - | - | 4 387 | - |
| Other | 104 324 | 344 | 635 | (249) | (6 082) | (404) | 98 586 | 5 738 |
| Total impairment of other assets | 278 884 | 344 | 693 | (249) | (6 082) | (1 166) | 272 424 | 5 738 |
| | | | | | | | | |
| Total | 4 436 281 | 742 948 | 90 795 | (20 573) | (512 364) | (40 860) | 4 696 227 | (230 584) |

(*) 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 (236 322) thousand and proceeds from recovered bad debt in the amount of PLN 5 926 thousand, the total is PLN (230 396) thousand.

# Notes to financial statements (cont.)

(In PLN thousand)

| I HALF 2009 | OPENING BALANCE | INCREASES: IMPARIMENT CHARGES | INCREASES: OTHER (*) | DECREASES: WRITE-OFFS OF ASSETS FROM THE BALANCE SHEET | DECREASES: RELEASE OF IMPARIMENT CHARGES | DECREASES: OTHER (*) | CLOSING BALANCE | IMPACT ON PROFIT AND LOSS(***) |
|---|---|---|---|---|---|---|---|---|
| Impairment of financial assets and off- balance sheet commitments | | | | | | | | |
| Loans and advances to banks valued at amortized cost | 102 683 | 18 482 | 9 764 | - | (6 382) | (25 840) | 98 707 | (12 100) |
| Derivative financial instruments (**) | 71 831 | - | - | - | - | (66 163) | 5 668 | - |
| Loans and advances to customers valued at amortized cost | 3 760 615 | 708 893 | 262 373 | (52 546) | (534 709) | (98 032) | 4 046 594 | (174 184) |
| Financial assets available for sale | 12 191 | - | - | - | - | (1 240) | 10 951 | - |
| Investments held to maturity valued at amortized cost | 121 | - | 10 | - | (131) | - | - | 131 |
| Impairment of off-balance sheet commitments | 142 293 | 56 351 | 1 634 | - | (69 665) | (852) | 129 761 | 13 314 |
| Total financial assets and off-balance sheet commitments | 4 089 734 | 783 726 | 273 781 | (52 546) | (610 887) | (192 127) | 4 291 681 | (172 839) |
| | | | | | | | | |
| Impairment of other assets: | | | | | | | | |
| Investments in subsidiaries and associates (****) | 43 056 | 25 000 | - | - | - | - | 68 056 | (25 000) |
| Intangible assets | 10 961 | - | - | - | - | - | 10 961 | - |
| Goodwill | - | - | - | - | - | - | - | - |
| Other intangible assets | 10 961 | - | - | - | - | - | 10 961 | - |
| Property, plant and equipment | 12 786 | - | 453 | - | - | (675) | 12 564 | - |
| Investment properties | 9 979 | - | 275 | - | - | - | 10 254 | - |
| Other | 107 865 | 730 | 1 621 | (263) | (1 342) | (13 032) | 95 579 | 612 |
| Total impairment of other assets | 184 647 | 25 730 | 2 349 | (263) | (1 342) | (13 707) | 197 414 | (24 388) |
| | | | | | | | | |
| Total | 4 274 381 | 809 456 | 276 130 | (52 809) | (612 229) | (205 834) | 4 489 095 | (197 227) |

(*) 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 banks valued at amortized costs”
(***) „Impairment of financial assets and off-balance sheet commitments” balance includes net impairment in the amount of PLN (172 839) thousand and proceeds from recovered bad debt in the amount of PLN 3 764 thousand, the total is PLN (169 075) thousand
(****) The impairment in the amount of PLN 25 000 thousand was recorded for the investment in Xelion. Doradcy Finansowi Sp. z o.o.

# Notes to financial statements (cont.)

(In PLN thousand)

## 15. Gains (losses) from subordinated entities

| | II QUARTER 2010 | I HALF 2010 | II QUARTER 2009 | I HALF 2009 |
|---|---|---|---|---|
| Profit from liquidation of shares in subordinated entities | 1 627 | 1 627 | - | - |
| Profit from reduction of equity in subordinated entities | - | 6 002 | - | - |
| Impairment of the investment in subordinated entities | - | - | (25 000) | (25 000) |
| Total profit (loss) from subordinated entities | 1 627 | 7 629 | (25 000) | (25 000) |

## 16. 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 | (270 557) | (445 298) | (95 206) | (255 286) |
| Current tax charge disclosed In the income statement | (268 103) | (439 566) | (91 494) | (259 043) |
| Adjustments related to the current tax from previous years | 16 | (741) | - | 13 064 |
| Other taxes (e.g. withholding tax, income tax relating to foreign branches) | (2 470) | (4 991) | (3 712) | (9 307) |
| Deferred income tax | 140 886 | 192 806 | (37 689) | 6 363 |
| Occurrence and reversal of temporary differences | 140 886 | 192 806 | (37 689) | 6 363 |
| Tax charge disclosed in the unconsolidated income statement | (129 671) | (252 492) | (132 895) | (248 923) |
| | | | | |
| EQUITY | | | | |
| Deferred income tax | 23 217 | (24 033) | (11 172) | 43 490 |
| 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 | 32 297 | (4 824) | (20 950) | 17 123 |
| Revaluation of available for sale financial assets – with equity rights | 4 | 7 | (229) | (222) |
| Tax charge disclosed in other comprehensive income | 23 217 | (24 033) | (11 172) | 43 490 |
| Total charge | (106 454) | (276 525) | (144 067) | (205 433) |

## 17. Earnings per share

### Earnings per share

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

# Notes to financial statements (cont.)

(In PLN thousand)

| | II QUARTER 2010 | I HALF 2010 | II QUARTER 2009 | I HALF 2009 |
|---|---|---|---|---|
| Net profit | 767 289 | 1 337 369 | 952 405 | 1 452 470 |
| 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) | 2.93 | 5.10 | 3.63 | 5.54 |

### Diluted earnings per share

Diluted earnings per share are calculated by dividing net profit of the Bank 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 | 767 289 | 1 337 369 | 952 405 | 1 452 470 |
| 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) | 2.93 | 5.10 | 3.63 | 5.54 |

## 18. Dividend payment

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

## 19. Loans and advances to banks

Loans and advances to banks by product type

| | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Current accounts and overnight placements | 3 434 715 | 3 076 299 |
| Interbank placements | 2 384 596 | 2 146 916 |
| Loans and advances | 1 825 944 | 1 042 918 |
| Repo transactions | 325 931 | 1 471 910 |
| Debt securities | 1 275 445 | 1 290 432 |
| Receivables in transit | 319 055 | 172 743 |
| Interest accrued | 24 481 | 22 066 |
| Total gross amount | 9 590 167 | 9 223 284 |
| Impairment provision | (89 126) | (84 721) |
| Total net amount | 9 501 041 | 9 138 563 |

# 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 | 9 505 086 | 9 140 330 |
| gross value of impaired receivables | 85 081 | 82 954 |
| individual impairment charges | (55 173) | (54 985) |
| collective impairment charges (*) | (33 953) | (29 736) |
| Total | 9 501 041 | 9 138 563 |

(*) 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 | 5 400 784 | 5 158 383 |
| between 1 and 3 months | 806 605 | 5 066 |
| between 3 months and 1 year | 1 717 022 | 2 383 553 |
| between 1 and 5 years | 1 641 275 | 1 527 504 |
| over 5 years | - | 126 712 |
| Interest accrued | 24 481 | 22 066 |
| Total gross amount | 9 590 167 | 9 223 284 |
| Impairment provision | (89 126) | (84 721) |
| Total net amount | 9 501 041 | 9 138 563 |

Loans and advances to banks by currencies

| | 30.06.2010 | 31.12.2009 |
|---|---|---|
| PLN | 4 277 000 | 3 466 132 |
| CHF | 372 452 | 243 238 |
| EUR | 2 215 828 | 2 345 176 |
| USD | 2 242 382 | 2 918 569 |
| Other currencies | 393 379 | 165 448 |
| Total | 9 501 041 | 9 138 563 |

Changes in impairment balances in the first half of 2010 and 2009 are presented in the Note 14.

# Notes to financial statements (cont.)

(In PLN thousand)

## 20. 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 | 1 409 737 | 67 941 |
| T- bills | 359 773 | - |
| T- bonds | 1 049 964 | 67 941 |
| Securities issued by banks | 154 391 | - |
| Total | 1 564 128 | 67 941 |
| Including: | | |
| Quoted | 1 396 278 | 67 941 |
| Unquoted | 167 850 | - |

| 31.12.2009 | ASSETS | LIABILITIES |
|---|---|---|
| Securities issued by State Treasury | 3 488 957 | 981 354 |
| T- bills | 367 133 | - |
| T- bonds | 3 121 824 | 981 354 |
| Securities issued by banks | 196 594 | - |
| Total | 3 685 551 | 981 354 |
| Including: | | |
| Quoted | 3 477 597 | 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 | 383 375 | - |
| between 1 and 3 months | 136 507 | - |
| between 3 months and 1 year | 450 887 | - |
| between 1 and 5 years | 332 049 | 30 484 |
| over 5 years | 261 310 | 37 457 |
| Total | 1 564 128 | 67 941 |

| 31.12.2009 | ASSETS | LIABILITIES |
|---|---|---|
| Debt securities, including: | | |
| up to 1 month | 998 | - |
| between 1 and 3 months | 782 974 | - |
| between 3 months and 1 year | 1 632 369 | - |
| between 1 and 5 years | 544 499 | 498 978 |
| over 5 years | 724 711 | 482 376 |
| Total | 3 685 551 | 981 354 |

# Notes to financial statements (cont.)

(In PLN thousand)

## 21. Derivative financial instruments

Fair value of trading derivatives

| 30.06.2010 | ASSETS | LIABILITIES |
|---|---|---|
| Interest rate transactions | | |
| Interest Rate Swaps (IRS) | 1 556 755 | 1 788 694 |
| 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) | 380 310 | 49 592 |
| Currency Forward Agreements | 113 063 | 90 241 |
| Currency Swaps | 136 028 | 451 323 |
| Options | 52 980 | 32 307 |
| Transactions based on equity securities | | |
| Options | 35 828 | 36 364 |
| Total | 2 296 367 | 2 469 876 |

| 31.12.2009 | ASSETS | LIABILITIES |
|---|---|---|
| Interest rate transactions | | |
| Interest Rate Swaps (IRS) | 1 216 237 | 1 330 099 |
| 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) | 314 358 | 14 125 |
| Currency Forward Agreements | 164 503 | 90 420 |
| Currency Swaps | 633 501 | 49 060 |
| Options | 30 363 | 35 857 |
| Transactions based on equity securities | | |
| Options | 53 971 | 53 971 |
| Total | 2 431 471 | 1 594 037 |

## 22. 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 | - | - |
| Total | 1 075 871 | 2 394 040 |

# 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 according to 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 |

# 23. Loans and advances to customers

Loans and advances to customers by product type

| | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Mortgage | 20 215 678 | 18 990 611 |
| Current accounts | 11 144 608 | 10 236 438 |
| Operating loans | 14 930 402 | 15 864 588 |
| Investment loans | 15 535 623 | 15 839 990 |
| Payment cards receivables | 600 102 | 691 926 |
| Purchased debt receivables | 628 028 | 504 113 |
| Other loans and advances | 11 183 638 | 10 649 385 |
| 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 | 185 584 | 194 823 |
| Total gross amount | 79 670 974 | 76 968 153 |
| Impairment provision | (4 193 432) | (3 925 431) |
| Total net amount | 75 477 542 | 73 042 722 |

# 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 | 47 263 715 | 45 333 164 |
| Receivables from individuals | 28 411 800 | 27 018 635 |
| Receivables from budget entities | 3 809 875 | 4 421 531 |
| Interest accrued | 185 584 | 194 823 |
| Total gross amount | 79 670 974 | 76 968 153 |
| Impairment provision | (4 193 432) | (3 925 431) |
| Total net amount | 75 477 542 | 73 042 722 |

## 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 | 74 498 671 | 72 240 038 |
| gross value of impaired receivables | 5 172 303 | 4 728 115 |
| individual impairment charges | (1 839 873) | (1 800 465) |
| collective impairment charges (*) | (2 353 559) | (2 124 966) |
| Total | 75 477 542 | 73 042 722 |

(*) 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 | 16 873 561 | 14 072 897 |
| between 1 and 3 months | 826 765 | 1 056 861 |
| between 3 months and 1 year | 8 729 819 | 8 658 050 |
| between 1 and 5 years | 19 889 174 | 21 471 600 |
| over 5 years | 33 166 071 | 31 513 922 |
| Interest accrued | 185 584 | 194 823 |
| Total gross amount | 79 670 974 | 76 968 153 |
| Impairment provision | (4 193 432) | (3 925 431) |
| Total net amount | 75 477 542 | 73 042 722 |

## Loans and advances to customers by currencies

| | 30.06.2010 | 31.12.2009 |
|---|---|---|
| PLN | 57 581 658 | 55 450 817 |
| CHF | 6 186 326 | 5 793 302 |
| EUR | 10 101 878 | 10 372 709 |
| USD | 1 513 920 | 1 338 791 |
| Other currencies | 93 760 | 87 103 |
| Total | 75 477 542 | 73 042 722 |

Changes in impairment balances in the first half of 2010 and 2009 are presented in the Note 14.

# Notes to financial statements (cont.)

(In PLN thousand)

## 24. Hedge accounting

The Bank 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.

### Fair value hedge

*Description of hedging relationship*

The Bank 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 Bank 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.

# Notes to financial statements (cont.)

(In PLN thousand)

The following amounts were recognized 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 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) |

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

*Description of hedging relationship*

The Bank hedges a 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 are designated as the hedged items.

*Hedging derivatives*

The hedging derivatives consist of a portfolio of CIRS transactions (basis swap), where the Bank 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:

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

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

*Financial Statement presentation*

The effective portion of the change in fair value of hedging derivatives' is recognized in revaluation reserve in equity. The ineffective portion of the change in fair value of hedging derivatives is recognized in the result on financial assets and liabilities held for trading (Note 10). The interest on CIRS transactions and hedged items is presented in net interest income (Note 7).

# Notes to financial statements (cont.)

(In PLN thousand)

During the reporting period the following amounts – related to cash flow hedge for floating- rate loans and floating- rate deposits – were recognized 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 |

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 Bank hedges a portion of the interest rate risk related to the volatility of cash flows on floating-rate assets with the designated IRS transactions.

*Hedged items*

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

*Hedging derivatives*

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

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

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

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

# Notes to financial statements (cont.)

(In PLN thousand)

*Financial Statement presentation*

The effective portion of the change in fair value of hedging derivatives is recognized in revaluation reserve in equity. The ineffective portion of change in fair value hedging derivatives is recognized in the fair value hedge accounting. The interest from IRS transactions and hedged items is presented in net interest income (Note 7).

During the reporting period the following amounts related to cash flow hedge for floating-rate loans were recognized 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 |

## 25. Investment securities

| | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Debt securities available for sale (AFS) | 22 918 329 | 17 520 440 |
| Equity securities available for sale (AFS) | 5 811 | 5 784 |
| Debt securities held to maturity (HTM) | 3 807 101 | 3 767 283 |
| Total | 26 731 241 | 21 293 507 |

Debt securities available for sale (AFS)

| | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Securities issued by State Treasury | 13 845 571 | 13 004 605 |
| T-bills | - | - |
| T-bonds | 13 845 571 | 13 004 605 |
| Securities issued by Central Banks | 8 682 549 | 4 199 418 |
| Securities issued by banks | 203 608 | 201 073 |
| Securities issued by business entities | 102 818 | - |
| Securities issued by local governments | 83 783 | 115 344 |
| Total | 22 918 329 | 17 520 440 |
| including impairment of assets | (5 163) | (4 335) |
| including: | | |
| quoted | 12 920 197 | 12 251 230 |
| unquoted | 9 998 132 | 5 269 210 |

# Notes to financial statements (cont.)

(In PLN thousand)

Equity securities available for sale (AFS)

| | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Shares | 5 811 | 5 784 |
| quoted | 352 | 329 |
| unquoted | 5 459 | 5 455 |
| Total | 5 811 | 5 784 |
| including impairment of assets | (2 966) | (2 923) |

Debt securities held to maturity (HTM)

| | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Securities issued by State Treasury | 3 491 352 | 3 470 164 |
| T- bills | 472 803 | 491 977 |
| T- bonds | 3 018 549 | 2 978 187 |
| Securities issued by Central Banks | 315 749 | 297 119 |
| Securities issued by business entities | - | - |
| Total | 3 807 101 | 3 767 283 |
| including impairment of assets | - | - |

Investment debt securities according to contractual maturities

| | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Debt securities, including: | | |
| up to 1 month | 9 040 073 | 4 564 110 |
| between 1 and 3 months | 159 935 | 203 852 |
| between 3 months and 1 year | 2 803 687 | 2 323 484 |
| between 1 and 5 years | 9 549 757 | 10 049 434 |
| over 5 years | 5 171 978 | 4 146 843 |
| Total | 26 725 430 | 21 287 723 |

## 26. 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 Bank.

Assets held for sale

| | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Property, plant and equipment | 14 935 | 15 118 |
| Other assets | 23 457 | 23 462 |
| Total | 38 392 | 38 580 |

# Notes to financial statements (cont.)

(In PLN thousand)

Assets disposed

| | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Sales revenues | 216 | 160 903 |
| Net carrying value of divested assets (including sale costs) | 122 | 105 434 |
| Profit/loss on sale before income tax | 94 | 55 469 |

## 27. Intangible assets

| | 30.06.2010 | 31.12.2009 |
|---|---|---|
| a) Intangible assets, including: | 587 029 | 626 787 |
| Research and development expenditures | 10 480 | 9 368 |
| Licenses and patents | 392 221 | 437 036 |
| Other | 4 002 | 4 557 |
| Assets under construction and prepayments for assets under construction | 180 326 | 175 826 |
| b) Goodwill | 51 675 | 51 675 |
| Total | 638 704 | 678 462 |

In the first half of 2010, the Bank acquired intangible assets in the amount of PLN 43 770 thousand, (in 2009 the Bank acquired PLN 155 433 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.

## 28. Property, plant and equipment

| | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Fixed assets, including: | 1 639 118 | 1 705 536 |
| Land and buildings | 1 257 734 | 1 306 004 |
| Machinery and equipment | 317 618 | 336 084 |
| Transport vehicles | 34 848 | 32 678 |
| Other | 28 918 | 30 770 |
| Fixed assets in progress and prepayments for fixed assets in progress | 51 413 | 40 285 |
| Total | 1 690 531 | 1 745 821 |

In the first half of 2010 the Bank acquired “Property, plant and equipment” in the amount of PLN 54 404 thousand (in 2009 value of property, plant and equipment acquired amounted to PLN 139 928 thousand), while value of property, plant and equipment sold amounted to PLN 205 thousand (PLN 487 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 Bank had signed agreements with contractors for the future purchase of intangible assets totaling PLN 116 559 thousand and property, plant and equipment totaling PLN 69 890 thousand.

As at the 30 June 2009 the Bank signed agreements with contractors for the future purchase of intangible assets totaling PLN 50 721 thousand and property, plant and equipment totaling PLN 19 940 thousand.

# Notes to financial statements (cont.)

(In PLN thousand)

## 29. Assets pledged as collateral

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

| TYPE OF TRANSACTION | PLEDGE INSTRUMENT | CARRYING VALUE OF ASSETS USED TO PLEDGE LIABILITIES | NOMINALVALUE 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 | 409 074 | 380 000 | - |
| Lombard and technical loan | bonds | 5 057 887 | 5 047 000 | - |
| Other loans | bonds | 450 951 | 500 000 | 364 220 |

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

| TYPE OF TRANSACTION | PLEDGE INSTRUMENT | CARRYING VALUE OF ASSETS USED TO PLEDGE LIABILITIES | NOMINALVALUE 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 | 389 356 | 380 000 | - |
| Lombard and technical loan | bonds | 4 006 146 | 4 128 971 | - |
| Other loans | bonds | 614 435 | 610 000 | 377 611 |

## 30. Amounts due to other banks

Amounts due to other banks by product type

| | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Current accounts and overnight deposits | 820 332 | 1 763 460 |
| Deposits from other banks and other liabilities | 1 341 066 | 1 357 630 |
| Loans and advances received | 1 154 548 | 1 171 416 |
| Funds in transit | 124 997 | 33 816 |
| Repo transactions | 1 471 699 | 1 133 077 |
| Interest accrued | 5 376 | 2 656 |
| Total | 4 918 018 | 5 462 055 |

Amounts due to other banks by currencies

| | 30.06.2010 | 31.12.2009 |
|---|---|---|
| PLN | 2 838 030 | 3 576 027 |
| CHF | 377 104 | 255 844 |
| EUR | 1 331 123 | 1 263 087 |
| USD | 152 720 | 172 385 |
| Other currencies | 219 041 | 194 712 |
| Total | 4 918 018 | 5 462 055 |

# Notes to financial statements (cont.)

(In PLN thousand)

## 31. Amounts due to customers

### Amounts due to customers by entity and product type

| | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Amounts due to corporate, including: | 45 772 978 | 46 426 147 |
| Current accounts and overnight deposits | 17 005 795 | 16 592 063 |
| Term deposits and other liabilities | 28 697 455 | 29 736 123 |
| Interest accrued | 69 728 | 97 961 |
| Amounts due to budget entities, including: | 8 080 040 | 6 348 733 |
| Current accounts and overnight deposits | 3 429 804 | 3 766 713 |
| Term deposits and other liabilities | 4 638 585 | 2 576 741 |
| Interest accrued | 11 651 | 5 279 |
| Amounts due to individuals, including: | 43 265 889 | 43 177 498 |
| Current accounts and overnight deposits | 26 877 260 | 23 854 359 |
| Term deposits and other liabilities | 16 272 009 | 19 111 789 |
| Interest accrued | 116 620 | 211 350 |
| 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 | 98 413 099 | 96 701 298 |

### Amounts due to customers by currencies

| | 30.06.2010 | 31.12.2009 |
|---|---|---|
| PLN | 83 764 169 | 81 871 698 |
| CHF | 115 039 | 105 810 |
| EUR | 8 430 628 | 8 447 340 |
| USD | 5 599 562 | 5 777 050 |
| Other currencies | 503 701 | 499 400 |
| Total | 98 413 099 | 96 701 298 |

## 32. Debt securities issued

### Debt securities issued by type

| | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Bonds | - | - |
| Certificates of deposit | 1 113 875 | 1 297 059 |
| Interest accrued | 528 | 726 |
| Total | 1 114 403 | 1 297 785 |

# Notes to financial statements (cont.)

(In PLN thousand)

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

Changes in debt securities issued

| | I HALF 2010 | 2009 |
|---|---|---|
| Opening balance | 1 297 785 | 1 719 894 |
| Increase (issuance) | 78 528 | 481 162 |
| Decrease (repurchase) | (275 242) | (846 679) |
| Decrease (partial payment) | (16 861) | (55 560) |
| Foreign currency exchange differences | 18 787 | 9 804 |
| Other changes | 11 406 | (10 836) |
| Closing balance | 1 114 403 | 1 297 785 |

## 33. 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 | 15 289 | 119 410 | 135 194 | 11 476 | 281 369 |
| Provision charges/revaluation | 582 | 6 370 | 36 460 | 8 852 | 52 264 |
| Provision utilization | - | - | - | (11 476) | (11 476) |
| Provision releases | (862) | - | (45 113) | - | (45 975) |
| Foreign currency exchange differences | 29 | - | 6 974 | - | 7 003 |
| Other changes | (708) | (14 022) | (890) | - | (15 620) |
| Closing balance | 14 330 | 111 758 | 132 625 | 8 852 | 267 565 |

| 2009 | PROVISIONS FOR LITIGATION AND CLAIMS | PROVISONS FOR RETIREMENT BENEFITS | PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED | OTHER PROVISIONS | TOTAL |
|---|---|---|---|---|---|
| Opening balance | 16 145 | 114 573 | 142 293 | 25 166 | 298 177 |
| Provision charges/revaluation | 1 294 | 13 589 | 82 542 | 3 373 | 100 798 |
| Provision utilization | (109) | (8 752) | - | (13 000) | (21 861) |
| Provision releases | (1 744) | - | (88 405) | (4 063) | (94 212) |
| Foreign currency exchange differences | (977) | - | (384) | - | (1 361) |
| Other changes | 680 | - | (852) | - | (172) |
| Closing balance | 15 289 | 119 410 | 135 194 | 11 476 | 281 369 |

# Notes to financial statements (cont.)

(In PLN thousand)

## 34. Contingent liabilities

### Litigation

As at 30 June 2010 the number of legal proceedings against the Bank amounted to 467 with a total value of PLN 288 114 thousand (as at 31 December 2009 there were 520 litigations amounting to PLN 782 042 thousand).

As at 30 June 2010, the Bank created provisions for litigations against the Bank, 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 14 330 thousand (as at 31 December 2009 PLN 15 289 thousand).

As at 30 June 2010, in case of all other material litigations against the Bank, 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 | 3 507 503 | 3 857 442 |
| non- financial entities | 19 475 343 | 20 916 098 |
| budget entities | 1 639 847 | 1 068 025 |
| Total | 24 622 693 | 25 841 565 |

### Guarantees

Guarantees by entities

| | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Liabilities to financial entities | 1 395 985 | 935 910 |
| guarantees | 1 383 762 | 898 502 |
| confirmed exports letters of credit | 12 223 | 37 408 |
| Liabilities to non-financial entities | 4 798 696 | 4 421 708 |
| guarantees | 4 434 366 | 4 271 708 |
| 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 | 6 209 409 | 5 383 803 |

# Notes to financial statements (cont)

(In PLN thousand)

### 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.

## 35. 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 unconsolidated financial statements.

# Notes to financial statements (cont.)

(In PLN thousand)

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. | 71 676 | - | - | - | 4 096 | - | 10 380 |
| Entities of UniCredit Group exclusive of Pekao S.A. Group entities | 946 965 | - | 241 747 | 16 078 | 1 470 730 | 826 635 | - |
| Pekao S.A. Group entities | | | | | | | |
| Subsidiaries | | | | | | | |
| Open Joint Stock Company UniCredit Bank | 2 230 010 | - | - | - | - | - | - |
| Peako Leasing Sp. z o.o. | 1 334 857 | - | 1 213 | - | 190 104 | 51 | 24 |
| Pekao Faktoring Sp. z o.o. | 252 189 | - | - | - | 21 384 | - | - |
| Centralny Dom Maklerski S.A. | 37 | - | - | 82 | 767 531 | - | 376 |
| Pekao Fundusz Kapitałowy Sp. z o.o. | - | - | - | - | 48 601 | - | - |
| Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A. | - | - | - | 103 | 6 562 | - | - |
| Pekao Telecentrum Sp. z o.o. | - | - | - | - | 9 270 | - | - |
| Centrum Kart S.A. | - | - | - | 402 | 26 333 | - | 6 350 |
| Pekao Financial Services Sp. z o.o. | - | - | - | - | 3 919 | - | - |
| Pekao Bank Hipoteczny S.A. | 277 167 | 203 608 | 52 899 | - | 8 079 | - | - |
| Pekao Leasing Holding S.A. | - | - | - | - | 150 | - | - |
| Property Sp. z o.o. (In liquidation) | - | - | - | - | 3 258 | | |
| Holding Sp. z o.o. | - | - | - | - | 280 | - | - |
| Pekao Property S.A. | - | - | - | - | 727 | - | - |
| Centrum Bankowości Bezpośredniej Sp. z o.o. | - | - | - | 4 379 | 5 935 | - | - |
| 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 | 4 182 399 | 203 608 | 54 112 | 5 034 | 1 227 558 | 51 | 6 750 |
| Key management Staff of the Bank or its parent entity | 3 650 | - | - | - | 11 644 | - | - |
| Total | 5 204 690 | 203 608 | 295 859 | 21 112 | 2 714 028 | 826 686 | 17 130 |

# Notes to financial statements (cont.)

(In PLN thousand)

Related party transactions as at 31 December 2009

| 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. | 2 709 391 | - | - | - | 826 | - | 4 571 |
| Entities of UniCredit Group exclusive of Pekao S.A. Group entities | 381 396 | - | 270 987 | 15 869 | 1 045 354 | 286 901 | 101 |
| Pekao S.A. Group entities | | | | | | | |
| Subsidiaries | | | | | | | |
| Open Joint Stock Company UniCredit Bank | 2 013 942 | - | - | - | 7 | - | - |
| Peako Leasing Sp. z o.o. | 1 198 858 | - | 1 213 | - | 170 694 | 30 | 25 098 |
| Pekao Faktoring Sp. z o.o. | 359 370 | - | - | - | 24 328 | - | - |
| Centralny Dom Maklerski S.A. | 24 | - | - | 738 | 812 934 | - | 175 |
| Pekao Fundusz Kapitałowy Sp. z o.o. | - | - | - | - | 71 211 | - | - |
| Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A. | - | - | - | 298 | 18 836 | - | - |
| Pekao Telecentrum Sp. z o.o. | - | - | - | - | 9 103 | - | - |
| Centrum Kart S.A. | - | - | - | 257 | 29 932 | - | 8 116 |
| Pekao Financial Services Sp. z o.o. | - | - | - | - | 10 630 | - | 2 |
| Pekao Bank Hipoteczny S.A. | 256 290 | 201 073 | 22 823 | - | 3 824 | 3 176 | - |
| Pekao Leasing Holding S.A. | - | - | - | - | 128 | - | - |
| Property Sp. z o.o. (In liquidation) | - | - | - | - | 3 294 | - | - |
| Holding Sp. z o.o. | - | - | - | - | 65 317 | - | - |
| 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 | 3 940 740 | 201 073 | 24 036 | 1 369 | 1 437 325 | 3 206 | 33 391 |
| Key management Staff of the Bank or its parent entity | 3 658 | - | - | - | 13 905 | - | - |
| Total | 7 035 185 | 201 073 | 295 023 | 17 238 | 2 497 410 | 290 107 | 38 063 |

# 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 | (1 879) | 526 | (2 995) |
| Entities of UniCredit Group exclusive of Peako S.A. Group entities | 62 303 | (21 898) | 112 402 | (2 864) | 6 115 | (80 699) |
| Pekao S.A. Group entities | | | | | | |
| Subsidiaries | | | | | | |
| Open Joint Stock Company UniCredit Bank | 48 089 | - | 4 252 | (16) | 150 | - |
| Centralny Dom Maklerski S.A. | - | (15 536) | 1 363 | (11) | 2 509 | (1 100) |
| Pekao Leasing Sp. z o.o. | 19 435 | (5 215) | 289 | - | 18 486 | - |
| Pekao Faktoring Sp. z o.o. | 3 720 | (1) | 388 | - | 43 | - |
| Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A | - | (296) | 1 223 | - | 8 | - |
| Pekao Fundusz Kapitałowy Sp. z o.o. | - | (1 207) | 2 | - | 5 | - |
| Centrum Kart S.A. | - | (308) | 16 | - | 605 | (29 790) |
| Pekao Telecentrum Sp. z o.o. | - | (184) | 1 | - | 2 | - |
| Pekao Financial Services Sp. z o.o. | - | (127) | 45 | (10) | - | - |
| Pekao Bank Hipoteczny S.A. | 7 019 | (90) | 13 | - | 61 | (4 876) |
| Pekao Leasing Holding S.A. | - | (1) | 3 | - | - | - |
| Holding Sp. z o.o. | - | (484) | 1 | - | 11 | - |
| Centrum Bankowości Bezpośredniej Sp. z o.o. | - | (60) | 2 | (1 069) | 1 322 | (12 076) |
| Metropolis Sp. z o.o. | - | (22) | 1 | - | - | - |
| Property Sp. z o.o. (In liquidation) | - | (62) | 1 | - | - | - |
| Pekao Property S.A. | - | (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) | 260 | - | - | - |
| 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. | - | (130) | 16 | - | 2 | - |
| Pekao S.A. Group entities total | 81 541 | (27 577) | 7 907 | (1 127) | 23 284 | (53 569) |
| Key management Staff of the Bank or its parent entity | 86 | (206) | 3 | - | - | - |
| Total | 144 645 | (49 734) | 120 468 | (5 870) | 29 925 | (137 263) |

# 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 | (1 720) | 508 | (12 295) |
| Entities of UniCredit Group exclusive of Peako S.A. Group entities | 16 579 | (70 708) | 78 316 | (469) | 3 896 | (3 769) |
| Pekao S.A. Group entities | | | | | | |
| Subsidiaries | | | | | | |
| Open Joint Stock Company UniCredit Bank | 57 484 | - | 4 995 | - | 304 | - |
| Centralny Dom Maklerski S.A. | - | (22 886) | 1 211 | (333) | 2 244 | (1 652) |
| Pekao Leasing Sp. z o.o. | 20 639 | (3 878) | 40 | - | 873 | (8) |
| Pekao Faktoring  Sp. z o.o. | 7 689 | (3) | 413 | - | 33 | - |
| Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A | - | (423) | 1 937 | - | 5 | - |
| Pekao Fundusz Kapitałowy Sp. z o.o. | - | (1 619) | 2 | - | 7 | - |
| Centrum Kart S.A. | - | (511) | 8 | - | 591 | (26 129) |
| Pekao Telecentrum Sp. z o.o. | - | (269) | 1 | - | - | - |
| Pekao Financial Services  Sp. z o.o. | - | (202) | 8 | (18) | - | - |
| Pekao Bank Hipoteczny S.A. | 9 550 | (69) | 52 | - | 1 972 | (6 898) |
| Pekao Leasing Holding S.A. | - | (12) | 1 | - | - | - |
| Pekao Leasing i Finanse S.A. | 2 471 | (39) | 110 | - | 584 | (8) |
| Pekao Auto Finanse S.A. | 731 | (185) | 78 | - | 142 | - |
| Holding Sp. z o.o. | - | (1 522) | 1 | - | 9 | - |
| Centrum Bankowości Bezpośredniej Sp. z o.o. | - | (106) | 1 | - | - | - |
| Property Sp. z o.o. (In liquidation) | - | (62) | 1 | - | - | - |
| Pekao Property S.A. | - | (25) | 2 | - | - | - |
| Associates | | | | | | |
| Pioneer Pekao Investment Management S.A. | - | (6 051) | 182 | - | - | - |
| 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. | - | (675) | 7 | - | 3 | - |
| Bankowe Doradztwo Podatkowe Sp. z.o.o. | - | | | | 20 | - |
| Pekao S.A. Group entities total | 98 567 | (39 771) | 9 080 | (381) | 6 863 | (38 678) |
| Key management Staff of the Bank or its parent entity | 125 | (235) | 2 | - | - | - |
| Total | 117 028 | (110 745) | 88 881 | (2 570) | 11 267 | (54 742) |

# Notes to financial statements (cont.)

(In PLN thousand)

The off-balance sheet exposure related to financing as at 30 June 2010 amounted to PLN 1 546 221 thousand (PLN 1 820 592 thousand as at 31 December 2009); guarantee-related exposure as at 30 June.2010 amounted to PLN 1 232 953 thousand (PLN 977 566 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 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 Personnel 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.

## 36. 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,<br>acting President of the Management Board | |
| Date | First name/Surname | Position/Function | Signature |
| 02.08.2010 | Luigi Lovaglio | First Vice-President<br>of the Management Board,<br>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.