



Bank Polski

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

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	period from 01.01.2014 to 30.09.2014	period from 01.01.2013 to 30.09.2013 restated	period from 01.01.2014 to 30.09.2014	period from 01.01.2013 to 30.09.2013 restated
Net interest income	5 657 577	5 007 433	1 353 390	1 185 724
Net fee and commission income	2 215 790	2 190 960	530 055	518 804
Operating profit	3 137 683	2 834 955	750 588	671 297
Profit before income tax	3 160 944	2 831 527	756 152	670 485
<b>Net profit (including non-controlling shareholders)</b>	<b>2 522 500</b>	<b>2 291 087</b>	<b>603 426</b>	<b>542 513</b>
<b>Net profit attributable to equity holders of the parent company</b>	<b>2 531 503</b>	<b>2 291 475</b>	<b>605 579</b>	<b>542 605</b>
Earnings per share for the period – basic (in PLN/EUR)	2.03	1.83	0.48	0.43
Earnings per share for the period – diluted (in PLN/EUR)	2.03	1.83	0.48	0.43
Net comprehensive income	2 785 438	1 996 730	666 325	472 811
Net cash flow generated from operating activities	65 173	498 829	15 591	118 119
Net cash flow used in investing activities	(9 487 254)	(1 448 926)	(2 269 515)	(343 095)
Net cash flow generated from financing activities	12 176 665	388 431	2 912 869	91 978
Net cash flow	2 754 584	(561 666)	658 944	(132 999)

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand			EUR thousand		
	as at 30.09.2014	as at 31.12.2013	as at 30.09.2013 restated	as at 30.09.2014	as at 31.12.2013	as at 30.09.2013 restated
Total assets	244 446 958	199 231 110	201 251 358	58 543 158	48 039 909	47 731 745
Total equity	27 002 263	25 154 325	24 183 138	6 466 833	6 065 375	5 735 630
Capital and reserves attributable to equity holders of the parent company	27 009 954	25 152 816	24 180 670	6 468 675	6 065 012	5 735 045
Share capital	1 250 000	1 250 000	1 250 000	299 365	301 408	296 468
Number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000	1 250 000	1 250 000
Book value per share (in PLN/EUR)	21.60	20.12	19.35	5.17	4.85	4.59
Diluted number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000	1 250 000	1 250 000
Diluted book value per share (in PLN/EUR)	21.60	20.12	19.35	5.17	4.85	4.59
Capital adequacy ratio	12.72%	13.58%	13.83%	12.72%	13.58%	13.83%
Basic funds (Tier 1)	22 530 897	19 611 274	20 272 336	5 395 976	4 728 799	4 808 087
Supplementary funds (Tier 2)	2 375 740	1 539 670	1 525 762	568 971	371 255	361 872
Short-term equity (Tier 3)	-	154 112	38 075	-	37 160	9 030

SELECTED STAND-ALONE FINANCIAL DATA	PLN thousand		EUR thousand	
	period from 01.01.2014 to 30.09.2014	period from 01.01.2013 to 30.09.2013 restated	period from 01.01.2014 to 30.09.2014	period from 01.01.2013 to 30.09.2013 restated
Net interest income	5 201 850	4 915 117	1 244 372	1 163 865
Net fee and commission income	1 967 146	1 935 502	470 575	458 313
Operating profit	3 058 067	2 776 549	731 542	657 467
Profit before income tax	3 058 067	2 776 549	731 542	657 467
Net profit	2 468 452	2 256 317	590 496	534 280
Earnings per share for the period – basic (in PLN/EUR)	1.97	1.81	0.47	0.43
Earnings per share for the period – diluted (in PLN/EUR)	1.97	1.81	0.47	0.43
Net comprehensive income	2 794 159	1 964 704	668 411	465 228
Net cash flow generated from / used in operating activities	(3 213 944)	770 166	(768 831)	182 370
Net cash flow used in investing activities	(10 691 633)	(1 140 631)	(2 557 623)	(270 093)
Net cash flow generated from / used in financing activities	16 041 663	(43 656)	3 837 443	(10 337)
<b>Net cash flow</b>	<b>2 136 086</b>	<b>(414 121)</b>	<b>510 989</b>	<b>(98 061)</b>

SELECTED STAND-ALONE FINANCIAL DATA	PLN thousand			EUR thousand		
	as at 30.09.2014	as at 31.12.2013	as at 30.09.2013 restated	as at 30.09.2014	as at 31.12.2013	as at 30.09.2013 restated
Total assets	226 009 183	196 279 932	198 314 302	54 127 454	47 328 302	47 035 150
Total equity	26 967 901	25 111 242	24 089 521	6 458 604	6 054 987	5 713 427
Share capital	1 250 000	1 250 000	1 250 000	299 365	301 408	296 468
Number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000	1 250 000	1 250 000
Book value per share (in PLN/EUR)	21.57	20.09	19.27	5.17	4.84	4.57
Diluted number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000	1 250 000	1 250 000
Diluted book value per share (in PLN/EUR)	21.57	20.09	19.27	5.17	4.84	4.57
Capital adequacy ratio	13.69%	13.38%	13.46%	13.69%	13.38%	13.46%
Basic funds (Tier 1)	22 617 838	19 346 921	19 853 013	5 416 798	4 665 056	4 708 634
Supplementary funds (Tier 2)	551 014	1 022 720	1 050 312	131 964	246 605	249 108
Short-term equity (Tier 3)	-	154 112	81 942	-	37 160	19 435

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

- the income statement, the statement of comprehensive income and the cash flow statement items – the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month of the nine-month period ended 30 September 2014 and 30 September 2013: EUR 1 = PLN 4.1803 and EUR 1 = PLN 4.2231,
- the statement of financial position items – average NBP exchange rate as at 30 September 2014: EUR 1 = PLN 4.1755 as at 31 December 2013: EUR 1 = PLN 4.1472 and as at 30 September 2013: EUR 1 = PLN 4.2163.



Bank Polski

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



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

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

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

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

	3 quarters of 2014	3 quarters of 2013 restated	Change y/y
<b>NET PROFIT</b>	2 531.5 PLN million	2 291.5 PLN million	10.5% (y/y)
<b>RESULT ON BUSINESS ACTIVITIES*</b>	8 389.7 PLN million	7 530.7 PLN million	11.4% (y/y)
<b>ADMINISTRATIVE EXPENSES</b>	(3 805.7) PLN million	(3 341.1) PLN million	13.9% (y/y)
<b>NET IMPAIRMENT ALLOWANCE</b>	(1 446.4) PLN million	(1 354.7) PLN million	6.8% (y/y)
<b>C/I</b>	44.0 %	44.7 %	-0.7 pp.
<b>ROE NET</b>	13.5 %	12.9 %	0.6 pp.
<b>ROA NET</b>	1.6 %	1.6 %	0 pp.

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

In the third quarter of 2014 the banking sector was functioning under the conditions of weakening economic growth, low interest rates and changing regulatory environment. In the third quarter of 2014 the PKO Bank Polski SA Group activities were focused on securing a stable development of business activities in the period of preparation for the legal and operational merger with Nordea Bank Polska SA. The net profit of the PKO Bank Polski SA Group generated in the three quarters of this year amounted to PLN 2 531.5 million and was PLN 240.0 million higher than in the corresponding period of 2013 (+10.5% y/y). The achieved profit was determined by:

- improvement in the result on business activities of the PKO Bank Polski SA Group, mainly due to an increase in net interest income of PLN 650.1 million y/y, which was a consequence of decline in costs of the deposit base,
- increase in administrative expenses (of PLN 464.6 million y/y), mainly due to changes in the structure of the Group connected with the acquisition of new entities,
- deterioration in the net impairment allowance (-PLN 91.7 million y/y), mainly as a result of an increase in impairment allowances on a portfolio of housing loans,
- effective structure of the statement of financial position – an increase in the deposit base of the PKO Bank Polski SA Group and funds from the issue of securities enabled an increase in business activities. As at the end of the third quarter of 2014 the loan to deposit ratio amounted to 104.2% (87.5% when considering the long-term financing).

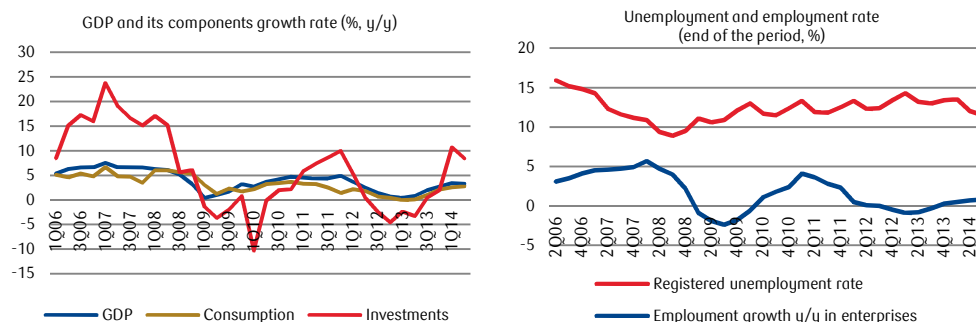
### 2. External environment

#### Macroeconomic environment

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

- slowdown in the pace of growth of the domestic economy – the annual GDP growth decreased to approx. 2.6-2.9% (compared with 3.3% in the second quarter of 2014), along with relatively strong domestic demand (of consumption and investments) and weakening external demand (combination of the collapse of export to Russia and Ukraine and the slowdown in demand in the Eurozone),
- improvement of the situation on the labour market – the registered unemployment rate decreased to 11.5% at the end of September 2014 (preliminary data of the Ministry of Labour and Social Policy) compared with 12.0% at the end of the second quarter of 2014, which constitutes a distinct improvement of the situation on the labour market. The annual growth rate in salaries and wages in the enterprise sector reached 3.5% in the third quarter of 2014 compared with 4.1% in the second quarter of 2014, accompanied by dynamics of employee pensions and disability benefits at the level of 3.6% y/y in July-August 2014 (compared with 3.8% in the second quarter of 2014). As a matter of fact, together with zero inflation, it constitutes a stable increase in real income of approx. 4% y/y,
- suppressed inflationary pressure – the CPI inflation amounted to -0.3% y/y in September 2014, compared to 0.3% y/y in June of this year, along with relatively stable core inflation (0.7% in September) and very strong decline in food prices, constituting the main source of inflation decrease during the last quarters,
- declaration on monetary policy adjustment – due to negative inflation dynamics and weakening of economic growth, the Monetary Policy Council ('MPC', RPP – Rada Polityki Pieniężnej) decreased the reference rate by 50 b.p. to 2.00% and the lombard rate by 100 b.p. to 3.00% in October of this year.

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



### Interest rate market

The MPC did not change the level of base interest rates in the third quarter of 2014. Stabilisation of the monetary policy resulted in maintaining the 3M WIBOR rate in the area of 2.65%-2.70% during the major part of the period. The September statements of the Council's Members unambiguously announcing the decrease in interest rates eventually caused the deposit rates to decline below the NBP reference rate – for the three-month down to the area of 2.28%. Rapid declines in Treasury bonds yields were observed during the entire quarter, which were a continuation of tendency initiated back in April of this year. The reasons for strengthening of quotations are most of all perceived in declines in yields of Treasury securities in Europe (German Bunds reached next historical lows), much stronger disinflationary pressure than market expectations, as well as intensifying expectations towards decreases in interest rates in Poland (at the end of September, the FRA market estimated decreases of more than 75 b.p.). High realisation of this year's borrowing needs, the July redemption of OK0714 bonds, as well as significant reduction in supply of Treasury securities on the primary market (the auctions were not organised in August) were also factors supporting the valuation of Polish Treasury bonds. In addition, along with such favourable situation on the primary market, an increase in exposure of foreign investors in Polish bonds market (by PLN 12.9 billion) was recorded in the entire quarter. As a result, the yields on 2-year OK0716 bonds decreased to 1.98% (by 50 b.p.), whereas on 10-year DS1023 to 2.96% (by 47 b.p.) as at the end of September 2014.

### Foreign exchange market

The third quarter of 2014 was characterised by a high volatility both on the EUR/USD and the EUR/PLN market. The EUR/USD fluctuated between 1.37 and 1.26, whereas EUR/PLN between 4.12 and 4.23. The dynamics of changes on the EUR/USD market was determined first of all by rising expectations on faster increases in interest rates in USA and worsening economic indicators in the Eurozone which launched the monetary policy easing process (i.a. further decrease in the interest rates corridor, announcement of the ABS purchase) as well as market expectations regarding its continuation. The strong appreciation of the dollar against the euro (decrease in EUR/USD from approx. 1.37 to approx. 1.26 almost without any larger retracements) was an effect of the combination of more expansionary ECB monetary policy and expectations on faster and more definite monetary policy tightening in the USA. In case of the EUR/PLN exchange rate, the potentially favourable for the Polish zloty impact of the ECB monetary policy easing was neutralised by negative influence of the slowing economic activity in China (which worsened the global investment moods in respect of all emerging market currencies), rising expectations on decreases in interest rates in Poland as well as re-escalation of geopolitical tension, particularly in Ukraine. As a result of the interaction between mutually exclusive incentives, the EUR/PLN exchange rate fluctuated, with minor exceptions, in the vicinity of 4.20 during the entire third quarter.

### Stock market

The Warsaw Stock Exchange may consider the third quarter of 2014 to be successful. The WIG recorded an increase of 5.7%, which was one of the best results in the world. The New York Stock Exchange ended up the quarter with a symbolic increase, but it is worth to notice that the S&P500 index sustained over the symbolic level of 2 000 pts. for a few days, ending up the quarter slightly below. The third quarter of 2014 turned out to be bearish for most of the West-European stock exchanges. A spectacular collapse (17%) was recorded by the Russian stock exchange, deepening the loss to 22% since the beginning of the year. Stock exchanges from our region (Budapest -4%, Prague -2%) and Turkey (-5%) ended the quarter also with negative returns. Such good performance of the WSE relatively to other markets resulted mainly from expectations on deep cuts in interest rates by the Monetary Policy Council due to low inflation and worsening outlooks for the Polish economy. However they are still good enough, that the investors expect increase in earnings of approx. 10% on average as compared with this year's. The situation in the Eurozone is much worse, which became a premise to ease the ECB monetary policy significantly. The conflict in the East, as well as tensions in other parts of the world negatively influenced the consumers' and entrepreneurs' moods.

### The situation of the Polish banking sector

In the third quarter of 2014 the banking sector was functioning under the conditions of weakening economic growth, maintaining low interest rates, PLN depreciation and changing regulatory environment.

The net profit of the banking sector realised as at the end of the third quarter of 2014 amounted to PLN 11.7 billion and was 9.5% higher than in the previous year. Its level was affected by:

- an increase in result on business activities (by 5% y/y), due to a strong increase in net interest income (by 15.2% y/y), along with a decrease in net fee and commission income (by 1.7% y/y) and decrease in result on other business activities (by 18.5% y/y),
- a stable level of administrative expenses,
- an increase in net impairment allowance (by 10.7% y/y).



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

There was an improvement in operational efficiency of the banking sector: at the end of August 2014 the C/I ratio decreased to 50.3% from 52.9% in the corresponding period of 2013.

The increase in impaired loans was insignificant. As at the end of August 2014 it amounted to 0.2% y/y and related to non-performing housing loans (12% y/y). At the end of August 2014, the ratio of total non-performing loans amounted to 8.2% and was the lowest since December 2011. As at the end of August 2014 the quality of corporate loans (10.8%) and consumer loans (13.9%) improved, whereas the quality of housing loans (3.2%) deteriorated.

At the end of August 2014, the total assets of the banking sector amounted to PLN 1.5 trillion and were higher by 2.2% than as at the end of second quarter of 2014. In the third quarter of 2014 the situation on the loan and deposit market was affected by a slight slowdown in banks' business activity. The change in the volume of loans and deposits was influenced by the depreciation of PLN. In the third quarter of 2014 an increase in the PLN/CHF exchange rate of 1% and in PLN/EUR of 0.4% occurred.

In the third quarter of 2014, total loans increased by PLN 17.1 billion and approx. 15% of that increase was a result of depreciation of the Polish currency. The loans growth rate accelerated to 5.4% y/y from 4.3% y/y as at the end of second quarter of 2014. However, after eliminating the change of PLN foreign exchange rate, the growth rate of loans remained at an unchanged level from the end of the second quarter of 2014, amounting to 6.1% y/y.

In the third quarter of 2014 the banking sector recorded a weakening in lending activity in respect of corporate loans. Their value increased by approx. PLN 3.5 billion (by PLN 2 billion when adjusting for the effects of changes in foreign exchange rate) and was almost three times lower than in the second quarter of 2014.

Deterioration of the situation on the corporate loans market was a result of a slowdown in economic growth and decrease in investment activity of enterprises due to the uncertainty of the economic situation, which resulted in lower demand on loans, particularly in respect of large enterprises.

The lending activity addressed to small and medium enterprises was supported by continued government programme 'Portfelowa Linia Gwarancyjna *de minimis*'.

In the third quarter of 2014 the value of housing loans increased by PLN 5.2 billion (increase by 4.3% y/y as compared with 3.1% y/y as at the end of the second quarter of 2014). After adjusting for changes in exchange rates the increment was lower and amounted to PLN 4.6 billion (increase by 6.5% y/y as compared with 6.9% y/y as at the end of the second quarter of 2014). The programme '*Mieszkanie dla Młodych*' had a positive impact on the sales of housing loans.

In the third quarter of 2014 further increase in the value of consumer loans was recorded. Despite that its increase amounted to over PLN 3 billion, the growth rate slowed down to 4.3% y/y as compared with 5% y/y as at the end of the second quarter of 2014. The situation in this market segment was determined primarily by easing the lending policy by banks, growing consumption and low interest rates.

In the third quarter of 2014 the growth rate in total deposits decreased to 6.9% y/y from 7.5% y/y as at the end of the second quarter of 2014. The increase in deposits of enterprises, individuals and non-monetary financial institutions had the biggest impact on the increase in the value of deposits. The value of total deposits increased by approx. PLN 18.5 billion, of which deposits of enterprises by approx. PLN 9.8 billion and deposits of individuals by approx. PLN 7.6 billion. The increase in deposits was affected by an improving situation on the labour market, improving financial position of enterprises as well as the uncertainty on the stock market and low interest rates level. The deposits of non-monetary financial institutions increased by PLN 6.8 billion, mainly as a result of fund accumulation by OPFs in order to meet its statutory obligations under so called zipper mechanism. The value of deposits of the central and local government institutions decreased (-PLN 7.2 billion).

Under such conditions in the loan-deposit market the gap between loans and deposits reached a low level amounting to PLN 43 billion as at the end of the third quarter of 2014, and the ratio between loans and deposits amounted to 104.5%.

### The Ukrainian market

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

- decline in economic activity associated with the political and social crisis (drop in industrial production by an average of 16.8% y/y in the period from July to August, drop in retail sales by an average of 5.2% y/y in the third quarter),
- acceleration of increase in prices (up to 14.8% y/y on average in the third quarter from 9.9% y/y in the second quarter), along with a further depreciation of hryvnia (10.2% between the ends of the second quarter and third quarter of 2014) and an increase in regulated prices,
- decrease in nominal wages dynamics (on average down to 2.6% y/y in the period from July to August 2014 compared with an average of 8.0% y/y in 2013), a decline in real wages (-10.7% y/y in August),
- a collapse in trade (export of 12.5% y/y and import of 37.8% y/y in July and August of this year), decreasing therefore the negative balance of trade and current account deficit,
- decrease of currency reserves from USD 17.1 billion at the end of June to USD 16.2 billion at the end of September,
- a continued depreciation of hryvnia to the level of 12.95 UAH/USD at the end of September of this year from 11.75 UAH/USD at the end of June of this year, with a significant increase in its volatility, the average exchange rate of hryvnia against dollar on the banking market amounted to 12.60 UAH/USD in the third quarter of 2014,
- increase of interest rates corridor by 3 pp. (on 17 July the NBU discount rate was raised from 9.5% up to 12.5%), continuance on the purchase of Treasury securities by the NBU (as at the end of September of this year NBU had 69.1% of the market volume of securities compared to 62.3% as at the end of June of this year).

According to the data of the National Bank of Ukraine, as at the end of August of this year 171 banks conducted business activities in Ukraine, nine less compared to the end of 2013 and three less compared to June of this year. As at the end of August of this year, the share of the foreign capital in equities of banks acting in Ukraine dropped to 31.6% (compared to 32.3% as at the end of June of this year).

In August 2014, the value of assets of Ukrainian banks increased to UAH 1 343.5 billion, compared to UAH 1 278.1 billion at the end of June 2014. The increase in the value of the loan portfolio to UAH 1 045.2 billion from UAH 997.6 billion in June of this year was noted. The annual dynamics of the value of the loan portfolio in the July-August period amounted to 20.0% y/y on average (compared to on average 19.6% y/y in the period January-June 2014). The increase in the value of loans in the banking sector was related mainly to an increase in the volume of foreign currency loans resulting from further depreciation of hryvnia (increase of UAH 51.7 billion compared to the end of June 2014). The volume of loans in





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hryvnia in that time decreased by UAH 4.1 billion. As a result, the share of foreign currency loans in total loans increased to 46.9% from 44.0% at the end of second quarter. The loan portfolio for residents increased by UAH 45.1 billion and for non-residents by UAH 2.5 billion. Among residents, the largest impact on the increase in the value of loans granted was exerted by non-financial enterprises (+UAH 35.4 billion compared to the end of June) and households (+UAH 10.0 billion).

In the period of July-August 2014 the deposit base of banking sector in Ukraine increased by UAH 25.9 billion. The annual dynamics of the deposit volume in banks reached 7.0% y/y at the end of August (compared to 5.4% at the end of June). The main source of the increase in deposits was the non-financial enterprises segment, where the deposit base increased by UAH 13.9 billion in the discussed period of 2014 (at which 53% consist of an increase in deposits denominated in UAH, and 47% consist of an increase in foreign currency deposits). Households deposits increased by UAH 10.5 billion (wherein the deposits denominated in UAH decreased by UAH 5.2 billion and deposits in foreign currencies increased by UAH 15.7 billion).

The Loan-To-Deposit ratio (L/D) in the banking sector in Ukraine increased to the level of 1.47 at the end of August compared to 1.45 in June 2014. The value of equity of the banking sector in Ukraine amounted to UAH 171.2 billion at the end of August 2014 (12.7% of the total assets of the banks, which means a decrease from 13.9% in June 2014). The value of non-performing loans increased to UAH 117.0 billion at the end of August from UAH 98.3 billion at the end of June. This means a growth in non-performing loans in general to 11.2% compared to 9.9% at the end of June 2014 (according to IMF methodology the share of non-performing loans in total loans amounted to 13.3% in the first quarter and 14.6% in the second quarter of 2014). At the end of August of this year the ROA ratio of the Ukrainian banking sector was negative and amounted to -0.62%, reducing from 0.19% as at the end of June of this year, and the ROE ratio decreased in the same period from 1.37% to -4.44%.

### Regulatory factors

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

- Resolution of the Monetary Policy Council No. 11/2013 as of July 2013 (Official Journal of the NBP of 2013 item 15) introducing the historically low level of basic interest rates (reference rate of 2.5%, interest rate on refinancing loans secured with a pledge on securities of 4.0%, the interest rate of fixed-term deposits placed by banks with the National Bank of Poland of 1.0%, the rediscount rate for bills of 2.75%) and the anticipated further reduction of the basic interest rates (impact on the level of banks' interest income),
- Resolution of the PFSA No. 7/2013 on Recommendation D concerning management of IT areas and the security of the IT environment (Official Journal of the PFSA of 2013 item 6), obliging banks to adjust to new regulation until the end of 2014 (impact on banks' operating costs),
- Resolution of the PFSA No. 148/2013 on Recommendation S concerning management of mortgage-secured loan exposures (Official Journal of the PFSA of 2013 item 23), that introduces additional requirements for borrowers and restrictions in scope of credit risk management from 1 July 2014 (impact on the level of lending activity and risk management),
- implementation until the end of 2014 of principles resulting from the Recommendation U, concerning best practices in the area of bancassurance (change of business model, modifications in central IT systems of banks and insurance companies, renegotiation of banks' agreements with insurance companies, re-modelling of internal procedures),
- the Act on State aid for the purchase of the first apartment by young people (Journal of Laws item 1304) including the increase in the price limit per 1 square metre of an apartment in the second quarter of 2014, entitling to benefit from the programme 'Mieszkanie dla Młodych' (impact on banks' lending activities),
- the Act introducing changes in the OPFs system (Journal of Laws of 2013 item 1717), including: lowering the ratio of pension contributions transferred to OPFs from 3.1% to 2.92%, lowering the maximum ratio used for calculating the fees collected by open pension management companies from 3.3% to 1.75%, imposing an obligation to transfer 51.5% of the pension funds' assets to the Social Insurance Institution (ZUS), changing the investment policies for OPFs, repealing mandatory membership in OPFs (impact on the erosion of the OPFs' assets portfolio and future income of the pension management companies),
- the Act introducing an obligation to transfer the funds from OPFs to ZUS until 12 November 2014 within so called zipper mechanism (Journal of Laws of 2013 item 1717), which had an impact on their previous collection on bank accounts by OPFs (impact on the value of bank deposits and OPFs investment directions),
- the amendment to the Act on the payment services (Journal of Laws of 2013, item 1271), limiting since 1 July 2014 the level of the interchange fee to maximum 0.5% of a single domestic payment transaction (impact on the level of banks' non-interest income),
- Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR) effective from 1 January 2014, inclusive of transition periods (Official Journal of the European Union L176/1), introducing, i.a., increased capital requirements, including more stringent policies for calculating basic and supplementary funds, a Core Tier 1 ratio, a leverage ratio, and new capital and liquidity requirements.

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

- Resolution No. 420/2014 of NBU repealing since 15 July 2014 setting up a mandatory reserves for deposits in foreign currencies and non-residents loans by banks,
- Resolution No. 423/2014 of NBU repealing since 21 July 2014 the requirement of mandatory sales in the interbank market foreign exchange proceeds coming in favour of natural persons in the amount exceeding UAH 150 thousand and Resolution No. 515/2014 of NBU introducing since 21 August 2014 the requirement to sell all foreign exchange proceeds by banks in the interbank market,
- Resolution No. 464/2014 of NBU obliging banks to gradually increase the share capital up to the level of UAH 500 million (in the period to 11 July 2024),
- Resolution No. 466/2014 of NBU suspending all banking financial transactions in the Donetsk and Luhansk Oblasts since 6 August 2014,
- Resolution No. 480/2014 of NBU, enabling banks to keep the mandatory reserves on own account within the NBU since 9 August 2014,



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- Resolution No. 540/2014 of NBU introducing in the transition period (2.09-2.12.2014) a number of mechanisms aimed at stabilising the money market, credit market and foreign exchange market in Ukraine (i.a. extension of the prohibition against early repayment of foreign exchange loans by non-residents, extension on restrictions against sale of foreign currencies by banks, extension on restrictions against withdrawals of cash in UAH and foreign currencies from banks, limiting the amount of foreign exchange transfers outside Ukraine, restricting the purchase of foreign currencies in the interbank market on behalf of legal entities and individuals – entrepreneurs, introducing a limit of general long open position of the bank),
- Resolution No. 591/2014 of NBU introducing since 23 September 2014 i.a. decrease in mandatory sale of proceeds in foreign currency to 75%, limiting the amount of foreign currency that can be sold to one person during one business day to the amount equivalent to UAH 3 thousand, restrictions for importers on settlements in foreign currencies, restrictions on transfer abroad of foreign currency proceeds received by investors from sale of securities issued by Ukrainian entities and dividends,
- the Act No. 1586-VII/2014, amending since 11 July 2014 i.a.: capital requirements for banks, banks capitalisation procedures and NBU's supervisory powers,
- the Act No. 4171, increasing the level of discount rate by 2 pp. to 12.5% since 17 July 2014,
- the Act No. 1588-VII, introducing tax on income from bank deposits in the amount of 15% since 2 August 2014.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Risk management optimisation (decreasing credit risk costs, process enhancement, implementing price policies adjusted to the Customer's risk profile, implementing IRB method and increasing the rate of return).



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

The long-term strategic lever concerning acquisition comprises:

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

In accordance with the development strategy of PKO Bank Polski SA an integrated Group model is developed. The Bank's subsidiaries, which play the role of product centres, supplement the basic offer of financial services provided by the Bank, concerning the area of leasing, factoring, investment and pension funds and since April 2014 life insurance.

The key strategic initiatives for the Group's model development comprise:

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

In April 2014 the Group expanded by Nordea Bank Polska SA, Nordea Finance Polska SA and 'Nordea Polska Towarzystwo Ubezpieczeń na Życie' SA (currently PKO Życie Towarzystwo Ubezpieczeń SA) and its subsidiary Nordea Usługi Finansowe Sp. z o.o. (currently: Ubezpieczeniowe Usługi Finansowe Sp. z o.o.).

In September 2014, the Polish Financial Supervision Authority granted its permission to the merger of Nordea Bank Polska SA with PKO Bank Polski SA through the transfer of all the assets of Nordea Bank Polska SA to PKO Bank Polski SA. On 31 October 2014 the merger was registered with the National Court Register relevant to PKO Bank Polski SA's head office, and thus PKO Bank Polski SA entered into all rights and obligations of Nordea Bank Polska SA. The banks' integration process will be closed by an operational merger planned on the first half of 2015.

In June 2014 Nordea Finance Polska SA changed its name to PKO Leasing Pro SA. The merger of PKO Leasing Pro SA and PKO Leasing SA occurred on 30 September of this year, as a result of which all the assets of PKO Leasing Pro SA was transferred to PKO Leasing SA.

In the third quarter of 2014 the Bank also conducted activities connected with establishing PKO Bank Hipoteczny SA and transferring to the Bank a part of activities of Inteligo Financial Services SA connected with IT services provided to the Bank under the first stage of work related to the planned merger of that entity with PKO BP Finat Sp. z o.o.

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

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

In the third quarter of 2014 the banking sector was functioning under the conditions of weakening economic growth, maintaining historically low interest rates and changing regulatory environment. The situation on the loan and deposit market was influenced by a slight slowdown in banks' business activities. The depreciation of the Polish zloty also influenced the change in the volume of loans and deposits.

Actions undertaken by the PKO Bank Polski SA Group during the three quarters of 2014 allowed generating the net profit amounting to PLN 2 531.5 million. The efficiency of the PKO Bank Polski SA Group shaped up at a relatively high level – as at the end of the third quarter of 2014, the ROE ratio amounted to 13.5%.

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

As at the end of the third quarter of 2014, the capital adequacy ratio amounted to 12.7%, while its minimum level is determined by the Banking Law at a rate of 8%.

#### Key financial indicators

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

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

	30.09.2014	30.09.2013 restated	Change
<b>ROA net*</b> (net profit/average total assets)	1.6%	1.6%	0 pp.
<b>ROE net*</b> (net profit/average total equity)	13.5%	12.9%	0.6 pp.
<b>C/I*</b> (cost to income ratio annualised)	44.0%	44.7%	-0.7 pp.
<b>Interest margin*</b> (net interest income/average interest-bearing assets)	3.6%	3.9%	-0.3 pp.
<b>The share of impaired loans**</b>	7.1%	8.6%	-1.5 pp.
<b>The coverage ratio of impaired loans***</b>	58.1%	51.4%	6.7 pp.

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

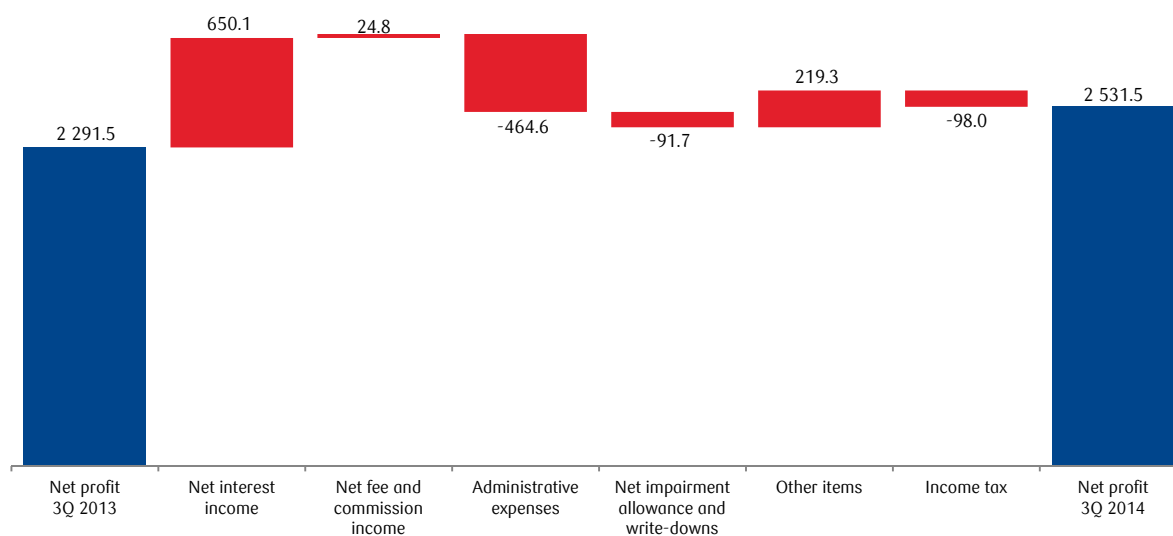
\*\* Calculated by dividing the gross carrying amount of impaired loans and advances to customers by the gross carrying amount of loans and advances to customers.

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

### Financial results

After three quarters of 2014, the PKO Bank Polski SA Group achieved net profit in the amount of PLN 2 531.5 million, which was PLN 240.0 million higher than in the corresponding period of 2013 (+10.5% y/y) which was mainly influenced by a higher net interest income.

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





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The consolidated income statement items were as follows:

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

	3rd quarter period 01.07- 30.09.2014	3 quarters 2014	3rd quarter period 01.07- 30.09.2013 restated	3 quarters 2013 restated	Change Q3 2014/ Q3 2013 (in PLN million)	Change Q3 2014/ Q3 2013 (in %)
Interest and similar income	2 834.3	8 079.0	2 550.8	8 250.8	(171.8)	-2.1%
Interest expense and similar charges	(855.6)	(2 421.4)	(923.8)	(3 243.4)	822.0	-25.3%
<b>Net interest income</b>	<b>1 978.7</b>	<b>5 657.6</b>	<b>1 626.9</b>	<b>5 007.4</b>	<b>650.1</b>	<b>13.0%</b>
Fee and commission income	1 008.1	3 052.7	996.0	2 840.7	212.0	7.5%
Fee and commission expense	(281.3)	(836.9)	(239.4)	(649.7)	(187.2)	28.8%
<b>Net fee and commission income</b>	<b>726.8</b>	<b>2 215.8</b>	<b>756.5</b>	<b>2 191.0</b>	<b>24.8</b>	<b>1.1%</b>
Dividend income	0.3	6.4	0.5	5.8	0.6	11.1%
Net income from financial instruments measured at fair value	20.4	73.4	31.1	34.4	39.1	2.1x
Gains less losses from investment securities	33.3	71.9	3.4	64.8	7.1	11.0%
Net foreign exchange gains (losses)	66.4	201.8	67.4	142.4	59.4	41.7%
Net other operating income and expense	65.2	162.9	38.9	85.1	77.8	91.5%
Net impairment allowance and write-downs	(475.2)	(1 446.4)	(487.8)	(1 354.7)	(91.7)	6.8%
Administrative expenses	(1 337.2)	(3 805.7)	(1 115.6)	(3 341.1)	(464.6)	13.9%
<b>Operating profit</b>	<b>1 078.8</b>	<b>3 137.7</b>	<b>921.5</b>	<b>2 835.0</b>	<b>302.7</b>	<b>10.7%</b>
Share of profit (loss) of associates and joint ventures	15.9	23.3	11.2	(3.4)	26.7	x
<b>Profit before income tax</b>	<b>1 094.7</b>	<b>3 160.9</b>	<b>932.7</b>	<b>2 831.5</b>	<b>329.4</b>	<b>11.6%</b>
Income tax expense	(220.8)	(638.4)	(180.5)	(540.4)	(98.0)	18.1%
Net profit (including non-controlling shareholders)	873.9	2 522.5	752.2	2 291.1	231.4	10.1%
Profit (loss) attributable to non-controlling shareholders	0.5	(9.0)	(0.1)	(0.4)	(8.6)	23.2x
<b>Net profit</b>	<b>873.4</b>	<b>2 531.5</b>	<b>752.3</b>	<b>2 291.5</b>	<b>240.0</b>	<b>10.5%</b>

In the income statement of the PKO Bank Polski SA Group for the three quarters of 2014, the sum of revenue positions amounted to PLN 8 389.7 million and was PLN 859.0 million, i.e. by 11.4% higher than in the corresponding period of 2013.

### Net interest income

The net interest income generated in the three-quarter period of 2014 amounted to PLN 5 657.6 million and increased by PLN 650.1 million compared to the corresponding period of the previous year, mainly due to a decrease in interest expense by PLN 822.0 million, mainly due to adaptation of price conditions of deposit offer to a drop in market interest rates.

In the three-quarter period of 2014, interest income amounted to PLN 8 079.0 million and as compared with the corresponding period of 2013 it was lower by 2.1%, mainly as a result of decrease in:

- income from derivative hedging instruments (-PLN 113.5 million y/y), resulting from narrowing the spread between the PLN and foreign currency rates as a result of the drop in the WIBOR market rates and the drop in the average volume of CIRS transactions in hedge accounting,
- income on loans and advances to customers (-PLN 36.0 million y/y) - mainly as a result of the decline in PLN interest rates, partially offset by including interest income on loans and advances of Nordea Bank Polska SA into the results of the Group for the second and the third quarter of this year,
- income from securities (-PLN 22.5 million y/y), as a result of a drop in average interest rate, accompanied by an increase in the volume of average securities portfolio.

The decrease of interest expense by PLN 822.0 million (-)25.3% y/y was mainly an effect of:

- the decrease in the costs of amounts due to customers by PLN 851.0 million y/y, resulting from lower average interest rates on deposits due to a drop in market interest rates, adaptation of price offer of deposit products, partially offset by including interest expense on amounts due to customers of Nordea Bank Polska SA into the results of the Group for the second and the third quarter of this year,
- accompanied by an increase in costs of own debt securities in issue of 5.4% y/y, related to an increase in liabilities in respect of bond issue on foreign financial markets and an increase in cost of loans received from banks (+97.9% y/y) associated with the financing received from Nordea Bank AB.

Interest margin dropped by 0.3 pp. y/y to 3.6% as at the end of the third quarter of 2014, as a result of a decrease in annualised net interest income (due to a drop in market interest rates causing directly faster decrease in interest rates in interest-bearing assets mostly based on market rates than on the decline in interest rates of the deposit offer), accompanied by an increase in the volume of average interest-bearing assets.



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### Net fee and commission income

Net fee and commission income generated in the three-quarter period of 2014 amounted to PLN 2 215.8 million and was PLN 24.8 million higher than in the corresponding period of the previous year, as a result of a PLN 212.0 million increase in fee and commission income, accompanied by fee and commission expense higher by PLN 187.2 million. The level of net fee and commission income was mainly affected by an increase in:

- income in respect of loans and advances granted (+PLN 6.5 million y/y),
- net fee and commission income in respect of loan insurance (+PLN 1.4 million y/y),
- fee and commission income in respect of maintenance of bank accounts (+PLN 28.3 million y/y), which is a result of changes in tariff of fees and charges introduced in 2013,
- income in respect of securities operations (+PLN 17.2 million y/y),
- commission in respect of maintenance of investment funds and OPFs (+PLN 52.9 million y/y), as a result of changes introduced into the pension system at the beginning of this year, which resulted in a lower level of funds required to be maintained within the Guarantee Fund, accompanied by a decrease in:
- the result on payment cards (-PLN 66.5 million y/y), mainly due to a decrease in income from the rental of authorisation devices in connection with the sale of 66% of eService shares in the fourth quarter of 2013.

### Administrative expenses

In three quarters of 2014 administrative expenses amounted to PLN 3 805.7 million and increased by 13.9% compared to the corresponding period of the previous year. The level of administrative expenses was determined mainly by changes influencing the PKO Bank Polski SA Group structure in 2014, of which mainly the purchase of the Nordea Group entities, which caused the operating efficiency of the PKO Bank Polski SA Group, measured by the annualised C/I ratio, to shape up at the level of 44.0%.

### Net impairment allowance and write-downs

Net impairment allowance and write-downs reflects the PKO Bank Polski SA Group's conservative approach to recognition and measurement of credit risk. Deterioration of net impairment allowance at the end of the third quarter of 2014 compared with the corresponding period of the previous year (-PLN 91.7 million y/y), is mainly a result of an increase of impairment allowance on mortgage loans portfolio. The share of impaired loans at the end of the third quarter of 2014 amounted to 7.1% which represents an increase by 1.6 pp. y/y, this was mainly the result of the purchase of assets of the Nordea Group.

Cost of risk<sup>1</sup> at the end of the third quarter of 2014 amounted to the level of 1.1% and improved by 0.2 pp. compared to the third quarter of 2013.

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<sup>1</sup> Calculated through dividing net impairment allowance and write-downs of loans and advances to customers for the twelve-month period ended 30 September 2013 and 2014, by the average balance of gross loans and advances to customers at the beginning and at the end of reporting period and intermediate quarterly periods.



DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS  
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### Statement of financial position

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

	30.09.2014	Structure 30.09.2014	31.12.2013	Structure 31.12.2013	Change (in %)
Cash and balances with the central bank	8 636.8	3.5%	7 246.1	3.6%	19.2%
Amounts due from banks	3 153.2	1.3%	1 893.4	1.0%	66.5%
Loans and advances to customers	178 333.3	73.0%	149 623.3	75.1%	19.2%
Securities	40 634.4	16.6%	29 795.7	15.0%	36.4%
Other assets	13 689.2	5.6%	10 672.6	5.4%	28.3%
<b>Total assets</b>	<b>244 447.0</b>	<b>100.0%</b>	<b>199 231.1</b>	<b>100.0%</b>	<b>22.7%</b>
Amounts due to banks	19 776.1	8.1%	3 751.4	1.9%	5.3x
Amounts due to customers	171 173.6	70.0%	151 904.2	76.2%	12.7%
Debt securities in issue and subordinated liabilities	15 353.2	6.3%	12 167.3	6.1%	26.2%
Liabilities of insurance activities	2 637.7	1.1%	-	0.0%	x
Other liabilities	8 504.0	3.5%	6 253.9	3.1%	36.0%
<b>Total liabilities</b>	<b>217 444.7</b>	<b>89.0%</b>	<b>174 076.8</b>	<b>87.4%</b>	<b>24.9%</b>
Total equity	27 002.3	11.0%	25 154.3	12.6%	7.3%
<b>Total liabilities and equity</b>	<b>244 447.0</b>	<b>100.0%</b>	<b>199 231.1</b>	<b>100.0%</b>	<b>22.7%</b>
Loans/Amounts due to customers	104.2%	x	98.5%	x	5.7 pp.
Loans/Stable sources of funding*	87.5%	x	89.8%	x	-2.3 pp.
Interest bearing assets/Assets	90.9%	x	91.0%	x	-0.1 pp.
Interest paying liabilities/Liabilities	84.4%	x	84.2%	x	0.2 pp.
Capital adequacy ratio	12.7%	x	13.6%	x	-0.9 pp.

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

The statement of financial position of the PKO Bank Polski SA Group is mainly influenced by the statement of financial position of the parent entity. It determines both the size of total assets and the structure of assets and liabilities. At the same time, since the beginning of the second quarter of 2014, the PKO Bank Polski SA Group comprises also Nordea Bank Polska SA, which scale of operations is significant from the point of view of the PKO Bank Polski SA Group's present scale of operations.

As at the end of the third quarter of 2014, total assets of the PKO Bank Polski SA Group amounted to PLN 244.4 billion, which constitutes an increase of PLN 45.2 billion compared to the end of 2013.

Loans and advances to customers represent the largest part of the Group's assets and amounted to PLN 178.3 billion at the end of September 2014, reaching 73.0% of the total assets. Their volume increased by PLN 28.7 billion compared with the end of 2013, mainly due to the purchase of Nordea Group assets.

Amounts due to customers which amounted to PLN 171.2 billion at the end of September 2014, reaching 70.0% of the total liabilities are the primary source of financing the assets. Since the beginning of 2014, the volume of amounts due to customers increased by PLN 19.3 billion.

### Loans and advances to customers

Housing loans and advances (PLN 99.1 billion) constitute the main component in the structure of the gross loan portfolio and their increment of PLN 22.5 billion compared with the end of 2013 was mainly due to the purchase of Nordea Bank Polska SA's assets and determined the increase in the loans and advances to customers portfolio. The share of housing loans and advances in the gross loan portfolio structure increased by 4.3 pp. up to 53.3% as compared with the end of 2013. A large increase in volume compared with the end of 2013 was also recorded by the corporate loans to non-financial sector (+7.0%).

### Securities

As at the end of the third quarter of 2014, the carrying value of the securities portfolio amounted to PLN 40.6 billion and was PLN 10.8 billion higher than at the end of 2013, representing 16.6% of the total assets of the PKO Bank Polski SA Group. Debt securities issued by the State Treasury and by central banks (mainly NBP money market bills) dominated in the portfolio structure by type.





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### Amounts due to banks

As at the end of September 2014 the value of amounts due to banks amounted to PLN 19.8 billion and increased by PLN 16.0 billion compared with the end of 2013. The increase was mainly due to recognition in that position the funds acquired from Nordea Bank AB, in accordance with implementations of the Nordea Group's assets purchase transaction.

### Amounts due to customers

Amounts due to retail clients of PLN 124.1 billion were the largest component in the structure of amounts due to customers by type (+6.6% compared with the end of 2013), and their share in the amounts due to customers portfolio structure compared with the end of 2013 decreased by 4.2 pp. (to 72.5%), accompanied by an increase of 4.0 pp. in share of amounts due to corporate clients and stable share of amounts due to State budget entities in the amounts due to customers portfolio.

### External financing

The PKO Bank Polski SA Group is an active participant in the market of debt security issues, both local and international. These actions are intended to diversify the sources of financing of operations and to adapt them to future regulatory requirements. At the end of the third quarter of 2014 debt securities in issue and subordinated liabilities represented 7.1% of the liabilities. The increase in the level of liabilities in respect of the issue compared to the end of 2013 was primarily a result of the increase in liabilities due to securities issued by PKO Finance AB (EUR 500 million in January of this year) and of the increase in subordinated liabilities resulting from obtaining control of Nordea Bank Polska SA. Detailed information on the issues carried out by the PKO Bank Polski SA Group is described in Note 30 to the Condensed Interim Consolidated Financial Statements of the PKO Bank Polski SA Group for the nine-month period ended 30 September 2014.

### Equity and capital adequacy ratio

At the end of the third quarter of 2014 equity was higher by PLN 1.8 billion, i.e. by 7.3% compared to the end of 2013, constituting 11.0% of the total equity and liabilities of the PKO Bank Polski SA Group.

The capital adequacy ratio of the PKO Bank Polski SA Group amounted to the level of 12.7% at the end of the third quarter of 2014, which represents a decrease of 0.9 pp. compared to the end of 2013.

The level of capital adequacy ratio considerably exceeds the minimum value of this ratio as specified in the Banking Law Act and enables to maintain capital adequacy at a safe level.

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

### Key financial indicators

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

Table 4. Key financial indicators of PKO Bank Polski SA

	30.09.2014	30.09.2013 restated	Change
<b>ROA net*</b> (net profit/average total assets)	1.7%	1.5%	0.2 pp.
<b>ROE net*</b> (net profit/average total equity)	13.4%	12.1%	1.3 pp.
<b>C/I*</b> (cost to income ratio annualised)	41.0%	42.8%	-1.8 pp.
<b>Interest margin*</b> (net interest income/average interest-bearing assets)	3.8%	3.9%	-0.1 pp.
<b>The share of impaired loans**</b>	7.7%	8.0%	-0.3 pp.
<b>The coverage ratio of impaired loans***</b>	55.6%	51.8%	3.8 pp.

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

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

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

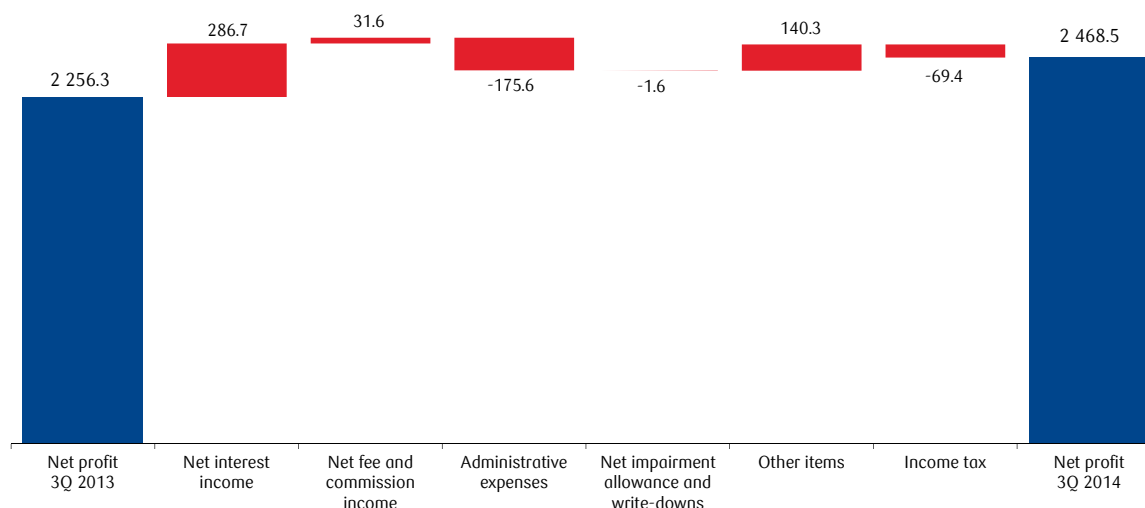
### Financial results

After the third quarter of 2014, PKO Bank Polski SA achieved net profit in the amount of PLN 2 468.5 million, which was PLN 212.1 million higher than in the corresponding period of 2013 (+9.4% y/y) which was mainly influenced by an improvement of net interest income and higher net foreign exchange gains (losses).



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



The Bank's income statement items were as follows:

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

	3rd quarter periodaž 01.07-30.09.2014	3 quarters 2014	3rd quarter period 01.07-30.09.2013 restated	3 quarters 2013 restated	Change Q3 2014/ Q3 2013 (in PLN million)	Change Q3 2014/ Q3 2013 (in %)
Interest and similar income	2 535.6	7 407.9	2 489.2	8 053.3	(645.3)	-8.0%
Interest expense and similar charges	(765.8)	(2 206.1)	(894.6)	(3 138.2)	932.1	-29.7%
<b>Net interest income</b>	<b>1 769.8</b>	<b>5 201.9</b>	<b>1 594.5</b>	<b>4 915.1</b>	<b>286.7</b>	<b>5.8%</b>
Fee and commission income	869.4	2 744.6	923.6	2 640.8	103.8	3.9%
Fee and commission expense	(237.3)	(777.5)	(262.7)	(705.3)	(72.2)	10.2%
<b>Net fee and commission income</b>	<b>632.2</b>	<b>1 967.1</b>	<b>661.0</b>	<b>1 935.5</b>	<b>31.6</b>	<b>1.6%</b>
Dividend income	3.9	83.7	0.5	79.0	4.7	5.9%
Net income from financial instruments measured at fair value	14.5	56.8	30.2	34.0	22.8	67.0%
Gains less losses from investment securities	33.4	71.2	3.4	64.2	7.0	10.9%
Net foreign exchange gains (losses)	61.4	243.4	65.7	138.9	104.5	75.2%
Net other operating income and expense	(6.6)	20.7	14.1	19.4	1.4	7.0%
Net impairment allowance and write-downs	(430.3)	(1 367.3)	(482.0)	(1 365.7)	(1.6)	0.1%
Administrative expenses	(1 091.3)	(3 219.5)	(1 012.5)	(3 043.9)	(175.6)	5.8%
<b>Operating profit</b>	<b>986.9</b>	<b>3 058.1</b>	<b>874.8</b>	<b>2 776.5</b>	<b>281.5</b>	<b>10.1%</b>
<b>Profit before income tax</b>	<b>986.9</b>	<b>3 058.1</b>	<b>874.8</b>	<b>2 776.5</b>	<b>281.5</b>	<b>10.1%</b>
Income tax expense	(197.8)	(589.6)	(172.0)	(520.2)	(69.4)	13.3%
<b>Net profit</b>	<b>789.2</b>	<b>2 468.5</b>	<b>702.9</b>	<b>2 256.3</b>	<b>212.1</b>	<b>9.4%</b>

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

#### 3.4.1. Shares in the credit and deposit market - PKO Bank Polski SA and Nordea Bank Polska SA

At the end of the third quarter of 2014, the total market share – of PKO Bank Polski SA and Nordea Bank Polska SA in the area of deposits increased by 1.0 pp. in relation to the end of 2013, to the level of 17.4% - mainly due to the increase in the share of corporate deposits (i.a. in the volume of corporate deposits of Nordea Bank Polska SA).

As regards loans, the market share grew by 1.9 pp. in relation to the end of 2013 and reached the level of 18.0%, resulted from an increase in the market shares of housing loans – mainly in foreign currencies (effect of the volume of housing loans of Nordea Bank Polska SA).

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

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**Table 6. Shares in the credit and deposit market (in %)\***

	30.09.2014	31.12.2013	30.09.2013	Change 30.09.2014/ 31.12.2013	Change 30.09.2014/ 30.09.2013
<b>Loans</b>	<b>18.0</b>	<b>16.1</b>	<b>16.1</b>	<b>1.9 pp.</b>	<b>1.9 pp.</b>
retail clients	22.9	19.1	19.0	3.8 pp.	3.9 pp.
housing loans	25.9	20.6	20.4	5.3 pp.	5.5 pp.
<i>in Polish zloty</i>	29.8	28.4	28.4	1.4 pp.	1.3 pp.
<i>in foreign currencies</i>	21.5	12.8	12.8	8.7 pp.	8.6 pp.
consumer and other	15.6	15.4	15.5	0.2 pp.	0 pp.
corporate clients	13.2	13.1	13.2	0.1 pp.	0 pp.
<b>Deposits</b>	<b>17.4</b>	<b>16.3</b>	<b>16.2</b>	<b>1 pp.</b>	<b>1.2 pp.</b>
retail clients	21.9	21.7	22.2	0.3 pp.	-0.3 pp.
corporate clients	11.6	9.4	8.6	2.2 pp.	2.9 pp.

\* Data source: NBP reporting system - Webis.

### 3.4.2. Activities of the business segments of PKO Bank Polski SA

#### The retail segment of PKO Bank Polski SA

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

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

In the third quarter of 2014, PKO Bank Polski SA joined the initiative 'Karta Dużej Rodziny', providing support in making financial decisions to families having at least three kids. Within the programme, a special price offer in respect of personal accounts, mortgage and cash loans was prepared.

#### The loan offer in the retail segment

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

As at the end of the third quarter of 2014, gross loans to the retail segment of PKO Bank Polski SA amounted to PLN 116.3 billion and have increased by PLN 5.4 billion (i.e. by 4.9%) since the beginning of the year. This was mainly due to an increase in the portfolio of mortgage banking loans (+6.9% since the beginning of the year) and retail and private banking (+3.4%).

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

	30.09.2014	31.12.2013	30.09.2013	Change since:	
				31.12.2013	30.09.2013
Gross loans and advances granted, of which:					
retail and private banking	21 098	20 399	20 519	3.4%	2.8%
small and medium enterprises*	21 644	21 632	21 656	0.1%	-0.1%
mortgage banking	73 526	68 795	67 746	6.9%	8.5%
<b>Total loans and advances</b>	<b>116 268</b>	<b>110 827</b>	<b>109 920</b>	<b>4.9%</b>	<b>5.8%</b>

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

#### Consumer loans

In the third quarter of 2014 PKO Bank Polski SA continued the action of promoting sales of consumer loans. As part of the initiatives supporting the sales of such group of products the Bank carried out promotional activities, mainly focused on the cash loan and the Aurum/Platinum loan. A promotional offer of cash loan for the amounts over of PLN 10 thousand with attractive rate of interest was offered in the third quarter of 2014, which was a part of a broad marketing campaign under the slogan 'Wzruszającą przystępna Mini Ratka'. Loan offer of the Aurum/Platinum with favourable pricing terms was also continued.

#### Housing loans

PKO Bank Polski SA strengthened a position on the housing loan market. According to the data presented by the Polish Banks Association, PKO Bank Polski SA ranked first on the market for the nine-month period of 2014 with a 32% share in sales of housing loans for retail clients. Loans were granted for a total amount of PLN 9.0 billion since the beginning of the year.



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In the third quarter of 2014 the Bank continued to offer housing loans with the financial support of Bank Gospodarstwa Krajowego in the programme 'Mieszkanie dla Młodych', under which it signed ca. 930 agreements with customers, and the total value of loans granted exceeded PLN 164 million.

PKO Bank Polski SA also offered to people using 'Karta Dużej Rodziny' a 50% lower commission on granting a housing loan 'Własny Kąt Hipoteczny' and exemption from charges i.a. on conducting inspection over the investment and estimating the value of the real estate.

### Loans for small and medium enterprises

PKO Bank Polski SA consistently supports Polish entrepreneurship. It enables small and medium enterprises to finance both current and investment needs through an extensive and flexible lending offer. Due to the agreement signed between PKO Bank Polski SA and Bank Gospodarstwa Krajowego ('BGK') for a guarantee line 'Portfelowa Linia Gwarancyjna *de minimis*', under the government programme of support for small and medium enterprises, the entrepreneurs will gain support in the form of BGK guarantee - '*de minimis*', aimed at increasing the availability of lending facilities and launching additional funds for companies' on-going activities.

In the third quarter of 2014, 858 customers, who concluded 861 agreements with PKO Bank Polski SA, benefited from access to easier financing. The value of loans granted amounted to PLN 98.7 million. As at 30 September 2014, 27 849 customers, who signed with the Bank 29 992 agreements, benefited from 'Portfelowa Linia Gwarancyjna *de minimis*' programme and the value of loans granted amounted to PLN 6.2 billion.

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

In the third quarter of 2014, PKO Bank Polski SA continued activities aimed at offering more attractive deposits for retail segment clients, taking into account current market conditions and competitive position.

As at 30 September 2014, deposits of the retail segment of PKO Bank Polski SA amounted to PLN 129.4 billion and since the beginning of the year their volume increased by PLN 4.0 billion (i.e. by 3.2%). The increase in the retail and private banking deposit level (+3.1% since the beginning of the year) contributed to this, due to the increase in the volume of both current and term deposits.

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

	30.09.2014	31.12.2013	30.09.2013	Change since:	
				31.12.2013	30.09.2013
Customer deposits, of which:					
retail and private banking	114 076	110 608	111 408	3.1%	2.4%
small and medium enterprises*	15 296	14 757	13 958	3.7%	9.6%
<b>Total deposits</b>	<b>129 373</b>	<b>125 365</b>	<b>125 366</b>	<b>3.2%</b>	<b>3.2%</b>

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

### Current and saving accounts

PKO Bank Polski SA remains the leader on the market in terms of the number of current accounts maintained which amounted to 6.4 million as at the end of the third quarter of 2014. The constant increase in the number of accounts resulted from the offer diversified in terms of customer preferences as part of which i.a. the following products can be distinguished: PKO Konto bez Granic, SUPERKONTO Oszczędne, PKO Konto za Zero, PKO Konto dla Młodych, PKO Konto Pogodne, PKO Konto Pierwsze and PKO Junior.

In the third quarter of 2014, PKO Bank Polski SA joined the initiative 'Karta Dużej Rodziny'. Due to that, since 1 September 2014 owners of the 'Karta Dużej Rodziny' may enjoy free PKO Konto za Zero account and a debit card free of charge. On the other hand, customers in the age of 13-18 were offered a free debit card to a free of charge PKO Konto Pierwsze account, which allows to withdraw cash from all ATMs in Poland and worldwide without any charges. Maintenance by one of the parents of any kind of account within PKO Bank Polski SA is a condition enabling to benefit from that offer.

A new offer 'PKO Konto za Zero' was introduced at the end of the third quarter of 2014, giving exemption from charges for keeping an account in case of having a debit card to the account and from fees on debit card, if a given amount of non-cash transactions was realised, as well as including a unique within the market Acceptable Debit Balance, which is characterised by non-interest bearing balance up to the limit granted. The offer is accompanied by savings accounts which enable customers to combine interest rates dependent on the level of invested funds with their flexible management.

PKO Bank Polski SA continued the biggest and the oldest educational programme 'School Savings Unions of PKO Bank Polski SA' ('Szkolne Kasy Oszczędności PKO Banku Polskiego SA'). This programme encourages the youngest to save and to gain knowledge on managing of its finances within the SKO online service. A product supporting financial education is PKO Konto Dziecka account. In the third quarter of 2014 ca. 18.4 thousand new PKO Konto Dziecka accounts have been opened and their total number amounted to over 142.1 thousand of units as at 30 September 2014.

A pilot of the PKO Bank Polski SA's school card project was launched as at the beginning of September 2014. Within the Polish market it is an innovative solution combining two useful features: safety and education. The school card is a prepaid payment card being also a student's ID-card at the entrance to the school building. It enables the child to conveniently spend the money without the need to give him cash as well as safe stay at its school premises.

### Term deposits and investment products

Retail banking and private banking deposits dominate in the retail deposit market. Customers from this segment deposited most of their funds in term deposits. In the third quarter of 2014 the Bank offered to customers i.a. deposits with progressive and standard interest rates and structured deposits. The 24M deposit with negotiable rate of interest reaching 2.70%, the 6M internet deposit available through the electronic banking system



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iPKO with interest rate reaching 3.05% and depending on the amount of deposited funds and the 12M dynamic deposit with a progressive rate of interest targeted at the small and medium enterprises sector were the new term deposits introduced to the Bank's offer.

The Bank's standard offer, addressed to retail customers includes structured instruments sold in the form of structured deposits or Bank Securities. In the third quarter of this year, the Bank conducted five subscriptions for structured deposits: a deposit based on a basket of shares of family companies, a deposit based on a basket of shares of companies from the luxury goods sector, a deposit based on a basket of shares of companies from the transportation sector, a deposit based on a basket of shares of companies from the new technologies sector, a deposit based on a basket of stock markets indices. Having such products in its offer allows the Bank to offer attractive product to customer and contributes to the improvement in PKO Bank Polski SA's image, as an institution offering innovative investment instruments.

A complex offer in respect of regular long-term saving for individual and retirement purposes was introduced to the Bank's offer at the end of July 2014: the term deposit account 'Kapitał na Emeryturę', the term deposit account 'Kapitał na Emeryturę z funduszem PKO Zabezpieczenia Emerytalnego', the term deposit account 'Kapitał na Marzenia' (change of the product name from 'PKO Pierwszy Kapitał') and the term deposit account 'Kapitał na Marzenia z Portfelem Inwestycyjnym'. Within the determined saving purpose, the customer has the possibility to choose a product based on three product categories: deposit, deposit-investment and investment.

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

#### Banking cards

A new payment product - 'Karta debetowa dla użytkownika' was introduced into the Bank's offer in July 2014, giving the possibility to issue a debit card for the account's proxy, as well as for owner-designated third parties not connected with the account by any kind of relationship.

PKO Bank Polski SA made the limited series of a payment card in the form of a watch used to pay in contactless readers available to the owners of the 'PKO Konto dla Młodych' since the beginning of September of this year.

As at 30 September 2014, the number of banking cards of PKO Bank Polski SA amounted to approx. 7.2 million of units.

#### Mobile banking IKO

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

Approx. 70 thousand of terminals accepting IKO payments operated as at the end of September 2014, whereas the number of active IKO applications exceeded 195 thousand.

A new version of IKO application was made available to the customers of PKO Bank Polski SA in the third quarter of 2014. The software update resulted in faster application performance and brought a number of facilities for the user. New functions within the IKO also emerged together with the new version of the application, i.e. 'fast payments mode' (presenting the IKO code without the requirements to log into the application), ability to repeat a money transfer and to make a return transfer to the sender. The functionality of the IKO Wallet ('Portmonetka IKO') was changed simultaneously, thanks to which customers are able to make partial fund withdrawals from the ATMs, close the Wallet with a balance greater than zero or make a withdrawal in the amount greater than the withdrawal limit.

#### iPKO transaction service

Implementation of a new payment service CardMoney in iPKO occurred in July of this year - a fast money transfer between the accounts of PKO Bank Polski SA, where the debit card number is being entered instead of the account number of the receiver.

As at the end of September 2014, approx. 6.7 million customers in the retail segment had access to electronic banking, of which 6.2 million retail and private banking customers and 0.5 million customers in the small and medium enterprise segment.

#### Insurance products

By increasing the attractiveness of banking products through allowing the possibility to use additional services tailored to customer needs and expectations, the Bank offers insurance products to retail and private banking customers as well as to the small and medium enterprises segment. They are linked to banking products such as ROR, banking cards, consumer loans, mortgage loans, corporate loans. In the third quarter of 2014 Cash Loan Insurance ('Ubezpieczenie do Pożyczki Gotówkowej') and Inteligo Loan Insurance ('Ubezpieczenie do Pożyczki Inteligo') have been implemented to the PKO Bank Polski SA offer constituting an insurance package combined of life insurance and unemployment insurance.

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

	30.09.2014	31.12.2013	30.09.2013	Change since:	
				31.12.2013	30.09.2013
Number of current accounts	6 358	6 318	6 283	40	75
Number of IKO	196	101	57	95	139
Number of iPKO	6 694	6 116	5 905	578	789
Number of banking cards, of which:	7 160	7 080	7 090	80	70
credit cards	838	893	899	(55)	(61)

### *Distribution network*

At the end of the third quarter of 2014 a network of branches of PKO Bank Polski SA amounted to 1 132 retail branches.

Improving the conditions of customer service within the network is one of the tasks supporting the strategic programme titled 'Improving the effectiveness of distribution within the network of branches and agencies'. In the first months of 2014, these activities were mainly focused on modernising the branches and moving the branches to new attractive locations. They were aimed at increasing market competitiveness, improving



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customer service conditions and optimising the space occupied by branches. Thanks to introducing the standard, the branches being modernised and relocated have a consistent image and customers, irrespective of the location, are being served in the same conditions. In the third quarter of 2014, 21 branches were modernised and a project of 'Low-cost modernisation' was launched, which will cover 40 branches not requiring full modernisation. The project implementation was planned until the end of this year and so far 13 branches were modernised through this procedure. As a result of the above actions 59 branches were renewed and modernised in 2014.

Moreover, in the third quarter of 2014 a development of network dedicated for servicing the wealthiest customers has been continued. At present, customer service to this group is provided by 36 consultants and 15 business analysts in 7 offices, who ensure professionalism, availability, discretion and individual approach to customers' needs and expectations. As at 30 September 2014, 2 843 agreements on providing private banking services were signed.

During 2014 the number of the Bank's own ATMs increased by 64 units and amounted to 3 056 units.

There were 383 ATMs with a cash deposit module as at the end of September 2014, enabling customers to make a deposit without paying a visit in Bank's branches. In addition, a first recycler was launched in the third quarter of 2014 - a self-service device with the functionality of an ATM with a cash deposit module with closed cash circulation. PKO Bank Polski SA was the first commercial bank, where this innovatory solution was implemented, which, thanks to facilitating turnover with the same cash in the device, decreases costs of its servicing.

As at 30 September 2014, the Bank had 309 cash drops, including 179 devices of a new type which make it possible to post on-line payments to the account holder's account.

The network of branches and ATMs is significantly supported by a network of agencies. As at 30 September 2014, the Bank cooperated with 1 027 agencies compared with 1 074 agencies as at 31 December 2013. The drop in the number of agencies is a result of activities aimed at making the network more effective, boosting sales and increasing the importance of the agency network as a distribution channel for the Bank's products and services.

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

	30.09.2014	31.12.2013	30.09.2013	Change since:	
				31.12.2013	30.09.2013
Total number of branches	1 189	1 186	1 181	3	8
<b>in the retail segment</b>	<b>1 150</b>	<b>1 147</b>	<b>1 142</b>	<b>3</b>	<b>8</b>
regional retail branches	11	11	11	-	-
retail branches	1 132	1 130	1 126	2	6
private banking offices	7	6	5	1	2
Number of ATMs	3 056	2 992	2 960	64	96
Number of agencies	1 027	1 074	1 115	(47)	(88)

### Corporate segment of PKO Bank Polski SA

In the third quarter of 2014, as in the previous periods, PKO Bank Polski SA based the development of its corporate business on building stable relationships with customers, as a consequence of providing high-quality services, cooperation principles based on partnership and the specialised qualifications of the sales network. Both the financing of the current operations of companies (through working capital loans) and openness to participation in the implementation of their future projects (through investment loans), as well as support for the implementation of projects by local authorities, have remained the main priorities of the Bank's corporate segment.

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

#### *Lending activity and structured financing*

As at the end of the third quarter of 2014, gross corporate loans amounted to PLN 38.8 billion and their balance maintained at a stable level since the beginning of the year. The total financing provided to corporate customers, including bonds issued, amounted to PLN 47.1 billion, which means an increase by PLN 1.9 billion (i.e. by 4.2%) from the beginning of the year.

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

	30.09.2014	31.12.2013	30.09.2013	Change since:	
				31.12.2013	30.09.2013
Corporate loans gross	38 760	38 947	40 098	-0.5%	-3.3%
Debt securities*	8 366	6 292	6 061	33.0%	38.0%
municipal	4 394	4 419	4 093	-0.6%	7.3%
corporate	3 972	1 873	1 968	2.1x	2x
<b>Total financing</b>	<b>47 126</b>	<b>45 238</b>	<b>46 159</b>	<b>4.2%</b>	<b>2.1%</b>

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



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Products associated with financing large investment projects such as consortium loans or issues of non-Treasury securities are a fixed component of PKO Bank Polski SA's offer dedicated to corporate customers. As at the end of the third quarter of 2014, the Bank's market share, in terms of total liabilities, amounted to 15.5%<sup>3</sup> in the corporate bond segment and 28.6%<sup>4</sup> in the municipal bond segment.

As part of the largest credit transactions performed in the third quarter of 2014, the Bank provided financing in the form of investment and working capital loans i.a. to entities in the power, armaments, telecommunications, food industries, maintenance of commercial real estate, mining, financial sector and to public finance sector entities. The Bank did not apply restrictions on the financing of all kinds of industries, the unit amounts of the largest transactions ranged from PLN 40 million to PLN 200 million. Additionally, the Bank signed 198 agreements of bonds issue in the total amount of PLN 1.6 billion. In the third quarter of 2014, PKO Bank Polski SA concluded six loan agreements in the form of a bank consortium totalling PLN 679 billion, USD 2 500 million and EUR 42.58 million in which the Bank's share amounted to PLN 299 million, USD 200 million and EUR 37.58 million respectively.

PKO Bank Polski SA performs the function of an issue arranger for municipal and corporate bonds. In the third quarter of 2014 the Bank signed:

- six agreements to organise an issue of corporate bonds, without the guarantee to close the issue in the amount of PLN 5 361 million and four agreements to organise an issue of corporate bonds with the guarantee to close the issue in the form of a bank consortium totalling PLN 9 900 million and USD 163.75 million and EUR 350 million, in which the Bank's share amounted to PLN 1 680 million and USD 57.31 million and EUR 75 million respectively,
- 33 agreements to issue municipal bonds in the total amount of PLN 142.87 million.

### *Deposit activities and transaction banking*

The volume of deposits as at the end of the third quarter of 2014 amounted to PLN 26.7 billion and was PLN 5.4 billion higher than at the beginning of the year. The main factor behind the increase in the deposit base is the Bank's strong position as regards the offer of transaction products, which contributes to a consistent increase in the current deposits volume.

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

	30.09.2014	31.12.2013	30.09.2013	Change since:	
				31.12.2013	30.09.2013
Corporate deposits	26 704	21 336	20 278	25.2%	31.7%

PKO Bank Polski SA is constantly enhancing the quality of its transaction banking services. In the third quarter of 2014, services dedicated to entities with a complex organisational structure (e.g. groups of companies) were being developed, enabling customers to use various kinds of products and services which make it easier to settle transactions with foreign partners. At the same time PKO Bank Polski SA introduced a loyalty programme targeted at a numerous group of clients using the transaction banking products. Under the programme, customers may adjust specialised banking services to their needs and optimise servicing costs.

The iPKO Biznes electronic banking system is the leading product of the corporate banking segment of PKO Bank Polski SA. In the third quarter of 2014 the iPKO Biznes application was expanded to include new functionalities which make it more convenient to use, including, among others, simplifying and re-design of key operations made in the service, so that to make them even more user-friendly and intuitive.

Currently, the iPKO Biznes application allows customers to monitor and manage accounts, payment cards and loans and to submit orders for all kinds of transfers. As at the end of September of this year 13.5 thousand of customers were using iPKO Biznes.

### *Sales network*

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

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

	30.09.2014	31.12.2013	30.09.2013	Change since:	
				31.12.2013	30.09.2013
Total number of branches	1 189	1 186	1 181	3	8
<b>in the corporate segment:</b>	<b>39</b>	<b>39</b>	<b>39</b>	-	-
regional corporate branches	7	7	7	-	-
corporate centres	32	32	32	-	-

### **Investment segment of PKO Bank Polski SA**

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

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

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





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The organisation of the Bank's own issues on the Polish market and on international markets (i.a. through bond issues) and obtaining funds from monetary and non-monetary financial institutions form an important part of the segment's operations.

### **Treasury products**

PKO Bank Polski SA addresses a broad offer in respect of forex, interest rate and commodity market instruments to institutional and retail clients. The dominant share in sales of treasury products have SPOT forex transactions, which amount increased by 17% in the third quarter of 2014 as compared with the corresponding period of the previous year. Good results are also achieved by the Bank as regards sales of derivative instruments, the number of Forward transactions increased by 5% respectively.

### **Interbank market**

PKO Bank Polski SA is the Treasury Securities Dealer and the Money Market Dealer, acting as a market maker in the currency and interest rate domestic market. The Bank participates in the competition organised by the Ministry of Finance for the selection of the Treasury Securities Dealer and Money Market Dealer in 2015.

With liquidity surpluses not used for the purpose of lending activity and net capital, the Bank finances the liquidity and investment securities portfolio, where the dominant position are the Treasury Securities.

The Bank continued working on the implementation of EMIR (European Market Infrastructure Regulation) imposing on financial institutions an obligation to settle OTC derivative transactions using central counterparties - CCP. At the current phase of work the Bank made a choice of clearing houses and clearing brokers, through which the derivative transactions will be settled, as well as began reporting to the Transaction Repository KDPW\_TR (the National Depository for Securities). On 30 June of this year, the Bank has joined KDPW\_CCP, as an individual clearing participant.

### **Brokerage activities**

The Brokerage House of PKO Bank Polski SA ranks among the top of brokerage houses operating on the domestic financial market.

As at the end of September 2014 the Brokerage House of PKO Bank Polski SA occupied the following positions in the ranking of brokerage houses:

- achieved a third rank on the shares secondary market with a share of 9.2% with the value of realised trading volume exceeding PLN 12 billion,
- held fifth rank on the market in respect of trading volume on the NewConnect market with a share of 9% and second rank in respect of performing a market maker function (50 entities),
- performed a function of a market maker for 62 entities (second rank) and for 27 entities a function of issuer's market maker (fourth rank),
- held first rank on the market, in respect of trading volume in the options market,
- was a leader on the bonds market with a share in trading volume at the level of 57%.

On the primary market the Brokerage House of PKO Bank Polski SA finalised in the past quarter the IPO transaction of the entity Torpol S.A. (as a book joint offeror and manager) and Alumetal S.A. (as a joint bookrunner). The total value of both transactions amounted to over PLN 476 million.

In addition, the Brokerage House of PKO Bank Polski SA was engaged in the ABB transaction of PGE S.A. shares, which value amounted to over PLN 1.3 billion. Through performing the role of a bonds offeror, the Brokerage House of PKO Bank Polski SA took part in public offering of ECHO Investment S.A.'s C series bonds, where the sales value amounted to PLN 75 million. In the third quarter of this year the Brokerage House of PKO Bank Polski SA brought to the market a next pool of employee shares of the entity JSW S.A. In addition, the Brokerage House of PKO Bank Polski SA performed the role of a mediating entity during the tender offer for the sale of HUTMEN's shares.

As at the end of September of this year the Brokerage House of PKO Bank Polski SA served participation units of 213 funds and sub-funds managed by 17 Investment Funds.

As at the end of September 2014, the Brokerage House of PKO Bank Polski SA maintained 186.4 thousand securities accounts and cash accounts, and 176.1 thousand registration accounts, which according to KDPW data, puts the Brokerage House of PKO Bank Polski SA in the second position on the market (43 participants).

### **Fiduciary services**

The Bank's fiduciary activities are mainly targeted to domestic and foreign financial institutions, pension and investment funds and insurance companies. The Bank's customers in the area of fiduciary services are also non-financial institutions.

As at the end of September of this year, the value of assets held on fiduciary accounts of the Bank's customers amounted to PLN 67 billion and was 16% higher than the amount obtained as at the end of the third quarter of 2013. Simultaneously at the end of the previous quarter the number of securities accounts amounted to 1.78 thousand units.

### 3.4.3. Activities of Nordea Bank Polska SA

The net profit of Nordea Bank Polska SA, achieved in 2014 since the date of consolidation with the PKO Bank Polski SA Group, i.e. in the second and the third quarter of 2014, amounted to PLN 100.0 million, and its components are shown in the following table.

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**Table 14. Profit and loss account of Nordea Bank Polska SA for the period 01.04-30.09.2014 (in PLN million)**

	01.04- 30.09.2014
Interest and similar income	455.8
Interest expense and similar charges	(154.2)
<b>Net interest income</b>	<b>301.6</b>
Fee and commission income	62.3
Fee and commission expense	(12.9)
<b>Net fee and commission income</b>	<b>49.4</b>
Dividend income	0.1
Net income from financial instruments measured at fair value	6.7
Gains less losses from investment securities	-
Net foreign exchange gains	45.6
Net other operating income and expense	7.2
Net impairment allowance and write-downs	(37.5)
Administrative expenses	(248.4)
<b>Operating profit</b>	<b>124.8</b>
<b>Profit before income tax</b>	<b>124.8</b>
Income tax expense	(24.8)
<b>Net profit</b>	<b>100.0</b>

In the income statement of Nordea Bank Polska SA in the analysed period, the sum of income items amounted to PLN 410.7 million, which with total administrative expenses on the level of PLN (-)248.4 million translated into achieving cost effectiveness ratio (C/I) of 60.5% in this period.

**Table 15. Statement of financial position of Nordea Bank Polska SA (in PLN million)**

	30.09.2014	Structure 30.09.2014
Cash and balances with the central bank	546.5	1.8%
Amounts due from banks	327.6	1.1%
Loans and advances to customers	27 356.4	89.0%
Securities	2 273.5	7.4%
Other assets	227.6	0.7%
<b>Total assets</b>	<b>30 731.6</b>	<b>100.0%</b>
Amounts due to banks	15 377.8	50.0%
Amounts due to customers	11 478.2	37.3%
Debt securities in issue and subordinated liabilities	775.6	2.5%
Other liabilities	256.6	0.8%
<b>Total liabilities</b>	<b>27 888.1</b>	<b>90.7%</b>
Total equity	2 843.5	9.3%
<b>Total liabilities and equity</b>	<b>30 731.6</b>	<b>100.0%</b>

The total assets of Nordea Bank Polska SA amounted to PLN 30.7 billion as at 30 September 2014.

The most significant part of Nordea Bank Polska SA's assets are loans and advances to customers – mainly housing loans, with a total amount of PLN 27.4 billion as at the end of September 2014 (89.0% of total assets).

The primary source of assets' financing are amounts due to banks – mainly long-term financing obtained from PKO Bank Polski SA, which amounted to a total of PLN 15.4 billion as at 30 September of this year (50.0% of total equity and liabilities) and amounts due to customers – mainly amounts due to corporate entities, which amounted to PLN 11.5 billion as at the end of September 2014 (37.3% of total liabilities).





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**Retail segment of Nordea Bank Polska SA**

In the three quarters period of 2014 retail banking activities were focused on enhancing relations with customers both in the individual clients and small enterprises segments. It was directly associated with the highest priority for retention activities in the circumstances of the ongoing merger with PKO Bank Polski SA. Focusing on maintenance of relations with customers was accompanied by strong emphasis on continuing the further development of the customer base and intensifying processes of sales of selected products offered by the Bank.

**The deposit offer**

The deposit offer of Nordea Bank Polska SA contains a wide range of products: current accounts (ROR), saving accounts, foreign currency accounts, current and term accounts. The deposit offer in the retail segment in 2014 has not undergone significant changes.

**Table 16. Deposits in retail segment of Nordea Bank Polska SA (in PLN million)**

	30.09.2014*	Structure 30.09.2014
Customer deposits, of which:		
retail and private banking	4 433	80.7%
small and medium enterprises	1 061	19.3%
<b>Total deposits</b>	<b>5 493</b>	<b>100.0%</b>

\* The data include segmentation criteria which are applicable in Nordea Bank Polska SA.

**Investment products**

In the first three quarters of 2014 a positive trend in the sales of investment products continued. The sales of investment products, such as investment funds units, structured products, as well as unit-link type solutions and saving plans – was almost 14% higher than in the corresponding period of the previous year. The largest share in the new sales related to funds from PKO TFI SA offer – in the analysed period they constituted in total more than 60% of total sales.

**The loan offer**

Loans structure in the retail segment is dominated by mortgage loans – within which foreign currency loans have the largest share. Within the loan offer of the retail segment the sale of loans intended for housing purposes was continued.

The decision on terminating the cooperation with network intermediaries made in the half of 2013 (in this period the share of network intermediaries in sales amounted to approx. 60%) had a significant influence on the level of sales of mortgage loans and caused a decline in the level of new sales of mortgage loans by more than a half.

Significant change in credit offer for retail segment customers was the introduction of PKO Bank Polski SA's cash loan in May 2014, sold in the agency model.

**Table 17. Gross loans in retail segment of Nordea Bank Polska SA (in PLN million)**

	30.09.2014*	Structure 30.09.2014
Gross loans, of which:		
retail and private banking	260	1.6%
small and medium enterprises	56	0.3%
mortgage banking	15 610	98.0%
<b>Total loans</b>	<b>15 926</b>	<b>100.0%</b>

\* The data include segmentation criteria which are applicable in Nordea Bank Polska SA.

**Corporate and investment segment**

In the third quarter of 2014 the corporate segment's activities were mainly focused on maintenance good and long term relations with current customers. Moreover, Nordea Bank Polska SA focused on acquiring new customers and interesting transactions in terms of building long-term relations, with an acceptable level of profitability and high quality of banking services.

The intensive actions have been taken to inform customers about the progress of the merger of both banks and ensuring about the continuation of cooperation and the highest quality of service.

**Lending activity and structured financing**

In the third quarter of this year Nordea Bank Polska SA signed 13 municipal bond issue agreements in a total amount of PLN 55 million. According to Fitch's rating – a rating company monitoring the bonds market in Poland - Nordea Bank Polska SA was one of the main organisers of municipal and corporate bond issues, with a market share of 14.1% and 9.43%, respectively.

As part of the largest credit transactions performed in the third quarter of this year, Nordea Bank Polska SA participated in financing, in the form of a banking consortium, companies from commercial real estate industries and CFM (car fleet management). Separate amounts of the financing in the banking consortium form were ca. PLN 300 million and PLN 200 million respectively.



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**Table 18. Gross receivables in corporate segment of Nordea Bank Polska SA (in PLN million)**

	30.09.2014*
Gross corporate loans	7 254
Debt securities	4 019
<b>Total financing</b>	<b>11 273</b>

\* The data include segmentation criteria which are applicable in Nordea Bank Polska SA.

***Deposit activities and transaction banking***

In the third quarter of this year, Nordea Bank Polska SA continued works targeted at migrating customers to the new e-banking platform for corporate clients, thanks to which they will be able to use a new, modernised e-banking platform Nordea eConnect. The new solution enables to access bank account and to perform transactions via three integrated access channels:

- the home banking eConnect application,
- the website (internet banking – webConnect) and
- the application for mobile devices (mobile banking – mobileConnect).

The mobile banking is offered to corporate clients in Polish and English language version and can be used on mobile devices equipped with operating systems Android and iOS. The offered electronic banking service combines safety with comfort and operational functionality. Customers, who use the eConnect electronic banking platform, can order transfers, make deposits and they have a free access to information about accounts, payments, defined counterparties, payment cards on their desktops, laptops, as well as in their phones and tablets.

**Table 19. Deposits in corporate segment of Nordea Bank Polska SA (in PLN million)**

	30.09.2014*
Corporate deposits	5 553

\* The data include segmentation criteria which are applicable in Nordea Bank Polska SA.

***Interbank market***

Nordea Bank Polska SA is linked via SWIFT with approximately a thousand banks and financial institutions in the world. Nordea Bank Polska SA is a direct participant in Polish clearing systems and in the TARGET 2 and SEPA systems and is an indirect participant in the STEP2/EBA systems. Nordea Bank Polska SA is one of the top Polish banks in terms of the number of foreign payments processed for the account of Polish beneficiaries. This volume is growing, as a number of foreign and domestic banks having Nostro accounts with Nordea Bank Polska SA is increasing. This growth is especially visible in the case of banks from the Emerging Markets area.

A significant share in the settlement of commercial payments directed to Poland from abroad causes that the Bank is one of the major clearing banks in the Polish market.

One of the key areas of co-operation between Nordea Bank Polska SA and foreign and domestic banks is foreign currency exchange and FX sharing. In addition to traditional methods FX transactions can be executed via the Internet platform. In the first half of 2014 the number of customers who decided on this type of cooperation has significantly increased.

In 2014, Nordea Bank Polska SA offered to domestic and international, non-banking financial institutions a cooperation in the field of services supporting the management of funds using a broad range of settlement products, savings, treasury and risk-hedging products. Moreover, the very active cooperation in terms of foreign currency exchange was conducted with companies from this segment.

***Treasury products***

Nordea Bank Polska SA has a basic offer of foreign currency hedging instruments, which support customers in their day-to-day operations.

Nordea Bank Polska SA's customers can also conclude foreign exchange transactions via the iPKODealer currency platform. The share of exchange through this channel is steadily growing. Financial surpluses are invested in securities issued by the State Treasury or the National Bank of Poland.

**Operational data**

As at the end of the third quarter of 2014, Nordea Bank Polska SA network consisted of 133 branches and an internet branch. There were 137 ATMs with a deposit function available for customers mainly located next to branches of Nordea Bank Polska SA.

**Table 20. Operational data of Nordea Bank Polska SA (in units)**

	30.09.2014
Number of locations	133
Number of ATMs	137



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3.4.4. Activities of the PKO Bank Polski SA Group entities

SIGNIFICANT EVENTS IN the third quarter of 2014	
<b>PKO Towarzystwo Funduszy Inwestycyjnych SA</b>	<p>The value of assets of funds managed by the Company as at the end of September 2014 was PLN 16.03 billion, which represents an 5.1% increase in the value of assets compared to the end of June 2014. The increase in the value of assets was mainly associated with the fact that the Company generated a significant net profit from sales and a result from assets management.</p> <p>PKO TFI SA ranks 4<sup>th</sup> in terms of the net assets value and its share in the investment funds market is 7.6%*. As at 30 September 2014, PKO TFI SA managed 40 investment funds and subfunds.</p> <p>*Source: The Chamber of Fund and Asset Managers (Izba Zarządzających Funduszami i Aktywami).</p>
<b>PKO BP BANKOWY PTE SA</b>	<p>As at the end of September 2014, the net assets value of PKO BP Bankowy OFE managed by PKO BP BANKOWY PTE SA, amounted to PLN 7.06 billion (which is an increase of 4.5% in comparison to the end of June 2014). The increase in the value of assets was mainly associated with the realisation of a rate of return of 4.3% in the third quarter of 2014.</p> <p>As at the end of September 2014, the number of members of PKO BP Bankowy OFE amounted to 953 thousand.</p> <p>PKO BP Bankowy OFE holds the ninth place on the pension funds market regarding the OPF's net assets value and the number of members*.</p> <p>According to data published by the Polish Financial Supervision Authority, PKO BP Bankowy OFE for the period from 30 September 2011 to 30 September 2014 reached a rate of return at the level of 33.215% (the weighted average rate of return of 31.993%) holding thereby third place in the list of OPF investment results for that period.</p> <p>* Source: <a href="http://www.knf.gov.pl">www.knf.gov.pl</a></p>
<b>The PKO Leasing SA Group</b>	<p>The merger of PKO Leasing Pro SA and PKO Leasing SA occurred on 30 September 2014, as a result of which all the assets of PKO Leasing Pro SA was transferred to PKO Leasing SA. Presented data include this merger.</p> <p>In the third quarter of 2014 the PKO Leasing SA Group entities (PKO Leasing SA and its subsidiaries: PKO Bankowy Leasing SA and PKO Leasing Sverige AB) leased out assets with a total value of PLN 633 million.</p> <p>As at the end of September 2014 the total carrying amount of the lease investments of the PKO Leasing SA Group entities amounted to PLN 4 527 million.</p> <p>At the end of September 2014, in terms of the value of assets leased, the PKO Leasing SA Group ranked 6<sup>th</sup> position with a market share of 6.4%*.</p> <p>* Source: the Polish Leasing Association.</p>
<b>The Bankowe Towarzystwo Kapitałowe SA Group</b>	<p>In the third quarter of 2014, PKO BP Faktoring SA (a subsidiary of Bankowe Towarzystwo Kapitałowe SA) was providing domestic and export factoring services, both with and without the acceptance of risk, reverse factoring and a service of the factoring programme for suppliers.</p> <p>In the third quarter of 2014, the value of factoring turnover amounted to PLN 863 million and the number of customers increased to 188.</p> <p>As at 30 September 2014 PKO BP Faktoring SA ranked 8<sup>th</sup> place among factoring companies associated in the Polish Factors' Association, with a market share of 2.6%.</p>
<b>The PKO Życie Towarzystwo Ubezpieczeń SA Group</b>	<p>PKO Życie Towarzystwo Ubezpieczeń SA offers protection products and saving-investment products. As part of the investment products, the Company offers a wide range of Insurance Capital Funds in which customers can invest their savings. The investment offer includes 124 domestic and foreign Insurance Capital Funds and 3 model portfolios and 12 Insurance Capital Funds developed by experts from PKO TFI SA.</p> <p>The value of gross written premiums under insurance agreements, concluded by the Company as at 30 September 2014, amounted to PLN 580 million (as at the end of June of this year this value amounted to PLN 377 million).</p> <p>As at the end of September 2014, the Company insured 159 thousand people.</p>



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<p><b>The KREDOBANK SA Group (data according to IFRS/IAS)</b></p>	<p>The KREDOBANK SA Group's (gross) loan portfolio in the third quarter of 2014 increased by UAH 182 million, i.e. by 5.7% and amounted to UAH 3 354 million as at the end of September 2014 (the gross loan portfolio denominated in PLN increased by PLN 44 million, i.e. by 5.4% and amounted to PLN 857 million as at the end of September 2014).</p> <p>In the third quarter of 2014, term deposits of the KREDOBANK SA Group's customers increased by UAH 89 million, i.e. by 4.9% and amounted to UAH 1 882 million as at 30 September 2014 (term deposits denominated in PLN increased by PLN 21 million, i.e. by 4.6% and amounted to PLN 481 million as at 30 September 2014).</p> <p>As at 30 September 2014, the network of KREDOBANK SA branches consisted of 1 Central Branch and 111 subordinated branches in 22 out of 24 Ukrainian districts.</p>
<p><b>The Qualia Development Sp. z o.o. Group</b></p>	<p>In the third quarter of 2014 the Group was focused on:</p> <ul style="list-style-type: none"> <li>- conducting design work and administrative procedures to obtain construction permits or a decision on land development for: Żwirki i Wigury project in Warsaw, the Royal Tulip hotel and apartment building in Jurata and for properties of PKO Bank Polski SA located in Warsaw at Nowogrodzka Street and Sienkiewicza Street,</li> <li>- preparation for the start of the projects in Nowy Wilanów (Royal Park stage) and Neptun Park in Gdańsk (IV stage of the investment).</li> </ul>

### 3.4.5. Prizes and awards

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

1. **Leader in the Forbes ranking**  
 PKO Bank Polski SA was awarded six stars in the general classification of the ranking 'The Best Bank for Enterprises' ('Najlepszy bank dla firm') and won in the category of the best account for enterprises. The Bank was awarded in respect of its credit offer and for the quality of business customers service. The Bank was appreciated first of all for one of the cheapest baskets of banking services for enterprises and credit offer.  
 The Bank also achieved a high, third rank in the survey realised with the mystery shopper method. Awarded were i.a.: service quality, customer acquisition method, décor and organisation of branches.
2. **The Brokerage House of PKO Bank Polski SA appreciated in the Forbes ranking**  
 The Brokerage House of PKO Bank Polski SA was the winner in the Forbes' ranking of the best brokerage houses according to individual investors. It received the highest marks, winning in six out of seven categories subject to the assessment. Individual investors appreciated the functionality of the IT platform, the quality of direct services, professionalism of employees, the quality of analyses and recommendations, educational offer and access to information and quotations. In addition, the Brokerage House of PKO Bank Polski SA placed second in the institutional investors segment - it has one of the best teams of institutional stock brokers.
3. **Leader in the Mortgage Banking**  
 PKO Bank Polski SA was awarded in the category 'Mortgage Banking' of the ranking 'Newsweek's Friendly Bank' ('Przyjazny Bank Newsweeka'). It was appreciated for effectiveness in customers acquisition and high quality of their servicing. The purpose of the ranking was the assessment of banks' inclination towards granting mortgage loans to young Poles with different family situation and forms of earning income. The survey carried out with the mystery shopper method showed, that our Bank has a credit offer to various groups of customers, i.a.: singles, young people in cohabitation and marriages, self-employed, permanently employed, employed on a fixed-term employment contract or on a mandate contract or a task-specific contract. The ranking was conducted in collaboration with a market research company Millward Brown.
4. **The Best Bank for Retail Clients**  
 PKO Bank Polski SA was recognised as the best bank for retail clients and won the Nobilatium prize. The ranking prepared by the 'Polish Market' in cooperation with the Warsaw School of Economics (SGH) originated on the basis of a survey conducted among corporate entities - companies from the list of Pearls of the Polish Economy and individuals. Based on its results, the editorial staff chose best entities in three categories: banks, insurers and leasing companies.
5. **The leader in the 'Top Marka' ranking**  
 PKO Bank Polski SA is the most frequently and best described in media banking sector institution - as shown by the 7th 'Top Marka' ranking. The purpose of the compilation prepared by 'Press' and the entity Press-Service Monitoring Mediów is to select the most popular brands in the press and internet media.  
 On average, 4 thousand bits of information about PKO Bank Polski SA appear each month in the media and web portals. In the analysed period of July 2013 - June 2014, media and internet users particularly described and commented on topics connected with integration with Nordea Bank Polska SA, financial results, stock price quotations and product offer.



Bank Polski

Condensed interim  
consolidated financial statements  
of the PKO Bank Polski SA Group  
for the nine-month period ended  
30 September 2014

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PKO BANK POLSKI SA GROUP FOR THE NINE-MONTH PERIOD  
ENDED 30 SEPTEMBER 2014  
(IN PLN THOUSAND)**



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**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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ENDED 30 SEPTEMBER 2014  
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Bank Polski

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

	Note	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013 restated	3 quarters cumulatively period from 01.01.2013 to 30.09.2013 restated
Continuing operations					
Interest and similar income	5	2 834 330	8 078 969	2 550 751	8 250 792
Interest expense and similar charges	5	(855 615)	(2 421 392)	(923 819)	(3 243 359)
<b>Net interest income</b>		<b>1 978 715</b>	<b>5 657 577</b>	<b>1 626 932</b>	<b>5 007 433</b>
Fee and commission income	6	1 008 054	3 052 726	995 965	2 840 704
Fee and commission expense	6	(281 293)	(836 936)	(239 421)	(649 744)
<b>Net fee and commission income</b>		<b>726 761</b>	<b>2 215 790</b>	<b>756 544</b>	<b>2 190 960</b>
Dividend income		315	6 406	471	5 766
Net income from financial instruments measured at fair value	7	20 447	73 410	31 059	34 357
Gains less losses from investment securities	8	33 338	71 884	3 425	64 778
Net foreign exchange gains (losses)		66 386	201 807	67 445	142 388
Other operating income	9	138 512	412 106	167 115	417 698
Other operating expense	9	(73 287)	(249 233)	(128 174)	(332 646)
<b>Net other operating income and expense</b>		<b>65 225</b>	<b>162 873</b>	<b>38 941</b>	<b>85 052</b>
Net impairment allowance and write-downs	10	(475 209)	(1 446 350)	(487 763)	(1 354 682)
Administrative expenses	11	(1 337 200)	(3 805 714)	(1 115 603)	(3 341 097)
Operating profit		1 078 778	3 137 683	921 451	2 834 955
Share in profit (loss) of associates and joint ventures		15 948	23 261	11 225	(3 428)
<b>Profit before income tax</b>		<b>1 094 726</b>	<b>3 160 944</b>	<b>932 676</b>	<b>2 831 527</b>
Income tax expense	12	(220 838)	(638 444)	(180 494)	(540 440)
Net profit (including non-controlling shareholders)		873 888	2 522 500	752 182	2 291 087
Profit (loss) attributable to non-controlling shareholders		513	(9 003)	(114)	(388)
<b>Net profit attributable to equity holders of the parent company</b>		<b>873 375</b>	<b>2 531 503</b>	<b>752 296</b>	<b>2 291 475</b>
Earnings per share	13				
- basic earnings per share for the period (PLN)		0.70	2.03	0.60	1.83
- diluted earnings per share for the period (PLN)		0.70	2.03	0.60	1.83
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 nine-month period ended 30 September 2014 and 30 September 2013 respectively, no discontinued operations were conducted by the PKO Bank Polski SA Group.



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

	Note	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013 restated	3 quarters cumulatively period from 01.01.2013 to 30.09.2013 restated
<b>Net profit (including non-controlling shareholders)</b>		<b>873 888</b>	<b>2 522 500</b>	<b>752 182</b>	<b>2 291 087</b>
<b>Other comprehensive income</b>		<b>114 727</b>	<b>262 938</b>	<b>31 649</b>	<b>(294 357)</b>
<b>Items that may be reclassified to the income statement</b>		<b>114 636</b>	<b>262 938</b>	<b>31 649</b>	<b>(294 357)</b>
Cash flow hedges (gross)	18	43 081	195 016	39 359	(205 695)
Deferred tax on cash flow hedges		(8 185)	(37 053)	(7 478)	39 082
Cash flow hedges (net)		34 896	157 963	31 881	(166 613)
Unrealised net gains on financial assets available for sale (gross)	8	101 130	212 260	11 935	(156 013)
Deferred tax on unrealised net gains on financial assets available for sale		(19 326)	(40 545)	(2 422)	29 315
Unrealised net gains on financial assets available for sale (net)		81 804	171 715	9 513	(126 698)
Currency translation differences from foreign operations		(2 445)	(67 423)	(9 931)	606
Share in other comprehensive income of an associate		381	683	186	(1 652)
<b>Items that may not be reclassified to the income statement</b>		<b>91</b>	<b>-</b>	<b>-</b>	<b>-</b>
Actuarial gains and losses / Shares settlement (net)		91	-	-	-
<b>Total net comprehensive income</b>		<b>988 615</b>	<b>2 785 438</b>	<b>783 831</b>	<b>1 996 730</b>
Total net comprehensive income, of which attributable to:		988 615	2 785 438	783 831	1 996 730
equity holders of PKO Bank Polski SA		988 102	2 794 638	783 961	1 997 085
non-controlling shareholders		513	(9 200)	(130)	(355)

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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Bank Polski

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	30.09.2014	31.12.2013	30.09.2013 restated
<b>ASSETS</b>				
Cash and balances with the central bank	14	8 636 840	7 246 120	7 602 630
Amounts due from banks	15	3 153 197	1 893 441	5 208 080
Trading assets	16	2 928 152	479 881	2 024 575
Derivative financial instruments	17	4 539 493	3 000 860	2 814 162
Financial assets designated upon initial recognition at fair value through profit and loss	19	15 002 777	15 204 756	12 503 572
Loans and advances to customers	20	178 333 300	149 623 262	149 611 335
Investment securities available for sale	21	22 440 222	14 073 078	14 130 075
Investment securities held to maturity	22	263 226	38 005	28 313
Investments in associates and joint ventures	23	312 835	309 692	111 928
Non-current assets held for sale	24	172 061	172 219	13 621
Inventories	25	595 431	649 641	637 356
Intangible assets	26	3 315 278	2 230 222	1 961 718
Tangible fixed assets, of which:	26	2 762 259	2 611 233	2 616 003
investment properties	26	137 296	114 589	191
Current income tax receivables		82 964	206 401	180 274
Deferred income tax asset	12	747 212	562 421	629 189
Other assets		1 161 711	929 878	1 178 527
<b>TOTAL ASSETS</b>		<b>244 446 958</b>	<b>199 231 110</b>	<b>201 251 358</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Amounts due to the central bank		4 604	4 065	4 149
Amounts due to banks	27	19 771 512	3 747 337	5 728 855
Derivative financial instruments	17	4 450 053	3 328 211	3 283 884
Amounts due to customers	28	171 173 601	151 904 181	150 857 210
Liabilities due to insurance operations	29	2 637 729	-	-
Liabilities associated with assets classified as held for sale		2 400	2 880	-
Debt securities in issue	30	12 974 373	10 546 446	10 658 002
Subordinated liabilities	31	2 378 835	1 620 857	1 603 338
Other liabilities	32	3 679 963	2 547 237	4 618 401
Current income tax liabilities		21 777	22 595	5 592
Deferred income tax liability	12	36 871	32 106	44 635
Provisions	33	312 977	320 870	264 154
<b>TOTAL LIABILITIES</b>		<b>217 444 695</b>	<b>174 076 785</b>	<b>177 068 220</b>
<b>Equity</b>				
Share capital		1 250 000	1 250 000	1 250 000
Other capital		23 485 755	21 108 673	21 086 084
Currency translation differences from foreign operations		(196 646)	(129 420)	(119 732)
Undistributed profits		(60 658)	(306 230)	(327 157)
Net profit for the year		2 531 503	3 229 793	2 291 475
Capital and reserves attributable to equity holders of the parent company		27 009 954	25 152 816	24 180 670
Non-controlling interest		(7 691)	1 509	2 468
<b>TOTAL EQUITY</b>		<b>27 002 263</b>	<b>25 154 325</b>	<b>24 183 138</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>244 446 958</b>	<b>199 231 110</b>	<b>201 251 358</b>
Capital adequacy ratio	41	12.72%	13.58%	13.83%
Book value (in PLN thousand)		27 002 263	25 154 325	24 183 138
Number of shares (in thousand)	1	1 250 000	1 250 000	1 250 000
Book value per share (in PLN)		21.60	20.12	19.35
Diluted number of shares (in thousand)		1 250 000	1 250 000	1 250 000
Diluted book value per share (in PLN)		21.60	20.12	19.35

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 30 September 2014	Share capital	Other capital Reserves			Other comprehensive income				Total other capital	Currency translation differences from foreign operations	Undistributed profits	Net profit for the period	Total capital and reserves attributable to equity holders of the parent company	Non-controlling interest	Total equity
		Reserve capital	General banking risk fund	Other reserves	Share in other comprehensive income of an associate	Financial assets available for sale	Cash flow hedges	Actuarial gains and losses / Shares settlement							
As at 1 January 2014	1 250 000	16 760 686	1 070 000	3 469 107	(54)	(57 797)	(125 593)	(7 676)	21 108 673	(129 420)	(306 230)	3 229 793	25 152 816	1 509	25 154 325
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	-	-	3 229 793	(3 229 793)	-	-	-
Total comprehensive income, of which:	-	-	-	-	683	171 715	157 963	-	330 361	(67 226)	-	2 531 503	2 794 638	(9 200)	2 785 438
Net profit	-	-	-	-	-	-	-	-	-	-	-	2 531 503	2 531 503	(9 003)	2 522 500
Other comprehensive income	-	-	-	-	683	171 715	157 963	-	330 361	(67 226)	-	-	263 135	(197)	262 938
Transfer from undistributed profits	-	2 041 701	-	5 020	-	-	-	-	2 046 721	-	(2 046 721)	-	-	-	-
Dividends declared	-	-	-	-	-	-	-	-	-	-	(937 500)	-	(937 500)	-	(937 500)
<b>As at 30 September 2014</b>	<b>1 250 000</b>	<b>18 802 387</b>	<b>1 070 000</b>	<b>3 474 127</b>	<b>629</b>	<b>113 918</b>	<b>32 370</b>	<b>(7 676)</b>	<b>23 485 755</b>	<b>(196 646)</b>	<b>(60 658)</b>	<b>2 531 503</b>	<b>27 009 954</b>	<b>(7 691)</b>	<b>27 002 263</b>

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

for the period ended 30 September 2013	Share capital	Other capital Reserves			Other comprehensive income				Total other capital	Currency translation differences from foreign operations	Undistributed profits	Net profit for the period	Total capital and reserves attributable to equity holders of the parent company	Non-controlling interest	Total equity
		Reserve capital	General banking risk fund	Other reserves	Share in other comprehensive income of an associate	Financial assets available for sale	Cash flow hedges	Actuarial gains and losses							
As at 1 January 2013 (restated)	1 250 000	15 364 728	1 070 000	3 437 957	1 330	7 098	51 899	51 953	19 984 965	(120 305)	(416 554)	3 738 640	24 436 746	(338)	24 436 408
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	-	-	3 738 640	(3 738 640)	-	-	-
Total comprehensive income, of which:	-	-	-	-	(1 652)	(126 698)	(166 613)	-	(294 963)	573	-	2 291 475	1 997 085	(355)	1 996 730
Net profit (restated)	-	-	-	-	-	-	-	-	-	-	-	2 291 475	2 291 475	(388)	2 291 087
Other comprehensive income (restated)	-	-	-	-	(1 652)	(126 698)	(166 613)	-	(294 963)	573	-	-	(294 390)	33	(294 357)
Transfer from undistributed profits	-	1 416 885	-	31 150	-	-	-	-	1 448 035	-	(1 448 035)	-	-	-	-
Transfer from other comprehensive income to undistributed profits	-	-	-	-	-	-	-	(51 953)	(51 953)	-	51 953	-	-	-	-
Dividends declared	-	-	-	-	-	-	-	-	-	-	(2 250 000)	-	(2 250 000)	-	(2 250 000)
Change in the controlling interest	-	-	-	-	-	-	-	-	-	-	(3 161)	-	(3 161)	3 161	-
<b>As at 30 September 2013 (restated)</b>	<b>1 250 000</b>	<b>16 781 613</b>	<b>1 070 000</b>	<b>3 469 107</b>	<b>(322)</b>	<b>(119 600)</b>	<b>(114 714)</b>	<b>-</b>	<b>21 086 084</b>	<b>(119 732)</b>	<b>(327 157)</b>	<b>2 291 475</b>	<b>24 180 670</b>	<b>2 468</b>	<b>24 183 138</b>

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**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Note	01.01- 30.09.2014	01.01- 30.09.2013 restated
Net cash flows from operating activities			
<b>Profit before income tax</b>		<b>3 160 944</b>	<b>2 831 527</b>
<b>Adjustments:</b>		<b>(3 095 771)</b>	<b>(2 332 698)</b>
Amortisation and depreciation		551 817	437 762
(Gains) losses from investing activities		(20 348)	2 118
Interest and dividends		105 188	(374 119)
Change in amounts due from banks		335 288	309 010
Change in trading assets and financial assets designated upon initial recognition at fair value through profit and loss		3 353 269	(1 620 870)
Change in derivative financial instruments (asset)		(1 510 249)	1 046 399
Change in loans and advances to customers		(4 679 017)	(6 278 178)
Change in other assets, inventories and non-current assets held for sale		(98 089)	(226 281)
Change in amounts due to banks		(9 732 646)	1 790 011
Change in derivative financial instruments (liability)		1 110 756	(680 214)
Change in amounts due to customers		5 824 986	4 267 957
Change in liabilities classified as held for sale		(480)	-
Change in debt securities in issue		466 392	386 607
Change in provisions and impairment allowances		808 113	(404 679)
Change in other liabilities, subordinated liabilities and liabilities due to insurance operations		49 301	560 248
Income tax paid		(568 203)	(781 420)
Other adjustments		908 151	(767 049)
<b>Net cash generated from operating activities</b>		<b>65 173</b>	<b>498 829</b>
Net cash flows from investing activities			
Inflows from investing activities		33 841 014	30 826 572
Proceeds from sale of an associate classified as held for sale		-	24 850
Proceeds from sale and interest on investment securities		33 741 084	30 784 540
Proceeds from sale of intangible assets and tangible fixed assets		80 340	12 039
Other investing inflows (dividends)		19 590	5 143
Outflows from investing activities		(43 328 268)	(32 275 498)
Purchase of subsidiaries, net of cash acquired		(1 797 972)	-
Purchase of investment securities		(41 084 518)	(31 782 619)
Purchase of intangible assets and tangible fixed assets		(445 778)	(492 879)
<b>Net cash used in investing activities</b>		<b>(9 487 254)</b>	<b>(1 448 926)</b>
Net cash flows from financing activities			
Proceeds from debt securities in issue		2 823 567	1 429 385
Redemption of debt securities in issue		(862 032)	(1 462 447)
Repayment of interest from issued debt securities and subordinated loans		(299 644)	(116 888)
Long-term borrowings		15 043 929	1 084 987
Repayment of long-term borrowings and interest		(4 529 155)	(546 606)
<b>Net cash generated from financing activities</b>		<b>12 176 665</b>	<b>388 431</b>
<b>Net cash flow</b>		<b>2 754 584</b>	<b>(561 666)</b>
of which currency translation differences on cash and cash equivalents		52 643	54 058
Cash and cash equivalents at the beginning of the period		8 884 739	12 495 632
Cash and cash equivalents at the end of the period	36	11 639 323	11 933 966
of which restricted		11 384	13 184

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

**1. General information**

The condensed interim consolidated financial statements of the Powszechna Kasa Oszczędności Bank Polski SA Group ('the PKO Bank Polski SA Group', 'the Group') have been prepared for the nine-month period ended 30 September 2014 and include comparative data for the nine-month period ended 30 September 2013 (as regards consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows), and comparative data as at 31 December 2013 and as at 30 September 2013 (as regards consolidated statement of financial position). Financial data has been presented in Polish zloty (PLN), rounded to thousand zloty, unless indicated otherwise.

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

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

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

The Bank's shareholding structure is as follows:

Name of entity	Number of shares	Number of votes %	Nominal value of 1 share	Share in equity %
As at 30 September 2014				
The State Treasury	392 406 277	31.39	PLN 1	31.39
Aviva Otwarty Fundusz Emerytalny <sup>1</sup>	83 952 447	6.72	PLN 1	6.72
ING Otwarty Fundusz Emerytalny <sup>2</sup>	64 594 448	5.17	PLN 1	5.17
Other shareholders	709 046 828	56.72	PLN 1	56.72
<b>Total</b>	<b>1 250 000 000</b>	<b>100.00</b>	<b>---</b>	<b>100.00</b>
As at 31 December 2013				
The State Treasury	392 406 277	31.39	PLN 1	31.39
Aviva Otwarty Fundusz Emerytalny <sup>1</sup>	83 952 447	6.72	PLN 1	6.72
ING Otwarty Fundusz Emerytalny <sup>2</sup>	64 594 448	5.17	PLN 1	5.17
Other shareholders	709 046 828	56.72	PLN 1	56.72
<b>Total</b>	<b>1 250 000 000</b>	<b>100.00</b>	<b>---</b>	<b>100.00</b>

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

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

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

**Business activities of the Group**

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

Moreover, through its subsidiaries, the Group provides financial services relating to leasing, factoring, investment funds, pension funds, it conducts real estate development and management activities, as well as through its subsidiaries in Ukraine, the Group conducts banking, debt collection and factoring activities.

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

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

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

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

NAME OF ENTITY	HEAD OFFICE	RANGE OF ACTIVITY	% SHARE IN EQUITY *	
			30.09.2014	31.12.2013
Nordea Bank Polska SA <sup>1</sup>	Gdynia	banking activities	100.00	-
KREDOBANK SA	Lviv, Ukraine	banking activities	99.5655	99.5655
Finansowa Kompania 'Idea Kapital' Sp. z o.o.	Lviv, Ukraine	financial services	100.00	100.00
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 <sup>2</sup>	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
Bankowe Towarzystwo Kapitałowe SA	Warsaw	services	100.00	100.00
PKO BP Faktoring SA <sup>3</sup>	Warsaw	factoring	99.9889	99.9889
Intelligo Financial Services SA	Warsaw	support to financial services	100.00	100.00
PKO BP Finat Sp. z o.o.	Warsaw	transfer agent services	100.00	100.00
PKO Życie Towarzystwo Ubezpieczeń SA <sup>4</sup>	Warsaw	life insurance	100.00	-
Ubezpieczeniowe Usługi Finansowe Sp. z o.o. <sup>5</sup>	Warsaw	services	100.00	-
PKO Finance AB	Stockholm, Sweden	financial services	100.00	100.00
'Inter-Risk Ukraina' Additional Liability Company <sup>6</sup>	Kiev, Ukraine	debt collection services	100.00	100.00
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o. <sup>7</sup>	Kiev, Ukraine	factoring	91.8766	91.8766
Qualia Development Sp. z o.o. <sup>8</sup>	Warsaw	real estate development	100.00	100.00
Qualia Sp. z o.o.	Warsaw	general partner in limited partnerships of the Qualia Development Group entities	100.00	100.00
Qualia spółka z ograniczoną odpowiedzialnością - Neptun Park Sp. k.	Warsaw	real estate development	99.9975	99.9975
Qualia spółka z ograniczoną odpowiedzialnością - Sopot Sp. k.	Warsaw	real estate development	99.9787	99.9787
Qualia spółka z ograniczoną odpowiedzialnością - Jurata Sp. k.	Warsaw	real estate development	99.9770	99.9608
Qualia spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Sp. k.	Warsaw	real estate development	99.9750	99.9750
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 - Władysławowa 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
'CENTRUM HAFNERA' Sp. z o.o. <sup>9</sup>	Sopot	subsidiaries' real estate management	72.9766	49.43
'Sopot Zdrój' Sp. z o.o.	Sopot	real estate management	100.00	100.00
'Promenada Sopocka' Sp. z o.o.	Sopot	rental services and real estate management	100.00	100.00
'Centrum Majkowskiego' Sp. z o.o. in liquidation	Sopot	in liquidation	100.00	100.00
'Kamienica Morska' Sp. z o.o. in liquidation <sup>10</sup>	Sopot	-	-	100.00
Merkury - fiz an <sup>11</sup>	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	purchase and sale of real estate	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A.	Warsaw	purchase and sale of real estate	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 3 S.K.A.	Warsaw	purchase and sale of real estate	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 4 S.K.A.	Warsaw	purchase and sale of real estate	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 5 S.K.A.	Warsaw	purchase and sale of real estate	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A.	Warsaw	purchase and sale of real estate	100.00	100.00

\* Share in equity of direct parent entity

- Subsidiary of PKO Bank Polski SA since 1 April 2014,
- On 30 September 2014 there was a merger of the entity PKO Leasing Pro SA (formerly Nordea Finance Poland SA) with the entity PKO Leasing SA,
- PKO Bank Polski SA is the second shareholder of the Entity,
- Subsidiary of PKO Bank Polski SA since 1 April 2014; formerly 'Nordea Polska Towarzystwo Ubezpieczeń na Życie' SA,
- Indirect subsidiary of PKO Bank Polski SA since 1 April 2014; formerly Nordea Usługi Finansowe Sp. z o.o.,
- The share in the Entity is recognised as non-current assets held for sale,
- The second shareholder of the Entity is 'Inter-Risk Ukraina' Additional Liability Company; the share in the Entity is recognised as non-current assets held for sale,
- The total contribution made by the limited partner - Qualia Development Sp. z o.o. is presented in the position 'Share in equity',
- The Entity was recognised as a joint venture of PKO Bank Polski SA until 19 January 2014,
- The Entity has been removed from the National Court Register on 24 January 2014,
- 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.

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

NAME OF ENTITY	HEAD OFFICE	RANGE OF ACTIVITY	% SHARE IN EQUITY*	
			30.09.2014	31.12.2013
<b>Joint ventures</b>				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	Warsaw	servicing and settlement of card transactions	34.00	34.00
'Centrum Obsługi Biznesu' Sp. z o.o.	Poznań	hotel management	41.44	41.44
<b>Associates</b>				
Bank Pocztowy SA	Bydgoszcz	banking activities	25.0001	25.0001
Centrum Operacyjne Sp. z o.o.	Bydgoszcz	activities supporting financial services	100.00	100.00
Spółka Dystrybucyjna Banku Poczowego Sp. z o.o.	Warsaw	intermediary financial services	100.00	100.00
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	Poznań	guarantees	33.33	33.33

\* Share in equity of direct parent entity

Information on changes in the share in equity of subsidiaries is set out in Note 38 'Changes to the entities of the PKO Bank Polski SA Group, associates and joint ventures'.

## 2. The acquisition of the Nordea Bank AB (publ) Group entities by PKO Bank Polski SA

### 2.1 Description of transaction

On 12 June 2013, PKO Bank Polski SA and Nordea Bank AB (publ), a company registered in Sweden, concluded an agreement ('Agreement', 'Transaction') concerning the acquisition by the Bank of shares in Nordea Bank Polska SA, 'Nordea Polska Towarzystwo Ubezpieczeń na Życie' SA and Nordea Finance Polska SA, as well as receivables portfolio granted to corporate customers (so called 'Swedish portfolio' assets).

In April and May 2014, after satisfying the conditions precedent defined in the Agreement, PKO Bank Polski SA:

- ✓ acquired shares of Nordea Bank Polska SA

On 1 April 2014 Nordea Bank AB (publ) in response to a tender offer announced on 3 December 2013 by the Bank (the 'Tender Offer'), placed a subscription for the sale of all the shares in Nordea Bank Polska SA, i.e. 55 061 403 shares representing 99.21% of the Company's share capital and entitling to 99.21% of votes at the General Shareholders' Meeting of the Company. Whereas non-controlling shareholders placed a subscription within the Tender Offer regarding the sale of a total of 319 889 shares in Nordea Bank Polska SA. The total purchase price for the above mentioned shares, paid within the Tender Offer, was PLN 2 635 753 thousand.

On 4 April 2014, as a result of exercising rights under subscription warrants (acquired by PKO Bank Polski SA on 1 April of this year), Nordea Bank Polska SA issued to the Bank 8 335 100 of ordinary, registered N Series shares. The purchase price for the N Series shares was PLN 400 001 thousand.

On 12 May 2014, as a part of the compulsory buyout, PKO Bank Polski SA bought 117 408 shares of Nordea Bank Polska SA, i.e. all remaining dematerialised shares, for the amount of PLN 5 635 thousand.

As a part of the above mentioned transactions, the Bank acquired in total 63 833 800 ordinary shares of Nordea Bank Polska SA with a nominal value of PLN 5 each, representing 100% of the Company's share capital and entitling to 100% of votes at the General Shareholders' Meeting of the Company. The total purchase price for the shares of Nordea Bank Polska SA, including the discount for this Transaction, was PLN 2 998 389 thousand.

The purpose of the acquisition of Nordea Bank Polska SA's shares is to merge the Company with the Bank. On 14 May 2014, the Management Board of PKO Bank Polski SA and the Management Board of Nordea Bank Polska SA signed a merger plan, whereby all property (all assets, equity and liabilities) of Nordea Bank Polska SA will be transferred to the Bank, as the acquirer. On 26 September 2014 the Polish Financial Supervision Authority granted its permit to the above mentioned merger. On 31 October 2014 the merger was registered with the National Court Register of the PKO Bank Polski SA's domicile, and thus PKO Bank Polski SA assumed all rights and obligations of Nordea Bank Polska SA. An operational merger scheduled for the middle of 2015 will close the banks' integration process.

- ✓ acquired shares of 'Nordea Polska Towarzystwo Ubezpieczeń na Życie' SA

On 1 April 2014, PKO Bank Polski SA concluded an agreement with Nordea Life Holding AB (a company registered in Sweden) on the purchase by the Bank of 1 725 329 shares in 'Nordea Polska Towarzystwo Ubezpieczeń na Życie' SA, with a nominal value of PLN 111.59 each, representing 100% of the Company's share capital and entitling to 100% of votes at the General Shareholders' Meeting of the Company, for a total price of PLN 184 636 thousand.

On 14 May 2014, the change in the Company's name to PKO Życie Towarzystwo Ubezpieczeń SA was registered with the National Court Register. At the same time, in connection with the acquisition of 'Nordea Polska Towarzystwo Ubezpieczeń na Życie' SA, its subsidiary, Nordea Usługi Finansowe Sp. z o.o. (currently Ubezpieczeniowe Usługi Finansowe Sp. z o.o. - the change in the name of the entity was registered with the National Court Register on 14 May of this year) became part of the PKO Bank Polski SA Group.

As at 30 September 2014, the share capital of Ubezpieczeniowe Usługi Finansowe Sp. z o.o. amounts to PLN 1 950 thousand and consists of 3 900 shares with a nominal value of PLN 500 each. PKO Życie Towarzystwo Ubezpieczeń SA is the sole shareholder of the above mentioned entity. The core business of Ubezpieczeniowe Usługi Finansowe Sp. z o.o. is the provision of services supporting insurance operations.

- ✓ acquired shares of Nordea Finance Polska SA

On 1 April 2014, PKO Bank Polski SA concluded an agreement with Nordea Rahoitus Suomi OY (a company registered in Finland) for the purchase by the Bank of 4 100 000 shares in Nordea Finance Polska SA, with a nominal value of PLN 1 each, representing 100% of the Company's share capital and entitling to 100% of votes at the General Shareholders' Meeting of the Company, for a total price of PLN 8 000 thousand.

On 26 June 2014, the change in the Company's name to PKO Leasing Pro SA was registered with the National Court Register.



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On 30 September 2014 the merger of PKO Leasing Pro SA with PKO Leasing SA was registered, by which the property of PKO Leasing Pro SA (all assets and equity and liabilities, excluding statement of financial position items related to factoring activities acquired by PKO BP Faktoring SA), was transferred to PKO Leasing SA.

- ✓ acquired the so called 'Swedish portfolio' assets

On 1 April 2014, PKO Bank Polski SA and Nordea Bank AB (publ) concluded an agreement for the purchase of the so called 'Swedish portfolio' assets, i.e. receivables from loans and advances granted and bonds issued by Nordea Bank AB (publ) or other entities of its Group to corporate customers (the 'Swedish Portfolio'). Pursuant to the agreement: (i) assets which as at 1 April 2014 had a remaining maturity period shorter than 12 months, (ii) assets which had been repaid, prepaid or fully cancelled by the client between the date of the Agreement (i.e. 12 June 2013) and 1 April 2014, and (iii) assets which could not be transferred without a client's or third party's consent and such consent had not been obtained, were excluded from the Swedish Portfolio sold on 1 April 2014. The total nominal value of the Swedish Portfolio was the sum of PLN 761 811 thousand, USD 120 199 thousand, EUR 136 044 thousand and CZK 459 167 thousand, i.e. it amounted to PLN 1 763 815 thousand in total. The value of the portfolio has been recognised in the position 'Loans and advances to customers'.

- ✓ concluded additional agreements related to the acquisition of the Nordea Bank AB (publ) Group entities

In connection with the fulfilment of the terms of the Transactions related to the Nordea Bank AB (publ) Group retaining the financing of the mortgage loans portfolio granted by Nordea Bank Polska SA ('Mortgage Portfolio'), based on the agreement concluded on 1 April 2014, Nordea Bank AB (publ) granted a credit facility to PKO Bank Polski SA in an amount of up to: CHF 3 645 818 thousand, EUR 465 414 thousand and USD 3 725 thousand, for a period of no longer than 7 years, with a three-year repayment suspension period (the 'Credit Facility'). The average effective margin over the maximum crediting period under the Credit Facility is 63 basis points above the relevant reference rate. The Credit Facility does not involve any commissions related to the granting of the financing. The Credit Facility is to be secured with a transfer for security of receivables related to the Mortgage Portfolio to be made by Nordea Bank Polska SA in favour of Nordea Bank AB Spółka Akcyjna Oddział w Polsce - the agreement on the transfer of ownership of loans for security was signed on 2 July of this year, and the process of making entries in the respective mortgage registrars is in progress. The value of receivables (loans) transferred for security amounts to approx. PLN 14 400 million.

On 1 April 2014, PKO Bank Polski SA concluded a loan agreement with Nordea Bank Polska SA, according to which funds received under the Credit Facility were transferred to Nordea Bank Polska SA in the form of a credit facility, the so called push-down facility, in the amount of up to: CHF 3 645 818 thousand, EUR 465 414 thousand and USD 3 725 thousand for a period of no longer than 7 years, with a three-year repayment suspension period (the 'Push-Down Facility'). The Push-Down Facility is unsecured. The financial terms of the Push-Down Facility (credit margin, commission) were set at arm's length. The liability in the amount of PLN 14 441 997 thousand has been disclosed in the position 'Amounts due to Banks'.

In accordance with the provisions of the Agreement, which oblige 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 over the annual cost of risk set at 40 basis points for each year of the above mentioned four-year duration of the Special Indemnity Agreement.

## 2.2 Settlement of the purchase transaction

The settlement of the purchase transaction was conducted in accordance with the International Financial Reporting Standard 3 'Business Combinations' ('IFRS 3') which requires: the acquirer to be identified, the acquisition date to be determined, and identifiable assets acquired, liabilities assumed, measured at fair value as at the acquisition date and non-controlling interests in the acquiree to be recognised and measured, and goodwill or gain on bargain acquisition to be recognised and measured.

Given that the assumption of control over the Nordea Polska Entities occurred on 1 April 2014, the settlement of the Transaction was made based on data of acquired entities as at 31 March 2014, taking into account the adjustments required by IFRS 3.

### Total consideration paid and the amount of any non-controlling interests in the acquiree

Total consideration paid	Number of shares	in PLN thousand
- Shares in Nordea Bank Polska SA	-	2 598 388
- purchased from Nordea Bank AB on 1 April 2014	55 061 403	2 620 402
- purchased from Minority Shareholders on 1 April 2014	319 889	15 351
- remaining part of shares acquired under the compulsory buyout of minority shareholders on 12 May 2014*	117 408	5 635
- discount	-	(43 000)
- Shares of PKO Życie Towarzystwo Ubezpieczeń SA (formerly Nordea Polska Towarzystwo Ubezpieczeń na Życie SA)	1 725 329	184 636
- Shares of PKO Leasing Pro SA (formerly Nordea Finance Polska SA)	4 100 000	8 000
- Swedish Portfolio	-	1 763 815
<b>Total</b>	<b>61 324 029</b>	<b>4 554 839</b>

\*The compulsory buyout was a part of the purchase transaction of Nordea Bank's shares.

The transaction on increasing the share capital of Nordea Bank Polska SA does not constitute a component of the Purchase price in the acquisition by the Bank of the assets of Nordea Bank Polska SA from Nordea Bank AB.

The Bank holds 100% interest in the acquired Nordea Polska Entities, and therefore there is no non-controlling interest within the acquired entities.

Due to the fact that the conditions of the IFRS 10 'Consolidated financial statements' paragraph B97 have been met, the purchase of shares in individual entities of Nordea Polska and the purchase of the Swedish Portfolio should be considered as a single Transaction.



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Shares were paid up in cash.

**Recognition and measurement of identifiable acquired assets and liabilities assumed measured in accordance with IFRS**

The data presented below concerning fair value measurement of identifiable assets acquired and liabilities assumed as at the day of the assumption of control is based on an identification conducted from the perspective of the entire PKO Bank Polski SA Group as well as on adopted assumptions concerning the materiality threshold.

ASSETS	Nordea Polska Entities and Swedish Portfolio Combined
Cash and balances with the central bank	775 945
Amounts due from banks	420 406
Derivative financial instruments	28 384
Other financial instruments measured at fair value through profit and loss	5 599 561
Loans and advances to customers	28 321 738
Securities held to maturity	40 953
Inventories	1 070
Intangible assets	310 309
Tangible fixed assets	108 621
Current income tax receivables	5 567
Deferred income tax asset	212 363
Other assets	77 731
<b>TOTAL ASSETS</b>	<b>35 902 647</b>

LIABILITIES AND NET ASSETS	Nordea Polska Entities and Swedish Portfolio Combined
Amounts due to other banks	14 848 744
Derivative financial instruments	11 086
Amounts due to customers	13 490 346
Liabilities due to insurance operations	2 517 427
Subordinated liabilities	1 000 115
Other liabilities	290 711
Current income tax liabilities	3 038
Deferred income tax liability	23 615
Provisions	43 985
<b>TOTAL LIABILITIES</b>	<b>32 229 067</b>
NET ASSETS	3 673 580
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>35 902 647</b>

Determination of the fair value of the assets acquired and liabilities assumed, and the identification and recognition of intangible assets arising from the acquisition were carried out on the basis of available information, and the best estimates as at the date of the financial statements. According to IFRS 3.45 the Group has 12 months - i.e. until 31 March 2015 to determine the final values.

**Goodwill arising on the Transaction:**

	Nordea Polska Entities and Swedish Portfolio Combined
Total consideration paid	4 554 839
Net amount of identifiable assets acquired and liabilities assumed valued in accordance with IFRS	3 673 580
<b>Goodwill</b>	<b>881 259</b>
of which assigned to the following segments:	
retail segment	743 514
corporate segment	116 554
investment segment	21 191

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	Nordea Polska Entities and Swedish Portfolio Combined
Deferred income tax asset	212 363
Deferred income tax liability	23 615
<b>Total</b>	<b>188 748</b>

Tax effect on adjustments relating to identification and fair value measurement and changes in models and estimating policies	Nordea Polska Entities and Swedish Portfolio Combined
Loans and advances to customers	137 234
Intangible assets - Value in force (future profits on insurance policies)	(41 054)
Intangible assets - customer relations	(16 435)
Other assets - acquisition costs written off	29 241
Other	1 854
<b>Total deferred income tax asset and liability</b>	<b>110 840</b>

The goodwill will not be a subject to tax deduction.

The synergy effect due to the acquisition of Nordea Polska entities will enable the Bank to strengthen its leading position in retail banking, expand its distribution networks in large Polish cities, enlarge the base of affluent clients and strengthen its activities in the corporate area, particularly in respect of municipal and corporate bonds issues and servicing enterprises from the key sectors of the economy, as well as cross-border clearing services. Acquisition of the insurance company will accelerate the accomplishment of strategic goals in the area of bancassurance.

The transaction is consistent with the PKO Bank Polski SA strategy for the years 2013-2015, which assumes utilising capital surpluses to strengthen PKO Bank Polski SA's position on the Polish market through acquisitions in order to maintain high growth rates also in an environment of an economic slowdown and low interest rates.

In accordance with IFRS 3, as a part of the settlement of the merger, the Bank, as the acquirer, has the possibility of recognising indemnification assets. These assets may result from specific agreements with the seller, who undertakes himself to compensate the acquirer for any losses incurred due to the unknown outcome of a contingent event or uncertainty connected with the entire or part of a particular asset or liability. The acquirer recognises the indemnification assets at the same time as the indemnified item is recognised (as at the acquisition date) and measures that asset using the same method as the underlying asset, typically at fair value.

As part of the work conducted in connection with the settlement of the transaction, the Bank performed a sensitivity analysis of the Special Indemnity Agreement. In the sensitivity analysis, the Group determined scenarios for the evolution of macroeconomic indicators, and consequently, of the credit quality indicators, including the reference scenario and stress-test scenarios. The reference scenario was the one developed for the purposes of stress-tests currently being conducted by EBA. Subsequently, the Group determined discounted cash flows in each of the scenarios and assigned probabilities of occurrence of each of the scenarios. The reference scenario was assigned the highest probability. Based on the scenarios, the expected value of cash flows from the Special Indemnity Agreement was determined and amounted to zero.

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

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

The accounting policies and calculations applied in these condensed interim consolidated financial statements are consistent with those, which were applied in the six-month period ended 30 June 2014. These policies were described in the interim condensed consolidated financial statements of the PKO Bank Polski SA Group for the six-month period ended 30 June 2014, including policies applied in preparation of the annual consolidated financial statements of the PKO Bank Polski SA Group for the year ended 31 December 2013.

These condensed interim consolidated financial statements for the nine-month period of 2014 should be read together with interim condensed consolidated financial statements of the PKO Bank Polski SA Group for the six-month period ended 30 June 2014 and together with consolidated financial statements of the PKO Bank Polski SA Group for the year 2013, prepared in accordance with International Financial Reporting Standards, as approved by the European Commission.

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

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

Restatements in the statement of financial position

	30.09.2013 before restatement	changes due to bancassurance	reclassification of liabilities due to UOKiK	30.09.2013 restated
<b>Assets</b>				
Loans and advances to customers	150 041 012	(429 677)	-	149 611 335
Deferred income tax asset	566 214	62 975	-	629 189
Other items of assets	51 010 834	-	-	51 010 834
<b>TOTAL ASSETS</b>	<b>201 618 060</b>	<b>(366 702)</b>	<b>-</b>	<b>201 251 358</b>
<b>Liabilities</b>				
Other liabilities	4 740 073	(98 230)	(23 442)	4 618 401
Provisions	240 712	-	23 442	264 154
Other items of liabilities	172 185 665	-	-	172 185 665
<b>TOTAL LIABILITIES</b>	<b>177 166 450</b>	<b>(98 230)</b>	<b>-</b>	<b>177 068 220</b>
<b>Equity</b>				
Share capital	1 250 000	-	-	1 250 000
Other capital	21 086 084	-	-	21 086 084
Currency translation differences from foreign operations	(119 732)	-	-	(119 732)
Undistributed profits	(55 915)	(271 242)	-	(327 157)
Net profit	2 288 705	2 770	-	2 291 475
<b>TOTAL EQUITY</b>	<b>24 451 610</b>	<b>(268 472)</b>	<b>-</b>	<b>24 183 138</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>201 618 060</b>	<b>(366 702)</b>	<b>-</b>	<b>201 251 358</b>

Restatements in the income statement

	01.01 – 30.09.2013 before restatement	changes due to bancassurance	01.01 – 30.09.2013 restated
Interest and similar income	8 087 285	163 507	8 250 792
Interest expense and similar charges	(3 243 359)	-	(3 243 359)
Net interest income	4 843 926	163 507	5 007 433
Fee and commission income	3 032 976	(192 272)	2 840 704
Fee and commission expense	(681 929)	32 185	(649 744)
Net fee and commission income	2 351 047	(160 087)	2 190 960
Dividend income	5 766	-	5 766
Net income from financial instruments measured at fair value	34 357	-	34 357
Gains less losses from investment securities	64 778	-	64 778
Net foreign exchange gains (losses)	142 388	-	142 388
Net other operating income and expense	85 052	-	85 052
Net impairment allowance and write-downs	(1 354 682)	-	(1 354 682)
Administrative expenses	(3 341 097)	-	(3 341 097)
Operating profit	2 831 535	3 420	2 834 955
Share of profit (loss) of associates and joint ventures	(3 428)	-	(3 428)
Profit before income tax	2 828 107	3 420	2 831 527
Income tax expense	(539 790)	(650)	(540 440)
Net profit (including non-controlling shareholders)	2 288 317	2 770	2 291 087
Profit (loss) attributable to non-controlling shareholders	(388)	-	(388)
<b>Net profit attributable to equity holders of the parent company</b>	<b>2 288 705</b>	<b>2 770</b>	<b>2 291 475</b>

Restatements in the statement of comprehensive income

	01.01 – 30.09.2013 before restatement	changes due to bancassurance	01.01 – 30.09.2013 restated
Net profit	2 288 317	2 770	2 291 087
Other comprehensive income	(294 357)	-	(294 357)
<b>Total net comprehensive income</b>	<b>1 993 960</b>	<b>2 770</b>	<b>1 996 730</b>

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

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

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

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

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

The PKO Bank Polski SA Group typically settles inter-segment transactions as if they were concluded between unrelated parties, using internal settlement rates. The transactions between business segments are conducted at arm's length.

Accounting policies applied in the segment report are consistent with accounting policies described in Note 3 of these financial statements.

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

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

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The tables below present data relating to income and results of individual business segments of the PKO Bank Polski SA Group for the nine-month periods ended 30 September 2014 and 30 September 2013 and assets and liabilities as at 30 September 2014 and as at 31 December 2013.

For the period ended 30 September 2014	Continuing operations				
	Retail segment	Corporate segment	Investment segment	Transfer centre	Total activity of the PKO Bank Polski SA Group
Net interest income	4 689 041	585 109	222 591	160 836	5 657 577
Net fee and commission income	1 692 326	234 970	289 945	(1 451)	2 215 790
Other net income	162 500	83 412	302 328	(31 860)	516 380
Net result from financial operations	9 954	9 897	136 676	(11 233)	145 294
Net foreign exchange gains (losses)	123 450	98 964	20	(20 627)	201 807
Dividend income	-	-	6 406	-	6 406
Net other operating income and expense	9 553	(5 906)	159 226	-	162 873
Income/expenses relating to internal customers	19 543	(19 543)	-	-	-
Net impairment allowance and write-downs	(918 239)	(394 404)	(133 707)	-	(1 446 350)
Administrative expenses, of which:	(3 060 139)	(249 168)	(496 407)	-	(3 805 714)
amortisation and depreciation	(445 999)	(31 615)	(74 203)	-	(551 817)
Share of profit (loss) of associates and joint ventures	-	-	-	-	23 261
Segment gross profit	2 565 489	259 919	184 750	127 525	3 160 944
Income tax expense (tax burden)	-	-	-	-	(638 444)
Profit (loss) attributable to non-controlling shareholders	-	-	-	-	(9 003)
<b>Net profit attributable to equity holders of the parent company</b>	<b>2 565 489</b>	<b>259 919</b>	<b>184 750</b>	<b>127 525</b>	<b>2 531 503</b>

As at 30 September 2014	Continuing operations				
	Retail segment	Corporate segment	Investment segment	Transfer centre	Total activity of the PKO Bank Polski SA Group
Assets	133 464 393	53 271 206	49 203 052	7 678 131	243 616 782
Unallocated assets	-	-	-	-	830 176
<b>Total assets</b>	<b>133 464 393</b>	<b>53 271 206</b>	<b>49 203 052</b>	<b>7 678 131</b>	<b>244 446 958</b>
Liabilities	137 392 480	28 730 473	29 487 361	21 775 733	217 386 047
Unallocated liabilities	-	-	-	-	58 648
<b>Total liabilities</b>	<b>137 392 480</b>	<b>28 730 473</b>	<b>29 487 361</b>	<b>21 775 733</b>	<b>217 444 695</b>

For the period ended 30 September 2013	Continuing operations* (restated)				
	Retail segment	Corporate segment	Investment segment	Transfer centre	Total activity of the PKO Bank Polski SA Group
Net interest income	4 044 870	456 771	193 378	312 414	5 007 433
Net fee and commission income	1 639 473	225 111	328 564	(2 188)	2 190 960
Other net income	115 174	59 821	190 636	(33 290)	332 341
Net result from financial operations	(2 003)	14 826	74 066	12 246	99 135
Net foreign exchange gains (losses)	94 283	63 178	30 463	(45 536)	142 388
Dividend income	-	-	5 766	-	5 766
Net other operating income and expense	3 365	1 346	80 341	-	85 052
Income/expenses relating to internal customers	19 529	(19 529)	-	-	-
Net impairment allowance and write-downs	(840 775)	(435 849)	(78 058)	-	(1 354 682)
Administrative expenses, of which:	(2 682 027)	(191 604)	(467 466)	-	(3 341 097)
amortisation and depreciation	(360 518)	(22 892)	(54 352)	-	(437 762)
Share of profit (loss) of associates and joint ventures	-	-	-	-	(3 428)
Segment gross profit	2 276 715	114 250	167 054	276 936	2 831 527
Income tax expense (tax burden)	-	-	-	-	(540 440)
Profit (loss) attributable to non-controlling shareholders	-	-	-	-	(388)
<b>Net profit attributable to equity holders of the parent company</b>	<b>2 276 715</b>	<b>114 250</b>	<b>167 054</b>	<b>276 936</b>	<b>2 291 475</b>

\* Data for the third quarter of 2013 has been brought to comparability. Restatements include changes in accounting policies as regards to the recognition of income and expenses related to the sale of insurance products associated with loan agreements.

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

#### 4.2 Information about geographical areas

As a complementary, the PKO Bank Polski SA Group applies geographical areas distribution. The PKO Bank Polski SA Group conducts activities in the Republic of Poland and in Ukraine through the KREDOBANK SA Group, 'Inter-Risk Ukraina' Additional Liability Company and Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o., as well as in Sweden through subsidiaries: PKO Finance AB and PKO Leasing Sverige AB. For presentation purposes, the results of companies operating in Sweden are included in the segment of Poland.

For the period ended 30 September 2014	Poland	Ukraine	Total
Net interest income	5 615 386	42 191	5 657 577
Net fee and commission income	2 179 384	36 406	2 215 790
Other net income	543 165	(26 785)	516 380
Administrative expenses	(3 722 789)	(82 925)	(3 805 714)
Net impairment allowance	(1 404 147)	(42 203)	(1 446 350)
Share of profit (loss) of associates and joint ventures	-	-	23 261
Profit (loss) before income tax	3 210 999	(73 316)	3 160 944
Income tax expense (tax burden)	-	-	(638 444)
Profit (loss) attributable to non-controlling shareholders	-	-	(9 003)
<b>Net profit (loss) attributable to equity holders of the parent company</b>	<b>3 210 999</b>	<b>(73 316)</b>	<b>2 531 503</b>

As at 30 September 2014	Poland	Ukraine	Total
Assets, of which:	242 940 948	1 506 010	244 446 958
non-financial fixed assets	5 978 670	98 867	6 077 537
deferred tax assets and current income tax receivable	813 498	16 678	830 176
Liabilities	215 987 379	1 457 316	217 444 695

For the period ended 30 September 2013 (restated)*	Poland	Ukraine	Total
Net interest income	4 971 804	35 629	5 007 433
Net fee and commission income	2 144 094	46 866	2 190 960
Other net income	329 618	2 723	332 341
Administrative expenses*	(3 244 259)	(96 838)	(3 341 097)
Net impairment allowance and write-downs	(1 323 293)	(31 389)	(1 354 682)
Share of profit (loss) of associates and joint ventures	-	-	(3 428)
Profit (loss) before income tax	2 877 964	(43 009)	2 831 527
Income tax expense (tax burden)	-	-	(540 440)
Profit (loss) attributable to non-controlling shareholders	-	-	(388)
<b>Net profit (loss) attributable to equity holders of the parent company</b>	<b>2 877 964</b>	<b>(43 009)</b>	<b>2 291 475</b>

\* Data for the third quarter of 2013 has been brought to comparability. Restatements include changes in accounting policies as regards to the recognition of income and expenses related to the sale of insurance products associated with loan agreements.

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

## 5. Interest income and expense

### Interest and similar income

	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013 restated	3 quarters cumulatively period from 01.01.2013 to 30.09.2013 restated
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:	2 631 412	7 468 012	2 335 074	7 464 608
Income from loans and advances to customers, of which:	2 411 280	6 881 247	2 167 575	6 917 198
from impaired loans	112 236	336 858	124 039	380 863
Income from loans to banks	9 594	20 813	531	1 515
Income from investment securities	172 543	452 577	130 813	413 345
Income from placements with banks	37 151	109 952	34 622	129 488
Other	844	3 423	1 533	3 062
Other income, of which:	202 918	610 957	215 677	786 184
Income from financial assets designated upon initial recognition at fair value through profit and loss	104 271	313 206	100 768	365 982
Income from derivative hedging instruments	84 260	255 374	98 503	368 847
Income from trading assets	14 387	42 377	16 406	51 355
<b>Total</b>	<b>2 834 330</b>	<b>8 078 969</b>	<b>2 550 751</b>	<b>8 250 792</b>

### Interest expense and similar charges

	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013
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:	(850 005)	(2 410 083)	(914 679)	(3 227 243)
Interest expense on amounts due to customers	(684 937)	(1 949 526)	(773 740)	(2 800 511)
Interest expense on loans from banks	(18 649)	(45 397)	(8 196)	(22 941)
Interest expense on debt securities in issue and subordinated liabilities	(133 217)	(381 476)	(116 792)	(362 079)
Premium expense on debt securities available for sale	(10 037)	(24 917)	(11 355)	(27 936)
Interest expense on deposits from banks	(3 165)	(8 767)	(4 596)	(13 776)
Other expense	(5 610)	(11 309)	(9 140)	(16 116)
Interest expense on financial assets designated upon initial recognition at fair value through profit and loss	(2 853)	(5 984)	(5 877)	(8 780)
Interest expense on trading assets	(2 757)	(5 325)	(3 263)	(7 336)
<b>Total</b>	<b>(855 615)</b>	<b>(2 421 392)</b>	<b>(923 819)</b>	<b>(3 243 359)</b>

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## 6. Fee and commission income and expense

### Fee and commission income

	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013 restated	3 quarters cumulatively period from 01.01.2013 to 30.09.2013 restated
Income from financial assets, which are not measured at fair value through profit and loss, of which:	163 843	448 868	143 902	442 375
income from loans and advances granted	163 843	448 868	143 902	442 375
Other commissions from:	843 476	2 601 487	850 981	2 395 152
payment cards	286 350	1 001 293	347 841	936 840
maintenance of bank accounts	224 559	689 805	230 593	661 488
maintenance of investment and open pension funds (including management fees)	140 391	342 147	106 259	289 268
loans insurance	61 228	199 857	58 318	190 467
cash transactions	28 745	85 964	32 271	95 967
securities transactions	26 757	71 101	18 403	53 853
servicing foreign mass transactions	18 198	49 768	13 419	38 384
providing services of an agent for the issue of Treasury bonds	3 721	15 237	5 331	16 596
sale and distribution of court fee stamps	2 303	4 803	2 815	6 733
insurance operations	20 891	42 697	-	-
Other*	30 333	98 815	35 731	105 556
From fiduciary activities	735	2 371	1 082	3 177
<b>Total</b>	<b>1 008 054</b>	<b>3 052 726</b>	<b>995 965</b>	<b>2 840 704</b>

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

### Income from insurance

	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013
Income from insurance operations, of which:				
Income from insurance intermediary	424	1 148	-	-
Income from policies administration	1 685	3 541	-	-
Income from fund management	14 606	28 853	-	-
Other	4 176	9 155	-	-
<b>Total</b>	<b>20 891</b>	<b>42 697</b>	<b>-</b>	<b>-</b>

### Fee and commission expense

	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013 restated	3 quarters cumulatively period from 01.01.2013 to 30.09.2013 restated
payment cards	(156 614)	(527 326)	(153 058)	(396 412)
acquisition services	(32 243)	(88 907)	(25 135)	(76 482)
loans insurance	(24 189)	(77 366)	(23 714)	(69 337)
settlement services	(7 494)	(21 364)	(4 653)	(18 150)
assets management expenses	(17 703)	(17 703)	(9 127)	(9 127)
fee and commissions for operating services provided by banks	(4 506)	(11 366)	(3 118)	(8 966)
other*	(38 544)	(92 904)	(20 616)	(71 270)
<b>Total</b>	<b>(281 293)</b>	<b>(836 936)</b>	<b>(239 421)</b>	<b>(649 744)</b>

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



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

	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013
Change in fair value of financial instruments measured at fair value through profit and loss determined using the valuation techniques	(11 049)	(5 049)	18 535	26 221
Derivative instruments, of which:	(8 336)	3 398	21 898	42 806
an ineffective portion related to cash flow hedges	(5 692)	802	11 255	11 752
Structured bank securities measured at fair value through profit and loss	(2 713)	(8 447)	(3 363)	(16 585)
Debt securities	30 098	75 865	11 230	8 745
Equity instruments	1 029	1 924	1 294	(609)
Other	369	670	-	-
<b>Total</b>	<b>20 447</b>	<b>73 410</b>	<b>31 059</b>	<b>34 357</b>

3rd quarter period from 01.07.2014 to 30.09.2014	Gains	Losses	Net result
Trading assets	2 202 481	(2 204 383)	(1 902)
Financial assets designated upon initial recognition at fair value through profit and loss	24 572	(2 223)	22 349
<b>Total</b>	<b>2 227 053</b>	<b>(2 206 606)</b>	<b>20 447</b>

3 quarters cumulatively period from 01.01.2014 to 30.09.2014	Gains	Losses	Net result
Trading assets	10 637 987	(10 621 110)	16 877
Financial assets designated upon initial recognition at fair value through profit and loss	131 089	(74 556)	56 533
<b>Total</b>	<b>10 769 076</b>	<b>(10 695 666)</b>	<b>73 410</b>

3rd quarter period from 01.07.2013 to 30.09.2013	Gains	Losses	Net result
Trading assets	1 373 819	(1 347 933)	25 886
Financial assets designated upon initial recognition at fair value through profit and loss	3 652	1 521	5 173
<b>Total</b>	<b>1 377 471</b>	<b>(1 346 412)</b>	<b>31 059</b>

3 quarters cumulatively period from 01.01.2013 to 30.09.2013	Gains	Losses	Net result
Trading assets	11 623 449	(11 577 459)	45 990
Financial assets designated upon initial recognition at fair value through profit and loss	74 377	(86 010)	(11 633)
<b>Total</b>	<b>11 697 826</b>	<b>(11 663 469)</b>	<b>34 357</b>

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

	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013
Gain/loss due to change in value of assets available for sale recognised directly in other comprehensive income during the period	67 792	140 376	8 510	(220 791)
Gain/loss derecognised from other comprehensive income recognised in the income statement in the position 'Gains less losses from investment securities' on:	33 338	71 884	3 425	64 778
gain from sale derecognised from other comprehensive income	30 591	71 227	9 463	101 078
loss on sale derecognised from other comprehensive income	2 747	657	(6 038)	(36 300)
<b>Impact on other comprehensive income (gross), position 'Unrealised net gains on financial assets available for sale (gross)'</b>	<b>101 130</b>	<b>212 260</b>	<b>11 935</b>	<b>(156 013)</b>

**9. Other operating income and expense**

	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013
Net income from sale of products and services	68 332	181 579	99 404	237 391
Sale, disposal of tangible fixed assets, intangible assets and assets held for sale	28 042	88 351	22 616	65 554
Damages, penalties and fines received	7 122	46 545	16 565	46 872
Sundry income	4 317	13 649	4 773	14 683
Recovery of expired and written-off receivables	3 388	9 280	2 303	4 818
Net income from insurance operations	1 877	4 022	-	-
Other	25 434	68 680	21 454	48 380
<b>Total other operating income</b>	<b>138 512</b>	<b>412 106</b>	<b>167 115</b>	<b>417 698</b>

	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013
Costs of sale of products and services	(25 674)	(90 080)	(80 038)	(190 014)
Costs of sale, disposal of tangible fixed assets, intangible assets and assets held for sale	(33 513)	(80 876)	(23 558)	(69 161)
Sundry expenses	(811)	(3 239)	(1 126)	(3 915)
Donations	(8 314)	(14 638)	(3 143)	(10 705)
Other	(4 975)	(60 400)	(20 309)	(58 851)
<b>Total other operating expense</b>	<b>(73 287)</b>	<b>(249 233)</b>	<b>(128 174)</b>	<b>(332 646)</b>

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## 10. Net impairment allowance and write-downs

For the period ended 30 September 2014	Value at the beginning of the period	Increases			Decreases				Value at the end of the period	Net - impact on the income statement
		Increases of allowances due to acquisition of Nordea Polska's entities and so called 'Swedish Portfolio'	Recognised during the period	Other	Derecognition of assets and settlement	Reversed during the period	Currency translation differences	Other		
Investment securities available for sale	33 455	-	123	-	-	-	31	15 874	17 673	(123)
Debt securities available for sale	3 296	-	123	-	-	-	-	3 419	-	(123)
Equity securities	30 159	-	-	-	-	-	31	12 455	17 673	-
Amounts due from banks	28 583	1	264	-	3 711	24 435	-	-	702	24 171
Loans and advances to customers measured at amortised cost	6 650 780	551 981	4 344 393	34 847	881 955	3 048 998	33 248	975	7 616 825	(1 295 395)
Non-financial sector	6 501 046	546 877	4 282 503	31 103	876 019	3 020 006	33 221	580	7 431 703	(1 262 497)
corporate loans	3 329 352	273 898	2 127 967	11 734	538 087	1 324 196	25 533	-	3 855 135	(803 771)
consumer loans	1 413 349	4 036	977 141	1 920	238 647	817 165	4 027	580	1 336 027	(159 976)
housing loans	1 731 258	267 944	1 137 578	17 449	99 285	878 096	3 661	-	2 173 187	(259 482)
debt securities	27 087	999	39 817	-	-	549	-	-	67 354	(39 268)
Financial sector	5 524	867	6 493	3 574	240	9 975	27	-	6 216	3 482
corporate loans	5 524	867	6 493	3 574	240	9 975	27	-	6 216	3 482
Public sector	11 527	3 036	1 526	170	54	1 160	-	395	14 650	(366)
corporate loans	10 549	1 616	1 475	170	54	1 146	-	395	12 215	(329)
debt securities	978	1 420	51	-	-	14	-	-	2 435	(37)
Finance lease receivables	132 683	1 201	53 871	-	5 642	17 857	-	-	164 256	(36 014)
Non-current assets held for sale	365 340	-	21 639	-	26 113	17 100	111 607	-	232 159	(4 539)
Tangible fixed assets	12 084	-	-	-	16	-	3 712	-	8 356	-
Intangible assets	153 011	-	40 010	-	39	3 851	87	-	189 044	(36 159)
Investments in associates and joint ventures	116 532	-	6 762	-	6 235	-	-	-	117 059	(6 762)
Inventories	53 805	-	4 266	-	1 292	174	-	-	56 605	(4 092)
Other receivables	158 752	1 755	154 302	5 450	8 210	19 382	1 136	1 600	289 931	(134 920)
Provision for legal claims, loan commitments and guarantees granted	151 603	20 271	324 643	667	312	336 174	149	256	160 293	11 531
Provision for future liabilities	6 945	3 329	2 393	3 035	589	2 331	-	1 067	11 715	(62)
<b>Total</b>	<b>7 730 890</b>	<b>577 337</b>	<b>4 898 795</b>	<b>43 999</b>	<b>928 472</b>	<b>3 452 445</b>	<b>149 970</b>	<b>19 772</b>	<b>8 700 362</b>	<b>(1 446 350)</b>

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For the period ended 30 September 2013	Value at the beginning of the period	Increases			Decreases				Value at the end of the period	Net - impact on the income statement
		Recognised during the period	Currency translation differences	Other	Derecognition of assets and settlement	Reversed during the period	Currency translation differences	Other		
Investment securities available for sale	23 243	2 788	-	-	5 536	-	-	-	20 495	(2 788)
Debt securities available for sale	5 536	2 788	-	-	5 536	-	-	-	2 788	(2 788)
Equity securities	17 707	-	-	-	-	-	-	-	17 707	-
Amounts due from banks	29 382	332	-	234	-	15	-	-	29 933	(317)
Loans and advances to customers measured at amortised cost	6 776 265	6 730 761	61	25 185	1 234 193	5 296 728	1 778	73 399	6 926 174	(1 434 033)
Non-financial sector	6 606 755	6 690 091	61	24 559	1 224 800	5 267 546	1 772	73 399	6 753 949	(1 422 545)
corporate loans	3 458 562	3 498 852	-	2 895	770 911	2 577 958	1 668	20 075	3 589 697	(920 894)
consumer loans	1 431 689	1 740 938	-	2 288	283 195	1 437 821	104	53 324	1 400 471	(303 117)
housing loans	1 714 698	1 444 970	61	19 376	170 694	1 251 767	-	-	1 756 644	(193 203)
debt securities	1 806	5 331	-	-	-	-	-	-	7 137	(5 331)
Financial sector	25 376	776	-	446	-	3 883	6	-	22 709	3 107
corporate loans	25 376	776	-	446	-	3 883	6	-	22 709	3 107
Public sector	21 990	2 749	-	180	127	12 195	-	-	12 597	9 446
corporate loans	19 640	2 749	-	180	127	11 323	-	-	11 119	8 574
debt securities	2 350	-	-	-	-	872	-	-	1 478	872
Finance lease receivables	122 144	37 145	-	-	9 266	13 104	-	-	136 919	(24 041)
Non-current assets held for sale	2 906	963	-	-	589	-	-	-	3 280	(963)
Tangible fixed assets	13 943	662	-	-	1 900	6	45	17	12 699	(656)
Intangible assets	142 313	4 907	-	-	-	-	-	1	147 220	(4 907)
Investments in associates and joint ventures	113 226	3 897	-	-	-	2 137	-	-	114 986	(1 760)
Inventories	31 504	3 796	-	-	215	11	-	-	35 074	(3 785)
Other receivables	121 601	38 384	-	37	22 929	28 825	33	-	108 235	(9 559)
Provision for legal claims, loan commitments and guarantees granted	240 527	145 968	5	379	275	244 190	15	8 504	133 895	98 222
Provision for future liabilities	11 961	3 220	-	-	430	9 084	-	-	5 667	5 864
<b>Total</b>	<b>7 506 871</b>	<b>6 935 678</b>	<b>66</b>	<b>25 835</b>	<b>1 266 067</b>	<b>5 580 996</b>	<b>1 872</b>	<b>81 920</b>	<b>7 537 658</b>	<b>(1 354 682)</b>

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## 11. Administrative expenses

	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013
Employee benefits	(694 216)	(1 962 081)	(622 275)	(1 801 947)
Overheads	(369 104)	(1 052 444)	(282 415)	(930 481)
Amortisation and depreciation, of which:	(192 850)	(551 817)	(153 775)	(437 762)
tangible fixed assets	(79 447)	(232 801)	(84 319)	(242 168)
intangible assets	(112 945)	(317 824)	(69 453)	(195 586)
investment properties	(458)	(1 192)	(3)	(8)
Taxes and other charges	(20 542)	(66 040)	(18 703)	(55 601)
Contribution and payments to the Bank Guarantee Fund	(60 488)	(173 332)	(38 435)	(115 306)
<b>Total</b>	<b>(1 337 200)</b>	<b>(3 805 714)</b>	<b>(1 115 603)</b>	<b>(3 341 097)</b>

### Wages and salaries/employee benefits

	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013
Wages and salaries	(588 786)	(1 640 836)	(510 850)	(1 464 658)
Social Insurance, of which:	(89 709)	(269 793)	(95 833)	(286 235)
contributions to retirement pay and pensions	(81 647)	(239 704)	(77 913)	(239 545)
Other employee benefits	(15 721)	(51 452)	(15 592)	(51 054)
<b>Total</b>	<b>(694 216)</b>	<b>(1 962 081)</b>	<b>(622 275)</b>	<b>(1 801 947)</b>

## 12. Income tax expense

	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013 restated	3 quarters cumulatively period from 01.01.2013 to 30.09.2013 restated
Current income tax expense	(227 417)	(714 981)	(105 925)	(469 759)
Deferred income tax related to creating and reversal of temporary differences	6 579	76 537	(74 569)	(70 681)
Tax expense in the consolidated income statement	(220 838)	(638 444)	(180 494)	(540 440)
Deferred tax expense in other comprehensive income related to creating and reversal of temporary differences	(27 511)	(77 598)	(9 900)	68 397
<b>Total</b>	<b>(248 349)</b>	<b>(716 042)</b>	<b>(190 394)</b>	<b>(472 043)</b>

	30.09.2014	31.12.2013	30.09.2013 restated
Deferred income tax asset	747 212	562 421	629 189
Deferred income tax liability	36 871	32 106	44 635
<b>Total</b>	<b>710 341</b>	<b>530 315</b>	<b>584 554</b>

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

- The legal claim concerned recognition of the costs related to the transaction of selling loans in 2011, including factoring transactions between KREDOBANK SA and Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o. as tax deductible expenses by KREDOBANK SA (the tax authority questioned the legal basis of treating the above mentioned costs as tax deductible). On 5 October 2012, KREDOBANK SA filed a claim against the basis of the inspection by the tax authority and applying for annulling the decision to pay income tax based on the inspection protocol. On 6 December 2012, the court of the first instance granted the complaint of KREDOBANK SA. On 21 March 2013, KREDOBANK SA obtained a legally valid judgment of the court of the second instance confirming the correctness of KREDOBANK SA's position. The tax authority filed a motion for cassation of this judgment to the Higher Administrative Court. On 19 November 2013, the Higher Administrative Court awarded the elimination of tax loss of KREDOBANK SA in the amount of UAH 1 084 316 thousand (PLN 276 934 thousand<sup>1</sup>) within the factoring operations between KREDOBANK SA and Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o. On the other hand, within the transaction of sale of loans to legal entities and individuals (assignment agreement), the Court recognised the right of KREDOBANK SA to tax deductible costs resulting from the above mentioned transactions, recognised by the tax authority as invalid,

<sup>1</sup> All values were translated into PLN using the average NBP exchange rate as at 30 September 2014 (0.2554 PLN/UAH).

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maintaining the position of the lower courts on lack of competence of tax authorities to invalidate agreements. At the same time, the Court invalidated the tax decisions stating the tax liability occurrence. The elimination of tax loss arising from the above mentioned judgment of the Higher Administrative Court resulted in recognition of income tax from legal entities in the amount of UAH 44 583 thousand (PLN 11 386 thousand) in the financial statements of the KREDOBANK SA Group for 2013, prepared in accordance with IFRS, and due to the need to resolve deferred tax asset, recognition in the net profit in the amount of UAH 116 882 thousand (PLN 29 852 thousand). As a result of the above mentioned title, the total equity of the KREDOBANK SA Group was decreased by UAH 161 465 thousand (PLN 41 238 thousand). Judgment of the Higher Administrative Court was based on the interpretation that the loans constitute material assets, i.e. goods, which, in the opinion of PKO Bank Polski SA and KREDOBANK SA, stands in clear contradiction with the law regulations in Ukraine and business practice, including international. Moreover, KREDOBANK SA and PKO Bank Polski SA hold legal opinions, clearly confirming the correctness of tax returns in this area, made by KREDOBANK SA. On 18 February 2014, KREDOBANK SA filed a claim for cassation of the Higher Administrative Court's judgment to the Supreme Court of Ukraine. On 7 March 2014 KREDOBANK SA received refusal decision from the Higher Administrative Court regarding the admission of cassation case for consideration by the Supreme Court of Ukraine. In May 2014, in connection with this dispute, a compensation complaint has been filed on the Ukrainian authorities to the European Court of Human Rights.

- The legal claim concerns the results of tax audit, which covered the period from 1 April 2011 to 30 September 2012. Legal claims mainly concern recognition of the costs related to the transaction of selling loans in the period covered by the inspection as tax deductible expenses, the adequacy of recognition of impairment allowances on loans, the correctness of the settlement of VAT on property sales and withholding tax for the payment of fees for services. The value of disputed claims amounts to UAH 877 thousand (PLN 224 thousand) and the amount of reducing tax loss from previous years - UAH 626 282 thousand (PLN 159 952 thousand). In February 2013, KREDOBANK SA paid a part of the legal claims in the total amount of UAH 439 thousand (PLN 112 thousand) - this value is still included in subsequent appeal claims. KREDOBANK SA appealed against the above mentioned tax decision consecutive to the Regional State Tax Service and The Ministry of Revenue and Duties of Ukraine, and these appeals were rejected. On 2 August 2013, KREDOBANK SA filed a claim against the results of the inspection and applied for cancellation of the above mentioned tax decision. On 5 November 2013 the court of the first instance issued a favourable verdict for KREDOBANK SA, which accepted a position of the Company, except the correctness of calculation of tax depreciation on tangible fixed assets in the total amount of UAH 336 thousand (PLN 86 thousand). On 26 November 2013, the tax authority appealed to the court of the second instance. On 2 April 2014 the court of appeal upheld the decision of the court of first instance favourable for KREDOBANK SA. On 15 April 2014 the tax authority filed a motion for cassation of this judgment to the Higher Administrative Court. The motion for cassation has been accepted and is pending.

### 13. Earnings per share

#### Basic earnings per share

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

#### Earnings per share

	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013 restated	3 quarters cumulatively period from 01.01.2013 to 30.09.2013 restated
Profit per ordinary shareholders (in PLN thousand)	873 375	2 531 503	752 296	2 291 475
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)	0.70	2.03	0.60	1.83

#### Earnings per share from discontinued operations

In the periods ended 30 September 2014 and 30 September 2013 respectively, there were no material expenses or income from discontinued operations.

#### Diluted earnings per share

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

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

#### Diluted earnings per share from discontinued operations

In the periods ended 30 September 2014 and 30 September 2013, in the PKO Bank Polski SA Group there were no material expenses or income from discontinued operations.

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

	30.09.2014	31.12.2013
Current account in the central bank	5 616 452	4 018 340
Cash	3 020 302	3 227 330
Other funds	86	450
<b>Total</b>	<b>8 636 840</b>	<b>7 246 120</b>

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**15. Amounts due from banks**

	30.09.2014	31.12.2013
Deposits with banks	1 726 508	1 402 724
Current accounts	1 404 071	469 812
Receivables due from repurchase agreements	-	14 033
Loans and advances granted	15 401	34 338
Cash in transit	7 919	1 117
<b>Total</b>	<b>3 153 899</b>	<b>1 922 024</b>
Impairment allowances on receivables, of which:	(702)	(28 583)
impairment allowances on receivable from a foreign bank	-	(28 543)
<b>Net total</b>	<b>3 153 197</b>	<b>1 893 441</b>

**16. Trading assets**

By carrying amount	30.09.2014	31.12.2013
Debt securities	2 912 815	467 931
issued by the State Treasury, of which:	2 826 433	395 202
Treasury bonds PLN	2 826 433	390 660
issued by local government bodies, municipal bonds PLN	51 310	41 907
issued by non-financial institutions, of which:	15 296	23 892
corporate bonds PLN	15 288	23 892
issued by other financial institutions, of which:	4 683	6 762
bonds issued by WSE PLN	4 622	6 628
issued by banks	15 093	168
Shares in other entities - listed on stock exchanges	6 907	10 799
Investment certificates	8 430	1 151
<b>Total</b>	<b>2 928 152</b>	<b>479 881</b>

**17. Derivative financial instruments****Derivative instruments used by the Group**

As at 30 September 2014 and as at 31 December 2013, the Group held the following types of derivative instruments:

	30.09.2014		31.12.2013	
	Assets	Liabilities	Assets	Liabilities
Hedging instruments	497 712	295 040	361 639	414 804
Other derivative instruments	4 041 781	4 155 013	2 639 221	2 913 407
<b>Total</b>	<b>4 539 493</b>	<b>4 450 053</b>	<b>3 000 860</b>	<b>3 328 211</b>

Type of contract	30.09.2014		31.12.2013	
	Assets	Liabilities	Assets	Liabilities
IRS	4 008 850	3 665 214	2 590 721	2 490 821
CIRS	189 967	400 391	252 941	545 073
Options	153 062	110 022	75 443	61 930
FX Swap	76 093	139 589	39 908	156 393
Forward	38 372	51 866	24 552	60 143
FRA	72 910	82 748	13 652	11 454
Other	239	223	3 643	2 397
<b>Total</b>	<b>4 539 493</b>	<b>4 450 053</b>	<b>3 000 860</b>	<b>3 328 211</b>

**18. Derivative hedging instruments**

As at 30 September 2014 the Group applies the following hedging strategies:

- 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,
- 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,

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

A detailed description of hedging strategies applied was included in the consolidated financial statements of the PKO Bank Polski SA Group for the 12-month period ended 31 December 2013.

As at 30 September 2014 and as at 31 December 2013, the Group did not use the fair value hedge.

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

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

In the nine-month period of 2014, due to the lack of fulfilment of the retrospective effectiveness test, the Group ceased to apply the hedge accounting for one of hedging relationships within strategy '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'.

**Cash flow hedges**

The fair value of derivative instruments constituting cash flow hedges related to the interest rate or foreign exchange rate as at 30 September 2014 and as at 31 December 2013:

Type of instrument:	Carrying amount/fair value			
	30.09.2014		31.12.2013	
	Assets	Liabilities	Assets	Liabilities
IRS	451 952	-	229 630	630
CIRS	45 760	295 040	132 009	414 174
<b>Total</b>	<b>497 712</b>	<b>295 040</b>	<b>361 639</b>	<b>414 804</b>

Other comprehensive income as regards cash flow hedges	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013
Other comprehensive income at the beginning of the period, gross	(3 118)	(155 053)	(180 981)	64 073
Gains/losses transferred to other comprehensive income in the period	197 476	381 549	306 325	(127 008)
Amount transferred from other comprehensive income to the income statement	(154 395)	(186 533)	(266 966)	(78 687)
- interest income	(84 261)	(255 375)	(98 503)	(368 847)
- net foreign exchange gains (losses)	(70 134)	68 842	(168 463)	290 160
Accumulated other comprehensive income at the end of the period, gross	39 963	39 963	(141 622)	(141 622)
Tax effect	(7 593)	(7 593)	26 908	26 908
Accumulated other comprehensive income at the end of the period, net	32 370	32 370	(114 714)	(114 714)
Ineffective part of cash flow hedges recognised in the income statement	(5 692)	802	11 255	11 752
Effect on other comprehensive income in the period, gross	43 081	195 016	39 359	(205 695)
Deferred tax on cash flow hedges	(8 185)	(37 053)	(7 478)	39 082
<b>Effect on other comprehensive income in the period, net</b>	<b>34 896</b>	<b>157 963</b>	<b>31 881</b>	<b>(166 613)</b>



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

By carrying amount	30.09.2014	31.12.2013
Debt securities	13 111 276	15 204 756
issued by central banks, NBP money market bills	10 165 726	13 997 228
issued by the State Treasury, of which:	2 552 816	956 893
Treasury bonds PLN	2 524 655	931 325
Treasury bonds UAH	28 161	25 568
issued by local government bodies, of which:	252 671	250 635
municipal bonds EUR	141 369	136 700
municipal bonds PLN	111 302	113 935
issued by banks, structured bonds PLN	139 560	-
issued by non-financial institutions, corporate bonds PLN	503	-
Participation units	1 891 501	-
<b>Total</b>	<b>15 002 777</b>	<b>15 204 756</b>

**20. Loans and advances to customers**

	30.09.2014	31.12.2013	30.09.2013 restated
Loans and advances to customers, gross, of which:	185 950 125	156 274 042	156 537 509
financial sector	1 236 605	2 986 731	2 543 359
corporate, of which:	1 128 358	948 308	987 675
deposits of the Brokerage House of PKO Bank Polski SA in the Stock Exchange Guarantee Fund and initial deposit	11 484	19 339	15 178
receivables due from repurchase agreements	108 247	2 038 423	1 555 684
non-financial sector	174 515 252	146 067 840	146 253 052
housing	99 098 963	76 631 478	75 736 246
corporate	51 351 222	47 970 294	48 950 999
consumer	21 538 517	20 627 222	20 729 518
debt securities (corporate)	2 526 550	838 846	836 289
public sector	10 198 268	7 219 471	7 741 098
corporate	7 339 542	6 135 647	6 600 003
debt securities (municipal)	2 857 117	978 159	1 136 893
housing	1 609	-	4 202
receivables due from repurchase agreements	-	105 665	-
Impairment allowances on loans and advances	(7 616 825)	(6 650 780)	(6 926 174)
<b>Loans and advances to customers, net</b>	<b>178 333 300</b>	<b>149 623 262</b>	<b>149 611 335</b>

By client segment	30.09.2014	31.12.2013	30.09.2013 restated
Loans and advances granted, gross, of which:	185 950 125	156 274 042	156 537 509
mortgage banking	89 258 762	68 943 625	67 959 857
corporate	50 307 960	40 393 713	41 706 750
small and medium enterprises*	24 725 155	24 146 055	24 568 514
retail and private banking	21 538 517	20 627 222	20 729 518
receivables due from repurchase agreements	108 247	2 144 088	1 557 692
deposits of the Brokerage House of PKO Bank Polski SA in the Stock Exchange Guarantee Fund	11 484	19 339	15 178
Impairment allowances on loans and advances	(7 616 825)	(6 650 780)	(6 926 174)
<b>Loans and advances granted, net</b>	<b>178 333 300</b>	<b>149 623 262</b>	<b>149 611 335</b>

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

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

- corporate loans of financial institutions (i.e. e.g. leasing companies, insurance companies, investment companies) include corporate banking,
- housing loans include loans of mortgage banking and housing market clients, corporate client segment and small and medium enterprises as regards 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 public entities include corporate banking loans,
- reclassified debt securities are included in the corporate client segment.

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Loans and advances to customers by method of calculating allowances	30.09.2014	31.12.2013	30.09.2013 restated
Assessed on an individual basis	7 083 595	7 336 985	7 986 739
Impaired, of which:	5 238 964	5 532 429	6 287 027
finance lease receivables	174 713	134 027	142 926
Not impaired, of which:	1 844 631	1 804 556	1 699 712
finance lease receivables	313 547	193 560	194 253
Assessed on a portfolio basis	7 871 856	7 328 923	7 182 797
Impaired, of which:	7 871 856	7 328 923	7 182 797
finance lease receivables	113 240	115 883	120 850
Assessed on a group basis (IBNR), of which:	170 994 674	141 608 134	141 367 973
finance lease receivables	4 470 243	3 793 700	3 623 593
<b>Loans and advances to customers, gross</b>	<b>185 950 125</b>	<b>156 274 042</b>	<b>156 537 509</b>
Allowances on exposures assessed on an individual basis	(2 533 636)	(2 292 218)	(2 620 807)
Impaired, of which:	(2 517 090)	(2 276 093)	(2 600 199)
allowances on lease receivables	(70 886)	(46 430)	(46 755)
Allowances on exposures assessed on a portfolio basis, of which:	(4 506 169)	(3 772 723)	(3 682 311)
allowances on lease receivables	(79 952)	(75 355)	(75 288)
Allowances on exposures assessed on a group basis (IBNR), of which:	(577 020)	(585 839)	(623 056)
allowances on lease receivables	(13 418)	(10 898)	(14 876)
Allowances - total	(7 616 825)	(6 650 780)	(6 926 174)
<b>Loans and advances to customers, net</b>	<b>178 333 300</b>	<b>149 623 262</b>	<b>149 611 335</b>

As at 30 September 2014, the share of impaired loans amounted to 7.1% (as at 31 December 2013: 8.2%), whereas the coverage ratio for impaired loans (calculated as total impairment allowances on total receivables divided by gross carrying amount of impaired loans) amounted to 58.1% (as at 31 December 2013: 51.7%).

As at 30 September 2014, the share of loans overdue by more than 90 days in the gross amount of loans and advances was 5.2% (as at 31 December 2013: 5.9%).

## 21. Investment securities available for sale

	30.09.2014	31.12.2013
Debt securities available for sale, gross	22 203 236	13 870 733
issued by the State Treasury	14 072 506	8 818 500
Treasury bonds PLN	13 944 379	8 616 517
Treasury bonds USD	98 270	181 823
Treasury bonds UAH	29 337	20 160
Treasury bills PLN	520	-
issued by local government bodies, municipal bonds PLN	4 175 802	3 440 753
issued by non-financial institutions	2 724 120	1 000 549
corporate bonds PLN	2 231 286	1 000 549
corporate bonds USD	186 971	-
corporate bonds EUR	305 863	-
issued by banks, corporate bonds	1 230 808	610 931
corporate bonds PLN	1 115 671	558 814
corporate bonds EUR	88 959	-
corporate bonds UAH	26 178	52 117
Impairment allowances on debt securities available for sale	-	(3 296)
corporate bonds PLN	-	(3 296)
<b>Total net debt securities available for sale</b>	<b>22 203 236</b>	<b>13 867 437</b>
Equity securities available for sale, gross	254 659	235 800
Equity securities not admitted to public trading	204 235	161 514
Equity securities admitted to public trading	50 424	74 286
Impairment allowances on equity securities available for sale	(17 673)	(30 159)
<b>Total net equity securities available for sale</b>	<b>236 986</b>	<b>205 641</b>
<b>Total net investment securities available for sale</b>	<b>22 440 222</b>	<b>14 073 078</b>

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

As at 30.09.2014	nominal value	fair value	carrying amount
Municipal bonds	936 311	943 960	949 416
Corporate bonds	780 040	796 729	744 185
<b>Total</b>	<b>1 716 351</b>	<b>1 740 689</b>	<b>1 693 601</b>

As at 31.12.2013	nominal value	fair value	carrying amount
Municipal bonds	961 611	963 118	965 180
Corporate bonds	787 040	791 503	768 385
<b>Total</b>	<b>1 748 651</b>	<b>1 754 621</b>	<b>1 733 565</b>

## 22. Investments securities held to maturity

	30.09.2014	31.12.2013
Debt securities		
issued by the State Treasury, of which:	222 154	26 886
issued by the State Treasury PLN	37 445	-
issued by the State Treasury EUR	2 922	-
issued by the State Treasury USD	181 787	-
issued by banks UAH	41 072	11 119
<b>Total</b>	<b>263 226</b>	<b>38 005</b>

## 23. Investments in associates and joint ventures

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

Entity name	30.09.2014	31.12.2013
The 'CENTRUM HAFFNERA' Sp. z o.o. Group*	-	-
Purchase price	-	44 371
Change in valuation with equity method	-	(38 136)
Impairment allowance	-	(6 235)
'Centrum Obsługi Biznesu' Sp. z o.o.	4 385	5 380
Purchase price	17 498	17 498
Change in valuation with equity method	(13 113)	(12 118)
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	201 730	197 592
Fair value of the remaining investment	197 592	197 592
Change in valuation with equity method	4 410	-
Other	(272)	-
<b>Total</b>	<b>206 115</b>	<b>202 972</b>

\* Since 20 January 2014 a subsidiary

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

Entity name	30.09.2014	31.12.2013
The Bank Pocztowy SA Group	106 720	106 720
Purchase price	146 500	146 500
Change in valuation with equity method	71 429	65 013
Impairment allowance	(111 209)	(104 793)
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	-	-
Purchase price	1 500	1 500
Change in valuation with equity method	4 350	4 004
Impairment allowance	(5 850)	(5 504)
<b>Total</b>	<b>106 720</b>	<b>106 720</b>

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

	01.01- 30.09.2014	01.01- 30.09.2013
Gross value of non-current assets held for sale at the beginning of the period	537 559	23 316
Increases	6 989	9 416
Decreases	(140 328)	(15 831)
Gross value of non-current assets held for sale at the end of the period	404 220	16 901
Impairment allowances at the beginning of the period	(365 340)	(2 906)
Increases recognised during the period	(21 639)	(963)
Decreases	154 820	589
Impairment allowances at the end of the period	(232 159)	(3 280)
Net carrying amount at the beginning of the period	172 219	20 410
<b>Net carrying amount at the end of the period</b>	<b>172 061</b>	<b>13 621</b>

**25. Inventories**

Carrying amount of inventories by kind	30.09.2014	31.12.2013
Construction investments for sale	278 957	313 470
Supplies	230 644	212 970
Work-in-progress - construction investments	126 533	168 152
Materials	15 902	8 854
Impairment allowances on inventories	(56 605)	(53 805)
<b>Total</b>	<b>595 431</b>	<b>649 641</b>

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

**26. Intangible assets and tangible fixed assets**

Intangible assets	30.09.2014	31.12.2013
Software	1 750 379	1 763 575
Goodwill acquired as a result of business combinations (including subsidiaries' goodwill)	1 095 951	218 850
Future profits on concluded insurance contracts	201 928	-
Relations with customers	73 155	-
Other, including capital expenditure	193 865	247 797
<b>Total</b>	<b>3 315 278</b>	<b>2 230 222</b>

Net goodwill	30.09.2014	31.12.2013
Nordea Polska entities	881 259	-
PKO Towarzystwo Funduszy Inwestycyjnych SA	149 564	149 564
PKO BP BANKOWY PTE SA	51 158	51 158
Qualia spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Sp.k.	6 185	10 343
Goodwill related to assets taken over from Centrum Finansowe Puławska Sp. z o.o.	7 785	7 785
<b>Total</b>	<b>1 095 951</b>	<b>218 850</b>

Tangible fixed assets	30.09.2014	31.12.2013
Land and buildings	1 803 147	1 627 309
Machinery and equipment	499 420	497 121
Means of transport	78 372	76 003
Assets under construction	65 488	140 907
Investment properties	137 296	114 589
Other	178 536	155 304
<b>Total</b>	<b>2 762 259</b>	<b>2 611 233</b>

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## 27. Amounts due to banks

	30.09.2014	31.12.2013
Loans and advances received	17 292 379	2 606 482
from Nordea Bank AB (publ)	14 578 166	-
Bank deposits	1 629 279	959 712
Amounts due from repurchase agreements	425 334	38 628
Current accounts	388 119	116 145
Other money market deposits	36 401	26 370
<b>Total</b>	<b>19 771 512</b>	<b>3 747 337</b>

## 28. Amounts due to customers

	30.09.2014	31.12.2013
Amounts due to retail clients	124 096 067	116 464 089
Term deposits	68 086 862	63 467 675
Current accounts and overnight deposits	55 780 915	52 776 151
Other liabilities	228 290	220 263
Amounts due to corporate entities	42 865 912	31 966 616
Current accounts and overnight deposits	17 825 382	13 076 978
Term deposits	20 031 240	13 426 892
Loans and advances received	3 362 557	2 863 651
Amounts due from repurchase agreements	306 719	1 647 950
Other liabilities	1 340 014	951 145
Amounts due to public entities	4 211 622	3 473 476
Current accounts and overnight deposits	3 128 204	3 018 628
Term deposits	1 069 588	430 639
Other liabilities	13 830	24 209
<b>Total</b>	<b>171 173 601</b>	<b>151 904 181</b>

By client segment	30.09.2014	31.12.2013
Amounts due to customers, of which:		
retail and private banking	118 987 162	111 290 272
corporate	31 900 203	21 062 058
small and medium enterprises*	16 610 110	15 040 250
loans and advances received	3 362 557	2 863 651
amounts due from repurchase agreements	306 719	1 647 950
other liabilities	6 850	-
<b>Total</b>	<b>171 173 601</b>	<b>151 904 181</b>

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

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 public entities), small and medium enterprises segment, housing market clients segment,
- amounts due to public entities include corporate client segment – public entity.

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## 29. Liabilities due to insurance operations

	30.09.2014	31.12.2013
Technical provisions	47 760	-
Liabilities due to insurer's investment contracts divided into:	2 589 969	-
Structured products	359 795	-
Products combining policy and deposit	5 082	-
Unit-linked insurance financial products	2 225 092	-
<b>Total</b>	<b>2 637 729</b>	<b>-</b>

	30.09.2014	31.12.2013
Insurance provisions, gross, of which:		
Provisions for life insurance	228 055	-
Provisions for unpaid claims and benefits	44 118	-
Technical provisions for life insurance if the policyholder bears the deposit (investment) risk	2 326 242	-
Provisions for the bonuses and rebates for the insured	635	-
Other technical provisions defined in the memorandum	39 270	-
<b>Total insurance provisions, gross</b>	<b>2 638 320</b>	<b>-</b>
Reinsurer's share	(591)	-
<b>Total</b>	<b>2 637 729</b>	<b>-</b>

## 30. Debt securities in issue

	30.09.2014	31.12.2013
Financial instruments measured at amortised cost	12 855 308	10 255 937
bonds issued by PKO Finance AB	11 701 029	9 129 100
bonds issued by PKO Bank Polski SA	747 086	692 614
bonds issued by PKO Leasing SA	407 193	434 223
Financial instruments measured at fair value through profit and loss - bank securities	119 065	290 509
<b>Total</b>	<b>12 974 373</b>	<b>10 546 446</b>

### Bonds issued by PKO Finance AB

Issuance date	Nominal value	Currency	Maturity date	Carrying amount as at 30.09.2014	Carrying amount as at 31.12.2013
21.10.2010	798 950	EUR	21.10.2015	3 450 875	3 337 380
07.07.2011	250 000	CHF	07.07.2016	871 246	853 657
25.07.2012	50 000	EUR	25.07.2022	206 718	206 677
21.09.2012	500 000	CHF	21.12.2015	1 762 363	1 690 110
26.09.2012	1 000 000	USD	26.09.2022	3 290 976	3 041 276
23.01.2014	500 000	EUR	23.01.2019	2 118 851	-
<b>Total</b>				<b>11 701 029</b>	<b>9 129 100</b>

## 31. Subordinated liabilities

As at 30 September 2014 (in PLN thousand)	Nominal value	Currency	Interest rate (%)	Maturity date	Balance
Subordinated bonds	1 600 700	PLN	4.13%	14.09.2022	1 603 268
Subordinated bonds	775 040	CHF	3.23%	25.04.2022	775 567
<b>TOTAL</b>	<b>2 375 740</b>				<b>2 378 835</b>

As at 31 December 2013 (in PLN thousand)	Nominal value	Currency	Interest rate (%)	Maturity date	Balance
Subordinated bonds	1 600 700	PLN	4.37%	14.09.2022	1 620 857

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### 32. Other liabilities

	30.09.2014	31.12.2013	30.09.2013 restated
Accounts payable	517 390	481 836	432 232
Deferred income	403 333	358 464	349 379
Other liabilities, of which:	2 759 240	1 706 937	3 836 790
dividends declared	937 500	-	2 250 000
liabilities due to reinsurance	410	-	-
<b>Total</b>	<b>3 679 963</b>	<b>2 547 237</b>	<b>4 618 401</b>
of which financial liabilities	3 028 954	2 004 459	4 069 176

As at 30 September 2014, as at 31 December 2013 and as at 30 September 2013 the Group had no overdue contractual liabilities.

### 33. Provisions

For the period ended 30 September 2014	Provision for legal claims	Provisions for retirement benefits and anniversary bonuses	Provisions for loan commitments and guarantees granted	Other provisions*	Total
<b>As at 1 January 2014, of which:</b>	<b>36 289</b>	<b>35 739</b>	<b>115 314</b>	<b>133 528</b>	<b>320 870</b>
Short term provision	36 289	2 458	88 464	133 528	260 739
Long term provision	-	33 281	26 850	-	60 131
Take of control over subsidiary	11 798	12 570	8 473	3 329	36 170
Increase/reassessment of provision	3 099	1 618	321 544	3 662	329 923
Release of provision	(3 438)	(2)	(332 736)	(7 168)	(343 344)
Use of provision	(312)	(6 840)	-	(31 252)	(38 404)
Currency translation differences	(112)	-	(37)	-	(149)
Other changes and reclassifications	667	-	(256)	7 500	7 911
<b>As at 30 September 2014, of which:</b>	<b>47 991</b>	<b>43 085</b>	<b>112 302</b>	<b>109 599</b>	<b>312 977</b>
Short term provision	47 676	9 403	82 549	109 523	249 151
Long term provision	315	33 682	29 753	76	63 826

\* Included in 'Other provisions' are i.a.: restructuring provision of PLN 70 571 thousand and provision of PLN 1 574 thousand for potential claims on impaired loan portfolios sold.

For the period ended 30 September 2013	Provision for legal claims	Provisions for retirement benefits and anniversary bonuses	Provisions for loan commitments and guarantees granted	Other provisions*	Total
<b>As at 1 January 2013 (restated), of which:</b>	<b>29 523</b>	<b>431 210</b>	<b>211 004</b>	<b>72 314</b>	<b>744 051</b>
Short term provision	29 523	36 233	145 066	72 314	283 136
Long term provision	-	394 977	65 938	-	460 915
Increase/reassessment of provision	7 477	537	138 491	13 009	159 514
Release of provision	(1 705)	(179 453)	(242 485)	-	(423 643)
Use of provision	(275)	(193 142)	-	(14 220)	(207 637)
Currency translation differences	(15)	-	5	-	(10)
Other changes and reclassifications	(8 504)	(25 380)	379	25 384	(8 121)
<b>As at 30 September 2013 (restated), of which:</b>	<b>26 501</b>	<b>33 772</b>	<b>107 394</b>	<b>96 487</b>	<b>264 154</b>
Short term provision	26 501	1 450	81 629	96 487	206 067
Long term provision	-	32 322	25 765	-	58 087

\* Included in 'Other provisions' are i.a.: restructuring provision of PLN 58 304 thousand and provision of PLN 1 829 thousand for potential claims on impaired loan portfolios sold.

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



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

#### 34.1 Securities covered with underwriting agreements (maximum liability of the Group to acquire securities)

As at 30 September 2014 and as at 31 December 2013, the underwriting agreements covered the following securities (maximum liability of the PKO Bank Polski SA Group to acquire securities):

Issuer of securities underwritten	Type of underwritten securities	Off-balance sheet liabilities resulting from underwriting agreement	Contract period	Sub-issue type
As at 30 September 2014				
Company A	corporate bonds	1 364 000	15.06.2022	Bonds Issue Agreement*
Company B	corporate bonds	844 000	31.07.2015	Bonds Issue Agreement*
Company C	corporate bonds	68 707	31.12.2024	Bonds Issue Agreement*
Company D	corporate bonds	50 000	19.12.2022	Bonds Issue Agreement*
Company E	corporate bonds	32 096	31.12.2022	Bonds Issue Agreement*
<b>Total</b>		<b>2 358 803</b>		
As at 31 December 2013				
Company A	corporate bonds	1 633 000	15.06.2022	Bonds Issue Agreement*
Company B	corporate bonds	800 000	31.07.2015	Bonds Issue Agreement*
Company C	corporate bonds	50 000	19.12.2022	Bonds Issue Agreement*
Company D	corporate bonds	34 000	31.12.2022	Bonds Issue Agreement*
Company E	corporate bonds	24 238	29.06.2018	Bonds Issue Agreement*
Company F	corporate bonds	13 410	31.10.2017	Bonds Issue Agreement*
<b>Total</b>		<b>2 554 648</b>		

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

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

#### 34.2 Contractual commitments

As at 30 September 2014 the amount of contractual commitments concerning intangible assets amounted to PLN 254 755 thousand (as at 31 December 2013, it amounted to PLN 347 636 thousand).

As at 30 September 2014 the amount of contractual commitments concerning tangible fixed assets amounted to PLN 109 333 thousand (as at 31 December 2013, it amounted to PLN 48 629 thousand).

#### 34.3 Loan commitments granted

by nominal value	30.09.2014	31.12.2013
Credit lines and limits		
to financial entities	1 031 106	737 531
to non-financial entities	34 735 464	30 203 660
to State budget entities	3 567 991	3 269 584
<b>Total</b>	<b>39 334 561</b>	<b>34 210 775</b>
of which: irrevocable loan commitments	9 435 602	7 708 424

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**Guarantee liabilities granted**

	30.09.2014	31.12.2013
Guarantees in domestic and foreign trading	7 918 620	6 227 396
to financial entities	120 620	64 444
to non-financial entities	7 790 143	6 151 081
to State budget entities	7 857	11 871
Guarantees and pledges granted – domestic corporate bonds	3 322 303	3 466 648
to non-financial entities	3 322 303	3 466 648
Letters of credit granted	708 296	491 768
to non-financial entities	708 296	491 669
to State budget entities	-	99
Guarantees and pledges granted – payment guarantee	26 420	117 420
to financial entities	26 420	117 420
Guarantees and pledges granted – domestic municipal bonds	266 646	83 773
to State budget entities	266 646	83 773
<b>Total</b>	<b>12 242 285</b>	<b>10 387 005</b>

**34.4 Off-balance sheet liabilities received**

By nominal value	30.09.2014	31.12.2013
Financial	2 864 847	369 303
Guarantees	4 262 893	2 570 701
<b>Total</b>	<b>7 127 740</b>	<b>2 940 004</b>

Due to the provisions of 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 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 0.

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

As at 30 September 2014 and as at 31 December 2013, there was no collateral established for the Group, which the Group was entitled to sell or encumber with another pledge in the event of fulfilment of all obligations by the owner of the collateral.

**35. Legal claims**

As at 30 September 2014, the total value of court proceedings in which the PKO Bank Polski SA Group entities (including the Bank) are a defendant was PLN 457 711 thousand, of which PLN 10 024 thousand refers to court proceedings in Ukraine (as at 31 December 2013 the total value of the above mentioned court proceedings was PLN 342 658 thousand), while as at 30 September 2014 the total value of court proceedings in which the PKO Bank Polski SA Group entities (including the Bank) are the plaintiff was PLN 805 981 thousand, of which PLN 140 250 thousand referred to court proceedings in Ukraine, mainly related to collection of dues from loan agreements granted by KREDOBANK SA, (as at 31 December 2013 the total value of the above mentioned court proceedings was PLN 525 949 thousand). The information above does not include the legal claims of KREDOBANK SA concerning taxes described in Note 12 'Income tax expense'.

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

**a) Unfair competition proceeding**

The Bank is a party to proceeding currently pursued before the Court for the Competition and Consumer Protection (Sąd Ochrony Konkurencji i Konsumentów - SOKiK) initiated on the basis of a decision dated 23 April 2001 of the President of the Competition and Consumer Protection Office (Urząd Ochrony Konkurencji i Konsumentów - UOKiK) upon request of the Polish Trade and Distribution Organisation – Employers' association (Polska Organizacja Handlu i Dystrybucji - Związek Pracodawców) against the operators of the Visa and Europay payment systems and the banks 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 Visa and Europay/Eurocard/Mastercard 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 SOKiK. On 20 December 2011 a hearing was held during which no factual resolution of the appeals was reached. The Court obligated MasterCard to submit explanations concerning the issue and set the date for another sitting of the Court for 9 February 2012, which upon the application of the plaintiffs' attorney was postponed for 24 April 2012 and afterwards SOKiK postponed announcing the resolution on the request for suspension of the case until 8 May 2012. On 8 May 2012, SOKiK suspended proceedings until the final conclusion of proceedings before the European Union Court in the case MasterCard against the European Commission. On 24 May 2012, the European Union Court upheld the decision of the European Commission banning multilaterally agreed 'interchange' fees

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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 appeal of MasterCard against the verdict of the EU Court dated 24 May 2012 rejecting the appeal of MasterCard, was received by the European Court of Justice. On 25 October 2012, the Court of Appeal in Warsaw changed the decision of 8 May 2012 and dismissed the motion of MasterCard for suspending the proceedings. The court's decision in this case the Bank's attorney received in January 2013 and in February 2013, court files were transferred to the court of first instance. Currently, the case is subject to re-proceeding by SOKiK.

The hearing was on 29 October 2013 and on 21 November 2013 the judgement was announced, by which SOKiK reduced the penalty imposed on the Bank to the amount of PLN 10 085 thousand. The judgement is invalid. On 7 February 2014 the judgement was appealed on behalf of the Bank and eight plaintiffs represented by the Bank's attorney. The judgement was also appealed by other participants of the proceeding, i.e. by the President of the Competition and Consumer Protection Office (UOKiK) and of the Polish Trade and Distribution Organisation (POHiD) (appeals aimed to impose on the participants of the agreements stricter financial penalties), and: Visa Europe Limited, Bank Pocztowy S.A., Bank Gospodarki Żywnościowej S.A., mBank S.A. (formerly: BRE Bank S.A.), Deutsche Bank PBC S.A., HSBC Bank Polska S.A. (appeals aimed 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. The court files have been transferred from SOKiK to the Court of Appeal in Warsaw. The case has been labeled as VI ACa 1150/14. As at 30 September 2014 the Bank has a provision in the amount of PLN 10 359 thousand (the position 'Provisions' in the statement of financial position).

At the same time, through the decision of SOKiK dated 21 November 2013 the financial penalty imposed on Nordea Bank Polska SA – subsidiary of the Bank being also a party to the above mentioned claim, was reduced to the amount of PLN 2.6 thousand and the entity decided not to appeal.

As at 30 September 2014 the Bank is also a party to i.a. following proceedings:

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

- 1) 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:

- PLN 7 111 thousand for not indicating in the IKE agreements responsibilities of the Bank for timely and proper carrying out the monetary settlements and the amount of compensation for the delay in execution of a holder instruction,
- PLN 4 741 thousand for application in the form of IKE agreements, an open list of termination conditions,
- 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.

Appeal proceeding is pursued on behalf of the Bank by reputable law office. The Bank appealed against the decision of the President of UOKiK on 2 January 2013. The proceeding is in progress. As at 30 September 2014 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).

- 2) 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. Appeal proceeding is pursued on behalf of the Bank by reputable law office. The Bank appealed against the decision of the President of UOKiK on 16 January 2013. A hearing was held on 25 September 2014 and adjourned until 13 January 2015. The proceeding is in progress. As at 30 September 2014 the Bank has a provision in the same amount (the position 'Provisions' in the statement of financial position).

- 3) using of unfair contractual provisions in forms 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 was imposed on the Bank. The Bank appealed against this decision. Appeal proceeding is pursued on behalf of the Bank by reputable law office. The Bank appealed against the decision of the President of UOKiK on 17 January 2014. The proceeding is in progress. As at 30 September 2014 the Bank has a provision in the amount of PLN 10 000 thousand (the position 'Provisions' in the statement of financial position).

before SOKiK initiated by an individual

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.

before SOKiK in which the President of UOKiK is the plaintiff

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

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

before the Court of Appeal

one proceeding initiated by an individual – the customer, concerning abstract control of forms (on recognition of provisions in the form of agreement to be abusive – rules for opening and maintaining current account of 1997, modified in 1998). The first hearing was held on 2 July 2013. Court judgment of 9 July 2013 dismissed the claim against the Bank. The plaintiff filed an appeal against the judgment. The Court of Appeal on 11 September 2014 dismissed the plaintiff's appeal;

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before the President of UOKiK:

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

As at 30 September 2014, PKO Życie Towarzystwo Ubezpieczeń SA – a subsidiary of the Bank – is a party to:

- 5 proceedings before SOKiK initiated by individuals to determine some of provisions in the forms of life insurance agreements to be illegal; in all cases the Company responded to the lawsuit and applied for its dismissal due to bringing legal action after 6 months since the day of giving up their application, in this case there is no risk of imposing financial penalty on the Company,
- a proceeding before the President of UOKiK concerning liquidation charges and policy redemption value due to insurance agreement cancellation in some forms of life insurance agreements, as well as imprecise information on the total redemption value due to insurance agreement cancellation applied in these forms, the proceeding is in progress, the value of provision recognised as at 30 September 2014 amounts to PLN 1 507 thousand,
- a proceeding before the Supreme Court concerning the cassation complaint brought by the Company against the judgment of the Court of Appeal in relation to the financial penalty imposed on the Company in 2010 by the President of UOKiK for the violation of the collective interests of consumers by the Company (financial penalty was paid in 2013); the proceeding is in the phase before the Supreme Court's decision on acceptance or rejection of the cassation complaint for consideration.

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

As at the date of these financial statements, six administrative and court-administrative proceedings are pending, of which one is suspended, to invalidate administrative decisions issued by public administration authorities with respect to properties held by the PKO Bank Polski SA Group entities (including the Bank). These proceedings, in the event of an unfavourable outcome for the Group may result in re-privatisation claims being raised and one administrative proceeding for the establishment of perpetual usufruct right to a property owned by the Bank, for which the date of hearing was not scheduled. Given the current status of these proceedings as regards stating the invalidity of decisions and verdicts of public administration bodies, it is not possible to assess their potential negative financial effects for the Group. Moreover, with respect to three properties of the Bank, claims pertaining to release or return the property and regulation of the legal status of the property, were submitted by their former owners (court and administrative proceedings for release of the property, commercial premise located within the property, payment of fee for non-contractual use of property by the Bank are pending).

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 not scheduled.

In the opinion of the Management Board of PKO Bank Polski SA, in the second half of 2014, the probability of significant claims against the Bank and its subsidiaries in relation to the above mentioned proceedings is remote.

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

**Cash and cash equivalents**

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

	30.09.2014	31.12.2013	30.09.2013
Cash and balances with the central bank	8 636 840	7 246 120	7 602 630
Current amounts due from banks	3 002 483	1 638 619	4 331 336
<b>Total</b>	<b>11 639 323</b>	<b>8 884 739</b>	<b>11 933 966</b>

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### 37. Related party transactions

All transactions with related parties presented below were arm's length transactions. Repayment terms are within a range from one month to fifteen years.

30 September 2014

Entity	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
Bank Pocztowy SA	366	-	177	110 936
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	269	-	71 852	5 000
'Centrum Obsługi Biznesu' Sp. z o.o.	29 053	29 053	12 706	-
Centrum Operacyjne Sp. z o.o.	-	-	4	-
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	-	-	6 159	-
<b>Total</b>	<b>29 688</b>	<b>29 053</b>	<b>90 898</b>	<b>115 936</b>

For the nine-month period ended 30 September 2014

Entity	Total income	of which interest and fee and commission	Total expense	of which interest and fee and commission
Bank Pocztowy SA	405	39	345	-
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	15 538	14 903	81 728	81 566
'Centrum Obsługi Biznesu' Sp. z o.o.	728	728	175	175
Centrum Operacyjne Sp. z o.o.	2	2	-	-
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	2	2	121	121
<b>Total</b>	<b>16 675</b>	<b>15 674</b>	<b>82 369</b>	<b>81 862</b>

31 December 2013

Entity	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
Bank Pocztowy SA	6	-	1 003	2 374
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	1 100	-	50 551	5 000
'CENTRUM HAFFNERA' Sp. z o.o.	-	-	1 234	-
'Centrum Majkowskiego' Sp. z o.o. in liquidation	-	-	38	-
'Centrum Obsługi Biznesu' Sp. z o.o.	29 463	29 463	16 066	-
Centrum Operacyjne Sp. z o.o.	-	-	11	-
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	-	-	12 555	-
'Promenada Sopocka' Sp. z o.o.	44 377	44 377	4 811	-
'Sopot Zdrój' Sp. z o.o.	219 698	219 698	-	-
<b>Total</b>	<b>294 644</b>	<b>293 538</b>	<b>86 269</b>	<b>7 374</b>

For the nine-month period ended 30 September 2013

Entity	Total income	of which interest and fee and commission	Total expense	of which interest and fee and commission
Agencja Inwestycyjna CORP-SA SA	495	-	74	-
Bank Pocztowy SA	48	48	651	-
'CENTRUM HAFFNERA' Sp. z o.o.	5	5	-	-
'Centrum Majkowskiego' Sp. z o.o. in liquidation	5	5	-	-
'Centrum Obsługi Biznesu' Sp. z o.o.	777	777	282	282
Centrum Operacyjne Sp. z o.o.	2	2	-	-
'Kamienica Morska' Sp. z o.o. in liquidation	5	5	-	-
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	1	1	258	258
'Promenada Sopocka' Sp. z o.o.	794	794	32	32
'Sopot Zdrój' Sp. z o.o.	3 828	3 828	54	54
<b>Total</b>	<b>5 960</b>	<b>5 465</b>	<b>1 351</b>	<b>626</b>

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

The following events affecting the structure of the PKO Bank Polski SA Group have occurred in the third quarter of 2014:

#### **1. concerning the acquisition of shares in Polski Standard Płatności Sp. z o.o. by other banks**

On 19 September 2014 an increase in the share capital of Polski Standard Płatności Sp. z o.o. of PLN 11 355 thousand, i.e. from PLN 2 271 thousand to PLN 13 626 thousand, was registered with the National Court Register. Shares in the increased share capital were acquired by: Alior Bank SA, Bank Millennium SA, Bank Zachodni WBK SA, ING Bank Śląski SA and mBank SA.

As a result of the above mentioned increase, share of PKO Bank Polski SA in the share capital of the Company and votes at the General Shareholders' Meeting decreased from 100% to 16.67%, the Company ceased to be a subsidiary of the Bank, the Company's shares have been reclassified to financial assets.

#### **2. concerning the merger of lease companies being direct subsidiaries of the Bank**

On 30 September 2014 the following events were registered with the National Court Register of the domicile of the acquirer:

- a merger of PKO Leasing Pro SA and PKO Leasing SA, whereby all the assets of PKO Leasing Pro SA was transferred to the company PKO Leasing SA,
- an increase in the share capital of PKO Leasing SA of PLN 4 057 thousand through the issue of shares, which were granted to PKO Bank Polski SA, as the sole shareholder of PKO Leasing Pro SA (acquiree) under the merger of the above mentioned Companies.

As at 30 September 2014, the share capital of PKO Leasing SA is PLN 94 057 thousand.

#### **3. concerning the increase of contribution and limited partnership sum in Qualia spółka z ograniczoną odpowiedzialnością – Jurata Sp. k.**

On 4 September 2014, the limited partner's contribution (Qualia Development Sp. z o.o.) and the Company's limited partnership sum were increased by PLN 1 796 thousand, i.e. from PLN 2 551 thousand to PLN 4 347 thousand, by the shareholders' resolution of Qualia spółka z ograniczoną odpowiedzialnością – Jurata Sp. k. The above mentioned changes were registered with the National Court Register on 2 October 2014.

#### **4. concerning the capital contribution to Bankowe Towarzystwo Kapitałowe SA**

On 25 August 2014, PKO Bank Polski SA, as the sole shareholder of Bankowe Towarzystwo Kapitałowe SA, adopted a resolution on increasing the share capital of the Company by PLN 8 500 thousand, i.e. from PLN 24 744 thousand to PLN 33 244 thousand. The above mentioned increase was registered with the National Court Register on 20 October 2014.

At the same time, PKO Bank Polski SA continued work connected with:

- merger of Nordea Bank Polska SA with PKO Bank Polski SA, detailed information is included in Note 2.
- establishment of PKO Bank Hipoteczny SA,

On 26 August 2014 the Polish Financial Supervision Authority granted its permit to the establishment of the bank under the name of PKO Bank Hipoteczny SA by PKO Bank Polski SA.

On 6 October 2014, PKO Bank Polski SA established PKO Bank Hipoteczny SA with the share capital in the amount of PLN 300 million - on 24 October 2014 the Company was registered with the National Court Register.

- merger of Inteligo Financial Services SA with PKO BP Finat Sp. z o.o. - subsidiaries of PKO Bank Polski SA.

On 27 May 2014 the Management Board of PKO Bank Polski SA passed a resolution concerning merger of Inteligo Financial Services SA (as acquiree) with PKO BP Finat Sp. z o.o. (as acquirer). Under the above mentioned process, before the merger of Entities, as of 1 July 2014 the Bank took over employees of Inteligo Financial Services SA from the IT area within the operations transferred to the Bank, and started a process of transferring a part of the Company's resources connected mainly with IT services provided for PKO Bank Polski SA to the Bank.

The above mentioned activities are conducted as a part of implementation of the Bank's strategy as regards optimisation of the PKO Bank Polski SA Group activities.



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### 39. Fair value of financial assets and financial liabilities

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

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

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

The table below presents a classification of financial assets and liabilities presented in the financial statements at fair value divided into 3 levels as at 30 September 2014.

Assets and liabilities measured at fair value as at 30.09.2014	Note	Carrying amount	Level 1	Level 2	Level 3
			Prices quoted on the active markets	Valuation techniques based on observable market data	Other valuation techniques
Trading assets	16	2 928 152	2 928 152	-	-
Debt securities		2 912 815	2 912 815	-	-
Shares in other entities		6 907	6 907	-	-
Investment certificates		8 430	8 430	-	-
Derivative financial instruments	17	4 539 493	1 568	4 537 925	-
Hedging instruments		497 712	-	497 712	-
Trade instruments		4 041 781	1 568	4 040 213	-
Financial instruments designated upon initial recognition at fair value through profit and loss	19	15 002 777	4 416 659	10 586 118	-
Debt securities		13 111 276	2 525 158	10 586 118	-
Participation units		1 891 501	1 891 501	-	-
Investment securities available for sale	22	22 431 694	13 993 905	8 258 337	179 452
Debt securities		22 203 236	13 944 899	8 258 337	-
Equity securities		228 458	49 006	-	179 452
<b>Financial assets at fair value - total</b>		<b>44 902 116</b>	<b>21 340 284</b>	<b>23 382 380</b>	<b>179 452</b>
Derivative financial instruments	17	4 450 053	596	4 449 457	-
Hedging instruments		295 040	-	295 040	-
Trade instruments		4 155 013	596	4 154 417	-
Debt securities in issue	30	119 065	-	119 065	-
Financial instruments designated at fair value through profit and loss		119 065	-	119 065	-
<b>Financial liabilities at fair value - total</b>		<b>4 569 118</b>	<b>596</b>	<b>4 568 522</b>	<b>-</b>

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 2013.

Assets and liabilities measured at fair value as at 31.12.2013	Note	Carrying amount	Level 1	Level 2	Level 3
			Prices quoted on the active markets	Valuation techniques based on observable market data	Other valuation techniques
Trading assets	16	479 881	475 339	4 542	-
Debt securities		467 931	463 389	4 542	-
Shares in other entities		10 799	10 799	-	-
Investment certificates		1 151	1 151	-	-
Derivative financial instruments	17	3 000 860	1 015	2 999 845	-
Hedging instruments		361 639	-	361 639	-
Trade instruments		2 639 221	1 015	2 638 206	-
Financial instruments designated upon initial recognition at fair value through profit and loss	19	15 204 756	931 325	14 273 431	-
Debt securities		15 204 756	931 325	14 273 431	-
Investment securities available for sale	22	14 067 356	8 679 109	5 250 921	137 326
Debt securities		13 867 437	8 616 516	5 250 921	-
Equity securities		199 919	62 593	-	137 326
<b>Financial assets at fair value - total</b>		<b>32 752 853</b>	<b>10 086 788</b>	<b>22 528 739</b>	<b>137 326</b>
Derivative financial instruments	17	3 328 211	912	3 327 299	-
Hedging instruments		414 804	-	414 804	-
Trade instruments		2 913 407	912	2 912 495	-
Debt securities in issue	30	290 509	-	290 509	-
Financial instruments designated at fair value through profit and loss		290 509	-	290 509	-
<b>Financial liabilities at fair value - total</b>		<b>3 618 720</b>	<b>912</b>	<b>3 617 808</b>	<b>-</b>



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Depending on the category of classification of financial assets and liabilities to the hierarchy, different methods of fair value valuation are used, detailed description of which was presented in the annual consolidated financial statements for the year 2013 and in the interim consolidated financial statements for the six-month period of 2014.

The Group classified shares of 2020 European Fund for Energy, Climate Change and Infrastruktura (Marguerite Fund), which are valued with internal valuation models to the level 3. 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 (the companies) in the fund, which are subject to semi-annual examination by the registered auditor. If the Group used the values of the unobservable parameters, that are extreme values from the range of possible values, the fair value of the equity financial instruments could be PLN 8 972 thousand higher or PLN 8 972 thousand lower as at 30 September 2014.

In the period from 1 January to 30 September 2014, 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 period of measurement from 1 January to 30 September 2014 of fair value at level 3 of fair value hierarchy:

Investment securities available for sale - Level 3	1.01-30.09.2014
Opening balance at the beginning of the period	137 326
Total gains or losses	26 504
recognised in other comprehensive income	26 504
Take up of shares in the Margeurite Fund and currency translation differences	15 622
<b>Closing balance at the end of the period</b>	<b>179 452</b>

In the period from 1 January 2014 to 30 September 2014 there were no changes in the methodology of fair value estimating.

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

The table below shows a summary of the carrying amounts and fair values for the particular groups of financial instruments which have not been presented at fair value in the Group's statement of financial position as at 30 September 2014:

	Level of fair value hierarchy	Valuation method	30.09.2014	
			carrying amount	fair value
Cash and balances with the central bank	n/a	value at cost to pay	8 636 840	8 636 840
Amounts due from banks	3	discounted cash flows	3 153 197	3 152 804
Loans and advances to customers			178 333 300	172 062 988
housing loans	3	discounted cash flows	96 927 385	90 610 368
corporate loans	3	discounted cash flows	55 781 300	55 851 660
consumer loans	3	discounted cash flows	20 202 490	20 287 457
receivables due from repurchase agreements	3	discounted cash flows	108 247	108 247
debt securities	3	discounted cash flows	5 313 878	5 205 256
Investment securities held to maturity	3	discounted cash flows	263 226	264 364
Other financial assets	n/a	value at cost to pay including impairment allowance	737 441	737 441
Amounts due to the central bank	n/a	value at cost to pay	4 604	4 604
Amounts due to other banks	3	discounted cash flows	19 771 512	19 801 055
Amounts due to customers			171 173 601	171 138 859
due to corporate entities	3	discounted cash flows	42 865 912	42 865 931
due to State budget entities	3	discounted cash flows	4 211 622	4 211 622
due to retail clients	3	discounted cash flows	124 096 067	124 061 306
Debt securities in issue	1, 3	discounted cash flows	12 855 308	13 303 342
Subordinated debt	2	discounted cash flows	2 378 835	2 367 938
Other financial liabilities	n/a	value at cost to pay	3 028 954	3 028 954

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

	Level of fair value hierarchy	Valuation method	31.12.2013	
			carrying amount	fair value
Cash and balances with the central bank	n/a	value at cost to pay	7 246 120	7 246 120
Amounts due from banks	3	discounted cash flows	1 893 441	1 889 160
Loans and advances to customers			149 623 262	152 274 472
housing loans	3	discounted cash flows	74 900 220	75 060 086
corporate loans	3	discounted cash flows	51 576 141	53 836 616
consumer loans	3	discounted cash flows	19 213 873	19 444 847
receivables due from repurchase agreements	3	discounted cash flows	2 144 088	2 144 088
debt securities	3	discounted cash flows	1 788 940	1 788 835
Investment securities held to maturity	3	discounted cash flows	38 005	37 699
Other financial assets	n/a	value at cost to pay including impairment allowance	611 313	612 779
Amounts due to the central bank	n/a	value at cost to pay	4 065	4 065
Amounts due to other banks	3	discounted cash flows	3 747 337	3 747 311
Amounts due to customers			151 904 181	151 901 068
due to corporate entities	3	discounted cash flows	31 966 616	31 966 755
due to State budget entities	3	discounted cash flows	3 473 476	3 473 476
due to retail clients	3	discounted cash flows	116 464 089	116 460 837
Debt securities in issue	1, 3	market quotations / discounted cash flows	10 255 937	10 485 677
Subordinated debt	2	discounted cash flows	1 620 857	1 605 265
Other financial liabilities	n/a	value at cost to pay	2 004 459	2 004 459

Detailed assumptions concerning valuation methods were presented in the annual consolidated financial statements for the year 2013.

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#### 40. Objectives and principles of risk management in the PKO Bank Polski SA Group

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

Relevant information on risk monitoring and changes in methods of risk measurement in the period from 1 January to 30 September 2014 is presented below.

##### Credit risk

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

Amounts due from banks	Exposure	
	30.09.2014	31.12.2013
Amounts due from banks impaired, of which:		
assessed on an individual basis	359	28 891
Amounts due from banks not impaired, of which:		
not past due	3 153 540	1 893 133
<b>Gross total</b>	<b>3 153 899</b>	<b>1 922 024</b>
Impairment allowances	(702)	(28 583)
<b>Net total by carrying amount</b>	<b>3 153 197</b>	<b>1 893 441</b>

Loans and advances to customers	Exposure		
	30.09.2014	31.12.2013	30.09.2013 restated
Loans and advances impaired, of which:			
assessed on an individual basis	13 110 820	12 861 352	13 469 824
Loans and advances not impaired, of which:			
not past due	5 238 964	5 532 429	6 287 027
past due	172 839 305	143 412 690	143 067 685
past due up to 4 days	168 085 155	139 700 612	138 217 657
past due over 4 days	4 754 150	3 712 078	4 850 028
<b>Gross total</b>	<b>185 950 125</b>	<b>156 274 042</b>	<b>156 537 509</b>
Impairment allowances	(7 616 825)	(6 650 780)	(6 926 174)
<b>Net total by carrying amount</b>	<b>178 333 300</b>	<b>149 623 262</b>	<b>149 611 335</b>

Investment securities available for sale - debt securities	Exposure	
	30.09.2014	31.12.2013
Debt securities impaired, of which:		
assessed on an individual basis	-	6 160
Debt securities not impaired, of which:		
not past due	22 203 236	13 864 573
with external rating	22 203 236	13 864 573
with internal rating	15 046 483	9 429 681
<b>Gross total</b>	<b>22 203 236</b>	<b>13 870 733</b>
Impairment allowances	-	(3 296)
<b>Net total by carrying amount</b>	<b>22 203 236</b>	<b>13 867 437</b>

Investment securities held to maturity - debt securities	Exposure	
	30.09.2014	31.12.2013
Debt securities not impaired, of which:		
not past due	263 226	38 005
with external rating	263 226	38 005
<b>Gross total</b>	<b>263 226</b>	<b>38 005</b>
Impairment allowances	-	-
<b>Net total by carrying amount</b>	<b>263 226</b>	<b>38 005</b>

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**Level of exposure to credit risk**

The table below presents maximum exposure to credit risk of the Group as at 30 September 2014, as at 31 December 2013 and as at 30 September 2013:

Items of the statement of financial position	30.09.2014	31.12.2013	30.09.2013 restated
Current account in the central bank	5 616 452	4 018 340	5 251 842
Amounts due from banks	3 153 197	1 893 441	5 208 080
Trading assets - debt securities	2 912 815	467 931	2 014 824
issued by the State Treasury	2 826 433	395 202	1 944 102
issued by local government bodies	51 310	41 907	41 506
issued by non-financial institutions	15 296	23 892	19 583
issued by financial institutions	4 683	6 762	8 411
issued by banks	15 093	168	1 222
Derivative financial instruments	4 539 493	3 000 860	2 814 162
Financial instruments designated upon initial recognition at fair value through profit and loss - debt securities	13 111 276	15 204 756	12 503 572
issued by central banks	10 165 726	13 997 228	9 997 300
issued by the State Treasury	2 552 816	956 893	2 247 434
issued by local government bodies	252 671	250 635	258 838
issued by banks	139 560	-	-
issued by non-financial institutions	503	-	-
Loans and advances to customers	178 333 300	149 623 262	149 611 335
financial sector (excluding banks)	1 230 389	2 981 207	2 520 650
corporate loans	1 122 142	942 784	964 966
receivables due from repurchase agreements	108 247	2 038 423	1 555 684
non-financial sector	166 919 327	139 434 111	139 362 184
housing loans	96 925 776	74 900 220	73 979 602
corporate loans	47 331 865	44 508 259	45 224 383
consumer loans	20 202 490	19 213 873	19 329 047
debt securities	2 459 196	811 759	829 152
public sector	10 183 584	7 207 944	7 728 501
corporate loans	7 327 293	6 125 098	6 588 884
debt securities	2 854 682	977 181	1 135 415
housing loans	1 609	-	4 202
receivables due from repurchase agreements	-	105 665	-
Investment securities - debt securities	22 203 236	13 867 437	13 927 355
issued by the State Treasury	14 072 506	8 818 500	9 307 117
issued by local government bodies	4 175 802	3 440 753	2 956 146
issued by non-financial institutions	2 724 120	997 253	1 074 135
issued by banks	1 230 808	610 931	589 957
Investment securities held to maturity	263 226	38 005	28 313
issued by the State Treasury	222 154	26 886	28 313
issued by banks	41 072	11 119	-
Other assets - other financial assets	737 441	611 313	794 723
<b>Total</b>	<b>230 870 436</b>	<b>188 725 345</b>	<b>192 154 206</b>

Off-balance sheet items	30.09.2014	31.12.2013
Irrevocable liabilities granted	9 435 602	7 708 424
Guarantees granted	7 945 040	6 344 816
Guarantees of issuance	3 588 949	3 550 421
Letters of credit granted	708 296	491 768
<b>Total</b>	<b>21 677 887</b>	<b>18 095 429</b>

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

	30.09.2014	31.12.2013	30.09.2013 restated
Amounts due from banks	-	28 543	29 592
Loans and advances to customers	5 238 964	5 532 429	6 287 027
Financial sector	397	3 927	36 105
corporate loans	397	3 927	36 105
Non-financial sector	5 221 678	5 522 293	6 244 713
corporate loans	3 844 972	4 049 698	4 602 336
housing loans	1 283 150	1 371 261	1 532 298
consumer loans	93 556	101 334	110 079
Public sector	16 889	6 209	6 209
corporate loans	16 889	6 209	6 209
Financial assets available for sale	69	6 260	2 890
issued by financial entities	6	8	8
issued by non-financial entities	63	6 252	2 882
<b>Total</b>	<b>5 239 033</b>	<b>5 567 232</b>	<b>6 319 509</b>

**Interest rate risk**

As at 30 September 2014 and 31 December 2013, the exposure of the PKO Bank Polski SA Group to the interest rate risk comprised mainly the exposure of the Bank. Interest rate risk generated by the Group entities with regard to PLN, EUR and USD did not have a significant effect on the interest rate risk of the entire Group and therefore did not significantly affect its risk profile. Interest rate risk with regard to CHF was significantly altered by exposure of the Group entities, in which the biggest part had the exposure of Nordea Bank Polska SA.

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

Name of sensitivity measure	30.09.2014	31.12.2013
VaR for a 10-day time horizon with a confidence level of 99% threshold (in PLN thousand)*	112 661	54 930
Parallel movement of interest rate curves by 200 b.p. (in PLN thousand) (stress-test)**	573 969	495 858

\*Due to the nature of the activities carried out by the other entities of the PKO Bank Polski SA Group generating significant interest rate risk as well as the specific nature of the market on which they operate, the PKO Bank Polski SA Group does not calculate consolidated VaR. These companies apply their own risk measures in the interest rate risk management. KREDOBANK SA and Nordea Bank Polska SA use the 10-day interest rate VaR for the main currencies. The value of VaR indicator in KREDOBANK SA amounted to approx. PLN 9 382 thousand as at 30 September 2014 and PLN 10 686 thousand as at 31 December 2013. As at 30 September 2014 the value of VaR indicator in Nordea Bank Polska amounted to PLN 1 449 thousand, and as at 31 December 2013 PLN 4 876 thousand.

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

As at 30 September 2014 the Bank's interest rate VaR for a 10-day time horizon (10-day VaR, 99%) amounted to PLN 112 661 thousand, which accounted for approx. 0.49% of the Bank's own funds. As at 31 December 2013, VaR for the Bank amounted to PLN 54 930 thousand, which accounted for approx. 0.27% of the Bank's own funds calculated in accordance with regulations concerning calculation of the capital adequacy ratio.

**Currency risk**

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

Name of sensitivity measure	30.09.2014	31.12.2013
VaR for a 10-day time horizon with a confidence level of 99% threshold (in PLN thousand)*	4 087	2 443
Change in CUR/PLN by 20% (in PLN thousand) (stress-test)**	103 850	21 428

\*Due to the nature of the activities carried out by the other Group entities generating significant currency risk as well as the specific nature of the market on which they operate, the Bank does not calculate consolidated VaR. These companies apply their own risk measures in the currency risk management. KREDOBANK SA and Nordea Bank Polska SA use the 10-day VaR rate. The value of VaR indicator in KREDOBANK SA amounted to approx. PLN 4 902 thousand as at 30 September 2014 and approx. PLN 906 thousand as at 31 December 2013. As at 30 September 2014 the value of VaR indicator in Nordea Bank Polska SA amounted to PLN 166 thousand, and as at 31 December 2013 PLN 676 thousand.

\*\*The table presents the absolute value of the most adverse stress-test of the scenarios: PLN appreciation by 20% and PLN depreciation by 20%.

The level of the currency risk as at 31 December 2013 was low and increased as at 30 September 2014.

The volume of currency positions is a key factor determining the level of currency risk on which the Group is exposed (except for volatility of foreign exchange rates). The level of currency positions is determined by all foreign currency transactions, which are concluded, both in the statement of financial position and off-balance sheet transactions. The Bank's exposure to currency risk is low (with reference to own funds, 99% VaR for a 10-day time horizon, for the Bank's currency position as at 30 September 2014 amounted to ca. 0.02%).

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**Liquidity risk**

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

	a'vista	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 24 months	24 - 60 months	over 60 months
30.09.2014								
The Group - adjusted gap in real terms	1 085 837	10 548 491	(2 992 398)	1 021 896	6 769 488	4 825 764	(2 543 253)	(18 715 825)
The Group - cumulative adjusted gap in real terms	1 085 837	11 634 328	8 641 930	9 663 826	16 433 314	21 259 078	18 715 825	-
31.12.2013								
The Group - adjusted gap in real terms	6 980 540	13 323 611	(10 261 085)	(843 470)	1 710 668	5 611 828	18 606 239	(35 128 331)
The Group - cumulative adjusted gap in real terms	6 980 540	20 304 151	10 043 066	9 199 596	10 910 264	16 522 092	35 128 331	-

In all time horizons, the Group's cumulative adjusted liquidity gap in real terms, which has been determined as the sum of adjusted liquidity gap in real terms of the Bank and Nordea Bank Polska SA (as at 30 September 2014) as well as contractual liquidity gaps of the remaining entities of the Group, as at 30 September 2014 and as at 31 December 2013 was positive. This means a surplus of assets receivable over liabilities payable.

The table below presents liquidity reserve of the Bank as at 30 September 2014 and as at 31 December 2013:

Name of sensitivity measures	30.09.2014	31.12.2013
Liquidity reserve up to 1 month* (in PLN million)	15 809	17 816

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

As at 30 September 2014 the level of permanent balances on deposits constituted approx. 94.2% of all deposits in the Bank (excluding interbank market), which means a decrease by approximately 1.7 pp. as compared to the end of 2013.

**41. Capital adequacy**

The fundamental regulation applicable in the capital adequacy assessment process as at 30 September 2014 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 September 2014 the Banking Law has not been amended yet and the work on amending the Act implementing CRD IV regulations is currently ongoing. As a result of the above, in case of conflict between provisions of CRR Regulation and national regulations, precedence is given to the CRR Regulation. As at 30 September 2014 capital adequacy measures were calculated in accordance with the provisions of the CRR Regulation.

In accordance with the CRR Regulation for the purposes of capital adequacy a prudential consolidation is applied, which unlike the consolidation consistent with IFRS, comprises Bank's subsidiaries being institutions and financial institutions which are their subsidiaries (PKO Leasing SA, PKO BP Faktoring SA, PKO BP BANKOWY PTE SA, PKO Towarzystwo Funduszy Inwestycyjnych SA, KREDOBANK SA, PKO Finance AB, Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o., Nordea Bank Polska SA). Non-financial and insurance entities are excluded from prudential consolidation.

As at 31 December 2013 all capital adequacy measures were calculated in accordance with the provisions of the Banking Law, Resolution of the Polish Financial Supervision Authority No. 76/2010 of 10 March 2010 on the scope and detailed procedures for determining capital requirements for particular risks (Official Journal of PFSA No. 2, item 11 of 9 April 2010 with subsequent amendments), Resolution of the Polish Financial Supervision Authority No. 325/2011 of 20 December 2011 on decreasing own funds (Official Journal of PFSA No. 13, item 49 of 30 December 2011). The scope of consolidation which has been taken into account in capital adequacy as at 31 December 2013 included all subsidiaries of the PKO Bank Polski SA Group. Objectives and principles of capital adequacy management, in view of the above regulations, were described in detail in the annual consolidated financial statements of the PKO Bank Polski SA Group for 2013. Information about the Group's own funds elements calculated for capital adequacy purposes as well as the methods of calculation of capital requirements for individual types of risk as at 31 December 2013, have been also included in these financial statements.

The level of capital adequacy of the PKO Bank Polski SA Group as at 30 September 2014 remained on a safe level, significantly above the regulatory limits. As at 30 September 2014 the Bank meets requirements relating to capital adequacy measures defined within the CRR Regulation.

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**Own funds for capital adequacy purposes**

Own funds of the Group for the purposes of capital adequacy were calculated as at 30 September 2014 in accordance with the provisions of the CRR Regulation. Own funds of the Group comprise Tier 1 basic funds and Tier 2 supplementary funds. No elements of additional Tier 1 fund are identified within the Group.

As at 30 September 2014 in the Bank's own funds calculated for the purposes of capital adequacy the Bank's net profit generated from 1 January 2014 to 30 June 2014 after deducting dividends expected (in the amount of PLN 1 004.3 million) has been included. The net profit has been included within the Bank's Tier 1 basic funds.

Information on the structure of the Group's own funds included in prudential consolidation, set out for purposes of capital adequacy as at 30 September 2014, according to the CRR Regulation, is presented in the table below:

<b>GROUP'S OWN FUNDS</b>	<b>30.09.2014</b>
Basic funds (Tier 1)	22 530 897
Share capital	1 250 000
Other reserves	22 169 505
General banking risk fund for unidentified banking activities risk	1 070 000
Retained earnings	1 169 788
Cumulative other comprehensive income	(256 334)
Deferred income tax assets dependent on future profitability, not derived from temporary differences	(7 775)
Goodwill	(1 073 392)
Other intangible assets	(1 779 105)
Additional adjustments of assets measured at fair value	(11 790)
Supplementary funds (Tier 2)	2 375 740
Subordinated liabilities classified as supplementary funds	2 375 740
<b>Total own funds</b>	<b>24 906 637</b>

As at 31 December 2013 own funds for the purposes of capital adequacy are calculated in accordance with the provisions of the Banking Law and Resolution of the Polish Financial Supervision Authority No. 325/2011 of 20 December 2011 on deductions from own funds (Official Journal of PFSA of 30 December 2011 No. 13, item 49).

Information on the structure of the Group's own funds set out for purposes of capital adequacy as at 31 December 2013 is presented in the table below:

<b>GROUP'S OWN FUNDS</b>	<b>31.12.2013</b>
Basic funds (Tier 1)	19 611 274
Share capital	1 250 000
Reserve capital	16 760 686
Other reserves	3 469 107
General banking risk fund for unidentified banking activities risk	1 070 000
Undistributed profits from previous years	(306 230)
Unrealised losses on debt and equity instruments and other receivables classified as available for sale	(141 815)
Assets valuation adjustments in trading portfolio	(5 656)
Intangible assets, of which:	(2 230 222)
goodwill of subordinated entities	(218 850)
Equity exposures	(121 930)
Negative currency translation differences from foreign operations	(134 175)
Non-controlling interest	1 509
Supplementary funds (Tier 2)	1 539 670
Subordinated liabilities classified as supplementary funds	1 600 700
Unrealised gains on debt and equity instruments classified as available for sale (80% of their value before the tax)	56 145
Positive currency translation differences from foreign operations	4 755
Equity exposures	(121 930)
Short-term equity (Tier 3)	154 112
<b>Total own funds</b>	<b>21 305 056</b>



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**Requirements as regard own funds (Pillar 1)**

In accordance with the Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending the Regulation (EU) No. 648/2012 being in force since 1 January 2014, the Group 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 – using the advanced measurement approach (AMA), and for the Group entities – the basic index approach (BIA),
- in respect of position risk (market) – using basic methods.

The total requirements in respect of own funds comprises the sum of the capital requirements for:

- 1) credit risk – including credit risk instruments from the banking book, counterparty credit risk and risk of credit valuation adjustment (CVA),
- 2) position risk (market risk) – including currency risk, commodity price risk, equity securities price risk, specific risk of debt instruments, general interest rate risk and risk associated with options and warrants other than the delta risk,
- 3) operational risk,
- 4) other types of requirements in respect of own funds:
  - a) settlement and delivery risk,
  - b) exceeding the large exposure limit.

The table below presents the Group's exposure to particular types of risk. Data as at 30 September 2014 was calculated pursuant to the Regulation No. 575/2013 (which is mentioned above), whereas data as at 31 December 2013 was calculated in accordance with the Resolution No. 76/2010 of the Polish Financial Supervision Authority dated 10 March 2010 on scope and detailed principles of setting capital requirements in connection with the individual risk types (Official Journal of PFSA No. 2, item 11 of 9 April 2011 with subsequent amendments).

Requirements in respect of own funds	30.09.2014	31.12.2013
Credit risk	14 207 790	11 593 995
Market risk	400 255	327 321
Credit valuation adjustment risk	244 958	-
Settlement/delivery risk	14 123	-
Operational risk	800 743	630 884
Total capital requirement	15 667 869	12 552 200
<b>Capital adequacy ratio</b>	<b>12.72%</b>	<b>13.58%</b>

The increase in own funds requirements in respect of credit risk was mainly due to implementation of changes resulting from coming into force of regulations consistent with so called Basel III, implemented into the European law through so called CRR/CRD IV Package, as well as due to finalising Nordea Bank Polska purchase transaction.

The Group calculates requirements as regard own funds in respect of credit risk according to the following formulas:

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

**Internal capital (Pillar 2)**

The Group calculates internal capital in accordance with the Resolution No. 258/2011 of 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 persons holding managerial positions in the Bank (Official Journal of PFSA No. 11, item 42 of 23 November 2011). Internal capital is the amount of estimated capital that is necessary to cover all of the identified significant risks characteristics of the Group's activities and the effect of changes in the business environment, taking account of the anticipated risk level.

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

- credit risk (including default and concentration risk),
- currency risk,
- interest rate risk,
- liquidity risk,
- operational risk,
- business risk (taking into consideration strategic risk).

Materialisation of macroeconomic changes risk, model risk and compliance 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 activities of the Bank and other Group subsidiaries.

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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 and a 99.9% confidence level are adopted. The total internal capital of each entity of the Group is the sum of internal capital necessary to cover all of the significant risks for the entity. The total internal capital of the Group is the sum of internal capital of the Bank and all Group entities. The correlation ratio between particular types of risk and particular Group entities used in the internal capital calculation is equal to 1.

As at 30 September 2014, the relation of the Group's own funds to its internal capital remained on a level exceeding both the threshold set by the law and the Group's internal limits.

**Disclosures (Pillar 3)**

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

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

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## STAND-ALONE FINANCIAL DATA

## INCOME STATEMENT

	Note	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013 restated	3 quarters cumulatively period from 01.01.2013 to 30.09.2013 restated
Continuing operations					
Interest and similar income	1	2 535 589	7 407 942	2 489 154	8 053 268
Interest expense and similar charges	1	(765 815)	(2 206 092)	(894 647)	(3 138 151)
<b>Net interest income</b>		<b>1 769 774</b>	<b>5 201 850</b>	<b>1 594 507</b>	<b>4 915 117</b>
Fee and commission income	2	869 441	2 744 618	923 626	2 640 823
Fee and commission expense	2	(237 252)	(777 472)	(262 670)	(705 321)
<b>Net fee and commission income</b>		<b>632 189</b>	<b>1 967 146</b>	<b>660 956</b>	<b>1 935 502</b>
Dividend income		3 907	83 739	471	79 038
Net income from financial instruments measured at fair value	3	14 514	56 803	30 169	34 020
Gains less losses from investment securities	4	33 384	71 184	3 423	64 196
Net foreign exchange gains (losses)		61 428	243 388	65 682	138 917
Other operating income	5	25 694	93 628	28 408	61 573
Other operating expense	5	(32 325)	(72 898)	(14 290)	(42 193)
<b>Net other operating income and expense</b>		<b>(6 631)</b>	<b>20 730</b>	<b>14 118</b>	<b>19 380</b>
Net impairment allowance and write-downs	6	(430 341)	(1 367 275)	(482 023)	(1 365 705)
Administrative expenses	7	(1 091 299)	(3 219 498)	(1 012 472)	(3 043 916)
Operating profit		986 925	3 058 067	874 831	2 776 549
<b>Profit before income tax</b>		<b>986 925</b>	<b>3 058 067</b>	<b>874 831</b>	<b>2 776 549</b>
Income tax expense	8	(197 773)	(589 615)	(171 981)	(520 232)
<b>Net profit</b>		<b>789 152</b>	<b>2 468 452</b>	<b>702 850</b>	<b>2 256 317</b>

Earnings per share	9				
- basic earnings per share for the period (PLN)		0.63	1.97	0.56	1.81
- diluted earnings per share for the period (PLN)		0.63	1.97	0.56	1.81
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 nine-month periods ended 30 September 2014 and 30 September 2013 respectively, no discontinued operations were conducted by PKO Bank Polski SA.

## STATEMENT OF COMPREHENSIVE INCOME

	Note	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013 restated	3 quarters cumulatively period from 01.01.2013 to 30.09.2013 restated
<b>Net profit</b>		<b>789 152</b>	<b>2 468 452</b>	<b>702 850</b>	<b>2 256 317</b>
<b>Other comprehensive income</b>		<b>115 974</b>	<b>325 707</b>	<b>42 625</b>	<b>(291 613)</b>
<b>Items that may be reclassified to the income statement</b>		<b>115 974</b>	<b>325 707</b>	<b>42 625</b>	<b>(291 613)</b>
Cash flow hedges (gross)	14	43 081	195 016	39 359	(205 695)
Deferred tax on cash flow hedges		(8 185)	(37 053)	(7 478)	39 082
Cash flow hedges (net)		34 896	157 963	31 881	(166 613)
Unrealised net gains on financial assets available for sale (gross)	4	100 096	207 090	13 264	(154 319)
Deferred tax on unrealised net gains on financial assets available for sale		(19 018)	(39 346)	(2 520)	29 319
Unrealised net gains on financial assets available for sale (net)		81 078	167 744	10 744	(125 000)
<b>Total net comprehensive income</b>		<b>905 126</b>	<b>2 794 159</b>	<b>745 475</b>	<b>1 964 704</b>

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## STATEMENT OF FINANCIAL POSITION

	Note	30.09.2014	31.12.2013	30.09.2013 restated
<b>ASSETS</b>				
Cash and balances with the central bank	10	8 042 193	7 188 406	7 533 307
Amounts due from banks	11	17 936 317	2 089 087	5 380 585
Trading assets	12	2 932 409	484 485	2 029 379
Derivative financial instruments	13	4 518 814	3 002 220	2 814 979
Financial assets designated upon initial recognition at fair value through profit and loss	14	10 381 401	15 179 188	12 477 276
Loans and advances to customers	15	151 188 138	147 372 326	147 378 784
Investment securities available for sale	16	20 785 003	13 736 698	13 811 350
Investments in subsidiaries, joint ventures and associates	17	4 773 418	1 578 926	1 370 277
Non-current assets held for sale		75 449	145 657	13 621
Intangible assets	18	1 904 578	1 944 132	1 658 950
Tangible fixed assets, of which:	18	2 218 366	2 296 981	2 359 542
investment properties		184	187	191
Current income tax receivables		68 295	201 212	177 936
Deferred income tax asset	8	352 217	387 192	402 176
Other assets		832 585	673 422	906 140
<b>TOTAL ASSETS</b>		<b>226 009 183</b>	<b>196 279 932</b>	<b>198 314 302</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Amounts due to the central bank		4 604	4 065	4 149
Amounts due to banks	19	18 122 990	2 529 623	4 573 482
Derivative financial instruments	13	4 445 254	3 328 149	3 284 659
Amounts due to customers	20	170 613 338	159 957 671	159 147 105
Debt securities in issue	21	866 151	983 123	856 042
Subordinated liabilities	22	1 603 268	1 620 857	1 603 338
Other liabilities	23	3 116 086	2 434 721	4 495 621
Provisions	24	269 591	310 481	260 385
<b>TOTAL LIABILITIES</b>		<b>199 041 282</b>	<b>171 168 690</b>	<b>174 224 781</b>
<b>Equity</b>				
Share capital		1 250 000	1 250 000	1 250 000
Other capital		23 249 449	20 898 722	20 854 446
Undistributed profits		-	(271 242)	(271 242)
Net profit for the year		2 468 452	3 233 762	2 256 317
<b>TOTAL EQUITY</b>		<b>26 967 901</b>	<b>25 111 242</b>	<b>24 089 521</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>226 009 183</b>	<b>196 279 932</b>	<b>198 314 302</b>
Capital adequacy ratio	29	13.69%	13.38%	13.56%
Book value (in PLN thousand)		26 967 901	25 111 242	24 089 521
Number of shares (in thousand)	1	1 250 000	1 250 000	1 250 000
Book value per share (in PLN)		21.57	20.09	19.27
Diluted number of shares (in thousand)		1 250 000	1 250 000	1 250 000
Diluted book value per share (in PLN)		21.57	20.09	19.27

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**STATEMENT OF CHANGES IN EQUITY**

for the period ended 30 September 2014	Share capital	Other capital						Total other capital	Undistributed profits	Net profit for the period	Total equity
		Reserves			Other comprehensive income						
		Reserve capital	General banking risk fund	Other reserves	Financial assets available for sale	Cash flow hedges	Actuarial gains and losses				
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:	-	-	-	-	167 744	157 963	-	325 707	-	2 468 452	2 794 159
Net profit	-	-	-	-	-	-	-	-	-	2 468 452	2 468 452
Other comprehensive income	-	-	-	-	167 744	157 963	-	325 707	-	-	325 707
Transfer from undistributed profits	-	2 020 000	-	5 020	-	-	-	2 025 020	(2 025 020)	-	-
Dividends declared	-	-	-	-	-	-	-	-	(937 500)	-	(937 500)
<b>As at 30 September 2014</b>	<b>1 250 000</b>	<b>18 618 111</b>	<b>1 070 000</b>	<b>3 421 913</b>	<b>114 731</b>	<b>32 370</b>	<b>(7 676)</b>	<b>23 249 449</b>	<b>-</b>	<b>2 468 452</b>	<b>26 967 901</b>

for the year ended 31 December 2013	Share capital	Other capital						Total other capital	Undistributed profits	Net profit for the period	Total equity
		Reserves			Other comprehensive income						
		Reserve capital	General banking risk fund	Other reserves	Financial assets available for sale	Cash flow hedges	Actuarial gains and losses				
As at 1 January 2013 (restated)	1 250 000	15 198 111	1 070 000	3 385 743	9 156	51 899	51 953	19 766 862	(224 681)	3 582 636	24 374 817
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	3 582 636	(3 582 636)	-
Total comprehensive income, of which:	-	-	-	-	(62 169)	(177 492)	(7 676)	(247 337)	-	3 233 762	2 986 425
Net profit	-	-	-	-	-	-	-	-	-	3 233 762	3 233 762
Other comprehensive income	-	-	-	-	(62 169)	(177 492)	(7 676)	(247 337)	-	-	(247 337)
Transfer from undistributed profits	-	1 400 000	-	31 150	-	-	-	1 431 150	(1 431 150)	-	-
Transfer from other comprehensive income to undistributed profits	-	-	-	-	-	-	(51 953)	(51 953)	51 953	-	-
Dividends paid	-	-	-	-	-	-	-	-	(2 250 000)	-	(2 250 000)
<b>As at 31 December 2013</b>	<b>1 250 000</b>	<b>16 598 111</b>	<b>1 070 000</b>	<b>3 416 893</b>	<b>(53 013)</b>	<b>(125 593)</b>	<b>(7 676)</b>	<b>20 898 722</b>	<b>(271 242)</b>	<b>3 233 762</b>	<b>25 111 242</b>

for the period ended 30 September 2013	Share capital	Other capital						Total other capital	Undistributed profits	Net profit for the period	Total equity
		Reserves			Other comprehensive income						
		Reserve capital	General banking risk fund	Other reserves	Financial assets available for sale	Cash flow hedges	Actuarial gains and losses				
As at 1 January 2013 (restated)	1 250 000	15 198 111	1 070 000	3 385 743	9 156	51 899	51 953	19 766 862	(224 681)	3 582 636	24 374 817
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	3 582 636	(3 582 636)	-
Total comprehensive income (restated), of which:	-	-	-	-	(125 000)	(166 613)	-	(291 613)	-	2 256 317	1 964 704
Net profit (restated)	-	-	-	-	-	-	-	-	-	2 256 317	2 256 317
Other comprehensive income (restated)	-	-	-	-	(125 000)	(166 613)	-	(291 613)	-	-	(291 613)
Transfer from undistributed profits	-	1 400 000	-	31 150	-	-	-	1 431 150	(1 431 150)	-	-
Transfer from other comprehensive income to undistributed profits	-	-	-	-	-	-	(51 953)	(51 953)	51 953	-	-
Dividends declared	-	-	-	-	-	-	-	-	(2 250 000)	-	(2 250 000)
<b>As at 30 September 2013 (restated)</b>	<b>1 250 000</b>	<b>16 598 111</b>	<b>1 070 000</b>	<b>3 416 893</b>	<b>(115 844)</b>	<b>(114 714)</b>	<b>-</b>	<b>20 854 446</b>	<b>(271 242)</b>	<b>2 256 317</b>	<b>24 089 521</b>

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## STATEMENT OF CASH FLOWS

	Note	01.01- 30.09.2014	01.01- 30.09.2013 restated
Net cash flow from operating activities			
<b>Profit before income tax</b>		<b>3 058 067</b>	<b>2 776 549</b>
<b>Adjustments:</b>		<b>(6 272 011)</b>	<b>(2 006 383)</b>
Amortisation and depreciation		465 813	392 445
(Gains) losses from investing activities		(17 205)	2 118
Interest and dividends		(192 637)	(471 699)
Change in amounts due from banks		(14 538 293)	352 740
Change in trading assets and financial assets designated upon initial recognition at fair value through profit and loss		2 349 863	(1 609 508)
Change in derivative financial instruments (asset)		(1 516 594)	1 046 477
Change in loans and advances to customers		(4 202 570)	(5 858 810)
Change in other assets and non-current assets held for sale		34 649	(121 177)
Change in amounts due to banks		1 178 351	2 071 615
Change in derivative financial instruments (liability)		1 117 105	(679 511)
Change in amounts due to customers		8 571 717	4 074 320
Change in provisions and impairment allowances		395 630	(380 224)
Change in other liabilities and subordinated liabilities		(273 724)	658 447
Income tax paid		(497 674)	(743 398)
Other adjustments		853 558	(740 218)
<b>Net cash generated from / used in operating activities</b>		<b>(3 213 944)</b>	<b>770 166</b>
Net cash flow from investing activities			
Inflows from investing activities		34 478 223	32 191 088
Proceeds from sale of an associate classified as assets held for sale		-	24 850
Proceeds from sale and interest of investment securities available for sale		34 355 844	32 078 193
Proceeds from sale of intangible assets and tangible fixed assets		39 223	9 630
Other investing inflows (dividends)		83 156	78 415
Outflows from investing activities		(45 169 856)	(33 331 719)
Purchase of equity of subsidiaries		(3 191 026)	(44 541)
Increase in equity of subsidiaries		(142 259)	-
Purchase of investment securities available for sale		(41 471 831)	(32 916 511)
Purchase of intangible assets and tangible fixed assets		(364 740)	(370 667)
<b>Net cash used in investing activities</b>		<b>(10 691 633)</b>	<b>(1 140 631)</b>
Net cash flow from financing activities			
Proceeds from debt securities in issue		739 617	1 429 385
Redemption of debt securities in issue		(862 032)	(1 462 447)
Repayment of interest from issued debt securities and subordinated loans		(97 364)	(116 888)
Long-term borrowings		16 499 505	332 211
Repayment of long-term borrowings and interest		(238 063)	(225 917)
<b>Net cash generated from / used in financing activities</b>		<b>16 041 663</b>	<b>(43 656)</b>
<b>Net cash flow</b>		<b>2 136 086</b>	<b>(414 121)</b>
of which currency translation differences on cash and cash equivalents		70 937	49 308
Cash and cash equivalents at the beginning of the period		8 644 682	12 235 414
Cash and cash equivalents at the end of the period	26	10 780 768	11 821 293
of which restricted		11 384	13 184

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

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

**Restatements in the statement of financial position**

	30.09.2013 before restatement	changes due to bancassurance	reclassification of liabilities due to UOKiK	30.09.2013 restated
<b>Assets</b>				
Loans and advances to customers	147 808 461	(429 677)	-	147 378 784
Deferred income tax asset	339 201	62 975	-	402 176
Other items of assets	50 533 342	-	-	50 533 342
<b>TOTAL ASSETS</b>	<b>198 681 004</b>	<b>(366 702)</b>	<b>-</b>	<b>198 314 302</b>
<b>Liabilities</b>				
Other liabilities	4 617 293	(98 230)	(23 442)	4 495 621
Provisions	236 943	-	23 442	260 385
Other items of liabilities	169 468 775	-	-	169 468 775
<b>TOTAL LIABILITIES</b>	<b>174 323 011</b>	<b>(98 230)</b>	<b>-</b>	<b>174 224 781</b>
<b>Equity</b>				
Share capital	1 250 000	-	-	1 250 000
Other capital	20 854 446	-	-	20 854 446
Undistributed profits	-	(271 242)	-	(271 242)
Net profit	2 253 547	2 770	-	2 256 317
<b>TOTAL EQUITY</b>	<b>24 357 993</b>	<b>(268 472)</b>	<b>-</b>	<b>24 089 521</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>198 681 004</b>	<b>(366 702)</b>	<b>-</b>	<b>198 314 302</b>

**Restatements in the income statement**

	01.01- 30.09.2013 before restatement	changes due to bancassurance	01.01- 30.09.2013 restated
Interest and similar income	7 889 761	163 507	8 053 268
Interest expense and similar charges	(3 138 151)	-	(3 138 151)
Net interest income	4 751 610	163 507	4 915 117
Fee and commission income	2 833 095	(192 272)	2 640 823
Fee and commission expense	(737 506)	32 185	(705 321)
Net fee and commission income	2 095 589	(160 087)	1 935 502
Dividend income	79 038	-	79 038
Net income from financial instruments measured at fair value	34 020	-	34 020
Gains less losses from investment securities	64 196	-	64 196
Net foreign exchange gains (losses)	138 917	-	138 917
Net other operating income and expense	19 380	-	19 380
Net impairment allowance and write-downs	(1 365 705)	-	(1 365 705)
Administrative expenses	(3 043 916)	-	(3 043 916)
Operating profit	2 773 129	3 420	2 776 549
Profit before income tax	2 773 129	3 420	2 776 549
Income tax expense	(519 582)	(650)	(520 232)
<b>Net profit</b>	<b>2 253 547</b>	<b>2 770</b>	<b>2 256 317</b>

**Restatement in the statement of comprehensive income**

	01.01- 30.09.2013 before restatement	changes due to bancassurance	01.01- 30.09.2013 restated
Net profit	2 253 547	2 770	2 256 317
Other comprehensive income	(291 613)	-	(291 613)
<b>Total net comprehensive income</b>	<b>1 961 934</b>	<b>2 770</b>	<b>1 964 704</b>



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## NOTES TO THE FINANCIAL STATEMENTS

## 1. Interest income and expense

## Interest and similar income

	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013 restated	3 quarters cumulatively period from 01.01.2013 to 30.09.2013 restated
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:	2 352 358	6 838 907	2 274 103	7 269 018
Income from loans and advances to customers, of which:	2 140 915	6 276 312	2 114 513	6 740 269
from impaired loans	106 892	330 229	124 039	380 863
Income from loans to banks	9 594	20 813	531	1 515
Income from investment securities available for sale	163 028	427 698	123 976	395 706
Income from placements with banks	38 298	111 373	33 743	128 691
Other	523	2 711	1 340	2 837
Other income, of which:	183 231	569 035	215 051	784 250
Income from financial assets designated upon initial recognition at fair value through profit and loss	84 584	271 284	100 142	364 048
Income from derivative hedging instruments	84 260	255 374	98 503	368 847
Income from trading assets	14 387	42 377	16 406	51 355
<b>Total</b>	<b>2 535 589</b>	<b>7 407 942</b>	<b>2 489 154</b>	<b>8 053 268</b>

## Interest expense and similar charges

	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013
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:	(760 205)	(2 194 783)	(885 507)	(3 122 035)
Interest expense on amounts due to customers	(705 445)	(2 048 728)	(838 410)	(2 976 217)
Interest expense on loans from banks	(18 649)	(45 397)	(8 196)	(22 941)
Interest expense on debt securities in issue and subordinated liabilities	(22 925)	(67 317)	(23 749)	(81 447)
Premium expense on debt securities available for sale	(10 037)	(24 917)	(11 355)	(27 936)
Interest expense on deposits from banks	(3 149)	(8 424)	(3 797)	(13 494)
Other expense	(5 610)	(11 309)	(9 140)	(16 116)
Interest expense on financial assets designated upon initial recognition at fair value through profit and loss	(2 853)	(5 984)	(5 877)	(8 780)
Interest expense on trading assets	(2 757)	(5 325)	(3 263)	(7 336)
<b>Total</b>	<b>(765 815)</b>	<b>(2 206 092)</b>	<b>(894 647)</b>	<b>(3 138 151)</b>

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## 2. Fee and commission income and expense

### Fee and commission income

	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013 restated	3 quarters cumulatively period from 01.01.2013 to 30.09.2013 restated
Income from financial assets, which are not measured at fair value through profit and loss, of which:	150 088	425 978	141 245	433 122
income from loans and advances granted	150 088	425 978	141 245	433 122
Other commissions from:	718 618	2 316 269	781 299	2 204 524
payment cards	280 687	986 252	344 433	925 094
maintenance of bank accounts	216 404	669 877	225 465	647 731
loan insurance	65 469	199 170	58 318	190 467
maintenance of investment funds (including management fees)	56 803	170 834	56 882	156 094
cash transactions	25 191	76 778	28 549	86 006
securities transactions	23 589	65 079	18 403	53 828
servicing foreign mass transactions	14 619	42 636	13 419	38 384
providing the services of an agent for the issue of Treasury bonds	3 721	15 237	5 331	16 596
sale and distribution of court fee stamps	2 303	4 803	2 815	6 733
Other*	29 832	85 603	27 684	83 591
Income from fiduciary activities	735	2 371	1 082	3 177
<b>Total</b>	<b>869 441</b>	<b>2 744 618</b>	<b>923 626</b>	<b>2 640 823</b>

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

### Fee and commission expense

	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013 restated	3 quarters cumulatively period from 01.01.2013 to 30.09.2013 restated
payment cards	(152 644)	(519 396)	(182 926)	(471 553)
loan insurance	(24 189)	(77 366)	(23 568)	(68 946)
acquisition services	(20 384)	(62 899)	(22 338)	(68 052)
settlement services	(7 257)	(20 875)	(4 653)	(18 149)
fee and commissions for operating services provided by banks	(3 810)	(9 911)	(3 175)	(8 541)
other*	(28 968)	(87 025)	(26 010)	(70 080)
<b>Total</b>	<b>(237 252)</b>	<b>(777 472)</b>	<b>(262 670)</b>	<b>(705 321)</b>

\* 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 (KDPW).

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

	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013
Change in fair value of financial instruments measured at fair value through profit and loss determined using the valuation techniques:	(10 687)	(3 230)	18 244	25 769
Derivative instruments, of which:	(7 974)	5 217	21 607	42 354
an ineffective portion related to cash flow hedges	(5 692)	802	11 255	11 752
Structured bank securities measured at fair value through profit and loss	(2 713)	(8 447)	(3 363)	(16 585)
Debt securities	24 210	58 144	10 631	8 860
Equity instruments	991	1 889	1 294	(609)
<b>Total</b>	<b>14 514</b>	<b>56 803</b>	<b>30 169</b>	<b>34 020</b>

3rd quarter period from 01.07.2014 to 30.09.2014	Gains	Losses	Net result
Trading assets	2 198 578	(2 200 117)	(1 539)
Financial assets designated upon initial recognition at fair value through profit and loss	18 289	(2 236)	16 053
<b>Total</b>	<b>2 216 867</b>	<b>(2 202 353)</b>	<b>14 514</b>

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3 quarters cumulatively period from 01.01.2014 to 30.09.2014	Gains	Losses	Net result
Trading assets	10 643 267	(10 624 571)	18 696
Financial assets designated upon initial recognition at fair value through profit and loss	112 531	(74 424)	38 107
<b>Total</b>	<b>10 755 798</b>	<b>(10 698 995)</b>	<b>56 803</b>

3rd quarter period from 01.07.2013 to 30.09.2013	Gains	Losses	Net result
Trading assets	1 374 129	(1 348 535)	25 594
Financial assets designated upon initial recognition at fair value through profit and loss	3 402	1 173	4 575
<b>Total</b>	<b>1 377 531</b>	<b>(1 347 362)</b>	<b>30 169</b>

3 quarters cumulatively period from 01.01.2013 to 30.09.2013	Gains	Losses	Net result
Trading assets	11 624 229	(11 578 691)	45 538
Financial assets designated upon initial recognition at fair value through profit and loss	74 127	(85 645)	(11 518)
<b>Total</b>	<b>11 698 356</b>	<b>(11 664 336)</b>	<b>34 020</b>

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

	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013
Gain/loss due to change in value of assets available for sale recognised directly in other comprehensive income during the period	66 712	135 906	9 841	(218 515)
Gain/loss derecognised from other comprehensive income recognised in income statement in the position 'Gains less losses from investment securities' on:				
gain from sale derecognised from other comprehensive income	36 733	77 309	9 461	100 496
loss on sale derecognised from other comprehensive income	(3 349)	(6 125)	(6 038)	(36 300)
<b>Impact on other comprehensive income (gross), position 'Unrealised net gains on financial assets available for sale (gross)'</b>	<b>100 096</b>	<b>207 090</b>	<b>13 264</b>	<b>(154 319)</b>

**5. Other operating income and expense**

	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013
Sale and disposal of tangible fixed assets, intangible assets and assets held for sale	7 000	39 223	3 811	9 629
Sundry income	4 287	13 590	4 787	14 683
Recovery of expired and written-off receivables	2 378	7 952	2 303	4 818
Other	12 029	32 863	17 507	32 443
<b>Total other operating income</b>	<b>25 694</b>	<b>93 628</b>	<b>28 408</b>	<b>61 573</b>

	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013
Costs of sale and disposal of tangible fixed assets, intangible assets and assets held for sale	(16 799)	(36 797)	(5 247)	(13 272)
Donations	(8 251)	(14 477)	(3 087)	(10 589)
Sundry expense	(811)	(3 239)	(1 126)	(3 915)
Other	(6 464)	(18 385)	(4 830)	(14 417)
<b>Total other operating expense</b>	<b>(32 325)</b>	<b>(72 898)</b>	<b>(14 290)</b>	<b>(42 193)</b>

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

For the nine-month period ended 30 September 2014	Value at the beginning of the period	Increases		Decreases			Value at the end of the period	Net - impact on the income statement
		Recognised during the period	Other	Derecognition of assets and settlement	Reversed during the period	Other		
Investment securities available for sale	33 355	123	-	-	-	15 874	17 604	(123)
Debt securities available for sale	3 296	123	-	-	-	3 419	-	(123)
Equity securities	30 059	-	-	-	-	12 455	17 604	-
Amounts due from banks	40 237	4 341	-	2 049	28 930	-	13 599	24 589
Loans and advances to customers measured at amortised cost	6 381 232	4 094 466	32 950	863 783	2 876 875	-	6 767 990	(1 217 591)
Non-financial sector	6 361 891	4 069 609	32 668	863 543	2 867 696	-	6 732 929	(1 201 913)
corporate loans	3 229 736	2 065 559	11 376	529 064	1 283 692	-	3 493 915	(781 867)
housing loans	1 704 404	1 006 996	18 405	99 427	776 949	-	1 853 429	(230 047)
consumer loans	1 400 664	957 828	2 887	235 052	807 055	-	1 319 272	(150 773)
debt securities	27 087	39 226	-	-	-	-	66 313	(39 226)
Financial sector	7 814	24 456	207	240	8 203	-	24 034	(16 253)
corporate loans	7 814	24 456	207	240	8 203	-	24 034	(16 253)
Public sector	11 527	401	75	-	-	976	11 027	575
corporate loans	10 549	372	75	-	-	976	10 020	604
debt securities	978	29	-	-	-	-	1 007	(29)
Non-current assets held for sale	165 226	48 531	-	236	-	-	213 521	(48 531)
Tangible fixed assets	34	-	-	16	-	-	18	-
Intangible assets	17 154	-	-	-	1 781	-	15 373	1 781
Investments in subsidiaries, joint ventures and associates	842 040	14 918	-	-	-	-	856 958	(14 918)
Other receivables	143 335	145 677	5 602	2 304	17 301	-	275 009	(128 376)
Provision for legal claims, loan commitments and guarantees granted	145 124	309 870	1 578	-	325 458	-	131 114	15 588
Provisions for future liabilities	5 396	1 723	-	589	2 029	-	4 501	306
<b>Total</b>	<b>7 773 133</b>	<b>4 619 649</b>	<b>40 130</b>	<b>868 977</b>	<b>3 252 374</b>	<b>15 874</b>	<b>8 295 687</b>	<b>(1 367 275)</b>

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For the nine-month period ended 30 September 2013	Value at the beginning of the period	Increases		Decreases			Value at the end of the period	Net – impact on the income statement
		Recognised during the period	Other	Derecognition of assets and settlement	Reversed during the period	Other		
Investment securities available for sale	24 592	2 788	-	5 536	-	1 452	20 392	(2 788)
Debt securities available for sale	5 536	2 788	-	5 536	-	-	2 788	(2 788)
Equity securities	19 056	-	-	-	-	1 452	17 604	-
Amounts due from banks	30 792	5 526	234	-	892	-	35 660	(4 634)
Loans and advances to customers measured at amortised cost	6 228 629	6 673 087	25 185	1 207 147	5 245 513	73 306	6 400 935	(1 427 574)
Non-financial sector	6 161 413	6 623 727	24 559	1 207 020	5 232 074	73 306	6 297 299	(1 391 653)
corporate loans	3 102 026	3 442 373	2 874	763 903	2 547 576	19 982	3 215 812	(894 797)
housing loans	1 639 861	1 438 666	19 397	160 121	1 248 298	-	1 689 505	(190 368)
consumer loans	1 417 720	1 737 357	2 288	282 996	1 436 200	53 324	1 384 845	(301 157)
debt securities	1 806	5 331	-	-	-	-	7 137	(5 331)
Financial sector	45 226	46 611	446	-	1 244	-	91 039	(45 367)
corporate loans	45 226	46 611	446	-	1 244	-	91 039	(45 367)
Public sector	21 990	2 749	180	127	12 195	-	12 597	9 446
corporate loans	19 640	2 749	180	127	11 323	-	11 119	8 574
debt securities	2 350	-	-	-	872	-	1 478	872
Non-current assets held for sale	1 226	963	-	589	-	-	1 600	(963)
Tangible fixed assets	34	-	-	-	-	-	34	-
Intangible assets	17 154	-	-	-	-	-	17 154	-
Investments in subsidiaries, joint ventures and associates	683 817	35 936	1 452	-	-	-	721 205	(35 936)
Other receivables	149 549	28 404	38	10 989	26 230	-	140 772	(2 174)
Provision for legal claims, loan commitments and guarantees granted	234 470	145 296	379	-	246 427	-	133 718	101 131
Provisions for future liabilities	11 961	1 851	-	430	9 084	-	4 298	7 233
<b>Total</b>	<b>7 382 224</b>	<b>6 893 851</b>	<b>27 288</b>	<b>1 224 691</b>	<b>5 528 146</b>	<b>74 758</b>	<b>7 475 768</b>	<b>(1 365 705)</b>

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## 7. Administrative expenses

	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013
Employee benefits	(594 326)	(1 713 930)	(572 700)	(1 649 220)
Overheads	(269 885)	(829 520)	(248 490)	(841 130)
Amortisation and depreciation, of which:	(157 798)	(465 813)	(137 774)	(392 445)
tangible fixed assets	(63 666)	(189 658)	(70 930)	(203 071)
intangible assets	(94 131)	(276 152)	(66 841)	(189 366)
investment properties	(1)	(3)	(3)	(8)
Taxes and other charges	(16 736)	(52 771)	(15 073)	(45 815)
Contribution and payments to the Bank Guarantee Fund	(52 554)	(157 464)	(38 435)	(115 306)
<b>Total</b>	<b>(1 091 299)</b>	<b>(3 219 498)</b>	<b>(1 012 472)</b>	<b>(3 043 916)</b>

## Wages and salaries/employee benefits

	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013	3 quarters cumulatively period from 01.01.2013 to 30.09.2013
Wages and salaries	(499 245)	(1 428 997)	(468 435)	(1 338 222)
Social insurance, of which:	(79 690)	(238 177)	(89 658)	(262 593)
contributions to retirement pay and pensions	(63 477)	(206 308)	(73 320)	(219 330)
Other employee benefits	(15 391)	(46 756)	(14 607)	(48 405)
<b>Total</b>	<b>(594 326)</b>	<b>(1 713 930)</b>	<b>(572 700)</b>	<b>(1 649 220)</b>

## 8. Income tax expense

	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013 restated	3 quarters cumulatively period from 01.01.2013 to 30.09.2013 restated
Current income tax expense	(198 762)	(631 037)	(86 795)	(421 375)
Deferred income tax related to creating and reversal of temporary differences	2 889	41 422	(85 186)	(98 857)
Tax expense in the income statement	(195 873)	(589 615)	(171 981)	(520 232)
Tax expense in other comprehensive income related to creating and reversal of temporary differences	(27 203)	(76 399)	(9 998)	68 401
<b>Total</b>	<b>(223 076)</b>	<b>(666 014)</b>	<b>(181 979)</b>	<b>(451 831)</b>

	30.09.2014	31.12.2013	30.09.2013 restated
Deferred income tax asset	1 171 157	1 108 082	1 128 349
Deferred income tax liability	818 940	720 890	726 173
<b>Total</b>	<b>352 217</b>	<b>387 192</b>	<b>402 176</b>

## 9. Earnings per share

### Basic earnings per share

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

### Earnings per share

	3rd quarter period from 01.07.2014 to 30.09.2014	3 quarters cumulatively period from 01.01.2014 to 30.09.2014	3rd quarter period from 01.07.2013 to 30.09.2013 restated	3 quarters cumulatively period from 01.01.2013 to 30.09.2013 restated
Profit per ordinary shareholders (in PLN thousand)	789 152	2 468 452	702 850	2 256 317
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)	0.63	1.97	0.56	1.81

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**Earnings per share from discontinued operations**

In the periods ended 30 September 2014 and 30 September 2013 respectively, there were no material expenses or income from discontinued operations.

**Diluted earnings per share**

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

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

**Diluted earnings per share from discontinued operations**

In the periods ended 30 September 2014 and 30 September 2013, the Bank did not report any material expenses or income from discontinued operations.

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

	30.09.2014	31.12.2013
Current account in the central bank	5 367 058	4 018 340
Cash	2 675 102	3 169 820
Other funds	33	246
<b>Total</b>	<b>8 042 193</b>	<b>7 188 406</b>

**11. Amounts due from banks**

	30.09.2014	31.12.2013
Loans and advances granted, of which:	14 887 389	289 529
for Nordea Bank Polska SA	14 586 919	-
Current accounts	1 045 617	399 057
Deposits with banks	2 015 504	1 425 588
Receivables due from repurchase agreements	-	14 033
Cash in transit	1 406	1 117
<b>Total</b>	<b>17 949 916</b>	<b>2 129 324</b>
Impairment allowances on receivables, of which:	(13 599)	(40 237)
impairment allowances on receivable from a foreign bank	(13 489)	(40 137)
<b>Net total</b>	<b>17 936 317</b>	<b>2 089 087</b>

**12. Trading assets**

	30.09.2014	31.12.2013
By carrying amount		
Debt securities	2 917 072	472 535
issued by the State Treasury, of which:	2 826 433	395 202
Treasury bonds PLN	2 826 433	390 660
issued by local government bodies, municipal bonds PLN	51 310	41 907
issued by non-financial institutions, of which:	15 296	23 892
corporate bonds PLN	15 288	23 892
issued by other financial institutions, of which:	8 940	11 366
bonds issued by WSE PLN	4 622	6 628
bonds issued by PKO Finance AB EUR	4 257	4 604
issued by banks	15 093	168
Shares in other entities - listed on stock exchanges	6 907	10 799
Investment certificates	8 430	1 151
<b>Total</b>	<b>2 932 409</b>	<b>484 485</b>



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### 13. Derivative financial instruments

#### Derivative instruments used by the Bank

The Bank uses various types of derivatives in order to manage risk involved in its business activities. As at 30 September 2014 and as at 31 December 2013, the Bank held the following derivative instruments:

	30.09.2014		31.12.2013	
	Assets	Liabilities	Assets	Liabilities
Hedging instruments	497 712	295 040	361 639	414 804
Other derivative instruments	4 021 102	4 150 214	2 640 581	2 913 345
<b>Total</b>	<b>4 518 814</b>	<b>4 445 254</b>	<b>3 002 220</b>	<b>3 328 149</b>

Type of contract	30.09.2014		31.12.2013	
	Assets	Liabilities	Assets	Liabilities
IRS	4 003 547	3 658 005	2 592 081	2 490 832
CIRS	189 298	399 748	252 941	545 073
FX Swap	76 595	142 667	39 908	156 320
Options	137 883	110 022	75 443	61 961
Forward	38 342	51 841	24 552	60 112
FRA	72 910	82 748	13 652	11 454
Other	239	223	3 643	2 397
<b>Total</b>	<b>4 518 814</b>	<b>4 445 254</b>	<b>3 002 220</b>	<b>3 328 149</b>

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

By carrying amount	30.09.2014	31.12.2013
Debt securities	10 381 401	15 179 188
issued by central banks, NBP money market bills	8 631 276	13 997 228
issued by the State Treasury, Treasury bonds PLN	1 497 454	931 325
issued by local government bodies, of which:	252 671	250 635
municipal bonds EUR	141 369	136 700
municipal bonds PLN	111 302	113 935
<b>Total</b>	<b>10 381 401</b>	<b>15 179 188</b>

### 15. Loans and advances to customers

	30.09.2014	31.12.2013	30.09.2013 restated
Loans and advances to customers, gross, of which:	157 956 128	153 753 558	153 779 719
financial sector	4 579 472	5 719 004	5 196 584
corporate, of which:	4 471 225	3 680 581	5 196 584
deposits of the Brokerage House of PKO Bank Polski SA in the Stock Exchange Guarantee Fund and initial deposit	11 484	19 339	15 178
receivables due from repurchase agreements	108 247	2 038 423	1 555 684
non-financial sector	146 272 783	140 893 713	140 921 383
housing	80 729 409	76 482 811	75 538 977
corporate, of which:	42 643 750	43 172 563	44 027 310
receivables due from repurchase agreements	-	-	2 008
contributions to equity of subsidiaries	-	-	215 460
consumer	21 098 182	20 399 493	20 518 807
debt securities (corporate)	1 801 442	838 846	836 289
public sector	7 103 873	7 140 841	7 661 752
corporate	6 096 902	6 057 017	6 520 657
debt securities (municipal)	1 006 971	978 159	1 136 893
housing	-	-	4 202
receivables due from repurchase agreements	-	105 665	-
Impairment allowances on loans and advances to customers	(6 767 990)	(6 381 232)	(6 400 935)
<b>Loans and advances to customers, net</b>	<b>151 188 138</b>	<b>147 372 326</b>	<b>147 378 784</b>

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By client segment	30.09.2014	31.12.2013	30.09.2013 restated
Loans and advances granted, gross, of which:	157 956 128	153 753 558	153 779 719
mortgage banking	73 525 816	68 794 958	67 745 650
corporate	41 568 349	40 763 620	42 071 084
small and medium enterprises*	21 644 050	21 632 060	21 655 848
retail and private banking	21 098 182	20 399 493	20 518 807
contributions to equity of subsidiaries	-	-	215 460
receivables due from repurchase agreements	108 247	2 144 088	1 557 692
deposits of the Brokerage House of PKO Bank Polski SA in the Stock Exchange Guarantee Fund	11 484	19 339	15 178
Impairment allowances on loans and advances	(6 767 990)	(6 381 232)	(6 400 935)
<b>Loans and advances granted, net</b>	<b>151 188 138</b>	<b>147 372 326</b>	<b>147 378 784</b>

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

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

- corporate loans of financial institutions (i.e. e.g. leasing companies, insurance companies, investment companies) include corporate banking,
- housing loans include loans of mortgage banking and housing market clients, corporate client segment and small and medium enterprises 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 public entities include corporate banking loans,
- reclassified debt securities are included in the corporate client segment.

Loans and advances to customers by method of calculating allowances	30.09.2014	31.12.2013	30.09.2013 restated
Assessed on an individual basis, of which:	6 336 479	6 830 053	6 968 965
impaired	4 846 199	5 091 377	5 338 559
not impaired	1 490 280	1 738 676	1 630 406
Assessed on a portfolio basis, impaired	7 319 403	7 173 761	7 017 522
Assessed on a group basis (IBNR)	144 300 246	139 749 744	139 793 232
<b>Loans and advances to customers, gross</b>	<b>157 956 128</b>	<b>153 753 558</b>	<b>153 779 719</b>
Allowances on exposures assessed on an individual basis, of which:	(2 156 198)	(2 133 217)	(2 203 138)
impaired	(2 139 652)	(2 116 083)	(2 100 416)
Allowances on exposures assessed on a portfolio basis	(4 143 845)	(3 677 518)	(3 585 986)
Allowances on exposures assessed on a group basis (IBNR)	(467 947)	(570 497)	(611 811)
Allowances - total	(6 767 990)	(6 381 232)	(6 400 935)
<b>Loans and advances to customers, net</b>	<b>151 188 138</b>	<b>147 372 326</b>	<b>147 378 784</b>

As at 30 September 2014, the share of impaired loans amounted to 7.7% (as at 31 December 2013: 8.0%), whereas the coverage ratio for impaired loans (calculated as total impairment allowances on receivables divided by gross carrying amount of impaired loans) amounted to 55.6% (as at 31 December 2013: 52.0%).

As at 30 September 2014, the share of loans overdue by more than 90 days in the gross amount of loans and advances was 5.6% (as at 31 December 2013: 5.4%).

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**16. Investment securities available for sale**

	30.09.2014	31.12.2013
Debt securities available for sale, gross	20 568 962	13 551 967
issued by the State Treasury, Treasury bonds PLN	13 806 930	8 518 450
issued by local government bodies, municipal bonds PLN	3 386 577	3 440 753
issued by non-financial institutions, corporate bonds	2 070 391	1 000 549
corporate bonds PLN	1 577 557	1 000 549
corporate bonds USD	186 971	-
corporate bonds EUR	305 863	-
issued by other financial institutions, corporate bonds PLN	100 434	33 401
issued by banks, of which:	1 204 630	558 814
corporate bonds PLN	1 115 671	558 814
corporate bonds EUR	88 959	-
Impairment allowances on debt securities available for sale	-	(3 296)
corporate bonds	-	(3 296)
<b>Total net debt securities available for sale</b>	<b>20 568 962</b>	<b>13 548 671</b>
Equity securities available for sale, gross	233 645	218 086
Equity securities not admitted to public trading	203 892	161 403
Equity securities admitted to public trading	29 753	56 683
Impairment allowances on equity securities available for sale	(17 604)	(30 059)
<b>Total net equity securities available for sale</b>	<b>216 041</b>	<b>188 027</b>
<b>Total net investment securities available for sale</b>	<b>20 785 003</b>	<b>13 736 698</b>

**Debt securities (municipal bonds and corporate bonds) reclassified from financial assets available for sale to loans and advances to customers**

30 September 2014	nominal value	fair value	carrying amount
Municipal bonds	936 311	943 960	949 416
Corporate bonds	780 040	796 729	744 185
<b>Total</b>	<b>1 716 351</b>	<b>1 740 689</b>	<b>1 693 601</b>

31 December 2013	nominal value	fair value	carrying amount
Municipal bonds	961 611	963 118	965 180
Corporate bonds	787 040	791 503	768 385
<b>Total</b>	<b>1 748 651</b>	<b>1 754 621</b>	<b>1 733 565</b>

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

As at 30 September 2014, the Bank's investments in subsidiaries, joint ventures and associates have been recognised at acquisition cost adjusted by impairment allowances.

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

As at 30 September 2014	Gross value	Impairment	Carrying amount
<b>Subsidiaries</b>			
Nordea Bank Polska SA	2 998 389	-	2 998 389
KREDOBANK SA	1 018 069	(760 641)	257 428
Qualia Development Sp. z o.o.	317 785	-	317 785
PKO BP BANKOWY PTE SA	205 786	-	205 786
PKO Towarzystwo Funduszy Inwestycyjnych SA	186 989	-	186 989
PKO Życie Towarzystwo Ubezpieczeń SA (former 'Nordea Polska Towarzystwo Ubezpieczeń na Życie' SA)	184 636	-	184 636
Merkury - fiz an <sup>1</sup>	120 000	-	120 000
PKO Leasing SA (after the merger with PKO Leasing Pro SA former Nordea Finanse Polska SA)	98 000	-	98 000
Inteligo Financial Services SA	59 602	-	59 602
'CENTRUM HAFFNERA' Sp. z o.o.	44 371	(44 371)	-
Bankowe Towarzystwo Kapitałowe SA	22 066	(10 666)	11 400
PKO BP Finat Sp. z o.o.	11 693	-	11 693
PKO Finance AB	172	-	172
<b>Joint ventures</b>			
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	197 320	-	197 320
'Centrum Obsługi Biznesu' Sp. z o.o.	17 498	-	17 498
<b>Associates</b>			
Bank Pocztowy SA	146 500	(39 780)	106 720
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	1 500	(1 500)	-
<b>Total</b>	<b>5 630 376</b>	<b>(856 958)</b>	<b>4 773 418</b>

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

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

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

<sup>2)</sup> PKO Bank Polski SA has investment certificates of the Fund, which, according to IFRS, allow to control the Fund.

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**18. Intangible assets and tangible fixed assets**

<b>Intangible assets</b>	<b>30.09.2014</b>	<b>31.12.2013</b>
Software	1 752 835	1 755 194
Other, of which:	151 743	188 938
capital expenditure	131 592	167 915
goodwill related to assets acquired from subsidiary	7 785	7 785
<b>As at the end of the period</b>	<b>1 904 578</b>	<b>1 944 132</b>

<b>Tangible fixed assets</b>	<b>30.09.2014</b>	<b>31.12.2013</b>
Land and buildings	1 578 703	1 595 134
Machinery and equipment	426 563	433 900
Means of transport	6	233
Assets under construction	58 550	125 630
Investment properties	184	187
Other	154 360	141 897
<b>As at the end of the period</b>	<b>2 218 366</b>	<b>2 296 981</b>

In the nine-month period ended 30 September 2014, there were no significant transactions of purchase and sale of tangible fixed assets.

**19. Amounts due to banks**

	<b>30.09.2014</b>	<b>31.12.2013</b>
Loans and advances received, of which:	15 998 258	1 389 847
from Nordea Bank AB (publ)	14 578 166	-
Bank deposits	1 615 209	959 712
Amounts due from repurchase agreements	425 334	38 628
Current accounts	47 788	115 066
Other money market deposits	36 401	26 370
<b>Total</b>	<b>18 122 990</b>	<b>2 529 623</b>

**20. Amounts due to customers**

	<b>30.09.2014</b>	<b>31.12.2013</b>
Amounts due to retail clients	119 154 832	115 781 467
Term deposits	65 373 858	62 907 642
Current accounts and overnight deposits	53 574 711	52 653 562
Other liabilities	206 263	220 263
Amounts due to corporate entities	47 453 530	40 702 728
Current accounts and overnight deposits	14 615 584	12 904 415
Term deposits	17 028 255	13 590 035
Loans and advances received, of which:	14 229 245	11 609 183
- received from PKO Finance AB	11 705 287	9 129 100
Other liabilities	1 273 727	951 145
Amounts due from repurchase agreements	306 719	1 647 950
Amounts due to public entities	4 004 976	3 473 476
Current accounts and overnight deposits	3 011 418	3 018 628
Term deposits	979 751	430 639
Other liabilities	13 807	24 209
<b>Total</b>	<b>170 613 338</b>	<b>159 957 671</b>

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By client segment	30.09.2014	31.12.2013
Amounts due to customers, of which:		
retail and private banking	114 076 479	110 607 650
corporate	26 704 442	21 335 738
loans and advances received	14 229 245	11 609 183
small and medium enterprises	15 296 453	14 757 150
amounts due from repurchase agreements	306 719	1 647 950
<b>Total</b>	<b>170 613 338</b>	<b>159 957 671</b>

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

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 public entities), small and medium enterprises segment, housing market client segment,
- amounts due to public entities include corporate client segment – public entity.

## 21. Debt securities in issue

	30.09.2014	31.12.2013
Financial instruments measured at fair value through profit and loss - bank securities	119 065	290 509
Financial instruments measured at amortised cost - bank bonds	747 086	692 614
<b>Total</b>	<b>866 151</b>	<b>983 123</b>

## 22. Subordinated liabilities

as at 30 September 2014	Nominal value	Currency	Interest rate (%)	Maturity date	Balance
Subordinated bonds	1 600 700	PLN	4.13%	14.09.2022	1 603 268

as at 31 December 2013	Nominal value	Currency	Interest rate (%)	Maturity date	Balance
Subordinated bonds	1 600 700	PLN	4.37%	14.09.2022	1 620 857

## 23. Other liabilities

	30.09.2014	31.12.2013	30.09.2013 restated
Accounts payable	367 068	423 175	366 798
Deferred income	335 158	321 376	303 281
Other liabilities, of which:	2 413 860	1 690 170	3 825 542
dividends declared	937 500	-	2 250 000
<b>Total</b>	<b>3 116 086</b>	<b>2 434 721</b>	<b>4 495 621</b>
of which financial liabilities	2 614 457	1 969 840	3 834 655

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**24. Provisions**

For the period ended 30 September 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	-	-	309 870	3 269	313 139
Use of provisions	-	-	-	(30 149)	(30 149)
Release of provisions	-	-	(325 458)	-	(325 458)
Other changes and reclassifications	-	-	1 578	-	1 578
<b>As at 30 September 2014, of which:</b>	<b>29 457</b>	<b>35 386</b>	<b>101 657</b>	<b>103 091</b>	<b>269 591</b>
Short term provision	29 457	2 441	79 380	103 091	214 369
Long term provision	-	32 945	22 277	-	55 222

\*Included in 'Other provisions' are i.a.: restructuring provision of PLN 70 571 thousand and provision of PLN 1 574 thousand for potential claims on impaired loan portfolios sold

For the period ended 30 September 2013	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 2013 (restated), of which:	18 851	429 728	215 619	71 494	735 692
Short term provision	18 851	36 068	149 681	71 494	276 094
Long term provision	-	393 660	65 938	-	459 598
Increase/reassessment of provisions	6 845	537	138 451	11 640	157 473
Use of provisions	-	(193 142)	-	(14 161)	(207 303)
Release of provisions	-	(179 429)	(246 427)	-	(425 856)
Other changes and reclassifications	-	(25 380)	379	25 380	379
<b>As at 30 September 2013 (restated), of which:</b>	<b>25 696</b>	<b>32 314</b>	<b>108 022</b>	<b>94 353</b>	<b>260 385</b>
Short term provision	25 696	1 285	82 257	94 353	203 591
Long term provision	-	31 029	25 765	-	56 794

\*Included in 'Other provisions' are i.a.: restructuring provision of PLN 58 304 thousand and provision of PLN 1 829 thousand for potential claims on impaired loan portfolios sold

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



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

### 25.1 Underwriting programmes

As at 30 September 2014 and as at 31 December 2013, underwriting agreements covered the following securities:

Issuer of securities underwritten	Type of underwritten securities	Off-balance sheet liabilities resulting from underwriting agreement	Contract period	Sub-issue type
As at 30 September 2014				
Company A	corporate bonds	1 364 000	15.06.2022	Bonds Issue Agreement*
Company B	corporate bonds	844 000	31.07.2015	Bonds Issue Agreement*
Company C	corporate bonds	68 707	31.12.2024	Bonds Issue Agreement*
Company D	corporate bonds	50 000	19.12.2022	Bonds Issue Agreement*
Company E	corporate bonds	32 096	31.12.2022	Bonds Issue Agreement*
<b>Total</b>		<b>2 358 803</b>		
As at 31 December 2013				
Company A	corporate bonds	1 633 000	15.06.2022	Bonds Issue Agreement*
Company B	corporate bonds	800 000	31.07.2015	Bonds Issue Agreement*
Company D	corporate bonds	50 000	19.12.2022	Bonds Issue Agreement*
Company E	corporate bonds	34 000	31.12.2022	Bonds Issue Agreement*
Company F	corporate bonds	24 238	29.06.2018	Bonds Issue Agreement*
Company G	corporate bonds	13 410	31.10.2017	Bonds Issue Agreement*
<b>Total</b>		<b>2 554 648</b>		

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

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

### 25.2 Contractual commitments

As at 30 September 2014, the amount of contractual commitments concerning intangible assets amounted to PLN 250 033 thousand (as at 31 December 2013, it amounted to PLN 346 785 thousand).

As at 30 September 2014, the amount of contractual commitments concerning tangible fixed assets amounted to PLN 107 238 thousand (as at 31 December 2013, it amounted to PLN 45 722 thousand).

### 25.3 Loan commitments granted

by nominal value	30.09.2014	31.12.2013
Credit lines and limits		
to financial entities	2 963 783	1 160 599
to non-financial entities	30 505 436	29 767 288
to public entities	3 256 676	3 269 584
<b>Total</b>	<b>36 725 895</b>	<b>34 197 471</b>
of which: irrevocable loan commitments	9 435 602	8 157 608

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**Guarantee liabilities granted**

	30.09.2014	31.12.2013
Guarantees in domestic and foreign trading	8 068 304	7 029 700
to financial entities	807 426	875 317
to non-financial entities	7 253 337	6 142 512
to public entities	7 541	11 871
Guarantees and pledges granted – domestic corporate bonds	3 411 958	3 591 294
to financial entities	89 755	124 646
to non-financial entities	3 322 203	3 466 648
Letters of credit granted	708 296	494 586
to financial entities	-	2 818
to non-financial entities	708 296	491 669
to public entities	-	99
Guarantees and pledges granted – payment guarantee	26 420	117 420
to financial entities	26 420	117 420
Guarantees and pledges granted – domestic municipal bonds	266 646	83 773
to public entities	266 646	83 773
<b>Total</b>	<b>12 481 624</b>	<b>11 316 773</b>

**25.4 Off-balance sheet liabilities received**

By nominal value	30.09.2014	31.12.2013
financial	710 330	44 472
guarantees	4 059 491	2 490 472
<b>Total</b>	<b>4 769 821</b>	<b>2 534 944</b>

**26. Supplementary information to the statement of cash flows****Cash and cash equivalents**

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

	30.09.2014	31.12.2013	30.09.2013
Cash and balances with the central bank	8 042 193	7 188 406	7 533 307
Current receivables due from banks	2 738 575	1 456 276	4 287 986
<b>Total</b>	<b>10 780 768</b>	<b>8 644 682</b>	<b>11 821 293</b>

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## 27. Related party transactions

All transactions with related parties presented below were arm's length transactions. Repayment terms are within a range from one month to fifteen years.

30 September 2014

Entity	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
<b>Direct subsidiaries</b>				
Bankowe Towarzystwo Kapitałowe SA	12 669	-	8 839	7 000
'CENTRUM HAFFNERA' Sp. z o.o.	-	-	1 055	-
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.	173 654	173 654	-	-
Inteligo Financial Services SA	607	-	110 390	-
KREDOBANK SA	318 097	283 479	820	3 083
Merkury - fiz an	48 932	48 932	1 657	11 068
Nordea Bank Polska SA	15 010 751	14 587 720	24 691	3 350 672
PKO BP BANKOWY PTE SA	93	-	739	-
PKO BP Finat Sp. z o.o.	3	-	4 506	593
PKO Finance AB	7	-	11 701 041 925	-
PKO Leasing SA <sup>1)</sup>	542 748	440 445	190 312	871 999
PKO Towarzystwo Funduszy Inwestycyjnych SA	18 081	-	39 437	-
PKO Życie Towarzystwo Ubezpieczeń SA	12	-	18 703	-
Qualia Development Sp. z o.o.	-	-	4 426	13 896
<b>Indirect subsidiaries</b>				
'Centrum Majkowskiego' Sp. z o.o. in liquidation	-	-	28	-
Finansowa Kompania 'Idea Kapitał' Sp. z o.o.	69 263	69 263	-	-
'Fort Mokotów' Sp. z o.o. in liquidation	-	-	3 485	-
'Fort Mokotów Inwestycje' Sp. z o.o.	-	-	65	-
Giełda Nieruchomości Wartościowych Sp. z o.o.	-	-	3	-
Molina Sp. z o.o.	-	-	15 413	-
Molina spółka z ograniczoną odpowiedzialnością 1 S.K.A.	-	-	-	-
Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A.	-	-	-	-
Molina spółka z ograniczoną odpowiedzialnością 3 S.K.A.	-	-	-	-
Molina spółka z ograniczoną odpowiedzialnością 4 S.K.A.	-	-	-	-
Molina spółka z ograniczoną odpowiedzialnością 5 S.K.A.	-	-	-	-
Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A.	-	-	-	-
PKO BP Faktoring SA	343 230	343 213	2 801	156 787
PKO Bankowy Leasing Sp. z o.o.	2 258 065	2 256 086	341	238 020
PKO Leasing Sverige AB	62 549	62 549	66	73 564
'Promenada Sopocka' Sp. z o.o.	43 637	43 637	3 666	-
Qualia - Residence Sp. z o.o.	1	-	669	-
Qualia - Rezydencja Flotylla Sp. z o.o.	77 093	76 690	1 754	-
Qualia Hotel Management Sp. z o.o.	-	-	3 087	-
Qualia Sp. z o.o.	-	-	3	-
Qualia spółka z ograniczoną odpowiedzialnością - Jurata Sp. k.	-	-	1 476	-
Qualia spółka z ograniczoną odpowiedzialnością - Neptun Park Sp. k.	5 000	5 000	1 596	1 065
Qualia spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Sp. k.	-	-	6 877	-
Qualia spółka z ograniczoną odpowiedzialnością - Pomeranka Sp. k.	77 867	77 867	3 041	-
Qualia spółka z ograniczoną odpowiedzialnością - Projekt 1 Sp. k.	-	-	3	-
Qualia spółka z ograniczoną odpowiedzialnością - Sopot Sp. k.	3 887	3 887	765	-
Qualia spółka z ograniczoną odpowiedzialnością - Władysławowo Sp. k.	-	-	3	-
Qualia spółka z ograniczoną odpowiedzialnością - Zakopane Sp. k.	-	-	177	-
Sarnia Dolina Sp. z o.o.	-	-	356	-
'Sopot Zdrój' Sp. z o.o.	219 103	219 103	15 373	-
'Zarząd Majątkiem Górczewska' Sp. z o.o.	-	-	-	-
<b>Total subsidiaries</b>	<b>19 285 349</b>	<b>18 691 525</b>	<b>11 701 508 548</b>	<b>4 727 747</b>

1) the merger of PKO Leasing PRO and PKO Leasing SA occurred on 30 September 2014

Entity	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
<b>Direct joint ventures</b>				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	269	-	71 852	5 000
'Centrum Obsługi Biznesu' Sp. z o.o.	29 053	29 053	12 706	-
<b>Direct associates</b>				
Bank Pocztowy SA	366	-	177	110 936
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	-	-	6 159	-
<b>Indirect associate</b>				
Centrum Operacyjne Sp. z o.o.	-	-	4	-
<b>Total joint ventures and associates</b>	<b>29 688</b>	<b>29 053</b>	<b>90 898</b>	<b>115 936</b>

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Entity	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
<b>Direct subsidiaries</b>				
Bankowe Towarzystwo Kapitałowe SA	2	-	177	7 000
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.	175 390	175 390	179 370	-
Merkury - fiz an	-	-	1 129	-
Inteligo Financial Services SA	-	-	108 431	-
KREDOBANK SA	305 020	257 708	2 124	1 000
PKO BP BANKOWY PTE SA	92	-	1 362	-
PKO BP Finat Sp. z o.o.	3	-	4 432	593
PKO Finance AB	4 604	-	9 132 169	-
PKO Leasing SA	47 716	13 105	260 637	1 097 835
PKO Towarzystwo Funduszy Inwestycyjnych SA	19 124	-	39 729	-
Qualia Development Sp. z o.o.	-	-	10 043	13 893
<b>Indirect subsidiaries</b>				
'Fort Mokotów' Sp. z o.o. in liquidation	-	-	3 827	-
'Fort Mokotów Inwestycje' Sp. z o.o.	-	-	1 725	-
Gielda Nieruchomości Wartościowych Sp. z o.o.	-	-	2	-
PKO BP Faktoring SA	213 387	213 365	1 987	286 505
PKO Bankowy Leasing Sp. z o.o.	2 250 877	2 250 338	735	269 270
PKO Leasing Sverige AB	83 591	83 591	-	14 409
Qualia - Residence Sp. z o.o.	-	-	594	-
Qualia - Rezydencja Flotylla Sp. z o.o.	76 862	76 862	825	-
Qualia Hotel Management Sp. z o.o.	-	-	1 195	-
Qualia Sp. z o.o.	-	-	3	-
Qualia spółka z ograniczoną odpowiedzialnością - Jurata Sp. k.	-	-	1 613	-
Qualia spółka z ograniczoną odpowiedzialnością - Neptun Park Sp. k.	29 069	29 069	1 868	1 035
Qualia spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Sp. k.	39 088	39 088	5 152	-
Qualia spółka z ograniczoną odpowiedzialnością - Pomeranka Sp. k.	77 708	77 708	2 098	-
Qualia spółka z ograniczoną odpowiedzialnością - Projekt 1 Sp. k.	-	-	3	-
Qualia spółka z ograniczoną odpowiedzialnością - Sopot Sp. k.	7 756	7 756	387	167
Qualia spółka z ograniczoną odpowiedzialnością - Władysławowo Sp. k.	-	-	3	-
Qualia spółka z ograniczoną odpowiedzialnością - Zakopane Sp. k.	-	-	674	-
Sarnia Dolina Sp. z o. o.	-	-	528	-
<b>Total subsidiaries</b>	<b>3 330 289</b>	<b>3 223 980</b>	<b>9 762 822</b>	<b>1 691 707</b>

Entity	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
<b>Direct joint ventures</b>				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	1 100	-	50 551	5 000
'CENTRUM HAFFNERA' Sp. z o.o.	-	-	1 234	-
'Centrum Obsługi Biznesu' Sp. z o.o.	29 463	29 463	16 066	-
<b>Indirect joint ventures</b>				
'Centrum Majkowskiego' Sp. z o.o. in liquidation	-	-	38	-
'Kamienica Morska' Sp. z o.o. in liquidation	-	-	-	-
'Promenada Sopocka' Sp. z o.o.	44 377	44 377	4 811	-
'Sopot Zdrój' Sp. z o.o.	219 698	219 698	-	-
<b>Direct associates</b>				
Bank Pocztowy SA	6	-	1 003	2 374
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	-	-	12 555	-
<b>Indirect associate</b>				
Centrum Operacyjne Sp. z o.o.	-	-	11	-
<b>Total joint ventures and associates</b>	<b>294 644</b>	<b>293 538</b>	<b>86 269</b>	<b>7 374</b>

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Entity	Total income	of which interest and fee and commission	Total expense	of which interest and fee and commission
<b>Direct subsidiaries</b>				
Bankowe Towarzystwo Kapitałowe SA	12	2	8	8
'CENTRUM HAFNERA' Sp. z o.o.	4	4	-	-
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.	9 535	9 535	-	-
Merkury - fiz an	23	23	129	129
Inteligo Financial Services SA	2 785	19	30 959	2 149
KREDOBANK SA	4 984	4 984	-	-
Nordea Bank Polska SA	20 245	19 862	4 141	275
PKO BP BANKOWY PTE SA	638	39	143	143
PKO BP Finat Sp. z o.o.	42	17	754	16
PKO Finance AB	53	53	308 979	-
PKO Leasing SA	11 441	9 021	14 358	4 276
PKO Towarzystwo Funduszy Inwestycyjnych SA	157 939	156 824	1 019	1 019
PKO Życie Towarzystwo Ubezpieczeń SA	6 587	6 587	7 551	49
Polski Standard Płatności Sp. z o.o.	4	4	24	24
Qualia Development Sp. z o.o.	115	15	135	135
<b>Indirect subsidiaries</b>				
'Centrum Majkowskiego' Sp. z o.o. in liquidation	-	-	-	-
Finansowa Kompania 'Idea Kapitał' Sp. z o.o.	735	735	-	-
'Fort Mokotów' Sp. z o.o. in liquidation	2	2	59	59
'Fort Mokotów Inwestycje' Sp. z o.o.	3	3	10	10
Giełda Nieruchomości Wartościowych Sp. z o.o.	2	2	-	-
'Kamienica Morska' Sp. z o.o. in liquidation	2	2	-	-
Molina Sp. z o.o.	-	-	-	-
PKO BP Faktoring SA	6 140	5 936	-	-
PKO Bankowy Leasing Sp. z o.o.	60 884	60 825	47	1
PKO Leasing Sverige AB	992	992	-	-
'Promenada Sopotka' Sp. z o.o.	602	602	-	-
Qualia - Residence Sp. z o.o.	13	5	3	3
Qualia - Rezydencja Flotylla Sp. z o.o.	2 951	2 951	10	10
Qualia Hotel Management Sp. z o.o.	20	20	25	25
Qualia Sp. z o.o.	2	2	-	-
Qualia spółka z ograniczoną odpowiedzialnością - Jurata Sp. k.	2	2	13	13
Qualia spółka z ograniczoną odpowiedzialnością - Neptun Park Sp. k.	738	644	37	37
Qualia spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Sp. k.	760	760	82	82
Qualia spółka z ograniczoną odpowiedzialnością - Pomeranka Sp. k.	3 248	3 248	36	36
Qualia spółka z ograniczoną odpowiedzialnością - Projekt 1 Sp. k.	2	2	-	-
Qualia spółka z ograniczoną odpowiedzialnością - Sopot Sp. k.	252	252	12	12
Qualia spółka z ograniczoną odpowiedzialnością - Władysławowo Sp. k.	2	2	-	-
Qualia spółka z ograniczoną odpowiedzialnością - Zakopane Sp. k.	2	2	3	3
Sarnia Dolina Sp. z o.o.	3	3	-	-
'Sopot Zdrój' Sp. z o.o.	3 069	3 069	119	119
<b>Total subsidiaries</b>	<b>294 833</b>	<b>287 050</b>	<b>368 656</b>	<b>8 633</b>

Entity	Total income	of which interest and fee and commission	Total expense	of which interest and fee and commission
<b>Direct joint ventures</b>				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	15 538	14 903	81 728	81 566
'Centrum Obsługi Biznesu' Sp. z o.o.	728	707	175	175
<b>Direct associates</b>				
Bank Pocztowy SA	405	39	345	-
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	2	2	121	121
<b>Indirect associate</b>				
Centrum Operacyjne Sp. z o.o.	2	2	-	-
<b>Total joint ventures and associates</b>	<b>16 675</b>	<b>15 653</b>	<b>82 369</b>	<b>81 862</b>

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Entity	Total income	of which interest and fee and commission	Total expense	of which interest and fee and commission
<b>Direct subsidiaries</b>				
Bankowe Towarzystwo Kapitałowe SA	18	2	8	8
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	23 339	23 325	80 644	69 130
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.	8 981	1 924	-	-
'Fort Mokotów Inwestycje' Sp. z o.o.	3	3	319	319
Inteligo Financial Services SA	2 918	16	55 367	2 970
KREDOBANK SA	2 734	2 734	-	-
PKO BP BANKOWY PTE SA	629	8	631	631
PKO BP Finat Sp. z o.o.	42	16	177	72
PKO Finance AB	-	-	270 267	270 267
PKO Leasing SA <sup>1)</sup>	11 028	8 912	15 444	4 364
PKO Towarzystwo Funduszy Inwestycyjnych SA	131 826	130 729	826	826
Qualia Development Sp. z o.o.	14	14	309	309
<b>Indirect subsidiaries</b>				
'Fort Mokotów' Sp. z o.o. in liquidation	2	2	90	90
Giełda Nieruchomości Wartościowych Sp. z o.o.	1	1	-	-
PKO Bankowy Leasing Sp. z o.o. <sup>2)</sup>	71 272	71 237	25	1
PKO BP Faktoring SA	7 689	7 471	-	-
Qualia - Residence Sp. z o.o.	9	9	12	4
Qualia - Rezydencja Flotyła Sp. z o.o.	4 288	4 288	17	17
Qualia Hotel Management Sp. z o.o.	13	13	9	9
Qualia Sp. z o.o.	2	2	-	-
Qualia spółka z ograniczoną odpowiedzialnością - Jurata Sp. k.	2	2	43	43
Qualia spółka z ograniczoną odpowiedzialnością - Neptun Park Sp. k.	2 252	2 252	98	98
Qualia spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Sp. k.	3 176	3 176	165	165
Qualia spółka z ograniczoną odpowiedzialnością - Pomeranka Sp. k.	3 195	3 195	31	31
Qualia spółka z ograniczoną odpowiedzialnością - Projekt 1 Sp. k.	2	2	-	-
Qualia spółka z ograniczoną odpowiedzialnością - Sopot Sp. k.	286	286	40	40
Qualia spółka z ograniczoną odpowiedzialnością - Władysławowo Sp. k.	2	2	-	-
Qualia spółka z ograniczoną odpowiedzialnością - Zakopane Sp. k.	2	2	3	3
Sarnia Dolina Sp. z o. o.	499	496	689	689
<b>Total subsidiaries</b>	<b>274 224</b>	<b>260 119</b>	<b>425 214</b>	<b>350 086</b>

1) formerly Bankowy Fundusz Leasingowy SA

2) formerly Bankowy Leasing Sp. z o.o.

Entity	Total income	of which interest and fee and commission	Total expense	of which interest and fee and commission
<b>Direct joint ventures</b>				
'CENTRUM HAFNERA' Sp. z o.o.	5	5	-	-
'Centrum Obsługi Biznesu' Sp z o.o.	777	777	282	282
<b>Indirect joint ventures</b>				
'Centrum Majkowskiego' Sp. z o.o. in liquidation	5	5	-	-
'Kamienica Morska' Sp. z o.o. in liquidation	5	5	-	-
'Promenada Sopotka' Sp. z o.o.	794	794	32	32
'Sopot Zdrój' Sp. z o.o.	3 828	3 828	54	54
<b>Direct associates</b>				
Bank Pocztowy SA	48	48	651	-
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	1	1	258	258
<b>Direct associate held for sale</b>				
Agencja Inwestycyjna CORP-SA SA	495	-	74	-
<b>Indirect associate</b>				
Centrum Operacyjne Sp. z o.o.	2	2	-	-
<b>Total joint ventures and associates</b>	<b>5 960</b>	<b>5 465</b>	<b>1 351</b>	<b>626</b>

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

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

Relevant information on risk monitoring and changes in methods of risk measurement in the period from 1 January to 30 September 2014 is presented below:

### Credit risk

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

Amounts due from banks	Exposure	
	30.09.2014	31.12.2013
Amounts due from banks impaired, of which:	39 069	51 240
assessed on an individual basis	38 710	50 892
Amounts due from banks not impaired, of which:	17 910 847	2 078 084
not past due	17 910 847	2 078 084
Gross total	17 949 916	2 129 324
Impairment allowances	(13 599)	(40 237)
<b>Net total by carrying amount</b>	<b>17 936 317</b>	<b>2 089 087</b>

Loans and advances to customers	Exposure		
	30.09.2014	31.12.2013	30.09.2013 restated
Loans and advances impaired, of which:	12 165 602	12 265 138	12 356 081
assessed on an individual basis	4 846 199	5 091 377	5 338 559
Loans and advances not impaired, of which:	145 790 526	141 488 420	141 423 638
not past due	142 137 912	138 235 574	137 105 201
past due	3 652 614	3 252 846	4 318 437
past due up to 4 days	1 320 459	1 045 547	1 963 130
past due over 4 days	2 332 155	2 207 299	2 355 307
Gross total	157 956 128	153 753 558	153 779 719
Impairment allowances	(6 767 990)	(6 381 232)	(6 400 935)
<b>Net total by carrying amount</b>	<b>151 188 138</b>	<b>147 372 326</b>	<b>147 378 784</b>

Investment securities available for sale - debt securities	Exposure	
	30.09.2014	31.12.2013
Debt securities impaired, of which:	-	6 160
assessed on an individual basis	-	6 160
Debt securities not impaired, of which:	20 568 962	13 545 807
not past due	20 568 962	13 545 807
with external rating	14 754 693	9 077 514
with internal rating	5 814 269	4 468 293
Gross total	20 568 962	13 551 967
Impairment allowances	-	(3 296)
<b>Net total by carrying amount</b>	<b>20 568 962</b>	<b>13 548 671</b>

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**Level of exposure to credit risk**

The table below presents maximum exposure to credit risk of the Bank as at 30 September 2014, as at 31 December 2013 and as at 30 September 2013, excluding collaterals and related improvement of credit situation, by net carrying amount.

Items of the statement of financial position	30.09.2014	31.12.2013	30.09.2013 restated
Current account in the central bank	5 367 058	4 018 340	5 251 842
Amounts due from banks	17 936 317	2 089 087	5 380 585
Trading assets – debt securities	2 917 072	472 535	2 019 628
issued by the State Treasury	2 826 433	395 202	1 944 102
issued by local government bodies	51 310	41 907	41 506
issued by non-financial institutions	15 296	23 892	19 583
issued by financial institutions	8 940	11 366	13 215
issued by banks	15 093	168	1 222
Derivative financial instruments	4 518 814	3 002 220	2 814 979
Financial instruments designated upon initial recognition at fair value through profit and loss - debt securities	10 381 401	15 179 188	12 477 276
issued by central banks	8 631 276	13 997 228	9 997 300
issued by the State Treasury	1 497 454	931 325	2 221 138
issued by local government bodies	252 671	250 635	258 838
Loans and advances to customers	151 188 138	147 372 326	147 378 784
financial sector (other than banks)	4 555 438	5 711 190	5 105 545
corporate loans	4 447 191	3 672 767	3 549 861
receivables due from repurchase agreements	108 247	2 038 423	1 555 684
non-financial sector	139 539 854	134 531 822	134 624 084
housing loans	78 875 980	74 778 407	73 849 472
corporate loans	39 149 835	39 942 827	40 811 498
consumer loans	19 778 910	18 998 829	19 133 962
debt securities	1 735 129	811 759	829 152
public sector	7 092 846	7 129 314	7 649 155
corporate loans	6 086 882	6 046 468	6 509 538
debt securities	1 005 964	977 181	1 135 415
housing loans	-	-	4 202
receivables due from repurchase agreements	-	105 665	-
Investment securities - debt securities	20 568 962	13 548 671	13 628 157
issued by the State Treasury	13 806 930	8 518 450	8 987 149
issued by local government bodies	3 386 577	3 440 753	2 956 146
issued by non-financial institutions	2 070 391	997 253	1 074 135
issued by financial institutions	100 434	33 401	55 171
issued by banks	1 204 630	558 814	555 556
Other assets - other financial assets	644 201	568 554	736 601
<b>Total</b>	<b>213 521 963</b>	<b>186 250 921</b>	<b>189 687 852</b>

Off-balance sheet items	30.09.2014	31.12.2013
Irrevocable liabilities granted	9 435 602	8 157 608
Guarantees granted	8 094 724	7 147 120
Letters of credit granted	708 296	494 586
Guarantees of issue	3 678 604	3 675 067
<b>Total</b>	<b>21 917 226</b>	<b>19 474 381</b>



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

	30.09.2014	31.12.2013	30.09.2013 restated
Amounts due from banks	38 710	50 892	52 762
Loans and advances to customers	4 846 199	5 091 377	5 338 559
Financial sector	263 690	3 709	-
corporate loans	263 690	3 709	-
Non-financial sector	4 566 054	5 081 459	5 332 350
corporate loans	3 246 883	3 548 668	3 788 146
housing loans	1 226 750	1 326 840	1 441 228
consumer loans	92 421	101 214	102 976
debt securities	-	104 737	-
Public sector	16 455	6 209	6 209
corporate loans	16 455	6 209	6 209
Investment debt securities available for sale issued by non-financial institutions	-	6 160	2 788
<b>Total</b>	<b>4 884 909</b>	<b>5 148 429</b>	<b>5 394 109</b>

**Interest rate risk**

The Bank was mainly exposed to PLN interest rate risk, which represented about 64% of the Bank's value at risk (VaR) as at 30 September 2014 and about 67% as at 31 December 2013.

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

Name of sensitivity measure	30.09.2014	31.12.2013
VaR for a 10-day time horizon with a confidence level of 99% threshold (in PLN thousand)	112 661	54 930
Parallel movement of interest rate curves by 200 b.p. (in PLN thousand) (stress-test)*	680 964	523 130

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

**Currency risk**

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

Name of sensitivity measure	30.09.2014	31.12.2013
VaR for a 10-day time horizon with a confidence level of 99% threshold (in PLN thousand)	4 087	2 443
Change in CUR/PLN by 20% (in PLN thousand) (stress-test)*	14 245	21 428

\* The table presents the absolute value of the most adverse stress-test of the scenarios: PLN appreciation by 20% and PLN depreciation by 20%.

The level of currency risk was low both as at 30 September 2014 and as at 31 December 2013.

**Liquidity risk**

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

	a'vista	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 24 months	24 - 60 months	over 60 months
30.09.2014								
Adjusted gap in real terms	9 289 165	12 157 123	2 080 972	2 021 521	5 766 204	2 580 530	16 587 007	(50 482 522)
Cumulative adjusted gap in real terms	9 289 165	21 446 288	23 527 260	25 548 781	31 314 985	33 895 515	50 482 522	-
31.12.2013								
Adjusted gap in real terms	7 013 631	13 166 722	(9 759 378)	(768 599)	1 984 857	5 271 529	18 081 601	(34 990 363)
Cumulative adjusted gap in real terms	7 013 631	20 180 353	10 420 975	9 652 376	11 637 233	16 908 762	34 990 363	-

In all time horizons, the Bank's cumulative adjusted liquidity gap in real terms as at 30 September 2014 and as at 31 December 2013 was positive. This means a surplus of assets receivable over liabilities payable.

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## 29. Capital adequacy

As at 30 September 2014 capital adequacy measures were calculated in accordance with the provisions of CRR Regulation. As at 31 December 2013 all capital adequacy measures were calculated in accordance with the provisions of the Banking Law, Resolution of the Polish Financial Supervision Authority No. 76/2010 and Resolution of the Polish Financial Supervision Authority No. 325/2011 of 20 December 2011 on decreasing own funds.

The level of the Bank's capital adequacy as at 30 September 2014 remained on a safe level, significantly above the statutory limits.

### Own funds for the capital adequacy purposes

As at 30 September 2014 own funds of the Bank determined for the capital adequacy purposes increased, mainly due to inclusion of the Bank's net profit earned from 1 January 2014 to 30 June 2014 after deducting the expected charges and dividends in the Tier 1 basic funds (in the amount of PLN 1 004.3 million).

The structure of the Bank's own funds determined for the purpose of the capital adequacy is presented in the tables below:

<b>BANK'S OWN FUNDS</b>	<b>30.09.2014</b>
Basic funds (Tier 1)	22 617 838
Share capital	1 250 000
Other reserves	22 040 024
Retained earnings	1 004 300
General banking risk fund for unidentified banking activities risk	1 070 000
Accumulated other comprehensive income	(47 497)
Goodwill	(7 785)
Other intangible assets	(1 629 728)
Equity exposures deducted from own funds	(1 049 686)
Additional adjustments of assets measured at fair value	(11 790)
Supplementary funds (Tier 2)	551 014
Subordinated liabilities classified as supplementary funds	1 600 700
Equity exposures deducted from own funds	(1 049 686)
<b>Total own funds</b>	<b>23 168 852</b>

<b>BANK'S OWN FUNDS</b>	<b>31.12.2013</b>
Basic funds (Tier 1)	19 346 921
Share capital	1 250 000
Reserve capital	16 598 111
Other reserves	3 416 893
General banking risk fund for unidentified banking activities risk	1 070 000
Undistributed profits from previous years	(271 242)
Unrealised losses on debt and equity instruments and other receivables classified as available for sale	(134 128)
Assets valuation adjustments in trading portfolio	(5 656)
Intangible assets	(1 944 132)
Equity exposures	(632 925)
Supplementary funds (Tier 2)	1 022 720
Subordinated liabilities classified as supplementary funds	1 600 700
Unrealised profits on debt and equity instruments classified as available for sale (80% of their values before tax)	54 945
Equity exposures	(632 925)
Short-term equity (Tier 3)	154 112
<b>Total own funds</b>	<b>20 523 753</b>

### Capital requirements (Pillar 1)

The table below presents the Bank's capital requirements as regards particular types of risk:

<b>Requirements in respect of own funds</b>	<b>30.09.2014</b>	<b>31.12.2013</b>
Credit risk	12 311 665	11 391 785
Market risk	417 407	340 410
Credit valuation adjustment risk	244 621	-
Operational risk	564 976	539 813
Total capital requirements	13 538 669	12 272 008
<b>Capital adequacy ratio</b>	<b>13.69%</b>	<b>13.38%</b>

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## OTHER INFORMATION

**Identification data**

PKO Bank Polski SA, with its registered Head Office at 15 Puławska Street, Warsaw, has been registered in the District Court for the Capital City of Warsaw, XIII Economic Department of the National Court Register under entry No. KRS 0000026438. The Company has a statistical REGON No.: 016298263 and tax identification number (NIP): 525-000-77-38.

**The Authorities of PKO Bank Polski SA in the reporting period****Table 1: The Management Board of PKO Bank Polski SA as at 30 September 2014**

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

**Table 2: The Supervisory Board of PKO Bank Polski SA as at 30 September 2014**

No.	Name	Function	Date of appointment
1.	Jerzy Góra	Chairman of the Supervisory Board	appointed on 26 June 2014 for the next term of the Supervisory Board, which began on the day of the Ordinary General Shareholders' Meeting convened as at 26 June 2014. On 26 June 2014 the State Treasury, as the Eligible Shareholder has appointed Jerzy Góra as a Chairman of the Supervisory Board.
2.	Tomasz Zganiacz	Deputy Chairman of the Supervisory Board	appointed on 26 June 2014 for the next term of the Supervisory Board, which began on the day of the Ordinary General Shareholders' Meeting convened as at 26 June 2014. On 26 June 2014 the State Treasury, as the Eligible Shareholder has appointed Tomasz Zganiacz as a Deputy-Chairman of the Supervisory Board.
3.	Mirosław Czekaj	Secretary of the Supervisory Board	appointed on 26 June 2014 for the next term of the Supervisory Board, which began on the day of the Ordinary General Shareholders' Meeting convened as at 26 June 2014. On 16 July 2014 the Supervisory Board has chosen Mirosław Czekaj as a Secretary of the Supervisory Board.
4.	Mirosława Boryczka	Member of the Supervisory Board	appointed on 26 June 2014 for the next term of the Supervisory Board, which began on the day of the Ordinary General Shareholders' Meeting convened as at 26 June 2014.
5.	Zofia Dzik	Member of the Supervisory Board	appointed on 26 June 2014 for the next term of the Supervisory Board, which began on the day of the Ordinary General Shareholders' Meeting convened as at 26 June 2014.
6.	Jarosław Klimont	Member of the Supervisory Board	appointed on 26 June 2014 for the next term of the Supervisory Board, which began on the day of the Ordinary General Shareholders' Meeting convened as at 26 June 2014.
7.	Piotr Marczak	Member of the Supervisory Board	appointed on 26 June 2014 for the next term of the Supervisory Board, which began on the day of the Ordinary General Shareholders' Meeting convened as at 26 June 2014.
8.	Elżbieta Mączyńska - Ziemacka	Member of the Supervisory Board	appointed on 26 June 2014 for the next term of the Supervisory Board, which began on the day of the Ordinary General Shareholders' Meeting convened as at 26 June 2014.
9.	Marek Mroczkowski	Member of the Supervisory Board	appointed on 26 June 2014 for the next term of the Supervisory Board, which began on the day of the Ordinary General Shareholders' Meeting convened as at 26 June 2014.

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**Shareholders holding, directly or indirectly through subsidiaries, at least 5% of total votes at the GSM**

To the best knowledge of PKO Bank Polski SA, as at the date of submission of the report, the shareholders holding, directly or indirectly, considerable block of shares (at least 5%) are three entities: the State Treasury, Aviva Otwarty Fundusz Emerytalny, ING Otwarty Fundusz Emerytalny.

**Table 3: Shareholding structure in PKO Bank Polski SA**

Shareholders	As at the date of publication of the report for the 3rd quarter of 2014		As at the date of publication of the report for the 1st half of 2014		Change of the share in the number of votes at GSM (pp.)
	Number of shares	Share in the number of votes at GSM	Number of shares	Share in the number of votes at GSM	
State Treasury	392 406 277	31.39%	392 406 277	31.39%	0.00
Aviva Otwarty Fundusz Emerytalny <sup>1)</sup>	83 952 447	6.72%	83 952 447	6.72%	0.00
ING Otwarty Fundusz Emerytalny <sup>2)</sup>	64 594 448	5.17%	64 594 448	5.17%	0.00
Other shareholders	709 046 828	56.72%	709 046 828	56.72%	0.00
<b>Total</b>	<b>1 250 000 000</b>	<b>100.00%</b>	<b>1 250 000 000</b>	<b>100.00%</b>	<b>0.00</b>

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

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

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

**Table 4: PKO Bank Polski SA's shares held by the Management and Supervisory Board Members**

No.	Name	Number of shares as at the date of publication of the report for the 3rd quarter of 2014			Number of shares as at the date of publication of the report for the 1st half of 2014
		Purchase	Disposal		
<b>I. Management Board of the Bank</b>					
1.	Zbigniew Jagiełło, President of the Management Board of the Bank	10 000	-	-	10 000
2.	Piotr Alicki, Vice-President of the Management Board of the Bank	2 627	-	-	2 627
3.	Bartosz Drabikowski, Vice-President of the Management Board of the Bank	-	-	-	-
4.	Piotr Mazur, Vice-President of the Management Board of the Bank	4 500	-	-	4 500
5.	Jarosław Myjak, Vice-President of the Management Board of the Bank	-	-	-	-
6.	Jacek Obłękowski, Vice-President of the Management Board of the Bank	512	-	-	512
7.	Jakub Papierski, Vice-President of the Management Board of the Bank	3 000	-	-	3 000
<b>II. Supervisory Board of the Bank</b>					
1.	Jerzy Góra, Chairman of the Supervisory Board of the Bank	-	-	-	-
2.	Tomasz Zganiacz, Deputy-Chairman of the Supervisory Board of the Bank	-	-	-	-
3.	Mirosław Czekaj, Secretary of the Supervisory Board of the Bank	-	-	-	-
4.	Mirosława Boryczka, Member of the Supervisory Board of the Bank	-	-	-	-
5.	Zofia Dzik, Member of the Supervisory Board of the Bank	-	-	-	-
6.	Jarosław Klimont, Member of the Supervisory Board of the Bank	-	-	-	-
7.	Elżbieta Mącznyńska-Ziemacka, Member of Supervisory Board of the Bank	-	-	-	-
8.	Piotr Marczak, Member of the Supervisory Board of the Bank	-	-	-	-
9.	Marek Mroczkowski, Member of the Supervisory Board of the Bank	-	-	-	-

**Seasonality or cyclicity of activities in the reporting period**

PKO Bank Polski SA is a universal bank, which provides services on the territory of Poland, and thus its activities are exposed to similar cyclical fluctuations to those affecting the entire Polish economy. The activities of other companies of the PKO Bank Polski SA Group also do not show any particular seasonality or cyclicity characteristics.

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

In subsequent quarters, the results of the Bank and the PKO Bank Polski SA Group will be affected by economic processes which will take place in the Polish and global economies, as well as by reactions of the financial markets. The interest rate policy applied by the Monetary Policy Council and by other largest central banks will also have a great impact on the future performance.

The future financial results of the PKO Bank Polski SA Group will be affected by the the process of integration of new entities, in particular Nordea Bank Polska SA.

The financial results of the PKO Bank Polski SA Group will be impacted also by the political and economic situation in Ukraine where the Group entities operate: KREDOBANK SA and factoring entities and debt collection entity. PKO Bank Polski SA continues to implement actions aimed at ensuring the safe functioning of its companies in Ukraine in the environment of the current political and macroeconomic situation. These actions include strengthening supervisory activities, including i.a. monitoring funds transferred to the Companies by the Bank and the development of the regulatory requirements determined by the National Bank of Ukraine. PKO Bank Polski SA is continuously analysing macroeconomic risks for KREDOBANK SA's activities.

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

In the third quarter of 2014, PKO Leasing SA (subsidiary of PKO Bank Polski SA) issued 42 500 bonds with a total nominal value of PLN 425 million and redeemed 44 500 bonds with a total nominal value of PLN 445 million. At the end of September of this year, the Company's debt due to the bonds issue amounted to PLN 510 million.

As at 30 September 2014, 10 096 of PKO Leasing SA's bonds with a total nominal value of PLN 100 960 thousand were included in Bank's portfolio and 40 904 bonds with a total nominal value of PLN 409 040 thousand were sold on a secondary market.

In the third quarter of 2014, subsidiaries of Mercury - fiz an issued bills of exchange with a total value of issue day of PLN 29 716 thousand and bought bills of exchange with a total value of issue day of PLN 23 881 thousand.

At the end of September of this year total debt of subsidiaries of Mercury - fiz an due to an issue of bills of exchange (according to the value of issue day) amounted to PLN 128 949 thousand. Bills of exchange were issued in favour of Mercury - fiz an.

**Information on transaction or a number of transactions concluded by the issuer or its subsidiary with related parties, if they are significant and were concluded not on arms' length**

In the third quarter of 2014, PKO Bank Polski SA and the subsidiaries of PKO Bank Polski SA did not conclude any significant transactions with related parties not on arms' length.

**Results of changes in the entity's structure, including the effects of business combination, takeover or disposal of the Group entities, long-term investments, division, restructuring and discontinuation of activities**

The results of changes in the entity's structure, including the results of business combination, takeover or disposal of the Group entities have been described in Note 2 and Note 38 in Notes to the condensed interim consolidated financial statements.

**Information on warranties on loan or advance granted by the issuer or by the issuer's subsidiary or on guarantee granted – cumulatively to a single entity or its subsidiary, if the total value of outstanding warranties or guarantees constitutes at least 10% of the issuer's equity**

In the third quarter of 2014, PKO Bank Polski SA and the subsidiaries of PKO Bank Polski SA did not grant any warranties on loan or advance or a guarantee to a single entity or its subsidiary that would constitute at least 10% of the Bank's equity.

**Loans taken and advances, guarantee and warranties agreements not related to operating activity**

In the third quarter of 2014, PKO Bank Polski SA and the subsidiaries of PKO Bank Polski SA did not take any loans, advances or receive any guarantees or warranties that were not related to its operating activity.

**Significant contracts and important agreements with the central bank or supervisory authorities**

On 2 July 2014, Nordea Bank Polska SA - a subsidiary of the Bank - concluded an agreement on transfer of receivables as collateral with Nordea Bank AB (publ), with registered office in Stockholm, operating through its branch in Poland under the business name Nordea Bank AB Spółka Akcyjna Oddział w Polsce ('Nordea AB'), to secure receivables of Nordea Bank AB (publ) resulting from the agreement on granting a credit facility (multicurrency term loan agreement) to PKO Bank Polski SA concluded on 1 April 2014.

On the basis of the above mentioned agreement, Nordea Bank Polska SA transfers to Nordea AB all receivables due to it in relation to its clients under the loan agreements denominated in foreign currency (i.e. CHF, EUR and USD) and indexed to foreign currency (CHF, EUR, USD), together with the legal collaterals of these receivables, including i.a. mortgages.

The transfer of each receivable becomes effective with the entry of Nordea AB as a mortgagee in the proper land and mortgage register, with effect from the date of submission of the application for registration. The value of receivables transferred for security amounts to approx. PLN 14 400 million.

On 12 September 2014, KREDOBANK SA concluded 'Arrangement concerning the profitability improvement of KREDOBANK SA' with the National Bank of Ukraine (the NBU), in effect until the end of 2015. The arrangement concerns the reduction of operations bearing high level of risk, improvement of performance indicators and financial situation of the Company, and the implementation of all recommendations and instructions issued by the NBU within the control conducted in October 2013.

Other Group entities did not conclude any significant agreements with the central bank or supervisory authorities.

At the same time, in the third quarter of 2014 the PKO Bank Polski SA Group entities did not conclude any significant agreements.

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

As at 30 September 2014, the total value of court proceedings in which the PKO Bank Polski SA Group entities (including the Bank) are a defendant amounted to PLN 457 711 thousand, of which PLN 10 024 thousand referred to court proceedings in Ukraine (as at 31 December 2013 the total value of the above mentioned court proceedings amounted to PLN 342 658 thousand), while the total value of court proceedings in which the PKO Bank Polski SA Group entities (including the Bank) are the plaintiff as at 30 September 2014 amounted to PLN 805 981 thousand, of which PLN 140 250 thousand referred to court proceedings in Ukraine, mainly related to collection of loans granted by KREDOBANK SA (as at 31 December 2013 the total value of the above mentioned court proceedings amounted to PLN 525 949 thousand). Above information does not include KREDOBANK SA's legal claims concerning taxes described in Note 12 in Notes to the condensed interim consolidated financial statements. The PKO Bank Polski Group entities have not conducted any proceedings pending before court, arbitration tribunal or a public administration authority concerning liabilities or receivables, the value of which constitutes at least 10% of the equity of PKO Bank Polski SA.

**Position of the Management Board of PKO Bank Polski SA in regards to possibility of achieving previously published forecasts for the given year**

PKO Bank Polski SA did not publish any financial result forecasts for the year 2014.

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

On 26 June 2014, the Ordinary General Shareholders' Meeting of PKO Bank Polski SA, as a result of profit appropriation of PKO Bank Polski SA for the financial year 2013 and of covering an undistributed loss from previous years, according to the Bank's Management Board's recommendation, allocated PLN 937 500 thousand as a dividend for shareholders, which constitutes PLN 0.75 gross per share. The General Shareholders' Meeting set:

- the dividend day (the day of acquisition of rights to dividend) at 18 September 2014,
- the dividend payment date at 3 October 2014.

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

The dividend from the profit of PKO Bank Polski SA for the financial year 2013 was paid out on 3 October 2014.

On 2 October 2014 the Management Board of PKO Bank Polski SA adopted a resolution on the distribution of the net profit that PKO Bank Polski SA achieved for the period from 1 January 2014 to 30 June 2014. As per this resolution the Bank's Management Board resolved that in the Management Board's recommendation on distribution of the net profit achieved by the Bank in 2014 addressed to the Ordinary General Shareholders' Meeting approving the Bank's financial statements for 2014, the net profit achieved for the period from 1 January 2014 to 30 June 2014 in the amount of PLN 1 679 300 thousand will be taken into account in a way that assumes allocation of the amount of PLN 675 000 thousand out of that net profit as a dividend for shareholders. This amount constitutes 40.2% of the Bank's net profit achieved in the first half of 2014.

The adoption of the aforementioned resolution was aimed at including 59.8% of the net profit achieved in the period from 1 January 2014 to 30 June 2014, after deduction of the expected charges and dividends, to Tier 1 basic capital of the Bank. The aforementioned allocation of net profit will ensure maintenance of the capital adequacy measures at a safe level and will provide the Bank's further development. Pursuant to Article 26 item 2 of the Regulation (EU) No. 575/2013 of the European Parliament and Council, inclusion of the profit for this year in own funds is possible only with the prior permission of the Polish Financial Supervision Authority (the PFSA) and after verification of profits by independent persons responsible for the auditing of the financial statements.

The Bank obtained the aforementioned permission of the PFSA and indicated in the current report No. 71/2014 as of 2 October 2014, that accumulation of a part of the net profit for 2014 is required in order to ensure safe level of capital adequacy for its developing operations. The key factors determining this decision of the Bank were conducting the transaction of acquisition of the Nordea Group assets, the changing regulatory environment as well as the process of establishing a mortgage bank (as a subsidiary of PKO Bank Polski SA).

The aforementioned level of dividend of the net profit achieved for the period from 1 January 2014 to 30 June 2014 is solely a declaration to recommend a payment out of the net profit for the indicated period. The part of the net profit achieved in 2014, which in the Management Board's opinion should be allocated as a dividend, will be recommended to the Ordinary General Shareholders' Meeting approving the Bank's financial statements for 2014, by the Bank's Management Board in compliance with a relevant procedure, prior to the convening of this Ordinary General Shareholders' Meeting, and the final amount of the dividend will be determined by the General Shareholders' Meeting.

**Other information of particular importance to the assessment of the human resources, proprietary and financial situation of the issuer, its financial results and changes thereto**

On 24 September 2014 the third stage of the financial reorganisation of Polimex-Mostostal SA was closed. As part of this stage:

- PKO Bank Polski SA and Bankowe Towarzystwo Kapitałowe SA (the Bank's subsidiary) signed agreements to acquire shares issued by the Company with a total issue price of PLN 211 366 thousand, paid by way of contractual deduction of debts owed to these entities (capital increase has not been registered with the National Court Register until 30 September 2014),
- PKO Bank Polski SA (together with other banks that are a party to an agreement) made a limit under the new guarantee facility in the amount of PLN 60 million available to selected subsidiaries of the Polimex-Mostostal SA Group,
- Bankowe Towarzystwo Kapitałowe SA signed an agreement to purchase 17 bonds convertible to shares with a total nominal value of PLN 8 500 thousand.

**Subsequent events occurring after the reporting date, which may have an impact on the future financial results**

1. On 2 October 2014, the Polish Financial Supervision Authority, acting pursuant to Article 34 item 2 of the Banking Law, granted its permit to the amendments to the Bank's Memorandum of Association introduced in connection with the merger of Nordea Bank Polska SA with PKO Bank Polski SA. The amendments to the Bank's Memorandum of Association referred to above were enacted by the Ordinary General Shareholders' Meeting of the Bank, held on 26 June 2014.
2. On 24 October 2014 the new entity – PKO Bank Hipoteczny SA was registered with the National Court Register. The share capital of the entity amounts to PLN 300 million. The sole shareholder of the Entity is PKO Bank Polski SA.
3. On 31 October 2014 the National Court Register entered in the register of entrepreneurs the merger between PKO Bank Polski SA and Nordea Bank Polska S.A. The merger was effected by way of transfer of all assets of Nordea Bank Polska, as acquirer, to the Bank, as acquirer. Since the Bank was the sole shareholder of Nordea Bank Polska, the merger was effected pursuant to the provisions of Article 515 § 1 of the CCC, i.e. without increasing the share capital of the Bank. The operational merger scheduled for mid-2015 will close the integration process.



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**Approval of financial statements**

These condensed interim consolidated financial statements, reviewed by the Supervisory Board's Audit Committee on 5 November 2014, have been approved for publication by the Bank's Management Board on 4 November 2014.

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

04.11.2014	Zbigniew Jagiełło	President of the Management Board	..... (signature)
04.11.2014	Piotr Alicki	Vice-President of the Management Board	..... (signature)
04.11.2014	Bartosz Drabikowski	Vice-President of the Management Board	..... (signature)
04.11.2014	Piotr Mazur	Vice-President of the Management Board	..... (signature)
04.11.2014	Jarosław Myjak	Vice-President of the Management Board	..... (signature)
04.11.2014	Jacek Obłękowski	Vice-President of the Management Board	..... (signature)
04.11.2014	Jakub Papierski	Vice-President of the Management Board	..... (signature)

Signature of person responsible for  
maintaining the books of account

04.11.2014

Danuta Szymańska  
Director of the Accounting Division

.....  
(signature)