Condensed Unconsolidated Interim Financial Statements of Bank Pekao S.A. 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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Unconsolidated income statement

(In PLN thousand)

	NOTE	II QUARTER 2012 Period from 01.04.2012 to 30.06.2012	I HALF 2012 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
Interest income	6	1 990 559	3 943 478	1 691 762	3 262 890
Interest expense	6	(873 192)	(1 700 593)	(633 073)	(1 216 638)
Net interest income		**1 117 367**	**2 242 885**	**1 058 689**	**2 046 252**
Fee and commission income	7	655 238	1 267 527	692 205	1 319 317
Fee and commission expense	7	(132 847)	(252 516)	(112 444)	(209 125)
Net fee and commission income		**522 391**	**1 015 011**	**579 761**	**1 110 192**
Dividend income	8	**137 770**	**168 534**	**77 395**	**195 655**
Result on financial assets and liabilities held for trading	9	**117 886**	**232 150**	**121 341**	**261 714**
Result on fair value hedge accounting	23	**(5 597)**	**(8 737)**	**(3 345)**	**(7 589)**
Net result on other financial instruments at fair value through profit and loss		**-**	**-**	**(153)**	**(139)**
Gains (losses) on disposal of:	10	**37 044**	**80 162**	**3 385**	**4 844**
loans and other financial receivables		-	-	(153)	(153)
available for sale financial assets and held to maturity investments		36 929	80 138	3 863	5 740
financial liabilities		115	24	(325)	(743)
Operating income		**1 926 861**	**3 730 005**	**1 837 073**	**3 610 929**
Net impairment losses on financial assets and off-balance sheet commitments:	13	**(149 403)**	**(263 273)**	**(120 933)**	**(237 847)**
loans and other financial receivables		(134 913)	(263 774)	(112 107)	(261 533)
available for sale financial assets and held to maturity investments		-	-	-	-
off-balance sheet commitments		(14 490)	501	(8 826)	23 686
Net result on financial activity		**1 777 458**	**3 466 732**	**1 716 140**	**3 373 082**
Administrative expenses	11	**(767 752)**	**(1 515 623)**	**(766 391)**	**(1 502 921)**
personnel expenses		(436 271)	(858 336)	(447 217)	(881 565)
other administrative expenses		(331 481)	(657 287)	(319 174)	(621 356)
Depreciation and amortization		**(86 736)**	**(173 281)**	**(86 535)**	**(174 633)**
Net result on other provisions		**(1 217)**	**(1 733)**	**390**	**(1 087)**
Net other operating income and expenses	12	**25 866**	**36 942**	**11 538**	**20 160**
Operating costs		**(829 839)**	**(1 653 695)**	**(840 998)**	**(1 658 481)**
Gains (losses) from subordinated entities	14	**-**	**613**	**-**	**-**
Gains (losses) on disposal of property, plant and equipment, and intangible assets		**1 096**	**2 250**	**246**	**595**
Profit before income tax		**948 715**	**1 815 900**	**875 388**	**1 715 196**
Income tax expense	15	**(157 716)**	**(319 062)**	**(153 427)**	**(289 805)**
Net profit for the period		**790 999**	**1 496 838**	**721 961**	**1 425 391**
Earnings per share (in PLN per share)	16				
basic for the period		3.01	5.70	2.75	5.43
diluted for the period		3.01	5.70	2.75	5.43

Unconsolidated statement of comprehensive income

(In PLN thousand)

	NOTE	II QUARTER 2012 Period from 01.04.2012 to 30.06.2012	I HALF 2012 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		**790 999**	**1 496 838**	**721 961**	**1 425 391**
Other comprehensive income					
Foreign currency translation differences		(45)	(38)	(1)	(3)
Change in fair value of available-for-sale financial assets		119 728	349 700	197 115	103 982
Change in fair value of cash flow hedges		(26 320)	(86 320)	18 395	(27 772)
Income tax expenses on other comprehensive income	15	(17 747)	(50 042)	(40 948)	(14 480)
Other comprehensive income (net)		**75 616**	**213 300**	**174 561**	**61 727**
Total comprehensive income		**866 615**	**1 710 138**	**896 522**	**1 487 118**

Unconsolidated statement of financial position

(In PLN thousand)

	NOTE	30.06.2012	31.12.2011
ASSETS			
Cash and due from Central Bank	18	6 526 962	4 886 074
Debt securities eligible for rediscounting at Central Bank		318	100
Loans and advances to banks	19	7 075 516	5 648 899
Financial assets held for trading	20	1 071 650	849 711
Derivative financial instruments (held for trading)	21	2 064 906	2 252 962
Other financial instruments at fair value through profit and loss		-	-
Loans and advances to customers	22	93 785 431	92 143 106
Hedging instruments	23	483 968	408 906
Investment securities	24	26 327 872	29 018 866
1. Available for sale		22 183 052	25 345 366
2. Held to maturity		4 144 820	3 673 500
Assets held for sale	25	1 720 152	2 015 733
Investments in subsidiaries		793 268	793 268
Investments in associates		38 627	39 345
Intangible assets	26	635 944	675 747
Property, plant and equipment	27	1 666 478	1 736 128
Investment properties		58 358	58 778
Income tax assets		627 296	655 966
1. Current tax receivable		-	-
2. Deferred tax assets		627 296	655 966
Other assets		1 343 906	1 206 366
TOTAL ASSETS		**144 220 652**	**142 389 955**
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to Central Bank	18	178 481	356 386
Amounts due to other banks	29	6 693 062	4 072 409
Financial liabilities held for trading	20	110 780	-
Derivative financial instruments (held for trading)	21	2 052 666	2 506 700
Amounts due to customers	30	106 266 502	108 004 745
Hedging instruments	23	1 473 151	1 738 549
Fair value hedge adjustments of hedged items due to interest rate risk	23	1 576	(17 475)
Debt securities issued	31	2 804 873	2 402 614
Income tax liabilities		46 322	192 681
1. Current income tax payable		46 322	192 681
2. Deferred tax liabilities		-	-
Provisions	32	358 323	345 368
Other liabilities		3 140 050	1 989 316
TOTAL LIABILITIES		**123 125 786**	**121 591 293**
Equity			
Share capital		262 383	262 382
Other capital and reserves		19 335 645	17 709 907
Retained earnings and profit for the period		1 496 838	2 826 373
TOTAL EQUITY		**21 094 866**	**20 798 662**
TOTAL EQUITY AND LIABILITIES		**144 220 652**	**142 389 955**

Unconsolidated statement of changes in equity

(In PLN thousand)

For the period from 1 January 2012 to 30 June 2012

	SHARE CAPITAL	OTHER CAPITAL AND RESERVES							RETAINED EARNINGS AND CURRENT YEAR PROFIT	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES FROM FINANCIAL INSTRUMENTS	FOREIGN CURRENCY TRANSLATION DIFFERENCES	OTHER		
Equity as at 1 January 2012	**262 382**	**17 709 907**	**9 126 501**	**1 537 850**	**6 859 286**	**(65 446)**	**1 523**	**250 193**	**2 826 373**	**20 798 662**
Management options	**1**	**(1 847)**	**119**	**-**	**-**	**-**	**-**	**(1 966)**	**-**	**(1 846)**
Options exercised (share issue)	1	119	119	-	-	-	-	-	-	120
Revaluation of management share options	-	(1 966)	-	-	-	-	-	(1 966)	-	(1 966)
Valuation of financial instruments	**-**	**213 339**	**-**	**-**	**-**	**213 339**	**-**	**-**	**-**	**213 339**
Revaluation of available-for-sale investments net of tax	-	283 257	-	-	-	283 257	-	-	-	283 257
Revaluation of hedging financial instruments net of tax	-	(69 918)	-	-	-	(69 918)	-	-	-	(69 918)
Appropriation of retained earnings and current year profit	**-**	**1 414 284**	**-**	**200 000**	**1 214 284**	**-**	**-**	**-**	**(1 329 535)**	**84 749**
Dividend paid	-	-	-	-	-	-	-	-	(1 412 089)	(1 412 089)
Profit appropriation	-	1 414 284	-	200 000	1 214 284	-	-	-	(1 414 284)	-
Net profit for the period	-	-	-	-	-	-	-	-	1 496 838	1 496 838
Other	**-**	**(38)**	**-**	**-**	**-**	**-**	**(38)**	**-**	**-**	**(38)**
Foreign currency translation differences	-	(38)	-	-	-	-	(38)	-	-	(38)
Equity as at 30 June 2012	**262 383**	**19 335 645**	**9 126 620**	**1 737 850**	**8 073 570**	**147 893**	**1 485**	**248 227**	**1 496 838**	**21 094 866**

Unconsolidated statement of changes in equity (cont)

(In PLN thousand)

For the period from 1 January 2011 to 30 June 2011

	SHARE CAPITAL	OTHER CAPITAL AND RESERVES							RETAINED EARNINGS AND CURRENT YEAR PROFIT	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES FROM FINANCIAL INSTRUMENTS	FOREIGN CURRENCY TRANSLATION DIFFERENCES	OTHER		
Equity as at 1 January 2011	**262 364**	**17 019 353**	**9 124 344**	**1 437 850**	**6 191 904**	**21 266**	**2 965**	**241 024**	**2 552 022**	**19 833 739**
Management options	**3**	**4 897**	**367**	**-**	**-**	**-**	**-**	**4 530**	**-**	**4 900**
Options exercised (share issue)	3	367	367	-	-	-	-	-	-	370
Revaluation of management share options	-	4 530	-	-	-	-	-	4 530	-	4 530
Valuation of financial instrument	**-**	**61 730**	**-**	**-**	**-**	**61 730**	**-**	**-**	**-**	**61 730**
Revaluation of available-for-sale investments net of tax	-	84 225	-	-	-	84 225	-	-	-	84 225
Revaluation of hedging financial instruments net of tax	-	(22 495)	-	-	-	(22 495)	-	-	-	(22 495)
Appropriation of retained earnings and current year profit	**-**	**767 382**	**-**	**100 000**	**667 382**	**-**	**-**	**-**	**(1 126 631)**	**(359 249)**
Dividend paid	-	-	-	-	-	-	-	-	(1 784 640)	(1 784 640)
Profit appropriation	-	767 382	-	100 000	667 382	-	-	-	(767 382)	-
Net profit for the period	-	-	-	-	-	-	-	-	1 425 391	1 425 391
Other	**-**	**(3)**	**-**	**-**	**-**	**-**	**(3)**	**-**	**-**	**(3)**
Foreign currency translation differences	-	(3)	-	-	-	-	(3)	-	-	(3)
Equity as at 30 June 2011	**262 367**	**17 853 359**	**9 124 711**	**1 537 850**	**6 859 286**	**82 996**	**2 962**	**245 554**	**1 425 391**	**19 541 117**

Unconsolidated 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	**1 496 838**	**1 425 391**
Adjustments:	**(1 165 890)**	**(6 234 688)**
Depreciation expense	173 281	173 390
(Gains) losses on investing activities	(82 388)	(6 353)
Interest and dividend	(722 355)	(782 914)
Change in loans and advances to banks	934	448 179
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)	188 056	44 732
Change in loans and advances to customers and debt securities eligible for rediscounting at Central Bank	(1 642 543)	(4 075 477)
Change in investment securities	20 030	93 586
Change in tax assets	(21 372)	(10 984)
Change in other assets	(1 505)	210 322
Change in amounts due to banks	2 442 748	(766 524)
Change in liabilities held for trading	110 780	341 822
Change in derivative financial instruments (liabilities) and other financial instruments at fair value	(454 034)	(257 685)
Change in amounts due to customers	(1 738 243)	(2 484 701)
Change in debt securities issued	8 523	(9 702)
Change in provisions	12 955	(19 451)
Change in other liabilities	901 671	672 741
Income tax paid (negative sign)	(483 933)	(253 568)
Current tax expense	340 434	300 789
Net cash flows from operating activities	**330 948**	**(4 809 297)**
Cash flow from investing activities		
Investing activity inflows	**133 592 621**	**173 642 580**
Sale of investment securities	133 132 272	173 183 983
Sale of intangible assets and property, plant and equipment	2 710	2 265
Other investing inflows	457 639	456 332
Investing activity outflows	**(129 831 185)**	**(169 125 853)**
Acquisition of investment securities	(129 761 043)	(169 068 743)
Acquisition of intangible assets and property, plant and equipment	(70 142)	(57 110)
Net cash flows from investing activities	**3 761 436**	**4 516 727**

Unconsolidated 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	**2 026 564**	**214 605**
Issue of debt securities	2 026 444	214 235
Issue of shares	120	370
Financing activity outflows	**(3 050 509)**	**(2 148 146)**
Redemption of debt securities	(1 638 420)	(363 506)
Dividends and other payments to shareholders	(1 412 089)	(1 784 640)
Net cash flows from financing activities	**(1 023 945)**	**(1 933 541)**
Total net cash flows	**3 068 439**	**(2 226 111)**
Net change in cash and cash equivalents	**3 068 439**	**(2 226 111)**
Cash and cash equivalents at the beginning of the period	**10 261 144**	**11 522 678**
Cash and cash equivalents at the end of the period	**13 329 583**	**9 296 567**

Notes to financial statements (cont)

(In PLN thousand)

1. General information

Bank PolskaKasaOpiekiSpółkaAkcyjna (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. is part of the UniCreditS.p.A. Group with its seat in Roma, Italy.

The condensed unconsolidated interim Financial Statements of Bank Pekao S.A. for the period from 1 January 2012 to 30 June 2012 contain financial information of all of the activities performed by the Bank.

The Bank also prepares Consolidated Financial Statements of Bank Pekao S.A. Capital Group.

2. Statement of compliance

The Condensed Unconsolidated Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) as adopted by the European Union and other applicable regulations.

These financial statements do not include all information required for full annual financial statements, and shall be construed and interpreted in conjunction with the unconsolidated financial statements of the Bank as at and for the year ended 31 December 2011.

The Unconsolidated Financial Statements of the Bank as at and for the year ended 31 December 2011 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 Unconsolidated Interim Financial Statements have been prepared in Polish Zloty, and all amounts are stated in PLN thousand, unless indicated otherwise.

The financial data, presented in Condensed Unconsolidated Interim Financial Statements of Bank were prepared in the wat 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 commissionincome	700 144	(7 939)	692 205	1 332 954	(13 637)	1 319 317
Fee and commissionexpenses	(120 383)	7 939	(112 444)	(222 762)	13 637	(209 125)

(In PLN thousand)

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

3. Significant accounting policies

The Condensed Unconsolidated Financial Statements of the Bank have been prepared based on the following valuation principles:

- at fair value for: derivatives, financial assets and liabilities held for trading, financial assets 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) held for sale are recognized at the lower of the carrying value or fair value less costs to sell.

The accounting policies applied by the Bank in these condensed unconsolidated interim financial statements are the same as those applied by the Bank in the unconsolidated financial statements of Bank Pekao S.A. for the year ended 31 December 2011.

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

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

In the opinion of the Bank, the amendments to IFRS 9 ‘Financial Instruments’ described in the 2011 unconsolidated financial statements shall have a significant impact on its financial statements.

4. 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 Bank, actual results may differ from these estimates. In preparing these interim financial statements, the significant judgments made by management in applying the Bank’s accounting policies were the same as those that applied to the unconsolidated financial statements as at and for the year ended 31 December 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.

Notes to financial statements (cont)

(In PLN thousand)

5. Financial risk management

Credit risk

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

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%**

Notes to financial statements (cont)

(In PLN thousand)

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)

Exposure to credit risk

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

	LOANS AND ADVANCES TO BANKS		LOANS AND ADVANCES TO CUSTOMERS	
	30.06.2012	31.12.2011	30.06.2012	31.12.2011
GROSS CARRYING VALUE OFEXPOSURE INDIVIDUALLY IMPAIRED				
– not past due	1 171	1 181	554 983	888 747
– up to 1 month	-	-	774 191	297 548
– between 1 month and 3 months	-	-	42 656	16 030
– between 3 months and 1 year	-	-	790 484	404 568
– between 1 year and 5 years	62 964	62 964	953 399	843 849
– above 5 years	-	-	985 169	914 258
Total gross carrying value	**64 135**	**64 145**	**4 100 882**	**3 365 000**
ALLOWANCE FOR IMPAIRMENT				
– not past due	(1 171)	(1 181)	(149 971)	(118 035)
– up to 1 month	-	-	(107 539)	(165 886)
– between 1 month and 3 months	-	-	(21 078)	(6 829)
– between 3 months and 1 year	-	-	(200 367)	(129 548)
– between 1 year and 5 years	(54 000)	(54 000)	(618 153)	(599 269)
– above 5 years	-	-	(834 710)	(769 271)
Total allowance for impairment	**(55 171)**	**(55 181)**	**(1 931 818)**	(1 788 838)
Net carrying value of exposure individually impaired	**8 964**	**8 964**	**2 169 064**	**1 576 162**
– not past due	-	-	62 225	54 993
– up to 1 month	-	-	20 735	26 223
– between 1 month and 3 months	-	-	38 370	26 925
– between 3 months and 1 year	-	-	413 677	436 513
– between 1 year and 5 years	-	-	1 327 146	1 275 233
– above 5 years	16 556	16 632	620 275	626 405
Total gross carrying value	**16 556**	**16 632**	**2 482 428**	**2 446 292**
ALLOWANCE FOR IMPAIRMENT				
– not past due	-	-	(36 901)	(32 226)
– up to 1 month	-	-	(13 072)	(16 663)
– between 1 month and 3 months	-	-	(23 679)	(17 198)
– between 3 months and 1 year	-	-	(279 880)	(295 742)
– between 1 year and 5 years	-	-	(1 116 012)	(1 064 826)
– above 5 years	(16 405)	(16 628)	(614 932)	(622 183)
Total allowance for impairment	**(16 405)**	**(16 628)**	**(2 084 476)**	**(2 048 838)**
Net carrying value of exposure collectively impaired	**151**	**4**	**397 952**	**397 454**

Notes to financial statements (cont)

(In PLN thousand)

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

	LOANS AND ADVANCES TO BANKS		LOANS AND ADVANCES TO CUSTOMERS(*)			
			CORPORATE		RETAIL	
	30.06.2012	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	7 067 806	5 641 000	55 300 121	56 214 981	34 633 678	32 298 764
– up to 30 days	-	-	379 671	332 815	1 035 466	1 383 133
– between 30 days and 60 days	-	-	28 136	146 791	219 669	196 710
– above 60 days	-	-	38 927	15 353	90 571	111 347
Total gross carrying value	**7 067 806**	**5 641 000**	**55 746 855**	**56 709 940**	**35 979 384**	**33 989 954**
IBNR PROVISION						
– not past due	(1 405)	(1 069)	(226 180)	(238 302)	(152 079)	(129 998)
– up to 30 days	-	-	(8 120)	(4 379)	(68 791)	(102 949)
– between 30 days and 60 days	-	-	(473)	(1 467)	(33 344)	(30 719)
– above 60 days	-	-	(691)	(913)	(17 828)	(21 577)
Total IBNR provision	**(1 405)**	**(1 069)**	**(235 464)**	**(245 061)**	**(272 042)**	**(285 243)**
Net carrying value of exposure with no impairment	**7 066 401**	**5 639 931**	**55 511 391**	**56 464 879**	**35 707 342**	**33 704 711**

(*) Advances to customers include 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	-	15 743 070	3 544 745	4 284 420	24 444 368
BBB+ to BBB-	-	-	249 898	-	-	249 898
BB+ to BB-	-	-	-	-	-	-
B+ to B-	-	-	-	-	-	-
under B-	-	-	-	-	-	-
no rating	199 517	-	6 181 081 (*)	600 075(**)	-	6 980 673
Total	**1 071 650**	**-**	**22 174 049**	**4 144 820**	**4 284 420**	**31 674 939**

(*) 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	-	14 749 285	2 998 019	3 755 536	22 104 653
BBB+ to BBB-	-	-	-	-	-	-
BB+ to BB-	-	-	-	-	-	-
B+ to B-	-	-	-	-	-	-
below B-	-	-	-	-	-	-
no rating	247 898	-	10 587 824 (*)	675 481 (**)	-	11 511 203
Total	**849 711**	**-**	**25 337 109**	**3 673 500**	**3 755 536**	**33 615 856**

(*) 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	1 704 868	1 860 915	230 866	95 595
Other financial institutions	19 505	23 106	-	-
Non-financial entities	340 533	368 941	253 102	313 311
Total	**2 064 906**	**2 252 962**	**483 968**	**408 906**

Market risk of the trading book

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

The table below presents the market risk exposure of the trading portfolio of the Bank measured by Value at Risk in the first half of 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	1 935	993	1 436	5 278
Trading portfolio	1 989	1 022	1 537	5 268

IN PLN THOUSAND	31.12.2011	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign exchange risk	38	10	325	2 641
interest rate risk	1 858	1 159	2 046	3 287
Trading portfolio	1 856	1 166	2 119	3 398

Notes to financial statements (cont)

(In PLN thousand)

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 unconsolidated financial statements of the Bank Pekao S.A. as at 31 December 2011.

In the first half of the year, Bank 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	(7.88)	(7.89)
EVE	(0.84)	(1.07)

Currency risk

The foreign currency exchange risk management process has not changed in relation to one described in the unconsolidated financial statements of the Bank Pekao S.A. as at 31 December 2011.

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

CURRENCY	30.06.2012	31.12.2011
USD	238	406
EUR	296	42
CHF	736	99
Other	31	33
Currencies total (*)	386	432

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

Liquidity risk

The liquidity risk management process has not changed in relation to one described in the unconsolidated financial statements of the Bank Pekao S.A. 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	45 662 559	3 884 802	22 992 534	37 105 657	34 575 100	144 220 652
Liabilities	30 921 826	7 977 227	14 345 059	21 623 884	69 352 656	144 220 652
Net off-balance sheet items	(5 836 029)	(242 034)	2 402 206	2 223 574	764 784	(687 499)
Periodic gap	**8 904 704**	**(4 334 459)**	**11 049 681**	**17 705 347**	**(34 012 772)**	**(687 499)**
Cumulative gap		**4 570 245**	**15 619 926**	**33 325 273**	**(687 499)**	

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
Assets	42 893 742	5 036 046	24 479 142	35 888 940	34 092 085	142 389 955
Liabilities	29 694 832	9 392 169	13 950 226	22 546 226	66 806 502	142 389 955
Net off-balance sheet items	(7 140 800)	(555 245)	3 543 669	2 001 311	739 875	(1 411 190)
Periodic gap	**6 058 110**	**(4 911 368)**	**14 072 585**	**15 344 025**	**(31 974 542)**	**(1 411 190)**
Cumulative gap		**1 146 742**	**15 219 327**	**30 563 352**	**(1 411 190)**	

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 (*)	4 900 502	12 196	535 007	246 028	1 177 810	6 871 543
Amounts due to customers	80 278 167	13 353 998	12 259 849	360 117	14 371	106 266 502
Debt securities issued	2	215 788	1 958 510	630 573	-	2 804 873
Financial liabilities held for trading	-	-	-	22 446	88 334	110 780
Total	**85 178 671**	**13 581 982**	**14 753 366**	**1 259 164**	**1 280 515**	**116 053 698**
OFF-BALANCE SHEET COMMITMENTS (**)						
Off- balance sheet commitments Financial liabilities granted	26 016 386	-	-	-	-	26 016 386
Off- balance sheet commitments Guarantees liabilities granted	9 905 358	-	-	-	-	9 905 358
Total	**35 921 744**	**-**	**-**	**-**	**-**	**35 921 744**

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 (*)	2 322 435	28 141	306 225	605 179	1 166 815	4 428 795
Amounts due to customers	83 540 937	12 517 138	11 478 399	452 966	15 305	108 004 745
Debt securities issued	2	417 465	1 402 824	582 323	-	2 402 614
Financial liabilities held for trading	-	-	-	-	-	-
Total	**85 863 374**	**12 962 744**	**13 187 448**	**1 640 468**	**1 182 120**	**85 863 374**
OFF-BALANCE SHEET COMMITMENTS (**)						
Off- balance sheet commitments Financial liabilities granted	26 964 427	-	-	-	-	26 964 427
Off- balance sheet commitments Guarantees liabilities granted	9 271 650	-	-	-	-	9 271 650
Total	**36 236 077**	**-**	**-**	**-**	**-**	**36 236 077**

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

Notes to financial statements (cont)

(In PLN thousand)

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

According to Bank'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 Bank 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	1 226 642	646 400	**2 129 882**
31.12.2011	101 479	71 431	173 665	1 205 407	620 792	**2 172 774**

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	11 120 997	7 086 426	7 211 646	8 019 727	2 798 820	**36 237 616**
Outflows	10 949 336	6 995 623	7 174 750	8 273 156	3 480 294	**36 873 159**
31.12.2011						
Inflows	18 768 914	6 060 237	7 736 017	9 000 133	2 305 670	**43 870 971**
Outflows	18 803 671	6 175 994	7 834 439	9 308 161	3 055 606	**45 177 871**

Operational risk

There have been no significant changes in the operational risk management process in relation to those presented in the unconsolidated financial statements of the Bank Pekao S.A. 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 unconsolidated financial statements of the Bank Pekao S.A. as at 31 December 2011.

Notes to financial statements (cont)

(In PLN thousand)

Fair value of financial assets and liabilities

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

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

As at 30 June 2012 and 31 December 2011 the Bank classified the financial assets and liabilities measured at fair value into the following three categories based on the valuation method:

- Method 1: mark-to-market applies exclusively to quoted securities,
- Method 2: mark-to-model valuation with model parameterization, based exclusively on quotations from active markets for given type of instrument. 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.

30.06.2012	METHOD 1	METHOD 2	METHOD 3	TOTAL
Assets:	**16 618 411**	**7 919 940**	**1 265 225**	**25 803 576**
Financial assets held for trading	872 133	-	199 517	1 071 650
Derivative financial instruments, including:	-	2 040 655	24 251	2 064 906
- Banks	-	1 683 727	21 141	1 704 868
- Customers	-	356 928	3 110	360 038
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	15 746 278	5 395 317	1 041 457	22 183 052
Liabilities:	**110 780**	**3 501 567**	**24 250**	**3 636 597**
Financial liabilities held for trading	110 780	-	-	110 780
Derivative financial instruments, including:	-	2 028 416	24 250	2 052 666
- Banks	-	1 849 014	919	1 849 933
- 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

Notes to financial statements (cont)

(In PLN thousand)

31.12.2011	METHOD 1	METHOD 2	METHOD 3	TOTAL
Assets:	**15 351 100**	**12 356 950**	**1 148 895**	**28 856 945**
Financial assets held for trading	601 814	-	247 897	849 711
Derivative financial instruments, including:	-	2 226 867	26 095	2 252 962
- Banks	-	1 837 496	23 419	1 860 915
- Customers	-	389 371	2 676	392 047
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	14 749 286	9 721 177	874 903	25 345 366
Liabilities:	**-**	**4 219 154**	**26 095**	**4 245 249**
Financial liabilities held for trading	-	-	-	-
Derivative financial instruments, including:	-	2 480 605	26 095	2 506 700
- Banks	-	2 269 602	1 025	2 270 627
- Customers	-	211 003	25 070	236 073
Hedging instruments, including:	-	1 738 549	-	1 738 549
- Banks	-	1 725 328	-	1 725 328
- Customers	-	13 221	-	13 221

6. Interest income and expense

Interest income

	II QUARTER 2012	I HALF 2012	II QUARTER 2011	I HALF 2011
Loans and other receivables from customers	1 581 122	3 150 341	1 293 191	2 509 239
Placements in other banks	67 212	135 925	62 569	125 619
Reverse repo transactions	43 809	79 152	28 838	47 845
Investment securities	289 335	556 969	295 548	568 847
Financial assets held for trading	9 081	21 091	11 418	10 934
Financial assets designated to fair value through profit and loss	-	-	198	406
Total	**1 990 559**	**3 943 478**	**1 691 762**	**3 262 890**

Interest expense

	II QUARTER 2012	I HALF 2012	II QUARTER 2011	I HALF 2011
Customers' deposits	(776 623)	(1 525 530)	(568 184)	(1 108 326)
Other banks' deposits	(11 316)	(20 977)	(13 425)	(25 113)
Repo transactions	(46 412)	(79 282)	(31 637)	(42 705)
Loans from other banks	(10 048)	(21 919)	(15 325)	(31 782)
Debt securities issued	(28 793)	(52 885)	(4 502)	(8 712)
Total	**(873 192)**	**(1 700 593)**	**(633 073)**	**(1 216 638)**

Notes to financial statements (cont)

(In PLN thousand)

7. 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	202 518	398 818	227 607	435 001
Payment cards	221 382	428 802	201 307	380 340
Loans and advances	141 419	259 541	144 784	274 724
Investment products salesintermediation	42 024	92 397	61 854	127 096
Securities operations	13 451	25 769	10 229	23 460
Custody activity	13 707	27 070	15 520	30 341
Guarantees, letters of credit and similar transactions	12 836	25 761	14 768	29 857
Other	7 901	9 369	16 136	18 498
Total	**655 238**	**1 267 527**	**692 205**	**1 319 317**

Fee and commission expense

	II QUARTER 2012	I HALF 2012	II QUARTER 2011	I HALF 2011
Payment cards	(115 565)	(217 356)	(95 391)	(176 950)
Bank drafts and transfers	(7 003)	(13 867)	(6 245)	(11 831)
Securities operations and derivatives	(2 297)	(4 583)	(2 299)	(4 621)
Custody activity	(1 304)	(3 908)	(2 854)	(4 292)
Acquisition services	(2 801)	(5 672)	(1 756)	(3 940)
Accounts maintenance	(143)	(272)	(153)	(304)
Other	(3 734)	(6 858)	(3 746)	(7 187)
Total	**(132 847)**	**(252 516)**	**(112 444)**	**(209 125)**

8. Dividend income

	II QUARTER 2012	I HALF 2012	II QUARTER 2011	I HALF 2011
Subsidiaries	63 765	94 529	1	118 261
Associates	65 256	65 256	67 083	67 083
Other entities	8 749	8 749	10 311	10 311
Total	**137 770**	**168 534**	**77 395**	**195 655**

9. 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	122 886	240 804	112 283	231 490
Gains (losses) on derivatives	(5 428)	(15 443)	7 747	26 091
Gains (losses) on securities	428	6 789	1 311	4 133
Total	**117 886**	**232 150**	**121 341**	**261 714**

(In PLN thousand)

10. 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	3 084	3 084
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**	**3 869**	**5 755**

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	-	-	-	-
Available for sale financial assets – equity instruments	-	-	-	-
Investments held to maturity	-	-	-	-
Debt securities issued	(89)	(258)	(331)	(758)
Total	**(89)**	**(258)**	**(484)**	**(911)**

Net realized profit	**37 044**	**80 162**	**3 385**	**4 844**

11. Administrative expenses

Personnel expenses

	II QUARTER 2012	I HALF 2012	II QUARTER 2011	I HALF 2011
Wages and salaries	(367 236)	(726 114)	(378 522)	(742 771)
Insurance and other charges related to employees	(66 774)	(130 600)	(63 908)	(132 327)
Share-based payments expense	(2 261)	(1 622)	(4 787)	(6 467)
Total	**(436 271)**	**(858 336)**	**(447 217)**	**(881 565)**

Other administrative expenses

	II QUARTER 2012	I HALF 2012	II QUARTER 2011	I HALF 2011
Other administrative expenses	(291 527)	(576 442)	(282 607)	(546 775)
Taxes and charges	(8 641)	(18 261)	(7 772)	(16 951)
Bank Guarantee Fund fee	(23 768)	(47 535)	(21 983)	(43 966)
Financial supervision authority fee (KNF)	(7 545)	(15 049)	(6 812)	(13 664)
Total	**(331 481)**	**(657 287)**	**(319 174)**	**(621 356)**

Total administrative expenses	**(767 752)**	**(1 515 623)**	**(766 391)**	**(1 502 921)**

Notes to financial statements (cont)

(In PLN thousand)

12. 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	12 160	23 429	10 292	20 838
Credit insurance charges	8 699	15 312	6 790	12 978
Recovery of debt collection costs	5 359	10 300	4 369	7 923
Refunding of administrative costs	2 540	4 148	2 057	4 293
Income from written off liabilities	4 350	4 608	345	439
Compensation, penalty fees and fines received	10	20	10	18
Releases of impairment of litigation and other assets	66	110	144	1 334
Other	8 216	12 875	4 334	6 285
Total	**41 400**	**70 802**	**28 341**	**54 108**

Other operating expenses

	II QUARTER 2012	I HALF 2012	II QUARTER 2011	I HALF 2011
Credit insurance costs	(6 812)	(11 544)	(7 248)	(14 105)
Reimburse costs and inventory deficiencies	(2 391)	(5 120)	(3 028)	(7 300)
Customers complaints expense	(725)	(1 331)	(425)	(1 415)
Impairment of litigations receivables and other assets	(213)	(292)	(242)	(377)
Costs of litigation and claims	(603)	(1 338)	(760)	(1 713)
Compensation, penalty fees and fines paid	(153)	(339)	(63)	(150)
Losses on disposal of other assets	(4)	(4)	(8)	(8)
Other	(4 633)	(13 892)	(5 029)	(8 880)
Total	**(15 534)**	**(33 860)**	**(16 803)**	**(33 948)**

Net other operating income and expenses	**25 866**	**36 942**	**11 538**	**20 160**

Notes to financial statements (cont)

(In PLN thousand)

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

I HALF 2012	OPENING BALANCE	INCREASES: IMPAIRMENT CHARGES	INCREASES: OTHER (*)	DECREASES: WRITE-OFFS OF ASSETS FROM THE BALANCE SHEET	DECREASES: RELEASE OF IMPAIRMENT 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	72 878	873	1 070	-	(530)	(1 310)	72 981	(343)
Derivative financial instruments	-	-	-	-	-	-	-	
Loans and advances to customers valued at amortized cost	4 367 980	794 675	105 566	(84 751)	(526 477)	(133 193)	4 523 800	(268 198)
Financial assets available for sale	101	-	-	-	-	-	101	
Impairment of off-balance sheet commitments	117 839	50 484	-	-	(50 985)	(806)	116 532	501
Total financial assets and off-balance sheet commitments	**4 558 798**	**846 032**	**106 636**	**(84 751)**	**(577 992)**	**(135 309)**	**4 713 414**	**(268 040)**
Impairment of other assets								
Investments in subsidiaries and associates	68 056	-	-	-	-	(613)	67 443	-
Intangible assets	10 961	-	-	-	-	-	10 961	-
Property, plant and equipment	7 965	612	-	-	-	(1 474)	7 103	(612)
Investment properties	550	-	-	-	-	-	550	-
Other	67 079	292	27	(70)	(110)	(228)	66 990	(182)
Total impairment of other assets	**154 611**	**904**	**27**	**(70)**	**(110)**	**(2 315)**	**153 047**	**(794)**
Total	**4 713 409**	**846 936**	**106 663**	**(84 821)**	**(578 102)**	**(137 624)**	**4 866 461**	**(268 834)**

(*) 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 minus PLN 268 040 thousand and proceeds from recovered bad debt in the amount of PLN 4 767 thousand, the total is minus PLN 263 273 thousand.

Notes to financial statements (cont)

(In PLN thousand)

I HALF 2011	OPENING BALANCE	INCREASES		DECREASES			CLOSING BALANCE	IMPACT ON PROFIT AND LOSS(**)
		IMPARIMENT CHARGES	OTHER (*)	WRITE-OFFS OF ASSETS FROM THE BALANCE SHEET	RELEASE OF IMPARIMENT CHARGES	OTHER (*)		
Impairment of financial assets and off- balance sheet commitments								
Loans and advances to banks valued at amortized cost	78 477	331	8 787	(2 747)	(10 699)	(1 423)	72 726	10 368
Derivative financial instruments	480	-	-	-	-	(480)	-	-
Loans and advances to customers valued at amortized cost	3 990 139	730 766	35 150	(67 475)	(455 412)	(37 208)	4 195 960	(275 354)
Financial assets available for sale	459	-	13	-	-	-	472	-
Impairment of off-balance sheet commitments	128 492	39 785	-	-	(63 471)	(2 520)	102 286	23 686
Total financial assets and off-balance sheet commitments	**4 198 047**	**770 882**	**43 950**	**(70 222)**	**(529 582)**	**(41 631)**	**4 371 444**	**(241 300)**
Impairment of other assets								
Investments in subsidiaries and associates	68 056	-	-	-	-	-	68 056	-
Intangible assets	10 961	-	-	-	-	-	10 961	-
Property, plant and equipment	7 405	1 243	-	-	-	(558)	8 090	(1 243)
Investment properties	550	-	-	-	-	-	550	-
Other	92 562	377	-	-	(1 334)	(531)	91 074	957
Total impairment of other assets	**179 534**	**1 620**	**-**	**-**	**(1 334)**	**(1 089)**	**178 731**	**(286)**
Total	**4 377 581**	**772 502**	**43 950**	**(70 222)**	**(530 916)**	**(42 720)**	**4 550 175**	**(241 586)**

(*) 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 minus PLN 241 300 thousand and proceeds from recovered bad debt in the amount of PLN 3 453 thousand, the total is minus PLN 237 847 thousand.

Notes to financial statements (cont)

(In PLN thousand)

14. Gains (losses) from subordinated entities

	II QUARTER 2011	I HALF 2011	II QUARTER 2011	I HALF 2011
Profit from sale of shares in associates entities	-	613	-	-
Total profit (loss) from subordinated entities	**-**	**613**	**-**	**-**

15. 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	**(213 742)**	**(340 434)**	**(234 463)**	**(300 789)**
Current tax charge disclosed In the income statement	(212 441)	(337 717)	(232 691)	(297 319)
Adjustments related to the current tax from previous years	144	144	-	156
Other taxes (e.g. withholding tax, income tax relating to foreign branches)	(1 445)	(2 861)	(1 772)	(3 626)
Deferred income tax	**56 026**	**21 372**	**81 036**	**10 984**
Occurrence and reversal of temporary differences	56 026	21 372	81 036	10 984
Tax charge disclosed in the unconsolidated income statement	**(157 716)**	**(319 062)**	**(153 427)**	**(289 805)**
EQUITY				
Deferred income tax	**(17 747)**	**(50 042)**	**(40 948)**	**(14 480)**
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	(22 793)	(66 396)	(37 448)	(19 746)
revaluation of available for sale financial assets – with equity rights	45	(47)	(5)	(11)
Tax charge disclosed in other comprehensive income	**(17 747)**	**(50 042)**	**(40 948)**	**(14 480)**
Total charge	**(175 463)**	**(369 104)**	**(194 375)**	**(304 285)**

16. Earnings per share

Earnings per share

Basic earnings per share are calculated by dividing the net profit of the Bank 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	790 999	1 496 838	721 961	1 425 391
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)	3.01	5.70	2.75	5.43

(In PLN thousand)

Diluted earnings per share

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

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

	II QUARTER 2012	I HALF 2012	II QUARTER 2011	I HALF 2011
Net profit	790 999	1 496 838	721 961	1 425 391
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)	3.01	5.70	2.75	5.43

17. 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.

18. Cash and balance with Central Bank

Cash and due from Central Bank	30.06.2012	31.12.2011
Cash	2 192 583	2 236 214
Current account at Central Bank	3 385 432	2 005 741
Deposit	934 000	631 000
Interest	14 934	13 106
Other funds	13	13
Total	**6 526 962**	**4 886 074**

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**

Notes to financial statements (cont)

(In PLN thousand)

Cash and balance with Central Bank by currencies

30.06.2012	ASSETS	LIABILITIES
PLN	5 848 627	178 481
EUR	309 051	-
USD	249 099	-
CHF	20 322	-
Other currencies	99 863	-
Total	**6 526 962**	**178 481**

31.12.2011	ASSETS	LIABILITIES
PLN	4 232 688	356 386
EUR	345 354	-
USD	191 072	-
CHF	25 190	-
Other currencies	91 770	-
Total	**4 886 074**	**356 386**

19. Loans and advances to banks

Loans and advances to banks by product type

	30.06.2012	31.12.2011
Current accounts and overnight placements	3 010 751	1 161 682
Interbank placements	301 271	118 279
Loans and advances	307 792	189 445
Cash collateral	1 586 056	2 065 677
Repo transactions	1 770 602	1 971 558
Debt securities	1 171	1 180
Receivables in transit	138 187	184 514
Interest accrued	32 667	29 442
Total gross amount	**7 148 497**	**5 721 777**
Impairment provision	(72 981)	(72 878)
Total net amount	**7 075 516**	**5 648 899**

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	7 067 806	5 641 000
gross value of impaired receivables	80 691	80 777
individual impairment charges	(55 171)	(55 181)
collective impairment charges (*)	(17 810)	(17 697)
Total	**7 075 516**	**5 648 899**

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

Notes to financial statements (cont)

(In PLN thousand)

Loans and advances to banks by contractual maturities

	30.06.2012	31.12.2011
Loans and advances to banks, including:		
up to 1 month	6 892 308	4 998 038
between 1 and 3 months	48 500	561 546
between 3 months and 1 year	12 272	6 436
between 1 and 5 years	83 200	46 718
over 5 years	-	-
expired	79 550	79 597
Interest accrued	32 667	29 442
Total gross amount	**7 148 497**	**5 721 777**
Impairment allowances	(72 981)	(72 878)
Total net amount	**7 075 516**	**5 648 899**

Loans and advances to banks by currencies

	30.06.2012	31.12.2011
PLN	2 571 851	2 346 842
CHF	188 871	23 151
EUR	4 035 115	2 956 619
USD	181 850	194 914
Other currencies	97 829	127 373
Total	**7 075 516**	**5 648 899**

Changes in impairment balances in the first half of 2012 and 2011 are presented in the Note 13.

20. 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)

21. Derivative financial instruments (held for trading)

Fair value of trading derivatives

30.06.2012	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	1 691 279	1 723 070
Forward Rate Agreements (FRA)	6 231	4 971
Options	12 228	11 767
Other	534	749
Transactions in foreign currencies and in gold		
Cross-Currency Interest Rate Swaps (CIRS)	96 878	82 833
Currency Forward Agreements	95 238	76 380
Currency Swaps (fx–swap)	74 686	64 464
Options for currency and gold	67 022	67 622
Transactions based on equity securities		
Options	20 810	20 810
Total	**2 064 906**	**2 052 666**

31.12.2011	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	1 702 291	1 754 943
Forward Rate Agreements (FRA)	2 818	2 743
Options	7 096	6 578
Other	208	155
Transactions in foreign currencies and in gold		
Cross-Currency Interest Rate Swaps (CIRS)	105 130	53 742
Currency Forward Agreements	166 657	90 595
Currency Swaps (fx–swap)	132 195	507 632
Options for currency and gold	111 806	65 551
Transactions based on equity securities		
Options	24 761	24 761
Total	**2 252 962**	**2 506 700**

(In PLN thousand)

22. Loans and advances to customers

Loans and advances to customers by product type

	30.06.2012	31.12.2011
Mortgage	29 627 604	27 957 006
Overdrafts	12 356 664	11 327 485
Operating loans	15 951 965	17 864 672
Investment loans	19 828 220	19 993 485
Payment cards receivables	728 311	706 358
Purchased receivables	2 159 412	2 275 859
Other loans and advances	8 875 640	8 592 326
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	355 812	320 015
Total gross amount	**98 309 231**	**96 511 086**
Impairment allowances	(4 523 800)	(4 367 980)
Total net amount	**93 785 431**	**92 143 106**

Loans and advances to customers by customer type

	30.06.2012	31.12.2011
Receivables from corporate	49 236 445	49 679 439
Receivables from individuals	37 775 551	35 757 195
Receivables from budget entities	10 941 423	10 754 437
Interest accrued	355 812	320 015
Total gross amount	**98 309 231**	**96 511 086**
Impairment allowances	(4 523 800)	(4 367 980)
Total net amount	**93 785 431**	**92 143 106**

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	91 725 921	90 699 794
gross value of impaired receivables	6 583 310	5 811 292
individual impairment charges	(1 950 137)	(1 781 499)
collective impairment charges (*)	(2 573 663)	(2 586 481)
Total	**93 785 431**	**92 143 106**

(*) 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	16 535 270	15 401 356
between 1 and 3 months	2 562 069	3 301 224
between 3 months and 1 year	11 392 333	9 296 692
between 1 and 5 years	28 908 980	31 438 642
over 5 years	33 679 377	32 644 764
expired	4 875 390	4 108 393
Interest accrued	355 812	320 015
Total gross amount	**98 309 231**	**96 511 086**
Impairment allowances	(4 523 800)	(4 367 980)
Total net amount	**93 785 431**	**92 143 106**

Loans and advances to customers by currencies

	30.06.2012	31.12.2011
PLN	74 534 667	71 544 487
CHF	5 624 360	6 052 047
EUR	11 259 534	11 729 906
USD	2 329 974	2 749 115
Other currencies	36 896	67 551
Total	**93 785 431**	**92 143 106**

Changes in impairment balances in the first half of 2012 and 2011 are presented in the Note 13.

23. Hedge accounting

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

In the first half of 2012 the Bank 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 23.1,
- cash flow hedge accounting for floating-rate financial assets and liabilities hedged with cross-currency interest rate swap (CIRS) transactions - description under 23.2,
- cash flow hedge accounting for floating-rate financial assets hedged with interest rate swap (IRS) transactions- description under 23.3,
- 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 23.4,
- cash flow hedge accounting for a denominated in EUR floating coupon deposits portfolio, hedged with interest rate swap (IRS) transactions – description under 23.5,
- 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 23.6.

Notes to financial statements (cont)

(In PLN thousand)

In the first half of 2012 the Bank:

- has designated hedge relationships to hedge accounting – cash flow hedge of floating portfolio of loans in EUR hedged with fx-swap-type instruments - description under 23.7,
- 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 valuehedgeaccounting		
Interest rate swaps (IRS)	1 582	201 302
Cross-currency interest rate swap (CIRS)	253 102	-
Cash flowhedgeaccounting		
Interestrateswaps (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**

31.12.2011	ASSETS	LIABILITIES
Fair value hedge accounting		
Interest rate swaps (IRS)	-	216 267
Cross-currency interest rate swaps (CIRS)	313 312	-
Cash flow hedge accounting		
Interest rate swaps (IRS)	55 438	101 931
Cross-currency interest rate swaps (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)

23.1 Fair value hedge of fixed coupon debt securities

Description of the hedging relationship
The Bank 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 Bank 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.

23.2 Cash flow hedge of floating-rate loans and deposits

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

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

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

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.

23.3 Cash flow hedge of floating-rate loans

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

Hedged items
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 Bank 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.

23.4 Fair value portfolio hedge of interest rate riskfor deposit portfolio

Description of hedging relationship
The Bank hedges the interest rate risk component of the fair value changes of the hedged item related to the volatility of market 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 Bank 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.

23.5 Cash flow hedge of floating-rate deposits

Description of hedging relationship

The Bank 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 Bank 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.

23.6 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 sale with the designated 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, fx-swap is closing flows of the initial exchange/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.

Notes to financial statements (cont)

(In PLN thousand)

23.7 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 reservein 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.

24. Investment securities

	30.06.2012	31.12.2011
Debt securities available for sale (AFS)	22 174 049	25 337 109
Equity securities available for sale (AFS)	9 003	8 257
Debt securities held to maturity (HTM)	4 144 820	3 673 500
Total	**26 327 872**	**29 018 866**

Debt securities available for sale (AFS)

	30.06.2012	31.12.2011
Securities issued by State Treasury	15 743 070	14 749 285
T-bills	-	-
T-bonds	15 743 070	14 749 285
Securities issued by Central Banks	5 395 316	9 718 216
Securities issued by banks	100 977	166 507
Securities issued by business entities	249 898	38 632
Securities issued by local governments	684 788	664 469
Total	**22 174 049**	**25 337 109**
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	9 003	8 257
Total	**9 003**	**8 257**
including impairment of assets	(101)	(101)

Debt securities held to maturity (HTM)

	30.06.2012	31.12.2011
Securities issued by State Treasury	3 544 745	2 998 019
T- bills	228 197	154 765
T- bonds	3 316 548	2 843 254
Securities issued by Central Banks	600 075	675 481
Total	**4 144 820**	**3 673 500**
including impairment of assets	-	-

Investment debt securities according to contractual maturities

	30.06.2012	31.12.2011
Debt securities, including:		
up to 1 month	7 066 406	10 393 698
between 1 and 3 months	29 782	142 937
between 3 months and 1 year	3 545 526	2 981 729
between 1 and 5 years	9 504 025	8 347 088
over 5 years	6 173 130	7 145 157
Total	**26 318 869**	**29 010 609**

Investment debt securities by currencies

	30.06.2012	31.12.2011
PLN	23 207 232	26 583 541
EUR	1 341 612	671 610
USD	1 770 025	1 755 458
Total	**26 318 869**	**29 010 609**

Notes to financial statements (cont)

(In PLN thousand)

25. Assets held for sale

In accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the Bank has distinquished assets meeting the requirements of IFRS 5 for classification of non-current assets held for sale in the position of assets held for sale.

As at 30 June 2012 non-current assets classified as held for sale included following items classified as held for sale:

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

Assets held for sale

	30.06.2012	31.12.2011
PJSC UniCredit Bank exposure (formerly Open Joint Stock Company UniCredit Bank)	1 676 531	1 999 952
Property, plant and equipment	21 106	15 781
Other assets	22 516	-
Total	**1 720 153**	**2 015 733**

As at 30 June 2012 exposure in the subsidiary PJSC UniCredit Bank Ukraine consists of:

- shares in UniCredit Bank in the amount of PLN 577 349 thousand,
- loans and deposits amounting to PLN 1 099 182 thousand,
- off-balance sheet commitment, including the letter of credit in the amount of PLN 23 990 thousand.

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

The disposals have been settled as follows:

	30.06.2012	31.12.2011
Sales revenues	755	700
Net carrying value of divested assets (including sale costs)	62	94
Profit/loss on sale before income tax	**693**	**606**

Notes to financial statements (cont)

(In PLN thousand)

26. Intangible assets

	30.06.2012	31.12.2011
Intangible assets, including:	584 269	624 072
research and development expenditures	17 891	19 543
licenses and patents	439 846	454 212
other	3 241	3 811
assets under construction and prepayments for assets under construction	123 291	146 506
Goodwill	51 675	51 675
Total	**635 944**	**675 747**

In the first half of 2012, the Bank acquired intangible assets in the amount of PLN 27 107 thousand, (in 2011 the Bank acquired intangible assets amounting to PLN 147 807 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.

27. Property, plant and equipment

	30.06.2012	31.12.2011
Non-current assets, including:	1 622 746	1 649 895
land and buildings	1 195 085	1 211 810
machinery and equipment	352 901	358 435
transport vehicles	39 116	44 810
other	35 644	34 840
Non-current assets under construction and prepayments	43 732	86 233
Total	**1 666 478**	**1 736 128**

In the first half of 2012 the Bank acquired ‘Property, plant and equipment’ in the amount of PLN 43 035 thousand (in 2011 the value of property, plant and equipment acquired amounted to PLN 139 443 thousand), while value of property, plant and equipment sold amounted to PLN 694 thousand (PLN 2 163 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 Bank had signed agreements with contractors for the future purchase of intangible assets totaling PLN 59 440 thousand and property, plant and equipment totaling PLN 21 264 thousand.

As at the 30 June 2011 the Bank signed agreements with contractors for the future purchase of intangible assets totaling PLN 35 966 thousand and property, plant and equipment totaling PLN 29 832 thousand.

Notes to financial statements (cont)

(In PLN thousand)

28. Assets pledged as collateral

As at 30 June 2012 the Bank held the following financial assets pledged as collateral

TYPE OF TRANSACTION	PLEDGE INSTRUMENT	CARRYING VALUE OF ASSETS USED TO PLEDGE LIABILITIES	NOMINALVALUE OF ASSETS USED TO PLEDGE LIABILITIES	VALUE OF LIABILITIES SUBJECT TO PLEDGE
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	610 686	560 000	-
Lombard and technical loan	bonds	5 423 739	5 353 124	-
Other loans	bonds	375 958	367 000	305 127

As at 31 December 2011 the Bank held the following financial assets pledged as collateral

TYPE OF TRANSACTION	PLEDGE INSTRUMENT	CARRYING AMOUNT OF ASSETS USED TO PLEDGE LIABILITIES	NOMINAL VALUE OF ASSETS USED TO PLEDGE LIABILITIES	VALUE OF LIABILITIES SUBJECT TO PLEDGE
Repo transactions	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	588 241	560 000	-
Lombard and technical loan	bonds	6 959 866	6 903 947	-
Other loans	bonds	486 111	500 000	334 328

29. Amounts due to other banks

Amounts due to other banks by product type

	30.06.2012	31.12.2011
Current accounts and overnight deposits	1 065 844	619 609
Deposits from other banks and other liabilities	627 681	339 983
Loans and advances received	1 202 507	1 203 098
Repo transactions	3 741 077	1 882 259
Funds in transit	53 678	24 777
Interest accrued	2 275	2 683
Total	**6 693 062**	**4 072 409**

Amounts due to other banks by currencies

	30.06.2012	31.12.2011
PLN	3 673 228	1 673 660
CHF	449 715	459 105
EUR	2 041 883	1 320 504
USD	491 220	570 172
Other currencies	37 016	48 968
Total	**6 693 062**	**4 072 409**

Notes to financial statements (cont)

(In PLN thousand)

30. Amounts due to customers

Amounts due to customers by entity and product type

	30.06.2012	31.12.2011
Amounts due to corporate, including:	47 450 970	50 506 551
current accounts and overnight deposits	17 000 828	18 690 659
term deposits and other liabilities	30 329 856	31 711 630
interest accrued	120 286	104 262
Amounts due to budget entities, including:	7 128 708	5 384 833
current accounts and overnight deposits	4 231 038	3 712 079
term deposits and other liabilities	2 884 138	1 665 302
interest accrued	13 532	7 452
Amounts due to individuals, including:	49 431 750	47 140 036
current accounts and overnight deposits	26 517 416	26 362 287
term deposits and other liabilities	22 660 120	20 588 364
interest accrued	254 214	189 385
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	**106 266 502**	**108 004 745**

Amounts due to customers by currencies

	30.06.2012	31.12.2011
PLN	90 227 507	89 248 171
CHF	163 829	167 282
EUR	9 372 920	8 968 840
USD	5 937 501	8 206 572
Other currencies	564 745	1 413 880
Total	**106 266 502**	**108 004 745**

31. 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
Interest accrued	18 265	12 553
Total	**2 804 873**	**2 402 614**

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

Notes to financial statements (cont)

(In PLN thousand)

Debt securities issued by currency

	30.06.2012	31.12.2011
PLN	2 762 721	2 359 283
EUR	17 834	18 590
USD	24 318	24 741
Total	**2 804 873**	**2 402 614**

Changes in debt securities issued

	I HALF 2012	2011
Opening balance	**2 402 614**	**737 800**
Increase (issuance)	2 026 444	2 075 162
Decrease (repurchase)	(1 427 451)	(389 942)
Decrease (partial payment)	(210 968)	(23 554)
Foreign currency exchange differences	(874)	6 598
Other changes	15 108	(3 450)
Closing balance	**2 804 873**	**2 402 614**

32. 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	**44 796**	**147 638**	**117 839**	**35 095**	**345 368**
Provision charges/revaluation	1 732	13 486	50 484	10 449	**76 151**
Provision utilization	-	-	-	-	**-**
Provision releases	-	-	(50 985)	-	**(50 985)**
Foreign currency exchange differences	(11)	-	(806)	(225)	**(1 042)**
Other changes	(2 661)	(8 764)	-	256	**(11 169)**
Closing balance	**43 856**	**152 360**	**116 532**	**45 575**	**358 323**

2011	PROVISIONS FOR LITIGATION AND CLAIM	PROVISONS FOR RETIREMENT BENEFITS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
Opening balance	**40 809**	**125 618**	**128 492**	**36 945**	331 864
Provision charges/revaluation	6 226	29 177	51 967	19 341	106 711
Provision utilization	-	-	-	(22 087)	(22 087)
Provision releases	(1 120)	-	(69 772)	-	(70 892)
Foreign currency exchange differences	79	-	7 152	401	7 632
Other changes	(1 198)	(7 157)	-	495	(7 860)
Closing balance	**44 796**	**147 638**	**117 839**	**35 095**	345 368

(In PLN thousand)

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.

33. Contingent liabilities

Litigation

As at 30 June 2012, there were no legal claims against the Bank, which accounted for at least 10% of the Bank's own funds.

In the first half of 2012 the value of legal proceedings against the Bank amounted to PLN 18 685 853 thousand (in 2011 PLN 18 717 976 thousand).

As at 30 June 2012, the most significant claim against the Bank and Centralny Dom MaklerskiPekao S.A. was lodged by private individuals and relates to the 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 Bank the suit is groundless.

As at 30 June 2012, the Bank created provisions for litigations against the Bank, which according to legal opinion are associated with a risk of outflow of funds related to the fulfillment of court rulings. The value of provisions, created as at 30 June 2012 stood at PLN 43 856 thousand (as at 31 December 2011 PLN 44 796 thousand).

Financial commitments

Financial commitments by entities

	30.06.2012	31.12.2011
Financial commitments to:		
financialentities	4 807 792	3 696 942
non- financial entities	20 492 368	22 420 059
budget entities	716 226	847 426
Total	**26 016 386**	**26 964 427**

Notes to financial statements (cont)

(In PLN thousand)

Guarantees

Guarantees by entities

	30.06.2012	31.12.2011
Liabilities to financial entities to:	1 641 784	1 551 792
guarantees	1 621 494	1 539 456
confirmed export letters of credit	20 290	12 336
Liabilities to non-financial entities to:	8 053 443	7 631 006
guarantees	5 440 943	6 274 776
securities' underwritingguarantees	2 612 500	1 356 230
Liabilities to budget entities to:	210 131	88 852
guarantees	6 631	10 252
securities' underwritingguarantees	203 500	78 600
Total	**9 905 358**	**9 271 650**

Off-balance sheet financial liabilities

Financial liabilities by entities

	30.06.2012	31.12.2011
Financial to:	1 742 547	2 768 300
Financial entities	1 142 547	2 768 300
non- financial entities	-	-
budget entities	600 000	-
Guarantees to:	11 074 103	9 019 291
Financial entities	807 127	570 947
non- financial entities	6 967 701	5 669 220
budget entities	3 299 275	2 779 124
Total	**12 816 650**	**11 787 591**

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

34. 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 Unconsolidated 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 LOANS, ADVANCES AND PLACEMENTS	SECURITIES	RECEIVABLES FROM REVALUATION OF DERIVATIVES	OTHER RECEIVABLES	LIABILITIES FROM LOANS AND DEPOSITS	LIABILITIES FROM REVALUATION OF DERIVATIVES	OTHER LIABILITIES
Bank's parent entity							
UniCreditS.p.A.	362 497	-	-	-	33 649		851 334
Entities of UniCredit Group exclusive of Pekao S.A. Group entities	920 110		240 991	1 820	1 686 747	903 020	-
Pekao S.A. Group entities							
Subsidiaries							
Public Joint Stock Company UniCredit Bank	1 099 182	-	-	-	147	-	1 164
Pekao Leasing Sp. z o.o.	1 233 307	-	680	2	33 880	-	333
Pekao Faktoring Sp. z o.o.	581 240	-	-	12	5 854	-	-
Centralny Dom Maklerski Pekao S.A.	-	-	-	26	630 295	-	469
Pekao Fundusz Kapitałowy Sp. z o.o.	-	-	-	3	46 835	-	-
Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A.	-	-	-	75	7 354	-	-
Pekao Telecentrum Sp. z o.o.	-	-	-	-	10 025	-	-
Centrum Kart S.A.	-	-	-	1	20 267	-	14 173
Pekao Financial Services Sp. z o.o.	-	-	-	4 418	4 659	-	-
Pekao Bank Hipoteczny S.A.	185 657	100 977	91 613	3	23 350	-	69
Pekao Leasing Holding S.A.	-	-	-	-	69	17	-
Property Sp. z o.o. (in liquidation)	-	-	-	-	3 205	-	-
Holding Sp. z o.o. (in liquidation)	-	-	-	-	259	-	-
Pekao Property S.A.	-	-	-	-	191	-	-
Centrum Bankowości Bezpośredniej Sp. z o.o.	-	-	-	1 350	4 185	-	4 902
Jana Kazimierza Development Sp. z o.o.	26 201	-	-	-	3 628	-	-
Metropolis Sp. z o.o.	1 089	-	-	-	253	-	-
FPB - Media Sp. z o.o.	13 088	-	-	-	219	-	-
Associates							
Pirelli Pekao Real Estate Sp. z o.o.	-	-	-	2	678	-	-
Dom Inwestycyjny XelionSp.z o.o. (ex Xelion Doradcy Finansowi Sp. z o.o.)	-	-	-	8	3 744	-	-
Pioneer Pekao Investment Management S.A.	-	-	-	76	2 576	-	-
Pionieer Pekao TFI S.A. (PPIM S.A. subsidiary)	-			13 366	19 988		-
Krajowa Izba Rozliczeniowa S.A.	-	-	-		13 515	-	-
Pekao S.A. Group entities total	**3 139 764**	**100 977**	**92 293**	**19 348**	**835 176**	**17**	**21 110**
Key management Staff of the Bank or its parent entity	3 474	-	-	-	12 010	-	-
Total	**4 425 845**	**100 977**	**333 284**	**21 168**	**2 567 582**	**903 037**	**872 444**

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 1AND3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	INTEREST	TOTAL
UniCreditS.p.A. –Bank 's parent entity	362 492	-	-	-	-	-	5	362 497
Entities of UniCredit Group exclusive of Pekao S.A. Group entities	726 742	148 100	858	1 343	42 613	-	454	920 110
Pekao S.A Group entities								
Subsidiaries	268 749	185 500	389 317	852 631	1 403 003	39 123	1 441	3 139 764
Associates	-	-	-	-	-	-	-	-
Key management Staff of the Bank or its parent entity	-	-	-	3 081	15	377	1	3 474
Total	**1 357 983**	**333 600**	**390 175**	**857 055**	**1 445 631**	**39 500**	**1 901**	**4 425 845**

(*) 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
UniCreditS.p.A. –Bank 's parent entity	33 649	-	-	-	-	-	-	33 649
Entities of UniCredit Group exclusive of Pekao S.A. Group entities	47 731	942 069	95 000	390 353	210 694	-	900	1 686 747
Pekao S.A Group entities								
Subsidiaries	690 711	14 740	55 496	3 386	29 882	-	460	794 675
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	**775 371**	**975 561**	**180 118**	**394 489**	**240 576**	**-**	**1 467**	**2 567 582**

(*)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	SECURITIES	RECEIVABLES FROM REVALUATION OF DERIVATIVES	OTHER RECEIVABLES	LIABILITIES FROM LOANS AND DEPOSITS	LIABILITIES FROM REVALUATION OF DERIVATIVES	OTHER LIABILITIES
Bank's parent entity							
UniCreditS.p.A.	113 892	-	-	-	58 584	-	17 065
Entities of UniCredit Group exclusive of Pekao S.A. Group entities	851 220	-	261 211	2 598	1 999 647	1 025 915	112
Bank Pekao S.A. Group entities							
Subsidiaries							
Public Joint Stock Company UniCredit Bank	1 422 603	-	-	-	133	-	1 342
Pekao Leasing Sp. z o.o.	1 290 318	-	765	100	37 928	2	438
Pekao Faktoring Sp. z o.o.	742 828	-	-	26	2 587	-	-
Centralny Dom Maklerski Pekao S.A.	-	-	-	760	690 461	-	310
Pekao Fundusz Kapitałowy Sp. z o.o.	-	-	-	-	47 606	-	-
Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A.	-	-	-	102	9 949	-	-
Pekao Telecentrum Sp. z o.o.	-	-	-	-	9 790	-	-
Centrum Kart S.A.	-	-	-	28	30 955	-	8 927
Pekao Financial Services Sp. z o. o.	-	-	-	4	4 449	-	-
Pekao Bank Hipoteczny S.A.	101 060	166 507	95 937	-	29 318	50	70
Pekao Leasing Holding S.A.	-	-	-	-	100	-	-
Property Sp. z o.o. (in liquidation)	-	-	-	6 230	3 229	-	-
Holding Sp. z o. o. (in liquidation)	-	-	-	-	296	-	-
Pekao Property S.A.	-	-	-	-	534	-	-
Centrum Bankowości Bezpośredniej Sp. z o.o.	-	-	-	1 385	5 329	-	4 722
Jana Kazimierza Development Sp. z o.o.	28 207	-	-	-	2 701	-	-
Metropolis Sp. z o.o.	-	-	-	-	447	-	-
FPB-Media Sp. z o.o.	13 964	-	-	-	137	-	-
Associates							
Pirelli Pekao Real Estate Sp. z o.o.	-	-	-	-	4 109	-	-
Xelion. Doradcy Finansowi Sp. z o.o.	-	-	-	45	9 512	-	-
Pioneer Pekao Investment Management S.A.	-	-	-	49	3 719	-	-
Pioneer Pekao TFI S.A. (PPIM S.A.subsidiary)	-	-	-	12 048	14 896	-	-
Krajowa Izba Rozliczeniowa S.A.	-	-	-	2	26 231	-	3
Total of Bank Pekao S.A. Group entities	**3 598 980**	**166 507**	**96 702**	**20 779**	**934 416**	**52**	**15 812**
Key management Staff of the Bank or its parent entity	3 489	-	-	-	12 873	-	-
Total	**4 567 581**	**166 507**	**357 913**	**23 377**	**3 005 520**	**1 025 967**	**32 989**

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
UniCreditS.p.A. –Bank ‘s parent entity	113 892	-	-	-	-	-	-	113 892
Entities of UniCredit Group exclusive of Pekao S.A. Group entities	795 624	974	1 040	8 928	44 168	-	486	851 220
Pekao S.A Group entities								
subsidiaries	272 467	101 005	774 978	326 380	2 080 760	41 149	2 241	3 598 980
Associates	-	-	-	-	-	-	-	-
Key management Staff of the Bank or its parent entity	-	3 064	-	1	38	385	1	3 489
Total	**1 181 983**	**105 043**	**776 018**	**335 309**	**2 124 966**	**41 534**	**2 728**	**4 567 581**

(*)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
UniCreditS.p.A. –Bank ‘s parent entity	58 584	-	-	-	-	-	-	58 584
Entities of UniCredit Group exclusive of Pekao S.A. Group entities	992 472	472 522	1 406	327 681	204 272	-	1 294	1 999 647
Pekao S.A Group entities								
subsidiaries	739 406	20 170	78 311	7 584	30 071	-	407	875 949
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	**1 798 318**	**543 623**	**91 247**	**335 965**	**234 375**	**-**	**1 992**	**3 005 520**

(*)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						
UniCreditS.p.A.	404	(245)	105	(2 186)	1 741	(4 482)
Entities of UniCredit Group exclusive of Pekao S.A. Group entities	52 412	(16 816)	4 685	(754)	3 884	(65 194)
Pekao S.A. Group entities						
Subsidiaries						
Public Joint Stock Company UniCredit Bank	22 896	-	208	(22)	-	-
Centralny Dom Maklerski Pekao S.A.	-	(4 892)	835	(8)	1 726	(1 278)
Pekao Leasing Sp. z o.o.	24 718	(3 941)	455	-	417	(16 016)
Pekao Faktoring Sp. z o.o.	13 174	(1)	360	-	41	-
Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A	-	(236)	360	-	3	-
Pekao Fundusz Kapitałowy Sp. z o.o.	-	(863)	2	-	6	-
Centrum Kart S.A.	-	(504)	19	-	599	(30 382)
Pekao Telecentrum Sp. z o.o.	-	(257)	1	-	1	-
Pekao Financial Services Sp. z o.o.	-	(97)	23	-	21	-
Pekao Bank Hipoteczny S.A.	6 330	(123)	528	-	67	(3 883)
Pekao Leasing Holding S.A.	-	(2)	3	-	-	-
Holding Sp. z o.o. (in liquidation)	-	-	1	-	11	-
Centrum Bankowości Bezpośredniej Sp. z o.o.	-	(99)	2	(4 875)	2 090	(17 895)
Metropolis Sp. z o.o.	27	(3)	2	-	-	-
Property Sp. z o.o. (in liquidation)	-	(75)	1	-	-	-
Pekao Property S.A.	-	(7)	1	-	57	-
Jana Kazimierza Development Sp. z o.o.	1 058	(56)	157	(8)	-	-
FPB - Media Sp. z o.o.	252	-	2	-	-	-
Associates						
Pioneer Pekao Investment Management S.A.	-	(130)	256	-	-	-
Pioneer Pekao TFI S.A. (PPIM S.A.subsidiary)	-	(415)	83 876	-	-	-
Dom Inwestycyjny Xelion Sp. z o.o.(ex. Xelion. Doradcy Finansowi Sp. z o.o.)	-	(170)	22	(23)	47	-
Krajowa Izba Rozliczeniowa S.A.	-	(377)	17	-	-	(4 937)
Pirelli Pekao Real Estate Sp. z o.o.	-	(27)	6	-	-	-
Pekao S.A. Group entities total	**68 455**	**(12 275)**	**87 137**	**(4 936)**	**5 086**	**(74 391)**
Key management Staff of the Bank or its parent entity	100	(337)	2	-	-	(1)
Total	**121 371**	**(29 673)**	**91 929**	**(7 876)**	**10 711**	**(144 068)**

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						
UniCreditS.p.A.	2 443	(153)	89	(1 869)	1 495	(3 484)
Entities of UniCredit Group exclusive of Pekao S.A. Group entities	59 064	(19 413)	2 168	(1 956)	6 994	(10 272)
Pekao S.A. Group entities						
Subsidiaries						
Public Joint Stock Company UniCredit Bank	35 101	-	3 252	(22)	-	-
Centralny Dom Maklerski Pekao S.A.	-	(5 952)	1 012	(11)	1 853	(1 301)
Pekao Leasing Sp. z o.o.	22 683	(4 267)	341	-	1 502	-
Pekao Faktoring Sp. z o.o.	7 754	(3)	265	-	38	-
Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A	-	(192)	1 057	-	8	-
Pekao Fundusz Kapitałowy Sp. z o.o.	-	(953)	2	-	5	-
Centrum Kart S.A.	-	(342)	17	-	598	(29 818)
Pekao Telecentrum Sp. z o.o.	-	(187)	1	-	1	-
Pekao Financial Services Sp. z o.o.	-	(100)	16	-	-	-
Pekao Bank Hipoteczny S.A.	11 117	(356)	1 056	-	62	(4 360)
Pekao Leasing Holding S.A.	-	(2)	2	-	-	-
Holding Sp. z o.o. (in liquidation)	-	(3)	1	-	9	-
Centrum Bankowości Bezpośredniej Sp. z o.o.	-	(25)	2	(3 455)	2 060	(16 149)
Metropolis Sp. z o.o.	-	(10)	1	-	-	-
Property Sp. z o.o. (in liquidation)	-	(59)	1	-	-	-
Pekao Property S.A.	-	(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)	242	-	-	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	(2 588)	118 364	-	440	
Xelion Doradcy Finansowi Sp. z o.o.	-	(221)	12	(30)	75	-
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	**78 537**	**(19 087)**	**125 873**	**(3 518)**	**6 662**	**(57 362)**
Key management Staff of the Bank or its parent entity	91	(237)	2	-	-	(12)
Total	**140 135**	**(38 890)**	**128 132**	**(7 343)**	**15 151**	**(71 130)**

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				
UniCreditS.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				
Subsidiaries				
Public Joint Stock Company UniCredit Bank	-	23 990	-	-
Pekao Leasing Sp. z o.o.	226 929	917	-	-
Pekao Faktoring Sp. z o.o.	516 250	-	-	-
Centralny Dom Maklerski Pekao S.A.	644	130	-	-
Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A.	60	-	-	-
Centrum Kart S.A.	102	-	-	-
Pekao Financial Services Sp. z o. o.	40	962	-	-
Pekao Bank Hipoteczny S.A.	320 141	720 927	-	-
Centrum Bankowości Bezpośredniej Sp. z o.o.	35	-	-	-
Metropolis Sp. z o.o.	517	-	-	-
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	**1 065 089**	**747 426**	**-**	**-**
Key management Staff of the Bank or its parent entity	573	-	-	-
Total	**1 834 545**	**1 319 916**	**-**	**-**

Notes to financial statements (cont)

(In PLN thousand)

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

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEE		FINANCIAL
Bank's parent entity				
UniCreditS.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				
Subsidiaries				
Public Joint Stock Company UniCredit Bank	-	109 265	-	-
Pekao Leasing Sp. z o.o.	190 535	892	-	-
Pekao Faktoring Sp. z o.o.	357 271	-	-	-
Centralny Dom Maklerski Pekao S.A.	642	135	-	-
Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A.	60	-	-	-
Centrum Kart S.A.	100	-	-	-
Pekao Financial Services Sp. z o. o.	40	997	-	-
Pekao Bank Hipoteczny S.A.	399 119	738 657	-	-
Centrum Bankowości Bezpośredniej Sp. z o.o.	35	-	-	-
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	**948 178**	**850 446**	**-**	**-**
Key management Staff of the Bank or its parent entity	286	-	-	-
Total	**1 723 719**	**1 343 179**	**2 208 613**	**-**

Remuneration of 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.

Notes to financial statements (cont)

(In PLN thousand)

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.

35. 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	GrzegorzPiwowar	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

Annex1

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

IAS 19 (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 31December 2012.

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