



Bank Polski

# Report of the PKO Bank Polski SA Group for the first quarter of 2014

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	period from 01.01.2014 to 31.03.2014	period from 01.01.2013 to 31.03.2013 restated	period from 01.01.2014 to 31.03.2014	period from 01.01.2013 to 31.03.2013 restated
Net interest income	1 739 828	1 752 651	415 290	419 917
Net fee and commission income	705 415	717 540	168 380	171 915
Operating profit	1 008 957	960 266	240 834	230 070
<b>Profit before income tax</b>	<b>1 003 325</b>	<b>957 929</b>	<b>239 489</b>	<b>229 510</b>
<b>Net profit (including non-controlling shareholders)</b>	<b>798 981</b>	<b>786 245</b>	<b>190 713</b>	<b>188 376</b>
<b>Net profit attributable to equity holders of the parent company</b>	<b>802 574</b>	<b>786 422</b>	<b>191 571</b>	<b>188 419</b>
<b>Earnings per share for the period – basic (in PLN/EUR)</b>	<b>0.64</b>	<b>0.63</b>	<b>0.15</b>	<b>0.15</b>
<b>Earnings per share for the period – diluted (in PLN/EUR)</b>	<b>0.64</b>	<b>0.63</b>	<b>0.15</b>	<b>0.15</b>
<b>Net comprehensive income</b>	<b>784 581</b>	<b>719 714</b>	<b>187 276</b>	<b>172 436</b>
Net cash flow from / used in operating activities	6 246 279	(3 568 171)	1 490 960	(854 897)
Net cash flow from / used in investing activities	(2 768 757)	(402 501)	(660 891)	(96 435)
Net cash flow from / used in financing activities	1 829 378	265 687	436 665	63 656
Total net cash flows	5 306 900	(3 704 985)	1 266 735	(887 677)

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand			EUR thousand		
	as at 31.03.2014	as at 31.12.2013	as at 31.03.2013 restated	as at 31.03.2014	as at 31.12.2013	as at 31.03.2013 restated
Total assets	203 151 990	199 231 110	196 793 124	48 702 321	48 039 909	47 108 997
Total equity	25 938 906	25 154 325	25 156 122	6 218 423	6 065 375	6 021 957
Capital and reserves attributable to equity holders of the parent company	25 941 161	25 152 816	25 156 596	6 218 963	6 065 012	6 022 070
Share capital	1 250 000	1 250 000	1 250 000	299 667	301 408	299 229
Number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000	1 250 000	1 250 000
Book value per share (in PLN/EUR)	20.75	20.12	20.12	4.97	4.85	4.82
Diluted number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000	1 250 000	1 250 000
Diluted book value per share (in PLN/EUR)	20.75	20.12	20.12	4.97	4.85	4.82
Capital adequacy ratio	13.48%	13.58%	13.74%	13.48%	13.58%	13.74%
Basic funds (Tier 1)	19 594 136	19 611 274	20 272 336	4 697 369	4 728 799	4 852 860
Supplementary funds (Tier 2)	1 528 848	1 539 670	1 525 762	366 516	371 255	365 242
Short-term equity (Tier 3)	188 946	154 112	38 075	45 297	37 160	9 115

SELECTED STAND-ALONE FINANCIAL DATA	PLN thousand		EUR thousand	
	period from 01.01.2014 to 31.03.2014	period from 01.01.2013 to 31.03.2013 restated	period from 01.01.2014 to 31.03.2014	period from 01.01.2013 to 31.03.2013 restated
Net interest income	1 703 601	1 723 785	406 642	413 001
Net fee and commission income	658 696	656 059	157 228	157 185
Operating profit	1 044 129	950 163	249 229	227 649
<b>Profit before income tax</b>	<b>1 044 129</b>	<b>950 163</b>	<b>249 229</b>	<b>227 649</b>
<b>Net profit</b>	<b>846 715</b>	<b>783 610</b>	<b>202 107</b>	<b>187 745</b>
<b>Earnings per share for the period – basic (in PLN/EUR)</b>	<b>0.68</b>	<b>0.63</b>	<b>0.16</b>	<b>0.15</b>
<b>Earnings per share for the period – diluted (in PLN/EUR)</b>	<b>0.68</b>	<b>0.63</b>	<b>0.16</b>	<b>0.15</b>
<b>Net comprehensive income</b>	<b>891 594</b>	<b>707 538</b>	<b>212 820</b>	<b>169 519</b>
Net cash flow from / used in operating activities	6 267 336	(3 045 090)	1 495 987	(729 573)
Net cash flow from / used in investing activities	(2 841 221)	(601 681)	(678 187)	(144 157)
Net cash flow from / used in financing activities	1 899 279	283 050	453 350	67 816
Total net cash flows	5 325 394	(3 363 721)	1 271 149	(805 913)

SELECTED STAND-ALONE FINANCIAL DATA	PLN thousand			EUR thousand		
	as at 31.03.2014	as at 31.12.2013	as at 31.03.2013 restated	as at 31.03.2014	as at 31.12.2013	as at 31.03.2013 restated
Total assets	200 596 746	196 279 932	194 352 448	48 089 743	47 328 302	46 564 868
Total equity	26 002 836	25 111 242	25 082 355	6 233 749	6 054 987	6 009 477
Share capital	1 250 000	1 250 000	1 250 000	299 667	301 408	299 487
Number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000	1 250 000	1 250 000
Book value per share (in PLN/EUR)	20.80	20.09	20.07	4.99	4.84	4.80
Diluted number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000	1 250 000	1 250 000
Diluted book value per share (in PLN/EUR)	20.80	20.09	20.07	4.99	4.84	4.80
Capital adequacy ratio	13.29%	13.38%	13.46%	13.29%	13.38%	13.46%
Basic funds (Tier 1)	19 396 362	19 346 921	19 965 023	4 649 956	4 665 056	4 779 294
Supplementary funds (Tier 2)	1 014 218	1 022 720	1 036 833	243 142	246 605	248 201
Short-term equity (Tier 3)	188 946	154 112	38 075	45 297	37 160	9 115

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 2014 and 31 March 2013: EUR 1 = PLN 4.1894 and EUR 1 = PLN 4.1738,
- the statement of financial position items – average NBP exchange rate as at 31 March 2014: EUR 1 = PLN 4.1713 as at 31 December 2013: EUR 1 = PLN 4.1472 and as at 31 March 2013: EUR 1 = PLN 4.1774.



Bank Polski

# Directors' Commentary to the financial results of the PKO Bank Polski SA Group for the first quarter of 2014



## DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2014

---

### TABLE OF CONTENTS

1.	Summary and selected financial data of the PKO Bank Polski SA Group.....	3
2.	External environment.....	3
3.	Activities of the PKO Bank Polski SA Group and PKO Bank Polski SA.....	7
3.1.	Directions of development of the PKO Bank Polski SA Group.....	7
3.2.	Commentary to the financial results of the PKO Bank Polski SA Group.....	8
3.3.	Commentary to the financial results of PKO Bank Polski SA.....	12
3.4.	Business development.....	14
3.4.1.	Market shares of PKO Bank Polski SA.....	14
3.4.2.	Retail segment of PKO Bank Polski SA.....	14
3.4.3.	Corporate segment of PKO Bank Polski SA.....	17
3.4.4.	Investment segment of PKO Bank Polski SA.....	18
3.4.5.	Activities of the PKO Bank Polski SA Group entities .....	20
3.4.6.	Prizes and awards.....	20



## DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2014

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

Due to introduced in 2013 changes in accounting policies on recognition of income and expenses collected from *bancassurance*, the financial data for the year 2013 has been restated and brought to comparability. The accounting policies and calculation methods applied in these condensed financial statements are consistent with those, which were applied in the annual consolidated financial statements of the PKO Bank Polski SA Group for the year ended 31 December 2013.

	1st quarter of 2014	1st quarter of 2013	Change y/y
<b>NET PROFIT</b>	<b>802.6 PLN million</b>	<b>786.4 PLN million</b>	<b>2.1% (y/y)</b>
<b>RESULT ON BUSINESS ACTIVITIES*</b>	<b>2 548.2 PLN million</b>	<b>2 528.0 PLN million</b>	<b>0.8% (y/y)</b>
<b>ADMINISTRATIVE EXPENSES</b>	<b>(1 125.8) PLN million</b>	<b>(1 119.7) PLN million</b>	<b>0.5% (y/y)</b>
<b>NET IMPAIRMENT ALLOWANCE</b>	<b>(413.5) PLN million</b>	<b>(448.0) PLN million</b>	<b>-7.7% (y/y)</b>
<b>C/I</b>	<b>43.1 %</b>	<b>41.5 %</b>	<b>1.6 pp.</b>
<b>ROE NET</b>	<b>13.1 %</b>	<b>14.7 %</b>	<b>-1.6 pp.</b>
<b>ROA NET</b>	<b>1.6 %</b>	<b>1.8 %</b>	<b>-0.2 pp.</b>

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

In the first quarter of 2014 the PKO Bank Polski SA Group activities were focused on securing a stable development of business activities in terms of continuation of revival of national economy, while maintaining the priorities in the area of operating efficiency.

The net profit of the PKO Bank Polski SA Group generated in the first quarter of this year amounted to PLN 802.6 million and was PLN 16.2 million higher than in the corresponding period of 2013 (+2.1% y/y). The achieved profit was determined by:

- improvement of result on business activities of the PKO Bank Polski SA Group mainly due to an increase of net foreign exchange gains (losses), accompanied by a decrease in net interest income by PLN 12.8 million y/y, which is a consequence of reduction in market interest rates and net fee and commission income by PLN 12.1 million y/y,
- increase in administrative expenses (by PLN 6.0 million y/y), mainly due to higher amortisation and depreciation,
- improvement of net impairment allowance (+PLN 34.5 million y/y), mainly as a result of a decrease of impairment allowances on consumer and corporate loans portfolios,
- an effective structure of the statement of financial position - an increase in deposit base of the PKO Bank Polski SA Group and funds from the issue of securities enabled an increase in business activities. As at the end of the first quarter of 2014 the loan to deposit ratio amounted to 98.0% (88.3% when considering the long-term financing).

### 2. External environment

#### Macroeconomic environment

Macroeconomic factors influencing the national economy in the first quarter of 2014:

- continuation of revival of the national economy - annual growth of GDP accelerated to 2.7%-3.0% in comparison to 2.7% in the fourth quarter of 2013, along with strengthening domestic demand (of consumption and investments) and still significant contribution of net export,
- slow improvement of the situation on the labour market - the registered unemployment rate amounted to 13.6% at the end of March (preliminary data of the Ministry of Labour and Social Policy) compared with 13.4% at the end of 2013, which taking into account the seasonality, is a deepening decline compared with the corresponding period of the previous year. The annual growth rate in salaries and wages in the enterprise sector reached 4.2% in the first quarter of 2014 compared to 3.3% in the fourth quarter of 2013, and the growth rate of employee pensions and disability benefits slowed down slightly to 5.1% y/y in January-February 2014 from 5.5% in the fourth quarter of 2013,
- maintaining the inflationary pressure under control - the CPI inflation amounted to 0.7% y/y in March 2014, remaining unchanged compared with December 2013, accompanied by a slightly decreasing contribution of food prices, stable fuel prices and increase in contribution of core inflation,
- extension of the declared period of historically low NBP interest rates - at the March Monetary Policy Council (RPP - Rada Polityki Pieniężnej) meeting, the declared period of maintaining the NBP interest rates unchanged has been extended to the end of third quarter of 2014. Any significant changes in RPP rhetoric before the July meeting and the NBP projection for GDP and inflation published at that time should not be expected.

## DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2014



### Interest rate market

The first quarter of 2014 was characterised by increased yield curve volatility in the 4-5 year segment, slightly lower in the 6-10 year segment and negligible changes in rates in the 1-12 month segment. Such situation resulted from a stabilising impact of the NBP declaration on maintaining the interest rates at present level until the end of the third quarter of this year. The Treasury Bonds and IRS contracts market recorded increased volatility (particularly in the 3-5 year segment) due to vague messages of the U.S. Federal Reserve regarding the future path of interest rates and markets' speculations about perspectives on the monetary policy in USA and the crisis in Ukraine. As a result, the 3MWIBOR rate has stabilised at the level of 20-22 b.p. above the NBP reference rate (2.50%), whereas the 12MWIBOR rate was slowly increasing from 2.65% at the beginning of the quarter to 2.69% at the end of the period, reflecting improving macroeconomic data coming from the Polish and European economy. The debt market in the up to 2-year segment remained relatively stable during the entire first quarter of this year. Other segments of the yield curve recorded a strong increase in the second half of January of this year. A nervous market reaction to the risk of crisis on certain emerging markets resulted in an increase in yields on 10-year Polish bonds from 4.35% at the beginning of the quarter to 4.74% at the end of January. February and March brought an ease of tension on the global debt markets and deterioration of geopolitical situation in the region connected with the Ukrainian conflict. Initially, the market reaction involved a temporary several-point-increase in yields on 10-year Polish bonds. However, as the conflict escalated, yields on Polish debt declined, following the German Government Securities, anticipating a negative impact of the conflict on the inflation (through the food trade restrictions with Russia) and economic growth. The process of declining yields on domestic Treasury Bonds in the 3-10 year segment was intensified through the President of European Central Bank (ECB) M. Draghi's suggestions about the possibility of launching an European form of Quantitative Easing (QE) programme in case of inflation further remaining at a level significantly below the ECB target. As a consequence, the yields on 10-year Polish bonds ended the first quarter of 2014 at the level of 4.23%, i.e. 3 b.p. above the quarterly minimum and 3 b.p. lower than the minimum at the end of 2013.

### Foreign exchange market

The first quarter of 2014 was characterised by a high volatility both on EUR/USD and EUR/PLN market. First weeks of the year were dominated by increasing fears about the impact of phasing out the asset purchase programme by the U.S. Federal Reserve on the stability of global financial markets, particularly of emerging markets economies. The Fed's January decision on another reduction in the scope of monthly asset purchases caused high nervousness among investors, bringing the euro exchange rate down from approximately USD 1.37 at the end of December 2013 to USD 1.35, whereas depreciating the Polish zloty against the euro from 4.15 to 4.25. February brought alleviation and the situation on financial markets was marked by stabilisation in investors' moods and gradual return of EUR/USD and EUR/PLN exchange rates back to their levels from the beginning of the year. Along with publications of slightly worse U.S. macroeconomic data, which intensified speculations that the phasing out QE3 will likely to last longer than Fed initially expected, the risk aversion on the market began to fall. As a result, already in the mid-February the EUR/USD and EUR/PLN exchange rates were again quoted at levels from the beginning of the year (approximately 1.37 in terms of EUR/USD and nearly 4.15 in terms of EUR/PLN). The escalation of the Russian-Ukrainian conflict changed the situation on foreign exchange markets. As a result, the negative correlation between EUR/USD exchange rate and EUR/PLN exchange rate has been disturbed, which caused the EUR/USD continued to rise, backed by consecutive information on worse U.S. macroeconomic data and lack of monetary policy easing, expected since several months to be conducted by the ECB, whereas the Polish zloty began to depreciate sharply against the euro. In the mid-March of this year, the EUR/USD reached the area of 1.40 and the EUR/PLN approached again to 4.25. The last two weeks of the first quarter of this year brought both the exchange rate of EUR/USD and EUR/PLN back to initial levels from the beginning of January 2014, which was influenced by Russia's declaration on non-intervention in continental Ukraine and further decreasing growth pace in USA confirmed by consecutively published macroeconomic data. In the end, the EUR/USD exchange rate ended the first quarter of 2014 at the level of 1.3770 whereas the EUR/PLN exchange rate around the level of 4.1655.

### Stock market

On the stock market, the first quarter of 2014 proceeded relatively calmly. The most important indices ended the quarter of this year with a little gain (WIG increased by 2%). The global economy continued its moderate recovery initiated in the previous year, which in connection with the eased monetary policy of major central banks constituted a favourable environment for the stock market. There was a similar situation in Poland: accelerating GDP growth in a low-inflation environment, which enabled the Monetary Policy Council to maintain the interest rates at historically low level, encouraged investors to allocate their funds into more risky asset classes. During the quarter, stock exchange investors were carefully analysing the effects of commencing the phasing out of the asset purchase programme by U.S. Federal Reserve and statements of the new president Janet Yellen regarding further policy, suggesting that the monetary policy normalisation process will proceed in a pace that will not harm the real economy and financial markets. Better economic outlook appeared to be insufficient for the stock exchanges to provide higher gains,



## DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2014

as it was counterbalanced by a number of factors which concerned investors. Those include worse-than-expected data from China as well as the escalation of the Russian-Ukrainian conflict.

### The situation of the Polish banking sector

In the first quarter of 2014 financial result of banking sector was realised in the conditions of slight revival of national economy and maintaining historically low interest rates. The net profit of the banking sector amounted to PLN 3.97 billion at the end of March 2014 and was by 2.9% lower than in the previous year. The change in the net profit was affected by:

- an increase in result on business activities (by 0.8% y/y), due to a strong decrease in result on other business activities (by 35% y/y), along with an increase in net interest income (by 13% y/y),
- an increase in administrative expenses (by 1.3% y/y),
- an increase in net impairment allowance (by 7.2% y/y).

There was a slight deterioration in operational efficiency of the banking sector: at the end of the first quarter of 2014 C/I ratio increased to 53% compared to 51.2% in the corresponding period of 2013.

In the first quarter of 2014 an increase in impaired loans was insignificant (by 0.1%) and related to non-performing loans for large enterprises (by 3%). At the end of March 2014, the ratio of total non-performing loans amounted to 8.4%, including corporate loans of 11.4%, housing loans of 3.1%, and consumer loans of 14.4%.

At the end of the first quarter of 2014, the total assets of the banking sector amounted to PLN 1.44 trillion and were 2.7% higher than as at the end of 2013. In the first quarter of 2014 the situation on the loan and deposit market was mainly affected by revival in banks' lending activity.

In the first quarter of 2014 the value of total loans increased by PLN 18.9 billion, and the growth rate has increased y/y to 4.7% from 3.8% at the end of 2013. After adjusting for changes in exchange rates, the total loans growth rate was higher y/y and was ca. 5.6%.

In the first quarter of 2014 revival in the corporate loans market was recorded. Their value increased by ca. PLN 7.5 billion, and a growth rate y/y increased to 4.7% from 1.8% as at the end of 2013. Approximately 73% of the corporate loans' growth was loans to large enterprises. The situation on the corporate loans market was a result of an improvement in the economic situation and increase in investment activity of companies, that have proceed to the realisation of investments after their deposition due to the uncertainty of the economic situation. The lending activity addressed to small and medium enterprises was supported by continued government programme 'Portfelowa Linia Gwarancyjna *de minimis*'.

In the first quarter of 2014 the value of housing loans increased by PLN 4.2 billion, but the growth rate decreased y/y to 4.3% at the end of the first quarter of 2014 from 4.5% as at the end of 2013. After adjusting for changes in exchange rates the growth rate y/y of these loans increased to 6.9% from 6.4% y/y. The increase of demand caused by lower interest rates and benefits from the 'Mieszkanie dla Młodych' programme had a positive impact on sales of housing loans.

At the end of the first quarter of 2014, a slight increase in the value of consumer loans portfolio was recorded compared to the end of 2013. The consumer loans growth rate increased to 3.7% y/y from 2.3% y/y as at the end of 2013. The situation in this market segment was determined primarily by easing the lending policy, growing consumption and low level of interest rates.

In the first quarter of 2014 the increase in the value of total deposits was slightly higher than loans. The total deposits increased by PLN 19 billion and their growth rate increased to 6.2% y/y from 5.6% y/y as at the end of 2013. The main source of the total deposit growth was a seasonal increase in the deposits of central and local government institutions sector by ca. PLN 24 billion. The increase in the households deposits by approximately PLN 15 billion and a decrease in the corporate deposits by ca. PLN 12 billion and non-monetary financial institutions deposits were recorded. The increase in deposits was affected by an improving situation on the labour market, uncertainty on the stock market and low interest rates level.

At the end of the first quarter of 2014, the gap between loans and deposits amounted to PLN 53.6 billion and the loans deposits ratio amounted to 105.9%.

### The Ukrainian market

The activity and results of the PKO Bank Polski SA Group in the first quarter of 2014 were impacted by the macroeconomic factors in Ukraine, where subsidiaries of PKO Bank Polski SA operate. The most important factors include:

- a socio-political crisis and Crimea Secession, as a result of which the economic growth collapse has occurred (the GDP decrease in the first quarter of 2014 is estimated by the State Statistics Service of Ukraine (SSSU) to be of 1.1% y/y),
- a continued decrease in nominal wage dynamics (on average to 5.2% y/y in the first quarter of 2014 from 6.1% y/y in the fourth quarter of 2013), accompanying the decline of the economic activity,
- an increase in inflation (of 1.7% y/y on average in the first quarter) with a very significant depreciation of hryvnia, increase of food prices, transportation, culture and recreation,
- a rapid decline in trade (export of 6.9% y/y and import of 22.3% y/y in the first quarter of 2014 compared with the first quarter of 2013), decreasing therefore the negative balance of trade and current account deficit,
- continuing decrease in value of foreign currency reserves (to USD 15.09 billion at the end of the quarter),
- floating of the exchange rate of hryvnia against dollar (on 7 February of this year), as a consequence of which a rapid depreciation to the level of 11.37 UAH/USD as at 31 March from 8.24 UAH/USD as at 1 January has occurred; an average exchange rate of hryvnia against dollar amounted to 9.13 UAH/USD on the banking market in the first quarter of 2014,
- no changes in interest rates level (the NBU's discount rate at the level of 6.5%), continuation of Treasury securities purchase by the NBU (in the first quarter of 2014, in its assets NBU held on average 59.7% of total market volume of Treasury securities, compared with 29.2% in the fourth quarter of 2013: on average approx. UAH 427 million more).

According to the data of the National Bank of Ukraine, as at the end of March of this year 181 banks conducted business activities in Ukraine, one more compared to the end of 2013. In the first three months of 2014, the share of the foreign capital in equities of banks acting in Ukraine dropped insignificantly. As at the end of March 2014 it amounted to 33.6% compared to 34.0% as at the end of December 2013 and 38.3% in March 2013.

In March 2014, the value of assets of Ukrainian banks increased to UAH 1 315.9 billion, compared to UAH 1 278.1 billion at the end of December 2013. In the first quarter of 2014 the increase in the value of the loan portfolio to UAH 1 020.0 billion from UAH 913.2 billion in December 2013





## DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2014

was noted. The annual dynamics of the value of the loan portfolio in the first quarter of this year amounted to 17.5% y/y (compared to on average 7.1% y/y in the period July-December 2013). The increase in the value of loans in the banking sector compared with the end of 2013, was related most of all to an increase in the volume of foreign currency loans resulting from depreciation of hryvnia (increase of UAH 124.5 billion compared to the end of December 2013). In that time, the volume of loans in hryvnia decreased by UAH 17.7 billion. As a result, the share of foreign currency loans in total loans increased to 42.6% from 34% at the end of 2013. The loan portfolio for residents increased by UAH 90.8 billion and the loan portfolio for non-residents increased by UAH 16.0 billion (from the level of UAH 2.4 billion at the end of December). Among residents, the largest impact on the increase in the value of loans granted in the first three months of 2014 was still exerted by non-financial enterprises (+UAH 69.6 billion compared to the end of December) and households (+UAH 19.4 billion). Loans to financial enterprises sector increased in that period by UAH 2.0 billion, and the indebtedness of the public finance sector in respect of loans from the banking sector decreased by UAH 0.4 billion.

In the first quarter of 2014, the dynamics of the deposit base in the Ukrainian banking sector was lower compared with the loan portfolio. The increase in the value of total deposits in the period end of December - end of March amounted to UAH 2.9 billion. The annual dynamics of the deposit value in banks in Ukraine reached 12.1% y/y at the end of March (compared to 16.3% at the end of December). The main source of the increase in deposits was the public non-financial enterprises segment, where the deposit base increased by UAH 3.0 billion in this period of 2014. The deposits of households increased by UAH 0.8 billion (while deposits denominated in UAH decreased by UAH 33.3 billion, and deposits in foreign currencies increased by UAH 34.1 billion).

The Loan-To-Deposit ratio (L/D) in the banking sector in Ukraine increased to the level of 1.45 at the end of February compared to 1.30 in December 2013 and 1.32 in March 2013. The value of equity of the banking sector in Ukraine amounted to UAH 182.5 billion at the end of the first quarter of 2014 (13.9% of the total assets of the banks, a decrease from 15.1% in December 2013). After the period of drop in 2013, the value of non-performing loans increased to UAH 83.0 billion at the end of March. This means a growth in non-performing loans to 9.3% of the total value of loans compared to 7.7% at the end of 2013 (according to IMF methodology the share of impaired loans in total loans amounted to 12.9% in the fourth quarter of 2013). In the first three months of 2014 the ROA ratio of the Ukrainian banking sector was negative and amounted to -0.63%, reducing from 0.12% as at the end of 2013, and the ROE ratio dropped in the same period from 0.81% to -4.24%.

### Regulatory factors

In the first quarter of 2014, there were changes in the regulatory environment of the banking sector and financial non-banking sector in Poland and the banking sector in Ukraine. The business activities, financial and organisational situation of the PKO Bank Polski SA Group in the first quarter of 2014 was affected i.a. by the following:

- the 2010 amendment to the Act on Goods and Services Tax (Journal of Laws of 2011 No. 247 item 1652), enabling 100% of VAT on the lease of delivery vans to be deducted in the transition period from 1 January to 31 March 2014,
- the 2010 amendment to the Act on Public Finance of 27 August 2009 (Journal of Laws of 2009 No. 157 item 1240, with subsequent amendments), introducing new policies for local authorities in respect of incurring liabilities as from 1 January 2014,
- Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (European Market Infrastructure Regulation - EMIR) (Official Journal of the European Union). As from 12 February 2014 an obligation to report derivative transactions to trade repositories was introduced (Official Journal of the European Union OJ L201/1),
- Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR) effective from 1 January 2014, in recognition of transition periods (Official Journal of the European Union L176/1), introducing, i.a., increased capital requirements, including more stringent policies for calculating basic and supplementary funds, a *Core Tier 1* ratio limit, a leverage ratio, and new capital and liquidity requirements,
- Resolution of the Monetary Policy Council No. 11/2013 of July 2013 (Official Journal of the NBP of 2013 item 15) introducing the historically low level of basic interest rates, including reference rate 2.5%, interest rate on refinancing loans secured with a pledge on securities of 4.0%, the interest rate of fixed-term deposits placed by banks with the National Bank of Poland of 1.0% and the rediscount rate for bills of exchange accepted from banks for rediscounting by the National Bank of Poland of 2.75%,
- Resolution of the PFSA No. 148/2013 on Recommendation S concerning management of mortgage-secured loan exposures (Official Journal of the PFSA of 2013 item 23), that introduces stricter requirements for borrowers from 1 January 2014,
- the Act of 2013 on the Amendment to the Act on the Bank Guarantee Fund (Journal of Laws No. 1012), introducing additional charges for banks in the form of a prudential fee towards the stabilisation fund,
- the Act concerning changes in the policies for disbursement of pensions from funds accumulated in Open Pension Funds (OPF) (Journal of Laws of 2013 item 1717), lowering, amongst others, as from 1 February 2014 the ratio of pension contributions transferred to OPF from 3.1% to 2.92%, the maximum ratio used for calculating the fees collected by open pension management companies from 3.3% to 1.75%, imposing an obligation to transfer 51.5% of the assets of pension funds to the Social Insurance Institution (ZUS), and changing the investment policies for OPF,
- the Act on State aid for the purchase of the first apartment by young people (Journal of Laws item 1304) launching the programme 'Mieszkanie dla Młodych'.

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

- the Act No. 453 of 14 November 2013 concerning amendments to the tax law of Ukraine introducing a 20% VAT rate as from 1 January 2014,
- Resolutions Nos.: 49/2014, 104/2014, 137/2014 and 172/2014 of NBU changing the policies for banks conducting foreign currency transactions on the interbank market and in settlements with customers in this regard, and setting up a mandatory reserve for funds obtained from non-residents,
- Resolutions Nos.: 86/2014 and 91/2014 of NBU concerning the monetary market, introducing additional flexibility in liquidity management, including the lowering of the minimum amount of mandatory reserves and specifying the level of interest rates on refinancing loans.



## DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2014

---

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

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

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

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

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

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

The long-term strategic levers adopted in the strategy, constitute the support for the implementation of the Bank's development vision and include:

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

Implementation of the Bank's long-term strategic levers is associated with the implementation of the levers of particular business areas:

##### I. Strategic levers in Retail Banking:

1. Customer-centric approach (using the information about the customer to provide a better service).
2. Distribution excellence (improved distribution effectiveness, network modernisation and optimisation, development of direct channels, improvement in selling skills and sales effectiveness).
3. Innovation and diversification of revenues (implementation of the innovation portfolio management model and development of non-interest income streams).

##### II. Strategic levers in Corporate Banking:

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

##### III. Strategic levers in Investment Banking:

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

##### IV. Strategic levers in Supporting Areas:

1. Risk management optimisation (decreasing credit risk costs, process enhancement, implementing price policies adjusted to the customer's risk profile, implementing IRB method and increasing the rate of return).
2. Advanced, efficient and safe technologies and efficient operating processes (IT solutions supporting 'business' in the development of new products, ensuring conditions for the further, safe development of the Bank's business activities, the growth of the operational units' efficiency aimed at improvement of customer service quality).
3. Development through increased involvement and common values (increasing organisational efficiency and human capital value, enhancing corporate culture which is open to changes, attracting the best employees and obtain the position of the best employer in the Polish banking sector).
4. Efficient financial management (increasing financial management efficiency through improving organisational intelligence, introducing new methods of the Bank's statement of financial position management and continuous cost optimisation).

The long-term strategic lever concerning acquisition comprises:

- domestic acquisitions, offering an opportunity to achieve synergy effects and strengthening the Bank's position on the domestic market in the period of slow-down of the market growth;
- international acquisitions, associated with seeking growth on faster-growing markets and the opportunities to use the Bank's international experience and competencies.



## DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2014

In accordance with the new development strategy, PKO Bank Polski SA will develop an integrated Group model. The Bank's subsidiaries, which play the role of product centres, supplement the basic offer of financial services provided by the Bank. The key strategic initiatives concerning the Group's model development comprise:

- integration of the selected Group entities with the Bank through, i.a. centralisation of support functions or transfer of all their activities to the Bank,
- sale of assets which are not associated with the Bank's core activity,
- ensuring security and careful development of KREDOBANK SA focused on providing services to retail customers and small and medium enterprises,
- establishment of a mortgage bank,
- implementation of a new bancassurance model,
- strengthening the Group's market position in selected market segments, also through alliances in the area of payments and acquisitions of companies.

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

#### Factors influencing results of the PKO Bank Polski SA Group

In the first quarter of 2014 an economic recovery and maintaining historically low interest rates influenced financial results of the banking sector. The situation on the loan and deposit market was affected mainly by revival in banks' lending activity and an improving situation on the labour market.

Actions undertaken by the PKO Bank Polski SA Group during the first quarter of 2014 allowed generating the net profit amounting to PLN 802.6 million. The efficiency of the PKO Bank Polski SA Group shaped up on relatively high level – as at the end of the first quarter of 2014, the ROE ratio amounted to 13.1%.

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

As at the end of the first quarter of 2014, the capital adequacy ratio amounted to 13.5%, while its minimum level, determined by the Banking Law, amounted to 8%.

#### Key financial indicators

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

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

	31.03.2014	31.03.2013 restated	Change
<b>ROA net*</b> (net profit/average total assets)	1.6%	1.8%	-0.2 pp.
<b>ROE net*</b> (net profit/average total equity)	13.1%	14.7%	-1.6 pp.
<b>C/I*</b> (cost to income ratio annualised)	43.1%	41.5%	1.6 pp.
<b>Interest margin*</b> (net interest income/average interest-bearing assets)	3.7%	4.4%	-0.7 pp.
<b>The share of impaired loans**</b>	8.1%	9.2%	-1.1 pp.
<b>The coverage ratio of impaired loans***</b>	52.5%	50.6%	1.9 pp.

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

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

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

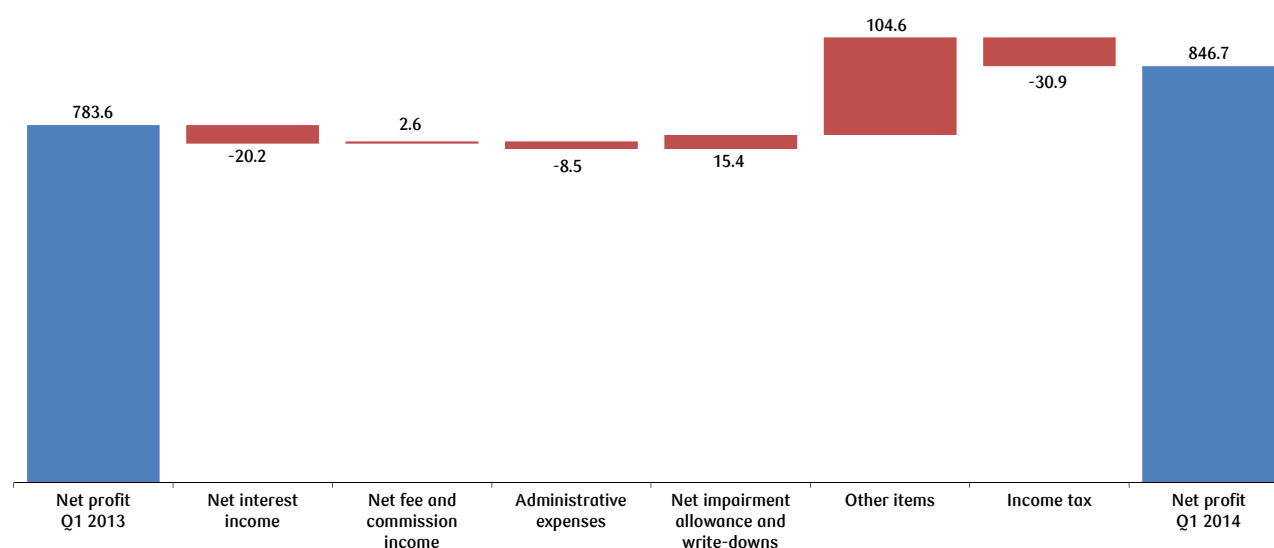
#### Financial results

In the first quarter of 2014, the PKO Bank Polski SA Group achieved net profit in the amount of PLN 802.6 million, which was PLN 16.2 million higher than in the corresponding period of 2013 (+2.1% y/y) which was mainly influenced by a higher net foreign exchange gains (losses) and improvement of net impairment allowance, accompanied by lower net interest income and net commission income.



DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2014

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



The consolidated income statement items were as follows:

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

	1st quarter period from 01.01-31.03.2014	1st quarter period from 01.01-31.03.2013 restated	Change Q1 2014/ Q1 2013 (in PLN million)	Change Q1 2014/ Q1 2013 (in %)
Interest and similar income	2 466.8	2 946.5	(479.7)	-16.3%
Interest expense and similar charges	(727.0)	(1 193.8)	466.8	-39.1%
<b>Net interest income</b>	<b>1 739.8</b>	<b>1 752.7</b>	<b>(12.8)</b>	<b>-0.7%</b>
Fee and commission income	973.6	921.7	51.9	5.6%
Fee and commission expense	(268.1)	(204.1)	(64.0)	31.3%
<b>Net fee and commission income</b>	<b>705.4</b>	<b>717.5</b>	<b>(12.1)</b>	<b>-1.7%</b>
Net income from financial instruments measured at fair value	13.2	(0.2)	13.4	x
Gains less losses from investment securities	6.6	28.3	(21.7)	-76.6%
Net foreign exchange gains (losses)	48.6	(12.2)	60.9	x
Net other operating income and expense	34.4	41.8	(7.4)	-17.7%
Net impairment allowance and write-downs	(413.5)	(448.0)	34.5	-7.7%
Administrative expenses	(1 125.8)	(1 119.7)	(6.0)	0.5%
<b>Operating profit</b>	<b>1 009.0</b>	<b>960.3</b>	<b>48.7</b>	<b>5.1%</b>
Share of profit (loss) of associates and jointly controlled entities	(5.6)	(2.3)	(3.3)	2.4x
<b>Profit before income tax</b>	<b>1 003.3</b>	<b>957.9</b>	<b>45.4</b>	<b>4.7%</b>
Income tax expense	(204.3)	(171.7)	(32.7)	19.0%
Net profit (including non-controlling shareholders)	799.0	786.2	12.7	1.6%
Profit (loss) attributable to non-controlling shareholders	(3.6)	(0.2)	(3.4)	20.3x
<b>Net profit</b>	<b>802.6</b>	<b>786.4</b>	<b>16.2</b>	<b>2.1%</b>

In the income statement of the PKO Bank Polski SA Group in the first quarter of 2014, the sum of revenue positions amounted to PLN 2 548.2 million and was PLN 20.2 million, i.e. by 0.8% higher than in the corresponding period of 2013.

### Net interest income

In the first quarter of 2014, net interest income amounted to PLN 1 739.8 million and remained at a stable level compared to the corresponding period of the previous year, mainly due to a decrease in interest income by PLN 479.7 million, determined by the fall in market interest rates, along with a decrease in interest expense by PLN 466.8 million, mainly due to adaptation of the price conditions of deposit offer to a drop in market interest rates.



## DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2014

---

In the first quarter of 2014, interest income amounted to PLN 2 466.8 million and in comparison with the corresponding period of 2013 was lower by 16.3%, mainly as a result of decrease in:

- income in respect of loans and advances to customers (-PLN 341.4 million y/y) – mainly as a result of the drop in PLN interest rates, which for WIBOR 1M and 3M rates on an annual basis amounted to 0.78 pp. and 0.68 pp. respectively,
- income from derivative hedging instruments (-PLN 60.0 million y/y), resulting from narrowing the spread between the PLN and foreign currency rates as a result of the drop in the WIBOR market rates and the drop in the average volume of CIRS transactions in hedge accounting,
- income from securities (-PLN 62.3 million y/y), as a result of a drop in average interest rate, accompanied by an increase in the volume of average securities portfolio.

The decrease of interest expense by PLN 466.8 million (-)39.1% y/y was mainly the effect of the decrease in the costs of amounts due to customers by PLN 463.1 million y/y, resulting from lower average interest rates on deposits due to a drop in market interest rates, adaptation of price offer of deposit products and the change of structure in favour of current deposits, accompanied by an increase in amounts due to customers by PLN 4.2 billion y/y.

Interest margin dropped by 0.7 pp. y/y to 3.7% as at the end of the first quarter of 2014, as a result of a decrease in annualised net interest income (due to a drop in market interest rates causing directly faster decrease in interest-bearing assets mostly based on market rates than on the decline in interest rates of the deposit offer), accompanied by an increase in the volume of average interest-bearing assets (mainly the portfolio of loans and advances to customers).

### Net fee and commission income

Net fee and commission income generated in the first quarter of 2014 amounted to PLN 705.4 million and was PLN 12.1 million lower than in the corresponding period of the previous year, as a result of a PLN 51.9 million increase in fee and commission income, accompanied by higher fee and commission expenses of PLN 64.0 million. The level of net fee and commission income was mainly affected by a decrease in:

- income in respect of loans and advances granted (-PLN 15.5 million y/y),
- net fee and commission income in respect of loan insurance (-PLN 3.0 million y/y), mainly due to a decrease in insurance saturation of consumer loans,
- the result on payment cards (-PLN 5.3 million y/y), mainly due to a decrease in income from the rental of authorisation devices in connection with the sale of 66% of eService shares in the fourth quarter of 2013,
- fee and commission income in respect of cash transactions (-PLN 3.1 million y/y), due to development of electronic banking services, accompanied by an increase in:
- fee and commission income in respect of maintaining of bank accounts (+PLN 17.7 million y/y), which is a result of changes in tariff of fees and charges introduced in 2013.

### Administrative expenses

In the first quarter of 2014 administrative expense amounted to PLN 1 125.8 million and increased by 0.5% compared to corresponding period of the previous year. The level of administrative expenses was determined mainly by:

- an increase of PLN 13.9 million y/y in expenses on contributions and payments to the Bank Guarantee Fund, as a result of introducing a prudential fee in the fourth quarter of 2013,
- an increase in amortisation and depreciation expense of PLN 29.0 million y/y, as a result of an increase in amortisation expense of intangible assets concerning IT,

accompanied by a decrease in:

- employee benefits by PLN 21.3 million y/y,
- overheads by PLN 14.8 million y/y, i.a. due to the decrease in cost of promotion and advertising, maintenance and rental of fixed assets, and telecommunication.

Operating efficiency of the PKO Bank Polski SA Group, measured by the C/I ratio (annualised) amounted to the level of 43.1%, considerably below the average in the banking sector.

### Net impairment allowance and write-downs

Net impairment allowance and write-downs reflects the PKO Bank Polski SA Group's conservative approach to recognition and measurement of credit risk. Improvement of net impairment allowance in the first quarter of 2014 compared with the corresponding period of the previous year (+PLN 34.5 million y/y), is mainly a result of a decrease of impairment allowance on consumer and corporate loans portfolio.

The share of impaired loans at the end of the first quarter of 2014 amounted to 8.1% which represents a decrease by 1.1 pp. y/y, mainly as a result of conducted non-performing loans package sales.

This was reflected in lower by 0.1 pp. y/y cost of risk<sup>1</sup>, which as at the end of the first quarter of 2014 amounted to the level of 1.3%.

---

<sup>1</sup> Calculated through dividing net impairment allowance and write-downs of loans and advances to customers for the twelve-month period ended 31 March 2013 and 2014, by the average balance of gross loans and advances to customers at the beginning and at the end of reporting period and intermediate quarterly periods.



## DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2014

### Statement of financial position

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

	31.03.2014	Structure 31.03.2014	31.12.2013	Structure 31.12.2013	Change (in %)
Cash and balances with the Central Bank	9 556.0	4.7%	7 246.1	3.6%	31.9%
Amounts due from banks	5 000.0	2.5%	1 893.4	1.0%	2.6x
Loans and advances to customers	149 660.9	73.7%	149 623.3	75.1%	0.0%
Securities	27 916.5	13.7%	29 795.7	15.0%	-6.3%
Other assets	11 018.5	5.4%	10 672.6	5.4%	3.2%
<b>Total assets</b>	<b>203 152.0</b>	<b>100.0%</b>	<b>199 231.1</b>	<b>100.0%</b>	<b>2.0%</b>
Amounts due to banks	4 374.9	2.2%	3 751.4	1.9%	16.6%
Amounts due to customers	152 672.7	75.2%	151 904.2	76.2%	0.5%
Debt securities in issue and subordinated liabilities	14 297.5	7.0%	12 167.3	6.1%	17.5%
Other liabilities	5 868.0	2.9%	6 253.9	3.1%	-6.2%
<b>Total liabilities</b>	<b>177 213.1</b>	<b>87.2%</b>	<b>174 076.8</b>	<b>87.4%</b>	<b>1.8%</b>
Total equity	25 938.9	12.8%	25 154.3	12.6%	3.1%
<b>Total liabilities and equity</b>	<b>203 152.0</b>	<b>100.0%</b>	<b>199 231.1</b>	<b>100.0%</b>	<b>2.0%</b>
Loans/Amounts due to customers	98.0%	x	98.5%	x	-0.5 pp.
Loans/Stable sources of funding*	88.3%	x	89.8%	x	-1.5 pp.
Interest bearing assets/Assets	89.9%	x	91.0%	x	-1.1 pp.
Interest paying liabilities/Liabilities	84.3%	x	84.2%	x	0.1 pp.
Capital adequacy ratio	13.5%	x	13.6%	x	-0.1 pp.

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

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

The total assets of the PKO Bank Polski SA Group amounted to PLN 203.2 billion as at the end of the first quarter of 2014, which means an increase by PLN 3.9 billion compared to the end of 2013. The increase in total assets is a result of obtaining funds from the issuance of bonds by PKO Finance AB in the amount of EUR 500 million and an increase in the deposit base. As at the end of the first quarter of 2014, the structure of assets was driven by changes in the loan and advances portfolio, as well as remained under the influence of finalising the purchase of Nordea Group's assets.

The PKO Bank Polski SA Group maintained the position of the largest institution in the Polish banking sector.

### Loans and advances to customers

Loans and advances to customers represent the largest part of the assets of the PKO Bank Polski SA Group. Compared with the end of 2013 the portfolio of loans and advances to customers (net) remained on a stable level, with significant changes in the structure of the portfolio. In the analysed period, there was an increase in loan receivables, mainly housing loans denominated in Polish zloty, offset by a significant drop in amounts due from repurchase agreements (of PLN 1.9 billion compared to the end of 2013).

The main components in the structure of the gross loan portfolio constitute housing loans with a volume of PLN 77.9 billion (+PLN 1.3 billion compared to the end of 2013), which share in the portfolio structure increased by 0.8 pp. compared with the end of the previous year and corporate loans which volume amounted to PLN 56.0 billion (an increase of 0.6 pp. in the structure).

### Securities

As at the end of the first quarter of 2014, the carrying value of the securities portfolio was PLN 27.9 billion and represented 13.7% of the total assets of the PKO Bank Polski SA Group, which means a decrease by ca. PLN 1.9 billion compared to the end of 2013. The drop in the securities portfolio is partially due to the finalisation of the purchase of the Nordea Group's assets.

Debt securities issued by the State Treasury and by NBP dominated in the portfolio structure by type.

### Amounts due to customers

Amounts due to customers remain the primary source of financing the PKO Bank Polski SA Group's operations, representing as at the end of March of this year 86.2% of the total of its liabilities. In the structure of amounts due to customers by type, the main items are amounts due to



## DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2014

retail clients, which at the end of the first quarter of this year recorded an increase by PLN 1.3 billion (compared to the end of 2013) and amounted to PLN 117.8 billion. Their share in the structure of the liabilities portfolio compared to the end of 2013 increased by 0.5 pp. (mainly an increase in the share of current deposits), accompanied by a decrease in share of amounts due to corporate entities (mainly a decrease in the term deposits) by 1.7 pp. in the total amounts due to customers' portfolio.

### External financing

The PKO Bank Polski SA Group is an active participant in the market of debt security issues, both local and international. These actions are intended to diversify the sources of financing of operations and to adapt them to future regulatory requirements. At the end of the first quarter of 2014 debt securities in issue and subordinated liabilities represented 8.1% of the liabilities (+PLN 2.1 billion compared to the end of 2013). The change in the level of liabilities in respect of the issue compared to the end of 2013 was primarily a result of bonds issue by PKO Finance AB in the amount of EUR 500 million.

Detailed information on the issues carried out by the PKO Bank Polski SA Group is described in Note 28 to the Notes to the Condensed Interim Consolidated Financial Statements.

### Equity and capital adequacy ratio

As at the end of the first quarter of 2014, equity was PLN 0.8 billion, i.e. by 3.1% higher than as at the end of 2013 and accounted for 12.8% of total liabilities and equity of the PKO Bank Polski SA Group (an increase in share by 0.2 pp. compared to the end of 2013).

As at the end of the first quarter of 2014 the capital adequacy ratio of the PKO Bank Polski SA Group was at a level of 13.5%, which represents a decrease by 0.1 pp. compared to the end of 2013.

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

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

### 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.

**Table 4. Key financial indicators of PKO Bank Polski SA**

	31.03.2014	31.03.2013 restated	Change
<b>ROA net*</b> (net profit/average total assets)	1.7%	1.8%	-0.1 pp.
<b>ROE net*</b> (net profit/average total equity)	13.3%	14.1%	-0.8 pp.
<b>C/I*</b> (cost to income ratio annualised)	40.8%	39.4%	1.4 pp.
<b>Interest margin*</b> (net interest income/average interest-bearing assets)	3.7%	4.4%	-0.7 pp.
<b>The share of impaired loans**</b>	7.8%	8.6%	-0.8 pp.
<b>The coverage ratio of impaired loans***</b>	52.8%	50.8%	2 pp.

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

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

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

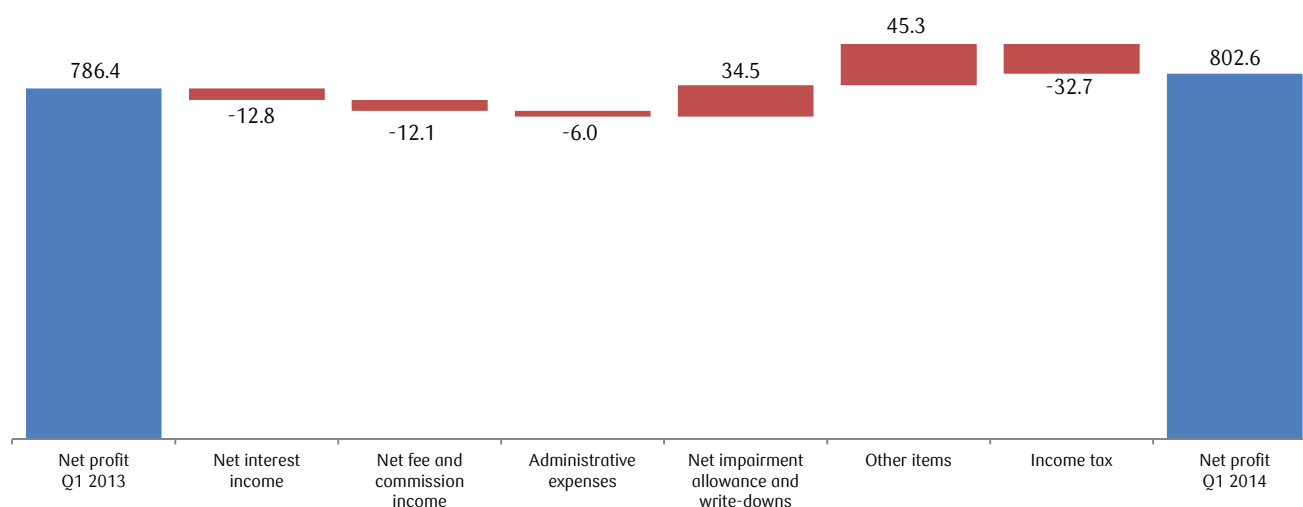
### Financial results

In the first quarter of 2014, PKO Bank Polski SA achieved net profit in the amount of PLN 846.7 million and was PLN 63.1 million higher than in the corresponding period of 2013 (+8.1% y/y) which was mainly influenced by a higher net foreign exchange gains (losses) and improvement of net impairment allowance, accompanied by lower net interest income.



DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2014

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



The Bank's income statement items were as follows:

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

	1st quarter period from 01.01-31.03.2014	1st quarter period from 01.01-31.03.2013 restated	Change Q1 2014/ Q1 2013 (in PLN million)	Change Q1 2014/ Q1 2013 (in %)
Interest and similar income	2 401.8	2 879.5	(477.7)	-16.6%
Interest expense and similar charges	(698.2)	(1 155.7)	457.5	-39.6%
<b>Net interest income</b>	<b>1 703.6</b>	<b>1 723.8</b>	<b>(20.2)</b>	<b>-1.2%</b>
Fee and commission income	912.8	862.0	50.8	5.9%
Fee and commission expense	(254.1)	(205.9)	(48.2)	23.4%
<b>Net fee and commission income</b>	<b>658.7</b>	<b>656.1</b>	<b>2.6</b>	<b>0.4%</b>
Dividend income	-	-	-	x
Net income from financial instruments measured at fair value	13.0	0.5	12.5	25.8x
Gains less losses from investment securities	5.9	27.6	(21.7)	-78.8%
Net foreign exchange gains (losses)	105.3	(13.6)	118.9	x
Net other operating income and expense	3.6	8.6	(5.1)	-58.7%
Net impairment allowance and write-downs	(414.7)	(430.0)	15.4	-3.6%
Administrative expenses	(1 031.2)	(1 022.7)	(8.5)	0.8%
<b>Operating profit</b>	<b>1 044.1</b>	<b>950.2</b>	<b>94.0</b>	<b>9.9%</b>
<b>Profit before income tax</b>	<b>1 044.1</b>	<b>950.2</b>	<b>94.0</b>	<b>9.9%</b>
Income tax expense	(197.4)	(166.6)	(30.9)	18.5%
<b>Net profit</b>	<b>846.7</b>	<b>783.6</b>	<b>63.1</b>	<b>8.1%</b>





## DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2014

### 3.4. Business development<sup>2</sup>

#### 3.4.1. Market shares of PKO Bank Polski SA

In the first quarter of 2014, the Bank maintained its leading position in the banking sector in respect of its share in the loan and deposit market, which amounted to 15.8% and 16.3% respectively.

In the first quarter of 2014, the Bank recorded an increase in shares in loan for individuals market – mainly due to an increase of share in housing loans market. The shares in deposit market (stable in comparison with the end of 2013) is determined by intentional diversification of source of funding.

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

	31.03.2014	31.12.2013	31.03.2013	Change 31.03.2014/ 31.12.2013	Change 31.03.2014/ 31.03.2013
<b>Loans</b>	<b>15.8</b>	<b>16.1</b>	<b>16.3</b>	<b>-0.3 pp.</b>	<b>-0.4 pp.</b>
retail clients	19.2	19.1	19.0	0.1 pp.	0.2 pp.
housing loans	20.8	20.6	20.1	0.2 pp.	0.8 pp.
<i>in Polish zloty</i>	28.5	28.4	28.6	0.2 pp.	-0.1 pp.
<i>in foreign currencies</i>	12.8	12.8	12.9	0 pp.	-0.1 pp.
consumer and other	15.2	15.4	16.3	-0.2 pp.	-1.1 pp.
corporate clients	12.6	13.1	13.6	-0.5 pp.	-1.1 pp.
<b>Deposits</b>	<b>16.3</b>	<b>16.3</b>	<b>16.7</b>	<b>-0.1 pp.</b>	<b>-0.5 pp.</b>
retail clients	21.4	21.7	22.1	-0.3 pp.	-0.7 pp.
corporate clients	9.4	9.4	9.5	0 pp.	-0.1 pp.

\* Data source: NBP reporting system – Webis.

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

In the first quarter of 2014, the Bank activities within the retail segment were focused on increasing attractiveness and competitiveness of offered products, with flexible reaction to changing market conditions. The Bank focused on increasing innovation in the new financial solutions, not only concerning products, but distribution channels as well, particularly in electronic banking and mobile payments.

In the retail segment of PKO Bank Polski SA, actions aimed to improve the quality of customer service were taken, i.e., by enhancing the skills of employees (product training courses) and developing system applications used by consultants in the course of customer service. The Bank continued its sustainable development focused on recognising and meeting the needs of its customers with whom it wishes to build strong and long-term relationships.

##### *The loan offer in the retail segment*

PKO Bank Polski SA was consistently introducing its new product offer in the retail segment and intensified cooperation with entrepreneurs, supporting growth in Polish economy.

As at the end of the first quarter of 2014, gross loans to the retail segment of PKO Bank Polski SA amounted to PLN 112.4 billion and have increased by PLN 1.6 billion (i.e. by 1.4%) since the beginning of the year. This was mainly due to an increase in the portfolio of mortgage banking loans (+2.3% since the beginning of the year) and loans to small and medium enterprises. (+1.1%).

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

	31.03.2014	31.12.2013	31.03.2013	Change since:	
				31.12.2013	31.03.2013
Gross loans and advances granted, of which:					
retail and private banking	20 128	20 399	20 862	-1.3%	-3.5%
small and medium enterprises*	21 871	21 632	21 302	1.1%	2.7%
mortgage banking	70 391	68 795	65 017	2.3%	8.3%
<b>Total loans and advances</b>	<b>112 391</b>	<b>110 827</b>	<b>107 181</b>	<b>1.4%</b>	<b>4.9%</b>

\* since 2014 presentation change consisting of including housing market customers to small and medium enterprises segment (data for 2013 have been brought to comparability)

##### Customer loans

In the first quarter of 2014 PKO Bank Polski SA continued the action of promoting sales of consumer loans. As part of the initiatives supporting the sales of such group of products, the Bank carried out promotional activities, mainly focused on the cash loan and the Aurum/Platinum loan.

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



## DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2014

Amongst others, a new version of the popular 'Mini Ratka' loan was introduced - 'Mini Ratka z wypiekami na 5' with favourable pricing terms as well as an offer of cash advance and Aurum/Platinum 'na PIT' loan, with minimum formalities upon the presentation of a tax declaration. Furthermore, in terms of a new special offer, customers with cash advance will be eligible for taking advantage of the external consolidation offer. As part of the new functionalities customers with access to the iPKO system may obtain a cash advance by filing a request through a remote channel and confirming the agreement with an authorisation code without visiting a branch or returning a paper copy of the agreement to the Bank. Customers without a current account (ROR) in PKO Bank Polski SA or without access to the iPKO system are also able to file a request for a cash advance online.

### Housing loans

PKO Bank Polski SA strengthened a position on the housing loan market. According to the data presented by the Polish Banks Association, PKO Bank Polski SA ranked first on the market for the first three-month period of 2014 with a 35.7% share in sales of housing loans for retail clients. In the first quarter of 2014, the Bank introduced to its offer housing loans with the financial support of Bank Gospodarstwa Krajowego in the programme 'Mieszkanie dla Młodych', under which it signed ca. 1.5 thousand agreements with customers for granting loans, and the total value of loans granted exceeded PLN 255 million.

### Loans for small and medium enterprises and the housing market clients

PKO Bank Polski SA continuously supports Polish entrepreneurship. It enables small- and medium-sized enterprises to finance both current and investment needs through an extensive and flexible lending offer. Due to the agreement signed between PKO Bank Polski SA and Bank Gospodarstwa Krajowego for a portfolio de minimis guarantee line 'Portfelowa Linia Gwarancyjna *de minimis*', under the government programme of support for small and medium enterprises, the entrepreneurs gain support in the form of BGK guarantee - *de minimis*, aimed at increasing the availability of lending facilities and launching additional funds for companies' on-going activities. In the first quarter of 2014 ca. 5 844 customers, who signed with the Bank 6 032 agreements, benefited from access to easier financing. The value of loans granted amounted to PLN 1.2 billion. As at 31 March 2014, 21 645 customers, who signed with the Bank 22 888 agreements, benefited from 'Portfelowa Linia Gwarancyjna *de minimis*' programme and the value of loans granted amounted to PLN 4.7 billion.

### ***The deposit offer in the retail segment***

In the first quarter of 2014, 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.

As at 31 March 2014, deposits of the retail segment of PKO Bank Polski SA amounted to PLN 126.6 billion and since the beginning of the year their volume increased by PLN 1.3 billion (i.e. by 1.0%). The increase in the retail and private banking deposit level (+1.9% since the beginning of the year) contributed to this, due to the increase in the volume of both current and term deposits.

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

	31.03.2014	31.12.2013	31.03.2013	Change since:	
				31.12.2013	31.03.2013
Customer deposits, of which:					
retail and private banking	112 721	110 608	110 743	1.9%	1.8%
small and medium enterprises*	13 915	14 757	12 510	-5.7%	11.2%
<b>Total deposits</b>	<b>126 636</b>	<b>125 365</b>	<b>123 253</b>	<b>1.0%</b>	<b>2.7%</b>

\* since 2014 presentation change consisting of including housing market customers to small and medium enterprises segment (data for 2013 have been brought to comparability)

### Current and saving accounts

PKO Bank Polski SA remains market leader in terms of the number of current accounts maintained, which amounted to 6.3 million as at the end of the first quarter of 2014. The constant increase in the number of accounts resulted from the diversified offer in terms of customer preferences as part of which i.a. the following products can be distinguished: PKO Konto bez Granic, SUPERKONTO Oszczędne, PKO Konto za Zero, PKO Konto dla Młodych, PKO Konto Pogodne, PKO Konto Pierwsze and PKO Junior. In the first quarter of 2014, 'Nowe Konto Osobiste PKO Konto dla Młodych' was added to the Bank's offer. This account is intended for students and university graduates aged 18 to 26 and comes with a wide range of additional benefits, i.a., a modern embossed debit card with a contactless payment function, attractive interest rates on the 'Rachunek Oszczędnościowy Plus' account, a new service called 'Autooszczędzanie', preferential terms for renewable loans, and a simplified procedure for the sale of student credit card.

The offer is accompanied by savings accounts which enable customers to combine interest rates dependent on the level of invested funds with their flexible management.

PKO Bank Polski SA continued the biggest and the oldest educational programme 'School Savings Unions of PKO Bank Polski SA' ('Szkolne Kasy Oszczędności PKO Banku Polskiego SA'). This programme encourages the youngest to save and to gain knowledge on managing of its finances within the SKO online service. A product supporting financial education is 'PKO Konto Dziecka' account. In the first quarter of 2014 ca. 24 thousand new accounts 'PKO Konto Dziecka' have been opened and their total number amounted to over 87 thousand as at 31 March 2014.

Moreover, in the first quarter of 2014, active actions aimed to develop the PKO Junior service for children were taken. New functionalities were implemented, which cover, i.a., the addition of two new lines of badges for children, the addition of 'Dobre Uczyńki' (by means of which children may support various charity campaigns organised by the PKO Bank Polski SA's Foundation), breaking a money box with an automatic transfer. The 'Aplikacja Rodzica' was equipped with the possibility of making a family transfer (parents can make simultaneous transfers to a number of their children's accounts in a swift and simple manner), cancelling pocket money without having to enter a code, elaborating the details of challenges set for children, and unblocking access to a child's service platform by the parent.



## DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2014

### Term deposits and structured products

Retail banking and private banking deposits dominate in the retail deposit market. Customers from this segment deposited most of their funds in term deposits. In the first quarter of 2014 the Bank offered its customers, among others, deposits with progressive and standard interest rates and structured deposits. The 'Lokata 15-miesięczna' with maximum interest rate dependent on the quota threshold was the new term deposit introduced to the Bank's offer.

The Bank's standard offer, addressed to retail customers includes structured instruments sold in the form of structured deposits or Bank Securities. In the period under discussion, the Bank conducted three subscriptions for structured deposits: a structured deposit based on the EUR/PLN exchange rate, a structured deposit based on a basket of shares of consumer goods companies, and a structured deposit based on a basket of shares of winter sports partners. Having such products in its offer allows the Bank to offer attractive product to its customer and contributes to the improvement in PKO Bank Polski SA's image as an institution offering innovative investment instruments.

### ***Other products and services in the retail segment***

#### Banking cards

In the first quarter of 2014, a new MasterCard Debit card for 'Nowe Konto dla Młodych' and new Visa Aurum and Visa Platinum embossed cards for Personal Banking customers were implemented to the Bank's offer. The Bank also revitalised PKO Bank Polski credit cards with the loyalty programme VITAY. The four PKO VITAY credit cards in the Bank's offer were replaced with a Partner Credit Card PKO VITAY with a VISA logo. As at 31 March 2014, the number of banking cards of PKO Bank Polski SA amounted to approx. 7.2 million.

#### Mobile banking IKO

In the first quarter of 2014, a year passed since the introduction of IKO mobile payments. At present, IKO is the most popular and most developed mobile payment system in Poland. The application is constantly being enriched with new functionalities, which is appreciated both by customers and experts.

As at the end of March 2014, there were approx. 70 thousand terminals accepting IKO payments, and the number of active IKO applications exceeded 136 thousand.

At the beginning of 2014, users of the IKO application were granted free access to ATMs in the Euronet network. A browser for seeking online stores in which IKO payments can be made was also implemented, and the possibility to independently register a firm accepting transfers made using mobile phone numbers was introduced in the IKO acceptance network map.

#### iPKO transaction service

As part of the iPKO service, the range of functionalities for credit cards was expanded by introducing automatic credit card debt pay-off management and making it possible to change the settlement period. The credit card details were provided with an additional functionality for presenting information about the volume of transactions performed using a card and the annual fee for the card.

As at the end of March 2014, approx. 6.3 million customers in the retail segment had access to electronic banking, of which 5.9 million retail and private banking customers and 0.5 million customers in the small and medium enterprise segment.

#### Insurance products

By increasing the attractiveness of its banking products through allowing the possibility of using additional services tailored to customer needs and expectations, the Bank offers insurance products to retail and private banking customers as well as the small and medium enterprise segment, which are linked to banking products such as current accounts – ROR, banking cards, consumer loans, mortgage loans, corporate loans.

In the first quarter of 2014, insurance associated with the new credit card PKO VITAY was added to the Bank's offer. Holders of the new credit card have access to the following types of insurance:

- loan repayment insurance in the event of death, permanent inability to work or losing a job,
- travel insurance which covers: medical expenses insurance, immediate assistance expenses insurance, civil liability insurance and flight delay insurance,
- 'ubezpieczenie na Szóstkę' which covers: shopping insurance, lowest price guarantee insurance, personal accident insurance, baggage delay and baggage insurance, medical assistance, and home assistance.

The above types of insurance were available in the Bank's offer for holders of other credit cards for Individual Customers. Along with the implementation of the new credit card, they were also made available to the holders of the Partner Credit Card PKO VITAY.

#### Other products

As from 31 March 2014, bars of investment gold have been offered at the request of individual customers at branches of PKO Bank Polski SA. Through the services of 40 branches of the Bank across Poland customers may purchase bars of both low and high basis weight. In particular, 1g, 5g, 10g, 20g, 31g, 50g, 100g, 250g, 500g and 1000g bars may be ordered. A relevant annex to the 'Cooperation Agreement' with the Mint of Poland in this case was signed in the first quarter of 2014.

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

	31.03.2014	31.12.2013	31.03.2013	Change since:	
				31.12.2013	31.03.2013
Number of current accounts	6 333	6 318	6 245	15	88
Number of IKO	136	101	11	35	125
Number of iPKO	6 322	6 116	5 543	206	779
Number of banking cards, of which:	7 155	7 080	7 120	75	35
credit cards	836	893	938	(57)	(102)



## DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2014

### *Distribution network*

Improving the conditions for customer service within the network is one of the tasks supporting the strategic programme titled 'Improving the effectiveness of distribution within the network of branches and agencies'. In the first months of 2014, these measures were mainly focused on modernising the branches and moving the outlets to new attractive locations. They were aimed at increasing market competitiveness, improving customer service conditions, and optimising the space occupied by branches. Thanks to introducing the standard, the outlets being modernised and relocated have a consistent image, and customers – irrespective of the venue – are being served in the same conditions. In the first quarter of 2014, 9 outlets were modernised, including 3 relocations and 6 modernisations.

As at the end of the first quarter of 2014, the PKO Bank Polski SA network had 1 130 retail branches.

Moreover, in the first quarter of 2014 a development of network dedicated for servicing the wealthiest customers has been continued. Until the end of 2014 launching of two new branches is planned. At present, customer service to this group is provided by 36 consultants and 15 business analysts in 6 offices, who ensure professionalism, availability, discretion and individual approach to customers' needs and expectations. As at 31 March 2014, 2 182 agreements on providing Private Banking services were signed.

The number of the Bank's own ATMs increased by 36 units and amounted to 3 028 units in the first quarter of 2014. Additionally, under the signed agreement the Bank's customers may use 1 381 units of BZWBK Bank ATMs free of charge (including ATMs of former Kredyt Bank).

There were 309 ATMs with a cash deposit module until 31 March of 2014. ATMs with a cash deposit module relieve the branches of payment transactions conducted at the cash desk, as evidenced by the steady increase in the number of transactions made through cash deposit machines, with a simultaneous decrease in the number of these transactions made at the cash desk.

As at 31 March 2014, the Bank had 317 cash drops, including 170 devices of a new type which make it possible to post payments online to the account holder's account.

The network of branches and ATMs is significantly supported by a network of agencies. As at 31 March 2014, the Bank cooperated with 1 069 agencies compared with 1 074 agencies as at 31 December 2013. The drop in the number of agencies is a result of measures aimed at making the network more effective, boosting sales and increasing the importance of the agency network as a distribution channel for the Bank's products and services.

**Table 10. Branches and ATMs of PKO Bank Polski SA**

	31.03.2014	31.12.2013	31.03.2013	Change since:	
				31.12.2013	31.03.2013
Total number of branches	1 186	1 186	1 199	-	(13)
<b>in the retail segment</b>	<b>1 147</b>	<b>1 147</b>	<b>1 135</b>	-	<b>12</b>
regional retail branches	11	11	11	-	-
retail branches	1 130	1 130	1 121	-	9
private banking offices	6	6	3	-	3
Number of ATMs	3 028	2 992	2 911	36	117
Number of agencies	1 069	1 074	1 202	(5)	(133)

### 3.4.3. Corporate segment of PKO Bank Polski SA

In the first quarter of 2014, as in the previous periods, PKO Bank Polski SA based the development of its corporate business on building stable relationships with its customers, thanks to high-quality services, cooperation principles based on partnership, and the specialised 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.

By analysing market expectations systematically and making an effort to meet customer expectations, the Bank has tailored its broad range of products and services to cope with the increasing pressure of competition. As a result, a broad range of transaction products and products mitigating financial risks (liquidity, settlement, interest rate, currency and commodity price risks) were being developed consistently, and financing structure needs were addressed in a flexible manner.

### *Lending activity and structured financing*

As at the end of the first quarter of 2014, gross corporate loans amounted to PLN 39.7 billion and their balance increased by PLN 0.7 billion (i.e. by 1.9%) since the beginning of the year. The total financing provided to corporate customers, including bonds issued, amounted to PLN 46.1 billion, which means an increase by PLN 0.8 billion (i.e. by 1.9%) from the beginning of the year.

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

	31.03.2014	31.12.2013	31.03.2013	Change since:	
				31.12.2013	31.03.2013
Corporate loans gross	39 674	38 947	41 286	1.9%	-3.9%
Debt securities*	6 413	6 292	6 227	1.9%	3.0%
municipal	4 429	4 419	3 885	0.2%	14.0%
corporate	1 984	1 873	2 342	5.9%	-15.3%
<b>Total financing</b>	<b>46 086</b>	<b>45 238</b>	<b>47 514</b>	<b>1.9%</b>	<b>-3.0%</b>

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



## DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2014

As part of the largest credit transactions performed in the first quarter of 2014, the Bank provided financing in the form of investment and working capital loans to entities in the power and telecommunications industries, the financial sector, and public sector entities. The unit amounts of the largest transactions ranged from PLN 75 million to PLN 300 million. Introducing the safe financing structure, the Bank granted executive guarantees in the two largest investments in energy sector in Poland, enabling their effective and timely undertaking.

Products associated with financing large investment projects such as consortium loans or issues of non-Treasury securities are a fixed component of PKO Bank Polski SA's offer dedicated to corporate customers. As at the end of the first quarter of 2014, the Bank's market share, in terms of total liabilities, amounted to 12.6%<sup>3</sup> in the corporate bond segment and 28.6%<sup>4</sup> in the municipal bond segment.

In the first quarter of 2014, PKO Bank Polski SA concluded two loan agreements in the form of a bank consortium totalling PLN 1.26 billion, in which the Bank's share amounted to PLN 0.26 billion. Moreover, the Bank signed two agreements for granting a bank guarantee to an entity directly related to the Bank, operating in the banking sector, totalling EUR 0.33 million and a loan agreement with an entity directly related to the Bank, operating in the financial sector, amounting to USD 34.65 million. The transactions with the related entities were concluded on an arm's length basis.

The Bank signed two agreements to organise an issue of corporate bonds, without the guarantee to close the issue, in the amount of PLN 525 million and an annex amending the terms of a bond issue programme in the form of a bank consortium for PLN 4 billion, where the Bank's share amounted to PLN 1.6 billion. In addition, the Bank signed four municipal bond issue agreements totalling PLN 11.43 million.

### **Deposit activities and transaction banking**

The volume of deposits as at the end of the first quarter of 2014 amounted to PLN 22.4 billion and was PLN 1.1 billion higher than at the beginning of the year. The main factor behind the increase in the deposit base is the Bank's strong position as regards the offer of transaction products, which contributes to a consistent increase in the transaction (current) deposits volume.

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

	31.03.2014	31.12.2013	31.03.2013	Change since:	
				31.12.2013	31.03.2013
Corporate deposits	22 408	21 336	21 829	5.0%	2.7%

PKO Bank Polski SA is constantly enhancing the quality of its transaction banking services. In the first quarter of 2014, services dedicated to entities with a complex organisational structure (e.g. groups of companies) were being developed, enabling customers to use various kinds of products and services which make it easier to settle transactions with foreign partners.

In implementing a number of system improvements, the Bank offered its customers the possibility of managing sublimits for the 'Rachunek Skonsolidowany' and 'Cash Pooling' services. At the same time, the electronic banking system iPKO Biznes is the leading product of the corporate banking segment of PKO Bank Polski SA. In the first quarter of 2014 the iPKO Biznes application was expanded to include new functionalities which make it more convenient to use, including, among others, the expansion of the possibilities to service the debit cards and redoing transfers. Currently, the iPKO Biznes application allows customers to monitor and manage accounts, payment cards and loans and to submit orders for all kinds of transfers.

### **Sales network**

The sales network of the corporate segment includes seven Corporate Macro-Regions comprising 32 Regional Corporate Centres. The Bank continued successfully implementing a strategic programme of corporate sale development, based on modern mechanisms of planning the development of relationships with the customers, cooperation in building financial strategies and services.

**Table 13. Branches of PKO Bank Polski SA**

	31.03.2014	31.12.2013	31.03.2013	Change since:	
				31.12.2013	31.03.2013
Total number of branches	1 186	1 186	1 199	-	(13)
<b>in the corporate segment:</b>	<b>39</b>	<b>39</b>	<b>64</b>	-	<b>(25)</b>
regional corporate branches	7	7	13	-	(6)
corporate centres	32	32	51	-	(19)

### 3.4.4. Investment segment of PKO Bank Polski SA

As part of the investment segment activities, the Bank performs operations on the money and the capital market, and trades on the interbank interest rate and foreign exchange markets, manages financial risk. Transactions concluded with retail and corporate customers, including transactions associated with financing large investment projects and transaction banking services, also constitute an important part of the activities. Cooperation with financial institutions such as investment fund companies, pension and insurance companies is a growing part of this segment.

<sup>3</sup> Based on a report by Rating&Rynek Fitch Polska organisers of corporate bond issues (with maturities over 365 days)

<sup>4</sup> Based on a report by Rating&Rynek Fitch Polska organisers of municipal bond issues (with maturities over 365 days)



## DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2014

---

In the investment segment, corporate governance is exercised over the Group entities. Organising the Bank's own issues on the Polish market and on international markets (i.a. by issuing bonds) and obtaining funds from monetary and non-monetary financial institutions form an important part of the activities of this segment.

### ***Interbank market***

PKO Bank Polski SA cooperates in the international settlement system with financial institutions in 109 countries throughout the world. As at the end of March 2014, the Bank had 35 Nostro accounts and 52 Loro accounts.

The Bank is the Treasury Securities Dealer and the Money Market Dealer, it acts as the market maker on the domestic interest rate and foreign exchange markets.

PKO Bank Polski SA has an investment securities portfolio financed with surpluses which are not used for the purposes of its lending activity and net capital. Treasury Securities denominated in PLN dominate in the portfolio.

The Bank continued working on the implementation of the European Market Infrastructure Regulation ('EMIR') imposing on financial institutions an obligation to settle OTC derivative transactions using central counterparties - CCP. The tasks carried out so far have related to selecting clearing houses and clearing brokers. Reporting to the Trade Repository of the National Depository for Securities (KDPW\_TR) has been commenced.

### ***Brokerage activity***

The Brokerage House of PKO Bank Polski SA has the largest brokerage services sales network located in over 1 000 service points and the Bank's branches. Taking into account the level of turnover, in the first quarter of 2014 the Brokerage House of PKO Bank Polski SA held the second position in the ranking of brokerage houses operating in the domestic financial market.

The Brokerage House of PKO Bank Polski SA is a major participant in the alternative market. At the end of the first quarter the Brokerage House of PKO Bank Polski SA was a market maker for 53 companies on the *NewConnect* market ranking second place and the value of turnover exceeded PLN 68 million, which puts the Brokerage House in the IV place in the market with a 9.8% market share. The Brokerage House of PKO Bank Polski SA is an indisputable leader of the bond market (with a 43% market share) and major participant in the primary market.

In the first quarter of 2014, the Brokerage House of PKO Bank Polski SA acted as an intermediary in the compulsory purchase of Barlinek S.A.'s shares - the value of the transaction amounted to ca. PLN 19 million. Finished subscriptions for employee shares of PKP Cargo S.A. and as an intermediary agent introduced into Catalyst market municipal bonds issued by: the Municipality Brzesko, Olkusz and Barcin for the total amount of PLN 33 million. The Brokerage House of PKO Bank Polski SA participated in the consortium executing the sale of companies: PRIME CAR MANAGEMENT SA and LIVE CHAT SOFTWARE SA.

As regards the sale of investment funds, it is worth noting the execution of the sale transaction of A series Investment Certificates of PKO Strategii Obligacyjnych for a total amount of PLN 386.5 million and non-public issue of K2 series Investment Certificates of IPOPEMA Global Macro FIZ for the amount of PLN 43.3 million. As at the end of the first quarter of this year the Brokerage House of PKO Bank Polski SA served participation units of 179 funds and sub-funds managed by 16 Investment Funds.

The Brokerage House of PKO Bank Polski SA performed the function of the Treasury bonds issue agent and offered retail bonds with both fixed and floating interest rate. In the first quarter the Brokerage House of PKO Bank Polski SA has sold nearly 9 million of Treasury bonds, including 3 million of short-term saving bonds KOS0914.

As at the end of the first quarter of 2014, the Brokerage House of PKO Bank Polski SA maintained 190.4 thousand securities accounts and cash accounts and 172.1 thousand registration accounts. From the beginning of the year the number of accounts of the Brokerage House of PKO Bank Polski SA increased total by 25 thousand units.

### ***Treasury products***

The Bank has a wide offer of forex, interest rate and commodity market instruments, which effectively support customers in their day-to-day operations and allow them to prepare effective financial risk management strategies. SPOT forex transactions have the largest share in sales of treasury products, good results are achieved by the Bank as regards sales of derivative instruments. The Bank is expanding and modernising its sales channel network, introducing next to traditional channels, the possibility of concluding transactions via the Internet platform. In the first quarter of this year, the number of forex transactions (SPOT and FORWARD) was ca. 16% higher compared to the corresponding period of the previous year, of which a significant increase of the number of SPOT forex transactions was recorded in small and medium enterprises segment (an increase by ca. 30% compared to the first quarter of 2013).

### ***Fiduciary services***

The Bank maintains securities accounts and handles transactions on the domestic and the foreign markets and it also provides fiduciary services and acts as a depository for pension and investment funds. It is a direct participant in the National Depository for Securities and the Securities Register (NBP), a member of the Council of Depository Banks and the Non-Treasury Debt Securities Council of the Polish Banks Association. As at the end of the first quarter of 2014, the value of assets held on customers fiduciary accounts amounted to PLN 65.6 billion and was 20% higher than the amount obtained in the corresponding period of the previous year. The number of served securities accounts amounted to 1.63 thousand units.



DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2014

3.4.5. Activities of the PKO Bank Polski SA Group entities

SIGNIFICANT EVENTS IN THE 1ST quarter of 2014	
PKO Towarzystwo Funduszy Inwestycyjnych SA	1. The assets value of funds managed by the Company amounted to PLN 14.8 billion as at the end of March 2014, which is an increase in the assets by 3.2% compared to the end of 2013. An increase of the assets was associated mainly with positive net result on sales.
	2. PKO TFI SA ranks fourth place in terms of the net assets value with a 7.7%* share in the investment funds market.
	3. In the first quarter of 2014 the Company introduced a new fund: PKO Strategii Obligacyjnych - closed-end fund.
	4. As at 31 March 2014 PKO TFI SA managed 39 investment funds and subfunds. * Source: Chamber of Fund and Asset Management.
PKO BP BANKOWY PTE SA	1. As at the end of March 2014, the net assets value of PKO BP Bankowy OPF managed by PKO BP BANKOWY PTE SA, amounted to PLN 6.7 billion (which is a decrease of 49.3% in comparison to the end of 2013). The decrease resulted from the redemption of 51.5% of owned assets in February 2014 - in accordance with the Act, PKO BP Bankowy OPF transferred, to the Social Insurance Institution, assets in the form of bonds issued by the State Treasury.
	2. As at 31 March of this year, the number of members of PKO BP Bankowy OPF amounted to 956 657.
	3. PKO BP Bankowy OPF holds the eighth place on the pension funds market regarding the OPF's net assets value and the eighth place regarding the number of OPF's members*.
	4. According to the ranking of the Polish Financial Supervision Authority, PKO BP Bankowy OPF for the period from 31 March 2011 to 31 March 2014 reached a rate of return at the level of 21.214% (the weighted average rate of return of 20.599%) holding thereby fifth place in the ranking of OPF for that period. * Source: www.knf.gov.pl
The PKO Leasing SA Group	1. In the first quarter of 2014 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 590 million, i.e. an increase of 13.7% compared with the first quarter of 2013. The increase is a result of a synergy with the Bank and the Company's development.
	2. The total carrying amount of the lease investments of the PKO Leasing Group entities amounted to PLN 4 067 million as at 31 March 2014.
The Bankowe Towarzystwo Kapitałowe SA Group	1. In the first quarter of 2014, PKO BP Faktoring SA – a subsidiary of BTK SA – was providing domestic and export factoring services, both with and without the acceptance of risk and reverse factoring, and suppliers' factoring programme service.
	2. In the first quarter of 2014, the value of factoring turnover amounted to PLN 553 million (in the corresponding period of 2013 this value was PLN 614 million).
	3. As at the end of March of this year, PKO BP Faktoring SA ranked ninth place among factoring companies associated in the Polish Factors' Association, with a market share of 2.3%.
The KREDOBANK SA Group (data according to IFRS applicable in the PKO Bank Polski SA Group)	1. The KREDOBANK SA Group's (KREDOBANK SA and its subsidiary Kompania Finansowa 'Idea Kapital' Sp. z o.o.) gross loan portfolio in the first quarter of 2014 increased by UAH 389 million, i.e. by 14.4% and amounted to UAH 3 087 million as at the end of March 2014 (the gross loan portfolio denominated in PLN decreased by PLN 169 million, i.e. by 16.9% and amounted to PLN 831 million as at the end of March 2014 - the decrease in value of loans denominated in PLN is a result of decrease of UAH exchange rate).
	2. In the first quarter of 2014, term deposits of the KREDOBANK SA Group's customers decreased by UAH 130 million, i.e. by 7.0% and amounted to UAH 1 732 million as at 31 March 2014 (term deposits denominated in PLN decreased by PLN 224 million, i.e. by 32.4% and amounted to PLN 466 million as at 31 March 2014).
	3. As at 31 March 2014, the network of KREDOBANK SA branches consisted of 1 branch and 121 subordinated branches in 22 out of 24 Ukrainian districts and in the Autonomous Republic of the Crimea, including 4 subordinated branches in the Crimea. On 10 April of this year 3 subordinated branches in the Crimea were closed.
The Qualia Development Sp. z o.o. Group	In the first quarter of 2014 the Qualia Development Group (Qualia Development Sp. z o.o. and its subsidiaries) was focused on: - obtaining permission for the exploitation of the residential building with an office function in Sopot, - conducting design work and administrative procedures to obtain construction permits for: Żwirki i Wigury project in Warsaw, the Golden Tulip Zakopane hotel, the Royal Tulip hotel and apartment building in Jurata and for properties of PKO Bank Polski SA located in Warsaw at Nowogrodzka Street and Sienkiewicza Street, - preparation for the start of the projects in Nowy Wilanów (Royal Park stage) and Neptun Park in Gdańsk (IV stage of the investment).
PKO Finance AB	In January 2014 PKO Finance AB issued, as a part of the opened in 2008 EMTN programme, another series of bonds with a total nominal value of EUR 500 million. Proceeds acquired through the issue of bonds have been transferred in the form of a loan to PKO Bank Polski SA.

3.4.6. Prizes and awards

In the first quarter of 2014, the PKO Bank Polski SA Group was granted the following awards:

1. Gold Banker of 2013 (Złoty Bankier 2013)

In the fifth edition of the competition the Bank was rewarded in 'Best mortgage loan' and 'Financial innovation' categories in a poll organised by Bankier.pl and PayU. Once again in the history of the poll Internet users appreciated mortgage loan 'Własny Kąt Hipoteczny'. PKO Bank Polski SA received the largest number of positive opinions in 'The best mortgage loan' category, ranked first with 46% of total number of votes. The jury of the competition also awarded the Bank in special category 'Financial innovation' for IKO application.



## DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2014

---

- Thanks to the votes of over 40 thousand internet users and experts, PKO Bank Polski SA was also among the winners in categories: 'Best mobile banking' (2nd place) and 'Best personal account' (3rd place). On the other hand, Inteligo was awarded among the top banks in the poll 'The best way to pay online' (2nd place) and 'The best bank for Internet entrepreneurs' (3rd place).
2. Golden Bulls. Summary of the Stock Exchange Year 2013 (Złote Byki. Podsumowanie Roku Giełdowego 2013)  
The Warsaw Stock Exchange once again awarded prizes to leaders of the Polish market for their achievements in 2013. Distinguished issuers, Stock Exchange Members and Authorised Advisors, who in the past year particularly contributed to the development of the Polish capital market. Among the winners was the Brokerage House of PKO Bank Polski SA, which received three awards:
    - for the greatest value of offers for companies entering the Main Market in 2013,
    - for the largest number of companies introduced on the Main Market in 2013,
    - for the highest turnover of non-Treasury bonds achieved by the maker on the Catalyst in 2013.
  3. IT Leader in Financial Institutions (Lider Informatyki Instytucji Finansowych)  
In the twelfth edition of the competition 'IT Leader in Financial Institutions 2013' (Lider Informatyki Instytucji Finansowych 2013) by Gazeta Bankowa PKO Bank Polski SA won the prize in the 'Electronic Banking and e-Finance' (Bankowość elektroniczna i e-finance) category, the jury awarded PKO Bank Polski for the implementation of IKO application. The bank also won in the 'Back office systems' ('Systemy back office') category for the implementation of the Innovation Centre. Several financial institutions, especially in the banking and insurance sector, competed for the title of Leader.
  4. *Mobile Trends Awards*  
PKO Bank Polski SA was awarded in Mobile Trends Awards in 'The company supporting the development of mobile technology' (Firma wspierająca rozwój technologii mobilnej) category for mobile payment system IKO. This was the third edition of the competition, whose winners were chosen by experts of IT and new technologies industry, comprising the Competition Jury.
  5. Employer of the year 2013 ranking (Ranking Pracodawca Roku 2013)  
The Bank found itself among the most desired employers in the 'Employer of the year 2013' poll organised by the international students' organisation AIESEC. It was ranked high fourth place and advancing from sixth place in the previous year. The poll, conducted periodically, was attended by more than 3.6 thousand students of economic faculties from 39 universities in Poland. Among the most important factors in choice of employer, the students pointed to a good working atmosphere, satisfaction level, a respect for private life, employment security and salary level. Subsequently they mentioned, among others, a clear career path, promotion criteria, possibility of acquiring knowledge.
  6. Heroes of HR (Bohaterowie HR)  
Artur Miernik, the director of Personnel Management Division was awarded in the 'Heroes of HR' competition, in the Best Head of HR of the year category. This title is awarded to people who in a special way manage HR departments. Artur Miernik was recognised for modernising the structure of HR in a large and stable organisation, in accordance with the latest global trends. It was the first edition of the Heroes of HR competition organised by Employer Branding Institute.
  7. Top 50 Marketers of Europe (Top 50 Marketingowców Europy)  
Tomasz Marszał, the director of the Marketing in PKO Bank Polski SA was included in the 'Top 50 Marketers of Europe' list, prepared by publishing house 'The Internationalist'. In preparing the 'Top 50 Marketers of Europe' list, managers considered the best in the region, having a real impact on the growth of the business potential of this region and showing unconventional thinking, innovative realisations of campaigns, as well as generating good results have been taken into account. 'The Internationalist' operates in the publishing market for more than nine years. It is a kind of a platform connecting experts and professionals related to the international advertising and marketing market.





Bank Polski

**Condensed interim  
consolidated financial statements  
of the PKO Bank Polski SA Group  
for the three-month period ended  
31 March 2014**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**



Bank Polski

## TABLE OF CONTENTS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS.....	4
CONSOLIDATED INCOME STATEMENT.....	4
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.....	5
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	6
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	7
CONSOLIDATED STATEMENT OF CASH FLOWS.....	8
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS.....	9
1. General information.....	9
2. Summary of significant accounting policies and estimates and judgements.....	12
2.1. Explanation of differences between the previously published financial statements and these financial statements.....	12
3. Information on the segments of activities and information about geographical areas.....	14
3.1. Information on the segments of activities.....	14
3.2. Information about geographical areas.....	16
4. Interest income and expense.....	17
5. Fee and commission income and expense.....	18
6. Net income from financial instruments measured at fair value.....	18
7. Gains less losses from investment securities and unrealised net gains on financial assets available for sale.....	19
8. Other operating income and expense.....	19
9. Net impairment allowance and write-downs.....	20
10. Administrative expenses.....	22
11. Income tax expense.....	22
12. Earnings per share.....	23
13. Cash and balances with the central bank.....	24
14. Amounts due from banks.....	24
15. Trading assets.....	24
16. Derivative financial instruments.....	25
17. Derivative hedging instruments.....	26
18. Financial instruments designated upon initial recognition at fair value through profit and loss.....	27
19. Loans and advances to customers.....	28
20. Investment securities available for sale.....	29
21. Investment securities held to maturity.....	30
22. Investments in associates and joint ventures.....	30
23. Non-current assets held for sale.....	31
24. Inventories.....	31
25. Intangible assets and tangible fixed assets.....	301
26. Amounts due to banks.....	32
27. Amounts due to customers.....	32
28. Debt securities in issue.....	33
29. Subordinated liabilities.....	33
30. Other liabilities.....	33
31. Provisions.....	34
32. Contingent liabilities and off-balance sheet liabilities received.....	35
33. Legal claims.....	36
34. Supplementary information to the statement of cash flows.....	38
35. Related party transactions.....	38



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

36. Changes to the entities of the PKO Bank Polski SA Group, associates and joint ventures.....	39
37. Fair value of financial assets and financial liabilities .....	41
38. Fiduciary activities.....	47
39. Objectives and principles of risk management in the PKO Bank Polski SA Group.....	48
40. Capital adequacy.....	52
STAND-ALONE FINANCIAL DATA .....	54
INCOME STATEMENT.....	54
STATEMENT OF COMPREHENSIVE INCOME.....	54
STATEMENT OF FINANCIAL POSITION .....	54
STATEMENT OF CHANGES IN EQUITY .....	56
STATEMENT OF CASH FLOWS.....	57
NOTES TO THE FINANCIAL STATEMENTS .....	59
1. Interest income and expense.....	59
2. Fee and commission income and expense.....	60
3. Net income from financial instruments measured at fair value.....	60
4. Gains less losses from investment securities and unrealised net gains on financial assets available for sale.....	61
5. Other operating income and expense.....	61
6. Net impairment allowance and write-downs.....	62
7. Administrative expenses.....	64
8. Income tax expense .....	64
9. Earnings per share.....	64
10. Cash and balances with the central bank.....	65
11. Amounts due from banks.....	65
12. Trading assets .....	65
13. Derivative financial instruments.....	66
14. Financial instruments designated upon initial recognition at fair value through profit and loss.....	66
15. Loans and advances to customers.....	67
16. Investment securities available for sale.....	68
17. Investments in subsidiaries, joint ventures and associates.....	68
18. Non-current assets held for sale.....	69
19. Intangible assets and tangible fixed assets.....	69
20. Amounts due to banks.....	70
21. Amounts due to customers.....	70
22. Debt securities in issue.....	70
23. Subordinated liabilities.....	71
24. Other liabilities.....	71
25. Provisions.....	72
26. Contingent liabilities and off-balance sheet liabilities received.....	73
27. Supplementary information to the statement of cash flows.....	74
28. Related party transactions.....	75
29. Objectives and principles of risk management in PKO Bank Polski SA.....	79
30. Capital adequacy.....	82
FURTHER EXPLANATORY DATA.....	83



Bank Polski

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

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

**for the three-month periods ended 31 March 2014 and 31 March 2013 respectively**

	Note	01.01- 31.03.2014	01.01- 31.03.2013 restated
<b>Continuing operations</b>			
Interest and similar income	4	2 466 834	2 946 494
Interest expense and similar charges	4	(727 006)	(1 193 843)
<b>Net interest income</b>		<b>1 739 828</b>	<b>1 752 651</b>
Fee and commission income	5	973 556	921 684
Fee and commission expense	5	(268 141)	(204 144)
<b>Net fee and commission income</b>		<b>705 415</b>	<b>717 540</b>
Dividend income		-	-
Net income from financial instruments measured at fair value	6	13 223	(155)
Gains less losses from investment securities	7	6 639	28 324
Net foreign exchange gains (losses)		48 639	(12 225)
Other operating income	8	107 951	112 134
Other operating expense	8	(73 520)	(70 293)
<b>Net other operating income and expense</b>		<b>34 431</b>	<b>41 841</b>
Net impairment allowance and write-downs	9	(413 458)	(447 983)
Administrative expenses	10	(1 125 760)	(1 119 727)
<b>Operating profit</b>		<b>1 008 957</b>	<b>960 266</b>
Share of profit (loss) of associates and joint ventures		(5 632)	(2 337)
<b>Profit before income tax</b>		<b>1 003 325</b>	<b>957 929</b>
Income tax expense	11	(204 344)	(171 684)
<b>Net profit (including non-controlling shareholders)</b>		<b>798 981</b>	<b>786 245</b>
Profit (loss) attributable to non-controlling shareholders		(3 593)	(177)
<b>Net profit attributable to equity holders of the parent company</b>		<b>802 574</b>	<b>786 422</b>
Earnings per share	12		
–basic earnings per share for the period (PLN)		0.64	0.63
–diluted earnings per share for the period (PLN)		0.64	0.63
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 2014 and 31 March 2013 respectively the PKO Bank Polski SA Group did not have discontinued operations.



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**for the three-month periods ended 31 March 2014 and 31 March 2013 respectively**

	Note	01.01- 31.03.2014	01.01- 31.03.2013 restated
<b>Net profit (including non-controlling shareholders)</b>		<b>798 981</b>	<b>786 245</b>
<b>Other comprehensive income</b>		<b>(14 400)</b>	<b>(66 531)</b>
<b>Items that may be reclassified to the income statement</b>		<b>(14 400)</b>	<b>(66 531)</b>
Cash flow hedges (gross)	17	41 257	(30 293)
Deferred tax on cash flow hedges	11	(7 839)	5 756
Cash flow hedges (net)		33 418	(24 537)
Unrealised net gains on financial assets available for sale (gross)	7	12 988	(62 236)
Deferred tax on unrealised net gains on financial assets available for sale	11	(2 963)	11 895
Unrealised net gains on financial assets available for sale (net)		10 025	(50 341)
Currency translation differences from foreign operations		(57 680)	8 794
Share in other comprehensive income of an associate		(163)	(447)
<b>Total net comprehensive income</b>		<b>784 581</b>	<b>719 714</b>
<b>Total net comprehensive income, of which attributable to:</b>		<b>784 581</b>	<b>719 714</b>
equity holders of PKO Bank Polski SA		788 345	719 850
non-controlling shareholders		(3 764)	(136)



Bank Polski

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
as at 31 March 2014 and as at 31 December 2013 and as at 31 March 2013**

	Note	31.03.2014	31.12.2013	31.03.2013 restated
<b>ASSETS</b>				
Cash and balances with the central bank	13	9 556 020	7 246 120	7 759 248
Amounts due from banks	14	5 000 037	1 893 441	1 729 557
Trading assets	15	1 489 421	479 881	2 627 211
Derivative financial instruments	16	2 747 203	3 000 860	3 463 573
Financial assets designated upon initial recognition at fair value through profit and loss	18	9 421 323	15 204 756	14 114 362
Loans and advances to customers	19	149 660 865	149 623 262	147 089 110
Investment securities available for sale	20	16 826 413	14 073 078	12 767 965
Investment securities held to maturity	21	179 375	38 005	29 829
Investments in associates and joint ventures	22	312 461	309 692	119 209
Non-current assets held for sale	23	147 463	172 219	20 798
Inventories	24	659 680	649 641	604 980
Intangible assets	25	2 189 785	2 230 222	1 912 440
Tangible fixed assets, of which:	25	2 696 413	2 611 233	2 645 938
investment properties		89 290	114 589	235
Current income tax receivables		286 408	206 401	2 944
Deferred income tax asset	11	520 976	562 421	625 657
Other assets		1 458 147	929 878	1 280 303
<b>TOTAL ASSETS</b>		<b>203 151 990</b>	<b>199 231 110</b>	<b>196 793 124</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Amounts due to the central bank		3 910	4 065	2 909
Amounts due to banks	26	4 370 969	3 747 337	4 056 803
Derivative financial instruments	16	3 080 688	3 328 211	3 577 349
Amounts due to customers	27	152 672 685	151 904 181	148 446 145
Liabilities associated with assets classified as held for sale		2 216	2 880	-
Debt securities in issue	28	12 693 982	10 546 446	10 924 388
Subordinated liabilities	29	1 603 540	1 620 857	1 604 076
Other liabilities	30	2 453 066	2 547 237	2 211 820
Current income tax liabilities	11	8 945	22 595	70 104
Deferred income tax liability		31 496	32 106	45 057
Provisions	31	291 587	320 870	698 351
<b>TOTAL LIABILITIES</b>		<b>177 213 084</b>	<b>174 076 785</b>	<b>171 637 002</b>
<b>Equity</b>				
Share capital		1 250 000	1 250 000	1 250 000
Other capital		21 151 953	21 108 673	19 909 640
Currency translation differences from foreign operations		(186 929)	(129 420)	(111 552)
Unappropriated profits		2 923 563	(306 230)	3 322 086
Net profit for the year		802 574	3 229 793	786 422
<b>Capital and reserves attributable to equity holders of the parent company</b>		<b>25 941 161</b>	<b>25 152 816</b>	<b>25 156 596</b>
Non-controlling interest		(2 255)	1 509	(474)
<b>TOTAL EQUITY</b>		<b>25 938 906</b>	<b>25 154 325</b>	<b>25 156 122</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>203 151 990</b>	<b>199 231 110</b>	<b>196 793 124</b>
Capital adequacy ratio	40	13.48%	13.58%	13.74%
Book value (in PLN thousand)		25 938 906	25 154 325	25 156 122
Number of shares (in thousand)	1	1 250 000	1 250 000	1 250 000
Book value per share (in PLN)		20.75	20.12	20.12
Diluted number of shares (in thousand)		1 250 000	1 250 000	1 250 000
Diluted book value per share (in PLN)		20.75	20.12	20.12

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the three-month periods ended 31 March 2014, 31 December 2013 and 31 March 2013 respectively

for the period ended 31 March 2014	Share capital	Other capital							Currency translation differences from foreign operations	Unappropriated profits	Net profit for the period	Total capital and reserves attributable to equity holders of the parent company	Non controlling interest	Total equity	
		Reserves			Other comprehensive income										
		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							Total other capital
As at 1 January 2014	1 250 000	16 760 686	1 070 000	3 469 107	(54)	(57 797)	(125 593)	(7 676)	21 108 673	(129 420)	(306 230)	3 229 793	25 152 816	1 509	25 154 325
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	-	-	3 229 793	(3 229 793)	-	-	-
<b>Total comprehensive income, of which:</b>	-	-	-	-	(163)	10 025	33 418	-	43 280	(57 509)	-	802 574	788 345	(3 764)	784 581
Net profit	-	-	-	-	-	-	-	-	-	-	-	802 574	802 574	(3 593)	798 981
Other comprehensive income	-	-	-	-	(163)	10 025	33 418	-	43 280	(57 509)	-	-	(14 229)	(171)	(14 400)
<b>As at 31 March 2014</b>	<b>1 250 000</b>	<b>16 760 686</b>	<b>1 070 000</b>	<b>3 469 107</b>	<b>(217)</b>	<b>(47 772)</b>	<b>(92 175)</b>	<b>(7 676)</b>	<b>21 151 953</b>	<b>(186 929)</b>	<b>2 923 563</b>	<b>802 574</b>	<b>25 941 161</b>	<b>(2 255)</b>	<b>25 938 906</b>

for the period ended 31 March 2013	Share capital	Other capital							Currency translation differences from foreign operations	Unappropriated profits	Net profit for the period	Total capital and reserves attributable to equity holders of the parent company	Non controlling interest	Total equity	
		Reserves			Other comprehensive income										
		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							Total other capital
As at 1 January 2013 (restated)	1 250 000	15 364 728	1 070 000	3 437 957	1 330	7 098	51 899	51 953	19 984 965	(120 305)	(416 554)	3 738 640	24 436 746	(338)	24 436 408
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	-	-	3 738 640	(3 738 640)	-	-	-
<b>Total comprehensive income, of which:</b>	-	-	-	-	(447)	(50 341)	(24 537)	-	(75 325)	8 753	-	786 422	719 850	(136)	719 714
Net profit	-	-	-	-	-	-	-	-	-	-	-	786 422	786 422	(177)	786 245
Other comprehensive income	-	-	-	-	(447)	(50 341)	(24 537)	-	(75 325)	8 753	-	-	(66 572)	41	(66 531)
<b>As at 31 March 2013 (restated)</b>	<b>1 250 000</b>	<b>15 364 728</b>	<b>1 070 000</b>	<b>3 437 957</b>	<b>883</b>	<b>(43 243)</b>	<b>27 362</b>	<b>51 953</b>	<b>19 909 640</b>	<b>(111 552)</b>	<b>3 322 086</b>	<b>786 422</b>	<b>25 156 596</b>	<b>(474)</b>	<b>25 156 122</b>

for the year ended 31 December 2013	Share capital	Other capital							Currency translation differences from foreign operations	Unappropriated profits	Net profit for the period	Total capital and reserves attributable to equity holders of the parent company	Non-controlling interest	Total equity	
		Reserves			Other comprehensive income										
		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							Total other capital
As at 1 January 2013 (restated)	1 250 000	15 364 728	1 070 000	3 437 957	1 330	7 098	51 899	51 953	19 984 965	(120 305)	(416 554)	3 738 640	24 436 746	(338)	24 436 408
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	-	-	3 738 640	(3 738 640)	-	-	-
<b>Total comprehensive income, of which:</b>	-	-	-	-	(1 384)	(64 895)	(177 492)	(7 676)	(251 447)	(9 115)	-	3 229 793	2 969 231	(1 314)	2 967 917
Net profit	-	-	-	-	-	-	-	-	-	-	-	3 229 793	3 229 793	(1 600)	3 228 193
Other comprehensive income	-	-	-	-	(1 384)	(64 895)	(177 492)	(7 676)	(251 447)	(9 115)	-	-	(260 562)	286	(260 276)
Transfer from unappropriated profits	-	1 416 885	-	31 150	-	-	-	-	1 448 035	-	(1 448 035)	-	-	-	-
Change in the non-controlling interest	-	-	-	-	-	-	-	-	-	-	(3 161)	-	(3 161)	3 161	-
Loss of control of a subsidiary	-	(20 927)	-	-	-	-	-	-	(20 927)	-	20 927	-	-	-	-
Transfer from other comprehensive income to unappropriated profits	-	-	-	-	-	-	-	(51 953)	(51 953)	-	51 953	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	(2 250 000)	-	(2 250 000)	-	(2 250 000)
<b>As at 31 December 2013</b>	<b>1 250 000</b>	<b>16 760 686</b>	<b>1 070 000</b>	<b>3 469 107</b>	<b>(54)</b>	<b>(57 797)</b>	<b>(125 593)</b>	<b>(7 676)</b>	<b>21 108 673</b>	<b>(129 420)</b>	<b>(306 230)</b>	<b>3 229 793</b>	<b>25 152 816</b>	<b>1 509</b>	<b>25 154 325</b>

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**



Bank Polski

**CONSOLIDATED STATEMENT OF CASH FLOWS  
for the three-month periods ended 31 March 2014 and 31 March 2013 respectively**

	Note	01.01- 31.03.2014	01.01- 31.03.2013 restated
<b>Net cash flow from operating activities</b>			
<b>Profit before income tax</b>		<b>1 003 325</b>	<b>957 929</b>
<b>Adjustments:</b>		<b>5 242 954</b>	<b>(4 526 100)</b>
Amortisation and depreciation		166 881	137 870
(Gains) losses from investing activities		578	188
Interest and dividends		(66 883)	(82 679)
Change in amounts due from banks		(110 404)	486 603
Change in trading assets and financial assets designated upon initial recognition at fair value through profit and loss		4 773 893	(3 834 296)
Change in derivative financial instruments (asset)		253 657	396 988
Change in loans and advances to customers		(9 620)	(4 026 942)
Change in other assets, inventories and non-current assets held for sale		(513 552)	(278 008)
Change in amounts due to banks		696 351	404 281
Change in derivative financial instruments (liability)		(247 523)	(386 749)
Change in amounts due to customers		768 504	2 252 672
Liabilities classified as held for sale		(664)	-
Change in debt securities in issue		172 915	220 529
Change in provisions and impairment allowances		(45 657)	365 936
Change in other liabilities and subordinated liabilities		(48 732)	278 245
Income tax paid		(267 961)	(230 325)
Other adjustments		(278 829)	(230 413)
<b>Net cash from / used in operating activities</b>		<b>6 246 279</b>	<b>(3 568 171)</b>
<b>Net cash flow from investing activities</b>			
<b>Inflows from investing activities</b>		<b>3 116 105</b>	<b>4 209 756</b>
Proceeds from sale and interest of investment securities		3 113 213	4 207 200
Proceeds from sale of intangible assets and tangible fixed assets		2 892	2 556
<b>Outflows from investing activities</b>		<b>(5 884 862)</b>	<b>(4 612 257)</b>
Purchase of investment securities		(5 781 312)	(4 494 220)
Purchase of intangible assets and tangible fixed assets		(103 550)	(118 037)
<b>Net cash used in investing activities</b>		<b>(2 768 757)</b>	<b>(402 501)</b>
<b>Net cash flow from financing activities</b>			
Proceeds from debt securities in issue		2 118 400	936 271
Redemption of debt securities in issue		(73 533)	(503 195)
Repayment of interest from issued debt securities and subordinated loans		(113 391)	(58 447)
Long-term borrowings		88 471	113 338
Repayment of long-term borrowings		(190 569)	(222 280)
<b>Net cash from financing activities</b>		<b>1 829 378</b>	<b>265 687</b>
<b>Net cash flow</b>		<b>5 306 900</b>	<b>(3 704 985)</b>
of which currency translation differences on cash and cash equivalents		(8 227)	85 261
Cash and cash equivalents at the beginning of the period		8 884 739	12 495 632
<b>Cash and cash equivalents at the end of the period</b>	34	<b>14 191 639</b>	<b>8 790 647</b>
of which restricted		17 573	9 701





Bank Polski

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**1. General information**

The condensed interim consolidated financial statements of the Powszechna Kasa Oszczędności Bank Polski SA Group ('the PKO Bank Polski SA Group', 'the Group') have been prepared for the three-month period ended 31 March 2014 and include comparative data for the three-month period ended 31 March 2013 (as regards consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows) and include comparative data as at 31 December 2013 (as regards consolidated statement of financial position). Financial data has been presented in Polish zloty (PLN), rounded to thousand zloty, unless indicated otherwise.

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

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

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

The Bank's shareholding structure is as follows:

Name of entity	Number of shares	Number of votes %	Nominal value of 1 share	Share in equity %
<b>As at 31 March 2014</b>				
The State Treasury	392 406 277	31.39	PLN 1	31.39
Aviva Otwarty Fundusz Emerytalny <sup>1</sup>	83 952 447	6.72	PLN 1	6.72
ING Otwarty Fundusz Emerytalny <sup>2</sup>	64 594 448	5.17	PLN 1	5.17
Other shareholders	709 046 828	56.72	PLN 1	56.72
<b>Total</b>	<b>1 250 000 000</b>	<b>100.00</b>	<b>---</b>	<b>100.00</b>
<b>As at 31 December 2013</b>				
The State Treasury	392 406 277	31.39	PLN 1	31.39
Aviva Otwarty Fundusz Emerytalny <sup>1</sup>	83 952 447	6.72	PLN 1	6.72
ING Otwarty Fundusz Emerytalny <sup>2</sup>	64 594 448	5.17	PLN 1	5.17
Other shareholders	709 046 828	56.72	PLN 1	56.72
<b>Total</b>	<b>1 250 000 000</b>	<b>100.00</b>	<b>---</b>	<b>100.00</b>

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

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

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

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

**Business activities of the Group**

PKO Bank Polski SA is an 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 provides financial services relating to leasing, factoring, investment funds, pension funds, IT systems' development and maintaining services, it conducts real estate development and management activities as well as, through its subsidiaries in Ukraine, the Group conducts banking, debt collection and factoring activities.

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

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

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**



Bank Polski

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

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

NAME OF ENTITY	HEAD OFFICE	RANGE OF ACTIVITY	% SHARE IN EQUITY*	
			31.03.2014	31.12.2013
<b>PKO Towarzystwo Funduszy Inwestycyjnych SA</b>	<b>Warsaw</b>	<b>investment fund management</b>	<b>100.00</b>	<b>100.00</b>
<b>PKO BP BANKOWY PTE SA</b>	<b>Warsaw</b>	<b>pension fund management</b>	<b>100.00</b>	<b>100.00</b>
<b>PKO Leasing SA</b>	<b>Łódź</b>	<b>leasing services</b>	<b>100.00</b>	<b>100.00</b>
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
<b>Bankowe Towarzystwo Kapitałowe SA</b>	<b>Warsaw</b>	<b>services</b>	<b>100.00</b>	<b>100.00</b>
PKO BP Faktoring SA <sup>1</sup>	Warsaw	factoring	99.9889	99.9889
<b>Intello Financial Services SA</b>	<b>Warsaw</b>	<b>development and maintenance of IT systems</b>	<b>100.00</b>	<b>100.00</b>
<b>PKO BP Finat Sp. z o.o.</b>	<b>Warsaw</b>	<b>transfer agent services</b>	<b>100.00</b>	<b>100.00</b>
<b>KREDOBANK SA</b>	<b>Lviv, Ukraine</b>	<b>banking activities</b>	<b>99.5655</b>	<b>99.5655</b>
Finansowa Kompania 'Idea Kapitał' Sp. z o.o.	Lviv, Ukraine	financial services	100.00	100.00
<b>'Inter-Risk Ukraina' Additional Liability Company <sup>2</sup></b>	<b>Kiev, Ukraine</b>	<b>debt collection services</b>	<b>100.00</b>	<b>100.00</b>
<b>Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o. <sup>3</sup></b>	<b>Kiev, Ukraine</b>	<b>factoring</b>	<b>91.8766</b>	<b>91.8766</b>
<b>PKO Finance AB</b>	<b>Stockholm, Sweden</b>	<b>financial services</b>	<b>100.00</b>	<b>100.00</b>
<b>Polski Standard Płatności Sp. z o.o. <sup>4</sup></b>	<b>Warsaw</b>	<b>mobile payments</b>	<b>100.00</b>	<b>0.00</b>
<b>Qualia Development Sp. z o.o. <sup>5</sup></b>	<b>Warsaw</b>	<b>real estate development</b>	<b>100.00</b>	<b>100.00</b>
Qualia Sp. z o.o.	Warsaw	general partner in limited partnerships of the Qualia Development Group entities	100.00	100.00
Qualia spółka z ograniczoną odpowiedzialnością - Neptun Park Sp. k.	Warsaw	real estate development	99.9975	99.9975
Qualia spółka z ograniczoną odpowiedzialnością - Sopot Sp. k.	Warsaw	real estate development	99.9787	99.9787
Qualia spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Sp. k.	Warsaw	real estate development	99.9750	99.9750
Qualia spółka z ograniczoną odpowiedzialnością - Jurata Sp. k.	Warsaw	real estate development	99.9608	99.9608
Qualia spółka z ograniczoną odpowiedzialnością - Zakopane Sp. k.	Warsaw	real estate development	99.9123	99.9123
Qualia spółka z ograniczoną odpowiedzialnością - Pomeranka Sp. k.	Warsaw	real estate development	99.8951	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 Hotel Management Sp. z o.o.	Warsaw	real estate development	100.00	100.00
Qualia - Residence Sp. z o.o.	Warsaw	real estate development	100.00	100.00
Qualia - Rezydencja Flotylla Sp. z o.o.	Warsaw	real estate development	100.00	100.00
Fort Mokotów Inwestycje Sp. z o.o.	Warsaw	real estate development	100.00	100.00
Sarmia Dolina Sp. z o.o.	Warsaw	real estate development	100.00	100.00
Giełda Nieruchomości Wartościowych Sp. z o.o.	Warsaw	intermediation in the sale of real estate	100.00	100.00
Fort Mokotów Sp. z o.o. in liquidation	Warsaw	in liquidation	51.00	51.00
<b>CENTRUM HAFFNERA Sp. z o.o. <sup>6</sup></b>	<b>Sopot</b>	<b>subsidiaries' real estate management</b>	<b>72.9766</b>	<b>49.43</b>
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
Centrum Majkowskiego Sp. z o.o. in liquidation	Sopot	in liquidation	100.00	100.00
Kamienica Morska Sp. z o.o. in liquidation <sup>7</sup>	Sopot	-	0.00	100.00
<b>Merkury - fiz an <sup>8</sup></b>	<b>Warsaw</b>	<b>placement of funds collected from fund members</b>	<b>100.00</b>	<b>100.00</b>
'Zarząd Majtkiem Górczewski' 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	purchasing and selling of real estate	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A.	Warsaw	purchasing and selling of real estate	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 3 S.K.A.	Warsaw	purchasing and selling of real estate	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 4 S.K.A.	Warsaw	purchasing and selling of real estate	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 5 S.K.A.	Warsaw	purchasing and selling of real estate	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A.	Warsaw	purchasing and selling of real estate	100.00	100.00

\* Share in equity of direct parent entity

1) the second shareholder of the Entity is PKO Bank Polski SA,

2) the share in the Entity is recognised in non-current assets held for sale,

3) the second shareholder of the Entity is 'Inter-Risk Ukraina' Sp. z d.o.; the share in the Entity is recognised in non-current assets held for sale,

4) the Entity was registered in National Court Register on 13 January 2014,

5) the total contributions made by the limited partner - Qualia Development Sp. z o.o. are presented in the position 'Share in equity',

6) until 19 January 2014 the Entity was recognised as an involvement in joint venture of PKO Bank Polski SA,

7) on 24 January 2014 the Entity has been removed from the National Court Register,

8) 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'; the Fund's subsidiaries are consolidated on the level of the PKO Bank Polski SA Group.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**



Bank Polski

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

NAME OF ENTITY	HEAD OFFICE	RANGE OF ACTIVITY	% SHARE IN EQUITY*	
			31.03.2014	31.12.2013
<b>Joint ventures</b>				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	Warsaw	servicing and settlement of card transactions	34.00	34.00
Centrum Obsługi Biznesu Sp. z o.o.	Poznań	hotel management	41.44	41.44
<b>Associates</b>				
<b>Bank Pocztowy SA</b>	<b>Bydgoszcz</b>	<b>banking activities</b>	<b>25.0001</b>	<b>25.0001</b>
Centrum Operacyjne Sp. z o.o.	Bydgoszcz	activities supporting financial services	100.00	100.00
Spółka Dystrybucyjna Banku Poczтового Sp. z o.o.	Warsaw	intermediary financial services	100.00	100.00
<b>Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.</b>	<b>Poznań</b>	<b>guarantees</b>	<b>33.33</b>	<b>33.33</b>

\* Share in equity of direct parent entity

Information on changes in the participation in the share capital of the subsidiaries is set out in Note 36 'Changes to the entities of the PKO Bank Polski SA Group, associates and joint ventures'.



Bank Polski

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

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

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

The accounting policies and calculations applied in these condensed interim consolidated financial statements are consistent to those, which were applied in the annual consolidated financial statements of the PKO Bank Polski SA Group for the year ended 31 December 2013.

These condensed interim consolidated financial statements for the first quarter of 2014 should be read together with consolidated financial statements of the PKO Bank Polski SA Group for 2013 prepared in accordance with International Financial Reporting Standards as approved by the European Union.

Since 1 January 2014, new standards entered into force: IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interest In Other Entities' revised IAS 27 'Separate Financial Statements', and revised IAS 28 'Investments in Associates and Joint Ventures', which do not have any significant impact on the Group.

The most important changes in accounting policies relate to the change in definition of control, according to which subsidiaries are entities (including those not being a capital company, e.g. a civil law partnership) controlled by the parent entity (the Bank), which means that the Bank:

- seize governance over the entity in which investment was made, i.e. holds existing rights giving the current possibility of managing the activities having significant impact on the returns of the entity,
- is a subject to exposure to changing returns or holds rights to changing returns due to its involvement in the entity, in which investment was made, i.e. if the Bank's returns due to involvement can fluctuate depending on financial results of the entity in which investment was made, and
- is capable of taking advantage of governance over the entity, in which the investment was made, to influence on the return amounts to the investor.

### 2.1 Explanation of differences between the previously published financial statements and these financial statements

These adjustments were described in consolidated financial statements of the PKO Bank Polski SA Group for the year ended 31 December 2013.

Restatements in the consolidated statement of financial position

	31.03.2013 before restatement	changes due to bancassurance	reclassification of liabilities due to UOKIK	change of IAS 19 (actuarial gains and losses)	31.03.2013 restated
<b>Assets</b>					
Loans and advances to customers	147 491 817	(402 707)	-	-	147 089 110
Deferred income tax asset	563 206	62 451	-	-	625 657
Other items of assets	49 078 357	-	-	-	49 078 357
<b>TOTAL ASSETS</b>	<b>197 133 380</b>	<b>(340 256)</b>	<b>-</b>	<b>-</b>	<b>196 793 124</b>
<b>Liabilities</b>					
Other liabilities	2 302 431	(74 014)	(16 597)	-	2 211 820
Provisions	681 754	-	16 597	-	698 351
Other items of liabilities	168 726 831	-	-	-	168 726 831
<b>TOTAL LIABILITIES</b>	<b>171 711 016</b>	<b>(74 014)</b>	<b>-</b>	<b>-</b>	<b>171 637 002</b>
<b>Equity</b>					
Share capital	1 250 000	-	-	-	1 250 000
Other capital	19 857 687	-	-	51 953	19 909 640
Currency translation differences from foreign operations	(111 552)	-	-	-	(111 552)
Unappropriated profits	3 645 281	(271 242)	-	(51 953)	3 322 086
Net profit for the year	781 422	5 000	-	-	786 422
<b>TOTAL EQUITY</b>	<b>25 422 364</b>	<b>(266 242)</b>	<b>-</b>	<b>-</b>	<b>25 156 122</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>197 133 380</b>	<b>(340 256)</b>	<b>-</b>	<b>-</b>	<b>196 793 124</b>



Bank Polski

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

## Restatements in the income statement

	01.01- 31.03.2013 before restatement	changes due to bancassurance	01.01- 31.03.2013 restated
Interest and similar income	2 887 682	58 812	2 946 494
Interest expense and similar charges	(1 193 843)	-	(1 193 843)
<b>Net interest income</b>	<b>1 693 839</b>	<b>58 812</b>	<b>1 752 651</b>
Fee and commission income	983 328	(61 644)	921 684
Fee and commission expense	(213 149)	9 005	(204 144)
<b>Net fee and commission income</b>	<b>770 179</b>	<b>(52 639)</b>	<b>717 540</b>
Net income from financial instruments measured at fair value	(155)	-	(155)
Gains less losses from investment securities	28 324	-	28 324
Net foreign exchange gains	(12 225)	-	(12 225)
Other operating income	112 134	-	112 134
Other operating expense	(70 293)	-	(70 293)
<b>Net other operating income and expense</b>	<b>41 841</b>	<b>-</b>	<b>41 841</b>
Net impairment allowance and write-downs	(447 983)	-	(447 983)
Administrative expenses	(1 119 727)	-	(1 119 727)
<b>Operating profit</b>	<b>954 093</b>	<b>6 173</b>	<b>960 266</b>
Share of profit (loss) of associates and joint ventures	(2 337)	-	(2 337)
<b>Profit before income tax</b>	<b>951 756</b>	<b>6 173</b>	<b>957 929</b>
Income tax expense	(170 511)	(1 173)	(171 684)
<b>Net profit (including non-controlling shareholders)</b>	<b>781 245</b>	<b>5 000</b>	<b>786 245</b>
Profit (loss) attributable to non-controlling shareholders	(177)	-	(177)
<b>Net profit attributable to equity holders of the parent company</b>	<b>781 422</b>	<b>5 000</b>	<b>786 422</b>

## Restatement in the statement of comprehensive income

	01.01- 31.03.2013 before restatement	changes due to bancassurance	01.01- 31.03.2013 restated
<b>Net profit</b>	<b>781 245</b>	<b>5 000</b>	<b>786 245</b>
<b>Other comprehensive income</b>	<b>(66 531)</b>	<b>-</b>	<b>(66 531)</b>
<b>Items that may be reclassified to the income statement</b>	<b>(30 293)</b>	<b>-</b>	<b>(30 293)</b>
<b>Total net comprehensive income</b>	<b>714 714</b>	<b>5 000</b>	<b>719 714</b>

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

---



Bank Polski

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

#### **3.1 Information on the segments of activities**

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

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

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

The PKO Bank Polski SA Group typically settles inter-segment transactions as if they were concluded between unrelated parties, using internal settlement rates. The transactions between business segments are conducted on arm's 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 operating activities segment. Values of assets, liabilities, income and expenses of a particular segment are based on internal management information. To particular segments there are assigned assets and liabilities as well as income and costs related to these assets and liabilities.

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



Bank Polski

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

The tables below present data relating to income and results of individual business segments of the PKO Bank Polski SA Group for the three-month period ended 31 March 2014 and 31 March 2013 and assets and liabilities as at 31 March 2013 and as at 31 December 2013.

	Continuing operations					
	for the period ended 31 March 2014	Retail segment	Corporate segment	Investment segment	Transfer centre	Total activity of the PKO Bank Polski SA Group
Net interest income		1 507 410	157 797	67 616	7 005	1 739 828
Net fee and commission income		567 170	64 827	73 769	(351)	705 415
Other net income		42 277	17 426	48 777	(5 548)	102 932
Net result from financial operations		2 336	1 522	17 220	(1 216)	19 862
Net foreign exchange gains		32 022	21 849	(900)	(4 332)	48 639
Dividend income		-	-	-	-	-
Net other operating income and expense		1 409	565	32 457	-	34 431
Income/expenses relating to internal customers		6 510	(6 510)	-	-	-
Net impairment allowance and write-downs		(336 235)	(50 418)	(26 805)	-	(413 458)
Administrative expenses, of which:		(909 364)	(63 727)	(152 669)	-	(1 125 760)
amortisation and depreciation		(140 194)	(8 672)	(18 015)	-	(166 881)
Share of profit (loss) of associates and joint ventures		-	-	-	-	(5 632)
<b>Segment gross profit</b>		<b>871 258</b>	<b>125 905</b>	<b>10 688</b>	<b>1 106</b>	<b>1 003 325</b>
Income tax expense (tax burden)		-	-	-	-	(204 344)
Profit (loss) attributable to non-controlling shareholders		-	-	-	-	(3 593)
<b>Net profit attributable to equity holders of the parent company</b>		<b>871 258</b>	<b>125 905</b>	<b>10 688</b>	<b>1 106</b>	<b>802 574</b>

	Continuing operations					
	As at 31 March 2014	Retail segment	Corporate segment	Investment segment	Transfer centre	Total activity of the PKO Bank Polski SA Group
Assets		114 332 924	41 577 590	38 790 060	7 644 032	202 344 606
Unallocated assets		-	-	-	-	807 384
<b>Total assets</b>		<b>114 332 924</b>	<b>41 577 590</b>	<b>38 790 060</b>	<b>7 644 032</b>	<b>203 151 990</b>
Liabilities		128 860 872	19 765 575	22 609 876	5 936 320	177 172 643
Unallocated liabilities		-	-	-	-	40 441
<b>Total liabilities</b>		<b>128 860 872</b>	<b>19 765 575</b>	<b>22 609 876</b>	<b>5 936 320</b>	<b>177 213 084</b>

	Continuing operations* (restated)					
	for the period ended 31 March 2013	Retail segment	Corporate segment	Investment segment	Transfer centre	Total activity of the PKO Bank Polski SA Group
Net interest income		1 354 618	144 348	58 939	194 746	1 752 651
Net fee and commission income		556 235	72 374	89 672	(741)	717 540
Other net income		24 630	16 565	72 592	(56 002)	57 785
Net result from financial operations		(2 291)	4 255	25 043	1 162	28 169
Net foreign exchange gains		20 870	17 988	6 081	(57 164)	(12 225)
Dividend income		-	-	-	-	-
Net other operating income and expense		(459)	832	41 468	-	41 841
Income/expenses relating to internal customers		6 510	(6 510)	-	-	-
Net impairment allowance and write-downs		(280 376)	(146 199)	(21 408)	-	(447 983)
Administrative expenses, of which:		(902 798)	(68 244)	(148 685)	-	(1 119 727)
amortisation and depreciation		(113 778)	(7 262)	(16 830)	-	(137 870)
Share of profit (loss) of associates and joint ventures		-	-	-	-	(2 337)
<b>Segment gross profit</b>		<b>752 309</b>	<b>18 844</b>	<b>51 110</b>	<b>138 003</b>	<b>957 929</b>
Income tax expense (tax burden)		-	-	-	-	(171 684)
Profit (loss) attributable to non-controlling shareholders		-	-	-	-	(177)
<b>Net profit attributable to equity holders of the parent company</b>		<b>752 309</b>	<b>18 844</b>	<b>51 110</b>	<b>138 003</b>	<b>786 422</b>

\* Data for 1Q 2013 have been brought to comparability. Restatements concern: 1) changes in accounting policies as regards the recognition of income and expenses related to sale of insurance products associated with loan agreements, 2) changes in the presentation of the results from sale of non-Treasury securities.



Bank Polski

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

As at 31 December 2013	Continuing operations				Total activity of the PKO Bank Polski SA Group
	Retail segment	Corporate segment	Investment segment	Transfer centre	
Assets	111 712 993	40 628 974	39 710 644	6 409 677	198 462 288
Unallocated assets	-	-	-	-	768 822
<b>Total assets</b>	<b>111 712 993</b>	<b>40 628 974</b>	<b>39 710 644</b>	<b>6 409 677</b>	<b>199 231 110</b>
Liabilities	127 700 088	17 622 539	21 501 703	7 197 754	174 022 084
Unallocated liabilities	-	-	-	-	54 701
<b>Total liabilities</b>	<b>127 700 088</b>	<b>17 622 539</b>	<b>21 501 703</b>	<b>7 197 754</b>	<b>174 076 785</b>

### 3.2 Information about geographical areas

As a complementary, the PKO Bank Polski SA Group applies geographical areas distribution. The PKO Bank Polski SA Group conducts its 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. For presentation purposes, the results of companies operating in Sweden are included in the segment of Poland.

For the period ended 31 March 2014	Poland	Ukraine	Total
Net interest income	1 726 589	13 239	1 739 828
Net fee and commission income	694 005	11 410	705 415
Other net income	114 086	(11 154)	102 932
Administrative expenses	(1 098 945)	(26 815)	(1 125 760)
Net impairment allowance and write-downs	(405 397)	(8 061)	(413 458)
Share of profit (loss) of associates and joint ventures	-	-	(5 632)
<b>Gross profit</b>	<b>1 030 338</b>	<b>(21 381)</b>	<b>1 003 325</b>
Income tax expense (tax burden)	-	-	(204 344)
Profit (loss) attributable to non-controlling shareholders	-	-	(3 593)
<b>Net profit (loss) attributable to equity holder of the parent company</b>	<b>1 030 338</b>	<b>(21 381)</b>	<b>802 574</b>

As at 31 March 2014	Poland	Ukraine	Total
<b>Assets of which:</b>	<b>201 840 250</b>	<b>1 311 740</b>	<b>203 151 990</b>
non-financial fixed assets	4 778 146	108 052	4 886 198
deferred income tax assets and current income tax receivable	794 399	12 985	807 384
<b>Liabilities</b>	<b>175 886 091</b>	<b>1 326 993</b>	<b>177 213 084</b>

For the period ended 31 March 2013* (restated)	Poland	Ukraine	Total
Net interest income	1 744 335	8 316	1 752 651
Net fee and commission income	703 638	13 902	717 540
Other net income	58 487	(702)	57 785
Administrative expenses*	(1 088 497)	(31 230)	(1 119 727)
Net impairment allowance and write-downs	(438 314)	(9 669)	(447 983)
Share of profit (loss) of associates and joint ventures	-	-	(2 337)
<b>Gross profit</b>	<b>979 649</b>	<b>(19 383)</b>	<b>957 929</b>
Income tax expense (tax burden)	-	-	(171 684)
Profit (loss) attributable to non-controlling shareholders	-	-	(177)
<b>Net profit (loss) attributable to equity holders of the parent company</b>	<b>979 649</b>	<b>(19 383)</b>	<b>786 422</b>

\* Data for 1Q 2013 have been brought to comparability. Restatements concern changes in accounting policies as regards the recognition of income and expenses related to sale of insurance products associated with loan agreements.



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**



Bank Polski

As at 31 December 2013	Poland	Ukraine	Total
Assets, of which:	197 625 058	1 606 052	199 231 110
non-financial fixed assets	4 695 955	145 500	4 841 455
deferred income tax assets and current income tax receivable	751 802	17 020	768 822
Liabilities	172 517 523	1 559 262	174 076 785

#### 4. Interest income and expense

##### Interest and similar income

	01.01- 31.03.2014	01.01- 31.03.2013 restated
<b>Interest income calculated using the effective interest rate method, with respect to financial assets, which are not measured at fair value through profit and loss, of which:</b>	<b>2 268 997</b>	<b>2 637 454</b>
Income from loans and advances to customers, of which:	2 094 413	2 435 861
from impaired loans	114 060	129 596
Income from investment securities available for sale	135 884	147 188
Income from placements with banks	36 601	52 478
Income from investments securities held to maturity	877	666
Other	1 222	1 261
<b>Other income, of which:</b>	<b>197 837</b>	<b>309 040</b>
Income from financial assets designated upon initial recognition at fair value through profit and loss	97 175	144 517
Income from derivative hedging instruments	88 197	148 168
Income from trading assets	12 465	16 355
<b>Total</b>	<b>2 466 834</b>	<b>2 946 494</b>

##### Interest expense and similar charges

	01.01- 31.03.2014	01.01- 31.03.2013
<b>Interest expense calculated using the effective interest rate method, with respect to financial liabilities, which are not measured at fair value through profit and loss, of which:</b>	<b>(724 055)</b>	<b>(1 190 999)</b>
Interest expense on amounts due to customers	(592 103)	(1 055 181)
Interest expense on debt securities in issue and subordinated liabilities	(121 743)	(124 364)
Premium expense on debt securities available for sale	(7 819)	(7 124)
Interest expense on deposits from banks	(2 390)	(4 330)
<b>Other expense</b>	<b>(2 951)</b>	<b>(2 844)</b>
Expense on financial assets designated upon initial recognition at fair value through profit and loss	(1 750)	(1 064)
Expense on trading assets	(1 201)	(1 780)
<b>Total</b>	<b>(727 006)</b>	<b>(1 193 843)</b>



Bank Polski

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**5. Fee and commission income and expense**

**Fee and commission income**

	01.01- 31.03.2014	01.01- 31.03.2013 restated
<b>Income from financial assets, which are not measured at fair value through profit and loss, of which:</b>	<b>135 148</b>	<b>150 687</b>
income from loans and advances granted	135 148	150 687
<b>Other commissions from:</b>	<b>837 501</b>	<b>769 952</b>
payment cards	337 583	293 425
maintenance of bank accounts	234 024	216 349
maintenance of investment and open pension funds (including management fees)	101 134	89 410
loans insurance	65 895	68 370
cash transactions	28 498	31 562
securities transactions	20 398	14 921
servicing foreign mass transactions	13 520	11 934
providing the services of an agent for the issue of Treasury bonds	6 545	5 807
sale and distribution of court fee stamps	1 357	1 849
Other*	28 547	36 325
<b>From fiduciary activities</b>	<b>907</b>	<b>1 045</b>
<b>Total</b>	<b>973 556</b>	<b>921 684</b>

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

**Fee and commission expense**

	01.01- 31.03.2014	01.01- 31.03.2013 restated
payment cards	(170 866)	(121 393)
acquisition services	(23 559)	(25 654)
loans insurance	(22 754)	(22 272)
settlement services	(7 986)	(7 225)
asset management fees	(10 737)	(2 799)
fee and commissions for operating services provided by banks	(3 316)	(3 021)
other*	(28 923)	(21 780)
<b>Total</b>	<b>(268 141)</b>	<b>(204 144)</b>

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

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

	01.01- 31.03.2014	01.01- 31.03.2013
<b>Change in fair value of financial instruments measured at fair value through profit and loss determined using the valuation techniques</b>	<b>7 649</b>	<b>1 225</b>
Derivative instruments, of which:	11 057	9 549
an ineffective portion related to cash flow hedges	3 425	2 009
Structured bank securities measured at fair value through profit and loss	(3 408)	(8 324)
<b>Debt securities</b>	<b>5 415</b>	<b>(687)</b>
<b>Equity instruments</b>	<b>159</b>	<b>(693)</b>
<b>Total</b>	<b>13 223</b>	<b>(155)</b>



Bank Polski

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

01.01-31.03.2014	Gains	Losses	Net result
Trading assets	6 598 357	(6 587 267)	11 090
Financial assets designated upon initial recognition at fair value through profit and loss	72 574	(70 441)	2 133
<b>Total</b>	<b>6 670 931</b>	<b>(6 657 708)</b>	<b>13 223</b>

01.01-31.03.2013	Gains	Losses	Net result
Trading assets	8 685 664	(8 675 468)	10 196
Financial assets designated upon initial recognition at fair value through profit and loss	69 897	(80 248)	(10 351)
<b>Total</b>	<b>8 755 561</b>	<b>(8 755 716)</b>	<b>(155)</b>

**7. Gains less losses from investment securities and unrealised net gains on financial assets available for sale**

	01.01-31.03.2014	01.01-31.03.2013
Gain/loss due to change in value of assets available for sale recognised directly in other comprehensive income during the period	6 349	(90 560)
Gain/loss derecognised from other comprehensive income recognised in income statement in the position 'Gains less losses from investment securities' on:	6 639	28 324
gain from sale derecognised from other comprehensive income	6 919	29 174
loss on sale derecognised from other comprehensive income	(280)	(850)
<b>Impact on other comprehensive income (gross), position 'Unrealised net gains on financial assets available for sale (gross)'</b>	<b>12 988</b>	<b>(62 236)</b>

**8. Other operating income and expense**

	01.01-31.03.2014	01.01-31.03.2013
<b>Other operating income</b>		
Net income from sale of products and services	51 607	66 686
Sales and disposal of tangible fixed assets, intangible assets and assets held for sale	21 570	10 902
Damages, penalties and fines received	9 365	13 715
Sundry income	4 774	4 983
Recovery of expired and written-off receivables	2 099	968
Other	18 536	14 880
<b>Total</b>	<b>107 951</b>	<b>112 134</b>

	01.01-31.03.2014	01.01-31.03.2013
<b>Other operating expense</b>		
Costs of sale of products and services	(31 726)	(42 164)
Costs of sale and disposal of tangible fixed assets, intangible assets and assets held for sale	(22 572)	(12 582)
Sundry expenses	(1 364)	(1 663)
Donations	(1 342)	(586)
Other	(16 516)	(13 298)
<b>Total</b>	<b>(73 520)</b>	<b>(70 293)</b>

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)



Bank Polski

9. Net impairment allowance and write-downs

For the period ended 31 March 2014	Note	Value at the beginning of the period	Increases		Decreases			Value at the end of the period	Net – impact on the income statement	
			Recognised during the period	Other	Decrease due to derecognition of assets and settlement	Reversed during the period	Currency translation differences			Other
<b>Investment securities available for sale</b>	<b>20</b>	<b>33 455</b>	<b>395</b>	-	-	<b>347</b>	<b>28</b>	<b>12 456</b>	<b>21 019</b>	<b>(48)</b>
Debt securities available for sale		3 296	46	-	-	-	-	-	3 342	(46)
Equity securities		30 159	349	-	-	347	28	12 456	17 677	(2)
<b>Amounts due from banks</b>	<b>14</b>	<b>28 583</b>	<b>592</b>	<b>216</b>	-	-	-	-	<b>29 391</b>	<b>(592)</b>
<b>Loans and advances to customers measured at amortised cost</b>	<b>19</b>	<b>6 650 780</b>	<b>1 576 603</b>	<b>13 316</b>	<b>422 551</b>	<b>1 167 519</b>	<b>27 832</b>	-	<b>6 622 797</b>	<b>(409 084)</b>
Non-financial sector		6 501 046	1 564 345	9 842	420 910	1 155 092	27 807	-	6 471 424	(409 253)
corporate loans		3 329 352	837 897	765	276 812	516 973	20 540	-	3 353 689	(320 924)
consumer loans		1 413 349	349 465	1 019	125 780	307 089	2 679	-	1 328 285	(42 376)
housing loans		1 731 258	376 983	8 058	18 318	329 998	4 588	-	1 763 395	(46 985)
debt securities		27 087	-	-	-	1 032	-	-	26 055	1 032
Financial sector		5 524	26	3 439	-	6 933	25	-	2 031	6 907
corporate loans		5 524	26	3 439	-	6 933	25	-	2 031	6 907
Public sector		11 527	3	35	106	245	-	-	11 214	242
corporate loans		10 549	-	35	106	245	-	-	10 233	245
debt securities		978	3	-	-	-	-	-	981	(3)
Finance lease receivables		132 683	12 229	-	1 535	5 249	-	-	138 128	(6 980)
<b>Non-current assets held for sale</b>	<b>23</b>	<b>365 340</b>	<b>180</b>	-	<b>7 631</b>	<b>212</b>	<b>98 380</b>	-	<b>259 297</b>	<b>32</b>
<b>Tangible fixed assets</b>	<b>25</b>	<b>12 084</b>	-	-	<b>7</b>	-	<b>3 264</b>	-	<b>8 813</b>	-
<b>Intangible assets</b>	<b>25</b>	<b>153 011</b>	<b>16 447</b>	-	-	-	<b>77</b>	-	<b>169 381</b>	<b>(16 447)</b>
<b>Investments in associates and joint ventures</b>	<b>22</b>	<b>116 532</b>	<b>411</b>	-	-	<b>9 247</b>	-	-	<b>107 696</b>	<b>8 836</b>
<b>Inventories</b>	<b>24</b>	<b>53 805</b>	<b>3 871</b>	-	<b>4 615</b>	<b>15</b>	-	-	<b>53 046</b>	<b>(3 856)</b>
<b>Other receivables</b>		<b>158 752</b>	<b>9 849</b>	<b>1 405</b>	<b>115</b>	<b>5 261</b>	<b>1 022</b>	<b>110</b>	<b>163 498</b>	<b>(4 588)</b>
<b>Provision for legal claims, loan commitments and guarantees granted</b>	<b>31</b>	<b>151 603</b>	<b>106 749</b>	<b>201</b>	-	<b>119 033</b>	<b>87</b>	-	<b>139 433</b>	<b>12 284</b>
<b>Provision for future liabilities</b>		<b>6 945</b>	<b>855</b>	-	<b>297</b>	<b>860</b>	-	-	<b>6 643</b>	<b>5</b>
<b>Total</b>		<b>7 730 890</b>	<b>1 715 952</b>	<b>15 138</b>	<b>435 216</b>	<b>1 302 494</b>	<b>130 690</b>	<b>12 566</b>	<b>7 581 014</b>	<b>(413 458)</b>

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)



Bank Polski

For the period ended 31 March 2013	Value at the beginning of the period	Increases			Decreases		Value at the end of the period	Net – impact on the income statement
		Recognised during the period	Currency translation differences	Other	Decrease due to derecognition of assets and settlement	Reversed during the period		
<b>Investment securities available for sale</b>	<b>23 243</b>	<b>142</b>	<b>8</b>	-	<b>5 536</b>	-	<b>17 857</b>	<b>(142)</b>
Debt securities available for sale	5 536	142	4	-	5 536	-	146	(142)
Equity securities	17 707	-	4	-	-	-	17 711	-
<b>Amounts due from banks</b>	<b>29 382</b>	<b>33</b>	-	<b>1 511</b>	-	-	<b>30 926</b>	<b>(33)</b>
<b>Loans and advances to customers measured at amortised cost</b>	<b>6 776 265</b>	<b>1 474 693</b>	<b>21 862</b>	<b>35 301</b>	<b>113 383</b>	<b>997 575</b>	<b>7 197 163</b>	<b>(477 118)</b>
Non-financial sector	6 606 755	1 459 567	20 771	34 746	112 292	992 222	7 017 325	(467 345)
corporate loans	3 458 562	793 688	16 515	8 360	61 563	464 346	3 751 216	(329 342)
consumer loans	1 431 689	357 517	650	8 780	42 956	275 553	1 480 127	(81 964)
housing loans	1 714 698	308 329	3 606	17 606	7 773	252 323	1 784 143	(56 006)
debt securities	1 806	33	-	-	-	-	1 839	(33)
Financial sector	25 376	345	1 091	512	-	1 731	25 593	1 386
corporate loans	25 376	345	1 091	512	-	1 731	25 593	1 386
Public sector	21 990	158	-	43	127	1 149	20 915	991
corporate loans	19 640	148	-	43	127	1 149	18 555	1 001
debt securities	2 350	10	-	-	-	-	2 360	(10)
Finance lease receivables	122 144	14 623	-	-	964	2 473	133 330	(12 150)
<b>Non-current assets held for sale</b>	<b>2 906</b>	<b>569</b>	-	-	-	-	<b>3 475</b>	<b>(569)</b>
<b>Tangible fixed assets</b>	<b>13 943</b>	<b>462</b>	<b>583</b>	-	-	-	<b>14 988</b>	<b>(462)</b>
<b>Intangible assets</b>	<b>142 313</b>	<b>3 166</b>	<b>13</b>	-	-	-	<b>145 492</b>	<b>(3 166)</b>
<b>Investments in associates and joint ventures</b>	<b>113 226</b>	<b>1 281</b>	-	-	-	<b>4 063</b>	<b>110 444</b>	<b>2 782</b>
<b>Inventories</b>	<b>31 504</b>	<b>309</b>	-	<b>406</b>	-	<b>9</b>	<b>32 210</b>	<b>(300)</b>
<b>Other receivables</b>	<b>128 446</b>	<b>12 487</b>	<b>184</b>	<b>238</b>	<b>4 030</b>	<b>9 948</b>	<b>127 377</b>	<b>(2 539)</b>
<b>Provision for legal claims, loan commitments and guarantees granted</b>	<b>233 682</b>	<b>21 621</b>	<b>2</b>	<b>14 267</b>	<b>282</b>	<b>49 246</b>	<b>220 044</b>	<b>27 625</b>
<b>Provision for future liabilities</b>	<b>11 961</b>	<b>1 164</b>	-	-	<b>131</b>	<b>7 103</b>	<b>5 891</b>	<b>5 939</b>
<b>Total</b>	<b>7 506 871</b>	<b>1 515 927</b>	<b>22 652</b>	<b>51 723</b>	<b>123 362</b>	<b>1 067 944</b>	<b>7 905 867</b>	<b>(447 983)</b>



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**10. Administrative expenses**

	01.01- 31.03.2014	01.01- 31.03.2013
Employee benefits	(588 721)	(610 058)
Overheads	(300 608)	(315 449)
Amortisation and depreciation, of which:	(166 881)	(137 870)
tangible fixed assets	(74 237)	(77 308)
intangible assets	(92 426)	(60 559)
investment properties	(218)	(3)
Taxes and other charges	(17 179)	(17 915)
Contribution and payments to the Bank Guarantee Fund	(52 371)	(38 435)
<b>Total</b>	<b>(1 125 760)</b>	<b>(1 119 727)</b>

**Wages and salaries/employee benefits**

	01.01- 31.03.2014	01.01- 31.03.2013
Wages and salaries, of which:	(482 726)	(498 220)
expenses on employee pension programme	(7 461)	-
Social Insurance, of which:	(89 962)	(93 527)
contributions to retirement pay and pensions	(81 729)	(83 686)
Other employee benefits	(16 033)	(18 311)
<b>Total</b>	<b>(588 721)</b>	<b>(610 058)</b>

**11. Income tax expense**

	01.01- 31.03.2014	01.01- 31.03.2013 restated
<b>Consolidated income statement</b>		
Current income tax expense	(186 869)	(157 848)
Deferred income tax related to creating and reversal of temporary differences	(17 475)	(13 836)
<b>Tax expense in the consolidated income statement</b>	<b>(204 344)</b>	<b>(171 684)</b>
Tax expense in other comprehensive income related to creating and reversal of temporary differences	(10 802)	17 651
<b>Total</b>	<b>(215 146)</b>	<b>(154 033)</b>

	31.03.2014	31.12.2013	31.03.2013
Deferred income tax asset	520 976	562 421	625 657
Deferred income tax liability	31 496	32 106	45 057
<b>Total</b>	<b>489 480</b>	<b>530 315</b>	<b>580 600</b>

In the first quarter of 2014 KREDOBANK SA conducted proceedings related to legal claims described below with the tax authority in Ukraine.

- The legal claim concerned recognition of the costs related to the transaction of selling loans in 2011, including factoring transactions between KREDOBANK SA and Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o. as tax deductible expenses by KREDOBANK SA (the tax authority questioned the legal basis treating the above mentioned costs as tax deductible).

Recognition of the decision of the tax authority would result in resolving deferred tax assets and the elimination of tax losses of KREDOBANK SA from previous years and the need to pay additional income tax up to UAH 62 909 thousand (PLN 16 941 thousand).

On 5 October 2012, KREDOBANK SA filed a claim against the basis of the inspection by the tax authority and applying for annulling the decision to pay income tax based on the inspection protocol. On 6 December 2012, the court of the first instance granted the complaint of KREDOBANK SA. On 21 March 2013, KREDOBANK SA obtained a legally valid judgment of the court of the second instance confirming the correctness of KREDOBANK SA's position.



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

The tax authority filed a motion for cassation of this judgment to the Higher Administrative Court.

On 19 November 2013, the Higher Administrative Court awarded the elimination of tax loss of KREDOBANK SA in the amount of UAH 1 084 316 thousand (PLN 292 006 thousand) within the factoring operations between KREDOBANK SA and Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o. On the other hand, within the transaction of sale of loans to legal entities and individuals (assignment agreement), the Court recognised the right of KREDOBANK SA to tax deductible costs resulting from the above mentioned transactions, recognised by the tax authority as invalid, maintaining the position of the lower courts on lack of competence of tax authorities to invalidate agreements. At the same time, the Court invalidated the tax decisions stating the tax liability occurrence.

The elimination of tax loss arising from the above mentioned judgment of the Higher Administrative Court resulted in recognition of income tax from legal entities in the amount of UAH 44 583 thousand (PLN 12 006 thousand) in the financial statements of KREDOBANK SA Group for 2013, prepared in accordance with IFRS, and due to the need to resolve deferred tax assets, recognition in the net profit in the amount of UAH 116 882 thousand (PLN 31 476 thousand). As a result of the above mentioned, the total equity of KREDOBANK SA Group was decreased by UAH 161 465 thousand (PLN 43 483 thousand).

Judgment of the Higher Administrative Court was based on the interpretation that the loans constitute material assets, i.e. goods, which, in the opinion of PKO Bank Polski SA and KREDOBANK SA, stands in clear contradiction with the law regulations in Ukraine and business practice, including international. Moreover, KREDOBANK SA and PKO Bank Polski SA held legal opinions, clearly confirming the correctness of tax returns in this area, made by KREDOBANK SA.

On 18 February 2014, KREDOBANK SA filed a claim for cassation of the Higher Administrative Court's judgment to the Supreme Court of Ukraine. On 7 March 2014 KREDOBANK SA received refusal decision from the Higher Administrative Court regarding the admission of cassation case for consideration by the Supreme Court of Ukraine.

- The legal claim concerns the results of tax audit, which covered the period from 1 April 2011 to 30 September 2012. Legal claims mainly concern recognition of the costs related to the transaction of selling loans in the period covered by the inspection as tax deductible expenses, the adequacy of recognition of impairment allowances on loans, the correctness of the settlement of VAT on property sales and withholding tax for the payment of fees for services.

The value of disputed claims amounted to UAH 877 thousand (PLN 236 thousand) and the amount of reducing tax loss from previous years - UAH 626 282 thousand (PLN 168 658 thousand). In February 2013, KREDOBANK SA paid a part of the legal claims in the total amount of UAH 439 thousand (PLN 118 thousand). This value is still included in subsequent appeal claims.

KREDOBANK SA appealed against the above mentioned tax decision consecutive to the Regional State Tax Service and The Ministry of Revenue and Duties of Ukraine, and these appeals were rejected.

On 2 August 2013, KREDOBANK SA filed a claim against the results of the inspection and applying for annulling the above mentioned tax decision. On 5 November 2013 the court of first instance issued a favourable verdict for KREDOBANK SA, which accepted a position of the Company, except the correctness of calculation of tax depreciation on tangible fixed assets in the total amount of UAH 336 thousand (PLN 90 thousand).

On 26 November 2013, the tax authority appealed to the court of second instance. On 2 April 2014 the court of appeal upheld the decision of the court of first instance favourable for KREDOBANK SA. The tax authority has applied motion for cassation of this judgment to the Higher Administrative Court.

## 12. Earnings per share

### Basic earnings per share

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

### Earnings per share

	01.01- 31.03.2014	01.01- 31.03.2013 restated
Profit per ordinary shareholder (in PLN thousand)	802 574	786 422
Weighted average number of ordinary shares during the period (in thousand)	1 250 000	1 250 000
Earnings per share (in PLN per share)	0.64	0.63

### Earnings per share from discontinued operations

In the periods ended 31 March 2014 and 31 March 2013 respectively, there were no material expenses or income from discontinued operations.

### Diluted earnings per share

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

In the first quarter of 2014 as well as in the first quarter of 2013, there were no dilutive instruments.

### Diluted earnings per share from discontinued operations

In the periods ended 31 March 2014 and 31 March 2013, the PKO Bank Polski SA Group did not report any material expenses or income from discontinued operations.



Bank Polski

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**13. Cash and balances with the central bank**

	31.03.2014	31.12.2013
Current account in the central bank	7 258 025	4 018 340
Cash	2 297 839	3 227 330
Other funds	156	450
<b>Total</b>	<b>9 556 020</b>	<b>7 246 120</b>

**14. Amounts due from banks**

	31.03.2014	31.12.2013
Deposits with banks	1 670 841	1 402 724
Current accounts	513 011	469 812
Receivables due from repurchase agreements	479 981	14 033
Loans and advances granted	49 192	34 338
Cash in transit	2 316 403	1 117
<b>Total</b>	<b>5 029 428</b>	<b>1 922 024</b>
Impairment allowances on receivables, of which:	(29 391)	(28 583)
impairment allowances on receivable from a foreign bank	(28 755)	(28 543)
<b>Net total</b>	<b>5 000 037</b>	<b>1 893 441</b>

**15. Trading assets**

By carrying amount	31.03.2014	31.12.2013
<b>Debt securities</b>	<b>1 478 050</b>	<b>467 931</b>
issued by the State Treasury, of which:	1 411 157	395 202
Treasury bonds PLN	1 402 306	390 660
Treasury bonds EUR	8 851	4 542
issued by local government bodies, municipal bonds PLN	45 151	41 907
issued by non-financial institutions, corporate bonds PLN	12 355	23 892
issued by other financial institutions, of which:	5 239	6 762
bonds issued by WSE PLN	5 195	6 628
corporate bonds PLN	44	134
issued by banks, of which:	4 148	168
BGK bonds PLN	104	158
<b>Shares in other entities - listed on stock exchanges</b>	<b>7 664</b>	<b>10 799</b>
<b>Investment certificates</b>	<b>3 707</b>	<b>1 151</b>
<b>Total</b>	<b>1 489 421</b>	<b>479 881</b>





**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**16. Derivative financial instruments**

**Derivative instruments used by the Group**

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

As at 31 March 2014 and as at 31 December 2013, the Group held the following types of derivative instruments:

	31.03.2014		31.12.2013	
	Assets	Liabilities	Assets	Liabilities
Hedging instruments	261 333	438 179	361 639	414 804
Other derivative instruments	2 485 870	2 642 509	2 639 221	2 913 407
<b>Total</b>	<b>2 747 203</b>	<b>3 080 688</b>	<b>3 000 860</b>	<b>3 328 211</b>

Type of contract	31.03.2014		31.12.2013	
	Assets	Liabilities	Assets	Liabilities
IRS	2 463 089	2 335 534	2 590 721	2 490 821
CIRS	144 530	526 114	252 941	545 073
Options	89 449	69 137	75 443	61 930
FX Swap	23 377	86 280	39 908	156 393
Forward	14 968	50 911	24 552	60 143
FRA	10 919	11 983	13 652	11 454
Other	871	729	3 643	2 397
<b>Total</b>	<b>2 747 203</b>	<b>3 080 688</b>	<b>3 000 860</b>	<b>3 328 211</b>

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

---

## **17. Derivative hedging instruments**

As at 31 March 2014 the Group applies the following hedging strategies:

### **17.1. 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 result** - April 2014 to October 2026.

### **17.2. Hedges against fluctuations in cash flows from floating interest rate loans in PLN, resulting from the risk of fluctuations in interest rates, using IRS transactions**

**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 result** - April 2014 to February 2019.

### **17.3. 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 result** - April 2014 to June 2016.

### **17.4. 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 result** - April 2014 to July 2016.

### **17.5. 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 currencies, 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.



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**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 a 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 result** - April 2014 to September 2022.

As at 31 March 2014 and as at 31 December 2013, 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.

**Cash flow hedges**

The fair value of derivative instruments constituting cash flow hedges related to the interest rate or foreign exchange rate as at 31 March 2014 and as at 31 December 2013:

Type of instrument:	Carrying amount/fair value			
	31.03.2014		31.12.2013	
	Assets	Liabilities	Assets	Liabilities
IRS	190 713	50	229 630	630
CIRS	70 620	438 129	132 009	414 174
<b>Total</b>	<b>261 333</b>	<b>438 179</b>	<b>361 639</b>	<b>414 804</b>

Other comprehensive income as regards cash flow hedges	01.01- 31.03.2014	01.01- 31.03.2013
Other comprehensive income at the beginning of the period, gross	(155 053)	64 074
Gains transferred to other comprehensive income in the period	858	(142 603)
Amount transferred from other comprehensive income to the income statement in the period	40 399	112 310
- interest income	(88 197)	(148 168)
- net foreign exchange gains	128 596	260 478
<b>Accumulated other comprehensive income at the end of the period, gross</b>	<b>(113 796)</b>	<b>33 781</b>
<b>Tax effect</b>	<b>21 621</b>	<b>(6 419)</b>
<b>Accumulated other comprehensive income at the end of the period, net</b>	<b>(92 175)</b>	<b>27 362</b>
<b>Ineffective part of cash flow hedges recognised in the income statement</b>	<b>3 425</b>	<b>2 009</b>
<b>Effect on other comprehensive income in the period, gross</b>	<b>41 257</b>	<b>(30 293)</b>
<b>Deferred tax on cash flow hedges</b>	<b>(7 839)</b>	<b>5 756</b>
<b>Effect on other comprehensive income in the period, net</b>	<b>33 418</b>	<b>(24 537)</b>

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

By carrying amount	31.03.2014	31.12.2013
<b>Debt securities</b>	<b>9 421 323</b>	<b>15 204 756</b>
issued by central banks, NBP money market bills	7 997 808	13 997 228
issued by the State Treasury, of which:	1 172 050	956 893
Treasury bonds PLN	1 153 417	931 325
Treasury bonds UAH	18 633	25 568
issued by local government bodies, of which:	251 465	250 635
municipal bonds EUR	142 412	136 700
municipal bonds PLN	109 053	113 935
<b>Total</b>	<b>9 421 323</b>	<b>15 204 756</b>



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**19. Loans and advances to customers**

	31.03.2014	31.12.2013	31.03.2013 restated
<b>Loans and advances to customers, gross, of which:</b>	<b>156 283 662</b>	<b>156 274 042</b>	<b>154 286 273</b>
<b>financial sector</b>	<b>1 788 293</b>	<b>2 986 731</b>	<b>1 738 526</b>
corporate, of which:	1 520 985	948 308	778 813
deposits of the Brokerage House of PKO Bank Polski SA in the Stock Exchange Guarantee Fund and initial deposit	17 808	19 339	15 552
receivables due from repurchase agreements	267 308	2 038 423	959 713
<b>non-financial sector</b>	<b>147 203 876</b>	<b>146 067 840</b>	<b>144 780 871</b>
housing	77 904 195	76 631 478	73 231 816
corporate	48 148 168	47 970 294	49 585 877
consumer	20 303 838	20 627 222	21 043 556
debt securities (corporate)	847 675	838 846	919 622
<b>public sector</b>	<b>7 291 493</b>	<b>7 219 471</b>	<b>7 766 876</b>
corporate	6 310 225	6 135 647	6 582 643
debt securities (municipal)	981 268	978 159	1 180 078
housing	-	-	4 155
receivables due from repurchase agreements	-	105 665	-
<b>Impairment allowances on loans and advances</b>	<b>(6 622 797)</b>	<b>(6 650 780)</b>	<b>(7 197 163)</b>
<b>Loans and advances to customers, net</b>	<b>149 660 865</b>	<b>149 623 262</b>	<b>147 089 110</b>

<b>By client segment*</b>	31.03.2014	31.12.2013	31.03.2013 restated
<b>Loans and advances granted, gross, of which:</b>	<b>156 283 662</b>	<b>156 274 042</b>	<b>154 286 273</b>
mortgage banking	70 515 666	68 943 625	65 258 916
corporate	40 709 651	40 393 713	43 010 670
small and medium enterprises	24 469 390	24 146 055	23 997 483
retail and private banking	20 303 839	20 627 222	21 043 556
receivables due from repurchase agreements	267 308	2 144 088	959 713
other receivables	17 808	19 339	15 935
<b>Impairment allowances on loans and advances</b>	<b>(6 622 797)</b>	<b>(6 650 780)</b>	<b>(7 197 163)</b>
<b>Loans and advances granted, net</b>	<b>149 660 865</b>	<b>149 623 262</b>	<b>147 089 110</b>

\* As of 2014 the change in presentation consisting in the inclusion of housing market clients in the small and medium enterprises segment (data for 2013 have been brought to comparability).

The structure of loans and advances presented in note includes the following segmentation:

- corporate loans of financial institutions (i.e. e.g. leasing companies, insurance companies, investment companies) include corporate banking,
- housing loans include loans of mortgage banking, housing market clients, corporate client segment and small and medium enterprises as regards to products intended for housing purposes,
- corporate loans of non-financial entities, depending on the size of the entity, include loans for small and medium enterprises, housing market loans and corporate loans granted to corporate entities for non-housing purposes,
- consumer loans include retail and private banking,
- corporate loans of State budget entities include corporate banking loans,
- reclassified debt securities are included in the corporate client segment.



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

Loans and advances to customers by method of calculating allowances	31.03.2014	31.12.2013	31.03.2013 restated
Assessed on an individual basis	7 219 803	7 336 985	8 862 327
Impaired, of which:	5 289 256	5 532 429	6 916 500
finance lease receivables	158 885	134 027	132 249
Not impaired, of which:	1 930 547	1 804 556	1 945 827
finance lease receivables	262 065	193 560	144 772
Assessed on a portfolio basis	7 332 847	7 328 923	7 293 788
Impaired, of which:	7 332 847	7 328 923	7 293 788
finance lease receivables	111 278	115 883	140 354
Assessed on a group basis (IBNR), of which:	141 731 012	141 608 134	138 130 158
finance lease receivables	3 817 883	3 793 700	3 308 682
<b>Loans and advances to customers, gross</b>	<b>156 283 662</b>	<b>156 274 042</b>	<b>154 286 273</b>
Allowances on exposures assessed on an individual basis	(2 169 136)	(2 292 218)	(2 899 777)
Impaired, of which:	(2 152 549)	(2 276 093)	(2 825 933)
allowances on lease receivables	(48 732)	(46 430)	(42 236)
Allowances on exposures assessed on a portfolio basis, of which:	(3 931 453)	(3 772 723)	(3 791 139)
allowances on lease receivables	(77 069)	(75 355)	(77 126)
Allowances on exposures assessed on a group basis (IBNR), of which:	(522 208)	(585 839)	(506 247)
allowances on lease receivables	(12 327)	(10 898)	(13 969)
<b>Allowances - total</b>	<b>(6 622 797)</b>	<b>(6 650 780)</b>	<b>(7 197 163)</b>
<b>Loans and advances to customers, net</b>	<b>149 660 865</b>	<b>149 623 262</b>	<b>147 089 110</b>

As at 31 March 2014, the share of impaired loans amounted to 8.1% (as at 31 December 2013: 8.2%), whereas the coverage ratio for impaired loans (calculated as total impairment allowances on receivables divided by gross carrying amount of impaired loans) amounted to 52.5% (as at 31 December 2013: 51.7%).

As at 31 March 2014, the share of loans overdue by more than 90 days in the gross amount of loans and advances was 5.6% (as at 31 December 2013: 5.9%).

## 20. Investment securities available for sale

	31.03.2014	31.12.2013
<b>Debt securities available for sale, gross</b>	<b>16 609 800</b>	<b>13 870 733</b>
issued by the State Treasury	11 557 418	8 818 500
Treasury bonds PLN	11 499 612	8 616 517
Treasury bonds USD	57 765	181 823
Treasury bonds UAH	41	20 160
issued by local government bodies, municipal bonds PLN	3 447 678	3 440 753
issued by non-financial institutions	1 016 033	1 000 549
corporate bonds PLN	1 016 033	1 000 549
issued by banks, corporate bonds	588 671	610 931
corporate bonds PLN	556 093	558 814
corporate bonds UAH	32 578	52 117
<b>Impairment allowances of debt securities available for sale</b>	<b>(3 342)</b>	<b>(3 296)</b>
corporate bonds PLN	(3 342)	(3 296)
<b>Total net debt securities available for sale</b>	<b>16 606 458</b>	<b>13 867 437</b>
<b>Equity securities available for sale, gross</b>	<b>237 632</b>	<b>235 800</b>
Equity securities not admitted to public trading	175 783	161 514
Equity securities admitted to public trading	61 849	74 286
<b>Impairment allowances of equity securities available for sale</b>	<b>(17 677)</b>	<b>(30 159)</b>
<b>Total net equity securities available for sale</b>	<b>219 955</b>	<b>205 641</b>
<b>Total net investment securities available for sale</b>	<b>16 826 413</b>	<b>14 073 078</b>

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**



Bank Polski

**21. Investment securities held to maturity**

	31.03.2014	31.12.2013
<b>Debt securities</b>		
issued by the State Treasury	179 375	26 886
issued by banks	-	11 119
<b>Total</b>	<b>179 375</b>	<b>38 005</b>

**22. Investments in associates and joint ventures**

- 1) the value of the PKO Bank Polski SA Group's investments in joint ventures (i.e. the acquisition cost adjusted to share in the net assets change after acquisition date and potential impairment allowances)

Entity name	31.03.2014	31.12.2013
<b>The CENTRUM HAFFNERA Sp. z o.o. Group*</b>	-	-
Purchase price	-	44 371
Change in valuation with equity method	-	(38 136)
Impairment allowances	-	(6 235)
<b>Centrum Obsługi Biznesu Sp. z o.o.</b>	<b>5 051</b>	<b>5 380</b>
Purchase price	17 498	17 498
Change in valuation with equity method	(12 447)	(12 118)
<b>Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.</b>	<b>200 690</b>	<b>197 592</b>
Fair value of the remaining part of share	197 592	197 592
Fair value adjustments	(272)	-
Change in valuation with equity method	3 370	-
<b>Total</b>	<b>205 741</b>	<b>202 972</b>

\* Subsidiary since 20 January 2014

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

Entity name	31.03.2014	31.12.2013
<b>The Bank Pocztowy SA Group</b>	<b>106 720</b>	<b>106 720</b>
Purchase price	146 500	146 500
Change in valuation with equity method	62 001	65 013
Impairment allowances	(101 781)	(104 793)
<b>Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.</b>	-	-
Purchase price	1 500	1 500
Change in valuation with equity method	4 415	4 004
Impairment allowances	(5 915)	(5 504)
<b>Total</b>	<b>106 720</b>	<b>106 720</b>



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**23. Non-current assets held for sale**

	01.01- 31.03.2014	01.01- 31.03.2013
<b>Gross value of non-current assets held for sale at the beginning of the period</b>	<b>537 559</b>	<b>23 316</b>
<b>Increases, of which:</b>	<b>6 073</b>	<b>1 348</b>
reclassification from tangible fixed assets to non-current assets held for sale, land and buildings	5 990	1 348
increase in receivables of Inter Risk Ukraina Additional liability company classified to non-current assets held for sale	83	-
<b>Decreases, of which:</b>	<b>(136 872)</b>	<b>(391)</b>
sale	(1 271)	(391)
decrease in receivables of Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o. classified to non-current assets held for sale	(127 023)	-
reclassification from non-current assets held for sale to tangible fixed assets	(8 578)	-
<b>Gross value of non-current assets held for sale at the end of the period</b>	<b>406 760</b>	<b>24 273</b>
<b>Impairment allowances at the beginning of the period</b>	<b>(365 340)</b>	<b>(2 906)</b>
<b>Increases, of which:</b>	<b>(1 166)</b>	<b>(569)</b>
recognised during the period	(180)	(569)
other increases in impairment allowances on loans and advances to customers of Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o. classified to non-current assets held for sale	(986)	-
<b>Decreases, of which:</b>	<b>107 209</b>	<b>-</b>
released during the period	212	-
other decreases in impairment allowances on loans and advances to customers of Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o. classified to non-current assets held for sale	106 997	-
<b>Impairment allowances at the end of the period</b>	<b>(259 297)</b>	<b>(3 475)</b>
<b>Net carrying amount at the beginning of the period</b>	<b>172 219</b>	<b>20 410</b>
<b>Net carrying amount at the end of the period</b>	<b>147 463</b>	<b>20 798</b>

**24. Inventories**

Carrying amount of inventories by kind	31.03.2014	31.12.2013
Finished goods – construction investments	318 636	313 470
Supplies	241 780	212 970
Work-in-progress – construction investments	136 070	168 152
Materials	16 240	8 854
Impairment allowances on inventories	(53 046)	(53 805)
<b>Total</b>	<b>659 680</b>	<b>649 641</b>

Inventories in the Group relate mainly to expenses on real estate development incurred by the Group entities which scope of activity relates to real estate development.

**25. Intangible assets and tangible fixed assets**

Intangible assets	31.03.2014	31.12.2013
Software	1 771 642	1 763 575
Goodwill acquired as a result of business combinations (including subsidiaries' goodwill)	235 674	218 850
Other, including capital expenditure	182 469	247 797
<b>Total</b>	<b>2 189 785</b>	<b>2 230 222</b>



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

<b>Tangible fixed assets</b>	<b>31.03.2014</b>	<b>31.12.2013</b>
Land and buildings	1 748 268	1 627 309
Machinery and equipment	522 760	497 121
Means of transport	74 531	76 003
Assets under construction	93 540	140 907
Investment properties	89 290	114 589
Other	168 024	155 304
<b>Total</b>	<b>2 696 413</b>	<b>2 611 233</b>

**26. Amounts due to banks**

	<b>31.03.2014</b>	<b>31.12.2013</b>
Loans and advances received	2 564 487	2 606 482
Bank deposits	828 093	959 712
Amounts due from repurchase agreements	787 631	38 628
Current accounts	153 559	116 145
Other money market deposits	37 199	26 370
<b>Total</b>	<b>4 370 969</b>	<b>3 747 337</b>

In the three-month period ended 31 March 2014 loans and advances received are paid on a timely manner and with no violations of significant provisions of loans or advances agreements.

**27. Amounts due to customers**

	<b>31.03.2014</b>	<b>31.12.2013</b>
<b>Amounts due to retail clients</b>	<b>117 791 920</b>	<b>116 464 089</b>
Term deposits	63 969 720	63 467 675
Current accounts and overnight deposits	53 598 189	52 776 151
Other liabilities	224 011	220 263
<b>Amounts due to corporate entities</b>	<b>29 537 464</b>	<b>31 966 616</b>
Current accounts and overnight deposits	13 236 555	13 076 978
Term deposits	12 115 330	13 426 892
Loans and advances received	2 877 169	2 863 651
Amounts due from repurchase agreements	279 117	1 647 950
Other liabilities	1 029 293	951 145
<b>Amounts due to State budget entities</b>	<b>5 343 301</b>	<b>3 473 476</b>
Current accounts and overnight deposits	3 443 205	3 018 628
Term deposits	1 888 498	430 639
Other liabilities	11 598	24 209
<b>Total</b>	<b>152 672 685</b>	<b>151 904 181</b>

In the three-month period ended 31 March 2014 loans and advances received are paid on a timely manner and with no violations of significant provisions of loans or advances agreements.

<b>By client segment*</b>	<b>31.03.2014</b>	<b>31.12.2013</b>
<b>Amounts due to customers, of which:</b>		
retail and private banking	113 202 946	111 290 272
corporate	22 178 107	21 062 058
small and medium enterprises	14 135 346	15 040 250
loans and advances received	2 877 169	2 863 651
amounts due from repurchase agreements	279 117	1 647 950
<b>Total</b>	<b>152 672 685</b>	<b>151 904 181</b>

\* As of 2014 the change in presentation consisting in the inclusion of housing market clients in the small and medium enterprises segment (data for 2013 have been brought to comparability).

The structure of liabilities presented in Note includes the following segmentation:

- amounts due to retail clients include retail and private banking,
- amounts due to corporate entities include corporate client segment (excluding State budget entities), small and medium enterprises segment, housing market clients segment,
- amounts due to State budget entities include corporate client segment – State budget entities.





**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**28. Debt securities in issue**

	31.03.2014	31.12.2013
<b>Debt securities in issue</b>		
Financial instruments measured at amortised cost	12 482 045	10 255 937
bonds issued by PKO Finance AB	11 308 179	9 129 100
bonds issued by PKO Bank Polski SA	697 320	692 614
bonds issued by PKO Leasing SA	476 546	434 223
Financial instruments measured at fair value through profit and loss		
- bank securities issued by PKO Bank Polski SA	211 937	290 509
<b>Total</b>	<b>12 693 982</b>	<b>10 546 446</b>

In the three-month period of 2014 the Bank did not issue bank securities and bank bonds classified respectively as liabilities designated to be measured at fair value through profit and loss, in accordance with IAS 39.11A.a and measured at amortised cost. In the first quarter of 2014, bank securities and bank bonds at a nominal value of PLN 73 533 thousand were redeemed.

In the three-month period of 2014 PKO Finance AB issued bonds at a nominal value of PLN 500 000 thousand, PKO Leasing SA issued bonds at a nominal value of PLN 600 000 thousand and redeemed bonds at a nominal value of PLN 475 000 thousand. As at 31 March 2014, the Company's debt in respect of the bonds issued amounted to PLN 600 000 thousand (at a nominal value) of which the debt due to the Bank amounted to PLN 120 840 thousand (at a nominal value).

**29. Subordinated liabilities**

31 March 2014

Subordinated liabilities	Nominal value	Currency	Interest rate (%)	Maturity date	Carrying amount
Subordinated bonds	1 600 700	PLN	4.38%	14.09.2022	1 603 540

31 December 2013

Subordinated liabilities	Nominal value	Currency	Interest rate (%)	Maturity date	Carrying amount
Subordinated bonds	1 600 700	PLN	4.37%	14.09.2022	1 620 857

**30. Other liabilities**

	31.03.2014	31.12.2013	31.03.2013 restated
Accounts payable	400 346	481 836	343 305
Deferred income	362 427	358 464	318 943
Other liabilities	1 690 293	1 706 937	1 549 572
<b>Total</b>	<b>2 453 066</b>	<b>2 547 237</b>	<b>2 211 820</b>
of which financial liabilities	1 895 326	2 004 459	1 666 311



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**31. Provisions**

For the period ended 31 March 2014	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 2014, of which:</b>	<b>36 289</b>	<b>35 739</b>	<b>115 314</b>	<b>133 528</b>	<b>320 870</b>
<b>Short term provision</b>	<b>36 289</b>	<b>2 458</b>	<b>88 464</b>	<b>133 528</b>	<b>260 739</b>
<b>Long term provision</b>	<b>-</b>	<b>33 281</b>	<b>26 850</b>	<b>-</b>	<b>60 131</b>
Increase/reassessment of provision	601	-	106 148	2 019	108 768
Release of provision	(1 625)	-	(117 408)	(17 761)	(136 794)
Use of provision	-	-	-	(1 371)	(1 371)
Currency translation differences	(84)	-	(3)	-	(87)
Other changes and reclassifications	-	-	201	-	201
<b>As at 31 March 2014, of which:</b>	<b>35 181</b>	<b>35 739</b>	<b>104 252</b>	<b>116 415</b>	<b>291 587</b>
<b>Short term provision</b>	<b>35 181</b>	<b>2 457</b>	<b>74 980</b>	<b>116 415</b>	<b>229 033</b>
<b>Long term provision</b>	<b>-</b>	<b>33 282</b>	<b>29 272</b>	<b>-</b>	<b>62 554</b>

\* Included in 'Other provisions' are i.a.: restructuring provision of PLN 79 891 thousand and provision of PLN 1 701 thousand for potential claims on impaired loan portfolios sold.

For the period ended 31 March 2013	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 2013 (restated), of which:</b>	<b>22 678</b>	<b>431 210</b>	<b>211 004</b>	<b>72 314</b>	<b>737 206</b>
<b>Short term provision</b>	<b>22 678</b>	<b>36 233</b>	<b>145 066</b>	<b>72 314</b>	<b>276 291</b>
<b>Long term provision</b>	<b>-</b>	<b>394 977</b>	<b>65 938</b>	<b>-</b>	<b>460 915</b>
Increase/reassessment of provision	252	-	21 369	2 658	24 279
Release of provision	(299)	(6 240)	(48 947)	(19 877)	(75 363)
Use of provision	(282)	-	-	(1 761)	(2 043)
Currency translation differences	6	-	(4)	-	2
Other changes and reclassifications	13 950	-	317	3	14 270
<b>As at 31 March 2013 (restated), of which:</b>	<b>36 305</b>	<b>424 970</b>	<b>183 739</b>	<b>53 337</b>	<b>698 351</b>
<b>Short term provision</b>	<b>36 305</b>	<b>29 993</b>	<b>154 212</b>	<b>53 337</b>	<b>273 847</b>
<b>Long term provision</b>	<b>-</b>	<b>394 977</b>	<b>29 527</b>	<b>-</b>	<b>424 504</b>

\* Included in 'Other provisions' are i.a.: restructuring provision of PLN 46 389 thousand and provision of PLN 2 494 thousand for potential claims on impaired loan portfolios sold.

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



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

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

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

As at 31 March 2014 and as at 31 December 2013, the Group's underwriting agreements covered the following securities (maximum liability of the PKO Bank Polski SA Group to acquire securities):

Issuer of securities underwritten	Type of underwritten securities	Off-balance sheet liabilities resulting from underwriting agreement	Contract period	Sub-issue type
<b>As at 31 March 2014</b>				
Company A	corporate bonds	1 633 000	15.06.2022	Bonds Issue Agreement*
Company B	corporate bonds	800 000	31.07.2015	Bonds Issue Agreement*
Company C	corporate bonds	50 000	19.12.2022	Bonds Issue Agreement*
Company D	corporate bonds	35 848	31.12.2022	Bonds Issue Agreement*
<b>Total</b>		<b>2 518 848</b>		
<b>As at 31 December 2013</b>				
Company A	corporate bonds	1 633 000	15.06.2022	Bonds Issue Agreement*
Company B	corporate bonds	800 000	31.07.2015	Bonds Issue Agreement*
Company C	corporate bonds	50 000	19.12.2022	Bonds Issue Agreement*
Company D	corporate bonds	34 000	31.12.2022	Bonds Issue Agreement*
Company E	corporate bonds	24 238	29.06.2018	Bonds Issue Agreement*
Company F	corporate bonds	13 410	31.10.2017	Bonds Issue Agreement*
<b>Total</b>		<b>2 554 648</b>		

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

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

**32.2 Contractual commitments**

As at 31 March 2014 the value of contractual commitments concerning intangible assets amounted to PLN 258 874 thousand (as at 31 December 2013 amounted to PLN 347 636 thousand).

As at 31 March 2014 the value of contractual commitments concerning tangible fixed assets amounted to PLN 19 931 thousand (as at 31 December 2013 amounted to PLN 48 629 thousand).

**32.3 Loan commitments granted**

by nominal value	31.03.2014	31.12.2013
<b>Credit lines and limits</b>		
to financial entities	868 339	737 531
to non-financial entities	30 443 732	30 203 660
to State budget entities	3 031 972	3 269 584
<b>Other*</b>	4 528 212	-
<b>Total</b>	<b>34 344 043</b>	<b>34 210 775</b>
<b>of which: irrevocable loan commitments</b>	<b>12 102 796</b>	<b>7 708 424</b>

\* Item 'Other' includes liability arising from the purchase transaction of selected assets of the Nordea Bank AB (publ) Group.



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**Guarantee liabilities granted**

	31.03.2014	31.12.2013
<b>Guarantees in domestic and foreign trading</b>	<b>7 368 461</b>	<b>6 227 396</b>
to financial entities	38 524	64 444
to non-financial entities	7 319 972	6 151 081
to State budgeted entities	9 965	11 871
<b>Guarantees and pledges granted – domestic corporate bonds</b>	<b>3 491 648</b>	<b>3 466 648</b>
to non-financial entities	3 491 648	3 466 648
<b>Letters of credit granted</b>	<b>544 180</b>	<b>491 768</b>
to non-financial entities	544 081	491 669
to State budgeted entities	99	99
<b>Guarantees and pledges granted – payment guarantee</b>	<b>14 250</b>	<b>117 420</b>
to financial entities	14 250	117 420
<b>Guarantees and pledges granted – domestic municipal bonds</b>	<b>99 728</b>	<b>83 773</b>
to State budgeted entities	99 728	83 773
<b>Total</b>	<b>11 518 267</b>	<b>10 387 005</b>

**32.4 Off-balance sheet liabilities received**

<b>By nominal value</b>	<b>31.03.2014</b>	<b>31.12.2013</b>
Financial	569 451	369 303
Guarantees	3 090 285	2 570 701
<b>Total</b>	<b>3 659 736</b>	<b>2 940 004</b>

**Assets pledged as collateral for contingent liabilities**

As at 31 March 2014 and as at 31 December 2013 the Group had no assets pledged as collateral.

**33. Legal claims**

As at 31 March 2014, the total value of court proceedings in which the PKO Bank Polski SA Group entities (including the Bank) are a defendant was PLN 349 122 thousand, of which PLN 9 707 thousand referred to court proceedings in Ukraine (as at 31 December 2013 the total value of the above mentioned court proceedings was PLN 342 658 thousand), while as at 31 March 2014 the total value of court proceedings in which the Group entities (including the Bank) are the plaintiff was PLN 456 763 thousand, of which PLN 132 479 thousand referred to court proceedings in Ukraine, mainly related to collection of loans granted by KREDOBANK SA (as at 31 December 2013 the total value of the above mentioned court proceedings was PLN 525 949 thousand). The information above does not include legal claims of KREDOBANK SA concerning taxes described in Note 11 'Income tax expense'.

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

**a) Unfair competition proceedings**

The Bank is a party to proceeding before the Court for the Competition and Consumer Protection (SOKiK) initiated on the basis of a decision dated 23 April 2001 of the President of the Competition and Consumer Protection Office (Urząd Ochrony Konkurencji i Konsumentów - UOKiK) upon request of the Polish Trade and Distribution Organisation – Employers' Association (Polska Organizacja Handlu i Dystrybucji - Związek Pracodawców) against the operators of the Visa and Europay payment systems and the banks - issuers of Visa and Europay/Eurocard/Mastercard cards. The claims under these proceedings relate to the use of practices limiting competition on the market of payment card payments in Poland, consisting of mutually agreeing of interchange fee for transactions made using Visa and Europay/Eurocard/Mastercard cards as well as limiting access to this market for external entities. On 29 December 2006, UOKiK decided that the practices, consisting of mutually agreeing 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 SOKiK. On 20 December 2011 a hearing was held during which no factual resolution of the appeals was reached. The Court obligated MasterCard to submit explanations concerning the issue and set the date for another sitting of the Court for 9 February 2012, which upon the application of the plaintiffs' attorney was postponed for 24 April 2012 and afterwards SOKiK postponed announcing the resolution on the request for suspension of the case 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 Court of Justice of the European Union received the appeal of MasterCard against the verdict of the EU Court of 24 May 2012 rejecting the appeal of MasterCard. On 25 October 2012, the Court of Appeal in Warsaw changed the decision of 8 May 2012 and dismissed the motion of MasterCard for suspending the proceedings. The court's decision in this case the Bank's attorney received in January 2013 and in February 2013, court files were transferred to the court of first instance. Currently, the case is subject to re-proceeding by SOKiK.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**



Bank Polski

The hearing was on 29 October 2013 and on 21 November 2013 the judgement was announced, by which SOKiK reduced the penalty imposed on the Bank to the amount of PLN 10 085 thousand. The judgement is invalid. On 7 February 2014 the judgement was appealed. As at 31 March 2014 the Bank had a provision in the amount of PLN 10 359 thousand (the position 'Provisions' in the statement of financial position).

**b) Additionally, as at 31 March 2014 the Bank is a party to i.a. the following proceedings:**

before SOKiK as a result of appealing against decision of the President of UOKiK

- 1) of 19 December 2012 under which the President of UOKiK imposed a fine on the Bank in the total amount of PLN 14 697 thousand, of which:
  - a) PLN 7 111 thousand for not indicating in the IKE agreements responsibilities of the Bank for timely and proper carrying out the monetary settlements and the amount of compensation for the delay in execution of a holder instruction,
  - b) PLN 4 741 thousand for application in the form of IKE agreements, an open list of termination conditions,
  - c) PLN 2 845 thousand for application a clause, entered in the register, defining a court for claims with consumers with jurisdiction over the seat of PKO Bank Polski SA's branch, carrying the IKE deposit account.

filed by the law office representing the Bank. The case before the court is in progress, there was only exchange of correspondence between the parties. As at 31 March 2014 the Bank had a provision of PLN 4 000 thousand (item 'Provisions') for above amounts.

- 2) of 28 December 2012 under which the President of UOKiK imposed a fine on the Bank in the amount of PLN 2 845 thousand (for use 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), filed by the law office representing the Bank. The case before court is in progress, there was only exchange of correspondence between the parties. As at 31 March 2014 the Bank had a provision of PLN 2 845 thousand (item 'Provisions') for above amounts.
- 3) of 31 December 2013, under which the Bank's activities relating to floating interest clause and information form included in forms of consumer loan agreements were considered as practices violating collective interests of consumers and a fine in the amount of PLN 17 235 617 and PLN 11 828 365 was imposed on the Bank filed by the law office representing the Bank. The case before court is in progress, there was only exchange of correspondence between the parties. As at 31 March 2014 the Bank had a provision of PLN 10 000 thousand (item 'Provisions') for above amounts.

before SOKiK initiated by the individual

the recognition as abusive the Tariff of fees and charges in sections providing for fees for the monitoring and collection activities in relation to customers delaying the repayment of current debt. The Bank responded to the lawsuit and retorted for another pleading. In this case there is no risk of imposing financial penalties on the Bank. There is a risk of entering the provisions relating to monitoring and collection fees into the Register of Prohibited Clauses kept by the President of UOKiK.

before SOKiK initiated by the President of UOKiK

to determine some of the provisions in the forms of consumer loan agreements to be illegal.

The case before court is in progress, there was only exchange of correspondence between the parties. There is no risk of imposing financial penalties on the Bank.

before the Court of Appeal

3 claims brought before SOKiK by an individual – the customer concerning the abstract control of forms (on recognition of provisions of housing loan agreements concluded with the Bank in 2001 and in 2003 and the Rules of current account of 1997, modified in 1998 to be abusive. The Bank responded to the lawsuit. The first hearing was held on 2 July 2013. Court judgment of 9 July 2013 dismissed the claim against the Bank in all three cases. The plaintiff filed an appeal against the above mentioned judgment.

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

before the President of UOKiK

- 1) preliminary proceedings of December 2013, to determine whether the manner of offering mortgage loans by the Bank under the 'Autumn promotion of mortgage loans' ('Jesienna promocja kredytów hipotecznych') may constitute a practice which violates the collective interests of consumers – there is a risk of imposing financial penalties by decision, case is in progress,
- 2) preliminary proceedings concerning providing by banks the information constituting the bank secrecy – there is a risk of imposing financial penalties by decision, case is progress,
- 3) a proceeding initiated on 28 February 2014, to determine, whether documents sent to UOKiK in relation to DDK -62-22/06/KB and DDK -405-24/08/MW cases included business secrecy – in the Bank's assessment there is no risk of imposing financial penalty by decision, case is in progress,
- 4) a proceeding initiated on 05 March 2014, to determine whether the Bank exercised the UOKiK decision of 12 December 2008 concerning 'Max Lokata' – there is a risk of imposing financial penalty by decision, if UOKiK considers, that obligation was improperly exercised – there is a risk of imposing financial penalties by decision, case is in progress,
- 5) preliminary proceedings initiated on 23 January 2014 in relation to provisions in agreement forms for bank accounts regulating the issues of power of attorney – there is a risk of imposing financial penalties by decision, case in progress.

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

As at the date of these financial statements, six administrative and court-administrative proceedings are pending to invalidate 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 unfavourable outcome for the Group may result in re-privatisation claims being raised and one administrative proceeding for the establishment of perpetual usufruct right to a property owned by the Bank. Given the current status of these proceedings as regards stating the invalidity of decisions and verdicts of public administration bodies, it is not possible to assess their potential negative financial effects for the Bank. Moreover, with respect to three properties of the Bank, claims pertaining to release or return the property and regulation of the legal status of the property, were submitted by their former owners (court and administrative proceedings are pending).



Bank Polski

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

The proceedings 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 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 proceedings was filed on 23 May 2012 on behalf of the Bank. During the hearing on 18 December 2012, the Regional Administrative Court in Warsaw granted the Bank the right to participate in the proceedings due to the fact that the rights to the property in question had been transferred to the Bank. After the hearing on 7 May 2013, the Court dismissed the complaint. The judgement may be appealed against to the Supreme Administrative Court. A copy of the judgment together with the explanation was served for the Bank on 20 June 2013. A cassation complaint was prepared and made.

In the opinion of the Management Board of PKO Bank Polski SA, the probability of significant claims arising against the Bank in 2014 in relation to the above mentioned proceedings is moderate.

### 34. Supplementary information to the statement of cash flows

#### Cash and cash equivalents

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

	31.03.2014	31.12.2013	31.03.2013
Cash and balances with the central bank	9 556 020	7 246 120	7 759 248
Current receivables from banks	4 635 619	1 638 619	1 031 399
<b>Total</b>	<b>14 191 639</b>	<b>8 884 739</b>	<b>8 790 647</b>

### 35. 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 2014

Entity	Receivables	of which loans	Liabilities	Total income	of which interest and fee and commission	Total expense	of which interest and fee and commission	Off-balance sheet liabilities granted
Bank Pocztowy SA	-	-	1 702	15	15	1 726	1 726	2 298
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	559	-	47 504	1 281	1 078	10 459	10 403	5 000
Centrum Obsługi Biznesu Sp. z o.o.	29 287	29 287	14 770	453	453	65	65	-
Centrum Operacyjne Sp. z o.o.	-	-	5	-	1	1	-	-
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	-	6 275	-	-	-	-	-
<b>Total</b>	<b>29 846</b>	<b>29 287</b>	<b>70 256</b>	<b>1 749</b>	<b>1 547</b>	<b>12 251</b>	<b>12 194</b>	<b>7 298</b>

#### 31 December 2013

Entity	Receivables	of which loans	Liabilities	Total income	of which interest and fee and commission	Total expense	of which interest and fee and commission	Off-balance sheet liabilities granted
Bank Pocztowy SA	6	-	1 003	63	56	1 835	-	2 374
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	1 100	-	50 551	33 535	32 798	112 864	105 379	5 000
CENTRUM HAFFNERA Sp. z o.o.	-	-	1 234	7	7	-	-	-
Centrum Majkowskiego Sp. z o.o. in liquidation	-	-	38	6	6	-	-	-
Centrum Obsługi Biznesu Sp. z o.o.	29 463	29 463	16 066	905	905	352	352	-
Centrum Operacyjne Sp. z o.o.	-	-	11	3	3	-	-	-
Kamienica Morska Sp. z o.o. in liquidation	-	-	-	6	6	-	-	-
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	-	12 555	2	2	724	724	-
Promenada Sopotka Sp. z o.o.	44 377	44 377	4 811	1 000	1 000	32	32	-
Sopot Zdrój Sp. z o.o.	219 698	219 698	-	4 847	4 847	84	84	-
<b>Total</b>	<b>294 644</b>	<b>293 538</b>	<b>86 269</b>	<b>40 374</b>	<b>39 630</b>	<b>115 891</b>	<b>106 571</b>	<b>7 374</b>

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**



Bank Polski

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

In the first quarter of 2014 the following events affecting the structure of the PKO Bank Polski SA Group took place:

Changes in organisation of subordinated entities:

#### **1) Concerning the new company – Polski Standard Płatności Sp. z o.o.**

On 13 January 2014, a new company – Polski Standard Płatności Sp. z o.o. was registered with the National Court Register. The share capital of the Company amounts to PLN 2 271 thousand and consists of 45 420 shares, each of PLN 50 nominal value. All shares of the Company were acquired by PKO Bank Polski SA for a price equal to the nominal value of the shares taken up.

The Company was established as part of a project, conducted jointly with partner banks, concerning building the new mobile payments standard in Poland, based on implemented in 2013 by PKO Bank Polski SA innovative mobile payment solution 'IKO'.

#### **2) Concerning the CENTRUM HAFFNERA Sp. z o.o. Group**

On 20 January 2014, a decrease in share capital of CENTRUM HAFFNERA Sp. z o.o., through redemption of shares owned by the Shareholder – the City of Sopot, was registered with the National Court Register. The share capital of the Company amounts to PLN 60 801 thousand and consist of 121 602 shares, each of PLN 500 nominal value.

As a result of the above mentioned transaction the Bank holds shares of above mentioned Company constituting 72.98% of the share capital and entitling to 72.98% of the votes at General Shareholders' Meeting. Due to the start of exercising control over the Company, the Company became a subsidiary of PKO Bank Polski SA, and its subsidiaries – became indirect subsidiaries of the Bank.

On 24 January 2014 Kamienica Morska Sp. z o.o. in liquidation – a subsidiary of CENTRUM HAFFNERA Sp. z o.o. – was removed from the National Court Register.

#### **3) Concerning the KREDOBANK SA Group**

On 5 February 2014, PKO Bank Polski SA has made a capital contribution to KREDOBANK SA by providing financial donation in the amount of USD 6 020 thousand (i.e. PLN 18 656 thousand at the average NBP exchange rate as at the date of funds transfer). Above mentioned donation increases the Company's shares purchase price in the statement of financial position of PKO Bank Polski SA.

An increase in the share capital of Finansowa Kompania 'Idea Kapital' Sp. z o.o. of UAH 1 400 thousand, carried out by increasing the nominal value of the Company's share and acquired by KREDOBANK SA – the current sole shareholder of above mentioned Company, was registered with the Ukrainian Register of Businesses on 17 March 2014. As a result of the above mentioned increase, share capital of the Company amounts to UAH 5 500 thousand and comprises 1 share with the above mentioned value.

#### **4) Concerning Merkurj – fiz an**

On 13 January 2014 Merkurj – fiz an has taken up:

- 2 000 shares with a nominal value of PLN 500 each in the increased share capital of Molina spółka z ograniczoną odpowiedzialnością 1 S.K.A.; above mentioned increase was registered with the National Court Register on 5 February 2014,
- 2 000 shares with a nominal value of PLN 500 each in the increased share capital of Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A.; above mentioned increase was registered with the National Court Register on 27 January 2014,
- 2 000 shares with a nominal value of PLN 500 each in the increased share capital of Molina spółka z ograniczoną odpowiedzialnością 3 S.K.A.; above mentioned increase was registered with the National Court Register on 27 February 2014,
- 2 000 shares with a nominal value of PLN 500 each in the increased share capital of Molina spółka z ograniczoną odpowiedzialnością 4 S.K.A.; above mentioned increase was registered with the National Court Register on 7 February 2014,
- 2 000 shares with a nominal value of PLN 500 each in the increased share capital of Molina spółka z ograniczoną odpowiedzialnością 5 S.K.A.; above mentioned increase was registered with the National Court Register on 24 February 2014,
- 2 000 shares with a nominal value of PLN 500 each in the increased share capital of Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A.; above mentioned increase was registered with the National Court Register on 13 March 2014,

Merkurj – fiz an holds shares of above mentioned Companies constituting 100% share capital and entitling to 100% of the votes at General Shareholders' Meetings of those Companies.

#### **36.1 Acquisition of the Nordea Bank AB (publ) Group entities by PKO Bank Polski SA**

On 12 June 2013 PKO Bank Polski SA and Nordea Bank AB (publ), a company registered in Sweden, concluded an agreement ('Agreement', 'Transaction') concerning an acquisition by the Bank of shares of Nordea Bank Polska SA (the 'Company'), Nordea Polska Towarzystwo Ubezpieczeń na Życie SA and Nordea Finance Polska SA.

On 1 April 2014, with the conditions precedent defined in the Agreement having been satisfied, the closing of the Transaction occurred ('Closing Date').

- Nordea Bank AB (publ) placed a subscription in response to tender offer announced on 3 December 2013 by the Bank (the 'Tender Offer'), for the sale of all shares of Nordea Bank Polska SA held by this company, i.e. 55 061 403 shares of Nordea Bank Polska SA, representing 99.21% of the share capital of the Company and entitling to 99.21% of votes at the General Shareholders' Meeting of the Company.



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

- PKO Bank Polski SA concluded with Nordea Life Holding AB an agreement concerning the sale of 1 725 329 shares of Nordea Polska Towarzystwo Ubezpieczeń na Życie SA, with a nominal value of PLN 111.59 each, representing 100% of the share capital of Nordea Polska Towarzystwo Ubezpieczeń na Życie SA and entitling to 100% of votes at the General Shareholders' Meeting, for a total price of PLN 184 636 thousand.
- PKO Bank Polski SA concluded with Nordea Rahoitus Suomi OY an agreement concerning the sale of 4 100 000 shares of Nordea Finance Polska SA, with a nominal value of PLN 1 each, representing 100% of the share capital of Nordea Finance Polska SA and entitling to 100% of votes at the General Shareholders' Meeting, for a total price of PLN 8 000 thousand. Nordea Finance Polska SA will be merged with PKO Leasing SA.
- Pursuant to the fulfilment of the assumptions of the Transaction related to the Nordea Bank AB (publ) Group (the 'Nordea Group') continuing the financing of a portfolio of mortgage loans granted by Nordea Bank Polska SA ('Mortgage Portfolio'), on 1 April 2014, based on concluded agreement, Nordea Bank AB (publ) granted a credit facility to the Bank amounting to CHF 3 645.8 million, EUR 465.4 million and USD 3.7 million for a period no longer than seven years, with a three-year repayment suspension period (the 'Credit Facility'). The Credit Facility is to be secured with a transfer for security of certain receivables related to the Mortgage Portfolio made by Nordea Bank Polska SA in favour of Nordea Bank AB Spółka Akcyjna Oddział w Polsce or directly to Nordea Bank AB (publ). The average effective margin over the maximum crediting period under the Credit Facility is 63 base points above the relevant reference rate. The Credit Facility does not involve any commissions related to the granting of the financing. The disbursement by Nordea Bank AB (publ) of the loan under the Credit Facility was conditioned on the Bank purchasing 55 061 403 shares in Nordea Bank Polska SA and obtaining instructions from Nordea Bank Polska SA, based on which the funds which Nordea Bank Polska will receive from the Push-Down Facility (defined below) will be used to repay the debt of Nordea Bank Polska SA to the Nordea Group - these conditions have been met on 4 April 2014.
- Pursuant to a loan agreement concluded on 1 April 2014, the Bank will transfer funds received under the Credit Facility to Nordea Bank Polska SA in the form of a push-down facility in amounts of up to: CHF 3 645.8 million, EUR 465.4 million and USD 3.7 million for a period no longer than seven years, with a three-year repayment suspension period (the 'Push-Down Facility'). The Push-Down Facility is unsecured. The financial terms of the Push-Down Facility (margin, commission) are set at arm's length. The disbursement by the Bank of the loan under the Push-Down Facility is conditioned on the Bank purchasing 55 061 403 shares in Nordea Bank Polska SA and obtaining instructions from Nordea Bank Polska SA, based on which the funds which Nordea Bank Polska SA will receive from the Push-Down Facility will be used to repay the debt of Nordea Bank Polska SA to the Nordea Group - these conditions have been met on 4 April 2014.
- Pursuant to the provisions of the Agreement which require the Nordea Group to participate in the default risk of the Mortgage Portfolio, on 1 April 2014, the Bank and Nordea Bank AB (publ) concluded a special indemnity agreement (the 'Special Indemnity Agreement'), according to which Nordea Bank AB (publ) will cover, for a period of four years following the Closing Date, 50% of the excess of the Mortgage Portfolio cost of risk excess over the annual cost of risk set at 40 base points for each year of the said four-year contract period of the Special Indemnity Agreement.
- On 1 April 2014 the Bank and Nordea Bank AB (publ) concluded a purchase agreement regarding so-called 'Swedish portfolio assets', i.e. receivables under facilities, loans and bonds granted by Nordea Bank AB (publ) or other Nordea Group members to corporate customers (the 'Swedish Portfolio'). Pursuant to the agreement, the Swedish Portfolio sold on the Closing Date exclude: (i) the assets that had remaining maturity period on the Closing Date shorter than 12 months, (ii) the assets which had been repaid, prepaid or fully cancelled by the client between the date of the Agreement (i.e. 12 June 2013) and the Closing Date; and (iii) the assets which could not be transferred without client's or third party's consent and such consent had not been obtained. The aggregate sale price of the Swedish Portfolio was the sum of PLN 718.8 million; USD 120.2 million; EUR 136 million and CZK 459.2 million. According to data available as at 4 April 2014 the book value of the assets acquired under the agreement for the purchase of the Swedish Portfolio converted into PLN is PLN 1 726.5 million.
- On 1 April 2014 the Bank acquired, free of charge, certain subscription warrants authorising the Bank to take up 8 335 100 ordinary registered series N shares with a nominal value of PLN 5 each, representing 13.1% of the Nordea Bank Polska SA share capital and entitling to 13.1% of votes at the General Shareholders' Meeting of the Company (the 'New Shares').
- On 1 April 2014, conditions set out in the resolution of the Extraordinary General Shareholders' Meeting of Nordea Bank Polska SA dated 8 August 2013, have been fulfilled. Under this resolution, representatives of PKO Bank Polski SA: Zbigniew Jagiełło, Jakub Papierski, Bartosz Drabikowski, Piotr Alicki, Paweł Borys and Jarosław Orlikowski were appointed to the Supervisory Board of Nordea Bank Polska SA. Above mentioned representatives of PKO Bank Polski SA constitute a majority of the Supervisory Board of Nordea Bank Polska SA.

On 4 April 2014, the Bank acquired a total of 55 381 292 shares of Nordea Bank Polska SA, covered by subscriptions under a tender offer (the 'Shares'), including:

- 21 780 000 non-dematerialised ordinary registered shares of the Company with a nominal value of PLN 5 each, and
- 33 601 292 dematerialised ordinary bearer shares of the Company with a nominal value of PLN 5 each.

Nordea Bank AB (publ) placed a subscription regarding the sole of 55 061 403 shares of the Company within the Tender Offer and minority shareholders of the Company placed subscription within the Tender Offer regarding in total the sole of 319 889 shares of the Company.

The total purchase price for the Shares was PLN 2 635 753 thousand. The purpose of the acquisition of the Shares is to merge the Company with the Bank by way of transferring all its assets to the Bank (merger by incorporation).

Additionally, as a result of exercising on 4 April 2014 after Tender offer settlement, rights under subscription warrants acquired by the Bank on 1 April 2014, the Company issued to the Bank 8 335 100 ordinary registered Series N shares with a nominal value of PLN 5 each. The total purchase price of the New Shares was PLN 400 001 thousand.

Within the above mentioned transactions the Bank acquired in total 63 716 392 ordinary shares of Nordea Bank Polska SA with a nominal value of PLN 5 each, representing 99.82% of the Company's share capital and entitling to 99.82% of the votes at the General Shareholders' Meeting of the Company.

The acquisition of Nordea Group entities was funded from the Bank's profits and its existing capital.





**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

On 6 May 2014 PKO Bank Polski SA announced the compulsory buy-out of the 117 408 remaining shares of Nordea Bank Polska SA – the day of commencing the compulsory buy-out has been established on 6 May of this year, whereas the redemption day on 12 May of this year.

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

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

The Group classifies particular components of financial assets and liabilities measured at fair value to the following categories:

- Level 1: Prices quoted on the active markets
- Level 2: Valuation techniques based on observable market data
- Level 3: Other valuation techniques

The table presents a classification of financial assets and liabilities presented in the financial statements at fair value divided into 3 levels as at 31 March 2014:

Assets and liabilities measured at fair value as at 31.03.2014	Carrying amount	Level 1	Level 2	Level 3
		Prices quoted on the active markets	Valuation techniques based on observable market data	Other valuation techniques
<b>Trading assets</b>	<b>1 489 421</b>	<b>1 466 932</b>	<b>22 489</b>	-
Debt securities	1 478 050	1 455 561	22 489	-
Shares in other entities	7 664	7 664	-	-
Investment certificates	3 707	3 707	-	-
<b>Derivative financial instruments</b>	<b>2 747 203</b>	<b>1 068</b>	<b>2 746 135</b>	-
Hedging instruments	261 333	-	261 333	-
Trade instruments	2 485 870	1 068	2 484 802	-
<b>Financial instruments designated upon initial recognition at fair value through profit and loss</b>	<b>9 421 323</b>	<b>1 153 417</b>	<b>8 267 906</b>	-
Debt securities	9 421 323	1 153 417	8 267 906	-
<b>Investment securities available for sale</b>	<b>16 820 688</b>	<b>11 560 338</b>	<b>5 106 846</b>	<b>153 504</b>
Debt securities	16 606 458	11 499 612	5 106 846	-
Equity securities	214 230	60 726	-	153 504
<b>Financial assets at fair value - total</b>	<b>30 478 635</b>	<b>14 181 755</b>	<b>16 143 376</b>	<b>153 504</b>
<b>Derivative financial instruments</b>	<b>3 080 688</b>	<b>1 046</b>	<b>3 079 642</b>	-
Hedging instruments	438 179	-	438 179	-
Trade instruments	2 642 509	1 046	2 641 463	-
<b>Debt securities in issue</b>	<b>211 937</b>	-	<b>211 937</b>	-
Financial instruments measured at fair value through profit and loss	211 937	-	211 937	-
<b>Financial liabilities at fair value - total</b>	<b>3 292 625</b>	<b>1 046</b>	<b>3 291 579</b>	-

Trading assets as at 31.03.2014	Carrying amount	Level 1	Level 2	Level 3
Debt securities	1 478 050	1 455 561	22 489	-
Treasury bonds	1 402 306	1 388 668	13 638	-
Treasury bonds EUR	8 851	-	8 851	-
municipal bonds	45 151	45 151	-	-
corporate bonds	12 399	12 399	-	-
bonds issued by WSE	5 195	5 195	-	-
bonds issued by banks, of which:	4 148	4 148	-	-
BGK bonds	104	-	-	-
Shares in other entities	7 664	7 664	-	-
Investment certificates	3 707	3 707	-	-
<b>TOTAL</b>	<b>1 489 421</b>	<b>1 466 932</b>	<b>22 489</b>	-

Financial instruments designated upon initial recognition at fair value through profit and loss as at 31.03.2014	Carrying amount	Level 1	Level 2	Level 3
Debt securities	9 421 323	1 153 417	8 267 906	-
NBP money market bills	7 997 808	-	7 997 808	-
Treasury bonds PLN	1 153 417	1 153 417	-	-
municipal bonds EUR	142 412	-	142 412	-
municipal bonds PLN	109 053	-	109 053	-
Treasury bonds UAH	18 633	-	18 633	-
<b>TOTAL</b>	<b>9 421 323</b>	<b>1 153 417</b>	<b>8 267 906</b>	-



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

<b>Investment securities available for sale as at 31.03.2014</b>	<b>Carrying amount</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Debt securities available for sale	16 606 458	11 499 612	5 106 846	-
Treasury bonds PLN	11 499 612	11 499 612	-	-
Treasury bonds USD	57 765	-	57 765	-
Treasury bonds UAH	41	-	41	-
municipal bonds	3 447 678	-	3 447 678	-
corporate bonds PLN	1 568 784	-	1 568 784	-
corporate bonds UAH	32 578	-	32 578	-
Equity securities	214 230	60 726	-	153 504
<b>TOTAL</b>	<b>16 820 688</b>	<b>11 560 338</b>	<b>5 106 846</b>	<b>153 504</b>

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

<b>Assets and liabilities measured at fair value as at 31.12.2013</b>	<b>Carrying amount</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
		<b>Prices quoted on the active markets</b>	<b>Valuation techniques based on observable market data</b>	<b>Other valuation techniques</b>
<b>Trading assets</b>	<b>479 881</b>	<b>475 339</b>	<b>4 542</b>	-
Debt securities	467 931	463 389	4 542	-
Shares in other entities	10 799	10 799	-	-
Investment certificates	1 151	1 151	-	-
<b>Derivative financial instruments</b>	<b>3 000 860</b>	<b>1 015</b>	<b>2 999 845</b>	-
Hedging instruments	361 639	-	361 639	-
Trade instruments	2 639 221	1 015	2 638 206	-
<b>Financial instruments designated upon initial recognition at fair value through profit and loss</b>	<b>15 204 756</b>	<b>931 325</b>	<b>14 273 431</b>	-
Debt securities	15 204 756	931 325	14 273 431	-
<b>Investment securities available for sale</b>	<b>14 067 356</b>	<b>8 679 109</b>	<b>5 250 921</b>	<b>137 326</b>
Debt securities	13 867 437	8 616 516	5 250 921	-
Equity securities	199 919	62 593	-	137 326
<b>Financial assets at fair value - total</b>	<b>32 752 853</b>	<b>10 086 788</b>	<b>22 528 739</b>	<b>137 326</b>
<b>Derivative financial instruments</b>	<b>3 328 211</b>	<b>912</b>	<b>3 327 299</b>	-
Hedging instruments	414 804	-	414 804	-
Trade instruments	2 913 407	912	2 912 495	-
<b>Debt securities in issue</b>	<b>290 509</b>	-	<b>290 509</b>	-
Financial instruments measured at fair value through profit and loss	290 509	-	290 509	-
<b>Financial liabilities at fair value - total</b>	<b>3 618 720</b>	<b>912</b>	<b>3 617 808</b>	-

<b>Trading assets as at 31.12.2013</b>	<b>Carrying amount</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Debt securities	467 931	463 389	4 542	-
Treasury bonds	390 660	390 660	-	-
Treasury bonds EUR	4 542	-	4 542	-
municipal bonds	41 907	41 907	-	-
corporate bonds	24 026	24 026	-	-
bonds issued by WSE	6 628	6 628	-	-
bonds issued by banks, of which:	168	168	-	-
BGK bonds	158	168	-	-
Shares in other entities	10 799	10 799	-	-
Investment certificates	1 151	1 151	-	-
<b>TOTAL</b>	<b>479 881</b>	<b>475 339</b>	<b>4 542</b>	-



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

<b>Financial instruments designated upon initial recognition at fair value through profit and loss as at 31.12.2013</b>	<b>Carrying amount</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Debt securities	15 204 756	931 325	14 273 431	-
NBP money market bills	13 997 228	-	13 997 228	-
Treasury bonds PLN	931 325	931 325	-	-
municipal bonds EUR	136 700	-	136 700	-
municipal bonds PLN	113 935	-	113 935	-
Treasury bonds UAH	25 568	-	25 568	-
<b>TOTAL</b>	<b>15 204 756</b>	<b>931 325</b>	<b>14 273 431</b>	<b>-</b>

<b>Investment securities available for sale as at 31.12.2013</b>	<b>Carrying amount</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Debt securities available for sale	13 867 437	8 616 517	5 250 920	-
Treasury bonds PLN	8 616 517	8 616 517	-	-
Treasury bonds USD	181 823	-	181 823	-
Treasury bonds UAH	20 160	-	20 160	-
municipal bonds	3 440 753	-	3 440 753	-
corporate bonds PLN	1 556 067	-	1 556 067	-
corporate bonds UAH	52 117	-	52 117	-
Equity securities	199 919	62 593	-	137 326
<b>TOTAL</b>	<b>14 067 356</b>	<b>8 679 110</b>	<b>5 250 920</b>	<b>137 326</b>

Depending on the category of classification of financial assets and liabilities to the hierarchy, different methods of fair value valuation are used:

**Level 1: Prices quoted on the active markets**

Financial assets and liabilities which fair value is stated directly at prices quoted (not adjusted) from active markets for identical assets and liabilities. The Group classifies to this category financial and equity instruments measured at fair value through profit and loss and available for sale, for which there is an active market and for which the fair value is determined with reference to market value which is a bid price:

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



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

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

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

<b>Financial assets and liabilities measured at fair value</b>	<b>Valuation methods (techniques)</b>	<b>Observable inputs</b>
<b>Trading assets</b> - Treasury bonds in EUR	Market price of Polish Treasury securities in foreign currency is obtained from information services, in which quotations of such securities are included (Bloomberg or brokerage websites in the Reuters system). This is not a regulated market.	The market price of securities obtained from information services.
<b>Derivative financial instruments - hedging instruments</b>	Valuation of derivatives: CIRS, IRS is made in accordance with the discounted future cash flows model. Discounting is based on the yield curves.	Yield curves are built based on market rates, market data of the money market, market transactions of FRA, IRS, basis swap.
<b>Derivative financial instruments - trade instruments</b>	Valuation of derivatives: CIRS, IRS and FRA is made in accordance with the discounted future cash flows model. Discounting is based on the yield curves. Valuation of currency options is made in accordance with specified valuation models for a given type of a currency option. The prices of exotic options embedded in structured products are obtained from the market (they are market prices).	Yield curves are built based on market rates, market data of the money market, market transactions of FRA, IRS, basis swap. Inputs to currency options valuation models are yield curves built based on money market rates, market rate of swap points, volatility levels for specific currency pairs, NBP fixing exchange rates. For the purpose of valuation of exotic options embedded in structured products, market prices of these options are obtained.
<b>Financial assets designated upon initial recognition at fair value through profit and loss</b>		
- NBP money market bills	Yield curve valuation method.	Yield curve for money market bills is built based on market prices, money market data and OIS transactions market.
- municipal bonds EUR	Valuation in accordance with an accepted valuation model.	Yield curves are created based on market rates, market data: money market, IRS transactions market, CDS transactions market, volatility of interest rate options market.
- municipal bonds PLN	Valuation in accordance with a yield curve and a risk margin.	Yield curves are built based on market rates, money market data, IRS transactions market.
<b>Investment securities available for sale</b>		
- municipal bonds	Valuation in accordance with a yield curve and a risk margin.	Yield curves are built based on market rates, money market data, IRS transactions market.
- corporate bonds	Valuation in accordance with a yield curve and a risk margin.	Yield curves are built based on market rates, money market data, IRS transactions market.
<b>Debt securities in issue - financial instruments designated at fair value through profit and loss</b>	Bank securities valuation is made in accordance with a yield curve and the prices of exotic options embedded in these securities.	Yield curves are built based on market rates, money market data, IRS transactions market. For the purpose of valuation of exotic options embedded in structured products, market prices of these options are obtained.



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**Level 3: Other valuation techniques**

Financial assets and liabilities whose fair value is determined with use of valuation models, for which available data is not derived from observable markets (unobservable inputs).

The Group classified to that category shares not listed on WSE, which are valued with internal valuation models. The fair value of these securities (the Fund) 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 examination by the registered auditor. If the Group used the values of the unobservable parameters, that are extreme values from the range of possible values, the fair value of the equity financial instruments could be PLN 7 675 thousand higher or PLN 7 675 thousand lower as at 31 March 2014.

The impact of parameters estimated on measurement of financial instruments at fair value, for which the Group uses fair value measurement on Level 3 as at 31 March 2014 is as follows.

Financial instrument	Valuation technique	Unobservable factor	Impact on fair value	
			positive scenario	negative scenario
<b>Investment securities available for sale</b>				
Equity securities	Net Asset Value (NAV) method	price for a participation unit	161 179	145 829

Instruments transfers between Level 1 and Level 2 are based on the availability of quotations in an active market as at the end of the reporting period. Transfer from Level 2 to Level 3 occurs in the situation of the conversion of an observable factor for an unobservable in the valuation or applying a new unobservable risk factor to the valuation, which also results in a significant impact on the valuation of the instrument. Transfer from Level 3 to Level 2 occurs in the situation of the conversion of an unobservable factor for an observable in the valuation or when an impact of an unobservable factor on the instrument valuation ceases to be relevant. Transfers between levels of valuation occur at the date and as at the end of the reporting period.

In the period from 1 January to 31 March 2014, there were no transfers between levels in the fair value hierarchy used in measuring financial instruments at fair value.

The table below presents reconciliation during the periods of measurement from 1 January to 31 March 2014 at fair value at level 3 of fair value hierarchy:

	Investment securities available for sale
<b>Opening balance</b>	<b>137 326</b>
Total gains or losses	15 320
recognised in the income statement	-
recognised in other comprehensive income	15 320
Purchases (take up of shares in the increased share capital) and currency translation differences	858
<b>Closing balance</b>	<b>153 504</b>

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

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

Where there is no market value of financial instruments available, their fair values have been estimated with use of various valuation techniques. The fair value of financial instruments was measured using a model based on estimating the present value of future cash flows by discounting them using relevant interest rates.

All model calculations include certain simplifying assumptions and therefore are sensitive to those assumptions. Set out below is a summary of the main methods and assumptions used for estimation of fair values of financial instruments which are not measured at fair value.

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

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



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

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

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

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

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

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

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

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

The table below presents a summary of the carrying amounts and fair values for the particular groups of financial instruments which have not been presented at fair value in the Group's statement of financial position as at 31 March 2014:

	level of fair value hierarchy	valuation method	31.03.2014	
			carrying amount	fair value
Cash and balances with the central bank	n/a	value at cost to pay	9 556 020	9 556 020
Amounts due from banks	3	discounted cash flows	5 000 037	4 999 296
<b>Loans and advances to customers</b>			<b>149 660 865</b>	<b>146 877 542</b>
housing loans	3	discounted cash flows	76 140 800	73 534 189
corporate loans	3	discounted cash flows	52 475 297	52 160 098
consumer loans	3	discounted cash flows	18 975 553	19 114 145
receivables due from repurchase agreements	3	discounted cash flows	267 308	267 308
debt securities	3	discounted cash flows	1 801 907	1 801 802
Investment securities held to maturity	3	discounted cash flows	179 375	179 396
Other financial assets	n/a	value at cost to pay including impairment allowances	934 612	934 612
Amounts due to the central bank	n/a	value at cost to pay	3 910	3 910
Amounts due to other banks	3	discounted cash flows	4 370 969	4 370 812
<b>Amounts due to customers</b>			<b>152 672 685</b>	<b>152 663 051</b>
due to corporate entities	3	discounted cash flows	29 537 464	29 537 526
due to State budget entities	3	discounted cash flows	5 343 301	5 343 301
due to retail clients	3	discounted cash flows	117 791 920	117 782 224
Debt securities in issue	1, 3	market quotations / discounted cash flows	12 482 045	12 770 292
Subordinated debt	2	discounted cash flows	1 603 540	1 604 900
Other financial liabilities	n/a	value at cost to pay	1 895 326	1 895 326



Bank Polski

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

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

	level of fair value hierarchy	valuation method	31.12.2013	
			carrying amount	fair value
Cash and balances with the central bank	n/a	value at cost to pay	7 246 120	7 246 120
Amounts due from banks	3	discounted cash flows	1 893 441	1 889 160
<b>Loans and advances to customers</b>			<b>149 623 262</b>	<b>152 274 472</b>
housing loans	3	discounted cash flows	74 900 220	75 060 086
corporate loans	3	discounted cash flows	51 576 141	53 836 616
consumer loans	3	discounted cash flows	19 213 873	19 444 847
receivables due from repurchase agreements	3	discounted cash flows	2 144 088	2 144 088
debt securities	3	discounted cash flows	1 788 940	1 788 835
Investment securities held to maturity	3	discounted cash flows	38 005	37 699
Other financial assets	n/a	value at cost to pay including impairment allowances	611 313	612 779
Amounts due to the central bank	n/a	value at cost to pay	4 065	4 065
Amounts due to other banks	3	discounted cash flows	3 747 337	3 747 311
<b>Amounts due to customers</b>			<b>151 904 181</b>	<b>151 901 068</b>
due to corporate entities	3	discounted cash flows	31 966 616	31 966 755
due to State budget entities	3	discounted cash flows	3 473 476	3 473 476
due to retail clients	3	discounted cash flows	116 464 089	116 460 837
Debt securities in issue	1,3	market quotations / discounted cash flows	10 255 937	10 488 746
Subordinated debt	2	discounted cash flows	1 620 857	1 605 265
Other financial liabilities	n/a	value at cost to pay	2 004 459	2 004 459

### 38. Fiduciary activities

The Parent Company is a direct participant in the National Depository for Securities (Krajowy Depozyt Papierów Wartościowych) and the Securities Register (at the National Bank of Poland). The Bank maintains securities accounts, services transactions on the domestic and foreign markets, provides fiduciary services and performs depository role for pension and investment funds. Assets placed in the Bank within fiduciary services are not included in these financial statements as they do not meet the criteria of a Bank's asset.

Moreover, as a member of the Council of Depository Banks and the Council of Non-treasury Debt Securities by the Polish Bank Association, PKO Bank Polski SA takes part in developing regulations and market standards.



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

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

Objectives and principles of risk management in the PKO Bank Polski SA Group were presented in details in the annual consolidated financial statements of the PKO Bank Polski SA Group for 2013.

Relevant information on risk monitoring and changes in methods of risk measurement in the period from 1 January to 31 March 2014 is presented below.

**Credit risk**

**The Group's exposure to credit risk**

Amounts due from banks	Exposure	
	31.03.2014	31.12.2013
Amounts due from banks impaired, of which:	29 103	28 891
assessed on an individual basis	28 755	28 543
Amounts due from banks not impaired, of which:	5 000 325	1 893 133
not past due	5 000 325	1 893 133
<b>Gross total</b>	<b>5 029 428</b>	<b>1 922 024</b>
<b>Impairment allowances</b>	<b>(29 391)</b>	<b>(28 583)</b>
<b>Net total by carrying amount</b>	<b>5 000 037</b>	<b>1 893 441</b>

Loans and advances to customers	Exposure		
	31.03.2014	31.12.2013	31.03.2013 restated
Loans and advances impaired, of which:	12 622 103	12 861 352	14 210 288
assessed on an individual basis	5 289 256	5 532 429	6 916 500
Loans and advances not impaired, of which:	143 661 559	143 412 690	140 075 985
not past due	139 663 160	139 700 612	136 168 963
past due	3 998 399	3 712 078	3 907 022
past due up to 4 days	1 314 315	1 081 196	675 072
past due over 4 days	2 684 084	2 630 882	3 231 950
<b>Gross total</b>	<b>156 283 662</b>	<b>156 274 042</b>	<b>154 286 273</b>
<b>Impairment allowances</b>	<b>(6 622 797)</b>	<b>(6 650 780)</b>	<b>(7 197 163)</b>
<b>Net total by carrying amount</b>	<b>149 660 865</b>	<b>149 623 262</b>	<b>147 089 110</b>

Investment securities available for sale – debt securities	Exposure	
	31.03.2014	31.12.2013
Debt securities impaired, of which:	6 160	6 160
assessed on an individual basis	6 160	6 160
Debt securities not impaired, of which:	16 603 640	13 864 573
not past due	16 603 640	13 864 573
with external rating	12 133 537	9 429 681
with internal rating	4 470 103	4 434 892
<b>Gross total</b>	<b>16 609 800</b>	<b>13 870 733</b>
<b>Impairment allowances</b>	<b>(3 342)</b>	<b>(3 296)</b>
<b>Net total by carrying amount</b>	<b>16 606 458</b>	<b>13 867 437</b>

Investment securities held to maturity – debt securities	Exposure	
	31.03.2014	31.12.2013
Debt securities impaired, of which:	-	-
assessed on an individual basis	-	-
Debt securities not impaired, of which:	179 375	38 005
not past due	179 375	38 005
with external rating	179 375	38 005
<b>Gross total</b>	<b>179 375</b>	<b>38 005</b>
<b>Impairment allowances</b>	<b>-</b>	<b>-</b>
<b>Net total by carrying amount</b>	<b>179 375</b>	<b>38 005</b>



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**



Bank Polski

**Level of exposure to credit risk**

The table below presents maximum exposure to credit risk of the Group as at 31 March 2014 and as at 31 December 2013.

Items of the statement of financial position	31.03.2014	31.12.2013	31.03.2013 restated
<b>Current account in the central bank</b>	<b>7 258 025</b>	<b>4 018 340</b>	<b>5 620 656</b>
<b>Amounts due from banks</b>	<b>5 000 037</b>	<b>1 893 441</b>	<b>1 729 557</b>
<b>Trading assets - debt securities</b>	<b>1 478 050</b>	<b>467 931</b>	<b>2 609 961</b>
issued by the State Treasury	1 411 157	395 202	2 549 656
issued by local government bodies	45 151	41 907	36 786
issued by non-financial institutions	12 355	23 892	11 951
issued by financial institutions	5 239	6 762	10 198
issued by banks	4 148	168	1 370
<b>Derivative financial instruments</b>	<b>2 747 203</b>	<b>3 000 860</b>	<b>3 463 573</b>
<b>Financial instruments designated upon initial recognition at fair value through profit and loss - debt securities</b>	<b>9 421 323</b>	<b>15 204 756</b>	<b>14 114 362</b>
issued by central banks	7 997 808	13 997 228	11 992 454
issued by the State Treasury	1 172 050	956 893	1 864 427
issued by local government bodies	251 465	250 635	257 481
<b>Loans and advances to customers</b>	<b>149 660 865</b>	<b>149 623 262</b>	<b>147 089 110</b>
financial sector (excluding banks)	1 786 262	2 981 207	1 712 933
corporate loans	1 518 954	942 784	753 220
receivables from repurchase agreements	267 308	2 038 423	959 713
non-financial sector	140 594 355	139 434 111	137 630 278
housing loans	76 140 800	74 900 220	71 447 673
corporate loans	44 656 382	44 508 259	45 701 393
consumer loans	18 975 553	19 213 873	19 563 429
debt securities	821 620	811 759	917 783
public sector	7 280 248	7 207 944	7 745 899
corporate loans	6 299 961	6 125 098	6 564 026
debt securities	980 287	977 181	1 177 718
housing loans	-	-	4 155
receivables from repurchase agreements	-	105 665	-
<b>Investment securities - debt securities</b>	<b>16 606 458</b>	<b>13 867 437</b>	<b>12 564 543</b>
issued by the State Treasury	11 557 418	8 818 500	8 771 937
issued by local government bodies	3 447 678	3 440 753	2 704 889
issued by non-financial institutions	1 012 691	997 253	1 027 915
issued by banks	588 671	610 931	59 802
<b>Investment securities held to maturity</b>	<b>179 375</b>	<b>38 005</b>	<b>29 829</b>
issued by the State Treasury	179 375	26 886	29 829
issued by banks	-	11 119	-
<b>Other assets - other financial assets</b>	<b>934 612</b>	<b>611 313</b>	<b>740 696</b>
<b>Total</b>	<b>193 285 948</b>	<b>188 725 345</b>	<b>187 962 287</b>

Off-balance sheet items	31.03.2014	31.12.2013
Irrevocable liabilities granted	12 102 796	7 708 424
Guarantees granted	7 382 711	6 344 816
Guarantees of issuance	3 591 376	3 550 421
Letters of credit granted	544 180	491 768
<b>Total</b>	<b>23 621 063</b>	<b>18 095 429</b>



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

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

	31.03.2014	31.12.2013	31.03.2013 restated
<b>Amounts due from banks</b>	<b>28 755</b>	<b>28 543</b>	<b>30 884</b>
<b>Loans and advances to customers</b>	<b>5 289 256</b>	<b>5 532 429</b>	<b>6 916 500</b>
Financial sector	96	3 927	37 985
corporate loans	96	3 927	37 985
Non-financial sector	5 282 951	5 522 293	6 872 306
corporate loans	3 892 444	4 049 698	4 865 629
housing loans	1 288 191	1 371 261	1 886 120
consumer loans	102 316	101 334	120 557
Public sector	6 209	6 209	6 209
corporate loans	6 209	6 209	6 209
<b>Financial assets available for sale</b>	<b>6 233</b>	<b>6 260</b>	<b>8 271</b>
issued by financial entities	6	8	8 172
issued by non-financial entities	6 227	6 252	99
<b>Total</b>	<b>5 324 244</b>	<b>5 567 232</b>	<b>6 955 655</b>

**Concentration by the largest business entities**

As at 31 March 2014 and as at 31 December 2013, concentration limits were not exceeded.

As at 31 March 2014, the level of concentration risk in the PKO Bank Polski SA Group with respect to individual exposures was low – the largest exposure to a single entity was equal to 12.9% of the own consolidated funds.

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

**Concentration by the largest capital groups**

The greatest exposure concentration of the PKO Bank Polski SA Group towards a capital group of borrowers amounts to 2.18% of the PKO Bank Polski SA Group's loan portfolio. The 5 largest capital groups include only clients of PKO Bank Polski SA.

As at 31 March 2014, the level of concentration of credit risk by the largest capital groups was low – the greatest exposure concentration of the Group was 16.0% of the own consolidated funds.

**Concentration by industry segments**

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

As compared with 31 December 2013 the exposure of the PKO Bank Polski SA Group in industry sectors increased by ca. PLN 0.8 billion. The total exposure in the four largest industry sectors: 'Industrial processing', 'Wholesale and retail trade (...)', 'Maintenance of real estate' and 'Construction' amounted to ca. 59% of the total loan portfolio covered by an analysis of the sector.

**Concentration by geographical regions**

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

The structure of the loan portfolio by geographical regions is identified in the Group due to the Bank's client area – a separate area for the retail client (ORD), a separate area for the corporate client (ORK).

Within ORD 11 geographical regions are distinguished. As at 31 March 2014, the largest concentration of the ORD loan portfolio occurs in region of Katowice and Warsaw (ca. 23% of the ORD portfolio).

Within ORK, the Bank distinguish 7 macro-regions and the headquarter. As at 31 March 2014, the largest concentration of the ORK loan portfolio occurs in the Bank's headquarter and in the central macro-region (20% and 18% of the ORK loan portfolio, respectively).

**Concentration of credit risk by currency**

As at 31 March 2014, the share of exposure in convertible currencies, other than PLN, in the total loan portfolio of the Group amounted to 20.1%.

The greatest part of the Group's currency exposures are those in CHF and they relate mainly to the currency loan portfolio of the Bank. In case of particular Group entities, the situation is different, i.e. for the PKO Leasing SA Group and BTK SA, the greatest currency exposures are those in EUR (96% and 88% of currency loan portfolio of these Groups, respectively). Whereas, for the KREDOBANK SA Group and in the company Finansowa Kompania 'Prywatne Inwestycje' (i.e. entities operating in Ukraine) - USD denominated loans constitute the largest part (57% and 80% of the currency loan portfolio of these entities, respectively).

**Other types of concentration**

In accordance with the Recommendation S and T of the Polish Financial Supervision Authority, the Bank uses internal limits with regard to:

- 1) portfolio of exposures financing properties and mortgage-secured exposures,
- 2) portfolio of retail loan exposures.

As at 31 March 2014 and as at 31 December 2013, these limits have not been exceeded.



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**Interest rate risk**

As at 31 March 2014 and 31 December 2013, the exposure of the PKO Bank Polski SA Group to the interest rate risk comprised mainly of the exposure of the Bank. Interest rate risk generated by the Group entities with regard to PLN, EUR and CHF did not have a significant effect on the interest rate risk of the entire Group and therefore did not significantly affect its risk profile. Interest rate risk with regard to USD was significantly altered by exposure of the Group entities, in which the biggest part has the exposure of KREDOBANK SA.

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

Name of sensitivity measure	31.03.2014	31.12.2013
VaR for a 10-day time horizon with a confidence level of 99% threshold (in PLN thousand)	96 885	54 930
Parallel movement of interest rate curves by 200 b.p. (in PLN thousand) (stress-test)**	661 350	495 858

\*Due to the nature of the activities carried out by the other PKO Bank Polski SA Group entities generating significant interest rate risk as well as the specific nature of the market on which they operate, the PKO Bank Polski SA Group does not calculate consolidated VaR. These companies apply their own risk measures in the interest rate risk management. KREDOBANK SA uses the 10-day interest rate VaR for the main currencies, which amounted to PLN 7 950 thousand as at 31 March 2014 and PLN 10 686 thousand as at 31 December 2013.

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

As at 31 March 2014 the Bank's interest rate VaR for a 10-day time horizon (10-day VaR, 99%) amounted to PLN 96 885 thousand, which accounted for approximately 0.47% of the Bank's own funds. As at 31 December 2013, VaR for the Bank amounted to PLN 54 930 thousand, which accounted for approximately 0.27% of the Bank's own funds calculated in accordance with regulations concerning calculation of the capital adequacy ratio.

**Currency risk**

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

Name of sensitivity measure	31.03.2014	31.12.2013
VaR for a 10-day time horizon with a confidence level of 99% threshold (in PLN thousand)*	20 379	2 443
Change in CUR/PLN rates by 20% (in PLN thousand) (stress-test)**	86 881	21 428

\* 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 5 901 thousand as at 31 March 2014 and approx. PLN 906 thousand as at 31 December 2013.

\*\* 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 the currency risk as at 31 December 2013 was low and increased as at 31 March 2014.

The volume of currency positions is a key factor determining the level of currency risk on which the Group is exposed (except for volatility of foreign exchange rates). The level of currency positions is determined by all foreign currency transactions, which are concluded, both in the statement of financial position and off-balance sheet transactions. The Bank's exposure to currency risk is low (with reference to own funds, VaR for a 10-day time horizon, 99%, for the Bank's currency position as at 31 March 2014 amounted to ca. 0.10%).

**Liquidity risk**

Liquidity gaps presented below include i.a. the Group's items of the statement of financial position in real terms concerning core balances on deposits of non-financial entities and their maturity, core balances on loans in current accounts of non-financial entities and their maturity and liquid securities and their maturity.

	a'vista	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 24 months	24 - 60 months	over 60 months
<b>31.03.2014</b>								
The Group - adjusted gap in real terms	9 932 025	7 905 784	(2 665 322)	(276 448)	3 790 922	3 936 839	17 232 665	(39 856 465)
The Group - cumulative adjusted gap in real terms	9 932 025	17 837 809	15 172 487	14 896 038	18 686 961	22 623 799	39 856 465	-
<b>31.12.2013</b>								
The Group - adjusted gap in real terms	6 980 540	13 323 611	(10 261 085)	(843 470)	1 710 668	5 611 828	18 606 239	(35 128 331)
The Group - cumulative adjusted gap in real terms	6 980 540	20 304 151	10 043 066	9 199 596	10 910 264	16 522 092	35 128 331	-

In all time horizons, the PKO Bank Polski SA Group's cumulative adjusted liquidity gap in real terms\* as at 31 March 2014 and as at 31 December 2013 was positive. This means a surplus of assets receivable over liabilities payable.

\* Adjusted liquidity gap in real terms of the PKO Bank Polski SA Group has been determined as a sum of adjusted liquidity gap in real terms of PKO Bank Polski SA and contractual liquidity gaps of the remaining entities of the PKO Bank Polski SA Group.



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

The table below presents liquidity reserve of the Bank as at 31 March 2014 and as at 31 December 2013:

Name of sensitivity measure	31.03.2014	31.12.2013
Liquidity reserve up to 1 month* (in PLN million)	15 506	17 816

\*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 2014 the level of core balances on deposits constituted approx. 95.6% of all deposits in the Bank (excluding interbank market), which means a decrease by approximately 0.3 pp. as compared to the end of 2013.

#### 40. Capital adequacy

Objectives and principles of capital adequacy management were described in details in the annual consolidated financial statements of the PKO Bank Polski SA Group for 2013. In those financial statements was also included the information on the Group's own funds components calculated for the capital adequacy purposes as well as the calculation methods of capital requirements concerning the individual risk types.

The level of capital adequacy of the PKO Bank Polski SA Group as at 31 March 2014 remained on the safe level, significantly above the statutory limits.

Until now, the European Commission has not accepted the majority of acts implementing Capital Requirements Regulation (CRR), and the European Banking Authority has extended reporting deadlines of first reports for Implementing Technical Standards (ITS) package until 30 June 2014. At the same time the implementation of Capital Requirements Directive IV (CRD IV) into national law (mainly the so-called national options) has not been completed. Having regards to above considerations, the Group has decided to disclose in this report the value of the capital adequacy ratio calculated in accordance with legal standards applicable as at 31 December 2013.

The capital adequacy ratio of the PKO Bank Polski SA Group, one of the main capital adequacy measures, decreased by 0.10 pp. as compared to 31 December 2013, which has been mainly caused by increase in the Group's capital requirement compared to the total own funds calculated for the capital adequacy purposes. In the first quarter of 2014, an insignificant increase in the capital requirement in respect of credit risk resulted mainly from an increase of ca. 3% in the PKO Bank Polski SA Group's loan portfolio.

##### Own funds calculated for capital adequacy purposes

As at 31 March 2014 the Group's own funds calculated for the purposes of capital adequacy increased by PLN 6 874 thousand, mainly due to increase of value of the short-term capital. The Bank's result for 2013 has not yet been included within own funds. It is expected, that it will be included in the first half of this year, after approving the Bank's result by the General Shareholders' Meeting.

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

GROUP'S OWN FUNDS	31.03.2014	31.12.2013
<b>Basic funds (Tier 1)</b>	<b>19 594 136</b>	<b>19 611 274</b>
Share capital	1 250 000	1 250 000
Reserve capital	16 760 686	16 760 686
Other reserves	3 469 107	3 469 107
General banking risk fund for unidentified banking activities risk	1 070 000	1 070 000
Unappropriated profits from previous years	(310 199)	(306 230)
Unrealised losses on debt and equity instruments and other receivables classified as available for sale	(130 276)	(141 815)
Assets valuation adjustments in trading portfolio	(5 415)	(5 656)
Intangible assets, of which:	(2 189 785)	(2 230 222)
goodwill of subordinated entities	(235 674)	(218 850)
Equity exposures	(130 020)	(121 930)
Negative currency translation differences from foreign operations	(187 707)	(134 175)
Non-controlling interest	(2 255)	1 509
<b>Supplementary funds (Tier 2)</b>	<b>1 528 848</b>	<b>1 539 670</b>
Subordinated liabilities classified as supplementary funds	1 600 700	1 600 700
Unrealised profits on debt and equity instruments classified as available for sale (80% of their values before tax)	57 390	56 145
Positive currency translation differences from foreign operations	778	4 755
Equity exposures	(130 020)	(121 930)
<b>Short-term equity (Tier 3)</b>	<b>188 946</b>	<b>154 112</b>
<b>TOTAL OWN FUNDS</b>	<b>21 311 930</b>	<b>21 305 056</b>

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**



Bank Polski

**Capital requirements (Pillar 1)**

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

<b>Capital requirements</b>	<b>31.03.2014</b>	<b>31.12.2013</b>
<b>Credit risk</b>	<b>11 679 709</b>	<b>11 593 995</b>
credit risk (banking book)	11 522 639	11 439 347
counterparty risk (trading book)	157 070	154 648
<b>Market risk</b>	<b>330 031</b>	<b>327 321</b>
equity securities price risk	1 704	17 507
specific risk of price of debt instruments	216 783	213 734
general risk of interest rates	111 544	96 060
settlement and deviletry risk	-	20
<b>Operational risk</b>	<b>640 573</b>	<b>630 884</b>
<b>Total capital requirements</b>	<b>12 650 313</b>	<b>12 552 200</b>
<b>Capital adequacy ratio</b>	<b>13.48%</b>	<b>13.58%</b>

**Internal capital (Pillar 2)**

The principles of calculation of internal capital in the Group were presented in the annual consolidated financial statements of the Group for 2013.

**Disclosures (Pillar 3)**

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

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



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

STAND-ALONE FINANCIAL DATA

INCOME STATEMENT

for the three-month periods ended 31 March 2014 and 31 March 2013 respectively

	Note	01.01- 31.03.2014	01.01- 31.03.2013 restated
<b>Continuing operations</b>			
Interest and similar income	1	2 401 800	2 879 507
Interest expense and similar charges	1	(698 199)	(1 155 722)
<b>Net interest income</b>		<b>1 703 601</b>	<b>1 723 785</b>
Fee and commission income	2	912 791	861 966
Fee and commission expense	2	(254 095)	(205 907)
<b>Net fee and commission income</b>		<b>658 696</b>	<b>656 059</b>
Dividend income		-	-
Net income from financial instruments measured at fair value	3	13 023	504
Gains less losses from investment securities	4	5 854	27 568
Net foreign exchange gains (losses)		105 276	(13 608)
Other operating income	5	15 792	15 983
Other operating expense	5	(12 226)	(7 346)
<b>Net other operating income and expense</b>		<b>3 566</b>	<b>8 637</b>
Net impairment allowance and write-downs	6	(414 695)	(430 046)
Administrative expenses	7	(1 031 192)	(1 022 736)
<b>Operating profit</b>		<b>1 044 129</b>	<b>950 163</b>
<b>Profit before income tax</b>		<b>1 044 129</b>	<b>950 163</b>
Income tax expense	8	(197 414)	(166 553)
<b>Net profit</b>		<b>846 715</b>	<b>783 610</b>
Earnings per share	9		
- basic earnings per share for the period (PLN)		0.68	0.63
- diluted earnings per share for the period (PLN)		0.68	0.63
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 2014 and 31 March 2013 respectively PKO Bank Polski SA did not have discontinued operations.

STATEMENT OF COMPREHENSIVE INCOME

for the three-month periods ended 31 March 2014 and 31 March 2013 respectively

	01.01- 31.03.2014	01.01- 31.03.2013 restated
<b>Net profit</b>	<b>846 715</b>	<b>783 610</b>
<b>Other comprehensive income</b>	<b>44 879</b>	<b>(76 072)</b>
<b>Items that may be reclassified to the income statement</b>	<b>44 879</b>	<b>(76 072)</b>
Cash flow hedges (gross)	41 257	(30 293)
Deferred tax on cash flow hedges	(7 839)	5 756
Cash flow hedges (net)	33 418	(24 537)
Unrealised net gains on financial assets available for sale (gross)	14 148	(63 622)
Deferred tax on unrealised net gains on financial assets available for sale	(2 687)	12 087
Unrealised net gains on financial assets available for sale (net)	11 461	(51 535)
<b>Total net comprehensive income</b>	<b>891 594</b>	<b>707 538</b>



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**STATEMENT OF FINANCIAL POSITION**

**as at 31 March 2014 and as at 31 December 2013 and as at 31 March 2013**

	Note	31.03.2014	31.12.2013	31.03.2013 restated
<b>ASSETS</b>				
Cash and balances with the central bank	10	9 519 591	7 188 406	7 708 687
Amounts due from banks	11	5 203 265	2 089 087	1 858 525
Trading assets	12	1 494 048	484 485	2 632 019
Derivative financial instruments	13	2 748 749	3 002 220	3 464 675
Financial assets designated upon initial recognition at fair value through profit and loss	14	9 402 690	15 179 188	14 079 110
Loans and advances to customers	15	147 801 320	147 372 326	145 141 935
Investment securities available for sale	16	16 731 424	13 736 698	12 810 594
Investments in subsidiaries, joint ventures, associates	17	1 599 582	1 578 926	1 191 005
Non-current assets held for sale	18	126 244	145 657	20 798
Intangible assets	19	1 897 135	1 944 132	1 665 104
Tangible fixed assets, of which:	19	2 255 850	2 296 981	2 381 735
investment properties		186	187	235
Current income tax receivables		275 382	201 212	-
Deferred income tax asset		353 885	387 192	426 460
Other assets		1 187 581	673 422	971 801
<b>TOTAL ASSETS</b>		<b>200 596 746</b>	<b>196 279 932</b>	<b>194 352 448</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Amounts due to the central bank		3 910	4 065	2 909
Amounts due to banks	20	3 203 236	2 529 623	2 881 012
Derivative financial instruments	13	3 080 697	3 328 149	3 577 606
Amounts due to customers	21	163 134 611	159 957 671	157 230 524
Debt securities in issue	22	909 257	983 123	1 313 302
Subordinated liabilities	23	1 603 540	1 620 857	1 604 076
Other liabilities	24	2 375 938	2 434 721	1 911 696
Current income tax liabilities	8	-	-	66 303
Provisions	25	282 721	310 481	682 665
<b>TOTAL LIABILITIES</b>		<b>174 593 910</b>	<b>171 168 690</b>	<b>169 270 093</b>
<b>Equity</b>				
Share capital		1 250 000	1 250 000	1 250 000
Other capital		20 943 601	20 898 722	19 690 790
Unappropriated profits		2 962 520	(271 242)	3 357 955
Net profit for the year		846 715	3 233 762	783 610
<b>TOTAL EQUITY</b>		<b>26 002 836</b>	<b>25 111 242</b>	<b>25 082 355</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>200 596 746</b>	<b>196 279 932</b>	<b>194 352 448</b>
Capital adequacy ratio	30	13.29%	13.38%	13.46%
Book value (in PLN thousand)		26 002 836	25 111 242	25 082 355
Number of shares (in thousand)	1	1 250 000	1 250 000	1 250 000
Book value per share (in PLN)		20.80	20.09	20.07
Diluted number of shares (in thousand)		1 250 000	1 250 000	1 250 000
Diluted book value per share (in PLN)		20.80	20.09	20.07

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)



Bank Polski

STATEMENT OF CHANGES IN EQUITY

for the three-month periods ended 31 March 2014 and 31 March 2013 respectively and for the year ended 31 December 2013

for the period ended	Share capital	Other capital						Unappropriated profits	Net profit for the period	Total equity	
		Reserves			Other comprehensive income						
		Reserve capital	General banking risk fund	Other reserves	Financial assets available for sale	Cash flow hedges	Actuarial gains and losses				Total other capital
<b>31 March 2014</b>											
<b>As at 1 January 2014</b>	1 250 000	16 598 111	1 070 000	3 416 893	(53 013)	(125 593)	(7 676)	20 898 722	(271 242)	3 233 762	25 111 242
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	3 233 762	(3 233 762)	-
<b>Total comprehensive income, of which:</b>	-	-	-	-	11 461	33 418	-	44 879	-	846 715	891 594
Net profit	-	-	-	-	-	-	-	-	-	846 715	846 715
Other comprehensive income	-	-	-	-	11 461	33 418	-	44 879	-	-	44 879
<b>As at 31 March 2014</b>	<b>1 250 000</b>	<b>16 598 111</b>	<b>1 070 000</b>	<b>3 416 893</b>	<b>(41 552)</b>	<b>(92 175)</b>	<b>(7 676)</b>	<b>20 943 601</b>	<b>2 962 520</b>	<b>846 715</b>	<b>26 002 836</b>
for the period ended	Share capital	Other capital						Unappropriated profits	Net profit for the period	Total equity	
		Reserves			Other comprehensive income						
		Reserve capital	General banking risk fund	Other reserves	Financial assets available for sale	Cash flow hedges	Actuarial gains and losses				Total other capital
<b>31 March 2013</b>											
<b>As at 1 January 2013 (restated)</b>	1 250 000	15 198 111	1 070 000	3 385 743	9 156	51 899	51 953	19 766 862	(224 681)	3 582 636	24 374 817
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	3 582 636	(3 582 636)	-
<b>Total comprehensive income, of which:</b>	-	-	-	-	(51 535)	(24 537)	-	(76 072)	-	783 610	707 538
Net profit	-	-	-	-	-	-	-	-	-	783 610	783 610
Other comprehensive income	-	-	-	-	(51 535)	(24 537)	-	(76 072)	-	-	(76 072)
<b>As at 31 March 2013 (restated)</b>	<b>1 250 000</b>	<b>15 198 111</b>	<b>1 070 000</b>	<b>3 385 743</b>	<b>(42 379)</b>	<b>27 362</b>	<b>51 953</b>	<b>19 690 790</b>	<b>3 357 955</b>	<b>783 610</b>	<b>25 082 355</b>
for the year ended	Share capital	Other capital						Unappropriated profits	Net profit for the period	Total equity	
		Reserves			Other comprehensive income						
		Reserve capital	General banking risk fund	Other reserves	Financial assets available for sale	Cash flow hedges	Actuarial gains and losses				Total other capital
<b>31 December 2013</b>											
<b>As at 1 January 2013 (restated)</b>	1 250 000	15 198 111	1 070 000	3 385 743	9 156	51 899	51 953	19 766 862	(224 681)	3 582 636	24 374 817
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	3 582 636	(3 582 636)	-
<b>Total comprehensive income, of which:</b>	-	-	-	-	(62 169)	(177 492)	(7 676)	(247 337)	-	3 233 762	2 986 425
Net profit	-	-	-	-	-	-	-	-	-	3 233 762	3 233 762
Other comprehensive income	-	-	-	-	(62 169)	(177 492)	(7 676)	(247 337)	-	-	(247 337)
Transfer from unappropriated profits	-	1 400 000	-	31 150	-	-	-	1 431 150	(1 431 150)	-	-
Transfer from other comprehensive income to unappropriated profits	-	-	-	-	-	-	(51 953)	(51 953)	51 953	-	-
Dividend paid	-	-	-	-	-	-	-	-	(2 250 000)	-	(2 250 000)
<b>As at 31 December 2013</b>	<b>1 250 000</b>	<b>16 598 111</b>	<b>1 070 000</b>	<b>3 416 893</b>	<b>(53 013)</b>	<b>(125 593)</b>	<b>(7 676)</b>	<b>20 898 722</b>	<b>(271 242)</b>	<b>3 233 762</b>	<b>25 111 242</b>



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**



Bank Polski

## STATEMENT OF CASH FLOWS

for the three-month periods ended 31 March 2014 and 31 March 2013 respectively

	Note	01.01- 31.03.2014	01.01- 31.03.2013 restated
<b>Net cash flow from operating activities</b>			
<b>Profit before income tax</b>		<b>1 044 129</b>	<b>950 163</b>
<b>Adjustments:</b>		<b>5 223 207</b>	<b>(3 995 253)</b>
Amortisation and depreciation		152 654	123 603
(Gains) losses from investing activities		578	188
Interest and dividends		(76 497)	(91 324)
Change in amounts due from banks		(124 091)	753 364
Change in trading assets and financial assets designated upon initial recognition at fair value through profit and loss		4 766 935	(3 813 982)
Change in derivative financial instruments (asset)		253 471	396 781
Change in loans and advances to customers		(425 124)	(3 836 653)
Change in other assets and non-current assets held for sale		(494 746)	(169 165)
Change in amounts due to banks		673 458	377 905
Change in derivative financial instruments (liability)		(247 452)	(386 564)
Change in amounts due to customers		1 070 805	2 489 950
Change in provisions and impairment allowances		(16 981)	317 451
Change in other liabilities and subordinated liabilities		57 223	309 488
Income tax paid		(248 793)	(221 508)
Other adjustments		(118 233)	(244 787)
<b>Net cash from / used in operating activities</b>		<b>6 267 336</b>	<b>(3 045 090)</b>
<b>Net cash flow from investing activities</b>			
<b>Inflows from investing activities</b>		<b>3 435 949</b>	<b>4 452 974</b>
Proceeds from sale and interest of investment securities available for sale		3 433 304	4 451 949
Proceeds from sale of intangible assets and tangible fixed assets		2 645	1 025
<b>Outflows from investing activities</b>		<b>(6 277 170)</b>	<b>(5 054 655)</b>
Purchase/increase in equity of a subsidiary		(20 927)	-
Purchase of investment securities available for sale		(6 189 810)	(4 944 082)
Purchase of intangible assets and tangible fixed assets		(66 433)	(110 573)
<b>Net cash used in investing activities</b>		<b>(2 841 221)</b>	<b>(601 681)</b>
<b>Net cash flow from financing activities</b>			
Proceeds from debt securities in issue		-	936 271
Redemption of debt securities in issue		(73 533)	(503 195)
Repayment of interest from issued debt securities and subordinated loans		(43 145)	(58 447)
Long-term borrowings		2 106 135	-
Repayment of long-term borrowings		(90 178)	(91 579)
<b>Net cash from financing activities</b>		<b>1 899 279</b>	<b>283 050</b>
<b>Net cash flow</b>		<b>5 325 394</b>	<b>(3 363 721)</b>
of which currency translation differences on cash and cash equivalents		10 788	70 954
Cash and cash equivalents at the beginning of the period		8 644 682	12 235 414
<b>Cash and cash equivalents at the end of the period</b>	<b>27</b>	<b>13 970 076</b>	<b>8 871 693</b>
of which restricted		17 573	9 701

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**



Bank Polski

**Explanation of differences between previously published financial statements and these financial statements**

These adjustments are described in Financial Statements of PKO Bank Polski SA for the year ended 31 December 2013.

Restatements in the statement of financial position

	31.03.2013 before restatement	changes due to bancassurance	reclassification of liabilities due to UOKiK	change of IAS 19 (actuarial gains and losses)	31.03.2013 restated
<b>Assets</b>					
Loans and advances to customers	145 544 642	(402 707)	-	-	145 141 935
Deferred income tax asset	364 009	62 451	-	-	426 460
Other items of assets	48 784 053	-	-	-	48 784 053
<b>TOTAL ASSETS</b>	<b>194 692 704</b>	<b>(340 256)</b>	-	-	<b>194 352 448</b>
<b>Liabilities</b>					
Other liabilities	2 002 307	(74 014)	(16 597)	-	1 911 696
Provisions	666 068	-	16 597	-	682 665
Other items of liabilities	166 675 732	-	-	-	166 675 732
<b>TOTAL LIABILITIES</b>	<b>169 344 107</b>	<b>(74 014)</b>	-	-	<b>169 270 093</b>
<b>Equity</b>					
Share capital	1 250 000	-	-	-	1 250 000
Other capital	23 319 987	-	-	51 953	23 371 940
Unappropriated profits	3 681 150	(271 242)	-	(51 953)	3 357 955
Net profit for the year	778 610	5 000	-	-	783 610
<b>TOTAL EQUITY</b>	<b>25 348 597</b>	<b>(266 242)</b>	-	-	<b>25 082 355</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>194 692 704</b>	<b>(340 256)</b>	-	-	<b>194 352 448</b>

Restatements in the income statement

	01.01- 31.03.2013 before restatement	changes due to bancassurance	01.01- 31.03.2013 restated
Interest and similar income	2 820 695	58 812	2 879 507
Interest expense and similar charges	(1 155 722)	-	(1 155 722)
<b>Net interest income</b>	<b>1 664 973</b>	<b>58 812</b>	<b>1 723 785</b>
Fee and commission income	923 610	(61 644)	861 966
Fee and commission expense	(214 912)	9 005	(205 907)
<b>Net fee and commission income</b>	<b>708 698</b>	<b>(52 639)</b>	<b>656 059</b>
Net income from financial instruments measured at fair value	504	-	504
Gains less losses from investment securities	27 568	-	27 568
Net foreign exchange gains (losses)	(13 608)	-	(13 608)
Other operating income	15 983	-	15 983
Other operating expense	(7 346)	-	(7 346)
<b>Net other operating income and expense</b>	<b>8 637</b>	-	<b>8 637</b>
Net impairment allowance and write-downs	(430 046)	-	(430 046)
Administrative expenses	(1 022 736)	-	(1 022 736)
<b>Operating profit</b>	<b>943 990</b>	<b>6 173</b>	<b>950 163</b>
<b>Profit before income tax</b>	<b>943 990</b>	<b>6 173</b>	<b>950 163</b>
Income tax expense	(165 380)	(1 173)	(166 553)
<b>Net profit</b>	<b>778 610</b>	<b>5 000</b>	<b>783 610</b>

Restatement in the statement of comprehensive income

	01.01- 31.03.2013 before restatement	changes due to bancassurance	01.01- 31.03.2013 restated
<b>Net profit</b>	<b>778 610</b>	<b>5 000</b>	<b>783 610</b>
<b>Other comprehensive income</b>	<b>(76 072)</b>	-	<b>(76 072)</b>
<b>Items that may be reclassified to the income statement</b>	<b>(76 072)</b>	-	<b>(76 072)</b>
<b>Total net comprehensive income</b>	<b>702 538</b>	<b>5 000</b>	<b>707 538</b>

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**



Bank Polski

## NOTES TO THE FINANCIAL STATEMENTS

**1. Interest income and expense****Interest and similar income**

	01.01- 31.03.2014	01.01- 31.03.2013 restated
<b>Interest income calculated using the effective interest rate method, with respect to financial assets, which are not measured at fair value through profit and loss, of which:</b>	<b>2 204 446</b>	<b>2 571 088</b>
Income from loans and advances to customers, of which:	2 037 339	2 375 742
from impaired loans	114 060	129 596
Income from investment securities available for sale	129 335	142 272
Income from placements with banks	36 630	52 060
Other	1 142	1 014
<b>Other income, of which:</b>	<b>197 354</b>	<b>308 419</b>
Income from financial assets designated upon initial recognition at fair value through profit and loss	96 692	143 896
Income from derivative hedging instruments	88 197	148 168
Income from trading assets	12 465	16 355
<b>Total</b>	<b>2 401 800</b>	<b>2 879 507</b>

**Interest expense and similar charges**

	01.01- 31.03.2014	01.01- 31.03.2013
<b>Interest expense calculated using the effective interest rate method, with respect to financial liabilities, which are not measured at fair value through profit and loss, of which:</b>	<b>(695 248)</b>	<b>(1 152 878)</b>
Interest expense on amounts due to customers	(662 963)	(1 110 142)
Interest expense on debt securities in issue and subordinated liabilities	(22 076)	(31 332)
Premium expense on debt securities available for sale	(7 819)	(7 124)
Interest expense on deposits from banks	(2 390)	(4 280)
<b>Other expense</b>	<b>(2 951)</b>	<b>(2 844)</b>
Expense on financial assets designated upon initial recognition at fair value through profit and loss	(1 750)	(1 064)
Expense on trading assets	(1 201)	(1 780)
<b>Total</b>	<b>(698 199)</b>	<b>(1 155 722)</b>

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**



Bank Polski

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

**Fee and commission income**

	01.01- 31.03.2014	01.01- 31.03.2013 restated
<b>Income from financial assets, which are not measured at fair value through profit and loss, of which:</b>	<b>132 205</b>	<b>147 877</b>
income from loans and advances granted	132 205	147 877
<b>Other commissions from:</b>	<b>779 679</b>	<b>713 044</b>
payment cards	335 596	288 556
maintenance of bank accounts	230 478	212 305
loans insurance	65 895	68 370
maintenance of investment funds (including management fees)	55 840	51 001
cash transactions	26 018	28 661
securities transactions	20 396	14 909
servicing foreign mass transactions	13 520	11 934
providing the services of an agent for the issue of Treasury bonds	6 545	5 807
sale and distribution of court fee stamps	1 357	1 849
Other*	24 034	29 652
<b>Income from fiduciary activities</b>	<b>907</b>	<b>1 045</b>
<b>Total</b>	<b>912 791</b>	<b>861 966</b>

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

**Fee and commission expense**

	01.01- 31.03.2014	01.01- 31.03.2013 restated
payment cards	(170 304)	(130 010)
loans insurance	(22 623)	(22 144)
acquisition services	(21 360)	(22 820)
settlement services	(7 984)	(7 224)
commissions for operating services provided by banks	(3 189)	(2 719)
other*	(28 635)	(20 990)
<b>Total</b>	<b>(254 095)</b>	<b>(205 907)</b>

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

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

	01.01- 31.03.2014	01.01- 31.03.2013
<b>Change in fair value of financial instruments measured at fair value through profit and loss determined using the valuation techniques:</b>	<b>8 004</b>	<b>1 236</b>
Derivative instruments, of which:	11 412	9 560
an ineffective portion related to cash flow hedges	3 425	2 009
Structured bank securities measured at fair value through profit and loss	(3 408)	(8 324)
<b>Debt securities</b>	<b>4 860</b>	<b>(39)</b>
<b>Equity instruments</b>	<b>159</b>	<b>(693)</b>
<b>Total</b>	<b>13 023</b>	<b>504</b>

01.01-31.03.2014	Gains	Losses	Net result
Trading assets	6 598 881	(6 587 436)	11 445
Financial assets designated upon initial recognition at fair value through profit and loss	72 019	(70 441)	1 578
<b>Total</b>	<b>6 670 900</b>	<b>(6 657 877)</b>	<b>13 023</b>

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**



Bank Polski

01.01-31.03.2013	Gains	Losses	Net result
Trading assets	8 685 874	(8 675 667)	10 207
Financial assets designated upon initial recognition at fair value through profit and loss	69 897	(79 600)	(9 703)
<b>Total</b>	<b>8 755 771</b>	<b>(8 755 267)</b>	<b>504</b>

**4. Gains less losses from investment securities and unrealised net gains on financial assets available for sale**

	01.01-31.03.2014	01.01-31.03.2013
Gain/loss due to change in value of assets available for sale recognised directly in other comprehensive income during the period	8 294	(91 190)
Gain/loss derecognised from other comprehensive income recognised in income statement in the position 'Gains less losses from investment securities' on:	5 854	27 568
gain from sale derecognised from other comprehensive income	6 134	28 403
loss on sale derecognised from other comprehensive income	(280)	(835)
<b>Impact on other comprehensive income (gross), position 'Unrealised net gains on financial assets available for sale (gross)'</b>	<b>14 148</b>	<b>(63 622)</b>

**5. Other operating income and expense**

	01.01-31.03.2014	01.01-31.03.2013
Sundry income	4 774	4 980
Sale and disposal of tangible fixed assets, intangible assets and assets held for sale	2 645	1 025
Recovery of expired and written-off receivables	2 099	968
Other	6 274	9 010
<b>Total</b>	<b>15 792</b>	<b>15 983</b>

	01.01-31.03.2014	01.01-31.03.2013
<b>Other operating expense</b>		
Cost of sale and disposal of tangible fixed assets, intangible assets and assets held for sale	(4 494)	(1 605)
Sundry expense	(1 364)	(1 663)
Donations	(1 314)	(551)
Other	(5 054)	(3 527)
<b>Total</b>	<b>(12 226)</b>	<b>(7 346)</b>

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

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

For the three-month period ended 31 March 2014	Note	Value at the beginning of the period	Increases		Decreases			Value at the end of the period	Net – impact on the income statement
			Recognised during the period	Other	Decrease due to write-down of assets and settlement	Released during the period	Other		
<b>Investment securities available for sale</b>	<b>16</b>	<b>33 355</b>	<b>46</b>	-	-	-	<b>12 456</b>	<b>20 945</b>	<b>(46)</b>
Debt securities available for sale		3 296	46	-	-	-	-	3 342	(46)
Equity securities		30 059	-	-	-	-	12 456	17 603	-
<b>Amounts due from banks</b>	<b>11</b>	<b>40 237</b>	<b>4 550</b>	<b>216</b>	-	<b>644</b>	-	<b>44 359</b>	<b>(3 906)</b>
<b>Loans and advances to customers measured at amortised cost</b>	<b>15</b>	<b>6 381 232</b>	<b>1 536 703</b>	<b>13 112</b>	<b>419 169</b>	<b>1 134 516</b>	-	<b>6 377 362</b>	<b>(402 187)</b>
Non-financial sector		6 361 891	1 536 700	13 005	419 063	1 132 292	-	6 360 241	(404 408)
corporate loans		3 229 736	818 527	2 942	274 965	496 085	-	3 280 155	(322 442)
housing loans		1 704 404	370 917	8 754	18 318	329 032	-	1 736 725	(41 885)
consumer loans		1 400 664	347 256	1 309	125 780	306 143	-	1 317 306	(41 113)
debt securities		27 087	-	-	-	1 032	-	26 055	1 032
Financial sector		7 814	-	72	106	1 979	-	5 801	1 979
corporate loans		7 814	-	72	106	1 979	-	5 801	1 979
Public sector		11 527	3	35	-	245	-	11 320	242
corporate loans		10 549	-	35	-	245	-	10 339	245
debt securities		978	3	-	-	-	-	981	(3)
<b>Non-current assets held for sale</b>	<b>18</b>	<b>165 226</b>	<b>15 554</b>	-	-	-	-	<b>180 780</b>	<b>(15 554)</b>
<b>Tangible fixed assets</b>	<b>19</b>	<b>34</b>	-	-	<b>7</b>	-	-	<b>27</b>	-
<b>Intangible assets</b>	<b>19</b>	<b>17 154</b>	-	-	-	-	-	<b>17 154</b>	-
<b>Investments in subsidiaries, joint ventures and associates</b>	<b>17</b>	<b>842 040</b>	-	-	-	-	-	<b>842 040</b>	-
<b>Other receivables</b>		<b>143 335</b>	<b>8 964</b>	<b>15</b>	<b>113</b>	<b>5 102</b>	-	<b>147 099</b>	<b>(3 862)</b>
<b>Provision for legal claims and loan commitments and guarantees granted</b>	<b>25</b>	<b>145 124</b>	<b>106 578</b>	<b>201</b>	-	<b>117 302</b>	-	<b>134 601</b>	<b>10 724</b>
<b>Provisions for future liabilities</b>		<b>5 396</b>	<b>724</b>	-	<b>297</b>	<b>860</b>	-	<b>4 963</b>	<b>136</b>
<b>Total</b>		<b>7 773 133</b>	<b>1 673 119</b>	<b>13 544</b>	<b>419 586</b>	<b>1 258 424</b>	<b>12 456</b>	<b>7 769 330</b>	<b>(414 695)</b>

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

For the three-month period ended 31 March 2013	Value at the beginning of the period	Increases		Decreases		Value at the end of the period	Net - impact on the income statement
		Recognised during the period	Other	Decrease due to write-down of assets and settlement	Released during the period		
<b>Investment securities available for sale</b>	<b>24 592</b>	-	-	<b>5 536</b>	-	<b>19 056</b>	-
Debt securities available for sale	5 536	-	-	5 536	-	-	-
Equity securities	19 056	-	-	-	-	19 056	-
<b>Amounts due from banks</b>	<b>30 792</b>	<b>267</b>	<b>1 510</b>	-	<b>453</b>	<b>32 116</b>	<b>186</b>
<b>Loans and advances to customers measured at amortised cost</b>	<b>6 228 629</b>	<b>1 448 963</b>	<b>35 394</b>	<b>111 676</b>	<b>985 683</b>	<b>6 615 627</b>	<b>(463 280)</b>
Non-financial sector	6 161 413	1 442 833	34 839	111 549	982 873	6 544 663	(459 960)
corporate loans	3 102 026	782 469	8 453	61 079	458 023	3 373 846	(324 446)
housing loans	1 639 861	303 981	17 606	7 602	250 150	1 703 696	(53 831)
consumer loans	1 417 720	356 350	8 780	42 868	274 700	1 465 282	(81 650)
debt securities	1 806	33	-	-	-	1 839	(33)
Financial sector	45 226	5 972	512	-	1 661	50 049	(4 311)
corporate loans	45 226	5 972	512	-	1 661	50 049	(4 311)
Public sector	21 990	158	43	127	1 149	20 915	991
corporate loans	19 640	148	43	127	1 149	18 555	1 001
debt securities	2 350	10	-	-	-	2 360	(10)
<b>Non-current assets held for sale</b>	<b>1 226</b>	<b>569</b>	-	-	-	<b>1 795</b>	<b>(569)</b>
<b>Tangible fixed assets</b>	<b>34</b>	-	-	-	-	<b>34</b>	-
<b>Intangible assets</b>	<b>17 154</b>	-	-	-	-	<b>17 154</b>	-
<b>Investments in subsidiaries, joint ventures and associates</b>	<b>683 817</b>	-	-	-	-	<b>683 817</b>	-
<b>Other receivables</b>	<b>149 549</b>	<b>7 757</b>	<b>239</b>	<b>4 015</b>	<b>7 253</b>	<b>146 277</b>	<b>(504)</b>
<b>Provision for legal claims and loan commitments and guarantees granted</b>	<b>234 470</b>	<b>21 604</b>	<b>317</b>	-	<b>48 926</b>	<b>207 465</b>	<b>27 322</b>
<b>Provisions for future liabilities</b>	<b>11 961</b>	<b>304</b>	-	<b>131</b>	<b>7 103</b>	<b>5 031</b>	<b>6 799</b>
<b>Total</b>	<b>7 382 224</b>	<b>1 479 464</b>	<b>37 460</b>	<b>121 358</b>	<b>1 049 418</b>	<b>7 728 372</b>	<b>(430 046)</b>



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**7. Administrative expenses**

	01.01- 31.03.2014	01.01- 31.03.2013
Employee benefits	(540 215)	(559 671)
Overheads	(272 683)	(285 834)
Amortisation and depreciation, of which:	(152 654)	(123 603)
tangible fixed assets	(63 603)	(64 564)
intangible assets	(89 050)	(59 036)
investment properties	(1)	(3)
Taxes and other charges	(13 269)	(15 193)
Contribution and payments to the Bank Guarantee Fund	(52 371)	(38 435)
<b>Total</b>	<b>(1 031 192)</b>	<b>(1 022 736)</b>

**Wages and salaries/employee benefits**

	01.01- 31.03.2014	01.01- 31.03.2013
Wages and salaries, of which:	(443 433)	(457 492)
expenses on employee pension programme	(7 461)	-
Social Insurance, of which:	(81 447)	(84 470)
contributions for retirement pay and pensions	(74 699)	(76 010)
Other employee benefits	(15 335)	(17 709)
<b>Total</b>	<b>(540 215)</b>	<b>(559 671)</b>

**8. Income tax expense**

	01.01- 31.03.2014	01.01- 31.03.2013 restated
<b>Income statement</b>		
Current income tax expense	(174 632)	(142 537)
Deferred income tax related to creating and reversal of temporary differences	(22 782)	(24 016)
<b>Tax expense in the income statement</b>	<b>(197 414)</b>	<b>(166 553)</b>
Tax expense in other comprehensive income related to creating and reversal of temporary differences	(10 526)	17 843
<b>Total</b>	<b>(207 940)</b>	<b>(148 710)</b>

	31.03.2014	31.12.2013	31.03.2013
Deferred tax asset	1 100 904	1 108 082	1 206 108
Deferred tax liability	747 019	720 890	779 648
<b>Total</b>	<b>353 885</b>	<b>387 192</b>	<b>426 460</b>

**9. Earnings per share**

**Basic earnings per share**

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

**Earnings per share**

	01.01- 31.03.2014	01.01- 31.03.2013 restated
Profit per ordinary shareholder (in PLN thousand)	846 715	783 610
Weighted average number of ordinary shares during the period (in thousand)	1 250 000	1 250 000
Earnings per share (in PLN per share)	0.68	0.63





**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**Earnings per share from discontinued operations**

In the periods ended 31 March 2014 and 31 March 2013 respectively there were no material expenses or income from discontinued operations.

**Diluted earnings per share**

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

There were no dilutive instruments both in the first quarter of 2014 and in the first quarter of 2013.

**Diluted earnings per share from discontinued operations**

In the periods ended 31 March 2014 and 31 March 2013, the Bank did not report any material expenses or income from discontinued operations.

**10. Cash and balances with the central bank**

	31.03.2014	31.12.2013
Current account in the central bank	7 258 025	4 018 340
Cash	2 261 525	3 169 820
Other funds	41	246
<b>Total</b>	<b>9 519 591</b>	<b>7 188 406</b>

**11. Amounts due from banks**

	31.03.2014	31.12.2013
Deposits with banks	1 719 911	1 425 588
Receivables due from repurchase agreements	479 981	14 033
Current accounts	447 842	399 057
Loans and advances granted	283 487	289 529
Cash in transit	2 316 403	1 117
<b>Total</b>	<b>5 247 624</b>	<b>2 129 324</b>
Impairment allowances on receivables, of which:	(44 359)	(40 237)
impairment allowances on receivable from a foreign bank	(43 723)	(40 137)
<b>Net total</b>	<b>5 203 265</b>	<b>2 089 087</b>

**12. Trading assets**

<b>By carrying amount</b>	31.03.2014	31.12.2013
<b>Debt securities</b>	<b>1 482 677</b>	<b>472 535</b>
issued by the State Treasury, of which:	1 411 157	395 202
Treasury bonds PLN	1 402 306	390 660
Treasury bonds EUR	8 851	4 542
issued by local government bodies, municipal bonds PLN	45 151	41 907
issued by non-financial institutions, corporate bonds PLN	12 355	23 892
issued by other financial institutions, of which:	9 866	11 366
bonds issued by WSE PLN	5 195	6 628
bonds issued by PKO Finance AB EUR	4 627	4 604
corporate bonds PLN	44	134
issued by banks, of which:	4 148	168
BGK bonds PLN	104	158
<b>Shares in other entities - listed on stock exchange</b>	<b>7 664</b>	<b>10 799</b>
<b>Investment certificates</b>	<b>3 707</b>	<b>1 151</b>
<b>Total</b>	<b>1 494 048</b>	<b>484 485</b>



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

### 13. Derivative financial instruments

#### Derivative instruments used by the Bank

The Bank uses various types of derivatives in order to manage risk involved in its business activities. As at 31 March 2014 and as at 31 December 2013, the Bank held the following types of derivative instruments:

	31.03.2014		31.12.2013	
	Assets	Liabilities	Assets	Liabilities
Hedging instruments	261 333	438 179	361 639	414 804
Other derivative instruments	2 487 416	2 642 518	2 640 581	2 913 345
<b>Total</b>	<b>2 748 749</b>	<b>3 080 697</b>	<b>3 002 220</b>	<b>3 328 149</b>

Type of contract	31.03.2014		31.12.2013	
	Assets	Liabilities	Assets	Liabilities
IRS	2 464 635	2 335 543	2 592 081	2 490 832
CIRS	144 530	526 114	252 941	545 073
FX Swap	23 377	86 280	39 908	156 320
Options	89 449	69 137	75 443	61 961
Forward	14 968	50 911	24 552	60 112
FRA	10 919	11 983	13 652	11 454
Other	871	729	3 643	2 397
<b>Total</b>	<b>2 748 749</b>	<b>3 080 697</b>	<b>3 002 220</b>	<b>3 328 149</b>

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

By carrying amount	31.03.2014	31.12.2013
<b>Debt securities</b>	<b>9 402 690</b>	<b>15 179 188</b>
issued by central banks, NBP money market bills	7 997 808	13 997 228
issued by the State Treasury, Treasury bonds PLN	1 153 417	931 325
issued by local government bodies, of which:	251 465	250 635
municipal bonds EUR	142 412	136 700
municipal bonds PLN	109 053	113 935
<b>Total</b>	<b>9 402 690</b>	<b>15 179 188</b>



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**15. Loans and advances to customers**

	31.03.2014	31.12.2013	31.03.2013 restated
<b>Loans and advances to customers, gross, of which:</b>	<b>154 178 682</b>	<b>153 753 558</b>	<b>151 757 562</b>
<b>financial sector</b>	<b>4 609 301</b>	<b>5 719 004</b>	<b>4 194 914</b>
corporate, of which:	4 341 993	3 680 581	3 235 201
deposits of the Brokerage House of PKO Bank Polski SA in the Stock Exchange Guarantee Fund and initial deposit	17 808	19 339	15 552
receivables due from repurchase agreements	267 308	2 038 423	959 713
<b>non-financial sector</b>	<b>142 355 685</b>	<b>140 893 713</b>	<b>139 876 679</b>
housing	77 779 596	76 482 811	73 009 226
corporate, of which:	43 599 999	43 172 563	45 086 005
contributions to equity of subsidiaries	-	-	215 460
consumer	20 128 415	20 399 493	20 861 826
debt securities (corporate)	847 675	838 846	919 622
<b>public sector</b>	<b>7 213 696</b>	<b>7 140 841</b>	<b>7 685 969</b>
corporate	6 232 428	6 057 017	6 501 736
debt securities (municipal)	981 268	978 159	1 180 078
housing	-	-	4 155
receivables due from repurchase agreements	-	105 665	-
<b>Impairment allowances on loans and advances to customers</b>	<b>(6 377 362)</b>	<b>(6 381 232)</b>	<b>(6 615 627)</b>
<b>Loans and advances to customers, net</b>	<b>147 801 320</b>	<b>147 372 326</b>	<b>145 141 935</b>

By client segment	31.03.2014	31.12.2013	31.03.2013 restated
<b>Loans and advances granted, gross, of which:</b>	<b>154 178 682</b>	<b>153 753 558</b>	<b>151 757 562</b>
mortgage banking	70 391 067	68 794 958	65 017 118
corporate	41 502 867	40 763 620	43 385 894
small and medium enterprises *	21 871 217	21 632 060	21 301 616
retail and private banking	20 128 415	20 399 493	20 861 826
contributions to equity of subsidiaries	-	-	215 460
receivables due from repurchase agreements	267 308	2 144 088	959 713
deposits of the Brokerage House of PKO Bank Polski SA in the stock Exchange Guarantee Fund	17 808	19 339	15 935
<b>Impairment allowances on loans and advances</b>	<b>(6 377 362)</b>	<b>(6 381 232)</b>	<b>(6 615 627)</b>
<b>Loans and advances granted, net</b>	<b>147 801 320</b>	<b>147 372 326</b>	<b>145 141 935</b>

\* As of 2014 the change in presentation consisting in the inclusion of housing market clients in the small and medium enterprises segment (data for 2013 have been brought to comparability).

The structure of loans and advances presented in the note includes the following segmentation:

- corporate loans of financial institutions (i.e. e.g. leasing companies, insurance companies, investment companies) include corporate banking,
- housing loans include loans of mortgage banking and housing market clients, corporate client segment and small and medium enterprises concerning products intended for housing purposes,
- corporate loans of non-financial entities, depending on the size of the entity, include loans for small and medium enterprises, housing market loans and corporate loans granted to corporate entities for non-housing purposes,
- consumer loans include retail and private banking,
- corporate loans of public entities include corporate banking loans,
- reclassified debt securities are included in the corporate client segment.

Loans and advances to customers by method of calculating allowances	31.03.2014	31.12.2013	31.03.2013 restated
Assessed on an individual basis, of which:	6 716 905	6 830 053	7 827 196
impaired	4 886 968	5 091 377	5 900 004
not impaired	1 829 937	1 738 676	1 927 192
Assessed on a portfolio basis, impaired	7 190 657	7 173 761	7 110 374
Assessed on a group basis (IBNR)	140 271 120	139 749 744	136 819 992
<b>Loans and advances to customers, gross</b>	<b>154 178 682</b>	<b>153 753 558</b>	<b>151 757 562</b>
Allowances on exposures assessed on an individual basis, of which:	(2 030 871)	(2 133 217)	(2 424 364)
impaired	(2 012 781)	(2 116 083)	(2 311 910)
Allowances on exposures assessed on a portfolio basis	(3 837 245)	(3 677 518)	(3 694 611)
Allowances on exposures assessed on a group basis (IBNR)	(509 246)	(570 497)	(496 652)
<b>Allowances - total</b>	<b>(6 377 362)</b>	<b>(6 381 232)</b>	<b>(6 615 627)</b>
<b>Loans and advances to customers, net</b>	<b>147 801 320</b>	<b>147 372 326</b>	<b>145 141 935</b>



Bank Polski

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

As at 31 March 2014, the share of impaired loans amounted to 7.8% (as at 31 December 2013: 8.0%), whereas the coverage ratio for impaired loans (calculated as total impairment allowances on total receivables divided by gross carrying amount of impaired loans) amounted to 52.8% (as at 31 December 2013: 52.0%).

As at 31 March 2014, the share of loans overdue by more than 90 days in the gross amount of loans and advances was 5.4% (as at 31 December 2013: 5.4%).

**16. Investment securities available for sale**

	31.03.2014	31.12.2013
<b>Debt securities available for sale, gross</b>	<b>16 536 024</b>	<b>13 551 967</b>
issued by the State Treasury	11 396 300	8 518 450
Treasury bonds PLN	11 396 300	8 518 450
issued by local government bodies, municipal bonds PLN	3 447 678	3 440 753
issued by non-financial institutions	1 015 998	1 000 549
corporate bonds PLN	1 015 998	1 000 549
issued by other financial institutions, corporate bonds PLN	119 955	33 401
issued by banks, corporate bonds PLN	556 093	558 814
<b>Impairment allowances of debt securities available for sale</b>	<b>(3 342)</b>	<b>(3 296)</b>
corporate bonds	(3 342)	(3 296)
<b>Total net debt securities available for sale</b>	<b>16 532 682</b>	<b>13 548 671</b>
<b>Equity securities available for sale, gross</b>	<b>216 345</b>	<b>218 086</b>
Equity securities not admitted to public trading	175 703	161 403
Equity securities admitted to public trading	40 642	56 683
<b>Impairment allowances of equity securities available for sale</b>	<b>(17 603)</b>	<b>(30 059)</b>
<b>Total net equity securities available for sale</b>	<b>198 742</b>	<b>188 027</b>
<b>Total net investment securities available for sale</b>	<b>16 731 424</b>	<b>13 736 698</b>

**17. Investments in subsidiaries, joint ventures and associates**

As at 31 March 2014, the Bank's investments in subsidiaries, joint ventures and associates have been recognised at acquisition cost adjusted by potential impairment allowances.

The Bank's individual shares in subsidiaries, joint ventures and associates are presented below.

As at 31 March 2014	Gross value	Impairment	Carrying amount
<b>Subsidiaries</b>			
KREDOBANK SA	1 018 069	(745 723)	272 346
Qualia Development Sp. z o.o.	317 785	-	317 785
PKO BP BANKOWY PTE SA	205 786	-	205 786
PKO Towarzystwo Funduszy Inwestycyjnych SA	186 989	-	186 989
Merkury - fiz an <sup>1)</sup>	120 000	-	120 000
PKO Leasing SA	90 000	-	90 000
Inteligo Financial Services SA	59 602	-	59 602
CENTRUM HAFFNERA Sp. z o.o.	44 371	(44 371)	-
Bankowe Towarzystwo Kapitałowe SA	22 066	(10 666)	11 400
PKO BP Finat Sp. z o.o.	11 693	-	11 693
Polskie Standardy Płatności Sp z o.o.	2 271	-	2 271
PKO Finance AB	172	-	172
<b>Joint ventures</b>			
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	197 320	-	197 320
Centrum Obsługi Biznesu Sp. z o.o.	17 498	-	17 498
<b>Associates</b>			
Bank Pocztowy SA	146 500	(39 780)	106 720
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	1 500	(1 500)	-
<b>Total</b>	<b>2 441 622</b>	<b>(842 040)</b>	<b>1 599 582</b>

<sup>1)</sup> PKO Bank Polski SA has investment certificates of the Fund, which, according to IFRS, allow to control the Fund.



Bank Polski

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

As at 31 December 2013	Gross value	Impairment	Carrying amount
<b>Subsidiaries</b>			
KREDOBANK SA	999 412	(745 723)	253 689
Qualia Development Sp. z o.o. <sup>1</sup>	317 785	-	317 785
PKO BP BANKOWY PTE SA	205 786	-	205 786
PKO Towarzystwo Funduszy Inwestycyjnych SA	186 989	-	186 989
Merkury – fiz an <sup>2</sup>	120 000	-	120 000
PKO Leasing SA	90 000	-	90 000
Inteligo Financial Services SA	59 602	-	59 602
Bankowe Towarzystwo Kapitałowe SA	22 066	(10 666)	11 400
PKO BP Finat Sp. z o.o.	11 693	-	11 693
PKO Finance AB	172	-	172
<b>Joint ventures</b>			
CENTRUM HAFFNERA Sp. z o.o.	44 371	(44 371)	-
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	197 592	-	197 592
Centrum Obsługi Biznesu Sp. z o.o.	17 498	-	17 498
<b>Associates</b>			
Bank Pocztowy SA	146 500	(39 780)	106 720
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	1 500	(1 500)	-
<b>Total</b>	<b>2 420 966</b>	<b>(842 040)</b>	<b>1 578 926</b>

- 1) The value of acquired shares in the increased share capital of the Company in the amount of PLN 77 474 thousand covered by contribution in kind in the form of shares of Fort Mokotów Inwestycje Sp. z o.o. is presented in the position; as at 31 December 2013 the above-mentioned increase was not registered with the National Court Register. Additionally, the position includes capital contributions made by PKO Bank Polski SA which were converted to the capital, previously presented under 'Loans and advances to customers'.
- 2) PKO Bank Polski SA has investment certificates of the Fund, which, according to IFRS, allow to control the Fund.

## 18. Non-current assets held for sale

	01.01- 31.03.2014	01.01- 31.03.2013
<b>Gross value of non-current assets held for sale at the beginning of the period</b>	<b>310 883</b>	<b>21 636</b>
<b>Increases, of which:</b>	<b>5 990</b>	<b>1 348</b>
reclassification from tangible fixed assets to non-current assets held for sale, of which:	5 990	1 348
land and buildings	5 948	1 348
<b>Decreases, of which:</b>	<b>(9 849)</b>	<b>(391)</b>
sale	(1 271)	(391)
reclassification from non-current assets held for sale to tangible fixed assets	(8 578)	-
<b>Gross value of non-current assets held for sale at the end of the period</b>	<b>307 024</b>	<b>22 593</b>
<b>Impairment allowances at the beginning of the period</b>	<b>(165 226)</b>	<b>(1 226)</b>
<b>Increases, of which:</b>	<b>(15 554)</b>	<b>(569)</b>
recognised during the period	(15 554)	(569)
<b>Impairment allowances at the end of the period</b>	<b>(180 780)</b>	<b>(1 795)</b>
<b>Net carrying amount at the beginning of the period</b>	<b>145 657</b>	<b>20 410</b>
<b>Net carrying amount at the end of the period</b>	<b>126 244</b>	<b>20 798</b>

## 19. Intangible assets and tangible fixed assets

	31.03.2014	31.12.2013
<b>Intangible assets</b>		
Software	1 779 922	1 755 194
Other, of which:	117 213	188 938
capital expenditure	95 718	167 915
goodwill related to assets acquired from subsidiary	7 785	7 785
<b>As at the end of the period</b>	<b>1 897 135</b>	<b>1 944 132</b>



Bank Polski

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

<b>Tangible fixed assets</b>	<b>31.03.2014</b>	<b>31.12.2013</b>
Land and buildings	1 600 708	1 595 134
Machinery and equipment	449 619	433 900
Means of transport	13	233
Assets under construction	55 837	125 630
Investment properties	186	187
Other	149 487	141 897
<b>As at the end of the period</b>	<b>2 255 850</b>	<b>2 296 981</b>

In the three-month period ended 31 March 2014, there were no significant transactions of purchase and sale of tangible fixed assets.

## 20. Amounts due to banks

	<b>31.03.2014</b>	<b>31.12.2013</b>
Loans and advances received	1 398 361	1 389 847
Bank deposits	828 093	959 712
Amounts due from repurchase agreements	787 631	38 628
Current accounts	151 952	115 066
Other money market deposits	37 199	26 370
<b>Total</b>	<b>3 203 236</b>	<b>2 529 623</b>

In the three-month period ended 31 March 2014 loans and advances received are paid in a timely manner and with no significant violations of loans or advances agreements.

## 21. Amounts due to customers

	<b>31.03.2014</b>	<b>31.12.2013</b>
<b>Amounts due to retail clients</b>	<b>117 310 261</b>	<b>115 781 467</b>
Term deposits	63 576 838	62 907 642
Current accounts and overnight deposits	53 509 412	52 653 562
Other liabilities	224 011	220 263
<b>Amounts due to corporate entities</b>	<b>40 481 049</b>	<b>40 702 728</b>
Current accounts and overnight deposits	13 065 042	12 904 415
Term deposits	12 296 201	13 590 035
Loans and advances received, of which:	13 811 396	11 609 183
- received from PKO Finance AB	11 308 179	9 129 100
Other liabilities	1 029 293	951 145
Amounts due from repurchase agreements	279 117	1 647 950
<b>Amounts due to public entities</b>	<b>5 343 301</b>	<b>3 473 476</b>
Current accounts and overnight deposits	3 443 205	3 018 628
Term deposits	1 888 498	430 639
Other liabilities	11 598	24 209
<b>Total</b>	<b>163 134 611</b>	<b>159 957 671</b>

In the three-month period ended 31 March 2014 loans and advances received are paid in a timely manner and with no significant violations of loans or advances agreements.

<b>By client segment</b>	<b>31.03.2014</b>	<b>31.12.2013</b>
<b>Amounts due to customers, of which:</b>		
retail and private banking	112 721 287	110 607 650
corporate	22 408 016	21 335 738
loans and advances received	13 811 396	11 609 183
small and medium enterprises*	13 914 795	14 757 150
amounts due from repurchase agreements	279 117	1 647 950
<b>Total</b>	<b>163 134 611</b>	<b>159 957 671</b>

\* As of 2014 the change in presentation consisting in the inclusion of housing market clients in the small and medium enterprises segment (data for 2013 have been brought to comparability).



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

Structure of liabilities presented in the Note includes following segmentation:

- amounts due to retail clients include retail and private banking,
- amounts due to corporate entities include corporate client segment (excluding State budget entities), small and medium enterprises segment, housing market clients segment,
- amounts due to State budget entities include corporate client segment – State budget entities.

## 22. Debt securities in issue

	31.03.2014	31.12.2013
<b>Debt securities in issue</b>		
Financial instruments designated at fair value through profit and loss - bank securities	211 937	290 509
Financial instruments measured at amortised cost – bank bonds	697 320	692 614
<b>Total</b>	<b>909 257</b>	<b>983 123</b>

In the three-month period of 2014 the Bank did not issue bank securities and bank bonds. In the first quarter of 2014, bank securities and bank bonds at nominal value of PLN 73 533 thousand were redeemed.

## 23. Subordinated liabilities

As at 31 March 2014

Subordinated liabilities	Nominal value	Currency	Interest rate (%)	Maturity date	Carrying amount
Subordinated bonds	1 600 700	PLN	4.38%	14.09.2022	1 603 540

As at 31 December 2013

Subordinated liabilities	Nominal value	Currency	Interest rate (%)	Maturity date	Carrying amount
Subordinated bonds	1 600 700	PLN	4.37%	14.09.2022	1 620 857

## 24. Other liabilities

	31.03.2014	31.12.2013	31.03.2013 restated
Accounts payable	351 223	423 175	283 075
Deferred income	322 704	321 376	292 115
Other liabilities	1 702 011	1 690 170	1 336 506
<b>Total</b>	<b>2 375 938</b>	<b>2 434 721</b>	<b>1 911 696</b>
of which financial liabilities	1 897 916	1 969 840	1 463 171



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**25. Provisions**

For the period ended 31 March 2014	Provision for legal claims	Provision for retirement benefits and anniversary bonuses	Provision for loan commitments and guarantees granted	Other provisions*	Total
<b>As at 1 January 2014, of which:</b>	<b>29 457</b>	<b>35 386</b>	<b>115 667</b>	<b>129 971</b>	<b>310 481</b>
<b>Short term provision</b>	<b>29 457</b>	<b>2 441</b>	<b>88 817</b>	<b>129 971</b>	<b>250 686</b>
<b>Long term provision</b>	<b>-</b>	<b>32 945</b>	<b>26 850</b>	<b>-</b>	<b>59 795</b>
Increase/reassessment of provisions	-	-	106 578	1 888	108 466
Use of provisions	-	-	-	(1 364)	(1 364)
Release of provisions	-	-	(117 302)	(17 761)	(135 063)
Other changes and reclassifications	-	-	201	-	201
<b>As at 31 March 2014, of which:</b>	<b>29 457</b>	<b>35 386</b>	<b>105 144</b>	<b>112 734</b>	<b>282 721</b>
<b>Short term provision</b>	<b>29 457</b>	<b>2 441</b>	<b>75 871</b>	<b>112 734</b>	<b>220 503</b>
<b>Long term provision</b>	<b>-</b>	<b>32 945</b>	<b>29 273</b>	<b>-</b>	<b>62 218</b>

\* Included in 'Other provisions' are i.a.: restructuring provision of PLN 79 891 thousand and provision of PLN 1 701 thousand for potential claims on impaired loan portfolios sold.

For the period ended 31 March 2013	Provision for legal claims	Provision for retirement benefits and anniversary bonuses	Provision for loan commitments and guarantees granted	Other provisions*	Total
<b>As at 1 January 2013 (restated), of which:</b>	<b>18 851</b>	<b>429 728</b>	<b>215 619</b>	<b>71 494</b>	<b>735 692</b>
<b>Short term provision</b>	<b>18 851</b>	<b>36 068</b>	<b>149 681</b>	<b>71 494</b>	<b>276 094</b>
<b>Long term provision</b>	<b>-</b>	<b>393 660</b>	<b>65 938</b>	<b>-</b>	<b>459 598</b>
Increase/reassessment of provisions	-	-	21 604	1 798	23 402
Use of provisions	-	-	-	(1 703)	(1 703)
Release of provisions	-	(6 240)	(48 926)	(19 877)	(75 043)
Other changes and reclassifications	-	-	317	-	317
<b>As at 31 March 2013 (restated), of which:</b>	<b>18 851</b>	<b>423 488</b>	<b>188 614</b>	<b>51 712</b>	<b>682 665</b>
<b>Short term provision</b>	<b>18 851</b>	<b>29 828</b>	<b>159 087</b>	<b>51 712</b>	<b>259 478</b>
<b>Long term provision</b>	<b>-</b>	<b>393 660</b>	<b>29 527</b>	<b>-</b>	<b>423 187</b>

\* Included in 'Other provisions' are i.a.: restructuring provision of PLN 46 389 thousand and provision of PLN 2 494 thousand for potential claims on impaired loan portfolios sold.

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





**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

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

**26.1 Underwriting programmes**

As at 31 March 2014 and as at 31 December 2013, underwriting agreements covered the following securities:

Issuer of securities underwritten	Type of underwritten securities	Off-balance sheet liabilities resulting from underwriting agreement	Contract period	Sub-issue type
<b>As at 31 March 2014</b>				
Company A	corporate bonds	1 633 000	15.06.2022	Bonds Issue Agreement*
Company B	corporate bonds	800 000	31.07.2015	Bonds Issue Agreement*
Company C	corporate bonds	50 000	19.12.2022	Bonds Issue Agreement*
Company D	corporate bonds	35 848	31.12.2022	Bonds Issue Agreement*
<b>Total</b>		<b>2 518 848</b>		
<b>As at 31 December 2013</b>				
Company A	corporate bonds	1 633 000	15.06.2022	Bonds Issue Agreement*
Company B	corporate bonds	800 000	31.07.2015	Bonds Issue Agreement*
Company C	corporate bonds	50 000	19.12.2022	Bonds Issue Agreement*
Company D	corporate bonds	34 000	31.12.2022	Bonds Issue Agreement*
Company E	corporate bonds	24 238	29.06.2018	Bonds Issue Agreement*
Company F	corporate bonds	13 410	31.10.2017	Bonds Issue Agreement*
<b>Total</b>		<b>2 554 648</b>		

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

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

**26.2 Contractual commitments**

As at 31 March 2014 the amount of contractual commitments concerning intangible assets amounted to PLN 256 413 thousand (as at 31 December 2013 it amounted to PLN 346 785 thousand).

As at 31 March 2014 the amount of contractual commitments concerning tangible fixed assets amounted to PLN 18 162 thousand (as at 31 December 2013 it amounted to PLN 45 722 thousand).

**26.3 Loan commitments granted**

by nominal value	31.03.2014	31.12.2013
<b>Credit lines and limits</b>		
to financial entities	1 472 519	1 160 599
to non-financial entities	30 097 490	29 767 288
to public entities	3 031 972	3 269 584
Other*	4 528 212	-
<b>Total</b>	<b>34 601 981</b>	<b>34 197 471</b>
of which: irrevocable loan commitments	12 739 261	8 157 608

\* Item "Other" includes liability arising from the purchase transaction of selected assets of the Nordea Bank AB (publ) Group.



Bank Polski

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**Guarantee liabilities granted**

	31.03.2014	31.12.2013
<b>Guarantees in domestic and foreign trading</b>	<b>8 181 279</b>	<b>7 029 700</b>
to financial entities	854 483	875 317
to non-financial entities	7 316 831	6 142 512
to State budget entities	9 965	11 871
<b>Guarantees and pledges granted – domestic corporate bonds</b>	<b>3 491 648</b>	<b>3 591 294</b>
to financial entities	-	124 646
to non-financial entities	3 491 648	3 466 648
<b>Letters of credit granted</b>	<b>544 997</b>	<b>494 586</b>
to financial entities	817	2 818
to non-financial entities	544 081	491 669
to State budget entities	99	99
<b>Guarantees and pledges granted – payment guarantee</b>	<b>14 250</b>	<b>117 420</b>
to financial entities	14 250	117 420
<b>Guarantees and pledges granted – domestic municipal bonds</b>	<b>99 728</b>	<b>83 773</b>
to State budget entities	99 728	83 773
<b>Total</b>	<b>12 331 902</b>	<b>11 316 773</b>

**26.4 Off-balance sheet liabilities received**

By nominal value	31.03.2014	31.12.2013
financial	227 353	44 472
guarantees	3 009 973	2 490 472
<b>Total liabilities received</b>	<b>3 237 326</b>	<b>2 534 944</b>

**Assets pledged as collateral for contingent liabilities**

As at 31 March 2014 and as at 31 December 2013 the Bank had no assets pledged as collateral.

**27. Supplementary information to the statement of cash flows**

**Cash and cash equivalents**

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

	31.03.2014	31.12.2013	31.03.2013
Cash and balances with the central bank	9 519 591	7 188 406	7 708 687
Current receivables from banks	4 450 485	1 456 276	1 163 006
<b>Total</b>	<b>13 970 076</b>	<b>8 644 682</b>	<b>8 871 693</b>



Bank Polski

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**28. 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 2014**

Entity	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
<b>Direct subsidiaries</b>				
Bankowe Towarzystwo Kapitałowe SA	4 169	-	470	7 000
CENTRUM HAFNERA Sp. z o.o.	-	-	1 197	-
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.	175 037	175 036	-	-
Merkury - fiz an	30 771	30 771	1 639	29 243
Inteligo Financial Services SA	1 378	-	104 486	-
KREDOBANK SA	309 956	238 958	65	22 236
PKO BP BANKOWY PTE SA	128	-	6 714	-
PKO BP Finat Sp. z o.o.	4	-	5 460	593
PKO Finance AB	7	-	11 308 179	-
PKO Leasing SA	141 471	20 280	195 242	843 944
PKO Towarzystwo Funduszy Inwestycyjnych SA	20 118	-	48 950	-
Polski Standard Płatności Sp. z o.o.	-	-	2 137	-
Qualia Development Sp. z o.o.	-	-	9 426	13 895
<b>Indirect subsidiaries</b>				
Centrum Majkowskiego Sp. z o.o. in liquidation	-	-	34	-
Finansowa Kompania 'Idea Kapital' Sp. z o.o.	24 791	24 791	-	80 005
Fort Mokotów Sp. z o.o. in liquidation	-	-	3 847	-
Fort Mokotów Inwestycje Sp. z o.o.	-	-	306	-
Giełda Nieruchomości Wartościowych Sp. z o.o.	-	-	7	-
Molina Sp. z o.o.	-	-	9	-
Molina spółka z ograniczoną odpowiedzialnością 1 S.K.A.	-	-	3 959	-
Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A.	-	-	3 030	-
Molina spółka z ograniczoną odpowiedzialnością 3 S.K.A.	-	-	1 478	-
Molina spółka z ograniczoną odpowiedzialnością 4 S.K.A.	-	-	1 809	-
Molina spółka z ograniczoną odpowiedzialnością 5 S.K.A.	-	-	1 959	-
Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A.	-	-	160	-
PKO BP Faktoring SA	202 159	202 138	157	295 736
PKO Bankowy Leasing Sp. z o.o.	2 290 467	2 289 924	833	166 455
PKO Leasing Sverige AB	82 989	82 989	26	-
Promenada Sopocka Sp. z o.o.	43 718	43 718	2 821	-
Qualia - Residence Sp. z o.o.	1	-	115	-
Qualia - Rezydencja Flotyła Sp. z o.o.	76 074	76 074	791	-
Qualia Hotel Management Sp. z o.o.	-	-	828	-
Qualia Sp. z o.o.	-	-	11	-
Qualia spółka z ograniczoną odpowiedzialnością - Jurata Sp. k.	-	-	1 083	-
Qualia spółka z ograniczoną odpowiedzialnością - Neptun Park Sp. k.	22 852	22 852	2 750	1 032
Qualia spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Sp. k.	19 346	19 346	4 336	-
Qualia spółka z ograniczoną odpowiedzialnością - Pomeranka Sp. k.	76 911	76 911	1 792	-
Qualia spółka z ograniczoną odpowiedzialnością - Projekt 1 Sp. k.	-	-	2	-
Qualia spółka z ograniczoną odpowiedzialnością - Sopot Sp. k.	7 727	7 727	206	-
Qualia spółka z ograniczoną odpowiedzialnością - Władysławowo Sp. k.	-	-	2	-
Qualia spółka z ograniczoną odpowiedzialnością - Zakopane Sp. k.	-	-	106	-
Sarnia Dolina Sp. z o.o.	-	-	454	-
Sopot Zdrój Sp. z o.o.	217 467	217 467	5 579	-
Zarząd Majątkiem Górczewska Sp. z o.o.	-	-	150	-
<b>TOTAL SUBSIDIARIES</b>	<b>3 747 541</b>	<b>3 528 982</b>	<b>11 722 605</b>	<b>1 460 139</b>

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.	559	-	47 504	5 000
Centrum Obsługi Biznesu Sp. z o.o.	29 287	29 287	14 770	-
<b>Direct associates</b>				
Bank Pocztowy SA	-	-	1 702	2 298
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	-	6 275	-
<b>Indirect associate</b>				
Centrum Operacyjne Sp. z o.o.	-	-	5	-
<b>TOTAL JOINT VENTURES AND ASSOCIATES</b>	<b>29 846</b>	<b>29 287</b>	<b>70 256</b>	<b>7 298</b>

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**



Bank Polski

31 December 2013

Entity	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
<b>Direct subsidiaries</b>				
Bankowe Towarzystwo Kapitałowe SA	2	-	177	7 000
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.	175 390	175 390	179 370	-
Merkury - fiz an	-	-	1 129	-
Inteligo Financial Services SA	-	-	108 431	-
KREDOBANK SA	305 020	257 708	2 124	1 000
PKO BP BANKOWY PTE SA	92	-	1 362	-
PKO BP Finat Sp. z o.o.	3	-	4 432	593
PKO Finance AB	4 604	-	9 132 169	-
PKO Leasing SA	47 716	13 105	260 637	1 097 835
PKO Towarzystwo Funduszy Inwestycyjnych SA	19 124	-	39 729	-
Qualia Development Sp. z o.o.	-	-	10 043	13 893
<b>Indirect subsidiaries</b>				
Fort Mokotów Sp. z o.o. in liquidation	-	-	3 827	-
Fort Mokotów Inwestycje Sp. z o.o.	-	-	1 725	-
Giełda Nieruchomości Wartościowych Sp. z o.o.	-	-	2	-
PKO BP Faktoring SA	213 387	213 365	1 987	286 505
PKO Bankowy Leasing Sp. z o.o.	2 250 877	2 250 338	735	269 270
PKO Leasing Sverige AB	83 591	83 591	-	14 409
Qualia - Residence Sp. z o.o.	-	-	594	-
Qualia - Rezydencja Flotyła Sp. z o.o.	76 862	76 862	825	-
Qualia Hotel Management Sp. z o.o.	-	-	1 195	-
Qualia Sp. z o.o.	-	-	3	-
Qualia spółka z ograniczoną odpowiedzialnością - Jurata Sp. k.	-	-	1 613	-
Qualia spółka z ograniczoną odpowiedzialnością - Neptun Park Sp. k.	29 069	29 069	1 868	1 035
Qualia spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Sp. k.	39 088	39 088	5 152	-
Qualia spółka z ograniczoną odpowiedzialnością - Pomeranka Sp. k.	77 708	77 708	2 098	-
Qualia spółka z ograniczoną odpowiedzialnością - Projekt 1 Sp. k.	-	-	3	-
Qualia spółka z ograniczoną odpowiedzialnością - Sopot Sp. k.	7 756	7 756	387	167
Qualia spółka z ograniczoną odpowiedzialnością - Władysławowo Sp. k.	-	-	3	-
Qualia spółka z ograniczoną odpowiedzialnością - Zakopane Sp. k.	-	-	674	-
Sarnia Dolina Sp. z o.o.	-	-	528	-
<b>TOTAL SUBSIDIARIES</b>	<b>3 330 289</b>	<b>3 223 980</b>	<b>9 762 822</b>	<b>1 691 707</b>
<b>Direct joint ventures</b>				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	1 100	-	50 551	5 000
CENTRUM HAFFNERA Sp. z o.o.	-	-	1 234	-
Centrum Obsługi Biznesu Sp. z o.o.	29 463	29 463	16 066	-
<b>Indirect joint ventures</b>				
Centrum Majkowskiego Sp. z o.o. in liquidation	-	-	38	-
Kamienica Morska Sp. z o.o. in liquidation	-	-	-	-
Promenada Sopocka Sp. z o.o.	44 377	44 377	4 811	-
Sopot Zdrój Sp. z o.o.	219 698	219 698	-	-
<b>Direct associates</b>				
Bank Pocztowy SA	6	-	1 003	2 374
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	-	12 555	-
<b>Indirect associate</b>				
Centrum Operacyjne Sp. z o.o.	-	-	11	-
<b>TOTAL JOINT VENTURES AND ASSOCIATES</b>	<b>294 644</b>	<b>293 538</b>	<b>86 269</b>	<b>7 374</b>



Bank Polski

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

31 March 2014

Entity	Total income	of which interest and fee and commission	Total expense	of which interest and fee and commission
<b>Direct subsidiaries</b>				
Bankowe Towarzystwo Kapitałowe SA	4	1	1	1
CENTRUM HAFFNERA Sp. z o.o.	2	2	-	-
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.	2 079	2 079	-	-
Merkury – Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	628	628	2	2
Inteligo Financial Services SA	978	7	16 812	600
KREDOBANK SA	1 478	1 478	-	-
PKO BP BANKOWY PTE SA	222	4	30	30
PKO BP Finat Sp. z o.o.	9	5	278	28
PKO Finance AB	10	10	96 505	96 505
PKO Leasing SA	2 984	1 237	4 839	1 081
PKO Towarzystwo Funduszy Inwestycyjnych SA	53 057	52 674	331	331
Polski Standard Płatności Sp. z o.o.	1	1	4	4
Qualia Development Sp. z o.o.	75	8	50	50
<b>Indirect subsidiaries</b>				
Centrum Majkowskiego Sp. z o.o. in liquidation	2	2	-	-
Finansowa Kompania 'Idea Kapital' Sp. z o.o.	-	-	-	-
Fort Mokotów Sp. z o.o. in liquidation	-	-	20	20
Fort Mokotów Inwestycje Sp. z o.o.	1	1	9	9
Giełda Nieruchomości Wartościowych Sp. z o.o.	1	1	-	-
Kamienica Morska Sp. z o.o. in liquidation	2	2	-	-
Molina Sp. z o.o.	1	-	-	-
Molina Sp. z o.o. 1 S.K.A.	5	-	4	4
Molina Sp. z o.o. 2 S.K.A.	1	-	3	3
Molina Sp. z o.o. 3 S.K.A.	1	-	2	2
Molina Sp. z o.o. 4 S.K.A.	1	-	2	2
Molina Sp. z o.o. 5 S.K.A.	1	-	7	7
Molina Sp. z o.o. 6 S.K.A.	1	-	-	-
PKO BP Faktoring SA	1 675	1 605	-	-
PKO Bankowy Leasing Sp. z o.o.	20 912	20 369	8	-
PKO Leasing Sverige AB	367	367	-	-
Promenada Sopocka Sp. z o.o.	257	257	-	-
Qualia – Residence Sp. z o.o.	2	2	1	1
Qualia – Rezydencja Flotyła Sp. z o.o.	788	788	5	5
Qualia Hotel Management Sp. z o.o.	7	7	4	4
Qualia Sp. z o.o.	-	-	-	-
Qualia spółka z ograniczoną odpowiedzialnością – Jurata Sp. k.	1	1	8	8
Qualia spółka z ograniczoną odpowiedzialnością – Neptun Park Sp. k.	386	386	13	13
Qualia spółka z ograniczoną odpowiedzialnością – Nowy Wilanów Sp. k.	454	454	32	32
Qualia spółka z ograniczoną odpowiedzialnością – Pomeranka Sp. k.	1 081	1 081	16	16
Qualia spółka z ograniczoną odpowiedzialnością – Projekt 1 Sp. k.	1	1	-	-
Qualia spółka z ograniczoną odpowiedzialnością – Sopot Sp. k.	107	107	1	1
Qualia spółka z ograniczoną odpowiedzialnością – Władysławowo Sp. k.	1	1	-	-
Qualia spółka z ograniczoną odpowiedzialnością – Zakopane Sp. k.	1	1	3	3
Sarnia Dolina Sp. z o.o.	1	1	-	-
Sopot Zdrój Sp. z o.o.	1 173	1 173	24	24
Zarząd Majątkiem Górczewska Sp. z o.o.	1	1	1	1
<b>TOTAL SUBSIDIARIES</b>	<b>88 759</b>	<b>84 742</b>	<b>119 015</b>	<b>98 787</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.	1 281	1 078	10 459	10 403
Centrum Obsługi Biznesu Sp. z o.o.	453	453	65	65
<b>Direct associates</b>				
Bank Pocztowy SA	15	15	1 726	1 726
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	-	-	-
<b>Indirect associate</b>				
Centrum Operacyjne Sp. z o.o.	1	1	-	-
<b>TOTAL JOINT VENTURES AND ASSOCIATES</b>	<b>1 750</b>	<b>1 547</b>	<b>12 250</b>	<b>12 194</b>

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**



Bank Polski

31 December 2013

Entity	Total income	of which interest and fee and commission	Total expense	of which interest and fee and commission
<b>Direct subsidiaries</b>				
Bankowe Towarzystwo Kapitałowe SA	25	3	9	9
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.	9 861	9 861	-	-
Merkury – fiz an	23	23	29	29
Inteligo Financial Services SA	4 655	22	73 318	3 628
KREDOBANK SA	4 124	4 124	-	-
PKO BP BANKOWY PTE SA	851	40	648	648
PKO BP Finat Sp. z o.o.	57	22	231	92
PKO Finance AB	-	-	359 129	359 129
PKO Leasing SA	13 804	10 784	22 719	7 477
PKO Towarzystwo Funduszy Inwestycyjnych SA	188 028	184 972	1 103	1 103
Qualia Development Sp. z o.o.	19	19	377	377
<b>Indirect subsidiaries</b>				
Fort Mokotów Sp. z o.o. in liquidation	2	2	111	111
Fort Mokotów Inwestycje Sp. z o.o.	4	4	329	329
Gielda Nieruchomości Wartościowych Sp. z o.o.	2	2	-	-
PKO BP Faktoring SA	10 155	9 859	1	1
PKO Bankowy Leasing Sp. z o.o.	92 226	91 877	51	1
PKO Leasing Sverige AB	95	95	-	-
Qualia – Residence Sp. z o.o.	12	12	8	8
Qualia – Rezydencja Flotylla Sp. z o.o.	5 458	5 458	29	29
Qualia Hotel Management Sp. z o.o.	19	19	19	19
Qualia Sp. z o.o.	3	3	-	-
Qualia spółka z ograniczoną odpowiedzialnością – Jurata Sp. k.	3	3	52	52
Qualia spółka z ograniczoną odpowiedzialnością – Neptun Park Sp. k.	2 682	2 682	114	114
Qualia spółka z ograniczoną odpowiedzialnością – Nowy Wilanów Sp. k.	3 977	3 977	195	195
Qualia spółka z ograniczoną odpowiedzialnością – Pomeranka Sp. k.	4 336	4 336	47	47
Qualia spółka z ograniczoną odpowiedzialnością – Projekt 1 Sp. k.	3	3	-	-
Qualia spółka z ograniczoną odpowiedzialnością – Sopot Sp. k.	507	507	42	42
Qualia spółka z ograniczoną odpowiedzialnością – Władysławowo Sp. k.	3	3	-	-
Qualia spółka z ograniczoną odpowiedzialnością – Zakopane Sp. k.	3	3	5	5
Sarnia Dolina Sp. z o.o.	500	500	-	-
<b>TOTAL SUBSIDIARIES</b>	<b>341 437</b>	<b>329 215</b>	<b>458 566</b>	<b>373 445</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.	33 535	32 798	112 864	105 379
CENTRUM HAFFNERA Sp. z o.o.	7	7	-	-
Centrum Obsługi Biznesu Sp. z o.o.	905	905	352	352
<b>Indirect joint ventures</b>				
Centrum Majkowskiego Sp. z o.o. in liquidation	6	6	-	-
Kamienica Morska Sp. z o.o. in liquidation	6	6	-	-
Promenada Sopotka Sp. z o.o.	1 000	1 000	32	32
Sopot Zdrój Sp. z o.o.	4 847	4 847	84	84
<b>Direct associates</b>				
Bank Pocztowy SA	63	56	1 835	-
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	2	2	724	724
<b>Indirect associate</b>				
Centrum Operacyjne Sp. z o.o.	3	3	-	-
<b>TOTAL JOINT VENTURES AND ASSOCIATES</b>	<b>40 374</b>	<b>39 630</b>	<b>115 891</b>	<b>106 571</b>

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**



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

Objectives and principles of risk management in PKO Bank Polski SA were presented in details in the annual financial statements of PKO Bank Polski SA for 2013.

Relevant information on risk monitoring and changes in methods of risk measurement in the period from 1 January to 31 March 2014 is presented below:

**Credit risk**

**The Bank's exposure to credit risk**

Amounts due from banks	Exposure	
	31.03.2014	31.12.2013
Amounts due from banks impaired, of which:	59 219	51 240
assessed on an individual basis	58 871	50 892
Amounts due from banks not impaired, of which:	5 188 405	2 078 084
not past due	5 188 405	2 078 084
<b>Gross total</b>	<b>5 247 624</b>	<b>2 129 324</b>
<b>Impairment allowances</b>	<b>(44 359)</b>	<b>(40 237)</b>
<b>Net total by carrying amount</b>	<b>5 203 265</b>	<b>2 089 087</b>

Loans and advances to customers	Exposure		
	31.03.2014	31.12.2013	31.03.2013 restated
Loans and advances impaired, of which:	12 077 625	12 265 138	13 010 378
assessed on an individual basis	4 886 968	5 091 377	5 900 004
Loans and advances not impaired, of which:	142 101 057	141 488 420	138 747 184
not past due	138 646 955	138 235 574	135 295 555
past due	3 454 102	3 252 846	3 451 629
past due up to 4 days	1 324 050	1 045 547	712 777
past due over 4 days	2 130 052	2 207 299	2 738 852
<b>Gross total</b>	<b>154 178 682</b>	<b>153 753 558</b>	<b>151 757 562</b>
<b>Impairment allowances</b>	<b>(6 377 362)</b>	<b>(6 381 232)</b>	<b>(6 615 627)</b>
<b>Net total by carrying amount</b>	<b>147 801 320</b>	<b>147 372 326</b>	<b>145 141 935</b>

Investment securities available for sale - debt securities	Exposure	
	31.03.2014	31.12.2013
Debt securities impaired, of which:	6 160	6 160
assessed on an individual basis	6 160	6 160
Debt securities not impaired, of which:	16 529 864	13 545 807
not past due	16 529 864	13 545 807
with external rating	11 939 806	9 077 514
with internal rating	4 590 058	4 468 293
<b>Gross total</b>	<b>16 536 024</b>	<b>13 551 967</b>
<b>Impairment allowances</b>	<b>(3 342)</b>	<b>(3 296)</b>
<b>Net total by carrying amount</b>	<b>16 532 682</b>	<b>13 548 671</b>



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**Level of exposure to credit risk**

The table below presents maximum exposure to credit risk of the Bank as at 31 March 2014 and as at 31 December 2013, excluding collaterals and related improvement of credit situation, by net carrying amount.

Items of the statement of financial position	31.03.2014	31.12.2013	31.03.2013 restated
<b>Current account in the central bank</b>	<b>7 258 025</b>	<b>4 018 340</b>	<b>5 620 656</b>
<b>Amounts due from banks</b>	<b>5 203 265</b>	<b>2 089 087</b>	<b>1 858 525</b>
<b>Trading assets – debt securities</b>	<b>1 482 677</b>	<b>472 535</b>	<b>2 614 769</b>
issued by the State Treasury	1 411 157	395 202	2 549 656
issued by local government bodies	45 151	41 907	36 786
issued by non-financial institutions	12 355	23 892	11 951
issued by financial institutions	9 866	11 366	15 006
issued by banks	4 148	168	1 370
<b>Derivative financial instruments</b>	<b>2 748 749</b>	<b>3 002 220</b>	<b>3 464 675</b>
<b>Financial instruments designated upon initial recognition at fair value through profit and loss - debt securities</b>	<b>9 402 690</b>	<b>15 179 188</b>	<b>14 079 110</b>
issued by central banks	7 997 808	13 997 228	11 992 454
issued by the State Treasury	1 153 417	931 325	1 829 175
issued by local government bodies	251 465	250 635	257 481
<b>Loans and advances to customers</b>	<b>147 801 320</b>	<b>147 372 326</b>	<b>145 141 935</b>
financial sector (excluding banks)	4 603 500	5 711 190	4 144 865
corporate loans	4 336 192	3 672 767	3 185 152
receivables due from repurchase agreements	267 308	2 038 423	959 713
non-financial sector	135 995 444	134 531 822	133 332 016
housing loans	76 042 871	74 778 407	71 305 530
corporate loans	40 319 844	39 942 827	41 712 159
consumer loans	18 811 109	18 998 829	19 396 544
debt securities	821 620	811 759	917 783
public sector	7 202 376	<b>7 129 314</b>	7 665 054
corporate loans	6 222 089	6 046 468	6 483 181
debt securities	980 287	977 181	1 177 718
housing loans	-	-	4 155
receivables due from repurchase agreements	-	105 665	-
<b>Investment securities - debt securities</b>	<b>16 532 682</b>	<b>13 548 671</b>	<b>12 624 045</b>
issued by the State Treasury	11 396 300	8 518 450	8 444 501
issued by local government bodies	3 447 678	3 440 753	2 704 889
issued by non-financial institutions	1 012 656	997 253	1 027 915
issued by financial institutions	119 955	33 401	394 955
issued by banks	556 093	558 814	51 785
<b>Other assets - other financial assets</b>	<b>887 810</b>	<b>568 554</b>	<b>663 118</b>
<b>Total</b>	<b>189 834 541</b>	<b>186 250 921</b>	<b>186 066 833</b>
<b>Off-balance sheet items</b>	<b>31.03.2014</b>	<b>31.12.2013</b>	
Irrevocable liabilities granted		12 739 261	8 157 608
Guarantees granted		8 195 529	7 147 120
Letters of credit granted		544 997	494 586
Guarantees of issuance		3 591 376	3 675 067
<b>Total</b>		<b>25 071 163</b>	<b>19 474 381</b>





**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

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

	31.03.2014	31.12.2013
<b>Amounts due from banks</b>	<b>58 871</b>	<b>50 892</b>
<b>Loans and advances to customers</b>	<b>4 886 968</b>	<b>5 091 377</b>
Financial sector	-	3 709
corporate loans	-	3 709
Non-financial sector	4 880 759	5 081 459
corporate loans	3 426 110	3 548 668
housing loans	1 246 415	1 326 840
consumer loans	101 414	101 214
debt securities	106 820	104 737
Public sector	6 209	6 209
corporate loans	6 209	6 209
<b>Investment debt securities available for sale issued by non-financial institutions</b>	<b>6 160</b>	<b>6 160</b>
<b>Total</b>	<b>4 951 999</b>	<b>5 148 429</b>

**Interest rate risk**

The Bank was mainly exposed to PLN interest rate risk, which represented ca. 64% of the Bank's value at risk (VaR) as at 31 March 2014 and ca. 67% as at 31 December 2013.

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

Name of sensitivity measure	31.03.2014	31.12.2013
VaR for a 10-day time horizon with a confidence level of 99% threshold (PLN thousand)	96 885	54 930
Parallel movement of interest rate curves by 200 b.p. (PLN thousand) (stress-test)*	680 182	523 130

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

**Currency risk**

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

Name of sensitivity measure	31.03.2014	31.12.2013
VaR for a 10-day time horizon with a confidence level of 99% threshold (PLN thousand)	20 379	2 443
Change in CUR/PLN by 20% (PLN thousand) (stress-test)*	6 772	21 428

\* 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 the currency risk was low as at 31 December 2013 and increased as at 31 March 2014.

**Liquidity risk**

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

	a'vista	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 24 months	24 - 60 months	over 60 months
<b>31.03.2014</b>								
Adjusted gap in real terms	10 019 779	7 884 767	(2 173 272)	(205 085)	3 779 566	3 680 748	16 946 883	(39 933 386)
Cumulative adjusted gap in real terms	10 019 779	17 904 546	15 731 274	15 526 189	19 305 755	22 986 503	39 933 386	-
<b>31.12.2013</b>								
Adjusted gap in real terms	7 013 631	13 166 722	(9 759 378)	(768 599)	1 984 857	5 271 529	18 081 601	(34 990 363)
Cumulative adjusted gap in real terms	7 013 631	20 180 353	10 420 975	9 652 376	11 637 233	16 908 762	34 990 363	-

In all time horizons, the Bank's cumulative adjusted liquidity gap in real terms as at 31 March 2014 and as at 31 December 2013 was positive. This means a surplus of assets receivable over liabilities payable.



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

### 30. Capital adequacy

The level of the Bank's capital adequacy as at 31 March 2014 remained on a safe level, significantly above the statutory limits.

Until now, the European Commission has not accepted the majority of acts implementing Capital Requirements Regulation (CRR), and the European Banking Authority has extended reporting deadlines of first reports for Implementing Technical Standards (ITS) package until 30 June 2014. At the same time the implementation of Capital Requirements Directive IV (CRD IV) into national law (mainly the so-called national options) has not been completed. Having regards to above considerations, the Bank has decided to disclose in this report the value of the capital adequacy ratio calculated in accordance with legal standards applicable as at 31 December 2013.

#### Own funds for capital adequacy purposes

As at 31 March 2014 own funds of the Bank determined for the capital adequacy purposes increased by PLN 75 773 thousand, mainly due to decrease in the amount of intangible assets and increase of value of the short-term capital. The Bank's result for 2013 has not yet been included within own funds. It is expected, that it will be included in the first half of this year, after approving the Bank's result by the General Shareholders' Meeting.

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

<b>BANK'S OWN FUNDS</b>	<b>31.03.2014</b>	<b>31.12.2013</b>
<b>Basic funds (Tier 1)</b>	<b>19 396 362</b>	<b>19 346 921</b>
Share capital	1 250 000	1 250 000
Reserve capital	16 598 111	16 598 111
Other reserves	3 416 893	3 416 893
General banking risk fund for unidentified banking activities risk	1 070 000	1 070 000
Unappropriated profits from previous years	(271 242)	(271 242)
Unrealised losses on debt and equity instruments and other receivables classified as available for sale	(121 893)	(134 128)
Assets valuation adjustments in trading portfolio	(5 415)	(5 656)
Intangible assets	(1 897 135)	(1 944 132)
Equity exposures	(642 957)	(632 925)
<b>Supplementary funds (Tier 2)</b>	<b>1 014 218</b>	<b>1 022 720</b>
Subordinated liabilities classified as supplementary funds	1 600 700	1 600 700
Unrealised profits on debt and equity instruments classified as available for sale (80% of their values before tax)	56 475	54 945
Equity exposures	(642 957)	(632 925)
<b>Short-term equity (Tier 3)</b>	<b>188 946</b>	<b>154 112</b>
<b>TOTAL OWN FUNDS</b>	<b>20 599 526</b>	<b>20 523 753</b>

#### Capital requirements (Pillar 1)

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

<b>Capital requirements</b>	<b>31.03.2014</b>	<b>31.12.2013</b>
<b>Credit risk</b>	<b>11 522 898</b>	<b>11 391 785</b>
credit risk (banking book)	11 365 232	11 236 568
counterparty risk (trading book)	157 666	155 217
<b>Market risk</b>	<b>341 172</b>	<b>340 410</b>
equity securities price risk	1 704	17 507
specific risk of price of debt instruments	226 674	226 561
general risk of interest rates	112 793	96 322
settlement and delivery risk	-	20
<b>Operational risk</b>	<b>538 017</b>	<b>539 813</b>
<b>Total capital requirements</b>	<b>12 402 087</b>	<b>12 272 008</b>
<b>Capital adequacy ratio</b>	<b>13.29%</b>	<b>13.38%</b>



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**FURTHER EXPLANATORY DATA**

**Identification data**

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

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

**Table 1. The Management Board of PKO Bank Polski SA as at 31 March 2014**

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

On 8 January 2014 the Supervisory Board of PKO Bank Polski SA passed the Resolutions reappointing:

- Mr Zbigniew Jagiełło to the position of the President of the Management Board of the Bank,
- Mr Piotr Stanisław Alicki to the position of the Vice-President of the Management Board of the Bank,
- Mr Bartosz Drabikowski to the position of the Vice-President of the Management Board of the Bank,
- Mr Piotr Mazur to the position of the Vice-President of the Management Board of the Bank,
- Mr Jarosław Myjak to the position of the Vice-President of the Management Board of the Bank,
- Mr Jacek Obłękowski to the position of the Vice-President of the Management Board of the Bank,
- Mr Jakub Papierski to the position of the Vice-President of the Management Board of the Bank.

According to the passed Resolutions, the above mentioned persons have been appointed to perform indicated functions in PKO Bank Polski SA for the joint term of the Management Board of the Bank which will begin with the end of the current joint term of the Management Board of the Bank.



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**Table 2. The Supervisory Board of PKO Bank Polski SA as at 31 March 2014**

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

**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, ING Otwarty Fundusz Emerytalny.

**Table 3. Shareholding structure in PKO Bank Polski SA**

Shareholders	As at the date of submission of the report for the first quarter of 2014		As at 31.12.2013		Change of the share in the number of votes at GSM (pp.)
	Number of shares	Share in the number of votes at GSM	Number of shares	Share in the number of votes at GSM	
State Treasury	392 406 277	31.39%	392 406 277	31.39%	0.00
Aviva Otwarty Fundusz Emerytalny <sup>1)</sup>	83 952 447	6.72%	83 952 447	6.72%	0.00
ING Otwarty Fundusz Emerytalny <sup>2)</sup>	64 594 448	5.17%	64 594 448	5.17%	0.00
Other shareholders	709 046 828	56.72%	709 046 828	56.72%	0.00
<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 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.



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

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

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

No.	Name	Number of shares as at the date of publication of the report for the first quarter of 2014	Purchase	Disposal	Number of shares as at 31.12.2013
<b>I. Management Board of the Bank</b>					
1.	Zbigniew Jagiełło, President of the Management Board of the Bank	9 000	-	-	9 000
2.	Piotr Alicki, Vice-President of the Management Board of the Bank	2 627	-	-	2 627
3.	Bartosz Drabikowski, Vice-President of the Management Board of the Bank	-	-	-	-
4.	Piotr Mazur, Vice-President of the Management Board of the Bank	4 500	-	-	4 500
5.	Jarosław Mójak, Vice-President of the Management Board of the Bank	-	-	-	-
6.	Jacek Obłąkowski, Vice-President of the Management Board of the Bank	512	-	-	512
7.	Jakub Papierski, Vice-President of the Management Board of the Bank	3 000	-	-	3 000
<b>II. Supervisory Board of the Bank</b>					
1.	Cezary Banasiński, Chairman of the Supervisory Board of the Bank	-	-	-	-
2.	Tomasz Zganiacz, Deputy-Chairman of the Supervisory Board of the Bank	-	-	-	-
3.	Mirosław Czekaj, Secretary of the Supervisory Board of the Bank	-	-	-	-
4.	Zofia Dzik, Member of the Supervisory Board of the Bank	-	-	-	-
5.	Elżbieta Mączyńska-Ziemacka, Member of the Supervisory Board of the Bank	-	-	-	-
6.	Piotr Marczak, Member of the Supervisory Board of the Bank	-	-	-	-
7.	Marek Mroczkowski, Member of the Supervisory Board of the Bank	-	-	-	-
8.	Ryszard Wierzba, Member of the Supervisory Board of the Bank	2 570	-	-	2 570

**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 seasonal 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 period, the results of 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. The interest rate policy applied by the Monetary Policy Council and by other largest central banks will also have a great impact on the future performance.

In addition, the future financial results of the PKO Bank Polski SA Group will be affected by the agreement concerning the acquisition of shares of the following companies by PKO Bank Polski SA: Nordea Bank Polska SA, Nordea Polska Towarzystwo Ubezpieczeń na Życie SA and Nordea Finance Polska SA. The financial results of the PKO Bank Polski SA Group will be impacted also by the political and economic situation in Ukraine where the Group entities operate: KREDOBANK SA and factoring and debt collection entity. PKO Bank Polski SA continues to implement actions aimed at ensuring the safe functioning of its companies in Ukraine in the environment of the current political and macroeconomic situation. These actions include strengthening supervisory activities, including i.a. monitoring funds transferred to the Companies by the Bank and the development of the regulatory requirements determined by the National Bank of Ukraine. PKO Bank Polski SA is continuously analysing macroeconomic risks for KREDOBANK SA activities.

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

In the first quarter of 2014 PKO Bank Polski SA (through the special purpose vehicle, PKO Finance AB) under the Euro Medium Term Note programme (EMTN), established in 2008, issued Eurobonds in the amount of EUR 500 million. The EMTN programme's rating by the Moody's agency has been granted at the level of A2 for unsecured debt and Prime-1 for short-term debt, whereas the Standard and Poor's ('S&P') granted a rating at the level of A- for unsecured debt.

In the first quarter of 2014, PKO Leasing SA issued 60 000 bonds with a total nominal value of PLN 600 million and redeemed 47 500 bonds with a total nominal value of PLN 475 million. At the end of March of this year, the Company's debt due to the bonds issue amounted to PLN 600 million. As at 31 March 2014, 12 084 PKO Leasing SA bonds with a total nominal value of PLN 121 million were included in Bank's portfolio and 47 916 bonds with a total nominal value of PLN 479 million were sold on a secondary market.

As at 31 March 2014 the carrying amount of Group's debt securities in issue amounted to PLN 12 694 million.

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

In the first quarter of 2014, PKO Bank Polski SA did not conclude any significant transactions with related parties not on arm's length. At the same time, in 2014 PKO Bank Polski SA has made capital contribution to KREDOBANK SA by providing a financial donation in the amount of USD 6 020 thousand (i.e. PLN 18 656 thousand at the average NBP exchange rate as at the date of funds transfer). The above mentioned donation is treated as the other form of capital contribution to the Company and it increases purchase price of the Company's shares in the statement of financial position of PKO Bank Polski SA.

In the first quarter of 2014, the subsidiaries of PKO Bank Polski SA did not conclude any significant transactions with related parties not on arm's length.



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

**Results of changes in the entity's structure, including the effects of business combination, takeover or disposal of the Group entities, long-term investments, division, restructuring and discontinuation of activities**

The results of changes in the entity's structure, including the effects of business combination, takeover or disposal of the Group entities have been described in Note 36 in Notes to the condensed interim consolidated financial statements.

**Information on warranties on loan or advance granted by the issuer or by the issuer's subsidiary or 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 2014, 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, guarantees and warranties agreements, not related to operating activity**

In the first quarter of 2014, 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 October 2013, as a result of planned and complex audit carried out by the National Bank of Ukraine (NBU), KREDOBANK SA was required to develop and submit the 'Agreement committing to improve the profitability of KREDOBANK activities'. The agreement is in the course of consultation. The impact of changing macroeconomic conditions in the Ukraine on the parameters that are the subject of consultation with the NBU is especially analysed.

Other entities of the Group did not conclude any significant agreements with the central bank or supervisory authorities.

At the same time, in the first quarter of 2014 the PKO Bank Polski SA Group entities did not conclude any significant agreements.

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

As at 31 March 2014, the total value of court proceedings in which the PKO Bank Polski SA Group entities (including the Bank) are a defendant amounted to PLN 349 122 thousand, of which PLN 9 707 thousand referred to court proceedings in Ukraine (as at 31 December 2013 the total value of the above mentioned court proceedings amounted to PLN 342 658 thousand), while the total value of court proceedings in which the Group entities (including the Bank) are the plaintiff amounted to PLN 456 763 thousand, of which PLN 132 479 thousand referred to court proceedings in Ukraine, mainly related to collection of loans granted by KREDOBANK SA (as at 31 December 2013 the total value of the above mentioned court proceedings amounted to PLN 525 949 thousand). Above information does not include KREDOBANK SA's legal claims concerning taxes described in Note 11 in Notes to the condensed interim consolidated financial statements.

The PKO Bank Polski Group entities 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 as 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 2014.

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

1. In the first quarter of 2014 there were no events relating to payment (or declaration of payment) of dividend by PKO Bank Polski SA.
2. After the balance date i.e., on 29 April 2014 the Management Board of the Bank passed a resolution and decided to submit a recommendation to the PKO Bank Polski SA's Ordinary General Shareholders' Meeting on payment of a dividend for the year 2013 in the amount of PLN 937 500 thousand (i.e. 31.65% of the sum of net profit for the year 2013 and unappropriated loss from previous years, amounted to PLN 271 242 thousand), i.e. PLN 0.75 gross per share. Unappropriated loss from previous years resulted from PKO Bank Polski SA having introduced a retrospective change in the accounting policies on the recognition of income and expenses from fees collected/paid by the Bank on account of customers having entered into insurance agreements linked to banking products offered by the Bank. The Management Board has proposed to set the dividend day at 18 September 2014 and the dividend payment date at 3 October 2014. The decision on the recommended distribution of profit for 2013 is in accordance with the dividend policy declared by PKO Bank Polski SA and adopted by the Management Board and the Supervisory Board of PKO Bank Polski SA, which provides for stable payments to shareholders from the net profit in the long term in the amount equivalent to capital surplus over the adopted minimum capital adequacy ratios (about which PKO Bank Polski SA informed in the current report No. 22/2012 on 4 April 2012). Dividend payment realised at the proposed value will ensure retention of the capital adequacy measures at a safe level, consistent with that expressed in the position of the Polish Financial Supervision Authority ('PFSA'), and will ensure the development of PKO Bank Polski SA's lending operations. The PKO Bank Polski SA's dividend policy is consistent with the general recommendations of the PFSA on the payment of dividends out of profit for the year 2013; as addressed to the bank presidents.

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

1. On 8 January 2014 the Supervisory Board of PKO Bank Polski SA passed the Resolutions reappointing all Members of the Management Board of the Bank to positions previously held. According to the passed Resolutions, the above mentioned persons have been appointed to perform indicated functions in PKO Bank Polski SA for the joint term of the Management Board of the Bank which will begin with the end of the current joint term of the Management Board of the Bank.
2. On 20 January 2014 the Bank has entered into an agreement with one of the Bank's clients ('the Client') and the parent company of that Client ('the Parent Company'), being also the Bank's client, concerning granting by PKO Bank Polski SA of a guarantee limit to the Client up to the maximum amount of PLN 2 548.6 million. The Agreement concerns granting at the Client's order of:
  - a payment guarantee up to the maximum amount of PLN 1 300.3 million to the benefit of the general contractor of industrial infrastructure being delivered to the Client;



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

---

- a payment guarantee for construction works being delivered to the Client up to 100% of the granted guarantee facility amount.

The Agreement remains effective for 67 months from the date of its conclusion and provides for collateral in the form of:

- a suretyship by the Parent Company up to 120% of the current amount of the guarantee granted,
- a statement of submission to bank enforcement by the Client (up to 120% of the bank guarantee limit) and a statement of submission to enforcement by the Parent Company as the surety provider (up to 120% of the current amount of the guarantee granted).

The interest rate on the notional debt at the default on any payment arising from the guarantee shall be based on the WIBOR rate plus Bank's margin. The Agreement does not provide for contractual penalties.

3. On 5 March 2014 the Supervisory Board of the Bank has selected *PricewaterhouseCoopers Sp. z o.o.* as the entity authorised to audit and review the financial statements of the Bank and the consolidated financial statements of the Group.

*PricewaterhouseCoopers Sp. z o.o.*, with its registered Head Office in Warsaw, Al. Armii Ludowej 14, is an audit firm registered by the National Chamber of Registered Auditors as an entity authorised to audit financial statements, with No. 144. The Supervisory Board of the Bank selected the entity authorised to audit and review financial statements in compliance with applicable regulations and professional standards, and pursuant to paragraph 15 item 1 point 3 of the Bank's Memorandum of Association.

The agreement will be concluded for the audit and review of the financial statements of the Bank and the Group for the year 2014. The Bank has used the services of *PricewaterhouseCoopers Sp. z o.o.* in the past in respect of audit and review of the financial statements of the Bank and the Group for the years 2008-2013, and for audit related services.

Pursuant to the resolution of the Supervisory Board of the Bank on rules governing selection of the entity authorised to audit the Bank's financial statements, the maximum period of uninterrupted cooperation with an entity authorised to audit financial statements is 6 years, and beginning from the period of cooperation relating to the audit of the financial statements for the years 2015-2017 the maximum period of such cooperation is 5 years. The Bank applied to the Polish Financial Supervision Authority for the expression of a favourable opinion on extension of the period of cooperation with the authorised entity, i.e. *PricewaterhouseCoopers Sp. z o.o.*, by one year. On 19 December 2013, PFSA had granted that request of the Bank while stating that it treated the Bank's move to extend cooperation with its previous auditor as an exceptional derogation from the general principle.

4. Detailed information on the acquisition of the Nordea Bank AB Group entities by PKO Bank Polski SA has been described in the Note 36.1.

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

1. On 25 April 2014 PKO Bank Polski SA, as a member of a consortium of banks, concluded a loan agreement with one of clients of PKO Bank Polski SA. The subject of the agreement is granting the client a current revolving loan in a total amount of up to EUR 2 000 000 000 (i.e. approximately PLN 8 378 600 000, based on the average EUR/PLN exchange rate as at 25 April 2014, as stated by the NBP), to be used for refinancing the Client's current revolving loan and for the financing of the Client and Client Group entities. The PKO Bank Polski SA's share in the amount of the loan is EUR 100 000 000 (i.e. PLN 418 930 000, based on the average EUR/PLN exchange rate as of 25 April 2014, as stated by the NBP). The final repayment of the loan shall be made within 5 years from the execution of the loan agreement. The loan may be drawn in EUR, USD, PLN, CAD and CZK. The interest rate of the loan is based on WIBOR/EURIBOR/LIBOR/PRIBOR/CDOR rate increased by the margin, which depends on the net debt/EBITDA ratio. Other loan conditions do not differ from market conditions.

The total value of the agreements between PKO Bank Polski SA and subsidiaries and the Client and its subsidiaries during the last 12 months preceding the date of execution of the loan agreement (including the loan) is PLN 2 642 075 250.

2. On 29 April 2014 the rating agency Standard and Poor's after considering the upcoming Directive of the European Parliament and of the Council on reorganisation and ordered banks liquidation and assessment of potential State Treasury support for PKO Bank Polski SA, affirmed PKO Bank Polski SA long-term credit rating of 'A-' with negative outlook and PKO Bank Polski SA short-term credit rating of 'A-2' with stable outlook.



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014 (IN PLN THOUSAND)**

---

**Approval of financial statements**

These condensed interim consolidated financial statements, reviewed by the Supervisory Board's Audit Committee on 14 May 2014, have been approved for publication by the Bank's Management Board on 13 May 2014.

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

13.05.2014	Zbigniew Jagiełło	President of the Management Board	..... (signature)
13.05.2014	Piotr Alicki	Vice-President of the Management Board	..... (signature)
13.05.2014	Bartosz Drabikowski	Vice-President of the Management Board	..... (signature)
13.05.2014	Piotr Mazur	Vice-President of the Management Board	..... (signature)
13.05.2014	Jarosław Myjak	Vice-President of the Management Board	..... (signature)
13.05.2014	Jacek Obłąkowski	Vice-President of the Management Board	..... (signature)
13.05.2014	Jakub Papierski	Vice-President of the Management Board	..... (signature)

Signature of person responsible for  
maintaining the books of account

13.05.2014

Danuta Szymańska  
Director of the Accounting Division

.....  
(signature)