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Bank Polski

Report
of the PKO Bank Polski SA Group
for the third quarter of 2013

Report publication date:
14 November 2013

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	period from 01.01.2013 to 30.09.2013	period from 01.01.2012 to 30.09.2012	period from 01.01.2013 to 30.09.2013	period from 01.01.2012 to 30.09.2012
Net interest income	4 843 926	6 019 658	1 147 007	1 435 029
Net fee and commission income	2 351 047	2 264 378	556 711	539 806
Operating profit	2 831 535	3 578 879	670 487	853 170
Profit before income tax	**2 828 107**	**3 593 306**	**669 676**	**856 610**
Net profit (including non-controlling shareholders)	**2 288 317**	**2 873 572**	**541 857**	**685 032**
Net profit attributable to equity holders of the parent company	**2 288 705**	**2 874 377**	**541 949**	**685 224**
Earnings per share for the period – basic (in PLN/EUR)	**1.83**	**2.30**	**0.43**	**0.55**
Earnings per share for the period – diluted (in PLN/EUR)	**1.83**	**2.30**	**0.43**	**0.55**
Net comprehensive income	**1 993 960**	**2 535 523**	**472 156**	**604 444**
Net cash flow from / used in operating activities	498 829	(2 830 582)	118 119	(674 784)
Net cash flow from / used in investing activities	(1 448 926)	2 202 559	(343 095)	525 069
Net cash flow from / used in financing activities	388 431	900 700	91 978	214 718
Total net cash flows	(561 666)	272 677	(132 999)	65 004

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	as at 30.09.2013	as at 31.12.2012	as at 30.09.2013	as at 31.12.2012
Total assets	201 618 060	193 479 628	47 818 718	47 326 361
Total equity	24 451 610	24 707 650	5 799 305	6 043 650
Capital and reserves attributable to equity holders of the parent company	24 449 143	24 707 988	5 798 720	6 043 733
Share capital	1 250 000	1 250 000	296 468	305 758
Number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Book value per share (in PLN/EUR)	19.56	19.77	4.64	4.83
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)	19.56	19.77	4.64	4.83
Capital adequacy ratio	13.83%	13.07%	13.83%	13.07%
Basic funds (Tier 1)	20 113 446	18 788 075	4 770 402	4 595 684
Supplementary funds (Tier 2)	1 521 439	1 573 276	360 847	384 833
Short-term equity (Tier 3)	122 294	129 641	29 005	31 711

SELECTED STAND-ALONE FINANCIAL DATA	PLN thousand		EUR thousand	
	period from 01.01.2013 to 30.09.2013	period from 01.01.2012 to 30.09.2012	period from 01.01.2013 to 30.09.2013	period from 01.01.2012 to 30.09.2012
Net interest income	4 751 610	5 936 895	1 125 147	1 415 299
Net fee and commission income	2 095 589	2 070 437	496 221	493 572
Operating profit	2 773 129	3 604 286	656 657	859 227
Profit before income tax	**2 773 129**	**3 604 286**	**656 657**	**859 227**
Net profit	**2 253 547**	**2 899 974**	**533 624**	**691 326**
Earnings per share for the period – basic (in PLN/EUR)	**1.80**	**2.32**	**0.43**	**0.55**
Earnings per share for the period – diluted (in PLN/EUR)	**1.80**	**2.32**	**0.43**	**0.55**
Net comprehensive income	**1 961 934**	**2 579 719**	**464 572**	**614 980**
Net cash flow from / used in operating activities	770 166	(2 812 113)	182 370	(670 381)
Net cash flow from / used in investing activities	(1 140 631)	2 356 607	(270 093)	561 792
Net cash flow from / used in financing activities	(43 656)	799 988	(10 337)	190 709
Total net cash flows	(414 121)	344 482	(98 061)	82 121

SELECTED STAND-ALONE FINANCIAL DATA	PLN thousand		EUR thousand	
	as at 30.09.2013	as at 31.12.2012	as at 30.09.2013	as at 31.12.2012
Total assets	198 681 004	191 017 712	47 122 122	46 724 160
Total equity	24 357 993	24 646 059	5 777 101	6 028 584
Share capital	1 250 000	1 250 000	296 468	305 758
Number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Book value per share (in PLN/EUR)	19.49	19.72	4.62	4.82
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)	19.49	19.72	4.62	4.82
Capital adequacy ratio	13.56%	12.93%	13.56%	12.93%
Basic funds (Tier 1)	19 793 398	18 657 980	4 694 495	4 563 862
Supplementary funds (Tier 2)	956 825	1 087 104	226 935	265 913
Short-term equity (Tier 3)	122 294	129 641	29 005	31 711

The selected financial statements positions were translated into EUR using the following exchange rates:

– the income statement, the statement of comprehensive income and the statement of cash flows items – the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month of the nine-month period ended 30 September 2013 and 2012: EUR 1 = PLN 4.2231 and EUR 1 = PLN 4.1948,

– the statement of financial position items – average NBP exchange rate as at 30 September 2013: EUR 1 = PLN 4.2163 and as at 31 December 2012: EUR 1 = PLN 4.0882

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Directors' Commentary to the financial results of the PKO Bank Polski SA Group for the third quarter of 2013

DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS
OF THE PKO BANK POLSKI SA GROUP FOR THE THIRD QUARTER OF 2013

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1. Summary and selected financial data of the PKO Bank Polski SA Group

	3 quarters of 2013	3 quarters of 2012	Change y/y
NET PROFIT	2 288.7 PLN million	2 874.4 PLN million	-20.4% (y/y)
RESULT ON BUSINESS ACTIVITIES*	7 527.3 PLN million	8 715.6 PLN million	-13.6% (y/y)
ADMINISTRATIVE EXPENSES	(3 341.1) PLN million	(3 377.8) PLN million	-1.1% (y/y)
NET IMPAIRMENT ALLOWANCE	(1 354.7) PLN million	(1 758.9) PLN million	-23.0% (y/y)
C/I	44.1 %	39.0 %	5.1 pp.
ROE NET	13.0 %	16.6 %	-3.6 pp.
ROA NET	1.6 %	2.0 %	-0.4 pp.

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

In the third quarter of 2013 the PKO Bank Polski SA Group activities were focused on securing a stable development of business activities in terms of the cycle of falling interest rates ended in July and the gradual revival of national economy, while maintaining the priorities in the area of operating efficiency and effective cost control.
The net profit of the PKO Bank Polski SA Group generated in three quarters of this year amounted to PLN 2 288.7 million and was PLN 585.7 million lower than in the corresponding period of 2012 (-20.4% y/y). The achieved profit was determined by:

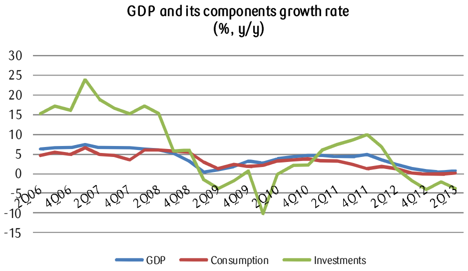
- deterioration of result on business activities of the PKO Bank Polski SA Group mainly due to a decrease in net interest income by PLN 1 175.7 million y/y, which is a consequence of reductions in market interest rates,
- decrease in administrative expenses (+PLN 36.7 million y/y), mainly due to lower expenses incurred for overheads and other expenses,
- improvement in net impairment allowance (+PLN 404.2 million y/y), mainly as a result of a decrease of impairment allowances on consumer and housing loans portfolio,
- an effective structure of the statement of financial position – an increase of deposits of the PKO Bank Polski SA Group (+PLN 4.7 billion compared to the end of 2012) and funds from the issue of securities enabled a dynamic increase in business activities. As at the end of the third quarter of 2013 the loan to deposit ratio amounted to 99.5% (90.6% when considering the long-term financing).

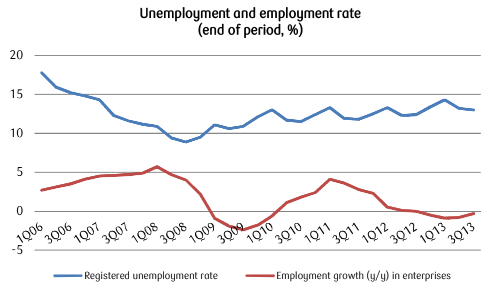
2. External environment

Macroeconomic environment

Macroeconomic factors influencing the national economy in the third quarter of 2013:

- gradual revival of the national economy – ca. 1.5%-2.0% y/y growth of GDP in comparison to 0.8% in the second quarter of 2013,
- in September 2013, CPI inflation at the level of 1.0% p.a. compared with 0.2% in June 2013, accompanied by an increasing annual growth rate of food prices, prices of fuels going up and a one-off impulse of a strong increase in waste disposal costs (+47.6% m/m), which raised the CPI by 0.4 pp.,
- relatively stable situation on the labour market. In September, the registered unemployment rate seasonally decreased to 13.0% (preliminary data of the Ministry of Labour and Social Policy) compared with 13.2% at the end of the second quarter of 2013 and the ratio's growth decreased slightly compared with the corresponding period of the previous year. The annual growth rate in salaries and wages in the enterprise sector reached 3.0% p.a. in the third quarter of 2013 compared to 2.9% in the second quarter of 2013, and the growth rate of employee pensions and disability benefits accelerated slightly to 5.5% y/y in July-August from 5.3% in the second quarter of 2013,
- the end of monetary easing cycle in July of this year with the reference rate at the level of 2.50%. Keeping rates at this level at least until the end of 2013 was announced.





Interest rate market

From the perspective of the interest rate market, the completion of the process of easing the monetary policy was the key event in the country in the third quarter of this year. At the July meeting, the Monetary Policy Council decided on the last reduction of the interest rates by 25 b.p. in the cycle (the reference rate decreased to 2.50%), indicating no further movements in the next few quarters. As a result, 3M WIBOR rate stabilised permanently 20 b.p. above the reference rate of the central bank (nearly 2.70%). For the most part of the quarter, both on the base markets and domestic market, there was a prevailing upward trend on the profitability of Treasury bonds. At the beginning of September of this year, the profitabilities of Treasury bonds achieved levels unprecedented since 2011, and in respect of 10-year bonds profitability was more than 3.0% in the case of Treasuries (USA) and Gilts (UK), and 2.0% in the case of Bunds (Germany). Quotations on the Polish 10-year Treasury securities market were close to 5%. Market expectations related to the Federal Reserve's future monetary policy were the main factor determining the revaluation of assets. The market expected the Federal Reserve to limit the purchase of assets by USD 10–15 billion (per month) already in September of this year. The Fed, however, did not change its monetary policy, and the moment of commencing the phasing out of the purchase of assets programme was deferred. As a result, the market saw a rapid adjustment and decrease in profitability close to the levels recorded in June this year. In the end, the third quarter closed with an increase of 10 b.p in the profitability of Polish 5- and 10-year Treasury bonds.

Foreign exchange market

In the third quarter of this year the appreciation of the Euro against the US dollar and the appreciation of the Polish zloty against both these currencies was noticed. As a result of the Fed's announcement on 19 June of this year (announcement of phasing out the quantitative easing programme), not only the end of June but also July was dominated by the strong sell out of Euro against the US dollar and emerging market currencies, including the Polish zloty. Because the price adjustment on the currency market was accompanied by a dynamic growth in the profitability of US bonds and declines in the US stock exchange indices, the Fed postponed the normalisation of the monetary policy. As a result, the Eurodollar reached a level of around 1.28 and entered an appreciation trend, and the Polish zloty began to gradually reinforce itself against Euro, breaking the psychological threshold of 4.20 in mid-August of this year. In the first half of September of this year, a temporary adjustment in appreciation trend of the EUR against the US dollar, as well as Polish zloty to both these currencies was noted in connection with political rather than economic events, i.e. the unstable situation in Syria and related threat of US military intervention. At the end of September of this year, the Polish currency reinforced itself against the Euro and US dollar by PLN 0.11 and PLN 0.19, respectively, in relation to the end of June of this year.

Stock market

The third quarter of this year was marked by a global recovery in economic activities and expectations of the normalisation of the monetary policy in the USA. Due to economic results exceeding the forecasts and the deferral of the easement programme for the purchase of assets by the Fed, stock exchange indices recorded a robust growth (WIG 12.4% q/q). The data coming in from the Polish economy in the third quarter confirmed that it had reached the bottom of the economic cycle in the first half of this year, and that subsequent quarters should bring about a gradual acceleration in the growth rate. The end of the recession was noted in the Euro zone, where the GDP increased by 0.3% in the second quarter of this year, thus influencing the moods of enterprises and households in the third quarter. Business activity in the US economy was positively assessed by investors, albeit without enthusiasm. They noticed mixed data from the labour market, weaker than expected orders for durable goods and a slowdown in the upturn trend on the real estate market, which reacted negatively to the increase in market interest rates. Investors were also concerned about the lack of political agreement over the budget for the next fiscal year and an increase in the federal debt limit. There were optimistic data from China and a visible improvement in industrial production and exports. The positive surprise in industry was related primarily to public expenditure on the infrastructure. China also benefited from the global improvement in economic conditions which resulted in an increase in orders for export goods. In Poland, an important factor affecting stock exchange indices was the planned reform of the second pillar of the social insurance system. After the initial nervous reaction, investors came to the conclusion that the proposed changes did not pose any significant threat to the stock market.

The situation of the Polish banking sector

In the third quarter of 2013 the low economic growth rate, historically low interest rates and changes in the regulatory environment influenced financial results of banking sector. The net profit of the banking sector amounted to PLN 11.8 billion at the end of September 2013 and was by 2.5% lower than the year before. The level of the net profit was a result of:

- a decrease of result on banking activities (by 6.1%),
- a decrease of administrative expenses (by 0.2%),
- a decrease in net impairment allowance (by 12.3%).

There was a deterioration in operational efficiency of the banking sector in the third quarter of 2013: C/I ratio increased to 53.3% compared to 50.1% at the end of the third quarter of 2012.
At the end of the third quarter of 2013 impaired loans increased by 0.9% y/y, and their share in total loans amounted to 8.5% compared to 8.8% at the end of 2012. In the third quarter of 2013, impaired loans went down in value (-1.5%), including non-performing corporate loans (-2.8%) and non-performing household loans (-0.4%). At the end of the third quarter of 2013, the share of non-performing loans in corporate loans amounted to 11.5%, 3% in housing loans and 15.6% in consumer loans.
At the end of the third quarter of 2013, the total assets of the banking sector amounted to PLN 1.43 trillion and were 2% higher than as at the end of the second quarter of 2013. In the third quarter of 2013 the situation on the loan and deposit market was affected by slight revival in banks' business activity. The change in the volumes of loans and deposits was due to the strong appreciation of the Polish zloty decreasing their value (decline in the PLN/CHF exchange rate by 1.6%, PLN/EUR by 2.6% in the third quarter of 2013).
In the third quarter of 2013 the value of total loans increased by PLN 7.1 billion (4% y/y compared to 3.9% y/y as at the end of the second quarter of 2013). After adjusting for changes in exchange rates, an increase in total loans was more than two times higher and amounted to PLN 14.3 billion.
A slight revival in the activity on the housing loan market was recorded. In the third quarter of 2013 the volume of the housing loans increased by 5.1% y/y compared to 3.7% y/y as at the end of the second quarter of 2013. The value of these loans increased by approx. PLN 1 billion, after adjusting for changes in exchange rates by PLN 5.3 billion, recording the highest quarterly growth in 2013. The increase of demand caused

by low interest rates and by recommended regulatory changes that introduce stricter requirements concerning own contributions in 2014 had a positive impact on sales of housing loans.
In the third quarter of 2013, an increase in consumer loans was recorded, which amounted to PLN 3.8 billion compared to PLN 0.5 billion in the second quarter of 2013. Easing the lending policy had a positive effect on the improvement of the situation on the consumer loans market.
In the third quarter of 2013 the situation on the corporate loans market deteriorated and as a consequence their value decreased by approx. PLN 0.3 billion q/q (1.4% y/y compared to 2.7% y/y as at the end of the second quarter of 2013). After adjusting for changes in exchange rates the value of corporate loans increased by PLN 1.7 billion. The situation on the corporate loans market was the result of low growth of the economy and continued low investment activity of enterprises, financing operations with own funds and therefore low demand for external financing.
In the third quarter of 2013 the value of total deposits increased by PLN 22.3 billion compared to PLN 14.6 billion in the second quarter of 2013, however the deposit growth rate decreased to 6.9% y/y from 7.2% y/y as at the end of the second quarter of 2013. The main source of the deposit growth was a seasonal increase in the deposits of central and local government institutions sector (+PLN 14.6 billion compared to +PLN 7.6 billion in the second quarter of 2013). In the third quarter of 2013, the increase in the non-monetary financial institutions deposits (+PLN 4 billion compared to the decrease by PLN 2.9 billion in the second quarter of 2013) and a slight increase in the corporate deposits (+PLN 1.9 billion compared to PLN 8.2 billion in the second quarter of 2013) was also recorded. However, the deposit market of private individuals was characterised by stagnation, the increase in deposits of private individuals reached only PLN 0.4 billion (PLN 1.5 billion a quarter before). The increase in deposits was affected by low interest rates and competitive rates of returns offered on the investment fund market.
At the end of September 2013, the gap between loans and deposits amounted to ca. PLN 54 billion and was the lowest since 2011 (the ratio between loans and deposits amounted to 106%).

The Ukrainian market

The actions and results of the PKO Bank Polski SA Group in the third quarter of 2013 were impacted by the macroeconomic factors in Ukraine, where subsidiaries of PKO Bank Polski SA operate. The most important factors include:

- continuing of recession (decrease of the GDP by 1.5% y/y after a drop of the economic activity by 1.3% y/y in the second quarter of 2013), with a continued drop in the industrial production by 5.3% y/y on average in the third quarter and the curbing of retail sales,
- a continued decrease in nominal wage dynamics (on average to 7.6% y/y in the third quarter from 9.6% y/y in the first quarter of 2013), accompanying the decline of the economic activity,
- preservation of the deflationary effects (a decrease of CPI by 0.3% y/y on average in the third quarter of this year), with a high supply of domestic agricultural products and decreasing wage pressure,
- preservation of high trade deficit threatening macro-financial stability of the country, a decrease in value of foreign currency reserves,
- upholding the official hryvnia to dollar exchange rate at the level of 7.99 by the NBU and stabilisation of the UAH/USD exchange rate on the banking market at around 8.15 on average in the third quarter of 2013, with still relatively high access to private foreign financing,
- reduction of NBU's discount rate to 6.5% in August, continuation of Treasury securities purchase by NBU.

According to the data of the National Bank of Ukraine, at the end of September 181 banks conducted business activities in Ukraine, i.e. four more compared to the first half of 2013. In the third quarter of 2013, a tendency of reducing the share of the foreign capital in equities of banks acting in Ukraine was continued and at the end of September 2013 amounted to 34.2% compared to 38.0% at the end of June 2013 and 39.3% in September 2012.
In September 2013, the value of assets of Ukrainian banks increased to UAH 1 232.4 billion, compared to UAH 1 169.9 billion at the end of June 2013. Until the end of September 2013 the increase in the value of the loan portfolio, to UAH 867 billion from UAH 841 billion in June of this year, was noted. The annual dynamics of the value of the loan portfolio in September amounted to 6.0% y/y (compared to average 3.1% y/y in the period January-June 2013). The increase in the value of loans in the banking sector compared with the half year was related to an increase in the loan portfolio for residents (+UAH 26.5 billion) and minimal increase in the amount due from non-residents (+UAH 0.1 billion). Among residents, the largest impact on the increase in the value of loans granted in the third quarter of 2013 was still exerted by non-financial enterprises (+UAH 24.2 billion compared to the end of June of this year) and households (+UAH 3.3 billion compared to the end of June of this year). Loans to financial enterprises sector decreased in period by UAH 0.8 billion, and the indebtedness of the public finance sector in respect of loans from the banking sector decreased by UAH 0.2 billion. Share of foreign currency loans in the loan portfolio continued a slightly decrease. As at the end of September 2013 the share of foreign currency loans in total loans amounted to 35.4%.
In the third quarter of 2013, the higher dynamics of the deposit base compared with the loan portfolio was maintained in the banking sector in Ukraine. The increase in the value of total deposits in the third quarter of this year amounted to UAH 29.3 billion. The annual dynamics of the deposit value in banks in Ukraine reached 19.9% y/y at the end of September (compared to 18.8% at the end of June of this year). The main source of the increase in deposits was still the household segment, where the deposit base increased by UAH 15.2 billion in the third quarter of 2013, being stimulated by growing real wages, low demand on foreign currencies and fading anxiety of devaluation (mainly in deposits denominated in UAH +UAH 11.2 billion). The Loan-To-Deposit ratio (L/D) in the banking sector in Ukraine decreased to the level of 1.27 at the end of September compared to 1.36 in December 2012 and 1.44 in September 2012.
The value of equity of the banking sector in Ukraine amounted to UAH 181 billion in September 2013 (15% of the total assets of the banks). After the period of growth in the first half, the value of non-performing loans decreased to UAH 74.7 billion at the end of September of this year. This means a decrease in non-performing loans to 8.8% of the total value of loans compared to 9.3% at the end of June 2013 (according to IMF methodology the share of NPL in total loans amounted to 15.2% in the second quarter of 2013). In September 2013, the ROA ratio of the Ukrainian banking sector dropped to 0.20% from 0.45% as at the end of 2012, the ROE ratio dropped in the same period from 3.0% to 1.3%.

Regulatory factors

In the third quarter of 2013, there were changes in the regulatory environment of the banking sector and financial non-banking sector in Poland and the banking sector in Ukraine. The business activities, financial and organisational situation of the PKO Bank Polski SA Group in the third quarter of 2013 was affected i.a. by the following:

- Resolution of the RPP of July 2013 decreasing the reference rate by 0.25 pp. (to 2.5%), interest rate on refinancing loans secured with a pledge on securities (to 4.0%), the interest rate of fixed-term deposits placed by banks with the National Bank of Poland (to 1.0%) and the rediscount rate for bills of exchange accepted from banks for rediscounting by the National Bank of Poland (to 2.75%),
- Resolution of the PFSA 59/2013 on Recommendation T concerning management of risk arising from detailed loan exposures, which recommends implementing specific principles at the latest to the end of July 2013 (Official Journal of the PFSA item 11),
- Resolution of the PFSA 148/2013 on Recommendation S of June 2013 concerning management of mortgage-secured loan exposures, which recommends the banks implementing specific recommendations not later than 1 January 2014 (except for some recommendations which should be implemented by 1 July 2013),
- the Decree of the Minister of Finance of 18 February 2013 concerning Bank Gospodarstwa Krajowego granting de minimis aid in the form of a guarantee of loan repayment (Journal of Laws of 2013, item 239), which affected the level of lending activity to small and medium enterprises,
- three Decrees of the Minister of Finance of 30 April 2013 obliging the investment fund companies (IFC) to implement by the end of July 2013 changes in the methods, procedures and terms of conducting operations and changes in making investments through closed and open investment funds (Journal of Laws of 2013, item 536, 537 and 538),
- the Decree of the Minister of Finance of 1 July 2013 amending the level of fees paid i.a. by IFC to the Polish Financial Supervision Authority (the 'PFSA') (Journal of Laws 2013 No. 57, item. 364),
- the Act of 23 November 2012 implementing from 1 February 2013 amendments to the Act on investment funds and the Act on supervision over the investment fund market (Journal of Laws, item 70), which constitutes the implementation of the UCITS IV Directive; the Act introduced 4 transitional periods for implementing UCITS IV, including until 1 August 2013,
- discontinuation of the 'Rodzina na Swoim' programme introduced in 2011 as of 31 December 2012 (Journal of Laws No. 168, item 1006), which in connection with finalising transactions related to this programme in the first quarter of 2013 had an impact on the level of lending activity on the mortgage loan market in the third quarter of 2013.

The new legal solutions implemented in Ukraine also had an impact on the operations of the PKO Bank Polski SA Group:

- Resolution of the Management Board of the NBU No. 210 dated 6 June 2013 establishing from 1 September 2013 daily limits of cash settlements amounts for entrepreneurs and individuals, which should encourage the development of non-cash settlements,
- Resolution of the Management Board of the NBU No. 242 dated 20 June 2013, increasing from 1 July 2013 reserves concerning current and term deposits of customers in foreign currencies, non-resident banks and decreasing required reserves held by the commercial bank on the account in the central bank,
- Resolution of the Management Board of the NBU No. 315 dated 9 August 2013 reducing the refinancing rate by 0.5 pp. to 6.5%,
- Resolution of the Management Board of the NBU No. 365 dated 16 September 2013 determining the settlement rules for the inflow of foreign currency on account of the individual (the resolution is part of the depolarisation programme of the Ukrainian economy),
- Resolution of the Management Board of the NBU No. 371 dated 19 September 2013 increasing, since 30 September 2013, required reserve rate of foreign currency term deposits by 3 pp., to a level of 7%.

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

3.1. Directions of development of the PKO Bank Polski SA Group

The development directions of PKO Bank Polski SA are set out in the new strategy for the years 2013-2015, 'PKO Bank Polski Codziennie Najlepszy', approved by the Supervisory Board on 27 March 2013.

PKO Bank Polski SA's vision for development is based on the assumption that its market position as the financial sector leader in Poland and a leading universal bank in Central Europe should be maintained. At the same time, the following goals should be achieved:

- efficiency, building sustainable values and conducting a stable dividend policy for the shareholders,
- customer satisfaction resulting from credibility, a product offer tailored to the customers' needs and professional service,
- the image of a reliable partner involved in long-term relationships with business partners and local communities,
- the position of the best employer in the Polish banking sector, which supports development and common values.

The strategy assumes strengthening the position of PKO Bank Polski SA brand as the most valuable brand in the Polish banking sector. Its strength results from such aspects as: its Polish character, the safety and long-term trust of its customers, as well as professional service, modern product offer, innovation and new technologies.

The implementation of the Bank's development vision will be supported by the long-term strategic levers which are a part of the strategy, such as:

1. Customer satisfaction - using the whole potential of the Bank's largest current customer base through a segment-tailored product offer;
2. Distribution excellence – increasing effectiveness and the quality of customer service in the biggest network of locations, and the development of remote channels;
3. Innovation and technology – increasing the competitiveness of products and services, enhancing customer relations and diversification of revenues through improving technologies and implementing innovation;
4. Organisational effectiveness – maintaining competitiveness by introducing intelligent management information, optimising risk management and maintaining cost discipline;
5. Development of competencies – strengthening the organisational culture based on common values and human capital, aimed at cooperation, commitment and skills development;
6. Acquisitions and alliances – active search for possibilities of development in Poland and in Central Europe through acquisitions or strategic alliances.

Long-term strategic levers contribute to the leverage of the following areas of business:

I. Strategic levers in Retail Banking:
    1. Customer-centric approach (using the information about the customer to provide a better service).
    2. Distribution excellence (improved distribution effectiveness, network modernisation and optimisation, development of direct channels, improvement in selling skills and sales effectiveness).

3. Innovation and diversification of revenues (implementation of the innovation portfolio management model and development of non-interest income streams).

II. Strategic levers in Corporate Banking:
1. Relationship banking and segment-based service model (implementation of an improved segment strategy, distribution structure and price policy and development of skills, as well as loan portfolio quality discipline and efficient capital allocation).
2. Transaction banking (development of mass payment solutions, extending the product offer, improving customer service quality and improving the efficiency of processes).

III. Strategic levers in Investment Banking:
1. Integrated sales model - capital markets and structured financing (implementing the cross-selling model and developing investment products).
2. Optimisation of assets and liabilities management (safe and effective management of the Bank's liquidity, improving the interest rate risk management, developing long-term financing, developing the Bank's Group).

IV. Strategic levers of Supporting Areas:
1. Risk management optimisation (decreasing credit risk costs, process enhancement, implementing price policies adjusted to the customer's risk profile, implementing IRB method and increasing the rate of return).
2. Advanced, efficient and safe technologies and efficient operating processes (IT solutions supporting business in the development of new products, creating conditions for the further, safe development of the Bank's business activities).
3. Development through increased involvement and common values (increasing organisational efficiency and human capital value, enhancing corporate culture which is open to changes, attracting the best employees).
4. Efficient financial management (increasing financial management efficiency through perfecting organisational intelligence, introducing new methods of the Bank's statement of financial position management and continuous cost optimisation).

Another strategic lever of development of PKO Bank Polski SA will involve acquisitions, comprising:
- domestic acquisitions, offering an opportunity to achieve synergies and strengthening the Bank's position on the domestic market in the period of slow-down of the market growth;
- international acquisitions, associated with seeking growth on faster-growing markets and the opportunities to use the Bank's international experience and competencies.

In accordance with the new development strategy, PKO Bank Polski SA will develop an integrated Group model. The Bank's subsidiaries, which play the role of product centres, supplement the basic offer of financial services provided by the Bank. The individual companies provide the following services: leasing, factoring, investment funds, pension funds, online banking and card transaction management and settlement. The Group also includes KREDOBANK SA, which conducts banking activities in Ukraine, and a debt collection and factoring company located in Ukraine.

The key strategic initiatives comprise:
- integration of the Group companies with the Bank through, i.a. centralization of support functions or transfer of all their activities to the Bank;
- sale of assets which are not associated with the Bank's core operations;
- development of KREDOBANK SA focused on providing services to retail customers and SME operating mainly in western Ukraine;
- strengthening the Group's market position in selected market segments, also through alliances in the area of payments and acquisitions of companies.

As part of the implementation of its strategy, on 12 June 2013 PKO Bank Polski SA signed with Nordea Bank AB (publ) an agreement defining the terms and conditions of purchasing from Nordea Bank AB (publ) and other Nordea Group companies the shares of Nordea Bank Polska SA accounting for 99.21% of the Company's share capital and the portfolio of liabilities to the corporate customers of Nordea Bank AB (publ) with a nominal value of PLN 3 604 million as at December 2012, the shares of Nordea Polska Towarzystwo Ubezpieczeń na Życie SA accounting for 100% of the share capital of that Company, and the shares of Nordea Finance Polska SA accounting for 100% of its share capital. Within the work related to performance of the contract for the purchase of the entities: Nordea Bank Polska SA, Nordea Polska Towarzystwo Ubezpieczeń na Życie SA and Nordea Finance Polska SA:
- PKO Bank Polski SA submitted applications to the Competition and Consumer Protection Office (11 July 2013), the Polish Financial Supervision Authority (11 July 2013) and the Ukrainian Antimonopoly Committee (12 July 2013),
- on 8 August 2013, the Extraordinary General Shareholders' Meeting of Nordea Bank Polska SA passed resolution i.a.:
    - o on the single issue of 20 million registered subscription warrants of A series entitling its holder to take up, on terms specified in the resolution, a total of not more than 20 million registered ordinary shares of N series of this Bank at total nominal value of PLN 100 million and a conditional increase of share capital of Nordea Bank Polska SA by an amount not higher than PLN 100 million through the issue of N series shares to grant rights to take up shares of this series for holders of subscription warrants that will be issued pursuant to this Resolution; entitled to take up subscription warrants of A series will be only entity on whose demand to subscribe for sale of Nordea Bank Polska SA shares, shareholders of this Bank, holding not less than 99% of votes at the General Shareholders' Meeting (Resolution No. 3) will answer,
    - o on the conditional appointment to the Supervisory Board of Nordea Bank Polska SA of representatives of PKO Bank Polski SA Misters: Zbigniew Jagiełło, Jakub Papierski, Bartosz Drabikowski, Piotr Alicki, Paweł Borys and Jarosław Orlikowski, with effect at 12.00 AM on the last day call for subscribe for sale of shares of the above mentioned Bank, announced by PKO Bank Polski SA (Resolution No. 2),
- on 6 September 2013 PKO Bank Polski SA obtained a clearance for acquisition of above mentioned companies from the Ukrainian Antimonopoly Committee,

- on 15 October 2013 PKO Bank Polski SA obtained clearance from the President of the Competition and Consumers Protection Office for performing concentration consisting in taking control of above mentioned companies by PKO Bank Polski SA,
- on 17 October 2013 the Bank informed that by 16 October 2013 it had not been fulfilled the legal prerequisite specified in the public tender offer for shares in Nordea Bank Polska (announced on 19 June 2013) included in the Public Tender Offer on the basis of the provisions of the Agreement, i.e. by the date stated above had not been issued and delivered to the Bank a decision by the Polish Financial Supervision Authority issuing a decision on determining no grounds for vetoing the acquisition by the Bank in amounts ensuring share exceeding 50% in the share capital and the total number of votes at the General Shareholder's Meeting of Nordea Bank Polska and that the statutory deadline for delivering a decision containing the PFSA's objection to such acquisition has not passed; as a result, the Bank decided to extend the period for accepting subscriptions for shares in the public tender offer to 25 November 2013 inclusive.

The transaction is aimed at strengthening the position of PKO Bank Polski SA as the leader of the Polish banking sector, extending the distribution channels and improving service quality. As a result of this transaction, PKO Bank Polski SA will significantly improve its position in the private banking segment, enhance its competences in the corporate banking segment and ensure growth in the area of bancassurance.

In addition, in the third quarter of 2013 the Bank continued the work on elaboration and establishment of a model of strategic alliance in the area of payments realized by the Bank and its subsidiary Centrum Elektronicznych Usług Płatniczych eService SA.

On 29 October of this year the Management Board of the Bank made a decision regarding the above mentioned transaction. On 7 November of this year PKO Bank Polski SA entered into an agreement with EVO Payments International Acquisition, GmbH with its seat in Germany (the „Investor") a subsidiary of EVO Payments International, LLC with its seat in the United States ("EVO") and with EVO relating to the acquisition by the Investor of shares in the limited liability company which will be incorporated as a result of the transformation of the joint stock Centrum Elektronicznych Usług Płatniczych eService Spółka Akcyjna into a limited liability company (the "Company").

The shares being the subject matter of the Agreement will constitute 66% of the share capital of the Company and will give right to 66% of the votes in the Shareholders Meeting of the Company (the "Shares").

The completion of the Agreement and the transfer of Shares (the "Closing") is subject to obtaining of the required approvals from competent antimonopoly authorities and registration of the transformation of eService SA from a joint stock company into a limited liability company.

Pursuant to the Agreement the price for the sale of Shares shall be equal to the amount of USD 113.5 million increased by the amount of extraoperational cash that will be in the Company at Closing (the "Price"). Moreover the Agreement provides for an earn-out mechanism allowing for an adjustment to the Price based on future financial performance of the Company.

Moreover the Parties (the Investor, EVO and the Bank) have agreed that the following agreements will be executed at Closing:

- a shareholders' agreement governing the rules of cooperation, including decision making, by the Bank, the Investor and the Company in connection with the equity interests held by the Bank and the Investor in the Company,
- an alliance agreement setting forth the rules for business cooperation, including marketing cooperation, between the Bank and the Company; the alliance agreement will be concluded for the period of 20 years.

The Bank will have towards the Investor a put right in respect of the 34% of shares in the Company that will be held by the Bank after Closing (the "Put Right").

The above mentioned agreements will constitute the contractual framework for a strategic alliance between the PKO Bank Polski Group and the EVO Group in the field of merchant acquiring (so called acquiring services) and payment services.. The Parties intend the Company to be a platform for further development of the Parties' merchant acquiring business in the CEE Region.

The above mentioned information has been published in the current report No. 76/2013 from 7 November 2013.

The Bank also initiated works in agreement with Alior Bank, Bank Millennium, Bank Zachodni WBK, BRE Bank, ING Bank Śląski in terms of cooperation concerning developing a common standard for mobile payments. Several million of banks customers will be able to pay by phone under one single standard. The project is unique because of its scale, thanks to a significant market share of financial institutions involved, as well as wide possibilities, which this solution offers to users. The basis of the new standard for mobile payments will be IKO implemented by PKO Bank Polski SA in the first quarter of this year.

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

Factors influencing results of the PKO Bank Polski SA Group

In the third quarter of 2013 the low economic growth rate, historically low interest rates and changes in the regulatory environment influenced financial results of banking sector. The situation on the loan and deposit market was affected by slight revival in banks' business activity. The change in the volumes of loans and deposits was influenced by the strong PLN appreciation decreasing their value.

Actions undertaken by the PKO Bank Polski SA Group in three quarters period of 2013 allowed generating the net profit amounting to PLN 2 288.7 million. The efficiency of the PKO Bank Polski SA Group shaped up on relatively high level – as at the end of the third quarter of 2013, the ROE ratio amounted to 13.0%.

Stable deposit base, funds from the issue of bonds and the high level of equity of the PKO Bank Polski SA Group covered the funding needs and enabled the further secure growth of business activities.

As at the end of the third quarter of 2013, the capital adequacy ratio amounted to 13.8%, 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

	30.09.2013	30.09.2012	Change
ROA net* (net profit/average total assets)	1.6%	2.0%	-0.4 pp.
ROE net* (net profit/average total equity)	13.0%	16.6%	-3.6 pp.
C/I* (cost to income ratio annualised)	44.1%	39.0%	5.1 pp.
Interest margin* (net interest income/average interest-bearing assets)	3.8%	4.7%	-0.9 pp.
The share of impaired loans**	8.6%	8.9%	-0.3 pp.
The coverage ratio of impaired loans***	51.3%	49.0%	2.3 pp.

* Income statement items used in calculating indicators capture the period of the last four quarters (annual recognition), while the statement of financial position items capture the average of the last five quarterly values of the respective assets and liabilities.

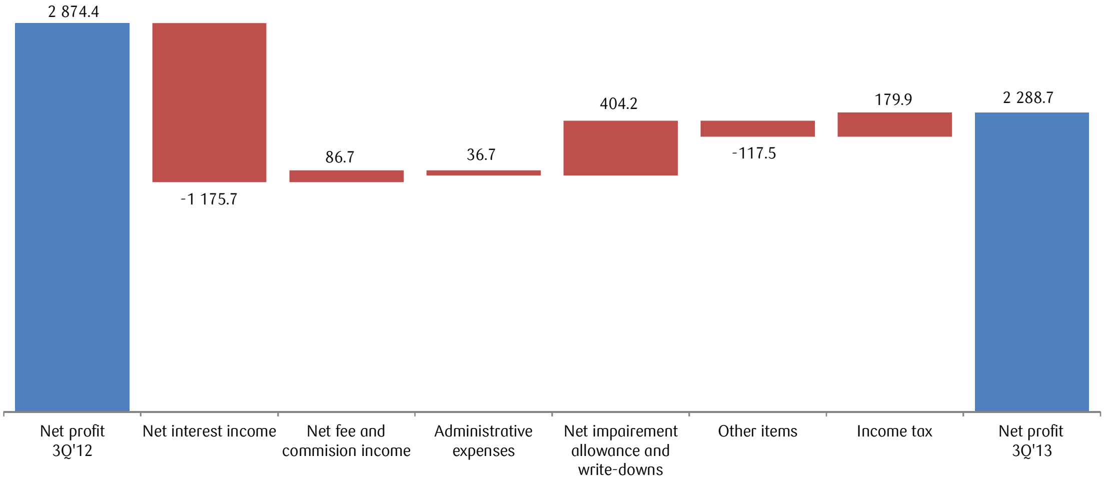
** Calculated by dividing the gross carrying amount of impaired loans and advances to customers by the gross carrying amount of loans and advances to customers.

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

Financial results

In three quarters of 2013, the PKO Bank Polski SA Group achieved net profit in the amount of PLN 2 288.7 million, which was PLN 585.7 million lower than in the corresponding period of 2012 (-20.4% y/y) which was mainly influenced by a lower net interest income with more favourable net impairment allowance and write-downs.

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



The consolidated income statement items were as follows:

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

	3rd quarter period from 01.07-30.09.2013	3 quarters 2013	3rd quarter period from 01.07-30.09.2013	3 quarters 2012	Change Q3 2013/ Q3 2012 (in PLN million)	Change Q3 2013/ Q3 2012 (in %)
Interest and similar income	2 501.5	8 087.3	3 297.1	9 784.4	(1 697.1)	-17.3%
Interest expense and similar charges	(923.8)	(3 243.4)	(1 319.7)	(3 764.7)	521.4	-13.8%
Net interest income	**1 577.7**	**4 843.9**	**1 977.4**	**6 019.7**	**(1 175.7)**	**-19.5%**
Fee and commission income	1 059.4	3 033.0	955.9	2 809.6	223.4	8.0%
Fee and commission expense	(250.9)	(681.9)	(194.2)	(545.2)	(136.7)	25.1%
Net fee and commission income	**808.5**	**2 351.0**	**761.7**	**2 264.4**	**86.7**	**3.8%**
Net income from financial instruments measured at fair value	31.1	34.4	32.8	48.2	(13.9)	-28.8%
Gains less losses from investment securities	3.4	64.8	17.3	22.0	42.8	2.9x
Net foreign exchange gains (losses)	67.4	142.4	88.7	233.4	(91.0)	-39.0%
Net other operating income and expense	38.9	85.1	44.7	119.8	(34.8)	-29.0%
Net impairment allowance and write-downs	(487.8)	(1 354.7)	(657.6)	(1 758.9)	404.2	-23.0%
Administrative expenses	(1 115.6)	(3 341.1)	(1 131.4)	(3 377.8)	36.7	-1.1%
Operating profit	**924.1**	**2 831.5**	**1 135.7**	**3 578.9**	**(747.3)**	**-20.9%**
Share of profit (loss) of associates and jointly controlled entities	11.2	(3.4)	8.4	14.4	(17.9)	x
Profit before income tax	**935.4**	**2 828.1**	**1 144.1**	**3 593.3**	**(765.2)**	**-21.3%**
Income tax expense	(181.0)	(539.8)	(223.3)	(719.7)	179.9	-25.0%
Net profit (including non-controlling shareholders)	754.4	2 288.3	920.8	2 873.6	(585.3)	-20.4%
Profit (loss) attributable to non-controlling shareholders	(0.1)	(0.4)	(0.2)	(0.8)	0.4	-51.8%
Net profit	**754.5**	**2 288.7**	**921.0**	**2 874.4**	**(585.7)**	**-20.4%**

In the income statement of the PKO Bank Polski SA Group in three quarters of 2013, the sum of revenue positions amounted to PLN 7 527.3 million and was PLN 1 188.3 million, i.e. 13.6% lower than in the corresponding period of 2012.

Net interest income

In three quarters of 2013, net interest income amounted to PLN 4 843.9 million and was PLN 1 175.7 million lower than in the corresponding period of the previous year, mainly due to a decrease in interest income by PLN 1 697.1 million, determined by the fall in market interest rates, which for WIBOR 1M and 3M on an annual basis was 2.31 pp. and 2.25 pp. respectively.
In three quarters of 2013, interest income amounted to PLN 8 087.3 million and in comparison with the corresponding period of 2012 was lower by 17.3%, mainly as a result of decrease in:

- income in respect of loans and advances to customers (-PLN 1 024.0 million y/y) - result of the drop in PLN interest rates, with an increase in loans of PLN 7.4 billion y/y,
- income from derivative hedging instruments (-PLN 325.2 million y/y), resulting from narrowing the spread between the PLN and foreign currency rates as a result of the drop in the WIBOR market rates and the drop in the average volume of CIRS transactions,
- income from securities (-PLN 290.2 million y/y), as a result of a drop in average interest rate and the volume of securities portfolio.

The decrease of interest expense in the amount of PLN 521.4 million (-)13.8% y/y was the effect of:

- decrease in the costs of amounts due to customers by PLN 618.5 million y/y, resulting from lower average interest rates on deposits due to a drop in market interest rates, adaptation of price offer of deposit products and the change of structure in favour of current deposits, accompanied by an increase in amounts due to customers by PLN 5.4 billion y/y,
- accompanied by higher costs of own debt securities in issue and subordinated liabilities by PLN 68.6 million y/y.

Interest margin dropped by 0.9 pp. y/y to 3.8% as at the end of the third quarter of 2013, as a result of a decrease in annualised net interest income (due to a drop in market interest rates causing directly faster decrease in interest-bearing assets mostly based on market rates than on the decline in interest rates of the deposit offer), accompanied by an increase in the volume of average interest-bearing assets (mainly the portfolio of loans and advances to customers).

Net fee and commission income

Net fee and commission income generated in three quarters of 2013 amounted to PLN 2 351.0 million and was PLN 86.7 million higher than in the corresponding period of the previous year, as a result of a PLN 223.4 million increase in commission income, accompanied by higher commission expenses of PLN 136.7 million.
The level of net fee and commission income was significantly affected by an increase in:

- net commission income in respect of loan insurance (+PLN 56.8 million y/y) due to the increase in insurance saturation of loans, additionally supported by an increase in its sales,
- commission income in respect of maintenance of investment funds (including management fees) by PLN 53.2 million y/y, due to more profitable sales structure of funds, and approximately 44% increase in the value of assets,
- income in respect of loans and advances granted (+PLN 12.1 million y/y), with over 15% y/y increase in sale of loans,

accompanied by a decrease in:

– the result on payment cards (-PLN 21.7 million y/y), mainly due to a decrease in the interchange fee, in connection with a reduction of IF rates by Visa and Mastercard from the beginning of the year - lower commission related to IF was accompanied by the increase in card transactions,
– commission income in respect of performing the function of the Treasury bonds issue agent by PLN 13.9 million y/y and
– commission income in respect of maintaining of bank accounts (-PLN 6.6 million y/y) and cash transactions (-PLN 6.7 million y/y).

Administrative expenses

Effective control of cost incurred resulted in their decrease in the period of three quarters of 2013 from (-) PLN 3 377.8 million to (-) PLN 3 341.1 million, i.e. by PLN 36.7 million (-1.1% y/y) compared to corresponding period of the previous year. The level of administrative expenses was determined mainly by:

– decrease in employee benefits by PLN 23.0 million y/y,
– decrease in overheads and other expenses by PLN 43.8 million y/y, mainly due to the decrease in cost of maintenance and rental of fixed assets, promotion, advertising and telecommunication,
– accompanied by increase in amortisation and depreciation by PLN 30.2 million y/y.

Operating efficiency of the PKO Bank Polski SA Group, measured by the C/I ratio (annualised) amounted to the level of 44.1%, considerably below the average in the banking sector.

Net impairment allowance and write-downs

Net impairment allowance and write-downs reflects the PKO Bank Polski SA Group's conservative approach to recognition and measurement of credit risk. Improvement of net impairment allowance in three quarters of 2013 compared with the corresponding period of the previous year (-23.0% y/y), is mainly a result of the decrease in the net impairment allowance on the consumer and housing loans portfolio.
The share of impaired loans at the end of the third quarter of 2013 amounted to 8.6% which represents decrease by 0.3 pp. y/y, mainly as a result of conducted non-performing loans package sales.
This was reflected in lower by 0.1 pp. y/y cost of risk[1] which as at the end of the third quarter of 2013 amounted to the level of 1.3%.

Statement of financial position

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

	30.09.2013	Structure 30.09.2013	31.12.2012	Structure 31.12.2012	Change (in %)
Cash and balances with the central bank	7 602.6	3.8%	10 289.5	5.3%	-26.1%
Amounts due from banks	5 208.1	2.6%	3 392.5	1.8%	53.5%
Loans and advances to customers	150 041.0	74.4%	143 875.6	74.4%	4.3%
Securities	28 686.5	14.2%	25 159.4	13.0%	14.0%
Other assets	10 079.8	5.0%	10 762.7	5.6%	-6.3%
Total assets	**201 618.1**	**100.0%**	**193 479.6**	**100.0%**	**4.2%**
Amounts due to banks	5 733.0	2.8%	3 737.1	1.9%	53.4%
Amounts due to customers	150 857.2	74.8%	146 193.6	75.6%	3.2%
Debt securities in issue and subordinated liabilities	12 261.3	6.1%	11 902.0	6.2%	3.0%
Other liabilities	8 314.9	4.1%	6 939.3	3.6%	19.8%
Total liabilities	**177 166.5**	**87.9%**	**168 772.0**	**87.2%**	**5.0%**
Total equity	24 451.6	12.1%	24 707.7	12.8%	-1.0%
Total liabilities and equity	**201 618.1**	**100.0%**	**193 479.6**	**100.0%**	**4.2%**
Loans/Amounts due to customers	99.5%	x	98.4%	x	1 pp.
Loans/Stable sources of funding*	90.6%	x	89.6%	x	1 pp.
Interest bearing assets/Assets	91.2%	x	89.1%	x	2.1 pp.
Interest paying liabilities/Liabilities	83.7%	x	83.6%	x	0.1 pp.
Capital adequacy ratio	13.8%	x	13.1%	x	0.8 pp.

* Stable sources of funding include amounts due to customers and external financing in the form of: issue of securities, subordinated liabilities and amounts due to financial institutions.

[1] *Calculated through dividing net impairment allowance and write-downs of loans and advances to customers for the twelve-month period ended 30 September 2012 and 2013, by the average balance of gross loans and advances to customers at the beginning and at the end of reporting period and intermediate quarterly periods.*

The statement of financial position of the PKO Bank Polski SA Group is mainly influenced by the statement of financial position of the parent entity. It determines both the size of total assets and the structure of assets and liabilities.
The total assets of the PKO Bank Polski SA Group amounted to PLN 201.6 billion as at the end of the third quarter of 2013, which means an increase by 4.2% compared to the end of 2012. As a result, the PKO Bank Polski SA Group maintained the position of the largest institution in the Polish banking sector.

Loans and advances to customers

Loans and advances to customers represent the largest part of the assets of the PKO Bank Polski SA Group. In the structure of the gross loan portfolio by types, the main items are housing loans with the volume of PLN 75.9 billion (+PLN 3.6 billion compared with the end of 2012), the share of which in the structure of the loan portfolio increased by 0.4 pp. compared with the end of the previous year. The volume of consumer loans decreased by PLN 1.0 billion compared with the end of 2012, and their share in the structure of the gross loan portfolio decreased by 1.2 pp. in the presented period. The corporate loans increased by PLN 3.7 billion, accompanied by an increase of their share in the structure of the gross loan portfolio by 1.1 pp. As at the end of September 2013, the portfolio of loans granted to customers included PLN 2.0 billion of debt securities.

Securities

As at the end of the third quarter of 2013, the carrying value of the portfolio of securities was PLN 28.7 billion and represented 14.2% of the total assets of the PKO Bank Polski SA Group. Debt securities issued by the State Treasury and by central banks dominated in the portfolio structure by types.

Amounts due to customers

Amounts due to customers remain the primary source of financing the PKO Bank Polski SA Group's operations, representing as at the end of September of this year 85.1% of the sum of its liabilities. In the structure of amounts due to customers by types, the main items are amounts due to retail clients, which at the end of the third quarter of this year recorded an increase by PLN 5.7 billion compared with the end of 2012 and amounted to PLN 116.6 billion. Their share in the structure of the liabilities portfolio compared to the end of 2012 increased by 1.5 pp. (mainly an increase in the share of current deposits) along with a decrease in share of amounts due to corporate entities (mainly a decrease in the term deposits) by PLN 1.7 pp. in the total amounts due to customers' portfolio.

External financing

The PKO Bank Polski SA Group is an active participant in the market of debt security issues, both local and international. These actions are intended to diversify the sources of financing of operations and to adapt them to future regulatory requirements. At the end of the third quarter of 2013 debt securities in issue and subordinated liabilities represented 6.1% of the liabilities (+PLN 0.4 billion). The change in the level of liabilities in respect of the issue compared with the end of 2012 was primarily a result of the depreciation of the Polish zloty.
Additionally, under cooperation between PKO Bank Polski SA and Council of Europe Development Bank (CEB), concerning project financing for small and medium enterprises segment, the second tranche of credit facility in the amount of EUR 75 million was paid in September of this year. Detailed information on the issues carried out by the PKO Bank Polski SA Group is described in Note 24 to the Notes to the Condensed Interim Consolidated Financial Statements.

Equity and capital adequacy ratio

As at the end of the third quarter of 2013, equity was PLN 0.3 billion i.e. 1.0% lower than as at the end of 2012 and accounted for 12.1% of total liabilities and equity of the PKO Bank Polski SA Group (a decrease in share by 0.6 pp. compared to the end of 2012).
As at the end of the third quarter of 2013 the capital adequacy ratio of the PKO Bank Polski SA Group was at a level of 13.8%, which represents an increase by 0.8 pp. compared with the end of 2012. It was mainly due to an increase of Bank's own funds designated for the capital adequacy purposes, as a result of inclusion to the own funds part of the net profit achieved in the year 2012. The level of capital adequacy ratio significantly exceeds the minimum value of the ratio required by the Banking Law and enabled to maintain capital adequacy at a safe level.

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

Key financial indicators

The results achieved by PKO Bank Polski SA enabled the key financial efficiency indicators to achieve the levels shown in the table below.

Table 4. Key financial indicators of PKO Bank Polski SA

	30.09.2013	30.09.2012	Change
ROA net* (net profit/average total assets)	1.5%	2.1%	-0.6 pp.
ROE net* (net profit/average total equity)	12.1%	17.2%	-5.1 pp.
C/I* (cost to income ratio annualised)	42.2%	36.7%	5.5 pp.
Interest margin* (net interest income/average interest-bearing assets)	3.7%	4.7%	-1 pp.
The share of impaired loans**	8.0%	8.2%	-0.2 pp.
The coverage ratio of impaired loans***	51.7%	49.0%	2.7 pp.

[*] Income statement items used in calculating indicators capture the period of the last four quarters (annual recognition), while the statement of financial position items capture the average of the last five quarterly values of the respective assets and liabilities.

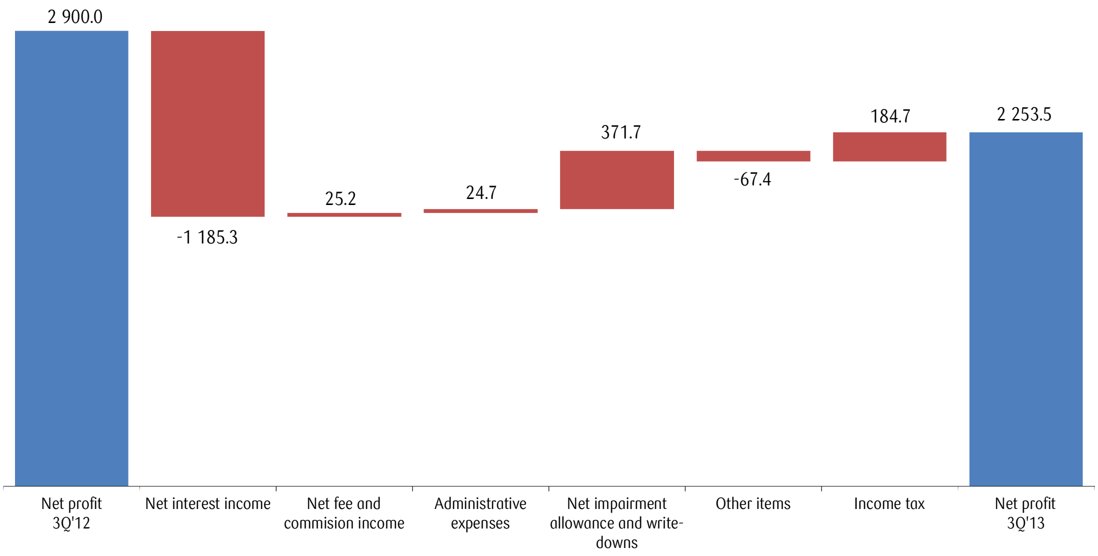
[**] Calculated by dividing the gross carrying amount of impaired loans and advances to customers by the gross carrying amount of loans and advances to customers.

[***] Calculated by dividing the balance of impairment allowances on loans and advances to customers by the gross carrying amount of impaired loans and advances to customers.

Financial results

In three quarters of 2013, PKO Bank Polski SA achieved net profit in the amount of PLN 2 253.5 million and was PLN 646.4 million lower than in the corresponding period of 2012 (-22.3% y/y) which was mainly influenced by a lower net interest income with more favourable net impairment allowance and write-downs.

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



The Bank's income statement items were as follows:

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

	3rd quarter period from 01.07-30.09.2013	3 quarters 2013	3rd quarter period from 01.07-30.09.2012	3 quarters 2012	Change Q3 2013/ Q3 2012 (in PLN million)	Change Q3 2013/ Q3 2012 (in %)
Interest and similar income	2 439.9	7 889.8	3 235.6	9 610.7	(1 721.0)	-17.9%
Interest expense and similar charges	(894.6)	(3 138.2)	(1 285.5)	(3 673.8)	535.7	-14.6%
Net interest income	**1 545.3**	**4 751.6**	**1 950.2**	**5 936.9**	**(1 185.3)**	**-20.0%**
Fee and commission income	987.0	2 833.1	901.1	2 651.0	182.1	6.9%
Fee and commission expense	(274.2)	(737.5)	(209.9)	(580.6)	(156.9)	27.0%
Net fee and commission income	**712.9**	**2 095.6**	**691.2**	**2 070.4**	**25.2**	**1.2%**
Dividend income	0.5	79.0	2.0	93.2	(14.2)	-15.2%
Net income from financial instruments measured at fair value	30.2	34.0	32.8	47.6	(13.6)	-28.5%
Gains less losses from investment securities	3.4	64.2	17.7	23.2	41.0	2.8x
Net foreign exchange gains (losses)	65.7	138.9	88.2	231.2	(92.3)	-39.9%
Net other operating income and expense	14.1	19.4	0.4	7.7	11.6	2.5x
Net impairment allowance and write-downs	(482.0)	(1 365.7)	(645.4)	(1 737.4)	371.7	-21.4%
Administrative expenses	(1 012.5)	(3 043.9)	(1 025.9)	(3 068.6)	24.7	-0.8%
Operating profit	**877.5**	**2 773.1**	**1 111.2**	**3 604.3**	**(831.2)**	**-23.1%**
Profit before income tax	**877.5**	**2 773.1**	**1 111.2**	**3 604.3**	**(831.2)**	**-23.1%**
Income tax expense	(172.5)	(519.6)	(216.9)	(704.3)	184.7	-26.2%
Net profit	**705.0**	**2 253.5**	**894.3**	**2 900.0**	**(646.4)**	**-22.3%**

3.4. Business development[2]

3.4.1. Market shares of PKO Bank Polski SA

In the third quarter of 2013, the Bank maintained its leading position in the banking sector in respect of its share in the loan and deposit market, which amounted to 16.1% and 16.2% respectively.
As regards loans, the market share grew by 0.1 pp. in relation to the same period in 2012, which resulted from an increase in the market shares of housing loans (+0.5 pp.) and loans granted to corporate entities (+0.2 pp.), with the decline in share of consumer loans (-1.4 pp.), mainly due to a significant increase in the consumer loan for individuals market related to a one-off transaction which took place on the banking market in September of this year – loans from a non-banking company belonging to one of the financial institutions in the amount of ca. PLN 2.0 billion were included in the volumes of the banking system.
In terms of deposits, market share declined by 0.7 pp. compared to the same period of 2012, which was determined by decrease in share of corporate clients deposits (-1.9 pp.), as a result of the increase in the corporate clients deposit market noted in September of this year, diversification of financing activities of the Bank and the increase in the deposit base of the retail clients, which translated into the increase of shares of retail customers deposits (+0.3 pp.). An increase in the market of corporate entities deposits was related to consolidation of the EU funds in one of the institutions in the banking sector and connected with foreign debt management, and remaining in the disposal of government institutions.

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

	30.09.2013	31.12.2012	30.09.2012	Change 30.09.2013/ 31.12.2012	Change 30.09.2013/ 30.09.2012
Loans	**16.1**	**16.1**	**16.0**	**0 pp.**	**0.1 pp.**
retail clients	19.0	19.0	19.0	0 pp.	0 pp.
housing loans	20.4	20.0	19.9	0.4 pp.	0.5 pp.
in Polish zloty	28.4	28.6	28.8	-0.2 pp.	-0.4 pp.
in foreign currencies	12.8	12.9	12.9	-0.1 pp.	-0.1 pp.
consumer and other	15.5	16.6	16.9	-1.1 pp.	-1.4 pp.
corporate clients	13.2	13.2	13.0	0 pp.	0.2 pp.
Deposits	**16.2**	**16.8**	**16.9**	**-0.6 pp.**	**-0.7 pp.**
retail clients	22.2	21.8	21.9	0.4 pp.	0.3 pp.
corporate clients	8.6	10.2	10.5	-1.6 pp.	-1.9 pp.

* Data source: NBP reporting system – Webis.

[2] In this document, any differences in total balances, shares and growth rates result from rounding the amounts to PLN million and rounding percentages to one decimal place.

3.4.2. Retail segment of PKO Bank Polski SA

In the third quarter of 2013, activities undertaken by the Bank within the retail segment were focused on increasing attractiveness and competitiveness of offered products, with flexible reaction to changing market conditions. In the retail segment PKO Bank Polski SA continued sustained development, focused on recognising and satisfying needs of customers with whom it wants to build strong, long-term relationships. Actions aimed to increase innovation in the new financial solutions, not only concerning products, but distribution channels as well, particularly in electronic and mobile banking were taken.
Solutions developed within the project 'New Rhythm', implemented since the second quarter of 2013 in the retail sale network, resulted in strengthening the competitive advantage of PKO Bank Polski SA in relation to other banks. The new motivation system and its clear assumptions and unified work organisation in every branch and at every position conducive to increase sales efficiency, improve the quality of service and increase satisfaction of both customers and employees of the Bank, which resulted in growth in the loan portfolio and deposit base in the retail segment.

The loan offer in the retail segment

PKO Bank Polski SA was consistently introducing its new product offer in the retail segment and intensified cooperation with entrepreneurs, supporting growth in Polish economy. The Bank also continued projects aimed at a significant improvement in customer service quality. Such projects comprised improvement of the sales processes and enhancing service standards based on the results of regular customer satisfaction surveys.
As at the end of the third quarter of 2013, gross loans to the retail segment of PKO Bank Polski SA amounted to PLN 110.4 billion and have increased by PLN 3.6 billion (i.e. by 3.4%) since the beginning of the year. This was mainly due to an increase in the portfolio of mortgage banking loans (+6.2% since the beginning of the year).

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

	30.09.2013	31.12.2012	30.09.2012	Change since: 31.12.2012	Change since: 30.09.2012
Gross loans and advances granted, of which:					
retail and private banking	20 770	21 849	22 597	-4.9%	-8.1%
small and medium enterprises	14 944	14 309	14 388	4.4%	3.9%
mortgage banking	67 924	63 961	63 006	6.2%	7.8%
housing market customers (including refinanced by the State budget)	6 712	6 621	6 347	1.4%	5.8%
Total loans and advances	**110 350**	**106 739**	**106 337**	**3.4%**	**3.8%**

<u>Customer loans</u>
In the third quarter of 2013 PKO Bank Polski SA continued the action of promoting sales of consumer loans. As part of the initiatives supporting the sales of such loans, PKO Bank Polski SA carried out promotional activities, mainly focused on the Cash loan and the Aurum/Platinium loan. The Bank prepared two new variants of the popular Mini Ratka loan, the first 'Wyślij Mini Ratkę na wakacje' with attractive installment and an option to postpone the payment of the first installment and the second 'Mini ratka pomaga Alicji z Krainy Czarów' in which customers were offered the option of payout the loan during the first visit in the Bank and received attractive installment.

<u>Housing loans</u>
In the third quarter of 2013, the Bank maintained its strong position on the housing loan market. According to the data presented by the Polish Banks Association, PKO Bank Polski SA ranked first on the market after nine months of 2013 with a 30.2% share in sales of housing loans to individuals.
In the third quarter of this year, the Bank introduced another special offers for customers buying real estate from selected developers, customers employed by certain firms or members of specific professions, as well as a special offer for the customers of the industry fair.

<u>Loans for small and medium enterprises and the housing market clients</u>
PKO Bank Polski SA continuously supports Polish entrepreneurship. It enables small- and medium-sized enterprises to finance both current and investment needs through an extensive and flexible lending offer. Due to the agreement signed between PKO Bank Polski SA and Bank Gospodarstwa Krajowego for a portfolio de minimis guarantee line 'Portfelowa Linia Gwarancyjna de minimis', under the government programme of support for small and medium enterprises, the entrepreneurs gain support in the form of BGK guarantee – de minimis, aimed at increasing the availability of lending facilities and launching additional funds for companies' on-going activities. By the end of September 2013, over 10 thousand of PKO Bank Polski SA customers benefited from access to easier financing and the value of loans granted exceeded PLN 2.2 billion. This means that PKO Bank Polski SA was the biggest lender among twelve banks granting loans with de minimis guarantees (according to data provided by the Warranties and Guarantees Centre of Bank Gospodarstwa Krajowego).

The deposit offer in the retail segment

In the third quarter of 2013, PKO Bank Polski SA continued activities aimed at offering more attractive deposits for retail clients, taking into account current market conditions and competitive position. At the same time, actions were taken to diversify the sources of financing the Bank's activities.

As at 30 September 2013, deposits of the retail segment of PKO Bank Polski SA amounted to PLN 125.4 billion and since the beginning of the year their volume increased by PLN 6.2 billion (i.e. by 5.2%). The increase in the retail and private banking deposit level (+5.3% since the beginning of the year) contributed to this, due to the increase in the volume of both term and current deposits and the level of deposits of housing market customers.

Table 8. Deposits of PKO Bank Polski SA (in PLN million)

	30.09.2013	31.12.2012	30.09.2012	Change since: 31.12.2012	Change since: 30.09.2012
Customer deposits, of which:					
retail and private banking	111 408	105 799	103 489	5.3%	7.7%
small and medium enterprises	8 794	8 766	8 403	0.3%	4.7%
housing market customers	5 164	4 646	4 676	11.1%	10.4%
Total deposits	**125 366**	**119 212**	**116 568**	**5.2%**	**7.5%**

Current and saving accounts

PKO Bank Polski SA remains market leader in terms of the number of current accounts maintained, which amounted to 6.3 million as at the end of the third quarter of 2013. The increase in the number of accounts resulted from the diversified offer in terms of customer preferences as part of which i.a. the following products can be distinguished: PKO Konto bez Granic, SUPERKONTO Oszczędne, PKO Konto za Zero, PKO Konto dla Młodych, PKO Konto Pogodne, PKO Konto Pierwsze.
PKO Bank Polski SA has been involved in projects aimed at financial education for years. The next step in the financial education of the youngest, in addition to the Economic Education Programme for the Youngsters supporting School Savings Unions (Szkolne Kasy Oszczędności), was the introduction to the Bank's offer the PKO Junior account. PKO Junior, one of the first online banking offers for children in the world, which at the same time is a comprehensive financial education programme. A child under the supervision of a parent acquires practical skills to manage its finances. The 'PKO Junior oferta dla segmentu wiekowego 0-12' project (PKO Junior offer for the segment aged 0-12) offers two new types of accounts: PKO Konto Dziecko (child account) and PKO Konto Rodzica (parent account), which enable purchasing long-term deposits and investment products for children under one consistent offer. PKO Konto Dziecka, after reaching the age of 13 by its owner, is automatically converted into PKO Konto Pierwsze, and after reaching the age of 18 the account is automatically converted into PKO Konto dla Młodych. As at 30 September 2013 ca. 39 thousand of PKO Konto Dziecka accounts were sold.

SKO offer

In the third quarter of 2013, the Bank continued carrying out the project 'Implementation of the new SKO offer' revitalising the SKO programme by developing a new model for servicing young customers. The aim of the project is to educate the younger generation in financial management and to promote non-cash transactions. As at the end of September 2013, ca. 140 thousand pupils had SKO's internet accounts (SKO Konta dla Ucznia).

Term deposits and structured products

Retail banking and private banking segment deposits still dominate in the retail deposit market. Customers from this segment deposited most of their funds in term deposits. Their share as at the end of the third quarter of 2013 represented approximately one third of deposits of the entire retail segment. Bank still offered its customers, among others, deposits with progressive and standard interest rates ('even' and 'odd' deposit, 3M deposit) tailored to the current market conditions. The offer comprised products tailored to various preferences of the customers and funds could be deposited for different periods. The Bank's standard offer addressed to retail customers is supplemented by structured instruments sold in the form of structured deposits or Bank Securities. The sales of such products increase year on year in terms of value. In the third quarter of this year, two new structured products based on basket of shares of companies and one product based on USD/PLN exchange rate were launched.

Bank cards

In the third quarter of 2013 another new functions were made available to holders of credit and debit cards. A new service which enables making a transfer from a credit card PKO Bank Polski SA's account was introduced. With the new service it is possible to i.a. pay bills and make money transfers to bank account. There were also introduced changes in the prestigious products, i.a. allowing for Infinite and Platinum cards exemption from the annual card fee when transactions for specific value are concluded. At the end of September 2013, the number of bank cards of PKO Bank Polski SA remained at 7.1 million units.

Mobile banking IKO

The Bank's latest achievement is implementing the proprietary IKO application which enables making payments by using the phone. It is a mobile banking service – combining in one application banking functions (checking account balances and history, transfers) with payment functions (paying for purchases in traditional stores and on-line, ATM withdrawals, transfers to the phone number, generating checks for off-line use). The system is based on free of charge IKO application installed on the user's mobile phone and transactions are authorised by one-off codes generated.
In the third quarter of this year, PKO Bank Polski SA introduced to its offer the IKO Wallet (Portmonetka IKO) – special version of the application for people who are not customers of the Bank. The IKO Wallet is intended for people who do not have an account in PKO Bank Polski SA, but want to pay by phone using the IKO application, which, like for existing customers, enables them to:

- make quick and safe payments at commercial and service points equipped with POS eService terminal,
- withdraw cash at ATMs of PKO Bank Polski SA,
- make purchases at online stores,
- make transfers to a phone number (to another user of IKO application),
- check account balance and history of technical account of the Wallet,
- view the details of the account history,
- generate checks used to make payments off-line (without the need of application being active).

The IKO system has a great chance to become a local, mass payment system. In the third quarter of 2013 PKO Bank Polski SA together with Alior Bank, Millenium, BZ WBK, BRE Bank and ING Bank Śląski has initiated a project aimed at building a local payment system, that is based on the IKO system. Banks participating in the project are responsible for education of the safe usage of mobile payments.
In addition, in the third quarter of 2013, the Bank took actions to develop a network of online stores and commercial and service points receiving the IKO payments. At the end of the third quarter of 2013 the IKO application had ca. 60 thousand active users, both clients of PKO Bank Polski SA, and persons previously not using the Bank's services and products.

iPKO transaction service
In the third quarter of this year, the possibility to activate mobile application IKO under the iPKO service has been implemented. In addition, to increase the attractiveness of the iPKO transaction service, the Bank introduced changes to the product offer and implemented new functionalities. The Bank released one of the world's first online banking services for children under age of 13 – PKO Junior, tailored to the age and tastes of target audience. All functionalities of PKO Junior are linked to the Parent Application in the iPKO internet banking service, through which the parent has a full view of the PKO Konto Dziecka account and accepts operations initiated by the child.
One of the newly released features is the ability to set up notifications/questions/requests concerning IKO, Konto Junior and SKO.

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

	30.09.2013	31.12.2012	30.09.2012	Change since: 31.12.2012	Change since: 30.09.2012
Number of current accounts	**6 283**	**6 220**	**6 135**	**63**	**148**
Number of banking cards, of which:	**7 090**	**7 164**	**7 158**	**(74)**	**(68)**
credit cards	899	980	978	(81)	(79)

Distribution network

As at the end of the third quarter of 2013, the PKO Bank Polski SA network had 1 142 branches. Modernisation of the equipment and appearance of branches is one of the priorities of the Bank's new Strategy.
Works aimed at adapting the appearance of branches to the highest market standards were continued in the third quarter of 2013. Modernised locations ensured comfortable customer service with the use of modern solutions, such as a cash dispenser with a closed cash cycle (the so-called 'recycler'). As at the end of September 2013, the Bank's branches were equipped with 351 pieces of such equipment. The number of the Bank's own ATMs increased by 15 units in the third quarter of 2013, as a result of which as at the end of the September the Bank had 2 960 ATMs, which allowed it to further extend the availability of services for customers. In the third quarter of 2013, the process of launching a new ATM function of depositing cash on a self-service basis was continued. 181 ATMs with a cash pay-in module were launched which gives a total of 218 self-service ATMs with pay-in function available to the Bank's customers as at the end of September 2013. ATMs with a cash pay-in module relieve the branches of payment transactions made over the counter, as evidenced by the steady increase in the number of transactions made through ATMs with a cash pay-in module, with a simultaneous decrease in the number of cash transactions.
The network of agencies significantly supplements the network of bank branches and ATMs. At the end of the third quarter of this year there were more than 1.1 thousand such agencies.

Table 10. Branches and ATMs of PKO Bank Polski SA

	30.09.2013	31.12.2012	30.09.2012	Change since: 31.12.2012	Change since: 30.09.2012
Total number of branches	1 181	1 198	1 196	(17)	(15)
in the retail segment	**1 142**	**1 134**	**1 132**	**8**	**10**
Number of ATMs	2 960	2 803	2 569	157	391
Number of agencies	1 115	1 208	1 210	(93)	(95)

3.4.3. Corporate segment of PKO Bank Polski SA

In the third quarter of 2013 the PKO Bank Polski SA has strengthen its image as a key financial partner of the Polish economy. Building long-term relationships with customers and supporting their on-going activities with a wide range of transaction products and products mitigating financial risks (liquidity, settlement, interest rate, foreign exchange risk and the risk of changes in prices on commodity markets) remain the key priorities of the Bank's corporate segment.
The Bank regularly monitors market expectations and adapts its current offer of products and services so as to match the growing competitive pressure and meet the credit and non-credit needs of its corporate customers. The corporate segment of PKO Bank Polski SA successfully provides customer service, providing them with high quality services and professional advice. It remains open to cooperation in the financing of investment projects. At the same time, PKO Bank Polski SA continuously supports the development of local government and budget sector units, maintaining a leading position in this market segment.

Lending activity

As at the end of September of this year, total financing provided to corporate customers, including bonds issued, amounted to PLN 46.2 billion and it was PLN 0.6 billion (i.e. 1.2%) higher than at the beginning of the year. The volume of loans granted to corporate customers amounted to PLN 42.1 billion and was PLN 0.7 billion (i.e. 1.7%) higher than at the beginning of the year.
By adjusting the organisation of the sales network and its model of functioning to the existing market conditions, as well as adjusting product offer to meet growing customers' requirements, the Bank improved cooperation with customers. The changes helped to maintain a high level of customer satisfaction with the services provided by the Bank.

In the third quarter of this year, the Bank concluded loan agreements with a total nominal value of PLN 3.7 billion. The highest loan transactions concluded by the Bank in the third quarter of 2013 included financing in the form of investment and working capital loans granted to entities from the IT, service, electronic, food and construction sectors as well as local government units. The unit values of such contracts were between PLN 1 million and PLN 500 million.

Table 11. Financing provided to corporate customers (in PLN million)

	30.09.2013	31.12.2012	30.09.2012	Change since: 31.12.2012	Change since: 30.09.2012
Gross corporate loans	42 071	41 351	40 142	1.7%	4.8%
Debt securities available for sale, gross	4 088	4 252	4 467	-3.9%	-8.5%
Total financing	**46 159**	**45 603**	**44 609**	**1.2%**	**3.5%**

Structured financing

Products associated with financing of large investment projects are a standard element of the Bank's offer dedicated to corporate clients. Depending on customers' needs, financing is provided in the form of loans or issues of securities, often in the form of banking consortia. It is worth noticing that the Bank is one of the top corporate bond issue underwriters – with more than 14% market share and market leader with a ca. 30% market share among municipal bond issue underwriters.
In the third quarter of this year, the Bank concluded 3 syndicated loan agreements totaling PLN 1.3 billion, in which the Bank's share amounted to nearly PLN 0.4 billion, a working capital bilateral loan agreement of PLN 324 million and syndicated guarantee line agreement of EUR 96 million, in which the PKO Bank Polski SA's share amounted to EUR 28 million.
Moreover, the Bank signed 39 agreements for municipal bonds issues totaling PLN 333.4 million and one agreement for corporate bonds issues without a closing guarantee for PLN 35 million.

Deposit activities and transaction banking

The volume of corporate deposits as at the end of the third quarter of 2013 amounted to PLN 20.3 billion and was PLN 3.7 billion (i.e. 15.4%) lower than at the beginning of the year. The decrease in the volume of deposits was a result of the Bank's liquidity policy designated to diversify sources of financing activity.

Table 12. Deposits of corporate customers (in PLN million)

	30.09.2013	31.12.2012	30.09.2012	Change since: 31.12.2012	Change since: 30.09.2012
Corporate deposits	20 278	23 968	25 928	-15.4%	-21.8%

PKO Bank Polski SA is constantly enhancing the quality of its transaction banking services, both based on traditional distribution channels and by developing the iPKO business electronic banking system. In the third quarter of 2013 offer dedicated to the corporate segment customers using this product, has been constantly extended with new functionalities. Currently, the iPKO business application allows customers to monitor and manage accounts, payment cards and loans and to submit orders for all kinds of transfers. Implemented new solutions in delivering banking services offered to corporate segment customers, meet the growing needs of the market. The Bank has been constantly developing a new services dedicated to entities with a complex organisational structure (e.g. capital groups), enabling customers to conveniently use a wide range of products simplifying settlement and ensuring security of transactions with foreign partners.

Sales network

The sales network of the corporate segment includes regional corporate branches and subordinated corporate centres – altogether 39 branches as at 30.09.2013.

Table 13. Branches of PKO Bank Polski SA

	30.09.2013	31.12.2012	30.09.2012	Change since: 31.12.2012	Change since: 30.09.2012
Total number of branches	1 181	1 198	1 196	(17)	(15)
in the corporate segment:	**39**	**64**	**64**	**(25)**	**(25)**
regional corporate branches	7	13	13	(6)	(6)
corporate centres	32	51	51	(19)	(19)

3.4.4. Investment segment of PKO Bank Polski SA

As part of the investment segment activities, the Bank manages liquidity, interest rate and currency risks, conducts direct sales of financial market products to institutional customers, financial institutions other than banks and retail customers. The Bank's activities in this segment also comprise underwriting issues of debt securities for institutional customers and local governments, as well as selling such securities. Brokerage and fiduciary services constitute an important part of the activities of this segment.

Interbank market

The Bank is the Treasury Securities Dealer and Money Market Dealer and acts as the market maker on the domestic interest rate and currency markets. In the contest for the Treasury Securities Dealer for 2014, the Bank was granted the status of the dealer another consecutive year, what entitles him to direct participation in tenders in the primary market.

PKO Bank Polski SA actively managed financial risks (liquidity risk, interest rate risk and currency risk). Surplus funds in PLN, which were not used by the Bank for the purposes of its lending activity, were mainly invested on the Treasury Securities market and in NBP money bills. In the third quarter of this year the Bank bought financial institutions bonds for the investment portfolio denominated in PLN with a value of PLN 500 million.

The Bank continued its work related to implementing EMIR (European Market Infrastructure Regulation) which obliges mainly financial institutions to settle OTC derivative transactions using central counterparties – CCP. At current stage of work, the Bank have chosen clearing houses through which derivative transactions will be settled, as well as decided on the selection of the repository where derivative transactions will be reported.

Brokerage activity

The Brokerage House of PKO Bank Polski SA is one of the leaders of the domestic financial market, both in terms of turnover realised on the WSE and brokerage services sales network. In the third quarter of 2013 the turnover of the Brokerage House of PKO Bank Polski SA on the secondary stock market exceeded PLN 10 billion, which with a 8.34% of a market share gave the Brokerage House of PKO Bank Polski SA the third position in the ranking of brokerage houses.

In the previous quarter of 2013 the Brokerage House of PKO Bank Polski SA participated in a number of transactions on the primary market. Advised in the process of selling of Polskie Koleje Linowe S.A. and Zakład Zabezpieczeń Antykorozyjnych Oddział Dębica. The Brokerage House of PKO Bank Polski SA performed a function of the Offer Manager, the Offeror and the Bookrunner in an initial public offering of Peixin International Group N.V. (transaction value of PLN 16 million). It served as the Global Coordinator, Joint Bookrunner and the Offeror the initial public offering of PKP Cargo SA. In addition, the Brokerage House of PKO Bank Polski SA offered A, B, C and D-series investment certificates of the closed-end investment fund PKO Globalnej Strategii and handle the process of providing free shares to employees of the Jastrzębska Spółka Węglowa SA.

As at the end of the third quarter of this year, the Brokerage House of PKO Bank Polski SA was market maker for 55 companies (ranking second on the market) and issuer's market maker for 23 companies (ranking fifth on the market). In terms of New Connect market, the Brokerage House of PKO Bank Polski SA was market maker for 54 companies (ranking second on the market).

As at the end of September of this year, the Brokerage House of PKO Bank Polski SA maintained 171.6 thousand securities accounts and cash accounts, and 149.4 thousand registration accounts. In terms of the number of securities accounts (according to data of the National Depository of Securities) the Brokerage House of PKO Bank Polski SA ranks fourth on the market among 45 participants.

Treasury products

The Bank has a wide offer of forex, interest rate and commodity market instruments, which effectively support customers in their day-to-day operations and allow them to prepare effective financial risk management strategies. SPOT forex transactions have the largest share in sales of treasury products, good results are achieved by the Bank as regards sales of derivative instruments, such as forwards, options, IRS, CIRS or commodity. In response to customer expectations, the Bank is expanding and modernising its sales channel network, introducing next to traditional channels, the possibility of concluding transactions directly via the Internet platform. In the third quarter of this year, the number of SPOT transactions concluded via the Internet was more than twice higher than the number realised in the same period of the prior year and nearly 30% higher in respect of the whole sales network.

Fiduciary services

The Bank maintains securities accounts and handles transactions on the domestic and the foreign markets and it also provides fiduciary services and acts as a depositary for pension and investment funds. The Bank is a direct participant in the National Depository for Securities and the Securities Register (NBP), a member of the Council of Depositary Banks and the Non-Treasury Debt Securities Council of the Polish Banks Association.

As at the end of September of this year, the value of assets held on customers fiduciary accounts amounted to almost PLN 58 billion and was 11.6% higher than the amount obtained in the corresponding period of the previous year. As at the end of September of this year, the Bank served 1.45 thousand of fiduciary accounts.

3.4.5. Activities of the PKO Bank Polski SA Group entities

SIGNIFICANT EVENTS IN THE 3RD QUARTER OF 2013		
PKO Towarzystwo Funduszy Inwestycyjnych SA	1.	The assets value of funds managed by the Company amounted to PLN 12.9 billion as at the end of September 2013, which is an increase of the assets by 8.4% compared to the end of June 2013. An increase of the assets was associated mainly with favourable situation on the stock exchange and positive net result on sales.
	2.	PKO TFI SA ranks 3rd place in terms of the net assets value with a 7.4%* share in the investment funds market.
	3.	In the third quarter of 2013, the Company together with PKO Bank Polski SA launched for the Bank's Employees the Employee Pension Fund carried out in the funds managed by PKO TFI SA.
	4.	As at 30 September 2013 PKO TFI SA managed 38 investment funds and subfunds. * Source: Chamber of Fund and Asset Management.
PKO BP BANKOWY PTE SA	1.	As at the end of September 2013, the net assets value of PKO BP Bankowy OFE managed by PKO BP BANKOWY PTE SA, amounted to PLN 12.9 billion (which is an increase by 7.7% in comparison to the end of the second quarter of 2013).
	2.	As at 30 September of this year, the number of members of PKO BP Bankowy OFE amounted to 957 612.
	3.	PKO BP Bankowy OFE holds the 8th place on the pension funds market regarding the OPF's net assets value and the 7th place regarding the number of OPF's members*.
	4.	According to the ranking of the Polish Financial Supervision Authority, PKO BP Bankowy OFE for the period from 30 September 2010 to 30 September 2013 reached a rate of return at the level of 20.276% (the weighted average rate of return of 19.751%) holding thereby 6th place in the ranking of OPF for that period.
	5.	In the third quarter of 2013, there was a transfer of assets of OFE Polsat to PKO BP Bankowy OFE and thus the merger process of above mentioned Open Pension Funds was completed. * Source: www.knf.gov.pl
The PKO Leasing SA Group	1.	As at 30 September 2013, the total carrying amount of the lease investments of the PKO Leasing Group Entities amounted to PLN 3 544 million.
	2.	As at the end of September 2013, in terms of the value of leased assets, the PKO Leasing Group ranked 4th position on the market*. * Source: The Polish Leasing Association.
Inteligo Financial Services SA	1.	As at the end of the third quarter of 2013, the Company provided electronic banking systems to more than 5.9 million customers of PKO Bank Polski SA using iPKO services.
The KREDOBANK SA Group (data according to IFRS/IAS)	1.	KREDOBANK SA's (gross) loan portfolio in the third quarter of 2013 increased by UAH 204.5 million, i.e. by 8.3% and amounted to UAH 2 681.8 million as at the end of September 2013 (the gross loan portfolio denominated in PLN increased by PLN 29.6 million, i.e. by 3.0% and amounted to PLN 1 022.0 million as at the end of September 2013).
	2.	In the third quarter of 2013, term deposits of KREDOBANK SA customers increased by UAH 42.7 million, i.e. by 2.2% and amounted to UAH 1 937.0 million as at 30 September 2013 (term deposits denominated in PLN decreased by PLN 27.7 million, i.e. by 3.5% and amounted to PLN 738.2 million as at 30 September 2013).
	3.	As at 30 September 2013, the network of KREDOBANK SA branches consisted of 1 branch and 130 subordinated branches in 22 out of 24 Ukrainian districts and in the Autonomous Republic of the Crimea.
Centrum Elektronicznych Usług Płatniczych 'eService' SA	1.	As at the end of September 2013, the Company operated 84 thousand of payment terminal units reaching, according to Company's estimates, 27.7% market share.
	2.	In the third quarter of 2013 transactions with a total value of PLN 12 billion were generated in eService SA terminals (in the corresponding period of 2012 this value amounted to PLN 7.5 billion). The increase results from the increase of customer and terminal base number.
	3.	In terms of the value of card transactions generated in the period January - September 2013, the Company was promoted to the 1st position reaching the market share of of 35.8%.
Qualia Development Sp. z o.o. Group	1.	In the third quarter of 2013, the Qualia Development Group's (Qualia Development Sp. z o.o. and its subsidiaries) activities were focused on: - obtaining permission for the exploitation of the residential building with an office function in Sopot, - conducting design work and administrative procedures to obtain construction permits for: the Golden Tulip Zakopane hotel, the Royal Tulip hotel and apartment building in Jurata and for properties of PKO Bank Polski SA located in Warsaw.
	2.	On 1 July 2013 the Golden Tulip Gdańsk Residence hotel, built as a part of Pomeranka project, started its business activities. Qualia Hotel Management Sp. z o.o. is the facility operator.

3.4.6. Prizes and awards

In the third quarter of 2013, PKO Bank Polski SA was granted the following awards:

1. The Bank leading the Top Marka ranking
   PKO Bank Polski SA is the most frequently and best described in media banking sector institution, as shown by the 6th Top Marka ranking. On average, 4 thousand bits of information about the Bank appear each month in the media and web portals and 7 thousand appear on forums, blogs and social services. In the analysed period July 2012-June 2013, media and internet users appreciated, among others, the introduction of the Bank's innovative products, primarily the new mobile payment system IKO. They also acknowledged the increasing quality of services provided by the Bank.
2. The most popular financial institution in the Web
   The report 'Banki w Internecie' ('Banks in the Internet') prepared by Newspoint and MintMedia indicates that PKO Bank Polski SA is the most popular financial institution in the Web. In the 8 months analysed (1 January – 31 August 2013) nearly 30 thousand publications concerning the Bank were published in the Internet. Half of the materials concerning PKO Bank Polski SA appeared in portals (most of them in Inwestycje.pl, Wirtualna Polska and Puls Biznesu). The second largest category in terms of the number of publications are the internet forums. In turn, the dialogue in social services (mainly on Facebook) comprised 16% of all publications about the Bank in the analysed period.
3. PKO Bank Polski SA appreciated for the quality of its services
   PKO Bank Polski SA was the unbeatable winner of the 'Internetowy Ranking Jakości Obsługi w Bankach 2013' ('Internet Ranking of Service Quality in Banks for 2013'). This was influenced by the average result of three sub-rankings: the rank of service quality, positive assessment ranking and response rate on Facebook.
   When creating the ranking prepared by IRCenter, SentiOne and Napoleon, the opinions of internet users and the activity of banks on their Facebook profiles were taken into account. The ranking took into account 17.8 thousand spontaneous posts about 23 banks posted in the Web from 1 September 2012 to 31 August 2013, which were related to one of the four aspects: using the bank facilities, online transactional system, call centres and mobile banking.
4. Visionaries 2013
   Zbigniew Jagiełło, President of the Management Board of PKO Bank Polski SA was awarded the title of 'Visionary 2013'. 'Visionaries' is a prize awarded by Dziennik Gazeta Prawna for leading personalities in Polish business. Mr Jagiełło was recognised for his contribution to the development of the financial sector, in reinforcing the Bank's position as market leader and determination in changing the Bank's image.
5. The Brokerage House of PKO Bank Polski SA, leader in the Forbes rankings
   The Brokerage House of PKO Bank Polski SA was the winner in the Forbes' ranking of brokerage houses according to institutional investors, advancing from 5th position. It has the best team of institutional brokers in Poland. It also maintained a high 3rd position in the Ranking of the best brokerage houses in the opinion of individual investors. Its professional and individual approach, the quality of recommendations and analyses, the quality of services on the primary and secondary markets, as well as its ability to build relationships were the key to this year's success of The Brokerage House of PKO Bank Polski SA.
6. *Quality Recognition Award*
   JP Morgan is the main correspondent bank of PKO Bank Polski SA in respect of US dollar. This Award is proof of the professional handling of transactions performed by PKO Bank Polski SA. The Award is given to very few banks worldwide which handle high volume transactions directed to JPMorgan Chase Bank New York that do not require any manual intervention.

Bank Polski

Condensed interim consolidated financial statements of the PKO Bank Polski SA Group for the nine-month period ended 30 September 2013

Report publication date:
14 November 2013

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the nine-month periods ended 30 September 2013 and 30 September 2012 respectively

	Note	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Continuing operations					
Interest and similar income	4	2 501 515	8 087 285	3 297 130	9 784 387
Interest expense and similar charges	4	(923 819)	(3 243 359)	(1 319 717)	(3 764 729)
Net interest income		**1 577 696**	**4 843 926**	**1 977 413**	**6 019 658**
Fee and commission income	5	1 059 387	3 032 976	955 880	2 809 576
Fee and commission expense	5	(250 918)	(681 929)	(194 201)	(545 198)
Net fee and commission income		**808 469**	**2 351 047**	**761 679**	**2 264 378**
Dividend income		471	5 766	2 004	8 081
Net income from financial instruments measured at fair value	6	31 059	34 357	32 843	48 228
Gains less losses from investment securities		3 425	64 778	17 348	21 990
Net foreign exchange gains (losses)		67 445	142 388	88 732	233 387
Other operating income	7	167 115	417 698	149 064	386 710
Other operating expense	7	(128 174)	(332 646)	(104 370)	(266 867)
Net other operating income and expense		**38 941**	**85 052**	**44 694**	**119 843**
Net impairment allowance and write-downs	8	(487 763)	(1 354 682)	(657 627)	(1 758 912)
Administrative expenses	9	(1 115 603)	(3 341 097)	(1 131 433)	(3 377 774)
Operating profit		**924 140**	**2 831 535**	**1 135 653**	**3 578 879**
Share of profit (loss) of associates and jointly controlled entities		11 225	(3 428)	8 399	14 427
Profit before income tax		**935 365**	**2 828 107**	**1 144 052**	**3 593 306**
Income tax expense	10	(181 005)	(539 790)	(223 285)	(719 734)
Net profit (including non-controlling shareholders)		**754 360**	**2 288 317**	**920 767**	**2 873 572**
Profit (loss) attributable to non-controlling shareholders		(114)	(388)	(249)	(805)
Net profit attributable to equity holders of the parent company		**754 474**	**2 288 705**	**921 016**	**2 874 377**
Earnings per share	11				
– basic earnings per share for the period (PLN)		0.60	1.83	0.74	2.30
– diluted earnings per share for the period (PLN)		0.60	1.83	0.74	2.30
Weighted average number of ordinary shares during the period (in thousand)		1 250 000	1 250 000	1 250 000	1 250 000
Weighted average diluted number of ordinary shares during the period (in thousand)		1 250 000	1 250 000	1 250 000	1 250 000

Discontinued operations

In the nine-month periods ended 30 September 2013 and 30 September 2012 the PKO Bank Polski SA Group did not have discontinued operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the nine-month periods ended 30 September 2013 and 30 September 2012 respectively

	Note	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Net profit (including non-controlling shareholders)		**754 360**	**2 288 317**	**920 767**	**2 873 572**
Other comprehensive income		**31 649**	**(294 357)**	**(158 489)**	**(338 049)**
Items that may be reclassified to the income statement		**31 649**	**(294 357)**	**(158 489)**	**(338 049)**
Cash flow hedges (gross)	15	39 359	(205 695)	(164 596)	(406 572)
Deferred tax on cash flow hedges	15	(7 478)	39 082	31 274	77 249
Cash flow hedges (net)		31 881	(166 613)	(133 322)	(329 323)
Unrealised net gains on financial assets available for sale (gross)		11 935	(156 013)	(7 027)	14 784
Deferred tax on unrealised net gains on financial assets available for sale		(2 422)	29 315	1 357	(2 751)
Unrealised net gains on financial assets available for sale (net)		9 513	(126 698)	(5 670)	12 033
Currency translation differences from foreign operations		(9 931)	606	(19 618)	(22 061)
Share in other comprehensive income of an associate	20	186	(1 652)	121	1 302
Total net comprehensive income		**786 009**	**1 993 960**	**762 278**	**2 535 523**
Total net comprehensive income, of which attributable to:		**786 009**	**1 993 960**	**762 278**	**2 535 523**
equity holders of PKO Bank Polski SA		786 139	1 994 315	762 158	2 536 041
non-controlling shareholders		(130)	(355)	120	(518)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2013 and as at 31 December 2012

	Note	30.09.2013	31.12.2012
Assets			
Cash and balances with the central bank		7 602 630	10 289 451
Amounts due from banks	12	5 208 080	3 392 486
Trading assets	13	2 024 575	277 566
Derivative financial instruments	14	2 814 162	3 860 561
Financial assets designated upon initial recognition at fair value through profit and loss	16	12 503 572	12 629 711
Loans and advances to customers	17	150 041 012	143 875 644
Investment securities available for sale	18	14 130 075	12 205 130
Investment securities held to maturity	19	28 313	46 971
Investments in associates and jointly controlled entities	20	111 928	119 211
Non-current assets held for sale		13 621	20 410
Inventories		637 356	553 534
Intangible assets	21	1 961 718	1 934 000
Tangible fixed assets, of which:	21	2 616 003	2 650 597
investment properties		191	238
Current income tax receivables		180 274	5 713
Deferred income tax asset	10	566 214	564 514
Other assets		1 178 527	1 054 129
Total assets		**201 618 060**	**193 479 628**
Liabilities and equity			
Liabilities			
Amounts due to the central bank		4 149	3 128
Amounts due to banks	22	5 728 855	3 733 947
Derivative financial instruments	14	3 283 884	3 964 098
Amounts due to customers	23	150 857 210	146 193 570
Debt securities in issue	24	10 658 002	10 270 783
Subordinated liabilities	25	1 603 338	1 631 256
Other liabilities	26	4 740 073	2 057 707
Current income tax liabilities		5 592	155 580
Deferred income tax liability	10	44 635	41 300
Provisions	27	240 712	720 609
Total liabilities		**177 166 450**	**168 771 978**
Equity			
Share capital		1 250 000	1 250 000
Other capital		21 086 084	19 933 012
Currency translation differences from foreign operations		(119 732)	(120 305)
Unappropriated profits		(55 914)	(103 340)
Net profit for the year		2 288 705	3 748 621
Capital and reserves attributable to equity holders of the parent company		**24 449 143**	**24 707 988**
Non-controlling interest		2 467	(338)
Total equity		**24 451 610**	**24 707 650**
Total liabilities and equity		**201 618 060**	**193 479 628**
Capital adequacy ratio	36	13.83%	13.07%
Book value (in PLN thousand)		24 451 610	24 707 650
Number of shares (in thousand)	1	1 250 000	1 250 000
Book value per share (in PLN)		19.56	19.77
Diluted number of shares (in thousand)		1 250 000	1 250 000
Diluted book value per share (in PLN)		19.56	19.77

(IN PLN THOUSAND)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the nine-month periods ended 30 September 2013 and 30 September 2012 respectively

for the nine-month period ended 30 September 2013	Share capital	Other capital							Currency translation differences from foreign operations	Unappropriated profits	Net profit for the period	Total capital and reserves attributable to equity holders of the parent company	Non-controlling interest	Total equity
		Reserves			Other comprehensive income			Total other capital						
		Reserve capital	General banking risk fund	Other reserves	Share in other comprehensive income of an associate	Financial assets available for sale	Cash flow hedges							
As at 1 January 2013	**1 250 000**	**15 364 728**	**1 070 000**	**3 437 957**	**1 330**	**7 098**	**51 899**	**19 933 012**	**(120 305)**	**(103 340)**	**3 748 621**	**24 707 988**	**(338)**	**24 707 650**
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	-	3 748 621	(3 748 621)	-	-	-
Total comprehensive income, of which:	**-**	**-**	**-**	**-**	**(1 652)**	**(126 698)**	**(166 613)**	**(294 963)**	**573**	**-**	**2 288 705**	**1 994 315**	**(355)**	**1 993 960**
Net profit	-	-	-	-	-	-	-	-	-	-	2 288 705	2 288 705	(388)	2 288 317
Other comprehensive income	-	-	-	-	(1 652)	(126 698)	(166 613)	(294 963)	573	-	-	(294 390)	33	(294 357)
Transfer from unappropriated profits	-	1 416 885	-	31 150	-	-	-	1 448 035	-	(1 448 035)	-	-	-	-
Dividends declared	-	-	-	-	-	-	-	-	-	(2 250 000)	-	(2 250 000)	-	(2 250 000)
Change in the controlling interest	-	-	-	-	-	-	-	-	-	(3 160)	-	(3 160)	3 160	-
As at 30 September 2013	**1 250 000**	**16 781 613**	**1 070 000**	**3 469 107**	**(322)**	**(119 600)**	**(114 714)**	**21 086 084**	**(119 732)**	**(55 914)**	**2 288 705**	**24 449 143**	**2 467**	**24 451 610**

for the nine-month period ended 30 September 2012	Share capital	Other capital							Currency translation differences from foreign operations	Unappropriated profits	Net profit for the period	Total capital and reserves attributable to equity holders of the parent company	Non-controlling interest	Total equity
		Reserves			Other comprehensive income			Total other capital						
		Reserve capital	General banking risk fund	Other reserves	Share in other comprehensive income of an associate	Financial assets available for sale	Cash flow hedges							
As at 1 January 2012	**1 250 000**	**13 041 390**	**1 070 000**	**3 460 368**	**(257)**	**(52 422)**	**362 185**	**17 881 264**	**(92 023)**	**(23 162)**	**3 807 195**	**22 823 274**	**(1 290)**	**22 821 984**
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	-	3 807 195	(3 807 195)	-	-	-
Total comprehensive income, of which:	**-**	**-**	**-**	**-**	**1 302**	**12 033**	**(329 323)**	**(315 988)**	**(22 348)**	**-**	**2 874 377**	**2 536 041**	**(518)**	**2 535 523**
Net profit	-	-	-	-	-	-	-	-	-	-	2 874 377	2 874 377	(805)	2 873 572
Other comprehensive income	-	-	-	-	1 302	12 033	(329 323)	(315 988)	(22 348)	-	-	(338 336)	287	(338 049)
Transfer from unappropriated profits	-	2 322 284	-	66 122	-	-	-	2 388 406	-	(2 388 406)	-	-	-	-
The effect of the takeover of subsidiary's assets and liabilities by the parent company	-	-	-	(88 533)	-	-	-	(88 533)	-	88 533	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	(1 587 500)	-	(1 587 500)	-	(1 587 500)
As at 30 September 2012	**1 250 000**	**15 363 674**	**1 070 000**	**3 437 957**	**1 045**	**(40 389)**	**32 862**	**19 865 149**	**(114 371)**	**(103 340)**	**2 874 377**	**23 771 815**	**(1 808)**	**23 770 007**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE PKO BANK POLSKI SA GROUP FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013 (IN PLN THOUSAND)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the nine-month periods ended 30 September 2013 and 30 September 2012 respectively

	Note	01.01-30.09.2013	01.01-30.09.2012
Net cash flow from operating activities			
Profit before income tax		**2 828 107**	**3 593 306**
Adjustments:		**(2 329 278)**	**(6 423 888)**
Amortisation and depreciation	9	437 762	407 596
(Gains) losses from investing activities		2 118	2 742
Interest and dividends		(374 119)	(583 688)
Change in amounts due from banks		309 010	(68 189)
Change in trading assets and financial assets designated upon initial recognition at fair value through profit and loss		(1 620 870)	(3 205 250)
Change in derivative financial instruments (asset)		1 046 399	(468 837)
Change in loans and advances to customers		(6 315 277)	(1 887 438)
Change in other assets and non-current assets held for sale		(226 281)	(158 366)
Change in amounts due to banks		1 790 011	(590 433)
Change in derivative financial instruments (liability)		(680 214)	711 470
Change in amounts due to customers		4 267 957	(1 029 494)
Change in debt securities in issue		420 281	(118 408)
Change in impairment allowances and provisions		(397 834)	804 328
Change in other liabilities and subordinated liabilities		560 248	(63 218)
Income tax paid		(781 420)	(703 443)
Other adjustments		(767 049)	526 740
Net cash from / used in operating activities		**498 829**	**(2 830 582)**
Net cash flow from investing activities			
Inflows from investing activities		**30 826 572**	**13 546 387**
Proceeds from sale of an associate classified as assets held for sale		24 850	-
Proceeds from sale and interest of investment securities		30 784 540	13 537 543
Proceeds from sale of intangible assets and tangible fixed assets		12 039	2 654
Other investing inflows (dividends)		5 143	6 190
Outflows from investing activities		**(32 275 498)**	**(11 343 828)**
Purchase of a subsidiary, net of cash acquired		-	(2 500)
Purchase of investment securities		(31 782 619)	(10 918 469)
Purchase of intangible assets and tangible fixed assets		(492 879)	(422 859)
Net cash from / used in investing activities		**(1 448 926)**	**2 202 559**
Net cash flow from financing activities			
Proceeds from debt securities in issue		1 429 385	10 448 987
Proceeds from subordinated bonds		-	1 600 700
Redemption of debt securities in issue		(1 462 447)	(7 335 846)
Dividends paid		-	(1 587 500)
Repayment of interest from issued debt securities and subordinated loans		(116 888)	(144 438)
Long-term borrowings		1 084 987	1 919 348
Repayment of long-term borrowings		(546 606)	(4 000 551)
Net cash generated from financing activities		**388 431**	**900 700**
Net cash flow		**(561 666)**	**272 677**
of which currency translation differences on cash and cash equivalents		54 058	(165 145)
Cash and cash equivalents at the beginning of the period		12 495 632	11 422 970
Cash and cash equivalents at the end of the period	30	**11 933 966**	**11 695 647**
of which restricted		13 184	3 416

(IN PLN THOUSAND)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The condensed interim consolidated financial statements of the Powszechna Kasa Oszczędności Bank Polski SA Group ('the PKO Bank Polski SA Group', 'the Group') have been prepared for the nine-month period ended 30 September 2013 and include comparative data for the nine-month period ended 30 September 2012 (as regards consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows) and include comparative data as at 31 December 2012 (as regards consolidated statement of financial position). Financial data have been presented in Polish zloty (PLN), rounded to thousand zloty, unless indicated otherwise.

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

The Bank was established in 1919 as Pocztowa Kasa Oszczędnościowa. In 1950 it 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 of 2000 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 entered into the Register of Companies by the District Court for the capital city of Warsaw, Commercial Court XVI Registration Department. At present, the appropriate court is the District Court for the capital city of Warsaw, XIII Economic Department of the National Court Register. The Bank was registered under entry KRS No. 0000026438 and was granted a statistical REGON No. 016298263. The paid share capital amounts to PLN 1 250 000 000.

The Bank's shareholding structure is as follows:

Name of entity	Number of shares	Number of votes %	Nominal value of 1 share	Share in equity %
As at 30 September 2013				
The State Treasury	392 406 277	31.39	PLN 1	31.39
AVIVA Otwarty Fundusz Emerytalny*	83 952 447	6.72	PLN 1	6.72
ING Otwarty Fundusz Emerytalny**	64 594 448	5.17	PLN 1	5.17
Other shareholders	709 046 828	56.72	PLN 1	56.72
Total	**1 250 000 000**	**100.00**	---	**100.00**
As at 31 December 2012				
The State Treasury	417 406 277	33.39	PLN 1	33.39
Bank Gospodarstwa Krajowego	128 102 731	10.25	PLN 1	10.25
ING Otwarty Fundusz Emerytalny	64 594 448	5.17	PLN 1	5.17
Other shareholders	639 896 544	51.19	PLN 1	51.19
Total	**1 250 000 000**	**100.00**	---	**100.00**

* According to information provided by the shareholder on 1 February 2013.
** According to information provided by the shareholder on 27 July 2012.

Information on changes in the shareholding structure of PKO Bank Polski SA is described in 'The further explanatory data' under the Table 3 'Shareholding structure in PKO Bank Polski SA'.

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

Business activities of the Group

PKO Bank Polski SA is a universal deposit-loan commercial bank offering services to both residents and non-residents retail, corporate and other clients. PKO Bank Polski SA is licensed to hold foreign exchange and currencies and sell/buy them, as well as to perform a full range of foreign exchange services, to open and hold bank accounts abroad and to deposit foreign exchange in these accounts.

Moreover, through its subsidiaries, the Group conducts activities relating to leasing, factoring, investment funds, pension funds, Internet banking, servicing and settlement of card transactions and real estate development, as well as through its subsidiaries in Ukraine, the Group conducts banking, debt collection and factoring activities.

The scope of activities of each of the Group entities is set out in the position 'Structure of the PKO Bank Polski SA Group'.

The Group operates in the Republic of Poland and through its subsidiaries: KREDOBANK SA, 'Inter-Risk Ukraina' Additional Liability Company, Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o., Finansowa Kompania 'Idea Kapitał' Sp. z o.o (and until 14 November 2012 UKRPOLINWESTYCJE Sp. z o.o.) – in Ukraine as well as through its subsidiaries PKO Finance AB and PKO Leasing Sverige AB in Sweden.

(IN PLN THOUSAND)

Structure of the PKO Bank Polski SA Group

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

Subsidiaries

PKO Bank Polski SA

Direct subsidiaries

Entity	*	**
Qualia Development Sp. z o.o.[1] (real estate development, Warsaw)	100.00*	100.00**
PKO Leasing SA[2] (leasing services, Łódź)	100.00*	100.00**
Centrum Elektronicznych Usług Płatniczych eService SA (servicing and settlement of card transactions, Warsaw)	100.00*	100.00**
Inteligo Financial Services SA (Internet banking, Warsaw)	100.00*	100.00**
Bankowe Towarzystwo Kapitałowe SA (services, Warsaw)	100.00*	100.00**
PKO BP BANKOWY PTE SA (pension fund management, Warsaw)	100.00*	100.00**
PKO Towarzystwo Funduszy Inwestycyjnych SA (investment fund management, Warsaw)	100.00*	100.00**
KREDOBANK SA (banking activities, Lviv Ukraine)	99.5655*	99.5655**
PKO BP Finat Sp. z o.o. (transfer agent services, Warsaw)	100.00*	100.00**
PKO Finance AB (financial services, Stockholm Sweden)	100.00*	100.00**
Fort Mokotów Inwestycje Sp. z o.o.[3] (real estate development, Warsaw)	99.9884*	99.9891**
'Inter-Risk Ukraina' Additional Liability Company (debt collection services, Kiev Ukraine)	100.00*	100.00**
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.[4] (factoring, Kiev Ukraine)	91.8766*	6.5920**

Indirect subsidiaries (Qualia Development Sp. z o.o.)

Entity	*	**
Qualia Sp. z o.o. (general partner in limited partnerships of the Qualia Development Group entities, Warsaw)	100.00*	100.00**
Qualia spółka z ograniczoną odpowiedzialnością – Neptun Park Sp. k. (real estate development, Warsaw)	99.9975*	99.9975**
Qualia spółka z ograniczoną odpowiedzialnością – Nowy Wilanów Sp. k. (real estate development, Warsaw)	99.9750*	99.9750**
Qualia Sp. z o.o. – Sopot Sp. k. (real estate development, Warsaw)	99.9787*	99.9787**
Qualia spółka z ograniczoną odpowiedzialnością – Pomeranka Sp. k. (real estate development, Warsaw)	99.8951*	99.8951**
Qualia spółka z ograniczoną odpowiedzialnością – Projekt 1 Sp. k. (real estate development, Warsaw)	50.00*	50.00**
Qualia – Rezydencja Flotylla Sp. z o.o. (real estate development, Warsaw)	100.00*	100.00**
Sarnia Dolina Sp. z o.o. (real estate development, Warsaw)	100.00*	56.00**
Fort Mokotów Sp. z o.o. in liquidation (Warsaw)	51.00*	51.00**
Qualia - Residence Sp. z o.o. (real estate development, Warsaw)	100.00*	100.00**
Qualia Hotel Management Sp. z o.o. (real estate development, Warsaw)	100.00*	100.00**
Qualia spółka z ograniczoną odpowiedzialnością – Władysławowo Sp. k. (real estate development, Warsaw)	50.00*	50.00**
Qualia spółka z ograniczoną odpowiedzialnością – Zakopane Sp. k. (real estate development, Warsaw)	99.7738*	50.00**
Qualia spółka z ograniczoną odpowiedzialnością – Jurata Sp. k. (real estate development, Warsaw)	99.9608*	50.00**
Giełda Nieruchomości Wartościowych Sp. z o.o.[8] (intermediation in the sale of real estate, Warsaw)	99.00*	- **

Indirect subsidiaries (PKO Leasing SA)

Entity	*	**
PKO Bankowy Leasing Sp. z o.o.[5] (leasing services, Łódź)	100.00*	100.00**
PKO Leasing Sverige AB.[6] (leasing services, Stockholm Sweden)	100.00*	-**

Indirect subsidiary (Bankowe Towarzystwo Kapitałowe SA)

Entity	*	**
PKO BP Faktoring SA[7] (factoring, Warsaw)	99.9889*	99.9889**

Indirect subsidiary (KREDOBANK SA)

Entity	*	**
Finansowa Kompania 'Idea Kapitał' Sp. z o.o. (financial services, Kiev Ukraine)	100.00*	100.00**

* % share in equity as at 30.09.2013   ** % share in equity as at 31.12.2012

1) in limited partnerships of the Qualia Development Group the limited partner is Qualia Development Sp. z o.o. and the general partner is Qualia Sp. z o.o.; in the position of share capital, the total contributions made by the limited partner is presented,
2) formerly Bankowy Fundusz Leasingowy SA,
3) the second shareholder of the Entity is Qualia Development Sp. z o.o.,
4) the second shareholder of the Entity is 'Inter-Risk Ukraina' Sp. z d.o.; until 9 September 2013 the Entity was a subsidiary of 'Inter-Risk Ukraina' Sp. z d.o.
5) formerly Bankowy Leasing Sp. z o.o.,
6) the Entity was registered in Sweden on 18 September 2013,
7) the second shareholder of the Entity is PKO Bank Polski SA,
8) the second shareholder of the Entity is Qualia Sp. z o.o.

Jointly controlled entities and associates included in the consolidated financial statements:

Jointly controlled entities and associates

PKO Bank Polski SA

Direct jointly controlled entities

- Centrum Obsługi Biznesu Sp. z o.o. (hotel management, Poznań) — 41.44* / 41.44**
- CENTRUM HAFFNERA Sp. z o.o. (the Group's real estate management, Sopot) — 49.43* / 49.43**

Indirect jointly controlled entities

- Centrum Majkowskiego Sp. z o.o. (preparing to liquidation process, Sopot) — 100.00* / 100.00**
- Kamienica Morska Sp. z o.o. in liquidation (Sopot) — 100.00* / 100.00**
- Sopot Zdrój Sp. z o.o. (hotel management, Sopot) — 100.00* / 100.00**
- Promenada Sopocka Sp. z o.o. (rental services and real estate management, Sopot) — 100.00* / 100.00**

Direct associates

- Poznański Fundusz Poręczeń Kredytowych Sp. z o.o. (guarantees, Poznań) — 33.33* / 33.33**
- Agencja Inwestycyjna CORP-SA SA[1] (office real estate management, Warsaw) — 22.31* / 22.31**
- Kolej Gondolowa Jaworzyna Krynicka SA[2] (cable railway transport, Krynica – Zdrój) — -* / 37.53**
- Bank Pocztowy SA (banking activities, Bydgoszcz) — 25.0001* / 25.0001**

Indirect associates

- Centrum Operacyjne Sp. z o.o. (activities supporting financial services, Bydgoszcz) — 100.00* / 100.00**
- Spółka Dystrybucyjna Banku Pocztowego Sp. z o.o. (intermediary financial services, Warsaw) — 100.00* / 100.00**

* % share in equity as at 30.09.2013 ** % share in equity as at 31.12.2012

1) Shares of the Entity are recognised as assets held for sale,
2) Shares of the Entity were sold on 24 September 2013.

Information on changes in the participation in the share capital of the subsidiaries is set out in Note 32 'Changes to the entities of the Group, jointly controlled entities and associates'.

2. Summary of significant accounting policies and estimates and judgements

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

The accounting policies and calculations applied in these condensed interim consolidated financial statements are consistent to those, which were applied in the six-month period ended 30 June 2013. These policies were described in detail in the interim condensed consolidated financial statements of the PKO Bank Polski SA Group for the six-month period ended 30 June 2013, including policies applied in preparation of the annual consolidated financial statements of the PKO Bank Polski SA Group for the year ended 31 December 2012.

These condensed interim consolidated financial statements for the third quarter of 2013 should be read together with interim condensed consolidated financial statements of the PKO Bank Polski SA Group for the six-month period ended 30 June 2013 and together with consolidated financial statements of the PKO Bank Polski SA Group for 2012, prepared in accordance with International Financial Reporting Standards, as approved by the European Union.

3. Information on the segments of activities and information about geographical areas

3.1. 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 characterised by similar risk and income – different from other business segments. The segment note below is recognised in an internal reporting system, i.e. information presented to the Management Board of PKO Bank Polski SA, used to assess achieved results and to allocate resources.

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

1. The retail segment comprises transactions of the parent company with retail clients, clients of small and medium enterprises and housing market clients. 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 enterprises and housing market customers.
2. The corporate segment includes transactions of the parent company with large corporate clients. This segment comprises, among others, the following products and services: current accounts, deposits, securities depositary services, currency and derivative products, sell buy back and buy sell back transactions, corporate loans, leases and factoring. Within the segment, PKO Bank Polski SA also enters, individually or in a consortium with other banks, into loan agreements financing large investment projects.
3. The investment segment comprises transactions of the parent company with financial institutions' clients and the Bank's portfolio activity on its own account i.e. investing and brokerage activities, interbank transactions, derivative instruments and debt securities transactions and activities of PKO Bank Polski SA's subsidiaries.
4. The transfer centre comprises the result on internal settlements related to funds transfer pricing, the result on long-term sources of financing and the result on positions classified for hedge accounting. Internal funds transfer is based on transfer pricing dependant on market rates. The transactions between business segments are conducted at arm's length. Long-term external financing includes the issuance of securities, subordinated liabilities and amounts due to financial institutions.

The PKO Bank Polski SA Group typically settles inter-segment transactions as if they were concluded between unrelated parties, using internal settlement rates. The transactions between business segments are conducted at arm's length.

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

Disclosed assets and liabilities of the segment 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 are assigned assets and liabilities as well as income and costs related to these assets and liabilities.

The current income tax expense in respect of the presentation of the financial result, and deferred income tax asset, current income tax receivables and current income tax liabilities in respect of the consolidated statement of financial position presentation were recognised at the Group level.

(IN PLN THOUSAND)

The tables below present data relating to income and results of individual operational segments of the PKO Bank Polski SA Group for the nine-month periods ended 30 September 2013 and 30 September 2012 and assets and liabilities as at 30 September 2013 and as at 31 December 2012.

For the nine-month period ended 30 September 2013	Continuing operations				
	Retail segment	Corporate segment	Investment segment	Transfer centre	Total activity of the PKO Bank Polski SA Group
Net interest income	3 881 363	456 771	193 378	312 414	4 843 926
Net fee and commission income	1 799 560	225 111	328 564	(2 188)	2 351 047
Other net income	115 174	59 821	190 636	(33 290)	332 341
Net result from financial operations	(2 003)	14 826	74 066	12 246	99 135
Net foreign exchange gains (losses)	94 283	63 178	30 463	(45 536)	142 388
Dividend income	-	-	5 766	-	5 766
Net other operating income and expense	3 365	1 346	80 341	-	85 052
Income/expenses relating to internal customers	19 529	(19 529)	-	-	-
Net impairment allowance and write-downs	(840 775)	(435 849)	(78 058)	-	(1 354 682)
Administrative expenses, of which:	(2 682 027)	(191 604)	(467 466)	-	(3 341 097)
amortisation and depreciation	(360 518)	(22 892)	(54 352)	-	(437 762)
Share of profit (loss) of associates and jointly controlled entities	-	-	-	-	(3 428)
Segment gross profit	**2 273 295**	**114 250**	**167 054**	**276 936**	**2 828 107**
Income tax expense (tax burden)	-	-	-	-	(539 790)
Profit (loss) attributable to non-controlling shareholders	-	-	-	-	(388)
Net profit attributable to equity holders of the parent company	**2 273 295**	**114 250**	**167 054**	**276 936**	**2 288 705**

As at 30 September 2013	Continuing operations				
	Retail segment	Corporate segment	Investment segment	Transfer centre	Total activity of the PKO Bank Polski SA Group
Assets	111 120 912	41 332 401	41 296 312	7 121 947	200 871 572
Unallocated assets	-	-	-		746 488
Total assets	**111 120 912**	**41 332 401**	**41 296 312**	**7 121 947**	**201 618 060**
Liabilities	129 336 667	18 172 320	24 271 643	5 380 228	177 160 858
Unallocated liabilities	-	-	-		5 592
Total liabilities	**129 336 667**	**18 172 320**	**24 271 643**	**5 380 228**	**177 166 450**

For the nine-month period ended 30 September 2012	Continuing operations*				
	Retail segment	Corporate segment	Investment segment	Transfer centre	Total activity of the PKO Bank Polski SA Group
Net interest income	4 370 947	447 021	184 857	1 016 833	6 019 658
Net fee and commission income	1 785 179	215 942	265 175	(1 918)	2 264 378
Other net income	167 611	67 189	238 211	(41 482)	431 529
Net result from financial operations	3 313	10 464	46 823	9 618	70 218
Net foreign exchange gains (losses)	144 311	75 947	64 229	(51 100)	233 387
Dividend income	-	-	8 081	-	8 081
Net other operating income and expense	458	307	119 078	-	119 843
Income/expenses relating to internal customers	19 529	(19 529)	-	-	-
Net impairment allowance and write-downs	(1 224 937)	(471 018)	(62 957)	-	(1 758 912)
Administrative expenses, of which:	(2 708 302)	(188 153)	(481 319)	-	(3 377 774)
amortisation and depreciation	(333 675)	(19 597)	(54 324)	-	(407 596)
Share of profit (loss) of associates and jointly controlled entities	-	-	-	-	14 427
Segment gross profit	**2 390 498**	**70 981**	**143 967**	**973 433**	**3 593 306**
Income tax expense (tax burden)	-	-	-	-	(719 734)
Profit (loss) attributable to non-controlling shareholders	-	-	-	-	(805)
Net profit attributable to equity holders of the parent company	**2 390 498**	**70 981**	**143 967**	**973 433**	**2 874 377**

* Data for the nine-month period ended 30 September 2012 have been brought to comparability. Change in methodology as regards presentation of results.

(IN PLN THOUSAND)

As at 31 December 2012	Continuing operations				
	Retail segment	Corporate segment	Investment segment	Transfer centre	Total activity of the PKO Bank Polski SA Group
Assets	108 005 298	43 031 211	32 563 098	9 309 794	192 909 401
Unallocated assets*	-	-	-	-	570 227
Total assets	**108 005 298**	**43 031 211**	**32 563 098**	**9 309 794**	**193 479 628**
Liabilities	121 365 763	18 739 826	23 724 738	4 786 071	168 616 398
Unallocated liabilities	-	-	-	-	155 580
Total liabilities	**121 365 763**	**18 739 826**	**23 724 738**	**4 786 071**	**168 771 978**

*Data as at 31 December 2012 have been brought to comparability. Recognition of current income tax receivables on the Group level.

3.2. Information about geographical areas

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 the KREDOBANK SA Group, 'Inter-Risk Ukraina' Additional Liability Company and Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.

For the nine-month period ended 30 September 2013	Poland	Ukraine	Total
Net interest income	4 808 297	35 629	4 843 926
Net fee and commission income	2 304 181	46 866	2 351 047
Other net income	329 618	2 723	332 341
Administrative expenses	(3 244 259)	(96 838)	(3 341 097)
Net impairment allowance and write-downs	(1 323 293)	(31 389)	(1 354 682)
Share of profit (loss) of associates and jointly controlled entities	-	-	(3 428)
Gross profit	2 874 544	(43 009)	2 828 107
Income tax expense (tax burden)	-	-	(539 790)
Profit (loss) attributable to non-controlling shareholders	-	-	(388)
Net profit (loss)	2 874 544	(43 009)	2 288 705

As at 30 September 2013	Poland	Ukraine	Total
Assets, of which:	199 815 802	1 802 258	201 618 060
non-financial fixed assets	4 429 217	148 504	4 577 721
deferred tax asset and current income tax receivable	676 534	69 954	746 488
Liabilities	175 517 187	1 649 263	177 166 450

For the nine-month period ended 30 September 2012*	Poland	Ukraine	Total
Net interest income	5 976 503	43 155	6 019 658
Net fee and commission income	2 224 057	40 321	2 264 378
Other net income	431 239	290	431 529
Administrative expenses	(3 283 376)	(94 398)	(3 377 774)
Net impairment allowance and write-downs	(1 730 552)	(28 360)	(1 758 912)
Share of profit (loss) of associates and jointly controlled entities	-	-	14 427
Gross profit	3 617 871	(38 992)	3 593 306
Income tax expense (tax burden)	-	-	(719 734)
Profit (loss) attributable to non-controlling shareholders	-	-	(805)
Net profit (loss)	3 617 871	(38 992)	2 874 377

*Data for the nine-month period ended 30 September 2012 have been brought to comparability. Change in methodology as regards presentation of mutual transactions.

As at 31 December 2012	Poland	Ukraine	Total
Assets, of which:	191 613 212	1 866 416	193 479 628
non-financial fixed assets	4 438 395	146 202	4 584 597
deferred tax asset and current income tax receivable*	502 996	67 231	570 227
Liabilities	167 100 845	1 671 133	168 771 978

*Data as at 31 December 2012 have been brought to comparability. Recognition of current income tax receivables on the Group level.

(IN PLN THOUSAND)

4. Interest income and expense

Interest and similar income

	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Interest income calculated using the effective interest rate method, with respect to financial assets, which are not measured at fair value through profit and loss, of which:	**2 285 838**	**7 301 101**	**2 884 027**	**8 513 311**
Income from loans and advances to customers, of which:	2 118 870	6 755 206	2 649 448	7 779 237
from impaired loans	124 039	380 863	133 654	357 684
Income from investment securities available for sale	130 183	411 403	166 938	543 841
Income from placements with banks	34 622	129 488	65 960	185 282
Income from investment securities held to maturity	630	1 942	-	-
Other	1 533	3 062	1 681	4 951
Other income, of which:	**215 677**	**786 184**	**413 103**	**1 271 076**
Income from derivative hedging instruments (Note 15)	98 503	368 847	227 836	694 053
Income from financial assets designated upon initial recognition at fair value through profit and loss	100 768	365 982	173 971	533 259
Income from trading assets	16 406	51 355	11 296	43 764
Total	**2 501 515**	**8 087 285**	**3 297 130**	**9 784 387**

Interest expense and similar charges

	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Interest expense calculated using the effective interest rate method, with respect to financial liabilities, which are not measured at fair value through profit and loss, of which:	**(914 679)**	**(3 227 243)**	**(1 319 109)**	**(3 763 306)**
Interest expense on amounts due to customers	(781 936)	(2 823 452)	(1 210 305)	(3 441 930)
Interest expense on debt securities in issue and subordinated liabilities	(116 792)	(362 079)	(99 799)	(293 496)
Premium expense on debt securities available for sale	(11 355)	(27 936)	(1 799)	(6 791)
Interest expense on deposits from banks	(4 596)	(13 776)	(7 206)	(21 089)
Other expense, of which:	**(9 140)**	**(16 116)**	**(608)**	**(1 423)**
Interest expense on financial assets designated upon initial recognition at fair value through profit and loss	(5 877)	(8 780)	(90)	(223)
Interest expense on trading assets	(3 263)	(7 336)	(518)	(1 200)
Total	**(923 819)**	**(3 243 359)**	**(1 319 717)**	**(3 764 729)**

5. Fee and commission income and expense

Fee and commission income

	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Income from financial assets, which are not measured at fair value through profit and loss, of which:	**143 902**	**442 375**	**144 728**	**430 305**
Income from loans and advances granted	143 902	442 375	144 728	430 305
Other commissions	**914 403**	**2 587 424**	**810 241**	**2 376 540**
Income from payment cards	347 841	936 840	296 874	848 933
Income from maintenance of bank accounts	230 593	661 488	219 104	668 109
Income from loan insurance	121 740	382 739	104 189	307 010
Income from maintenance of investment and open pension funds (including management fees)	106 259	289 268	84 059	236 091
Income from cash transactions	32 271	95 967	34 313	102 630
Income from securities transactions	18 403	53 853	20 018	55 295
Income from servicing foreign mass transactions	13 419	38 384	12 141	36 265
Income from providing the services of an agent for the issue of Treasury bonds	5 331	16 596	8 656	30 512
Income from sale and distribution of court fee stamps	2 815	6 733	4 463	14 730
Other*	35 731	105 556	26 424	76 965
Income from fiduciary activities	**1 082**	**3 177**	**911**	**2 731**
Total	**1 059 387**	**3 032 976**	**955 880**	**2 809 576**

* Included in 'Other' are i.a.: commissions of the Brokerage House of PKO Bank Polski SA for servicing Initial Public Offering issue and commissions for servicing indebtedness of borrowers against the State budget.

(IN PLN THOUSAND)

Fee and commission expense

	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Expenses on payment cards	(153 058)	(396 412)	(106 182)	(286 793)
Expenses on loan insurance	(35 211)	(101 522)	(27 809)	(82 629)
Expenses on acquisition services	(25 135)	(76 482)	(26 077)	(80 310)
Expenses on settlement services	(4 653)	(18 150)	(5 532)	(16 558)
Expenses on asset management fees	(3 972)	(9 127)	(982)	(7 934)
Expenses on fee and commissions for operating services rendered by banks	(3 118)	(8 966)	(3 001)	(8 096)
Other*	(25 771)	(71 270)	(24 618)	(62 878)
Total	**(250 918)**	**(681 929)**	**(194 201)**	**(545 198)**

* Included in 'Other' are i.a.: fee and expenses paid by the Brokerage House of PKO Bank Polski SA to WSE and to the National Depository for Securities (KDPW).

6. Net income from financial instruments measured at fair value

	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Change in fair value of financial instruments measured at fair value through profit and loss determined using the valuation techniques:	18 535	26 221	(3 163)	(5 299)
Derivative instruments, of which:	21 898	42 806	8 253	6 640
an ineffective portion related to cash flow hedges	11 255	11 752	13 339	1 152
Structured bank securities measured at fair value through profit and loss	(3 363)	(16 585)	(11 416)	(11 939)
Debt securities	11 230	8 745	37 733	55 064
Equity instruments	1 294	(609)	(1 727)	(1 537)
Total	**31 059**	**34 357**	**32 843**	**48 228**

3rd quarter period from 01.07.2013 to 30.09.2013	Gains	Losses	Net result
Trading assets	1 373 819	(1 347 933)	25 886
Financial assets designated upon initial recognition at fair value through profit and loss	3 652	1 521	5 173
Total	**1 377 471**	**(1 346 412)**	**31 059**

3 quarters cumulatively period from 01.01.2013 to 30.09.2013	Gains	Losses	Net result
Trading assets	11 623 449	(11 577 459)	45 990
Financial assets designated upon initial recognition at fair value through profit and loss	74 377	(86 010)	(11 633)
Total	**11 697 826**	**(11 663 469)**	**34 357**

3rd quarter period from 01.07.2012 to 30.09.2012	Gains	Losses	Net result
Trading assets	3 079 712	(3 067 999)	11 713
Financial assets designated upon initial recognition at fair value through profit and loss	30 514	(9 384)	21 130
Total	**3 110 226**	**(3 077 383)**	**32 843**

3 quarters cumulatively period from 01.01.2012 to 30.09.2012	Gains	Losses	Net result
Trading assets	11 384 001	(11 371 178)	12 823
Financial assets designated upon initial recognition at fair value through profit and loss	111 921	(76 516)	35 405
Total	**11 495 922**	**(11 447 694)**	**48 228**

(IN PLN THOUSAND)

7. Other operating income and expense

	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Other operating income				
Net income from sale of products and services	99 404	237 391	89 250	216 502
Sales and disposal of tangible fixed assets, intangible assets and assets held for sale	22 616	65 554	42 115	78 418
Damages, penalties and fines received	16 565	46 872	6 797	21 689
Sundry income	4 773	14 683	5 465	14 905
Income from sale of non-current assets held for sale	10 998	10 998	-	-
Other	12 759	42 200	5 437	55 196
Total	**167 115**	**417 698**	**149 064**	**386 710**

	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Other operating expense				
Costs of sale of products and services	(80 038)	(190 014)	(57 047)	(140 857)
Costs of sale and disposal of tangible fixed assets, intangible assets and assets held for sale	(23 558)	(69 161)	(43 771)	(81 649)
Other	(24 578)	(73 471)	(3 552)	(44 361)
Total	**(128 174)**	**(332 646)**	**(104 370)**	**(266 867)**

(IN PLN THOUSAND)

8. Net impairment allowance and write-downs

For the nine-month period ended 30 September 2013	Note	Value at the beginning of the period	Increases			Decreases				Value at the end of the period	Net – impact on the income statement
			Recognised during the period	Currency translation differences	Other	Decrease due to derecognition of assets and settlement	Reversed during the period	Currency translation differences	Other		
Investment securities available for sale	**18**	**23 243**	**2 788**	**-**	**-**	**5 536**	**-**	**-**	**-**	**20 495**	**(2 788)**
Equity securities not admitted to public trading		17 707	-	-	-	-	-	-	-	17 707	-
Debt securities available for sale		5 536	2 788	-	-	5 536	-	-	-	2 788	(2 788)
Amounts due from banks	**12**	**29 382**	**332**	**-**	**234**	**-**	**15**	**-**	**-**	**29 933**	**(317)**
Loans and advances to customers measured at amortised cost	**17**	**6 776 265**	**6 730 761**	**61**	**25 185**	**1 234 193**	**5 296 728**	**1 778**	**73 399**	**6 926 174**	**(1 434 033)**
Non-financial sector		6 606 755	6 690 091	61	24 559	1 224 800	5 267 546	1 772	73 399	6 753 949	(1 422 545)
corporate loans		3 458 562	3 498 852	-	2 895	770 911	2 577 958	1 668	20 075	3 589 697	(920 894)
housing loans		1 714 698	1 444 970	61	19 376	170 694	1 251 767	-	-	1 756 644	(193 203)
consumer loans		1 431 689	1 740 938	-	2 288	283 195	1 437 821	104	53 324	1 400 471	(303 117)
debt securities		1 806	5 331	-	-	-	-	-	-	7 137	(5 331)
Financial sector, corporate loans		25 376	776	-	446	-	3 883	6	-	22 709	3 107
Public sector		21 990	2 749	-	180	127	12 195	-	-	12 597	9 446
corporate loans		19 640	2 749	-	180	127	11 323	-	-	11 119	8 574
debt securities		2 350	-	-	-	-	872	-	-	1 478	872
Finance lease receivables		122 144	37 145	-	-	9 266	13 104	-	-	136 919	(24 041)
Non-current assets held for sale		**2 906**	**963**	**-**	**-**	**589**	**-**	**-**	**-**	**3 280**	**(963)**
Tangible fixed assets		**13 943**	**662**	**-**	**-**	**1 900**	**6**	**45**	**17**	**12 637**	**(656)**
Intangible assets		**142 313**	**4 907**	**-**	**-**	**-**	**-**	**1**	**-**	**147 219**	**(4 907)**
Investments in associates and jointly controlled entities	**20**	**113 226**	**3 897**	**-**	**-**	**-**	**2 137**	**-**	**-**	**114 986**	**(1 760)**
Other, of which:		**405 593**	**191 368**	**5**	**416**	**23 849**	**282 110**	**48**	**1 659**	**289 716**	**90 742**
inventories		31 504	3 796	-	-	215	11	-	-	35 074	(3 785)
provisions for legal claims, loan commitments and guarantees granted	27	217 085	139 123	5	379	275	244 190	15	1 659	110 453	105 067
Total		**7 506 871**	**6 935 678**	**66**	**25 835**	**1 266 067**	**5 580 996**	**1 872**	**75 075**	**7 544 440**	**(1 354 682)**

(IN PLN THOUSAND)

For the nine-month period ended 30 September 2012	Note	Value at the beginning of the period	Increases		Decreases				Value at the end of the period	Net – impact on the income statement
			Recognised during the period	Other	Decrease due to derecognition of assets and settlement	Reversed during the period	Currency translation differences	Other		
Investment securities available for sale	**18**	**20 563**	**9 696**	**-**	**10 603**	**1 564**	**250**	**-**	**17 842**	**(8 132)**
Equity securities not admitted to public trading		2 619	9 696	-	-	-	9	-	12 306	(9 696)
Debt securities available for sale		17 944	-	-	10 603	1 564	241	-	5 536	1 564
Amounts due from banks	**12**	**32 812**	**48**	**-**	**-**	**342**	**-**	**2 350**	**30 168**	**294**
Loans and advances to customers measured at amortised cost	**17**	**5 658 243**	**4 139 040**	**31 625**	**691 464**	**2 542 075**	**42 281**	**78 475**	**6 474 613**	**(1 596 965)**
Non-financial sector		5 497 033	4 076 984	30 647	684 223	2 494 251	40 098	78 431	6 307 661	(1 582 733)
corporate loans		2 709 360	1 781 688	8 231	231 421	983 567	32 178	36 293	3 215 820	(798 121)
housing loans		1 323 830	760 548	2 476	16 878	457 282	6 865	35 165	1 570 664	(303 266)
consumer loans		1 463 843	1 533 360	19 940	435 924	1 053 402	1 055	6 973	1 519 789	(479 958)
debt securities		-	1 388	-	-	-	-	-	1 388	(1 388)
Financial sector, corporate loans		37 058	18 807	357	2 838	24 659	2 183	44	26 498	5 852
Public sector		15 779	3 472	621	-	496	-	-	19 376	(2 976)
corporate loans		15 779	1 722	621	-	496	-	-	17 626	(1 226)
debt securities		-	1 750	-	-	-	-	-	1 750	(1 750)
Finance lease receivables		108 373	39 777	-	4 403	22 669	-	-	121 078	(17 108)
Non-current assets held for sale		**2 958**	**-**	**-**	**3**	**-**	**-**	**-**	**2 955**	**-**
Tangible fixed assets		**6 388**	**11 539**	**-**	**2 913**	**305**	**665**	**-**	**14 044**	**(11 234)**
Intangible assets		**135 295**	**6 038**	**238**	**4 558**	**-**	**-**	**-**	**137 013**	**(6 038)**
Investments in associates and jointly controlled entities	**20**	**88 953**	**8 850**	**-**	**-**	**-**	**-**	**-**	**97 803**	**(8 850)**
Other, of which:		**336 751**	**244 730**	**6 998**	**38 313**	**116 743**	**1 094**	**851**	**431 478**	**(127 987)**
inventories		33 088	8 850	-	10 565	957	-	-	30 416	(7 893)
provisions for legal claims, loan commitments and guarantees granted	27	115 608	203 688	-	796	99 775	10	473	218 242	(103 913)
Total		6 281 963	4 419 941	38 861	747 854	2 661 029	44 290	81 676	7 205 916	(1 758 912)

(IN PLN THOUSAND)

9. Administrative expenses

	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Staff costs	(622 275)	(1 801 947)	(611 618)	(1 824 956)
Overheads	(282 415)	(930 481)	(327 731)	(982 808)
Amortisation and depreciation	(153 775)	(437 762)	(137 974)	(407 596)
Taxes and other charges	(18 703)	(55 601)	(18 113)	(54 423)
Contribution and payments to the Bank Guarantee Fund	(38 435)	(115 306)	(35 997)	(107 991)
Total	**(1 115 603)**	**(3 341 097)**	**(1 131 433)**	**(3 377 774)**

Wages and salaries / employee benefits

	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Wages and salaries, of which:	(510 850)	(1 464 658)	(509 500)	(1 508 351)
expenses on employee pension programme	(22 623)	(22 623)	-	-
Social insurance, of which:	(95 833)	(286 235)	(85 327)	(264 037)
contributions for retirement pay and pensions*	(77 913)	(239 545)	(68 711)	(218 094)
Other employee benefits	(15 592)	(51 054)	(16 791)	(52 568)
Total	**(622 275)**	**(1 801 947)**	**(611 618)**	**(1 824 956)**

* Total expenses incurred by the Group related to contributions for retirement pay and pensions.

10. Income tax expense

	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Consolidated income statement				
Current income tax expense	(105 925)	(469 759)	(240 337)	(762 339)
Deferred income tax related to creating and reversal of temporary differences	(75 080)	(70 031)	17 052	42 605
Tax expense in the consolidated income statement	**(181 005)**	**(539 790)**	**(223 285)**	**(719 734)**
Deferred tax expense in other comprehensive income related to creating and reversal of temporary differences	(9 900)	68 397	32 631	74 498
Total	**(190 905)**	**(471 393)**	**(190 654)**	**(645 236)**

	30.09.2013	31.12.2012
Deferred tax asset	566 214	564 514
Deferred tax liability	44 635	41 300
Total	**521 579**	**523 214**

As at 30 September 2013 KREDOBANK SA remains in legal claims with the tax authorities, as stated below.

1. The legal claim concerns the possibility of recognition of the loss from previous years as tax deductible expenses. The legal claim concerns tax years 2008-2010, the value of decrease of the deferred tax asset amounts to UAH 123 430 thousand (i.e. PLN 47 039 thousand). On 31 January 2013 KREDOBANK SA obtained a legally valid judgment of the court of second instance favourable to the Company. KREDOBANK SA does not have any information indicating that the tax authority within the statutory term applied on cassation of the judgment. The risk of further continuation of the presented legal claim, the Company considers as minor.

2. The legal claim concerns recognition of the costs related to the transaction of selling loans in 2011, including factoring transactions between KREDOBANK SA and Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o. as tax deductible expenses by KREDOBANK SA (the tax authority questioned the legal basis treating the above mentioned costs as tax deductible). On 21 March 2013, KREDOBANK SA obtained a legally valid judgment of the court of the second instance invalidating a tax audit decision concerning payment of income tax. The tax authority filed a motion for cassation of this judgment. On 4 April 2013, the court opened proceedings in the above mentioned case - the date of the hearing has been set on 19 November 2013.

   In case the verdict of the court is unfavourable, KREDOBANK SA will be obliged to pay to the State Treasury of Ukraine an amount of UAH 62 909 thousand (i.e. PLN 23 975 thousand) increased by due penalty interests. At the same time tax losses of KREDOBANK SA concerning previous years will be eliminated in the amount set at the end of the audit period (i.e. as at 31 December 2011), which will reduce/resolve deferred tax asset.

3. The legal claim concerns fiscal decision made on 19 February 2013 on the basis of tax audit, which covered the period from 1 April 2011 to 30 September 2012. Legal claims mainly concern recognition of the costs related to the transaction of selling loans in the period covered by the inspection as tax deductible expenses, the adequacy of recognition of impairment allowances on loans, the correctness of the settlement of VAT on property sales and withholding tax for the payment of fees for services. As a result of the above mentioned inspection the total tax claim has been set in the amount of UAH 1 129 thousand (i.e. PLN 430 thousand), including disputed claims in the amount of UAH 877 thousand (i.e. PLN 334 thousand) and the amount of reducing tax loss from previous years- in the amount of UAH 626 282 thousand (i.e. PLN 238 676 thousand). KREDOBANK SA appealed against the above mentioned tax decision consecutive to the Regional State Tax Service and The Ministry of Revenue and Duties of Ukraine, and these appeals were rejected. On 2 August 2013, KREDOBANK SA filed a claim with the Lviv Regional Administrative Court appealing against the results of the inspection and applying for annulling the above mentioned tax decision. On 5 November 2013 the court of first instance issued a favourable verdict for KREDOBANK SA, which accepted a position of the Company, except the correctness of calculation of tax depreciation on tangible fixed assets in the total amount of UAH 336 thousand (PLN 128 thousand), which will reduce tax deductible costs and the tax loss from previous years.

4. The legal claim concerns the possibility of recognition of the legal costs in litigation conducted by KREDOBANK SA as tax deductible expenses, questioned by the tax authority as a result of the audit conducted in 2003. On 10 December 2012, as a result of the cassation of the previous favourable for KREDOBANK SA verdict (issued in 2004), the court of the first instance issued an unfavourable verdict for KREDOBANK SA. On 15 March 2013, KREDOBANK SA appealed to the Lviv Court of Appeal. The date of the hearing has not been set yet.

   In case the verdict of the court is unfavourable, KREDOBANK SA will be obliged to pay to the State Treasury of Ukraine an amount of UAH 594 thousand (i.e. PLN 226 thousand) increased by due penalty interest.

11. Earnings per share

Basic earnings per share

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

Earnings per share

	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Profit per ordinary shareholder (in PLN thousand)	754 474	2 288 705	921 016	2 874 377
Weighted average number of ordinary shares during the period (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Earnings per share (in PLN per share)	0.60	1.83	0.74	2.30

Earnings per share from discontinued operations

In the periods ended 30 September 2013 and 30 September 2012 respectively, there were no material expenses or income 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 third quarter of 2013 as well as in the third quarter of 2012.

Diluted earnings per share from discontinued operations

In the periods ended 30 September 2013 and 30 September 2012, the PKO Bank Polski SA Group did not report any material expenses or income from discontinued operations.

12. Amounts due from banks

	30.09.2013	31.12.2012
Deposits with banks	3 210 352	2 369 774
Current accounts	1 426 338	861 331
Receivables due from repurchase agreements	550 463	149 284
Loans and advances granted	49 545	38 150
Cash in transit	1 315	3 329
Total	**5 238 013**	**3 421 868**
Impairment allowances on receivables, of which:	(29 933)	(29 382)
impairment allowances on exposure to a foreign bank	(29 592)	(29 373)
Net total	**5 208 080**	**3 392 486**

(IN PLN THOUSAND)

13. Trading assets

	30.09.2013	31.12.2012
Debt securities	**2 014 824**	**273 576**
issued by the State Treasury, Treasury bonds	1 944 102	216 521
issued by local government bodies, municipal bonds	41 506	26 673
issued by non-financial institutions, corporate bonds	19 583	15 064
issued by other financial institutions, of which:	8 411	13 947
bonds issued by WSE	8 213	13 880
corporate bonds	198	67
issued by banks, of which:	1 222	1 371
BGK bonds	1 222	1 361
Shares in other entities listed on stock exchange	**8 760**	**3 237**
Investment certificates	**991**	**713**
Rights issues	**-**	**40**
Total	**2 024 575**	**277 566**

In the period from 1 January 2013 to 30 September 2013, there were no transfers between levels in the fair value hierarchy used in fair value valuation of financial instruments.

14. Derivative financial instruments

Derivative financial instruments used by the Group

The Bank and the other Group entities use various types of derivatives in order to manage risk involved in its business activities. The most frequently used types of derivatives in the Group's activity are: IRS, CIRS, FX Swap, FRA, Options, Forwards. The remaining Group's subsidiaries may enter into transactions in derivatives exclusively for the purpose of hedging against the risk resulting from their core activities.

As at 30 September 2013 and as at 31 December 2012, the Group held the following types of derivative instruments:

	30.09.2013		31.12.2012	
	Assets	Liabilities	Assets	Liabilities
Hedging instruments	271 552	476 987	498 130	224 373
Other derivative instruments	2 542 610	2 806 897	3 362 431	3 739 725
Total	**2 814 162**	**3 283 884**	**3 860 561**	**3 964 098**

Type of contract	30.09.2013		31.12.2012	
	Assets	Liabilities	Assets	Liabilities
IRS	2 463 273	2 400 513	3 221 798	3 183 744
CIRS	186 573	661 020	357 675	370 043
FX Swap	61 678	95 440	109 819	207 538
Options	57 389	49 593	63 301	61 932
FRA	29 838	29 052	74 608	78 693
Forward	11 316	43 896	33 190	60 742
Other	4 095	4 370	170	1 406
Total	**2 814 162**	**3 283 884**	**3 860 561**	**3 964 098**

In the period from 1 January 2013 to 30 September 2013, there were no transfers between levels in the fair value hierarchy used in fair value valuation of financial instruments.

(IN PLN THOUSAND)

15. Derivative hedging instruments

As at 30 September 2013, the Group applies the following hedging strategies:

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 in cash flows from floating interest rate loans in PLN, resulting from the risk of fluctuations in interest rates, using IRS transactions	Hedges against fluctuations in cash flows from floating interest rate loans in EUR, resulting from the risk of fluctuations in interest rates, using IRS transactions	Hedges against fluctuations in cash flows from floating interest rate loans in CHF, resulting from the risk of fluctuations in interest rates, using IRS transactions	Hedges against fluctuations in cash flows from floating interest rate loans in foreign currencies, resulting from the risk of fluctuations in interest rates and from foreign exchange rate risk, and hedges against fluctuations in cash flows from fixed interest rate financial liability in foreign currencies, resulting from foreign exchange rate risk, using CIRS transactions
Description of hedge relationship	Elimination of the risk of cash flow fluctuations generated by floating interest rate 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 interest rate PLN loan portfolio resulting from the interest rate risk in the period covered by the hedge.	Elimination of the risk of cash flow fluctuations generated by floating interest rate EUR loan portfolio resulting from the interest rate risk in the period covered by the hedge.	Elimination of the risk of cash flow fluctuations generated by floating interest rate CHF loan portfolio resulting from the interest rate risk in the period covered by the hedge.	Elimination of the risk of cash flow fluctuations of floating interest rate loans in foreign currencies, resulting from the risk of fluctuations in interest rates and from foreign exchange rate risk, and elimination of the risk of cash flow fluctuations of fixed interest rate financial liability in foreign currency, resulting from foreign exchange rate risk, using CIRS transactions.
Hedged risk	Currency risk and interest rate risk.	Interest rate risk.	Interest rate risk.	Interest rate risk.	Currency risk and interest rate risk.
Hedging instrument	CIRS transactions where the Bank pays coupons based on 3M CHF LIBOR, and receives coupons based on 3M WIBOR on the nominal value defined in CHF and PLN respectively.	IRS transactions where the Bank pays coupons based on floating 3M WIBOR rate, and receives coupons based on a fixed rate on the nominal value for which they were concluded.	IRS transactions where the Bank pays coupons based on floating 3M EURIBOR rate, and receives coupons based on a fixed rate on the nominal value for which they were concluded.	IRS transactions where the Bank pays coupons based on floating 3M CHF LIBOR rate, and receives coupons based on a fixed rate on the nominal value for which they were concluded.	CIRS transactions where the Bank pays coupons based on floating 3M CHF LIBOR rate, and receives coupons based on a fixed USD rate on the nominal value for which they were concluded.
Hedged position	1) The portfolio of floating interest rate mortgage loans denominated in CHF. 2) The portfolio of short-term negotiated term deposits, including renewals in the future (high probability of occurrence). The Group designated the hedged position according to the regulations of IAS 39.AG.99C as adopted by the European Union.	The portfolio of loans in PLN indexed to the floating 3M WIBOR rate.	The portfolio of loans in EUR indexed to the floating EURIBOR rate.	The portfolio of loans in CHF indexed to the floating 3M CHF LIBOR rate.	1) The portfolio of floating interest rate mortgage loans denominated in CHF. 2) Fixed interest rate financial liability denominated in USD.
Periods in which cash flows are expected and in which they should have an impact on the result	October 2013 to October 2026	October 2013 to March 2016	October 2013 to June 2016	October 2013 to July 2016	October 2013 to September 2022

As at 30 September 2013 and as at 31 December 2012, the Group did not use the fair value hedge. All types of hedging relationships applied by the Group are cash flow hedge accounting (macro cash flow hedge). Hedge effectiveness is verified through the use of prospective and retrospective effectiveness tests, which are performed monthly. In the third quarter of 2013, due to the lack of fulfilment of the retrospective effectiveness test, the Group ceased to apply hedging strategies for one hedging relationship within 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'.

Cash flow hedges

The fair value of derivative instruments constituting cash flow hedges related to the interest rate or foreign exchange rate as at 30 September 2013 and as at 31 December 2012:

Type of instrument:	Carrying amount/fair value			
	30.09.2013		31.12.2012	
	Assets	Liabilities	Assets	Liabilities
IRS	207 754	-	256 223	54
CIRS	63 798	476 987	241 907	224 319
Total	**271 552**	**476 987**	**498 130**	**224 373**

The nominal value of hedging instruments by maturity as at 30 September 2013 and as at 31 December 2012:

Type of instrument:		Nominal value as at 30 September 2013					
		up to 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	over 5 years	Total
IRS	in PLN thousand	97 000	65 000	3 470 000	2 880 000	-	**6 512 000**
IRS							
	in PLN thousand	-	-	-	1 990 094	-	**1 990 094**
	in EUR thousand	-	-	-	472 000	-	**472 000**
IRS							
	in PLN thousand	-	-	-	862 500	-	**862 500**
	in CHF thousand	-	-	-	250 000	-	**250 000**
CIRS							
	in PLN thousand	-	852 390	1 466 198	6 677 683	2 097 090	**11 093 361**
	in CHF thousand	-	250 000	425 000	2 000 000	550 000	**3 225 000**
CIRS							
	in USD thousand	-	-	-	-	750 000	**750 000**
	in CHF thousand	-	-	-	-	695 419	**695 419**

Type of instrument:		Nominal value as at 31 December 2012					
		up to 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	over 5 years	Total
IRS	in PLN thousand	1 150 000	60 000	1 816 000	360 000	-	**3 386 000**
IRS							
	in PLN thousand	-	-	-	1 929 630	-	**1 929 630**
	in EUR thousand	-	-	-	472 000	-	**472 000**
IRS							
	in PLN thousand	-	-	-	846 700	-	**846 700**
	in CHF thousand	-	-	-	250 000	-	**250 000**
CIRS							
	in PLN thousand	-	1 196 440	5 095 105	8 084 755	2 010 240	**16 386 540**
	in CHF thousand	-	350 000	1 500 000	2 425 000	575 000	**4 850 000**

(IN PLN THOUSAND)

Other comprehensive income as regards cash flow hedges	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Other comprehensive income at the beginning of the period, gross	(180 981)	64 073	205 166	447 142
Gains/losses transferred to other comprehensive income in the period	306 325	(127 008)	737 281	784 937
Amount transferred from other comprehensive income to income statement, of which:	(266 966)	(78 687)	(901 877)	(1 191 509)
- interest income	(98 503)	(368 847)	(227 836)	(694 053)
- net foreign exchange gains (losses)	(168 463)	290 160	(674 041)	(497 456)
Accumulated other comprehensive income at the end of the period, gross	**(141 622)**	**(141 622)**	**40 570**	**40 570**
Tax effect	**26 908**	**26 908**	**(7 708)**	**(7 708)**
Accumulated other comprehensive income at the end of the period, net	**(114 714)**	**(114 714)**	**32 862**	**32 862**
Ineffective part of cash flow hedges recognised through profit and loss	**11 255**	**11 752**	**13 339**	**1 152**
Effect on other comprehensive income in the period, gross	**39 359**	**(205 695)**	**(164 596)**	**(406 572)**
Deferred tax on cash flow hedges	**(7 478)**	**39 082**	**31 274**	**77 249**
Effect on other comprehensive income in the period, net	**31 881**	**(166 613)**	**(133 322)**	**(329 323)**

16. Financial assets designated upon initial recognition at fair value through profit and loss

	30.09.2013	31.12.2012
Debt securities	12 503 572	12 629 711
issued by central banks, NBP money market bills	9 997 300	9 995 300
issued by the State Treasury, of which:	2 247 434	2 377 883
Treasury bonds PLN	2 221 138	1 322 226
Treasury bills	-	1 040 863
Treasury bonds UAH	26 296	14 794
issued by local government bodies, of which:	258 838	256 528
municipal bonds EUR	144 536	145 343
municipal bonds PLN	114 302	111 185
Total	12 503 572	12 629 711

In the period from 1 January 2013 to 30 September 2013, there were no transfers between levels in the fair value hierarchy used in fair value valuation of financial instruments.

17. Loans and advances to customers

	30.09.2013	31.12.2012
Loans and advances to customers, gross, of which:	156 967 186	150 651 909
financial sector	2 543 359	746 320
corporate, of which:	2 543 359	746 320
receivables due from repurchase agreements	1 555 684	-
deposits of the Brokerage House of PKO Bank Polski SA in the Stock Exchange Guarantee Fund and initial deposit	15 178	8 779
non-financial sector	146 682 729	142 218 959
housing	75 914 438	72 279 131
corporate, of which:	48 950 999	47 021 975
receivables due from repurchase agreements	2 008	-
consumer	20 981 003	22 014 785
debt securities	836 289	903 068
public sector	7 741 098	7 686 630
corporate	6 600 003	6 511 591
housing	4 202	-
debt securities	1 136 893	1 175 039
Impairment allowances on loans and advances to customers	(6 926 174)	(6 776 265)
Loans and advances to customers, net	150 041 012	143 875 644

(IN PLN THOUSAND)

	30.09.2013	31.12.2012
Loans and advances to customers		
Assessed on an individual basis	7 988 660	8 087 968
Impaired, of which:	6 288 694	6 506 653
receivables from finance leases	142 926	134 421
Not impaired, of which:	1 699 966	1 581 315
receivables from finance leases	194 253	128 142
Assessed on a portfolio basis	7 211 499	6 939 156
Impaired, of which:	7 211 499	6 939 156
receivables from finance leases	120 850	132 185
Assessed on a group basis (IBNR), of which:	141 767 027	135 624 785
receivables from finance leases	3 623 593	3 177 631
Loans and advances to customers, gross	**156 967 186**	**150 651 909**
Allowances on exposures assessed on an individual basis	(2 620 807)	(2 707 928)
Impaired, of which:	(2 600 199)	(2 647 481)
allowances on lease receivables	(46 755)	(35 164)
Allowances on exposures assessed on a portfolio basis, of which:	(3 682 311)	(3 516 549)
allowances on lease receivables	(75 288)	(73 524)
Allowances on exposures assessed on a group basis (IBNR), of which:	(623 056)	(551 788)
allowances on lease receivables	(14 876)	(13 456)
Allowances – total	**(6 926 174)**	**(6 776 265)**
Loans and advances to customers, net	**150 041 012**	**143 875 644**

By client segment	30.09.2013	31.12.2012
Loans and advances granted, gross, of which:	**156 967 186**	**150 651 909**
mortgage banking	68 138 049	64 199 027
corporate	41 706 750	41 113 192
retail and private banking	20 981 003	22 014 784
small and medium enterprises	17 850 100	16 688 662
housing market clients	6 718 414	6 627 465
receivables due from repurchase agreements	1 557 692	-
other receivables	15 178	8 779
Impairment allowances on loans and advances	**(6 926 174)**	**(6 776 265)**
Loans and advances granted, net	**150 041 012**	**143 875 644**

As at 30 September 2013, the share of impaired loans amounted to 8.6% (as at 31 December 2012: 8.9%), whereas the coverage ratio for impaired loans (calculated as total impairment allowances on total loans and advances to customers divided by gross carrying amount of impaired loans) amounted to 51.3% (as at 31 December 2012: 50.4%).

As at 30 September 2013, the share of loans overdue by more than 90 days in the gross amount of loans and advances was 5.9% (as at 31 December 2012: 6.1%).

(IN PLN THOUSAND)

18. Investment securities available for sale

	30.09.2013	31.12.2012
Debt securities available for sale, gross	**13 930 143**	**12 049 073**
issued by the State Treasury	9 307 117	7 902 479
Treasury bonds PLN	9 069 423	7 697 426
Treasury bonds USD	216 170	125 253
Treasury bonds UAH	20 650	79 800
Treasury bills	874	-
issued by local government bodies, municipal bonds	2 956 146	2 780 212
issued by non-financial institutions, corporate bonds PLN	1 076 923	1 315 490
issued by banks	589 957	50 892
corporate bonds PLN	555 556	50 892
corporate bonds UAH	34 401	-
Impairment allowances of debt securities available for sale	**(2 788)**	**(5 536)**
corporate bonds PLN	(2 788)	(5 536)
Total net debt securities available for sale	**13 927 355**	**12 043 537**
Equity securities available for sale, gross	**220 427**	**179 300**
Equity securities not admitted to public trading	162 293	129 653
Equity securities admitted to public trading	58 134	49 647
Impairment allowances of equity securities available for sale	**(17 707)**	**(17 707)**
Total net equity securities available for sale	**202 720**	**161 593**
Total net investment securities available for sale	**14 130 075**	**12 205 130**

In the nine-month periods ended 30 September 2013 and 30 September 2012 respectively, there were no transfers between levels in the fair value hierarchy used in fair value valuation of financial instruments.

Debt securities (municipal bonds and corporate bonds) reclassified from financial assets available for sale to loans and advances to customers*

As at 30 September 2013	nominal value	fair value	carrying amount
municipal bonds	1 115 605	1 134 686	1 135 415
corporate bonds	807 040	818 425	810 547
Total	**1 922 645**	**1 953 111**	**1 945 962**

*Relates to portfolios reclassified in the third and the fourth quarter of 2012.

19. Investments securities held to maturity

	30.09.2013	31.12.2012
Investment securities held to maturity - debt securities		
issued by the State Treasury	28 313	27 843
issued by banks	-	19 128
Total	**28 313**	**46 971**

(IN PLN THOUSAND)

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 share in the change in net assets after acquisition date and potential impairment allowances)

Entity name	30.09.2013	31.12.2012
The CENTRUM HAFFNERA Sp. z o.o. Group	**-**	**5 935**
Purchase price	44 371	44 371
Change in valuation with equity method	(35 962)	(27 890)
Impairment allowances	(8 409)	(10 546)
Centrum Obsługi Biznesu Sp. z o.o.	**5 208**	**6 113**
Purchase price	17 498	17 498
Change in valuation with equity method	(12 290)	(11 385)
Total	**5 208**	**12 048**

2) the value of the Bank's investments in associates (i.e. the acquisition cost adjusted to share in the change in net assets and potential impairment allowances)

Entity name	30.09.2013	31.12.2012
The Bank Pocztowy SA Group	**106 720**	**106 720**
Purchase price	146 500	146 500
Change in valuation with equity method	61 273	57 428
Impairment allowances	(101 053)	(97 208)
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	**-**	**-**
Purchase price	1 500	1 500
Change in valuation with equity method	4 024	3 972
Impairment allowances	(5 524)	(5 472)
Agencja Inwestycyjna CORP-SA SA*	**-**	**443**
Purchase price	-	29
Change in valuation with equity method	-	414
Total	**106 720**	**107 163**

*In April 2013 the Company's shares were reclassified to non-current assets held for sale

	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Investments in associates at the beginning of the period	**106 720**	**107 163**	**107 030**	**107 147**
Share of profit/loss	2 361	5 549	3 291	7 766
Share in other comprehensive income of associate	186	(1 652)	121	1 302
Change in impairment allowances of investment	(2 547)	(3 897)	(3 324)	(8 850)
Dividends paid	-	-	-	(247)
Reclassification of the Agencja Inwestycyjna CORP-SA SA's shares to non-current assets held for sale	-	(443)	-	-
Investment in associates at the end of the period	**106 720**	**106 720**	**107 118**	**107 118**

	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Investments in jointly controlled entities at the beginning of the period	**4 577**	**12 048**	**17 525**	**15 972**
Share of profit/loss	8 864	(8 977)	5 108	6 661
Change in impairment allowances of investment	(8 233)	2 137	-	-
Investments in jointly controlled entities at the end of the period	**5 208**	**5 208**	**22 633**	**22 633**

(IN PLN THOUSAND)

21. Intangible assets and tangible fixed assets

Intangible assets	30.09.2013	31.12.2012
Software	1 528 733	1 446 356
Goodwill acquired as a result of business combinations (including subsidiaries' goodwill)	220 148	222 438
Development costs	872	3 486
Other, including capital expenditure	211 965	261 720
Total	**1 961 718**	**1 934 000**

The PKO Bank Polski SA Group took over the management of Polsat Open Pension Fund. The value of the right to manage the Open Pension Fund as at 30 September 2013 amounted to PLN 64 245 thousands (included in 'Other, including capital expenditure').

Tangible fixed assets	30.09.2013	31.12.2012
Land and buildings	1 747 521	1 705 092
Machinery and equipment	541 923	494 282
Assets under construction	111 465	264 665
Means of transport	54 720	59 822
Investment properties	191	238
Other	160 183	126 498
Total	**2 616 003**	**2 650 597**

In the nine-month periods ended 30 September 2013 and 30 September 2012 respectively there were no significant transactions of purchase and sale of tangible fixed assets.

22. Amounts due to banks

	30.09.2013	31.12.2012
Loans and advances received	2 564 965	2 542 361
Bank deposits	2 030 395	1 086 956
Amounts due from repurchase agreements	727 896	-
Current accounts	367 057	72 676
Other money market deposits	38 542	31 954
Total	**5 728 855**	**3 733 947**

In the nine-month periods ended 30 September 2013 and 30 September 2012 respectively, loans and advances received are paid in a timely manner and with no significant violations of loans or advances agreements.

23. Amounts due to customers

	30.09.2013	31.12.2012
Amounts due to retail clients	**116 603 837**	**110 866 422**
Term deposits	64 477 735	63 517 469
Current accounts and overnight deposits	51 894 300	47 143 802
Other money market deposits	231 802	205 151
Amounts due to corporate entities	**30 248 110**	**31 868 251**
Term deposits	12 665 208	17 171 300
Current accounts and overnight deposits	12 189 172	11 621 112
Loans and advances received	2 271 067	1 557 653
Amounts due from repurchase agreements	2 180 298	851 416
Other money market deposits	942 365	666 770
Amounts due to State budget entities	**4 005 263**	**3 458 897**
Current accounts and overnight deposits	3 015 815	2 870 735
Term deposits	976 249	562 397
Other money market deposits	13 199	25 765
Total	**150 857 210**	**146 193 570**

In the nine-month periods ended 30 September 2013 and 30 September 2012 respectively, loans and advances received were paid in a timely manner and with no significant violations of loans or advances agreements.

(IN PLN THOUSAND)

By client segment	30.09.2013	31.12.2012
Amounts due to customers, of which:		
retail and private banking	112 148 498	106 538 784
corporate	20 002 789	23 586 602
small and medium enterprises	9 084 428	9 008 039
housing market clients	5 170 130	4 651 076
loans and advances received	2 271 067	1 557 653
amounts due from repurchase agreements	2 180 298	851 416
Total	**150 857 210**	**146 193 570**

24. Debt securities in issue

	30.09.2013	31.12.2012
Debt securities in issue		
Financial instruments measured at amortised cost	10 299 998	9 902 161
bonds issued by PKO Finance AB	9 434 435	9 169 937
bonds issued by PKO Bank Polski SA	498 038	497 283
bonds issued by PKO Leasing SA*	367 525	234 941
Financial instruments measured at fair value through profit and loss - bank securities issued by PKO Bank Polski SA	358 004	368 622
Total	**10 658 002**	**10 270 783**

*formerly BFL SA

	30.09.2013	31.12.2012
Debt securities in issue by remaining maturity:		
up to 1 month	193 593	14 960
from 1 month to 3 months	891 315	754 928
from 3 months to 1 year	185 326	225 156
from 1 year to 5 years*	6 070 649	5 990 368
over 5 years**	3 317 119	3 285 371
Total	**10 658 002**	**10 270 783**

* Significant items of debt securities in issue includes Eurobonds in the nominal value of EUR 800 000 thousand and bonds in the nominal value of CHF 750 000 thousand.
** Significant items of debt securities in issue includes Eurobonds in the nominal value of EUR 50 000 thousand and bonds in the nominal value of USD 1 000 000 thousand.

In the nine-month periods ended 30 September 2013 and 30 September 2012 respectively, there were no transfers between levels in the fair value hierarchy used in fair value valuation of financial instruments.

In the nine-month period of 2013, the Bank issued bank securities and bank bonds at nominal value of PLN 1 444 258 thousand classified respectively as liabilities measured at fair value through profit and loss, in accordance with IAS 39.11A.a and measured at amortised cost. As at the end of the third quarter of 2013, bank securities and bank bonds at nominal value of PLN 1 462 447 thousand were redeemed.

In the nine-month period of 2013, PKO Leasing SA issued bonds at nominal value of PLN 1 540 000 thousand and redeemed bonds at nominal value of PLN 1 510 000 thousand. As at 30 September 2013, the Company's debt in respect of the bonds issued amounted to PLN 425 000 thousand (at nominal value) of which the debt due to the Bank amounted to PLN 55 620 thousand (at nominal value).

25. Subordinated liabilities

As at 30 September 2013

Subordinated liabilities	Nominal value	Currency	Interest rate (%)	Maturity date	Carrying amount
Subordinated bonds	1 600 700	PLN	4.37	14.09.2022	1 603 338

As at 31 December 2012

Subordinated liabilities	Nominal value	Currency	Interest rate (%)	Maturity date	Carrying amount
Subordinated bonds	1 600 700	PLN	6.60	14.09.2022	1 631 256

(IN PLN THOUSAND)

Change in subordinated liabilities

For the period ended	01.01-30.09.2013	01.01-30.09.2012
Subordinated liabilities as at the beginning of the period	1 631 256	1 614 377
Increases, of which:	65 786	1 677 296
issuance	-	1 600 700
accrued interest	65 500	76 596
other	286	-
Decreases, of which:	(93 704)	(47 511)
repayment of interest	(93 704)	(47 511)
Subordinated liabilities as at the end of the period	1 603 338	3 244 162

26. Other liabilities

	30.09.2013	31.12.2012
Deferred income	447 609	366 410
Accounts payable	432 232	376 150
Other liabilities, of which:	3 860 232	1 315 147
dividends declared	2 250 000	-
Total	4 740 073	2 057 707

27. Provisions

For the nine-month period ended 30 September 2013	Provision for legal claims	Provisions for retirement benefits and anniversary bonuses	Provisions for loan commitments and guarantees granted	Other provisions*	Total
Provisions as at the beginning of the period, of which:	6 081	431 210	211 004	72 314	720 609
Short term provision	6 081	36 233	145 066	72 314	259 694
Long term provision	-	394 977	65 938	-	460 915
Increase/reassessment of provision	632	537	138 491	13 009	152 669
Release of provision	(1 705)	(179 453)	(242 485)	-	(423 643)
Use of provision	(275)	(193 142)	-	(14 220)	(207 637)
Currency translation differences	(15)	-	5	-	(10)
Transfers and other changes	(1 659)	(25 380)	379	25 384	(1 276)
Provisions as at the end of the period, of which:	3 059	33 772	107 394	96 487	240 712
Short term provision	3 059	1 450	81 629	96 487	182 625
Long term provision	-	32 322	25 765	-	58 087

* Included in 'Other provisions' are i.a.: restructuring provision of PLN 58 304 thousand and provision of PLN 1 829 thousand for potential claims on impaired loan portfolios sold.

Information on changes in the Collective Labour Agreement regarding the provision for retirement benefits and anniversary bonuses was described in details in Note 28 of the condensed interim consolidated financial statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group for the six-month period ended 30 June 2013.

(IN PLN THOUSAND)

For the nine-month period ended 30 September 2012	Provision for legal claims	Provisions for retirement benefits and anniversary bonuses	Provisions for loan commitments and guarantees granted	Other provisions*	Total
Provisions as at the beginning of the period, of which:	3 638	428 299	111 970	75 257	619 164
Short term provision	3 638	38 232	111 970	75 257	229 097
Long term provision	-	390 067	-	-	390 067
Increase/reassessment of provision	4 121	-	199 567	10 058	213 746
Release of provision	(575)	-	(99 200)	-	(99 775)
Use of provision	(796)	(9)	-	(47 583)	(48 388)
Currency translation differences	-	-	(10)	-	(10)
Transfers and other changes	(1)	-	(472)	-	(473)
Provisions as at the end of the period, of which:	6 387	428 290	211 855	37 732	684 264
Short term provision	6 387	38 253	171 071	37 732	253 443
Long term provision	-	390 037	40 784	-	430 821

* Included in 'Other provisions' are i.a.: restructuring provision of PLN 20 852 thousand and provision of PLN 5 149 thousand for potential claims on impaired loan portfolios sold.

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

28. Contingent liabilities

Underwriting programmes

As at 30 September 2013 and as at 31 December 2012, the underwriting agreements covered the following securities (maximum liability of the PKO Bank Polski SA Group to acquire securities):

Issuer of securities underwritten	Type of underwritten securities	Off-balance sheet liabilities resulting from underwriting agreement	Contract period	Sub-issue type
As at 30 September 2013				
Company A	corporate bonds	1 633 000	15.06.2017	Bonds Issue Agreement*
Company B	corporate bonds	731 000	31.07.2015	Bonds Issue Agreement*
Company C	corporate bonds	102 700	31.10.2013	Bonds Issue Agreement*
Company D	corporate bonds	71 205	31.12.2024	Bonds Issue Agreement*
Company E	corporate bonds	50 000	19.12.2022	Bonds Issue Agreement*
Company F	corporate bonds	34 000	31.12.2022	Bonds Issue Agreement*
Total		2 621 905		
As at 31 December 2012				
Company A	corporate bonds	1 633 000	15.06.2017	Bonds Issue Agreement*
Company B	corporate bonds	537 000	31.07.2013	Bonds Issue Agreement*
Company C	corporate bonds	102 700	31.10.2013	Bonds Issue Agreement*
Company D	corporate bonds	89 749	31.12.2024	Bonds Issue Agreement*
Company G	corporate bonds	67 070	31.10.2017	Bonds Issue Agreement*
Company E	corporate bonds	50 000	19.12.2022	Bonds Issue Agreement*
Company F	corporate bonds	34 000	31.12.2022	Bonds Issue Agreement*
Total		2 513 519		

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

All securities of the PKO Bank Polski SA Group under the sub-issue (underwriting) programme have an unlimited transferability, are not listed on the stock exchange and are not traded on a regulated OTC market.

Contractual commitments

As at 30 September 2013 the amount of contractual commitments concerning intangible assets amounted to PLN 124 615 thousand (as at 31 December 2012, it amounted to PLN 157 320 thousand).

As at 30 September 2013 the amount of contractual commitments concerning tangible fixed assets amounted to PLN 54 374 thousand (as at 31 December 2012, it amounted to PLN 71 513 thousand).

(IN PLN THOUSAND)

Loan commitments granted (by nominal value)

	30.09.2013	31.12.2012
Financial entities	727 592	913 713
Non-financial entities	29 876 554	29 137 031
State budget entities	3 239 393	2 462 680
Total	**33 843 539**	**32 513 424**
of which: irrevocable loan commitments	7 671 414	7 871 614

Guarantees issued

	30.09.2013	31.12.2012
Financial entities	81 901	50 456
Non-financial entities	9 711 574	10 190 736
State budget entities	330 647	135 943
Total	**10 124 122**	**10 377 135**

As at 30 September 2013 and as at 31 December 2012 the Bank and its subsidiaries did not issue any guarantees in respect of loans or advances and did not issue any guarantees to other entity or its subsidiary thereof with a total value accounting for at least 10% of the Group's equity.

Information on provisions for off-balance sheet guarantees and financial liabilities is included in Note 27 'Provisions'.

Off-balance sheet liabilities received (by nominal value)

	30.09.2013	31.12.2012
Financial	737 379	1 831 357
Guarantees	2 316 440	1 780 305
Total	**3 053 819**	**3 611 662**

Assets pledged as collateral for contingent liabilities

As at 30 September 2013 and as at 31 December 2012 the Group had no assets pledged as collateral.

29. Legal claims

As at 30 September 2013, the total value of court proceedings in which the PKO Bank Polski SA Group entities (including the Bank) are a defendant was PLN 341 106 thousand, of which PLN 3 665 thousand referred to court proceedings in Ukraine (as at 31 December 2012 the total value of the above mentioned court proceedings amounted to PLN 404 689 thousand), while the total value of court proceedings in which the Group entities (including the Bank) are the plaintiff was PLN 594 320 thousand, of which PLN 266 878 thousand referred to court proceedings in Ukraine, mainly related to collection of dues from loans granted by KREDOBANK SA and tax litigations (as at 31 December 2012 the total value of above mentioned court proceedings amounted to PLN 360 205 thousand).

The most significant legal claims of the PKO Bank Polski SA Group are described below:

a) Unfair competition proceeding

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 Organisation – Employer's Union (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 jointly agreed 'interchange' fees for transactions made using Visa and Europay/Eurocard/Mastercard cards as well as limiting access to this market for external entities. On 29 December 2006, UOKiK decided that the practices, consisting of jointly agreed '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.

On 20 December 2011 a hearing was held during which no factual resolution of the appeals was reached. The Court obligated MasterCard of the Group to submit explanations concerning the issue until 31 January 2012 and set the date for another sitting of the Court for 9 February 2012. Upon the application of the plaintiffs' attorney, the date of hearing was postponed for 24 April 2012, on which the attorney's request for deferment of the case until the end of September 2012 was dismissed. The Court postponed announcing the resolution on the request for suspension of the case until 8 May 2012. On 8 May 2012, the District Court in Warsaw, the Court for Competition and Consumer Protection (Sąd Ochrony Konkurencji i Konsumentów - SOKiK), suspended proceedings until the final conclusion of proceedings before the European Union Court in the case MasterCard against the European Commission. On 24 May 2012, the European Union Court upheld the decision of the European Commission banning multilaterally agreed 'interchange' fees applied by MasterCard. On 28 May 2012 the participant to the proceedings, Visa Europe Ltd, and on 29 May 2012 the plaintiffs' attorney, including PKO Bank Polski SA, filed a complaint against the decision of the District Court in Warsaw, the Court for Competition and Consumer Protection dated 8 May 2012. In August 2012, the European Court of Justice received the appeal of MasterCard against the verdict of the UE Court of 24 May 2012 rejecting the appeal of MasterCard. On 25 October 2012, the Court of Appeal in Warsaw changed the decision of 8 May 2012 and dismissed the motion of MasterCard for suspending the proceedings.

The court's decision in this case was delivered to the plaintiff's attorney in January 2013. In February 2013, court files were transferred to the court of first instance. Currently, the case is subject to re-examination by SOKIK. The date of the next hearing has been set for 29 October 2013. The Court postponed the announcement of the verdict until 21 November 2013. As at 30 September 2013 the Bank has a liability in the amount of PLN 16 597 thousand.

Additionally, as at 30 September 2013 the Bank is i.a. a party to appeal proceedings against the decision of the President of UOKiK before the Court for the Competition and Consumer Protection with the possibility of the use of unfair contractual provisions in forms of Individual Pension Accounts ('IKE') agreements and a party to proceeding in relation with the use of practices violating collective interests of consumers in the presentation in advertising campaigns of consumer loan under the marketing name 'Max pożyczka Mini Ratka', information that might not be clear for the average consumer and mislead as to the availability of loans on promoted conditions.

In respect of the first of proceedings, on 19 December 2012, the President of UOKiK imposed a fine on the Bank in the total amount of PLN 14 697 thousand, including:

- PLN 7 111 thousand for not indicating in the IKE agreements responsibilities of the Bank for timely and proper carrying out the monetary settlements and the amount of compensation for the delay in execution of a holder instruction,
- PLN 4 741 thousand for application in the form of IKE agreements, an open list of termination conditions,
- PLN 2 845 thousand for application a clause, entered in the register, defining a court with jurisdiction over the seat of PKO Bank Polski SA's branch, carrying the IKE deposit account.

As at 30 September 2013, the Bank had a liability on the above mentioned amounts in the amount of PLN 4 000 thousand.

In respect of the second of proceedings, on 28 December 2012, the President of UOKiK imposed a fine on the Bank in the amount of PLN 2 845 thousand, on which the Bank recognised a liability in the same amount on 30 September 2013.
Both appeal proceedings are pursued on behalf of the Bank by reputable law offices. The Bank appealed against both decisions of the President of UOKiK, on 2 and 16 January 2013, respectively. As at 30 September 2013 proceedings are in progress.

Moreover, the Bank is a party to:

1) a proceeding initiated by the President of UOKiK to determine the provisions in the form of consumer loan agreements to be abusive. The Bank responded to the lawsuit. The proceeding is in progress;
2) 3 proceedings initiated by an individual - on recognition of provisions of housing loan agreements concluded with the Bank in 2001 and in 2003 and the Rules of current account of the 1997, modified in 1998 to be abusive. The Bank responded to the lawsuit. The first hearing was held on 2 July 2013. Court judgment of 9 July 2013 dismissed the claim against the Bank in all three cases;
3) a proceeding initiated by an individual - the recognition as abusive the Tariff of fees and charges in sections providing for fees for the monitoring and collection activities in relation with customers delaying the repayment of current debt. The Bank responded to the lawsuit and retorted for another pleading of opponent's attorney.

In those cases, there is no risk of imposing financial penalties on the Bank.

Moreover the Bank is a party to four proceedings before the President of UOKiK. Administrative proceedings relate to using prohibited contractual provisions in form of consumer loan agreements, with the exclusion of credit card agreements. Date of completion proceedings was extended until 31 December 2013. The other three preliminary proceedings relate to initial determination as to whether:

1) the Bank violated the Act on competition and consumer protection with its actions consisting of collecting fees for the disbursement of cash in its agencies,
2) the manner of offering mortgage loans by the Bank under the 'Autumn promotion of mortgage loans' ('Jesienna promocja kredytów hipotecznych') may constitute a practice which violates the collective interests of consumers,
3) the Bank's Tariff of fees and charges provides the fees for widely understood executive actions.

Proceedings are in progress.

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

As at the date of the consolidated financial statements, three administrative and court-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-privatisation claims being raised against the Bank and one administrative proceeding for the establishment of perpetual usufruct right to a property owned by the Bank. Given the current status of these proceedings as regards stating the invalidity of decisions and verdicts of public administration authorities, it is not possible to assess their potential negative financial effects for the Bank. Moreover, with respect to three properties of the Bank claims were submitted by their former owners (court and administrative proceedings are pending).

The proceeding concerning a complaint brought by Centrum Finansowe Puławska Sp. z o.o. (CFP) concerning the use of a property located at Puławska and Chocimska Streets in Warsaw on which the Bank's office is currently located, is pending before the Regional Administrative Court in Warsaw. The proceeding concerns rendering invalid the decision of the Local Government Court of Appeal of 10 April 2001, which stated that the decision of the Presidium of the National Council of the Capital City of Warsaw of 1 March 1954 was issued in gross violation of the law. Due to the liquidation of CFP, removing it from the register of companies and distribution of its assets, including the transfer of the right to perpetual usufruct of said plot, a motion for participation in the proceedings was filed on 23 May 2012 on behalf of the Bank.
During the hearing on 18 December 2012, the Regional Administrative Court in Warsaw granted the Bank the right to participate in the proceedings due to the fact that the rights to the property in question had been transferred to the Bank. After the hearing on 7 May 2013, the Court dismissed the complaint. The judgement may be appealed against to the Supreme Administrative Court. A copy of the judgment together with the explanation was served for the Bank on 20 June 2013. A cassation complaint was prepared and made.

In the opinion of the Management Board of PKO Bank Polski SA, in 2013 the probability of significant claims arising against the Bank in relation to the above mentioned proceedings is remote.

(IN PLN THOUSAND)

30. Supplementary information to the statement of cash flows

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash on nostro accounts with the National Bank of Poland, current amounts due from banks, as well as other cash equivalents with maturity up to 3 months from the date of acquisition.

	30.09.2013	31.12.2012	30.09.2012
Cash and balances with the central bank	7 602 630	10 289 451	6 718 060
Current receivables from banks	4 331 336	2 206 181	4 977 587
Total	**11 933 966**	**12 495 632**	**11 695 647**

31. Related party transactions

All transactions with related parties presented below were arm's length transactions. Repayment terms are within a range from one month to ten years.

30 September 2013

Entity	Receivables	including loans	Liabilities	Total income	including interest and fee and commission	Total expense	including interest and fee and commission	Off-balance sheet liabilities granted
Agencja Inwestycyjna CORP-SA SA	-	-	-	495	-	74	-	-
Bank Pocztowy SA	-	-	1 028	48	48	651	-	2 414
CENTRUM HAFFNERA Sp. z o.o.	-	-	830	5	5	-	-	-
Centrum Majkowskiego Sp. z o.o.	-	-	63	5	5	-	-	-
Centrum Obsługi Biznesu Sp. z o.o.	30 215	30 215	16 681	777	777	282	282	-
Centrum Operacyjne Sp. z o.o.	-	-	16	2	2	-	-	-
Kamienica Morska Sp. z o.o. in liquidation	-	-	808	5	5	-	-	-
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	-	12 812	1	1	258	258	-
Promenada Sopocka Sp. z o.o.	45 684	45 684	3 276	794	794	32	32	-
Sopot Zdrój Sp. z o.o.	221 805	221 805	5 780	3 828	3 828	54	54	-
Total	**297 704**	**297 704**	**41 294**	**5 960**	**5 465**	**1 351**	**626**	**2 414**

31 December 2012

Entity	Receivables	including loans	Liabilities	Total income	including interest and fee and commission	Total expense	including interest and fee and commission	Off-balance sheet liabilities granted
Agencja Inwestycyjna CORP-SA SA	61	-	-	690	-	86	-	-
Bank Pocztowy SA	-	-	91	93	78	1 160	285	1 409
CENTRUM HAFFNERA Sp. z o.o.	-	-	296	7	7	-	-	-
Centrum Majkowskiego Sp. z o.o.	-	-	593	6	6	-	-	-
Centrum Obsługi Biznesu Sp. z o.o.	30 010	30 010	18 975	1 015	1 015	626	569	144
Centrum Operacyjne Sp. z o.o.	-	-	21	3	3	-	-	-
Kamienica Morska Sp. z o.o.	-	-	11	6	6	-	-	-
Kolej Gondolowa Jaworzyna Krynicka SA	4 235	4 235	343	291	291	50	43	-
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	-	19 402	2	2	299	299	-
Promenada Sopocka Sp. z o.o.	43 857	43 857	5 225	1 205	1 205	721	152	-
Sopot Zdrój Sp. z o.o.	212 691	212 691	1 816	5 911	5 911	2 785	3	-
Total	**290 854**	**290 793**	**46 773**	**9 229**	**8 524**	**5 727**	**1 351**	**1 553**

32. Changes to the entities of the PKO Bank Polski SA Group, jointly controlled entities and associates

In the third quarter of 2013, the following events affecting the structure of the PKO Bank Polski SA Group and other subordinated entities of the Bank took place:

1) Acquisition of a share in the increased share capital of Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o. by PKO Bank Polski SA

An increase in the share capital of Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o. of UAH 484 000 thousand, carried out by increasing the nominal value of the Company's share and acquired by PKO Bank Polski SA, was registered with the Ukrainian Register of Businesses on 10 September 2013. As a result of the above mentioned increase, share capital of the Company amounts to UAH 530 101 thousand and comprises 1 share with the above mentioned value.

As at 30 September 2013, PKO Bank Polski SA holds a part of share in Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o., constituting 91.8766% of the Company's share capital, which entitles to 91.8766% of the votes at the Shareholders' Meeting. The remaining part of the Company's share is owned by 'Inter-Risk Ukraina' Sp. z d.o. - a subsidiary of the Bank.

2) Establishment of a new company - PKO Leasing Sverige AB

PKO Leasing Sverige AB with registered office in Stockholm was registered with the Swedish Register of Businesses on 18 September 2013. Share capital of the Company amounts to EUR 6 thousand and is divided into 600 shares at nominal value of EUR 10 each.

All shares of the above mentioned Company were taken up by PKO Leasing SA – a subsidiary of the Bank. The Company's activity is provision of leasing and other financial services.

3) Changes to the Qualia Development Sp. z o.o. Group

In the third quarter of 2013 in the Qualia Development Sp. z o.o. Group:

a) an increase in the share capital of Qualia Development Sp. z o.o. of PLN 20 348 thousand was registered with the National Court Register on 24 September 2013. As a result of the above mentioned increase, share capital of the Company amounts to PLN 24 848 thousand and is divided into 49 696 shares at nominal value of PLN 500 each.

   Shares in the increased capital of the Company were taken up by PKO Bank Polski SA – the Company's sole shareholder.

b) an increase in the share capital of Qualia – Rezydencja Flotylla Sp. z o.o. of PLN 9 026 thousand was registered with the National Court Register on 24 September 2013. As a result of the above mentioned increase, the share capital of the Company amounts to PLN 11 526 thousand and is divided into 11 526 shares at nominal value of PLN 1 thousand each.

   Shares in the increased capital of the Company were taken up by Qualia Development Sp. z o.o. – the Company's sole shareholder.

c) the following additional contributions were made:

   - Qualia Development Sp. z o.o. made an additional contribution to Qualia - Residence Sp. z o.o. in the amount of PLN 1 654.3 thousand,
   - Qualia Development Sp. z o.o. made an additional contribution to Sarnia Dolina Sp. z o.o. in the amount of PLN 250 thousand.

4) Sale of Kolej Gondolowa Jaworzyna Krynicka SA's shares

On 24 September 2013, PKO Bank Polski SA sold the entire block of shares of Kolej Gondolowa Jaworzyna Krynicka SA (an associate of the Bank) to Polskie Koleje Górskie SA. These shares were recognised as non-current assets held for sale.

33. Fair value of financial assets and financial liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

33.1. Categories of valuation at fair value of financial assets and liabilities measured at fair value in the consolidated statement of financial position

The Group classifies particular components of financial assets and liabilities measured at fair value to the following categories, using various methods of valuation at fair value:

1) Level 1: Prices quoted on the active markets

   Financial assets and liabilities whose fair value is stated directly with the use of prices quoted (not adjusted) on active markets for identical assets and liabilities, which the Group has access to at the measurement date. The Group classifies to this category financial and equity instruments measured at fair value through profit and loss and available for sale, for which there is an active market and for which the fair value is determined based on market value (bid price):

   - debt securities valued at fixing from Bondspot platform,
   - debt and equity securities which are traded on regulated market, including in the Brokerage House of PKO Bank Polski SA portfolio,
   - derivative instruments.

2) Level 2: Valuation techniques based on observable market data

   Financial assets and liabilities whose fair value is determined with use of valuation models where all significant entry data are observable on the market directly (as prices) or indirectly (based on prices). The Group classifies to this category financial instruments for which there is no active market:

   a) equity instruments measured at fair value through profit and loss and available for sale whose fair value is estimated in the following manner:
      - price of the last transaction concluded on the market, unless in the period between the date of the transaction and the end of reporting period there were significant changes in market conditions which might affect the price,
      - at valuation performed by a specialised external entity providing services of this kind,

   b) debt instruments measured at fair value through profit and loss and whose fair value is estimated in the following manner:
      - the method based on market prices of securities (the market value method),
      - the method based on market interest rate quotation (the yield curve method),
      - the method based on market prices of securities with similar financial characteristics (the reference asset value method),

   c) debt instruments available for sale, whose fair value is estimated in the following manner:
      - the method based on market prices of securities (the market value method),

(IN PLN THOUSAND)

- the method based on market interest rate quotation (the yield curve method), adjusted for a risk margin equal to the margin specified in the issue terms. Material change in the market interest rates is reflected in the change in the fair value of such instruments,
- the method based on market prices of securities with similar financial characteristics (the reference asset value method),
- in case of securities whose fair value cannot be established with the use of the methods mentioned above, the fair value is determined based on the internal valuation model,

d) derivative instruments for which fair value is estimated using techniques based on i.a. discounted cash flows models, options and yield curves models,

e) debt securities in issue – financial instruments measured at fair value through profit and loss.

This group includes:

- debt securities valuated to the curve or those whose price comes from Bloomberg platform or brokerage websites in Reuters system but for which market is not active,
- non-treasury debt securities issued by other financial entities, local government bodies, non-financial entities traded on a regulated market and not traded on a regulated market,
- securities issued by Ministry of Finance of Ukraine in KREDOBANK SA portfolio,
- derivative instruments.

3) Level 3: Other valuation techniques

Financial assets and liabilities whose fair value is determined with use of valuation models, for which available entry data are not derived from observable markets (unobservable entry data). The Group classified to that category shares not listed on WSE, which are measured at acquisition cost, less impairment allowances as well as equity and debt securities portfolio of KREDOBANK SA valued with internal valuation models.

The table below presents a classification of financial assets and liabilities presented in the financial statements at fair value divided into 3 levels as at 30 September 2013 and as at 31 December 2012:

		Level 1	Level 2	Level 3
Assets and liabilities measured at fair value as at 30.09.2013	Carrying amount	Prices quoted on the active markets	Valuation techniques based on observable market data	Other valuation techniques
Trading assets	**2 024 575**	**2 024 575**	**-**	**-**
Debt securities	2 014 824	2 014 824	-	-
Shares in other entities	8 760	8 760	-	-
Investment certificates	991	991	-	-
Derivative financial instruments	**2 814 162**	**1 518**	**2 812 644**	**-**
Hedging instruments	271 552	-	271 552	-
Trade instruments	2 542 610	1 518	2 541 092	-
Financial assets designated upon initial recognition at fair value through profit and loss	**12 503 572**	**2 221 138**	**10 282 434**	**-**
Debt securities	12 503 572	2 221 138	10 282 434	-
Investment securities available for sale	**14 130 075**	**9 128 450**	**4 852 567**	**149 058**
Debt securities	13 927 355	9 070 296	4 852 567	4 492
Equity securities	202 720	58 154	-	144 566
Financial assets measured at fair value - total	**31 472 384**	**13 375 681**	**17 947 645**	**149 058**
Derivative financial instruments	**3 283 884**	**1 390**	**3 282 494**	**-**
Hedging instruments	476 987	-	476 987	-
Trade instruments	2 806 897	1 390	2 805 507	-
Debt securities in issue	**358 004**	**-**	**358 004**	**-**
Financial instruments measured at fair value through profit and loss	358 004	-	358 004	-
Financial liabilities measured at fair value - total	**3 641 888**	**1 390**	**3 640 498**	**-**

(IN PLN THOUSAND)

Assets and liabilities measured at fair value as at 31.12.2012	Carrying amount	Level 1 Prices quoted on the active markets	Level 2 Valuation techniques based on observable market data	Level 3 Other valuation techniques
Trading assets	**277 566**	**277 566**	**-**	**-**
Debt securities	273 576	273 576	-	-
Shares in other entities	3 237	3 237	-	-
Investment certificates	713	713	-	-
Rights issues	40	40	-	-
Derivative financial instruments	**3 860 561**	**1 486**	**3 859 075**	**-**
Hedging instruments	498 130	-	498 130	-
Trade instruments	3 362 431	1 486	3 360 945	-
Financial assets designated upon initial recognition at fair value through profit and loss	**12 629 711**	**1 322 226**	**11 307 485**	**-**
Debt securities	12 629 711	1 322 226	11 307 485	-
Investment securities available for sale	**12 205 130**	**7 763 609**	**4 338 831**	**102 690**
Debt securities	12 043 537	7 697 426	4 338 831	7 280
Equity securities	161 593	66 183	-	95 410
Financial assets measured at fair value - total	**28 972 968**	**9 364 887**	**19 505 391**	**102 690**
Derivative financial instruments	**3 964 098**	**696**	**3 963 402**	**-**
Hedging instruments	224 373	-	224 373	-
Trade instruments	3 739 725	696	3 739 029	-
Debt securities in issue	**368 622**	**-**	**368 622**	**-**
Financial instruments measured at fair value through profit and loss	368 622	-	368 622	-
Financial liabilities measured at fair value - total	**4 332 720**	**696**	**4 332 024**	**-**

The table below presents a reconciliation during the period of measurement: from 1 January 2013 to 30 September 2013 of fair value at level 3 of fair value hierarchy:

01.01-30.09.2013	Investment securities available for sale
As at the beginning of the period	**102 679**
Total gains or losses	(3 426)
total in other comprehensive income	(3 426)
taking up shares in Marqeurita's increased share capital and currency translation differences	49 805
As at the end of the period	**149 058**

33.2. Financial assets and liabilities not presented at fair value in the consolidated statement of financial position

The Group holds certain financial instruments which are not presented at fair value in the consolidated statement of financial position.

Where there is no market value of financial instruments available, their fair values have been estimated with use of various valuation techniques. The fair value of financial instruments was measured using a model based on estimating the present value of future cash flows by discounting future cash flows using relevant interest rates. All model calculations include certain simplifying assumptions and therefore are sensitive to those assumptions.

Set out below is a summary of the main methods and assumptions used for estimation of fair values of financial instruments which are not presented at fair value.

For certain categories of financial instruments it has been assumed that their carrying amount equals approximately their fair values, which is due to lack of expected material differences between their carrying amount and their fair value resulting from the features of these groups (such as short term character, high correlation with market parameters, unique character of the instrument). This applies to the following groups of financial instruments:

- loans and advances granted by the Group to its customers: a portion of the housing loans portfolio (the so-called 'old' housing loans portfolio), loans with no specified repayment schedule, which are due at the moment of valuation,
- the Group's amounts due to customers: liabilities with no specified payment schedule, other specific products for which no active market exists,
- deposits and interbank placements with maturity date up to 7 days or with floating interest rate,
- loans or advances granted and taken on interbank market at floating interest rate (change of interest rate maximum on a 3 month basis),
- cash and balances with the central bank and amounts due to the central bank,
- other financial assets and liabilities,
- debt securities in issue (at floating interest rate), issued by PKO Leasing SA.

(IN PLN THOUSAND)

With regard to loans and advances to customers, a model based on estimates of present value of future cash flows by discounted future cash flows was used, and applying current interest rates plus a credit risk margin and relevant scheduled repayment dates. The current margin level has been established based on transactions on instruments with similar credit risk concluded in the last quarter of the reporting period.

The fair value of deposits and other amounts due to customers other than banks, with specified maturities, has been calculated using the discounted expected future cash flows and applying current interest rates for given deposit products.

The fair value of the subordinated debt of the Bank has been estimated based on the expected future cash flows discounted using the yield curve.

The fair value of debt securities issued by PKO Bank Polski SA has been estimated based on expected future cash flows discounted using the current interbank interest rates.

The fair value of debt securities issued by PKO Finance AB has been estimated using Bloomberg data.

The fair value of interbank placements and deposits have been estimated based on the expected future cash flows discounted using the current interbank interest rates.

The fair value of receivables from financial lease have been estimated based on expected future cash flows discounted using internal rate of return for lease transactions of the same kind, concluded by the Group in the period directly preceding the balance date.

The table below shows a summary of the carrying amounts and fair values for the particular groups of financial instruments which have not been presented at fair value in the Group's statement of financial position as at 30 September 2013 and as at 31 December 2012:

	30.09.2013		31.12.2012	
	carrying amount	fair value	carrying amount	fair value
Cash and balances with the central bank	7 602 630	7 602 630	10 289 451	10 289 451
Amounts due from banks	5 208 080	5 206 880	3 392 486	3 387 187
Loans and advances to customers	150 041 012	144 744 507	143 875 644	141 556 017
housing loans	74 161 996	69 429 340	70 564 433	69 665 325
corporate loans	54 333 917	53 828 000	50 654 164	50 398 091
consumer loans	19 580 532	19 522 600	20 583 096	19 421 917
debt securities	1 964 567	1 964 567	2 073 951	2 070 684
Securities held to maturity	28 313	27 705	46 971	46 687
Other financial assets	794 723	794 723	758 419	758 419
Amounts due to the central bank	4 149	4 149	3 128	3 128
Amounts due to banks	5 728 855	5 726 267	3 733 947	3 733 701
Amounts due to customers	150 857 210	150 852 819	146 193 570	146 188 433
corporate entities	30 248 110	30 248 203	31 868 251	31 868 263
State budget entities	4 005 263	4 005 263	3 458 897	3 458 897
retail clients	116 603 837	116 599 353	110 866 422	110 861 273
Debt securities in issue	10 299 998	10 195 431	9 902 161	10 369 806
Subordinated debt	1 603 338	1 605 414	1 631 256	1 638 663
Other financial liabilities	4 092 618	4 092 618	1 554 160	1 554 160

34. Explanation of differences between previously published financial statements and these financial statements

In the third quarter of 2013, there were no significant changes in relation to previously published financial statements.

(IN PLN THOUSAND)

35. 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 presented in details in the annual consolidated financial statements of the PKO Bank Polski SA Group for the year 2012.

Relevant information on risk monitoring and changes in methods of risk measurement in the period from 1 January to 30 September 2013 is presented below.

Credit risk

The Group's exposure to credit risk

Amounts due from banks	Exposure 30.09.2013	Exposure 31.12.2012
Amounts due from banks impaired, of which:	29 592	29 373
assessed on an individual basis	29 592	29 373
Amounts due from banks not impaired, of which:	5 208 421	3 392 495
not past due	5 208 421	3 392 495
Gross total	**5 238 013**	**3 421 868**
Impairment allowances	**(29 933)**	**(29 382)**
Net total by carrying amount	**5 208 080**	**3 392 486**

Loans and advances to customers	Exposure 30.09.2013	Exposure 31.12.2012
Loans and advances impaired, of which:	13 500 193	13 445 809
assessed on an individual basis	6 288 694	6 506 653
Loans and advances not impaired, of which:	143 466 993	137 206 100
not past due	138 616 965	132 358 709
past due	4 850 028	4 847 391
past due up to 4 days	1 976 814	1 791 011
past due over 4 days	2 873 214	3 056 380
Gross total	**156 967 186**	**150 651 909**
Impairment allowances	**(6 926 174)**	**(6 776 265)**
Net total by carrying amount	**150 041 012**	**143 875 644**

Investment securities available for sale – debt securities	Exposure 30.09.2013	Exposure 31.12.2012
Debt securities impaired, of which:	2 788	5 536
assessed on an individual basis	2 788	5 536
Debt securities not impaired, of which:	13 927 355	12 043 537
not past due	13 927 355	12 043 537
with external rating	9 782 773	7 953 371
with internal rating	4 144 582	4 090 166
Gross total	**13 930 143**	**12 049 073**
Impairment allowances	**(2 788)**	**(5 536)**
Net total by carrying amount	**13 927 355**	**12 043 537**

Investment securities held to maturity – debt securities	Exposure 30.09.2013	Exposure 31.12.2012
Debt securities not impaired, of which:	28 313	46 971
not past due	28 313	46 971
with external rating	28 313	46 971
Gross total	**28 313**	**46 971**
Impairment allowances	**-**	**-**
Net total by carrying amount	**28 313**	**46 971**

(IN PLN THOUSAND)

Level of exposure to credit risk

The table below presents maximum exposure to credit risk of the Group as at 30 September 2013 and as at 31 December 2012.

Items of the statement of financial position	30.09.2013	31.12.2012
Current account in the central bank	**5 251 842**	**7 550 898**
Amounts due from banks	**5 208 080**	**3 392 486**
Trading assets – debt securities	**2 014 824**	**273 576**
issued by the State Treasury	1 944 102	216 521
issued by local government bodies	41 506	26 673
issued by non-financial institutions	19 583	15 064
issued by financial institutions	8 411	13 947
issued by banks	1 222	1 371
Derivative financial instruments	**2 814 162**	**3 860 561**
Financial instruments designated upon initial recognition at fair value through profit and loss - debt securities	**12 503 572**	**12 629 711**
issued by central banks	9 997 300	9 995 300
issued by the State Treasury	2 247 434	2 377 883
issued by local government bodies	258 838	256 528
Loans and advances to customers	**150 041 012**	**143 875 644**
financial sector (other than banks)	2 520 650	720 944
corporate loans	2 520 650	720 944
non-financial sector	139 791 861	135 490 122
housing loans	74 157 794	70 564 433
corporate loans	45 224 383	43 441 331
consumer loans	19 580 532	20 583 096
debt securities	829 152	901 262
public sector	7 728 501	7 664 578
corporate loans	6 588 884	6 491 889
debt securities	1 135 415	1 172 689
housing loans	4 202	-
Investment securities - debt securities	**13 927 355**	**12 043 537**
issued by the State Treasury	9 307 117	7 902 479
issued by local government bodies	2 956 146	2 780 212
issued by non-financial institutions	1 074 135	1 309 954
issued by banks	589 957	50 892
Investment securities held to maturity	**28 313**	**46 971**
issued by the State Treasury	28 313	27 843
issued by banks	-	19 128
Other assets - other financial assets	**794 723**	**758 419**
Total	**192 583 883**	**184 431 803**

Off-balance sheet items	30.09.2013	31.12.2012
Irrevocable liabilities granted	7 671 414	7 871 614
Guarantees granted	5 896 232	6 535 055
Guarantees of issue	3 886 779	3 469 465
Letters of credit granted	341 111	372 615
Total	**17 795 536**	**18 248 749**

(IN PLN THOUSAND)

Financial assets assessed on an individual basis for which individual impairment allowance has been recognised by carrying amount gross

	30.09.2013	31.12.2012
Amounts due from banks	29 592	29 373
Loans and advances to customers	6 288 694	6 506 653
Financial sector, corporate loans	36 105	36 113
Non-financial sector	6 246 380	6 464 331
corporate loans	4 602 336	4 594 172
housing loans	1 532 708	1 765 592
consumer loans	111 336	104 567
Public sector, corporate loans	6 209	6 209
Investment securities available for sale	2 890	5 639
issued by financial entities	8	8
issued by non-financial entities	2 882	5 631
Total	6 321 176	6 541 665

Concentration by the largest business entities

As at 30 September 2013 and as at 31 December 2012, concentration limits were not exceeded.

As at 30 September 2013, the level of concentration risk in the PKO Bank Polski SA Group with respect to individual exposures was low – the largest exposure to a single entity was equal to 9.6% and 8.9% of the own consolidated funds.

Among 20 largest borrowers of the Group there are exclusively clients of PKO Bank Polski SA.

Concentration by the largest capital groups

The greatest exposure of the PKO Bank Polski SA Group towards the group of borrowers amounts to 1.8% of the PKO Bank Polski SA Group's loan portfolio. The 5 largest capital groups include only clients of PKO Bank Polski SA.

As at 30 September 2013, the level of concentration risk towards the group of borrowers was low – the greatest exposure of the Group was 16.9% of the own consolidated funds.

Concentration by industry

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

As compared with 31 December 2012 the exposure of the PKO Bank Polski SA Group in industry sectors increased by ca. PLN 2.1 billion. The total exposure in the four largest industry sectors: 'Industrial processing', 'Wholesale and retail trade (...)', 'Maintenance of real estate' and 'Construction' amounted to ca. 60% of the total loan portfolio covered by an analysis of the sector.

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

Concentration by geographical regions

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

As at 30 September 2013, the largest concentration of the Group's loan portfolio was in the central macro-region and in the Katowice region, which is consistent with the region's/macro-region's domination both in terms of population and economy in Poland.

Concentration of credit risk by currency

As at 30 September 2013, the share of exposure in convertible currencies, other than PLN, in the total loan portfolio of the Group amounted to 20.4%.

The greatest part of the Group's currency exposures are those in CHF (64.1%) and they relate mainly to the currency loan portfolio of the Bank. In case of particular Group entities, the situation is different, i.e. for the PKO Leasing SA Group and BTK SA, the greatest currency exposures are those in EUR (95% and 87% of currency loan portfolio of these Groups, respectively). Whereas, for the KREDOBANK SA Group and for the Kompania Finansowa Prywatne Inwestycje SA - USD denominated loans constitutes the largest part (57% and 83% of the currency loan portfolio of these entities, respectively).

Other types of concentration

In accordance with the Recommendation S and T of the Polish Financial Supervision Authority, the Bank uses internal limits on credit exposures related to the Bank's customers defining the appetite for the credit risk. As at 30 September 2013 these limits have not been exceeded.

Interest rate risk

As at 30 September 2013 and 31 December 2012, the exposure of the PKO Bank Polski SA Group to the interest rate risk comprised mainly of the exposure of the Bank. Interest rate risk generated by the Group entities with regard to PLN, EUR and CHF did not have a significant effect on the interest rate risk of the entire Group and therefore did not significantly affect its risk profile.

Interest rate risk with regard to USD was significantly altered by exposure of the Group entities, in which the biggest part has the exposure of KREDOBANK SA.

VaR of the Bank and stress-tests analysis of the PKO Bank Polski SA Group's exposure to the interest rate risk are presented in the following table:

Name of sensitivity measure	30.09.2013	31.12.2012
VaR for a 10-day time horizon with a confidence level of 99% threshold (PLN thousand)*	129 957	64 451
Parallel movement of interest rate curves by 200 b.p. (PLN thousand) (stress-test)**	412 042	270 818

*Due to the nature of the activities carried out by the other entities of the PKO Bank Polski SA Group generating significant interest rate risk as well as the specific nature of the market on which they operate, the PKO Bank Polski SA Group does not calculate consolidated VaR. These companies apply their own risk measures in the interest rate risk management. KREDOBANK SA uses the 10-day interest rate VaR for the main currencies, which amounted to PLN 16 628 thousand as at 30 September 2013 and PLN 14 287 thousand as at 31 December 2012.
**The table presents the absolute value of the most adverse stress-test of the scenarios: movement of interest rate curves in PLN by 200 b.p. up and by 200 b.p. down.

As at 30 September 2013 the Bank's interest rate VaR for a 10-day time horizon (10-day VaR, 99%) amounted to PLN 129 957 thousand, which accounted for approximately 0.62% of the Bank's own funds. As at 31 December 2012, VaR for the Bank amounted to PLN 64 451 thousand, which accounted for approximately 0.33% of the Bank's own funds calculated in accordance with regulations concerning calculation of the capital adequacy ratio.

Currency risk

VaR (for a 10-day time horizon, 99%) of the Bank and stress-tests analysis of the Group's exposure to currency risk are stated cumulatively for all currencies in the table below:

Name of sensitivity measure	30.09.2013	31.12.2012
VaR for a 10-day time horizon with a confidence level of 99% threshold (PLN thousand)*	2 503	628
Change in FX rates by 20% (PLN thousand) (stress-test)**	3 402	32 581

*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 on which they operate, the Bank does not calculate consolidated VaR. These companies apply their own risk measures in the currency risk management. KREDOBANK SA uses the 10-day VaR, which amounted to approx. PLN 397 thousand as at 30 September 2013 and approx. PLN 614 thousand as at 31 December 2012.
**The table presents the absolute value of the most adverse stress-test of the scenarios: PLN appreciation by 20% and PLN depreciation by 20%.

The level of currency risk was low both as at 30 September 2013 and as at 31 December 2012.

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

Currency position	30.09.2013	31.12.2012
EUR	25 355	(13 818)
USD	(194 200)	(153 155)
CHF	(14 033)	(20 180)
GBP	(1 649)	4 653
Other (Global Net)	9 209	15 609

The volume of currency positions is a key factor determining the level of currency risk on 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, both in the statement of financial position and off-balance sheet transactions. The Bank's exposure to currency risk is low (with reference to own funds, 99% VaR for a 10-day time horizon, for the Bank's currency position as at 30 September 2013 amounted to ca. 0.01%).

Liquidity risk

Liquidity gaps presented below include i.a. the Group's items of the statement of financial position in real terms concerning core balances on deposits of non-financial entities and their maturity, core balances on 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
30.09.2013								
The Group - adjusted gap in real terms	8 936 977	9 867 734	(3 061 131)	(6 404 655)	2 026 307	10 049 341	14 337 817	(35 752 390)
The Group - cumulative adjusted gap in real terms	8 936 977	18 804 711	15 743 580	9 338 925	11 365 232	21 414 573	35 752 390	-
31.12.2012								
The Group - adjusted gap in real terms	10 386 244	6 857 506	25 124	3 044 679	2 005 333	9 159 462	11 851 101	(43 329 449)
The Group - cumulative adjusted gap in real terms	10 386 244	17 243 750	17 268 874	20 313 553	22 318 886	31 478 348	43 329 449	-

In all time horizons, the PKO Bank Polski SA Group's cumulative adjusted 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, which as at 30 September 2013 and as at 31 December 2012 was positive. This means a surplus of assets receivable over liabilities payable.

The table below presents liquidity reserve of the Bank as at 30 September 2013 and 31 December 2012:

Name of sensitivity measure	30.09.2013	31.12.2012
Liquidity reserve up to 1 month * (PLN million)	15 799	13 568

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

As at 30 September 2013 the level of core balances on deposits constituted approx. 95.3% of all deposits in the Bank (excluding interbank market), which means an increase by approximately 2.9 pp. as compared to the end of 2012.

36. Capital adequacy

Objectives and principles of capital adequacy management were described in details in the annual consolidated financial statements of the PKO Bank Polski SA Group for 2012. In those financial statements was also included the information on the Group's own funds components calculated for the capital adequacy purposes as well as the calculation methods of capital requirements concerning the individual risk types.

The level of capital adequacy of the PKO Bank Polski SA Group as at 30 September 2013 remained at a safe level, significantly above the statutory limits.

The capital adequacy ratio of the PKO Bank Polski SA Group, one of the main capital adequacy measures, increased by 0.76 pp. as compared to 31 December 2012, which has been mainly caused by increase in the total Bank's own funds calculated for the capital adequacy purposes.

Own funds for the capital adequacy purposes

As at 30 September 2013, own funds of the Group calculated for capital adequacy purposes increased by PLN 1 266 187 thousand, which was mainly due to the recognition of the Bank's result for the year 2012 and unappropriated profits from previous years less any expected charges (in the amount of PLN 1 431 150 thousand) to the own funds.

(IN PLN THOUSAND)

The structure of the PKO Bank Polski SA Group's own funds determined for the purpose of the capital adequacy is presented in the table below:

GROUP'S OWN FUNDS	30.09.2013	31.12.2012
Basic funds (Tier 1)	**20 113 446**	**18 788 075**
Share capital	1 250 000	1 250 000
Reserve capital	16 781 613	15 364 728
Other reserves	3 469 107	3 437 957
General banking risk fund for unidentified banking activities risk	1 070 000	1 070 000
Unappropriated profits from previous years, profit in the course of approval less any expected charges	(55 914)	(103 340)
Unrealised losses on debt and equity instruments and other receivables classified as available for sale	(197 493)	(77 104)
Assets valuation adjustments in trading portfolio	(1 427)	(504)
Intangible assets, of which:	(1 961 718)	(1 934 000)
goodwill of subordinated entities	(220 148)	(222 438)
Equity exposures	(122 684)	(98 115)
Negative currency translation differences from foreign operations	(120 505)	(121 209)
Non-controlling interest	2 467	(338)
Supplementary funds (Tier 2)	**1 521 439**	**1 573 276**
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)	42 650	69 787
Positive currency translation differences from foreign operations	773	904
Equity exposures	(122 684)	(98 115)
Short-term equity (Tier 3)	**122 294**	**129 641**
TOTAL OWN FUNDS	**21 757 179**	**20 490 992**

Capital requirements (Pillar 1)

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

Capital requirements	30.09.2013	31.12.2012
Credit risk	**11 641 731**	**11 387 017**
credit risk (banking book)	11 499 047	11 223 185
counterparty risk (trading book)	142 684	163 832
Market risk	**320 381**	**494 551**
equity securities price risk	836	586
specific price risk of debt instruments	215 319	412 110
general risk of interest rates	104 226	81 855
Operational risk	**618 975**	**659 587**
Total capital requirements	**12 581 087**	**12 541 155**
Capital adequacy ratio	**13.83%**	**13.07%**

In the nine-month period of 2013, an increase in the capital requirement in respect of credit risk resulted mainly from an increase of ca. 4.29% in the PKO Bank Polski SA Group's loan portfolio.

Internal capital (Pillar 2)

The principles of calculation of internal capital in the Group were presented in the annual consolidated financial statements of the Group for the year 2012.

Disclosures (Pillar 3)

In accordance with § 6 of the Resolution No. 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 (PFSA Journal of Laws 2008, No. 8, item 39 with subsequent amendments), PKO 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 of the date of authorisation 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 DATA

INCOME STATEMENT

for the nine-month periods ended 30 September 2013 and 30 September 2012 respectively

	Note	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Continuing operations					
Interest and similar income	1	2 439 918	7 889 761	3 235 642	9 610 719
Interest expense and similar charges	1	(894 647)	(3 138 151)	(1 285 482)	(3 673 824)
Net interest income		**1 545 271**	**4 751 610**	**1 950 160**	**5 936 895**
Fee and commission income	2	987 048	2 833 095	901 125	2 651 043
Fee and commission expense	2	(274 167)	(737 506)	(209 876)	(580 606)
Net fee and commission income		**712 881**	**2 095 589**	**691 249**	**2 070 437**
Dividend income		471	79 038	2 004	93 200
Net income from financial instruments measured at fair value	3	30 169	34 020	32 814	47 610
Gains less losses from investment securities		3 423	64 196	17 668	23 242
Net foreign exchange gains (losses)		65 682	138 917	88 238	231 211
Other operating income	4	28 408	61 573	12 599	45 629
Other operating expense	4	(14 290)	(42 193)	(12 222)	(37 892)
Net other operating income and expense		**14 118**	**19 380**	**377**	**7 737**
Net impairment allowance and write-downs	5	(482 023)	(1 365 705)	(645 386)	(1 737 425)
Administrative expenses	6	(1 012 472)	(3 043 916)	(1 025 908)	(3 068 621)
Operating profit		**877 520**	**2 773 129**	**1 111 216**	**3 604 286**
Profit before income tax		**877 520**	**2 773 129**	**1 111 216**	**3 604 286**
Income tax expense	7	(172 492)	(519 582)	(216 928)	(704 312)
Net profit		**705 028**	**2 253 547**	**894 288**	**2 899 974**
Earnings per share	8				
- basic earnings per share for the period (PLN)		0.56	1.80	0.72	2.32
- diluted earnings per share for the period (PLN)		0.56	1.80	0.72	2.32
Weighted average number of ordinary shares during the period (in thousand)		1 250 000	1 250 000	1 250 000	1 250 000
Weighted average diluted number of ordinary shares during the period (in thousand)		1 250 000	1 250 000	1 250 000	1 250 000

Discontinued operations

In the nine-month periods ended 30 September 2013 and 30 September 2012 PKO Bank Polski SA did not have discontinued operations.

STATEMENT OF COMPREHENSIVE INCOME

for the nine-month periods ended 30 September 2013 and 30 September 2012 respectively

	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Net profit	**705 028**	**2 253 547**	**894 288**	**2 899 974**
Other comprehensive income	**42 625**	**(291 613)**	**(140 208)**	**(320 255)**
Items that may be reclassified to the income statement	**42 625**	**(291 613)**	**(149 276)**	**(329 323)**
Cash flow hedges (gross)	39 359	(205 695)	(164 596)	(406 572)
Deferred tax on cash flow hedges	(7 478)	39 082	31 274	77 249
Cash flow hedges (net)	31 881	(166 613)	(133 322)	(329 323)
Unrealised net gains on financial assets available for sale (gross)	13 264	(154 319)	(8 502)	11 194
Deferred tax on unrealised net gains on financial assets available for sale	(2 520)	29 319	1 616	(2 126)
Unrealised net gains on financial assets available for sale (net)	10 744	(125 000)	(6 886)	9 068
Total net comprehensive income	**747 653**	**1 961 934**	**754 080**	**2 579 719**

STATEMENT OF FINANCIAL POSITION

as at 30 September 2013 and as at 31 December 2012

	Note	30.09.2013	31.12.2012
Assets			
Cash and balances with the central bank		7 533 307	10 229 230
Amounts due from banks	9	5 380 585	3 456 391
Trading assets	10	2 029 379	282 230
Derivative financial instruments	11	2 814 979	3 861 456
Financial assets designated upon initial recognition at fair value through profit and loss	12	12 477 276	12 614 917
Loans and advances to customers	13	147 808 461	142 084 858
Investment securities available for sale	14	13 811 350	12 061 406
Investments in subsidiaries, jointly controlled entities, associates	15	1 370 277	1 171 005
Non-current assets held for sale		13 621	20 410
Intangible assets	16	1 658 950	1 681 120
Tangible fixed assets, of which:	16	2 359 542	2 382 658
investment properties		191	238
Current income tax receivables		177 936	-
Deferred income tax asset	7	339 201	369 007
Other assets		906 140	803 024
Total assets		**198 681 004**	**191 017 712**
Liabilities and equity			
Liabilities			
Amounts due to the central bank		4 149	3 128
Amounts due to banks	17	4 573 482	2 502 888
Derivative financial instruments	11	3 284 659	3 964 170
Amounts due to customers	18	159 147 105	154 740 574
Debt securities in issue	19	856 042	865 905
Subordinated liabilities	20	1 603 338	1 631 256
Other liabilities	21	4 617 293	1 799 363
Current income tax liabilities		-	145 274
Provisions	22	236 943	719 095
Total liabilities		**174 323 011**	**166 371 653**
Equity			
Share capital		1 250 000	1 250 000
Other capital		20 854 446	19 803 442
Net profit for the year		2 253 547	3 592 617
Total equity		**24 357 993**	**24 646 059**
Total liabilities and equity		**198 681 004**	**191 017 712**
Capital adequacy ratio	28	13.56%	12.93%
Book value (in PLN thousand)		24 357 993	24 646 059
Number of shares (in thousand)	1	1 250 000	1 250 000
Book value per share (in PLN)		19.49	19.72
Diluted number of shares (in thousand)		1 250 000	1 250 000
Diluted book value per share (in PLN)		19.49	19.72

(IN PLN THOUSAND)

STATEMENT OF CHANGES IN EQUITY

for the nine-month periods ended 30 September 2013 and 30 September 2012 respectively

for the nine-month period ended 30 September 2013	Share capital	Other capital						Unappropriated profits	Net profit for the period	Total equity
		Reserves			Other comprehensive income		Total other capital			
		Reserve capital	General banking risk fund	Other reserves	Financial assets available for sale	Cash flow hedges				
As at 1 January 2013	1 250 000	15 198 111	1 070 000	3 385 743	9 156	51 899	19 714 909	88 533	3 592 617	24 646 059
Transfer of net profit from previous years	-	-	-	-	-	-	-	3 592 617	(3 592 617)	-
Total comprehensive income, of which:	-	-	-	-	(125 000)	(166 613)	(291 613)	-	2 253 547	1 961 934
Net profit	-	-	-	-	-	-	-	-	2 253 547	2 253 547
Other comprehensive income	-	-	-	-	(125 000)	(166 613)	(291 613)	-	-	(291 613)
Transfer from unappropriated profits	-	1 400 000	-	31 150	-	-	1 431 150	(1 431 150)	-	-
Dividends declared	-	-	-	-	-	-	-	(2 250 000)	-	(2 250 000)
As at 30 September 2013	1 250 000	16 598 111	1 070 000	3 416 893	(115 844)	(114 714)	20 854 446	-	2 253 547	24 357 993

for the nine-month period ended 30 September 2012	Share capital	Other capital						Unappropriated profits	Net profit for the period	Total equity
		Reserves			Other comprehensive income		Total other capital			
		Reserve capital	General banking risk fund	Other reserves	Financial assets available for sale	Cash flow hedges				
As at 1 January 2012	1 250 000	12 898 111	1 070 000	3 319 621	(51 164)	362 185	17 598 753	-	3 953 622	22 802 375
Transfer of net profit from previous years	-	-	-	-	-	-	-	3 953 622	(3 953 622)	-
Total comprehensive income, of which:	-	-	-	-	9 068	(329 323)	(320 255)	-	2 899 974	2 579 719
Net profit	-	-	-	-	-	-	-	-	2 899 974	2 899 974
Other comprehensive income	-	-	-	-	9 068	(329 323)	(320 255)	-	-	(320 255)
Transfer from unappropriated profits	-	2 300 000	-	66 122	-	-	2 366 122	(2 366 122)	-	-
The effect of the takeover of subsidiary's assets and liabilities by the Bank	-	-	-	-	-	-	-	88 533	-	88 533
Dividends paid	-	-	-	-	-	-	-	(1 587 500)	-	(1 587 500)
As at 30 September 2012	1 250 000	15 198 111	1 070 000	3 385 743	(42 096)	32 862	19 644 620	88 533	2 899 974	23 883 127

(IN PLN THOUSAND)

STATEMENT OF CASH FLOWS

for the nine-month periods ended 30 September 2013 and 30 September 2012 respectively

	Note	01.01 – 30.09.2013	01.01 - 30.09.2012
Net cash flow from operating activities			
Profit before income tax		**2 773 129**	**3 604 286**
Adjustments:		**(2 002 963)**	**(6 416 399)**
Amortisation and depreciation	6	392 445	360 735
(Gains) losses from investing activities		2 118	2 742
Interest and dividends		(471 699)	(697 749)
Change in amounts due from banks		352 740	(83 313)
Change in trading assets and financial assets designated upon initial recognition at fair value through profit and loss		(1 609 508)	(3 194 331)
Change in derivative financial instruments (asset)		1 046 477	(468 934)
Change in loans and advances to customers		(5 895 909)	(1 992 386)
Change in other assets and non-current assets held for sale		(121 177)	(168 928)
Change in amounts due to banks		2 071 615	(599 319)
Change in derivative financial instruments (liability)		(679 511)	711 470
Change in amounts due to customers		4 074 320	(1 153 589)
Change in impairment allowances and provisions		(373 379)	918 629
Change in other liabilities and subordinated liabilities		692 121	1 466
Income tax paid		(743 398)	(674 098)
Other adjustments		(740 218)	621 206
Net cash from / used in operating activities		**770 166**	**(2 812 113)**
Net cash flow from investing activities			
Inflows from investing activities		**32 191 088**	**14 480 802**
Proceeds from sale of an associate classified as assets held for sale		24 850	-
Proceeds from sale of a subsidiary		-	1 482
Proceeds from sale and interest of investment securities available for sale		32 078 193	14 387 256
Proceeds from sale of intangible assets and tangible fixed assets		9 630	1 002
Other investing inflows (dividends)		78 415	91 062
Outflows from investing activities		**(33 331 719)**	**(12 124 195)**
Purchase / increase in equity of a subsidiary		(44 541)	(41 395)
Purchase of investment securities available for sale		(32 916 511)	(11 707 146)
Purchase of intangible assets and tangible fixed assets		(370 667)	(375 654)
Net cash from / used in investing activities		**(1 140 631)**	**2 356 607**
Net cash flow from financing activities			
Proceeds from debt securities in issue		1 429 385	5 364 897
Proceeds from subordinated bonds		-	1 600 700
Redemption of debt securities in issue		(1 462 447)	(7 335 846)
Dividends paid		-	(1 587 500)
Repayment of interest from issued debt securities and subordinated loans		(116 888)	(144 438)
Long-term borrowings		332 211	6 420 293
Repayment of long-term borrowings		(225 917)	(3 518 118)
Net cash generated from financing activities		**(43 656)**	**799 988**
Net cash flow		**(414 121)**	**344 482**
of which currency translation differences on cash and cash equivalents		49 308	(145 470)
Cash and cash equivalents at the beginning of the period		12 235 414	11 160 666
Cash and cash equivalents at the end of the period	24	**11 821 293**	**11 505 148**
of which restricted		13 184	3 416

(IN PLN THOUSAND)

NOTES TO THE FINANCIAL STATEMENTS

1. Interest income and expense

Interest and similar income

	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Interest income calculated using the effective interest rate method, with respect to financial assets, which are not measured at fair value through profit and loss, of which:	2 224 867	7 105 511	2 822 539	8 339 643
Income from loans and advances to customers, of which:	2 065 808	6 578 277	2 594 584	7 626 662
from impaired loans	124 039	380 863	133 654	357 684
Income from investment securities available for sale	123 976	395 706	161 001	522 893
Income from placements with banks	33 743	128 691	65 348	185 142
Other	1 340	2 837	1 606	4 946
Other income, of which:	**215 051**	**784 250**	**413 103**	**1 271 076**
Income from derivative hedging instruments	98 503	368 847	227 836	694 053
Income from financial assets designated upon initial recognition at fair value through profit and loss	100 142	364 048	173 971	533 259
Income from trading assets	16 406	51 355	11 296	43 764
Total	**2 439 918**	**7 889 761**	**3 235 642**	**9 610 719**

Interest expense and similar charges

	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Interest expense calculated using the effective interest rate method, with respect to financial liabilities, which are not measured at fair value through profit and loss, of which:	(885 507)	(3 122 035)	(1 284 874)	(3 672 401)
Interest expense on amounts due to customers	(846 606)	(2 999 158)	(1 223 446)	(3 483 874)
Interest expense on debt securities in issue and subordinated liabilities	(23 749)	(81 447)	(52 919)	(160 647)
Premium expense on debt securities available for sale	(11 355)	(27 936)	(1 799)	(6 791)
Interest expense on deposits from banks	(3 797)	(13 494)	(6 710)	(21 089)
Other expense, of which:	**(9 140)**	**(16 116)**	**(608)**	**(1 423)**
Interest expense on trading assets	(3 263)	(7 336)	(518)	(1 200)
Interest expense on financial assets designated upon initial recognition at fair value through profit and loss	(5 877)	(8 780)	(90)	(223)
Total	**(894 647)**	**(3 138 151)**	**(1 285 482)**	**(3 673 824)**

2. Fee and commission income and expense

Fee and commission income

	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Income from financial assets, which are not measured at fair value through profit and loss, of which:	**141 245**	**433 122**	**143 531**	**424 036**
Income from loans and advances granted	141 245	433 122	143 531	424 036
Other commissions	**844 721**	**2 396 796**	**756 683**	**2 224 276**
Income from payment cards	344 433	925 094	292 333	831 626
Income from maintenance of bank accounts	225 465	647 731	213 436	653 022
Income from loan insurance	121 740	382 739	104 189	307 010
Income from maintenance of investment funds (including management fees)	56 882	156 094	48 670	132 019
Income from cash transactions	28 549	86 006	30 567	92 561
Income from securities transactions	18 403	53 828	20 013	55 259
Income from servicing foreign mass transactions	13 419	38 384	12 141	36 265
Income from providing the services of an agent for the issue of Treasury bonds	5 331	16 596	8 656	30 512
Income from sale and distribution of court fee stamps	2 815	6 733	4 463	14 730
Other*	27 684	83 591	22 215	71 272
Income from fiduciary activities	**1 082**	**3 177**	**911**	**2 731**
Total	**987 048**	**2 833 095**	**901 125**	**2 651 043**

* Included in 'Other' are i.a. commissions of the Brokerage House of PKO Bank Polski SA for servicing Initial Public Offering issue and commissions for servicing indebtedness of borrowers against the State budget.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE PKO BANK POLSKI SA GROUP FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013 (IN PLN THOUSAND)

Fee and commission expense

	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Expenses on payment cards	(182 926)	(471 553)	(127 355)	(340 774)
Expenses on loan insurance	(35 065)	(101 131)	(27 809)	(82 629)
Expenses on acquisition services	(22 338)	(68 052)	(23 065)	(71 025)
Expenses on settlement services	(4 653)	(18 149)	(5 529)	(16 554)
Expenses on fee and commissions for operating services rendered by banks	(3 175)	(8 541)	(2 670)	(7 710)
Other*	(26 010)	(70 080)	(23 448)	(61 914)
Total	**(274 167)**	**(737 506)**	**(209 876)**	**(580 606)**

* Included in 'Other' are i.a. fee and expenses paid by the Brokerage House of PKO Bank Polski SA to WSE and to the National Depository for Securities (KDPW).

3. Net income from financial instruments measured at fair value

	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Change in fair value of financial instruments measured at fair value through profit and loss determined using the valuation techniques:	18 244	25 769	(2 890)	(4 909)
Derivative instruments, of which:	21 607	42 354	8 526	7 030
an ineffective portion related to cash flow hedges	11 255	11 752	13 339	1 152
Structured bank securities measured at fair value through profit and loss	(3 363)	(16 585)	(11 416)	(11 939)
Debt securities	10 631	8 860	37 431	54 056
Equity instruments	1 294	(609)	(1 727)	(1 537)
Total	**30 169**	**34 020**	**32 814**	**47 610**

3rd quarter period from 01.07.2013 to 30.09.2013	Gains	Losses	Net result
Trading assets	1 374 129	(1 348 535)	25 594
Financial assets designated upon initial recognition at fair value through profit and loss	3 402	1 173	4 575
Total	**1 377 531**	**(1 347 362)**	**30 169**

3 quarters cumulatively period from 01.01.2013 to 30.09.2013	Gains	Losses	Net result
Trading assets	11 624 229	(11 578 691)	45 538
Financial assets designated upon initial recognition at fair value through profit and loss	74 127	(85 645)	(11 518)
Total	**11 698 356**	**(11 664 336)**	**34 020**

3rd quarter period from 01.07.2012 to 30.09.2012	Gains	Losses	Net result
Trading assets	3 079 989	(3 068 004)	11 985
Financial assets designated upon initial recognition at fair value through profit and loss	30 212	(9 383)	20 829
Total	**3 110 201**	**(3 077 387)**	**32 814**

3 quarters cumulatively period from 01.01.2012 to 30.09.2012	Gains	Losses	Net result
Trading assets	11 384 570	(11 371 358)	13 212
Financial assets designated upon initial recognition at fair value through profit and loss	110 910	(76 512)	34 398
Total	**11 495 480**	**(11 447 870)**	**47 610**

(IN PLN THOUSAND)

4. Other operating income and expense

	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Other operating income				
Sundry income	4 787	14 683	5 462	14 845
Sales and disposal of tangible fixed assets, intangible assets and assets held for sale	3 811	9 629	618	10 019
Income from sale of non-current assets held for sale	10 998	10 998	-	-
Other	8 812	26 263	6 519	20 765
Total	**28 408**	**61 573**	**12 599**	**45 629**

	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Other operating expense				
Costs of sale and disposal of tangible fixed assets, intangible assets and assets held for sale	(5 247)	(13 272)	(1 704)	(3 754)
Other	(9 043)	(28 921)	(10 518)	(34 138)
Total	**(14 290)**	**(42 193)**	**(12 222)**	**(37 892)**

(IN PLN THOUSAND)

5. Net impairment allowance and write-downs

For the nine-month period ended 30 September 2013	Note	Value at the beginning of the period	Increases		Decreases			Value at the end of the period	Net - impact on the income statement
			Recognised during the period	Other	Decrease due to derecognition of assets and settlement	Reversed during the period	Other		
Investment securities available for sale	14	24 592	2 788	-	5 536	-	1 452	20 392	(2 788)
Equity securities not admitted to public trading		19 056	-	-	-	-	1 452	17 604	-
Debt securities available for sale		5 536	2 788	-	5 536	-	-	2 788	(2 788)
Amounts due from banks	9	30 792	5 526	234	-	892	-	35 660	(4 634)
Loans and advances to customers measured at amortised cost	13	6 228 629	6 673 087	25 185	1 207 147	5 245 513	73 306	6 400 935	(1 427 574)
Non-financial sector		6 161 413	6 623 727	24 559	1 207 020	5 232 074	73 306	6 297 299	(1 391 653)
corporate loans		3 102 026	3 442 373	2 874	763 903	2 547 576	19 982	3 215 812	(894 797)
housing loans		1 639 861	1 438 666	19 397	160 121	1 248 298	-	1 689 505	(190 368)
consumer loans		1 417 720	1 737 357	2 288	282 996	1 436 200	53 324	1 384 845	(301 157)
debt securities		1 806	5 331	-	-	-	-	7 137	(5 331)
Financial sector, corporate loans		45 226	46 611	446	-	1 244	-	91 039	(45 367)
Public sector		21 990	2 749	180	127	12 195	-	12 597	9 446
corporate loans		19 640	2 749	180	127	11 323	-	11 119	8 574
debt securities		2 350	-	-	-	872	-	1 478	872
Non-current assets held for sale		1 226	963	-	589	-	-	1 600	(963)
Tangible fixed assets		34	-	-	-	-	-	34	-
Intangible assets		17 154	-	-	-	-	-	17 154	-
Investments in subsidiaries, jointly controlled entities and associates	15	683 817	35 936	1 452	-	-	-	721 205	(35 936)
Other, of which:		379 383	175 551	417	18 264	281 741	-	255 346	106 190
provisions for legal claims, loan commitments and guarantees granted	22	217 873	138 451	379	-	246 427	-	110 276	107 976
Total		7 365 627	6 893 851	27 288	1 231 536	5 528 146	74 758	7 452 326	(1 365 705)

(IN PLN THOUSAND)

For the nine-month period ended 30 September 2012	Note	Value at the beginning of the period	Increases		Decreases			Value at the end of the period	Net – impact on the income statement
			Recognised during the period	Other	Decrease due to derecognition of assets and settlement	Reversed during the period	Other		
Investment securities available for sale	14	15 502	9 696	-	5 898	1 564	-	17 736	(8 132)
Debt securities available for sale		12 998	-	-	5 898	1 564	-	5 536	1 564
Equity securities not admitted to public trading		2 504	9 696	-	-	-	-	12 200	(9 696)
Amounts due from banks	9	33 710	48	-	-	275	2 350	31 133	227
Loans and advances to customers measured at amortised cost	13	4 982 790	4 039 234	31 625	627 633	2 453 586	60 266	5 912 164	(1 585 648)
Non-financial sector		4 958 486	4 017 094	30 647	626 456	2 452 553	60 266	5 866 952	(1 564 541)
corporate loans		2 272 444	1 735 139	8 231	178 838	950 916	20 375	2 865 685	(784 223)
consumer loans		1 451 068	1 529 321	19 940	435 292	1 051 892	6 881	1 506 264	(477 429)
housing loans		1 234 974	751 246	2 476	12 326	449 745	33 010	1 493 615	(301 501)
debt securities		-	1 388	-	-	-	-	1 388	(1 388)
Financial sector, corporate loans		8 525	18 668	357	1 177	537	-	25 836	(18 131)
Public sector		15 779	3 472	621	-	496	-	19 376	(2 976)
corporate loans		15 779	1 722	621	-	496	-	17 626	(1 226)
debt securities		-	1 750	-	-	-	-	1 750	(1 750)
Non-current assets held for sale		1 278	-	-	3	-	-	1 275	-
Tangible fixed assets		143	2 804	-	2 913	-	-	34	(2 804)
Intangible assets		18 017	3 695	-	4 558	-	-	17 154	(3 695)
Investments in subsidiaries, jointly controlled entities and associates	15	475 669	16 705	-	-	-	-	492 374	(16 705)
Other, of which:		293 282	231 416	-	26 631	110 748	809	386 510	(120 668)
provisions for legal claims, loan commitments and guarantees granted	22	114 023	202 153	-	-	97 207	472	218 497	(104 946)
Total		5 820 391	4 303 598	31 625	667 636	2 566 173	63 425	6 858 380	(1 737 425)

6. Administrative expenses

	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Staff costs	(572 700)	(1 649 220)	(563 384)	(1 677 901)
Overheads	(248 490)	(841 130)	(287 996)	(876 077)
Amortisation and depreciation	(137 774)	(392 445)	(123 076)	(360 735)
Taxes and other charges	(15 073)	(45 815)	(15 455)	(45 917)
Contribution and payments to the Bank Guarantee Fund	(38 435)	(115 306)	(35 997)	(107 991)
Total	**(1 012 472)**	**(3 043 916)**	**(1 025 908)**	**(3 068 621)**

Wages and salaries/employee benefits

	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Wages and salaries, of which:	(468 435)	(1 338 222)	(469 593)	(1 388 806)
expenses on employee pension programme	(22 623)	(22 623)	-	-
Social insurance, of which:	(89 658)	(262 593)	(77 998)	(239 911)
contributions for retirement pay and pensions *	(73 320)	(219 330)	(62 803)	(197 751)
Other employee benefits	(14 607)	(48 405)	(15 793)	(49 184)
Total	**(572 700)**	**(1 649 220)**	**(563 384)**	**(1 677 901)**

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

7. Income tax expense

	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Income statement				
Current income tax expense	(86 795)	(421 375)	(230 067)	(722 255)
Deferred income tax related to creating and reversal of temporary differences	(85 697)	(98 207)	13 139	17 943
Tax expense in the income statement	**(172 492)**	**(519 582)**	**(216 928)**	**(704 312)**
Deferred tax expense in other comprehensive income related to creating and reversal of temporary differences	(9 998)	68 401	32 890	75 123
Total	**(182 490)**	**(451 181)**	**(184 038)**	**(629 189)**

	30.09.2013	31.12.2012
Deferred income tax asset	339 201	369 007
Total	339 201	369 007

8. Earnings per share

Basic earnings per share

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

Earnings per share

	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013	3rd quarter period from 01.07.2012 to 30.09.2012	3 quarters cumulatively period from 01.01.2012 to 30.09.2012
Profit per ordinary shareholder (in PLN thousand)	705 028	2 253 547	894 288	2 899 974
Weighted average number of ordinary shares during the period (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Earnings per share (in PLN per share)	0.56	1.80	0.72	2.32

(IN PLN THOUSAND)

Earnings per share from discontinued operations

In the periods ended 30 September 2013 and 30 September 2012 respectively, there were no material expenses or income 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 instrument in the third quarter of 2013 as well as in the third quarter of 2012.

Diluted earnings per share from discontinued operations

In the periods ended 30 September 2013 and 30 September 2012, the Bank did not report any material expenses or income from discontinued operations.

9. Amounts due from banks

	30.09.2013	31.12.2012
Deposits with banks	3 314 356	2 445 915
Current accounts	1 344 144	589 139
Receivables due from repurchase agreements	550 463	149 284
Loans and advances granted	205 967	299 516
Cash in transit	1 315	3 329
Total	**5 416 245**	**3 487 183**
Impairment allowances on receivables, of which:	(35 660)	(30 792)
impairment allowances on exposure to a foreign bank	(35 319)	(30 782)
Net total	**5 380 585**	**3 456 391**

10. Trading assets

	30.09.2013	31.12.2012
Debt securities	**2 019 628**	**278 240**
issued by the State Treasury, of which:	1 944 102	216 521
Treasury bonds	1 944 102	216 521
Treasury bills	-	-
issued by local government bodies, municipal bonds	41 506	26 673
issued by non-financial institutions, corporate bonds	19 583	15 064
issued by other financial institutions, of which:	13 215	18 611
bonds issued by WSE	8 213	13 880
bonds issued by PKO Finance AB	4 804	4 664
corporate bonds	198	67
issued by banks, of which:	1 222	1 371
BGK bonds	1 222	1 361
Shares in other entities listed on stock exchange	**8 760**	**3 237**
Investment certificates	**991**	**713**
Rights issues	**-**	**40**
Total	**2 029 379**	**282 230**

As at 30 September 2013, in the trading assets portfolio, the carrying amount of assets pledged as collateral for liabilities due to sell-buy-back transactions was PLN 2 282 029 thousand (as at 31 December 2012, in the trading assets portfolio, there were no assets pledged as collateral for liabilities due to sell-buy-back transactions).

(IN PLN THOUSAND)

11. Derivative financial instruments

The Bank uses various types of derivatives in order to manage risk involved in its business activities. As at 30 September 2013 and as at 31 December 2012, the Bank held the following derivative instruments:

	30.09.2013		31.12.2012	
	Assets	Liabilities	Assets	Liabilities
Hedging instruments	271 552	476 987	498 130	224 373
Other derivative instruments	2 543 427	2 807 672	3 363 326	3 739 797
Total	**2 814 979**	**3 284 659**	**3 861 456**	**3 964 170**

Type of contract	30.09.2013		31.12.2012	
	Assets	Liabilities	Assets	Liabilities
IRS	2 464 810	2 400 568	3 222 693	3 183 816
CIRS	186 573	661 020	357 675	370 043
FX Swap	61 678	95 440	109 819	207 538
Options	57 389	49 593	63 301	61 932
Forward	10 596	44 616	33 190	60 742
FRA	29 838	29 052	74 608	78 693
Other	4 095	4 370	170	1 406
Total	**2 814 979**	**3 284 659**	**3 861 456**	**3 964 170**

12. Financial assets designated upon initial recognition at fair value through profit and loss

	30.09.2013	31.12.2012
Debt securities	**12 477 276**	**12 614 917**
issued by central banks, NBP money market bills	9 997 300	9 995 300
issued by the State Treasury, of which:	2 221 138	2 363 089
Treasury bonds PLN	2 221 138	1 322 226
Treasury bills	-	1 040 863
issued by local government bodies, of which:	258 838	256 528
municipal bonds EUR	144 536	145 343
municipal bonds PLN	114 302	111 185
Total	**12 477 276**	**12 614 917**

As at 30 September 2013, in the financial assets at fair value portfolio (through profit and loss) the carrying amount of assets pledged as collateral for liabilities due to sell-buy-back transactions was PLN 623 552 thousand (as at 31 December 2012, in the financial assets at fair value through profit and loss portfolio, the carrying amount of assets pledged as collateral for liabilities due to sell-buy-back transactions was PLN 850 232 thousand).

(IN PLN THOUSAND)

13. Loans and advances to customers

	30.09.2013	31.12.2012
Loans and advances to customers, gross, of which:	154 209 396	148 313 487
financial sector	5 196 584	3 177 999
corporate, of which:	5 196 584	3 177 999
receivables due from repurchase agreements	1 555 684	-
deposits of the Brokerage House of PKO Bank Polski SA in the Stock Exchange Guarantee Fund and initial deposit	15 178	8 779
non-financial sector	141 351 060	137 530 488
housing	75 717 169	72 059 644
corporate, of which:	44 027 310	42 719 131
receivables due from repurchase agreements	2 008	-
contributions to equity of subsidiaries	215 460	214 209
consumer	20 770 292	21 848 645
debt securities	836 289	903 068
public sector	7 661 752	7 605 000
corporate	6 520 657	6 429 961
housing	4 202	-
debt securities	1 136 893	1 175 039
Impairment allowances on loans and advances to customers	(6 400 935)	(6 228 629)
Loans and advances to customers, net	147 808 461	142 084 858

	30.09.2013	31.12.2012
Loans and advances to customers		
Assessed on an individual basis, of which:	6 970 886	7 100 715
impaired	5 340 226	5 552 524
not impaired	1 630 660	1 548 191
Assessed on a portfolio basis, impaired	7 046 224	6 764 251
Assessed on a group basis (IBNR)	140 192 286	134 448 521
Loans and advances to customers, gross	154 209 396	148 313 487
Allowances on exposures assessed on an individual basis, of which:	(2 203 138)	(2 261 663)
impaired	(2 100 416)	(2 165 236)
Allowances on exposures assessed on a portfolio basis	(3 585 986)	(3 424 393)
Allowances on exposures assessed on a group basis (IBNR)	(611 811)	(542 573)
Allowances - total	(6 400 935)	(6 228 629)
Loans and advances to customers, net	147 808 461	142 084 858

By client segment	30.09.2013	31.12.2012
Loans and advances granted, gross, of which:	154 209 396	148 313 487
mortgage banking	67 923 842	63 960 739
corporate	42 071 084	41 351 050
retail and private banking	20 770 292	21 848 645
small and medium enterprises	14 943 564	14 309 022
housing market clients	6 712 284	6 621 043
contributions to equity of subsidiaries	215 460	214 209
receivables due from repurchase agreements	1 557 692	-
other receivables	15 178	8 779
Impairment allowances on loans and advances	(6 400 935)	(6 228 629)
Loans and advances granted, net	147 808 461	142 084 858

As at 30 September 2013, the share of impaired loans amounted to 8.0% (as at 31 December 2012: 8.3%), whereas the coverage ratio of impaired loans (calculated as total impairment allowances on total loans and advances to customers divided by gross carrying amount of impaired loans) amounted to 51.7% (as at 31 December 2012: 50.6%).

As at 30 September 2013, the share of loans overdue by more than 90 days in the gross amount of loans and advances was 5.4% (as at 31 December 2012: 5.6%).

(IN PLN THOUSAND)

14. Investment securities available for sale

	30.09.2013	31.12.2012
Debt securities available for sale, gross	**13 630 945**	**11 922 509**
issued by the State Treasury, Treasury bonds	8 987 149	7 619 522
issued by local government bodies, municipal bonds	2 956 146	2 780 212
issued by non-financial institutions, corporate bonds	1 076 923	1 315 490
issued by other financial institutions, corporate bonds	55 171	156 393
issued by banks, corporate bonds	555 556	50 892
Impairment allowances of debt securities available for sale	**(2 788)**	**(5 536)**
corporate bonds	(2 788)	(5 536)
Total net debt securities available for sale	**13 628 157**	**11 916 973**
Equity securities available for sale, gross	**200 797**	**163 489**
Equity securities not admitted to public trading	162 179	130 991
Equity securities admitted to public trading	38 618	32 498
Impairment allowances of equity securities available for sale	**(17 604)**	**(19 056)**
Total net equity securities available for sale	**183 193**	**144 433**
Total net investment securities available for sale	**13 811 350**	**12 061 406**

Debt securities (municipal bonds and corporate bonds) reclassified from financial assets available for sale to loans and advances to customers*

As at 30 September 2013	nominal value	fair value	carrying amount
municipal bonds	1 115 605	1 134 686	1 135 415
corporate bonds	807 040	818 425	810 547
Total	**1 922 645**	**1 953 111**	**1 945 962**

* Relates to portfolios reclassified in the third and the fourth quarter of 2012.

(IN PLN THOUSAND)

15. Investments in subsidiaries, jointly controlled entities and associates

As at 30 September 2013, the Bank's investments in subsidiaries, jointly controlled entities and associates have been recognised at acquisition cost adjusted by potential impairment allowances.

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

As at 30 September 2013	Gross value	Impairment	Carrying amount
Subsidiaries			
KREDOBANK SA	935 619	(603 723)	331 896
PKO BP BANKOWY PTE SA	205 786	-	205 786
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.	192 148	(1 452)	190 696
PKO Towarzystwo Funduszy Inwestycyjnych SA	186 989	-	186 989
PKO Leasing SA [1]	90 000	-	90 000
Fort Mokotów Inwestycje Sp. z o.o.	77 474	-	77 474
Inteligo Financial Services SA	59 602	-	59 602
Centrum Elektronicznych Usług Płatniczych eService SA	55 500	-	55 500
Qualia Development Sp. z o.o. [2]	24 851	-	24 851
Bankowe Towarzystwo Kapitałowe SA	22 066	(10 666)	11 400
'Inter-Risk Ukraina' Additional Liability Company	19 713	(19 713)	-
PKO BP Finat Sp. z o.o.	11 693	-	11 693
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	(39 780)	106 720
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	1 500	(1 500)	-
Total	**2 091 482**	**(721 205)**	**1 370 277**

1) formerly Bankowy Fundusz Leasinowy SA; change in name was registered with National Court Register on 27 March 2013.
2) value does not include capital contributions of PKO Bank Polski SA presented in the position 'Loans and advances to customers' in the total amount of PLN 215 460 thousand.

As at 31 December 2012	Gross value	Impairment	Carrying amount
Subsidiaries			
KREDOBANK SA	935 619	(573 723)	361 896
PKO BP BANKOWY PTE SA	205 786	-	205 786
PKO Towarzystwo Funduszy Inwestycyjnych SA	186 989	-	186 989
Fort Mokotów Inwestycje Sp. z o.o.	73 281	-	73 281
Bankowy Fundusz Leasingowy SA [1]	70 000	-	70 000
Inteligo Financial Services SA	59 602	-	59 602
Centrum Elektronicznych Usług Płatniczych eService SA	55 500	-	55 500
Bankowe Towarzystwo Kapitałowe SA	22 066	(10 666)	11 400
'Inter-Risk Ukraina' Additional Liability Company	19 713	(19 713)	-
PKO BP Finat Sp. z o.o.	11 693	-	11 693
Qualia Development 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	(38 435)	5 936
Centrum Obsługi Biznesu Sp. z o.o.	17 498	-	17 498
Associates			
Bank Pocztowy SA	146 500	(39 780)	106 720
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	1 500	(1 500)	-
Agencja Inwestycyjna CORP-SA SA	29	-	29
Total	**1 854 822**	**(683 817)**	**1 171 005**

1) value does not include capital contribution of PKO Bank Polski SA for taking up shares in the increased share capital of the Company in the amount of PLN 20 000 thousand presented in the item 'Other assets'.
2) value does not include capital contributions of PKO Bank Polski SA, presented in the item 'Loans and advances to customers' in the total amount of PLN 214 209 thousand.

(IN PLN THOUSAND)

16. Intangible assets and tangible fixed assets

Intangible assets	30.09.2013	31.12.2012
Software	1 504 622	1 418 873
Other, of which:	154 328	262 247
capital expenditure	135 421	244 042
goodwill related to assets acquired from subsidiary	7 785	7 785
Total	1 658 950	1 681 120

Tangible fixed assets	30.09.2013	31.12.2012
Land and buildings	1 686 566	1 629 368
Machinery and equipment	430 482	390 331
Assets under construction	96 261	251 065
Means of transport	238	253
Investment properties	191	238
Other	145 804	111 403
Total	2 359 542	2 382 658

In the nine-month periods ended 30 September 2013 and 30 September 2012 respectively, there were no significant transactions of purchase and sale of tangible fixed assets.

17. Amounts due to banks

	30.09.2013	31.12.2012
Loans and advances received	1 411 109	1 393 048
Bank deposits	2 030 395	1 006 347
Amounts due from repurchase agreements	727 896	-
Current accounts	365 540	71 539
Other money market deposits	38 542	31 954
Total	4 573 482	2 502 888

In the nine-month periods ended 30 September 2013 and 30 September 2012 respectively, loans and advances received were paid in a timely manner and with no significant violations of loans or advances agreements.

18. Amounts due to customers

	30.09.2013	31.12.2012
Amounts due to retail clients	**115 863 040**	**110 127 352**
Term deposits	63 875 496	62 895 895
Current accounts and overnight deposits	51 755 742	47 026 306
Other money market deposits	231 802	205 151
Amounts due to corporate entities	**39 278 829**	**41 154 325**
Term deposits	12 885 886	17 381 502
Current accounts and overnight deposits	11 947 890	11 545 398
Loans and advances received, of which:	11 322 390	10 709 239
- received from PKO Finance AB*	9 433 596	9 171 845
Amounts due from repurchase agreements	2 180 298	851 416
Other money market deposits	942 365	666 770
Amounts due to State budget entities	**4 005 236**	**3 458 897**
Current accounts and overnight deposits	3 015 788	2 870 735
Term deposits	976 249	562 397
Other money market deposits	13 199	25 765
Total	159 147 105	154 740 574

* In 'Loans and advances received' there are included received loans of EUR 850 000 thousand, CHF 750 000 thousand and USD 1 000 000 thousand respectively from PKO Finance AB, the Bank's subsidiary, as funds gathered through the Company's bonds issue.

In the nine-month periods ended 30 September 2013 and 30 September 2012 respectively, loans and advances received were paid in a timely manner and with no significant violations of loans or advances agreements.

(IN PLN THOUSAND)

By client segment	30.09.2013	31.12.2012
Amounts due to customers, of which:		
retail and private banking	111 407 701	105 799 406
corporate	20 278 329	23 967 961
loans and advances received	11 322 390	10 709 239
small and medium enterprises	8 794 114	8 766 193
housing market clients	5 164 273	4 646 359
amounts due from repurchase agreements	2 180 298	851 416
Total	**159 147 105**	**154 740 574**

19. Debt securities in issue

	30.09.2013	31.12.2012
Debt securities in issue		
Financial instruments measured at fair value through profit and loss - bank securities issued by PKO Bank Polski SA	358 004	368 622
Financial instruments measured at amortised cost – bank bonds issued by PKO Bank Polski SA	498 038	497 283
Total	**856 042**	**865 905**

	30.09.2013	31.12.2012
Debt securities in issue by remaining maturity:		
from 1 month to 3 months	564 892	497 283
from 3 months to 1 year	175 277	182 150
from 1 year to 5 years	115 873	186 472
Total	**856 042**	**865 905**

In the nine-month period of 2013, the Bank issued bank securities and bank bonds at nominal value of PLN 1 444 258 thousand classified respectively as liabilities measured at fair value through profit and loss, in accordance with IAS 39.11A.a and measured at amortised cost. As at the end of the third quarter of 2013, bank securities and bank bonds at nominal value of PLN 1 462 447 thousand were redeemed.

20. Subordinated liabilities

As at 30 September 2013

Subordinated liabilities	Nominal value	Currency	Interest rate (%)	Maturity date	Carrying Amount
Subordinated bonds	1 600 700	PLN	4.37	14.09.2022	1 603 338

As at 31 December 2012

Subordinated liabilities	Nominal value	Currency	Interest rate (%)	Maturity date	Carrying Amount
Subordinated bonds	1 600 700	PLN	6.60	14.09.2022	1 631 256

(IN PLN THOUSAND)

Change in subordinated liabilities

For the period ended	01.01-30.09.2013	01.01-30.09.2012
Subordinated liabilities as at the beginning of the period	**1 631 256**	**1 614 377**
Increases, of which:	**65 786**	**1 677 296**
issuance	-	1 600 700
accrued interest	65 500	76 313
other	286	283
Decreases, of which:	**(93 704)**	**(47 511)**
repayment of interest	(93 704)	(47 511)
Subordinated liabilities as at the end of the period	**1 603 338**	**3 244 162**

21. Other liabilities

	30.09.2013	31.12.2012
Accounts payable	366 798	318 690
Deferred income	401 511	343 366
Other liabilities, of which:	3 848 984	1 137 307
dividends declared	2 250 000	-
Total	**4 617 293**	**1 799 363**

22. Provisions

For the nine-month period ended 30 September 2013	Provision for legal claims	Provisions for retirement benefits and anniversary bonuses	Provisions for loan commitments and guarantees granted	Other provisions*	Total
Provisions as at the beginning of the period, of which:	**2 254**	**429 728**	**215 619**	**71 494**	**719 095**
Short term provision	**2 254**	**36 068**	**149 681**	**71 494**	**259 497**
Long term provision	**-**	**393 660**	**65 938**	**-**	**459 598**
Increase/reassessment of provision	-	537	138 451	11 640	**150 628**
Use of provision	-	(193 142)	-	(14 161)	**(207 303)**
Release of provision	-	(179 429)	(246 427)	-	**(425 856)**
Transfers and other changes	-	(25 380)	379	25 380	**379**
Provisions as at the end of the period, of which:	**2 254**	**32 314**	**108 022**	**94 353**	**236 943**
Short term provision	**2 254**	**1 285**	**82 257**	**94 353**	**180 149**
Long term provision	**-**	**31 029**	**25 765**	**-**	**56 794**

*Included in 'Other provisions' are i.a.: restructuring provision of PLN 58 304 thousand and provision of PLN 1 829 thousand for potential claims on impaired loans portfolios sold.

Information on changes in the Collective Labour Agreement regarding the provision for retirement benefits and anniversary bonuses was described in details in Note 28 of the condensed interim consolidated financial statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group for the six-month period ended 30 June 2013.

(IN PLN THOUSAND)

For the nine-month period ended 30 September 2012	Provision for legal claims	Provisions for retirement benefits and anniversary bonuses	Provisions for loan commitments and guarantees granted	Other provisions*	Total
Provisions as at the beginning of the period, of which:	2 254	426 973	111 769	74 493	615 489
Short term provision	2 254	38 069	111 769	74 493	226 585
Long term provision	-	388 904	-	-	388 904
Increase/reassessment of provision	-	-	202 153	10 058	212 211
Use of provision	-	-	-	(47 578)	(47 578)
Release of provision	-	-	(97 207)	-	(97 207)
Transfers and other changes	-	-	(472)	-	(472)
Provisions as at the end of the period, of which:	2 254	426 973	216 243	36 973	682 443
Short term provision	2 254	38 069	175 459	36 973	252 755
Long term provision	-	388 904	40 784	-	429 688

* Included in 'Other provisions' are i.a.: restructuring provision of PLN 20 852 thousand and provision of PLN 5 149 thousand for potential claims on impaired loans portfolios sold.

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

23. Contingent liabilities

Underwriting programmes

As at 30 September 2013 and as at 31 December 2012, underwriting agreements covered the following securities:

Issuer of securities underwritten	Type of underwritten securities	Off-balance sheet liabilities resulting from underwriting agreement	Contract period	Sub-issue type
As at 30 September 2013				
Company A	corporate bonds	1 633 000	15.06.2017	Bonds Issue Agreement*
Company B	corporate bonds	731 000	31.07.2015	Bonds Issue Agreement*
Company C	corporate bonds	102 700	31.10.2013	Bonds Issue Agreement*
Company D	corporate bonds	71 205	31.12.2024	Bonds Issue Agreement*
Company E	corporate bonds	50 000	19.12.2022	Bonds Issue Agreement*
Company F	corporate bonds	34 000	31.12.2022	Bonds Issue Agreement*
Total		2 621 905		
As at 31 December 2012				
Company A	corporate bonds	1 633 000	15.06.2017	Bonds Issue Agreement*
Company B	corporate bonds	537 000	31.07.2013	Bonds Issue Agreement*
Company C	corporate bonds	102 700	31.10.2013	Bonds Issue Agreement*
Company D	corporate bonds	89 749	31.12.2024	Bonds Issue Agreement*
Company G	corporate bonds	67 070	31.10.2017	Bonds Issue Agreement*
Company E	corporate bonds	50 000	19.12.2022	Bonds Issue Agreement*
Company F	corporate bonds	34 000	31.12.2022	Bonds Issue Agreement*
Total		2 513 519		

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

All securities of the Bank under the sub-issue (underwriting) programme have an unlimited transferability, are not listed on the stock exchange and are not traded on a regulated OTC market.

Contractual commitments

As at 30 September 2013, the amount of contractual commitments concerning intangible assets amounted to PLN 123 572 thousand (as at 31 December 2012, it amounted to PLN 155 452 thousand).

As at 30 September 2013, the amount of contractual commitments concerning tangible fixed assets amounted to PLN 29 557 thousand (as at 31 December 2012, it amounted to PLN 71 580 thousand).

(IN PLN THOUSAND)

Loan commitments granted (by nominal value)

	30.09.2013	31.12.2012
Financial entities	1 208 660	1 401 646
Non-financial entities	29 636 887	28 612 603
State budget entities	3 239 393	2 462 680
Total	**34 084 940**	**32 476 929**
of which: irrevocable loan commitments	8 179 478	8 397 676

Guarantees issued

	30.09.2013	31.12.2012
Financial entities	1 103 043	1 222 752
Non-financial entities	9 711 663	10 193 861
State budget entities	330 647	135 943
Total	**11 145 353**	**11 552 556**

Off-balance sheet liabilities received (by nominal value)

	30.09.2013	31.12.2012
Financial	676 488	1 256 389
Guarantees	2 308 460	1 707 143
Total	**2 984 948**	**2 963 532**

Assets pledged as collateral for contingent liabilities

As at 30 September 2013 and as at 31 December 2012 the Bank had no assets pledged as collateral.

24. Supplementary information to the statement of cash flows

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 3 months from the date of acquisition.

	30.09.2013	31.12.2012	30.09.2012
Cash and balances with the central bank	7 533 307	10 229 230	6 642 417
Current receivables from banks	4 287 986	2 006 184	4 862 731
Total	**11 821 293**	**12 235 414**	**11 505 148**

(IN PLN THOUSAND)

25. Related party transactions

All transactions with related parties presented below were arm's length transactions. Repayment terms are within a range from one month to ten years.

30 September 2013

Entity	Receivables	including loans	Liabilities	Total income	including interest and fee and commission	Total expense	including interest and fee and commission	Off-balance sheet liabilities granted
Direct subsidiaries								
Bankowe Towarzystwo Kapitałowe SA	2	-	237	18	2	8	8	7 000
Centrum Elektronicznych Usług Płatniczych eService SA	1 954	-	69 117	23 339	23 325	80 644	69 130	4 992
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.	101 890	101 890	7 057	8 981	1 924	-	-	-
Fort Mokotów Inwestycje Sp. z o.o.	-	-	2 059	3	3	319	319	-
Inteligo Financial Services SA	63 391	-	104 063	2 918	16	55 367	2 970	-
KREDOBANK SA	284 376	46 964	950	2 734	2 734	-	-	113 843
PKO BP BANKOWY PTE SA	79	-	2 654	629	8	631	631	-
PKO BP Finat Sp. z o.o.	3	-	3 655	42	16	177	72	593
PKO Finance AB	4 804	-	9 433 596	-	-	270 267	270 267	-
PKO Leasing SA [1)]	75 185	19 198	232 719	11 028	8 912	15 444	4 364	1 396 343
PKO Towarzystwo Funduszy Inwestycyjnych SA	17 205	-	26 034	131 826	130 729	826	826	-
Qualia Development Sp. z o.o.	215 460	-	29 643	14	14	309	309	13 900
Indirect subsidiaries								
Fort Mokotów Sp. z o.o. in liquidation	-	-	3 995	2	2	90	90	-
Giełda Nieruchomości Wartościowych Sp. z o.o.	-	-	3	1	1	-	-	-
PKO Bankowy Leasing Sp. z o.o [2)]	2 172 150	2 171 910	402	71 272	71 237	25	1	194 841
PKO BP Faktoring SA	325 804	325 776	1 480	7 689	7 471	-	-	172 645
Qualia - Residence Sp. z o.o.	1	-	1 139	9	9	12	4	-
Qualia - Rezydencja Flotylla Sp. z o.o.	74 640	74 640	2 700	4 288	4 288	17	17	76
Qualia Hotel Management Sp. z o.o.	-	-	2 792	13	13	9	9	-
Qualia Sp. z o.o.	-	-	2	2	2	-	-	-
Qualia spółka z ograniczoną odpowiedzialnością - Jurata Spółka komandytowa	-	-	2 118	2	2	43	43	-
Qualia spółka z ograniczoną odpowiedzialnością - Neptun Park Spółka komandytowa	38 116	38 116	2 695	2 252	2 252	98	98	1 829
Qualia spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Spółka komandytowa	56 157	56 157	4 639	3 176	3 176	165	165	-
Qualia spółka z ograniczoną odpowiedzialnością - Pomeranka Spółka komandytowa	75 234	75 234	3 243	3 195	3 195	31	31	5 763
Qualia spółka z ograniczoną odpowiedzialnością - Projekt 1 Spółka komandytowa	-	-	-	2	2	-	-	-
Qualia spółka z ograniczoną odpowiedzialnością - Sopot Spółka komandytowa	9 721	9 721	985	286	286	40	40	1
Qualia spółka z ograniczoną odpowiedzialnością - Władysławowo Spółka komandytowa	-	-	1	2	2	-	-	-
Qualia spółka z ograniczoną odpowiedzialnością - Zakopane Spółka komandytowa	-	-	2	2	2	3	3	-
Sarnia Dolina Sp. z o. o.	15 353	15 353	99	499	496	689	689	-
Direct jointly controlled entities								
CENTRUM HAFFNERA Sp. z o.o.	-	-	830	5	5	-	-	-
Centrum Obsługi Biznesu Sp z o.o.	30 215	30 215	16 681	777	777	282	282	-
Indirect jointly controlled entities								
Centrum Majkowskiego Sp. z o.o.	-	-	63	5	5	-	-	-
Kamienica Morska Sp. z o.o. in liquidation	-	-	808	5	5	-	-	-
Promenada Sopocka Sp. z o.o.	45 684	45 684	3 276	794	794	32	32	-
Sopot Zdrój Sp. z o.o.	221 805	221 805	5 780	3 828	3 828	54	54	-
Direct associates								
Bank Pocztowy SA	-	-	1 028	48	48	651	-	2 414
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	-	12 812	1	1	258	258	-
Direct associate held for sale								
Agencja Inwestycyjna CORP-SA SA	-	-	-	495	-	74	-	-
Indirect associate								
Centrum Operacyjne Sp. z o.o.	-	-	16	2	2	-	-	-
TOTAL	**3 829 229**	**3 232 663**	**9 979 373**	**280 184**	**265 584**	**426 565**	**350 712**	**1 914 240**

[1)] formerly Bankowy Fundusz Leasingowy SA
[2)] formerly Bankowy Leasing Sp. z o.o

(IN PLN THOUSAND)

31 December 2012

Entity	Receivables	including loans	Liabilities	Total income	including interest and fee and commission	Total expense	including interest and fee and commission	Off-balance sheet liabilities granted
Direct subsidiaries								
Bankowe Towarzystwo Kapitałowe SA	-	-	501	23	3	11	11	-
Bankowy Fundusz Leasingowy SA	176 577	19 547	279 165	9 623	6 986	16 041	297	1 446 637
Centrum Elektronicznych Usług Płatniczych eService SA	2 411	-	69 842	18 984	18 984	73 724	73 710	5 000
Fort Mokotów Inwestycje Sp. z o.o.	-	-	19 793	4	4	336	336	-
Inteligo Financial Services SA	31 882	-	126 269	2 502	21	54 212	6 199	-
KREDOBANK SA	352 374	260 544	1 888	5 923	5 923	855	-	5 001
PKO BP BANKOWY PTE SA	8	-	47 248	633	14	725	725	-
PKO BP Finat Sp. z o.o.	-	-	2 842	38	20	266	135	593
PKO Finance AB	-	-	9 176 447	-	-	210 978	209 498	-
PKO Towarzystwo Funduszy Inwestycyjnych SA	13 470	-	19 418	150 749	148 991	1 188	1 188	-
Qualia Development Sp. z o.o.	214 209	-	12 456	34	18	801	794	2 411
Indirect subsidiaries								
Bankowy Leasing Sp. z o.o.	2 008 357	1 996 581	2 802	111 012	110 921	6 874	12	254 186
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.	155 285	155 285	-	10 318	10 318	35 980	-	-
Fort Mokotów Sp. z o.o. in liquidation	-	-	4 270	3	3	192	192	-
PKO BP Faktoring SA	243 309	243 309	3 241	15 931	15 686	1 306	9	255 935
Qualia - Residence Sp. z o.o.	-	-	862	35	35	708	15	-
Qualia - Rezydencja Flotylla Sp. z o.o.	76 994	76 894	1 974	5 100	5 100	276	13	-
Qualia Hotel Management Sp. z o.o.	-	-	287	7	7	7	7	-
Qualia Sp. z o.o.	-	-	5	3	3	-	-	-
Qualia spółka z ograniczoną odpowiedzialnością - Jurata Spółka komandytowa	-	-	-	2	2	-	-	-
Qualia spółka z ograniczoną odpowiedzialnością - Neptun Park Spółka komandytowa	60 389	60 389	7 244	5 334	5 334	257	257	1 855
Qualia spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Spółka komandytowa	83 809	83 809	11 491	7 478	324	299	299	-
Qualia spółka z ograniczoną odpowiedzialnością - Pomeranka Spółka komandytowa	47 502	47 502	65	2 649	2 649	807	-	35 756
Qualia spółka z ograniczoną odpowiedzialnością - Projekt 1 Spółka komandytowa	-	-	1	3	3	-	-	-
Qualia spółka z ograniczoną odpowiedzialnością - Sopot Spółka komandytowa	4 069	4 069	2 120	145	145	26	13	373
Qualia spółka z ograniczoną odpowiedzialnością - Władysławowo Spółka komandytowa	-	-	-	2	2	-	-	-
Qualia spółka z ograniczoną odpowiedzialnością - Zakopane Spółka komandytowa	-	-	5	2	2	-	-	-
Sarnia Dolina Sp. z o.o.	15 149	15 149	-	1 012	1 012	1 982	-	-
Direct jointly controlled entities								
CENTRUM HAFFNERA Sp. z o.o.	-	-	296	7	7	-	-	-
Centrum Obsługi Biznesu Sp z o.o.	30 010	30 010	18 975	1 015	1 015	626	569	144
Indirect jointly controlled entities								
Centrum Majkowskiego Sp. z o.o.	-	-	593	6	6	-	-	-
Kamienica Morska Sp. z o.o.	-	-	11	6	6	-	-	-
Promenada Sopocka Sp. z o.o.	43 857	43 857	5 225	1 205	1 205	721	152	-
Sopot Zdrój Sp. z o.o.	212 691	212 691	1 816	5 911	5 911	2 785	3	-
Direct associates								
Agencja Inwestycyjna CORP-SA SA	61	-	-	690	-	86	-	-
Bank Pocztowy SA	-	-	91	93	78	1 160	285	1 409
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	-	19 402	2	2	299	299	-
Direct associate held for sale								
Kolej Gondolowa Jaworzyna Krynicka SA	4 235	4 235	343	291	291	50	43	-
Indirect associate								
Centrum Operacyjne Sp. z o.o.	-	-	21	3	3	-	-	-
TOTAL	**3 776 648**	**3 253 871**	**9 837 009**	**356 778**	**341 034**	**413 578**	**295 061**	**2 009 300**

(IN PLN THOUSAND)

26. Explanation of differences between previously published financial statements and these financial statements

In the third quater of 2013 there were no significant changes in relation to previously published financial statements.

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

Objectives and principles of risk management in PKO Bank Polski SA were presented in details in the annual financial statements of PKO Bank Polski SA for the year 2012.

Relevant information on risk monitoring and changes in methods of risk measurement in the period from 1 January to 30 September 2013 is presented below.

Credit risk

The Bank's exposure to credit risk

Amounts due from banks	Exposure	
	30.09.2013	31.12.2012
Amounts due from banks impaired, of which:	52 762	33 569
assessed on an individual basis	52 762	33 569
Amounts due from banks not impaired, of which:	5 363 483	3 453 614
not past due	5 316 508	3 453 614
past due	46 975	-
past due up to 4 days	46 975	-
Gross total	**5 416 245**	**3 487 183**
Impairment allowances	**(35 660)**	**(30 792)**
Net total by carrying amount	**5 380 585**	**3 456 391**

Loans and advances to customers	Exposure	
	30.09.2013	31.12.2012
Loans and advances impaired, of which:	12 386 450	12 316 775
assessed on an individual basis	5 340 226	5 552 524
Loans and advances not impaired, of which:	141 822 946	135 996 712
not past due	137 504 509	131 732 488
past due	4 318 437	4 264 224
past due up to 4 days	1 963 130	1 725 423
past due over 4 days	2 355 307	2 538 801
Gross total	**154 209 396**	**148 313 487**
Impairment allowances	**(6 400 935)**	**(6 228 629)**
Net total by carrying amount	**147 808 461**	**142 084 858**

Investment securities available for sale – debt securities	Exposure	
	30.09.2013	31.12.2012
Debt securities impaired, of which:	2 788	5 536
assessed on an individual basis	2 788	5 536
Debt securities not impaired, of which:	13 628 157	11 916 973
not past due	13 628 157	11 916 973
with external rating	9 428 404	7 670 414
with internal rating	4 199 753	4 246 559
Gross total	**13 630 945**	**11 922 509**
Impairment allowances	**(2 788)**	**(5 536)**
Net total by carrying amount	**13 628 157**	**11 916 973**

(IN PLN THOUSAND)

Level of exposure to credit risk

The table below presents maximum exposure to credit risk of the Bank as at 30 September 2013 and as at 31 December 2012.

Items of the statement of financial position	30.09.2013	31.12.2012
Current account in the central bank	**5 251 842**	**7 550 898**
Amounts due from banks	**5 380 585**	**3 456 391**
Trading assets – debt securities	**2 019 628**	**278 240**
issued by the State Treasury	1 944 102	216 521
issued by local government bodies	41 506	26 673
issued by non-financial institutions	19 583	15 064
issued by other financial institutions	13 215	18 611
issued by banks	1 222	1 371
Derivative financial instruments	**2 814 979**	**3 861 456**
Financial instruments designated upon initial recognition at fair value through profit and loss - debt securities	**12 477 276**	**12 614 917**
issued by central banks	9 997 300	9 995 300
issued by the State Treasury	2 221 138	2 363 089
issued by local government bodies	258 838	256 528
Loans and advances to customers	**147 808 461**	**142 084 858**
financial sector	5 105 545	3 132 773
corporate loans	5 105 545	3 132 773
non-financial sector	135 053 761	131 369 075
housing loans	74 027 664	70 419 783
corporate loans	40 811 498	39 617 105
consumer loans	19 385 447	20 430 925
debt securities	829 152	901 262
public sector	7 649 155	7 583 010
corporate loans	6 509 538	6 410 321
debt securities	1 135 415	1 172 689
housing loans	4 202	-
Investment securities - debt securities	**13 628 157**	**11 916 973**
issued by the State Treasury	8 987 149	7 619 522
issued by local government bodies	2 956 146	2 780 212
issued by financial institutions	55 171	156 393
issued by non-financial institutions	1 074 135	1 309 954
issued by banks	555 556	50 892
Other assets - other financial assets	**736 601**	**716 136**
Total	**190 117 529**	**182 479 869**

Off-balance sheet items	30.09.2013	31.12.2012
Irrevocable liabilities granted	8 179 478	8 397 676
Guarantees granted	6 742 986	7 501 328
Guarantees of issue	4 061 256	3 673 585
Letters of credit granted	341 111	377 643
Total	**19 324 831**	**19 950 232**

Financial assets assessed on an individual basis for which individual impairment allowance has been recognised by carrying amount gross.

	30.09.2013	31.12.2012
Amounts due from banks	52 762	33 569
Loans and advances to customers	5 340 226	5 552 524
Non-financial sector	5 334 017	5 546 315
corporate loans	3 788 146	3 790 964
housing loans	1 441 638	1 658 076
consumer loans	104 233	97 275
Public sector, corporate loans	6 209	6 209
Investment debt securities available for sale issued by non-financial institutions	2 788	5 536
Total	5 395 776	5 591 629

Interest rate risk

The Bank was mainly exposed to PLN interest rate risk, which represented about 84% of the Bank's value at risk (VaR) as at 30 September 2013 and about 61% as at 31 December 2012.

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

Name of sensitivity measure	30.09.2013	31.12.2012
VaR for a 10-day time horizon with a confidence level of 99% threshold (in PLN thousand)	129 957	64 451
Parallel movement of interest rate curves by 200 b.p. (in PLN thousand) (stress-test)*	430 595	299 015

*The table presents the absolute value of the most adverse stress-test of the scenarios: movement of interest rate curves in PLN by 200 b.p. up and by 200 b.p. down.

Currency risk

VaR (for a 10-day time horizon, 99%) of the Bank and stress-tests analysis of the Bank's exposure to the currency risk are stated in the table below:

Name of sensitivity measure	30.09.2013	31.12.2012
VaR for a 10-day time horizon with a confidence level of 99% threshold (in PLN thousand)	2 503	628
Change in FX rates by 20% (in PLN thousand) (stress-test)*	7 865	3 869

* The table presents the absolute value of the most adverse stress-test of the scenarios: PLN appreciation by 20% up and PLN depreciation by 20% down.

The level of currency risk was low both as at 30 September 2013 and as at 31 December 2012.

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

Currency position	30.09.2013	31.12.2012
EUR	(18 162)	(11 933)
USD	(30 815)	(8 277)
CHF	(14 635)	(20 127)
GBP	(1 681)	4 611
Other (Global Net)	8 388	12 395

(IN PLN THOUSAND)

Liquidity risk

The Bank's adjusted liquidity gap in real terms 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
30.09.2013								
Adjusted gap in real terms	9 052 829	9 938 341	(2 678 590)	(6 295 032)	2 141 040	9 787 479	13 787 322	**(35 733 389)**
Cumulative adjusted gap in real terms	9 052 829	18 991 170	16 312 580	10 017 548	12 158 588	21 946 067	35 733 389	-
31.12.2012								
Adjusted gap in real terms	10 223 289	6 747 680	402 358	3 132 724	2 174 389	9 249 234	11 556 246	**(43 485 920)**
Cumulative adjusted gap in real terms	10 223 289	16 970 969	17 373 327	20 506 051	22 680 440	31 929 674	43 485 920	-

In all time horizons, the Bank's cumulative adjusted liquidity gap in real terms as at 30 September 2013 and as at 31 December 2012 was positive. This means a surplus of assets receivable over liabilities payable.

28. Capital adequacy

The level of capital adequacy of the Bank as at 30 September 2013 remained at a safe level, significantly above the statutory limits.

As compared to 31 December 2012, the capital adequacy ratio of the Bank increased by 0.63 pp., which was mainly caused by the increase in the value of the Bank's own funds calculated for capital adequacy purposes.

Own funds for the capital adequacy purposes

As at 30 September 2013, own funds of the Bank determined for capital adequacy purposes increased by PLN 997 792 thousand, which was mainly due to the recognition of the result for the year 2012 and unappropriated profits from previous years less any expected charges (in the amount of PLN 1 431 150 thousand).

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

BANK'S OWN FUNDS	30.09.2013	31.12.2012
Basic funds (Tier 1)	**19 793 398**	**18 657 980**
Share capital	1 250 000	1 250 000
Reserve capital	16 598 111	15 198 111
Other reserves	3 416 893	3 385 743
General banking risk fund for unidentified banking activities risk	1 070 000	1 070 000
Unappropriated profits from previous years, profit in the course of approval less any expected charges	-	88 533
Unrealised losses on debt and equity instruments and other receivables classified as available for sale	(195 427)	(72 303)
Assets valuation adjustments in trading portfolio	(1 427)	(504)
Intangible assets	(1 658 950)	(1 681 120)
Equity exposures	(685 802)	(580 480)
Supplementary funds (Tier 2)	**956 825**	**1 087 104**
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)	41 927	66 884
Equity exposures	(685 802)	(580 480)
Short-term equity (Tier 3)	**122 294**	**129 641**
TOTAL OWN FUNDS	20 872 517	19 874 725

(IN PLN THOUSAND)

Capital requirements (Pillar 1)

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

Capital requirements	30.09.2013	31.12.2012
Credit risk	**11 447 234**	**11 205 625**
credit risk (banking book)	11 303 814	11 040 973
counterparty risk (trading book)	143 420	164 652
Market risk	**341 234**	**526 814**
equity securities price risk	836	586
specific price risk of debt instruments	234 082	441 346
general risk of interest rates	106 316	84 882
Operational risk	**527 908**	**566 904**
Total capital requirements	**12 316 376**	**12 299 343**
Capital adequacy ratio	**13.56%**	**12.93%**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE PKO BANK POLSKI SA GROUP FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013 (IN PLN THOUSAND)

OTHER INFORMATION

Identification data

PKO Bank Polski SA, with its registered Head Office at 15 Puławska Street, Warsaw, has been registered in the District Court for the Capital City of Warsaw, XIII Economic Department of the National Court Register under entry KRS No. 0000026438. The Company has a statistical REGON No. 016298263 and tax identification number (NIP) 525-000-77-38.

The Authorities of PKO Bank Polski SA in the reporting period

Table 1. The Management Board of PKO Bank Polski SA

No.	Name	Function	Date of appointment
1.	Zbigniew Jagiełło	President of the Management Board	appointed on 2 March 2011 to the position of President of the Management Board of PKO Bank Polski SA for the joint term of the Management Board, which began on 30 June 2011.
2.	Piotr Alicki	Vice-President of the Management Board	appointed on 1 April 2011 to the position of Vice-President of the Management Board of PKO Bank Polski SA for the joint term of the Management Board, which began on 30 June 2011.
3.	Bartosz Drabikowski	Vice-President of the Management Board	appointed on 1 April 2011 to the position of Vice-President of the Management Board of PKO Bank Polski SA for the joint term of the Management Board, which began on 30 June 2011.
4.	Piotr Mazur	Vice-President of the Management Board	appointed on 26 September 2012 to the position of Vice-President of the Management Board of PKO Bank Polski SA for the joint term of the Management Board which began on 30 June 2011; the appointment was to take place on 1 January 2013 under the condition that the consent of the Polish Financial Supervision Authority (PFSA) is granted no later than on that day. If the PFSA's consent is not granted until 1 January 2013 the appointment shall be effective as of the date of gaining the consent. On 8 January 2013 the PFSA approved the appointment of Piotr Mazur as a Member of the Management Board of PKO Bank Polski SA and on that date President of the Management Board Zbigniew Jagiełło has entrusted Mr Piotr Mazur supervision of the Risk and Debt Collection Area (at present Risk Management Area).
5.	Jarosław Myjak	Vice-President of the Management Board	appointed on 1 April 2011 to the position of Vice-President of the Management Board of PKO Bank Polski SA for the joint term of the Management Board, which began on 30 June 2011.
6.	Jacek Obłękowski	Vice-President of the Management Board	appointed on 1 April 2011 to the position of Vice-President of the Management Board of PKO Bank Polski SA for the joint term of the Management Board, which began on 30 June 2011. Vice-President of the Management Board, Jacek Obłękowski assumed the fuction on 30 June 2011.
7.	Jakub Papierski	Vice-President of the Management Board	appointed on 1 April 2011 to the position of Vice-President of the Management Board of PKO Bank Polski SA for the joint term of the Management Board, which began on 30 June 2011.

Table 2. The Supervisory Board of PKO Bank Polski SA

No.	Name	Function	Date of appointment
1.	Cezary Banasiński	Chairman of the Supervisory Board	appointed on 30 June 2011 for the joint term of the Supervisory Board, which began that day. On 30 June 2011 the Minister of State Treasury appointed Cezary Banasiński, a member of the Supervisory Board, as a Chairman of the Supervisory Board.
2.	Tomasz Zganiacz	Deputy-Chairman of the Supervisory Board	appointed on 30 June 2011 for the joint term of the Supervisory Board, which began that day. On 30 June 2011 the Minister of State Treasury appointed Tomasz Zganiacz, a member of the Supervisory Board, as a Deputy-Chairman of the Supervisory Board.
3.	Mirosław Czekaj	Secretary of the Supervisory Board	appointed on 30 June 2011 for the joint term of the Supervisory Board, which began that day. On 6 July 2011 the Supervisory Board chose Mr Mirosław Czekaj as Secretary of the Supervisory Board.
4.	Zofia Dzik	Member of the Supervisory Board	appointed on 6 June 2012 for the joint term of the Supervisory Board, which began on 30 June 2011.
5.	Krzysztof Kilian	Member of the Supervisory Board	appointed on 30 June 2011 for the joint term of the Supervisory Board, which began that day.
6.	Piotr Marczak	Member of the Supervisory Board	appointed on 30 June 2011 for the joint term of the Supervisory Board, which began that day.
7.	Elżbieta Mączyńska - Ziemacka	Member of the Supervisory Board	appointed on 20 June 2013 for the joint term of the Supervisory Board, which began 30 June 2011.
8.	Marek Mroczkowski	Member of the Supervisory Board	appointed on 30 June 2011 for the joint term of the Supervisory Board, which began that day.
9.	Ryszard Wierzba	Member of the Supervisory Board	appointed on 30 June 2011 for the joint term of the Supervisory Board, which began that day.

On 20 June 2013 the Ordinary General Shareholders' Meeting of PKO Bank Polski SA dismissed from the Supervisory Board of PKO Bank Polski SA Mr Jan Bossak- the member of the Supervisory Board as of 20 June 2013.

(IN PLN THOUSAND)

Shareholders holding, directly or indirectly through subsidiaries, at least 5% of total votes at the GSM

To the best knowledge of PKO Bank Polski SA, as at the date of submission of the report, the shareholders holding, directly or indirectly, considerable block of shares (at least 5%) are three entities: the State Treasury, Aviva Otwarty Fundusz Emerytalny and ING Otwarty Fundusz Emerytalny.

Table 3. Shareholding structure in PKO Bank Polski SA

Shareholders	As at the date of submission of the report for the 3rd quarter of 2013		As at the date of submission of the report for the 1st half of 2013		Change of the share in the number of votes at GSM (pp.)
	Numbers of shares	Share in the number of votes at GSM	Numbers of shares	Share in the number of votes at GSM	
State Treasury	392 406 277	31.39%	392 406 277	31.39%	0.00
Aviva Otwarty Fundusz Emerytalny[1)]	83 952 447	6.72%	83 952 447	6.72%	0.00
ING Otwarty Fundusz Emerytalny[2)]	64 594 448	5.17%	64 594 448	5.17%	0.00
Other shareholders	709 046 828	56.72%	709 046 828	56.72%	0.00
Total	1 250 000 000	100.00%	1 250 000 000	100.00%	0.00

1) Number of shares held as at 29 January 2013, reported by Aviva OFE after exceeding 5% of shares in PKO Bank Polski SA's shareholding structure after settlement the transaction of sale of 153.1 million of PKO Bank Polski SA's shares by BGK and the State Treasury.
2) Number of shares held as at 24 July 2012, reported by ING OFE after exceeding 5% of shares in PKO Bank Polski SA's shareholding structure after settlement the transaction of sale of 95 million of PKO Bank Polski SA's shares by the State Treasury.

Changes in the number and rights to PKO Bank Polski SA shares held by Management and Supervisory Board Members

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

No.	Name	Number of shares as at the date of publication of the report for the 3rd quarter of 2013	Purchase	Disposal	Number of shares as at the date of publication of the report for the 1st half of 2013
I.	Management Board of the Bank				
1.	Zbigniew Jagiełło, President of the Management Board of the Bank	9 000	-	-	9 000
2.	Piotr Alicki, Vice-President of the Management Board of the Bank	2 627	-	-	2 627
3.	Bartosz Drabikowski, Vice-President of the Management Board of the Bank	-	-	-	-
4.	Piotr Mazur, Vice-President of the Management Board of the Bank	4 500	-	-	4 500
5.	Jarosław Myjak, Vice-President of the Management Board of the Bank	-	-	-	-
6.	Jacek Obłękowski, Vice-President of the Management Board of the Bank	512	-	-	512
7.	Jakub Papierski, Vice-President of the Management Board of the Bank	3 000	-	-	3 000
II.	Supervisory Board of the Bank				
1.	Cezary Banasiński, Chairman of the Supervisory Board of the Bank	-	-	-	-
2.	Tomasz Zganiacz, Deputy-Chairman of the Supervisory Board of the Bank	-	-	-	-
3.	Mirosław Czekaj, Secretary of the Supervisory Board of the Bank	-	-	-	-
4.	Zofia Dzik, Member of the Supervisory Board of the Bank	-	-	-	-
5.	Krzysztof Kilian, Member of the Supervisory Board of the Bank	-	-	-	-
6.	Piotr Marczak, Member of the Supervisory Board of the Bank	-	-	-	-
7.	Elżbieta Mączyńska - Ziemacka, Member of Supervisory Board of the Bank	-	-	-	-
8.	Marek Mroczkowski, Member of the Supervisory Board of the Bank	-	-	-	-
9.	Ryszard Wierzba, Member of the Supervisory Board of the Bank	2 570	-	-	2 570

Seasonality or cyclicality 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 also do not show any particular seasonality or cyclicality characteristics.

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

In subsequent quarters, the results of PKO Bank Polski SA and the PKO Bank Polski SA Group will be affected by economic processes which will take place in Poland and in the global economy, as well as by reactions of the financial markets. The interest rate policy applied by the Monetary Policy Council and by other largest central banks will also have a great impact on the future performance. In addition, the future financial results of the PKO Bank Polski SA Group will be affected by the agreement concerning the acquisition of shares of: Nordea Bank Polska SA, Nordea Polska Towarzystwo Ubezpieczeń na Życie SA and Nordea Finance Polska SA by PKO Bank Polski SA.

Information on the issue, redemption and repayment of non-equity and equity securities

As at the end of the third quarter of 2013, PKO Leasing SA issued 42 500 bonds with a total nominal value of PLN 425 million and redeemed 51 000 bonds with a total nominal value of PLN 510 million. At the end of September 2013, the Company's debt due to the bonds issue amounted to PLN 425 million, while the Bank's liability to coverage of Company's bond in order to guarantee the placement (PKO Leasing SA's bond issue closing) amounted to PLN 175 million.
As at 30 September 2013, 5 562 PKO Leasing SA bonds with a total nominal value of PLN 55.6 million were included in Bank's portfolio and 36 938 bonds with a total nominal value of PLN 369.4 million were sold on a secondary market.

Information on transaction or a number of transactions concluded by the issuer or its subsidiary with related parties, if they are significant and were concluded not on arms' length

In the third quarter of 2013, PKO Bank Polski SA and the subsidiaries of PKO Bank Polski SA did not conclude significant transactions 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 disposal of the Group entities have been described in Note 32 in Notes to the condensed interim consolidated financial statements.

Information on warranties on loan or advance granted by the issuer or by the Issuer's subsidiary or an guarantee granted – cumulatively to a single entity or its subsidiary, if the total value of outstanding warranties or guaranties constitutes at least 10% of the Issuer's equity

In the third quarter of 2013, PKO Bank Polski SA and the subsidiaries of PKO Bank Polski SA did not grant any warranties on loan or advance or a guarantee to a single entity or its subsidiary that would constitute at least 10% of the Bank's equity.

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

In the third quarter of 2013, PKO Bank Polski SA and the subsidiaries of PKO Bank Polski SA did not take out any loans, advances or receive any guarantees or warranties that were not related to its operating activity.

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

In the third quarter of 2013, PKO Bank Polski SA and the subsidiaries of PKO Bank Polski SA did not conclude any significant agreements with the central bank or supervisory authorities.

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

As at 30 September 2013, the total value of court proceedings in which the PKO Bank Polski SA Group entities (including the Bank) are a defendant amounted to PLN 341 106 thousand, of which PLN 3 665 thousand referred to court proceedings in Ukraine (as at 31 December 2012 the total value of the above mentioned court proceedings amounted to PLN 404 689 thousand), while the total value of court proceedings in which the Group entities (including the Bank) are the plaintiff amounted to PLN 594 320 thousand, of which PLN 266 878 thousand referred to court proceedings in Ukraine, mainly related to collection of dues from loan agreements granted by KREDOBANK SA and tax litigations (as at 31 December 2012 the total value of the above mentioned court proceedings amounted to PLN 360 205 thousand).

The PKO Bank Polski SA Group entities have not conducted any proceedings pending before court, arbitration tribunal or public administration authority concerning liabilities or receivables, the value of which amounts to at least 10% of the own funds of PKO Bank Polski SA.

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

PKO Bank Polski SA did not publish any financial result forecasts for the year 2013.

Information on dividend paid (or declared)

On 20 June 2013, the Ordinary General Shareholders' Meeting of PKO Bank Polski SA, as a result of the distribution of net profit of PKO Bank Polski SA for the year 2012, allocated for dividends to shareholders amount of PLN 2 250.0 million (i.e. 61.12% of profit), which is PLN 1.80 per share. General Shareholders' Meeting set:

- dividend date (the date of acquisition of the rights to dividend) on 19 September 2013,
- the dividend payment on the 4 October 2013.

Dividend concerns all shares of PKO Bank Polski SA.
The dividend from the profit of PKO Bank Polski SA for the year 2012 was paid on 4 October 2013.

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

1. On 20 September 2013, the rating agency *Standard & Poor's Ratings Services* ('S&P') affirmed Bank's 'A-' long term credit rating removing it from CreditWatch list with a possibility of its decreasing. The outlook for this rating is negative.
   As a consequences of S&P's analysis, in its view the conclusion of the agreement concerning the acquisition of Nordea Group entities' shares (of which Bank informed in Current Report No. 37/2013 of 12 June 2013) - entirely financed by the Bank's funds - will initially weaken Bank's capital position, but the effect will be partially offset by the Bank's high earning generation capacity. The Agency informed that the negative outlook reflects the one-in-three chance that S&P would lower the long-term rating on the Bank if the less favorable economic situation in Poland and Bank's operating environment is likely to weaken the Bank's financial performance and capital position by more than S&P currently anticipates.

2. In relation to the agreement concluded on 12 June 2013 with Nordea Bank AB (publ), a company registered in Sweden, for acquisition of shares of Nordea Bank Polska SA, Nordea Polska Towarzystwo Ubezpieczeń na Życie SA, Nordea Finance Polska SA by PKO Bank Polski SA (of which Bank informed in Current Report No. 37/2013):

   - PKO Bank Polski SA submitted applications to the Competition and Consumer Protection Office (11 July 2013), the Polish Financial Supervision Authority (11 July 2013) and the Ukrainian Antimonopoly Committee (12 July 2013),
   - on 8 August 2013, the Extraordinary General Shareholders' Meeting of Nordea Bank Polska SA passed resolution i.a.:
     a) on the single issue of 20 million registered subscription warrants of A series entitling its holder to take up, on terms specified in the resolution, a total of not more than 20 million registered ordinary shares of N series of this Bank at total nominal value of PLN 100 million and a conditional increase of share capital of Nordea Bank Polska SA by an amount not higher than PLN 100 million through the issue of N series shares to grant rights to take up shares of this series for holders of subscription warrants that will be issued pursuant to this Resolution; entitled to take up subscription warrants of A series will be only entity on whose demand to

subscribe for sale of Nordea Bank Polska SA shares, shareholders of this Bank, holding not less than 99% of votes at the General Shareholders' Meeting (Resolution No. 3) will answer,

b) on the conditional appointment to the Supervisory Board of Nordea Bank Polska SA of representatives of PKO Bank Polski SA: Zbigniew Jagiełło, Jakub Papierski, Bartosz Drabikowski, Piotr Alicki, Paweł Borys and Jarosław Orlikowski, with effect at 12.00 AM on the last day call for subscribe for sale of shares of the above mentioned Bank, announced by PKO Bank Polski SA (Resolution No. 2).

- on 6 September 2013, the Bank obtained a clearance for acquisition of Nordea Bank Polska SA, Nordea Polska Towarzystwo Ubezpieczeń na Życie SA and Nordea Finance Polska SA from the Ukrainian Antimonopoly Committee (Antymonopolnyj Komitet Ukrainy); obtaining of the clearance from the Ukrainian Antimonopoly Committee (Antymonopolnyj Komitet Ukrainy) constituted the fulfillment of one of the conditions precedent for the closing of the transaction (suspensive conditions) specified in the agreement;
- on 17 September 2013 the Bank informed that by 16 September 2013 the legal prerequisites specified in the public tender offer for shares in Nordea Bank Polska (announced on 19 June 2013) included in the public tender offer on the basis of the provisions of the agreement, i.e. by the date stated above the following had not been issued and delivered to the Bank:

  a) unconditional consent of the President of the Office of Competition and Consumer Protection to carry out a concentration involving the Bank's acquisition of a control package of shares in Nordea Bank Polska;

  b) a decision by the Polish Financial Supervision Authority confirming that there is no objection to the acquisition by the Bank of shares in a number resulting in exceeding a 50% stake in the share capital and the total number of votes at the general meeting of Nordea Bank Polska and that the statutory deadline for delivering a decision containing the PFSA's objection to such acquisition has not passed;

  consequently, the Bank decided to extend the period for accepting subscriptions in the public tender offer for shares to 25 October 2013 inclusive,
- on 15 October 2013 the Bank obtained an unconditional clearance for taking control of Nordea Bank Polska S.A., Nordea Polska Towarzystwo Ubezpieczeń na Życie S.A. and Nordea Finance Polska S.A. from the President of the Competition and Consumers Protection Office; obtaining the clearance constitutes the fulfillment of one of the conditions precedent for the closing of the transaction (suspensive conditions) specified in the agreement,
- on 17 October 2013 the Bank informed that by 16 October 2013 the legal prerequisite specified in the public tender offer for shares in Nordea Bank Polska (announced on 19 June 2013) included in the public tender offer on the basis of the provisions of the Agreement had not been fulfilled, i.e. by the date stated above had not been issued and delivered to the Bank, i.e. a decision by the Polish Financial Supervision Authority confirming that there is no objection to the acquisition by the Bank shares in a number resulting in exceeding a 50% stake in the share capital and the total number of votes at the general meeting of Nordea Bank Polska and that the statutory deadline for delivering a decision containing the PFSA's objection to such acquisition has not passed; as a result, the Bank decided to extend the period for accepting subscriptions in the public tender offer for shares to 25 November 2013 inclusive.

3. In the third quarter of 2013 the Bank continued the work on elaboration and establishment of a model of strategic alliance in the area of payments realized by the Bank and its subsidiary Centrum Elektronicznych Usług Płatniczych eService SA.

   On 29 October of this year the Management Board of the Bank made a decision regarding the above mentioned transaction. On 7 November of 2013 PKO Bank Polski SA entered into an agreement with EVO Payments International Acquisition, GmbH with its seat in Germany (the 'Investor') a subsidiary of EVO Payments International, LLC with its seat in the United States ('EVO') and with EVO relating to the acquisition by the Investor of shares in the limited liability company which will be incorporated as a result of the transformation of the joint stock Centrum Elektronicznych Usług Płatniczych eService Spółka Akcyjna into a limited liability company ('the Company').

   The shares being the subject matter of the Agreement will constitute 66% of the share capital of the Company and will give right to 66% of the votes in the Shareholders Meeting of the Company.

   The completion of the Agreement and the transfer of Shares ('the Closing') is subject to obtaining of the required approvals from competent antimonopoly authorities and registration of the transformation of eService SA from a joint stock company into a limited liability company.

   Pursuant to the Agreement the price for the sale of Shares shall be equal to the amount of USD 113.5 million increased by the amount of extraoperational cash that will be in the Company at Closing ('the Price'). Moreover the Agreement provides for an earn-out mechanism allowing for an adjustment to the Price based on future financial performance of the Company.

   Moreover the Parties (the Investor, EVO and the Bank) have agreed that the following agreements will be executed at Closing:

   - a shareholders' agreement governing the rules of cooperation, including decision making, by the Bank, the Investor and the Company in connection with the equity interests held by the Bank and the Investor in the Company,
   - an alliance agreement setting forth the rules for business cooperation, including marketing cooperation, between the Bank and the Company; the alliance agreement will be concluded for the period of 20 years

   The Bank will have towards the Investor a put right in respect of the 34% of shares in the Company that will be held by the Bank after Closing ('the Put Right'). The Bank will be entitled to exercise the Put Right at its own discretion. The Put Right in respect of 14% of shares in the Company that will be held by the Bank after Closing may be exercised after the lapse of the 48 months period following Closing and the Put Right in respect of the remaining shares in the Company that will be held by the Bank after Closing may be exercised after the lapse of the 72 months period following Closing. The Put Right may not be exercised after the 10th anniversary of Closing.

   The above mentioned agreements will constitute the contractual framework for a strategic alliance between the PKO Bank Polski Group and the EVO Group in the field of merchant acquiring (so called acquiring services) and payment services. The Parties intend the Company to be a platform for further development of the Parties' merchant acquiring business in the CEE Region.

   The above mentioned information has been published in the current report No. 76/2013 from 7 November 2013.

The shares of Centrum Elektronicznych Usług Płatniczych eService SA have been reclassified in October 2013 as non-current assets held for sale valued in the current purchase price, i.e. in the amount of PLN 55 500 thousand (an impairment allowance has not been recognized in relation to the above mentioned shares). The shares are presented in the investment segment.

4. In the third quarter of 2013 activities related to redemption of shares of the City of Sopot in Centrum Haffnera Sp. z o.o. – a company jointly controlled by PKO Bank Polski SA were carried out. On the day of registration in the National Court Register the share capital reduction, which will be carried out by redemption of shares mentioned above, the Company will become a subsidiary of the Bank.

Subsequent events occurring after the reporting date, which may have an impact on the future financial results

1. On 8 October 2013 Qualia Development Sp. z o.o. - a subsidiary of the Bank - has made additional contribution to Sarnia Dolina Sp. z o.o. in the amount of PLN 17.6 million.
2. On 17 October 2013 the agreement was signed, under which Qualia Development Sp. z o.o. acquired 1 (one) share in Giełda Nieruchomości Wartościowych Sp. z o.o. from Qualia Sp. z o.o. and became a sole shareholder of above-mentioned company.
3. On 17 October 2013 by the Partners' Resolution of Qualia spółka z ograniczoną odpowiedzialnością - Zakopane Spółka komandytowa the amount of limited partner's contribution and the limited partnership amount was increased from PLN 441 thousand to PLN 1 139 thousand.
4. On 23-24 October 2013, PKO Bank Polski SA acquired investment certificates with a total value of PLN 120 million. The Fund is the non-public asset closed investment fund managed by PKO TFI SA.
5. On 31 October 2013 PKO Bank Polski SA sold its entire package of shares in the entity Agencja Inwestycyjna CORP-SA SA, representing 22.31% of the Entity's share capital. The shares were recognised as non-current assets held for sale.

(IN PLN THOUSAND)

Approval of financial statements

These condensed interim consolidated financial statements, reviewed by the Supervisory Board's Audit Committee on 13 November 2013, have been approved for issue by the Bank's Management Board on 12 November 2013.

Signatures of all Members of the Bank's Management Board

12.11.2013	Zbigniew Jagiełło	President of the Management Board	.... (signature)
12.11.2013	Piotr Alicki	Vice-President of the Management Board	.... (signature)
12.11.2013	Bartosz Drabikowski	Vice-President of the Management Board	.... (signature)
12.11.2013	Piotr Mazur	Vice-President of the Management Board	.... (signature)
12.11.2013	Jarosław Myjak	Vice-President of the Management Board	.... (signature)
12.11.2013	Jacek Obłękowski	Vice-President of the Management Board	.... (signature)
12.11.2013	Jakub Papierski	Vice-President of the Management Board	.... (signature)

Signature of person responsible for
maintaining the books of account

12.11.2013

Danuta Szymańska
Director of the Accounting Division

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(signature)