Condensed interim consolidated financial statements of the PKO Bank Polski SA Group for three quarters of 2010

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SELECTED FINANCIAL DATA

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	for the period 01.01.2010 to 30.09.2010	for the period 01.01.2009 to 30.09.2009	for the period 01.01.2010 to 30.09.2010	for the period 01.01.2009 to 30.09.2009
Net interest income	4 785 336	3 633 947	1 195 527	826 028
Net fee and commission income	2 324 802	1 873 088	580 808	425 770
Operating profit	3 010 925	2 308 376	752 223	524 714
Net profit (including non-controlling interest)	2 347 084	1 802 097	586 375	409 633
Net profit attributable to the parent company	2 349 187	1 789 089	586 901	406 676
Net comprehensive income	2 394 481	1 848 354	598 216	420 147
Net cash flow from / used in operating activities	(2 938 950)	(3 494 221)	(734 242)	(794 267)
Net cash flow from / used in investing activities	(847 504)	2 226 739	(211 733)	506 158
Net cash flow from / used in financing activities	62 545	(180 631)	15 626	(41 059)
Total net cash flows	(3 723 909)	(1 448 113)	(930 349)	(329 169)
Earnings per share for the period – basic (in PLN/EUR)	1.88	1.64	0.47	0.37
Earnings per share for the period – diluted (in PLN/EUR)	1.88	1.64	0.47	0.37

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	as at 30.09.2010	as at 31.12.2009	as at 30.09.2010	as at 31.12.2009
Equity attributable to the company shareholders	22 827 638	20 428 541	5 725 517	4 972 626
Total equity	22 830 946	20 435 870	5 726 347	4 974 410
Tier 1 capital	16 104 780	16 254 416	4 039 323	3 956 579
Tier 2 capital	1 517 740	1 481 052	380 672	360 511
Tier 3 capital	106 511	129 876	26 715	31 614

SELECTED STAND-ALONE FINANCIAL DATA	PLN thousand		EUR thousand	
	for the period 01.01.2010 to 30.09.2010	for the period 01.01.2009 to 30.09.2009	for the period 01.01.2010 to 30.09.2010	for the period 01.01.2009 to 30.09.2009
Net interest income	4 694 662	3 474 505	1 172 874	789 786
Net fee and commission income	2 177 949	1 697 589	544 120	385 877
Operating profit	3 075 681	2 340 347	768 402	531 982
Net profit	2 469 472	1 852 022	616 952	420 981
Net comprehensive income	2 520 706	1 950 554	629 751	443 378
Net cash flow from / used in operating activities	(3 030 352)	(3 282 604)	(757 077)	(746 165)
Net cash flow from / used in investing activities	(560 128)	1 658 158	(139 938)	376 914
Net cash flow from / used in financing activities	(72 421)	114 423	(18 093)	26 009
Total net cash flows	(3 662 901)	(1 510 023)	(915 108)	(343 242)
Earnings per share for the period – basic (in PLN/EUR)	1.98	1.70	0.49	0.39
Earnings per share for the period – diluted (in PLN/EUR)	1.98	1.70	0.49	0.39

SELECTED STAND-ALONE FINANCIAL DATA	PLN thousand		EUR thousand	
	as at 30.09.2010	as at 31.12.2009	as at 30.09.2010	as at 31.12.2009
Total equity	22 700 223	20 179 517	5 693 560	4 912 009
Tier 1 capital	15 627 679	15 755 513	3 919 659	3 835 138
Tier 2 capital	977 062	1 052 650	245 062	256 231
Tier 3 capital	106 511	129 876	26 715	31 614

The selected financial statements positions were recalculated into EUR according to the following exchange rates:

- the income statement, statement of comprehensive income and cash flow statement items – the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month of the nine-month period ended 30 September 2010 and 2009, respectively: EUR 1 = PLN 4.0027 and EUR 1 = PLN 4.3993.
- the statement of financial position items – average NBP exchange rate as at 30 September 2010: EUR 1 = PLN 3.9870 and as at 31 December 2009: EUR 1 = PLN 4.1082.

Translation of Condensed Interim Consolidated Financial Statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group for the nine-month period ended 30 September 2010 (in PLN thousand)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE PKO BANK POLSKI SA GROUP

CONSOLIDATED INCOME STATEMENT
for the nine-month periods ended 30 September 2010 and 30 September 2009 respectively

	Notes	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Continued operations:					
Interest and similar income	4	2 671 362	7 704 538	2 291 475	6 624 090
Interest expense and similar charges	4	(952 205)	(2 919 202)	(959 155)	(2 990 143)
Net interest income		**1 719 157**	**4 785 336**	**1 332 320**	**3 633 947**
Fee and commission income	5	976 913	2 887 665	891 919	2 417 580
Fee and commission expense	5	(179 333)	(562 863)	(190 618)	(544 492)
Net fee and commission income		**797 580**	**2 324 802**	**701 301**	**1 873 088**
Dividend income		83	5 595	48	5 083
Net income from financial instruments designated at fair value through profit and loss	6	(15 803)	(38 408)	(12 064)	51 942
Gains less losses from investment securities		481	36 613	(13)	(3 985)
Net foreign exchange gains	7	125 860	291 814	120 048	760 230
Other operating income	8	149 124	338 462	145 088	456 335
Other operating expense	8	(86 266)	(198 869)	(80 963)	(235 949)
Net other operating income and expense		**62 858**	**139 593**	**64 125**	**220 386**
Net impairment allowance and write-downs	9	(558 653)	(1 441 937)	(364 184)	(1 128 265)
Administrative expenses	10	(1 057 470)	(3 092 483)	(1 028 924)	(3 104 050)
Operating profit		**1 074 093**	**3 010 925**	**812 657**	**2 308 376**
Share of profit (loss) of associates and jointly controlled entities		359	(4 635)	1 801	1 469
Profit before income tax		**1 074 452**	**3 006 290**	**814 458**	**2 309 845**
Income tax expense	11	(228 109)	(659 206)	(172 140)	(507 748)
Net profit (including non-controlling interest)		**846 343**	**2 347 084**	**642 318**	**1 802 097**
Net profit attributable to non-controlling shareholders		(507)	(2 103)	3 787	13 008
Net profit attributable to the parent company		**846 850**	**2 349 187**	**638 531**	**1 789 089**
Earnings per share:					
- basic earnings per share for the period (in PLN)		0.68	1.88	0.59	1.64
- diluted earnings per share for the period (in PLN)		0.68	1.88	0.59	1.64
Weighted average number of ordinary shares during the period		1 250 000 000	1 250 000 000	1 090 000 000	1 090 000 000
Weighted average (diluted) number of ordinary shares during the period		1 250 000 000	1 250 000 000	1 090 000 000	1 090 000 000

Discontinued operations:
In the nine-month periods ended 30 September 2010 and 30 September 2009, the PKO Bank Polski SA Group did not carry out discontinued operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the nine-month periods ended 30 September 2010 and 30 September 2009 respectively

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Profit for the period	**846 343**	**2 347 084**	**642 318**	**1 802 097**
Other comprehensive income	**(164 411)**	**47 397**	**(149 173)**	**46 257**
Currency translation differences from foreign operations	(43 409)	(3 504)	(54 070)	(52 667)
Share in other comprehensive income of an associate	-	728	-	-
Unrealised net gains on financial assets available for sale (gross)	(19 242)	(4 213)	9 945	25 770
Deferred tax on unrealised net gains on financial assets available for sale	4 234	1 379	(1 317)	(4 314)
Cash flow hedge (gross)	(130 857)	65 441	(128 060)	95 639
Deferred tax on cash flow hedge	24 863	(12 434)	24 329	(18 171)
Total net comprehensive income	**681 932**	**2 394 481**	**493 145**	**1 848 354**
Total net comprehensive income, of which:	**681 932**	**2 394 481**	**493 145**	**1 848 354**
attributable to equity holders of PKO Bank Polski SA	682 316	2 396 843	489 374	1 835 359
attributable to non-controlling shareholders	(384)	(2 362)	3 771	12 995

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2010 and as at 31 December 2009

	Notes	30.09.2010	31.12.2009
ASSETS			
Cash and balances with the central bank		3 943 312	7 094 350
Amounts due from banks	13	1 510 859	2 023 055
Trading assets	14	2 780 504	2 212 955
Derivative financial instruments	15	2 419 818	2 029 122
Financial assets designated at fair value through profit and loss	17	14 050 619	12 360 690
Loans and advances to customers	18	126 715 100	116 572 585
Investment securities available for sale	19	9 303 268	7 944 317
Securities held to maturity	20	-	9 894
Investments in associates and jointly controlled entities	21	176 036	228 692
Non-current assets held for sale		15 658	13 851
Inventories		544 640	653 075
Intangible assets	22	1 644 717	1 572 577
Tangible fixed assets	22	2 612 206	2 777 694
- including investment properties		156	322
Current income tax receivables		3 189	7 184
Deferred income tax asset		515 715	403 218
Other assets		623 518	575 426
TOTAL ASSETS		**166 859 159**	**156 478 685**
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to the central bank		3 331	6 581
Amounts due to banks	23	5 732 952	5 146 048
Derivative financial instruments	15	1 939 657	1 544 370
Amounts due to customers	24	131 631 370	125 072 934
Debt securities in issue		179 155	289 360
Subordinated liabilities		1 631 753	1 612 178
Other liabilities	25	2 251 028	1 566 623
Current income tax liabilities		114 214	181 893
Deferred income tax liability		24 806	20 534
Provisions	26	519 947	602 294
TOTAL LIABILITIES		**144 028 213**	**136 042 815**
Equity			
Share capital		1 250 000	1 250 000
Other capital		16 796 384	16 732 988
Currency translation differences from foreign operations		(112 036)	(108 791)
Retained earnings		2 544 103	248 806
Net profit for the period		2 349 187	2 305 538
Capital and reserves attributable to equity holders of the parent company		**22 827 638**	**20 428 541**
Non-controlling interest		3 308	7 329
TOTAL EQUITY		**22 830 946**	**20 435 870**
TOTAL EQUITY AND LIABILITIES		**166 859 159**	**156 478 685**

Capital adequacy ratio	33	12.82%	14.66%
Book value (in PLN thousand)		22 830 946	20 435 870
Number of shares	1	1 250 000 000	1 250 000 000
Book value per share (in PLN)		18.26	16.35
Diluted number of shares		1 250 000 000	1 250 000 000
Diluted book value per share (in PLN)		18.26	16.35

Translation of Condensed Interim Consolidated Financial Statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group for the nine-month period ended 30 September 2010 (in PLN thousand)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine-month periods ended 30 September 2010 and 30 September 2009 respectively

For the nine-month period ended 30 September 2010	Share capital	Other capital								Currency translation differences from foreign operations	Retained earnings	Net profit for the period	Total equity attributable to equity holders of the parent company	Non-controlling interest	Total equity
		Reserve capital	Other reserves	General banking risk fund	Share in other comprehensive income of an associate	Financial assets available for sale	Cash flow hedge	Total other equity							
As at 1 January 2010	**1 250 000**	**12 149 682**	**3 405 087**	**1 070 000**	**705**	**(11 762)**	**119 276**	**16 732 988**	**(108 791)**	**248 806**	**2 305 538**	**20 428 541**	**7 329**	**20 435 870**
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	-	2 305 538	(2 305 538)	-	-	-
Total comprehensive income	-	-	-	-	728	(2 834)	53 007	50 901	(3 245)	-	2 349 187	2 396 843	(2 362)	**2 394 481**
Transfer from retained earnings	-	12 495	-	-	-	-	-	12 495	-	(12 495)	-	-	-	-
Additional payment to equity for non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	352	**352**
Acquisition of shares of a subsidiary by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	204	**204**
Increase of non-controlling interest by acquisition of shares of a subsidiary	-	-	-	-	-	-	-	-	-	1 493	-	1 493	(1 493)	-
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	761	-	761	(722)	**39**
As at 30 September 2010	**1 250 000**	**12 162 177**	**3 405 087**	**1 070 000**	**1 433**	**(14 596)**	**172 283**	**16 796 384**	**(112 036)**	**2 544 103**	**2 349 187**	**22 827 638**	**3 308**	**22 830 946**

For the nine-month period ended 30 September 2009	Share capital	Other capital								Currency translation differences from foreign operations	Retained earnings	Net profit for the period	Total equity attributable to equity holders of the parent company	Non-controlling interest	Total equity
		Reserve capital	Other reserves	General banking risk fund	Share in other comprehensive income of an associate	Financial assets available for sale	Cash flow hedge	Total other equity							
As at 1 January 2009	**1 000 000**	**7 274 717**	**1 523 827**	**1 070 000**	**-**	**(33 237)**	**-**	**9 835 307**	**(57 413)**	**53 232**	**3 120 674**	**13 951 800**	**46 216**	**13 998 016**
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	-	3 120 674	(3 120 674)	-	-	-
Total comprehensive income	-	-	-	-	-	21 456	77 468	98 924	(52 654)	-	1 789 089	1 835 359	12 995	**1 848 354**
Transfer from retained earnings	-	43 840	1 881 260	-	-	-	-	1 925 100	-	(1 925 100)	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(1 000 000)	-	(1 000 000)	(32 620)	**(1 032 620)**
Other	-	-	-	-	-	-	-	-	-	-	-	-	385	**385**
As at 30 September 2009	**1 000 000**	**7 318 557**	**3 405 087**	**1 070 000**	**-**	**(11 781)**	**77 468**	**11 859 331**	**(110 067)**	**248 806**	**1 789 089**	**14 787 159**	**26 976**	**14 814 135**

Translation of Condensed Interim Consolidated Financial Statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group for the nine-month period ended 30 September 2010 (in PLN thousand)

CONSOLIDATED CASH FLOW STATEMENT
for the nine-month periods ended 30 September 2010 and 30 September 2009 respectively

	Note	01.01-30.09.2010	01.01-30.09.2009
Net cash flow from operating activities			
Net profit		2 349 187	1 789 089
Adjustments:		(5 288 137)	(5 283 310)
Profit/loss of non-controlling shareholders		(2 103)	13 008
Amortisation and depreciation		361 026	345 368
(Gains) losses on investing activities		(3 033)	(8 208)
Interest and dividends		(323 796)	(258 619)
Change in amounts due from banks		(62 096)	969 971
Change in trading assets and other financial assets designated at fair value through profit and loss		(2 257 478)	(6 573 667)
Change in derivative financial instruments (asset)		(390 696)	1 164 411
Change in loans and advances to customers		(11 021 695)	(11 349 918)
Change in deferred income tax asset and income tax receivables		(108 502)	(49 653)
Change in other assets		58 536	(97 993)
Change in amounts due to banks		427 660	(596 170)
Change in derivative financial instruments (liability)		395 287	(3 937 826)
Change in amounts due to customers		6 558 888	14 737 889
Change in debt securities in issue		(110 205)	69 454
Change in impairment allowances and provisions		790 508	510 553
Change in other liabilities		756 826	325 495
Income tax paid		(848 922)	(877 425)
Current income tax expense		781 243	585 460
Other adjustments		(289 585)	(255 440)
Net cash from / used in operating activities		**(2 938 950)**	**(3 494 221)**
Net cash flow from investing activities			
Inflows from investing activities		**7 200 903**	**9 162 024**
Proceeds from sale of investment securities		7 187 870	9 145 145
Proceeds from sale of intangible assets and tangible fixed assets		7 672	16 879
Other inflows from investing activities		5 361	-
Outflows from investing activities		**(8 048 407)**	**(6 935 285)**
Purchase of investment securities		(7 767 238)	(6 568 336)
Purchase of intangible assets and tangible fixed assets		(281 169)	(366 949)
Net cash from / used in investing activities		**(847 504)**	**2 226 739**
Net cash flow from financing activities			
Payment of interest from debt securities in issue		(42 302)	(62 895)
Dividends paid to non-controlling shareholders		-	(32 620)
Long-term borrowings		699 947	423 145
Repayment of long term borrowings		(595 100)	(508 261)
Net cash generated from financing activities		**62 545**	**(180 631)**
Net cash inflow/ (outflow)		**(3 723 909)**	**(1 448 113)**
including currency translation differences on cash and cash equivalents		495	3 270
Cash and cash equivalents at the beginning of the period		8 992 393	8 270 243
Cash and cash equivalents at the end of the period	**29**	**5 268 484**	**6 822 130**
of which restricted		9 061	6 770

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The condensed interim consolidated financial statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group ('the PKO Bank Polski SA Group', 'the Group') have been prepared for the nine-month period ended 30 September 2010 and include comparative data for the nine-month period ended 30 September 2009 (as regards consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement) and include comparative data as at 31 December 2009 (as regards consolidated statement of financial position). Data has been presented in PLN thousand, unless indicated otherwise.

The parent company of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group is Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna ('PKO Bank Polski SA'; 'the parent company'; 'the Bank').

The parent company was established in 1919 as the Pocztowa Kasa Oszczędnościowa. Since 1950 the parent company operated as the Powszechna Kasa Oszczędności State-owned bank. Pursuant to the Decree of the Council of Ministers dated 18 January 2000 (Journal of Laws No. 5, item 55 with subsequent amendments) Powszechna Kasa Oszczędności (a state-owned bank) was transformed into a state-owned joint-stock company, Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna with its head office in Warsaw, Puławska 15, 02-515 Warsaw, Poland.

On 12 April 2000 Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna was registered and the Company was entered in the Register of Companies by the District Court for the capital city of Warsaw, Commercial Court XVI Registration Department. At present, the appropriate Court of Registration is the District Court for the capital city of Warsaw, XIII Economic Department of the National Court Register. The Bank was registered under entry No. KRS 0000026438 and was granted a statistical REGON No. 016298263. The Bank's paid share capital amounts to PLN 1 250 000 thousand.

The Bank's shareholding structure is as follows:

Shareholder	Number of shares	Number of votes %	Nominal value of the share	Shareholding %
As at 30 September 2010				
The State Treasury	512 406 277	40.99	PLN 1	40.99
Bank Gospodarstwa Krajowego	128 102 731	10.25	PLN 1	10.25
Other shareholders	609 490 992	48.76	PLN 1	48.76
Total	**1 250 000 000**	**100.00**	**---**	**100.00**
As at 31 December 2009				
The State Treasury	512 406 927	40.99	PLN 1	40.99
Bank Gospodarstwa Krajowego	128 102 731	10.25	PLN 1	10.25
Other shareholders	609 490 342	48.76	PLN 1	48.76
Total	**1 250 000 000**	**100.00**	**---**	**100.00**

The Bank is a public company quoted on the Warsaw Stock Exchange. According to the Warsaw Stock Exchange Bulletin (Ceduła Giełdowa), the Bank is classified under the macro-sector 'Finance', sector 'Banks'.

Business activities of the Group

PKO Bank Polski SA is a universal commercial bank offering services to both domestic and foreign retail, corporate and other clients. PKO Bank Polski SA is licensed to perform a full range of foreign exchange services; open and hold bank accounts abroad and to deposit foreign exchange in these accounts.

Translation of Condensed Interim Consolidated Financial Statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group for the nine-month period ended 30 September 2010 (in PLN thousand)

In addition, the Group conducts activities relating to leasing, factoring, investment funds, pension funds, Internet banking as well as servicing and settlement of card transactions and real estate development. The scope of activities of each of the Group entities is set out in this note, in the table 'Structure of the PKO Bank Polski SA Group'.

The Group operates in the Republic of Poland and through its subsidiaries, KREDOBANK SA and UKRPOLINWESTYCJE Sp. z o.o. – in Ukraine and through its subsidiary PKO Finance AB in Sweden.

Structure of the PKO Bank Polski SA Group

The PKO Bank Polski SA Group consists of the following entities:

No.	Entity name	Registered office	Activity	Share capital held by the Group (%) 30.09.2010	Share capital held by the Group (%) 31.12.2009
			Parent company		
1	**Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna**				
			Direct subsidiaries		
2	Bankowe Towarzystwo Kapitałowe SA	Warsaw	Services, including financial services	100.00	100.00
3	Bankowy Fundusz Leasingowy SA	Łódź	Leasing services	100.00	100.00
4	Centrum Elektronicznych Usług Płatniczych 'eService' SA	Warsaw	Servicing and settlement of card transactions	100.00	100.00
5	Centrum Finansowe Puławska Sp. z o.o.	Warsaw	Management and use of Centrum Finansowe Puławska	100.00	100.00
6	Inteligo Financial Services SA	Warsaw	Technical servicing of Internet banking	100.00	100.00
7	KREDOBANK SA	Lviv, Ukraine	Financial services	99.5655	99.4948
8	PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA	Warsaw	Pension fund management	100.00	100.00
9	PKO BP Inwestycje Sp. z o.o.	Warsaw	Real estate development	100.00	100.00
10	PKO Finance AB	Stockholm, Sweden	Financial services	100.00	100.00
11	PKO Towarzystwo Funduszy Inwestycyjnych SA	Warsaw	Investment fund management	100.00	100.00
12	Fort Mokotów Inwestycje Sp. z o.o.[1]	Warsaw	Real estate development	99.9885	99.9885
			Indirect subsidiaries		
	Subsidiaries of PKO BP Inwestycje Sp. z o.o.				
13	PKO BP Inwestycje – Nowy Wilanów Sp. z o.o. [2 and 3]	Warsaw	Real estate development	99.9750	99.9750
14	PKO BP Inwestycje – Neptun Park Sp. z o.o. [2 and 4]	Warsaw	Real estate development	99.9975	99.9975
15	PKO BP Inwestycje - Rezydencja Flotylla Sp. z o.o.[5]	Warsaw	Real estate development	100.00	100.00
16	UKRPOLINWESTYCJE Sp. z o.o.	Kiev, Ukraine	Real estate development	55.00	55.00
17	Fort Mokotów Sp. z o.o.	Warsaw	Real estate development	51.00	51.00
18	WISŁOK Inwestycje Sp. z o.o.[6]	Rzeszów	Real estate development	-	80.00
19	PKO BP Inwestycje – Sarnia Dolina Sp. z o.o. [7]	Warsaw	Real estate development	56.00	56.00
	Subsidiaries of Bankowy Fundusz Leasingowy SA				
20	Bankowy Leasing Sp. z o.o. [2]	Łódź	Leasing services	99.9974	99.9969
21	BFL Nieruchomości Sp. z o.o. [2]	Łódź	Leasing services	99.9949	99.9930
	Subsidiary of Inteligo Financial Services SA				
22	PKO BP Finat Sp. z o.o. [8]	Warsaw	Intermediary financial services	80.3287	80.3287
	Subsidiary of Bankowe Towarzystwo Kapitałowe SA				
23	PKO BP Faktoring SA [2]	Warsaw	Factoring	99.9867	99.9846

1) The second shareholder of the entity Fort Mokotów Inwestycje Sp. z o.o. is PKO BP Inwestycje Sp. z o.o.
2) PKO Bank Polski SA holds 1 share in the entity.
3) The previous name of the entity was Wilanów Investments Sp. z o.o.
4) The previous name of the entity was POMERANKSA Sp. z o.o.
5) The previous name of the entity was PKO Inwestycje - Międzyzdroje Sp. z o.o.
6) All shares were sold on 26 February 2010.
7) The previous name of the entity was Baltic Dom 2 Sp. z o.o.
8) Other shares of the entity PKO BP Finat Sp. z o.o. are in hold of PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA (19.6702%) and PKO Bank Polski SA (0.0011%).

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Associates and jointly controlled entities included in the consolidated financial statements: Jointly controlled entities

No.	Name of Entity	Registered office	Activity	% Share capital	
				30.09.2010	31.12.2009
			Direct jointly controlled entities		
1	CENTRUM HAFFNERA Sp. z o.o.	Sopot	Real estate development	49.43	49.43
2	Centrum Obsługi Biznesu Sp. z o.o.	Poznań	Construction and maintenance of a hotel	41.44	41.44
			Indirect jointly controlled entities		
	Subsidiaries of CENTRUM HAFFNERA Sp. z o.o. (indirect jointly controlled by PKO Bank Polski SA)				
3	Centrum Majkowskiego Sp. z o.o.	Sopot	Real estate development	100.00	100.00
4	Kamienica Morska Sp. z o.o.	Sopot	Real estate development	100.00	100.00
5	Sopot Zdrój Sp. z o.o.	Sopot	Real estate development	100.00	100.00
6	Promenada Sopocka Sp. z o.o.	Sopot	Real estate development	100.00	100.00

Associates:

No.	Name of Entity	Registered office	Activity	% Share capital	
				30.09.2010	31.12.2009
			Direct associates		
1	Bank Pocztowy SA	Bydgoszcz	Financial services	25.0001	25.0001
2	Kolej Gondolowa Jaworzyna Krynicka SA[1]	Krynica Górska	Construction and operation of cable railway	37.53	37.53
3	Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	Poznań	Provision of sureties and guarantees	33.33	33.33
4	Agencja Inwestycyjna CORP SA	Warsaw	Office real estate management	22.31	22.31

1) Investment in entity is recognised in non-current assets held for sale.

Information on changes in the parent's participation in the share capital of the subsidiaries is set out in Note 31 'Changes to the entities of the Group'.

2. Summary of significant accounting policies and critical estimates

2.1. Summary of significant accounting policies

These condensed interim consolidated financial statements of the Group have been prepared in accordance with the requirements of the International Accounting Standard 34 'Interim Financial Reporting' endorsed by the European Union.

The accounting policies and calculations applied in these condensed interim financial statements are consistent to those, which where applied in the six-month period ended 30 June 2010. These policies were described in detail in the Condensed Consolidated Interim Financial Statements of the PKO Bank Polski SA Group for the six-month period ended 30 June 2010, including policies applied by preparation of Consolidated Financial Statements for the year ended 31 December 2009.

3. Information on the segments of activities

The PKO Bank Polski SA Group's segment reporting scheme is primarily based on the criteria of the groups of clients – recipients of the products and services offered by the parent company and other Group companies. Every operating business segment comprises activities of providing products and services that are characterized by the similar risk and rewards – different from other business segments. The segment report below is recognised in an internal reporting system, i.e. information presented to the Management Board of PKO Bank Polski SA. It is used to assess achieved results and to allocate resources.

The segment report below presents an internal structure of the PKO Bank Polski SA Group. At present, the PKO Bank Polski SA Group comprises three basic segments: retail, corporate and investment segment:

1. The retail segment comprises transactions of the parent company with retail clients, clients of small and medium-sized enterprises and mortgage market clients, as well as activities of the following subsidiaries: KREDOBANK SA, PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA, PKO Towarzystwo Funduszy Inwestycyjnych SA, the Inteligo Financial Services SA Group, Centrum Elektronicznych Usług Płatniczych eService SA, and the PKO BP Inwestycje Sp. z o.o. Group and Fort Mokotów Inwestycje Sp. z o. o.

   This segment comprises, among others, the following products and services: current and saving accounts, deposits, private banking services, investment products, credit and debit cards, consumer and mortgage loans, corporate loans for small and medium-sized enterprises and housing market customers.

2. The corporate segment includes transactions of the parent company with large corporate clients, as well as activities of the Bankowy Fundusz Leasingowy SA Group and of the Bankowe Towarzystwo Kapitałowe SA Group.

   This segment comprises, among others, the following products and services: current and saving accounts, deposits, depositary services, currency and derivative products, sell buy back and buy sell back transactions, investment loans, leases and factoring. Within the segment, PKO Bank Polski SA also enters, individually or in consortium with other banks, into loan agreements financing large investment projects.

3. The investment segment comprises investing and brokerage activities, interbank transactions, derivative instruments and debt securities transactions and activities of PKO Finance AB and Centrum Finansowe Puławska Sp. z .o.o. In the net result of the segment, the net result of internal settlements related to funds transfer pricing is presented – the Bank's ALM transfer centre.

Accounting policies applied in the segmentation report are consistent with accounting policies described in Note 2 of these statements.

Disclosed values of assets and liabilities are operating assets and liabilities applied by operating activities segment. Values of assets, liabilities, income and expenses of a particular segment are based on internal management information. To particular segments there have been assigned assets and liabilities as well as income and expense related to these assets and liabilities.

The tables below present data relating to results of individual business segments of the PKO Bank Polski SA Group for the nine-month period ended 30 September 2010 and 30 September 2009 and of selected assets and liabilities as at 30 September 2010 and as at 31 December 2009.

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For the nine-month period ended 30 September 2010	Continued operations			
	Retail segment	Corporate segment	Investment segment	Total activity of the Group
Net interest income	4 281 686	584 313	(80 663)	4 785 336
Net fee and commission income	2 052 642	191 241	80 919	2 324 802
Other net income	250 094	68 998	116 115	435 207
Result from financial operations	(4 264)	(2 093)	4 562	(1 795)
Net foreign exchange gains	131 574	60 138	100 102	291 814
Dividend income	-	-	5 595	5 595
Net other operating income	103 270	30 467	5 856	139 593
Income/expenses relating to internal customers	19 514	(19 514)	-	-
Net impairment allowance and write-downs	(1 179 473)	(205 131)	(57 333)	(1 441 937)
Administrative expenses, of which:	(2 808 124)	(201 998)	(82 361)	(3 092 483)
Amortization and depreciation	(323 056)	(24 126)	(13 844)	(361 026)
Share of profit (loss) of associates and jointly controlled entities	-	-	-	(4 635)
Segment gross profit	2 596 825	437 423	(23 323)	3 006 290
Income tax expense	-	-	-	(659 206)
Net profit attributable to non-controlling shareholders	-	-	-	(2 103)
Net profit attributable to the parent entity	**2 596 825**	**437 423**	**(23 323)**	**2 349 187**

As at 30 September 2010	Continued operations			
	Retail segment	Corporate segment	Investment segment	Total activity of the Group
Assets	106 884 383	33 829 713	26 145 063	**166 859 159**
Liabilities	105 047 896	31 070 580	7 909 737	**144 028 213**

For the nine-month period ended 30 September 2009	Continued operations			
	Retail segment	Corporate segment	Investment segment	Total activity of the Group
Net interest income	3 954 508	434 852	(755 412)	3 633 947
Net fee and commission income	1 645 665	161 623	65 800	1 873 088
Other net income	505 728	109 522	418 406	1 033 656
Result from financial operations	(3 434)	3 773	47 617	47 957
Net foreign exchange gains	323 919	102 895	333 416	760 230
Dividend income	-	-	5 083	5 083
Net other operating income	165 742	22 354	32 290	220 386
Income/expenses relating to internal customers	19 500	(19 500)	-	-
Net impairment allowance and write-downs	(890 022)	(236 900)	(1 343)	(1 128 265)
Administrative expenses, of which:	(2 818 963)	(210 378)	(74 709)	(3 104 050)
Amortization and depreciation	(308 609)	(23 531)	(13 228)	(345 368)
Share of profit (loss) of associates and jointly controlled entities	-	-	-	1 469
Segment gross profit	2 396 916	258 719	(347 258)	2 309 845
Income tax expense	-	-	-	(507 748)
Net profit attributable to non-controlling shareholders	-	-	-	13 008
Net profit attributable to the parent entity	**2 396 916**	**258 719**	**(347 258)**	**1 789 089**

As at 31 December 2009	Continued operations			
	Retail segment	Corporate segment	Investment segment	Total activity of the Group
Assets	96 506 139	36 426 481	23 546 065	**156 478 685**
Liabilities	100 543 469	28 402 191	7 097 155	**136 042 815**

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As an additional reporting scheme, the Group uses geographical areas. The PKO Bank Polski SA Group conducts its activities in Ukraine – through KREDOBANK SA and through Ukrpolinwestycje Sp. z o.o.

For the nine-month period ended 30 September 2010	Poland	Ukraine	Total
Net interest income	4 726 311	59 025	4 785 336
Net fee and commission income	2 294 011	30 791	2 324 802
Other net income	445 048	(9 841)	435 207
Administrative expenses	(3 010 127)	(82 356)	(3 092 483)
Net impairment allowance and write-downs	(1 420 666)	(21 271)	(1 441 937)
Share of profit (loss) of associates and jointly controlled entities	-	-	(4 635)
Segment gross profit	**3 034 577**	**(23 652)**	**3 006 290**
Income tax expense	-	-	(659 206)
Net profit attributable to non-controlling shareholders	-	-	(2 103)
Net profit/(loss)	**3 034 577**	**(23 652)**	**2 349 187**

As at 30 September 2010	Poland	Ukraine	Total
Assets of the segment	165 004 967	1 854 192	**166 859 159**
Liabilities of the segment	142 757 223	1 270 990	**144 028 213**

For the nine-month period ended 30 September 2009	Poland	Ukraine	Total
Net interest income	3 526 723	107 224	3 633 947
Net fee and commission income	1 833 487	39 601	1 873 088
Other net income	1 035 239	(1 583)	1 033 656
Administrative expenses	(3 007 663)	(96 387)	(3 104 050)
Net impairment allowance and write-downs	(919 116)	(209 149)	(1 128 265)
Share of profit (loss) of associates and jointly controlled entities	-	-	1 469
Segment gross profit	**2 468 670**	**(160 294)**	**2 309 845**
Income tax expense	-	-	(507 748)
Net profit attributable to non-controlling shareholders	-	-	13 008
Net profit/(loss)	**2 468 670**	**(160 294)**	**1 789 089**

As at 31 December 2009	Poland	Ukraine	Total
Assets of the segment	154 555 349	1 923 336	**156 478 685**
Liabilities of the segment	134 726 841	1 315 974	**136 042 815**

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4. Interest income and expense

Interest and similar income

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Income from loans and advances to customers	2 182 952	6 287 403	1 857 804	5 589 780
Income from derivative hedging instruments	185 199	493 610	173 938	252 308
Income from securities designated at fair value through profit and loss	119 981	362 869	108 339	300 075
Income from investment securities	115 051	344 406	94 615	280 077
Income from placements with banks	36 896	109 501	32 286	126 612
Income from trading assets	29 052	101 536	23 835	63 555
Other	2 231	5 213	658	11 683
Total	**2 671 362**	**7 704 538**	**2 291 475**	**6 624 090**

In the 'Income from derivative hedging instruments' the Group presents interest income from designated derivative instruments that are effective hedging instruments in the respect of cash flow hedge. Details of hedging relationships applied by the Group are included in Note 16 'Derivative hedging instruments'.

In the nine-month period ended 30 September 2010, interest income from loans for which objective evidence of impairment has been identified amounted to PLN 313 584 thousand, of which interest income from impaired loans amounted to PLN 238 627 thousand. This income has been included in 'Income from loans and advances to customers'.

The above values include the amount of PLN 40 725 thousand recognised in the third quarter of 2010 in correspondence with 'Net impairment allowance and write-downs', resulting from additional data obtained from available applications and IT systems.

Interest expense and similar charges

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Interest expense on amounts due to customers	(903 695)	(2 763 057)	(908 752)	(2 790 368)
Interest expense on debt securities in issue	(25 202)	(78 805)	(26 536)	(93 406)
Interest expense on deposits from banks	(7 231)	(24 466)	(9 592)	(41 865)
Other	(16 077)	(52 874)	(14 275)	(64 504)
Total	**(952 205)**	**(2 919 202)**	**(959 155)**	**(2 990 143)**

5. Fee and commission income and expense

Fee and commission income

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Income from financial assets, which are not valued at fair value through profit and loss, of which:	**138 463**	**384 603**	**95 992**	**259 691**
Income from loans and advances	138 463	384 603	95 992	259 691
Other fee and commissions	**838 074**	**2 501 920**	**795 476**	**2 156 659**
Income from payment cards	239 687	714 908	237 502	683 064
Income from maintenance of bank accounts	229 487	690 888	229 753	666 125
Income from loan insurance	167 037	505 121	115 402	208 373
Income from maintenance of investment and pension funds (including management fees)	85 428	243 550	79 758	228 012
Income from cash transactions	44 669	133 434	52 772	142 570
Income from securities transactions	20 288	53 584	14 462	38 732
Income from servicing foreign mass transactions	11 390	32 905	10 444	30 498
Income from sale and distribution of marks of value	5 248	18 913	7 853	20 290
Other*	34 840	108 617	47 530	138 995
Income from trustee activities	**376**	**1 142**	**451**	**1 230**
Total	**976 913**	**2 887 665**	**891 919**	**2 417 580**

* Included in 'Other' are commissions received for servicing bond sale transactions, commissions of Dom Maklerski for servicing Initial Public Offering issue and commissions for servicing loans granted by the State budget.

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Fee and commission expense

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Expenses on payment cards	(67 145)	(225 826)	(84 798)	(246 014)
Expenses on loan insurance	(39 926)	(113 902)	(28 603)	(63 586)
Expenses on acquisition services	(36 004)	(109 118)	(38 368)	(115 121)
Expenses on asset management fees	(8 145)	(21 006)	(11 016)	(34 115)
Expenses on clearing and settlement services	(4 637)	(16 460)	(5 000)	(16 788)
Expenses on fee and commissions for operating services rendered by banks	(2 626)	(7 814)	(1 643)	(4 957)
Other*	(20 850)	(68 737)	(21 190)	(63 911)
Total	**(179 333)**	**(562 863)**	**(190 618)**	**(544 492)**

* Included in 'Other' are: fee and expenses paid by the brokerage house (Dom Maklerski) to Warsaw Stock Exchange (GPW) and the National Depository for Securities (KDPW) and fee and commissions paid due to settlement and clearing services.

6. Net income from financial instruments at fair value through profit and loss

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Derivative instruments[1)]	(29 909)	(78 832)	(15 853)	23 927
Debt securities	13 320	38 937	3 335	25 227
Equity instruments	777	1 460	409	1 600
Other[1)]	9	27	45	1 188
Total	**(15 803)**	**(38 408)**	**(12 064)**	**51 942**

In the net income from financial instruments at fair value, position 'Derivative instruments", an ineffective portion related to hedges against fluctuations in cash flows was recognized and it amounted to PLN (48 772) thousand in the period ended 30 September 2010 (in the period ended 30 September 2009 an ineffective portion related to hedges against fluctuations in cash flows amounted to PLN (9 852) thousand).

3rd quarter period from 01.07.2010 to 30.09.2010	Gains	Losses	Net result
Trading assets	1 641 280	(1 670 006)	(28 726)
Financial assets designated upon initial recognition at fair value through profit and loss	10 918	2 005	12 923
Total	**1 652 198**	**(1 668 001)**	**(15 803)**

3 quarters cumulatively period from 01.01.2010 to 30.09.2010	Gains	Losses	Net result
Trading assets	7 283 891	(7 359 481)	(75 590)
Financial assets designated upon initial recognition at fair value through profit and loss	50 076	(12 894)	37 182
Total	**7 333 967**	**(7 372 375)**	**(38 408)**

3rd quarter period from 01.07.2009 to 30.09.2009	Gains	Losses	Net result
Trading assets	1 681 958	(1 698 325)	(16 367)
Financial assets designated upon initial recognition at fair value through profit and loss	2 694	1 609	4 303
Total	**1 684 652**	**(1 696 716)**	**(12 064)**

3 quarters cumulatively period from 01.01.2009 to 30.09.2009	Gains	Losses	Net result
Trading assets	10 757 794	(10 719 474)	38 320
Financial assets designated upon initial recognition at fair value through profit and loss	78 956	(65 334)	13 622
Total	**10 836 750**	**(10 784 808)**	**51 942**

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The total change in fair values of financial instruments designated at fair value through profit and loss determined with use of valuation models (where no quotations from active market were available) in the period ended 30 September 2010 amounted to PLN (78 805)[*)] thousand (in the period ended 30 September 2009: PLN 25 115[*)] thousand).

7. Net foreign exchange gains

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Currency translation differences resulting from financial instruments designated at fair value through profit and loss	2 010 458	74 980	(184 754)	2 502 983
Other currency translation differences	(1 884 598)	216 834	304 802	(1 742 753)
Total	**125 860**	**291 814**	**120 048**	**760 230**

8. Other operating income and expense

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Other operating income				
Net income from sale of goods, commodities and materials*	119 434	235 181	66 862	254 846
Sales and disposal of tangible fixed assets, intangible assets, and assets held for sale	12 429	38 042	22 534	49 914
Damages, penalties and fines received	4 197	18 515	9 436	20 051
Sundry income	7 101	16 484	6 786	17 774
Recovery of expired and written-off receivables	1 802	3 340	3 354	18 169
Income on sale of shares in associates and jointly controlled entities	-	577	-	245
Other	4 161	26 323	36 116	95 336
Total	**149 124**	**338 462**	**145 088**	**456 335**

* Included in 'Net income from sale of goods, commodities and materials' are mainly income related to real estate activities, income related to sales of electronic charging of mobile phones, cards and other IT services.

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Other operating expenses				
Costs of sale of goods, commodities and materials*	(69 814)	(123 906)	(42 170)	(131 386)
Costs of sale and disposal of tangible fixed assets, intangible assets and assets held for sale	(10 854)	(36 226)	(15 430)	(42 647)
Sundry expenses	(1 067)	(3 249)	(1 009)	(3 808)
Donations	(1 250)	(3 210)	(322)	(2 595)
Other	(3 281)	(32 278)	(22 032)	(55 513)
Total	**(86 266)**	**(198 869)**	**(80 963)**	**(235 949)**

* Included in 'Costs of sale of goods, commodities and materials' is mainly expense related to real estate activities.

[*)] The total amount of the items marked with [1)] in Note 6 'Net income from financial instruments designated at fair value'.

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9. Net impairment allowance and write-downs

For the nine-month period ended 30 September 2010	Impairment allowances at the beginning of the period	Increases			Decreases				Impairment allowances at the end of the period	Net impairment allowance – impact on the income statement
		Impairment allowances recognised during the period	Currency translation differences	Other	Decrease in impairment allowances due to derecognition of assets	Impairment allowances reversed during the period	Currency translation differences	Other		
Investment securities available for sale	21 572	4 607	149	-	1 061	3 750	-	137	21 380	(857)
Loans and advances to customers and amounts due from banks measured at amortised cost	3 964 233	3 638 704	11 935	16 233	529 283	2 256 988	-	-	4 844 834	(1 381 716)
Tangible fixed assets	1 856	16 222	-	-	1	28	-	23	18 026	(16 194)
Intangible assets	95 135	-	-	-	-	-	-	-	95 135	-
Investments in entities measured using equity method	5 028	48 668	-	-	-	26	-	-	53 670	(48 642)
Non-current assets held for sale	1 680	-	-	-	-	-	-	-	1 680	-
Other, of which:	359 043	187 276	281	-	42 192	192 748	-	49	311 611	5 472
Provisions for legal claims and off-balance sheet liabilities	119 849	118 581	73	-	743	137 071	-	45	100 644	18 490
Total	**4 448 547**	**3 895 477**	**12 365**	**16 233**	**572 537**	**2 453 540**	**-**	**209**	**5 346 336**	**(1 441 937)**

For the nine-month period ended 30 September 2009	Impairment allowances at the beginning of the period	Increases			Decreases				Impairment allowances at the end of the period	Net impairment allowance – impact on the income statement
		Impairment allowances recognised during the period	Currency translation differences	Other	Decrease in impairment allowances due to derecognition of assets	Impairment allowances reversed during the period	Currency translation differences	Other		
Investment securities available for sale	25 691	13 584	-	24 471	7 025	10 356	257	-	46 108	(3 228)
Loans and advances to customers and amounts due from banks measured at amortised cost	2 945 987	2 834 882	-	328	473 412	1 716 029	33 126	-	3 558 630	(1 118 853)
Tangible fixed assets	2 035	9	-	69	-	799	-	38	1 276	790
Intangible assets	91 733	-	-	7 610	-	-	-	-	99 343	-
Investments in entities measured using equity method	4 360	-	-	-	-	-	-	3 208	1 152	-
Non-current assets held for sale	-	-	-	-	-	-	-	-	-	-
Other, of which:	219 549	140 031	-	91 839	9 425	133 057	251	12 949	295 737	(6 974)
Provisions for legal claims and off-balance sheet liabilities	87 602	117 396	-	-	2 124	129 017	231	733	72 893	11 621
Total	**3 289 355**	**2 988 506**	**-**	**124 317**	**489 862**	**1 860 241**	**33 634**	**16 195**	**4 002 246**	**(1 128 265)**

Impairment allowances on loans and advances to customers and amounts due from banks measured at amortised cost recognised in the amount of PLN (1 381 716) thousand include interest income due to loans and advances to customers in the amount of PLN (40 725) thousand recognised in the third quarter of 2010 in correspondence with 'Income from loans and advances to customers', resulting from additional data obtained from available applications and IT systems.

10. Administrative expenses

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Staff costs	(598 105)	(1 736 541)	(579 410)	(1 675 911)
Overheads	(304 432)	(901 780)	(304 141)	(996 124)
Depreciation and amortisation	(122 806)	(361 026)	(116 297)	(345 368)
Taxes and other charges	(18 781)	(53 098)	(16 690)	(49 409)
Contribution and payments to Banking Guarantee Fund	(13 346)	(40 038)	(12 386)	(37 238)
Total	**(1 057 470)**	**(3 092 483)**	**(1 028 924)**	**(3 104 050)**

Wages and salaries / Employee benefits

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Wages and salaries	(505 545)	(1 454 992)	(487 475)	(1 393 766)
Insurance	(77 794)	(235 185)	(77 179)	(234 089)
contributions for retirement benefits and pensions*	(57 535)	(178 744)	(58 861)	(179 251)
Other employee benefits	(14 766)	(46 364)	(14 756)	(48 056)
Total	**(598 105)**	**(1 736 541)**	**(579 410)**	**(1 675 911)**

*Total expense incurred by the Group related to contributions for retirement benefits and pensions.

11. Income tax expense

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Consolidated income statement				
Current income tax expense	(302 629)	(781 243)	(219 562)	(585 460)
Deferred income tax related to temporary differences	74 520	122 037	47 422	77 712
Tax expense disclosed in the consolidated income statement	**(228 109)**	**(659 206)**	**(172 140)**	**(507 748)**
Tax expense disclosed in other comprehensive income related to temporary differences	29 097	(11 055)	23 012	(22 485)
Total	**(199 012)**	**(670 261)**	**(149 128)**	**(530 233)**

12. Earnings per share

Basic earnings per share

The basic earnings per share ratio is calculated on the basis of profit or loss attributable to ordinary shareholders of the Bank, by dividing the respective profit and loss by the weighted average number of ordinary shares outstanding during a given period.

Earnings per share

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Profit per ordinary shareholders (in PLN thousand)	846 850	2 349 187	638 531	1 789 089
Weighted average number of ordinary shares during the period (in thousands)	1 250 000	1 250 000	1 090 000	1 090 000
Earnings per share (in PLN per share)	0.68	1.88	0.59	1.64

for the nine-month period ended 30 September 2010 (in PLN thousand)

Earnings per share from discontinued operations

In the periods ended 30 September 2010 and 30 September 2009, the Group did not report any material income or expenses from discontinued operations.

Diluted earnings per share

The diluted earnings per share ratio is calculated on the basis of profit or loss attributable to ordinary shareholders, by dividing the respective profit or loss by the weighted average number of ordinary shares outstanding during a given period, adjusted for the effect of all potential dilutive ordinary shares.

There were no dilutive instruments in three quarters of 2010 or in three quarters of 2009.

Diluted earnings per share from discontinued operations

In the periods ended 30 September 2010 and 30 September 2009, the Group did not report any material income or expenses from discontinued operations.

13. Amounts due from banks

	30.09.2010	31.12.2009
Deposits with banks	823 486	1 160 377
Current accounts	401 781	617 388
Receivables due from repurchase agreements	108 759	105 427
Loans and advances	161 335	161 378
Cash in transit	44 028	5 594
Total	**1 539 389**	**2 050 164**
Impairment allowances	(28 530)	(27 109)
of which impairment allowance on exposure to a foreign bank	(27 717)	(27 013)
Net total	**1 510 859**	**2 023 055**

14. Trading assets

	30.09.2010	31.12.2009
Debt securities	2 774 262	2 202 847
issued by the State Treasury	2 768 775	2 198 840
issued by local government bodies	5 359	2 208
issued by banks	128	1 799
Shares in other entities - listed on stock exchange	6 242	10 108
Total	**2 780 504**	**2 212 955**

15. Derivative financial instruments

Type of contract	30.09.2010		31.12.2009	
	Assets	Liabilities	Assets	Liabilities
IRS	1 638 089	1 647 193	1 306 906	1 296 136
FRA	13 787	12 748	7 613	8 298
FX Swap	55 311	77 153	90 056	27 181
CIRS	602 575	96 604	402 221	33 699
Forward	31 307	65 185	24 167	49 349
Options	75 350	40 195	198 159	127 847
Other	3 399	579	-	1 860
Total	**2 419 818**	**1 939 657**	**2 029 122**	**1 544 370**

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16. Derivative hedging instruments

As at 30 September 2010, the Group applies the following hedging strategies:

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.

The characteristics of the cash flow hedges applied by the Group are presented in the table below:

Hedging strategy:	**Hedges against fluctuations in cash flows from mortgage loans in CHF and negotiated term deposits in PLN, resulting from the risk of fluctuations in interest rates and in foreign exchange rates, using CIRS transactions**	**Hedges against fluctuations from loans in PLN at float rate, resulting from the risk of fluctuations in interest rates, using IRS transactions**
Type of hedge relationship	Cash flow hedge accounting.	Cash flow hedge accounting.
Description of hedge relationship	Elimination of the risk of cash flow fluctuations generated by mortgage loans denominated in CHF and negotiated term deposits in PLN resulting from fluctuations in reference interest rates in CHF and PLN, and changes in foreign exchange rates CHF/PLN during the hedged period.	Elimination of the risk of cash flow fluctuations generated by floating rate PLN loans resulting from the interest rate risk in the period covered by the hedge.
Hedged risk	Currency risk and interes rate risk.	Interest rate risk.
Hedging instrument	CIRS transactions where the Group pays coupons based on 3M CHF LIBOR, and receives coupons based on 3M WIBOR on the nominal amount defined in CHF and PLN respectively.	IRS transactions where the Group pays coupons based on variable 3M WIBOR, and receives coupons based on a fixed rate on the nominal amount for which they were concluded.
Hedged position	1) The portfolio of floating rate mortgage loans denominated in CHF. 2) The portfolio of short-term negotiable term deposits, including renewals in the future (high probability of occurrence).	The portfolio of loans in PLN indexed to the variable 3M WIBOR rate.
Hedge effectiveness	The effectiveness of the hedge is verified by applying prospective and retrospective effectiveness tests. Tests are performed on a monthly basis.	The effectiveness of the hedge is verified by applying prospective and retrospective effectiveness tests. Tests are performed on a monthly basis.
The date of establishing a hedging relationship	Beginning from 1 April 2009, gradually on the dates of resetting the CIRS designated for hedge accounting.	May, July, December 2009 April – September 2010
Periods in which cash flows are expected and in which they should have an impact on the financial result	October 2010 - January 2017	October 2010 – July 2013

Cash flow hedges

The fair value of derivative instruments constituting cash flow hedges related to the interest rate and / or foreign exchange rate as at 30 September 2010 and as at 31 December 2009:

Type of instrument:	Carrying amount/fair value					
	30.09.2010			31.12.2009		
	Assets	Liabilities	Total	Assets	Liabilities	Total
Interest Rate Swaps	44 117	70	**44 047**	7 610	93	**7 517**
Cross Interest Rate Swaps	519 965	34 834	**485 131**	344 651	25 219	**319 432**
Total	**564 082**	**34 904**	**529 178**	**352 261**	**25 312**	**326 949**

The nominal value of the hedging instruments by maturity as at 30 September 2010 and as at 31 December 2009:

Type of instrument:	Nominal value as at 30 September 2010					
	Up to 6 months	6 – 12 months	1 – 2 years	2 – 5 years	Over 5 years	Total
IRS in PLN thousand	-	5 075 000	838 000	30 000	-	**5 943 000**
CIRS						
in PLN thousand	905 630	1 361 255	1 655 920	10 412 200	2 119 905	**16 454 910**
in CHF thousand	300 000	450 000	550 000	3 450 000	700 000	**5 450 000**

Type of instrument:	Nominal value as at 31 December 2009					
	Up to 6 months	6 – 12 months	1 – 2 years	2 – 5 years	Over 5 years	Total
IRS in PLN thousand	260 000	140 000	-	30 000	-	**430 000**
CIRS						
in PLN thousand	418 155	1 115 740	1 666 295	9 022 190	3 314 055	**15 536 435**
in CHF thousand	150 000	400 000	600 000	3 250 000	1 200 000	**5 600 000**

Other comprehensive income as regards cash flows hedge	01.01-30.09.2010	01.01-30.09.2009
Other comprehensive income at the beginning of the period	147 254	-
Gains or losses transferred to other comprehensive income in the period	654 246	251 389
Amount transferred in the period from other comprehensive income to the income statement	(588 805)	(155 750)
Other comprehensive income at the end of the period (gross)	**212 695**	**95 639**
Tax effect	**(40 412)**	**(18 171)**
Net other comprehensive income at the end of the period	**172 283**	**77 468**
Ineffective part of cash flow hedge recognized through profit and loss	**(48 772)**	**(9 852)**

17. Financial assets designated at fair value through profit and loss

	30.09.2010	31.12.2009
Debt securities	**14 050 619**	**12 360 690**
issued by the State Treasury	5 914 963	5 362 314
issued by central banks	7 999 232	6 994 218
issued by local government bodies	135 535	-
Issued by non-financials entities	889	4 158
Total	**14 050 619**	**12 360 690**

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18. Loans and advances to customers

	30.09.2010	31.12.2009
Loans and advances to customers gross, of which:	**131 531 404**	**120 509 709**
consumer loans	25 519 779	23 483 449
corporate loans	46 052 814	43 990 773
mortgage loans	59 290 926	52 471 695
Interest	667 885	563 792
Impairment allowances on loans and advances to customers	(4 816 304)	(3 937 124)
Loans and advances to customers – net	**126 715 100**	**116 572 585**

	30.09.2010	31.12.2009
Loans and advances to customers		
Receivables for which individual objective evidence of impairment was identified:	11 393 063	9 802 096
the portfolio method	4 814 923	3 752 263
of which receivables related to finance lease	108 663	74 814
the individual method	6 578 140	6 049 833
of which receivables related to finance lease	301 603	221 395
Receivables for which group objective evidence of impairment was identified (IBNR):	120 138 341	110 707 613
the group method	120 053 676	110 503 119
of which receivables related to finance lease	2 029 673	2 062 495
the individual method	84 665	204 494
Loans and advances to customers – gross	**131 531 404**	**120 509 709**
Impairment allowances on exposures for which individual objective evidence of impairment was identified	(4 288 698)	(3 333 966)
the portfolio method	(2 703 217)	(1 989 868)
of which impairment allowances on lease receivables	(54 653)	(37 980)
the individual method	(1 585 481)	(1 344 098)
of which impairment allowances on lease receivables	(25 030)	(24 163)
Impairment allowances on exposures for which group objective evidence of impairment was identified (IBNR)	(527 606)	(603 158)
the group method	(518 859)	(581 682)
of which impairment allowances on lease receivables	(11 097)	(9 679)
the individual method	(8 747)	(21 476)
Total impairment allowances	**(4 816 304)**	**(3 937 124)**
Loans and advances to customers - net	**126 715 100**	**116 572 585**

19. Investment securities available for sale

	30.09.2010	31.12.2009
Debt securities available for sale, gross	**9 198 848**	**7 867 725**
issued by the State Treasury	5 806 313	4 982 606
issued by local government bodies	2 481 133	2 000 221
issued by non-financial institutions	859 687	794 812
issued by banks	51 715	90 086
Impairment allowances on debt securities available for sale	(20 731)	(19 155)
Total net debt securities available for sale	**9 178 117**	**7 848 570**
Equity instruments available for sale, gross	125 800	98 164
Impairment allowances on equity instruments available for sale	(649)	(2 417)
Total net equity instruments available for sale	**125 151**	**95 747**
Total net investment securities	**9 303 268**	**7 944 317**

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20. Securities held to maturity

	30.09.2010	31.12.2009
Debt securities held to maturity	**-**	**9 894**
issued by the State Treasury	-	9 894
Total	**-**	**9 894**

21. Investments in associates and jointly controlled entities

a) the value of the Bank's investments in jointly controlled entities (i.e. the acquisition cost adjusted to the Bank's share in the change in the entity's net assets after acquisition date and impairment allowance)

Entity name	30.09.2010	31.12.2009
Centrum Obsługi Biznesu Sp. z o.o	10 282	11 182
Centrum Haffnera Sp. z o.o. Group	34 113	38 058
Total	**44 395**	**49 240**

b) the value of the Bank's investments in associates (i.e. the acquisition cost adjusted to the Bank's share in the change in the entity's net assets after acquisition date and impairment allowance)

Entity name	30.09.2010	31.12.2009
Bank Pocztowy SA	131 427	179 173
Agencja Inwestycyjna CORP SA	214	279
Total	**131 641**	**179 452**

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Investments in associates at the beginning of the period	**-**	**179 452**	**-**	**190 463**
Share of profit (loss)	(15)	210	1 321	8 220
Share in other comprehensive income	-	728	-	-
Dividends paid	-	(107)	-	(94)
Share in changes recognised directly in equity of the entity	-	-	-	(15 531)
Reclassification of Kolej Gondolowa Jaworzyna Krynicka SA shares to non-current assets held for sale	-	-	-	(15 531)
Change in impairment allowances on investments	(48 686)	(48 642)	-	-
Investments in associates at the end of the period	**(48 701)**	**131 641**	**1 321**	**183 058**

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Investments in jointly controlled entities at the beginning of the period	**-**	**49 240**	-	**56 682**
Share of profit (loss)	374	(4 845)	480	(6 751)
Investments in jointly controlled entities at the end of the period	**374**	**44 395**	**480**	**49 931**

22. Intangible assets and tangible fixed assets

Intangible assets	**30.09.2010**	**31.12.2009**
Software	1 293 146	1 230 452
Goodwill	264 933	264 933
Development costs	3 486	3 414
Other, including capital expenditure	83 152	73 778
Total	**1 644 717**	**1 572 577**

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Tangible fixed assets	30.09.2010	31.12.2009
Land and buildings	1 731 162	1 749 813
Machinery and equipment	642 197	651 577
Assets under construction	81 330	207 251
Means of transport	45 104	44 832
Investment properties	156	322
Other	112 257	123 899
Total	**2 612 206**	**2 777 694**

23. Amounts due to banks

	30.09.2010	31.12.2009
Loans and advances received	3 906 953	3 597 839
Deposits of banks	1 538 648	1 399 985
Current accounts	125 310	26 545
Other money market deposits	160 747	121 679
Other	1 294	-
Total	**5 732 952**	**5 146 048**

24. Amounts due to customers

	30.09.2010	31.12.2009
Amounts due to retail clients	**92 169 985**	**87 557 401**
Current accounts and overnight deposits	43 860 384	37 730 475
Term deposits	47 995 424	49 559 096
Other money market deposits	314 177	267 830
Amounts due to corporate entities	**30 022 212**	**27 834 542**
Current accounts and overnight deposits	10 484 713	8 895 727
Term deposits	17 847 546	17 286 459
Loans and advances received	1 513 222	1 420 517
Other money market deposits	176 731	231 839
Amounts due to public sector	**9 439 173**	**9 680 991**
Current accounts and overnight deposits	2 553 971	3 355 764
Term deposits	6 878 840	6 296 093
Other money market deposits	6 362	29 134
Total	**131 631 370**	**125 072 934**

25. Other liabilities

	30.09.2010	31.12.2009
Accounts payable	392 761	227 492
Deferred income	342 575	291 704
Other liabilities	1 515 692	1 047 427
Total	**2 251 028**	**1 566 623**

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26. Provisions

For the nine-month period ended 30 September 2010	Provision for legal claims	Provisions for retirement & pension benefits and anniversary bonuses	Provisions for liabilities and guarantees granted	Other provisions*	Total
As at 1 January 2010, including:	**8 128**	**368 295**	**111 721**	**114 150**	**602 294**
Short term portion	**8 128**	**27 418**	**111 721**	**114 150**	**261 417**
Long term portion	**-**	**340 877**	**-**	**-**	**340 877**
Increase/reassessment	678	-	117 903	4 113	**122 694**
Use/Reversal	(743)	-	(137 071)	(64 898)	**(202 712)**
Currency translation differences	-	-	73	-	**73**
Other changes and reclassifications	(47)	-	2	(2 357)	**(2 402)**
As at 30 September 2010, including:	**8 016**	**368 295**	**92 628**	**51 008**	**519 947**
Short term portion	**8 016**	**27 418**	**92 628**	**50 932**	**178 994**
Long term portion	**-**	**340 877**	**-**	**76**	**340 953**

*Included in 'Other provisions' is: restructuring provision amounting to PLN 36 292 thousand and provision for potential claims on receivables sold amounting to PLN 10 660 thousand.

For the nine-month period ended 30 September 2009	Provision for legal claims	Provisions for retirement & pension benefits and anniversary bonuses	Provisions for liabilities and guarantees granted	Other provisions*	Total
As at 1 January 2009, including:	**9 352**	**365 186**	**78 250**	**113 228**	**566 016**
Short term portion	**9 352**	**46 648**	**78 250**	**113 228**	**247 478**
Long term portion	**-**	**318 538**	**-**	**-**	**318 538**
Increase/reassessment	374	140	117 022	13 677	**131 213**
Use/Reversal	(2 498)	(24 897)	(128 643)	(55 096)	**(211 134)**
Currency translation differences	-	-	(231)	-	**(231)**
Other changes and reclassifications	(387)	(128)	(346)	3 377	**2 516**
As at 30 September 2009, including:	**6 841**	**340 301**	**66 052**	**75 186**	**488 380**
Short term portion	**6 841**	**37 734**	**66 052**	**75 186**	**185 813**
Long term portion	**-**	**302 567**	**-**	**-**	**302 567**

*Included in 'Other provisions' is: restructuring provision amounting to PLN 33 603 thousand and provision for potential claims on receivables sold amounting to PLN 31 594 thousand.

Provisions for legal claims were recognized in the amount of expected outflow of economic benefits.

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27. Off-balance sheet liabilities

Contingent liabilities

Underwriting programs

As at 30 September 2010, underwriting agreements covered the following securities (the Group's maximum liability as regards the purchase of securities):

Issuer of securities underwritten	Type of underwritten securities	Off-balance sheet guarantee liabilities	Contract period	Sub-issue type
Company A	corporate bonds	460 000	2025.12.31	Bonds Issue Agreement*
Company B	corporate bonds	250 000	2013.07.31	Bonds Issue Agreement*
Company C	corporate bonds	199 856	2012.01.02	Bonds Issue Agreement*
Company D	corporate bonds	199 786	2010.11.08	Bonds Issue Agreement*
Company E	corporate bonds	155 000	2024.12.31	Bonds Issue Agreement*
Company F	corporate bonds	36 000	2016.12.30	Bonds Issue Agreement*
Company G	corporate bonds	13 000	2018.12.31	Bonds Issue Agreement*
Entity A	municipal bonds	7 000	2025.12.31	Bonds Issue Agreement*
Total		**1 320 642**		

* Relates to the Agreement for Organization, Conducting and Servicing of the Bond Issuance Programme.

As at 31 December 2009, underwriting agreements covered the following securities (the Group's maximum liability as regards the purchase of securities):

Issuer of securities underwritten	Type of underwritten securities	Off-balance sheet guarantee liabilities	Contract period	Sub-issue type
Company A	corporate bonds	500 000	2025.12.31	Bonds Issue Agreement*
Company B	corporate bonds	199 786	2010.11.08	Bonds Issue Agreement*
Company C	corporate bonds	119 915	2012.01.02	Bonds Issue Agreement*
Company D	corporate bonds	44 500	2016.12.30	Bonds Issue Agreement*
Company E	corporate bonds	13 000	2018.12.31	Bonds Issue Agreement*
Entity A	municipal bonds	15 000	2025.12.31	Bonds Issue Agreement*
Total		**892 201**		

* Relates to the Agreement for Organization, Conducting and Servicing of the Bond Issuance Program.

No securities belonging to the Group under the underwriting program have limited transferability; are quoted on the stock exchange or traded on a regulated OTC market.

Contractual commitments

As at 30 September 2010, contractual commitments concerning intangible assets amounted to PLN 1 100 thousand (as at 31 December 2009, it amounted to PLN 1 748 thousand).

Loan commitments

	30.09.2010	31.12.2009
Financial sector entities	670 073	783 978
Non-financial sector entities	26 933 229	24 786 905
Public sector entities	1 323 283	1 814 276
Total	**28 926 585**	**27 385 159**
of which: irrevocable loan commitments	6 479 114	6 985 527

Loan commitments are presented in nominal value.

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Guarantees issued

	30.09.2010	31.12.2009
Financial sector entities	1 518 762	22 587
Non-financial sector entities	6 578 916	5 101 594
Public sector entities	832 447	373 300
Total	**8 930 125**	**5 497 481**

Contingent assets

	30.09.2010	31.12.2009
Financial	72 297	843 627
Guarantees	3 825 214	3 736 394
Total	**3 897 511**	**4 580 021**

Assets pledged as collateral for contingent liabilities

As at 30 September 2010 and 31 December 2009, the Group had no assets pledged as collateral for contingent liabilities.

28. Legal claims

As at 30 September 2010, the total value of court proceedings in which the Bank is a defendant was PLN 176 558 thousand (as at 31 December 2009: PLN 232 234 thousand), while the total value of court proceedings in which the Bank is the plaintiff was PLN 100 635 thousand (as at 31 December 2009: PLN 71 114 thousand).

The most significant disputes of PKO Bank Polski SA are described below:

a) Unfair competition proceedings

The Bank is a party to proceedings initiated on the basis of a decision dated 23 April 2001 of the President of the Competition and Consumer Protection Office (Urząd Ochrony Konkurencji i Konsumentów - UOKiK) upon request of the Polish Trade and Distribution Organization (Polska Organizacja Handlu i Dystrybucji - Związek Pracodawców) against the operators of the Visa and Europay payment systems and the banks issuing Visa and Europay/Eurocard/Mastercard banking cards. The claims under these proceedings relate to the use of practices limiting competition on the market of banking card payments in Poland, consisting of applying pre-agreed 'interchange' fees for transactions made using Visa and Europay/Eurocard/Mastercard cards as well as limiting access to this market by external entities. On 29 December 2006, UOKiK decided that the practices, consisting of joint establishment of interchange fee, did limit market competition and ordered that any such practices should be discontinued, and imposed a fine on, among others, PKO Bank Polski SA, in the amount of PLN 16 597 thousand. As at 31 December 2007, the Bank recognized a liability for the above amount. On 19 January 2007, the Bank filed an appeal from the decision of the President of UOKiK to the regional court. At the end of October 2007, the President of UOKiK referred the case to the Regional Court in Warsaw, the Court for Competition and Consumer Protection, including the appeals of the banks against Settlement of the Decision; the Banks' complaints against the immediate enforcement clause issued for the Decision as well as the Banks' complaints against the costs of the proceedings. The Court has commenced the activities stipulated by the Code of Civil Procedure and issued a call to the parties to provide their reply to the appeals. On 21 January 2008 the Regional Court in Warsaw, the Court for Competition and Consumer Protection issued a resolution (in case of the Bank's appeal to the Decision of UOKiK President No. DAR 15/2006 as of 29 December 2006), in which it decided to suspend execution of the Decision above in article I (a court order to abandon joint establishing interchange fee rates). On 12 November 2008, the District Court in Warsaw, the Competition and Consumers Protection Court issued a verdict changing sections I, II, III and V of the Decision appealed against. The Court ruled that the banks participating in the proceedings, including PKO Bank Polski SA, had not committed an act of unfair competition by being party to an agreement restricting competition on the market of acquiring outsourcing services associated with the settlement of the consumers' liabilities to acceptors with respect to payment for goods and services purchased by the consumers with the use of credit and debit cards in the territory of Poland. The agreement in question set out common interchange fees on transactions concluded with the use of VISA and MasterCard cards in Poland. On 12 January 2009, the President of the Office for Competition and Consumer Protection (UOKiK) appealed against the verdict of the Court of Competition and Consumer Protection reversing the decisions of the UOKiK President. The Bank submitted the reply to the appeal on 13 February 2009. On 22 April 2010, the Court of Appeal reversed the judgment of the Court of Competition and Consumer Protection. As at 30 September 2010, the amount of the liability due to the above-mentioned fine amounted to PLN 16 597 thousand and has remained unchanged since 31 December 2007.

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With reference to the Decision of UOKiK President as of 12 December 2008 imposing a fine on PKO Bank Polski SA for the unfair advertisement of the 'Max Lokata' term deposit, the Bank recognised a liability for the above-mentioned fine. As at 30 September 2010, the liability amounted to PLN 5 712 thousand (as at 31 December 2009 it amounted to PLN 5 712 thousand). The Bank appealed against the verdict on 2 January 2009. On 10 March 2010, the Court of Competition and Consumer Protection issued a decision dismissing the Bank's appeal and sustaining the decision of UOKiK (Office of Competition and Consumer Protection) dated 12 December 2008. The decision of the SOKiK (Court of Competition and Consumer Protection) was delivered to the Bank's agent for litigation on 19 April 2010. The decision is not final. On 4 May 2010, the Bank appealed against the judgment.

b) Re-privatisation claims relating to properties held by the Group

As at the date of these financial statements, three administrative proceedings are pending to invalidate decisions issued by public administration authorities with respect to properties held by the Bank. These proceedings, in the event of an unfavourable outcome for the Bank, may result in re-privatization claims being raised against the Bank. Given the current status of these proceedings as regards stating the invalidity of decisions and verdicts of public administration bodies, it is not possible to assess their potential negative financial effects for the Bank. Moreover, with respect to two properties claims were submitted by their former owners (court proceedings are pending). Until 30 September 2010 no further changes occurred with regard to the described matter.

In the opinion of the Management Board of PKO Bank Polski SA, the probability of significant claims arising against the Bank in relation to the above mentioned proceedings is remote.

29. Supplementary information to the cash flow statement

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash on nostro account with the National Bank of Poland, current amounts due from banks, as well as other cash equivalents with maturities up to three months from the date of acquisition.

	30.09.2010	31.12.2009	30.09.2009
Cash and balances with the central bank	3 943 312	7 094 350	4 899 413
Current receivables from financial institutions	1 325 172	1 898 043	1 922 717
Total	**5 268 484**	**8 992 393**	**6 822 130**

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30. Related party transactions

All transactions with entities related by capital relationships were arm's length transactions. Repayment terms are within a range from 1 month to 10 years.

30 September 2010

Entity	Net receivables	including gross loans	Liabilities	Total income	including interest and fee and commission income	Total expense	including interest and fee and commission expense	Contingent liabilities and commitments
Sopot Zdrój Sp. z o.o.	211 331	211 331	7 671	4 084	4 084	25	25	-
Centrum Majkowskiego Sp. z o.o.	-	-	5 151	5	5	67	67	-
Kamienica Morska Sp. z o.o.	-	-	147	4	4	-	-	-
Promenada Sopocka Sp. z o.o.	44 128	44 128	1 105	851	851	-	-	-
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	-	15 865	1	1	121	121	-
Agencja Inwestycyjna 'CORP' SA	62	-	93	472	-	1 822	-	-
CENTRUM HAFFNERA Sp. z o.o.	-	-	835	6	6	-	-	-
Centrum Obsługi Biznesu Sp z o.o.	31 169	31 169	21 807	565	565	416	416	-
Bank Pocztowy SA	-	-	110	37	37	367	367	-
Kolej Gondolowa Jaworzyna Krynicka SA	-	-	568	1	1	5	5	-
TOTAL	**286 690**	**286 628**	**53 352**	**6 026**	**5 554**	**2 823**	**1 001**	**-**

31 December 2009

Entity	Net receivables	including gross loans	Liabilities	Total income	including interest and fee and commission income	Total expense	including interest and fee and commission expense	Contingent liabilities and commitments
Sopot Zdrój Sp. z o.o.	229 852	229 852	6 999	10 196	10 196	27	27	-
Centrum Majkowskiego Sp. z o.o.	-	-	4 904	5	5	151	151	-
Kamienica Morska Sp. z o.o.	-	-	328	5	5	-	-	-
Promenada Sopocka Sp. z o.o.	45 555	45 555	689	1 926	1 926	1	1	-
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	-	437	1	1	47	47	-
Agencja Inwestycyjna CORP SA	-	-	58	-	-	1 784	-	-
CENTRUM HAFFNERA Sp. z o.o.	-	-	151	12	12	321	321	4 108
Centrum Obsługi Biznesu Sp. z o.o.	32 627	32 627	23 313	1 146	1 146	686	686	-
Bank Pocztowy SA	-	-	294	28	28	3 229	3 229	1 156
TOTAL	**308 034**	**308 034**	**37 173**	**13 319**	**13 319**	**6 246**	**4 462**	**5 264**

31. Changes to the entities of the Group

The information below concerns share purchase transactions with subsidiaries, associates and jointly controlled entities (direct and indirect) which were concluded in the third quarter of 2010:

a) purchase of shares in the increased share capital of KREDOBANK SA

On 22 July 2010 the 20th issue of the KREDOBANK SA's shares was registered. PKO Bank Polski SA participated in the increase in the share capital of KREDOBANK SA within the XXth share issue, purchasing 36 749 738 735 shares with a total nominal value of UAH 367 497 thousand, which constituted 99.83% of the issue. The shares purchase price amounted to PLN 148 873 thousand. After the said issue was registered, the PKO Bank Polski SA's share in the registered capital of KREDOBANK SA and the share of votes on the Company's General Shareholders' Meeting increased from 99.4948% to 99.5655%.

b) purchase of shares in the increased share capital of BFL Nieruchomości Sp. z o.o.

On 7 September 2010, the increase in the share capital of BFL Nieruchomości Sp. z o.o. in the total amount of PLN 800 thousand was registered with the National Court Register. As a result, the Company's share capital amounts to PLN 9 900 thousand and consists of 19 800 shares of PLN 500 nominal value each.

All the shares in the increased share capital were taken up by Bankowy Fundusz Leasingowy SA, a subsidiary company of PKO Bank Polski SA, for a price equal to the nominal value of the shares taken up.

As at 30 September 2010, Bankowy Fundusz Leasingowy SA held a total of 99.9949% of the Company's share capital and of voting rights at the Company's General Shareholders' Meeting.

c) purchase of shares in the increased share capital of PKO BP Faktoring SA

On 29 September 2010, the increase in the share capital of PKO BP Faktoring SA in the total amount of PLN 1 000 thousand was registered with the National Court Register. As a result, the Company's share capital amounts to PLN 7 500 thousand and consists of 7 500 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 company of PKO Bank Polski SA, for a price of PLN 2 000 thousand.

As a result of the transaction mentioned above, Bankowe Towarzystwo Kapitałowe SA increased from 99.9846% to 99.9867% its share in the Company's share capital and in the total of voting rights at the Company's General Shareholders' Meeting.

d) capital injection to PKO BP Inwestycje – Sarnia Dolina Sp. z o.o.

On 19 August 2010, PKO BP Inwestycje Sp. z o.o., the subsidiary of PKO Bank Polski SA, made an additional payment of PLN 238 thousand to PKO BP Inwestycje – Sarnia Dolina Sp. z o.o.

e) change in the name of Pomeranka Sp. z o.o.

On 20 August 2010, the Extraordinary General Shareholders' Meeting of Pomeranka Sp. z o.o. passed a resolution to change the name to PKO BP Inwestycje – Neptun Park Sp. z o.o. The change was registered in the National Court Register on 15 October 2010.

f) change in the name of Wilanów Investments Sp. z o.o.

On 20 August 2010, the Extraordinary General Shareholders' Meeting of Wilanów Investment Sp. z o.o. passed a resolution to change the name to PKO BP Inwestycje – Nowy Wilanów Sp. z o.o. The change was registered in the National Court Register on 13 October 2010.

and the following events that will influence the PKO Bank Polski Group structure in the fourth quarter of 2010:

g) purchase of shares in the increased share capital of Bankowy Leasing Sp. z o.o.

On 23 September 2010, Bankowy Fundusz Leasingowy SA, the subsidiary of PKO Bank Polski SA, transferred to Bankowy Leasing Sp. z o.o. the amount of PLN 3 700 thousand related to the purchase of the shares in the increased share capital of the entity. The increase in the share capital mentioned above needs to be registered with the National Court Register.

h) purchase of shares in the increased share capital of BFL Nieruchomości Sp. z o.o.

On 30 September 2010, Bankowy Fundusz Leasingowy SA, the subsidiary of PKO Bank Polski SA, transferred to BFL Nieruchomości Sp. z o.o. the amount of PLN 500 thousand related to the purchase of the shares in the increased share capital of the entity. The increase in the share capital mentioned above needs to be registered with the National Court Register.

32. Description of differences between the previously published financial statements and these financial statements

In the third quarter of 2010, there were no significant changes introduced as regards the previously published financial statements.

33. Objectives and principles of risk management in the PKO Bank Polski SA Group

Risk management is one the most important internal processes in both PKO Bank Polski SA and other entities of the PKO Bank Polski SA Group, and especially in KREDOBANK SA and in Bankowy Fundusz Leasingowy SA Group. Risk management aims at ensuring an appropriate level of security and profitability of business activities in the changing legal and economic environment and the level of the risks plays an important role in the planning process.

At the Bank, the following types of risk have been identified, which are subject to management: credit risk, interest rate risk, currency risk, liquidity risk, price risk of equity instruments, operational risk, compliance risk, business risk, including strategic risk, and reputation risk. Derivatives risk is a subject to a special control due to the specific characteristics of these instruments. Managing the banking risk by maintaining the risk level within the adopted tolerance bracket is aimed at:

– protecting the value of the shareholders' capital;

– protecting client deposits;

– supporting the Bank in conducting effective operations.

The process of banking risk management consists in the Group of the following stages:

– risk identification – the identification of actual and potential sources of risk and estimation of the significance of the potential influence of a given type of risk on the Group. Within the risk identification process, types of risk perceived as material in the banking activity are identified;

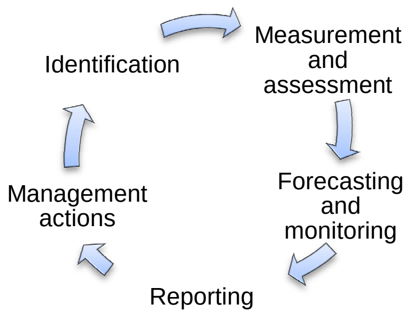
– risk measurement and assessment – defining risk assessment tools adequate to the type and significance of the risk, data availability and quantitative risk assessment by means of defined tools, as well as risk assessment aimed at identifying the scale or scope of risk, taking into account the achievement of goals of risk management. Within risk measurement, stress-test are being conducted on the basis of assumption providing a fair risk assessment;

– risk forecasting and monitoring – preparing risk level forecasts and monitoring deviances from forecasts and adopted reference points (for example limits, thresholds, plans, measurements from the previous period, issued recommendations and suggestions). Risk monitoring is performed with the frequency adequate to the materiality and volatility of a specific risk type;

– risk reporting – periodic informing the Management of the Bank about the results of risk assessment, taken actions and recommendations; scope, frequency and the form of reporting is adjusted to the managing level of the recipients;

– management actions – including, among others, issuing internal regulations, establishing the level of risk tolerance, establishing limits and thresholds, issuing recommendations, making decisions about the use of tools supporting risk management. The aim of taking management actions is to form the risk management

The risk management process is described on the chart below.



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

– the Group manages all of the identified types of banking risk;

– the risk level is monitored on a current basis;

– the risk management process is appropriate to the scale of the operations and to the materiality, scale and complexity of a given risk and tailored to new risk factors and sources on a current basis;

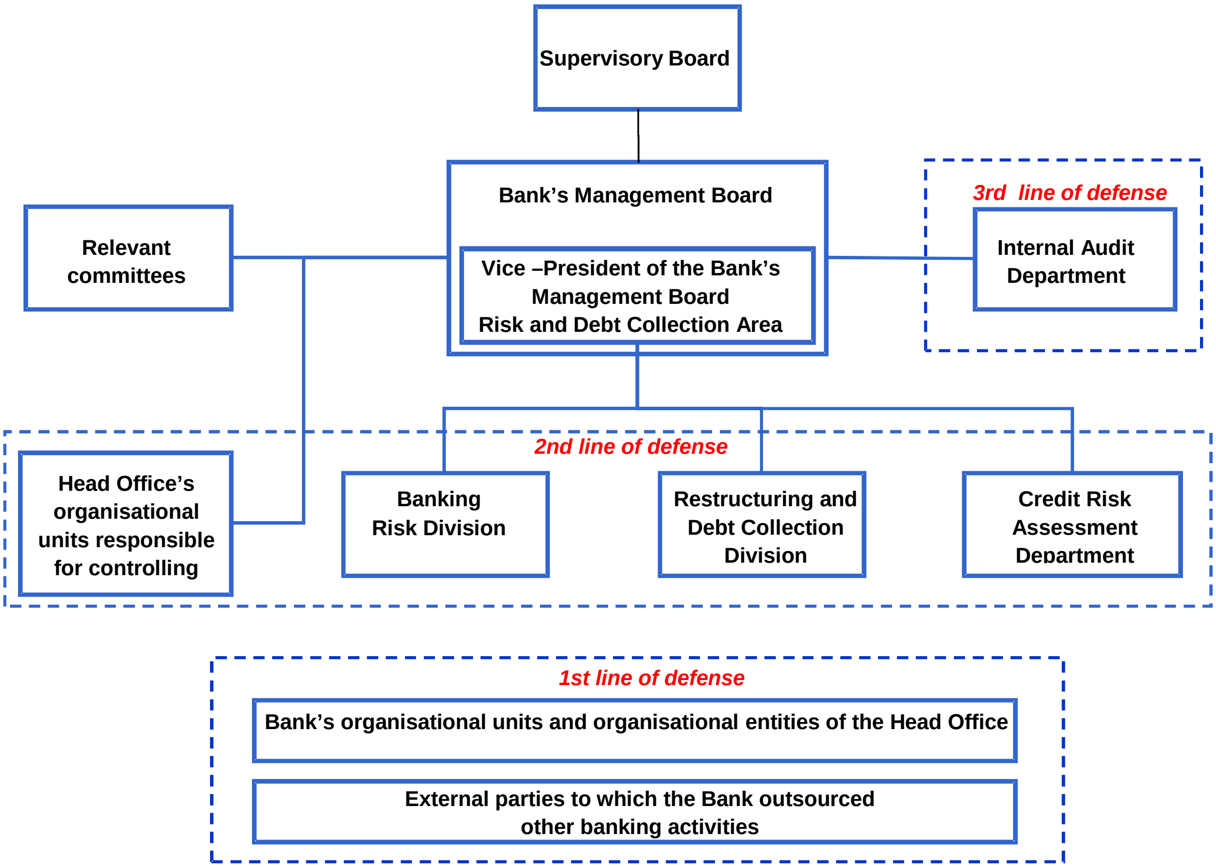
– the risk management methods (in particular the models and their assumptions) and the risk measurement systems are tailored to the scale and complexity of the risk and verified and validated on a periodical basis;

– the risk management process supports the pursuit of the Bank's strategy in keeping with the risk management strategy, in particular with regard to the level of tolerance of the risk;

– the area of risk and debt recovery remains organizationally independent of business activities;

– risk management is integrated with the planning and controlling systems.

Risk management in the Bank takes place in all of the organizational units of the Bank. The organization of risk management is presented in the chart below:



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 as well as of the PKO Bank Polski SA Group and the most important activities taken in the area of risk management.

The Bank's Management Board is responsible for the risk management, including supervising and monitoring of activities taken by the Bank in the area of risk management. The Bank's Management Board approves the most important decisions affecting the risk profile of the Bank and enacts internal regulations defining the risk management system.

The risk management process is carried out in three, mutually independent lines of defence:

1) the first line of defence, which is functional internal control that ensures using risk controls and compliance of the activities with the generally applicable laws;

2) the second line of defence, which is the risk management system, including risk management methods, tools, process and organization;

3) the third line of defence, which is an internal audit.

The independence of the lines of defence consists of preserving organizational independence in the following areas:

– the function of the second line of defence as regards creating system solutions is independent of the function of the first line of defence;

– the function of the third line of defence is independent of the functions of the first and second lines of defence;

– the function of managing the compliance risk reports directly to the Member of the Management Board of the Bank in charge of Risk and Debt Collection Area.

The first line of defence is effected in the organizational units of the Bank, the organizational units of the Head Office and the external entities which the Bank commissioned to carry out the activities related to banking activities and concerns the activities of those units and entities which may generate risk. The units are responsible for identifying risks, designing and implementing appropriate controls, including in the external entities, unless controls have been implemented as part of the measures taken in the second line of defence.

The second line of defence is effected, in particular, in the Risk and Debt Collection Area, the specialist organizational units of the Bank responsible for credit analyses, the organizational unit of the Head Office managing the compliance risk, as well as the organizational units of the Head Office responsible for controlling.

The third line of defence is effected as part of internal audit, including the audit of the effectiveness of the system of managing the risk relating to the Bank's activities.

The organizational units of the Head Office of the Bank that are grouped within the Banking Risk Division, the Restructuring and Debt Collection Division, and the Credit Risk Assessment Department manage risk within the limits of competence assigned to them.

The Banking Risk Division is responsible for:

– identifying risk factors and sources;
– measuring, assessing, and monitoring and reporting risk levels (material risks) on a regular basis;
– measuring and assessing capital adequacy;
– preparing recommendations for the Management Board of the Bank or committees regarding the acceptable level of risk;
– creating internal regulations on managing risk and capital adequacy;
– developing IT systems dedicated to supporting risk and capital adequacy management.

The Restructuring and Debt Collection Department is responsible for:

– recovering receivables from difficult clients swiftly and increasing the effectiveness of such measures;
– effective and early monitoring of delays in the collection of receivables of retail market clients;
– selling difficult receivables effectively and outsourcing the tasks carried out, as well as effective management of assets taken over as a result of recovering the Bank's receivables.

The Credit Risk Assessment Department is responsible for assessing and verifying the level of credit risk estimates relating to individual credit exposures which, due to the scale of the exposure, the client's segment or the risk level require an independent assessment.

Risk management is supported by the following committees:
– Assets & Liabilities Committee (ALCO),
– Bank's Credit Committee (BCC),
– Central Credit Committee (CCC),
– the Operating Risk Committee (ORC);

– credit committees which operate in the regional retail and corporate branch offices.

ALCO and BCC are committees chaired by the Vice-President of the Bank's Management Board who is in charge of the Risk and Debt Collection Area.

ALCO makes decisions within the scope of granted authorisations and issues recommendations to the Bank's Management Board with regard to portfolio credit risk management, interest rate risk management, currency risk, liquidity risk and the Bank's asset and liabilities management.

BCC makes loan decisions with regard to significant individual loan exposures, or issues recommendations in this respect to the Bank's Management Board.

CCC supports the decisions taken by the relevant managing directors and the Management Board members with its recommendations and the credit committees operating in the regions support branch directors and directors of the Regional Corporate Branches in matters bearing a higher risk level.

The ORC supports the Management Board of the Bank in the process of managing operating risk by issuing recommendations and making decisions about threshold values and critical key risk indicators (KRI), operating risk limits, the values of the key parameters used for calculating the value at operating risk, using an individual approach to outliers.

The Bank supervises activities of the individual subsidiaries of the PKO Bank Polski SA Group. As part of this supervision, the Bank sets out and approves their development strategies, including the level of the risk. 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.

The internal regulations concerning management of certain types of risk in the entities of the Group are defined by internal regulations implemented by those entities, after consulting the Bank's opinion and having taken into account the recommendations issued to the entities by the Bank. The internal regulations of the entities concerning risk management allow for consistent and comparable assessment of particular types of risk within the Bank and entities of the Group, as well as reflect the specific nature of the entity's activity and the market on which it operates.

The priority of the PKO Bank Polski SA Group is to maintain strong capital base and to increase stable sources of financing, which determine the growth of the loan portfolio.

As a consequence, in the period from January to September 2010, the Bank:

– continued actions aimed at obtaining New deposits from its clients,

– took into account the specific factors resulting from the financial crisis in the banking risk measurement methods applied (among others, in stress-test scenarios).

In the third quarter of 2010, the Bank implemented requirements resulting from Recommendation T (provisions that should have been implemented by 23 August 2010 according to the Polish Financial Supervision Authority), in particular in respect of:

– dividing the sales functions from loan transaction risk assessment functions;

– monitoring of repayment of loan commitments of borrowers, who took loans in other banks;

– implementation of new collateral assessment policy, taken as collateral of loan transactions concluded with retail clients, taking into account the liquidity of the collateral, its value, access to the collateral and control within the lending period;

– implementation an obligation to inform customers about the risk and all costs referring to the loan agreement before its conclusion.

33.1 Identification of significant types of risk

The significance of the individual types of risk is established at the Bank's level as well as at the particular subsidiaries of the PKO Bank Polski SA Group level. When determining criteria of classifying a given type of risk as significant, an influence of a given type of risk on the Bank's as well as on a given entity's of the Group and the whole Group`s activities are taken into account, whereas three types of risk are recognised:

– considered as significant a priori – being managed actively,
– potentially significant – for which significance monitoring is being made,
– other non-defined or non-occurring in the Group types of risk (insignificant and non-monitored).

Based on quantitative and qualitative information, an assessment of significance of given types of risk is performed in the Bank periodically. As a result of assessment, a given type of risk is being classified as significant/insignificant. Similar assessment is conducted periodically in the entities of the Group. In particular, monitoring is conducted if significant change in activities took place or the profile of the Bank or the Group changed.

33.2 Credit risk management

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 due amounts.

The objective of credit risk management is to reduce losses of loan portfolio and to minimize the risk of loans with impairment, while maintaining an expected level of yield and loan portfolio value.

The Bank and the entities of the Group apply the following principles of credit risk management:

– a loan transaction is subject to comprehensive credit risk assessment, which is reflected in an internal rating or credit scoring,
– credit risk assessment related to loan transactions is measured on the stage of a loan request review and a cyclical basis during the monitoring process, 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 their 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 authorised persons, within their authority,
– credit risk is diversified by geographical location, by industry, by product and by clients,
– expected credit risk is mitigated by setting legal collateral, credit margins and impairment allowance on loan exposures.

The above-mentioned policies are executed by the 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), i.e. advanced credit risk management method, which can be used while calculating capital requirements for credit risk after being approved by the Polish Financial Supervision Authority.

The Group entities, which have significant credit risk levels (KREDOBANK SA, BFL SA Group) manage their credit risk individually, but the methods used by them for credit risk assessment and measurement are adjusted to the methods used by PKO Bank Polski SA, taking into account the specific nature of the activities of these companies.

Any changes to the solutions used by the Group companies are agreed every time with the Bank's units responsible for risk management.

The BFL SA Group and KREDOBANK SA measure credit risk regularly and the results of such measurements are submitted to the Bank.

KREDOBANK SA and the BFL SA Group have units responsible for risk in their organizational structures, which are in particular responsible for:

- developing methods of credit risk assessment, recognizing provisions and allowances,
- controlling and monitoring credit risk during the lending process,
- the quality and effectiveness of restructuring and enforcement of the amounts due from clients.

In these companies, the credit decision limits depend primarily on: the amount of the exposure to a given client, the amount of an individual credit transaction and the period of credit transaction.

The process of credit decision-making at KREDOBANK SA and the BFL SA Group is supported by credit committees, which are involved in the case of transactions which generate increased credit risk.

Appropriate organizational units of the Banking Risk Division participate in managing the credit risk in the Group companies by giving their opinions on projects and periodically reviewing internal regulations of the companies relating to the assessment of credit risk and preparation of recommendations relating to amendments in the drafts of regulations. The Bank supports implementation of the recommended changes in principles for assessing credit risk in the Group entities.

33.2.1 Portfolio risk assessment

Credit risk measurement methods

In order to assess the level of credit risk and profitability of loan portfolios, the Bank uses different credit risk measurement and valuation methods, including:

- Probability of Default (PD);
- Expected Loss (EL);
- Credit Value at Risk (CVaR);
- effectiveness measures used in scoring methodologies (Accuracy Ratio);
- share and structure of non-performing loans (according to IFRS);
- coverage ratio of non-performing loans with impairment allowances (according to IFRS)
- cost of risk.

PKO Bank Polski SA extends regularly the scope of credit risk measures used, taking account of the internal rating-based method (IRB) requirements, and extends the use of risk measures to cover the whole Bank's loan portfolio with these methods.

The portfolio credit risk measurement methods make it possible, among other things, to reflect the credit risk in the price of products; determine the optimum cut-off levels and determine impairment allowances.

The Bank performs analysis and stress-tests regarding the influence of potential changes in macroeconomic environment on the quality of Bank's loan portfolio. The test results are reported to the Bank's Executives. The above-mentioned information enables the Bank to identify and take measures to limit the negative influence of unfavorable market changes on the Bank's performance.

The Bank assesses the risk of individual credit transactions with the use of scoring and rating methods, which are created, developed and supervised by the Banking Risk Division. The assessment methods are supported by specialist application software. The scoring method is defined by Bank's internal regulations whose main aim is to ensure uniform and objective assessment of credit risk during the credit process.

The Bank assesses the credit risk of retail clients on two levels: the client's borrowing capacity and his creditworthiness. The assessment of borrowing capacity involves an examination of the client's financial situation, whereas the creditworthiness assessment involves scoring and evaluating the client's credit history obtained from external sources and internal records of the Bank.

Credit risk relating to the financing of corporate clients is assessed on two levels: the client and the transaction (excluding selected types of transactions for small and medium enterprises which are assessed based on a scoring method). These assessments are based on the ratings of the client and the transaction. The so-called cumulative rating is a synthetic measure of credit risk. Since 1 September 2010, the Bank has implemented a scoring method of credit risk assessment of small and medium enterprises customers along with a dedicated IT application. Implementation of the scoring method for SME customers will result in shortening the assessment process of loan applications as well as improvement of credit risk management effectiveness.

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The information about ratings and scoring is widely used at the Bank for the purposes of credit risk management, the system of credit decision-making powers, determining the amounts above which independent credit assessment services are activated and in the credit risk assessment and reporting system.

In order to reduce the period of response as regards warning signals suggesting an increase in credit risk level, the Bank implemented a dedicated application to support the Early Warning System (EWS) in August 2010.

33.2.2 Monitoring credit risk

Group's exposure to credit risk

Amounts due from banks	30.09.2010	31.12.2009
Amounts due from banks impaired	28 192	27 496
of which assessed on an individual basis	27 717	27 013
Amounts due from banks not impaired	1 511 197	2 022 668
neither past due nor impaired	1 511 197	2 021 675
past due but not impaired	-	993
Gross total	**1 539 389**	**2 050 164**
Impairment allowances	(28 530)	(27 109)
Net total by carrying amount	**1 510 859**	**2 023 055**

Loans and advances to customers	30.09.2010	31.12.2009
Loans and advances impaired	10 561 138	9 108 150
of which assessed on an individual basis	5 746 215	5 386 944
Loans and advances not impaired	120 970 266	111 401 559
neither past due nor impaired	119 649 455	110 143 014
past due but not impaired	1 320 811	1 258 545
Gross total	**131 531 404**	**120 509 709**
Impairment allowances	(4 816 304)	(3 937 124)
Net total by carrying amount	**126 715 100**	**116 572 585**

Investment securities – debt securities	30.09.2010	31.12.2009*
Debt securities impaired	21 125	20 592
of which assessed on an individual basis	21 125	20 592
Debt securities not impaired	9 177 723	7 857 027
neither past due nor impaired	9 177 723	7 857 027
Gross total	**9 198 848**	**7 877 619**
Impairment allowances	(20 731)	(19 155)
Net total by carrying amount	**9 178 117**	**7 858 464**

*The note includes debt securities from the portfolios: 'Available for sale' and 'Held to maturity'.

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Exposure to credit risk

The table below presents maximum exposure to credit risk of the Group as at 30 September 2010 and as at 31 December 2009.

Items of the statement of financial position	30.09.2010	31.12.2009
Current account in the central bank	1 914 854	4 625 073
Amounts due from banks	1 510 859	2 023 055
Trading assets – debt securities	2 774 262	2 202 847
Derivative financial instruments	2 419 818	2 029 122
Financial instruments at fair value through profit and loss - debt securities	14 050 619	12 360 690
Loans and advances to customers	126 715 100	116 572 585
Investment securities - debt securities*	9 178 117	7 858 464
Other assets - other financial assets	354 263	376 438
Total	**158 917 892**	**148 048 274**

*The note includes debt securities from the portfolios: 'Available for sale' and 'Held to maturity'.

Off-balance sheet items	30.09.2010	31.12.2009
Irrevocable liabilities granted	6 479 114	6 985 527
Guarantees granted	5 074 577	4 018 748
Letters of credit granted	216 843	230 078
Guarantees of issue (underwriting)	3 638 705	1 248 655
Total	**15 409 239**	**12 483 008**

Financial assets valued using the individual method for which individual impairment allowance has been recognised, by carrying amount gross

	30.09.2010	31.12.2009
Amounts due from banks	**27 717**	**27 013**
Loans and advances to customers	**5 746 215**	**5 386 944**
Financial entities	178 541	40 712
corporate loans	178 541	40 712
Non-financial entities	5 560 152	5 330 156
consumer loans	97 992	40 500
mortgage loans	740 005	761 205
corporate loans	4 722 155	4 528 451
State budget entities	7 522	16 076
corporate loans	7 522	16 076
Financial assets available for sale	**21 241**	**20 616**
issued by financial entities	8	8
issued by non-financial entities	21 233	20 608
Total	**5 795 173**	**5 434 573**

Impairment allowances on loan exposures

The PKO Bank Polski SA Group performs a monthly review of loan exposures in order to identify loan exposures impaired, measure the impairment of loan exposures and record impairment allowances or provisions. The process of determining the impairment allowances and provisions consists of the following stages:

- identifying the objective evidence of impairment and events significant from the point of view of identifying this objective evidence,
- registering in the Bank's IT systems the events that are material from the point of view of identifying any objective evidence of impairment of loan exposures,
- determining the method of measuring impairment,
- measuring impairment and determining an impairment allowances or provision,

– verifying and aggregating the results of the impairment measurement,

– recording the results of impairment measurement.

The PKO Bank Polski SA Group applies three methods of estimating impairment:

– the individual method applied in respect of individually significant loans, which show the objective evidence of impairment or are restructured;
– the portfolio method applied in respect of individually insignificant loans, in the case of which an individual objective evidence of impairment has been recognized,
– the group method (IBNR) applied in respect of the loans in the case of which an individual objective evidence of impairment has not been identified, but there is a possibility of losses incurred but not recognized occurring.

The structure of the loan portfolio and the recorded impairment allowances in respect of the PKO Bank Polski SA Group loan exposures is included in Note 18 'Loans and advances to customers'.

Concentration of credit risk within the Group

The 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;
– exposures with established mortgage collateral.

Concentration by the biggest business entities

The Banking Law specifies maximum concentration limits for the Bank, applied in the Group. According to Article 71 clause 1 of the Banking Law, the total value of the Bank's exposures, off-balance sheet liabilities and commitments granted or shares held by the Bank directly or indirectly in another entity, additional payments into a limited liability company as well as contributions or limited partnership sums - whichever higher - in a limited partnership or limited joint-stock partnership with a risk of one entity or a group of entities related by capital or management, cannot exceed 20% of the consolidated own funds if any of these entities is related to the Bank, or 25% of the consolidated own funds if any such entity is unrelated to the Bank.

Furthermore, according to the Article 71 clause 2 of the Banking Law, the aggregate amount of the Bank's exposures in excess of 10% of its own funds towards individual entities, shall not exceed the large exposure limit, which is 800% of the own funds.

As at 30 September 2010 and 31 December 2009, those concentration limits had not been exceeded.

As at 30 September 2010, the level of the PKO Bank Polski SA Group risk concentration with respect to individual exposures was low – the biggest exposure to a single entity was equal to 5.0% of the consolidated own funds.

The 20 largest borrowers of the Group include only clients of PKO Bank Polski SA.

Concentration by the largest groups

The greatest exposure of the PKO Bank Polski SA Group towards a group of borrowers amounted to 1.0% of the PKO Bank Polski SA Group's loan portfolio. The 5 biggest groups include only clients of PKO Bank Polski SA.

As at 30 September 2010, the level of concentration risk with respect to individual exposures was low – the biggest exposure of the Group to a single entity was equal to 7.8 % of the Group's consolidated own funds.

Concentration by industry

The Group applies industry limits in order to mitigate credit risk related to corporate clients operating in selected industries characterized by a high level of credit risk, as well as to avoid excessive concentration of exposure to individual industries.

The Groups' exposure increased compared with 31 December 2009 with respect to all sectors by PLN 2.1 billion. Total exposure to four largest sectors: "Industrial processing', "Wholesale and retail trade, repair of cars, motorcycles…', "Maintenance and rental of real estate…' and "Public administration, national defence,…' constituted ca. 67% of the total portfolio of loans granted to business entities.

Significant concentration risk by industry was identified in KREDOBANK SA and in the BFL SA Group (resulting from the character of activities limited to the corporate clients).

Concentration by geographical regions

The Bank's loan portfolio is diversified in terms of geographical location.

As at 30 September 2010, the largest concentration of the Bank's loan portfolio was in the Mazowiecki region. More than half of the Bank's loan portfolio is concentrated in four regions: Mazowiecki, Śląsko-Opolski, Wielkopolski and Małopolsko-Świętokrzyski, which is consistent with the regions' domination both in terms of population and economy in Poland.

Concentration of credit risk by currency

As at 30 September 2010, the share of exposure in convertible currencies, other than PLN, in the total loan portfolio of the Group amounted to 23.3%. The greatest part of the Group's currency exposures are those in CHF, which constitute 71.4% of the Group's currency portfolio, and they relate to the currency loan portfolio of the Bank. In case of particular Group entities, the situation is different, i.e. for the BFL SA Group, the greatest currency exposures are those in EUR (72.6% of currency loan portfolio), and for KREDOBANK SA – USD denominated loans account for nearly 77.8% of the currency loan portfolio and 40.7% of the total loan portfolio.

Significant concentration risk was identified in KREDOBANK SA, and resulted from the character of the Ukrainian market, where due to weak local currency the majority of loans are granted in a foreign currency.

Other types of concentration

In accordance with the Recommendation S of the Banking Supervision Authority, the Group implemented internal limits with regard to the loan portfolio with an established mortgage collateral. As at 30 September 2010, these limits have not been exceeded.

33.2.3 Credit risk reporting

The Bank prepares monthly and quarterly credit risk reports for i.a. ALCO, BCC, the Management Board and the Supervisory Board. The reports contain information on historical credit risk amounts and credit risk forecasts. In addition to the information concerning the Bank, the reports also contain information about the credit risk level for two Group entities (KREDOBANK SA and the BFL SA Group), which have significant credit risk levels.

33.2.4 Management actions concerning credit risk

Basic credit risk management tools used by the Bank include:

- minimum transaction requirements determined for a given type of transaction (e.g. minimum LTV, maximum loan amount, required collateral);
- the principles of defining credit availability, including cut-offs – the minimum number of points awarded in the process of creditworthiness assessment with the use of a scoring system (for retail clients) or the client's rating class or cumulative rating class (for corporate clients), which a client must obtain to receive a loan;
- concentration limits – the limits defined in Article 71 clause 1 of the Banking Law, sector limits and limits relating to exposures with established mortgage collateral;
- competence limits – they define the maximum level of credit decision-making powers with regard to the Bank's clients; the limits depend primarily on the amount of the Bank's exposure to a given client (or a group of related clients) and the loan transaction period; the competence limit depends on the credit decision-making level (in the Bank's organizational structure);
- minimum credit margins – credit risk margins related to a given credit transaction concluded by the Bank with a given corporate client; whereas the interest rate offered to a client cannot be lower than the reference rate plus credit risk margin.

Collateral management policy plays a significant role in establishing minimum transaction terms as regards credit risk. The Bank and the Group entities' collateral management is meant to secure properly the credit risk, to which the Group is exposed, including first of all the fact of establishing collateral that will ensure the highest possible level of recovery in the event of realisation of collateral.

The Bank follows the following rules with respect to accepting legal collateral for loans:

- in the case of substantial loans (in terms of value), several types of collateral are established. If possible, personal guarantees are combined with collateral established on assets;
- liquid types of collateral (i.e. collateral established on liquid assets, which the Bank is likely to dispose of quickly for a price approximating the value of the assets put up as collateral) are preferred;
- types of collateral which are exposed to a risk of significant adverse fluctuations of value are treated as auxiliary collateral;
- when an asset is accepted as collateral, an assignment of rights from the insurance policy relating to this asset or the insurance policy issued to the Bank are accepted as additional collateral;
- effective establishment of collateral in compliance with the loan agreement is necessary to make the funds available.

The policy regarding legal collateral is defined by internal regulations of the Group subsidiaries.

The type of collateral depends on the product and the type of the client. With regard to real estate financing products, collateral is required to be established as mortgage on the property. Until an effective mortgage is established, the following types of collateral are used (depending on type and amount of loan): an increased credit margin or/and a collateral in the form of a cession of receivables related to the construction agreement, bill of exchange, guarantee or an insurance of receivables.

With regard to retail banking loans for individuals, usually personal guarantees are used (a civil law surety/guarantee, a bill of exchange) or collateral is established on the client's bank account, his car or securities.

With regard to loans for the financing of small and medium enterprises and corporate clients, collateral can be established among others on: trade receivables, bank accounts, movable property, real estate or securities.

With regard to lease contracts, the BFL SA Group, as the owner of leased assets, treats them as collateral of the transaction.

33.3 Interest rate risk management

The interest rate risk is a risk of incurring losses on statement of financial position items and off-balance sheet items sensitive to interest rate fluctuations, as a result of unfavourable changes in the interest rates on the market.

The objective of interest rate risk management is to mitigate potential losses arising from market interest rate changes to an acceptable level by shaping the structure of the statement of financial position items and off-balance sheet items.

33.4 Interest rate risk assessment

In the process of interest rate risk management, the Group uses the Value at Risk (VaR) model, interest income sensitivity measure, stress testing and a repricing gap.

33.4.1 Monitoring of interest rate risk

The PKO Bank Polski SA Group's exposure to interest rate risk as at 30 September 2010 and 31 December 2009 consisted mainly of the Bank's exposure. The interest rate risk for such currencies as PLN, EUR and CHF, generated by the Group entities, did not have a material influence on the interest rate risk of the Group and, as a result, did not change significantly its risk profile. Interest rate risk for USD was changed significantly by the exposure of the entities of the Group, where the most significant exposure concerned KREDOBANK SA.

The exposure of the Group to the interest rate risk was within accepted limits.

VaR of the Bank and stress testing analysis of the Group's exposure to the interest rate risk are presented in the following table:

Name of sensitivity measure	30.09.2010	31.12.2009
VaR for a 10-day time horizon (in PLN thousand)*	29 499	17 086
Parallel move of interest rate curves by 200 base points (in PLN thousand) (stress test)	248 983	233 304

* 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 entities 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 29 097 thousand as at 30 September 2010 and to PLN 40 048 thousand as at 31 December 2009.

As at 30 September 2010, the Bank's interest rate VaR for a 10-day time horizon amounted to PLN 29 499 thousand, which accounted for approximately 0.18% of the value of the Bank's own funds. As at 31 December 2009, VaR for the Bank amounted to PLN 17 086 thousand, which accounted for approximately 0.10% of the Bank's own funds*.

33.4.2 Interest rate risk reporting

The Bank prepares daily, weekly, monthly, quarterly and semi-annually reports addressing interest rate risk, whereas monthly reports for the last month of the quarter, quarterly and semi-annually reports are prepared also for the Group. Reports gather the information on interest rate risk exposure and updates on available limits regarding the risk. Reports are prepared mainly for ALCO, the Bank's Management Board and the Bank's Supervisory Board.

33.4.3 Management actions as regards interest rate risk

Main tools used by the Group in interest rate risk management include:

1) procedures for interest rate risk management;

2) limits and thresholds for interest rate risk;

* Own funds calculated in accordance with regulations governing calculation of the capital adequacy ratio.

3) defining admissible types of transactions for interest rates.

The Group established limits and thresholds for interest rate risk comprising, among others, the following: price sensitivity, interest income sensitivity, limits and threshold for losses and limits on instruments sensitive to interest rate fluctuations.

Methods of interest rate risk management in the Group entities are defined by internal regulations implemented by those Group entities which are characterized by significant values of interest rate risk measure outcomes. These regulations are developed after consultation with the Bank and take into account recommendations issued by the Bank for Group entities.

33.5 Currency risk management

Currency risk is the risk of incurring losses due to exchange rate changes, generated by maintaining open currency positions in a given foreign currency.

The objective of managing the currency risk is to reduce potential losses arising from exchange rate changes to an acceptable level by shaping the currency structure of the statement of financial position items and off-balance sheet items.

33.5.1 Currency risk measurement

The Group measures currency risk using the Value at Risk model and stress tests.

33.5.2 Monitoring of currency risk

VaR of the Bank and stress-testing of the Group's financial assets exposed to currency risk are stated cumulatively in the table below:

Name of sensitivity measure	30.09.2010	31.12.2009
VaR for a 10-day time horizon (in PLN thousand)*	1 263	1 092
Change of CUR/PLN by 15% (in PLN thousand) (stress test)	455	697

* 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 Bank 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 ca. PLN 123 thousand as of 30 September 2010 and ca. PLN 64 thousand as of 31 December 2009.

The level of currency risk was low both as at 30 September 2010 and as at 31 December 2009.

The Group currency positions are presented in the table below:

Currency position	30.09.2010	31.12.2009
USD	(32 933)	(31 811)
GBP	(19)	1 501
CHF	(22 014)	(3 634)
EUR	36 744	26 489
Other (Global Net)	12 737	12 101

The volume of currency positions is a key factor determining the level of currency risk to which the Group is exposed (except for volatility of foreign exchange rates). The level of currency positions is determined by all foreign currency transactions, which are concluded by the Group, both in the statement of financial position and off-balance sheet. Exposure of the Bank to currency risk is low (with reference to own funds, VaR for a 10-day time horizon for the Bank's currency position as at 30 September 2010 amounted to ca. 0.01%).

33.5.3 Reporting of currency risk

PKO Bank Polski SA prepares daily, weekly, monthly, quarterly and semi-annually reports addressing currency risk, whereas monthly reports for the last month of the quarter, quarterly and semi-annually reports are prepared for the Group. Reports gather the information on currency risk exposure and updates on available limits regarding the risk. Reports are prepared mainly for ALCO, the Bank's Management Board and the Bank's Supervisory Board.

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33.5.4 Management actions as regards currency risk

Main tools used by the Group in currency risk management include:

1) procedures for currency risk management;

2) limits and thresholds for currency risk;

3) defining allowable transactions in foreign currencies and the exchange rates used in such transactions.

The Group sets limits and threshold values, among others, for the following items: currency positions, Value at Risk calculated for a 10-day time horizon and daily loss from transactions on currency market.

Methods of currency risk management in the Group entities are defined by internal regulations implemented by these entities. The regulations are developed by entities, for which currency risk measurement tools obtain a significant value, after consulting the Bank's opinion and having taken into account recommendations issued to the entities by the Bank.

33.6 Liquidity risk management

The liquidity risk is a risk of the lack of the possibility to pay the debts on time due to the lack of liquid assets. Lack of liquidity may arise from an inadequate structure of the statement of financial position, mismatch of cash flows, not received payments from contractors, sudden withdraw of cash by clients or other market events.

The objective of liquidity risk management is to shape the structure of the statement of financial position and contingent liabilities and commitments to ensure the current and future (and potential) liquidity, taking into account the nature of its activities and requirements which may occur due to changes in market environment.

The Group's policy concerning liquidity is based on keeping a portfolio of liquid securities and building a stable deposit base. In its liquidity risk management policy, money market instruments, including NBP open market operations are used.

33.6.1 Liquidity risk measurement

The Group makes use of the following liquidity risk measures:

1) the contractual liquidity gap method and the adjusted liquidity gap method;
2) the liquidity reserve method;
3) analysis of stability of deposit and loan portfolios;
4) stress testing (liquidity stress-testing).

33.6.2 Monitoring of liquidity risk

Liquidity gaps presented below include among others the Group's items of the statement of financial position adjusted to the following factors: permanent balances on deposits of non-financial sector and their maturity, permanent balances on loans in current accounts for non-financial entities and their maturity and liquid securities and their maturity.

	a'vista	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 36 months	36 - 60 months	over 60 months
								30.09.2010
Group - Adjusted gap	2 571 321	18 132 369	(2 884 943)	(1 040 601)	2 607 915	1 381 899	5 146 527	**(25 914 487)**
Group - Cumulative adjusted gap	2 571 321	20 703 690	17 818 747	16 778 146	19 386 061	20 767 960	25 914 487	-
								31.12.2009
Group - Adjusted gap	7 168 054	15 375 687	(3 609 590)	316 614	3 587 227	1 655 613	4 769 757	**(29 263 362)**
Group - Cumulative adjusted gap	7 168 054	22 543 741	18 934 151	19 250 765	22 837 992	24 493 605	29 263 362	-

In all time horizons, PKO Bank Polski SA Group's cumulative adjusted liquidity gap* as at 30 September 2010 and 31 December 2009 was positive. This means a surplus of assets receivable over liabilities payable.

The table below presents the Bank's liquidity reserve as at 30 September 2010 and as at 31 December 2009:

Name of sensitivity measure	30.09.2010	31.12.2009
Liquidity reserve to 1 month* (in PLN million)	12 795	16 030

*Liquidity reserve equals the gap between the most liquid assets and expected and potential liabilities which mature in a given period of time.

As at 30 September 2010, the level of permanent balances on deposits constituted ca. 95.1% of all deposits in the Bank (excluding inter-bank market), which means a decrease by ca. 0.5 pp. as compared to the end of 2009.

33.6.3 Reporting of liquidity risk

The Bank prepares daily, weekly, monthly, quarterly and semi-annually reports addressing liquidity risk whereas monthly reports for the last month of the quarter, quarterly and semi-annually reports are prepared for the Group. Reports gather the information on liquidity risk exposure and updates on available limits regarding the risk. Reports are prepared mainly for ALCO, the Bank's Management Board and the Bank's Supervisory Board.

33.6.4 Management actions as regards liquidity risk

The main tools for liquidity risk management in the PKO Bank Polski SA Group are as follows:

1) procedures for liquidity risk management, including in particular emergency plans;

2) limits and thresholds mitigating liquidity risk;

3) deposit, investment and derivative transactions, including structural currency transactions and transactions for sale or purchase of securities;

4) transactions ensuring long-term financing of the Bank's lending activities.

* The PKO Bank Polski SA Group's adjusted liquidity gap has been determined as the sum of the PKO Bank Polski SA's adjusted liquidity gap and contractual liquidity gaps of the remaining entities of the PKO Bank Polski SA Group.

To ensure an adequate liquidity level, the Bank and the subsidiaries of the PKO Bank Polski SA Group's 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.

Methods of liquidity risk management in the subsidiaries of the Group are defined by internal regulations implemented by the entities which are characterized by high levels of liquidity risk measure outcomes. These regulations are developed after consultation with the Bank and take into account recommendations issued to the entities by the Bank.

33.7 Price risk of equity securities management

The price risk of equity securities is the risk of incurring a loss due to changes in the prices of equity securities on the public market or stock exchange indices, generated by maintaining open positions in instruments sensitive to changes in these market parameters.

The price risk of equity securities results from operations conducted as part of trading activities (DM PKO BP SA), investing activities and from other operations as part of banking activities generating a position in equity securities.

Managing the equity securities risk is aimed at limiting possible losses due to changes in the prices of equity securities on the public market or stock exchange indices to a level acceptable to the Bank, by optimizing the positions taken in instruments sensitive to changes in these market parameters.

The risk is managed by imposing limits on the activities of Dom Maklerski PKO BP SA broken down into the banking portfolio and the trading portfolio, and by monitoring the utilization thereof.

The effect of the price risk of equity securities on the financial position of the Bank was assessed as immaterial in accordance with the adopted budget of the Bank. The positions taken in equity securities and index instruments are limited, and the Bank does not expect them to increase significantly.

33.8 Derivative instruments risk management

The risk of derivative instruments is a risk of incurring losses arising from taking up by the Bank a position in financial instruments, which meet all of the following conditions:

1) the value of an instrument changes with the change of the underlying instrument;
2) it does not require any initial net investment or requires only a small initial net investment compared with other types of contracts which similarly respond to changes in market terms;
3) it is to be settled at a future date.

The derivative risk is managed as part of managing other types of risk. However, due to the specific nature of derivatives it is subject to special control specified in the internal regulations of the Bank.

33.8.1 Derivative instruments risk measurement

The Bank measures the derivative instruments risk using, among others, the Value at Risk (VaR) model, described in the section describing interest rate risk or in the section describing currency risk depending on the risk factor which affects the value of the instrument.

33.8.2 Monitoring the risk of derivative instruments

Monitoring the risk of derivative instruments takes place as part of monitoring of other types of financial and credit risk. The Bank pays particular attention to monitor financial risk related to the maintenance of currency options portfolio and customer credit risk resulting from amounts due to the Bank in respect of derivative instruments.

33.8.3 Reporting of derivative instruments risk

The Bank prepares daily, weekly, monthly, quarterly and semi-annually reports addressing derivative instruments risk whereas monthly reports for the last month of the quarter, quarterly and semi-annually reports are prepared also for the Group. Reports gather the information on derivative instruments risk exposure and updates on available limits regarding the risk. Reports are prepared mainly for ALCO, the Bank's Management Board and the Bank's Supervisory Board.

33.8.4 Management actions as regards derivative instruments risk

The main tools used in derivative risk management are as follows:

1) procedures for derivative risk management;
2) limits and thresholds set for the risk related to derivative instruments;
3) master agreements (ISDA – International Swaps and Derivatives Association), ZBP (Polish Banks Association) specifying, among others, settlement mechanisms.

Risk management is carried out by imposing limits on the individual derivative instruments included in the Bank's trading and banking portfolios, monitoring limits, observation and reporting risk level.

Master agreements concluded by the Bank with the major business partners based on the standards developed by the Polish Banks Association (domestic banks) and ISDA (foreign banks and credit institutions), which allow offsetting mutual liabilities, both due (mitigation of settlement risk) and not yet due (mitigation of pre-settlement risk), are particularly important for mitigating the risk associated with derivative instruments. Additional collateral for exposures, resulting from derivative instruments are collateral deposits escrowed by counterparties as a part of CSA agreement (Credit Support Annex).

Methods of derivative risk management in the subsidiaries of the Group are defined by internal regulations implemented by these entities which take positions in derivative instruments or plan to take positions in such instruments. These regulations are developed after consultation with the Bank and take into account the recommendations issued by the Bank for the entities.

33.9 Operational risk management

Operational risk is defined as the risk of occurrence of a loss due to non-compliance or unreliability of internal processes, people and systems or external events.

The objective of operational risk management is to optimize operational efficiency by reducing operating losses, costs streamlining and improving the timing and adequacy of the response of the Group to events which are beyond its control.

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

The main tools for managing the operational risk are as follows:

- control instruments;
- human resources management (proper staff selection, enhancement of professional qualification of employees, motivation packages);
- setting threshold values of Key Risk Indicators (KRI);
- contingency plans;
- insurance;
- outsourcing.

The entities of the Group manage operational risk according to principles of managing the risk in PKO Bank Polski SA, considering their specific nature and scale of activity. In the three quarters of 2010, the entities of the Group continued their activities concerning development of the system of key risk indicators as regards operational risk and conducted trainings related to this risk.

Identification and assessment of operational risk comprises operational risk appearing in the existing products, processes and IT software of the Bank; the above is conducted with the use of:

- accumulation of data on operational events;
- results of internal audit;
- results of functional internal control;

- Key Risk Indicators (KRI).

Measurement of operational risk in the Bank aims at defining the scale of threats related to the existence of operational risk with the use of defined risk measures.

The Bank continuously monitors the level of KRI and operating events which exceed threshold values for operational risk.

In the three quarters of 2010, the dominant impact on the operational risk profile of the Group is exercised by the following three entities: PKO Bank Polski SA, the BFL SA Group and KREDOBANK SA. The other entities of the Group, considering their significantly smaller scale and type of activity, generate only reduced operational risk.

Bank and the Group's entities prepare reports concerning operating risk on a quarterly basis. The reports are addressed to the Bank's Management Board and the Bank's Supervisory Board. The reports contain among others:

- information on the operating risk profile of the Bank resulting from the process of identifying and assessing the threats, for products, processes and IT software of the Bank;
- information on the results of measuring and monitoring operating risk;
- information on operating events and their financial effects;
- the most important projects and initiatives as regards operational risk management.

If the level of operational risk is too high, the Bank takes the following actions:

- risk avoidance – withdrawing from too risky activity or resigning from undertaking it if there is no possibility of managing it;
- reducing the scale of activities characterized by too high risk, if it can be possibly managed and it is possible to take actions reducing risk;
- risk transfer – insurance against the risk of occurring operational events ensuring the maintenance of operational risk on such a level that the Bank's activities are not threatened.

33.10 Compliance risk management

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

The objective of compliance risk management is to ensure the Group's compliance with law and adopted standards and the Bank's acting as a entity that is reliable, fair and honest, through mitigating compliance risk, reputation risk or the Group's credibility and mitigating the risk of occurring financial losses or legal sanction risk resulting from breach of regulations and ethical standards.

The Group adopted a zero tolerance policy against compliance risk, which means that the Group focuses its actions towards eliminating this risk.

In all the entities of the PKO Bank Polski SA Group principles of compliance risk management are consistent.

The Bank performs an identification and assessment of compliance risk. In order to identify compliance risk, information on cases of non-compliance and their origins are being used, including information based on internal audits results, functional control and external controls.

While performing an assessment a character and potential losses are defined together with methods of reducing or eliminating compliance risk. Assessment is held through workshops.

Bank prepares reports concerning compliance risk on a quarterly basis. The reports are addressed to the Bank's Management Board and the Bank's Supervisory Board. The reports contain among others:

- non-compliance cases;

– most important adjusting activities in the Bank.

Compliance risk management involves in particular:

– preventing involvement of the Group in illegal activities;
– ensuring data protection;
– development of ethical standards and monitoring of their application;
– conflict of interest management;
– preventing situations where the Group'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.

33.11 Strategic risk management

The strategic risk is defined as a risk related to the possibility of negative financial consequences caused by erroneous decisions, decisions made on the basis of an inappropriate assessment or failure to make correct decisions relating to the direction of the Bank's strategic development.

Managing the strategic risk is aimed at maintaining, on an acceptable level, the negative financial consequences resulting from bad decisions, decisions made on the basis of an incorrect assessment or failing to make appropriate decisions on the direction of the strategic development of the Bank.

In measuring the strategic risk, the Bank takes into account an impact of selected types of factors, distinguished in the activity and in the environment, which comprise in particular:

- external factors;
- factors related to the growth and development of the banking operations;
- factors related to the management of human resources;
- factors related to investment activities;
- factors related to the organization's culture.

Monitoring of the strategic risk level are performed in the Bank on an annual basis at minimum.

Strategic risk reporting is conducted annually in the Bank. Reports on strategic risk are prepared mainly for the Bank's Management Board and for managing directors of the Bank's head office.

Management of strategic risk in the Bank is mainly applied in the form of actions undertaken if an elevated level of strategic risk occurs.

33.12 Reputation risk management

The reputation risk is defined as the risk related to a possibility of negative variations from the planned results of the Bank due to the deterioration of the Bank's image.

The objective of managing the reputation risk is to protect the Bank's image and limit the probability of the occurrence and level of reputation-related losses.

Reputation risk ratios are calculated based on annual assessment of negative image-related events identified in a given calendar year for particular types of image-related events. Main tools used to determine the Bank's reputation risk level are:

– a catalogue of image-related events categories containing a list of image-related categories with appropriate weights assigned;
– a register of image-related events containing a list of negative image-related events that occurred grouped by image-related events categories.

Monitoring of image-related events is performed on an ongoing basis and includes:

- monitoring the external and internal communication channels of the Bank with the environment in terms of identifying the negative impact of image-related events;
- gathering and analyzing information related to the occurrence or a possibility of occurrence of image-related events;
- recording data on the identified negative impact of image-related events.

The reports on the level of reputation risk are prepared in the Bank on an annual basis. The reports are addressed to the organizational units of the Banking Risk Division.

Management of reputation risk within the Group mainly comprises preventive activities aimed at reducing or minimizing the scale and the scope of reputation events, as well as selection of effective tools for protective measures aimed at eliminating, mitigating or minimizing the unfavourable effect of image-related events on the Group's image depending on the nature, importance, scale and dynamics of the negative effects of image-related events.

33.13 Objectives and principles of capital adequacy management

33.13.1 Capital adequacy

Capital adequacy is the maintenance of a level of capital by the PKO Bank Polski 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 constantly 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:

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

The main measures of capital adequacy are:

- the capital adequacy ratio which minimum level is in accordance with the Banking Act is 8%;
- the ratio of own funds to internal capital which acceptable minimum level is in accordance with the Banking Act is 1.0.

As at 30 September 2010, the capital adequacy level of the Group remained on a level significantly above the statutory limits.

Compared with 31 December 2009, the Group's capital adequacy level decreased by 1.84 pp., which was mainly caused by an increase in the Group's total capital requirement (by PLN 1 312 448 thousand).

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33.13.2 Own funds

Own funds comprise basic funds, supplementary funds and short-term capital.

As at 30 September 2010, the Group's own funds decreased by PLN 136 313 thousand, mainly as a result of a decrease in retained earnings of the Group from previous years (by PLN 79 050 thousand; whereas in retained earnings of the Group retained earnings of the Bank for the year 2009 were taken into account less expected burden of (PLN 57 152 thousand)).

The structure of the Group's own funds is presented in the table below:

GROUP'S OWN FUNDS	30.09.2010	31.12.2009
Basic funds (Tier 1)	**16 104 780**	**16 254 416**
Share capital	1 250 000	1 250 000
Reserve capital	12 162 177	12 149 682
Other reserves	3 405 087	3 405 087
General banking risk fund for unidentified banking activities risk	1 070 000	1 070 000
Retained earnings	169 101	248 806
Unrealised losses on debt and equity instruments classified as available for sale	(79 379)	(52 749)
Intangible assets	(1 644 717)	(1 572 577)
of which goodwill of subsidiaries	(264 933)	(264 933)
Equity exposures	(118 761)	(142 371)
Currency translation differences from foreign operations	(112 036)	(108 791)
Non-controlling interest	3 308	7 329
Supplementary funds (Tier 2)	**1 517 740**	**1 481 052**
Subordinated liabilities classified as supplementary funds	1 600 700	1 600 700
Unrealised gains on debt and equity instruments classified as available for sale (up to 60% of their pre-tax value)	35 801	22 723
Equity exposures	(118 761)	(142 371)
Short-term capital (Tier 3)	**106 511**	**129 876**
TOTAL OWN FUNDS	**17 729 031**	**17 865 344**

33.13.3 Capital requirements (Pillar 1)

The Group calculates capital requirements in accordance with Resolution No. 76/2010 of the Polish Financial Supervision Authority dated 10 March 2010 – (Basel II): in respect of credit risk – using the standardized approach; in respect of the Bank's operational risk – standardized approach, for the Group's entities using Basic Indicator Approach and in respect of market risk – using the basic approach.

The scale of the Bank and of the Group trading activities is significant, therefore the total capital requirements constitute sum of the capital requirements for:

1) credit risk – including credit risk of the banking book and counterparty credit risk,
2) market risk – including foreign exchange risk, commodities risk, equity securities risk, specific risk of debt instruments, general interest rates risk,
3) operational risk,
4) other types of capital requirements:
   a) settlement/delivery risk,
   b) the risk of exceeding the exposure concentration limit and the large exposure limit,
   c) the risk of exceeding the capital concentration threshold.

An increase in capital requirements because of credit risk was mainly due to high dynamics in the growth of the Group's loan portfolio by ca. 9% in three quarters of 2010 (statement of financial position exposures and off-balance sheet exposures).

An increase in market risk capital requirements results from an increase in liabilities concerning guarantees of issue by ca. 191%.

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The tables below show the Group's exposure to credit risk, particular types of credit risk and given types of market risk.

Capital requirements	30.09.2010	31.12.2009
Credit risk	**9 555 971**	**8 487 800**
credit risk (banking book)	9 482 480	8 413 635
counterparty risk (trading book)	73 491	74 165
Market risk	**447 887**	**204 148**
equity securities risk	984	2 390
specific risk of debt instruments	341 868	168 088
general interest rates risk	105 035	33 670
Operational risk	**1 057 922**	**1 057 384**
Total capital requirements	**11 061 780**	**9 749 332**
Capital adequacy ratio	**12.82%**	**14.66%**

33.13.4 Internal capital (Pillar 2)

Internal capital is designated by the Group in accordance with Resolution No 383/2008 of the Polish Financial Supervision Authority dated 17 December 2008 on detailed principles for functioning of risk management system and internal control system and detailed terms of estimating internal capital by banks and reviewing the process of estimating and maintaining internal capital (Financial Supervision Authority's Journal of Laws 2008, No. 8, item 37).

Internal capital is the estimated amount of capital that is necessary to cover all of the significant, identified risks characteristic of the Group's activities and the effect of changes in the business environment, taking into account the anticipated risk level.

In three quarters of 2010, the relation of the Group's own funds to its internal capital remained on a level exceeding both the threshold set by the law and the Group's internal limits.

The internal capital in the PKO Bank Polski SA Group is intended to cover each of the significant risk types:

1) credit risk (as regards insolvency and concentration risk);
2) currency risk;
3) interest rate risk;
4) liquidity risk;
5) operational risk;
6) business risk (including strategic risk).

The total internal capital of each of the Group's entities is the sum of internal capital amount necessary to cover all of the significant risks for each of the entities.

The total internal capital of the Group is the sum of internal capital of the Bank and internal capitals of all of the Group's entities.

The correlation coefficient for different types of risk and different companies of the Group used in the internal capital calculation is equal to 1.

The Bank regularly monitors the significance of the individual risk types relating to the Bank's activities and activities of Group's entities.

Disclosures (Pillar 3)

In accordance with § 6 of Resolution 385/2008 of the Polish Financial Supervision Authority dated 17 December 2008, on the detailed principles and methods for banks to disclose qualitative and quantitative information concerning capital adequacy and the scope of the information to be announced (Financial Supervision Authority's Journal of Laws 2008, No. 8, item 39), the Powszechna Kasa Oszczędności Bank Polski SA, which is the holding company within the meaning of §3 of the resolution, publishes information about capital adequacy in a separate document on an annual basis, not later than within 30 days of the date of authorization of the annual financial statements by the Ordinary General Shareholders' Meeting.

The report 'Capital Adequacy and Risk Management (Pillar 3) of the Powszechna Kasa Oszczędności Bank Polski SA Group as at 31 December 2009' was published on the Bank's official website on 23 July 2010.

Details of the scope of capital adequacy information disclosed, the method of its verification and publication are presented in the PKO Bank Polski SA Capital Adequacy Information Policies, which are available on the Bank's website (www.pkobp.pl).

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STAND-ALONE FINANCIAL DATA

INCOME STATEMENT
for the nine-month periods ended 30 September 2010 and 30 September 2009 respectively

	Notes	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Continued operations:					
Interest and similar income	1	2 595 172	7 465 280	2 189 203	6 293 999
Interest expense and similar charges	1	(907 922)	(2 770 618)	(912 091)	(2 819 494)
Net interest income		**1 687 250**	**4 694 662**	**1 277 112**	**3 474 505**
Fee and commission income	2	928 578	2 737 112	823 162	2 221 678
Fee and commission expense	2	(176 500)	(559 163)	(187 748)	(524 089)
Net fee and commission income		**752 078**	**2 177 949**	**635 414**	**1 697 589**
Dividend income		83	109 827	48	101 262
Net income from financial instruments designated at fair value	3	(15 194)	(32 994)	(10 733)	52 838
Gains less losses from investment securities		975	36 922	282	(2 109)
Net foreign exchange gains	4	124 442	289 113	121 861	753 577
Other operating income	5	11 821	35 435	36 893	146 047
Other operating expenses	5	(10 359)	(34 946)	(16 590)	(54 090)
Net other operating income and expense		**1 462**	**489**	**20 303**	**91 957**
Net impairment allowance and write-downs	6	(517 699)	(1 359 594)	(376 121)	(960 467)
Administrative expenses	7	(964 141)	(2 840 693)	(949 809)	(2 868 805)
Operating profit		**1 069 256**	**3 075 681**	**718 357**	**2 340 347**
Profit before income tax		**1 069 256**	**3 075 681**	**718 357**	**2 340 347**
Income tax expense	8	(212 324)	(606 209)	(155 226)	(488 325)
Net profit		**856 932**	**2 469 472**	**563 131**	**1 852 022**
Earnings per share:					
- basic earnings per share for the period (in PLN)		0.69	1.98	0.52	1.70
- diluted earnings per share for the period (in PLN)		0.69	1.98	0.52	1.70
Weighted average number of ordinary shares during the period		1 250 000 000	1 250 000 000	1 090 000 000	1 090 000 000
Weighted average diluted number of ordinary shares during the period		1 250 000 000	1 250 000 000	1 090 000 000	1 090 000 000

Discontinued operations:

In the nine-month periods ended 30 September 2010 and 30 September 2009 PKO Bank Polski SA did not carry out discontinued operations.

STATEMENT OF COMPREHENSIVE INCOME
for the nine-month periods ended 30 September 2010 and 30 September 2009 respectively

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Profit for the period	**856 932**	**2 469 472**	**563 131**	**1 852 022**
Other comprehensive income	**(121 090)**	**51 234**	**(95 010)**	**98 532**
Unrealised net gains on financial assets available for sale (gross)	(18 637)	(2 189)	10 763	26 005
Deferred tax on unrealised net gains on financial assets available for sale	3 541	416	(2 042)	(4 941)
Cash flow hedge (gross)	(130 857)	65 441	(128 060)	95 639
Deferred tax on cash flow hedge	24 863	(12 434)	24 329	(18 171)
Total net comprehensive income	**735 842**	**2 520 706**	**468 121**	**1 950 554**

STATEMENT OF FINANCIAL POSITION
as at 30 September 2010 and 31 December 2009

	Notes	30.09.2010	31.12.2009
ASSETS			
Cash and balances with the central bank		3 847 048	6 993 966
Amounts due from banks	10	1 546 537	2 053 767
Trading assets	11	2 780 504	2 212 955
Derivative financial instruments	12	2 420 847	2 029 921
Financial assets designated at fair value through profit and loss	13	14 049 730	12 356 532
Loans and advances to customers	14	124 829 005	114 425 789
Investment securities available for sale	15	8 965 906	7 965 697
Investments in subsidiaries, jointly controlled entities and associates	16	1 467 507	1 333 707
Non-current assets held for sale		15 658	13 851
Intangible assets	17	1 337 963	1 268 781
Tangible fixed assets	17	2 121 768	2 291 949
including investment properties		156	322
Deferred income tax asset		403 874	275 204
Other assets		447 644	425 360
TOTAL ASSETS		**164 233 991**	**153 647 479**
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to the central bank		3 331	6 581
Amounts due to banks	18	4 665 408	4 166 725
Derivative financial instruments	12	1 939 657	1 544 370
Amounts due to customers	19	130 635 494	124 044 400
Subordinated liabilities		1 631 753	1 612 178
Other liabilities	20	1 978 625	1 319 917
Current income tax liabilities		106 013	175 165
Provisions	21	573 487	598 626
TOTAL LIABILITIES		**141 533 768**	**133 467 962**
Equity			
Share capital		1 250 000	1 250 000
Other capital		16 548 599	16 497 365
Retained earnings		2 432 152	-
Net profit for the period		2 469 472	2 432 152
TOTAL EQUITY		**22 700 223**	**20 179 517**
TOTAL EQUITY AND LIABILITIES		**164 233 991**	**153 647 479**
Capital adequacy ratio	26	12.33%	14.28%
Book value (in PLN thousand)		22 700 223	20 179 517
Number of shares		1 250 000 000	1 250 000 000
Book value per share (in PLN)		18.16	16.14
Diluted number of shares		1 250 000 000	1 250 000 000
Diluted book value per share (in PLN)		18.16	16.14

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STATEMENT OF CHANGES IN EQUITY
for the nine-month periods ended 30 September 2010 and 30 September 2009 respectively

For the nine-month period ended 30 September 2010	Share capital	Other capital						Retained earnings	Net profit for the period	Total equity
		Reserve capital	General banking risk fund	Other reserves	Financial assets available for sale	Cash flow hedge	Total other equity			
As at 1 January 2010	**1 250 000**	**12 048 111**	**1 070 000**	**3 276 260**	**(16 282)**	**119 276**	**16 497 365**	**-**	**2 432 152**	**20 179 517**
Transfer of net profit from previous years	-	-	-	-	-	-	-	2 432 152	(2 432 152)	**-**
Total comprehensive income	-	-	-	-	(1 773)	53 007	51 234	-	2 469 472	2 520 706
As at 30 September 2010	**1 250 000**	**12 048 111**	**1 070 000**	**3 276 260**	**(18 055)**	**172 283**	**16 548 599**	**2 432 152**	**2 469 472**	**22 700 223**

For the nine-month period ended 30 September 2009	Share capital	Other capital						Retained earnings	Net profit for the period	Total equity
		Reserve capital	General banking risk fund	Other reserves	Financial assets available for sale	Cash flow hedge	Total other equity			
As at 1 January 2009	**1 000 000**	**7 216 986**	**1 070 000**	**1 395 000**	**(33 874)**	**-**	**9 648 112**	**-**	**2 881 260**	**13 529 372**
Transfer of net profit from previous years	-	-	-	-	-	-	-	2 881 260	(2 881 260)	**-**
Total comprehensive income	-	-	-	-	21 064	77 468	98 532	-	1 852 022	1 950 554
Transfer from retained earnings	-	-	-	1 881 260	-	-	1 881 260	(1 881 260)	-	**-**
Dividends paid	-	-	-	-	-	-	-	(1 000 000)	-	(1 000 000)
As at 30 September 2009	**1 000 000**	**7 216 986**	**1 070 000**	**3 276 260**	**(12 810)**	**77 468**	**11 627 904**	**-**	**1 852 022**	**14 479 926**

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CASH FLOW STATEMENT
for the nine-month periods ended 30 September 2010 and 30 September 2009 respectively

	Note	01.01-30.09.2010	01.01-30.09.2009
Net cash flow from operating activities			
Net profit		2 469 472	1 852 022
Adjustments:		(5 499 824)	(5 134 626)
Amortisation and depreciation		311 915	297 279
(Gains) losses on investing activities		(3 033)	(28 103)
Interest and dividends		(448 605)	(384 112)
Change in amounts due from banks		(10 174)	1 260 907
Change in trading assets and other financial assets designated at fair value through profit and loss		(2 260 747)	(6 578 482)
Change in derivative financial instruments (asset)		(390 926)	1 165 170
Change in loans and advances to customers		(11 202 326)	(11 733 224)
Change in deferred income tax asset and income tax receivables		(128 670)	(33 738)
Change in other assets		(24 091)	(37 031)
Change in amounts due to banks		495 433	(606 427)
Change in derivative financial instruments (liability)		395 287	(3 937 826)
Change in amounts due to customers		6 591 094	14 818 894
Change in impairment allowances and provisions		763 374	324 439
Change in other liabilities		750 704	411 086
Income tax paid		(816 049)	(845 707)
Current income tax expense		746 897	545 174
Other adjustments		(269 907)	227 075
Net cash from / used in operating activities		**(3 030 352)**	**(3 282 604)**
Net cash flow from investing activities			
Inflows from investing activities		**6 962 002**	**10 196 748**
Proceeds from sale of investment securities		6 846 722	10 090 841
Proceeds from sale of intangible assets and tangible fixed assets		5 686	12 635
Other investing inflows		109 594	93 272
Outflows from investing activities		**(7 522 130)**	**(8 538 590)**
Purchase of a subsidiary, net of cash acquired		(148 873)	(430 644)
Purchase of investment securities		(7 141 502)	(7 785 860)
Purchase of intangible assets and tangible fixed assets		(231 755)	(322 086)
Net cash from / used in investing activities		**(560 128)**	**1 658 158**
Net cash flow from financing activities			
Repayment of interest from debt securities in issue		(42 302)	(62 895)
Long-term borrowings		-	211 499
Repayment of long term borrowings		(30 119)	(34 181)
Net cash generated from financing activities		**(72 421)**	**114 423**
Net cash inflow/ (outflow)		**(3 662 901)**	**(1 510 023)**
including currency translation differences on cash and cash equivalents		(427)	8 816
Cash and cash equivalents at the beginning of the period		8 617 962	8 055 811
Cash and cash equivalents at the end of the period	**23**	**4 955 061**	**6 545 788**
of which restricted		9 061	6 770

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NOTES

1. Interest income and expense

Interest and similar income

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Income from loans and advances to customers	2 116 528	6 066 528	1 760 192	5 264 649
Income from derivative hedging instruments	185 199	493 610	173 938	252 308
Income from securities designated at fair value through profit and loss	119 981	362 869	107 984	298 688
Income from investment securities	107 070	329 321	91 014	278 673
Income from placements with banks	36 507	108 817	31 710	125 861
Income from trading assets	29 052	101 536	23 835	63 555
Other	835	2 599	530	10 265
Total	**2 595 172**	**7 465 280**	**2 189 203**	**6 293 999**

In the 'Income from derivative hedging instruments' the Bank presents interest income from derivative instruments designated for hedge accounting that are effective hedging instruments in the respect of cash flow hedge. Details of hedging relationships applied by the Bank are included in Note 16 of the Condensed Interim Consolidated Financial Statements 'Derivative hedging instruments'.

In the nine-month period ended 30 September 2010, interest income from loans for which objective evidence of impairment has been identified amounted to PLN 313 584 thousand, of which interest income from impaired loans amounted to PLN 238 627 thousand. This income has been included in 'Income from loans and advances to customers'.

The above values include the amount of PLN 40 725 thousand recognised in the third quarter of 2010 in correspondence with 'Net impairment allowance and write-downs', resulting from additional data obtained from available applications and IT systems.

Interest expense and similar changes

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Interest expense on amounts due to customers	(873 470)	(2 662 585)	(873 644)	(2 683 637)
Interest expense on debt securities in issue	(20 415)	(61 878)	(21 915)	(78 108)
Interest expense on deposits from banks	(7 241)	(24 466)	(9 592)	(41 865)
Other	(6 796)	(21 689)	(6 940)	(15 884)
Total	**(907 922)**	**(2 770 618)**	**(912 091)**	**(2 819 494)**

2. Fee and commission income and expense

Fee and commission income

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Income from financial assets, which are not valued at fair value through profit and loss, of which:	**137 404**	**381 899**	**95 087**	**255 186**
Income from loans and advances	137 404	381 899	95 087	255 186
Other commissions	**790 798**	**2 354 071**	**727 624**	**1 965 262**
Income from payment cards	239 736	714 777	238 612	683 620
Income from maintenance of bank accounts	225 653	680 161	229 647	652 013
Income from loan insurance	167 037	505 121	115 402	208 373
Income from cash transactions	41 341	124 518	43 830	133 628
Income from maintenance of investment funds	46 195	119 184	24 125	68 041
Income from securities transactions	20 260	53 554	14 518	38 706
Income from servicing foreign mass transactions	11 390	32 905	10 444	30 498
Income from sale and distribution of marks of value	5 248	18 913	7 853	20 290
Other*	33 938	104 938	43 193	130 093
Income from trustee activities	**376**	**1 142**	**451**	**1 230**
Total	**928 578**	**2 737 112**	**823 162**	**2 221 678**

* Included in 'Other' are commissions received for servicing bond sale transactions, commissions of Dom Maklerski for servicing Initial Public Offering issue and commissions for servicing loans granted by the State budget.

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Fee and commission expense

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Expenses on payment cards	(74 723)	(250 312)	(95 286)	(275 990)
Expenses on loan insurance	(39 926)	(113 902)	(28 603)	(63 586)
Expenses on acquisition services	(32 441)	(101 309)	(35 479)	(105 297)
Expenses on settlement services	(4 227)	(16 050)	(4 140)	(15 928)
Expenses on fee and commissions for operating services granted by banks	(2 622)	(7 809)	(1 612)	(4 808)
Other*	(22 561)	(69 781)	(22 628)	(58 480)
Total	**(176 500)**	**(559 163)**	**(187 748)**	**(524 089)**

* Included in 'Other' are: fee and expenses paid by the brokerage house (Dom Maklerski) to Warsaw Stock Exchange (GPW) and the National Depository for Securities (KDPW) and fee and commissions paid due to settlement and clearing services.

3. Net income from financial instruments at fair value through profit and loss

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Debt securities	13 629	43 012	3 735	25 655
Equity instruments	777	1 460	409	1 600
Derivative instruments[1)]	(29 609)	(77 493)	(14 922)	24 395
Other[1)]	9	27	45	1 188
Total	**(15 194)**	**(32 994)**	**(10 733)**	**52 838**

In the net income from financial instruments at fair value, position 'Derivative instruments', an ineffective portion related to hedges against fluctuations in cash flows was recognized and it amounted to PLN (48 772) thousand in the period ended 30 September 2010 (in the period ended 30 September 2009 an ineffective portion related to hedges against fluctuations in cash flows amounted to PLN (9 852) thousand).

3rd quarter period from 01.07.2010 to 30.09.2010	Gains	Losses	Net result
Trading assets	1 641 664	(1 670 091)	(28 427)
Financial assets designated upon initial recognition at fair value through profit and loss	10 904	2 329	13 233
Total	**1 652 568**	**(1 667 762)**	**(15 194)**

3 quarters cumulatively period from 01.01.2010 to 30.09.2010	Gains	Losses	Net result
Trading assets	7 285 398	(7 359 649)	(74 251)
Financial assets designated upon initial recognition at fair value through profit and loss	49 976	(8 719)	41 257
Total	**7 335 374**	**(7 368 368)**	**(32 994)**

3rd quarter period from 01.07.2009 to 30.09.2009	Gains	Losses	Net result
Trading assets	1 682 841	(1 698 740)	(15 899)
Financial assets designated upon initial recognition at fair value through profit and loss	3 474	1 692	5 166
Total	**1 686 315**	**(1 697 048)**	**(10 733)**

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3 quarters cumulatively period from 01.01.2009 to 30.09.2009	Gains	Losses	Net result
Trading assets	10 760 029	(10 721 241)	38 788
Financial assets designated upon initial recognition at fair value through profit and loss	78 816	(64 766)	14 050
Total	**10 838 845**	**(10 786 007)**	**52 838**

The total change in fair value of financial instruments designated at fair value through profit and loss determined with use of valuation models (where no quotations from active market were available) in the period ended 30 September 2010 amounted to PLN (77 466) [*)] thousand (in the period ended 30 September 2009: PLN 25 583[*)] thousand).

4. Net foreign exchange gains

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Currency translation differences resulting from financial instruments designated at fair value through profit and loss	2 010 458	74 980	(185 058)	2 502 983
Other currency translation differences	(1 886 016)	214 133	306 919	(1 749 406)
Total	**124 442**	**289 113**	**121 861**	**753 577**

5. Other operating income and expense

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Other operating income				
Sundry income	6 979	16 158	6 827	17 060
Sales and disposal of tangible fixed assets and intangible assets	2 478	5 687	10 588	11 858
Recovery of expired and written-off receivables	1 319	2 857	3 354	18 169
Sale of shares in subsidiaries, jointly controlled entities and associates	-	545	-	-
Other	1 045	10 188	16 124	98 960
Total	**11 821**	**35 435**	**36 893**	**146 047**

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Other operating expenses				
Costs of sale and disposal of tangible fixed assets, intangible assets and assets held for sale	(1 543)	(4 065)	(2 318)	(4 418)
Sundry expenses	(1 067)	(3 249)	(1 181)	(3 808)
Donations	(1 237)	(3 136)	(267)	(2 493)
Other	(6 512)	(24 496)	(12 824)	(43 371)
Total	**(10 359)**	**(34 946)**	**(16 590)**	**(54 090)**

[*)] the total amount of the items marked with [1)] in Note 3 'Net income from financial instruments at fair value through profit and loss'

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6. Net impairment allowance and write-downs

For the nine-month period ended 30 September 2010	Impairment allowances at the beginning of the period	Increases		Decreases			Impairment allowances at the end of the period	Net impairment allowance – impact on the income statement
		Impairment allowances recognised during the period	Other	Decrease in impairment allowances due to derecognition of assets	Impairment allowances reversed during the period	Other		
Investment securities available for sale	15 576	-	-	1 061	800	137	13 578	800
Loans and advances to customers and amounts due from banks measured at amortised cost	3 442 054	2 960 360	16 233	501 112	1 674 950	-	4 242 585	(1 285 410)
Tangible fixed assets	1 166	16 222	-	-	-	23	17 365	(16 222)
Intangible assets	15 373	-	-	-	-	-	15 373	-
Investments in subsidiaries, jointly controlled entities and associates	435 889	15 073	-	-	-	-	450 962	(15 073)
Other, of which:	315 840	230 183	2	26 790	186 494	970	331 771	(43 689)
provisions for legal claims and off-balance sheet liabilities	117 483	173 205	2	-	134 670	-	156 020	(38 535)
Total	**4 225 898**	**3 221 838**	**16 235**	**528 963**	**1 862 244**	**1 130**	**5 071 634**	**(1 359 594)**

For the nine-month period ended 30 September 2009	Impairment allowances at the beginning of the period	Increases		Decreases			Impairment allowances at the end of the period	Net impairment allowance – impact on the income statement
		Impairment allowances recognised during the period	Other	Decrease in impairment allowances due to derecognition of assets	Impairment allowances reversed during the period	Other		
Investment securities available for sale	21 550	9 975	24 469	7 025	8 625	-	40 344	(1 350)
Loans and advances to customers and amounts due from banks measured at amortised cost	2 628 651	2 201 859	328	473 412	1 301 935	-	3 055 491	(899 924)
Tangible fixed assets	1 916	9	69	-	778	38	1 178	769
Intangible assets	15 373	-	-	-	-	-	15 373	-
Investments in subsidiaries, jointly controlled entities and associates	326 146	67 621	48 738	-	1 680	5 400	435 425	(65 941)
Other, of which:	245 303	123 781	91 832	-	129 760	49 084	282 072	5 979
provisions for legal claims and off-balance sheet liabilities	84 623	115 948	-	-	128 543	346	71 682	12 595
Total	**3 238 939**	**2 403 245**	**165 436**	**480 437**	**1 442 778**	**54 522**	**3 829 883**	**(960 467)**

Impairment allowances on loans and advances to customers and amounts due from banks measured at amortised cost recognised in the amount of PLN (1 285 410) thousand include interest income due to loans and advances to customers in the amount of PLN (40 725) thousand recognised in the third quarter of 2010 in correspondence with 'Income from loans and advances to customers', resulting from additional data obtained from available applications and IT systems.

7. Administrative expenses

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Staff costs	(554 722)	(1 607 955)	(539 852)	(1 552 613)
Overheads	(274 624)	(836 936)	(283 126)	(941 304)
Depreciation and amortisation	(105 647)	(311 915)	(100 547)	(297 279)
Taxes and other charges	(15 802)	(43 849)	(13 898)	(40 371)
Contribution and payments to Banking Guarantee Fund	(13 346)	(40 038)	(12 386)	(37 238)
Total	**(964 141)**	**(2 840 693)**	**(949 809)**	**(2 868 805)**

Wages and salaries / Employee benefits

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Wages and salaries	(469 140)	(1 348 276)	(453 879)	(1 292 482)
Insurance, of which:	(71 532)	(215 507)	(71 770)	(215 216)
contributions for retirement pay and pensions*	(50 319)	(162 428)	(52 606)	(163 788)
Other employee benefits	(14 050)	(44 172)	(14 203)	(44 915)
Total	**(554 722)**	**(1 607 955)**	**(539 852)**	**(1 552 613)**

* Total expense incurred by the Bank related to contributions for retirement pay and pensions.

8. Income tax expense

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Income statement				
Current income tax expense	(289 852)	(746 897)	(205 561)	(545 174)
Deferred income tax related to temporary differences	77 528	140 688	50 335	56 849
Tax expense disclosed in the income statement	**(212 324)**	**(606 209)**	**(155 226)**	**(488 325)**
Tax expense disclosed in other comprehensive income related to temporary differences	28 404	(12 018)	22 287	(23 112)
Total	**(183 920)**	**(618 227)**	**(132 939)**	**(511 437)**

9. Earnings per share

Basic earnings per share

The basic earnings per share ratio is calculated on the basis of profit attributable to ordinary shareholders of the Bank, by dividing the respective profit by the weighted average number of ordinary shares outstanding during a given period.

Earnings per share

	3rd quarter period from 01.07.2010 to 30.09.2010	3 quarters cumulatively period from 01.01.2010 to 30.09.2010	3rd quarter period from 01.07.2009 to 30.09.2009	3 quarters cumulatively period from 01.01.2009 to 30.09.2009
Profit per ordinary shareholders (in PLN thousand)	856 932	2 469 472	563 131	1 852 022
Weighted average number of ordinary shares during the period (in thousands)	1 250 000	1 250 000	1 090 000	1 090 000
Earnings per share (in PLN per share)	0.69	1.98	0.52	1.70

Earnings per share from discontinued operations

In the periods ended 30 September 2010 and 30 September 2009, the Bank did not report any material income or expenses from discontinued operations.

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Diluted earnings per share

The diluted earnings per share ratio is calculated on the basis of profit or loss attributable to ordinary shareholders, by dividing the respective profit or loss by the weighted average number of ordinary shares outstanding during a given period, adjusted for the effect of all potential dilutive ordinary shares.

There were no dilutive instruments in the Bank during three quarters of 2010 or during three quarters of 2009.

Diluted earnings per share from discontinued operations

In the periods ended 30 September 2010 and 30 September 2009, the Bank did not report any material income or expenses from discontinued operations.

10. Amounts due from banks

	30.09.2010	31.12.2009
Deposits with banks	804 116	1 133 859
Loans and advances	432 409	481 666
Repurchase agreements	108 759	105 427
Current accounts	185 809	354 587
Cash in transit	43 974	5 337
Total	**1 575 067**	**2 080 876**
Impairment allowances	(28 530)	(27 109)
of which impairment allowance on amounts due from a foreign bank	(27 717)	(27 013)
Net total	**1 546 537**	**2 053 767**

11. Trading assets

	30.09.2010	31.12.2009
Debt securities	2 774 262	2 202 847
issued by the State Treasury	2 768 775	2 198 840
issued by local government bodies	5 359	2 208
issued by banks	128	1 799
Shares in other entities - listed on stock exchange	6 242	10 108
Total	**2 780 504**	**2 212 955**

12. Derivative financial instruments

Type of contract	30.09.2010		31.12.2009	
	Assets	Liabilities	Assets	Liabilities
IRS	1 639 118	1 647 193	1 307 705	1 296 136
FRA	13 787	12 748	7 613	8 298
FX Swap	55 311	77 153	90 056	27 181
CIRS	602 575	96 604	402 221	33 699
Forward	31 307	65 185	24 167	49 349
Options	75 350	40 195	198 159	127 847
Other	3 399	579	-	1 860
Total	**2 420 847**	**1 939 657**	**2 029 921**	**1 544 370**

for the nine-month period ended 30 September 2010 (in PLN thousand)

13. Financial assets designated at fair value through profit and loss

	30.09.2010	31.12.2009
Debt securities	**14 049 730**	**12 356 532**
issued by the State Treasury	5 914 963	5 362 314
issued by central banks	7 999 232	6 994 218
issued by local government bodies	135 535	-
Total	**14 049 730**	**12 356 532**

14. Loans and advances to customers

	30.09.2010	31.12.2009
Loans and advances to customers gross, of which:	**129 043 060**	**117 840 734**
consumer loans	25 409 146	23 344 509
corporate loans	44 122 995	41 910 393
mortgage loans	58 970 896	52 120 376
Interest	540 023	465 456
Impairment allowances on loans and advances to customers	(4 214 055)	(3 414 945)
Loans and advances to customers – net	**124 829 005**	**114 425 789**

	30.09.2010	31.12.2009
Loans and advances to customers - gross	**129 043 060**	**117 840 734**
Receivables for which individual objective evidence of impairment was identified, of which:	9 563 572	8 238 323
the portfolio method	4 563 232	3 561 171
the individual method	5 000 340	4 677 152
Receivables for which group objective evidence of impairment was identified (IBNR), of which:	119 479 488	109 602 411
the group method	119 479 488	109 565 494
the individual method	-	36 917
Total impairment allowances	**(4 214 055)**	**(3 414 945)**
Impairment allowances on exposures for which individual objective evidence of impairment was identified	(3 710 681)	(2 856 695)
the portfolio method	(2 558 324)	(1 885 369)
the individual method	(1 152 357)	(971 326)
Impairment allowances on exposures for which group objective evidence of impairment was identified (IBNR)	(503 374)	(558 250)
the group method	(503 374)	(556 126)
the individual method	-	(2 124)
Loans and advances to customers – net	**124 829 005**	**114 425 789**

15. Investment securities available for sale

	30.09.2010	31.12.2009
Debt securities available for sale, gross	**8 878 074**	**7 904 769**
issued by the State Treasury	5 493 619	4 782 374
issued by local government bodies	2 481 133	2 000 221
issued by non-financial institutions	851 607	786 873
issued by banks	51 715	90 086
issued by other financial institutions	-	245 215
Impairment allowances on debt securities available for sale	(13 045)	(13 183)
Total net debt securities available for sale	**8 865 029**	**7 891 586**
Equity instruments available for sale, gross	101 410	76 504
Impairment allowances on equity instruments available for sale	(533)	(2 393)
Total net equity instruments available for sale	**100 877**	**74 111**
Total net investment securities	**8 965 906**	**7 965 697**

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16. Investments in subsidiaries, jointly controlled entities and associates

As at 30 September 2010, the Bank's investments in subsidiaries, jointly controlled entities and associates have been recognised at acquisition cost less impairment allowances.

The Bank's individual values of shares in subsidiaries, jointly controlled entities and associates are presented below.

As at 30 September 2010	Gross value	Impairment	Carrying amount
Subsidiaries			
KREDOBANK SA	935 619	(423 723)	511 896
PKO BP BANKOWY PTE SA	205 786	-	205 786
PKO Towarzystwo Funduszy Inwestycyjnych SA	186 989	-	186 989
Centrum Finansowe Puławska Sp. z o.o.	128 288	-	128 288
Bankowy Fundusz Leasingowy SA	70 000	-	70 000
Inteligo Financial Services SA	59 602	-	59 602
Centrum Elektronicznych Usług Płatniczych 'eService' SA	55 500	-	55 500
Fort Mokotów Inwestycje Sp. z o.o. [1]	43 546	-	43 546
Bankowe Towarzystwo Kapitałowe SA	18 566	(10 666)	7 900
PKO BP Inwestycje Sp. z o.o. [2]	4 503	-	4 503
PKO Finance AB	172	-	172
Jointly controlled entities			
Centrum Haffnera Sp. z o.o.	44 371	-	44 371
Centrum Obsługi Biznesu Sp. z o.o.	17 498	-	17 498
Associates			
Bank Pocztowy SA	146 500	(15 073)	131 427
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	1 500	(1 500)	-
Agencja Inwestycyjna CORP SA	29	-	29
Total	**1 918 469**	**(450 962)**	**1 467 507**

1) Value does not include capital contribution of PKO Bank Polski SA, presented in the statement of financial position under 'Loans and advances to customers' in the amount of PLN 8 053 thousand.
2) Value does not include capital contribution of PKO Bank Polski SA, presented in the statement of financial position under 'Loans and advances to customers' in the total amount of PLN 113 310 thousand.

As at 31 December 2009	Gross value	Impairment	Carrying amount
Subsidiaries			
KREDOBANK SA	786 746	(423 723)	363 023
PKO BP BANKOWY PTE SA	205 786	-	205 786
PKO Towarzystwo Funduszy Inwestycyjnych SA	186 989	-	186 989
Centrum Finansowe Puławska Sp. z o.o.	128 288	-	128 288
Bankowy Fundusz Leasingowy SA	70 000	-	70 000
Inteligo Financial Services SA	59 602	-	59 602
Centrum Elektronicznych Usług Płatniczych 'eService' SA	55 500	-	55 500
Fort Mokotów Inwestycje Sp. z o.o. [1]	43 546	-	43 546
Bankowe Towarzystwo Kapitałowe SA	18 566	(10 666)	7 900
PKO BP Inwestycje Sp. z o.o. [2]	4 503	-	4 503
PKO Finance AB	172	-	172
Jointly controlled entities			
Centrum Haffnera Sp. z o.o.	44 371	-	44 371
Centrum Obsługi Biznesu Sp. z o.o.	17 498	-	17 498
Associates			
Bank Pocztowy SA	146 500	-	146 500
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	1 500	(1 500)	-
Agencja Inwestycyjna CORP SA	29	-	29
Total	**1 769 596**	**(435 889)**	**1 333 707**

1) Value does not include capital contribution of PKO Bank Polski SA, presented in the statement of financial position under 'Loans and advances to customers' in the amount of PLN 8 053 thousand.
2) Value does not include capital contribution of PKO Bank Polski SA, presented in the statement of financial position under 'Loans and advances to customers' in the total amount of PLN 113 310 thousand.

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17. Intangible assets and tangible fixed assets

Intangible assets	**30.09.2010**	**31.12.2009**
Software	1 263 710	1 206 816
Other, including capital expenditure	74 253	61 965
Total	**1 337 963**	**1 268 781**

Tangible fixed assets	**30.09.2010**	**31.12.2009**
Land and buildings	1 434 790	1 466 018
Machinery and equipment	544 151	562 195
Assets under construction	50 927	160 362
Means of transport	1 116	1 296
Investment properties	156	322
Other	90 628	101 756
Total	**2 121 768**	**2 291 949**

18. Amounts due from banks

	30.09.2010	**31.12.2009**
Deposits of banks	1 538 648	1 399 985
Loans and advances received	2 839 359	2 621 791
Current accounts	125 360	23 270
Other money market deposits	160 747	121 679
Other	1 294	-
Total	**4 665 408**	**4 166 725**

19. Amounts due to customers

	30.09.2010	**31.12.2009**
Amounts due to retail clients	**91 358 616**	**86 627 306**
Current accounts and overnight deposits	43 760 085	37 613 105
Term deposits	47 284 354	48 746 371
Other money market deposits	314 177	267 830
Amounts due to corporate entities	**29 837 718**	**27 736 114**
Current accounts and overnight deposits	10 299 815	8 784 705
Term deposits	17 876 408	17 298 043
Loans and advances received	1 484 764	1 421 527
Other money market deposits	176 731	231 839
Amounts due to public sector	**9 439 160**	**9 680 980**
Current accounts and overnight deposits	2 553 958	3 355 753
Term deposits	6 878 840	6 296 093
Other money market deposits	6 362	29 134
Total	**130 635 494**	**124 044 400**

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20. Other liabilities

	30.09.2010	31.12.2009
Accounts payables	341 811	201 827
Deferred income	315 934	252 675
Other liabilities	1 320 880	865 415
Total	**1 978 625**	**1 319 917**

21. Provisions

For the nine-month period ended 30 September 2010	Provision for legal claims	Provisions for retirement & pension benefits and anniversary bonuses	Provisions for liabilities and guarantees granted	Other provisions*	Total
As at 1 January 2010, of which:	**6 841**	**367 291**	**110 642**	**113 852**	**598 626**
Short term portion	**6 841**	**27 277**	**110 642**	**113 852**	**258 612**
Long term portion	**-**	**340 014**	**-**	**-**	**340 014**
Increase/reassessment	-	-	173 205	4 004	**177 209**
Use/Release	-	-	(134 670)	(64 803)	**(199 473)**
Other changes and reclassifications	-	-	2	(2 877)	**(2 875)**
As at 30 September 2010, of which:	**6 841**	**367 291**	**149 179**	**50 176**	**573 487**
Short term portion	**6 841**	**27 277**	**92 279**	**50 176**	**176 573**
Long term portion	**-**	**340 014**	**56 900**	**-**	**396 914**

*Included in 'Other provisions' are among others: restructuring provision amounting to PLN 36 292 thousand and provision for potential claims on receivables sold amounting to PLN 10 660 thousand.

For the nine-month period ended 30 September 2009	Provision for legal claims	Provisions for retirement & pension benefits and anniversary bonuses	Provisions for liabilities and guarantees granted	Other provisions*	Total
As at 1 January 2009, of which:	**6 841**	**364 945**	**77 782**	**111 785**	**561 353**
Short term portion	**6 841**	**46 517**	**77 782**	**111 785**	**242 925**
Long term portion	**-**	**318 428**	**-**	**-**	**318 428**
Increase/reassessment	-	-	115 948	13 563	**129 511**
Use/Release	-	(24 898)	(128 543)	(55 013)	**(208 454)**
Other changes and reclassifications	-	-	(346)	-	**(346)**
As at 30 September 2009, of which:	**6 841**	**340 047**	**64 841**	**70 335**	**482 064**
Short term portion	**6 841**	**37 730**	**64 841**	**70 335**	**179 747**
Long term portion	**-**	**302 317**	**-**	**-**	**302 317**

*Included in 'Other provisions' is: restructuring provision amounting to PLN 33 603 thousand and provision for potential claims on receivables sold amounting PLN 31 594 thousand.

Provisions for legal claims were recognized in the amount of expected outflow of economic benefits.

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22. Off-balance sheet liabilities

Contingent liabilities

Underwriting programs

As at 30 September 2010, the Bank's underwriting agreements covered the following securities:

Issuer of securities underwritten	Type of underwritten securities	Off-balance sheet guarantee liabilities	Contract period	Sub-issue type
Company A	corporate bonds	460 000	2025.12.31	Bonds Issue Agreement*
Company B	corporate bonds	250 000	2013.07.31	Bonds Issue Agreement*
Company C	corporate bonds	199 856	2012.01.02	Bonds Issue Agreement*
Company D	corporate bonds	199 786	2010.11.08	Bonds Issue Agreement*
Company E	corporate bonds	155 000	2024.12.31	Bonds Issue Agreement*
Company F	corporate bonds	36 000	2016.12.30	Bonds Issue Agreement*
Company G	corporate bonds	13 000	2018.12.31	Bonds Issue Agreement*
Entity A	municipal bonds	7 000	2025.12.31	Bonds Issue Agreement*
Total		**1 320 642**		

* Relates to the Agreement for Organization, Conducting and Servicing of the Bond Issuance Program.

As at 31 December 2009, the Bank's underwriting agreements covered the following securities:

Issuer of securities underwritten	Type of underwritten securities	Off-balance sheet guarantee liabilities	Contract period	Sub-issue type
Company A	corporate bonds	500 000	2025.12.31	Bonds Issue Agreement*
Company B	corporate bonds	199 786	2010.11.08	Bonds Issue Agreement*
Company C	corporate bonds	119 915	2012.01.02	Bonds Issue Agreement*
Company D	corporate bonds	44 500	2016.12.30	Bonds Issue Agreement*
Company E	corporate bonds	13 000	2018.12.31	Bonds Issue Agreement*
Entity A	municipal bonds	15 000	2025.12.31	Bonds Issue Agreement*
Total		**892 201**		

* Relates to the Agreement for Organization, Conducting and Servicing of the Bond Issuance Program.

No securities under the underwriting program have limited transferability, are quoted on the stock exchange or traded on a regulated OTC market.

Contractual commitments

As at 30 September 2010, contractual commitments concerning intangible assets amounted to PLN 1 100 thousand (as at 31 December 2009, they amounted to PLN 1 748 thousand).

Loan commitments

	30.09.2010	31.12.2009
Financial sector	1 014 475	1 131 047
Non-financial sector	26 926 162	24 683 557
Public sector	1 323 283	1 814 276
Total	**29 263 920**	**27 628 880**
of which: irrevocable loan commitments	7 041 210	7 360 144

Loan commitments have been presented in nominal values.

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Guarantees issued

	30.09.2010	31.12.2009
Financial sector	2 328 217	373 918
Non-financial sector	6 565 326	5 066 241
Public sector	829 680	373 300
Total	**9 723 223**	**5 813 459**

In the periods ended 30 September 2010 and 31 December 2009 respectively, the Bank did not issue any guarantees in respect of loans or advances and did not issue any guarantees to a subsidiary or to another entity the total value of which would have accounted for 10% of the Bank's equity.

Information on provisions for guarantees and financial off-balance sheet liabilities is included in Note 21 'Provisions'.

Contingent assets received

	30.09.2010	31.12.2009
Financial	39 870	628 627
Guarantees	2 356 427	2 702 564
Total	**2 396 297**	**3 331 191**

Assets pledged as collateral for contingent liabilities

As at 30 September 2010 and as at 31 December 2009, the Bank had no assets pledged as collateral for contingent liabilities.

23. Supplementary information to the cash flow statement

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash on nostro account with the National Bank of Poland, current amounts due from banks, as well as other cash equivalents with maturities up to three months from the date of acquisition.

	30.09.2010	31.12.2009	30.09.2009
Cash and balances with the central bank	3 847 048	6 993 966	4 800 323
Current receivables from financial institutions	1 108 013	1 623 996	1 745 465
Total	**4 955 061**	**8 617 962**	**6 545 788**

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24. Related party transactions

All transactions mentioned below with entities related by capital relationships were arm's length transactions. Repayment terms are within a range from 1 month to 10 years.

30 September 2010

Entity	Type of capital relation	Net receivables	including gross loans	Liabilities	Total income	including interest and fee and commission income	Total expense	including interes and fee and commission expense	Contingent liabilities and commitments
PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA	Direct subsidiary	84	-	1 432	2 132	2 059	439	439	-
Centrum Finansowe Puławska Sp. z o.o.	Direct subsidiary	69 977	69 660	29 261	2 236	2 235	33 107	689	-
KREDOBANK SA	Direct subsidiary	273 779	271 074	50	7 854	7 854	-	-	375 280
PKO BP Inwestycje Sp. z o.o.	Direct subsidiary	113 310	-	2 616	6	6	553	185	1 500
Inteligo Financial Services SA	Direct subsidiary	3 680	-	116 830	1 281	17	37 948	3 356	-
Centrum Elektronicznych Usług Płatniczych 'eService' SA	Direct subsidiary	796	-	23 374	4 166	3 790	25 818	25 818	2 500
Bankowy Fundusz Leasingowy SA	Direct subsidiary	58 855	57 893	41 766	7 219	6 247	9 110	269	752 026
Bankowe Towarzystwo Kapitałowe SA	Direct subsidiary	-	-	1 330	3	3	98	98	10 000
PKO Towarzystwo Funduszy Inwestycyjnych SA	Direct subsidiary	14 066	-	11 400	114 563	114 379	208	208	467
Fort Mokotów Inwestycje Sp. z.o.o.	Direct subsidiary	8 053	-	3 772	1	1	71	71	-
Fort Mokotów Sp. z o.o.	Indirect subsidiary	-	-	6 629	-	-	147	147	-
PKO BP Inwestycje - Neptun Park Sp. z o.o.*	Indirect subsidiary	134 517	134 517	3 291	6 143	6 143	235	235	-
PKO BP Inwestycje - Nowy Wilanów Sp. z o.o.**	Indirect subsidiary	132 088	132 088	13 017	7 089	7 089	80	80	67 912
PKO BP Inwestycje - Rezydencja Flotylla Sp. z o.o. ***	Indirect subsidiary	12 668	12 668	346	662	662	-	-	56 000
Bankowy Leasing Sp. z o.o.	Indirect subsidiary	750 931	736 005	307	24 389	24 273	8	8	90 158
BFL Nieruchomości Sp. z o.o.	Indirect subsidiary	293 941	293 941	1 894	9 239	9 239	14	14	2 798
PKO BP Finat Sp. z o.o.	Indirect subsidiary	-	-	5 283	5	5	93	93	-
PKO BP Inwestycje - Sarnia Dolina Sp. z o. o. ****	Indirect subsidiary	15 260	15 260	248	620	620	-	-	50 000
PKO BP Faktoring SA	Indirect subsidiary	117 762	117 762	5 018	2 700	2 587	20	20	32 238
CENTRUM HAFFNERA Sp. z o.o.	Direct jointly controlled entity	-	-	835	6	6	-	-	-
Centrum Obsługi Biznesu Sp z o.o.	Direct jointly controlled entity	31 169	31 169	21 807	565	565	416	416	-
Centrum Majkowskiego Sp. z o.o.	Indirect jointly controlled entity	-	-	5 151	5	5	67	67	-
Kamienica Morska Sp. z o.o.	Indirect jointly controlled entity	-	-	147	4	4	-	-	-
Sopot Zdrój Sp. z o.o.	Indirect jointly controlled entity	211 331	211 331	7 671	4 084	4 084	25	25	-
Promenada Sopocka Sp. z o.o.	Indirect jointly controlled entity	44 128	44 128	1 105	851	851	-	-	-
Bank Pocztowy SA	Associate	-	-	110	37	37	367	367	-
Kolej Gondolowa Jaworzyna Krynicka SA	Associate held for sale	-	-	568	1	1	5	5	-
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	Associate	-	-	15 865	1	1	121	121	-
Agencja Inwestycyjna CORP SA	Associate	62	-	93	472	-	1 822	-	-
TOTAL		**2 286 457**	**2 127 496**	**321 216**	**196 334**	**192 763**	**110 772**	**32 731**	**1 440 879**

* The previous name of the entity was POMERANKA Sp. z o.o.
** The previous name of the entity was Wilanów Investments Sp. z o.o.
*** The previous name of the entity was PKO Inwestycje – Międzyzdroje Sp. z o.o.
**** The previous name of the entity was Baltic Dom 2 Sp. z.o.o.

for the nine-month period ended 30 September 2010 (in PLN thousand)

31 December 2009

Entity	Type of capital relation	Net receivables	including gross loans	Liabilities	Total income	including interest and fee and commission income	Total expense	including interes and fee and commission expense	Contingent liabilities and commitments
PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA	Direct subsidiary	37	-	14 895	582	582	757	757	-
Centrum Finansowe Puławska Sp. z o.o.	Direct subsidiary	75 678	74 765	28 632	3 586	3 586	45 397	1 247	-
KREDOBANK SA	Direct subsidiary	322 573	263 416	1 282	18 684	18 684	-	-	268 792
PKO BP Inwestycje Sp. z o.o.	Direct subsidiary	113 310	-	6 291	947	947	2	2	-
Inteligo Financial Services SA	Direct subsidiary	10	-	113 229	1 833	1 833	54 250	688	-
Centrum Elektronicznych Usług Płatniczych 'eService' SA	Direct subsidiary	780	-	48 375	5 503	4 823	42 324	41 894	2 500
Bankowy Fundusz Leasingowy SA	Direct subsidiary	341 337	95 285	5 196	27 415	27 415	12 554	1 477	423 569
Bankowe Towarzystwo Kapitałowe SA	Direct subsidiary	-	-	4 535	4	4	263	263	10 000
PKO Towarzystwo Funduszy Inwestycyjnych SA	Direct subsidiary	8 590	-	3 875	91 219	90 733	318	318	466
PKO Finance AB	Direct subsidiary	-	-	-	-	-	230	-	-
Fort Mokotów Inwestycje Sp. z.o.o.	Direct subsidiary	8 053	-	6 836	-	-	-	-	-
Fort Mokotów Sp. z o.o.	Indirect subsidiary	-	-	8 253	1	1	40	40	-
PKO BP Inwestycje - Neptun Park Sp. z o.o.*	Indirect subsidiary	142 045	142 045	11 420	8 419	8 419	399	399	2 000
PKO BP Inwestycje - Nowy Wilanów Sp. z o.o.**	Indirect subsidiary	149 642	149 642	1 007	7 775	7 775	-	-	358
PKO BP Inwestycje - Rezydencja Flotylla Sp. z o.o. ***	Indirect subsidiary	12 668	12 668	286	34	34	676	227	1 500
Bankowy Leasing Sp. z o.o.	Indirect subsidiary	544 216	543 827	713	16 962	16 962	40	40	72 469
BFL Nieruchomości Sp. z o.o.	Indirect subsidiary	226 248	226 248	3 068	8 372	8 372	60	60	-
PKO BP Finat Sp. z o.o.	Indirect subsidiary	-	-	4 870	7	7	179	179	-
PKO BP Inwestycje - Sarnia Dolina Sp. z o. o. ****	Indirect subsidiary	15 260	15 260	823	881	881	-	-	-
PKO BP Faktoring SA	Indirect subsidiary	13 667	12 500	219	326	326	4	4	22 833
CENTRUM HAFFNERA Sp. z o.o.	Direct jointly controlled entity	-	-	151	12	12	321	321	4 108
Centrum Obsługi Biznesu Sp z o.o.	Direct jointly controlled entity	32 627	32 627	23 313	1 146	1 146	686	686	-
Centrum Majkowskiego Sp. z o.o.	Indirect jointly controlled entity	-	-	4 904	5	5	151	151	-
Kamienica Morska Sp. z o.o.	Indirect jointly controlled entity	-	-	328	5	5	-	-	-
Sopot Zdrój Sp. z o.o.	Indirect jointly controlled entity	229 852	229 852	6 999	10 196	10 196	27	27	-
Promenada Sopocka Sp. z o.o.	Indirect jointly controlled entity	45 555	45 555	689	1 926	1 926	1	1	-
Bank Pocztowy SA	Associate	-	-	294	28	28	3 229	3 229	1 156
Kolej Gondolowa Jaworzyna Krynicka SA	Associate held for sale	-	-	4	5	5	46	46	-
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	Associate	-	-	437	1	1	47	47	-
Agencja Inwestycyjna CORP SA	Associate	-	-	58	-	-	1 784	-	-
TOTAL		**2 282 148**	**1 843 690**	**300 982**	**205 874**	**204 708**	**163 785**	**52 103**	**809 751**

* The previous name of the entity was POMERANKA Sp. z o.o.
** The previous name of the entity was Wilanów Investments Sp. z o.o.
*** The previous name of the entity was PKO Inwestycje – Międzyzdroje Sp. z o.o.
**** The previous name of the entity was Baltic Dom 2 Sp. z.o.o.

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25. Description of differences between previously published financial statements and the related information in these financial statements

In the 3rd quarter of 2010, there were no significant changes to the previously published financial statements.

26. Objectives and principles of risk management in PKO Bank Polski SA

Objectives and principles of risk management applied in PKO Bank Polski SA are consistent with these applied in the PKO Bank Polski SA Group.

Selected data is presented below:

Credit risk

The Bank's exposure to credit risk

Amounts due from banks	Exposure	
	30.09.2010	31.12.2009
Amounts due from banks impaired	28 192	27 496
of which valued using the individual method	27 717	27 013
Amounts due from banks not impaired	1 546 875	2 053 380
neither past due nor impaired	1 546 875	2 052 387
past due but not impaired	-	993
Gross total	**1 575 067**	**2 080 876**
Impairment allowances	**(28 530)**	**(27 109)**
Net total (carrying amount)	**1 546 537**	**2 053 767**

Loans and advances to customers	Exposure	
	30.09.2010	31.12.2009
Loans and advances impaired	8 998 227	7 500 728
of which valued using the individual method	4 434 995	3 939 557
Loans and advances not impaired	120 044 833	110 340 006
neither past due nor impaired	119 192 242	109 572 952
past due but not impaired	852 591	767 054
Gross total	**129 043 060**	**117 840 734**
Impairment allowances	**(4 214 055)**	**(3 414 945)**
Net total (carrying amount)	**124 829 005**	**114 425 789**

Investment securities available for sale – debt securities	Exposure	
	30.09.2010	31.12.2009
Debt securities impaired	13 045	13 183
of which valued using the individual method	13 045	13 183
Debt securities not impaired	8 865 029	7 891 586
neither past due nor impaired	8 865 029	7 891 586
Gross total	**8 878 074**	**7 904 769**
Impairment allowances	**(13 045)**	**(13 183)**
Net total (carrying amount)	**8 865 029**	**7 891 586**

Exposure to credit risk

The table below presents maximum exposure to credit risk of the Bank as at 30 September 2010 and as at 31 December 2009, excluding collaterals and related improvement of credit situation, by net carrying amount.

Items of the statement of financial position	30.09.2010	31.12.2009
Operations with the central bank	1 914 854	4 625 073
Amounts due from banks	1 546 537	2 053 767
Trading assets – debt securities	2 774 262	2 202 847
Derivative financial instruments	2 420 847	2 029 921
Financial instruments at fair value through profit and loss - debt securities	14 049 730	12 356 532
Loans and advances to customers	124 829 005	114 425 789
Investment securities available for sale - debt securities	8 865 029	7 891 586
Other assets - other financial assets	320 618	342 909
Total	**156 720 882**	**145 928 424**

Off-balance sheet items	30.09.2010	31.12.2009
Irrevocable liabilities granted	7 041 210	7 360 144
Guarantees granted	5 449 452	4 274 985
Letters of credit granted	216 843	230 078
Guarantees of issue (underwriting)	4 056 928	1 308 396
Total	**16 764 433**	**13 173 603**

Financial assets valued using the individual method for which individual impairment allowance has been recognised by carrying amount gross.

	30.09.2010	31.12.2009
Amounts due from banks	**27 717**	**27 013**
Loans and advances to customers	**4 434 995**	**3 939 557**
financial entities	-	6 209
corporate loans	-	6 209
non-financial entities	4 427 473	3 917 272
consumer loans	94 300	33 454
mortgage loans	602 177	616 568
corporate loans	3 730 996	3 267 250
State budget entities	7 522	16 076
corporate loans	7 522	16 076
Investment securities available for sale	**13 045**	**13 183**
issued by non-financial entities	13 045	13 183
Total	**4 475 757**	**3 979 753**

Interest rate risk

Exposure of the Bank to interest rate risk was within accepted limits. The Bank was mainly exposed to PLN interest rate risk, which represented about 97% of the Bank's value at risk (VaR) as at 30 September 2010 and about 87% as at 31 December 2009.

VaR of the Bank and stress testing analysis of the Bank's exposure to the interest rate risk are presented in the following table:

Name of sensitivity measure	30.09.2010	31.12.2009
VaR for a 10-day time horizon (in PLN thousand)	29 499	17 086
Parallel move of interest rate curves by 200 base points (in PLN thousand) (stress-tests)	190 612	164 418

Currency risk

VaR of the Bank and stress-testing of the Bank's financial assets exposed to currency risk are stated cumulatively in the table below:

Name of sensitivity measure	30.09.2010	31.12.2009
VaR for a 10-day time horizon at 99% confidence level (in PLN thousand)	1 263	1 092
Change of CUR/PLN exchange rates by 15% (in PLN thousand) (stress-tests)	3 913	4 440

The level of the currency risk was low both as at 30 September 2010 and as at 31 December 2009.

PKO Bank Polski SA's currency positions are presented in the table below:

Currency position	30.09.2010	31.12.2009
USD	5 338	(6 777)
GBP	(285)	1 507
CHF	(22 209)	(3 594)
EUR	24 953	24 748
Other (Global Net)	18 290	13 715

Liquidity risk

The adjusted liquidity gap of the Bank is presented in the table below:

	a'vista	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 36 months	36 - 60 months	over 60 months
								30.09.2010
Adjusted gap	2 498 051	18 308 838	(2 821 297)	(972 659)	3 011 997	1 149 763	4 784 862	**(25 959 555)**
Cumulative adjusted gap	2 498 051	20 806 889	17 985 592	17 012 933	20 024 930	21 174 693	25 959 555	-
								31.12.2009
Adjusted gap	7 011 756	15 934 717	(3 179 007)	430 828	3 538 553	1 468 080	4 446 685	**(29 651 612)**
Cumulative adjusted gap	7 011 756	22 946 473	19 767 466	20 198 294	23 736 847	25 204 927	29 651 612	**-**

In all time horizons, the Bank's cumulative adjusted liquidity gap as at 30 September 2010 and as at 31 December 2009 was positive. This means a surplus of assets receivable over liabilities payable.

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Capital adequacy

The capital adequacy level of the Bank in three quarters of 2010 remained on a safe level and was significantly above the statutory limits.

Compared with 31 December 2009, the Bank's capital adequacy level decreased by 1.95 pp., which was mainly caused by an increase in the total capital requirement (by PLN 1 348 459 thousand) accompanied by a decrease in the Bank's own funds.

Own funds

In the third quarter of 2010, the Bank's own funds decreased by PLN 226 787 thousand, which was mainly due to an increase of equity reduction items: equity exposures and intangible assets. As a result of the realisation of the General Shareholders' Meeting Resolution No 38/2010 on distribution of profit of PKO Bank Polski SA, approximately 2% of profit earned by the Bank in 2009 (i.e. PLN 57 152 thousand) was assigned to the Bank's own funds.

The structure of the Bank's own funds is presented in the table below:

BANK'S OWN FUNDS	30.09.2010	31.12.2009
Basic funds (Tier 1 capital)	**15 627 679**	**15 755 513**
Share capital	1 250 000	1 250 000
Reserve capital	12 048 111	12 048 111
Other reserves	3 276 260	3 276 260
General banking risk fund for unidentified risk of banking activities	1 070 000	1 070 000
Retained earnings	57 152	-
Unrealised losses on debt and equity instruments classified as available for sale	(78 511)	(52 555)
Intangible assets	(1 337 963)	(1 268 781)
Equity exposures	(657 370)	(567 522)
Supplementary funds (Tier 2 capital)	**977 062**	**1 052 650**
Subordinated liabilities classified as supplementary funds	1 600 700	1 600 700
Unrealised gains on debt and equity instruments classified as available for sale (up to 60% of their pre-tax value)	33 732	19 472
Equity exposures	(657 370)	(567 522)
Short-term capital (Tier 3 capital)	**106 511**	**129 876**
TOTAL OWN FUNDS	**16 711 252**	**16 938 039**

Capital requirements (Pillar 1)

The table below presents the Bank's exposure to credit risk and particular types of market risk.

Capital requirements	30.09.2010	31.12.2009
Credit risk	**9 396 508**	**8 303 240**
credit risk (banking book)	9 322 891	8 228 968
counterparty risk (trading book)	73 617	74 272
Market risk	**484 900**	**230 171**
currency risk	-	-
commodities risk	-	-
equity securities risk	984	2 390
specific risk of debt instruments	375 326	192 460
general interest rates risk	108 590	35 321
Operational risk	**957 564**	**957 102**
Total capital requirement	**10 838 972**	**9 490 513**
Capital adequacy ratio	**12.33%**	**14.28%**

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OTHER INFORMATION

Identification data

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

The Management and Supervisory Board of PKO Bank Polski SA in the reporting period

The Management Board of PKO Bank Polski SA as of 30 September 2010

No.	Name	Post	Date of appointment
1.	Zbigniew Jagiełło	President of the Management Board	On 14 September 2009, the Bank's Supervisory Board appointed Zbigniew Jagiełło as the acting President of the Management Board of PKO Bank Polski SA, effective from 1 October 2009, for the joint term of the Board beginning on 20 May 2008. For the period since 1 October 2009 to the date on which the Polish Financial Supervision Authority approves his appointment as the President of the Management Board of PKO Bank Polski SA, the Supervisory Board appointed Zbigniew Jagiełło as the acting President of the Management Board of PKO Bank Polski SA. On 13 April 2010, the Polish Financial Supervision Authority approved Zbigniew Jagiełło as President of the Management Board of PKO Bank Polski SA.
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 Polish Financial Supervision Authority approved the appointment of Mr. Krzysztof Dresler as the Member of the Management Board of PKO Bank Polski 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.	Wojciech Papierak	Vice-President of the Management Board	Appointed on 20 May 2008 as Vice-President of the Management Board, effective from 1 July 2008, for the joint term of the Board beginning on 20 May 2008. On 7 July 2009, the Supervisory Board of PKO Bank Polski SA entrusted Wojciech Papierak, Vice-President of the Bank's Management Board, with the duties of the President of the Management Board until the President of the Bank's Management Board is appointed. On 14 September 2009, the Supervisory Board revoked the Resolution No 75/2009 of the Bank's Supervisory Board dated 7 July 2009 on appointing as the acting President of the Management Board effective from 1 October 2009.
6.	Jakub Papierski	Vice-President of the Management Board	On 10 March 2010 appointed as Vice-President of the Management Board, effective from 22 March 2010, for the joint term of the Board beginning on 20 May 2008.

On 21 July 2010, Mr. Mariusz Zarzycki filed his resignation as Vice-President of the Bank's Management Board, effective from 31 July 2010.

On 1 September 2010, the Supervisory Board of the Bank passed a resolution as a result of which it appointed Mr. Piotr Stanisław Alicki as Vice-President of the Management Board of the Bank, effective from 2 November 2010, for the joint term of the Board beginning on 20 May 2008.

Supervisory Board of PKO Bank Polski SA as of 30 September 2010

No.	Name	Post	Date of appointment / recalling
1.	Cezary Banasiński	Chairman of the Supervisory Board	Appointed on 20 April 2009 until the end of the current term of the Bank's Supervisory Board (beginning on 20 May 2008). The Minister of State Treasury appointed Cezary Banasiński, a member of the Supervisory Board, as Chairman of the Bank's Supervisory Board.
2.	Tomasz Zganiacz	Vice-Chairman of the Supervisory Board	Appointed on 31 August 2009 until the end of the current term of the Bank's Supervisory Board. The Minister of State Treasury appointed Tomasz Zganiacz, a member of the Supervisory Board, as Vice-Chairman of the Bank's Supervisory Board.
3.	Mirosław Czekaj	Secretary of the Supervisory Board	Appointed on 31 August 2009 until the end of the current term of the Bank's Supervisory Board, on 30 June 2010 chosen as Secretary of the Bank's Supervisory Board.
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 Bank's Supervisory Board.
5.	Ireneusz Fąfara	Member of the Supervisory Board	Appointed on 31 August 2009 until the end of the current term of the Bank's Supervisory Board.
6.	Błażej Lepczyński	Member of the Supervisory Board	Appointed on 20 April 2009 until the end of the current term of the Bank's Supervisory Board.
7.	Piotr Marczak	Member of the Supervisory Board	Appointed on 25 June 2010 until the end of the current term of the Bank's Supervisory Board.
8.	Alojzy Zbigniew Nowak	Member of the Supervisory Board	Appointed on 31 August 2009 until the end of the current term of the Bank's Supervisory Board.

On 30 September 2010, Mr. Ireneusz Fąfara filled his resignation as the Member of the Bank's Supervisory Board effective as of that date.

Seasonality or cyclical nature of activities in the reporting period

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

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Information on the issue, redemption and repayment of debt and equity instruments

In the third quarter of 2010 Bankowy Fundusz Leasingowy SA issued 14 500 bonds with a total nominal value of PLN 145 million and redeemed 45 000 bonds with a total nominal value of PLN 450 million. At the end of September 2010, the Company's debt arising from the bonds issue amounted to PLN 180 million. The above-mentioned bonds were sold on the secondary market.

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

To the best knowledge of PKO Bank Polski SA, the shareholders holding, directly or indirectly, at least 5% of total votes at the General Shareholders' Meeting of the Bank are the State Treasury and Bank Gospodarstwa Krajowego. As at the date of submission of this Report, the State Treasury holds 512 406 277 of the Bank's shares and Bank Gospodarstwa Krajowego holds 128 102 731 shares of PKO Bank Polski SA.

The percentage shares of the State Treasury and of Bank Gospodarstwa Krajowego in the share capital of PKO Bank Polski SA amount to respectively 40.99% and 10.25% and match the percentage share in the total number of votes at the General Shareholders' Meeting of PKO Bank Polski SA.

Shareholders	As at the date of submission of the Report for the 3rd quarter of 2010		As at the date of submission of the Report for the 1st half of 2010		Change of the share in the number of votes on General Shareholders' Meeting in pp. in the period since submission of the Report for the 1st half of 2010
	Numbers of shares	Share in the number of votes on General Shareholders' Meeting	Numbers of shares	Share in the number of votes on General Shareholders' Meeting	
State Treasury	512 406 277	40.9925%	512 406 277	40.9925%	0.0000
Bank Gospodarstwa Krajowego	128 102 731	10.2482%	128 102 731	10.2482%	0.0000
Other shareholders	609 490 992	48.7593%	609 490 992	48.7593%	0.0000
Total	**1 250 000 000**	**100.0000%**	**1 250 000 000**	**100.0000%**	**0.0000**

Changes in the number of PKO Bank Polski SA shares held by Management or Supervisory Board Members

No.	Name and post	Number of shares as at the date of submission of the Report for the 1st half of 2010	Purchase	Disposal	Number of shares as at the date of submission of the Report for the 3rd quarter of 2010
I.	**Management Board of the Bank**				
1.	Zbigniew Jagiełło, President of the Bank's Management Board	5 000	-	-	5 000
2.	Piotr Alicki*, Vice-President of the Bank's Management Board	x	x	x	2 627
3.	Bartosz Drabikowski, Vice-President of the Bank's Management Board	-	-	-	-
4.	Krzysztof Dresler, Vice-President of the Bank's Management Board	-	-	-	-
5.	Jarosław Myjak, Vice-President of the Bank's Management Board	-	-	-	-
6.	Wojciech Papierak, Vice-President of the Bank's Management Board	3 283	-	-	3 283
7.	Jakub Papierski, Vice-President of the Bank's Management Board	-	-	-	-
II.	**Supervisory Board of the Bank**				
1.	Cezary Banasiński, Chairman of the Bank's Supervisory Board	-	-	-	-
2.	Tomasz Zganiacz, Vice-Chairman of the Bank's Supervisory Board	-	-	-	-
3.	Jan Bossak, Member of the Bank's Supervisory Board	-	-	-	-
4.	Mirosław Czekaj, Secretary of the Bank's Supervisory Board	-	-	-	-
5.	Błażej Lepczyński, Member of the Bank's Supervisory Board	-	-	-	-
6.	Piotr Marczak, Member of the Bank's Supervisory Board	-	-	-	-
7.	Alojzy Nowak, Member of the Bank's Supervisory Board	-	-	-	-

**) Mr. Piotr Alicki was appointed as Vice-President of the Bank's Management Board effective as of on 2 November 2010 and as of that date held 2 627 Bank's shares.*

Information on any transaction or a number of transactions concluded by the issuer or its subsidiary with other Group entities, if they are essential and were concluded not on arms' length

In the 3rd quarter of 2010 PKO Bank Polski SA and subsidiaries of PKO Bank Polski SA did not conclude any transaction with related parties not on arms' length.

Results of changes in the entity'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 Entity's structure, including the results of merger, takeover or sale of the Group entities have been described in Note 31 to these statements.

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

In subsequent quarters, the results of the PKO Bank Polski SA and the PKO Bank Polski SA Group 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.

Information on guarantees or warranties on loans and advances granted by the Issuer or by the Issuer's subsidiary – cumulatively to a single entity or its subsidiary, if the total value of outstanding warranties and guaranties constitutes at least 10% of the Issuer's equity

In the 3rd quarter of 2010, PKO Bank Polski SA or subsidiaries of PKO Bank Polski SA did not grant any guarantees or warranties on loans on advances to a single entity or its subsidiary that would constitute at least 10% of the Bank's equity.

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

As at 30 September 2010, the total value of court proceedings against the Bank was ca. PLN 176 558 thousand, while the total value of court proceedings initiated by the Bank was ca. PLN 100 635 thousand.

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

No other Group entities have conducted any proceedings before court, arbitration tribunal or public administration authorities concerning receivables or liabilities, the value of which amounts to at least 10% of the shareholders' equity of PKO Bank Polski SA.

Position of the PKO Bank Polski SA Management Board in regards to possibility of achieving previously published forecasts for the given year

PKO Bank Polski SA did not publish any financial forecasts for 2010.

Information on dividend paid or declared

According to resolutions of the Ordinary General Shareholders' Meeting of 23 July 2010 published in Current Report No. 35/2010, Resolution No. 38/2010 on distribution of profit of PKO Bank Polski SA earned by the Bank in 2009 and Resolution No. 39/2010 on disbursement of dividend for 2009:

- the net profit earned by PKO Bank Polski SA in 2009 shall be distributed in the manner, that the amount of PLN 2 375 000 thousand will be paid as a dividend for the shareholders;
- the Bank shall disburse the dividend for 2009 in the gross amount of PLN 1.90 per each share;
- the dividend day shall be 23 October 2010;
- the dividend shall be disbursed on 20 December 2010;
- the disbursement of dividend shall take place on the condition that by the date of 10 December 2010 PKO Bank Polski SA ultimately:
  - shall not take control over a bank with its registered seat on the territory of the Republic of Poland by direct or indirect acquisition of the majority of shares, and
  - shall not acquire the rights to take control in the manner specified above.

Translation of Condensed Interim Consolidated Financial Statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group for the nine-month period ended 30 September 2010 (in PLN thousand)

The Management Board of PKO Bank Polski Spółka SA, according to the obligation contained in resolution of the Ordinary General Shareholders' Meeting No. 38/2010 announced in the Current Report No. 45/2010 that the Bank does not expect the fulfillment (till 10 December 2010) of the condition relating to taking control over a bank with its registered seat on the territory of the Republic of Poland by direct or indirect acquisition of the majority of shares or acquiring the rights to take control in the manner specified in above.

Because of the above-mentioned fact, the net profit of the Bank earned in 2009 shall be distributed in the manner that the dividend for the shareholders shall amount to PLN 2 375 000 thousand and the dividend shall be disbursed according to the rules described in the resolution of the Ordinary General Shareholders' Meeting No. 39/2010 on disbursement of dividend for 2009.

Other information of particular importance to the assessment of the human resources and financial situation of the Issuer, its financial results and changes thereto

1. On 6 July 2010 PKO Bank Polski SA adopted a resolution approving the issuance of subordinated bonds up to PLN 5 000 000 000 (five billion). The funds obtained under the issue – having been approved by the Polish Financial Supervision Authority – shall be earmarked to increase the Bank's supplementary funds based on Art. 127 Clause 3 point 2 b of the Banking Law.
2. On 21 July 2010 Mr. Mariusz Zarzycki filed his resignation as Vice-President of the Bank's Management Board effective from 31 July 2010.
3. PKO Bank Polski SA, acting based on para. 29 point 3 of the Stock Exchange Rules and Regulations, in its Current Report No. 36/2010 dated 23 July 2010 disclosed that it deviated, on a one-off basis, from complying with the principles provided for in Part 4 of 'Best Practices of Companies Listed in the Warsaw Stock Exchange' ('Best Practices') pertaining to the following:
   – determining a period longer than 15 business days between the day of establishing the right to dividend and the day of paying the dividend (Part 4 Clause 6 of Best Practices) and
   – determining such conditions for paying a conditional dividend that should be met after the day of establishing the right to dividend (Part 4 Clause 7 of Best Practices).
4. On 9 August 2010 the rating agency Fitch Ratings Ltd. (the 'Fitch') informed that the Fitch had maintained the rating given to the Bank. Fitch maintained support rating at level 2 inter alia because of the fact that the 'capitalisation is adequate', with Fitch eligible capital ratio of 15.6% as at the end of the 1st quarter of 2010. Fitch indicated that 'a takeover would be likely to bring about a deterioration of capital adequacy, due to a material amount of goodwill arising on acquisition. However, in early July 2010, the Bank announced a PLN 5 billion subordinated bond issue planned for the 4th quarter of 2010. Fitch understands that the proceeds would be used to support regulatory capital if the bid is successful'. Fitch is also of the opinion that Bank's track record of strong profitability bodes well for the restoration of the Bank's core capital base.
5. On 1 September 2010 the international rating agency *Standard & Poor's* changed its ratings given to KREDOBANK SA:

	Former rating	*Rating given*
Long-term credit rating on the international scale	CCC+	B-
Forecast	Stable	Stable
Short-term credit rating on the international scale	C	C
Rating on the Ukrainian scale	uaBB-	uaBBB-

6. On 1 September 2010, the Supervisory Board of the Bank passed a resolution as a result of which it appointed Mr. Piotr Stanisław Alicki as Vice-President of the Management Board of the Bank effective from 2 November 2010 for the joint term of the Board beginning on 20 May 2008.
7. On 21 September 2010, the Management Board of the Bank adopted a resolution establishing the terms and conditions of the First Drawdown under the EMTN Programme of the Bank's subsidiary, PKO Finance AB ('Issuer')seated in Sweden, of which the Bank is the sole shareholder. The basic terms and conditions of the First Drawdown under the EMTN Programme are as follows:
   – Drawdown Amount: up to EUR 800 000 000;
   – Drawdown Currency: Euro;
   – Maturity: 5 years;
   – The funds obtained from the Drawdown will be used for general financing purposes of the Bank, including liquidity purposes;

- Interest: notes will be interest bearing at fixed rate;
- Interest Period: 1 year;
- Denomination of each note will be EUR 50 000;
- Type of issue: senior;
- Listing: Luxemburg Stock Exchange;
- The funds will be transferred between the Issuer and the Bank in a form of a loan, the amount and loan conditions of which will be equal to the amount of funds obtained from the issuance of notes. The settlements between the Issuer and the Bank will be provided by the Paying Agent through banking accounts dedicated only for purposes of the issuance of notes and with consent of the Bank;
- The Issuer was paid accordingly to the agreement for the administration of the EMTN Programme.

8. On 29 September 2010, the Bank received a press release of the rating agency Standard & Poor's notifying that the long-term assessment of liabilities in the domestic currency was increased from BBBpi to A-pi. At present, the rating agency Standard & Poor's assigns only one rating to the Bank solely on the basis of information provided to the general public. It should be emphasized that the increased rating is only one mark lower than the rating assigned to Poland (A).

   The agency justified increasing the rating with the high likelihood of PKO Bank Polski SA receiving, on time and to a sufficient extent, support from its main shareholder if needed. The agency stated that the Bank plays a very important role due to the scale of its operations and its high importance in the system of the Polish banking sector, and that it has strong ties with its main shareholder who holds, directly and indirectly, more than 51% of the Bank’s shares.

9. On 30 September 2010, Mr. Ireneusz Fąfara filed his resignation as the Member of the Bank’s Supervisory Board effective as of that date.

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

In the 3rd quarter of 2010, PKO Bank Polski SA and subsidiaries of PKO Bank Polski 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 the 3rd quarter of 2010, PKO Bank Polski SA and subsidiaries of PKO Bank Polski SA did not conclude any significant agreements with the central bank or supervisory authorities.

Subsequent events which may have an impact on future financial results

1. On 12 October 2010, PKO Bank Polski SA has issued through its subsidiary, PKO Finance AB, 5-year Eurobonds in the amount of EUR 800 million. This is the very first issue of this type in the Bank’s history, the success of which proves that the Bank is capable of using capital markets effectively, also in the debt financing segment, which enables the Bank’s sources of finance to be diversified. The demand for the first tranche of Eurobonds of PKO Bank Polski SA, issued within EMTN program, was large and significantly exceeded EUR 1 billion. Investors who, apart from domestic ones, were mainly institutions from Germany, Austria, Belgium, Holland and Luxemburg, have applied for over 100 subscriptions. Final valuation of Eurobonds amounted to 185 basis points over the midswap rate with the interest rate of 3.733%. It is the most profitably placed issue by a Polish issuer (excluding the State Treasury). Markets offer comparable costs of financing to such banks as Santander, BBVA, Banco Popolare as well as to some German institutions. Arrangers of the issue were HSBC and Société Générale and dealers were HSBC, Société Générale and PKO Bank Polski SA.

2. On 19 October 2010, PKO Bank Polski SA concluded a loan agreement with its subsidiary, PKO Finance AB seated in Sweden (the ‘Issuer’), pursuant to which the Bank will borrow from the Issuer certain funds representing proceeds from the issue of Eurobonds by the Issuer (the ‘Loan Agreement’).

   The Bank is the sole shareholder of the Issuer. Under the Loan Agreement, the Issuer grants a loan of EUR 800 000 000 to the Bank, i.e. PLN 3 145 360 000, intended to be used for general financing purposes of the Bank. The loan bears interest at a fixed rate of 3.733% p.a. Interest is paid annually. The Loan Agreement was concluded for the term of five years. The loan is not secured. The Loan Agreement does not provide for any contractual penalties. To date, the Bank has not concluded any agreements with the Issuer meeting the criteria of a material contract. The Bank is required to announce the conclusion of the Loan Agreement as qualifying as a material contract since the amount of the loan meets the criteria referred to in paragraph 2.1.44 of the Regulation of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and on the conditions under which such information may be recognized as being equivalent to information required by the regulations of law of a state which is not a member state.

Approval of financial statements

These condensed interim consolidated financial statements, reviewed by the Supervisory Board's Audit Committee on 3 November 2010, have been approved for issue by the Bank's Management Board on 2 November 2010.

Signatures of all Members of the Management Board of the Bank

02.11.2010	Zbigniew Jagiełło	President of the Board	.... (signature)
02.11.2010	Piotr Alicki	Vice-President of the Board	.... (signature)
02.11.2010	Bartosz Drabikowski	Vice-President of the Board	.... (signature)
02.11.2010	Krzysztof Dresler	Vice-President of the Board	.... (signature)
02.11.2010	Jarosław Myjak	Vice-President of the Board	.... (signature)
02.11.2010	Wojciech Papierak	Vice-President of the Board	.... (signature)
02.11.2010	Jakub Papierski	Vice-President of the Board	.... (signature)

Signature of person responsible for maintaining the books of account

02.11.2010

Danuta Szymańska

Director of the Bank

....
(signature)