



Bank Polski

# Report of the PKO Bank Polski SA Group for the first quarter of 2016

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	period from 01.01.2016 to 31.03.2016	period from 01.01.2015 to 31.03.2015	period from 01.01.2016 to 31.03.2016	period from 01.01.2015 to 31.03.2015
Net interest income	1 853 195	1 670 738	425 445	402 694
Net fee and commission income	635 445	679 150	145 881	163 694
Operating profit	794 410	802 398	182 376	193 400
Profit before income tax	797 728	810 913	183 137	195 453
Net profit (including non-controlling shareholders)	637 968	635 762	146 461	153 236
Net profit attributable to equity holders of the parent company	638 590	647 181	146 603	155 989
Earnings per share for the period – basic (in PLN/EUR)	0.51	0.52	0.12	0.12
Earnings per share for the period – diluted (in PLN/EUR)	0.51	0.52	0.12	0.12
Net comprehensive income	769 946	649 285	176 759	156 496
Net cash flows used in operating activities	5 323 287	1 679 474	1 222 087	404 800
Net cash flows used in investing activities	(3 650 365)	(880 140)	(838 028)	(212 138)
Net cash flows from / used in financing activities	(199 003)	(962 008)	(45 686)	(231 871)
Total net cash flows	1 473 919	(162 674)	338 373	(39 209)

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	as at 31.03.2016	as at 31.12.2015	as at 31.03.2016	as at 31.12.2015
Total assets	267 090 768	266 939 919	62 573 978	62 639 897
Total equity	31 034 859	30 264 913	7 270 841	7 101 939
Capital and reserves attributable to equity holders of the parent company	31 053 874	30 283 285	7 275 296	7 106 250
Share capital	1 250 000	1 250 000	292 850	293 324
Number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Book value per share (in PLN/EUR)	24.83	24.21	5.82	5.68
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)	24.83	24.21	5.82	5.68
Capital adequacy ratio	15.44%	14.61%	15.44%	14.61%
Basic funds (Tier 1)	26 107 691	24 608 318	6 116 505	5 774 567
Supplementary funds (Tier 2)	2 475 197	2 483 126	579 889	582 688

SELECTED STAND-ALONE FINANCIAL DATA	PLN thousand		EUR thousand	
	period from 01.01.2016 to 31.03.2016	period from 01.01.2015 to 31.03.2015	period from 01.01.2016 to 31.03.2016	period from 01.01.2015 to 31.03.2015
Net interest income	1 788 784	1 626 556	410 658	392 045
Net fee and commission income	578 569	616 899	132 824	148 690
Operating profit	806 472	817 369	185 145	197 009
Profit before income tax	806 472	817 369	185 145	197 009
Net profit	660 138	646 826	151 550	155 903
Earnings per share for the period – basic (in PLN/EUR)	0.53	0.52	0.12	0.12
Earnings per share for the period – diluted (in PLN/EUR)	0.53	0.52	0.12	0.12
Total net comprehensive income	803 333	681 636	184 424	164 293
Net cash flows used in operating activities	5 201 190	1 538 709	1 194 056	370 872
Net cash flows used in investing activities	(3 489 840)	(997 473)	(801 175)	(240 419)
Net cash flows generated from/used in financing activities	(255 845)	(810 574)	(58 735)	(195 371)
Net cash flows	1 455 505	(269 338)	334 146	(64 918)

SELECTED STAND-ALONE FINANCIAL DATA	PLN thousand		EUR thousand	
	as at 31.03.2016	as at 31.12.2015	as at 31.03.2016	as at 31.12.2015
Total assets	262 311 532	262 380 030	61 454 300	61 569 877
Total equity	31 021 220	30 217 887	7 267 646	7 090 904
Share capital	1 250 000	1 250 000	292 850	293 324
Number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Book value per share (in PLN/EUR)	24.82	24.17	5.81	5.67
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)	24.82	24.17	5.81	5.67
Capital adequacy ratio	16.27%	15.28%	16.27%	15.28%
Basic funds (Tier 1)	26 339 212	24 820 848	6 170 746	5 824 439
Supplementary funds (Tier 2)	2 415 053	2 428 511	565 798	569 872

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

- the income statement, the statement of comprehensive income and the cash flow statement items – the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month of the three-month period ended 31 March 2016 and 31 March 2015: 1 EUR = 4.3559 PLN and 1 EUR = 4.1489 PLN,
- the statement of financial position items – average NBP exchange rate as at 31 March 2016: EUR 1 = PLN 4.2684, as at 31 December 2015: EUR 1 = PLN 4.2615.



DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2016

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**Directors' Commentary  
to the financial results  
of the PKO Bank Polski SA Group  
for the first quarter of 2016**



## DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2016

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### 1. Summary of the first quarter of 2016

In the first quarter of 2016, the banking sector operated in conditions of lower economic growth and historically low levels of interest rates during lingering weakening of the Polish currency. The situation on the loan-deposit market was shaped by the favorable situation on the labor market. The level of domestic demand was supported by deflation which increases the real purchasing power of households.

In the first quarter of 2016, PKO Bank Polski SA ('Bank') continued sustainable development, focused on improving the quality of customer service by increasing the innovation of products and distribution channels. The Bank also undertook important projects which set the foundation for further dynamic business development.

PKO Bank Polski SA was the first bank involved in the government program 'Rodzina 500 plus', allowing customers to apply for the benefit of the 'Rodzina 500 plus' using electronic channel. PKO Bank Polski SA introduced an account on preferential terms dedicated to customers benefiting from the program.

Another sign of the Bank's involvement in the construction of e-state was to sign an agreement with the Social Insurance Institution, through which the Bank's customers will be able to set up a profile on Electronic Services Platform (PUE) using banking services iPKO or Inteligo.

Under the agreement between the consortium of PKO Bank Polski SA and the Center for Electronic Payment Services eService Sp. z o.o. ('eService') and Poczta Polska SA ('Poczta') Poczta's clients get a possibility to pay for Poczta's services using debit cards. Thanks to payment terminals the services of cash withdrawals and mobile top-ups will also be available.

February 2016 was the first anniversary of the introduction on the Polish market the mobile payments system BLIK, which is based on IKO payments. BLIK is a universal form of payments and cash withdrawals from ATMs without using cash or credit card, built by PKO Bank Polski SA together with partner banks and the National Clearing House. After the first year of operation BLIK allowed to make payments in more than 132 thousand devices and over 27 thousand online stores in Poland, as well as giving the opportunity to withdraw money from about 14 thousand ATMs. During this time more than 1.6 million people used BLIK.

In the first quarter of 2016, PKO Bank Polski SA enriched mobile application IKO with modern technology of contactless payments HCE (Host Card Emulation), the implementation of which has been awarded eDukat as 'Event of the year of the cashless world.'

In 2016, the Bank strengthened its leading position in the field of services for local governments by signing a contract for complex service for podkarpackie voivodeship and its 23 units. In total, the Bank provides services for 6 voivodeships.

Actions taken by the PKO Bank Polski SA Group in the first quarter of 2016 made it possible to achieve high financial results, allowing the Group to strengthen its position among the largest financial institutions in Poland.

DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS  
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	Q1 2016	Q1 2015	Change y/y
Net profit	PLN 638.6 mln	PLN 647.2 mln	-1.3% (y/y)
Result on business activity*	PLN 2 685.4 mln	PLN 2 580.7 mln	4.1% (y/y)
Net interest income	PLN 1 853.2 mln	PLN 1 670.7 mln	10.9% (y/y)
Net fee and commission income	PLN 635.4 mln	PLN 679.2 mln	-6.4% (y/y)
Administrative expenses	PLN (1 360.5) mln	PLN (1 404.8) mln	-3.2% (y/y)
Tax on certain financial institutions	PLN (148.4) mln	PLN - mln	x
Net impairment allowance and write-downs	PLN (382.2) mln	PLN (373.6) mln	2.3% (y/y)
ROA net	1.0 %	1.3 %	-0.3 p.p.
ROE net	8.8 %	11.5 %	-2.7 p.p.
C/I	57.0 %	49.4 %	7.6 p.p.
Interest margin	3.1 %	3.4 %	-0.3 p.p.
The share of impaired loans	6.6 %	6.8 %	-0.2 p.p.
Cost of risk	-0.7 %	-0.9 %	0.2 p.p.
Total capital ratio	15.4 %	13.1 %	2.3 p.p.

\* Result on business activities defined as operating profit excluding administrative expenses, tax on certain financial institutions and net write-downs.

The net profit of the PKO Bank Polski SA Group generated in the first quarter of 2016 amounted to PLN 638.6 million which represents a decrease of PLN 8.6 million in comparison to the result of the previous year. The achieved net profit was determined by:

- 1) the business result of the PKO Bank Polski SA Group, which reached the level of PLN 2 685.4 million (+4.1% y/y), mainly due to:
  - increase in net interest income by 10.9% y/y, realized thanks to the substantial reduction in financing costs,
  - decrease in net fee and commission income (down by 6.4% y/y), mainly due to loan insurance and securities operations,
- 2) decrease in operating expenses related to the decrease in overhead costs and depreciation with the increase in the employee benefits,
- 3) introduction of tax on certain financial institutions in February 2016, which resulted in an additional burden on net profit in the amount of PLN 148.4 million.

As a result of actions taken in the first quarter of 2016 The PKO Bank Polski SA Group:

- maintained total assets of PLN 267 billion,
- maintained a high market share in loans and deposits at 17.6% and 17.3%, respectively,
- occupied the first position in the housing loans to individuals<sup>1</sup> market having 27.0% share,
- was the largest lender to small and medium-sized enterprises of loan with de minimis guarantees with 24.2% market share<sup>2</sup>,
- expanded the product range of investment insurance products and property insurance for customers,
- increased the number of accounts of individual customers by over 22 thousand, strengthening its leading position in this field,
- strengthened its capital position through the successful including the net profit generated in the first three quarters of 2015 to the Tier 1 capital, which resulted in an increase in the total capital ratio of 0.8 p.p. to a level of 15.4%.

<sup>1</sup> According to the data provided by Polish Bank Association

<sup>2</sup> According to the data provided by the Center of Sureties and Guarantees, Bank Gospodarstwa Krajowego

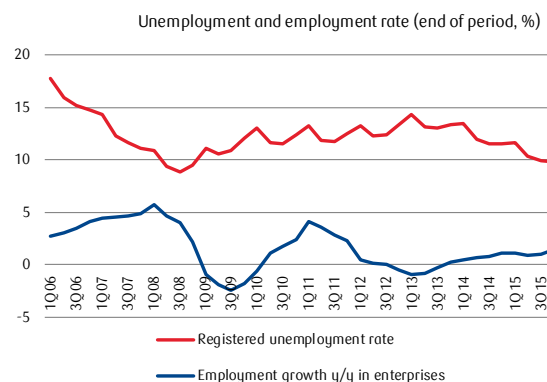
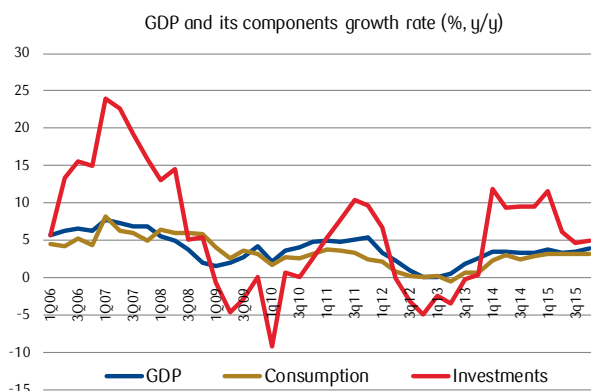
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## 2. External environment

### Macroeconomic environment

Macroeconomic factors influencing the national economy in the first quarter of 2016:

- Reduction of economic growth** - based on monthly indicators of economic activity for the period January-February it can be estimated that the annual GDP growth in the first quarter of 2016 amounted to approx. 3.3% (vs. 3.9% y/y in the fourth quarter of 2015). The weakening of economic growth can be attributed to a likely reduction in investment growth - mainly public investment at the end of the 'old' European Union financial framework.
- The favorable situation on the labor market** - registered unemployment rate at the end of March was 10.0%, compared to 9.8% at the end of the fourth quarter of 2015. It was rising during the quarter clearly weaker than a seasonal pattern (only 0.2 p.p. vs. 0.6 p.p. on average in the last 5 years). Annual growth in salaries in the corporate sector reached an average of 4.0% in January-February 2016 (against 3.3% in the fourth quarter of 2015), with an average growth rate in pensions of employees in January-February 2016 at the level of 3.3 % y/y (vs. 3.1% in the fourth quarter of 2015), which, with a slight reduction of CPI inflation contributed to accelerating the growth of real household income.
- The continuing deflation** - CPI inflation in March 2016 amounted to -0.9% y/y vs. -0.5% y/y at the end of 2015 accompanied by the decline in core inflation (-0.2% y/y vs. 0.2% y/y in December 2015). Price processes in Poland are largely influenced by global factors (commodity, food and clothing as well as footwear prices) and technology (mobile phone charges and cable TV). A drop in Brent oil prices had an impact on deepening deflation at the beginning of 2016 (in January a temporary drop to \$ 25/b, the lowest level since 2003).
- Monetary policy remained unchanged, despite the change in the composition of the Monetary Policy Council ('MPC')** - after a significant change in the composition (8 new members) Monetary Policy Council maintained current rhetoric. Despite lower inflation path in the new National Bank of Poland projection from March (0.9 p.p. at the end of 2016), the view that there is no need of interest rate cuts was upheld. The Council put emphasis on the external source of deflation and the lack of its negative impact on the economy, as well as the expected rebound in domestic demand and inflation as a result of the 500+ program. The stabilization of interest rates is considered to be the most likely scenario by the Council.





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## The situation on the financial market

### Stock market

The first quarter of 2016 in the stock market began with deep declines, due to the worsening outlook for the world economy, in particular the Chinese economy. This was reflected by a drop in commodities prices and raised concerns not only about the condition of the mining companies, but the entire global economy and financial markets. During the first quarter commodity prices rebounded, partly due to slightly better data from China. Better data from China, along with US central bank's rhetoric turning dovish has allowed markets to reverse the negative trend.

The Warsaw Stock Exchange also began a year with declines, which was due to a combination of factors, both local and global. In a country dominated by concerns about the reconciliation of social initiatives of the government with the possibilities of the budget, doubts about the resolution of 'the problem of the Swiss Francs', as well as an unexpected rating agency Standards & Poor's rating cut. In the second part of the quarter improved sentiment on the global financial markets as well as government's assurance to maintain a pro-market economic course, allowed the stock exchange to rebound and finally end the quarter with 5.5% growth rate.

### Foreign exchange market

The first quarter of 2016 was characterized by high volatility in both the EUR/USD and EUR/PLN. EUR/USD fluctuated between 1.07 and 1.14 and EUR/PLN between 4.23 and 4.51. EUR/USD started 2016 at levels similar to those at the beginning of December 2015 (1.09), when the European Central Bank ('ECB') disappointed markets with relatively small (compared to previous suggestions) scale of monetary policy loosening in the euro zone. EUR/USD remained around these levels until mid-February, when a series of weaker data from the United States of America ('USA') and a clear economic slowdown in China began to undermine the faith of the market in rapid continuation of interest rate hikes by the Fed which resulted in EUR/USD rising to around 1.14. ECB suggestions on the need for a thorough review of the instruments of monetary policy at its next meeting in March, pushed the EUR / USD rate to the level of 1.10. The March meeting of the ECB, in contrast to the December did not disappoint by the scale of monetary policy easing, but the suggestion of the President of the ECB, Mario Draghi, that there will be no further interest rate cuts in the euro zone resulted in a gradual increase in the EUR/USD rate, which has been additionally reinforced by Fed's suspension to increase interest rates in March. As a result by the end of March, the EUR/USD once again returned to the level of 1.14 EUR/PLN from the beginning of the year was in an upward trend associated with fears of global financial markets about the health of emerging markets due to falling prices of commodities, China's economic slowdown (the largest economy in emerging markets) and the prospect of further tightening of monetary policy in the US. The process of depreciation of the PLN accelerated significantly after the surprising Polish debt downgrade by Standard & Poor's rating agency, which took place on 15 January 2016. As a result, after a few days, the EUR/PLN reached the level of 4.51. An attempt to stabilize the exchange rate of the Chinese currency and panic outflow of foreign capital from China which lasted from mid-January and attempts to strengthen it by intervention calmed the situation in emerging markets. It also improved investment sentiment towards PLN, which began to gradually recover. Clear loosening of monetary policy by the ECB, despite the declaration of the end of the series of cuts in deposit rate in the euro zone and the lack of interest rate hikes in the US in March, allowed EUR/PLN going down to 4.24 at the end of the first quarter.

## DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2016

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### Interest rate market

In the first quarter of 2016, along with the change of the composition of the MPC, deepening deflation and a monetary policy easing in the euro zone increased expectations of interest rate cuts on the domestic market. This pressure resulted in a decrease in interest rate. The WIBOR3M and WIBOR6M declined to respectively 1.67% and 1.74% (down by 5 bps. and 3 bps. compared to December 2015). At the end of March 2016 FRA contracts priced in fully interest cut rates by 25 bps. Core markets were dominated by declines in government bond yields, which were the result of:

- disinflationary impulses from commodity markets,
- concerns about the economic situation of developing countries and
- weaker macroeconomic data published at the beginning of 2016.

The fear of tightening of monetary policy in the US continued to motivate to reduce positions in developing countries and transfer of funds to the developed markets. Support for investors was the decision of the ECB, which on March 10 decided on the following measures:

- lowering the deposit rate by 10 bps to -0.4%, the refinancing rate by 5 bps to 0%
- increasing the scale of assets purchases by 20 billion to 80 billion per month,
- introducing new operations TLTRO II and
- including investment rating bonds into the bond purchase program.

In the analyzed period, the Polish Treasury Bond Market declined in profitability: in the 2-year by 13 bps. to 1.45%, 5-year by 3 bps. to 2.20% and 10-year-old by 11 bps to 2.84%.

Valuation of securities with shorter maturities was supported by speculation on the possibility of lowering interest rates and the fact that the treasury bonds are assets exempted from tax on certain financial institutions. Two extreme forces affected instruments with longer maturities. On the one hand, positive impact of declines in yields of Bunds and US Treasuries, on the other a negative impact of increase in the supply of Treasury securities in the primary market and concerns about the situation in emerging markets.

### The situation of the Polish banking sector

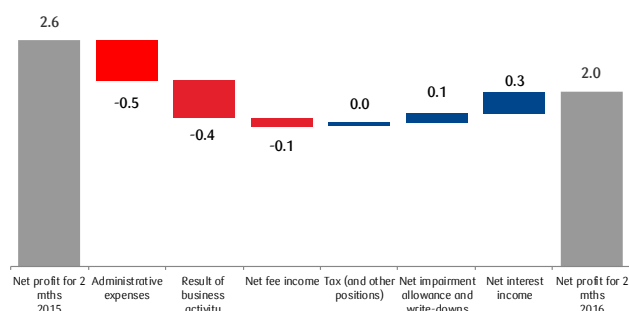
#### Financial result

In January-February 2016, the net profit of the banking sector declined by 22.6% y/y to PLN 2.0 billion, which was significantly affected by burdens related to the tax on bank assets effective from February 2016. In an environment of low interest rates, the banking sector generated net interest income by 4.4% higher than a year earlier and reported an improvement in net write-downs thanks to a favorable macro-economic environment, including the situation on the labor market. At the same time there was a decline in the y/y result of the remaining business, which could be the result of, among others, less favorable conditions for profit realization from the sale of treasury securities portfolio than in 2015 and the base effect (revenues from one-off events realized by some banks in the first quarter of 2015).

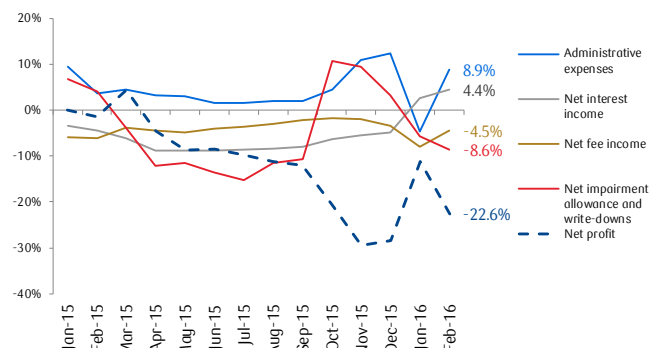
Profitability of the banking sector stood at a record low - ROE for two months of 2016 has fallen to 6.8%.

## DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2016

**Chart 1. Changes in the net profit of banking sector (PLN bn)**



**Chart 2. The pace of change in key income statement items of banking sector (y/y)**



Source: KNF, calculation of PKO Bank Polski SA

### The quality of the loans portfolio

In the conditions of favorable macroeconomic environment at the end of February 2016, the value of non-performing loans decreased both in comparison to the end of 2015 (-0.7%) and in comparison to the same period of 2015 (-1.7%) and amounted to PLN 71.9 billion. Favorable macroeconomic environment, as well as sales of non-performing portfolios by the banks (also affected by the introduction of tax on certain financial institutions and the rationalization of the structure of the balance) affected the value of loans positively.

At the end of February 2016, the share of non-performing loans fell to 7.4%. The quality of corporate loans - especially small and medium-sized companies improved the office, with stable quality of housing loans and the deterioration of the quality of the consumer loans portfolio (an increase of 0.2 p.p. compared to the end of 2015).

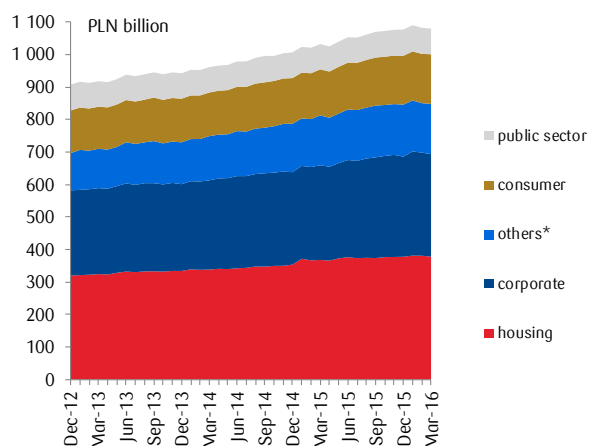
### Business volumes and total assets

Total assets of the banking sector at the end of February 2016 rose to PLN 1 634 billion, i.e. approx. PLN 34 billion compared to the end of 2015, and its growth rate remained at a stable level and amounted to 4.4% y/y (4.4% y/y at the end of December 2015). At the end of February 2016, the structure of the balance sheet of the banking sector remained under the influence of the tax on certain financial institutions and visible effect optimization of the balance sheet. In January-February 2016 the banking sector recorded a significant increase in the securities portfolio (by approx. 13% compared to the end of 2015), including an apparent increase in State Treasury securities' share in banks' assets.

In the first quarter of 2016, the situation on the loan-deposit market was shaped by, among others, disappearance of the base effect connected to the significant weakening of the Polish currency against CHF (in January 2015 the Swiss National Bank decided to discontinue defending the minimum exchange rate of CHF/EUR, which resulted in a sharp appreciation of the CHF and the strong depreciation of PLN vs. CHF), accompanied by the sustained high growth of private individuals deposits. As a result, loans/deposits ratio of the banking sector at the end of March 2016 decreased to 100.1% compared to 103.05% at the end of December 2015.

## DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2016

**Chart 3. Loans structure of banking sector**



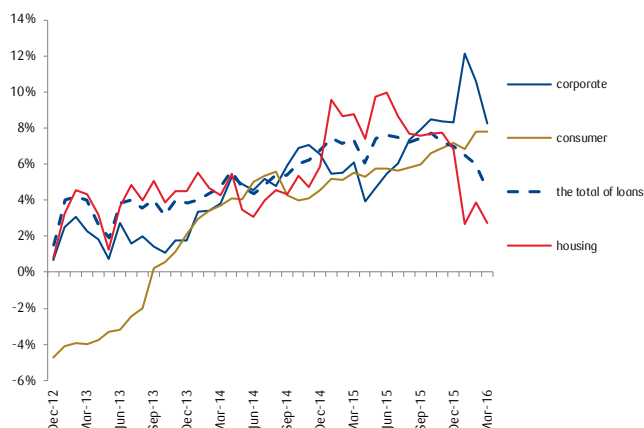
\* Other loans include loans for individual entrepreneurs, non-monetary financial institutions, individual farmers and non-commercial institutions serving households.

Source: NBP, calculation of PKO Bank Polski SA

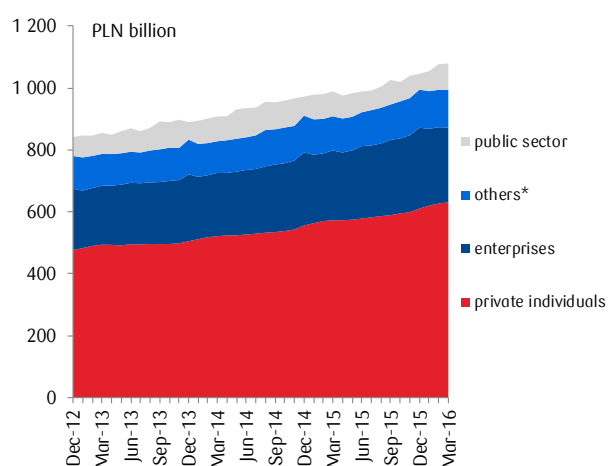
In the first quarter of 2016, the situation on the loan market remained under the influence of a good macroeconomic situation, accompanied by the apparent disappearance of the base effect connected to the foreign exchange effect. At the end of the first quarter of 2016, the value of loans increased to PLN 1 080 billion (+4.6% y/y), which was primarily the result of increases in consumer loans, housing loans in PLN and corporate loans. Continued high rate of growth in consumer loans (+7.8% y/y) was the result of record-breaking low interest rates and concentration of banks on the sale of the most profitable products. Despite a gradual decrease in the growth rate of housing loans in PLN the pace still remained at a high level (10.5% y/y).

In the first quarter of 2016, the Bank continued relatively high growth rate of corporate loans (+8.3% y/y), with the apparent slowdown in the rate of growth of loans to enterprises in PLN and increase in growth rate of foreign currency loans to enterprises.

**Chart 4. The pace of loans change in banking sector (y/y)**



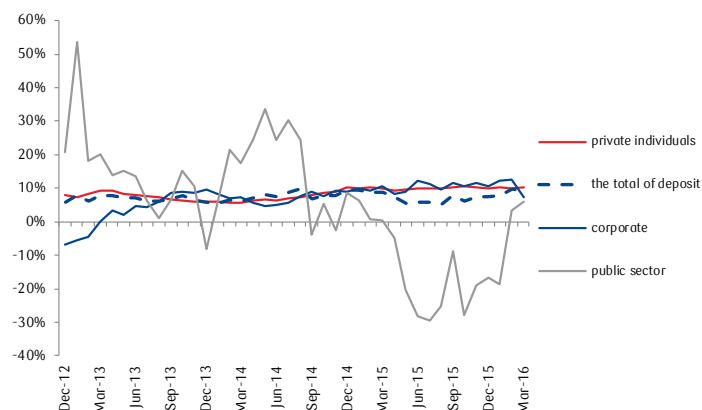
**Chart 5. Deposit structure of banking sector**



\* Other deposits include deposits for individual entrepreneurs, non-monetary financial institutions, individual farmers, and non-commercial institutions serving households.

Source: NBP, calculation of PKO Bank Polski SA

**Chart 6. The pace of deposit change in banking sector (y/y)**



## DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2016

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The situation in the deposit market in the first quarter of 2016 was affected by the low level of interest rates, but also the relatively low attractiveness of alternative forms of saving. In the first quarter of 2016, deposits of the banking sector increased y/y stronger than loans (9.1% and 4.6%, respectively). The volume of deposits increased to PLN 1 079 billion, while the growth of deposits in comparison to the end of 2015 accelerated (9.1% y/y vs. 7.6% y/y at the end of December 2015). Government and local government deposits, which are characterized by relatively higher volatility, had the influence on the acceleration of the annual growth of deposit rate compared to the end of 2015. Despite the relatively low interest rates on term deposits, deposits of individuals maintained a high growth rate y/y, which amounted to 10.1% (vs. 9.8% y/y at the end of December 2015) with the apparent sustained high growth rate of current deposits of private individuals (13.8% y/y at the end of March 2016). The increase in personal deposits was influenced by the improved situation on the labor market and the relative uncertainty in the stock market. In the same period, the growth rate of corporate deposits stood at 7.2% y/y (compared to 10.5% y/y at the end of December 2015), which confirms the good liquidity in the corporate sector and the possibility of financing with own resources.

### The situation of the Polish non-banking sector

**Investment funds market** In the first quarter of 2016 investment funds market continued its upward trend. Assets under management of Investment Funds increased by approx. 1% (+PLN 2.6 billion) compared to the end of 2015. The pace of assets' growth y/y was slightly higher than in the first quarter of 2015 (15.5% vs. 14.9% in the first quarter of 2015). Market development in the first quarter of 2016 was a result of both the positive balance of purchases and redemptions (+PLN 1.4 billion), as well as a positive result on management (+PLN 1 billion). Net inflow of new funds, however, was significantly lower than in the comparable period of 2015 (+PLN 8.2 billion in the first quarter of 2015). Institutional investors maintained dominant position in the structure of assets in the first quarter of 2016 - the assets of individuals accounted for 48% of total assets under management by investment fund companies. Mutual funds market was affected by lower risk appetite of investors realized in conditions of poor conditions on the stock market on the Warsaw Stock Exchange ('WSE'). Despite the upturn in the local stock market in the first quarter of 2016 (an increase in the WIG index by 5.5%), the annual rate remained at a negative level (decrease in WIG index by 9.4% y/y). The investment fund market was also influenced by the variability of yields in the debt market, as well as the historically low level of key interest rates, which determines interest rates on bank deposits. Under the influence of the downturn on the Warsaw Stock Exchange most of the major segments of the funds market connected to the stock market realized a negative rate of return 12M in the first quarter of 2016. In the first quarter of 2016 positive returns 12M were recorded by Polish bond funds and money market and cash funds. However, they were significantly lower than the average interest rate on bank deposits. Thus, the investment fund market did not constitute an attractive alternative to investing savings in the banking market.

**Open pension funds market** In the first quarter of 2016 assets of the Open Pension Funds increased by 2.1% (PLN 3 billion) to PLN 143.5 billion, compared to an increase by 4.1% (PLN 6.2 billion) in the first quarter of 2015. OPF market was influenced by the improvement in the labor market, regulatory changes and weaker than in the first quarter of 2015 situation on the Warsaw Stock Exchange (WIG index increased by 5.5% q/q, but fell by 9.4% y/y). Polish shares were still dominant in the structure of assets of the funds. In the first quarter of 2016 the number of participants of OPE continued its decline in (-27 thousand to 16.5 million compared to the fourth quarter of 2015).

**Leasing market** In the first quarter of 2016 the leasing market continued its dynamic development. The value of assets financed by leasing companies amounted to PLN 13.0 billion, with a growth rate

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23% y/y (against 16.3% y/y in 2015). The development of this market was supported by continuing good economic situation in Poland. The largest positive impact on the development of the leasing market had a vehicle leasing, including leasing of cars and tractors. The value of financed assets in this segment amounted to PLN 9.4 billion (40.7% y/y). Regress was recorded in machinery and equipment leasing (-9.6% y/y), which was influenced, among others, by transitional period between the utilization of EU funds from the 2007-2013 financial framework, a new framework 2014-2020, despite a good, stable economic situation of enterprises, the relatively high level of capacity utilization and relatively low cost of financing.

The value of leased real estate in the first quarter of 2016 decreased by -55.4% y/y. Its share in the structure of leased assets was still marginal.

### Factoring market

In the first quarter of 2016 factoring companies associated in the Polish Factors Association increased their activity. Their turnover increased by 15.4% y/y, reaching PLN 34.8 billion, which is higher by 15.4% y/y. The number of customers and financed invoices increased. In the first quarter of 2016 most dynamically developing was non-recourse national factoring (29.5% y/y). The share of non-recourse factoring in the structure of factoring turnover rose to approx. 54%. Growth rate of export factoring was significantly lower (13.2% y/y).

### The Ukrainian market

In 2015, the recession in Ukraine deepened (9.9% y/y vs. 6.6% y/y in 2014). However, scale of the downturn decreased apparently quarter-on-quarter (in the fourth quarter, GDP fell by -1.4% y/y vs. -7.2% in the third quarter). In February 2016, the growth of production reached +7.6% y/y, which is the first positive reading since July 2012. Retail sales fell in February by 1.5% y/y (in January increased by 0.1% y/y, the first increase since March 2013) compared to the average growth of -21.7% y/y in 2015. Limiting the decline in the growth of real wages and a slowdown in a decline in imports indicate a possible domestic demand rebound. In the first quarter of 2016, GDP growth could come close to zero, and in the entire 2016 should evolve to a level of approx. +1%.

In the first quarter of 2016 the consolidation of Ukrainian public finance was progressing. Public debt at the end of February amounted to 75.0% of GDP (88% including government guarantees).

After the last cut in September 2015, the interest rates remain stable (discount rate: 22%). A considerable decline in the growth of money supply was observed (-10.6% y/y in February 2016, 0.3% y/y on average in the last 12 months), which contributes to the deceleration of inflation (32.7% y/y in February 2016 vs 43.3% y/y in December 2015). The high rate of price increase is mainly due to regulated prices increases in April 2015.

According to National Bank of Ukraine ('NBU') data, the number of banks operating in Ukraine fell in January to 116 (compared to 117 in December and 143 in June last year). The share of foreign capital in the sector remained stable (42.8%) and was significantly higher than in June 2015 (27.5%). The value of total assets in the Ukrainian banking sector rose in January to UAH 1.29 trillion from UAH 1.25 trillion in December 2015. The ratio of equity to total assets increased from 8.3% to 8.9% at the end of December.

The weakening of the hryvnia exchange rate (26.20 UAHUSD at the end of March 2016 vs. 24.03 UAHUSD at the end of December 2015) contributed to the increase in the volume of foreign currency loans (by UAH 67.6 billion between the end of February 2016 and the end of December 2015). It constituted the main source of growth in the volume of total loans by UAH 69.4 billion in the first two months of 2016. The volume of foreign currency deposits increased by UAH 45.1 billion and total deposits of UAH 43.2 billion. As a result, loans to deposits ratio increased to 135.6% in February 2016 from 134.2% in December 2015 (153.1% at the end of March 2015).

Compared to the end of 2015 share of non-performing loans increased (22.8% at the end of January vs. 22.1% in December 2015). In the same period ROA (-0.81% vs. -5.46%) and ROE (-9.70% vs. -51.91%) improved.

### Regulatory factors

In the first quarter of 2016 financial and organizational situation of the PKO Bank Polski SA Group was influenced by legal and regulatory solutions, including:

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	A description of the regulation	The impact on the Group results
Tax on certain financial institutions ('bank tax')	Act of 15 January 2016 on tax on certain financial institutions (Journal of Laws of 2016, item 68) obliging banks, insurance companies and other financial market participants to pay tax on adjusted assets from 1 February 2016.	the impact on the financial results, profitability
Deposit guarantee system Fees	Resolution of the Bank Guarantee Fund ('BGF') of 25 November 2015 setting out bank's fees in favor of the deposit insurance system for 2016: decreasing rate to calculate the annual fee (from 0.189% to 0.167%) and an increase in ratio used to calculate prudential fee (from 0.050% to 0.079%), - amendment of the law on the Bank Guarantee Fund (Journal of Laws of 2016, item 381) amending the frequency of determining the rates for fees and mandatory prudential from annually to quarterly, - resolution No. 15/2016 and 16/2016 of BGF Council laying down rules for bank's fees in favor of the deposit insurance system in the first quarter of 2016 (rate annual fee 0.04175%, the prudential fee 0.01975%).	operating costs of banks
Prudential requirements	Regulation of the European Parliament and the European Council No. 575/2013 on prudential requirements, EBA technical standards and recommendations of the Financial Supervision Authority (FSA), in particular to increase the short-term liquidity rate LCR to 70%.	capital base of banks, supervisory prudential standards, business activity of banks, implementation costs
Capital buffers - FSA additional requirements	Act on macro-prudential oversight of the financial system and crisis management (Journal of Laws of 2015, item 1513), in particular the introduction from 1 January 2016 capital conservation buffer of 1.25%.	capital requirements
Tightening requirements on housing loans	Recommendation S on mortgage secured credit exposures (FSA Official Journal of 2013, item 23) increasing from 1 January 2016 the requirement for own contribution from 10% to 15%.	level of lending
Liquidity risk management	Recommendation P concerning liquidity risk management in banks (FSA Official Journal of 2015, item 14), changing the rules of liquidity risk management from 1 January 2016.	measurement and management of liquidity risk
Maximum non-interest charge	Amendment to the law on consumer credit (Journal of Laws of 2015, item 1357) that specifies the maximum level of non-interest expenses from 11 March 2016.	the level of non-interest income
Facilitation of the terms of issue of mortgage bonds	Amendment to the law on mortgage bonds and mortgage banks (Journal of Laws of 2015, item 1259) changing the principles of mortgage bonds issuance from 1 January 2016.	greater opportunities for financing credit business
The cost of capital market supervision	amendment of the law on Capital Market Supervision (Journal of Laws of 2015, item 1260) requiring, among others, brokerage houses and investment fund companies to greater participation in the costs of capital market supervision; effective from 1 January 2016.	the level of costs and earnings of investment fund companies
Restrictions for OPF	Law amending the rules for payment of pensions from the open pension funds (Journal of Laws of 2013, item 1717) - allowing from 1 January 2016 increased involvement of OPF in shares of companies listed abroad (over 20%) and limiting the involvement of OPF in shares of domestic companies (35%).	the level of open pension fund (OPF) assets, financial results of general pension society (GPS)
Changes in the conduct of insurance business	Amendment to the law on the activities of insurance and reinsurance (Journal of Laws of 2015, item 1844), in force since 2016.	changes in the standards of capital and prudential requirements

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The activity of the PKO Bank Polski SA Group influenced new legislation introduced in the Ukraine (where operates, among others, a subsidiary KREDOBANK SA), including:

- order No. 140 and 192 of the 2016 of the National Bank of Ukraine (NBU) introducing a number of changes in conducting transactions on money, loan and currency markets,
- effective from 23 February 2016, the resolution of the Council of Ministers of Ukraine specifying the requirements for banks participating in the payment of salaries to public sector employees and the state social assistance.

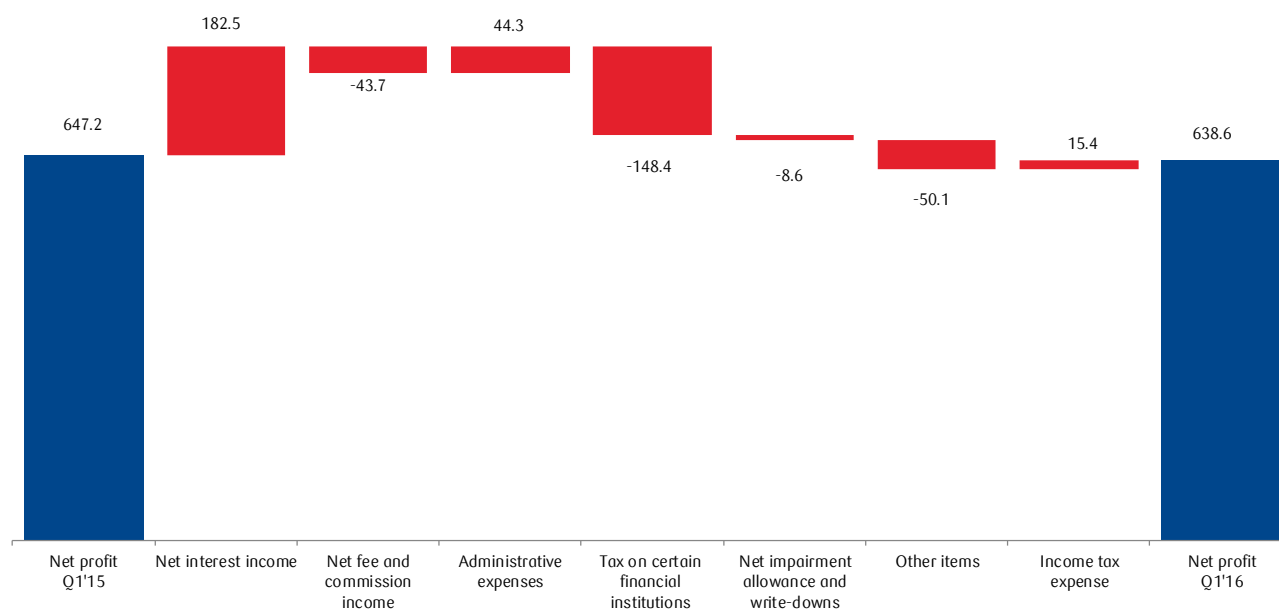
### 3. Financial results for the first quarter of 2016

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

##### Financial results

Net profit of the PKO Bank Polski SA Group earned in the first quarter of 2016 amounted to PLN 638.6 million and was lower by PLN 8.6 million than in the comparable period of 2015 (-1.3% y/y). The change was mainly influenced by tax on certain financial institutions introduced in February 2016, accompanied by the business activity improvement and lower cost of operation.

Chart 7. Movements in the income statement items of the PKO Bank Polski SA Group (in PLN million)





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The consolidated income statement items were as follows:

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

	I quarter period 01.01- 31.03.2016	I quarter period 01.01- 31.03.2015	Change Q1 2016/ Q1 2015 (in PLN million)	Change Q1 2016/ Q1 2015 (in %)
Interest and similar income	2 391.6	2 432.6	(41.0)	-1.7%
Interest expense and similar charges	(538.4)	(761.8)	223.5	-29.3%
<b>Net interest income</b>	<b>1 853.2</b>	<b>1 670.7</b>	<b>182.5</b>	<b>10.9%</b>
Fee and commission income	843.7	866.6	(22.9)	-2.6%
Fee and commission expense	(208.3)	(187.4)	(20.8)	11.1%
<b>Net fee and commission income</b>	<b>635.4</b>	<b>679.2</b>	<b>(43.7)</b>	<b>-6.4%</b>
Dividend income	-	-	-	x
Net income from financial instruments measured at fair value	(8.4)	23.1	(31.6)	x
Gains less losses from investment securities	50.6	52.5	(1.9)	-3.6%
FX results	94.4	72.2	22.2	30.7%
Net other operating income and expense	60.2	83.0	(22.8)	-27.5%
Net impairment allowance and write-downs	(382.2)	(373.6)	(8.6)	2.3%
Administrative expenses	(1 360.5)	(1 404.8)	44.3	-3.2%
Tax on certain financial institutions	(148.4)	-	(148.4)	x
<b>Operating profit</b>	<b>794.4</b>	<b>802.4</b>	<b>(8.0)</b>	<b>-1.0%</b>
Share in profit (loss) of associates and joint ventures	3.3	8.5	(5.2)	-61.0%
<b>Profit before income tax</b>	<b>797.7</b>	<b>810.9</b>	<b>(13.2)</b>	<b>-1.6%</b>
Income tax expense	(159.8)	(175.2)	15.4	-8.8%
Net profit (including non-controlling shareholders)	638.0	635.8	2.2	0.3%
Profit (loss) attributable to non-controlling shareholders	(0.6)	(11.4)	10.8	-94.6%
<b>Net profit</b>	<b>638.6</b>	<b>647.2</b>	<b>(8.6)</b>	<b>-1.3%</b>

In the income statement of the PKO Bank Polski SA Group in the first quarter of 2016, the sum of income positions amounted to PLN 2 685.4 million and was PLN 104.7 million, i.e. by 4.1% higher than in the corresponding period of 2015.

### Net interest income

Net interest income generated in the first quarter of 2016 amounted to PLN 1 853.2 million and was PLN 182.5 million higher than in the last year. Net interest income still remains under pressure of the low level of market interest rates (for WIBOR 1M and 3M decline in annual terms amounted to -0.30 percentage points and 0.18 percentage points, which was the result of the last interest rate cut by the MPC which took place in March 2015). The decline has caused the decrease in profitability of interest-bearing assets based mostly on market rates. As a result, in the first quarter of 2016, the main driver of growth in net interest income y/y was the decrease in interest expense, both customer deposits and borrowing costs. The decrease in interest income resulting from lower market interest rates was partially offset by an increase in revenues associated with the increase in the loan portfolio and securities portfolio.

After the first quarter of 2016, interest income amounted to PLN 2 391.6 million and in comparison with the corresponding period of 2015 were lower by 1.7%, mainly due to:

- the decrease in income from loans and advances to customers (PLN -47.9 million y/y) - primarily a result of a decrease in PLN interest rates and the Lombard rate that determines interest rates on consumer loans, partially offset by an increase in the loan portfolio (mainly housing and consumer loans).
- the increase in income from securities of PLN 5.5 million y/y was a result of increase in the average volume of the portfolio.

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The decrease in interest expense of PLN 223.5 million, i.e. 29.3% y/y was mainly the result of:

- the decrease in the cost of liabilities to customers by PLN 174.8 million y/y, resulting from a lower average interest rates on deposits as a result of lower market interest rates and adjusting pricing of deposit products,
- and the decrease in expenses related to own issuance of debt securities and subordinated liabilities by PLN 45.8 million y/y, associated with the decrease in the level of liabilities from the issue of bonds in the international financial markets and the decline in debt servicing costs on the domestic market as a result of lower market interest rates.

The interest margin decreased by 0.3 p.p. y/y to 3.1% at the end of the first quarter 2016 as a result of decrease in annualized net interest income (which was influenced by the decrease in market interest rates which directly caused a faster decline in interest rates on interest-earning assets based mostly on market rates than the decline in interest rates on the deposit base) accompanied by an increase in the average volume of interest-bearing assets (mainly mortgage loans, mortgage-backed loans, consumer loans and securities portfolio).

### Net fee and commission income

Net fee and commission income generated in the first quarter of 2016 amounted to PLN 635.4 million and was PLN 43.7 million lower than in the corresponding period of the previous year, as a result of a PLN 22.9 million decrease in fee and commission income, accompanied by PLN 20.8 million higher fee and commission expenses.

The level of net fee and commission income was mainly affected by a decrease in:

- net fee and commission income in respect of loan insurance (-PLN 16.3 million y/y), mainly due to the decrease in commissions from consumer loans insurance; in 2015 there was an increase in sales of insurance products offered by the PKO Bank Polski SA Group, the results of which are presented in categories: the remaining result of the insurance business,
- income from loans and borrowings (-PLN 7.1 million y/y), as a result of lower sales of loans,
- income from securities transactions (-PLN 18.8 million y/y), among others the decline in commission for organizing the issue,

with an increase in:

- the result on payment cards (+PLN 11.4 million y/y), which was a consequence of a higher number of cards.

### Administrative expenses and tax on certain financial institutions

After the first quarter of 2016, administrative expenses amounted to PLN 1 360.5 million and decreased by 3.2% compared with the same period previous year. The decrease in administrative expenses was mainly determined by the decrease in overhead costs and depreciation of tangible fixed assets, with a stable level of employee benefits.

As at 31 March 2016, employment in the PKO Bank Polski SA Group amounted to 29 019 job positions, which means an increase of 37 job positions y/y. Employment in PKO Bank Polski SA declined by 200 job positions y/y, while in the other Group entities (outside PKO Bank Polski SA) increased by 237 job positions. Change in employment y/y in subsidiaries is a result of business development and changes in the Group structure.

From the first quarter of 2016 under the law, banks and other financial institutions are obliged to pay tax on certain financial institutions. Tax burden on the Group in the first quarter amounted to PLN 148.4 million, with the vast majority falling on PKO Bank Polski SA (PLN 147.8 million).

The effectiveness of the PKO Bank Polski SA measured with C/I ratio in annual terms amounted to 57.0%. C/I ratio excluding tax on certain financial institutions stood at 55.6% and was influenced by one-off events of the previous quarter.

On a quarterly basis C/I ratio (without tax) was 50.7% compared to 54.4% realized in the first quarter of 2015.

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## Net impairment allowance and write-downs

In the first quarter of 2016 there was a stabilization of net impairment allowance and write- compared to the first quarter of 2015. Improvement of the portfolio quality ratios accompanied by an increase in the gross loan portfolio by 3% y/y reflects a proactive credit risk management policy of the Group, including the ongoing development of tools in the credit decision-making processes and close monitoring of receivables portfolios.

The share of impaired loans at the end of the first quarter of 2016 was 6.6%, which represents a decrease of 0.2 p.p. y/y resulting from improvement in corporate loans quality.

The cost of risk<sup>3</sup> at the end of the first quarter of 2016 amounted to 0.72%, which represents a decrease of 0.2 p.p. y/y as a result of the improvement of the result on corporate loans.

## Statement of financial position

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

	31.03.2016	31.12.2015	Change (w %)
Cash and balances with the central bank	15 857.6	13 743.9	15.4%
Amounts due from banks	2 522.5	4 553.0	-44.6%
Loans and advances to customers	187 869.1	190 413.7	-1.3%
Securities	47 412.6	44 457.1	6.6%
Other assets	13 429.0	13 772.2	-2.5%
<b>Total assets</b>	<b>267 090.8</b>	<b>266 939.9</b>	<b>0.1%</b>
Amounts due to banks	20 250.6	18 293.0	10.7%
Amount due to costumers	194 856.2	195 758.5	-0.5%
Debt securities in issue and subordinated liabilities	11 696.1	11 932.1	-2.0%
Liabilities from insurance activities	2 428.9	2 400.5	1.2%
Other liabilities	6 824.1	8 290.9	-17.7%
<b>TOTAL LIABILITIES</b>	<b>236 055.9</b>	<b>236 675.0</b>	<b>-0.3%</b>
Total equity	31 034.9	30 264.9	2.5%
<b>Total liabilities and equity</b>	<b>267 090.8</b>	<b>266 939.9</b>	<b>0.1%</b>
Loans/Amounts due to customers	96.4%	97.3%	-0.9 p.p.
Loans/Stable sources of funding*	84.3%	85.0%	-0.7 p.p.
Interest bearing assets/Assets	89.0%	89.7%	-0.7 p.p.
Interest paying liabilities/Liabilities	84.9%	84.7%	0.3 p.p.
Total capital ratio	15.4%	14.6%	0.8 p.p.

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

The statement of financial position of the PKO Bank Polski SA Group is most significantly influenced by the statement of financial position of the parent entity. It determines both total assets and the structure of assets and liabilities and equity.

The total assets of the PKO Bank Polski SA Group at the end of the first quarter of 2016 amounted to PLN 267.1 billion, an increase of PLN 0.2 billion in comparison to the end of 2015. The PKO Bank Polski SA Group maintained its position as the largest institution in the Polish banking sector.

The structure of assets at the end of the first quarter of 2016 was determined by the increase in the securities portfolio, the decline in loans and advances portfolio.

<sup>3</sup> Calculated by dividing the net write-downs for impairment of loans and advances to customers for the 12 months ended March 31, 2015 and 2016, the year by the average gross balance of loans and advances to customers at the beginning and end of the reporting period and intermediate quarterly periods.



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The ratio of loans to deposits (liabilities to customers) at the end of the first quarter of 2016 was 96.4% and the ratio of loans to stable sources<sup>4</sup> of financing amounted to 84.3%, indicating good liquidity of the PKO Bank Polski SA Group.

The increase in average assets (by 8.9% y/y) and a significant strengthening of the capital base (increase in average equity 9.7% y/y) with decreasing growth rate resulted in a deterioration of profitability: assets (ROA) and equity (ROE) by 0.3 p.p. and 2.7 p.p. y/y to the levels of 1.0% and 8.8% annualized. The deterioration of the profitability ratios reflecting the trend in the market, the entire banking sector records worse results mainly due to the introduction of tax on certain financial institutions in the first quarter of 2016.

### Loans and advances to customers

Loans and advances to customers represent the largest part of the assets of the PKO Bank Polski SA Group. Compared to the end of 2015 the net portfolio of loans and advances to customers decreased by PLN 2.5 billion. The decrease was related mainly to short-term receivables from the financial sector, with an increase in receivables from loans from non-financial sector (mainly corporate).

The gross loan portfolio consisted mainly of mortgage loans with a volume of PLN 103.0 billion, which share in the structure of the portfolio increased by 0.6 p.p. compared to the end of last year. The volume of corporate receivables amounted to PLN 68.9 billion (PLN 1.2 billion compared to the end of 2015). In the period under analysis the consumer loan portfolio increased by PLN 0.1 billion.

For detailed information on loans and advances to customers please refer to note 20 of Notes to the condensed interim consolidated financial statements.

### Securities

At the end of the first quarter of 2016, the carrying value of the securities portfolio increased by approx. PLN 3.0 billion compared to the end of 2015 and amounted to PLN 47.4 billion, representing 17.8% of the total assets of the PKO Bank Polski SA Group. The increase in the securities portfolio is associated with the process of the current liquidity management of the PKO Bank Polski SA. The structure of the portfolio was dominated by debt securities issued by the State Treasury, securities issued by the National Bank of Poland noted a decrease.

Detailed information about the securities held in the portfolio of the Group is described in notes 16, 19, 21 and 22 of the Notes to the condensed interim consolidated financial statements.

### Amounts due to customers

Amounts due to customers remain the primary source of financing of the PKO Bank Polski SA Group and at the end of March 2016 amounted to PLN 194.9 billion representing 73.0% of the total liabilities. In the structure of liabilities to customers the main items are liabilities to retail clients which at the end of the first quarter of 2016 noted an increase by PLN 3.1 billion (compared to the end of 2015) and amounted to PLN 138.5 billion. Their share in the structure of the liabilities compared to the end of 2015 increased by 1.9 p.p. to a level of 71.1 p.p. At the same time in comparison to the end of 2015 there was a decrease in liabilities to corporate entities by PLN 4.0 billion.

The structure the amounts due to customers is dominated by term deposits, which comprised more than a half of the liabilities and funds in current accounts, which at the end of March 2016 amounted to 48.5% and 48.7% of amounts due to customers. Detailed information on amounts due to customers is described in Note 29 of the Notes to the condensed interim consolidated financial statements.

### 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 regulatory requirements. At the end of the first quarter of 2016 debt securities in issue and subordinated liabilities represented 5% of the total liabilities (PLN -0.2 billion compared to the end of 2015). Change in the level of debt securities in issue in relation to the end of 2015 was due to the revaluation of foreign currency liabilities and maturity of bank securities issued by PKO Bank Polski SA in March of 2013, offset by bond issues by entities such as PKO Leasing SA and PKO Bank Hipoteczny SA.

Detailed information on security issues of PKO Bank Polski SA and subordinated liabilities are described in notes 31 and 32 of the Notes to the condensed interim consolidated financial statements

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<sup>4</sup> Stable funding sources include deposits from customers (including those in virtue. Issue of euro bonds) and external financing in the form of: subordinated liabilities, debt securities in issue and loans received from financial institutions.

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## Equity and total capital ratio

As at the end of the first quarter of 2016, equity amounted to PLN 31.0 billion and was PLN 0.8 billion higher than as at the end of 2015 and accounted for 11.6% of total liabilities and equity of the PKO Bank Polski SA Group (an increase in share by 0.3 pp. compared to the end of 2015).

As at the end of the first quarter of 2015 the total capital ratio of the PKO Bank Polski SA Group was at a level of 15.4%, which represents an increase by 0.8 p.p. compared to the end of 2015. It was caused by an increase in equity as a result of including net profit achieved in the period from 1 January 2015 to 30 September 2015 in the amount of PLN 1.5 billion to Tier 1. To do this, Bank has obtained Polish Financial Supervision Authority's approval.

The level of capital adequacy ratio exceeds the minimum value of the ratio required by the Banking Law and enables to maintain capital adequacy at a safe level.

## 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 3. Key financial indicators of the PKO Bank Polski SA Group

	31.03.2016	31.03.2015	Change
ROA net* (net profit/average total assets)	1.0%	1.3%	-0.3 p.p.
ROE net* (net profit/average total equity)	8.8%	11.5%	-2.7 p.p.
C/I* (cost including tax on financial institutions to income ratio)	57.0%	49.4%	7.6 p.p.
Interest margin* (net interest income/average interest-bearing assets)	3.1%	3.4%	-0.3 p.p.
The share of impaired loans**	6.6%	6.8%	-0.2 p.p.
Cost of risk***	-0.7%	-0.9%	0.2 p.p.
The total capital ratio (own funds/ total capital requirement * 12.5)	15.4%	13.1%	2.3 p.p.

\* Items in the profit and loss account in order to calculate indicators capture the period of the last 4 quarters (annual intake), while items in the statement of financial position capture the average of the last 5 values of the respective quarterly assets and liabilities.

\*\* Calculated by dividing the gross amount of impaired loans and the carrying gross value of loans due to customers.

\*\*\* Calculated by dividing the net write-downs for impairment of loans due to customers for the period of 12 months by the average gross balance of loans due to customers at the beginning and end of the reporting period and intermediate quarterly periods.

C/I ratio of the Group excluding the tax on certain financial institutions expense amounted to 55.6%.

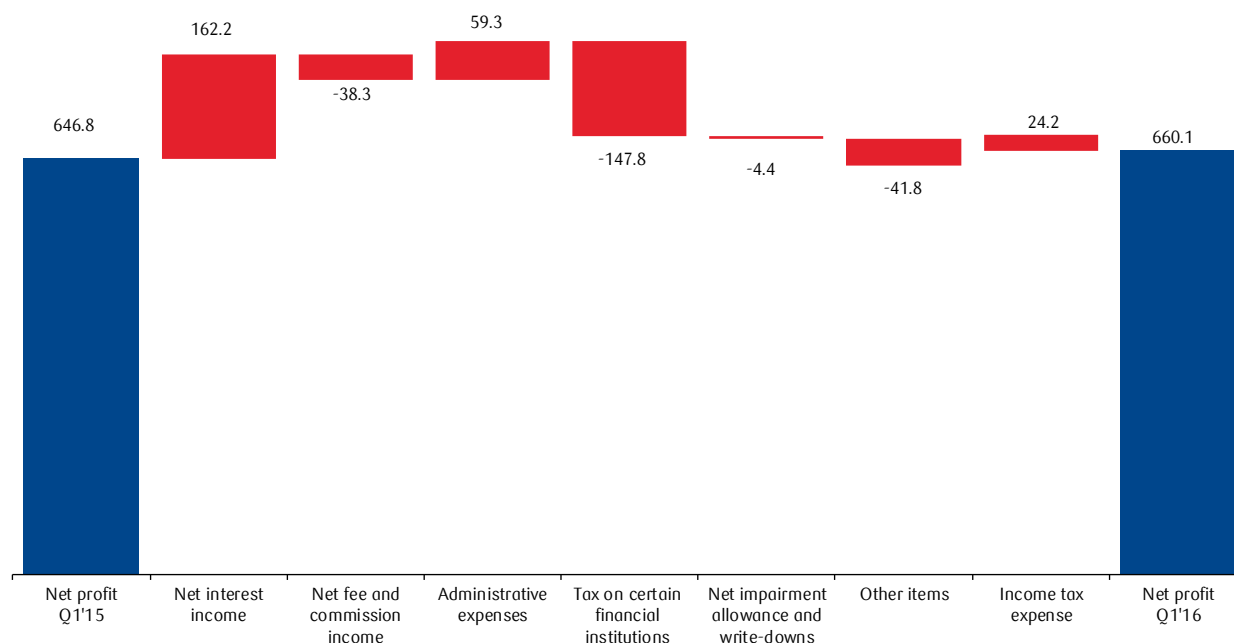
## 3.2. Commentary to the financial results of PKO Bank Polski SA

### Financial results

The net profit PKO Bank Polski SA in the first quarter of 2016 amounted to PLN 660 million and was PLN 13.3 million higher than in the comparable period of 2015 (+2.1% y/y). It was influenced by the improved business activity result and lower cost of operation.

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Chart 8. Movements in the income statement items of PKO Bank Polski SA (in PLN million)



The Bank's income statement items were as follows:

Table 4. Movements in the income statement items of PKO Bank Polski SA (in PLN million)

	I quarter period 01.01- 31.03.2016	I quarter period 01.01- 31.03.2015	Change Q1 2016/ Q1 2015 (in PLN million)	Change Q1 2016/ Q1 2015 (in %)
Interest and similar income	2 310.8	2 376.5	(65.8)	-2.8%
Interest expense and similar charges	(522.0)	(750.0)	228.0	-30.4%
<b>Net interest income</b>	<b>1 788.8</b>	<b>1 626.6</b>	<b>162.2</b>	<b>10.0%</b>
Fee and commission income	775.3	802.7	(27.4)	-3.4%
Fee and commission expense	(196.7)	(185.8)	(10.9)	5.9%
<b>Net fee and commission income</b>	<b>578.6</b>	<b>616.9</b>	<b>(38.3)</b>	<b>-6.2%</b>
Dividend income	59.5	13.8	45.7	4.3x
Net income from financial instruments measured at fair value	(14.7)	11.6	(26.4)	x
Gains less losses from investment securities	50.3	53.9	(3.6)	-6.7%
FX results	101.0	119.5	(18.5)	-15.5%
Net other operating income and expense	(1.3)	37.8	(39.1)	x
Net impairment allowance and write-downs	(370.8)	(366.4)	(4.4)	1.2%
Administrative expenses	(1 237.1)	(1 296.3)	59.3	-4.6%
The tax on certain financial institutions	(147.8)	-	(147.8)	x
<b>Operating profit</b>	<b>806.5</b>	<b>817.4</b>	<b>(10.9)</b>	<b>-1.3%</b>
<b>Gross profit</b>	<b>806.5</b>	<b>817.4</b>	<b>(10.9)</b>	<b>-1.3%</b>
Income tax expense	(146.3)	(170.5)	24.2	-14.2%
<b>Net profit</b>	<b>660.1</b>	<b>646.8</b>	<b>13.3</b>	<b>2.1%</b>

### Key financial indicators

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

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Table 5. Key financial indicators of PKO Bank Polski SA

	31.03.2016	31.03.2015	Change
ROA net* (net profit/average total assets)	1.0%	1.3%	-0.3 p.p.
ROE net* (net profit/average total equity)	8.7%	10.7%	-2 p.p.
C/I* (cost including tax on financial institutions to income ratio)	55.1%	46.2%	8.9 p.p.
Interest margin* (net interest income/average interest-bearing assets)	3.0%	3.4%	-0.4 p.p.
The share of impaired loans**	6.5%	6.6%	-0.1 p.p.
Cost of risk***	-0.7%	-1.0%	0.3 p.p.
The total capital ratio (own funds/ total capital requirement * 12.5)	16.3%	13.5%	2.8 p.p.

\* Items in the profit and loss account in order to calculate indicators capture the period of the last 4 quarters (annual intake), while items in the statement of financial position capture the average of the last 5 values of the respective quarterly assets and liabilities.

\*\* Calculated by dividing the gross amount of impaired loans and the carrying gross value of loans due to customers.

\*\*\* Calculated by dividing the net write-downs for impairment of loans due to customers for the period of 12 months by the average gross balance of loans due to customers at the beginning and end of the reporting period and intermediate quarterly periods.

The C/I ratio of the Bank excluding the effect of tax on certain financial institutions amounted to 53.7%

## 4. Activities of the PKO Bank Polski SA Group<sup>5</sup>

### 4.1. Business activities of PKO Bank Polski SA

The PKO Bank Polski SA Group conducts business activities as part of segments offering specific products and services addressed to specific groups of customers. The manner in which the business areas are divided ensures consistency with the sales management model and offers customers a comprehensive product offer comprising both traditional banking products and more complex investment products. Currently, the Group conducts its business activities as part of the retail segment and the corporate and investment segment.

#### Retail segment

The retail segment offers a full range of services for individuals as part of retail and private banking. Moreover, it comprises transactions conducted with legal persons, i.e. small and medium enterprises. The products and services offered to customers in this segment include, i.a.: current accounts, saving accounts, term deposits, private banking services, investment and insurance products, credit and debit cards, electronic banking services, consumer and mortgage loans, as well as corporate loans to small and medium enterprises, developers, cooperatives and property managers.

#### Corporate and investment segment

The corporate and investment segment comprises transactions conducted with large corporate customers and financial institutions. This segment comprises, i.e. the following products and services: maintaining current accounts and term deposits, holding securities, foreign exchange and derivative products, corporate loans, as well as leases and factoring. As part of this segment's activities, the PKO Bank Polski SA also concludes, on its own or in consortiums with other banks, agreements for financing large projects in the form of loans and issues of non-Treasury securities. Moreover, this segment comprises own activities, i.e. investing activities, brokerage activities, interbank transactions, as well as transactions in derivative instruments and debt securities.

#### 4.1.1. Retail segment of PKO Bank Polski SA

In the first quarter of 2016 in the area of retail segment of PKO Bank Polski SA continued sustainable development, focused on identifying and meeting the needs of customers with whom it builds strong, long-term relationships. Efforts have been taken to improve the quality of customer service, actions leading to increased innovation in the new

<sup>5</sup> In this document, any differences in total balances, percentages and growth rates result from rounding the amounts to PLN million and rounding percentages to one decimal place.

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financial solutions, not only in the products but also the distribution channels, in particular in the field of electronic banking and mobile payments.

### The loan offer in the retail segment

The PKO Bank Polski SA offer covers a wide range of credit products. Individuals can take advantage of the financing offered under consumer loans available in the form of cash loans, Aurum and Platinum loans, mortgage-backed loans, revolving loans and credit cards as well as the funding available in the form of mortgage loans. Offer for small and medium-sized enterprises is available in the form of investment and investor, as well as working capital loans. By the end of March 2016 gross loans of retail segment of PKO Bank Polski SA amounted to PLN 140.9 billion and since the beginning of the year increased by PLN 0.3 billion (i.e. 0.2%).

Table 6. Gross loans of PKO Bank Polski SA (in PLN million)

	31.03.2016	31.12.2015	31.03.2015	Change since:	
				31.12.2015	31.03.2015
Gross loans and advances granted, of which:					
retail and private banking	23 419	23 340	21 555	0.3%	8.6%
small and medium enterprises	21 333	21 313	21 903	0.1%	-2.6%
mortgage banking*	96 128	95 940	93 774	0.2%	2.5%
<b>Total loans and advances</b>	<b>140 880</b>	<b>140 593</b>	<b>137 232</b>	<b>0.2%</b>	<b>2.7%</b>

\*including PKO Bank Hipoteczny loans

### Retail and private banking loans

Retail customers can take advantage of both the standard Cash Loan, as well as the current financing available under the revolving loans and credit cards. A special offer of the Aurum and Platinum loans with high amounts of loans and competitive pricing parameters, is available for affluent clients.

In the first quarter of 2016, PKO Bank Polski SA continued its activity to support sales of consumer loans as part of a marketing campaign under the slogan 'Mini Ratka with guaranteed fixed installment' promoting the sale of short-term cash loan for up to 6 months. The offer was addressed to customers looking for short-term financing, rapid credit decision and a minimum of formalities.

PKO Bank Polski SA systematically takes measures to increase effective access to credit offer for retail customers and private banking, regardless of distribution channel. The waiting time for the credit decision and disbursement of funds was shortened. Regular customers of the Bank can obtain the expected amount of the loan to an account even within 30 minutes through access to personalized credit offer.

In the first quarter of 2016 the Bank also introduced an offer with promotional pricing terms for customers, who were granted a revolving credit facility:

- for a loan up to PLN 1 thousand for the first six months 0% interest rate,
- the possibility of applying traditionally in one of the branches, through the Contact Center or online.

### Mortgage banking loans

In the first quarter of 2016 the Bank conducted a promotional campaign for the sale of mortgage loans and mortgage-backed loans, under which the Bank offered attractive price conditions for:

- the mortgage loan 'WŁASNY KĄT Hipoteczny',
- mortgage loan under the 'Mieszkanie dla Młodych' program.

PKO Bank Polski SA strives to provide customers not only with the widest range of credit products, but also to offer attractive prices of mortgage products. In promotional periods 'Mortgage Loans' Open Days' it introduced a periodic decrease in margins. These actions are noticed and appreciated by the clients. The package offer of PKO Bank Polski SA 'WŁASNY KĄT Hipoteczny' became a winner of the February mortgage loans ranking, prepared by the editors of the financial comparison site Comperia.pl.

In the analyzed period, the Bank maintained its dominant position in the market for housing loans. According to the data presented by the Polish Bank Association it shows that in the first quarter of 2016 PKO Bank Polski SA was the





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first on the market with 27.0% share in sales of mortgage loans for individuals. Since the beginning of the year a total amount of granted loans equaled approx. PLN 2.5 billion.

In the first quarter of 2016 PKO Bank Polski SA granted under the 'Mieszkanie dla Młodych' program nearly 3.3 thousand loans for a total amount of PLN 494.1 million. The program consists of subsidies from the state budget to own contribution and additional financial support in the form of repayment of part of the loan.

Processes and actions in support of borrowers with housing loan:

- In connection with the entry into force on 19 February 2016 the law on support for borrowers in a difficult financial situation, the Bank implemented the process of granting support. The new solution is dedicated to borrowers in a difficult financial situation, who have a mortgage loan - either in local currency or in foreign currency, secured by mortgage on the credited property. Support will benefit those who on the day of submission of the application fulfil, among others, the following conditions:

- they will have the status of unemployed,
- the monthly cost of servicing the loan exceeds 60% of monthly household income,
- monthly household income net of loan installment does not exceed the thresholds entitling to benefit from social assistance.

The solutions enable financial support by the Bank Gospodarstwa Krajowego for a period not longer than 18 months, the equivalent of mortgage loan installments (principal and interest), but no more than PLN 1.5 thousand per month. As at 31 March 2016 there were 43 requests for support registered in the Bank's system.

- According to a previous declaration the Bank continued to apply operations to compensate clients for an increase in loan installments due to the strengthening of the Swiss franc, including:
  - 1% spread in handling mortgage loans in this currency,
  - taking into account the negative rate of LIBOR CHF in the cost of a mortgage loan,
  - extending the repayment date within the maximum term of the loan without charging a fee for extension of the term of the loan.

In addition, the Bank provided customers with the opportunity to apply for change of collateral of the loans in CHF in order to allow the sale of real estate secured with mortgage, associated with the granting of a new loan in PLN and the establishment of a mortgage on a newly purchased property.

### Loans for small and medium enterprises

PKO Bank Polski SA consistently supports Polish entrepreneurship. Companies from the sector of small and medium-sized enterprises are provided with funding for current and investment needs through a wide and flexible range of loans. Thanks to the cooperation between the PKO Bank Polski SA and Bank Gospodarstwa Krajowego agreement 'Portfelowa Linia Gwarancyjna de minimis' and 'Portfelowa Linia Gwarancyjna COSME' under the government and EU aid program for small and medium-sized businesses, entrepreneurs receive support in the form of BGK guarantees - de minimis and guarantees of counter guarantees granted by the European Investment Fund under the program COSME. The aim is to increase the availability of credit and the mobilization of additional resources for current operations of the company.

As at 31 March 2016 of the 'Portfelowa Linia Gwarancyjna de minimis' was used by over 14 thousand customers. The value of loans amounted to PLN 4.6 billion. PKO Bank Polski SA was the largest lender of the twenty-one banks providing loans with de minimis guarantees and held 24.2% market share (according to the data provided by the Center of Sureties and Guarantees, Bank Gospodarstwa Krajowego, as at 31 March 2016).

Guarantee limit currently granted to PKO Bank Polski SA amounts to PLN 4.8 billion. As at 31 March 2016, the exposure measured by the value of active signed contracts amounted to PLN 2.5 billion.

The value of loans granted under the 'Portfelowa Linia Gwarancyjna COSME' as at 31 March 2016 amounted to over PLN 29 million, and the amount of granted guarantees amounted to over PLN 23 million.

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In the first quarter of 2016, PKO Bank Polski SA addressed promotions to small and medium-sized enterprises, designed to support the financing of investments and business objectives.

On 24 February 2016, PKO Bank Polski SA and Bank Gospodarstwa Krajowego signed an annex to the portfolio guarantee de minimis agreement, on the basis of which innovative entrepreneurs will be granted de minimis guarantees financed from by the Operational Program Innovative Economy (OPIE) Guarantee Fund. The pool of available funds in PKO Bank Polski SA is PLN 55 million. The beginning of selling the above guarantee is planned for the second quarter of 2016.

### The deposit and investment offer

In the first quarter of 2016, PKO Bank Polski SA continued activities aimed at offering more attractive deposits for retail segment clients, taking into account current market conditions and competitive position. At the same time, activities aimed at diversifying sources of financing were carried out.

As at 31 March 2016 the deposits of the retail segment of PKO Bank Polski SA amounted to PLN 150.6 billion and from the beginning of the year increased by PLN 3.0 billion (i.e. 2.0%). The increase in deposits of retail and private banking (+2.8% YTD) contributed to this, due to growth of current and term deposits volume, with current deposits growing apparently faster.

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

	31.03.2016	31.12.2015	31.03.2015	Change since:	
				31.12.2015	31.03.2015
Customer deposits, of which:					
retail and private banking	131 393	127 833	125 149	2.8%	5.0%
small and medium enterprises	19 252	19 803	17 005	-2.8%	13.2%
<b>Total deposits</b>	<b>150 644</b>	<b>147 636</b>	<b>142 154</b>	<b>2.0%</b>	<b>6.0%</b>

### Current and saving accounts

PKO Bank Polski SA is the market leader in terms of the number of current accounts, which at 31 March 2016 amounted to 6.6 million. The number of accounts results from the varied offer in terms of customer preferences. The offer consists of, among others, products such as: PKO Konto bez Granic, PKO Konto za Zero, PKO Konto dla Młodych and PKO Junior.

On 24 March 2016 PKO Bank Polski SA introduced an account Konto za Zero dedicated to customers benefiting from 500+ Program. Beneficiaries of the program, who do not have an account in PKO Bank Polski SA, may open PKO Konto za Zero Rodzina 500+ on preferential terms. Using an account is free.

### Term deposits and regular saving products

The dominant share of deposits in the retail market are deposits of retail and private banking. Customers in this segment allocated their resources primarily in term deposits. In the first quarter of 2016, the Bank offered to individual customers, among others, deposits with progressive interest rate and standard and structured deposits. The most popular term deposits among clients in e Bank's retail and private banking offer were:

- 24M term deposits with negotiated interest rates,
- 6M internet deposit available in the electronic banking system,
- term deposit account 3+3 for new funds, deposit 3+3 with negotiated interest rate,
- 1M special term deposits available via online transaction services iPKO and Inteligo.

The Bank introduced to the offer a term deposit 'Kapitał na Własny Kąt' as a product which is designed for customers, who are planning to take out a mortgage in the future, the possibility of regular saving for their own contribution. Structured instruments are part of the standard offer of the Bank dedicated to individual clients. In the first quarter of 2016 the Bank has conducted 4 subscriptions of 4 structured deposits, including deposits based on the USD/PLN exchange rate (9-month) and a deposit based on the EUR/PLN exchange rate (9-month, 15-month and 15-month with 1% guaranteed interest).



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### Investment funds

In cooperation with PKO Towarzystwo Funduszy Inwestycyjnych SA ('TFI') customers of retail and private banking are offered 38 nondedicated funds, with total assets of PLN 18.5 billion (source: report of the Chamber of Fund and Asset Managers, 31 March 2016).

PKO Bank Polski SA constantly extends offer in the area of investment funds. In the first quarter of 2016 PKO Bank Polski SA conducted issuance of investment certificates of closed-end investment funds PKO Globalna Strategia.

### Sales of State Treasury bonds

PKO Bank Polski SA is the only bank to sell and service retail bonds issued by the State Treasury, under an agreement concluded with the Minister of Finance. Treasury bonds are sold through the expansive sales network of PKO Bank Polski SA, which is a great convenience for all persons who wish to invest in bonds. In the first quarter of 2016, over 13 million bonds were sold.

### Other products and services in the retail segment

#### Banking cards

As at 31 March 2016 the number of PKO Bank Polski SA bank cards amounted to approx. 7.6 million, including 0.8 million credit cards.

During period under analysis, PKO Bank Polski SA introduced the possibility of ordering a credit card through the Contact Center. Client enters into a contract through the iPKO website, the courier company's employee or by a branch of PKO Bank Polski SA. A reduced sales process of credit cards called 'one-click' has been implemented by the Bank.

#### POS payment terminals in Poczta Polska SA branches

Customers of Poczta Polska SA in 2016 will receive the possibility to pay for services such as bills payment and shipping packages using cards. It is a part of a long-term cooperation in the installation of 8.5 thousand payment terminals (POS) across the network of Poczta by the consortium of PKO Bank Polski SA and eService. Besides card acceptance, through payment terminals, customers will have the opportunity to withdraw cash and top-up mobile phones.

#### Insurance products for retail segment

By increasing the attractiveness of banking products through allowing the possibility to use additional services, the Bank offers insurance products to retail and private banking customers as well as to the small and medium enterprises segment.

In the first quarter of 2016 new products were included to the products offer: developed in cooperation with PKO Życie Towarzystwo Ubezpieczeń SA in the field of life insurance and the products developed in cooperation with PKO Towarzystwo Ubezpieczeń SA, property insurance, insurance against loss of income sources or disability following an accident. The Bank's new individual insurance are:

- life insurance and loss of income sources insurance or hospital treatment following an accident insurance offered with credit cards,
- life insurance and loss of income sources insurance or disability following an accident insurance offered with cash loans at stationary distribution channels (branches, agencies)
- repayment of the loan in case of loss of source of income insurance, disability and hospital treatment following an accident insurance offered with mortgage loans,
- property insurance for mortgage loans, covering the insurance of buildings and dwellings, household movables, civil liability and assistance.

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**Private banking**

In the first quarter of 2016, PKO Bank Polski SA was consistently developing Private Banking segment, focusing on close cooperation within the Group, allowing customers access to a wide range of products and financial instruments. During the quarter under analysis four closed-end investment funds issues were offered to Private Banking clients. Currently, the team that provides services to the most affluent customers consists of 63 counselors and 27 business analysts. Private Banking offices are located in 9 major cities in Poland: Warsaw, Gdansk, Krakow, Katowice, Poznan, Wroclaw, Lodz, Szczecin and Bydgoszcz (institution was launched as a part of the Private Banking Office in Gdansk).

**Distribution network and access channels**

As at 31 March 2016, the retail branch network of PKO Bank Polski SA consisted of 1 227 branches and 8 retail banking offices. Compared with the end of 2015 the total number of retail branches decreased by 3.

**Table 8. Branches and ATMs of PKO Bank Polski SA**

	31.03.2016	31.12.2015	31.03.2015	Change since:	
				31.12.2015	31.03.2015
<b>Total number of branches</b>	<b>1 235</b>	<b>1 238</b>	<b>1 284</b>	<b>(3)</b>	<b>(49)</b>
regional retail branches	11	11	11	-	-
retail branches	1 216	1 219	1 265	(3)	(49)
private banking offices	8	8	8	-	-
Number of ATMs	3 191	3 196	3 210	(5)	(19)
Number of agencies	870	881	965	(11)	(95)

**Branch network and agencies**

The Bank is constantly improving conditions for customers in the branch network. In the first quarter of 2016 these activities focused on the modernization of branches and moving them to the new attractive locations. As part of the projects of the Bank and as a result of gained experience, universally applicable branch format is constantly evolving in the direction of optimal operating conditions, tailored to the changing technology. Essential complement to the network of branches and ATMs is a network of agencies. As at March 31, 2016 PKO Bank Polski SA collaborated with 870 agencies and in comparison to 31 December 2015 the number of agencies has decreased by 11 units. The decrease in the number of agencies is a result of efforts to increase network's efficiency.

**Electronic banking**

Customers of the iPKO retail service can benefit from a package of electronic banking services. In addition to small and medium-sized enterprises there is a possibility of using electronic banking services under the name iPKO Biznes. These services provide customers with access to information about their accounts and products, as well as allows them to make transactions through: Internet, self-service terminals, telephone. At the end of March 2016 the number of clients with access to iPKO was 8.0 million.

Bank systematically promotes the remote use of the Internet account, separate account management and banking products in the transaction service, which allows customers faster and easier access to their products, as well as lowering the cost of using banking services. One of the campaign popularizing modern banking channels was conducted in the first quarter of 2016 to promote 'Replace scratch card for 10 PLN', which the aim was encouraging customers to use other authorization tools than the transaction authentication codes, such as SMS or token. PKO Bank Polski SA was the first bank to become involved in the government program 'Rodzina 500 plus.' The relevant agreement was signed between the Ministry of Family, Labor and Social Policy and PKO Bank Polski SA. As a result, the Bank's customers with access to the Internet service both iPKO and Inteligo can apply for the benefit of program 'Rodzina 500 plus' electronically.

The participation of PKO Bank Polski SA in the program 'Rodzina 500 plus' is just one of the signs of the Bank's involvement in the construction of e-state. On 8 March PKO Bank Polski SA signed an agreement with the Social Insurance Institution, through which the Bank's customers will be able to soon set up a profile on Electronic Services Platform (ESP) of Social Insurance Institution from banking services level or online via iPKO or Inteligo.



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### Mobile banking IKO

PKO Bank Polski SA provides customers with modern technological solutions giving them full, simple, functional access to banking services by using the mobile that is safe and accessible everywhere at the same time. IKO is the most popular and the most developed system of mobile payments in Poland. It combines the functions of mobile banking with the ability to make mobile payments. IKO application has more than 550 thousand users. The application is constantly enriched with new functionalities. In addition to making payments it allows the implementation of such activities as the establishment of investments, recharge your card, view details of standing orders (including repayment of credit card debt) and loans (including mortgages), ability to see the balance before logging and hiding the BLIK code, as well as the ability to send requests for transfer from another application user, which is a convenient option to remind the other person of outstanding debt. The changes have transformed the IKO application used for payments or withdrawals to mobile application being the bank in the phone.

In the first quarter of 2016, PKO Bank Polski SA continued to offer customers with IKO application opportunity to benefit from term deposits at 1, 3, 6 or 12 months with an attractive interest rate.

On the basis of IKO, Polish standard of mobile payments, BLIK, was created. BLIK is a universal form of payments and cash withdrawals from ATMs without using cash or credit card, created together with partner banks and the National Clearing House. As at 31 March 2016, the network of acceptance of mobile payments (IKO, BLIK) included more than 132 thousand devices (eService terminals and First Data) throughout the country. In connection with the implementation of the BLIK system, IKO application now enables cash withdrawal from more than 14 thousand of PKO Bank Polski SA ATMs and Bank Millennium SA, Bank Zachodni WBK SA, ING Bank Slaski SA, Euronet ATMs (about 5.8 thousand) and IT Card (about 1.3 thousand). With this application you can also make payments for purchases in more than 25 thousands of online stores using services of: Dotpay, eCard, Przelewy24, Transferuj.pl, First Data and Cash Bill.

From 18 January 2016, the customers of PKO Bank Polski SA and Inteligo can perform contactless payments through mobile application IKO enriched with HCE technology (Host Card Emulation). Moreover, as the next step in the development of IKO in the pursuit of full banking services within the mobile application, a new feature was made available - receiving Western Union money transfers. First, the new feature applies to Customers with iOS devices (iPhone). Implementation of functions on other platforms (Android and Windows Phone) is planned in the next quarter.

### The PKO Bank Polski SA Contact Center

Contact Center plays an important role in the retail segment client's service. The aim of this unit is to conduct the sale of products offered by the Bank during incoming and outgoing calls and to provide efficient and effective customer service, using remote communication. The tasks of the Contact Center are in particular:

- sale of banking products during incoming and outgoing calls,
- supporting remote sales processes initiated on the web,
- handling of incoming calls from customers of the retail segment,
- outgoing calls initiated by the Bank (information tasks),
- handling security issues (incoming and outgoing),
- support for e-mail correspondence,
- answering questions asked via customers infosite and iPKO service,
- internal customer service (professional helpdesk for branch employees),
- early monitoring of receivables.

#### 4.1.2. Corporate and investment segment of PKO Bank Polski SA

In the first quarter of 2016, as in previous periods, PKO Bank Polski SA based the development of its corporate business on building stable relationships with customers, as a consequence of providing high-quality services, cooperation principles based on partnership and the specialized qualifications of the sales network. Both the financing of the current operations of companies (through working capital loans) and openness to participation in the implementation of their future projects (through investment loans), as well as support for the implementation of projects by local authorities, have remained the main priorities of the Bank's corporate segment.

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In the period under consideration, PKO Bank Polski SA offer for podkarpackie voivodeship and its subordinate entities was considered to be the best on the market. This allowed the Bank to win the tender and start providing services for these entities. Once again, by participating in local projects with custom character, the Bank strengthened its position as an undisputed leader in providing services for local governments. In total, the Bank provides services for 6 voivodeships.

Bank systematically analyzes the expectations of the market and in order to meet customers' expectations it adjusts its wide range of products and services to face the growing competitive pressure. As a result, the Bank developed a wide range of transactional products, products to eliminate financial risks (liquidity, settlement, interest rates, exchange rates and changes in commodity prices risks) and addressed the needs for financing structure flexibly. At the end of March 2016, the corporate and investment segment were providing services for nearly 14 thousand customers, including 1.0 thousand strategic customers and more than 4.0 thousand units of local governments and central government together with the connected to budget entities and their related parties. Bank on the basis of newly acquired competences provided services to over 0.6 thousand affiliates and subsidiaries of parent entities having their registered office abroad.

### Lending activity and structured financing

As at the end of the first quarter of 2016, the total financing provided to corporate customers, including bonds issued, amounted to PLN 60.8 billion, which means an increase by PLN 0.9 billion (i.e. by 1.5%) from the beginning of the year.

**Table 9. Financing of the corporate segment clients (in PLN million)**

	31.03.2016	31.12.2015	31.03.2015	Change since:	
				31.12.2015	31.03.2015
Corporate loans, gross	47 903	46 763	45 683	2.4%	4.9%
Debt securities*	12 918	13 132	12 825	-1.6%	0.7%
municipal	7 317	7 309	7 341	0.1%	-0.3%
corporate	5 601	5 823	5 484	-3.8%	2.1%
<b>Total financing</b>	<b>60 821</b>	<b>59 895</b>	<b>58 509</b>	<b>1.5%</b>	<b>4.0%</b>

\* Data presented together with securities classified as loans and advances to customers.

As part of the largest credit transactions performed in the first quarter of 2016, the Bank provided financing in the form of investment and working capital loans to entities in the power, logistical, financial, raw material and power sector and to public finance sector entities. The amounts of the largest transactions ranged from PLN 50 million to PLN 300 million.

In the first quarter of 2016, the Bank participated in three consortiums. The total loan agreements signed amounted to PLN 2 billion and the share of the Bank amounted to PLN 0.65 billion.

The Bank is working closely with local government units and finances investment projects for the local community. During this period, PKO Bank Polski SA signed 9 agreements to issue municipal bonds in the amount of nearly PLN 120 million and 27 annexes to prolong the period of financing for an amount of over PLN 89 million.

### Deposit activities and transaction banking

The level of deposits at the end of March 2016 amounted to PLN 39 billion and was 8.0% lower compared to the end of the last year. This is the result of liquidity management policy applied by the Bank.

**Table 10. Deposits of corporate segment customers (in PLN million)**

	31.03.2016	31.12.2015	31.03.2015	Change since:	
				31.12.2015	31.03.2015
Corporate deposits	39 474	42 908	32 094	-8.0%	23.0%

PKO Bank Polski SA is constantly enhancing the quality of its transaction banking services.

In the first quarter of 2016 the Bank developed services dedicated to entities characterized by extensive organizational structure (e.g. capital groups), allowing customers to use various kinds of products and services to facilitate settlement of transactions with domestic and foreign partners. Among other things, the possibility of managing customers' free limits of the consolidated accounts through electronic banking channels has been expanded.



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In the framework of electronic services provided by PKO Bank Polski SA for customers, the leading product for corporate banking is the iPKO biznes banking system. In 2015, the application iPKO biznes has been expanded with new functionalities to improve the comfort of use, including among others simplified and redesigned possibilities of key operations on the site, so they were even more user-friendly and intuitive. Currently iPKO biznes application allows customers to monitor and manage accounts, payment cards and loans and to submit orders for all kinds of transfers.

### Financial institutions

Currently PKO Bank Polski SA occupies a leading position in the field of foreign banking in Poland. It has a broad and efficient network of Nostro accounts in banks around the world, has more than 1 400 SWIFT established relationships with banks in different countries and in different markets. The Bank provides approx. 200 Loro accounts for foreign banks, which are used to settle transactions of banks, both in Poland and in other markets.

### International banking

PKO Bank Polski SA participates actively in the development of the international expansion of its clients, offering them support in foreign markets, acting virtually anywhere in the world. International activities of the Bank take place at various levels. Initiatives are taken to facilitate financial support for Polish companies operating in the international markets. One of them was the opening of a corporate branch in Frankfurt. The Bank provides specialized support to foreign companies operating in Poland, e.g. from the Scandinavian countries, South Korea and Ukraine. For this purpose teams of experts dedicated to serve companies from these countries have been appointed, which favors tightening economic relations. The wide range of products offered and the team of high quality advisors make PKO Bank Polski SA increasingly appreciated by foreign customers. The Bank's clients appreciate the wide network of correspondent banks around the world, which translates into speed and cost of the service of international settlements.

### Brokerage activities

The Brokerage House of PKO Bank Polski SA ('BH') is one of the leading brokerage houses in the domestic financial market, featuring an extensive sales network and an attractive product offering.

In the first quarter of 2016, the share of BH in turnover (trading sessions, block trades, and others) was 8.26%, which translates to the third position in the market. The first position of BH in the market was guaranteed by high turnover in the bond market (39%) and option market (31%).

BH is an active participant in the IPO and SPO market. In the last quarter, the office was one of the organizers of the bond issue of the company KRUK SA (the value of the offer amounted to PLN 65 million), the sale of bonds of BEST SA (PLN 40 million) and Ghelamco Invest Sp. o.o. (PLN 80 million). In addition, BH acted as an intermediary in the sale of the Rovese SA shares - call announced by FTF Galleon SA. In addition, BH marketed bonds of Municipality of Siedlce worth PLN 105 million and the City of Elblag worth PLN 24 million and ran subscriptions for Certificates of PKO Global Strategy Series F.

At the end of March 2016 BH provided more than 170 thousand securities accounts and cash accounts and had approx. 166 thousand active accounts in the registry, which ranks BH in the third position among 40 participants in the market.

### Treasury products

Knowledge, experience and the Bank's activity in the financial markets allows to offer institutional clients a wide range of the Bank's treasury products tailored to the needs of current operations as well as those related to the protection against financial risk. Another advantage of the Bank in this area of activity is its extensive network of specialists and access to the most modern web platform iPKO dealer.

Foreign exchange transactions SPOT have the largest share in sales of treasury products. Good results are generated by the Bank in the sale of derivative instruments, such as forwards, options, IRS, CIRS or commodity.

With the implementation of modern electronic platform, the Bank recorded an increase in the number and value of the SPOT transactions in the segment of small and medium-sized enterprises. In the first quarter of 2016, both the

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number and value of turnover were about 20% higher compared to the same period last year. When it comes to the segment of large corporations, an increase in customer interest in futures was reported.

### Interbank market

The Bank is the Treasury Securities Dealer and Money Market Dealer, which acts as a market maker on the domestic interest rate and foreign exchange market. In the competition for the selection of Treasury Securities Dealer 2016 the Bank took fourth place and third place in the contest for the Money Market Dealer.

The Bank has a significant portfolio of securities, which is funded from the deposit surplus. The function of portfolio is related to the current liquidity management of the Bank and the function of the investment portfolio. The major part of the portfolio are Treasury securities.

### Fiduciary services

At the end of March 2016 as a part of its fiduciary services the Bank maintained more than 1.9 thousand securities accounts and the value of customer assets stored within the fiduciary amounted to PLN 64.1 billion. It was similar to the level recorded in the same period last year.

### Sales network

The sales network of the corporate segment includes seven Corporate Macroregions covering 32 Regional Corporate Centers and Branch in Frankfurt, which serves corporate clients of PKO Bank Polski SA in Germany. In the first quarter of 2016, the Bank continued to implement a strategic program for the development of corporate sales successfully based on modern mechanisms of planning the development of customer relations, cooperation in the designing of strategies and financial support.

## 4.2. Shares of PKO Bank Polski SA in the credit and deposit market

At the end of the first quarter of 2016, the market shares of PKO Bank Polski SA (including PKO Bank Hipoteczny SA) loans decreased by 0.2 p.p. compared to the end of 2015 to the level of 17.6%, which was determined by the decrease in share of institutional loans.

The deposits market share declined in comparison to the end of 2015 by 0.6 p.p. to the level of 17.3%, mainly due to the decrease in the share of deposits of institutional entities.

Table 11. Market share in loans and deposits market (in %)\*

	31.03.2016	31.12.2015	31.03.2015	Change 31.03.2016/ 31.12.2015	Change 31.03.2016/ 31.03.2015
<b>Loans</b>	<b>17.6</b>	<b>17.8</b>	<b>17.8</b>	<b>-0.2 p.p.</b>	<b>-0.2 p.p.</b>
private individuals	22.8	22.9	23.0	-0.1 p.p.	-0.2 p.p.
housing	25.6	25.6	25.7	0 p.p.	-0.1 p.p.
<i>PLN</i>	28.7	28.8	29.4	-0.1 p.p.	-0.6 p.p.
<i>foreign currency</i>	21.5	21.5	21.6	0 p.p.	-0.1 p.p.
consumptional and other	15.8	16.0	15.7	-0.2 p.p.	0.1 p.p.
intitutional entities	12.6	13.0	12.9	-0.4 p.p.	-0.3 p.p.
<b>Deposits</b>	<b>17.3</b>	<b>17.9</b>	<b>17.5</b>	<b>-0.6 p.p.</b>	<b>-0.1 p.p.</b>
private individuals	20.7	20.7	21.6	-0.1 p.p.	-0.9 p.p.
intitutional entities	12.7	14.0	11.8	-1.3 p.p.	0.9 p.p.

\* Data according to NBP reporting system - Webis.



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### 4.3. Activities of the PKO Bank Polski SA Group entities

SIGNIFICANT EVENTS in the first quarter of 2016	
<b>PKO Towarzystwo Funduszy Inwestycyjnych SA</b>	<ol style="list-style-type: none"> <li>The value of funds' assets under management of the Company at the end of March 2016 amounted to PLN 18.7 billion which represents an 1.6% increase in the value of assets compared to the end of 2015. The increase in the value of assets was mainly associated with the significant net profit from sales and the result from assets management.</li> <li>PKO TFI SA ranks 3rd in terms of the net assets value with a 7.3% share in the investment funds market and the 1st place with a 14.5% share in managed assets of nondedicated funds*.</li> <li>As at 31 March 2016, PKO TFI SA managed 40 investment funds and sub-funds. * Source: <i>The Chamber of Fund and Asset Managers (Izba Zarządzających Funduszami i Aktywami)</i>.</li> </ol>
<b>PKO BP BANKOWY PTE SA</b>	<ol style="list-style-type: none"> <li>As at the end of March 2016, the net assets value of PKO BP Bankowy OFE managed by PKO BP BANKOWY PTE SA, amounted to PLN 6.5 billion (which is an increase of 1.9% in comparison to the end of 2015). The increase in the value of assets was mainly a result of asset management - the rate of return for the first quarter of this year was 2.1%.</li> <li>As at the end of March 2016, the number of members of PKO BP Bankowy OFE amounted to 942 thousand.</li> <li>PKO BP Bankowy OFE holds the ninth place on the pension funds market regarding the OPF's net assets value and regarding the number of members*.</li> <li>According to the ranking of the Polish Financial Supervision Authority, PKO BP Bankowy OFE for the period from 29 March 2013 to 31 March 2016 reached the rate of return at the level of 9.074% (the weighted average rate of return of 6.344%) holding thereby first place in the OPF ranking for that period. * Source: <i>www.knf.gov.pl</i></li> </ol>
<b>The PKO Leasing SA Group</b>	<ol style="list-style-type: none"> <li>In the first quarter of 2016, the PKO Leasing SA Group entities (PKO Leasing SA and its subsidiaries: PKO Bankowy Leasing Sp. z o.o. and PKO Leasing Sverige AB) leased out assets with a total value of PLN 981 million, i.e. 37.7% more than in the first quarter of 2015. The increase is the result of organic growth of the Company and the Bank's sales network utilization.</li> <li>As at the end of March 2016, the total carrying amount of the lease investments of the PKO Leasing SA Group entities amounted to PLN 5 416 million.</li> <li>As at the end of March 2016, in terms of the value of assets leased, the PKO Leasing SA Group ranked 4th position with a market share of 7.5%* (as at the end of March 2015, the PKO Leasing SA Group ranked 6th place with a market share of 6.1%).</li> <li>In the first quarter of 2016, PKO BP Factoring SA (the subsidiary of PKO Leasing SA) provided domestic factoring services and export with takeover of the risk and without taking risks, reverse factoring and factoring program for contractors.</li> <li>In the first quarter of 2016, the value of factoring turnover amounted to PLN 1 956 million (an increase to the same period last year, in which turnover amounted to PLN 843 million). The number of customers at the end of March that year amounted to 230 (an increase to the same period last year, in which the number of customers was 196).</li> <li>As at 31 March 2016, PKO BP Factoring SA ranked ninth place among factoring companies associated in the Polish Factors' Association with a market share of 5.6% (at the end of 2015, the Company held the 8th place with a market share of 4.7% ). * Source: <i>the Polish Leasing Association</i></li> </ol>
<b>PKO Bank Hipoteczny SA</b>	<ol style="list-style-type: none"> <li>In the first quarter of 2016, PKO Bank Hipoteczny SA acquired within the agreement signed in 2015 with PKO Polish Bank SA Framework Agreement of Sale Debts another portfolios of mortgage loans secured by mortgages on the total amount of PLN 757 million.</li> <li>In the first quarter of 2016, the Company issued bonds with a total nominal value of PLN 62 million.</li> <li>In March of this year, rating agency Moody's Investors Service upgraded the indicator Timely Payment Indicator (TPI) from 'Improbable' to 'Probable-High' for program, under which are issued mortgage bonds of the Company. The change is directly related to the entry into force at the beginning of this year amendment to the act on mortgage bonds and mortgage banks.</li> </ol>



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<p><b>The PKO Życie Towarzystwo Ubezpieczeń SA Group</b></p>	<ol style="list-style-type: none"> <li>1. PKO Życie Towarzystwo Ubezpieczeń SA offers protection products and saving-investment products. As part of the investment products, the Company offers a wide range of Insurance Capital Funds in which customers can invest their savings. The investment offer includes 166 domestic and foreign Insurance Capital Funds of which 6 model portfolios and 9 Insurance Capital Funds were developed by the experts from PKO Towarzystwo Funduszy Inwestycyjnych SA.</li> <li>2. The value of gross written premiums under insurance agreements concluded by the Company as at 31 March 2016 amounted to PLN 174 million.</li> <li>3. As at the end of March 2016, the Company insured 617 thousand people.</li> </ol>
<p><b>PKO Towarzystwo Ubezpieczeń SA</b></p>	<ol style="list-style-type: none"> <li>1. In January 2016, the PKO Towarzystwo Ubezpieczeń SA begins operations.</li> <li>2. The Company offers: <ul style="list-style-type: none"> <li>• Group Insurance against loss of income or hospital treatment following a misadventure for the clients of PKO Bank Polski SA, who are holders of credit cards,</li> <li>• cash loan repayment insurance against loss of income or disability following a misadventure for PKO Bank Polski SA borrowers (canal department and agency),</li> <li>• Mortgage payment insurance, mortgage loan insurance in case of loss of income, disability following an misadventure and hospital treatment for clients of PKO Bank Polski SA or PKO Bank Hipoteczny SA,</li> <li>• Property insurance for customers of PKO Bank Polski SA and PKO Bank Hipoteczny SA who have entered into a credit agreement or loan secured by a mortgage.</li> </ul> </li> <li>3. The value of gross written premiums from insurance contracts concluded by the company as at 31 March 2016 amounted to PLN 34 million PLN.</li> <li>4. At the end of March 2016 the Company insured 59 thousand of people.</li> </ol>
<p><b>The Qualia Development Sp. z o.o. Group</b></p>	<ol style="list-style-type: none"> <li>1. In the first quarter of 2016, the Group was focused on: <ul style="list-style-type: none"> <li>• realization of the final stage of the Royal Park investment implemented at part of the Nowy Wilanów project in Warsaw and obtaining usufruct permission,</li> <li>• continuation of the fourth stage of the project Neptun Park in Gdańsk,</li> <li>• doing hotel business on the basis of completed projects in Gdańsk and Międzyzdroje,</li> <li>• conducting the sale of investments realized in Międzyzdroje and Sopot, as well as investments made in Warsaw (Nowy Wilanów - Royal Park) and Gdańsk (Neptun Park Stage IV),</li> <li>• conducting the process of sale of selected properties.</li> </ul> </li> </ol>
<p><b>The KREDOBANK SA Group (date according to IFRS/IAS)</b></p>	<ol style="list-style-type: none"> <li>1. The KREDOBANK SA Group's (gross) loan portfolio in the first quarter of 2016 increased by UAH 360 million, i.e. by 7.2% and amounted to UAH 5 372 million as at the end of March 2016 (the gross loan portfolio denominated in PLN amounted to PLN 771 million as at the end of March 2016).</li> <li>2. In the first quarter of 2016, term deposits of the KREDOBANK SA Group's customers increased by UAH 109 million, i.e. by 3.7% and amounted to UAH 3 047 million as at 31 March 2016 (term deposits denominated in PLN amounted to PLN 438 million as at 31 March 2016).</li> <li>3. As at 31 March 2016, the network of KREDOBANK SA branches consisted of the Central Branch in Lviv and 111 subordinated branches in 22 out of 24 Ukrainian districts. In the first quarter of 2016 was opened one subordinated branch and the location of the 1 subordinated branch was changed.</li> </ol>

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#### 4.4. Prizes and awards

In 2016, the PKO Bank Polski SA Group's entities received awards, from which the most important were:

<b>Awards and prizes granted to the PKO Bank Polski SA Group's entities</b>	
<b>PKO Bank Polski SA Reliable Employer of 2015</b>	<p>PKO Bank Polski SA was awarded in the XIII edition of the national contest organized within the framework of the Program of Reliable Employer of the 2015 for effective personnel policy of the Bank, which is reflected in the quality of our products and services. Especially appreciated was the modernization of the structure of HR in a large and stable organization in a manner corresponding to the latest global trends and implement a human capital management system SAP.</p> <p>PKO Bank Polski SA was also recognized for actions in the field of CSR: linking business goals with social commitment. The Company was the only financial institution which received two awards.</p>
<b>Bulls and Bears</b>	<p>The Brokerage House of PKO Bank Polski SA has won the title of 'Brokerage House of the Year' in the 22nd edition organized by the newspaper 'Parkiet' in the Bulls and Bears competition. The purpose is to honor companies, institutions and people who have most distinguished themselves in the capital market contributing to its development.</p> <p>Last year, the Brokerage House was the most active on the stock market and bonds. He was the leader in terms of number and value of transactions carried out on the capital market. Offer for individual customers expanded to include modern and comfortable tool to invest in foreign markets.</p>
<b>Leader of 2015</b>	<p>Implemented by PKO Bank Polski SA IT solution adjusted to the Bank requirements of EU Regulation EMIR won in the category 'Banking and Finance' in the 'Gazeta Bankowa' competition. The aim of this comprehensive software is to reduce credit risk and operational market for derivatives.</p> <p>The Leader competition in 2015 are identified as companies and financial institutions, which are distinguished by special achievements in the field of modern and innovative technologies.</p>
<b>Golden Banker of 2015</b>	<p>In the seventh edition of the ranking of the Golden Banker PKO Bank Polski SA won the award in the mortgage category for housing loan 'Własny Kąt Hipoteczny'. It has been praised for its access to financing also in the case of low own contribution, as well as the conditions for early repayment and promotional reducing the margin in the first year of the contract.</p> <p>Golden Banker is the highest ranking assessor banking services and products in Poland. For seven years the Bank determine the direction for Polish banking indicating the best offer on the market. The organizers of the ranking are: Bankier.pl and the 'Puls Biznesu'.</p>
<b>The title of ethical company of the year of 2015 for PKO Bank Polski SA</b>	<p>For responsibility and organizational culture PKO Bank Polski SA was awarded in the second edition of the 'ethical company'. This distinction is granted to companies that comprehensively and systematically carry out activities to build and enhance an organizational culture based on ethics and values in the most comprehensive and systemic, showing the highest activity in this area compared to other companies in Poland.</p> <p>The competition is organized by 'Puls Biznesu' substantially supported by PwC Poland, responsible for controlling the audit process and procedures for participants.</p>
<b>eDukat 2016 for contactless payments HCE</b>	<p>The jury eDukaty 2016 IV International Congress of Non-cash payments awarded the PKO Bank Polski SA in the category: Event, the world non-cash charge of implementing contactless payments to mobile application HCE IKO. The recognition gained scale, on which users IKO use this method of transaction and the convenience and safety solutions. eDukat symbolizes the evolution of money in electronic form.</p>
<b>Responding to Poland</b>	<p>The journalists of 'Gazeta Bankowa' distinguished PKO Bank Polski SA in the Ranking of Socially Responsible Companies 'Responding to Poland' in Health and Society for popularizing the idea of blood donation as part of the Bank since 2009. Banking shares Honorary Blood Donation.</p> <p>Ranking 'Responding to Poland' is a new initiative, in which the jury distinguished projects that serve the development of the country. The jury was important as the scale of commitment - in</p>



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	the winning projects were actively involved employees of the winning companies.
<b>The Bank recognized for the highest safety standards</b>	PKO Bank Polski SA was awarded in the competition BIG DATA: Think Big CEE in the category of Solution of the Year, for raising the level of security in cyberspace and minimizing the risks to which consumers may be exposed on the network. This is the result of the bank participation in the Microsoft Enterprise Customers Cyber Threat Intelligence Program (ECCTIP). PKO Bank Polski SA was the first bank in Europe, began working with Microsoft on the program ECCTIP. Its aim is to raise the level of security in cyberspace through the exchange of information on potential risks.
<b>PKO Bank Polski SA, one of the most recognizable and active brands</b>	The Bank was awarded the prize 'Global Poland' in the category 'Polish brand with a tradition that still have a strong tradition.' The aim of the competition was to honor the most recognizable and active in foreign markets Polish brands. Plebiscite 'Global Poland' is this year's initiative of monthly management magazine 'Manager'.
<b>KREDOBANK SA - reliable Bank</b>	KREDOBANK SA took second place in the ranking of the reliability of the largest and large Ukrainian banks, organized by the magazine 'Dengi' according to the results of 2015.



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Condensed interim  
consolidated financial statements  
of the PKO Bank Polski SA Group  
for the three-month period ended  
31 March 2016

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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(IN PLN THOUSAND)**



Bank Polski

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
CONSOLIDATED INCOME STATEMENT**

	Note	01.01- 31.03.2016	01.01- 31.03.2015
<b>Continuing operations</b>			
Interest and similar income	4	2 391 568	2 432 587
Interest expense and similar charges	4	(538 373)	(761 849)
<b>Net interest income</b>		<b>1 853 195</b>	<b>1 670 738</b>
Fee and commission income	5	843 701	866 574
Fee and commission expense	5	(208 256)	(187 424)
<b>Net fee and commission income</b>		<b>635 445</b>	<b>679 150</b>
Net income from financial instruments measured at fair value	6	(8 439)	23 118
Gains less losses from investment securities	7	50 631	52 541
Net foreign exchange gains (losses)		94 420	72 239
Other operating income	8	123 604	139 907
Other operating expense	8	(63 422)	(56 946)
<b>Net other operating income and expense</b>		<b>60 182</b>	<b>82 961</b>
Net impairment allowance and write-downs	9	(382 166)	(373 579)
Administrative expenses	10	(1 360 493)	(1 404 770)
Tax on certain financial institutions	11	(148 365)	-
<b>Operating profits</b>		<b>794 410</b>	<b>802 398</b>
Share in profit (loss) of associates and joint ventures		3 318	8 515
<b>Profit before income tax</b>		<b>797 728</b>	<b>810 913</b>
Income tax expense	12	(159 760)	(175 151)
<b>Net profit (including non-controlling shareholders)</b>		<b>637 968</b>	<b>635 762</b>
Profit (loss) attributable to non-controlling shareholders		(622)	(11 419)
<b>Net profit attributable to equity holders of the parent company</b>		<b>638 590</b>	<b>647 181</b>

Earnings per share	13		
- basic earnings per share for the period (PLN)		0.51	0.52
- diluted earnings per share for the period (PLN)		0.51	0.52
Weighted average number of ordinary shares during the period (in thousand)		1 250 000	1 250 000
Weighted average diluted number of ordinary shares during the period (in thousand)		1 250 000	1 250 000

**Discontinued operations**

In the three-month periods ended 31 March 2016 and 31 March 2015 respectively, no discontinued operations were conducted by PKO Bank Polski SA Group.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Note	01.01- 31.03.2016	01.01- 31.03.2015
Net profit (including non-controlling shareholders)		637 968	635 762
Other comprehensive income		131 978	13 523
Items that may be reclassified to the income statement		131 978	13 523
Cash flow hedges (gross)	18	136 670	(45 294)
Deferred tax on cash flow hedges	18	(25 968)	8 606
Cash flow hedges (net)		110 702	(36 688)
Unrealised net gains on financial assets available for sale (gross)		33 477	91 236
Deferred tax on unrealised net gains on financial assets available for sale		(6 142)	(16 506)
Unrealised net gains on financial assets available for sale (net)		27 335	74 730
Currency translation differences from foreign operations		(9 270)	(23 513)
Share in other comprehensive income of an associate		3 211	(1 006)
<b>Total net comprehensive income</b>		<b>769 946</b>	<b>649 285</b>
Total net comprehensive income, of which attributable to:		769 946	649 285
equity holders of PKO Bank Polski SA		770 589	660 746
non-controlling shareholders		(643)	(11 461)

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	31.03.2016	31.12.2015
<b>ASSETS</b>			
Cash and balances with the central bank	14	15 857 607	13 743 864
Amounts due from banks	15	2 522 459	4 552 972
Trading assets	16	2 308 701	783 199
Derivative financial instruments	17	2 991 644	4 347 269
Financial assets designated upon initial recognition at fair value through profit and loss	19	13 100 195	15 154 100
Loans and advances to customers	20	187 869 107	190 413 708
Investment securities available for sale	21	31 689 978	28 309 515
Investment securities held to maturity	22	313 693	210 330
Investments in associates and joint ventures	23	396 263	391 871
Non-current assets held for sale	24	217 470	220 020
Inventories	25	343 196	400 948
Intangible assets	26	3 369 821	3 270 983
Tangible fixed assets, of which:	26	2 808 010	2 782 186
investment properties		140 957	141 813
Current income tax receivables		5 747	46 532
Deferred income tax asset		940 199	901 645
Other assets	27	2 356 678	1 410 777
<b>TOTAL ASSETS</b>		<b>267 090 768</b>	<b>266 939 919</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Amounts due to the central bank		3 989	4 219
Amounts due to banks	28	20 246 622	18 288 797
Derivative financial instruments	17	3 292 087	4 624 767
Amounts due to customers	29	194 856 153	195 758 461
Liabilities due to insurance operations	30	2 428 876	2 400 493
Debt securities in issue	31	9 218 641	9 432 973
Subordinated liabilities	32	2 477 481	2 499 163
Other liabilities	33	3 249 390	3 356 170
Current income tax liabilities		17 729	26 057
Deferred income tax liability		31 209	31 812
Provisions	34	233 732	252 094
<b>TOTAL LIABILITIES</b>		<b>236 055 909</b>	<b>236 675 006</b>
<b>Equity</b>			
Share capital	35	1 250 000	1 250 000
Other capital	35	25 559 057	25 417 809
Currency translation differences from foreign operations	35	(225 750)	(216 501)
Undistributed profits	35	3 831 977	1 222 413
Net profit for the year	35	638 590	2 609 564
Capital and reserves attributable to equity holders of the parent company	35	31 053 874	30 283 285
Non-controlling interest	35	(19 015)	(18 372)
<b>TOTAL EQUITY</b>		<b>31 034 859</b>	<b>30 264 913</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>267 090 768</b>	<b>266 939 919</b>
Capital adequacy ratio	44	15.44%	14.61%
Book value (in PLN thousand)		31 034 859	30 264 913
Number of shares (in thousand)	1	1 250 000	1 250 000
Book value per share (in PLN)		24.83	24.21
Diluted number of shares (in thousand)		1 250 000	1 250 000
Diluted book value per share (in PLN)		24.83	24.21



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the period ended 31 March 2016	Share capital		Other comprehensive income							Total other capital	Currency translation differences from foreign operations	Undistributed profits	Net profit for the period	Total capital and reserves attributable to equity holders of the parent company	Non-controlling interest	Total equity
	Reserve capital	General banking risk fund	Other reserves	Share in other comprehensive income of an associate	Financial assets available for sale	Cash flow hedges	Actuarial gains and losses / Shares settlement	Total other capital								
As at 1 January 2016	1 250 000	20 711 174	1 070 000	3 536 391	(186)	170 646	(57 657)	(12 559)	25 417 809	(216 501)	1 222 413	2 609 564	30 283 285	(18 372)	30 264 913	
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	-	-	2 609 564	(2 609 564)	-	-	-	
Total comprehensive income, of which:	-	-	-	-	3 211	27 335	110 702	-	141 248	(9 249)	-	638 590	770 589	(643)	769 946	
Net profit	-	-	-	-	3 211	27 335	110 702	-	141 248	(9 249)	-	638 590	638 590	(622)	637 968	
Other comprehensive income	-	-	-	-	3 211	27 335	110 702	-	141 248	(9 249)	-	638 590	131 999	(21)	131 978	
<b>As at 31 March 2016</b>	<b>1 250 000</b>	<b>20 711 174</b>	<b>1 070 000</b>	<b>3 536 391</b>	<b>3 025</b>	<b>197 981</b>	<b>53 045</b>	<b>(12 559)</b>	<b>25 559 057</b>	<b>(225 750)</b>	<b>3 831 977</b>	<b>638 590</b>	<b>31 053 874</b>	<b>(19 015)</b>	<b>31 034 859</b>	

For the period ended 31 March 2015	Share capital		Other comprehensive income							Total other capital	Currency translation differences from foreign operations	Undistributed profits	Net profit for the period	Total capital and reserves attributable to equity holders of the parent company	Non-controlling interest	Total equity
	Reserve capital	General banking risk fund	Other reserves	Share in other comprehensive income of an associate	Financial assets available for sale	Cash flow hedges	Actuarial gains and losses / Shares settlement	Total other capital								
As at 1 January 2015	1 250 000	18 802 387	1 070 000	3 474 127	1 006	31 046	5 204	(8 976)	23 374 794	(192 692)	(60 658)	3 254 122	27 625 566	(10 015)	27 615 551	
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	-	-	3 254 122	(3 254 122)	-	-	-	
Total comprehensive income, of which:	-	-	-	-	(1 006)	74 730	(36 688)	-	37 036	(23 471)	-	647 181	660 746	(11 461)	649 285	
Net profit	-	-	-	-	(1 006)	74 730	(36 688)	-	37 036	(23 471)	-	647 181	647 181	(11 419)	635 762	
Other comprehensive income	-	-	-	-	(1 006)	74 730	(36 688)	-	37 036	(23 471)	-	647 181	13 565	(42)	13 523	
Transfer from undistributed profits	-	(22 776)	-	-	-	-	-	-	(22 776)	-	22 776	-	-	-	-	
<b>As at 31 March 2015</b>	<b>1 250 000</b>	<b>18 779 611</b>	<b>1 070 000</b>	<b>3 474 127</b>	<b>-</b>	<b>105 776</b>	<b>(31 484)</b>	<b>(8 976)</b>	<b>23 389 054</b>	<b>(216 163)</b>	<b>3 216 240</b>	<b>647 181</b>	<b>28 286 312</b>	<b>(21 476)</b>	<b>28 264 836</b>	

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Note	01.01- 31.03.2016	01.01- 31.03.2015
Net cash flows from operating activities			
<b>Profit before income tax</b>		<b>797 728</b>	<b>810 913</b>
<b>Adjustments:</b>		<b>4 525 559</b>	<b>868 561</b>
Amortisation and depreciation		190 703	206 244
(Gains) losses from investing activities		(934)	(20 321)
Interest and dividends		(9 248)	(10 301)
Change in amounts due from banks		1 390 405	(595 319)
Change in trading assets and financial assets designated upon initial recognition at fair value through profit and loss		528 403	(2 896 480)
Change in derivative financial instruments (asset)		1 355 625	(103 310)
Change in loans and advances to customers		2 464 042	(3 050 078)
Change in other assets, inventories and non-current assets held for sale		(890 182)	(466 415)
Change in amounts due to banks		1 957 595	3 160 512
Change in derivative financial instruments (liability)		(1 332 680)	755 000
Change in amounts due to customers		(898 362)	3 980 710
Change in liabilities classified as held for sale		-	12 829
Change in debt securities in issue		(217 032)	271 439
Change in provisions and impairment allowances		67 064	87 677
Change in other liabilities, subordinated liabilities and insurance liabilities		(100 079)	(175 067)
Income tax paid		(177 294)	(206 056)
Other adjustments		197 533	(82 503)
<b>Net cash generated from operating activities</b>		<b>5 323 287</b>	<b>1 679 474</b>
Net cash flows from investing activities			
Inflows from investing activities		33 129 520	10 008 735
Proceeds from sale and interest on investment securities		33 126 955	9 961 538
Proceeds from sale of intangible assets and tangible fixed assets		2 565	33 426
Other investing inflows (dividends)		-	13 771
Outflows from investing activities		(36 779 885)	(10 888 875)
Increase in equity of a subsidiary		(1 148)	-
Purchase of investment securities		(36 487 408)	(10 812 575)
Purchase of intangible assets and tangible fixed assets		(291 329)	(76 300)
<b>Net cash used in investing activities</b>		<b>(3 650 365)</b>	<b>(880 140)</b>
Net cash flows from financing activities			
Proceeds from debt securities in issue		62 300	995 195
Redemption of debt securities		(59 600)	(751 306)
Repayment of interest from issued debt securities and subordinated loans		(174 157)	(171 875)
Long-term borrowings		42 989	50 005
Repayment of long-term borrowings		(70 535)	(1 084 027)
<b>Net cash used in financing activities</b>		<b>(199 003)</b>	<b>(962 008)</b>
<b>Net cash flow</b>		<b>1 473 919</b>	<b>(162 674)</b>
of which currency translation differences on cash and cash equivalents		(36 277)	(6 610)
Cash and cash equivalents at the beginning of the period		17 264 702	14 254 855
Cash and cash equivalents at the end of the period	38	18 738 621	14 092 181
of which restricted		12 439	8 681

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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## 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 three-month period ended 31 March 2016 and include comparative data for the three-month period ended 31 March 2015 (as regards consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows), and comparative data as at 31 December 2015 (as regards consolidated statement of financial position). Financial data has been presented in Polish zloty (PLN), rounded to thousand zloty, unless indicated otherwise.

#### **Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna („PKO Bank Polski SA” or „Bank”) – parent company.**

The Bank was established in 1919 as Poczta Kasa Oszczędnościowa. In 1950 it started operating 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 in Warsaw 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 in Warsaw, XIII Economic Department of the National Court Register. The Bank was registered under entry No. KRS 0000026438 and was granted a statistical REGON No. 016298263. The paid share capital amounts to PLN 1 250 000 000.

According to the Warsaw Stock Exchange Bulletin (Cedula Giełdowa), the Bank is classified under the macro-sector 'Finance', sector 'Banks'.

#### **Business activities of the Group**

PKO Bank Polski SA is a universal 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 offers mortgage loans, provides financial services relating to leasing, factoring, investment funds, pension funds and life insurance and acts as a transfer agent, it conducts real estate development activities and manages real estate and also through its subsidiaries in Ukraine it conducts banking, debt collection and factoring activities.

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

The Group operates on the Polish territory and, through its subsidiaries: KREDOBANK SA, 'Inter-Risk Ukraina', Company with additional responsibility, Financial Company "Private Investment" Sp. o.o., Finansowa Kompania „Prywatne Inwestycje” Sp. z o.o., Finansowa Kompania 'Idea Kapitał' Sp. z o.o. in Ukraine; as well as through its subsidiaries PKO Finance AB and PKO Leasing Sverige AB in Sweden.

In addition, on 7 December 2015 a branch of PKO Bank Polski SA started its operations in the Federal Republic of Germany. The strategy of this branch is to offer banking products and services on the German market to key corporate customers of the Bank and their subsidiaries based in the Federal Republic of Germany.

#### **Approval of financial statements**

These condensed interim consolidated financial statements, reviewed by the Bank's Supervisory Board's Audit Committee on 4 May 2016, have been approved for issuance by the Bank's Management Board on 29 April 2016.

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**Structure of the PKO Bank Polski SA Group**

The PKO Bank Polski SA Group consists of the following direct and indirect subsidiaries:

NAME OF ENTITY	HEAD OFFICE	RANGE OF ACTIVITY	% SHARE IN EQUITY *	
			31.03.2016	31.12.2015
PKO Towarzystwo Funduszy Inwestycyjnych SA	Warsaw	investment funds management	100.00	100.00
PKO BP BANKOWY PTE SA	Warsaw	pension funds management	100.00	100.00
PKO Leasing SA	Łódź	leasing services	100.00	100.00
PKO Bankowy Leasing Sp. z o.o.	Łódź	leasing services	100.00	100.00
PKO Leasing Sverige AB	Stockholm, Sweden	leasing services	100.00	100.00
PKO BP Faktoring SA	Warsaw	factoring services	100.00	100.00
PKO BP Finat Sp. z o.o.	Warsaw	services, including transfer agent services and outsourcing of IT specialists	100.00	100.00
PKO Życie Towarzystwo Ubezpieczeń SA	Warsaw	life insurance	100.00	100.00
Ubezpieczeniowe Usługi Finansowe Sp. z o.o.	Warsaw	services	100.00	100.00
PKO Towarzystwo Ubezpieczeń SA	Warsaw	other personal and property insurance	100.00	100.00
PKO Bank Hipoteczny SA	Gdynia	banking activities	100.00	100.00
PKO Finance AB	Stockholm, Sweden	financial services	100.00	100.00
KREDOBANK SA	Lviv, Ukraine	banking activities	99.5655	99.5655
Finansowa Kompania 'Idea Kapitał' Sp. z o.o.	Lviv, Ukraine	financial services	100.00	100.00
'Inter-Risk Ukraina' Spółka z dodatkową odpowiedzialnością	Kiev, Ukraine	debt collection services	100.00	100.00
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o. <sup>1</sup>	Kiev, Ukraine	factoring services	95.4676	95.4676
Qualia Development Sp. z o.o. <sup>2</sup>	Warsaw	real estate development	100.00	100.00
Qualia 3 Sp. z o.o.	Warsaw	general partner in limited partnerships of the Qualia 3 spółka z ograniczoną odpowiedzialnością - Neptun Park Sp. k.	100.00	100.00
Qualia 3 spółka z ograniczoną odpowiedzialnością - Neptun Park Sp. k.	Warsaw	real estate development	99.9975	99.9975
Qualia 2 Sp. z o.o.	Warsaw	general partner in limited partnerships of the Qualia 2 spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Sp.k.	100.00	100.00
Qualia 2 spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Sp. k.	Warsaw	real estate development	99.9750	99.9750
Qualia Sp. z o.o.	Warsaw	general partner in limited partnerships of other entities of the Qualia Development Group	100.00	100.00
Qualia sp. z o.o. - Sopot Sp. k.	Warsaw	real estate development	99.9902	99.9902
Qualia spółka z ograniczoną odpowiedzialnością - Jurata Sp. k.	Warsaw	real estate development	99.9770	99.9770
Qualia spółka z ograniczoną odpowiedzialnością - Zakopane Sp. k.	Warsaw	real estate development	99.9123	99.9123
Qualia spółka z ograniczoną odpowiedzialnością - Pomeranka Sp. k. <sup>3</sup>	Warsaw	real estate development	-	99.8951
Qualia spółka z ograniczoną odpowiedzialnością - Projekt 1 Sp. k.	Warsaw	real estate development	50.00	50.00
Qualia spółka z ograniczoną odpowiedzialnością - Władysławowo Sp. k.	Warsaw	real estate development	50.00	50.00
Qualia - Rezydencja Flotylla Sp. z o.o. <sup>3</sup>	Warsaw	real estate development	-	100.00
Qualia - Residence Sp. z o.o.	Warsaw	real estate development	100.00	100.00
Sarnia Dolina Sp. z o.o.	Warsaw	real estate development	100.00	100.00
Gielda Nieruchomości Wartościowych Sp. z o.o.	Warsaw	intermediation in the sale of real estate	100.00	100.00
'Fort Mokotów Inwestycje' Sp. z o.o. <sup>4</sup>	Warsaw	real estate development	99.9987	100.00
Qualia Hotel Management Sp. z o.o. <sup>4</sup>	Warsaw	real estate development	99.9427	100.00
FORT MOKOTÓW Sp. z o.o. w likwidacji	Warsaw	in liquidation	51.00	51.00
<b>Mercury - fiz an<sup>5</sup></b>	<b>Warsaw</b>	<b>placement of funds collected from fund members</b>	<b>100.00</b>	<b>100.00</b>
'Zarząd Majątkiem Górczewska' Sp. z o.o.	Warsaw	real estate management	100.00	100.00
Molina Sp. z o.o.	Warsaw	general partner in limited joint-stock partnership entities of the Fund	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 1 S.K.A.	Warsaw	purchase and sale of real estate for own account, real estate management	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A.	Warsaw	purchase and sale of real estate for own account, real estate management	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 3 S.K.A.	Warsaw	purchase and sale of real estate for own account, real estate management	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 4 S.K.A.	Warsaw	purchase and sale of real estate for own account, real estate management	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 5 S.K.A.	Warsaw	purchase and sale of real estate for own account, real estate management	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A.	Warsaw	purchase and sale of real estate for own account, real estate management	100.00	100.00
<b>NEPTUN - fiz an<sup>5</sup></b>	<b>Warsaw</b>	<b>placement of funds collected from fund members</b>	<b>100.00</b>	<b>100.00</b>
Bankowe Towarzystwo Kapitałowe SA	Warsaw	services	100.00	100.00
'CENTRUM HAFNERA' Sp. z o.o.	Sopot	subsidiaries' real estate management	72.9766	72.9766
'Sopot Zdrój' Sp. z o.o.	Sopot	real estate management	100.00	100.00
'Promenada Sopocka' Sp. z o.o.	Sopot	rental services and real estate management	100.00	100.00

\* Share in equity of direct parent entity

- 1) The second shareholder of the Entity is 'Inter-Risk Ukraina' Additional Liability Company.
- 2) For limited partnership entities of Qualia Development Group the total contribution made by the limited partner - Qualia Development Sp. z o.o. is presented in the position 'Share in equity'.
- 3) On 29 February 2016 an acquisition was registered in National Court Register. All assets of Qualia Sp. z o.o. - Pomeranka Sp. k. and Qualia - Rezydencja Flotylla Sp. z o.o. (acquired companies) were transferred to Qualia Hotel Management Sp. z o.o. (acquiring company).
- 4) The second shareholder of the Entity is Qualia Sp. z o.o.
- 5) PKO Bank Polski SA has investment certificates of the Fund; the share of possessed investment certificates of the Fund is presented in the position 'Share in equity'.

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**Joint ventures and associates included in the consolidated financial statements:**

NAME OF ENTITY	HEAD OFFICE	RANGE OF ACTIVITY	% SHARE IN EQUITY *	
			31.03.2016	31.12.2015
<b>Joint ventures of PKO Bank Polski SA</b>				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	Warsaw	activities supporting financial services, including servicing transactions made by using payment instruments	34.00	34.00
EVO Payments International Sp. z o.o.	Warsaw	activities supporting financial services	100.00	100.00
EVO Payments International s.r.o.	Prague, Czech Republic	activities supporting financial services	100.00	100.00
<b>Joint ventures of NEPTUN - fizan</b>				
'Centrum Obsługi Biznesu' Sp. z o.o.	Poznań	hotel management	41.44	41.44
<b>Associates of PKO Bank Polski SA</b>				
Bank Pocztowy SA	Bydgoszcz	banking activities	25.0001	25.0001
Centrum Operacyjne Sp. z o.o.	Bydgoszcz	activities supporting financial services	100.00	100.00
Spółka Dystrybucyjna Banku Poczowego Sp. z o.o.	Warsaw	intermediary financial services	100.00	100.00
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	Poznań	guarantees	33.33	33.33
FERRUM SA	Katowice	production of welded steel pipes, production of structural hollow section and delivering coating services	22,14	20.97
Zakład Konstrukcji Spawanych FERRUM SA	Katowice	production of steel structures and their parts	100.00	100.00
FERRUM MARKETING Sp. z o.o.	Katowice	marketing services	100.00	100.00

\* Share in equity of direct parent entity.

Information on changes in the participation in the share capital of the subsidiaries is set out in the note 'Changes to the entities of the PKO Bank Polski SA Group, associates companies and joint ventures'.

## 2. Summary of significant accounting policies, estimates and judgments

These condensed interim 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 with those applied in preparation of the annual consolidated financial statements of the PKO Bank Polski SA Group for the year 2015.

These condensed interim consolidated financial statements for the three-month period of 2016 should be read together with consolidated financial statements of the PKO Bank Polski SA Group for the year ended 31 December 2015, prepared in accordance with International Financial Reporting Standards, as approved by the European Commission.

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

### 3.1 Information on the segments of activities

The PKO Bank Polski SA Group conducts business activities as part of segments offering specific products and services addressed to specific groups of customers. The manner in which the business segments are divided ensures consistency with the sales management model and offers the customers a comprehensive product mix comprising both traditional banking products and more complex investment products, as well as services provided by the PKO Bank Polski SA Group entities. The segment note below is recognized 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 reflects an internal organizational structure of the PKO Bank Polski SA Group.

The PKO Bank Polski SA Group comprises three basic segments: retail, corporate and investment, and transfer center:

1. The retail segment offers a full range of services for individuals as part of retail and private banking as well as mortgage banking. Moreover, it comprises transactions conducted with legal persons, i.e. small and medium enterprises. The products and services offered to customers in this segment include, among others: current accounts, saving accounts, term deposits, *private banking* services, investment and insurance products, credit and debit cards, electronic banking services, consumer and mortgage loans, as well as corporate loans to small and medium enterprises, developers, cooperatives, and property managers.



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2. The corporate and investment segment includes transactions concluded with large corporate clients and financial institutions. This segment comprises i.a. the following products and services: current accounts, term deposits, depositary services, currency and derivative products, corporate loans, leases and factoring. Within this segment, PKO Bank Polski SA also enters, individually or in a consortium with other banks, into loan agreements financing large investment projects and issuance of non-Treasury securities. This segment also comprises the Bank's portfolio activity on its own account i.e. investing and brokerage activities, interbank transactions, derivative instruments and debt securities. The results of corporate and investment segment include results of activities of PKO Bank Polski SA's subsidiaries.
3. The transfer center comprises the result on internal settlements related to funds transfer pricing, the results on long-term sources of financing and the result on positions classified for hedge accounting. Internal funds transfer is based on transfer pricing dependent on market rates. The transactions between business segments are conducted at arms' 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 arms' length.

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

Disclosed values of assets and liabilities are operating assets and liabilities applied by segment in operating activities. Values of assets, liabilities, income and expenses of particular segments are based on internal management information. Assets and liabilities as well as income and costs related to these assets and liabilities are assigned to particular segments.

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

For the period ended 31 March 2016	Continuing operations			
	Retail segment	Corporate and investment segment	Transfer centre	Total activity of the PKO Bank Polski SA Group
Net interest income	1 581 375	341 711	(69 891)	1 853 195
Net fee and commission income	476 458	160 304	(1 317)	635 445
Other net income	31 643	156 654	8 497	196 794
Net result from financial operations	(76)	46 906	(4 638)	42 192
Net foreign exchange gains (losses)	26 095	55 190	13 135	94 420
Net other operating income and expense	(876)	61 058	-	60 182
Income/expenses relating to internal customers	6 500	(6 500)	-	-
Net impairment allowance and write-downs	(249 915)	(132 251)	-	(382 166)
Administrative expenses, of which:	(1 072 599)	(287 894)	-	(1 360 493)
amortisation and depreciation	(158 067)	(32 636)	-	(190 703)
Tax on certain financial institutions	(87 407)	(58 441)	(2 517)	(148 365)
Share of profit (loss) of associates and joint ventures	-	-	-	3 318
Segment gross profit	679 555	180 083	(65 228)	797 728
Income tax expense (tax burden)	-	-	-	(159 760)
Profit (loss) attributable to non-controlling shareholders	-	-	-	(622)
<b>Net profit attributable to equity holders of the parent company</b>	<b>679 555</b>	<b>180 083</b>	<b>(65 228)</b>	<b>638 590</b>

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As at 31 March 2016	Continuing operations			
	Retail segment	Corporate and investment segment	Transfer centre	Total activity of the PKO Bank Polski SA Group
Assets	140 739 551	121 897 544	3 507 727	266 144 822
Unallocated assets	-	-	-	945 946
<b>Total assets</b>	<b>140 739 551</b>	<b>121 897 544</b>	<b>3 507 727</b>	<b>267 090 768</b>
Liabilities	153 027 702	53 287 614	29 691 655	236 006 971
Unallocated liabilities	-	-	-	48 938
<b>Total liabilities</b>	<b>153 027 702</b>	<b>53 287 614</b>	<b>29 691 655</b>	<b>236 055 909</b>

For the period ended 31 March 2015	Continuing operations			
	Retail segment	Corporate and investment segment	Transfer centre	Total activity of the PKO Bank Polski SA Group
Net interest income	1 477 423	272 575	(79 260)	1 670 738
Net fee and commission income	503 092	176 265	(207)	679 150
Other net income	96 278	132 052	2 529	230 859
Net result from financial operations	(2 875)	80 471	(1 937)	75 659
Net foreign exchange gains (losses)	59 404	8 369	4 466	72 239
Net other operating income and expense	33 213	49 748	-	82 961
Income/expenses relating to internal customers	6 536	(6 536)	-	-
Net impairment allowance and write-downs	(305 400)	(68 179)	-	(373 579)
Administrative expenses*, of which:	(1 125 523)	(279 247)	-	(1 404 770)
amortisation and depreciation	(174 216)	(32 028)	-	(206 244)
Share of profit (loss) of associates and joint ventures	-	-	-	8 515
Segment gross profit	645 870	233 466	(76 938)	810 913
Income tax expense (tax burden)	-	-	-	(175 151)
Profit (loss) attributable to non-controlling shareholders	-	-	-	(11 419)
<b>Net profit attributable to equity holders of the parent company</b>	<b>645 870</b>	<b>233 466</b>	<b>(76 938)</b>	<b>647 181</b>

\* The data was transformed to be comparable i.e. recalculated in accordance to the new methodology.

As at 31 December 2015	Continuing operations			
	Retail segment	Corporate and investment segment	Transfer centre	Total activity of the PKO Bank Polski SA Group
Assets*	140 811 660	121 419 976	3 760 106	265 991 742
Unallocated assets	-	-	-	948 177
<b>Total assets</b>	<b>140 811 660</b>	<b>121 419 976</b>	<b>3 760 106</b>	<b>266 939 919</b>
Liabilities*	150 189 893	56 122 250	30 304 994	236 617 137
Unallocated liabilities	-	-	-	57 869
<b>Total liabilities</b>	<b>150 189 893</b>	<b>56 122 250</b>	<b>30 304 994</b>	<b>236 675 006</b>

\* The data for 2015 have been brought to comparability. Changes relate to amounts in Central Bank (transferred from transfer center to corporate and investment segment) and funds raised from issuance of mid- and long-term securities (transferred from corporate and investment segment to transfer center).

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### 3.2 Information about geographical areas

As a complementary, the PKO Bank Polski SA Group applies distribution by geographical areas. The PKO Bank Polski SA Group conducts activities in the Republic of Poland and in Ukraine through the KREDOBANK SA Group, 'Inter-Risk Ukraina' Additional Liability Company and Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o., as well as in Sweden through subsidiaries: PKO Finance AB and PKO Leasing Sverige AB and in Germany through PKO Bank Polski SA's corporate branch (PKO Bank Polski Niederlassung Deutschland). The results of companies operating in Sweden and branch operating in Germany are insignificant given the scale of operations of PKO Bank Polski SA Group and for the presentation purposes are included in the segment of Poland.

For the period ended 31 March 2016	Poland	Ukraine	Total
Net interest income	1 820 180	33 015	1 853 195
Net fee and commission income	626 932	8 513	635 445
Other net income	205 046	(8 252)	196 794
Administrative expenses	(1 339 382)	(21 111)	(1 360 493)
Net impairment allowance	(376 333)	(5 833)	(382 166)
Tax on certain financial institutions expense	(148 365)	-	(148 365)
Share of profit (loss) of associates and joint ventures	-	-	3 318
Profit (loss) before income tax	788 078	6 332	797 728
Income tax expense (tax burden)	-	-	(159 760)
Profit (loss) attributable to non-controlling shareholders	-	-	(622)
<b>Net profit (loss) attributable to equity holders of the parent company</b>	<b>788 078</b>	<b>6 332</b>	<b>638 590</b>

As at 31 March 2016	Poland	Ukraine	Total
Assets of which:	265 744 913	1 345 855	267 090 768
non-financial fixed assets	6 460 127	60 900	6 521 027
deferred tax assets and current income tax receivable	937 286	8 660	945 946
Liabilities	234 780 503	1 275 406	236 055 909

For the period ended 31 March 2015	Poland	Ukraine	Total
Net interest income	1 652 506	18 232	1 670 738
Net fee and commission income	669 678	9 472	679 150
Other net income	286 296	(55 437)	230 859
Administrative expenses	(1 383 840)	(20 930)	(1 404 770)
Net impairment allowance	(362 035)	(11 544)	(373 579)
Share of profit (loss) of associates and joint ventures	-	-	8 515
Profit (loss) before income tax	862 605	(60 207)	810 913
Income tax expense (tax burden)	-	-	(175 151)
Profit (loss) attributable to non-controlling shareholders	-	-	(11 419)
<b>Net profit (loss) attributable to equity holders of the parent company</b>	<b>862 605</b>	<b>(60 207)</b>	<b>647 181</b>

As at 31 December 2015	Poland	Ukraine	Total
Assets of which:	265 572 205	1 367 714	266 939 919
non-financial fixed assets	6 388 189	65 928	6 454 117
deferred tax assets and current income tax receivable	936 113	12 064	948 177
Liabilities	235 382 254	1 292 752	236 675 006

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#### 4. Interest income and expense

Interest and similar income	01.01- 31.03.2016	01.01- 31.03.2015
Income from loans and advances to customers, of which: *	1 997 160	2 045 095
from impaired loans	74 231	82 746
Income from loans to banks	4 904	1 828
Income from investment securities available for sale	194 616	176 457
Income from placements with banks	23 728	28 097
Other	4 272	1 067
Other income, of which:	166 888	180 043
Income from financial assets designated upon initial recognition at fair value through profit and loss	52 789	71 836
Income from derivative hedging instruments	95 018	95 483
Income from trading financial assets	19 081	12 724
<b>Total</b>	<b>2 391 568</b>	<b>2 432 587</b>

\* In the three-month period of 2016 the amount of interest income decline due to negative LIBOR amounted to PLN (92) thousand and in the first quarter of 2015 it amounted PLN (1) thousand.

Interest expense and similar charges	01.01- 31.03.2016	01.01- 31.03.2015
Interest expense on amounts due to customers	(401 504)	(576 320)
Interest expense on loans from banks	(13 153)	(23 799)
Interest expense on debt securities in issue and subordinated liabilities	(90 108)	(135 953)
Premium expense on debt securities available for sale	(14 511)	(14 912)
Interest expense on deposits from banks	(2 954)	(2 288)
Interest expense on financial assets designated upon initial recognition at fair value through profit and loss	(6 635)	(4 349)
Interest expense on trading financial assets	(9 508)	(4 228)
<b>Total</b>	<b>(538 373)</b>	<b>(761 849)</b>

#### 5. Fee and commission income and expense

Fee and commission income	01.01- 31.03.2016	01.01- 31.03.2015
income from loans and advances granted	142 902	149 967
payment cards	230 940	212 175
maintenance of bank accounts	223 764	229 638
loans insurance	2 743	19 077
maintenance of investment and open pension funds (including management fees)	110 425	106 544
cash transactions	24 270	25 546
securities transactions	14 590	33 401
servicing foreign mass transactions	19 315	17 776
providing services of an agent for the issue of Treasury bonds	8 715	4 518
sale and distribution of court fee stamps	3 375	2 258
investment and insurance products	23 569	24 840
from insurance intermediary	22	1 547
from policies administration	1 609	1 655
from fund management	15 267	18 317
other	6 671	3 321
from fiduciary activities	1 116	1 072
other (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).	37 977	39 762
<b>Total</b>	<b>843 701</b>	<b>866 574</b>

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Fee and commission expense	01.01- 31.03.2016	01.01- 31.03.2015
payment cards	(128 662)	(121 294)
acquisition services	(17 549)	(14 762)
loans insurance	(9 230)	(9 062)
settlement services	(5 169)	(2 837)
fee and commissions for operating services provided by banks	(4 343)	(7 514)
other (i.a.: fee and expenses paid by the Brokerage House of PKO Bank Polski SA to Warsaw Stock Exchange (WSE) and to the National Depository for Securities (KDPW)).	(43 303)	(31 955)
<b>Total</b>	<b>(208 256)</b>	<b>(187 424)</b>

## 6. Net income from financial instruments measured at fair value

Net income from financial instruments measured at fair value	01.01- 31.03.2016	01.01- 31.03.2015
Derivative instruments, of which:	(17 854)	12 584
an ineffective portion related to cash flow hedges	342	2 704
Structured bank securities measured at fair value through profit and loss	5 480	(7 371)
Debt securities	2 241	16 917
Equity instruments	1 694	952
Other	-	36
<b>Total</b>	<b>(8 439)</b>	<b>23 118</b>

## 7. Gains and losses from financial securities available for sale

Gains	01.01- 31.03.2016	01.01- 31.03.2015
<b>Equity securities, issued by non-financial institutions, shares PLN</b>	<b>72</b>	<b>-</b>
<b>Debt Securities</b>	<b>55 040</b>	<b>57 656</b>
Treasury bonds PLN	47 551	56 446
Other	7 489	1 210
<b>Total</b>	<b>55 112</b>	<b>57 656</b>

Losses	01.01- 31.03.2016	01.01- 31.03.2015
<b>Equity securities, issued by non-financial institutions, shares PLN</b>	<b>-</b>	<b>(144)</b>
<b>Debt Securities</b>	<b>(4 481)</b>	<b>(4 971)</b>
Treasury bonds PLN	(4 408)	(3 569)
Other	(73)	(1 402)
<b>Total</b>	<b>(4 481)</b>	<b>(5 115)</b>
<b>Result on investment securities available for sale</b>	<b>50 631</b>	<b>52 541</b>

## 8. Other operating income and expense

Other operating income	01.01- 31.03.2016	01.01- 31.03.2015
Net income from sale of products and services	33 839	37 532
Sale and disposal of tangible fixed assets, intangible assets and assets held for sale	22 196	52 283
Damages, penalties and fines received	12 331	8 731
Sundry income	6 249	5 084
Recovery of expired and written-off receivables	1 253	9 522
Other, includes: income from insurance operations	47 736	26 755
<b>Total</b>	<b>123 604</b>	<b>139 907</b>

Other operating expense	01.01- 31.03.2016	01.01- 31.03.2015
Costs of sale of products and services	(12 919)	(15 349)
Costs of sale and disposal of tangible fixed assets, intangible assets and assets held for sale	(21 262)	(32 426)
Donations expenses	(925)	(310)
Sundry expenses	(4 162)	(1 325)
Other	(24 154)	(7 536)
<b>Total</b>	<b>(63 422)</b>	<b>(56 946)</b>

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**9. Net impairment allowance and write-downs**

	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	Derecognition of assets and settlement	Reversed during the period	Currency translation differences	Other			
Investment securities available for sale	21	132 490	31 778	-	-	-	-	437	1 605	162 226	(31 778)
Debt securities available for sale		56 925	31 778	-	-	-	-	432	1 605	86 666	(31 778)
Equity securities		75 565	-	-	-	-	-	5	-	75 560	-
Amounts due from banks	15	405	1 539	-	790	461	-	4	-	689	(1 078)
Loans and advances to customers measured at amortised cost	20	8 287 209	1 036 093	77	226 871	690 636	-	23 904	14 200	8 367 768	(345 457)
Non-financial sector		8 042 917	1 002 761	77	221 159	660 910	-	23 604	13 379	8 126 703	(341 851)
corporate loans		4 067 391	459 712	-	115 746	292 716	-	16 363	5 043	4 097 235	(166 996)
consumer loans		1 569 318	282 434	-	12 408	202 111	-	3 151	982	1 633 100	(80 323)
housing loans		2 337 224	260 615	-	93 005	164 143	-	4 090	7 354	2 329 247	(96 472)
debt securities		68 984	-	77	-	1 940	-	-	-	67 121	1 940
Financial sector		7 624	1 579	-	500	2 471	-	300	821	5 111	892
corporate loans		7 624	1 579	-	500	2 471	-	300	821	5 111	892
Public sector		34 600	5 364	-	4	4 239	-	-	-	35 721	(1 125)
corporate loans		31 905	-	-	4	4 239	-	-	-	27 662	4 239
debt securities		2 695	5 364	-	-	-	-	-	-	8 059	(5 364)
Finance lease receivables		202 068	26 389	-	5 208	23 016	-	-	-	200 233	(3 373)
Non-current assets held for sale	24	185	-	-	-	-	-	-	-	185	-
Tangible fixed assets	26	57 006	-	15 231	755	2 343	-	1 096	-	68 043	2 343
Intangible assets	26	191 338	52	-	-	-	-	-	-	191 390	(52)
Investments in associates and joint ventures	23	89 826	3 801	-	-	516	-	-	-	93 111	(3 285)
Inventories	25	37 252	2 036	-	372	-	-	-	15 231	23 685	(2 036)
Other receivables		265 056	16 776	-	56	11 763	-	344	30	269 639	(5 013)
Provision for legal claims, loan commitments and guarantees granted	34	105 107	74 768	208	4 774	78 822	-	20	-	96 467	4 054
Provision for future liabilities		2 076	822	-	-	958	-	-	-	1 940	136
<b>Total</b>		<b>9 167 950</b>	<b>1 167 665</b>	<b>15 516</b>	<b>233 618</b>	<b>785 499</b>	<b>25 805</b>	<b>31 066</b>	<b>9 275 143</b>	<b>(382 166)</b>	

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	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	Derecognition of assets and settlement	Reversed during the period	Currency translation differences	Other		
Investment securities available for sale	21	129 369	7 515	147	48 615	1 066	194	-	87 156	(6 449)
Debt securities available for sale		-	3 954	147	-	147	179	-	3 775	(3 807)
Equity securities		129 369	3 561	-	48 615	919	15	-	83 381	(2 642)
Amounts due from banks	15	111	601	-	-	7	-	108	597	(594)
Loans and advances to customers measured at amortised cost	20	8 022 477	1 392 269	107 923	266 448	1 042 934	82 691	1 063	8 129 533	(349 335)
Non-financial sector		7 812 724	1 372 701	105 778	259 807	1 028 538	81 496	1 063	7 920 299	(344 163)
corporate loans		4 089 160	645 104	11 874	3 526	484 575	61 221	-	4 196 816	(160 529)
consumer loans		1 322 907	350 696	16 055	106 696	260 926	7 016	-	1 315 020	(89 770)
housing loans		2 307 712	376 870	77 849	149 556	283 037	13 259	-	2 316 579	(93 833)
debt securities		92 945	31	-	29	-	-	1 063	91 884	(31)
Financial sector		9 483	1 904	2 124	4 448	4 194	1 195	-	3 674	2 290
corporate loans		9 483	1 904	2 124	4 448	4 194	1 195	-	3 674	2 290
Public sector		15 462	1 006	21	-	1 091	-	-	15 398	85
corporate loans		12 639	955	21	-	1 091	-	-	12 524	136
debt securities		2 823	51	-	-	-	-	-	2 874	(51)
Finance lease receivables		184 808	16 658	-	2 193	9 111	-	-	190 162	(7 547)
Non-current assets held for sale	24	93 430	361	-	630	-	-	-	93 161	(361)
Tangible fixed assets	26	10 080	48 221	-	-	-	2 873	-	55 428	(48 221)
Intangible assets	26	139 726	186	-	-	-	-	-	139 912	(186)
Investments in associates and joint ventures	23	108 715	105	-	-	28 854	-	74 142	5 824	28 749
Inventories	25	29 164	1 751	-	1 195	46	-	-	29 674	(1 705)
Other receivables		154 897	12 238	1 487	25	7 310	836	-	160 451	(4 928)
Provision for legal claims, loan commitments and guarantees granted	34	151 324	103 118	-	175	112 264	69	5 410	136 524	9 146
Provision for future liabilities		11 192	541	-	137	846	-	1 942	8 808	305
<b>Total</b>		<b>8 850 485</b>	<b>1 566 906</b>	<b>109 557</b>	<b>317 225</b>	<b>1 193 327</b>	<b>86 663</b>	<b>82 665</b>	<b>8 847 068</b>	<b>(373 579)</b>

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## 10. Administrative expenses

Administrative expenses	01.01- 31.03.2016	01.01- 31.03.2015
Employee benefits	(688 661)	(686 845)
Overheads	(354 099)	(385 346)
Amortisation and depreciation, of which:	(190 703)	(206 244)
tangible fixed assets	(75 781)	(92 055)
intangible assets	(114 066)	(113 774)
investment properties	(856)	(415)
Taxes and other charges*	(16 984)	(15 121)
Contribution and payments to the Bank Guarantee Fund	(110 046)	(111 214)
<b>Total</b>	<b>(1 360 493)</b>	<b>(1 404 770)</b>

\*The item does not include tax on certain financial institutions presented in another note.

In the 3 months of 2015 the Group recognized in time the cost of the prudential and annual fees payable to the Bank Guarantee Fund (the 'BGF'). Such approach to the recognition of fees was described in the interim condensed financial statements in 2015. The Act of 11 March 2016 amending the Law on the Bank Guarantee Fund and the Law on the functioning of cooperative banks, their mergers and affiliating banks (Journal of Laws of 2016, item 381), introduced a change in the schedule and calculation of fees. Fees for BGF are to be paid on a quarterly basis and not as previously once a year and the levy is determined on a quarterly basis and not as previously once a year. Consequently, in 2016 the Group recognized the cost of the fees payable to the Bank Guarantee Fund in the first month of a particular quarter. This change does not affect the results of individual quarters and only affects the results of the individual months of the quarter.

### Wages and salaries/employee benefits

Employee benefits	01.01- 31.03.2016	01.01- 31.03.2015
Wages and salaries, of which:	(566 850)	(566 006)
expenses on employee pension programme	(11 900)	(11 775)
Social Insurance, of which:	(102 597)	(103 067)
contributions to retirement pay and pensions	(90 533)	(89 014)
Other employee benefits	(19 214)	(17 772)
<b>Total</b>	<b>(688 661)</b>	<b>(686 845)</b>

## 11. Tax on certain financial institutions

On 1 February 2016 the Act of 15 January 2016 on tax on certain financial institutions (Journal of Laws of 2016, item 68) entered into force. Taxes are covered by domestic banks, branches of foreign banks, branches of credit institutions, cooperative credit unions (SKOK), national insurance companies, national reinsurance companies, branches of foreign insurance companies and foreign reinsurance companies, main branches of foreign insurance companies and foreign reinsurance companies, as well as lending institutions.

The tax base represents the excess of the total assets of the entity (over PLN 4 billion in the case of banks, more than PLN 2 billion for insurance companies) resulting from the trial balance at the end of each month. Banks and credit unions are entitled to a reduction of the tax base, for the value of own funds, and the value of Treasury securities. In addition, banks reduce the tax base by the value of the assets acquired from the NBP as collateral of the loan granted by NBP. The tax rate for all taxpayers amounts to 0.0366%, and the tax is paid per month to the 25th day of the month following the month to which it relates.

Within the Group the tax applies to PKO Bank Polski SA, PKO Bank Hipoteczny SA (as of the date of preparation of this report, PKO Bank Hipoteczny wasn't obliged to pay the tax, it didn't exceed the tax-exempt tax base, i.e. PLN 4 billion) as well as PKO Życie Towarzystwo Ubezpieczeń SA and PKO Towarzystwo Ubezpieczeń SA.

The tax was paid for the first time for February 2016. The tax paid is not deductible.



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	01.01- 31.03.2016	01.01- 31.03.2015
Tax on certain financial institutions, of which:		
PKO Bank Polski SA	(147 769)	-
PKO Życie Towarzystwo Ubezpieczeń SA	(569)	-
PKO Towarzystwo Ubezpieczeń SA	(27)	-
<b>Total</b>	<b>(148 365)</b>	<b>-</b>

## 12. Income tax expense

	01.01- 31.03.2016	01.01- 31.03.2015
Current income tax expense	(232 373)	(234 639)
Deferred income tax related to creating and reversal of temporary differences	72 613	59 488
<b>Tax expense in the consolidated income statement</b>	<b>(159 760)</b>	<b>(175 151)</b>
Deferred tax expense in other comprehensive income related to creating and reversal of temporary differences	(32 110)	(7 900)
<b>Total</b>	<b>(191 870)</b>	<b>(183 051)</b>

As previously reported in financial reports of PKO Bank Polski SA Group, KREDOBANK SA took part in legal claim concerning the results of tax audit, which covered the period from 1 April 2011 to 30 September 2012. On 10 February 2015 Higher Administrative Court issued a favorable verdict for KREDOBANK SA, maintaining decisions of the court of the first and second instance. The deadline for tax authority to appeal to the Supreme Court of Ukraine has expired. The legal dispute concerned the following areas for the period under control: The ability to deduct the costs of loan portfolio sale from tax payables, correctness of loan impairment provision calculation, correctness of VAT settlement on property sale, withholding tax for payments for services. KREDOBANK SA has no information about the submission of the aforementioned appeal by the tax authority, and thus the case is considered to have ended.

As at 31 December 2015, PKO Bankowy Leasing Sp. z o.o. showed a receivable in the amount of PLN 20 400 thousand due to overpayment of VAT and penalty interest on tax liabilities in connection with the adjustments of VAT declarations submitted in December 2014 for the periods from January 2011 to June 2013. On 7 January 2015, the Company made a payment of arrears of VAT. At the same time, on 26 January 2015 the company applied for a refund of overpaid tax. On 6 February 2015, the Tax Office issued an unfavorable decision on the settlement of overpayments and VAT returns for the periods from January 2011 to June 2013. The settlement of overpaid VAT refunds and arrears of VAT does not occur until the date of the submission of corrected declaration and the application for overpaid tax refund. The settlement does not occur on the date of payment of the tax in the amount greater than the tax due, as argued by the Company. On 19 February 2015 the Company filed a complaint to Head of the Tax Chamber and then, on 14 August 2015 filled a complaint to the Regional Administrative Court against the decision of the Internal Revenue Service of 6 February 2015 on the method of settlement of excessive tax payments and tax refunds on account of tax arrears, indicating on the contravention of the Tax Ordinance resulting in misinterpretation and incorrect application of its articles and non-application of the principle of proportionality for charging interest on tax debts.

On 30 December 2015 the Regional Administrative Court issued a favorable verdict for the Company, repealing the appealed resolution of the Internal Revenue Service of 6 February 2015 and sustaining Company's objections to misinterpretation of the Ordinance's articles and nonapplication of the principle of proportionality by the tax authorities. The court verdict is not binding. On 19 February 2016 Head of the Tax Chamber in Łódź filled the cassation complaint to the Supreme Administrative Court. Date of the trial is not appointed yet. On the basis of the opinion of tax consultants and the Regional Administrative Court's verdict of 30 December 2015, as at 31 March 2016 no evidence of impairment has been found for receivables from the excessive VAT payment and the receivables were not covered by impairment allowance.

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### 13. Earnings per share

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

Earnings per share	01.01- 31.03.2016	01.01- 31.03.2015
Profit per ordinary shareholders (in PLN thousand)	638 590	647 181
Weighted average number of ordinary shares during the period (in thousand)	1 250 000	1 250 000
Earnings per share (in PLN per share)	0.51	0.52

In the first quarter of 2016 and in the first quarter of 2015 there were no dilutive instruments and there were no significant expenses or income from discontinued operations.

### 14. Cash and balances with the central bank

	31.03.2016	31.12.2015
Current account in the central bank	12 444 463	9 854 137
Cash	3 413 079	3 889 658
Other funds	65	69
<b>Total</b>	<b>15 857 607</b>	<b>13 743 864</b>

### 15. Amounts due from banks

	31.03.2016	31.12.2015
Deposits with banks	1 329 477	2 484 467
Current accounts	1 147 640	951 480
Loans and advances granted	27 223	134 180
Receivables due from repurchase agreements	15 876	980 630
Cash in transit	2 932	2 620
<b>Total</b>	<b>2 523 148</b>	<b>4 553 377</b>
Impairment allowances on receivables	(689)	(405)
<b>Net Total</b>	<b>2 522 459</b>	<b>4 552 972</b>

Amounts due from banks - Group exposure to credit risk	Exposure	
	31.03.2016	31.12.2015
Amounts due from banks impaired, of which:	518	520
assessed on an individual basis	141	145
Amounts due from banks not impaired, of which:	2 522 630	4 552 857
not past due	2 522 630	4 552 857
<b>Gross total</b>	<b>2 523 148</b>	<b>4 553 377</b>
Impairment allowances	(689)	(405)
<b>Net total by carrying amount</b>	<b>2 522 459</b>	<b>4 552 972</b>

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## 16. Trading assets

By carrying amount	31.03.2016	31.12.2015
Debt securities	2 295 570	766 641
issued by the State Treasury, of which:	2 174 780	648 695
Treasury bonds PLN	2 102 733	640 009
Treasury bonds EUR	9 607	8 686
Treasury bills PLN	62 440	-
issued by local government bodies, municipal bonds PLN	44 145	48 596
issued by non-financial institutions, of which:	52 105	46 122
corporate bonds PLN	52 003	46 052
corporate bonds EUR	102	70
issued by other financial institutions, of which:	5 513	5 344
bonds issued by WSE PLN	5 476	5 238
corporate bonds PLN	37	106
issued by banks, corporate bonds PLN	19 027	17 884
Shares in other entities – listed on stock exchanges	7 833	9 910
Investment certificates	5 292	6 648
Allotment certificates	6	-
<b>Total</b>	<b>2 308 701</b>	<b>783 199</b>

The available for sale portfolio includes financial instruments held by the Brokerage House of PKO Bank Polski SA.

## 17. Derivative financial instruments

Type of derivative instruments	31.03.2016		31.12.2015	
	Assets	Liabilities	Assets	Liabilities
Hedging instruments	399 049	765 893	508 665	998 527
Other derivative instruments	2 592 595	2 526 194	3 838 604	3 626 240
<b>Total</b>	<b>2 991 644</b>	<b>3 292 087</b>	<b>4 347 269</b>	<b>4 624 767</b>

Type of contract	31.03.2016		31.12.2015	
	Assets	Liabilities	Assets	Liabilities
IRS	2 003 183	1 942 300	3 206 281	3 053 133
CIRS	405 442	927 050	472 355	1 210 159
FX Swap	236 670	114 140	309 954	85 953
Options	232 231	200 728	237 919	177 513
FRA	8 200	6 678	16 226	22 192
Forward	101 701	100 484	104 534	72 588
Other	4 217	707	-	3 229
<b>Total</b>	<b>2 991 644</b>	<b>3 292 087</b>	<b>4 347 269</b>	<b>4 624 767</b>

## 18. Derivative hedging instruments

As at 31 March 2016 the Group applies the following hedging strategies:

### 18.1 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

**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.

**Hedged 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.

**Hedged position** - the portfolio of floating interest rate mortgage loans denominated in CHF and 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.

**Periods in which cash flows are expected and in which they should have an impact on the financial result** - April 2016 - October 2026.

### 18.2 Hedges against fluctuations in cash flow floating interest rate loans in PLN, resulting from the risk of fluctuations in interest rates, using IRS transactions

**Description of hedge relationship** - elimination of the risk of cash flow fluctuations generated by floating interest rate PLN loan portfolio resulting from the interest rate risk in the period covered by the hedge.

**Hedged risk** - interest rate risk.

**Hedging instrument** - 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.

**Hedged position** - the portfolio of loans in PLN indexed to the floating 3M WIBOR rate.

**Periods in which cash flows are expected and in which they should have an impact on the financial result** - April 2016 - June 2020.

### 18.3 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

**Description of hedge relationship:**

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.

**Hedged risk** - interest rate risk.

**Hedging instrument** - 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.

**Hedged position** - the portfolio of loans in EUR indexed to the floating EURIBOR rate.

**Periods in which cash flows are expected and in which they should have an impact on the financial result** - April 2016 - June 2016.

### 18.4 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

**Description of hedge relationship** - 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.

**Hedged risk** - interest rate risk.

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**Hedging instrument** - 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.

**Hedged position** - the portfolio of loans in CHF indexed to the floating 3M CHF LIBOR rate.

**Periods in which cash flows are expected and in which they should have an impact on the financial result** - April 2016 - July 2016.

**18.5 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 currency, resulting from foreign exchange rate risk, using CIRS transactions**

**Description of hedge relationship** - 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

**Hedging instrument** - CIRS transactions where the Bank pays coupons based on floating 3M CHF LIBOR rate, and receives coupons based on fixed USD rate on the nominal value for which they were concluded.

**Hedged position** - the portfolio of floating interest rate mortgage loans denominated in CHF and 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 financial result** - April 2016 - September 2022.

**18.6 Hedges against fluctuations in cash flows from mortgage loans in other foreign currencies than CHF and negotiated term deposits in PLN, resulting from the risk of fluctuations in interest rates and in foreign exchange rates, using CIRS transactions**

**Description of hedge relationship** - elimination of the risk of cash flow fluctuations generated by floating interest rate loans denominated in EUR and negotiated term deposits in PLN, resulting from fluctuations in reference interest rates in EUR and PLN, and changes in foreign exchange rates EUR/PLN during the hedged period.

**Hedged risk** - currency risk and interest rate risk.

**Hedging instrument** - CIRS transactions where the Bank pays coupons based on EURIBOR 3M, and receives coupons based on 3M WIBOR on the nominal value defined in EUR and PLN respectively.

**Hedged position** - the portfolio of floating interest rate mortgage loans denominated in EUR and the portfolio of short-term negotiated term deposits, including renewals in the future (high probability of occurrence). The Bank designated the hedged position according to the regulations of IAS.39.AG.99C as adopted by the European Union.

**Periods in which cash flows are expected and in which they should have an impact on the financial result** - April 2016 - March 2021.

As at 31 March 2016 and as at 31 December 2015, 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. Tests are performed monthly.

Type of instrument:	Carrying amount/fair value of derivative instruments constituting cash flow hedges related to the interest rate and/or exchange rate			
	31.03.2016		31.12.2015	
	Assets	Liabilities	Assets	Liabilities
IRS	159 551	94	269 122	-
CIRS	239 498	765 799	239 543	998 527
<b>Total</b>	<b>399 049</b>	<b>765 893</b>	<b>508 665</b>	<b>998 527</b>

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The effect of hedging instruments on other comprehensive income	01.01- 31.03.2016	01.01- 31.03.2015
Other comprehensive income at the beginning of the period, gross	(71 182)	6 425
Gains/losses transferred to other comprehensive income in the period	207 294	(971 073)
Amount transferred from other comprehensive income to the income statement, of which:	(70 624)	925 778
- interest income	(95 018)	(95 483)
- net foreign exchange gains (losses)	24 394	1 021 261
Accumulated other comprehensive income at the end of the period, gross	65 488	(38 870)
Tax effect	(12 443)	7 385
Accumulated other comprehensive income at the end of the period, net	53 045	(31 485)
Effect on other comprehensive income in the period, gross	136 670	(45 294)
Deferred tax on cash flow hedges	(25 968)	8 606
<b>Effect on other comprehensive income in the period, net</b>	<b>110 702</b>	<b>(36 688)</b>
The ineffective portion of cash flow hedges recognized in the profit and loss account	342	2 704

**19. Financial instruments designated upon initial recognition as at fair value through profit and loss**

By carrying amount	31.03.2016	31.12.2015
Debt securities	11 285 333	13 337 373
issued by central banks, NBP money market bills	7 541 728	10 036 898
issued by the State Treasury, of which:	3 503 446	3 052 701
Treasury bonds PLN	2 339 298	1 934 817
Treasury bonds EUR	189 612	91 634
Treasury bonds CHF	974 536	993 615
Treasury bonds UAH	-	32 635
issued by local government bodies, of which:	240 159	247 263
municipal bonds EUR	131 606	131 341
municipal bonds PLN	108 553	115 922
issued by non-financial institutions, corporate bonds PLN	-	511
Participation units in ICF (insurance capital funds) related to insurance products belonging to the group of products where the investment risk is borne by the policyholder	1 814 862	1 816 727
<b>Total</b>	<b>13 100 195</b>	<b>15 154 100</b>

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## 20. Loans and advanced to customers

Loans and advances to customers by sector and type of product	31.03.2016	31.12.2015
Loans and advances to customers, gross, of which:	196 236 875	198 700 917
financial sector	1 024 907	4 834 177
corporate, of which:	313 898	391 286
finance lease receivables	111	101
deposits of the Brokerage House of PKO Bank Polski SA in the Stock Exchange Guarantee Fund and initial deposit	12 539	10 217
receivables due from repurchase agreements	710 796	4 432 239
International financial organisations	213	10 652
non-financial sector	185 457 008	183 864 042
housing	102 984 693	103 005 812
corporate, of which:	56 434 399	54 668 212
finance lease receivables	5 982 764	5 664 209
consumer	23 596 709	23 529 145
debt securities (corporate)	2 437 163	2 660 873
receivables due from repurchase agreements	4 044	-
public sector	9 754 960	10 002 698
corporate of which:	7 068 584	7 307 327
finance lease receivables	70 636	71 584
debt securities (municipal)	2 686 376	2 695 371
Impairment allowances on loans and advances, of which:	(8 367 768)	(8 287 209)
impairment allowances on receivable from leasing	(200 233)	(202 068)
<b>Loans and advances to customers, net</b>	<b>187 869 107</b>	<b>190 413 708</b>

Loans and advances to customers by customer segment	31.03.2016	31.12.2015
Loans and advances granted, gross, of which:	196 236 875	198 700 917
mortgage banking	96 237 868	96 060 668
corporate	52 050 989	51 160 753
retail and private banking	23 596 709	23 529 145
small and medium enterprises	23 623 717	23 497 243
International financial organisations	213	10 652
receivables due from repurchase agreements	714 840	4 432 239
other receivables	12 539	10 217
Impairment allowances on loans and advances	(8 367 768)	(8 287 209)
<b>Loans and advances granted, net</b>	<b>187 869 107</b>	<b>190 413 708</b>

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Loans and advances to customers by method of calculating impairment allowances	31.03.2016	31.12.2015
Assessed on an individual basis, of which:	7 066 182	7 549 635
impaired, of which:	5 190 502	5 412 768
finance lease receivables	304 819	407 063
not impaired, of which:	1 875 680	2 136 867
finance lease receivables	269 342	332 905
Assessed on a portfolio basis, of which:	7 763 059	7 688 142
impaired, of which:	7 763 059	7 688 142
finance lease receivables	96 099	96 732
Assessed on a group basis (IBNR)	181 407 634	183 463 140
finance lease receivables	5 383 251	4 899 194
<b>Loans and advances to customers, gross</b>	<b>196 236 875</b>	<b>198 700 917</b>
Impairment allowances on exposures assessed on an individual basis, of which:	(2 792 323)	(2 895 857)
finance lease receivables	(111 993)	(111 165)
impaired, of which:	(2 782 067)	(2 882 352)
finance lease receivables	(110 651)	(109 504)
Impairment allowances on exposures assessed on a portfolio basis, of which:	(4 963 865)	(4 822 183)
finance lease receivables	(75 741)	(77 804)
Impairment allowances on exposures assessed on a group basis (IBNR), of which:	(611 580)	(569 169)
finance lease receivables	(12 499)	(13 099)
Impairment allowances - total	(8 367 768)	(8 287 209)
<b>Loans and advances to customers, net</b>	<b>187 869 107</b>	<b>190 413 708</b>

As at 31 March 2016, the share of impaired loans amounted to 6.6% (as at 31 December 2015: 6.6%), whereas the coverage ratio for impaired loans (calculated as total impairment allowances on loans and advances to customers divided by gross carrying amount of impaired loans) amounted to 64.6% (as at 31 December 2015: 63.3%).

As at 31 March 2016, the share of loans overdue by more than 90 days in the gross amount of loans and advances was 5.1% (as at 31 December 2015: 4.9%).

Loans and advances to customers - Group exposure to credit risk	Credit exposure	
	31.03.2016	31.12.2015
Loans and advances impaired, of which:	12 953 561	13 100 910
assessed on an individual basis	5 190 502	5 412 768
Loans and advances not impaired, of which:	183 283 314	185 600 007
with recognised individual impairment trigger	1 789 252	2 043 049
not past due	1 439 021	1 605 408
past due	350 231	437 641
without recognised individual impairment trigger	181 494 062	183 556 958
not past due	178 384 944	180 382 118
past due	3 109 118	3 174 840
<b>Gross total</b>	<b>196 236 875</b>	<b>198 700 917</b>
Impairment allowances, of which:	(8 367 768)	(8 287 209)
for impaired exposures	(7 745 932)	(7 704 535)
for not impaired exposures, of which:	(621 836)	(582 674)
with recognised impairment trigger	(10 235)	(13 479)
without recognised impairment trigger	(611 601)	(569 195)
<b>Total net carrying amount</b>	<b>187 869 107</b>	<b>190 413 708</b>

**Debt securities (municipal and corporate bonds) reclassified from financial assets available for sale to loans and advances to customers (reclassified in the third and fourth quarter of 2012).**

As at 31 March 2016	nominal value	fair value	carrying amount
Municipal bonds	738 112	737 844	742 153
Corporate bonds	51 489	71 372	8 456
<b>Total</b>	<b>789 601</b>	<b>809 216</b>	<b>750 609</b>



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As at 31 December 2015	nominal value	fair value	carrying amount
Municipal bonds	745 362	741 656	747 693
Corporate bonds	582 000	591 416	537 703
<b>Total</b>	<b>1 327 362</b>	<b>1 333 072</b>	<b>1 285 396</b>

## 21. Investment securities available for sale

By carrying amount, gross	31.03.2016	31.12.2015
Debt securities available for sale, gross	31 005 177	27 661 838
issued by the State Treasury, of which:	21 782 463	18 358 006
Treasury bonds PLN	21 028 211	17 920 035
Treasury bonds EUR	312 284	310 620
Treasury bonds USD	59 452	77 375
Treasury bonds UAH	85 076	49 976
Treasury bills PLN	297 440	-
issued by local government bodies, municipal bonds PLN	4 630 851	4 613 726
issued by non-financial institutions, of which:	3 085 577	3 171 012
corporate bonds PLN	2 551 555	2 626 682
corporate bonds EUR	316 519	320 712
corporate bonds USD	217 503	223 618
issued by banks, corporate bonds, of which:	1 506 286	1 519 094
corporate bonds PLN	1 458 304	1 470 753
corporate bonds EUR	44 642	44 569
corporate bonds UAH	3 340	3 772
Impairment allowances on debt securities available for sale, of which:	(86 666)	(56 925)
corporate bonds PLN	(46 807)	(22 959)
corporate bonds USD	(36 519)	(30 194)
corporate bonds UAH	(3 340)	(3 772)
<b>Total net debt securities available for sale</b>	<b>30 918 511</b>	<b>27 604 913</b>
Equity securities available for sale, gross	562 083	567 346
Equity securities not admitted to public trading	347 560	346 941
Equity securities admitted to public trading	214 523	220 405
Impairment allowances on equity securities available for sale	(75 560)	(75 565)
<b>Total net equity securities available for sale</b>	<b>486 523</b>	<b>491 781</b>
Participation units in investment funds and shares in joint investment institutions	284 944	212 821
<b>Total net investment securities available for sale</b>	<b>31 689 978</b>	<b>28 309 515</b>

PKO Bank Polski SA Group as a member of Visa Europe Limited is among the beneficiaries of the acquisition of shares in Visa Europe Limited by Visa Inc. As at 31 March 2016 and as at 31 December 2015, a portion of the anticipated as described above, remuneration in the amount of EUR 76 840 thousand (i.e. PLN 327 984 thousand and PLN 327 453 thousand, respectively) has been included in the valuation of shares in Visa Europe Limited (in other comprehensive income – in position of the revaluation of financial assets available for gross sales). Detailed information regarding the above-mentioned transaction is described in note ‘other information’ - Factors which may affect future financial performance within at least the next quarter.

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Investment securities available for sale - debt securities - Group exposure to credit risk	Exposure	
	31.03.2016	31.12.2015
Debt securities impaired, of which:	480 117	397 434
assessed on an individual basis	480 117	397 434
Debt securities not impaired, of which:	30 525 060	27 264 404
not past due	30 525 060	27 264 404
with external rating	23 249 884	21 725 977
with internal rating	7 275 176	5 538 427
<b>Gross total</b>	<b>31 005 177</b>	<b>27 661 838</b>
Impairment allowances	(86 666)	(56 925)
<b>Total net carrying amount</b>	<b>30 918 511</b>	<b>27 604 913</b>

## 22. Investment securities held to maturity

By carrying amount, gross	31.03.2016	31.12.2015
Debt securities		
issued by the State Treasury, of which:	313 693	210 330
issued by the State Treasury USD	270 176	170 265
issued by the State Treasury PLN	40 857	37 436
issued by the State Treasury EUR	2 660	2 629
<b>Total</b>	<b>313 693</b>	<b>210 330</b>

Investment securities held to maturity - debt securities - Group exposure to credit risk	Exposure	
	31.03.2016	31.12.2015
Debt securities not impaired, of which:	313 693	210 330
not past due with external rating	313 693	210 330
<b>Gross total</b>	<b>313 693</b>	<b>210 330</b>
<b>Total net carrying amount</b>	<b>313 693</b>	<b>210 330</b>

## 23. Investment in associates and joint ventures

1) the value of PKO Bank Polski SA Group's investments in joint ventures

Entity name	31.03.2016	31.12.2015
'Centrum Obsługi Biznesu' Sp. z o.o.	-	-
Purchase price	17 498	17 498
Change in share of net assets	(15 335)	(14 819)
Impairment allowance	(2 163)	(2 679)
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	209 472	206 228
Fair value of the remaining part of shares as at the date of obtaining joint control	197 320	197 320
Change in share of net assets	12 152	8 908
<b>Total</b>	<b>209 472</b>	<b>206 228</b>

2) the value of the PKO Bank Polski SA Group's in associates

Equity name	31.03.2016	31.12.2015
The Bank Pocztowy SA Group	161 500	161 500
Purchase price	161 500	161 500
Change in valuation with equity method	84 864	81 372
Impairment allowance	(84 864)	(81 372)
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	-	-
Purchase price	1 500	1 500
Change in valuation with equity method	4 584	4 275
Impairment allowance	(6 084)	(5 775)
FERRUM SA Group	25 291	24 143
Purchase price	25 291	24 143
<b>Total</b>	<b>186 791</b>	<b>185 643</b>

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## 24. Non-current assets held for sale

	31.03.2016	31.12.2015
Land and buildings	215 363	217 359
Other	2 107	2 661
<b>Total</b>	<b>217 470</b>	<b>220 020</b>

## 25. Inventories

	31.03.2016	31.12.2015
Building investments for sale	118 835	201 468
Goods	202 568	150 401
Finished goods	26 617	63 872
Materials	18 861	22 459
Impairment allowances on inventories	(23 685)	(37 252)
<b>Total</b>	<b>343 196</b>	<b>400 948</b>

## 26. Intangible assets and tangible fixed assets

Intangible assets	31.03.2016	31.12.2015
Software	1 784 599	1 673 081
Goodwill acquired as a result of business combinations (including subsidiaries' goodwill)	1 198 605	1 198 642
Future profits on concluded insurance contracts	94 713	99 207
Relations with customers	44 639	48 114
Other, including capital expenditure	247 265	251 939
<b>Total</b>	<b>3 369 821</b>	<b>3 270 983</b>

Net goodwill	31.03.2016	31.12.2015
Nordea Polska entities	985 221	985 221
PKO Towarzystwo Funduszy Inwestycyjnych SA	149 564	149 564
PKO BP BANKOWY PTE SA	51 158	51 158
Qualia 2 spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Sp.k.	4 877	4 914
Goodwill related to assets taken over from Centrum Finansowe Puławska Sp. z o.o.	7 785	7 785
<b>Total</b>	<b>1 198 605</b>	<b>1 198 642</b>

Tangible fixed assets	31.03.2016	31.12.2015
Land and buildings	1 707 938	1 673 517
Machinery and equipment	416 064	427 458
Means of transport	124 963	89 633
Assets under construction	235 320	260 796
Investment properties	140 957	141 813
Other	182 768	188 969
<b>Total</b>	<b>2 808 010</b>	<b>2 782 186</b>

In the periods ended 31 March 2016 and on 31 March 2015 there were no significant acquisitions and sales of tangible fixed assets.

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## 27. Other assets

	31.03.2016	31.12.2015
Settlements of payment cards transactions	1 209 592	384 342
Accruals and prepayments	315 288	264 331
Trade receivables	153 964	149 962
Settlements of financial instruments	194 661	178 687
Receivables from other transactions with financial and non-financial institutions	14 868	8 790
Assets for sale	174 748	178 146
Receivables from the State budget due to court fee stamps' distribution carried out by the Bank	9 575	10 191
Receivables and settlements of securities turnover	155 172	140 369
Receivables from unsettled transactions related to derivatives	1 074	2 854
Other*	127 736	93 105
<b>Total</b>	<b>2 356 678</b>	<b>1 410 777</b>
of which financial assets**	1 738 906	875 195

\* Item 'Other' includes i.a.: 'Receivables from internal operations', 'Receivables from fee and commissions', 'Receivables from security deposits and bid bonds'.

\*\* Financial assets include all items of 'Other assets', with the exception of 'Accruals and prepayments', 'Assets for sale' and 'Other'.

## 28. Amounts due to banks

	31.03.2016	31.12.2015
Loans and advances received, of which:	16 271 771	16 418 082
from Nordea Bank AB (publ)	16 244 821	16 371 687
Bank deposits	1 155 639	1 168 407
Current accounts	615 048	473 738
Amounts due from repurchase agreements	2 156 519	197 023
Other money market deposits	47 645	31 547
<b>Total</b>	<b>20 246 622</b>	<b>18 288 797</b>

## 29. Amounts due to customers

	31.03.2016	31.12.2015
Amounts due to retail clients, of which:	138 463 137	135 410 367
Term deposits	72 575 866	71 079 630
Current accounts and overnight deposits	65 604 770	64 039 511
Other liabilities	282 501	291 226
Amounts due to corporate entities, of which:	47 196 466	51 213 728
Term deposits	19 097 475	23 032 660
Current accounts and overnight deposits	23 001 327	22 447 227
Loans and advances received, of which:	3 877 909	3 924 099
from international financial organisations	3 858 238	3 877 413
Amounts due from repurchase agreements	254 039	829 114
Other liabilities	965 716	980 628
Amounts due to public entities, of which:	9 196 550	9 134 366
Current accounts and overnight deposits	6 309 419	5 679 394
Term deposits	2 870 432	3 435 443
Other liabilities	16 699	19 529
<b>Total</b>	<b>194 856 153</b>	<b>195 758 461</b>

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By client segment	31.03.2016	31.12.2015
Amounts due to customers, of which:		
retail and private banking	131 827 722	128 269 113
corporate	39 325 900	42 606 510
small and medium enterprises	19 563 182	20 122 652
loans and advances received	3 877 909	3 924 099
from international financial organizations	3 858 238	3 877 413
amounts due from repurchase agreements	254 039	829 114
other liabilities	7 401	6 973
<b>Total</b>	<b>194 856 153</b>	<b>195 758 461</b>

### 30. Liabilities due to insurance operations

	31.03.2016	31.12.2015
Technical provisions	127 961	114 597
Liabilities due to insurer's investment contracts divided into:	2 300 915	2 285 896
Structured products	28 843	37 051
Products combining policy and deposit	2 757	2 788
Unit-linked insurance financial products	2 269 315	2 246 057
<b>Total</b>	<b>2 428 876</b>	<b>2 400 493</b>

	31.03.2016	31.12.2015
Liabilities due to insurance operations, gross, of which:		
Provisions for life insurance	120 840	110 239
Provisions for unpaid claims and benefits	84 323	85 504
Technical provisions for life insurance if a policyholder bears the deposit (investment) risk	2 123 227	2 088 955
Provisions for premiums and provisions for unexpired risk	128 259	115 992
Provisions for the bonuses and rebates for the insured	57	48
<b>Total liabilities due to insurance operations, gross</b>	<b>2 456 706</b>	<b>2 400 738</b>
Reinsurer's share	(27 830)	(245)
<b>Liabilities due to insurance operations, net</b>	<b>2 428 876</b>	<b>2 400 493</b>

### 31. Debt securities in issue

	31.03.2016	31.12.2015
Debt securities in issue		
Financial instruments measured at amortised cost	9 218 641	9 361 229
bonds issued by PKO Finance AB	7 114 321	7 332 263
bonds issued by PKO Bank Polski SA	1 651 557	1 645 917
bonds issued by PKO Leasing SA	375 711	363 130
bonds issued by PKO Bank Hipoteczny SA	62 136	-
mortgage-backed securities issued by Bank Hipoteczny SA	14 916	19 919
Financial instruments measured at fair value through profit and loss - bank securities issued by PKO Bank Polski SA	-	71 744
<b>Total</b>	<b>9 218 641</b>	<b>9 432 973</b>

#### Bonds issued by PKO Finance AB

Issuance date	Nominal value	Currency	Maturity date	Carrying amount as at 31.03.2016	Carrying amount as at 31.12.2015
07.07.2011	250 000	CHF	07.07.2016	1 003 044	1 003 047
25.07.2012	50 000	EUR	25.07.2022	217 314	214 573
26.09.2012	1 000 000	USD	26.09.2022	3 751 530	3 938 519
23.01.2014	500 000	EUR	23.01.2019	2 142 433	2 176 124
<b>Total</b>				<b>7 114 321</b>	<b>7 332 263</b>

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### 32. Subordinated liabilities

As at 31 March 2016	Nominal value in currency	Nominal value in PLN	Currency	Maturity date	Liability balance in PLN
Subordinated bonds	1 600 700	1 600 700	PLN	14.09.2022	1 602 925
Subordinated loan	224 000	874 497	CHF	24.04.2022	874 556
<b>Total</b>	<b>x</b>	<b>2 475 197</b>	<b>x</b>	<b>x</b>	<b>2 477 481</b>

As at 31 December 2015	Nominal value in currency	Nominal value in PLN	Currency	Maturity date	Liability balance in PLN
Subordinated bonds	1 600 700	1 600 700	PLN	14.09.2022	1 616 619
Subordinated loan	224 000	882 426	CHF	24.04.2022	882 544
<b>Total</b>	<b>x</b>	<b>2 483 126</b>	<b>x</b>	<b>x</b>	<b>2 499 163</b>

### 33. Other liabilities

	31.03.2016	31.12.2015
Accounts payable	477 971	658 230
Deferred income	512 300	501 124
Liabilities related to tax on certain financial institutions	74 914	-
Other liabilities	2 184 205	2 196 816
<b>Total</b>	<b>3 249 390</b>	<b>3 356 170</b>
of which financial liabilities	2 465 909	2 340 804

As at 31 March 2016 and as at 31 December 2015 the Group had no overdue contractual liabilities.

### 34. Provisions

For the period ended 31 March 2016	Provision for legal claims	Provisions for retirement benefits and anniversary bonuses	Provisions for loan commitments and guarantees granted	Other provisions*	Total
As at 1 January 2016, of which:	22 369	46 033	82 738	100 954	252 094
Short term provision	22 054	3 575	64 045	100 954	190 628
Long term provision	315	42 458	18 693	-	61 466
Increase/reassessment of provision	9 752	-	65 016	1 163	75 931
Release of provision	(2 934)	-	(75 888)	(2 482)	(81 304)
Use of provision	(4 774)	-	-	(8 403)	(13 177)
Currency translation differences	(18)	-	(2)	-	(20)
Other changes and reclassifications	-	-	208	-	208
<b>As at 31 March 2016, of which:</b>	<b>24 395</b>	<b>46 033</b>	<b>72 072</b>	<b>91 232</b>	<b>233 732</b>
Short term provision	24 395	3 575	51 690	91 232	170 892
Long term provision	-	42 458	20 382	-	62 840

\* Included in 'Other provisions' are i.a.: restructuring provision of PLN 58 319 thousand, provision of PLN 1 933 thousand for potential claims on impaired loan portfolio sold and provisions for litigation, including judicial, which are the subject of compensation in the amount of PLN 407 thousand.

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For the period ended 31 March 2015	Provision for legal claims	Provisions for retirement benefits and anniversary bonuses	Provisions for loan commitments and guarantees granted	Other provisions*	Total
<b>As at 1 January 2015, of which:</b>	<b>47 480</b>	<b>39 847</b>	<b>103 844</b>	<b>132 667</b>	<b>323 838</b>
Short term provision	47 165	3 141	73 707	132 667	256 680
Long term provision	315	36 706	30 137	-	67 158
Increase/reassessment of provision	648	-	102 470	804	103 922
Release of provision	(427)	-	(111 837)	(9 443)	(121 707)
Use of provision	(175)	(38)	-	-	(213)
Currency translation differences	(29)	-	(40)	-	(69)
Other changes and reclassifications	(4 980)	-	(430)	(1 942)	(7 352)
<b>As at 31 March 2015, of which:</b>	<b>42 517</b>	<b>39 809</b>	<b>94 007</b>	<b>122 086</b>	<b>298 419</b>
Short term provision	42 202	3 142	62 196	122 086	229 626
Long term provision	315	36 667	31 811	-	68 793

\* Included in 'Other provisions' are i.a.: restructuring provision of PLN 85 785 thousand, provision of PLN 2 295 thousand for potential claims on impaired loan portfolio sold and provisions for litigation, including judicial, which are the subject of compensation in the amount of PLN 338 thousand.

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

### 35. Equity and shareholding structure of the Bank

	31.03.2016	31.12.2015
Share capital	1 250 000	1 250 000
Reserve capital	20 711 174	20 711 174
General banking risk fund	1 070 000	1 070 000
Other reserves	3 536 391	3 536 391
Other comprehensive income, of which:	241 492	100 244
Share in other comprehensive income of an associate	3 025	(186)
Financial assets available for sale	197 981	170 646
Cash flow hedges	53 045	(57 657)
Actuarial gains and losses	(12 559)	(12 559)
Currency translation differences from foreign operations	(225 750)	(216 501)
Undistributed profits	3 831 977	1 222 413
Net profit for the period	638 590	2 609 564
Non-controlling interests	(19 015)	(18 372)
<b>Total equity</b>	<b>31 034 859</b>	<b>30 264 913</b>

#### The Bank's shareholding structure

According to information available as at 31 March 2016 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 %
<b>As at 31 March 2016</b>				
The State Treasury	367 918 980	29.43	PLN 1	29.43
Aviva OFE <sup>1</sup>	83 952 447	6.72	PLN 1	6.72
Nationale-Nederlanden OFE <sup>2</sup>	64 594 448	5.17	PLN 1	5.17
Other shareholders <sup>3</sup>	733 534 125	58.68	PLN 1	58.68
<b>Total</b>	<b>1 250 000 000</b>	<b>100.00</b>	<b>---</b>	<b>100.00</b>
<b>As at 31 December 2015</b>				
The State Treasury	367 918 980	29.43	PLN 1	29.43
Aviva OFE <sup>1</sup>	83 952 447	6.72	PLN 1	6.72
Nationale-Nederlanden OFE <sup>2</sup>	64 594 448	5.17	PLN 1	5.17
Other shareholders <sup>3</sup>	733 534 125	58.68	PLN 1	58.68
<b>Total</b>	<b>1 250 000 000</b>	<b>100.00</b>	<b>---</b>	<b>100.00</b>

- Number of shares held as at 29 January 2013, reported by Aviva OFE after exceeding 5% of share in PKO Bank Polski SA's shareholding structure after settlement of the transaction of sale of 153.1 million of PKO Bank Polski SA's shares by BGK and the State Treasury.
- Number of shares held as at 24 July 2012, reported by ING OFE (the entity name was changed to Nationale Nederlanden OFE) after exceeding 5% of share in PKO Bank Polski SA's shareholding structure after settlement of the transaction of sale of 95 million of PKO Bank Polski SA's shares by the State Treasury.
- Including Bank Gospodarstwa Krajowego, which on the day of publication of the report for the first quarter of 2016 owned 24 487 297 shares, representing 1.96% of the number of votes at the General Meeting of Shareholders.

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All shares of PKO Bank Polski SA carry the same rights and obligations. Shares are not preference shares in relation to voting rights and dividends. However, the Memorandum of Association of PKO Bank Polski SA restricts the voting rights of shareholders holding more than 10% of the total number of votes at the General Shareholders' Meeting. The above does not apply to:

- shareholders who on the date of passing the resolution of the General Shareholders' Meeting introducing the limitation of the voting rights had rights from the shares representing more than 10% of the total number of votes at the Bank (i.e. the State Treasury and BGK).
- shareholders, who have the rights from A-series registered shares (the State Treasury) and
- shareholders acting jointly with the shareholders referred to in point (2) based on an agreement concerning the joint execution of voting rights from shares. Moreover, limitation of the voting rights shall expire when the share of the State Treasury in the Bank's share capital drops below 5%.

In accordance with § 6 clause 2 of the PKO Bank Polski SA's Statute, the conversion of A-series registered shares into bearer shares and the transfer of these shares requires an approval of the Council of Ministers in the form of a resolution. Conversion into bearer shares or transfer of A-series registered shares, after getting the above-mentioned approval, results in the expiry of the above-mentioned restrictions in respect of shares subject to conversion into bearer shares or transfer, to the extent to which this approval was given.

The Bank's shares are listed on the Warsaw Stock Exchange.

**The structure of PKO Bank Polski SA's share capital**

Series	Type of shares	Number of shares	Nominal value of 1 share	Series amount by nominal value
Series A	registered ordinary shares	312 500 000	PLN 1	PLN 312 500 000
Series A	bearer ordinary shares	197 500 000	PLN 1	PLN 197 500 000
Series B	bearer ordinary shares	105 000 000	PLN 1	PLN 105 000 000
Series C	bearer ordinary shares	385 000 000	PLN 1	PLN 385 000 000
Series D	bearer ordinary shares	250 000 000	PLN 1	PLN 250 000 000
<b>Total</b>	---	<b>PLN 1 250 000 000</b>	---	<b>PLN 1 250 000 000</b>

In first quarter of 2016, there were no changes in the amount of the share capital of PKO Bank Polski SA. Issued shares of PKO Bank Polski SA are not preferred shares and are fully paid.

**36. Contingent liabilities and off-balance sheet liabilities received**

**36.1 Securities covered with underwriting agreements (maximum liability of the Group to acquire securities)**

As at 31 March 2016 and as at 31 December 2015, 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	Contract period
<b>As at 31 March 2016</b>			
Company A	corporate bonds	1 055 000	31.07.2020
Company B	corporate bonds	1 125 800	31.12.2020
Company C	corporate bonds	882 000	15.06.2022
Company D	corporate bonds	77 800	31.12.2022
Company E	corporate bonds	60 000	23.11.2021
Company F	corporate bonds	27 645	31.12.2029
Company G	corporate bonds	15 000	31.12.2026
<b>Total</b>		<b>3 243 245</b>	



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Issuer of securities underwritten	Type of underwritten securities	Off-balance sheet liabilities	Contract period
<b>As at 31 December 2015</b>			
Company B	corporate bonds	1 950 000	31.12.2020
Company A	corporate bonds	1 055 000	31.07.2020
Company C	corporate bonds	342 700	15.06.2022
Company D	corporate bonds	80 600	31.12.2022
Company E	corporate bonds	60 000	23.11.2021
Company F	corporate bonds	28 224	31.12.2029
Company G	corporate bonds	17 900	31.12.2026
Company H	corporate bonds	4 424	31.01.2016
Company I	corporate bonds	3 403	30.09.2030
<b>Total</b>		<b>3 542 251</b>	

All agreements relate to the Agreement for Organization, Conducting and Servicing of the Bond Issuance Program.

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

### 36.2 Contractual commitments

As at 31 March 2016 the value of contractual commitments concerning intangible assets amounted to PLN 158 948 thousand (as at 31 December 2015 amounted to PLN 178 899 thousand).

As at 31 March 2016 the value of contractual commitments concerning tangible fixed assets amounted to PLN 20 072 thousand (as at 31 December 2015 amounted to PLN 50 278 thousand).

### 36.3 Loan commitments granted

by nominal value	31.03.2016	31.12.2015
Credit lines and limits		
to financial entities	2 206 153	2 306 177
to non-financial entities	34 821 982	36 157 856
to public entities	4 175 357	4 080 379
<b>Total</b>	<b>41 203 492</b>	<b>42 544 412</b>
of which: irrevocable loan commitments	30 027 624	30 513 878

### 36.4 Guarantee liabilities granted

	31.03.2016	31.12.2015
Guarantees in domestic and foreign trading	6 350 491	7 555 837
to financial entities	32 186	85 504
to non-financial entities	6 307 637	7 463 037
to public entities	10 668	7 296
Guarantees and pledges granted - domestic corporate bonds	4 823 384	5 430 649
to non-financial entities	4 688 545	4 930 649
to financial entities	134 839	500 000
Letters of credit granted	1 401 728	1 838 101
to non-financial entities	1 401 626	1 838 000
to public entities	102	101
Guarantees and pledges granted - payment guarantee to financial entities	120 856	143 646
Guarantees and pledges granted - domestic municipal bonds to public entities	86 956	59 320
<b>Total</b>	<b>12 783 415</b>	<b>15 027 553</b>
of which: good performance guarantees granted	2 391 676	2 378 395

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**36.5 Off-balance sheet liabilities received**

by nominal value	31.03.2016	31.12.2015
Financial	565 620	505 350
Guarantees*	6 611 047	6 831 132
<b>Total</b>	<b>7 176 667</b>	<b>7 336 482</b>

\* The position off-balance sheet guarantees received includes mainly guarantees under the program to support micro, small and medium-sized enterprises - a guarantee of de minimis.

**Right to sell or pledge collateral established for the Group**

As at 31 March 2016 and as at 31 December 2015, there was no collateral established for the Group which the Group was entitled to sell or encumber with another pledge in the event of fulfilment of all obligations by the owner of the collateral.

**37. Legal claims**

As at 31 March 2016, the total value of court proceedings in which the PKO Bank Polski SA Group entities (including the Bank) are a defendant was PLN 680 788 thousand, of which PLN 40 906 thousand refers to court proceedings in Ukraine (as at 31 December 2015 the total value of the above-mentioned court proceedings was PLN 638 019 thousand), while as at 31 March 2016 the total value of court proceedings in which the entities of the PKO Bank Polski SA Group (including the Bank) are the plaintiff was PLN 1 019 194 thousand, of which PLN 60 267 thousand referred to court proceedings in Ukraine, mainly related to collection of dues from loans granted by KREDOBANK SA (as at 31 December 2015 the total value of the above-mentioned court proceedings was PLN 697 041 thousand).

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

**a) Unfair competition proceeding**

**• Proceedings against practices that restrict competition in the payments market using cards in Poland**

The Bank is a party to proceeding initiated by President of the Competition and Consumer Protection Office (Urząd Ochrony Konkurencji i Konsumentów - UOKiK) on the basis of a decision dated 23 April 2001 upon the request of the Polish Trade and Distribution Organization - Employers' association (Polska Organizacja Handlu i Dystrybucji - Związek Pracodawców) against the operators of the Visa and Europay payment systems and the banks issuing Visa and Europay/Eurocard/Mastercard banking cards. The claims under these proceedings relate to the use of practices limiting competition on the market of banking card payments in Poland, consisting of applying pre-agreed interchange fees for transactions made using mentioned above cards as well as limiting access to this market by external entities. On 29 December 2006, UOKiK decided that the practices, consisting of joint establishment of 'interchange' fee, did limit market competition and ordered that any such practices should be discontinued, and imposed a fine on, among others, PKO Bank Polski SA, in the amount of PLN 16 597 thousand.

The Bank appealed against the decision of the President of UOKiK to Court for the Competition and Consumer Protection (Sąd Ochrony Konkurencji i Konsumentów - SOKiK) and on 20 December 2011 a hearing was held during which no factual resolution of the appeals was reached. The SOKiK obligated MasterCard to submit explanations concerning the issue and scheduled the date of the next meeting for 9 February 2012. The date was postponed for 24 April 2012, and next SOKiK postponed announcing the court's decision on request for suspension until 8 May 2012. On 8 May 2012, 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 SOKiK dated 8 May 2012. In August 2012, the European Court of Justice received the appeal of MasterCard against the verdict of the EU Court of 24 May 2012 rejecting the appeal of mentioned above. 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. In January 2013 the Bank's attorney received the court's decision in this case and in February 2013, court files were transferred to the court of first instance.

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The hearing was on 29 October 2013 and on 21 November 2013 the judgment was announced, by which SOKiK reduced the penalty imposed on the Bank to the amount of PLN 10 085 thousand. On 7 February 2014 the judgment was appealed on behalf of the Bank and eight plaintiffs represented by the Bank's attorney. The judgment was also appealed by other participants of the proceedings, i.e. by the President of the Competition and Consumer Protection Office (UOKiK) and of the Polish Trade and Distribution Organization (POHiD) (appeals aimed to impose on the participants of the agreements stricter financial penalties), and: Visa Europe Limited, Bank Pocztowy S.A., Bank Gospodarki Żywnościowej S.A., mBank S.A. (formerly: BRE Bank S.A.), Deutsche Bank PBC S.A., HSBC Bank Polska S.A. (appeals aimed at imposing more strict fines on participants to the agreement). Copies of these appeals have been delivered to the Bank's attorney, who responded to them. The court files was transferred from SOKiK to the Court of Appeal in Warsaw. After hearing the parties' attorneys and stakeholders at the hearing on 22 September 2015, the Court postponed pronouncing the judgment until 6 October of 2015. In its verdict of 6 October 2015, the court dismissed the appeal of banks and Visa, while the appeal of the UOKiK. The Court restored the original amount of the imposed penalties stipulated in the decision of the OCCP, i.e. the penalty in the amount of PLN 16 597 thousand – penalty imposed on PKO Bank Polski SA and the penalty in the amount of PLN 4 825 thousand. The penalties were paid by the Bank in October 2015. The Bank has received the judgment with justification from the Court of Appeal. A cassation complaint to the Supreme Court is being prepared.

As at 31 March 2016 the Group (the Bank) is also a party to i.a. following proceedings:

- **Before the Court of Appeal – as a result of an appeal from the verdict of SOKiK issued in result of the complaint from the President of UOKiK**
  - 1) Due to suspicion of unfair proceedings 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 an average consumer and mislead him as to the availability of loans on promoted conditions.

On 28 December 2012, the President of UOKiK imposed a fine on the Bank in the amount of PLN 2 845 thousand. The Bank appealed against the decision of the President of UOKiK on 16 January 2013. On 13 January 2015 SOKiK issued a verdict, which annulled in full the decision of the President of the UOKiK, i.e. cancelled also financial penalty imposed on the Bank. On 26 February 2015 the President of the UOKiK filed an appeal against the verdict. On 20 March 2015, the Bank answered the appeal seeking to dismiss the appeal in its entirety as unfounded. The appeal hearing took place on 15 April 2016. The court delayed pronouncing the sentence until 28 April 2016. As at 31 March 2016 the Bank has a provision in the same amount (the position 'Provisions' in the statement of financial position).
  - 2) Due to suspicion of using of unfair contractual provisions in forms of consumer loan agreements, with the exclusion of credit card agreements.

In accordance to decision from 31 December 2013, the Bank's activities were considered as practices violating collective interests of consumers and a fine in the amount of PLN 29 064 thousand. The Bank appealed against this decision. By judgment of 9 July 2015 SOKiK fully annulled the decision of the President of the UOKiK. On 28 August 2015 the President of UOKiK appealed against that judgment. On 11 September 2015 the Bank responded to the appeal rejecting the allegations of the President of the UOKiK. No trial date has been set. The appeal proceeding is pending and as at 31 March 2016 the Bank had no provision in this respect.
- **initiated by Bank - at the conclusion of the appeal proceeding brought by the Bank to SOKiK against the decision of the president of UOKiK in connection with the use of unfair contractual terms in patterns of individual contracts (IKE)**

On 19 December 2012, the President of UOKiK imposed a fine on the Bank in a total amount of PLN 14 697 thousand, of which:

- 1) 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 compensation for the delay in execution of a holder instruction,
- 2) PLN 4 741 thousand for application in the form of IKE agreements, an open list of termination conditions,
- 3) PLN 2 845 thousand for application a clause, entered in the register, defining for disputes with customers a court with jurisdiction over the seat of PKO Bank Polski SA's branch, carrying the IKE deposit account.

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The Bank appealed against the decision of the President of UOKiK on 2 January 2013. SOKiK reduced the penalty imposed on the Bank to the amount of PLN 4 000 thousand by the court judgment of 25 November 2014, as regards to:

- the practice described in the point 1 above to the amount of PLN 2.5 million,
- the practice described in the point 2 above to the amount of PLN 1.5 million,
- the practice described in the point 3 above, the penalty was repealed, as the Court considered that the practice of the Bank did not violate collective interests of consumers.

In January 2015 both the Bank and the President of UOKiK appealed against the judgment. The Court of Appeal in its judgment of 10 February 2016 dismissed the appeal of the Bank and the appeal of the President of UOKiK. Since the judgment is final, the Bank paid a fine in the amount of PLN 4 000 thousand on 23 February 2016 year. The Bank has not yet received a judgment with justification.

• **before SOKiK initiated by on individual:**

- 1) On the recognition as abusive and prohibiting the respondent from using in trading with customers the provisions in forms of agreements for loans denominated in CHF, indicating that the currency conversion rules used by the Bank for the purpose of loan payment were against good practice and highly violated consumer interests. The lawsuit was delivered to the Bank on 20 April 2015 and on 20 May 2015 the Bank replied to the lawsuit. On 20 November 2015 the individual proxy's answer for a response to the claim of the Bank was delivered. The case is in progress.
- 2) On the recognition as abusive and prohibiting the respondent from using in trading with customers the provisions in forms of agreements for loans denominated in CHF, indicating that the currency conversion rules used by the Bank for the purpose of loan payment and for the purpose of conversion of installments as well as decisions concerning the amount of interest rate were against good practice and highly violated consumer interest. The lawsuit was delivered to the Bank on 4 February 2015. On 6 March 2015 the Bank replied to the lawsuit, filling motion for its dismissal. The Court ordered the delivery of the Bank's response to the plaintiff, requiring him to reply to the claims of the Bank – an order in this regard was delivered to the plaintiff on 15 May 2015. On 23 June 2015, the Bank appealed to exclude the judge hearing the case in the Court of Appeal. By resolution of 11 August 2015, the Court cut off the judge and by resolution of 21 September 2015 the court dismissed the request of the Bank for dismissal. The Bank appealed against that decision. The case is in progress. On 11 April 2016 the court dismissed the complaint against the Bank.
- 3) To establish invalidity of the clauses contained in the mortgage contract by regarding them as illegal (non-existent) and prohibiting the respondent from using in trading with customers the provisions in forms of agreements used by the defendant in the exercising economic activity. The case was received by the Bank on 7 October 2015, the Parties exchanged pleadings. At the hearing on 19 January 2016 the court dismissed the proceeding. Bank filed for delivering a copy of the verdict with the justification. On 4 April 2016 the Bank received the plaintiff's appeal against the judgment. On 18 April 2016 the Bank sent a response to the appeal. The case is in progress.
- 4) For recognition as illegal of the provisions in forms of mortgage product Nordea - Habitat and the surety agreement. In the plaintiff's opinion, the provisions concerning substantive and temporal scope of civil surety of the loan shape the rights and obligations of consumers in a manner inconsistent with good practice and grossly violate their interests. These provisions constitute the prohibited clauses. The Bank filed its response to the lawsuit. The case was received by the Bank on 18 August 2015. On 16 September 2015, the Bank responded to the lawsuit. The case is in progress.
- 5) For recognition as illegal of the provisions of a standard loan agreement. Plaintiff (appraiser) accuses the Bank that it only accepts real estate valuations prepared by designated appraisers which seriously violates the interests of consumers by imposing on consumers, as the weaker party to the contract, onerous conditions eliminating the right to obtain the valuation services from the chosen company. In response to the lawsuit, which was received by the Bank on 15 December 2015, the Bank gave the answer concerning the lawsuit on 13 January 2016. The case is in progress. On 17 February 2016 the Bank received the plaintiff's answer to the bank's answer to the lawsuit.

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- **before the president of UOKiK:**

- 1) Preliminary proceeding initiated on 29 August 2014 in order to determine whether the Bank, in the Aurum loan agreement, misled its customers by presenting insurance costs in these agreement and the information forms. The Bank answered to UOKiK on 17 September 2014.
- 2) Preliminary proceeding initiated on 9 October 2014 concerning the possibility of customers using the 'chargeback' complaint procedure. The Bank replied to the UOKiK's call. There is no such complaint procedure in the Bank's relationship with its customers (it is typical of the Bank – card organization relationship).
- 3) Preliminary proceeding of 26 January 2015 concerning the provision of information on currently applied policies for securing and conversion of mortgage loans denominated in CHF by the Bank, in the context of the changes in the exchange rate of the Swiss franc in January 2015., Only letters were exchanged as part of the proceedings.
- 4) Preliminary proceeding of 5 February 2015 concerning the Bank's treatment of housing loans secured with a mortgage and expressed in/denominated in/indexed to CHF (negative LIBOR, spread reduction, exchange rate tables). Letters were exchanged as part of the proceedings.
- 5) Preliminary proceeding initiated on 12 February 2015 concerning whether the Bank applies the fee of PLN 20 to former clients of Nordea Bank Polska SA, as specified in Nordea Bank Polska SA's Tariff, for servicing a seizure of receivables in case when an enforcement order has been issued. By letter dated 24 February 2015, the Bank gave an answer to UOKiK explaining that The Bank does not use such tariff.
- 6) Preliminary proceeding of 2 March 2015 concerning the Bank's cooperation with property appraisers in the preparation of appraisal report used for the valuation of a property securing a loan. On 23 March 2015 and on 7 May 2015 the Bank answered to UOKiK. By letter dated 26 October 2015 the Bank responded to additional to UOKiK's call.
- 7) Preliminary proceeding of 9 March 2015 concerning the documents specifying fees and commissions applied by the Bank, identification of all amendments to these documents in 2014-2015, the reasons behind the amendments implemented by the Bank and the manner of communicating the amendments to consumers. On 13 April 2015, 21 April 2015 and 8 May 2015 the Bank submitted required documentation and information to UOKiK. In a letter dated 26 February 2016 UOKiK called the Bank to submit additional documents and information by the deadline of 16 May 2016.
- 8) Preliminary proceeding of 2 April 2015 concerning the analysis of consumer loans market, including specification of its structure and the structure of fees in this group of products. On 29 April 2015 the Bank delivered to UOKiK questionnaire with required information. On 16 October 2015 the Bank submitted additional questionnaires to UOKiK's call from 8 September 2015; On 29 February 2016 the Bank submitted additional questionnaires to UOKiK's call from 3 February 2016; On 30 March 2016 UOKiK called the Bank to submit additional information specified in a questionnaire by the deadline of 29 April 2016.
- 9) Preliminary proceeding of 2 April 2015 concerning the analysis of mortgage loans market. On 24 September 2015 the Bank delivered a questionnaire containing the required information to UOKiK. By letter dated 22 December 2015 UOKiK requested the Bank to deliver additional questionnaire. The Bank submitted the questionnaire to UOKiK; on 11 February 2016 the Bank submitted another questionnaire. On 16 February 2016 UOKiK called the Bank to submit additional questionnaire. The questionnaire was submitted on 17 March 2016.
- 10) Preliminary proceeding of 20 April 2015 concerning the fees applied by the Bank for the transactions made by customers using credit cards abroad. On 28 May 2015 the Bank delivered all required information and documents to UOKiK.
- 11) Preliminary proceeding of 10 September 2015 concerning debit cards, including debit card fees and conditions for exemption from the fees. The Bank submitted required documentation and information to UOKiK on 9 October 2015.

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• **As at 31 March 2016, PKO Życie Towarzystwo Ubezpieczeń SA – a subsidiary of the Bank – is a party to:**

- 1) a proceeding before the President of UOKiK concerning liquidation charges and policy redemption value due to insurance agreement cancellation in some forms of life insurance agreements, as well as imprecise information on the total redemption value due to insurance agreement cancellation applied in these forms.

On 15 October 2015 the President of UOKiK issued, at the request of the Company a binding decision which made PKO Life Insurance Company to introduce amendments to 25 forms of the policies of the Insurance Capital Fund in relation to charges for early resignation. The Company's liability resulting from the above-mentioned decision will consist in particular in the fact that with regard to these 25 forms:

- a) Liquidating charges incurred by the existing customers in the case of insurance with regular premium will not be higher than 25 % of the value of contributions paid, and 4 % in the case of contracts with one-off premium,
- b) PKO Życie Towarzystwo Ubezpieczeń SA will provide consumers with a proposal of an annex to the contract of insurance, or equivalent agreement,
- c) PKO Życie Towarzystwo Ubezpieczeń SA will inform customers about the possibility of using the new conditions through the website, applications for customers and directly customer - every time the customer indicates that it intends to terminate the contract.

This decision became final on 17 November 2015. PKO Życie Towarzystwo Ubezpieczeń SA has, in principle, 6 months (counted from the day the decision becomes final) for implementation of the obligations. Within nine months from the validation of the decision PKO Życie Towarzystwo Ubezpieczeń SA is required to submit the report on the implementation of the obligations arising from the decision to the President of the UOKiK. The decision does not exhaust the possibility of a pursuing by the existing customers of their rights through civil law. In connection with the decision becoming final, the provision for potential administrative penalty associated with this proceeding in the amount of PLN 8 127 thousand was released. As of 31 March 2016 PKO Życie Towarzystwo Ubezpieczeń SA has no provision for an administrative penalty in respect of the proceeding. At the same time on 31 March 2016 PKO Życie Towarzystwo Ubezpieczeń SA maintains the adequate to the conditions of the decision level of loss provisions.

- 2) Six proceedings before SOKiK initiated by individuals to determine some of provisions in the forms of life insurance agreements to be illegal; in all cases the Company responded to the lawsuit and applied for its dismissal due to bringing legal action after 6 months since the day of giving up their application, in this case there is no risk of imposing a financial penalty on the Company.
- 3) A proceeding connected to the cassation complaint brought by PKO Życie Towarzystwo Ubezpieczeń SA against the judgment of the Court of Appeal in relation to the fine imposed on the Company in 2010 by the President of UOKiK for the violation of the collective interests of consumers by the Company (fine was paid in 2013); the Supreme Court issued a ruling reversing the appealed ruling in the part concerning the amount of the fine and referred the case for reconsideration to the court of second instance. The second instance upheld its previous position of didn't take into account the guidelines of the Supreme Court. PKO Życie Towarzystwo Ubezpieczeń SA intends to make another cassation complaint to the Supreme Court.
- 4) An proceeding before the President of the UOKiK in connection with the issuance in 2014 of advertising used by insurers for the sale of life insurance contracts with insurance capital fund. On 26 November 2014, the Company submitted the required documents and information. By letter dated 23 February 2016 the Company responded to another call of UOKiK informing that due to the significant decrease in insurance deals with insurance capital fund the Company ceased the use of all advertising and informational materials covered by the UOKiK questionnaire.

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

As at the date of these financial statements the following proceedings are pending:

- 1) six administrative proceedings, of which one is suspended, to invalidate administrative decisions issued by public administration authorities with respect to properties held by the PKO Bank Polski SA Group entities (including the Bank). These proceedings, in the event of an unfavorable outcome for the Group may result in re-privatization claims being raised. Given the current status of these proceedings as regards stating the invalidity of decisions and verdicts of public administration bodies, it is not possible to assess their potential negative financial effects for the Group,

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- 2) five court proceedings, of which two are suspended, in relation to Bank's two properties pertaining to release or return the premises and the property, payment of fee for non-contractual use of property and regulation of the legal status of the property,
- 3) six court proceedings and three administrative proceedings and in relation to a part of two properties owned by subsidiaries of the Bank for requesting the return of the property and declaration of adverse possession.

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 Street in Warsaw, on which the Bank's office is currently located, are pending before the Regional Administrative Court in Warsaw. The proceedings concern rendering invalid the decision of the Local Government Court of Appeal (SKO) of 10 April 2001, which stated that the decision of the 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 and removing it from the register of companies and then distribution of its assets, the transfer of the right to perpetual usufruct of said plot was issued to the Bank, a motion for participation in the proceeding 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 proceeding 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 judgment 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 filed on 17 July 2013. On 3 June 2015 the trial took place during which the Supreme Administrative Court upheld the Bank's write off from the Regional Administrative Court in Warsaw verdict of 23 August 2012 concerning the reprivatization of the part of grounds at Puławska 15 Street. On 15 September 2015 the letter to hang up the proceedings by the Minister of Infrastructure and Development, was addressed to the Minister of Infrastructure and Development, with a request for remission of the proceedings or the refusal to annul the resolution of governor of the Warsaw of 29 September 1991 and to the Local Government in concerning issuing a decision on refusal to annul the resolution of SKO in Warsaw of 10 April 2001. On 5 April 2016 a notice of initiation from Local Government Court of Appeal has been sent to the parties. The case is in progress.

In the opinion of the Management Board of PKO Bank Polski SA the probability of significant claims against the Bank and its direct and indirect subsidiaries in relation to the above mentioned proceedings is remote.

### 38. Supplementary information on the statement of cash flows

#### Cash and cash equivalents

Cash and cash equivalents consist of cash in 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.

	31.03.2016	31.12.2015	31.03.2015
Cash and balances with the central bank	15 857 607	13 743 864	10 090 058
Current amounts due from banks	2 881 014	3 520 838	4 002 123
<b>Total</b>	<b>18 738 621</b>	<b>17 264 702</b>	<b>14 092 181</b>

### 39. Transactions with the State Treasury and related parties

The State Treasury has control over the Bank as it holds a 29.43% interest in the Bank's share capital. The Bank's shareholding structure is described in detail in the note 'Equity and shareholding structure of the Bank' to these financial statements. Receivables, securities and liabilities arising from transactions conducted with the State Treasury, budgetary units and entities in which the State Treasury is the shareholder are disclosed in the Group's statement of financial position. In accordance with the Act of 30 November 1995 in relation to State support in the repayment of certain housing loans, reimbursement of guarantee premium paid and amendments of several acts (Journal of Laws, 2013, No. 763) PKO Bank Polski SA receives payments from the State budget in respect of redemption of interest receivable on housing loans.

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	31.03.2016	31.03.2015
Income due to temporary redemption by the State budget of interest on housing loans from the 'old' portfolio recognised for this period	55 651	52 382
Income due to temporary redemption by the State budget of interest on housing loans from the 'old' portfolio received in cash	6 202	7 003
Difference between income recognised for this period and income received in cash - the position 'Loans and advances to customers'	49 449	45 379

The Act on the coverage of repayment of certain housing loans by State Treasury (Journal of Laws, 2000, No. 122 item 1310 with subsequent amendments) guarantees was passed on 29 November 2000 and came into force on 1 January 2001. In execution of the provisions of the Act, on 3 August 2001 PKO Bank Polski SA signed an agreement with the Minister of Finance acting on behalf of the State Treasury under which the Bank was granted a pledge of repayment of debt arising from housing loans in the so-called 'old' portfolio. On 29 December 2011, the validity period of the agreement (originally until 31 December 2011) was extended until 31 December 2017. The coverage of the so-called 'old' portfolio housing loan receivables by the guarantees of the State Treasury results in the neutralization of the default risk on these loans.

The State Treasury guarantees are realized when a borrower fails to repay the loan on the dates specified in the loan agreement. The responsibility of the State Treasury is of an auxiliary nature and is effective if the recovery of the unpaid part of principal and interest which the Bank is obliged to commence, before the Bank lays claims to the State Treasury, becomes ineffective. The above-mentioned law covers 90% of unpaid loans taken out by housing cooperatives. As a consequence of the realization of the State Treasury's responsibilities as guarantor, the State Treasury itself enters into the rights of the satisfied creditor (the Bank) and thus becomes a creditor towards the borrower, in line with the concept of guarantee. PKO Bank Polski SA receives commission for settlements relating to redemption of interest by the State budget on housing loans.

	31.03.2016	31.03.2015
Fee and commission income	779	792

As of 1 January 1996 the Bank became the general distributor of court fee stamps. The Bank receives commissions in this respect from the State Budget.

	31.03.2016	31.03.2015
Fee and commission income	3 375	2 258

The Brokerage House of PKO Bank Polski SA performs the role of an agent for the issue of retail Treasury bonds under the agreement signed with the Ministry of Finance on 11 February 2003. Under this agreement, the Brokerage House of PKO Bank Polski SA receives a fee for providing the services of an agent for the issue of bonds.

	31.03.2016	31.03.2015
Fee and commission income	8 715	4 517



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**Significant transactions of PKO Bank Polski SA Group with the State Treasury's related entities**

The transactions were concluded at arm's length terms. The margins on credit transactions are in the range of 0.28% to 3.75%.

Entity	31.03.2016			01.01-31.03.2016		
	Total receivables	Total liabilities	Off-balance sheet liabilities granted - guarantee and financial	Interest and similar income	Fee and commission income	Interest expense and similar charges
Entity 1	-	-	2 450 000	-	-	-
Entity 2	-	1 085 310	-	-	1	(2 153)
Entity 3	-	746 267	-	-	-	(2 211)
Entity 4	-	737 603	-	12	273	(214)
Entity 5	-	533 505	1 500 000	8	1	(2 349)
Entity 6	426 887	393 971	407 070	2 697	241	(1 125)
Entity 7	467 587	350 438	672 289	1 016	303	(2 719)
Entity 8	271 029	270 718	1 429 420	1 233	461	(1 214)
Entity 9	-	205 560	-	-	246	(717)
Entity 10	111 535	147 785	682 955	974	1	(1 983)
Entity 11	-	126 190	350 000	-	-	(2 727)
Entity 12	-	119 365	-	-	6	(278)
Entity 13	-	101 512	1 705	-	34	(634)
Entity 14	-	79 277	80 000	-	35	(118)
Entity 15	-	70 465	100 000	-	17	(177)
Other entities	1 142 939	569 998	1 781 559	7 806	2 058	(1 916)
<b>Total</b>	<b>2 419 977</b>	<b>5 537 964</b>	<b>9 454 998</b>	<b>13 746</b>	<b>3 677</b>	<b>(20 535)</b>

Entity	31.12.2015			2015		
	Total receivables	Total liabilities	Off-balance sheet liabilities granted - guarantee and financial	Interest and similar income	Fee and commission income	Interest expense and similar charges
Entity 1	-	-	2 450 000	-	-	-
Entity 5	8	1 046 516	1 500 000	11	293	(23 279)
Entity 3	-	931 422	-	-	3	(2 203)
Entity 11	-	606 343	350 000	1	37	(10 416)
Entity 2	-	501 001	715 852	-	4	(6 722)
Entity 6	472 602	380 543	386 854	8 245	1 611	(5 651)
Entity 9	-	264 443	-	-	971	(1 879)
Entity 8	250 057	240 524	2 407 840	1 899	2 857	(1 712)
Entity 13	-	219 506	-	10	185	(2 881)
Entity 12	-	214 989	-	-	16	(4 993)
Entity 10	113 467	196 961	574 780	3 715	6	(964)
Entity 4	220	156 451	-	261	1 158	(1 635)
Entity 43	-	118 217	-	-	8	(655)
Entity 18	163 275	99 099	50 000	5 206	87	(873)
Entity 16	-	73 188	354 500	-	870	(1 025)
Other entities	903 202	587 016	2 355 363	28 340	7 504	(34 585)
<b>Total</b>	<b>1 902 831</b>	<b>5 636 219</b>	<b>11 145 189</b>	<b>47 688</b>	<b>15 610</b>	<b>(99 473)</b>

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#### 40. 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 fifteen years.

##### 31 March 2016

Entity	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
<b>Direct joint ventures</b>				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	6 027	-	10 091	6 000
<b>Indirect joint ventures</b>				
'Centrum Obsługi Biznesu' Sp. z o.o.	27 182	27 182	7 038	-
<b>Direct associates</b>				
Bank Pocztowy SA	-	-	1 437	1 087
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	-	-	2 984	-
<b>Indirect associates</b>				
Centrum Operacyjne Sp. z o.o.	-	-	29	-
<b>Total</b>	<b>33 209</b>	<b>27 182</b>	<b>21 579</b>	<b>7 087</b>

##### For the three-month period ended 31 March 2016

Entity	Total income	of which interest and fee and commission	Total expense	of which interest and fee and commission
<b>Direct joint ventures</b>				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	43 201	42 602	15 071	15 003
<b>Indirect joint ventures</b>				
'Centrum Obsługi Biznesu' Sp. z o.o.	81	81	10	10
<b>Direct associates</b>				
Bank Pocztowy SA	69	69	28	28
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	1	1	12	12
FERRUM SA	1	1	-	-
<b>Indirect associates</b>				
Centrum Operacyjne Sp. z o.o.	1	1	-	-
<b>Total</b>	<b>43 354</b>	<b>42 755</b>	<b>15 121</b>	<b>15 053</b>

##### 31 December 2015

Entity	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
<b>Direct joint ventures</b>				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	5 964	-	31 072	2 011
<b>Indirect joint ventures</b>				
'Centrum Obsługi Biznesu' Sp. z o.o.	27 414	27 414	8 623	-
<b>Direct associates</b>				
Bank Pocztowy SA	14 057	-	949	1 086
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	-	-	2 788	-
<b>Indirect associates</b>				
Centrum Operacyjne Sp. z o.o.	-	-	5	-
<b>Total</b>	<b>47 435</b>	<b>27 414</b>	<b>43 437</b>	<b>3 097</b>

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**For the three-month period ended 31 March 2015**

Entity	Total income	of which interest and fee and commission	Total expense	of which interest and fee and commission
<b>Direct joint ventures</b>				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	33 435	33 118	17 634	17 617
<b>Indirect joint ventures</b>				
'Centrum Obsługi Biznesu' Sp. z o.o.	404	404	31	31
<b>Direct associates</b>				
Bank Pocztowy SA	88	6	486	-
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	1	1	4	4
FERRUM SA	-	-	-	-
<b>Indirect associates</b>				
Centrum Operacyjne Sp. z o.o.	-	-	1	1
<b>Total</b>	<b>33 928</b>	<b>33 529</b>	<b>18 156</b>	<b>17 653</b>

#### 41. Changes to the entities of the PKO Bank Polski SA Group, associates companies and joint ventures

In the first quarter of 2016, the following events affecting the structure of the PKO Bank Polski SA occurred:

1. concerning PKO BP Finat Sp. z o.o.

On 29 January 2016 the National Court Register recorded a decrease of the share capital of PKO BP Finat Sp. z o.o. from the amount of PLN 107 302 500 to PLN 32 202 500 through the cancellation of PLN 750 000 shares with a nominal value of PLN 100 each, belonging to the sole shareholder – PKO Bank Polski SA. As at 31 March 2016 the share capital of PKO BP Finat Sp. z o.o amounts to PLN 32 302 500 and is divided into 323 025 shares with a nominal value of PLN 100 each.

2. concerning entities of the Qualia Development Sp. z o.o. Group

On 3 February 2016, the Extraordinary General Meeting of Shareholders of Qualia Hotel Management Sp. z o.o. and Qualia – Rezydencja Flotylla Sp. z o.o. and shareholders of a limited liability company – Pomeranka Sp. K. made resolutions concerning merger of the above mentioned companies. The merger will be accomplished through the transfer of all assets of the company Qualia-Residence Flotylla Sp. z o.o. and Qualia Sp. z o.o. – Pomeranka Sp. k (as the acquired companies) to the company Qualia Hotel Management Sp. z o.o. (the acquiring company). The above mentioned merger was registered with the National Court Register on 29 February 2016. As at 31 March 2016 the share capital of Qualia Hotel Management Sp. z o.o. amounts to PLN 261 800 and is divided into 5 236 shares with a nominal value of PLN 50 each. Shares with the nominal value of PLN 261 650, representing 99.9427% share in the share capital and entitling to 99.9427% of votes at the General Shareholders' Meeting are held by Qualia Development Sp. z o.o., the rest of the shares is held by Qualia Sp. z o.o.

On 17 February 2016, Qualia Development Sp. o.o. sold 1 share of the Fort Mokotów Inwestycje Sp. o.o. with a nominal value of PLN 1 000 to Qualia Sp. o.o. This is the beginning of a process of transformation of Fort Mokotów Inwestycje Sp. o.o. into a limited partnership company. As at 31 March 2016 the share capital of Fort Mokotów Inwestycje Sp. z o.o. amounts to PLN 77 483 thousand and is divided into 77 483 shares with nominal value of PLN 1 000 each. Shares with the nominal value of PLN 77 482 thousand, representing 99.9987% share in share capital and entitling to 99.9987% of votes at the General Shareholders' Meeting are held by Qualia Development Sp. z o.o. and one share is held by Qualia Sp. z o.o.

3. concerning events that will affect PKO Bank Polski SA Group structure in the following quarters:

On 20 January 2016 the Extraordinary General Meeting of PKO Towarzystwo Ubezpieczeń SA passed a resolution to increase the company's share capital through the subscription by PKO Bank Polski SA, 5 000 shares with carrying value of PLN 1 000 each and issue price of PLN 4 400 each, i.e. for a total amount equal to PLN 22 000 thousand. The Financial Supervisory Authority approved the amendment of the statute on 25 February 2016. In

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April this year PKO Bank Polski SA made the subscription and paid for the shares. Increase in the share capital was registered in the National Court Register on the 19 April 2016.

On 14 March 2016 Ordinary General Meeting of PKO Bank Hipoteczny SA passed a resolution to increase the company's share capital by PLN 200 000 thousand through the issuance of 200 million shares of nominal value of PLN 1 each. On 25 March current year The Financial Supervisory Authority approved the amendment of the statute. In April current year PKO Bank Polski SA made the subscription and paid for the acquisition of above mentioned shares. Increase in the share capital was registered in the National Court Register on 22<sup>th</sup> April 2016.

KREDOBANK SA is in the process of registering shares from a new emission. On 9 November 2015 PKO Bank Polski SA paid for the acquisition of 33 billion shares of KREDOBANK SA in new emission of nominal and emission value UAH 330 000 thousand. The abovementioned increase has not been registered until 31 March 2016. After registration of the abovementioned increase, the share of PKO Bank Polski SA in the share capital of KREDOBANK SA and share in voting rights at the General Shareholders' Meeting of the Company will increase to 99.6293%.

#### 4. concerning FERRUM SA

On 18 January 2016, PKO Bank Polski SA took part in debt collection activities (transfer of ownership of the collateral) and obtained another batch of FERRUM SA shares, increasing its stake in the share capital and votes at the General Meeting of the company from 20.97% to 22.14%. The company is an associate of the Bank

## 42. Fair value of financial assets and liabilities

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

Assets and liabilities measured at fair value as at 31.03.2016	Note	Carrying amount	Level 1	Level 2	Level 3
			Prices quoted on the active markets	Valuation techniques based on observable market data	Other valuation techniques
Trading assets	16	2 308 701	2 308 701	-	-
Debt securities		2 295 570	2 295 570	-	-
Shares in other entities		7 833	7 833	-	-
Investment certificates		5 292	5 292	-	-
Subscription rights		6	6	-	-
Derivative financial instruments	17	2 991 644	1 896	2 989 748	-
Hedging instruments		399 049	-	399 049	-
Trade instruments		2 592 595	1 896	2 590 699	-
Financial instruments designated upon initial recognition at fair value through profit and loss	19	13 100 195	5 318 308	7 781 887	-
Debt securities		11 285 333	3 503 446	7 781 887	-
Participation units		1 814 862	1 814 862	-	-
Investment securities available for sale	21	31 671 813	22 656 111	5 434 710	3 580 992
Debt securities		30 918 511	22 499 408	5 434 710	2 984 393
Equity securities		468 358	140 199	-	328 159
Participation units in investment funds and shares in joint investment institutions		284 944	16 504	-	268 440
<b>Financial assets measured at fair value - total</b>		<b>50 072 353</b>	<b>30 285 016</b>	<b>16 206 345</b>	<b>3 580 992</b>
Derivative financial instruments	17	3 292 087	849	3 291 238	-
Hedging instruments		765 893	-	765 893	-
Trading instruments		2 526 194	849	2 525 345	-
<b>Financial liabilities measured at fair value - total</b>		<b>3 292 087</b>	<b>849</b>	<b>3 291 238</b>	<b>-</b>

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Assets and liabilities measured at fair value as at 31.12.2015	Note	Carrying amount	Level 1	Level 2	Level 3
			Prices quoted on the active markets	Valuation techniques based on observable market data	Other valuation techniques
Trading assets	16	783 199	783 199	-	-
Debt securities		766 641	766 641	-	-
Shares in other entities		9 910	9 910	-	-
Investment certificates		6 648	6 648	-	-
Subscription rights		-	-	-	-
Derivative financial instruments	17	4 347 269	2 163	4 345 106	-
Hedging instruments		508 665	-	508 665	-
Trade instruments		3 838 604	2 163	3 836 441	-
Financial instruments designated upon initial recognition at fair value through profit and loss	19	15 154 100	4 837 304	10 316 796	-
Debt securities		13 337 373	3 020 577	10 316 796	-
Participation units		1 816 727	1 816 727	-	-
Investment securities available for sale	21	28 291 352	19 255 389	5 401 333	3 634 630
Debt securities		27 604 913	19 093 221	5 401 333	3 110 359
Equity securities		473 618	145 990	-	327 628
Participation units in investment funds and shares in joint investment institutions		212 821	16 178	-	196 643
<b>Financial assets measured at fair value - total</b>		<b>48 575 920</b>	<b>24 878 055</b>	<b>20 063 235</b>	<b>3 634 630</b>
Derivative financial instruments	17	4 624 767	1 476	4 623 291	-
Hedging instruments		998 527	-	998 527	-
Trade instruments		3 626 240	1 476	3 624 764	-
Debt securities in issue	31	71 744	-	71 744	-
Financial instruments designated at fair value through profit and loss		71 744	-	71 744	-
<b>Financial liabilities measured at fair value - total</b>		<b>4 696 511</b>	<b>1 476</b>	<b>4 695 035</b>	<b>-</b>

Depending on the category of classification of financial assets and liabilities to the fair value hierarchy, different methods of fair value valuation are used. Detailed description was presented in the financial statements for the year 2015.

Financial assets and liabilities classified to level 3 by the Group include:

- participation units in mutual fund ('Fund') - the fair value of these financial instruments is determined based on the net asset value of the Fund, i.e. the fair value of investment projects (of the companies) in the Fund, which are subject to semi-annual review or examination by the registered auditor.;
- shares of Visa Europe Limited ('VEL'), which were measured at fair value on the basis of information received from VEL in December 2015 about initially proposed participation of the PKO Bank Polski Group in the settlement of transaction of VEL acquisition by Visa Inc. which amounts to EUR 88 875 thousand (EUR 66 167 thousand in cash, EUR 22 708 thousand in Visa Inc. shares). The above mentioned amounts will change due to the cost of the transaction and in the cases indicated in the documentation. The transaction is subject to regulatory approvals.
- Corporate bonds recognized as investment securities available for sale - valuation of these financial instruments is performed in accordance with a yield curve and a risk margin model. Yield curves are built based on market rates, money market data and IRS transactions market. Credit margins are determined on the basis of initial margins modified by credit indices quotes ascribed to issuers based on their ratings and business sector.

In the period from 1 January to 31 March 2016, there were no transfers between levels in the fair value hierarchy used in measuring financial instruments at fair value.

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In the period from 1 January to 31 March 2016, there were no changes to the methodology of estimating fair value of financial instruments.

The tables below presents a reconciliation during the periods of measurement, from 1 January 2016 to 31 March 2016 and from 1 January 2015 to 31 March 2015 of fair value at level 3 of fair value hierarchy:

Investment securities available for sale	01.01- 31.03.2016	01.01- 31.03.2015
Opening balance at the beginning of the period	3 634 630	203 276
<b>Total gains or losses</b>	<b>(65 920)</b>	<b>4 300</b>
recognised in financial result	(30 173)	(3 650)
recognised in other comprehensive income	(35 747)	7 950
Translation differences of currency entities	(1)	(8 161)
Take up of new shares in the Fund and translation differences of currency entities	66 431	-
Purchase and sale of debt securities available for sale	(54 148)	-
Sale of shares of the Company listed on the stock exchange	-	(12 000)
Settlements	-	(364)
<b>Closing balance at the end of the period</b>	<b>3 580 992</b>	<b>187 051</b>

**4.2.2 Financial assets and liabilities not presented at fair value in consolidated statement of financial position**

	Level of fair value hierarchy	Valuation method	31.03.2016	
			carrying amount	fair value
Cash and balances with the central bank	n/a	value at cost to pay	15 857 607	15 857 607
Amounts due from banks	2	discounted cash flows	2 522 459	2 522 458
<b>Loans and advances to customers</b>			<b>187 869 107</b>	<b>183 527 616</b>
housing loans	3	discounted cash flows	100 655 446	95 157 796
corporate loans	3	discounted cash flows	59 486 640	61 262 793
consumer loans	3	discounted cash flows	21 963 609	21 415 278
receivables due from repurchase agreements	3	discounted cash flows	714 840	714 840
international financial organisations	3	discounted cash flows	213	213
debt securities	3	discounted cash flows	5 048 359	4 976 696
Investment securities held to maturity	3	discounted cash flows	313 693	320 276
Other financial assets	3	value at cost to pay including impairment allowance	1 738 906	1 738 906
Amounts due to the central bank	2	value at cost to pay	3 989	3 989
Amounts due to other banks	2	discounted cash flows	20 246 622	20 246 624
<b>Amounts due to customers</b>			<b>194 856 153</b>	<b>194 798 534</b>
due to corporate entities	3	discounted cash flows	47 196 466	47 197 230
due to public entities	3	discounted cash flows	9 196 550	9 196 550
due to retail clients	3	discounted cash flows	138 463 137	138 404 754
Debt securities in issue	1, 2	market quotations / discounted cash flows	9 218 641	9 436 408
Subordinated debt	2	discounted cash flows	2 477 481	2 477 690
Other financial liabilities	3	value at cost to pay	2 465 909	2 465 909

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	level of fair value hierarchy	valuation method	31.12.2015	
			carrying amount	fair value
Cash and balances with the central bank	n/a	value at cost to pay	13 743 864	13 743 864
Amounts due from banks	2	discounted cash flows	4 552 972	4 552 971
<b>Loans and advances to customers</b>			<b>190 413 708</b>	<b>183 613 721</b>
housing loans	3	discounted cash flows	100 668 588	93 429 678
corporate loans	3	discounted cash flows	58 057 837	58 749 000
consumer loans	3	discounted cash flows	21 959 827	21 815 550
receivables due from repurchase agreements	3	discounted cash flows	4 432 239	4 432 239
International financial organisations	3	discounted cash flows	10 652	10 652
debt securities	3	discounted cash flows	5 284 565	5 176 602
Investment securities held to maturity	3	discounted cash flows	210 330	213 624
Other financial assets	3	value at cost to pay including impairment allowance	875 195	875 195
Amounts due to the central bank	2	value at cost to pay	4 219	4 219
Amounts due to other banks	2	discounted cash flows	18 288 797	18 288 795
<b>Amounts due to customers</b>			<b>195 758 461</b>	<b>195 718 940</b>
due to corporate entities	3	discounted cash flows	51 213 728	51 214 193
due to public entities	3	discounted cash flows	9 134 366	9 134 366
due to retail clients	3	discounted cash flows	135 410 367	135 370 381
Debt securities in issue	1, 2	market quotations / discounted cash flows	9 361 229	9 637 428
Subordinated debt	2	discounted cash flows	2 499 163	2 486 132
Other financial liabilities	3	value at cost to pay	2 340 804	2 340 804

Detailed assumptions concerning valuation methods were presented in the annual consolidated financial statements of PKO Bank Polski SA Group for the year 2015.

#### 43. Objectives and principles of risk management in the 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 2015.

Information on risk monitoring and risk measurement in the period from 1 January to 31 March 2016 is also presented in the notes: amounts due from banks, loans and advances to customers, investment securities available for sale and Investment securities held to maturity.

Financial assets assessed on an individual basis for which individual impairment has been recognised by carrying amount gross	31.03.2016	31.12.2015
Amounts due from banks	141	145
Loans and advances to customers	5 189 344	5 412 768
financial sector	4 161	4 557
corporate loans	4 161	4 557
non-financial sector	5 168 767	5 391 741
corporate loans	3 773 912	3 875 074
housing loans	1 037 762	1 104 228
consumer loans	285 430	304 476
debt securities	71 663	107 963
Public sector	16 416	16 470
corporate loans	16 416	16 470
Financial assets available for sale	480 155	397 479
issued by financial entities	3 343	3 777
issued by non-financial entities	476 812	393 702
<b>Total</b>	<b>5 669 640</b>	<b>5 810 392</b>

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Exposure to credit risk - Items of the statement of financial position	31.03.2016	31.12.2015
Current account in the central bank	12 444 463	9 854 137
Amounts due from banks	2 522 459	4 552 972
Trading assets - debt securities	2 295 570	766 641
issued by the State Treasury	2 174 780	648 695
issued by local government bodies	44 145	48 596
issued by non-financial institutions	52 105	46 122
issued by financial institutions	5 513	5 344
issued by banks	19 027	17 884
Derivative financial instruments	2 991 644	4 347 269
Financial instruments designated upon initial recognition at fair value through profit and loss - debt securities	11 285 333	13 337 373
issued by central banks	7 541 728	10 036 898
issued by the State Treasury	3 503 446	3 052 701
issued by local government bodies	240 159	247 263
issued by non-financial institutions	-	511
Loans and advances to customers	187 869 107	190 413 708
financial sector	1 019 796	4 826 553
corporate loans	308 787	383 662
international financial organisations	213	10 652
receivables due from repurchase agreements	710 796	4 432 239
non-financial sector	177 130 072	175 619 057
housing loans	100 655 446	100 668 588
corporate loans	52 136 931	50 398 753
consumer loans	21 963 609	21 959 827
debt securities	2 370 042	2 591 889
receivables due from repurchase agreements	4 044	-
public sector	9 719 239	9 968 098
corporate loans	7 040 922	7 275 422
debt securities	2 678 317	2 692 676
Investment securities - debt securities	30 918 511	27 604 913
issued by the State Treasury	21 782 463	18 358 006
issued by local government bodies	4 630 851	4 613 726
issued by non-financial institutions	3 002 251	3 117 859
issued by banks	1 502 946	1 515 322
Investment securities held to maturity	313 693	210 330
issued by the State Treasury	313 693	210 330
Other assets - other financial assets	1 738 906	875 195
<b>Total</b>	<b>252 379 686</b>	<b>251 962 538</b>

Exposure to credit risk - Off-balance sheet items	31.03.2016	31.12.2015
Irrevocable liabilities granted	30 027 624	30 513 878
Guarantees granted	5 971 347	7 699 483
Guarantees of issue	5 410 340	5 489 969
Letters of credit granted	1 401 728	1 838 101
<b>Total</b>	<b>42 811 039</b>	<b>45 541 431</b>

### The Bank's policy in the area of the CHF

The Group is constantly monitoring changes arising in the macroeconomic and financial environment, in particular the level of market interest rates and foreign exchange rates and takes them into account in the management of different types of risks and in the Group's actions towards the customers with long-term mortgage loans. CHF denominated mortgage loans portfolio is subject to special analyses. The Group constantly monitors the quality of the portfolio and analyses the risk of deterioration in the quality of this portfolio. Currently, the portfolio quality remains at an acceptable level.

Additionally, the Group continuously monitors emerging legislative initiatives aimed at helping borrowers who have taken out foreign currency loans, analyzing their impact on the Bank and its customers.



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The following tables presents qualitative analysis of the loans denominated in CHF:

Loans and advances to customers in impairment valuation method in CHF (in PLN)	31.03.2016			
	Financial institutions	Entities	Households	Total
Valuated on an individual basis, of which:	-	167 067	219 385	386 452
impaired	-	131 492	207 726	339 218
Valuated with portfolio method, impaired	1 893	27 792	1 150 199	1 179 884
Valuated with group method (IBNR)	3 954	358 353	29 488 213	29 850 520
<b>Loans and advances to customers - gross</b>	<b>5 847</b>	<b>553 212</b>	<b>30 857 797</b>	<b>31 416 856</b>
Allowances on exposures valuated on an individual basis, of which:	-	(44 389)	(97 263)	(141 652)
impaired	-	(44 026)	(97 201)	(141 227)
Allowances on exposures valuated with portfolio method	(394)	(17 501)	(722 561)	(740 456)
Allowances on exposures valuated with group method (IBNR)	(55)	(3 070)	(95 123)	(98 248)
<b>Allowances - total</b>	<b>(449)</b>	<b>(64 960)</b>	<b>(914 947)</b>	<b>(980 356)</b>
<b>Loans and advances to customers - net</b>	<b>5 398</b>	<b>488 252</b>	<b>29 942 850</b>	<b>30 436 500</b>

Loans and advances to customers in impairment valuation method in CHF (in PLN)	31.12.2015			
	Financial institutions	Entities	Households	Total
Valuated on an individual basis, of which:	-	170 986	223 586	394 572
impaired	-	134 743	208 089	342 832
Valuated with portfolio method, impaired	-	32 034	1 126 528	1 158 562
Valuated with group method (IBNR)	6 098	372 332	30 309 066	30 687 496
<b>Loans and advances to customers - gross</b>	<b>6 098</b>	<b>575 352</b>	<b>31 659 180</b>	<b>32 240 630</b>
Allowances on exposures valuated on an individual basis, of which:	-	(45 601)	(95 867)	(141 468)
impaired	-	(45 185)	(93 751)	(138 936)
Allowances on exposures valuated with portfolio method	-	(18 199)	(699 206)	(717 405)
Allowances on exposures valuated with group method (IBNR)	(171)	(2 711)	(100 384)	(103 266)
<b>Allowances - total</b>	<b>(171)</b>	<b>(66 511)</b>	<b>(895 457)</b>	<b>(962 139)</b>
<b>Loans and advances to customers - net</b>	<b>5 927</b>	<b>508 841</b>	<b>30 763 723</b>	<b>31 278 491</b>

CHF exchange rate as at 31 March 2016 amounted to 3.9040, as at 31 December 2015 amounted to PLN 3.9394.

As at 31 March 2016, the average LTV for loans portfolio in CHF amounted to 85.8% - compared to the average LTV for the whole portfolio amounting to 72.7%. (As at 31 December 2015, the average LTV for loans portfolio in CHF amounted to 88.5% - compared to the average LTV for the whole portfolio amounting to 74.2%).

### Interest rate risk

As at 31 March 2016 and 31 December 2015, 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 did not have a significant effect on the interest rate risk of the entire Group and therefore did not significantly affect its risk profile.

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

Name of sensitivity measure	31.03.2016	31.12.2015
VaR for a 10-day time horizon with a confidence level of 99% threshold (in PLN thousand)*	279 712	271 674
Parallel movement of interest rate curves by 200 b.p. (in PLN thousand) (stress-test)**	2 078 566	2 013 781

\* Due to the nature of the activities carried out by the Group's other entities generating significant interest rate risk as well as the specific nature of the market on which they operate, the Group does not calculate consolidated VaR. These companies apply their own risk measures in the interest rate risk management. KREDOBANK SA uses the 10-day interest rate VaR for the main currencies, which amounted to approx. PLN 10 111 thousand as at 31 March 2016 and PLN 11 460 thousand as at 31 December 2015.

\*\* The table presents the value of the most adverse stress-test of the scenarios: movement of interest rate curves in particular currencies by 200 bps. up and by 200 bps. down.

As at 31 March 2016 the interest rate VaR for a 10-day time horizon (10-day VaR, 99%) amounted to PLN 279 712 thousand, which accounted for approximately 0.97 % of the Bank's own funds. As at 31 December 2015 VaR for the Bank amounted to PLN 271 674 thousand, which accounted for approximately 1.00 % of the Bank's own funds.

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### Currency risk

VaR of the Bank and stress-testing of the Group's exposure to currency risk are stated cumulatively for all currencies in the table below:

Name of sensitivity measure	31.03.2016	31.12.2015
VaR for a 10-day time horizon with a confidence level of 99% threshold (in PLN thousand)*	16 441	25 384
Change in CUR/PLN by 20% (in PLN thousand) (stress-test)**	74 185	1 941

\* 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 4 324 thousand as at 31 March 2016 and approx. PLN 4 836 thousand as at 31 December 2015.

\*\* 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 volume of currency positions is a key factor in determining the level of currency risk to which the Group is exposed (except for volatility of foreign exchange rates). The level of currency positions is determined by all foreign currency transactions, which are concluded by the Group, both in the statement of financial position and off-balance sheet 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 31 March 2016 amounted to ca. 0.06%).

### Liquidity risk

Liquidity gaps presented below contain i.e. the Group's items of the statement of financial position in real terms concerning permanent balances on deposits of non-financial entities and their maturity, permanent 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
<b>31.03.2016</b>								
The Group - adjusted periodic gap	13 848 593	21 356 613	(948 703)	4 333 417	7 877 614	9 005 920	12 943 434	(68 416 888)
The Group - adjusted cumulative periodic gap	13 848 593	35 205 206	34 256 503	38 589 920	46 467 534	55 473 454	68 416 888	-
<b>31.12.2015</b>								
The Group - adjusted periodic gap	13 974 617	19 405 644	(346 858)	3 590 950	7 972 011	8 034 672	12 600 252	(65 231 288)
The Group - adjusted cumulative periodic gap	13 974 617	33 380 261	33 033 403	36 624 353	44 596 364	52 631 036	65 231 288	-

In all time horizons, the Group's cumulative adjusted liquidity gap in real terms, which has been determined as a sum of adjusted liquidity gap in real terms of the Bank and contractual liquidity gaps of the remaining Group entities, as at 31 March 2016 and as at 31 December 2015 was positive. This means a surplus of assets receivable over liabilities payable.

## 44. Capital Adequacy

Basic regulations applicable in the assessment of capital adequacy as at 31 March 2016 are described in the consolidated financial statements for the year ended 31 December 2015.

In accordance with the CRR Regulation, for the purpose of prudential consolidation the Group comprises: PKO Bank Polski SA, PKO Leasing SA Group, PKO BP BANKOWY PTE SA, PKO Towarzystwo Funduszy Inwestycyjnych SA, KREDOBANK SA Group, PKO Finance AB, Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o., PKO Finat sp. z o.o and PKO Bank Hipoteczny SA.

The level of capital adequacy of the Group in the first quarter of 2016 remained on a safe level, significantly above the supervisory limits.

An increase in capital ratios is a result of Financial Supervision Authority's consent to include parts of the net profit earned for the period from 1 January 2015 to 30 September 2015 verified by the body responsible for auditing the financial statements of the Bank, less any anticipated burdens and dividends, in the amount of PLN 1 495 million into the Bank's core capital Tier I and continued actions leading to a decrease in risk weighted assets (off-balance sheet commitments).

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BANK'S OWN FUNDS in PLN	31.03.2016	31.12.2015
<b>Total own funds</b>	<b>28 582 888</b>	<b>27 091 444</b>
<b>Basic funds (Tier 1)</b>	<b>26 107 691</b>	<b>24 608 318</b>
Tier I capital before regulatory adjustments and deductions, of which:	29 324 077	27 828 677
Share capital	1 250 000	1 250 000
Other reserves	24 118 942	24 118 542
General banking risk fund for unidentified banking risk	1 070 000	1 070 000
Retained earnings	2 885 135	1 390 135
(-) Goodwill	(1 102 497)	(1 102 497)
(-) Other intangible assets	(1 796 777)	(1 690 794)
Other accumulated comprehensive income	(13 610)	(135 783)
Assets from deferred tax that are dependent on future profitability, but not derived from temporary differences	(1 502)	(2 017)
Adjustments to Tier I Capital in respect of prudential filters	(121 829)	(14 403)
Other adjustments to Tier I Capital during transitional period	(180 171)	(274 865)
<b>Supplementary funds (Tier 2)</b>	<b>2 475 197</b>	<b>2 483 126</b>
Capital instruments and subordinated loans eligible as Tier II Capital	2 475 197	2 483 126
<b>Requirements as regard own funds</b>	<b>14 805 641</b>	<b>14 836 827</b>
Credit risk	13 420 115	13 658 288
Operational risk	681 566	662 547
Market risk	675 981	484 532
Credit valuation adjustment risk	27 980	31 460
Settlement / delivery risk	-	-
<b>Total capital adequacy ratio</b>	<b>15.44%</b>	<b>14.61%</b>
<b>Tier 1 Capital ratio</b>	<b>14.11%</b>	<b>13.27%</b>

### Capital requirements for insurance companies

The PKO Bank Polski SA Group comprises insurance companies, PKO Życie TU SA and PKO TU SA, which, as entities covered with separate supervision of PFSA Office, including capital requirements compliance assessment, are excluded from the prudential consolidation.

According to the Law on Insurance Activity of 11 September 2015, implementing into the Polish legal system the Directive of the European Parliament and of the Council 2009/138 / EC on the taking-up and pursuit of the business of Insurance and Reinsurance ("Solvency II"), which entered into force on 1 January 2016, calculation of capital requirements is based on market, actuarial (insurance), counterparty default, catastrophic and operational risk. Assets, liabilities, and consequently own funds, covering the capital requirement will be measured at fair value. The Company made an estimated calculation of capital requirement and own funds according to the principles of Solvency II, based on the data of the date of 31 December 2015 stating surplus of own funds over the capital requirement.

### Internal capital (Pillar II)

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

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

As at 31 March 2016, the relation of the Group's own funds to its internal capital remained on a level exceeding both the threshold set by the law and the Group's internal limits.

### Disclosures (Pillar III)

The Group annually announces information, in particular, on the risk management and the capital adequacy. Details of the scope of information disclosed, the method of its verification and publication are presented in PKO Bank Polski SA Capital Adequacy Information Policies and other information to be published, which are available on the Bank's website ([www.pkobp.pl](http://www.pkobp.pl)).

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**STAND-ALONE FINANCIAL DATA  
INCOME STATEMENT**

	Note	01.01- 31.03.2016	01.01- 31.03.2015
<b>Continuing operations</b>			
Interest and similar income	1	2 310 765	2 376 525
Interest expense and similar charges	1	(521 981)	(749 969)
<b>Net interest income</b>		<b>1 788 784</b>	<b>1 626 556</b>
Fee and commission income	2	775 311	802 705
Fee and commission expense	2	(196 742)	(185 806)
<b>Net fee and commission income</b>		<b>578 569</b>	<b>616 899</b>
Dividend income		59 481	13 771
Net income from financial instruments measured at fair value	3	(14 723)	11 641
Gains less losses from investment securities	4	50 298	53 922
Net foreign exchange gains (losses)		100 978	119 488
Other operating income	5	22 470	60 986
Other operating expense	5	(23 731)	(23 192)
<b>Net other operating income and expense</b>		<b>(1 261)</b>	<b>37 794</b>
Net impairment allowance and write-downs	6	(370 824)	(366 391)
Administrative expenses	7	(1 237 061)	(1 296 311)
Tax on certain financial institutions expense	8	(147 769)	-
<b>Operating profit</b>		<b>806 472</b>	<b>817 369</b>
<b>Profit before income tax</b>		<b>806 472</b>	<b>817 369</b>
Income tax expense	9	(146 334)	(170 543)
<b>Net profit</b>		<b>660 138</b>	<b>646 826</b>

Earnings per share	10		
- basic earnings per share for the period (PLN)		0.53	0.52
- diluted earnings per share for the period (PLN)		0.53	0.52
Weighted average number of ordinary shares during the period (in thousand)		1 250 000	1 250 000
Weighted average diluted number of ordinary shares during the period (in thousand)		1 250 000	1 250 000

**Discontinued operations**

In the three-month periods ended 31 March 2016 and 31 March 2015 respectively, no discontinued operations were conducted by PKO Bank Polski SA.

**STATEMENT OF COMPREHENSIVE INCOME**

	Note	01.01- 31.03.2016	01.01- 31.03.2015
<b>Net profit</b>		<b>660 138</b>	<b>646 826</b>
<b>Other comprehensive income</b>		<b>143 195</b>	<b>34 810</b>
<b>Items that may be reclassified to the income statement</b>		<b>143 195</b>	<b>34 810</b>
Cash flow hedges (gross)	15	136 670	(45 294)
Deferred tax on cash flow hedges	15	(25 968)	8 606
Cash flow hedges (net)		110 702	(36 688)
Unrealised net gains on financial assets available for sale (gross)		40 122	88 269
Deferred tax on unrealised net gains on financial assets available for sale		(7 623)	(16 771)
Unrealised net gains on financial assets available for sale (net)		32 499	71 498
Currency translation differences from foreign operations		(6)	-
<b>Total net comprehensive income</b>		<b>803 333</b>	<b>681 636</b>

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## STATEMENT OF FINANCIAL POSITION

	Note	31.03.2016	31.12.2015
<b>ASSETS</b>			
Cash and balances with the central bank	11	15 807 547	13 707 730
Amounts due from banks	12	2 903 181	4 592 360
Trading assets	13	2 323 721	793 213
Derivative financial instruments	14	2 981 034	4 348 034
Financial assets designated upon initial recognition at fair value through profit and loss	16	10 732 648	12 796 036
Loans and advances to customers	17	184 899 127	188 552 440
Investment securities available for sale	18	31 292 075	27 859 727
Investments in subsidiaries, joint ventures and associates	19	1 989 303	2 037 987
Non-current assets held for sale		415 032	422 676
Intangible assets	20	2 902 898	2 797 791
Tangible fixed assets, of which:	20	2 246 858	2 276 322
investment properties		8 202	8 239
Current income tax receivables		-	40 762
Deferred income tax asset		675 357	644 611
Other assets	21	3 142 751	1 510 341
<b>TOTAL ASSETS</b>		<b>262 311 532</b>	<b>262 380 030</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Amounts due to the central bank		3 989	4 219
Amounts due to banks	22	20 234 586	18 249 857
Derivative financial instruments	14	3 288 986	4 627 189
Amounts due to customers	23	200 574 830	201 809 202
Debt securities in issue	24	1 651 557	1 717 661
Subordinated liabilities	25	2 477 481	2 499 163
Other liabilities	26	2 824 366	3 009 074
Current income tax liabilities		7 159	-
Provisions	27	227 358	245 778
<b>TOTAL LIABILITIES</b>		<b>231 290 312</b>	<b>232 162 143</b>
<b>Equity</b>			
Share capital		1 250 000	1 250 000
Other capital		25 289 946	25 146 745
Currency translation differences from foreign operations		(6)	-
Undistributed profits		3 821 142	1 250 000
Net profit for the year		660 138	2 571 142
<b>TOTAL EQUITY</b>		<b>31 021 220</b>	<b>30 217 887</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>262 311 532</b>	<b>262 380 030</b>
Capital adequacy ratio	34	16.27%	15.28%
Book value (in PLN thousand)		31 021 220	30 217 887
Number of shares (in thousand)		1 250 000	1 250 000
Book value per share (in PLN)		24.82	24.17
Diluted number of shares (in thousand)		1 250 000	1 250 000
Diluted book value per share (in PLN)		24.82	24.17

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**STATEMENT OF CHANGES IN EQUITY**

for the period ended 31 March 2016	Share capital				Other capital				Total other capital	Currency translation differences from foreign operations	Undistributed profits	Net profit for the period	Total equity
	Reserves				Other comprehensive income								
	Reserve capital	General capital	Other capital	Financial assets available for sale	Cash flow hedges	Actuarial gains and losses	Financial assets available for sale	Cash flow hedges					
As at 1 January 2016	20 518 111	1 070 000	3 484 177	144 673	(57 657)	(12 559)	144 673	(57 657)	(12 559)	25 146 745	1 250 000	2 571 142	30 217 887
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	-	-	2 571 142	(2 571 142)	-
<b>Total comprehensive income, of which:</b>	-	-	-	32 499	110 702	-	32 499	110 702	-	143 201	-	660 138	803 333
Net profit	-	-	-	-	-	-	-	-	-	-	-	660 138	660 138
Other comprehensive income	-	-	-	32 499	110 702	-	32 499	110 702	-	143 201	-	660 138	143 195
<b>As at 31 March 2016</b>	<b>20 518 111</b>	<b>1 070 000</b>	<b>3 484 177</b>	<b>177 172</b>	<b>53 045</b>	<b>(12 559)</b>	<b>177 172</b>	<b>53 045</b>	<b>(12 559)</b>	<b>25 289 946</b>	<b>3 821 142</b>	<b>660 138</b>	<b>31 021 220</b>

for the period ended 31 March 2015	Share capital				Other capital				Total other capital	Undistributed profits	Net profit for the period	Total equity	
	Reserves				Other comprehensive income								
	Reserve capital	General capital	Other capital	Financial assets available for sale	Cash flow hedges	Actuarial gains and losses	Financial assets available for sale	Cash flow hedges					Actuarial gains and losses
As at 1 January 2015	18 618 111	1 070 000	3 421 913	33 640	5 204	(8 976)	33 640	5 204	(8 976)	23 139 892	3 079 471	27 602 156	
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	-	-	3 079 471	(3 079 471)	-
<b>Total comprehensive income, of which:</b>	-	-	-	71 498	(36 688)	-	71 498	(36 688)	-	34 810	-	681 636	646 826
Net profit	-	-	-	-	-	-	-	-	-	-	-	646 826	646 826
Other comprehensive income	-	-	-	71 498	(36 688)	-	71 498	(36 688)	-	34 810	-	34 810	34 810
<b>As at 31 March 2015</b>	<b>18 618 111</b>	<b>1 070 000</b>	<b>3 421 913</b>	<b>105 138</b>	<b>(31 484)</b>	<b>(8 976)</b>	<b>105 138</b>	<b>(31 484)</b>	<b>(8 976)</b>	<b>23 174 702</b>	<b>646 826</b>	<b>28 283 792</b>	

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## STATEMENT OF CASH FLOWS

	Note	01.01- 31.03.2016	01.01- 31.03.2015
<b>Net cash flows from operating activities</b>			
<b>Profit before income tax</b>		<b>806 472</b>	<b>817 369</b>
<b>Adjustments:</b>		<b>4 394 718</b>	<b>721 340</b>
Amortisation and depreciation		173 006	189 305
(Gains) losses from investing activities		52	(20 270)
Interest and dividends		(68 854)	(14 340)
Change in amounts due from banks		1 044 579	(725 437)
Change in trading assets and financial assets designated upon initial recognition at fair value through profit and loss		532 880	(2 828 399)
Change in derivative financial instruments (asset)		1 367 000	(106 395)
Change in loans and advances to customers		3 550 501	(3 018 514)
Change in other assets, inventories and non-current assets held for sale		(1 604 247)	(374 037)
Change in amounts due to banks		1 984 499	3 173 574
Change in derivative financial instruments (liability)		(1 338 203)	756 890
Change in amounts due to customers		(1 234 372)	4 164 984
Change in provisions and impairment allowances		86 161	164 360
Change in other liabilities and subordinated liabilities		(206 390)	(276 339)
Income tax paid		(162 750)	(178 031)
Other adjustments		270 856	(186 011)
<b>Net cash generated from/used in operating activities</b>		<b>5 201 190</b>	<b>1 538 709</b>
<b>Net cash flows from investing activities</b>			
Inflows from investing activities		33 780 303	9 551 144
Proceeds from redemption of subsidiary's equity		49 832	-
Proceeds from sale and interest on investment securities available for sale		33 670 990	9 504 280
Proceeds from sale of intangible assets and tangible fixed assets		-	33 093
Other investing inflows (dividends)		59 481	13 771
Outflows from investing activities		(37 270 143)	(10 548 617)
Increase in equity of a subsidiary		(22 000)	-
Increase in equity of an associate		(1 148)	-
Purchase of investment securities available for sale		(36 995 013)	(10 499 813)
Purchase of intangible assets and tangible fixed assets		(251 982)	(48 804)
<b>Net cash used in investing activities</b>		<b>(3 489 840)</b>	<b>(997 473)</b>
<b>Net cash flows from financing activities</b>			
Proceeds from debt securities in issue		-	995 195
Redemption of debt securities in issue		(59 600)	(751 306)
Repayment of interest from issued debt securities and subordinated loans		(34 121)	(36 889)
Repayment of long-term borrowings		(162 124)	(1 017 574)
<b>Net cash generated from/used in financing activities</b>		<b>(255 845)</b>	<b>(810 574)</b>
<b>Net cash flows</b>		<b>1 455 505</b>	<b>(269 338)</b>
of which currency translation differences on cash and cash equivalents		(22 534)	23 352
Cash and cash equivalents at the beginning of the period		17 189 740	14 052 760
Cash and cash equivalents at the end of the period	29	18 645 245	13 783 422
of which restricted		12 439	8 681

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NOTES TO THE FINANCIAL STATEMENTS

**1. Interest income and expense**

Interest and similar income	01.01- 31.03.2016	01.01- 31.03.2015
Income from loans and advances to customers, of which:*	1 931 101	2 000 051
from impaired loans	69 018	80 941
Income from investment securities available for sale	182 659	166 738
Income from placements with banks	23 923	28 129
Income from loans to banks	2 227	865
Other	4 143	965
Other income, of which:	166 712	179 777
Income from derivative hedging instruments	95 018	95 483
Income from financial assets designated upon initial recognition at fair value through profit and loss	52 613	71 570
Income from trading assets	19 081	12 724
<b>Total</b>	<b>2 310 765</b>	<b>2 376 525</b>

\* In the three-month period of 2016 the amount of interest income decline due to negative LIBOR amounted to PLN (92) thousand and in the first quarter of 2015 amounted to PLN (1) thousand.

Interest expense and similar charges	01.01- 31.03.2016	01.01- 31.03.2015
Interest expense on amounts due to customers	(457 809)	(682 294)
Interest expense on debt securities in issue and subordinated liabilities	(18 035)	(20 111)
Interest expense on loans from banks	(12 530)	(21 787)
Premium expense on debt securities available for sale	(14 511)	(14 912)
Interest expense on deposits from banks	(2 953)	(2 288)
Expense on financial assets designated upon initial recognition at fair value through profit and loss	(6 635)	(4 349)
Expense on trading assets	(9 508)	(4 228)
<b>Total</b>	<b>(521 981)</b>	<b>(749 969)</b>

**2. Fee and commission income and expense**

Fee and commission income	01.01- 31.03.2016	01.01- 31.03.2015
income from loans and advances granted	145 272	147 946
payment cards	229 036	210 249
maintenance of bank accounts	220 504	226 595
loans insurance	12 887	31 502
maintenance of investment and open pension funds (including management fees)	64 909	65 670
cash transactions	22 180	23 594
securities transactions	14 590	33 401
servicing foreign mass transactions	19 315	17 776
providing services of an agent for the issue of Treasury bonds	8 715	4 518
sale and distribution of court fee stamps	3 375	2 258
investment and insurance products	3 675	4 119
From fiduciary activities	1 116	1 072
other (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).	29 737	34 005
<b>Total</b>	<b>775 311</b>	<b>802 705</b>



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Fee and commission expense	01.01- 31.03.2016	01.01- 31.03.2015
payment cards	(127 592)	(120 597)
acquisition services	(16 199)	(17 656)
settlement services	(9 230)	(9 054)
fee and commissions for operating services provided by banks	(3 998)	(7 383)
other (i.a.: fee and expenses paid by the Brokerage House of PKO Bank Polski SA to Warsaw Stock Exchange (WSE) and to the National Depository for Securities (KDPW)).	(39 723)	(31 116)
<b>Total</b>	<b>(196 742)</b>	<b>(185 806)</b>

**3. Net income from financial instruments measured at fair value**

Net income from financial instruments measured at fair value	01.01- 31.03.2016	01.01- 31.03.2015
Derivative instruments, of which:	(23 235)	10 703
an ineffective portion related to cash flow hedges	342	2 704
Structured bank securities measured at fair value through profit and loss	5 480	(7 371)
Debt securities	1 597	7 357
Equity instruments	1 435	952
<b>Total</b>	<b>(14 723)</b>	<b>11 641</b>

**4. Gains less losses from investment securities on financial assets available for sale**

Gains	01.01- 31.03.2016	01.01- 31.03.2015
<b>Debt Securities</b>	<b>54 737</b>	<b>57 529</b>
Treasury bonds PLN	47 467	56 446
other	7 270	1 083
<b>Total</b>	<b>54 737</b>	<b>57 529</b>

Losses	01.01- 31.03.2016	01.01- 31.03.2015
<b>Debt Securities</b>	<b>(4 439)</b>	<b>(3 607)</b>
Treasury bonds PLN	(4 408)	(3 569)
other	(31)	(38)
<b>Total</b>	<b>(4 439)</b>	<b>(3 607)</b>
<b>Result on investment securities available for sale</b>	<b>50 298</b>	<b>53 922</b>

**5. Other operating income and expense**

Other operating income	01.01- 31.03.2016	01.01- 31.03.2015
Sale and disposal of tangible fixed assets, intangible assets and assets held for sale	4 158	33 514
Sundry income	6 208	5 072
Recovery of expired and written-off receivables	1 239	9 451
Other	10 865	12 949
<b>Total</b>	<b>22 470</b>	<b>60 986</b>

Other operating expense	01.01- 31.03.2016	01.01- 31.03.2015
Costs of sale and disposal of tangible fixed assets, intangible assets and assets held for sale	(4 210)	(12 823)
Donations expenses	(895)	(289)
Sundry expenses	(4 135)	(1 325)
Other	(14 491)	(8 755)
<b>Total</b>	<b>(23 731)</b>	<b>(23 192)</b>

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**6. Net impairment allowance and write-downs**

	Note	Value at the beginning of the period	Increases		Decreases		Value at the end of the period	Net- impact on the statement
			Recognised during the period	Other	Derecognition of assets and settlement	Reversed during the period		
For the period ended 31 March 2016								
Investment securities available for sale	18	53 253	31 778	-	-	1 605	83 426	(31 778)
Debt securities available for sale		53 153	31 778	-	-	1 605	83 326	(31 778)
Equity securities		100	-	-	-	-	100	-
Amounts due from banks	12	260	1 539	-	790	-	548	(1 078)
Loans and advances to customers measured at amortised cost	17	7 890 237	997 193	77	219 897	12 648	7 993 049	(335 280)
Non-financial sector		7 829 927	991 077	77	219 393	11 879	7 934 076	(335 344)
corporate loans		3 929 033	454 110	-	114 373	4 065	3 974 055	(163 460)
housing loans		2 291 382	256 927	-	92 694	6 941	2 285 899	(94 152)
consumer loans		1 540 528	280 040	-	12 326	873	1 607 001	(79 672)
debt securities		68 984	-	77	-	1 940	67 121	1 940
Financial sector		25 710	752	-	500	769	23 252	1 189
corporate loans		25 710	752	-	500	769	23 252	1 189
Public sector		34 600	5 364	-	4	4 239	35 721	(1 125)
corporate loans		31 905	-	-	4	4 239	27 662	4 239
debt securities		2 695	5 364	-	-	-	8 059	(5 364)
Non-current assets held for sale		427 058	5 647	-	-	1 123	431 582	(5 647)
Tangible fixed assets	20	20 202	-	-	755	8	19 439	8
Intangible assets	20	15 373	-	-	-	-	15 373	-
Investments in subsidiaries, joint ventures and associates	19	795 141	-	-	-	-	795 141	-
Other receivables		204 947	12 637	-	46	30	206 428	(1 557)
Provision for legal claims, loan commitments and guarantees granted	27	102 204	71 804	208	4 626	-	93 414	4 372
Provisions for future liabilities		2 076	822	-	-	958	1 940	136
<b>Total</b>		<b>9 510 751</b>	<b>1 121 420</b>	<b>285</b>	<b>226 114</b>	<b>15 406</b>	<b>9 640 340</b>	<b>(370 824)</b>

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For the period ended 31 March 2015	Note	Value at the beginning of the period	Increases		Decreases			Value at the end of the period	Net- impact on the statement
			Recognised during the period	Other	Reversed during the period	Other	Derecognition of assets and settlement		
Investment securities available for sale	18	127 747	2 227	-	48 615	-	81 359	(2 227)	
Equity securities		127 747	2 227	-	48 615	-	81 359	(2 227)	
Amounts due from banks	12	11 596	911	-	-	2 155	12 134	1 244	
Loans and advances to customers measured at amortised cost	17	7 527 200	1 417 791	104 467	325 231	1 021 494	7 702 733	(396 297)	
Non-financial sector		7 504 886	1 355 938	102 323	258 882	1 020 081	7 684 184	(335 857)	
corporate loans		3 869 710	636 108	8 803	2 810	479 347	4 032 464	(156 761)	
housing loans		2 247 418	372 208	77 474	149 374	280 899	2 266 827	(91 309)	
consumer loans		1 295 876	347 591	16 046	106 669	259 835	1 293 009	(87 756)	
debt securities		91 882	31	-	29	-	91 884	(31)	
Financial sector		6 854	60 847	2 123	66 349	322	3 153	(60 525)	
corporate loans		6 854	60 847	2 123	66 349	322	3 153	(60 525)	
Public sector		15 460	1 006	21	-	1 091	15 396	85	
corporate loans		12 638	955	21	-	1 091	12 523	136	
debt securities		2 822	51	-	-	-	2 873	(51)	
Non-current assets held for sale		155 934	-	-	-	-	155 934	-	
Tangible fixed assets	20	18	-	-	-	-	18	-	
Intangible assets	20	15 373	-	-	-	-	15 373	-	
Investments in subsidiaries, joint ventures and associates	19	1 120 101	2 399	-	-	28 854	1 093 646	26 455	
Other receivables		145 672	11 716	1 487	-	6 807	152 068	(4 909)	
Provision for legal claims, loan commitments and guarantees granted	27	133 078	102 703	-	-	111 741	123 610	9 038	
Provisions for future liabilities		9 250	541	-	137	846	8 808	305	
<b>Total</b>		<b>9 245 969</b>	<b>1 538 288</b>	<b>107 736</b>	<b>373 983</b>	<b>1 171 897</b>	<b>9 345 683</b>	<b>(366 391)</b>	

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## 7. Administrative expenses

Administrative expenses	01.01- 31.03.2016	01.01- 31.03.2015
Employee benefits	(631 165)	(638 142)
Overheads	(311 518)	(345 920)
Amortisation and depreciation, of which:	(173 006)	(189 305)
tangible fixed assets	(64 638)	(84 406)
intangible assets	(108 331)	(104 898)
investment properties	(37)	(1)
Taxes and other charges*	(11 676)	(11 730)
Contribution and payments to the Bank Guarantee Fund	(109 696)	(111 214)
<b>Total</b>	<b>(1 237 061)</b>	<b>(1 296 311)</b>

\*Excluding tax on certain financial institutions presented in another note.

In the 3 months of 2015 the Bank recognized in time the cost of the prudential and annual fees payable to the Bank Guarantee Fund (the 'BGF'). Such approach to the recognition of fees described in the interim condensed financial statements in 2015. The Act of 11 March 2016 amending the Law on the Bank Guarantee Fund and the Law on the functioning of cooperative banks, their mergers and affiliating banks (Journal of Laws of 2016, item 381 ), introduced a change in the schedule and calculation of fees. Fees for BGF are to be paid on a quarterly basis and not as previously once a year and the levy is determined on a quarterly basis and not as previously once a year. Consequently, in 2016 the Group recognized the cost of the fees payable to the Bank Guarantee Fund in the first month of a particular quarter. This change does not affect the results of individual quarters and only affects the results of the individual months of the quarter.

### Wages and salaries/employee benefits

Employee benefits	01.01- 31.03.2016	01.01- 31.03.2015
Wages and salaries, of which:	(519 678)	(525 922)
expenses on employee pension programme	(11 900)	(11 775)
Social Insurance, of which:	(93 963)	(95 211)
contributions to retirement pay and pensions	(83 541)	(82 919)
Other employee benefits	(17 524)	(17 009)
<b>Total</b>	<b>(631 165)</b>	<b>(638 142)</b>

## 8. Tax on certain financial institutions

On 1 February 2016 the Act of 15 January 2016 on tax on certain financial institutions (Journal of Laws of 2016, item 68) entered into force. Taxes are covered by domestic banks, branches of foreign banks, branches of credit institutions, cooperative credit unions (SKOK), national insurance companies, national reinsurance companies, branches of foreign insurance companies and foreign reinsurance companies, main branches of foreign insurance companies and foreign reinsurance companies, as well as lending institutions. The tax base represents the excess of the total assets of the entity (over PLN 4 billion in the case of banks, more than PLN 2 billion for insurance companies) resulting from the trial balance at the end of each month. Banks and credit unions are entitled to a reduction of the tax base, for the value of own funds, and the value of Treasury securities. In addition, banks will reduce the tax base by the value of assets acquired from the NBP as collateral refinancing loan by the NBP. The tax rate for all taxpayers amounts to 0.0366%, and the tax is paid per month to the 25th day of the month following the month to which it relates.

The tax was paid for the first time for February 2016. The tax paid is not deductible.

	01.01- 31.03.2016	01.01- 31.03.2015
Tax on certain financial institutions expense	(147 769)	-

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## 9. Income tax expense

	01.01- 31.03.2016	01.01- 31.03.2015
Current income tax expense	(210 670)	(214 770)
Deferred income tax related to creating and reversal of temporary differences	64 336	44 227
<b>Tax expense in the consolidated income statement</b>	<b>(146 334)</b>	<b>(170 543)</b>
Deferred tax expense in other comprehensive income related to creating and reversal of temporary differences	(33 591)	(8 165)
<b>Total</b>	<b>(179 925)</b>	<b>(178 708)</b>

## 10. Earnings per share

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

Earnings per share	01.01- 31.03.2016	01.01- 31.03.2015
Profit per ordinary shareholders (in PLN thousand)	660 138	646 826
Weighted average number of ordinary shares during the period (in thousand)	1 250 000	1 250 000
Earnings per share (in PLN per share)	0.53	0.52

In the first quarter of 2016 and in the first quarter of 2015 there were no dilutive instruments and there were no significant expenses or income from discontinued operations.

## 11. Cash and balances with the central bank

Cash and balances with the central bank	31.03.2016	31.12.2015
Current account in the central bank	12 444 435	9 854 133
Cash	3 363 111	3 853 596
Other funds	1	1
<b>Total</b>	<b>15 807 547</b>	<b>13 707 730</b>

## 12. Amounts due from banks

Amounts due from banks	31.03.2016	31.12.2015
Deposits with banks	1 385 573	2 484 552
Current accounts	1 039 149	858 326
Loans and advances granted	478 644	269 027
Receivables due from repurchase agreements	-	980 630
Cash in transit	363	85
<b>Total</b>	<b>2 903 729</b>	<b>4 592 620</b>
Impairment allowances on receivables	(548)	(260)
<b>Net Total</b>	<b>2 903 181</b>	<b>4 592 360</b>

Amounts due from banks - Bank exposure to credit risk	Credit exposure	
	31.03.2016	31.12.2015
Amounts due from banks impaired	377	375
Amounts due from banks not impaired, of which:	2 903 352	4 592 245
not past due	2 903 352	4 592 245
<b>Gross total</b>	<b>2 903 729</b>	<b>4 592 620</b>
Impairment allowances	(548)	(260)
<b>Net total by carrying amount</b>	<b>2 903 181</b>	<b>4 592 360</b>

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### 13. Trading assets

By carrying amount	31.03.2016	31.12.2015
Debt securities	2 310 590	776 655
issued by the State Treasury, of which:	2 174 780	648 695
Treasury bonds PLN	2 102 733	640 009
Treasury bonds EUR	9 607	8 686
Treasury bills PLN	62 440	-
issued by local government bodies, municipal bonds PLN	44 145	48 596
issued by non-financial institutions, of which:	52 105	46 122
corporate bonds PLN	52 003	46 052
corporate bonds EUR	102	70
issued by other financial institutions, of which:	5 513	5 344
bonds issued by WSE PLN	5 476	5 238
corporate bonds PLN	37	106
issued by banks, of which:	34 047	27 898
corporate bonds PLN	19 027	17 884
mortgage bonds	15 020	10 014
Shares in other entities – listed on stock exchange	7 833	9 910
Investment certificates	5 292	6 648
Rights to shares	6	-
<b>Total</b>	<b>2 323 721</b>	<b>793 213</b>

Trading assets portfolio includes securities held by the Brokerage House.

### 14. Derivative financial instruments

Type of derivative instruments	31.03.2016		31.12.2015	
	Assets	Liabilities	Assets	Liabilities
Hedging instruments	399 049	765 893	508 665	998 527
Other derivative instruments	2 581 985	2 523 093	3 839 369	3 628 662
<b>Total</b>	<b>2 981 034</b>	<b>3 288 986</b>	<b>4 348 034</b>	<b>4 627 189</b>

Type of contract	31.03.2016		31.12.2015	
	Assets	Liabilities	Assets	Liabilities
IRS	2 004 616	1 942 300	3 208 234	3 053 133
CIRS	405 442	929 139	472 355	1 212 581
FX Swap	236 655	114 133	309 928	85 953
Options	220 203	195 545	236 757	177 513
FRA	8 200	6 678	16 226	22 192
Forward	101 701	100 484	104 534	72 588
Other	4 217	707	-	3 229
<b>Total</b>	<b>2 981 034</b>	<b>3 288 986</b>	<b>4 348 034</b>	<b>4 627 189</b>

### 15. Derivative hedging instruments

As at 31 March 2016 the Bank applies the following hedging strategies:

#### 15.1 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

**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.

**Hedged 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.

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**Hedged position** - the portfolio of floating interest rate mortgage loans denominated in CHF and the portfolio of short-term negotiated term deposits, including renewals in the future (high probability of occurrence). The Bank designated the hedged position according to the regulations of IAS.39.AG.99C as adopted by the European Union.

**Periods in which cash flows are expected and in which they should have an impact on the financial result** – April 2016 - October 2026.

**15.2 Hedges against fluctuations in cash flow floating interest rate loans in PLN, resulting from the risk of fluctuations in interest rates, using IRS transactions**

**Description of hedge relationship** - elimination of the risk of cash flow fluctuations generated by floating interest rate PLN loan portfolio resulting from the interest rate risk in the period covered by the hedge.

**Hedged risk** – interest rate risk.

**Hedging instrument** - 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.

**Hedged position** - the portfolio of loans in PLN indexed to the floating 3M WIBOR rate.

**Periods in which cash flows are expected and in which they should have an impact on the financial result** – April 2016 – June 2020.

**15.3 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**

**Description of hedge relationship:**

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.

**Hedged risk** – interest rate risk.

**Hedging instrument** - 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.

**Hedged position** - the portfolio of loans in EUR indexed to the floating EURIBOR rate.

**Periods in which cash flows are expected and in which they should have an impact on the financial result** – April 2016 - June 2016.

**15.4 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**

**Description of hedge relationship** - 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.

**Hedged risk** – interest rate risk.

**Hedging instrument** - 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.

**Hedged position** - the portfolio of loans in CHF indexed to the floating 3M CHF LIBOR rate.

**Periods in which cash flows are expected and in which they should have an impact on the financial result** – April 2016 - July 2016.

**15.5 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 currency, resulting from foreign exchange rate risk, using CIRS transactions.**

**Description of hedge relationship** - 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.

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**Hedged risk** – currency risk and interest rate risk.

**Hedging instrument** - CIRS transactions where the Bank pays coupons based on floating 3M CHF LIBOR rate, and receives coupons based on fixed USD rate on the nominal value for which they were concluded.

**Hedged position** - the portfolio of floating interest rate mortgage loans denominated in CHF and 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 financial result – April 2016 – September 2022.**

**15.6 Hedges against fluctuations in cash flows from mortgage loans in other foreign currencies than CHF and negotiated term deposits in PLN, resulting from the risk of fluctuations in interest rates and in foreign exchange rates, using CIRS transactions**

**Description of hedge relationship** - elimination of the risk of cash flow fluctuations generated by floating interest rate loans denominated in EUR and negotiated term deposits in PLN, resulting from fluctuations in reference interest rates in EUR and PLN, and changes in foreign exchange rates EUR/PLN during the hedged period.

**Hedged risk** - currency risk and interest rate risk.

**Hedging instrument** - CIRS transactions where the Bank pays coupons based on EURIBOR 3M, and receives coupons based on 3M WIBOR on the nominal value defined in EUR and PLN respectively.

**Hedged position** - the portfolio of floating interest rate mortgage loans denominated in EUR and the portfolio of short-term negotiated term deposits, including renewals in the future (high probability of occurrence). The Bank designated the hedged position according to the regulations of IAS. 39.AG.99C as adopted by the European Union.

**Periods in which cash flows are expected and in which they should have an impact on the financial result – April 2016 – March 2021.**

As at 31 March 2016 and as at 31 December 2015, the Bank did not use the fair value hedge.

All types of hedging relationships applied by the Bank are cash flow hedge accounting (macro cash flow hedge).

Hedge effectiveness is verified through the use of prospective and retrospective effectiveness tests. Tests are performed monthly.

Type of instrument:	Carrying amount/fair value of derivative instruments constituting cash flow hedges related to the interest rate and/or exchange rate			
	31.03.2016		31.12.2015	
	Assets	Liabilities	Assets	Liabilities
IRS	159 551	94	269 122	-
CIRS	239 498	765 799	239 543	998 527
<b>Total</b>	<b>399 049</b>	<b>765 893</b>	<b>508 665</b>	<b>998 527</b>

The impact of hedging instruments on other comprehensive income	01.01-31.03.2016	01.01-31.03.2015
Other comprehensive income at the beginning of the period, gross	(71 182)	6 425
Gains/losses transferred to other comprehensive income in the period	207 294	(971 073)
Amount transferred from other comprehensive income to the income statement, of which:	(70 624)	925 778
- interest income	(95 018)	(95 483)
- net foreign exchange gains (losses)	24 394	1 021 261
Accumulated other comprehensive income at the end of the period, gross	65 488	(38 870)
Tax effect	(12 443)	7 385
Accumulated other comprehensive income at the end of the period, net	53 045	(31 485)
Effect on other comprehensive income in the period, gross	136 670	(45 294)
Deferred tax on cash flow hedges	(25 968)	8 606
<b>Effect on other comprehensive income in the period, net</b>	<b>110 702</b>	<b>(36 688)</b>
The ineffective portion of cash flow hedges recognized in the profit and loss account	342	2 704



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**16. Financial instruments designated upon initial recognition as at fair value through profit and loss**

By carrying amount	31.03.2016	31.12.2015
Debt securities	10 732 648	12 796 036
issued by central banks, NBP money market bills	7 499 730	9 996 910
issued by the State Treasury, of which:	2 992 759	2 551 863
treasury bonds PLN	1 828 611	1 466 614
treasury bonds EUR	189 612	91 634
treasury bonds CHF	974 536	993 615
issued by local government bodies, of which:	240 159	247 263
municipal bonds EUR	131 606	131 341
municipal bonds PLN	108 553	115 922
<b>Total</b>	<b>10 732 648</b>	<b>12 796 036</b>

**17. Loans and advanced to customers**

Loans and advances to customers by sector and type of product	31.03.2016	31.12.2015
Loans and advances to customers, gross, of which:	192 892 176	196 442 677
financial sector	6 363 377	9 901 760
corporate, of which:	5 652 368	5 458 869
deposits of the Brokerage House of PKO Bank Polski SA in the Stock Exchange Guarantee Fund and initial deposit	12 539	10 217
receivables due from repurchase agreements	710 796	4 432 239
International financial organisations	213	10 652
non-financial sector	176 844 475	176 609 803
housing	101 133 246	102 162 396
corporate	49 851 244	48 446 610
receivables due from repurchase agreements	4 044	-
consumer	23 418 778	23 339 924
debt securities (corporate)	2 437 163	2 660 873
public sector	9 684 324	9 931 114
corporate	6 997 948	7 235 743
debt securities (municipal)	2 686 376	2 695 371
Impairment allowances on loans and advances to customers	(7 993 049)	(7 890 237)
<b>Loans and advances to customers, net</b>	<b>184 899 127</b>	<b>188 552 440</b>

Loans and advances to customers by customer segment	31.03.2016	31.12.2015
Loans and advances granted, gross, of which:	192 892 176	196 442 677
mortgage banking	94 386 421	95 217 252
corporate	53 026 778	52 119 477
retail and private banking	23 418 778	23 339 924
small and medium enterprises	21 332 607	21 312 916
International financial organisations	213	10 652
receivables due from repurchase agreements	714 840	4 432 239
deposits of the Brokerage House of PKO Bank Polski SA in the Stock Exchange Guarantee Fund	12 539	10 217
Impairment allowances on loans and advances	(7 993 049)	(7 890 237)
<b>Loans and advances granted, net</b>	<b>184 899 127</b>	<b>188 552 440</b>

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Loans and advances to customers by method of calculating impairment allowances	31.03.2016	31.12.2015
Assessed on an individual basis, of which:	6 466 135	6 799 156
impaired	4 883 843	4 972 235
not impaired	1 582 292	1 826 921
Assessed on a portfolio basis, impaired	7 633 205	7 552 256
Assessed on a group basis (IBNR)	178 792 836	182 091 265
<b>Loans and advances to customers, gross</b>	<b>192 892 176</b>	<b>196 442 677</b>
Impairment allowances on exposures assessed on an individual basis, of which:	(2 542 923)	(2 630 480)
impaired	(2 534 010)	(2 617 808)
impairment allowances on exposures assessed on a portfolio basis	(4 860 711)	(4 713 044)
impairment allowances on exposures assessed on a group basis (IBNR)	(589 415)	(546 713)
<b>Impairment allowances - total</b>	<b>(7 993 049)</b>	<b>(7 890 237)</b>
<b>Loans and advances to customers, net</b>	<b>184 899 127</b>	<b>188 552 440</b>

As at 31 March 2016, the share of impaired loans amounted to 6.5% (as at 31 December 2015: 6.4%), whereas the coverage ratio for impaired loans (calculated as total impairment allowances on loans and advances to customers divided by gross carrying amount of impaired loans) amounted to 63.9% (as at 31 December 2015: 63.0%).

As at 31 March 2016, the share of loans overdue by more than 90 days in the gross amount of loans and advances was 5.0% (as at 31 December 2015: 4.8%).

Loans and advances to customers - Bank exposure to credit risk	Credit exposure	
	31.03.2016	31.12.2015
Loans and advances impaired, of which:	12 517 048	12 524 491
assessed on an individual basis	4 883 843	4 972 235
Loans and advances not impaired, of which:	180 375 128	183 918 186
with recognised individual impairment trigger	1 507 037	1 746 700
not past due	1 262 842	1 423 097
past due	244 195	323 603
without recognised individual impairment trigger	178 868 091	182 171 486
not past due	176 225 089	179 521 234
past due	2 643 002	2 650 252
<b>Gross total</b>	<b>192 892 176</b>	<b>196 442 677</b>
Impairment allowances, of which:	(7 993 049)	(7 890 237)
for impaired exposures	(7 394 721)	(7 330 852)
for not impaired exposures, of which:	(598 328)	(559 385)
with recognised impairment trigger	(8 892)	(12 646)
without recognised impairment trigger	(589 436)	(546 739)
<b>Total net carrying amount</b>	<b>184 899 127</b>	<b>188 552 440</b>

**Debt securities (municipal and corporate bonds) reclassified from financial assets available for sale to loans and advances to customers (reclassified in the third and fourth quarter of 2012).**

As at 31 March 2016	nominal value	fair value	carrying amount
Municipal bonds	738 112	737 844	742 153
Corporate bonds	51 489	71 372	8 456
<b>Total</b>	<b>789 601</b>	<b>809 216</b>	<b>750 609</b>

As at 31 December 2015	nominal value	fair value	carrying amount
Municipal bonds	745 362	741 656	747 693
Corporate bonds	582 000	591 416	537 703
<b>Total</b>	<b>1 327 362</b>	<b>1 333 072</b>	<b>1 285 396</b>

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**18. Investment securities available for sale**

By carrying amount, gross	31.03.2016	31.12.2015
Debt securities available for sale, gross	30 700 587	27 312 620
issued by the State Treasury, of which:	21 403 108	18 021 339
treasury bonds PLN	20 793 384	17 710 719
treasury bonds EUR	312 284	310 620
treasury bills PLN	297 440	-
issued by local government bodies, municipal bonds PLN	4 630 851	4 613 726
issued by non-financial institutions, of which:	3 076 459	3 161 994
corporate bonds PLN	2 542 437	2 617 664
corporate bonds EUR	316 519	320 712
corporate bonds USD	217 503	223 618
issued by other financial institutions, corporate bonds PLN	87 223	239
issued by banks, of which:	1 502 946	1 515 322
corporate bonds PLN	1 458 304	1 470 753
corporate bonds EUR	44 642	44 569
Impairment allowances on debt securities available for sale, of which:	(83 326)	(53 153)
corporate bonds PLN	(46 807)	(22 959)
corporate bonds USD	(36 519)	(30 194)
<b>Total net debt securities available for sale</b>	<b>30 617 261</b>	<b>27 259 467</b>
Equity securities available for sale, gross	406 474	403 717
Equity securities not admitted to public trading	347 517	346 893
Equity securities admitted to public trading	58 957	56 824
Impairment allowances on equity securities available for sale	(100)	(100)
<b>Total net equity securities available for sale</b>	<b>406 374</b>	<b>403 617</b>
Participation units in investment funds and shares in joint investment institutions	268 440	196 643
<b>Total net investment securities available for sale</b>	<b>31 292 075</b>	<b>27 859 727</b>

PKO Bank Polski SA as a member of Visa Europe Limited is among the beneficiaries of the acquisition of shares in Visa Europe Limited by Visa Inc. As at 31 March 2016 and as at 31 December 2015, a portion of the anticipated as described above, remuneration in the amount of EUR 76 840 thousand (i.e. PLN 327 984 thousand and PLN 327 453 thousand, respectively) has been included in the valuation of shares in Visa Europe Limited (in other comprehensive income - in position of the revaluation of financial assets available for gross sales). Detailed information regarding the above-mentioned transaction is described in note 'other information' - factors which may affect the future financial results within at least the next quarter.

Investment securities available for sale - debt securities - Bank exposure to credit risk	Credit exposure	
	31.03.2016	31.12.2015
Debt securities impaired, of which:	476 777	393 662
assessed on an individual basis	476 777	393 662
Debt securities not impaired, of which:	30 223 810	26 918 958
not past due	30 223 810	26 918 958
with external rating	22 861 411	21 380 292
with internal rating	7 362 399	5 538 666
<b>Gross total</b>	<b>30 700 587</b>	<b>27 312 620</b>
Impairment allowances	(83 326)	(53 153)
<b>Total net carrying amount</b>	<b>30 617 261</b>	<b>27 259 467</b>

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**19. Investment in associates and joint ventures**

As at 31 March 2016	Gross value	Impairment	Carrying amount
<b>Subsidiaries</b>			
KREDOBANK SA <sup>1</sup>	1 018 069	(793 641)	224 428
PKO Bank Hipoteczny SA	300 000	-	300 000
PKO Życie Towarzystwo Ubezpieczeń SA	240 636	-	240 636
PKO Towarzystwo Funduszy Inwestycyjnych SA	186 989	-	186 989
PKO Leasing SA	178 000	-	178 000
PKO BP BANKOWY PTE SA	150 841	-	150 841
Merkury - fiz an	120 000	-	120 000
NEPTUN - fiz an	94 663	-	94 663
PKO Towarzystwo Ubezpieczeń SA <sup>2</sup>	88 000	-	88 000
PKO BP Finat Sp. z o.o.	21 463	-	21 463
PKO Finance AB	172	-	172
<b>Joint ventures</b>			
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	197 320	-	197 320
<b>Associates</b>			
Bank Pocztowy SA	161 500	-	161 500
FERRUM SA	25 291	-	25 291
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	1 500	(1 500)	-
<b>Total</b>	<b>2 784 444</b>	<b>(795 141)</b>	<b>1 989 303</b>

- 1) The above does not include the amounts paid by PKO Bank Polski SA for the new shares issue in the value of UAH 330 000 thousand; the increase of the share capital has not been registered by 31 March 2016.
- 2) The above does not include the amounts paid by PKO Bank Polski SA for the new shares issue in the value of PLN 22 000 thousand; the increase of the share capital has not been registered by 31 March 2016.

As at 31 December 2015	Gross value	Impairment	Carrying amount
<b>Subsidiaries</b>			
KREDOBANK SA <sup>1</sup>	1 018 069	(793 641)	224 428
PKO Bank Hipoteczny SA	300 000	-	300 000
PKO Życie Towarzystwo Ubezpieczeń SA	240 636	-	240 636
PKO Towarzystwo Funduszy Inwestycyjnych SA	186 989	-	186 989
PKO Leasing SA	178 000	-	178 000
PKO BP BANKOWY PTE SA	150 841	-	150 841
Merkury - fiz an	120 000	-	120 000
NEPTUN - fiz an	94 663	-	94 663
PKO Towarzystwo Ubezpieczeń SA	88 000	-	88 000
PKO BP Finat Sp. z o.o.	71 295	-	71 295
PKO Finance AB	172	-	172
<b>Joint ventures</b>			
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	197 320	-	197 320
<b>Associates</b>			
Bank Pocztowy SA	161 500	-	161 500
FERRUM SA	24 143	-	24 143
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	1 500	(1 500)	-
<b>Total</b>	<b>2 833 128</b>	<b>(795 141)</b>	<b>2 037 987</b>

- 1) The above does not include the amounts paid by PKO Bank Polski SA for the new shares issue in the value of UAH 330 000 thousand; the increase of the share capital has not been registered by 31 March 2016.

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## 20. Intangible assets and tangible fixed assets

Intangible assets	31.03.2016	31.12.2015
Software	1 788 711	1 672 434
Goodwill	871 047	871 047
Relations with customers	44 639	48 114
Other, including capital expenditure	198 501	206 196
<b>Total</b>	<b>2 902 898</b>	<b>2 797 791</b>

Goodwill related to assets taken over from:	31.03.2016	31.12.2015
Nordea Bank Polska SA	863 262	863 262
Centrum Finansowe Puławska Sp. z o.o.	7 785	7 785
<b>Total</b>	<b>871 047</b>	<b>871 047</b>

Tangible fixed assets	31.03.2016	31.12.2015
Land and buildings	1 459 463	1 453 499
Machinery and equipment	377 393	386 270
Means of transport	2	2
Assets under construction	238 587	265 101
Investment properties	8 202	8 239
Other	163 211	163 211
<b>Total</b>	<b>2 246 858</b>	<b>2 276 322</b>

In the periods ended 31 March 2016 and on 31 March 2015 there were no significant acquisitions and sales of tangible fixed assets.

## 21. Other assets

	31.03.2016	31.12.2015
Settlements of payment cards transactions	1 204 123	384 236
Receivable related to settlement of payment for pooling	1 189 253	429 516
Settlements of financial instruments	194 661	178 687
Receivables and settlements of securities turnover	155 172	140 369
Accruals and prepayments	90 989	59 213
Receivables from customers	72 846	64 991
Assets for sale	71 907	69 479
Stocks related to operational, incidental and investment activities	16 870	20 247
Receivables from other transactions with financial and non-financial institutions	12 523	6 767
Receivables from the State budget due to court fee stamps' distribution carried out by the Bank	9 575	10 191
Receivables from unsettled transactions related to derivatives	1 074	2 040
Other*	123 758	144 605
<b>Total</b>	<b>3 142 751</b>	<b>1 510 341</b>
of which financial assets**	2 839 227	1 216 797

\* Item 'Other' includes mainly 'Receivables from internal operations' and 'Security deposits and bid bonds'.

\*\* Financial assets include all items of 'Other assets', with the exception of: 'Assets for sale', 'Accruals and prepayments', 'Inventories related to utilization, auxiliary operations and investment' and 'Other'.

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## 22. Amounts due to banks

	31.03.2016	31.12.2015
Loans and advances received, of which:	16 244 821	16 371 687
from Nordea Bank AB (publ)	16 244 821	16 371 687
Bank deposits	1 167 536	1 177 407
Amounts due from repurchase agreements	2 156 519	197 023
Current accounts	618 065	472 193
Other money market deposits	47 645	31 547
<b>Total</b>	<b>20 234 586</b>	<b>18 249 857</b>

## 23. Amounts due to customers

	31.03.2016	31.12.2015
Amounts due to retail clients, of which:	138 020 505	134 967 428
Term deposits	72 253 486	70 756 674
Current accounts and overnight deposits	65 492 105	63 926 647
Other liabilities	274 914	284 107
Amounts due to corporate entities, of which:	53 357 847	57 707 408
Term deposits	19 128 224	23 185 159
Current accounts and overnight deposits	22 807 677	22 276 890
Loans and advances received, of which:	10 202 190	10 435 617
- from PKO Finance AB	7 114 321	7 332 263
- from international financial organisations	3 087 869	3 103 354
Other liabilities	965 717	980 628
Amounts due from repurchase agreements	254 039	829 114
Amounts due to public entities, of which:	9 196 478	9 134 366
Current accounts and overnight deposits	6 309 347	5 679 394
Term deposits	2 870 432	3 435 443
Other liabilities	16 699	19 529
<b>Total</b>	<b>200 574 830</b>	<b>201 809 202</b>

By client segment	31.03.2016	31.12.2015
Amounts due to customers, of which:		
retail and private banking	131 392 678	127 833 147
corporate	39 474 181	42 908 352
loans and advances received, of which:	10 202 190	10 435 617
- from PKO Finance AB	7 114 321	7 332 263
- from international financial organisations	3 087 869	3 103 354
small and medium enterprises	19 251 742	19 802 972
amounts due from repurchase agreements	254 039	829 114
<b>Total</b>	<b>200 574 830</b>	<b>201 809 202</b>

## 24. Debt securities in issue

	31.03.2016	31.12.2015
Financial instruments designated at fair value through profit and loss - bank securities	-	71 744
Financial instruments measured at amortised cost - bank bonds	1 651 557	1 645 917
<b>Total</b>	<b>1 651 557</b>	<b>1 717 661</b>

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## 25. Subordinated liabilities

As at 31 March 2016	Nominal value in currency	Nominal value in PLN	Currency	Maturity date	Balance in PLN
Subordinated bonds	1 600 700	1 600 700	PLN	14.09.2022	1 602 925
Subordinated loan	224 000	874 497	CHF	24.04.2022	874 556
<b>Total</b>	<b>x</b>	<b>2 475 197</b>	<b>x</b>	<b>x</b>	<b>2 477 481</b>

As at 31 December 2015	Nominal value in currency	Nominal value in PLN	Currency	Maturity date	Balance in PLN
Subordinated bonds	1 600 700	1 600 700	PLN	14.09.2022	1 616 619
Subordinated loan	224 000	882 426	CHF	24.04.2022	882 544
<b>Total</b>	<b>x</b>	<b>2 483 126</b>	<b>x</b>	<b>x</b>	<b>2 499 163</b>

## 26. Other liabilities

	31.03.2016	31.12.2015
Accounts payable	405 513	587 251
Deferred income	390 435	384 383
Liabilities related to tax on certain financial institutions	74 593	-
Other liabilities	1 953 825	2 037 440
<b>Total</b>	<b>2 824 366</b>	<b>3 009 074</b>
of which financial liabilities	2 225 163	2 151 795

As at 31 March 2016 and as at 31 December 2015 the Bank had no overdue contractual liabilities.

## 27. Provisions

For the period ended 31 March 2016	Provision for legal claims	Provisions for retirement benefits and anniversary bonuses	Provisions for loan commitments and guarantees granted	Other provisions*	Total
As at 1 January 2016, of which:	19 512	45 496	82 692	98 078	245 778
Short term provision	19 512	3 549	64 029	98 078	185 168
Long term provision	-	41 947	18 663	-	60 610
Increase/reassessment of provision	6 804	-	65 000	1 163	72 967
Release of provision	(4 626)	-	-	(8 403)	(13 029)
Use of provision	(290)	-	(75 886)	(2 390)	(78 566)
Other changes and reclassifications	-	-	208	-	208
<b>As at 31 March 2016, of which:</b>	<b>21 400</b>	<b>45 496</b>	<b>72 014</b>	<b>88 448</b>	<b>227 358</b>
Short term provision	21 400	3 549	51 676	88 448	165 073
Long term provision	-	41 947	20 338	-	62 285

\* Included in 'Other provisions' are i.a.: restructuring provision of PLN 58 319 thousand and provision of PLN 1 933 thousand for potential claims on impaired loans portfolios sold, provisions for disputes, including judicial, which are the subject of compensation in the amount of PLN 407 thousand.

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For the period ended 31 March 2015	Provision for legal claims	Provisions for retirement benefits and anniversary bonuses	Provisions for loan commitments and guarantees granted	Other provisions*	Total
As at 1 January 2015, of which:	29 457	39 363	103 621	130 725	303 166
Short term provision	29 457	3 117	73 484	130 725	236 783
Long term provision	-	36 246	30 137	-	66 383
Increase/reassessment of provision	-	-	102 703	804	103 507
Release of provision	-	-	(111 741)	(9 443)	(121 184)
Other changes and reclassifications	-	-	(430)	-	(430)
<b>As at 31 March 2015, of which:</b>	<b>29 457</b>	<b>39 363</b>	<b>94 153</b>	<b>122 086</b>	<b>285 059</b>
Short term provision	29 457	3 117	62 342	122 086	217 002
Long term provision	-	36 246	31 811	-	68 057

\* Included in 'Other provisions' are i.e.: restructuring provision of PLN 85 785 thousand and provision of PLN 2 295 thousand for potential claims on impaired loans portfolios sold, provisions for disputes, including judicial, which are the subject of compensation in the amount of PLN 338 thousand.

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

## 28. Contingent liabilities and off-balance sheet liabilities received

### 28.1 Sub-issue programs

As at 31 March 2016 and as at 31 December 2015, the underwriting agreements covered the following securities (maximum liability of the Bank to acquire securities):

Issuer of securities underwritten	Type of underwritten securities	Off-balance sheet liabilities	Contract period
<b>As at 31 March 2016</b>			
Company A	corporate bonds	1 055 000	31.07.2020
Company B	corporate bonds	1 125 800	31.12.2020
Company C	corporate bonds	882 000	15.06.2022
Company D	corporate bonds	77 800	31.12.2022
Company E	corporate bonds	60 000	23.11.2021
Company F	corporate bonds	27 645	31.12.2029
Company G	corporate bonds	15 000	31.12.2026
<b>Total</b>		<b>3 243 245</b>	

Issuer of securities underwritten	Type of underwritten securities	Off-balance sheet liabilities	Contract period
<b>As at 31 December 2015</b>			
Company B	corporate bonds	1 950 000	31.12.2020
Company A	corporate bonds	1 055 000	31.07.2020
Company C	corporate bonds	342 700	15.06.2022
Company D	corporate bonds	80 600	31.12.2022
Company E	corporate bonds	60 000	23.11.2021
Company F	corporate bonds	28 224	31.12.2029
Company G	corporate bonds	17 900	31.12.2026
Company H	corporate bonds	4 424	31.01.2016
Company I	corporate bonds	3 403	30.09.2030
<b>Total</b>		<b>3 542 251</b>	

All agreements relate to the Agreement for Organization, Conducting and Servicing of the Bond Issuance Program.

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



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## 28.2 Contractual commitments

As at 31 March 2016 the value of contractual commitments concerning intangible assets amounted to PLN 156 705 thousand (as at 31 December 2015 amounted to PLN 177 404 thousand). As at 31 March 2016 the value of contractual commitments concerning tangible fixed assets amounted to PLN 17 033 thousand (as at 31 December 2015 amounted to PLN 20 399 thousand).

## 28.3 Loan commitments granted

by nominal value	31.03.2016	31.12.2015
Credit lines and limits		
to financial entities	4 765 222	3 313 918
to non-financial entities	33 662 836	35 057 214
to public entities	4 175 357	4 080 379
<b>Total</b>	<b>42 603 415</b>	<b>42 451 511</b>
of which: irrevocable loan commitments	30 027 624	30 513 878

## 28.4 Guarantee liabilities granted

	31.03.2016	31.12.2015
Guarantees in domestic and foreign trading	7 766 187	8 836 503
to financial entities	1 457 931	1 374 964
to non-financial entities	6 297 588	7 454 243
to public entities	10 668	7 296
Guarantees and pledges granted – domestic corporate bonds	5 323 384	5 665 178
to financial entities	634 839	734 529
to non-financial entities	4 688 545	4 930 649
Letters of credit granted	1 402 208	1 838 101
to financial entities	480	-
to non-financial entities	1 401 626	1 838 000
to public entities	102	101
Guarantees and pledges granted – payment guarantee to financial entities	77 745	143 646
Guarantees and pledges granted – domestic municipal bonds	86 956	59 320
<b>Total</b>	<b>14 656 480</b>	<b>16 542 748</b>
of which: good performance guarantees granted	2 391 676	2 378 395

## 28.5 Off-balance sheet liabilities received

by nominal value	31.03.2016	31.12.2015
financial	143 504	48 365
guarantees*	6 438 590	6 660 698
<b>Total</b>	<b>6 582 094</b>	<b>6 709 063</b>

\* The position includes mainly guarantees under the program to support micro, small and medium-sized enterprises - a guarantee of de minimis.

## 29. Supplementary information on the statement of cash flows

### Cash and cash equivalents

Cash and cash equivalents consist of cash in 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.

	31.03.2016	31.12.2015
Cash and balances with the central bank	15 807 547	13 707 730
Current amounts due from banks	2 837 698	3 482 010
<b>Total</b>	<b>18 645 245</b>	<b>17 189 740</b>

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### 30. Transactions with the State Treasury and related parties

The State Treasury has control over the Bank as it holds a 29.43% interest in the Bank's share capital. The Bank's shareholding structure is described in detail in the note 'Equity and shareholding structure of the Bank' to these financial statements.

Receivables, securities and liabilities arising from transactions conducted with the State Treasury, budgetary units and entities in which the State Treasury is the shareholder are disclosed in the Banks's statement of financial position. In accordance with the Act of 30 November 1995 in relation to State support in the repayment of certain housing loans, reimbursement of guarantee premium paid and amendments of several acts (Journal of Laws, 2013, No. 763) PKO Bank Polski SA receives payments from the State budget in respect of redemption interest receivable on housing loans.

	31.03.2016	31.03.2015
Income due to temporary redemption by the State budget of interest on housing loans from the 'old' portfolio recognised for this period	55 651	52 382
Income due to temporary redemption by the State budget of interest on housing loans from the 'old' portfolio received in cash	6 202	7 003
Difference between income recognised for this period and income received in cash – the position 'Loans and advances to customers'	49 449	45 379

The Act on the coverage of repayment of certain housing loans by State Treasury (Journal of Laws, 2000, No. 122 item 1310 with subsequent amendments) guarantees was passed on 29 November 2000 and came into force on 1 January 2001. In execution of the provisions of the Act, on 3 August 2001 PKO Bank Polski SA signed an agreement with the Minister of Finance acting on behalf of the State Treasury under which the Bank was granted a pledge of repayment of debt arising from housing loans in the so-called 'old' portfolio. On 29 December 2011, the validity period of the agreement (originally until 31 December 2011) was extended until 31 December 2017. The coverage of the so-called 'old' portfolio housing loan receivables by the guarantees of the State Treasury results in the neutralization of the default risk on these loans.

The State Treasury guarantees are realized when a borrower fails to repay the loan on the dates specified in the loan agreement. The responsibility of the State Treasury is of an auxiliary nature and is effective if the recovery of the unpaid part of principal and interest which the Bank is obliged to commence, before the Bank lays claims to the State Treasury, becomes ineffective. The above-mentioned law covers 90% of unpaid loans taken out by housing cooperatives. As a consequence of the realization of the State Treasury's responsibilities as guarantor, the State Treasury itself enters into the rights of the satisfied creditor (the Bank) and thus becomes a creditor towards the borrower, in line with the concept of guarantee. PKO Bank Polski SA receives commission for settlements relating to redemption of interest by the State budget on housing loans.

	31.03.2016	31.03.2015
Fee and commission income	779	792

As of 1 January 1996 the Bank became the general distributor of court fee stamps. The Bank receives commissions in this respect from the State budget.

	31.03.2016	31.03.2015
Fee and commission income	3 375	2 258

The Brokerage House of PKO Bank Polski SA performs the role of an agent for the issue of retail Treasury bonds under the agreement signed with the Ministry of Finance on 11 February 2003. Under this agreement, the Brokerage House of PKO Bank Polski SA receives a fee for providing the services of an agent for the issue of bonds.

	31.03.2016	31.03.2015
Fee and commission income	8 715	4 517

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**Significant transactions of PKO Bank Polski SA with the State Treasury's related entities**

The transactions were concluded at arm's length terms. The margins on credit transactions are in the range of 0.28% to 3.75%.

Entity	31.03.2016			01.01-31.03.2016		
	Total receivables	Total liabilities	Off-balance sheet liabilities granted – guarantee and financial	Interest and similar income	Fee and commission income	Interest expense and similar charges
Entity 1	-	-	2 450 000	-	-	-
Entity 2	-	1 085 310	-	-	1	(2 153)
Entity 3	-	746 267	-	-	-	(2 211)
Entity 4	-	737 603	-	12	273	(214)
Entity 5	-	533 505	1 500 000	8	1	(2 349)
Entity 6	426 887	393 971	407 070	2 697	241	(1 125)
Entity 7	467 587	350 438	672 289	1 016	303	(2 719)
Entity 8	271 029	270 718	1 429 420	1 233	461	(1 214)
Entity 9	-	205 560	-	-	246	(717)
Entity 10	111 535	147 785	682 955	974	1	(1 983)
Entity 11	-	126 190	350 000	-	-	(2 727)
Entity 12	-	119 365	-	-	6	(278)
Entity 13	-	101 512	1 705	-	34	(634)
Entity 14	-	79 277	80 000	-	35	(118)
Entity 15	-	70 465	100 000	-	17	(177)
Other entities	1 142 939	569 998	1 781 559	7 806	2 058	(1 916)
<b>Total</b>	<b>2 419 977</b>	<b>5 537 964</b>	<b>9 454 998</b>	<b>13 746</b>	<b>3 677</b>	<b>(20 535)</b>

Entity	31.12.2015			2015		
	Total receivables	Total liabilities	Off-balance sheet liabilities granted – guarantee and financial	Interest and similar income	Fee and commission income	Interest expense and similar charges
Entity 1	-	-	2 450 000	-	-	-
Entity 5	8	1 046 516	1 500 000	11	293	(23 279)
Entity 3	-	931 422	-	-	3	(2 203)
Entity 11	-	606 343	350 000	1	37	(10 416)
Entity 2	-	501 001	715 852	-	4	(6 722)
Entity 6	472 602	380 543	386 854	8 245	1 611	(5 651)
Entity 9	-	264 443	-	-	971	(1 879)
Entity 8	250 057	240 524	2 407 840	1 899	2 857	(1 712)
Entity 13	-	219 506	-	10	185	(2 881)
Entity 12	-	214 989	-	-	16	(4 993)
Entity 10	113 467	196 961	574 780	3 715	6	(964)
Entity 4	220	156 451	-	261	1 158	(1 635)
Entity 43	-	118 217	-	-	8	(655)
Entity 18	163 275	99 099	50 000	5 206	87	(873)
Entity 16	-	73 188	354 500	-	870	(1 025)
Other entities	903 202	587 016	2 355 363	28 340	7 504	(34 585)
<b>Total</b>	<b>1 902 831</b>	<b>5 636 219</b>	<b>11 145 189</b>	<b>47 688</b>	<b>15 610</b>	<b>(99 473)</b>

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### 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 fifteen years.

31 March 2016

Entity	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
<b>Direct subsidiaries</b>				
PKO Bank Hipoteczny SA	1 444 223	237 369	12 855	162 631
KREDOBANK SA	346 918	220 120	11 578	53 077
Merkury - fiz an	39 200	39 200	1 340	-
PKO BP BANKOWY PTE SA	69 540	-	7 644	-
PKO BP Finat Sp. z o.o.	176	-	46 116	593
PKO Finance AB	-	-	7 114 321	-
PKO Leasing SA	2 046 440	1 958 613	6 216	2 536 868
PKO Towarzystwo Funduszy Inwestycyjnych SA	17 641	-	76 917	-
PKO Towarzystwo Ubezpieczeniowe SA	22 000	-	3 693	-
PKO Życie Towarzystwo Ubezpieczeń SA	55 117	55 100	129 783	15 904
Qualia Development Sp. z o.o.	65	-	4 021	429
<b>Indirect subsidiaries</b>				
Bankowe Towarzystwo Kapitałowe SA	2	-	11 162	-
'CENTRUM HAFNERA' Sp. z o.o.	-	-	2 179	-
Finansowa Kompania 'Idea Kapitał' Sp. z o.o.	21 510	21 510	-	-
'Fort Mokołów' Sp. z o.o. w likwidacji	-	-	2 833	-
Molina spółka z ograniczoną odpowiedzialnością 1 S.K.A.	-	-	1 764	-
Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A.	-	-	8 794	-
Molina spółka z ograniczoną odpowiedzialnością 3 S.K.A.	-	-	7 517	-
Molina spółka z ograniczoną odpowiedzialnością 5 S.K.A.	-	-	2 117	-
Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A.	-	-	2 425	-
PKO BP Faktoring SA	187 116	187 104	199	662 896
PKO Bankowy Leasing Sp. z o.o.	2 956 980	2 954 933	17	213 604
PKO Leasing Sverige AB	106 729	106 729	459	7 260
'Promenada Sopocka' Sp. z o.o.	42 831	42 831	5 651	-
Qualia Hotel Management Sp. z o.o.	132 700	132 700	6 741	-
Qualia 2 spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Sp. k.	-	-	12 752	-
Qualia sp. z o.o. - Sopot Sp.k.	-	-	7 083	-
'Sopot Zdrój' Sp. z o.o.	194 145	194 145	19 600	-
Ubezpieczeniowe Usługi Finansowe Sp. z o.o.	-	-	1 408	-
'Zarząd Majątkiem Górczewska' Sp. z o.o.	-	-	1 163	-
Other indirect subsidiaries	-	-	1 179	-
<b>Total Subsidiaries</b>	<b>7 683 333</b>	<b>6 150 354</b>	<b>7 509 527</b>	<b>3 653 262</b>

Entity	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
<b>Direct joint venture</b>				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	6 027	-	10 091	6 000
<b>Indirect joint venture</b>				
'Centrum Obsługi Biznesu' Sp z o.o.	27 182	27 182	7 038	-
<b>Direct associates</b>				
Bank Pocztowy SA	-	-	1 437	1 087
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	-	-	2 984	-
<b>Indirect associate</b>				
Centrum Operacyjne Sp. z o.o.	-	-	29	-
<b>Total joint ventures and associates</b>	<b>33 209</b>	<b>27 182</b>	<b>21 579</b>	<b>7 087</b>

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Entity	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
<b>Direct subsidiaries</b>				
PKO Bank Hipoteczny SA	481 088	39 782	15 254	160 218
KREDOBANK SA	312 081	205 420	9 189	74 589
Merkury - fiz an	39 200	39 200	1 336	-
PKO BP BANKOWY PTE SA	69 710	-	2 857	-
PKO BP Finat Sp. z o.o.	192	-	151 263	593
PKO Finance AB	-	-	7 332 263	-
PKO Leasing SA	1 730 988	1 730 354	104 909	1 396 657
PKO Towarzystwo Funduszy Inwestycyjnych SA	19 031	-	60 239	-
PKO Towarzystwo Ubezpieczeniowe SA	-	-	7 140	-
PKO Życie Towarzystwo Ubezpieczeń SA	35 082	35 067	133 735	55 000
Qualia Development Sp. z o.o.	-	-	6 203	428
<b>Indirect subsidiaries</b>				
Bankowe Towarzystwo Kapitałowe SA	1	-	11 637	-
'CENTRUM HAFNERA' Sp. z o.o.	-	-	2 338	-
Finansowa Kompania 'Idea Kapitał' Sp. z o.o.	22 321	22 321	-	-
'Fort Mokołów' Sp. z o.o. w likwidacji	-	-	3 008	-
Molina Sp. z o.o.	-	-	18 583	-
PKO BP Faktoring SA	329 612	329 610	990	522 307
PKO Bankowy Leasing Sp. z o.o.	2 827 053	2 825 105	1 084	84 120
PKO Leasing Sverige AB	109 849	109 849	226	7 294
'Promenada Sopotka' Sp. z o.o.	42 762	42 762	4 380	-
Qualia - Rezydencja Flotyła Sp. z o.o.	55 124	55 124	1 193	-
Qualia Hotel Management Sp. z o.o.	-	-	4 222	-
Qualia 2 spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Sp.k.	-	-	15 598	-
Qualia spółka z ograniczoną odpowiedzialnością - Pomeranka Sp.k.	76 798	76 798	1 147	-
Qualia sp. z o.o. - Sopot Sp.k.	-	-	3 663	-
'Sopot Źródło' Sp. z o.o.	194 228	194 228	19 479	-
Ubezpieczeniowe Usługi Finansowe Sp. z o.o.	-	-	1 454	-
'Zarząd Majątkiem Górczewska' Sp. z o.o.	-	-	2 521	-
Other indirect subsidiaries	-	-	1 158	-
<b>Total Subsidiaries</b>	<b>6 345 120</b>	<b>5 705 620</b>	<b>7 917 069</b>	<b>2 301 206</b>

Entity	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
<b>Direct joint venture</b>				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	5 964	-	31 072	2 011
<b>Indirect joint venture</b>				
'Centrum Obsługi Biznesu' Sp z o.o.	27 414	27 414	8 623	-
<b>Direct associates</b>				
Bank Pocztowy SA	14 057	-	949	1 086
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	-	-	2 788	-
<b>Indirect associate</b>				
Centrum Operacyjne Sp. z o.o.	-	-	5	-
<b>Total joint ventures and associates</b>	<b>47 435</b>	<b>27 414</b>	<b>43 437</b>	<b>3 097</b>

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Entity	Total income	of which interest and fee and commission	Total expense	of which interest and fee and commission
<b>Direct subsidiaries</b>				
PKO Bank Hipoteczny SA	10 335	6 272	31	17
KREDOBANK SA	1 867	1 807	-	-
PKO BP Finat Sp. z o.o.	478	10	1 208	585
PKO Finance AB	11	11	69 225	68 890
PKO Leasing SA	12 094	10 325	4 432	33
PKO Towarzystwo Funduszy Inwestycyjnych SA	54 785	54 217	258	258
PKO Towarzystwo Ubezpieczeniowe SA	2 385	2 385	13	13
PKO Życie Towarzystwo Ubezpieczeń SA	95 357	95 357	70 516	70 516
Other direct subsidiaries	1 060	454	21	21
<b>Indirect subsidiaries</b>				
PKO BP Faktoring SA	1 746	1 640	-	-
PKO Bankowy Leasing Sp. z o.o.	16 532	16 485	10	-
Qualia Hotel Management Sp. z o.o.	1 111	1 111	17	17
Other Indirect subsidiaries	630	606	1 168	1 168
<b>Total Subsidiaries</b>	<b>198 391</b>	<b>190 680</b>	<b>146 899</b>	<b>141 518</b>

Entity	Total income	of which interest and fee and commission	Total expense	of which interest and fee and commission
<b>Direct joint venture</b>				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	43 201	42 602	15 071	15 003
<b>Indirect joint venture</b>				
'Centrum Obsługi Biznesu' Sp z o.o.	81	81	10	10
<b>Direct associates</b>				
Bank Pocztowy SA	69	69	28	28
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	1	1	12	12
FERRUM SA	1	1	-	-
<b>Indirect associate</b>				
Centrum Operacyjne Sp. z o.o.	1	1	-	-
<b>Total joint ventures and associates</b>	<b>43 354</b>	<b>42 755</b>	<b>15 121</b>	<b>15 053</b>

**For the three-month period ended 31 March 2015**

Entity	Total income	of which interest and fee and commission	Total expense	of which interest and fee and commission
<b>Direct subsidiaries</b>				
PKO Bank Hipoteczny SA	276	2	1 627	1 627
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.	-	-	30 689	-
KREDOBANK SA	2 292	2 258	-	-
PKO BP Finat Sp. z o.o.	494	10	1 738	865
PKO Finance AB	21	21	115 941	115 391
PKO Leasing SA	6 602	5 390	6 699	565
PKO Towarzystwo Funduszy Inwestycyjnych SA	60 172	59 784	326	326
PKO Życie Towarzystwo Ubezpieczeń SA	81 586	81 527	69 551	69 551
Other direct subsidiaries	896	678	76	76
<b>Indirect subsidiaries</b>				
Finansowa Kompania 'Idea Kapital' Sp. z o.o.	1 443	1 443	31 218	-
PKO BP Faktoring SA	1 510	1 445	15	15
PKO Bankowy Leasing Sp. z o.o.	15 325	15 324	11	7
Other Indirect subsidiaries	2 244	2 240	275	256
<b>Total Subsidiaries</b>	<b>172 861</b>	<b>170 122</b>	<b>258 166</b>	<b>188 679</b>

Entity	Total income	of which interest and fee and commission	Total expense	of which interest and fee and commission
<b>Direct joint ventures</b>				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	33 435	33 118	17 634	17 617
'Centrum Obsługi Biznesu' Sp z o.o.	404	404	31	31
<b>Direct associates</b>				
Bank Pocztowy SA*	88	6	486	-
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	1	1	4	4
<b>Indirect associate</b>				
Centrum Operacyjne Sp. z o.o.	-	-	1	1
<b>Total joint ventures and associates</b>	<b>33 928</b>	<b>33 529</b>	<b>18 156</b>	<b>17 653</b>

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**32. Fair value of financial assets and liabilities**

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

Assets and liabilities measured at fair value as at 31.03.2016	Note	Carrying amount	Level 1	Level 2	Level 3
			Prices quoted on the active markets	Valuation techniques based on observable market data	Other valuation techniques
Trading assets	13	2 323 721	2 323 721	-	-
Debt securities		2 310 590	2 310 590	-	-
Shares in other entities		7 833	7 833	-	-
Investment certificates		5 292	5 292	-	-
Subscription rights		6	6	-	-
Derivative financial instruments	14	2 981 034	1 896	2 979 138	-
Hedging instruments		399 049	-	399 049	-
Trade instruments		2 581 985	1 896	2 580 089	-
Financial instruments designated upon initial recognition at fair value through profit and loss	16	10 732 648	2 992 759	7 739 889	-
Debt securities		10 732 648	2 992 759	7 739 889	-
Investment securities available for sale	18	31 273 910	22 324 636	5 281 064	3 668 210
Debt securities		30 617 261	22 264 581	5 281 064	3 071 616
Equity securities		388 209	60 055	-	328 154
Shares in joint investment institutions		268 440	-	-	268 440
<b>Financial assets measured at fair value - total</b>		<b>47 311 313</b>	<b>27 643 012</b>	<b>16 000 091</b>	<b>3 668 210</b>
Derivative financial instruments	14	3 288 986	849	3 288 137	-
Hedging instruments		765 893	-	765 893	-
Trade instruments		2 523 093	849	2 522 244	-
<b>Financial liabilities measured at fair value - total</b>		<b>3 288 986</b>	<b>849</b>	<b>3 288 137</b>	<b>-</b>

Assets and liabilities measured at fair value as at 31.12.2015	Note	Carrying amount	Level 1	Level 2	Level 3
			Prices quoted on the active markets	Valuation techniques based on observable market data	Other valuation techniques
Trading assets	13	793 213	793 213	-	-
Debt securities		776 655	776 655	-	-
Shares in other entities		9 910	9 910	-	-
Investment certificates		6 648	6 648	-	-
Derivative financial instruments	14	4 348 034	2 163	4 345 871	-
Hedging instruments		508 665	-	508 665	-
Trade instruments		3 839 369	2 163	3 837 206	-
Financial instruments designated upon initial recognition at fair value through profit and loss	16	12 796 036	2 551 863	10 244 173	-
Debt securities		12 796 036	2 551 863	10 244 173	-
Investment securities available for sale	18	27 841 564	18 941 736	5 264 964	3 634 864
Debt securities		27 259 467	18 883 905	5 264 964	3 110 598
Equity securities		385 454	57 831	-	327 623
Shares in joint investment institutions		196 643	-	-	196 643
<b>Financial assets measured at fair value - total</b>		<b>45 778 847</b>	<b>22 288 975</b>	<b>19 855 008</b>	<b>3 634 864</b>
Derivative financial instruments	14	4 627 189	1 476	4 625 713	-
Hedging instruments		998 527	-	998 527	-
Trade instruments		3 628 662	1 476	3 627 186	-
Debt securities in issue	24	71 744	-	71 744	-
Financial instruments designated at fair value through profit and loss		71 744	-	71 744	-
<b>Financial liabilities measured at fair value - total</b>		<b>4 698 933</b>	<b>1 476</b>	<b>4 697 457</b>	<b>-</b>

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Depending on the category of classification of financial assets and liabilities to the hierarchy, different methods of fair value valuation are used. Detailed description was presented in the financial statements of the Bank for the year 2015.

Financial assets and liabilities classified to level 3 by the Group include:

- a) participation units in mutual fund (Fund) - the fair value of these financial instruments is determined based on the net asset value of the Fund, i.e. the fair value of investment projects (of the companies) in the Fund, which are subject to semi-annual review or examination by the registered auditor;
- b) shares of Visa Europe Limited ('VEL'), which were measured at fair value on the basis of information received from VEL in December 2015 about initially proposed participation of PKO Bank Polski SA in the settlement of transaction of VEL acquisition by Visa Inc. amounting to EUR 88 875 thousand (EUR 66 167 thousand in cash, EUR 22 708 thousand in Visa Inc. shares). The above mentioned amounts will change due to the cost of the transaction and in the cases indicated in the documentation. The transaction is subject to regulatory approvals;
- c) corporate bonds recognized as investment securities available for sale - valuation of these financial instruments is performed in accordance with a yield curve and a risk margin model. Yield curves are built based on market rates, money market data, and IRS transactions market. Credit margins are determined on the basis of initial margins modified by credit indices quotes ascribed to issuers based on their ratings and business sector.

In the period from 1 January to 31 March 2016, there were no transfers between levels in the fair value hierarchy used in measuring financial instruments at fair value. In the period from 1 January to 31 March 2016 there were no changes in the methodology for estimating fair value.

The tables below presents a reconciliation during the periods of measurement of level 3 of fair value hierarchy:

Investment securities available for sale	01.01- 31.03.2016	01.01- 31.03.2015
Opening balance at the beginning of the period	3 634 864	198 302
Total gains or losses	(65 920)	7 530
recognized in financial result	(30 173)	-
recognized in other comprehensive income	(35 747)	7 530
Translation differences of currency entities	-	(6 785)
Acquisition of a new issue of shares in the Fund and currency translation differences	66 431	-
Sale of shares of the Company listed on the stock exchange	-	(12 000)
Purchase and sale of debt securities available for sale	32 835	-
<b>Closing balance at the end of the period</b>	<b>3 668 210</b>	<b>187 047</b>



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

	level of fair value hierarchy	valuation method	31.03.2016	
			carrying amount	fair value
Cash and balances with the central bank	n/a	value at cost to pay	15 807 547	15 807 547
Amounts due from banks	2	discounted cash flows	2 903 181	2 903 180
<b>Loans and advances to customers</b>			<b>184 899 127</b>	<b>180 480 034</b>
housing loans	3	discounted cash flows	98 847 347	93 349 786
corporate loans	3	discounted cash flows	58 476 591	60 192 021
consumer loans	3	discounted cash flows	21 811 777	21 246 478
receivables due from repurchase agreements	3	discounted cash flows	714 840	714 840
International financial organizations	3	discounted cash flows	213	213
debt securities	3	discounted cash flows	5 048 359	4 976 696
Other financial assets	3	value at cost to pay including impairment allowance	2 839 227	2 839 227
Amounts due to the central bank	2	value at cost to pay	3 989	3 989
Amounts due to other banks	2	discounted cash flows	20 234 586	20 234 588
<b>Amounts due to customers</b>			<b>200 574 830</b>	<b>200 734 539</b>
due to corporate entities	3	discounted cash flows	53 357 847	53 576 334
due to public entities	3	discounted cash flows	9 196 478	9 196 478
due to retail clients	3	discounted cash flows	138 020 505	137 961 727
Debt securities in issue	2	discounted cash flows	1 651 557	1 651 528
Subordinated debt	2	discounted cash flows	2 477 481	2 477 690
Other financial liabilities	3	value at cost to pay	2 225 163	2 225 163

	level of fair value hierarchy	valuation method	31.12.2015	
			carrying amount	fair value
Cash and balances with the central bank	n/a	value at cost to pay	13 707 730	13 707 730
Amounts due from banks	2	discounted cash flows	4 592 360	4 592 359
<b>Loans and advances to customers</b>			<b>188 552 440</b>	<b>181 648 571</b>
housing loans	3	discounted cash flows	99 871 014	92 632 582
corporate loans	3	discounted cash flows	57 154 574	57 756 844
consumer loans	3	discounted cash flows	21 799 396	21 639 652
receivables due from repurchase agreements	3	discounted cash flows	4 432 239	4 432 239
International financial organisations	3	discounted cash flows	10 652	10 652
debt securities	3	discounted cash flows	5 284 565	5 176 602
Other financial assets	3	value at cost to pay including impairment allowance	1 216 797	1 216 797
Amounts due to the central bank	2	value at cost to pay	4 219	4 219
Amounts due to other banks	2	discounted cash flows	18 249 857	18 249 855
<b>Amounts due to customers</b>			<b>201 809 202</b>	<b>202 043 766</b>
due to corporate entities	3	discounted cash flows	57 707 408	57 982 333
due to public entities	3	discounted cash flows	9 134 366	9 134 366
due to retail clients	3	discounted cash flows	134 967 428	134 927 067
Debt securities in issue	2	discounted cash flows	1 645 917	1 647 575
Subordinated debt	2	discounted cash flows	2 499 163	2 486 132
Other financial liabilities	3	value at cost to pay	2 151 795	2 151 795

Detailed assumptions concerning valuation methods were presented in the annual financial statements of PKO Bank Polski SA for the year 2015.

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

Objectives and principles of risk management in the PKO Bank Polski SA were presented in details in the annual consolidated financial statements of the PKO Bank Polski SA for the year 2015.

Information on risk monitoring and risk measurement in the period from 1 January to 31 March 2016 is also presented in the notes: Amounts due from banks, loans and advances to customers, Investment securities available for sale.

Financial assets assessed on an individual basis for which individual impairment has been recognised by carrying amount gross	31.03.2016	31.12.2015
Amounts due from banks	-	-
Loans and advances to customers	4 883 843	4 972 235
Financial sector	41 937	43 219
corporate loans	41 937	43 219
Non-financial sector	4 825 490	4 912 546
corporate loans	3 487 288	3 456 214
housing loans	984 661	1 047 710
consumer loans	281 878	300 659
debt securities	71 663	107 963
Public sector	16 416	16 470
corporate loans	16 416	16 470
Investing debt securities available for sale issued by non-financial sector	476 777	393 662
<b>Total</b>	<b>5 360 620</b>	<b>5 365 897</b>

Exposure to credit risk - Items of the statement of financial position	31.03.2016	31.12.2015
Current account in the central bank	12 444 435	9 854 133
Amounts due from banks	2 903 181	4 592 360
Trading assets - debt securities	2 310 590	776 655
issued by banks	34 047	27 898
issued by other financial institutions	5 513	5 344
issued by non-financial institutions	52 105	46 122
issued by the State Treasury	2 174 780	648 695
issued by local government bodies	44 145	48 596
Derivative financial instruments	2 981 034	4 348 034
Financial instruments designated upon initial recognition at fair value through profit and loss - debt securities	10 732 648	12 796 036
issued by the State Treasury	2 992 759	2 551 863
issued by central banks	7 499 730	9 996 910
issued by local government bodies	240 159	247 263
Loans and advances to customers	184 899 127	188 552 440
financial sector	6 340 125	9 876 050
corporate loans	5 629 116	5 433 159
receivables due from repurchase agreements	710 796	4 432 239
international financial organisations	213	10 652
non-financial sector	168 910 399	168 779 876
housing loans	98 847 347	99 871 014
corporate loans	45 877 189	44 517 577
consumer loans	21 811 777	21 799 396
receivables due from repurchase agreements	4 044	-
debt securities	2 370 042	2 591 889
public sector	9 648 603	9 896 514
corporate loans	6 970 286	7 203 838
debt securities	2 678 317	2 692 676
Investment securities available for sale - debt securities	30 617 261	27 259 467
issued by the State Treasury	21 403 108	18 021 339
issued by banks	1 502 946	1 515 322
issued by other financial institutions	87 223	239
issued by non-financial institutions	2 993 133	3 108 841
issued by local government bodies	4 630 851	4 613 726
Other assets - other financial assets	2 839 227	1 216 797
<b>Total</b>	<b>249 727 503</b>	<b>249 395 922</b>

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Exposure to credit risk - Off-balance sheet items	31.03.2016	31.12.2015
Irrevocable liabilities granted	30 027 624	30 513 878
Guarantees granted	7 843 932	8 980 149
Letters of credit granted	1 402 207	1 838 101
Guarantees of issue	5 410 341	5 724 498
<b>Total</b>	<b>44 684 104</b>	<b>47 056 626</b>

### Interest rate risk

The Bank was mainly exposed to PLN interest rate risk. For the Bank, the most unfavorable scenario of all stress tests involving a parallel movement in interest rate curves applied by the Bank, was a parallel movement in PLN interest rate curves. The effect of materialization of this scenario amounted approx. PLN 1.7 billion as at 31 March 2016, and PLN 1.62 billion as at 31 December 2015.

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	31.03.2016	31.12.2015
VaR for a 10-day time horizon with a confidence level of 99% threshold (in PLN thousand)	279 712	271 674
Parallel movement of interest rate curves by 200 bps.. (in PLN thousand) (stress-test)*	2 120 851	2 040 191

\* The table presents the absolute value of the most adverse stress-test of the scenarios: change of interest rate curves in the particular currencies by 200 bps. up and by 200 bps. down.

### Currency risk

VaR of the Bank and stress-test analysis of the Bank's exposure to the currency risk are stated in the table below:

Name of sensitivity measure	31.03.2016	31.12.2015
VaR for a 10-day time horizon with a confidence level of 99% threshold (in PLN thousand)	16 441	25 384
Change in CUR/PLN by 20% (in PLN thousand) (stress-test)*	2 086	62 244

\* 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 31 March 2016 and as at 31 December 2015.

### 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 monts	12-24 months	24-60 months	over 60 months
<b>31.03.2016</b>								
The Group - Adjusted periodic gap	16 565 442	11 481 892	(2 325 925)	1 770 962	6 762 549	6 852 540	17 446 807	(58 554 267)
The Group - Adjusted cumulative periodic gap	16 565 442	28 047 334	25 721 409	27 492 371	34 254 920	41 107 460	58 554 267	-
<b>31.12.2015</b>								
The Group - Adjusted periodic gap	14 038 877	16 783 091	52 969	3 643 433	8 518 231	7 597 329	11 794 304	(62 428 234)
The Group - Adjusted cumulative periodic gap	14 038 877	30 821 968	30 874 937	34 518 370	43 036 601	50 633 930	62 428 234	-

In all time horizons, the Bank's cumulative adjusted liquidity gap in real terms as at 31 March 2016 and as at 31 December 2015 was positive. This means a surplus of assets receivable over liabilities payable.

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The table below presents liquidity reserve of the Bank as at 31 March 2016 and as at 31 December 2015:

Name of sensitivity measure	31.03.2016	31.12.2015
Liquidity reserve up to 1 month* (in PLN million)	25 456	30 186

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

As at 31 March 2016 the level of permanent balances on deposits constituted approx. 92.1% of all deposits in the Bank (excluding interbank market), which means an decrease by approximately 1.2 pp. as compared to the end of 2015.

### 34. Capital Adequacy

Basic regulations applicable in the assessment of capital adequacy as at 31 March 2016 are described in the financial statements for the year ended 31 December 2015.

The level of capital adequacy of the Bank in the first quarter of 2016 remained on a safe level and was significantly above the statutory limits.

Increase of capital adequacy indicators is a result of approval of Financial Supervision Authority to include to Tier I equity net profit in the amount of PLN 1 495 million reduced by any anticipated financial burdens and dividends generated in the period from 1 January 2015 to 30 September 2015; and result of continuation of optimization actions on assets measured by risk (off-balance sheet liabilities).

BANK'S OWN FUNDS in PLN	31.03.2016	31.12.2015
<b>Total own funds</b>	<b>28 754 265</b>	<b>27 249 359</b>
<b>Basic funds (Tier 1)</b>	<b>26 339 212</b>	<b>24 820 848</b>
Tier I capital before regulatory adjustments and deductions, of which:	29 067 288	27 572 288
Share capital	1 250 000	1 250 000
Other reserves	24 002 288	24 002 288
General banking risk fund for unidentified banking risk	1 070 000	1 070 000
Retained earnings	2 745 000	1 250 000
(-) Goodwill	(871 047)	(871 047)
(-) Other intangible assets	(1 762 032)	(1 654 902)
Other accumulated comprehensive income	217 652	74 457
Adjustments to Tier I Capital in respect of prudential filters	(121 833)	(14 429)
Other adjustments to Tier I Capital during transitional period	(190 816)	(285 519)
<b>Supplementary funds (Tier 2)</b>	<b>2 415 053</b>	<b>2 428 511</b>
Capital instruments and subordinated loans eligible as Tier II Capital	2 475 197	2 483 126
(-) Capital exposures deducted from own funds	(60 144)	(54 615)
<b>Requirements as regard own funds</b>	<b>14 134 480</b>	<b>14 269 355</b>
Credit risk	12 853 668	13 176 070
Operational risk	543 700	543 163
Market risk	709 132	518 662
Credit valuation adjustment risk	27 980	31 460
Settlement / delivery risk	-	-
<b>Total capital adequacy ratio</b>	<b>16.27%</b>	<b>15.28%</b>
<b>Tier 1 Capital ratio</b>	<b>14.91%</b>	<b>13.92%</b>

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**OTHER INFORMATION**

**The Authorities of PKO Bank Polski SA in the reporting period**

**The Management Board of PKO Bank Polski SA as at 31 March 2016**

No.	Name	Function	Date of appointment
1.	Zbigniew Jagiełło	President of the Management Board	re-appointed on 8 January 2014 to the position of President of the Management Board of PKO Bank Polski SA for the joint term of the Management Board, which begin with the end of previous joint term of the Management Board.
2.	Piotr Alicki	Vice-President of the Management Board	re-appointed on 8 January 2014 to the position of President of the Management Board of PKO Bank Polski SA for the joint term of the Management Board, which begin with the end of previous joint term of the Management Board.
3.	Bartosz Drabikowski	Vice-President of the Management Board	re-appointed on 8 January 2014 to the position of President of the Management Board of PKO Bank Polski SA for the joint term of the Management Board, which begin with the end of previous joint term of the Management Board.
4.	Piotr Mazur	Vice-President of the Management Board	re-appointed on 8 January 2014 to the position of President of the Management Board of PKO Bank Polski SA for the joint term of the Management Board, which begin with the end of previous joint term of the Management Board.
5.	Jakub Papierski	Vice-President of the Management Board	re-appointed on 8 January 2014 to the position of President of the Management Board of PKO Bank Polski SA for the joint term of the Management Board, which begin with the end of previous joint term of the Management Board.

On 21 March 2016 Jacek Obłąkowski resigned from the position of the Vice - President of PKO Bank Polski SA Management Board as of 21 March 2016.

On 22 March 2016 Jarosław Mjyak resigned from the position of the Vice - President of PKO Bank Polski SA Management Board as of 22 March 2016.

**The Supervisory Board of PKO Bank Polski SA as at 31 March 2016**

No.	Name	Function	Date of appointment
1.	Piotr Sadownik	Chairman of the Supervisory Board	appointed on 25 February 2016 for the next term of the Supervisory Board, which began on the day of the Ordinary General Shareholders' Meeting convened as at 26 June 2014. The State Treasury, as the Eligible Shareholder has appointed Piotr Sadownik as a Chairman of the Supervisory Board.
2.	Agnieszka Winnik-Kalemba	Deputy Chairman of the Supervisory Board	appointed on 25 February 2016 for the next term of the Supervisory Board, which began on the day of the Ordinary General Shareholders' Meeting convened as at 26 June 2014. The State Treasury, as the Eligible Shareholder has appointed Agnieszka Winnik-Kalemba as a Deputy Chairman of the Supervisory Board.
3.	Małgorzata Dec-Kruczkowska	Secretary of the Supervisory Board	appointed on 25 June 2015 for present term of the Supervisory Board, which began on the day of the Ordinary General Shareholders' Meeting convened as at 26 June 2014. On 5 August 2015 has appointed as Secretary of the Supervisory Board.
4.	Mirosław Barszcz	Member of the Supervisory Board	appointed on 25 February 2016 for the next term of the Supervisory Board, which began on the day of the Ordinary General Shareholders' Meeting convened as at 26 June 2014.
5.	Adam Budnikowski	Member of the Supervisory Board	appointed on 25 February 2016 for the next term of the Supervisory Board, which began on the day of the Ordinary General Shareholders' Meeting convened as at 26 June 2014.
6.	Wojciech Jasiński	Member of the Supervisory Board	appointed on 25 February 2016 for the next term of the Supervisory Board, which began on the day of the Ordinary General Shareholders' Meeting convened as at 26 June 2014.
7.	Andrzej Kisielewicz	Member of the Supervisory Board	appointed on 25 February 2016 for the next term of the Supervisory Board, which began on the day of the Ordinary General Shareholders' Meeting convened as at 26 June 2014.
8.	Elżbieta Mączyńska - Ziemacka	Member of the Supervisory Board	appointed on 26 June 2014 for the next term of the Supervisory Board, which began on the day of the Ordinary General Shareholders' Meeting convened as at 26 June 2014.
9.	Janusz Ostaszewski	Member of the Supervisory Board	appointed on 25 February 2016 for the next term of the Supervisory Board, which began on the day of the Ordinary General Shareholders' Meeting convened as at 26 June 2014.

On 25 February 2016 the Extraordinary General Meeting dismissed Jerzy Góra, Mirosław Czekaj, Piotr Marczak, Marek Mroczkowski, Krzysztof Kilian and Zofia Dzik as members of the Bank's Supervisory Board.

Additionally, on 25 February 2016 the Extraordinary General Meeting appointed Mirosław Barszcz, Adam Budnikowski, Wojciech Jasiński, Andrzej Kisielewicz, Janusz Ostaszewski, Piotr Sadownik and Agnieszka Winnik - Kalemba as members of the Supervisory Board of the Bank.

State Treasury, as the Eligible Shareholder, appointed Piotr Sadownik as the Chairman of Supervisory Board and Agnieszka Winnik-Kalemba as Deputy-Chairman of the Supervisory Board of the Bank.

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**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, Nationale-Nederlanden Otwarty Fundusz Emerytalny.

**Shareholding structure in PKO Bank Polski SA**

Shareholders	As at the date of publication of the report for the 1st quarter of 2016		As at 31.12.2015		Changes of the share in the number of votes at GSM (p.p.)
	Number of shares	Share in the number of votes at GSM	Number of shares	Share in the number of votes at GSM	
State Treasury	367 918 980	29.43%	367 918 980	29.43%	0.00
Aviva OFE <sup>1)</sup>	83 952 447	6.72%	83 952 447	6.72%	0.00
Nationale-Nederlanden OFE <sup>2)</sup>	64 594 448	5.17%	64 594 448	5.17%	0.00
Other shareholders <sup>3)</sup>	733 534 125	58.68%	733 534 125	58.68%	0.00
<b>Total</b>	<b>1 250 000 000</b>	<b>100.00%</b>	<b>1 250 000 000</b>	<b>100.00%</b>	<b>0.00</b>

1) Number of shares held as at 29 January 2013, reported by Aviva OFE after exceeding 5% of share 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 (at the moment Nationale-Nederlanden OFE) after exceeding 5% of share 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.

3) Including BGK, with the date of publication of the report for III quarter 2015 owned 24 487 297 shares, representing 1.96% of the number of votes at the General Meeting of Shareholders.

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

**PKO Bank Polski SA's shares held by the Management and Supervisory Board Members**

No.	Name	As at the date of publication of the report for the 1st quarter of 2016	Purchase	Disposal	As at 31.12.2015
<b>I. Management Board of the Bank</b>					
1.	Zbigniew Jagiełło, President of the Management Board of the Bank	11 000	-	-	11 000
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.	Jakub Papierski, Vice-President of the Management Board of the Bank	3 000	-	-	3 000
<b>II. Supervisory Board of the Bank</b>					
1.	Piotr Sadownik, Chairman of the Supervisory Board of the Bank*	-	x	x	x
2.	Agnieszka Winnik-Kalemba, Deputy-Chairman of the Supervisory Board of the Bank*	-	x	x	x
3.	Małgorzata Dec-Kruczkowska, Secretary of the Supervisory Board of the Bank	-	-	-	-
4.	Mirosław Barszcz, Member of the Supervisory Board of the Bank*	-	x	x	x
5.	Adam Budnikowski, Member of the Supervisory Board of the Bank*	-	x	x	x
6.	Wojciech Jasiński, Member of the Supervisory Board of the Bank*	-	x	x	x
7.	Andrzej Kisielewicz, Member of the Supervisory Board of the Bank*	-	x	x	x
8.	Elżbieta Mącznyńska-Ziemacka, Member of the Supervisory Board of the Bank	-	-	-	-
9.	Janusz Ostaszewski, Member of the Supervisory Board of the Bank*	-	x	x	x

\*) Members of the Supervisory Board of the Bank, who didn't exercise the function as at 31.12.2015.

**Seasonality or cyclicity 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 cyclicity characteristics.

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

In subsequent quarters, the results of the Bank and the PKO Bank Polski SA Group will be affected by economic processes which will take place in the Polish and global economies, as well as by reactions of the financial markets.

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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.

The financial and organizational situation of the PKO Bank Polski SA Group will be impacted by legal and regulatory regulations coming in force in next quarter or in the nearest future.

PKO Bank Polski SA as a member of Visa Europe Limited is among the beneficiaries of the transaction of acquisition of shares of Visa Europe Limited by Visa Inc. The total pre-estimated Bank's share in revenues (excluding the potential deferred payment of "earn-out") is expected to amount EUR 88 875 thousand (which is equivalent to PLN 379 354 thousand (according to the NBP average exchange rate of 31 March 2016), including EUR 66 167 thousand that will be paid in cash and EUR 22 708 thousand with shares of Visa Inc. These amounts are not final and may change due to the costs of the Transaction as well as in the cases indicated in the documentation relating to the Transaction (the so-called "leakage").

Pursuant to the communication announced by Visa Inc. on 21 April 2016, terms of the transaction have changed. Deferred payment of "earn-out" has been replaced by remuneration in cash. Therefore, the basic price (for all beneficiaries combined) was increased by EUR 1.75 billion, with EUR 750 million paid upon closing of the Transaction, and EUR 1.0 billion (including additional interest) – paid on 3rd anniversary of closing of the Transaction. Change of the transaction terms results from a rejection by the European Commission of proposed earlier salary of "earn-out". The updated calculation of the share of the PKO Bank Polski SA in the settlement of the acquisition of shares in Visa Europe Limited by Visa Inc. (taking into account the additional transaction price) has not been presented to the Bank by Visa Europe Limited yet.

The transaction is subject to receipt of applicable regulatory approvals.

The tax on certain financial institutions is an important factor affecting the situation of the Bank and the entire financial sector and the economy. Relevant regulations came into force on 1 February 2016 but the financial impact will be fully reflected in future quarters of 2016. Additional tax burden will contribute to a decline in net profit of the Bank and the sector in 2016. In the medium term a reduction in lending potential and return on equity of the industry is possible, mainly affecting banks with the lowest return on assets, and at the same time the highest capital leverage.

Other regulatory solutions that will have an impact on the activity and organization of the Group in subsequent periods are among others:

- resolution No. 18/2016 and 19/2016 of the Bank Guarantee Fund of 23 March 2016 on the determination of the rate of annual fee and prudential fee rate for the second quarter of 2016 payable to the Bank Guarantee Fund by entities covered by the mandatory guarantee scheme in the amount of respectively 0.04175% and 0.01975% of the total risk exposure,
- resolution No. 332/2015 of the Financial Supervision Authority from 2015 pos. 49 on a recommendation on the risk management models in banks,
- amendment of the Law on Investment Funds dated 31 March 2016, representing an implementation European Union law – it will affect the level of costs of services provided by the depository,
- opening of the transfer window in the period April - July 2016 giving the possibility of transferring part of pension contributions from ZUS to the Open Pension Funds,
- two Financial Supervision Authority's recommendations on insurance from March 2016 affecting the changes in the rules of product management and testing investment product adequacy for the needs and possibilities of the customer (from 1 July 2016).

The financial results of the PKO Bank Polski SA Group will also be affected by political and economic situation of Ukraine, in which the Group entities operate: KREDOBANK SA and financial services and debt collection companies. The depreciation of the national currency against foreign currencies, and regulatory changes, in particular the ongoing work on the restructuring of mortgage loans in foreign currencies to individuals - are the main factors that may affect the activity of the banking sector in Ukraine.

Current analysis on the financial performance and the risk of deterioration in asset quality of the Group in Ukraine is carried out in the context of the impact of economic and political situation, including any loan currency conversions. PKO Bank Polski SA continues efforts to ensure the safe operation of its companies in the Ukraine, among others, by strengthening the supervisory activities, including monitoring the development of the regulatory requirements set by the National Bank of Ukraine.

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**Information on the issue, redemption and repayment of debt and equity securities**

In the first quarter of 2016 PKO Bank Polski SA carried out the following issuances, repurchases and repayments of securities

1. The PKO Leasing SA issued 76 500 bonds with a total nominal value of PLN 765 000 thousand and redeemed 66 500 bonds with a total nominal value of PLN 665 000 thousand. As at 31 March indebtedness of the Company from the issue of bonds amounted to 465 000 thousand PLN. 8 767 PKO Leasing SA's bonds with the total nominal value of PLN 87 670 thousand were in the Bank portfolio, and 37 733 bonds with a total nominal value of PLN 377 330 thousand were sold on the secondary market.
2. PKO Bank Hipoteczny SA Carried out first three bonds issues carried out the first three issues of non-public bonds under Own Bond Issue Program established on 30 September 2015. A total of 623 bonds with a total nominal value of 62 300 thousand PLN was issued.
3. Subsidiaries of Merkury fiz an- (non-public assets closed-end fund) issued promissory notes with a total issuance value of PLN 300 thousand. At the end of March the total debt of Merkury's resulting from the issue of promissory notes (the value of issue) amounted to PLN 1 850 thousand. Promissory notes were issued to Merkury and its subsidiary.

**Information on the conclusion by the issuer or its subsidiary of one or more transactions with related parties, if they are significant and were concluded on other than market conditions**

In the first quarter 2015 PKO Bank Polski and its subsidiaries did not conclude significant transactions with related parties not on arm's length.

**The effects of changes in the structure of the business unit, including mergers, acquisitions or disposals of the Group's entities, long-term investments, division, restructuring and discontinued operations**

The effects of changes in the structure of the business unit, including mergers, acquisitions or sale of Group entities have been described in Note 41 of the 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 on guarantee granted – cumulatively to a single entity or its subsidiary, if the total value of outstanding warranties or guarantees constitutes at least 10% of the issuer's equity**

In the first quarter of 2016, 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 taken and advances, guarantee and warranties agreements not related to operating activity**

In the first quarter of 2016, PKO Bank Polski SA and the subsidiaries of PKO Bank Polski SA did not take 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 first quarter of 2016, PKO Bank Polski SA did not conclude any significant contracts and important agreements with the central bank or supervisory authorities.

In the first quarter of 2016 KREDOBANK SA has agreed with the National Bank of Ukraine a timetable for bringing, the short currency position to the regulatory requirements in the period to 31 December 2018.

In the period from 8 February 2016 until 25 March 2016 the National Bank of Ukraine carried out a planned inspection in KREDOBANK SA covering the period of activity of the Company from 1 July 2013 to 31 December 2015 and all the important events that took place during the time of the audit. The subject of the audit was to, among others, risk assessment and risk management systems, the accounting principles used and the reliability of the accounts, compliance with the laws of Ukraine and normative-legal acts of National Bank of Ukraine, as well as to conduct a diagnostic test in accordance with the terms of the Memorandum of Economic and Financial Policies signed between Ukraine and the International Monetary Fund. The process of determining the final audit results is underway.



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

The subsidiaries of PKO Bank Polski SA have not conducted any proceedings pending before court, arbitration tribunal or a public administration authority concerning liabilities or receivables, the value of which constitutes at least 10% of the equity 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 2016.

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

On 22 March 2016, the Bank's Management Board adopted 'Principles for managing the capital adequacy and equity in PKO Bank Polski SA and in the PKO Bank Polski SA Group' with the new wording, which include, inter alia, dividend policy issues in their scope.

The general assumption of the Bank's dividend policy is to maintain a stable level of dividend payments in the long term, in compliance with the principle of prudent management of the Bank and the Bank's Group and with consideration of the financial capacity of the Bank and the Bank's Group as determined on the basis of the adopted criteria.

The aim of the dividend policy is an optimization of the structure of the Bank's and the Group's own funds, taking into account the return on capital and its cost, capital needs for development, while ensuring an appropriate level of capital adequacy ratios. The dividend policy assumes the possibility of the Bank's net profit distribution to shareholders in the long-term perspective in the amount of the surplus of capital above minimal capital adequacy ratios considering the additional capital buffer.

The dividend policy takes into account factors related to the operations of the Bank and the Group entities, in particular, the requirements and supervisory recommendations concerning capital adequacy. The rules have changed in connection with the issuance by the Financial Supervision Authority on 15 December 2015 a stance on the dividend policy of banks in 2016 for 2015, recommending higher minimum capital adequacy measures to enable the payment of dividends and introducing a new condition for the payment of dividends - leverage. Therefore, in compliance with capital adequacy ratios to determine the criteria dividend are as follows:

- Total capital ratio above 14.01%,
- Basic capital ratio Tier 1 above 13.82% and
- Leverage ratio above 5%.

These principles were approved by the Supervisory Board.

**Changes in the Statute of the Bank**

1. On 25 February 2016, the Extraordinary General Meeting („EGM") adopted resolution No. 16/2016 on amendments to the Statute of the Bank. The adopted changes concerned procedure for appointing members of the Management Board. In place of the provisions of the Articles of Association (§ 15 item 1 point 8), according to which the Supervisory Board appoints and dismisses members of the Board at the request of the President, according to the adopted resolution such calling will not occur at the request of the President.

By adopting the resolution of the Extraordinary General Meeting a provision was deleted from the Statute under which a member of the Board may be dismissed only for important reasons (§ 19 item 4 of the Statute). According to the adopted amendment to § 23 item 1 point 4 of the Statute of the subordination of the members of the Board of various areas of the Bank will be establish by the Regulations of the Board, approved in accordance with § 15 item 1 point 11 letter a, 1 by the Supervisory Board. Change of § 23 item 3 is aimed to indicate the person who will lead the work of the Board in the absence of the President or the failure to appoint deputy in the absence of people directing the work of the Board.

2. On 22 March 2016 a consolidated text of the Statute of the Bank was determined by the Supervisory Board, taking into account the amendments adopted by Resolution No. 16/2016 of the Extraordinary General Meeting of 25 February 2016 on amendments to the Statute of the Bank.
3. On 20 April 2016 Bank was notified of the registration by the District Court for the Capital City Warsaw, XIII Commercial Division of the National Court Register of changes in Statute of PKO Bank Polski, introduced by Resolution No. 16/2016 of the Extraordinary General Meeting of PKO Bank Polski dated February 25, 2016. For these changes in the Articles of Association, the Bank has obtained the approval of the Financial Supervision.

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**Other information that is relevant to the assessment of the personnel, assets, financial situation result of the issuer and their changes**

1. On 19 January 2016 the rating agency Standard and Poor's withdrew the ratings assigned to the Bank at the request, which the Bank filed on December 17, 2015. Bank terminated the contract of cooperation with the credit rating agency Standard and Poor's and led to the withdrawal of ratings due to the limitation of plans for bond issue on international markets, especially in the United States. Termination of the contract was justified by the fact that the current structure of the Bank's balance sheet and related plans for obtaining financing rely primarily on medium and long-term bond issues on domestic and European markets (mainly in EUR). As a result, having paid ratings from one credit rating agency is sufficient to carry out financial plans. An important reason to terminate the contract with the credit rating agency Standard and Poor's in 2015 was also the need to reduce the cost of the Bank's operations, which is particularly important in an environment of low interest rates and changes in the regulatory environment.

On the occasion of withdrawing the ratings, Standard and Poor's has made a final analysis of the current situation of the Bank and its business environment and confirmed the short-term rating at "A-2" and lowered long-term rating from 'BBB+' to 'BBB'. At the time of withdrawal of the ratings the outlook was stable. The credit rating agency Standard and Poor's announced that the reduction in long-term rating of the Bank was due to the reduction of ratings for Poland (sovereign) on 15 January 2016. Agency's analysis found that the Bank has a strong business position, adequate capital strength and liquidity over the next two years, the quality of assets and a solid funding base, based mainly on retail deposits.

2. In the first quarter of 2016, the Bank concluded two guarantee agreements providing unfunded credit protection in respect of the portfolio of selected corporate credit claims of the Bank with a counterparty ("Counterparty" or "Guarantor"), in accordance with Regulation CRR and informed about it in current reports No. 7/2016 and No. 15/2016.

The total value of the Bank's exposure under contracts concluded by the Bank with the Contractor and its subsidiaries during the last 12 months before the date of publication of the second report, amounted to PLN 6 238 million. On March 25, 2016, the Bank terminated both of the above agreement. Termination by the First Bank Guarantee and the Second Guarantee occurred without giving reasons, in the manner provided in the content appropriately First Guarantee Agreement and the Second Agreement, Guarantee and in accordance with their terms. According to the guarantee agreements, as a result of terminations guarantees expired at the end of March 2016. In connection with the termination of contracts, the Bank will not incur further costs related to payment of the guarantee premium in respect of the First and Second Guarantee.

**Events that occurred after the date of preparation of the financial statements, which may affect the future financial results**

1. On 4 April 2016, PKO Bank Hipoteczny SA acquired another portfolio of mortgage-backed loans in the amount of PLN 689 065 thousand within the Framework Agreement on Debts Sale signed in 2015 with PKO Bank Polski SA.
2. On 13 April 2016 Qualia Development Sp. o.o. acquired from Qualia Sp. o.o. 3 shares of Qualia Hotel Management Sp. o.o. becoming the sole shareholder of the Company.
3. On 26 April 2016 the international rating agency Standard & Poor's changed its rating forecast for KREDOBANK SA from "negative" to "positive", confirmed the credit rating of KREDOBANK SA on the level of "CCC + / C" on an international scale and raised its rating KREDOBANK SA according to the scale of the Ukrainian "uaB +" to "uaBB-."

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4. On 27 April 2016, PKO Bank Hipoteczny SA conducted the issuance of mortgage bonds addressed to institutional investors, with a value of PLN 500 000 thousand with the maturity date equal to 5 years and 1 day. The interest rate is based on a variable interest rate WIBOR 3M + 0.65 p.p. margin. Issuance of mortgage bonds Mortgage Bank PKO SA was realized within the framework of the Bonds Issue Program launched on the basis of the prospectus approved by the Financial Supervision Authority in November.

**Signatures of all Members of the Bank's Management Board**

28.04.2016	Zbigniew Jagiełło	President of the Management Board	..... (signature)
28.04.2016	Piotr Alicki	Vice-President of the Management Board	..... (signature)
28.04.2016	Bartosz Drabikowski	Vice-President of the Management Board	..... (signature)
28.04.2016	Piotr Mazur	Vice-President of the Management Board	..... (signature)
28.04.2016	Jakub Papierski	Vice-President of the Management Board	..... (signature)

Signature of person responsible for maintaining the books of account

28.04.2016

Danuta Szymańska  
Director of the Accounting Division

.....

(signature)