



Bank Polski

PKO Bank Polski SA Group

Report

for the first quarter of 2011

SELECTED FINANCIAL DATA

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	period from 01.01.2011 to 31.03.2011	period from 01.01.2010 to 31.03.2010	period from 01.01.2011 to 31.03.2011	period from 01.01.2010 to 31.03.2010
Net interest income	1 719 469	1 474 499	432 658	371 701
Net fee and commission income	737 194	725 422	185 495	182 869
Operating profit	1 088 335	907 090	273 850	228 665
Gross profit	1 084 997	902 704	273 010	227 559
Net profit (including non-controlling shareholders)	870 631	719 171	219 071	181 293
Net profit attributable to the parent company	871 016	719 989	219 168	181 499
Earnings per share for the period - basic (in PLN/EUR)	0.70	0.58	0.18	0.15
Earnings per share for the period - diluted (in PLN/EUR)	0.70	0.58	0.18	0.15
Net comprehensive income	699 735	744 994	176 069	187 803
Net cash flow from / used in operating activities	(1 145 929)	(1 024 412)	(288 342)	(258 240)
Net cash flow from / used in investing activities	270 218	(2 612 159)	67 993	(658 489)
Net cash flow from / used in financing activities	(115 890)	(89 026)	(29 161)	(22 442)
Total net cash flows	(991 601)	(3 725 597)	(249 510)	(939 171)

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	as at 31.03.2011	as at 31.12.2010	as at 31.03.2011	as at 31.12.2010
Total assets	172 693 579	169 660 501	43 045 335	42 840 315
Total equity	22 059 303	21 359 568	5 498 468	5 393 422
Total equity attributable to equity holders of the parent company	22 057 677	21 357 578	5 498 063	5 392 919
Share capital	1 250 000	1 250 000	311 573	315 633
Number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Book value per share (in PLN/EUR)	17.65	17.09	4.40	4.31
Diluted number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Diluted book value per share (in PLN/EUR)	17.65	17.09	4.40	4.31
Capital adequacy ratio	13.38%	12.47%	13.38%	12.47%
Tier 1 capital	17 780 711	15 960 255	4 431 993	4 030 062
Tier 2 capital	1 518 449	1 512 546	378 486	381 927
Tier 3 capital	34 451	145 928	8 587	36 848

SELECTED STAND-ALONE FINANCIAL DATA	PLN thousand		EUR thousand	
	period from 01.01.2011 to 31.03.2011	period from 01.01.2010 to 31.03.2010	period from 01.01.2011 to 31.03.2011	period from 01.01.2010 to 31.03.2010
Net interest income	1 687 029	1 440 265	424 495	363 071
Net fee and commission income	693 142	675 447	174 410	170 271
Operating profit	1 053 737	902 627	265 144	227 540
Gross profit	1 053 737	902 627	265 144	227 540
Net profit	851 344	727 190	214 218	183 314
Earnings per share for the period - basic (in PLN/EUR)	0.68	0.58	0.17	0.15
Earnings per share for the period - diluted (in PLN/EUR)	0.68	0.58	0.17	0.15
Net comprehensive income	694 223	749 198	174 682	188 862
Net cash flow from / used in operating activities	(1 207 815)	(1 487 719)	(303 914)	(375 033)
Net cash flow from / used in investing activities	240 591	(2 217 183)	60 538	(558 921)
Net cash flow from / used in financing activities	(10 708)	(10 090)	(2 694)	(2 544)
Total net cash flows	(977 932)	(3 714 992)	(246 070)	(936 498)

SELECTED STAND-ALONE FINANCIAL DATA	PLN thousand		EUR thousand	
	as at 31.03.2011	as at 31.12.2010	as at 31.03.2011	as at 31.12.2010
Total assets	170 437 897	167 238 919	42 483 087	42 228 851
Total equity	21 896 071	21 201 848	5 457 781	5 353 596
Share capital	1 250 000	1 250 000	311 573	315 633
Number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Book value per share (in PLN/EUR)	17.52	16.96	4.37	4.28
Diluted number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Diluted book value per share (in PLN/EUR)	17.52	16.96	4.37	4.28
Capital adequacy ratio	12.99%	11.99%	12.99%	11.99%
Tier 1 capital	17 381 629	15 449 743	4 332 518	3 901 155
Tier 2 capital	974 392	967 418	242 875	244 279
Tier 3 capital	34 451	145 928	8 587	36 848

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 of three months ended 31 March of 2011 and 2010, respectively: EUR 1 = PLN 3.9742 and EUR 1 = PLN 3.9669 .
- the statement of financial position items – average NBP exchange rate as at 31 March 2011: EUR 1 = PLN 4.0119 and as at 31 December 2010: EUR 1 = PLN 3.9603.



Bank Polski

Directors' Commentary to the financial results
of the PKO Bank Polski SA Group
for the first quarter of 2011

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1. Summary and selected financial data

	1st quarter 2011		1st quarter 2010		Change Q1 2011/Q1 2010	
NET PROFIT	871.0	PLN million	720.0	PLN million	21.0%	(y/y)
RESULT ON BUSINESS ACTIVITIES*	2 580.9	PLN million	2 346.4	PLN million	10.0%	(y/y)
ADMINISTRATIVE EXPENSES	-1 054.1	PLN million	-1 014.2	PLN million	3.9%	(y/y)
NET IMPAIRMENT ALLOWANCE	-438.4	PLN million	-425.1	PLN million	3.1%	(y/y)
C/I	40.8%		43.2%		-2.4	pp.
ROE NET	15.4%		14.6%		0.8	pp.
ROA NET	2.0%		1.7%		0.3	pp.

* Result on business activities defined as operating profit before administrative expenses and net impairment allowance.

In the 1st quarter of 2011, the situation in the banking sector in Poland improved. The situation on the deposits and loans market was influenced by the further stable growth in sales of housing loans, improvement on the corporate loans market and limited activity in consumer loans, as well as faster growth in deposits than in the prior year.

In this period, PKO Bank Polski SA continued its measures to maintain its strong deposit and equity base – these measures constitute a basis for a stable development of business activities, while the priorities relating to business effectiveness and effective cost control being maintained.

The net profit of the PKO Bank Polski SA Group generated in the 1st quarter of this year amounted to PLN 871.0 million, which represents an increase of PLN 151.0 million (+21.0%) compared with the corresponding period of the previous year. The profit generated was determined by:

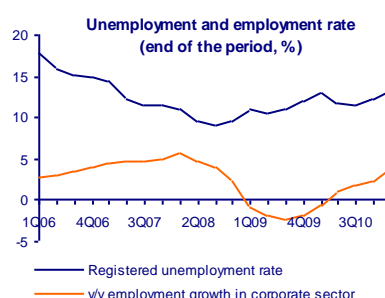
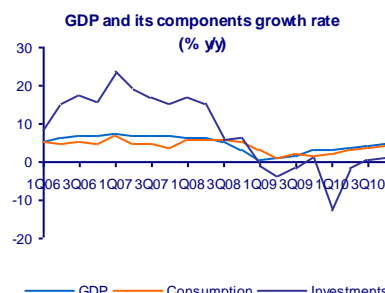
- ⇒ the high level of the result on business activities of the PKO Bank Polski SA Group – PLN 2 580.9 million, mainly due to the increase in net interest income by PLN 245.0 million compared with the corresponding period of the previous year (mainly due to interest income increase by PLN 241.2 million),
- ⇒ increase in administrative expenses by PLN 39.9 million y/y along with the dynamic growth of net result of business activities assured the decrease of C/I ratio y/y to 40.8%,
- ⇒ the stable level of net impairment allowance,
- ⇒ increase in the PKO Bank Polski SA Group's total assets by PLN 16.0 billion y/y to the level of PLN 172.7 billion resulting from an intensive growth of the sales of loans (portfolio of loans and advances to customers has increased by PLN 14.5 billion y/y) financed by the increase in amounts due to customers as well as the issue of Eurobonds,
- ⇒ the effective structure of the statement of financial position – an increase in the deposits of the PKO Bank Polski SA Group of PLN 12.6 billion y/y and Eurobonds issue allowed business activities to increase dynamically. The loan to deposit ratio amounted to 97.7% as at the end of the 1st quarter of 2011, and considering the long-term financing 91.7%.

2. External environment

Macroeconomic environment

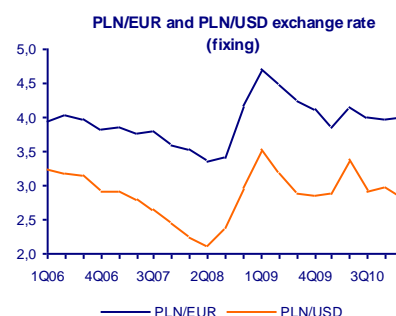
In the 1st quarter of 2011:

- compared with the 2nd half of 2010, a slight slowing was noted in the national economy, which was accompanied by a slightly slower growth in foreign demand and export production, lower dynamics of private consumption (following the accumulation of purchases in view of the taxation changes expected as of the beginning of 2011) and considerably smaller scale of re-building stocks by enterprises. At the beginning of 2011, investment dynamics should be stimulated by an increase in GDP which is considerably reinforced by the effect of the very low prior year statistical reference base in the construction sector (resulting from unfavourable weather conditions),
- the average annual growth of wages and salaries in the corporate sector amounted to 4.1% p.a., the increase in old-age and disability pensions reached 6.0% p.a.; the annual dynamics of employment in enterprises gradually increased to 4.1% in March; in March the registered unemployment increased to 13.1% from 12.3% in December 2010,
- inflation measured with CPI increased to 4.3% y/y in March 2011, compared with 3.1% y/y in December 2010, mainly as a result of an increase in VAT rates at the beginning of the year and a significant acceleration of growth in the annual rate of food prices which reflected the trends on global markets.
- in January the Monetary Policy Council (RPP - *Rada Polityki Pieniężnej*) increased interest rates by 25 b.p. in conditions of a considerable increase in inflation and stabilizing of the national economy.



Situation on the financial market

In the 1st quarter, the yield curve of Polish Treasury Securities (SPW) slightly levelled out, while the profitability of bonds in all maturity segments increased. The difference between the profitability of 10-year and 2-year bonds dropped from 133 b.p. to 123 b.p. The increased return on SPW stemmed from anticipated tightening of the domestic monetary policy by RPP. The increase in profitability at the longer end of the yield curve followed from a clear increase in profitability on the base markets, which in turn was due to the correction of expectations relating to the US monetary policy (lower expectations of consecutive financial assets purchase plans) and the already smaller scale of foreign capital inflow to the domestic Treasury Bonds market compared with the last months of 2010. The limited supply of Treasury Bonds significantly limited the growth in returns on Treasury Bonds.

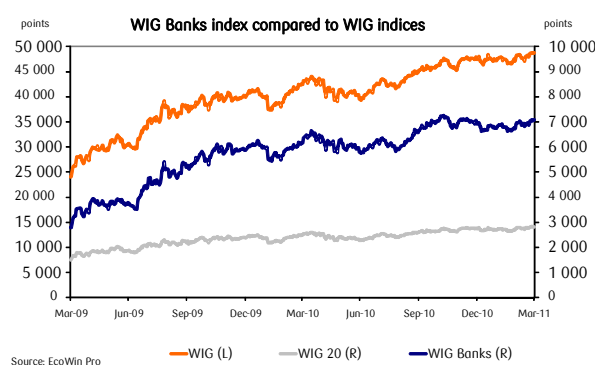
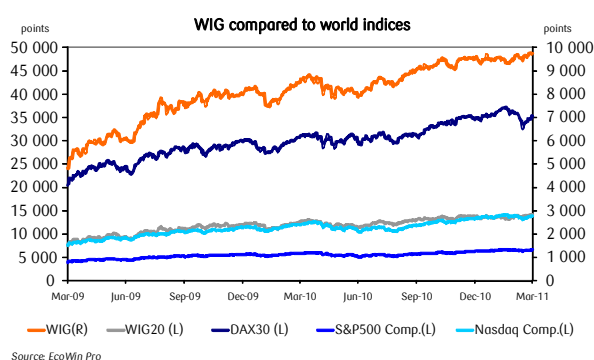


In the 1st quarter of 2011, rates on the interbank market increased due to RPP's tightening of the monetary policy. 1-12 month WIBOR rates went up by ca. 20-25 b.p. Shorter term rates, including the POLONIA rate, increased much more. Average monthly POLONIA rate in March was only ca. 20 b.p. below the NBP reference rate, compared with nearly 70 b.p. in December 2010. This situation resulted from NBP's policy of increasing issues of NBP bills with maturities shorter than 7 days in order to draw the POLONIA market rate closer to the NBP reference rate.

In the first weeks of the year, a strengthening of the Polish zloty was noted due to the market's increased anticipation of increased NBP interest rate growth. During the rest of the 1st quarter of 2011, Polish zloty weakened in respect of the euro reflecting the increased global risk aversion due to the escalation of the social and political conflict in the Middle East as well as uncertainty as to the implications of the natural disaster in Japan. At the same time, the zloty strengthened against the US dollar, in consequence of a stable drop in the rate of the US dollar to the euro due to the anticipated tightening of the monetary policy by the European Central Bank. At the end of the 1st quarter of 2011, the zloty went down by 1.3% compared with the euro and went up by 4.8% compared with the US dollar, and the exchange rates amounted to 4.01 PLN/EUR and 2.82 PLN/USD.

Situation on the stock exchange

In the 1st quarter of 2011 the conditions on the basic market of the Warsaw Stock Exchange (GPW) remained under the influence of the situation on foreign securities exchanges, investors' evaluation of the economic situation in Poland, and the financial standing of listed companies. This resulted in a slightly fluctuating upward trend on the stock market. WIG went up by 2.6%, whereas German DAX30 went up by 1.8%, and American S&P500 Comp. and Nasdaq Comp. went up by 5.4% and 4.8%, respectively. In the 1st quarter of 2011, the annual rates of return on the main GPW indices also increased at single digit rates, lower than the growth rates in the 4th quarter of 2010. The small companies index, sWIG80 (+4.2% q/q), as well as the medium-size companies index mWIG40 (+3.8 q/q) and the largest companies index WIG20 (+2.7 q/q) grew faster than WIG. The WIG Banki index grew slower than the main WIG index (+2.5% q/q). At the end of the 1st quarter of 2011, WIG reached the level of 48 730 pts, and WIG Banki 7 092 pts. At the end of the 1st quarter of 2011, 402 companies were listed on the basic GPW market, including 29 foreign companies (compared with 400 and 27 at the end of 2010).



The good situation on the stock exchange and the increased number of companies listed on the main market resulted in the increased capitalization of the companies listed on the main GPW market, which increased by 7.3% in the 1st quarter of 2011 (compared with a drop of 0.9% in the prior quarter) to PLN 847 billion.

The conditions on GPW had impact on the situation on the banking and non-banking financial market, including an increase in capitalization of banks listed on GPW, an increase in the value of investment fund and pension fund assets compared with the end of the 4th quarter of 2010, changes in the structure of savings (including: a slight decrease in the proportion of stocks, stabilization in the proportion of investment funds, and an increase in the proportion of bank deposits in savings).

Situation in the Polish banking sector

During the first two months of 2011, the situation in the banking sector further improved. At the end of February 2011, the result of the banking sector amounted to PLN 2 billion and was 33.5% higher than in the same period in the prior year. Banks recorded a drop of over 30% in net impairment allowance and an increase of more than 13% in net interest income.

Non-performing loans increased at a slower pace than in the prior year, and at the end of February the increase amounted to ca. 22% y/y compared with 36% y/y at the end of February 2010. The increase was mainly related to the household sector and resulted from the ever deteriorating quality of the consumer loan portfolio. In turn, the value of non-performing corporate loans dropped. At the end of February 2011, the ratio of non-performing loans to total loans amounted to 8.9%.

The stable increase in housing loans, improved situation on the corporate loans market, limited activity in granting consumer loans, and faster growth in deposits than in the prior year had an impact on the deposit and the loan market. Changes in the volume of PLN loans and deposits were still to a large extent affected by the changes in exchange rates, including the appreciation of PLN in the 1st quarter of 2011 which reduced the value of foreign currency loans and deposits.

After the adjustment for foreign exchange fluctuations, the increase in the loan portfolio at the end of first quarter of current year was decidedly higher than a year ago. Total loans increased by PLN 13.8 billion compared with PLN 2.2 billion in the corresponding period of prior year and their growth amounted to 8.7% y/y.

The improved situation on the corporate loans market had a significant impact on the increase in loans. The value of those loans increased by ca. PLN 6.3 billion (after the exchange rate adjustment) compared with a decrease of PLN 1.2 billion recorded in the prior year. Almost the whole increase was related to

loans granted to small and medium-sized enterprises, whereas the segment of loans to large enterprises stagnated. According to the NBP survey, banks continued to gradually ease the criteria for granting loans, but the low demand for loans from enterprises, which relied on their own funds or used alternative forms of financing, was a barrier to further growth.

Systematic and stable growth was recorded in housing loans, which was due to less stringent lending policies applied by banks as a result of increasing competition on the housing loans market, and proposed changes to the "Rodzina na swoim" Programme. The value of the housing loan portfolio increased by ca. PLN 5.7 billion (after the adjustment for the exchange rates) compared with ca. PLN 5.6 billion in the same period of 2010.

Banks continued to narrow their lending activities in respect of consumer loans. Their value decreased by over PLN 2.4 billion, and the growth rate dropped to -1.2% y/y compared with ca. 11% y/y in the corresponding period of 2010. Banks maintained stringent criteria and conditions for granting loans due to the deteriorating quality of the loan portfolio.

At the end of the 1st quarter of 2011, the total increase in deposits was higher than in the prior year. The value of deposits went up by ca. PLN 28 billion (after the adjustment for the exchange rates) compared with PLN 10.8 billion in the same period of the prior year, i.e. they increased by 11.7% compared with the 10% in the prior year. Nevertheless, more than 60% of the increase in deposits resulted from one-off events. In March 2011, as a result of transfers relating to the end of the call of the Spanish Santander Bank for the shares of BZ WBK, deposits of non-monetary financial institutions increased by ca. PLN 18 billion, i.e. by 66% y/y. The growth rate in other deposits was lower than in the same period of the prior year. Deposits placed by individuals increased by ca. 10.4% compared with 11.4%, and deposits of central and local authorities increased by 3.3% compared with 9.8% in the prior year. Corporate deposits went down by over PLN 12 billion.

Regulatory factors

The following new regulatory solutions influenced the financial and organizational situation of the PKO Bank Polski SA Group in the 1st quarter of 2011:

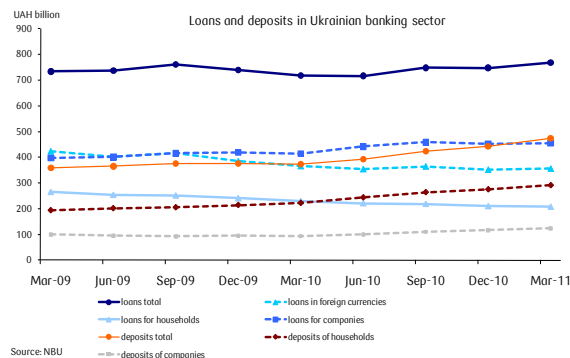
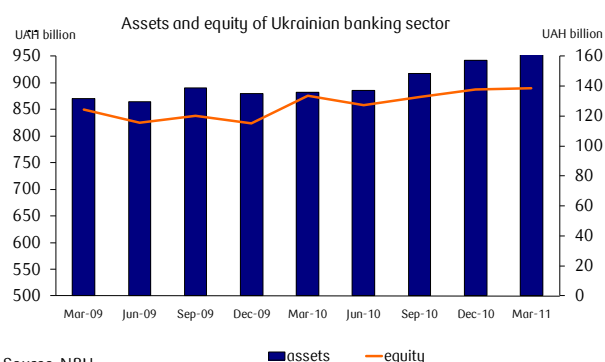
- Resolution of the Monetary Policy Council No. 9/2010 of 27 October 2010 (*Journal of Laws of NBP* No. 15, item 16) which increased the mandatory reserve rate for banks to 3.5% as of 31 Dec 2010,
- Resolution of the Monetary Policy Council No. 1/2011 of 19 January 2011 (*JoL of NBP* No. 1, item 1) which as of 20 January 2011 increased the reference rate to 3.75%, the interest rate on refinanced loans backed with securities to 5.25%, the interest rate on term deposits accepted from banks by the National Bank of Poland to 2.25%, and the re-discount rate for bills of exchange accepted from banks for rediscounting by the National Bank of Poland to 4.0%,
- Resolution of the Council of the Bank Guarantee Fund of 17 November 2010 which more than doubled the percentage rate used to calculate the mandatory annual contribution of banks to the Bank Guarantee Fund for 2011,
- Resolution of the Polish Financial Supervision Authority (PFSA) No. 367/2010 of 12 October 2010 (*JoL of PFSA* No. 8, item 36) and No. 434/2010 of 20 December 2010 (*JoL of PFSA* No. 1 of 2011, item 36) implementing, as of 31 December 2010, changes in respect of the items comprising banks' basic and supplementary funds,
- Resolution No. 369/2010 of the PFSA of 12 October 2010 (*JoL of PFSA* No. 8, item 38) implementing, as of 31 December 2010, changes in respect of determining capital requirements for specific risk types,
- Resolution No. 52/2010 of the PFSA of 23 February 2010 (*JoL of PFSA* No. 2, item 12) which required banks to comply, as of 23 December 2010, with all rules of Recommendation T in respect of retail loan exposure risk management,
- amendments to the Act on mortgage registers and mortgages of 26 June 2009 (*JoL* of 2009 No. 131, item 1075) which, inter alia, cancelled the distinction between ordinary mortgage and capped mortgage (effective as of 20 February 2011),
- amendments to the Act on the tax on goods and services (VAT) and the Act on road transport of 16 December 2010 (*JoL* No. 247, item 1652) which implemented, in the period from 1 January 2011 to 31 December 2012, limitations in respect of deductibility of output VAT assessed on the lease of passenger cars with truck homologation,
- Decree of the Minister of Finance of 23 December 2010 (*JoL* No. 244, item 1692) extending the list of titles comprising public debt by, inter alia, loans and borrowings and lease agreements.

The position of the PKO Bank Polski SA Group was also influenced by regulatory solutions which would come into effect after the *vacatio legis* period, such as Resolution No. 18/2011 of the PFSA of 25 January 2011 (*JoL of PFSA No. 3, item 6*) which requires banks to comply, as of 25 July 2011, with Recommendation S on good practices in respect of mortgage-backed loan exposures, and the planned limitations to the "Rodzina na swoim" Programme, as well as changes in the assessment of tax on income from investments.

Ukrainian market

The operation and results of the PKO Bank Polski SA Group in the 1st quarter of 2011 were affected by macroeconomic factors in the Ukraine, where the subsidiary of PKO Bank Polski SA – KREDOBANK SA operates. These factors included:

- the information of the International Monetary Fund (IMF) published in mid-February referring to the economic situation in the Ukraine, which was an element of regular monitoring of countries which use financial aid from IMF under the Stand-by-Arrangement (SBA) Programme. According to the IMF information, financial aid to the Ukraine will be continued in line with the scale of loans granted in August 2010, although certain delays in payments of specific tranches are not to be ruled out in the nearest months. Due to the relatively stable financial situation in the Ukraine in the short term, these shifts are not significant to the perspectives of its economic and financial stability,
- continuation of economic growth after the strong recession in 2009, in the climate of global economic recovery and growth in foreign demand; however, the pace of growth remained at a very low level due to the very slight increase in private consumption and investments due to the extremely difficult internal position of the Ukrainian economy,
- continuing improvement in Ukraine's external stability, and on the other hand, an increasing risk of its deterioration in the upcoming quarters due to growing import demand, increased oil prices, and only limited inflow of foreign capital,
- a slight drop in the exchange rate of Ukrainian hryvnia (UAH): the official exchange rate of the National Bank of Ukraine amounted to ca. 7.95 UAH/USD during the quarter, compared with 7.90 UAH/USD at the end of 2010,
- stabilization of the situation in the banking sector due to capital infusion to banks, the NBU supplying additional liquidity and improvement of economic conditions; at the same time the situation in the sector is still described as very difficult, due to low returns, high share of non-performing loans, and low quality of bank assets,
- continued decrease in Ukraine's credit risk in the light of the improving situation on global markets and good internal financial perspectives, with continued financial assistance from the IMF programme.



According to the data of the National Bank of Ukraine, as at the end of the 1st quarter 2011, 176 banks operated in the country. The share of foreign capital in the total capital of the Ukrainian banking sector increased to 41.6%. In the 1st quarter of 2011, the banking sector's assets increased by ca. 13% y/y, which was the effect of an upturn on the loan market. The increase in loans during the 1st quarter amounted to UAH 19 billion, compared with a decrease of UAH 22 billion in the 1st quarter of 2010, and the growth rate was 7% y/y. The total increase in loans was due to an increase in the volume of corporate loans (+15% y/y, compared with 4% in the prior year), accompanied by a downward trend in loans for households noted as of March 2009. The scale of the drop in the volume of loans granted to households was lower than in the previous quarters (-9.5% y/y). The share of foreign currency loans in total loans decreased and amounted to ca. 45%. The increase in deposits in the 1st quarter of 2011 was

stronger than the increase in loans and amounted to ca. UAH 32 billion (an increase of 27% y/y), which supposedly follows from an increase in confidence in the banking sector. Household savings increased by ca. 31%, and corporate deposits by 33% compared with the same period of the prior year.

In the 1st quarter of 2011, equity of the banking sector increased by 3.5% y/y, which resulted from capital injection to the banks and regulatory solutions implemented which allowed increasing the basic funds by 100% of subordinated loans obtained.

Despite the stabilization in growth of non-performing loans in the 1st quarter of 2011, the low quality of the loan portfolio is still a challenge for the Ukrainian banking sector. A further increase in non-performing loans and provisions set up was noted. According to the National Bank of Ukraine, as of the beginning of the year, the value of non-performing loans increased by ca. 19.2%.

In the 1st quarter of 2011, the banking sector incurred a loss, and return on assets and capital was still negative – ROE amounted to -0.6% and ROA to -0.1%.

3. Activities of the PKO Bank Polski SA Group and PKO Bank Polski SA

3.1. Commentary to the financial results of The PKO Bank Polski SA Group

Factors influencing results of the PKO Bank Polski SA Group in the 1st quarter of 2011

In the first quarter of 2011, the gradual improvement in macroeconomic conditions translated into positive financial results of the Polish banking sector. The steps undertaken by the PKO Bank Polski SA Group in the 1st quarter of 2011 allowed it to generate the net profit amounting to PLN 871.0 million.

The efficiency of the PKO Bank Polski SA Group shaped up on high level – as at the end of 1st quarter of 2011, the ROE net ratio amounted to 15.4%.

The growth of the deposit base and high level of the PKO Bank Polski SA Group's equity covered the increasing need for capital, arising from the growth of the loan activity, and enabled the further stable growth of business activities. At the end of the first quarter of 2011, the capital adequacy ratio amounted to 13.38%, while its minimum level, determined by the Banking Law, amounted to 8%.

Key financial indicators

The summary of results, achieved by the PKO Bank Polski SA Group, is represented by the following key financial efficiency indicators, which are shown in the table below.

Table 1. Key financial indicators of the PKO Bank Polski SA Group

	31.03.2011	31.03.2010*	Change
ROA net (net profit/average total assets)	2.0%	1.7%	0.3 pp.
ROE net (net profit/average total equity)	15.4%	14.6%	0.8 pp.
C/I (cost to income ratio)	40.8%	43.2%	-2.4 pp.
Interest margin (net interest income/average interest earning assets)	4.4%	4.0%	0.4 pp.
Share of loans and advances to customers for which an individual objective of impairment was identified**	7.9%	8.3%	-0.4 pp.
The share of impaired loans***	7.5%	7.7%	-0.2 pp.

* The change compared to previously published data results from the changed manner of calculating ROE, ROA and interest margin. To calculate the denominator of the said ratios, the average of quarterly balances of respective items of assets and equity and liabilities was used. Data brought to comparability.

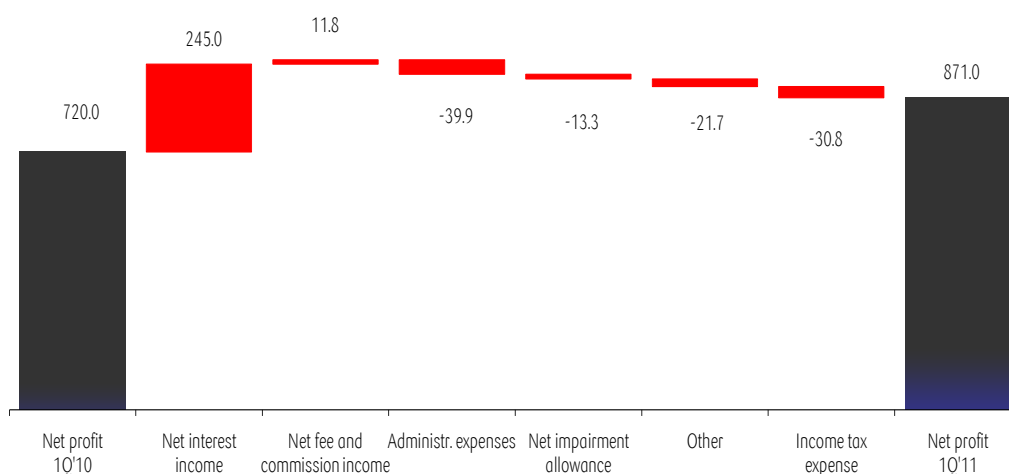
** Calculated by dividing the gross carrying amount of loans and advances to customers for which an individual objective of impairment was identified by the gross carrying amount of loans and advances to customers.

*** Calculated by dividing the gross carrying amount of impaired loans and advances to customers by the gross carrying amount of loans and advances to customers.

Financial results

In the 1st quarter of 2011, the PKO Bank Polski SA Group achieved net profit at the amount of PLN 871.0 million, which was PLN 151.0 million higher than in the corresponding period of 2010 (+21.0% y/y).

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



The main consolidated income statement items are as follows:

Table 2. Movements in the income statement items of the PKO Bank Polski SA Group (in PLN million)

	01.01 - 31.03.2011	01.01 - 31.03.2010	Change (in PLN)	Change Q1 2011 /Q1 2010
Interest and similar income	2 720.4	2 479.2	241.2	9.7%
Interest expense and similar charges	(1 001.0)	(1 004.7)	3.7	-0.4%
Net interest income	1 719.5	1 474.5	245.0	16.6%
Fee and commission income	911.5	920.2	(8.7)	-1.0%
Fee and commission expense	(174.3)	(194.8)	20.5	-10.5%
Net fee and commission income	737.2	725.4	11.8	1.6%
Dividend income	0.0	0.1	(0.1)	-82.5%
Net income from financial instruments at fair value through profit and loss	(0.5)	12.6	(13.1)	x
Gains less losses from investment securities	3.5	7.4	(3.9)	-52.4%
Net foreign exchange gains	74.9	97.3	(22.4)	-23.1%
Other operating income	117.8	92.0	25.8	28.0%
Other operating expenses	(71.5)	(62.9)	(8.6)	13.6%
Net other operating income and expense	46.3	29.1	17.2	59.1%
Net impairment allowance and write-downs	(438.4)	(425.1)	(13.3)	3.1%
Administrative expenses	(1 054.1)	(1 014.2)	(39.9)	3.9%
Operating profit	1 088.3	907.1	181.2	20.0%
Share of profit (loss) of associates and jointly controlled entities	(3.3)	(4.4)	1.0	-23.9%
Profit (loss) before income tax	1 085.0	902.7	182.3	20.2%
Income tax expense	(214.4)	(183.5)	(30.8)	16.8%
Net profit (including non-controlling interest)	870.6	719.2	151.5	21.1%
Net profit attributable to non-controlling shareholders	(0.4)	(0.8)	0.4	-52.9%
Net profit (loss)	871.0	720.0	151.0	21.0%

In the income statement of the PKO Bank Polski SA Group for the 1st quarter of 2011, the sum of revenue positions amounted to PLN 2 580.9 million and was PLN 234.4 million, i.e. 10.0%, higher than in the corresponding period of 2010.

Net interest income

In the 1st quarter of 2011, net interest income was PLN 245.0 million higher than in the corresponding period in prior year, mainly due to interest income growth by PLN 241.2 million.

In the 1st quarter of 2011, interest income amounted to PLN 2 720.4 million and in comparison with the corresponding period of 2010 was higher by 9.7%, mainly as a result of an increase in:

- revenue in respect of loans and advances to customers (+)10.8% y/y – the effect of high growth in the loan portfolio (+12.3% y/y) as well as of interest rates growth,
- revenue in respect of hedging instruments (+)10.5% y/y, of which among others the growth of CIRS transaction volume,

The rate of growth in interest expense amounted to (-)0.4% y/y, mainly in effect of a drop in the costs of amounts due to customers (-1.7% y/y) as well as other costs, partly offset by an increase in the cost of issuing own debt securities.

Interest margin rose by 0.4 pp. y/y to the level of 4.4% in the 1st quarter of 2011, as a result of an increase in net interest income of 16.6% y/y, accompanied by increase in average level of interest-earning assets by 13.6% y/y.

Net fee and commission income

In the 1st quarter of 2011, net fee and commission income was PLN 11.8 million higher than in the corresponding period of prior year, mainly due to commission expense decrease by PLN 20.5 million.

Net fee and commission income increased by 1.6% y/y as a result of:

- a decrease in costs of payment cards (-14.1% y/y), loan insurance costs (-9.0% y/y) and other commission costs (-11.2% y/y), inter alia, costs of fees paid by Dom Maklerski (Brokerage House) to GPW and KDPW (National Securities Depository),

along with

- an increase in commission income in respect of loans and advances granted (+21.7% y/y),
- an increase in commission income in respect of the servicing of investment and pension funds (+14.9% y/y);

The total drop of fee and commission income by PLN 8.7 million y/y was mainly determined by the decrease of loan insurance income.

Administrative expenses

In the 1st quarter of 2011 administrative expenses increased by PLN 39.9 million as compared to the corresponding period in prior year (+3.9 y/y). They were mainly determined by:

- an increase in costs of contributions and payments to the Bank Guarantee Fund of PLN 20.8 m (+2.6x y/y) – the effect of an increase in the rate of the annual fee contributed to the BGF,
- an increase in staff costs by PLN 13.3 million (+2.3% y/y), affected mainly by increase in wages and salaries expenses by PLN 12.7 million (+2.7% y/y),
- an increase in depreciation expenses by PLN 5.5 million (+4.6% y/y),
- an increase in overheads by PLN 0.9 million (+0.3% y/y).

A slight increase of administrative expenses, accompanied by the substantial growth of the PKO Bank Polski SA Group's income by 10.0% y/y, resulted in maintaining high operating efficiency of the PKO Bank Polski SA Group, measured via the C/I ratio, which as at the end of 1st quarter of 2011 amounted to 40.8% (-2.4 pp. y/y).

Net impairment allowance and write-downs

Net impairment allowance and write-downs is an effect of maintaining a conservative approach of PKO Bank Polski SA to recognition and measurement of credit risk and the growth of credit base. An increase in net impairment allowance in the 1st quarter of 2011 compared with the corresponding period of the prior year (+3.1% y/y), mainly as a result of an increase in net impairment allowance and write-downs on the housing loans portfolio.

The share of loans for which an individual objective evidence of impairment was identified and the share of impaired loans decreased respectively by (-)0.4 pp. y/y (to the level of 7.9% at the end of the 1st quarter of 2011) and by (-)0.2 pp. y/y (to the level of 7.5% at the end of the 1st quarter of 2011) as a result of consistent use of stricter credit quality assessment criteria by the Bank as well as the change in the classification of objective evidence of impairment in 2011¹.

¹ In the 1st quarter of 2011, the rules for classifying the objective evidence of impairment of loan exposures were modified, the main result of which was that 'deterioration in the client's financial standing during the loan term' ceased to be included in the catalogue of individual objective evidence of impairment as regards clients who used to be classified to this group and who are a subject of low probability of default.

Statement of financial position

Table 3. Movements in the statement of financial position items of the PKO Bank Polski SA Group (in PLN million)

Items	31.03.2011	Structure 31.03.2011	31.12.2010	Structure 31.12.2010	Change (%)
Cash and balances with the central bank	4 713.3	2.7%	6 182.4	3.6%	-23.8%
Amounts due from banks	2 819.4	1.6%	2 307.0	1.4%	22.2%
Loans and advances to customers	132 419.8	76.7%	130 668.1	77.0%	1.3%
Securities	24 413.9	14.1%	22 481.4	13.3%	8.6%
Other assets	8 327.2	4.8%	8 021.6	4.7%	3.8%
Total assets	172 693.6	100.0%	169 660.5	100.0%	1.8%
Amounts due to banks	5 526.6	3.2%	5 237.2	3.1%	5.5%
Amounts due to customers	135 565.3	78.5%	132 981.2	78.4%	1.9%
Debt securities in issue and subordinated liabilities	5 028.9	2.9%	4 910.6	2.9%	2.4%
Other liabilities	4 513.5	2.6%	5 171.8	3.0%	-12.7%
Total liabilities	150 634.3	87.2%	148 300.9	87.4%	1.6%
Total equity	22 059.3	12.8%	21 359.6	12.6%	3.3%
Total liabilities and equity	172 693.6	100.0%	169 660.5	100.0%	1.8%
Loans/Deposits (amounts due to customers)	97.7%	x	98.3%	x	-0.6 pp.
Loans/Stable sources of financing*	91.7%	x	92.0%	x	-0.4 pp.
Interest bearing assets/Assets	92.4%	x	91.6%	x	0.8 pp.
Interest paying liabilities/Liabilities	84.6%	x	84.4%	x	0.3 pp.
Capital Adequacy Ratio	13.4%	x	12.5%	x	0.9 pp.

* Stable sources of financing include amounts due to customers and long-term external financing in the form of debt securities in issue, subordinated liabilities and amounts due to financial institutions.

The statement of financial position of the parent company has the biggest influence on the statement of financial position of the PKO Bank Polski SA Group. It determines the structure of the statement of financial position as well as both total assets and total liabilities.

The total assets of PKO Bank Polski SA Group amounted as at the end of 1st quarter of 2011 to PLN 172.7 billion, which means increase of 1.8% compared to the end of 2010. As a result, the PKO Bank Polski SA Group maintained the position of the largest financial institution in the Polish banking sector.

The increase in assets of the PKO Bank Polski SA Group in the 1st quarter of 2011 was mainly due to an increase in the volume of loans and advances granted to customers of 1.3% compared with the end of 2010 as well as an increase in the volume of trading assets (2,2x compared with the end of 2010). The increase in total assets was financed mainly by an increase in amounts due to customers (+1.9% compared with the end of 2010).

Loans and advances to customers

In the break-down of the gross loan portfolio by type, the main items are housing loans and borrowings of PLN 62.9 billion (+0.7% compared with the end of 2010), the share of which in the structure of the gross loan portfolio went down by 0.4 pp. compared with the end of 2010. The largest increase in the volume compared with the end of 2010 (+3.9%) was recorded in corporate loans and borrowings whose share in the portfolio increased by 0.8 pp.

Amounts due to customers

In the structure of amounts due to customers by types, the main item were amounts due to retail clients of PLN 97.3 billion (+2.4% compared with the end of 2010) whose share in the portfolio structure compared to the end of 2010 increased by 0.3 pp. along with a decrease in amounts due to companies by 0.4 pp.

Equity and capital adequacy ratio

Equity increased by 3.3% compared with the end of 2010 and at the end of 1st quarter of 2011 accounted for 12.8% of total liabilities and equity of the PKO Bank Polski SA Group (the increase in share by 0.2 pp. as compared with the end of 2010).

The capital adequacy ratio of the PKO Bank Polski SA Group amounted to 13.38% as at the end of 1st quarter of 2011. Despite the drop of 0.9 pp. compared with the end of 2010, the level significantly exceeds the minimum level for the ratio required by the Banking Law. Capital adequacy measured with the capital adequacy ratio remained at a safe level with simultaneous dynamic growth of the loan portfolio.

In the 1st quarter of 2011, efficiency ratios improved: the return on assets (ROA) and the return on equity (ROE), by 0.3 pp. and 0.8 pp. respectively. The increase was due to a high growth rate of the annualized net profit (+35.5% y/y) combined with an increase in average assets of 12.2% y/y and in average equity of 28.5% y/y.

3.2. Commentary to the financial results of PKO Bank Polski SA

Key financial indicators

The summary of results, achieved by PKO Bank Polski SA in 2010, is represented by the following key financial efficiency indicators, which are shown in the table below.

Table 4. Key financial indicators of PKO Bank Polski SA

	31.03.2011	31.03.2010*	Change
ROA net (net profit/average total assets)	2.1%	1.8%	0.3 pp.
ROE net (net profit/average total equity)	15.8%	15.4%	0.4 pp.
C/I (cost to income ratio)	39.7%	42.1%	-2.4 pp.
Interest margin (net interest income/average interest earning assets)	4.4%	3.9%	0.5 pp.
Share of loans and advances to customers for which an individual objective of impairment was identified**	7.0%	7.2%	-0.2 pp.
The share of impaired loans***	6.7%	6.5%	0.2 pp.

* The change compared to previously published data results from the changed manner of calculating ROE, ROA and interest margin. To calculate the denominator of the said ratios, the average of quarterly balances of respective items of assets and equity and liabilities was used. Data brought to comparability.

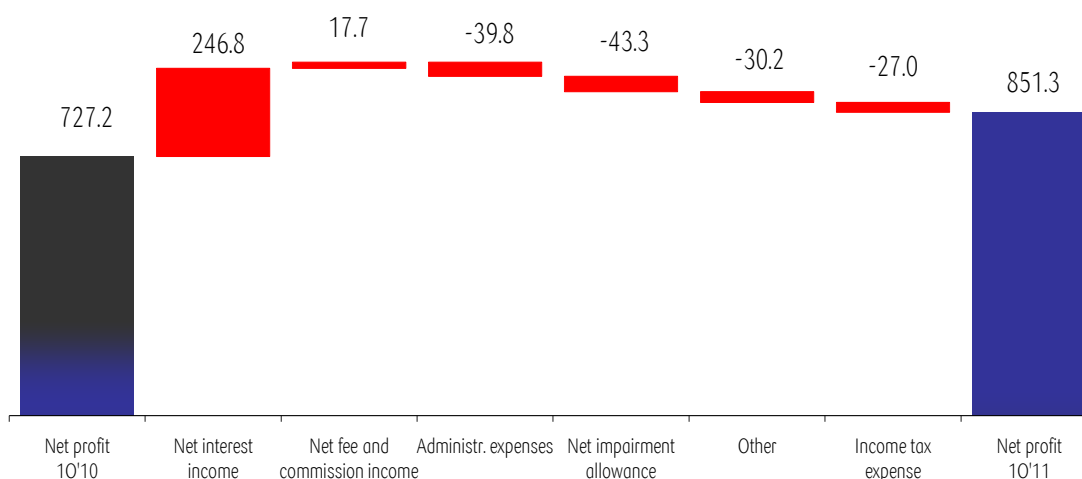
** Calculated by dividing the gross carrying amount of loans and advances to customers for which an individual objective of impairment was identified by the gross carrying amount of loans and advances to customers.

*** Calculated by dividing the gross carrying amount of impaired loans and advances to customers by the gross carrying amount of loans and advances to customers.

Financial results

In the 1st quarter of 2011, PKO Bank Polski SA achieved net profit at the amount of PLN 851.3 million, which was PLN 124.2 million higher than in the corresponding period of 2010 (+17.1% y/y).

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



The income statement items were as follows:

Table 5. Movements in income statement items of PKO Bank Polski SA (in PLN million)

	01.01 - 31.03.2011	01.01 - 31.03.2010	Change (in PLN)	Change Q1 2011 /Q1 2010
Interest and similar income	2 658.2	2 396.9	261.3	10.9%
Interest expense and similar charges	(971.2)	(956.6)	(14.6)	1.5%
Net interest income	1 687.0	1 440.3	246.8	17.1%
Fee and commission income	869.0	868.5	0.5	0.1%
Fee and commission expense	(175.9)	(193.1)	17.2	-8.9%
Net fee and commission income	693.1	675.4	17.7	2.6%
Dividend income	0.0	0.1	(0.1)	-82.5%
Net income from financial instruments at fair value through profit and loss	(0.7)	17.0	(17.7)	x
Gains less losses from investment securities	3.8	5.9	(2.2)	-36.7%
Net foreign exchange gains	74.0	96.2	(22.2)	-23.1%
Other operating income	14.5	8.5	5.9	69.8%
Other operating expenses	(8.7)	(14.7)	6.0	-40.8%
Net other operating income and expense	5.8	(6.1)	11.9	x
Net impairment allowance and write-downs	(432.1)	(388.8)	(43.3)	11.1%
Administrative expenses	(977.1)	(937.3)	(39.8)	4.2%
Operating profit	1 053.7	902.6	151.1	16.7%
Profit (loss) before income tax	1 053.7	902.6	151.1	16.7%
Income tax expense	(202.4)	(175.4)	(27.0)	15.4%
Net profit (loss)	851.3	727.2	124.2	17.1%

3.3. Business development²

3.3.1. Market shares of PKO Bank Polski SA

In the 1st quarter of 2011, the Bank stabilized its lead position in the banking sector in respect of its share of the loan market. In relation to the end of 2010, the largest increase was noted in loans to individuals, including consumer and other loans (+0.2 pp.) and loans to institutions (+0.1 pp.).

The share of deposits went down by 0.4 pp. compared with the end of 2010, which resulted mainly from a decrease in the amounts due to institutions (a one-off event in March 2011 had an impact on this drop – as a result of the cash flows related to the end of the call of Spanish Santander Bank for shares of BZ WBK, the market of non-monetary deposits of financial institutions increased by ca. PLN 18 billion).

Table 6. Market shares of PKO Bank Polski SA (%)*

	31.03.2011	31.12.2010	31.03.2010**	Change 31.03.2011/ 31.12.2010	Change 31.03.2011/ 31.03.2010
Loans and advances	17.2	17.2	17.0	0 pp.	0.2 pp.
retail clients	20.1	20.0	19.9	0.1 pp.	0.2 pp.
mortgage loans	21.0	20.9	21.3	0.1 pp.	-0.3 pp.
PLN	32.5	33.1	33.8	-0.6 pp.	-1.3 pp.
FX	13.6	13.7	14.0	-0.1 pp.	-0.4 pp.
consumer loans and others	18.4	18.2	17.5	0.2 pp.	0.9 pp.
corporate clients	14.2	14.1	14.1	0.1 pp.	0.1 pp.
Deposits	17.5	17.9	17.8	-0.4 pp.	-0.3 pp.
retail clients	23.0	23.2	23.4	-0.2 pp.	-0.4 pp.
corporate clients	10.9	11.7	11.0	-0.8 pp.	-0.1 pp.

*Data according to NBP reporting system – WEBIS.

**Change compared to earlier published data results from the recognition of repurchase transaction in loans (since June 2010).

3.3.2. Retail segment

3.3.2.1. Activities of PKO Bank Polski SA in the retail segment

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

² In this document, any differences in totals, percentages and ratios of changes are due to rounding of amounts to full PLN million and rounding of percentages to one decimal place.

efficiency. PKO Bank Polski SA as a leader of Polish retail banking builds its market position on understanding the needs of customers with whom it wants to build long-term relationships. Therefore in the 1st quarter of 2011 new packages of personal accounts, which have been prepared on the basis of customer preferences, were introduced to the Bank's offer – based on behavioral segmentation. The new offer as well as improving the quality of services is to contribute to lasting change in the Bank's image. PKO Bank Polski SA is a current (ROR) accounts market leader, and new packages will be used in acquisition of new customers. In the 1st quarter of 2011 five new products dedicated to various group of customers were introduced: PKO Konto za Zero, PKO Konto Pierwsze, PKO Konto dla Młodych, PKO Konto Pogodne as well as Superkonto Oszczędne.

As at 31 March 2011, the total value of deposits of the retail segment of PKO Bank Polski SA amounted to PLN 105.9 billion. Since the beginning of the year, the volume has increased by PLN 1.5 billion (i.e. by 1.4%) as a result of an increase in retail and private banking deposit volumes (+3.1% since the beginning of the year), mainly due to the dynamic increase in volume of current account.

Table 7. Deposits of PKO Bank Polski SA (in PLN million)

	31.03.2011	31.12.2010	31.03.2010	Change since:	
				31.12.2010	31.03.2010
Gross deposits, of which:					
- retail and private banking	93 507	90 674	86 160	3.1%	8.5%
- small and medium-sized enterprises	7 890	8 592	7 422	-8.2%	6.3%
- housing market	4 455	5 088	3 843	-12.4%	15.9%
Total deposits	105 851	104 354	97 425	1.4%	8.6%

Source: Bank's Management information

As at the end of the 1st quarter of 2011, the gross value of loans and advances to the retail segment of PKO Bank Polski SA was PLN 103.8 billion, which constituted an increase of PLN 0.9 billion (i.e. by 0.8%) since the beginning of the year. This increase was caused mainly by the growth of the small and medium-sized enterprises credit portfolio (+4.3% since the beginning of the year) and by the growth of the mortgage portfolio (+0.9% since the beginning of the year).

Table 8. Gross loans and advances* of PKO Bank Polski SA (in PLN million)

	31.03.2011	31.12.2010	31.03.2010	Change since:	
				31.12.2010	31.03.2010
Gross loans and advances, of which:					
- retail and private banking	23 200	23 410	22 245	-0.9%	4.3%
- small and medium-sized enterprises	15 159	14 537	12 478	4.3%	21.5%
- mortgage banking	58 564	58 067	48 734	0.9%	20.2%
- housing market (including supported by the State budget)	6 919	6 972	6 913	-0.8%	0.1%
Total loans	103 842	102 987	90 370	0.8%	14.9%

Source: Bank's Management information

* without interest due and interest not due

As at 31 March 2011, the total number of current accounts amounted to 6.1 million units and the number of credit cards remained unchanged and amounted to 1.0 million units.

Table 9. Accounts and banking cards of PKO Bank Polski SA (in thousands of units)

	31.03.2011	31.12.2010	31.03.2010	Change since:	
				31.12.2010	31.03.2010
Total number of accounts, of which:	6 103	6 150	6 184	(47)	(81)
- Inteligo current accounts	664	655	640	9	24
Total number of banking cards, of which:	7 094	7 171	7 260	(77)	(166)
- Credit cards	1 001	1 063	1 088	(63)	(87)

At the end of the 1st quarter of 2011 the network of the Bank's own ATMs amounted to 2 419 ATMs (no change as compared to the end of 2010).

In the retail segment, the sales network consisted of 1 138 own branches.

As at the end of March 2011, the Bank cooperated with 1 848 agencies – down by 94 compared with the end of 2010. This fall was due to new rules of cooperation with agencies being introduced in May 2010, which require agents to meet increased client service standards, including standards relating to fixtures and fittings, location or the number of service desks in agencies.

Table 10. Branches and ATMs of PKO Bank Polski SA

	31.03.2011	31.12.2010	31.03.2010	Change since:	
				31.12.2010	31.03.2010
Total number of branches	1 205	1 208	1 224	(3)	(19)
- in the retail segment:	1 138	1 140	1 156	(2)	(18)
Number of ATM's	2 419	2 419	2 390	-	29
Number of agencies	1 848	1 942	2 132	(94)	(284)

Table 11. Activities and achievements of PKO Bank Polski SA in the retail segment in the 1st quarter of 2011

Product	Product characteristics
Checking account in the "Superkonto" group	<p>On 14 March, a new, innovative offer of checking (ROR) accounts was added to the Bank's offer:</p> <ol style="list-style-type: none"> 1) SUPERKONTO Oszczędne – the basic account in the New Offer, 2) PKO Konto za Zero, 3) PKO Konto dla Młodych – meant for young, active clients, 4) PKO Konto Pogodne – meant for clients aged 60+, 5) PKO Konto Pierwsze – meant for the youngest clients, up to 18 years old. <p>Products under the New Offer were differentiated in terms of different client preferences. The sale of new accounts is supported by an intensive advertising campaign.</p> <p>Under iPKO services, new accounts were made available to clients: Konto Pierwsze, Konto dla Młodych, Superkonto Oszczędne, Konto za Zero, PKO Konto Pogodne. In respect of all the new packages, the monthly fee for using iPKO service is PLN 0.</p>
Circulating savings books (<i>Obiegowe książeczki oszczędnościowe</i>)	<p>In January 2011, interest rates on funds accumulated on circulating savings books with a-vista deposits, issued for School Savings Accounts (<i>Szkolna Kasa Oszczędności</i>) were changed. The change involved increasing the interest rate from 0.01% to 3.5% and applying a promotional interest rate of 4.5% in the period from 3 January to 31 May 2011.</p>
Housing Savings Book (<i>Oszczędnościowa Książeczka Mieszkaniowa</i>)	<p>In January 2011, the deposit and investment product called "Oszczędnościowa książeczka mieszkaniowa powiązana z funduszami inwestycyjnymi PKO" (<i>housing savings book linked to PKO investment funds</i>) was revitalized. The launch of the new version of the housing savings book is aimed at modernizing the product offer of PKO Bank Polski and once again drawing the clients' attention to this form of savings. The product is meant for clients expecting higher profits in a longer time horizon, which would not be charged with the tax on capital income on the deposit portion of the product. The characteristic feature of the product is:</p> <ol style="list-style-type: none"> 1) an attractive interest rate on the deposit portion, 2) preferences in drawing the housing loan "Własny Kąt" with PKO BP SA, 3) possibility of additional gains on the investment portion linked to PKO funds, 4) exemption of interest obtained from the deposit portion from PIT.
Deposit linked to investment funds (<i>Lokata Inwestycyjna Akcji Plus / Stabilnego Wzrostu Plus</i>)	<p>The product combines guaranteed profit from a deposit earning a high interest rate with an investment portion in the form of investment fund participation units. Clients can choose from 2 subfunds in PKO TFI offer: Akcji PLUS Subfund or Stabilnego Wzrostu PLUS Subfund. The deposit is a product characterised by high interest on the deposit portion (up to 6.66% pp. for a 12-month deposit and 5.55% for a 6-month deposit), a low minimum amount of investment – PLN 2 000, and no fees for redemption of participation units after 12 months.</p>
2-year structured bank securities (BPW) based on S&P 500	<p>Structured bank securities based on S&P 500 (<i>Bankowe Papiery Wartościowe Strukturyzowane oparte o indeks S&P 500</i>) are an investment product with full protection of the principal amount and possibility of earning higher yields than on a standard term deposit. The client will earn profit if the value of S&P 500 increases compared with the initial value determined at the Issue Date (27 April 2011). The minimum payment is PLN 2 000, there is no maximum limit (provided it is a multiple of PLN 1 000 – the nominal value of 1 BPW). The profit on the maturity of the investment depends only on the changes in the S&P500 index. Participation in the increase of the index will be in the range of 60-90%. The ultimate value of the share in the increase in the index will be known at the Issue Date.</p>

Product	Product characteristics
Solidny Złoty EUR/PLN	The 2-year and 3-year structured deposit based on the EUR/PLN exchange rate is an investment product with full protection of the principal amount and possibility of obtaining higher yields than on a standard term deposit. The minimum payment is PLN 2 000. Profit on the investment is subject to the tax on capital gains.
Pakiet Biznes Waluta	The package is a tool for attracting dynamically developing SMEs which carry out regular foreign transactions (export, import, foreign exchange). The basis of the package is an internet transactional platform <i>iPKO dealer</i> . The launch of "Pakiet Biznes Waluta" was aimed at attracting new clients on the market who perform foreign exchange transactions and at increasing the competitiveness of the offer of PKO Bank Polski SA for SMEs.
Mortgage loan	In order to support sales, two loans were promoted: a mortgage loan called 'WŁASNY KĄT hipoteczny' and a preferential housing loan with interest subsidized by BGK. Moreover, a special offer was launched for clients who purchase real property as part of investments realized by selected developers (comprising a list of ca. 116 developers) and for employees of selected corporations (comprising 4 firms), as well as a special offer for clients of industry fairs – in respect of ca. 30 fairs organized. A special offer was also prepared for a selected group of clients of PKO BP who have not yet drawn any housing loans.
Credit cards	In the 1st quarter of 2011 PKO BP SA's credit card offer was reorganized in a comprehensive manner, which involved a new tariff of fees and commissions, and: 1) expanding the insurance offer for credit cards, 2) introducing a new functionality (<i>instalment</i>) for PKO Bank Polski SA's credit cards which allows splitting non-cash credit card transactions into instalments, 3) introducing a new, attractive design for credit cards issued with the Visa logo from the so-called gallery (production of cards using the photo technology), 4) possibility of obtaining a credit card without the first annual fee for the card on condition that the user opens a ROR account under the new offer, applies for the card and orders transferring his/her salary (or pension) to the ROR account.
INTELIGO	Under the Inteligo account a debit card <i>MasterCard PayPass</i> in the EMV standard was launched which enabled making payments using the <i>PayPass</i> contactless technology. The card is offered both in the segment of individual clients (from February 2011) and in the SME segment (since March 2011).

3.3.2.2. Activities of the PKO Bank Polski SA Group entities in the retail segment

Table 12. Activities and achievements of the PKO Bank Polski SA Group in the retail segment

SUBSIDIARY	SIGNIFICANT EVENTS OF THE 1ST QUARTER OF 2011
KREDOBANK SA	<ol style="list-style-type: none"> In the 1st quarter of 2011, total assets of KREDOBANK SA decreased by PLN 101 million, i.e. by 5.8% (total assets denominated in UAH decreased by 2.7%) and amounted to PLN 1 658 million as at 31 March 2011 (UAH 4 598 million). The Company's gross loan portfolio decreased by PLN 94 million i.e. by 6.1% in the 1st quarter of 2011 (the gross loan portfolio as denominated in UAH decreased by 2.7%) and amounted to PLN 1 453 million (UAH 4 456 million) as at the end of March 2011. In the 1st quarter of 2011, clients' term deposits decreased by PLN 94 million, i.e. by 11.2% (the value of deposits as denominated in UAH decreased by 5.5%). As at the end of March 2010, the term deposits amounted to PLN 742 million (UAH 2 057 million). As at 31 March 2011, the network of KREDOBANK SA branches consisted of 1 branch and 136 subordinated branches in 22 out of 24 Ukrainian districts and in the Autonomous Republic of the Crimea. During the 1st quarter of 2011 1 subordinated branch was closed. <p><i>The financial information of KREDOBANK SA was recalculated using the average NBP rates prevailing at the last day of each month – as at 31 March 2011 UAH 1=PLN 0.3562.</i></p>

SUBSIDIARY	SIGNIFICANT EVENTS OF THE 1ST QUARTER OF 2011
PKO Towarzystwo Funduszy Inwestycyjnych SA	<ol style="list-style-type: none"> The value of the funds' assets managed by PKO TFI SA amounted to PLN 9.7 billion as at 31 March 2011, which is a slight increase of 0.2% in comparison to the end of 2010. The maintenance of the funds' assets is a result of the favourable situation on the stock exchange and positive net sales result. In terms of the value of net assets, PKO TFI SA has the fifth highest market share (8.15%*) in the investment funds market. In the 1st quarter of 2010, the Company has introduced 2 new investment subfunds as part of PKO Parasolowy – FIO: PKO Skarbowy Plus Subfund and PKO Akcji Małych i Średnich Spółek Plus Subfund. <p><i>* Source: Chamber of Fund and Asset Management</i></p>
PKO BP BANKOWY Powszechnie Towarzystwo Emerytalne SA	<ol style="list-style-type: none"> As at the end of the 1st quarter of 2011, the net assets of PKO BP Bankowy OFE managed by PKO BP BANKOWY PTE SA amounted to PLN 7.1 billion, which is an increase of PLN 508 million in results comparison to the end of 2010. An increase in value of PKO BP Bankowy OFE's net assets results from positive trends at the Warsaw Stock Exchange and positive balance of payments and disbursements. As at the end of March 2011, the number of accounts maintained for participants of PKO BP OFE Bankowy amounted to 545 332. PKO BP Bankowy OFE possessed the 9th largest net assets amongst pension funds and the 10th largest number of active member accounts*. <p><i>* Source: www.knf.gov.pl</i></p>
Inteligo Financial Services SA	<ol style="list-style-type: none"> At the end of the 1st quarter of 2011, the Company provided electronic banking services to 3.8 million of PKO Bank Polski SA's customers using iPKO services. The Company provided services to over 640 thousand Inteligo account customers. As a result of an audit, PKO BP Finat Sp. z o.o. – a subsidiary of Inteligo Financial Services SA – obtained a recommendation for extending the validity of its ISO 27001/2005 certificate for the Information Safety Management System in the Company for 3 consecutive years.
Centrum Elektronicznych Usług Płatniczych eService SA	<ol style="list-style-type: none"> Transactions with a total value of PLN 5.1 billion were performed by means of CEUP eService SA terminals during the 1st quarter of 2011 (PLN 4.9 billion in the corresponding period of 2010). In terms of the value of card transactions (including cash withdrawal transactions), the Company's estimated market share as at the end of March 2011 amounted to approximately 24.6%. The number of terminals as at the end of the 1st quarter of 2011 amounted to 53 876 units, which is an increase of 286 units compared to the end of 2010. In terms of the number of installed terminals (including terminal used to cash withdrawal), the Company's estimated market share amounted to 21.2% as at the end of the 1st quarter of 2011.
PKO BP Inwestycje Sp. z o.o.	<ol style="list-style-type: none"> In the 1st quarter of 2011, the PKO BP Inwestycje Sp. z o.o. Group focused its operations on: <ul style="list-style-type: none"> continuing its projects: Nowy Wilanów in Warsaw, Neptun Park in Gdańsk-Jelitkowo and Rezydencja Flotylla in Międzyzdroje, performing tasks related to the start of new projects: a housing building with an office function in Sopot, aparthotel in Gdańsk-Jelitkowo, and an investment project in Warsaw realized by a related entity – Fort Mokotów Inwestycje Sp. z o.o. In the 1st quarter of 2011, restructuring of PKO BP Inwestycje Sp. z o.o. was continued to achieve higher economic and organizational effectiveness. New Corporate Governance Rules were adopted which assume that investment projects are to be carried out by limited partnerships, in which PKO BP Inwestycje Sp. z o.o. will be the limited partner, and Qualia Sp. z o.o. the general partner.
Fort Mokotów Inwestycje Sp. z o.o.	In the 1st quarter of 2011, the Company was working on the preparation to the realization of a development project on the plot of land located at 107 Raławicka Street in Warsaw.

3.3.2.3 Activities taken by PKO Bank Polski SA towards KREDOBANK SA

In the 1st quarter of 2011, the Management Board of PKO Bank Polski SA undertook a series of measures which directly contributed to securing the operations of KREDOBANK SA and strengthening corporate supervision over its investment in Ukraine.

Enhancing the safety of KREDOBANK SA operations

On 28 March 2011, on the basis of an agreement, PKO Bank Polski SA rolled over partly a loan facility of USD 50 million to KREDOBANK SA. The loan facility was granted until 28 March 2014 on arm's length.

Investment Policy towards KREDOBANK SA

The investment policy adopted by PKO Bank Polski SA in 2009 for KREDOBANK SA assumed that the operations of KREDOBANK SA would be restructured in the period 2010-2011. In the 1st quarter of 2011, the activities focused on the following areas:

- debt collection and restructuring activities in respect of the loan portfolio of KREDOBANK SA,
- cost control, procurement optimization and investments in tangible fixed assets optimization of KREDOBANK SA – in this manner cost restructuring, in areas of staff and rent costs, is being continued,
- optimizing the network of KREDOBANK SA outlets, which consists in closing down unprofitable outlets – in the 1st quarter of 2011 one branch was closed down,
- a further strengthening of supervision over KREDOBANK SA:
 - ✓ extending the composition of the Supervisory Board of KREDOBANK SA;
 - ✓ introducing at 17 January 2011 4th Polish representative to the Management Board of KREDOBANK SA, to oversee the areas of corporate and retail business – Mr Marcin Kuksinowicz,

Moreover, PKO Bank Polski SA, as part of the intensified supervision over its investment:

- ✓ conducted detailed monitoring of the financial and economic situation of KREDOBANK SA,
- ✓ continued cooperation in the area of implementing procedures at KREDOBANK SA that are similar to those applicable at PKO Bank Polski SA, including the development of amendments to already binding regulations,
- ✓ organized experience-sharing trips by its employees to KREDOBANK SA and traineeships for KREDOBANK SA's employees at PKO Bank Polski SA.

These above mentioned activities are intended to ensure a sustainable basis for the rebuilding of the value of the shareholding of PKO Bank Polski SA in KREDOBANK SA.

3.3.3. Corporate segment

3.3.3.1. Activities of PKO Bank Polski SA in the corporate segment

The 1st quarter of 2011 was a period of balanced growth for corporate banking operations of PKO Bank Polski SA. During this period, operations in this segment focused on maintaining the high market position achieved at the end of 2010.

The sales activities in the corporate segment over the last three quarters of the prior year showed stable growth in the volume of newly granted loans to corporate clients. The active sales policy in respect of financing Polish undertakings over 2010 and the 1st quarter of 2011 enabled PKO Bank Polski SA to continuously increase its market share in the shrinking market, and as a result to maintain its lead position. The first three months of 2011 showed the effects of gradual revival on the corporate loans market. In the 1st quarter of 2011 sales dynamics (q/q) of new corporate loans granted by PKO Bank Polski SA was once again above the market level. At the end of March 2011, the Bank's share in financing institutions amounted to 10.9% (according to NBP data). Currently, the barrier to the growth of lending activities (which in the prior period consisted primarily of constant business uncertainty, which discouraged many companies from investing) is disappearing. In PKO Bank Polski SA, the 1st quarter of 2011 brought visible upturn in sales of corporate loans (an increase in new sales of 26% compared with the same period of the prior year). Acceleration of the Bank's lending activities is particularly important in respect of corporate investment loans. The volume of corporate loans granted for investment purposes in the 1st quarter of 2011 amounted to 38% of such loans granted in the entire 2010.

Table 13. Gross loans and advances and deposits of PKO Bank Polski SA (in PLN million)*

	31.03.2011	31.12.2010	31.03.2010	Change since:	
				31.12.2010	31.03.2010
Gross corporate loans	29 884	29 112	28 424	2.7%	5.1%
Corporate deposits	25 502	25 500	22 564	0.0%	13.0%

Source: Bank's Management information.

** loans without interest due and interest not due*

PKO Bank Polski SA is developing transactional banking operations by expanding and improving internal operational applications. In the 1st quarter of 2011 operational processes for transactional products were further modernized. The Bank started automating its processes for transferring orders between corporate

centres and back-office units which participate in handling the products. In the 1st quarter of 2011, the first stage of establishing a new type of night deposit chutes which enable corporate clients on-line recording of payments was also completed. At the same time, the Bank is developing and improving its internet banking system. In the 1st quarter of 2011 several functionalities were implemented to improve the safety of iPKO Biznes. In the first three months of 2011, the number of payroll accounts sold by the corporate banking segment continued to increase dynamically. After a very high increase in the second half of 2010, in the 1st quarter of 2011 the number of such accounts increased by another 8%. Revenue on this product increased by 111% y/y.

Additionally, PKO Bank Polski SA is strengthening relations with corporate customers by launching its first marketing action aimed at building and maintaining positive contacts and cooperation between the bank and its clients. As at the end of March 2011, the loyalty programme covered 451 corporate customers.

PKO Bank Polski SA cooperates with budget customers which include primarily local government units. PKO Bank Polski SA actively engages in financing innovative investment projects (infrastructural projects in respect of waste management, healthcare, sports and recreation, water and sewerage systems).

The number of branches in the corporate segment decreased by 1 corporate centre in the comparison to the end of 2010.

Table 14. Branches of PKO Bank Polski SA

	31.03.2011	31.12.2010	31.03.2010	Change since:	
				31.12.2010	31.03.2010
Total number of branches	1 205	1 208	1 224	(3)	(19)
- in the corporate segment:	67	68	68	(1)	(1)
regional corporate branches	13	13	13	-	-
corporate centres	54	55	55	(1)	(1)

Table 15. Activities and achievements of PKO Bank Polski SA in the corporate segment in the 1st quarter of 2011

Scope of activity	Activity
Loan activity	<p>In the 1st quarter of 2011 the following events took place:</p> <ol style="list-style-type: none"> 1) a framework agreement for providing bank guarantees and letters of credit up to EUR 26.85 million was concluded with a company in the shipbuilding industry, 2) a revolving facility was provided (a loan in the form of a Multipurpose Loan Facility Limit) in the amount of PLN 100 million to a company in the chemical industry, 3) a bank guarantee agreement of EUR 45 million with a company in the energy industry was concluded, 4) a revolving facility was provided in the form of a "Club Deal" to a company in the meat industry - financing up to PLN 330 million with PKO BP SA's participation in the total amount of PLN 112 million, 5) a revolving loan agreement (in the form of Multipurpose Loan Facility Limit) of PLN 110 million was concluded with a company distributing foodstuffs as well as chemical products and cosmetics, 6) the framework agreement for the provision of a guarantee for PLN 150 million was extended to a company in the energy industry, 7) an agreement for investment financing in the amount of PLN 300 million was concluded with a municipal company operating for local government entities and other municipal legal entities, 8) an overdraft facility of PLN 300 million was provided to a local government entity.

3.3.3.2. Activities of the PKO Bank Polski SA Group entities in the corporate segment

Table 16. Activities and achievements of the PKO Bank Polski SA Group entities in the corporate segment

SUBSIDIARY	SIGNIFICANT EVENTS OF THE 1ST QUARTER OF 2011
Bankowy Fundusz Leasingowy SA	<ol style="list-style-type: none"> In the 1st quarter of 2011, members of the BFL SA Group commissioned leased assets with a total value of PLN 357 million for use (in the same period of 2010 the value of leased assets commissioned for use amounted to PLN 209 million). The increase resulted from increased demand for investments financed by leases on the part of SMEs. The total carrying amount of the lease investments of the BFL SA Group's entities amounted to PLN 2 491 million as at 31 March 2011 (as at the end of 2010 it amounted to PLN 2 402 million).
Bankowe Towarzystwo Kapitałowe SA	<ol style="list-style-type: none"> In the 1st quarter of 2011 PKO BP Faktoring SA – the subsidiary of BTK SA – rendered services of national and export factoring with recourse (incomplete) or national and export non-recourse factoring (full). In the 1st quarter of 2011, the volume of factoring turnover amounted to PLN 335 million. The entity gained 88 new customers. At the end of March 2011, PKO BP Faktoring SA ranked 9th among factoring companies associated in the Polish Factors' Association, with a market share of 2.4%.

3.3.4. Investment segment

3.3.4.1. Activities of PKO Bank Polski SA in the investment segment

During the 1st quarter of 2011, one of the main factors which determined changes in interest rates in Poland and on other markets was the increasing inflation pressure. The increase in inflation resulted from the constant growth in the prices of raw materials (primarily oil and food) and one-off increases in indirect taxes. Inflation ratios in the Euro zone, in the United Kingdom and in Poland reached levels considerably exceeding the inflation targets of central banks.

The concerns about the state of public finances of the peripheral countries of the Euro zone receded into the background. The financial market was also affected by developments in North Africa and the earthquake in Japan in mid-March. These events had a limited impact on the interest rate market, although they resulted in rapid drops in indices on global securities exchanges (including GPW S.A.).

The European Central Bank clearly tightened its approach to monetary policy, and hinted that an increase in interest rates is likely in April. In this period the Monetary Policy Council decided to increase interest rates once, by 25 b.p. (on 19 January 2011), emphasising that the cycle of tightening monetary policy has started and would be continued throughout 2011.

In the 1st quarter of 2011, on the domestic interest rate market the profitability of Treasury debt securities and IRS contracts grew (an increase of 19-45 b.p. and 9-34 b.p. respectively), which was mainly visible at the short end of the profitability curve. The longer end of the curve was positively influenced by a lower supply of bonds with longer maturity and the Ministry of Finance's announcements about the planned IRS transactions aimed at decreasing fixed rates.

From 12 January 2011, when the EUR/PLN exchange rate reached 3.83, a systematic depreciation of PLN to EUR could be seen. At the end of March, the exchange rate rose to 4.02. In turn, the USD/PLN exchange rate went down from 2.95 to 2.83 (due to an increase in the EUR/USD exchange rate above 1.41).

In the 1st quarter of 2011, share prices on GPW S.A. stabilized, in particular in January and February. Over the entire period, WIG20 rose slightly by 2.65%, and WIG by 2.61%.

Table 17. Activities and achievements of PKO Bank Polski SA in the investment segment in the 1st quarter of 2011

Scope of activity	Activity
	<p>Development strategy and achieved results</p> <p>The distribution network for the Bank's Treasury instruments is diversified and tailored to individual clients' needs. Transactions in Treasury and non-Treasury securities, foreign exchange and derivatives can be concluded via a network of advisors in branches, dedicated corporate dealers, and since 2010, over the internet platform (SPOT transactions).</p> <p>In the 1st quarter of 2011, the number of SPOT transactions went up by ca. 30%, FORWARD contracts by more than 40%, and option transactions more than doubled, compared with the prior year.</p> <p>The Bank's manner of concluding transactions in derivatives is adapted to the requirements of the MIFID Directive, and therefore the process of concluding transactions in derivatives is transparent and enables clients to better recognize the risks involved.</p>
Treasury products	
Treasury activities	<p>Achieved results</p> <p>The Bank is the dealer of Treasury bonds and the dealer of money market. The Bank is the market maker of the national interest rate and currency market. As a result of high activities of the Bank on inter-bank market the Bank took the fourth place in the first assessment (first periodic assessment fell on period 01.10.2010 – 31.12.2010) in the contest for Dealer of Bonds for 2012.</p> <p>At the end of February 2011, the Bank's share in the market of IRS transactions amounted to nearly 25%, compared with 23% at the end of March 2010, in FRA transactions 27.5% compared with 15.7%, 10.4% in the SPOT market (9.3% in the 1st quarter of 2010) and 7.7% in the FORWARD market (6.1% at the end of the 1st quarter of 2010).</p>
Interbank market	
	<p>Risk</p> <p>In order to provide security of turnovers, in the 1st quarter 2010 the Bank signed 2 master agreements (ISDA) and 3 CSA security agreements (CSA) with domestic and foreign banks.</p> <p>The Bank actively managed financial risk (liquidity risk, interest rate risk, and currency risk) concentrating on minimization of the exposure. Cash surplus in PLN not engaged in loan activity of the Bank has been invested in NBP bills, T-bills and T-bonds.</p>
Share, futures and options markets	<p>In the 1st quarter of 2011, the value of turnover of DM PKO BP SA on GPW amounted to PLN 5.7 billion and was 3.8% higher than in the same period of the prior year. This turnover gives DM PKO BP SA the 11th position in the shares and stocks market with a 3.4% share. DM achieved a nearly double increase in turnover on the options market, as it concluded every fifth transaction on GPW, which ranked it first on the market. The last quarter, as compared with the 1st quarter of 2010, was unfavourable for the contracts and bonds market. Turnover on the bonds market was over 22% lower and on the contracts market 4% lower. Although the turnover of Dom Maklerski on the bonds market did not change and DM maintained its first position on the market with a 50% share, turnover on the contracts market was lower by nearly 30%, and with a 3.9% market share DM ranked 8th.</p>
Brokerage activities	<p>At the end of March 2011, Dom Maklerski maintained 121.5 thousand investment accounts, i.e. nearly 55% more than in the same period of the prior year, which together with active register accounts, amounted to 293.7 thousand accounts in total. Moreover, the Bank played the role of market maker on the basis of 58 agreements concluded with GPW and the role of issuer's market maker on the basis of 20 agreements with companies. DM played the role of a market maker for the NewConnect market in respect of 32 companies. At the end of March, DM's offer included 138 investment funds managed by 10 management companies, and distributed four types of retail bonds under an agreement signed with the Ministry of Finance.</p> <p>In the 1st quarter, DM actively participated in transactions on the primary market. It introduced municipal bonds of the Capital City of Warsaw to the Catalyst market, implemented the consecutive stage of servicing the management programme of Elektrotim S.A., participated in handling calls made by Mobile Internet Technology S.A., and BZWBK S.A., and participated, as member of a selling syndicate, in handling subscriptions in the initial offering of Megaron, and in the public offering of Kredyt Inkaso S.A., Kino Polska TV S.A. DM prepared and carried out the public offering with drawing rights for shares of Ciech S.A.</p>
Market maker	
Trustee activities	<p>PKO Bank Polski SA is a direct participant in the National Securities Deposit and the Securities Register (NBP), member of the Council of Depositary Banks (<i>Rada Banków Depozytariuszy</i>) and Council for Non-Treasury Debt Securities (<i>Rada ds. Nieskarbowych Papierów Dłużnych</i>) of the Polish Banking Association (<i>Związek Banków Polskich</i>). The Bank maintains securities accounts and handles transactions on domestic and foreign markets, as well as provides trustee services and plays the role of depositary for pension funds and investment funds, and actively participates in work related to developing regulations and market standards.</p> <p>As a part of the offered services of securities trusteeship, at the end of March 2011, PKO Bank Polski SA maintained nearly 2 thousand securities accounts. The Bank's acquisition activities focused on seeking clients with large asset portfolios and settlement potential. These efforts resulted in an increase in the value of assets held (of 40%) from PLN 25.6 billion at the end of March 2010 to PLN 35.8 billion at the end of March 2011.</p>

Table 18. Structured finance in the 1st quarter of 2011

Scope of activity	Activity
Structured finance	<p>PKO Bank Polski SA possesses a wide range of products aimed at institutional clients. A comprehensive credit offer for large investment endeavors characterized by a wide range of available services, substantial flexibility, a variety of financing methods and most of all an individual approach to each project is one of the products offered by PKO Bank Polski SA. For many years, the Bank has participated in financing major investment projects, it is the leader in organizing issues of municipal bonds and has a high position on the market of corporate bonds issues.</p> <p>In the 1st quarter of 2011, as a part of its lending activities, the Bank participated in eight bank consortia in the total amount of PLN 5.8 billion; the Bank's share amounted to PLN 0.7 billion. Moreover, it organized 3 bilateral loans with a total value of PLN 0.6 billion, including one for its related entity with a value of PLN 50 million, and concluded two bank guarantee agreements, also for its related entity, of PLN 1.4 million. Related-party transactions were concluded on an arm's-length basis.</p> <p>With regard to organizing the issue of non-Treasury debt securities, in the 1st quarter of 2011, the Bank participated in organizing one of the largest issues of municipal bonds this year – for the Capital City of Warsaw, in which the Bank's share in the consortium amounted to PLN 0.6 billion. Moreover, PKO Bank Polski SA concluded two agreements for underwriting corporate bonds issue with a total value of PLN 1 billion. One agreement was related to an issue programme for PLN 10 billion organized by a banking consortium. In respect of issuing bonds without an underwriting clause, the Bank concluded one agreement for PLN 20 million.</p>

3.3.4.2. Activities of the PKO Bank Polski SA Group entities in the investment segment

Table 19. Activities of the PKO Bank Polski SA Group entities in the investment segment

SUBSIDIARY	SIGNIFICANT EVENTS IN THE 1ST QUARTER OF 2011
PKO Finance AB	The Company's core activity is to raise funds for PKO Bank Polski SA deriving from issue of Eurobonds. In the 1st quarter of 2011 the Company handled Eurobonds issued in October 2010.
Centrum Finansowe Puławska Sp. z o.o.	As at 31 March 2011, the Company rented 95.3% of the office and commercial space in the managed by itself Centrum Finansowe Puławska building, 88.9% of which was rented by the entities of the PKO Bank Polski SA Group.

Details of the segments of activities of PKO Bank Polski SA Group are enclosed in chapter 3 of notes to these condensed interim consolidated financial statements.

3.3.5. Awards and honours

In the 1st quarter of 2011, PKO Bank Polski SA and other entities of the PKO Bank Polski SA Group were granted the following awards:

- Złoty Bankier** – For the second time, the internet service Bankier.pl and PayU organized a poll aimed at awarding the best financial services and products offered by Polish banks. PKO Bank Polski SA won in two categories: The best cash loan – for “Max Pożyczka Mini Rata” (“maximum loan – minimum instalment”) and The best corporate loan – for the “Kredyt Obrotowy MSP” (working capital loan for SMEs).
- The title “Ten, który wspiera polski przemysł” (“Polish Industry Supporter”)** – PKO Bank Polski SA was awarded this title for its role of an active financial market stabilizer and for maintaining healthy, open and pro-development relations with businesses in the current difficult times. The title has been awarded for the last 11 years by *Miesięcznik Gospodarczy Nowy Przemysł* to people, firms and institutions which pave roads to growth and set new trends. The awards are granted based on recommendations of prior years' winners.
- Prizes for Treasury BondSpot** – PKO Bank Polski SA received two prizes for its activities on the *Treasury BondSpot Poland* market in 2010. The diplomas and statues were received in the categories of: the highest turnover in the cash segment on the *Treasury BondSpot Poland* market in 2010, and the highest turnover in the contingent transactions segment on the *Treasury BondSpot Poland* market in 2010.
- PKO Bank Polski SA as the best broker in the region.** The prestigious British magazine *World Finance* granted the titles of: “Corporate Broker of the Year 2011 in Eastern Europe”, “Online Broker of the Year 2011 in Eastern Europe” and “Advisory Broker of the Year 2011 in Eastern Europe” to the investment branch of PKO Bank Polski SA.
- PKO Bank Polski SA as the best commercial bank.** According to the *Book of Lists 2011*, a ranking prepared by the editor of *Warsaw Business Journal*, PKO Bank Polski SA is “The most flourishing domestic commercial bank”. PKO Bank Polski SA was the winner in the “Commercial Banks” category. Each year, the ranking selects the best, largest and most dynamic enterprises.

6. **Bankowy Lider Informatyki Instytucji Finansowych 2010 (2010 Banking IT Leader for Financial Institutions).** In the ninth issue of the IT competition, PKO Bank Polski SA was awarded the title of *Bankowy Lider Informatyki Instytucji Finansowych 2010 (2010 Banking IT Leader for Financial Institutions)*. When awarding this prize to the Bank, the independent chapter recognized the strategy of PKO Bank Polski SA, its approach to new technologies and its care for clients.
7. **Inteligo**, the virtual branch of PKO Bank Polski SA, was awarded the title of the “**IT Leader**” in the category “Electronic banking and e-finance”. The Chapter evaluated “IT projects which allow carrying out financial operations by using remote (also electronic and mobile) access channels”.
8. **Europrodukt** – PKO Bank Polski SA won the 14th issue of the national competition EUROPRODUKT. The “Europrodukt” title is awarded to products which can compete on the European market due to their high quality, modern solutions and environment-friendly technology. In the case of services, the focus is on the ones which comprehensively meet clients’ requirements, while maintaining at the same time individual, professional approach to each client. The Bank was awarded three prestigious statues in the category of services – for accounts for corporate clients: payroll account, ESCROW account, consolidated account.



Bank Polski

Condensed interim consolidated
financial statements of the
PKO Bank Polski SA Group
for the first quarter of 2011

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

CONSOLIDATED INCOME STATEMENT

for the three-month periods ended 31 March 2011 and 31 March 2010 respectively

	Notes	01.01 – 31.03.2011	01.01 – 31.03.2010
Continuing operations:			
Interest and similar income	4	2 720 432	2 479 204
Interest expense and similar charges	4	(1 000 963)	(1 004 705)
Net interest income		1 719 469	1 474 499
Fee and commission income	5	911 468	920 212
Fee and commission expense	5	(174 274)	(194 790)
Net fee and commission income		737 194	725 422
Dividend income		17	97
Net income from financial instruments designated at fair value	6	(474)	12 602
Gains less losses from investment securities		3 532	7 427
Net foreign exchange gains	7	74 869	97 307
Other operating income	8	117 782	92 022
Other operating expense	8	(71 529)	(62 949)
Net other operating income and expense		46 253	29 073
Net impairment allowance and write-downs	9	(438 408)	(425 133)
Administrative expenses	10	(1 054 117)	(1 014 204)
Operating profit		1 088 335	907 090
Share of profit (loss) of associates and jointly controlled entities		(3 338)	(4 386)
Profit before income tax		1 084 997	902 704
Income tax expense	11	(214 366)	(183 533)
Net profit (including non-controlling shareholders)		870 631	719 171
Profit (loss) attributable to non-controlling shareholders		(385)	(818)
Net profit attributable to equity holders of the parent company		871 016	719 989
Earnings per share	12		
- basic earnings per share for the period (in PLN)		0.70	0.58
- diluted earnings per share for the period (in PLN)		0.70	0.58
Weighted average number of ordinary shares during the period (in thousand)		1 250 000	1 250 000
Weighted average diluted number of ordinary shares during the period (in thousand)		1 250 000	1 250 000

Discontinued operations:

In the three-month period ended 31 March 2011 and 31 March 2010, the PKO Bank Polski SA Group did not carry out discontinued operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the three-month periods ended 31 March 2011 and 31 March 2010 respectively

	01.01 – 31.03.2011	01.01 – 31.03.2010
Profit for the period (including non-controlling shareholders)	870 631	719 171
Other comprehensive income	(170 896)	25 823
Currency translation differences from foreign operations	(15 575)	3 472
Share in other comprehensive income of an associate	(1 337)	1 920
Unrealised net gains on financial assets available for sale (gross)	(14 690)	(2 058)
Deferred tax on unrealised net gains on financial assets available for sale	3 541	443
Cash flow hedges (gross)	(176 340)	27 218
Deferred tax on cash flow hedges	33 505	(5 172)
Total net comprehensive income	699 735	744 994
Total net comprehensive income, of which attributable to:	699 735	744 994
equity holders of PKO Bank Polski SA	700 099	746 000
non-controlling shareholders	(364)	(1 006)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2011 and as at 31 December 2010

	Notes	31.03.2011	31.12.2010
ASSETS			
Cash and balances with the central bank		4 713 254	6 182 412
Amounts due from banks	13	2 819 437	2 307 032
Trading assets	14	3 329 249	1 503 649
Derivative financial instruments	15	1 838 911	1 719 085
Financial assets designated at fair value through profit and loss	17	11 016 581	10 758 331
Loans and advances to customers	18	132 419 804	130 668 119
Investment securities available for sale	19	10 068 039	10 219 400
Investments in associates and jointly controlled entities	20	170 249	172 931
Non-current assets held for sale		18 284	19 784
Inventories		511 612	530 275
Intangible assets	21	1 785 099	1 802 037
Tangible fixed assets	21	2 552 022	2 576 445
including investment properties		257	259
Current income tax receivables		3 480	4 318
Deferred income tax asset		619 244	582 802
Other assets		828 314	613 881
TOTAL ASSETS		172 693 579	169 660 501
LIABILITIES AND EQUITY			
Liabilities			
Amounts due to the central bank		2 517	3 370
Amounts due to banks	22	5 524 082	5 233 875
Derivative financial instruments	15	1 645 249	2 404 795
Amounts due to customers	23	135 565 289	132 981 215
Debt securities in issue		3 397 017	3 298 867
Subordinated liabilities		1 631 871	1 611 779
Other liabilities	24	2 198 661	2 092 834
Current income tax liabilities		66 850	67 744
Deferred income tax liability		26 379	22 764
Provisions	25	576 361	583 690
TOTAL LIABILITIES		150 634 276	148 300 933
Equity			
Share capital		1 250 000	1 250 000
Other capital		16 727 431	16 888 145
Currency translation differences from foreign operations		(125 343)	(109 747)
Unappropriated profits		3 334 573	112 297
Net profit for the period		871 016	3 216 883
Capital and reserves attributable to equity holders of the parent company		22 057 677	21 357 578
Non-controlling interest		1 626	1 990
TOTAL EQUITY		22 059 303	21 359 568
TOTAL LIABILITIES AND EQUITY		172 693 579	169 660 501
Capital adequacy ratio	32	13.38%	12.47%
Book value (in PLN thousand)		22 059 303	21 359 568
Number of shares (in thousand)	1	1 250 000	1 250 000
Book value per share (in PLN)		17.65	17.09
Diluted number of shares (in thousand)		1 250 000	1 250 000
Diluted book value per share (in PLN)		17.65	17.09

Condensed Interim Consolidated Financial Statements of
the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group
for the three-month period ended 31 March 2011 (in PLN thousand)



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the three-month periods ended 31 March 2011 and 31 March 2010 respectively

for the three-month period ended 31 March 2011	Share capital	Other capital							Currency translation differences from foreign operations	Unappropriated profits	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 hedges	Total other capital						
As at 1 January 2011	1 250 000	12 212 177	3 412 239	1 070 000	976	(25 171)	217 924	16 888 145	(109 747)	112 297	3 216 883	21 357 578	1 990	21 359 568
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	-	3 216 883	(3 216 883)	-	-	-
Total comprehensive income	-	-	-	-	(1 337)	(11 149)	(142 835)	(155 321)	(15 596)	-	871 016	700 099	(364)	699 735
Loss coverage	-	(5 393)	-	-	-	-	-	(5 393)	-	5 393	-	-	-	-
As at 31 March 2011	1 250 000	12 206 784	3 412 239	1 070 000	(361)	(36 320)	75 089	16 727 431	(125 343)	3 334 573	871 016	22 057 677	1 626	22 059 303

for the three-month period ended 31 March 2010	Share capital	Other capital							Currency translation differences from foreign operations	Unappropriated profits	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 hedges	Total other capital						
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	-	-	-	-	1 920	(1 615)	22 046	22 351	3 660	-	719 989	746 000	(1 006)	744 994
Other changes	-	-	-	-	-	-	-	-	-	761	-	761	(722)	39
As at 31 March 2010	1 250 000	12 149 682	3 405 087	1 070 000	2 625	(13 377)	141 322	16 755 339	(105 131)	2 555 105	719 989	21 175 302	5 601	21 180 903

CONSOLIDATED CASH FLOW STATEMENT

for the three-month periods ended 31 March 2011 and 31 March 2010 respectively

	Note	01.01- 31.03.2011	01.01- 31.03.2010
Net cash flow from operating activities			
Net profit		871 016	719 989
Adjustments:		(2 016 945)	(1 744 401)
Profit (loss) of non-controlling shareholders		(385)	(818)
Amortisation and depreciation		124 071	118 562
(Gains) losses on investing activities		(1 667)	314
Interest and dividends		(104 059)	(123 833)
Change in amounts due from banks		(33 602)	(341 515)
Change in trading assets and other financial assets designated at fair value through profit and loss		(2 083 850)	765 806
Change in derivative financial instruments (asset)		(119 826)	(292 730)
Change in loans and advances to customers		(2 128 225)	(1 724 073)
Change in deferred income tax asset and income tax receivables		(35 604)	(36 471)
Change in other assets		(194 270)	19 818
Change in amounts due to banks		404 897	958 034
Change in derivative financial instruments (liability)		(759 546)	237 392
Change in amounts due to customers		2 586 062	(2 122 209)
Change in debt securities in issue		98 150	242 182
Change in impairment allowances and provisions		419 482	353 870
Change in other liabilities		95 119	393 154
Income tax paid		(226 670)	(355 673)
Current income tax expense		225 776	226 165
Other adjustments		(282 798)	(62 376)
Net cash from / used in operating activities		(1 145 929)	(1 024 412)
Net cash flow from investing activities			
Inflows from investing activities		977 153	2 505 829
Proceeds from sale of investment securities		974 204	2 504 557
Proceeds from sale of intangible assets and tangible fixed assets		2 932	1 244
Other inflows from investing activities		17	28
Outflows from investing activities		(706 935)	(5 117 988)
Purchase of investment securities available for sale		(608 209)	(5 019 970)
Purchase of intangible assets and tangible fixed assets		(98 726)	(98 018)
Net cash from / used in investing activities		270 218	(2 612 159)
Net cash flow from financing activities			
Repayment of long-term borrowings		(222 461)	70 641
Long term borrowings		106 571	(159 667)
Net cash generated from financing activities		(115 890)	(89 026)
Net cash inflow/(outflow)		(991 601)	(3 725 597)
of which currency translation differences		(17 092)	(75 048)
Cash and cash equivalents at the beginning of the period		8 438 681	8 992 393
Cash and cash equivalents at the end of the period	28	7 447 080	5 266 796
of which restricted		6 460	7 401

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The 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 three-month period ended 31 March 2011 and include comparative data for the three-month period ended 31 March 2010 (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 2010 (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 Poczтовая 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 %
<i>As at 31 March 2011</i>				
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
<i>As at 31 December 2010</i>				
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

The Bank is a public company quoted on the Warsaw Stock Exchange. According to the Warsaw Stock Exchange Bulletin (Cedula 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.

In addition, the Group conducts financial services 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)	
				31.03.2011	31.12.2010
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	99.5655
8	PKO BP BANKOWY Powszechnie 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 - Neptun Park Sp. z o.o. ²	Warsaw	Real estate development	99.9975	99.9975
14	PKO BP Inwestycje - Nowy Wilanów Sp. z o.o. ²	Warsaw	Real estate development	99.9750	99.9750
15	PKO BP Inwestycje - Rezydencja Flotylla Sp. z o.o.	Warsaw	Real estate development	100.00	100.00
16	PKO BP Inwestycje - Sarnia Dolina Sp. z o.o.	Warsaw	Real estate development	56.00	56.00
17	UKRPOLINWESTYCJE Sp. z o.o.	Kiev, Ukraine	Real estate development	55.00	55.00
18	Fort Mokotów Sp. z o.o.	Warsaw	Real estate development	51.00	51.00
19	Qualia Sp. z o.o. ³	Warsaw	Playing the role of a general partner in the entities of the PKO BP Inwestycje Group	99.00	-
20	Qualia Sp. z o.o. - Sopot Sp. komandytowa ⁴	Warsaw	Real estate development	99.98	-
Subsidiaries of Bankowy Fundusz Leasingowy SA					
21	Bankowy Leasing Sp. z o.o. ²	Łódź	Leasing services	99.9983	99.9978
22	BFL Nieruchomości Sp. z o.o. ²	Łódź	Leasing services	99.9956	99.9952
Subsidiary of Inteligo Financial Services SA					
23	PKO BP Finat Sp. z o.o. ⁵	Warsaw	Intermediary financial services	80.3287	80.3287
Subsidiary of Bankowe Towarzystwo Kapitałowe SA					
24	PKO BP Faktoring SA ²	Warsaw	Factoring	99.9889	99.9867

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 second shareholder of the entity Qualia Sp. z o.o. is PKO BP Inwestycje Sp. z o.o. – Rezydencja Flotylla Sp. z o.o.

4) PKO BP Inwestycje Sp. z o.o. plays the role of limited partner in limited partnership.

The 'capital share' heading shows PKO BP Inwestycje Sp. z o.o.'s share in the total contributions made by partners in accordance with the Partners' Resolution dated 31 March 2011. The remaining contributions were made by Qualia Sp. z o.o.

5) Other shares of the entity PKO BP Finat Sp. z o.o. are in hold of PKO BP BANKOWY Powszechnie Towarzystwo Emerytalne SA (19.6702%) and PKO Bank Polski SA (0.0011%).

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

Jointly controlled entities

No.	Name of Entity	Registered office	Activity	% Share capital	
				31.03.2011	31.12.2010
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	
				31.03.2011	31.12.2010
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	Aaencja Inwestycyjna CORP SA	Warsaw	Office real estate management	22.31	22.31
Indirect associates					
5	Centrum Operacyjne Sp. z o.o.	Bydgoszcz	Financial services supporting	100,00	100,00
6	Spółka Dystrybucyjna Banku Poczowego Sp. z o.o.	Warszawa	Intermediary financial services	100,00	100,00

1) Investment in entity in the 1st quarter of 2011 and in 2010 is recognised in non-current assets held for sale

Information on changes in the parent company's participation in the share capital of the subsidiaries is set out in Note 30 'Changes to the entities of the Group'.

2. Summary of significant accounting policies and critical estimates and judgements

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

The accounting policies and calculations applied in these condensed interim financial statements are consistent to those, which were applied in the Consolidated Financial Statements of the PKO Bank Polski SA Group for the year ended 31 December 2010.

These condensed interim consolidated financial statements for the 1st quarter of 2011 should be read together with consolidated financial statements of the PKO Bank Polski SA Group for 2010 prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

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 the PKO Bank Polski SA Group entities. 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 Powszechnie 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. The result for the internal settlement of funds transfer pricing is shown in the result of the segment – transfer center of ALM Bank.

Accounting policies applied in the segment 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 income and results of individual business segments of the PKO Bank Polski SA Group for the three-month period ended 31 March 2011 and 31 March 2010 and of selected assets and liabilities as at 31 March 2011 and as at 31 December 2010.

Condensed Interim Consolidated Financial Statements of
the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group
for the three-month period ended 31 March 2011 (in PLN thousand)



For the three-month period ended 31 March 2011	Continuing activity				Total activity of the PKO Bank Polski SA Group
	Retail segment	Corporate segment	Investment segment		
			Own activities	Transfer centre*	
Net interest income	1 318 356	151 691	65 651	183 771	1 719 469
Net fee and commission income	653 227	63 859	20 108	-	737 194
Other net income	73 860	24 851	37 327	(11 841)	124 197
Net result from financial operations	(188)	4 056	248	(1 058)	3 058
Net foreign exchange gains	34 136	16 916	34 600	(10 783)	74 869
Dividend income	-	-	17	-	17
Net other operating income and expense	33 407	10 384	2 462	-	46 253
Income/expenses relating to internal customers	6 505	(6 505)	-	-	-
Net impairment allowance and write-downs	(399 394)	(41 956)	2 942	-	(438 408)
Administrative expenses, of which:	(949 772)	(69 403)	(34 942)	-	(1 054 117)
Amortisation and depreciation	(110 900)	(8 624)	(4 547)	-	(124 071)
Share of profit (loss) of associates and jointly controlled entities	-	-	-	-	(3 338)
Segment gross profit	696 277	129 042	91 086	171 930	1 084 997
Income tax expense (tax burden)	-	-	-	-	(214 366)
Profit/loss attributable to non-controlling shareholders	-	-	-	-	(385)
Net profit attributable to equity holders of the parent company	696 277	129 042	91 086	171 930	871 016

* In relation to the corresponding period of the prior year the growth of transfer centre's net interest income is mainly due to the increase in liquidity margin revenue of this segment (adjustments to internal transfer pricing), which was determined by the growth of share of these loans with higher liquidity margin as well as by the change of deposits and loans term structure.

As at 31 March 2011	Continuing activity				Total activity of the PKO Bank Polski SA Group
	Retail segment	Corporate segment	Investment segment		
			Own activities	Transfer centre	
Assets, of which:	110 383 328	37 092 833	25 217 418	-	172 693 579
Investments in associates and joint ventures	-	-	170 249	-	170 249
Liabilities	111 116 771	27 732 294	11 785 211	-	150 634 276

For the three-month period ended 31 March 2010	Continuing activity				Total activity of the PKO Bank Polski SA Group the PKO Bank Polski SA Group
	Retail segment	Corporate segment	Investment segment		
			Own activities	Transfer centre	
Net interest income	1 218 087	164 920	60 670	30 822	1 474 499
Net fee and commission income	647 820	55 572	22 030	-	725 422
Other net income	52 916	16 277	55 883	21 430	146 506
Result from financial operations	(2 054)	(977)	22 607	453	20 029
Net foreign exchange gains	27 916	16 697	31 717	20 977	97 307
Dividend income	-	-	97	-	97
Net other operating income/expense	20 554	7 057	1 462	-	29 073
Income/expenses relating to internal customers	6 500	(6 500)	-	-	-
Net impairment allowance and write-downs	(386 353)	(39 262)	482	-	(425 133)
Administrative expenses, of which:	(916 438)	(61 832)	(35 934)	-	(1 014 204)
Amortization and depreciation	(105 958)	(7 992)	(4 612)	-	(118 562)
Share of profit (loss) of associates and jointly controlled entities	-	-	-	-	(4 386)
Segment gross profit	616 032	135 675	103 131	52 252	902 704
Income tax expense (tax burden)	-	-	-	-	(183 533)
Profit/loss attributable to non-controlling shareholders	-	-	-	-	(818)
Net profit attributable to equity holders of the parent company	616 032	135 675	103 131	52 252	719 989

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As at 31 December 2010	Continuing activity				Total activity of the PKO Bank Polski SA Group
	Retail segment	Corporate segment	Investment segment		
			Own activities	Transfer centre	
Assets, of which:	112 010 210	34 963 122	22 687 169	-	169 660 501
Investments in associates and joint ventures	-	-	172 931	-	172 931
Liabilities	109 307 500	27 721 094	11 272 339	-	148 300 933

As an additional reporting scheme, the PKO Bank Polski SA 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 three-month period ended 31 March 2011	Poland	Ukraine	Total
Net interest income	1 704 129	15 340	1 719 469
Net fee and commission income	728 649	8 545	737 194
Other net income	123 284	913	124 197
Administrative expenses	(1 029 486)	(24 631)	(1 054 117)
Net impairment allowance and write-downs	(445 916)	7 508	(438 408)
Share of profit (loss) of associates and jointly controlled entities	-	-	(3 338)
Segment gross profit	1 080 660	7 675	1 084 997
Income tax expense (tax burden)	-	-	(214 366)
Profit (loss) attributable to non-controlling shareholders	-	-	(385)
Net profit attributable to equity holders of the parent company	1 080 660	7 675	871 016

As at 31 March 2011	Poland	Ukraine	Total
Assets of the segment	171 068 114	1 625 465	172 693 579
Liabilities of the segment	149 688 643	945 633	150 634 276

For the three-month period ended 31 March 2010	Poland	Ukraine	Total
Net interest income	1 455 340	19 159	1 474 499
Net fee and commission income	717 044	8 378	725 422
Other net income	150 080	(3 574)	146 506
Administrative expenses	(987 309)	(26 895)	(1 014 204)
Net impairment allowance and write-downs	(401 537)	(23 596)	(425 133)
Share of profit (loss) of associates and jointly controlled entities	-	-	(4 386)
Segment gross profit	933 618	(26 528)	902 704
Income tax expense (tax burden)	-	-	(183 533)
Profit (loss) attributable to non-controlling shareholders	-	-	(818)
Net profit (loss) attributable to equity holders of the parent company	933 618	(26 528)	719 989

As at 31 December 2010	Poland	Ukraine	Total
Assets of the segment	168 030 912	1 629 589	169 660 501
Liabilities of the segment	147 264 946	1 035 987	148 300 933

4. Interest income and expense

Interest and similar income

	01.01 – 31.03.2011	01.01 – 31.03.2010
Income from loans and advances to customers	2 230 026	2 012 801
Income from derivative hedging instruments	171 229	154 945
Income from securities designated at fair value through profit and loss	130 007	130 770
Income from investment securities available for sale	120 146	111 200
Income from placements with banks	46 019	35 644
Income from trading assets	21 848	32 720
Other	1 157	1 124
Total	2 720 432	2 479 204

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

In the three-month period ended 31 March 2011, interest income from loans for which objective evidence of impairment has been identified amounted to PLN 108 136 thousand, of which interest income from impaired loans amounted to PLN 83 753 thousand. This income has been included in 'Income from loans and advances to customers'.

The above values include the amount of PLN 31 611 thousand recognised in the 1st quarter of 2011 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

	01.01 – 31.03.2011	01.01 – 31.03.2010
Interest expense on amounts due to customers	(940 710)	(957 434)
Interest expense on debt securities in issue	(50 794)	(26 956)
Interest expense on deposits from banks	(8 512)	(6 902)
Other	(947)	(13 413)
Total	(1 000 963)	(1 004 705)

5. Fee and commission income and expense

Fee and commission income

	01.01 – 31.03.2011	01.01 – 31.03.2010
Income from financial assets, which are not valued at fair value through profit and loss, of which:	139 370	114 549
Income from loans and advances	139 370	114 549
Other fee and commissions	771 647	805 277
Income from maintenance of bank accounts	231 993	233 812
Income from payment cards	227 104	229 930
Income from loan insurance	124 830	157 996
Income from maintenance of investment and pension funds (including management fees)	87 434	76 073
Income from cash transactions	41 628	41 822
Income from securities transactions	15 300	12 741
Income from servicing foreign mass transactions	11 188	10 372
Income from sale and distribution of court fee stamps	3 420	7 867
Other*	28 750	34 664
Income from trustee activities	451	386
Total	911 468	920 212

* 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.

Fee and commission expense

	01.01 - 31.03.2011	01.01 - 31.03.2010
Expenses on payment cards	(69 669)	(81 077)
Expenses on loan insurance	(32 262)	(35 449)
Expenses on acquisition services	(33 597)	(35 955)
Expenses on asset management fees	(5 003)	(5 620)
Expenses on settlement services	(6 946)	(7 195)
Expenses on fee and commissions for operating services rendered by banks	(3 063)	(2 780)
Other*	(23 734)	(26 714)
Total	(174 274)	(194 790)

* 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).

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

	01.01 - 31.03.2011	01.01 - 31.03.2010
Derivative instruments ¹⁾	1 886	(27 855)
Debt securities	(3 381)	39 583
Equity instruments	1 020	866
Other ¹⁾	1	8
Total	(474)	12 602

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 (1 364) thousand in the period ended 31 March 2011 (in the period ended 31 March 2010 an ineffective portion related to hedges against fluctuations in cash flows amounted to PLN 3 thousand).

01.01.2011 - 31.03.2011	Gains	Losses	Net result
Trading assets	4 500 479	(4 501 084)	(605)
Financial assets designated upon initial recognition at fair value through profit and loss	51 143	(51 012)	131
Total	4 551 622	(4 552 096)	(474)

01.01.2010 - 31.03.2010	Gains	Losses	Net result
Trading assets	4 368 647	(4 390 399)	(21 752)
Financial assets designated upon initial recognition at fair value through profit and loss	45 477	(11 123)	34 354
Total	4 414 124	(4 401 522)	12 602

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 31 March 2011 amounted to PLN 1 887^{*)} thousand (in the period ended 31 March 2010: PLN (27 847)^{*)} thousand).

7. Net foreign exchange gains

	01.01 - 31.03.2011	01.01 - 31.03.2010
Currency translation differences resulting from financial instruments designated at fair value through profit and loss	932 526	94 153
Other currency translation differences	(857 657)	3 154
Total	74 869	97 307

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

8. Other operating income and expense

	01.01 - 31.03.2011	01.01 - 31.03.2010
Other operating income		
Net income from sale of goods and services*	71 255	58 235
Sales and disposal of tangible fixed assets, intangible assets, and assets held for sale	19 945	14 148
Damages, penalties and fines received	6 719	8 766
Sundry income	3 509	4 321
Recovery of expired and written-off receivables	280	1 085
Income on sale of shares in jointly controlled entities and associates	-	577
Other	16 074	4 890
Total	117 782	92 022

* 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.

	01.01 - 31.03.2011	01.01 - 31.03.2010
Other operating expenses		
Costs of sale of goods and services*	(42 955)	(29 837)
Costs of sale and disposal of tangible fixed assets, intangible assets and assets held for sale	(19 055)	(15 183)
Donations	(1 685)	(1 248)
Sundry expenses	(1 096)	(1 048)
Other	(6 738)	(15 633)
Total	(71 529)	(62 949)

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

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9. Net impairment allowance and write-downs

For the three-month period ended 31 March 2011	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	21 909	255	-	-	-	247	358	-	21 559	(8)
Loans and advances to customers and amounts due from banks	4 885 595	970 601	-	-	23 331	548 399	12 622	10 955	5 260 889	(422 202)
Tangible fixed assets	18 434	-	-	-	-	-	-	8	18 426	-
Intangible assets	132 972	1 038	-	-	-	-	-	-	134 010	(1 038)
Investments in entities measured using equity method	60 138	34	-	-	-	2 027	-	-	58 145	1 993
Non-current assets held for sale	2 961	-	-	-	-	-	-	-	2 961	-
Other, of which:	314 214	80 254	-	19	5 393	63 101	293	-	325 700	(17 153)
Provisions for legal claims and off-balance sheet liabilities	89 799	61 579	-	13	10	54 632	14	-	96 735	(6 947)
Total	5 436 223	1 052 182	-	19	28 724	613 774	13 273	10 963	5 821 690	(438 408)

For the three-month period ended 31 March 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	2 502	117	-	-	1 474	-	-	22 717	(1 028)
Loans and advances to customers and amounts due from banks	3 964 233	1 206 583	3 644	204	19 591	765 220	-	473	4 389 380	(441 363)
Tangible fixed assets	1 856	-	-	-	-	-	-	23	1 833	-
Intangible assets	95 135	-	-	-	-	-	-	-	95 135	-
Investments in entities measured using equity method	5 028	-	-	-	-	64	-	-	4 964	64
Non-current assets held for sale	1 680	-	-	-	-	-	-	-	1 680	-
Other, of which:	359 043	33 232	153	57	23 748	50 426	-	-	318 311	17 194
Provisions for legal claims and off-balance sheet liabilities	119 849	18 800	22	-	1 523	40 740	-	-	96 408	21 940
Total	4 448 547	1 242 317	3 914	261	43 339	817 184	-	496	4 834 020	(425 133)

Impairment allowances on loans and advances to customers and amounts due from banks measured at amortised cost recognised in the amount of PLN (422 202) thousand include interest income due to loans and advances to customers in the amount of PLN (31 611) thousand recognised in the 1st quarter of 2011 in correspondence with 'Income from loans and advances to customers'.

10. Administrative expenses

	01.01 - 31.03.2011	01.01 - 31.03.2010
Staff costs	(580 234)	(566 970)
Overheads	(299 069)	(298 130)
Amortisation and depreciation	(124 071)	(118 562)
Taxes and other charges	(16 559)	(17 196)
Contribution and payments to Banking Guarantee Fund	(34 184)	(13 346)
Total	(1 054 117)	(1 014 204)

Wages and salaries / Employee benefits

	01.01 - 31.03.2011	01.01 - 31.03.2010
Wages and salaries	(483 599)	(470 908)
Social Security, of which:	(81 468)	(79 394)
contributions for retirement benefits and pensions*	(60 293)	(63 218)
Other employee benefits	(15 167)	(16 668)
Total	(580 234)	(566 970)

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

11. Income tax expense

	01.01 - 31.03.2011	01.01 - 31.03.2010
Consolidated income statement		
Current income tax expense	(225 776)	(226 165)
Deferred income tax related to temporary differences	11 410	42 632
Tax expense disclosed in the consolidated income statement	(214 366)	(183 533)
Tax expense disclosed in other comprehensive income related to temporary differences	37 046	5 571
Total	(177 320)	(177 962)

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

	01.01- 31.03.2011	01.01- 31.03.2010
Profit per ordinary shareholders (in PLN thousand)	871 016	719 989
Weighted average number of ordinary shares during the period (in thousand)	1 250 000	1 250 000
Earnings per share (in PLN per share)	0.70	0.58

Earnings per share from discontinued operations

In the periods ended 31 March 2011 and 31 March 2010, 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 the 1st quarter of 2011 or in the 1st quarter of 2010.

Diluted earnings per share from discontinued operations

In the periods ended 31 March 2011 and 31 March 2010, the Group did not report any material income or expenses from discontinued operations.

13. Amounts due from banks

	31.03.2011	31.12.2010
Deposits with banks	2 326 731	1 493 827
Current accounts	354 801	722 717
Loans and advances	136 300	112 551
Cash in transit	15 851	6 862
Receivables due from repurchase agreements	13 433	-
Total	2 847 116	2 335 957
Impairment allowances	(27 679)	(28 925)
of which impairment allowance on exposure to a foreign bank	(26 751)	(28 089)
Net total	2 819 437	2 307 032

14. Trading assets

	31.03.2011	31.12.2010
Debt securities	3 319 362	1 491 053
issued by the State Treasury, of which:	3 301 618	1 483 144
Treasury bills	318 949	-
Treasury bonds	2 982 669	1 483 144
issued by local government bodies, of which:	17 147	7 390
municipal bonds	17 147	7 390
issued by non-financials entities, of which:	597	509
corporate bonds	597	509
issued by financials entities, of which:	-	10
corporate bonds	-	10
Shares in other entities - listed on stock exchange	9 887	12 596
Total	3 329 249	1 503 649

15. Derivative financial instruments

Type of contract	31.03.2011		31.12.2010	
	Assets	Liabilities	Assets	Liabilities
IRS	1 262 711	1 335 831	1 447 237	1 553 029
FRA	19 062	16 369	12 157	11 107
FX Swap	99 105	83 581	62 204	83 613
CIRS	385 255	147 297	126 219	687 977
Forward	33 511	41 199	18 356	42 972
Options	32 921	19 245	46 397	25 382
Other	6 346	1 727	6 515	715
Total	1 838 911	1 645 249	1 719 085	2 404 795

16. Derivative hedging instruments

As at 31 March 2011, the Bank applies the following hedging strategies, applied also as at 31 December 2010:

- 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;
- 3) hedges against fluctuations in cash flows from floating interest rate loans in EUR, following from the risk of fluctuations in interest rates, using IRS transactions.

The characteristics of the cash flow hedges applied by the Bank 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	Hedges against fluctuations from loans in EUR at float rate, resulting from the risk of fluctuations in interest rates, using IRS transactions
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.	Elimination of the risk of cash flow fluctuations generated by floating rate EUR loans resulting from the interest rate risk in the period covered by the hedge.
Hedged risk	Currency risk and interest rate risk.	Interest 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.	IRS transactions where the Group pays coupons based on variable 3M EURIBOR, 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 Bank designated the hedged position according to the regulations of IAS 39.AG.99C as adopted by the EU.	The portfolio of loans in PLN indexed to the variable 3M WIBOR rate.	The portfolio of loans in PLN indexed to the variable EURIBOR rate.
Periods in which cash flows are expected and in which they should have an impact on the financial result	April 2011 - January 2017	April 2011 - October 2013	April 2011 - March 2016

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 31 March 2011 and as at 31 December 2010:

Type of instrument:	Carrying amount/fair value					
	31.03.2011			31.12.2010		
	Assets	Liabilities	Total	Assets	Liabilities	Total
IRS	161 577	43 019	118 558	103 219	18 755	84 464
CIRS	330 552	89 065	241 487	50 702	537 228	(486 526)
Total	492 129	132 084	360 045	153 921	555 983	(402 062)

The nominal value of the hedging instruments by maturity as at 31 March 2011 and as at 31 December 2010:

Type of instrument:	Nominal value as at 31 March 2011					
	Up to 6 months	6 – 12 months	1 – 2 years	2 – 5 years	Over 5 years	Total
IRS in PLN thousand	5 635 000	-	780 000	125 000	-	6 540 000
IRS						
in PLN thousand	-	-	-	1 338 581	-	1 338 581
in EUR thousand	-	-	-	338 000	-	338 000
CIRS						
in PLN thousand	1 387 125	308 250	3 390 750	10 865 813	1 387 125	17 339 063
in CHF thousand	450 000	100 000	1 100 000	3 525 000	450 000	5 625 000

Type of instrument:	Nominal value as at 31 December 2010					
	Up to 6 months	6 – 12 months	1 – 2 years	2 – 5 years	Over 5 years	Total
IRS in PLN thousand	3 375 000	1 700 000	780 000	125 000	-	5 980 000
IRS						
in PLN thousand	-	-	-	1 128 686	-	1 128 686
in EUR thousand	-	-	-	285 000	-	285 000
CIRS						
in PLN thousand	632 780	1 265 560	1 740 145	12 418 308	1 423 755	17 480 548
in CHF thousand	200 000	400 000	550 000	3 925 000	450 000	5 525 000

Other comprehensive income as regards cash flows hedges	01.01- 31.03.2011	01.01- 31.03.2010
Other comprehensive income at the beginning of the period	269 042	147 254
Gains or losses transferred to other comprehensive income in the period	831 361	286 958
Amount transferred in the period from other comprehensive income to the income statement, of which:	(1 007 701)	(259 740)
- interest income	(171 229)	(154 945)
- net foreign exchange gains	(836 473)	(104 795)
Other comprehensive income at the end of the period (gross)	92 702	174 472
Tax effect	(17 613)	(33 150)
Net other comprehensive income at the end of the period	75 089	141 322
Ineffective part of cash flow hedges recognized through profit and loss	(1 364)	3
Effect on other comprehensive income in the period (gross)	(176 340)	27 218
Deferred tax on cash flow hedges	33 505	(5 172)
Effect on other comprehensive income in the period (net)	(142 835)	22 046

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

	31.03.2011	31.12.2010
Debt securities	11 016 581	10 758 331
issued by the State Treasury, of which:	6 517 315	6 631 702
Treasury bills	3 422 465	1 893 058
Treasury bonds	3 094 850	4 738 644
issued by central banks, of which:	4 249 554	3 997 780
NBP bills	4 249 554	3 997 780
issued by local government bodies, of which:	249 712	128 849
municipal bonds PLN	114 862	-
municipal bonds EUR	134 850	128 849
Total	11 016 581	10 758 331

18. Loans and advances to customers

	31.03.2011	31.12.2010
Loans and advances to customers gross, of which:	137 653 014	135 524 789
mortgage loans	62 897 883	62 441 248
corporate loans	48 761 447	46 912 413
consumer loans	25 222 058	25 446 265
Interest	771 626	724 863
Impairment allowances on loans and advances to customers	(5 233 210)	(4 856 670)
Loans and advances to customers - net	132 419 804	130 668 119

	31.03.2011	31.12.2010
Loans and advances to customers		
Valued using the individual method ¹	5 591 593	6 562 353
Impaired, of which:	4 913 301	5 899 231
Receivables related to finance lease	113 498	125 556
Not impaired, of which:	678 292	663 122
Receivables related to finance lease	123 911	155 373
Valued using the portfolio method, of which:	5 400 145	4 987 943
Receivables related to finance lease	109 348	102 133
Valued using the group method (IBNR), of which:	126 661 276	123 974 493
Receivables related to finance lease	2 303 118	2 177 602
Loans and advances to customers - gross	137 653 014	135 524 789
Impairment allowances on exposures valued using the individual method	(1 766 250)	(1 765 956)
Impaired, of which:	(1 766 250)	(1 765 956)
Impairment allowances on lease receivables	(25 438)	(29 509)
Impairment allowances on exposures valued using the portfolio method, of which:	(2 838 499)	(2 593 103)
Impairment allowances on lease receivables	(54 194)	(48 013)
Impairment allowances on exposures valued using the group method (IBNR), of which:	(628 461)	(497 611)
Impairment allowances on lease receivables	(18 089)	(12 383)
Total impairment allowances	(5 233 210)	(4 856 670)
Loans and advances to customers - net	132 419 804	130 668 119

As at 31 March 2011, the share of impaired loans amounted to 7.5% (as at 31 December 2010: 8.0%); whereas the coverage ratio for impaired loans (calculated as total impairment allowances on total receivables divided by gross carrying amount of impaired loans) amounted to 50.7% (as at 31 December 2010: 44.6%). The increase in the volume of loans assessed under the portfolio method in the 1st quarter of 2011 by PLN 412 202 thousand resulted mainly from the increase in delays in repayment in the portfolio of consumer loans and mortgage loans granted to individuals.

¹ In the 1st quarter of 2011, the rules for classifying the objective evidence of impairment of loan exposures were modified, the main result of which was that 'deterioration in the client's financial standing during the loan term' ceased to be included in the catalogue of individual objective evidence of impairment as regards clients who used to be classified to this group and who are a subject of low probability of default.

19. Investment securities available for sale

	31.03.2011	31.12.2010
Debt securities available for sale, gross	9 986 208	10 144 678
issued by the State Treasury	5 898 283	5 813 314
Treasury bonds	5 780 306	5 636 357
Treasury bonds in UAH	116 991	153 323
Treasury bills	986	23 634
issued by local government bodies	2 703 431	2 824 173
municipal bonds	2 703 431	2 824 173
issued by non-financial institutions	1 332 794	1 456 333
corporate bonds in PLN	1 322 163	1 445 357
corporate bonds in UAH	7 869	8 214
bills of exchange	2 762	2 762
issued by banks	51 700	50 858
corporate bonds	51 700	50 858
Impairment allowances on debt securities available for sale	(20 914)	(21 259)
corporate bonds	(10 283)	(10 283)
corporate bonds in UAH	(7 869)	(8 214)
bills of exchange	(2 762)	(2 762)
Total net debt securities available for sale	9 965 294	10 123 419
Equity instruments available for sale, gross	103 390	96 631
Equity instruments admitted to public trade	91 190	85 491
Equity instruments not admitted to public trade	12 200	11 140
Impairment allowances on equity instruments available for sale	(645)	(650)
Impairment allowances on equity instruments not admitted to public trade	(645)	(650)
Total net equity instruments available for sale	102 745	95 981
Total net investment securities	10 068 039	10 219 400

20. Investments in associates and jointly controlled entities

- 1) 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	31.03.2011	31.12.2010
Centrum Obsługi Biznesu Sp. z o.o.	9 463	9 298
Centrum Haffnera Sp. z o.o. Group	28 988	31 981
Total	38 451	41 279

- 2) 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	31.03.2011	31.12.2010
Bank Pocztowy SA	131 427	131 427
Agencja Inwestycyjna CORP SA	371	225
Total	131 798	131 652

	01.01- 31.03.2011	01.01- 31.03.2010
Investments in associates at the beginning of the period	131 652	179 452
Share of profit and loss	(510)	(99)
Share in other comprehensive income	(1 337)	1 920
Change in impairment allowances on investments	1 993	64
Investments in associates at the end of the period	131 798	181 337

	01.01- 31.03.2011	01.01- 31.03.2010
Investments in jointly controlled entities at the beginning of the period	41 279	49 240
Share of profit (loss)	(2 828)	(4 287)
Investments in jointly controlled entities at the end of the period	38 451	44 953

21. Intangible assets and tangible fixed assets

Intangible assets	31.03.2011	31.12.2010
Software	1 453 256	1 279 303
Goodwill acquired as a result of business combinations (including subsidiaries' goodwill)	228 940	229 740
Development costs	3 486	3 486
Other, including capital expenditure	99 417	289 508
Total	1 785 099	1 802 037

Tangible fixed assets	31.03.2011	31.12.2010
Land and buildings	1 712 756	1 722 797
Machinery and equipment	580 409	603 388
Assets under construction	107 434	96 022
Means of transport	48 631	47 703
Investment properties	257	259
Other	102 535	106 276
Total	2 552 022	2 576 445

22. Amounts due to banks

	31.03.2011	31.12.2010
Loans and advances	3 862 929	4 068 332
Deposits of banks	1 495 439	1 027 518
Current accounts	24 081	44 379
Other money market deposits	141 633	93 646
Total	5 524 082	5 233 875

23. Amounts due to customers

	31.03.2011	31.12.2010
Amounts due to retail clients	97 344 613	95 107 854
Current accounts and overnight deposits	48 373 269	46 416 011
Term deposits	48 656 009	48 398 185
Other	315 335	293 658
Amounts due to corporate entities	31 916 752	31 826 551
Current accounts and overnight deposits	10 451 610	11 264 473
Term deposits	19 443 564	18 454 432
Loans and advances	1 837 170	1 856 819
Other	184 408	250 827
Amounts due to public sector	6 303 924	6 046 810
Current accounts and overnight deposits	1 925 350	2 689 369
Term deposits	4 373 280	3 349 821
Other	5 294	7 620
Total	135 565 289	132 981 215

24. Other liabilities

	31.03.2011	31.12.2010
Accounts payable	341 731	304 515
Deferred income	317 853	345 302
Other liabilities	1 539 077	1 443 017
Total	2 198 661	2 092 834

25. Provisions

For the three-month period ended 31 March 2011	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 2011, including:	7 479	411 792	82 320	82 099	583 690
Short term portion	7 479	29 628	82 320	82 023	201 450
Long term portion	-	382 164	-	76	382 240
Increase/reassessment	-	-	61 579	2 081	63 660
Use	(10)	-	-	(2 228)	(2 238)
Reversal	-	-	(54 632)	(14 118)	(68 750)
Currency translation differences	-	-	(14)	-	(14)
Other changes and reclassifications	-	-	13	-	13
As at 31 March 2011, including:	7 469	411 792	89 266	67 834	576 361
Short term portion	7 469	29 628	89 266	67 758	194 121
Long term portion	-	382 164	-	76	382 240

* Included in 'Other provisions' is: restructuring provision amounting to PLN 51 941 thousand and provision for potential claims on receivables sold amounting to PLN 11 398 thousand.

For the three-month period ended 31 March 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	20	-	18 780	2 196	20 996
Use	(5)	-	(1 518)	(24)	(1 547)
Reversal	-	-	(40 740)	(23 665)	(64 405)
Currency translation differences	-	-	22	-	22
Other changes and reclassifications	-	-	-	473	473
As at 31 March 2010, including:	8 143	368 295	88 265	93 130	557 833
Short term portion	8 143	27 418	88 265	93 130	216 956
Long term portion	-	340 877	-	-	340 877

* Included in 'Other provisions' is: restructuring provision amounting to PLN 55 019 thousand and provision for potential claims on receivables sold amounting to PLN 31 589 thousand.

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

26. Off-balance sheet liabilities

Contingent liabilities

Underwriting programs

As at 31 March 2011, 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	465 700	2013.10.31	Bonds Issue Agreement*
Company B	corporate bonds	448 000	2013.07.31	Bonds Issue Agreement*
Company C	corporate bonds	180 000	2012.01.02	Bonds Issue Agreement*
Company D	corporate bonds	155 000	2024.12.31	Bonds Issue Agreement*
Company E	corporate bonds	74 900	2015.12.30	Bonds Issue Agreement*
Company F	corporate bonds	13 000	2018.12.31	Bonds Issue Agreement*
Entity A	municipal bonds	4 000	2025.12.31	Bonds Issue Agreement*
Total		1 340 600		

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

As at 31 December 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	304 000	2013.07.31	Bonds Issue Agreement*
Company B	corporate bonds	200 000	2012.01.02	Bonds Issue Agreement*
Company C	corporate bonds	155 000	2024.12.31	Bonds Issue Agreement*
Company D	corporate bonds	74 900	2015.12.30	Bonds Issue Agreement*
Company E	corporate bonds	13 000	2018.12.31	Bonds Issue Agreement*
Entity A	municipal bonds	4 000	2025.12.31	Bonds Issue Agreement*
Total		750 900		

* 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 31 March 2011, contractual commitments concerning intangible assets amounted to PLN 1 100 thousand (as at 31 December 2010, it amounted to PLN 1 748 thousand).

Loan commitments

	31.03.2011	31.12.2010
Financial sector entities	845 162	752 074
Non-financial sector entities	27 741 442	27 747 336
Public sector entities	939 526	1 005 614
Total	29 526 130	29 505 024
of which: irrevocable loan commitments	7 486 000	7 001 338

Loan commitments are presented in nominal value.

Guarantees issued

	31.03.2011	31.12.2010
Financial sector entities	506 457	2 234 228
Non-financial sector entities	5 739 526	4 792 355
Public sector entities	333 995	253 771
Total	6 579 978	7 280 354

Contingent assets

	31.03.2011	31.12.2010
Financial	1 015 885	403 874
Guarantees	3 387 269	3 726 067
Total	4 403 154	4 129 941

Assets pledged as collateral for contingent liabilities

As at 31 March 2011 and 31 December 2010 the Group had no assets pledged as collateral for contingent liabilities.

27. Legal claims

As at 31 March 2011, the total value of court proceedings in which the Bank is a defendant was PLN 326 108 thousand (as at 31 December 2010: PLN 308 304 thousand), while the total value of court proceedings in which the Bank is the plaintiff was PLN 64 611 thousand (as at 31 December 2010: PLN 60 207 thousand).

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

1) 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. In detail this case was presented in the PKO Bank Polski Groups' consolidated financial statements for the year 2010.

From 1 January to 31 March 2011, no changes in the matter occurred. As at 31 March 2011, the Bank recognised a liability in the amount stated above.

With reference to the Decision of the President of the Competition and Consumer Protection Office 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 on 31 December 2008 for the above-mentioned fine amounted to PLN 5 712 thousand. On 9 February 2011, a judgment was rendered by the second instance court, in which the Court of Appeal dismissed the Bank's appeal against the first instance judgment (issued by the District Court in Warsaw - Court for Competition and Consumer Protection), and dismissed the Bank's appeal against the decision of the President of UOKiK (Office for Competition and Consumer Protection) of 12 December 2008, which means that the Bank was obliged to comply with the duties set out by the decision of the President of UOKiK of 12 December 2008 within the deadlines set out therein. On 2 March 2011, PKO Bank Polski SA paid a penalty of PLN 5 712 thousand.

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

As at the date of these financial statements, four 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 31 March 2011 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.

28. 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.

	31.03.2011	31.12.2010	31.03.2010
Cash and balances with the central bank	4 713 254	6 182 412	3 372 922
Current receivables from financial institutions	2 733 826	2 256 269	1 893 874
Total	7 447 080	8 438 681	5 266 796

29. 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.

31 March 2011

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
CENTRUM HAFFNERA Sp. z o.o.	-	-	1 515	3	3	-	-	-
Centrum Obsługi Biznesu Sp. z o.o.	31 037	30 966	21 470	213	213	142	142	-
Centrum Majkowskiego Sp. z o.o.	-	-	4 778	2	2	26	26	-
Kamienica Morska Sp. z o.o.	-	-	44	1	1	-	-	-
Sopot Zdrój Sp. z o.o.	212 385	212 385	1 870	1 456	1 456	16	16	-
Promenada Sopocka Sp. z o.o.	44 348	44 348	1 005	297	297	-	-	-
Bank Pocztowy SA	-	-	12	145	142	400	185	9 406
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	-	7 186	-	-	278	278	-
Agencja Inwestycyjna CORP SA	59	-	86	154	154	696	696	-
Kolej Gondolowa Jaworzyna Krynicka SA	8 599	8 599	245	90	90	7	7	4 976
Total	296 428	296 298	38 211	2 361	2 358	1 565	1 350	14 382

31 December 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
CENTRUM HAFFNERA Sp. z o.o.	-	-	2 478	9	9	59	59	-
Centrum Obsługi Biznesu Sp. z o.o.	30 799	30 799	22 285	753	752	558	557	-
Centrum Majkowskiego Sp. z o.o.	-	-	4 765	6	6	93	93	-
Kamienica Morska Sp. z o.o.	-	-	66	6	6	-	-	-
Sopot Zdrój Sp. z o.o.	209 785	209 785	4 049	5 617	5 617	60	60	-
Promenada Sopocka Sp. z o.o.	43 805	43 805	691	1 165	1 165	-	-	-
Bank Pocztowy SA	-	-	105	146	131	1 962	419	1 330
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	-	16 178	1	1	152	141	-
Agencja Inwestycyjna CORP SA	61	-	87	628	-	2 425	-	-
Kolej Gondolowa Jaworzyna Krynicka SA	5 824	5 824	538	74	74	9	9	8 375
Total	290 274	290 213	51 242	8 405	7 761	5 318	1 338	9 705

30. 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 1st quarter of 2011:

1) concerning the Bankowe Towarzystwo Kapitałowe SA Group

On 12 January 2011 the increase in the share capital of Bankowe Towarzystwo Kapitałowe SA in the total amount of PLN 3 000 thousand was registered with the National Court Register. As a result, the Company's share capital amounts to PLN 24 243.9 thousand and consists of 242 439 shares of PLN 100 nominal value each.

All the shares in the increased share capital were taken up by PKO Bank Polski SA for a price equal to the nominal value of the shares taken up. As at 31 March 2011, PKO Bank Polski SA held a total of 100% of the Company's share capital and of voting rights at the Company's General Shareholders' Meeting.

On 7 March 2011 the increase in the share capital of PKO BP Faktoring SA in the total amount of PLN 1 500 thousand was registered with the National Court Register. As a result, the Company's share capital amounts to PLN 9 000 thousand and consists of 9 000 shares of PLN 1 thousand nominal value each. All the shares in the increased share capital were taken up by Bankowe Towarzystwo Kapitałowe SA - a subsidiary of PKO Bank Polski SA, for PLN 3 000 thousand.

After this emission BTK SA held a total of 99.9889% of the Company's share capital and of voting rights at the Company's General Shareholders' Meeting.

2) concerning the Bankowy Fundusz Leasingowy SA Group

On 27 January 2011 the increase in the share capital of BFL Nieruchomości Sp. z o.o. 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 11 400 thousand and consists of 22 800 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 of PKO Bank Polski SA, for a price equal to the nominal value of the shares taken up. As at 31 March 2011, Bankowy Fundusz Leasingowy SA held a total of 99.9956% of BFL Nieruchomości Sp. z o.o. share capital and of voting rights at the Company's General Shareholders' Meeting.

On 27 January 2011 the increase in the share capital of Bankowy Leasing Sp. z o.o. in the total amount of PLN 6 600 thousand was registered with the National Court Register. As a result, the Company's share capital amounts to PLN 29 300 thousand and consists of 58 600 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 of PKO Bank Polski SA, for a price equal to the nominal value of the shares taken up. As at 31 March 2011, Bankowy Fundusz Leasingowy SA held a total of 99.9983% of BFL Nieruchomości Sp. z o.o. share capital and of voting rights at the Company's General Shareholders' Meeting.

3) concerning the PKO BP Inwestycje Sp. z o.o. Group

On 25 February 2011, Qualia Sp. z o.o. was registered in the National Court Register. The Company's share capital amounts PLN 5 thousand and is divided into 100 shares with a par value of PLN 50 each.

Shares in the Company, with a par value of PLN 4 950 (constituting 99% of the Company's share capital and authorizing to 99% of votes at the General Shareholders' meeting) were taken up by PKO BP Inwestycje Sp. z o.o. - a subsidiary of PKO Bank Polski SA. The Company's other shareholder is PKO BP Inwestycje - Rezydencja Flotylla Sp. z o.o. - a subsidiary of PKO BP Inwestycje Sp. z o.o.

On 11 March 2011, a limited partnership Qualia Sp. z o.o.- Sopot Sp. komandytowa was entered in the National Court Register. Its partners are:

- a) Qualia Sp. z o.o. - general partner: contribution of PLN 1 thousand,
- b) PKO BP Inwestycje Sp. z o.o. - limited partner: contribution of PLN 1 thousand.

On 31 March 2011, partners of Qualia Sp. z o.o. - Sopot Sp. komandytowa adopted a resolution on increasing the contributions from PLN 1 thousand to PLN 4 700 thousand.

Core operations of Qualia Sp. z o.o. - Sopot Sp. komandytowa comprise preparing and completing an investment project in Sopot, ul. Bohaterów Monte Casino.

These changes are the first stage of the implementation of a new concept of developer's activities in the PKO BP Inwestycje Sp. z o.o. Group within the holding structure in which PKO BP Inwestycje Sp. z o.o. manages the Group and plays the role of limited partner in limited partnerships created within the Group, and Qualia Sp. z o.o. plays the role of the general partner – investment projects are carried out by the limited partnerships.

On 25 March 2011, PKO Bank Polski SA made an additional contribution to PKO BP Inwestycje Sp. z o.o.'s capital in the amount of PLN 5 340 thousand.

By the date of publication of the report, the following events took place which will result in changes in the structure of the PKO Bank Polski SA Group in the 2nd quarter of 2011:

On 6 April 2011, PKO BP Inwestycje Sp. z o.o. repurchased 1 share in Qualia Sp. z o.o. from PKO BP Inwestycje Sp. z o.o. – Rezydencja Flotylla Sp. z o.o.

On 6 April 2011, Qualia Sp. z o.o. repurchased 1 share in PKO BP Inwestycje – Nowy Wilanów Sp. z o.o. and 1 share in PKO BP Inwestycje – Neptun Park Sp. z o.o. from PKO Bank Polski SA.

On 7 April 2011, PKO BP Inwestycje Sp. z o.o. made an additional contribution to Qualia Sp. z o.o.'s capital in the amount of PLN 25 thousand.

On 14 April 2011, Bankowy Fundusz Leasingowy SA – a subsidiary of PKO Bank Polski SA – transferred PLN 12 700 thousand to Bankowy Leasing Sp. z o.o. and took up shares in the increased share capital of the Company. The said share capital increase requires registration in the National Court Register.

On 14 April 2011, Bankowy Fundusz Leasingowy SA – a subsidiary of PKO Bank Polski SA – transferred PLN 7 000 thousand to BFL Nieruchomości Sp. z o.o. and took up shares in the increased share capital of the Company. The said share capital increase requires registration in the National Court Register.

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

In the 1st quarter of 2011, there were no significant changes introduced as regards the previously published financial statements.

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

Objectives and principles of risk management in the PKO Bank Polski SA Group were in details presented the PKO Bank Polski Groups' consolidated financial statements for the year 2010.

Important information concerning risk monitoring as well as changes in risk measurement methods in the period from 1 January to 31 March 2011 are presented below.

32.1 Credit risk

Credit risk measurement methods

In the 1st quarter of 2011 the Bank took into account in its rating system the identification of events indicating default, i.e. events which, in the Bank's opinion, if occurring – will make it impossible to recover receivables without such actions as exercising security or restructuring. The rating scale was extended: instead of 8 rating classes, 10 classes were introduced (7 classes for performing clients, and 3 classes for clients not performing their obligations) and, in principle, the terms and conditions determining availability of financing were maintained.

32.1.1 Monitoring credit risk

The Group's exposure to credit risk

Amounts due from banks	31.03.2011	31.12.2010
Amounts due from banks impaired	27 113	28 559
of which valued with an individual method	26 751	28 089
Amounts due from banks not impaired	2 820 003	2 307 398
neither past due nor impaired	2 808 279	2 307 047
past due but not impaired	11 724	351
past due up to 4 days	11 610	351
past due over 4 days	114	-
Gross total	2 847 116	2 335 957
Impairment allowances	(27 679)	(28 925)
Net total by carrying amount	2 819 437	2 307 032

Loans and advances to customers	31.03.2011	31.12.2010
Amounts due from banks impaired	10 313 446	10 887 174
of which valued with an individual method	4 913 301	5 899 231
Amounts due from banks not impaired	127 339 568	124 637 615
neither past due nor impaired	121 825 399	120 260 937
past due but not impaired	5 514 000	4 376 678
past due up to 4 days	2 588 779	2 027 160
past due over 4 days	2 925 221	2 349 518
Gross total	137 653 014	135 524 789
Impairment allowances	(5 233 210)	(4 856 670)
Net total by carrying amount	132 419 804	130 668 119

Investment securities – debt securities	31.03.2011	31.12.2010
Debt securities impaired	20 914	21 259
of which valued with an individual method	20 914	21 259
Debt securities not impaired	9 965 294	10 123 419
neither past due nor impaired	9 965 294	10 123 419
Gross total	9 986 208	10 144 678
Impairment allowances	(20 914)	(21 259)
Net total by carrying amount	9 965 294	10 123 419

Exposure to credit risk

The table below presents maximum exposure to credit risk of the Group as at 31 March 2011 and as at 31 December 2010.

Items of the statement of financial position	31.03.2011	31.12.2010
Current account in the central bank	2 692 206	3 782 717
Amounts due from banks	2 819 437	2 307 032
Trading assets – debt securities	3 319 362	1 491 053
Derivative financial instruments	1 838 911	1 719 085
Financial instruments at fair value through profit and loss – debt securities	11 016 581	10 758 331
Loans and advances to customers	132 419 804	130 668 119
Investment securities – debt securities	9 965 294	10 123 419
Other assets – other financial assets	357 661	352 473
Total	164 429 256	161 202 229

Off-balance sheet items	31.03.2011	31.12.2010
Irrevocable liabilities granted	7 486 000	7 001 338
Guarantees granted	4 146 550	4 554 377
Letters of credit granted	267 877	229 946
Guarantees of issue (underwriting)	2 165 551	2 496 031
Total	14 065 978	14 281 692

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

	31.03.2011	31.12.2010
Amounts due from banks	26 751	28 089
Loans and advances to customers	4 913 301	5 899 231
Financial entities	39 006	41 188
corporate loans	39 006	41 188
Non-financial entities	4 866 761	5 850 521
consumer loans	3 789 659	4 855 501
mortgage loans	975 279	903 038
corporate loans	101 823	91 982
State budget entities	7 534	7 522
corporate loans	7 534	7 522
Financial assets available for sale	21 025	21 376
issued by financial entities	8	8
issued by non-financial entities	21 017	21 368
Total	4 961 077	5 948 696

Concentration by the biggest business entities

As at 31 March 2011 and 31 December 2010, concentration limits had not been exceeded.

As at 31 March 2011, 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 5.7%* and 4.2% 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 0.85% of the PKO Bank Polski SA Group's loan portfolio. The 5 biggest groups include only clients of PKO Bank Polski SA.

As at 31 March 2011, 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 6.1% 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 2010 with respect to all sectors by ca. PLN 1.5 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.

* Concentration in respect of the entities exempted from concentration limits

Significant concentration risk by industry was identified 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 31 March 2011, 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 31 March 2011, the share of exposure in convertible currencies, other than PLN, in the total loan portfolio of the Group amounted to 22.7%. The greatest part of the Group's currency exposures are those in CHF, which constitute 70.0% 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 (78.1% of currency loan portfolio), similarly for the BTK SA Group – credits granted in EUR (54.3% of currency loan portfolio) and for KREDOBANK SA – USD denominated loans (78.4% of the currency loan portfolio and 40.3% 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 and T of the Polish Financial Supervision Authority, the Bank has implemented internal limits with regard to:

- 1) portfolio of exposures with established mortgage collateral,
- 2) portfolio of loans granted to individual clients.

As at 31 March 2011, these limits have not been exceeded.

32.2 Interest rate risk

The PKO Bank Polski SA Group's exposure to interest rate risk as at 31 March 2011 and 31 December 2010 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	31.03.2011	31.12.2010
VaR for a 10-day time horizon (in PLN thousand)*	90 595	39 004
Parallel move of interest rate curves by 200 base points (in PLN thousand) (stress test)	527 465	522 641

* 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 19 373 thousand as at 31 March 2011 and to PLN 30 150 thousand as at 31 December 2010.

As at 31 March 2011, the Bank's interest rate VaR for a 10-day time horizon (10-day VAR, at 99% confidence level) amounted to PLN 90 595 thousand, which accounted for approximately 0.55% of the value of the Bank's own funds. As at 31 December 2010, VaR for the Bank amounted to PLN 39 004 thousand, which accounted for approximately 0.24% of the Bank's own funds*.

32.3 Currency risk

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

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

Name of sensitivity measure	31.03.2011	31.12.2010
VaR for a 10-day time horizon (in PLN thousand)*	2 031	3 171
Change of CUR/PLN by 15% (in PLN thousands) (stress-tests)	1 486	6 081

* Due to the nature of the activities carried out by the other Group entities generating significant currency risk as well as the specific nature of the market in which they operate, the Bank does not calculate consolidated VaR. These entities apply their own risk measures in the currency risk management. KREDOBANK SA uses the 10-day VaR, which amounted to ca. 74 thousand as at 31 March 2011 and to ca. PLN 182 thousand as at 31 December 2010.

The level of currency risk was low both as at 31 March 2011 and as at 31 December 2010.

The Group's currency positions are presented in the table below:

Currency position	31.03.2011	31.12.2010
USD	1 703	(78 916)
GBP	(838)	48 073
CHF	(21 676)	(18 820)
EUR	(2 484)	(4 035)
Other (Global Net)	11 674	11 257

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 at 99% confidence level for the Bank's currency position as at 31 March 2011 amounted to ca. 0.01%).

32.4 Liquidity risk

Liquidity gaps presented below include i.a. the statement of financial position items of the Group in real terms as regards core deposits of non-financial entities and their maturity, core loans in current accounts of 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 - 24 months	24 - 60 months	over 60 months
31.03.2011								
The Group - adjusted gap in real terms	2 427 879	15 484 551	(260 578)	121 573	3 795 159	4 502 062	(1 088 577)	(24 982 069)
The Group - cumulative adjusted gap in real terms	2 427 879	17 912 430	17 651 852	17 773 425	21 568 584	26 070 646	24 982 069	-
31.12.2010								
The Group - adjusted gap in real terms	3 207 473	14 102 549	(949 842)	(106 638)	3 800 570	5 160 414	(1 014 208)	(24 200 318)
The Group - cumulative adjusted gap in real terms	3 207 473	17 310 022	16 360 180	16 253 542	20 054 112	25 214 526	24 200 318	-

In all time horizons, the PKO Bank Polski SA Group's cumulative liquidity gap in real terms* as at 31 March 2011 and 31 December 2010 was positive. This means a surplus of assets receivable over liabilities payable.

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

The table below presents liquidity reserve of the Bank as at 31 March 2011 and 31 December 2010:

Name of sensitivity measure	31.03.2011	31.12.2010
Liquidity reserve to 1 month* (in PLN million)	12 251	10 151

*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 31 March 2011, the level of core deposits constituted approximately 94.6% of all deposits of the Bank's (excluding interbank market), which is approximately 0.6 pp. lower as compared to the level as at the end of 2010.

32.5 Capital adequacy

Objectives and principles of capital adequacy management in the PKO Bank Polski SA Group were in details presented in the PKO Bank Polski SA Group' consolidated financial statements for the year 2010. In these statements there was also included the information concerning components of the Group's own funds calculated for capital adequacy purposes as well as the methods of capital requirements calculation for particular risk purposes.

As at 31 March 2011, the level of capital adequacy of the Group remained on the safe level significantly above the statutory limits.

The capital adequacy ratio of the Group, one of the main capital adequacy measures, as compared to 31 December 2010, increased by 0.91 pp., which has been mainly caused by the increase of the Bank's own funds calculated for capital adequacy purposes.

32.5.1 Own funds calculated for capital adequacy purposes

As at 31 March 2011, own funds of the Group calculated for capital adequacy purposes increased by PLN 1 714 882 thousand, which was mainly due to the recognition of profit earned by the Bank in 2010 after expected charges deduction (i.e. PLN 1 936 209 thousand) to the Bank's own funds.

The structure of the Group's own funds calculated for capital adequacy purposes is presented in the table below:

THE GROUP'S OWN FUNDS	31.03.2011	31.12.2010
Basic funds (Tier 1 capital)	17 780 711	15 960 255
Share capital	1 250 000	1 250 000
Reserve capital	12 206 784	12 212 177
Other reserves	3 412 239	3 412 239
General banking risk fund for unidentified banking activities risk	1 070 000	1 070 000
Profits from previous years	1 959 573	112 297
Unrealised losses on debt and equity instruments classified as available for sale	(89 904)	(67 406)
Intangible assets	(1 785 099)	(1 802 037)
of which goodwill of subsidiaries	(228 940)	(229 740)
Equity exposures	(118 206)	(118 285)
Negative currency translation differences from foreign operations	(126 302)	(110 720)
Non-controlling interest	1 626	1 990
Supplementary funds (Tier 2 capital)	1 518 449	1 512 546
Subordinated liabilities classified as supplementary funds	1 600 700	1 600 700
Unrealised profits on debt and equity instruments classified as available for sale (up to 80% of their values before tax)	34 996	29 158
Positive currency translation differences from foreign operations	959	973
Equity exposures	(118 206)	(118 285)
Short-term equity (Tier 3 capital)	34 451	145 928
TOTAL OWN FUNDS	19 333 611	17 618 729

32.5.2 Capital requirements (Pillar 1)

The table below presents the Group's capital requirements as regards particular types of risk.

Capital requirements	31.03.2011	31.12.2010
Credit risk	10 071 318	9 821 710
credit risk (banking book)	10 009 055	9 756 757
counterparty risk (trading book)	62 263	64 953
Market risk	385 450	422 154
price risk of equity securities	747	767
specific risk of debt instruments	297 031	341 058
general risk of interest rates	87 672	80 329
Operational risk	1 104 824	1 057 922
Total capital requirements	11 561 592	11 301 786
Capital adequacy ratio	13.38%	12.47%

In the 1st quarter of 2011, an increase in the capital requirement in respect of credit risk resulted mainly from an increase of ca. 1.34% in the Group's loans portfolio.

The decrease of market risk capital requirement was mainly due to the decrease of issue guarantees liabilities by ca. 13.24%,

32.5.3 Internal capital (Pillar 2)

Principles of the calculation of internal capital in the PKO Bank Polski SA Group were in details presented the PKO Bank Polski Groups' consolidated financial statements for the year 2010.

32.5.4 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 (Polish Financial Supervision Authority Journal of Laws 2008, No. 8, item 39, with subsequent amendments), Powszechna Kasa Oszczędności Bank Polski SA, which is the parent 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 from the date of approval of the annual financial statements by the Ordinary General Shareholders' Meeting.

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).

STAND-ALONE FINANCIAL STATEMENTS

INCOME STATEMENT

for the three-month periods ended 31 March 2011 and 31 March 2010 respectively

	Notes	01.01 – 31.03.2011	01.01 – 31.03.2010
Continuing operations:			
Interest and similar income	1	2 658 229	2 396 899
Interest expense and similar charges	1	(971 200)	(956 634)
Net interest income		1 687 029	1 440 265
Fee and commission income	2	869 028	868 529
Fee and commission expense	2	(175 886)	(193 082)
Net fee and commission income		693 142	675 447
Dividend income		17	97
Net income from financial instruments designated at fair value	3	(709)	16 957
Gains less losses from investment securities		3 761	5 941
Net foreign exchange gains	4	73 986	96 214
Other operating income	5	14 478	8 529
Other operating expense	5	(8 696)	(14 677)
Net other operating income and expense		5 782	(6 148)
Net impairment allowance and write-downs	6	(432 124)	(388 815)
Administrative expenses	7	(977 147)	(937 331)
Operating profit		1 053 737	902 627
Profit before income tax		1 053 737	902 627
Income tax expense	8	(202 393)	(175 437)
Net profit		851 344	727 190
Earnings per share	9		
– basic earnings per share for the period (in PLN)		0.68	0.58
– diluted earnings per share for the period (in PLN)		0.68	0.58
Weighted average number of ordinary shares during the period (in thousand)		1 250 000	1 250 000
Weighted average diluted number of ordinary shares during the period (in thousand)		1 250 000	1 250 000

Discontinued operations:

In the three-month period ended 31 March 2011 and 31 March 2010, PKO Bank Polski SA did not carry out discontinued operations.

STATEMENT OF COMPREHENSIVE INCOME

for the three-month periods ended 31 March 2011 and 31 March 2010 respectively

	01.01 – 31.03.2011	01.01 – 31.03.2010
Profit for the year	851 344	727 190
Other comprehensive income net of tax	(157 121)	22 008
Unrealised net gains on financial assets available for sale (gross)	(17 637)	(47)
Deferred tax on unrealised net gains on financial assets available for sale	3 351	9
Cash flow hedges (gross)	(176 340)	27 218
Deferred tax on cash flow hedges	33 505	(5 172)
Total net comprehensive income	694 223	749 198

STATEMENT OF FINANCIAL POSITION
as at 31 March 2011 and 31 December 2010

	Notes	31.03.2011	31.12.2010
ASSETS			
Cash and balances with the central bank		4 629 529	6 112 562
Amounts due from banks	10	2 882 363	2 379 239
Trading assets	11	3 329 249	1 503 649
Derivative financial instruments	12	1 839 301	1 719 764
Financial assets designated at fair value through profit and loss	13	11 016 581	10 758 331
Loans and advances to customers	14	130 809 262	128 933 129
Investment securities available for sale	15	9 770 546	9 876 252
Investments in subsidiaries, jointly controlled entities and associates	16	1 470 507	1 467 507
Non-current assets held for sale		18 284	19 784
Intangible assets	17	1 511 973	1 528 267
Tangible fixed assets	17	2 063 298	2 077 140
including investment properties		257	259
Deferred income tax asset		508 595	462 923
Other assets		588 409	400 372
TOTAL ASSETS		170 437 897	167 238 919
LIABILITIES AND EQUITY			
Liabilities			
Amounts due to the central bank		2 517	3 370
Amounts due to banks	18	4 582 713	4 164 181
Derivative financial instruments	12	1 645 287	2 404 795
Amounts due to customers	19	138 025 918	135 289 055
Subordinated liabilities		1 631 870	1 611 779
Other liabilities	20	1 887 923	1 787 599
Current income tax liabilities		63 367	61 854
Provisions	21	702 231	714 438
TOTAL LIABILITIES		148 541 826	146 037 071
Equity			
Share capital		1 250 000	1 250 000
Other capital		16 483 518	16 640 639
Unappropriated profits		3 311 209	-
Net profit for the year		851 344	3 311 209
TOTAL EQUITY		21 896 071	21 201 848
TOTAL LIABILITIES AND EQUITY		170 437 897	167 238 919
Capital adequacy ratio	26	12.99%	11.99%
Book value (in PLN thousand)		21 896 071	21 201 848
Number of shares (in thousand)		1 250 000	1 250 000
Book value per share (in PLN)		17.52	16.96
Diluted number of shares (in thousand)		1 250 000	1 250 000
Diluted book value per share (in PLN)		17.52	16.96

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for the three-month period ended 31 March 2011 (in PLN thousand)



STATEMENT OF CHANGES IN EQUITY
for the three-month periods ended 31 March 2011 and 31 March 2010 respectively

for the three-month period ended 31 March 2011	Share capital	Other capital						Unappropriated profits	Net profit for the period	Total equity
		Reserve capital	General banking risk fund	Other reserves	Financial assets available for sale	Cash flow hedges	Total other capital			
As at 1 January 2011	1 250 000	12 098 111	1 070 000	3 283 412	(28 808)	217 924	16 640 639	-	3 311 209	21 201 848
Transfer of net profit from previous years	-	-	-	-	-	-	-	3 311 209	(3 311 209)	-
Total comprehensive income	-	-	-	-	(14 286)	(142 835)	(157 121)	-	851 344	694 223
As at 31 March 2011	1 250 000	12 098 111	1 070 000	3 283 412	(43 094)	75 089	16 483 518	3 311 209	851 344	21 896 071

for the three-month period ended 31 March 2010	Share capital	Other capital						Unappropriated profits	Net profit for the period	Total equity
		Reserve capital	General banking risk fund	Other reserves	Financial assets available for sale	Cash flow hedges	Total other capital			
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	-	-	-	-	(38)	22 046	22 008	-	727 190	749 198
As at 31 March 2010	1 250 000	12 048 111	1 070 000	3 276 260	(16 320)	141 322	16 519 373	2 432 152	727 190	20 928 715

STATEMENT OF CASH FLOWS
for the three-month periods ended 31 March 2011 and 31 March 2010 respectively

	Note	01.01 - 31.03.2011	01.01 - 31.03.2010
Net cash flow from operating activities			
Net profit		851 344	727 190
Adjustments:		(2 059 159)	(2 214 909)
Amortisation and depreciation		107 276	102 905
(Gains) losses from investing activities		(1 667)	314
Interest and dividends		(113 126)	(130 175)
Change in amounts due from banks		2 702	(372 174)
Change in trading assets and financial assets at fair value through profit and loss		(2 083 850)	762 470
Change in derivative financial instruments (asset)		(119 537)	(293 249)
Change in loans and advances to customers		(2 277 429)	(1 774 696)
Change in deferred income tax asset and income tax receivables		(45 672)	(34 506)
Change in other assets		(186 537)	(192 602)
Change in amounts due to banks		417 679	1 014 321
Change in derivative financial instruments (liability)		(759 508)	237 392
Change in amounts due to customers		2 736 863	(2 091 952)
Change in impairment allowances and provisions		425 220	339 903
Change in other liabilities		131 123	425 505
Income tax expense paid		(209 695)	(340 293)
Current income tax expense		211 208	215 106
Other adjustments		(294 209)	(83 178)
Net cash from / used in operating activities		(1 207 815)	(1 487 719)
Net cash flow from investing activities			
Inflows from investing activities			
Proceeds from sale of investment securities		1 026 443	3 012 163
Proceeds from sale of intangible assets and tangible fixed assets		2 141	1 334
Other investing inflows		17	28
Outflows from investing activities		(788 010)	(5 230 708)
Purchase of a subsidiary, net of cash acquired		(3 000)	-
Purchase of investment securities		(706 198)	(5 141 202)
Purchase of intangible assets and tangible fixed assets		(78 812)	(89 506)
Net cash from / used in investing activities		240 591	(2 217 183)
Net cash flow from financing activities			
Repayment of long-term borrowings		(10 708)	(10 090)
Net cash generated from financing activities		(10 708)	(10 090)
Net cash inflow/(outflow)		(977 932)	(3 714 992)
of which currency translation differences on cash and cash equivalents		(8 152)	(72 191)
Cash and cash equivalents at the beginning of the period		8 199 997	8 617 962
Cash and cash equivalents at the end of the period	23	7 222 065	4 902 970
of which restricted		6 460	7 401

NOTES TO THE FINANCIAL STATEMENTS

1. Interest income and expense

Interest and similar income

	01.01 - 31.03.2011	01.01 - 31.03.2010
Income from loans and advances to customers	2 173 865	1 933 942
Income from derivative hedging securities	171 229	154 945
Income from securities at fair value through profit and loss	130 007	130 770
Income from investment securities available-for-sale	114 276	108 458
Income from placements with banks	45 914	35 332
Income from trading securities	21 848	32 720
Other	1 090	732
Total	2 658 229	2 396 899

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 respect of cash flow hedges. Details of hedging relationships applied by the Bank are included in Note 16 of the condensed interim consolidated financial statements of the Group 'Derivative hedging instruments'.

In the three-month period ended 31 March 2011, interest income from loans for which objective evidence of impairment has been identified amounted to PLN 108 136 thousand, of which interest income from impaired loans amounted to PLN 83 753 thousand. This income has been included in 'Income from loans and advances to customers'.

The above values include the amount of PLN 31 611 thousand recognized in the 1st quarter of 2011 in correspondence with 'Net impairment allowance and write-downs'.

Interest expense and similar charges

	01.01 - 31.03.2011	01.01 - 31.03.2010
Interest expense on amounts due to customers	(941 787)	(922 996)
Interest expense on debt securities in issue	(20 092)	(21 083)
Interest expense on deposits from banks	(8 402)	(6 897)
Other	(919)	(5 658)
Total	(971 200)	(956 634)

2. Fee and commission income and expense

Fee and commission income

	01.01 – 31.03.2011	01.01 – 31.03.2010
Income from financial assets, which are not valued at fair value through profit and loss, of which:	137 661	114 252
Income from loans and advances	137 661	114 252
Other fee and commissions	730 916	753 891
Income from maintenance of bank accounts	229 173	227 878
Income from payment cards	228 691	230 658
Income from loan insurance	124 830	157 996
Income from maintenance of investment funds (including management fees)	50 263	31 350
Income from cash transactions	38 917	41 675
Income from securities transactions	15 254	12 734
Income from foreign mass transactions servicing	11 188	10 372
Income from sale and distribution of court fee stamps	3 420	7 867
Other*	29 180	33 361
Income from fiduciary services	451	386
Total	869 028	868 529

* 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.

Fee and commission expense

	01.01 – 31.03.2011	01.01 – 31.03.2010
Expenses on payment cards	(79 036)	(90 009)
Expenses on loan insurance	(32 262)	(35 449)
Expenses on acquisition services	(30 993)	(33 732)
Expenses on settlement services	(6 946)	(7 195)
Expenses on fee and commissions for operating services granted by banks	(3 043)	(2 781)
Other*	(23 606)	(23 916)
Total	(175 886)	(193 082)

* 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).

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

	01.01 – 31.03.2011	01.01 – 31.03.2010
Derivative instruments ¹⁾	1 661	(27 084)
Equity instruments	1 020	866
Debt securities	(3 391)	43 167
Other ¹⁾	1	8
Total	(709)	16 957

In the net income from financial instruments at fair value, position 'Derivative instruments', in the period ended 31 March 2011, an ineffective portion related to cash flow hedges was recognized and it amounted to PLN (1 364) thousand (in the period ended 31 March 2010, an ineffective portion related to cash flow hedges was recognized and it amounted to PLN 3 thousand).

01.01.2011 – 31.03.2011	Gains	Losses	Net result
Trading assets	4 501 278	(4 502 108)	(830)
Financial assets designated upon initial recognition at fair value through profit and loss	51 133	(51 012)	121
Total	4 552 411	(4 553 120)	(709)

01.01.2010 – 31.03.2010	Gains	Losses	Net result
Trading assets	4 369 418	(4 390 399)	(20 981)
Financial assets designated upon initial recognition at fair value through profit and loss	45 459	(7 521)	37 938
Total	4 414 877	(4 397 920)	16 957

The total change in fair values of financial instruments 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 31 March 2011 amounted to PLN 1 662^{*} thousand (in the period ended 31 March 2010: PLN (27 076)^{*} thousand).

4. Net foreign exchange gains

	01.01 – 31.03.2011	01.01 – 31.03.2010
Currency translation differences from financial instruments designated at fair value through profit and loss	932 526	94 153
Other currency translation differences	(858 540)	2 061
Total	73 986	96 214

5. Other operating income and expense

	01.01 – 31.03.2011	01.01 – 31.03.2010
Other operating income		
Sundry income	3 451	4 239
Sales and disposal of tangible fixed assets, intangible assets and assets held for sale	2 142	1 334
Recovery of expired and written-off receivables	279	1 085
Sale of shares in jointly controlled entities and associates	-	545
Other	8 606	1 326
Total	14 478	8 529

	01.01 – 31.03.2011	01.01 – 31.03.2010
Other operating expenses		
Costs of sale and disposal of tangible fixed assets, intangible assets and assets held for sale	(1 973)	(1 709)
Donations	(1 683)	(1 228)
Sundry expenses of the Bank	(1 096)	(1 048)
Other	(3 944)	(10 692)
Total	(8 696)	(14 677)

* The total amount of the items marked with¹⁾ 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 three-month period ended 31 March 2011	Impairment allowances at the beginning of the period	Increase		Decrease			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	13 578	-	-	-	-	-	13 578	-
Loans and advances to customers and amounts due from banks measured at amortised cost	4 298 054	920 769	-	10 062	499 181	10 955	4 698 625	(421 588)
Non-current assets held for sale	1 281	-	-	-	-	-	1 281	-
Tangible fixed assets	18 381	-	-	-	-	8	18 373	-
Intangible assets	18 017	-	-	-	-	-	18 017	-
Investments in subsidiaries, jointly-controlled entities and associates	450 962	-	-	-	-	-	450 962	-
Other, of which:	404 246	78 061	13	1 783	67 525	-	413 012	(10 536)
provision for legal claims and off-balance sheet liabilities	222 448	61 482	13	-	59 437	-	224 506	(2 045)
Total	5 204 519	998 830	13	11 845	566 706	10 963	5 613 848	(432 124)

For the three-month period ended 31 March 2010	Impairment allowances at the beginning of the period	Increase		Decrease			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	-	-	-	300	-	15 276	300
Loans and advances to customers and amounts due from banks measured at amortised cost	3 442 054	1 021 088	204	18 248	613 389	-	3 831 709	(407 699)
Non-current assets held for sale	-	-	-	-	-	-	-	-
Tangible fixed assets	1 166	-	-	-	-	23	1 143	-
Intangible assets	15 373	-	-	-	-	-	15 373	-
Investments in subsidiaries, jointly-controlled entities and associates	435 889	-	-	-	-	-	435 889	-
Other, of which:	315 840	28 619	-	17 000	47 203	-	280 256	18 584
provision for legal claims and off-balance sheet liabilities	117 483	7 273	-	-	30 338	-	94 418	23 065
Total	4 225 898	1 049 707	204	35 248	660 892	23	4 579 646	(388 815)

Impairment allowances on loans and advances to customers and amounts due from banks measured at amortised cost recognised in the amount of PLN (421 588) thousand include interest income due to loans and advances to customers in the amount of PLN (31 611) thousand recognized in the 1st quarter of 2011 in correspondence with 'Income from loans and advances to customers'.

7. Administrative expenses

	01.01 – 31.03.2011	01.01 – 31.03.2010
Staff costs	(535 559)	(525 248)
Overheads	(286 614)	(281 505)
Amortisation and depreciation	(107 276)	(102 905)
Taxes and other charges	(13 514)	(14 327)
Contribution and payments to Banking Guarantee Fund	(34 184)	(13 346)
Total	(977 147)	(937 331)

Wages and salaries / Employee benefits

	01.01 – 31.03.2011	01.01 – 31.03.2010
Wages and salaries	(446 982)	(436 930)
Social Security, of which:	(74 169)	(72 567)
contributions for retirement pay and pensions*	(56 609)	(57 196)
Other employee benefits	(14 408)	(15 751)
Total	(535 559)	(525 248)

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

8. Income tax expense

	01.01 – 31.03.2011	01.01 – 31.03.2010
Income statement		
Current income tax expense	(211 208)	(215 106)
Deferred income tax related to temporary differences	8 815	39 669
Tax expense in the income statement	(202 393)	(175 437)
Tax expense in other comprehensive income related to temporary differences	36 856	5 163
Total	(165 537)	(170 274)

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

	01.01 – 31.03.2011	01.01 – 31.03.2010
Profit per ordinary shareholders (in PLN thousand)	851 344	727 190
Weighted average number of ordinary shares during the period (in thousand)	1 250 000	1 250 000
Earnings per share (in PLN per share)	0.68	0.58

Earnings per share from discontinued operations

In the periods ended 31 March 2011 and 31 March 2010, the Bank 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 attributable to ordinary shareholders, by dividing the respective profit 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 1st quarter of 2011 or in the 1st quarter of 2010.

Diluted earnings per share from discontinued operations

In the periods ended 31 March 2011 and 31 March 2010, the Bank did not report any material income or expenses from discontinued operations.

10. Amounts due from banks

	31.03.2011	31.12.2010
Deposits with banks	2 335 077	1 501 919
Loans and advances	339 717	345 620
Current accounts	210 130	557 408
Cash in transit	15 851	6 862
Receivables due from repurchase agreements	13 433	-
Total	2 914 208	2 411 809
Impairment allowances, of which	(31 845)	(32 570)
impairment allowance on amounts due from a foreign bank	(30 917)	(31 734)
Net total	2 882 363	2 379 239

11. Trading assets

	31.03.2011	31.12.2010
Debt securities	3 319 362	1 491 053
issued by the State Treasury, including:	3 301 618	1 483 144
Treasury bills	318 949	-
Treasury bonds	2 982 669	1 483 144
issued by local government bodies, including:	17 147	7 390
municipal bonds	17 147	7 390
issued by non-financial institutions, including:	597	509
corporate bonds	597	509
issued by other financial institutions, including:	-	10
corporate bonds	-	10
Shares in other entities - listed on stock exchange	9 887	12 596
Total	3 329 249	1 503 649

12. Derivative financial instruments

Type of contract	31.03.2011		31.12.2010	
	Assets	Liabilities	Assets	Liabilities
IRS	1 263 101	1 335 869	1 447 916	1 553 029
FRA	19 062	16 369	12 157	11 107
FX Swap	99 105	83 581	62 204	83 613
CIRS	385 255	147 297	126 219	687 977
Forward	33 511	41 199	18 356	42 972
Options	32 921	19 245	46 397	25 382
Other	6 346	1 727	6 515	715
Total	1 839 301	1 645 287	1 719 764	2 404 795

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

	31.03.2011	31.12.2010
Debt securities	11 016 581	10 758 331
issued by the State Treasury, including:	6 517 315	6 631 702
Treasury bills	3 422 465	1 893 058
Treasury bonds	3 094 850	4 738 644
issued by central banks, including:	4 249 554	3 997 780
NBP bills	4 249 554	3 997 780
issued by local government bodies, including:	249 712	128 849
municipal bonds PLN	114 862	-
municipal bonds EUR	134 850	128 849
Total	11 016 581	10 758 331

14. Loans and advances to customers

	31.03.2011	31.12.2010
Gross loans and advances, including:	135 476 042	133 198 613
mortgage	62 665 327	62 183 520
corporate	47 005 900	45 046 772
consumer	25 152 456	25 367 184
Interest	652 359	601 137
Impairment allowances on loans and advances	(4 666 780)	(4 265 484)
Loans and advances granted - net	130 809 262	128 933 129

	31.03.2011	31.12.2010
Loans and advances to customers		
Valued using the individual method ¹	4 243 657	5 059 607
of which impaired	3 815 573	4 686 388
of which not impaired	428 084	373 219
Valued using the portfolio method	5 218 109	4 803 630
Valued using the group method (IBNR)	126 014 276	123 335 376
Loans and advances to customers - gross	135 476 042	133 198 613
Allowances on exposures valued using the individual method, of which	(1 308 062)	(1 276 776)
impaired	(1 308 062)	(1 276 776)
Allowances on exposures valued using the portfolio method	(2 753 767)	(2 508 826)
Allowances on exposures valued using the group method (IBNR)	(604 951)	(479 882)
Impairment allowances - total	(4 666 780)	(4 265 484)
Loans and advances to customers - net	130 809 262	128 933 129

As at 31 March 2011, the share of impaired loans amounted to 6.7% (as at 31 December 2010: 7.1%); whereas the coverage ratio for impaired loans (calculated as total impairment allowances on total receivables divided by gross carrying amount of impaired loans) amounted to 51.7% (as at 31 December 2010: 44.9%).

The increase in the volume of loans assessed under the portfolio method in the 1st quarter of 2011 by PLN 414 479 thousand resulted mainly from the increase in delays in repayment in the portfolio of consumer loans and mortgage loans.

¹ In the 1st quarter of 2011, the rules for classifying the objective evidence of impairment of loan exposures were modified, the main result of which was that 'deterioration in the client's financial standing during the loan term' ceased to be included in the catalogue of individual objective evidence of impairment as regards clients who used to be classified to this group and who are a subject of low probability of default.

15. Investment securities available for sale

	31.03.2011	31.12.2010
Debt securities available for sale gross	9 706 095	9 817 952
issued by the State Treasury	5 624 763	5 486 623
Treasury bonds	5 624 763	5 486 623
issued by local government bodies	2 703 431	2 824 173
municipal bonds	2 703 431	2 824 173
issued by non-financial institutions	1 324 925	1 448 119
corporate bonds	1 322 163	1 445 357
bills of exchange	2 762	2 762
issued by banks	51 700	50 858
corporate bonds	51 700	50 858
issued by other financial institutions	1 276	8 179
corporate bonds	1 276	8 179
Impairment of debt securities available for sale	(13 045)	(13 045)
corporate bonds	(10 283)	(10 283)
bills of exchange	(2 762)	(2 762)
Total net debt securities available for sale	9 693 050	9 804 907
Equity instruments available for sale gross	78 029	71 878
Equity securities admitted to public trading	65 952	60 866
Equity securities not admitted to public trading	12 077	11 012
Impairment of equity securities available for sale	(533)	(533)
Impairment of equity securities not admitted to public trading	(533)	(533)
Total net equity instruments available for sale	77 496	71 345
Total net investment securities	9 770 546	9 876 252

16. Investments in subsidiaries, jointly controlled entities and associates

As at 31 March 2011, the Bank's investments in subsidiaries, jointly controlled entities and associates have been recognised at acquisition cost adjusted by impairment allowances.

The Bank's individual shares in subordinated entities are presented below.

As at 31 March 2011	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	21 566	(10 666)	10 900
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	1 921 469	(450 962)	1 470 507

1) Value does not include capital contribution of PKO Bank Polski SA presented in the statement of financial position as '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 as 'Loans and advances to customers' in the amount of PLN 118 650 thousand.

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As at 31 December 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 as '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 as 'Loans and advances to customers' in the amount of PLN 113 310 thousand.

17. Intangible assets and tangible fixed assets

Intangible assets	31.03.2011	31.12.2010
Software	1 420 382	1 248 339
Other, including capital expenditure	91 591	279 928
Total	1 511 973	1 528 267

Tangible fixed assets	31.03.2011	31.12.2010
Land and buildings	1 416 815	1 422 122
Machinery and equipment	476 890	502 731
Assets under construction	85 856	65 592
Means of transport	981	1 036
Investment properties	257	259
Other	82 499	85 400
Total	2 063 298	2 077 140

18. Amounts due from banks

	31.03.2011	31.12.2010
Loans and advances received	2 921 831	2 999 116
Deposits of banks	1 495 439	1 027 502
Current accounts	23 810	43 901
Other money market deposits	141 633	93 662
Total	4 582 713	4 164 181

19. Amounts due to customers

	31.03.2011	31.12.2010
Amounts due to retail clients	96 614 493	94 347 108
Current accounts and overnight deposits	48 262 607	46 308 729
Term deposits	48 036 551	47 744 721
Other money market deposits	315 335	293 658
Amounts due to corporate entities	35 107 503	34 895 145
Term deposits	19 551 601	18 485 939
Current accounts and overnight deposits	10 300 349	11 139 468
Loans and advances received*	5 072 329	5 020 400
Other money market deposits	183 224	249 338
Amounts due to public sector	6 303 922	6 046 802
Term deposits	4 373 280	3 349 821
Current accounts and overnight deposits	1 925 348	2 689 361
Other money market deposits	5 294	7 620
Total	138 025 918	135 289 055

*In 'Amounts due to customers' there is included a loan of EUR 800 000 thousand from PKO Finance AB, the Bank's subsidiary, as funds gathered through Eurobonds issue.

20. Other liabilities

	31.03.2011	31.12.2010
Accounts payable	281 247	236 504
Deferred income	291 547	312 480
Other liabilities	1 315 129	1 238 615
Total	1 887 923	1 787 599

21. Provisions

For the three-month period ended 31 March 2011	Provision for legal claims	Provisions for retirement benefits and anniversary bonuses	Provisions for liabilities and guarantees granted	Other provisions*	Total
As at 1 January 2011, including:	6 311	410 723	216 137	81 267	714 438
Short term provision	6 311	29 537	81 965	81 267	199 080
Long term provision	-	381 186	134 172	-	515 358
Increase/reassessment	-	-	61 482	2 081	63 563
Use	-	-	-	(2 228)	(2 228)
Release	-	-	(59 437)	(14 118)	(73 555)
Other changes and reclassifications	-	-	13	-	13
As at 31 March 2011, including:	6 311	410 723	218 195	67 002	702 231
Short term provision	6 311	29 537	89 041	67 002	191 891
Long term provision	-	381 186	129 154	-	510 340

*Included in 'Other provisions' is: restructuring provision of PLN 51 941 thousand and provision of PLN 11 398 thousand for potential claims on impaired loans portfolios sold.

For the three-month period ended 31 March 2010	Provision for legal claims	Provisions for retirement benefits and anniversary bonuses	Provisions for liabilities and guarantees granted	Other provisions*	Total
As at 1 January 2010, including:	6 841	367 291	110 642	113 852	598 626
Short term provision	6 841	27 277	110 642	113 852	258 612
Long term provision	-	340 014	-	-	340 014
Increase/reassessment	-	-	7 273	2 155	9 428
Use	-	-	-	(24)	(24)
Release	-	-	(30 338)	(23 655)	(53 993)
As at 31 March 2010, including:	6 841	367 291	87 577	92 328	554 037
Short term provision	6 841	27 277	87 577	92 328	214 023
Long term provision	-	340 014	-	-	340 014

*Included in 'Other provisions' is: restructuring provision of PLN 55 019 thousand and provision of PLN 31 589 thousand for potential claims on impaired loans portfolios sold.

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

22. Off-balance sheet liabilities

Contingent liabilities

Underwriting programs

As at 31 March 2011, 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	465 700	2013.10.31	Bonds Issue Agreement*
Company B	corporate bonds	448 000	2013.07.31	Bonds Issue Agreement*
Company C	corporate bonds	180 000	2012.01.02	Bonds Issue Agreement*
Company D	corporate bonds	155 000	2024.12.31	Bonds Issue Agreement*
Company E	corporate bonds	74 900	2015.12.30	Bonds Issue Agreement*
Company F	corporate bonds	13 000	2018.12.31	Bonds Issue Agreement*
Entity A	municipal bonds	4 000	2025.12.31	Bonds Issue Agreement*
Total		1 340 600		

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

As at 31 December 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	304 000	2013.07.31	Bonds Issue Agreement*
Company B	corporate bonds	200 000	2012.01.02	Bonds Issue Agreement*
Company C	corporate bonds	155 000	2024.12.31	Bonds Issue Agreement*
Company D	corporate bonds	74 900	2015.12.30	Bonds Issue Agreement*
Company E	corporate bonds	13 000	2018.12.31	Bonds Issue Agreement*
Entity A	municipal bonds	4 000	2025.12.31	Bonds Issue Agreement*
Total		750 900		

* 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 31 March 2011, contractual commitments related to intangible assets amounted to PLN 1 100 thousand (as at 31 December 2010, they amounted to PLN 1 748 thousand).

Loan commitments granted

	31.03.2011	31.12.2010
Financial sector	1 033 077	1 139 573
Non-financial sector	27 776 010	27 790 351
Public sector	939 526	1 005 614
Total	29 748 613	29 935 538
of which: irrevocable loan commitments	6 983 532	7 001 338

Loan commitments have been presented in nominal values.

Guarantees issued

	31.03.2011	31.12.2010
Financial sector	1 455 023	2 504 479
Non-financial sector	5 734 184	5 494 578
Public sector	333 995	253 771
Total	7 523 202	8 252 828

Contingent assets received

	31.03.2011	31.12.2010
Financial	414 812	395 625
Guarantees	2 356 118	2 231 427
Total	2 770 930	2 627 052

Assets pledged as collateral for contingent liabilities

As at 31 March 2011 and 31 December 2010, 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.

	31.03.2011	31.12.2010	31.03.2010
Cash and balances with the central bank	4 629 529	6 112 562	3 296 910
Current receivables from financial institutions	2 592 536	2 087 435	1 606 060
Total	7 222 065	8 199 997	4 902 970

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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.

31 March 2011

Entity	Type of capital relation	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
PKO BP BANKOWY Powszechna Towarzystwo Emerytalne SA	Direct subsidiary	79	-	1 519	669	627	26	26	-
Centrum Finansowe Puławska Sp. z o.o.	Direct subsidiary	65 044	64 810	29 054	681	681	10 681	285	-
KREDOBANK SA	Direct subsidiary	231 799	215 881	422	1 690	1 690	-	-	354 433
PKO BP Inwestycje Sp. z o.o.	Direct subsidiary	118 650	-	6 283	3	3	-	-	403
Inteligo Financial Services SA	Direct subsidiary	8 994	-	121 517	428	417	12 766	1 133	-
Centrum Elektronicznych Usług Płatniczych 'eService' SA	Direct subsidiary	915	-	23 316	3 017	3 017	9 604	9 604	2 500
Bankowy Fundusz Leasingowy SA	Direct subsidiary	36 545	34 789	20 877	2 106	1 992	3 473	741	781 577
Bankowe Towarzystwo Kapitałowe SA	Direct subsidiary	-	-	714	1	1	7	7	7 000
PKO Towarzystwo Funduszy Inwestycyjnych SA	Direct subsidiary	16 093	-	5 406	46 317	46 313	68	68	467
Fort Mokotów Inwestycje Sp. z o.o.	Direct subsidiary	8 053	-	2 039	-	-	34	34	-
Fort Mokotów Sp. z o.o.	Indirect subsidiary	-	-	6 201	1	1	-	-	-
PKO BP Inwestycje - Neptun Park Sp. z o.o.	Indirect subsidiary	129 513	129 000	15 292	1 919	1 919	14	14	-
PKO BP Inwestycje - Nowy Wilanów Sp. z o.o.	Indirect subsidiary	132 088	132 088	22 266	2 144	2 144	47	47	67 912
PKO BP Inwestycje - Rezydencja Flotylla Sp. z o.o.	Indirect subsidiary	18 491	18 491	179	273	273	-	-	50 177
Bankowy Leasing Sp. z o.o.	Indirect subsidiary	1 070 362	1 055 728	167	12 957	12 955	82	-	48 843
BFL Nieruchomości Sp. z o.o.	Indirect subsidiary	313 997	311 986	1 346	4 031	4 031	-	-	8 943
PKO BP Finat Sp. z o.o.	Indirect subsidiary	-	-	5 283	2	2	40	31	-
PKO BP Inwestycje - Sarnia Dolina Sp. z o.o.	Indirect subsidiary	15 260	15 260	50	211	211	-	-	50 000
PKO BP Faktoring SA	Indirect subsidiary	110 705	110 536	2 405	1 043	1 043	-	-	139 464
PKO Finanse AB	Direct subsidiary	-	-	3 258 564	-	-	29 143	29 143	-
Qualia Sp. z o.o.	Indirect subsidiary	-	-	4	-	-	-	-	-
Qualia Sp. z o.o. - Sopot Spółka komandytowa	Indirect subsidiary	-	-	2	-	-	-	-	-
CENTRUM HAFFNERA Sp. z o.o.	Direct jointly controlled entity	-	-	1 515	3	3	-	-	-
Centrum Obsługi Biznesu Sp. z o.o.	Direct jointly controlled entity	31 037	30 966	21 470	213	213	142	142	-
Centrum Majkowskiego Sp. z o.o.	Indirect jointly controlled entity	-	-	4 778	2	2	26	26	-
Kamienica Morska Sp. z o.o.	Indirect jointly controlled entity	-	-	44	1	1	-	-	-
Sopot Zdrój Sp. z o.o.	Indirect jointly controlled entity	212 385	212 385	1 870	1 456	1 456	16	16	-
Promenada Sopocka Sp. z o.o.	Indirect jointly controlled entity	44 348	44 348	1 005	297	297	-	-	-
Bank Pocztowy SA	Associate	-	-	12	145	142	400	185	9 406
Kolej Gondolowa Jaworzyna Krynicka SA	Associate held for sale	8 599	8 599	245	90	90	7	7	4 976
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	Associate	-	-	7 186	-	-	278	278	-
Agencja Inwestycyjna CORP SA	Associate	59	-	86	154	154	696	696	-
TOTAL		2 573 016	2 384 867	3 561 117	79 854	79 678	67 550	42 483	1 526 101

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for the three-month period ended 31 March 2011 (in PLN thousand)



31 December 2010

Entity	Capital relation	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
PKO BP BANKOWY Powszechnie Towarzystwo Emerytalne SA	Direct subsidiary	121	-	234	3 317	3 195	400	400	-
Centrum Finansowe Puławska Sp. z o.o.	Direct subsidiary	64 940	64 810	28 744	2 935	2 935	43 802	891	-
KREDOBANK SA	Direct subsidiary	247 819	130 096	25	9 827	9 827	-	-	489 427
PKO BP Inwestycje Sp. z o.o.	Direct subsidiary	113 310	-	1 509	9	9	638	203	1 500
Inteligo Financial Services SA	Direct subsidiary	7 822	-	120 044	1 741	22	50 838	4 512	-
Centrum Elektronicznych Usług Płatniczych "eService" SA	Direct subsidiary	864	-	27 342	5 110	5 110	37 908	37 907	2 500
Bankowy Fundusz Leasingowy SA	Direct subsidiary	50 467	41 652	26 882	8 496	5 855	10 799	272	807 665
Bankowe Towarzystwo Kapitałowe SA	Direct subsidiary	3 000	-	4 175	4	4	108	108	7 000
PKO Towarzystwo Funduszy Inwestycyjnych SA	Direct subsidiary	15 557	-	3 686	162 142	161 752	248	248	467
Fort Mokotów Inwestycje Sp. z o.o.	Direct subsidiary	8 053	-	3 591	1	1	108	108	-
PKO Finanse AB	Direct subsidiary	-	-	3 188 019	-	-	22 892	22 664	-
Fort Mokotów Sp. z o.o.	Indirect subsidiary	-	-	6 293	1	1	211	211	-
PKO BP Inwestycje - Neptun Park Sp. z o.o.	Indirect subsidiary	132 016	131 500	14 802	8 090	8 090	298	298	-
PKO BP Inwestycje - Nowy Wilanów Sp. z o.o.	Indirect subsidiary	132 088	132 088	20 020	9 168	9 168	120	120	67 912
PKO BP Inwestycje - Rezydencja Flotylla Sp. z o.o.	Indirect subsidiary	13 909	13 909	89	1 461	1 461	-	-	54 759
Bankowy Leasing Sp. z o.o.	Indirect subsidiary	946 242	946 169	230	35 654	35 442	6	6	126 889
BFL Nieruchomości Sp. z o.o.	Indirect subsidiary	307 305	307 305	1 501	13 210	13 210	15	15	5 071
PKO BP Finat Sp. z o.o.	Indirect subsidiary	-	-	5 856	7	7	168	168	-
PKO BP Inwestycje - Sarnia Dolina Sp. z o.o.	Indirect subsidiary	15 260	15 260	149	828	828	-	-	50 000
PKO BP Faktoring SA	Indirect subsidiary	92 542	92 542	1 196	3 911	3 911	-	-	157 476
WISŁOK Inwestycje Sp. z o.o.	Indirect subsidiary	-	-	-	337	337	-	-	-
CENTRUM HAFFNERA Sp. z o.o.	Direct jointly controlled entity	-	-	2 478	9	9	59	59	-
Centrum Obsługi Biznesu Sp z o.o.	Direct jointly controlled entity	30 799	30 799	22 285	753	752	558	557	-
Centrum Majkowskiego Sp. z o.o.	Indirect jointly controlled entity	-	-	4 765	6	6	93	93	-
Kamienica Morska Sp. z o.o.	Indirect jointly controlled entity	-	-	66	6	6	-	-	-
Sopot Zdrój Sp. z o.o.	Indirect jointly controlled entity	209 785	209 785	4 049	5 617	5 617	60	60	-
Promenada Sopotcka Sp. z o.o.	Indirect jointly controlled entity	43 805	43 805	691	1 165	1 165	-	-	-
Bank Pocztowy SA	Associate	-	-	105	146	131	1 962	419	1 330
Kolej Gondolowa Jaworzyna Krynicka SA	Associate held for sale	5 824	5 824	538	74	74	9	9	8 375
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	Associate	-	-	16 178	1	1	152	141	-
Agencja Inwestycyjna CORP SA	Associate	61	-	87	628	-	2 425	-	-
TOTAL		2 441 589	2 165 544	3 505 629	274 654	268 926	173 877	69 469	1 780 371

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

In the 1st quarter of 2011, 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	
	31.03.2011	31.12.2010
Amounts due from banks impaired	40 599	42 720
of which valued using the individual method	40 237	42 250
Amounts due from banks not impaired	2 873 609	2 369 089
<i>neither past due nor impaired</i>	2 861 885	2 368 738
<i>past due but not impaired</i>	11 724	351
<i>past due up to 4 days</i>	11 610	351
<i>past due over 4 days</i>	114	-
Gross total	2 914 208	2 411 809
Impairment allowances	(31 845)	(32 570)
Net total by carrying amount	2 882 363	2 379 239

Loans and advances to customers	Exposure	
	31.03.2011	31.12.2010
Loans and advances impaired	9 033 682	9 490 018
of which valued using the individual method	3 815 573	4 686 388
Loans and advances not impaired	126 442 360	123 708 595
<i>neither past due nor impaired</i>	121 710 592	119 904 124
<i>past due but not impaired</i>	4 731 768	3 804 471
<i>past due up to 4 days</i>	2 587 224	2 025 979
<i>past due over 4 days</i>	2 144 544	1 778 492
Gross total	135 476 042	133 198 613
Impairment allowances	(4 666 780)	(4 265 484)
Net total by carrying amount	130 809 262	128 933 129

Investment securities available for sale – debt securities	Exposure	
	31.03.2011	31.12.2010
Debt securities impaired	13 045	13 045
of which valued using the individual method	13 045	13 045
Debt securities not impaired	9 693 050	9 804 907
<i>neither past due nor impaired</i>	9 693 050	9 804 907
Gross total	9 706 095	9 817 952
Impairment allowances	(13 045)	(13 045)
Net total by carrying amount	9 693 050	9 804 907

Exposure to credit risk

The table below presents maximum exposure to credit risk of the Bank as at 31 March 2011 and as at 31 December 2010, excluding collaterals and related improvement of credit situation, by net carrying amount.

Items of the statement of financial position	31.03.2011	31.12.2010
Current account in the central bank	2 692 206	3 782 717
Amounts due from banks	2 882 363	2 379 239
Trading assets – debt securities	3 319 362	1 491 053
Derivative financial instruments	1 839 301	1 719 764
Financial instruments at fair value through profit and loss - debt securities	11 016 581	10 758 331
Loans and advances to customers	130 809 262	128 933 129
Investment securities available for sale - debt securities	9 693 050	9 804 907
Other assets - other financial assets	286 062	289 587
Total	162 538 187	159 158 727
Off-balance sheet items	31.03.2011	31.12.2010
Irrevocable liabilities granted	6 983 532	7 001 338
Guarantees granted	4 631 941	5 048 902
Letters of credit granted	267 877	229 946
Guarantees of issue (underwriting)	2 623 384	2 973 980
Total	14 506 734	15 254 166

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

	31.03.2011	31.12.2010
Amounts due from banks	40 237	42 250
Loans and advances to customers	3 815 573	4 686 388
non-financial sector	3 808 039	4 678 866
corporate loans	2 865 404	3 826 498
mortgage loans	844 493	764 065
consumer loans	98 142	88 303
State budget sector	7 534	7 522
corporate loans	7 534	7 522
Investment securities available for sale	13 045	13 045
issued by non-financial entities	13 045	13 045
Total	3 868 855	4 741 683

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 73% of the Bank's value at risk (VaR) as at 31 March 2011 and ca. 63% as at 31 December 2010.

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	31.03.2011	31.12.2010
VaR for a 10-day time horizon (in PLN thousand)	90 595	39 004
Parallel move of interest rate curves by 200 base points (in PLN thousand) (stress-tests)	488 192	475 091

Currency risk

VaR of the Bank (10-day VaR, at 99% confidence level) and stress-testing of the Bank's financial assets exposed to currency risk are stated cumulatively for all currencies in the table below:

Name of sensitivity measure	31.03.2011	31.12.2010
VaR for a 10-day time horizon at 99% confidence level (in PLN thousand)	2 031	3 171
Change of CUR/PLN exchange rates by 15% (in PLN thousand) (stress-tests)	4 799	3 954

The level of the currency risk was low both as at 31 March 2011 and as at 31 December 2010.

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

Currency position	31.03.2011	31.12.2010
USD	206	(60 735)
GBP	(853)	48 110
CHF	(21 976)	(19 038)
EUR	(27 730)	(13 120)
Other (Global Net)	18 360	18 424

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 - 24 months	24 - 60 months	over 60 months
	31.03.2011							
Adjusted gap in real terms	2 437 705	15 556 769	(87 677)	442 508	3 777 166	4 444 715	(1 445 032)	(25 126 154)
Cumulative adjusted gap in real terms	2 437 705	17 994 474	17 906 797	18 349 305	22 126 471	26 571 186	25 126 154	-
	31.12.2010							
Adjusted gap in real terms	3 220 646	14 309 944	(711 294)	(65 793)	3 965 229	5 019 030	(1 317 240)	(24 420 522)
Cumulative adjusted gap in real terms	3 220 646	17 530 590	16 819 296	16 753 503	20 718 732	25 737 762	24 420 522	-

In all time horizons, the Bank's cumulative adjusted liquidity gap in real terms as at 31 March 2011 and as at 31 December 2010 was positive. This means a surplus of assets receivable over liabilities payable.

Capital adequacy

The capital adequacy level of the Bank as at 31 March 2011 remained on a safe level and was significantly above the statutory limits.

Compared with 31 December 2010, the Bank's capital adequacy level increased by 1 pp., which was mainly caused by the recognition of profit earned by the Bank in 2010 after expected charges deduction which was assigned to the Bank's own funds calculated for capital adequacy purposes.

Own funds calculated for capital adequacy purposes

As at 31 March 2011, the Bank's own funds calculated for capital adequacy purposes increased by PLN 1 827 383 thousand, which was mainly due to the recognition of profit earned by the Bank in 2010 after expected charges deduction (i.e. PLN 1 936 209 thousand).

The structure of the Bank's own funds defined for capital adequacy purposes is presented in the table below:

BANK'S OWN FUNDS	31.03.2011	31.12.2010
Basic funds (Tier 1 capital)	17 381 629	15 449 743
Share capital	1 250 000	1 250 000
Reserve capital	12 098 111	12 098 111
Other reserves	3 283 412	3 283 412
General banking risk fund for unidentified risk of banking activities	1 070 000	1 070 000
Retained earnings after expected charges deduction	1 936 209	-
Unrealised losses on debt and equity instruments classified as available for sale	(89 102)	(65 935)
Intangible assets	(1 511 973)	(1 528 267)
Equity exposures	(655 028)	(657 578)
Supplementary funds (Tier 2 capital)	974 392	967 418
Subordinated liabilities classified as supplementary funds	1 600 700	1 600 700
Unrealised profits on debt and equity instruments classified as available for sale (up to 80% of their values before tax)	28 720	24 296
Equity exposures	(655 028)	(657 578)
Short-term equity (Tier 3 capital)	34 451	145 928
TOTAL EQUITY	18 390 472	16 563 089

Capital requirements (Pillar 1)

The table below presents the Bank's capital requirements as regards particular types of risk.

Capital requirements	31.03.2011	31.12.2010
Credit risk	9 890 838	9 625 972
credit risk (banking book)	9 828 507	9 560 923
counterparty risk (trading book)	62 331	65 049
Market risk	426 776	465 911
equity securities risk	747	767
specific risk of debt instruments	333 759	379 948
general interest rates risk	92 270	85 196
Operational risk	1 010 590	957 564
Total capital requirements	11 328 204	11 049 447
Capital adequacy ratio	12.99%	11.99%

FURTHER EXPLANATORY INFORMATION

Identification data

PKO Bank Polski SA, with its registered Head Office at 15 Puławska Street, 02-515 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

Table 1. The Management Board of PKO Bank Polski SA as of 31 March 2011

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 the President of the Management Board of PKO Bank Polski SA. On 2 March 2011, the Bank's Supervisory Board appointed Zbigniew Jagiełło as the President of the Management Board of PKO Bank Polski SA for the joint term of the Board beginning with the day of General Shareholders Meeting of PKO Bank Polski SA which will approve Financial Statements of PKO Bank Polski SA for 2010.
2.	Piotr Alicki	Vice-President of the Management Board	On 1 September 2010 appointed as Vice-President of the Management Board effective from 2 November 2010 for the joint term of the Board beginning on 20 May 2008.
3.	Bartosz Drabikowski	Vice-President of the Management Board	On 20 May 2008 appointed as Vice-President of the Management Board for the joint term of the Board beginning on that day.
4.	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.
5.	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.
6.	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. On 23 March 2011 Wojciech Papierak, the Vice-President of the Board informed the Bank about his decision not to seek appointment to the Board of the Bank for the next term.
7.	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.

Table 2. The Supervisory Board of PKO Bank Polski SA as of 31 March 2011

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 Czekał	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.	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.
6.	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.
7.	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.

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.

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

In the 1st quarter of 2011, Bankowy Fundusz Leasingowy SA issued 14 000 bonds with a total nominal value of PLN 140 million and redeemed 12 000 bonds with a total nominal value of PLN 120 million. At the end of March 2011, the Company's debt arising from the bonds issue amounted to PLN 140 million.

As at 31 March 2011, 128 units of BFL SA bonds with a nominal value of PLN 1.28 million were included in PKO Bank Polski SA portfolio and remaining 13 872 units with a nominal value of PLN 138.72 million were sold on a 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 and Bank Gospodarstwa Krajowego hold 512 406 277 and 128 102 731 shares of PKO Bank Polski SA respectively. 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.

Table 3. Shareholding structure in PKO Bank Polski SA as at the date of submission of this Report

Shareholders	As at the date of submission of the Report for the 1st quarter of 2011		As at 31.12.2010		Change of the share in the number of votes on General Shareholders' Meeting in pp. since 31.12.2010
	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

Table 4. PKO Bank Polski SA shares held by the Management or Supervisory Board Members

No.	Name and post	Number of shares as at the date of submission of the Report for the 1st quarter of 2011	Purchase	Disposal	Number of shares as at 31.12.2010
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	2 627	-	-	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.	Mirosław Czekaj, Secretary of the Bank's Supervisory Board	-	-	-	-
4.	Jan Bossak, Member 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	-	-	-	-

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 1st quarter of 2011 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 30 to these condensed interim consolidated financial 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.

Significant factors which will have impact on the financial results of KREDOBANK SA include the Bank's Management Board adopting, on 3 March 2011, a decision to embark on the project "Developing a new strategy for KREDOBANK SA".

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 1st quarter of 2011, 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 31 March 2011, the total value of court proceedings against the Bank was ca. PLN 326 108 thousand, while the total value of court proceedings initiated by the Bank was ca. PLN 64 611 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 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 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 2011.

Information on dividend paid or declared

On 05 May 2011, the Management Board of PKO Bank Polski SA passed a resolution on the distribution of profit earned in 2010. In this resolution the following distribution of PKO Bank Polski SA's profit earned in the period from 1 January 2010 to 31 December 2010 amounting to PLN 3 311 209 thousand was proposed.

1) the dividend for shareholders	PLN 1 375 000 thousand,
2) reserve capital	PLN 1 900 000 thousand,
3) other reserves	PLN 36 209 thousand.

The said resolution is the proposal of the Bank's Management Board and will be considered and evaluated by the Bank's Supervisory Board in order to present it to the General Shareholders' Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.

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 28 March 2011, the Supervisory Board of PKO Bank Polski S.A selected *PricewaterhouseCoopers Sp. z o.o.* as the entity authorized to audit and review the Bank's financial statements and the consolidated financial statements of the Bank's Group. *PricewaterhouseCoopers Sp. z o.o.* with its registered office in Warsaw, Al. Armii Ludowej 14, has been entered to the list of registered auditors maintained by the National Council of Registered Auditors with No. 144. The Bank's Supervisory Board appointed the auditor in accordance with the applicable provisions and professional standards, on the basis of par. 15.1.3 of the Bank's Memorandum of Association. A contract was concluded for the audit and review of the financial statements of the Bank and the PKO Bank Polski SA Group for the years 2011-2013. The Bank used *PricewaterhouseCoopers Sp. z o.o.*'s services in the past to audit and review the financial statements of PKO Bank Polski SA and its Group for the years 2008-2010, and perform related services.

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

In the 1st quarter of 2011, 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 1st quarter of 2011, 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 1 April 2011, the Supervisory Board of PKO Bank Polski SA passed resolutions appointing:
 - Mr Piotr Stanisław Alicki as Vice-President of the Management Board,
 - Mr Bartosz Drabikowski as Vice-President of the Management Board,
 - Mr Jarosław Myjak as Vice-President of the Management Board,
 - Mr Jacek Obłąkowski as Vice-President of the Management Board,
 - Mr Jakub Papierski as Vice-President of the Management Board.

In accordance with resolutions passed, above mentioned persons were appointed to specific functions in PKO Bank Polski SA for the joint term of the Management Board beginning with the day of General Shareholders Meeting which will approve Financial Statements of PKO Bank Polski SA for 2010.

On 20 April 2011 Mr Krzysztof Dresler, the Vice-President of the Board, informed the Bank about his decision not to seek appointment to the Board of the Bank for the next term.

2. On 14 April 2011, the Extraordinary General Shareholders' Meeting adopted Resolution No. 3/2011 on amendments to the Memorandum of Association of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna. The proposed amendments to the Bank's Memorandum of Association were presented by the State Treasury – the Bank's shareholder. The changes contained in the Resolution related to:
 - limiting the voting rights of shareholders along with adopting principles for accumulating and reducing votes,
 - method of appointing the Supervisory Board,
 - agenda of the first meeting of the Supervisory Board in its new term of office,
 - definition of the parent company (*podmiot dominujący*) and subsidiary (*podmiot zależny*).
3. The Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna ('Bank') received a letter from the State Treasury ('ST') and from Bank Gospodarstwa Krajowego ('BGK'), acting as the Bank's shareholders ('Selling Shareholders'), which informed about their intention to sell their shares in the Bank ('Transaction'), and requesting that action be started to prepare the Bank for participation in the Transaction ('Letters').

The Selling Shareholders assume that the Transaction will be carried out as a public offering, which will require preparing the prospectus and having it approved by the Polish Financial Supervision Authority. According to the information contained in the Letters and initial assumptions of the Selling Shareholders, the Transaction is to be completed in September 2011. In connection with the Letters, on 19 April 2011 the Bank's Management Board made a decision to commence actions aimed at preparing the Bank for participation in the Transaction.

4. On 20 April 2011, the Management Board of PKO Bank Polski SA ('Bank') adopted a resolution on withdrawing from the intention to carry out an issue of subordinated bonds in the maximum amount of up to PLN 5.0 billion (five billion) ('Issue'), the proceeds from which were to be earmarked for increasing the supplementary capital of the Bank under Art. 127.3.2.b of the Banking Law. As a result of this decision, the Bank will apply to the Polish Financial Supervision Authority to discontinue proceedings in respect of its consent for earmarking the proceeds from the Issue for increasing the Bank's supplementary capital.

Approval of financial statements

These condensed interim consolidated financial statements, reviewed by the Supervisory Board's Audit Committee on 9 May 2011, have been approved for issue by the Bank's Management Board on 5 May 2011.

Signatures of all Members of the Management Board of the Bank

05.05.2011	Zbigniew Jagiełło	President of the Board (signature)
05.05.2011	Piotr Alicki	Vice-President of the Board (signature)
05.05.2011	Bartosz Drabikowski	Vice-President of the Board (signature)
05.05.2011	Krzysztof Dresler	Vice-President of the Board (signature)
05.05.2011	Jarosław Myjak	Vice-President of the Board (signature)
05.05.2011	Wojciech Papierak	Vice-President of the Board (signature)
05.05.2011	Jakub Papierski	Vice-President of the Board (signature)

Signature of person responsible for
maintaining the books of account

05.05.2011
Danuta Szymańska
Director of the Bank

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(signature)