Bank Polski

Condensed interim financial statements of PKO Bank Polski SA for the six-month period ended 30 June 2015

Report publication date:
10 September 2015

Bank Polski

SELECTED FINANCIAL DATA DERIVED FROM THE FINANCIAL STATEMENTS

SELECTED STAND-ALONE FINANCIAL DATA	PLN thousand		EUR thousand	
	period from 01.01.2015 to 30.06.2015	period from 01.01.2014 to 30.06.2014	period from 01.01.2015 to 30.06.2015	period from 01.01.2014 to 30.06.2014
Net interest income	3 255 018	3 432 076	787 358	821 385
Net fee and commission income	1 310 228	1 334 957	316 932	319 490
Operating profit	1 695 015	2 071 142	410 008	495 678
Profit before income tax	**1 695 015**	**2 071 142**	**410 008**	**495 678**
Net profit	**1 382 003**	**1 679 300**	**334 294**	**401 900**
Earnings per share for the period – basic (in PLN/EUR)	**1.11**	**1.34**	**0.27**	**0.32**
Earnings per share for the period – diluted (in PLN/EUR)	**1.11**	**1.34**	**0.27**	**0.32**
Total net comprehensive income	**1 171 212**	**1 889 033**	**283 305**	**452 095**
Net cash flows used in operating activities	5 875 718	(5 133 898)	1 421 281	(1 228 676)
Net cash flows used in investing activities	(3 140 436)	(9 368 226)	(759 642)	(2 242 061)
Net cash flows generated from/used in financing activities	(1 727 172)	16 246 439	(417 787)	3 888 196
Net cash flows	1 008 110	1 744 315	243 852	417 460

SELECTED STAND-ALONE FINANCIAL DATA	PLN thousand		EUR thousand	
	as at 30.06.2015	as at 31.12.2014	as at 30.06.2015	as at 31.12.2014
Total assets	251 131 883	243 760 527	59 873 136	57 189 904
Total equity	28 773 368	27 602 156	6 859 949	6 475 883
Share capital	1 250 000	1 250 000	298 016	293 269
Number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Book value per share (in PLN/EUR)	23.02	22.08	5.49	5.18
Diluted number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Diluted book value per share (in PLN/EUR)	23.02	22.08	5.49	5.18
Capital adequacy ratio	14.26%	13.37%	14.26%	13.37%
Basic funds (Tier 1)	24 805 688	22 558 648	5 914 002	5 292 600
Supplementary funds (Tier 2)	2 413 700	2 321 062	575 458	544 556

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

- the income statement, the statement of comprehensive income and the statement of cash flows items – the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month of the six-month period ended 30 June 2015 and 30 June 2014, respectively: EUR 1 = PLN 4.1341 and EUR 1 = PLN 4.1784,
- the statement of financial position items – average NBP exchange rate as at 30 June 2015: EUR 1 = PLN 4.1944 and as at 31 December 2014: EUR 1 = PLN 4.2623.

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INCOME STATEMENT

	Note	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015	II quarter period from 01.04.2014 to 30.06.2014	2 quarters cumulative period from 01.01.2014 to 30.06.2014
Continuing operations					
Interest and similar income	4	2 277 851	4 654 376	2 470 553	4 872 353
Interest expense and similar charges	4	(649 389)	(1 399 358)	(742 078)	(1 440 277)
Net interest income		**1 628 462**	**3 255 018**	**1 728 475**	**3 432 076**
Fee and commission income	5	867 357	1 670 062	931 832	1 822 000
Fee and commission expense	5	(174 028)	(359 834)	(255 571)	(487 043)
Net fee and commission income		**693 329**	**1 310 228**	**676 261**	**1 334 957**
Dividend income		96 230	110 001	79 832	79 832
Net income from financial instruments measured at fair value	6	(10 435)	1 206	29 266	42 289
Gains less losses from investment securities	7	23 027	76 949	31 946	37 800
Net foreign exchange gains (losses)		86 938	206 426	76 684	181 960
Other operating income	8	19 977	80 963	52 142	67 934
Other operating expense	8	(24 218)	(47 410)	(28 347)	(40 573)
Net other operating income and expense		**(4 241)**	**33 553**	**23 795**	**27 361**
Net impairment allowance and write-downs	9	(382 764)	(749 155)	(522 239)	(936 934)
Administrative expenses	10	(1 252 900)	(2 549 211)	(1 097 007)	(2 128 199)
Operating profit		**877 646**	**1 695 015**	**1 027 013**	**2 071 142**
Profit before income tax		**877 646**	**1 695 015**	**1 027 013**	**2 071 142**
Income tax expense	11	(142 469)	(313 012)	(194 428)	(391 842)
Net profit		**735 177**	**1 382 003**	**832 585**	**1 679 300**

Earnings per share	12				
- basic earnings per share for the period (PLN)		0.59	1.11	0.67	1.34
- diluted earnings per share for the period (PLN)		0.59	1.11	0.67	1.34
Weighted average number of ordinary shares during the period (in thousand)		1 250 000	1 250 000	1 250 000	1 250 000
Weighted average diluted number of ordinary shares during the period (in thousand)		1 250 000	1 250 000	1 250 000	1 250 000

Discontinued operations

In the six-month periods ended 30 June 2015 and 30 June 2014 respectively, no discontinued operations were conducted by PKO Bank Polski SA.

STATEMENT OF COMPREHENSIVE INCOME

	Note	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015	II quarter period from 01.04.2014 to 30.06.2014	2 quarters cumulative period from 01.01.2014 to 30.06.2014
Net profit		**735 177**	**1 382 003**	**832 585**	**1 679 300**
Other comprehensive income		**(245 601)**	**(210 791)**	**164 854**	**209 733**
Items that may be reclassified to the income statement		**(245 601)**	**(210 791)**	**164 854**	**209 733**
Cash flow hedges (gross)	19	(73 566)	(118 860)	110 678	151 935
Deferred tax on cash flow hedges		13 978	22 584	(21 029)	(28 868)
Cash flow hedges (net)		(59 588)	(96 276)	89 649	123 067
Unrealised net gains on financial assets available for sale (gross)	7	(229 646)	(141 377)	92 846	106 994
Deferred tax on unrealised net gains on financial assets available for sale		43 633	26 862	(17 641)	(20 328)
Unrealised net gains on financial assets available for sale (net)		(186 013)	(114 515)	75 205	86 666
Total net comprehensive income		**489 576**	**1 171 212**	**997 439**	**1 889 033**

STATEMENT OF FINANCIAL POSITION

	Note	30.06.2015	31.12.2014
ASSETS			
Cash and balances with the central bank	14	11 894 988	11 698 248
Amounts due from banks	15	3 828 259	2 608 547
Trading assets	16	1 536 422	1 928 659
Derivative financial instruments	17	3 975 931	5 483 508
Financial assets designated upon initial recognition at fair value through profit and loss	19	11 183 826	13 417 667
Loans and advances to customers	20	183 915 450	177 557 571
Investment securities available for sale	21	25 534 190	22 092 136
Investments in subsidiaries, joint ventures and associates	22	1 829 291	1 813 774
Non-current assets held for sale		613 429	416 760
Intangible assets	24	2 762 963	2 898 612
Tangible fixed assets, of which:	24	2 124 255	2 251 373
investment properties	23	182	184
Current income tax receivables		-	94 343
Deferred income tax asset	11	752 804	671 404
Other assets		1 180 075	827 925
TOTAL ASSETS		**251 131 883**	**243 760 527**
LIABILITIES AND EQUITY			
Liabilities			
Amounts due to the central bank		4 158	4 427
Amounts due to banks	25	19 658 742	18 439 584
Derivative financial instruments	17	5 099 560	5 545 502
Amounts due to customers	26	191 118 700	185 920 562
Debt securities in issue	27	1 115 566	866 087
Subordinated liabilities	28	2 521 227	2 413 985
Other liabilities	29	2 525 277	2 665 058
Current income tax liabilities		55 904	-
Provisions	30	259 381	303 166
TOTAL LIABILITIES		**222 358 515**	**216 158 371**
Equity			
Share capital	31	1 250 000	1 250 000
Other capital		24 891 365	23 139 892
Undistributed profits		1 250 000	132 793
Net profit for the year		1 382 003	3 079 471
TOTAL EQUITY		**28 773 368**	**27 602 156**
TOTAL LIABILITIES AND EQUITY		**251 131 883**	**243 760 527**
Capital adequacy ratio	58	14.26%	13.37%
Book value (in PLN thousand)		28 773 368	27 602 156
Number of shares (in thousand)	1	1 250 000	1 250 000
Book value per share (in PLN)		23.02	22.08
Diluted number of shares (in thousand)		1 250 000	1 250 000
Diluted book value per share (in PLN)		23.02	22.08

(IN PLN THOUSAND)

STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2015	Share capital	Other capital								Undistributed profits	Net profit for the period	Total equity
		Reserves			Other comprehensive income			Total other capital				
		Reserve capital	General capital	Other capital	Financial assets available for sale	Cash flow hedges	Actuarial gains and losses					
As at 1 January 2015	1 250 000	18 618 111	1 070 000	3 421 913	33 640	5 204	(8 976)	23 139 892		132 793	3 079 471	27 602 156
Transfer of net profit from previous years	-	-	-	-	-	-	-	-		3 079 471	(3 079 471)	-
Total comprehensive income, of which:	-	-	-	-	(114 515)	(96 276)	-	(210 791)		-	1 382 003	1 171 212
Net profit	-	-	-	-	-	-	-	-		-	1 382 003	1 382 003
Other comprehensive income	-	-	-	-	(114 515)	(96 276)	-	(210 791)		-	-	(210 791)
Transfer from undistributed profits	-	1 900 000	-	62 264	-	-	-	1 962 264		(1 962 264)	-	-
As at 30 June 2015	1 250 000	20 518 111	1 070 000	3 484 177	(80 875)	(91 072)	(8 976)	24 891 365		1 250 000	1 382 003	28 773 368

for the period ended 30 June 2014	Share capital	Other capital								Undistributed profits	Net profit for the period	Total equity
		Reserves			Other comprehensive income			Total other capital				
		Reserve capital	General capital	Other capital	Financial assets available for sale	Cash flow hedges	Actuarial gains and losses					
As at 1 January 2014	1 250 000	16 598 111	1 070 000	3 416 893	(53 013)	(125 593)	(7 676)	20 898 722		(271 242)	3 233 762	25 111 242
Transfer of net profit from previous years	-	-	-	-	-	-	-	-		3 233 762	(3 233 762)	-
Total comprehensive income, of which:	-	-	-	-	86 666	123 067	-	209 733		-	1 679 300	1 889 033
Net profit	-	-	-	-	-	-	-	-		-	1 679 300	1 679 300
Other comprehensive income	-	-	-	-	86 666	123 067	-	209 733		-	-	209 733
Transfer from undistributed profits	-	2 020 000	-	5 020				2 025 020		(2 025 020)		-
Dividends declared										(937 500)		(937 500)
As at 30 June 2014	1 250 000	18 618 111	1 070 000	3 421 913	33 653	(2 526)	(7 676)	23 133 475		-	1 679 300	26 062 775

(IN PLN THOUSAND)

STATEMENT OF CASH FLOWS

	Note	01.01-30.06.2015	01.01-30.06.2014
Net cash flow from operating activities			
Profit before income tax		**1 695 015**	**2 071 142**
Adjustments:		**4 180 703**	**(7 205 040)**
Amortisation and depreciation		372 163	308 015
(Gains) losses from investing activities		(13 413)	(25 796)
Interest and dividends		(204 073)	(204 585)
Change in amounts due from banks		(407 595)	(13 935 007)
Change in trading assets and financial assets designated upon initial recognition of fair value through profit and loss		2 626 078	3 367 312
Change in derivative financial instruments (asset)		1 507 577	(361 002)
Change in loans and advances to customers		(6 780 963)	(4 231 557)
Change in other assets and non-current assets held for sale		(360 771)	(321 611)
Change in amounts due to banks		2 878 651	815 831
Change in derivative financial instruments (liability)		(445 942)	234 991
Change in amounts due to customers		5 256 256	6 998 829
Change in provisions and impairment allowances		382 300	218 336
Change in other liabilities and subordinated liabilities		(32 539)	(79 359)
Income tax paid		(194 456)	(249 109)
Other adjustments		(402 570)	259 672
Net cash used in operating activities		**5 875 718**	**(5 133 898)**
Net cash flow from investing activities			
Inflows from investing activities		10 963 425	25 808 064
Proceeds from sale and interest on investment securities		10 848 527	25 726 452
Proceeds from sale of intangible assets and tangible fixed assets		29 780	32 223
Other investing inflows (dividends)		85 118	49 389
Outflows from investing activities		(14 103 861)	(35 176 290)
Purchase of equity of subsidiaries		(101 000)	(3 191 026)
Increase in equity of a subsidiary		(48 000)	(91 360)
Purchase of investment securities		(13 807 316)	(31 704 901)
Purchase of intangible assets and tangible fixed assets		(147 545)	(189 003)
Net cash used in investing activities		**(3 140 436)**	**(9 368 226)**
Net cash flows from financing activities			
Proceeds from debt securities in issue		1 986 252	739 617
Redemption of debt securities in issue		(1 752 585)	(838 681)
Repayment of interest from issued debt securities and subordinated loans		(41 903)	(59 016)
Long-term borrowings		-	16 499 505
Repayment of long-term borrowings		(1 918 936)	(94 986)
Net cash generated from/used in financing activities		**(1 727 172)**	**16 246 439**
Net cash flows		**1 008 110**	**1 744 315**
of which currency translation differences on cash and cash equivalents		65 576	13 991
Cash and cash equivalents at the beginning of the period		14 052 760	8 644 682
Cash and cash equivalents at the end of the period	**34**	**15 060 870**	**10 388 997**
of which restricted		10 468	21 248

NOTES TO THE FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS

1. General information

The condensed interim financial statements of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna ('PKO Bank Polski SA', 'the Bank') have been prepared for the six-month period ended 30 June 2015 and include comparative data for the six-month period ended 30 June 2014 (as regards income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity) and comparative data as at 31 December 2014 (as regards statement of financial position). Financial data has been presented in Polish zloty (PLN), rounded to thousand zloty, unless indicated otherwise.

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

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

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

Business activities of the Bank

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

Indication whether the Bank is a parent company or a significant investor and whether it prepares consolidated financial statements.

PKO Bank Polski SA is the parent company of the PKO Bank Polski SA Group and a significant investor for associates and joint ventures, whose owner is the Bank. Accordingly, PKO Bank Polski SA prepares consolidated financial statements for the Group, which include the financial data of these entities.

Approval of financial statements

These condensed interim financial statements, reviewed by the Bank's Supervisory Board's Audit Committee on 5 August 2015, have been approved for issuance by the Bank's Management Board on 4 August 2015.

(IN PLN THOUSAND)

Structure of the PKO Bank Polski SA Group

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

NAME OF ENTITY	HEAD OFFICE	RANGE OF ACTIVITY	% SHARE IN EQUITY*	
			30.06.2015	31.12.2014
PKO Towarzystwo Funduszy Inwestycyjnych SA	**Warsaw**	**investment fund management**	**100.00**	**100.00**
PKO BP BANKOWY PTE SA	**Warsaw**	**pension fund management**	**100.00**	**100.00**
PKO Leasing SA	**Łódź**	**leasing services**	**100.00**	**100.00**
PKO Bankowy Leasing Sp. z o.o.	Łódź	leasing services	100.00	100.00
PKO Leasing Sverige AB	Stockholm, Sweden	leasing services	100.00	100.00
PKO BP Faktoring SA[1]	Warsaw	factoring	100.00	-
PKO BP Finat Sp. z o.o.	**Warsaw**	**transfer agent services**	**100.00**	**100.00**
PKO Życie Towarzystwo Ubezpieczeń SA	**Warsaw**	**life insurance**	**100.00**	**100.00**
Ubezpieczeniowe Usługi Finansowe Sp. z o.o.	Warsaw	services	100.00	100.00
PKO Towarzystwo Ubezpieczeń SA[2]	**Warsaw**	**property and personal insurance**	**100.00**	-
PKO Bank Hipoteczny SA	**Gdynia**	**banking activities**	**100.00**	**100.00**
PKO Finance AB	**Stockholm, Sweden**	**financial services**	**100.00**	**100.00**
KREDOBANK SA	**Lviv, Ukraine**	**banking activities**	**99.5655**	**99.5655**
Finansowa Kompania 'Idea Kapitał' Sp. z o.o.	Lviv, Ukraine	financial services	100.00	100.00
'Inter-Risk Ukraina' Additional Liability Company[3]	**Kiev, Ukraine**	**debt collection services**	**100.00**	**100.00**
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.[4]	**Kiev, Ukraine**	**factoring**	**95,4676**	**95,4676**
Qualia Development Sp. z o.o.[5]	**Warsaw**	**real estate development**	**100.00**	**100.00**
Qualia 2 Sp. z o.o.[6]	Warsaw	general partner in Qualia 2 spółka z ograniczoną odpowiedzialnością- Nowy Wilanów sp.k	100.00	-
Qualia 2 spółka z ograniczoną odpowiedzialnością – Nowy Wilanów Sp. k.[7]	Warsaw	real estate development	99.9750	99.9750
Qualia Sp. z o.o.	Warsaw	general partner in limited partnerships of the Qualia Development Group entities	100.00	100.00
Qualia spółka z ograniczoną odpowiedzialnością – Neptun Park Sp. k.	Warsaw	real estate development	99,9975	99,9975
Qualia spółka z ograniczoną odpowiedzialnością – Sopot Sp. k.	Warsaw	real estate development	99.9811	99.9811
Qualia spółka z ograniczoną odpowiedzialnością – Jurata Sp. k.	Warsaw	real estate development	99.9770	99.9770
Qualia spółka z ograniczoną odpowiedzialnością – Zakopane Sp. k.	Warsaw	real estate development	99.9123	99.9123
Qualia spółka z ograniczoną odpowiedzialnością – Pomeranka Sp. k.	Warsaw	real estate development	99.8951	99.8951
Qualia spółka z ograniczoną odpowiedzialnością – Projekt 1 Sp. k.	Warsaw	real estate development	50.00	50.00
Qualia spółka z ograniczoną odpowiedzialnością – Władysławowo Sp. k.	Warsaw	real estate development	50.00	50.00
Qualia Hotel Management Sp. z o.o.	Warsaw	real estate development	100.00	100.00
Qualia – Residence Sp. z o.o.	Warsaw	real estate development	100.00	100.00
Qualia – Rezydencja Flotylla Sp. z o.o.	Warsaw	real estate development	100.00	100.00
'Fort Mokotów Inwestycje' Sp. z o.o.	Warsaw	real estate development	100.00	100.00
Sarnia Dolina Sp. z o.o.	Warsaw	real estate development	100.00	100.00
Giełda Nieruchomości Wartościowych Sp. z o.o.	Warsaw	intermediation in the sale of real estate	100.00	100.00
'Fort Mokotów' Sp. z o.o. in liquidation	Warsaw	in liquidation	51.00	51.00
Merkury – fiz an[8]	Warsaw	placement of funds collected from fund members	100.00	100.00
'Zarząd Majątkiem Górczewska' Sp. z o.o.	Warsaw	real estate management	100.00	100.00
Molina Sp. z o.o.	Warsaw	general partner in limited joint-stock partnership entities of the Fund	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 1 S.K.A.	Warsaw	purchasing and selling of real estate	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A.	Warsaw	purchasing and selling of real estate	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 3 S.K.A.	Warsaw	purchasing and selling of real estate	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 4 S.K.A.	Warsaw	purchasing and selling of real estate	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 5 S.K.A.	Warsaw	purchasing and selling of real estate	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A.	Warsaw	purchasing and selling of real estate	100.00	100.00
NEPTUN- fizan[8]	**Warszawa**	**services**	**100.00**	-
Bankowe Towarzystwo Kapitałowe SA[9]	Warsaw	services	100.00	-
'CENTRUM HAFFNERA' Sp. z o.o.[10]	Sopot	subsidiaries' real estate management	72,9766	-
'Sopot Zdrój' Sp. z o.o.	Sopot	real estate management	100.00	-
'Promenada Sopocka' Sp. z o.o.	Sopot	rental services and real estate management	100.00	-

* Share in equity of direct parent entity
1) The Entity was a subsidiary of Bankowe Towarzystwo Kapitałowe SA as at the end of 2014.
2) The Entity was registered with the National Court Register on 13 April 2015.
3) The share in entity is recognised as non-current assets held for sale as at the end of June 2015.
4) The share in entity is recognised as non-current assets held for sale at the end of June 2015; the second shareholder of the Entity is 'Inter-Risk Ukraina' Additional Liability Company.
5) The share in entity is recognised as non-current assets held for sale as at the end of June 2015; for limited partnership entities of Qualia Development Group the total contribution made by the Limited partnership Qualia Development Sp. z o.o. is presented in the position ' Share in equity'.
6) The Entity was registered with the National Court Register on 9 January 2015.
7) Previous name: Qualia spółka z ograniczoną odpowiedzialnością – Nowy Wilanów Sp. k.
8) PKO Bank Polski SA has investment certificates of the Fund; the share of possessed investment certificates of the Fund is presented in the position 'Share in equity'; the Fund's subsidiaries are consolidated at the level of the PKO Bank Polski SA Group.
9) As at the end of 2014, the Entity was a subsidiary of PKO Bank Polski SA.
10) As at the end of 2014, the Entity was a subsidiary of PKO Bank Polski SA, and its subsidiaries were indirect subsidiaries of PKO Bank Polski SA as at the end of 2014.

(IN PLN THOUSAND)

Additionally, the Bank holds the following associates and joint ventures included in the consolidated financial statements:

NAME OF ENTITY	HEAD OFFICE	RANGE OF ACTIVITY	% SHARE IN EQUITY*	
			30.06.2015	31.12.2014
Joint ventures of PKO Bank Polski SA				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	Warsaw	activities supporting financial services, including servicing of transactions made by payment instruments	34.00	34.00
EVO Payments International Sp. Z o.o.[1]	Warsaw	activities supporting financial services	100.00	-
EVO Payments International s.r.o.[2]	Prague,Czech Republic	activities supporting financial services	100.00	-
Joint ventures of Neptun- fizan				
'Centrum Obsługi Biznesu' Sp. z o.o.[3]	Poznań	hotel management	41.44	41.44
Associates				
Bank Pocztowy SA[4]	Bydgoszcz	banking activities	25.0001	25.0001
Centrum Operacyjne Sp. z o.o.	Bydgoszcz	activities supporting financial services	100.00	100.00
Spółka Dystrybucyjna Banku Pocztowego Sp. z o.o.	Warsaw	intermediary financial services	100.00	100.00
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	Poznań	guarantees	33.33	33.33

* Share in equity of direct parent entity.
1) The Entity was registered with the National Court Register on 9 February 2015.
2) The Entity was registered in the Czech Commercial Register on 16 February 2015.
3) The Entity was a joint venture of PKO Bank Polski SA as at the end of 2014.
4) The share in the Entity is recognised as non-current assets held for sale as at the end of June 2015

Information on changes in the participation in the share capital of the subsidiaries is set out in the Note 22 'Investments in subsidiaries, joint ventures and associates and changes to the entities of the Group'.

Acquisition of Spółdzielcza Kasa Oszczędnościowo- Kredytowa Wesoła in Mysłowice by PKO Bank Polski SA

Bearing in mind the concern for the stability of the banking sector and confidence in financial institutions, on 18 June 2015, PKO bank Polski SA agreed to participate in the restructuring of the Spółdzielcza Kasa Oszczędnościowo- Kredytowa Wesoła in Mysłowice (SKOK Wesoła). On this basis, also on 18 June 2015, Polish Financial Supervision Authority('PFSA') made a decision about acquisition of SKOK Wesoła by the Bank.
This decision was taken in accordance with Article 74c. 4 of the Act of 5 November 2009 on SKOK (the "Act on SKOK"). According to this article, in the absence of SKOK by another SKOK, PFSA is taking into account the need to safeguard financial market stability and safety of funds held on SKOK accounts can decide whether to accept SKOK or to acquire some property rights or obligations of money by a domestic bank, with its consent or a decision to liquidate the SKOK. According to the decision of the PFSA, starting at 19 June 2015, the Management Board of PKO Bank Polski SA, took the property management of SKOK Wesoła. The date of acquisition of SKOK Wesoła by the Bank is set on 1 August 2015.
PKO Bank Polski SA has expressed interest in participating in the restructuring of SKOK Wesoła answering to the invitation of PFSA dated 26 March 2015 year. Then the Bank obtained the permission of the President of the Office of Competition and Consumer Protection on concentration and developed with the Bank Guarantee Fund (BGF) agreement about restructuring SKOK Wesoła. According to the reached agreement and applicable laws, the assistance of BGF is expected in restructuring process of SKOK Wesoła in the form of subsidies and guarantees of losses.
SKOK Wesoła was established in 1993. It has 67 offices in 12 provinces. SKOK Wesoła network of credit unions are concentrated in Silesia. According to financial data as at 30 April 2015 SKOK Wesoła have about 63 thousand members, whose deposits amounted to approximately PLN 625 million. The main activity of SKOK was raising funds and implementation of the program of systematic saving, granting loans to its Members, carried out on the order of a financial settlement.
PKO Bank Polski SA started the process of settlement of the acquisition of SKOK Wesoła and is in the process of estimating fair value.

Information on members of the Supervisory and Management Board of the Bank

As at 30 June 2015, the Bank's Supervisory Board consisted of:

- Jerzy Góra — Chairman of the Supervisory Board
- Mirosław Czekaj — Deputy-Chairman of the Supervisory Board/ Secretary of the Supervisory Board
- Mirosława Boryczka — Member of the Supervisory Board
- Małgorzata Dec - Kruczkowska — Member of the Supervisory Board
- Zofia Dzik — Member of the Supervisory Board
- Krzysztof Kilian — Member of the Supervisory Board
- Piotr Marczak — Member of the Supervisory Board
- Elżbieta Mączyńska – Ziemacka — Member of the Supervisory Board
- Marek Mroczkowski — Member of the Supervisory Board

On 25 June 2015 the Ordinary General Shareholders' Meeting of the Bank dismissed as of that day the member of the Supervisory Board of PKO Bank Polski SA - Mr Jarosław Klimot and appointed Mrs Małgorzata Dec - Kruczkowska and Mr Krzysztof Kilian as members of the Supervisory Board of the Bank. Simultaneously Mr Tomasz Zganiacz resigned as of the day from his function as a member of the Supervisory Board.

As at 30 June 2015, the Bank's Management Board consisted of:

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

(IN PLN THOUSAND)

2. Summary of significant accounting policies, estimates and judgements

2.1. Statements of complience

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

The accounting policies and calculation methods applied in these condensed interim consolidated financial statements are consistent with those applied in preparation of the annual consolidated financial statements of the PKO Bank Polski SA Group for the year ended 31 December 2014.

These condensed interim financial statements for the six-month period of 2015 should be read together with consolidated financial statements of the PKO Bank Polski SA Group for the year ended 31 December 2014 prepared in accordance with International Financial Reporting Standards, as approved by the European Commission and they are published together with the condensed consolidated financial statements of the PKO Bank Polski SA Group for the six-month period ended 30 June 2015.

Significant changes in standards and interpretations, which have come into force in the first half year of 2015

At the same time, new interpretations and amendments to existing standards have come into force since 1 January 2015 and description of these changes and their impact on the consolidated financial statements are included in the consolidated financial statements of the PKO Bank Polski SA Group for the year ended 31 December 2014. One of changes related to application of IFRIC 21 'Levies' (interpretation of IAS 37 'Provisions, contingent liabilities and contingent assets'). Published by the International Financial Reporting Standards Board on 20 May 2013, it was approved for application in the European Union by Decree of the European Union Commission No. 634/2014 of 13 June 2014. The interpretation is effective for annual periods beginning on or after 17 June 2014, which means, in order to The Bank, an annual period beginning on 1 January 2015. Changes in accounting policies resulting from application of the interpretation for the first time are recognised retrospectively. IFRIC 21 determines how an entity should present, in its financial statements, the obligation to pay the levies imposed by government institutions (other than income tax liabilities). The main issue is when an entity should recognise a liability to pay the levy. IFRIC 21 sets out the criteria for the recognition of the liability. One of the criteria is the requirement of an obligation arising from past events (so-called the obligating event). The interpretation explains that an obligating event that give rise to the obligation to pay a levy, are relevant legislations that trigger the payment of the levy. In practice, for banks in Poland, IFRIC 21 applies to fees paid by banks to the Bank Guarantee Fund, that is, annual fee and prudential fee.

According to the Act of 14 December 1994 about the Bank Guarantee Fund (Journal of Law of 2014 item 1866), banks are obligated to pay for BGF:

- an obligatory annual fee amounting to the rate product up to 0.3% and the calculation base of the annual fee;
- prudential fee amounting to the rate product up to 0.2% and the calculation base of the annual fee

The basis for the calculation of annual and prudential fee is an amount corresponding to 12.5 times of the sum of the capital requirements of the particular kinds of risk.

Obligatory annual fee is tax deductible (within the meaning of the Income Tax Act from legal persons). Means from payments of annual fee are allocated for the tasks of the Fund related with the cash guarantees. Prudential fee is not tax deductible (within the meaning of the Income Tax Act from legal persons). Means for payments of the prudential fee are allocated for stability fund, which is a fund of BGF. The interest rates for the following years are set and presented to the entities covered by the guarantee scheme by BGF Fund Council no later than the end of the calendar year preceding the year in which the fee has to be paid. On 19 November 2014 the BGF Fund Council set the new interest rates of the payments to the Guarantee Fund for 2015 - 0.189% for obligatory annual fee and 0.05% for the prudential fee.

Due to the fact that, according to IFRIC 21 the event obligating to the payments for BGF is the fact of being covered by the guarantee system of BGF in the given year, Bank is presenting the liability due to the fees mentioned above as at the moment when the obligating event occurs ie. 1 January of the year while their cost is accounted during 12 months of the year, which is in accordance with the interpretation of Ministry of Finance and with the accepted market policy in Poland.

According to the above, the Bank accounted PLN 222.4 million as a expenses due to the BGF fee for 2015. If the total annual cost of the BGF fee was presented on a one off basis at the moment when the obligating moment occurs than the gross profit of the Bank for this reporting period would account for PLN 1 473 million.

In the first half of 2015, the impact of annual and prudential fee to BGF, depending on the adopted scenario, on the income statement is presented below:

Scenario- BGF fee settled in time (adopted by Bank)	**II quarter period from 01.04.2015 to 30.06.2015**	**2 quarters cumulative period from 01.01.2015 to 30.06.2015**
Operating costs- BGF fee	(111 215)	(222 428)
- annual fee	(87 948)	(175 895)
- prudential fee	(23 267)	(46 533)
Income tax*	16 710	33 420
Effect on net profit	(94 504)	(189 008)

* The impact on tax expense (prudential fee is not deductible for tax purposes)

Scenario- BGF fee recognised as a one-time cost	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015
Operating costs- BGF fee	-	(444 856)
- annual fee	-	(351 790)
- prudential fee	-	(93 066)
Income tax*	-	66 840
Effect on net profit	-	(378 016)

* The impact on tax expense (prudential fee is not deductible for tax purposes)

2.2. Critical estimates and judgements

While preparing financial statements, the Bank makes certain estimates and assumptions, which have a direct influence on both the financial statements and the notes to these financial statements and enclosed supplementary information. The estimates and assumptions that are used by the Bank in determining the value of assets and liabilities as well as revenues and costs, are made based on historical data and other factors which are available and are considered to be proper in the given circumstances.

Assumptions regarding the future and the available data are used for assessing carrying amounts of assets and liabilities which cannot be determined unequivocally using other sources. In making estimates the Bank takes into consideration the reasons and sources of the uncertainties that are anticipated at the end of the reporting period. Actual results may differ from estimates.

Estimates and assumptions made by the Bank are subject to periodic reviews. Adjustments to estimates are recognised in the period in which the estimates were adjusted, provided that these adjustments affect only the given period. However, if the adjustments affect both the period in which the adjustments were made as well as future periods, they are recognised in the period in which the adjustments were made and in the future periods.

The most significant areas in which the Bank performs critical estimates are presented below:

2.3. Impairment of loans and advances

An impairment loss is incurred when there is an objective evidence of impairment due to one or more events that occurred after the initial recognition of the asset ('a loss event'), and the loss event has a reliably measurable impact on the expected future cash flows from the financial asset or group of financial assets. Future cash flows are assessed by the Bank on the basis of estimates based on historical parameters.

The methodology and assumptions used in the estimates are reviewed on a regular basis to minimise the differences between the estimated and actual loss amounts. The impact of an increase/decrease of cash flows for the Bank's loans and advances portfolio assessed for impairment on the basis of individual analysis of future cash flows arising both from own payments and realisation of collaterals, i.e. the exposures for which an individual method is applied and the impact of an increase/decrease of the amount of portfolio parameters for the Bank's loans and advances portfolio assessed on a portfolio and group basis is presented in the table below (in PLN million):

Estimated change in impairment of loans and advances resulting from:	30.06.2015		31.12.2014	
	+10% scenario	-10% scenario	+10% scenario	-10% scenario
change in the present value of estimated cash flows for the Bank's loans and advances portfolio individually determined to be impaired, assessed on an individual basis	(243)	353	(260)	405
change in probability of default	70	(70)	84	(84)
change in recovery rates	(474)	476	(478)	479

2.4. Valuation of derivatives and unlisted debt securities available for sale

The fair value of non-option derivatives is determined using valuation models based on discounted cash flows expected to be received from the given financial instrument. Options are valued using option pricing models. The variables and assumptions used in a valuation include, where available, data derived from observable markets.

The fair value of derivatives includes the Bank's own credit risk as well as counterparty credit risk. In case of derivative instruments adjustment of the valuation of derivatives reflecting counterparty credit risk CVA (credit value adjustment) and adjustment of the valuation of derivatives reflecting the Bank's own credit risk DVA (debt value adjustment) is calculated. The process of calculation of CVA and DVA adjustments includes the selection of method determining the spread of the counterparty's or the Bank's credit risk (e.g. a market price method based on the continuous price quotations of debt instruments issued by the counterparty, a method of spread implied from Credit Default Swap contracts), an estimation of the probability of default of the counterparty or the Bank and the recovery rate, the choice of a method for calculating CVA and DVA adjustments (the advanced method including collaterals or the simplified method) and calculation of the amount of CVA and DVA adjustments.

As at 30 June 2015, the amount of adjustments due to counterparty and Bank credit risk was PLN 3 million (net value).

The fair value of unlisted debt securities available for sale is determined using valuation models based on discounted cash flows expected to be received from the given financial instrument. In the valuation of unlisted debt securities available for sale, assumptions are also made about the counterparty's credit risk, which may have an impact on the pricing of the instruments. The credit risk of the securities, for which there is no reliable market price available, is included in the margin, for which the valuation methodology is consistent with the calculation of credit spreads to determine CVA and DVA adjustments.

The valuation techniques used by the Bank for non-option derivative instruments are based on yield curves based on available market data (deposit margins on interbank market, IRS quotations). The Bank conducted a simulation to assess the potential influence of changes of the yield curves on the transaction valuation.

The outcomes of simulation of estimated changes in valuation of non-option derivative instruments for parallel movements of yield curves are presented below:

a) for the whole portfolio of non-option derivative instruments (in PLN million):

Estimated change in valuation dueto parallel movement of yield curve by:	30.06.2015		31.12.2014	
	+50 b.p. scenario	-50 b.p. scenario	+50 b.p. scenario	-50 b.p. scenario
IRS	(59)	59	(47)	47
CIRS	(96)	100	(99)	104
other derivatives	-	-	(2)	2
Total	(155)	159	(148)	153

b) for derivative instruments that are designated to hedge accounting (in PLN million):

Estimated change in valuation dueto parallel movement of yield curve by:	30.06.2015		31.12.2014	
	+50 b.p. scenario	-50 b.p. scenario	+50 b.p. scenario	-50 b.p. scenario
IRS	(93)	94	(67)	68
CIRS	(96)	101	(99)	104
Total	(189)	195	(166)	172

2.5. Useful economic lives of tangible fixed assets, intangible assets and investment properties

In estimating useful economic lives of particular types of tangible fixed assets, intangible assets and investment properties, the following factors are considered:

1) expected physical wear and tear, estimated based on the average period of use recorded to date, reflecting the normal physical wear and tear rate, intensity of use, etc.,
2) technical or market obsolescence,
3) legal and other limitations on the use of the asset,
4) expected use of the asset assessed based on the expected production capacity or volume,
5) other factors affecting useful lives of such assets.

When the period of use of a given asset results from contract term, the useful life of such asset corresponds to the period defined in the contract. If the estimated useful life is shorter than the period defined in the contract, the estimated useful life is applied.
The impact of change in useful economic lives of assets being subject to depreciation and classified as land and buildings, influencing on the change of financial result is presented in the table below (in PLN million):

Change in useful economic lives of assets being subject to depreciation and classified as land and buildings	30.06.2015		31.12.2014	
	+10 years scenario	-10 years scenario	+10 years scenario	-10 years scenario
Depreciation costs	(55)	323	(46)	236

(IN PLN THOUSAND)

3. Explanation of differences between previously published financial statements and these financial statements in respect of bancassurance

The Bank has changed the presentation method concerning commission incomes and expenses from insurance brokerage (bancassurance) since the second quarter of 2015. Until the methodology change, incomes and costs from insurances were presented individually, i.e. received and accrued remuneration from brokerage services was noted in commission incomes, while insurance products sales costs were accounted in commission costs. Since the change, incomes and costs from insurance brokerage are compensated and presented in net values i.e. the received and accrued remuneration from brokerage services reduced by the Bank's insurance products sales costs are recognized by the Bank in commission incomes.

The above mentioned changes are only presentational and have no impact on the financial results presented in the financial statements.

The table below presents the influence of the changes in the presentation on compared data.

	01.01 – 30.06.2014 before restatement	changes in recognition of result from bancassurance	01.01 – 30.06.2014 restated
Continued operations			
Interest and similar income	4 872 353	-	4 872 353
Interest expense and similar charges	(1 440 277)	-	(1 440 277)
Net interest income	**3 432 076**	**-**	**3 432 076**
Fee and commission income	1 875 177	(53 177)	1 822 000
Fee and commission expense	(540 220)	53 177	(487 043)
Net fee and commission income	**1 334 957**	**-**	**1 334 957**
Dividend income	79 832	-	79 832
Net income from financial instruments measured at fair value	42 289	-	42 289
Gains less losses from investment securities	37 800	-	37 800
Net foreign exchange gains (losses)	181 960	-	181 960
Other operating income	67 934	-	67 934
Other operating expense	(40 573)	-	(40 573)
Net other operating income and expense	**27 361**	**-**	**27 361**
Net impairment allowance and write-downs	(936 934)	-	(936 934)
Administrative expenses	(2 128 199)	-	(2 128 199)
Operating profit	**2 071 142**	**-**	**2 071 142**
Profit before income tax	**2 071 142**	**-**	**2 071 142**
Income tax expense	(391 842)	-	(391 842)
Net profit	**1 679 300**	**-**	**1 679 300**

(IN PLN THOUSAND)

NOTES TO THE INCOME STATEMENT

4. Interest income and expense

Interest and similar income

	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015	II quarter period from 01.04.2014 to 30.06.2014	2 quarters cumulative period from 01.01.2014 to 30.06.2014
Interest income calculated using the effective interest rate method, with respect to financial assets, which are not measured at fair value through profit and loss, of which:	2 097 472	4 294 220	2 282 103	4 486 549
Income from loans and advances to customers, of which:*	1 901 933	3 901 984	2 099 277	4 135 397
from impaired loans	78 240	159 181	109 277	223 337
Income from investment securities available for sale	170 372	337 110	135 335	264 670
Income from placements with banks	22 439	50 568	36 445	73 075
Income from loans to banks	2 435	3 300	10 000	11 219
Other	293	1 258	1 046	2 188
Other income, of which:	180 379	360 156	188 450	385 804
Income from derivative hedging instruments	116 752	212 235	82 917	171 114
Income from financial assets designated upon initial recognition at fair value through profit and loss	49 292	120 862	90 008	186 700
Income from trading assets	14 335	27 059	15 525	27 990
Total	2 277 851	4 654 376	2 470 553	4 872 353

*In the six-month period of 2015 the value of decline of the interest income due to negative LIBOR amounted to PLN (203) thousand and in the second quarter of 2015 it amounted to PLN (202) thousand. In 2014 the negative LIBOR did not occur.

Interest expense and similar charges

	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015	II quarter period from 01.04.2014 to 30.06.2014	2 quarters cumulative period from 01.01.2014 to 30.06.2014
Interest expense calculated using the effective interest rate method, with respect to financial liabilities, which are not measured at fair value through profit and loss, of which:	(641 777)	(1 383 169)	(739 330)	(1 434 578)
Interest expense on amounts due to customers	(597 966)	(1 280 260)	(688 214)	(1 343 283)
Interest expense on debt securities in issue and subordinated liabilities	(17 810)	(37 921)	(22 316)	(44 392)
Interest expense on loans from banks	(10 655)	(32 442)	(18 854)	(26 748)
Premium expense on debt securities available for sale	(14 870)	(29 782)	(7 061)	(14 880)
Interest expense on deposits from banks	(476)	(2 764)	(2 885)	(5 275)
Other expense	(7 612)	(16 189)	(2 748)	(5 699)
Expense on financial assets designated upon initial recognition at fair value through profit and loss	(3 819)	(8 168)	(1 381)	(3 131)
Expense on trading assets	(3 793)	(8 021)	(1 367)	(2 568)
Total	(649 389)	(1 399 358)	(742 078)	(1 440 277)

(IN PLN THOUSAND)

5. Fee and commission income and expense

Fee and commission income

	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015	II quarter period from 01.04.2014 to 30.06.2014 restated	2 quarters cumulative period from 01.01.2014 to 30.06.2014 restated
Income from financial assets, which are not measured at fair value through profit and loss, of which:	162 794	310 740	143 685	275 890
income from loans and advances granted	162 794	310 740	143 685	275 890
Other commissions from:	703 633	1 357 320	787 418	1 544 474
payment cards	246 771	457 020	369 969	705 565
maintenance of bank accounts	230 666	457 261	222 995	453 473
loans insurance	19 388	50 890	37 252	80 524
maintenance of investment funds (including management fees)	79 218	144 888	58 191	114 031
cash transactions	22 667	46 261	25 569	51 587
securities transactions	20 970	54 371	21 094	41 490
servicing foreign mass transactions	15 846	33 622	14 497	28 017
providing the services of an agent for the issue of Treasury bonds	3 670	8 188	4 971	11 516
sale and distribution of court fee stamps	3 245	5 503	1 143	2 500
investment and insurance products	5 343	9 462	-	-
Other*	55 849	89 854	31 737	55 771
Income from fiduciary activities	930	2 002	729	1 636
Total	867 357	1 670 062	931 832	1 822 000

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

Fee and commission expense on:

	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015	II quarter period from 01.04.2014 to 30.06.2014 restated	2 quarters cumulative period from 01.01.2014 to 30.06.2014 restated
payment cards	(102 718)	(223 315)	(196 448)	(366 752)
acquisition services	(17 306)	(34 962)	(21 155)	(42 515)
settlement services	(6 575)	(15 629)	(5 634)	(13 618)
fee and commissions for operating services provided by banks	(4 135)	(11 518)	(2 912)	(6 101)
other*	(43 294)	(74 410)	(29 422)	(58 057)
Total	(174 028)	(359 834)	(255 571)	(487 043)

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

6. Net income from financial instruments measured at fair value

	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015	II quarter period from 01.04.2014 to 30.06.2014	2 quarters cumulative period from 01.01.2014 to 30.06.2014
Derivative instruments, of which:	29 726	40 429	1 779	13 191
an ineffective portion related to cash flow hedges	708	3 412	3 069	6 494
Structured bank securities measured at fair value through profit and loss	192	(7 179)	(2 326)	(5 734)
Debt securities	(37 288)	(29 931)	29 074	33 934
Equity instruments	(3 065)	(2 113)	739	898
Total	(10 435)	1 206	29 266	42 289

(IN PLN THOUSAND)

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

	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015	II quarter period from 01.04.2014 to 30.06.2014	2 quarters cumulative period from 01.01.2014 to 30.06.2014
Gain/loss due to change in value of assets available for sale recognised directly in other comprehensive income during the period	(252 673)	(218 326)	60 900	69 194
Gain/loss derecognised from other comprehensive income recognised in income statement in the position 'Gains less losses from investment securities' on:	23 027	76 949	31 946	37 800
gain from sale derecognised from other comprehensive income	25 627	83 156	34 442	40 576
loss on sale derecognised from other comprehensive income	(2 600)	(6 207)	(2 496)	(2 776)
Impact on other comprehensive income (gross), position 'Unrealised net gains on financial assets available for sale (gross)'	(229 646)	(141 377)	92 846	106 994

8. Other operating income and expense

	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015	II quarter period from 01.04.2014 to 30.06.2014	2 quarters cumulative period from 01.01.2014 to 30.06.2014
Sale and disposal of tangible fixed assets, intangible assets and assets held for sale	(3 734)	29 780	29 578	32 223
Sundry income	5 463	10 535	4 529	9 303
Recovery of expired and written-off receivables	3 504	12 955	3 475	5 574
Other	14 744	27 693	14 560	20 834
Total	19 977	80 963	52 142	67 934

	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015	II quarter period from 01.04.2014 to 30.06.2014	2 quarters cumulative period from 01.01.2014 to 30.06.2014
Costs of sale and disposal of tangible fixed assets, intangible assets and assets held for sale	(3 544)	(16 367)	(15 504)	(19 998)
Donations	(1 743)	(2 032)	(4 912)	(6 226)
Sundry expense	(1 580)	(2 905)	(1 064)	(2 428)
Other	(17 351)	(26 106)	(6 867)	(11 921)
Total	(24 218)	(47 410)	(28 347)	(40 573)

(IN PLN THOUSAND)

9. Net impairment allowance and write-downs

For the six month period ended 30 June 2015	Note	Value at the beginning of the period	Increases		Decreases			Value at the end of the period	Net- impact on the statement
			Recognised during the period	Other	Derecognition of assets and settlement	Reversed during the period	Other		
Investment securities available for sale	21	127 747	2 227	-	102 282	-	-	27 692	(2 227)
Equity securities		127 747	2 227	-	102 282	-	-	27 692	(2 227)
Amounts due from banks	15	11 596	725	1 931	-	3 403	-	10 849	2 678
Loans and advances to customers measured at amortised cost	20	7 527 200	2 710 228	262 673	583 660	1 913 267	52 890	7 950 284	(796 961)
Non-financial sector		7 504 886	2 581 638	260 942	520 124	1 862 075	51 963	7 913 304	(719 563)
corporate loans		3 869 710	1 335 803	34 637	182 912	970 458	9 752	4 077 028	(365 345)
housing loans		2 247 418	646 842	180 726	150 751	472 208	41 544	2 410 483	(174 634)
consumer loans		1 295 876	598 212	45 502	186 461	419 409	667	1 333 053	(178 803)
debt securities		91 882	781	77	-	-	-	92 740	(781)
Financial sector		6 854	123 382	928	61 905	49 585	861	18 813	(73 797)
corporate loans		6 854	123 382	928	61 905	49 585	861	18 813	(73 797)
Public sector		15 460	5 208	803	1 631	1 607	66	18 167	(3 601)
corporate loans		12 638	5 127	803	1 631	1 607	-	15 330	(3 520)
debt securities		2 822	81	-	-	-	66	2 837	(81)
Non-current assets held for sale	23	155 934	-	267 003	-	-	-	422 937	-
Tangible fixed assets	24	18	-	-	-	-	-	18	-
Intangible assets	24	15 373	-	-	-	-	-	15 373	-
Investments in subsidiaries, joint ventures and associates	22	1 120 101	2 399	-	62 062	32 419	265 878	762 141	30 020
Other receivables		145 672	21 412	171	3 595	14 240	-	149 420	(7 172)
Provision for legal claims, loan commitments and guarantees granted	30	133 078	159 342	-	-	182 833	2 448	107 139	23 491
Provisions for future liabilities		9 250	1 025	-	399	2 041	-	7 835	1 016
Total		9 245 969	2 897 358	531 778	751 998	2 148 203	321 216	9 453 688	(749 155)

(IN PLN THOUSAND)

For the six month period ended 30 June 2014	Note	Value at the beginning of the period	Increases		Decreases			Value at the end of the period	Net- impact on the statement
			Recognised during the period	Other	Derecognition of assets and settlement	Reversed during the period	Other		
Investment securities available for sale	21	33 355	91	-	-	-	12 455	20 991	(91)
Debt securities available for sale		3 296	91	-	-	-	-	3 387	(91)
Equity securities		30 059	-	-	-	-	12 455	17 604	-
Amounts due from banks	15	40 237	4 290	698	-	2 599	-	42 626	(1 691)
Loans and advances to customers measured at amortised cost	20	6 381 232	2 843 329	14 680	694 027	1 957 556	-	6 587 658	(885 773)
Non-financial sector		6 361 891	2 826 352	14 614	693 715	1 948 923	-	6 560 219	(877 429)
corporate loans		3 229 736	1 506 313	3 170	484 580	869 981	-	3 384 658	(636 332)
housing loans		1 704 404	670 530	9 990	67 986	542 363	-	1 774 575	(128 167)
consumer loans		1 400 664	637 139	1 454	141 149	536 579	-	1 361 529	(100 560)
debt securities		27 087	12 370	-	-	-	-	39 457	(12 370)
Financial sector		7 814	16 851	5	312	7 945	-	16 413	(8 906)
corporate loans		7 814	16 851	5	312	7 945	-	16 413	(8 906)
Public sector		11 527	126	61	-	688	-	11 026	562
corporate loans		10 549	126	61	-	681	-	10 055	555
debt securities		978	-	-	-	7	-	971	7
Non-current assets held for sale	23	165 226	48 531	-	236	-	-	213 521	(48 531)
Tangible fixed assets	24	34	-	-	16	-	-	18	-
Intangible assets	24	17 154	-	-	-	1 781	-	15 373	1 781
Investments in subsidiaries, joint ventures and associates	22	842 040	14 918	-	-	-	-	856 958	(14 918)
Other receivables		143 335	18 195	18	643	11 327	-	149 578	(6 868)
Provision for legal claims, loan commitments and guarantees granted	30	145 124	187 087	232	-	205 961	-	126 482	18 874
Provisions for future liabilities		5 396	925	-	504	1 208	-	4 609	283
Total		7 773 133	3 117 366	15 628	695 426	2 180 432	12 455	8 017 814	(936 934)

10. Administrative expenses

	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015	II quarter period from 01.04.2014 to 30.06.2014	2 quarters cumulative period from 01.01.2014 to 30.06.2014
Employee benefits	(619 390)	(1 257 532)	(579 389)	(1 119 604)
Overheads	(327 383)	(673 303)	(286 952)	(559 635)
Amortisation and depreciation, of which:	(182 858)	(372 163)	(155 361)	(308 015)
tangible fixed assets	(74 710)	(159 116)	(62 389)	(125 992)
intangible assets	(108 147)	(213 045)	(92 971)	(182 021)
investments properties	(1)	(2)	(1)	(2)
Taxes and other charges	(12 055)	(23 785)	(22 766)	(36 035)
Contribution and payments to the Bank Guarantee Fund*	(111 214)	(222 428)	(52 539)	(104 910)
Total	(1 252 900)	(2 549 211)	(1 097 007)	(2 128 199)

* The rules of the recognition of the BGF fee are described in note 2 ' Summary of significant accounting policies, estimates and judgements'.

Employee benefits

	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015	II quarter period from 01.04.2014 to 30.06.2014	2 quarters cumulative period from 01.01.2014 to 30.06.2014
Wages and salaries, of which:	(513 299)	(1 039 221)	(486 319)	(929 752)
expenses on employee pension programme	(11 047)	(22 822)	(10 061)	(17 522)
Social insurance, of which:	(87 162)	(182 373)	(77 040)	(158 487)
contributions for retirement pay and pensions	(74 043)	(156 962)	(68 132)	(142 831)
Other employee benefits	(18 929)	(35 938)	(16 030)	(31 365)
Total	(619 390)	(1 257 532)	(579 389)	(1 119 604)

11. Income tax expense

	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015	II quarter period from 01.04.2014 to 30.06.2014	2 quarters cumulative period from 01.01.2014 to 30.06.2014
Current income tax expense	(130 195)	(344 965)	(257 643)	(432 275)
Deferred income tax related to creating and reversal of temporary differences	(12 274)	31 953	63 215	40 433
Tax expenses in the income statement	(142 469)	(313 012)	(194 428)	(391 842)
Tax expense in other comprehensive income related to creating and reversal of temporary differences	57 611	49 446	(38 670)	(49 196)
Total	(84 858)	(263 566)	(233 098)	(441 038)

	30.06.2015	31.12.2014
Deferred income tax asset	1 510 114	1 448 670
Deferred income tax liability	757 310	777 266
Total	752 804	671 404

12. Earnings per share

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

Earnings per share

	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015	II quarter period from 01.04.2014 to 30.06.2014	2 quarters cumulative period from 01.01.2014 to 30.06.2014
Profit per ordinary shareholders (in PLN thousand)	735 177	1 382 003	832 585	1 679 300
Weighted average number of ordinary shares during the period (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Earnings per share (in PLN per share)	0.59	1.11	0.67	1.34

Diluted earnings per share and earnings per share from discontinued operations

In the first six months of 2015 and in 2014 there were no dilutive instruments and there were no significant expenses or income from discontinued operations.

13. Dividends declared divided by shares

Pursuant to the Resolution No. 7/2015 of the Ordinary General Shareholders' Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna dated 25 June 2015, it was decided to distribute the net profit for the financial year 2014 and undistributed profits from previous years in accordance with the recommendation of the Management Board for reserve capital and the amount of PLN 1 250 000 thousand was left undistributed, without earmarking amounts for dividend payments.

The Bank received from the Polish Financial Supervision Authority the recommendation to withhold the entire net profit earned by PKO Bank Polski SA for the period from 1 January 2014 till 31 December 2014 - until the supervision authority determines the additional capital requirement for the Bank.

(IN PLN THOUSAND)

NOTES TO THE STATEMENT OF FINANCIAL POSITION

14. Cash and balances with the central bank

	30.06.2015	31.12.2014
Current account in the central bank	8 781 092	7 772 856
Cash	3 113 890	3 925 385
Other funds	6	7
Total	**11 894 988**	**11 698 248**

15. Amounts due from banks

	30.06.2015	31.12.2014
Deposits with banks	2 982 665	1 602 613
Current accounts	492 814	721 366
Loans and advances granted	341 040	295 004
Receivables due from repurchase agreements	22 243	-
Cash in transit	346	1 160
Total	**3 839 108**	**2 620 143**
Impairment allowances on receivables	(10 849)	(11 596)
Net total	**3 828 259**	**2 608 547**

16. Trading assets

At carrying amounts	30.06.2015	31.12.2014
Debt securities	1 513 520	1 919 353
issued by the State Treasury, of which:	1 407 904	1 825 454
Treasury bonds PLN	1 402 852	1 825 454
Treasury bonds EUR	5 052	-
issued by local government bodies, municipal bonds PLN	50 638	50 563
issued by non-financial institutions, of which:	33 623	22 146
corporate bonds PLN	33 578	22 137
corporate bonds EUR	45	9
issued by other financial institutions, of which:	5 710	6 559
bonds issued by WSE PLN	1 340	2 248
bonds issued by PKO Finance AB EUR	4 239	4 233
corporate bonds PLN	131	78
issued by banks	15 645	14 631
Shares in other entities – listed on stock exchange	17 127	5 137
Investment certificates	5 775	3 891
Rights to shares	-	278
Total	**1 536 422**	**1 928 659**

Securities held by the Brokerage House are included in the portfolio of financial assets held for trading.

17. Derivative financial instruments

As at 30 June 2015 and as at 31 December 2014, the Bank held the following types of derivative instruments:

	30.06.2015		31.12.2014	
	Assets	Liabilities	Assets	Liabilities
Hedging instruments	271 965	1 293 867	599 841	494 961
Other derivative instruments	3 703 966	3 805 693	4 883 667	5 050 541
Total	**3 975 931**	**5 099 560**	**5 483 508**	**5 545 502**

(IN PLN THOUSAND)

Fair value of derivative financial instruments

Type of contract	30.06.2015		31.12.2014	
	Assets	Liabilities	Assets	Liabilities
IRS	3 147 347	3 065 344	4 592 893	4 439 830
CIRS	273 847	1 558 486	340 970	616 997
FX Swap	184 289	187 207	227 857	237 542
Opcje	222 477	164 033	172 680	133 912
FRA	33 899	39 377	59 078	63 505
Forward	113 776	83 216	89 113	53 043
Other	296	1 897	917	673
Total	**3 975 931**	**5 099 560**	**5 483 508**	**5 545 502**

18. Derivative hedging instruments

As at 30 June 2015 the Bank applies the following hedging strategies:

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

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

Hedged risk - currency risk and interest rate risk

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

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

Periods in which cash flows are expected and in which they should have an impact on the financial result – July 2015 - October 2026.

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

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

Hedged risk - interest rate risk.

Hedging instrument - IRS transactions where the Bank pays coupons based on floating 3M WIBOR rate, and receives coupons based on a fixed rate on the nominal value for which they were concluded.

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

Periods in which cash flows are expected and in which they should have an impact on the financial result – July 2015- June 2020.

18.3 Hedges against fluctuations in cash flows from floating interest rate loans in EUR, resulting from the risk of fluctuations in interest rates, using IRS transactions

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

Hedged risk - interest rate risk.

Hedging instrument - IRS transactions, where the Bank pays coupons based on floating 3M EURIBOR rate, and receives coupons based on a fixed rate on the nominal value for which they were concluded.

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

Periods in which cash flows are expected and in which they should have an impact on the financial result – July 2015 - June 2016.

18.4 Hedges against fluctuations in cash flows from floating interest rate loans in CHF, resulting from the risk of fluctuations in interest rates, using IRS transactions

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

Hedged risk - interest rate risk.

(IN PLN THOUSAND)

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

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

Periods in which cash flows are expected and in which they should have an impact on the financial result – July 2015 - July 2016.

18.5 Hedges against fluctuations in cash flows from floating interest rate loans in foreign currencies, resulting from the risk of fluctuations in interest rates and from foreign exchange rate risk and hedges against fluctuations in cash flows from fixed interest rate financial liability in foreign currencies, resulting from foreign exchange rate risk, using CIRS transactions

Description of hedge relationship - elimination of the risk of cash flow fluctuations of floating interest rate loans in foreign currencies, resulting from the risk of fluctuations in interest rates and from foreign exchange rate risk and elimination of the risk of cash flow fluctuations of fixed interest rate financial liability in foreign currency, resulting from foreign exchange rate risk, using CIRS transactions.

Hedged risk - currency risk and interest rate risk.

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

Hedged position - the portfolio of floating interest rate mortgage loans denominated in CHF and fixed interest rate financial liability denominated in USD.

Periods in which cash flows are expected and in which they should have an impact on the financial result – July 2015 - September 2022.

As at 30 June 2015 and as at 31 December 2014, the Bank did not use the fair value hedge.

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

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

Cash flow hedges

The fair value of derivative instruments constituting cash flow hedges related to the interest rate and/or foreign exchange rate as at 30 June 2015 and as at 31 December 2014, amounts to respectively:

Type of instrument:	Carrying amount/fair value			
	30.06.2015		31.12.2014	
	Assets	Liabilities	Assets	Liabilities
IRS	271 965	25 540	421 101	-
CIRS	-	1 268 327	178 740	494 961
Total	**271 965**	**1 293 867**	**599 841**	**494 961**

The nominal value of hedging instruments by maturity.

Type of instrument:	Nominal value as at 30 June 2015					
	up to 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	over 5 years	Total
IRS PLN fixed - float	-	130 000	8 058 000	4 820 000	-	**13 008 000**
IRS EUR fixed - float:						
translated into PLN	79 694	88 082	3 280 021	-	-	**3 447 797**
EUR (original currency)	19 000	21 000	782 000	-	-	**822 000**
IRS CHF fixed - float:						
translated into PLN	-	-	-	1 010 300	-	**1 010 300**
CHF (original currency)	-	-	-	250 000	-	**250 000**
CIRS float CHF/float PLN						
float PLN	1 393 253	-	2 525 365	4 549 323	2 495 375	**10 963 316**
float CHF	375 000	-	750 000	1 245 000	725 000	**3 095 000**
CIRS fixed USD/float CHF						
fixed USD	-	-	-	-	875 000	**875 000**
float CHF	-	-	-	-	814 481	**814 481**

(IN PLN THOUSAND)

Type of instrument:	Nominal value as at 31 December 2014					
	up to 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	over 5 years	Total
IRS PLN fixed - float	-	2 540 000	3 264 000	6 114 000	-	**11 918 000**
IRS EUR fixed – float:						
translated into PLN	-	-	1 538 690	473 115	-	**2 011 805**
EUR (original currency)	-	-	361 000	111 000	-	**472 000**
IRS CHF fixed – float:						
translated into PLN	-	-	-	886 175	-	**886 175**
CHF (original currency)	-	-	-	250 000	-	**250 000**
CIRS float CHF/float PLN						
float PLN	525 690	-	3 598 193	4 079 294	2 664 515	**10 867 692**
float CHF	150 000	-	1 075 000	1 195 000	775 000	**3 195 000**
CIRS fixed USD/float CHF						
fixed USD	-	-	-	-	875 000	**875 000**
float CHF	-	-	-	-	814 481	**814 481**

The nominal values were translated using the average NBP rate as at 30 June 2015 and as at 31 December 2014 respectively.

Other comprehensive income as regards cash flow hedges:

Other comprehensive income as regards cash flow hedges	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015	II quarter period from 01.04.2014 to 30.06.2014	2 quarters cumulative period from 01.01.2014 to 30.06.2014
Other comprehensive income at the beginning of the period, gross	(38 870)	6 425	(113 796)	(155 053)
Gains transferred to other comprehensive income in the period	(435 232)	(1 406 305)	183 215	184 073
Amount transferred from other comprehensive income to income statement, of which:	361 667	1 287 445	(72 537)	(32 138)
- interest income	(116 752)	(212 235)	(82 917)	(171 114)
- net foreign exchange gains	478 419	1 499 680	10 380	138 976
Accumulated other comprehensive income at the end of the period, gross	(112 435)	(112 435)	(3 118)	(3 118)
Tax effect	21 363	21 363	592	592
Accumulated other comprehensive income at the end of the period, net	(91 072)	(91 072)	(2 526)	(2 526)
Ineffective part of cash flow hedges recognised in the income statement	708	3 412	3 069	6 494
Effect on other comprehensive income in the period, gross	(73 566)	(118 860)	110 678	151 935
Deferred tax on cash flow hedges	13 978	22 584	(21 029)	(28 868)
Effect on other comprehensive income in the period, net	**(59 588)**	**(96 276)**	**89 649**	**123 067**

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

By carrying amount	30.06.2015	31.12.2014
Debt securities	11 183 826	13 417 667
issued by central banks, NBP money market bills	8 224 021	10 998 812
issued by the State Treasury, Treasury bonds PLN	2 714 016	2 165 038
Treasury bonds PLN	1 617 381	2 165 038
Treasury bonds EUR	84 315	-
Treasury bonds CHF	1 012 320	-
issued by local government bodies, of which:	245 789	253 817
municipal bonds EUR	133 425	139 882
municipal bonds PLN	112 364	113 935
Total	**11 183 826**	**13 417 667**

(IN PLN THOUSAND)

20. Loans and advances to customers

	30.06.2015	31.12.2014
Loans and advances to customers, gross, of which:	191 865 734	185 084 771
financial sector	6 043 913	5 334 058
corporate, of which:	5 169 629	5 031 085
deposits of the Brokerage House of PKO Bank Polski SA in the Stock Exchange Guarantee Fund and initial deposit	10 569	11 440
receivables due from repurchase agreements	874 284	302 973
non-financial sector	175 824 073	169 725 839
housing	102 456 756	97 959 884
corporate	49 139 338	48 201 845
consumer	22 179 680	21 455 129
debt securities (corporate)	2 048 299	2 108 981
public sector	9 997 748	10 024 874
corporate	7 161 214	7 202 375
debt securities (municipal)	2 836 534	2 822 499
Impairment allowances on loans and advances	(7 950 284)	(7 527 200)
Loans and advances to customers, net	**183 915 450**	**177 557 571**

In the first half of 2015, the PKO Bank Polski SA remitted USD 8 250 thousand loan granted to Finansowa Kompania „Prywatne Inwestycje" Sp. z o.o. and USD 8 284 thousand loan granted to Finansowa Kompania „Idea Kapitał" Sp. z o.o. and also interest payable on the loans mentioned above (ie. The value of loans that remained to be repaid). Remission were carried out at the request of the above mentioned companies, due to the economic situation of Ukraine, in particular on progressive devaluation of the hryvnia resulting in the inability to obtain the Company's revenues from recoveries of receivables in UAH at the amount required to repay the loans received from the Bank and the limitations of the National Bank of Ukraine in terms of exchange and transfer of currency abroad.

By client segment	30.06.2015	31.12.2014
Loans and advances granted, gross, of which:	191 865 734	185 084 771
mortgage banking	95 505 276	90 622 919
corporate	51 390 514	51 188 599
retail and private banking	22 179 680	21 455 129
small and medium enterprises	21 905 411	21 503 711
receivables due from repurchase agreements	874 284	302 973
deposits of the Brokerage House of PKO Bank Polski SA in the Stock Exchange Guarantee Fund	10 569	11 440
Impairment allowances on loans and advances	(7 950 284)	(7 527 200)
Loans and advances granted, net	**183 915 450**	**177 557 571**

The structure of loans and advances presented in the note:

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

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

30 June 2015	nominal value	fair value	carrying amount
Municipal bonds	819 233	820 433	826 176
Corporate bonds	582 000	591 340	518 996
Total	**1 401 233**	**1 411 773**	**1 345 172**

(IN PLN THOUSAND)

31 December 2014	nominal value	fair value	carrying amount
Municipal bonds	850 183	847 435	853 129
Corporate bonds	631 640	640 689	568 483
Total	1 481 823	1 488 124	1 421 612

Loans and advances to customers by method of calculating impairment allowances	30.06.2015	31.12.2014
Assessed on an individual basis, of which:	6 743 411	6 616 005
impaired	5 220 626	5 138 087
not impaired	1 522 785	1 477 918
Assessed on a portfolio basis, impaired	7 483 677	7 209 870
Assessed on a group basis (IBNR)	177 638 646	171 258 896
Loans and advances to customers, gross	191 865 734	185 084 771
Impairment allowances on exposures assessed on an individual basis, of which:	(2 747 159)	(2 599 180)
impaired	(2 738 601)	(2 583 402)
Impairment allowances on exposures assessed on a portfolio basis	(4 539 437)	(4 322 663)
Impairment allowances on exposures assessed on a group basis (IBNR)	(663 688)	(605 357)
Impairment allowances - total	(7 950 284)	(7 527 200)
Loans and advances to customers, net	183 915 450	177 557 571

A detailed description of changes in allowances has been presented in the note 9 'Net impairment allowance and write-downs'.

As at 30 June 2015, the share of impaired loans amounted to 6.6% (as at 31 December 2014: 6.7%), whereas the coverage ratio for impaired loans as at 30 June 2015 (calculated as total impairment allowances on loans and advances to customers divided by gross carrying amount of impaired loans) amounted to 62.6% (as at 31 December 2014: 61.0%).

As at 30 June 2015, the share of loans overdue by more than 90 days in the gross amount of loans and advances was 5.0% (as at 31 December 2014: 4.9%).

21. Investment securities available for sale

	30.06.2015	31.12.2014
Debt securities available for sale, gross	25 280 970	21 794 141
issued by the State Treasury, Treasury Bonds PLN	15 934 231	12 458 348
issued by local government bodies, municipal bonds PLN	4 344 647	4 480 325
issued by non-financial institutions	3 256 690	3 466 982
corporate bonds PLN	2 728 286	2 951 605
corporate bonds EUR	312 256	315 965
corporate bonds USD	216 148	199 412
issued by other financial institutions, corporate bonds PLN	226 138	184 914
issued by banks, corporate bonds	1 519 264	1 203 572
corporate bonds PLN	1 475 464	1 112 705
corporate bonds EUR	43 800	90 867
Total net debt securities available for sale	25 280 970	21 794 141
Equity securities available for sale, gross	280 912	425 742
Equity securities not admitted to public trading	223 223	395 345
Equity securities admitted to public trading	57 689	30 397
Impairment allowances on equity securities available for sale	(27 692)	(127 747)
Total net equity securities available for sale	253 220	297 995
Total net investment securities available for sale	25 534 190	22 092 136

(IN PLN THOUSAND)

22. Investments in subsidiaries, joint ventures and associates and a description of changes to the entities of the Group

As at 30 June 2015, the Bank's investments in subsidiaries, joint ventures and associates have been recognised at acquisition cost adjusted by impairment allowances.

22.1 Investments in subsidiaries, joint ventures and associates

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

As at 30 June 2015	Gross value	Impairment	Carrying amount
Subsidiaries			
KREDOBANK SA	1 018 069	(760 641)	257 428
PKO Bank Hipoteczny SA	300 000	-	300 000
PKO Życie Towarzystwo Ubezpieczeń SA	232 636	-	232 636
PKO BP BANKOWY PTE SA	205 786	-	205 786
PKO Towarzystwo Funduszy Inwestycyjnych SA	186 989	-	186 989
Merkury - fiz an[1]	120 000	-	120 000
PKO Leasing SA	98 000	-	98 000
Bankowe Towarzystwo Ubezpieczeń SA	88 000	-	88 000
Neptun - fiz an[1]	71 665	-	71 665
PKO BP Finat Sp. z o.o.	71 295	-	71 295
PKO Finance AB	172	-	172
Joint ventures			
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	197 320	-	197 320
Associates			
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	1 500	(1 500)	-
Total	**2 591 432**	**(762 141)**	**1 829 291**

1) PKO Bank Polski SA has investment certificates of the Fund, which, according to IFRS 10, allow to control the Fund.

As at 31 December 2014	Gross value	Impairment	Carrying amount
Subsidiaries			
KREDOBANK SA	1 018 069	(760 641)	257 428
PKO Bank Hipoteczny SA	300 000	-	300 000
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.	283 624	(244 162)	39 462
PKO BP BANKOWY PTE SA	205 786	-	205 786
PKO Towarzystwo Funduszy Inwestycyjnych SA	186 989	-	186 989
PKO Życie Towarzystwo Ubezpieczeń SA	184 636	-	184 636
Merkury - fiz an[1]	120 000	-	120 000
PKO Leasing SA	98 000	-	98 000
PKO BP Finat Sp. z o.o.	71 295	-	71 295
'CENTRUM HAFFNERA' Sp. z o.o.	44 371	(44 371)	-
Bankowe Towarzystwo Kapitałowe SA	30 566	(10 666)	19 900
'Inter-Risk Ukraina' Additional liability company	27 549	(20 441)	7 108
PKO Finance AB	172	-	172
Joint ventures			
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	197 320	-	197 320
Centrum Obsługi Biznesu' Sp. z o.o.	17 498	(9 466)	8 032
Associates			
Bank Pocztowy SA	146 500	(28 854)	117 646
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	1 500	(1 500)	-
Total	**2 933 875**	**(1 120 101)**	**1 813 774**

1) PKO Bank Polski SA has investment certificates of the Fund, which, according to IFRS 10, allow to control the Fund.

22.2 Changes to the entities of the Group

In the first half of 2015, the following events affecting the structure of the PKO Bank Polski SA Group took place:

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

   On 9 January 2015, Qualia 2 Sp. z o.o. was registered with the National Court Register. The Company's share capital amounts to PLN 5 thousand and is divided into 100 shares with a nominal value of PLN 50 each. As at the date of the Company's incorporation, Qualia Development Sp. z o.o. acquired 99 shares and Qualia Sp. z o.o. acquired 1 share. On 14 January 2015, Qualia Development Sp. z o.o. repurchase from Qualia Sp. z o.o. 1 share at a price equal to the nominal value of the share.

Qualia 2 Sp. z o.o. took over from Qualia Sp. z o.o. all the rights and obligations of the general partner in Qualia spółka z ograniczoną odpowiedzialnością – Nowy Wilanów Sp. k. – agreement of sale of all rights and obligations in this regard was concluded on 14 January 2015.

At the same time, in connection with the above-described changes, on 2 February 2015, the change of the name of Qualia spółka z ograniczoną odpowiedzialnością – Nowy Wilanów Sp. k. was registered with the National Court Register - the current name is: Qualia 2 spółka z ograniczoną odpowiedzialnością – Nowy Wilanów Sp. k.

2. concerning entity PKO Towarzystwo Ubezpieczeń SA

On 10 February 2015, PKO Bank Polski SA established PKO Towarzystwo Ubezpieczeń SA with a share capital of PLN 20 000 thousand. The Bank took 20 000 name shares of nominal value PLN 1 000 each and emission price equal PLN 3 650 for each share ei. For the total amount of PLN 73 000 thousand in return from money input. Bank also put to the Entity PLN 15 000 thousand on organization fund.

On 10 March 2015, the Polish Financial Supervision Authority issued a decision in which it authorised the exercise of insurance activities in branch II (non-life insurance) by the above mentioned Company. On 12 March 2015 the above mentioned capital has been paid.

The Company was registered with the National Court Register on 13 April 2015 and has not commenced operations until 30 June 2015.

3. concerning entity PKO Bankowy Leasing Sp. z o.o.

The share capital increase of PKO Bankowy Leasing Sp. z o.o by PLN 20 000 thousand was registered in National Court Register on 13 April 2015. All shares in the increased Company's share capital were acquired by PKO Leasing SA – a subsidiary of the Bank, for a price equal to the nominal value of the acquired shares. All shares in the increased capital were acquired by the current sole shareholder - PKO Leasing SA. PKO Leasing SA remains the sole shareholder of the Company.

On 30 June 2015 roku, the share capital of the Company amounts to PLN 120 000 thousand and consists of 240 000 shares, each of PLN 500 nominal value.

4. concerning entity 'Centrum Majkowskiego' Sp. z o.o. in liquidation

On 4 May 2015 the Entity 'Centrum Majkowskiego' Sp. z o.o. in liquidation, the subsidiary of 'CENTRUM HAFFNERA' Sp. z o.o, was removed from National Court Register.

5. concerning entity PKO Życie Towarzystwo Ubezpieczeń SA

On 9 June 2015 a decrease in the share capital of PKO Życie Towarzystwo Ubezpieczeń SA of PLN 103 221 thousand through redemption of 925 000 shares of PLN 111.59 nominal value and also an increase in share capital by PKO Bank Polski SA acquisition of 1 normal name share of PLN 111.59 nominal value for the emission price of PLN 48 000 thousand, was registered with the National Court Register.

On 30 June 2015 the share capital of PKO Życie Towarzystwo Ubezpieczeń SA is PLN 89 309 thousand and is divided into 800 330 shares with nominal value of PLN 111.59 each.

6. concerning entity PKO BP Faktoring SA

In June 2015 the entity Bankowe Towarzystwo Kapitałowe SA holding 8 999 shares and PKO Bank Polski SA holding 1 share, sold the entire stock of shares of PKO BP Faktoring SA to the entity PKO Leasing SA.

As of 30 June 2015 the entity PKO Leasing SA (subsidiary of the Bank) is the sole shareholder of PKO BP Faktoring SA.

7. concerning NEPTUN- non-public assets closed-end investment fund

In June 2015 PKO Bank Polski SA acquired 1 300 000 A series investment certificates and 5 463 694 B series investment certificates of NEPTUN - non-public assets closed-end investment fund. The acquisition value amounted to PLN 71 665 thousand. Series B certificates were acquired for non - financial contribution of shares of Bankowe Towarzystwo Kapitałowe SA and shares of selected public entities from the Bank financial assets. The fund mentioned above is managed by PKO Towarzystwo Funduszy Inwestycyjnych SA. The main purpose of the Fund is to invest the funds collected through non-public offering of the investment certificates in securities, money market instrument, and other property rights specified in the Statue of the Fund and the Investment Funds Act.

Simultaneously, in June 2015 PKO Bank Polski SA sold to the above mentioned Fund all its shares of the entity 'CENTRUM HAFFNERA' Sp. z o.o which was Bank's subsidiary and also the entity 'Centrum Obsługi Biznesu' Sp. z o.o. which was Bank's joint venture.

As of 30 June 2015, NEPTUN - fizan and entities Bankowe Towarzystwo Kapitałowe SA and 'CENTRUM HAFFNERA' Sp. z o.o. (with its subsidiaries 'Sopot Zdrój' Sp. z o.o. and 'Promenada Sopocka' Sp. z o.o.) as entities controlled by PKO Bank Polski SA are fully consolidated in the financial statement of the PKO Bank Polski SA. The entity 'Centrum Obsługi Biznesu' Sp. z o.o.is a joint venture of the Fund and in the financial statement of the PKO Bank Polski SA is still valued by the equity method.

8. reclasification of the shares into the non- current assets held for sale

In June 2015, according to IFRS 5, PKO Bank Polski SA reclassified shares in the entity Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o. and in the entity 'Inter-Risk Ukraina' Sp. z d.o. to the position 'Non- current assets held for sale' - the Bank intends to recover the value of the above mentioned assets through a sale transaction inside PKO Bank Polski SA Group (to NEPTUN- fizan).

9. concerning events which will cause changes in the Group in the following quarters

On 17 April 2015, the Extraordinary General Shareholders' Meeting of PKO Leasing SA adopted the resolution on the Company's share capital increase of PLN 80 000 thousand. All shares in the increased capital were acquired by PKO Bank Polski SA. The above mentioned increase has not been registered with the National Court Register until 30 June 2015.

(IN PLN THOUSAND)

As regards to the companies constituting joint ventures and associates, in the first six months of 2015:

1. PKO Bank Polski SA reclassified, in accordance with IFRS 5, the shares of Bank Pocztowy SA (an associate) to 'Non-current assets held for sale' in the carrying amount of PLN 146 500 thousand; the carrying amount was determined on the basis of the current, verified financial projections of the Company contained in the Development Strategy of Bank Pocztowy SA in the years 2015 – 2018,
2. Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o. - the company constituting a joint venture of PKO Bank Polski SA - established two subsidiaries, including:
   a) EVO Payments International Sp. z o.o. with its registered office in Poland with a share capital of PLN 5 thousand - the Company was registered with the National Court Register on 9 February 2015,
   b) EVO Payments International s.r.o. with its registered office in the Czech Republic with a share capital of CZK 200 thousand, the Company was registered with the Commercial Register of the Czech Republic on 16 February 2015.

   and acquired shares in the increased share capital of the entity EVO Payments International Sp. z o.o. seated in Poland in the amount of PLN 277 thousand.

   The object of the above mentioned companies is to conduct activities supporting financial services - to the end of June of this year the companies have not commenced operating activities.

23. Non-current assets held for sale

	30.06.2015	31.12.2014
Non-current assets available for sale reclassified from subsidiaries	356 796	165 000
Land and buildings	254 467	251 600
Other	2 166	160
Total	**613 429**	**416 760**

Details on non-current assets held for sale are described in the Note 22 'Investments in subsidiaries, joint ventures and associates and changes to the entities of the Group'.

24. Intangible assets and tangible fixed assets

Intangible assets	30.06.2015	31.12.2014
Software	1 625 372	1 716 957
Goodwill	871 047	871 047
Relations with customers	57 683	67 252
Other, including capital expenditure	208 861	243 356
Total	**2 762 963**	**2 898 612**

Tangible fixed assets	30.06.2015	31.12.2014
Land and buildings	1 442 741	1 467 583
Machinery and equipment	430 038	439 669
Means of transport	3	3
Assets under construction	83 274	182 792
Investment properties	182	184
Other	168 017	161 142
Total	**2 124 255**	**2 251 373**

In the first six months ended 30 June 2015 and 30 June 2014, there were no significant acquisitions and sales of tangible fixed assets and there were no significant liabilities due to acquisition of tangible fixed assets.

In the first six months ended 30 June 2015 and 30 June 2014, Bank received compensation from third parties for impairment or loss of tangible fixed assets in the amount of PLN 31 thousand and PLN 161 thousand recognised in the income statement.

(IN PLN THOUSAND)

25. Amounts due to banks

	30.06.2015	31.12.2014
Loans and advances received	16 711 634	16 393 118
Bank deposits	1 787 280	1 122 090
Amounts due from repurchase agreements	229 078	299 530
Current accounts	885 632	607 188
Other money market deposits	45 118	17 658
Total	**19 658 742**	**18 439 584**

26. Amounts due to customers

	30.06.2015	31.12.2014
Amounts due to retail clients	131 299 463	128 230 900
Term deposits	69 991 844	68 882 671
Current accounts and overnight deposits	61 051 508	59 126 815
Other liabilities	256 111	221 414
Amounts due to corporate entities	52 923 517	52 911 331
Term deposits	15 613 872	16 562 690
Current accounts and overnight deposits	19 489 375	19 270 916
Loans and advances received, of which:	15 846 882	15 051 131
- received from PKO Finance AB	12 666 322	12 036 601
Other liabilities	1 372 632	1 170 470
Amounts due from repurchase agreements	600 756	856 124
Amounts due to public entities	6 895 720	4 778 331
Current accounts and overnight deposits	4 911 679	4 018 024
Term deposits	1 971 591	740 995
Other liabilities	12 450	19 312
Total	**191 118 700**	**185 920 562**

By client segment	30.06.2015	31.12.2014
Amounts due to customers, of which:		
retail and private banking	125 331 949	121 893 357
corporate	31 754 214	30 907 441
loans and advances received	15 846 882	15 051 131
small and medium enterprises	17 584 899	17 212 509
amounts due from repurchase agreements	600 756	856 124
Total	**191 118 700**	**185 920 562**

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

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

Loans received from PKO Finance AB

Date of receiving loand by the Bank	Nominal Value	Currency	Maturity date	Carrying amount at 30.06.2015	Carrying amount at 31.12.2014
21.10.2010	800 000	EUR	21.10.2015	3 439 162	3 431 769
07.07.2011	250 000	CHF	07.07.2016	1 046 610	901 443
25.07.2012	50 000	EUR	25.07.2022	215 153	213 768
21.09.2012	500 000	CHF	21.12.2015	2 047 980	1 772 805
26.09.2012	1 000 000	USD	26.09.2022	3 800 661	3 540 943
23.01.2014	500 000	EUR	23.01.2019	2 116 756	2 175 873
Total				**12 666 322**	**12 036 601**

(IN PLN THOUSAND)

27. Debt securities in issue

	30.06.2015	31.12.2014
Financial instruments designated at fair value through profit and loss - bank securities	122 498	118 262
Financial instruments measured at amortised cost – bank bonds	993 068	747 825
Total	1 115 566	866 087

Debt securities in issue by maturity	30.06.2015	31.12.2014
from 1 month to 3 months	-	747 825
from 3 months to 1 year	1 039 469	46 668
from 1 year to 5 years	76 097	71 594
Total	1 115 566	866 087

In the first half of 2015 the Bank issued bank bonds at nominal value of PLN 2 000 000 thousand, measured at amortised cost. In the first half of 2015 bank securities and bank bonds at nominal value of PLN 1 752 585 thousand were redeemed.

28. Subordinated liabilities

As at 30 June 2015

As at 30 June 2015	Nominal value in currency	Nominal value in PLN	Currency	Maturity date	Balance in PLN
Subordinated bonds	1 600 700	1 600 700	PLN	14.09.2022	1 615 936
Subordinated loan	224 000	905 230	CHF	24.04.2022	905 291
Total	x	2 505 930	x	x	2 521 227

As at 31 December 2014

As at 31 December 2014	Nominal value in currency	Nominal value in PLN	Currency	Maturity date	Balance in PLN
Subordinated bonds	1 600 700	1 600 700	PLN	14.09.2022	1 619 833
Subordinated loan	224 000	780 013	CHF	24.04.2022	794 152
Total	x	2 380 713	x	x	2 413 985

29. Other liabilities

	30.06.2015	31.12.2014
Accounts payable	415 418	487 274
Deferred income	365 203	358 567
Other liabilities	1 744 656	1 819 217
Total	2 525 277	2 665 058
of which financial liabilities	1 907 131	2 127 610

As at 30 June 2015 and as at 31 December 2014, PKO Bank Polski SA had no overdue contractual liabilities.

(IN PLN THOUSAND)

30. Provisions

For the period ended 30 June 2015	Provision for legal claims	Provisions for retirement benefits and anniversary bonuses	Provisions for loan commitments and guarantees granted	Other provisions*	Total
As at 1 January 2015, of which:	29 457	39 363	103 621	130 725	303 166
Short term provision	29 457	3 117	73 484	130 725	236 783
Long term provision	-	36 246	30 137	-	66 383
Increase/reassessment of provisions	-	-	159 342	1 331	160 673
Use of provisions	-	-	-	(12 833)	(12 833)
Release of provisions	(10 000)	-	(172 833)	(6 344)	(189 177)
Other changes and reclassifications	-	-	(2 448)	-	(2 448)
As at 30 June 2015, of which:	19 457	39 363	87 682	112 879	259 381
Short term provision	19 457	3 117	62 516	112 879	197 969
Long term provision	-	36 246	25 166	-	61 412

* Included in 'Other provisions' are i.a.: restructuring provision of PLN 77 599 thousand and provision of PLN 1 774 thousand for potential claims on impaired loans portfolios sold.

For the period ended 30 June 2014	Provision for legal claims	Provisions for retirement benefits and anniversary bonuses	Provisions for loan commitments and guarantees granted	Other provisions*	Total
As at 1 January 2014, of which:	29 457	35 386	115 667	129 971	310 481
Short term provision	29 457	2 441	88 817	129 971	250 686
Long term provision	-	32 945	26 850	-	59 795
Increase/reassessment of provisions	-	-	187 087	2 395	189 482
Use of provisions	-	-	-	(23 429)	(23 429)
Release of provisions	-	-	(205 961)	-	(205 961)
Other changes and reclassifications	-	-	232	-	232
As at 30 June 2014, of which:	29 457	35 386	97 025	108 937	270 805
Short term provision	29 457	2 441	71 084	108 937	211 919
Long term provision	-	32 945	25 941	-	58 886

* Included in 'Other provisions' are i.a.: restructuring provision of PLN 76 344 thousand and provision of PLN 1 693 thousand for potential claims on impaired loan portfolios sold.

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

31. Equity and shareholding structure of the Bank

	30.06.2015	31.12.2014
Share capital	**1 250 000**	**1 250 000**
Other capital, of which:		
Reserve capital	20 518 111	18 618 111
Other reserves	3 484 177	3 421 913
General banking risk fund	1 070 000	1 070 000
Other capital	25 072 288	23 110 024
Financial assets available for sale	(80 875)	33 640
Cash flow hedges	(91 072)	5 204
Actuarial gains and losses	(8 976)	(8 976)
Other comprehensive income	(180 923)	29 868
Undistributed profits	1 250 000	132 793
Net profit for the period	1 382 003	3 079 471
Total other capital	28 773 368	27 602 156

(IN PLN THOUSAND)

The Bank's shareholders

According to information available as at 30 June 2015 the Bank's shareholding structure is as follows:

Name of entity	Number of shares	Number of votes %	Nominal value of 1 share	Share in equity %
As at 30 June 2015				
The State Treasury	392 406 277	31.39	PLN 1	31.39
Aviva Otwarty Fundusz Emerytalny[1]	83 952 447	6.72	PLN 1	6.72
Nationale- Nederlande OFE[2]	64 594 448	5.17	PLN 1	5.17
Other shareholders	709 046 828	56.72	PLN 1	56.72
Total	1 250 000 000	100.00	---	100.00
As at 31 December 2014				
The State Treasury	392 406 277	31.39	PLN 1	31.39
Aviva Otwarty Fundusz Emerytalny[1]	83 952 447	6.72	PLN 1	6.72
Nationale- Nederlande OFE[2]	64 594 448	5.17	PLN 1	5.17
Other shareholders	709 046 828	56.72	PLN 1	56.72
Total	1 250 000 000	100.00	---	100.00

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

2) Number of shares held as at 24 July 2012, reported by ING OFE after exceeding 5% of share in PKO Bank Polski SA's shareholding structure after settlement the transaction of sale of 95 million of PKO Bank Polski SA's shares by the State Treasury. On 23 June 2015, the entity name was changed from ING OFE to Nationale- Nederlanden OFE

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

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

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

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

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

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

In the first half of 2015 and 2014, there were no changes in the amount of the share capital of PKO Bank Polski SA. Issued shares of PKO Bank Polski SA are not preferred shares and are fully paid.

(IN PLN THOUSAND)

OTHER NOTES

32. Contingent liabilities and off-balance sheet liabilities received

32.1 Securities covered with underwriting agreements (maximum liability of the Bank to acquire securities):

Issuer of securities underwritten	Type of underwritten securities	Off-balance sheet liabilities resulting from underwriting	Contract period
As at 30 June 2015			
Company A	corporate bonds	1 055 000	31.07.2020
Company B	corporate bonds	1 009 700	15.06.2022
Company C	corporate bonds	86 100	31.12.2022
Company D	corporate bonds	50 000	19.12.2022
Company E	corporate bonds	34 000	31.12.2029
Company F	corporate bonds	8 841	31.01.2016
Total		**2 243 641**	
As at 31 December 2014			
Company A	corporate bonds	1 055 000	31.07.2020
Company B	corporate bonds	1 049 000	15.06.2022
Company C	corporate bonds	91 700	31.12.2022
Company D	corporate bonds	50 000	19.12.2022
Total		**2 245 700**	

All contracts relate to the Agreement for Organisation, Conducting and Servicing of the Bond Issuance Programme.

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

32.2 Contractual commitments

As at 30 June 2015 the amount of contractual commitments concerning intangible assets amounted to PLN 119 043 thousand (as at 31 December 2014, it amounted to PLN 196 807 thousand).

As at 30 June 2015 the amount of contractual commitments concerning tangible fixed assets amounted to PLN 74 752 thousand (as at 31 December 2014, it amounted to PLN 95 322 thousand).

32.3 Loan commitments granted

by nominal value	30.06.2015	31.12.2014
Credit lines and limits:		
to financial entities	2 122 382	998 133
to non-financial entities	36 969 019	34 023 705
to public entities	3 535 735	3 258 574
Total	**42 627 136**	**38 280 412**
of which: irrevocable loan commitments*	28 934 586	27 730 846

*In 2015, the Bank has redefined the category of irrevocable loan commitments by adding to it additional products.

(IN PLN THOUSAND)

Guarantee liabilities granted

	30.06.2015	31.12.2014
Guarantees in domestic and foreign trading	8 130 841	10 003 696
to financial entities	821 213	919 391
to non-financial entities	7 303 429	9 062 391
to public entities	6 199	21 914
Guarantees and pledges granted – domestic corporate bonds	4 607 977	4 526 126
to financial entities	12 076	12 076
to non-financial entities	4 595 901	4 514 050
Letters of credit granted	2 016 595	704 504
to financial entities	-	1 736
to non-financial entities	2 016 595	702 768
Guarantees and pledges granted – payment guarantee to financial entities	26 208	17 278
Guarantees and pledges granted – domestic municipal bonds to public entities	83 488	55 008
Total	**14 865 109**	**15 306 612**
of which: performance guarantees	2 196 468	1 942 582

Information on provisions for off-balance sheet financial and guarantee liabilities is included in the Note 30 'Provisions'.

32.4 Off-balance sheet liabilities received

By nominal value	30.06.2015	31.12.2014
Financial	142 144	1 747 327
Guarantees	5 866 485	4 587 353
Total liabilities received	**6 008 629**	**6 334 680**

Pursuant to the provisions of the Agreement which require the Nordea Bank AB (publ) Group to participate in the default risk of the Mortgage Portfolio, on 1 April 2014, PKO Bank Polski SA and Nordea Bank AB (publ) concluded a special indemnity agreement (the 'Special Indemnity Agreement'), according to which Nordea Bank AB (publ) will cover, for a period of 4 years following the closing date, 50% of the excess of the Mortgage Portfolio cost of risk excess over the annual cost of risk set at 40 basis points for each year of the above mentioned four-year contract period of the Special Indemnity Agreement.

As a part of works related to the settlement of the transaction, the Group has made a valuation of the Special Indemnity Agreement on the basis of conducted analysis of probability of cash flows arising from the Agreement. The estimated expected value is equal to 0.

Right to sell or pledge collateral established for the Bank

As at 30 June 2015 and as at 31 December 2014, there was no collateral established for the Bank, which the Bank was entitled to sell or encumber with another pledge in the event of fulfilment of all obligations by the owner of the collateral.

33. Legal claims

As at 30 June 2015, the total value of court proceedings in which the Bank is a defendant was PLN 1 414 349 thousand (as at 31 December 2014 it was PLN 411 182 thousand), while as at 30 June 2015 the total value of court proceedings in which the Bank is the plaintiff was PLN 492 477 thousand (as at 31 December 2014 it was PLN 553 428 thousand).

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

a) Unfair competition proceedings

The Bank is a party to proceeding initiated by President of the Competition and Consumer Protection Office (Urząd Ochrony Konkurencji i Konsumentów - UOKiK) on the basis of a decision dated 23 April 2001 upon the request of the Polish Trade and Distribution Organisation – Employers' association (Polska Organizacja Handlu i Dystrybucji - Związek Pracodawców) against the operators of the Visa and Europay payment systems and the banks issuing Visa and Europay/Eurocard/Mastercard banking cards. The claims under these proceedings relate to the use of practices limiting competition on the market of banking card payments in Poland, consisting of applying pre-agreed 'interchange' fees for transactions made using mentioned above cards as well as limiting access to this market by external entities. On 29 December 2006, UOKiK decided that the practices, consisting of joint establishment of 'interchange' fee, did limit market competition and ordered that any such practices should be discontinued, and imposed a fine on, among others, PKO Bank Polski SA, in the amount of PLN 16 597 thousand.
The Bank appealed against the decision of the President of UOKiK to Court for the Competition and Consumer Protection (Sąd Ochrony Konkurencji i Konsumentów - SOKiK). On 20 December 2011 a hearing was held during which no factual resolution of the appeals was reached. The SOKiK obligated MasterCard to submit explanations concerning the issue however on 8 May 2012, SOKiK suspended proceedings until the final conclusion of proceedings before the European Union Court in the case MasterCard against the European Commission. On 24 May 2012, the European Union Court upheld the decision of the European Commission banning multilaterally agreed 'interchange' fees applied by MasterCard.

On 28 May 2012 the participant to the proceedings, Visa Europe Ltd, and on 29 May 2012 the plaintiffs' attorney, including PKO Bank Polski SA, filed a complaint against the decision of SOKiK dated 8 May 2012. In August 2012, the European Court of Justice received the appeal of MasterCard against the verdict of the EU Court of 24 May 2012 rejecting the appeal of mentioned above. On 25 October 2012, the Court of Appeal in Warsaw changed the decision of 8 May 2012 and dismissed the motion of MasterCard for suspending the proceedings. In January 2013 the Bank's attorney received the court's decision in this case and in February 2013, court files were transferred to the court of first instance. The hearing was on 29 October 2013 and on 21 November 2013 the judgement was announced, by which SOKiK reduced the penalty imposed on the Bank to the amount of PLN 10 085 thousand. The judgement is legally invalid. On 7 February 2014 the judgement was appealed on behalf of the Bank and eight plaintiffs represented by the Bank's attorney. The judgement was also appealed by other participants to the proceedings, i.e. by the President of the Competition and Consumer Protection Office (UOKiK) and Polish Trade and Distribution Organisation (POHiD) (appeals aimed at imposing more strict fines on participants to the agreement), as well as Visa Europe Limited, Bank Pocztowy S.A., Bank Gospodarki Żywnościowej S.A., mBank S.A. (formerly: BRE Bank S.A.), Deutsche Bank PBC S.A., HSBC Bank Polska S.A. (appeals aimed primarily to change the decision on the recognition of agreements as violating competition law and impose penalties on their participants). Copies of these appeals have been delivered to the Bank's attorney, who responded to them. Court files were transferred from SOKiK to Court of Appeal in Warsaw. Trial has been scheduled for 22 September 2015. As at 30 June 2015 the Bank has a provision in the amount of PLN 10 359 thousand (the position 'Provisions' in the statement of financial position).

b) As at 30 June 2015 the Bank is also a party i.a. to proceedings presented below:

<u>before SOKiK on appeal from the decision of the President of UOKiK</u>

1) due to unfair proceedings violating collective interests of consumers in the presentation in advertising campaigns of consumer loan under the marketing name 'Max pożyczka Mini Ratka' information that might not be clear for an average consumer and mislead him as to the availability of loans on promoted conditions.

   On 28 December 2012, the President of UOKiK imposed a fine on the Bank in the amount of PLN 2 845 thousand. The Bank appealed against the decision of the President of UOKiK on 16 January 2013. On 13 January 2015, SOKIK issued a judgment, which annulled the decision of the President of UOKiK in its entirety, i.e. annulled also the financial penalty imposed on the Bank. On 26 February 2015, the President of UOKiK filed the appeal against the judgment. Proceeding is in progress. As at 30 June 2015 the Bank has a provision in the same amount (the position 'Provisions' in the statement of financial position).

2) due to use of prohibited contractual provisions in form of consumer loan agreements, with the exclusion of credit card agreements.

   By decision of 31 December 2013, the Bank's activities were considered as practices violating collective interests of consumers and a fine in the amount of PLN 17 236 thousand and PLN 11 828 thousand (PLN 29 064 thousand in total) was imposed on the Bank. The Bank appealed against this decision. By decision of 9 July 2015 SOKiK issued a judgment, which annulled decision of the President of UOKiK The proceeding is in progress. As at 30 June 2015 the Bank did not have any provisions resulting from this claim.

<u>before SOKiK initiated by an individual</u>

1) on the recognition as abusive the Tariff of fees and charges in sections providing the fees for the monitoring and collection activities in relation with customers delaying the repayment of current debt. The Bank responded to the lawsuit and retorted for another pleading. In this case there is no risk of imposing financial penalties on the Bank. There is a risk of entering the provisions relating to monitoring and collection fees into the Register of Prohibited Clauses kept by the President of UOKiK; on 25 March 2015, SOKiK abandoned the proceedings against the Bank on this matter,
2) on the recognition as abusive and on prohibition in trading with consumers the use of the standard contractual form provisions concerning loans denominated in CHF, indicating that the currency conversion rules used by the Bank for the purpose of loan payment were against good practice and highly violated consumer interests. The lawsuit was delivered to the Bank on 20 April 2015 and on 20 May 2015 the Bank replied to the lawsuit. The case is still in progress,
3) on the recognition as abusive and on prohibition in trading with consumers the use of the standard contractual form provisions concerning loans denominated in CHF, indicating that the currency conversion rules used by the Bank for the purpose of loan payment and for the purpose of conversion of installments as well as decisions concerning the amount of interest rate were against good practice and highly violated consumer interests. The lawsuit was delivered to the Bank on 4 February 2015. On 6 March 2015, the Bank replied to the lawsuit, filling for its dismissal. The Court ordered the delivery of the Bank's response to the plaintiff, requiring him to reply to the claims of the Bank - an order in this regard was delivered to the plaintiff on 15 May 2015.

<u>Before SOKiK in which the Bank is the plaintiff</u> - as a result of the completion of the appeal proceeding before SOKiK initiated by the Bank against the decision of the President of UOKiK due to the possibility of the use of unfair contractual provisions in forms of individual pension accounts ('IKE') agreements. On 19 December 2012, the President of UOKiK imposed a fine on the Bank in a total amount of PLN 14 697 thousand, of which:

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

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

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

The proceeding is in progress. As at 30 June 2015 the Bank had a provision for the above-mentioned amounts in the amount of PLN 4 000 thousand (the position 'Provisions' in the statement of financial position).

before the President of UOKiK:

1) a preliminary proceeding initiated on 29 August 2014 in order to determine whether the Bank, in the Aurum loan agreement, misled its customers by presenting insurance costs in these agreement and the information forms. The Bank answered to UOKiK.
2) a preliminary proceeding initiated on 9 October 2014 concerning the possibility of customers using the 'chargeback' complaint procedure. The Bank replied to the UOKiK's call. There is no such complaint procedure in the Bank's relationships with its customers (it is typical of the Bank – card organisation relationship),
3) a proceeding initiated on 15 October 2014 to determine whether the Bank, in its advertising leaflet 'Mini Ratka loan in the blink of an eye based on a bank statement' ('Mini Ratka w mgnieniu oka na wyciąg z konta') misled its customers by presenting the loan amount. On 13 November 2014, the UOKiK initiated the proper administrative proceedings in this matter. The Bank disagrees with the UOKiK's charges and, in response, is considering taking on the obligation to present it in line with the UOKIK's assumptions (to make the communication more precise),
4) preliminary proceeding of 26 January 2015 concerning the provision of information on currently applied policies for securing and conversion of mortgage loans denominated in CHF by the Bank, in the context of the recent changes in the exchange rate of the Swiss franc; Since today, letters were only exchanged as part of the proceedings,
5) preliminary proceeding of 5 February 2015 concerning the treatment by the Bank of housing loans secured with a mortgage and expressed in/denominated in/indexed to CHF (negative LIBOR, spread reduction, exchange rate tables); letters were exchanged with UOKiK,
6) preliminary proceeding initiated on 12 February 2015 concerning whether the Bank applies the fee of PLN 20 to former clients of Nordea Bank Polska SA, as specified in Nordea Bank Polska SA's Tariff, for servicing a seizure of receivables when an executory title has been issued in the file from 24 February 2015, Bank gave an answer to UOKiK explaining that The Bank does not use such tariff,
7) preliminary proceeding of 2 March 2015 concerning the Bank's cooperation with property appraisers in the preparation of appraisal studies used for the valuation of a property securing a loan. On 23 March 2015 and on 7 May 2015 Bank answered to the UOKiK letter,
8) preliminary proceeding of 9 March 2015 concerning the documents specifying fees and commissions applied by the Bank, identification of all amendments to these documents in 2014-2015, the reasons behind the amendments implemented by the Bank and the manner of communicating the amendments to consumers,
9) preliminary proceeding of 2 April 2015 concerning the analysis of consumer loans market, including specification of its structure and the structure of fees in this group of products. On 29 April 2015 the Bank delivered to the UOKiK questionnaire with required information,
10) preliminary proceeding of 20 April 2015 concerning the fees applied by the Bank for the transactions made by customers using credit cards abroad. On 28 May 2015 the Bank delivered all required information and documents to the UOKiK.

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

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

1) two administrative proceedings, of which one is suspended, to invalidate administrative decisions issued by public administration authorities with respect to properties held by the Bank. These proceedings, in the event of an unfavourable outcome for the Bank may result in re-privatisation claims being raised. Given the current status of these proceedings as regards stating the invalidity of decisions and verdicts of public administration bodies, it is not possible to assess their potential negative financial effects for the Bank,
2) four court proceedings, of which one is suspended, in relation to Bank's two properties pertaining to release or return the premises and the property, payment of fee for non-contractual use of property and regulation of the legal status of the property,

The proceeding concerning a complaint brought by Centrum Finansowe Puławska Sp. z o.o. (CFP) concerning the use of a property located at Puławska and Chocimska street in Warsaw, on which the Bank's office is currently located, are pending before the Regional Administrative Court in Warsaw. The proceedings concern rendering invalid the decision of the Local Government Court of Appeal of 10 April 2001, which stated that the decision of the Council of the Capital City of Warsaw of 1 March 1954 was issued in gross violation of the law. Due to the liquidation of CFP and removing it from the register of companies and then distribution of its assets, the transfer of the right to perpetual usufruct of said plot was issued to the Bank, a motion for participation in the proceeding was filed on 23 May 2012 on behalf of the Bank. During the hearing on 18 December 2012, the Regional Administrative Court in Warsaw granted the Bank the right to participate in the proceeding due to the fact that the rights to the property in question had been transferred to the Bank. After the hearing on 7 May 2013, the Court dismissed the complaint. The judgement may be appealed against to the Supreme Administrative Court. A copy of the judgment together with the explanation was served for the Bank on 20 June 2013. A cassation complaint was filed on 17 July 2013. The date of hearing was scheduled as at 3 June 2015. On 3 June 2015 the trial took place during which Supreme Administrative Court upheld the Bank's write off from Regional Administrative Court in Warsaw verdict from 23 August 2012 concerning the reprivatisation of the part of grounds at Puławska 15 street. The case is still in progress.

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

(IN PLN THOUSAND)

34. Supplementary information to the statement of cash flows

Cash and cash equivalents

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

	30.06.2015	31.12.2014	30.06.2014
Cash and balances with the Central Bank	11 894 988	11 698 248	8 210 374
Current receivables due from banks	3 165 882	2 354 512	2 178 623
Total	15 060 870	14 052 760	10 388 997

Cash flow from interests and dividends, both received and paid

Interest income - received	01.01-30.06.2015	01.01-30.06.2014
Interest income from loans and advances granted	2 966 468	3 174 287
Interest income from securities designated upon initial recognition at fair value through profit and loss	132 801	193 895
Interest income from placements	52 061	96 632
Interest income from investment securities	351 449	282 879
Interest income from securities from held for trading portfolio	27 512	27 567
Interest from hedging instruments	280 469	157 899
Other interest received	573 941	596 633
Total	4 384 701	4 529 792

Dividend income - received	01.01-30.06.2015	01.01-30.06.2014
Dividend income from subsidiaries, associates and joint ventures	83 142	47 725
Dividend income from other entities	1 976	1 664
Total	85 118	49 389

Interest expense – paid	01.01-30.06.2015	01.01-30.06.2014
Interest expense on deposits - paid	(831 328)	(889 027)
Interest expense on loans and advances received - paid	(181 417)	(94 986)
Interest expense on debt securities in issue - paid	(41 513)	(44 139)
Other interest paid (mainly interest expense on current accounts, premium from debt securities, interest expense on cash collateral liabilities)	(269 765)	(295 826)
Total	(1 324 023)	(1 323 978)

35. Transactions with the State Treasury and related parties

The State Treasury has control over the Bank as it holds a 31.39% interest in the Bank's share capital. The Bank's shareholding structure is described in detail in the note 31 'Equity and shareholding structure of the Bank' to these financial statements. Receivables, securities and liabilities arising from transactions conducted with the State Treasury, budgetary units and entities in which the State Treasury is the shareholder are disclosed in the Bank's statement of financial position.

In accordance with the 30 November 1995 Act in relation to State support in the repayment of certain housing loans, reimbursement of guarantee premium paid and amendments of several acts (Journal of Laws, 2013, No. 763) PKO Bank Polski SA receives payments from the State budget in respect of redemption interest receivable on housing loans.

	01.01-30.06.2015	01.01-30.06.2014
Income due to temporary redemption by the State budget of interest on housing loans from the 'old' portfolio recognised for this period	52 035	58 261
Income due to temporary redemption by the State budget of interest on housing loans from the 'old' portfolio received in cash	14 006	20 969
Difference between income recognised for this period and income received in cash – 'Loans and advances to customers'	38 029	37 292

(IN PLN THOUSAND)

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

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

PKO Bank Polski SA receives commission for settlements relating to redemption of interest on housing loans by the State budget.

	01.01-30.06.2015	01.01-30.06.2014
Fee and commission income	1 516	1 659

Since 1 January 1996, the Bank is the general distributor of court fee stamps and receives commissions in this respect from the State budget.

	01.01-30.06.2015	01.01-30.06.2014
Commision income	5 503	2 500

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

	01.01-30.06.2015	01.01-30.06.2014
Commision income	8 188	11 516

(IN PLN THOUSAND)

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

The transactions were concluded at arm's length.

	30.06.2015			01.01-30.06.2015		
	Total receivables	Total liabilities	Off-balance sheet liabilities granted – guarantee and financial	Interest income	Commission income	Interest cost
Entity 1	-	-	2 080 000	-	-	-
Entity 2	467 459	534 076	387 494	5 088	451	(4 011)
Entity 3	236 830	971 627	983 496	1 763	573	(9 151)
Entity 4	215 062	53 799	575 223	4 748	1 698	(26)
Entity 5	211 065	15 740	2 359 663	422	1 176	(338)
Entity 6	201 153	72 804	50 000	2 734	52	(449)
Entity 7	113 458	36 142	542 143	2 002	32	(157)
Entity 8	106 852	33 861	65 252	1 851	141	(438)
Entity 9	96 804	456	100 000	1 716	224	(12)
Entity 10	94 184	1 403	22 316	2 334	115	-
Entity 11	88 672	26 865	131 574	1 164	45	(24)
Entity 12	47 257	11 151	39 534	648	151	(180)
Entity 13	26 617	2	3 416	530	2	(1)
Entity 14	23 959	4 232	20 000	389	8	-
Entity 15	20 374	20 693	59 628	2	343	(260)
Other entities	134 254	5 029 090	3 280 758	3 012	2 610	(42 447)
Total	**2 084 000**	**6 811 941**	**10 700 497**	**28 403**	**7 621**	**(57 494)**

Entity	31.12.2014			01.01-30.06.2014		
	Total receivables	Total liabilities	Off-balance sheet liabilities granted – guarantee and financial	Interest income	Commission income	Interest cost
Entity 1	-	-	2 080 000	-	-	-
Entity 6	184 925	1 001 114	647 423	1 327	265	(1 798)
Entity 2	-	1 099	1 368 860	1 812	827	(239)
Entity 10	-	9 190	1 201 440	7 025	97	(45)
Entity 4	-	1 177 873	-	-	-	(195)
Entity 26*	285 955	283 174	422 752	-	-	-
Entity 11	-	160 250	701 786	2 302	1	(397)
Entity 13	-	98 728	500 000	2 419	621	(580)
Entity15	-	582 771	-	1 513	102	(46)
Entity 18	386 306	16 294	151 587	2 517	350	-
Entity 14	113 481	18 235	396 474	2 290	160	(64)
Entity 27*	-	109 604	400 000	-	-	-
Entity 25	113 422	80 540	61 819	-	-	-
Entity 21	67 704	14 487	157 659	733	24	-
Entity 28*	62 901	1 984	150 000	-	-	-
Other entities	259 499	637 143	165 524	8 367	2 740	(17 325)
Total	**1 474 193**	**4 192 486**	**8 405 324**	**30 305**	**5 187**	**(20 689)**

*Entities do not occur in 2015

As at 30 June 2015 and as at 31 December 2014 respectively, no significant impairment allowances were recognised for the above mentioned receivables.

36. Related party transactions

In the first half of 2015, PKO Bank Polski SA did not conclude significant transactions with related parties not on arm's length.

All transactions with subsidiaries, joint ventures and associates presented below were arm's length transactions. Margins on loan transactions are within a range of 0.25% - 4.2%. Repayment terms are within a range from one month to fifteen years.

(IN PLN THOUSAND)

30 June 2015

Entity	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
Direct subsidiaries				
PKO Bank Hipoteczny SA	802	-	7 316	-
KREDOBANK SA	427 248	317 175	5 542	11 987
Merkury - fiz an	59 944	59 944	1 327	-
PKO BP BANKOWY PTE SA	16 169	-	7 821	-
PKO BP Finat Sp. z o.o.	193	-	145 827	593
PKO Finance AB	1 103	-	12 662 083	-
PKO Leasing SA	1 885 079	1 656 280	94 504	975 635
PKO Towarzystwo Funduszy Inwestycyjnych SA	24 485	-	28 866	-
PKO Towarzystwo Ubezpieczeń SA	-	-	80 868	-
PKO Życie Towarzystwo Ubezpieczeń SA	35 080	35 064	152 756	55 000
Qualia Development Sp. z o.o.	-	-	17 027	11 897
Other	-	-	-	-
Indirect subsidiaries				
Bankowe Towarzystwo Kapitałowe SA	1	-	11 332	-
Finansowa Kompania 'Idea Kapitał' Sp. z o.o.	35 242	35 242	-	-
'Fort Mokotów' Sp. z o.o. w likwidacji	-	-	3 135	-
Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A.	-	-	5 178	-
Molina spółka z ograniczoną odpowiedzialnością 3 S.K.A.	-	-	7 599	-
Molina spółka z ograniczoną odpowiedzialnością 5 S.K.A.	-	-	6 651	-
Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A.	-	-	2 802	-
PKO BP Faktoring SA	496 280	496 257	1 252	103 743
PKO Bankowy Leasing Sp. z o.o.	2 322 104	2 320 537	1 061	30 690
PKO Leasing Sverige AB	112 483	112 483	7 248	-
'Promenada Sopocka' Sp. z o.o.	42 787	42 787	4 698	-
Qualia - Rezydencja Flotylla Sp. z o.o.	75 930	75 930	774	-
Qualia Hotel Management Sp. z o.o.	-	-	2 339	-
Qualia spółka z ograniczoną odpowiedzialnością - Jurata Spółka komandytowa	-	-	1 309	-
Qualia spółka z ograniczoną odpowiedzialnością - Neptun Park Spółka komandytowa	-	-	10 911	1 035
Qualia 2 spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Spółka komandytowa	-	-	18 816	-
Qualia spółka z ograniczoną odpowiedzialnością - Pomeranka Spółka komandytowa	76 770	76 770	1 203	-
Qualia spółka z ograniczoną odpowiedzialnością - Sopot Spółka komandytowa	3 887	3 887	262	-
'Sopot Zdrój' Sp. z o.o.	187 492	187 492	15 165	-
Ubezpieczeniowe Usługi Finansowe Sp. z o.o.	-	-	1 574	-
Other	1	-	3 992	-
Total Subsidiaries	5 803 080	5 419 848	13 311 238	1 190 580

Entity	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
Direct joint ventures				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	3 279	-	23 895	5 000
Indirect joint ventures				
Centrum Obsługi Biznesu' Sp z o.o.	27 688	27 688	9 373	-
Direct associates				
Bank Pocztowy SA*	475	-	336	926
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	-	-	28	-
Indirect assosiate				
Centrum Operacyjne Sp. z o.o.	-	-	-	-
Total joint ventures and associates	31 442	27 688	33 632	5 926

*The entity presented in 'non- current assets held for sale'

In the first half of 2015, the PKO Bank Polski SA redeemed USD 8 250 thousand loan granted to Financial Company 'Private Investment' Sp. z o.o and 8 284 thousand USD loan granted to Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o., as well as interest payable on the above loans (ie. the value of loans that remained to be repaid). Redemptions were carried out at the request of the above mentioned companies, due to the economic situation of Ukraine, in particular, the devaluation of the hryvnia resulting in the inability to get through the Entity's revenues from recoveries of receivables in UAH at the level required to repay the loans received from the Bank and reduce the National Bank of Ukraine currency exchange and transfer of currency abroad.

(IN PLN THOUSAND)

31 December 2014

Entity	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
Direct subsidiaries				
PKO Bank Hipoteczny SA	-	-	299 563	-
Bankowe Towarzystwo Kapitałowe SA	4 169	-	1 116	7 000
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.	60 873	60 873	-	-
KREDOBANK SA	371 639	283 387	2 831	22 043
Merkury - fiz an	53 978	53 978	1 665	6 022
PKO BP BANKOWY PTE SA	17	-	1 237	-
PKO BP Finat Sp. z o.o.	212	-	152 158	593
PKO Finance AB	7	-	12 032 368	-
PKO Leasing SA	947 517	759 882	194 487	949 752
PKO Towarzystwo Funduszy Inwestycyjnych SA	20 217	-	52 954	-
PKO Życie Towarzystwo Ubezpieczeń SA	30 662	30 662	232 714	40 264
Qualia Development Sp. z o.o.	-	-	10 829	13 904
Other	-	-	644	-
Indirect subsidiaries				
Finansowa Kompania 'Idea Kapitał' Sp. z o.o.	72 930	72 930	-	-
'Fort Mokotów' Sp. z o.o. w likwidacji	-	-	3 395	-
Molina spółka z ograniczoną odpowiedzialnością 1 S.K.A.	-	-	8 121	-
Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A.	-	-	5 838	-
Molina spółka z ograniczoną odpowiedzialnością 3 S.K.A.	-	-	11 385	-
Molina spółka z ograniczoną odpowiedzialnością 5 S.K.A.	-	-	4 752	-
Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A.	-	-	3 078	-
PKO BP Faktoring SA	497 702	497 684	219 135	2 316
PKO Bankowy Leasing Sp. z o.o.	2 255 640	2 253 051	674	176 388
PKO Leasing Sverige AB	90 866	90 866	83	44 229
'Promenada Sopocka' Sp. z o.o.	44 189	44 189	4 152	-
Qualia - Residence Sp. z o.o.	1	-	8 517	-
Qualia - Rezydencja Flotylla Sp. z o.o.	76 000	76 000	622	-
Qualia Hotel Management Sp. z o.o.	-	-	3 228	-
Qualia spółka z ograniczoną odpowiedzialnością - Jurata Spółka komandytowa	-	-	1 342	-
Qualia spółka z ograniczoną odpowiedzialnością - Neptun Park Spółka komandytowa	-	-	4 444	1 035
Qualia spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Spółka komandytowa	-	-	8 510	-
Qualia spółka z ograniczoną odpowiedzialnością - Pomeranka Spółka komandytowa	76 770	76 770	1 245	-
Qualia spółka z ograniczoną odpowiedzialnością - Sopot Spółka komandytowa	3 887	3 887	431	-
'Sopot Zdrój' Sp. z o.o.	198 542	198 542	16 086	-
Ubezpieczeniowe Usługi Finansowe Sp. z o.o.	-	-	1 826	-
'Zarząd Majątkiem Górczewska' Sp. z o.o.	-	-	6 778	-
Other	-	-	1 051	-
Total subsidiaries	**4 805 818**	**4 502 701**	**13 297 259**	**1 263 546**

Entity	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
Direct joint ventures				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	23 390	-	57 008	5 000
'Centrum Obsługi Biznesu' Sp z o.o.	28 852	28 852	12 022	-
Direct associates				
Bank Pocztowy SA	-	-	299	941
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	-	-	966	-
Indirect associate				
Centrum Operacyjne Sp. z o.o.	-	-	2	-
Total joint ventures and associates	**52 242**	**28 852**	**70 297**	**5 941**

(IN PLN THOUSAND)

6 months ended in 30 June 2015

Entity	Total income	of which interest and fee and commission	Total expenses	of which interest and fee and commission
Direct subsidiaries				
PKO Bank Hipoteczny SA	1 734	442	1 535	1 535
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.	-	-	30 683	-
KREDOBANK SA	4 152	4 020	-	-
Merkury - fizan	1 311	1 311	12	12
PKO Finance AB	42	42	227 010	226 453
PKO BP Finat Sp. o.o.	988	20	3 115	1 255
PKO Leasing SA	15 389	12 811	11 845	1 143
PKO Towarzystwo Funduszy Inwestycyjnych SA	121 967	121 188	625	625
PKO Życie Towarzystwo Ubezpieczeń SA	82 716	82 605	67 068	67 068
Other	453	45	312	312
Indirect subsidiaries				
Finansowa Kompania 'Idea Kapitał' Sp. z o.o.	964	964	31 218	-
PKO BP Faktoring SA	3 386	3 248	15	15
PKO Bankowy Leasing Sp. z o.o.	31 001	30 934	66	8
PKO Leasing Sverige AB	1 103	1 103	-	-
Qualia - Rezydencja Flotylla Sp. z o.o.	1 919	1 919	6	6
Qualia spółka z ograniczoną odpowiedzialnością - Pomeranka Spółka komandytowa	1 943	1 943	5	5
'Sopot Zdrój' Sp. z o.o.	1 752	1 752	105	105
Other	583	564	372	372
Total subsidiaries	**271 403**	**264 911**	**373 992**	**298 914**

Entity	Total income	of which interest and fee and commission	Total expenses	of which interest and fee and commission
Direct joint venture				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	71 274	70 957	47 074	46 416
Indirect joint venture				
'Centrum Obsługi Biznesu' Sp z o.o.	584	584	52	52
Direct associates				
Bank Pocztowy SA*	314	13	554	-
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	1	1	14	14
Indirect associates				
Centrum Operacyjne Sp. z o.o.	1	1	-	-
Total	**72 174**	**71 556**	**47 694**	**46 482**

*The entity presented in 'non- current assets held for sale'

6 months ended 30 June 2014

Entity	Total income	of which interest and fee and commission	Total expenses	of which interest and fee and commission
Direct subsidiaries				
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.	4 047	4 047	-	-
Merkury - fiz an	1 120	1 120	10	10
Inteligo Financial Services SA	1 957	13	35 114	1 240
KREDOBANK SA	3 470	3 470	-	-
Nordea Bank Polska SA	12 470	9 358	5 381	73
PKO Finance AB	31	31	195 989	195 255
PKO Leasing SA	4 455	2 778	9 982	2 389
PKO Towarzystwo Funduszy Inwestycyjnych SA	107 813	106 957	734	734
Other	524	31	731	230
Indirect subsidiaries				
PKO BP Faktoring SA	3 670	3 530	3 771	3 771
PKO Bankowy Leasing Sp. z o.o.	40 631	40 586	42	-
Qualia - Rezydencja Flotylla Sp. z o.o.	1 768	1 768	10	10
Qualia spółka z ograniczoną odpowiedzialnością - Pomeranka Sp. k.	2 045	2 045	24	24
'Sopot Zdrój' Sp. z o.o.	2 041	2 041	46	46
Other	2 652	2 648	231	231
Total subsidiaries	**188 694**	**180 423**	**252 065**	**204 013**

(IN PLN THOUSAND)

Entity	Total income	of which interest and fee and commission	Total expenses	of which interest and fee and commission
Direct join venture				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	4 780	4 461	34 765	34 654
'Centrum Obsługi Biznesu' Sp z o.o.	1 658	1 658	125	125
Direct assosiate				
Bank Pocztowy SA	220	30	1 800	-
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	1	1	83	83
Indirect associate				
Centrum Operacyjne Sp. z o.o.	2	2	-	-
Total joint ventures and assosiates	6 661	6 152	36 773	34 862

37. Personal related party transactions

As at 30 June 2015 two entities were related to the Bank through the key management personnel of PKO Bank Polski SA or the close family members of the key management personnel (as at 31 December 2014 – one entity).

In the first half of 2015 and in the first half of 2014, no intercompany transactions were concluded with these entities in the Bank.

38. Remuneration – PKO Bank Polski SA key management

a) short-term employee benefits

Remuneration received from and due to PKO Bank Polski SA (excluding variable salary components)

Remuneration received and due from PKO Bank Polski SA	01.01-30.06.2015	01.01-30.06.2014
The Supervisory Board of the Bank	615	496
The Management Board of the Bank	5 634	5 289
Total	6 249	5 785

Remuneration received from subsidiaries (other than State Treasury and subsidiaries of State Treasury)

Remuneration received from subsidiaries (other than State Treasury and subsidiaries of State Treasury)	01.01-30.06.2015	01.01-30.06.2014
The Management Board of the Bank*	20	20
Total	20	20

* The amount includes remunerations received from subsidiaries.

Short-term employee benefits are employee benefits, which are settled in full within 12 months from the end of the annual reporting period, in which the employees performed work related to them. As described in the note 'The principles for determining the variable salary components policy for key management personnel at the Bank', starting from 2012, the variable salary component for key management personnel at the Bank, including the Management Board, is granted as:

- not deferred (in the first year after the calendar year constituting the assessment period),
- deferred (for the next three years after the first year of the assessment period).

Due to the above, as short-term employee benefit for the Management Board of the Bank, except for the basic salary, was recognized the non-deferred part of the variable salary component.

In the six months ended 30 June 2015 and 30 June 2014 no benefit recognised as the non-deferred part of the variable salary component were paid out.

Moreover in 2014, the value of non-deferred salary component paid in cash for 2014 amounted to PLN 1 694 thousand without the charges. In 2013, the value of non-deferred salary component paid in cash for 2013 amounted to PLN PLN 1 916 thousand without charges.

b) other long-term benefits(in terms of variable salary components)

The deferred part of the variable salary component paid in cash and benefits from the employee pension programme were recognised as other long-term benefit ('EPP').

In the six months ended 30 June 2015 and 30 June 2014 no such benefits were paid out (they occurred in July 2015 and July 2014).

As at 30 June 2015, the value of the liability in respect of other long-term benefits amounted to PLN 3 244 thousand, i.e. PLN 3 150 thousand without charges (variable salary components for 2014- 2012) and PLN 94 thousand worth of contributions towards EPP respectively. As at 31 December 2014, the value of the liability in respect of other long-term benefits amounted to PLN 2 083 thousand, i.e. PLN 2 022 thousand without charges (variable salary components for 2012 and 2013) and PLN 61 thousand worth of contributions towards EPP respectively.

In 2015, the value of the deferred salary component granted in the form of cash for 2014 amounted to PLN 1 129 thousand without charges. In 2014, the value of the deferred salary component granted in the form of cash for 2013 amounted to PLN 1 321 thousand without charges.

(IN PLN THOUSAND)

c) share-based payments settled in cash (in terms of variable salary components)

In the first six months ended 30 June 2015, due to variable salary components granted in the form of phantom shares (for which conversion into cash is carried out after an additional period of retention) was paid PLN 2 240 thousand without charges. In the period ended 30 June 2014, was paid PLN 1 599 thousand

As at 30 June 2015 and as at 31 December 2014, the value of this liability amounted to PLN 4 845 thousand without charges (for the years 2014 - 2012), and PLN 4 289 thousand (for the years 2013 - 2012).

In the first half of 2015, the value of salary components (deferred and non-deferred) granted in the form of phantom shares for 2014 amounted to PLN 2 823 thousand. In the first half of 2015, the value of salary components (deferred and non-deferred) granted in the form of phantom shares for 2013 amounted to PLN 3 237 thousand.

d) post-employment benefits

In the six-month periodended 30 June 2015 and 30 June 2014 no post-employment benefits were paid.

e) benefits due to termination of employment

In the six-month period ended 30 June 2015 and 30 June 2014 respectively no benefits due to termination of employment were paid.

f) loans, advances, guarantees and other advances provided by the Bank to the management

	30.06.2015	31.12.2014
The Supervisory Board of the Bank	948	3 102
The Management Board	852	857
Total	**1 800**	**3 959**

Interest conditions and repayment periods of receivables do differ neither from arm's length nor from repayment periods set up for similar bank products.

39. The principles for determining the variable salary components policy for key management personnel in the Bank

In order to fulfill the requirements of the Resolution No 258/2011 of the Polish Financial Supervision Authority of 4 October 2011 on detailed principles for functioning of the risk management system and internal control system and detailed terms of estimating internal capital by banks and reviewing the process of estimating and maintaining internal capital, and the principles for determining the variable salary components policy for key management personnel at the Bank, the Bank implemented by resolutions of:

- the Supervisory Board of the Bank: 'The variable salary components policy for key management personnel at the Bank' (constituting the basis of further regulation issue) and 'The variable salary components policy for the Management Board members',
- the Management Board of the Bank: 'The variable salary components policy for key management personnel',

Cited Principles and Regulations issued on their basis, describe the procedure of granting variable salary components associated with the results and effects of work to the above-mentioned persons. In accordance with the requirements of the cited resolution of the PFSA and in proportion specified in it, the variable salary components are granted in the form of:

- non-deferred (in the first year after the calendar year constituting a period of assessment),
- deferred (for the next three years after the first year of the assessment period),

and both the non-deferred and deferred salary, is granted in equal parts in cash and in the form of the financial instrument, i.e. the phantom shares (for which conversion into cash is carried out after an additional period of retention).

Component of salary in the form of the financial instrument is converted into phantom shares after granting a particular component - including the median of the daily average prices of the Bank's shares (Volume Weighted Average Price) on the Warsaw Stock Exchange, published in the Thomson Reuters or Bloomberg information system - from the fourth quarter of the assessment period. Next, after a period of retention and deferral period, shares are converted into cash - including the median of the daily average prices of the Bank's shares (Volume Weighted Average Price) on the Warsaw Stock Exchange from the period of a third quarter preceding the payment (the Management Board) and a third quarter of a calendar year, in which the payment is made (other persons on managerial positions), published in the Thomson Reuters or Bloomberg information system.

The deferral salary may be reduced in the event of deterioration in the financial performance of the Bank or deterioration of other variables related to the effects of work during the evaluation of key management personnel and results of the performance of organisational units/cells supervised or managed by these persons, which revealed after a period of evaluation.

As at 30 June 2015 a provision for variable salary components for the years 2014 - 2012 amounted to PLN 32.5 million without charges, including PLN 20 million for persons holding managerial positions except the Bank's Management Board, and PLN 12.5 million for the Bank's Management Board. the Bank's Management Board. As at 31 December 2014 a provision for variable salary components amounted to PLN 34 million, including PLN 23 million for persons holding managerial positions except the Bank's Management Board, and PLN 11 million for the Bank's Management Board.

In the first six months ended 30 June 2015 and 30 June 2014, variable payment component for persons holding managerial positions except the Bank's Management Board was paid in cash and amounted to PLN 4.8 million and 4.6 million. In the first six months ended 30 June 2015 and 30 June 2014, the payment of variable payment component due to phantom shares was made in amount of PLN 2.2 million and 1.8 million respectively.

(IN PLN THOUSAND)

40. Fair value of financial assets and liabilities

40.1 Categories of fair value valuation of financial assets and liabilities measured at fair value in the statement of financial position

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

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

The table below presents a classification of financial assets and liabilities presented in the financial statements at fair value divided into 3 levels as at 30 June 2015:

Assets and liabilities measured at fair value as at 30.06.2015	Note	Carrying value	Level 1	Level 2	Level 3
			Prices quoted on active markets	Valuation techniques based on observable market data	Other valuation techniques
Trading assets	16	1 536 422	1 536 422	-	-
Debt securities		1 513 520	1 513 520	-	-
Shares in other entities		17 127	17 127	-	-
Investment certificates		5 775	5 775	-	-
Derivative financial instruments	17	3 975 931	1 179	3 974 752	-
Hedging instruments		271 965	-	271 965	-
Trade instruments		3 703 966	1 179	3 702 787	-
Financial instruments measured upon initial recognition at fair value through profit and loss	19	11 183 826	2 714 016	8 469 810	-
Debt securities		11 183 826	2 714 016	8 469 810	-
Investment securities available for sale	21	25 515 703	15 971 490	9 346 739	197 474
Debt securities		25 280 970	15 934 231	9 346 739	-
Equity securities		234 733	37 259	-	197 474
Financial assets measured at fair value – total:		**42 211 882**	**20 223 107**	**21 791 301**	**197 474**
Derivative financial instruments	17	5 099 560	1 201	5 098 359	-
Hedging instruments		1 293 867	-	1 293 867	-
Trade instruments		3 805 693	1 201	3 804 492	-
Debt securities in issue	27	122 498	-	122 498	-
Financial instruments designated at fair value through profit and loss		122 498	-	122 498	-
Financial liabilities measured at fair value - total		**5 222 058**	**1 201**	**5 220 857**	**-**

Trading assets as at 30.06.2015	Carrying amount	Level 1	Level 2	Level 3
Debt securities	1 513 520	1 513 520	-	-
Treasury bonds	1 402 852	1 402 852	-	-
Treasury bonds EUR	5 052	5 052	-	
municipal bonds PLN	50 638	50 638	-	-
corporate bonds PLN	33 709	33 709	-	-
corporate bonds EUR	45	45	-	-
bonds issued by WSE	1 340	1 340	-	-
bonds issued by PKO Finance AB in EUR	4 239	4 239	-	-
bonds issued by banks, including BGK bonds	15 645	15 645	-	-
Shares in other entities	17 127	17 127	-	-
Investment certificates	5 775	5 775	-	-
TOTAL	**1 536 422**	**1 536 422**	**-**	**-**

Financial instruments designated upon initial recognition at fair value through profit and loss as at 30.06.2015	Carrying amount	Level 1	Level 2	Level 3
Debt securities	11 183 826	2 714 016	8 469 810	-
NBP money market bills	8 224 021	-	8 224 021	-
Treasury bonds PLN	1 617 381	1 617 381	-	-
Treasury bonds EUR	84 315	84 315	-	-
treasury bonds CHF	1 012 320	1 012 320		
municipal bonds EUR	133 425	-	133 425	-
municipal bonds PLN	112 364	-	112 364	-
Total	**11 183 826**	**2 714 016**	**8 469 810**	**-**

(IN PLN THOUSAND)

Investment securities available for sale as at 30.06.2015	Carrying amount	Level 1	Level 2	Level 3
Debt securities available for sale	25 280 970	15 934 231	9 346 739	-
Treasury bonds PLN	15 934 231	15 934 231	-	-
municipal bonds PLN	4 344 647	-	4 344 647	-
corporate bonds PLN	4 429 888	-	4 429 888	-
corporate bonds USD	216 148	-	216 148	-
corporate bonds EUR	356 056	-	356 056	-
Equity securities	234 733	37 259	-	197 474
TOTAL	25 515 703	15 971 490	9 346 739	197 474

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

Assets and liabilities measured at fair value as at 31.12.2014	Note	Carrying value	Level 1	Level 2	Level 3
			Prices quoted on active markets	Valuation techniques based on observable market data	Other valuation techniques
Trading assets	16	1 928 659	1 928 659	-	-
Debt securities		1 919 353	1 919 353	-	-
Shares in other entities		5 137	5 137	-	-
Investment certificates		3 891	3 891	-	-
Rights to shares		278	278	-	-
Derivative financial instruments	17	5 483 508	1 397	5 482 111	-
Hedging instruments		599 841	-	599 841	-
Trade instruments		4 883 667	1 397	4 882 270	-
Financial instruments measured upon initial recognition at fair value through profit and loss	19	13 417 667	2 165 038	11 252 629	-
Debt securities		13 417 667	2 165 038	11 252 629	-
Investment securities available for sale	21	22 080 344	12 546 249	9 335 793	198 302
Debt securities		21 794 141	12 458 348	9 335 793	-
Equity securities		286 203	87 901	-	198 302
Financial assets measured at fair value – total:		**42 910 178**	**16 641 343**	**26 070 533**	**198 302**
Derivative financial instruments	17	5 545 502	523	5 544 979	-
Hedging instruments		494 961	-	494 961	-
Trade instruments		5 050 541	523	5 050 018	-
Debt securities in issue	27	118 262	-	118 262	-
Financial instruments designated at fair value through profit and loss		118 262	-	118 262	-
Financial liabilities measured at fair value - total		**5 663 764**	**523**	**5 663 241**	**-**

Trading assets as at 31.12.2014	Carrying amount	Level 1	Level 2	Level 3
Debt securities	1 919 353	1 919 353	-	-
Treasury bonds	1 825 454	1 825 454	-	-
Treasury bonds EUR	-	-	-	
municipal bonds PLN	50 563	50 563	-	-
corporate bonds PLN	22 215	22 215	-	-
corporate bonds EUR	9	9	-	-
bonds issued by WSE	2 248	2 248	-	-
bonds issued by PKO Finance AB in EUR	4 233	4 233	-	-
bonds issued by banks, including BGK bonds	14 631	14 631	-	-
Shares in other entities	5 137	5 137	-	-
Investment certificates	3 891	3 891	-	-
Rights to shares	278	278	-	-
TOTAL	1 928 659	1 928 659	-	-

(IN PLN THOUSAND)

Financial instruments measured upon initial recognition at fair value through profit and loss as at 31.12.2014	Carrying amount	Level 1	Level 2	Level 3
Debt securities	13 417 667	2 165 038	11 252 629	-
NBP money market bills	10 998 812	-	10 998 812	-
Treasury bonds PLN	2 165 038	2 165 038	-	-
municipal bonds EUR	139 882	-	139 882	-
municipal bonds PLN	113 935	-	113 935	-
TOTAL	13 417 667	2 165 038	11 252 629	-

Investment securities available for sale as at 31.12.2014	Carrying amount	Level 1	Level 2	Level 3
Debt securities available for sale	21 794 141	12 458 348	9 335 793	-
Treasury bonds PLN	12 458 348	12 458 348	-	-
municipal bonds PLN	4 480 325	-	4 480 325	-
corporate bonds PLN	4 249 224	-	4 249 224	-
corporate bonds USD	199 412	-	199 412	-
corporate bonds EUR	406 832	-	406 832	-
Equity securities	286 203	87 901	-	198 302
TOTAL	22 080 344	12 546 249	9 335 793	198 302

Depending on the category of classification of financial assets and liabilities to the hierarchy, different methods of fair value valuation are used, for which detailed description was presented in the annual financial statements for 2014.

To the level 3, Bank classified to that category entity shares (the Fund) not listed on WSE, which are valued with internal valuation models. The fair value of these securities (the Fund) is determined based on the net asset value of the fund, i.e. the fair value of investment projects (of the companies) in the fund, which are subject to semi-annual examination by the registered auditor.

The impact of parameters estimated on measurement of financial instruments at fair value, for which the Bank uses fair value measurement on Level 3 as at 30 June 2015 is as follows:

Financial instrument	Valuation technique	Unobservable factor	Fair value by	
			positive scenario	negative scenario
Investment securities available for sale				
Equity securities – Fund	Net Asset Value (NAV) method	price for a participation unit	207 164	187 434

In the period from 1 January to 30 June 2015, there were no transfers between levels in the fair value hierarchy used in measuring financial instruments at fair value.

The table below presents a reconciliation during the periods of measurement from 1 January 2015 to 30 June 2015 and from 1 January 2014 to 30 June 2014, at fair value at level 3 of fair value hierarchy:

Investment securities available for sale	01.01-30.06.2015
Opening balance at the beginning of the period	198 302
Total gains or losses	13 831
recognised in other comprehensive income	13 831
Take up of shares in the Fund and currency translation differences	(2 659)
Conclusion of an agreement of the contingent sale of shares of the listed company	(12 000)
Closing balance as the end of the period	197 474

Investment securities available for sale	01.01-30.06.2014
Opening balance at the beginning of the period	137 315
Total gains or losses	15 309
recognised in other comprehensive income	15 309
Take up of shares in the Fund and currency translation differences	15 052
Closing balance as the end of the period	167 676

During the period from 1 January 2015 to 30 June 2015, there were no changes in the fair value estimation methodology.

(IN PLN THOUSAND)

40.2 Financial assets and liabilities not presented at fair value in the statement of financial position

The table below presents a summary of the carrying amounts and fair values of individual groups of financial instruments not recognised at fair value in the statement of financial position as at 30 June 2015:

	level of fair value hierarchy	valuation method	30.06.2015	
			carrying amount	fair value
Cash and balances with the central bank	n/a	value at cost to pay	11 894 988	11 894 988
Amounts due from banks	3	discounted cash flows	3 828 259	3 828 210
Loans and advances to customers			183 915 450	180 177 790
housing loans	3	discounted cash flows	100 046 273	95 798 906
corporate loans	3	discounted cash flows	57 359 010	58 192 966
consumer loans	3	discounted cash flows	20 846 627	20 633 147
receivables due from repurchase agreements	3	discounted cash flows	874 284	874 284
debt securities	3	discounted cash flows	4 789 256	4 678 487
Other financial assets	3	value at cost to pay including impairment allowance	695 700	695 700
Amounts due to the central bank	2	value at cost to pay	4 158	4 158
Amounts due to banks	2	discounted cash flows	19 658 742	19 658 958
Amounts due to customers			191 118 700	191 408 214
due to corporate entities	3	discounted cash flows	52 923 517	53 250 639
due to public entities	3	discounted cash flows	6 895 720	6 895 720
due to retail clients	3	discounted cash flows	131 299 463	131 261 855
Debt securities in issue	2	discounted cash flows	1 115 566	1 115 658
Subordinated debt	2	discounted cash flows	2 521 227	2 508 786
Other financial liabilities	3	value at cost to pay	1 907 131	1 907 131

The table below presents a summary of the carrying amounts and fair values of individual groups of financial instruments not recognised at fair value in the statement of financial position as at 31 December 2014:

	level of fair value hierarchy	valuation method	31.12.2014	
			carrying amount	fair value
Cash and balances with the central bank	n/a	value at cost to pay	11 698 248	11 698 248
Amounts due from banks	2	discounted cash flows	2 608 547	2 608 553
Loans and advances to customers			177 557 571	168 577 617
housing loans	3	discounted cash flows	95 712 466	86 670 803
corporate loans	3	discounted cash flows	56 546 103	56 604 768
consumer loans	3	discounted cash flows	20 159 253	20 270 107
receivables due from repurchase agreements	3	discounted cash flows	302 973	302 973
debt securities	3	discounted cash flows	4 836 776	4 728 966
Other financial assets	3	value at cost to pay including impairment allowance	647 235	647 235
Amounts due to the central bank	2	value at cost to pay	4 427	4 427
Amounts due to banks	2	discounted cash flows	18 439 584	18 439 662
Amounts due to customers			185 920 562	186 323 433
due to corporate entities	3	discounted cash flows	52 911 331	53 349 090
due to public entities	3	discounted cash flows	4 778 331	4 778 331
due to retail clients	3	discounted cash flows	128 230 900	128 196 012
Debt securities in issue	2	discounted cash flows	866 087	866 109
Subordinated debt	2	discounted cash flows	2 413 985	2 398 946
Other financial liabilities	3	value at cost to pay	2 127 610	2 127 610

OBJECTIVES AND PRINCIPLES OF RISK MANAGEMENT

41. Risk management in PKO Bank Polski SA

Risk management is one of the most important internal processes in PKO Bank Polski SA. It aims at ensuring profitability of business activity, with ensuring control of risk level and maintaining it within the risk tolerance and limits system applied by the Bank, in the changing macroeconomic and legal environment. The level of the risk plays an important role in the planning process.

In the Bank, the following types of banking risk have been identified, which are subject to management: credit risk, interest rate risk, currency risk, liquidity risk, commodity price risk, price risk of equity instruments, derivative instruments, operational risk, compliance risk, macroeconomic changes risk, model risk, business risk (including strategic risk), reputation risk, and capital risk.

41.1. Elements of banking risk management process

The process of banking risk management in PKO Bank Polski SA consists of the following stages:

- risk identification:

  the identification of actual and potential sources of risk and estimation of the significance of the potential influence of a given type of risk on the financial situation of the Bank. Within the risk identification process, types of risk perceived as material in the Bank's activity are identified,
- risk measurement and assessment:

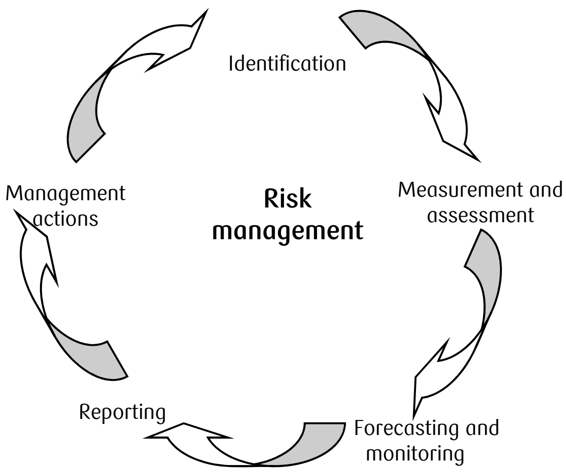
  risk measurement covering defining risk assessment measures adequate to the type and significance of the risk, data availability and quantitative risk assessment by means of determined measures, as well as risk assessment aimed at identifying the scale or scope of risk, taking into account the achievement of goals of risk management. Within risk measurement, stress-test are being conducted on the basis of assumptions providing a fair risk assessment,
- risk forecasting and monitoring:

  preparing risk level forecasts and monitoring deviations from forecasts or adopted reference points (e.g. limits, thresholds, plans, measurements from the previous period, issued recommendations and suggestions). Risk monitoring is performed with the frequency adequate to the materiality and volatility of a specific risk type,
- risk reporting:

  periodic informing the authorities of the Bank about the results of risk measurement, taken actions and actions recommendations. Scope, frequency and the form of reporting are adjusted to the managing level of the recipients,
- management actions:

  including, particularly, issuing internal regulations, establishing the level of risk tolerance, establishing limits and thresholds, issuing recommendations, making decisions about the use of tools supporting risk management. The objective of taking management actions is to form the risk management process and the risk level.

The risk management process is described on the chart below:



41.2. Main principles of risk management

Risk management in PKO Bank Polski SA is based especially on the following principles:

- the Bank manages all of the identified types of banking risk,
- the risk management process is appropriate to the scale of the 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 the 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 recovery remains organisationally independent from business activities,
- risk management is integrated with the planning and controlling systems,
- the risk level is monitored on a current basis,

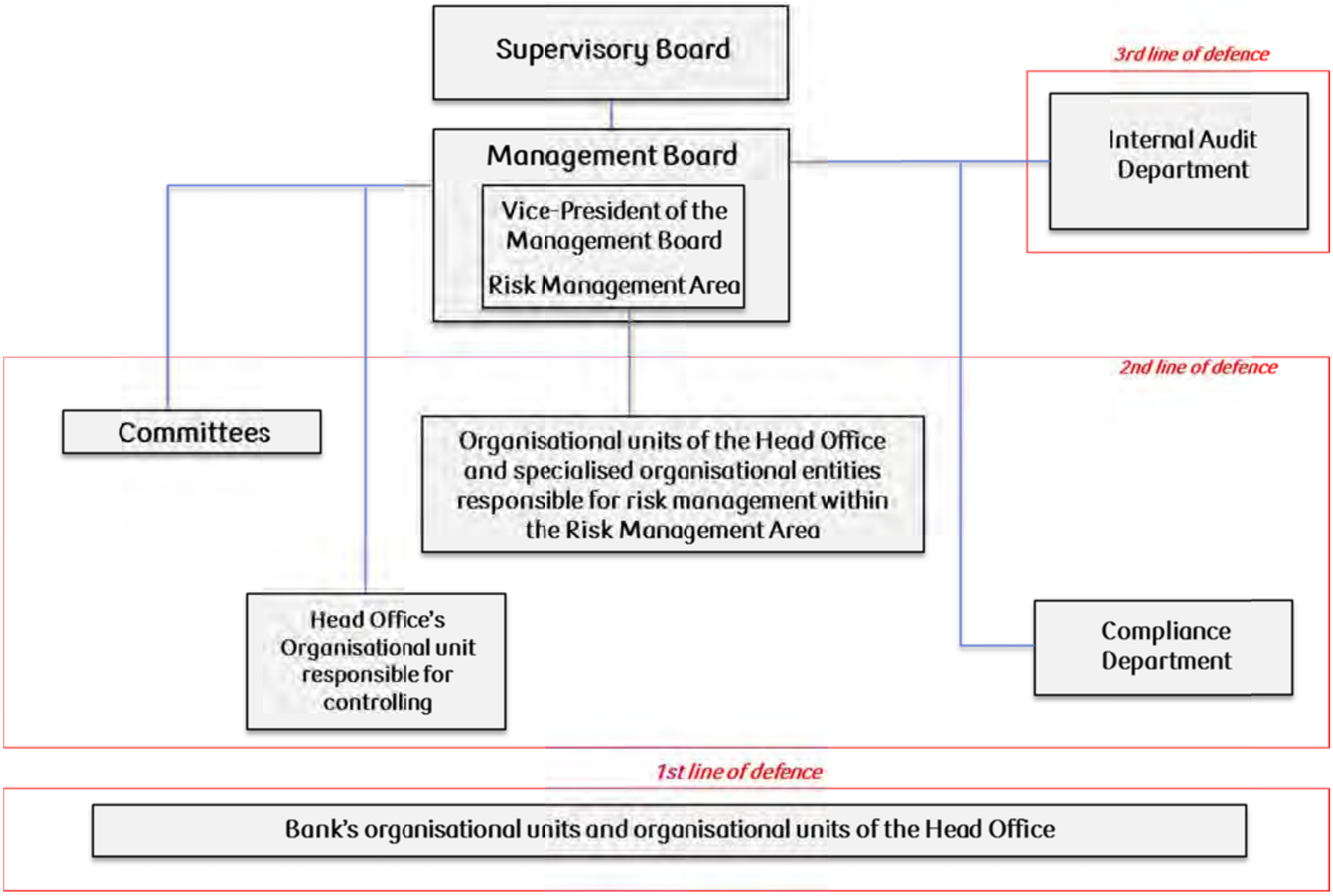
- the risk management process supports the implementation of the Bank's strategy in compliance with the risk management strategy, in particular with regard to the level of tolerance of the risk.

41.3. The organization of risk management in the Bank

Risk management in the Bank takes place in all of the organizational units of the Bank.

The organization of risk management is presented in the chart below:

The organization of risk management chart



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 PKO Bank Polski SA and 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 takes the most important decisions affecting the risk profile of the Bank and adopts internal regulations concerning risk management.

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 mechanisms and compliance of the activities with the generally applicable laws,
2) the second line of defence, which is the risk management system, including methods, tools, process and organisation of risk management,
3) the third line of defence, which is an internal audit.

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

- the function of the second line of defence as regards creating system solutions is independent of the function of 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 President of the Management Board.

The first line of defence is being performed particularly in the organisational units of the Bank, the organisational units of the Head Office and the external entities to which the Bank outsourced other banking activities and concerns the activities of those units', cells and entities which may generate risk. The units and entities are responsible for identifying risks, designing and implementing appropriate controls, including in the external entities, unless controls have been implemented as part of the measures taken in the second line of defence.

The second line of defence is being performed, in particular, in the Risk Management Area, in the organisational units of the Head Office managing the compliance risk, reputation risk, respective committees, as well as the organisational units of the Head Office responsible for controlling.

The organisational units of the Head Office of the Bank that are grouped within the Banking Risk Division, Department of Risk Integration, Department of Restructuring and Debt Collection of Corporate Client and Analysis and Credit Risk Assessment Centre as well as Restructuring and Debt Collection Centre manage risk within the limits of competence assigned to them.

The Banking Risk Division is responsible in particular for:

- identifying risk factors and sources,
- measuring, assessing, monitoring and reporting risk levels (material risks) on a regular basis,
- coordinating the activities within the Strategy realization,
- measuring and assessing capital adequacy,
- preparing recommendations for the Management Board or committees regarding the acceptable level of risk,
- creating and providing opinions on internal regulations on managing risk and capital adequacy,
- developing IT systems designated to support risk and capital adequacy management.

The Department of Risk Integration is responsible in particular for:

- validation of risk models,
- implementation an effective system of the models risk management in the Group,
- coordinating the implementation of integrated risk management system in the Group,
- initiating and coordinating the implementation integration activities in relation to risk management in the Group,
- supervisprepering the list of entities which have a significant influence on Group's risk profile.

The Department of Restructuring and Debt Collection of the Corporate Client is responsible in particular for:

- recovering receivables from difficult corporate clients effectively, with the amount not less than the amount specified in the separate internal regulations of the Bank,
- preparation of proposals on matters of entrusting the investigation or sale difficult receivables,
- acquisition of assets as a result of debt recovery,
- review and classification of receivables being managed within the Department and off-balance sheet liabilities granted as well as determination of their impairment allowances associated with the risk of Bank's activities.

The Restructuring and Debt Collection Centre is responsible in particular for:

- creation of system solutions, including the Bank's internal regulations and applications for the management of bad debts,
- determining the calculation method of ratios: Efficiency restructuring and debt collection processes, system efficiency of monitoring of delays in payment of debts and recoveries from hedges,
- design, development and verification of the models used in the process of monitoring of delays in debt repayment and debt recovery.
- recovering receivables from difficult clients effectively, through their restructuring and debt collection and increasing the effectiveness of such actions,
- effective monitoring of delays in the collection of receivables from retail market clients,
- effective outsourcing of the tasks carried out, as well as effective management of assets taken over as a result of recovering the Bank's receivables,
- determining the level of charges for impairment difficult receivables,
- selling difficult receivables effectively.

The objective of the Analysis and Credit Risk Assessment Centre is the reduction of the credit risk of individual credit exposures of the Bank's retail and corporate market clients and financial institutions, which are significant in particular due to the scale of exposure, client segment, or the level of risk and ensuring effective credit analyses in respect of mortgage loans granted to individual clients through the Bank's retail network and loans granted to small and medium enterprises clients evaluated with rating methods, as well as taking credit decisions in this respect.

Risk management is supported by the following committees:

The Risk Committee ('the RC')

- monitors the integrity, adequacy and efficiency of the bank risk management system, capital adequacy and implementation of the risk management policies binding in the Bank consistent with the Bank's Strategy,
- analyses and evaluates the application of strategic risk limits specified in PKO Bank Polski SA's Bank Risk Management Strategy,
- supports the Supervisory Board in the banking risk management process by formulating recommendations and making decisions concerning capital adequacy and the efficiency of the bank risk monitoring system.

The Assets & Liabilities Management Committee (the 'ALCO')

- makes decisions within the scope of limits and thresholds on particular types of risks, issues related to transfer pricing, models and portfolio parameters used to determine impairment allowances and provisions as well as other significant financial and business risk models and their parameters,
- gives recommendations to the Management Board i.a. with regard to determining the structure of the Bank's assets and liabilities, managing different types of risks, equity and price policy.

The Bank's Credit Committee (the 'BCC')

- makes loan decisions with regard to significant individual credit exposures and credit risk models,
- issues recommendations in respect mentioned above to the Management Board of the Bank,
- makes decisions regarding the approval of credit risk models and the results of the validation of these models in the composition including the representants of the Finance and Accounting Area.

(IN PLN THOUSAND)

The Operating Risk Committee (the 'ORC')

- takes decisions, issues recommendations and opinions regarding i.a. strategic tolerance limits and loss limit for operational risk, key risk indicators (KRI), assumptions of stress-tests, results of validation of operational risk measurement models and changes in AMA approach and taking actions to reduce the level of operational risk in all areas of the Bank's activities.

ALCO, RC, ORC, BCC, the Management Board and the Supervisory Board are recipients of cyclic reports concerning the individual risk types.

The third line of defense is being performed by internal audit, including on the effectiveness of the risk management system.

41.4. Activities in the area of risk management in the Bank

PKO Bank Polski SA's top priority is to maintain its strong capital position and to further increase its stable sources of financing underlying the stable development of business activity, while maintaining the priorities of efficiency and effective cost control and appropriate risk assessment.

For this purpose, in the first half of 2015 the Bank took i.a. the following actions:

- rolled forward short-term bonds with a maturity of six months in the amount of PLN 750 million and issued additional PLN 250 million of this bonds,
- repaid in January 2015 the first part and in June 2015 the second part of syndicated loan in CHF in the total amount of CHF 410 million,
- transferred to the own funds a part of the Bank's profit for 2014, after deducting of expected charge and dividends, based on the decision of the Polish Financial Supervision Authority.

The acquisition of Nordea Polska Entities as at 1 April 2014 and the operational merger as at 20 April 2015 had no impact on the change in the risks identified in the business of Bank.

In the first half of 2015, in respect of operational risk, the Bank endeavoured to ensure that after the operational merger the Bank is adapted to the requirements of Recommendation M of the Polish Financial Supervision Authority amended in January 2013 relating to operational risk management in banks.

Due to the PFSA Recommendation P amendment from March 2015 concerning liquidity risk, in the first half year 2015, Bank has prepared analysis of gaps in Banks adjustment to this Recommendation with a proposal for the method and timetable for coverage of identified gaps.

The appreciation of CHF against other foreign currencies, including PLN was a result of Swiss National Bank's decision in January 2015 concerning the abolition of the minimal limit of exchange rate of CHF against EUR. The impact of those events on the financial results including the risk of quality deterioration of the housing loans portfolio denominated in CHF is under regular analysis of the Bank. That risk is partially neutralized by a decrease in reference interest rates LIBOR CHF.

Due to the fact, that a significant appreciation of CHF against PLN consist a risk of excessive charges for households with housing loans denominated in CHF and therefore the timely service of the debt, since the beginning of the year a public debate concerning limitation of the insolvency risk of those debtors is ongoing. The appearing proposals for statutory solutions, declared in the form of civil or parliamentary legislation projects, as well as these presented by public and supervisory authorities may result in losses incurred on this portfolio by the Bank in the future periods.

The Bank has undertaken a number of actions to help customers and simultaneously reduce the growth of credit risk related to the increase of CHF exchange rate – i.a. reduction of transaction CHF/PLN exchange rates for calculation of CHF repayment value ('spread rate'), as well as including negative LIBOR rate for all customers.

According to the Bank, these operations allow to maintain the creditworthiness for current debt service due to the housing loans denominated in CHF at the level not lower than in December 2014. The Group constantly monitors the volatility of CHF exchange rate, the value of housing loans portfolio denominated in CHF, as well as the impact of changes in exchange rate on capital adequacy ratios.

The table below presents the quality analysis of loans denominated in CHF

Loans and advances to customers in impairment valuation method in CHF (in nominal currency)	30.06.2015			
	Financial institutions	Entities	Households	Total
Valuated on an individual basis, of which:	-	192 410	234 264	426 674
impaired	-	162 805	211 830	374 635
Valuated with portfolio method, impaired	-	32 102	1 179 156	1 211 258
Valuated with group method (IBNR)	7 140	355 925	32 181 972	32 545 037
Loans and advances to customers - gross	**7 140**	**580 437**	**33 595 392**	**34 182 969**
Allowances on exposures valuated on an individual basis, of which:	-	(64 783)	(98 521)	(163 304)
impaired	-	(64 438)	(98 289)	(162 727)
Allowances on exposures valuated with portfolio method	-	(17 068)	(654 377)	(671 445)
Allowances on exposures valuated with group method (IBNR)	(129)	(3 771)	(151 343)	(155 243)
Allowances - total	**(129)**	**(85 622)**	**(904 241)**	**(989 992)**
Loans and advances to customers - net	**7 011**	**494 815**	**32 691 151**	**33 192 977**

(IN PLN THOUSAND)

Loans and advances to customers in impairment valuation method in CHF (in nominal currency)	31.12.2014			
	Financial institutions	Entities	Households	Total
Valuated on an individual basis, of which:	2 912	169 951	188 969	361 832
impaired	2 912	169 951	188 969	361 832
Valuated with portfolio method, impaired	-	29 737	1 042 503	1 072 240
Valuated with group method (IBNR)	3 837	309 293	29 252 287	29 565 417
Loans and advances to customers - gross	6 749	508 981	30 483 759	30 999 489
Allowances on exposures valuated on an individual basis, of which:	(15)	(43 789)	(75 402)	(119 206)
impaired	(15)	(43 789)	(75 402)	(119 206)
Allowances on exposures valuated with portfolio method	-	(14 034)	(601 131)	(615 165)
Allowances on exposures valuated with group method (IBNR)	(23)	(4 401)	(96 252)	(100 676)
Allowances - total	(38)	(62 224)	(772 785)	(835 047)
Loans and advances to customers - net	6 711	446 757	29 710 974	30 164 442

41.5. Identification of significant types of risk

The significance of the individual types of risk is established at the Bank's level.

The following types of risk are considered to be significant of the Bank:

- credit risk,
- currency risk,
- interest rate risk,
- liquidity risk,
- operational risk,
- business risk,
- macroeconomic changes risk,
- models risk,
- compliance risk,
- loss of reputation risk,
- capital risk,
- derivatives risk.

When determining criteria of classifying a given type of risk as significant, an influence of a given type of risk on the Bank's activities is taken into account, whereas three types of risk are recognised:

- considered as significant a priori – being managed actively,
- potentially significant – for which significance monitoring is being made,
- other non-defined or non-occurring in the Bank types of risk (insignificant and non-monitored).

Based on quantitative and qualitative information, an assessment of significance of given types of risk is performed in the Bank periodically. As a result of assessment, a given type of risk is being classified as significant/insignificant. In particular, monitoring is conducted if significant change in activities took place or the profile of the Bank changed.

42. Credit risk management

Credit risk is defined as a risk of occurrence of losses due to counterparty'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 deterioration of counterparty's ability to repay amounts due to the Bank. The objective of credit risk management is to minimise losses on the credit portfolio as well as to minimise the risk of occurrence of loans threatened with impairment exposure, while keeping expected level of profitability and value of credit portfolio at the same time.

The Bank applies the following principles of credit risk management:

- each loan transaction is subject to comprehensive credit risk assessment, which is reflected in an internal rating or credit scoring,
- credit risk relating to loan transactions is measured on the stage of examining loan application and on a regular basis, as part of the monitoring process taking into consideration changes in external conditions and in the financial standing of the borrowers,
- credit risk assessment of exposures which are significant due to their risk levels or its values is subject to additional verification by credit risk assessment teams, which are independent of the business teams,
- terms of loan transactions that are offered to a client depend on the assessment of credit risk level generated by the transaction,
- loan granting decisions are made only by authorised persons,
- credit risk is diversified particularly by geographical location, by industry, by product and by clients,
- expected credit risk level is mitigated by collateral received by the Bank, margins from clients and allowances (provisions) for credit losses.

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

42.1 Measurement and assessment of credit risk

Credit risk measurement and assessment methods

In order to assess the level of credit risk and profitability of loan portfolios, the Bank uses different credit risk measurement and valuation methods, including:

- Probability of Default (PD),
- Expected Loss (EL),
- Credit Value at Risk (CVaR),
- effectiveness measures used in scoring methodologies (Accuracy Ratio),
- share and structure of impaired loans (according to IAS),
- coverage ratio of impaired loans with impairment (according to IAS) allowances (coverage ratio),
- cost of risk.

The Bank extends regularly the scope of credit risk measures used, taking into account the internal rating-based method (IRB) requirements, and extends the use of risk measures to fully cover the whole Bank's loan portfolio with these methods.

The portfolio credit risk measurement methods allow i.a. to reflect the credit risk in the price of products, determine the optimum conditions of financing availability and determine rates of impairment allowances.

The Bank performs analysis and stress-tests regarding the influence of potential changes in macroeconomic environment on the quality of Bank's loan portfolio. The test results are reported to the Bank's authorities. The above-mentioned information enables to identify and take measures to limit the negative influence of unfavourable market changes on the Bank's performance.

The Bank assesses the risk of individual credit transactions with the use of scoring and rating methods, which are created, developed and supervised by the Banking Risk Division. These methods are supported by specialist IT application software. The scoring method is defined by Bank's internal regulations whose main aim is to ensure uniform and objective assessment of credit risk during the lending process.

Rating models for corporate clients

The evaluation of credit risk related to financing corporate clients is performed in two dimensions: in respect of the client and of the transaction. The assessment measures comprise the assessment of the credibility of the client, i.e. rating: and the assessment of the transaction, i.e. liability repayment capacity in the specified amount and timing.

Rating models for corporate clients were prepared using internal data of the Bank which ensures that they are tailored to the risk profile of the Bank's clients. Models are based on a statistical dependence analysis between the default and a customer's risk scoring. Scoring includes an assessment of the financial indicators, qualitative factors and evaluation of behavioural factors. The client's risk assessment depends on the size of the enterprise for which analysis is made. In addition, the Bank has implemented a model for assessment of credited entrepreneurs in the formula of specialist financing, which allows adequate credit risk assessment of large projects involving real estate financing (e.g. office space, retail areas, industrial areas) and infrastructure projects (e.g. telecommunications, industrial, public utility infrastructure).

Rating models are implemented in an IT tool that supports the Bank's credit risk assessment related to corporate clients financing.

In order to examine the correctness of functioning of method applied in the Bank, the methodologies of credit risk assessment connected with individual credit exposures are subject to periodical reviews.

The evaluation of retail clients credit risk

The Bank assesses of the credit risk of retail clients in two dimensions: the clients creditworthiness in quantitative and qualitative terms. 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 internal records of the Bank and external databases.

The process of evaluating credit risk in the Bank takes into account the requirements of the Financial Supervision Commission set out in Recommendation S on good practices in the management of credit exposures secured by mortgage and Recommendation T on good practices in risk management of retail credit exposures. All recommendations have been implemented in the Bank in accordance with the expected deadline.

Assessment of credit risk relating to the financing of corporate clients

In the case of corporate clients from the small and medium enterprises segment that meet certain criteria, the Bank assesses credit risk using the scoring method. Such assessment refers to low-value, uncomplicated loan transactions and it is performed in two dimensions: clients' borrowing capacity and his creditworthiness. The assessment of borrowing capacity involves examination of the client's economic and financial situation, whereas the creditworthiness assessment involves scoring and evaluation of the client's credit history obtained from internal records of the Bank and external databases. In other cases, rating method is widely used.

The information about 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 conditions in which credit assessment services are activated and in the credit risk assessment and reporting system.

In case of corporate clients in the corporate client segment, the Bank made improvements in functioning of the lending process. These changes relate to changes in portfolio segmentation, organisational changes which meet client needs in a much better way and, on the other hand, allow comprehensive credit risk assessments to be made independently of the offered corporate and transaction banking products.

(IN PLN THOUSAND)

42.2 Forecasting and monitoring of credit risk

The Bank's exposure to credit risk divided into impaired and not impaired, and into not past due and past due

Amounts due from banks	Exposure	
	30.06.2015	31.12.2014
Amounts due from banks impaired, of which:	44 564	41 535
assessed on an individual basis	44 195	41 173
Amounts due from banks not impaired, of which:	3 794 544	2 578 608
not past due	3 794 544	2 578 608
Gross total	**3 839 108**	**2 620 143**
Impairment allowances	(10 849)	(11 596)
Net total by carrying amount	**3 828 259**	**2 608 547**

Loans and advances to customers	Exposure	
	30.06.2015	31.12.2014
Loans and advances impaired, of which:	12 704 303	12 347 957
assessed on an individual basis	5 220 626	5 138 087
Loans and advances not impaired, of which:	179 161 431	172 736 814
not past due	175 983 666	168 833 734
past due	3 177 765	3 903 080
past due up to 4 days	561 038	1 491 221
past due over 4 days	2 616 727	2 411 859
Gross total	**191 865 734**	**185 084 771**
Impairment allowances	(7 950 284)	(7 527 200)
Net total by carrying amount	**183 915 450**	**177 557 571**

Investment securities available for sale - debt securities	Exposure	
	30.06.2015	31.12.2014
Debt securities not impaired, of which:	25 280 970	21 794 141
not past due	25 280 970	21 794 141
with external rating	21 118 462	13 702 637
with internal rating	4 162 508	8 091 504
Gross total	**25 280 970**	**21 794 141**
Impairment allowances	-	-
Net total by carrying amount	**25 280 970**	**21 794 141**

(IN PLN THOUSAND)

Maximum exposure to credit risk

Items of the statement of financial position	30.06.2015	31.12.2014
Current account in the central bank	8 781 092	7 772 856
Amounts due from banks	3 828 259	2 608 547
Trading assets – debt securities	1 513 520	1 919 353
issued by banks	15 645	14 631
issued by other financial institutions	5 710	6 559
issued by non-financial institutions	33 623	22 146
issued by the State Treasury	1 407 904	1 825 454
issued by local government bodies	50 638	50 563
Derivative financial instruments	3 975 931	5 483 508
Financial instruments designated upon initial recognition at fair value through profit and loss - debt securities	11 183 826	13 417 667
issued by the State Treasury	2 714 016	2 165 038
issued by central banks	8 224 021	10 998 812
issued by local government bodies	245 789	253 817
Loans and advances to customers	183 915 450	177 557 571
financial sector (excluding banks)	6 025 100	5 327 204
corporate loans	5 150 816	5 024 231
receivables due from repurchase agreements	874 284	302 973
non-financial sector	167 910 769	162 220 953
housing loans	100 046 273	95 712 466
corporate loans	45 062 310	44 332 135
consumer loans	20 846 627	20 159 253
debt securities	1 955 559	2 017 099
public sector	9 979 581	10 009 414
corporate loans	7 145 884	7 189 737
debt securities	2 833 697	2 819 677
Investment securities available for sale - debt securities	25 280 970	21 794 141
issued by the State Treasury	15 934 231	12 458 348
issued by banks	1 519 264	1 203 572
issued by other financial institutions	226 138	184 914
issued by non-financial institutions	3 256 690	3 466 982
issued by local government bodies	4 344 647	4 480 325
Other assets - other financial assets	695 700	647 235
Total	**239 174 748**	**231 200 878**

Off-balance sheet items	30.06.2015	31.12.2014
Irrevocable liabilities granted	28 934 586	27 730 846
Guarantees granted	8 157 049	10 020 974
Letters of credit granted	2 016 595	704 504
Guarantees of issue	4 691 465	4 581 134
Total	**43 799 695**	**43 037 458**

42.3. Concentration of credit risk within the Bank

PKO Bank Polski SA defines credit concentration risk as one of arising from a considerable exposure to single entities or to group of entities whose repayment capacity depends on a common risk factor. The Bank analyses the risk of concentration in respect of:

- the largest business entities,
- the largest capital groups,
- industries,
- geographical regions,
- currencies,
- exposures with established mortgage collateral.

Concentration by the largest business entities

The Banking Law specifies maximum concentration limits for the Bank. According to Article 71, item 1 of the Banking Law, the total value of the Bank's exposures, off-balance sheet liabilities granted and shares held by the Bank directly or indirectly in another entity, additional payments into a limited liability company as well as contributions or limited partnership sums - whichever higher - in a limited partnership or limited joint-stock partnership with a risk of one entity or a group of entities related by capital or management, cannot exceed concentration limit, which is 25% of the Bank's own funds.

As at 30 June 2015 and as at 31 December 2014, those concentration limits had not been exceeded. As at 30 June 2015, the level of concentration risk in the Bank with respect to individual exposures was low – the largest exposure to a single entity was equal to 11.5% of the Bank's recognised equity.

Concentration by the largest capital groups

The largest concentration of PKO Bank Polski SA's exposure into the capital group is 2.52% of the loan portfolio of the Bank.

As at 30 June 2015 and 31 December 2014, the Bank's concentration risk level by the largest capital groups was low - the greatest exposure of PKO Bank Polski SA towards a capital group amounted to 23.9%* and 11.8% of the Bank's recognised equity.

Concentration by industry

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

As compared with 31 December 2014 the exposure of PKO Bank Polski SA in industry sectors has increased by approx. PLN 0.7 billion. The total exposure in the four largest industry groups: 'Industrial processing', 'Maintenance of real estate', 'Wholesale and retail trade (...)', and 'Public administration and public defence' amounted to approx. 58% of the total loan portfolio covered by an analysis of the sector.

Concentration by geographical regions

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

The structure of the loan portfolio by geographic regions is identified in the Bank due to the area – a separate area for the retail client (ORD) a separate area for the corporate client (ORK). 11 geographical regions are distinguished within ORD. As at 30 June 2015, the largest concentration of the ORD loan portfolio occurs in region of Poznań and Warsaw (ca. 25% of the ORD portfolio).

Within ORK, the Bank distinguish 7 macro-regions and the headquarter. As at 30 June 2015, the largest concentration of the ORK loan portfolio occurs in the headquarter and the central macro-region (27% and 13% of the ORK loan portfolio, respectively).

Concentration of credit risk by currency

As at 30 June 2015, the share of exposure in convertible currencies, other than PLN, in the total portfolio of PKO Bank Polski SA amounted to 25.7%. An increase as compared to 31 December 2014 was the consequence of legal merger, which resulted in addition of Nordea Bank Polska loan portfolio to the Bank's loan portfolio. The largest part of currency exposures of PKO Bank Polski SA are those denominated in CHF (70% of the loan portfolio).

Other types of concentration

In accordance with the Recommendations S and T of the Polish Financial Supervision Authority, the Bank uses internal limits on credit exposures related to the Bank's customers defining the appetite for the credit risk.

As at 30 June 2015, these limits have not been exceeded.

42.4. Forbearance practices

Bank takes as forbearance actions aimed at making changes in the contract terms agreed with a debtor or an issuer, forced by his difficult financial situation (restructuring activities). The aim of the forbearance activities is to restore a debtor or an issuer the ability to correct execution of the agreement and to maximise the efficiency of non-performing loans management, i.e. obtaining the highest recoveries while minimising the incurred costs, associated with obtaining recoveries, which are very high in case of executive proceedings.

Forbearance activities include a change in payment terms which is individually agreed on each contract basis. Such changes may concern:

- spreading the payable debt into installments,
- changing the formula repayment (annuity installments, decreasing installments),
- changes in schedule,
- changes in interest rates,
- reducing debt.

Evaluation of the ability of a debtor to fulfil the forbearance agreement conditions (debt repayment according to the agreed schedule) constitutes an element of the forbearance process.

Concluded forbearance agreements are monitored on an on-going basis. Signing of the forbearance agreement, amending the contractual terms due to the financial difficulties of a debtor or an issuer, is one of indications of individual impairment and results in the necessity of analysing the situation in terms of recording impairment charges or provisions revaluating the exposure value resulting from this fact.

Loans and advances cease to be subject of forbearance if the following conditions are met simultaneously:

* The concentration of the entity excluded from the exposure concentration limit under Article 71, paragraph. 3 of the Banking Law.

(IN PLN THOUSAND)

- 12 consecutive payments under the forbearance agreements scheduled were settled(by the scheduled payment is understood the situation when the payment of each instalment is made no later than 30 days after the day set in the specified schedule)
- At least 24 month has elapsed from the date of forbearance agreement was signed,
- There is no identified impairment losses.

In case of full repayment or termination of the credit agreement the forbearance ceases to apply without the meeting of the above conditions.

In the first half of 2015 years, the Bank implemented a central information systems recognizing and reporting exposures facilities (forbearance).

	30.06.2015	31.12.2014
Loans and advances to customers, gross	191 865 734	185 084 771
of which forbearance:	5 472 561	6 063 950
financial sector	283	395
corporate loans	283	395
non-financial sector	5 439 593	6 063 196
corporate loans	2 882 282	3 251 322
housing loans	2 001 075	2 148 875
consumer loans	556 236	662 999
public sector	32 685	359
corporate loans	32 685	359
Impairment allowances on loans and advances to forbearance customers	(947 140)	(818 621)
Loans and advances to customers, net forbearance	**4 525 421**	**5 245 329**

Loans and advances to customers subjected to forbearance by geographical region (gross)	30.06.2015	31.12.2014
Poland		
mazowiecki	1 286 213	1 072 270
małopolsko-świętokrzyski	609 479	692 484
śląsko-opolski	590 873	801 652
wielkopolski	480 307	525 427
łódzki	468 053	556 844
zachodnio-pomorski	460 618	541 966
dolnośląski	356 129	411 922
kujawsko-pomorski	331 232	327 845
pomorski	315 584	510 499
lubelsko-podkarpacki	300 418	350 527
podlaski	249 586	245 187
warmińsko-mazurski	24 069	27 327
Total	**5 472 561**	**6 063 950**

Loans and advances to customers subjected to forbearance	Exposure by gross carrying amount	
	30.06.2015	31.12.2014
Loans and advances impaired	2 599 513	2 240 556
Loans and advances not impaired, of which:	2 873 048	3 823 394
not past due	2 230 460	3 094 295
past due	642 588	729 099
Total gross	**5 472 561**	**6 063 950**

Change in carrying amounts of loans and advances to customers subject to forbearance at the beginning and at the end of the period

For the period ended 30 June 2015	Total
Carrying amount at the beginning of the period, net	5 245 329
Impairment allowance	(128 519)
Loans and advances derecognised in the period, gross	(1 060 752)
Loans and advances recognised in the period, gross	710 559
Other changes/repayment	(241 196)
Carrying amount at the end of the period, net	**4 525 421**

(IN PLN THOUSAND)

For the year ended 31 December 2014	Total
Carrying amount at the beginning of the period, net	3 326 784
Impairment allowance	172 750
Loans and advances derecognised in the period, gross	(1 308 783)
Loans and advances recognised in the period, gross	3 747 017
Other changes/repayment	(692 439)
Carrying amount at the end of the period, net	**5 245 329**

The amount of recognised interest income related to loans and advances to customers, which are subject to forbearance amounted to PLN 124 883 thousand as at 30 June 2015.

42.5. Allowances for credit losses

Bank performs a monthly review of loan exposures in order to identify loan exposures threatened with impairment, measure the impairment of loan exposures and recognition of impairment charges or provisions.

The process of determining the impairment charges and provisions consists of the following stages:

- identifying the indications of impairment and events significant from the point of view of identifying those indications,
- registering in the Bank's IT systems the events that are material from the point of view of identifying indications of impairment of credit exposures,
- determining the method of measuring impairment,
- measuring impairment and determining an impairment charge or provision,
- verifying and aggregating the results of the impairment measurement,
- recording the results of impairment measurement.

The method of determining the amount of impairment charges is dependent on the type of identified indications of impairment and the individual significance of a credit exposure. The events considered as indications of individual impairment are, in particular, as follows:

- a loan being overdue for at least 90 days,
- a significant deterioration in a customer's internal rating,
- entering into restructuring agreement or granting a discount concerning debt repayment (the indication of impairment is recognised, if the convenience granted to the consumer is a result of its difficult legal or economic position).

When determining the overdue period of a loan, the amounts of interest not paid according to the schedule or instalment payments exceeding accepted thresholds are taken into account.

42.5.1 Impairment estimating methods

PKO Bank Polski SA applies three methods of estimating impairment:

- an individual basis applied in respect of individually significant loans, for which the objective evidence of impairment was identified or requiring individual assessment due to the transactions specifics and resulting from events determining the repayment of exposure,
- a portfolio basis applied in respect of individually insignificant loans, for which the objective evidence of impairment was identified,
- a group basis (IBNR) applied in respect of the loans for which the objective evidence of impairment was not identified, but there is a possibility of losses incurred but not recognised occurring.

Impairment allowances in respect of a loan exposure correspond to the difference between the carrying amount of the exposure and the present value of the expected future cash flows from a given exposure:

- while assessing impairment allowances on an individual basis, the expected future cash flows are estimated for each loan exposure individually, taking into account the possible scenarios relating to contract execution, weighted by the probability of their realisation,
- an impairment allowance in respect of loan exposures assessed on a portfolio basis or on a group basis corresponds to the difference between the carrying amount of the exposures and the present value of the expected future cash flows estimated using statistical methods, based on historic observations of exposures from homogenous portfolios.

42.5.2 Off-balance sheet provisions

A provision for off-balance sheet loan exposures is recognised in an amount equal to the resulting expected (and possible to estimate) loss of economic benefits.

When determining a provision for off-balance sheet loan exposures, PKO Bank Polski SA:

- applies an individual basis in respect to the individually significant loan exposures with objective evidence of individual impairment or those relating to debtors whose other exposures show such evidence, and the individually significant exposures which do not show objective evidence of individual impairment, for which determining provisions using the portfolio parameters would not be reasonable,
- a portfolio basis (if an exposure shows indications of individual impairment) or a group basis (if an exposure only shows indications of group impairment) - in the case of the remaining off-balance sheet loan exposures.

The provision is determined as the difference between the expected amount of exposure in the statement of financial position, which will arise as a result of off-balance sheet liability (from the date at which the assessment is performed till the date of overdue amounts due arising considered as constituting an indication of individual impairment) and the present value of the expected future cash flows obtained from the exposure in the statement of financial position arising out of the liability.

When assessing a provision on an individual basis, the expected future cash flows are estimated for each loan exposure separately.

When assessing a provision on a portfolio basis or on a group basis, the portfolio parameters are used, estimated using statistical methods, based on the historic observation of exposures with the same features.

The structure of the loan portfolio and loan impairment allowances of PKO Bank Polski SA's loan exposures are presented in the Note 20 'Loans and advances to customers'.

42.6. Management of foreclosed collateral

Foreclosed collaterals as a result of restructuring or debt collection activities are either used by PKO Bank Polski SA for internal purposes or designated for sale. Details of the foreclosed assets are analysed in order to determine whether they can be used by the Bank for internal purposes. In the first half year of 2015 and year ending 31 December 2014 the property acquired in the course of restructuring debt collection were designated for sale.

Activities undertaken by the Bank are aimed at selling assets as soon as possible. In individual and justified cases, assets may be withheld from sale. This occurs only if circumstances, which are beyond the control, indicate that the sale of the assets at a later date is likely to generate greater financial benefits. The primary procedure for a sale of assets is open tender. Other procedures are acceptable in cases where due to the nature of the assets sold they provide a better chance of finding a buyer and generate higher proceeds for the Bank.

The Bank takes steps to disseminate broadly to the public the information about assets being sold by publishing it on the Bank's website, placing announcements in the national press, using Internet portals e.g. to Internet auctions, sending offers. In addition, PKO Bank Polski SA cooperates with external firms operating all over Poland in respect of collection, transportation, storage and intermediation in the sale of assets taken over by the Bank as a result of restructuring and debt collection activities. The Bank has also entered into cooperation agreements with external companies, which perform valuations of the movable and immovable properties that the Bank has foreclosed or would like to foreclose in the course of realisation of collateral.

42.7. Credit risk reporting

The Bank prepares monthly and quarterly credit risk reports. The reporting of credit risk covers specifically cyclic information on the risk exposure of the credit portfolio. In addition to the information concerning the Bank, the reports also contain information about the credit risk level for the Group subsidiaries (i.a. KREDOBANK SA and the PKO Leasing SA Group), which have significant credit risk levels.

42.8. Management actions concerning credit risk

Basic credit risk management tools used by the Bank include:

- minimum transaction requirements (risk parameters) determined for a given type of transaction (e.g. minimum LTV value, maximum loan amount, required collateral),
- the principles of defining credit availability, including cut-offs – the minimum number of points awarded in the process of creditworthiness assessment with the use of a scoring system (for retail clients) or the client's rating class and cumulative rating class (for corporate clients), which a client must obtain to receive a loan,
- concentration limits – the limits defined in article 71, item 1 of the Banking Law,
- industry-related limits – limits which reduce the risk level related to financing institutional clients that conduct business activities in industries characterised by high level of credit risk,
- limits on credit exposures related to the Bank's clients – the limits defining the appetite for credit risk as result of among others the recommendations S and T,
- credit limits defining the Bank's maximum exposure to a given client or country in respect of wholesale operations and settlement limits and limits for the period of exposure,
- competence limits – they define the maximum level of credit decision-making powers with regard to the Bank's clients, the limits depend primarily on the amount of the Bank's exposure to a given client (or a group of related clients) and the loan transaction period, the competence limit depends on the credit decision-making level (in the Bank's organisational structure),
- minimum credit margins – credit risk margins relating to a given credit transaction concluded by the Bank with a given corporate client, but the interest rate offered to a client cannot be lower than the reference rate plus credit risk margin.

Collateral management policy as regards credit risk plays a significant role in establishing minimum transaction terms. The Bank's collateral management is meant to secure properly the credit risk, to which the Bank is exposed, including first of all the fact of establishing collateral that will ensure the highest possible level of recovery in the event of realisation of debt collateral activity.

The Bank applies the following rules with respect to accepting legal collateral for loan exposures:

- in the case of substantial loans, several types of collaterals are established, including, if possible, combination of personal guarantees with collaterals established on assets,
- liquid types of collaterals, i.e. collaterals established on tangible assets, disposal of which is possible without a substantial reduction in their prices at a time, which does not expose the Bank to change the value of the collateral due to the appropriate price fluctuation of a particular collateral are preferred,
- when an asset is accepted as collateral, an assignment of cash receivables from the insurance policy relating to this asset or the insurance policy concluded to the Bank are accepted as additional collateral,
- collateral is assessed in terms of the actual possibility of its use as a potential source of the Bank's claim. The basis of the value assessment of the collateral established on tangible assets is the market value,
- effective establishment of collateral in compliance with the loan agreement is necessary to make the funds available.

The policy regarding legal collateral is defined by the Bank's internal regulations.

The type of collateral depends on the product and the type of the client. With regard to loans for the financing the housing market, collateral is required to be established as mortgage on the property. Until an effective mortgage is established, the following types of collateral are used (depending on type and amount of loan): an increased credit margin or/and a collateral in the form of a cession of receivables related to the construction agreement, a cession of receivables related to the development contract and an open/closed fiduciary account/guarantee, bill of exchange or warranty.

With regard to retail banking loans for individuals, usually personal guarantees are used (a civil law surety/guarantee, a bill of exchange) or collateral is established on the client's bank account, car or securities.

With regard to loans for the financing of small and medium enterprises and corporate clients, collateral can be established on i.a.: trade receivables, bank accounts, movable property, real estate or securities.

43. Interest rate risk management

The interest rate risk is a risk of incurring losses on the 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 the risk of incurring losses arising from market interest rate changes to an acceptable level by respective shaping the structure of statement of financial position and off-balance sheet items.

43.1 Measurement of interest rate risk

In the process of interest rate risk management, PKO Bank Polski SA uses, in particular, the Value at Risk (VaR) model, interest income sensitivity measure, stress-tests and a repricing gap.

The value at risk (VaR) is defined as a potential loss arising from the maintained structure of statement of financial position and off-balance sheet items and the volatility of interest rates, with the assumed probability level and taking into account the correlation between the risk factors.

The sensitivity of interest income is a measure showing changes in interest income resulting from abrupt changes in the interest rates. This measure takes into account the diversity of revaluation dates of the individual interest-bearing items in each of the selected time horizons.

Stress-tests are used to estimate potential losses arising from a held structure of the statement of financial position and off-balance sheet items under market conditions that cannot be described in a standard manner using statistical measures. Two types of scenarios are used by the Bank:

1) hypothetical scenarios – which are based on arbitrary interest rate fluctuations: a parallel movement of the interest rate curves for the particular currencies by ±50 b.p., ±100 b.p. and ±200 b.p. and bend of yield curve scenarios (non-parallel fluctuations of peak and twist types),
2) historical scenarios – in which interest rate fluctuations are adopted based on the behaviour of interest rates in the past, including: the highest historical change, a bend of a yield curve along with portfolio positions, the largest historical non-parallel fluctuation of the interest rate curves for securities and derivative instruments that hedge them.

The reprising gap shows the difference between the current value of assets and liabilities exposed to interest rate risk, subject to revaluation at a given time interval, whereby these items are recognized on the trade date.

43.2 Forecasting and monitoring of interest rate risk

Exposure of PKO Bank Polski SA to interest rate risk was within accepted limits as at 30 June 2015. The Bank was mainly exposed to PLN interest rate risk. Of all used by the Bank stress tests involving a parallel shift of interest rate curves, the most unfavorable scenario for the Bank was parallel shift in interest rate curves PLN. The effect of the materialization of this scenario as at 30 June 2015 amounted to approx. PLN 2.12 billion, while as at 31 December 2014 the amount waas approx. PLN 1.88 billion.

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

Name of sensitivity measure	30.06.2015	31.12.2014
VaR for a 10-day time horizon with a confidence level of 99% threshold (in PLN thousand)	249 695	282 268
Parallel movement of interest rate curves by 200 b.p. (in PLN thousand) (stress-test)*	2 116 405	2 369 729

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

As at 30 June 2015 the Bank's interest rate VaR for a 10-day time horizon (10-day VaR) amounted to PLN 249 695 thousand, which accounted for approximately 0.92% of the Bank's own funds. As at 31 December 2014, VaR for the Bank amounted to PLN 282 268 thousand, which accounted for approximately 1.13% of the Bank's own funds.

43.3 Reporting of the interest rate risk

The Bank prepares daily, weekly, monthly and quarterly reports addressing interest rate risk. Reports present the information on interest rate risk exposure and usages of available limits regarding the risk.

43.4 Management decisions as regards interest rate risk

The main tools used in interest rate risk management in PKO Bank Polski SA include:

- procedures for interest rate risk management,
- limits and thresholds for interest rate risk,

- defining allowable transactions based on interest rates.

The Bank established limits and thresholds for interest rate risk comprising i.a. the following: price sensitivity, interest income sensitivity, limits and threshold for losses and limits on instruments sensitive to interest rate fluctuations.

44. Currency risk management

Currency risk is the risk of incurring losses due to unfavourable exchange rate changes. The risk is generated by maintaining open currency positions in a given foreign currency.

The objective of currency risk management is to mitigate the risk of incurring losses arising from exchange rate fluctuations to an acceptable level by respective shaping the structure of statement of financial position and off-balance sheet items.

44.1. Measurement of the currency risk

PKO Bank Polski SA measures currency risk using the Value at Risk (VaR) model and stress-tests.

The Value at Risk (VaR) is defined as a potential loss arising from currency position and foreign exchange rate volatility under the assumed confidence level and taking into account the correlation between the risk factors.

Stress-tests and crash-tests are used to estimate potential losses arising from currency position under extraordinary conditions on the currency market that cannot be described in a standard manner using statistical measures. Two types of scenarios are used by the Bank:

1) hypothetical scenarios – which assume a hypothetical appreciation or depreciation of currency rates (by 20 percent and 50 percent),
2) historical scenarios – based on the behaviour of currency rates observed in the past.

44.2. Forecasting and monitoring of currency risk

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

Name of sensitivity measure	30.06.2015	31.12.2014
VaR for a 10-day time horizon with a confidence level of 99% threshold (in PLN thousand)	8 524	6 230
Change in CUR/PLN by 20% (in PLN thousand) (stress-test)*	30 768	16 351

* 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 2015 and as at 31 December 2014.

Currency positions for particular currencies are presented in the table below:

Currency position	30.06.2015	31.12.2014
EUR	81 966	16 776
USD	29 321	19 162
CHF	(13 753)	(16 762)
GBP	1 754	4 979
Other (Global Net)	46 713	52 888

The volume of currency positions is a key factor determining the level of currency risk on which the Bank is exposed (except for volatility of foreign exchange rates). The level of currency positions is determined by all foreign currency transactions, which are concluded by the Bank, both in the statement of financial position (such as loans) and off-balance sheet (such as derivatives, CIRS transactions in particular). In accordance with the currency risk management principles at the Bank, the daily currency position opened by the Bank within the banking book (such as repayment of loans denominated in PLN by the clients, conversion of loan currency) is closed every day, also using derivative instruments. This means that the currency position of the Bank at the end of the day may constitute only of generated unclosed position in banking book on this day and currency position in trading book within the limits, which results in a low exposure of the Bank to currency risk (with reference to own funds, VaR for a 10-day time horizon for the Bank's currency position as at 30 June 2015 amounted to approx. 0.03%).

44.3. Reporting of the currency risk

The Bank prepares daily, weekly, monthly, and quarterly reports addressing currency risk. Reports gather the information on currency risk exposure and updates on available limits regarding the risk.

44.4. Management decisions concerning currency risk

Main tools used in currency risk management in the Bank include:

- procedures for currency risk management,
- limits and thresholds for currency risk,
- defining allowable types of transactions in foreign currencies and the exchange rates used in such transactions.

The Bank has set limits and threshold values for currency risk for i.a.: currency positions, Value at Risk calculated for a 10-day time horizon and daily loss from transactions on currency market.

45. Liquidity risk management

The liquidity risk is defined as the lack of possibility to ensure the necessary level of funds to pay the debts on time due to the lack of liquid assets. Lack of liquidity may arise from inappropriate structure of statement of financial position, misfit of cash flows, not received payments from counterparties, sudden withdrawal of cash by clients or other market events.

The objective of liquidity risk management is 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 market environment, by shaping the structure of the statement of financial position and off-balance sheet liabilities.

PKO Bank Polski SA's policy concerning liquidity is based on keeping a portfolio of liquid securities and increasing stable sources of financing (in particular stable deposit base). In liquidity risk management, money market instruments, including NBP open market operations are also used.

45.1. Measurement of the liquidity risk

The Bank makes use of the following liquidity risk measures:

- the contractual and adjusted liquidity gap in real terms,
- liquidity reserve,
- measure of stability of deposit and loan portfolios,
- stress-tests (liquidity stress-tests).

45.2. Forecasting and monitoring of liquidity risk

Liquidity gaps presented below include among others the Bank's items of the statement of financial position in real terms concerning the following: permanent balances on deposits of non-financial entities and their maturity, permanent balances on loans in current accounts for non-financial entities and their maturity and liquid securities and their maturity.

	a'vista	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 24 months	24 - 60 months	over 60 months
30.06.2015								
Adjusted gap in real terms	12 033 970	10 383 945	206 548	37 759	7 179 248	11 905 526	7 357 954	(49 104 950)
Cumulative adjusted gap in real terms	12 033 970	22 417 915	22 624 463	22 662 222	29 841 470	41 746 996	49 104 950	-
31.12.2014								
Adjusted gap in real terms	12 717 177	11 080 529	1 211 542	1 328 179	1 404 543	11 330 017	12 836 839	(51 908 826)
Cumulative adjusted gap in real terms	12 717 177	23 797 706	25 009 248	26 337 427	27 741 970	39 071 987	51 908 826	-

In all time horizons, PKO Bank Polski SA's cumulative adjusted liquidity gap in real terms as at 30 June 2015 and as at 31 December 2014 was positive. This means a surplus of assets receivable over liabilities payable.

The table below presents liquidity reserve of the Bank as at 30 June 2015 and as at 31 December 2014:

Name of sensitivity measure	30.06.2015	31.12.2014
Liquidity reserve up to 1 month* (in PLN million)	20 179	21 075

*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 2015 the level of permanent balances on deposits constituted approx. 93.4% of all deposits in the Bank (excluding interbank market), which means a decrease by approximately 1.3 pp. as compared to the end of 2014.

45.3. Reporting of the liquidity risk

The Bank prepares daily, weekly, monthly, and quarterly reports addressing liquidity risk. Reports present the information on liquidity risk exposure and usages of available limits regarding the risk.

45.4. Management decision as regards liquidity risk

The main tools for liquidity risk management in PKO Bank Polski SA are as follows:

- procedures for liquidity risk management, in particular emergency plans,
- limits and thresholds mitigating liquidity risk,
- deposit, investment and derivative transactions, including structural currency transactions and transactions for sale or purchase of securities,
- transactions ensuring long-term financing of lending activities.

To ensure an adequate liquidity level, PKO Bank Polski SA has accepted limits and thresholds for liquidity risk. The limits and thresholds were set for short-, medium- and long-term liquidity measures.

46. Commodity price risk management

Commodity price risk is the risk of incurring a loss due to changes in commodity prices, generated by maintaining open positions on 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 by shaping 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 commodity price risk on the Bank's financial position is immaterial.

47. Price risk of equity securities management

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 equity securities price risk 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 optimising the positions taken in instruments sensitive to changes in these market parameters.

The risk is managed by imposing limits on the activities of the Brokerage House of PKO Bank Polski SA and by monitoring the utilisation thereof.

The effect 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 are not expected to increase significantly.

The Bank prepares monthly and quarterly reports addressing equity securities price risk. Reports contain the information on equity securities price risk exposure and usage of available limits regarding the risk.

48. Other price risks

Taking into consideration other price risks, as at 30 June 2015, the Bank was exposed to price risk of investment fund participation units in collective investment funds.

Influence of this risk to the Bank's financial situation is immaterial. The capital requirement, pursuant to the Regulation (EU) No. 575/2013 of the European Parliament and of the Council, to cover the above mentioned risk amounted to approx. PLN 1.5 million as at 30 June 2015. The increase in relation to the requirement as at 31 December 2014 results from the purchased collective investment funds participation units.

49. Derivative instruments risk management

The risk of derivative instruments is a risk resulting from the Bank's taking up a position in financial instruments, which meet all of 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 similarly respond to changes in market terms,
3) it is to be settled at a future date.

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

49.1. Measurement of derivative instruments risk

The Bank measures the derivative instruments risk using, among others, the Value at Risk (VaR) model described in the section on interest rate risk or currency risk, depending on the risk factor which affects the value of the instrument.

49.2. Forecasting and monitoring of the derivative instruments risk

Monitoring the risk of derivative instruments takes place as part of monitoring of other types of financial and credit risk. The Bank puts particular emphasis to monitor financial risk related to the maintenance of currency options portfolio and customer credit risk resulting from amounts due to the Bank in respect of derivative instruments.

49.3. Reporting of derivative instruments risk

The Bank prepares daily, weekly, monthly, and quarterly reports addressing the risk of derivative instruments. Reports present the information on the derivative risk exposure and updates on available limits regarding the risk.

49.4. Management decisions as regards risk of derivative instruments

The main tools used in derivative instruments risk management are as follows:

- procedures for derivative risk management,
- limits and thresholds set for the risk related to derivative instruments,
- master agreements specifying, i.a. settlement mechanisms,
- collateral agreements, under which selected clients of the Bank are required to establish a collateral on exposures due to derivative instruments.

Risk management is carried out by imposing limits on the derivative instruments, monitoring limits and reporting risk level.

Master agreements concluded by the Bank with the major business partners based on the standards developed by the Bank Polski 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 for exposures, resulting from derivative instruments are collateral deposits escrowed by counterparties as a part of CSA (Credit Support Annex) agreement.

50. Operational risk management

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. Operational risk takes into consideration legal risk yet does not comprise reputation risk and business risk.

The objective of operational risk management is to enhance security of the operational activity pursued by the Bank by improving the efficient, tailored to the profile and the scale of operations mechanisms of identification, assessment and measurement, reduction, monitoring and reporting of operational risk.

50.1. Measurement of the operational risk

Measurement of operational risk at the Bank aims at defining the scale of threats related to the existence of operational risk with the use of defined risk measures. The measurement of operational risk comprises:

- calculation of Key Risk Indicators (KRI),
- calculation of own funds requirement in respect of operational risk in accordance with the AMA approach,
- stress-tests,
- calculation of internal capital.

The operational risk self-assessment comprises identification and assessment of operational risk for Bank's products, processes and applications as well as organisational changes and is conducted periodically and before the introduction of new or changed products, processes and applications of the Bank with the use of:

- accumulation of data on operational events,
- Information obtained during the measurement, monitoring and reporting operational risks, including internal audits and safety audits.

50.2. Forecasting and monitoring of operational risk

Monitoring of operational risk aims at controlling operational risk and diagnosis of areas requiring management actions.

The Bank regularly monitors:

- utilization of strategic tolerance limits and the limits of the Bank's operational risk losses for the Bank
- operational events and their effects,
- results of operational risk self-assessment,
- requirement in respect of own funds as regards to operational risk in accordance with the AMA approach,
- results of stress-tests,
- Key Risk Indicators (KRI) in relation to threshold and critical values,
- effectiveness and timeliness of actions taken to reduce or transfer operational risk,
- management activities related to the presence of elevated or high levels of operational risk and their effectiveness in reducing the level of operational risk.

50.3. Reporting of operational risk

Reporting on information concerning operational risk is being performed for the purposes of:

- Bank's internal requirements, particularly of the senior management staff, ORC, RC, the Management Board, the Supervisory Board's Audit Committee and the Supervisory Board,
- external supervisory and control,

Reporting on information concerning operational risk of the Bank and for the Bank's internal purposes is performed on a quarterly and monthly basis. Recipients of quarterly reports are ORC, RC, the Management Board, the Supervisory Board. Quarterly reports contain in particular information on:

- the results of measuring and monitoring of operational risk,
- the operational risk profile of the Bank resulting from the process of identifying and assessing the threats for products, processes and applications of the Bank,
- operational risk level and instruments used for operational risk management,
- actions taken to reduce operational risk and evaluate the effectiveness of actions taken to reduce the operational risk level,
- recommendation and decision of the ORC or the Management Board.

Each month, information on operational risk is prepared and forwarded to the members of the Management Board, the organisational units of the Head Office and specialised units as well as organisational units responsible for system-based operational risk management. The scope of information is diversified and tailored to the scope of responsibilities of individual recipients of the information

50.4. Management actions concerning operational risk

The process of operational risk management is realised at the level of the entire Bank and at the levels of each system-based operational risk management areas. System-based operational risk management involves creation of solutions served for exercise of control by the Bank over the level of operational risk, enabling accomplishment of Bank's objectives. The ongoing operational risk management is conducted by every employee of PKO Bank Polski SA and involves prevention against materialisation of operational events arising during the product servicing, realisation of processes and use of applications as well as response on occurring operational events.

In order to manage the operational risk, the Bank gathers internal and external data about operational events and their results, data on the operating environment, and data related to the quality of internal functional controls.

In order to mitigate exposure to operational risk, the following tools are used by the Bank:

1) control instruments(authorization, internal control, separation of functions),
2) human resources management instruments (staff selection, enhancement of professional qualification of employees, motivation packages),
3) setting threshold and critical values of KRI,
4) strategic tolerance and operational risk losses limits,
5) contingency plans,
6) insurance,
7) outsourcing.

Management actions are taken under the following cases:

- on ORC's initiative,
- on the initiative of operational risk managing organisational units and cells of the Bank,
- when there is a reasonable probability that the risk will exceed either moderate or high level or when exceedance of these levels have occurred.

Especially when the risk level is elevated or high, the Bank uses the following approach:

- risk reduction – mitigating the impact of risk factors or consequences of its materialisation,
- risk transfer – transfer of responsibility for covering potential losses on a third-party,
- risk avoidance – resignation from activity that generates risk or elimination the probability of the occurrence of a risk factor.

The process of operational risk management is a subject to internal control system including:

- review of strategy and process of operational risk management,
- self-assessment of compliance with AMA approach requirements,
- validation of AMA approach,
- internal audit.

51. Compliance risk management

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

The objective of the compliance risk management is ensuring ensuring the Bank proper application the provisions of the law, adopted standards of conduct and functioning the Bank as a reliable, fair and honest institution through elimination compliance risk, preventing the possibility of losing reputation or reliability of the Bank and preventing the risk of occurring financial losses or legal sanction risk, which may result from breach of regulations and standards of conduct.

Compliance department is responsible for finding systemic solutions in the area of ensuring the functioning of the Bank compliance with the binding regulations and operating standards, monitoring and reporting the compliance risk in the Bank.

It is a unit which was granted independence and which, in the area of compliance risk management, reports directly to the President of the Bank's Management Board.

Compliance risk management involves in particular the following:

- preventing involvement of the Bank in illegal activities,
- conflict of interest management,
- preventing situations where the Bank's employees could be perceived as pursuing their own interest in the professional context,
- development of ethical standards and monitoring of their application,
- professional, fair and transparent formulation of product offers, advertising and marketing messages,

- ensuring data protection,
- prompt, fair and professional consideration of complaints, requests and quality claims of clients.

To identify and assess the compliance risks, information on cases of non-compliance and the reasons for their occurrence, including information as a result of an internal audit, a functional internal control and external controls is used.

Identification and assessment of compliance risk is based mainly on:

- estimation of the severity of possible cases of non-compliance,
- assessment of the presence of additional factors of risk of compliance with the law.

Making the assessment, a character and potential losses scale are determined, and the way in which the compliance risk can be reduced or eliminated is indicated. Assessment is carried out in the form of workshops.

51.1. Monitoring of compliance risk

Monitoring of compliance risk is run by the Bank, which covers i.a.:

- the results of the identification and assessment of compliance risk,
- occurring cases of non-compliance in the Bank and the banking sector, their causes and effects,
- changes to the key law regulations and standards of conduct affecting the Bank's operations,
- actions undertaken as a part of managing the compliance risk, execution of internal audits and external controls recommendations and execution of the Compliance Department recommendations.

Reporting of information related to compliance risk of the Bank is conducted on a quarterly basis. The reports are addressed to: the RC, the Management Board, the Supervisory Board's Audit Committee and the Supervisory Board. Reports contain among others information on:

- the results of identification and assessment of compliance risk,
- cases of non-compliance disclosed in the Bank and in the banking sector in Poland,
- the most important changes in the regulatory environment and adjusting activities to new regulations and standards conducted in the Bank,
- the results of external controls carried out in the Bank,
- the status of implementation of the recommendations issued following controls carried out in the Bank by the PFSA,
- significant correspondence with external supervisory and control authorities.

The Bank has adopted a zero tolerance policy against compliance risk, which means that the Bank focuses its actions on eliminating this risk.

52. Business risk management

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

Managing the business risk is aimed at maintaining, on an acceptable level, the potential negative financial consequences resulting from adverse changes in the business environment, making adverse decisions, improper implementation of adopted decisions or lack of appropriate actions, which would be a response to changes in the business environment.

52.1. Business risk identification and measurement

Business risk identification is to recognise and determine factors both current and potential, resulting from current and planned activities of the Bank and which may significantly affect the financial position of the Bank, generating or change in the Bank's income and expense. Business Risk identification is made:

1) through the analysis of the results of the annual survey, targeted to senior management staff of the Bank,
2) through the analysis of selected items from the income statement related to the Bank's income and expense. Only income and expense arising from the Bank's business activity are selected for the analysis, excluding items included in the measurement of other risks.

Business risk identification is performed by identifying and analysing the factors that had an impact on the significant deviations of realisation of income and expense from their forecasted values.

Measurement of business risk is aimed at defining the scale of threats related to the existence of business risk with the use of defined risk measures. The measurement of business risk includes:

- calculation of internal capital,
- conducting stress-tests.

The internal capital for covering business risk of the Bank is determined on the basis of analysis of historical volatility of deviations of realised net business income from their forecasted values, in accordance with the concept of 'Earnings at Risk'.

52.2. Forecasting and monitoring of business risk

Forecasting of business risk in the Bank is conducted once a quarter on a yearly basis and includes forecast of the level of business risk and internal capital. Once a quarter, the verification of business risk forecast (so-called backtesting) is also performed. Backtesting is based on the comparison of the internal capital amount, estimated for the particular quarter (performance) with the forecast of this capital, estimated in the previous quarter (forecast).

Monitoring of business risk is aimed at diagnose areas for management actions and includes in particular:

- strategic levels of business risk tolerance – on a quarterly basis,
- stress-tests results – on an annual basis,
- internal capital level – on a quarterly basis,
- deviations from the implementation of business risk forecast – on a quarterly basis.

- results of a Survey conducted among senior management staff of the Bank - on an annual basis.

52.3. Reporting of business risk

Business risk reporting of the Bank is conducted quarterly. Reports on business risk are prepared for the ALCO, the RC, the Management Board and Supervisory Board. The reports include in particular:

- results of business risk measurement, particularly internal capital, stress-tests results, results of the annual survey conducted among senior management staff of the Bank,
- utilisation level of strategic tolerance limits for business risk,
- business risk forecast and forecast backtesting,
- level of business risk,
- information on business risk in the entities of the Group.

52.4. Management decisions concerning business risk

The main tools used in business risk management include:

- update of quarterly forecasts of internal capital for business risk, determining and monitoring of deviations of the internal capital for business risk realisation from their forecast,
- monitoring of the level of strategic tolerance limit,
- conducting the Survey among senior management staff of the Bank.

53. Reputation risk management

The reputation risk is understood as the risk of deterioration of reputation among clients, counterparties, investors, supervisory and control authorities, and the general public as a result of the Bank's business decisions, operating events, instances of non-compliance or other events. The objective of managing the reputation risk is to protect the Bank's reputation by counteracting the occurrence of reputation losses and limiting the negative effect of image-related events on the Bank's reputation.

Reputation risk management in the Bank includes in particular:

- mass media monitoring: television, radio, press, and Internet in terms of identifying the effects of image-related events and distribution of information in this regard,
- execution of communication protective measures,
- recording image-related events and their effects in the form of reputation losses,
- analysing and evaluating reputation losses and determining the level of reputation risk,
- identifying potential reputation threats.

The main tools for carrying out activities related to the assessment of the Bank's reputation risk level are:

- a register of image-related events, reputation losses and their categories,
- a questionnaire designed to identify reputation risk sources and factors,
- reputation risk indicators as auxiliary business environment measures.

The activities related to reputation risk are undertaken on the basis of periodical management reports presented to the Bank's Management Board. They concern, in particular, avoiding or discontinuing activities generating reputation risk and communication activities undertaken by the Bank for protection purposes.

54. Model risk management

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 functioning in the Bank.

The objective of models management and model risk management is to mitigate the level of model risk in the Bank.

54.1. Identification and assessment of model risk

Identification of model risk in the Bank mainly consists of:

- gathering information on existing, built and planned to be build models,
- cyclical determining the relevance of models,
- determining potential threats that may occur during the life cycle of the model.

The mode risk evaluation is aimed at determining scale of threats associated with the occurrence of the model risk. Assessment of the level of risk for each model shall be made at least than once a year.

Ratings may be aggregated mainly at the level of the Bank, particular risk types or classes of models, particular processes of model life-cycle. The model risk assessment is performed at least once a year and at the moment of appearing of new models, change the scale or business profile of the Bank.

54.2. Model risk monitoring and reporting

The purpose of model risk monitoring is to control model risk and diagnose areas for management actions. Model risk monitoring process contains, in particular: the update of level of model risk, the verification of status of implementation of the proposed recommendations and the valuation of effectiveness of implementation of the recommendations on mitigation of model risk.

Monitoring results are periodically presented in the reports addressed to the RC, the Management Board and include a complex model risk assessment, in particular:

- information on the level of model risk,
- model risk map,
- information on the validation process and the status of implementation of the recommendations after validation,
- evaluation of effectiveness of the recommendations made to reduce the model risk level,
- potential proposed new management actions reducing the model risk.

54.3. Management actions concerning model risk

The purpose of management actions is to form a model risk management process and a level of this risk in the Bank.

Management actions in particular consist of:

- issuing internal regulations of the Bank,
- determining acceptable levels of risk,
- issuing recommendations,
- making decisions about the use of tools supporting model risk management.

55. Macroeconomic changes risk management

Risk of macroeconomic changes is a risk of deterioration of the financial situation of the Bank as a result of the adverse impact of changes in macroeconomic conditions.

The purpose of risk of macroeconomic changes management is to identify macroeconomic factors having a significant impact on the Bank's activities and taking actions to reduce the adverse impact of potential changes in the macroeconomic situation on the financial situation of the Bank.

55.1. Identification and assessment of risk of macroeconomic changes

Identification of risk of macroeconomic changes is to determine scenarios of the potential macroeconomic changes and to determine risk factors having the greatest impact on the financial situation of the Bank. Risk of macroeconomic changes results from interaction of factors dependent and independent of the Bank's activities. The Bank identifies the factors affecting the level of risk of macroeconomic changes during carrying out comprehensive stress-tests.

The risk of macroeconomic changes materialises indirectly through other risks affecting the Bank's operations by:

- credit losses,
- losses arising from adverse changes in market situation (changes in exchange rates, changes in interest rates),
- a decrease in the liquidity of the Bank,
- losses arising from the operational risk realisation,
- other losses.

For the purpose of measuring the risk of macroeconomic changes the Bank uses risk measures based on the results of comprehensive stress-tests, in particular:

- financial result and its components,
- capital adequacy measures and their components,
- selected liquidity measures.

55.2. Macroeconomic changes risk monitoring

A process of risk of macroeconomic changes monitoring includes monitoring of:

- changes in the macroeconomic situation,
- macroeconomic factors on which the Bank is sensitive,
- results of stress-tests,
- level of risk of macroeconomic changes.

55.3. Macroeconomic changes risk reporting

Risk of macroeconomic changes reporting is realised in the form of reports summarising the results of each stress-tests. Reports are addressed to ALCO and the Management Board. Reports include information such as:

- summary of the results of stress-tests,
- in case of elevated or high level of risk of macroeconomic changes: an analysis of reasons which led to an increase in the risk level, assessment of the potential consequences of this situation for the Bank, prediction of possible outcomes, proposals of actions aimed at reducing the level of risk, an initial assessment of their effectiveness.

55.4. Management actions concerning risk of macroeconomic changes

Management actions in particular consist of:

- issuing internal regulations of the Bank,
- determining acceptable levels of risk,
- proposals of actions aimed at reducing the level of risk in the event of elevated or high risk of macroeconomic changes occurrence.

56. Capital risk management

Capital risk is defined as the risk of failing to ensure an appropriate level and structure of own funds, with respect to the scale of PKO Bank Polski SA's operations and risk exposure and, consequently, insufficient for the absorption of unexpected losses, taking into account development plans and extreme situations.

Therefore, the objective of managing the capital risk is to ensure an appropriate level and structure of own funds, with respect to the scale of the operations and risk exposure of the Bank, taking into account of the assumptions of the Bank's dividend policy as well as supervisory instructions and recommendations concerning capital adequacy.

The capital risk level for the Bank is determined based on the minimum, threshold and maximum values of capital adequacy measures, amongst others, the total capital ratio and basic capital (Tier 1) ratio. In addition, threshold and maximum values are determined for capital adequacy measures, as an excess over the minimum values constituting strategic tolerance limits for the capital adequacy measures.

The Bank regularly monitors the level of capital adequacy measures in order to determine the degree of compliance with supervisory standards, internal strategic limits, and to identify instances which require taking capital contingency actions.

Should a high level of capital risk be identified, the Bank takes measures to bring capital adequacy measures to a lower level, taking into account of the assumptions of the dividend policy as well as the supervisory instructions and recommendations concerning capital adequacy.

The level of capital adequacy measures as well as the level and structure of the Bank's own funds are presented in the note 58 'Capital adequacy'.

57. Complex stress-tests

Complex stress-tests are an integral part of the Bank's risk management and are complementary for stress-tests specific to particular types of risks.

Complex stress-tests collectively include the following risks considered by the the Bank to be relevant, including:

- credit risk,
- market risk,
- liquidity risk,
- operational risk,
- business risk.

Complex stress-tests include an analysis of the impact of changes in the environment and the functioning of the Bank on the financial position of the Bank, in particular on:

- income statement,
- statement of financial position,
- own funds,
- the capital adequacy, including requirements for own funds, internal capital, measures of capital adequacy,
- selected measures of liquidity.

Complex stress-tests for the own use of the Bank are carried out at least once a year in the three-year horizon, taking into account changes in the value and structure of the statement of financial position and income statement items (dynamic tests). Supervisory tests are carried out at the request of the supervisory authorities in accordance with the assumptions provided by supervisory authorities.

58. Capital adequacy

Capital adequacy is a process which objective is to ensure that, for a given level of risk tolerance, the level of risk assumed by the Bank associated with development of its business activity may be covered with capital held within given period of time. The process of managing capital adequacy comprises in particular compliance with prevailing supervisory standards and risk tolerance level determined within the Bank, the process of capital planning, inclusive of policy regarding capital acquiring sources.

The objective of capital adequacy management is to maintain capital on a level that is adequate to the risk scale and profile of the Bank's activities continuously.

The process of managing the Bank's capital adequacy comprises:

- identifying and monitoring of all of significant 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 segments, client segments and entities in the Group in connection with profitability analyses,
- using tools affecting the capital adequacy level (including: tools affecting the level of equity, the scale of equity item reductions and the level of the loan portfolio).

The fundamental regulation applicable in the capital adequacy assessment process is the Regulation (EU) No. 575/2013 of the European Parliament and of the Council as of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending the Regulation (EU) No. 648/2012, hereinafter called 'CRR Regulation'. The CRR Regulation constitutes a part of so-called CRD IV/CRR package, which apart from the Regulation comprises CRD IV Directive - Directive 2013/36/EU of the European Parliament and of the Council as of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (hereinafter called 'CRD Directive'). In contrast to the CRR Regulation which is directly applicable, the CRD Directive must be implemented within the national law.

As at 30 June 2015 the Banking Law has not been amended yet and the work on amending the Act implementing CRD IV regulation is currently ongoing. In case of conflict between provisions of CRR Regulation and national regulations, precedence is given to the CRR Regulation.

Capital adequacy measures were calculated in accordance with the provisions of CRR Regulation, taking into account known to the Bank and planned to implement national options. As at 30 June 2015 and 31 December 2014 the Bank meets requirements relating to capital adequacy measures defined within the CRR Regulation.

The level of capital adequacy of the Bank in the first half of 2015 remained on a safe level, significantly above the supervisory limits.

58.1. Own funds for capital adequacy purposes

Own fund of the Bank for the purposes of capital adequacy were calculated in accordance with the provisions of the CRR Regulation.

Own funds of the Bank comprise Tier 1 basic funds and Tier 2 supplementary funds. No elements of additional Tier 1 capital are identified within the Bank.

The Tier 1 basic funds (so-called Common Equity Tier 1 or CET1) comprise:

1) principal funds comprising:
    a. share capital,
    b. other reserves (reserve capital, reserves),
    c. other comprehensive income (excluding gains and losses on cash flow hedges,),
2) other comprehensive income (excluding gains and losses on cash flow hedges,),
3) general banking risk fund,
4) retained earnings (undistributed profits from previous years),
5) net profit prior to approval and net profit for the current reporting period, calculated based on appropriate accounting standards, decreased by any expected charges and dividends, in amounts not exceeding amounts audited by certified auditor, whereas the term for inclusion of the above-mentioned net profit within Bank's own funds is its approval by the General Shareholders' Meeting, or prior to the approval by GSM, obtaining consent from the PFSA to its inclusion within own funds.

Tier 1 basic funds are reduced by the following items:

1) losses for the current financial year,
2) intangible assets stated at carrying amount less any associated deferred income tax liability, (the deducted amount includes goodwill taken into account in measurement of the Bank's significant investments),
3) additional value adjustments of assets measured at fair value (AVA),
4) deferred income tax assets based on future profitability and not arising from temporary differences,
5) deferred income tax assets based on future profitability and arising from temporary differences which exceed 10% of Tier 1 basic funds (without considering deductions due to equity exposures and deferred income tax assets),
6) the Bank's significant direct and indirect equity exposures to financial institutions where the institution has not made a significant investment in those entities, expressed in shares or shares or other instruments of core capital Tier 1 or Tier 2 instruments of those entities, provided that their the sum is greater than 10% core tier 1 capital of the Bank (without taking into account deductions in respect of capital exposures and assets for deferred income tax)
7) the Bank's significant direct and indirect equity exposures to financial institutions, lending institutions, domestic banks, foreign banks and insurance companies, expressed as shares or other Tier 1 basic funds instruments of these entities (apart from exposures constituting structural positions), which total amount exceeds 10% of Tier 1 basic funds (without considering deductions due to equity exposures and deferred income tax assets),
8) the amount by which the sum of:
    a) deferred tax assets based on future profitability and arising from temporary differences, up to 10% of Tier 1 basic funds (without considering deductions due to equity exposures and deferred income tax assets), and
    b) the Bank's equity exposures to financial institutions, lending institutions, domestic banks, foreign banks and insurance companies, expressed as Tier 1 basic funds instruments of these entities, up to 10% of Tier basic funds (without considering deductions due to equity exposures and deferred income tax assets)

    exceeds the equivalent of 17.65% of Tier 1 basic funds (without considering deductions due to equity exposures and deferred income tax assets) and the full value of the items specified in point 8 a-b, without using the threshold. The amount below the threshold in subject does not reduce own funds and is included within risk weighted assets.

Tier 2 supplementary funds comprise subordinated liabilities, which meet the CRR Regulation requirements and in case of which the Bank obtained consent from the PFSA to their inclusion within own funds. Tier 2 supplementary funds are reduced by the Bank's equity exposures to financial institutions, lending institutions, domestic banks, foreign banks and insurance companies in the form of Tier 2 supplementary funds instruments of these entities. If the value of deduction would decrease in Tier 2 supplementary funds below nil, the value of excess of these deductions above the value of the Tier 2 supplementary funds is subtracted from the Tier 1 basic funds.

(IN PLN THOUSAND)

BANK'S OWN FUNDS	30.06.2015	31.12.2014
Basic funds (Tier 1)	24 805 688	22 558 648
Share capital	1 250 000	1 250 000
Other reserves	24 002 288	22 040 024
Other comprehensive income	(189 264)	(85 123)
General banking risk fund	1 070 000	1 070 000
Retained earnings	1 250 000	1 004 300
Goodwill	(871 047)	(871 047)
Other intangible assets	(1 626 374)	(1 764 734)
Equity exposures deducted from own funds	(39 527)	(49 101)
Additional adjustments of assets measured at fair value	(40 388)	(35 671)
Supplementary funds (Tier 2)	2 413 700	2 321 062
Subordinated liabilities classified as supplementary funds	2 505 930	2 394 713
Equity exposures deducted from own funds	(92 230)	(73 651)
Total own funds	**27 219 388**	**24 879 710**

58.2. Requirements as regard own funds (Pillar I)

In accordance with the CRR Regulation on prudential requirements for institutions and investment firms being in force since 1 January 2014, the Bank calculates requirements in respect of own funds for the following risk types:

- in respect of credit risk – using the standardised method,
- in respect of operational risk for the Bank – in accordance with the advanced measurement approach (AMA),
- in respect of market risk - using basic methods.

The Bank calculates requirements for own funds on account of credit risk using the following formula:

- in case of statement of financial position items – a product of a carrying amount, a risk weight of the exposure calculated according to the standardised method of credit risk requirement as regards own funds and 8% (considering recognised collaterals),
- in case of off-balance sheet liabilities granted – a product of value of liability (considering value of provisions on the liability), a risk weight of the product, a risk weight of off-balance sheet exposure calculated according to the standardised method of credit risk requirement for own funds and 8% (considering recognised collaterals),
- in case of off-balance sheet transactions (derivative instruments) – a product of risk weight of the off-balance sheet transaction calculated according to the standardised method of credit risk requirement for own funds, equivalent in the statement of financial position of off-balance sheet transaction and 8% (the value of the equivalent in the statement of financial position is calculated in accordance with the mark-to-market method).

The total requirement in respect of Bank's own funds comprises the sum of capital requirements for:

1) credit risk, including credit risk of the instruments from the banking book, counterparty credit risk,
2) market risk,
3) settlement and delivery risk,
4) risk of credit valuation adjustment (CVA),
5) operational risk,
6) exceeding the exposure concentration limit and large exposure limit.

Requirements as regard own funds	30.06.2015	31.12.2014
Credit risk	13 991 780	13 590 324
Market risk	613 397	602 407
Credit valuation adjustment risk	32 428	42 375
Settlement / delivery risk	-	68
Operational risk	627 855	655 419
Total capital requirements	15 265 460	14 890 593
Capital adequacy ratio	**14.26%**	**13.37%**
Tier 1	**13.00%**	**12.12%**

58.3. Internal capital (Pillar 2)

PKO Bank Polski SA calculates internal capital in accordance with:

- the CRR Regulation,
- the CRD Directive,
- the Resolution No. 258/2011 of the PFSA of 4 October 2011 on detailed principles for functioning of risk management system and internal control system and detailed terms of estimating internal capital by banks and reviewing the process of estimating and maintaining internal capital and the principles for determining the variable salary components policy for key management personnel in the Bank.

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

The internal capital in PKO Bank Polski SA is calculated to cover each of the significant risk types:

- credit risk (including default risk, concentration risk and dilution risk),
- currency risk,
- interest rate risk,
- liquidity risk,
- operational risk,
- business risk (including strategy risk).

Materialisation of macroeconomic changes risk, model risk, compliance risk and loss of reputation risk is reflected in the estimates of internal capital for covering the types of risk: credit, interest rate, currency, operational and business.

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

The internal capital for covering the individual risk types is determined using the methods specified in the internal regulations. In the event of performing internal capital estimates based on statistical models, the annual forecast horizon is adopted and a 99.9% confidence level. The total internal capital of the Bank is the sum of internal capital amount necessary to cover all of the significant risks for the Bank.

The Bank adopts a prudent approach to the aggregation of risks and does not rely on the diversification effect. In the first half of 2015, the relation of the Bank's own funds to its internal capital remained on a level exceeding both the threshold set by the law and the Bank's internal limits.

58.4. Disclosures (Pillar 3)

The Bank annually announces information, in particular, on the risk management and the capital adequacy, in accordance with:

- the CRR Regulation,
- implementing acts to the CRR regulation,
- banking Law,
- acts of national law transposing the provisions of CRD IV,
- recommendation M on the management of operational risk at banks issued by the Financial Supervision Commission.

In a quarterly basis Bank announces information on the amount of total capital ratio, the amount and structure of own funds requirements for own funds and risk profile.

Details of the scope of information disclosed, the method of its verification and publication are presented in PKO Bank Polski SA Capital Adequacy Information Policies and other information to be published, which are available on the Bank's website (www.pkobp.pl).

59. Information on loan package sale

The Bank did not enter any securitisation transactions, although in the first half of 2015 it performed a bundle sales (statement of financial position and off-balance sheet loans):

- In the first quarter of 2015 , over 11.3 thousand retail loans in relation to individuals who do not conduct business activities (including credit cards loans), with a total debt of PLN 163.7 million, CHF 1.7 million and 346 mortgage- secured retail loans in relation to individuals with a total debt of PLN 132 million, EUR 49.7 thousand, USD 441 thousand and CHF 37.3 million;
  In the first quarter of 2014, over 10 thousand retail receivables, arising in relation to individuals who do not conduct business activities (including receivables from credit cards) total debt of PLN 191.6 million, EUR 495 thousand and CHF 10.7 million and nearly 890 corporate receivables on total debt PLN 107.9 million, EUR 34 thousand and CHF 360 thousand;
- In the second quarter of 2015, over 10.7 thousand retail loans in relation to individuals who do not conduct business activities (including credit cards loans), with a total debt of PLN 178.7 million, EUR 304.2 thousand, CHF 3.7 million and 851 corporate loans with a total debt of PLN 102 million, EUR 0.3 thousand, CHF 283 thousand and USD 214.6 thousand and 30 loans from institutional clients, with a total debt of PLN 100.3 million.
  In the second quarter of 2014, 182 retail receivables secured by mortgage, arising in relation to individuals who do not conduct business activities with total debt of PLN 26.7 million, EUR 154 thousand and CHF 4.5 million, close to 830 economic liabilities the debt PLN 80.2 million, EUR 61 thousand, CHF 68.5 thousand and USD 0.6 thousand and 83 of receivables from institutional customers about PLN 216 million debt, EUR 2.8 million and CHF 637 thousand.

The total carrying amount of the provision for potential claims on impaired loan portfolios sold as at 30 June 2015 amounted to PLN 1 774 thousand (as at 31 December 2014 it was PLN 1 785 thousand). As a result of loan sale all risks and rewards were transferred, hence the Bank derecognised these assets.

EVENTS AFTER THE REPORTING PERIOD

60. Events after the reporting period

There were no significant events after the reporting period.

Signatures of all Members of the Management Board of the Bank

04.08.2015	Zbigniew Jagiełło	President of the Management Board	.... (signature)
04.08.2015	Piotr Alicki	Vice-President of the Management Board	.... (signature)
04.08.2015	Bartosz Drabikowski	Vice-President of the Management Board	.... (signature)
04.08.2015	Piotr Mazur	Vice-President of the Management Board	.... (signature)
04.08.2015	Jarosław Myjak	Vice-President of the Management Board	.... (signature)
04.08.2015	Jacek Obłękowski	Vice-President of the Management Board	.... (signature)
04.08.2015	Jakub Papierski	Vice-President of the Management Board	.... (signature)

Signature of person responsible for
maintaining the books of account

04.08.2015

Danuta Szymańska

Director of the Accounting Division

....
(signature)