Independent Registered Auditor's Opinion
To the General Meeting of Shareholders and the Supervisory Board of Powszechna Kasa Oszczędności Bank Polski SA

We have audited the accompanying consolidated financial statements of Powszechna Kasa Oszczędności Bank Polski SA Group (hereinafter called 'the Group'), of which Powszechna Kasa Oszczędności Bank Polski SA is the parent company (hereinafter called 'the Parent Company'), with its registered office in Warsaw, 15 Puławska Street, which comprise of the consolidated statement of financial position as at 31 December 2013, showing total assets and total equity and liabilities of PLN 199,231,110 thousand; the consolidated income statement for the financial year from 1 January to 31 December 2013, showing a net profit attributable to the equity holders of the Parent Company of PLN 3,229,793 thousand; the consolidated statement of comprehensive income for the financial year from 1 January to 31 December 2013, showing a total comprehensive income of PLN 2,967,917 thousand; the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year and additional information on accounting policies and other relevant matters.

The Management Board of the Parent Company is responsible for preparing the consolidated financial statements and a Directors' Report for the Group in accordance with the applicable regulations. The Management Board and Members of the Supervisory Board of the Parent Company are required to ensure that the consolidated financial statements and the Director's Report for the Group meet the requirements set out in the Accounting Act of 29 September 1994 (uniform text, Journal of Laws of 2013, item 330 as amended, hereinafter referred to as 'the Act').

Our responsibility was to perform an audit of the accompanying consolidated financial statements and to express an opinion on whether in all material respects the consolidated financial statements comply with the applicable accounting policies and whether they present fairly the financial position and results of the Group.

We conducted our audit in accordance with the following:

(a) the provisions of Chapter 7 of the Act;

(b) national auditing standards as issued by the National Chamber of Registered Auditors;

(c) International Standards on Auditing.

Our audit was planned and performed to obtain reasonable assurance that the consolidated financial statements were free of material misstatements and omissions. The audit included examining, on a test basis, accounting documents and entries supporting the amounts and disclosures in the consolidated financial statements. The audit also included an assessment of the accounting policies applied by the Group and significant estimates made in the preparation of the consolidated financial statements as well as an evaluation of the overall presentation thereof. We believe that our audit provided a reasonable basis for our opinion.

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Independent Registered Auditor's Opinion
To the General Meeting of Shareholders and the Supervisory Board
of Powszechna Kasa Oszczędności Bank Polski SA (cont.)

In our opinion, and in all material respects, the accompanying consolidated financial statements:

(a) present fairly the Group's financial position as at 31 December 2013 and the results of its operations for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union;

(b) comply in form and content with the relevant laws applicable to the Group;

(c) have been prepared on the basis of properly maintained consolidation documentation.

The information in the Directors' Report for the Group for the year ended 31 December 2013 has been prepared in accordance with the provisions of the Decree of the Minister of Finance of 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equivalent information required by the laws of another state not being a member state ('*the Decree*' – Journal of Laws of 2014, item 133) and is consistent with the information presented in the audited consolidated financial statements.

Conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Firm No. 144:

Adam Celiński
Member of the Management Board

Principal Registered Auditor
No. 90033

PricewaterhouseCoopers Sp. z o.o.

Warsaw, 5 March 2014

The Powszechna Kasa Oszczędności Bank Polski SA Group

Auditor's report
on the consolidated financial statements
as at and for the year ended 31 December 2013

Auditor's report
On the consolidated financial statements
As at and for the year ended 31 December 2013
To the General Meeting of Shareholders and the Supervisory Board of Powszechna Kasa Oszczędności Bank Polski SA

This report contains 19 consecutively numbered pages and consists of:

I. General information about the Group

(a) Powszechna Kasa Oszczędności Bank Polski SA (the Parent Company, the Bank) was established in 1919 as Pocztowa Kasa Oszczędnościowa (Postal Savings Bank).

In 1950, the Bank started operating as Powszechna Kasa Oszczędności Bank Państwowy (state-owned bank). On 18 January 2000, on the basis of a Decree of the Council of Ministers, Powszechna Kasa Oszczędności Bank Państwowy was transformed into a joint-stock company wholly owned by the State Treasury, under the name of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna. On 12 April 2000, the Bank was entered in the Business Register maintained by the District Court for the City of Warsaw, Business Court, the 16th Registration Division. Currently, the Bank is registered under the number KRS0000026438, and the District Court for the City of Warsaw, the 13th Business Division of the National Court Register is the competent registration court.

On 14 June 1993, the Parent Company was assigned a tax identification number (NIP) 525-000-77-38 for making tax settlements. For statistical purposes, the Parent Company was assigned a REGON number 016298263 on 18 April 2000.

(b) As at 31 December 2013, the Parent Company's registered share capital amounted to PLN 1,250,000 thousand and comprised 1,250,000,000 ordinary shares with PLN 1 par value each, including:

- 312,500,000 A-series registered shares;
- 197,500,000 A-series bearer shares;
- 105,000,000 B-series bearer shares;
- 385,000,000 C-series bearer shares;
- 250,000,000 D-series bearer shares.

(c) In the audited period, the Group's operations comprised:

- performing activities typical of a universal bank;
- brokerage activities;
- managing pension funds;
- managing investment funds;
- managing real estate;
- services in the area of technical assistance for electronic banking;
- services in the area of card transaction processing and settlement;
- leasing.

(d) During the year, the following people were on the Parent Company's Management Board:

Zbigniew Jagiełło	President of the Board	throughout the year
Piotr Alicki	Vice-President	throughout the year
Bartosz Drabikowski	Vice-President	throughout the year
Piotr Mazur	Vice-President	throughout the year
Jarosław Myjak	Vice-President	throughout the year
Jacek Obłękowski	Vice-President	throughout the year
Jakub Papierski	Vice-President	throughout the year

During the year ended 31 December 2013 there were no changes to the composition of the Bank's Management Board.

I. General information about the Group (cont.)

(e) As at 31 December 2013, the Powszechna Kasa Oszczędności Bank Polski SA Group was composed of the following entities:

Company Name	Description of equity relationship (interest in %)	Consolid-ation method	Auditor of the financial statements	Type of opinion	Balance sheet date of the financial statements
Powszechna Kasa Oszczędności Bank Polski SA	Parent company	Not applicable	Pricewaterhouse-Coopers Sp. z o.o.	unqualified	31 December 2013
Bankowe Towarzystwo Kapitałowe SA	Subsidiary (100%)	Acquisition accounting	Pricewaterhouse-Coopers Sp. z o.o.	unqualified	31 December 2013
Finansowa Kompania "Prywatne Inwestycje" Sp. z o.o.	Subsidiary (100%)	Acquisition accounting	LLC AF Pricewaterhouse-Coopers (Audit)	audit in progress[1]	31 December 2013
"Inter-Risk Ukraina" Spółka z dodatkową odpowiedzialnością (additional liability company)	Subsidiary (100%)	Acquisition accounting	LLC AF Pricewaterhouse-Coopers (Audit)	audit in progress [1]	31 December 2013
Inteligo Financial Services SA	Subsidiary (100%)	Acquisition accounting	Pricewaterhouse-Coopers Sp. z o.o.	unqualified	31 December 2013
KREDOBANK SA	Subsidiary (99.57%)	Acquisition accounting	LLC AF Pricewaterhouse-Coopers (Audit)	audit in progress [1]	31 December 2013
Merkury Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Non-Public Assets Closed-End Investment Fund)	Subsidiary (100%)	Acquisition accounting	Pricewaterhouse-Coopers Sp. z o.o.	audit in progress [1]	31 December 2013
PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA	Subsidiary (100%)	Acquisition accounting	Pricewaterhouse-Coopers Sp. z o.o.	unqualified	31 December 2013
PKO BP Finat Sp. z o.o.	Subsidiary (100%)	Acquisition accounting	Pricewaterhouse-Coopers Sp. z o.o.	unqualified	31 December 2013
PKO Finance AB	Subsidiary (100%)	Acquisition accounting	Öhrlings Pricewaterhouse-Coopers AB	unqualified	31 December 2013
PKO Leasing SA	Subsidiary (100%)	Acquisition accounting	Pricewaterhouse-Coopers Sp. z o.o.	unqualified	31 December 2013
PKO Towarzystwo Funduszy Inwestycyjnych SA	Subsidiary (100%)	Acquisition accounting	Pricewaterhouse-Coopers Sp. z o.o.	unqualified	31 December 2013
Qualia Development Sp. z o.o.	Subsidiary (100%)	Acquisition accounting	Pricewaterhouse-Coopers Sp. z o.o.	unqualified	31 December 2013

and the subsidiaries of Bankowe Towarzystwo Kapitałowe SA, PKO Leasing SA, Qualia Development Sp. z o.o., KREDOBANK SA and Merkury Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Non-Public Assets Closed-End Investment Fund).

[1] The consolidation was based on the audited consolidation package of the Company.

I. General information about the Group (cont.)

(f) The key financial data of the companies covered by consolidation (presented on a consolidated basis) as at 31 December 2013 and for the year 2013 is presented below:

	Total assets	**Total revenue**	**Equity**	**Net profit (loss)**
	PLN '000	**PLN '000**	**PLN '000**	**PLN '000**
Powszechna Kasa Oszczędności Bank Polski SA	196,279,932	15,232,637	25,111,242	3,233,762
Bankowe Towarzystwo Kapitałowe SA	234,633	20,761	6,896	263
Centrum Elektronicznych Usług Płatniczych "eService" Sp. z o.o. (*)	-	336,750	-	46,506
"Inter-Risk" sp z d.o.	388	3,395	(1,575)	(37,315)
in UAH '000	*1,047*	*8,715*	*(4,250)*	*(94,888)*
Finansowa Kompania "Prywatne Inwestycje" Sp. z o.o.	87,892	316	(69,231)	(57,346)
in UAH '000	*237,161*	*833*	*(186,809)*	*(148,187)*
Inteligo Financial Services SA	176,890	114,733	147,214	14,500
KREDOBANK SA	1,530,958	244,795	136,427	(134,733)
in UAH '000	*4,131,026*	*629,941*	*368,125*	*(346,715)*
Merkury Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	128,749	1,511	120,485	485
PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA	306,485	86,912	272,968	14,364
PKO BP Finat Sp. z o.o.	17,306	24,092	13,572	2,664
PKO Finance AB	9,142,461	362,824	2,849	1,068
in EUR '000	*2,204,490*	*86,161*	*687*	*254*
PKO Leasing SA	4,837,676	300,472	155,025	16,954
PKO Towarzystwo Funduszy Inwestycyjnych SA	97,944	287,104	59,285	35,033
Qualia Development Sp. z o.o.	590,851	124,598	322,188	(50,826)
Total	**213,432,165**	**17,140,900**	**26,277,345**	**3,085,379**
Eliminations and consolidation adjustments	(14,218,865)	(1,000,452)	(1,140,159)	124,840
Total	**199,231,110**	**16,140,448**	**25,154,325**	**3,228,193**

(*) Control over the company was lost on 31 December 2013. As at 31 December 2013, the Company was accounted for as a jointly controlled entity; its financial result for 2013 was consolidated by the PKO Bank Polski Group.

(g) The parent company also had jointly controlled entities and associates accounted for under the equity method:

Centrum Elektronicznych Usług Płatniczych "eService" Sp. z o.o.	-	jointly controlled entity
Centrum Haffnera Sp. z o.o. (**)	-	jointly controlled entity
Centrum Obsługi Biznesu Sp. z o.o.	-	jointly controlled entity
Bank Pocztowy SA	-	associate
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	associate

(**) the Group gained control over the Company in January 2014.

I. General information about the Group (cont.)

(h) The Parent Company is an issuer of securities admitted to trading on the Warsaw Stock Exchange and in accordance with the Accounting Act it prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

II. Information about the audit

(a) The audit of the consolidated financial statements as at and for the year ended 31 December 2013 was conducted by PricewaterhouseCoopers Sp. z o.o., Warsaw, Al. Armii Ludowej 14, registered audit company no. 144. On behalf of the registered audit company, the audit was conducted under the supervision of Principal Registered Auditor, Adam Celiński (Registered Auditor No. 90033).

(b) PricewaterhouseCoopers Sp. z o.o. was appointed auditor to the Bank by Resolution no. 15/2011 of the Supervisory Board passed on 28 March 2011 on the basis of § 15.1.3 of the Bank's Memorandum of Association.

(c) PricewaterhouseCoopers Sp. z o.o. and the principal registered auditor conducting the audit are independent of the Group entities within the meaning of art. 56.2-4 of the Act on registered auditors and their self-government, registered audit companies and public supervision dated 7 May 2009 (Journal of Laws No. 77, item 649 as amended).

(d) The audit was conducted in accordance with an agreement dated 14 April 2011, in the following periods:

- interim audit from 28 October to 20 December 2013;
- final audit from 7 January to 5 March 2014.

III. The Group's results and financial position

The consolidated financial statements do not take account of inflation. The consumer price index (on a December to December basis) amounted to 0.7% in the audited year (2.4% in 2012).

The observations below are based on knowledge obtained during the audit of the consolidated financial statements.

Powszechna Kasa Oszczędności Bank Polski SA is the parent company of the Group, which as at 31 December 2013 comprised 12 direct subsidiaries and 28 indirect subsidiaries. The data of two direct associates and the data of three jointly controlled entities were disclosed in the consolidated financial statements under the equity method. In 2012, the Group consisted of 12 direct subsidiaries and 18 indirect subsidiaries, three direct associates and two companies classified as jointly controlled entities.

- As at 31 December 2013, total assets amounted to PLN 199,231,110 thousand and were PLN 6,080,435 thousand (i.e. 3%) higher than as at 31 December 2012

- This increase was financed mainly with an increase in the amounts due to customers of PLN 5,710,611 thousand (i.e. 4%), resulting mainly from an increase in retail deposits and an increase in the balance of other liabilities of PLN 563,838 thousand (i.e. 28%), accompanied by an increase in equity of PLN 717,917 thousand (i.e. 3%). This increase was offset with a decrease in the balance of negative valuation of derivatives and provisions (of PLN 635,887 thousand, i.e. 16%, and PLN 416,336 thousand, i.e. 56%, respectively).

- The main source of financing assets in 2013 were amounts due to customers (similarly to the prior year). The balance of amounts due to customers amounted to PLN 151,904,181 thousand as at the balance date and represented 76% of the total liabilities and equity (the proportion was the same as at 31 December 2012). The change in the balance of amounts due to customers was mainly due to an increase in the funds on current accounts and overnight deposits of individuals (an increase of PLN 5,632,349 thousand, i.e. 12%, compared with the balance as at 31 December 2012). The structure of the balance of amounts due to corporate entities as at the balance date changed compared with 31 December 2012. The share of the balance of term deposits decreased from 54% to 42% of total amounts due to corporate entities. At the same time, the share of current accounts and overnight deposits and loans and advances received increased (from 36% to 41% and from 5% to 9% of the total amounts due to corporate entities, respectively).

- The balance of liabilities in respect of issues of securities as at the balance sheet date amounted to PLN 10,546,446 thousand (PLN 10,270,783 thousand as at 31 December 2012), of which PLN 9,124,261 thousand represented bonds issued for international markets (PLN 9,171,845 thousand as at 31 December 2012). The increase in the balance as at 31 December 2013 was mainly due to an increase in the balance of short-term bonds issued by the Bank for the Polish market of PLN 195,331 thousand (these bonds were valued as at the balance sheet date at PLN 692,614 thousand) and in the balance of bonds issued by PKO Leasing SA of PLN 201,190 thousand (the balance of PLN 434,223 thousand as at 31 December 2013).

III. The Group's results and financial position (cont.)

- The balance of amounts due to banks did not change significantly compared with the previous year. As at the end of 2013, the balance of amounts due to banks was PLN 3,747,337 thousand (compared with PLN 3,733,947 thousand as at the end of 2012). It comprised a syndicated loan in Swiss francs received by the Bank, whose value in the Polish currency was PLN 1,389,847 thousand (PLN 1,393,048 thousand as at 31 December 2012), loans received by the PKO Leasing Group from other banks of PLN 1,207,657 thousand (PLN 1,149,313 thousand as at 31 December 2012) and deposits of other banks of PLN 959,712 thousand (PLN 1,086,956 thousand as at the end of 2012).

- These balances represented 83% of the liabilities as at 31 December 2013 (the same as at the previous balance sheet date). Significant balances as at the end of 2013 comprised also subordinated liabilities (1% of total liabilities both at the end of 2013 and at the end of 2012) and negative valuation of derivatives (2% of total liabilities as at the end of 2013 and 2012).

- The balance of subordinated liabilities as at the balance sheet date was PLN 1,620,857 thousand (PLN 1,631,256 thousand as at 31 December 2012) and comprised the valuation of bonds issued by the Bank in 2012 in the nominal amount of PLN 1,600,700 thousand with a redemption date on 14 September 2022.

- As at 31 December 2013, the liabilities in respect of the negative valuation of derivatives amounted to PLN 3,328,211 thousand (PLN 3,964,098 thousand as at 31 December 2012). The decrease in the balance as at the balance date was mainly the result of a lower valuation of IRS transactions whose balance decreased by PLN 692,923 thousand (i.e. 22%) compared with the balance as at 31 December 2012.

- The balance of other liabilities as at 31 December 2013 was PLN 2,547,237 thousand and it was PLN 563,838 thousand (i.e. 28%) higher than as at the end of 2012. The increase in the balance as at the balance sheet date was mainly due to the increases in the liabilities in respect of settlements of securities transactions of PLN 230,819 thousand (i.e. 155% – including a liability of PLN 105,665 thousand in respect of issue stabilization actions concerning the selling shareholder), liabilities in respect of investing activities and the Bank's own operations (an increase of PLN 178,667 thousand, i.e. 90%) and costs payable of PLN 105,686 thousand (i.e. 28%).

- The balance of consolidated equity as at 31 December 2013 amounted to PLN 25,154,325 thousand (PLN 24,436,408 thousand as at 31 December 2012) and was PLN 717,917 thousand (i.e. 3%) higher. The increase in the balance was mainly due to a profit of PLN 3,229,793 thousand generated by the Group in 2013. At the same time, the Parent Company's shareholders earmarked PLN 2,250,000 thousand of the profit for 2012 for paying a dividend. The remaining part of the profit for 2012 was transferred to the supplementary capital (PLN 1,416,885 thousand) and the reserves (PLN 31,150 thousand).

- The balance of own funds calculated on the regulatory basis was PLN 21,305,056 thousand as at 31 December 2013 (PLN 20,177,778 thousand as at 31 December 2012) and it was PLN 8,752,856 thousand higher than the total capital requirement (PLN 12,552,200 thousand as at the end of 2013). The capital adequacy ratio calculated as at the balance sheet date based on the banking portfolio and the trading portfolio was 13.58% and increased by 0.69 pp. compared with the end of the prior year.

III. The Group's results and financial position (cont.)

- The higher level of financing mainly translated into an increase in the balance of loans granted (an increase of PLN 6,140,196 thousand, i.e. 4%), financial instruments designated at fair value through profit or loss (an increase of PLN 2,575,045 thousand, i.e. 20%) and investment securities available for sale (an increase of PLN 1,867,948 thousand, i.e. 15%). At the same time, the balances of cash and balances with the central bank and amounts due from banks were lower than in the previous year (decreases of PLN 3,043,331 thousand, i.e. 30%, and PLN 1,499,045 thousand, i.e. 44%, respectively).

- As at the balance sheet date, the balance of loans and advances to customers amounted to PLN 149,623,262 thousand and represented 75% of total assets (an increase of 1 pp. compared with the end of the previous year). The gross loan portfolio value as at 31 December 2013 was PLN 156,274,042 thousand and was PLN 6,014,711 thousand (i.e. 4%) higher than as at 31 December 2012. This increase was mainly due to an increase in the housing loans portfolio of PLN 4,497,682 thousand, i.e. 6%, and in repo transactions with financial sector customers (an increase of PLN 2,038,423 thousand; no such items as at the end of the previous year).

- The quality of the portfolio of loans and advances and lease receivables in the Group as at the balance date measured with the ratio of impaired loans to the total balance of gross loans and advances to customers improved compared with the end of 2012. As at 31 December 2013, the share of impaired loans in total loans and advances to customers decreased by 0.7 pp. and amounted to 8.2%. At the same time, the coverage ratio of impairment allowances to impaired loans and advances to customers amounted to 47.0% as at the balance sheet date and was 1.1 pp. higher than as at the end of 2012.

- The structure of liquid assets changed as at the balance date. A decrease of PLN 3,043,331 thousand (i.e. 30%) in cash and balances with the central bank and a decrease in the amounts due from banks of PLN 1,499,045 (i.e. 44%) financed an increase of PLN 2,575,045 thousand (i.e. 20%) in financial instruments designated at fair value through profit or loss, an increase in investment securities available for sale (of PLN 1,867,948 thousand, i.e. 15%) and an increase of PLN 202,315 thousand (i.e. 73%) in financial assets held for trading.

- As at the balance sheet date, cash and balances with the central bank amounted to PLN 7,246,120 thousand. It comprised mainly a decrease in balances with the central bank of PLN 3,532,558 thousand, i.e. 47%, and a simultaneous increase in cash in hand and in vaults of PLN 488,874 thousand, i.e. 18%.

- The decrease in amounts due from banks concerned both deposits with other banks, which decreased by PLN 967,050 thousand (i.e. 41%) compared with the balance as at 31 December 2012 and current account balances, which as at the balance sheet date were PLN 391,519 thousand (i.e. 45%) lower than as at the end of 2012. The balance of repo transactions also decreased (by PLN 135,251 thousand, i.e. 91%) compared with the balance as at 31 December 2012. As at the balance sheet date, amounts due from banks amounted to PLN 1,893,441 thousand.

- The balance of financial assets designated at fair value through profit or loss as at the balance sheet date amounted to PLN 15,204,756 thousand. The increase in this balance of PLN 2,575,045 thousand, i.e. 20%, was mainly due to an increase in the balance of short-term NBP bills of PLN 4,001,928 thousand, i.e. 40%, accompanied by a decrease in the balance of treasury bills of PLN 1,040,863 thousand.

III. The Group's results and financial position (cont.)

- The balance of investment securities available for sale as at the balance sheet date amounted to PLN 14,073,078 thousand and was PLN 1,867,948 thousand (i.e. 15%) higher than as at the end of 2012. The main increases were recorded in treasury bonds (of PLN 916,021 thousand, i.e. 12%) and in municipal bonds (of PLN 660,541 thousand, i.e. 24%).

- Financial assets held for trading amounted to PLN 479,881 thousand as at 31 December 2013. Their increase of PLN 202,315 thousand (i.e. 73%) was mainly due to an increase in the Group's exposure to Polish treasury bonds - between the end of 2012 and the end of 2013, their balance increased by PLN 174,139 thousand (i.e. by 80%).

- The Group's cumulative liquidity gaps up to 1 month and up to 3 months calculated based on data on the maturities of assets and liabilities according to real terms maturity dates amounted to PLN 20,304,151 thousand and PLN 10,043,066 thousand respectively (PLN 17,243,750 thousand and PLN 17,268,874 thousand as at the end of 2012).

- The share of interest-bearing assets in total assets increased slightly compared with 31 December 2012 and amounted to 93.0% as at the end of 2013 (no change in relation to the previous year). The loans to deposits ratio (L/D) amounted to 98.5% as at the end of 2013 (98.1% as at the end of 2012).

- The operating profit for 2013 amounted to PLN 4,046,442 thousand and was PLN 567,471 thousand (i.e. 12%) lower than the result for 2012. It comprised mainly: net interest income of PLN 6,721,962 thousand (a decrease of PLN 1,367,306 thousand, i.e. 17%), net fee and commission income of PLN 3,005,752 thousand (an increase of PLN 89,215 thousand, i.e. 3%) and other operating income of PLN 1,080,945 thousand (an increase of PLN 517,576 thousand, i.e. 92%). At the same time, the operating profit was reduced by administrative expenses of PLN 4,622,543 thousand (a decrease of PLN 59.994 thousand, i.e. 1%), net impairment allowance and write-downs of PLN 2,037,881 thousand (a decrease of PLN 287,347 thousand, i.e. 12%) and other operating expenses of PLN 471,200 thousand (an increase of PLN 85,485 thousand, i.e. 22%).

- The decrease in the net interest income was mainly due to lower income on loans and advances to customers (a decrease of PLN 1,519,836 thousand, i.e. 14%) and on derivative hedging instruments (a decrease of PLN 416,172 thousand, i.e. 48%). This decrease was offset with lower interest expenses (of PLN 1,067,419 thousand, i.e. 21%). In 2013, the interest margin calculated as the ratio of net interest income to interest income grew by 1 pp. compared with 2012 and amounted to 62%. The interest spread, calculated as the difference between the profitability ratio on interest-bearing assets and the cost of borrowings was 3.5% (down 0.5 pp. compared with 2012).

- The fee and commission expenses increased compared with 2012 by PLN 189,173 thousand, i.e. 26%, to PLN 920,850 thousand. At the same time, the fee and commission income increased by PLN 278,388 thousand, i.e. by 8%, to PLN 3,926,602 thousand.

III. The Group's results and financial position (cont.)

- Other operating income increased mainly as a result of the proceeds generated on the sale of 66% of the shares in Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o. The profit on that sale amounted to PLN 314,802 thousand. Additionally, the result of valuation of the remaining shares of the Bank in that company at the fair value amounted to PLN 162,171 thousand.

- The decrease in administrative expenses comprised mainly a decrease in employee benefit costs (of PLN 57,432 thousand, i.e. 2%) and a decrease in overheads (of PLN 62,734 thousand, i.e. 5%); at the same time, the costs of amortization and depreciation increased by PLN 37,951 thousand, i.e. 7%). The overall business effectiveness calculated as the costs to income ratio (the C/I ratio) deteriorated in 2013 (the ratio increased by 2.9 pp. to 43.2%). The adverse change in this ratio was due to the fact than income was lower than in 2012.

- The decrease in net impairment allowance (recognized in the income statement) was mainly related to housing loans to customers (a decrease of PLN 190,649 thousand, i.e. 41%) and consumer loans (a decrease of PLN 156,348 thousand, i.e. 27%) and was offset by an increase in net impairment allowance on business loans (of PLN 221,985 thousand, i.e. 20%). At the same time, the Group recognized income from reversal of provisions for off-balance sheet liabilities of PLN 83,699 thousand (a change of PLN 186,504 thousand, i.e. 181%). In 2013, the cost of risk amounted to 1.3% (2012: 1.4%).

- Gross profitability (calculated as profit before income tax to total income) amounted to 25.1% in the audited year and dropped by 0.9 pp. compared with the prior year.

- Income tax expense in 2013 amounted to PLN 816,271 thousand (PLN 895,476 thousand in 2012). The effective tax rate was 20.2% in 2013 and was 0.9 pp. higher than in 2012.

- As a result, in 2013 the Group generated a net profit attributable to the parent company of PLN 3,229,793 thousand, which was PLN 508,847 thousand (i.e. 14%) lower than the net profit for 2012. Net profitability (calculated as net profit to total income) amounted to 20.0% in 2013 (20.9% in 2012).

- The return on assets (calculated as net profit attributable to the parent company to average total assets) amounted to 1.6% in 2013 and was 0.3 pp. lower than in 2012. In the audited year, the return on equity amounted to 13.0% and was 2.9 pp. lower than in 2012.

In 2013, the Group changed its accounting policies on the recognition of commissions for intermediation in the sales of insurance products. The change was made retrospectively, with the comparative data for 2012 being changed. Detailed information about the change and its financial effect on the results for 2012 and the Bank's equity as at 31 December 2012 is presented in Note 2.22 "Differences between previously published financial statements and these financial statements" to the consolidated financial statements.

The consolidated financial statements have been prepared on the going concern basis.

IV. Discussion of consolidated financial statement components

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2013

ASSETS	31.12.2013 PLN '000	31.12.2012 restated PLN '000	31.12.2012 published PLN '000	Change PLN '000	Change (%)	31.12.2013 Structure (%)	31.12.2012 restated Structure (%)
Cash and balances with the central bank	7,246,120	10,289,451	10,289,451	(3,043,331)	(30)	4	6
Amounts due from banks	1,893,441	3,392,486	3,392,486	(1,499,045)	(44)	1	2
Financial assets held for trading	479,881	277,566	277,566	202,315	73	-	-
Derivative financial instruments	3,000,860	3,860,561	3,860,561	(859,701)	(22)	2	2
Financial instruments designated upon initial recognition at fair value through profit and loss	15,204,756	12,629,711	12,629,711	2,575,045	20	8	7
Loans and advances to customers	149,623,262	143,483,066	143,875,644	6,140,196	4	75	74
Investment securities available for sale	14,073,078	12,205,130	12,205,130	1,867,948	15	7	6
Securities held to maturity	38,005	46,971	46,971	(8,966)	(19)	-	-
Investments in associates and jointly controlled entities	309,692	119,211	119,211	190,481	160	-	-
Non-current assets held for sale	172,219	20,410	20,410	151,809	744	-	-
Inventories	649,641	553,534	553,534	96,107	17	-	-
Intangible assets	2,230,222	1,934,000	1,934,000	296,222	15	1	1
Tangible fixed assets	2,611,233	2,650,597	2,650,597	(39,364)	(1)	1	1
Current income tax receivables	206,401	5,713	5,713	200,688	3.513	-	-
Deferred tax assets	562,421	628,139	564,514	(65,718)	(10)	-	-
Other assets	929,878	1,054,129	1,054,129	(124,251)	(12)	1	1
Total assets	**199,231,110**	**193,150,675**	**193,479,628**	**6,080,435**	**3**	**100**	**100**

IV. Discussion of consolidated financial statement components (cont.)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2013 (cont.)

LIABILITIES AND EQUITY	31.12.2013	31.12.2012 restated	31.12.2012 published	Change	Change	31.12.2013 Structure	31.12.2012 restated Structure
	PLN '000	PLN '000	PLN '000	PLN '000	(%)	(%)	(%)
Amounts due to the central bank	4,065	3,128	3,128	937	30	-	-
Amounts due to other banks	3,747,337	3,733,947	3,733,947	13,390	-	2	2
Derivative financial instruments	3,328,211	3,964,098	3,964,098	(635,887)	(16)	2	2
Amounts due to customers	151,904,181	146,193,570	146,193,570	5,710,611	4	76	76
Liabilities in respect of assets classified as held for sale	2,880	-	-	2,880	-	-	-
Debt securities in issue	10,546,446	10,270,783	10,270,783	275,663	3	5	5
Subordinated liabilities	1,620,857	1,631,256	1,631,256	(10,399)	(1)	1	1
Other liabilities	2,547,237	1,983,399	2,057,707	563,838	28	1	1
Current income tax liabilities	22,595	155,580	155,580	(132,985)	(85)	-	-
Deferred income tax provision	32,106	41,300	41,300	(9,194)	(22)	-	-
Provisions	320,870	737,206	720,609	(416,336)	(56)	-	-
Total liabilities	**174,076,785**	**168,714,267**	**168,771,978**	**5,362,518**	**3**	**87**	**87**
Share capital	1,250,000	1,250,000	1,250,000	-	-	1	1
Other capital	21,108,673	19,984,965	19,933,012	1,123,708	6	11	10
Currency translation differences from foreign operations	(129,420)	(120,305)	(120,305)	(9,115)	8	-	-
Unappropriated profits/ (Accumulated losses)	(306,230)	(416,554)	(103,340)	110,324	(26)	-	-
Net profit/(loss) for the current year	3,229,793	3,738,640	3,748,621	(508,847)	(14)	1	2
Capital and reserves attributable to equity holders of the parent company	**25,152,816**	**24,436,746**	**24,707,988**	**716,070**	**3**	**13**	**13**
Non-controlling interests	1,509	(338)	(338)	1,847	(546)	-	-
Total equity	**25,154,325**	**24,436,408**	**24,707,650**	**717,917**	3	**13**	**13**
Total liabilities and equity	**199,231,110**	**193,150,675**	**193,479,628**	**6,080,435**	**3**	**100**	**100**

IV. Discussion of consolidated financial statement components (cont.)

CONSOLIDATED INCOME STATEMENT
for the financial year from 1 January to 31 December 2013

	2013 PLN '000	2012 restated PLN '000	2012 published PLN '000	Change PLN '000	Change (%)	2013 Structure (%)	2012 restated Structure (%)
Interest income	10,763,494	13,198,219	12,991,737	(2,434,725)	(18)	67	74
Interest expenses	(4,041,532)	(5,108,951)	(5,108,951)	1,067,419	(21)	33	39
Net interest income/ (expenses)	**6,721,962**	**8,089,268**	**7,882,786**	**(1,367,306)**	**(17)**		
Fee and commission income	3,926,602	3,648,214	3,837,303	278,388	8	24	20
Fee and commission expenses	(920,850)	(731,677)	(766,101)	(189,173)	26	8	6
Net fee and commission income	**3,005,752**	**2,916,537**	**3,071,202**	**89,215**	**3**		
Dividend income	5,766	8,081	8,081	(2,315)	(29)	-	-
Net income from financial instruments designated at fair value	54,309	94,188	94,188	(39,879)	(42)	-	1
Gains less losses from investment securities	67,484	79,813	79,813	(12,329)	(15)	1	-
Net foreign exchange gains/ (losses)	241,848	256,137	256,137	(14,289)	(6)	1	2
Other operating income	1,080,945	563,369	563,369	517,576	92	7	3
Other operating expenses	(471,200)	(385,715)	(385,715)	(85,485)	22	4	3
Net impairment allowance and write-downs	(2,037,881)	(2,325,228)	(2,325,228)	287,347	(12)	17	17
Administrative expenses	(4,622,543)	(4,682,537)	(4,618,397)	59,994	(1)	38	35
Operating profit/ (loss)	**4,046,442**	**4,613,913**	**4,626,236**	**(567,471)**	**(12)**		
Share of profits and losses of associates and jointly controlled entities	(1,978)	19,025	19,025	(21,003)	(110)	-	-
Profit before tax	**4,044,464**	**4,632,938**	**4,645,261**	**(588,474)**	**(13)**		

IV. Discussion of consolidated financial statement components (cont.)

CONSOLIDATED INCOME STATEMENT
for the financial year from 1 January to 31 December 2013 (cont.)

	2013 PLN '000	2012 restated PLN '000	2012 published PLN '000	Change PLN '000	Change (%)	2013 Structure (%)	2012 restated Structure (%)
Profit before tax	**4,044,464**	**4,632,938**	**4,645,261**	**(588,474)**	**(13)**		
Corporate income tax	(816,271)	(895,476)	(897,818)	79,205	(9)		
Net profit (including non-controlling shareholders)	**3,228,193**	**3,737,462**	**3,747,443**	**(509,269)**	**(14)**		
including:							
Net profit attributable to the parent company	3,229,793	3,738,640	3,748,621	(508,847)	(14)		
Profits (losses) attributable to non-controlling shareholders	(1,600)	(1,178)	(1,178)	(422)	36		
Total income	16,140,448	17,867,046	17,849,653	(1,726,598)	(10)	**100**	**100**
Total expense	(12,095,984)	(13,234,108)	(13,204,392)	1,138,124	(9)	**100**	**100**
Profit before tax	**4,044,464**	**4,632,938**	**4,645,261**	**(588,474)**	**(13)**		

IV. Discussion of consolidated financial statement components (cont.)

Selected ratios characterizing the Group's financial position and results

The following ratios characterize the Group's activities, results of operations during the financial year and its financial position as at the balance date compared with the prior year (1):

	2013	2012
Profitability ratios		
Gross profitability (profit before income tax/total income)	25.1%	26.0%
Net profitability (net profit attributable to the parent company / total income)	20.0%	20.9%
Return on equity (net profit attributable to the parent company /average net assets) (2)	13.0%	15.9%
Return on assets (net profit attributable to the parent company /average total assets) (2)	1.6%	1.9%
Profitability ratio on interest-bearing assets (interest income / average interest-bearing assets) (2)	5.9%	7.2%
Cost to income ratio (administrative expenses / profit on banking activities) (3)	43.2%	40.3%
Cost of borrowings (interest expense / average interest-bearing liabilities) (2)	2.4%	3.2%
Asset quality ratios		
Interest-bearing assets to total assets (4)	93.0%	93.0%
Impaired loans to total gross loans and advances to customers	8.2%	8.9%
Coverage with impairment allowances of impaired loans and advances to customers	47.0%	45.9%
Cost of risk (5)	1.3%	1.4%
Liquidity ratios		
Liquidity up to 1 month	20,304,151	17,243,750
Liquidity up to 3 months	10,043,066	17,268,874
Loans to deposits	98.5%	98.1%
Other ratios		
Capital adequacy ratio	13.58%	12.89%
Own funds (PLN '000)	21,305,056	20,177,778
Total capital requirement (PLN '000)	12,552,200	12,525,086

(1) The values of the individual ratios may differ from those presented in the consolidated financial statements due to a different calculation method.
(2) The average balances of balance sheet items were calculated based on the balances of individual items at the beginning and end of the current and prior financial year.
(3) The profit on banking activities defined as operating profit less administrative expenses and net impairment allowances.
(4) Interest-bearing assets are defined as balances with the central bank (excluding cash), amounts due from banks and customers, investment securities, securities designated at fair value through profit and loss and held for trading.
(5) The cost of risk is calculated by dividing net impairment allowances on loans and advances to customers for the year by the average balance of gross loans and advances to customers.

V. Statements of the independent registered auditor

(a) The Management Board of the Parent Company provided all the information, explanations, and representations required by us in the course of the audit and provided us with a representation letter confirming the completeness of the information included in the accounting records and the disclosure of all contingent liabilities and subsequent events which occurred up to the date on which that letter was signed.

(b) The scope of the audit was not limited.

(c) The accounting policies of the Group specified by the Parent Company's Management complied with the International Financial Reporting Standards as adopted by the European Union in all material respects. There were no changes to the accounting policies compared with the previous year besides change in the approach to recognition of remuneration from bancassurance products distribution – described in note 2.22 to the consolidated financial statements.

(d) The calculation of goodwill and its recognition in the consolidated financial statements complied with IFRS as adopted by the European Union in all material respects.

(e) The consolidation of equity items and the determination of non-controlling interest were carried out properly in all material respects.

(f) The elimination of intercompany balances (receivables and payables) and transactions (revenue and costs) of the consolidated entities were carried out in accordance with the IFRS as adopted by the European Union in all material respects.

(g) Eliminations of gains/losses unrealized by the consolidated entities included in the value of assets and in respect of dividends were conducted in accordance with the IFRS as adopted by the European Union in all material respects.

(h) The impact of the disposal or partial disposal of shares in subordinated entities was accounted for properly in all material respects.

(i) The consolidation documentation was complete and accurate and it is stored in a manner ensuring its proper safeguarding.

(j) The financial statements of the Bank as at and for the year ended 31 December 2012 were approved by Resolution No. 5/2013 passed by the General Meeting of Shareholders on 20 June 2013 filed with the National Court Register in Warsaw on 2 July 2013.

(k) The consolidated financial statements for the previous year were audited by PricewaterhouseCoopers Sp z o.o. The registered auditor issued an unqualified opinion.

(l) The Notes to the consolidated financial statements present all the material information required by the IFRS as adopted by the European Union.

V. Statements of the independent registered auditor (cont.)

(m) The information in the Group Directors' Report for the year ended 31 December 2013 has been prepared in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws of 2014, item 133).

(n) We determined the materiality levels at the planning stage. Materiality levels specify the limits up to which identified irregularities may be left unadjusted without any detriment to the quality of the financial statements and to the correctness of the underlying books of account, since failing to make such adjustments will not be misleading for the readers of the financial statements. Materiality measures both the quantity and quality of audited items and that is why it varies for different statement of financial position and income statement items. Due to the complexity and quantity of the materiality levels adopted for audit purposes, they are included in the audit documentation.

(o) The total capital requirement, calculated on the consolidated basis, amounted to PLN 12,552,200 thousand as at the balance date. The capital adequacy ratio, calculated on the consolidated basis, as at 31 December 2013 amounted to 13.58%. As at the balance date, the Group complied with the prudence principle in all material respects.

VI. Final information and comments

This report has been prepared in connection with our audit of the financial statements of Powszechna Kasa Oszczędności Bank Polski SA with its registered office in Warsaw, 15 Puławska Street. The financial statements were signed by the Banks's Management Board and the person entrusted with maintaining the books of account on 4 March 2014.

This report should be read in conjunction with the Independent Registered Auditor's unqualified Opinion to the General Meeting of Shareholders and the Supervisory Board of Powszechna Kasa Oszczędności Bank Polski SA dated 5 March 2014, concerning the said financial statements. The opinion on the financial statements expresses a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the financial statements as a whole.

Conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Firm No. 144:

Adam Celiński
Member of the Management Board

PricewaterhouseCoopers Sp. z o.o.

Principal Registered Auditor
No. 90033

Warsaw, 5 March 2014