

Annual Report 2010

The National Depository for Securities

kdpw 

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Annual Report 2010

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A Letter from the President & CEO

Ladies and Gentlemen,

It has been two years since the present Management Board of the National Depository for Securities (KDPW) took on a unique professional challenge: to lead one of the most important institutions in the Polish capital market. It is from this perspective that looking back over 2010 makes us pause for reflection as we remember with a sense of satisfaction that through our hard work, through the hard work of our company and of our partners in the capital market industry, we created a new, comprehensive Strategy of the National Depository for Securities for 2010 – 2013, which is rich in development projects. At the same time, 2010 was for us an important starting point: we began our efforts to complete this ambitious strategic plan, we learned about new forms of cooperation, we had closer interaction with our participants and the markets which we provide services for. We wanted to complete the development projects within the set deadline, changing the manner in which KDPW operated in order to adapt our company to a new dynamic and new way of doing business in a competitive environment.

The number and the significance of the projects which are currently underway, or which have been successfully completed, would be sufficient for several companies put together. The most important achievements of 2010 are not ends in themselves; rather, they form part of a strategic way of thinking and working, which will ensure KDPW holds a well-earned position among the most important European institutions, able to meet the growing expectations of domestic and foreign clients,

while significantly improving the competitiveness of the Polish capital market as a whole.

The previous 12 months have certainly brought us closer to realising this goal. Two key events were particularly important for KDPW. The first of these was the creation of a clearing guarantor – KDPW_CLEARPOOL (now KDPW_CCP). This was an important step in the direction of changing the clearing guarantee system and the creation within our corporate structure of a separate central counterparty clearing house operating on the basis of the highest global standards. The creation of a clearing guarantor, which helps support the clearing liquidity system using its own capital, was itself a move very highly rated by both domestic and international investors. This would be an especially good moment to thank our stakeholders for their cooperation, their participation in meaningful discussions, and also for their understanding and inspiration – they include the Warsaw Stock Exchange, the National Bank of Poland, BondSpot, the Polish Chamber of Brokerage Houses and the Polish Association of Custodian Banks. They provided support and were always ready for serious discussions for the good of the development of the depository and clearing infrastructure, showing particular solidarity with KDPW when working on the clearing guarantor project.

This was also the first full year of operations and baptism by fire of kdpw_stream, the new depository, clearing and settlement system introduced in the middle of 2009. On 7 May 2010, following the IPO of PZU SA, one of the largest IPOs in Europe in recent years, kdpw_stream processed a record number of 389 500 operations. Tests have shown that this is only a fraction of the capacity of our system, which is capable of processing a significantly higher workload. As we develop the functionality of the system, we hope to see this workload increase!

Over the coming years, a whole range of projects we are working on will significantly change our organisation and bring us closer to the structures of the European Union. Here I will only briefly mention the most important in which we are involved: preparing for cash settlement in EURO through the TARGET2 system; preparing for our cooperation with TARGET2-Securities, the pan-European settlement platform; and opening accounts with foreign depository and settlement systems. In the latter case, we are proud to announce that throughout 2010 we built operational links with the CSDs of Lithuania, Bulgaria and Canada.

In 2010, another success story, which we achieved in cooperation with our colleagues from the WSE, was the preparation and implementation of new rules to enable the introduction of short selling, changing the way the system had worked until then by applying the necessary disciplinary measures to manage settlement processing in order to enable this procedure to operate in a safe environment. At the same time, a complementary product we are working on throughout 2010 is the concept of a securities lending and borrowing platform, involving the clearing and guarantee of securities loans in the market.

We have before us another year of challenges and we are already engaged with them with full determination. Maintaining the pace of change will enable KDPW to realise the most important goal of all the participants of the Polish capital market: the creation of a Central and East European regional financial centre in Warsaw. In the name of everyone at KDPW, I can confidently state that we will make our significant contribution to this ambitious goal.

Yours sincerely,



dr Iwona Sroka
President & CEO

2

It was 20 years ago...

Introduction

The capital market is a key aspect of every economy. Poland needed two decades to build a strong capital market, and one recognised in Europe. The vision of Warsaw as a regional Central and East European financial centre is coming closer to reality and capital markets institutions such as KDPW play significant roles in the international financial arena.

This success is all that much greater when we consider that it is the result of significant achievements in many different areas. One distinguishing feature of the Polish capital market is its ability to attract new issuers, including issuers from outside Poland. We also have a relatively high proportion of retail investors who can increase their savings, while at the same time taking part in the growth of the economy. The will and readiness of the institutions of the Polish capital market to constantly improve, to extend the range of services and to raise standards (organisational and technological) is also seen as an advantage.

The National Depository for Securities (KDPW) can consider itself one of the joint the founders of this success. From the very beginning, it formed an integral part of the Polish market (from 1994 as a department of the Warsaw Stock Exchange, later as an independent company). It supports the participants of that market, ensuring the rapid, secure and efficient clearing and settlement of transactions, securities registration and processing of a range of services related to the trading of financial instruments in the Polish market.

Our goal is to support the growth of the capital market and of the whole economy by providing the best solutions reflecting the increasingly complex demands of market participants, both domestic and international.

Innovation is our passion. We understand this not just in the context of using and building the latest IT solutions (for instance the implementation of the kdpw_stream depository, clearing and settlement system, singled out for praise many times throughout 2010) but above all in ensuring the improvement of the level of services, solutions and processes we provide, as well as our relations with our partners. In the modern economy, this is the only way to provide our stakeholders with a return on expected values.

2.1

Significant figures

PLN **60** million

– the capital provided to KDPW_CLEARPOOL (now KDPW_CCP), which performs the role of clearing guarantor in order to maintain the clearing liquidity system in the Polish market.

389 500

– this record number of operations processed in the history of KDPW took place on 7 May 2010 in the kdpw_stream system (in particular following the IPO of PZU SA). Operational tests have shown that the system is capable of processing a six-fold increase in investor activity.

3034

– the number of times the Polish media reported on subjects involving KDPW functions in 2010.

161 new participants with the status of issuer

were admitted to KDPW in 2010. Of these, there were 10 foreign issuers.

68 %

- the increase in the total value of transactions cleared and settled by KDPW in 2010 (when compared with the previous year).

350 000

– the increase in the number of investor accounts managed by KDPW participants in 2010. This was mainly the result of large IPOs prepared by the State Treasury (PZU SA, Tauron Polska Energia SA, GPW SA)

2.2

Dates of significant events in 2010

15

February

Operational link opened between KDPW and the Bulgarian market

18

February

Sławomir Panasiuk – the Vice President of KDPW – is awarded the prestigious title of “CIO of the Year - 2009”

4

March

The start of work of the National Users Group on joining the Target2-Securities initiative

11

March

The kdpw_stream system receives recognition in the “IT Leader of Financial Institutions 2009” competition, organised by the Gazeta Bankowa

IV

April

An increase in the number of investor accounts by 140 000 following the PZU SA IPO

27

April

Signing of the founding act of KDPW_CLEARPOOL SA

7

May

Record number of transactions registered in the kdpw_stream system – 389 500

31

May

Amendments to the KDPW Rules of Operation come into force relating to the clearing liquidity system for transactions executed in the regulated market and to the guarantee agreement between KDPW and KDPW_CLEARPOOL

13

June

KDPW winner of the award of the COMMON Europe association for the implementation of the kdpw_stream depository, clearing and settlement system

20

October

KDPW, together with the Warsaw Stock Exchange and WSEInfoEngine acquires poee, the WSE energy market

XI

November

Increase of almost 100 000 new investor accounts in connection with the IPO of the WSE

9

November

16th anniversary of KDPW

18

November

President & CEO Iwona Sroka receives recognition in the poll organised by the Gazeta Finansowa entitled "Pearls of Polish Business in 2010" to find the most enterprising women in Polish business

19

November

Opening of operational link with the Lithuanian market

11

December

The Exchange Clearing House (GIR KDPW) begins clearing transactions from the poee WSE Energy Market

3

KDPW: One of the pillars of the capital market

The primary role of KDPW is the management and supervision of the depository clearing, and settlement system, which enables financial instruments to be traded in Poland.

KDPW applies the very latest organisational and technological solutions while securities trading is based on the highest global standards, including the principle of full securities dematerialisation.

3.1

KDPW responsibilities

KDPW performs a range of services for the whole capital market, ensuring in particular:

- The clearing of transactions executed in the regulated market, or alternative trading system
- The settlement of executed transactions (resulting in a debit or credit of the depository account or investor account)
- The safekeeping of securities and the maintenance of a register for financial instruments admitted to trading that are not securities
- The monitoring of the size of the securities issue to ensure it corresponds with the number of securities in trading, registered in the depository
- The processing of corporate actions (dividend payments, assimilations, exchanges, conversions and share splits, exercise of subscription rights or exchange of convertible bonds into shares)
- The management of the clearing liquidity system, including the clearing guarantee system for transactions executed in the regulated market
- The management of the mandatory Investor Compensation Scheme
- The performance of duties related to the state social security system (including transfer payments between open-ended pension funds, management of the mandatory Pension Guarantee Fund made up

of contributions from Pension Fund Management Companies).

3.2

Governance

The governing bodies of KDPW are:

the General Meeting of Shareholders, the Supervisory Board and the Management Board.

KDPW shareholders, each holding equal equity, consist of:

- 1/3 The State Treasury
- 1/3 The Warsaw Stock Exchange
- 1/3 The National Bank of Poland

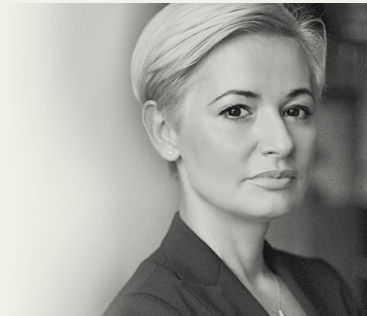


In 2010, the **KDPW Supervisory Board** comprised the following members:

- **Ewa Pawlak** (Chairwoman)
- **Ludwik Sobolewski** (Deputy Chairman)
- **Jacek Jaszczolt**
- **Piotr Kosiński**
- **Adam Maciejewski**
- **Paweł Pelc** (to 21 November 2010)
- **Tomasz Stachurski**
- **Piotr Szpunar** (from 22 November 2010)
- **Adam Tochmański**

The KDPW Management Board has existed in its present form since 30 July 2009. It is made up of highly skilled and experienced managers, working for many years in the capital market industry, responsible for the management of KDPW and the realisation of its strategic goals:

dr Iwona Sroka
President & CEO



Sławomir Panasiuk
Vice President
of the Management Board



Michał Stępniewski
Member
of the Management Board



3.3

Organisational structure

KDPW Organisational Chart - as at 31 December, 2010

KDPW Management Board

dr Iwona Sroka
President & CEO

Corporate Affairs Department
Executive Assistant Section
Corporate Communication Section
Public Relations Section
Human Resources and Training Section
Registry Section

Internal Audit Department

Strategy and Business Development Department
International Client Relations
Analysis & Business Development
Secretariat

Administrative Department
Inventory, Maintenance and Supply Section
Investment & Redevelopment Specialist Unit
Safety at Work and Fire Prevention Specialist Unit

Sławomir Panasiuk
Vice-President of the Management Board

IT Department
Personal Computer and Network Section
Network Systems Section
Corporate Systems Section
Secretariat

IT System Development Department
IT System Application Section
IT Analysis Section
Reference Database Section
Project Specialist Unit
Secretariat

Corporate Security Department

Operations Department
Settlement Section
Issuer Services Section
International Operations Section
Secretariat

Clearing House
Risk Management Section
Clearing and Market Monitoring Section
Specialist Unit for Co-operation with Clearing Houses
Clearing and Margin Section
Energy Trading System Processing Section
Secretariat

Michał Stępniewski
Member of the Management Board

Legal Department
Legal Counsel
Operational Legal Processing Section

Audit Department
Participant Audit Section
Registration Procedures and Monitoring
Secretariat

Accounting and Financial Department
Financial Section
Asset Management Section
Accounts Section

GIR

3.4

KDPW regulatory environment

Regulations governing KDPW operations include:

- The Law on Trading in Financial Instruments; the Law on Public Offerings and the Terms and Conditions for the Introduction of Financial Instruments to Systems of Organised Trading, and on Public Companies; the Law on Capital Market Supervision; other legislation regulating the financial markets
- The KDPW Rules, as well as the Detailed Rules of Operation and KDPW Registration Procedures issued on the basis of the KDPW Rules
- The Rules of the KDPW Court of Arbitration
- The Rules of the Clearing Guarantee Fund
- The Rules of the Guarantee Fund for the Clearing of Transactions Executed in the Alternative Trading System organised by the Warsaw Stock Exchange
- The Rules of the Guarantee Fund securing the clearing of transactions executed in the Alternative Trading System organised by BondSpot
- The Rules of the Investor Compensation Scheme
- The Rules of Transfer Payments between Open-ended Pension Funds
- The Rules on “KDPW procedures on preventing the introduction of assets from illegal or undisclosed sources to financial trading by KDPW clients, and financial terrorism”
- The Rules of the KDPW Exchange Clearing House, as well as the Detailed Guarantee, Clearing and Settlement Rules of the KDPW Exchange Clearing House of transactions executed on poee, the WSE energy market.
- Corporate legislation:
 - The Commercial Companies Code
 - The KDPW Articles of Association
 - The Procedural Rules of the KDPW General Meeting of Shareholders
 - The Rules of the KDPW Supervisory Board
 - The Rules of the KDPW Management Board
 - The KDPW Organisational Rules

4

Key events in 2010

2010 saw work begin on key projects aimed at supporting the growth of KDPW and the Polish capital market.

These projects were outlined in the KDPW Strategy for 2010 – 2013, adopted on 8 December 2009.

4.1

Another year of major changes – KDPW_CLEARPOOL

The most important event in 2010 and the one most eagerly awaited by trading members was the launch of **KDPW_CLEARPOOL S.A.**, performing the role of so-called transaction clearing guarantor, prior to the introduction of a **CCP** clearing house (planned in 2011).

kdpw_
clearpool

When KDPW_CLEARPOOL was launched, it already incorporated several attributes that would in future be taken over by the clearing house:

- **Legal separation from KDPW structures** (in accordance with international standards for clearing houses),
- **Access to its own capital**, which can be used for the purpose of clearing guarantee (in 2010, KDPW_CLEARPOOL was founded with PLN 60 million equity capital),
- Introduced a **cap on the maximum amount of additional contribution by market participants to the clearing guarantee fund** (up to 110%). This enables participants to make precise assessments of the risk inherent in participation in the clearing guarantee system.

The creation of KDPW_CLEARPOOL was very favourably rated by Polish and international investors and by international ratings agencies.

4.2

Towards a CCP

In January 2010, the KDPW Supervisory Board approved the KDPW business plan for 2010. The document included in particular plans for the creation of KDPW_CCP. The creation of a CCP (central counterparty) for the Polish market is an essential step on the way to building a dominant position in the clearing of transactions in Polish financial instruments.

KDPW_CCP will, like other clearing houses, perform transaction clearing using special mechanisms allowing for the systematic lowering of risk of the parties not meeting their obligations arising from transaction execution.

The accepted principles will enable the creation of an entity, which will be ready to compete efficiently with other clearing houses currently operating in Europe.



The next few months of 2010 were spent analysing various CCP models, preparing documentation on the operating principles of the new entity (including Transaction Clearing Rules with the KDPW_CCP Table of Fees, the Rules of the Clearing Guarantee Fund and the Rules of the ATS Guarantee Fund), amending existing KDPW documentation and determining the principles of business cooperation between KDPW and KDPW_CCP.

As part of work on the creation of the KDPW_CCP clearing house, projects were initiated to develop new services, which the new entity would be providing, including:

- Enabling the CCP to take over a new segment of the market: OTC derivatives,
- The implementation of the risk management system (based on SPAN® methodology, the standard recognised by large global financial institutions), which will significantly improve the status of the Polish capital market for investors,
- The introduction of netting in securities to provide clearing for the cash market,
- The creation of a securities lending platform.

The completion of the project and the launch of a separate KDPW_CCP clearing house is planned for 1 July 2011.

In 2010 work also began on the creation of the participant status of **settlement agent** providing services to foreign clearing members of KDPW_CCP. The introduction of the status of settlement agent will enable KDPW_CCP to broaden its range of services and participants active in the area of clearing house operations. Until now, foreign financial institutions were unable to operate independently as clearing members and their activities via a local representative were restricted mainly as a result of the larger risk involved in participation in the clearing guarantee system.

4.3

Promotion of the Polish capital market

The Polish capital market has for several years been one of the most dynamic IPO markets in Europe. This is due to the partnership of several institutions and entities which all have a common goal: attracting companies issuing securities to the stock exchange, including issuers from outside Poland.

In 2010, KDPW continued its work of attracting potential issuers and investors from abroad, in co-operation with the Warsaw Stock Exchange, to position KDPW as a major depository and clearing institution in Central and Eastern Europe. Numerous meetings with brokers, custodian banks and the media provided an opportunity to present the Polish market as an efficient location to raise capital, as experienced by numerous foreign issuers.

Direct promotional activities were aimed at **Bulgaria, Lithuania, Belarus, Ukraine and Romania**. In addition, all Market Guides to international markets were updated, primarily to reflect the implementation of the kdpw_stream system and changes in corporate actions processing.

4.4

New operational links

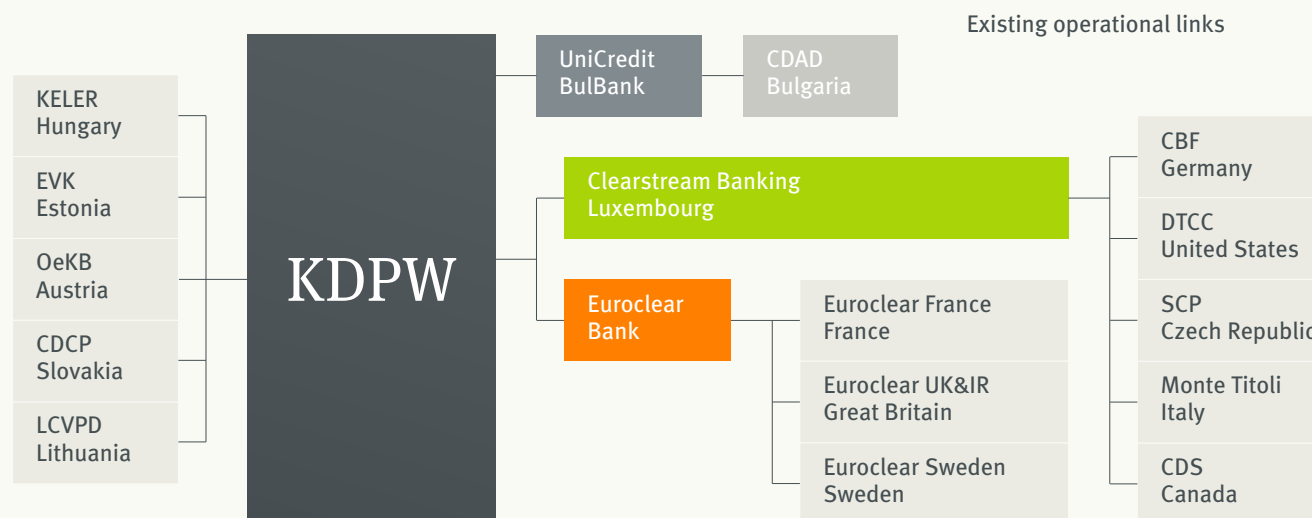
In 2010, KDPW opened three new operational links with **the Central Securities Depository of Lithuania (LCVPD), the Bulgarian Central Depository AD (CDAD) and the Canadian Depository for Securities (CDS)**.

Companies from these foreign markets are already listed on the Warsaw Stock Exchange: KOV from Canada and Avia Solutions Group from Lithuania on the Main List, while ICPD from Bulgaria is listed on the NewConnect market.

Using the links built by KDPW, several dozen shares of foreign companies can be traded on the WSE in the form of a dual listing from countries such as Austria, Bulgaria, Canada, the Czech Republic, Estonia, France, Germany, Hungary, Italy, Lithuania, Slovakia, Sweden, the UK and the USA.

At the end of 2010, KDPW maintained 16 operational links with foreign central securities depositories. Seven of these are direct links between KDPW and the foreign CSD while the remaining nine are indirect links using one of the 2 ICSDs (international central securities depositories Clearstream Banking Luxembourg and Euroclear Bank) or, as in the case of Bulgaria, via a local custodian bank.

KDPW is active in enabling foreign issuers to list on the Warsaw stock market, raising capital in this way for further growth and development from a broad range of Polish investors.



4.5

A clear aim: TARGET2 and TARGET2-Securities

One of the most significant aspects of the capital markets for participants is liquidity. The TARGET2 system was launched under the auspices of the European Central Bank in November 2007. It is a rapid and very secure system for cross border inter-bank EURO settlement and in particular helps to improve liquidity within the European financial system.

KDPW is a participant of the TARGET2 system via the National Bank of Poland, which joined the system in May 2008. KDPW will be obliged to move its EURO settlement processing to the common TARGET2 platform before May 2012. Initial measures to ensure a successful migration were already taken in 2010: in particular, an analysis was performed of the available documentation to ensure TARGET2 system compatibility, especially as regards available settlement procedures. Procedure 2 was selected: settlement in real time. The result of the analysis and consultation with partner institutions with experience of similar migrations (for instance KIR, the national payment clearing house), draft procedures were prepared on “EURO settlement processing by KDPW on the TARGET2 platform”, which were approved by the National Bank of Poland.

KDPW will become a direct participant of the TARGET2 system in November 2011. Until that date, interim procedures have been prepared for banks, which have already migrated to the TARGET2-NBP system (settlement of EURO transactions in a batch system and the possibility to use the KDPW technical account in the SORBNET-EURO system to process settlement).

One of the challenges set out in the KDPW Strategy for 2010-2013 is to ascertain the opportunities and barriers involved in **KDPW joining the TARGET2-Securities project (T2S)**, the pan-European securities settlement system being built by the Eurosystem. When KDPW signed the Unilateral Undertaking agreement with the Eurosystem in 2010, it joined almost 30 European central securities depositories participating in the project.

In 2010, the principal barriers to joining T2S were identified - these will need to be eliminated before the end of 2015 at the latest. A T2S National User Group (NUG_PL) was also established together with the National Bank of Poland, whose work is being overseen by KDPW. At the beginning of May 2010, KDPW established a dedicated web portal to communicate between the members of the group.

4.6

New developments
in KDPW services

When it comes to KDPW services, there is no one harder to please than capital market participants. For many years, KDPW has been meeting their ever-growing needs, providing them with faster, safer and more cost-effective solutions. At the same time, KDPW is systematically adapting its service offering to the requirements of the common European capital market.

2010 brought with it a wide range of new projects, which paved the way for new services, or improvements in existing ones. The culmination of a year rich in new products and important changes was **the launch of the poee WSE Energy Market**. From 11 December 2010, investors can purchase or sell energy in the daily-hourly market as well as the futures market. The purchase by KDPW (together with the WSE and WSEInfoEngine) of the electronic poee WSE Energy Market is a further step in the implementation of the strategy to strengthen the position of KDPW by broadening the scope of its services and its entry into new areas of the market. KDPW was given the responsibility of performing the clearing and settlement of transactions executed on the poee WSE Energy Market as a result of which the Stock Exchange Clearing House (GIR KDPW) was created within the KDPW corporate structure.

In 2010, work also began on another important project for participants, which will help stimulate further growth of the capital market – **the processing of on-request securities lending** (by using KDPW as agent, or not). At the heart of the theory or creating a securities lending market is the principle to make the system for entering into securities lending agreements/transactions as simple as possible, while at the same time taking full advantage of already existing IT systems and solutions. The project is set to be completed in 2011.

Over the past year, KDPW also devoted its efforts to the question of short-selling. The satisfaction that Polish investors would have unrestricted access to this globally popular investment strategy went together with the need to protect market participants from excessive settlement risk. In 2010, KDPW prepared amendments to the KDPW Rules, which **provide greater security for short-sale transactions**.

In 2010, work on other projects included:

- Preparing a business case for the introduction of **partial settlements** to the kdpw_stream system
- Preparing the principles for the clearing of transactions executed in the **Polish Futures Market** (created by the Warsaw Commodities Exchange)

KDPW has been working to raise the level of its services, to broaden the scope of solutions available and to adopt international standards, which resulted in a broad range of other improvements throughout 2010:

- Procedures were prepared and implemented to enable data exchange with the kdpw_stream system using **SWIFT messaging** for S&R (clearing and settlement)
- **Standardised settlement communication with participants** was introduced (as a move away from the practice of processing broker-custodian settlement)
- Work continued on the introduction of a **hold-release** mechanism enabling settlement instructions to be controlled, according to international standards.
- KDPW observed the **Code of Conduct** obligations in the areas of price transparency, access and interoperability and accounting separation
- Work was initiated on the further development of **corporate actions processing** in particular as regards standardisation of communication with participants (for subscription rights and notice to exercise rights) and participation in general meetings (including proxy voting services) via a dedicated web page.

4.7

Other projects for the market

- Amendments to the Law on Trading in Financial Instruments were prepared to remove the requirement to conclude an agreement with KDPW for the registration of securities issued by foreign companies and registered in foreign central securities depositories.
- KDPW took part in **legal consultations** for a range of legislative initiatives and supplementary legislation significant for the capital market. KDPW was also a permanent member of working groups established by the Financial Market Development Council, at the same time as working in partnership with other capital market institutions to prepare proposals to meet the needs of market participants (for instance, draft proposals for the Investor Compensation Scheme, which were sent for approval to the Ministry of Finance in October 2010).
- **Operational risk management**
 - In June 2010, KDPW and KDPW_CLEARPOOL took out an insurance policy to secure against the financial consequences of operational risk events.
 - Work was initiated on adapting the KDPW operational risk management model to the KDPW corporate structure.
 - Internal and external tests were performed to verify the System for Maintaining Operational Continuity to ensure KDPW readiness to perform its activities in emergency situations.
- **The implementation of a system for fund management support in KDPW** – the architecture of the Enterprise Resource Planning (ERP) software will permit a flexible application to the changing needs of the business environment.
- **Changes in the KDPW Table of Fees**, whose aim is to make investing in the domestic capital market more attractive and to raise its level of appeal. With the planned introduction of KDPW_CCP in mid-2011, a new Table of Fees has been drafted for both KDPW and KDPW_CCP and these have been sent to the Polish Financial Supervision Authority for approval.

4.8

Promotion and corporate communication

KDPW promotional and informational activities in 2010, as in previous years, principally involved KDPW strategic projects (with a special emphasis on the creation of KDPW_CLEARPOOL and, ultimately, KDPW_CCP).

KDPW also worked in partnership with other capital market institutions, especially in the promotion of Warsaw as a regional financial centre. KDPW representatives also participated as speakers in the most important industry conferences.

KDPW also performed intensive **educational activities to promote knowledge about the financial market**. In this, it worked in partnership with in particular the Lesław Paga Foundation, the Capital Market Education Foundation and the Junior Enterprise Foundation. KDPW also provided subsidies for courses organised by the Stock Exchange School and was the Main Partner in the Student Investment Fund project.

In order to promote the growth of the capital market in Poland, KDPW helped **organise a cycle of seminars entitled “Together for the market”** (prepared jointly with the Warsaw Stock Exchange). In 2010, the themes of the seminars were devoted in particular to changes in KDPW and WSE regulations following the introduction of new short selling rules, the creation of KDPW_CLEARPOOL and securities netting.

KDPW, as a prominent player in the global arena, was present at the most important international industry gatherings. KDPW presented its accomplishments among others at the SIBOS conference in Amsterdam, at the International Development and Cooperation conference in Sibiu, Romania, or at the IDX derivatives fair in London.

KDPW was both a sponsor and active participant of many other conferences and industry initiatives (the Economic Forum in Krynica, the II European Economic Congress, Warsaw – CEE Financial HUB, the X Investor Relations Forum, WallStreet and Professional Investor); however, it also had an indirect influence on the capital market by creating a positive climate for investments (participation in Warsaw’s Museum Night), enterprise and Polish business activities (for instance, the Mum at Work initiative).

KDPW led **active public relations campaigns** - 75 press releases were sent to the media, while in 2010 the Polish media published 3034 items about KDPW. KDPW was also visible abroad in foreign media – for instance at the seminar for Bulgarian journalists, or in the special supplement to the Financial Times.

KDPW also took full and effective advantage of the **latest means of communication**, including the internet. There are business profiles of KDPW on the most popular social media sites (Facebook, Blip, Twitter and YouTube).

In 2010, KDPW was a joint sponsor of the GPWInfoStrefa portal, while the kdpw.pl website provided detailed information (in separate menus) on the most important topics and events of 2010 – KDPW_CLEARPOOL, short selling, NUG_PL, securities issuers and the business operations of GIR KDPW, the Exchange Clearing House.

4.9

International co-operation

In 2010, KDPW representatives played an active role in the work of over a dozen international organisations and associations. The most important decisions and resolutions were made in meetings of the following:

- **ANNA** (Association of National Numbering Agencies)
- **ECSDA** (European Central Securities Depositories Association)
- **EACH** (European Association of Central Counterparty Clearing Houses)
- **SMPG** (Securities Market Practice Group)
- **CCP12** (The Global Association of Central Counterparties)
- **ESA** (European Swift Alliance)
- **ISSA** (International Securities Services Association)

5

The figures speak for themselves: Key statistics

Capital market participants will look back over 2010 and consider it to be a very successful year.

These were 12 exceptional months, which confirmed that the Polish capital market was correct in its pan-regional aspirations.

Positive news from the markets helped KDPW achieve several historic records. There are many reasons to be proud and to feel satisfaction, and it is worth mentioning a few of the most important ones:

- In 2010, KDPW admitted **161** participants to the depository with the status of issuer (including 10 foreign issuers). The total number of participants with the participation status of issuer at the end of 2010 totalled **730** (including 46 foreign issuers).
- KDPW participated in the processing of large IPOs, which generated great interest among institutional and retail investors: **GPW, Tauron, PZU**.
- **32.4%** - the increase in total capitalisation of shares registered in KDPW at the end of December (when compared with the previous year) with a total value of PLN 524.5 billion).
- **17,7%** - the increase in total capitalisation of bonds registered in KDPW at the end of December with a total value of PLN 500.8 billion. Among the newly registered series, there were in particular **45** series of Treasury bonds, **67** series of corporate bonds and **17** series of municipal bonds.
- **60%** - the increase in trading volumes for options over 2009 (to 674 000).

Key KDPW statistics for 2009-2010

	2009	2010	Change y on y
Number of share issues held in safekeeping	687	780	14%
Number of Treasury bond issues held in safekeeping	184	191	4%
Number of non-Treasury bond issues held in safekeeping	45	129	187%
Capitalisation of share issues held in safekeeping (PLN bn)	396	525	32%
Capitalisation of Treasury bond issues held in safekeeping (PLN bn)	415	479	15%
Capitalisation of non-Treasury bond issues held in safekeeping (PLN bn)	11	22	100%
Number of transactions cleared and settled by KDPW (million)	18	18	0%
Value of transactions cleared and settled by KDPW (PLN bn)	4 915	8 265	68%
Number of issuers registered in KDPW	583	730	25%
Number of direct KDPW participants	71	72	1%

5.1

Corporate actions

KDPW processed the following corporate actions in 2010:

- 119 dividend payments and acted as intermediary in transferring the amounts paid out to KDPW participants. The total dividends paid out amounted to about PLN 9.3 billion,
- The first dividend paid out in shares,
- 35 operations involving the raising of share capital of domestic issuers, while retaining pre-emptive rights (including in particular Bank Millennium SA, BRE Bank S.A., Duda S.A., Boryszew S.A., and Asseco Poland S.A.),
- 12 share exchange operations,
- 8 reverse split operations,
- 4 operations involving changes to the nominal value,
- 2 operations involving the exchange of shares following a company merger,
- 30 share assimilation operations and 12 conversions of registered shares into bearer shares,
- 12 redemptions and 44 interest payment operations involving Treasury bonds,
- 141 operations involving the payment/redemption of interest for bonds/mortgage bonds of other issuers, including the early mandatory redemption of Rybnik Town municipal bonds,
- The mandatory redemption of shares of 11 companies,
- 942 shareholder general meetings of public companies,
- The withdrawal of 13 issuers from KDPW, together with their securities,
- 26 share cancellation operations,
- 404 investment certificate redemptions,
- 6 partial redemptions of Prime Car Management S.A. bonds,
- 27 operations involving the settlement of ordinary bond auctions, 17 operations involving the settlement of supplementary wholesale bond auctions and 12 settlements of switch bond auctions, performed for a total of 45 series of bonds,
- 2 ordinary auctions and 1 operation involving the settlement of supplementary BGK bonds.

5.2

Cash market

Total capitalisation of shares registered in KDPW amounted to PLN 524 524 318 643 at the end of December, which was an increase of 32.4% when compared with the previous year.

KDPW registered 45 new series of Treasury bonds, 2 new series of Bank Gospodarstwa Krajowego S.A. bonds, 67 series of corporate bonds (including co-operative bank bonds) and 17 series of municipal bonds. KDPW also registered 3 series on non-public bonds.

At the end of 2010, the total capitalisation of bonds registered in KDPW amounted to PLN 500 843 571 478, which was an increase of 17.7 % in relation to the capitalisation total at the end of the previous year.

In 2010, 14 series of investment certificates issued by close-end investment funds were registered in KDPW, together with 95 series of rights to shares, enabling secondary trading to take place prior to the court registration of the capital increase. In addition, 6 series of mortgage bonds issued by BRE BANK HIPOTECZNY were also registered.

At the request of the Ministry of Finance, ISIN codes were assigned for 11 Treasury bill issues.

5.3

Derivatives market

At the end of 2010, the WSE was listing 4 series of WIG20 index futures contracts, 3 series of mWIG40 index futures contracts, 6 series each of currency futures (for USD, EUR, CHF), 3 series of futures for shares in 10 companies and one series of WIG20 index participation units.

There were 360 series of WIG20 index options in trading (4 expiry dates).

Trading in share options and Treasury bond futures with delivery, was suspended.

2010 saw another year of steady growth in trading volumes for WIG20 index futures.

They totalled 13 481 633 contracts, which was an increase of 6% over the trading volumes for WIG20 futures seen in 2009.

For mWIG40 index futures, trading volumes reached 32 998, a figure 10% higher than the volumes for these contracts in 2009. However, trading volumes for mWIG40 index futures remain lower when compared with WIG20 futures.

In 2010, trading volumes for MW20 Index Participation Units fell by 14% in relation to 2009, reaching a figure of 36 240 contracts.

For currency futures, trading volumes at the end of 2010 totalled 119 075, a decrease of 36% in relation to 2009.

Moreover, trading volumes for share futures fell by 19% when compared with the previous year, reaching a total of 375 496 contracts.

675 112 WIG20 index options contracts were written in 2010. As a result, trading volumes for these options were 60% higher when compared with 2009, which saw the execution of 421 648 contracts.

A brief summary of 2010 shows that the highest trading volumes were in relation to stock exchange index futures and index options.

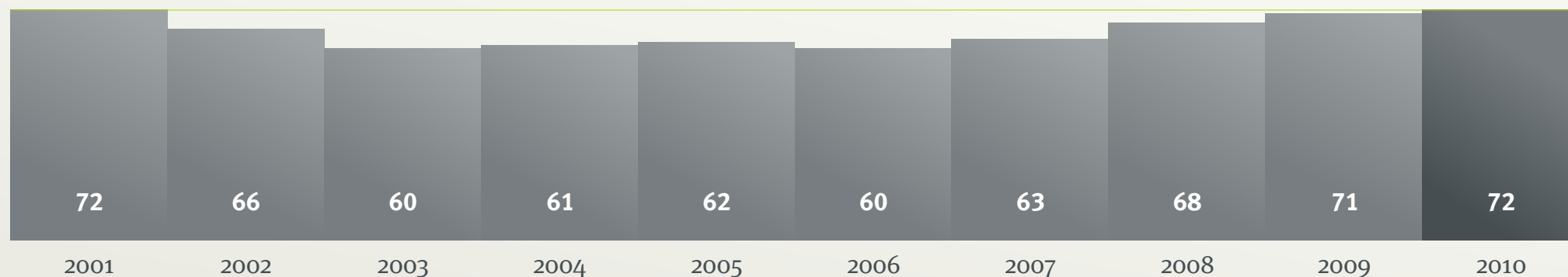
5.4

Key KDPW statistics for 2001-2010

Participants

Number of direct participants

In 2010, there were 72 direct participants entered in the KDPW register, when compared with 71 in the previous year.

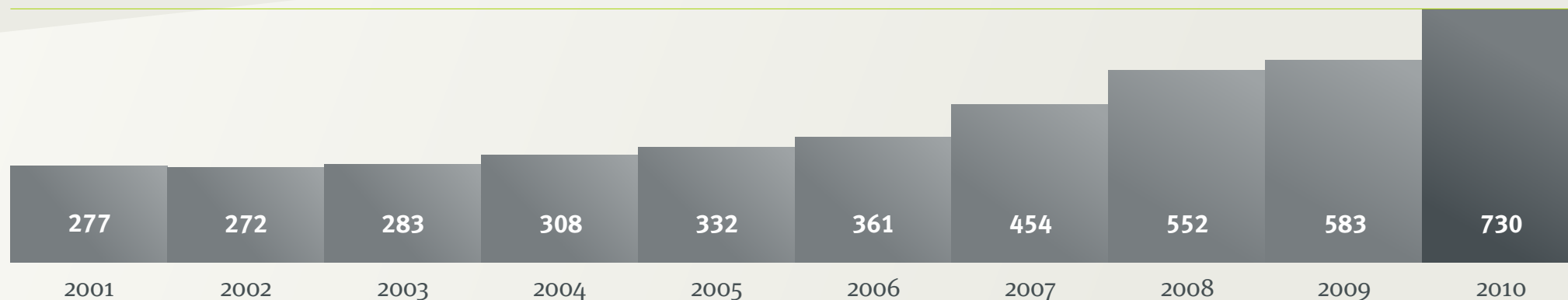


Issuers

Number of registered issuers

In 2010, KDPW admitted 161 participants with the status of Issuer (151 Polish and 10 foreign).

In December 2010, the total number of participants with the status of Issuer amounted to 730 (of which there were 684 domestic issuers and 46 foreign issuers).



Number and capitalisation of share issues in safekeeping

The total capitalisation of shares registered in KDPW at the end of December stood at PLN 524.5 billion, which saw an increase of 32.4% when compared with the previous year. KDPW keeps 780 share issues in its register – an increase of almost 100 than the figure for 2009.

* Total number of issues registered in KDPW

Number of share issues registered*

Capitalisation of share issues in safekeeping **bn PLN**



Number and capitalisation of Treasury bond issues in safekeeping

At the end of 2010 there were 191 issues of Treasury bonds registered in KDPW (an increase of 7 issues year on year) with a total capitalisation of PLN 478.9 billion (reflecting an increase of PLN 65 billion when compared with 2009).

* Total number of issues registered in KDPW

** Capitalisation of debt securities is presented according to their nominal value

Number of Treasury bond issues in safekeeping*

Capitalisation of Treasury bond issues in safekeeping** bn PLN

130	2001	129,4
141	2002	161,4
150	2003	191,8
170	2004	235,6
205	2005	286,9
177	2006	324,25
210	2007	357,13
188	2008	368,66
184	2009	414,7
191	2010	478,89

Number and capitalisation of non-Treasury bond issues in safekeeping

Capitalisation of non-Treasury bonds issues registered in KDPW increased by 100 % – from 11 to almost PLN 22 billion. There was also a significant rise in the number of issues of these instruments registered in KDPW to 129 (from 45 in the previous year).

* Total number of issues registered in KDPW

** Capitalisation of debt securities is presented according to their nominal value

Number of non-Treasury bond issues in safekeeping*

Capitalisation of non-Treasury bond issues in safekeeping** bn PLN



Turnover of transactions cleared and settled in the secondary market



Value of cleared and settled transactions and turnover

*** Settlement of bond auctions, public subscriptions, debut sales and other transactions from the primary market

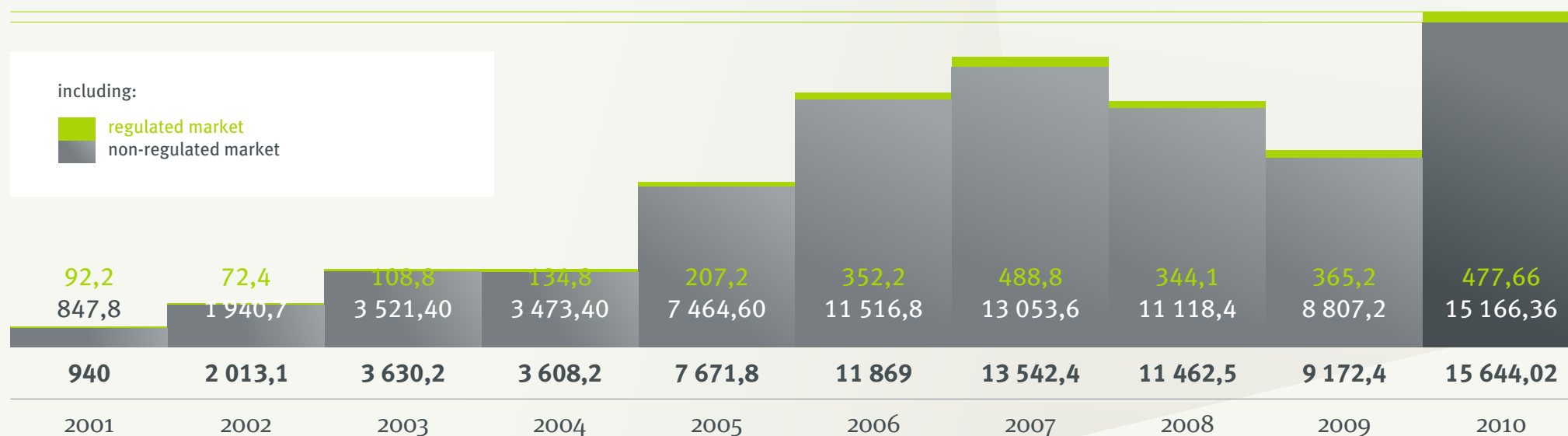
Value of settled transactions in the primary market*** bn PLN

Value of settled transactions in the secondary market bn PLN

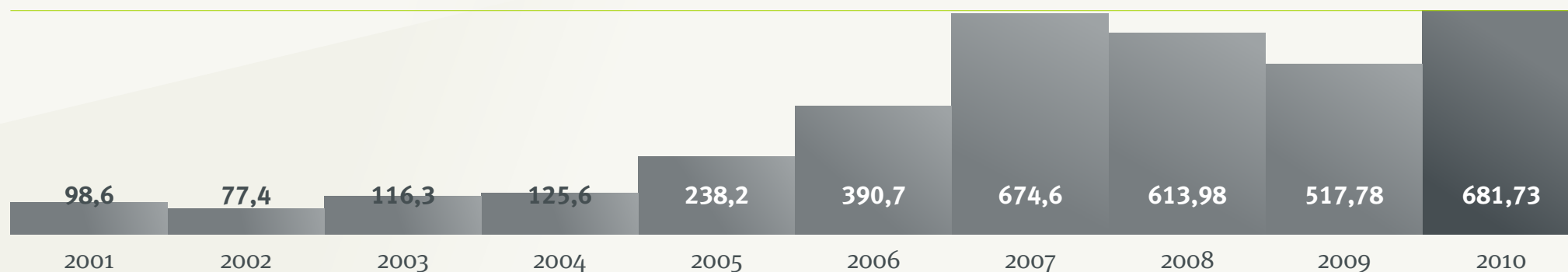
30,1	2001	1 038,6
48,7	2002	2 090,5
54,8	2003	3 746,5
64,3	2004	3 733,7
74,1	2005	7 910
70	2006	12 259,7
52,2	2007	14 217
37,9	2008	12 076,4
70,6	2009	9 690,2
101,90	2010	16 325,75

Turnover of transactions cleared and settled in the secondary market

Cash market **bn PLN**



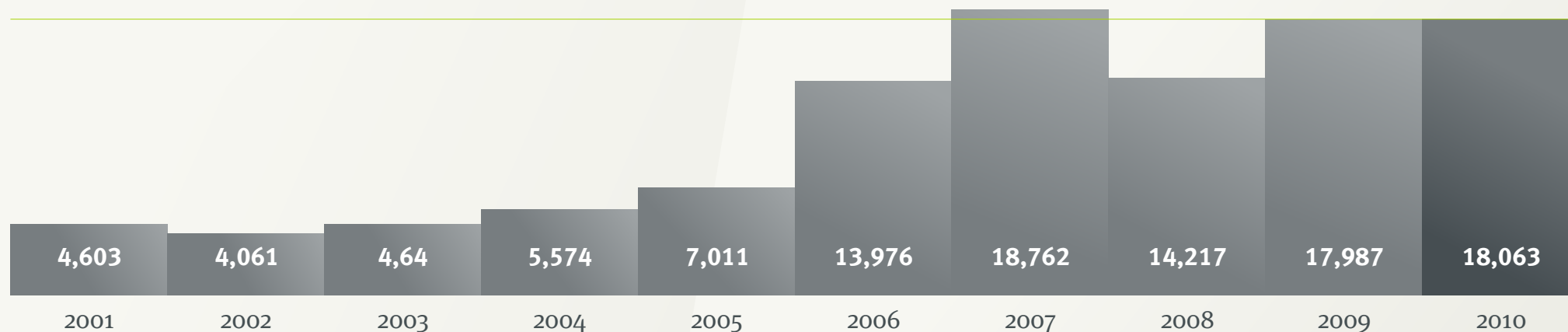
Derivatives market **bn PLN**



Number of transactions cleared and settled by KDPW

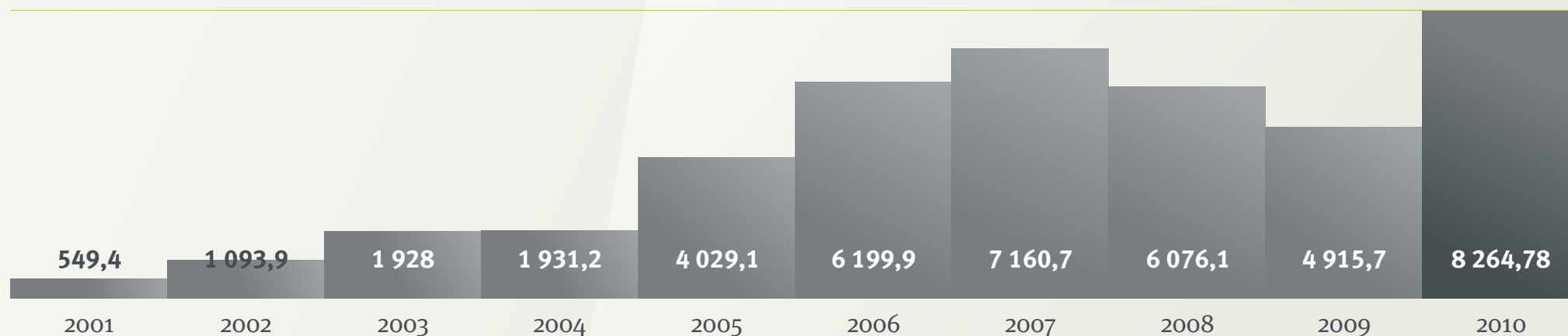
**** m

**** Including transactions executed on the WSE in the single price auction system, and debut sale transactions, where a transaction party is a specialist



Value of transactions cleared and settled by KDPW

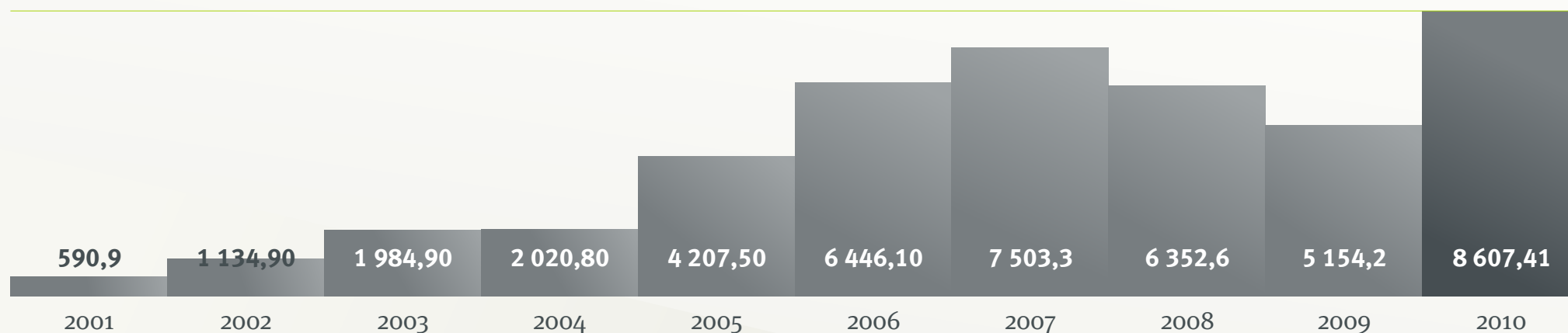
**** bn PLN



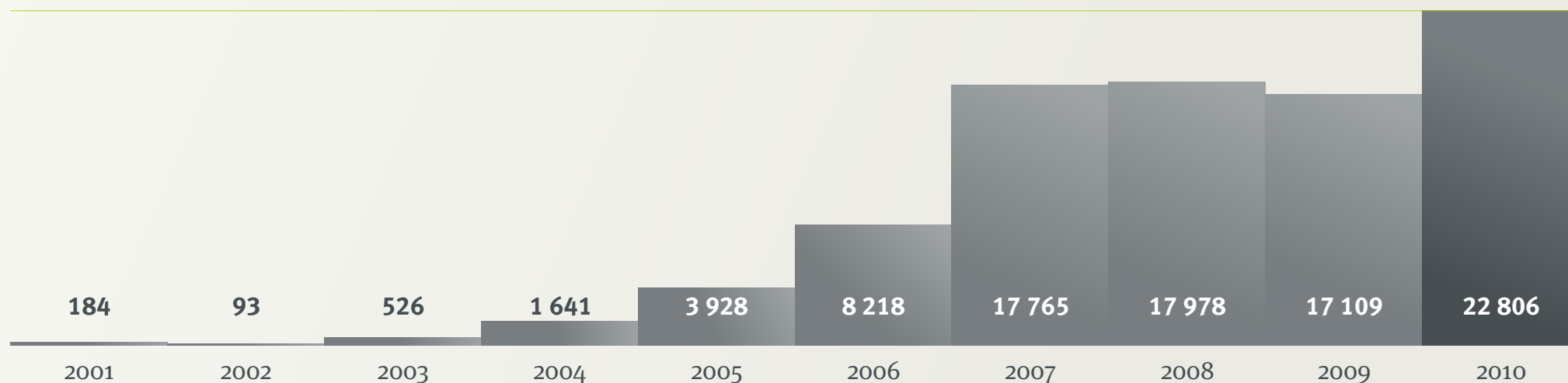
Total value of all operations processed in KDPW

**** bn PLN

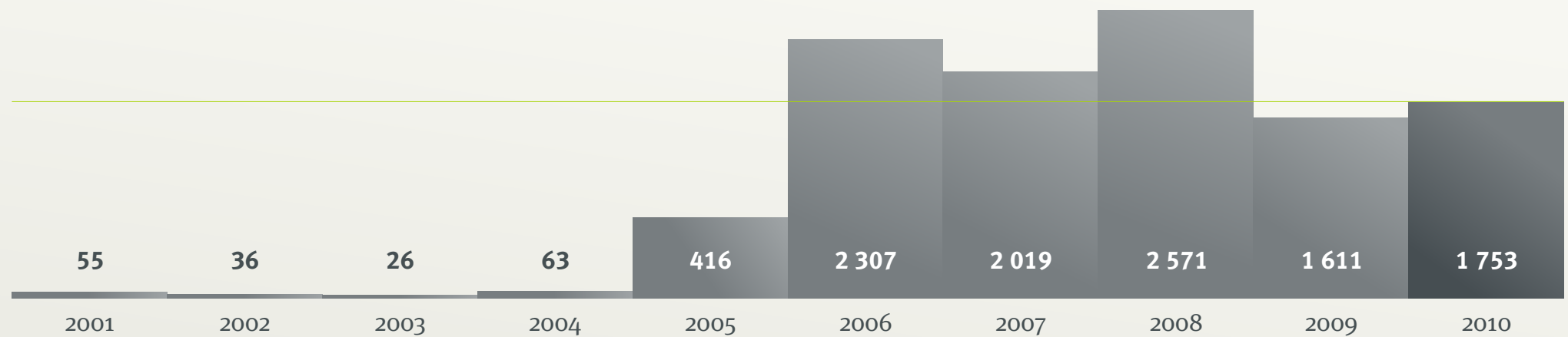
**** Including transactions executed on the WSE in the single price auction system, and debut sale transactions, where a transaction party is a specialist



Number of suspended transactions and suspended post-transaction transfers

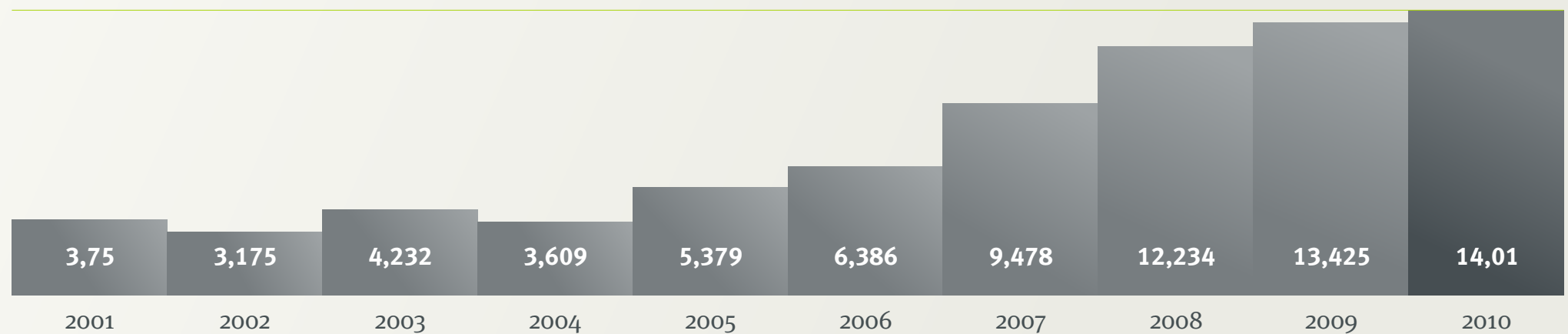


Number of automatic securities loans processed



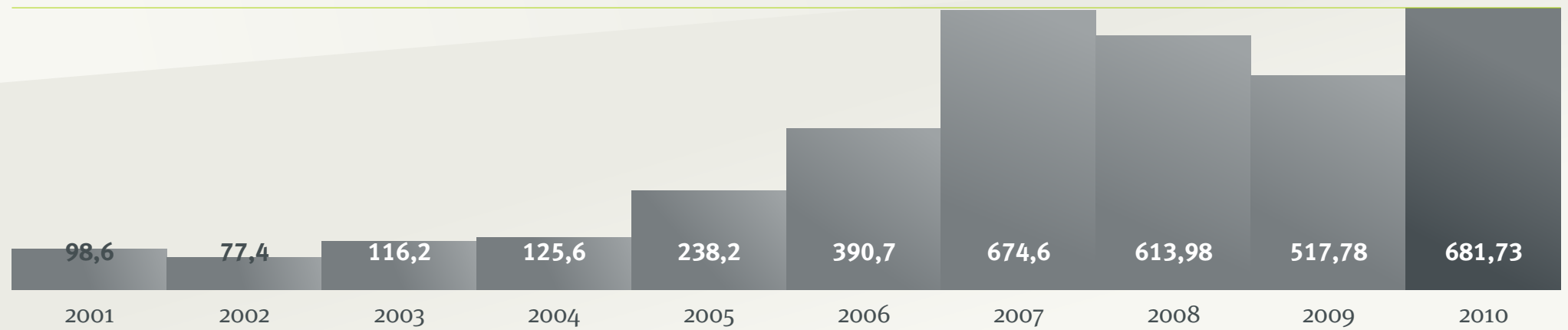
Number of futures contracts cleared in the derivatives market

m



Turnover cleared in the derivatives market

bn PLN



6

Fund Management

6.1

Management of the Clearing Guarantee Fund

In 2010, KDPW calculated daily updates for contributions to the basic resource of the functionally separate parts of the Clearing Guarantee Fund:

- Stock Exchange Transaction Guarantee Fund,
- CTO Market Guarantee Fund,

- Stock Exchange Derivatives Transaction Guarantee Fund.

In 2010, the balance of members' contributions to the functionally separate parts of the Clearing Guarantee Fund were as follows:

Guarantee Fund	Average balance (PLN)	Minimum balance (PLN)	Maximum balance (PLN)
SET GF	114 746 452,42	52 545 590,39	285 734 863,91
SEDT GF	48 767 900,36	39 072 261,77	65 567 296,30
CTO GF	1 004 651,68	852 490,70	2 703 854,89

Guarantee Fund	Total number of member contributions at the end of 2009 (PLN)	Total number of member contributions at the end of 2010 (PLN)
SET GF	130 688 119,70	74 361 687,28
SEDT GF	44 568 275,64	53 182 946,03
CTO GF	853 325,89	1 010 247,94

In 2010, the debit and credit balances arising between KDPW and clearing members in connection with updates to all the separate functional parts of the Clearing Guarantee Fund were calculated on the basis of bilateral offsetting (netting).

Payments were processed using the accounts of the payment banks in the Payment System Department of the National Bank of Poland.

6.2

Management of ATS Guarantee Funds

In 2010, KDPW managed the Guarantee Fund for the Clearing of Transactions Executed in the Alternative Trading System organised by the Warsaw Stock Exchange (ATS GF). At the end of 2010, there were 32 members of the Fund and the value of their contributions totalled PLN 5 937 041.54.

In 2010, KDPW began the management of the Guarantee Fund for the Clearing of Transactions Executed in the Alternative Trading System organised by BondSpot. At the end of 2010, there were 11 clearing members in the Fund, while the total contributions of these members at the end of the year amounted to PLN 220 000.00 PLN.

6.3

Management of the Pension Guarantee Fund

KDPW performed activities related to the administration of the basic resource of the Pension Guarantee Fund, described in the Law on the Organisation and Operation of Pension Funds of 28 August, 1997.

The assets of the Pension Guarantee Fund consist of contributions paid in by pension fund management corporations, as well as income generated from asset investment. The contributions are paid on a quarterly basis.

At the end of 2010, the contributions of 14 pension fund management corporations managing 14 open-end pension funds were updated.

According to the provisions of Article 188 of the abovementioned Law, KDPW prepares an annual financial report on the basic resource of the Pension Guarantee Fund, which is then reviewed and approved according to the same principles as apply in the review and approval of the KDPW annual financial report. KDPW provides the Polish Financial Supervision Authority the annual report on its management of the basic reserve of the Pension Guarantee Fund for approval.

7

The Investor Compensation Scheme

In 2010, KDPW was responsible for the management of the Investor Compensation Scheme, created to guarantee the cash and financial instruments registered on the cash and investment accounts managed for investors by brokers and custodian banks.

The Investor Compensation Scheme is one of the forms of investor protection, securing a pre-defined level of assets managed by a brokerage house on behalf of an investor.

In 2010, all its members so-obliged paid contributions to the mandatory Investor Compensation Scheme.

At the end of 2010, there were 79 members of the Investor Compensation Scheme, of which 47 paid in contributions (33 brokers and 14 custodian banks).

8

Supervision of the depository, clearing and settlement system

According to the provisions of the Law on Trading in Financial Instruments, KDPW monitors the size of the securities issue with the number of securities in trading i.e. registered on the investment accounts in the participants' records and in the records of lead managers.

This supervision is mainly performed through the daily monitoring and comparison of the aggregate balances of entries on investment accounts managed by participants, (information on which is received in reports prepared by participants from their securities accounting systems) and the corresponding entity accounts managed in KDPW. In 2010, 4 086 133 reports were sent by participants, of which 2 926 contained errors, which was a total of 0.07% (0.09% in 2009). As a result of these verifications and the frequency of errors in the balances, two participants were cautioned.

The supervision of the maintenance of correct securities registration procedures by participants is also performed by means of on-site inspections in participants' offices. Supervision performed in this manner in particular consists of: the verification of whether the participant's internal rules are being followed in practice, monitoring the consistency of specific provisions of internal regulations, the accuracy of entries on investment accounts following the processing of corporate actions, as well as the precision of registration and clearing of transactions, and accounting operations in exceptional situations (transactions incorrectly executed and cleared in the participant's system – in particular those without a legal basis of a client order, or operations registered without any transfer confirmation receipt).

44 inspections were performed in participant's offices, as a result of which 14 cautions were issued, including 10 in respect of incorrect registration procedures and 4 in respect of unsafe procedures and archiving data on entries on investment accounts.

Following assessment and examination performed as part of the monitoring of participant compliance with financial requirements, in particular in the area of capital adequacy, one participant was found to have been in breach of the required capital norms, while maintaining capital adequacy requirements described in the provisions of the KDPW Rules. This form of monitoring is performed on the basis of monthly statements and current reports, while an assessment of clearing members' financial standing is performed on the basis of semi-annual financial reports.

9

Tomorrow begins today: Plans for 2011 and the coming years

2010 was the first year
of the realisation
of the new KDPW Strategy.

Countless projects initiated during this period will bear fruit over the coming years, helping KDPW to achieve its most ambitious goals, these being:

- Development through the evolution of a new business model (creation of a CCP, securities-side netting, growth of services for the banking and commodities sector)
- Strengthening the position of KDPW as the leading central securities depository in the Central and Eastern European region
- The introduction of new services to maximise the value of the Capital Group
- Improving the quality and increasing the scope of the service offer
- Optimising business processes of the Capital Group

10

Financial Reports

10.1

Balance Sheet

Balance Sheet
prepared as at 31 December 2010

Assets	Balance as at 31.12.2009	Balance as at 31.12.2010
Fixed assets	211 071 927,17	263 970 059,46
Intangible fixed assets	36 511 152,74	37 147 269,80
Completed projects	22 904 354,02	17 815 812,84
Goodwill	0,00	4 607 263,30
Other intangible assets	13 192 212,87	11 953 259,18
Prepayment in advance of intangible assets	414 585,85	2 770 934,48
Tangible fixed assets	75 116 500,97	73 853 167,45
Fixed assets	75 079 133,83	70 863 337,93
land (including perpetual usufruct rights)	10 327 954,75	10 260 208,64
buildings	53 366 873,28	51 339 296,41
machines and equipment	10 808 656,78	8 220 204,87
transport	222 020,47	685 298,11
other fixed assets	353 628,55	358 329,90
Fixed assets in advance	37 367,14	2 989 829,52
Long term investments	95 003 458,10	150 731 390,10
Long term financial assets	95 003 458,10	150 731 390,10
related entities	8 070 453,40	63 282 585,40
- equities	8 070 453,40	63 282 585,40
remaining entities	86 933 004,70	87 448 804,70
- equities	8 524,70	8 524,70
-other securities	86 924 480,00	87 440 280,00
Long term accruals and deferred income	4 440 815,36	2 238 232,11
Deferred income tax	2 126 198,86	2 181 297,21
Other accruals	2 314 616,50	56 934,90
Current assets	304 838 954,00	302 676 910,39

	Balance as at 31.12.2009	Balance as at 31.12.2010
Short term credits	9 277 506,17	11 674 770,03
Liabilities from related entities	65 202,00	132 700,26
for deliveries and services over payment period:	65 202,00	132 700,26
- up to 12 months	65 202,00	132 700,26
Credits from remaining entities	9 212 304,17	11 542 069,77
for deliveries and services over payment period:	7 319 649,61	10 725 852,65
- up to 12 months	7 319 649,61	10 725 852,65
taxes, donations, duties, social security and health benefits, and other payments	966 095,77	107 733,41
Other	926 558,79	708 483,71
Short term tangible assets	294 218 412,84	285 661 721,21
Short term financial assets	294 218 412,84	285 661 721,21
in remaining entities	82 858 329,67	42 182 861,10
- other securities	82 858 329,67	42 182 861,10
- other short term financial assets	0,00	0,00
cash and cash equivalents	211 360 083,17	243 478 860,11
- cash in hand and in bank	117 079 803,42	201 884 757,05
- other cash	94 280 279,75	10 632 446,37
- other cash assets	0,00	30 961 656,69
Short term accruals and deferred income	1 343 034,99	5 340 419,15
Other assets	912 946 366,70	794 706 429,48
Assets of the Settlement Guarantee Fund	169 715 264,63	128 854 253,98
Margin deposits securing the clearing of derivatives transactions and warrant exercise	487 415 131,20	567 442 614,90
Assets of the Investor Compensation Scheme	80 702 369,26	95 221 933,89
Value of collateral posted by market participants for securities loans	1 803 480,00	2 765 821,39
Payments by participants for new issue shares	173 310 121,61	421 805,32
Total assets	1 428 857 247,87	1 361 353 399,33

Liabilities	Balance as at 31.12.2009	Balance as at 31.12.2010
Equity	490 820 393,34	370 023 401,20
Paid-in share capital	21 000 000,00	21 000 000,00
Supplementary capital	177 826 696,15	186 760 196,15
Revaluation capital	1 527 442,97	1 346 223,64
Reserve capital	227 964 745,95	118 811 006,22
Profit (loss) from previous year	31 912 860,00	0,00
Net profit (loss)	30 588 648,27	42 105 975,19
Liabilities and provisions for creditors	25 090 487,83	196 623 568,65
Provisions for liabilities	17 092 046,62	18 165 544,51
Provisions for deferred income taxes	8 375 335,80	7 961 932,87
Provisions for social security premiums	8 579 588,80	10 091 882,03
- long term	4 118 368,00	4 237 894,00
- short term	4 461 220,80	5 853 988,03
Other provisions	137 122,02	111 729,61
- short term	137 122,02	111 729,61
Long term liabilities	0,00	317 231,75
For related entities	0,00	317 231,75
other financial liabilities	0,00	317 231,75

	Balance as at 31.12.2009	Balance as at 31.12.2010
Short term liabilities	7 998 441,21	178 140 792,39
For related entities	112 792,34	162 848 915,90
for deliveries and services over period	112 792,34	613 205,90
- up to 12 months	112 792,34	613 205,90
other	0,00	162 235 710,00
For remaining entities	6 641 822,17	14 116 045,91
other financial liabilities	0,00	146 070,69
for deliveries and services over period	5 645 431,70	9 846 123,85
- up to 12 months	5 645 431,70	9 846 123,85
taxes, duties and social security premiums	994 676,13	4 115 773,10
payroll payments	372,02	2 966,05
other	1 342,32	5 112,22
Special funds	1 243 826,70	1 175 830,58
Accruals	0,00	0,00
Other accruals	0,00	0,00
- short term	0,00	0,00
Other liabilities	912 946 366,70	794 706 429,48
Liabilities to members of the Settlement Guarantee Fund	169 715 264,63	128 854 253,98
Liabilities for margin deposits posted by counterparties of derivatives transactions and exercise of warrant rights	487 415 131,20	567 442 614,90
Liabilities of the Investor Compensation Scheme	80 702 369,26	95 221 933,89
Liabilities for collateral posted by market participants for securities loans	1 803 480,00	2 765 821,39
Payments by participants for new issue shares	173 310 121,61	421 805,32
Total liabilities	1 428 857 247,87	1 361 353 399,33

10.2

Income Statement

Profit & Loss Account
for the period 01.01.2010 - 31.12.2010

	01.01.2009 - 31.12.2009	01.01.2010 - 31.12.2010
Net sales and sales equivalents	104 029 502,16	150 908 513,52
- from related entities	4 179,99	656 555,62
Net sales of services	104 029 502,16	128 667 274,05
Net sales of goods and materials	0,00	22 241 239,47
Operating expenses	82 442 345,01	115 136 685,08
Depreciation	12 102 139,57	15 386 430,91
Materials and energy	1 323 130,49	1 297 788,04
External services	16 302 347,89	18 364 416,45
Taxes and charges	15 518 039,07	15 486 558,69
Salaries	25 124 818,36	28 111 656,29
Social security and other benefits	8 747 820,96	8 976 963,14
Other costs	3 324 048,67	5 271 632,09
Value of goods and materials sold	0,00	22 241 239,47
Profit from sales	21 587 157,15	35 771 828,44
Other operational revenue	237 568,34	788 023,82
Gross profit from sale of non-financial fixed assets	64 380,34	45 861,79
Other operational revenue	173 188,00	742 162,03
Other operational expenses	2 253 335,86	424 768,96
Losses from sale of non-financial fixed assets	0,00	0,00
Other operating expenses	2 253 335,86	424 768,96
Operating profit	19 571 389,63	36 135 083,30

	01.01.2009 - 31.12.2009	01.01.2010 - 31.12.2010
Financial revenue	19 991 221,17	16 957 497,12
Dividends and shares in profits, including:	0,00	141 571,20
- from related entities	0,00	141 571,20
Interest, including:	19 991 220,19	16 815 925,92
- from related entities	0,00	385,27
Other	0,98	0,00
Financial expenses	109 044,68	106 766,28
Interest	71 352,93	33 269,48
Other	37 691,75	73 496,80
Profit on ordinary activities	39 453 566,12	52 985 814,14
Gross profit	39 453 566,12	52 985 814,14
Corporate income tax	8 864 917,85	10 879 838,95
Net profit	30 588 648,27	42 105 975,19

10.3

Certified Auditor's Report



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02-676 Warszawa
Poland



AUDIT OPINION

for the Shareholders and Supervisory Board of Krajowy Depozyt Papierów Wartościowych S.A.

We have audited attached the financial statements of Krajowy Depozyt Papierów Wartościowych S.A. with its registered office in Warsaw, ul. Książęca 4, consisting of:

- the balance sheet prepared as at 31 December 2010, showing total assets and liabilities of **1 361 353 399,33** zł;
- the profit and loss account for the period from 1 January to 31 December 2010, showing a net profit of **42 105 975,19** zł;
- the statement of changes in shareholders' equity for the period from 1 January to 31 December 2010, showing an decrease in shareholders' equity of **102 796 992,14** zł;
- the cash flow statement for the period from 1 January to 31 December 2010, showing a net cash increase of **84 804 953,63** zł;
- additional information on the entity's accounting methods and other information.

The Company's Management Board is responsible for the preparation in accordance with binding regulations of the financial statements and the Directors' Report on the Company's activities.

Our responsibility was to audit the financial statements and to express an opinion on the truth and fairness of the financial statements and on the accuracy of the books of account constituting the basis for their preparation.

We conducted our audit in accordance with:

- 1) Chapter 7 of the Accounting Act dated 29 September 1994 (2009 Journal of Laws No. 152, item 1223 with subsequent amendments),
- 2) the auditing practices generally applied in Poland.

We planned and performed the audit to obtain reasonable assurance that the financial statements are free of material misstatements.

This document is a translation.
The Polish original should be referred to in matters of interpretation.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our audit provided a reasonable basis for our opinion.

In our opinion, the audited financial statements consisting of financial data and explanations:


- give a true and fair view of the financial position of Krajowy Depozyt Papierów Wartościowych S.A. as at 31 December 2010, as well as of its financial result for the period from 1 January to 31 December 2010;
- have been prepared in all material respects correctly, i.e. in accordance with the provisions of the above-mentioned Accounting Act and the related implementing provisions, and on the basis of properly kept books of account;
- are consistent with the applicable laws and regulations, and with the Company's Statute.

The Directors Report on the Company's activities includes all information required by article 49 of the Accounting Act, and the financial data contained therein are consistent with the audited financial statements.

Warsaw, 10 February 2011

BDO Sp. z o.o.
ul. Postępu 12,
02-676 Warszawa,
Registration No. 3355

Auditor in charge:


Katarzyna Iwuć Ph.D.
Polish Certified Auditor
Reg. No. 11771

On behalf of BDO Sp. z o.o.:


Anna Bełnaziuk Ph.D.
Board Member
Polish Certified Auditor
Reg. No. 117

The National Depository
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