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Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the period from 1 January 2011 to 30 June 2011

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Consolidated income statement

(In PLN thousand)

	NOTE	I HALF 2011 PERIOD FROM 01.01.2011 TO 30.06.2011			I HALF 2010 PERIOD FROM 01.01.2010 TO 30.06.2010		
		CONTINUED OPERATIONS	DISCONTINUED OPERATIONS	TOTAL	CONTINUED OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
Interest income	8	3 347 667	106 614	3 454 281	3 035 922	147 554	3 183 476
Interest expense	8	(1 221 214)	(46 470)	(1 267 684)	(1 110 823)	(65 011)	(1 175 834)
Net interest income		2 126 453	60 144	2 186 597	1 925 099	82 543	2 007 642
Fee and commission income	9	1 458 361	17 885	1 476 246	1 355 963	16 915	1 372 878
Fee and commission expense	9	(226 614)	(7 656)	(234 270)	(203 613)	(8 594)	(212 207)
Net fee and commission income		1 231 747	10 229	1 241 976	1 152 350	8 321	1 160 671
Dividend income	10	10 311	-	10 311	7 708	-	7 708
Result on financial assets and liabilities held for trading	11	266 013	12 295	278 308	268 125	8 672	276 797
Result on fair value hedge accounting	26	(7 589)	-	(7 589)	(6 844)	-	(6 844)
Net result on other financial instruments at fair value through profit and loss		(139)	-	(139)	11 809	-	11 809
Gains (losses) on disposal of:	12	4 844	(48)	4 796	60 480	1 390	61 870
loans and other financial receivables		(153)	-	(153)	-	1 387	1 387
available for sale financial assets and held to maturity investments		5 740	(48)	5 692	60 706	3	60 709
financial liabilities		(743)	-	(743)	(226)	-	(226)
Operating income		3 631 640	82 620	3 714 260	3 418 727	100 926	3 519 653
Net impairment losses on financial assets and off-balance sheet commitments:	15	(258 738)	(10 232)	(268 970)	(249 702)	(27 201)	(276 903)
loans and other financial receivables		(282 485)	(10 232)	(292 717)	(258 111)	(27 201)	(285 312)
available for sale financial assets and held to maturity investments		-	-	-	-	-	-
off-balance sheet commitments		23 747	-	23 747	8 409	-	8 409
Net result on financial activity		3 372 902	72 388	3 445 290	3 169 025	73 725	3 242 750
Administrative expenses	13	(1 603 743)	(36 909)	(1 640 652)	(1 563 032)	(39 348)	(1 602 380)
personnel expenses		(972 666)	(18 114)	(990 780)	(924 088)	(19 709)	(943 797)
other administrative expenses		(631 077)	(18 795)	(649 872)	(638 944)	(19 639)	(658 583)
Depreciation and amortization		(183 878)	(4 453)	(188 331)	(200 025)	(6 703)	(206 728)
Net result on other provisions		(896)	-	(896)	1 157	-	1 157
Net other operating income and expenses	14	28 539	(732)	27 807	30 961	21	30 982
Operating costs		(1 759 978)	(42 094)	(1 802 072)	(1 730 939)	(46 030)	(1 776 969)
Gains (losses) from subordinated entities	16	39 162	-	39 162	39 434	-	39 434
Gains (losses) on disposal of property, plant and equipment, and intangible assets		792	-	792	35	-	35
Profit before income tax		1 652 878	30 294	1 683 172	1 477 555	27 695	1 505 250
Income tax expense	17	(310 986)	(4 560)	(315 546)	(271 011)	(7 690)	(278 701)
Net profit for the period		1 341 892	25 734	1 367 626	1 206 544	20 005	1 226 549
1. Attributable to equity holders of the Bank		1 336 870	25 734	1 362 604	1 201 822	20 005	1 221 827
2. Attributable to non-controlling interest		5 022	-	5 022	4 722	-	4 722
Earnings per share (in PLN per share)	18						
basic for the period		5.09	0.10	5.19	4.58	0.08	4.66
diluted for the period		5.09	0.10	5.19	4.58	0.08	4.66

For presentation of consolidated income statement information (short version) consistent with the quarterly format please refer to Report on Activities of Bank Pekao S.A. Capital Group for the first half of 2011.

Consolidated income statement

(In PLN thousand)

	NOTE	II QUARTER 2011 PERIOD FROM 01.04.2011 TO 30.06.2011			II QUARTER 2010 PERIOD FROM 01.04.2010 TO 30.06.2010		
		CONTINUED OPERATIONS	DISCONTINUED OPERATIONS	TOTAL	CONTINUED OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
Interest income	8	1 735 909	49 287	1 785 196	1 533 892	72 712	1 606 604
Interest expense	8	(637 615)	(22 156)	(659 771)	(569 694)	(34 388)	(604 082)
Net interest income		1 098 294	27 131	1 125 425	964 198	38 324	1 002 522
Fee and commission income	9	761 691	9 112	770 803	683 200	8 437	691 637
Fee and commission expense	9	(122 110)	(4 125)	(126 235)	(98 624)	(4 570)	(103 194)
Net fee and commission income		639 581	4 987	644 568	584 576	3 867	588 443
Dividend income	10	10 311	-	10 311	7 708	-	7 708
Result on financial assets and liabilities held for trading	11	124 200	4 954	129 154	148 541	5 935	154 476
Result on fair value hedge accounting	26	(3 345)	-	(3 345)	(8 795)	-	(8 795)
Net result on other financial instruments at fair value through profit and loss		(153)	-	(153)	(351)	-	(351)
Gains (losses) on disposal of:	12	3 385	16	3 401	25 345	792	26 137
loans and other financial receivables		(153)	-	(153)	-	791	791
available for sale financial assets and held to maturity investments		3 863	16	3 879	25 552	1	25 553
financial liabilities		(325)	-	(325)	(207)	-	(207)
Operating income		1 872 273	37 088	1 909 361	1 721 222	48 918	1 770 140
Net impairment losses on financial assets and off-balance sheet commitments:	15	(131 553)	(3 235)	(134 788)	(121 979)	(14 033)	(136 012)
loans and other financial receivables		(122 887)	(3 235)	(126 122)	(127 968)	(14 033)	(142 001)
available for sale financial assets and held to maturity investments		-	-	-	-	-	-
off-balance sheet commitments		(8 666)	-	(8 666)	5 989	-	5 989
Net result on financial activity		1 740 720	33 853	1 774 573	1 599 243	34 885	1 634 128
Administrative expenses	13	(817 536)	(17 857)	(835 393)	(784 007)	(20 601)	(804 608)
personnel expenses		(492 528)	(8 695)	(501 223)	(465 744)	(10 266)	(476 010)
other administrative expenses		(325 008)	(9 162)	(334 170)	(318 263)	(10 335)	(328 598)
Depreciation and amortization		(90 582)	(2 054)	(92 636)	(95 058)	(3 508)	(98 566)
Net result on other provisions		532	-	532	320	-	320
Net other operating income and expenses	14	16 709	(265)	16 444	13 806	(268)	13 538
Operating costs		(890 877)	(20 176)	(911 053)	(864 939)	(24 377)	(889 316)
Gains (losses) from subordinated entities	16	18 491	-	18 491	18 649	-	18 649
Gains (losses) on disposal of property, plant and equipment, and intangible assets		377	-	377	135	-	135
Profit before income tax		868 711	13 677	882 388	753 088	10 508	763 596
Income tax expense	17	(163 913)	(1 739)	(165 652)	(139 152)	(2 845)	(141 997)
Net profit for the period		704 798	11 938	716 736	613 936	7 663	621 599
1. Attributable to equity holders of the Bank		702 359	11 938	714 297	611 452	7 663	619 115
2. Attributable to non-controlling interest		2 439	-	2 439	2 484	-	2 484
Earnings per share (in PLN per share)	18						
basic for the period		2.67	0.05	2.72	2.33	0.03	2.36
diluted for the period		2.67	0.05	2.72	2.33	0.03	2.36

For presentation of consolidated income statement information (short version) consistent with the quarterly format please refer to Report on Activities of Bank Pekao S.A. Capital Group for the first half of 2011.

Consolidated statement of comprehensive income

(In PLN thousand)

	NOTE	II QUARTER 2011 Period from 01.04.2011 to 30.06.2011	I HALF 2011 Period from 01.01.2011 to 30.06.2011	II QUARTER 2010 Period from 01.04.2010 to 30.06.2010	I HALF 2010 Period from 01.01.2010 to 30.06.2010
Net profit		716 736	1 367 626	621 599	1 226 549
1. Attributable to equity holders of the Bank		714 297	1 362 604	619 115	1 221 827
2. Attributable to non-controlling interest		2 439	5 022	2 484	4 722
Other comprehensive income					
Foreign currency translation differences		(16 131)	(27 421)	51 915	56 660
Change in fair value of available-for-sale financial assets		196 477	103 007	(168 900)	27 066
Change in fair value of cash flow hedges		18 395	(27 772)	47 808	101 137
Income tax expenses on other comprehensive income	17	(38 577)	(9 060)	23 233	(24 052)
Other comprehensive income (net)		160 164	38 754	(45 944)	160 811
Total comprehensive income		876 900	1 406 380	575 655	1 387 360
1. Attributable to equity holders of the Bank		874 461	1 401 358	573 171	1 382 638
2. Attributable to non-controlling interest		2 439	5 022	2 484	4 722

Consolidated statement of financial position

(In PLN thousand)

	NOTE	30.06.2011	31.12.2010
ASSETS			
Cash and due from Central Bank		4 892 987	5 969 104
Debt securities eligible for rediscounting at Central Bank		287	224
Loans and advances to banks	20	4 924 776	6 258 811
Financial assets held for trading	21	819 809	965 641
Derivative financial instruments (held for trading)	22	1 500 380	1 557 033
Other financial instruments at fair value through profit and loss	23	15 457	16 735
Loans and advances to customers	24	81 795 543	77 803 730
Receivables from financial leases	25	2 847 911	3 038 975
Hedging instruments	26	201 424	258 688
Investments securities	27	26 689 877	30 398 445
1.Available for sale		22 175 100	25 856 387
2.Held to maturity		4 514 777	4 542 058
Assets held for sale	28	2 865 130	3 246 985
Investments in subsidiaries		186 634	214 616
Intangible assets	29	650 885	697 235
Property, plant and equipment	30	1 753 622	1 821 723
Investment properties		62 172	64 493
Income tax assets		736 553	723 230
1.Current tax receivable		636	1 249
2.Deferred tax assets		735 917	721 981
Other assets		1 209 887	1 054 218
TOTAL ASSETS		131 153 334	134 089 886
LIABILITIES			
Liabilities			
Amounts due to Central Bank		542 243	727 979
Amounts due to other banks	32	6 210 294	6 913 123
Financial liabilities held for trading		456 050	114 228
Derivative financial instruments (held for trading)	22	1 335 095	1 592 445
Amounts due to customers	33	97 313 524	99 807 236
Hedging instruments	26	1 038 858	710 566
Fair value hedge adjustments of hedged items due to interest rate risk	26	(44 161)	(40 127)
Debt securities issued	34	1 218 801	1 177 158
Liabilities associated with assets held for sale	28	980 444	1 009 074
Income tax liabilities		73 809	26 806
1.Current income tax payable		72 076	26 070
2.Deferred tax liabilities		1 733	736
Provisions	35	287 731	305 923
Other liabilities		1 863 679	1 488 486
TOTAL LIABILITIES		111 276 367	113 832 897
Equity			
Equity attributable to equity holders of the Bank		19 796 138	20 174 112
Share capital		262 367	262 364
Other capital and reserves		18 096 941	17 342 617
Retained earnings and profit for the period		1 436 830	2 569 131
Non-controlling interest		80 829	82 877
TOTAL EQUITY		19 876 967	20 256 989
TOTAL EQUITY AND LIABILITIES		131 153 334	134 089 886

Consolidated statement of changes in equity

(In PLN thousand)

For the period from 1 January 2011 to 30 June 2011

EQUITY ATTRIBUTABLE TO BANK STOCKHOLDERS												
	SHARE CAPITAL	TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER CAPITAL AND RESERVES				RETAINED EARNINGS AND CURRENT YEAR PROFIT	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON-CONTROLLING INTEREST	TOTAL EQUITY
					OTHER RESERVE CAPITAL	REVALUATION RESERVES FROM FINANCIAL INSTRUMENTS	FOREIGN CURRENCY TRANSLATION DIFFERENCES	OTHER				
Equity as at 1 January 2011	262 364	17 342 617	9 124 344	1 437 850	6 525 419	22 099	(136 072)	368 977	2 569 131	20 174 112	82 877	20 256 989
Management options	3	5 305	367	-	-	-	-	4 938	-	5 308	40	5 348
Options exercised (share issue)	3	367	367	-	-	-	-	-	-	370	-	370
Revaluation of management share options	-	4 938	-	-	-	-	-	4 938	-	4 938	40	4 978
Valuation of financial instrument	-	60 977	-	-	-	60 977	-	-	-	60 977	-	60 977
Revaluation of available-for-sale investments net of tax	-	83 472	-	-	-	83 472	-	-	-	83 472	-	83 472
Revaluation of hedging financial instruments net of tax	-	(22 495)	-	-	-	(22 495)	-	-	-	(22 495)	-	(22 495)
Appropriation of retained earnings and current year profit	-	703 381	-	100 000	599 988	-	-	3 393	(1 125 417)	(422 036)	(2 088)	(424 124)
Dividend paid	-	-	-	-	-	-	-	-	(1 784 640)	(1 784 640)	(7 110)	(1 791 750)
Profit appropriation	-	703 381	-	100 000	599 988	-	-	3 393	(703 381)	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	1 362 604	1 362 604	5 022	1 367 626
Other	-	(15 339)	-	-	-	-	(15 339)	-	(6 884)	(22 223)	-	(22 223)
Foreign currency translation differences	-	(15 339)	-	-	-	-	(15 339)	-	(6 884)	(22 223)	-	(22 223)
Equity as at 30 June 2011	262 367	18 096 941	9 124 711	1 537 850	7 125 407	83 076	(151 411)	377 308	1 436 830	19 796 138	80 829	19 876 967

Consolidated statement of changes in equity ^(cont)

(In PLN thousand)

For the period from 1 January 2010 to 30 June 2010

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

Consolidated cash flow statement

(In PLN thousand)

	I HALF 2011 Period from 01.01.2011 to 30.06.2011	I HALF 2010 Period from 01.01.2010 to 30.06.2010
Cash flow from operating activities – indirect method		
Net profit for the period	1 362 604	1 221 827
Adjustments:	(5 924 877)	3 439 794
Depreciation expense	188 331	206 728
Share of profit (losses) in associates	(39 162)	(39 434)
(Gains) losses on foreign exchange differences	77 832	(389 686)
(Gains) losses on investing activities	(6 501)	(60 744)
Interest and dividend	(594 818)	(344 404)
Change in loans and advances to banks	443 531	648 967
Change in financial assets held for trading and other financial instruments at fair value through profit and loss	147 110	3 217 007
Change in derivative financial instruments (assets)	56 653	165 173
Change in loans and advances to customers and debt securities eligible for rediscounting at Central Bank	(3 991 876)	(2 444 989)
Change in receivables from financial leases	191 064	20 226
Change in investment securities available for sale	(10 335)	(72 345)
Change in tax assets	(27 581)	3 343
Change in other assets	246 860	(91 024)
Change in amounts due to banks	(888 565)	(899 092)
Change in liabilities held for trading	341 822	(913 413)
Change in derivative financial instruments (liabilities) and other financial instruments at fair value	(257 350)	876 725
Change in amounts due to customers	(2 493 712)	2 259 399
Change in debt securities issued	(7 942)	11 244
Change in provisions	(18 192)	(19 164)
Change in other liabilities	666 876	965 688
Income tax paid (negative sign)	(282 975)	(148 260)
Current tax expense	334 053	487 849
Net cash flows from operating activities	(4 562 273)	4 661 621
Cash flow from investing activities		
Investing activity inflows	173 556 287	124 170 143
Sale of investment securities	173 214 448	123 889 169
Sale of intangible assets and property, plant and equipment	5 695	3 975
Other investing inflows	336 144	276 999
Investing activity outflows	(169 227 594)	(128 727 753)
Acquisition of investment securities	(169 162 788)	(128 615 434)
Acquisition of intangible assets and property, plant and equipment	(64 806)	(112 319)
Net cash flows from investing activities	4 328 693	(4 557 610)

Consolidated cash flow statement (cont)

(In PLN thousand)

	I HALF 2011 Period from 01.01.2011 to 30.06.2011	I HALF 2010 Period from 01.01.2010 to 30.06.2010
Cash flows from financing activities		
Financing activity inflows	614 605	79 793
Issue of debt securities	614 235	76 114
Issue of shares	370	3 679
Financing activity outflows	(2 347 646)	(1 084 493)
Redemption of debt securities	(563 006)	(323 397)
Dividends and other payments to shareholders	(1 784 640)	(761 096)
Net cash flows from financing activities	(1 733 041)	(1 004 700)
Total net cash flows	(1 966 621)	(900 689)
Net change in cash and cash equivalents	(1 966 621)	(900 689)
Cash and cash equivalents at the beginning of the period	11 130 476	14 653 202
Cash and cash equivalents at the end of the period	9 163 855	13 752 513

Notes to financial statements ^(cont)

(In PLN thousand)

1. General information

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

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

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

The condensed consolidated interim financial statements of Bank Pekao S.A. Capital Group for the period from 1 January 2011 to 30 June 2011 contain financial information of the Bank, the Bank's subsidiaries and subordinated entities accounted for using equity method.

Notes to financial statements (cont)

(In PLN thousand)

2. Group structure

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

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/ VOTING	
CONSOLIDATED SUBSIDIARIES			30.06.2011	31.12.2010
Public Joint Stock Company UniCredit Bank, including:	Kiev, Ukraine	Banking	100.00	100.00
<i>BDK Consulting Ltd.</i>	<i>Lutsk, Ukraine</i>	<i>Consulting, hotel and transport services</i>	<i>99.99</i>	<i>99.99</i>
Centralny Dom Maklerski Pekao S.A.	Warsaw	Brokerage	100.00	100.00
Pekao Fundusz Kapitałowy Sp. z o.o.	Warsaw	Business consulting	100.00	100.00
Pekao Leasing Sp. z o.o. (*)	Warsaw	Leasing services	36.49	36.49
Pekao Faktoring Sp. z o.o.	Lublin	Factoring services	100.00	100.00
Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A.	Warsaw	Pension fund management	65.00	65.00
Pekao Telecentrum Sp. z o.o.	Cracow	Services	100.00	100.00
Centrum Kart S.A.	Warsaw	Financial support	100.00	100.00
Pekao Financial Services Sp. z o.o.	Warsaw	Financial services	100.00	100.00
Pekao Bank Hipoteczny S.A.	Warsaw	Banking	100.00	100.00
Pekao Leasing Holding S.A., including (*):	Warsaw	Leasing services	80.10	80.10
<i>Pekao Leasing Sp. z o.o.</i>	<i>Warsaw</i>	<i>Leasing services</i>	<i>50.87</i>	<i>50.87</i>
Holding Sp. z o.o. /in liquidation/	Warsaw	Non-financial holding	100.00	100.00
Centrum Bankowości Bezpośredniej Sp. z o.o.	Cracow	Call-center services	100.00	100.00

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/ VOTING	
UNCONSOLIDATED SUBSIDIARIES			30.06.2011	31.12.2010
Pekao Property S.A., including:	Warsaw	Real estate development	100.00	100.00
<i>Metropolis Sp. z o.o.</i>	<i>Warsaw</i>	<i>Real estate development (SPV)</i>	<i>100.00</i>	<i>100.00</i>
<i>Jana Kazimierza Development Sp. z o.o.</i>	<i>Warsaw</i>	<i>Real estate development (SPV)</i>	<i>100.00</i>	<i>100.00</i>
Property Sp. z o.o./In liquidation/, including:	Warsaw	Real estate management	100.00	100.00
<i>FPB Media Sp. z o.o.</i>	<i>Warsaw</i>	<i>Real estate development</i>	<i>100.00</i>	<i>100.00</i>

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

Notes to financial statements (cont)

(In PLN thousand)

Associates

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

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/ VOTING	
			30.06.2011	31.12.2010
Central Poland Fund LLC (*)	Wilmington, Delaware USA	Mutual fund	53.19	53.19
Xelion. Doradcy Finansowi Sp. z o.o. (**)	Warsaw	Supporting, financial and insurance	50.00	50.00
Pioneer Pekao Investment Management S.A.	Warsaw	Asset management	49.00	49.00
Pirelli Pekao Real Estate Sp. z o.o.	Warsaw	Real estate development	25.00	25.00
Krajowa Izba Rozliczeniowa S.A.	Warsaw	Clearing house	34.44	34.44
CPF Management	Tortola, British Virgin Islands	Financial brokerage – not operating	40.00	40.00
Polish Banking System S.A. /in liquidation/	Warsaw	Pending liquidation	48.90	48.90
PPP Budpress Sp. z o.o. /in liquidation/	Żyrardów	Pending liquidation	36.20	36.20

(*) The Group holds over 50% of voting rights in Central Poland Fund LLC. The Group has no control over the entity due to provisions in the Company's Articles of Association.

(**) The Group holds 50% of voting rights in Xelion. Doradcy Finansowi Sp. z o.o. Due to the provisions in the Company's Articles of Association this entity is classified by the Group as an associated entity.

The Group held no shares in joint - ventures as at 30 June 2011.

Changes in Group structure

The composition of the Capital Group as at 30 June 2011 has not changed compared to 31 December 2010.

3. Statement of compliance

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

These financial statements do not include all information required for full annual financial statements, and shall be construed and interpreted in conjunction with the consolidated financial statements of the Bank Pekao S.A. Capital Group as at and for the year ended 31 December 2010.

The consolidated financial statements of the Bank Pekao S.A. Capital Group as at and for the year ended 31 December 2010 are available upon request at the Bank's registered office at the Local Court for the Capital City of Warsaw, XII Business Division of the National Court Register KRS, Warsaw, at 100 Czerniakowska Street or at the Bank's website, www.pekao.com.pl

In accordance with the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal, No 33, item 259) the Bank is required to publish the financial report for the six months ended 30 June 2011, i.e. current interim period.

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

These condensed consolidated interim financial statements were approved by the Management Board on 1 August 2011.

Notes to financial statements (cont)

(In PLN thousand)

4. Significant accounting policies

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

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

The accounting policies applied by the Bank in these condensed consolidated interim financial statements are the same as those applied by the Bank in the consolidated financial statements of Bank Pekao S.A. Capital Group for the year ended 31 December 2010.

Changes in published standards and interpretations, which become effective since 1 January 2011, had no impact on these interim consolidated financial statements.

The Bank does not take into consideration interpretations and amendments to the Standards, pending approval by the European Union (Annex 1 to the financial statements).

In the opinion of the Bank, the amendments to IFRS 9 'Financial Instruments' described in the 2010 consolidated financial statements shall have a significant impact on its financial statements.

Moreover, the International Accounting Standards Board (IASB) approved in 2011 the following standards:

- IFRS 10 'Consolidated Financial Statements',
- IFRS 11 'Joint Arrangements',
- IFRS 12 'Disclosure of Interests in Other Entities',
- IFRS 13 'Fair Value Measurement',
- IAS 19 'Employee benefits'.

The Bank is currently analyzing the influence of above listed standards on its financial statements.

On 12 May 2011 the IASB issued the IFRS 10 'Consolidated Financial Statements'. IFRS 10 defines the principles of presentation and preparation of consolidated financial statements for entities controlling one or more other entities. IFRS 10 supersedes the requirements for consolidation presented in SIC-12 'Consolidation- special purpose entities' and IAS 27 'Consolidated and separate financial statements' and becomes effective for the fiscal years starting on 1 January 2013. The application of the standard before that date is permitted. IFRS 10 is based on binding principles that control is the key factor determining whether an entity should be included in the consolidated financial statements of parent entity. The standard includes also guidelines on the assessment of the control extent.

On 12 May 2011 the IASB issued IFRS 11 'Joint Arrangements'. IFRS 11 provides guidelines for more realistic presentation of joint arrangements, concentrating on rights and obligations of the arrangement instead of its legal form (as it is currently). The standard interprets inaccuracies in presentation of joint arrangements in financial statements through introduction of homogenous rules for posting of shares in joint-controlled entities.

On 12 May 2011 the IASB issued IFRS 12 'Disclosure of Interests in Other Entities'. IFRS 12 is a new, complex standard describing the requirements for disclosure of participation in all forms in other entities, including subsidiaries, joint-ventures, associates and non-consolidated entities. IFRS 12 becomes effective for the fiscal years starting on 1 January 2013. The application of the standard before that date is permitted.

On 12 May 2011 the IASB issued IFRS 13 'Fair Value Measurement'. IFRS 13, which is effective from 1 January 2013, defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value

Notes to financial statements (cont)

(In PLN thousand)

measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions).

On 16 June 2011 the IASB issued amended IAS 19 'Employee benefits', which becomes effective for the fiscal years starting on 1 January 2013. The amendments make it easier for financial statements users to understand how the benefits influence the financial situation of the entity, its financial results and cash flows.

5. Accounting estimates

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

Balance sheet estimates reflect market conditions on that date (e.g. market prices, interest rates, exchange rates).

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

In preparing these interim financial statements, the significant judgments made by management in applying the Group's accounting policies were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2010.

During the six months ended 30 June 2011 management reassessed the following estimates:

- impairment of financial assets and off-balance sheet commitments,
- fair value valuation for derivative financial instruments,
- impairment of other assets.

Notes to financial statements (cont)

(In PLN thousand)

6. Financial risk management

Credit risk

The credit risk management process and measurement methods have not changed in relation to those described in the consolidated financial statements of the Bank Pekao S.A. Capital Group as at 31 December 2010.

Exposure to credit risk

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

	LOANS AND ADVANCES TO BANKS (*)		LOANS AND ADVANCES TO CUSTOMERS (*)	
	30.06.2011	31.12.2010	30.06.2011	31.12.2010
GROSS CARRYING VALUE OF EXPOSURE INDIVIDUALLY IMPAIRED				
– not past due	951	1 024	454 636	691 018
– up to 1 month	-	-	221 834	45 310
– between 1 month and 3 months	-	-	146 474	80 918
– between 3 months and 1 year	-	-	227 198	320 632
– between 1 year and 5 years	62 964	62 964	1 283 119	1 361 483
– above 5 years	-	-	916 310	709 795
Total gross carrying value	63 915	63 988	3 249 571	3 209 156
ALLOWANCE FOR IMPAIRMENT				
– not past due	(951)	(1 024)	(89 262)	(122 570)
– up to 1 month	-	-	(22 955)	(9 716)
– between 1 month and 3 months	-	-	(27 253)	(9 966)
– between 3 months and 1 year	-	-	(79 537)	(96 204)
– between 1 year and 5 years	(54 000)	(54 000)	(853 815)	(995 141)
– above 5 years	-	-	(780 472)	(574 159)
Total allowance for impairment	(54 951)	(55 024)	(1 853 294)	(1 807 756)
Net carrying value of exposure individually impaired	8 964	8 964	1 396 277	1 401 400
GROSS CARRYING VALUE OF EXPOSURE COLLECTIVELY IMPAIRED				
– not past due	-	-	48 025	47 739
– up to 1 month	-	-	21 475	21 356
– between 1 month and 3 months	-	-	41 151	38 870
– between 3 months and 1 year	-	-	535 686	594 688
– between 1 year and 5 years	-	-	1 302 418	1 145 862
– above 5 years	15 934	19 371	658 932	656 585
Total gross carrying value	15 934	19 371	2 607 687	2 505 100
ALLOWANCE FOR IMPAIRMENT				
– not past due	-	-	(37 647)	(32 229)
– up to 1 month	-	-	(13 135)	(12 192)
– between 1 month and 3 months	-	-	(23 092)	(21 186)
– between 3 months and 1 year	-	-	(323 444)	(362 505)
– between 1 year and 5 years	-	-	(1 068 056)	(943 559)
– above 5 years	(15 928)	(19 361)	(645 864)	(650 451)
Total allowance for impairment	(15 928)	(19 361)	(2 111 238)	(2 022 122)
Net carrying value of exposure collectively impaired	6	10	496 449	482 978

(*) Receivables to banks and loans to customers include receivables from financial leasing.

Notes to financial statements (cont)

(In PLN thousand)

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

	LOANS AND ADVANCES TO BANKS (*)		LOANS AND ADVANCES TO CUSTOMERS (*)			
	30.06.2011	31.12.2010	CORPORATE		RETAIL	
	30.06.2011	31.12.2010	30.06.2011	31.12.2010	30.06.2011	31.12.2010
GROSS CARRYING VALUE OF EXPOSURE WITH NO IMPAIRMENT						
– not past due	4 919 190	6 255 682	50 111 927	48 443 319	30 475 067	28 331 724
– up to 30 days	-	-	722 107	853 489	1 096 240	1 168 971
– between 30 days and 60 days	-	-	242 244	182 719	218 042	184 717
– above 60	-	-	270 407	81 274	102 198	112 900
Total gross carrying value	4 919 190	6 255 682	51 346 685	49 560 801	31 891 547	29 798 312
IBNR PROVISION						
– not past due	(1 606)	(2 614)	(196 564)	(157 564)	(145 334)	(74 599)
– up to 30 days	-	-	(6 567)	(13 417)	(73 112)	(60 124)
– between 30 days and 60 days	-	-	(3 476)	(12 680)	(34 199)	(38 050)
– above 60	-	-	(11 770)	(2 672)	(17 973)	(44 687)
Total IBNR provision	(1 606)	(2 614)	(218 377)	(186 333)	(270 618)	(217 460)
Net carrying value of exposure with no impairment	4 917 584	6 253 068	51 128 308	49 374 468	31 620 929	29 580 852

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

Classification of exposures to debt securities according to Standard & Poor's ratings as at 30 June 2011

RATING	DEBT SECURITIES					TOTAL
	HELD FOR TRADING	DESIGNATED TO FAIR VALUE THROUGH PROFIT & LOSS	AVAILABLE FOR SALE	HELD TO MATURITY	REPO TRANSACTIONS	
AAA	-	-	-	-	-	-
AA- to AA+	-	-	-	-	-	-
A- to A+	710 715	15 457	14 498 506	3 921 741	4 227 804	23 374 223
BBB+ to BBB-	-	-	-	-	-	-
BB+ to BB-	-	-	-	-	-	-
B+ to B-	-	-	-	-	-	-
under B-	-	-	-	-	-	-
no rating	109 094	-	7 661 699 (*)	593 036 (**)	-	8 363 829
Total	819 809	15 457	22 160 205	4 514 777	4 227 804	31 738 052

(*) including NBP bills in an amount of PLN 6 906 036 thousand

(**) including NBP bills in an amount of PLN 593 036 thousand

Notes to financial statements (cont)

(In PLN thousand)

Classification of exposures to debt securities according to Standard & Poor's ratings as at 31 December 2010

RATING	DEBT SECURITIES					TOTAL
	HELD FOR TRADING	DESIGNATED TO FAIR VALUE THROUGH PROFIT & LOSS	AVAILABLE FOR SALE	HELD TO MATURITY	REPO TRANSACTIONS	
AAA	-	-	-	-	-	-
AA- to AA+	-	-	-	-	-	-
A- to A+	768 237	16 735	13 119 015	4 107 554	1 659 889	19 671 430
BBB+ to BBB-	-	-	-	-	-	-
BB+ to BB-	-	-	-	-	-	-
B+ to B-	-	-	-	-	-	-
under B-	-	-	-	-	-	-
no rating	197 404	-	12 722 510 (*)	434 504 (**)	-	13 354 418
Total	965 641	16 735	25 841 525	4 542 058	1 659 889	33 025 848

(*) including NBP bills in an amount of PLN 12 556 925 thousand

(**) including NBP bills in an amount of PLN 434 504 thousand

Derivative financial instruments

	TRADING DERIVATIVES		DERIVATIVE HEDGING INSTRUMENTS	
	30.06.2011	31.12.2010	30.06.2011	31.12.2010
Banks	1 316 762	1 350 453	45 246	87 573
Other financial institutions	49 688	5 794	-	-
Non-financial entities	133 930	200 786	156 178	171 115
Total	1 500 380	1 557 033	201 424	258 688

Credit risk management of Public Joint Stock Company UniCredit Bank

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

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

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

Notes to financial statements (cont)

(In PLN thousand)

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

	30.06.2011		31.12.2010	
	CORPORATE	RETAIL	CORPORATE	RETAIL
Gross carrying value of exposure with no impairment				
– not past due	1 424 198	198 041	1 807 632	229 482
– up to 30 days	3 625	9 655	38 092	16 617
– between 30 days and 60 days	-	1 560	-	5 139
– above 60	-	2 863	2 837	1 884
Total gross carrying value	1 427 823	212 119	1 848 561	253 122
IBNR Provision	(29 111)	(977)	(37 757)	(2 808)
Net carrying value of exposure with no impairment	1 398 712	211 142	1 810 804	250 314

	30.06.2011	31.12.2010
	CORPORATE AND RETAIL	CORPORATE AND RETAIL
Gross carrying value of impaired exposure		
<i>Individually impaired exposure</i>		
Gross carrying value	292 101	293 218
Allowance for impairment	(116 868)	(108 616)
Net carrying value of exposure individually impaired	175 233	184 602
<i>Collectively impaired exposure</i>		
Gross carrying value	132 095	138 782
Allowance for impairment	(73 951)	(78 691)
Net carrying value of exposure collectively impaired	58 144	60 091

The majority of UCB loan portfolio are corporate loans, including receivables from the biggest Ukrainian companies. The list of 25 main debtors, being a part of international capital group, constitutes 75.4% of corporate loans portfolio and 52% of total Bank's exposure. Corporate clients financing activities concentrate on granting revolving and investment loans.

Notes to financial statements (cont)

(In PLN thousand)

Market risk

The model of market risk measurement has not changed in relation to the one described in the consolidated financial statements of the Bank Pekao S.A. Capital Group as at 31 December 2010.

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

The table below presents the market risk exposure of the trading portfolio of the Group measured by Value at Risk in the first half of 2011 and in 2010.

IN PLN THOUSAND	30.06.2011	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign exchange risk	1 793	13	348	2 641
interest rate risk	6 180	3 937	5 230	6 811
Trading portfolio	6 818	3 833	5 264	6 942

IN PLN THOUSAND	31.12.2010	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign exchange risk	121	10	319	2 453
interest rate risk	4 401	3 644	5 046	7 525
Trading portfolio	4 307	3 633	5 234	8 172

Interest rate risk

There have been changes in the interest rate risk management process and measurement methods. An economic model of the value of current deposits in PLN has been implemented into the interest rate risk measurement system. The model adjusts the profile of revaluation of the deposits and limits the sensitivity level of the economic value of equity, and leads to an increase in net interest income sensitivity for market interest rates changes. There also have been changes in limits system of interest rate risk. Apart from that, there have been no significant changes in the interest rate risk management process and measurement methods in relation to those presented in the consolidated financial statements of the Bank Pekao S.A. Capital Group as at 31 December 2010.

The table below presents the sensitivity levels of net interest income (NII) for interest rates changes by -100 bp and of economic value of the Bank equity (EVE) for interest rates changes by +100 bp as at 30 June 2011 and the end of December 2010.

SENSITIVITY IN %	30.06.2011	31.12.2010
NII	(6.40)	(7.51)
EVE	(1.34)	(1.45)

Currency risk

The foreign currency exchange risk management process has not changed in relation to one described in the consolidated financial statements of the Bank Pekao S.A. Capital Group as at 31 December 2010.

Notes to financial statements (cont)

(In PLN thousand)

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

CURRENCY	30.06.2011	31.12.2010
USD	2 347	577
EUR	822	1 392
CHF	170	203
Other	58	79
Currencies total (*)	2 845	1 463

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

Liquidity risk

The liquidity risk management process has not changed in relation to one described in the consolidated financial statements of the Bank Pekao S.A. Capital Group as at 31 December 2010.

Adjusted liquidity gap as at 30 June 2011

	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Assets	41 550 006	8 690 315	20 013 963	33 719 118	27 179 932	131 153 334
Liabilities	28 274 417	5 371 041	11 411 845	20 958 621	65 137 410	131 153 334
Net off-balance sheet items	(6 374 621)	(1 159 892)	2 849 140	3 378 153	945 580	(361 640)
Periodic gap	6 900 968	2 159 382	11 451 258	16 138 650	(37 011 898)	(361 640)
Cumulative gap		9 060 350	20 511 608	36 650 258	(361 640)	

Adjusted liquidity gap as at 31 December 2010

	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Assets	48 274 712	5 536 693	20 311 719	34 352 311	25 614 451	134 089 886
Liabilities	27 018 795	8 154 288	12 310 009	23 103 661	63 503 133	134 089 886
Net off-balance sheet items	(6 077 500)	(915 038)	3 484 173	2 275 237	927 442	(305 686)
Periodic gap	15 178 417	(3 532 633)	11 485 883	13 523 887	(36 961 240)	(305 686)
Cumulative gap		11 645 784	23 131 667	36 655 554	(305 686)	

Notes to financial statements (cont)

(In PLN thousand)

Structure of financial liabilities by contractual maturities

30.06.2011	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
BALANCE SHEET LIABILITIES						
Amounts due to banks (*)	3 367 677	75 822	416 531	1 124 678	1 767 829	6 752 537
Amounts due to customers	78 204 952	9 452 738	8 952 223	632 501	71 110	97 313 524
Debt securities issued	2 080	4 166	317 330	496 588	398 637	1 218 801
Financial liabilities held for trading	-	-	-	111 612	344 438	456 050
Total	81 574 709	9 532 726	9 686 084	2 365 379	2 582 014	105 740 912
OFF-BALANCE SHEET COMMITMENTS (**)						
Off- balance sheet commitments Financial liabilities granted	26 689 389	-	-	-	-	26 689 389
Off- balance sheet commitments Guarantees liabilities granted	8 856 159	-	-	-	-	8 856 159
Total	35 545 548	-	-	-	-	35 545 548

31.12.2010	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
BALANCE SHEET LIABILITIES						
Amounts due to banks (*)	4 145 015	89 224	436 147	1 529 940	1 440 776	7 641 102
Amounts due to customers	80 786 722	9 960 054	8 095 964	839 211	125 285	99 807 236
Debt securities issued	-	468 848	121 604	586 706	-	1 177 158
Financial liabilities held for trading	-	-	-	104 280	9 948	114 228
Total	84 931 737	10 518 126	8 653 715	3 060 137	1 576 009	108 739 724
OFF-BALANCE SHEET COMMITMENTS (**)						
Off- balance sheet commitments Financial liabilities granted	24 698 614	-	-	-	-	24 698 614
Off- balance sheet commitments Guarantees liabilities granted	8 586 138	-	-	-	-	8 586 138
Total	33 284 752	-	-	-	-	33 284 752

(*) Including Central Bank.

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

The tables below present the financial flows associated with off-balance derivative transactions.

According to Group's policy, off-balance derivative transactions settled in net amounts include:

- Interest Rate Swaps (IRS),
- Forward Rate Agreements (FRA),
- Foreign currency options and options for gold,
- Interest rate options (Cap/Floor),
- Options based on equity securities.

Notes to financial statements (cont)

(In PLN thousand)

Off-balance derivative transactions settled by the Group in gross amounts include:

- Cross-Currency Interest Rate Swaps (CIRS),
- Foreign currency forward contracts,
- Foreign currency swaps,
- Forwards contracts based on securities.

Liabilities from off-balance transactions on derivatives recognized in net amounts

	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
30.06.2011	22 034	32 133	136 377	903 928	355 317	1 449 789
31.12.2010	22 887	143 996	151 781	1 017 284	292 865	1 628 813

Flows related to off-balance derivative transactions settled in gross amounts

	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
30.06.2011						
Proceeds	14 883 172	4 790 416	4 679 995	5 284 573	2 744 660	32 382 816
Outflows	14 860 606	4 695 971	4 726 103	5 376 875	3 303 700	32 963 255
31.12.2010						
Proceeds	12 514 108	3 795 325	9 359 938	5 613 787	2 744 660	34 027 818
Outflows	12 281 818	3 723 635	9 198 525	5 650 211	3 167 064	34 021 253

Operational risk

In the I half of 2011 the operational risk management process including identification and assessment, monitoring, mitigation and reporting system has not changed significantly in comparison with 2010, however the calculation method of operational risk capital requirement was changed.

In the first half of 2011 Bank Pekao S.A. received from regulators of Italy and Poland the Decision concerning the permission to apply the AMA for the calculation purposes of operational risk capital requirement at the consolidated and solo level, in the part related to Bank Pekao S.A.

The Advanced Measurement Approach (AMA) is based on internal loss data, external loss data, scenario analysis data and key risk indicators. The calculated overall AMA capital requirement is allocated to particular UniCredit Group legal entities. The capital requirement is allocated by mechanism reflecting the entities' risk exposures.

Regarding the above-mentioned Decision, the Bank applied its provisions to the calculation of the operational risk capital requirement as at 30 June 2011.

Other risks

The management processes and methods regarding measurement of other risks identified under Pillar II (Business, Real Estate and Financial Investment risks) have not changed in relation to those described in the consolidated financial statements of the Bank Pekao S.A. Capital Group as at 31 December 2010.

Notes to financial statements (cont)

(In PLN thousand)

Fair value of financial assets and liabilities

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

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

As at 30 June 2011 and 31 December 2010, the Group classified the financial assets and liabilities measured at fair value into the following three categories based on the valuation method:

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

Notes to financial statements (cont)

(In PLN thousand)

As at 30 June 2011

	METHOD 1	METHOD 2	METHOD 3	TOTAL
Assets:	15 225 072	8 568 423	918 675	24 712 170
Financial assets held for trading	710 715	-	109 094	819 809
Derivative financial instruments, including:	-	1 460 963	39 417	1 500 380
- Banks	-	1 277 345	39 417	1 316 762
- Customers	-	183 618	-	183 618
Other financial instruments at fair value through profit and loss	15 457	-	-	15 457
Hedging instruments	-	201 424	-	201 424
- Banks	-	45 246	-	45 246
- Customers	-	156 178	-	156 178
Securities available for sale	14 498 900	6 906 036	770 164	22 175 100
Liabilities:	456 050	2 334 536	39 417	2 830 003
Financial liabilities held for trading	456 050	-	-	456 050
Derivative financial instruments, including:	-	1 295 678	39 417	1 335 095
- Banks	-	1 196 464	1 608	1 198 072
- Customers	-	99 214	37 809	137 023
Hedging instruments	-	1 038 858	-	1 038 858
- Banks	-	1 038 858	-	1 038 858
- Customers	-	-	-	-

As at 31 December 2010

	METHOD 1	METHOD 2	METHOD 3	TOTAL
Assets:	13 904 351	14 309 066	441 067	28 654 484
Financial assets held for trading	768 237	-	197 404	965 641
Derivative financial instruments, including:	-	1 493 453	63 580	1 557 033
- Banks	-	1 287 233	63 220	1 350 453
- Customers	-	206 220	360	206 580
Other financial instruments at fair value through profit and loss	16 735	-	-	16 735
Hedging instruments	-	258 688	-	258 688
- Banks	-	87 573	-	87 573
- Customers	-	171 115	-	171 115
Securities available for sale	13 119 379	12 556 925	180 083	25 856 387
Liabilities:	114 228	2 239 761	63 250	2 417 239
Financial liabilities held for trading	114 228	-	-	114 228
Derivative financial instruments, including:	-	1 529 195	63 250	1 592 445
- Banks	-	1 326 959	4 069	1 331 028
- Customers	-	202 236	59 181	261 417
Hedging instruments	-	710 566	-	710 566
- Banks	-	710 566	-	710 566
- Customers	-	-	-	-

Notes to financial statements (cont)

(In PLN thousand)

7. Operating segments

Trade segments

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

The Model assumes that budgeting and monitoring of results at the segments' level is focused on all components of the income statement up to the gross profit level. Therefore, the income from the segment's activities as well as operating costs related to those activities (including direct and allocated costs) and other components of income statement are attached to each segment.

The Group settles transactions between segments on an arm's length basis by applying current market prices. Fund transfers between retail, private corporate and investment banking departments and the Asset-Liability Committee (ALCO) and other units are based on market prices applicable to the funds' currency and maturity, including liquidity margins.

The reportable segments of the Group are:

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

Notes to financial statements (cont)

(In PLN thousand)

Information on revenues of the Group's operating segments for the first half of 2011

	RETAIL BANKING	PRIVATE BANKING	CORPORATE ACTIVITIES AND INVESTMENT BANKING		ASSETS AND LIABILITIES MANAGEMENT AND OTHER (*)	GROUP TOTAL
			CONTINUED OPERATIONS	DISCONTINUED OPERATIONS		
External interest income	1 539 506	13 646	1 818 595	106 614	(24 080)	3 454 281
External interest expenses	(572 426)	(98 201)	(615 649)	(46 470)	65 062	(1 267 684)
Net external interest income	967 080	(84 555)	1 202 946	60 144	40 982	2 186 597
Internal interest income	1 022 231	114 660	1 061 774	-	(2 198 665)	-
Internal interest expenses	(685 335)	(10 390)	(1 609 797)	-	2 305 523	-
Total net internal interest income	336 896	104 270	(548 023)	-	106 858	-
Dividends and other income from equity investments	36 521	-	-	-	12 952	49 473
Net interest income	1 340 497	19 715	654 923	60 144	160 792	2 236 070
Net non-interest income	1 029 153	18 306	454 620	21 792	12 045	1 535 916
Operating income	2 369 650	38 021	1 109 543	81 936	172 837	3 771 986
Personnel expenses	(596 065)	(10 726)	(126 612)	(18 114)	(239 263)	(990 780)
Other administrative expenses	(752 450)	(14 186)	(201 153)	(18 795)	340 263	(646 321)
Depreciation and amortization	(78 916)	(179)	(6 547)	(4 453)	(98 236)	(188 331)
Operating costs	(1 427 431)	(25 091)	(334 312)	(41 362)	2 764	(1 825 432)
Operating profit	942 219	12 930	775 231	40 574	175 601	1 946 554
Net result on other provisions	190	-	(97)	-	(989)	(896)
Net impairment losses on financial assets and off-balance sheet commitments	(211 808)	464	(44 330)	(10 232)	(3 064)	(268 970)
Net result on investment activities	192	-	5 759	(48)	581	6 484
Profit before income tax	730 793	13 394	736 563	30 294	172 129	1 683 172
Income tax expense (continued operations)						(310 986)
Income tax expense (discontinued operations)				(4 560)		(4 560)
Net profit for the period (continued operations)						1 341 892
Net profit for the period (discontinued operations)				25 734		25 734
Attributable to equity holders of the Bank						1 362 604
Attributable to non-controlling interest						5 022
Allocated assets	42 547 469	546 059	79 326 005	2 846 340	(2 668 535)	122 597 338
Unallocated assets						8 555 996
Total assets						131 153 334
Allocated liabilities	56 296 182	5 586 885	48 609 893	2 487 218	(5 128 564)	107 851 614
Unallocated liabilities						23 301 720
Total liabilities						131 153 334

(*) Including intra-group settlements

Notes to financial statements (cont)

(In PLN thousand)

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

	RETAIL BANKING	PRIVATE BANKING	CORPORATE ACTIVITIES AND INVESTMENT BANKING		ASSETS AND LIABILITIES MANAGEMENT AND OTHER (*)	GROUP TOTAL
			CONTINUED OPERATIONS	DISCONTINUED OPERATIONS		
External interest income	1 406 910	15 318	1 656 746	147 554	(43 052)	3 183 476
External interest expenses	(528 691)	(92 143)	(562 705)	(65 011)	72 716	(1 175 834)
Net external interest income	878 219	(76 825)	1 094 041	82 543	29 664	2 007 642
Internal interest income	906 984	105 674	931 012	-	(1 943 670)	-
Internal interest expenses	(613 078)	(11 119)	(1 410 722)	-	2 034 919	-
Total net internal interest income	293 906	94 555	(479 710)	-	91 249	-
Dividends and other income from equity investments	34 760	-	-	-	12 382	47 142
Net interest income	1 206 885	17 730	614 331	82 543	133 295	2 054 784
Net non-interest income	1 017 228	15 788	398 475	18 401	21 162	1 471 054
Operating income	2 224 113	33 518	1 012 806	100 944	154 457	3 525 838
Personnel expenses	(575 042)	(9 226)	(121 403)	(19 709)	(218 417)	(943 797)
Other administrative expenses	(761 339)	(13 712)	(195 177)	(19 639)	334 806	(655 061)
Depreciation and amortization	(80 497)	(211)	(5 757)	(6 703)	(113 560)	(206 728)
Operating costs	(1 416 878)	(23 149)	(322 337)	(46 051)	2 829	(1 805 586)
Operating profit	807 235	10 369	690 469	54 893	157 286	1 720 252
Net result on other provisions	793	-	113	-	251	1 157
Net impairment losses on financial assets and off-balance sheet commitments	(249 906)	1 755	986	(27 201)	(2 537)	(276 903)
Net result on investment activities	30	-	53 782	3	6 929	60 744
Profit before income tax	558 152	12 124	745 350	27 695	161 929	1 505 250
Income tax expense (continued operations)						(271 011)
Income tax expense (discontinued operations)				(7 690)		(7 690)
Net profit for the period (continued operations)						1 206 544
Net profit for the period (discontinued operations)				20 005		20 005
Attributable to equity holders of the Bank						1 221 827
Attributable to non-controlling interest						4 722
Allocated assets	39 317 209	579 435	84 358 370	-	563 496	124 818 510
Unallocated assets						8 609 401
Total assets						133 427 911
Allocated liabilities	55 847 723	5 910 044	53 880 357	-	(5 218 973)	110 419 151
Unallocated liabilities						23 008 760
Total liabilities						133 427 911

(*) Including intra-group settlements

Notes to financial statements (cont)

(In PLN thousand)

Geographical segment

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

Apart from Poland, the Bank Pekao Group conducts activities in the following countries:

Ukraine – through the subsidiaries of the Bank Pekao S.A.

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

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

The below table presents information about operating activity of the Group according to the geographical segments:

	POLAND	UKRAINE (DISCONTINUED OPERATIONS)	TOTAL GROUP
I half of 2011			
Operating income	1 336 870	25 734	1 362 604
Segment assets	128 306 994	2 846 340	131 153 334
I half of 2010			
Operating income	1 201 822	20 005	1 221 827
Segment assets	129 654 623	3 773 288	133 427 911

8. Interest income and expense

Interest income

	II QUARTER 2011	I HALF 2011	II QUARTER 2010	I HALF 2010
Loans and other receivables from customers	1 396 044	2 722 476	1 256 284	2 528 120
Placements in other banks	46 941	92 349	39 517	78 999
Reverse repo transactions	28 838	47 845	10 399	29 695
Investment securities	298 273	574 268	258 449	472 333
Financial assets held for trading	14 902	16 937	31 509	49 970
Financial assets designated to fair value through profit and loss	198	406	10 446	24 359
Total	1 785 196	3 454 281	1 606 604	3 183 476

Notes to financial statements (cont)

(In PLN thousand)

Interest expense

	II QUARTER 2011	I HALF 2011	II QUARTER 2010	I HALF 2010
Customers' deposits	(570 591)	(1 112 943)	(509 124)	(990 062)
Other banks' deposits	(13 255)	(24 800)	(16 539)	(31 539)
Repo transactions	(31 637)	(42 705)	(20 832)	(36 537)
Loans from other banks	(33 339)	(66 716)	(37 508)	(77 690)
Debt securities issued	(10 949)	(20 520)	(20 079)	(40 006)
Total	(659 771)	(1 267 684)	(604 082)	(1 175 834)

9. Fee and commission income and expense

Fee and commission income

	II QUARTER 2011	I HALF 2011	II QUARTER 2010	I HALF 2010
Customer accounts maintenance and payment orders	211 697	402 660	212 251	419 586
Payment cards	209 241	393 969	200 920	401 793
Loans and advances	151 062	286 559	103 310	203 262
Acquisition services	77 820	159 107	72 189	144 275
Securities operations	34 422	75 198	37 991	71 791
Custody activity	15 520	30 341	12 935	25 108
Pension and investment funds service fees	18 316	36 898	17 737	34 139
Guarantees, letters of credit and similar transactions	13 696	27 578	12 651	26 638
Other	39 029	63 936	21 653	46 286
Total	770 803	1 476 246	691 637	1 372 878

Fee and commission expense

	II QUARTER 2011	I HALF 2011	II QUARTER 2010	I HALF 2010
Payment cards	(103 330)	(190 587)	(83 032)	(171 387)
Bank drafts and transfers	(6 363)	(12 059)	(5 305)	(11 573)
Securities operations	(5 337)	(11 172)	(5 653)	(11 155)
Accounts maintenance	(2 078)	(3 641)	(1 875)	(3 224)
Custody activity	(2 854)	(4 292)	(1 156)	(2 506)
Pension funds management charges	(1 349)	(2 215)	(1 441)	(2 174)
Acquisition services	(481)	(705)	(138)	(266)
Other	(4 443)	(9 599)	(4 594)	(9 922)
Total	(126 235)	(234 270)	(103 194)	(212 207)

10. Dividend income

	II QUARTER 2011	I HALF 2011	II QUARTER 2010	I HALF 2010
From issuers of securities available for sale	10 311	10 311	7 708	7 708
Total	10 311	10 311	7 708	7 708

Notes to financial statements (cont)

(In PLN thousand)

11. Result on financial assets and liabilities held for trading

	II QUARTER 2011	I HALF 2011	II QUARTER 2010	I HALF 2010
Foreign currency exchange result	115 685	240 066	136 842	266 479
Gains (losses) on derivatives	9 366	28 685	11 844	9 585
Gains (losses) on securities	4 103	9 557	5 790	733
Total	129 154	278 308	154 476	276 797

12. Gains (losses) on disposal

Realized gains

	II QUARTER 2011	I HALF 2011	II QUARTER 2010	I HALF 2010
Loans and other financial receivables	-	-	791	1 387
Available for sale financial assets – debt instruments	3 097	3 124	25 546	53 775
Available for sale financial assets – equity instruments	-	-	7	6 934
Investments held to maturity	779	2 656	-	-
Debt securities issued	6	15	82	242
Total	3 882	5 795	26 426	62 338

Realized losses

	II QUARTER 2011	I HALF 2011	II QUARTER 2010	I HALF 2010
Loans and other financial receivables	(153)	(153)	-	-
Available for sale financial assets – debt instruments	3	(88)	-	-
Available for sale financial assets – equity instruments	-	-	-	-
Investments held to maturity	-	-	-	-
Debt securities issued	(331)	(758)	(289)	(468)
Total	(481)	(999)	(289)	(468)

Net realized profit	3 401	4 796	26 137	61 870
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13. Administrative expenses

Personnel expenses

	II QUARTER 2011	I HALF 2011	II QUARTER 2010	I HALF 2010
Wages and salaries	(423 443)	(833 590)	(401 087)	(792 839)
Insurance and other charges related to employees	(72 401)	(149 442)	(72 039)	(147 407)
Pension programs costs due define contributions	(395)	(807)	(427)	(848)
Share-based payments expense	(4 984)	(6 941)	(2 457)	(2 703)
Total	(501 223)	(990 780)	(476 010)	(943 797)

Notes to financial statements (cont)

(In PLN thousand)

Other administrative expenses

	II QUARTER 2011	I HALF 2011	II QUARTER 2010	I HALF 2010
Other administrative expenses	(296 016)	(572 092)	(302 732)	(605 745)
Taxes and charges	(8 882)	(19 186)	(9 240)	(19 456)
Bank Guarantee Fund fee	(22 255)	(44 510)	(9 789)	(19 578)
Financial supervision authority fee (KNF)	(7 017)	(14 084)	(6 837)	(13 804)
Total	(334 170)	(649 872)	(328 598)	(658 583)

Total administrative expenses	(835 393)	(1 640 652)	(804 608)	(1 602 380)
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14. Net other operating income and expenses

Other operating income

	II QUARTER 2011	I HALF 2011	II QUARTER 2010	I HALF 2010
Rental income and other miscellaneous income	9 923	20 095	8 632	16 899
Credit insurance charges	6 790	12 978	6 026	9 981
Recovery of debt collection costs	5 482	10 113	3 746	6 589
Compensation, penalty fees and fines received	1 657	2 609	25	164
Refunding of administrative costs	1 672	3 551	1 822	3 522
Income from written off liabilities	345	439	1 244	2 285
Releases of impairment of litigation and other assets	491	1 930	144	6 234
Releases of provisions for liabilities	488	1 399	114	114
Gains on sale of other assets	2 349	3 039	696	1 451
Other	10 661	15 881	10 930	23 799
Total	39 858	72 034	33 379	71 038

Other operating expenses

	II QUARTER 2011	I HALF 2011	II QUARTER 2010	I HALF 2010
Credit insurance costs	(7 248)	(14 105)	(4 091)	(7 311)
Customers complaints expense	(581)	(1 583)	(1 476)	(2 870)
Impairment of litigations receivables and other assets	(392)	(665)	(124)	(424)
Costs of litigation and claims	(760)	(1 713)	(1 219)	(2 436)
Compensation, penalty fees and fines paid	(168)	(283)	(242)	(733)
Losses on disposal of other assets	(281)	(315)	(7)	(89)
Other	(13 984)	(25 563)	(12 682)	(26 193)
Total	(23 414)	(44 227)	(19 841)	(40 056)

Net other operating income and expenses	16 444	27 807	13 538	30 982
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Notes to financial statements (cont)

(In PLN thousand)

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

I HALF 2011	INCREASES			DECREASES			IMPACT ON PROFIT AND LOSS(**)
	OPENING BALANCE	IMPAIRMENT CHARGES	OTHER (*)	WRITE-OFFS OF ASSETS FROM THE BALANCE SHEET	RELEASE OF IMPAIRMENT CHARGES	OTHER (*)	CLOSING BALANCE
Impairment of financial assets and off-balance sheet commitments							
Loans and advances to banks valued at amortized cost	76 999	331	623	(2 747)	(2 512)	(209)	72 485
Derivative financial instruments	480	-	-	-	-	(480)	-
Loans and advances to customers valued at amortized cost	4 051 877	743 733	43 321	(68 911)	(468 186)	(39 571)	4 262 263
Receivables from financial leasing	181 794	38 814	-	(2 774)	(26 570)	-	191 264
Financial assets available for sale	481	-	13	-	-	-	494
Impairment of off-balance sheet commitments	96 500	39 724	-	-	(63 471)	(861)	71 892
Total financial assets and off-balance sheet commitments	4 408 131	822 602	43 957	(74 432)	(560 739)	(41 121)	4 598 398
Impairment of other assets							
Investments in subsidiaries and associates	3 787	-	-	-	-	(52)	3 735
Intangible assets	10 961	-	-	-	-	-	10 961
Property, plant and equipment	9 315	1 250	-	-	(227)	(558)	9 780
Investment properties	550	-	-	-	-	-	550
Other	95 047	631	-	-	(1 930)	(583)	93 165
Total impairment of other assets	119 660	1 881	-	-	(2 157)	(1 193)	118 191
Total	4 527 791	824 483	43 957	(74 432)	(562 896)	(42 314)	4 716 589

(*) Including foreign exchange differences and transfers between positions.

(**) 'Impairment of financial assets and off-balance sheet commitments' balance includes net impairment in the amount of PLN (261 863) thousand, net impairment concerning discontinued operations in the amount of PLN (10 232) thousand and proceeds from recovered bad debt in the amount of PLN 3 125 thousand, the total is PLN (268 970) thousand.

Notes to financial statements (cont)

(In PLN thousand)

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

(*) Including foreign exchange differences and transfers between positions.

(**) 'Impairment of financial assets and off-balance sheet commitments' balance includes net impairment in the amount of PLN (282 695) thousand and proceeds from recovered bad debt in the amount of PLN 5 792 thousand, the total is PLN (276 903) thousand.

Notes to financial statements (cont)

(In PLN thousand)

16. Gains (losses) from subordinated entities

	II QUARTER 2011	I HALF 2011	II QUARTER 2010	I HALF 2010
Share of profit (loss) in associates				
Xelion. Doradcy Finansowi Sp. z o.o.	387	531	108	210
Pioneer Pekao Investment Management S.A.	17 481	35 990	17 454	34 535
Krajowa Izba Rozliczeniowa S.A.	2 088	4 929	1 392	3 537
Pirelli Pekao Real Estate Sp. z o.o.	(1 465)	(2 278)	(317)	584
Central Poland Fund LLC	-	(10)	12	568
Total profit (loss) from subordinated entities	18 491	39 162	18 649	39 434

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

	II QUARTER 2011	I HALF 2011	II QUARTER 2010	I HALF 2010
INCOME STATEMENT				
Current income tax	(249 494)	(334 053)	(292 469)	(487 849)
Current tax charge disclosed in the income statement	(247 722)	(331 158)	(290 010)	(482 112)
Adjustments related to the current tax from previous years	-	731	16	(741)
Other taxes (eg. withholding tax, income tax relating to foreign branches)	(1 772)	(3 626)	(2 475)	(4 996)
Deferred income tax	83 842	18 507	150 472	209 148
Occurrence and reversal of temporary differences	83 842	18 507	150 472	209 148
Tax charge disclosed in the consolidated income statement	(165 652)	(315 546)	(141 997)	(278 701)
EQUITY				
Deferred income tax	(38 577)	(9 060)	23 233	(24 052)
Income and costs disclosed in other comprehensive income:				
Revaluation of financial instruments, used as cash flows hedges	(3 495)	5 277	(9 084)	(19 216)
Revaluation of available for sale financial assets – debt securities	(37 301)	(19 524)	32 313	(4 843)
Revaluation of available for sale financial assets – with equity rights	(5)	(11)	4	7
Foreign currency translation differences	2 224	5 198	-	-
Tax charge disclosed in other comprehensive income	(38 577)	(9 060)	23 233	(24 052)
Total charge	(204 229)	(324 606)	(118 764)	(302 753)

Notes to financial statements (cont)

(In PLN thousand)

18. Earnings per share

Earnings per share

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

	II QUARTER 2011	I HALF 2011	II QUARTER 2010	I HALF 2010
Net profit	714 297	1 362 604	619 115	1 221 827
Weighted average number of ordinary shares in the period	262 367 367	262 366 124	262 354 553	262 344 331
Earnings per share (in PLN per share)	2.72	5.19	2.36	4.66

Diluted earnings per share

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

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

	II QUARTER 2011	I HALF 2011	II QUARTER 2010	I HALF 2010
Net profit	714 297	1 362 604	619 115	1 221 827
Weighted average number of ordinary shares in the period	262 367 367	262 366 124	262 354 553	262 344 331
Adjustments to the number of shares for the purpose of calculation of diluted earnings per share	94 583	93 608	78 231	80 627
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	262 461 950	262 459 732	262 432 784	262 424 958
Diluted earnings per share (in PLN per share)	2.72	5.19	2.36	4.66

19. Dividend payment

A dividend of PLN 6.80 per share from the net profit for the financial year 2010 was paid by the Bank to its shareholders in 2011.

Notes to financial statements (cont)

(In PLN thousand)

20. Loans and advances to banks

Loans and advances to banks by product type

	30.06.2011	31.12.2010
Current accounts and overnight placements	1 273 628	2 992 440
Interbank placements	249 479	1 378 647
Loans and advances	1 672 941	1 374 329
Repo transactions	1 273 481	250 133
Debt securities	291 480	291 622
Receivables in transit	210 215	28 331
Interest accrued	26 037	20 308
Total gross amount	4 997 261	6 335 810
Impairment provision	(72 485)	(76 999)
Total net amount	4 924 776	6 258 811

Loans and advances to banks by quality

	30.06.2011	31.12.2010
Loans and advances to banks, including:		
gross value of non impaired receivables	4 917 412	6 252 451
gross value of impaired receivables	79 849	83 359
individual impairment charges	(54 951)	(55 024)
collective impairment charges (*)	(17 534)	(21 975)
Total	4 924 776	6 258 811

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

Loans and advances to banks by contractual maturities

	30.06.2011	31.12.2010
Loans and advances to banks, including:		
up to 1 month	4 212 438	5 369 210
between 1 and 3 months	352 325	1 347
between 3 months and 1 year	321 045	838 225
between 1 and 5 years	43 865	65 962
over 5 years	41 551	40 758
Interest accrued	26 037	20 308
Total gross amount	4 997 261	6 335 810
Impairment provision	(72 485)	(76 999)
Total net amount	4 924 776	6 258 811

Notes to financial statements (cont)

(In PLN thousand)

Loans and advances to banks by currencies

	30.06.2011	31.12.2010
PLN	2 654 649	1 417 026
CHF	7 324	117 204
EUR	2 029 500	4 366 380
USD	80 462	174 382
Other currencies	152 841	183 819
Total	4 924 776	6 258 811

Changes in impairment balances in the first half of 2011 and 2010 are presented in the Note 15.

21. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading by product type

30.06.2011	ASSETS	LIABILITIES
Securities issued by State Treasury	710 715	456 050
T- bills	181 865	-
T- bonds	528 850	456 050
Securities issued by banks	109 094	-
Total	819 809	456 050

31.12.2010	ASSETS	LIABILITIES
Securities issued by State Treasury	768 237	114 228
T- bills	100 752	-
T- bonds	667 485	114 228
Securities issued by banks	197 404	-
Total	965 641	114 228

Financial assets and liabilities held for trading by maturities

30.06.2011	ASSETS	LIABILITIES
Debt securities, including:		
up to 1 month	27 206	-
between 1 and 3 months	373 472	-
between 3 months and 1 year	249 079	-
between 1 and 5 years	90 565	111 612
over 5 years	79 487	344 438
Total	819 809	456 050

Notes to financial statements (cont)

(In PLN thousand)

31.12.2010	ASSETS	LIABILITIES
Debt securities, including:		
up to 1 month	959	-
between 1 and 3 months	236 845	-
between 3 months and 1 year	574 172	-
between 1 and 5 years	139 139	104 280
over 5 years	14 526	9 948
Total	965 641	114 228

22. Derivative financial instruments (held for trading)

Fair value of trading derivatives

30.06.2011	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	1 130 332	1 155 055
Forward Rate Agreements (FRA)	1 035	1 469
Options	5 028	5 192
Other	1 375	2 084
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	8 013	52 761
Currency Forward Agreements	39 182	35 752
Currency Swaps (fx-swap)	244 268	23 968
Options for currency and gold	32 562	20 229
Transactions based on equity securities		
Options	38 585	38 585
Total	1 500 380	1 335 095

31.12.2010	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	1 177 331	1 388 521
Forward Rate Agreements (FRA)	2 092	1 551
Options	7 729	7 729
Other	727	376
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	7 851	10 792
Currency Forward Agreements	41 156	51 446
Currency Swaps (fx-swap)	234 921	49 193
Options for currency and gold	22 567	20 993
Transactions based on equity securities		
Options	62 659	61 844
Total	1 557 033	1 592 445

Notes to financial statements (cont)

(In PLN thousand)

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

	30.06.2011	31.12.2010
Debt securities	15 457	16 735
Equity securities	-	-
Total	15 457	16 735

	30.06.2011	31.12.2010
Securities issued by State Treasury	15 457	16 735
T-bonds	15 457	16 735
Securities issued by business entities	-	-
Total	15 457	16 735

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

	30.06.2011	31.12.2010
Debt securities, including:		
between 1 and 3 months	515	-
between 3 months and 1 year	-	505
between 1 and 5 years	14 942	16 230
over 5 years	-	-
Total	15 457	16 735

24. Loans and advances to customers

Loans and advances to customers by product type

	30.06.2011	31.12.2010
Mortgage	24 895 682	23 021 989
Current accounts	11 668 565	9 933 994
Operating loans	14 195 974	15 098 689
Investment loans	14 998 532	15 184 856
Payment cards receivables	753 038	742 682
Purchased debt receivables	2 110 122	1 783 532
Other loans and advances	11 637 099	11 879 171
Debt securities	2 613 290	2 579 089
Repo transactions	2 950 703	1 411 577
Receivables in transit	8 535	5 225
Interest accrued	226 266	214 803
Total gross amount	86 057 806	81 855 607
Impairment provision	(4 262 263)	(4 051 877)
Total net amount	81 795 543	77 803 730

Notes to financial statements (cont)

(In PLN thousand)

Loans and advances to customers by customer type

	30.06.2011	31.12.2010
Receivables from corporate	45 089 822	43 386 092
Receivables from individuals	33 632 555	31 432 488
Receivables from budget entities	7 109 163	6 822 224
Interest accrued	226 266	214 803
Total gross amount	86 057 806	81 855 607
Impairment provision	(4 262 263)	(4 051 877)
Total net amount	81 795 543	77 803 730

Loans and advances to customers by quality

	30.06.2011	31.12.2010
Loans and advances to customers, including:		
gross value of non impaired receivables	80 536 915	76 538 484
gross value of impaired receivables	5 520 891	5 317 123
individual impairment charges	(1 796 186)	(1 751 227)
collective impairment charges (*)	(2 466 077)	(2 300 650)
Total	81 795 543	77 803 730

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

Loans and advances to customers by contractual maturities

	30.06.2011	31.12.2010
Loans and advances to customers, including:		
up to 1 month	16 538 980	14 087 637
between 1 and 3 months	2 009 799	3 135 421
between 3 months and 1 year	11 012 020	11 542 859
between 1 and 5 years	24 974 776	24 273 289
over 5 years	31 295 965	28 601 598
Interest accrued	226 266	214 803
Total gross amount	86 057 806	81 855 607
Impairment provision	(4 262 263)	(4 051 877)
Total net amount	81 795 543	77 803 730

Loans and advances to customers by currencies

	30.06.2011	31.12.2010
PLN	63 963 460	60 212 560
CHF	6 580 715	6 655 950
EUR	9 600 860	9 147 050
USD	1 590 050	1 719 464
Other currencies	60 458	68 706
Total	81 795 543	77 803 730

Changes in impairment balances in the first half of 2011 and 2010 are presented in the Note 15.

Notes to financial statements (cont)

(In PLN thousand)

25. Receivables from financial leases

The value of gross lease investments and minimum lease payments were respectively:

30.06.2011	GROSS LEASING INVESTMENT	PRESENT VALUE OF MINIMUM LEASING PAYMENTS
Up to one year	1 481 331	1 309 310
Between 1 and 5 years	1 764 673	1 600 617
Over 5 years	150 844	129 248
Total	3 396 848	3 039 175
Unrealized financial revenues	(357 673)	
Net leasing investment	3 039 175	
Non-guarantee residual values attributed to lessor	-	
Present value of minimum lease payments	3 039 175	
Value of provision	(191 264)	
Balance sheet value	2 847 911	

31.12.2010	GROSS LEASING INVESTMENT	PRESENT VALUE OF MINIMUM LEASING PAYMENTS
Up to one year	1 540 358	1 370 977
Between 1 and 5 years	1 883 328	1 715 334
Over 5 years	156 867	134 458
Total	3 580 553	3 220 769
Unrealized financial revenues	(359 784)	
Net leasing investment	3 220 769	
Non-guarantee residual values attributed to lessor	-	
Present value of minimum lease payments	3 220 769	
Value of provision	(181 794)	
Balance sheet value	3 038 975	

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

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

Notes to financial statements (cont)

(In PLN thousand)

26. Hedge accounting

As at 30 June 2011 the Group applies fair value hedge accounting and cash flow hedge accounting.

In the first half of 2011 the Group continued to apply the following hedge accounting:

- fair value hedge accounting for fixed coupon debt securities classified as available-for-sale (AFS) hedged with interest rate swap (IRS) transactions - description under 26.1,
- cash flow hedge accounting for floating-rate financial assets and liabilities hedged with cross-currency interest rate swap (CIRS) transactions - description under 26.2,
- cash flow hedge accounting for floating-rate financial assets hedged with interest rate swap (IRS) transactions - description under 26.3,
- fair value hedge accounting for the portfolio of deposits denominated in EUR hedge of interest rate risk with cross-currency interest rate swap (CIRS) transactions - description under 26.4.

In the first half of 2011 the Group has designated the following hedge relationships to hedge accounting:

- cash flow hedge accounting for a denominated in EUR floating coupon deposits portfolio, hedged with interest rate swap (IRS) transactions – description under 26.5,
- fair value hedge accounting for fixed coupon bonds denominated in PLN, hedged with interest rate swap (IRS) transactions – description under 26.1.

The table below presents the fair value of hedging derivatives as at 30.06.2011

	ASSETS	LIABILITIES
Fair value hedge accounting		
interest rate swaps (IRS)	-	137 024
cross-currency interest rate swap (CIRS)	156 178	-
Cash flow hedge accounting		
interest rate swaps (IRS)	33 912	92 235
cross-currency interest rate swap (CIRS)	11 334	809 599
Total	201 424	1 038 858

The table below presents the fair value of hedging derivatives as at 31.12.2010

	ASSETS	LIABILITIES
Fair value hedge accounting		
interest rate swaps (IRS)	-	147 768
cross-currency interest rate swap (CIRS)	171 115	-
Cash flow hedge accounting		
interest rate swaps (IRS)	56 039	407
cross-currency interest rate swap (CIRS)	31 534	562 391
Total	258 688	710 566

Notes to financial statements (cont)

(In PLN thousand)

The table below presents the amounts recognized in the income statement and in revaluation reserves due to cash flow hedge accounting

	I HALF 2011	I HALF 2010
Revaluation reserves (deferral of fair value changes of hedging instruments related to portions recognized as effective hedge- gross value)	(2 701)	58 638
Net interest income on hedging derivatives	91 858	89 857
Ineffective portions in changes in the fair value of hedging transactions recognized in income statement	2 189	1 755

The table below presents changes in revaluation reserves during the period due to cash flow hedge accounting

	I HALF 2011	I HALF 2010
Opening balance	25 070	(42 499)
Deferral of fair value changes of hedging instruments related to the portion recognized as effective hedge	(27 796)	100 814
Amount of the deferral of fair value changes of hedging instruments of the effective hedge removed from revaluation reserves and presented in net profit or loss	25	323
Closing balance	(2 701)	58 638

The table below presents the amounts recognized in the income statement due to the fair value hedge

TYPE OF GAINS/LOSSES	I HALF 2011	I HALF 2010
Gains/losses from revaluation of hedging instruments to fair value	(20 170)	(72 054)
Gains/losses from revaluation of hedged item associated with hedged risk to fair value	12 581	65 210
Result on fair value hedge accounting	(7 589)	(6 844)
Net interest income on hedging instruments	(24 278)	(30 623)

26.1 Fair value hedge of fixed coupon debt securities

Description of the hedging relationship

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

Hedged item

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

Hedging derivative

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

Financial Statement presentation

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

Notes to financial statements (cont)

(In PLN thousand)

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

26.2 Cash flow hedge of floating-rate loans and deposits

Description of the hedging relationship

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

Hedged items

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

Hedging derivatives

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

Financial Statement presentation

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

Period in which the cash flows related to the hedged items are expected to occur

It is expected that the cash flows related to the hedged items will occur until 9 September 2019.

26.3 Cash flow hedge of floating-rate loans

Description of hedging relationship

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

Hedged items

The hedged items consist of the cash flows from floating-rate assets.

Hedging derivatives

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

Financial Statement presentation

The effective portion of the change in fair value of hedging derivatives is recognized in revaluation reserve in equity. The ineffective portion of change in fair value hedging derivatives is recognized in the result on financial assets and liabilities held for trading. The interest from IRS transactions and hedged items is presented in the net interest income.

Period in which the cash flows related to the hedged items are expected to occur

It is expected that the cash flows related to the hedged items will occur until 20 November 2017.

Notes to financial statements (cont)

(In PLN thousand)

26.4 Fair value portfolio hedge of interest rate risk

Description of hedging relationship

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

Hedged item

The hedged item is a portfolio of deposits denominated in EUR with interests insensitive to interest rate changes.

Hedging derivative

The hedging items consist of CIRS transactions in which the Group receives fixed-rate payments in EUR, and pays floating-rate payments in Polish Zloty.

Financial Statement presentation

The result of the change in the hedged items' fair value that relates to the hedged risk is presented in the income statement line item 'Result on fair value hedge accounting'. The remaining portion of change in the hedged items' fair value is recognized as a separate line in the liabilities. Interests from deposits are presented in net interest income.

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

26.5 Cash flow hedge of floating-rate deposits

Description of hedging relationship

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

Hedged items

Cash flows from floating-rate deposits denominated in EUR are the hedged items.

Hedging derivatives

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

Financial Statement presentation

The effective portion of the change in fair value of hedging derivatives is recognized in revaluation reserve in equity. The ineffective portion of change in fair value hedging derivatives is recognized in the net result on financial assets and liabilities held for trading. The interest from IRS transactions and hedged items is presented in net interest income.

Period in which the cash flows related to the hedged items are expected to occur

It is expected that the cash flows related to the hedged items will occur until 5 December 2014.

Notes to financial statements (cont)

(In PLN thousand)

27. Investment securities

	30.06.2011	31.12.2010
Debt securities available for sale (AFS)	22 160 205	25 841 525
Equity securities available for sale (AFS)	14 895	14 862
Debt securities held to maturity (HTM)	4 514 777	4 542 058
Total	26 689 877	30 398 445

Debt securities available for sale (AFS)

	30.06.2011	31.12.2010
Securities issued by State Treasury	14 498 506	13 119 015
T-bills	39 834	30 747
T-bonds	14 458 672	13 088 268
Securities issued by Central Banks	6 906 036	12 556 926
Securities issued by business entities	59 533	81 097
Securities issued by local governments	696 130	84 487
Total	22 160 205	25 841 525
including impairment of assets	-	-

Equity securities available for sale (AFS)

	30.06.2011	31.12.2010
Shares	14 895	14 862
Total	14 895	14 862
including impairment of assets	(494)	(481)

Notes to financial statements (cont)

(In PLN thousand)

Debt securities held to maturity (HTM)

	30.06.2011	31.12.2010
Securities issued by State Treasury	3 921 741	4 107 554
T- bills	191 182	363 828
T- bonds	3 730 559	3 743 726
Securities issued by Central Banks	593 036	434 504
Securities issued by business entities	-	-
Total	4 514 777	4 542 058
including impairment of assets	-	-

Investment debt securities according to contractual maturities

	30.06.2011	31.12.2010
Debt securities, including:		
up to 1 month	7 499 072	13 016 367
between 1 and 3 months	113 474	393 079
between 3 months and 1 year	2 178 681	978 778
between 1 and 5 years	11 698 883	11 168 462
over 5 years	5 184 872	4 826 897
Total	26 674 982	30 383 583

28. Assets and liabilities held for sale and discontinued operations

As at 30 June 2011 non-current assets classified as held for sale included following items classified as held for sale:

- exposure in subsidiary – PJSC UniCredit Bank,
- real estate,
- other property, plant and equipment owned by the Group.

Assets held for sale

	30.06.2011	31.12.2010
ASSETS HELD FOR SALE		
Assets of PJSC UniCredit Bank	2 848 397	3 200 087
Property, plant and equipment	16 733	23 440
Other assets	-	23 458
Total assets	2 865 130	3 246 985
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE		
Liabilities of PJSC UniCredit Bank	980 444	1 009 074
Total liabilities	980 444	1 009 074

Notes to financial statements (cont)

(In PLN thousand)

The Bank Pekao S.A. Group plans to concentrate its activities on local market and in connection with this a process aiming at disposal of the whole exposure of Bank Pekao S.A. in PJSC UniCredit has been started.

The table below presents assets and liabilities of PJSC UniCredit Bank classified by the Pekao Group as assets held for sale.

	30.06.2011 Before elimination	Elimination of intercompany transactions/ consolidation adjustments	30.06.2011 After elimination
ASSETS HELD FOR SALE			
Cash and due from Central Bank	27 172	-	27 172
Loans and advances to banks	427 521	3 042	430 563
Financial assets held for trading	341 265	-	341 265
Loans and advances to customers	1 843 230	-	1 843 230
Investments securities	161 871	-	161 871
Intangible assets	3 677	-	3 677
Property, plant and equipment	20 380	-	20 380
Investment properties	-	-	-
Income tax assets	167	-	167
Other assets	21 055	(983)	20 072
TOTAL ASSETS	2 846 338	2 059	2 848 397
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE			
Amounts due to other banks	1 664 351	(1 506 772)	157 579
Amounts due to customers	783 518	-	783 518
Income tax liabilities	18 343	-	18 343
Other liabilities	21 004	-	21 004
TOTAL LIABILITIES	2 487 216	(1 506 772)	980 444

Notes to financial statements (cont)

(In PLN thousand)

The table below presents the income statement of discontinued operations of PJSC UniCredit Bank

	30.06.2011	30.06.2010
Interest income	106 614	147 554
Interest expense	(46 470)	(65 011)
Net interest income	60 144	82 543
Fee and commission income	17 885	16 915
Fee and commission expense	(7 656)	(8 594)
Net fee and commission income	10 229	8 321
Result on financial assets and liabilities held for trading	12 295	8 672
Gains (losses) on disposal of:	(48)	1 390
loans and other financial receivables	-	1 387
available for sale financial assets and held to maturity investments	(48)	3
Operating income	82 620	100 926
Net impairment losses on financial assets and off-balance sheet commitments:	(10 232)	(27 201)
loans and other financial receivables	(10 232)	(27 201)
off-balance sheet commitments	-	-
Net result on financial activity	72 388	73 725
Administrative expenses	(36 909)	(39 348)
personnel expenses	(18 114)	(19 709)
other administrative expenses	(18 795)	(19 639)
Depreciation and amortization	(4 453)	(6 703)
Net other operating income and expenses	(732)	21
Operating costs	(42 094)	(46 030)
Profit before income tax	30 294	27 695
Income tax expense	(4 560)	(7 690)
Net profit for the period	25 734	20 005

The table below presents the cash flow statement of discontinued operations of PJSC UniCredit Bank

	30.06.2011
Net cash flows from operating activities	(8 639)
Net cash flows from investing activities	4 932
Net cash flows from financing activities	-
Total	(3 707)

In first half of 2011 the Bank's properties located at Marynarska Street in Warsaw including perpetual usufruct right to the land are not classified as assets held for sale, since the relevant requirements are not fulfilled. The items are now presented in line 'Property, plant and equipment' and 'Other assets'.

Assets disposed

ITEM	30.06.2011	31.12.2010
Sales revenues	780	1 846
Net carrying value of divested assets (including sale costs)	94	1 854
Profit/loss on sale before income tax	686	(8)

Notes to financial statements (cont)

(In PLN thousand)

29. Intangible assets

	30.06.2011	31.12.2010
a) Intangible assets, including:	596 325	642 675
research and development expenditures	22 253	23 855
licenses and patents	429 748	415 496
other	4 012	4 471
assets under construction and prepayments for assets under construction	140 312	198 853
b) Goodwill	54 560	54 560
Total	650 885	697 235

In the first half of 2011, the Group acquired intangible assets in the amount of PLN 29 134 thousand, (in 2010 the Group acquired PLN 151 653 thousand).

In the first half of 2011 and in 2010 there have been no restrictions to legal titles to intangible assets as security banking liabilities.

30. Property, plant and equipment

	30.06.2011	31.12.2010
Fixed assets, including:	1 685 143	1 657 613
land and buildings	1 227 464	1 239 235
machinery and equipment	327 495	331 956
transport vehicles	51 904	57 276
other	33 280	29 146
Fixed assets in progress and prepayments for fixed assets in progress	68 479	164 110
Total	1 753 622	1 821 723

In the first half of 2011 the Group acquired 'Property, plant and equipment' in the amount of PLN 35 660 thousand (in 2010 value of property, plant and equipment acquired amounted to PLN 247 009 thousand), while value of property, plant and equipment sold amounted to PLN 6 147 thousand (PLN 13 169 thousand in 2010).

In the first half of 2011 and in 2010 there have been no restrictions to legal titles to property, plant and equipment as security backing liabilities.

Contractual liabilities

As at 30 June 2011 the Group signed agreements with contractors for the future purchase of intangible assets totaling PLN 36 830 thousand and property, plant and equipment totaling PLN 29 832 thousand.

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

Notes to financial statements (cont)

(In PLN thousand)

31. Assets pledged as collateral

As at 30 June 2011 the Group held the following financial assets pledged as collateral

TYPE OF TRANSACTION	PLEDGE INSTRUMENT	CARRYING VALUE OF ASSETS USED TO PLEDGE LIABILITIES	NOMINAL VALUE OF ASSETS USED TO PLEDGE LIABILITIES	VALUE OF LIABILITIES SUBJECT TO PLEDGE
Sell-buy-back	bonds	2 071 776	2 079 658	2 065 307
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds, bills	411 850	380 080	-
Lombard and technical loan	bonds, bills	3 475 834	3 536 129	-
Other credits	bonds, leases encumbrances	586 517	612 485	415 824
Issue of mortgage bonds	receivables backed by mortgage, bonds and hedging instruments	1 471 613	1 487 573	640 501

As at 31 December 2010 the Group held the following financial assets pledged as collateral

TYPE OF TRANSACTION	PLEDGE INSTRUMENT	CARRYING VALUE OF ASSETS USED TO PLEDGE LIABILITIES	NOMINAL VALUE OF ASSETS USED TO PLEDGE LIABILITIES	VALUE OF LIABILITIES SUBJECT TO PLEDGE
Sell-buy-back	bonds	1 509 525	1 495 480	1 570 272
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds, bills	398 042	380 060	-
Lombard and technical loan	bonds, bills	6 656 255	6 737 060	-
Other credits	bonds, leases encumbrances	630 869	668 427	470 572
Issue of mortgage bonds	receivables backed by mortgage, bonds and hedging instruments	1 450 764	1 459 778	439 359
Derivatives	bonds	220 356	239 609	96 605

32. Amounts due to other banks

Amounts due to other banks by product type

	30.06.2011	31.12.2010
Current accounts and overnight deposits	1 491 524	1 796 339
Deposits from other banks and other liabilities	550 775	1 051 612
Loans and advances received	2 636 274	2 708 758
Funds in transit	54 690	31 281
Repo transactions	1 469 563	1 316 102
Interest accrued	7 468	9 031
Total	6 210 294	6 913 123

Notes to financial statements (cont)

(In PLN thousand)

Amounts due to other banks by currencies

	30.06.2011	31.12.2010
PLN	3 929 328	3 804 164
CHF	983 102	941 414
EUR	1 176 574	1 815 314
USD	88 134	79 885
Other currencies	33 156	272 346
Total	6 210 294	6 913 123

33. Amounts due to customers

Amounts due to customers by entities and product type

	30.06.2011	31.12.2010
Amounts due to corporate, including:	44 328 596	48 070 898
current accounts and overnight deposits	17 286 349	18 909 508
term deposits and other liabilities	26 964 823	29 077 615
interest accrued	77 424	83 775
Amounts due to budget entities, including:	6 072 150	5 103 614
current accounts and overnight deposits	3 313 377	3 327 666
term deposits and other liabilities	2 748 490	1 763 336
interest accrued	10 283	12 612
Amounts due to individuals, including:	45 561 390	45 735 642
current accounts and overnight deposits	28 500 219	29 469 302
term deposits and other liabilities	16 939 750	16 131 495
interest accrued	121 421	134 845
Repo transactions, including:	1 031 209	650 086
forward transactions	1 030 716	649 905
interest accrued	493	181
Funds in transit	320 179	246 996
Total	97 313 524	99 807 236

Amounts due to customers by currencies

	30.06.2011	31.12.2010
PLN	82 265 008	84 794 848
CHF	123 319	122 703
EUR	8 366 139	9 050 655
USD	6 023 679	5 323 683
Other currencies	535 379	515 347
Total	97 313 524	99 807 236

Notes to financial statements (cont)

(In PLN thousand)

34. Debt securities issued

Debt securities issued by type

	30.06.2011	31.12.2010
Bonds	3	3
Certificates of deposit	578 297	737 268
Mortgage bonds	633 516	434 633
Interest accrued	6 985	5 254
Total	1 218 801	1 177 158

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

Changes in debt securities issued

	I HALF 2011	2010
Opening balance	1 177 158	2 032 234
Increase (issuance)	614 235	78 401
Decrease (repurchase)	(550 158)	(928 639)
Decrease (partial payment)	(12 848)	(30 263)
Foreign currency exchange differences	(3 375)	4 195
Other changes	(6 211)	21 230
Closing balance	1 218 801	1 177 158

35. Provisions

Roll-forward of provisions in the reporting period

I HALF 2011	PROVISIONS FOR LITIGATION AND CLAIMS	PROVISIONS FOR RETIREMENT BENEFITS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
Opening balance	42 152	127 852	96 500	39 419	305 923
Provision charges/revaluation	1 956	10 405	39 846	10 313	62 520
Provision utilization	(25)	(6)	-	(181)	(212)
Provision releases	(1 078)	-	(63 471)	(7 932)	(72 481)
Foreign currency exchange differences	2	-	(983)	-	(981)
Other changes	(413)	(6 865)	-	240	(7 038)
Closing balance	42 594	131 386	71 892	41 859	287 731

Notes to financial statements (cont)

(In PLN thousand)

2010	PROVISIONS FOR LITIGATION AND CLAIMS	PROVISIONS FOR RETIREMENT BENEFITS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
Opening balance	16 977	121 022	103 251	13 759	255 009
Provision charges/revaluation	30 777	15 689	51 453	60 618	158 537
Provision utilization	(4)	-	-	(35 766)	(35 770)
Provision releases	(3 428)	(103)	(58 185)	(467)	(62 183)
Foreign currency exchange differences	(984)	-	237	-	(747)
Other changes	(1 186)	(8 756)	(256)	1 275	(8 923)
Closing balance	42 152	127 852	96 500	39 419	305 923

Litigation provision

Provision for litigation includes court, administrative and other legal proceedings.

Other provisions

Other provisions include in particular provisions for long term employee benefits resulting from IAS 19 and provisions for employment restructuring concerning planned liquidation of the Branch in Paris. Cash flows connected with the branch's liquidation are expected to be received until the end of 2012.

36. Contingent liabilities

Litigation

As at 30 June 2011, there were no legal claims against the Bank or its subsidiaries, which accounted for at least 10% of the Group's own funds.

In the first half of 2011 the value of legal proceedings against the Bank amounted to PLN 598 170 thousand (in 2010 PLN 630 933 thousand).

As at 30 June 2011, the most significant claim against the Bank and Centralny Dom Maklerski Pekao S.A. was lodged by private individuals and relates to the alleged damage arising as a result of shares purchased and execution process. The total amount in dispute is PLN 306 622 thousand. In the opinion of the Group the suit is groundless.

As at 30 June 2011, the Group created provisions for litigations against the Group, which according to legal opinion are associated with a risk of outflow of funds related to the fulfillment of court rulings. The value of provisions, created as at 30 June 2011 stood at PLN 42 594 thousand (as at 31 December 2010 PLN 42 152 thousand).

Notes to financial statements (cont)

(In PLN thousand)

Financial commitments

Financial commitments by entities

	30.06.2011	31.12.2010
Financial commitments to:		
financial entities	2 216 474	1 920 620
non - financial entities	23 276 461	21 358 414
budget entities	1 196 454	1 419 580
Total	26 689 389	24 698 614

Guarantees

Guarantees by entities

	30.06.2011	31.12.2010
Liabilities to financial entities	544 806	411 993
guarantees	432 818	387 502
sureties	90 746	15 381
confirmed exports letters of credit	21 242	9 110
Liabilities to non-financial entities	7 877 660	7 987 382
guarantees	5 080 940	5 309 362
securities underwriting guarantees	2 796 720	2 678 020
Liabilities to budget entities	433 693	186 763
guarantees	18 059	6 763
securities underwriting guarantees	415 634	180 000
Total	8 856 159	8 586 138

Notes to financial statements (cont)

(In PLN thousand)

Securities underwriting

As at 30 June 2011, the following securities programs have been in place, covered by underwriting

NAME OF ISSUER	TYPE OF SECURITIES	OUTSTANDING UNDERWRITING AMOUNT TO WHICH THE BANK HAS UNDERTAKEN TO COMMIT ITSELF	CONTRACT LIFE	TYPE OF UNDERWRITING
Zakład Komunikacji Miejskiej w Gdańsku Sp. z o.o.	Corporate bonds	54 910	26.03.10 - 30.04.12	Conditional
Międzynarodowe Targi Łódzkie Sp. z o.o.	Corporate bonds	34 490	31.05.10 - 28.02.28	Conditional
Polskie Górnictwo Naftowe i Gazownictwo S.A.	Corporate bonds	575 000	23.07.10 - 30.06.13	Conditional
Miasto Poznań	Municipal bonds	180 000	29.07.10 - 31.12.11	Conditional
PGE Polska Grupa Energetyczna S.A.	Corporate bonds	2 000 000	15.11.10 - 31.10.13	Conditional
Tauron Polska Energia S.A.	Corporate bonds	75 200	16.12.10 - 30.12.15	Conditional
Miasto Chełm	Municipal bonds	29 500	28.03.11 - 31.12.11	Conditional
Port Lotniczy Wrocław S.A.	Corporate bonds	57 120	04.04.11 - 31.12.11	Conditional
Miasto Słupsk	Municipal bonds	33 000	19.05.11 - 31.12.11	Conditional
Gmina Miejska Koszalin	Municipal bonds	68 000	19.05.11 - 31.12.11	Conditional
Gmina Miasto Żyrardów	Municipal bonds	4 500	22.06.11 - 31.12.11	Conditional
Gmina Chęciny	Municipal bonds	9 500	22.06.11 - 31.12.11	Conditional
Gmina Końskie	Municipal bonds	5 000	20.06.11 - 31.12.11	Conditional
Gmina Kielce	Municipal bonds	86 134	02.06.11 - 31.12.11	Conditional

Securities issued by Zakład Komunikacji Miejskiej w Gdańsku Sp. z o.o., Międzynarodowe Targi Łódzkie Sp. z o.o., Polskie Górnictwo Naftowe i Gazownictwo S.A., Miasto Poznań, PGE Polska Grupa Energetyczna S.A., Tauron Polska Energia S.A., Miasto Chełm, Port Lotniczy Wrocław S.A., Miasto Słupsk, Gmina Miejska Koszalin, Gmina Miasto Żyrardów, Gmina Chęciny, Gmina Końskie oraz Gmina Kielce covered by the Bank underwriting are classified as securities with unlimited marketability, unquoted on stock exchanges and not subject to regulated off-the-floor trading.

37. Related party transactions

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

The credit granting process applicable to the Bank's management and entities related to the Bank is the same as that described in the 2010 annual Consolidated Financial Statements.

Notes to financial statements (cont)

(In PLN thousand)

Related party transactions

Related party transactions as at 30 June 2011

NAME OF ENTITY	LOANS AND PLACEMENTS	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	OTHER RECEIVABLES	LOANS AND DEPOSITS	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)	OTHER LIABILITIES
Bank's parent entity						
UniCredit S.p.A.	387 476		12	19 791		19 193
Entities of UniCredit Group exclusive of Pekao S.A. Group entities	810 510	200 714	22 346	2 629 356	617 315	356
Pekao S.A. Group entities						
Subsidiaries						
Property Sp. z o.o. (in liquidation)	-	-	-	3 234	-	-
Pekao Property S.A.	-	-	1	129	-	-
Jana Kazimierza Development Sp. z o.o.	38 640	-	-	6 327	-	313
Metropolis Sp. z o.o.	-	-	-	552	-	-
FPB - Media Sp. z o.o.	12 748	-	-	109	-	1
Associates						
Pirelli Pekao Real Estate Sp. z o.o.	-	-	-	2 484	-	-
Xelion. Doradcy Finansowi Sp. z o.o.	-	-	-	9 656	-	-
Pioneer Pekao Investment Management S.A.	-	-	-	124 459	-	-
Krajowa Izba Rozliczeniowa S.A.	-	-	6	8 514	-	7
Pekao S.A. Group entities total	51 388	-	7	168 821	-	321
Key management Staff of the Bank or its parent entity	3 635	-	-	13 357	-	-
Total	1 253 009	200 714	22 365	2 831 325	617 315	19 870

On 10 December 2010, Bank Pekao S.A. entered into a credit facility agreement with UniCredit Luxembourg, allowing Bank Pekao S.A. to raise a loan from UniCredit Luxembourg up to EUR 500 million.

Notes to financial statements (cont)

(In PLN thousand)

Related party transactions as at 31 December 2010

NAME OF ENTITY	LOANS AND PLACEMENTS	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	OTHER RECEIVABLES	LOANS AND DEPOSITS	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)	OTHER LIABILITIES
Bank's parent entity						
UniCredit S.p.A.	3 558 996	-	1	25 428	-	7 897
Entities of UniCredit Group exclusive of Pekao S.A. Group entities	772 535	206 642	23 633	3 004 336	555 732	344
Pekao S.A. Group entities						
Subsidiaries						
Property Sp. z o.o. (in liquidation)	-	-	-	3 227	-	-
Pekao Property S.A.	-	-	3	397	-	-
Jana Kazimierza Development Sp. z o.o.	56 512	-	-	5 217	-	-
Metropolis Sp. z o.o.	-	-	-	816	-	-
FPB - Media Sp. z o.o.	12 995	-	-	87	-	-
Associates						
Pirelli Pekao Real Estate Sp. z o.o.	-	-	-	694	-	-
Xelion. Doradcy Finansowi Sp. z o.o.	-	-	-	9 376	-	-
Pioneer Pekao Investment Management S.A.	-	-	-	142 422	-	-
Krajowa Izba Rozliczeniowa S.A.	-	-	-	21 149	-	-
Pekao S.A. Group entities total	69 507	-	3	183 385	-	-
Key management Staff of the Bank or its parent entity	3 693	-	-	11 562	-	-
Total	4 404 731	206 642	23 637	3 224 711	555 732	8 241

On 10 December 2010, Bank Pekao S.A. entered into a credit facility agreement with UniCredit Luxembourg, allowing Bank Pekao S.A. to raise a loan from UniCredit Luxembourg up to EUR 500 million.

Notes to financial statements (cont)

(In PLN thousand)

Income and expenses from transactions with related parties for the period from 1 January 2011 to 30 June 2011

NAME OF ENTITY	INTEREST INCOME	INTERESTS EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	OTHER INCOME	OTHER EXPENSES
Bank's parent entity						
UniCredit S.p.A.	2 443	(153)	89	(1 903)	1 495	(6 215)
Entities of UniCredit Group exclusive of Pekao S.A. Group entities	59 162	(49 094)	145 030	(2 554)	7 472	(11 843)
Pekao S.A. Group entities						
Subsidiaries						
Metropolis Sp. z o.o.	-	(10)	1	-	-	-
Property Sp. z o.o. (in liquidation)	-	(59)	1	-	-	-
Pekao Property S.A.	1	(2)	2	-	9	-
Jana Kazimierza Development Sp. z o.o.	1 611	(34)	211	-	-	-
FPB -Media Sp. z o.o.	271	-	2	-	-	-
Associates						
Pioneer Pekao Investment Management S.A.	-	(3 502)	251	-	54	-
Xelion. Doradcy Finansowi Sp. z o.o.	-	(221)	12	(30)	86	-
Krajowa Izba Rozliczeniowa S.A.	-	(249)	7	-	-	(5 734)
Pirelli Pekao Real Estate Sp. z o.o.	-	(40)	7	-	2	-
Pekao S.A. Group entities total	1 883	(4 117)	494	(30)	151	(5 734)
Key management Staff of the Bank or its parent entity	91	(237)	2	-	-	(12)
Total	63 579	(53 601)	145 615	(4 487)	9 118	(23 804)

Notes to financial statements (cont)

(In PLN thousand)

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

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

Notes to financial statements (cont)

(In PLN thousand)

The off-balance sheet exposure related to financing as at 30 June 2011 amounted to PLN 677 604 thousand (PLN 711 288 thousand as at 31 December 2010); guarantee-related exposure as at 30 June 2011 amounted to PLN 246 974 thousand (PLN 218 742 thousand as at 31 December 2010), whereas there were no credit card limits as at 30 June 2011 (no credit card limits as at 31 December 2010).

Remuneration of Bank's Management Board and Supervisory Board Members

	VALUE OF BENEFITS	
	I HALF 2011	I HALF 2010
Management Board of the Bank		
Short-term employee benefits (*)	7 432	8 459
Long-term benefits	1 075	756
Termination benefits	5 568	-
Share-based payments (**)	869	545
Total	14 944	9 760
Supervisory Board of the Bank		
Short-term employee benefits (*)	435	335
Share-based payments (**)	51	-
Total	486	335

(*) Short-term employee benefits include: base salary, bonuses and other benefits, including in particular the cost of life insurance and health insurance policies and of medical treatment, child education costs. Provision for the expected amount of bonus to be paid in 2012 for the year 2011 is presented in 'short-term employee benefits'.

(**) The value of share-based payments is a part of Payroll/Employee Expenses, recognized according to IFRS 2 during the reporting period in the income statement, representing the settlement of initial fair value of options allotted to options granted by the parent entity.

Bank's Management Board and Supervisory Board Members did not receive any remuneration from subsidiaries and associated entities in the first half year of 2011 and 2010.

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

	VALUE OF BENEFITS	
	I HALF 2011	I HALF 2010
Companies' Management Boards		
Short-term employee benefits	11 306	8 511
Long-term benefits	-	271
Termination benefits	-	147
Share-based payments	436	158
Total	11 742	9 087
Companies' Supervisory Boards		
Short-term employee benefits	19	14
Total	19	14

Notes to financial statements ^(cont)

(In PLN thousand)

38. Subsequent events

There have been no significant subsequent events.

Signatures of the Management Board Members

01.08.2011	Luigi Lovaglio	President of the Management Board, CEO	
Date	Name/Surname	Position/Function	Signature
01.08.2011	Diego Biondo	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
01.08.2011	Marco Iannaccone	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
01.08.2011	Andrzej Kopyrski	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
01.08.2011	Grzegorz Piwowar	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
01.08.2011	Marian Ważyński	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature

Annexes to the Financial Statements

Annex 1

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

IFRS 9 'Financial Instruments'

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

Description:

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

IFRS 10 'Consolidated Financial Statements'

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

Description:

The standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The IFRS supersedes IAS 27 'Consolidated and Separate Financial Statements' and SIC-12 'Consolidation - Special Purpose Entities'. The IFRS 10 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. The IFRS also sets out the accounting requirements for the preparation of consolidated financial statements.

IFRS 11 'Joint Arrangements'

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

Description:

The standard establishes more realistic principles for financial reporting by parties to a joint arrangement, and is concentrating mainly on rights and obligations resulting from those arrangements, and not on its legal form. The standard addresses inconsistencies in financial reporting of joint arrangements by introduction of homogenous method of accounting of interest in jointly controlled entities.

IFRS 12 'Disclosure of Interests in Other Entities'

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

Description:

The standard establishes new and complex principles for disclosure of entity's interests in other entities, including subsidiaries, joint ventures, associates and other entities that are not consolidated.

IFRS 13 'Fair Value Measurement'

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

Description:

The standard establishes framework for fair value measurement and requires disclosure of information on fair value measurement. The standard does not set out when an asset, liability or entity's own equity instruments should be measured at fair value. On opposite, measurement and disclosure required by the standard is to be applied when other standards permit fair value measurement (with few exceptions)

IAS 19 'Employee benefits'

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

Description:

The amended standard helps recipients of financial statements to understand how the employee benefits influence the financial position of the entity, its financial results and cash flows.

Annex 2

Glossary

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

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

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

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

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

IBNR – Incurred But Not Reported losses.

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