Bank Polski

The PKO Bank Polski SA Group Directors' Report for the first half of 2013

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1. SELECTED FINANCIAL DATA

Table 1. Selected financial data of the PKO Bank Polski SA Group

	1H 2013 (PLN)	1H 2012 (PLN)	Change 1H 2013/ 1H2012
Net profit	1 534.2 PLN million	1 953.4 PLN million	-21.5% (y/y)
Result on business activities*	4 999.8 PLN million	5 790.9 PLN million	-13.7% (y/y)
Net interest income	3 266.2 PLN million	4 042.2 PLN million	-19.2% (y/y)
Net commission income	1 542.6 PLN million	1 502.7 PLN million	2.7% (y/y)
Administrative expenses	(2 225.5) PLN million	(2 246.3) PLN million	-0.9% (y/y)
Net impairment allowance and write-downs	(866.9) PLN million	(1 101.3) PLN million	-21.3% (y/y)
C/I	42.7%	39.0%	3.7 pp.
ROE net	13.8%	17.5%	(3.7) pp.
ROA net	1.7%	2.1%	(0.4) pp.

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

The net profit of the PKO Bank Polski SA Group generated in the first six months of 2013 amounted to PLN 1,534.2 million, which represents a decrease of PLN 419.1 million compared with the corresponding period of the prior year. The achieved profit was determined by:

⇒ deterioration in the result on business activities of the PKO Bank Polski SA Group, which amounted to PLN 4 999.8 million, mainly due to a decrease in net interest income of PLN 776.0 million y/y, which is a consequence of reductions in market interest rates;

⇒ decrease of administrative expenses –in annual terms of 0.9%;

⇒ improvement in the net impairment allowance (PLN +234.4 million y/y), mainly as a result of the improved result on the consumer and housing loans portfolio;

⇒ effective structure of the balance sheet – an increase in amounts due to customers, amounts due from issue of securities and subordinated liabilities totalling PLN 5.9 billion y/y enabled a dynamic increase in business activities. The loan to deposit ratio as at the end of the first half of 2013 amounted to 99.9%, and the ratio of loans to stable sources of funding amounted to 90.9%.

2. EXTERNAL ENVIRONMENT AFFECTING THE OPERATIONS AND RESULTS OF THE PKO BANK POLSKI SA GROUP

2.1 Macroeconomic environment

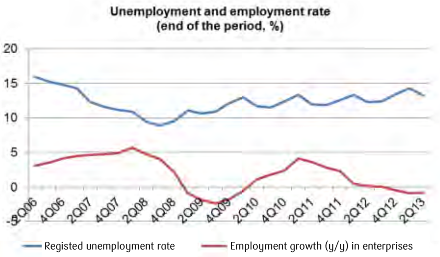
In the 1st half of 2013:

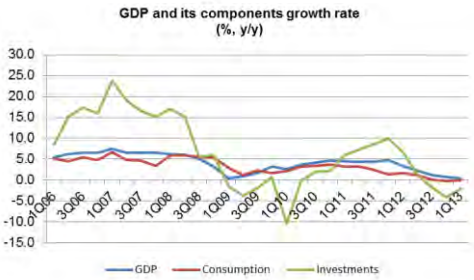
– the slowdown in the national economy continued at around 0.5% y/y compared with 1.9% in 2012, which was accompanied by the stagnation in private consumption and a significant decline in public investments;

– in June 2013, CPI inflation amounted to 0.2% p.a. compared with 1.0% in March 2013, with a very low annual growth rate of food prices, sudden reductions in prices in the communications category, prices of fuels going down and the low annual growth rate of prices in most of the remaining categories of the inflation basket;

– the situation on the labour market remained relatively stable. In June, the seasonally registered unemployment rate decreased to 13.2% (preliminary data of the Ministry of Labour and Social Policy) compared with 14.3% at the end of the first quarter of 2013 and the growth in the ratio's increased slightly compared with the corresponding period of the previous year. The annual growth rate in salaries and wages in the enterprise sector reached 2.2% p.a. in the second quarter of 2013 compared to 2.1% in the first quarter of 2013, and the growth rate of employee pensions and disability benefits went down in the second quarter of 2013 to 5.0% y/y from 5.8% in the first quarter of 2013;

– in response to very low inflation, the Monetary Policy Council (RPP) reduced interest rates more than was previously expected. The reference rate went down to 2.75% in June (and further to 2.50% in July).





2.2 The situation of the Polish banking sector

In the first half of 2013, the situation of the Polish banking sector remained under the influence of the low economic growth rate and reductions in the interest rate introduced by the RPP. In spite of that, the net profit of the banking sector was higher than the year before (+0.6% y/y) and amounted to PLN 8.2 billion. The increase in the result was due to lower net impairment allowances (ca. -16% y/y) and control over administrative expenses (+0.3% y/y), which offset the decrease in the result on banking activities (-6.4% y/y), including net interest income (-8.4% y/y), which was mainly a consequence of the interest rate reduction and low growth in the volume of loans.

The operating efficiency of the banking sector deteriorated: as at the end of June 2013, the C/I ratio increased by 3.5 p.p. y/y to 53.4%. The capital adequacy ratio for the banking sector remained high and amounted to 15.2% as at the end of June 2013, whereas the Tier 1 ratio amounted to 13.7%.

In the first half of 2013, impaired loans increased by 1.6%, and their share in total loans went down to 8.7% compared with 8.8% as at the end of 2012. Non-performing consumer loans went down in value (-7.4%) and non-performing corporate loans went up slightly (+3.8%). As at the end of June 2013, the ratio of non-performing loans for corporate loans amounted to 11.8%, 3% for housing loans and 16.1% for consumer loans.

At the end of June 2013, the total assets of the banking sector increased to PLN 1 400 billion (+3.8% from the beginning of 2013). The loan and deposit market was still characterized by low lending activity and an acceleration in the growth rate of deposits. The increase in the volume of loans and deposits was due to the depreciation of the Polish zloty. In the first half of 2013, the PLN/CHF exchange rate went up by 3.6% and the PLN/EUR by 5.9%.

In the first half of 2013, total loans went up by PLN 30.5 billion and their growth rate was 3.9% y/y compared to 1.5% y/y as at the end of 2012. About 37% of the increase in loans resulted from the depreciation of the Polish zloty; it is estimated that after the adjustment for exchange rate fluctuations, the increase in loans would amount to ca. PLN 19.3 billion and the growth rate to 4.7% y/y, thus remaining on the same level as at the end of 2012.

Lending activity addressed to enterprises was low; the balance of loans in this segment in the first half of 2013 went up by PLN 8.9 billion, with ca. 52% of the increase being the effect of PLN depreciation. The growth rate of these loans after eliminating foreign exchange rate fluctuations went down to 2.3% y/y from 3.1% y/y as at the end of 2012. Lending activity was limited by the low demand and stricter conditions and criteria for granting loans to enterprises, which was due to increased risk associated to the economic downturn.

The housing loans market deteriorated. In the first half of 2013, the increase in housing loans amounted to PLN 12.4 billion, and after eliminating foreign exchange differences it would amount to PLN 7.1 billion and would be ca. 18% lower than a year before. The housing loans growth rate was 3.7% y/y compared with 0.8% y/y at the end of 2012, but after adjusting for interest rate differences it would go down to 6.4% y/y from 7.2% at the end of 2012. The sales of housing loans were adversely affected by the lower demand as a result of concerns about the future financial situation of potential borrowers, stricter lending policies of banks due to implemented legal regulations, the abolition of the 'Rodzina na swoim' programme, and the deteriorating quality of the housing loan portfolio.

There was a slight improvement on the market of consumer loans, despite the continuing deterioration of the portfolio's value. In the first half of 2013, the recorded decline in consumer loans was lower than a year before (PLN -1.4 billion compared with PLN -3.6 billion as at the end of the first half of 2012), which was due to easing the lending policy.

In the first half of 2013, total deposits increased by PLN 28 billion and the increase was ca. 70% higher than a year before. The deposit growth rate was 7.2% y/y compared with 5.9% y/y as at the end of 2012. The main source of the deposit growth were household deposits, which went up by PLN 17.4 billion (compared to PLN 14.2 billion a year before) and deposits of central and local government institutions which went up by ca. PLN 14.1 billion (compared with PLN 15.8 billion a year before). After a long period of decline, at the end of the first half of 2013, there was an increase in deposits of enterprises (PLN +1.1 billion compared with PLN -22 billion in the first half of 2012). The increase in deposits was affected by low interest rates and competitive interest rates offered on the investment fund market.

At the end of June 2013, the gap between loans and deposits amounted to ca. PLN 69 billion and was PLN 2.5 billion higher than at the end of 2012. The ratio between loans and deposits remained on a level from the end of 2012 and was 107.9%.

2.3 The situation of the Polish non-banking sector

Investment fund market

In the first half of 2013, the upward trend for Polish investment fund assets increased. This was a consequence of an inflow of net funds due to the RPP's policy resulting in a drop in interest rates on bank deposits, accompanied by declining confidence in the debt market. The situation on the stock market at the WSE in Warsaw had a negative effect on the valuation of investment fund units. The WIG index dropped by 5.7% in the first half of 2013 compared with a 16.3% increase in the second half of 2012.

In the first half of 2013, the value of Polish investment fund assets increased by PLN 20 billion (13.7%) to PLN 166.2 billion, compared with a lower increase in the second half of 2012 (PLN +16.9 billion; 13%). This was a result of a net inflow of new funds (ca. PLN +19.3 billion compared with PLN 10.1 billion in the second half of 2012), accompanied by a small increase in assets due to the positive valuation (ca. PLN +0.1 billion compared with PLN +8 billion in the second half of 2012).

In the first half of 2013, the highest positive balance of payments and cancellations was recorded for non-public asset funds (PLN +9.2 billion) and cash and monetary funds (PLN +4.8 billion). The positive balance of payments and cancellations was almost three times lower for debt funds (PLN 3.1 billion compared with PLN 10.1 billion in the second half of 2012).

The situation on the fund market affected the banks' deposit base level and the structure of household savings as well as non-interest income of banks participating in the distribution of investment fund units

The market of open pension funds

In the first half of 2013, the assets of open pension funds increased by 0.3% to PLN 272.1 billion compared with 7.4% in the first half of 2012. The increase was due to: the results realized on investment activities, which were affected by a slump on financial markets, including on the WSE (the WIG index went down in the first half of 2013 by 5.7% compared with an 8.6% increase in the first half of 2012) and an inflow of funds from the Social Insurance Office (PLN 4.8 billion compared with PLN 4.1 billion in the first half of 2012). The situation on the open pension fund market was affected by the uncertainty as to the future of the OPF.

The weighted average rate of return realized by open pension funds in the first half of 2013 dropped by 0.6% compared with a 5.7% increase in the first half of 2012. In the first half of 2013, only one open pension fund (Nordea OFE) recorded an increase in value of one settlement unit.
In the first half of 2013, the number of OPF participants increased by 1.7% to PLN 16.2 million compared with 1.6% in the corresponding period of 2012, which was achieved in the conditions of growing unemployment and unfavourable demographic tendencies reflected in a lower number of people entering the labour market.
In the first half of 2013, the structure of the OPF portfolio changed slightly. The majority of OPF assets were still invested in Treasury securities (44%) and shares of companies listed on the WSE. In the first half of 2013, the percentage of shares in the OPF investment portfolio increased to 39% (+4.0 p.p.) and the percentage of deposits dropped to 5% (-3 p.p.). At the end of June 2013, OPF deposits and bank securities represented 1.6% of the banking sector's total deposits (down 1 p.p. since the start of 2013).
The average exposure of Polish pension funds in bank shares at the end of the first half of 2013 was 51% of all traded shares.

The lease market

After a period of strong slowdown in the development of the lease market in 2012, the signs of improvement appeared in the first half of 2013. The value of assets financed by lease firms in the first half of 2013 was PLN 16.0 billion, which represents an increase of ca. 5.5% y/y compared with 3.9% y/y in the first half of 2012. There was an improvement on the lease market despite the continued slowdown of the national economy, accompanied by the stagnation of private consumption and a significant drop in public investments, but in the conditions of the first signals of growing entrepreneur optimism. Leasing of vehicles had a positive effect on the market development (increase in value of assets of ca. 6.3% y/y compared with ca. 5.6% y/y in the first half of 2012) as well as the leasing of property (up 15.1% y/y). A decline was recorded in leasing of machinery and equipment (ca. -2.2% y/y compared with ca. 5.7% y/y in the first half of 2012).

The factoring market

In the first half of 2013, the factoring market recorded a high growth rate. The turnover of 20 factoring firms that belong to the Polish Factors Association increased by ca. 14.9% y/y (to more than PLN 44 billion), which was the result of an increased demand for factoring services. In the first half of 2013 the number of factoring firm customers increased by 5.4% and the number of factoring firm debtors increased by 12.9%.
The concentration of the factoring market remained high – at the end of June 2013, about 60% of the market belonged to the four largest firms.

2.4 Situation on the financial market

Interest rate market

The first half of 2013 brought a high volatility of prices on the interest rate market. Till the beginning of May 2013, there were observed drops in the profitability of Treasury bonds and historically minimum levels were achieved at that time – 2.45% for 2-year, 2.55% for 5-year and 3.00% for 10-year Treasury bonds. The weaker than expected macroeconomic data and expansive monetary policy of the main central banks were the factors determining the drops in profitability. In the next months, inflation went down considerably, more than expected by the NBP's macroeconomic projections, and market forecasts. The growth rate of the GDP was also weaker than expected and reached only 0.5% y/y in the first quarter. In the conditions of a clear economic slowdown and disinflation trends, the Monetary Policy Council reduced the reference rate by 150 b.p. to 2.75%. The situation on the debt market changed in the middle of May. At that time, the first speculations appeared that the American central bank would decide to limit its asset-buying program at the end of the year, and then close its quantitative easing program in 2014. This was the reason why the strong sell-off of U.S. Treasury bonds took place on the market – in the 10-year sector profitabilities reached 2.60% in June, which represented an almost 100 b.p. increase compared with the levels at the start of May. These changes were followed by a shift in the yield curves of developed and developing countries (stronger changes on the rising markets resulted from anxiety about the outflow of capital). As a result of said changes on the base markets, profitabilities of Polish bonds also increased and the quarter was closed on higher levels than at the end of 2012. In the case of the 5-year sector, profitabilities increased to 3.70% (up 48 b.p.) and in the 10-year sector to 4.37% (up 64 b.p.).

Foreign exchange market

On the foreign exchange market the first half of the year was characterized by high volatility both on the EUR/USD and EUR/PLN markets. The EUR/USD started the year at around 1.32 and closed the first half of the year around 1.30, however, during the period it fluctuated between 1.37 and 1.27. On the other hand, the EUR/PLN, which started the year at around 4.07 closed June at around 4.33.
Speculations concerning the perspectives of the third round of the quantitative easing (QE3) by the Fed were the main determinant of the trend on the EUR/USD market. Additional factors which affected this main fundamental trend included: negotiations on terms for granting financial support to Cyprus by the ECB and a reduction in the basic interest rate by the ECB. Expectations as to the continuation of the quantitative easing by the Fed in connection with the Evans Rule announced in December 2012 (continuation of QE3 until 6.5% unemployment rate and/or 2.5% inflation growth are attained) put up the EUR/USD exchange rate at the end of January to around 1.37. However, in subsequent months, worse macroeconomic data from the euro zone and pressure from European politicians towards "too strong" euro raised expectations as to the EBC reducing the basic interest rate, which resulted in a gradual drop in the eurodollar towards 1.30 in February and March. At the end of the first quarter 2013, the fall dynamics of the EUR/USD exchange rate was accelerated by negotiations on granting financial support to Cyprus, which increased risk aversion on the global markets and as a result pushed down the eurodollar rate to around 1.28. A satisfactory solution of the issue of support for Cyprus strengthened the EUR/USD exchange rate above 1.30 but the May reduction in the basic ECB interest rate from 0.75% to 0.5% again pushed the EUR/USD exchange rate down to about 1.28. Until the June meeting of the Fed (19 June), the EUR/USD exchange rate strengthened gradually to ca. 1.34, but an announcement by the Fed in which reducing the scale of quantitative expansion in 2013 was announced, to be followed by its closure in the middle of 2014 surprised the markets and resulted in considerable strengthening of the dollar to about 1.30 as at the end of June 2013.

Speculations concerning the perspectives of the third round of the quantitative easing (QE3) by the Fed and the perspectives of interest rate reductions in Poland were the main determinants of the trend on the EUR/PLN market. The turbulence around the negotiations on financial support to Cyprus, the disturbances in Turkey and the NBP's interventions on the foreign currency market were factors which affected the main fundamental trend set by the Fed and interest rate reductions in Poland. The deteriorating macroeconomic data from Poland coming in in the first months of 2013 induced the RPP to intensify the interest rate reduction cycle in Poland (including a reduction of the basic interest rate in March 2013 by as much as 50 b.p.), which together with the turbulence on the global financial markets related to the negotiations on financial support for Cyprus, and the disturbances in Turkey weakened the zloty by the end of May 2013 to about 4.20. In June, increasing speculations about the perspectives for the third round of the quantitative expansion of the Fed pushed up the EUR/PLN exchange rate above 4.30. The foreign currency intervention of the NBP managed to reduce the rate to around 4.20 for a few days only because the market speculations were confirmed by the sharp announcement by the Fed of 19 June concerning normalization of the monetary policy in the United States. As a result, the EUR/PLN exchange rate closed the first half of 2013 at around 4.33.

Stock market

The WIG index dropped by nearly 5,7% to 44.7 thousand points in the first half of 2013 compared to the increase in the first half of 2012 by 16,3%. This was brought about mainly by: a weaker than anticipated situation in the Polish economy and the expected normalization of the monetary policy in the United States. Strong growths on the stock exchange in the second half of 2012 were caused, ia. by investors' expectations of the gradual acceleration of the economy in the first and at the latest in the second quarter of this year. However, the continuing slow down of the economy had a negative impact on the reportable financial results of companies which resulted in decrease of share prices on WSE . The general investment climate on the rising markets to which Poland belongs was additionally affected by the disappointing economic situation in the majority of developing countries, especially in China. The stagnation in the euro zone, the main trading partner of the Polish economy, had an additional negative impact on investors' moods.
The United States stood out positively against the slowing down global economy, and despite the fiscal consolidation being in progress gave a positive surprise by a solid GDP growth. This was reflected in record indices on the New York stock exchange. Paradoxically, however, the revival in the U.S. economy indirectly caused turbulence on the global financial markets. In the middle of May, the Chairman of the U.S. Federal Reserve suggested the possibility of limiting the asset-buying program and then in June announced the normalization of the monetary policy, which caused high nervous tension on stock exchanges, especially in developing countries. Investors responded by selling off financial assets and commodities afraid that a change in the Fed's policy would limit the availability of capital, especially that important for the financing of economies in developing countries.

2.5 The Ukrainian banking sector

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

- a continued drop in the GDP by 1.1% y/y in the second quarter of 2013 and a continued drop in the industrial production volume (5.7% y/y on average in the period April-June), which indicates the recession continuing into the second quarter of 2013, a further mild drop in retail sales dynamics signalling the curbing of private consumption;
- a continued drop in prices of major CPI basket categories (food, clothes, energy and home maintenance), resulting from weakening demand pressure and no cost pressure;
- curbing control over interbank market liquidity by the National Bank of Ukraine (NBU) in connection with a temporary reduction in the pressure to weaken UAH at the beginning of the year (a seasonal drop in household demand for foreign currencies, concerns about the possibility of taxing foreign exchange transactions in the future) and stabilising the level of foreign currency reserves;
- further postponement of the agreement on the renewal of the IMF Stand-by-Arrangement loan increasing the risk of disruptions in financing the current account deficit in the event of a decrease in access to market financing;
- upholding the official UAH/USD rate at 7.99 by the NBU and weakening of the exchange rate on the interbank market once again (after a temporary appreciation in January) to 8.15 on average at the end of the first half of 2013.

According to the data of the National Bank of Ukraine, at the end of June 177 banks conducted business activities in Ukraine, i.e. one more compared with the end of 2012. In the first half of 2013 a tendency of reducing the share of the foreign capital in equities of banks acting in Ukraine established and at the end of June 2013 amounted to 38.0% compared to 39.5% at the end of December 2012 and 41.3% in June 2012.
At the end of June 2013, the value of assets of Ukrainian banks amounted to UAH 1 169.9 billion compared to UAH 1 127.3 billion at the end of 2012. In the first half of 2013 the increase in the value of the loan portfolio, to UAH 841 billion from UAH 819 billion in December 2012 was noted. The average annual dynamics of the value of the loan portfolio in the first half of 2013 amounted to 3.1% y/y and increased compared with the second half of 2012 (1.6% y/y in the second half of 2012). The increase in the value of loans in the banking sector compared with the prior year was related to an increase in the loan portfolio for residents (+ UAH 22.6 billion), accompanied by a slight decrease in the value of the loan portfolio for non-residents (- UAH 1.0 billion). Among residents, the largest impact on the increase in the value of loans granted in the first half of 2013 was still exerted by non-financial enterprises (+ UAH 17.7 billion) and financial enterprises (+ UAH 2.9 billion). Loans to households increased in the period by UAH 1.4 billion and the indebtedness of the public finance sector in respect of loans from the banking sector dropped by UAH 0.3 billion. After a period of accelerated changes in the currency structure of granted loans in favour of the national currency in the second half of 2012, the share of foreign currency loans stabilized. As at the end of June 2013, the share of foreign currency loans in total loans amounted to 36.5% compared with 36.7% as at the end of December and 38.2% in June 2012. According to NBU data, the average interest rate of new loans in UAH in the second quarter of 2013 dropped to 16.4% from 17.4% in the first quarter 2013.
In the first half of 2013, the higher dynamics of the deposit base compared with the loan portfolio was maintained in the banking sector in Ukraine. The increase in total deposits in the first half of 2013 amounted to UAH 48.6 billion. The annual dynamics of the deposit value in banks in Ukraine reached 18.8% y/y at the end of June (compared with 14.9% at the end of December). The main source of the increase in deposits was the

household segment where the deposit base increased by UAH 45.1 billion compared with December 2012, and the increase was clearly focused on deposits denominated in UAH (UAH +44.7 billion). The rate of household deposit creation increased due to limited devaluation expectations and anxiety as to a possible introduction of tax on foreign currency sale transactions in the future as well as a large difference in interest rates on deposits in UAH and in foreign currencies. In the first half of 2013, the remaining sectors increased the value of their deposits by only UAH 270 million and the increase resulted from the increase in value of deposits of financial enterprises. As a result of faster growth of deposits than loans in the banks of Ukraine, the Loan/Deposit ratio improved further and reached 1.29 at the end of June compared with 1.36 in December 2012 and 1.48 in June 2012.

In June 2013, the dynamic of equity of the banking sector in Ukraine amounted to 10.5% y/y, after a 9.2% increase in 2012. The total value of capital of the banking sector in the first half of 2013 was UAH 175.6 million (15.0% of the total assets of the banks in Ukraine). The ongoing economic recession resulted in an increase in non-performing loans to UAH 77.8 billion at the end of June 2013. This means an increase in non-performing loans to 9.3% of the total value of loans compared with 8.9% at the end of 2012. In the first half of 2013, the ROA ratio of the Ukrainian sector dropped to 0.22% from 0.45% at the end of 2012. The ROE ratio dropped in the same period from 3.0% to 1.5%.

2.6 Regulatory environment

In the first half of 2013, there were significant changes in the regulatory environment of the banking sector and financial non-banking sector in Poland and the banking sector in Ukraine (where the subsidiaries of PKO Bank Polski SA operate).

The financial and organisational situation of the PKO Bank Polski SA Group in the period was affected by the new regulatory arrangements, including:

- Resolutions of the RPP of January, February, March and June 2013 decreasing by a total of 1.5 pp.: the reference rate (to 2.75%), interest rate on refinancing loans secured with a pledge on securities (to 4.25%), the interest rate of fixed-term deposits placed by banks with the National Bank of Poland (to 1.25%) and the rediscount rate for bills of exchange accepted from banks for rediscounting by the National Bank of Poland (to 3.0%);
- Resolution of the Bank Guarantee Fund (BGF) Council of 21 November 2012 increasing the interest rate for determining the required annual fee paid by banks to the Bank Guarantee Fund in 2013;
- Resolution No. 333/2013 of the WSE Management Board concerning the amendment of the UTP Detailed Exchange Trading Rules, which was related to the need to incur adaptation costs in the scope of brokerage activities (the UTP system was implemented from 15 April 2013);
- Resolution of the PFSA 7/2013 on Recommendation D concerning management of IT areas and security of IT environment in banks (Official Journal of the PFSA item 5), which recommends that banks implement specific principles by 31 December 2014;
- Resolution of the PFSA 8/2013 on Recommendation M concerning management of operational risk (Official Journal of the PFSA item 6), which recommends the implementation of specific rules by the end of June 2013 (exept for point 17.4 in which case the Recommendation shall be implemented by 31 December 2013);
- Resolution of the PFSA 59/2013 on Recommendation T concerning management of credit risk arising from exposures to households, which recommends implementing specific recommendations by the end of July 2013 (Official Journal of the PFSA item 11);
- Resolution of the PFSA 148/2013 on Recommendation S of the PFSA of June 2013 concerning management of mortgage-secured loan exposures, which recommends that banks implement specific recommendations by 1 January 2014 (exept for recommendations 6, 9.1, 12, 14.10, 15.8, 20 which should be implemented by 1 July 2013);
- executive regulations (so-called Regulatory Technical Standards) to the Regulation of the European Parliament and European Union Council dated 4 July 2012 on OTC derivatives, central counterparties and trade repositories – EMIR (Official Journal L 52 of the European Union), the specific scope of which became binding on 10 January and 15 March 2013;
- the Act of 23 November 2012 implementing from 1 February 2013 amendments to the Act on investment funds and the Act on supervision over the investment fund market (Journal of Laws of 2013, item 70), which constitutes the implementation of the UCITS IV Directive; the Act introduced 4 transitional periods for implementing UCITS IV, including until 1 May and 1 August 2013;
- the Act of 8 March 2013 amending the Act on public offering and the terms of introducing financial instruments to the regulated market (Journal of Laws of 2013, item 433); the amendments came into force on 23 April 2013;
- the Act of 25 March 2011 amending some of the Acts related to the operation of the social insurance system (Journal of Laws of 2011 no. 75, item 398), which increased from 1 January 2013 the portion of the pension insurance contribution transferred to OPFs by 0.5 p.p. to 2.8%;
- the Decree of the Council of Ministers of 26 April 2011 on specification of the maximum portion of OPF assets which can be invested in the individual deposit categories (Journal of Laws of 2011 No. 90, item 516) increasing the limit for OPF investments in shares by 2.5 p.p. to 47.7%;
- the Decree of the Minister of Finance of 18 February 2013 concerning Bank Gospodarstwa Krajowego granting *de minimis* aid in the form of a guarantee of loan repayment (Journal of Laws of 2013, item 239), which affected the level of lending activity to small and medium-sized enterprises;
- three Decrees of the Minister of Finance of 30 April 2013 obliging the investment fund management companies to implement by the end of July 2013 changes in the methods, procedures and terms of conducting operations and changes in making investments through closed and open investment funds (Journal of Laws of 2013, item 536, 537 and 538);
- discontinuation of the 'Rodzina na Swoim' programme introduced in 2011 to financially support families in the purchase of their own homes as of 31 December 2012 (Journal of Laws of 2011 No. 168, item 1006), which in connection with finalizing transactions related to this programme in the first quarter of 2013 had an impact on the level of lending activity in the mortgage loan market in the first half of 2013.

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

- Act No. 2755-VI dated 2 December 2010, reducing the income tax rate from 21% to 19% as of 1 January 2013;

- Act No. 5519-VI dated 6 December 2012, introducing tax rates on securities sale transactions and transactions on derivatives as of 1 January 2013;
- the decision of the Council of Ministers of Ukraine dated 6 March 2013, determining that cash in the Ukrainian currency (UAH) is to be accepted for further transfer through banks and licensed non-banking financial institutions;
- the decision of the Executive Directors of the Fund for Guaranteeing Deposits of Individuals of 12 February 2013, implementing from 29 March 2013 amendments related to calculation of fees to the bank deposit guarantee system;
- Resolution of the Management Board of the NBU No. 479 dated 28 December 2011 in accordance with which as of 1 January 2013 the requirement specifying the ratio of regulatory capital to bank's liabilities at a level no lower than 10% became binding;
- Resolution of the Management Board of the NBU No. 209 dated 6 June 2013 reducing the refinancing rate by 0.5 p.p. to 7%.

3. FINANCIAL RESULTS[1]

3.1 The PKO Bank Polski SA Group

Key financial indicators

The results achieved by the PKO Bank Polski SA Group in the first half of 2013 enabled the key financial efficiency indicators to achieve the levels shown in the table below.

Table 2. Key financial indicators of the PKO Bank Polski SA Group

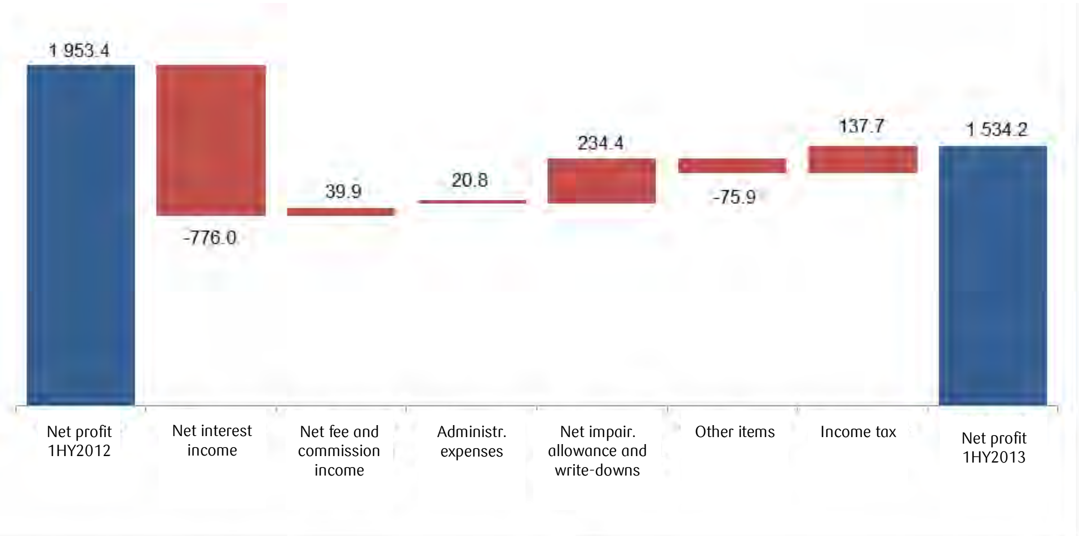
	30.06.2013	30.06.2012	Change (p.p.)
ROA net* (net profit/average total assets)	1.7%	2.1%	- 0.4
ROE net* (net profit/average total equity)	13.8%	17.5%	- 3.7
C/I* (cost to income ratio annualized)	42.7%	39.0%	3.7
Interest margin* (net interest income/average interest-bearing assets)	4.0%	4.7%	- 0.7
The share of impaired loans**	9.1%	8.7%	0.4
The coverage ratio of impaired loans***	51.1%	47.0%	4.2

** 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.*

Consolidated income statement

The consolidated net profit of the PKO Bank Polski SA Group generated in the first half of this year amounted to PLN 1 534.2 million which represents a decrease of PLN 419.1 million, i.e. 21.5% compared with the corresponding period of 2012, mainly as a result of a decrease in net interest income as a consequence of the RPP reducing the interest rates.

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



[1] *Any differences in the total balances, shares and dynamics in this chapter arise from roundings to PLN million and roundings of percentage shares in structures to one decimal place.*

In the income statement of the PKO Bank Polski SA Group for the first half of 2013, the sum of revenue items was PLN 4 999.8 million and was PLN 791.0 million, i.e. 13.7% lower than in the corresponding period of 2012. The main consolidated income statement items were as follows:

Table 3. *Income statement of the PKO Bank Polski SA Group (in PLN million)*

	01.01-30.06.2013	01.01-30.06.2012	Change (in PLN million)	Change (in %)
Interest and similar income	5 585.8	6 487.3	(901.5)	-13.9%
Interest expense and similar charges	(2 319.5)	(2 445.0)	125.5	-5.1%
Net interest income	**3 266.2**	**4 042.2**	**(776.0)**	**-19.2%**
Fee and commission income	1 973.6	1 853.7	119.9	6.5%
Fee and commission expense	(431.0)	(351.0)	(80.0)	22.8%
Net fee and commission income	**1 542.6**	**1 502.7**	**39.9**	**2.7%**
Dividend income	5.3	6.1	(0.8)	-12.9%
Net income from financial instruments designated at fair value	3.3	15.4	(12.1)	-78.6%
Gains less losses from investment securities	61.4	4.6	56.7	13.2x
Net foreign exchange gains	74.9	144.7	(69.7)	-48.2%
Net other operating income and expense	46.1	75.1	(29.0)	-38.6%
Net impairment allowance and write-downs	(866.9)	(1 101.3)	234.4	-21.3%
Administrative expenses	(2 225.5)	(2 246.3)	20.8	-0.9%
Operating profit	**1 907.4**	**2 443.2**	**(535.8)**	**-21.9%**
Share of profit (loss) of associates and jointly controlled entities	(14.7)	6.0	(20.7)	x
Profit (loss) before income tax	**1 892.7**	**2 449.3**	**(556.5)**	**-22.7%**
Income tax expense	(358.8)	(496.4)	137.7	-27.7%
Net profit (including non-controlling shareholders)	1 534.0	1 952.8	(418.8)	-21.4%
Profit (loss) attributable to non-controlling shareholders	(0.3)	(0.6)	0.3	-50.7%
Net profit (loss)	**1 534.2**	**1 953.4**	**(419.1)**	**-21.5%**

Net interest income

Net interest income generated in the first half of 2013 was PLN 776.0 million lower than in the similar period of the prior year, mainly as a result of a PLN 901.5 million decrease in interest income.

Table 4. *Interest income and expense of the PKO Bank Polski SA Group (in PLN million)*

	01.01-30.06.2013	Structure 1H 2013	01.01-30.06.2012	Structure 1H 2012	Change 1H 2013/ 1H 2012
Interest income, of which:	**5 585.8**	**100.0%**	**6 487.3**	**100.0%**	**-13.9%**
Loans and advances to customers	4 636.3	83.0%	5 129.8	79.1%	-9.6%
Securities	582.7	10.4%	768.7	11.8%	-24.2%
Derivative hedging instruments	270.3	4.8%	466.2	7.2%	-42.0%
Placements with banks	94.9	1.7%	119.3	1.8%	-20.5%
Other	1.5	0.0%	3.3	0.1%	-53.2%
Interest expense, of which:	**(2 319.5)**	**100.0%**	**(2 445.0)**	**100.0%**	**-5.1%**
Amounts due to customers	(2 041.5)	88.0%	(2 231.6)	91.3%	-8.5%
Debt securities in issue	(245.3)	10.6%	(193.7)	7.9%	26.6%
Premium on debt securities available for sale	(16.6)	0.7%	(5.0)	0.2%	3.3x
Deposits from banks	(9.2)	0.4%	(13.9)	0.6%	-33.9%
Other expense*	(7.0)	0.3%	(0.8)	0.0%	8.6x
Net interest income	**3 266.2**	**x**	**4 042.2**	**x**	**-19.2%**

** Including: costs from financial assets held for trading and financial assets designated upon initial recognition at fair value through profit and loss.*

In the first half of 2013, interest income amounted to PLN 5 585.8 million and in comparison with the corresponding period of 2012 was 13.9% lower, mainly as a result of a decrease in:

– income in respect of loans and advances to customers (-)9.6% y/y - as a result of a drop in market interest rates, accompanied by an increase in loans of PLN 7.8 billion y/y;
– income from derivative hedging instruments (-)42.0% 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 covered by hedge accounting;
– income from securities (-)24.2% y/y as a result of a drop in their average interest rates and volume.

In the same period the dynamics of interest expense was on the level of (-)5.1% y/y, mainly as a result of:

– a decrease in the costs of amounts due to customers (-8.5% y/y), resulting from lower average interest rates on deposits due to a drop in market interest rates, accompanied by an increase in amounts due to customers PLN 2.3 billion;

– an increase in costs of debt securities in issue (+26.6% y/y), which was related to an increase in liabilities in respect of bond issue on foreign financial markets, partly offset by a decrease in costs of servicing debt on the Polish market as a result of a drop in market interest rates.

Interest margin dropped by ca. 0.7 p.p. y/y to 4.0% as at the end of the first half of 2013, as a result of a decrease in annualized net interest income of 12.0% y/y (mainly due to a drop in market interest rates), accompanied by an increase in average interest-bearing assets of 3.6% y/y (mainly the portfolio of loans and advances to customers).

Net fee and commission income

Net fee and commission income generated in the first half of 2013 was PLN 39.9 million higher than in the corresponding period of the prior year, mainly as a result of a PLN 119.9 million increase in commission income, accompanied by a PLN 80.0 million increase in commission expense.

Table 5. Fee and commission income and expense of the PKO Bank Polski SA Group (in PLN million)

	01.01-30.06.2013	Structure 1H 2013	01.01-30.06.2012	Structure 1H 2012	Change 1H 2013 / 1H 2012
Fee and commission income, of which:	**1 973.6**	**100.0%**	**1 853.7**	**100.0%**	**6.5%**
Payment cards	589.0	29.8%	552.1	29.8%	6.7%
Maintenance of bank accounts	430.9	21.8%	449.0	24.2%	-4.0%
Loan insurance	261.0	13.2%	202.8	10.9%	28.7%
Loans and advances granted	298.5	15.1%	285.6	15.4%	4.5%
Maintenance of investment and open pension funds (including management fees)	183.0	9.3%	152.0	8.2%	20.4%
Cash transactions	63.7	3.2%	68.3	3.7%	-6.8%
Securities transactions	35.5	1.8%	35.3	1.9%	0.5%
Servicing foreign mass transactions	25.0	1.3%	24.1	1.3%	3.5%
Performing the function of the Treasury bonds issue agent	11.3	0.6%	21.9	1.2%	-48.5%
Sale and distribution of court fee stamps	3.9	0.2%	10.3	0.6%	-61.8%
Other*	71.9	3.6%	52.4	2.8%	37.4%
Fee and commissions expense, of which:	**(431.0)**	**100.0%**	**(351.0)**	**100.0%**	**22.8%**
Payment cards	(243.4)	56.5%	(180.6)	51.5%	34.7%
Loan insurance	(66.3)	15.4%	(54.8)	15.6%	21.0%
Acquisition services	(51.3)	11.9%	(54.2)	15.5%	-5.3%
Settlement services	(13.5)	3.1%	(11.0)	3.1%	22.4%
Operating services provided by banks	(5.8)	1.4%	(5.1)	1.5%	14.8%
Assets management	(5.2)	1.2%	(7.0)	2.0%	-25.8%
Other**	(45.5)	10.6%	(38.3)	10.9%	18.9%
Net fee and commission income	**1 542.6**	**x**	**1 502.7**	**x**	**2.7%**

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

*** Included in "Other" are i.a.: fees and expenses paid by the Brokerage House to Warsaw Stock Exchange and the National Depository for Securities (KDPW).*

The level of net fee and commission income was significantly affected by:

– an increase in net commission income in respect of loan insurance (+31.5% y/y), due to the increase in sales of loans, mainly housing loans denominated in PLN and insurance saturation, supported by promotional campaigns, mainly covering consumer loans;

– an increase in commission income in respect of maintenance of investment funds and Open Pension Funds (+20.4% y/y), due to an increase in management fees and an increase in handling fees related to sale and repurchase of investment fund units, accompanied by above 40% y/y increase in the value of assets of investment fund management companies;

– a decrease in the result on payment cards (-6.9% y/y), mainly due to a decrease in the interchange fee, in connection with a reduction of IF rates by Visa and Mastercard from the beginning of the year. Lower commission related to IF was accompanied by both the value and volume increase in card transactions.

Result on financial operations

Result on financial operations in the first half of 2013 was still affected by changes in the profitability of Polish bonds. Net income from investment securities increased by PLN 56.7 million compared with the corresponding period of the prior year, mainly due to realizing gains on sale of State Treasury securities. Net income from financial instruments designated at fair value was PLN 12.1 million lower than in the corresponding period of the prior year, mainly as a result of a decrease in the valuation of the portfolio of debt securities and structured bank securities issued by the Bank at the end of the period, which was only partly offset by an increase in net income on derivatives hedging the securities portfolio.

Administrative expenses

Effective control of costs continued in the first half of 2013 resulted in maintaining the administrative expenses of the Group on a similar level as in the first half of 2012 and translated into putting the operating efficiency of the PKO Bank Polski SA Group, measured by the C/I ratio (annualized), at 42.7% (+3.7 p.p. y/y).

Table 6. Administrative expenses of the PKO Bank Polski SA Group (in PLN million)

	01.01-30.06.2013	Structure 1H 2013	01.01-30.06.2012	Structure 1H 2012	Change 1H 2013 /1H 2012
Staff costs	(1 179.7)	53.0%	(1 213.3)	54.0%	-2.8%
Overheads and other*	(761.8)	34.2%	(763.4)	34.0%	-0.2%
Depreciation and amortisation	(284.0)	12.8%	(269.6)	12.0%	5.3%
TOTAL	**(2 225.5)**	**100.0%**	**(2 246.3)**	**100.0%**	**-0.9%**

** Other: taxes and fees and contribution and payments to the BGF.*

Net impairment allowance and write-downs

The net impairment allowance and write-downs as at 30 June 2013 reflects the PKO Bank Polski SA Group's conservative approach to the measurement of credit risk. Improvement of net impairment allowance in the first half of 2013 compared with the corresponding period of the previous year (-21.3% y/y), is mainly a result of the decrease in the net impairment allowance on the consumer and housing loans portfolio.

Table 7. Net impairment allowance and write-downs (in PLN million)

	01.01-30.06.2013	Structure 1H 2013	01.01-30.06.2012	Structure 1H 2012	Change 1H 2013/ 1H 2012
Net impairment allowance, of which:					
loans and advances to customers measured at amortised cost and amounts due from banks	(932.4)	107.6%	(1 030.0)	93.5%	-9.5%
investments in associates and co-subsidiaries	9.0	-1.0%	(5.5)	0.5%	x
Other	56.5	-6.5%	(65.7)	6.0%	x
Total	**(866.9)**	**100.0%**	**(1 101.3)**	**100.0%**	**-21.3%**

The cost of risk[2] at the end of the first half of 2013 amounted to 1.3% and increased by 0.04 p.p. in comparison to the end of the first half of 2012. The effect of the decrease in net impairment allowance on consumer and housing loans was offset by an increase in the net impairment allowance on corporate loans.

Consolidated statement of financial position – main items

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. As at 30 June 2013, the total assets of PKO Bank Polski SA represented 98.7% of the total assets of the PKO Bank Polski SA Group.
As at 30 June 2013, the total assets of the PKO Bank Polski SA Group amounted to PLN 198.2 billion and were 2.4% higher than at the end of December 2012.
Loans and advances to customers represented the largest part of the Group's assets and amounted to PLN 149.1 billion at the end of June 2013, reaching 75.2% of the total assets. Their volume increased by PLN 5.2 billion compared with the end of 2012.
Amounts due to customers which amounted to PLN 149.2 billion at the end of June 2013, reaching 85.5% of the total equity and liabilities are the primary source of financing assets. Since the start of 2013, the volume of amounts due to customers increased by PLN 3.0 billion.
The main items of the statement of financial position of the PKO Bank Polski SA Group in the first half of 2013 are presented in the table below:

[2] Calculated by dividing net impairment allowances on loans and advances to customers for the 12 months ended 30 June 2012 and 2013 by the average balance of gross loans and advances to customers at the beginning and end of the reporting period and interim quarterly periods.

Table 8. The main items of the statement of financial position of the PKO Bank Polski SA Group (in PLN million)

	30.06.2013	Structure 30.06.2013	31.12.2012	Structure 31.12.2012	Change (in %)
Cash and balances with the central bank	5 658.0	2.9%	10 289.5	5.3%	-45.0%
Amounts due from banks	3 243.3	1.6%	3 392.5	1.8%	-4.4%
Loans and advances to customers	149 100.6	75.2%	143 875.6	74.4%	3.6%
Securities	29 808.2	15.0%	25 159.4	13.0%	18.5%
Other assets	10 409.0	5.3%	10 762.7	5.6%	-3.3%
Total assets	**198 219.1**	**100.0%**	**193 479.6**	**100.0%**	**2.4%**
Amounts due to banks	3 880.8	2.0%	3 737.1	1.9%	3.8%
Amounts due to customers	149 242.6	75.3%	146 193.6	75.6%	2.1%
Debt securities in issue and subordinated liabilities	12 563.6	6.3%	11 902.0	6.2%	5.6%
Other liabilities	8 866.5	4.5%	6 939.3	3.6%	27.8%
Total liabilities	**174 553.5**	**88.1%**	**168 772.0**	**87.2%**	**3.4%**
Total equity	23 665.6	11.9%	24 707.7	12.8%	-4.2%
Total liabilities and equity	**198 219.1**	**100.0%**	**193 479.6**	**100.0%**	**2.4%**
Loans/Deposits (amounts due to customers)	99.9%	x	98.4%	x	1.5 p.p.
Loans/Stable sources of funding*	90.9%	x	89.6%	x	1.3 p.p.
Interest bearing assets/Assets	91.9%	x	89.1%	x	2.8 p.p.
Interest paying liabilities/Liabilities	83.6%	x	83.6%	X	-0.1 p.p.

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

Loans and advances to customers

In the structure of the gross loan portfolio by types, the main items are housing loans (PLN 75.1 billion), which increased by PLN 2.8 billion compared with the end of 2012, mainly due to an increase in sales of loans denominated in PLN and the depreciation of the Polish currency recorded at the end of the first half of the year. Their share in the structure of the gross loan portfolio remained on a similar level as at the end of 2012 (48.0%). The highest increase in volume terms compared with the end of 2012 was recorded in corporate loans to the non-financial sector (+6.7%).

Securities

As at the end of the first half of 2013, the carrying value of the portfolio of securities was PLN 29.8 billion and was PLN 4.6 billion higher than at the end of 2012, representing 15.0% of the total assets of the PKO Bank Polski SA Group. Debt securities issued by the State Treasury and by central banks (mainly NBP money market bills) dominated in the portfolio structure by type.

Amounts due to customers

Amounts due to retail clients of PLN 116.8 billion were the largest component in the structure of amounts due to customers by type (+5.3% compared with the end of 2012), and their share in the portfolio structure compared with the end of 2012 increased by 2.4 p.p. (to 78.2%) – as a result of an increase in current deposits of PLN 3.0 billion and term deposits of PLN 2.8 billion, accompanied by a 3.0 p.p. decrease in the share of amounts due to corporate customers in the total portfolio of amounts due to customers.

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 half of 2013 debt securities in issue and subordinated liabilities represented 6.3% of the liabilities. The change in the level of liabilities in respect of the issue compared with the end of 2012 was primarily a result of the increase in liabilities due to the issue of securities by PKO Finance AB, in connection with the depreciation of the Polish zloty. Detailed information on the issues carried out by the PKO Bank Polski SA Group is described in Note 25 to the Condensed Interim Consolidated Financial Statements of the PKO Bank Polski SA Group for the six months ended 30 June 2013.

Equity and capital adequacy ratio

As at the end of the first half of 2013, equity dropped by 4.2% compared with the end of 2012 and represented 11.9% of the total equity and liabilities of the PKO Bank Polski SA Group (a drop in the share of 0.8 p.p. compared with the end of 2012).
The capital adequacy ratio of the PKO Bank Polski SA Group amounted to 13.51% as at the end of the first half of 2013, which represents a 0.44 p.p. increase compared with the end of 2012. This was mainly due to an increase in the Bank's own funds of ca. 5.8% due to accumulation of the net profit for 2012. This level considerably exceeds the minimum level of the ratio as specified in the Banking Law Act (8%). Capital adequacy measured with the capital adequacy ratio remained at a safe level.

In the first half of 2013, the return on equity (ROE) dropped by 3.7 p.p. in annual terms, due to a lower level of annualized net profit (-15.1% y/y), accompanied by an increase in average equity of 7.6% y/y whereas the return on assets (ROA) dropped by 0.4 p.p. compared with the first half of 2012.

Table 9. Equity and capital adequacy ratio of the PKO Bank Polski SA Group (in PLN million)

	30.06.2013	Structure 30.06.2013	31.12.2012	Structure 31.12.2012	Change (in %)
Equity, of which:	**23 665.6**	**100.0%**	**24 707.7**	**100.0%**	**-4.2%**
Share capital	1 250.0	5.3%	1 250.0	5.1%	0.0%
Reserve capital	16 781.6	70.9%	15 364.7	62.2%	9.2%
General banking risk fund	1 070.0	4.5%	1 070.0	4.3%	0.0%
Other reserves	3 469.1	14.7%	3 438.0	13.9%	0.9%
Cash flow hedges	(146.6)	-0.6%	51.9	0.2%	x
Financial assets available for sale	(129.1)	-0.5%	7.1	0.0%	x
Currency translation differences from foreign operations	(109.8)	-0.5%	(120.3)	-0.5%	-8.7%
Unappropriated profits	(55.9)	-0.2%	(103.3)	-0.4%	-45.9%
Net profit for the period	1 534.2	6.5%	3 748.6	15.2%	-59.1%
Non-controlling interest	2.6	0.0%	(0.3)	0.0%	x
Share of other comprehensive income of an associate	(0.5)	0.0%	1.3	0.0%	x
Own funds	**21 685.6**	**x**	**20 491.0**	**x**	**5.8%**
Capital adequacy ratio	**13.51%**	**x**	**13.07%**	**x**	**0.44 p.p.**

3.2 PKO Bank Polski SA

Key financial indicators

The results achieved by PKO Bank Polski SA in the first half of 2013 enabled the key financial efficiency indicators to achieve the levels shown in the table below.

Table 10. Key financial indicators of PKO Bank Polski SA

	30.06.2013	30.06.2012	Change (p.p.)
ROA net (net profit/average total assets)	1.6%	2.2%	- 0.6
ROE net (net profit/average total equity)	13.0%	18.1%	- 5.1
C/I (cost to income ratio)	40.6%	36.8%	3.8
Interest margin (net interest income/average interest-bearing assets)	4.0%	4.7%	- 0.7
The share of impaired loans*	8.4%	7.9%	0.5
The coverage ratio of impaired loans**	51.4%	47.1%	4.3

** 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.*

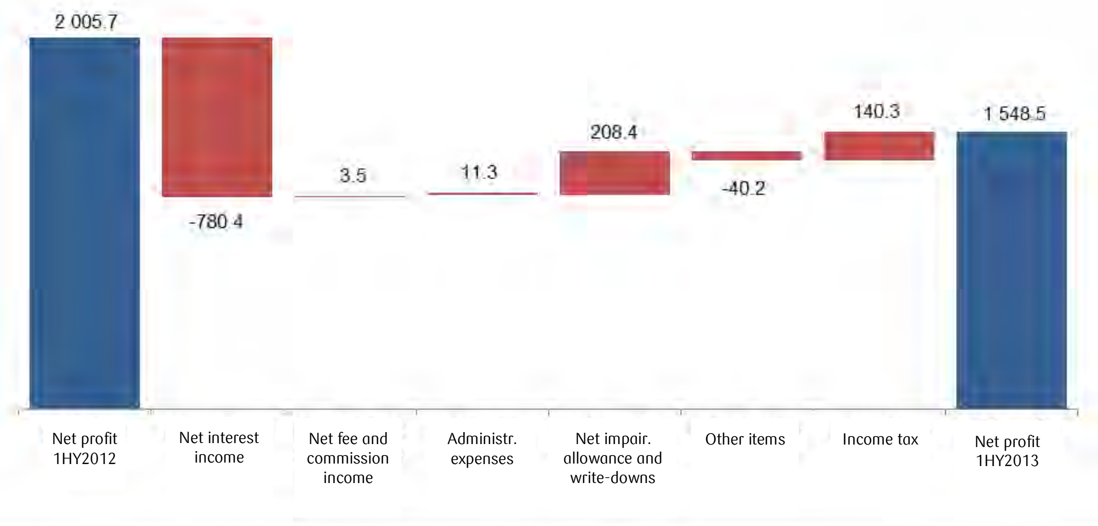
*** Calculated by dividing the gross carrying amount of impaired loans and advances to customers by the gross carrying amount of loans and advances to customers.*

**** 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.*

Income statement of PKO Bank Polski SA

The net profit of PKO Bank Polski SA generated in the first half of this year amounted to PLN 1 548.5 million which represents a decrease of PLN 457.2 million, i.e. 22.8% compared with the corresponding period of 2012, mainly as a result of a decrease in net interest income as a consequence of a drop in market interest rates.

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



In PKO Bank Polski SA's income statement for the first half of 2013, the sum of revenue items was PLN 4 810.7 million and was PLN 817.1 million, i.e. 14.5% lower than in the corresponding period of 2012. The main income statement items are presented in the table below:

Table 11. Income statement of PKO Bank Polski SA (in PLN million)

	01.01-30.06.2013	01.01-30.06.2012	Change (in PLN million)	Change (in %)
Interest and similar income	5 449.8	6 375.1	(925.2)	-14.5%
Interest expense and similar charges	(2 243.5)	(2 388.3)	144.8	-6.1%
Net interest income	**3 206.3**	**3 986.7**	**(780.4)**	**-19.6%**
Fee and commission income	1 846.0	1 749.9	96.1	5.5%
Fee and commission expense	(463.3)	(370.7)	(92.6)	25.0%
Net fee and commission income	**1 382.7**	**1 379.2**	**3.5**	**0.3%**
Dividend income	78.6	91.2	(12.6)	-13.8%
Net income from financial instruments designated at fair value	3.9	14.8	(10.9)	-74.0%
Gains less losses from investment securities	60.8	5.6	55.2	10.9x
Net foreign exchange gains	73.2	143.0	(69.7)	-48.8%
Net other operating income and expense	5.3	7.4	(2.1)	-28.5%
Net impairment allowance and write-downs	(883.7)	(1 092.0)	208.4	-19.1%
Administrative expenses	(2 031.4)	(2 042.7)	11.3	-0.6%
Operating profit	**1 895.6**	**2 493.1**	**(597.5)**	**-24.0%**
Profit (loss) before income tax	**1 895.6**	**2 493.1**	**(597.5)**	**-24.0%**
Income tax expense	(347.1)	(487.4)	140.3	-28.8%
Net profit (loss)	**1 548.5**	**2 005.7**	**(457.2)**	**-22.8%**

Net interest income

The net interest income generated in the first half of 2013 was PLN 780.4 million lower than in the corresponding period of the prior year, mainly as a result of a PLN 925.2 million decrease in interest income, accompanied by a decrease in interest expense of PLN 144.8 million.

Table 12. Interest income and expense of PKO Bank Polski SA (in PLN million)

	01.01-30.06.2013	Structure 1H 2013	01.01-30.06.2012	Structure 1H 2012	Change 1H 2013/ 1H 2012
Interest income, of which:	**5 449.8**	**100.0%**	**6 375.1**	**100.0%**	**-14.5%**
Loans and advances to customers	4 512.5	82.8%	5 032.1	78.9%	-10.3%
Securities	570.6	10.5%	753.6	11.8%	-24.3%
Derivative hedging instruments	270.3	5.0%	466.2	7.3%	-42.0%
Placements with banks	94.9	1.7%	119.8	1.9%	-20.7%
Other	1.5	0.0%	3.3	0.1%	-55.2%
Interest expense, of which:	**(2 243.5)**	**100.0%**	**(2 388.3)**	**100.0%**	**-6.1%**
Amounts due to customers	(2 152.6)	95.9%	(2 260.4)	94.6%	-4.8%
Debt securities in issue	(57.7)	2.6%	(107.7)	4.5%	-46.4%
Deposits from banks	(16.6)	0.7%	(5.0)	0.2%	3.3x
Premium on debt securities available for sale	(9.7)	0.4%	(14.4)	0.6%	-32.6%
Other expense	(7.0)	0.3%	(0.8)	0.0%	8.6x
Net interest income	**3 206.3**	**x**	**3 986.7**	**x**	**-19.6%**

* Including: costs from financial assets held for trading and financial assets designated upon initial recognition at fair value through profit and loss.

Net fee and commission income

Net fee and commission income generated in the first half of 2013 was PLN 3.5 million higher than in the corresponding period of the prior year, mainly as a result of a PLN 96.1 million increase in commission income, accompanied by a PLN 92.6 million increase in commission expense.

Table 13. Fee and commission income and expense of PKO Bank Polski SA (in PLN million)

	01.01-30.06.2013	Structure 1H 2013	01.01-30.06.2012	Structure 1H 2012	Change 1H 2013/ 1H 2012
Fee and commission income, of which:	**1 846.0**	**100.0%**	**1 749.9**	**100.0%**	**5.5%**
Payment cards	580.7	31.5%	539.3	30.8%	7.7%
Maintenance of bank accounts	422.3	22.9%	439.6	25.1%	-3.9%
Loan insurance	261.0	14.1%	202.8	11.6%	28.7%
Loans and advances granted	291.9	15.8%	280.5	16.0%	4.1%
Cash transactions	57.5	3.1%	62.0	3.5%	-7.3%
Maintenance of investment and open pension funds (including management fees)	99.2	5.4%	83.3	4.8%	19.0%
Securities transactions	35.4	1.9%	35.2	2.0%	0.5%
Servicing foreign mass transactions	25.0	1.4%	24.1	1.4%	3.5%
Performing the function of the Treasury bonds issue agent	11.3	0.6%	21.9	1.2%	-48.5%
Sale and distribution of court fee stamps	3.9	0.2%	10.3	0.6%	-61.8%
Other*	58.0	3.1%	50.9	2.9%	14.0%
Fee and commissions expense, of which:	**(463.3)**	**100.0%**	**(370.7)**	**100.0%**	**25.0%**
Payment cards	(288.6)	62.3%	(213.4)	57.6%	35.2%
Loan insurance	(66.1)	14.3%	(54.8)	14.8%	20.5%
Acquisition services	(45.7)	9.9%	(48.0)	12.9%	-4.7%
Settlement services	(13.5)	2.9%	(11.0)	3.0%	22.4%
Operating services provided by banks	(5.4)	1.2%	(5.0)	1.4%	6.5%
Other**	(44.1)	9.5%	(38.5)	10.4%	14.6%
Net fee and commission income	**1 382.7**	**x**	**1 379.2**	**x**	**0.3%**

* Included in "Other" are i.a. commissions of the Brokerage House for servicing Initial Public Offering issue and commissions for servicing indebtedness of borrowers against the State budget.
** Included in "Other" are i.a.: fees and expenses paid by the Brokerage House to Warsaw Stock Exchange and the National Depository for Securities (KDPW).

Administrative expenses

Effective control of costs continued in the first half of 2013 resulted in maintaining administrative expenses on a similar level as in the first half of 2012 and translated into putting the operating efficiency of the Bank, measured by the C/I ratio (annualized), at 40.6%.

Table 14. Administrative expenses of PKO Bank Polski SA (in PLN million)

	01.01-30.06.2013	Structure 1H 2013	01.01-30.06.2012	Structure 1H 2012	Change IH 2013/ IH 2012
Staff costs	(1 076.5)	53.0%	(1 114.5)	54.6%	-3.4%
Overheads and other*, of which:	(700.3)	34.5%	(690.5)	33.8%	1.4%
Depreciation and amortisation	(254.7)	12.5%	(237.7)	11.6%	7.2%
TOTAL	**(2 031.4)**	**100.0%**	**(2 042.7)**	**100.0%**	**-0.6%**

* Other: taxes and fees and contributions and payments to the BFG.

Net impairment allowance and write-downs

The net impairment allowance and write-downs reflect the safe approach of PKO Bank Polski SA to credit risk measurement. The decrease in net impairment allowance and write-downs in the first half of 2013 (-19.1% y/y) was mainly due to a decrease in net impairment allowance on consumer and housing loans.
The cost of risk[3] in the first half of 2013 amounted to 1.3% and remained on the same level as at the end of the first half of 2012.

Statement of financial position of PKO Bank Polski SA - main items

As at 30 June 2013, the total assets of PKO Bank Polski SA amounted to PLN 195.5 billion and were 2.4% higher than at the end of December 2012. The main items of the statement of financial position of PKO Bank Polski SA in the first half of 2013 are presented in the table below:

Table 15. *The main items of the statement of financial position of PKO Bank Polski SA (in PLN million)*

	30.06.2013	Structure 30.06.2013	31.12.2012	Structure 31.12.2012	Change (in %)
Cash and balances with the central bank	5 591.7	2.9%	10 229.2	5.4%	-45.3%
Amounts due from banks	3 407.9	1.7%	3 456.4	1.8%	-1.4%
Loans and advances to customers	147 148.4	75.3%	142 084.9	74.4%	3.6%
Securities	29 658.6	15.2%	24 958.6	13.1%	18.8%
Other assets	9 737.0	5.0%	10 288.7	5.4%	-5.4%
Total assets	**195 543.7**	**100.0%**	**191 017.7**	**100.0%**	**2.4%**
Amounts due to banks	3 007.2	1.5%	2 506.0	1.3%	20.0%
Amounts due to customers	157 875.8	80.7%	154 740.6	81.0%	2.0%
Debt securities in issue and subordinated liabilities	2 542.1	1.3%	2 497.2	1.3%	1.8%
Other liabilities	8 508.2	4.4%	6 627.9	3.5%	28.4%
Total liabilities	**171 933.3**	**87.9%**	**166 371.7**	**87.1%**	**3.3%**
Total equity	23 610.3	12.1%	24 646.1	12.9%	-4.2%
Total liabilities and equity	**195 543.7**	**100.0%**	**191 017.7**	**100.0%**	**2.4%**
Loans/Deposits (amounts due to customers)	93.2%	x	91.8%	x	1.4 p.p.
Loans/Stable sources of funding*	90.9%	x	89.6%	x	1.3 p.p.
Interest bearing assets/Assets	92.2%	x	89.3%	x	2.9 p.p.
Interest paying liabilities/Liabilities	83.6%	x	83.6%	x	-0.1 p.p.

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

Loans and advances to customers represented the largest part of the Bank's assets and amounted to PLN 147.1 billion at the end of June 2013 (+PLN 5.1 billion compared with the end of 2012), reaching 75.3% of total assets.
Amounts due to customers which amounted to PLN 157.9 billion at the end of June 2013 (+PLN 3.1 billion compared with the end of 2012), reaching 91.8% of total equity and liabilities are the primary source of financing of assets.

4. BUSINESS DEVELOPMENT[4]

4.1 Directions of development of the PKO Bank Polski SA Group

The development directions PKO Bank Polski SA are set out in the new strategy for the years 2013-2015, PKO Bank Polski Codziennie Najlepszy, approved by the Supervisory Board on 27 March 2013.
PKO Bank Polski SA's vision for development is based on the assumption that its market position as the financial sector leader in Poland and a leading universal bank in Central Europe should be maintained. At the same time, the following goals should be achieved:

- efficiency, building sustainable values and maintaining 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.

[3] Calculated by dividing net impairment allowances on loans and advances to customers for the 12 months ended 30 June 2012 and 2013 by the average balance of gross loans and advances to customers at the beginning and end of the reporting period and interim quarterly periods.
[4] In this section, any differences in total balances, shares and growth rates result from rounding the amounts to PLN million and rounding percentages to one decimal place.

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

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

1. Customer satisfaction - using the whole potential of the Bank's largest current customer base through a segment-tailored product offer;
2. Distribution excellence – related to better and more effective 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. Organizational effectiveness – maintaining high competitiveness by introducing intelligent management information, optimizing risk management and maintaining cost discipline;
5. Development of competencies – strengthening the organizational culture based on common values and human capital, aimed at cooperation, commitment and skills development;
6. Acquisitions and alliances – active search for possibilities of development in Poland and in Central Europe through acquisitions or strategic alliances.

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

I. Strategic levers in Retail Banking:
   1. Customer-centric approach (using customer information to provide a better service).
   2. Distribution excellence (improved distribution efficiency, network modernization and optimization, development of direct channels, improvement in selling skills and sales efficiency).
   3. Innovation and diversification of revenues (implementation of the innovation portfolio management model and development of non-interest income streams).
II. Strategic levers in Corporate Banking:
   1. Relationship banking and segment-based service model (implementation of an improved segment strategy, distribution structure and price policy and development of skills, as well as loan portfolio quality discipline and efficient capital allocation).
   2. Transaction banking (development of mass payment solutions, extending the product offer, improving customer service quality and improving the efficiency of processes).
III. Strategic levers in Investment Banking:
   1. Integrated sales model - capital markets and structured financing (implementing the cross-selling model and developing investment products).
   2. Optimizing assets and liabilities management (safe and efficient management of the Bank's liquidity, improving the interest rate risk management, developing long-term financing, developing the Bank's Group).
IV. Strategic levers of Supporting Areas:
   1. Risk management optimization (decreasing credit risk costs, process enhancement, implementing price policies adjusted to the customer's risk profile, implementing IRB method and increasing the rate of return).
   2. Advanced, efficient and safe technologies and efficient operating processes (IT solutions supporting business in the development of new products, creating conditions for the further, safe development of the Bank's business activities).
   3. Development through increased involvement and common values (increasing organizational efficiency and human capital value, enhancing corporate culture which is open to changes, attracting the best employees).
   4. Efficient financial management (increasing financial management efficiency through perfecting organizational intelligence, introducing new methods of the Bank's balance sheet management and continuous cost optimization).

Another strategic lever of development of PKO Bank Polski SA will involve acquisitions, comprising:

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

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

The key strategic initiatives comprise:

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

As part of the implementation of its strategy, on 12 June 2013 PKO Bank Polski SA signed with Nordea Bank AB (publ) an agreement defining the terms and conditions of purchasing from Nordea Bank AB (publ) and other Nordea Group companies the shares of Nordea Bank Polska SA accounting for 99.21% of the Company's share capital and the portfolio of liabilities to the corporate customers of Nordea Bank AB (publ) with a nominal value of PLN 3 604 million as at December 2012, the shares of Nordea Polska Towarzystwo Ubezpieczeń na Życie SA accounting for 100% of the share capital of that Company, and the shares of Nordea Finance Polska SA accounting for 100% of its share capital. The execution of the said transaction depends on obtaining the approval of the Polish Financial Supervision Authority and the President of the Office of Competition and

Consumer Protection in Poland and the Anti-Monopoly Office in Ukraine. After closing the transaction, the Bank plans to acquire the other minority shareholders of Nordea Bank Polska SA.
The transaction is aimed at strengthening the position of PKO Bank Polski SA as the leader of the Polish banking sector, extending the distribution channels and improving service quality. As a result of this transaction, PKO Bank Polski SA will significantly improve its position in the private banking segment, enhance its competences in the corporate banking segment and ensure growth in the area of bancassurance. Detailed information on the above-mentioned agreement is provided in the section Other information ("Other information which is significant for assessing the Issuer's position in the area of human resources, assets, financial result and changes thereof").

4.2 Market share of PKO Bank Polski SA

After the first six months of 2013, the market share of PKO Bank Polski SA in the area of deposits remained at a high level of 16.5%. Deposits of retail customers increased by 0.2 p.p. in relation to the first six months of 2012. As regards loans, the market share grew by 0.1 p.p. in relation to the same period in 2012. This growth resulted from an increase in the market shares of housing loans and loans granted to corporate entities.

*Table 16. Market share of PKO Bank Polski SA (in %)**

	30.06.2013	31.12.2012	30.06.2012
Loans	**16.1**	**16.1**	**16.0**
retail customers	19.0	19.0	18.9
housing loans	20.2	20.0	19.7
in PLN	*28.6*	*28.6*	*29.3*
in foreign currencies	*12.8*	*12.9*	*13.0*
consumer and other	16.1	16.6	17.1
corporate customers	13.3	13.2	13.0
Deposits	**16.5**	**16.8**	**17.4**
retail customers	22.2	21.8	22.0
corporate customers	8.9	10.2	11.5

** Data source: NBP reporting system – Webis.*

4.3 Activities of the various business segments of PKO Bank Polski SA

The retail segment

In the first six months of 2013, activities undertaken by the Bank within the retail segment were focused on increasing the attractiveness and competitiveness of the products offered, with a flexible reaction to the changing market conditions. The Bank focused on increasing innovation in the new financial solutions not only in products, but also the distribution channels.
The Bank continued sustained development, focused on recognizing and satisfying the needs of customers with whom it would like to build strong, long-term relationships.
The Bank introduces new, innovative services to its offer. The Bank's latest achievement is implementing the proprietary IKO application which enables making payments using the telephone and using the mobile banking functionality. As at the end of the first six months of 2013, there were ca. 40,000 active users of IKO.
In the second quarter of 2013, the solutions developed as part of the "Nowy Rytm" (New Rhythm) project were launched in the retail sales network. The new incentive system with its transparent assumptions and uniform organization of work across all departments and positions is aimed at increasing the sales efficiency, improving service quality and increasing the satisfaction of both customers and employees of the Bank. More than 15,000 employees in more than 1,100 branches participate in this project, which is the biggest implementation project in the history of Polish banking.

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 economic growth. The Bank also continued projects aimed at a significant improvement in customer service quality. Such projects comprised improvement of the sales processes and enhancing service standards based on the results of regular customer satisfaction surveys.
As at the end of the first six months of 2013, gross loans to the retail segment of PKO Bank Polski SA amounted to PLN 109.6 billion and have increased by PLN 2.8 billion (i.e. by 2.7%) since the beginning of the year. This was mainly due to an increase in the portfolio of loans to small and medium enterprises (+4.9% since the beginning of the year) and mortgage banking loans (+4.8% since the beginning of the year); 1/3 of the mortgage loan growth was due to the effect of changes in foreign exchange rates, and 2/3 was due to new sales.

Table 17. Gross loans of PKO Bank Polski SA – the retail segment (in PLN million)

	30.06.2013	31.12.2012**	30.06.2012*	Change from:	
				31.12.2012**	30.06.2012*
Gross loans granted, including:					
retail and private banking	20 936	21 849	22 975	-4.2%	-8.9%
Small- and medium-sized enterprises	15 013	14 309	14 411	4.9%	4.2%
mortgage banking	67 032	63 961	63 190	4.8%	6.1%
housing market (including refinanced by the State budget)	6 592	6 621	6 713	-0.4%	-1.8%
Total loans	**109 572**	**106 739**	**107 290**	**2.7%**	**2.1%**

** The change in relation to the business volumes previously presented results from a change in presentation; the volumes currently presented also include accrued interest.*
*** The volume reflects the effect of the 2nd stage of resegmentation between the SME segment and housing market segment on the one hand and the corporate segment on the other hand, which in the 2nd half of 2012 amounted to PLN (-) 17 million and PLN 547 million, respectively in the case of loans.*

<u>Consumer loans</u>

In the first six months of 2013, a decrease in the volume of consumer loans was observed at PKO Bank Polski SA, as in the whole banking sector. PKO Bank Polski SA continued the action conducted in 2012 of promoting sales of consumer loans. As part of the initiatives supporting the sales of such loans, PKO Bank Polski SA carried out promotional activities, mainly focused on the Cash Loan (Pożyczka Gotówkowa) and the Aurum/Platinium loan. The Bank prepared three new variants of the popular Mini Ratka loan: "Pożyczka na PIT" - a loan granted without excessive formalities upon presenting a PIT tax statement; "Weź Mini Ratkę remontową i korzystaj podwójnie" – a loan with an attractive interest rate and a number of other convenient solutions; and "Wakacje bez ratki" – a loan with the possibility of enjoying a three-month grace repayment period.
As part of the Cash Loan (Pożyczka Gotówkowa) offer, central sales campaigns (x-sell) were also carried out in the first six months of 2013. Moreover, a number of promotional campaigns for the Aurum/Platinium loan, including numerous x-sell campaigns for selected groups of customers, were also carried out in the first six months of 2013.

<u>Housing loans</u>

In the first six months of 2013, the Bank strengthened its 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 in the first six months of 2013 with a 31.3% share in sales of housing loans to individuals.
In February 2013 the Bank organized the 'Open doors' campaign for the "WŁASNY KĄT hipoteczny" housing loan. The offer was available to customers who had any current account with PKO Bank Polski SA, a credit card or life insurance and who signed the 4-year loss of job and hospital treatment insurance contract. Moreover, in the second quarter the Bank introduced regular special offers for customers buying real estate from selected developers, customers employed by certain firms or members of specific professions, as well as a special offer for the customers of the industry fair.

<u>Loans for small- and medium-sized enterprises and the housing market</u>

PKO Bank Polski SA continuously supports Polish entrepreneurship. It enables small- and medium-sized enterprises to finance both current and investment needs through an extensive and flexible lending offer. On 4 March 2013, PKO Bank Polski SA and Bank Gospodarstwa Krajowego signed an agreement for a portfolio *de minimis* guarantee line "Portfelowa Linia Gwarancyjna *de minimis*". Under the said government programme of support for small- and medium-sized enterprises, the entrepreneurs will gain support in the form of BGK guarantee – *de minimis*, aimed at increasing the availability of lending facilities and launching additional funds for companies' on-going activities. By the end of May 2013, almost 2 800 PKO Bank Polski SA customers benefited from access to easier financing. The value of loans granted exceeded PLN 637 million. This means that PKO Bank Polski SA was the biggest lender among fourteen banks granting loans with *de minimis* guarantees, according to data provided by the Warranties and Guarantees Centre of Bank Gospodarstwa Krajowego.
As part of the loan offer addressed to small- and medium-sized enterprises, in June 2013 a new iPKO functionality was implemented in the area of the borrowers' passive access to loan accounts of small- and medium-sized enterprises, giving the borrower information on the current level of loan utilization/ outstanding debt amount.

The deposit offer in the retail segment

In the first six months of 2013, PKO Bank Polski SA continued its activities aimed at making the deposit offer addressed to the retail segment more attractive. At the same time, actions were taken to diversify the sources of financing the Bank's activities.
As at 30 June 2013, deposits of the retail segment of PKO Bank Polski SA amounted to PLN 124.6 billion and since the beginning of the year their volume increased by PLN 5.4 billion (i.e. by 4.6%). The increase in the retail and private banking deposit level (+5.6% since the beginning of the year) contributed to this, due to the increase in the volume of both term and current deposits.

Table 18. Deposits of PKO Bank Polski SA - the retail segment (in PLN million)

	30.06.2013	31.12.2012**	30.06.2012*	Change from:	
				31.12.2012**	30.06.2012*
Customer deposits, including:					
retail and private banking	111 715	105 799	102 860	5.6%	8.6%
small and medium enterprises	8 427	8 766	8 109	-3.9%	3.9%
housing market customers	4 502	4 646	4 537	-3.1%	-0.8%
Total deposits	**124 643**	**119 212**	**115 506**	**4.6%**	**7.9%**

** The change in relation to the business volumes previously presented results from the change in presentation.*
*** The volume reflects the effect of the 2nd stage of resegmentation between the SME segment and housing market segment on the one hand and the corporate segment on the other hand, which in the 2nd half of 2012 amounted to PLN (-) 0.3 million and PLN (-) 135 million, respectively in the case of deposits.*

Current and saving accounts

PKO Bank Polski SA remains the leader on the market in terms of the number of current accounts maintained which amounted to 6.3 million as at the end of the first six months of 2013. The increase in the number of accounts resulted from the offer diversified in terms of customer preferences as part of which the following products can be distinguished among others: PKO Konto bez Granic, SUPERKONTO Oszczędne, PKO Konto za Zero, PKO Konto dla Młodych, PKO Konto Pogodne, PKO Konto Pierwsze.

Actions taken in the first six months of 2013 in the retail segment:

- The Bank made available one of the first online banking offers for children in the world, which at the same time is a comprehensive financial education programme. The "PKO Junior oferta dla segmentu wiekowego 0–12" (PKO Junior offer for the segment aged 0–12) project offers two new types of current accounts (ROR): PKO Konto Dziecko (child account) and PKO Konto Rodzica (parent account), which enable purchasing long-term deposit and investment products for children under one consistent offer;
- a special offer of Superkonto with IKO for persons who are not customers of PKO Bank Polski SA was prepared, giving the possibility of opening an account through the Internet or at a branch and allowing convenient and fast payments by mobile phone;
- the offer of packages for small- and medium-sized enterprises and housing market customers was reconstructed to satisfy the needs of entrepreneurs at each stage of the firm's development. As part of the offer, entrepreneurs can choose one of the following packages: Biznes Debiut 18, Biznes Rozwój, Biznes Komfort Plus, Biznes Sukces Plus;
- PKO Bank Polski SA is the only bank which, among products dedicated to small- and medium-sized enterprises, offers special packages addressed to specific industries, such as "Handel i usługi" (Trade and Services), "Transport i logistyka" (Transport and Logistcs), "Walutowy" ("Currency") and "Zarządca" (Manager), which guarantee free and preferential use of selected products or services, including debit cards, auxiliary accounts, virtual accounts, a foreign exchange platform, and make it possible to obtain a transaction premium for accepting payments at POS terminal.

The offer is supplemented with savings accounts which offer the possibility of combining interest depending on the amount of the funds deposited with flexible management of such funds.

SKO offer

In the first six months of 2013, the Bank continued carrying out the project "Implementation of the new SKO offer" aimed at revitalizing the SKO programme by developing a new model for servicing young customers.

The aim of the project is to educate the younger generation in financial management and to promote non-cash transactions. As at the end of June 2013, ca. 140 thousand pupils had SKO's internet accounts (SKO Konta dla Ucznia).

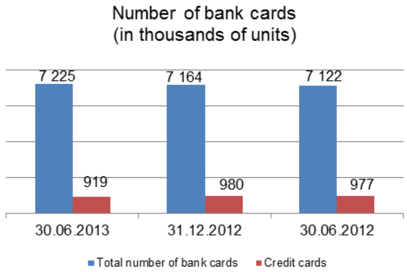
Term deposits and structured products

Retail banking and private banking deposits still dominate in the retail deposit market. Customers from this segment deposited most of their funds in term deposits, whose share in the segment's deposits as at the end of the first six months of 2013 amounted to 30.8%. In the first six months of 2013 the Bank still offered its customers, among others, deposits with progressive and standard interest rates ("even" and "odd" deposit, 3M deposit) which interest rates were tailored to the current market conditions. The offer comprised products tailored to various preferences of the customers and funds could be deposited for different periods.

The Bank's standard offer addressed to retail customers includes structured instruments sold in the form of structured deposits or Bank Securities. The sales of such products increase year on year in terms of value. In the first six months of 2013, eight new structured products were launched, including two issues of Bank Securities. Instruments with embedded currency options were the most popular.

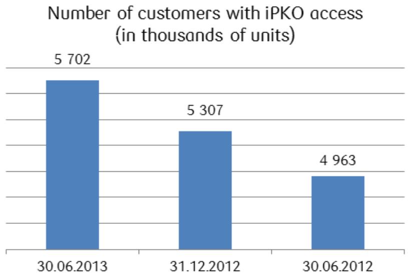
Bank cards

In the first six months of 2013 several new active functions were made available to holders of credit and debit cards. To make its offer more attractive, the Bank introduced debit cards for foreign currency accounts. Foreign currency cards are dedicated to holders of accounts in USD, EUR or GBP and they have a unique function that allows the use of one card for executing transactions on accounts maintained in different currencies. Using such cards, the Bank's customers can conclude transactions abroad, withdraw cash from ATMs and make payments in foreign currencies in online transactions without any currency exchange operations.
As at the end of June 2013, the number of bank cards of PKO Bank Polski SA exceeded 7.2 million.



iPKO transaction service

Under the iPKO service an innovative mobile application IKO was implemented in the first quarter of 2013. It is a mobile banking service combining banking functions (checking account balances and history, transfers) with payment functions (paying for purchases in traditional stores and on-line, ATM withdrawals, transfers to the phone number, generating checks for off-line use) in one application. The system is based on free of charge IKO application installed on the user's mobile phone and transactions are authorized by one-off codes generated. The IKO system stands a great chance of becoming the local mass payment system. As at the end of the first six months of 2013, ca. 40,000 customers were using the IKO system.



Distribution network

As at the end of the first six months of 2013, the PKO Bank Polski SA network had 1,138 branches. Modernization of the equipment and appearance of branches is one of the priorities of the Bank's new Strategy. Works aimed at adapting the appearance of branches to the highest market standards were continued in the first six months of 2013.
Modernized locations ensured comfortable customer service with the use of modern solutions. A cash dispenser with a closed cash cycle (cash recycler) is one of such solutions. As at the end of June 2013, the Bank's branches were equipped with 331 pieces of such equipment.
The number of the Bank's own ATMs increased by 142 units in the first six months of 2013, as a result of which as at the end of the first six months of 2013 the Bank had 2,945 ATMs, which allowed it to further reduce the costs of cash services and extend the availability of services for customers. As part of the Bank's network optimization, PKO Bank Polski SA extended its own network of machines by adding eService ATMs to the Bank's network and by installing ATMs at Biedronka supermarkets. In the first six months of 2013, the process of launching a new ATM function of depositing cash on a self-service basis was continued. 117 ATMs with a cash pay-in module were launched which gives a total of 154 self-service ATMs with pay-in function available to the Bank's customers as at the end of June 2013. The network of agencies significantly supplements the network of bank branches and ATMs. At the end of the first six months of this year there were more than 1.1 thousand such agencies.

Table 19. Branches and ATMs of PKO Bank Polski SA

	30.06.2013	31.12.2012	30.06.2012	Change from:	
				31.12.2012	30.06.2012
Total number of locations	1 177	1 198	1 197	(21)	(20)
in the retail segment	**1 138**	**1 134**	**1 133**	**4**	**5**
Number of ATMs	2 945	2 803	2 525	142	420
Number of agencies	1 149	1 208	1 218	(59)	(69)

Corporate segment

In the first six months of 2013, the Bank financed and guaranteed projects executed by the biggest Polish enterprises and actively supported companies in all segments and industries of the Polish economy. Building long-term relationships with customers and supporting their on-going activities with a wide range of transaction products and products mitigating financial risks (liquidity, settlement, interest rate, foreign exchange risk and the risk of changes in prices on commodity markets) were the key priorities of the Bank's corporate segment. The Bank remains open to cooperation in the financing of investment projects.
The Bank regularly monitors market expectations and adapts its current offer of products and services so as to match the growing competitive pressure and meet the credit and non-credit needs of its corporate customers. The corporate segment of PKO Bank Polski SA successfully implemented a project for providing specialized services to strategic customers, providing them with high quality services and professional advice.
At the same time, the Bank continuously supports the development of local government and budget sector units, maintaining a leading position in this market segment.

Lending activity

As at the end of June 2013, total financing provided to corporate customers, including bonds issued, amounted to PLN 47.6 billion and it was PLN 2.0 billion (i.e. 4.4%) higher than at the beginning of the year. The volume of loans granted to corporate customers amounted to PLN 43.7 billion and was PLN 2.3 billion (i.e. 5.6%) higher than at the beginning of the year. As a result of achieving a higher rate of growth of the loan volume compared with the market as a whole, in the first six months of 2013, PKO Bank Polski SA increased its share in the corporate loan market. This was possible due to the proactive approach of the Bank to continuous improvement of the product offer and its adaptation to the increasing requirements of customers. In the first six months of 2013, the Bank concluded loan agreements with a total nominal value of PLN 9.8 billion. The highest loan transactions concluded by the Bank in the first six months of 2013 included financing in the form of investment and working capital loans granted to entities from the telecommunications, service, power, mining, fuel, IT, and construction sectors as well as local government units. The unit values of such contracts were between PLN 70 million and PLN 1,250 million.

Structured financing

Products associated with financing of large investment projects are a standard element of the Bank's offer dedicated to corporate clients. Depending on customers' needs, financing is provided in the form of loans or issues of securities, often by banking consortia. It is worth noticing that according to the Fitch ratings the Bank, with its 13% share in the market, is one of the top corporate bond issue underwriters and market leader (with a ca. 30% market share) among municipal bond issue underwriters.

In the first six months of 2013, the Bank concluded 5 syndicated loan agreements totalling PLN 10.2 billion, in which the Bank's share amounted to nearly PLN 1.8 billion, three agreements for granting bank guarantees to entities directly related to the Bank and operating in the banking sector amounting to PLN 2.4 million (transactions were concluded on an arm's length basis) and a bilateral loan agreement of USD 400 million. Moreover, the Bank signed 39 agreements for municipal bond issues totalling PLN 295.8 million, one agreement for a syndicated corporate bond issue with a closing guarantee for PLN 700 million, in which the Bank's share amounted to PLN 105 million, and two agreements for corporate bond issues without a closing guarantee for PLN 1.6 billion.

Table 20. Financing provided to corporate customers (in PLN million)

	30.06.2013	31.12.2012**	30.06.2012*	Change from:	
				31.12.2012**	30.06.2012*
Gross corporate loans***	43 652	41 351	37 390	5.6%	16.7%
Debt securities available for sale, gross	3 952	4 252	5 717	-7.1%	-30.9%
Total financing	**47 604**	**45 603**	**43 107**	**4.4%**	**10.4%**

** The change in relation to the business volumes previously presented results from a change in presentation; the volumes currently presented also include accrued interest.*
*** The volume reflects the effect of the 2nd stage of resegmentation between the SME segment and housing market segment on the one hand and the corporate segment on the other hand, which in the 2nd half of 2012 totalled PLN 565 million in the case of loans.*
**** Corporate segment loans as at 30.06.2013 and 31.12.2012 include non-Treasury securities reclassified to loans and advances granted to customers in the amount of PLN 2,072 million and PLN 2,078 million, respectively.*

Deposit activities and transaction banking

The volume of deposits as at the end of the first six months of 2013 amounted to PLN 20.4 billion and was PLN 3.6 billion (i.e. 15.1%) lower than at the beginning of the year. The decrease in the balance of corporate deposits was a result of the Bank's liquidity policy and obtaining financing from other sources, such as retail deposits and long-term financing from the wholesale market.

Table 21. Deposits of corporate customers (in PLN million)

	30.06.2013	31.12.2012**	30.06.2012*	Change from:	
				31.12.2012**	30.06.2012*
Corporate deposits	20 356	23 968	27 681	-15.1%	-26.5%

** The change in relation to the business volumes previously presented results from a change in presentation.*
*** The volume reflects the effect of the 2nd stage of resegmentation between the SME segment and housing market segment on the one hand and corporate segment on the other hand, which in the 2nd half of 2012 totalled PLN 135.3 million in the case of deposits.*

PKO Bank Polski SA is constantly enhancing the quality of its transaction banking services, both based on traditional distribution channels and by developing the iPKO business electronic banking system. In the first six months of 2013, the iPKO business application was expanded by new functionalities offered to corporate customers who use the product; in order to improve the orders authorization. New solutions were implemented in the area of mass withdrawals, at the same time enabling corporate customers to withdraw cash in the Bank's agencies. Striving to meet the increasing needs of corporate clients, the Bank introduced new services in respect of domestic and international settlements, dedicated to entities with a complex organizational structure (e.g. capital groups). Moreover, in the first six months of 2013 first payment machines in which the Bank's customers can make payments using cards were launched. PKO Bank Polski SA was the first bank on the market to provide its corporate customers with the possibility of integrating their financial and accounting system with the bank's cash management system (PKO Cash). It is a modern cash payment solution, addressed mainly to large retail chains which, due to the nature of their operations, regularly deposit big amounts of cash.

Sales network

In the first six months of 2013, a new sales network organizational structure was implemented in the corporate segment. Thirteen regional corporate branches were replaced with 7 corporate macro regions, and 51 corporate centres were replaced with 32 regional corporate centres. These changes represent one of the stages of the complex project, which is aimed at building deeper relations with customers and satisfying their needs in order to improve the efficiency of cooperation with the corporate and public sectors and maintain the leading position of PKO Bank Polski SA in these market segments.

Table 22. Branches of PKO Bank Polski SA

	30.06.2013	31.12.2012	30.06.2012	Change from:	
				31.12.2012	30.06.2012
Total number of branches	1 177	1 198	1 197	(21)	(20)
in the corporate segment:	**39**	**64**	**64**	**(25)**	**(25)**
regional corporate branches	7	13	13	(6)	(6)
corporate centres	32	51	51	(19)	(19)

Investment segment

As part of the investment segment activities, the Bank manages liquidity, interest rate and currency risks, conducts direct sales of financial market products to institutional customers, financial institutions other than banks and retail customers. The Bank's activities in this segment also comprise underwriting issues of debt securities for institutional customers and local governments, as well as selling such securities. The investment segment actively participates in providing services to retail customers. The Bank's standard offer addressed to this group of customers includes structured instruments sold in the form of structured deposits or Bank Securities. Brokerage and fiduciary services constitute an important part of the activities of this segment.

Interbank market

The Bank is the Treasury Securities Dealer and Money Market Dealer and acts as the market maker on the domestic interest rate and currency markets. After three assessments, the Bank ranked sixth in the Treasury Securities Dealer in the Year 2014 competition.
The Bank actively managed financial risks (liquidity risk, interest rate risk and currency risk). Surplus funds in PLN, which were not used by the Bank for the purposes of its lending activity, were mainly invested on the Treasury securities market and in NBP money bills.
The Bank continued the programme of issuing own bonds on the domestic market. The nominal value of PKO Bank Polski SA bonds in the portfolios of banks and other financial institutions amounted to PLN 500 million as at the end of June 2013. Moreover, in order to ensure safe trading, in the first six months of 2013 the Bank concluded 2 ISDA agreements with foreign banks, a Master Agreement with Credit Support Annex (CSA), and 2 Credit Support Annex (CSA) agreements for the previously concluded ISDA Master Agreements and one Polish Banks Association (ZBP) security agreement to the previously concluded framework ZBP agreement.
The Bank continued its work related to implementing EMIR (European Market Infrastructure Regulation) which obliges financial institutions and other selected entities to settle OTC derivative transactions using central counterparties – CCP. In the first phase IRS, FRA and OIS transactions will have to be settled via CCP.

Activities of the Brokerage House of PKO Bank Polski SA

In the first six months of 2013, the Brokerage House of PKO Bank Polski SA was the second brokerage house operating on the domestic financial market in terms of trading volume. The network of customer service points and network of points of brokerage services located in the Bank's branches provide easy and fast access to brokerage services. The Brokerage House offers a number of modern investment products, including a brokerage account linked to a bank account, online access to brokerage services or "tailored" services, i.e. services adjusted to the individual needs of a specific Investor.

Activities on the secondary market

In the first six months of 2013, the turnover of the Brokerage House on the secondary market exceeded PLN 25 billion, which gave it a 9.52% share in the market and second position in the ranking of brokerage houses. In the same period of the previous year, turnover was about 40% lower, and the Brokerage House was ranked fourth.
The Brokerage House takes one of the leading places in performing the function of the market maker on the NewConnect market. In the first six months of 2013 it performed this function for 54 companies (second position).

Activities on the primary market

The Brokerage House as the offeror and the joint bookrunner participated in the IPO of Polski Holding Nieruchomości S.A., as the joint offeror in the issue of shares of Zakłady Azotowe w Tarnowie-Mościcach S.A. in exchange for shares in Zakłady Azotowe Puławy S.A., as the global coordinator and joint bookrunner in the share sale transaction during the accelerated bookbuilding in respect of PKO Bank Polski SA shares and as a Co-Lead Manager in the sale transaction of shares, during accelerated bookbuilding in respect of Bank Zachodni WBK S.A. shares.
In the first six months of 2013, the Brokerage House provided financial advice to PKP S.A. in connection with the sales transaction of Polskie Koleje Linowe S.A. and to Polimex - Mostostal S.A. in connection with the sales transaction of Zakład Zabezpieczeń Antykorozyjnych Oddział Częstochowa in Częstochowa. The Brokerage House also participated in underwriting the issue of PKN ORLEN S.A. bonds. Moreover, the Brokerage House offered employee shares as part of the Elektrotim S.A. Incentive Programme and A, B, C and D-series investment certificates of the closed-end investment fund PKO Globalnej Strategii.
In the first six months of 2013, the Brokerage House also placed the following municipal bonds on the Catalyst market: bonds issued by the Brzesko Commune, Siedlce Municipality, Przemyśl Municipality, Włocławek Municipality and Goleniów District [Powiat]. The total value of the bonds placed was PLN 126 million.

As at the end of the first six months of 2013, the Brokerage House was market maker for 55 companies (ranking second on the market) and issuer's market maker for 23 companies (ranking fifth on the market).
As at the end of June 2013, the Brokerage House maintained 172.7 thousand securities accounts and cash accounts, and 144.2 thousand registration accounts. In terms of the number of securities accounts (according to KDPW data) the Brokerage House ranks fourth on the market which has 45 participants

Treasury products

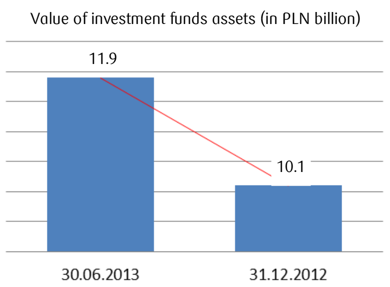
The Bank has a wide offer of Forex and interest rate instruments which effectively support customers in their day-to-day operations and allow them to prepare effective foreign exchange and interest rate risk management strategies. SPOT Forex transactions have the largest share in sales of treasury products. In response to customer expectations, the Bank is expanding and modernizing its sales channel network, i.a. introducing the possibility of concluding transactions directly via the Internet platform. In the first six months of this year, the number of SPOT transactions concluded via the Internet was more than twice higher than in the same period of the prior year and nearly 30% higher in respect of the whole sales network. As regards foreign exchange transactions, the increase in the activity of small and medium enterprises should be particularly noted. Favourable trends on the interest rate market, in the form of drops in interest rates, were used by the Bank's customers to hedge risk which was positively reflected in the increase in the number of IRS transactions, respective sales and results.
In the prior year the Bank conducted activities relating to the expansion of its basic product offer by commodity transactions. As a result in the first six months of 2013 the first such transactions were concluded.

Fiduciary services

The Bank maintains securities accounts and handles transactions on the domestic and the foreign markets. It also provides fiduciary services and acts as a depositary for pension and investment funds. The Bank is a direct participant in the National Depository for Securities and the Securities Register (NBP), a member of the Council of Depositary Banks and the Non-Treasury Debt Securities Council of the Polish Banks Association.
As at the end of the first six months of this year, the value of assets held on fiduciary accounts of the Bank's customers amounted to almost PLN 57 billion and was 8.8% higher than the amount obtained in the corresponding period of the previous year. Moreover, as at the end of June 2013, the Bank served 1.44 thousand of fiduciary accounts.

4.4 Activities of selected PKO Bank Polski SA Group entities [5]

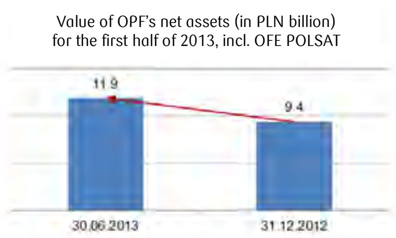
PKO Towarzystwo Funduszy Inwestycyjnych SA



1. In the first six months of 2013 the Company earned a net profit of PLN 17.2 million (in the first six months of 2012: PLN 12.0 million).
2. The value of assets of funds managed by the Company as at the end of June 2013 was PLN 11.9 billion, i.e. it was 17.8% higher than as at the end of 2012. The increase in the value of assets was mainly associated with the fact that the Company generated a net profit from sales.
3. PKO TFI SA ranks third in terms of the net assets value and its share in the investment funds market is 7.1%*.
4. In the first six months of 2013, the Company added a new fund to its offer: PKO Globalnej Strategii – a closed-end investment fund. As at 30 June 2013, the Company managed 37 investment funds and sub-funds.

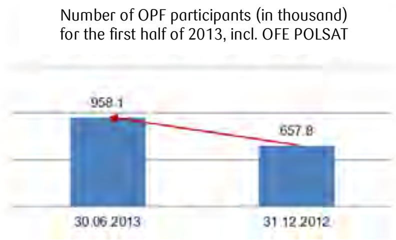
* *Source: The Chamber of Fund and Asset Managers (Izba Zarządzających Funduszami i Aktywami).*

PKO BP BANKOWY PTE SA



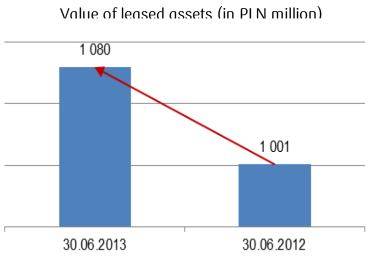
1. In the first six months of 2013, PKO BP BANKOWY PTE SA earned a net profit of PLN 13.4 million (in the first six months of 2012: PLN 6.3 million).
2. Having obtained the positive decision of the Polish Financial Supervision Authority and the President of the Office of Competition and Consumer Protection, PKO BP BANKOWY PTE SA took over the management of the POLSAT Open Pension Fund as of 16 April 2013.
3. The total value of the open pension funds' net assets managed by PKO BP BANKOWY PTE SA as at 30 June 2013 amounted to PLN 11.9 billion, of which the net value of PKO BP Bankowy OFE's assets amounted to PLN 9.5 billion, and the net value of OFE POLSAT's assets amounted to PLN 2.4 billion; these Funds jointly take 8th position on the market.
4. As at the end of June 2013, the open pension funds PKO BP Bankowy OFE and OFE POLSAT jointly had more than 958,000 participants, which gave them (jointly) 7th position on the market.
5. According to the Polish Financial Supervision Authority ranking, in the period from 31 March 2010 to 29 March 2013 PKO BP Bankowy OFE had a rate of return at the level of 16.375% (the weighted average rate of return being 16.636%), and therefore it took 7th position in the ranking of open pension funds for that period.
6. On 19 July 2013, there was a transfer of assets of OFE Polsat to PKO BP Bankowy OFE and thus the merger process of above mentioned Open Pension Funds was completed. Savings

[5] *In the case of the Qualia Development Group and the KREDOBANK Group, the financial result attributable to the parent company is presented, and in the case of the PKO Leasing Group, the financial result of the whole Group is presented.*



collected by Members of OFE Polsat were converted and fully transferred to accounts of these Members held at PKO BP Bankowy OFE.
* *Source: www.knf.gov.pl*

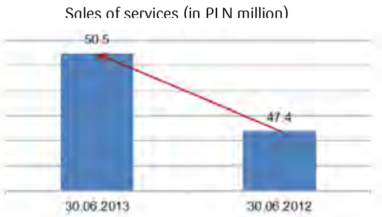
The PKO Leasing SA Group (former name: the Bankowy Fundusz Leasingowy SA Group)



1. In the first six months of 2013 the Group earned a net profit of PLN 5.9 million (in the first six months of 2012: a net profit of PLN 6.1 million).
2. In the first six months of 2013, the Group Companies leased out assets with a total value of PLN 1,080 million, which represents an increase of 7.8% compared with the first six months of 2012. The increase in sales was a result of actions taken to improve the utilization of sales channels, including the bank and vendor channel.
3. In terms of the value of leased assets, the PKO Leasing Group was the fifth on the market as at the end of June 2013, with a 6.8% market share*.
4. The total carrying amount of lease investments of the PKO Leasing Group Companies as at the end of June 2013 was PLN 3,437 million.

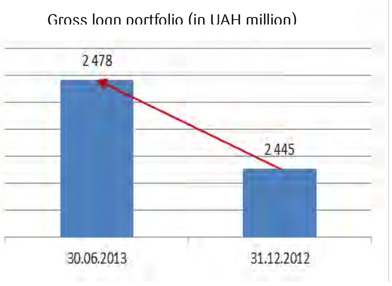
* Source: *The Polish Leasing Association*

Inteligo Financial Services SA



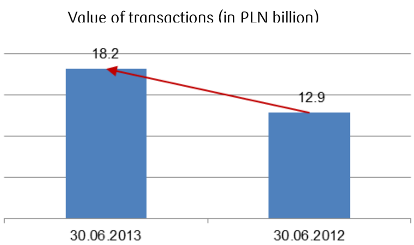
1. In the first six months of 2013 the Company earned a net profit of PLN 8.0 million (in the first six months of 2012, it had a net profit of PLN 9.4 million).
2. As at the end of June 2013, the Company provided access to e-banking systems to more than 5.7 million of PKO Bank Polski SA's customers using the iPKO service.

The KREDOBANK SA Group (data according to IFRS/IAS)



1. As at the end of June 2013, the Group reported a net loss of PLN 26.0 million (UAH 65.8 million). In the first six months of 2012, the net loss of KREDOBANK SA amounted to PLN 13.9 million (UAH 34.4 million).
2. The (gross) loan portfolio of KREDOBANK SA in the first six months of 2013 increased by PLN 66.6 million, i.e. by 7.1%, and amounted to PLN 1,001.9 million as at the end of June 2013 (the gross loan portfolio expressed in UAH increased by UAH 33.0 million, i.e. by 1.4%, and amounted to UAH 2,478.2 million as at the end of June 2013).
3. Term deposits of KREDOBANK SA customers decreased by PLN 33.2 million, i.e. by 4.2%, in the first six months of 2013 and amounted to PLN 765.9 million as at 30 June 2013 (term deposits expressed in UAH decreased by UAH 194.8 million, i.e. by 9.3%, and amounted to UAH 1,894.3 million as at 30 June 2013).

Centrum Elektronicznych Usług Płatniczych eService SA



1. In the first six months of 2013 the Company earned a net profit of PLN 19.3 million (in the first six months of 2012, the Company's net profit amounted to PLN 11.5 million).
2. As at the end of June 2013, the Company operated more than 79.9 thousand payment terminals. According to the Company's estimations, its share in the market amounted to 26.2%.
3. In the first six months of 2013, the value of transactions generated in eService SA's terminals was PLN 18.2 billion (in the first six months of 2012: PLN 12.9 billion). The increase is due to a larger number of customers and terminals.
4. As at the end of June 2013, the Company was ranked second among clearing agents in terms of the value of generated transactions, and its market share, as estimated by the Company, amounted to 30%.

The Qualia Development Sp. z o.o. Group

1. In the first six months of 2013, the Group incurred a net loss of PLN 13.9 million (the first six months of 2012: a net loss of PLN 5.4 million).
2. In the first six months of 2013, the Group's activities were focused on:
   - completing projects in Sopot (residential building with an office function), in Gdańsk Jelitkowo (hotel facility Golden Tulip Residence Gdańsk and residential buildings) and in Warsaw (Nowy Wilanów);
   - conducting design work and administrative procedures to obtain construction permits for: the Golden Tulip Zakopane hotel and apartment building in Zakopane, the Royal Tulip hotel and apartment building in Jurata and for properties of PKO Bank Polski SA;

– implementing a new model of selling apartments based on the cooperation of Giełda Nieruchomości Wartościowych Sp. z o.o. with a network of third-party agents.

5. INTERNAL CONDITIONS

5.1 Organization of the PKO Bank Polski SA Group

As at 30 June 2013, the PKO Bank Polski SA Group consisted of the Bank (the parent company) and 31 direct and indirect subsidiaries. The consolidated financial data includes: PKO Bank Polski SA – the parent company of the PKO Bank Polski SA Group and its subsidiaries as defined in IAS 27 'Consolidated and Separate Financial Statements'.

Table 23. Entities belonging to the PKO Bank Polski SA Group

No.	Entity name	The value of exposure at acquisition cost	Share in the share capital	Consolidation method
		(PLN '000)	(%)	
Parent company				
1	Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna			
Direct subsidiaries				
2	KREDOBANK SA	935 619	99.5655	Full method
3	Qualia Development Sp. z o.o.*	219 963	100	Full method
4	PKO BP BANKOWY PTE SA	205 786	100	Full method
5	PKO Towarzystwo Funduszy inwestycyjnych SA	186 989	100	Full method
6	PKO Leasing SA[1]	90 000	100	Full method
7	Fort Mokotów Inwestycje Sp. z o.o.[2]	77 474	99.9884	Full method
8	Inteligo Financial Services SA	59 602	100	Full method
9	Centrum Elektronicznych Usług Płatniczych eService SA	55 500	100	Full method
10	Bankowe Towarzystwo Kapitałowe SA	22 066	100	Full method
11	"Inter-Risk Ukraina" Spółka z dodatkową odpowiedzialnością	19 713	100	Full method
12	PKO BP Finat Sp. z o.o.	11 693	100	Full method
13	PKO Finance AB	172	100	Full method
Subsidiaries of Qualia Development Sp z o.o.[3]				
14	Qualia spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Sp. k.[4]	82 980	99.9750	Full method
15	Qualia - Residence Sp. z o.o.*	56 457	100	Full method
16	Qualia spółka z ograniczoną odpowiedzialnością - Pomeranka Sp. k.	20 001	99.8951	Full method
17	Qualia spółka z ograniczoną odpowiedzialnością - Neptun Park Sp. k.[5]	19 000	99.9975	Full method
18	Sarnia Dolina Sp. z o.o.*	15 268	100	Full method
19	Qualia - Rezydencja Flotylla Sp. z o.o.*	7 575	100	Full method
20	Qualia spółka z ograniczoną odpowiedzialnością - Sopot Sp. k.	4 700	99.9787	Full method
21	Qualia spółka z ograniczoną odpowiedzialnością - Jurata Sp. k.	2 551	99.9608	Full method
22	Fort Mokotów Sp. z o.o. in liquidation*	2 040	51	Full method
23	Qualia Hotel Management Sp. z o.o.*	1 949	100	Full method
24	Qualia spółka z ograniczoną odpowiedzialnością - Zakopane Sp. k.	441	99.7738	Full method
25	Qualia Sp. z o.o.*	65	100	Full method
26	Giełda Nieruchomości Wartościowych Sp. z o.o.[6]	5	99	Full method
27	Qualia spółka z ograniczoną odpowiedzialnością - Projekt 1 Sp. k.	1	50	Full method
28	Qualia spółka z ograniczoną odpowiedzialnością - Władysławowo Sp. k.	1	50	Full method
Subsidiary of PKO Leasing SA				
29	PKO Bankowy Leasing Sp. z o.o.[7]	82 424	100	Full method
Subsidiary of "Inter-Risk Ukraina" Spółka z d. o.				
30	Finansowa Kompania "Prywatne Inwestycje" Sp. z o.o.[8]	17 410	93.408	Full method
Subsidiary of Bankowe Towarzystwo Kapitałowe SA				
31	PKO BP Faktoring SA[8]	13 329	99.9889	Full method
Subsidiary of KREDOBANK SA				
32	Finansowa Kompania "Idea Kapitał" Sp. z o.o.	1 658	100	Full method

** This item presents the value of shares at the purchase price and value of specific additional contributions made.*

1 *Former name: Bankowy Fundusz Leasingowy SA; the change in the Company's name was registered in the National Court Register on 27 March 2013.*

2 *Qualia Development Sp. z o.o. is the other shareholder of the Company.*

3 *The limited partnerships which belong to the Qualia Development Group have Qualia Development Sp. z o.o. as their the limited partner, and Qualia Sp. z o.o. as their general partner; the item "exposure amount" presents the value of the limited partner's contributions; item "interest in the share capital" presents the limited partner's share in the value of contributions made.*

4 The Partnership was established as a result of a transformation of PKO BP Inwestycje – Nowy Wilanów Sp. z o.o.; the item "exposure amount" presents the purchase price of shares and the amount of contributions made before transformation into a limited partnership.

5 The Partnership was established as a result of a transformation of PKO BP Inwestycje - Neptun Park Sp. z o.o.; the item "exposure amount" presents the purchase price of shares and the amount of contributions made before transformation into a limited partnership.

6 *Qualia Sp. z o.o. is the other shareholder of the Company.*

7 *Former name: Bankowy Leasing Sp. z o.o.; the change in the Company's name was registered in the National Court Register on 28 March 2013.*

8 *PKO Bank Polski SA is the Company's other shareholder.*

Table 24. Other subordinated entities covered by the consolidated financial statements

No.	Entity name	The value of exposure at acquisition cost	Share in the share capital	Consolidation method
		(PLN '000)	(%)	
Co-subsidiaries				
1	CENTRUM HAFFNERA Sp. z o.o.	44 371	49.43	equity method
2	Centrum Obsługi Biznesu Sp. z o.o.	17 498	41.44	equity method
Subsidiaries of CENTRUM HAFFNERA Sp. z o.o.				
3	Sopot Zdrój Sp. z o.o.*	68 026	100	equity method
4	Promenada Sopocka Sp. z o.o.	10 058	100	equity method
5	Centrum Majkowskiego Sp. z o.o.	3 833	100	equity method
6	Kamienica Morska Sp. z o.o. in liquidation	976	100	equity method
Associates				
7	Bank Pocztowy SA	146 500	25.0001	equity method
8	Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	1 500	33.33	equity method
Subsidiaries of Bank Pocztowy SA				
9	Centrum Operacyjne Sp. z o.o.	3 284	100	equity method
10	Spółka Dystrybucyjna Banku Pocztowego Sp. z o.o.	2 680	100	equity method

** This item presents the value of shares at the purchase price and the value of specific additional contributions made.*

In addition, PKO Bank Polski SA holds shares in an associate Kolej Gondolowa Jaworzyna Krynicka SA (37.53% share in the Company's share capital) and shares in an associated Agencja Inwestycyjna CORP-SA SA (22.31% share in the Company's share capital), which are disclosed as non-current assets held for sale.

5.2 Description of changes in the organization of subordinated entities

The following events affecting the PKO BP SA Group structure took place in the first six months of 2013:

1. Changes in the name of Bankowy Fundusz Leasingowy SA Group companies

The following Bankowy Fundusz Leasingowy SA companies changed their names in March 2013:

– the company Bankowy Fundusz Leasingowy SA changed its name to PKO Leasing SA; the change was registered in the National Court Register on 27 March 2013;

– the company Bankowy Leasing Sp. z o.o. changed its name to PKO Bankowy Leasing Sp. z o.o.; the change was registered in the National Court Register on 28 March 2013.

2. Share capital increase of PKO Leasing SA

An increase in the share capital of PKO Leasing SA of PLN 20,000 thousand was registered in the National Court Register on 19 March 2013. As a result of the increase, the Company's share capital amounts to PLN 90,000 thousand and comprises 9,000,000 shares with PLN 10 par value each. All shares in the increased share capital of the Company were taken up by PKO Bank Polski SA. After the said transaction, PKO Bank Polski SA remained the sole shareholder of PKO Leasing SA.

3. Share capital increase of Fort Mokotów Inwestycje Sp. z o.o.

An increase in the share capital of Fort Mokotów Inwestycje Sp. z o.o. of PLN 4,194 thousand was registered in the National Court Register on 19 April 2013. As a result of the said increase, the Company's share capital amounts to PLN 77,483 thousand and comprises 77,483 shares with PLN 1,000 par value each.

The shares in the increased share capital were taken up by the existing shareholders, as follows: 4,193 shares with a total par value of PLN 4,193 thousand were taken up by PKO Bank Polski SA, and one share was taken up by Qualia Development Sp. z o.o.

4. Changes in the Qualia Development Sp. z o.o. Group

The following changes took place in the Qualia Development Sp. z o.o. Group in the first six months of 2013:

– the limited partner's contribution and limited partner's limit of liability in Qualia spółka z ograniczoną odpowiedzialnością – Zakopane Spółka komandytowa were increased.
On 17 January 2013, based on the Partners' resolution, the contribution of the limited partner, Qualia Development Sp. z o.o., and limited partner's limit of liability were increased from PLN 1,000 to PLN 441 thousand. The changes were registered in the National Court Register on 13 February 2013;

– the limited partner's contribution and limited partner's limit of liability in Qualia spółka z ograniczoną odpowiedzialnością – Jurata Spółka komandytowa were increased.
On 17 January 2013, based on the Partners' resolution, the contribution of the limited partner, Qualia Development Sp. z o.o., and the limited partner's limit of liability in were increased from PLN 1,000 to PLN 2,551 thousand. The changes were registered in the National Court Register on 13 February 2013.

– all shares in Sarnia Dolina Sp. z o.o. were purchased from the other shareholder;
On 12 April 2013, all conditions precedent of the agreement for the purchase by Qualia Development Sp. z o.o. from Przedsiębiorstwo Robót Inżynieryjnych "Pol-Aqua" SA of 44% of shares in the share capital of Sarnia Dolina Sp. z o.o. were satisfied, and, therefore, Qualia Development Sp. z o.o. became the sole shareholder of Sarnia Dolina Sp. z o.o. The above-mentioned change was registered in the National Court Register on 16 May 2013;

– the company Giełda Nieruchomości Wartościowych Sp. z o.o. was established;

On 17 April 2013, the company Giełda Nieruchomości Wartościowych Sp. z o.o. was registered in the National Court Register. The Company's share capital amounts to PLN 5,000 and comprises 100 shares at PLN 50 par value each. Ninety-nine shares with a total par value of PLN 4,950 were taken up by Qualia Development Sp. z o.o., and one share was taken up by Qualia Sp. z o.o.;

- the share capital in Sarnia Dolina Sp. z o.o. was increased;
  An increase in the share capital of Sarnia Dolina Sp. z o.o. of PLN 6,924 thousand was registered in the National Court Register on 16 May 2013. As a result of the said increase, the Company's share capital amounts to PLN 6,974 thousand and comprises 13,948 shares with a PLN 500 par value each. The shares in the increased share capital of the Company were taken up by Qualia Development SA (the sole shareholder of the Company from 12 April 2013);
- additional contributions to the capital of the following Qualia Development Sp. z o.o. Group companies were made:
  a) PKO Bank Polski SA made an additional contribution to Qualia Development Sp. z o.o. of PLN 1,251 thousand;
  b) Qualia Development Sp. z o.o. made an additional contribution to Sarnia Dolina Sp. z o.o. of PLN 157.5 thousand;
  c) Qualia Development Sp. z o.o. made an additional contribution to Qualia - Residence Sp. z o.o. of PLN 73 thousand.

In the first six months of 2013, the following events concerning co-subsidiaries and associates took place:

1. **Changes in the CENTRUM HAFFNERA Sp. z o.o. Group**

Due to the completion of the project, on 10 May 2013 the Extraordinary General Shareholders' Meeting of Kamienica Morska Sp. z o.o. passed a resolution on dissolution of the Company and opening its liquidation as of 1 June 2013.

2. **Reclassification of the shares of Agencja Inwestycyjna CORP-SA SA to assets held for sale**

In April 2013, PKO Bank Polski SA, taking into account the status of the process of sale of the shares of Agencja Inwestycyjna CORP-SA SA, reclassified all shares held in that Company to assets held for sale (in accordance with IFRS 5). To date, the Company was the Bank's associate consolidated under the equity method.

5.3 Transactions with related entities

In the first six months of 2013, PKO Bank Polski SA provided on an arm's length basis the following services to related (subordinated) entities: maintaining bank accounts, accepting deposits, granting loans, issuing debt securities, granting guarantees, concluding foreign exchange transactions and offering participation units in funds, lease products, factoring products, rental of terminals and clearing services in respect of payment transactions offered by the PKO Bank Polski SA Group companies. At the same time, it rented space in the Centrum Finansowe Puławska building in Warsaw to selected Group companies.
A list of major transactions concluded by PKO Bank Polski SA with subordinated entities, including their indebtedness in relation to the Bank as at 30 June 2013, was presented in the condensed interim financial statements of PKO Bank Polski SA for the six months ended 30 June 2013.

6. RISK MANAGEMENT POLICIES

Risk management is one of the most important internal processes in PKO Bank Polski SA and in all the other PKO Bank Polski SA Group companies. The objectives of risk management are to ensure an adequate level of security and profitability of business operations in the changing legal and economic environment. The level of risk plays an important role in the planning process.
The following types of banking risk which are subject to risk management have been identified in the PKO Bank Polski SA Group: credit risk, interest rate risk, currency risk, price risk of equity instruments, commodities prices, liquidity risk, operational risk, compliance risk, business risk (including strategic risk), risk of macroeconomic changes, models and reputation risk. Derivatives risk is subject to a special control due to the specific characteristics of these instruments.
Risk management in the Group is based specifically on the following principles:

- The Group manages all the identified types of banking risk;
- the risk management process is appropriate to the scale of operations and to the materiality, scale and complexity of a given risk, and tailored to new risk factors and sources on a current basis;
- the risk management methods (in particular the models and their assumptions) and risk measurement systems are tailored to the scale and complexity of the risk and verified and validated on a periodical basis;
- the area of risk and debt collection remains organizationally independent of business activities;
- risk management is integrated with planning and controlling systems;
- the risk level is monitored on a current basis;
- the risk management process supports the pursuit of the Group's strategy in compliance with risk management strategy, in particular with regard to the level of risk tolerance.

The risk management process is supervised by the Supervisory Board of the Bank, which is informed on a regular basis about the risk profile of the Bank as well as of the PKO Bank Polski SA Group and about the most important activities taken in the area of risk management.
The Bank's Management Board is responsible for the risk management, including supervising and monitoring of activities taken by the Bank in the area of risk management. The Bank's Management Board approves the most important decisions affecting the risk level of the Bank and enacts internal regulations defining the risk management system.
The risk management process is carried out in three, mutually independent lines of defence:

1) the first line of defence, which is functional internal control that ensures using risk controls and compliance of the activities with the generally applicable laws;
2) the second line of defence, which is the risk management system, including risk management methods, tools, process and organization of risk management;

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

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

– the function of the second line of defence as regards creating system solutions is independent of the function in the first line of defence;
– the function of the third line of defence is independent of the functions of the first and second lines of defence;
– the function of managing the compliance risk reports directly to the Chairman of the Management Board of the Bank.

The Bank supervises the activities of individual subsidiaries of the PKO Bank Polski SA Group. As part of this supervision, the Bank sets out and approves their development strategies, including the level of risk. The Bank also supervises the entities' risk management systems and provides support in the development of these systems. Additionally, it reflects the business risk of particular entities in the risk reporting and risk monitoring system of the entire Group.

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

The PKO Bank Polski SA Group's priority is to maintain its strong capital position and to increase its stable sources of funding, which constitute a basis for the stable development of business activity, while maintaining the priorities of efficiency and effective cost control.

In order to achieve that the Bank took the following actions in the first half of 2013:

– it revolved short-term notes of PLN 500 to 850 million, at the same time extending the maturity period of the securities from three to six months;
– it transferred part of the Bank's profit for 2012 to own funds,

Moreover, on 12 June 2013 the Bank signed an agreement to acquire Nordea Bank Polska SA, Nordea Finance Polska SA, Nordea Polska TUnŻ SA, and the corporate loan portfolio serviced directly by the Seller – the Scandinavian financial Group Nordea. The acquisition shall have no impact on the change in the risks identified in the business of PKO Bank Polski SA or Nordea Bank Polska SA.

In the first half of 2013 in respect of operational risk, the Bank endeavoured to adapt to the requirements of Recommendation M of the Polish Financial Services Authority amended in January 2013 relating to operational risk management in banks. The Bank complied with all the recommendations by 30 June 2013, and it intends to comply with the recommendation relating to disclosure of information on operational losses – in accordance with Recommendation M – by 31 December 2013.

6.1 Credit risk

Credit risk is defined as a risk of occurrence of losses due to a client's default of payments to the Bank or as a risk of decrease in economic value of amounts due to the Bank as a result of a deterioration in a client's ability to repay due amounts.

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

The Bank and the Group's subsidiaries mainly apply the following principles of credit risk management:

– the loan transaction requires comprehensive credit risk assessment, which is reflected in an internal rating or credit scoring;
– credit risk assessment related to loan transactions is measured at the stage of a loan request review and on a cyclical basis during the monitoring process, taking into consideration changes in external conditions and in the financial standing of borrowers;
– credit risk assessment of exposures which are significant due to their risk levels or their value is subject to additional verification by credit risk assessment teams, which are independent of business teams;
– terms of loan contracts that are offered to a client depend on the credit risk generated by the contract;
– loan granting decisions are made only by authorized persons within their authority;
– credit risk is diversified in particular by geographical location, by industry, by product and by clients;
– the expected credit risk level is mitigated by the Bank establishing legal collateral, credit margins collected from clients and impairment allowances on loan exposures.

The above mentioned policies are executed by the Bank through the use of advanced credit risk management methods, both on the level of individual exposures and on the level of the Bank's whole credit portfolio. These methods are verified and developed to ensure compliance with the internal ratings based requirements (IRB), i.e. advanced credit risk measurement method, which can be used while calculating capital requirements for credit risk after being approved by the Polish Financial Supervision Authority.

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

Credit risk relating to the financing of corporate clients is assessed on two levels: the client and transaction. These assessments are based on the ratings of the client and the transaction. The cumulative rating is a synthetic measure of credit risk. In the case of corporate customers from the small and medium enterprises segment that meet certain criteria, the Bank assesses credit risk using the scoring method. This assessment is dedicated to low-value, uncomplicated loan transactions and it is performed in two dimensions: the client's borrowing capacity and creditworthiness. The borrowing capacity assessment involves examining the customer's financial situation, whereas the creditworthiness assessment involves scoring and evaluating the customer's credit history obtained from the Bank's internal records and external databases.

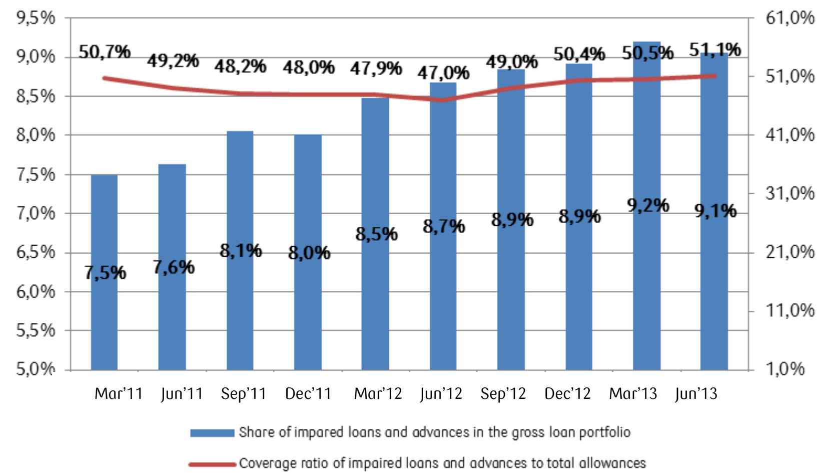
Information on ratings and scoring is widely used in the Bank for the purposes of credit risk management, the system of credit decision-making powers, determining the amounts above which independent credit assessment services are activated and in the credit risk assessment and reporting system.
In June 2013 the Bank implemented a new methodology for assessing portfolio parameters used in determining loan exposure impairment write-downs and provisions for off-balance sheet credit exposures. This methodology uses elements of portfolio parameter modelling for the purpose of determining capital requirements in accordance with the IRB methodology. It ensures monitoring the behaviours of the credit portfolio divided into more homogeneous groups, and more precise information on the recoveries realized.

Table 25. The structure of the loan portfolio and impairment allowances of the PKO Bank Polski SA Group (in PLN million)

	30.06.2013	31.12.2012	Change (in %)
Loans and advances granted:			
Assessed on the individual basis	8 675.6	8 088.0	7.3%
Impaired	6 603.2	6 506.7	1.5%
Not impaired	2 072.4	1 581.3	31.1%
Assessed on the portfolio basis	7 565.9	6 939.2	9.0%
Impaired	7 565.9	6 939.2	9.0%
Assessed on the group basis (IBNR)	140 104.9	135 624.8	3.3%
Loans and advances granted, gross	**156 346.4**	**150 651.9**	**3.78%**
Allowances on exposures assessed on an individual basis	(2 765.5)	(2 707.9)	2.1%
Impaired	(2 695.6)	(2 647.5)	1.8%
Allowances on exposures assessed on the portfolio basis	(3 788.9)	(3 516.5)	7.7%
Allowances on exposures assessed on the group basis (IBNR)	(691.4)	(551.8)	25.3%
Allowances, total	(7 245.8)	(6 776.3)	6.9%
Total loans and advances, net	**149 100.6**	**143 875.6**	**3.6%**

In the first half of 2013, the gross value of loans granted by the Group and assessed on the individual basis increased by PLN 588 million, those assessed on the portfolio basis increased by PLN 627 million and those assessed on the group basis increased by PLN 4 480 million.

Chart 3. The share of impaired loans and advances in the PKO Bank Polski SA Group and the coverage ratio to total allowances



The share of impaired loans and advances in the PKO Bank Polski SA Group's gross loan portfolio as at 30 June 2013 amounted to 9.1% and increased by 0.1 pp. compared with 31 December 2012.
The coverage ratio of impaired loans for the PKO Bank Polski SA Group as at 30 June 2013 amounted to 51.1%, and increased by 0.7 pp. compared with 31 December 2012.
The Group entities, which have significant credit risk levels (the KREDOBANK SA Group, the PKO Leasing SA Group, the BTK SA Group, the 'Inter-Risk Ukraina' Group with additional liability) manage their credit risk individually, but the methods used by them for credit risk assessment and measurement are adjusted to the methods used by PKO Bank Polski SA, taking into account the specific nature of the activities of these entities. Any changes to the solutions used by the Group's subsidiaries are agreed each time with the Bank's units responsible for risk management.
The PKO Leasing SA Group, the BTK SA Group, the KREDOBANK SA Group and the "Inter-Risk Ukraina" Group with additional liability measure credit risk regularly and the results of such measurements are submitted to the Bank.

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

6.2 Interest rate risk

The interest rate risk is the risk of incurring losses on Bank's statement of financial position and off-balance sheet items sensitive to interest rate fluctuations, as a result of changes in the interest rates on the market.
The objective of interest rate risk management is to mitigate potential losses arising from market interest rate changes to an acceptable level by shaping the structure of statement of financial position and off-balance sheet items.
In the process of interest rate risk management, the Group uses the Value at Risk (VaR) model, interest income sensitivity measure, stress testing and the repricing gap.
Methods of interest rate risk management in the Group's subsidiaries are defined by internal regulations implemented by those entities which are characterized by significant values of interest rate risk measure outcomes. These regulations are developed after consultation with the Bank and take into account recommendations issued to the entities by the Bank.
The PKO Bank Polski SA Group's exposure to interest rate risk as at 30 June 2013 and 31 December 2012 consisted mainly of the Bank's exposure. The interest rate risk for such currencies as PLN, EUR and CHF, generated by the Group entities, did not have a material influence on the interest rate risk of the whole Group and, as a result, did not significantly change its risk profile. Interest rate risk for USD was changed significantly by the exposure of the Group entities, in which the most significant exposure concerned KREDOBANK SA.

Table 26. VaR of PKO Bank Polski SA and stress tests analysis of the Group's exposure to the interest rate risk (in PLN thousand)

Name of sensitivity measure	30.06.2013	31.12.2012
VaR for a 10-day time horizon*	157 634	64 451
Parallel movement of the interest rate curves by 200 b.p. (stress test)**	497 097	270 818

** Due to the nature of the activities carried out by other Group entities generating significant interest rate risk as well as the specific nature of the market on which they operate, the Group does not calculate consolidated VaR. These companies apply their own risk measures in the interest rate risk management. KREDOBANK SA uses the 10-day time horizon interest rate VaR for the main currencies, which amounted to approx. PLN 18 852 thousand as at 30 June 2013 and PLN 14 287 thousand as at 31 December 2012.*
*** The table presents the value of the most adverse stress test of the scenarios: movement of interest rate curves by 200 b.p. up and by 200 b.p. down.*

As at 30 June 2013, the Bank's interest rate VaR for a 10-day time horizon amounted to PLN 157 634 thousand, which accounted for approximately 0.75% of the Bank's own funds. As at 31 December 2012, the Bank's VaR amounted to PLN 64 451 thousand which accounted for approximately 0.32% of the value of the Bank's own funds (own funds calculated in accordance with regulations governing calculation of the capital adequacy ratio).

6.3 Currency risk

Currency risk is the risk of incurring losses due to exchange rate changes, generated by maintaining open currency positions in given foreign currencies.
The objective of managing the currency risk is to reduce potential losses arising from exchange rate changes to an acceptable level by shaping the currency structure of the statement of financial position and off-balance sheet items.
The Group measures currency risk using the Value at Risk (VaR) model and stress tests.
Methods of currency risk management in the Group's subsidiaries are defined by internal regulations implemented by those entities. The regulations are developed by entities, for which currency risk measurement tools obtain a significant value, after consultation with the Bank and taking into account recommendations issued to the entities by the Bank.

Table 27. VaR of PKO Bank Polski SA and stress tests analysis of the Group's exposure to the currency risk, cumulatively for all currencies (in PLN thousand)

Name of sensitivity measure	30.06.2013	31.12.2012
VaR for a 10-day time horizon*	642	628
Change of CUR/PLN by 20% (stress test)**	20 937	32 581

** Due to the nature of the activities carried out by the other Group entities generating significant currency risk as well as the specific nature of the market on which they operate, the Bank does not calculate consolidated VaR. These entities apply their own risk measures in the currency risk management. KREDOBANK SA uses the 10-day time horizon VaR, which amounted to ca. PLN 392 thousand as at 30 June 2013 and ca. PLN 614 thousand as at 31 December 2012.*
***The table presents the value of the most adverse stress test of the scenarios: PLN appreciation by 20% and PLN depreciation by 20%.*

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

Table 28. The Group's currency position for particular currencies (in PLN thousand)

Currencies	Currency position as at 30.06.2013	Currency position as at 31.12.2012
EUR	478	(13 818)
USD	(167 328)	(153 155)
CHF	(18 884)	(20 180)
GBP	(342)	4 653
Others (global net)	17 168	15 609

6.4 Liquidity risk

The liquidity risk is the risk of the lack of the possibility to pay the debts on time due to the lack of liquid assets. Lack of liquidity may arise from an inadequate structure of the statement of financial position, mismatch of cash flows, payments not received from contractors, sudden withdrawal of cash by clients or other market events.
The objective of liquidity risk management is to ensure an appropriate level of funds necessary to pay present and future debts (also potential) on time, taking into account the nature of performed activities and requirements which may occur due to changes in the market environment, by shaping the structure of the statement of financial position and off-balance sheet liabilities.
The Group's policy concerning liquidity is based on keeping a portfolio of liquid securities and growth of stable sources of funding (in particular a stable deposit base). In its liquidity risk management policy, money market instruments, including NBP open market operations, are used.
To ensure an adequate liquidity level, the Bank and subsidiaries of the PKO Bank Polski SA Group implemented limits and thresholds for short, medium and long-term liquidity risk.
Methods of liquidity risk management in the Group's subsidiaries are defined by internal regulations implemented by entities, for which currency risk measurement tools obtain a significant value.
These regulations are developed after consultation with the Bank and take into account recommendations issued to the entities by the Bank.
The table below presents the Bank's liquidity reserve as at 30 June 2012 and as at 31 December 2012.

Table 29. Liquidity reserve of PKO Bank Polski SA (in PLN million)

	30.06.2013	31.12.2012
Liquidity reserve to 1 month*	15 425	13 568

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

As at 30 June 2013, the level of permanent balances on deposits constituted approximately 94.3% of all deposits of the Bank (excluding the interbank market), which is an increase of ca. 1.0 pp. as compared to the end of 2012.

6.5 Commodity price risk

Commodity price risk is the risk of incurring a loss due to changes in commodity prices, generated by maintaining open positions on the particular types of goods.
The objective of commodity price risk management is to reduce potential losses resulting from changes in commodity prices to the acceptable level through manipulating the structure of statement of financial position and off-balance sheet commodity items.
Commodity price risk is managed by imposing limits on instruments generating the commodity price risk, monitoring their use and reporting the risk level.
The effect of the commodity price risk on the Bank's financial position is immaterial. In the first half of 2013, the items in transactions generating commodity price risk were closed each time at the end of the business day.

6.6 Price risk of equity securities

The price risk of equity securities is the risk of incurring a loss due to changes in the prices of equity securities on the public market or stock exchange indices, generated by maintaining open positions in instruments sensitive to changes in these market parameters.
The price risk of equity securities results from operations conducted as part of trading activities (the Brokerage House of PKO Bank Polski SA), investing activities and from other operations as part of banking activities generating a position in equity securities.
Managing the price risk of equity securities is aimed at limiting possible losses due to changes in the prices of equity securities on the public market or stock exchange indices to a level acceptable to the Bank, by optimizing the positions taken in instruments sensitive to changes in these market parameters.
Risk management is carried out by imposing limits on the activity of the Brokerage House of PKO Bank Polski SA and monitoring their utilization.
The influence of the price risk of equity securities on the financial position of the Bank was assessed as immaterial. The positions taken in equity securities and index instruments are limited, and they are not expected to increase significantly.

6.7 Derivative instruments risk

The risk of derivative instruments is the risk arising from taking up positions in financial instruments, which meet all the following conditions:
1) the value of an instrument changes with the change of the underlying instrument;

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

The process of derivatives risk management is integrated with the management of interest rate, currency, liquidity and credit risks. However, due to the specific nature of derivatives it is subject to special control specified in the internal regulations of the Bank.

For the purpose of measuring the risk of derivative instruments, among others, the Value at Risk (VaR) model is used, which is discussed in the chapter concerning interest rate risk or in the chapter concerning currency risk, depending on the risk factor affecting the value of a given instrument.

Risk management is carried out by imposing limits on derivative instruments divided into banking and trading portfolios, monitoring the use of limits and reporting the risk level.

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

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

The positions taken by other Group entities in specified derivative instruments are determined in a similar manner to positions taken by the Bank in these derivative instruments, taking into consideration the specifics of the economic activity of companies.

6.8 Operational risk

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

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

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

The Bank uses various solutions to limit its exposure to operational risk, including the following:
1) control instruments;
2) human resources management (staff selection, enhancement of professional qualifications of employees, motivation packages);
3) setting threshold and critical values of Key Risk Indicators (KRI);
4) strategic tolerance limits and limits on operational risk losses;
5) contingency plans;
6) insurance;
7) outsourcing;
8) business continuity planning.

For the purposes of operational risk management, the Bank collects internal and external data about operational events and their effects, data about the operational environment and data concerning the quality of functional internal control.

If the risk level is increased or high, the Bank applies the following approaches:
– risk reduction – mitigating the effect of risk factors or the results of risk materialization;
– risk transfer – transfer of liability for covering potential losses to a third party;
– risk avoidance – giving up the activity that generates a risk or eliminating the probability of occurrence of a risk factor.

In the first half of 2013, three entities had a dominant impact on the operational risk profile of the Group: PKO Bank Polski SA, the PKO Leasing SA Group and KREDOBANK SA. The other Group entities, considering their significantly smaller scale and type of activity, generate only reduced operational risk. The Group's subsidiaries manage operational risk according to principles of risk management in PKO Bank Polski SA, considering their specific nature and scale of activity.

6.9 Compliance risk

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

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

Compliance risk management involves in particular the following:
– preventing involvement of the Group in illegal activities;
– ensuring data protection;
– promoting ethical standards and monitoring their functioning;
– conflict of interest management;
– preventing situations where the Group's employees could be perceived as pursuing their own interest in the professional context;

– professional, fair and transparent formulation of product offers, advertising and marketing messages;
– prompt, fair and professional consideration of complaints, requests and claims of clients.

The rules concerning the process of compliance risk management adopted by all Group's entities is inherent within the PKO Bank Polski SA Group.

6.10 Business risk

Business risk is understood as a risk of incurring losses due to adverse changes in the business environment, taking bad decisions, incorrect implementation of decisions taken, or not taking appropriate actions in response to changes in the business environment; it includes in particular strategic risk.

The objective of business risk management is to maintain, on an acceptable level, the possibility of negative financial consequences resulting from unfavourable changes in the business environment, erroneous decisions, incorrect implementation of decision made or failing to make appropriate decisions in response to changes in the business environment.

The process of managing business risk covers:

– identification of business risk consisting of its recognition and determination of factors - both current and potential – which result from the current and planned operations of the Bank and which could have a significant impact on the Bank's financial position, additional income or a change in the Bank's income and costs;
– assessment and measurement of the business risk which comprises: calculating selected business risk ratios, conducting stress tests and calculating internal capital to cover this type of risk;
– forecasting and monitoring business risk;
– reporting business risk;
– management activities undertaken in the event of the risk attaining a high level or exceeding the respective risk strategic tolerance limits.

The Bank's key tools for managing business risk are:

– business risk management procedures;
– business risk limits and threshold values.

6.11 Reputation risk

The reputation risk is defined as the risk related to a possibility of occurrence of negative variations from the planned results of the Group due to the deterioration of the Group's image. The objective of managing the reputation risk is to protect the Group's image and limit the probability of the occurrence and level of image-related losses.

Management of reputation risk in the Group comprises mainly:

– conducting protective communication actions;
– monitoring the media: TV, radio, the press, the Internet, in terms of identification of the effects of image-related events and distribution of information in this respect,
– registering the effects of image-related events which occurred,
– analyzing and assessing image-related events and determining the level of reputation risk.

The following tools are basic for pursuing activities related to assessment of the Bank's reputation risk:

– the folder of image-related events including the listing of categories of image events including the weights attributed to them. The folder specifies the risk profile by attributing appropriate weights to particular image-related event categories;
– a register of the effects of image-related events used to register identified effects of image-related events – the result of media and claims and requests monitoring.

Based on the Register of effects of image-related events for the previous calendar year, the Bank conducts an annual assessment of effects of particular image-related event categories identified in a given year and specifies their impact on the shaping of the reputation risk level. The assessment is made on a scale of 1 to 5, where "1" is the lowest and "5" the highest expected impact of the identified effects in a given category of image-related events on the increase in the reputation risk level.

6.12 Model risk

Model risk is the risk of incurring negative financial or reputation effects as a result of making incorrect business decisions on the basis of the models operating within the Bank.

The objective of model management and model risk management is to mitigate the risk of incurring negative financial or reputation effects as a result of making incorrect business decisions on the basis of the operating models.

The Bank manages model risk by: identifying model risk, assessing model risk, monitoring and reporting model risk, and supervisory activities. All the models material to the Bank are regularly and independently validated.

Model risk assessment is aimed at determining the scale of threats related to model risk. The Bank assesses the risk levels of particular elements important from the perspective of the model, assesses risk at the level of a single model and makes an aggregate assessment of the model risk level. Assessments may be specifically aggregated at Bank level, at the levels of particular risk types or of particular processes in the model life cycles.

Management activities relating to model risk are aimed at shaping the model risk management process and at managing the level of the risk within the Bank. Management activities consist specifically of:

- issuing internal regulations within the Bank;
- setting acceptable risk levels;
- making recommendations;
- taking decisions about the use of tools supporting model risk management.

6.13 Risk of macroeconomic changes

Risk of macroeconomic changes is the risk of deterioration of the Bank's financial position as a result of an unfavourable impact of changes in macroeconomic conditions.
The objective of risk of macroeconomic changes management is identification of macroeconomic factors with a significant impact on the Bank's operations and taking actions aimed at mitigating the unfavourable impact of potential changes in macroeconomic conditions on the Bank's financial position.
Risk of macroeconomic changes is managed by:

1) identifying the risk consisting of specifying scenarios of potential macroeconomic changes and specifying risk factors with the largest impact on the Bank's financial position;
2) measuring risk using risk measurements basing on the results of comprehensive stress-tests (in particular: the financial result and its components, capital adequacy measures and their components, and selected liquidity measures);
3) monitoring risk;
4) reporting risk;
5) management activities undertaken in the event of the macro risk attaining a high level.

6.14 Comprehensive stress tests

Comprehensive stress tests constitute an integral element of risk management at the Bank and supplement stress tests specific for particular risk types.
Comprehensive stress tests take into account collectively the following types of risk that the Bank considers material, including:

1) credit risk;
2) market risk;
3) liquidity risk;
4) operational risk;
5) business risk.

Comprehensive stress tests cover analyses of the impact of changes in the Bank's environment and operations on the Bank's financial position, in particular:

1) on the income statement;
2) on the balance sheet;
3) on own funds;
4) on capital adequacy, including capital requirements, internal capital, capital adequacy measures;
5) on selected liquidity measures.

Comprehensive stress tests are conducted for the Bank's own purposes at least once a year in a 3-year horizon, taking into consideration changes in the values and structure of the balance sheet and the income statement (dynamic tests). Supervisory tests are conducted at the request of regulators, in accordance with the assumptions provided by the latter.

6.15 Capital adequacy[6]

Capital adequacy is the condition where the amount of own funds held by the PKO Bank Polski SA Group exceeds the higher of: total capital requirements (the so-called Pillar I) and the total internal capital (the so-called Pillar II).
The objective of capital adequacy management is to maintain – on a constant basis – capital at a level adequate to the risk scale and profile of the Group's activities.
The Group's capital adequacy management process comprises:

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

The main measures of capital adequacy are:

1) the capital adequacy ratio, of which minimum level in accordance with the Banking Act is 8%;
2) the ratio of own funds to internal capital, of which minimum level in accordance with the Banking Act is 1.0;

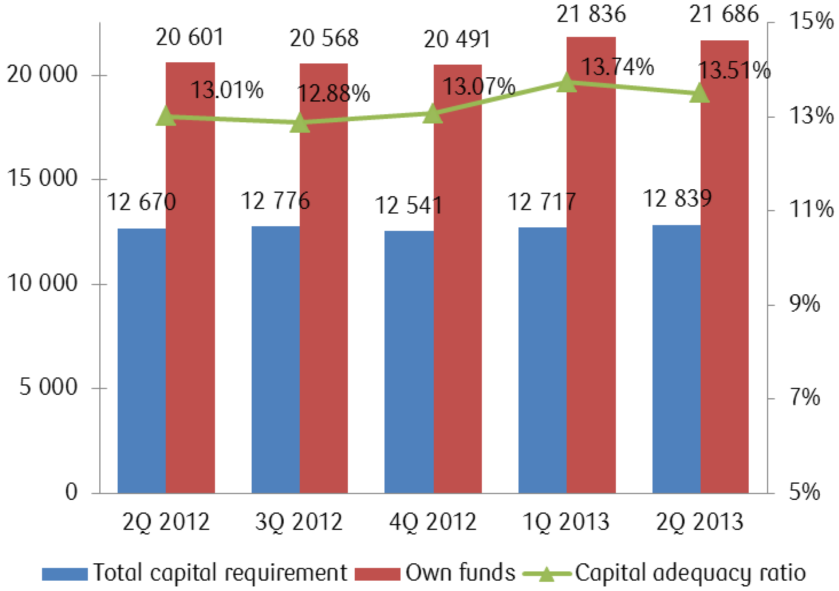
[6] Own funds for the purposes of capital adequacy are calculated in accordance with the provisions of the Banking Law and Resolution of the Polish Financial Supervision Authority No. 325/2011 of 20 December 2011 on deductions from own funds, their amount, their scope and conditions of their deduction from a bank's own funds, other statement of financial position items included in supplementary funds, their amount, their scope and conditions of inclusion in the bank's supplementary funds, deductions from supplementary funds, their amount, their scope and conditions of their deduction from supplementary funds and the scope and manner of treating the activity of banks that are members of conglomerates in calculating own funds (Official Journal of PFSA No. 13, item 49 of 30 December 2011).

3) the capital adequacy ratio for core equity (*Common Equity Tier 1 ratio – CET 1 ratio*), the minimum level of which is 9%.

In the first half of 2013 the PKO Bank Polski SA Group continued activities aimed at ensuring an appropriate capital buffer, and maintained and consolidated its liquidity position.

In the first half of 2013 the capital adequacy measures were maintained above the internal and external limits, and above the minimum amounts recommended by the PFSA.

Chart 4. Capital adequacy of the PKO Bank Polski SA Group

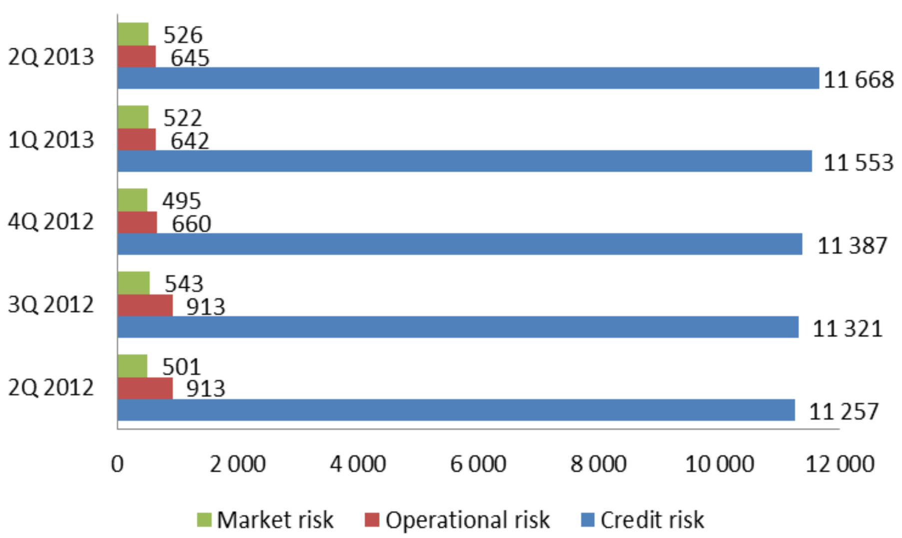


As at 30 June 2013 compared with 31 December 2012, the PKO Bank Polski SA Group's capital adequacy ratio increased by 0.44 pp. to the level of 13.51%, mainly as a result of the increase in the PKO Bank Polski SA Group's own funds for capital adequacy purposes.

As at 30 June 2013 compared with 31 December 2012, the PKO Bank Polski SA Group's total capital requirement increased by PLN 297.4 million, mainly as a result of an increase in the capital requirement in respect of credit risk (the effect of an increase in the loan portfolio) while the PKO Bank Polski SA Group's own funds increased by PLN 1 194.6 million, mainly as a result of transferring the Bank's retained earnings, and the Bank's profit for 2012 net of the dividend paid, to funds.

The Group calculates capital requirements in accordance with the Polish Financial Supervision Authority Resolution No. 76/2010 of 10 March 2010 on the scope and detailed procedures for determining capital requirements for particular types of risk (Official Journal of the PFSA No. 2, item 11 of 9 April 2010 as amended) in respect of credit risk – the standardized approach, in respect of the operational risk: of the Bank – the advanced measurement approach (AMA) and of the Group – basic indicator approach (BIA) and in respect of market risk – the basic approach.

Chart 5. Capital requirements of the PKO Bank Polski SA Group (in PLN million)



An increase in the capital requirement in respect of credit risk of PLN 280.7 million to the level of PLN 11 667.7 million was mainly the effect of an increase in the loan portfolio (balance sheet and off-balance sheet exposures).

The increase in the capital requirement in respect of market risk of PLN 31.4 million to the level of PLN 526.0 million was mainly the result of changes in the PKO Bank Polski SA Group's exposures in respect of derivative and Treasury instruments.

A small decrease in the capital requirement in respect of operational risk of PLN 14.7 million to the level of PLN 644.9 million was mainly due to a drop in the Bank's requirement calculated under the advanced measurement approach (AMA) and changes in the basis of calculation of the requirement under the basic indicator approach (BIA) by Group companies; in 2012 the requirement was at the level of the average gross result of the companies for the years 2009–2011, and in the first half of 2013 it was the average gross result of the Group companies for the years 2010–2012.

7. INVESTOR INFORMATION

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

To the best knowledge of PKO Bank Polski SA, as at the date of submission of the report, there were three shareholders that directly or indirectly hold a significant shareholding (at least 5%): the State Treasury, Aviva Otwarty Fundusz Emerytalny, ING Otwarty Fundusz Emerytalny.

Table 30. Shareholding structure as at the date of submission of the report

Shareholders	As at the date of submission of the report for the 1st half of 2013		As at the date of submission of the report for Q1 2013		Change of the share in the number of votes on GSM (pp.)
	Number of shares	Share in the number of votes on the GSM	Number of shares	Share in the number of votes on the GSM	
State Treasury	392 406 277	31.39%	392 406 277	31.39%	0.00
Aviva Otwarty Fundusz Emerytalny[1)]	83 952 447	6.72%	83 952 447	6.72%	0.00
ING Otwarty Fundusz Emerytalny[2)]	64 594 448	5.17%	64 594 448	5.17%	0.00
Other shareholders	709 046 828	56.72%	709 046 828	56.72%	0.00
Total	**1 250 000 000**	**100.00%**	**1 250 000 000**	**100.00%**	**0.00**

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

Sale of PKO Bank Polski SA shares by the State Treasury and BGK

1. On 31 January 2013 PKO Bank Polski SA informed of having received notifications from Bank Gospodarstwa Krajowego ("BGK") and the Minister of Treasury ("MSP") about their selling significant stakes of the Bank's shares as a result of which the total number of votes held by BGK and the State Treasury at the Bank's General Meeting has changed. According to the notifications received, on 24 January 2013, by way of block transactions conducted via Giełda Papierów Wartościowych w Warszawie S.A.:
- Bank Gospodarstwa Krajowego sold 128,102,731 of the Bank's shares it had held, which constituted 10.25% of the Bank's share capital and total number of votes at the General Shareholders' Meeting of the Bank;
- the State Treasury sold 25,000,000 of the Bank's shares it had held, which constituted 2.00% of the Bank's share capital and total number of votes at the General Shareholders' Meeting of the Bank.

   Before the transaction was concluded and settled, BGK and the State Treasury had held 128,102,731 and 417,406,277 of the Bank's shares respectively. After the transaction was settled on 29 January 2013, BGK did not hold any of the Bank's shares and the State Treasury held 392,406,277 shares which constituted 31.39% of the Bank's share capital and total number of votes at the General Shareholders' Meeting of the Bank.
2. On 1 February 2013, PKO Bank Polski SA received a notification from Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK SA about Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK ("Aviva OFE") increasing the stake in the Bank's shareholders structure and exceeding the 5% threshold in the total number of votes in the Bank as a result of the purchase transactions concluded on 24 January 2013. Prior to the settlement of these transactions on 28 January 2013 Aviva OFE held 57,152,447 Bank's shares representing 4.57% of the Bank's share capital and the total number of votes at the General Shareholders' Meeting of the Bank. After the conclusion and settlement of the above mentioned transactions on 29 January 2013 Aviva OFE held 83,952,447 Bank's shares representing 6.72% of the Bank's share capital and the total number of votes at the General Shareholders' Meeting of the Bank.
3. On 1 March 2013 the Bank received for its information a letter sent by MSP from the Minister of Treasury to BGK, in which MSP informs that in connection with the sale of all the Bank's shares held by BGK and thus the loss of the Bank's shareholder status by BGK the Agreement on cooperation in joint exercising of corporate governance (joint control) over the Bank concluded on 21 April 2010 by and between the State Treasury and BGK (of the conclusion of which the Bank informed in the current report No. 20/2010) ceased to be binding.

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

Table 31. Shares held by members of the Management Board of PKO Bank Polski SA and the Bank's Supervisory Board

No.	Name	Number of shares as at the date of submission of the report for the first half of 2013	Purchase	Disposal	Number of shares as at the date of submission of the report for Q1 2013
I.	The Management Board of the Bank				
1.	Zbigniew Jagiełło, President of the Bank's Management Board	9000	0	0	9000
2.	Piotr Alicki, Vice-President of the Bank's Management Board	2627	0	0	2627
3.	Bartosz Drabikowski, Vice-President of the Bank's Management Board	0	0	0	0
4.	Piotr Mazur, Vice-President of the Bank's Management Board	4500	4500	0	0
5.	Jarosław Myjak, Vice-President of the Bank's Management Board	0	0	0	0
6.	Jacek Obłękowski, Vice-President of the Bank's Management	512	0	0	512
7.	Jakub Papierski, Vice-President of the Bank's Management Board	3000	0	0	3000
II.	The Supervisory Board of the Bank				
1.	Cezary Banasiński, Chairman of the Bank's Supervisory Board	0	0	0	0
2.	Tomasz Zganiacz, Deputy-Chairman of the Bank's Supervisory	0	0	0	0
3.	Mirosław Czekaj, Secretary of the Bank's Supervisory Board	0	0	0	0
4.	Zofia Dzik, Member of the Bank's Supervisory Board	0	0	0	0
5.	Elżbieta Mączyńska-Ziemacka*, Member of the Bank's Supervisory Board	0	x	x	x
6.	Krzysztof Kilian, Member of the Bank's Supervisory Board	0	0	0	0
7.	Piotr Marczak, Member of the Bank's Supervisory Board	0	0	0	0
8.	Marek Mroczkowski, Member of the Bank's Supervisory Board	0	0	0	0
9.	Ryszard Wierzba, Member of the Bank's Supervisory Board	2570	0	0	2570

* *Ms E. Mączyńska-Ziemacka has been Member of the Supervisory Board since 20.06.2013*

Cooperation with rating agencies

1. Currently, the financial reliability ratings of PKO Bank Polski SA are awarded by three meaningful rating agencies:
- rating agencies *Moody's Investors Service* ("Moody's") and *Standard & Poor's* ("S&P") assign a rating to the Bank at a charge, in accordance with its own bank assessment procedure;
- Fitch Ratings agency assigns a free-of-charge rating (not ordered by the Bank), on the basis of publicly available information, including primarily interim and annual reports, and information on the Bank made available during direct contacts of representatives of the agency with the Bank.

2. On 14 June 2013 Standard&Poor's awarded the "A-" rating for the Bank's long term credit rating on the watch list with the possibility of its reduction. In the opinion of Standard&Poor's this was necessary in order to analyses the impact of share purchase agreements for Nordea Group companies (of which the Bank informed in its current report No. 37/2013) on the Bank's equity position. In accordance with the information from Standard&Poor's the Bank's "A-" long-term credit rating is unlikely to be decreased by more than one level as a result of this analysis. The potential reduction in the rating, in accordance with S&P criteria, may be effected if the Bank's forecast risk-adjusted capital adequacy ratio will drop below 10% in a 12 - 24 month perspective. The Bank will be placed on the watch list for 3 months.
3. On 21 June 2013 Moody's, after PKO Bank Polski SA has published information (Current report No. 37/2013) on concluding the agreement for the purchase of Nordea Group companies' shares, upheld the long- and short-term bank deposit rating at "A2" and "Prime-1" respectively, and the Bank's financial strength at "C-". Negative outlook was maintained in respect of the long-term deposit rating and the financial strength rating of PKO Bank Polski SA. In Moody's opinion, the above mentioned transaction is unlikely to change the overall credit profile of PKO Bank Polski SA or the factors which have an impact on the current ratings of the Bank, despite the negative impact of the transaction on capital and possible integration challenges. Moody's anticipates that in consequence of the transaction the initial impact on the capital of PKO Bank Polski SA will be reduced due to to stable profitability and high risk-adjusted profits, as it isf the Bank's intention to reduce the anticipated level of dividend after the conclusion of the Nordea Group companies' acquisition transaction.
4. On 18 July 2013 Standard & Poor's upheld the rating for KREDOBANK SA awarded in July 2012:
- long-term credit rating on the international scale – "B-";
- outlook – "Stable";
- short-term credit rating on the international scale – "C";
- rating on the Ukrainian scale – "uaBBB-".

KREDOBANK SA's ratings and outlooks are identical as the rating and outlooks for the Ukraine as a Country.

Table 32. Ratings of PKO Bank Polski SA as at 30 June 2013

Rating at a charge	
Moody's Investors Service	
Long-term rating for deposits	A2 with negative outlook
Short-term rating for deposits	Prime-1
Financial strength	C- with negative outlook
Standard and Poor's	
Long-term loan rating of the Bank	A- watch, with possibility of downgrade (as of 14.06.2013)
Short-term loan rating of the Bank	A-2 with a stable outlook
Rating not requested by the Bank	
Fitch Ratings	
Support Rating	2

Amendments to the Memorandum of Association of PKO Bank Polski SA

In the first half of 2013 no amendments were made to the Memorandum of Association of PKO Bank Polski SA.

Compliance with the corporate governance standards

On 24 May 2013 the Management Board of PKO Bank Polski SA informed of its decision not to apply the rule included in Chapter IV.10 of the Code of Best Practice for WSE listed companies, in accordance with which the Bank should ensure to its shareholders the option of participating in the General Shareholders' Meeting using means of electronic communication.
The decision not to abide by that rule in accordance with which the Bank should, i.e. ensure bilateral real time communication to its shareholders in order for them to communicate during the General Shareholders' Meeting from a place other than the location of the Meeting was taken due to legal, organizational and technical risks which could threaten the proper conduct of the General Shareholders' Meeting if such a communication option was given to all shareholders.
In the Bank's opinion, the rules currently binding at the Bank ensure that all shareholders may effectively exercise all rights vested in them and secure the interests of all shareholders.
The Bank does not eliminate the possibility of using this rule in the future, based on market standards developed by public companies.

Information on dividend paid (or declared)

1. On 17 April 2013 the Bank's Management Board passed a resolution and decided to submit to the ordinary General Shareholders' Meeting of the Bank its recommendation for the payment of dividend for 2012 in the amount of PLN 2 250 million (i.e. 61.12% of the total net profit for 2012 and retained earnings of PLN 88.533 thousand), i.e. PLN 1.80 per share. The dividend recommended by the Management Board is payable in cash.
   The Management Board has proposed to set the dividend day at 19 September 2013 and the dividend payment date at 4 October 2013. The decision on the recommended appropriation of profit for 2012 complied with the dividend policy adopted by the Bank, as reported by the Bank in its current report No. 22/2012 on 4 April 2012. Payment of dividend in the recommended amount will ensure maintaining the capital adequacy ratio above 12% and the Tier 1 ratio above 9%, with an appropriate capital buffer. Dividend payment in the recommended amount should allow the Bank to maintain its good capital and liquidity position. The proposed dividend level was in line with the recommendation of the Polish Financial Supervision Authority with regard to strengthening banks' capital bases, and the Bank met all the above-mentioned criteria so that the Management Board was able to recommend payment of dividend. The Management Board recommendation to pay dividend was considered and given a positive opinion the Bank's Supervisory Board, and presented to the General Shareholders' Meeting convened as at 20 June 2013 for approval.
2. On 20 June 2012 the Ordinary General Shareholders' Meeting of PKO Bank Polski SA, as a result of PKO Bank Polski SA's profit appropriation for the financial year 2012, earmarked PLN 2 250 million (i.e. 61.12% of the profit) to be paid out as dividend; this constitutes PLN 1.80 per share. The General Shareholders' Meeting set the following dates:

- day of acquisition of dividend rights on 19 September 2013;
- the dividend payment date on 4 October 2013.

All shares of PKO Bank Polski SA are entitled to dividend.

8. OTHER INFORMATION

Identification data

PKO Bank Polski SA with its registered Head Office in Warsaw at Puławska 15 Street is registered in the District Court for the capital city of Warsaw in Warsaw, XIII Business Department of the National Court Register, under entry No. KRS 0000026438. The Company's was granted a statistical No. REGON 016298263 and tax identification number (NIP) 525-000-77-38, share capital (the paid share capital) PLN 1 250 000 thousand.

The authorities of PKO Bank Polski SA in the reporting period

Table 33. The Management Board of PKO Bank Polski SA as at 30 June 2013

No.	Full name	Function	Appointment date
1.	Zbigniew Jagiełło	President of the Management Board	Appointed on 2 March 2011 as President of the Management Board of PKO Bank Polski SA for a joint term of office of the Management Board which began on 30 June 2011
2.	Piotr Alicki	Vice-President of the Management Board	Appointed on 1 April 2011 as Vice-President of the Management Board of PKO Bank Polski SA for a joint term of office of the Management Board which began on 30 June 2011
3.	Bartosz Drabikowski	Vice-President of the Management Board	Appointed on 1 April 2011 as Vice-President of the Management Board of PKO Bank Polski SA for a joint term of office of the Management Board which began on 30 June 2011
4.	Piotr Mazur	Vice-President of the Management Board	Appointed on 26 September 2012 as Vice-President of the Management Board of PKO Bank Polski SA responsible for risk and debt collection for a joint term of office of the Management Board which began on 30 June 2011; he was to be appointed as of 1 January 2013 on condition that the PFSA give its consent on that date at the latest, and should the PFSA not give its consent by 1 January 2013 – as of the date of giving the consent. On 8 January 2013 the PFSA gave its consent to appointing Piotr Mazur Member of the Management Board of PKO Bank Polski SA and as of that date the President of the Management Board Zbigniew Jagiełło entrusted Piotr Mazur with supervision over the Area of Risk and Debt Collection (currently the Area of Risk Management).
5.	Jarosław Myjak	Vice-President of the Management Board	Appointed on 1 April 2011 as Vice-President of the Management Board of PKO Bank Polski SA for a joint term of office of the Management Board which began on 30 June 2011
6.	Jacek Obłękowski	Vice-President of the Management Board	Appointed on 1 April 2011 as Vice-President of the Management Board of PKO Bank Polski SA for a joint term of office of the Management Board which began on 30 June 2011
7.	Jakub Papierski	Vice-President of the Management Board	Appointed on 1 April 2011 as Vice-President of the Management Board of PKO Bank Polski SA for a joint term of office of the Management Board which began on 30 June 2011

Table 34. The Supervisory Board of PKO Bank Polski SA as at 30 June 2013

No.	Full name	Function	Appointment date
1.	Cezary Banasiński	Chairman of the Supervisory Board	Appointed on 30 June 2011 for a joint term of office of the Supervisory Board which began on that day. On 30 June 2011 the Minister of Treasury appointed Cezary Banasiński, a member of the Supervisory Board, as a Chairman of the Supervisory Board.
2.	Tomasz Zganiacz	Deputy Chairman of the Supervisory Board	Appointed on 30 June 2011 for a joint term of office of the Supervisory Board which began on that day. On 30 June 2011 the Minister of Treasury appointed Tomasz Zganiacz, a member of the Supervisory Board, as a Deputy Chairman of the Supervisory Board.
3.	Mirosław Czekaj	Secretary of the Supervisory Board	Appointed on 30 June 2011 for a joint term of office of the Supervisory Board which began on that day. On 6 July 2011 the Supervisory Board appointed Mr Mirosław Czekaj Secretary of the Supervisory Board.
4.	Jan Bossak	Member of the Supervisory Board	Appointed on 30 June 2011 for a joint term of office of the Supervisory Board which began on that day. On 20 June 2013 the Ordinary General Shareholders' Meeting of PKO Bank Polski dismissed Mr Jan Bossak from the Supervisory Board of PKO Bank Polski SA as of 20 June 2013.
5.	Zofia Dzik	Member of the Supervisory Board	Appointed on 6 June 2012 for a joint term of office of the Supervisory Board which began on 30 June 2011.
6.	Krzysztof Kilian	Member of the Supervisory Board	Appointed on 30 June 2011 for a joint term of office of the Supervisory Board which began on that day.
7.	Piotr Marczak	Member of the Supervisory Board	Appointed on 30 June 2011 for a joint term of office of the Supervisory Board which began on that day.
8.	Elżbieta Mączyńska - Ziemacka	Member of the Supervisory Board	Appointed on 20 June 2013 for a joint term of office of the Supervisory Board which began on 30 June 2011.
9.	Marek Mroczkowski	Member of the Supervisory Board	Appointed on 30 June 2011 for a joint term of office of the Supervisory Board which began on that day.
10.	Ryszard Wierzba	Member of the Supervisory Board	Appointed on 30 June 2011 for a joint term of office of the Supervisory Board which began on that day.

Seasonality or cyclical nature of activities in the reporting period

PKO Bank Polski SA is a universal bank, which provides services on the territory of Poland, and thus its activities are exposed to similar 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 cyclical characteristics.

Sponsorship, charity and promotional activities

<u>Sponsorship activities</u> carried out in the first half of 2013 were aimed at creating a positive image of PKO Bank Polski SA, enhancing the value and prestige of the brand, as well as supporting business activities. In accordance with the sponsorship activities plan, the Bank focuses on few selected areas of social life, in particular projects which promote an active and healthy lifestyle, contribute to the development of culture, education,

expanding knowledge on history and national heritage, and promote patriotism. During the period the Bank concentrated on the following key sponsoring projects: the "PKO Bank Polski - Biegajmy razem" (Let's run together) programme, continuing cooperation with the Planetarium of the Copernicus Science Centre (Centrum Nauki Kopernik), sponsorship of the digital reconstruction of Polish cinematography classic movies and partnership with the University of Warsaw in organizing the World Championship in Team Programming.
For many years PKO Bank Polski SA has been consistently supporting important sports events. Under the "PKO Bank Polski – Biegajmy razem" program the Bank encourages Poles to engage in common activities. The key races that the Bank sponsors are: Bieg Konstytucji 3 Maja, Bieg Powstania Warszawskiego, Bieg Niepodległości and the following marathons: the Cracovia Marathon, Poznań Marathon and Wrocław Marathon. The best runners in the bank's team also run races outside Poland, i.e. they accompany Maciej Kurzajewski, who is pursuing an ambitious project "Crown of Marathons of PKO Bank Polski". The project stipulates that in 2013 Maciej will run seven marathons on seven continents. Jointly with the radio program "Trójka" the Bank pursues the initiative "Biegam bo lubię" (I run because I like it). Since 23 March free-of-charge trainings supervised by professionals has taken place in over 60 athletics stadiums which offered to participate.
The Bank's largest sponsorship investment, initiated in 2010, is the Planetarium sponsorship agreement. The objective of cooperation with Copernicus Science Centre (Centrum Nauki Kopernik) is to modify the image of PKO Bank Polski SA by making it more youthful and dynamic. The Bank cooperates with the Planetarium in a number of initiatives, in particular in the context of the educational program addressed to children and youth, aimed at revitalisination of the SKO.
The Bank willingly engages in projects which support Polish culture as they are an investment on behalf of future generations. Actions aimed at protecting and popularizing the heritage of Polish cinematography is a particularly valued initiative. The Bank's sponsoring of the digital reconstruction of great Polish movies will enable young people to view movies from the past, which are evidence of Polish history and culture, in an up-to-date quality.
PKO Bank Polski SA has once again supported Academic Championship in Team Programming – the most prestigious IT competition in the world which promotes gifted and ambitious students, strengthening the image of an institution open to young people. The Foundation of PKO Bank Polski SA was also involved in the event, i.a. as the founder of the academic scholarships for the best Polish team.
As part of its support for culture and arts the Bank sponsored, i.a. the National Philharmonic Orchestra in Warsaw, undertook cooperation with the Wrocław Opera House and continued cooperation with Teatr Polski in Warsaw and the National Museum in Warsaw.
As one of the leaders of the banking market in Poland, PKO Bank Polski SA actively participated in organizing congresses and conferences enabling sharing experiences and creative solutions by various business circles. Among others, the Bank sponsored: the 3rd European Financial Congress in Sopot (III Europejski Kongres Finansowy w Sopocie), the 2nd CFO Congress in Jachranka (II Kongres CFO w Jachrance), the CEE IPO SUMMIT conference. Other events on a smaller scale, important to the local communities, also gained the Bank's support.

Promotional activities realized in the first half of 2013 focused mainly on informing of the innovative system of mobile payments on the banking market – IKO – which enables non-cash transactions without using payment cards. Other activities were conducted to support sales of already existing products. Media communication was tailored to the purposes of particular campaigns. Leaflets and posters in the Bank's outlets, and internal communication channels were additional support. At the beginning of 2013 a modified marketing communication platform was also launched using the image of Szymon Majewski under the lead name: "Szymon at the end of the world" ("Szymon na krańcach świata").
Promotional activities of the Bank Group's Entities completed in the first half of 2013 were used mainly to promote products and services offered by Entities, primarily via the press and Internet, and participation in fairs in Poland.

Charity activities of the bank are carried out by the PKO Bank Polski Foundation. In the first half of 2013 the foundation awarded 148 grants. Realizing the Strategic Programs and the Local and Individual Programs, the Foundation granted co-financing to beneficiaries from seven program areas:

1. **35% – HEALTH** (health protection and health prophylactics) – i.a. for life-saving surgeries, treatment and rehabilitation, purchase of rehabilitation equipment, financing medicines and dressing materials for hospices and social welfare homes, and for the program of building of the Polish Artificial Heart.
2. **32% – EDUCATION** – i.a. for educational trips for children and youth, summer and winter holidays for children from underprivileged families, purchase of teaching aids for schools, scholarship program for teachers and individual scholarships for exceptionally gifted students.
3. **6% – HOPE** (*social help addressed mainly to the handicapped)* – i.a. for social aid benefits, including co-financing feeding children and youth at schools and in welfare facilities, supporting children from orphanages, co-financing driving courses and adapting vehicles to the needs of the handicapped in the Mobility of disabled People Program (Mobilność Osób Niepełnosprawnych).
4. **12% – TRADITION** (*upbringing with a focus on patriotism)* – i.a. publications on the history of Poland, prizes in the competition commemorating Polish heritage for youth from secondary level schools, support for projects which promote faithfulness to the Polish heritage, such as co-financing workshops on historical Polish music, and saving monuments related to Polish history.
5. **5% – ECOLOGY** (*protection of Polish national environment)* – mainly for the completion of the strategic project dedicated to the protection of water reservoirs areas in Poland together with the Ecological and Cultural Association Stowarzyszenie Ekologiczno-Kulturalne – Klub Gaja.
6. **9% – CULTURE** – mainly protection of art, and in particular protection of the national heritage.
7. **1% - SPORTS** – mainly encouraging children and youth to engage in physical exercises.

In 2013 the Foundation together with the Inteligo brand issued a special charity card "Dobro procentuje" (goodwill earns interest), in which the customer may choose one of the four charity initiatives from the areas: EDUCATION, HOPE, HEALTH or ECOLOGY. Organizations cooperating on a constant basis with the PKO Bank Polski Foundation are the beneficiaries. As at 30.06.2013 almost 30 thousand people used the card generating income for social welfare organizations. The Foundation co-organizes charity actions "Let's run together" ("Biegajmy razem"), in which 746 people participated, thus passing on donations for treating and saving the lives of 10 persons. In June another action for the Bank's honorary blood donors started (Bankowa Akcja Honorowego Krwiodawstwa), with the objective of collecting blood for the needy and of promulgating the idea of honorary blood donating among the local community, including the Bank's employees. At the first stage of the action there were 727 blood donors who donated almost 330 litres of blood.

Prizes and awards

In the first half of 2013 several prizes and awards were granted to PKO Bank Polski SA and companies of the PKO Bank Polski SA Group, including:

In the Institution category

1. The Polish President's Business Prize (Nagroda Gospodarcza Prezydenta RP)

PKO Bank Polski SA was honoured with the Polish President's Business Prize for compliance with corporate governance principles and activity in corporate social responsibility.
It was the only laureate to receive two nominations. The Jury of the Competition awarded them in the categories of Corporate Governance and corporate Social Responsibility, and Innovation. The nominations and prize called the "Polish Business Nobel" are a sign of recognition of the Bank's input to the country's business development and to building a positive image of the Polish economy.

2. The 50 largest banks in Poland

Once again PKO Bank Polski SA won the ranking of "50 largest banks in Poland" prepared by the editors of "Miesięcznik Finansowy BANK". This year the Jury of the Ranking and the editors of "Miesięcznik Finansowy BANK" also awarded two equivalent special prizes – "Innowator Rynku Bankowego 2012 Roku" (innovator of the banking market in 2012) and "Wizjoner Rynku Bankowego 2012 roku" (visionary of the banking market in 2012). The "Innovator" title was granted to Zbigniew Jagiełło, president of the Management Board of PKO Bank Polski SA.

3. Bank recognized in Forbes rankings

In the Forbes ranking of the most dynamically developing public companies, PKO Bank Polski SA ranked second in the "Banks" category. These distinctions are granted to the best, fastest and most dynamically developing public companies, selected on the basis of the rate of growth in sales, assets, capital, profitability ratios and results achieved during the last three years.
In the Ranking of best brokerage houses, Dom Maklerski PKO Banku Polskiego SA ranked third.

4. IT leader

In the 11th edition of the competition Financial Institutions IT Leader in 2012 ("Lider Informatyki Instytucji Finansowych 2012) organized by "Gazeta Bankowa" PKO Bank Polski SA was awarded in the category "Transaction Systems" for the project "Servicing mass benefits" ("Obsługa masowych świadczeń"). The Jury of the competition also awarded the Bank in the category "Bankowość elektroniczna i e-finanse" (E-banking and –finance) for implementing a new offer for the School Savings Unions (Szkolne Kasy Oszczędności), which was tailored to the market requirements and to the new generation which uses modern technologies and the Internet on an everyday basis.

5. Leader in the Banking World

The Jury of the Leader of the Banking World (Lider Świata Bankowości) competition which took place during the Polish Business Congress awarded PKO Bank Polski SA with prizes in the Best Bank and Most Innovative Bank in 2012 categories for the new offer of School Savings Accounts (Szkolne Kasy Oszczędności).

In the Product category

6. Gold Banker of 2012 (Złoty Bankier 2012)

In the fourth edition of the competition PKO Bank Polski SA received the most positive opinions in the category best mortgage loan, coming first with 37% votes.
Internet users also distinguished PKO Konto za Zero (account at no charge) in the category Best Personal Account for Internet users, the Internet Inteligo account in the category Best Company Account for Businesses and mobile banking.
The project of School Saving Unions was also awarded in the category Most Innovative Product for 2012 as was the advertising spot "Poznaj Moc Oszczędzania" (Know the Power of Saving) with the participation of Szymon Majewski, promoting savings lessons in SKO for the youngest.

7. Most interesting bank card

Two cards issued by the Bank won in the competition for the Most Interesting Bank Card 2012. Internet users participating in the poll organized on the Banking-Magazine.pl portal decided that PKO Visa Ekspres and PKO Visa Gold distinguish themselves by their unique graphic design.
The title of the most interesting card for personal account was won by the card which was the most popular with the Bank's customers – PKO Visa Ekspres "Czarny Kot". In the category Most Interesting Gold Card the Internet users chose PKO Visa Gold.

8. IKO awarded in the competition of the Electronic Economy Congress (Kongres Gospodarki Elektronicznej)

The Jury of the 7th Congress of Electronic Economy organized under the aegis of the Association of Polish Banks granted IKO a prize in the category Project of the Year. Wojciech Bolanowski, Director of the Electronic Banking Division of PKO Bank Polski SA, was awarded the title of Ambassador of Electronic Economy in the Competition.

In the Employer category

9. The Ideal Employer

PKO Bank Polski SA found itself among the most desired employers in the rankings prepared based on students' opinions. The high position of the Bank is confirmed by research of the international company *Universum Global*, and the students' association AIESEC conducted among students of the best universities in Poland.
PKO Bank Polski ranked third in the Business category receiving the title of Ideal Employer 2013 in one of the most prestigious employer rankings among students – the *Universum Student Survey*. It was the only bank among the first ten in the ranking.

10. Employer of the year 2012

The Bank was awarded in the ranking of most desired employers in this year's edition of the Employer of the Year poll organized by the international students' organization AIESEC. Students from economic departments participating in the poll ranked sixth the Bank; thus advancing it from 10th place in the prior year. PKO Bank Polski is the only Polish company among the first ten companies in the ranking and is the most desired employer in the banking sector. It is among such firms as: Ernst & Young, PwC, Google and Deloitte.

11. **Solid Employer of the Decade**

PKO Bank Polski SA was awarded the "Solid Employer of the Decade" ("Solidny Pracodawca Dekady") title in the 10th jubilee edition of the nationwide competition organized by the Solid Employer of the Year Program. The title is evidence that the Bank is among the Polish companies which offer the best and most stable conditions of employment and development to their staff.
The competition "Solid Employer" is one of the most prestigious Polish HR projects, selecting companies which distinguish themselves with the most interesting HR policy solutions; the competition is conducted under the aegis of "Rzeczpospolita".

In the Person category

12. **Platinum Antenna**

Zbigniew Jagiełło, President of the Management Board of PKO Bank Polski SA, received a special award – the Platinum Antenna (Platynowa Antena) – awarded by the Jury of the Competition of Golden and Crystal Antennas of the World of Media in a competition organized by *MM Conferences Polska* for building effective convergence between the financial and telecommunication sector.

13. **Finance Director of the Year**

The Jury of the competition honoured Bartosz Drabikowski, Vice President of the Management Board of PKO Bank Polski SA, responsible for the Area of Finance and Accounting, for expansive understanding of the duties of a Finance Director and for his input in supporting business and implementing innovation.
The objective of the competition "Finance Director of the Year" ("Dyrektor Finansowy Roku") is to award and promote those persons who manage the finances of businesses, and in particular those who effectively operate in a changing market environment, are professionals and business visionaries who build shareholder value.

14. **Prof. Remigiusz Kaszubski Award**

Piotr Alicki, Vice President of the Bank's Management Board responsible for IT and Services, was honoured with the Prof. Remigiusz Kaszubski Award granted by the Management Board of the Association of Polish Banks for innovative banking solutions.
The Jury of the competition awarded Vice President Piotr Alicki for managing innovative projects in the area of electronic banking. He is responsible, among others, for implementing application and infrastructure solutions which allow the Bank to offer increasingly modern products and services to its customers. The Bank's latest achievement was implementing the proprietary IKO application which enables making payments using the telephone and mobile banking functionality.

In the Quality category

15. **JP Morgan Award**

PKO Bank Polski SA was honoured with the prize 2012 Quality Recognition Award awarded by JP Morgan Chase Bank New York for the highest quality commercial and interbank communications realized in 2012.
The award is granted by one of the largest American financial institutions is a proof of professional servicing of transactions by the Bank.

16. **Reliable Brand (Marka Godna Zaufania)**

For the ninth time, PKO Bank Polski SA received the Golden Statuette in the "Bank" category in the European Trusted Brands survey. The award is granted to those brands which won the highest consumers' confidence. The Bank was selected by 27% of the *Reader's Digest* survey participants.

17. **Bank Quality (Jakość na Bank) 2013**

PKO Bank Polski SA was one of the best and took third place in the ranking prepared by TNS Polska and "Puls Biznesu". The pollsters especially appreciated the Bank's employees for their active salesmanship, commitment and diligent analysis of the needs and expectations of customers.

18. **Best Contact Center**

PKO Bank Polski SA once again won in the call centre regular survey conducted by ARC Rynek i Opinia. In the survey which covered telephone and email contact it was awarded nearly 98 points out of 100.

In the Other category

19. **The Brokerage House awarded by WSE**

Dom Maklerski PKO Bank Polski SA received a prize for the highest turnover realized by a market maker on the Catalyst market in 2012.
The prizes were awarded to leaders of the Polish capital market by the Warsaw Stock Exchange. During the Gala "Summary of 2012 on the Exchange" those issuers, members of the Exchange and authorized advisors were awarded who particularly contributed to the development of the Polish exchange market in the previous year.

20. **Bulls and Bears (Byki i niedźwiedzie)**

During the 19th edition of the Bulls and Bears competition organized by the journal of the Stock Exchange *Parkiet*, Dom Maklerski PKO Bank Polski SA was awarded the title of the "Brokerage House of the year 2012" ("Dom maklerski roku 2012") for changes and effectively aspiring to consolidate its position.
In 2012 Dom Maklerski PKO Bank Polski SA significantly consolidated its position and ranked third on the shares market among the brokerage houses on the WSE.

21. **Inteligo is number one in the eyes of customers and experts**

In the ranking "Bank closest to its customers" ("Bank najbliższy klientowi") Inteligo proved to be the unquestioned leader, going up from the eighth place it held last year. Inteligo, the Internet branch of PKO Bank Polski SA, proved to be best in several areas. Customers and experts appreciated, i.a. the call centre, the new graphic layout of the transaction service and PLN 0 for servicing the account. The ranking was prepared for the third time by *Dziennik Gazeta Prawna* in cooperation with Expander, Indicator and IQS.

22. **Ranking of the Car Fleet Management Leaders**

PKO Leasing SA ranked second in Poland in the above mentioned ranking published by *Gazeta Finansowa* for the second half of 2012.

23. **Ranking of lease leaders**

PKO Leasing SA won the above mentioned ranking in Poland published by *Gazeta Finansowa* in the leased properties value category for the second half of 2012.

24. **Silver Pearl of the Market (Srebrna Perła Rynku) FMCG 2013**

The cooperation agreement in respect of warranting lease transactions signed by PKO Leasing SA and Mazowiecki Fundusz Poręczeń Kredytowych Sp. z o.o. was awarded the Silver Pearl of the Market FMCG 2013 in the category Best Lease Offer, in the poll organized by the monthly *Wiadomości Handlowe*.

25. **Prosperita 2012**

PKO Leasing SA received the Prosperita 2012 prize awarded by the *Home&Market* monthly to the best lease company in the country. The main prize Prosperita 2012 was awarded to PKO Leasing for PKO Auto Leasing Mobilny (mobile leasing) and for one of the safest lease agreement portals on the market, the widest sales and mobile advisors network" – as the Jury justified the prize.

26. **Business Gazelles (Gazele Biznesu)**

The title of "Business Gazelle 2012" was awarded to Centrum Elektronicznych Usług Płatniczych eService SA in the ranking organized by *Puls Biznesu*.

27. **Banking safety – Ukraine**

KREDOBANK SA won the first international competition "Banking safety 2013" ("Bezpieczeństwo bankowe - 2013") for implementing IT solutions in respect of IT security and cryptographic data protection.

28. **Investor of the year – 2012 – Ukraine**

KREDOBANK SA was awarded in the competition "Investor of the year – 2012" organized by the state administration of the Lviv province and the Lviv Chamber of Commerce and Industry for the largest banking investments in the province and an attractive service offer for SMEs.

29. **Baton 2013 (Buława 2013)**

PKO Bank Polski SA was awarded by the Polish-Ukrainian Chamber of Commerce with the prize Buława 2013.
The Polish-Ukrainian business prize was awarded for the first time to persons and companies especially distinguished in contributing to the development of Polish-Ukrainian economic cooperation. The Jury comprising representatives of Polish and Ukrainian institutions grants the prize to companies with special achievements on the market, which is a synonym of economic success.

Underwriting agreements and guarantees granted to subsidiaries

As at 30 June 2013 issues of PKO Leasing SA (the Bank's subsidiary) bonds were regulated by the Underwriting Agreement for the Organization, Conducting and Servicing of the Bond Issuance Program as at 10 November 2011, annexed on 8 October 2012, in accordance with which the maximum value of the program was PLN 600 million.
As at 30 June 2013 PKO Leasing SA issued bonds for a total of PLN 510 million, including bonds with a value of PLN 227 million sold on the secondary market and bonds with a value of PLN 283 million held in the portfolio of PKO Bank Polski SA.
In the first half of 2013 PKO Bank Polski SA:

a) granted a guarantee of up to PLN 100 thousand to Centrum Elektronicznych Usług Płatniczych eService SA to secure obligations following from the distribution agreement; the guarantee is valid until 30 September 2014;
b) signed an annex to the guarantee granted to PKO Leasing SA up to PLN 342 thousand in respect of rental of office premises, which prolonged the period of validity of the guarantee to 31 December 2013.

Loan and advance contracts, warranties and guarantees not relating to the Bank's operating activities

In the first half of 2013 PKO Bank Polski SA has not drawn any loans, advances, and has not received any guarantees or warranties which do not relate to its operating activities. In the first half of 2013 KREDOBANK SA has not drawn any loans, advances, and has not received any guarantees or warranties which do not relate to its operating activities.

Significant agreements and material agreements with the Central Bank or supervisory authorities

In the first half of 2013 PKO Bank Polski SA did not conclude any material agreements with the Central Bank or with its supervisory authorities. In the first half of 2013 the subsidiaries of PKO Bank Polski SA did not conclude any material agreements with the Central Bank or with their supervisory authorities.
On 12 June 2013 PKO Bank Polski SA concluded an agreement with Nordea Bank AB (publ), a company registered in Sweden, which determined the terms and conditions of the acquisition from Nordea Bank AB (publ) and other Nordea Group entities the shares of the following companies: Nordea Bank Polska SA, Nordea Polska Towarzystwo Ubezpieczeń na Życie SA, Nordea Finance Polska SA. More details on this topic is in "Other information material to assessing the issuer's personnel, asset and financial position and its results, as well as their changes".

Benefits for supervisors and managers

Full information regarding the remuneration and other benefits on behalf of the members of the Management Board of PKO Bank Polski SA and the Supervisory Board of PKO Bank Polski SA in the reporting period was disclosed in Note 35 to the PKO Bank Polski SA Group condensed consolidated interim financial statements for the six-month period ended 30 June 2013.

Number of employees in PKO Bank Polski SA and in the PKO Bank Polski SA Group

As at the end of the first half of 2013 the number of employees of the PKO Bank Polski SA Group decreased by 759 full time equivalents compared to the balance as at the end of the first half of 2012. This change resulted from a decrease in the number of employees in PKO Bank Polski SA.

Table 35. Number of employees in PKO Bank Polski SA and in the PKO Bank Polski SA Group as at 30.06.2013 and as at 30.06.2012

	As at 30.06.2013	As at 30.06.2012	Change in the number of employees
PKO Bank Polski SA	24 673	25 437	(764)
Other Group entities	3 120	3 115	5
Total	27 793	28 552	(759)

Indication of the effects of changes in the structure of the business entity, including those resulting from business combinations, acquisition or sale of the Group entities, long-term investments, demergers, restructuring and discontinuing operations

The effects of changes in the structure of the business entity, including those resulting from business combinations, acquisition or sale of the Group entities are described in point 5.2 of this report.

Factors which will have an impact on future financial results in at least the following quarter's perspective

In the perspective of the nearest quarters, economic processes in Poland and in the global economy, and reactions of financial markets, will have an impact on the results of the Bank and the PKO Bank Polski SA Group. The interest rate policy pursued by the Monetary Policy Council and by other key central banks will have a large impact on future results.
The results of the PKO Bank Polski SA Group will also be impacted by the agreement for the acquisition of shares of the following companies by PKO Bank Polski SA: Nordea Bank Polska SA, Nordea Polska Towarzystwo Ubezpieczeń na Życie SA, Nordea Finance Polska SA.

Information on warranting a loan or advance by the Issuer or its subsidiary or granting a guarantee - jointly to one entity or its subsidiary if the total value of the valid warranties or guarantees is equivalent to at least 10% of the Issuer's equity

In the first half of 2013 PKO Bank Polski SA did not grant any loan or advance warranties and did not grant any guarantee to any one entity or its subsidiary the total value of which would be the equivalent of at least 10% of the Bank's equity. In the first half of 2013 the subsidiaries of PKO Bank Polski SA did not grant any loan or advance warranties and did not grant any guarantee to any one entity or its subsidiary the total value of which would be the equivalent of at least 10% of the Bank's equity.

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

As at 30 June 2013 the total value of court proceedings against the PKO Bank Polski SA Group entities (including the Bank) amounted to PLN 366 080 thousand, including PLN 3 866 thousand concerning court proceedings in the Ukraine (as at 31 December 2012 the total value of the above mentioned court proceedings amounted to PLN 404 689 thousand), and the total amount of court proceedings initiated by the Group entities (including the Bank) as plaintiffs amounted to PLN 496 112 thousand, including PLN 195 170 thousand which concerned court proceedings in the Ukraine, mainly related to the recovery of loans granted by KREDOBANK SA and tax litigation (as at 31 December 2012 the total value of the above-mentioned court proceedings amounted to PLN 360 205 thousand).
The Bank does not have any proceedings pending before the court, the value of which amounts to at least 10% of its own funds. Other Group entities have not conducted any proceedings pending before court, arbitration tribunal or public administration authority concerning liabilities or receivables, the value of which amounts to at least 10% of the own funds of PKO Bank Polski SA.

Position of the Management Board of PKO Bank Polski SA in respect of the possibility of achieving the results forecast for the given year

PKO Bank Polski SA did not publish forecasts of its results for 2013.

Other information material to assessing the issuer's personnel, asset and financial position and its results, as well as their changes

1. As of 8 January 2013 Piotr Mazur was appointed Vice President of the Management Board responsible for risk and debt collection issues, in connection with the Polish Financial Supervision Commission having given consent to his appointment as of that day.
2. On 20 June 2013 the Ordinary General Shareholders' Meeting of PKO Bank Polski SA removed Jan Bossak from the Supervisory Board of a Bank and appointed Elżbieta Mączyńska-Ziemacka as a member of the Supervisory Board of a Bank.
3. The agreement on the acquisition by PKO Bank Polski SA the shares of the following companies: Nordea Bank Polska SA, Nordea Polska Towarzystwo Ubezpieczeń na Życie SA, Nordea Finance Polska SA.
   On 12 June 2013 PKO Bank Polski SA concluded an agreement with Nordea Bank AB (publ), a company registered in Sweden, which determined the terms and conditions of the acquisition from Nordea Bank AB (publ) and other Nordea Group entities:
   a) 55 061 403 shares of Nordea Bank Polska SA, with a nominal value of PLN 5 each, constituting 99.21% of the share capital of Nordea Bank Polska SA ("Nordea Bank Polska Shares"), which will be acquired by way of a tender offer, including the portfolio of dues to corporate clients of Nordea Bank AB (publ) with a nominal value of PLN 3 604 million as at 31 December 2012;
   b) 1 725 329 shares of Nordea Polska Towarzystwo Ubezpieczeń na Życie SA, with a nominal value of PLN 111.59 each, constituting 100% of the share capital of Nordea Polska Towarzystwo Ubezpieczeń na Życie SA ("Nordea Polska Life Shares") and

c) 4 100 000 shares of Nordea Finance Polska SA, with a nominal value of PLN 1 each, constituting 100% of the share capital of Nordea Finance Polska SA ("Nordea Finance Polska Shares").

The price for the shares of the following companies determined in the agreement:

a) Nordea Bank Polska is PLN 2 642 million and will be adjusted with respect to the results of Nordea Bank Polska SA;
b) Nordea Polska Life is PLN 180 million and will be adjusted with respect to the results of Nordea Polska Towarzystwo Ubezpieczeń na Życie SA;
c) Nordea Finance Polska is PLN 8 million and will not be adjusted.

Additional elements of the transaction

One of the elements of the Transaction is continued financing of mortgage loan portfolios granted by Nordea Bank Polska SA by the Nordea Group. The financing will be ensured by Nordea Bank AB (publ) granting PKO Bank Polski SA a credit facility up to: CHF 3 869.4 million, EUR 501.0 million and USD 4.5 million for a period not exceeding 7 years, with a three-year grace period. The credit facility agreement is to be concluded by Nordea Bank AB (publ) and PKO Bank Polski SA as at the date of closing the transaction. The credit facility is to be secured by a transfer to secure the dues in respect of the mortgage loan portfolio on behalf of Nordea Bank AB (publ) by Nordea Bank Polska SA. The average effective margin in the maximum financing period under the credit facility is 63 b.p. above the relevant reference rate. The credit facility does not provide for commission on granting the financing.

PKO Bank Polski SA will re-lend the funds acquired under the credit facility to Nordea Bank Polska SA in the form of a push-down credit facility up to the amount of: CHF 3 869.4 million, EUR 501.0 million and USD 4.5 million for a period not exceeding 7 years, with a three-year grace period. The push-down credit facility will not be secured and its financial terms and conditions (lending margin, commission) have been determined at market conditions.

Moreover, under the transaction the Nordea Group committed to participate in the risk of impairment of the mortgage loan portfolio granted by Nordea Bank Polska SA on the terms and conditions specified in the agreement relating to dividing the credit risk which will be signed by Nordea Bank AB (publ) and PKO Bank Polski SA as at the transaction closing date. In accordance with the above mentioned agreement on dividing the risk, Nordea Bank AB (publ) will incur 50% of excess costs of risk of the mortgage loan portfolio over the annual level of risk costs determined at 40 b.p. per each year of the four years of the term of the loan division agreement for a period of four years after the closing of the transaction.

Nordea Bank AB (publ) also commits to maintaining the subordinated loans granted to Nordea Bank Polska SA of CHF 68.0 million and CHF 224.0 million, which mature in 2019 and 2022 respectively. In accordance with the the above mentioned agreement both the subordinated loans are to be repaid 5 years before the maturity specified in respective subordinated loan agreements, on condition that appropriate regulatory consents required for each repayment are obtained.

Moreover, under the Transaction, Nordea Bank AB (publ) committed to cause Nordea Bank Polska SA to offer PKO Bank Polski SA, as at the date of closing the Transaction, subscription warrants authorizing PKO Bank Polski SA to take up the new issue shares of Nordea Bank Polska SA at the issue price reflecting the price offered in the tender offer for Nordea Bank Polska SA shares. The objective of taking up the new shares by PKO Bank Polski SA is to ensure the Bank's appropriate capital adequacy ratio in connection with the Transaction.

Closing of the Transaction

Closing of the Transaction is dependent on the closing terms and condition specified in the Agreement (conditions precedent), which include specifically:

a) obtaining the consent of the President of the Office of Competition and Consumer Protection by PKO Bank Polski SA to take control over Nordea Bank Polska SA, Nordea Polska Towarzystwo Ubezpieczeń na Życie SA and Nordea Finance Polska SA;
b) obtaining the consent of the Ukrainian Antitrust Office (*Antymonopolnyj Komitet Ukrainy*) by PKO Bank Polski SA to take control over Nordea Bank Polska SA, Nordea Polska Towarzystwo Ubezpieczeń na Życie SA and Nordea Finance Polska SA;
c) the Polish Financial Supervision Office issuing a decision on determining no grounds for vetoing the acquisition by PKO Bank Polski SA of Nordea Bank Polska Shares and Nordea Life Polska Shares in amounts ensuring share exceeding 50% in the share capital and total number of votes at Nordea Bank Polska SA and Nordea Polska Towarzystwo Ubezpieczeń na Życie SA General Shareholders' Meetings, respectively;
d) providing IT services by the Nordea Group under an outsourcing agreement so as to ensure the safe operation of Nordea Bank Polska SA in the period preceding migration to IT systems of PKO Bank Polski SA, and
e) registering the conditional capital increase of Nordea Bank Polska SA by the relevant registration court so as to enable PKO Bank Polski SA to take up the New Shares.

To close the transaction, in accordance with the agreement on 19 June 2013, i.e. within 7 business days of the date of signing, PKO Bank Polski SA announced the tender offer for all the shares of Nordea Bank Polska SA.

PKO Bank Polski SA intends – after closing the transaction – to repurchase shares from other minority shareholders of Nordea Bank Polska SA to acquire the remaining shares of Nordea Bank Polska SA and to undertake the necessary actions to abolish the dematerialization of the shares and to withdraw the shares of Nordea Bank Polska SA from trading in the regulated market maintained by the Warsaw Stock Exchange, and to merge Nordea Bank Polska SA with PKO Bank Polski SA by transferring all the assets of Nordea Bank Polska SA to PKO Bank Polski SA (merger by acquisition).

Strategic grounds for the transaction

The purpose of the transaction is to consolidate the position of PKO Bank Polski SA as leader in the Polish banking sector, expand the distribution channels and enhance the quality of services. The closing of the acquisition transaction of the Nordea Group entities will significantly improve the position of PKO Bank Polski SA in the private banking segment, it will strengthen competences in the corporate banking segment and lead to an increase in bancassurance.

The transaction shows significant synergy effect potential and is an inherent part of PKO Bank Polski SA's strategy for the years 2013–2015, which is aimed i.a. at consolidating the Bank's position and contributing to its growth by way of selective acquisitions.

Announcement of a public tender offer for sale of Nordea Bank Polska SA shares

On 19 June 2013 PKO Bank Polski SA submitted - through the Brokerage House of PKO Bank Polski, to Polish Financial Supervision Authority, Warsaw Stock Exchange and Polish Press Agency, the content of the public tender offer for the sale of 55 498 700 shares in Nordea Bank Polska SA with a registered office in Gdynia, representing 100 % votes at the General Shareholders' Meeting of this entity.

The Public Tender Offer was announced pursuant to Art. 74.1 of the Act on Public Offering in connection with the agreement relating to the acquisition by the Bank of 99.21% of the shares in Nordea Bank Polska SA from Nordea Bank AB (publ).

Information regarding the Transaction and the announcement of a public tender offer were communicated in current reports (respectively No. 37/2013 of 12 June 2013 and No. 40/2013 of 19 June 2013).

Subsequent events which took place after the reporting period

1. Due to performance of the contract for the share purchase of the entities of the Nordea Group in Poland:
   a) PKO Bank Polski SA submitted applications to the Competition and Consumer Protection Office (11 July 2013), the Polish Financial Supervision Authority (11 July 2013) and the Ukrainian Antimonopoly Committee (12 July 2013),
   b) on 8 August 2013, the Extraordinary General Shareholders' Meeting of Nordea Bank Polska SA passed resolution i.a.:
      i. on the single issue of 20 million registered subscription warrants of A series entitling its holder to take up, on terms specified in the resolution, a total of not more than 20 million registered ordinary shares of N series of this Bank at total nominal value of PLN 100 million and a conditional increase of share capital of Nordea Bank Polska SA by an amount not higher than PLN 100 million through the issue of N series shares to grant rights to take up shares of this series for holders of subscription warrants that will be issued pursuant to this Resolution; entitled to take up subscription warrants of A series will be only entity on whose demand to subscribe for sale of Nordea Bank Polska SA shares, shareholders of this Bank, holding not less than 99% of votes at the General Shareholders' Meeting (Resolution No. 3) will answer,
      ii. on the conditional appointment to the Supervisory Board of Nordea Bank Polska SA of representatives of PKO Bank Polski SA Misters: Zbigniew Jagiełło, Jakub Papierski, Bartosz Drabikowski, Piotr Alicki, Paweł Borys and Jarosław Orlikowski, with effect at 12.00 AM on the last day call for subscribe for sale of shares of the above mentioned Bank, announced by PKO Bank Polski SA (Resolution No. 2).
2. On 19 July 2013, there was a transfer of assets of OFE Polsat to PKO BP Bankowy OFE and thus the merger process of above mentioned Open Pension Funds was completed. Savings collected by Members of OFE Polsat were converted and fully transferred to accounts of these Members of PKO BP Bankowy OFE.
3. On 31 July 2013, the Extraordinary General Shareholders' Meeting of PKO Leasing SA (a subsidiary of the Bank) passed a resolution on the acquisition of 100% shares in a capital company established with registered office in Sweden. Main activity of the Company will be leasing business. There are ongoing works related to the establishment of the above mentioned Company.
4. On 21 August 2013, the Extraordinary General Shareholders' Meeting of Qualia Development Sp. z o.o. (a subsidiary of the Bank) passed a resolution on share capital increase of PLN 20 348 thousands and return of capital contributions of PKO Bank Polski SA in the amount of PLN 215 460 thousands. All shares in the increased share capital of the Company will be taken up by PKO Bank Polski SA.
5. On 20 August 2013 the Management Board of PKO Bank Polski SA passed a resolution approving the acquisition by PKO Bank Polski SA of shares in increased share capital of Finansowa Kompania "Prywatne Inwestycje" Sp. z o.o. (an indirect subsidiary of the Bank) up to the amount of USD 60 825 thousands. The procedures related to the share capital increase of the Company are in progress. As a result of the acquisition the Company will become a direct subsidiary of the Bank.

Representations of the Management Board of PKO Bank Polski SA

The Management Board of PKO Bank Polski SA represents that to its best knowledge:

1. the consolidated interim financial statements and the comparative figures have been prepared in accordance with the binding accounting policies and they present a true and fair view of financial situation and results of the PKO Bank Polski SA Group.
2. the Directors' Report presents a true view of the development and achievements, as well as condition of the PKO Bank Polski SA Group, including the description of basic risks and threats.

The Management Board of PKO Bank Polski SA certifies that the entity authorised to audit the financial statements and which is performing the review of consolidated interim financial statements, has been elected in compliance with applicable laws. The entity as well as the certified auditor performing the review fulfilled all criteria for providing unbiased and independent audit report in compliance with applicable laws and professional requirements.
This Directors' Report of the *Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group for the first half of 2013* consists of 48 sequentially numbered pages.

Signatures of all Members of the Management Board

26.08.2013	Zbigniew Jagiełło	President of the Management Board	.... (signature)
26.08.2013	Piotr Alicki	Vice President of the Management Board	.... (signature)
26.08.2013	Bartosz Drabikowski	Vice President of the Management Board	.... (signature)
26.08.2013	Piotr Mazur	Vice President of the Management Board	.... (signature)
26.08.2013	Jarosław Myjak	Vice President of the Management Board	.... (signature)
26.08.2013	Jacek Obłękowski	Vice President of the Management Board	.... (signature)
26.08.2013	Jakub Papierski	Vice President of the Management Board	.... (signature)