BANK PEKAO SA

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

Report on the activities of the Bank Pekao S.A. Group for the first half of 2010

Warsaw, August, 2010

Table of Contents

Report on the activities of the Bank Pekao S.A. Group for the first half of 2010

Highlights of the Bank Pekao S.A. Group

	H1 2010	H1 2009	2009	2008
INCOME STATEMENT (PLN MILLION)				
Operating income	3,525.8	3,484.2	7,052.6	7,833.7
Operating costs	(1,805.5)	(1,862.9)	(3,672.8)	(3,787.4)
Operating profit	1,720.3	1,621.3	3,379.8	4,046.3
Profit before income tax	1,505.3	1,465.9	2,997.5	4,346.0
Net profit for the period attributable to equity holders of the Bank	1,221.8	1,179.5	2,411.7	3,528.0
PROFITABILITY RATIOS				
Return on average equity (ROE)	13,0%	14.3%	14.1%	23.5%
Net interest margin	3.7%	3.4%	3.5%	4.1%
Non-interest income / operating income	39.7%	41.7%	42.1%	39.3%
Cost / income	51.2%	53.5%	52.1%	48.3%
STATEMENT OF FINANCIAL POSITION (PLN MILLION)				
Total assets	133,427.9	128,203.5	130,616.1	131,940.8
Loans and advances to customers *	81,906.5	82,410.9	79,454.8	82,512.0
Amounts due to customers	99,509.4	93,439.3	97,250.0	90,889.0
Equity	19,006.9	17,055.4	18,371.1	16,036.4
STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS				
Net loans / total assets	61.4%	64.3%	60.8%	62.5%
Securities / total assets	22.3%	18.0%	21.0%	17.1%
Deposits / total assets	74.6%	72.9%	74.5%	68.9%
Loans / deposits	82.3%	88.2%	81.7%	90.8%
Equity / total assets	14.2%	13.3%	14.1%	12.2%
Capital Adequacy Ratio	**18.0%**	**14.5%**	**16.2%**	**12.2%**
EMPLOYEES AND NETWORK				
Total number of employees	21,120	21,476	20,874	21,992
Number of outlets (Bank Pekao S.A. and OJSC UniCredit Bank)	1,075	1,095	1,089	1,102
Number of ATMs (Bank Pekao S.A. and OJSC UniCredit Bank)	1,925	2,005	1,968	2,004

The presentation of items in the income statement is in line with the presentation of short version of income statement used in UniCredit Group.

* Including debt securities eligible for rediscounting at Central Bank and net investments in financial leases to customers.

Report on the activities of the Bank Pekao S.A. Group for the first half of 2010

Highlights of Bank Pekao S.A.

	H1 2010	H1 2009	2009	2008
INCOME STATEMENT (PLN MILLION)				
Operating income	3,400.9	3,503.4	6,692.6	7,524.7
Operating costs	(1,649.3)	(1,697.7)	(3,352.5)	(3,427.2)
Operating profit	1,751.6	1,805.7	3,340.1	4,097.5
Profit before income tax	1,589.9	1,701.4	2,980.6	4,029.6
Net profit for the period	1,337.4	1,452.5	2,462.3	3,345.8
PROFITABILITY RATIOS				
Return on average equity (ROE)	14.5%	18.0%	14.7%	23.3%
Net interest margin	3,5%	3.2%	3.3%	3.9%
Non-interest income / operating income	36.6%	37.0%	39.8%	36.5%
Cost / income	48.5%	48.5%	50.1%	45.5%
STATEMENT OF FINANCIAL POSITION (PLN MILLION)				
Total assets	129,364.0	124,199.6	126,918.0	127,978.5
Loans and advances to customers *	75,477.7	75,246.3	73,042.9	75,106.0
Amounts due to customers	98,413.1	92,833.2	96,701.3	90,458.1
Equity	18,652.1	16,834.8	17,967.6	15,571.3
STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS				
Net loans / total assets	58.3%	60.6%	57.6%	58.7%
Securities / total assets	22.7%	18.4%	21.6%	17.7%
Deposits / total assets	76.1%	74.7%	76.2%	70.7%
Loans / deposits	76.7%	81.1%	75.5%	83.0%
Equity / total assets	14.4%	13.6%	14.2%	12.2%
Capital Adequacy Ratio	**17.6%**	**13.7%**	**15.6%**	**11.6%**
EMPLOYEES AND NETWORK				
Total number of employees	18,660	19,384	18,912	19,718
Number of outlets	1,016	1,034	1,028	1,041
Number of ATMs	1,815	1,891	1,854	1,891

The presentation of items in the income statement is in line with the presentation of short version of income statement used in UniCredit Group.

* Including debt securities eligible for rediscounting at Central Bank.

Report on the activities of the Bank Pekao S.A. Group for the first half of 2010

Summary of Performance

The Bank Pekao S.A. Group reported solid financial results for the first half of 2010, with net profit attributable to equity holders amounting to PLN 1,221.8 million, i.e. an increase of PLN 42.3 million (3.6%) in comparison to the first half of 2009.

Good results for the first half of 2010 with the operating profit increased by 6.1% in comparison with the first half of 2009 were driven by higher operating income as well as lower operating costs.

The strength of the capital and liquidity structure of the Bank Pekao S.A. Group is reflected by a capital adequacy ratio of 18.0% and loans to deposits ratio at the level of 82,3% at the end of June 2010. This enables for further sound and stable development of the Group's activities.

The Bank continued its policy of offering only PLN mortgage loans. The residual stock of mortgage loans denominated in foreign currencies, almost entirely acquired as a result of the merger of the spun-off part of Bank BPH SA , represents only 7.7% of total loans of the Bank.

- In the first half of 2010, the Group's operating income amounted to PLN 3,525.8 million, an increase of PLN 41.6 million (1.2%) in comparison to the first half of 2009 with growth in total net interest income, dividend income and income from equity investments as well as net fee and commission income.
- Total net interest income, dividend income and income from equity investments in the first half of 2010 amounted to PLN 2,125.4 million and increased by PLN 93.7 million (4.6%) in comparison with the first half of 2009. The increase was driven by higher net interest margin, improving thanks to higher margin on loans supported by lower cost of deposits.
- The Group's net non-interest income in the first half of 2010 amounted to PLN 1,400.4 million, a reduction of PLN 52.1 million (3.6%) in comparison with the first half of 2009, mainly due to lower trading result. However, the Group's net fee and commission income in the first half of 2010 amounted to PLN 1,160.7 million, an increase of PLN 78.3 million (7.2%) in comparison with the first half of 2009, mainly as a result of an increase in commissions on loans, payment cards and investment products.
- In the first half of 2010, the operating costs were kept under control and amounted to PLN 1,805.5 million. They were lower than the operating costs in the first half of 2009 by PLN 57.4 million (3.1%).
- In the first half of 2010, net impairment losses on financial assets and off-balance sheet commitments amounted to PLN 276.9 million, an increase of PLN 31.8 million (13.0%) compared to the first half of 2009.
  As at June 30, 2010, the ratio of impaired receivables to total receivables amounted to 7.1% as compared with 6.8% at the end of 2009.
- As at the end of June 2010, the total amounts due to the Group's customers (including customer deposits, structured certificates of deposits, repo and sell-buy-back transactions) amounted to PLN 100,049.5 million, an increase of PLN 2,044.7 million (2.1%) in comparison to the end of 2009.

  The total volume of retail customers deposits and structured certificates of deposits amounted to PLN 45,229.8 million at the end of June 2010, an increase of PLN 78.6 million (0.2%) in comparison to the end of 2009. At the same time, the value of net assets of investment funds managed by Pioneer Pekao TFI S.A. amounted to PLN 16,837.1 million, an increase of PLN 1,544.8 million (10.1%) in comparison to the end of 2009.

  The total volume of corporate customers deposits and repo and sell-buy-back transactions amounted to PLN 54,819.7 million at the end of June 2010, an increase of PLN 1,966.1 million (3.7%) as compared to the end of 2009.
- As at the end of June 2010, the volume of retail loans amounted to PLN 30,044.0 million, an increase of PLN 1,374.8 million (4.8%) in comparison to the end of 2009. The volume of corporate loans, non quoted securities and reverse repo transactions increased by PLN 1,260.4 million (2.3%) as compared to the end of 2009 and amounted to PLN 56,613.6 million at the end of June 2010.

(PLN thousand)

Income Statement – short version

Consolidated Income Statement – short version

	I HALF OF 2010 PERIOD FROM 01.01.2010 TO 30.06.2010	I HALF OF 2009 PERIOD FROM 01.01.2009 TO 30.06.2009
Interest income	3,183,476	3,512,273
Interest expense	(1,175,834)	(1,654,456)
Net interest income	2,007,642	1,857,817
Dividend income and income from equity investments	47,142	31,155
Total net interest income, dividend income and income from equity investments	**2,054,784**	**1,888,972**
Fee and commission income	1,372,878	1,303,293
Fee and commission expense	(212,207)	(220,927)
Net fee and commission income	1,160,671	1,082,366
Trading result	281,536	480,777
Net other operating income and expenses	28,847	32,055
Net non-interest income	**1,471,054**	**1,595,198**
OPERATING INCOME	**3,525,838**	**3,484,170**
Personnel expenses	(943,797)	(929,643)
Other administrative expenses	(658,583)	(720,248)
Refunding of administrative expenses	3,522	5,765
Depreciation and amortisation	(206,728)	(218,778)
Operating costs	**(1,805,586)**	**(1,862,904)**
OPERATING PROFIT	**1,720,252**	**1,621,266**
Net result on other provisions	1,157	920
Net impairment losses on financial assets and off-balance sheet commitments	(276,903)	(245,095)
Net result on investment activity	60,744	88,826
PROFIT BEFORE INCOME TAX	**1,505,250**	**1,465,917**
Income tax expense	(278,701)	(281,927)
NET PROFIT FOR THE PERIOD	**1,226,549**	**1,183,990**
attributable to equity holders of the Bank	**1,221,827**	**1,179,499**
attributable to non-controling interest	4,722	4,491

(PLN thousand)

Unconsolidated Income Statement – short version

	I HALF OF 2010 PERIOD FROM 01.01.2010 TO 30.06.2010	I HALF OF 2009 PERIOD FROM 01.01.2009 TO 30.06.2009
Interest income	2,956,175	3,235,684
Interest expense	(1,125,255)	(1,588,781)
Net interest income	1,830,920	1,646,903
Dividend income	255,238	416,105
Total net interest income and dividend income	**2,086,158**	**2,063,008**
Fee and commission income	1,239,159	1,185,229
Fee and commission expense	(199,195)	(207,103)
Net fee and commission income	1,039,964	978,126
Trading result	256,775	441,840
Net other operating income and expenses	18,001	20,463
Net non-interest income	**1,314,740**	**1,440,429**
OPERATING INCOME	**3,400,898**	**3,503,437**
Personnel expenses	(834,974)	(830,926)
Other administrative expenses	(629,226)	(674,355)
Refunding of administrative expenses	4,633	6,278
Depreciation and amortisation	(189,696)	(198,674)
Operating costs	**(1,649,263)**	**(1,697,677)**
OPERATING PROFIT	**1,751,635**	**1,805,760**
Net result on other provisions	280	60
Net impairment losses on financial assets and off-balance sheet commitments	(230,396)	(169,206)
Net result on investments activity	68,342	64,779
PROFIT BEFORE INCOME TAX	**1,589,861**	**1,701,393**
Income tax expense	(252,492)	(248,923)
NET PROFIT FOR THE PERIOD	**1,337,369**	**1,452,470**

(PLN thousand)

Quarterly Income Statement – short version

Consolidated Income Statement

Provided for comparability purposes

	NOT REVIEWED / AUDITED BY THE INDEPENDENT AUDITOR					
	Q1 2010	Q2 2010	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Interest income	1,576,872	1,606,604	1,850,533	1,661,740	1,590,896	1,644,756
Interest expense	(571,752)	(604,082)	(940,853)	(713,603)	(620,644)	(670,539)
Net interest income	1,005,120	1,002,522	909,680	948,137	970,252	974,217
Dividend income and income from equity investments	20,785	26,357	13,051	18,104	14,972	19,054
Total net interest income, dividend income and income from equity investments	**1,025,905**	**1,028,879**	**922,731**	**966,241**	**985,224**	**993,271**
Fee and commission income	681,241	691,637	636,227	667,066	686,584	726,280
Fee and commission expense	(109,013)	(103,194)	(107,538)	(113,389)	(93,005)	(113,632)
Net fee and commission income	572,228	588,443	528,689	553,677	593,579	612,648
Trading result	136,413	145,123	210,354	270,423	178,648	161,043
Net other operating income and expenses	16,340	12,507	20,243	11,812	32,959	11,039
Net non-interest income	**724,981**	**746,073**	**759,286**	**835,912**	**805,186**	**784,730**
OPERATING INCOME	**1,750,886**	**1,774,952**	**1,682,017**	**1,802,153**	**1,790,410**	**1,778,001**
Personnel expenses	(467,787)	(476,010)	(461,923)	(467,720)	(459,843)	(466,855)
Other administrative expenses	(329,985)	(328,598)	(357,082)	(363,166)	(330,678)	(337,393)
Refunding of administrative expenses	1,700	1,822	3,469	2,296	2,729	1,910
Depreciation and amortisation	(107,504)	(99,224)	(109,355)	(109,423)	(109,450)	(110,306)
Operating costs	**(903,576)**	**(902,010)**	**(924,891)**	**(938,013)**	**(897,242)**	**(912,644)**
OPERATING PROFIT	**847,310**	**872,942**	**757,126**	**864,140**	**893,168**	**865,357**
Net result on other provisions	837	320	(98)	1,018	222	20
Net impairment losses on financial assets and off-balance sheet commitments	(140,891)	(136,012)	(91,655)	(153,440)	(151,184)	(138,378)
Net result on investment activity	34,398	26,346	45,287	43,539	22,873	39,485
PROFIT BEFORE INCOME TAX	**741,654**	**763,596**	**710,660**	**755,257**	**765,079**	**766,484**
Income tax expense	(136,704)	(141,997)	(141,014)	(140,913)	(142,449)	(151,759)
NET PROFIT FOR THE PERIOD	**604,950**	**621,599**	**569,646**	**614,344**	**622,630**	**614,725**
attributable to equity holders of the Bank	**602,712**	**619,115**	**566,295**	**613,204**	**620,458**	**611,778**
attributable to non-controling interest	2,238	2,484	3,351	1,140	2,172	2,947

(PLN thousand)

Unconsolidated Income Statement
Provided for comparability purposes

	NOT REVIEWED / AUDITED BY THE INDEPENDENT AUDITOR					
	Q1 2010	**Q2 2010**	**Q1 2009**	**Q2 2009**	**Q3 2009**	**Q4 2009**
Interest income	1,460,061	1,496,114	1,704,017	1,531,667	1,465,540	1,522,738
Interest expense	(547,602)	(577,653)	(900,524)	(688,257)	(592,878)	(649,564)
Net interest income	912,459	918,461	803,493	843,410	872,662	873,174
Dividend income	32,287	222,951	0	416,105	15	1,051
Total net interest income and dividend income	**944,746**	**1,141,412**	**803,493**	**1,259,515**	**872,677**	**874,225**
Fee and commission income	615,927	623,232	581,348	603,881	613,441	656,310
Fee and commission expense	(101,686)	(97,509)	(102,022)	(105,081)	(84,917)	(107,024)
Net fee and commission income	514,241	525,723	479,326	498,800	528,524	549,286
Trading result	128,865	127,910	173,105	268,735	172,959	155,787
Net other operating income and expenses	10,659	7,342	12,366	8,097	26,120	9,633
Net non-interest income	**653,765**	**660,975**	**664,797**	**775,632**	**727,603**	**714,706**
OPERATING INCOME	**1,598,511**	**1,802,387**	**1,468,290**	**2,035,147**	**1,600,280**	**1,588,931**
Personnel expenses	(415,343)	(419,631)	(412,164)	(418,762)	(412,805)	(420,875)
Other administrative expenses	(315,954)	(313,272)	(333,133)	(341,222)	(308,289)	(315,916)
Refunding of administrative expenses	2,348	2,285	3,782	2,496	2,253	3,151
Depreciation and amortisation	(99,193)	(90,503)	(99,137)	(99,537)	(100,979)	(101,366)
Operating costs	**(828,142)**	**(821,121)**	**(840,652)**	**(857,025)**	**(819,820)**	**(835,006)**
OPERATING PROFIT	**770,369**	**981,266**	**627,638**	**1,178,122**	**780,460**	**753,925**
Net result on other provisions	179	101	0	60	9	381
Net impairment losses on financial assets and off-balance sheet commitments	(118,118)	(112,278)	(57,169)	(112,037)	(103,297)	(134,077)
Net result on investment activity	40,471	27,871	45,624	19,155	21,219	(39,443)
PROFIT BEFORE INCOME TAX	**692,901**	**896,960**	**616,093**	**1,085,300**	**698,391**	**580,786**
Income tax expense	(122,821)	(129,671)	(116,028)	(132,895)	(132,649)	(136,735)
NET PROFIT FOR THE PERIOD	**570,080**	**767,289**	**500,065**	**952,405**	**565,742**	**444,051**

(PLN thousand)

Quarterly Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income

	NOT REVIEWED / AUDITED BY THE INDEPENDENT AUDITOR					
	Q1 2010	Q2 2010	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Net profit	**604,950**	**621,599**	**569,646**	**614,344**	**622,630**	**614,725**
attributable to equity holders of the Bank	**602,712**	**619,115**	**566,295**	**613,204**	**620,458**	**611,778**
attributable to non-controling interest	2,238	2,484	3,351	1,140	2,172	2,947
Other comprehensive income						
Foreign currency translation differences	4,745	51,915	47,418	(12,553)	(51,676)	(49,963)
Change in fair value of available-for-sale financial assets	195,966	(168,900)	(198,427)	105,306	132,571	12,671
Change in fair value of cash flow hedges	53,329	47,808	(87,271)	(52,669)	(12,847)	2,006
Income tax expense on other comprehensive income	(47,285)	23,233	54,730	(11,337)	(22,830)	(2,991)
Other comprehensive income (net)	**206,755**	**(45,944)**	**(183,550)**	**28,747**	**45,218**	**(38,277)**
Total comprehensive income	**811,705**	**575,655**	**386,096**	**643,091**	**667,848**	**576,448**
attributable to equity holders of the Bank	**809,467**	**573,171**	**382,745**	**641,951**	**665,676**	**573,501**
attributable to non-controling interest	2,238	2,484	3,351	1,140	2,172	2,947

Unconsolidated Statement of Comprehensive Income

	NOT REVIEWED / AUDITED BY THE INDEPENDENT AUDITOR					
	Q1 2010	Q2 2010	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Net profit	**570,080**	**767,289**	**500,065**	**952,405**	**565,742**	**444,051**
Other comprehensive income						
Foreign currency translation differences	(91)	45	76	(122)	(90)	13
Change in fair value of available-for-sale financial assets	195,781	(168,797)	(198,785)	104,926	132,056	12,094
Change in fair value of cash flow hedges	53,329	47,808	(87,271)	(52,669)	(12,847)	2,006
Income tax expense on other comprehensive income	(47,250)	23,217	54,662	(11,172)	(22,756)	(2,953)
Other comprehensive income (net)	**201,769**	**(97,727)**	**(231,318)**	**40,963**	**96,363**	**11,160**
Total comprehensive income	**771,849**	**669,562**	**268,747**	**993,368**	**662,105**	**455,211**

Report on the activities of the Bank Pekao S.A. Group for the first half of 2010

External Environment

Basic trends in the economy

Polish macroeconomic situation in the first half of 2010 was characterized by a relatively high economic growth (3.0% in the first quarter, estimated 3.2-3.3% in the second one), being the continuation of the recovery which began early in the second half of 2009. The dynamics of domestic demand in the first quarter of 2010 reached 2.2% yoy, which was a significant acceleration as compared to 0.9% yoy in the fourth quarter of 2009 and negative dynamics in the first three quarters of 2009. At the same time, however, they were still markedly lower than growth rates recorded from 2007 to the first half of 2008. The dynamics of investment in the first quarter was negative (-12.4% yoy), which resulted largely from harsh weather conditions in the first two months of the year, which prevented the carrying out of construction work. In subsequent quarters investment growth should accelerate, though a slightly negative dynamics of investment in the whole year might be expected due to the fact that infrastructure investments probably will not fully offset the decline in private sector investment.

CPI inflation ratio fell down from 3.5% yoy in January 2010, to 2.3% yoy in June. In the second half of the year the CPI is expected to increase to the level slightly above the inflation target of the Polish Monetary Policy Council (2.5% yoy). NBP's inflation projection shows a flat path of inflation over the next three years, which - in the face of uncertainty as regards the economic growth - probably means that the MPC will not be inclined to rise interest rates quickly. The first hike may occur at the end of 2010, however, in a scenario of slowing growth during the second half of the year, the MPC may choose to leave interest rates unchanged.

The first months of the year were marked by the appreciation of the PLN. The EUR/PLN fell from 4.10 at the beginning of the year to 3.83 in early April 2010, and then subsequently went up to above than 4.20 in early May on the wave of concerns over the financial crisis in Greece. At the end of June 2010, the EUR/PLN was about 4.15. A similar level is expected at the end of the year, but in the second half further weakening of the PLN is likely, especially in the scenario of further turmoil in global financial markets. As for domestic factors, the slowdown of GDP growth in the second half of the year could translate into less positive perception of Poland, and even partial reduction of foreign participation in Polish debt may lead to the risk of a material volatility of PLN against foreign currencies.

The situation of the banking sector has improved in the first half of 2010 as compared to the previous year, due to the stabilization of the macroeconomic situation and the situation in financial markets. Many banks could have reversed previously created provisions, and a steady growth in lending to the household sector translated into better results on that activity. The challenge for the banking sector remains in the declining corporate loans portfolio. On one hand it is the result of the lack of investment needs, on the other hand, of the improving financial situation of companies, which allows them to pay back the outstanding loan debts.

Report on the activities of the Bank Pekao S.A. Group for the first half of 2010

Internal Factors

Description of the Group

The Group's structure is presented in the Notes to the Condensed Consolidated Interim Financial Statements of the Bank Pekao S.A. Group for the period from January 1, 2010 to June 30, 2010.

Effects of Changes in the Group's structure

Disposal/acquisition of shares/stock
On April 19, 2010, the Bank acquired from the company Holding Sp. z o.o. one share in Finanse Ltd. Following the transaction the Bank holds 100% in voting rights and equity of Finanse Ltd.

Share capital decrease
On March 24, 2010, the District Court registered a share capital decrease in the company Holding Sp. z o.o. from PLN 61,901,500 to PLN 5,000. The share capital decrease through reducing the number of shares by 123,793 shares (of the par value of PLN 500 each) was executed under the resolution passed by the Extraordinary Shareholders' Meeting of Holding Sp. z o.o. on August 18, 2009. At present, the share capital of Holding Sp. z o.o. amounts to PLN 5,000.

On April 21, 2010, the Shareholders' Meeting of Finanse Ltd. passed a resolution decreasing the company's share capital by GBP 49,999 from GBP 50,000. At present, the Bank holds one share in Finanse Ltd. with a par value of GBP 1 representing 100% of the company's equity and voting rights.

Change of company's type
On February 5, 2010, the Registrar of Companies for England and Wales incorporated a change of type of the company Finanse plc from public limited company to Limited (Ltd).

Changes in the Statutory Bodies of the Bank

Supervisory Board
On January 12, 2010, Mrs. Alicja Kornasiewicz, Member of the Supervisory Board, resigned from her position in connection with the appointment to the Management Board of Bank Pekao S.A.

Mr. Paolo Fiorentino, Deputy Chairman, Secretary of the Supervisory Board resigned from his position in the Supervisory Board of the Bank effective from April 26, 2010.

On April 28, 2010, the Ordinary General Meeting of the Bank appointed Mr. Sergio Ermotti and Mr. Roberto Nicastro as Members of the Supervisory Board for the current common term of office of the Supervisory Board of the Bank effective from April 29, 2010.

The Supervisory Board of the Bank, at the meeting held on June 16, 2010, entrusted Mr. Federico Ghizzoni, Deputy Chairman of the Supervisory Board, with the function of the Secretary of the Supervisory Board and Mr. Roberto Nicastro with the function of the Deputy Chairman of the Supervisory Board.

Report on the activities of the Bank Pekao S.A. Group for the first half of 2010

Composition of the Supervisory Board:

JUNE 30, 2010	DECEMBER 31, 2009
Jerzy Woźnicki Chairman of the Supervisory Board	Jerzy Woźnicki Chairman of the Supervisory Board
Federico Ghizzoni Deputy Chairman, Secretary of the Supervisory Board	Paolo Fiorentino Deputy Chairman, Secretary of the Supervisory Board
Roberto Nicastro Deputy Chairman of the Supervisory Board	Federico Ghizzoni Deputy Chairman of the Supervisory Board
Paweł Dangel Member of the Supervisory Board	Paweł Dangel Member of the Supervisory Board
Sergio Ermotti Member of the Supervisory Board	Oliver Greene Member of the Supervisory Board
Oliver Greene Member of the Supervisory Board	Alicja Kornasiewicz Member of the Supervisory Board
Enrico Pavoni Member of the Supervisory Board	Enrico Pavoni Member of the Supervisory Board
Leszek Pawłowicz Member of the Supervisory Board	Leszek Pawłowicz Member of the Supervisory Board
Krzysztof Pawłowski Member of the Supervisory Board	Krzysztof Pawłowski Member of the Supervisory Board

Management Board of the Bank

On November 24, 2009, Mr. Jan Krzysztof Bielecki, President of the Management Board, resigned from his position effective from January 11, 2010.

On January 12, 2010, the Supervisory Board adopted a resolution to appoint Mrs. Alicja Kornasiewicz as the President of the Bank's Management Board for the current joint term of office of the Bank's Management Board, effective as of the date of obtaining approval of the Financial Supervision Commission. Until the above consent has been obtained, Mrs. Alicja Kornasiewicz is appointed, effective from February 15, 2010 as Member of the Management Board acting as the President of the Management Board.

Mr. Luigi Lovaglio acted as the President of the Bank's Management Board since January 12, 2010 up to February 14, 2010.

On April 28, 2010, the Supervisory Board of the Bank appointed the Members of the Management Board for the common term of office of three years, effective from April 29, 2010.

Composition of the Management Board:

JUNE 30, 2010	DECEMBER 31, 2009
Alicja Kornasiewicz Member of the Management Board Acting President of the Management Board	Jan Krzysztof Bielecki President of the Management Board CEO
Luigi Lovaglio First Vice President of the Management Board General Manager	Luigi Lovaglio First Vice President of the Management Board General Manager
Diego Biondo Vice President of the Management Board	Diego Biondo Vice President of the Management Board
Marco Iannaccone Vice President of the Management Board	Marco Iannaccone Vice President of the Management Board
Andrzej Kopyrski Vice President of the Management Board	Andrzej Kopyrski Vice President of the Management Board
Grzegorz Piwowar Vice President of the Management Board	Grzegorz Piwowar Vice President of the Management Board
Marian Ważyński Vice President of the Management Board	Marian Ważyński Vice President of the Management Board

The Bank's shareholding Structure

As at June 30, 2010, the share capital of Bank Pekao S.A. amounted to PLN 262,360,536 and was divided into 262,360,536 shares of the following series:

- 137,650,000 Series A bearer shares with a par value of PLN 1 per share
- 7,690,000 Series B bearer shares with a par value of PLN 1 per share
- 10,630,632 Series C bearer shares with a par value of PLN 1 per share
- 9,777,571 Series D bearer shares with a par value of PLN 1 per share
- 373,644 Series E bearer shares with a par value of PLN 1 per share
- 621,411 Series F bearer shares with a par value of PLN 1 per share
- 493,879 Series G bearer shares with a par value of PLN 1 per share
- 359,840 Series H bearer shares with a par value of PLN 1 per share
- 94,763,559 Series I bearer shares with a par value of PLN 1 per share.

All the existing shares are ordinary bearer shares. There are no special preferences or limitations connected with the shares, or differences in the rights attached to them. The rights and obligations related to the shares are defined by the provisions of the Polish Commercial Companies Code and other applicable laws.

The shareholders of Bank Pekao S.A. owning directly or indirectly through their subsidiaries at least 5% of the total number of voting rights at the General Meeting of Bank Pekao S.A. are as follows:

SHAREHOLDER'S NAME	NUMBER OF SHARES AND VOTES AT THE GENERAL MEETING	SHARE IN SHARE CAPITAL AND TOTAL NUMBER OF VOTES AT THE GENERAL MEETING	NUMBER OF SHARES AND VOTES AT THE GENERAL MEETING	SHARE IN SHARE CAPITAL AND TOTAL NUMBER OF VOTES AT THE GENERAL MEETING
	JUNE 30, 2010		DECEMBER 31, 2009	
UniCredit S.p.A.	155,433,755	59.24%	155,433,755	59.25%
Other shareholders	106,926,781	40.76%	106,896,856	40.75%
Total	**262,360,536**	**100.00%**	**262,330,611**	**100.00%**

As at June 30, 2010, the share capital of the Bank amounted to PLN 262,360,536. In the first half of 2010, the share capital of the Bank was increased by the total amount of PLN 29,925 as a result of the issue of 29,925 series G ordinary bearer shares, which were taken up by participants of the share option program.

Assessment of creditworthiness of Bank Pekao S.A.

As at June 30, 2010, Bank Pekao S.A.'s creditworthiness was rated as follows:

FITCH RATINGS	BANK PEKAO S.A.	POLAND
Long-term rating (IDR)	A-	A-
Short-term rating	F2	F2
Individual rating	C	-
Support rating	1	-
Rating outlook	Negative	Stable
STANDARD AND POOR'S	**BANK PEKAO S.A.**	**POLAND**
Long-term rating	A-	A-
Short-term rating	A-2	A-2
Rating outlook	Stable	Stable
MOODY'S INVESTORS SERVICE LTD. (UNSOLICITED RATING)	**BANK PEKAO S.A.**	**POLAND**
Long-term foreign-currency deposit rating	A2	A2
Short-term deposit rating	Prime-1	Prime-1
Financial strength	C-	D+*
Rating outlook	Stable	Negative*

* Average for the Polish banking sector.

Activity of the Bank Pekao S.A. Group

Achievements of Bank Pekao S.A.

Bank Pekao S.A. is a universal commercial bank providing a full range of banking services to individual and institutional clients, both in Poland and abroad. The Bank Pekao S.A. Group include financial institutions operating in banking, asset management, pension funds, brokerage services, leasing and factoring markets.

The Bank offers its clients a broad distribution network with ATMs and outlets conveniently located throughout Poland.

	30.06.2010	31.12.2009
Total number of outlets	1,016	1,028
Total number of own ATMs	1,815	1,854

Individual clients

The activity in the first half of 2010 concentrated on the integrated approach that covered re-organization of the branches network and appointment of single branch manager, with the clear responsibility for the overall commercial performance and focus on quality of service and customers' satisfaction, establishing dedicated credit product corners in branches, enrichment of products' offer and review of the processes. Those initiatives combined with continued commercial focus on lending products, supported also by marketing campaigns allowed in particular to achieve 52% increase in sales of PLN mortgage loans in the second quarter of 2010 as compared to second quarter of 2009.

The Bank is keeping the leading position in the "Rodzina na swoim" program – mortgage loans subsidised by the government in the framework of the program "Family in their Own Home". The share of sales of these loans remained at a high level – it accounts for nearly half of the entire Banks' mortgage loans sales.

In the area of consumer lending, the Bank was consistently implementing the strategy focused on gaining the leading position on the consumer financing market and developing its activities in both product and distribution. Those activities were supported by investment in marketing campaigns that were launched on the local markets as well as country-wide promotional campaigns on TV, in the press and in the internet and allowed to significantly accelerate sales of "Pożyczka Ekspresowa" in the second quarter of 2010. Within the framework of re-design of www.pekao.com.pl website, significant improvements of functionality connected with lending products dedicated to individual customers were implemented. Easy and intuitive website navigation allows the clients to choose from the loans by purpose, for which a loan may be granted and to use the newly added Information Section concerning the Bank's current offer and answers to the customers' most frequently asked questions.

In the Private Banking area the comprehensive project was initiated to improve the Bank's position in this segment of the market, also through the enhancement of the product offer including re-design of certain products, and introduction of advanced advisory model of service for this group of customers. Wide-ranging training has been organized for all advisors in Private Banking to enrich their expertise, knowledge of products and supporting tools to improve their capability to provide adequate professional advice to customers.

As at the end of June 2010, the Bank maintained 4,614.1 thousand PLN-denominated current accounts, 193.8 thousand mortgage loan accounts, and 754.0 thousand consumer loan accounts.

(in thousand)

	30.06.2010	31.12.2009
Total number of PLN current accounts*	4,614.1	4,537.9
of which packages	3,387.3	3,357.2
Number of mortgage loans accounts**	193.8	187.4
of which PLN mortgage loans accounts	141.7	133.9
Number of consumer loan accounts ***	754.0	729.9

* Number of accounts including accounts of pre-paid cards.
** Retail customers accounts.
*** "Pożyczka Ekspresowa".

SME clients

During the first half of 2010 Bank focused on implementation of strategy oriented on growth in this segment of the market. Within the framework of this strategy in order to increase acquisition capabilities and assure highest quality of service, more than 60 dedicated SME Centers have been created throughout Poland. SME centers are equipped with dedicated infrastructure and specific tools that are supporting professional teams of advisors in providing best in class assistance to customers. In addition review of certain processes has been started aiming at simplification and standardization. Those activities combined with the enrichment of the products offer and continued focus on lending allowed to more than double number of closed lending contracts in the second quarter of 2010 in comparison with first quarter.

Following the steady growth of online users and the high quality of the Bank internet services for SME customers, the new special account for online users (Net Account) was well perceived by clients, increasing new current account opening by 25%.

Alternative distribution channels

The number of retail and business clients using alternative distribution channels such as internet banking platform and Call Center / Contact Center has been growing systematically. Pekao24 service (for the retail clients), PekaoFIRMA24 (for SME clients) and PekaoBiznes24 (for corporate clients) facilitate the management of financial assets, and the scope of services is being steadily extended.

Pekao24

As at the end of June 2010 the number of Pekao24 clients totalled 1,566.3 thousand. In the first half of 2010, c.a. 1 million of clients logged in to the electronic banking services. In the first half of 2010 online transactions represented 91% of total transactions executed through the Pekao24 platform.

The most important projects implemented in the first half of 2010 included:

– implementation of PekaoToken - a new method of transaction authorization in Pekao24 service. PekaoToken is a safe, convenient and modern application installed in mobile phones, method alternative to SMS codes and TAN blocks currently used by the customers.

– preparation and implementation of www.nowepekao24.pl microservice providing information on changes in Pekao24 services. It includes a multimedia presentation, demo version of a new Pekao24 service, guide on changes in the service, user guide, quiz concerning internet banking security, answers to the most frequent questions and a form for customer's comments.

– customer service enhancements to the Pekao24 through the implementation of changes in Pekao24 rules and regulations and other internal regulations of the Bank, which enables to sign the Pekao24 agreement and to change data necessary to log in to the system by mail.

– launch of a Pekao24 internet service, re-developed in terms of ergonomy and convenience of use. The menu layout, graphic layout and navigation system have been changed. Apart from its transactional functionality, the electronic service performs an informative and marketing function as well. The latest technological solutions have been introduced in the service, to ensure the highest standards of security of transactions performed.

– expansion of the list of mobile network operators, whose accounts may be topped up through Pekao24 service.

– enhancement of the Pekao24 service with new functions, such as possibility of sorting the defined wire transfers, resuming the completion of finished cyclical wire transfer without the need to copy the receiver's details manually, quick access to the information on the security certificate by selecting the logo of the certificate issuer, controlling the remaining time to the end of the session thanks to the implemented session timer.

PekaoFIRMA24

In the first half of 2010, the Bank continued to enhance the PekaoFIRMA24 system to meet the customers' expectations. In order to facilitate the identification of signatures on a payment order, the presentation of initials of signing persons has been introduced to the payment list . This functionality is particularly useful for the companies with more complex schemes of signatures.

Another facility for the customers is the presentation of PekaoFIRMA24 infoline phone numbers inside the transactional system.

Some modifications in cryptography components for the customer electronic signature have been introduced to ensure the greater security of the internet banking for users. Bank Pekao S.A. was the first bank in the market to provide a cryptography component compliant with the latest version of the Firefox search engine.

PekaoFIRMA24 is used by 141.6 thousand companies, of which 90 thousand are active clients. In the first half of 2010, the customers have ordered over 8.9 million transactions through PekaoFIRMA24 system, and the value of PLN transactions alone amounted to PLN 35.9 billion. The system makes it easier to take advantage of a broad deposit offer of the Bank, what was reflected in the number of deposits opened through PekaoFIRMA24 system.

(in thousand)

	30.06.2010	31.12.2009
Number of individual clients with an access to electronic banking	1,566.3	1,192.0
Number of individual clients actively using electronic banking*	942.2	744.4
Number of business clients (SME) with an access to electronic banking	196.5	157.4
Number of business clients (SME) actively use electronic banking*	124.0	102.4

* A customer actively using electronic banking is a customer who logged in to the system at least once during the last three months.

Call Center

In the first half of 2010, the number of outbound calls initiated by the consultants to support sales activities amounted to 1.1 million, which means a 93% increase as compared to the first half of 2009. This growth is a result of the Bank's high sales activity and higher demand for telemarketing services.

Call Center continues the initiatives started in 2009 – Call Back SMS service, online customers' orders as well as survey actions and mystery calls – i.e. "mystery customer" actions, aimed to verify knowledge of employees of the Bank's branches and the Bank's partners.

In the first half of 2010, the number of inbound calls handled by the Call Center exceeded 1.5 million. In that period, Call Center supported the completion of key projects of the Bank, in particular implementation of the new Pekao24 service, payment cards migration from CardPack system into CAMS system, resigning (following the NBP decision) from the usage of the customers' accounts transferred from Bank BPH SA as a result of the merger of the spun-off part of Bank BPH SA in 2007, implementation of PekaoToken – a new method of transaction authorization in Pekao24 service and conducting the information campaign as regards the implementation of EU Markets in Financial Instruments Directive (MiFID).

(in thousand)

	H1 2010	H1 2009
Total number of outbound calls initiated by Call Center	4,259.5	2,604.4
of which number of commercial outbound calls initiated by Call Center supporting sales activities of the Bank	1,122.7	582.9
Number of inbound calls served by Call Center	1,529.4	1,431.1
Total number of inbound and outbound calls served by Call Center	5,788.9	4,035.4

Corporate clients

In the first half of 2010, the Bank's offer for corporate customers has been expanded and enhanced to include new products and banking services as well as additional functionalities of existing products.

In the PekaoBIZNES24 internet banking system the following additional functionalities have been provided:

– implementation of bioidentification method to the PekaoBIZNES24 system. As the first bank in the Polish market and one of the pioneers in the world, the Bank provided its corporate customers with the possibility of logging in to the transaction platform and authorising the transactions there with the use of fingerprints. The new bioidentification method ensures greater security and makes the use of internet banking more convenient for the user.

– the option to place an electronic order concerning configuration of advanced access rights to the system. Thanks to this functionality the customers are able to grant or change access rights of their employees already introduced in the system without submitting paper application forms to the Bank.

– more efficient and flexible execution of payroll transfers. The period when payroll orders can be placed, has been extended, thus enabling the customers to order the payroll payments for execution also on the same working day and to submit the payroll payment orders to the first clearing session in Elixir.

Report on the activities of the Bank Pekao S.A. Group for the first half of 2010

In the first half of 2010 the Bank expanded the offer for its corporate customers to include the new service – eFaktura. This is an innovative solution in the financial services market, facilitating the process of accounts receivable management. The service is tailored for companies that issue a large number of invoices or receipts to regular customers on a periodic basis. The Bank offers a comprehensive solution allowing to submit electronic invoices to the payers using Pekao24 or PekaoFIRMA24 systems or the internet banking systems of other banks and allows to pay the receivables once the invoice amount has been accepted by the payer.

The loan offer of the Bank was supplemented by thermomodernization loan facility as a result of an agreement with Bank Gospodarstwa Krajowego (BGK). The thermomodernization loan is available for corporate and business customers. A partial repayment of the loan is financed from Fundusz Termomodernizacji i Remontów as "a thermomodernization bonus" within the framework of program supported by Polish government.

In the first half of 2010, a significant enhancement of The Integrated Agreement has been introduced, combining a comprehensive package of services for corporate customers in one agreement. The information about changes in the regulations comprised by the Integrated Agreement and the replacement thereof is performed through e-banking, which facilitates a reduction in the timespan of the change acceptation procedure.

In the first half of 2010, the Bank's activities within the area of banking and financial services for public sector were focused on strengthening the Bank's position as the market leader. The Bank expanded its customer base in providing ongoing services to the entities from the public finance sector.

Furthermore, the Bank took advantage of its expertise and experience as regards the financing of public investment projects. Bank Pekao S.A. organised the program of issuing revenue bonds, the third in Poland and the second in the public transportation sector, aimed at raising capital for co-financing the development of tramway rolling stock and infrastructure in one of the biggest cities. Worth mentioning is the program of issuing bonds to finance the construction of a modern exhibition and conference centre, which is a pioneering program in terms of the type of the facility and application of legal mechanisms diminishing the transaction risk. Bank Pekao S.A. developed also the innovative structure of financing the construction of a sports facility where the matches of the European Football Championship – EURO 2012, are to be held, based on the accounts receivable purchasing.

The Bank strengthened its market position as provider of funds granted directly to self-government units. It also won many tenders for fund-raising in the form of a loan extended to the largest Polish cities.

Since the beginning of 2010, the Bank has continued to issue an online monthly KONTAKT review, being a quick source of reference of operational and technological nature as well as a supportive tool for the day-to-day cooperation with the Bank. The new quarterly online information review for corporate customers – KONTAKT PLUS has been launched to support relations with corporate customers. It introduces the customers to the Bank's activities and experts' opinions on corporate banking and provides information on the Bank's products, services and current promotions.

Achievements of subsidiaries

Pioneer Pekao Investment Management S.A.
As at June 30, 2010, the net asset value of investment funds under the management of Pioneer Pekao TFI S.A. (a company managed by Pioneer Pekao Investment Management S.A. in which the Bank holds a 49% share), amounted to PLN 16,837.1 million, an increase of PLN 1,544.8 million (10.1%) as compared to the end of 2009. The increase was driven by positive net sales in this period also supported by assets valuation.

As at the end of June 2010, the company had 1,103 thousand open customer accounts (an increase by 3.2% in comparison to the end of 2009), managing portfolios of 32 investment funds and sub-funds.

The value of net assets of investment funds managed by Pioneer Pekao TFI S.A. is presented in the table below.

(PLN million)

	30.06.2010	31.12.2009
Net asset value	**16,837.1**	**15,292.3**
bond and money market funds	5,780.2	3,906.1
equity funds	4,268.7	4,420.5
balanced funds	6,788.2	6,965.7

Centralny Dom Maklerski Pekao S.A.
As at the end of June 2010, Centralny Dom Maklerski Pekao S.A. (CDM) maintained 221.1 thousand investment accounts and its market share reached the level of 16.1%. CDM offers also on-line access to investment accounts (www.cdm24.pl), allowing its customers to buy and sell all instruments listed on the Warsaw Stock Exchange and on the BondSpot market via the internet. As at the end of June 2010, CDM handled 69.7 thousand on-line accounts, an increase of 21.1 thousand (43.4%) from the end of 2009.

In the first half of 2010 the company achieved the following shares on the Warsaw Stock Exchange (WSE):

- a 22.6% share in the bond trading volume on WSE,
- a 4.4% share in the futures trading volume on WSE,
- a 3.6% share in the stock trading volume on WSE.

OJSC UniCredit Bank
OJSC UniCredit Bank operates in Ukrainian market as 100% subsidiary of Bank Pekao S.A. It pursues its activity through a network of 59 branches developed as a “green field project” and as a result of the merger with HVB Bank Ukraine, it provides services for 108.4 thousand individual customers and 2.8 thousand corporate clients. Despite a restrictive loan policy in the first half of 2010, OJSC UniCredit Bank generated net profit of PLN 20.0 million due to stabilization of quality of the loan portfolio and strict costs control. The bank maintains a sound capital structure with a capital adequacy ratio (Basel II) at the level of 21.96% as at the end of June 2010.

Performance of the bank is under continuous monitoring, specifically with the use of reinforced credit risk monitoring procedures and the stricter loan granting processes in order to ensure an adequate loan portfolio quality.

MiFID – Markets in Financial Instruments Directive

The provisions of the EU directive – MiFID, the main objective of which is to create an integrated financial market in EU, enhance the investors' protection, increase competition in the area of investment services, as well as to increase transparency of the activities of companies offering investment products, took effect as of April 21, 2010.

MiFID imposes certain obligations on companies offering investment products to act in the best interest of clients, in particular to act in an honest, fair and professional way, provide them with clear and understandable rules governing the investment services, provide complete and not misleading information and to offer services and products appropriate for the clients.

In the first quarter of 2010, within the framework of the MiFID project implemented in Bank Pekao S.A., appropriate modifications to procedures, information systems, marketing information and clients documentation were introduced and professional training for the employees was provided.

In the area of individual customers' services, the Bank's activities were focused on providing the customers with the earliest opportunity to sign the agreement for accepting and submitting orders relating to investment funds while satisfying other MiFID requirements in order to mitigate possible inconvenience with regard to the obligation of having such an agreement until April 21, 2010. These activities were accompanied by information campaign, addressed first of all to those customers who do not place the orders relating to investment funds in the Bank's premises but are operating by a proxy or using electronic channels.

In the area of corporate customers' services, the works on business specification for the information systems were completed. In order to adjust the client's documentation, the required procedures, agreements and regulations have been prepared and the transparent process to manage client's documentation has been put in place. Additionally, the sales process has been altered to incorporate new tasks and new internal regulations for dealers and relationship managers were created as well.

The activities relating to the implementation of MiFID requirements applied also to brokerage services rendered by Dom Maklerski Pekao (Dom Maklerski) – entity operating in the Bank's structure and Centralny Dom Maklerski Pekao S.A. (CDM) – subsidiary of the Bank. The MiFID requirements resulting from secondary regulations to the Act on Financial Instruments Trading, in particular the Ministry of Finance Ordinance on procedure and conditions for the operations of investment companies, were fully implemented in Dom Maklerski and CDM on June 17, 2010. Until the above has been implemented, Dom Maklerski and CDM performed works aimed at adjusting its activities in terms of operation, information technology and documentation, in particular to implement a range of internal regulations and regulations for customers. The customers were notified of being ascribed to a relevant group specified in the provisions of law and of the new Rules and Regulations for rendering brokerage services together with the Information Package containing the Policy of performing the orders and acting in the best customer's interest, Policy of classifying and reclassifying the customer and the description of risks relating to the investments in financial instruments.

Similar activities relating to the implementation of MiFID requirements have been undertaken in the area of services of management of financial instruments rendered by Pioneer Pekao Investment Management S.A. (PPIM). Substantial efforts were put aiming at full alignment of operations, IT solutions and documentation with the requirements resulting from secondary regulations. Full implementation of MiFID requirements in PPIM was completed on June 17, 2010.

Awards

Bank Pekao S.A. was recognised to be the best employer of the year in Poland in 2010 and was awarded the title of Top Employer by CRF international institute. The Bank received the highest ranking from amongst all the companies that received distinction in Poland during this year edition of the Top Employer contest.

The international financial magazine Global Finance already for the third time distinguished Bank Pekao S.A. as the Best Bank in Poland in 2010. The Global Finance magazine awarded the Bank a title of "The Best Bank in Poland" for exceptional competence showed by the Bank as business partner and service provider in such exceptionally tough time for banking. When awarding the best banks in the Central and Eastern Europe the international jury took into account both the financial results and the development of a product offer as well as the innovative nature of the participating institutions. The jury's decision was mainly affected by the Bank's clients' credentials reviewed and verified by Global Finance.

Bank Pekao S.A. was recognised to be "the most valuable Polish company" in 2009 in the ranking of 100 most valuable companies published by Newsweek Polska weekly and AT Kearney consulting company in May 2010.

The new online service of Pekao24 of Bank Pekao S.A. was appreciated by the renowned magazine in the IT business – PC WORLD, winning the distinction for "The best interface" and winning the second place in the latest ranking of electronic bank accounts security. PC WORLD's experts tested internet banking systems of twenty leading Polish banks. The new Pekao24 service is distinguished by modern security systems and the possibility of authorising transactions by way of PekaoToken mobile application. The need to confirm telephone transactions with one-off code was appreciated as well.

In the first half of 2010, corporate banking of Bank Pekao S.A. was honoured with numerous Polish and international awards.

In the contest of Electronic Economy Congress, Bank Pekao S.A. was granted a distinction in the category of "Project of the Year" for biometric identification of the PekaoBIZNES24 customers.

In the first half of 2010, Bank Pekao S.A. was the only one to have been honoured with the awards of the Global Finance magazine (for the third time in a row) for its offer for providing funds for trading activities and foreign currency exchange:

– Best Trade Finance Provider 2010 – the best provider of trade finance services,
– Best Foreign Exchange Provider 2010 – the best provider of foreign currency exchange services in the Polish złoty category.

When selecting the best providers of trade finance from 71 countries and regions, The Global Finance considered opinions of analysts, top managers and banking experts. The key objective points of comparison were: asset growth, profit, bank's offer, product innovation, solutions aiming at risk mitigation and cash flow acceleration in international transactions and price of services as well as an evaluation of the bank during the crisis performed by the customers.

In the 15th edition of the nationwide contest organised under the auspices of the Ministry of Economy and the Polish Agency for Enterprise Development, the following corporate banking services were honoured with the prestigious title of EUROPRODUKT 2010:

- Pekao Trade and eFinancing – comprehensive online management of a wide range of trade finance products. Bank Pekao S.A. is distinguished within the area of trade finance by the wide range of its online trade finance offer and high functionality of products.

- corporate payment card – flexible service, allowing the companies, thanks to additional tools such as reports, club packages or insurances, to manage their costs effectively and to control expenses. The advantages of this service are the possibility to select from several debit cards with deferred payment date and Visa Business Lider card, unique in the Polish market and combining the characteristics of a debit card and a charge card.

- CRM Focus – a modern and original tool supporting the management of sales process and relations with the Bank's corporate customers, allowing for implementing in practice the idea of relational corporate banking. CRM Focus system effectively supports the management of business relations with the Bank's corporate customers in terms, among others, winning and maintaining customers, business contacts reporting as well as amending and updating product regulations.

In June 2010 the award committee of the contest: NAJWYŻSZA JAKOŚĆ QUALITY INTERNATIONAL 2010, organised by the Forum Biznesu editorial staff in "Dziennik Gazeta Prawna" newspaper and under the auspices of the Ministry of Regional Development, Polish Forum ISO 9000 Club and Polish Agency for Enterprise Development, appreciated the quality of the Bank's solutions for the corporate customers by awarding the Bank with the title of the highest quality in three areas: product, service and management:

- Wygodne Rachunki (Convenient Bills Payment) – a modern form of cash payments, allowing for making payments for household bills (electricity, telephone, gas, water and other bills) in specific outlets in the whole Poland. The product effectively satisfies the needs of the payers (retail customers), agents (commercial and service outlets) as well as invoice issuers (public service enterprises and financial institutions, charging periodic fees for their services). The solution is based on technology using the bar codes placed on the bill forms, containing information necessary to perform the transaction.
- Pekao BusinessLine – the largest service in the market providing corporate customers and their advisors with integrated after-sale service as regards transactional banking, treasury products as well as implementation, information and complaint processes. It is distinguished by unique organisation solutions and innovative technological solutions, ensuring the effective service of customers, communication and practical reporting.
- CRM Focus – the tool supporting the management of sales process and relations with the Bank's corporate clients.

Apart from the awards granted to the Bank, the companies being members of the Pekao S.A. Group have been appreciated in the market.

In February 2010, Pioneer Obligacji Dolarowych Plus Fundusz Inwestycyjny Otwarty was granted the "Złoty Portfel" award by "Gazeta Giełdy Parkiet". In 2009, the fund generated the highest profit of 59.2% in the category of foreign bonds funds. Pioneer Obligacji Dolarowych Plus FIO is a fund included in the offer of Pioneer Pekao TFI S.A.

In June 2010, Pioneer Pekao TFI S.A. was awarded in the 2nd edition of independent survey of Premium Brand for Companies and received a certificate of the High Renown Company and a promotional logo. The following were the criteria of evaluation: trust in the company, information on the company in the media, its social commitment and its role as the employer and business partner. The contest was organised by Instytut Badawczy Millward Brown SMG/KRC and MMT Management Agency.

Factors which will affect the Results of the Group

Economic growth is one of the most critical benchmarks for business environment, including the banking sector. According to the preliminary data of the Central Statistical Office, in the first quarter of 2010 GDP growth rate amounted to 3.0%. These data indicated some worrying features in the structure of this growth: relatively weak contribution of private consumption (+1.5 p.p. contribution to GDP) together with negative contribution of investment (-1.8 p.p.), and a relatively strong share of temporary factors, such as positive contribution of inventories (+2.1 p.p.) and net exports (+0.7 p.p.). Such a structure of growth poses a threat because the contribution of both inventories and net exports will have a downward trend in subsequent quarters, and unless there will be a substantial increase in consumption or investment, GDP will no longer grow at the same rate.

With regard to investments, one should note a considerable reluctance of private sector companies to undertake new investment, which is however compensated for a significant increase in infrastructure investments, mostly financed from EU funds. A lack of propensity to invest in the private sector results from the recently ended investment boom (2008 and beginning of 2009), which raised the production capacity of enterprises just before the fall in demand caused by the global economic crisis. The result is a significant drop in capacity utilization, which in turn is a factor restraining new investments. A lack of need for investment translates into a lack of demand for new investment loans, which makes the market for these loans shrink, forcing the banking industry to intensify the competition. It might be an important factor which will limit the scale of bank credit expansion in the quarters to come.

As an advantage, one should note an increase of infrastructure investment, that may potentially start greater investments in the energy sector. The scale of the possible inflow of EU funds (total gross inflow of EUR 67 billion in the real perspective by the end of 2015, of which no more than a dozen percent has already been used) indicates a large potential increase in investment financed from this source, and a possibility that these projects will be supplied with working capital by the banking sector. It appears as an opportunity for growth - but one should also take into account that the local government sector (a most likely partner in this type of investment) has become a desirable partner for many banks, hence competitive pressure significantly reduces the profitability of such lending. As regards the energy sector, a significant level of wear of current infrastructure, combined with expectations of growth in electricity demand and the need to adapt to new environmental requirements necessitate substantial investment at the level of tens of billions of PLN. Financing these investments is an important opportunity for development of the banking sector. Large banking entities will be in privileged position being able to arrange multi-billion financing. The main risk remains the uncertainty of timing – the investments were already repeatedly delayed.

A key to the development of retail banking is the labor market, and in this regard one should not expect a rapid and significant improvement in the next few quarters. The lack of corporate investment in new production capacity translates into lower demand for new hires, which in turn translates into stagnation in the labor market also in terms of willingness to raise wages. In the coming quarters one should expect wages' increase at a rate slightly above inflation, accompanying a small 1-2% increase in employment. Such a situation will cause only a slight increase in the wage bill in the corporate sector, which in turn translates into a weak increase of consumption funding. In addition, uncertainty about the labor market will limit the potential increase in new consumer loans. Furthermore, recently introduced regulations (T-recommendation) will result in a lesser growth of such loans by standardizing the rules for the assessment of creditworthiness, which was often too optimistic, especially among the smaller banking entities aiming at the rapid increase of loan portfolio. As for mortgages, small coverage of such loans in Poland compared to the European average, and the substantial demand for funding housing investment on the part of baby boomers about to enter the labor market suggest a significant growth potential. The years to come will probably translate into an increase in the value of mortgage loans. The limiting factor for growth opportunities are still the high real estate prices, especially compared with average earnings – an adjustment of prices is necessary for greater development of this market, especially in the popular segment.

Next half of 2010 will see a reversal of the current downward trend in CPI inflation. While in the summer months the dynamics of inflation is likely to be close to 2.0% yoy, at the end of the year CPI is likely to meet (or even exceed) the inflation target of the Polish Monetary Policy Council (2.5%). Recent NBP inflation projection indicates however, that inflation will be flat over the next few years, which in turn suggests that the MPC would not be in a hurry to raise interest rate, especially in the context of the still fragile economic recovery, weakness of investment and low growth rate of production, which suggest rather low inflationary pressures on the demand side.

The level of the public finance deficit of c.a. 7% of GDP remains a significant potential risk factor for the stability of the economy. The persistence of high deficits leads to the accumulation of public debt, while the high level of the borrowing needs translates into "crowding out effect" on private investment.

The most important determinant for global economies will be the response to the gradual ending of emergency stimulus measures, which were launched after the beginning of the global crisis (started by the collapse of Lehman Brothers). Currently, most of these extraordinary actions have been withdrawn or are still being withdrawn, which translates into the withdrawal of part of effective demand in the economy. In a situation of weak demand and investment in private sector and the need for budgetary savings to address a problem of excessive debt, this could mean the start of weaker economic growth. Such a scenario would imply weaker growth of GDP. In addition, one should also note a large-scale dynamics of the credit slowdown in both Western Europe and the US. This factor raises concerns about the possibility of a global deflationary pressing, which could translate into much greater volatility in financial markets, while exerting a negative impact on the real economy.

Description of Major Sources of Risk and Threats relating to the remaining months of 2010

Economic Factors
Bank Pekao S.A. and its subsidiaries operate predominantly on the territory of Poland. Therefore, the Group's performance will be influenced by the economic events in Poland and international events that have an impact on Poland's economy.

Risk Management
Effective risk management is a prerequisite for maintaining a high level of security of the funds entrusted to the Bank, and for achieving a sustainable and balanced development of business.

The key risks inherent in the Group's financial instruments include credit risk, liquidity risk, and market risk (interest rate risk, currency risk). A significant element of the risk management system is also operational risk.

The Bank has adopted a comprehensive and consolidated approach to risk management. It is extended to all units of the Bank and its subsidiaries. Risks are monitored and controlled with respect to profitability and the funds necessary to cover the exposure.

The Management Board is responsible for achieving the strategic risk management goals, while the Supervisory Board oversees whether the Bank's policy of exposure to various types of risk is compliant with the overall strategy and financial plan. The Bank's Credit Committee plays an important role in the credit risk management, the Asset, Liability and Risk Committee in market and liquidity risk management, and management of the operational risk falls within the scope of responsibility of the Bank Security Committee.

The rules for managing each of the risks are defined in internal procedures and are subject to the assumptions of the credit and investment policies adopted annually by the Management Board and approved by the Supervisory Board. The rules for managing operational risk are determined by the assumptions of strategies and procedures of operational risk management. Credit, liquidity and market risks reports analyzing details of their development are provided to the Management Board, Audit Committee and Supervisory Board.

The risk management process has not changed in relation to those described in the Report on the activities of the Bank Pekao S.A. Group for the year 2009.

Risks related to the remaining months of 2010
In the second half of 2010, the Bank will continue its efforts and focus to sustain selected growth keeping credit risk at adequate and safe level through prudent policy of credit portfolio development.

Prudent and conservative standards in credit risk management stay unchanged with particular attention to potential threats coming from deterioration of macroeconomic pillars and their effects on portfolio performance with timely actions undertaken along a strict monitoring of borrowers' risk profile. The same approach and focus is applied over the performance of the Bank's subsidiaries. In particular, OJSC UniCredit Bank's performance is under continued monitoring with the reinforced credit risk monitoring procedures and the tightened credit granting processes in order to preserve an adequate loan portfolio quality.

In the case of liquidity and market risks Bank Pekao S.A. does not expect substantial threats in the second half of 2010. Taking into account the uncertainty of the market as well as possible increase of volatility of the parameters, the policy of the Bank is to keep a low level of its exposure to market risk.

The Bank is assessing the structural interest rate risk as low, which is reflected by the small re-valuation mismatch embedded in the Bank's balance sheet as well as the low utilization level of conservative limits. Taking into account interest rate forecasts for the second half of 2010 which assumes rather insignificant changes in interest rates, the impact of interest rate fluctuations on net interest income of the Bank should not be considerable.

As regards liquidity risk, it should be underlined that the Bank is a net lender on the interbank market, and is characterized by a well-diversified, stable and low concentration deposits base, manages a substantial liquidity reserve buffer of eligible and marketable securities. Both, the cautious liquidity risk management policy of the Bank and better macroeconomic perspectives enables one to expect that in the second half of 2010 it should not recognize significant threats of such risk.

The Bank has not identified significant threats from operational risk which are likely to emerge in the second half of 2010.

Statement of Financial Position and Financial Results

Structure of the consolidated Statement of Financial Position

The balance sheet of Bank Pekao S.A. determines the amount of total assets in balance sheet and the structure of the assets and liabilities of the Group. As at the end of June 2010, the total assets of Bank Pekao S.A. constitutes 97.0% of the total assets of the whole Group.

The table below presents the Group's statement of financial position.

ASSETS	30.06.2010		31.12.2009		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Cash and due from Central Bank	7,626.3	5.7%	9,620.3	7.4%	(20.7%)
Loans and advances to banks*	7,649.0	5.7%	7,231.6	5.5%	5.8%
Loans and advances to customers**	81,906.5	61.4%	79,454.8	60.8%	3.1%
Securities***	29,726.5	22.3%	27,422.1	21.0%	8.4%
Investments in associates	185.9	0.2%	239.9	0.2%	(22.5%)
Property, plant and equipment and intangible assets	2,436.2	1.8%	2,530.9	1.9%	(3.7%)
Other assets	3,897.5	2.9%	4,116.5	3.2%	(5.3%)
Total assets	**133,427.9**	**100.0%**	**130,616.1**	**100.0%**	**2.2%**

* Including net investments in financial leases to banks.

** Including debt securities eligible for rediscounting at Central Bank and net investments in financial leases to customers.

*** Including financial assets held for trading and other financial instruments at fair value through profit and loss.

LIABILITIES	30.06.2010		31.12.2009		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Amounts due to Central Bank	914.7	0.7%	1,100.2	0.8%	(16.9%)
Amounts due to other banks	6,665.4	5.0%	7,379.0	5.6%	(9.7%)
Amounts due to customers	99,509.4	74.6%	97,250.0	74.5%	2.3%
Debt securities issued	1,817.5	1.4%	2,032.2	1.6%	(10.6%)
Other liabilities	5,514.0	4.1%	4,483.6	3.4%	23.0%
Total equity, including	19,006.9	14.2%	18,371.1	14.1%	3.5%
non-controling interests	82.5	0.1%	83.1	0.1%	(0.7%)
Total equity and liabilities	**133,427.9**	**100.0%**	**130,616.1**	**100.0%**	**2.2%**

Loans and advances

Customer structure of loans and advances

(PLN million)

	30.06.2010	31.12.2009	CHANGE
Loans and advances at nominal value*	**86,657.6**	**84,022.4**	**3.1%**
Loans	81,441.2	80,055.2	1.7%
retail	30,044.0	28,669.2	4.8%
corporate	51,397.2	51,386.0	0.0%
Non quoted securities	1,581.4	1,552.1	1.9%
Reverse repo transactions	3,635.0	2,415.1	50.5%
Other	272.2	267.3	1.8%
Nominal value adjustment	(353.2)	(473.6)	(25.4%)
Impairment losses	**(4,670.1)**	**(4,361.3)**	**7.1%**
Net loans and advances	**81,906.5**	**79,454.8**	**3.1%**

* Including debt securities eligible for rediscounting at Central Bank, net investments in financial leases to customers, non quoted securities, reverse repo and buy-sell-back transactions.

As at the end of June 2010, the volume of retail loans amounted to PLN 30,044.0 million, an increase of PLN 1,374.8 million (4.8%) in comparison to the end of 2009. The volume of corporate loans and non quoted securities and reverse repo transactions increased by PLN 1,260.4 million (2.3%) as compared to the end of 2009 and amounted to PLN 56,613.6 million at the end of June 2010.

Loans and impairment losses

(PLN million)

	30.06.2010	31.12.2009	CHANGE
Gross receivables*	**86,335.3**	**83,577.9**	**3.3%**
not impaired	80,201.3	77,900.7	3.0%
impaired	6,134.0	5,677.2	8.0%
Impairment losses	(4,670.1)	(4,361.3)	7.1%
Interest	241.3	238.2	1.3%
Total net	**81,906.5**	**79,454.8**	**3.1%**

* Including debt securities eligible for rediscounting at Central Bank, net investments in financial leases to customers, non quoted securities, reverse repo and buy-sell-back transactions.

As at June 30, 2010, the ratio of impaired receivables to total receivables amounted to 7.1% as compared with 6.8% at the end of 2009.

The balance sheet value of impairment losses provisions as at the end of June 2010 amounted to PLN 4,670.1 million.

Loans and advances to customers by currency*

	30.06.2010		31.12.2009		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
denominated in PLN	63,478.3	73.3%	61,259.2	73.1%	3.6%
denominated in foreign currencies**	23,098.3	26.7%	22,556.9	26.9%	2.4%
Total	**86,576.6**	**100.0%**	**83,816.1**	**100.0%**	**3.3%**
Impairment losses	(4,670.1)	x	(4,361.3)	x	7.1%
Total net	**81,906.5**	**x**	**79,454.8**	**x**	**3.1%**

* Including interest and receivables in transit.

** Including indexed loans.

The currency structure of loans and advances to customers is dominated by amounts expressed in the Polish złoty; as at the end of June 2010, their share was 73.3%. The largest portion of foreign currency loans and advances to customers were represented by those denominated in EUR (50.7%), CHF (31.5%) and USD (15.5%).

Loans and advances to customers by contractual maturities*

	30.06.2010		31.12.2009		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current and up to 1 month	17,684.1	20.4%	14,765.9	17.6%	19.8%
1 to 3 months	1,534.7	1.8%	1,944.3	2.3%	(21.1%)
3 months to 1 year	9,605.7	11.1%	9,982.7	11.9%	(3.8%)
1 to 5 years	21,910.2	25.3%	23,280.5	27.8%	(5.9%)
Over 5 years	35,569.7	41.1%	33,575.4	40.1%	5.9%
Other	272.2	0.3%	267.3	0.3%	1.8%
Total	**86,576.6**	**100.0%**	**83,816.1**	**100.0%**	**3.3%**
Impairment losses	(4,670.1)	x	(4,361.3)	x	7.1%
Total net	**81,906.5**	**x**	**79,454.8**	**x**	**3.1%**

* Including interest and receivables in transit.

Receivables with maturity over 5 years represents 41.1% of total receivables (mainly attributed to mortgage loans and receivables for which the maturity date already passed).

External sources of financing

(PLN million)

	30.06.2010	31.12.2009	CHANGE
Amounts due to Central Bank	914.7	1,100.2	(16.9%)
Amounts due to other banks	6,665.4	7,379.0	(9.7%)
Amounts due to customers	99,509.4	97,250.0	2.3%
Debt securities issued	1,817.5	2,032.2	(10.6%)
Total external sources of financing	**108,907.0**	**107,761.4**	**1.1%**

In addition to customers deposits and funds borrowed on the interbank market, Bank Pekao S.A. also has a refinancing loan taken out from the National Bank of Poland for the financing of a credit facility granted to fund a central state investment project.

Bank Pekao S.A. acquires deposits mainly in Poland.

As at the end of June 2010, the deposits borrowed on the Ukrainian market by OJSC UniCredit Bank amounted to 0.9% of the total volume of the Group's deposits. As at the end of June 2010, the total deposits of OJSC UniCredit Bank amounted to

PLN 897.2 million, therein the total volume of deposits of retail customers amounted to PLN 261.3 million and the total volume of corporate customer deposits amounted to PLN 635.9 million.

The Group's deposit base is widely diversified, with the majority of the deposits sourced from retail and corporate customers. The Group is not dependent on any single customer nor group of customers.

Total customer savings

(PLN million)

	30.06.2010	31.12.2009	CHANGE
Amounts due to corporate	**53,898.8**	**52,339.4**	**3.0%**
non-financial entities	39,272.0	40,147.5	(2.2%)
non-banking financial entities	6,558.3	5,848.3	12.1%
budget entities	8,068.5	6,343.6	27.2%
Retail deposits	**44,115.9**	**43,854.1**	**0.6%**
Repo and sell-buy-back transactions	**920.9**	**514.2**	**79.1%**
Other	573.8	542.3	5.8%
Amounts due to customers	**99,509.4**	**97,250.0**	**2.3%**
Structured certificates of deposits (SCD)	**1,113.9**	**1,297.1**	**(14.1%)**
Total amounts due to customers (including SCD, repo and sell-buy-back transactions)*	**100,049.5**	**98,004.8**	**2.1%**
Investment funds of Pioneer Pekao TFI	**16,837.1**	**15,292.3**	**10.1%**
incl. distributed through the Group's network	15,431.6	13,888.3	11.1%

* Excluding interest and funds in transit.

As at the end of June 2010, the total amounts due to the Group's customers (including customer deposits, structured certificates of deposits, repo and sell-buy-back transactions) amounted to PLN 100,049.5 million, an increase of PLN 2,044.7 million (2.1%) in comparison to the end of 2009.

The total volume of retail customers deposits and structured certificates of deposits amounted to PLN 45,229.8 million at the end of June 2010, an increase of PLN 78.6 million (0.2%) in comparison to the end of 2009. At the same time, the value of net assets of investment funds managed by Pioneer Pekao TFI S.A. amounted to PLN 16,837.1 million, an increase of PLN 1,544.8 million (10.1%) in comparison to the end of 2009. The increase was driven by positive net sales in this period also supported by assets valuation.

The total volume of corporate customers deposits and repo and sell-buy-back transactions amounted to PLN 54,819.7 million at the end of June 2010, an increase of PLN 1,966.1 million (3.7%) as compared to the end of 2009.

Amount due to customers by currency*

	30.06.2010		31.12.2009		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
denominated in PLN	83,877.1	84.3%	81,855.6	84.2%	2.5%
denominated in foreign currencies	15,632.3	15.7%	15,394.4	15.8%	1.5%
Total	**99,509.4**	**100.0%**	**97,250.0**	**100.0%**	**2.3%**

* Including interest and amounts due in transit.

The bulk of the amounts due to customers are denominated in the Polish currency. Their share as at the end of June 2010 amounted to 84.3%. The majority of amounts due to customers denominated in foreign currencies were in EUR (55.6%) and USD (37.7%).

Amount due to customers by contractual maturities

	30.06.2010		31.12.2009		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current deposits	47,809.7	48.3%	45,053.6	46.6%	6.1%
Term deposits	51,125.9	51.7%	51,654.1	53.4%	(1.0%)
Total deposits	**98,935.6**	**100.0%**	**96,707.7**	**100.0%**	**2.3%**
Interest accrued	200.8	x	307.7	x	(34.7%)
Funds in transit	373.0	x	234.6	x	59.0%
Total	**99,509.4**	**x**	**97,250.0**	**x**	**2.3%**

Off–balance sheet items

Statement of Off-balance sheet items

(PLN million)

	30.06.2010	31.12.2009	CHANGE
Contingent liabilities granted and received	46,416.5	48,132.7	(3.6%)
Liabilities granted:	29,857.3	30,524.4	(2.2%)
financial	24,530.2	25,634.1	(4.3%)
guarantees	5,327.1	4,890.3	8.9%
Liabilities received:	16,559.2	17,608.3	(6.0%)
financial	2,664.9	3,049.5	(12.6%)
guarantees	13,894.3	14,558.8	(4.6%)
Derivative financial instruments	178,836.7	168,350.6	6.2%
currency transactions	88,957.7	76,458.9	16.3%
interest rate transactions	86,044.1	87,248.4	(1.4%)
securities transactions	3,834.9	4,643.3	(17.4%)
Other	28,161.5	26,324.7	7.0%
Total off-balance sheet items	**253,414.7**	**242,808.0**	**4.4%**

Report on the activities of the Bank Pekao S.A. Group for the first half of 2010

The consolidated Income Statement – for the presentation purposes

The Bank Pekao S.A. Group reported solid financial results for the first half of 2010, with net profit attributable to equity holders amounting to PLN 1,221.8 million, i.e. an increase of PLN 42.3 million (3.6%) in comparison to the first half of 2009.

Good results for the first half of 2010 with the operating profit increased by 6.1% in comparison with the first half of 2009 were driven by higher operating income as well as lower operating costs.

The strength of the capital and liquidity structure of the Bank Pekao S.A. Group is reflected by a capital adequacy ratio of 18.0% and loans to deposits ratio at the level of 82.3% at the end of June 2010. This enables for further sound and stable development of the Group's activities.

The consolidated income statement:

(PLN million)

	H1 2010	H1 2009	CHANGE
Net interest income*	2,078.3	2,000.5	3.9%
Dividend income and income from equity investments	47.1	31.2	51.0%
Total net interest income, dividend income and other income from equity investments	**2,125.4**	**2,031.7**	**4.6%**
Net fee and commission income	1,160.7	1,082.4	7.2%
Trading result	210.9	338.1	(37.6%)
Net other operating income and expenses	28.8	32.0	(10.0%)
Net non-interest income	**1,400.4**	**1,452.5**	**(3.6%)**
Operating income	**3,525.8**	**3,484.2**	**1.2%**
Operating costs	**(1,805.5)**	**(1,862.9)**	**(3.1%)**
Operating profit	**1,720.3**	**1,621.3**	**6.1%**
Net result on other provisions	1.2	0.9	33.3%
Net impairment losses on financial assets and off-balance sheet commitments	(276.9)	(245.1)	13.0%
Net result on investment activities	60.7	88.8	(31.6%)
Profit before tax	**1,505.3**	**1,465.9**	**2.7%**
Income tax expense	(278.8)	(281.9)	(1.1%)
Net profit for the period	**1,226.5**	**1,184.0**	**3.6%**
Attributable to equity holders of the Bank	**1,221.8**	**1,179.5**	**3.6%**
Attributable to non-controling interest	4.7	4.5	4.4%

* Including income from SWAP transactions.

Operating Income

In the first half of 2010, the Group's operating income amounted to PLN 3,525.8 million, an increase of PLN 41.6 million (1.2%) in comparison to the first half of 2009 with growth in total net interest income, dividend income and income from equity investments as well as net fee and commission income.

Total net interest income, dividend income and income from equity investments

(PLN million)

	H1 2010	H1 2009	CHANGE
Interest income	3,183.4	3,512.3	(9.4%)
Interest expense	(1,175.8)	(1,654.5)	(28.9%)
Income from SWAP transactions	70.7	142.7	(50.5%)
Net interest income	**2,078.3**	**2,000.5**	**3.9%**
Dividend income	7.7	6.0	28.3%
Income from equity investments	39.4	25.2	56.3%
Total net interest income, dividend income and income from equity investments	**2,125.4**	**2,031.7**	**4.6%**

Total net interest income, dividend income and income from equity investments in the first half of 2010 amounted to PLN 2,125.4 million and increased by PLN 93.7 million (4.6%) in comparison with the first half of 2009. The increase was driven by higher net interest margin, improving thanks to higher margin on loans supported by lower cost of deposits.

Net non-interest income

(PLN million)

	H1 2010	H1 2009	CHANGE
Fee and commission income	1,372.9	1,303.3	5.3%
Fee and commission expense	(212.2)	(220.9)	(3.9%)
Net fee and commission income	**1,160.7**	**1,082.4**	**7.2%**
Trading result*	210.9	338.1	(37.6%)
Net other operating income and expense	28.8	32.0	(10.0%)
Net non-interest income	**1,400.4**	**1,452.5**	**(3.6%)**

* Excluding income from SWAP transactions.

The Group's net non-interest income in the first half of 2010 amounted to PLN 1,400.4 million, a reduction of PLN 52.1 million (3.6%) in comparison with the first half of 2009, mainly due to lower trading result.

However, the Group's net fee and commission income in the first half of 2010 amounted to PLN 1,160.7 million, an increase of PLN 78.3 million (7.2%) in comparison with the first half of 2009, mainly as a result of an increase in commission on loans, payment cards and investment products.

Operating costs

In the first half of 2010, the operating costs were kept under control and amounted to PLN 1,805.5 million. They were lower than the operating costs in the first half of 2009 by PLN 57.4 million (3.1%).

(PLN million)

	H1 2010	H1 2009	CHANGE
Personnel expenses	(943.8)	(929.6)	1.5%
Other administrative expenses	(655.0)	(714.5)	(8.3%)
Depreciation and amortisation	(206.7)	(218.8)	(5.5%)
Operating costs	**(1,805.5)**	**(1,862.9)**	**(3.1%)**

In the first half of 2010, cost / income ratio amounted to 51.2% and was better by 2.3 p.p. than those reported in the first half of 2009 thanks to higher income and lower costs.

As at the end of June 2010, the Bank Pekao S.A. Group employed 21,120 employees (in the Bank and the companies consolidated under full consolidation method) as compared to 20,874 employees as at the end of 2009. The increase in the

Group's employment by 246 employees was a result of change of the scope of consolidation, that includes the company Centrum Bankowości Bezpośredniej Sp z o.o. (CBB). Under comparable conditions, (i.e. notwithstanding the effect of the extension of consolidation) the employment in the Group would be diminished by 158 employees due to the employment optimization policy, which is being implemented.

As at the end of June 2010, the Bank employed 18,660 people, less by 252 as compared with the end of 2009.

Net impairment losses on financial assets and off-balance sheet commitments
In the first half of 2010, net impairment losses on financial assets and off-balance sheet commitments amounted to PLN 276.9 million, an increase of PLN 31.8 million (13.0%) compared to the first half of 2009.

The structure of the Net Profit

The structure of the net profit of the Group is shown in the following table:

(PLN million)

	H1 2010	H1 2009	CHANGE
Net profit of Bank Pekao S.A.	**1,337.4**	**1,452.5**	**(7.9%)**
Entities consolidated under full method			
Centralny Dom Maklerski Pekao S.A.	30.8	25.1	22.7%
Pekao Leasing Sp. z o.o.*	21.0	16.9	24.3%
OJSC UniCredit Bank	20.0	4.9	308.2%
Pekao Leasing Holding S.A.**	15.6	.	x
Pekao Bank Hipoteczny S.A.	6.8	18.9	(64.0%)
Pekao Pioneer PTE S.A.	5.7	8.3	(31.3%)
Pekao Financial Services Sp. z o.o.	5.3	4.9	8.2%
Pekao Faktoring Sp. z o.o.	5.1	4.7	8.5%
Pekao Fundusz Kapitałowy Sp. z o.o.	2.3	1.3	76.9%
Centrum Kart S.A.	2.2	2.1	4.8%
Centrum Bankowości Bezpośredniej Sp. z o.o.***	0.4	x	x
Holding Sp. z o.o.	0.3	1.5	(80.0%)
Pekao Telecentrum Sp. z o.o.	0.2	0.2	0.0%
Finanse Ltd. ****	0.0	0.0	x
Entities valued under the equity method			
Pioneer Pekao Investment Management S.A.	33.4	24.5	36.3%
Krajowa Izba Rozliczeniowa S.A.	3.5	3.6	(2.8%)
Pirelli Pekao Real Estate Sp. z o.o.	0.6	0.7	(14.3%)
Central Poland Fund LLC	0.6	0.0	x
Xelion. Doradcy Finansowi Sp. z o.o.	0.2	(3.5)	x
Exclusions and consolidation adjustments *****	**(269.6)**	**(387.1)**	**(30.4%)**
Net profit of the Group attributable to equity holders of the Bank	**1,221.8**	**1,179.5**	**3.6%**

* The result of the subsidiary for the first half of 2009 includes results of it's subsidiaries Pekao Leasing i Finanse and Pekao Auto Finanse, which were merged with Pekao Leasing on April 30, 2009.
** The result of the first half of 2010 of Pekao Leasing Holding mainly includes the dividend received from Pekao Leasing Sp.z o.o. In the first half of 2009, the company has not presented an individual financial statement.
*** The company was not consolidated in the first half of 2009.
**** Change of name from Finanse plc to Finanse Ltd.
***** Includes, among others, transactions within the Group (including dividends from subsidiaries for the previous year) and net profit attributable to non-controling interest.

Report on the activities of the Bank Pekao S.A. Group for the first half of 2010

The results of Bank Pekao S.A.

The main items from the income statement of the Bank are as follows:

(PLN million)

	H1 2010	H1 2009	CHANGE
Net interest income*	1,901.6	1,789.6	6.3%
Dividend income	255.2	416.1	(38.7%)
Total net interest income and dividend income	2,156.8	2,205.7	(2.2%)
Net non-interest income	1,244.1	1,297.7	(4.1%)
Operating income	**3,400.9**	**3,503.4**	**(2.9%)**
Operating costs	**(1,649.3)**	**(1,697.7)**	**(2.9%)**
Operating profit	**1,751.6**	**1,805.7**	**(3.0%)**
Net result on other provisions	0.3	0.1	200.0%
Net impairment losses on financial assets and off-balance sheet commitments	(230.4)	(169.2)	36.2%
Net result on investment activities	68.4	64.8	5.6%
Profit before tax	**1,589.9**	**1,701.4**	**(6.6%)**
Net profit for the period	**1,337.4**	**1,452.5**	**(7.9%)**

* Including income from SWAP transactions.

In the first half of 2010, the Bank's net profit amounted to PLN 1,337.4 million, a reduction of PLN 115.1 million (7.9%) in comparison to the first half of 2009, mainly due to lower dividend income by PLN 160,9 million (38.7%). Dividend income recorded in the first half of 2009 was driven by the profit of CDM generated in 2008, which was influenced by the gain on the sale of part of enterprise of CDM conducting corporate brokerage and investment banking services.

The main items of the Bank's statement of financial position are as follows:

	30.06.2010	31.12.2009	CHANGE
Total gross loans in PLN million*	74,582.8	73,241.7	1.8%
Impaired receivables to total receivables in %	6.5%	6.2%	0.3 p.p.
Total deposits in PLN million*	96,920.9	95,637.8	1.3%
Structured Certificates of Deposits in PLN million	1,113.9	1,297.1	(14.1%)
Repo and sell-buy-back transactions in PLN million	921.0	514.2	79.1%
Total assets in PLN million	129,364.0	126,918.0	1.9%
Investment funds distributed through the Bank's network in PLN million	14,021.2	12,519.8	12.0%
Capital adequacy ratio in %	17.6%	15.6%	2.0 p.p.

* The nominal value.

The volume of gross loans of the Bank's clients as at the end of June 2010 amounted to PLN 74,582.8 million, increasing by PLN 1,341.1 million (1.8%) as compared to the end of 2009. At the end of June 2010 the total volume of retail loans amounted to PLN 28,563.7 million and volume of corporate loans amounted to PLN 46,019.1 million.

The total amounts due to the Bank's customers (including customer deposits, structured certificates of deposits, repo and sell-buy-back transactions) amounted to PLN 98,955.8 million and increased by PLN 1,506.7 million (1.5%) compared to the end of 2009.

Concurrently, as compared to the end of 2009, the value of net assets of investment funds managed by Pioneer Pekao TFI S.A. and distributed by the Bank's network increased by PLN 1,501.4 million (12.0%).

Results of the Bank's important related entities

Pioneer Pekao Investment Management S.A. – PPIM

In the first half of 2010, the company's consolidated net profit amounted to PLN 68.2 million, as compared to PLN 50.0 million generated in the corresponding period of 2009. The Bank's share in the company's profit was **PLN 33.4 million**. The increase in PPIM's profit was driven by positive net sales also supported by assets valuation achieved in improving market conditions.

Centralny Dom Maklerski Pekao S.A. – CDM

In the first half of 2010, CDM generated net profit of **PLN 30.8 million**, compared to PLN 25.1 million earned in the corresponding period of 2009. The higher results in the first half of 2010 is related to the increased income on core business activity of the company.

Pekao Leasing Sp. z o.o. – Pekao Leasing

In the first half of 2010, the company earned net profit of **PLN 21.0 million**, compared with PLN 16.4 million in the first half of 2009. The result of the first half of 2009 comprises also the results of Pekao Leasing i Finanse and Pekao Auto Finanse which were integrated with Pekao Leasing on April 30, 2009.

OJSC UniCredit Bank – UniCredit Bank

In the first half of 2010, the company reported net profit of **PLN 20.0 million**, as compared to PLN 4.9 million in the corresponding period of 2009. Such material rise in the result was achieved due to stabilization of quality of the loan portfolio and the strict cost control.

Pekao Bank Hipoteczny S.A. – Pekao Bank Hipoteczny

In the first half of 2010, the company generated net profit of **PLN 6.8 million**, as compared to PLN 18.9 million recorded in the corresponding period of 2009. The net profit for the first half of 2009 reflects a positive influence of restructuring and debt collection activities carried out by the company (in the amount of app. PLN 11 million).

Xelion. Doradcy Finansowi Sp. z o.o. – Xelion

In the first half of 2010, the company reported net profit of PLN 0.4 million (the Bank's share equaled to **PLN 0.2 million**), as compared to the net loss of PLN -7.1 million in 2009. The positive result is due to better market conditions on the Xelion market with a focus on the optimal development of the financial advisers network, development of a product offer and strict cost control with assurance of the best quality standards of services provided.

Provisions, deferred tax assets and liabilities

(PLN million)

	GROUP		BANK PEKAO S.A.	
	30.06.2010	31.12.2009	30.06.2010	31.12.2009
Total provisions	**235.8**	**255.0**	**267.6**	**281.4**
of which:				
provisions for off-balance sheet commitments	96.5	103.3	132.6	135.2
provisions for liabilities to employees	122.5	133.1	120.6	130.9
other provisions	16.8	18.6	14.4	15.3
Deferred tax liabilities	**9.3**	**2.5**	**0.0**	**0.0**
Deferred tax assets	**653.9**	**462.1**	**506.7**	**338.0**

Impairment losses

(PLN million)

	GROUP		BANK PEKAO S.A.	
	H1 2010	H1 2009	H1 2010	H1 2009
for loans and other financial assets	(285.3)	(259.0)	(239.0)	(182.5)
for off-balance sheet commitments	8.4	13.9	8.6	13.3
Total	**(276.9)**	**(245,1)**	**(230.4)**	**(169.2)**

Subsequent Events

There have been no significant subsequent events.

Human Resources Management

Principles of the Bank's personnel policy
One of the main principles of the Bank's personnel policy, in line with Human Resources Division mission, is to take care of professional development of employees and to support the continuous enhancement of their competence, being aware, that the quality of their work, motivation and competence form a crucial factor for the Bank achieving success in attaining its commercial goals.

Notwithstanding the priorities listed above, an element of implemented policy which is of crucial significance is the promotion of corporate culture values of UniCredit Group, as described in details in the Integrity Charter.

Employment in Numbers
As at the end of June 2010, the Bank Pekao S.A. Group employed 21,120 employees (in the Bank and the companies consolidated under full consolidation method) as compared to 20,874 employees as at the end of 2009. The increase in the Group's employment by 246 employees was a result of change of the scope of consolidation, that includes the company Centrum Bankowości Bezpośredniej Sp z o.o. (CBB). Under comparable conditions, (i.e. notwithstanding the effect of the extension of consolidation) the employment in the Group would be diminished by 158 employees due to the employment optimization policy, which is being implemented.

As at the end of June 2010, the Bank employed 18,660 people, less by 252 as compared to the end of 2009.

Incentive Systems
The main incentive tool applied at the Bank is a system based on the Management by Objectives (MBO). Introduced in 2000, the system covers employees in the front-office sales and in position which play a vital role in attaining the Bank's defined commercial goals. The employees covered by the MBO system are tasked with individual projects, the successful completion of which makes them eligible to receive a specific amount of annual bonus.

Centralisation of HR administration
Since May 2010, the HR Shared Service Center (HR SSC) has been providing services to all Bank employees. To ensure high service levels and internal customer satisfaction new channels of contact with HR SSC were made available for the employees and a tool was implemented for notification of employees registration. Also a new supplier of medical care for employees of the Bank and members of their families was chosen.

Training and occupational development
The strategy of the Bank is based on providing the Bank's employees with opportunities to improve their qualifications in order to perfect their knowledge and abilities and to serve customers of the Bank better with their competence.

The activities in the field of training and occupational development concerned four main areas which are essential for the accomplishment of tasks of the Bank, as a partner who cares about financial future of its customers and generates constant value for all shareholders and employees:

– customer's satisfaction - possible to be achieved by systematic forming of staff with high formal qualifications. Training activities included broadly defined employees' education in the field of knowledge for special purposes from various bank activity areas, current finance trends, bank products, tools and skills improving standards of customer service, development of competences which enable effective accomplishment of tasks regarding the role in the organization, ensuring certification of knowledge for best employees. Over 28 thousand participants took part in these training activities.

– customers' financial security - the aim of the trainings was to improve professional qualifications of employees in the field of risk connected with the Bank's activity. Markets in Financial Instruments Directive training (MiFID), Advanced Internal Rating-Based training (AIRB) and legal security of receivables training were the main initiatives of the Bank in the first half of 2010. Over 9.1 thousand participants took part in the trainings.

– employees' language skills development - the Bank invests in English skills development of the employees by organizing individual and group classes, on-line courses and by partial refund of private courses for employees who use English in their current work. About 500 people took part in language courses in the first half of 2010.

– managers' training - the main aim of internal trainings program is to perfect managerial skills and competence which support implementation of business strategy of the Bank. About 300 participants took part in the trainings.

Employees' education and development are conducted in various forms: group classes with internal and external coaches, e-learning, individual abroad and home trainings.

In the first half of 2010, more than 38 thousand participants in total took part in all types of training sessions, including 11,5 thousand participants in class sessions and over 26,5 thousand participants in e-learning education sessions. The number of employees who took part in the training sessions is almost 12 thousand people representing more than 64% of all employees of the Bank.

UniCredit Group development programs
In cooperation with UniCredit, the Bank ran four international programs intended for the employees of all banks of the UniCredit Group:

– UniFuture – for key senior executives,

– Executive Development Program dedicated for executives and senior managers,

– Talents Management Program aimed at identifying persons with the highest potential and assisting them in their professional advancement through various forms of education,

– UniQuest program aimed at identifying high-potential young professionals and assisting them in their development.

Moreover, the following projects, aimed at developing the key employees, are being implemented:

– Coaching – for the managers with the highest potential; supports the professional and personal development; its goal is to improve the effectiveness of the tasks performed,

– Mentoring – for those with the highest potential; supports the key employees in achieving professional successes,

– The Feedback 360 – for managers; supports the reinforcement of cooperation standards consistent with the Group values and UniCredit Group key competences model through increasing the managers' awareness of the attitudes and behaviors creating their management style.

Other Information

Management Board position regarding the possibility of achieving previously published Forecasts

On August 1, 2008 Management Board of Bank Pekao S.A. published in the current report no 69/2008 the forecast of Bank Pekao S.A.'s financial results in years 2008-2010.

Given the high volatility of the macroeconomic scenario, influenced by the global financial crisis, the Management Board of Bank Pekao S.A. has decided to refrain from the forecast's evaluation of the Bank's results for years 2008-2010.

The Issuer's shares held by the Management and Supervisory Board Members

According to information available to the Bank as at the date of submitting of this report, the members of the Bank's management and supervisory bodies held 40,857 shares of Bank Pekao S.A.

The table below presents the number of shares held by the Management Board Members:

	AS AT THE DATE OF SUBMITTING THE REPORT		CHANGE
	FOR THE FIRST HALF OF 2010	FOR THE FIRST QUARTER OF 2010	
Diego Biondo	9,500	9,500	0
Luigi Lovaglio	31,357	31,357	0
Total	**40,857**	**40,857**	**0**

The Bank Pekao S.A. Group is running an incentive program in the form of management stock options. The Program covers the Management Board of the Bank, other managerial staff, key employees for implementing the Bank's strategy, as well as employees of the Bank's subsidiaries. The persons who meet the requirements set in the program will be able to acquire the Bank's shares.

As at the date of submitting this report the incentive program for 2004 includes 19 persons for a total 86,498 shares, 32,678 of which will be eligible for purchase by the management.

The Members of the Supervisory Board did not participate in the management stock options program.

The table below presents the number of management stock options held by the Management Board Members:

	AS AT THE DATE OF SUBMITTING THE REPORT		CHANGE
	FOR THE FIRST HALF OF 2010	FOR THE FIRST QUARTER OF 2010	
Luigi Lovaglio	32,678	32,678	0
Total	**32,678**	**32,678**	**0**

Related Party Transactions

In the first half of 2010, the Bank and its subsidiaries have not concluded any significant transactions (single or aggregate) with related entities other than those executed on arm’s length.

In the first half of 2010, the Bank and its subsidiaries did not provide any sureties or guarantees in respect of loans or advances to an entity or a subsidiary of such entity, as a result of which the total value of existing sureties and guarantees would have equalled or exceeded 10% of the Bank's equity.

Accounting Principles adopted in the Preparation of the Report

Accounting principles adopted in the preparation of the report are described in the Notes to the Condensed Consolidated Interim Financial Statements of the Bank Pekao S.A. Group for the period from January 1, 2010 to June 30, 2010.

Seasonality or cyclical Nature of the Bank’s activity

The demand for the financial services offered by the Bank is stable with no material impact of seasonal changes. Due to the nature of the Bank’s activity, it is not subject to seasonal or cyclical changes.

Issuance, redemption and repayment of debt securities

Issuance of bonds of Bank Pekao S.A.
Under Resolution No. 6 of the Bank’s Extraordinary General Meeting dated July 25, 2003 on the issue of registered bonds under an incentive program, the Bank issued registered A and B series bonds with pre-emptive rights to take up the Bank’s F series shares as well as registered C and D series bonds with pre-emptive rights to take up the Bank’s G series shares.

All the pre-emptive rights to take up F series shares pursuant to the implementation of the right of priority ensuing from the A and B series bonds and all the pre-emptive rights to take up G series shares pursuant to the implementation of the right of priority ensuing from the C series bonds were exercised.

The pre-emptive rights to take up G series shares can be exercised in respect of D series bonds from January 1, 2009 to December 31, 2012.

The issue price of G series shares amounts to PLN 123.06.

Structured Certificates of Deposits
Structured Certificates of Deposits are investment products for the Bank’s clients that form an alternative to traditional banks’ deposits. The total value of the Bank’s liabilities relating to these products amounted to PLN 1,113.9 million (principal value) as at the end of June 2010. There are 25 issues of Structured Certificates of Deposits open in PLN, EUR and USD with the maximum maturity date set at May 7, 2013. Those liabilities that mature in 2010, 2011, 2012 and 2013 account for 32.1%, 35.2%, 28.9% and 3.8% of its total value, respectively.

Pekao Leasing Sp. z o.o. bonds
The total value of the company's liabilities under these bonds amounted to PLN 31.0 million as at June 30, 2010 with the maturity date up to 1 month.

Pekao Bank Hipoteczny S.A. mortgage bonds
The total value of liabilities due to mortgage bonds amounted to PLN 906.7 million as at June 30, 2010. The liabilities under mortgage bonds with maturity date up to 1 year account for 89.0% and with maturity date from 1 up to 3 years account for 11.0% of the total nominal value.

Pending litigations

In the first half of 2010 the number of the legal proceedings pending before courts, arbitration bodies or public administration authorities in respect of the Group's liabilities was 505 with the total value amounting to PLN 324.6 million. The number of legal proceedings in respect of receivables was 11,814 with the total value of PLN 1,033.5 million. The value of legal proceedings relating to the liabilities and/or receivables of the Group in the first half of 2010 does not exceed 10% of the Bank's equity.

In the opinion of the Bank none of the pending proceedings before any courts, arbitration bodies or public administration authorities during the first half of 2010,nor all the proceedings in aggregatepose any threat to the Bank's financial liquidity.

(PLN thousand)

Reconciliation of Income Statement – short and long form

Consolidated Income Statement for the first half of 2010

INCOME STATEMENT- SHORT FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFFIED TO SHORT FORM	H1 2010	COMMENTS
I. Total net interest income, dividend income and income from equity investments		2,054,784	
	Net interest income	2,007,642	
	Dividend income	7,708	
	Gains (losses) from associates	39,434	1/
II.Net fee and commission income	Net fee and commission income	1,160,671	
III. Trading result		281,536	
	Result on financial assets and liabilities held for trading	276,797	
	Result on fair value hedge accounting	(6,844)	
	Net result on other financial instruments at fair value through profit and loss	11,809	
	Gains (losses) on disposal of financial liabilities	(226)	
IV.Net other operating income and expenses		28,847	
	Net other operating income and expenses	30,982	
	less - Refunding of administrative expenses	(3,522)	2/
	Gains (losses) on disposal of loans and other financial receivables	1,387	
OPERATING INCOME		**3,525,838**	
V. Personal expenses	Personal expenses	(943,797	
VI. Other administrative expenses	Other administrative expenses	(658,583	
VII. Refunding of administrative expenses		3,522	2/
VIII. Depreciation and amortization	Depreciation and amortization	(206,728)	
OPERATING COSTS		**(1,805,586)**	
OPERATING PROFIT		**1,720,252**	
IX. Net result on other provisions	Net result on other provisions	1,157	
X.Net impairment losses on financial assets and off-balance sheet commitments		(276,903)	
	Net impairment losses on loans and advances	(285,312)	
	Net impairment provision for off-balance sheet commitments	8,409	
XI.Net result on investment activity		60,744	
	Gains (losses) on disposal of property, plant and equipment, and intangible assets.	35	
	Gains (losses) on disposal of available for sale financial assets and held to maturity investments	60,709	
PROFIT BEFORE INCOME TAX		**1,505,250**	
XII. Income tax expenses	Income tax expenses	(278,701)	
XIII.NET PROFIT FOR THE PERIOD	**NET PROFIT FOR THE PERIOD**	**1,226,549**	
1. Attributable to equity holders of the Bank	1. Attributable to equity holders of the Bank	1,221,827	
2. Attributable to non-controling interest	2. Attributable to non-controling interest	4,722	

1/ In the long form the item "Profit (loss) of associates valued at equity" included in the item "Profit (loss) from subordinated entities".
2/ In the long form the item " Refunding of administrative expenses" included in the item "Net other operating income/expenses", in short form is recognized as a separate line.

(PLN thousand)

Unconsolidated Income Statement for the first half of 2010

INCOME STATEMENT- SHORT FORM'ITEMS	LONG FORM'S ITEMS RECLASSIFFIED TO SHORT FORM	H1 2010	COMMENTS
I. Total net interest income and dividend income		2,086,158	
	Net interest income	1,830,920	
	Dividend income	255,238	
II.Net fee and commission income	Net fee and commission income	1,039,964	
III. Trading result		256,775	
	Result on financial assets and liabilities held for trading	252,036	
	Result on fair value adjustments in hedge accounting	(6,844)	
	Net result on other financial instruments at fair value through profit and loss	11,809	
	Gains (losses) on disposal of financial liabilities	(226)	
IV. Net other operating income and expenses		18,001	
	Net other operating income and expenses	22,634	
	less - Refunding of administrative expenses	(4,633)	1/
OPERATING INCOME		**3,400,898**	
V. Personal expenses	Personal expenses	(834,974)	
VI. Other administrative expenses	Other administrative expenses	(629,226	
VII. Refunding of administrative expenses		4,633	1/
VIII. Amortization and depreciation	Depreciation and amortization	(189,696)	
OPERATING COSTS		**(1,649,263)**	
OPERATING PROFIT		**1,751,635**	
IX. Net result on other provisions	Net result on other provisions	280	
X. .Net impairment losses on financial assets and off-balance sheet commitments		(230,396)	
	Net impairment losses on loans and advances	(239,049)	
	Net impairment losses on off-balance sheet commitments	8,653	
XI.Net income on investments		68,342	
	Gains (losses) on disposal of property, plant and equipment, and intangible assets.	7	
	Gains (losses) from subordinated entities	7,629	
	Gains and losses on disposal of available for sale financial assets and held to maturity investments	60,706	
PROFIT BEFORE INCOME TAX		**1,589,861**	
XII. Income tax expense	Income tax expense	(252,492)	
XIII. NET PROFIT FOR THE PERIOD	**NET PROFIT FOR THE PERIOD**	**1,337,369**	

1/ In the long form the item " Refunding of administrative expenses" included in the item "Net other operating income/expenses", in short form is recognized as a separate line.

Report on the activities of the Bank Pekao S.A. Group for the first half of 2010

Representations of the Bank's Management Board on reliability of the presented financial statements

The Management Board of Bank Pekao S.A. declares to the best of its knowledge that:

– the Condensed Unconsolidated Interim Financial Statements of Bank Pekao S.A. for the period from January 1, 2010 to June 30, 2010 and Condensed Consolidated Interim Financial Statements of the Bank Pekao S.A. Group for the period from January 1, 2010 to June 30, 2010 and comparative figures have been prepared in accordance with applicable accounting policies and that they reflect in a true, fair and clear manner the Bank's and the Group's financial position and their results.

– the report on the activities of the Bank Pekao S.A. Group for the first half of 2010 provides a true picture of the Bank Pekao S.A. Group's development, achievements and situation, including the main threats and risks.

The Management Board of Bank Pekao S.A. declares that the registered audit company performing the review of the Condensed Unconsolidated Interim Financial Statements of Bank Pekao S.A. for the period from January 1,2010 to June 30, 2010 and Condensed Consolidated Interim Financial Statements of the Bank Pekao S.A. Group from January 1, 2010 to June 30, 2010 has been selected in pursuance of applicable provisions of law. The company and the registered auditors performing the review meet the requirements indispensable for issuing an objective and independent report on the review concerning condensed interim unconsolidated financial statements and condensed interim consolidated financial statements, in accordance with applicable provisions of law and professional standards.

Signatures of all Members of the Bank's Management Board

Date	First Name / Family Name	Position / Function	Signature
02.08.2010	**Alicja Kornasiewicz**	**Member of the Management Board Acting President of the Management Board**	
Date	First Name / Family Name	Position / Function	Signature
02.08.2010	**Luigi Lovaglio**	**First Vice President of the Management Board General Manager**	
Date	First Name / Family Name	Position / Function	Signature
02.08.2010	**Diego Biondo**	**Vice President of the Management Board**	
Date	First Name / Family Name	Position / Function	Signature
02.08.2010	**Marco Iannaccone**	**Vice President of the Management Board**	
Date	First Name / Family Name	Position / Function	Signature
02.08.2010	**Andrzej Kopyrski**	**Vice President of the Management Board**	
Date	First Name / Family Name	Position / Function	Signature
02.08.2010	**Grzegorz Piwowar**	**Vice President of the Management Board**	
Date	First Name / Family Name	Position / Function	Signature
02.08.2010	**Marian Ważyński**	**Vice President of the Management Board**	