



**PKO BANK POLSKI  
SPÓŁKA AKCYJNA**

**THE PKO BP SA GROUP DIRECTORS' REPORT  
FOR THE FIRST HALF OF 2009**

**Warsaw, August 2009**

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## 1. KEY FINANCIAL INDICATORS<sup>1</sup>

<b>NET PROFIT</b>	PLN	1 150.6	million	-	37.8%	(y/y)	the result of decrease in income items by 4.1% (y/y), along with 3.2% increase in costs (y/y) and a 4.3 fold increase of net impairment allowance
<b>RESULT ON BUSINESS ACTIVITIES*</b>	PLN	4 334.9	million	-	4.1%	(y/y)	as a result of the decrease in net interest income by 21.1% (y/y), offset by increase in net foreign exchange gains and result on financial operations (2.3 fold in total)
<b>NET INTEREST INCOME</b>	PLN	2 301.6	million	-	21.1%	(y/y)	the result of a decrease in deposit margins due to the decrease in market interest rates and dynamic increase in deposit portfolio volume (+23.3% y/y)
<b>NET FEE AND COMMISSION INCOME</b>	PLN	1 171.8	million	-	1.9%	(y/y)	the result of a decrease in fee and commission income related to investment fund and OPF management (including management fees) by 35.5% (y/y), offset by increase in commission income from loans and advances to customers by 8.9% (y/y)
<b>COSTS</b>	PLN	(2 075.1)	million	+	3.2%	(y/y)	the result of the increase in overhead expenses by 16.5% (y/y) and an increase in amortization and depreciation costs by 9.7% (y/y)
<b>ROE net</b>		18.0%		-	12.1	pp.	the result of the 37.8% (y/y) decrease in net profit, offset by an increase in equity of 13.0% (y/y)
<b>ROA net</b>		1.9%		-	1.3	pp.	due to 37.8% (y/y) decrease in net profit, offset by increase in assets by 20.9% (y/y)

\* RESULT ON BUSINESS ACTIVITIES ('INCOME ITEMS') DEFINED AS OPERATING PROFIT BEFORE ADMINISTRATIVE EXPENSES AND NET IMPAIRMENT ALLOWANCE.

<sup>1</sup> Gross/net ROE ratio is calculated as a quotient of gross/net profit for the period of 01 July 2008 till 30 June 2009 and the average equity (calculated as average of the equity as at 30 June 2008 and as at 30 June 2009); gross/net ROA ratio is calculated as a quotient of gross/net profit for the period of 01 July 2008 till 30 June 2009 and the average assets (calculated as average of the assets as at 30 June 2008 and as at 30 June 2009).

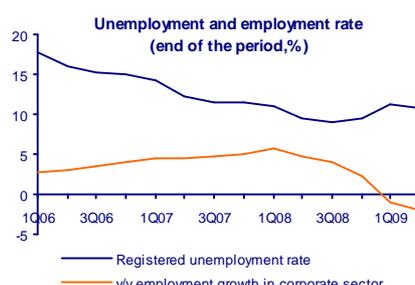
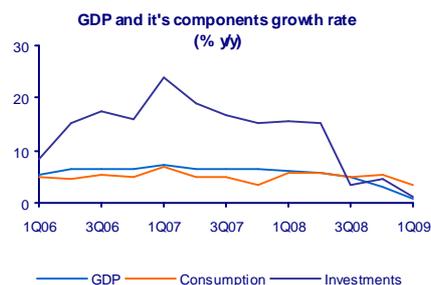
## 2. EXTERNAL ENVIRONMENT

### Macroeconomic factors

In the first half of 2009, the economic slowdown which started in the second half of 2008 deepened dramatically. This was accompanied by a continuing decline in export sales to historic lows, and a stronger adverse effect of the global recession on the components of domestic demand (investments, private consumption, liquidation of inventories). The monthly data published indicate a decline in the GDP growth towards 0.5% y/y in the second quarter, following 0.8% in the first quarter of 2009.

In relation to prior quarters, there was also a drop in the growth rate of household income, accompanied by a slower annual growth of salaries and wages in the enterprise sector of ca. 5% annually on average, with a growth rate of pensions and employee disability allowances of ca. 9.5% annually in the period from January to June. Since February, an annual decrease in the employment level in the enterprise sector has been noted. In the first quarter, the unemployment ratio increased to 11.2% while in the second quarter it decreased, due to seasonal factors, to 10.7%.

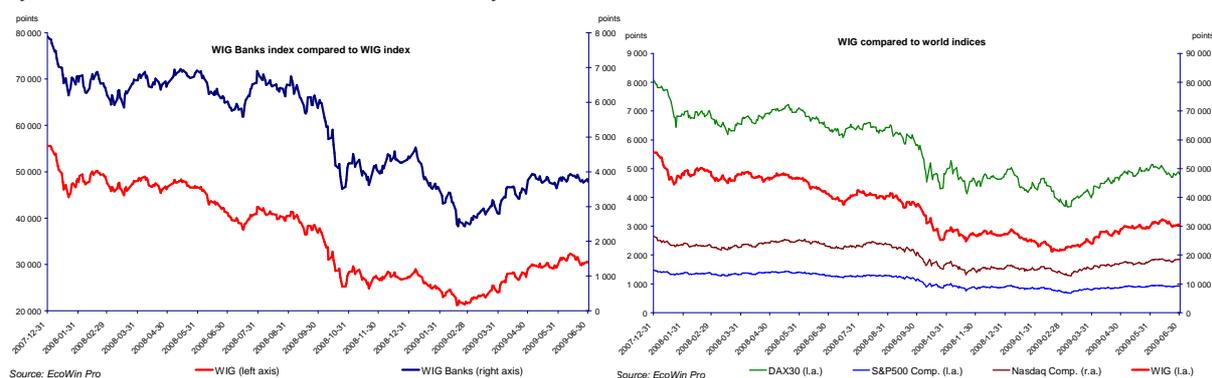
Inflation measured by the CPI ratio increased slightly to 3.5% y/y in June 2009 from 3.3% year-on-year in December 2008. The increase in inflation resulted mainly from the depreciation of the Polish zloty, increases in regulated prices, an increase in the prices of food and fuels following an increase in oil prices on the global markets in the second quarter of 2009.



### Situation on the Stock Exchange

In the first half of 2009, situation on Warsaw Stock Exchange has been significantly influenced by the negative events on the international stock exchanges and uncertainty concerning future standing of Polish economy and public finances.

Changes in the main share price indices on WSE were strongly positively correlated with the changes of share prices in the USA and Europe. Strong decreases in the prices of shares continued in February, when the WIG index dropped to a January 2004 level. The deceleration observed towards the end of February related to the depreciation of the zloty. From mid-March, similarly to the developed markets, an upward adjustment started. In May, quotations of shares fluctuated within a horizontal range. In June, the market returned to an upward trend. The second quarter was among the best in the entire history of the Warsaw Stock Exchange, with an increase in WIG of 26.6%. In the first half of 2009, WIG increased by 11.7%, while WIG Banks decreased by 15.4%



In the first half of 2009, there were 6 IPOs on the WSE, compared with 23 in the first half of 2008 and 10 in the second half of 2008. In the second quarter of 2009, the Warsaw Stock Exchange ranked first in Europe in terms of the number of IPOs and second (after the LSE) in terms of their value.

The capitalization of the WSE as at the end of the first half of 2009 increased to PLN 547 billion, i.e. by 17.5% compared with the end of 2008 (compared to a decrease of 48% in the second half of 2008).

The volume of trading in shares, bonds and forward contracts decreased by 2.9%, 47.6% and 80.3%, respectively, compared with the second half of 2008. According to the data of the Federation of European Securities Exchanges, WSE became the leader in Central and Eastern Europe in terms of the value of trading in shares and the capitalization of shares.

The developments at the WSE affected the situation in the banking and non-banking financial markets. The following trends were noted:

- a decrease in the valuation of banks,
- stabilization in the share of shares in households' savings combined with an increase in the share of bank deposits and a decrease in investment funds,
- an increase in the assets of investment funds,
- an increase in the assets of pension funds due to management results.

### ***The monetary policy of the NBP***

The Monetary Policy Council reduced interest rates by 150 basis points to 3.5% in the case of the reference rate at the end of June 2009. The Council's decisions were driven by the risks of inflation dropping below the inflation target set by the NBP, in the environment of a progressing deterioration in economic activity in Poland against the background of the deepening financial crisis and global recession. In May 2009, the Monetary Policy Council reduced the mandatory reserve rate by 0.5 pp. to the level of 3.0%. The decision is effective for mandatory reserve to be maintained from 30.06.2009.

### ***Situation of the Polish banking sector***

In the first half of 2009, the situation of the Polish banking sector was affected by the following factors:

- an increase in credit risk,
- difficulties in obtaining funds,
- deterioration in the economic outlook.

Difficulties with obtaining access to financing on the interbank market and from foreign parent banks resulted in the banks' intensifying their activities aimed at attracting deposits from the domestic market. The growing competition forced the banks to continue the policy of high interest rates on deposits. Due to an increasing risk of deterioration in the quality of the loan portfolios, the credit policies of the banks became considerably more restrictive and the lending decelerated. From the beginning of the current year, bad debts of the non-financial sector increased by 50%, and their share in total receivables was 6.3% compared with 4.5% at the end of 2008.

From the beginning of the current year, the value of the total loan portfolio increased by ca. PLN 35 billion, i.e. by 5.4% (ca. 27% y/y). However, 30% of the increase was due to changes in exchange rates. After eliminating the effect of these changes, the actual increase in loans amounted to ca. PLN 24 billion and represented 33% of the increase recorded in the comparable period of the prior year. It related mainly to loans for households which increased in nominal terms by ca. PLN 30 billion, with the increase after adjustment of exchange rate effect amounting to ca. PLN 22 billion. The net increase in the loan portfolio of PKO BP SA in the analyzed period amounted to PLN 6.9 billion, i.e. 7.1% (ca. 27% y/y).

Banks recorded a decrease in sales of mortgage loans. The value of mortgage loans amounted to PLN 16.8 billion, i.e. nearly 50% less than in the comparable period of the prior year. As a result, the increase in the entire housing loan portfolio accounted for ca. 34% of the increase recorded a year ago. In the first half of 2009 the value of the PKO BP SA gross mortgage loans portfolio increased by PLN 3.2 billion, i.e. 7.1%.

Lending to businesses decelerated. The value of loans to corporate customers increased by ca. PLN 4 billion in nominal terms. The entire increase was due to exchange rate fluctuations.

The slowdown occurred also in the deposit market. From the beginning of the year, deposits of households increased by ca. 31 billion i.e. 9.4% (24.2% y/y), while deposits of businesses decreased by ca. PLN 0.9 billion. As a result, total deposits increased by ca. PLN 31 billion (including PLN 5.8 billion of deposits from government institutions), and their increase represented ca. 73% of the increase recorded in the first half of 2008.

Lower activity of the banks in the credit market and the continuing pricing competition in the area of deposits, combined with the growing costs of write-offs (provisions) of non - performing loans translated into deteriorating financial results of the banks. In search for savings, the banks reduced their operating costs, and some of them decided to reduce the number of employees, cut remuneration and bonuses, decrease the costs of training and reduce administrative expenses.

### ***Developments in the Polish non-banking financial sector***

#### ***Investment fund sector***

In the first half of 2009, along with the return of the "bull" market in the stock exchange, there was a reversal of a downward trend characterizing prior periods in the investment fund market. The funds' assets increased to PLN 77.2 billion, i.e. by PLN 3.5 billion, compared with a decrease of

PLN 22.6 billion in the second half of 2008. The increase in funds' assets was due to the positive valuation of fund units and a negative balance of payments and redemptions. The net outflow of funds amounted to PLN 1.9 billion, compared with PLN 9.4 billion in the second half of 2008. As a result of a slower inflow of new funds and changes in the structure of investment fund assets, a decrease in revenues (handling fees and fund management fees) of investment fund managing companies may be expected. The developments in the fund market negatively affected non-interest income of banks participating in their distribution.

#### *Open pension fund (OPF) market*

In the first half of 2009, the assets of open pension funds increased to PLN 152.9 billion, i.e. by PLN 14.6 billion (10.6%). This was mainly due to an inflow of new funds from ZUS (Social Insurance Institution) (+PLN 11.5 billion). Management results contributed less (+PLN 4.7 billion), due to the situation in the share and bond markets. In the first half of 2009, the structure of the investment portfolio of OPFs changed slightly. Compared with the end of 2008, the share of Treasury debt securities decreased (from 73.4% to 70.1%) and the share of shares increased (to 24.3% from 21.6%).

#### *Lease market*

In the first half of 2009, the dynamics of growth of the lease sector significantly weakened. In the first half of 2009, the value of leases decreased by 38% compared with the first half of 2008. The following factors contributed to a significant deterioration in the lease sector:

- lower demand for lease services from businesses, reflecting pessimistic moods concerning future outlook for the Polish economy,
- limited access of lease companies to financing,
- increase in borrowing costs (including a high cost of money in interbank market),
- deterioration in the quality of the lease receivables portfolio and more restrictive requirements imposed on the lessees.

In the first half of 2009, there was a strong decline (over 46%) in vehicle leases which prevail in the structure of the sector's assets. Given the limited supply of bank loans, the demand for sale-and-leaseback and long-term leases increased, as they allow companies to improve their liquidity.

#### ***Developments in the financial sector***

In the first half of 2009, in the context of high volatility of quotations, the yield curves became steeper. On the short end of the curve, there was a decrease in profitability of nearly 80 bp. in the case of Treasury bills, mainly due to cuts in the NBP interest rates and a growing demand of domestic and international investors for short-term financial assets. On the long end of the yield curve, however, there was an increase in profitability which amounted to nearly 90 bp. for 10-year bonds. The increase in profitability of long-term bonds and the limited (compared with the scale of interest rate cuts by the NBP, i.e. 150 bp.) decrease in profitability of short-term securities reflected strong concerns among investors about the global economic situation, and in particular, the condition of the financial sector, increasing stress in the Polish state budget and negative information relating to the public finance sector, and about a significant scale of issues of Treasury securities in the context of a large scale of maturing debt. Improving global confidence and a gradual inflow of foreign capital to the Polish market, favourable investors response to amendments to the annual budget, smooth refinancing of the debt and the growing liquidity of the domestic banking sector (as a result of, inter alia, measures undertaken by the NBP and MoF) resulted in a strong downward trend in yields in the last two weeks of the first half of the year. As a result, yields of annual bonds approached 4.50%, and 6.25% in the case of 10-year bonds.

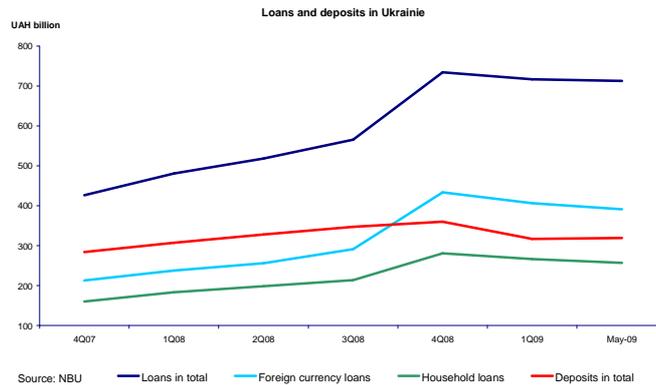
At the same time, for the most part of the analysed period there was little trust between the participants of the interbank market and significantly reduced credit limits. This contributed to a situation where interbank transactions were concluded for no more than a few days and were highly volatile. On the other hand, WIBOR rates for maturities of up to 1 month – though non-transactive – were gradually declining, following the cuts in interest rates and a decrease in quotations of WIBOR for shorter terms. It was only towards the end of the first half of the year that the situation improved slightly, resulting in the lengthening of the transaction period to one month, albeit still with limited amounts. At the same time, measures introduced by the NBP (transactions influencing liquidity for the sector, policy of supply Treasury bills, cuts in interest rates by the Monetary Policy Council), in the environment of an increasing overliquidity in the system resulted in a stronger decline in the quotations of WIBOR. In the first half of the current year, the WIBOR 1M rate decreased by over 180 bp., while 3M-12M rates decreased by 115-135 bp. As a result, the spread between 1M WIBOR and the NBP reference rate decreased from ca. 60 bp. to ca. 30 bp. and the spread of 3M-12M rates increased slightly.

In the first half of the current year, the Polish zloty weakened in relation to both the Euro (over 7% to 4.47 PLN/EUR) and USD (over 6% to 3.17 PLN/USD), in the environment of historically high volatility of

the Polish currency. The depreciation of the zloty resulted from the global crisis in the financial markets materializing at the turn of the year, and from the deepening of the crisis in the emerging markets, including in particular the markets of the region, as those that are exposed mostly to the highest risk of the adverse effects of the global crisis. A very strong trend towards depreciation was recorded in the first months of the year. In the second quarter the exchange rate of the Polish zloty started appreciating, reversing at least a part of prior losses. The scale of depreciation of the zloty in the second quarter was also limited due to a gradual recovery in the global market and a decrease in risk aversion, and also due to measures adopted and announced by the Ministry of Finance, namely exchanging funds obtained from the European Union budget on the foreign exchange market (i.e. selling the Euro and buying Polish zloty on the forex market rather than exchanging them with the NBP).

### Ukrainian banking sector

In the first half of 2009, the banking activities in Ukraine slowed down dramatically. This was due to the strong weakening of economic activity, the strong depreciation of the Ukrainian currency, high inflation and a decrease in real income, as well as uncertainty as to the future economic outlook.



According to the data of the National Bank of Ukraine, during the first half of 2009 the assets of the banking sector dropped by UAH 61 billion (ca. 6.6%). There was a strong downward trend in deposits. The volumes of bank loans decreased to a lesser extent. During first half of 2009, the value of deposits decreased by UAH 38 billion (10.6%). The outflow of retail deposits (of 7.6%) was due to a drop in confidence in the banking sector resulting from restrictions in withdrawals of savings from bank accounts introduced by the banks and the decision of the National Bank of Ukraine of December 2008 banning withdrawals of deposits before their contractual maturity date. The value of bank loans at the end of June 2009 decreased by UAH 18 billion (2.5%) compared with the end of 2008 (the decrease was even deeper after eliminating the effect of the depreciation of the Ukrainian currency). The strongest decrease related to foreign currency loans (ca. 12%). The quality of the loan portfolio deteriorated. In the first half of 2009, the value of non – performing loans doubled (UAH 41 billion compared with UAH 18 billion as at the end of 2008). As a result of losses incurred by the banks, at the end of first half of 2009 the return on equity of the entire banking sector was negative and amounted to -24.5%, and return on assets was -3.28%.

### Regulatory environment

The following new regulatory solutions affected the financial and organizational situation of the PKO BP SA Group in the first half of 2009:

- Resolution No. 382/2008 of the Polish Financial Supervision Authority (KNF), which introduced the obligation to apply concentration limits to interbank exposures effective as of 1 January 2009,
- Resolution No. 386/2008 of the Polish Financial Supervision Authority (KNF) introducing, as of 1 January 2009, changes in the standards relating to liquidity risk materially affecting the financing strategies of banks,
- Amendment of the Act of 8 September 2006 on the financial support for families in acquiring own housing (Journal of Laws of 2008, No. 223, item 1465) effective as of 2 January 2009 (the "Family Owning Its Home" Programme). The Act introduced solutions which, combined with the decrease in market prices on the housing market, were positively affecting the demand for mortgage loans,
- The act amending the Civil Code and the Foreign Exchange Law (Journal of Laws of 2008, No. 228 item 1506), effective as of 24 January 2009 that allowed settlement of domestic transactions in foreign currencies, as a result of which the banks' income from foreign exchange operations will decrease,

- Amendment of the Act of 6 December 1996 on registered pledges and the register of pledges (Journal of Laws of 2008, No. 180, item 1113) effective as of 11 January 2009 which introduced changes in how registered pledges are used to secure receivables of the banks,
- Resolution No. 1/1/OK/2009 of the NBP Management Board on early redemption by NBP of 10-year bonds whose original maturity was set for the year 2012 (NBP Official Journal of 2009, No. 1, item 1). The Resolution set the bond redemption date for 22 January 2009,
- Recommendation of the Polish Financial Supervision Authority on measures to be undertaken by banks to increase the level of own funds by retaining the entire net profit earned for 2008,
- The Recommendation S II dated 17 December 2008 imposing on banks new reporting obligations to clients, including the obligation to disclose currency spread details, and an obligation to allow clients to pay loan instalments in the indexation currency (in the case of loans indexed with a foreign exchange rate – since 1 July 2009),
- The Decree of the Minister of Finance of 19 February 2009 on current and periodical information to be provided by issuers of securities (Journal of Laws of 2009, No. 33, item 259), amending the deadlines and terms of reporting by companies listed on the WSE from 15 March 2009,
- Amendment of the Act on the state aid in the repayment of certain mortgage loans, the granting of guarantee bonuses and refunding banks for guarantee bonuses paid (Journal of Laws of 2009 No. 30 item 190) which introduced the possibility of using housing savings book (“książeczka mieszkaniowa”), entitling to a guarantee bonus, to cover certain repair expenditure,
- Decree of the Minister of Finance of 3 April 2009 (Journal of Laws No. 62, item 507) imposing an obligation to provide investment advice on entities engaged in intermediation in buying and selling participation units and participation titles in investment funds (from 13 July 2009),
- The Act of 21 November 2008 on supporting thermal modernization and building repairs (Journal of Laws of 2008, No. 223, item 1459) which introduced, as of 19 March 2009, the possibility of using housing savings book (“książeczka mieszkaniowa”) entitling to a guarantee bonus to cover certain repair expenditures.

The liquidity position of banks was also affected by initiatives undertaken, i.a. as part of the modified “Trust Package”. In accordance with the Trust Package, starting from May 2009, the NBP:

- is offering repo transaction with the maturity date of 6 months, including a netting option, to banks;
- is offering currency swaps with the maturity date of up to 1 months to banks;
- has extended the list of securities accepted as collateral in repo transactions.

The following regulatory changes in the Ukraine affected the Group's situation:

- Regulations of the National Bank of Ukraine on current monetary and credit risk management in the situation of the financial crisis, which defined, among others, the procedures for refinancing commercial banks by the NBU in order to maintain their liquidity and the procedures for the NBU's financial intervention on the interbank market,
- Resolution No. 406 of NBU on changes in the rules and regulations for recording and utilizing provisions for possible losses on banks' lending operations, which changed the principles of creating special provisions as of 28 December 2008,
- Resolution No. 49 of NBU on certain issues relating to the banks' operations, which allows including unregistered share capital contributions in the regulatory capital as of 5 February 2009,
- the Decision of the National Bank of Ukraine (NBU) of April 2009 introducing restrictions in forex transactions on the interbank market,
- the Decision of the NBU of May 2009 removing the ban on withdrawals of deposits before their contractual maturity introduced in December 2008, which should increase confidence in banks,
- the decision of the Parliament of Ukraine of June 2009 to restrict lending in foreign currencies to private individuals by banks and to repay loans early to foreign entities.

### 3. FINANCIAL RESULTS<sup>2</sup>

#### 3.1 The PKO BP SA Group

##### The consolidated income statement

Chart 1. Movements in income statement items of the PKO BP SA Group (PLN million)

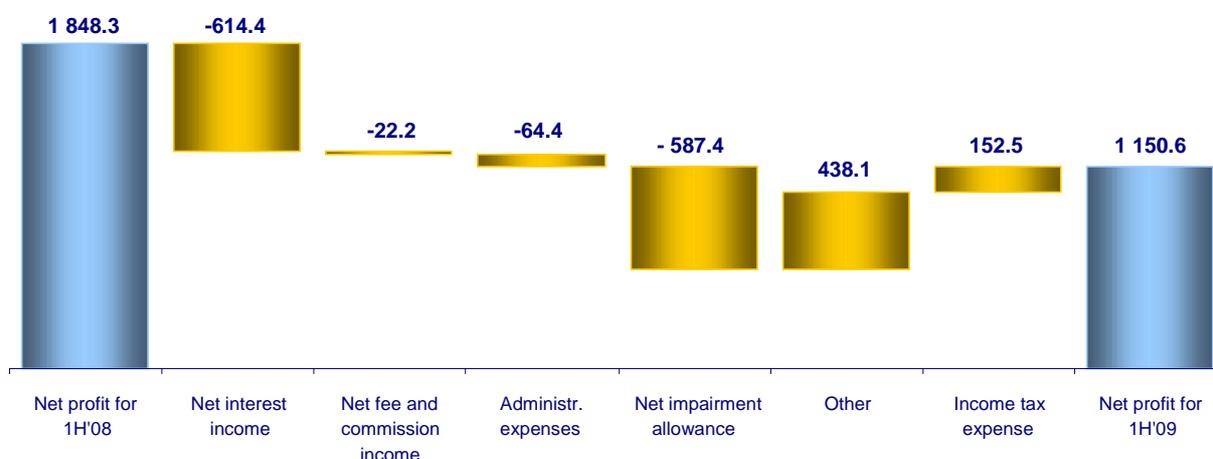


Table 1. Main income statement items of the PKO BP SA Group (PLN million)

Income statement item	01.01-30.06.2009	01.01-30.06.2008	Change (%)	Comment
Net interest income	2 301.6	2 916.0	-21.1%	(-) 21.1% (y/y) mainly as a result of the decrease in deposit margins due to a decrease of market interest rates and dynamic increase of deposits portfolio (+ 23.3 % y/y), with an increase in net loan portfolio volume of 25.8% y/y.
Net fee and commission income	1 171.8	1 194.0	-1.9%	(-) 1.9% (y/y) mainly as a result of a decrease in fee and commission income related to investment fund and OPF management (including management fees) by 35.5% y/y, offset by increase in commission income from loans and advances to customers (+8.9% y/y).
Other income	861.5	411.6	2.1x	2.1 fold (y/y) increase as a result of: 1) an increase in net foreign exchange gains of PLN 279.5 million (77.5% y/y) - the effect of higher spreads between PLN interest rates and foreign interests rates, 2) an increase in net income on financial activities of PLN 112.3 million, 3) an increase in net other operating income and expenses realized mainly by the Inteligo Group, PKO Inwestycje Group and eService SA.
Administrative expenses	(2 075.1)	(2 010.7)	3.2%	An increase of 3.2% (y/y) and C/I* ratio of 47.9% (+3.4 pp. y/y) as a result of: 1) an increase in overhead expenses of 16.5% (y/y), i.e. as a result of increase in fees paid to BGF and KNF, as well as IT related expenses, 2) an increase in amortization and depreciation cost of 9.7%, offset by decrease of staff expenses by 5.3% - a reduction in employment of 2 088 full time equivalents (y/y) at the PKO BP SA Group.  *The C/I ratio is calculated as quotient of absolute value of the administrative costs for the period from 01 January 2009 till 30 June 2009 and income items for the same period.
Net impairment allowance	(764.1)	(176.7)	4.3x	A 4.3 fold increase (y/y) as a result of increase in impairment charges for consumer loans and mortgage loans and the effect of the impairment allowances in the subsidiary Kredobank SA of PLN (-) 179.6 million.

As at 30 June 2009, the Group applies the following hedging instruments:

1. Hedges against fluctuations in cash flows from mortgage loans in CHF and negotiated term deposits in PLN, following from the risk of fluctuations in interest rates and foreign exchange rates, using CIRS transactions,
2. Hedges against fluctuations in cash flows from floating interest rate loans in PLN, following from the risk of fluctuations in interest rates, using IRS transactions.

<sup>2</sup> In this section of the Report, any differences in total balances and percentages result from rounding the amounts to PLN million and rounding percentages to one decimal place.

Table 2. Derivative financial instruments constituting interest rate and/or currency cash flow hedge as at 30 June 2009 (PLN thousand)

Type of instrument	Carrying amount/fair value		
	Assets	Liabilities	TOTAL
IRS	-	11	(11)
CIRS	427 097	48 464	378 633

Gross amount recognised in the revaluation reserve for the period amounted to PLN 223 699 thousand. The detailed information concerning the implementation of above mentioned changes was presented in the Notes of Financial Statement of PKO BP SA for the six-month period ended 30 June 2009.

Table 3. Key financial indicators of the PKO BP SA Group (PLN million)

KEY FINANCIAL INDICATORS OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP				
	01.01.- 30.06.2009	01.01.- 30.06.2008	Change (in PLN million)	Change (%)
<b>Result on business activities*:</b>	<b>4 334.9</b>	<b>4 521.6</b>	<b>(186.6)</b>	<b>-4.1%</b>
Net interest income	2 301.6	2 916.0	(614.4)	-21.1%
Net fee and commission income	1 171.8	1 194.0	(22.2)	-1.9%
Other income	861.5	411.6	450.0	2.1x
<b>Administrative expenses</b>	<b>(2 075.1)</b>	<b>(2 010.7)</b>	<b>(64.4)</b>	<b>3.2%</b>
<b>Operating profit</b>	<b>1 495.7</b>	<b>2 334.1</b>	<b>(838.4)</b>	<b>-35.9%</b>
Net impairment allowance	(764.1)	(176.7)	(587.4)	4.3x
Profit before income tax	1 495.4	2 350.9	(855.6)	-36.4%
Net profit (including minority interest)	1 159.8	1 862.9	(703.1)	-37.7%
<b>Net profit attributable to equity holders of the parent company</b>	<b>1 150.6</b>	<b>1 848.3</b>	<b>(697.8)</b>	<b>-37.8%</b>

\* RESULT ON BUSINESS ACTIVITIES ('INCOME ITEMS') DEFINED AS OPERATING PROFIT BEFORE ADMINISTRATIVE EXPENSES AND NET IMPAIRMENT ALLOWANCE.

Table 4. Interest income and expense of the PKO BP SA Group (PLN million)

NET INTEREST INCOME OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP						Comment
Items	01.01.- 30.06.2009	Structure 1H 2009	01.01.- 30.06.2008	Structure 1H 2008	Change 1H 2009/ 1H 2008	
<b>Interest income, of which:</b>	<b>4 332.6</b>	<b>100.0%</b>	<b>4 177.1</b>	<b>100.0%</b>	<b>3.7%</b>	The growth rate of interest income (+) 3.7% y/y, resulting from: 1) 5.4% y/y growth in income on loans and advances to customers – mainly as a result of the strong growth of the loan portfolio (+25.8% y/y), due to decrease of market interest rates and income on hedging derivatives in the amount of PLN 78.4 million, along with: 2) negative growth on income on financial assets designated at fair value through profit and loss (-19.0% y/y) 3) negative growth of income due to deposits with other banks (-54.6% y/y) resulting from a decrease in average amounts due from other banks of ca. 44% y/y.*
Loans and advances to customers	3 732.0	86.1%	3 541.2	84.8%	5.4%	
Financial assets designated at fair value through profit and loss	191.7	4.4%	236.7	5.7%	-19.0%	
Amounts due from other banks	94.3	2.2%	207.8	5.0%	-54.6%	
Investment securities	185.5	4.3%	157.6	3.8%	17.7%	
Hedging derivatives	78.4	1.8%	-	0.0%	x	
Financial assets held for trading	39.7	0.9%	31.8	0.8%	24.8%	
Other	11.0	0.3%	2.0	0.0%	5.6x	
<b>Interest expenses, of which:</b>	<b>(2 031.0)</b>	<b>100.0%</b>	<b>(1 261.1)</b>	<b>100.0%</b>	<b>61.1%</b>	The growth rate of interest expense at the level of 61.1% y/y as a result of an increase in expenses due to amounts due to customers by 67.9% y/y, (the growth rate of retail deposit portfolio +23.3% y/y) and an increase in cost of debt securities in issue (+11.8% y/y).
Amounts due to customers	(1 881.6)	92.6%	(1 120.4)	88.8%	67.9%	
Placements with other banks	(32.3)	1.6%	(32.1)	2.5%	0.6%	
Debt securities in issue	(66.9)	3.3%	(59.8)	4.7%	11.8%	
Other	(50.2)	2.5%	(48.7)	3.9%	3.1%	
<b>Net interest income</b>	<b>2 301.6</b>	<b>x</b>	<b>2 916.0</b>	<b>x</b>	<b>-21.1%</b>	Net interest income for the first half of 2009 was PLN 614 million lower than in the comparable period of the prior year, due to an increase in interest income of PLN 156 million and an increase in interest expense of PLN 770 million.

\* the average balance of amounts due from other banks was calculated based on the Bank's management information; the item "amounts due from other banks" of the Group is generated by the Bank

Table 5. Net fee and commission income of the PKO BP SA Group (PLN million)

NET FEE AND COMMISSION INCOME OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP						Comment	
Items	01.01- 30.06.2009	Structure 1H 2009	01.01- 30.06.2008	Structure 1H 2008	Change 1H 2009/ 1H 2008		
<b>Fee and commission income, of which:</b>	<b>1 525.7</b>	<b>100.0%</b>	<b>1 564.8</b>	<b>100.0%</b>	<b>-2.5%</b>	The growth rate of fee and commission income of (-) 2.5% y/y, as a result of i.a.: 1) a decrease in commission income related to investment funds and OFE management, including management fees (-35.5% y/y) – this is due to the situation in the stock exchange which translated into lower interest in capital markets among the customers; 2) a decrease in commission income on loan insurance (-14.8% y/y), offset by an increase in credit related fees and commissions of 8.9%.	
Maintenance of bank accounts	424.3	27.8%	402.4	25.7%	5.5%		
Payment cards	445.6	29.2%	403.2	25.8%	10.5%		
Credit related fees and commissions	163.4	10.7%	150.0	9.6%	8.9%		
Loan insurance	93.0	6.1%	109.1	7.0%	-14.8%		
Cash transactions	89.8	5.9%	97.0	6.2%	-7.4%		
Investment and pension funds (including management fees)	168.8	11.1%	261.7	16.7%	-35.5%		
Securities transactions	24.3	1.6%	22.9	1.5%	5.9%		
Mass foreign operations	20.1	1.3%	20.4	1.3%	-1.5%		
Sales and distribution of duty stamps	9.7	0.6%	12.2	0.8%	-20.9%		
Other*	86.8	5.7%	86.0	5.5%	1.0%		
<b>Fee and commission expenses, of which:</b>	<b>(353.9)</b>	<b>100.0%</b>	<b>(370.8)</b>	<b>100.0%</b>	<b>-4.6%</b>		The growth of commission expenses was driven by the expenses connected with payment cards, which increased as a result of a strong growth in the number of transactions made using those cards and (to a lesser extent) in the number of payment cards.
Payment cards	(161.2)	45.6%	(146.5)	39.5%	10.1%		
Acquisition services	(76.8)	21.7%	(65.4)	17.6%	17.4%		
Loan insurance	(35.0)	9.9%	(47.7)	12.9%	-26.7%		
Asset management	(21.2)	6.0%	(54.4)	14.7%	-61.0%		
Other**	(59.7)	16.9%	(57.0)	15.4%	4.8%		
<b>Net fee and commission income</b>	<b>1 171.8</b>	<b>x</b>	<b>1 194.0</b>	<b>x</b>	<b>-1.9%</b>	Net fee and commission income for the first half of 2009 was lower by PLN 22 million than in the comparable period of the prior year, mainly as a result of a decrease in net fee and commission income related to investment funds and OFE management.	

\* Including: trustee services, servicing bond sale transactions, administration of amounts due to the State Treasury and performing substitution activities

\*\* Including: operational services of other banks, commission paid to PPUP, fee and expenses paid by brokerage house (Dom Maklerski) to Warsaw Stock Exchange (GPW) and the National Depository for Securities (KDPW), costs of currency turnover and settlements fees

Table 6. Administrative expenses of the PKO BP SA Group (PLN million)

ADMINISTRATIVE EXPENSES OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP						Comment
Items	01.01- 30.06.2009	Structure 1H 2009	01.01- 30.06.2008	Structure 1H 2008	Change 1H 2009/ 1H 2008	
Staff costs	(1 096.5)	52.8%	(1 158.4)	57.6%	-5.3%	The growth of administrative expenses of 3.2% y/y was mainly a result of: 1) increase of overhead expenses of 16.5% (mainly fees paid to BGF and KNF, as well as IT related expenses), 2) an increase in depreciation and amortization costs of 9.7% y/y, offset by decrease of staff costs by 5.3% y/y.
Overhead expenses	(749.6)	36.1%	(643.6)	32.0%	16.5%	
Depreciation and amortization	(229.1)	11.0%	(208.7)	10.4%	9.7%	
<b>TOTAL</b>	<b>(2 075.1)</b>	<b>100.0%</b>	<b>(2 010.7)</b>	<b>100.0%</b>	<b>3.2%</b>	

Table 7. The main financial indicators of the PKO BP SA Group

Ratios			
Items	As at 30.06.2009	As at 30.06.2008	Change
ROA gross (gross profit / average total assets)	2.4%	3.9%	-1.5 pp.
ROA net (net profit / average total assets)	1.9%	3.1%	-1.3 pp.
ROE gross (gross profit / average total equity)	23.1%	37.7%	-14.5 pp.
ROE net (net profit / average total equity)	18.0%	30.0%	-12.1 pp.
C/I (costs to income ratio)	47.9%	44.5%	3.4 pp.

### Condensed consolidated statement of financial position – main items

The statement of financial position of the PKO BP SA Group is strongly influenced by the statement of financial position of the parent entity. It determines both the size of total assets and the structure of assets and liabilities. As at 30 June 2009 total assets of PKO BP SA accounted for 97.7% of the total assets of the PKO BP SA Group.

Table 8. Main items of the condensed consolidated statement of financial position of the PKO BP SA Group (PLN million)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP						
Items	As at 30 06 2009	Structure 1H 2009	As at 30 06 2008	Structure 1H 2008	Change 1H 2009/ 1 H 2008	Comment
Cash and balances with the Central Bank	2 861.4	2.0%	5 836.9	4.3%	-51.0%	
Amounts due from banks	4 606.7	3.2%	3 363.6	2.5%	37.0%	
Loans and advances to customers	107 798.6	75.8%	101 107.9	75.1%	6.6%	
Securities	17 733.4	12.5%	14 666.6	10.9%	20.9%	An increase in assets of PLN 7.6 billion (1H2009/2008) as a result of an increase in the loan portfolio of PLN 6.7 billion (1H2009/2008) and an increase in securities of PLN 3.1 billion (1H2009/2008), combined with a decrease in cash in the current account with the Central Bank of PLN 2.5 billion (1H2009/2008).
Derivative financial instruments	3 079.7	2.2%	3 597.7	2.7%	-14.4%	
Other assets	6 178.8	4.3%	6 063.3	4.5%	1.9%	
<b>TOTAL ASSETS</b>	<b>142 258.5</b>	<b>100.0%</b>	<b>134 636.0</b>	<b>100.0%</b>	<b>5.7%</b>	
Amounts due to other banks	6 164.0	4.3%	6 991.4	5.2%	-11.8%	
Amounts due to customers	114 115.7	80.2%	102 939.3	76.5%	10.9%	
Debt securities in issue and subordinated liabilities	1 911.1	1.3%	1 830.3	1.4%	4.4%	The increase in assets was financed mainly by an increase in amounts due to customers of PLN 11.2 billion, combined with a decrease in liabilities relating to derivative financial instruments of PLN 3.9 billion (1H2009/2008).
Derivative financial instruments	2 276.2	1.6%	6 150.3	4.6%	-63.0%	
Other liabilities	3 470.6	2.4%	2 726.6	2.0%	27.3%	
<b>Total liabilities</b>	<b>127 937.6</b>	<b>89.9%</b>	<b>120 638.0</b>	<b>89.6%</b>	<b>6.1%</b>	
Total equity	14 320.9	10.1%	13 998.0	10.4%	2.3%	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>142 258.5</b>	<b>100.0%</b>	<b>134 636.0</b>	<b>100.0%</b>	<b>5.7%</b>	
Loans / Deposits (Amounts due to customers)	94.5%	x	98.2%	x	-3.8 pp.	(-) 3.8 pp. along with an increase of loans by PLN 6.7 billion (1H2009/2008) and an increase of deposits by PLN 11.2 billion (1H2009/2008).
Interest bearing assets/ Assets	91.5%	x	88.5%	x	3 pp.	The increase as an effect of increase of loans and debts securities portfolio.
Interest paying liabilities/ Liabilities	85.6%	x	83.0%	x	2.6 pp.	The effect of the increase of the amounts' due to customers share in the total assets.

### Own funds and capital adequacy ratio

Table 9. Own funds and capital adequacy ratio of the PKO BP SA Group (PLN million)

EQUITY OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP				
Items	As at 30.06.2009	As at 30.06.2008	Change %	Comment
<b>Equity, of which:</b>	14 320.9	13 998.0	2.3%	
Share capital	1 000.0	1 000.0	0.0%	
Reserve capital	7 318.6	7 274.7	0.6%	
General banking risk fund	1 070.0	1 070.0	0.0%	
Other reserves	3 405.1	1 523.8	2.2x	+2.3% 1H2009/2008 as a result of profit accumulation – in total 65.29% of the net profit generated by PKO BP SA in 2008 was transferred to other reserves (i.e. PLN 1 881.3 million)
Revaluation reserve	160.8	(33.2)	X	
Currency translation differences from foreign operations	(56.0)	(57.4)	-2.4%	
Retained earnings	248.8	53.2	4.7x	
Net profit for the period	1 150.6	3 120.7	-63.1%	
Minority interest	23.1	46.2	-50.0%	
<b>Own funds</b>	<b>13 041.6</b>	<b>12 885.3</b>	<b>1.2%</b>	The growth rate was driven by the level of profit accumulation
<b>Capital adequacy ratio (%)</b>	<b>11.21</b>	<b>11.29</b>	<b>-0.08 pp.</b>	-0.08 pp. 1H2009/2008 mainly as a result of implementing the capital requirement for operating risk.

### 3.2 PKO BP SA

Chart 2. Movements in income statement items of PKO BP SA (PLN million)

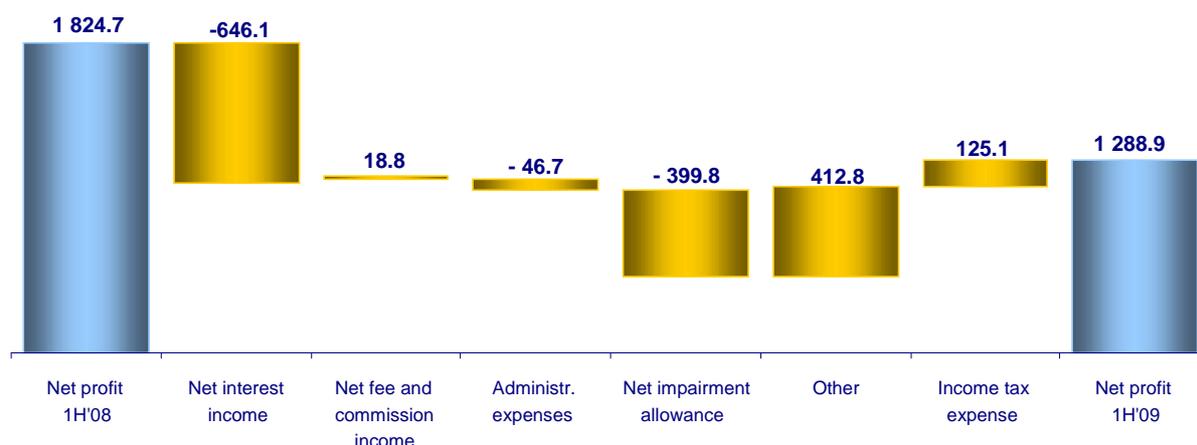


Table 10. Movements in income statement items of PKO BP SA (PLN million)

Income statement item	01.01 – 30.06.2009	01.01 - 30.06.2008	Change (%)	Comment
Net interest income	2 197.4	2 843.5	(22.7%)	(-) 22.7% (y/y) mainly as a result of lower deposit margins due to a decrease of market interest rates and dynamic increase in deposits portfolio ((+) 23.9% y/y), offset by increase in net loan portfolio by 26.9% (y/y)
Net fee and commission income	1 062.2	1 043.4	1.8%	(+) 1.8% (y/y) mainly as a result of an increase in the number of banking cards and transactions made using those cards and an increase in income on maintenance of bank accounts, offset by a decrease in commission income related to investment fund management.
Other net income	865.8	453.0	91.1%	(+) 91.1% (y/y) as a result of: 1) a higher net income on financial operations – a negative result for the comparable period in the prior year resulted mainly from risk aversion on financial markets; 2) an increase of the net foreign exchange gains of 77.6% (y/y) – the effect of higher spreads between PLN interest rates and foreign interests rates.
Administrative expenses	(1 919.0)	(1 872.3)	2.5%	An increase of 2.5% (y/y) and C/I* ratio at the level of 46.5% (+3.4 pp. y/y) as a result of an increase in overhead costs (due to higher IT costs and Bank Guarantee Fund/Financial Supervision Authority related fees), offset by a decrease in personnel costs. <small>* the C/I ratio is calculated as quotient of absolute value of the administrative costs for the period from 01 January 2009 till 30 June 2009 and incomes for the same period.</small>
Net impairment allowance	(584.3)	(184.6)	3.2x	An increase of 3.2 fold (y/y) as a result of increase in net impairment allowance on consumer and mortgage loans

As at 30 June 2009, PKO BP SA applies the following hedging instruments:

1. hedges against fluctuations in cash flows from mortgage loans in CHF and negotiated term deposits in PLN, following from the risk of fluctuations in interest rates and foreign exchange rates, using CIRS transactions,
2. hedges against fluctuations in cash flows from floating interest rate loans in PLN, following from the risk of fluctuations in interest rates, using IRS transactions.

Table 11. Derivative financial instruments constituting interest rate and/or currency cash flow hedge as at 30 June 2009 (PLN thousand)

Type of instrument	Carrying amount/fair value		
	Assets	Liabilities	TOTAL
IRS	-	11	(11)
CIRS	427 097	48 464	378 633

Gross amount recognized in the revaluation reserve for the period amounted to PLN 223 699 thousand. The detailed information concerning the above mentioned changes was presented in the Notes of Financial Statements of PKO BP SA for the six-month period ended 30 June 2009.

Table 12. Interest income and expense of the PKO BP SA (PLN million)

NET INTEREST INCOME OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA						
Items	01.01- 30.06.2009	Structure 1H 2009	01.01- 30.06.2008	Structure 1H 2008	Change 1 H2009/ 1 H 2008	Comment
<b>Interest income, of which:</b>	<b>4 104.8</b>	<b>100.0%</b>	<b>3 996.8</b>	<b>100.0%</b>	<b>2.7%</b>	
Loans and advances to customers	3 504.5	85.4%	3 364.6	84.2%	4.2%	A high growth rate of interest income (2.7% y/y) mainly as a result of:
Financial assets designated at fair value through profit and loss	190.7	4.6%	231.7	5.8%	-17.7%	1) an increase in income on loans and advances to customers (+PLN 139.9 million y/y) – mainly as a result of an increase in the loan portfolio (+26.9% y/y).
Placements with other banks	94.2	2.3%	207.3	5.2%	-54.6%	2) income from derivative hedging instruments amounting to PLN 78.4 million,
Investment securities	187.7	4.6%	159.5	4.0%	17.6%	offset by a decrease in income on placements with other banks.
Derivative hedging instruments	78.4	1.9%	-	0.0%	x	
Trading securities	39.7	1.0%	31.8	0.8%	24.8%	
Other	9.7	0.2%	1.9	0.0%	5x	
<b>Interest expenses, of which:</b>	<b>(1 907.4)</b>	<b>100.0%</b>	<b>(1 153.3)</b>	<b>100.0%</b>	<b>65.4%</b>	
Amounts due to customers	(1 810.0)	94.9%	(1 063.2)	92.2%	70.2%	The growth rate of interest expense at the level of 65.4% y/y as a result of an increase in expenses on amounts due to customers (70.2% y/y), due to the change in the Bank's deposit policy.
Deposits from other banks	(32.3)	1.7%	(32.1)	2.8%	0.5%	
Debt securities in issue	(56.2)	2.9%	(53.8)	4.7%	4.5%	
Other	(8.9)	0.5%	(4.3)	0.4%	2.1x	
<b>Net interest income</b>	<b>2 197.4</b>	<b>x</b>	<b>2 843.5</b>	<b>x</b>	<b>-22.7%</b>	Net interest income for the first half of 2009 was PLN 646 million lower than in the comparable period of the prior year, with an increase in interest income of PLN 108 million and an increase in interest expense of PLN 754 million.

Table 13. Fee and commission income of PKO BP SA (PLN million)

NET FEE AND COMMISSION INCOME OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA						
Items	01.01- 30.06.2009	Structure 1H 2009	01.01- 30.06.2008	Structure 1H 2008	Change 1H 2009/ 1 H 2008	Comment
<b>Fee and commission income, of which:</b>	<b>1 398.5</b>	<b>100.0%</b>	<b>1 376.6</b>	<b>100.0%</b>	<b>1.6%</b>	
Maintenance of bank accounts	410.3	29.3%	389.7	28.3%	5.3%	The growth rate of fee and commission income (+) 1.6% y/y, as a result of, i.a.:
Payment cards	445.0	31.8%	400.0	29.1%	11.2%	1) an increase in the number of banking cards and transactions made using those cards;
Credit related fee and commissions	159.8	11.4%	147.9	10.7%	8.0%	2) an increase in income on maintenance of bank accounts,
Loan insurance intermediary	93.0	6.6%	109.1	7.9%	-14.8%	offset by a decrease in income related to investment fund management, driven by the trends in the stock exchange.
Cash transactions	89.8	6.4%	97.0	7.0%	-7.4%	
Portfolio and other management fees	43.9	3.1%	96.0	7.0%	-54.2%	
Securities transactions	24.2	1.7%	22.9	1.7%	5.6%	
Other*	132.6	9.5%	114.0	8.3%	16.3%	
<b>Fee and commission expenses, of which:</b>	<b>(336.3)</b>	<b>100.0%</b>	<b>(333.2)</b>	<b>100.0%</b>	<b>0.9%</b>	
Payment cards	(180.7)	53.7%	(163.8)	49.1%	10.3%	The growth of commission expenses was driven by the expenses due to payment cards, which increased as a result of a growth in number of transactions made using those cards and decrease expenses on in loan insurance intermediary.
Acquisition services	(69.8)	20.8%	(65.3)	19.6%	6.8%	
Loan insurance intermediary	(35.0)	10.4%	(47.7)	14.3%	-26.7%	
Other**	(50.8)	15.1%	(56.4)	16.9%	-9.8%	
<b>Net fee and commission income</b>	<b>1 062.2</b>	<b>x</b>	<b>1 043.4</b>	<b>x</b>	<b>1.8%</b>	In the first half of the year, net fee and commission income was higher by approx. PLN 19 million than in the first half of 2008 as a result of changes in commission income.

\* Included in "Other" are: commissions received for distribution of duty stamps, mass foreign operations, servicing bond sale transactions, administration of amounts due to the State Treasury and performing substitution activities.

\*\* Included in "Other" are: commissions paid to PPUP, commissions paid to intermediaries, fees paid by brokerage house (DM) to Warsaw Stock Exchange (GPW) and National Depository for Securities (KDPW), costs of currency turnover and settlements fees.

Table 14. Administrative expenses of PKO BP SA (PLN million)

ADMINISTRATIVE EXPENSES OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA						
Items	01.01- 30.06.2009	Structure 1H 2009	01.01- 30.06.2008	Structure 1H 2008	Change 1H 2009 / 1H 2008	Comment
Staff costs	(1 012.8)	52.8%	(1 082.3)	57.8%	-6.4%	The growth rate of 2.5% mainly due to:
Overhead and other costs	(709.5)	37.0%	(614.6)	32.8%	15.4%	1) decrease in staff costs by 6.4% y/y
Depreciation and amortisation	(196.7)	10.3%	(175.4)	9.4%	12.1%	2) increase of overheads and other costs by approx 15.4% y/y (mainly fees paid to Bank Guarantee Fund and Polish Financial Supervision Authority as well as IT costs).
<b>TOTAL</b>	<b>(1 919.0)</b>	<b>100.0%</b>	<b>(1 872.3)</b>	<b>100.0%</b>	<b>2.5%</b>	

Table 15. Main financial indicators of PKO BP SA

Items	Ratios		
	As at 30.06.2009	As at 30.06.2008	Change
ROA gross (gross profit / average total assets)	2.4%	3.8%	-1.4 pp.
ROA net (net profit / average total assets)	1.9%	3.1%	-1.2 pp.
ROE gross (gross profit / average total equity)	23.0%	35.9%	-12.9 pp.
ROE net (net profit / average total equity)	17.7%	29.0%	-11.2 pp.
CI (costs to income ratio)	46.5%	43.1%	3.4 pp.

Table 16. Main items of the statement of financial position of PKO BP SA (PLN million)

CONDENSED STATEMENT OF FINANCIAL POSITION OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA						
Items	01 01- 30 06 2009	Structure 1H 2009	01 01- 30 06 2008	Structure 1H 2008	Change 1H 2009/ 1 H 2008	Comment
Cash and balances with the Central Bank	2 759.2	2.0%	5 758.2	4.4%	-52.1%	
Amounts due from banks	4 866.5	3.5%	3 907.0	3.0%	24.6%	
Loans and advances to customers	105 031.4	75.5%	98 102.0	74.7%	7.1%	An increase in assets of PLN 7.8 billion (1H2009/2008) as a result of an increase in loan portfolio of PLN 6.9 billion (+7.1% 1H2009/2008) and an increase in securities portfolio of PLN 3.0 billion (+20.2% 1H2009/2008).
Securities	17 786.8	12.8%	14 799.2	11.3%	20.2%	
Derivatives	3 167.2	2.3%	3 599.5	2.7%	-12.0%	
Other assets	5 430.3	3.9%	5 078.9	3.9%	6.9%	
<b>TOTAL ASSETS</b>	<b>139 041.4</b>	<b>100.0%</b>	<b>131 244.8</b>	<b>100.0%</b>	<b>5.9%</b>	
Amounts due to other banks	2 818.1	2.0%	5 702.3	4.3%	-50.6%	
Amounts due to customers	113 016.9	81.3%	101 856.9	77.6%	11.0%	
Debt securities in issue and subordinated liabilities	1 612.1	1.2%	1 618.8	1.2%	-0.4%	The increase in assets was financed mainly by an increase in amounts due to customers of PLN 11.2 billion (+11.0% 1HY2009/2008), offset by a decrease in the negative valuation of derivatives.
Derivatives	2 275.4	1.6%	6150.3	4.7%	-63.0%	
Other liabilities	5 307.1	3.8%	2 387.2	1.8%	2.2x	
<b>Total liabilities</b>	<b>125 029.6</b>	<b>89.9%</b>	<b>117 715.5</b>	<b>89.7%</b>	<b>6.2%</b>	
Total equity	14 011.8	10.1%	13 529.4	10.3%	3.6%	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>139 041.4</b>	<b>100.0%</b>	<b>131 244.8</b>	<b>100.0%</b>	<b>5.9%</b>	
Loans / Deposits (Amounts due to customers)	92.9%	x	96.3%	x	-3.4 pp.	(-) 3.4 pp. with an increase of loans by PLN 6.9 billion (1H2009/2008) and an increase of deposits by PLN 11.2 billion (1H2009/2008).
Interest bearing assets/ Assets	91.8%	x	89.0%	x	2.8 pp.	The increase as an effect of increase of loans and debts securities portfolio.
Interest paying liabilities/ Liabilities	84.1%	x	83.2%	x	1 pp.	The effect of the increase of the amounts' due to customers share in the total assets.

## 4. BUSINESS DEVELOPMENT<sup>3</sup>

### 4.1 Development areas

Building a strong financial group is one of the main development objectives of PKO BP SA. The Bank's activities are focused on improving the effectiveness of the capital employed. PKO BP SA is strongly focused on the development of entities which expand the range of products offered by the PKO BP SA Group, mainly in the areas of leasing and implementing factoring services. Consistent implementation of these projects will bring about the further strengthening of the market position of PKO BP SA Group.

### 4.2 Operations by segments<sup>4</sup>

#### 4.2.1 Retail segment

##### 4.2.1.1 Activities of PKO BP SA

The activities of the Bank in the retail segment were concentrated on increasing attractiveness and competitiveness of the offered products and services along with simultaneous improvement of sales efficiency.

As at 30 June 2009, the total value of deposits of the retail segment of PKO BP SA amounted to PLN 91.5 billion. Since the beginning of the year, the volume has increased by PLN 8.5 billion (i.e. 10.2%) as a result of an increase in retail and private banking deposit volumes ((+) 12.6% since the beginning of the year).

Table 17. Amounts due to customers of PKO BP SA (PLN million)

Items	As at 30.06.2009	As at 31.12.2008	As at 30.06.2008	Change since:	
				31.12.2008	30.06.2008
Client deposits, of which:					
- retail and private banking	80 424	71 399	65 362	12.6%	23.0%
- small and medium entities	7 601	8 145	6 664	-6.7%	14.1%
- housing market clients	3 504	3 522	3 080	-0.4%	13.8%
<b>Total deposits</b>	<b>91 528</b>	<b>83 067</b>	<b>75 106</b>	<b>10.2%</b>	<b>21.9%</b>

source: Bank's management data

At the 30 June 2009, gross loans of retail segment of PKO BP SA amounted to PLN 81.8 billion and from the beginning of the year they have increased by 5.8 billion (i.e. 7.7%).

Table 18. Gross\* loans and advances to customers in the retail segment (PLN million)

Items	As at 30.06.2009	As at 31.12.2008	As at 30.06.2008	Change since:	
				31.12.2008	30.06.2008
Gross loans and advances to customers, of which:					
- retail and private banking	19 860	18 821	17 992	5.5%	10.4%
- small and medium entities	11 011	9 647	8 590	14.1%	28.2%
- mortgage banking	44 348	41 364	33 331	7.2%	33.1%
- housing market clients (including refinanced by the State budget)	6 623	6 183	5 112	7.1%	29.6%
<b>Total</b>	<b>81 842</b>	<b>76 015</b>	<b>65 024</b>	<b>7.7%</b>	<b>25.9%</b>

\*without interests due and interest not due

Source: Bank's management data

Table 19. Accounts and payment cards of PKO BP SA (thousands of units)

Items	As at 30.06.2009	As at 31.12.2008	As at 30.06.2008	Change since:	
				31.12.2008	30.06.2008
<b>Total number of accounts, of which:</b>	<b>6 311</b>	<b>6 366</b>	<b>6 269</b>	<b>(55)</b>	<b>42</b>
- Inteligo current accounts	698	692	678	5	20
<b>Total number of banking cards, of which:</b>	<b>7 462</b>	<b>7 493</b>	<b>7 397</b>	<b>(31)</b>	<b>65</b>
- credit cards	1 050	1 046	1 042	4	8

<sup>3</sup> In this section of the Report, any differences in total balances and percentages result from rounding the amounts to PLN million and rounding percentages to one decimal place.

<sup>4</sup> The data presented in this chapter for the volumes of loans and deposits in particular segments differ from those presented in previous reports due to presentation changes. The main change relates to the volume of housing savings books ("książeczki mieszkaniowe") previously presented in housing deposits – currently they are presented as deposits in the retail banking and private banking segments.

Table 20. Operational data in the retail segment – branches and ATMs

Items	As at	As at	As at	Change since:	
	30.06.2009	31.12.2008	30.06.2008	31.12.2008	30.06.2008
Total number of branches	1 237	1 228	1 219	9	18
<b>- Retail Market Area:</b>	<b>1 169</b>	<b>1 160</b>	<b>1 151</b>	<b>9</b>	<b>18</b>
Regional retail branches	12	12	12	-	-
Independent branches	475	496	574	(21)	(99)
Subordinated branches	682	652	565	30	117
<b>Number of ATM's</b>	<b>2 356</b>	<b>2 313</b>	<b>2 266</b>	<b>43</b>	<b>90</b>

Table 21. Activities and achievements of PKO BP SA in retail segment in the first half of 2009

Product	Product's characteristics
<b>Savings Account</b>	<p>Since the 9th of February 2009, the Bank changed the interest rate of savings accounts: for deposits up to PLN 999.99 from 2% to 5% and for deposits greater than PLN 50 000 from 6% to 5.5%. On the 7th of April 2009 interest rates for savings accounts were changed again: for deposits up to PLN 50 000 to 4.5% and for deposits greater than PLN 50 000 to 5.05%.</p> <p>From 15 June 2009, the Bank started offering savings accounts in CHF, USD and EUR. At the same time, from 15 June to 15 September 2009, promotional terms are offered to customers having both a housing loan in CHF from PKO BP SA and a current account with the Bank who will open a savings account in CHF. The promotion consists in granting a bonus of PLN 50 to customers who will deposit foreign currency purchased from PKO BP SA (minimum CHF 300).</p> <p>As at 30 June 2009, the total volume of Savings Account amounted to PLN 8 027.0 million and the number of savings accounts reached PLN 473.3 thousand units.</p>
<b>'Ekstra Lokata' term deposit</b>	<p>Since the 9th of February 2009, the Bank offers a new product: a 6 or 12-month fixed interest rate deposit. The interest rate correlates to the term of the deposit and amounted to 5.50% per annum for the 6-month term deposit and 5.00% for the 12-month term deposit as at the date the offer was introduced.</p> <p>Since the 7th of April 2009 the interest rates accounted for 4.90% per annum for the 6-month term deposit and 4.80% per annum for the 12-month term deposit. The minimum required deposit amounted to PLN 1 000.</p> <p>As at 30 June 2008, the total volume of 'Ekstra Lokata' term deposit amounted to PLN 3 061 335 thousand.</p>
<b>Term deposits</b>	<p>During the period from the 26th of February 2009 to the 31 March 2009, the Bank was offering clients that signed a contract during the period from the 28th of January 2008 to the 24th of February 2008 for a 12-month subscribed deposit ('Max Lokata' deposit) – a 6-month term deposit with a fixed interest rate of 5.50% per annum and a 12-month term deposit with a fixed interest rate of 5.25% per annum. The minimum required deposit amounted to PLN 1 000 in both cases, while the maximum deposit had to equal the sum accumulated on the annual subscribed deposit ('Max Lokata' deposit).</p>
<b>Negotiated term deposits</b>	<p>Since the 10th of February 2009, the Bank increased the interest rate of negotiated term deposits for retail clients and private banking customers by 0.28 pp. Since the 16th of March 2009 the interest rate was increased again by 0.06 pp. at certain dates and the interest rate of negotiated term deposits was adjusted to the interest rate of term deposits.</p>
<b>Housing savings book</b>	<p>Since the 19th of January 2009, the Bank introduced a new deposit product aimed at the mortgage market i.e. a housing savings book ('książeczka mieszkaniowa'). An attractive interest rate that is tied to the size of the deposit and the term of the deposit (12M, 24M or 36M) is the defining characteristic of this type of account. The minimum amount that can be deposited in the account is PLN 200.</p> <p>Additionally, the owner of the account can benefit from preferential terms (relating to the fees and commissions charged by the Bank) when applying for a mortgage at PKO BP SA as long as the client deposits the required minimum sum for a period of at least 12 months from the date of opening the account irrespectively from the duration of the account. In the first half of the current year, over 160 thousand accounts were opened with a total volume of funds deposited of PLN 2.7 billion.</p> <p>From 15 March 2009, as part of the new housing savings book programme, customers can make additional payments to the book account by standing orders and via the Internet service iPKO.</p>
<b>Savings account "ADVANTAGE" ("KORZYŚĆ")</b>	<p>From 1 April 2009, the Bank introduced a Savings Account ADVANTAGE for housing cooperatives, housing associations, developers, property administrators (acting on behalf of housing associations) and real estate agents. The account combines an attractive interest rate (which depends on the level of funds deposited in the account) with full discretion in managing deposited funds without losing interest. By the end of June 2009, the value of funds deposited in these accounts amounted to over PLN 0.6 billion.</p>

Product	Product's characteristics
Current accounts	<p>As of 1 May 2009 the new increased fees and commissions for products and services offered towards clients of the Retail Market Area were introduced. The introduced changes in the level of fees and commissions regards among others:</p> <ul style="list-style-type: none"> <li>- service fee for maintenance of Superkonto account from PLN 5.40 to PLN 6.90</li> <li>- remittance fees for remittance into accounts by other banks performed by individuals in Bank's branches from PLN 4.00 to PLN 5.00</li> <li>- commission for granting/renewal of the revolving credit to the holders of the accounts in the Superkonto group (from 1% and not less than PLN 20.00 to 1.8% and not less than PLN 60.00, though for clients of personal and private banking to 1.5% and not less than PLN 60.00)</li> <li>- PKO Ekspres debit card issuance and renewal fee from PLN 10.00 to PL 20.00 and PKO Graffiti from PLN 10.00 and PLN 18.00.</li> </ul> <p>At the same time the owners of Superkonto savings account have been put under attractive accident insurance (NNW) and the owners of PKO Ekspres and PKO Graffiti debit cards under insurance against illegal credit card use, insurance against unauthorized cash withdrawal from an ATM or POS terminal and 'Safety portfolio' insurance for which clients do not need to bear additional cost.</p>
Cash Loan	<p>In the first half of 2009, the Bank took steps to intensify sales of cash loans (mainly the cash loan marketed under the name "Max Loan Mini Installment") by making the terms of the consumer loans more attractive, i.e. changing the parameters of the product and adjusting its pricing to the dynamically changing market situation.</p> <p>A promotional and advertising campaign of the cash loan "Max Loan Mini Installment" was conducted. The commission for granting the loan was reduced by 50% i.e. to the level of 2.5%, for the customers who will buy insurance during the promotion period.</p>
Loans for small and medium entities	<p>From 16 February 2009, the Bank started offering loans from the credit line of the Council of Europe Development Bank (CEB) based on a loan agreement of July 2008 between CEB and PKO BP SA amounting to EUR 100 million. The credit line is intended for co-financing investments in small and medium enterprises operating in the private sector aimed at "creating and maintaining economically viable jobs in SMEs".</p>
Quick credit limit	<p>From 2 March 2009, the target audience of the Quick Credit Limit product was widened to include individual farmers who conduct individual agricultural activity or are active in special agriculture areas.</p>
Maestro Cashback	<p>From 1 May 2009, a new service Maestro Cashback was launched for the users of PKO Partner cards (PKO Business Partner, PKO Agro Partner, PKO Medical Partner) which offers the possibility of making cash withdrawals of up to PLN 200 while shopping. The users of PKO Partner cards are exempt from commission for cash withdrawals using the Maestro Cashback service.</p>

#### 4.2.1.2 Activities of the PKO BP SA Group

Table 22. Activities of the PKO BP SA Group entities in the retail segment

SUBSIDIARY	SCOPE OF ACTIVITIES	ACTIVITIES OF OTHER GROUP COMPANIES
KREDOBANK SA	KREDOBANK SA in Lviv conducts banking activities in Ukraine	<ol style="list-style-type: none"> <li>1. As at 30 June 2009, the equity of KREDOBANK SA amounted to PLN 350 504 thousand (UAH 845 811 thousand).</li> <li>2. As at 30 June 2009, KREDOBANK SA reported a net loss of PLN (-) 125 604 thousand (UAH 294 638 thousand). In the same period of 2008, KREDOBANK SA reported a net profit of PLN 2 906 thousand (UAH 6 294 thousand). The loss as at the end of June 2009 was caused mainly by an increase in impairment allowances on loans granted by KREDOBANK SA resulting from economic situation in Ukraine and deterioration of the financial standing of the Bank's clients.</li> <li>3. The loan portfolio (gross) of KREDOBANK SA increased by PLN 180 million i.e. 9.14% since the beginning of the year 2009 – the increase of loan portfolio was a result of increase of PLN/UAH exchange rates in 2009 (until the end of the 1<sup>st</sup> half of 2009 the gross loan portfolio denominated in UAH had decreased by UAH 93 million i.e. 1.76%). As at 30 June 2009, gross loan portfolio of the entity amounted to PLN 2 149 million (UAH 5 186 million).</li> <li>4. The value of term deposits expressed as PLN equivalent had decreased by PLN 0.3 million (UAH 269 million) i.e. 0.03% since the beginning of 2009 and amounted to PLN 1 002 million (UAH 2 418 million) as at 30 June 2008.</li> <li>5. At 30 June 2009, KREDOBANK SA had 26 branches and 144 local offices in 22 (out of 24) Ukrainian districts and the Independent Republic of the Crimea. In the first half of 2009 1 branch and 5 local offices were closed.</li> <li>6. In the first half of 2009 KREDOBANK SA repaid two subordinated loans received from PKO BP SA for an amount of USD 38 million and partly repaid loan, granted according to the loan agreement of 28 November 2008, in the amount of USD 65 million.</li> <li>7. In the first half of 2009 KREDOBANK SA redeemed bonds, which were sold to the clients on the Ukrainian market, in the total nominal value of UAH 75.45 million.</li> <li>8. KREDOBANK SA is offering its customers a wide range of services in the area of international operations. The bank cooperates with financial institutions in 16 countries within the international settlements system. The bank has 44 nostro accounts and 61 loro accounts.</li> </ol> <p><i>Items from interim statement of financial position relating to KREDOBANK SA at the end of June 2009 were translated using rate of 1 UAH = 0.4144 PLN, while those at the end of 2007 were translated using the average NBP rate as at 31 December 2008 (1 UAH = 0.3730 PLN).</i></p> <p><i>Income statement items relating to KREDOBANK SA were translated using the average of NBP exchange rates prevailing as at the last day of each month of first half of 2009 and 2008 (0.4263 PLN/UAH and 0.4617 PLN/UAH respectively)</i></p>
Powszechne Towarzystwo Emerytalne BANKOWY SA	Management of an open-end pension fund	<ol style="list-style-type: none"> <li>1. As at 30 June 2009, the equity of PTE Bankowy SA amounted to PLN 212 685 thousand.</li> <li>2. In the first half of 2009, PTE Bankowy SA earned a net profit of PLN 11 683 thousand (in 2008: PLN 12 157 thousand).</li> <li>3. As at the end of June 2009, the net asset value of OFE Bankowy amounted to PLN 4 345 million, i.e. it increased by PLN 315 million i.e. 7.8% compared with the end of 2008.</li> <li>4. As at 30 June 2009, the number of accounts maintained for participants of OFE Bankowy was 460 585.</li> <li>5. According to the Bank's estimates, in the first half of 2009, the Bankowy Open Pension Fund had a return on investments of 4% and ranked fourth among the pension funds, with the weighted average rate of return for the OPF sector of 3.33%.</li> <li>6. As at the end of first half of 2009, OFE Bankowy was the ninth pension fund on the market in terms of asset value, and the tenth in terms of the number of accounts maintained.*</li> </ol>

\* Source: [www.knf.gov.pl](http://www.knf.gov.pl)

SUBSIDIARY	SCOPE OF ACTIVITIES	ACTIVITIES OF OTHER GROUP COMPANIES
PKO Inwestycje Sp. z o.o.	Construction and development activities. PKO Inwestycje Sp. z o.o. specializes in management of big development projects.	<ol style="list-style-type: none"> <li>The value of equity of the PKO Inwestycje Sp. z o.o. Group (PKO Inwestycje Sp. z o.o. and its subsidiaries) at the end of June 2009 amounted to PLN 198 900 thousand.</li> <li>The PKO Inwestycje Sp. z o.o. Group in the first half of 2009 generated a net profit of PLN 14 292 thousand (2008: net profit of PLN 2 409 thousand). Fluctuations in the results are due to the accounting treatment applied to the investment projects carried out by the Group.</li> <li>In 2009, the Company's activities were focused on the following development projects: <ul style="list-style-type: none"> <li>- "Nowy Wilanów" in Warsaw carried out by Wilanów Investments Sp. z o.o.,</li> <li>- "Neptun Park" in Gdańsk Jelitkowo carried out by POMERANKA Sp. z o.o.,</li> <li>- "Kuzmińska" in Kiev, Ukraine, carried out by UKRPOLINWESTYCJE Sp. z o.o.</li> <li>- "Osiedle Rezydencja Flotylla" in Międzyzdroje carried out by PKO Inwestycje - Międzyzdroje Sp. z o.o.</li> <li>- "Osiedle Wisłok" in Rzeszów carried out by WISŁOK Inwestycje Sp. z o.o.</li> <li>- "Osiedle Sarnia Dolina" in Jankowo (n/ Gdańsk) carried out by Baltic Dom 2 Sp. z o.o.</li> </ul> </li> <li>In the first half of 2009 PKO Inwestycje Sp. z o.o. received a dividend from Fort Mokotów Sp. z o.o. The paid out dividend amounted to PLN 6.63 million gross.</li> </ol>
Fort Mokotów Inwestycje Sp. z o.o.	Development activities	<ol style="list-style-type: none"> <li>As at the end of June 2009, the Company's equity amounted to PLN 43 329 thousand.</li> <li>The Company recorded a net loss of PLN 222 thousand for the first half of 2009. The loss resulted from the fact that the Company only incurred start-up cost in the initial period of its operations.</li> <li>The Company's operations consist in executing a construction project on land located at Raclawicka 107 Street in Warsaw.</li> </ol>
PKO Towarzystwo Funduszy Inwestycyjnych SA	Setting up and management of investment funds	<ol style="list-style-type: none"> <li>As at 30 June 2009, the equity of the TFI SA amounted to PLN 54 266 thousand.</li> <li>TFI SA earned a net profit of PLN 29 280 thousand for the first half of 2009 (in the first half of 2008: PLN 64 766 thousand).</li> <li>The asset value of the funds managed by the entity amounted to PLN 8.1 billion as at 30 June 2009, resulting in the Company having an 10.47% share in the investment fund market and holding the 3rd place among the funds. For comparison purposes: at the end of 2008 the asset value of managed funds amounted to PLN 8.2 billion, resulting in having 11.06% share in the investment fund market and holding the 3rd place.</li> <li>As of 23 February 2009, Finanse - Agent Transferowy Sp. z o.o., a subsidiary of Inteligo Financial Services SA, became the agent servicing investment funds managed by PKO TFI SA.</li> <li>In the 1st half of 2009, the Company added to its offer a new investment program "PKO Program Oszczędnościowy" which is offered by 4 PKO/CREDIT SUISSE Parasolowy- sfio Subfunds.</li> <li>In 2009, the Company paid dividend to the shareholders for 2008 in the amount of PLN 105 million (gross), including PLN 78.75 million to PKO BP SA.</li> </ol> <p>* source: Analysis On-line (Analizy on-line), Chamber of Fund and Asset Management service</p>
Inteligo Financial Services SA	Provision of e-banking services, mainly for PKO BP SA, finance and e-commerce market; providing logistic services for clients using Inteligo platform; intermediary in selling other banking products using interactive distribution channels	<ol style="list-style-type: none"> <li>As at 30 June 2009, the IFS SA Group (Inteligo financial Services SA and its subsidiary Finanse – Agent Transferowy Sp. z o.o.) equity amounted to PLN 137 491 thousand.</li> <li>In the first half of 2009, the IFS SA Group earned a net profit of PLN 14 439 thousand (in the first half of 2008: PLN 13 910 thousand).</li> <li>At the end of June 2009, the Company provided access to electronic banking systems to approximately 2.9 million PKO BP SA clients using iPKO services, and served more than 614 thousand holders of Inteligo accounts.</li> <li>Finanse - Agent Transferowy Sp. z o.o., a subsidiary of Inteligo Financial Services SA, is providing transfer agent services to companies of the PKO BP SA Group: PKO Towarzystwo Funduszy Inwestycyjnych SA and Powszechne Towarzystwo Emerytalne BANKOWY SA.</li> </ol>
Centrum Elektronicznych Usług Płatniczych eService SA	Processing of data relating to card transactions performed at POS terminals, management of payment cards acceptance network; development and implementation of additional services based on POS terminals	<ol style="list-style-type: none"> <li>As at 30 June 2009, the company's equity amounted to PLN 73 139 thousand.</li> <li>In the first half of 2009, the company earned a net profit of PLN 14 918 thousand (in the first half of 2008: PLN 13 086 thousand). The increase in profit results from sales revenues, including specifically revenues from the rental of terminals, sales of prepaid services and transaction processing.</li> <li>The number of eService terminals was 51 261 as at the end of June 2009, which represents a 2.29% decrease compared with the end of 2008.</li> <li>The Company's estimated share in the market of bank card acceptance in terms of the number of terminals installed amounted to 27.5% at the end of June 2009 (data based on the reports of the National Bank of Poland).</li> <li>In the first half of 2009, transactions amounting to PLN 9.99 billion were generated with the use of eService terminals, representing an increase of 13.52% in relation to the first half of 2008.</li> <li>The Company's estimated share in the market of bank card acceptance in terms of the value of transactions amounted to 27% at the end of June 2009 (data based on the reports of the National Bank of Poland).</li> <li>In April 2009, the company obtained an ISO PE-EN ISO 9001:2001 certificate confirming the implementation and use of the quality management system in respect of making payments and other services provided on the basis of the device for processing payment transactions with the use of payment cards.</li> <li>The Company's General Shareholders' Meeting decided to pay out the dividend for 2008 of PLN 9.96 million, gross, to PKO BP SA.</li> </ol>

## 4.2.2 Corporate segment

### 4.2.2.1 Activities of PKO BP SA

The corporate loan market in Poland was characterised by stagnation in the first half of 2009. In the same period, PKO BP SA intensified its sales activities, which led to a growth in the corporate loan portfolio by more than 28% compared with the first half of 2008.

In the first half of 2009, PKO BP SA continued to actively finance its clients, which translated to an increase in the PKO BP SA's share in the corporate loans market and a dynamic growth in the number of clients served.

The growth in the lending activities was accompanied by a dynamic growth of the deposit portfolio (by ca. 30% compared with the same period of the prior year), while the strict cost discipline with reference to the offered interest rates was maintained.

A considerable increase in the liabilities is a result of the consistent application of the new model of corporate clients' service which was introduced in 2008 and involved active sale of negotiated deposits.

Table 23. Gross loans\* and deposits of PKO BP SA (in PLN million)

Items	As at 30.06.2009	As at 31.12.2008	As at 30.06.2008	Change since:	
				31.12.2008	30.06.2008
Gross corporate loans	26 445	25 268	20 716	4.7%	27.7%
Corporate deposits	20 123	17 923	15 463	12.3%	30.1%

\*without interests due and interest not due

Source: Bank's management data

Table 24. Branches of PKO BP SA

Items	As at 30.06.2009	As at 31.12.2008	As at 30.06.2008	Change since:	
				31.12.2008	31.06.2009
Total number of branches	1 237	1 228	1 219	9	18
- in the Corporate Segment Area:	68	68	68	-	-
Regional Corporate Branches	13	13	13	-	-
Corporate Center	55	55	55	-	-

The corporate segment activities in the first half of the current year comprised mainly:

- concentration on large and medium-sized Polish enterprises, accompanied by appropriate margin policy of the Bank providing operational profitability,
- development of cooperation with the public sector, ensuring profitability and good quality of the portfolio,
- development of a range of products with low capital requirements,
- improvement of controls in order to restructure exposures characterized by higher ratings for combined transactions in the situation of poorer financial standing of enterprises,
- active steps in respect of financing projects which are co-financed by the EU structural funds, in particular in respect of granting bridge loans.

Table 25. Activities and achievements of PKO BP SA in the corporate segment in the first half of 2009

Scope of activity	Activity
Loan activity	In the first half of 2009, among others, the following were organized: - two contracts for granting loans up to PLN 350 million with a company from the mining sector; - a working capital loan of PLN 250 million on behalf of an entity operating in the steelworks sector; - a bank guarantee was granted in the total amount of ca. EUR 75 million, on commission from an entity operating in the food sector (a government agency is the beneficiary of the guarantee); - the amount of working capital financing granted to a company from the financial sector was increased from PLN 600 million to PLN 800 million.
Deposit activity	In the first half of 2009, the deposit portfolio of the corporate segment increased by more than PLN 4 billion compared to first half of 2008.

#### 4.2.2.2 Activities of PKO BP SA Group

Table 26. Activities of PKO BP SA Group in the corporate segment

SUBSIDIARY	SCOPE OF ACTIVITIES	
Bankowy Fundusz Leasingowy SA	Operating and financial lease services ranging from means of conveyance, machinery, devices, real estate and long-term car rent	<ol style="list-style-type: none"> <li>1. As at 30 June 2009, the BFL SA Group (BFL SA and its subsidiaries) equity amounted to PLN 91 578 thousand.</li> <li>2. In the first half of 2009, the Group earned a net profit of PLN 4 834 thousand (in the first half of 2008: PLN 3 743 thousand).</li> <li>3. In the first half of 2009, the BFL SA Group Companies leased out assets with a total value of PLN 417.9 million, which represents an decrease of 33.8% compared with the first half of 2008. The decrease in terms of the value of leased assets is due to the market situation, including lower investment demand and deterioration of financial standing of corporate entities.</li> <li>4. In terms of the value of assets leased, at the end of June 2009, the BFL SA Group ranked 10th (based on preliminary data published in the Rzeczpospolita daily on 10 July 2009).</li> <li>5. The total carrying value of the BFL SA Group lease investments as at 30 June 2009 was PLN 2 273 million (as at the end of 2008: PLN 2 317 million).</li> <li>6. In the first half of 2009, under the funds launched by the European Investment Bank of PLN 56.9 million, Bankowy Fundusz Leasingowy SA financed the development of small and medium enterprises.</li> </ol>

#### 4.2.3 Investment segment

In the first half of the year, the situation on financial markets improved. The aid programmes implemented by the largest economies of the world to help enterprises and banks stabilized the situation in developed countries and the aid programme launched by international institutions for emerging markets limited their insolvency risk. The published macroeconomic data which indicated stabilization in the world economy was conducive to investor interest. The improvement in the situation on the financial markets had a positive impact on the domestic market. At the beginning of March, the situation on the currency market improved and the dropping trend adjustment of the main exchange indices.

The anxiety relating to the budget deficit and public finance stability as well as high inflation led to the lack of improvement in the situation on the State Treasury's debt securities market. In the first half of the year, the profitability of 10-year instruments increased to 6.30% as at the end of June from 5.40% as at the end of 2008, 5-year to 5.80% from 5.30%, and 2-year to 5.45% from 5.35%. In the period to the end of June, the Monetary Policy Board lowered interest rates four times – from 5% to 3.5% for the reference rate.

#### 4.2.3.1 Activities of PKO BP SA

Table 27. Activities and achievements of PKO BP SA in the investment segment in the first half of 2009

Treasury activities	Treasury products	<p><b>Development strategy and achieved results</b></p> <p>Sales of Treasury products to retail and corporate customers are conducted using a network of advisors in the branch offices and dedicated corporate dealers. In the first half of 2009, most revenues from sales of products were earned from traditional Treasury products such as SPOT and FORWARD transactions. Option products were much less popular due to the situation on the foreign exchange market and an increase in counterparty credit risk. The value of SPOT and FORWARD trading increased by 30% and 40% respectively compared with the same period of the prior year.</p> <p><b>Risk</b></p> <p>PKO BP SA monitored customer credit risk exposure related to derivatives on a current basis. The Bank's operations concentrated on early preventive measures and limiting risks on the part of the Bank. In the event of discovering significant threats, PKO BP SA applied an individual approach to the customer. Treasury transactions with customers are concluded on the basis of a framework agreement. Both the agreements and the Product Regulations include confirmations of independent risks and benefits assessment performed by customers and related to particular types of transactions. It is worth highlighting that derivative contracts are concluded under declarations of real client risk.</p>
	Inter-bank market	<p><b>Achieved results</b></p> <p>The Bank maintains a high level of trading on the interbank market for interest rates and currencies. According to the data as at the end of May, the Bank's share in the FRA transactions segment increased by 9% compared with the analogous period of the prior year to 13%, and the share in the spot and forward transaction segment amounted to 7% and 3.6% respectively. The Bank also acts as dealer in Treasury securities.</p> <p><b>Risk</b></p> <p>To ensure security of trading, in the first half of 2009, the Bank concluded 7 framework agreements and 5 hedging contracts with domestic and foreign entities. The Bank actively manages liquidity and market risks (including interest rate and currency risk) concentrating on minimizing exposure. The Bank has an investment security portfolio financed with excess deposits. The major part of the portfolio comprises Treasury bonds and bills denominated in PLN. The Bank's policy in the area of the investment portfolio concentrated on obtaining an optimal structure of the portfolio taking into consideration the profitability of instruments and risk exposure.</p>
Brokerage activities	Share, bond, futures and indexed options markets	<p>The Bank maintained a high level of trading on the shares, bonds, forward contracts, indexed options markets. In the first half of 2009, when the trading level on the Warsaw Security Exchange dropped, the Bank increased its activity and its share in the market. Compared with the first half of 2008, the value of trading on the shares market increased by 10% and its share in the market increased to 7%. Actions on the options and contracts markets brought about very good results. The total value of trading on the options market increased by nearly 27%, and on the contracts market by 4%.</p>
	Market maker	<p>The Bank developed its operations in the area of market maker and issuer. The Bank ranked second in the market maker ranking with 40 contracts, and fourth in the market-maker-issuer ranking with 25 contracts. The value of trading on the NewConnect market amounted to PLN 33 million which gave PKO BP SA the 4th position with the largest number of animated companies (29).</p>
	Primary market	<p>Under the transactions concluded on the primary market, the Bank handled the public offering with pre-emptive rights of EMC and managed share subscriptions of three companies under incentive programmes.</p>

Scope of activity	Activity
Trustee activities	<p>The Bank is a direct participant in the National Securities Deposit and the Securities Register (NBP), it is member of the Board of Depository Banks and the Board for Non-Treasury Debt Securities under the aegis of the Association of Polish Banks. The Bank maintains securities accounts and handles transactions on Polish and foreign markets, as well as provides trustee services and acts as depository for pension and investment funds, it is an active participant in works related to developing regulations and market standards.</p> <p>As at the end of 2009, PKO BP SA maintained nearly 4.6 thousand securities accounts. The effect of acquisition actions was an increase in the value of assets of trustee clients of the Bank to over PLN 22 billion, which is a 26% increase compared with the same period of the prior year.</p>
Structured finance	<p>The Bank has a wide offer of products dedicated to institutional clients. One of its elements is the offer for comprehensive credit support for large investment enterprises characterized by a wide scope of services, flexibility, diversity of solutions and financing methods, and – first and foremost – an individual approach to each project.</p> <p>In the first half of 2009, PKO BP SA organized banking syndicates which granted 6 loans with a total value of PLN 900 million, with a 50% share in financing projects. Moreover, the Bank signed 14 agreements for the issue of communal bonds for the amount of PLN 450 million and 3 agreements for the issue of corporate bonds with a value of PLN 835 million.</p>

#### 4.2.3.2 Activities of the PKO BP SA Group

Table 28. Activities of other entities of the PKO BP SA Group in investment segment

SUBSIDIARY	SCOPE OF ACTIVITIES	ACTIVITIES OF OTHER GROUP COMPANIES
Bankowe Towarzystwo Kapitałowe SA	Until 2008 venture capital activity, at present providing services for other entities of the Group, i.a., HR support and maintaining the accounting records	<ol style="list-style-type: none"> <li>As at the end of June 2009, the value of the BTK SA Group equity (Bankowe Towarzystwo Kapitałowe SA and its subsidiary Bankowy Faktoring SA) amounted to PLN 12 283 thousand.</li> <li>In the first half of 2009, the BTK SA Group incurred a net loss of PLN 1 974 thousand (in the same period of 2008 Bankowe Towarzystwo Kapitałowe SA incurred a net loss of PLN 293 thousand). The loss resulted from the Group having incurred costs related to beginning new activities both by Bankowe Towarzystwo Kapitałowe SA and by Bankowy Faktoring SA.</li> <li>In the first half of 2009, Bankowe Towarzystwo Kapitałowe SA engaged in work related to launching operating activities in the area of factoring by the subsidiary established especially for this purpose - Bankowy Faktoring SA.</li> <li>On 23 June 2009, the Extraordinary General Shareholders' Meeting of Bankowy Faktoring SA decided to increase the Company's share capital by PLN 2.5 million. The shares in the increased share capital were taken up by BTK SA.</li> </ol>
PKO Finance AB	The Company's operations comprise raising funds for PKO BP SA through the issue of Eurobonds	<ol style="list-style-type: none"> <li>As at 30 June 2009, the Company's equity amounted to PLN 257 thousand (SEK 624 thousand).</li> <li>For the first half of 2009, the Company incurred a loss of PLN 49 thousand (SEK 118 thousand).</li> <li>The Company has not started its statutory activities until 30 June 2009.</li> </ol> <p><i>Equity value was translated using the average NBP rate as at 30.06.2009 0.4121 PLN/SEK, net result was translated using the average of NBP exchange rates 0.4157 PLN/SEK prevailing as at the last day of each month and the last day of half year 2009.</i></p>

#### 4.2.4 Activities in other areas

Table 29. Activities of other entities of the PKO BP SA Group in other fields

SUBSIDIARY	SCOPE OF ACTIVITIES	ACTIVITIES OF OTHER GROUP COMPANIES
Centrum Finansowe Puławska Sp. z o.o.	The Company manages the building "Centrum Finansowe Puławska" located at 15 Puławska Street in Warsaw.	<ol style="list-style-type: none"> <li>The value of Company's equity at the end of June 2009 amounted to PLN 204 876 thousand.</li> <li>In the first half of 2009 the reported a net profit of PLN 6.496 thousand (in the first half of 2008 the company reached net profit of PLN 4 262 thousand).</li> <li>The occupancy rate of office and commercial space in the CFP building was relatively stable and amounted to 99.9% as at 30 June 2009 (100% as at the end of 2008).</li> <li>As at 30 June 2009, 89.5% of the office and commercial space in the CFP building was rented to PKO BP SA Group entities.</li> <li>In 2009, the Company paid a dividend in the total amount of PLN 7.4 million to PKO BP SA.</li> </ol>

## 5. INTERNAL CONDITIONS

### 5.1 The structure and directions of development of the PKO BP SA Group

As at 30 June 2009 PKO BP SA Group consist of the Bank as a parent company and 22 entities as direct and indirect subsidiaries.

The consolidated financial statements include: the PKO BP SA – the parent company of the PKO BP SA Group and its subsidiaries as defined in IAS 27 „Consolidated and Separate Financial Statements”.

Table 30. Entities included in the consolidated financial statements of the PKO BP SA Group

No.	Entity name	Exposure at acquisition cost	Share in capital	Consolidation method
		(PLN thousand)	(%)	
<b>Parent company</b>				
1	Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna			
<b>Direct subsidiaries</b>				
2	KREDOBANK SA	786 746	99.4948	full metod
3	Powszechne Towarzystwo Emerytalne BANKOWY SA	205 786	100	full metod
4	Centrum Finansowe Puławska Sp. z o.o.	128 288	100	full metod
5	PKO Inwestycje Sp. z o.o.*	117 813	100	full metod
6	Bankowy Fundusz Leasingowy SA	70 000	100	full metod
7	PKO Towarzystwo Funduszy Inwestycyjnych SA	69 055	75	full metod
8	Inteligo Financial Services SA	59 602	100	full metod
9	Centrum Elektronicznych Usług Płatniczych eService SA	55 500	100	full metod
10	Fort Mokotów Inwestycje Sp. z o.o.	43 546	99.9885	full metod
11	Bankowe Towarzystwo Kapitałowe SA	18 566	100	full metod
12	PKO Finance AB	172	100	full metod
<b>Subsidiaries of PKO Inwestycje Sp. z o.o.</b>				
13	Wilanów Investments Sp. z o.o. * <sup>1</sup>	82 980	99.9750	full metod
14	POMERANKA Sp. z o.o. * <sup>1</sup>	19 000	99.9975	full metod
15	PKO Inwestycje - Międzyzdroje Sp. z o.o.*	7 575	100	full metod
16	Baltic Dom 2 Sp. z o.o.	6 899	56	full metod
17	WISŁOK Inwestycje Sp. z o.o.*	3 600	80	full metod
18	Fort Mokotów Sp. z o.o. *	2 040	51	full metod
19	UKRPOLINWESTYCJE Sp. z o.o.	519	55	full metod
<b>Subsidiary of Bankowe Towarzystwo Kapitałowe SA</b>				
20	Bankowy Factoring SA <sup>1</sup>	3 329	99.9667	full metod
<b>Subsidiary of Inteligo Financial Services SA</b>				
21	Finanse Agent Transferowy Sp. z o.o. <sup>2</sup>	7 600	80.3287	full metod
<b>Subsidiaries of Bankowy Fundusz Leasingowy SA</b>				
22	Bankowy Leasing Sp. z o.o. <sup>1</sup>	16 309	99.9969	full metod
23	BFL Nieruchomości Sp. z o.o. <sup>1</sup>	1 109	99.9545	full metod

\* included in this item are stocks and shares at purchase price and the specific capital contributions made

<sup>1</sup> – PKO BP SA acquired 1 share/stock in the entity

<sup>2</sup> – other shares of Finanse - Agent Transferowy Sp. z o.o. in hold of Powszechne Towarzystwo Emerytalne BANKOWY SA (19.6702%) and PKO BP SA (1 share)

Table 31. Other jointly controlled entities included in the consolidated financial statements

No.	Entity name	Exposure at acquisition cost PLN thousand	Share in capital (%)	Consolidation method
<b>Jointly controlled entities</b>				
1	CENTRUM HAFFNERA Sp. z o.o.	44 371	49.43	equity method
2	Centrum Obsługi Biznesu Sp. z o.o.	17 498	41.44	equity method
<b>Subsidiaries of CENTRUM HAFFNERA Sp. z o.o.</b>				
3	Sopot Zdrój Sp. z o.o.*	58 923	100	equity method
4	Promenada Sopotcka Sp. z o.o.	10 058	100	equity method
5	Centrum Majkowskiego Sp. z o.o.	6 609	100	equity method
6	Kamienica Morska Sp. z o.o.	976	100	equity method
<b>Associates</b>				
7	Bank Pocztowy SA	146 500	25.0001	equity method
8	Ekogips SA – in liquidation	5 400	60.26	equity method
9	Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	1 500	33.33	equity method
10	Agencja Inwestycyjna CORP SA	29	22.31	equity method

\* included in this item are stocks and shares at purchase price and specific capital contributions made

In the first half of 2009 PKO BP SA and other entities of the PKO BP SA Group have not conducted share – base payment transactions.

## 5.2 Changes in organization of subordinated entities

In the first half of 2009, the structure of the PKO BP SA Group was affected by the following factors:

### 1. Establishment of Bankowy Faktoring SA

The company Bankowy Faktoring SA was entered in the National Court Register on 6 January 2009. The Company's share capital amounts to PLN 1 million and consists of 1 000 registered shares, each of PLN 1 000 nominal value. All shares in the Company's capital were acquired by Bankowe Towarzystwo Kapitałowe SA, a subsidiary of PKO BP SA, for PLN 1 330 thousand. The Company's business is factoring.

### 2. Acquisition by PKO BP SA of 1 share in selected indirect subsidiaries

In the first quarter of 2009, PKO BP SA, in order to increase its control over the activities of indirect subsidiaries, acquired 1 share in each of the following companies: Wilanów Investments Sp. z o.o., POMERANKA Sp. z o.o., Bankowy Leasing Sp. z o.o., BFL Nieruchomości Sp. z o.o., Finanse - Agent Transferowy Sp. z o.o. and Bankowy Faktoring SA.

### 3. Taking up shares in Fort Mokotów Inwestycje Sp. z o.o.

On 7 April 2009, Fort Mokotów Inwestycje Sp. z o.o. was registered with the National Court Register. The Company's share capital amounts to PLN 43 551 thousand, consisting of 43 551 shares of PLN 1 000 nominal value each.

Shares in the Company with a nominal value of PLN 43 546 thousand (constituting 99.9885% of the Company's share capital entitling to 99.9885% voting rights at the General Shareholders' Meeting) were taken up by PKO BP SA which covered them with a contribution in kind in the form of the rights to perpetual usufruct of land at Raclawicka Street in Warsaw. Other shareholder of the Company is PKO Inwestycje Sp. z o.o. – a subsidiary of PKO BP SA.

### 4. Taking up shares in the increased share capital of Bankowy Faktoring SA

On 2 June 2009, the increase in the share capital of Bankowy Faktoring SA in the total amount of PLN 2 million was registered with the National Court Register. As at 30 June 2009, the Company's share capital amounted to PLN 3 million and consisted of 3 000 registered shares of PLN 1 000 nominal value each. All the shares in the increased share capital were taken up by Bankowe Towarzystwo Kapitałowe SA – a subsidiary of PKO BP SA - at a price equal to the nominal value of the shares taken up.

After the said issue was registered, Bankowe Towarzystwo Kapitałowe SA holds a total of 99.9667% of the Company's share capital which authorized it to 99.9667% voting rights at the Company's General Shareholders' Meeting.

#### **5. Taking up shares in the increased share capital of Kredobank SA**

On 10 June 2009, PKO BP SA took up 102 384 202 391 shares in the increased share capital of Kredobank SA in the total nominal value of UAH 1 023.8 million. The price for the purchased shares, including the additional costs, amounted to PLN 430 644 768.47. As a result of taking up the said shares, the interest of PKO BP SA in the share capital of KREDOBANK SA and in the voting rights at the Company's General Shareholders' Meeting increased from 98.5619% to 99.4948%.

#### **6. Taking up shares in the increased share capital of Bankowy Leasing Sp. z o.o.**

On 10 June 2009, the increase in the share capital of Bankowy Leasing Sp. z o.o. in the total amount of PLN 15 million was registered with the National Court Register. As at 30 June 2009, the Company's share capital amounted to PLN 16.3 million and consisted of 32 600 shares of PLN 500 nominal value each. All the shares in the increased share capital were taken up by Bankowy Fundusz Leasingowy SA – subsidiary of PKO BP SA - for a price equal to the nominal value of the shares taken up.

After the above mentioned issue was registered, BFL SA held a total of 99.9969% of the Company's share capital which authorized it to 99.9969% voting rights at the Company's General Shareholders' Meeting.

#### **7. Reclassification of the company Kolej Gondolowa Jaworzyna Krynicka SA to assets held for sale**

In January 2009, PKO BP SA, taking into consideration the status of the work related to the sale of shares in Kolej Gondolowa Jaworzyna Krynicka SA, reclassified all the shares held in the above-mentioned company to held-for-sale assets (in accordance with IFRS 5).

Untill now, the company, as the Bank's associate, was recognized in the consolidated financial statements under the equity method.

#### **8. Additional contributions to the PKO Inwestycje Sp. z o.o. Group companies**

In the first half of 2009, PKO Inwestycje Sp. z o.o. - a subsidiary of PKO BP SA – contributed the following amounts to its subsidiaries:

- on 14 January 2009, it made a contribution to WISŁOK Inwestycje Sp. z o.o. of PLN 800 thousand,
- on 24 April 2009, it made a contribution to Baltic Dom 2 Sp. z o.o. of PLN 280 thousand.

#### **5.3 Related party transactions**

In the first half of 2009, PKO BP SA provided the following services to its related parties (subsidiaries): keeping bank accounts, accepting deposits, extending loans and advances, issuing debt securities, providing guarantees and conducting spot foreign exchange transactions.

A schedule of significant transactions of PKO BP SA with its subordinated entities, including the debt of the entities in respect of the Bank as at 30 June 2009 was disclosed in the financial statements of PKO BP SA for the first half of 2009.

## 6. PRINCIPLES OF RISK MANAGEMENT

Banking activity is exposed to a number of risks, including credit risk, market risk, operational risk and business risk. Controlling the impact of these risks on the operations of the PKO BP SA Group is one of the most important objectives in the management of both the Bank and the Group. The level of the risks plays an important role in the planning process.

Risk management in the Bank is based on the following principles:

- full organizational independence of the risk and debt collection division from the business function,
- risk management is integrated with planning and controlling processes,
- the risk and debt collection division provides an ongoing support for meeting business objectives while keeping risk at an acceptable level,
- level of risk is controlled on an ongoing basis,
- the risk management model is adjusted on an ongoing basis to reflect new risk factors and risk sources.

The risk management process is supervised by the Supervisory Board of the Bank, which is informed on a regular basis about the risk profile of the Bank and of the PKO BP SA Group as well as of the most important activities taken in the area of risk management.

The Management Board of PKO BP SA is responsible for the risk management strategy, including the supervision and monitoring of activities undertaken by the Bank in the area of risk management. The Management Board approves the most important decisions affecting the risk profile of the Bank and internal regulations defining the risk management system. Managing risk at an operational level is conducted by organizational units of the Bank (within the scope of their competences), falling under the Banking Risk Division, the Restructuring and Debt Collection Division and the Credit Risk Assessment Department.

The Bank supervises activities of the individual subsidiaries of the PKO BP SA Group. As part of this supervision, the Bank set out and approves their development strategies, including risk management strategies. The Bank also supervises the entities' risk management systems and provides support in the development of these systems. Additionally, it reflects business risk of the particular Group entities in the risk reporting and risk monitoring system of the entire Group.

As from the second half of 2008 in order to prevent the negative impact of financial crisis on the financial situation of PKO BP SA, the Bank changed its risk management policies. In consequence, in the first half of 2009, the Bank:

- continued actions aimed at acquiring new deposits from its clients,
- reflected the economic conditions deriving from the financial crisis in the banking risk measurement methods (among others in respect of stress test scenarios),
- expanded scope and frequency of management reports in respect of risk presented for the Management Board.

Moreover, in order to react on the dynamically changing situation in the financial markets, the Bank appointed a special working group, which reports to Management Board members on a cyclical basis with regards to the current financial market situation.

### 6.1 Credit risk

Credit risk is defined as a risk of occurrence of losses due to a counterparty's default of payments to the Bank or as a risk of decrease in economic value of amounts due to the Bank as a result of deterioration of a counterparty's ability to repay amounts due to the Bank.

#### Credit risk management tools

PKO BP SA and the PKO BP SA Group entities apply the following principles of credit risk management:

- each loan transaction is subject to comprehensive credit risk assessment, which is reflected in an internal rating or credit scoring,
- credit risk relating to potential and concluded loan transactions is measured on a cyclical basis, taking into consideration changes in external conditions and in the financial standing of the borrowers,
- credit risk assessment of exposures which are significant due to their risk levels or value is subject to additional verification by credit risk assessment teams, which are independent of the business teams,

- terms of loan contracts that are offered to a client depend on the credit risk generated by the contract,
- loan granting decisions are made only by authorized persons, within their authority limits,
- credit risk is diversified by geographical location, by industry, by product and by clients,
- expected credit risk is mitigated by setting appropriate credit margins and appropriate impairment allowances.

The above-mentioned policies are executed by Bank through the use of advanced credit risk management methods, both on the level of individual exposures and on the level of the whole credit portfolio of the Bank. These methods are verified and developed to ensure compliance with the internal ratings based requirements (IRB).

In the first half of 2009, a new industry limit system was implemented in the Bank, based on industry ratings, taking into consideration short- and long-term perspectives.

Moreover, in the same period Bank has developed the Early Warning System (EWS) aimed at early identification of potential increases of credit risk or risk associated with impairment of the collateral of loans granted to corporate clients, small and medium enterprises, institutional clients active on the housing market, as well as at taking actions to prevent such risks from materializing or mitigate losses on loans.

#### Concentration of credit risk

The PKO BP SA Group defines credit concentration risk as one of arising from a considerable exposure to single entities or to group of entities whose repayment capacity depends on a common risk factor. The Group analyses the risk of credit risk concentration in respect of: the largest borrowers, the largest capital groups, industries, geographical regions, currencies.

In the first half of 2009 the Group's loan portfolio was highly diversified by borrowers, geographical location, foreign currency. This resulted in low concentration of credit risk.

#### Impairment of credit exposures

The PKO BP SA Group periodically reviews credit exposures to identify non-performing credit exposures with impairment risk, measures impairment of credit exposures and records write-downs or provisions. The following stages comprise the process of determining write-downs and provisions:

- recognizing the indicators of impairment and events essential in terms of recognizing the indicators,
- registering events significant from the point of view of recognizing indicators of impairment of credit exposures in the IT systems,
- determining the method for measuring impairment,
- measuring impairment and determining the amount of write-down or provision,
- verifying and aggregating the results of measurement of impairment,
- recording the results of impairment measurement.

*Table 32. Loans and advances granted to clients of the PKO BP SA Group (including lease receivables)*

	30.06.2009	31.12.2008
<b>Loans and advances – gross</b>	<b>111 256</b>	<b>104 026</b>
individual method	6 140	2 310
portfolio method	2 936	2 253
collective method (IBNR)	102 180	99 463
<b>Allowances for impairment</b>	<b>(3 457)</b>	<b>(2 918)</b>
individual method	(1 207)	(766)
portfolio method	(1 683)	(1 426)
collective method (IBNR)	(567)	(726)
<b>Loans and advances – net (gross-allowances for impairment)</b>	<b>107 779</b>	<b>101 108</b>

The above table presents Group's loan portfolio structure and impairment allowances. In the first half of 2009 the amount of gross loans individually assessed increased by PLN 3.8 billion, while assessed on portfolio basis - increased by PLN 0.7 billion.

In the first half of 2009 the increase of individually assessed to be impaired loan portfolio (individual and portfolio method) was higher than dynamics of whole loan portfolio increase. As the result the participation of above mentioned loans in whole loan portfolio increased from 4.4% as at the end of 2008 to 8.2% as at the end of first half of 2009.

#### Collateral policy

Group collateral management is meant to secure properly the credit risk for which the Group is exposed, by way of establishing collateral that will ensure the highest possible level of recovery in the event of realisation of collateral. Group policies regarding legal collateral measures are included in the internal regulations of the Group subsidiaries. The type of collateral depends on the product and the type of the client.

#### Quality of loan portfolio

As at 30 June 2009, the non-performing loan ratio at the Bank amounted to 6.8% (calculated as: the amount of loans and advances to customers for which objective evidence of impairment was identified, either on individual or portfolio basis, divided by the total gross amount of loans and advances to customers – as indicated in Note 17 to the financial statements). Due to the change in the methodology of calculating impairment write-downs on loan exposures, the value of this ratio was brought to comparability – as at 31 December 2008, the ratio would have amounted to 4.4%, and as at 30 June 2008, it would have amounted to 4.5%. As at 30 June 2009, the ratio of loans determined to be impaired at the Bank amounted to 6.1% (calculated as the amount of loans and advances to customers impaired divided by the gross amount of loans and advances to customers – as indicated in Note 31 to the financial statements), compared with 3.1% as at 31 December 2008. The increase in the ratio results from the fact that starting from 2009, the Bank changed its methodology of determining impairment allowances on loan exposures and extended the scope of objective evidences of impairment – exposures towards borrowers whose economic and financial standing deteriorated during the loan tenor (which is expressed by the client's rating "G"), exposures for which restructuring agreements were concluded or in respect of which a delay from 3 to 6 months was observed in case of individuals clients, are currently treated as receivables individually determined to be impaired and are covered by the individual or portfolio method. As a result, as at 30 June 2009, these receivables increased the value of loans and advances determined to be impaired by PLN 2 817 835 thousand. As at 31 December 2008, these receivables were presented as "Receivables not determined to be impaired".

#### Credit risk of financial institutions

In the first half of 2009, the situation in the financial institutions sector stabilized. The Bank assessed the financial condition of the financial institutions on a current basis. As a result, the level of the credit and settlement limits granted changed taking into consideration the position of the counterparties and the demand reported by business departments. Additionally, the level of credit risk of financial institutions was limited by the Bank, among other things, by maintaining short exposure periods for deposit transactions and increasing the number of *Credit Support Annex* contracts signed.

On the wholesale market, PKO BP SA cooperates with financial institutions whose registered offices are in nearly 50 countries. Within the indicated limits, the Bank may conclude transactions with nearly 200 counterparties, including: domestic and foreign banks, insurance companies, pension and investment funds. The scope of transactions concluded covers deposit transactions, securities transactions, foreign exchange transactions, derivative transactions and such transactions as confirming letters of credit and discount receivables in respect of documentary letters of credit opened by other banks.

The Bank monitors the financial position of its counterparties on a current basis and determines individual counterparty pre-settlement and settlement exposure limits adequate to the risk incurred. Framework contracts signed with counterparties on the basis of *International Swaps and Derivatives Association (ISDA)* and the Association of Polish Banks (ZBP) standards are an integral tool for managing the credit risk of financial institutions.

## 6.2 Market risk

Market risk is understood as a risk of incurring a loss due to adverse changes in market parameters, such as interest rates and foreign exchange rates, as well as liquidity risk. Market risk includes: interest rate risk, currency risk and liquidity risk.

### Interest rate risk

The objective of interest rate risk management is to identify areas of interest rate risk as well as shaping the structure of assets and liabilities and off-balance sheet liabilities in a manner that maximizes net assets value and net interest income within adopted interest rate risk profile.

In the process of interest rate risk management, the Bank uses the Value at Risk (VaR) model, stress testing and interest income sensitivity measures.

At the end of first half of 2009 and at the end of 2008, the exposure of the PKO BP SA Group to the interest rate risk mainly comprised of the exposure of PKO BP SA. Exposure of the PKO BP SA Group to interest rate risk was within accepted limits.

Table 33. VaR of the Bank and stress testing analysis of the Group's exposure to the interest rate risk (PLN thousand)

	30.06.2009	31.12.2008
VaR for a 10-day time horizon at 99% level of confidence*	28 153	72 337
Parallel move of interest rate curves by +200 basis points	328 117	266 216**

\*Due to the nature of the activities carried out by the other Group entities generating significant interest rate risk as well as the specific nature of the market in which they operate, the Group does not calculate consolidated VaR. These companies apply their own risk measures in the interest rate risk management. Kredobank SA uses the 10-day interest rate VaR for the main currencies, which amounted to PLN 49 690 thousand as of 30 June 2009 and PLN 17 788 thousand as of 31 December 2008, respectively.

\*\* data restated for comparability purposes.

As at 30 June 2009, the interest rate VaR for the holding period of 10 days (10-day VaR) accounted for approximately 0.23% of the value of the Bank's own funds<sup>5</sup>. As at 31 December 2008, VaR for the Bank accounted for approximately 0.60% of the Bank's own funds. The interest rate risk was generated mainly by the risk of a mismatch between the repricing dates of assets and liabilities and basis risk.

### Currency risk

The objective of currency risk management is to identify the areas of currency risk and to take measures to reduce the currency risk to acceptable levels.

PKO BP SA measures currency risk using the Value at Risk model and stress tests.

Table 34. VaR of the Bank and stress testing analysis of the Group's financial assets exposed to currency risk (cumulatively for all currencies in PLN thousand)

	30.06.2009	31.12.2008
VaR for a 10-day time horizon at 99% confidence level*	28 467***	11 297**
Change of exchange rates FCY/PLN +15%	67 526***	13 222

\* Due to the nature of the activities carried out by the other Group entities generating significant currency risk as well as a the specific nature of the market in which they operate, the Group does not calculate consolidated VaR. These companies apply their own risk measures in the currency risk management. Kredobank SA uses the 10-day interest rate VaR which amounted to PLN 3 012 thousand as of 30 June 2009 and PLN 809 thousand as of 31 December 2008.

\*\* VaR as at 31 December 2008 resulted mainly from USD position due to the acquisition of Kredobank SA shares, registered on 31 December 2008.

\*\*\* The Bank's high result of stress-test and VaR 10-day results from significant long currency position in CHF (PLN 363 million) arising from a change in the yield curves used for basis swap valuation.

In first half of 2009 the level of currency risk was low.

### Liquidity risk

The objective of liquidity risk management is to shape the structure of statement of financial position and off-balance sheet liabilities to ensure the continuous liquidity, taking into account the nature of its activities and requirements which may occur due to changes in the market environment.

<sup>5</sup> Own funds calculated in accordance with regulations governing calculation of the capital adequacy ratio.

The PKO BP SA's policy concerning liquidity is based on keeping a portfolio of liquid securities and stable deposits. In its liquidity risk management policy, the Bank also uses money market instruments, including NBP open market operations.

To ensure an adequate liquidity level, the Bank and the other entities of the PKO BP SA Group accepted limits and thresholds for liquidity risk. The limits and thresholds were set for both current liquidity measures and medium and long-term liquidity measures.

Table 35. Liquidity reserve of PKO BP SA (PLN million)

	30.06.2009	31.12.2008
Liquidity reserve up to 1 month*	8 703	6 666

\*Liquidity reserve equals the gap between the most liquid assets and expected and potential liabilities which mature in a given period of time. Due to differences in methodologies in measuring liquidity risk in particular Group companies, the Bank did not consolidate the particular liquidity provisions.

As at 30 June 2009 (similarly as at 31 December 2008), the level of permanent balances on deposits from non-financial entities constituted ca. 94% of all deposits of PKO BP SA's non-financial clients.

### 6.3 Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes and systems, human factors or external events. The purpose of operational risk management is to optimize operational effectiveness through operational losses reduction, cost rationalization, and adequacy and time of reaction of the PKO BP SA, in case of external events.

Operational risk management is performed through systemic solutions as well as regular ongoing management of the risk. Systemic operational risk management is centralized at the PKO BP SA's head office level. The ongoing operational risk management is conducted by every organizational unit of the Bank.

In order to limit exposure to operational risk, PKO BP SA applies solutions of various kinds, such as:

- control solutions,
- human resources management (proper staff selection, enhancement of professional qualification of employees, motivation packages),
- setting threshold values of Key Risk Indicators (KRI),
- contingency plans,
- insurances,
- outsourcing
- business continuity plan.

The parent company – PKO BP SA has a decisive impact on operational risk profile. However in all subsidiaries of the PKO BP SA Group entities, operational risk identification, assessment, monitoring and reporting solutions have been implemented. These solutions are coherent with PKO BP SA principles of operational risk management, considering the specific nature and scale of particular entity.

In the first half of 2009, both the Bank and the subsidiaries continued work on expanding the operating risk measurement system based on key operating risk indices. In PKO BP SA, the system covered the key areas of operation and the most significant threats related to operating risk.

### 6.4 Compliance risk

Compliance risk is defined as the risk of legal sanctions, incurring financial losses or losing reputation or reliability due to failure of the Bank, its employees or entities acting on its behalf to comply with the provisions of the law, internal regulations, standards adopted by the Bank, including ethical standards.

The objective of compliance risk management is to strengthen the image of the PKO BP SA Group as of entities that are reliable, fair, honest and compliant with law and adopted standards. This is achieved through mitigating compliance risk, reputation risk and legal sanction risk as well as mitigating risk of potential financial loss or legal sanction that may be caused by violation of laws and professional standards.

Compliance risk management involves in particular:

- preventing involvement of the Bank in illegal activities,
- ensuring data protection,
- development of ethical standards and monitoring of their application,
- conflict of interest management,
- preventing situations where the Bank's employees could be perceived as pursuing their own interest in the professional context,
- professional, fair and transparent formulation of offers of products, advertising and marketing messages,
- prompt, fair and professional consideration of complaints, requests and quality claims of clients.

## 6.5 Capital adequacy

Capital adequacy is the maintenance of a level of capital by the PKO BP SA Group which is sufficient to meet regulatory capital requirements (the so-called Pillar 1) and internal capital requirements (the so-called Pillar 2). The objective of capital adequacy management is to maintain capital on a level that is adequate to the risk scale and profile of the Group's activities.

The process of managing the Group's capital adequacy comprises:

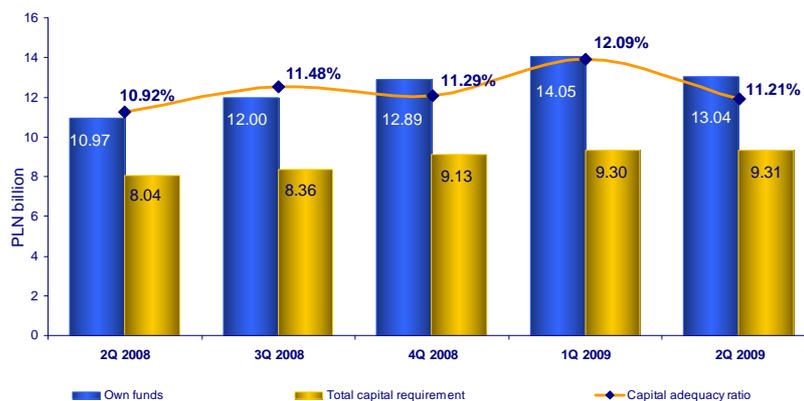
- identifying and monitoring of all of significant risks,
- assessing internal capital to cover the individual risk types and total internal capital,
- monitoring, reporting, forecasting and limiting of capital adequacy,
- performing internal capital allocations to business segments, client segments and entities in the Group in connection with profitability analyses,
- using tools affecting the capital adequacy level (including: tools affecting the level of equity, the scale of equity item reductions and the level of the loan portfolio).

The main measures of capital adequacy are:

- the capital adequacy ratio whose minimum level in accordance with the Banking Act is 8%,
- the ratio of equity to internal capital whose acceptable minimum level in accordance with the Banking Act is 1.0.

The capital adequacy level of the Bank in the first half 2009 remained on a safe level and was significantly above the statutory limits.

Chart 3. Capital adequacy of the PKO BP SA Group



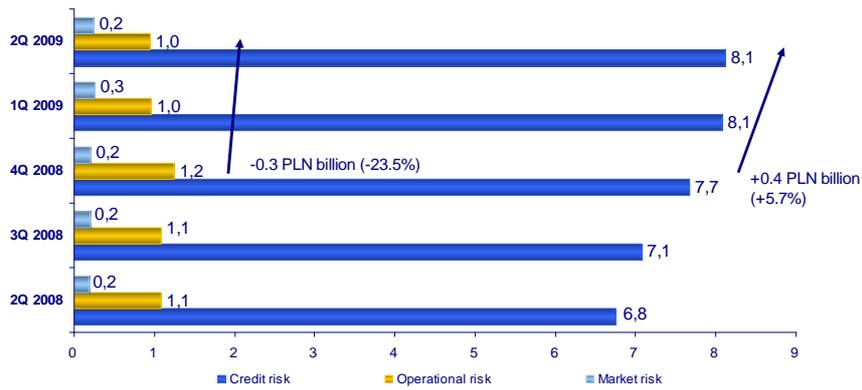
In comparison with 31 December 2008, the PKO BP SA Group's capital adequacy ratio dropped by 0.08 pp., which was mainly due to an increase in the capital requirement in respect of credit risk resulted from an increase in the volume of loan portfolio.

In the first half of 2009 Group's own funds remained almost unchanged.

PKO BP SA Group calculates capital requirements in accordance with Resolution No. 380/2008 of the Banking Supervision Authority dated 17 December 2008 (Basel II):

- in respect of credit risk – using the standardized approach,
- in respect of operational risk – from January 2009 PKO BP SA uses the standardized approach and other entities of the Group use the basic indicator approach (in 2008 the capital requirement in respect of operational risk for the whole Group was calculated using basic indicator approach),
- in respect of market risk – using the basic approach.

Chart 4. Capital requirements of the PKO BP SA Group



Compared with 31 December 2008, PKO BP SA Group's total capital requirement increased by PLN 0.2 billion due to an increase in the capital requirement in respect of credit risk resulting from an increase in the volume of loan portfolio.

## 7. OTHER INFORMATION

### **Identification data**

PKO BP SA, with its registered Head Office in Warsaw at 15 Puławska Street, has been entered in the Register of Entrepreneurs of the National Court Register kept by the District Court in Warsaw, Entry No. KRS 0000026438. The Company was granted statistical number (REGON) 016298263 and tax identification number (NIP) 525-000-77-38.

### **Seasonality or cyclical nature of activities in the reporting period**

PKO BP SA is a universal bank, which provides services on the territory of Poland, and thus its activities are exposed to similar fluctuations to those affecting the entire Polish economy. The activities of other companies of the PKO BP SA Group similarly do not show any particular seasonality or cyclical nature.

### **Prizes and awards and activities in the area of promotion**

In first half of 2009 PKO BP SA's activities in the area of promotion focused on actions intended to strengthen the positive image of PKO BP SA, increasing prestige and value of PKO BP SA brand and supporting business activities.

Awards and honours granted to PKO BP SA in the first half of 2009:

1. Best Products for Business 2008-2009, granted by the readers of *Gazeta Finansowa* – the Biznes Rozwój package won the "Bank offer for firms" category.
2. "Product of 2008" – certificates awarded by Reader's Digest in the finance for mortgage loan and bank placement category.
3. PKO BP SA received the highest prize for effective cooperation and support in 2008 in the 7th edition of the social campaign "The whole of Poland reads to children" organized by the ABCXXI Foundation - Cała Polska czyta dzieciom.
4. Employer of the year – PKO BP SA ranked fourth on the list and first among finance and banking companies.
5. European Trusted Brands 2009 – PKO BP SA, being considered a reliable brand, was awarded the Golden Emblem.
6. The 100 most valuable companies in Poland in 2008 – in Newsweek and strategic advisory company A.T. Kearney, PKO BP SA ranked first in the ranking of the 100 most valuable companies in Poland in 2008 and first in the ranking of the 100 most valuable companies in Poland in the banking industry.
7. Main prize and award in the ranking of the 50 key banks – in the annual ranking of the "Miesięcznik Finansowy BANK" monthly. PKO BP SA was awarded the main prize and award "for the most effective lending action".
8. The best financial institution – in the ranking of the best financial institutions organized by the "Rzeczpospolita" daily, PKO BP SA ranked first in the Bank category.

In the first half of 2009 other companies of the PKO BP SA Group were awarded the following prizes and awards:

9. The Financial Order 2009 for Bankowy Fundusz Leasingowy SA awarded by the monthly Home & Market for the financial offer Express Sales Package – Leasing.
10. The European Medal for Wilanów Investments Sp. z o.o. awarded by the Office of the European Integration Committee, European Social and Economic Committee in Brussels and Business Center Club for products and services whose quality is at a European level.
11. First place for Kredobank SA in the category "Investor of the year" in the competition organized by the Lviv State Administration and the Lviv Chamber of Industry and Commerce.
12. Third place for PKO Towarzystwo Funduszy Inwestycyjnych SA in the ranking "Best Investment Fund Management Companies in Poland" of the Rzeczpospolita daily.

In the first half of 2009, promotional activities of the remaining Group companies concentrated mainly on:

- securing the advertising support of product sales and building a positive image of Kredobank SA by, among other things, financially supporting the programme for handicapped children and adolescents,
- support in sales of apartments in the housing developments under construction "Neptun Park" in Gdańsk Jelitkowo and "Nowy Wilanów" in Warsaw (PKO Inwestycje Sp. z o.o. and its subsidiaries),

- building the position of PKO Towarzystwo Funduszy Inwestycyjnych SA on the investment fund market, among other things, through preparing and developing educational brochures on safe investing in investment funds (including under the cycle of supplements to Gazeta Prawna) and sponsoring of the Asset Management Forum and sponsoring of the Baltic Business Forum 2009,
- actions supporting the sales of services of Bankowy Fundusz Leasingowy SA, including conducting incentive competitions for the salesmen and engaging in advertising campaigns in specialist magazines,
- promotional actions of Centrum Elektronicznych Usług Płatniczych eService SA relating to contactless cards (organized jointly with VISA), relating to proximity cards (organized jointly with MasterCard), and cash back services,
- information, promotion and support of sales of products of Inteligo Financial Services SA, including promotion of the payment service Płacę with Inteligo and the Inteligo Mobile Service.

#### ***Underwriting agreements and guarantees issued to the Group subsidiaries***

As at 30 June 2009, bonds issue of Bankowy Fundusz Leasingowy SA - subsidiary of PKO BP SA, is regulated by Underwriting Agreement of a Bond Issuance Program dated 14 December 2006 with Appendix dated 28 March 2008, which increased the maximum value of the bond issue program to the level of PLN 600 million.

As at 30 June 2009, Bankowy Fundusz Leasingowy SA issued bonds of PLN 570 million, of which PLN 293.35 million was placed in the market while PLN 276.65 million was held by the PKO BP SA.

Moreover, in the first half of 2009 PKO BP SA issued a guarantee for Centrum Elektronicznych Usług Płatniczych eService SA for up to maximum PLN 700 thousand to the benefit of Polska Telefonía Komórkowa Centertel Sp. z o.o. as a pledge for Company's trading liabilities for electronic recharge services; the guarantee is issued for the period ending 30 September 2011.

#### ***Loans and advances taken, guarantee and suretyship agreements not related to operating activity***

PKO BP SA did not take out any loans or advances or receive any guarantees or suretyships that were not related to its operating activity.

In the first half of 2009, Kredobank SA did not take out any loans or advances or receive any guarantees or suretyships that were not related to its operating activity.

#### ***Significant contracts and important agreements with the central bank or supervisory authorities***

In first half of 2009 PKO BP SA did not conclude any significant agreements with the central bank or with the regulators.

On 16 February 2009, KREDOBANK SA signed a contract for improving business operating ratios with the National Bank of the Ukraine. A partial improvement in the said ratios was noted after the share capital was increased through the 19th share issue.

The remaining PKO BP SA Group companies did not conclude significant agreements neither with the Central Bank nor with the regulators.

In the first half of 2009 the remaining PKO BP SA Group companies did not conclude significant agreements.

#### ***Subsequent events which may have an impact on future financial results***

1. On 7 July 2009, the Supervisory Board of PKO BP SA passed resolutions removing:

- 1) Mr. Jerzy Pruski from the function of President of the Bank's Management Board as of 7 July 2009 and
- 2) Mr. Tomasz Mironczuk from the function of the Bank's Vice-President as of 7 July 2009.

The Supervisory Board of PKO BP SA entrusted Mr. Wojciech Papierak, Vice-President of the Bank's Management Board with the duties of the President of the Management Board of PKO BP SA as of 7 July 2009 until the President of the Bank's Management Board is appointed.

2. On 10 July 2009, the increase in the share capital of BFL Nieruchomości Sp. z o.o. in the total amount of PLN 6 million was registered with the National Court Register. All the shares in the increased share capital were taken up by Bankowy Fundusz Leasingowy SA for a price equal to the nominal value of the shares taken up.

3. On 23 July 2009, the following were registered with the National Court Register: the change in the name of Bankowy Faktoring SA to PKO BP Faktoring SA and an increase in the share capital of the company of PLN 2.5 million in total. All the shares in the increased share capital were taken up by Bankowe Towarzystwo Kapitałowe SA – a subsidiary of PKO BP SA - for a price equal to the nominal value of the shares taken up.
4. On 28 July 2009, the change in the name of PKO Inwestycje Sp. z o.o. to PKO BP Inwestycje Sp. z o.o. was registered with the National Court Register.
5. According to the information of 21 August 2009, Mr. Jacek Gdański resigned from the post of the Member of PKO BP SA Supervisory Board, effective from 21 August 2009.

**Shareholders holding, directly or indirectly, at least 5% of votes at the General Shareholders' Meeting**

To the best knowledge of the Bank, the only shareholder holding, directly or indirectly, at least 5% of total votes at the General Shareholders' Meeting of the Bank is the State Treasury.

State Treasury holds 512 418 969 of the Bank's shares. This equates to 51.24% and matches the percentage share in the total number of votes at the General Shareholders' Meeting of the Bank as at the date of submission of this Report.

No special control rights follow from the securities for the holders of the Bank's securities.

*Table 36. Shares owned by The State of Treasury as at the Report date*

Shareholder	Share in the number of votes on Shareholders General Meeting at the date of the Report for the first quarter of 2009	Numbers of shares at the date of the Report for the first quarter of 2009	Change of the share in the number of votes on Shareholders General Meeting in pp. in the period from the date of publishing the Report for the first quarter of 2009	Share in the number of votes in % on Shareholders General Meeting at the date of the Report for the first half of 2009	Number of shares at the date of the Report for the first half of 2009
State Treasury	51.2435%	512 435 409	-0.0016 pp.	51.2419%	512 418 969
Other shareholders	48.7565%	487 564 591	0.0016 pp.	48.7581%	487 581 031
Total	100.0000%	1 000 000 000	0.0000 pp.	100.0000%	1 000 000 000

**Changes in the number of PKO BP SA shares held by Management or Supervisory Board Members**

*Table 37. Shares held by Members of Management or Supervisory Board of PKO BP SA*

No.	Name	Number of shares at the date of the Report for first quarter of 2009	Purchase	Disposal	Number of shares at the date of the Report for first half of 2009
<b>I. Management Board of the Bank</b>					
1.	Wojciech Papierak, Acting President of the Bank's Management Board, Vice-President of the Bank's Management Board	2500	0	0	2500
2.	Krzysztof Dresler, Vice-President of the Bank's Management Board	0	0	0	0
3.	Jarosław Myjak, Vice-President of the Bank's Management Board	0	0	0	0
4.	Bartosz Drabikowski, Vice-President of the Bank's Management Board	0	0	0	0
5.	Mariusz Zarzycki, Vice-President of the Bank's Management Board	0	0	0	0
<b>II. Supervisory Board of the Bank</b>					
1.	Marzena Piszczek, Chairman of the Bank's Supervisory Board	0	0	0	0
2.	Błażej Lepczyński, Vice-Chairman of the Bank's Supervisory Board	0	0	0	0
3.	Cezary Banasiński, Member of the Bank's Supervisory Board	0	0	0	0
4.	Jan Bossak, Member of the Bank's Supervisory Board	0	0	0	0
5.	Jerzy Stachowicz, Member of the Bank's Supervisory Board	0	0	0	0
6.	Ryszard Wierzba, Member of the Bank's Supervisory Board	0	0	0	0

**Benefits provided to members of management and supervisory boards**

Full information regarding the remuneration and other benefits on behalf of the members of the Management Board of PKO BP SA and the Supervisory Board of PKO BP SA in the reporting period was disclosed in Note 30 of the PKO BP SA Group consolidated financial statements for the six-month period ended 30 June 2009.

**Results of changes in the Bank's structure, including the effects of merger, takeover or disposal of the Group entities, long-term investments, division, restructuring and discontinuation of activities**

The results of changes in the Bank's structure, including the results of merger, takeover or sale of the PKO BP SA Group entities have been described in point 5.2 of this Report.

**Factors which may affect future financial performance within at least the next quarter**

Results of the PKO BP SA and the PKO BP SA Group within next quarters will be affected by economic processes which will take place in the Polish and global economies, as well as by a response of the financial markets to those processes. The interest rate policy applied by the Monetary Policy Council and by other largest central banks will also have a great influence on the Bank's performance.

**Proceedings pending before the court, arbitration tribunal or public administrative authority**

As at 30 June 2009, the total value of court proceedings in which the Bank is a defendant was PLN 289 430 thousand, while the total value of court proceedings in which the Bank is the plaintiff was PLN 119 761 thousand.

No court proceedings with the participation of PKO BP SA are in progress, the value of which amounts to at least 10% of the Bank's shareholders' equity.

**PKO BP SA Integrated IT System (ZSI)**

In the first half of 2009, the Bank continued works on the acceptance and implementation of a new version of software for the Integrated Computer System (ZSI) and development of its functions.

The main tasks realized in the first half of 2009 under the ZSI project included, among others:

- work on developing software for the ZSI version planned to be implemented in the third quarter of 2009 and reconciliation regarding the functional scope of the following version, planned to be implemented in November 2009;
- conducting the process of converting the data relating to several dozen thousand credit contracts from the Egzekutor application to ZSI.

**Position of the PKO BP SA Management Board in regards to possibility of achieving previously published forecasts**

PKO BP SA did not publish any financial forecasts for 2009.

**Corporate governance**

On 1 January 2008, new rules for corporate governance have been introduced in the form of a document 'Good Practices of Warsaw Stock Exchange Companies' approved by the Supervisory Board of the Warsaw Stock Exchange S.A. on 4 July 2007 (Resolution no.12/1170/2007).

The Bank strives to implement recommendations and good practices to the greatest extent. In case there is a violation of a rule or an incident of breaking the rule, the Bank shall inform the market about it, in compliance with § 29 of the Regulation of the Warsaw Stock Exchange S.A.

As at the date of publication of the report, the Bank has not communicated any violations against the 'Good Practices of Warsaw Stock Exchange Companies'.

**Information on dividend paid (or declared)**

On 30 June 2009 the Annual General Meeting of PKO BP SA decided to a distribution of dividend for the year 2008 in the amount of PLN 1.00 per share. The list of the shareholders entitled to receive the dividend for 2008 will be drawn up as at 24 September 2008, and the dividends will be paid out on 5 October 2009.

**Other disclosures significant for evaluation of the issuer's human resources, financial situation, financial performance, and any changes therein**

1. The Resolution of the Ordinary General Shareholders' Meeting dated 30 June 2009 related to increasing the Bank's share capital by an amount no higher than PLN 300 million by issuing no more than 300 million ordinary bearer D-series shares, with a nominal value of PLN 1 each. The date of vesting of the pre-emptive rights has been determined as at 29 October 2009.

2. Pursuant to Article 399 § 1 with reference to Article 400 § 1 of the Commercial Companies Code, the Bank's Management Board convened the Extraordinary General Meeting of Shareholders for 31 August 2009 in Bank's registered office at 15 Puławska Street in Warsaw.

Adoption of resolutions on the following issues is placed on the agenda:

- changes to the composition of the Bank's Supervisory Board,
- amendment to the Resolution of the General Meeting of Shareholders of 30 June 2009 on increasing the Bank's share capital; the proposed date of vesting of the pre-emptive rights will be changed from 29 October to 6 October 2009.

### **The Management and Supervisory Board of PKO BP SA in the period**

*Table 38. The Management Board of PKO BP SA as at the date of the Report*

No.	Name	Post	Date of appointment
1	Wojciech Papierak	Vice-President of the Management Board, Acting President of the Management Board	Appointed on 20 May 2008, effective as of 1 July 2008, as Vice- President of the Management Board for the joint term of the Board beginning on 20 May 2008. The Supervisory Board of PKO BP SA entrusted Mr. Wojciech Papierak with the duties of the President of the Management Board of PKO BP SA as of 7 July 2009 until the President of the Bank's Management Board is appointed.
2	Bartosz Drabikowski	Vice-President of the Management Board	Appointed on 20 May 2008 as Vice-President of the Management Board for the joint term of the Board beginning on that day.
3	Krzysztof Dresler	Vice-President of the Management Board	Appointed on 20 May 2008, effective as of 1 July 2008, as Vice- President of the Management Board for the joint term of the Board beginning on 20 May 2008. On 27 October 2008, the Financial Supervision Authority approved the appointment of Mr. Krzysztof Dresler as the Member of the Management Board of PKO BP SA.
4	Jarosław Myjak	Vice-President of the Management Board	Appointed on 9 December 2008, effective as of 15 December 2008, as Vice-President of the Management Board for the joint term of the Board beginning on 20 May 2008.
5	Mariusz Zarzycki	Vice-President of the Management Board	Appointed on 20 May 2008, effective as of 1 September 2008, as Vice-President of the Management Board for the joint term of the Board beginning on 20 May 2008.

*Table 39. The Supervisory Board of PKO BP SA as at the date of the Report*

No.	Name	Post	Date of appointment / recalling
1	Marzena Piszczek	Chairman of the Supervisory Board	Appointed on 26 February 2008 for the term, which ended on 19 May 2008 and for the current term of the Supervisory Board.
2	Błażej Lepczyński	Vice-Chairman of the Supervisory Board	Appointed on 20 April 2009 until the end of the current term of office.
3	Cezary Banasiński	Member of the Supervisory Board	Appointed on 20 April 2009 until the end of the current term of office.
4	Jan Bossak	Member of the Supervisory Board	Appointed on 26 February 2008 for the term, which ended on 19 May 2008 and for the current term of the Supervisory Board.
5	Jerzy Stachowicz	Member of the Supervisory Board	Appointed on 20 April 2009 until the end of the current term of office.
6	Ryszard Wierzba	Member of the Supervisory Board	Appointed on 26 February 2008 for the term, which ended on 19 May 2008 and for the current term of the Supervisory Board.

Table 40. Changes in the Management Board of PKO BP SA in the period 01.01.2009 – 30.06.2009

No.	Name	Post	Date of appointment
1	Jerzy Pruski	President of the Management Board	On 11 April 2008, the Supervisory Board of PKO BP SA appointed Mr. Jerzy Pruski as the acting President of the Management Board of PKO BP SA, effective as of 20 May 2008, for the joint term of the Board beginning on that date. The Supervisory Board appointed Mr. Pruski as the acting President of the Management Board of PKO BP SA for the period from 20 May 2008 to the date on which the Financial Supervision Authority approves his appointment as the President of the Management Board of PKO BP SA. On 17 June 2008 the Financial Supervision Authority approved the appointment of Mr. Jerzy Pruski as the President of the Management Board of PKO BP SA. On 7 July 2009, the Supervisory Board of PKO BP SA passed resolutions recalling Mr. Jerzy Pruski from the function of President of the Bank's Management Board as of 7 July 2009.
2	Tomasz Mironczuk	Vice-President of the Management Board	Appointed on 20 May 2008 for the joint term of the Management Board beginning on that day. On 7 July 2009, the Supervisory Board of PKO BP SA recalled Mr. Tomasz Mironczuk from the function of Vice-President of the Management Board effective as of 7 July 2009.

Table 41. Changes in the Supervisory Board of PKO BP SA in the period 01.01.2009 – 30.06.2009

No.	Name	Post	Date of appointment / recalling
1	Eligiusz Jerzy Krześniak	Vice-Chairman of the Supervisory Board	Appointed on 26 February 2008 for the term, which ended on 19 May 2008 and for the current term of the Supervisory Board. On 20 April 2009 Mr. Eligiusz Jerzy Krześniak resigned from the post of Member of PKO BP SA Supervisory Board.
2	Jerzy Osiatyński	Member of the Supervisory Board	Appointed on 26 February 2008 for the term, which ended on 19 May 2008 and for the current term of the Supervisory Board. On 20 April 2009 removed from the post of Member of the Supervisory Board of the Bank.
3	Urszula Pałaszek	Member of the Supervisory Board	Appointed on 26 February 2008 for the current term of the Supervisory Board. On 20 April 2009 removed from the post of Member of the Supervisory Board of the Bank.
4	Roman Sobiecki	Member of the Supervisory Board	Appointed on 26 February 2008 for the term, which ended on 19 May 2008 and for the current term of the Supervisory Board. On 20 April 2009 removed from the post of Member of the Supervisory Board of the Bank.

### Co-operation with rating agencies

Currently, the financial reliability ratings of PKO BP SA are awarded by four rating agencies:

- Moody's Investors Service assigns a rating to the Bank at a charge, in accordance with its own bank assessment procedure;
- Standard & Poor's, Capital Intelligence and Fitch Ratings assign a free-of-charge rating (not ordered by the Bank), on the basis of publicly available information, including primarily interim and annual reports, and information the Bank made available during direct contacts of representatives of the agency with the Bank.

On 18 June 2009, Moody's Investors Service Ltd. rating agency ("Moody's") informed the Bank on changing the Bank's ratings.

Moody's lowered the Bank's financial strength rating ("BFSR") from "C" to "C-" with a negative perspective. The uncertainty related to potential losses in respect to the quick increase in the volume of mortgage loans denominated in foreign currencies noted lately and the less favourable structure of the Bank's equity compared with the prior year were the main reasons for this. Moreover, Moody's took into consideration the potential impact of the planned transaction of additional capital contribution preceded by the potential disbursement of almost the whole net profit generated in 2008 in the form of dividend.

As a result of the verification of the assessment of system support, the rating for long-term deposits in Polish zloty was lowered from "Aa2" to "A2" with a stable perspective.

At the same time, Moody's confirmed ratings for long-term foreign currency deposits and short-term debt liabilities and deposits at a level of "A2" and "Prime-1" respectively.

The ratings awarded free-of-charge by the other agencies did not change in first half of 2009.

Table 42. Ratings given to PKO BP SA as at 30 June 2009

Rating at a charge	
Moody's Investors Service	
Long-term rating for deposits in foreign currencies	A2 with a stable perspective
Short-term rating for deposits in foreign currencies	Prime-1 with a stable perspective
Long-term rating for deposits in a domestic currency	A2 with a stable perspective
Short-term rating for deposits in a domestic currency	Prime-1 with a stable perspective
Financial strength	C with a negative perspective
Rating not requested by the Bank	
Fitch Ratings	
Support rating	2
Standard and Poor's	
Long-term rating for liabilities in a domestic currency	BBBpi
Capital Intelligence	
Long-term rating for liabilities in a foreign currency	A-
Short-term rating for liabilities in a foreign currency	A2
Strength on a national scale	BBB+
Support Rating	2
Perspective for upholding the rating	Stable

In February 2009 international rating agency *Standard & Poor's* confirmed rating for Kredobank SA, assigned in the second half of 2008:

- long-term credit rating on the international scale – „CCC+”,
- forecast – „Negative”,
- short-term credit rating on the international scale – „C”,
- rating on the Ukrainian scale – "uaB".

The rating level and forecasts for Kredobank SA are identical to the rating level and forecasts for the Ukraine as a state.

### **Declaration of the Management Board of PKO BP SA**

The Management Board of PKO BP SA certifies that, to the best of its knowledge:

1. the condensed consolidated interim financial statements and comparative data have been prepared in accordance with binding accounting and reporting standards and present a true and fair view of financial condition and results of the PKO BP Group,
2. the Directors' Report for the first half of 2009 presents a true view of the development and achievements as well as condition of the PKO BP SA Group, including a description of the basic risks and threats.

The Management Board of PKO BP SA certifies that the entity authorized to audit the financial statements and which is performing the audit of the condensed consolidated interim financial statements, has been elected as the PKO BP SA Group auditor in compliance with applicable laws. The entity as well as the certified auditor performing the review fulfilled all criteria for providing unbiased and independent review memo in compliance with applicable laws and professional norms.

*The Powszechna Kasa Oszczędności Bank Polski SA Group Directors' Report for the first half of 2009 consists of 40 sequentially numbered pages.*

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Vice-President of the Bank's Management Board,  
Acting President of the Bank's Management Board  
Wojciech Papierak

-----  
Vice-President of the Bank's Management Board  
Bartosz Drabikowski

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Vice-President of the Bank's Management Board  
Krzysztof Dresler

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Vice-President of the Bank's Management Board  
Jarosław Myjak

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Vice-President of the Bank's Management Board  
Mariusz Zarzycki