Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the period from 1 January 2012 to 30 June 2012

Warsaw, August 2012

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

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Consolidated income statement

(In PLN thousand)

	NOTE	I HALF 2012 PERIOD FROM 01.01.2012 TO 30.06.2012			I HALF 2011 PERIOD FROM 01.01.2011 TO 30.06.2011		
		CONTINUED OPERATIONS	DISCONTINUED OPERATIONS	TOTAL	CONTINUED OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
Interest income	8	4 044 200	93 822	4 138 022	3 347 667	106 614	3 454 281
Interest expense	8	(1 726 669)	(32 819)	(1 759 488)	(1 221 214)	(46 470)	(1 267 684)
Net interest income		**2 317 531**	**61 003**	**2 378 534**	**2 126 453**	**60 144**	**2 186 597**
Fee and commission income	9	1 370 949	20 547	1 391 496	1 444 724	17 885	1 462 609
Fee and commission expense	9	(254 123)	(7 805)	(261 928)	(212 977)	(7 656)	(220 633)
Net fee and commission income		**1 116 826**	**12 742**	**1 129 568**	**1 231 747**	**10 229**	**1 241 976**
Dividend income	10	**8 749**	**-**	**8 749**	**10 311**	**-**	**10 311**
Result on financial assets and liabilities held for trading	11	**237 636**	**5 741**	**243 377**	**266 013**	**12 295**	**278 308**
Result on fair value hedge accounting	26	**(8 737)**	**-**	**(8 737)**	**(7 589)**	**-**	**(7 589)**
Net result on other financial instruments at fair value through profit and loss		**-**	**-**	**-**	**(139)**	**-**	**(139)**
Gains (losses) on disposal of:	12	**80 162**	**-**	**80 162**	**4 844**	**(48)**	**4 796**
loans and other financial receivables		-	-	-	(153)	-	(153)
available for sale financial assets and held to maturity investments		80 138	-	80 138	5 740	(48)	5 692
financial liabilities		24	-	24	(743)	-	(743)
Operating income		**3 752 167**	**79 486**	**3 831 653**	**3 631 640**	**82 620**	**3 714 260**
Net impairment losses on financial assets and off-balance sheet commitments:	15	**(287 902)**	**(15 189)**	**(303 091)**	**(258 738)**	**(10 232)**	**(268 970)**
loans and other financial receivables		(276 865)	(15 189)	(292 054)	(282 485)	(10 232)	(292 717)
available for sale financial assets and held to maturity investments		-	-	-	-	-	-
off-balance sheet commitments		(11 037)	-	(11 037)	23 747	-	23 747
Net result on financial activity		**3 464 265**	**64 297**	**3 528 562**	**3 372 902**	**72 388**	**3 445 290**
Administrative expenses	13	**(1 619 883)**	**(38 051)**	**(1 657 934)**	**(1 603 743)**	**(36 909)**	**(1 640 652)**
personnel expenses		(952 706)	(19 467)	(972 173)	(972 666)	(18 114)	(990 780)
other administrative expenses		(667 177)	(18 584)	(685 761)	(631 077)	(18 795)	(649 872)
Depreciation and amortization		**(182 868)**	**(3 527)**	**(186 395)**	**(183 878)**	**(4 453)**	**(188 331)**
Net result on other provisions		**(1 031)**	**-**	**(1 031)**	**(896)**	**-**	**(896)**
Net other operating income and expenses	14	**48 265**	**(175)**	**48 090**	**28 539**	**(732)**	**27 807**
Operating costs		**(1 755 517)**	**(41 753)**	**(1 797 270)**	**(1 759 978)**	**(42 094)**	**(1 802 072)**
Gain on sale discontinued operations		**-**	**-**	**-**	**-**	**-**	**-**
Gains (losses) on associates	16	**25 271**	**-**	**25 271**	**39 162**	**-**	**39 162**
Gains (losses) on disposal of property, plant and equipment, and intangible assets		**2 383**	**-**	**2 383**	**792**	**-**	**792**
Profit before income tax		**1 736 402**	**22 544**	**1 758 946**	**1 652 878**	**30 294**	**1 683 172**
Income tax expense	17	**(335 624)**	**(4 215)**	**(339 839)**	**(310 986)**	**(4 560)**	**(315 546)**
Income tax on gain on sale of discontinued operations		**-**	**-**	**-**	**-**	**-**	**-**
Net profit for the period		**1 400 778**	**18 329**	**1 419 107**	**1 341 892**	**25 734**	**1 367 626**
1.Attributable to equity holders of the Bank		1 396 451	18 329	1 414 780	1 336 870	25 734	1 362 604
2.Attributable to non-controlling interest		4 327	-	4 327	5 022	-	5 022
Earnings per share (in PLN per share)	18						
basic for the period		5.32	0.07	5.39	5.09	0.10	5.19
diluted for the period		5.32	0.07	5.39	5.09	0.10	5.19

Consolidated income statement

(In PLN thousand)

	NOTE	II QUARTER 2012 PERIOD FROM 01.04.2012 TO 30.06.2012			II QUARTER 2011 PERIOD FROM 01.04.2011 TO 30.06.2011		
		CONTINUED OPERATIONS	DISCONTINUED OPERATIONS	TOTAL	CONTINUED OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
Interest income	8	2 041 694	47 525	2 089 219	1 735 909	49 287	1 785 196
Interest expense	8	(887 626)	(16 179)	(903 805)	(637 615)	(22 156)	(659 771)
Net interest income		**1 154 068**	**31 346**	**1 185 414**	**1 098 294**	**27 131**	**1 125 425**
Fee and commission income	9	705 245	11 658	716 903	753 752	9 112	762 864
Fee and commission expense	9	(133 547)	(4 323)	(137 870)	(114 171)	(4 125)	(118 296)
Net fee and commission income		**571 698**	**7 335**	**579 033**	**639 581**	**4 987**	**644 568**
Dividend income	10	**8 749**	**-**	**8 749**	**10 311**	**-**	**10 311**
Result on financial assets and liabilities held for trading	11	**124 272**	**672**	**124 944**	**124 200**	**4 954**	**129 154**
Result on fair value hedge accounting	26	**(5 597)**	**-**	**(5 597)**	**(3 345)**	**-**	**(3 345)**
Net result on other financial instruments at fair value through profit and loss		**-**	**-**	**-**	**(153)**	**-**	**(153)**
Gains (losses) on disposal of:	12	**37 044**	**-**	**37 044**	**3 385**	**16**	**3 401**
loans and other financial receivables		-	-	-	(153)	-	(153)
available for sale financial assets and held to maturity investments		36 929	-	36 929	3 863	16	3 879
financial liabilities		115	-	115	(325)	-	(325)
Operating income		**1 890 234**	**39 353**	**1 929 587**	**1 872 273**	**37 088**	**1 909 361**
Net impairment losses on financial assets and off-balance sheet commitments:	15	**(160 407)**	**(7 345)**	**(167 752)**	**(131 553)**	**(3 235)**	**(134 788)**
loans and other financial receivables		(139 664)	(7 345)	(147 009)	(122 887)	(3 235)	(126 122)
available for sale financial assets and held to maturity investments		-	-	-	-	-	-
off-balance sheet commitments		(20 743)	-	(20 743)	(8 666)	-	(8 666)
Net result on financial activity		**1 729 827**	**32 008**	**1 761 835**	**1 740 720**	**33 853**	**1 774 573**
Administrative expenses	13	**(820 241)**	**(19 093)**	**(839 334)**	**(817 536)**	**(17 857)**	**(835 393)**
personnel expenses		(482 855)	(10 038)	(492 893)	(492 528)	(8 695)	(501 223)
other administrative expenses		(337 386)	(9 055)	(346 441)	(325 008)	(9 162)	(334 170)
Depreciation and amortization		**(91 353)**	**(1 673)**	**(93 026)**	**(90 582)**	**(2 054)**	**(92 636)**
Net result on other provisions		**(711)**	**-**	**(711)**	**532**	**-**	**532**
Net other operating income and expenses	14	**31 102**	**(131)**	**30 971**	**16 709**	**(265)**	**16 444**
Operating costs		**(881 203)**	**(20 897)**	**(902 100)**	**(890 877)**	**(20 176)**	**(911 053)**
Gain on sale discontinued operations		**-**	**-**	**-**	**-**	**-**	**-**
Gains (losses) on associates	16	**13 530**	**-**	**13 530**	**18 491**	**-**	**18 491**
Gains (losses) on disposal of property, plant and equipment, and intangible assets		**1 213**	**-**	**1 213**	**377**	**-**	**377**
Profit before income tax		**863 367**	**11 111**	**874 478**	**868 711**	**13 677**	**882 388**
Income tax expense	17	**(165 955)**	**(2 116)**	**(168 071)**	**(163 913)**	**(1 739)**	**(165 652)**
Income tax on gain on sale of discontinued operations		**-**	**-**	**-**	**-**	**-**	**-**
Net profit for the period		**697 412**	**8 995**	**706 407**	**704 798**	**11 938**	**716 736**
1.Attributable to equity holders of the Bank		695 208	8 995	704 203	702 359	11 938	714 297
2.Attributable to non-controlling interest		2 204	-	2 204	2 439	-	2 439
Earnings per share (in PLN per share)	18						
basic for the period		2.65	0.03	2.68	2.67	0.05	2.72
diluted for the period		2.65	0.03	2.68	2.67	0.05	2.72

Consolidated statement of comprehensive income

(In PLN thousand)

	NOTE	II QUARTER 2012 Period from 01.04.2012 to 30.06.2012	I HALF 2011 Period from 01.01.2012 to 30.06.2012	II QUARTER 2011 Period from 01.04.2011 to 30.06.2011	I HALF 2011 Period from 01.01.2011 to 30.06.2011
Net profit		**706 407**	**1 419 107**	**716 736**	**1 367 626**
1.Attributable to equity holders of the Bank		704 203	1 414 780	714 297	1 362 604
2.Attributable to non-controlling interest		2 204	4 327	2 439	5 022
Other comprehensive income					
Foreign currency translation differences		38 126	(448)	(16 131)	(27 421)
Change in fair value of available-for-sale financial assets		119 232	349 866	196 477	103 007
Change in fair value of cash flow hedges		(26 320)	(86 320)	18 395	(27 772)
Income tax expenses on other comprehensive income	17	(24 896)	(49 496)	(38 577)	(9 060)
Other comprehensive income (net)		**106 142**	**213 602**	**160 164**	**38 754**
Total comprehensive income		**812 549**	**1 632 709**	**876 900**	**1 406 380**
1.Attributable to equity holders of the Bank		810 345	1 628 382	874 461	1 401 358
2.Attributable to non-controlling interest		2 204	4 327	2 439	5 022

Consolidated statement of financial position

(In PLN thousand)

	NOTE	30.06.2012	31.12.2011
ASSETS			
Cash and due from Central Bank	20	6 526 969	4 886 093
Debt securities eligible for rediscounting at Central Bank		318	100
Loans and advances to banks	21	6 939 453	5 586 057
Financial assets held for trading	22	1 071 650	849 711
Derivative financial instruments (held for trading)	23	1 972 702	2 156 274
Other financial instruments at fair value through profit and loss		-	-
Loans and advances to customers	24	94 475 330	92 816 389
Receivables from financial leases	25	2 832 029	2 862 760
Hedging instruments	26	483 968	408 906
Investments securities	27	26 455 320	29 119 637
1.Available for sale		22 217 672	25 324 803
2.Held to maturity		4 237 648	3 794 834
Assets held for sale	28	2 541 145	2 931 575
Investments in subsidiaries		147 543	186 252
Intangible assets	29	663 540	703 355
Property, plant and equipment	30	1 697 177	1 772 940
Investment properties		64 849	63 928
Income tax assets		877 345	889 952
1.Current tax receivable		1 888	1 950
2.Deferred tax assets		875 457	888 002
Other assets		1 561 651	1 356 177
TOTAL ASSETS		**148 310 989**	**146 590 106**
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to Central Bank	20	178 481	356 386
Amounts due to other banks	32	8 208 310	5 544 210
Financial liabilities held for trading	22	110 780	-
Derivative financial instruments (held for trading)	23	2 052 695	2 507 199
Amounts due to customers	33	106 752 599	108 436 964
Hedging instruments	26	1 473 151	1 738 549
Fair value hedge adjustments of hedged items due to interest rate risk	26	1 576	(17 475)
Debt securities issued	34	3 361 646	3 043 919
Liabilities associated with assets held for sale	28	891 721	999 985
Income tax liabilities		56 163	198 997
1.Current income tax payable		50 994	194 560
2.Deferred tax liabilities		5 169	4 437
Provisions	35	337 050	313 880
Other liabilities		3 313 791	2 110 562
TOTAL LIABILITIES		**126 737 963**	**125 233 176**
Equity			
Equity attributable to equity holders of the Bank		**21 486 016**	**21 271 463**
Share capital		262 383	262 382
Other capital and reserves		19 669 148	18 035 191
Retained earnings and profit for the period		1 554 485	2 973 890
Non-controlling interest		87 010	85 467
TOTAL EQUITY		**21 573 026**	**21 356 930**
TOTAL EQUITY AND LIABILITIES		**148 310 989**	**146 590 106**

Consolidated statement of changes in equity

(In PLN thousand)

For the period from 1 January 2012 to 30 June 2012

	EQUITY ATTRIBUTABLE TO BANK STOCKHOLDERS											
		OTHER CAPITAL AND RESERVES										
	SHARE CAPITAL	TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES FROM FINANCIAL INSTRUMENTS	FOREIGN CURRENCY TRANSLATION DIFFERENCES	OTHER	RETAINED EARNINGS AND CURRENT YEAR PROFIT	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON-CONTROLLING INTEREST	TOTAL EQUITY
Equity as at 1 January 2012	**262 382**	**18 035 191**	**9 126 501**	**1 537 850**	**7 153 186**	**(65 432)**	**(98 976)**	**382 062**	**2 973 890**	**21 271 463**	**85 467**	**21 356 930**
Management options	**1**	**(1 741)**	**119**	**-**	**-**	**-**	**-**	**(1 860)**	**-**	**(1 740)**	**20**	**(1 720)**
Options exercised (share issue)	1	119	119	-	-	-	-	-	-	120	-	120
Revaluation of management share options	-	(1 860)	-	-	-	-	-	(1 860)	-	(1 860)	20	(1 840)
Valuation of financial instrument	**-**	**213 477**	**-**	**-**	**-**	**213 477**	**-**	**-**	**-**	**213 477**	**-**	**213 477**
Revaluation of available-for-sale investments net of tax	**-**	283 396	-	-	-	283 396	-	-	-	283 396	-	283 396
Revaluation of hedging financial instruments net of tax	**-**	(69 919)	-	-	-	(69 919)	-	-	-	(69 919)	-	(69 919)
Appropriation of retained earnings and current year profit	**-**	**1 429 223**	**-**	**200 000**	**1 211 051**	**-**	**-**	**18 172**	**(1 426 532)**	**(2 691)**	**1 523**	**4 214**
Dividend paid	-	-	-	-	-	-	-	-	(1 412 089)	(1 412 089)	(2 804)	(1 414 893)
Profit appropriation	-	1 429 223	-	200 000	1 211 051	-	-	18 172	(1 429 223)	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	1 414 780	1 414 780	4 327	1 419 107
Other	**-**	**(7 002)**	**-**	**-**	**-**	**-**	**(7 002)**	**-**	**7 127**	**125**	**-**	**125**
Foreign currency translation differences	-	(7 002)	-	-	-	-	(7 002)	-	7 127	125	-	125
Equity as at 30 June 2012	**262 383**	**19 669 148**	**9 126 620**	**1 737 850**	**8 364 237**	**148 045**	**(105 978)**	**398 374**	**1 554 485**	**21 486 016**	**87 010**	**21 573 026**

Consolidated statement of changes in equity (cont)

(In PLN thousand)

For the period from 1 January 2011 to 30 June 2011

	EQUITY ATTRIBUTABLE TO BANK STOCKHOLDERS											
		OTHER CAPITAL AND RESERVES										
	SHARE CAPITAL	TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES FROM FINANCIAL INSTRUMENTS	FOREIGN CURRENCY TRANSLATION DIFFERENCES	OTHER	RETAINED EARNINGS AND CURRENT YEAR PROFIT	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON-CONTROLLING INTEREST	TOTAL EQUITY
Equity as at 1 January 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 cash flow statement

(In PLN thousand)

	I HALF 2012 Period from 01.01.2012 to 30.06.2012	I HALF 2011 Period from 01.01.2011 to 30.06.2011
Cash flow from operating activities – indirect method		
Net profit for the period	**1 414 780**	**1 362 604**
Adjustments:	**(948 938)**	**(5 924 877)**
Depreciation expense	186 394	188 331
Share of profit (losses) in associates	(27 173)	(39 162)
(Gains) losses on investing activities	(82 521)	(6 501)
Interest and dividend	(563 805)	(594 818)
Change in loans and advances to banks	(272)	443 531
Change in financial assets held for trading and other financial instruments at fair value through profit and loss	(221 939)	147 110
Change in derivative financial instruments (assets)	183 572	56 653
Change in loans and advances to customers and debt securities eligible for rediscounting at Central Bank	(1 659 159)	(3 991 876)
Change in receivables from financial leases	30 731	191 064
Change in investment securities	19 969	93 095
Change in tax assets	(37 462)	(27 581)
Change in other assets	26 429	224 637
Change in amounts due to banks	2 486 195	(888 565)
Change in liabilities held for trading	110 780	341 822
Change in derivative financial instruments (liabilities) and other financial instruments at fair value	(454 504)	(257 350)
Change in amounts due to customers	(1 684 365)	(2 493 712)
Change in debt securities issued	8 036	(11 317)
Change in provisions	23 170	(18 192)
Change in other liabilities	850 532	666 876
Income tax paid (negative sign)	(520 546)	(282 975)
Current tax expense	377 000	334 053
Net cash flows from operating activities	**465 842**	**(4 562 273)**
Cash flow from investing activities		
Investing activity inflows	**133 504 407**	**173 556 287**
Sale of investment securities	133 138 460	173 214 448
Sale of intangible assets and property, plant and equipment	4 976	5 695
Other investing inflows	360 971	336 144
Investing activity outflows	**(129 867 746)**	**(169 227 594)**
Acquisition of investment securities	(129 789 798)	(169 162 788)
Acquisition of intangible assets and property, plant and equipment	(77 948)	(64 806)
Net cash flows from investing activities	**3 636 661**	**4 328 693**

Consolidated cash flow statement (cont)

(In PLN thousand)

	I HALF 2012 Period from 01.01.2012 to 30.06.2012	I HALF 2011 Period from 01.01.2011 to 30.06.2011
Cash flows from financing activities		
Financing activity inflows	**2 176 564**	**614 605**
Issue of debt securities	2 176 444	614 235
Issue of shares	120	370
Financing activity outflows	**(3 285 067)**	**(2 347 646)**
Redemption of debt securities	(1 872 978)	(563 006)
Dividends and other payments to shareholders	(1 412 089)	(1 784 640)
Net cash flows from financing activities	**(1 108 503)**	**(1 733 041)**
Total net cash flows	**2 994 000**	**(1 966 621)**
Net change in cash and cash equivalents	**2 994 000**	**(1 966 621)**
Cash and cash equivalents at the beginning of the period	**10 155 537**	**11 130 476**
Cash and cash equivalents at the end of the period	**13 149 537**	**9 163 855**

Notes to financial statements

(In PLN thousand)

1. General information

Bank Polska Kasa Opieki Spółka Akcyjna (hereafter 'Bank Pekao S.A.' or 'the Bank'), with its headquarters in Warsaw 00-950, Grzybowska Street 53/57, was incorporated on 29 October 1929 in the Commercial Register of the District Court in Warsaw and has been continuously 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 2012 to 30 June 2012 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	
			30.06.2012	31.12.2011
Public Joint Stock Company UniCredit Bank, including:	Kiev, Ukraine	Banking	100.00	100.00
BDK Consulting Ltd.	*Lutsk, Ukraine*	*Consulting, hotel and transport services*	*99.99*	*99.99*
Centralny Dom Maklerski Pekao S.A.	Warsaw	Brokerage	100.00	100.00
Pekao Fundusz Kapitałowy Sp. z o.o.	Warsaw	Business consulting	100.00	100.00
Pekao Leasing Sp. z o.o. (*)	Warsaw	Leasing services	36,49	36.49
Pekao Faktoring Sp. z o.o.	Lublin	Factoring services	100.00	100.00
Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A.	Warsaw	Pension fund management	65.00	65.00
Pekao Telecentrum Sp. z o.o.	Warsaw	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
Pekao Leasing Sp. z o.o.	*Warsaw*	*Leasing services*	*50.87*	*50.87*
Holding Sp. z o.o. /in liquidation/	Warsaw	Pending liquidation	100.00	100.00
Centrum Bankowości Bezpośredniej Sp. z o.o.	Cracow	Call-center services	100.00	100.00
Pekao Property S.A., including:	Warsaw	Real estate development	100.00	100.00
Metropolis Sp. z o.o.	*Warsaw*	*Real estate development*	*100.00*	*100.00*
Jana Kazimierza Development Sp. z o.o.	*Warsaw*	*Real estate development*	*100.00*	*100.00*
Property Sp. z o.o./in liquidation/, including:	Warsaw	Real estate management	100.00	100.00
FPB Media Sp. z o.o.	*Warsaw*	*Real estate development*	*100.00*	*100.00*

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

As at 30 June 2012, all of the subsidiaries have been consolidated.

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	
			30.06.2012	31.12.2012
Central Poland Fund LLC (*)	Wilmington, Deleware USA	Pending liquidation – not operating	53.19	53.19
Dom Inwestycyjny Xelion Sp. z o.o. (ex. 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 has no control over the entities due to provisions in the Company's Articles of Association.

As at 30 June 2012, the Group held no shares in entities under common control.

Changes in Group structure

The composition of the Capital Group as at 30 June 2012 has not changed compared to 31 December 2011.

Till the day of publishing this report, the Group has decreased by one subsidiary – Holding Sp. z o.o. On July 26, 2012, the District Court of the City of Warsaw, XIII Economic Department of National Court Register decided on completing the liquidation proceedings and removing the Company Holding Sp. z o.o. in liquidation from the National Court Register.

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 2011.

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 with amendments) the Bank is required to publish the financial report for the six months ended 30 June 2012, 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.

Notes to financial statements (cont)

(In PLN thousand)

The financial data, presented in Condensed Consolidated Interim Financial Statement of the Group were prepared in the way ensuring their comparability.

For the comparative periods, the Bank introduced changes in the income statement regarding the presentation of commission income and expenses on card transactions of the similar type. Previously, these transactions were presented in the same amounts both in income and commission expenses. According to the recently established change, they are presented in net value. Introduced change does not affect net fee and commission income and therefore it does not affect the net profit of the Bank.

Introduced changes are presented in the table below:

ITEM IN THE INCOME STATEMENT	II QUARTER 2011 UNADJUSTED	PRESENTATION CHANGE	II QUARTER 2011 ADJUSTED	I HALF 2011 UNADJUSTED	PRESENTATION CHANGE	I HALF 2011 ADJUSTED
Fee and commission income	770 803	(7 939)	762 864	1 476 246	(13 637)	1 462 609
Fee and commission expenses	(126 235)	7 939	(118 296)	(234 270)	13 637	(220 633)

These condensed consolidated interim financial statements were approved by the Management Board on 2 August 2012.

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 recognized at 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 amaount or the fair value less costs to sell.

During the period covered by the Condensed Consolidated Interim Financial Statements the Bank did not introduce significant changes in the accounting policy concerning valuation of assets and liabilities and profit measurement in comparison with previous period. 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 2011.

Changes in published standards and interpretations, which become effective since 1st January 2012, had no impact on these interim consolidated financial statements.

The Consolidated Financial Statement 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 Group's opinion amendments to standards and interpretations will not have significant influence on consolidated financial statement, with the exception of a new IFRS 9 "Financial Instruments", described in the 2011 Group's Consolidated Financial Statement.

(In PLN thousand)

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 2011.

During the six months period ended 30 June 2012 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.

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 2011.

In connection with the periodic review of rating models and changed rating scale, the quality of corporate client portfolio as at 30 June 2012 was presented according to new rating scale. The distribution of the portfolio at 31 December 2011 was transformed according to new rating scale. Distributions for other portfolios remained unchanged.

Below tables present quality of Bank's loan portfolio.

The table below presents percentage distribution of the portfolio exposure to specialized lending (no impairment)

SUPERVISORY CATEGORY	NOMINAL VALUE	
	30.06.2012	31.12.2011
High	28.7%	25.6%
Good	65.5%	67.2%
Satisfactory	4.8%	6.9%
Poor	1.0%	0.3%
Total	**100.0%**	**100.0%**

Notes to financial statements (cont)

(In PLN thousand)

The table below presents the distribution of the portfolio covered by the rating model for the individual customer segment (no impairment)

CREDIT RATING	MORTGAGE			CONSUMER CREDIT			NOT INSTALLMENT LOAN		
	PD RANGE	NOMINAL VALUE		PD RANGE	NOMINAL VALUE		PD RANGE	NOMINAL VALUE	
		30.06.2012	31.12.2011		30.06.2012	31.12.2011		30.06.2012	31.12.2011
1	0.00% <= PD < 0.19%	5.3%	5.9%	0.00% <= PD < 0.30%	5.6%	6.7%	0.00% <= PD < 0.01%	0.5%	0.5%
2	0.19% <= PD < 0.24%	12.3%	12.8%	0.30% <= PD < 0.50%	8.2%	8.2%	0.01% <= PD < 0.03%	11.4%	14.9%
3	0.24% <= PD < 0.31%	29.5%	29.0%	0.50% <= PD < 0.60%	5.5%	5.4%	0.03% <= PD < 0.04%	5.2%	9.9%
4	0.31% <= PD < 0.40%	37.1%	34.8%	0.60% <= PD < 0.80%	13.2%	13.9%	0.04% <= PD < 0.07%	5.9%	3.1%
5	0.40% <= PD < 0.61%	5.6%	5.8%	0.80% <= PD < 1.30%	17.2%	17.2%	0.07% <= PD < 0.15%	13.3%	7.6%
6	0.61% <= PD < 1.02%	1.5%	1.8%	1.30% <= PD < 2.10%	18.7%	17.7%	0.15% <= PD < 0.25%	18.8%	16.3%
7	1.02% <= PD < 2.20%	2.2%	2.7%	2.10% <= PD < 3.70%	15.0%	13.9%	0.25% <= PD < 0.59%	12.9%	18.9%
8	2.20% <= PD < 6.81%	2.3%	2.9%	3.70% <= PD < 7.20%	6.5%	7.0%	0.59% <= PD < 1.20%	12.9%	10.4%
9	6.81% <= PD < 14.10%	1.4%	1.6%	7.20% <= PD < 15.40%	3.1%	3.1%	1.20% <= PD < 2.58%	5.1%	14.2%
10	14.10% <= PD < 100.00%	2.8%	2.7%	15.40% <= PD < 100.00%	7.0%	6.9%	2.58% <= PD < 100.00%	14.0%	4.2%
Total		**100.0%**	**100.0%**		**100.0%**	**100.0%**		**100.0%**	**100.0%**

The table below presents the distribution of the portfolio covered by the rating model for the small and medium enterprises segment (no impairment)

CREDIT RATING	PD RANGE	NOMINAL VALUE	
		30.06.2012	31.12.2011
1	0.00% <= PD < 0.11%	1.3%	1.5%
2	0.11% <= PD < 0.22%	4.1%	4.3%
3	0.22% <= PD < 0.45%	8.1%	8.6%
4	0.45% <= PD < 1.00%	15.4%	17.2%
5	1.00% <= PD < 2.10%	19.1%	18.3%
6	2.10% <= PD < 4.00%	16.4%	15.6%
7	4.00% <= PD < 7.00%	13.5%	12.7%
8	7.00% <= PD < 12.00%	9.6%	9.3%
9	12.00% <= PD < 22.00%	6.8%	8.0%
10	22.00% <= PD < 100.00%	5.7%	4.5%
Total		**100.0%**	**100.0%**

The table below presents the distribution of the portfolio covered by the rating model for the corporate client segment (no impairment)

CREDIT RATING	PD RANGE	NOMINAL VALUE	
		30.06.2012	31.12.2011
1	0.00% <= PD < 0.15%	6.4%	6.3%
2	0.15% <= PD < 0.27%	6.0%	3.8%
3	0.27% <= PD < 0.45%	11.2%	9.3%
4	0.45% <= PD < 0.75%	7.1%	13.7%
5	0.75% <= PD < 1.27%	10.3%	8.3%
6	1.27% <= PD < 2.25%	16.6%	17.7%
7	2.25% <= PD < 4.00%	12.2%	15.5%
8	4.00% <= PD < 8.50%	18.9%	16.4%
9	8.50% <= PD < 100.00%	11.3%	9.0%
Total		**100.0%**	**100.0%**

Notes to financial statements (cont)

(In PLN thousand)

Qualitative analysis of Group's financial assets

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 (*)	
	30.06.2012	31.12.2011	30.06.2012	31.12.2011
GROSS CARRYING VALUE OF EXPOSURE INDIVIDUALLY IMPAIRED				
- not past due	1 171	1 181	611 817	916 009
- up to 1 month	-	-	781 585	303 755
- between 1 month and 3 months	-	-	48 293	23 523
- between 3 months and 1 year	-	-	866 691	472 734
- between 1 year and 5 years	62 964	62 964	1 113 152	1 009 748
- above 5 years	-	-	1 026 570	946 989
Total gross carrying value	**64 135**	**64 145**	**4 448 108**	**3 672 758**
ALLOWANCE FOR IMPAIRMENT				
- not past due	(1 171)	(1 181)	(153 172)	(120 060)
- up to 1 month	-	-	(108 659)	(167 011)
- between 1 month and 3 months	-	-	(22 054)	(8 724)
- between 3 months and 1 year	-	-	(217 160)	(140 467)
- between 1 year and 5 years	(54 000)	(54 000)	(681 244)	(670 243)
- above 5 years	-	-	(857 965)	(787 883)
Total allowance for impairment	**(55 171)**	**(55 181)**	**(2 040 254)**	**(1 894 388)**
Net carrying value of exposure individually impaired	**8 964**	**8 964**	**2 407 854**	**1 778 370**
GROSS CARRYING VALUE OF EXPOSURE COLLECTIVELY IMPAIRED				
- not past due	-	-	81 235	74 919
- up to 1 month	-	-	21 101	27 118
- between 1 month and 3 months	-	-	42 179	28 235
- between 3 months and 1 year	-	-	465 763	494 937
- between 1 year and 5 years	-	-	1 482 223	1 423 248
- above 5 years	16 556	16 632	620 291	626 405
Total gross carrying value	**16 556**	**16 632**	**2 712 792**	**2 674 862**
ALLOWANCE FOR IMPAIRMENT				
- not past due	-	-	(48 187)	(43 533)
- up to 1 month	-	-	(13 102)	(16 776)
- between 1 month and 3 months	-	-	(24 022)	(17 293)
- between 3 months and 1 year	-	-	(286 977)	(307 941)
- between 1 year and 5 years	-	-	(1 248 256)	(1 185 341)
- above 5 years	(16 405)	(16 628)	(614 949)	(622 183)
Total allowance for impairment	**(16 405)**	**(16 628)**	**(2 235 493)**	**(2 193 067)**
Net carrying value of exposure collectively impaired	**151**	**4**	**477 299**	**481 795**

(*)Receivables from banks and receivables from customers include net investments in finance leases.

Notes to financial statements (cont)

(In PLN thousand)

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

	LOANS AND ADVANCES TO BANKS (*)		LOANS AND ADVANCES TO CUSTOMERS (*)			
			CORPORATE		RETAIL	
	30.06.2012	31.12.2011	30.06.2012	31.12.2011	30.06.2012	31.12.2011
GROSS CARRYING VALUE OF EXPOSURE WITH NO IMPAIRMENT						
- not past due	6 931 313	5 578 140	57009 074	57 843 701	35 473 621	33 123 595
- up to 30 days	-	-	777 171	864 221	1 089 826	1 439 555
- between 30 days and 60 days	-	-	125 137	252 639	234 095	219 130
- above 60 days	-	-	125 782	94 158	101 872	117 329
Total gross carrying value	**6 931 313**	**5 578 140**	**58 037 164**	**59 054 719**	**36 899 414**	**34 899 609**
IBNR PROVISION						
- not past due	(798)	(746)	(223 897)	(234 886)	(153 370)	(131 034)
- up to 30 days	-	-	(10 964)	(7 858)	(69 495)	(104 072)
- between 30 days and 60 days	-	-	(1 665)	(2 415)	(33 947)	(31 803)
- above 60 days	-	-	(1 199)	(1 442)	(19 694)	(22 039)
Total IBNR provision	**(798)**	**(746)**	**(237 725)**	**(246 601)**	**(276 506)**	**(288 948)**
Net carrying value of exposure with no impairment	**6 930 515**	**5 577 394**	**57 799 439**	**58 808 118**	**36 622 908**	**34 610 661**

(*) 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 2012

RATING	DEBT SECURITIES					
	HELD FOR TRADING	DESIGNATED TO FAIR VALUE THROUGH PROFIT & LOSS	AVAILABLE FOR SALE	HELD TO MATURITY	REPO TRANSACTIONS	TOTAL
AAA	-	-	-	-	-	-
AA- to AA+	-	-	-	-	-	-
A- to A+	872 133	-	15 869 365	3 637 573	4 284 420	24 663 491
BBB+ to BBB-	-	-	249 898	-	-	249 898
BB+ to BB-	-	-	-	-	-	-
B+ to B-	-	-	-	-	-	-
under B-	-	-	-	-	-	-
no rating	199 517	-	6 080 104 (*)	600 075 (**)	-	6 879 696
Total	**1 071 650**	**-**	**22 199 367**	**4 237 648**	**4 284 420**	**31 793 085**

(*) including NBP bills in an amount of PLN 5 395 316 thousand
(**) including NBP bills in an amount of PLN 600 075 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 2011

RATING	DEBT SECURITIES					
	HELD FOR TRADING	DESIGNATED TO FAIR VALUE THROUGH PROFIT & LOSS	AVAILABLE FOR SALE	HELD TO MATURITY	REPO TRANSACTIONS	TOTAL
AAA	-	-	-	-	-	-
AA- to AA+	-	-	-	-	-	-
A- to A+	601 813	-	14 885 948	3 119 353	3 755 536	22 362 650
BBB+ to BBB-	-	-	-	-	-	-
BB+ to BB-	-	-	-	-	-	-
B+ to B-	-	-	-	-	-	-
below B-	-	-	-	-	-	-
no rating	247 898	-	10 421 317 (*)	675 481 (**)	-	11 344 696
Total	**849 711**	**-**	**25 307 265**	**3 794 834**	**3 755 536**	**33 707 346**

(*) including NBP bills in an amount of PLN 9 718 216 thousand
(**) including NBP bills in an amount of PLN 675 481 thousand

Derivative financial instruments

	TRADING DERIVATIVES		DERIVATIVE HEDGING INSTRUMENTS	
	30.06.2012	31.12.2011	30.06.2012	31.12.2011
Banks	1 613 306	1 764 980	230 866	95 595
Other financial institutions	18 842	22 342	-	-
Non-financial entities	340 554	368 952	253 102	313 311
Total	**1 972 702**	**2 156 274**	**483 968**	**408 906**

Credit risk management of Public Joint Stock Company UniCredit Bank

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

The credit policy has been annually approved by the statutory bodies of Public Joint Stock Company UniCredit Bank and issued in the form of internal regulation bounding within UCB.

Bank Pekao S.A. supervises and controls the underwriting process in UCB. All credit decisions are taken by the Management Board of the Public Joint Stock Company UniCredit Bank, however for credits or total exposures above USD 5 million (or its equivalent in other currencies), only upon approval by 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 below table presents loan portfolio of Public Joint Stock Company UniCredit Bank:

	30.06.2012		31.12.2011	
	CORPORATE	RETAIL	CORPORATE	RETAIL
GROSS CARRYING AMOUNT OF EXPOSURE WITH NO IMPAIRMENT				
- not past due	648 673	181 710	1 152 425	227 623
- up to 30 days	253 607	20 659	119 065	5 779
- between 30 days and 60 days	23 046	3 592	10 920	2 840
- over 60 days	69 667	2 747	-	2 392
Total gross carrying amount	**994 993**	**208 708**	**1 282 410**	**238 634**
IBNR	**(20 200)**	**(1 269)**	**(26 171)**	**(997)**
Net carrying amount of exposure with no impairment	**974 793**	**207 439**	**1 256 239**	**237 637**

	30.06.2012	31.12.2011
	CORPORATE AND RETAIL	CORPORATE AND RETAIL
GROSS CARRYING AMOUNT OF IMPAIRED EXPOSURE		
Individually impaired exposure		
Gross carrying amount	221 426	216 938
Allowance for impairment	(148 563)	(144 609)
Net carrying amount of exposure individually impaired	**72 863**	**72 329**
Collectively impaired exposure		
Gross carrying amount	171 639	163 383
Allowance for impairment	(109 393)	(93 917)
Net carrying amount of exposure collectively impaired	**62 246**	**69 466**

Most of credit portfolio of UCB consists of corporate loans, including receivables from the biggest companies from Ukraine. 25 largest debtors belonging to international groups constitute 78.2% of corporate loans portfolio and 37.1% of all credit exposures of the Bank. Credit activities connected with financing corporate clients concentrate on investment and working capital loans.

Market risk of the trading book

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 2011.

Value at Risk (VaR) remains the main tool used to measure the market risk. However, Stressed VaR was introduced as a supplementary tool. This parameter allows assessing how much VaR can increase in case of crisis situation and increasing market volatility.

Notes to financial statements (cont)

(In PLN thousand)

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 2012 and in 2011:

IN PLN THOUSAND	30.06.2012	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign exchange risk	423	17	530	2 003
interest rate risk	2 097	1 248	2 243	5 710
Trading portfolio	2 135	1 280	2 306	5 701

IN PLN THOUSAND	31.12.2011	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign exchange risk	38	10	325	2 641
interest rate risk	4 302	3 686	4 962	6 811
Trading portfolio	4 327	3 426	4 979	6 942

Interest rate risk of the banking book

There have been no changes in the interest rate risk management process in relation to those presented in the consolidated financial statements of Bank Pekao S.A. Capital Group as at 31 December 2011.

In the first half of the year, the Group introduced improvements in the capital economic value sensitivity valuation method. Full revaluation method was implemented. According to this method, sensitivity is computed on the basis of assets and liabilities valuation (using appropriate models) at the baseline scenario and after 200 bp shift in interest rates. As for the trading book, Stressed VaR was introduced.

The following table shows the distribution of sensitivity level of interest income (NII) to the change of the interest rate by -100 basis points and the sensitivity of the economic capital of the Group (EVE), calculated according to the new method, to the change of interest rates by 200 basis points as at 30 June 2012 and at the end of December 2011.

SENSITIVITY IN %	30.06.2012	31.12.2011
NII	(7.57)	(7.56)
EVE	(0.90)	(1.16)

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 2011.

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

CURRENCY	30.06.2012	31.12.2011
USD	505	674
EUR	2 435	1 686
CHF	754	120
Other	65	54
Currencies total (*)	2 553	2 196

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

Notes to financial statements (cont)

(In PLN thousand)

Liquidity risk

The liquidity risk management process has not changed in relation to one described in the consolidated financial statements of Bank Pekao S.A. Capital Group as at 31 December 2011.

Adjusted liquidity gap

30.06.2012	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	48 135 565	4 424 254	21 553 326	39 101 260	35 096 584	148 310 989
Liabilities	31 711 641	7 996 478	14 300 632	22 556 260	71 745 978	148 310 989
Net off-balance sheet items	(5 943 403)	(249 884)	2 503 903	2 226 863	764 785	(697 736)
Periodic gap	**10 480 521**	**(3 822 108)**	**9 756 597**	**18 771 863**	**(35 884 609)**	**(697 736)**
Cumulative gap		**6 658 413**	**16 415 010**	**35 186 873**	**(697 736)**	

31.12.2011	UP TO 1 MONTH	BETWEEN 1 AN D 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Assets	45 526 280	5 614 045	23 308 493	38 030 544	34 110 744	146 590 106
Liabilities	30 663 738	9 405 829	14 643 212	23 503 301	68 374 026	146 590 106
Net off-balance sheet items	(7 156 418)	(565 340)	3 918 985	1 997 968	739 875	(1 064 930)
Periodic gap	**7 706 124**	**(4 357 124)**	**12 584 266**	**16 525 211**	**(33 523 407)**	**(1 064 930)**
Cumulative gap		**3 349 000**	**15 933 266**	**32 458 477**	**(1 064 930)**	

Structure of financial liabilities by contractual maturities

30.06.2012	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 (*)	4 937 459	64 124	889 687	752 870	1 742 651	8 386 791
Amounts due to customers	80 274 976	13 404 258	12 466 605	551 377	55 383	106 752 599
Debt securities issued	2	223 731	1 959 532	630 573	547 808	3 361 646
Financial liabilities held for trading	-	-	-	22 446	88 334	110 780
Total	**85 212 437**	**13 692 113**	**15 315 824**	**1 957 266**	**2 434 176**	**118 611 816**
OFF-BALANCE SHEET COMMITMENTS (**)						
Off- balance sheet commitments Financial liabilities granted	25 743 814	-	-	-	-	25 743 814
Off- balance sheet commitments Guarantees liabilities granted	9 240 379	-	-	-	-	9 240 379
Total	**34 984 193**	**-**	**-**	**-**	**-**	**34 984 193**

Notes to financial statements (cont)

(In PLN thousand)

31.12.2011	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 (*)	2 346 613	53 846	585 092	1 176 093	1 738 952	5 900 596
Amounts due to customers	83 537 474	12 475 470	11 744 056	621 711	58 253	108 436 964
Debt securities issued	102 372	421 968	1 540 198	582 323	397 058	3 043 919
Financial liabilities held for trading	-	-	-	-	-	-
Total	**85 986 459**	**12 951 284**	**13 869 346**	**2 380 127**	**2 194 263**	**117 381 479**
OFF-BALANCE SHEET COMMITMENTS (**)						
Off- balance sheet commitments Financial liabilities granted	26 812 064	-	-	-	-	26 812 064
Off- balance sheet commitments Guarantees liabilities granted	8 478 540	-	-	-	-	8 478 540
Total	**35 290 604**	**-**	**-**	**-**	**-**	**35 290 604**

(*) Including Central Bank
(**)Exposure amounts from financing-related off-balance sheet commitments granted and guarantee liabilities granted have been allocated to earliest tenors, for which an outflow of assets from the Group is possible based on contracts entered into by the Group. However, the expected by the Group 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 Group on continuous basis. The Group 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.

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 (fx-swap),
- Forward 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
30.06.2012	41 601	47 110	168 129	1 226 641	646 400	**2 129 881**
31.12.2011	101 434	71 431	173 666	1 205 451	620 792	**2 172 774**

(In PLN thousand)

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
30.06.2012						
Inflows	10 713 915	7 086 426	7 117 471	7 931 034	2 798 820	**35 647 666**
Outflows	10 636 041	6 995 623	7 086 057	8 178 981	3 480 294	**36 376 996**
31.12.2011						
Inflows	18 727 936	6 060 237	7 314 767	8 905 958	2 305 670	**43 314 568**
Outflows	18 762 803	6 175 994	7 511 198	9 217 329	3 055 606	**44 722 930**

Operational risk

There have been no significant changes in the operational risk management process in relation to those presented in Consolidated Financial Statements of Bank Pekao S.A. Capital Group as at 31 December 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 Bank Pekao S.A. Capital Group as at 31 December 2011.

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 2012 and 31 December 2011, 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)

30.06.2012	METHOD 1	METHOD 2	METHOD 3	TOTAL
Assets:	**16 744 978**	**7 827 735**	**1 173 279**	**25 745 992**
Financial assets held for trading	872 133	-	199 517	1 071 650
Derivative financial instruments, including:	-	1 948 451	24 251	1 972 702
- Banks	-	1 592 165	21 141	1 613 306
- Customers	-	356 286	3 110	359 396
Other financial instruments at fair value through profit and loss	-	-	-	-
Hedging instruments, including:	-	483 968	-	483 968
- Banks	-	230 866	-	230 866
- Customers	-	253 102	-	253 102
Securities available for sale	15 872 845	5 395 316	949 511	22 217 672
Liabilities:	**110 780**	**3 501 596**	**24 250**	**3 636 626**
Financial liabilities held for trading	110 780	-	-	110 780
Derivative financial instruments, including:	-	2 028 445	24 250	2 052 695
- Banks	-	1 849 043	919	1 849 962
- Customers	-	179 402	23 331	202 733
Hedging instruments, including:	-	1 473 151	-	1 473 151
- Banks	-	1 466 835	-	1 466 835
- Customers	-	6 316	-	6 316

31.12.2011	METHOD 1	METHOD 2	METHOD 3	TOTAL
Assets:	**15 487 762**	**12 260 509**	**991 423**	**28 739 694**
Financial assets held for trading	601 814	-	247 897	849 711
Derivative financial instruments, including:	-	2 130 179	26 095	2 156 274
- Banks	-	1 741 561	23 419	1 764 980
- Customers	-	388 618	2 676	391 294
Other financial instruments at fair value through profit and loss	-	-	-	-
Hedging instruments, including:	-	408 906	-	408 906
- Banks	-	95 595	-	95 595
- Customers	-	313 311	-	313 311
Securities available for sale	14 885 948	9 721 424	717 431	25 324 803
Liabilities:	**-**	**4 219 653**	**26 095**	**4 245 748**
Financial liabilities held for trading	-	-	-	-
Derivative financial instruments, including:	-	2 481 104	26 095	2 507 199
- Banks	-	2 270 102	1 025	2 271 127
- Customers	-	211 002	25 070	236 072
Hedging instruments, including:	-	1 738 549	-	1 738 549
- Banks	-	1 725 328	-	1 725 328
- Customers	-	13 221	-	13 221

7. Operating segments

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

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

Trade segments

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 2012

	RETAIL BANKING	PRIVATE BANKING	CORPORATE ACTIVITIES AND INVESTMENT BANKING		ASSETS AND LIABILITIES MANAGEMENT AND OTHER (*)	GROUP TOTAL
			CONTINUED OPERATIONS	DISCONTINUED OPERATIONS		
Net interest income	**1 430 359**	**21 352**	**666 418**	**61 003**	**235 324**	**2 414 456**
Net non-interest income	**955 655**	**14 242**	**400 811**	**18 308**	**19 905**	**1 408 921**
Operating income	**2 386 014**	**35 594**	**1 067 229**	**79 311**	**255 229**	**3 823 377**
Personnel expenses	(593 048)	(9 142)	(114 531)	(19 467)	(235 985)	**(972 173)**
Other administrative expenses	(751 941)	(13 885)	(204 816)	(18 584)	306 866	**(682 360)**
Depreciation and amortization	(87 340)	(512)	(8 982)	(3 527)	(86 034)	**(186 395)**
Operating costs	**(1 432 329)**	**(23 539)**	**(328 329)**	**(41 578)**	**(15 153)**	**(1 840 928)**
Operating profit	**953 685**	**12 055**	**738 900**	**37 733**	**240 076**	**1 982 449**
Net result on other provisions	702	(804)	(929)	-	-	**(1 031)**
Net impairment losses on financial assets and off-balance sheet	(123 652)	(4 469)	(146 875)	(15 189)	(12 906)	**(303 091)**
Net result on investment activities	134	-	80 138	-	347	**80 619**
Profit before income tax	**830 869**	**6 782**	**671 234**	**22 544**	**227 517**	**1 758 946**
Income tax expense (continued operations)						**(335 624)**
Income tax expense (discontinued operations)				(4 215)		**(4 215)**
Net profit for the period (continued operations)						**1 400 778**
Net profit for the period (discontinued operations)				**18 329**		**18 329**
Attributable to equity holders of the Bank						**1 414 780**
Attributable to non-controlling interest						**4 327**
Allocated assets	48 171 952	526 628	89 562 752	2 480 487	(2 115 394)	**138 626 425**
Unallocated assets						**9 684 564**
Total assets						**148 310 989**
Allocated liabilities	61 353 297	6 254 765	56 465 422	1 986 996	(4 755 183)	**121 305 297**
Unallocated liabilities						**27 005 692**
Total liabilities						**148 310 989**

(*) 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 2011

	RETAIL BANKING	PRIVATE BANKING	CORPORATE ACTIVITIES AND INVESTMENT BANKING		ASSETS AND LIABILITIES MANAGEMENT AND OTHER (*)	GROUP TOTAL
			CONTINUED OPERATIONS	DISCONTINUED OPERATIONS		
Net interest income	**1 362 146**	**23 685**	**648 310**	**60 144**	**141 785**	**2 236 070**
Net non-interest income	**1 029 696**	**18 350**	**454 021**	**21 792**	**12 057**	**1 535 916**
Operating income	**2 391 842**	**42 035**	**1 102 331**	**81 936**	**153 842**	**3 771 986**
Personnel expenses	(596 055)	(10 728)	(126 616)	(18 114)	(239 267)	**(990 780)**
Other administrative expenses	(753 024)	(14 166)	(200 602)	(18 795)	340 266	**(646 321)**
Depreciation and amortization	(78 916)	(179)	(6 547)	(4 453)	(98 236)	**(188 331)**
Operating costs	**(1 427 995)**	**(25 073)**	**(333 765)**	**(41 362)**	**2 763**	**(1 825 432)**
Operating profit	**963 847**	**16 962**	**768 566**	**40 574**	**156 605**	**1 946 554**
Net result on other provisions	190	-	(97)	-	(989)	**(896)**
Net impairment losses on financial assets and off-balance sheet	(211 016)	495	(45 152)	(10 232)	(3 065)	**(268 970)**
Net result on investment activities	192	-	5 759	(48)	581	**6 484**
Profit before income tax	**753 213**	**17 457**	**729 076**	**30 294**	**153 132**	**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	42 517 185	547 684	79 354 658	2 846 340	(2 668 529)	**122 597 338**
Unallocated assets						**8 555 996**
Total assets						**131 153 334**
Allocated liabilities	56 217 348	5 609 894	48 665 719	2 487 218	(5 128 565)	**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)

Geographical segment

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

Apart from Poland, Bank Pekao Group conducts activities in the following countries:
Ukraine – through the subsidiaries of Bank Pekao S.A.
France – through the branch of Bank Pekao S.A. in Paris.

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

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

	POLAND	UKRAINE (DISCONTINUED OPERATIONS)	TOTAL GROUP
I half of 2012			
Net profit for the period attributable to equity holders of the Bank	1 396 451	18 329	1 414 780
Segment assets	145 830 502	2 480 487	148 310 989
I half of 2011			
Net profit for the period attributable to equity holders of the Bank	1 336 870	25 734	1 362 604
Segment assets	128 306 994	2 846 340	131 153 334

8. Interest income and expense

Interest income

	II QUARTER 2012	I HALF 2012	II QUARTER 2011	I HALF 2011
Loans and other receivables from customers	1 674 463	3 337 063	1 396 044	2 722 476
Placements in other banks	68 870	133 623	46 941	92 349
Reverse repo transactions	43 809	79 152	28 838	47 845
Investment securities	291 110	559 386	298 273	574 268
Financial assets held for trading	10 967	28 798	14 902	16 937
Financial assets designated to fair value through profit and loss	-	-	198	406
Total	**2 089 219**	**4 138 022**	**1 785 196**	**3 454 281**

Interest expense

	II QUARTER 2012	I HALF 2012	II QUARTER 2011	I HALF 2011
Customers' deposits	(779 265)	(1 530 257)	(570 591)	(1 112 943)
Other banks' deposits	(11 687)	(21 316)	(13 255)	(24 800)
Repo transactions	(46 349)	(79 219)	(31 637)	(42 705)
Loans from other banks	(28 039)	(57 048)	(33 339)	(66 716)
Debt securities issued	(38 465)	(71 648)	(10 949)	(20 520)
Total	**(903 805)**	**(1 759 488)**	**(659 771)**	**(1 267 684)**

Notes to financial statements (cont)

(In PLN thousand)

9. Fee and commission income and expense

Fee and commission income

	II QUARTER 2012	I HALF 2012	II QUARTER 2011	I HALF 2011
Customer accounts maintenance, payment orders and cash transactions	204 341	405 593	231 212	441 523
Payment cards	225 711	433 128	201 302	380 332
Loans and advances	147 481	270 844	151 062	286 559
Investment products sales intermediation	53 904	115 636	77 820	159 107
Securities operations	31 604	67 104	34 422	75 198
Custody activity	13 707	27 070	15 520	30 341
Pension and investment funds service fees	15 144	30 332	18 316	36 898
Guarantees, letters of credit and similar transactions	12 776	25 616	13 696	27 578
Other	12 235	16 173	19 514	25 073
Total	**716 903**	**1 391 496**	**762 864**	**1 462 609**

Fee and commission expense

	II QUARTER 2012	I HALF 2012	II QUARTER 2011	I HALF 2011
Payment cards	(118 255)	(222 109)	(95 391)	(176 950)
Bank drafts and transfers	(7 127)	(14 099)	(6 363)	(12 059)
Securities operations and derivatives	(4 551)	(9 482)	(5 337)	(11 172)
Accounts maintenance	(1 093)	(1 931)	(2 078)	(3 641)
Custody activity	(1 304)	(3 908)	(2 854)	(4 292)
Pension funds management charges	(772)	(1 083)	(1 349)	(2 215)
Acquisition services	(265)	(856)	(481)	(705)
Other	(4 503)	(8 460)	(4 443)	(9 599)
Total	**(137 870)**	**(261 928)**	**(118 296)**	**(220 633)**

10. Dividend income

	II QUARTER 2012	I HALF 2012	II QUARTER 2011	I HALF 2011
From issuers of securities available for sale	8 749	8 749	10 311	10 311
Total	**8 749**	**8 749**	**10 311**	**10 311**

11. Result on financial assets and liabilities held for trading

	II QUARTER 2012	I HALF 2012	II QUARTER 2011	I HALF 2011
Foreign currency exchange result	128 156	246 016	115 685	240 066
Gains (losses) on derivatives	(3 831)	(13 018)	9 366	28 685
Gains (losses) on securities	619	10 379	4 103	9 557
Total	**124 944**	**243 377**	**129 154**	**278 308**

Notes to financial statements (cont)

(In PLN thousand)

12. Gains (losses) on disposal

Realized gains

	II QUARTER 2012	I HALF 2012	II QUARTER 2011	I HALF 2011
Loans and other financial receivables	-	-	-	-
Available for sale financial assets – debt instruments	36 929	80 136	3 097	3 124
Available for sale financial assets – equity instruments	-	2	-	-
Investments held to maturity	-	-	779	2 656
Debt securities issued	204	282	6	15
Total	**37 133**	**80 420**	**3 882**	**5 795**

Realized losses

	II QUARTER 2012	I HALF 2012	II QUARTER 2011	I HALF 2011
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	(89)	(258)	(331)	(758)
Total	**(89)**	**(258)**	**(481)**	**(999)**

Net realized profit	**37 044**	**80 162**	**3 401**	**4 796**

13. Administrative expenses

Personnel expenses

	II QUARTER 2012	I HALF 2012	II QUARTER 2011	I HALF 2011
Wages and salaries	(414 137)	(820 143)	(423 443)	(833 590)
Insurance and other charges related to employees	(76 127)	(149 442)	(72 401)	(149 442)
Pension programs costs due define contributions	(381)	(832)	(395)	(807)
Share-based payments expense	(2 248)	(1 756)	(4 984)	(6 941)
Total	**(492 893)**	**(972 173)**	**(501 223)**	**(990 780)**

Other administrative expenses

	II QUARTER 2012	I HALF 2012	II QUARTER 2011	I HALF 2011
Other administrative expenses	(304 127)	(600 911)	(296 016)	(572 092)
Taxes and charges	(11 262)	(21 888)	(8 882)	(19 186)
Bank Guarantee Fund fee	(23 318)	(47 535)	(22 255)	(44 510)
Financial supervision authority fee (KNF)	(7 734)	(15 427)	(7 017)	(14 084)
Total	**(346 441)**	**(685 761)**	**(334 170)**	**(649 872)**

Total administrative expenses	**(839 334)**	**(1 657 934)**	**(835 393)**	**(1 640 652)**

Notes to financial statements (cont)

(In PLN thousand)

14. Net other operating income and expenses

Other operating income

	II QUARTER 2012	I HALF 2012	II QUARTER 2011	I HALF 2011
Rental income and other miscellaneous income	12 362	23 611	9 923	20 095
Credit insurance charges	8 699	15 312	6 790	12 978
Recovery of debt collection costs	6 245	12 177	5 482	10 113
Compensation, penalty fees and fines received	206	5 746	1 657	2 609
Refunding of administrative costs	2 190	3 401	1 672	3 551
Income from written off liabilities	4 349	4 675	345	439
Releases of impairment of litigation and other assets	70	616	491	1 930
Gains on sale of leasing assets for third person and on sale other assets	(246)	3 834	2 349	3 039
Releases of provisions for liabilities	-	17	488	1 399
Other	17 029	28 808	10 661	15 881
Total	**50 904**	**98 197**	**39 858**	**72 034**

Other operating expenses

	II QUARTER 2012	I HALF 2012	II QUARTER 2011	I HALF 2011
Operating costs related to leasing activity	(226)	(8 005)	(5 811)	(8 737)
Credit insurance costs	(6 812)	(11 544)	(7 248)	(14 105)
Reimburse costs and inventory deficiencies	(2 394)	(5 142)	(3 028)	(7 300)
Customers complaints expense	(726)	(1 335)	(581)	(1 583)
Impairment of litigations receivables and other assets	(303)	(388)	(392)	(665)
Costs of litigation and claims	(603)	(1 338)	(760)	(1 713)
Compensation, penalty fees and fines paid	(257)	(494)	(168)	(283)
Losses on disposal of other assets	(106)	(164)	(281)	(315)
Other	(8 506)	(21 697)	(5 145)	(9 526)
Total	**(19 933)**	**(50 107)**	**(23 414)**	**(44 227)**

Net other operating income and expenses	**30 971**	**48 090**	**16 444**	**27 807**

Notes to financial statements (cont)

(In PLN thousand)

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

I HALF 2012	OPENING BALANCE	INCREASES		DECREASES			CLOSING BALANCE	IMPACT ON PROFIT AND LOSS(**)
		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	72 516	873	1 070	-	(809)	(1 310)	72 340	(64)
Derivative financial instruments	-	-	-	-	-	-	-	-
Loans and advances to customers valued at amortized cost	4 422 752	806 836	105 790	(85 149)	(534 057)	(133 590)	4 582 582	(272 779)
Receivables from financial leasing	200 290	34 166	52	(1 093)	(25 201)	(784)	207 430	(8 965)
Financial assets available for sale	123	-	-	-	-	-	123	-
Impairment of off-balance sheet commitments	79 140	50 480	-	-	(39 443)	(718)	89 459	(11 037)
Total financial assets and off-balance sheet commitments	**4 774 821**	**892 355**	**106 912**	**(86 242)**	**(599 510)**	**(136 402)**	**4 951 934**	**(292 845)**
Impairment of other assets								
Investments in subsidiaries and associates	891	-	-	-	-	(831)	60	-
Intangible assets	10 961	-	-	-	-	-	10 961	-
Property, plant and equipment	9 650	612	-	-	(12)	(1 474)	8 776	(600)
Investment properties	550	-	-	-	-	-	550	-
Other	75 699	371	125	(70)	(616)	(309)	75 200	245
Total impairment of other assets	**97 751**	**983**	**125**	**(70)**	**(628)**	**(2 614)**	**95 547**	**(355)**
Total	**4 872 572**	**893 338**	**107 037**	**(86 312)**	**(600 138)**	**(139 016)**	**5 047 481**	**(293 200)**

(*) 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 minus 292 845 thousand, net impairment concerning discontinued operations in the amount of PLN minus 15 189 thousand and proceeds from recovered bad debt in the amount of PLN 4 943 thousand, the total is PLN minus 303 091 thousand.

Notes to financial statements (cont)

(In PLN thousand)

I HALF 2011	OPENING BALANCE	INCREASES: IMPARIMENT CHARGES	INCREASES: OTHER (*)	DECREASES: WRITE-OFFS OF ASSETS FROM THE BALANCE SHEET	DECREASES: RELEASE OF IMPARIMENT CHARGES	DECREASES: OTHER (*)	CLOSING BALANCE	IMPACT ON PROFIT AND LOSS(**)
Impairment of financial assets and off- balance sheet commitments								
Loans and advances to banks valued at amortized cost	76 999	331	623	(2 747)	(2 512)	(209)	72 485	2 181
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	(275 547)
Receivables from financial leasing	181 794	38 814	-	(2 774)	(26 570)	-	191 264	(12 244)
Financial assets available for sale	481	-	13	-	-	-	494	-
Impairment of off-balance sheet commitments	96 500	39 724	-	-	(63 471)	(861)	71 892	23 747
Total financial assets and off-balance sheet commitments	**4 408 131**	**822 602**	**43 957**	**(74 432)**	**(560 739)**	**(41 121)**	**4 598 398**	**(261 863)**
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	(1 023)
Investment properties	550	-	-	-	-	-	550	-
Other	95 047	631	-	-	(1 930)	(583)	93 165	1 299
Total impairment of other assets	**119 660**	**1 881**	**-**	**-**	**(2 157)**	**(1 193)**	**118 191**	**276**
Total	**4 527 791**	**824 483**	**43 957**	**(74 432)**	**(562 896)**	**(42 314)**	**4 716 589**	**(261 587)**

(*) 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 minus 261 863 thousand, net impairment concerning discontinued operations in the amount of PLN minus 10 232 thousand and proceeds from recovered bad debt in the amount of PLN 3 125 thousand, the total is PLN minus 268 970 thousand.

Notes to financial statements (cont)

(In PLN thousand)

16. Gains (losses) from subordinated entities

Share in gains (losses) from associated entities

	II QUARTER 2012	I HALF 2012	II QUARTER 2011	I HALF 2011
Share of profit (loss) in associates				
Xelion. Doradcy Finansowi Sp. z o.o.	78	114	387	531
Pioneer Pekao Investment Management S.A.	10 626	22 920	17 481	35 990
Krajowa Izba Rozliczeniowa S.A.	2 853	4 010	2 088	4 929
Pirelli Pekao Real Estate Sp. z o.o.	(27)	129	(1 465)	(2 278)
Central Poland Fund LLC	-	-	-	(10)
Total profit (loss) from associates entities	**13 530**	**27 173**	**18 491**	**39 162**
Losses on disposal of associates	**-**	**(1 902)**	**-**	**-**
Total gain (losses) of subordinated entities	**13 530**	**25 271**	**18 491**	**39 162**

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

	II QUARTER 2012	I HALF 2012	II QUARTER 2011	I HALF 2011
INCOME STATEMENT				
Current income tax	**(228 518)**	**(376 999)**	**(249 494)**	**(334 053)**
Current tax charge disclosed In the income statement	(227 217)	(376 638)	(247 722)	(331 158)
Adjustments related to the current tax from previous years	144	2 500	-	731
Other taxes (e.g. withholding tax, income tax relating to foreign branches)	(1 445)	(2 861)	(1 772)	(3 626)
Deferred income tax	**60 447**	**37 160**	**83 842**	**18 507**
Occurrence and reversal of temporary differences	60 447	37 160	83 842	18 507
Tax charge disclosed in the consolidated income statement	**(168 071)**	**(339 839)**	**(165 652)**	**(315 546)**
EQUITY				
Deferred income tax	**(24 896)**	**(49 496)**	**(38 577)**	**(9 060)**
Income and costs disclosed in other comprehensive income:				
revaluation of financial instruments, used as cash flows hedges	5 001	16 401	(3 495)	5 277
revaluation of available for sale financial assets – debt securities	(22 697)	(66 419)	(37 301)	(19 524)
revaluation of available for sale financial assets – with equity rights	48	(51)	(5)	(11)
Foreign currency translation differences	(7 248)	573	2 224	5 198
Tax charge disclosed in other comprehensive income	**(24 896)**	**(49 496)**	**(38 577)**	**(9 060)**
Total charge	**(192 967)**	**(389 335)**	**(204 229)**	**(324 606)**

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 2012	I HALF 2012	II QUARTER 2011	I HALF 2011
Net profit	704 203	1 414 780	714 297	1 362 604
Weighted average number of ordinary shares in the period	262 383 129	262 382 662	262 367 367	262 366 124
Earnings per share (in PLN per share)	2.68	5.39	2.72	5.19

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 2012	I HALF 2012	II QUARTER 2011	I HALF 2011
Net profit	704 203	1 414 780	714 297	1 362 604
Weighted average number of ordinary shares in the period	262 383 129	262 382 662	262 367 367	262 366 124
Adjustments to the number of shares for the purpose of calculation of diluted earnings per share	86 905	86 905	94 583	93 608
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	262 470 034	262 469 567	262 461 950	262 459 732
Diluted earnings per share (in PLN per share)	2.68	5.39	2.72	5.19

19. Dividend payment

Dividends and other payments to shareholders are recognized directly in equity. The dividend payable is not recognized until the entity has no obligation to pay dividends that is until the payment is approved by the General Meeting.

A dividend of PLN 5.38 per share from the net profit for the financial year 2011 was paid by the Bank to its shareholders in 2012.

Dividend payment day was set for 4 July 2012.

(In PLN thousand)

20. Cash and balance with Central Bank

Cash and due from Central Bank	30.06.2012	31.12.2011
Cash	2 192 587	2 236 224
Current account at Central Bank	3 385 435	2 005 750
Placements	934 000	631 000
Interest	14 934	13 106
Other	13	13
Total	**6 526 969**	**4 886 093**

Amounts due to Central Bank	30.06.2012	31.12.2011
Loans	178 481	356 386
Amounts due to Central Bank	**178 481**	**356 386**

Cash and balance with Central Bank by currencies

30.06.2012	ASSETS	LIABILITIES
PLN	5 848 634	178 481
EUR	309 051	-
USD	249 099	-
CHF	20 322	-
Other currencies	99 863	-
Total	**6 526 969**	**178 481**

31.12.2011	ASSETS	LIABILITIES
PLN	4 232 707	356 386
EUR	345 354	-
USD	191 072	-
CHF	25 190	-
Other currencies	91 770	-
Total	**4 886 093**	**356 386**

Notes to financial statements (cont)

(In PLN thousand)

21. Loans and advances to banks

Loans and advances to banks by product type

	30.06.2012	31.12.2011
Current accounts and overnight placements	3 011 799	1 170 846
Interbank placements	348 554	151 685
Loans and advances	122 890	83 716
Cash collateral	1 586 056	2 065 677
Repo transactions	1 770 602	1 971 558
Debt securities	1 171	1 181
Receivables in transit	138 187	184 514
Interest accrued	32 534	29 396
Total gross amount	**7 011 793**	**5 658 573**
Impairment provision	(72 340)	(72 516)
Total net amount	**6 939 453**	**5 586 057**

Loans and advances to banks by quality

	30.06.2012	31.12.2011
Loans and advances to banks, including:		
gross value of non impaired receivables	6 931 102	5 577 796
gross value of impaired receivables	80 691	80 777
individual impairment charges	(55 171)	(55 181)
collective impairment charges (*)	(17 169)	(17 335)
Total	**6 939 453**	**5 586 057**

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

Loans and advances to banks by contractual maturities

	30.06.2012	31.12.2011
Loans and advances to banks, including:		
up to 1 month	6 712 234	4 892 755
between 1 and 3 months	48 500	561 176
between 3 months and 1 year	12 272	6 436
between 1 and 5 years	83 200	46 718
over 5 years	43 503	42 495
expired	79 550	79 597
Interest accrued	32 534	29 396
Total gross amount	**7 011 793**	**5 658 573**
Impairment provision	(72 340)	(72 516)
Total net amount	**6 939 453**	**5 586 057**

Notes to financial statements (cont)

(In PLN thousand)

Loans and advances to banks by currencies

	30.06.2012	31.12.2011
PLN	2 453 767	2 311 393
CHF	210 979	24 549
EUR	3 995 012	2 927 817
USD	181 865	194 926
Other currencies	97 830	127 372
Total	**6 939 453**	**5 586 057**

Changes in impairment balances in the first half of 2012 and 2011 are presented in the Note 15.

22. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading by product type

30.06.2012	ASSETS	LIABILITIES
Securities issued by State Treasury	872 133	110 780
T- bills	311 103	-
T- bonds	561 030	110 780
Securities issued by banks	185 531	-
Securities issued by business entities	13 986	-
Total	**1 071 650**	**110 780**

31.12.2011	ASSETS	LIABILITIES
Securities issued by State Treasury	601 813	-
T- bills	106 729	-
T- bonds	495 084	-
Securities issued by banks	247 898	-
Total	**849 711**	**-**

Notes to financial statements (cont)

(In PLN thousand)

Financial assets and liabilities held for trading by maturities

30.06.2012	ASSETS	LIABILITIES
Debt securities, including:		
up to 1 month	209 420	-
between 1 and 3 months	62 889	-
between 3 months and 1 year	503 131	-
between 1 and 5 years	168 591	22 446
over 5 years	127 619	88 334
Total	**1 071 650**	**110 780**

31.12.2011	ASSETS	LIABILITIES
Debt securities, including:		
up to 1 month	130 632	-
between 1 and 3 months	67 993	-
between 3 months and 1 year	368 520	-
between 1 and 5 years	209 065	-
over 5 years	73 501	-
Total	**849 711**	**-**

Assets and financial liabilities held for trading by currencies

30.06.2012	ASSETS	LIABILITIES
PLN	854 774	110 780
EUR	3 836	-
USD	213 040	-
Total	**1 071 650**	**110 780**

31.12.2011	ASSETS	LIABILITIES
PLN	573 434	-
EUR	61 865	-
USD	214 412	-
Total	**849 711**	**-**

Notes to financial statements (cont)

(In PLN thousand)

23. Derivative financial instruments (held for trading)

Fair value of trading derivatives

30.06.2012	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	1 690 632	1 723 069
Forward Rate Agreements (FRA)	6 231	4 971
Options	12 228	11 767
Other	534	749
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	5 350	82 862
Currency Forward Agreements	95 242	76 380
Currency Swaps (fx-swap)	74 653	64 465
Options for currency and gold	67 022	67 622
Transactions based on equity securities		
Options	20 810	20 810
Total	**1 972 702**	**2 052 695**

31.12.2011	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	1 701 579	1 754 943
Forward Rate Agreements (FRA)	2 818	2 743
Options	7 096	6 578
Other	208	155
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	9 283	54 257
Currency Forward Agreements	166 612	90 590
Currency Swaps (fx-swap)	132 111	507 621
Options for currency and gold	111 806	65 551
Transactions based on equity securities		
Options	24 761	24 761
Total	**2 156 274**	**2 507 199**

Notes to financial statements (cont)

(In PLN thousand)

24. Loans and advances to customers

Loans and advances to customers by product type

	30.06.2012	31.12.2011
Mortgage	30 651 123	28 977 373
Current accounts	12 114 366	11 055 328
Operating loans	14 380 293	16 310 840
Investment loans	19 828 220	19 772 867
Payment cards receivables	728 311	706 358
Purchased debt receivables	2 844 353	3 134 511
Other loans and advances	9 725 735	9 466 792
Debt securities	5 897 327	5 681 677
Repo transactions	2 509 965	1 782 916
Receivables in transit	18 311	9 287
Interest accrued	359 908	341 192
Total gross amount	**99 057 912**	**97 239 141**
Impairment provision	(4 582 582)	(4 422 752)
Total net amount	**94 475 330**	**92 816 389**

Loans and advances to customers by customer type

	30.06.2012	31.12.2011
Receivables from corporate	48 947 975	49 373 710
Receivables from individuals	38 798 857	36 759 208
Receivables from budget entities	10 951 172	10 765 031
Interest accrued	359 908	341 192
Total gross amount	**99 057 912**	**97 239 141**
Impairment provision	(4 582 582)	(4 422 752)
Total net amount	**94 475 330**	**92 816 389**

Loans and advances to customers by quality

	30.06.2012	31.12.2011
Loans and advances to customers, including:		
gross value of non impaired receivables	92 222 827	91 193 753
gross value of impaired receivables	6 835 085	6 045 388
individual impairment charges	(2 007 749)	(1 834 506)
collective impairment charges (*)	(2 574 833)	(2 588 246)
Total	**94 475 330**	**92 816 389**

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

Notes to financial statements (cont)

(In PLN thousand)

Loans and advances to customers by contractual maturities

	30.06.2012	31.12.2011
Loans and advances to customers, including:		
up to 1 month	15 664 375	15 671 206
between 1 and 3 months	2 751 542	3 371 176
between 3 months and 1 year	11 057 362	9 025 817
between 1 and 5 years	29 272 001	30 654 771
over 5 years	34 876 195	33 892 650
expired	5 076 529	4 282 329
Interest accrued	359 908	341 192
Total gross amount	**99 057 912**	**97 239 141**
Impairment provision	(4 582 582)	(4 422 752)
Total net amount	**94 475 330**	**92 816 389**

Loans and advances to customers by currencies

	30.06.2012	31.12.2011
PLN	74 797 699	71 711 606
CHF	6 427 535	6 893 039
EUR	10 877 197	11 388 223
USD	2 334 824	2 755 554
Other currencies	38 075	67 967
Total	**94 475 330**	**92 816 389**

Changes in impairment balances in the first half of 2012 and 2011 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:

30.06.2012	GROSS LEASING INVESTMENT	PRESENT VALUE OF MINIMUM LEASING PAYMENTS
Up to one year	1 456 585	1 287 341
Between 1 and 5 years	1 795 158	1 633 056
Over 5 years	132 787	119 062
Total	**3 384 530**	**3 039 459**
Unrealized financial revenues	(345 071)	
Net leasing investment	**3 039 459**	
Non-guarantee residual values attributed to lessor	**-**	
Present value of minimum lease payments	**3 039 459**	
Value of provision	**(207 430)**	
Balance sheet value	**2 832 029**	

31.12.2011	GROSS LEASING INVESTMENT	PRESENT VALUE OF MINIMUM LEASING PAYMENTS
Up to one year	1 455 137	1 276 515
Between 1 and 5 years	1 826 675	1 653 950
Over 5 years	152 590	132 585
Total	**3 434 402**	**3 063 050**
Unrealized financial revenues	(371 352)	
Net leasing investment	**3 063 050**	
Non-guarantee residual values attributed to lessor	-	
Present value of minimum lease payments	**3 063 050**	
Value of provision	**(200 290)**	
Balance sheet value	**2 862 760**	

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)

Receivables from financial leases from banks by quality

	30.06.2012	31.12.2011
Receivables from banks, including:		
gross value of non impaired receivables	211	343
gross value of impaired receivables	-	-
individual impairment charges	(32)	(35)
collective impairment charges (*)	(2)	(3)
Total	**177**	**305**

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

Receivables from financial leases from clients by quality

	30.06.2012	31.12.2011
Receivables from clients, including:		
gross value of non impaired receivables	2 713 433	2 760 475
gross value of impaired receivables	325 815	302 232
individual impairment charges	(53 279)	(49 992)
collective impairment charges (*)	(154 117)	(150 260)
Total	**2 831 852**	**2 862 455**

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

Receivables from financial leases by currencies

	30.06.2012	31.12.2011
PLN	2 133 079	2 148 497
CHF	32 337	50 142
EUR	649 865	647 894
USD	16 748	16 227
Total	**2 832 029**	**2 862 760**

Notes to financial statements (cont)

(In PLN thousand)

26. Hedge accounting

As at 30 June 2012 the Group applies fair value hedge accounting and cash flow hedge accounting.

In the first half of 2012 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,
- cash flow hedge accounting for a denominated in EUR floating coupon deposits portfolio, hedged with interest rate swap (IRS) transactions – description under 26.5,
- cash flow hedge for highly probable cash flow in US dollars (Bank's long position in US dollars) secured with fx-forward - type instruments (made as series of fx-spot and fx-forward transactions) – description under 26.6.

In the first half of 2012 the Group:

- has designated hedge relationships to hedge accounting – cash flow hedge of floating portfolio of loans in EUR and USD hedged with fx-swap-type instruments - description under 26.7,
- extended the performance of hedge accounting (cash flow hedge) for the highly probable cash flow in USD (Bank's long position in US dollars) secured with fx-forward-type instruments (made as series of fx-spot and fx-swap transactions). It is expected that the cash flows related to the hedged items will occur until 10 September 2012.

The table below presents the fair value of hedging derivatives

30.06.2012	ASSETS	LIABILITIES
Fair value hedge accounting		
Interest rate swaps (IRS)	1 582	201 302
Cross-currency interest rate swap (CIRS)	253 102	-
Cash flow hedge accounting		
Interest rate swaps (IRS)	36 161	100 340
Cross-currency interest rate swap (CIRS)	72 902	1 160 309
FX-swaps	120 221	11 200
Total	**483 968**	**1 473 151**

Notes to financial statements (cont)

(In PLN thousand)

The table below presents the fair value of hedging derivatives

31.12.2011	ASSETS	LIABILITIES
Fair value hedge accounting		
Interest rate swaps (IRS)	-	216 267
Cross-currency interest rate swap (CIRS)	313 312	-
Cash flow hedge accounting		
Interest rate swaps (IRS)	55 438	101 931
Cross-currency interest rate swap (CIRS)	40 156	1 343 026
FX-swaps	-	77 325
Total	**408 906**	**1 738 549**

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

	I HALF 2012	I HALF 2011
Revaluation reserves (deferral of fair value changes of hedging instruments related to portions recognized as effective hedge- gross value)	(110 519)	(2 701)
Net interest income on hedging derivatives	152 560	91 858
Ineffective portions in changes in the fair value of hedging transactions recognized in income statement	4 937	2 189

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

	I HALF 2012	I HALF 2011
Opening balance	**(24 199)**	**25 070**
Deferral of fair value changes of hedging instruments related to the portion recognized as effective hedge	(86 346)	(27 796)
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	26	25
Closing balance	**(110 519)**	**(2 701)**

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

TYPE OF GAINS/LOSSES	I HALF 2012	I HALF 2011
Gains/losses from revaluation of hedging instruments to fair value	(1 181)	(20 170)
Gains/losses from revaluation of hedged item associated with hedged risk to fair value	(7 556)	12 581
Result on fair value hedge accounting	**(8 737)**	**(7 589)**
Net interest income on hedging instruments	(29 770)	(24 278)

Notes to financial statements (cont)

(In PLN thousand)

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 derivatives
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.

Changes in the fair value of hedging derivatives under the fair value hedge accounting are 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.

Notes to financial statements (cont)

(In PLN thousand)

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.

26.4 Fair value portfolio hedge of interest rate risk for deposit portfolio

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

Notes to financial statements (cont)

(In PLN thousand)

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.

26.6 Cash flow hedge of variable portfolio of loans in foreign currency

Description of hedging relationship
The Bank hedges volatility of cash flows in USD constituting the predicted revenues from expected future sale through fx-forward transaction. The currency risk is hedged.

Hedged items
The hedged items are predicted revenues of the future sale dependent on the USD/PLN exchange rate.

Hedging derivatives
The hedging derivatives consist of fx-forward transactions portfolio (consisting of fx-swap and fx-spot transactions closing the flows of the initial exchange of fx-swap), the Bank sells USD in exchange for PLN on 10 September 2012 at the agreed 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 the change in fair value of hedging derivatives is recognized in the ‘Result on financial assets and liabilities held for trading’.

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 10 September 2012.

(In PLN thousand)

26.7 Cash flow hedge of floating-rate currency assets hedged by fx-swap transactions against the exchange and interest rate risk

Description of hedging relationship

The Bank hedges volatility of cash flows constituting floating-rate financial assets (loans in EUR and USD) by fx-swap transactions. The currency and interest rate risk is hedged.

Hedged items

Granted loans with variable interest rate risk, denominated in EUR and USD constitute hedged items.

Hedging derivatives

Fx-swap transaction portfolio constitutes the hedging position.

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.

Settled part of the swap points on the hedging instrument is transferred from revaluation reserve in equity and is recognized in interest income. Currency revaluation regarding the first capital exchange on the hedging instrument is transferred from revaluation reserve in equity and is recognized in the result of foreign exchange position.

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 April 2013.

27. Investment securities

	30.06.2012	31.12.2011
Debt securities available for sale (AFS)	22 199 367	25 307 265
Equity securities available for sale (AFS)	18 305	17 538
Debt securities held to maturity (HTM)	4 237 648	3 794 834
Total	**26 455 320**	**29 119 637**

Debt securities available for sale (AFS)

	30.06.2012	31.12.2011
Securities issued by State Treasury	15 869 365	14 885 948
T-bills	29 197	40 736
T-bonds	15 840 168	14 845 212
Securities issued by Central Banks	5 395 316	9 718 216
Securities issued by business entities	249 898	38 632
Securities issued by local governments	684 788	664 469
Total	**22 199 367**	**25 307 265**
including impairment of assets	-	-

Notes to financial statements (cont)

(In PLN thousand)

Equity securities available for sale (AFS)

	30.06.2012	31.12.2011
Shares	18 305	17 538
Total	**18 305**	**17 538**
including impairment of assets	(123)	(123)

Debt securities held to maturity (HTM)

	30.06.2012	31.12.2011
Securities issued by State Treasury	3 637 573	3 119 353
T- bills	228 197	154 765
T- bonds	3 409 376	2 964 588
Securities issued by Central Banks	600 075	675 481
Total	**4 237 648**	**3 794 834**
including impairment of assets	-	-

Investment debt securities according to contractual maturities

	30.06.2012	31.12.2011
Debt securities, including:		
up to 1 month	7 095 341	10 393 698
between 1 and 3 months	29 782	183 673
between 3 months and 1 year	3 667 551	3 008 959
between 1 and 5 years	9 504 025	8 404 007
over 5 years	6 140 316	7 111 762
Total	**26 437 015**	**29 102 099**

Investment debt securities by currencies

	30.06.2012	31.12.2011
PLN	23 325 378	26 675 031
EUR	1 341 612	671 610
USD	1 770 025	1 755 458
Total	**26 437 015**	**29 102 099**

(In PLN thousand)

28. Assets and liabilities held for sale and discontinued operations

As at 30 June 2012 non-current assets classified as held for sale and discontinued operations 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 and liabilities connected with assets held for sale:

	30.06.2012	31.12.2011
ASSETS HELD FOR SALE		
Assets of PJSC UniCredit Bank	2 484 247	2 900 717
Property, plant and equipment	34 382	30 858
Other assets	22 516	-
Total assets	**2 541 145**	**2 931 575**
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE		
Liabilities of PJSC UniCredit Bank	891 721	999 985
Total liabilities	**891 721**	**999 985**

Notes to financial statements (cont)

(In PLN thousand)

The disposal of bank's investment in Ukraine will be possible after obtaining all necessary permissions.

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

	30.06.2012 BEFORE ELIMINATION	ELIMINATION OF INTERCOMPANY TRANSACTIONS/ CONSOLIDATION ADJUSTMENTS	30.06.2012 AFTER ELIMINATION
ASSETS HELD FOR SALE			
Cash and due from Central Bank	30 691	-	30 691
Loans and advances to banks	957 471	3 761	961 232
Financial assets held for trading	52 523	-	52 523
Loans and advances to customers	1 317 340	-	1 317 340
Investments securities	73 703	-	73 703
Intangible assets	2 653	-	2 653
Property, plant and equipment	17 992	-	17 992
Other assets	28 114	(1)	28 113
TOTAL ASSETS	**2 480 487**	**3 760**	**2 484 247**
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE			
Amounts due to other banks	1 196 509	(1 095 275)	101 234
Amounts due to customers	736 619	-	736 619
Income tax liabilities	28 279	-	28 279
Other liabilities	25 589	-	25 589
TOTAL LIABILITIES	**1 986 996**	**(1 095 275)**	**891 721**

	31.12.2011 BEFORE ELIMINATION	ELIMINATION OF INTERCOMPANY TRANSACTIONS/ CONSOLIDATION ADJUSTMENTS	31.12.2012 AFTER ELIMINATION
ASSETS HELD FOR SALE			
Cash and due from Central Bank	42 623	-	42 623
Loans and advances to banks	830 883	6 036	836 919
Financial assets held for trading	350 887	-	350 887
Loans and advances to customers	1 635 670	-	1 635 670
Investments securities	11	-	11
Intangible assets	3 570	-	3 570
Property, plant and equipment	20 755	-	20 755
Other assets	10 505	(223)	10 282
TOTAL ASSETS	**2 894 904**	**5 813**	**2 900 717**
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE			
Amounts due to other banks	1 529 478	(1 416 435)	113 043
Amounts due to customers	840 112	-	840 112
Income tax liabilities	32 087	-	32 087
Other liabilities	14 743	-	14 743
TOTAL LIABILITIES	**2 416 420**	**(1 416 435)**	**999 985**

Notes to financial statements (cont)

(In PLN thousand)

The below table presents selected items assets and liabilities of PJSC UniCredit Bank (before elimination) by currency:

30.06.2012	UAH	USD	EUR	OTHER	TOTAL
Cash and due from Central Bank	18 894	9 072	2 725	-	30 691
Loans and advances to banks	728 006	211 728	8 610	9 127	957 471
Financial assets held for trading	52 523	-	-	-	52 523
Loans and advances to customers	176 423	847 976	292 941	-	1 317 340
Investments securities	73 703	-	-	-	73 703
Other assets	48 550	77	131	1	48 759
TOTAL	**1 098 099**	**1 068 853**	**304 407**	**9 128**	**2 480 487**
Amounts due to other banks	5 177	937 813	253 519	-	1 196 509
Amounts due to customers	368 971	235 873	127 544	4 231	736 619
Other liabilities	36 174	3 864	10 546	3 284	53 868
TOTAL	**410 322**	**1 177 550**	**391 609**	**7 515**	**1 986 996**

31.12.2011	UAH	USD	EUR	OTHER	TOTAL
Cash and due from Central Bank	31 135	5 514	5 974	-	42 623
Loans and advances to banks	519 878	291 695	14 708	4 602	830 883
Financial assets held for trading	350 887	-	-	-	350 887
Loans and advances to customers	199 393	1 103 496	332 781	-	1 635 670
Investments securities	11	-	-	-	11
Other assets	34 763	54	13	-	34 830
TOTAL	**1 136 067**	**1 400 759**	**353 476**	**4 602**	**2 894 904**
Amounts due to other banks	2 445	1 253 407	273 626	-	1 529 478
Amounts due to customers	416 661	259 021	161 583	2 847	840 112
Other liabilities	40 340	65	6 395	30	46 830
TOTAL	**459 446**	**1 512 493**	**441 604**	**2 877**	**2 416 420**

In preparing these interim financial statements have be used exchange rates:

	30.06.2012	31.12.2011
1 USD/UAH – NBU average rate	7.9925	7.9898
1 EUR/UAH – NBU average rate	9.970644	10.298053
1 UAH/PLN – NBP average rate	0.4255	0.4221

Notes to financial statements (cont)

(In PLN thousand)

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

	II Q 2012	I HALF 2012	II Q 2011	30.06.2011
Interest income	47 525	93 822	49 287	106 614
Interest expense	(16 179)	(32 819)	(22 156)	(46 470)
Net interest income	**31 346**	**61 003**	**27 131**	**60 144**
Fee and commission income	11 658	20 547	9 112	17 885
Fee and commission expense	(4 323)	(7 805)	(4 125)	(7 656)
Net fee and commission income	**7 335**	**12 742**	**4 987**	**10 229**
Result on financial assets and liabilities held for trading	**672**	**5 741**	**4 954**	**12 295**
Gains (losses) on disposal of	**-**	**-**	**16**	**(48)**
available for sale financial assets and held to maturity investments	-	-	16	(48)
Operating income	**39 353**	**79 486**	**37 088**	**82 620**
Net impairment losses on financial assets and off-balance sheet commitments	**(7 345)**	**(15 189)**	**(3 235)**	**(10 232)**
loans and other financial receivables	(7 345)	(15 189)	(3 235)	(10 232)
Net result on financial activity	**32 008**	**64 297**	**33 853**	**72 388**
Administrative expenses	**(19 093)**	**(38 051)**	**(17 857)**	**(36 909)**
personnel expenses	(10 038)	(19 467)	(8 695)	(18 114)
other administrative expenses	(9 055)	(18 584)	(9 162)	(18 795)
Depreciation and amortization	**(1 673)**	**(3 527)**	**(2 054)**	**(4 453)**
Net other operating income and expenses	**(131)**	**(175)**	**(265)**	**(732)**
Operating costs	**(20 897)**	**(41 753)**	**(20 176)**	**(42 094)**
Profit before income tax	**11 111**	**22 544**	**13 677**	**30 294**
Income tax expense	(2 116)	(4 215)	(1 739)	(4 560)
Net profit for the period	**8 995**	**18 329**	**11 938**	**25 734`**

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

	I HALF 2012	I HALF 2011
Net cash flows from operating activities	184 746	(8 639)
Net cash flows from investing activities	(69 985)	4 932
Net cash flows from financing activities	-	-
Total	**114 761**	**(3 707)**

Assets disposed

	30.06.2012	31.12.2011
Sales revenues	755	780
Net carrying value of divested assets (including sale costs)	62	94
Profit/loss on sale before income tax	**693**	**686**

Notes to financial statements (cont)

(In PLN thousand)

29. Intangible assets

	30.06.2012	31.12.2011
Intangible assets, including:	608 980	648 795
research and development expenditures	17 891	19 543
licenses and patents	461 137	476 474
other	3 240	3 811
assets under construction and prepayments for assets under construction	126 712	148 967
Goodwill	54 560	54 560
Total	**663 540**	**703 355**

In the first half of 2012, the Group acquired intangible assets in the amount of PLN 29 778 thousand, (in 2011 the Group acquired intangible assets amounting to PLN 154 322 thousand).

In the first half of 2012 and in 2011 there have been no restrictions to legal titles to intangible assets as security banking liabilities.

30. Property, plant and equipment

	30.06.2012	31.12.2011
Non-current assets, including:	1 652 367	1 685 308
land and buildings	1 196 563	1 213 536
machinery and equipment	368 262	378 324
transport vehicles	50 144	56 603
other	37 398	36 845
Non-current assets under construction and prepayments	44 810	87 632
Total	**1 697 177**	**1 772 940**

In the first half of 2012 the Group acquired 'Property, plant and equipment' in the amount of PLN 48 170 thousand (in 2011 value of property, plant and equipment acquired amounted to PLN 153 615 thousand), while value of property, plant and equipment sold amounted to PLN 2 835 thousand (PLN 8 043 thousand in 2011).

In the first half of 2012 and in 2011 there have been no restrictions to legal titles to property, plant and equipment as security backing liabilities.

Contractual liabilities

As at 30 June 2012 the Group signed agreements with contractors for the future purchase of intangible assets totaling PLN 60 096 thousand and property, plant and equipment totaling PLN 21 264 thousand.

As at 31 December 2011 the Group signed agreements with contractors for the future purchase of intangible assets totaling PLN 47 551 thousand, and property, plant and equipment totaling PLN 16 658 thousand.

Notes to financial statements (cont)

(In PLN thousand)

31. Assets pledged as collateral

As at 30 June 2012 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	3 035 368	2 885 557	3 020 111
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds, bills	610 822	560 140	-
Lombard and technical loan	bonds, bills	5 452 800	5 382 984	-
Other credits	bonds, leases encumbrances	640 276	631 318	707 452
Issue of mortgage bonds	receivables backed by mortgage, bonds and hedging instruments	1 309 853	1 331 142	556 772

As at 31 December 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	4 064 582	4 125 831	4 064 362
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds, bills	588 340	560 100	-
Lombard and technical loan	bonds, bills	7 000 503	6 944 847	-
Other credits	bonds, leases encumbrances	802 591	816 480	625 476
Issue of mortgage bonds	receivables backed by mortgage, bonds and hedging instruments	1 258 233	1 274 793	641 305

32. Amounts due to other banks

Amounts due to other banks by product type

	30.06.2012	31.12.2011
Current accounts and overnight deposits	1 042 876	618 446
Deposits from other banks and other liabilities	627 902	312 669
Loans and advances received	2 733 198	2 696 512
Repo transactions	3 741 077	1 882 259
Funds in transit	53 678	24 777
Interest accrued	9 579	9 547
Total	**8 208 310**	**5 544 210**

Notes to financial statements (cont)

(In PLN thousand)

Amounts due to other banks by currencies

	30.06.2012	31.12.2011
PLN	4 453 707	2 359 627
CHF	1 057 613	1 084 176
EUR	2 165 136	1 479 521
USD	493 755	571 919
Other currencies	38 099	48 967
Total	**8 208 310**	**5 544 210**

33. Amounts due to customers

Amounts due to customers by entity and product type

	30.06.2012	31.12.2011
Amounts due to corporate, including:	47 252 926	50 245 631
current accounts and overnight deposits	16 373 240	17 974 361
term deposits and other liabilities	30 759 669	32 157 675
interest accrued	120 017	113 595
Amounts due to budget entities, including:	7 128 804	5 384 931
current accounts and overnight deposits	4 231 134	3 712 176
term deposits and other liabilities	2 884 138	1 665 303
interest accrued	13 532	7 452
Amounts due to individuals, including:	50 115 795	47 833 077
current accounts and overnight deposits	27 118 387	27 017 211
term deposits and other liabilities	22 743 194	20 626 480
interest accrued	254 214	189 386
Repo transactions, including:	2 050 952	4 615 494
forward transactions	2 050 207	4 609 733
interest accrued	745	5 761
Funds in transit	204 122	357 831
Total	**106 752 599**	**108 436 964**

Amounts due to customers by currencies

	30.06.2012	31.12.2011
PLN	90 599 391	89 559 995
CHF	163 854	167 308
EUR	9 472 304	9 075 030
USD	5 951 125	8 220 227
Other currencies	565 925	1 414 404
Total	**106 752 599**	**108 436 964**

Notes to financial statements (cont)

(In PLN thousand)

34. Debt securities issued

Debt securities issued by type

	30.06.2012	31.12.2011
Bonds	2	2
Certificates of deposit	2 786 606	2 390 059
Mortgage bonds	547 809	631 513
Interest accrued	27 229	22 345
Total	**3 361 646**	**3 043 919**

There have been no instances of late discharge of redemption Bank's own securities (repayment of principal, payment of interest).

Debt securities issued by currencies

	30.06.2012	31.12.2011
PLN	3 319 494	3 000 588
EUR	17 834	18 590
USD	24 318	24 741
Total	**3 361 646**	**3 043 919**

Changes in debt securities issued

	I HALF 2012	2011
Opening balance	**3 043 919**	**1 177 158**
Increase (issuance)	2 176 444	2 475 162
Decrease (repurchase)	(1 662 009)	(589 442)
Decrease (partial payment)	(210 968)	(23 554)
Foreign currency exchange differences	(874)	6 598
Other changes	15 134	(2 003)
Closing balance	**3 361 646**	**3 043 919**

Notes to financial statements (cont)

(In PLN thousand)

35. Provisions

Roll-forward of provisions in the reporting period

I HALF 2012	PROVISIONS FOR LITIGATION AND CLAIMS	PROVISONS FOR RETIREMENT BENEFITS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
Opening balance	**47 315**	**149 981**	**79 140**	**37 444**	**313 880**
Provision charges/revaluation	1 752	13 603	50 480	10 504	**76 339**
Provision utilization	(496)	(57)	-	(300)	**(853)**
Provision releases	(290)	-	(39 443)	(431)	**(40 164)**
Foreign currency exchange differences	(11)	-	(718)	(225)	**(954)**
Other changes	(2 664)	(8 764)	-	230	**(11 198)**
Closing balance	**45 606**	**154 763**	**89 459**	**47 222**	**337 050**

2011	PROVISIONS FOR LITIGATION AND CLAIMS	PROVISONS 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	7 516	29 434	50 744	19 813	**107 507**
Provision utilization	(28)	(6)	-	(22 599)	**(22 633)**
Provision releases	(1 646)	(142)	(69 193)	(104)	**(71 085)**
Foreign currency exchange differences	79	-	1 089	401	**1 569**
Other changes	(758)	(7 157)	-	514	**(7 401)**
Closing balance	**47 315**	**149 981**	**79 140**	**37 444**	**313 880**

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.

Notes to financial statements (cont)

(In PLN thousand)

36. Contingent liabilities

Litigation

As at 30 June 2012, 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 2012 the value of legal proceedings against the Bank amounted to PLN 18 691 534 thousand (in 2011 PLN 18 753 334 thousand).

As at 30 June 2012, 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 2012, 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 2012 stood at PLN 45 606 thousand (as at 31 December 2011 PLN 47 315 thousand).

Financial commitments

Financial commitments by entities

	30.06.2012	31.12.2011
Financial commitments to:		
financial entities	3 743 593	2 749 139
non - financial entities	21 283 994	23 215 499
budget entities	716 227	847 426
Total	**25 743 814**	**26 812 064**

Guarantees

Guarantees by entities

	30.06.2012	31.12.2011
Liabilities to financial entities to:	969 591	747 530
guarantees	874 568	689 511
sureties	74 733	45 683
confirmed export letters of credit to:	20 290	12 336
Liabilities to non-financial entities	8 059 907	7 642 158
guarantees	5 447 407	6 285 928
securities' underwriting guarantees	2 612 500	1 356 230
Liabilities to budget entities to:	210 881	88 852
guarantees	7 381	10 252
securities' underwriting guarantees	203 500	78 600
Total	**9 240 379**	**8 478 540**

Notes to financial statements (cont)

(In PLN thousand)

Off-balance sheet financial liabilities

Financial liabilities by entities

	30.06.2012	31.12.2011
Financial to:	1 742 547	3 367 501
financial entities	1 142 547	3 367 501
non- financial entities	-	-
budget entities	600 000	-
Guarantees to:	11 074 103	12 632 187
financial entities	807 127	671 580
non- financial entities	6 967 701	9 181 483
budget entities	3 299 275	2 779 124
Total	**12 816 650**	**15 999 688**

Moreover, the Bank has the ability to obtain financing from National Bank of Poland secured by government securities.

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 2011 annual Consolidated Financial Statements.

Notes to financial statements (cont)

(In PLN thousand)

Related party transactions

Related party transactions as at 30 June 2012

NAME OF ENTITY	RECEIVABLES FROM	RECEIVABLES FROM REVALUATION OF DERIVATIVES	OTHER RECEIVABLES	LIABILITIES FROM LOANS AND DEPOSITS	LIABILITIES FROM REVALUATION OF DERIVATIVES	OTHER LIABILITIES
Bank's parent entity						
UniCredit S.p.A.	365 772	-	-	33 649	-	852 685
Entities of UniCredit Group exclusive of Pekao S.A. Group entities	1 553 221	240 991	1 938	3 044 304	903 020	4 717
Pekao S.A. Group entities						
Associates						
Pirelli Pekao Real Estate Sp. z o.o.	-	-	2	678	-	-
Dom Inwestycyjny Xelion Sp. z o.o.	-	-	8	3 744	-	-
Pioneer Pekao Investment Management S.A.	-	-	76	2 576	-	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	-	13 366	19 988	-	-
Krajowa Izba Rozliczeniowa S.A.	-	-	6	13 515	-	-
Pekao S.A. Group entities total	**-**	**-**	**13 458**	**40 501**	**-**	**-**
Key management Staff of the Bank or its parent entity	3 474	-	-	12 010	-	-
Total	**1 922 467**	**240 991**	**15 396**	**3 130 464**	**903 020**	**857 402**

Notes to financial statements (cont)

(In PLN thousand)

Recivables from loans and deposits by contractual maturity

30.06.2012	CURRENT (*)	UP TO 1 MONTH	BETWEEN 1AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	INTEREST	TOTAL
UniCredit S.p.A. – Bank 's parent entity	365 767	-	-	-	-	-	5	365 772
Entities of UniCredit Group exclusive of Pekao S.A. Group entities	1 359 853	148 100	858	1 343	42 613	-	454	1 553 221
Pekao S.A Group entities								
Associates	-	-	-	-	-	-	-	-
Key management Staff of the Bank or its parent entity	-	-	-	3 081	15	377	1	3 474
Total	**1 725 62**	**148 100**	**858**	**4 424**	**42 628**	**377**	**460**	**1 922 467**

(*) Current recivables include Nostro account and cash collateral account

Liabilities from loans and deposits by contractual maturity

30.06.2012	CURRENT (*)	UP TO 1 MONTH	BETWEEN 1AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	INTEREST	TOTAL
UniCredit S.p.A. – Bank 's parent entity	33 649	-	-	-	-	-	-	33 649
Entities of UniCredit Group exclusive of Pekao S.A. Group entities	56 390	953 203	119 275	747 718	571 815	593 444	2 459	3 044 304
Pekao S.A Group entities								
Associates	2 800	9 542	27 600	500	-	-	59	40 501
Key management Staff of the Bank or its parent entity	480	9 210	2 022	250	-	-	48	12 010
Total	**93 319**	**971 955**	**148 897**	**748 468**	**571 815**	**593 444**	**2 566**	**3 130 464**

(*)Current liabilities include Loro account and cash collateral account

Notes to financial statements (cont)

(In PLN thousand)

Related party transactions as at 31 December 2011

NAME OF ENTITY	RECEIVABLES FROM LOANS, ADVANCES AND PLACEMENTS	RECEIVABLES FROM REVALUATION OF DERIVATIVES	OTHER RECEIVABLES	LIABILITIES FROM LOANS AND DEPOSITS	LIABILITIES FROM REVALUATION OF DERIVATIVES	OTHER LIABILITIES
Bank's parent entity						
UniCredit S.p.A.	115 267	-	7	58 584	-	22 277
Entities of UniCredit Group exclusive of Bank Pekao S.A. Group entities	1 215 321	261 211	2 664	3 457 751	1 025 915	606
Bank Pekao S.A. Group entities						
Associates						
Pirelli Pekao Real Estate Sp. z o.o.	-	-	-	4 109	-	-
Xelion. Doradcy Finansowi Sp. z o.o.	-	-	60	9 512	-	-
Pioneer Pekao Investment Management S.A.	-		80	3 719	-	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	-	15 236	14 896	-	-
Krajowa Izba Rozliczeniowa S.A.	-	-	2	26 231	-	3
Total Bank Pekao S.A. Group entities	**-**	**-**	**15 378**	**58 647**	**-**	**3**
Key management Staff of the Bank or its parent entity	3 489	-	-	12 873	-	-
Total	**1 334 077**	**261 211**	**18 049**	**3 587 675**	**1 025 915**	**22 886**

Notes to financial statements (cont)

(In PLN thousand)

Recivables from loans and deposits by contractual maturity

31.12.2011	CURRENT (*)	UP TO 1 MONTH	BETWEEN 1AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	INTEREST	TOTAL
UniCredit S.p.A. – Bank ‘s parent entity	115 267	-	-	-	-	-	-	115 267
Entities of UniCredit Group exclusive of Pekao S.A. Group entities	1 159 725	974	1 040	8 928	44 168	-	486	1 215 321
Pekao S.A Group entities								
Associates	-	-	-	-	-	-	-	-
Key management Staff of the Bank or its parent entity	-	3 064	-	1	38	385	1	3 489
Total	**1 274 992**	**4 038**	**1 040**	**8 929**	**44 206**	**385**	**487**	**1 334 077**

(*) Current recivables include Nostro account and cash collateral account

Liabilities from loans and deposits by contractual maturity

31.12.2011	CURRENT (*)	UP TO 1 MONTH	BETWEEN 1AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	INTEREST	TOTAL
UniCredit S.p.A. – Bank ‘s parent entity	58 584	-	-	-	-	-	-	58 584
Entities of UniCredit Group exclusive of Pekao S.A. Group entities	998 834	485 465	21 791	633 199	705 791	609 387	3 284	3 457 751
Pekao S.A Group entities								
Associates	6 959	42 769	8 030	500	-	-	209	58 467
Key management Staff of the Bank or its parent entity	897	8 162	3 500	200	32	-	82	12 873
Total	**1 065 274**	**536 396**	**33 321**	**633 899**	**705 823**	**609 387**	**3 575**	**3 587 675**

(*)Current liabilities include Loro account and cash collateral account

Notes to financial statements (cont)

(In PLN thousand)

Income and expenses from transactions with related parties for the period from 1 January 2012 to 30 June 2012

NAME OF ENTITY	INTEREST INCOME	INTERES EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	DERIVATIVES VALUATION AND OTHER INCOME	DERIVATIVES VALUATION AND OTHER EXPENSES
Bank's parent entity						
UniCredit S.p.A.	404	(245)	105	(2 209)	1 741	(6 134)
Entities of UniCredit Group exclusive of Pekao S.A. Group entities	71 382	(37 616)	5 513	(1 996)	4 365	(67 123)
Pekao S.A. Group entities						
Associates						
Pirelli Pekao Real Estate Sp. z o.o.	-	(27)	6	-	-	-
Dom Inwestycyjny Xelion Sp. z o.o. (ex.. Xelion. Doradcy Finansowi Sp. z o.o.)	-	(170)	22	(23)	102	-
Pioneer Pekao Investment Management S.A.	-	(130)	263	-	61	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	(415)	102 754	-	-	(4)
Krajowa Izba Rozliczeniowa S.A.	-	(377)	17	-	-	(4 937)
Pekao S.A. Group entities total	**-**	**(1 119)**	**103 062**	**(23)**	**163**	**(4 941)**
Key management Staff of the Bank or its parent entity	100	(337)	2	-	-	(1)
Total	**71 886**	**(39 317)**	**108 682**	**(4 228)**	**6 269**	**(78 199)**

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	INTERES EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	DERIVATIVES VALUATION AND OTHER INCOME	DERIVATIVES VALUATION AND 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	(46 506)	2 801	(2 554)	7 032	(11 824)
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	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	(2 588)	142 229	-	440	(19)
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**	**(6 705)**	**142 723**	**(30)**	**591**	**(5 753)**
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)

Off-balance sheet financial liabilities and guarantees as at 30 June 2012

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEE	FINANCIAL	GUARANTEE
Bank's parent entity				
UniCredit S.p.A.	63 630	277 361	-	-
Entities of UniCredit Group exclusive of Pekao S.A. Group entities	705 253	295 129	-	-
Pekao S.A. Group entities				
Associates				
Pirelli Pekao Real Estate Sp. z o.o.	179	-	-	-
Dom Inwestycyjny Xelion Sp. z o.o. (ex.. Xelion. Doradcy Finansowi Sp. z o.o.)	30	-	-	-
Pioneer Pekao Investment Management S.A.	32	-	-	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	130	-	-	-
Krajowa Izba Rozliczeniowa S.A.	-	500	-	-
Pekao S.A. Group entities total	**371**	**500**	**-**	**-**
Key management Staff of the Bank or its parent entity	573	-	-	-
Total	**769 827**	**572 990**	**-**	**-**

Off-balance sheet financial liabilities and guarantees as at 31 December 2011

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEE		FINANCIAL
Bank's parent entity				
UniCredit S.p.A.	64 701	188 638	-	-
Entities of UniCredit Group exclusive of Pekao S.A. Group entities	710 554	304 095	2 208 613	-
Pekao S.A. Group entities				
Associates				
Pirelli Pekao Real Estate Sp. z o.o.	180	-	-	-
Xelion. Doradcy Finansowi Sp. z o.o.	29	-	-	-
Pioneer Pekao Investment Management S.A.	32	-	-	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	135	-	-	-
Krajowa Izba Rozliczeniowa S.A.	-	500	-	-
Pekao S.A. Group entities total	**376**	**500**	**-**	**-**
Key management Staff of the Bank or its parent entity	286	-	-	-
Total	**775 917**	**493 233**	**2 208 613**	**-**

Notes to financial statements (cont)

(In PLN thousand)

Remuneration of Bank's Management Board and Supervisory Board Members

	VALUE OF BENEFITS	
	I HALF 2012	I HALF 2011
Management Board of the Bank		
Short-term employee benefits (*)	7 304	7 432
Long-term benefits(**)	4 234	1 075
Termination benefits	-	5 568
Share-based payments (***)	461	869
Total	**11 999**	**14 944**
Supervisory Board of the Bank		
Short-term employee benefits (*)	543	435
Share-based payments (***)	-	51
Total	**543**	**486**

(*) Short-term employee benefits include: base salary, bonuses and other benefits due in next 12 months from the date of the balance sheet.
(**) The item "long-term benefit" includes: provisions for a long-term motivation program and deferred bonus payments.
(***) 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 2012 and 2011.

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

	VALUE OF BENEFITS	
	I HALF 2012	I HALF 2011
Companies' Management Boards		
Short-term employee benefits	10 656	11 306
Long-term benefits	426	-
Termination benefits	315	-
Share-based payments	91	436
Total	**11 488**	**11 742**
Companies' Supervisory Boards		
Short-term employee benefits	19	19
Total	**19**	**19**

38. Subsequent events

There have been no significant subsequent events.

Signatures of the Management Board Members

Date	Name/Surname	Position/Function	Signature
02.08.2012	Luigi Lovaglio	President of the Management Board, CEO	
02.08.2012	Diego Biondo	Vice-President of the Management Board	
02.08.2012	Marco Iannaccone	Vice-President of the Management Board	
02.08.2012	Andrzej Kopyrski	Vice-President of the Management Board	
02.08.2012	Grzegorz Piwowar	Vice-President of the Management Board	
02.08.2012	Marian Ważyński	Vice-President of the Management Board	

Annexes to the financial statements

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

Date of application - the first financial year beginning after 30 June 2011.

Description:
The proposed amendment would replace the fixed date '1 January 2004' as the date of adopting IFRSs for the first time with a 'date of adopting IFRSs for the first time' in order to provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs. Moreover, the amendment would provide guidance on resumption of presentation of IFRS financial statements for entities emerging from severe hyperinflation.

IFRS 9 'Financial Instruments'

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

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

IAS 12 (amendment) 'Income Taxes'

Date of application - the first financial year beginning after 31 December 2011.

Description:
The amendments would specify how the assets and provisions for deferred tax would be measured in case of investment properties measured using the fair value model in IAS 40 'Investment Property'.

Annexes to the financial statements

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.

IAS 27 'Separate Financial Statements'

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

Description:
Standard contains requirements for the presentation and disclosures in the separate financial statements investments in associates, subsidiaries or joint ventures. Standard replaces the previous IAS 27 'Consolidated and Separate Financial Statements'.

Annexes to the financial statements

IAS 28 'Investments in Associates and Joint Ventures'

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

Description:
The new standard refers to accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 'Investments in Associates and Joint Ventures' will replace the previous version of IAS 28 'Investments in Associates'.

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 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 (amendment) '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.

IAS 1 (amendment) 'Presentation of Financial Statements'

Date of application - the first financial year beginning after 30 June 2012.

Description:
The amendment specify the requirements for items of other comprehensive income (OCI) to be grouped in financial statements prepared in accordance with IFRSs.

IFRIC 20 '**Stripping costs in the production phase of a surface mine'**

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

Description:
The interpretation clarifies accounting for costs associated with the process of removing waste from a surface mine in order to gain access to mineral ore deposits.

Annexes to the financial statements

IAS 32 (amendment) 'Financial Instruments: Presentation'

Date of application - the first financial year beginning after 31 December 2013.

Description:
The objective of this Standard is to establish principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and liabilities.

IFRS 7 (amendment) 'Financial Instruments: Disclosures'

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

Description:
The objective of this IFRS is to require entities to provide disclosures in their financial statements that enable users to better estimate the influence or potential influence offsetting financial assets and liabilities on financial standing of the entity.

IFRS 1 'First-time Adoption of International Financial Reporting Standards'

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

Description:
The change applies to loans received from the government, granted according to the interest rate lower than market rate.

Annexes to the financial statements

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.

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

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

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

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

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

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

IBNR – Incurred But Not Reported losses.

PD – Probability Default - parameter used in A-IRB method which determines the probability of debtor's insolvency. PD denotes with what probability is credit loss expected within time period of one year.

LGD – Loss Given Default.

EAD – Exposure At Default.

EL – Expected Loss.

CCF – Credit Conversion Factor.

A-IRB – Advanced Internal Rating-Based approach – advanced method where all parameters of risk (PD, LGD, EAD) are estimated by the bank using its own quantitative model to determine the amount of the risk weighted assets.

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.

Annexes to the financial statements

EaR – Earnings at Risk – the maximum decrease of earnings, relative to specific goal, which might occur due to influence of market risk on specific risk factors for the given time period and confidence level.

ICAAP – Internal Capital Adequacy Assessment Process – the process of assessing internal capital adequacy.