



Bank Polski

**PKO Bank Polski SA Group**

**Report**

**for the first quarter of 2012**

## SELECTED FINANCIAL DATA

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	period from 01.01.2012 to 31.03.2012	period from 01.01.2011 to 31.03.2011	period from 01.01.2012 to 31.03.2012	period from 01.01.2011 to 31.03.2011
Net interest income	2 059 186	1 719 469	493 218	432 658
Net fee and commission income	723 440	737 194	173 279	185 495
Operating profit	1 243 436	1 088 335	297 829	273 850
Profit before income tax	1 251 447	1 084 997	299 748	273 010
Net profit (including non-controlling shareholders)	1 004 473	870 631	240 592	219 071
Net profit attributable to the parent company	1 004 787	871 016	240 668	219 168
Earnings per share for the period - basic (in PLN/EUR)	0.80	0.70	0.19	0.18
Earnings per share for the period - diluted (in PLN/EUR)	0.80	0.70	0.19	0.18
Net comprehensive income	806 949	699 735	193 281	176 069
Net cash flow from / used in operating activities	(3 410 209)	(1 145 929)	(816 817)	(288 342)
Net cash flow from / used in investing activities	744 304	270 218	178 276	67 993
Net cash flow from / used in financing activities	(1 028 229)	(115 890)	(246 282)	(29 161)
Total net cash flows	(3 694 134)	(991 601)	(884 823)	(249 510)

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	as at 31.03.2012	as at 31.12.2011	as at 31.03.2012	as at 31.12.2011
Total assets	189 732 552	190 748 037	45 591 251	43 186 931
Total equity	23 628 933	22 821 984	5 677 848	5 167 086
Total equity attributable to equity holders of the parent company	23 630 154	22 823 274	5 678 142	5 167 378
Share capital	1 250 000	1 250 000	300 365	283 010
Number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Book value per share (in PLN/EUR)	18.90	18.26	4.54	4.13
Diluted number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Diluted book value per share (in PLN/EUR)	18.90	18.26	4.54	4.13
Capital adequacy ratio	13.84%	12.37%	13.84%	12.37%
Tier 1 capital	18 908 909	16 664 233	4 543 663	3 772 920
Tier 2 capital	1 550 222	1 545 549	372 506	349 925
Tier 3 capital	30 387	133 134	7 302	30 143

SELECTED STAND-ALONE FINANCIAL DATA	PLN thousand		EUR thousand	
	period from 01.01.2012 to 31.03.2012	period from 01.01.2011 to 31.03.2011	period from 01.01.2012 to 31.03.2012	period from 01.01.2011 to 31.03.2011
Net interest income	2 030 741	1 687 029	486 405	424 495
Net fee and commission income	665 161	693 142	159 320	174 410
Operating profit	1 244 243	1 053 737	298 022	265 144
Profit before income tax	1 244 243	1 053 737	298 022	265 144
Net profit	998 675	851 344	239 204	214 218
Earnings per share for the period - basic (in PLN/EUR)	0.80	0.68	0.19	0.17
Earnings per share for the period - diluted (in PLN/EUR)	0.80	0.68	0.19	0.17
Net comprehensive income	821 259	694 223	196 709	174 682
Net cash flow from / used in operating activities	(3 439 860)	(1 207 815)	(823 919)	(303 914)
Net cash flow from / used in investing activities	825 638	240 591	197 758	60 538
Net cash flow from / used in financing activities	(1 056 388)	(10 708)	(253 027)	(2 694)
Total net cash flows	(3 670 610)	(977 932)	(879 188)	(246 070)

SELECTED STAND-ALONE FINANCIAL DATA	PLN thousand		EUR thousand	
	as at 31.03.2012	as at 31.12.2011	as at 31.03.2012	as at 31.12.2011
Total assets	187 526 227	188 372 690	45 061 089	42 649 133
Total equity	23 710 396	22 802 375	5 697 423	5 162 646
Share capital	1 250 000	1 250 000	300 365	283 010
Number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Book value per share (in PLN/EUR)	18.97	18.24	4.56	4.13
Diluted number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Diluted book value per share (in PLN/EUR)	18.97	18.24	4.56	4.13
Capital adequacy ratio	13.59%	11.93%	13.59%	11.93%
Tier 1 capital	18 716 405	16 225 262	4 497 406	3 673 533
Tier 2 capital	985 651	989 525	236 844	224 037
Tier 3 capital	30 387	133 134	7 302	30 143

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

- the income statement, statement of comprehensive income and cash flow statement items – the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month of the three-month period ended 31 March 2012 and 2011, respectively: EUR 1 = PLN 4.1750 and EUR 1 = PLN 3.9742,
- the statement of financial position items – average NBP exchange rate as at 31 March 2012: EUR 1 = PLN 4.1616 and as at 31 December 2011: EUR 1 = PLN 4.4168



Bank Polski

Directors' Commentary to the financial results  
of the PKO Bank Polski SA Group  
for the first quarter of 2012

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## 1. Summary and selected financial data

	1st quarter of 2012		1st quarter of 2011		Change y/y	
<b>NET PROFIT</b>	1 004.8	PLN million	871.0	PLN million	15.4%	(y/y)
<b>RESULT ON BUSINESS ACTIVITIES*</b>	2 923.3	PLN million	2 580.9	PLN million	13.3%	(y/y)
<b>ADMINISTRATIVE EXPENSES</b>	-1 152.3	PLN million	-1 054.1	PLN million	9.3%	(y/y)
<b>NET IMPAIRMENT ALLOWANCE</b>	-527.5	PLN million	-438.4	PLN million	20.3%	(y/y)
<b>C/I</b>	39.4%		40.8%		- 1.4	pp.
<b>ROE NET</b>	17.7%		15.4%		2.3	pp.
<b>ROA NET</b>	2.1%		2.0%		0.1	pp.

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

In the first quarter of 2012 PKO Bank Polski SA's activities were focused on securing a stable development of business activities, while maintaining the priorities in the area of efficiency and effective cost control.

The net profit of the PKO Bank Polski SA Group generated in the first quarter of this year amounted to PLN 1 004.8 million, which represents an increase by PLN 133.8 million (+15.4%) in relation to the corresponding period of the previous year. The achieved profit was determined by:

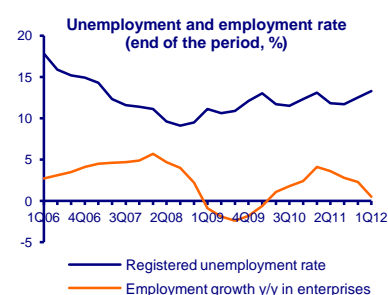
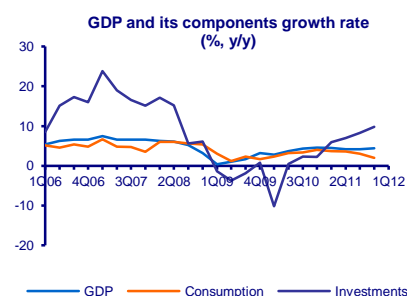
- ⇒ high level of result on business activities of the PKO Bank Polski SA Group - PLN 2 923.3 million, mainly due to an increase in net interest income by PLN 339.7 million compared to the corresponding period of the previous year,
- ⇒ increase in administrative expenses by 9.3% y/y, which with dynamic growth of result on business activities has provided a decrease by 1.4 pp. of C/I ratio on an annual basis to the level of 39.4%,
- ⇒ deterioration of net impairment allowance, mainly as a result of an increase of impairment allowance on corporate loans portfolio,
- ⇒ an effective structure of the statement of financial position - a stable level of deposits of the PKO Bank Polski SA Group (PLN 144.2 billion as at the end of the first quarter of this year) and funds from the issue of securities enabled a dynamic increase in business activities. As at the end of the first quarter of 2012 the loan to deposit ratio amounted to 97.7% and considering the long-term financing was 90.0%.

## 2. External environment

### Macroeconomic environment

In the first quarter of 2012:

- a moderate slowing in the national economy – to around 3.5% y/y compared with 4.3% in 2011, which was accompanied by relatively low growth in private consumption but stronger dynamics of investments (both public and private);
- in March 2012, CPI inflation slightly decreased but it remains at an elevated level of 3.9% p.a. compared with 4.6% in December of the previous year, which was accompanied by deceleration in the growth rate of prices in most categories of the inflation basket as a result of high bases from the previous year (VAT rates increases, supply shocks on the agricultural commodities market) and also changes in regulated prices;
- situation on the labour market remains relatively stable. In March registered unemployment rate seasonally increased to 13.3% from 12.5% in December 2011 but it remains relatively stable compared to the corresponding period of the previous year. The average annual growth rate in salaries and wages in the enterprise sector increased to 5.3% p.a. from 4.6% in the fourth quarter of 2011, the growth in employee pensions and disability benefits reached 5.0% p.a. compared with 4.7% in the fourth quarter of 2011;
- the Monetary Policy Council (RPP – *Rada Polityki Pieniężnej*) left interest rates unchanged (4.5% reference rate) in conditions of decreasing but still elevated CPI ratio and uncertainty regarding the development of the economic situation in Poland and in the world.



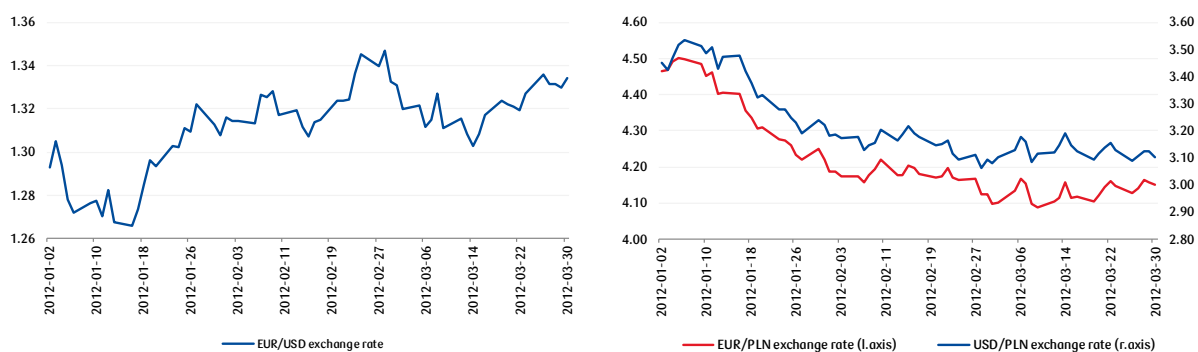
### Situation on the financial market

Two LTRO (long-term refinancing operations) and a decrease in the mandatory reserve rate by the European Central Bank stopped the sharp increase in credit risk premium which dominated the euro zone in the fourth quarter of 2011, generating strong decrease in returns on the bonds of South European states. The decrease in the credit risk premium also had an impact on Polish bonds, mainly as a result of the activity of foreign investors.

Throughout the quarter, returns on Polish bonds decreased by a total of 25-40 b.p. The impact of the expectations on potential decreases in RPP interest rates in the second half of 2012 was offset by the higher CPI trends at the beginning of 2012. Inflation was much above the inflation goal and stabilised at ca. 4.0%, whereas the economic growth rate also exceeded 4.0%. In view of the above, the scenario for reductions of interest rates in Poland was, to a limited extent, reflected on the interest rate market. The drops in returns on Polish bonds were accompanied by increases in the quotations of interest rate hedging instruments (IRS), which had a decisive impact on the decrease in asset swap levels (ASW). The chance of drops in the interest rates in the second half of the year assessed i.a. by the FRA market was significantly reduced by the publication of the inflation rates for February 2012 (4.3%), which was not reduced by the adjustment in the GUS (Main Statistical Office) inflation basket. Whereas the reaction to the higher than expected inflation translated mainly into an increase in returns at the shorter end of the curve, the returns on long-term bonds were impacted by increases in returns on the American and German bond markets, discounting the normalisation of monetary conditions and withdrawal of the Fed unconventional set of instruments.

The excellent results on meeting debt demand (50% in the first quarter of 2012 of the PLN 176.1 billion for this year), hedged with the liquidity cushion provided by the Ministry of Finance (PLN 39.3 billion in March) had a positive impact on the valuation of Polish debt. The progress in consolidating public finance also played a role in the conditions on the Polish debt market as it increased Poland's creditworthiness among European countries combating the economic and financial crisis.

The money market was the most stable sector on the interest rate market in the first quarter. The WIBOR curve oscillated in a relatively stable manner, around 5.0% during the first quarter, while short-term rates decreased by merely than 4-5 b.p. The National Bank of Poland stabilised the movements in short-term rates around the reference rate.



On the foreign currency market, the first quarter of this year was very positive both for the Eurodollar and the Polish zloty, despite the market's mix of concerns about the potential bankruptcy of Greece and other peripheral euro zone countries, and expectations as to the continuation of the expansive quantitative policy of the largest central banks. Investor expectations as to another LTRO operation in the euro zone and speculations as to the implementation of QE3 in the USA had a strong positive impact on the PLN rate of exchange. The statement of the Fed made in January, in which the Federal Reserve postponed the perspective of discontinuing the zero interest rate policy (ZIRP) from mid-2013 to the autumn of 2014 and the suggested continuation of the Twist Operation (repurchase of bonds from the longer end of the curve by Fed, with simultaneous selling of bonds from the short end of the curve) also had a positive impact on the strengthening of the zloty against the euro and the dollar in the first quarter of 2012. The January declaration by the IMF as to a significant increase in the pool of funds earmarked for saving the states threatened with insolvency also had an impact on the decrease in risk aversion.

The strong decrease in risk aversion, despite the less strict monetary policy in the euro zone, led to appreciation of the EUR/USD exchange rate until February (on 29 February 2012 ECB launched LTRO2) to the level of 1.348, after which the market for the key currency pair was dominated by a horizontal trend limited by support to USD 1.30. On the home currency market, the situation was a mirror reflection due to the maintained high correlation between the Polish zloty and the Eurodollar. At the beginning of March, the EUR/PLN exchange rate dropped below 4.10 from over 4.50 in January, thus strengthening the position of the PLN by nearly 10%. At the same time, USD/PLN exchange rates decreased to 3.05 from 3.55, which was a ca. 15% appreciation of the Polish currency.

### Situation on the stock exchange

First quarter of 2012 was good for the global stock exchange, including the Warsaw Stock Exchange (WSE). The main WSE index WIG, increased by nearly 10%. The main factor which had an impact on the market conditions were the two 3-year liquidity operations (LTRO) conducted by the European Central Bank. ECB's operations put off the risk of bankruptcy of the European banking system in view of the maturing liabilities and the outflow of deposits from the peripheral countries of Europe. Banks gained access to cheap liquidity for a period of at least three years which will facilitate the organised strengthening of capital ratios to the levels required by *the European Banking Authority*. With a decrease in the systemic risk in the financial sector, investors adopted a more positive view on the stabilisation and then reduction of public debt in euro zone countries, specifically those most threatened with bankruptcy, i.e. Greece, Italy, Ireland, Portugal and Spain, the so-called GIIPS Group. From the market perspective, the psychological effect was very important. European leaders demonstrated their capability to take decisive actions to overcome the financial crisis. Additional optimism was drawn from the agreement on the fiscal pact and restructuring of Greek debt.

In the first quarter the markets started to discount relatively better macroeconomic forecasts. In particular, the expectations relating to the American economy were revised upwards. China was a significant exception in the trend of macroeconomic forecasts as analysts became more and more sceptical as to their growth perspectives. The weakening of the global inflation trends (despite the high prices of crude oil) was favourable for the share markets as it provided conditions for mitigating the monetary policy on many emerging markets, i.a. in China. An air of optimism caused by the above mentioned factors got favourable conditions as far as low market valuations are concerned. Ratios such as Price/Earnings, which are taken into account by investors in the valuation of companies, were at much lower levels than the historic average. Due to reducing risk aversion, funds from global investors once again started to inflow to emerging markets after the huge outflows in the second half of 2011, which supported stock exchange indices.



### **Situation in the Polish banking sector**

As at the end of February 2012 the banking sector's net profit amounted to PLN 2.77 billion and was 32.2% higher than as at the end of February 2011, which was due to i.a.:

- high increase of result on banking activities (by 14.9%), including the growth of net interest income (by 14.1%) and net fee and commission income (by 8.1%),
- lower net impairment allowance (by 8.3%).

Despite the increase of administrative expenses (by 10.2%) operational efficiency of the banking sector improved: C/I ratio decreased to 51.8% compared with 54.2% in the previous year. Capital adequacy ratio for the banking sector amounted to 13.4% compared with 13.7% as at the end of February 2011.

As at the end of February 2012 a slight increase of impaired loans (by 7% y/y compared with 21.6% y/y in the corresponding period of 2011) was recorded. Their share in total loans amounted to 8.5% compared with 8.9% as at the end of February 2011. This situation was due to a slight growth in non-performing corporate loans value (3.9% y/y) whose share in total corporate loans decreased to 10.6% from 12.1% as at the end of February 2011. Deterioration in the quality of mortgage and consumer loans continued, in which the share of non-performing loans amounted to 2.5% compared with 2% as at the end of February 2011 and 18.5% compared with 18.3% respectively.

The situation on the loan and deposit market was affected by a decrease of loan activity and slow increase in deposits. The changes in volumes, mainly loans in foreign currencies, were affected by exchange rates fluctuations resulting in the appreciation of the Polish currency (decrease in CHF exchange rate by 4.9% and in EUR exchange rate by 5.8% since the beginning of 2012), decreasing the value of loans in PLN.

In the first quarter of 2012 total loans decreased by ca. PLN 12 billion, and their growth rate slowed down to 12.3% from 15.2% as at the end of 2011. After eliminating the influence of changes in exchange rates, the banking sector would record a slight increase in loans, which would amount to ca. PLN 5 million.

The situation on corporate loans market deteriorated. In the first quarter of 2012 the value of these loans decreased by PLN 1.9 billion which was mainly caused by the appreciation of the Polish currency, after the period of systematic growth of these loans portfolio in 2011. The growth rate of loans decreased to 15.1% y/y from 19.4% y/y as at the end of 2011, which was a result of limitation of demand for loans from enterprises due to continuing uncertainty regarding future economic conditions.

The decrease of loan activity also related to the mortgage loans market. In the first quarter of 2012 the growth rate of mortgage loans decreased to 15.9% y/y from 19.2% y/y as at the end of 2011. The value of mortgage loans decreased by PLN 6 billion. However, after eliminating the changes in exchange rates an increase of these loans by PLN 3.9 billion would be recorded, which would however be approx. 32% lower than in the corresponding period of 2011. The lower demand related to limiting of 'Rodzina na swoim' programme, as well as a stricter credit policy of banks caused by new legal regulations, including Recommendation T, and the deterioration of the mortgage loan portfolio quality had a negative influence on sale of loans.

The market of consumer loans stagnated. In the first quarter of 2012 their value decreased by PLN 3 billion. This situation was due to low demand and stricter credit policy of banks caused by new regulatory solutions.

In the first quarter of 2012 there was a decrease of PLN 0.2 in total deposits. And the growth decreased to 7.7% y/y from 11% y/y as of the end of 2011. The main reason was the significant decrease in corporate deposits of ca. PLN 22 billion, due to seasonal factors, i.a. restoring balances on the settlement accounts after the beginning of new balance year. Deposits from private individuals increased by PLN 10 billion, and deposits from central and local government institutions increased by PLN 5.8 billion.

As at the end of March 2012 a gap between loans and deposits in the banking sector amounted to PLN 88.5 billion and was lower by PLN 12 billion compared to the end of 2011, and the relation between loans and deposits amounted to 111.1% compared with 112.6% as at the end of 2011.

### **Regulatory factors**

The new regulatory solutions influenced the financial and organisational situation of the PKO Bank Polski SA Group in the first quarter of 2012, of which:

- the Resolution No. 18/2011 of the Polish Financial Supervision Authority (PFSA) of 25 January 2011 (Official Journal of PFSA No. 3, item 6) which required banks to comply with rules determined by Recommendation S concerning credit exposures secured by mortgage, including quantity requirements fully in force since 31 December 2011; implemented regulations resulted in stricter assessment of customers creditability rules and as a result influenced on limitation of value of mortgage loans granted by banks;
- the Act of 15 July 2011 amending the Act on financial support to families purchasing their own homes (Journal of Laws, No. 168, item 1006) as of 31 August 2011, which specified gradually extinguishing by 31 December 2012, the 'Rodzina na Swoim' programme. The Act implemented the changes in the criteria for granting preferential loans, thus affecting the level of lending activity on the mortgage loans market;
- the Act of 12 May 2011 on consumer loan (Journal of Laws No. 126, item 715) applicable as of 18 December 2011; implemented significant changes affecting the lending activity in retail segment;
- the Act of 22 December 2011 implementing amendments to the Tax Ordinance (Journal of Laws No. 291, item 1707) preventing tax on profit from capital interest avoidance as of 1 April 2012, which influenced the situation on the retail deposit market;
- the Resolution of PFSA No. 324/2011 of 20 December 2011 introducing changes in the principles of determination of capital requirements for different types of risk and in the rules of determining liquidity standards obligatory for banks as of 31 December 2011 (Official Journal of PFSA No. 13, item 48); changed, among other things, the principles for creating the trading portfolio and determination of capital requirements; the Resolution implements the provisions of the CRD III directive;
- the Resolution of the Bank Guarantee Fund (BGF) Council of 23 November 2011 increasing the interest rate specifying the amount of the guaranteed funds protection fund to be created by banks in 2012;
- the Amendment of Act on the social insurance system (Journal of Laws of 2011 No. 291, item 1706), which increased the percentage rate of the contribution for disability pension insurance by 2 pp. (in the part financed by its remitters) as of 1 February 2012.

The situation of the PKO Bank Polski SA Group affected also new law regulations implemented in Ukraine, where two subsidiaries of PKO Bank Polski SA operate:

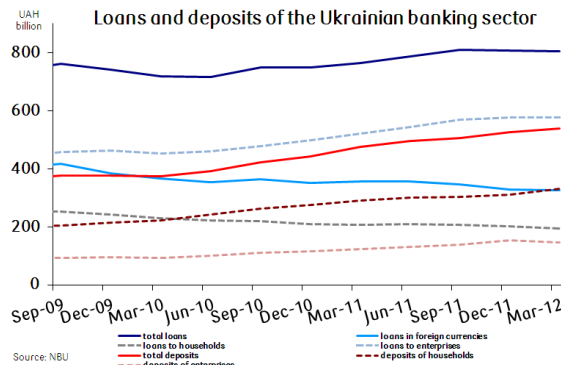
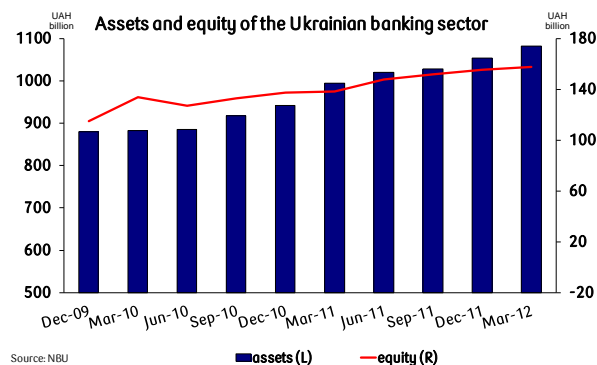
- the Resolution No. 486 of the Board of National Bank of Ukraine (NBU) dated 28 December 2011 setting out the principles for valuation, increasing and releasing of provisions for non-performing loans as of 1 February 2012;
- the Resolution No. 479 of the Board of NBU dated 28 December 2011 extending until 1 July 2012 the period for including unregistered contributions in banks' equity and banning the payment of dividend if it results in violating the requirements of the regulatory capital adequacy;
- the Resolution No. 102 of the Board of NBU dated 21 March 2012 reducing the discount rate by 0.25 pp. to 7.5% from 23 March 2012;
- the Tax Code passed by Resolution 2755-VI setting out the corporate income tax rate for 2012 at the level of 21%.

### ***Ukrainian market***

The activities and results of the PKO Bank Polski SA Group in the first quarter of 2012 were affected by the macroeconomic factors in Ukraine, where PKO Bank Polski SA's subsidiary - KREDOBANK SA - operates. These factors include:

- an economic slowdown, due to poor results of industry (slowdown of activities in mining and manufacturing) and construction; the economic growth was supported by private consumption stimulated by an upward trend of real household income accompanied by salaries upward trend; there was a slight seasonal deterioration on the labour market, however the situation remains favourable and the registered unemployment rate is low and amounts to 1.9%;
- a decrease in prices measured by the CPI index to 1.9% in March 2012 from 4.6% in December 2011, primarily due to a decrease in food prices after a rich harvest in agriculture in 2011;

- the delay in implementing the reform programme, the IMF *Stand-by-Arrangement* (SBA) loan programme was not resumed, after being suspended in February 2011 as a result of non-performance of the pension reforms and tariff policy (energy prices),
- stabilisation of the current turnover deficit at the level of GDP 5.5% accompanied by a high foreign trade deficit, growing income deficit and a slight improvement of the financial account balance;
- stabilisation of the hryvnia exchange rate (at around UAH 7.99 to USD 1) on further NBU interventions on the foreign exchange market.



According to the National Bank of Ukraine data, as at the end of the first quarter of 2012, 177 banks operated in Ukraine. The share of foreign capital in the Ukrainian banking sector remained at a level of 42%.

In the first quarter of 2012 the banking sector's assets were increasing slower than in the previous quarter (by ca. 9% y/y compared with ca. 12% in the fourth quarter of 2011) due to the decrease in loans. In the first quarter of 2012 the increase in loans was negative and amounted to UAH -1.9 billion compared with an increase of UAH 16.4 billion in the corresponding period of 2011, and the annual growth rate amounted to ca. 5% compared with ca. 6% in the previous year. The total decrease in loans was mainly due to a decrease in the volume of household loans by ca. 3% y/y, accompanied by a slight increase in the volume of corporate loans. The share of foreign currency loans in total loans stabilized at a level of ca. 40%.

The increase in deposits in the first quarter of 2012 amounted to UAH 15.1 billion (an increase of ca. 3% q/q and 14% y/y), which resulted in a slowdown of loan to deposits ratio decrease, which amounted to 149% compared with 161% in the previous year. Household deposits increased by ca. 13% y/y compared with ca. 31% in the previous year and corporate deposits increased by ca. 17% y/y compared with ca. 33% in the previous year.

In the first quarter of 2012 the equity of the banking sector increased by ca. 14% y/y compared with ca. 13% in the fourth quarter of 2011, which resulted from capital injection to the banks and implemented regulatory solutions allowing the increase in the share capital by 100% of subordinated loans obtained.

In the first quarter of 2012 an increase of 0.6% q/q in the level of non-performing loans was recorded. The low loan portfolio quality still remains a challenge for the Ukrainian banking sector.

As at the end of the first quarter of 2012, the banking sector earned a profit, and return on equity and return on assets improved and amounted to: ROE 4.42% and ROA 0.65%.

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

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

##### Factors influencing results of the Group

In the first quarter of 2012, the situation on the loan and deposit market of the Polish banking sector was affected by decrease in lending activity and slow increase in deposits. Actions undertaken by the PKO Bank Polski SA Group in the first quarter of 2012 allowed generating net profit amounting to PLN 1 004.8 million.

The PKO Bank Polski SA Group demonstrated high level efficiency – as at the end of the first quarter of 2012, the ROE ratio amounted to 17.7%.

Deposit base stabilisation and the high level of equity of the PKO Bank Polski SA Group covered the increasing funding needs and enabled the further stable and secure growth of business activities. At the end of the first quarter of 2012, the capital adequacy ratio amounted to 13.8%, while its minimum level, determined by the Banking Law, amounted to 8%.

##### Key financial indicators

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

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

	31.03.2012	31.03.2011	Change
<b>ROA net</b> (net profit/average total assets)	2.1%	2.0%	0.1 pp.
<b>ROE net</b> (net profit/average total equity)	17.7%	15.4%	2.3 pp.
<b>C/I</b> (cost to income ratio)	39.4%	40.8%	-1.4 pp.
<b>Interest margin</b> (net interest income/average interest-earning assets)	4.7%	4.4%	0.3 pp.
<b>The share of impaired loans*</b>	8.5%	7.5%	1 pp.
<b>The coverage ratio of impaired loans**</b>	47.9%	50.7%	-2.8 pp.

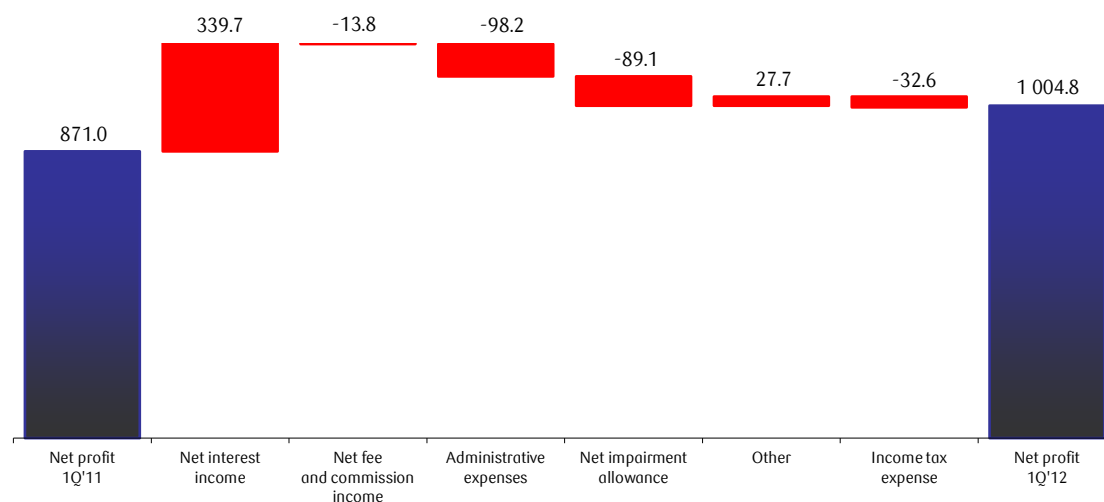
\* Calculated by dividing the gross carrying amount of impaired loans and advances to customers by the gross carrying amount of loans and advances to customers.

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

##### Financial results

In the first quarter of 2012, the PKO Bank Polski SA Group achieved net profit in the amount of PLN 1 004.8 million, which was PLN 133.8 million higher than in the corresponding period of 2011 (+15.4% y/y).

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



The main consolidated income statement items were as follows:

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

	1st quarter period from 01.01- 31.03.2012	1st quarter period from 01.01- 31.03.2011	Change Q1 2012/ Q1 2011 (in PLN million)	Change Q1 2012/ Q1 2011 (in %)
Interest and similar income	3 257.3	2 720.4	536.9	19.7%
Interest expense and similar charges	(1 198.2)	(1 001.0)	(197.2)	19.7%
<b>Net interest income</b>	<b>2 059.2</b>	<b>1 719.5</b>	<b>339.7</b>	<b>19.8%</b>
Fee and commission income	890.7	911.5	(20.7)	-2.3%
Fee and commission expense	(167.3)	(174.3)	7.0	-4.0%
<b>Net fee and commission income</b>	<b>723.4</b>	<b>737.2</b>	<b>(13.8)</b>	<b>-1.9%</b>
Dividend income	-	0.0	(0.0)	x
Net income from financial instruments at fair value	14.5	(0.5)	15.0	x
Gains less losses from investment securities	(0.7)	3.5	(4.2)	x
Net foreign exchange gains	91.8	74.9	16.9	22.6%
Other operating income	109.6	117.8	(8.2)	-6.9%
Other operating expenses	(74.5)	(71.5)	(3.0)	4.2%
<b>Net other operating income and expense</b>	<b>35.1</b>	<b>46.3</b>	<b>(11.2)</b>	<b>-24.2%</b>
Net impairment allowance and write-downs	(527.5)	(438.4)	(89.1)	20.3%
Administrative expenses	(1 152.3)	(1 054.1)	(98.2)	9.3%
<b>Operating profit</b>	<b>1 243.4</b>	<b>1 088.3</b>	<b>155.1</b>	<b>14.3%</b>
Share of profit (loss) of associates and jointly controlled entities	8.0	(3.3)	11.3	x
<b>Profit before income tax</b>	<b>1 251.4</b>	<b>1 085.0</b>	<b>166.5</b>	<b>15.3%</b>
Income tax expense	(247.0)	(214.4)	(32.6)	15.2%
Net profit (including non-controlling shareholders)	1 004.5	870.6	133.8	15.4%
Profit (loss) attributable to non-controlling shareholders	(0.3)	(0.4)	0.1	-18.4%
<b>Net profit</b>	<b>1 004.8</b>	<b>871.0</b>	<b>133.8</b>	<b>15.4%</b>

In the income statement of the PKO Bank Polski SA Group for the first quarter of 2012, the sum of revenue positions amounted to PLN 2 923.3 million and was PLN 342.4 million, i.e. 13.3%, higher than in the corresponding period of 2011.

### **Net interest income**

After the first quarter of 2012, net interest income was PLN 339.7 million (i.e. 19.8%) higher than in the corresponding period of the previous year, mainly due to interest income growth by PLN 536.9 million.

After the first quarter of 2012, interest income amounted to PLN 3 257.3 million and in comparison with the corresponding period of 2011 was higher by 19.7%, mainly as a result of an increase in revenue in respect of loans and advances to customers (+)15.6% y/y – which was associated with the fast loan portfolio growth (+6.4% y/y) as well as the interest rates growth.

Growth of interest expenses amounted to (+)19.7% y/y, which was mainly due to an increase in the costs of amounts due to customers (+15.8% y/y).

The interest margin increased by 0.3 pp. y/y to 4.7% in the first quarter of 2012 as a result of an increase in net interest income which was accompanied by an increase in average interest-bearing assets of 9.3% y/y.

### **Net fee and commission income**

After the first quarter of 2012, net fee and commission income was PLN 13.8 million lower than in the corresponding period of the previous year, mainly due to decrease in commission income by PLN 20.7 million. This situation was determined by lower commission income in respect of loan insurance (-PLN 36.0 million y/y) and maintenance of investment funds and open pension funds (-PLN 15.8 million y/y), partly offset by an increase in income in respect of payment cards (+PLN 30.2 million y/y). A decrease in net commission income in respect of loan insurance was related mainly to consumer loans and was associated with a decrease in sale of such loans in the whole banking sector, whereas a decrease in net commission income in respect of maintenance of investment funds was related to ca. 17% decrease of value of assets managed by investments funds.

### Administrative expenses

After the first quarter of 2012, total administrative expenses increased by PLN 98.2 million as compared to the corresponding period of the previous year (+9.3% y/y). Their level was mainly determined by:

- increase in employee benefits by PLN 50.5 million (+8.7% y/y) – mainly due to an increase in wages and salaries,
- increase in overheads and other expenses by PLN 37.5 million (+10.7% y/y), mainly due to an increase in BGF and PFSA expenses and promotion and advertising costs,
- increase in depreciation and amortisation by PLN 10.2 million (+8.3% y/y).

An increase in administrative expenses, accompanied by an increase in the income by 13.3% y/y, resulted in maintaining high operating efficiency of the PKO Bank Polski SA Group measured by the C/I ratio, which amounted to 39.4% (-1.4 pp. y/y) as at the end of the first quarter of 2012.

### Net impairment allowance and write-downs

Net impairment allowance and write-downs reflect the PKO Bank Polski SA Group's conservative approach to recognition and measurement of credit risk. An increase of net impairment allowance in the first quarter of 2012 compared with the corresponding period of the previous year (+20.3% y/y), is mainly a result of the increase in the net impairment allowance on the corporate loans portfolio.

The share of impaired loans at the end of the first quarter of 2012 amounted to 8.5% which represents an increase by 1.0 pp. y/y, mainly due to the deterioration in quality of corporate loans.

### Statement of financial position

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

	31.03.2012	Structure 31.03.2012	31.12.2011	Structure 31.12.2011	Change (in %)
Cash and balances with the central bank	6 125.5	3.2%	9 142.2	4.8%	-33.0%
Amounts due from banks	1 926.6	1.0%	2 396.2	1.3%	-19.6%
Loans and advances to customers	140 947.3	74.3%	141 634.5	74.3%	-0.5%
Securities	31 296.3	16.5%	28 171.6	14.8%	11.1%
Other assets	9 436.8	5.0%	9 403.6	4.9%	0.4%
<b>Total assets</b>	<b>189 732.6</b>	<b>100.0%</b>	<b>190 748.0</b>	<b>100.0%</b>	<b>-0.5%</b>
Amounts due to banks	7 470.0	3.9%	6 242.6	3.3%	19.7%
Amounts due to customers	144 202.4	76.0%	146 473.9	76.8%	-1.6%
Debt securities in issue and subordinated liabilities	8 254.0	4.4%	9 386.2	4.9%	-12.1%
Other liabilities	6 177.3	3.3%	5 823.4	3.1%	6.1%
<b>Total liabilities</b>	<b>166 103.6</b>	<b>87.5%</b>	<b>167 926.1</b>	<b>88.0%</b>	<b>-1.1%</b>
Total equity	23 628.9	12.5%	22 822.0	12.0%	3.5%
<b>Total liabilities and equity</b>	<b>189 732.6</b>	<b>100.0%</b>	<b>190 748.0</b>	<b>100.0%</b>	<b>-0.5%</b>
Loans/Amounts due to customers	97.7%	x	96.7%	x	1 pp.
Loans/Stable sources of financing*	90.0%	x	88.4%	x	1.6 pp.
Interest bearing assets/Assets	91.8%	x	90.3%	x	1.5 pp.
Interest paying liabilities/Liabilities	84.3%	x	85.0%	x	-0.7 pp.
Capital adequacy ratio	13.8%	x	12.4%	x	1.5 pp.

\* Stable sources of financing include amounts due to customers and long-term 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 strongly influenced by the statement of financial position of the parent entity. It determines both the size of total assets and the structure of assets and liabilities.

The total assets of PKO Bank Polski SA Group amounted to PLN 189.7 billion as at the end of the first quarter of 2012, which means a decrease of 0.5% compared to the end of 2011. As a result, the PKO Bank Polski SA Group maintained the position of the largest institution in the Polish banking sector.

### **Loans and advances to customers**

In the type structure of the gross loan portfolio, the main items are mortgage loans of PLN 69.7 billion (-1.6% compared with the end of 2011), the share of which in the structure of the gross loan portfolio decreased by 0.6 pp. compared with the end of the previous year. The volume of consumer loans decreased by PLN 0.7 billion compared with the end of 2011, the share of which in the structure of the gross loan portfolio decreased by 0.4 pp. in the presented period. An increase by 2.8% y/y was recorded in corporate loans, the share of which in the structure of the gross loan portfolio increased by 1.1 pp.

### **Amounts due to customers**

In the structure of amounts due to customers by types, the main items were amounts due to retail clients which in the first quarter of this year recorded an increase of 1.1% compared with the end of 2011 and amounted to PLN 105.3 billion. The share of these in the structure of the liabilities portfolio compared to the end of 2011 increased by 1.9 pp. (mainly an increase in the share of fixed-term deposits) along with a decrease of amounts due to companies of 1.8 pp. in the total amounts due to customers' portfolio.

### **Equity and capital adequacy ratio**

Equity increased by 3.5% compared with the end of 2011 and at the end of the first quarter of 2012 accounted for 12.5% of total liabilities and equity of the PKO Bank Polski SA Group (an increase in share of 0.5 pp. as compared with the end of 2011).

As at the end of the first quarter of 2012 the capital adequacy ratio of the PKO Bank Polski SA Group was at a level of 13.8%, which represents an increase by 1.5 pp. compared with the end of 2011. It was mainly due to an increase of Bank's own funds designated for the capital adequacy purposes. The level of capital adequacy ratio significantly exceeds the minimum value of the ratio required by the Banking Law. Capital adequacy measured with the capital adequacy ratio remained at a safe level.

In the first quarter of 2012, efficiency ratios improved: the return on assets (ROA) and the return on equity (ROE), by 0.1 pp. and 2.3 pp. respectively p.a., due to a high growth rate of the annualised net profit (+17.0% y/y) combined with an increase in average assets of 10.5% y/y and in average equity of 1.4% y/y.

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

### **Key financial indicators**

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

Table 4. Key financial indicators of PKO Bank Polski SA

	31.03.2012	31.03.2011	Change
<b>ROA net</b> (net profit/average total assets)	2.3%	2.1%	0.2 pp.
<b>ROE net</b> (net profit/average total equity)	18.5%	15.8%	2.7 pp.
<b>C/I</b> (cost to income ratio)	37.4%	39.7%	-2.3 pp.
<b>Interest margin</b> (net interest income/average interest-earning assets)	4.7%	4.4%	0.3 pp.
<b>The share of impaired loans*</b>	7.7%	6.7%	1 pp.
<b>The coverage ratio of impaired loans**</b>	47.9%	51.7%	-3.8 pp.

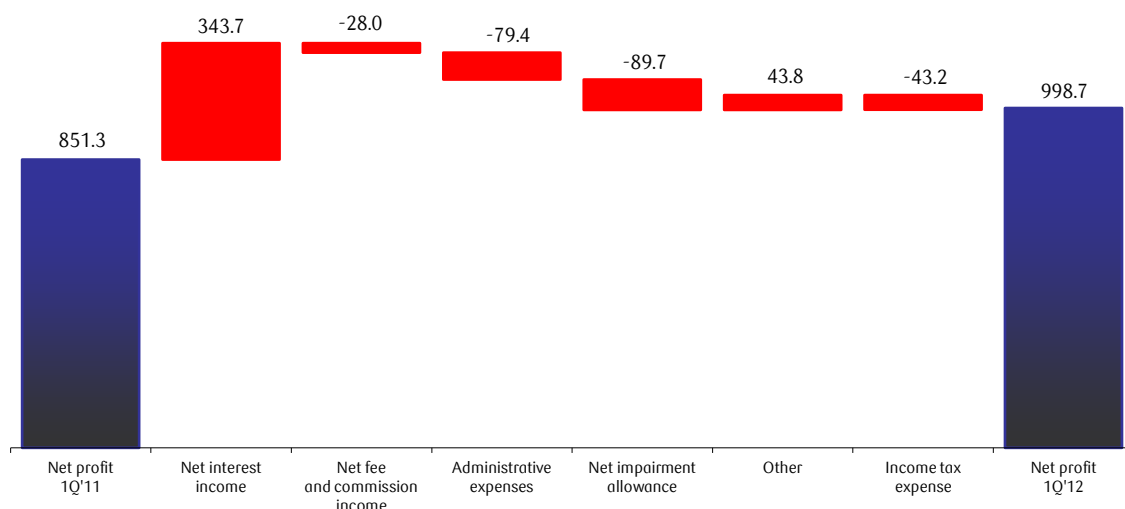
\* Calculated by dividing the gross carrying amount of impaired loans and advances to customers by the gross carrying amount of loans and advances to customers.

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

### **Financial results**

In the first quarter of 2012, PKO Bank Polski SA achieved net profit in the amount of PLN 998.7 million, and was PLN 147.3 million higher than in the corresponding period of 2011 (+17.3% y/y).

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



The Bank's income statement items were as follows:

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

	1st quarter period from 01.01- 31.03.2012	1st quarter period from 01.01- 31.03.2011	Change Q1 2012/ Q1 2011 (in PLN million)	Change Q1 2012/ Q1 2011 (in %)
Interest and similar income	3 200.7	2 658.2	542.5	20.4%
Interest expense and similar charges	(1 170.0)	(971.2)	(198.8)	20.5%
<b>Net interest income</b>	<b>2 030.7</b>	<b>1 687.0</b>	<b>343.7</b>	<b>20.4%</b>
Fee and commission income	838.7	869.0	(30.3)	-3.5%
Fee and commission expense	(173.6)	(175.9)	2.3	-1.3%
<b>Net fee and commission income</b>	<b>665.2</b>	<b>693.1</b>	<b>(28.0)</b>	<b>-4.0%</b>
Dividend income	16.1	0.0	16.1	948.2x
Net income from financial instruments at fair value	14.6	(0.7)	15.3	x
Gains less losses from investment securities	(0.8)	3.8	(4.6)	x
Net foreign exchange gains	90.0	74.0	16.0	21.6%
Other operating income	19.3	14.5	4.8	33.0%
Other operating expenses	(12.4)	(8.7)	(3.7)	42.7%
<b>Net other operating income and expense</b>	<b>6.8</b>	<b>5.8</b>	<b>1.1</b>	<b>18.3%</b>
Net impairment allowance and write-downs	(521.8)	(432.1)	(89.7)	20.7%
Administrative expenses	(1 056.5)	(977.1)	(79.4)	8.1%
<b>Operating profit</b>	<b>1 244.2</b>	<b>1 053.7</b>	<b>190.5</b>	<b>18.1%</b>
<b>Profit before income tax</b>	<b>1 244.2</b>	<b>1 053.7</b>	<b>190.5</b>	<b>18.1%</b>
Income tax expense	(245.6)	(202.4)	(43.2)	21.3%
<b>Net profit</b>	<b>998.7</b>	<b>851.3</b>	<b>147.3</b>	<b>17.3%</b>

### 3.3. Business development<sup>1</sup>

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

After the first quarter of 2012, the Bank maintained its leading position in the banking sector in respect of its share in the deposit market, which amounted to 17.5%. As regards loans, market shares have increased by 0.2 pp. compared with the end of 2011 which was determined by an increase in shares in respect of corporate customers (+0.4 pp.).

<sup>1</sup> In this document, any differences in total balances, percentages and growth rates result from rounding the amounts to PLN million and rounding percentages to one decimal place.



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

	31.03.2012	31.12.2011	31.03.2011	Change 31.03.2012/ 31.12.2011	Change 31.03.2012/ 31.03.2011
<b>Loans</b>	16.4	16.2	17.2	0.2 pp.	-0.8 pp.
retail clients	19.2	19.2	20.1	0 pp.	-0.9 pp.
mortgage	20.0	19.9	21.0	0.1 pp.	-1 pp.
in Polish zloty	30.1	30.6	32.5	-0.5 pp.	-2.4 pp.
in foreign currencies	13.1	13.2	13.6	-0.1 pp.	-0.5 pp.
consumer and other	17.5	17.6	18.4	-0.1 pp.	-0.9 pp.
corporate clients	13.5	13.1	14.2	0.4 pp.	-0.7 pp.
<b>Deposits</b>	17.5	17.8	17.5	-0.3 pp.	0 pp.
retail clients	22.2	22.3	23.0	-0.1 pp.	-0.8 pp.
corporate clients	11.3	12.1	10.9	-0.8 pp.	0.4 pp.

\* Data source: NBP reporting system - Webis.

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

In the first quarter of 2012, activities undertaken by PKO Bank Polski SA within the retail segment were focused on increasing attractiveness and competitiveness of offered products, as well as on reacting in a flexible way to changing market conditions.

In the area of retail customers, PKO Bank Polski SA focused on providing comprehensive banking services which, on one hand satisfy the credit needs, and on the other – the deposit and settlements needs. Efforts to improve the quality of the service, i.e. by improving the standard of providing services to the clients and enhancing the skills of employees (product training courses) were performed.

As at 31 March 2012, deposits of the retail segment of PKO Bank Polski SA portfolio amounted to PLN 115.4 billion and since the beginning of the year, their volume has increased by PLN 1.4 billion (i.e. by 1.2%). An increase in retail and private banking deposit portfolio (+2.9% since the beginning of the year) contributed to this, mainly due to the dynamic increase in volume of term deposits.

Table 7. Deposits of PKO Bank Polski SA (in PLN million)

	31.03.2012	31.12.2011	31.03.2011	Change since:	
				31.12.2011	31.03.2011
Clients deposits*, of which:					
- retail and private banking	102 501	99 631	93 927	2.9%	9.1%
- small and medium enterprises	8 159	8 932	7 898	-8.7%	3.3%
- housing market	4 733	5 406	4 468	-12.4%	5.9%
<b>Total deposits</b>	<b>115 393</b>	<b>113 969</b>	<b>106 293</b>	<b>1.2%</b>	<b>8.6%</b>

\* Change in relation to business volumes previously presented results from a change in presentation; volumes currently presented include also accrued interest and valuation adjustment.

As at the end of the first quarter of 2012, the gross value of loans to the retail segment of PKO Bank Polski SA amounted to PLN 108.5 billion, which constituted a decrease of PLN 1.6 billion (i.e. by 1.5%) since the beginning of the year. Primarily, the mortgage loan portfolio decrease (-1.7% since the beginning of the year) caused by the decrease of exchange rates accompanied by the increase in PLN loans portfolio contributed to this. Significant actions regarding mortgage loans include promotional campaign with the slogan 'Drzwi otwarte do Twojego mieszkania' ('Open door to your own apartment') through which customers could take advantage of special, affordable offer of mortgage loan.

Table 8. Gross loans of PKO Bank Polski SA (in PLN million)

	31.03.2012	31.12.2011	31.03.2011	Change since:	
				31.12.2011	31.03.2011
Gross loans and advances*, of which:					
- retail and private banking	20 909	21 550	22 849	-3.0%	-8.5%
- small and medium enterprises	15 360	15 345	15 051	0.1%	2.1%
- mortgage banking	64 258	65 342	58 305	-1.7%	10.2%
- housing market (including refinanced by the state budget)	7 949	7 887	6 880	0.8%	15.5%
<b>Total loans and advances</b>	<b>108 476</b>	<b>110 124</b>	<b>103 085</b>	<b>-1.5%</b>	<b>5.2%</b>

\* Change in relation to business volumes previously presented results from a change in presentation; i.a. volumes currently presented include also valuation adjustment.

The main activities aimed at specified groups of products are detailed below.

Table 9. Activities and achievements of PKO Bank Polski SA in the retail segment in the first quarter of 2012

New products and services	Activity - Deposits
'PLUS' Savings Account	In the first quarter of 2012, PKO Bank Polski SA prepared a change in the interest rate for the 'PLUS' Savings Account including a separate offer for the private banking customers. From 3 April, the interest rate of the 'PLUS' Savings Account, depending on the amount ranges and customers to whom the account is offered, is 3.90% (PLN 999.99) to 4.10% (above PLN 19 999.99). The interest rate above PLN 199 999.99 for the private banking customers is 4.35% and for the remaining customers it is 4.25%.
School Savings Unions (SKO) Account	In the first quarter of this year, the activities of PKO Bank Polski SA were focused on carrying out the project 'Implementation of the new SKO offer' which was aimed at revitalising the SKO programme by developing a new model of servicing young customers. As a result, as part of the project, schools were offered 5 new SKO packages, differing according to preferences: SKO Account for the School, SKO Account for the Pupil, SKO Account for the Parent Council, SKO Account - School's Plan and SKO Account - Parent Council's Plan.
Fixed-term deposit 12M for owners of fixed-term deposit 5M accounts and 5M for new funds with daily capitalisation of interest	From 21 March to 2 June 2012 a 12-month fixed-term deposit was introduced into the Bank's offer for owners of the 5-month fixed-term deposit accounts with daily capitalisation of interest or the 5-month fixed-term deposit accounts for new funds with daily capitalisation of interest. 12-month fixed-term deposit account is opened for a period of 12 months. The interest rate on the deposit is 5.0% p.a. The minimum payment is PLN 1 000.
Fixed-term deposit 3M with structured deposit based on Crude Oil Price	From 5 to 30 March of this year, a 3-month fixed-term deposit linked to the structured deposit based on crude oil price was introduced into the Bank's offer. Half of the invested funds are placed on a safe 3-month fixed-term deposit with an interest rate of 8.0% per annum, and the second half is invested in a 2.5-year structured deposit with a 100% guarantee of principal after keeping the contractual period, where the interest for the contractual period depends on the price of crude oil. The minimum investment amount is PLN 5 000. At the end of the contractual period, the customer will receive an amount depending on the price of Brent crude oil listed on the London Stock Exchange (ICE Futures Europe) stated in US dollars per barrel.
Structured Bank Securities (BS) based on the basket of shares of American companies	From 23 January to 17 February of this year, Structured Bank Securities based on the basket of shares of seven globally known American companies from the S&P500 and NASDAQ index were offered: <i>Intel Corporation, Philip Morris International, McDonald's Corporation, Procter &amp; Gamble Company, Kraft Foods, Pfizer, Merck &amp; Co.</i> The minimum investment amount was PLN 5 000 and the investment period is 2 years. The product ensures a 120% share in the increase in value of the basket of shares. The sum of average quarterly rates of return (8 observations) for each of the companies is taken into account in the calculation of the rate of return. The share of the rates of return for all the shares is equal and amounts to 1/7. The participation ratio is 120%.
Structured 6-month deposit based on the USD/PLN exchange rate	From 16 January to 29 June of this year, structured 6-month deposit based on the USD/PLN exchange rate has been introduced to the Bank's offer. It is a short-term investment product addressed to investors who wish to achieve higher profits than those of a deposit, while having a limited investment risk. The amount of interest is dependent on the USD/PLN exchange rate. The minimum deposit payment is PLN 5 000. The interest rate during the subscription is 3% per annum.
9M Progresja	From 1 January 2012, the 9-month fixed-term deposit 9M Progresja was introduced into the Bank's offer. The interest rate of the deposit is progressive and amounts to 4.56% on average p.a.. During the saving period, the customer gains the most after keeping to the contractual period of 9 months (the interest rate grows from 0.5 pp. for 1M to even 3pp. in 9M). The minimum payment is PLN 1 000.
Housing Savings Book (Oszczędnościowa Książeczka Mieszkaniowa)	From January of this year, 5 saving thresholds based on a fixed interest rate were introduced to the Housing Book offer. The minimum payment is PLN 5 000. The interest rate is from 4.05% to 4.25% p.a.
Housing fiduciary account (Mieszkaniowy rachunek powierniczy)	In the first quarter of this year, the Bank took measures to adapt its product offer to the provisions of the Act dated 16 September 2011 on protecting the rights of buyer of apartment or family house. The fiduciary accounts introduced into the Bank's offer are fully adapted to the requirements of the above mentioned Act which introduced an obligation for the developers to ensure protection (in the form of housing fiduciary accounts) for buyers - for development undertakings which sales will be commenced after 29 April 2012 (i.e. after the Act comes into force).
SME Packages	For the period from February of this year to the end of January 2013 a promotion relating to the terms of serving SME customers was introduced as part of the European Programme. The promotion relates to customers who are owners of Business Partner packages and: <ul style="list-style-type: none"> <li>- apply for granting of loans for the financing of undertakings co-financed with European Union funds,</li> <li>- execute undertakings or other projects co-financed with European Union funds with or without the participation of funds obtained from loans from PKO Bank Polski SA for which it is necessary to open and maintain a separate bank account.</li> </ul> The purpose of introducing the promotion is to establish the Bank's position as a leader on the market of serving customers who avail themselves of European Union funds and to create the EU budget as part of the so-called New Financial Perspective for the years 2014-2020, which assumes a considerable increase in funds designated for supporting the sector of small and medium enterprises, in particular the execution of projects related to supporting the development of new technologies and innovations and execution and implementation of new editions of regional operational programmes.
New products and services	Activity - Inteligo
'Hop' Deposit	The Inteligo deposit offer was enriched with a new product - the 'Hop' deposit. The deposit is offered for a period of 6 or 12 months and is progressive. The minimum amount on one deposit is PLN 1 000. The average fixed interest rate on the 6M deposit is 5.00%, and on the 12M deposit - 5.23%. Within saving, customer gains the most after meeting the contractual period of 6 and 12 months, i.e. 10% p.a. (the interest rate for the 6M 'Hop' Deposit grows from 1 pp. for 1M to even 4 pp. for 6M, and for the 12M deposit the interest rate grows from 1 pp. for 1M to 4 pp. for the 12M deposit). Gains on the deposits are subject to taxation.

<b>'IGO' deposit with monthly capitalisation of interest</b>	From 3 February a new deposit product with monthly capitalisation of interest – the 'IGO' deposit was introduced into the offer. The deposit is available both for customers holding Inteligo Account and those not holding the account. The minimum amount of one deposit is PLN 1 000. Gains on the deposit are subject to taxation. Nominal interest rates of the 'IGO' deposit ranges from 5.00% to 5.40% depending on the period for which the deposit has been opened.
<b>New products and services</b>	<b>Activity - Loans</b>
<b>Cash loan</b>	In order to make the consumer loans more attractive and unified, a new offer of a Cash loan was introduced from 20 February 2012, while the Fast Credit Service (Szybki Serwis Kredytowy) was withdrawn from sales. The Bank addressed the new offer both to its regular customers and those who have not used the Bank's credit offer so far. The key changes in the new loan offer include: <ul style="list-style-type: none"> <li>- increasing the maximum possible loan amount to PLN 150 000,</li> <li>- introducing the terms for debt consolidation with one of the longest lending periods available on the market (up to 120 months) and lower commission for granting the loan compared with the standard offer,</li> <li>- attractive lending terms for customers who are already using or will use other products of the Bank:</li> <li>- lower interest rate with higher loan amounts - for amounts above PLN 30 000 and above PLN 100 000,</li> <li>- attractive pricing terms for customers who have liquid assets which may constitute collateral for the loan – an interest rate of only 9.99%.</li> </ul> The loan offer is accompanied by the next part of the marketing campaign. Moreover, in the first quarter of this year, the Bank introduced intensive <i>xsell</i> campaigns of the loan offer to selected customer groups of the Bank.
<b>'Aurum Platinum' loan</b>	In relation to the loan to private banking customers: <ul style="list-style-type: none"> <li>- from 13 February of this year, changes were introduced in the loan offer which comprised shortening the maximum lending period for secured loans by a deduction clause or blank promissory note,</li> <li>- in the period from 20 March of this year, a special promotion offer was made available to customers who will finish the repayment of their loans within the next 3 months.</li> </ul>
<b>Mortgage loan</b>	Another promotion of the mortgage loan was launched under the banner: 'Drzwi otwarte do Twojego własnego mieszkania' ('Open door to your own apartment'). The customers who filled in declarations in branches, agencies and with finance and credit intermediaries on 15, 16 or 19 March could avail themselves of the special offer of a mortgage loan. The offer provides for, among other things, a margin of 0.99% for the first two years of lending and 1.4% in the remaining period, regardless of the level of the LTV ratio (loan amount to the value of property) and the loan amount. Customers who are insured against loss of employment and hospitalisation will be released from payment of the commission and those who choose life insurance will pay commission amounting to only 0.5%. The Bank will not charge commission for estimating the value of the real property.
<b>SME Loans</b>	As part of the credit offer to SME, beginning from 4 January 2012 the range of loans granted from the Council of Europe Development Bank (CEB) line was extended to comprise working capital loans for SME as non-renewable working capital loans in PLN, next to the former investment loans for SME. Thanks to the possibility of granting working capital loans as part of the CEB line, the SME customers can avail themselves of the preferential terms relating to the loan margin, which is reduced by 0.5 pp. compared with the standard rate.
<b>'NOWY DOM' investor loan</b>	In January, changes in the internal regulations relating to the functioning of investment loans from the 'NOWY DOM' group aimed at adapting the Bank to the provisions of Recommendation SIII were introduced. The changes tightened the terms of financing development projects by: shortening the maximum lending period, limiting the possibility of applying the grace period in the repayment of principal and interest, lack of possibility of the one-off repayment of the loan, the need to make the entire required own contribution before launching the loan.

PKO Bank Polski SA remains a market leader in terms of the number of current accounts, which was 6.2 million as at the end of the first quarter of 2012.

Table 10. Accounts and banking cards in PKO Bank Polski SA (in thousand of units)

	31.03.2012	31.12.2011	31.03.2011	Change since:	
				31.12.2011	31.03.2011
<b>Number of current accounts, of which:</b>	<b>6 166</b>	<b>6 182</b>	<b>6 126</b>	<b>(16)</b>	<b>40</b>
- Inteligo current accounts	674	671	664	3	10
<b>Number of banking cards, of which:</b>	<b>7 125</b>	<b>7 166</b>	<b>7 094</b>	<b>(41)</b>	<b>32</b>
- credit cards	998	1 009	1 001	(11)	(2)

As at the end of the first quarter of 2012, PKO Bank Polski SA provided services to 7.5 million customers in the retail segment and 0.64 million Inteligo customers.

The Bank's own ATM network as at the end of the first quarter of 2012 reached 2 465 machines which allowed a further reduction in costs of cash service and expansion of services availability to customers.

In the retail segment, the sales network had 1 132 branches. The network of agencies retained an important role in the distribution network – as at the end of March of this year, 1 253 agencies collaborated with PKO Bank Polski SA.

Table 11. Branches and ATMs of PKO Bank Polski SA

	31.03.2012	31.12.2011	31.03.2011	Change since:	
				31.12.2011	31.03.2011
Total number of branches	1 196	1 198	1 205	(2)	(9)
<b>- in the retail segment</b>	<b>1 132</b>	<b>1 131</b>	<b>1 138</b>	<b>1</b>	<b>(6)</b>
Number of ATM's	2 465	2 457	2 419	8	46
Number of agencies	1 253	1 400	1 848	(147)	(595)

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

The first quarter of 2012 was a period of stabilisation for PKO Bank Polski SA, after a dynamic and successful 2011. The high market position achieved in the previous year obliged the Bank to even more intensive actions aimed at supporting Polish entrepreneurs through the financing of their ongoing activities and investment projects. Additionally, in the first quarter of 2012 the Bank was actively involved in the financing of state budget entities.

The credit policy maintained by the Bank in the first quarter was to a large extent determined by the current situation on the market. Continued uncertainty as to the economic situation had a direct effect on the entrepreneurs' unwillingness to avail of external sources of financing, both in the aspect of ongoing activities and own investment needs. At the same time, enterprises with an established market position and stable economic situation were more optimistic about the future, which translated to their increased demand for financial resources, especially in the investments area. The Bank used its capital base to finance individually high nominal transactions to meet the needs of large corporate customers. In the first quarter this strategy allowed to continue extending the value of the Bank's corporate customers loan portfolio recorded as at the end of 2011.

As at 31 March 2012 corporate segment loans of PKO Bank Polski SA amounted to PLN 34.3 billion and since the beginning of the year their level increased by PLN 0.7 billion (i.e. 2.0%), whereas compared to the corresponding period of the previous year they increased by PLN 4.8 billion (i.e. 16.3%).

In the first quarter of this year, the Bank had an adequate capital base and maintained a balanced policy in the scope of gaining funds from corporate customers. The corporate deposit portfolio as at the end of March 2012 was on a similar level as in the corresponding period of the previous year (over PLN 25 billion).

Table 12. Gross loans and deposits of PKO Bank Polski SA (in PLN million)

	31.03.2012	31.12.2011	31.03.2011	Change since:	
				31.12.2011	31.03.2011
Gross corporate loans*	34 305	33 636	29 490	2.0%	16.3%
Corporate deposits**	25 307	28 874	25 316	-12.4%	0.0%

\* Change in relation to business volumes previously presented results from a change in presentation; i.a. volumes currently presented include also valuation adjustment.

\*\* Change in relation to business volumes previously presented results from a change in presentation; volumes currently presented include also accrued interest and valuation adjustment.

As part of corporate banking, PKO Bank Polski SA is continually extending the functionality of the 'iPKO Biznes' system. Thanks to this, it is perceived as a modern institution on the financial market helping customers to actively use a wide range of the Bank's services without leaving their office. In the first quarter of this year, the possibility of importing foreign transfers was made available to customers. Thanks to this, the Bank's customers using internet banking will have, among others: the possibility of ordering foreign transactions in groups. A possibility of ongoing monitoring of orders placed for realisation, available funds and balances on accounts was also implemented to the system. This functionality enables, for example, capital groups or enterprises with an elaborate organisational structure to monitor the financial liquidity of the entire organisation. Additionally, in March of this year the card module was made available in the 'iPKO Biznes' application, which in its first stage comprises the possibility of managing prepaid cards.

During the first quarter of this year, PKO Bank Polski SA adapted the price tariff related to the extended transaction banking services to the high quality of the services provided. The change will guarantee a stable growth in the results of corporate banking in future periods.

Table 13. Branches of PKO Bank Polski SA

	31.03.2012	31.12.2011	31.03.2011	Change since:	
				31.12.2011	31.03.2011
Total number of branches	1 196	1 198	1 205	(2)	(9)
- in the corporate segment:	<b>64</b>	<b>67</b>	<b>67</b>	<b>(3)</b>	<b>(3)</b>
regional corporate branches	13	13	13	-	-
corporate centres	51	54	54	(3)	(3)

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

In the area of treasury activities, the Bank focused on developing relationships with corporate customers and diversifying the sources and costs of financing. The importance of electronic distribution channels for

treasury products continued to increase. The trading activities on the money, currency and debt markets focused on *market making* for PLN instruments, while maintaining a conservative approach to market risk in activities on its own account. Approx. PLN 1.9 billion was obtained through issues of short-term debt securities on the domestic market.

As regards brokerage activities, in the first quarter of 2012 the share of the Brokerage House in the session trading on the shares market increased, which in February and March enabled it to achieve the high 3rd position among brokerage houses operating on the WSE. In the period under analysis, the Brokerage House also recorded the highest growth in the number of investment accounts served. As part of the development of the distribution channels, the transaction system for internet customers was replaced and modernised, and the development, restructuring and modernisation of the customer service points network were continued. The network of customer service points of the Brokerage House, together with the network of brokerage service points located in the Bank's branches, enable brokerage services to be offered in more than 1 000 outlets, i.e. the highest number among the financial institutions operating in Poland. The improvement of the position of the Brokerage House in the segment of corporate clients has been achieved by rebuilding competencies in the scope of capital market analyses and strengthening the area of institutional sales. Works to modernise and make more attractive the offer of Treasury saving bonds were conducted in cooperation with the Ministry of Finance. The Brokerage House continued its activities on the primary market and in financial advisory services. Operations on its own account focused on *market making* on the shares' markets (WSE, New Connect) and derivative instruments (futures, index options).

In the scope of fiduciary activities, the Bank focused on gaining assets from domestic corporate clients and offering its services in the scope of the Polish classes of assets to foreign customers.

In the area of corporate governance, efforts related to the reorganisation of the PKO Bank Polski SA Group and implementation of consistent methods for governance and cooperation between subsidiaries and the Bank were continued. The above efforts resulted in significant strengthening the Bank's position in all the main business lines of the investment segment.

Table 14. Treasury activities in the first quarter of 2012

Investment activity	Activity
	<b>Development strategy and achieved results</b>
	Treasury instruments are sold to individual and corporate clients via network of the Bank's branches and dedicated Treasury dealers.
	In the first quarter of 2012, sales of traditional Treasury products trading such as foreign exchange <i>SPOT</i> , <i>FORWARD</i> and <i>OPTIONS</i> transactions decreased compared with the first quarter of 2011. The value of turnover of <i>SPOT</i> , <i>FORWARD</i> and <i>OPTIONS</i> transactions decreased by 4%, 6% and 52% respectively (it was mainly due to a decrease in strategic clients activity).
Treasury products sales	The Bank offers the Internet Transaction Platform to its corporate clients, which enables exercising foreign exchange transactions. Number of transactions performed with this distribution channel during a quarter increased from 2 548 in the first quarter of 2011 to 9 830 in the first quarter of 2012.
	<b>Risk</b>
	Introducing the Asian currency option profile.
	<b>Achieved results</b>
Treasury activities	The Bank is the Treasury Securities Dealer, it holds a high level of trading in the interest rate and foreign exchange market. In the Ministry of Finance's contest for the Treasury Securities Dealer, which assessed banks' activity on the interest rate market, PKO Bank Polski SA took the 4th place. According to the data for the end of February 2012, the Bank's share (cumulatively) in FRA transactions was 22.8% compared with 27.5% in the corresponding period of 2011, while in the IRS market remained at the level of 23.1% compared with 24.9% as at the end of February 2011. The Bank is still one of the primary <i>market-makers</i> in the foreign exchange market. As at the end of February 2012, the share of PKO Bank Polski SA in the spot foreign exchange market amounted to 9.2%. The Bank is also an active participant in the money market and it acts as a Money Market Dealer. In 2011, the Bank took the 2nd place in the IAD ( <i>Dealer Activity Index</i> ) assessment of market activity conducted by NBP.
Interbank market	Own securities issues of PKO Bank Polski SA are conducted from August 2011, the issues of PLN 1.9 billion was placed in the market in the first quarter of 2012.
	<b>Risk</b>
	In order to secure its trading, in the first quarter of 2012 the Bank concluded 1 ISDA agreement (with foreign bank) and 1 CSA Annex. The Bank actively managed the financial risk (liquidity, interest rate and currency), focusing on minimising the exposure.

Table 15. *Brokerage activities in the first quarter of 2012*

	Investment activity	Activity
Brokerage activities	shares' market	In the first quarter of 2012 the value of turnover of the Brokerage House on the shares' market amounted to PLN 7.8 billion, which represents an increase of more than 13% compared with the fourth quarter of 2011. The share of the Brokerage House in the turnover amounted to 6.61%, giving 5th position in ranking (11th position as at the end of the first quarter of 2011 with a 3.4% market share).
	primary market	In the first quarter of 2012, the Brokerage House finished servicing the incentive plan of Selena FM S.A. In February 2012 the invitation to subscribe shares of Sygnity S.A. where the Brokerage House acts as an intermediary was announced by Asseco Poland S.A. As at the end of the first quarter of 2012, the Brokerage House serviced the units of 162 funds and subfunds managed by 12 Investment Funds.
	NewConnect market	As at the end of the first quarter of 2012, the Brokerage House achieved a turnover of more than PLN 49.89 million in the NewConnect market and held the 6th place with a 5.20% market share. The Brokerage House was the market maker in the NewConnect market for 48 companies, which gives it 2nd place in the market.
	bonds' market	The Brokerage House ranked 3rd place in the market with a 18.6% share. The decrease from the 1st position was mainly due to extremely high, single turnover on the bond's market made by several brokerage houses on the last day of March.
	futures/forward market	In the first quarter of 2012, in the Brokerage House, the turnover on the options market increased twice. The Brokerage House executed turnover of 47.3 thousand of options on the market and ranked 3rd place in the ranking with a share of 16.55%. On the contracts market, in the first quarter of 2012 compared with the fourth quarter of 2011, the turnover of the Brokerage House decreased by 10%, i.e. to the level of 191.9 thousand of contracts. The Brokerage House remained on the 10th position on the market with a share in turnover of 3.68%. As at the end of the first quarter of 2012 the number of signed agreements on acting as the market maker by the Brokerage House amounted to 53 (3rd position on the market) and 19 agreements on acting as the issue underwriter (5th position on the market).
	number of accounts	As at the end of the first quarter of 2012, as part of its operations, the Brokerage House maintained 174.8 thousand of securities and cash accounts and 153.3 thousand of registration accounts. In terms of number of securities accounts, according to data from the National Depository for Securities (KDPW), the Brokerage House holds the 4th place among the 45 participants of the market. As at the end of the first quarter of 2011, the Brokerage House ranked 6th position among the 44 participants of the market.

Table 16. *Fiduciary activities and structured finance in the first quarter of 2012*

	Investment activity	Activity
Fiduciary activities	activities on the market	The Bank is a direct participant in the National Depository for Securities and the Securities Register (NBP) and a member of the Council of Depository Banks and the Non-Treasury Debt Securities Council of the Polish Banks Association. The Bank maintains securities accounts and handles transactions on the domestic and the foreign markets. It also provides fiduciary services and acts as a depository for pension and investment funds and actively participates in creating market regulations and standards.
	the value of fiduciary assets	As at the end of March 2012, the Bank maintained around 1.5 thousand of securities accounts as part of its fiduciary function. The Bank continued its activities aimed at optimising the structure of customers serviced within its fiduciary function in respect of customers' securities and achieved profits. The Bank's acquisition activity was focused on gaining customers with a large assets portfolio and settlement potential. This resulted in an increase of the amount of assets held by clients as part of fiduciary function by 44% from nearly PLN 35.8 billion as at the end of the first quarter of 2011 to nearly PLN 51.5 billion as at the end of the first quarter of 2012.
Structured finance	non-Treasury debt securities issue	The Bank has a wide range of products dedicated to corporate clients. One of its elements is a comprehensive offer of credit support for large investment projects, having a wide range of services, flexibility, variety of financing solutions and methods and, above all, individual approach to each project. The Bank is still one of the leading financial institutions that organise non-Treasury debt securities issues in Poland. In the first quarter of 2012 the Bank concluded 6 contracts of municipal bond issues with total value of PLN 43.65 million and 1 contract for corporate bond issue without the guarantee of closing the issue with a value of PLN 30 million.
	Consortium loans	In the first quarter of 2012 the Bank concluded 2 agreements for granting a bank guarantee to an entity directly related to the Bank, operating in the banking sector with a total value of PLN 1.42 million - the transactions were concluded on arm's length.



### 3.3.5. Activities of the PKO Bank Polski SA Group's entities

Table 17. Activities of the PKO Bank Polski SA Group's entities in the first quarter of 2012

SIGNIFICANT EVENTS IN THE 1ST QUARTER OF 2012	
<b>KREDOBANK SA</b> (data according to IFRS/IAS)	<ol style="list-style-type: none"> <li>As at 31 March 2012, total assets of KREDOBANK SA Group amounted to PLN 1 421 million (UAH 3 653 million).</li> <li>The gross loan portfolio of KREDOBANK SA decreased by PLN 16 million i.e. by 1.8% (the gross loan portfolio as denominated in UAH increased by UAH 155 million, i.e. by 3.85%) in the first quarter of 2012 and amounted to PLN 871 million (UAH 2 240 million) as at the end of March 2012.</li> <li>In the first quarter of 2012, clients' term deposits of KREDOBANK SA decreased by PLN 95 million, i.e. by 15.0% (the value of term deposits as denominated in UAH decreased by UAH 83 million, i.e. by 5.1%). As at 31 March 2012, the term deposits amounted to PLN 636 million (UAH 1 635 million). <i>The financial information concerning the statement of financial position of KREDOBANK SA Group and KREDOBANK SA was recalculated using the average NBP rates prevailing at the last day of the month - as at the end of March 2012 UAH 1 = PLN 0.3889 and as at the end of December 2011 UAH 1 = PLN 0.4255.</i></li> </ol>
<b>'Inter-Risk Ukraina' Spółka z dodatkową odpowiedzialnością (additional liability company)</b> (data according to IFRS/IAS)	<ol style="list-style-type: none"> <li>The 'Inter-Risk Ukraina' Group was established in order to conduct an effective debt collection of KREDOBANK SA receivables portfolio and the receivables portfolio acquired by Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.</li> <li>As at 31 March 2012, total assets of 'Inter-Risk Ukraina' Group amounted to PLN 228 million (UAH 587 million).</li> <li>The gross loan portfolio of 'Inter-Risk Ukraina Group' amounted to PLN 606 million (UAH 1 558 million) as at the end of March 2012 and decreased by PLN 94 million, i.e. by 15.5% in relation to the value of loan portfolio of Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o. as at the end of 2011 (the gross loan portfolio as denominated in UAH decreased by UAH 87 million, i.e. by 5.6%). <i>The financial information concerning the statement of financial position of the 'Inter-Risk Ukraina' Sp. z d.o. Group was recalculated using the average NBP rates prevailing at the last day of the month - as at the end of March 2012 UAH 1 = PLN 0.3889 and as at the end of December 2011 UAH 1 = PLN 0.4255.</i></li> </ol>
<b>PKO Towarzystwo Funduszy Inwestycyjnych SA</b>	<ol style="list-style-type: none"> <li>The asset value of the funds managed by the Company amounted to PLN 8.23 billion as at the end of March 2012, which is an increase of the assets by PLN 170 million compared with the end of 2011.</li> <li>PKO TFI SA ranked 5th place in terms of the value of net assets with a 6.5%* share in the investment funds market.</li> <li>In the first quarter of 2012 the Company carried out an issuance of Investment Certificates of PKO Obligacji Korporacyjnych - closed investment fund. Additionally, the investment policy was changed, as well as the name of the PKO Papierów Dłużnych EURO Subfund to PKO Złota Subfund.</li> <li>As at 31 March 2012 PKO TFI SA managed 29 investment funds and subfunds. <i>* Source: Chamber of Fund and Asset Management.</i></li> </ol>
<b>PKO BP BANKOWY Powszechno Towarzystwo Emerytalne SA</b>	<ol style="list-style-type: none"> <li>As at the end of the first quarter of 2012, the net assets value of PKO BP Bankowy OFE managed by PKO BP BANKOWY PTE SA, amounted to PLN 8.3 billion, which is an increase of 9.2% in comparison to the end of 2011. The increase in the net assets value of PKO BP Bankowy OFE results from transfer session conducted in February of this year and increase of the Fund's deposit value.</li> <li>As at 31 March of this year, the number of participants of PKO BP Bankowy OFE amounted to 598 510. In January 2012 as a result of sampling conducted by the Social Insurance Institution 44 274 new members were gained.</li> <li>PKO BP Bankowy OFE holds the 9th place regarding the net assets value on the pension funds market and the 9th place regarding the number of OPF's members*.</li> <li>According to the ranking of the Polish Financial Supervision Authority PKO BP Bankowy OFE for the period from 31 March 2009 to 30 March 2012 reached a rate of return of 31.747% (the weighted average rate of return of 31.628%) occupying thereby 4th place in the ranking of OPF for that period.</li> <li>In 2012 the Company's offer was extended for PKO Dobrowolny Fundusz Emerytalny which engages in the operations of maintaining individual pension accounts (IKE) and individual pension security accounts (IKZE).</li> <li>On 12 March of this year the acquisition of PKO IKZE product was commenced - by the end of March of this year 71 agreements were concluded. <i>* Source: <a href="http://www.knf.gov.pl">www.knf.gov.pl</a></i></li> </ol>
<b>PKO BP Finat Sp. z o.o.</b>	<p>As at 31 March 2012 the Company provided the following services:</p> <ul style="list-style-type: none"> <li>- transfer agent services for PKO TFI SA's funds and also support services for PKO TFI SA related to the Management Company's maintaining a register of certificates of closed investment funds' participants,</li> <li>- transfer agent services for PKO BP BANKOWY PTE SA in the area of services to participants of Open Pension Fund (OPF) and Voluntary Pension Fund (VPF),</li> <li>- transfer agent and/or bookkeeping services of investment funds for 5 other companies.</li> </ul>

<b>Inteligo Financial Services SA</b>	<ol style="list-style-type: none"> <li>As at the end of the first quarter of 2012, the Company provided electronic banking systems to more than 3 774 thousand of PKO Bank Polski SA's customers using iPKO services.</li> <li>As a part of Inteligo account offer, the Company provided services to over 644 thousand of customers.</li> </ol>
<b>Centrum Elektronicznych Usług Płatniczych eService SA</b>	<ol style="list-style-type: none"> <li>As at the end of March 2012, the Company operated 55.2 thousand of payment terminal units which represents an increase of 2.97% compared to the end of December 2011.</li> <li>In terms of the number of installed terminals, the Company's estimated market share amounted to 20.16% as at the end of March of this year.</li> <li>Transactions with a total value of PLN 6.03 billion were generated in CEUP eService SA terminals in the first quarter of 2012 (PLN 5.2 billion in the corresponding period of 2011).</li> <li>In terms of the value of generated card transactions, market share estimated by the Company as at the end of March of this year amounted to 24.65%.</li> <li>In the first quarter of 2012, the Company expanded its own ATM network to 147 units.</li> </ol>
<b>Bankowy Fundusz Leasingowy SA</b>	<ol style="list-style-type: none"> <li>In the first quarter of 2012, the BFL SA Group's entities leased out assets with a total value of PLN 424 million, i.e. an increase of 18.6% compared with the first quarter of 2011.</li> <li>As at the end of March 2012, in terms of the value of assets leased, the BFL SA Group ranked 6th position with a 6.0% market share*.</li> <li>The total carrying amount of the lease investments of the BFL SA Group's entities amounted to PLN 2 845 million as at the end of March 2012. * Source: Polish Leasing Association</li> </ol>
<b>Bankowe Towarzystwo Kapitałowe SA</b>	<ol style="list-style-type: none"> <li>In the first quarter of 2012, PKO BP Faktoring SA – the subsidiary of BTK SA – provided domestic and export factoring services, both with and without the acceptance of risk (with recourse) and reverse factoring.</li> <li>In the first quarter of 2012, the value of factoring turnover amounted to PLN 607 million and number of clients increased to 121.</li> <li>As at the end of March of this year, PKO BP Faktoring SA ranked 8th place among factoring companies associated in the Polish Factors' Association, with a market share of 3.29%.</li> </ol>
<b>Qualia Development Sp. z o.o.</b>	<p>In the first quarter of 2012, the Group's activities were focused on:</p> <ul style="list-style-type: none"> <li>– continuing its projects: Nowy Wilanów in Warsaw, Rezydencja Flotylla in Międzyzdroje and a residential building with an office function in Sopot,</li> <li>– preparing to the Pomeranka in Gdańsk Jelitkowo project,</li> <li>– preparing and analysing a business formula for the project in Jurata-Władysławowo and Zakopane on properties purchased from PKO Bank Polski SA (in January of this year Qualia Residence Sp. z o.o. bought an organised part of business OSW Daglezja in Zakopane),</li> <li>– implementing a new business model based on execution and management of hotel apartments and conducting preparation to open the first hotel facility Golden Tulip Międzyzdroje Residence.</li> </ul>
<b>Fort Mokotów Inwestycje Sp. z o.o.</b>	<p>In the first quarter of 2012, the Company continued working on the organisation of a development investment project on the plot of land located at Raclawicka Street and Żwirki i Wigury Street in Warsaw.</p>
<b>PKO Finance AB</b>	<ol style="list-style-type: none"> <li>The Company's core activity is to raise funds for PKO Bank Polski SA from issue of bonds.</li> <li>In the first quarter of this year the Company serviced bonds issued in October 2010 for a total amount of EUR 800 million and bonds issued in July 2011 for a total amount of CHF 250 million.</li> </ol>
<b>Centrum Finansowe Puławska Sp. z o.o. - in liquidation</b>	<ol style="list-style-type: none"> <li>On 1 March 2012 the Bank took over the assets in liquidation of Centrum Finansowe Puławska Sp. z o.o. The result of the settlement of the Company's shares and the value of the Company's assets and liabilities overtaken was recognised in the Bank's equity.</li> <li>In March of this year the Company paid dividend to PKO Bank Polski SA in the total amount of PLN 16 119 thousand.</li> <li>Activities aimed at removing the Company from the National Court Register are carried out – a motion for removal was filed with the National Court Register on 27 April 2012.</li> </ol>

### 3.3.6. Awards and honours

In the first quarter of 2012, PKO Bank Polski SA and other entities of the PKO Bank Polski SA Group were granted the following awards:

#### 1. Wektory 2011 (Vectors 2011)

Zbigniew Jagiełło, the President of the Management Board of PKO Bank Polski SA, received a 'Vector 2011' reward for 'the spectacular success of PKO Bank Polski SA during the financial crisis and strong competition for the vision of the bank's development and effective strengthening of the leadership position on the market of Central and Eastern Europe'.



## **2. Złoty Bankier (Golden Banker)**

For the third time, the internet service Bankier.pl and PayU company organised a poll aimed at awarding the best financial services and products offered by Polish banks. PKO Bank Polski received the largest number of positive opinions from internet users in the best mortgage loan category, thus winning 1st place and getting 38% of the votes.

Zbigniew Jagiełło, the President of the Management Board of PKO Bank Polski SA received an award in the special category 'Personality of the Year 2011' 'for his vision of modernising the largest Polish bank and its fulfilment'.

## **3. Lider świata bankowości (Banking Leader)**

PKO Bank Polski SA was the winner in the large banks category in the 'Banking Leaders' competition. This was the 1st edition of a competition which was held as part of the Polish Economic Congress. Awards are granted to personages and firms that contributed the most to the development of the Polish financial sector in the previous year.

## **4. Przyjazne Konto Internetowe 2011 (User-friendly Internet Account 2011)**

The Inteligo account was appreciated in the Polish Internet competition organised by *The World Internet Foundation* and was awarded in the category 'User-friendly Internet Account 2011'.

## **5. Byki i Niedźwiedzie (Bulls and Bears)**

During the 18th edition of the 'Bulls and Bears' awards organised by *Gazeta Giełdy Parkiet*, Zbigniew Jagiełło received the statuette of the President of the Year. Also the Brokerage House of PKO Bank Polski was awarded in the competition for carrying out the largest initial offerings and gaining the largest number of new investment accounts.

## **6. Distinction for the Brokerage House of PKO Bank Polski**

The Brokerage House of PKO Bank Polski was awarded by the Warsaw Stock Exchange for achievements in 2011 and received a reward for the highest IPO value among companies introduced to the primary market of the Warsaw Stock Exchange.

## **7. Pension fund of 2012 in Poland**

PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA received the above mentioned title from the *World Finance* magazine gathering together journalists and correspondents specialising in financial issues, published by *World News Media* in London.

## **8. Order Finansowy 2011 (Financial Order 2011)**

PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA received the above mentioned award granted by the *Home&Market* monthly magazine in the pension funds category.



Bank Polski

Condensed interim consolidated  
financial statements of the  
PKO Bank Polski SA Group  
for the first quarter of 2012

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## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENT

for the three-month periods ended 31 March 2012 and 31 March 2011 respectively

	Note	01.01 - 31.03.2012	01.01 - 31.03.2011
<b>Continuing operations:</b>			
Interest and similar income	4	3 257 338	2 720 432
Interest expense and similar charges	4	(1 198 152)	(1 000 963)
<b>Net interest income</b>		<b>2 059 186</b>	<b>1 719 469</b>
Fee and commission income	5	890 740	911 468
Fee and commission expense	5	(167 300)	(174 274)
<b>Net fee and commission income</b>		<b>723 440</b>	<b>737 194</b>
Dividend income		-	17
Net income from financial instruments designated at fair value	6	14 513	(474)
Gains less losses from investment securities		(707)	3 532
Net foreign exchange gains		91 779	74 869
Other operating income	7	109 606	117 782
Other operating expense	7	(74 525)	(71 529)
<b>Net other operating income and expense</b>		<b>35 081</b>	<b>46 253</b>
Net impairment allowance and write-downs	8	(527 526)	(438 408)
Administrative expenses	9	(1 152 330)	(1 054 117)
<b>Operating profit</b>		<b>1 243 436</b>	<b>1 088 335</b>
Share of profit (loss) of associates and jointly controlled entities		8 011	(3 338)
<b>Profit before income tax</b>		<b>1 251 447</b>	<b>1 084 997</b>
Income tax expense	10	(246 974)	(214 366)
<b>Net profit (including non-controlling shareholders)</b>		<b>1 004 473</b>	<b>870 631</b>
Profit (loss) attributable to non-controlling shareholders		(314)	(385)
<b>Net profit attributable to equity holders of the parent company</b>		<b>1 004 787</b>	<b>871 016</b>
Earnings per share	11		
– basic earnings per share for the period (PLN)		0.80	0.70
– diluted earnings per share for the period (PLN)		0.80	0.70
Weighted average number of ordinary shares during the period (in thousand)		1 250 000	1 250 000
Weighted average diluted number of ordinary shares during the period (in thousand)		1 250 000	1 250 000

#### Discontinued operations:

In the three-month period ended 31 March 2012 and 31 March 2011 respectively the PKO Bank Polski SA Group did not carry out discontinued operations.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the three-month periods ended 31 March 2012 and 31 March 2011 respectively

	Note	01.01 - 31.03.2012	01.01 - 31.03.2011
<b>Net profit (including non-controlling shareholders)</b>		<b>1 004 473</b>	<b>870 631</b>
<b>Other comprehensive income</b>		<b>(197 524)</b>	<b>(170 896)</b>
Currency translation differences from foreign operations		(28 730)	(15 575)
Share in other comprehensive income of an associate	19	725	(1 337)
Unrealised net gains on financial assets available for sale (gross)		62 949	(14 690)
Deferred tax on unrealised net gains on financial assets available for sale		(11 720)	3 541
Unrealised net gains on financial assets available for sale (net)		51 229	(11 149)
Cash flow hedges (gross)	15	(272 528)	(176 340)
Deferred tax on cash flow hedges	15	51 780	33 505
Cash flow hedges (net)		(220 748)	(142 835)
<b>Total net comprehensive income</b>		<b>806 949</b>	<b>699 735</b>
<b>Total net comprehensive income, of which attributable to:</b>		<b>806 949</b>	<b>699 735</b>
equity holders of PKO Bank Polski SA		806 880	700 099
non-controlling shareholders		69	(364)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
as at 31 March 2012 and as at 31 December 2011**

	Note	31.03.2012	31.12.2011
<b>ASSETS</b>			
Cash and balances with the central bank		6 125 548	9 142 168
Amounts due from banks	12	1 926 589	2 396 227
Trading assets	13	2 447 677	1 311 089
Derivative financial instruments	14	2 852 895	3 064 733
Financial assets designated upon initial recognition at fair value through profit and loss	16	14 867 729	12 467 201
Loans and advances to customers	17	140 947 277	141 634 494
Investment securities available for sale	18	13 980 883	14 393 276
Investments in associates and jointly controlled entities	19	129 390	123 119
Non-current assets held for sale		20 410	20 410
Inventories		576 913	566 846
Intangible assets	20	1 792 131	1 800 008
Tangible fixed assets	20	2 486 673	2 541 317
of which investment properties		246	248
Current income tax receivables		2 822	5 957
Deferred income tax asset		582 410	543 922
Other assets		993 205	737 270
<b>TOTAL ASSETS</b>		<b>189 732 552</b>	<b>190 748 037</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Amounts due to the central bank		2 949	3 454
Amounts due to banks	21	7 467 020	6 239 164
Derivative financial instruments	14	2 480 821	2 645 281
Amounts due to customers	22	144 202 352	146 473 897
Debt securities in issue	23	6 615 787	7 771 779
Subordinated liabilities		1 638 201	1 614 377
Other liabilities	24	2 924 137	2 450 763
Current income tax liabilities		152 577	78 810
Deferred income tax liability		29 931	29 364
Provisions	25	589 844	619 164
<b>TOTAL LIABILITIES</b>		<b>166 103 619</b>	<b>167 926 053</b>
<b>Equity</b>			
Share capital		1 250 000	1 250 000
Other capital		17 625 708	17 881 264
Currency translation differences from foreign operations		(121 136)	(92 023)
Unappropriated profits		3 870 795	(23 162)
Net profit for the year		1 004 787	3 807 195
<b>Capital and reserves attributable to equity holders of the parent company</b>		<b>23 630 154</b>	<b>22 823 274</b>
Non-controlling interest		(1 221)	(1 290)
<b>TOTAL EQUITY</b>		<b>23 628 933</b>	<b>22 821 984</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>189 732 552</b>	<b>190 748 037</b>
Capital adequacy ratio	32	13.84%	12.37%
Book value (in PLN thousand)		23 628 933	22 821 984
Number of shares (in thousand)	1	1 250 000	1 250 000
Book value per share (in PLN)		18.90	18.26
Diluted number of shares (in thousand)		1 250 000	1 250 000
Diluted book value per share (in PLN)		18.90	18.26

Condensed Interim Consolidated Financial Statements of  
the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group  
for the three-month period ended 31 March 2012 (in PLN thousand)



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the three-month periods ended 31 March 2012 and 31 March 2011 respectively

for the three-month period ended 31 March 2012	Share capital	Other capital						Currency translation differences from foreign operations	Unappropriated profits	Net profit for the period	Total equity attributable to equity holders of the parent company	Non- controlling interest	Total equity	
		Reserve capital	Other reserves	General banking risk fund	Share in other comprehensive income of an associate	Financial assets available for sale	Cash flow hedges							Total other capital
As at 1 January 2012	1 250 000	13 041 390	3 460 368	1 070 000	(257)	(52 422)	362 185	17 881 264	(92 023)	(23 162)	3 807 195	22 823 274	(1 290)	22 821 984
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	-	3 807 195	(3 807 195)	-	-	-
<b>Total comprehensive income, of which:</b>	-	-	-	-	725	51 229	(220 748)	(168 794)	(29 113)	-	1 004 787	806 880	69	806 949
Net profit	-	-	-	-	-	-	-	-	-	-	1 004 787	1 004 787	(314)	1 004 473
Other comprehensive income	-	-	-	-	725	51 229	(220 748)	(168 794)	(29 113)	-	-	(197 907)	383	(197 524)
The effect of the takeover of subsidiary's assets and liabilities by the parent company	-	(303)	(86 459)	-	-	-	-	(86 762)	-	86 762	-	-	-	-
<b>As at 31 March 2012</b>	<b>1 250 000</b>	<b>13 041 087</b>	<b>3 373 909</b>	<b>1 070 000</b>	<b>468</b>	<b>(1 193)</b>	<b>141 437</b>	<b>17 625 708</b>	<b>(121 136)</b>	<b>3 870 795</b>	<b>1 004 787</b>	<b>23 630 154</b>	<b>(1 221)</b>	<b>23 628 933</b>

for the three-month period ended 31 March 2011	Share capital	Other capital						Currency translation differences from foreign operations	Unappropriated profits	Net profit for the period	Total equity attributable to equity holders of the parent company	Non- controlling interest	Total equity	
		Reserve capital	Other reserves	General banking risk fund	Share in other comprehensive income of an associate	Financial assets available for sale	Cash flow hedges							Total other capital
As at 1 January 2011	1 250 000	12 212 177	3 412 239	1 070 000	976	(25 171)	217 924	16 888 145	(109 747)	112 297	3 216 883	21 357 578	1 990	21 359 568
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	-	3 216 883	(3 216 883)	-	-	-
<b>Total comprehensive income, of which:</b>	-	-	-	-	(1 337)	(11 149)	(142 835)	(155 321)	(15 596)	-	871 016	700 099	(364)	699 735
Net profit	-	-	-	-	-	-	-	-	-	-	871 016	-	(385)	870 631
Other comprehensive income	-	-	-	-	(1 337)	(11 149)	(142 835)	(155 321)	(15 596)	-	-	-	21	(170 896)
Loss coverage	-	(5 393)	-	-	-	-	-	(5 393)	-	5 393	-	-	-	-
<b>As at 31 March 2011</b>	<b>1 250 000</b>	<b>12 206 784</b>	<b>3 412 239</b>	<b>1 070 000</b>	<b>(361)</b>	<b>(36 320)</b>	<b>75 089</b>	<b>16 727 431</b>	<b>(125 343)</b>	<b>3 334 573</b>	<b>871 016</b>	<b>22 057 677</b>	<b>1 626</b>	<b>22 059 303</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the three-month periods ended 31 March 2012 and 31 March 2011 respectively**

	Note	01.01 - 31.03.2012	01.01 - 31.03.2011
<b>Net cash flow from operating activities</b>			
Profit before income tax		1 251 447	1 084 997
Adjustments:		(4 661 656)	(2 230 926)
Amortisation and depreciation		134 318	124 071
(Gains) losses from investing activities		752	(1 667)
Interest and dividends		(203 698)	(104 059)
Change in amounts due from banks		(205 057)	(33 602)
Change in trading assets and financial assets designated upon initial recognition at fair value through profit and loss		(3 537 116)	(2 083 850)
Change in derivative financial instruments (asset)		211 838	(119 826)
Change in loans and advances to customers		376 142	(2 128 225)
Change in other assets		(266 002)	(194 270)
Change in amounts due to banks		1 189 388	404 897
Change in derivative financial instruments (liability)		(164 460)	(759 546)
Change in amounts due to customers		(2 271 545)	2 586 062
Change in debt securities in issue		27 784	98 150
Change in impairment allowances and provisions		318 996	419 482
Change in other liabilities and subordinated liabilities		550 960	95 119
Income tax paid		(182 103)	(226 670)
Other adjustments		(641 853)	(306 992)
<b>Net cash from / used in operating activities</b>		<b>(3 410 209)</b>	<b>(1 145 929)</b>
<b>Net cash flow from investing activities</b>			
<b>Inflows from investing activities</b>		<b>2 924 827</b>	<b>977 153</b>
Proceeds and interest from sale of investment securities		2 923 442	974 204
Proceeds from sale of intangible assets and tangible fixed assets		1 385	2 932
Other investing inflows (dividends)		-	17
<b>Outflows from investing activities</b>		<b>(2 180 523)</b>	<b>(706 935)</b>
Purchase of investment securities available for sale		(2 069 256)	(608 209)
Purchase of intangible assets and tangible fixed assets		(111 267)	(98 726)
<b>Net cash from / used in investing activities</b>		<b>744 304</b>	<b>270 218</b>
<b>Net cash flow from financing activities</b>			
Proceeds from debt securities in issue		1 948 683	-
Redemption of debt securities in issue		(2 951 309)	-
Repayment of interest from issued debt securities		(39 189)	-
Long-term borrowings		197 534	106 571
Repayment of long-term borrowings		(183 948)	(222 461)
<b>Net cash generated from financing activities</b>		<b>(1 028 229)</b>	<b>(115 890)</b>
<b>Net cash inflow/(outflow)</b>		<b>(3 694 134)</b>	<b>(991 601)</b>
of which currency translation differences		(166 051)	(17 092)
Cash and cash equivalents at the beginning of the period		11 422 970	8 438 681
<b>Cash and cash equivalents at the end of the period</b>	<b>28</b>	<b>7 728 836</b>	<b>7 447 080</b>
of which restricted		3 953	6 460



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 1. General information

The condensed interim consolidated financial statements of the Powszechna Kasa Oszczędności Bank Polski SA Group ('the PKO Bank Polski SA Group', 'the Group') have been prepared for the three-month period ended 31 March 2012 and include comparative data for the three-month period ended 31 March 2011 (as regards consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement) and include comparative data as at 31 December 2011 (as regards consolidated statement of financial position). Data has been presented in Polish zloty, rounded to thousand zloty (PLN), 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 the Poczтовая Kasa Oszczędnościowa. Since 1950 the Bank operated as the Powszechna Kasa Oszczędności State-owned bank. Pursuant to the Decree of the Council of Ministers dated 18 January 2000 (Journal of Laws No. 5, item 55 with subsequent amendments) Powszechna Kasa Oszczędności (a State-owned bank) was transformed into a state-owned joint-stock company, Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna with its head office in Warsaw, Puławska 15, 02-515 Warsaw, Poland.

On 12 April 2000, Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna was registered and entered into the Register of Companies by the District Court for the capital city of Warsaw, Commercial Court XVI Registration Department. At present, the appropriate court is the District Court for the capital city of Warsaw, XIII Economic Department of the National Court Register. The Bank was registered under entry No. KRS 0000026438 and was granted a statistical REGON No. 016298263. The Bank's 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 %
<i>As at 31 March 2012</i>				
The State Treasury	512 406 277	40.99	PLN 1	40.99
Bank Gospodarstwa Krajowego	128 102 731	10.25	PLN 1	10.25
Other shareholders	609 490 992	48.76	PLN 1	48.76
<b>Total</b>	<b>1 250 000 000</b>	<b>100.00</b>	<b>---</b>	<b>100.00</b>
<i>As at 31 December 2011</i>				
The State Treasury	512 406 277	40.99	PLN 1	40.99
Bank Gospodarstwa Krajowego	128 102 731	10.25	PLN 1	10.25
Other shareholders	609 490 992	48.76	PLN 1	48.76
<b>Total</b>	<b>1 250 000 000</b>	<b>100.00</b>	<b>---</b>	<b>100.00</b>

The Bank is 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**

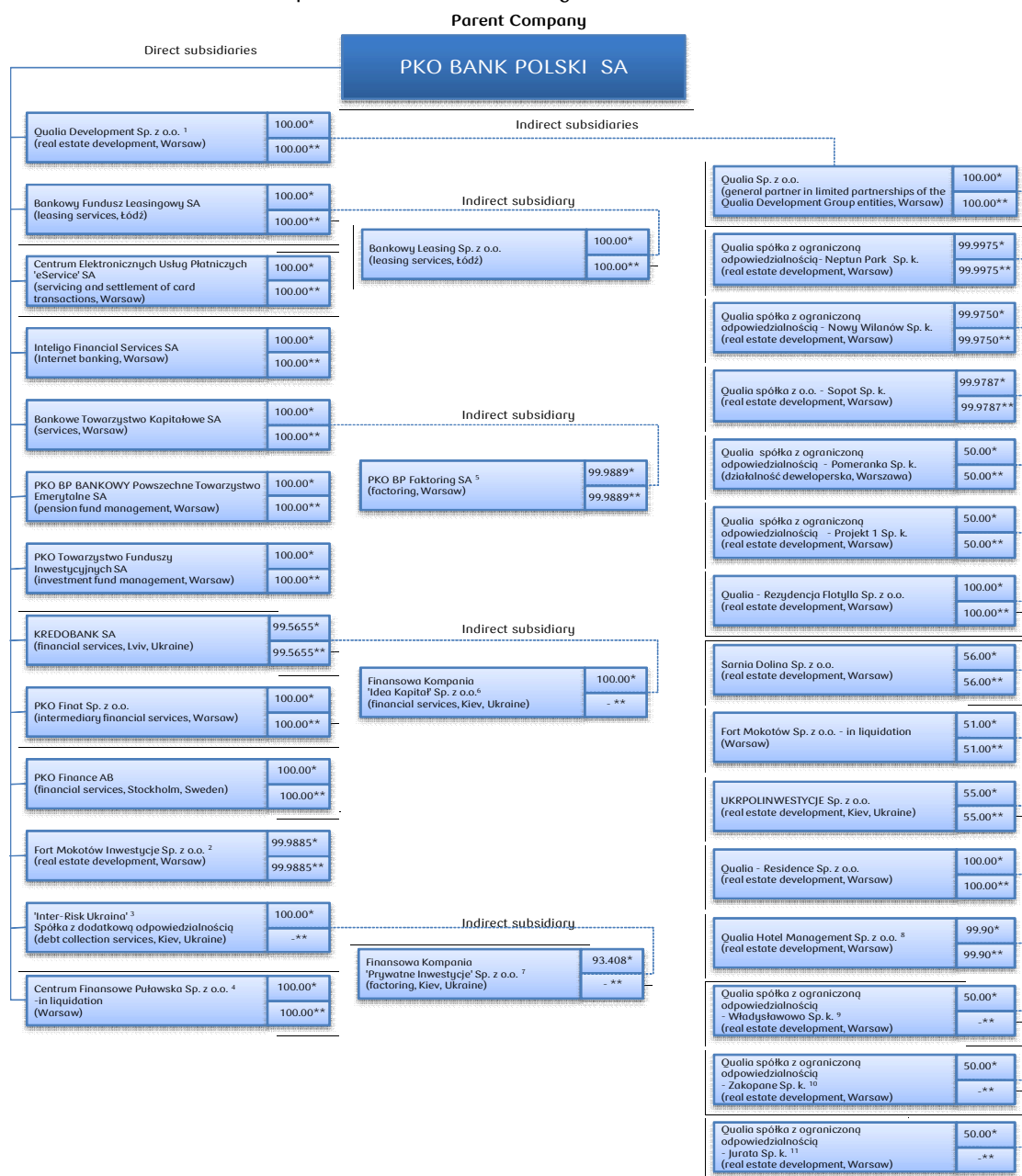
PKO Bank Polski SA is a universal commercial bank offering services to both domestic and foreign retail, corporate and other clients. PKO Bank Polski SA is licensed to hold foreign exchange and currencies and sell/buy them, as well as perform a full range of foreign exchange services, open and hold bank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

In addition, through its subsidiaries, the Group conducts activities relating to leasing, factoring, investment funds, pension funds, Internet banking as well as servicing and settlement of card transactions and real estate development. The scope of activities of each of the Group entities is set out in this note, in the table 'Structure of the PKO Bank Polski SA Group'.

The PKO Bank Polski SA Group operates in the Republic of Poland and through its subsidiaries: KREDOBANK SA, 'Inter-Risk Ukraina' Spółka z dodatkową odpowiedzialnością (additional liability company), Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o., Finansowa Kompania 'Idea Kapitał' Sp. z o.o. and UKRPOLINWESTYCJE Sp. z o.o. – in Ukraine and through its subsidiary PKO Finance AB in Sweden.

## Structure of the PKO Bank Polski SA Group

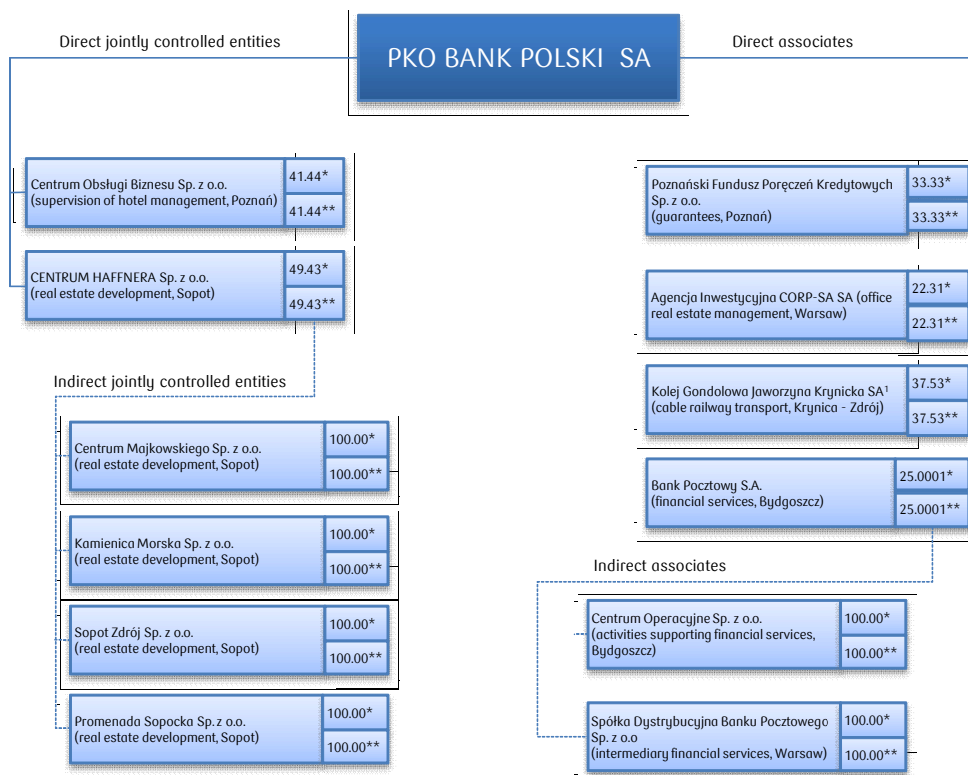
The PKO Bank Polski SA Group consists of the following entities:



\* % share in equity as at 31.03.2012      \*\* % share in equity as at 31.12.2011

- 1) in limited partnerships of Qualia Development Group the limited partner is Qualia Development Sp. z o.o. and the general partner is Qualia Sp. z o.o.; in the position of share capital, the total contributions made/declared by the limited partner is presented
- 2) the second shareholder of the entity is Qualia Development Sp. z o.o.
- 3) acquiring of the Company by PKO Bank Polski SA was registered with the Ukrainian Register of Businesses on 16 January 2012
- 4) the Bank took over the assets in bankruptcy of the Company on 1 March 2012; the result of the settlement of the Company's shares and the value of the Company's assets and liabilities overtaken was recognised in the Bank's equity; activities aimed at removing the Company from the National Court Register are carried out - a motion for removal was filed with the National Court Register on 27 April 2012
- 5) PKO Bank Polski SA holds 1 share in the Entity
- 6) acquiring of the Company by KREDOBANK SA was registered with the Ukrainian Register of Businesses on 23 March 2012
- 7) until 26 February 2012 the Company was a direct subsidiary of PKO Bank Polski SA
- 8) the second shareholder of the entity is Qualia Sp. z o.o.
- 9) the Company was registered with the National Court Register on 14 February 2012
- 10) the Company was registered with the National Court Register on 15 March 2012
- 11) the Company was registered with the National Court Register on 27 March 2012

## Jointly controlled entities and associates included in the consolidated financial statements:



\* % share in equity as at 31.03.2012      \*\* % share in equity as at 31.12.2011

1) Shares of the entity are recognised in non-current assets held for sale

Information on changes in the parent's participation in the share capital of the subsidiaries is set out in Note 30 'Changes to the entities of the Group'.

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

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

The accounting policies and calculations applied in these condensed interim financial statements are consistent to those, which were applied in the consolidated financial statements of the PKO Bank Polski Group for the year ended 31 December 2011.

These condensed interim consolidated financial statements for the first quarter of 2012 should be read together with consolidated financial statements of the PKO Bank Polski SA Group for 2011 prepared in accordance with International Financial Reporting Standards as approved by the European Union.

## 3. Information on the segments of activities

The PKO Bank Polski SA Group's segment reporting scheme is primarily based on the criteria of the groups 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 the similar risk and income – different from other business segments. The segment report 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 three basic segments: retail, corporate and investment segment:

1. The retail segment comprises transactions of the parent company with retail clients, clients of small and medium enterprises and housing market clients. This segment comprises, among others, the following products and services: current and saving accounts, deposits, private banking services, investment products, credit and debit cards, consumer and mortgage loans, corporate loans for small and medium enterprises and housing market customers.
2. The corporate segment includes transactions of the parent company with large corporate clients. This segment comprises, among others, the following products and services: current accounts, deposits, securities depository services, currency and derivative products, sell buy back and buy sell back transactions, corporate loans, leases and factoring. Within the segment, PKO Bank Polski SA also enters, individually or in consortium with other banks, into loan agreements financing large investment projects.
3. The investment segment comprises transactions of the parent company with financial institutions' clients and the Bank's portfolio activity on its own account, i.e. investing and brokerage activities, interbank transactions, derivative instruments and debt securities transactions and activities of PKO Bank Polski SA's subsidiaries: KREDOBANK SA Group, 'Inter-Risk Ukraina' Sp. z d. o. Group, PKO BP BANKOWY Powszechnie Towarzystwo Emerytalne SA, PKO Towarzystwo Funduszy Inwestycyjnych SA, Inteligo Financial Services SA, PKO BP Finat Sp. z o.o., Centrum Elektronicznych Usług Płatniczych 'eService' SA, Qualia Development Sp. z o.o. Group, Fort Mokotów Inwestycje Sp. z o.o., Bankowy Fundusz Leasingowy SA Group, Bankowe Towarzystwo Kapitałowe SA Group, PKO Finance AB and Centrum Finansowe Puławska Sp. z o.o. - in liquidation (own activities). In the net result of the segment, the net result of internal settlements related to funds transfer pricing, the result on long-term sources of financing and the result on positions classified for hedge accounting is presented. Internal funds transfer is based on transfer pricing dependant on interest rates. The transactions between business segments are conducted on arm's length. Long-term external financing includes the issuance of bonds, subordinated liabilities and funds under the EMTN programme issuance as well as amounts due to financial institutions.

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

Accounting policies applied in the segment report are consistent with accounting policies described in Note 2 of these statements.

Disclosed values of assets and liabilities are operating assets and liabilities applied by operating activities segment. Values of assets, liabilities, income and expenses of a particular segment are based on internal management information. To particular segments there have been assigned assets and liabilities as well as income and expense related to these assets and liabilities.

The current income tax expense was presented only on the Group level.

The tables below present data relating to income and results of individual operational segments of the PKO Bank Polski SA Group for the three-month period ended 31 March 2012 and 31 March 2011 and assets and liabilities as at 31 March 2012 and 31 December 2011.

For the three-month period ended 31 March 2012	Continuing operations				Total activity of the PKO Bank Polski SA Group
	Retail segment	Corporate segment	Investment segment		
			Own activities	Transfer centre	
Net interest income	1 470 416	137 745	39 565	411 460	2 059 186
Net fee and commission income	563 902	67 838	91 700	-	723 440
Other net income	59 342	14 612	88 712	(22 000)	140 666
Net result from financial operations	3 040	2 838	10 232	(2 304)	13 806
Net foreign exchange gains	49 879	18 274	43 322	(19 696)	91 779
Dividend income	-	-	-	-	-
Net other operating income and expense	(87)	10	35 158	-	35 081
Income/expenses relating to internal customers	6 510	(6 510)	-	-	-
Net impairment allowance and write-downs	(410 586)	(93 675)	(23 265)	-	(527 526)
Administrative expenses, of which:	(944 074)	(62 023)	(146 233)	-	(1 152 330)
amortisation and depreciation	(108 310)	(6 249)	(19 759)	-	(134 318)
Share of profit (loss) of associates and jointly controlled entities	-	-	-	-	8 011
Segment gross profit	739 000	64 497	50 479	389 460	1 251 447
Income tax expense (tax burden)	-	-	-	-	(246 974)
Profit (loss) attributable to non-controlling shareholders	-	-	-	-	(314)
<b>Net profit attributable to equity holders of the parent company</b>	<b>739 000</b>	<b>64 497</b>	<b>50 479</b>	<b>389 460</b>	<b>1 004 787</b>

As at 31 March 2012	Continuing operations				Total activity of the PKO Bank Polski SA Group
	Retail segment	Corporate segment	Investment segment		
			Own activities	Transfer centre	
Assets	116 515 680	43 070 987	30 145 885	-	189 732 552
Liabilities	120 012 491	26 661 522	19 429 606	-	166 103 619

Condensed Interim Consolidated Financial Statements of  
the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group  
for the three-month period ended 31 March 2012 (in PLN thousand)



For the three-month period ended 31 March 2011	Continuing operations*				Total activity of the PKO Bank Polski SA Group
	Retail segment	Corporate segment	Investment segment		
			Own activities	Transfer centre	
Net interest income	1 321 302	111 537	83 647	202 983	1 719 469
Net fee and commission income	609 798	63 207	64 189	-	737 194
Other net income	43 918	14 380	77 740	(11 841)	124 197
Net result from financial operations	32	3 831	253	(1 058)	3 058
Net foreign exchange gains	33 291	16 877	35 484	(10 783)	74 869
Dividend income	-	-	17	-	17
Net other operating income and expense	4 090	177	41 986	-	46 253
Income/expenses relating to internal customers	6 505	(6 505)	-	-	-
Net impairment allowance and write-downs	(405 182)	(32 388)	(838)	-	(438 408)
Administrative expenses, of which:	(893 038)	(53 591)	(107 488)	-	(1 054 117)
amortisation and depreciation	(100 030)	(5 378)	(18 663)	-	(124 071)
Share of profit (loss) of associates and jointly controlled entities	-	-	-	-	(3 338)
Segment gross profit	676 798	103 145	117 250	191 142	1 084 997
Income tax expense (tax burden)	-	-	-	-	(214 366)
Profit (loss) attributable to non-controlling shareholders	-	-	-	-	(385)
<b>Net profit attributable to equity holders of the parent company</b>	<b>676 798</b>	<b>103 145</b>	<b>117 250</b>	<b>191 142</b>	<b>871 016</b>

\*Change in presentation consisting of including the results of all entities of the Group in the Own activities of the Investment segment.

As at 31 December 2011	Continuing operations				Total activity of the PKO Bank Polski SA Group
	Retail segment	Corporate segment	Investment segment		
			Own activities	Transfer centre	
Assets	118 360 801	42 227 310	30 159 926	-	190 748 037
Liabilities	116 336 341	32 045 191	19 544 521	-	167 926 053

As an additional reporting scheme, the PKO Bank Polski SA Group uses geographical areas. The PKO Bank Polski SA Group conducts its activities in Ukraine – through KREDOBANK SA Group, ‘Inter-Risk Ukraina’ Sp. z d. o. Group and UKRPOLINWESTYCJE Sp. z o.o.

For the three-month period ended 31 March 2012	Poland	Ukraine	Total
Net interest income	2 044 820	14 366	2 059 186
Net fee and commission income	711 875	11 565	723 440
Other net income	127 675	12 991	140 666
Administrative expenses	(1 123 334)	(28 996)	(1 152 330)
Net impairment allowance and write-downs	(506 465)	(21 061)	(527 526)
Share of profit (loss) of associates and jointly controlled entities	-	-	8 011
<b>Segment gross profit</b>	<b>1 254 571</b>	<b>(11 135)</b>	<b>1 251 447</b>
Income tax expense (tax burden)	-	-	(246 974)
Profit (loss) attributable to non-controlling shareholders	-	-	(314)
<b>Net profit (loss) attributable to equity holders of the parent company</b>	<b>1 254 571</b>	<b>(11 135)</b>	<b>1 004 787</b>

As at 31 March 2012	Poland	Ukraine	Total
Assets of the segment	188 104 964	1 627 588	189 732 552
Liabilities of the segment	165 082 476	1 021 143	166 103 619

For the three-month period ended 31 March 2011	Poland	Ukraine	Total
Net interest income	1 704 129	15 340	1 719 469
Net fee and commission income	728 649	8 545	737 194
Other net income	123 284	913	124 197
Administrative expenses	(1 029 486)	(24 631)	(1 054 117)
Net impairment allowance and write-downs	(445 916)	7 508	(438 408)
Share of profit (loss) of associates and jointly controlled entities	-	-	(3 338)
<b>Segment gross profit</b>	<b>1 080 660</b>	<b>7 675</b>	<b>1 084 997</b>
Income tax expense (tax burden)	-	-	(214 366)
Profit (loss) attributable to non-controlling shareholders	-	-	(385)
<b>Net profit attributable to equity holders of the parent company</b>	<b>1 080 660</b>	<b>7 675</b>	<b>871 016</b>

As at 31 December 2011	Poland	Ukraine	Total
Assets of the segment	189 196 560	1 551 477	<b>190 748 037</b>
Liabilities of the segment	166 763 390	1 162 663	<b>167 926 053</b>

#### 4. Interest income and expense

##### Interest and similar income

	01.01 – 31.03.2012	01.01 – 31.03.2011
<b>Interest income calculated using the effective interest rate method, with respect to financial assets, which are not designated at fair value through profit and loss, of which:</b>	<b>2 836 613</b>	<b>2 397 348</b>
Income from loans and advances to customers	2 578 154	2 230 026
Income from investment securities available for sale	197 223	120 146
Income from placements with banks	59 537	46 019
Other	1 699	1 157
<b>Other income, of which:</b>	<b>420 725</b>	<b>323 084</b>
Income from derivative hedging instruments	245 000	171 229
Income from financial assets designated upon initial recognition at fair value through profit and loss	158 983	130 007
Income from trading assets	16 742	21 848
<b>Total</b>	<b>3 257 338</b>	<b>2 720 432</b>

In the 'Income from derivative hedging instruments' the PKO Bank Polski SA Group presents interest income from derivative instruments designated for hedge accounting that are effective hedging instruments in respect of cash flow hedges. Details of hedging relationships applied by the PKO Bank Polski SA Group are included in Note 15 'Derivative hedging instruments'.

In the three-month period ended 31 March 2012, the value of interest income from impaired loans amounted to PLN 108 797 thousand (in the three-month period ended 31 March 2011, it amounted to PLN 83 753 thousand). This income has been included in the position 'Income from loans and advances to customers'.



## Interest expense and similar charges

	01.01 – 31.03.2012	01.01 – 31.03.2011
<b>Interest expense calculated using the effective interest rate method, with respect to financial liabilities, which are not designated at fair value through profit and loss, of which:</b>	<b>(1 197 726)</b>	<b>(1 000 061)</b>
Interest expense on amounts due to customers	(1 089 635)	(940 710)
Interest expense on debt securities in issue	(98 952)	(50 794)
Interest expense on deposits from banks	(6 657)	(8 512)
Premium expense on debt securities available for sale	(2 482)	(45)
<b>Other expense</b>	<b>(426)</b>	<b>(902)</b>
<b>Total</b>	<b>(1 198 152)</b>	<b>(1 000 963)</b>

## 5. Fee and commission income and expense

### Fee and commission income

	01.01 – 31.03.2012	01.01 – 31.03.2011
<b>Income from financial assets, which are not designated at fair value through profit and loss, of which:</b>	<b>142 650</b>	<b>139 370</b>
Income from loans and advances granted	142 650	139 370
<b>Other commissions</b>	<b>747 183</b>	<b>771 647</b>
Income from payment cards	257 319	227 104
Income from maintenance of bank accounts	228 313	231 993
Income from loan insurance	88 879	124 830
Income from maintenance of investment and open pension funds (including management fees)	71 640	87 434
Income from cash transactions	34 078	41 628
Income from securities transactions	15 507	15 300
Income from servicing foreign mass transactions	11 897	11 188
Income from sale and distribution of court fee stamps	6 340	3 420
Other*	33 210	28 750
<b>Income from fiduciary activities</b>	<b>907</b>	<b>451</b>
<b>Total</b>	<b>890 740</b>	<b>911 468</b>

\* Included in 'Other' are i.a.: commissions received for servicing bond sale transactions, commissions of the Brokerage House for servicing Initial Public Offering issue and commissions for servicing indebtedness of borrowers against the State budget.

### Fee and commission expense

	01.01 – 31.03.2012	01.01 – 31.03.2011
Expenses on payment cards	(82 078)	(69 669)
Expenses on acquisition services	(27 205)	(33 597)
Expenses on loan insurance	(25 061)	(32 262)
Expenses on settlement services	(6 908)	(6 946)
Expenses on asset management fees	(5 867)	(5 003)
Expenses on fee and commissions for operating services rendered by banks	(2 801)	(3 063)
Other*	(17 380)	(23 734)
<b>Total</b>	<b>(167 300)</b>	<b>(174 274)</b>

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

## 6. Net income from financial instruments designated at fair value

	01.01 – 31.03.2012	01.01 – 31.03.2011
Debt securities	12 121	(3 381)
Derivative instruments <sup>1)</sup>	3 999	1 886
Equity instruments	576	1 020
Structured bank securities designated at fair value through profit and loss <sup>1)</sup>	(2 183)	-
Other <sup>1)</sup>	-	1
<b>Total</b>	<b>14 513</b>	<b>(474)</b>

In the net income from financial instruments designated at fair value, position 'Derivative instruments', in the period ended 31 March 2012, an ineffective portion related to cash flow hedges was recognised and it amounted to PLN (2 304) thousand (in the period ended 31 March 2011, an ineffective portion related to cash flow hedges was recognised and it amounted to PLN (1 364) thousand).

01.01.2012 - 31.03.2012	Gains	Losses	Net result
Trading assets	6 201 800	(6 195 057)	6 743
Financial assets designated upon initial recognition at fair value through profit and loss	57 153	(49 383)	7 770
<b>Total</b>	<b>6 258 953</b>	<b>(6 244 440)</b>	<b>14 513</b>

01.01.2011 - 31.03.2011	Gains	Losses	Net result
Trading assets	4 500 479	(4 501 084)	(605)
Financial assets designated upon initial recognition at fair value through profit and loss	51 143	(51 012)	131
<b>Total</b>	<b>4 551 622</b>	<b>(4 552 096)</b>	<b>(474)</b>

The total change in fair values of financial instruments designated at fair value through profit and loss determined with use of valuation models (where no quotations from active market are available) in the period ended 31 March 2012 amounted to PLN 1 816<sup>\*)</sup> thousand (in the period ended 31 March 2011: PLN 1 887<sup>\*)</sup> thousand).

## 7. Other operating income and expense

	01.01 – 31.03.2012	01.01 – 31.03.2011
<b>Other operating income</b>		
Net income from sale of products and services	60 599	71 255
Sales and disposal of tangible fixed assets, intangible assets and assets held for sale	14 739	19 945
Damages, penalties and fines received	11 377	6 719
Sundry income	4 110	3 509
Recovery of expired and written-off receivables	3 062	280
Other	15 719	16 074
<b>Total</b>	<b>109 606</b>	<b>117 782</b>

	01.01 – 31.03.2012	01.01 – 31.03.2011
<b>Other operating expense</b>		
Costs of sale of products and services	(40 476)	(42 955)
Costs of sale and disposal of tangible fixed assets, intangible assets and assets held for sale	(15 584)	(19 055)
Donations	(3 587)	(1 685)
Sundry expenses	(1 222)	(1 096)
Other	(13 656)	(6 738)
<b>Total</b>	<b>(74 525)</b>	<b>(71 529)</b>

<sup>\*)</sup> The total amount of the items marked with <sup>1)</sup> in Note 6 'Net income from financial instruments designated at fair value'.

## 8. Net impairment allowance and write-downs

For the three-month period ended 31 March 2012	Note	Impairment allowances at the beginning of the period	Increases			Decreases			Impairment allowances at the end of the period	Net impairment allowance – impact on the income statement
			Impairment allowances recognised during the period	Other	Decrease in impairment allowances due to derecognition of assets	Impairment allowances reversed during the period	Currency translation differences	Other		
Investment securities available for sale	18	20 563	-	-	-	-	436	-	20 127	-
Amounts due from banks	12	32 812	123	-	-	1	-	2 941	29 993	(122)
Loans and advances to customers measured at amortised cost	17	5 658 243	1 169 241	935	102 881	650 845	44 587	60 788	5 969 318	(518 396)
Tangible fixed assets		6 388	10 625	-	-	305	489	-	16 219	(10 320)
Intangible assets		135 295	4 166	237	-	-	-	-	139 698	(4 166)
Investments in entities measured using equity method	19	88 953	2 465	-	-	-	-	-	91 418	(2 465)
Non-current assets held for sale		2 958	-	-	-	-	-	-	2 958	-
Other, of which:		336 751	32 467	6 758	26 634	40 410	711	447	307 774	7 943
provisions for legal claims and liabilities and guarantees granted	25	115 608	18 725	-	16	34 538	16	407	99 356	15 813
<b>Total</b>		<b>6 281 963</b>	<b>1 219 087</b>	<b>7 930</b>	<b>129 515</b>	<b>691 561</b>	<b>46 223</b>	<b>64 176</b>	<b>6 577 505</b>	<b>(527 526)</b>

For the three-month period ended 31 March 2011	Note	Impairment allowances at the beginning of the period	Increases			Decreases			Impairment allowances at the end of the period	Net impairment allowance – impact on the income statement
			Impairment allowances recognised during the period	Other	Decrease in impairment allowances due to derecognition of assets	Impairment allowances reversed during the period	Currency translation differences	Other		
Investment securities available for sale	18	21 909	255	-	-	247	358	-	21 559	(8)
Amounts due from banks	12	28 925	196	-	-	104	-	1 338	27 679	(92)
Loans and advances to customers measured at amortised cost	17	4 856 670	970 405	-	23 331	548 295	12 622	9 617	5 233 210	(422 110)
Tangible fixed assets		18 434	-	-	-	-	-	8	18 426	-
Intangible assets		132 972	1 038	-	-	-	-	-	134 010	(1 038)
Investments in entities measured using equity method	19	60 138	34	-	-	2 027	-	-	58 145	1 993
Non-current assets held for sale		2 961	-	-	-	-	-	-	2 961	-
Other, of which:		314 214	80 254	19	5 393	63 101	293	-	325 700	(17 153)
provisions for legal claims and liabilities and guarantees granted	25	89 799	61 579	13	10	54 632	14	-	96 735	(6 947)
<b>Total</b>		<b>5 436 223</b>	<b>1 052 182</b>	<b>19</b>	<b>28 724</b>	<b>613 774</b>	<b>13 273</b>	<b>10 963</b>	<b>5 821 690</b>	<b>(438 408)</b>

## 9. Administrative expenses

	01.01 – 31.03.2012	01.01 – 31.03.2011
Staff costs	(630 684)	(580 234)
Overheads	(334 288)	(299 069)
Amortisation and depreciation	(134 318)	(124 071)
Taxes and other charges	(17 043)	(16 559)
Contribution and payments to the Bank Guarantee Fund	(35 997)	(34 184)
<b>Total</b>	<b>(1 152 330)</b>	<b>(1 054 117)</b>

## Wages and salaries / Employee benefits

	01.01 – 31.03.2012	01.01 – 31.03.2011
Wages and salaries	(520 607)	(483 599)
Social Security, of which:	(92 829)	(81 468)
contributions for retirement pay and pensions*	(75 933)	(60 293)
Other employee benefits	(17 248)	(15 167)
<b>Total</b>	<b>(630 684)</b>	<b>(580 234)</b>

\* Total expense incurred by the Group related to contributions for retirement pay and pensions.

## 10. Income tax expense

	01.01 – 31.03.2012	01.01 – 31.03.2011
<b>Consolidated income statement</b>		
Current income tax expense	(255 870)	(225 776)
Deferred income tax related to temporary differences	8 896	11 410
<b>Tax expense in the consolidated income statement</b>	<b>(246 974)</b>	<b>(214 366)</b>
Tax expense in other comprehensive income related to temporary differences	40 060	37 046
<b>Total</b>	<b>(206 914)</b>	<b>(177 320)</b>

Due to the equivocal interpretation of the Ukraine Tax Code regulations, as at 31 March 2012 KREDOBANK SA remains in dispute with the tax authorities in Ukraine concerning the inclusion of the loss from previous years (2008-2010) in the amount of UAH 771 437 thousand (i.e. PLN 300 012 thousand at the average NBP exchange rate prevailing as at 31 March 2012) cost of income acquisition. The case was reviewed by the court of first instance, which on 7 May 2012 took into consideration the petition of KREDOBANK SA. The said sentence is pending appeal. In case the verdict of the court of superior instance is unfavourable for KREDOBANK SA the deferred tax asset will be reduced by 16% of the total amount of the above mentioned loss, i.e. by UAH 123 430 thousand (PLN 48 002 thousand).

## 11. Basic earnings per share

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

### Earnings per share

	01.01 – 31.03.2012	01.01 – 31.03.2011
Profit per ordinary shareholder (in PLN thousand)	1 004 787	871 016
Weighted average number of ordinary shares during the period (in thousand)	1 250 000	1 250 000
Earnings per share (in PLN per share)	0.80	0.70

## Earnings per share from discontinued operations

In the periods ended 31 March 2012 and 31 March 2011 respectively, there were no material income or expenses 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 first quarter of 2012 as well as in the first quarter of 2011, there were no dilutive instruments.

## Diluted earnings per share from discontinued operations

In the periods ended 31 March 2012 and 31 March 2011, the PKO Bank Polski SA Group did not report any material income or expenses from discontinued operations.

## 12. Amounts due from banks

	31.03.2012	31.12.2011
Deposits with banks	1 370 453	1 912 647
Receivables due from repurchase agreements	292 212	-
Current accounts	223 445	405 724
Loans and advances granted	68 218	108 868
Cash in transit	2 254	1 800
<b>Total</b>	<b>1 956 582</b>	<b>2 429 039</b>
Impairment allowances on receivables, of which:	(29 993)	(32 812)
impairment allowances on exposure to a foreign bank	(29 558)	(32 385)
<b>Net total</b>	<b>1 926 589</b>	<b>2 396 227</b>

## 13. Trading assets

	31.03.2012	31.12.2011
<b>Debt securities</b>	<b>2 425 296</b>	<b>1 300 164</b>
issued by the State Treasury, of which:	2 380 862	1 268 471
Treasury bonds	2 380 697	1 219 069
Treasury bills	165	49 402
issued by local government bodies, municipal bonds	15 730	14 783
issued by non-financial institutions, corporate bonds	13 207	14 947
issued by other financial institutions, of which:	11 722	239
corporate bonds	-	239
bonds issued by WSE	11 722	-
issued by banks, BGK bonds	3 775	1 724
<b>Shares in other entities - listed on stock exchange</b>	<b>21 531</b>	<b>10 925</b>
<b>Investment certificates</b>	<b>850</b>	<b>-</b>
<b>Total</b>	<b>2 447 677</b>	<b>1 311 089</b>

## 14. Derivative financial instruments

### Derivative instruments used by the Bank

The Bank uses various types of derivatives in order to manage risk involved in its business activities. As at 31 March 2012 and 31 December 2011, the Bank held the following derivative instruments:

Type of contract	31.03.2012		31.12.2011	
	Assets	Liabilities	Assets	Liabilities
Hedging instruments	735 237	251 103	516 925	342 598
Other derivative instruments	2 117 658	2 229 718	2 547 808	2 302 683
<b>Total</b>	<b>2 852 895</b>	<b>2 480 821</b>	<b>3 064 733</b>	<b>2 645 281</b>

Type of contract	31.03.2012		31.12.2011	
	Assets	Liabilities	Assets	Liabilities
IRS	1 864 902	1 686 403	1 941 309	1 925 161
CIRS	603 440	350 299	419 640	421 039
FX Swap	221 035	301 523	438 331	139 720
Options	65 541	52 921	106 492	70 112
Forward	63 793	58 270	119 293	56 271
FRA	31 848	29 220	38 117	31 965
Other	2 336	2 185	1 551	1 013
<b>Total</b>	<b>2 852 895</b>	<b>2 480 821</b>	<b>3 064 733</b>	<b>2 645 281</b>

The most frequently used types of derivatives in the Bank's activities are: IRS, CIRS, FX Swap, Options, Forward.

### 15. Derivative hedging instruments

As at 31 March 2012, the Group applies the following hedging strategies:

- 1) hedges against fluctuations in cash flows from mortgage loans in CHF and negotiated term deposits in PLN, resulting from the risk of fluctuations in interest rates and foreign exchange rates, using CIRS transactions,
- 2) hedges against fluctuations in cash flows from floating interest rate loans in PLN, resulting from the risk of fluctuations in interest rates, using IRS transactions,
- 3) hedges against fluctuations in cash flows from floating interest rate loans in EUR, resulting from the risk of fluctuations in interest rates, using IRS transactions,
- 4) hedges against fluctuations in cash flows from floating interest rate loans in CHF, resulting from the risk of fluctuations in interest rates, using IRS transactions.

The characteristics of the cash flow hedges applied by the Bank are presented in the table below:

<b>Hedging strategy:</b>	<b>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</b>
<b>Type of hedge relationship</b>	Hedge accounting of cash flow (macro Cash flow hedge)
<b>Description of hedge relationship</b>	Elimination of the risk of cash flow fluctuations generated by mortgage loans denominated in CHF and negotiated term deposits in PLN resulting from fluctuations in reference interest rates in CHF and PLN, and changes in foreign exchange rates CHF/PLN during the hedged period.
<b>Hedged risk</b>	Currency risk and interest rate risk.
<b>Hedging instrument</b>	CIRS transactions where the Bank pays coupons based on 3M CHF LIBOR, and receives coupons based on 3M WIBOR on the nominal amount defined in CHF and PLN respectively.
<b>Hedged position</b>	1) The portfolio of floating rate mortgage loans denominated in CHF. 2) The portfolio of short-term negotiable term deposits, including renewals in the future (high probability of occurrence). The Bank designated the hedged position according to the regulations of IAS 39.AG.99C as adopted by the EU.
<b>Hedge effectiveness</b>	Hedge effectiveness is verified through the use of prospective and retrospective effectiveness tests. The tests are performed monthly.
<b>Periods in which cash flows are expected and in which they should have an impact on the financial result</b>	April 2012 to October 2026
<b>Hedging strategy:</b>	<b>Hedges against fluctuations from loans in PLN at float rate, resulting from the risk of fluctuations in interest rates, using IRS transactions</b>
<b>Type of hedge relationship</b>	Hedge accounting of cash flow (macro Cash flow hedge)
<b>Description of hedge relationship</b>	Elimination of the risk of cash flow fluctuations generated by floating rate PLN loan portfolio resulting from the interest rate risk in the period covered by the hedge.
<b>Hedged risk</b>	Interest rate risk.
<b>Hedging instrument</b>	IRS transactions where the Bank pays coupons based on variable 3M WIBOR, and receives coupons based on a fixed rate on the nominal amount for which they were concluded.
<b>Hedged position</b>	The portfolio of loans in PLN indexed to the variable 3M WIBOR rate.
<b>Hedge effectiveness</b>	Hedge effectiveness is verified through the use of prospective and retrospective effectiveness tests. The tests are performed monthly.

Periods in which cash flows are expected and in which they should have an impact on the financial result

April 2012 to December 2013

**Hedging strategy:** Hedges against fluctuations from loans in EUR at float rate, resulting from the risk of fluctuations in interest rates, using IRS transactions

**Type of hedge relationship** Hedge accounting of cash flow (macro Cash flow hedge)

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

**Hedged risk** Interest rate risk.

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

**Hedged position** The portfolio of loans in EUR indexed to the variable EURIBOR rate.

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

Periods in which cash flows are expected and in which they should have an impact on the financial result

April 2012 to June 2016

**Hedging strategy:** Hedges against fluctuations from loans in CHF at float rate, resulting from the risk of fluctuations in interest rates, using IRS transactions

**Type of hedge relationship** Hedge accounting of cash flow (macro Cash flow hedge)

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

**Hedged risk** Interest rate risk.

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

**Hedged position** The portfolio of loans in CHF indexed to the variable 3M LIBOR CHF rate.

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

Periods in which cash flows are expected and in which they should have an impact on the financial result

April 2012 to July 2016



## Cash flow hedges

The fair value of derivative instruments constituting cash flow hedges related to the interest rate or foreign exchange rate as at 31 March 2012 and as at 31 December 2011:

Type of instrument:	Carrying amount/fair value					
	31.03.2012			31.12.2011		
	Assets	Liabilities	Total	Assets	Liabilities	Total
IRS	235 390	1 601	<b>233 789</b>	175 566	1 643	<b>173 923</b>
CIRS	499 847	249 502	<b>250 345</b>	341 359	340 955	<b>404</b>
<b>Total</b>	<b>735 237</b>	<b>251 103</b>	<b>484 134</b>	<b>516 925</b>	<b>342 598</b>	<b>174 327</b>

The nominal value of the hedging instruments by maturity as at 31 March 2012 and as at 31 December 2011:

Type of instrument:	Nominal value as at 31 March 2012				
	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total
IRS in PLN thousand	1 000 000	5 540 000	636 000	-	<b>7 176 000</b>
IRS					
in PLN thousand	-	-	1 964 275	-	<b>1 964 275</b>
in EUR thousand	-	-	472 000	-	<b>472 000</b>
IRS					
in PLN thousand	-	-	863 500	-	<b>863 500</b>
in CHF thousand	-	-	250 000	-	<b>250 000</b>
CIRS					
in PLN thousand	-	3 799 400	14 075 050	259 050	<b>18 133 500</b>
in CHF thousand	-	1 100 000	4 075 000	75 000	<b>5 250 000</b>

Type of instrument:	Nominal value as at 31 December 2011				
	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total
IRS in PLN thousand	500 000	5 330 000	526 000	-	<b>6 356 000</b>
IRS					
in PLN thousand	-	-	2 084 730	-	<b>2 084 730</b>
in EUR thousand	-	-	472 000	-	<b>472 000</b>
IRS					
in PLN thousand	-	-	908 325	-	<b>908 325</b>
in CHF thousand	-	-	250 000	-	<b>250 000</b>
CIRS					
in PLN thousand	-	1 998 315	15 714 023	1 362 488	<b>19 074 826</b>
in CHF thousand	-	550 000	4 325 000	375 000	<b>5 250 000</b>

Other comprehensive income as regards cash flow hedges	01.01- 31.03.2012	01.01- 31.03.2011
Other comprehensive income at the beginning of the period	447 142	269 042
Gains/losses transferred to other comprehensive income in the period	471 267	831 361
Amount transferred from other comprehensive income to profit and loss, of which:	(743 795)	(1 007 701)
- interest income	(245 000)	(171 229)
- net foreign exchange gains	(498 795)	(836 473)
<b>Other comprehensive income at the end of the period (gross)</b>	<b>174 614</b>	<b>92 702</b>
<b>Tax effect</b>	<b>(33 177)</b>	<b>(17 613)</b>
<b>Other comprehensive income at the end of the period (net)</b>	<b>141 437</b>	<b>75 089</b>
<b>Ineffective part of cash flow hedges recognised through profit and loss</b>	<b>(2 304)</b>	<b>(1 364)</b>
<b>Effect on other comprehensive income in the period (gross)</b>	<b>(272 528)</b>	<b>(176 340)</b>
<b>Deferred tax on cash flow hedges</b>	<b>51 780</b>	<b>33 505</b>
<b>Effect on other comprehensive income in the period (net)</b>	<b>(220 748)</b>	<b>(142 835)</b>

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

	31.03.2012	31.12.2011
<b>Debt securities</b>	<b>14 867 729</b>	<b>12 467 201</b>
issued by the State Treasury, of which:	2 929 442	3 620 515
Treasury bonds PLN	2 809 036	1 318 278
Treasury bills	120 406	2 180 148
Treasury bonds EUR	-	122 089
issued by central banks - NBP money market bills	11 690 411	8 593 791
issued by local government bodies, of which:	247 876	252 895
municipal bonds EUR	143 823	143 973
municipal bonds PLN	104 053	108 922
<b>Total</b>	<b>14 867 729</b>	<b>12 467 201</b>

#### 17. Loans and advances to customers

	31.03.2012	31.12.2011
<b>Gross loans and advances to customers, of which:</b>	<b>146 916 595</b>	<b>147 292 737</b>
financial sector	1 749 525	1 241 461
corporate, of which:	1 749 525	1 241 461
receivables due from repurchase agreements	779 991	93 899
deposits of the Brokerage House in the Stock Exchange Guarantee Fund and initial deposit	8 251	6 891
non-financial sector	138 869 664	139 926 701
corporate, of which:	45 817 464	45 051 202
receivables due from repurchase agreements	10 368	11 341
mortgage	69 680 053	70 808 365
consumer	23 372 147	24 067 134
Public sector	5 193 307	5 043 786
corporate	5 193 307	5 043 786
Interest	1 104 099	1 080 789
Impairment allowances on loans and advances to customers	(5 969 318)	(5 658 243)
<b>Loans and advances to customers - net</b>	<b>140 947 277</b>	<b>141 634 494</b>

Condensed Interim Consolidated Financial Statements of  
the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group  
for the three-month period ended 31 March 2012 (in PLN thousand)



	31.03.2012	31.12.2011
<b>Loans and advances to customers</b>		
Valued with the individual method	7 001 988	6 549 383
Impaired, of which:	5 889 186	5 701 547
<i>receivables from finance leases</i>	135 095	142 150
Not impaired, of which:	1 112 802	847 836
<i>receivables from finance leases</i>	103 832	89 493
Valued with the portfolio method, of which:	6 577 502	6 095 685
Impaired, of which:	6 577 502	6 095 685
<i>receivables from finance leases</i>	113 454	107 903
Valued with the group method (IBNR), of which:	133 337 105	134 647 669
<i>receivables from finance leases</i>	2 687 427	2 656 595
<b>Loans and advances granted – gross</b>	<b>146 916 595</b>	<b>147 292 737</b>
Allowances on exposures valued with the individual method	(2 161 481)	(2 079 621)
Impaired, of which:	(2 161 481)	(2 079 621)
<i>allowances on lease receivables</i>	(37 590)	(36 180)
Allowances on exposures valued with the portfolio method, of which:	(3 158 873)	(2 910 042)
<i>allowances on lease receivables</i>	(62 498)	(60 091)
Allowances on exposures valued with the group method (IBNR), of which:	(648 964)	(668 580)
<i>allowances on lease receivables</i>	(11 359)	(12 102)
<b>Allowances - total</b>	<b>(5 969 318)</b>	<b>(5 658 243)</b>
<b>Loans and advances granted - net</b>	<b>140 947 277</b>	<b>141 634 494</b>
	31.03.2012	31.12.2011
<b>Loans and advances granted – gross, of which:</b>	<b>146 916 595</b>	<b>147 292 737</b>
retail and private banking	21 003 381	21 635 864
mortgage banking	64 503 368	65 614 374
small and medium enterprises	17 295 556	17 245 213
housing market clients	7 958 043	7 897 963
corporate	34 206 772	33 654 831
receivables due from repurchase agreements	790 359	105 240
other receivables	55 017	58 463
<b>Interests</b>	<b>1 104 099</b>	<b>1 080 789</b>
<b>Impairment allowances on loans and advances</b>	<b>(5 969 318)</b>	<b>(5 658 243)</b>
<b>Loans and advances granted - net</b>	<b>140 947 277</b>	<b>141 634 494</b>

As at 31 March 2012, the share of impaired loans amounted to 8.5% (as at 31 December 2011: 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 47.9% (as at 31 December 2011: 48.0%).

As at 31 March 2012, the share of loans overdue by more than 90 days in the gross amount of loans and advances to customers amounted to 5.0% (as at 31 December 2011: 4.6%).

The increase in the volume of loans valued with the portfolio method in the first quarter of 2012 by PLN 481 817 thousand resulted mainly from the increase in delays in repayment in the portfolio of consumer loans and mortgage loans.

## 18. Investment securities available for sale

	31.03.2012	31.12.2011
<b>Debt securities available for sale, gross</b>	<b>13 905 055</b>	<b>14 325 469</b>
issued by the State Treasury	8 136 765	8 679 028
Treasury bonds PLN	7 929 475	8 414 865
Treasury bonds UAH	150 755	220 793
Treasury bonds USD	56 535	30 661
Treasury bonds EUR	-	11 720
Treasury bills	-	989
issued by local government bodies, municipal bonds	3 498 135	3 458 356
issued by non-financial institutions	2 218 308	2 137 215
corporate bonds PLN	2 211 026	2 129 507
corporate bonds UAH	4 520	4 946
bills of exchange	2 762	2 762
issued by banks, corporate bonds	51 847	50 870
<b>Impairment allowances of debt securities available for sale</b>	<b>(17 518)</b>	<b>(17 944)</b>
corporate bonds PLN	(10 236)	(10 236)
corporate bonds UAH	(4 520)	(4 946)
bills of exchange	(2 762)	(2 762)
<b>Total net debt securities available for sale</b>	<b>13 887 537</b>	<b>14 307 525</b>
<b>Equity securities available for sale, gross</b>	<b>95 955</b>	<b>88 370</b>
Equity securities admitted to public trading	50 352	47 345
Equity securities not admitted to public trading	45 603	41 025
<b>Impairment allowances of equity securities available for sale</b>	<b>(2 609)</b>	<b>(2 619)</b>
<b>Total net equity securities available for sale</b>	<b>93 346</b>	<b>85 751</b>
<b>Total net investment securities</b>	<b>13 980 883</b>	<b>14 393 276</b>

## 19. Investments in associates and jointly controlled entities

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

Entity name	31.03.2012	31.12.2011
<b>CENTRUM HAFFNERA Sp. z o.o. Group</b>	<b>16 084</b>	<b>10 665</b>
Purchase price	44 371	44 371
Change in valuation with equity method	(28 287)	(33 706)
<b>Centrum Obsługi Biznesu Sp. z o.o.</b>	<b>6 076</b>	<b>5 307</b>
Purchase price	17 498	17 498
Change in valuation with equity method	(11 422)	(12 191)
<b>Total</b>	<b>22 160</b>	<b>15 972</b>

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

Entity name	31.03.2012	31.12.2011
<b>Bank Pocztowy SA</b>	<b>106 720</b>	<b>106 720</b>
Purchase price	146 500	146 500
Change in valuation with equity method	46 566	44 198
Impairment allowances	(86 346)	(83 978)
<b>Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.</b>	<b>-</b>	<b>-</b>
Purchase price	1 500	1 500
Change in valuation with equity method	3 571	3 475
Impairment allowances	(5 071)	(4 975)
<b>Agencja Inwestycyjna CORP-SA SA</b>	<b>510</b>	<b>427</b>
Purchase price	29	29
Change in valuation with equity method	481	398
<b>Total</b>	<b>107 230</b>	<b>107 147</b>

	01.01 – 31.03.2012	01.01 – 31.03.2011
<b>Investments in associates at the beginning of the period</b>	<b>107 147</b>	<b>131 652</b>
Share of profit/loss	1 823	(510)
Share in other comprehensive income of associates	725	(1 337)
Change in impairment allowances of investment	(2 465)	1 993
<b>Investment in associates at the end of the period</b>	<b>107 230</b>	<b>131 798</b>

	01.01 – 31.03.2012	01.01 – 31.03.2011
<b>Investments in jointly controlled entities at the beginning of the period</b>	<b>15 972</b>	<b>41 279</b>
Share of profit / loss	6 188	(2 828)
<b>Investments in jointly controlled entities at the end of the period</b>	<b>22 160</b>	<b>38 451</b>

## 20. Intangible assets and tangible fixed assets

Intangible assets	31.03.2012	31.12.2011
Software	1 454 934	1 450 693
Goodwill acquired as a result of business combinations (including subsidiaries' goodwill)	229 300	227 349
Development costs	3 486	3 486
Other, including capital expenditure	104 411	118 480
<b>Total</b>	<b>1 792 131</b>	<b>1 800 008</b>

<b>Tangible fixed assets</b>	<b>31.03.2012</b>	<b>31.12.2011</b>
Land and buildings	1 674 321	1 691 339
Machinery and equipment	533 765	559 727
Assets under construction	137 202	144 776
Means of transport	61 934	62 344
Investment properties	246	248
Other	79 205	82 883
<b>Total</b>	<b>2 486 673</b>	<b>2 541 317</b>

## 21. Amounts due to banks

	<b>31.03.2012</b>	<b>31.12.2011</b>
Loans and advances received	4 201 913	4 360 878
Banks deposits	1 751 002	1 372 635
Amounts due from repurchase agreements	1 333 297	-
Current accounts	56 919	422 707
Other money market deposits	123 889	82 944
<b>Total</b>	<b>7 467 020</b>	<b>6 239 164</b>

## 22. Amounts due to customers

	<b>31.03.2012</b>	<b>31.12.2011</b>
<b>Amounts due to retail clients</b>	<b>105 318 543</b>	<b>104 183 094</b>
Current accounts and overnight deposits	46 891 474	48 187 307
Term deposits	58 168 496	55 523 745
Other money market deposits	258 573	472 042
<b>Amounts due to corporate entities</b>	<b>35 334 865</b>	<b>38 468 560</b>
Current accounts and overnight deposits	9 071 126	11 399 925
Term deposits	23 356 532	23 949 758
Loans and advances received	1 910 358	1 988 013
Amounts due from repurchase agreements	625 798	644 005
Other money market deposits	371 051	486 859
<b>Amounts due to state budget entities</b>	<b>3 548 944</b>	<b>3 822 243</b>
Current accounts and overnight deposits	2 163 101	2 241 333
Term deposits	1 336 355	1 516 981
Other money market deposits	49 488	63 929
<b>Total</b>	<b>144 202 352</b>	<b>146 473 897</b>

	<b>31.03.2012</b>	<b>31.12.2011</b>
<b>Amounts due to customers, of which:</b>	<b>144 202 352</b>	<b>146 473 897</b>
retail and private banking	103 160 749	100 390 214
corporate	25 169 256	28 780 730
small and medium enterprises	8 375 564	9 163 920
housing market clients	4 738 609	5 410 622
loans and advances received	1 910 358	1 988 013
amounts due from repurchase agreements	625 798	644 005
other payables	222 018	96 393
<b>Total</b>	<b>144 202 352</b>	<b>146 473 897</b>

## 23. Debt securities in issue

	31.03.2012	31.12.2011
<b>Debt securities in issue</b>		
Financial instruments measured at amortised cost	6 366 275	7 596 164
bonds issued by PKO Finance AB <sup>1)</sup>	4 261 415	4 476 996
bonds issued by PKO Bank Polski SA	1 887 881	2 929 973
bonds issued by BFL SA	216 979	189 195
Financial instruments designated at fair value through profit and loss	249 512	175 615
bank securities issued by PKO Bank Polski SA	249 512	175 615
<b>Total</b>	<b>6 615 787</b>	<b>7 771 779</b>

	31.03.2012	31.12.2011
<b>Debt securities in issue by maturity:</b>		
up to 1 month	12 949	9 957
from 1 month to 3 months	2 091 891	3 109 211
from 3 months to 1 year	77 676	41 311
from 1 year to 5 years <sup>1)</sup>	4 433 271	4 611 300
<b>Total</b>	<b>6 615 787</b>	<b>7 771 779</b>

1) As at 31 March 2012 and 31 December 2011 significant items of debt securities in issue were Eurobonds issued by PKO Finance AB in the nominal value of EUR 800 000 thousand and bonds in the nominal value of CHF 250 000 thousand. As at 31 March 2012 amounts due in respect of own issue was reduced by the value of bonds temporarily included in the Brokerage House's portfolio in the nominal value of EUR 850 thousand (PLN equivalent of PLN 3 537 thousand), in connection with the Brokerage House acting as a market maker in the bonds' market.

In the three-month period of 2012 the Bank issued bank securities and bank bonds with nominal value of PLN 1 972 994 thousand classified respectively as liabilities designated to be measured at fair value through profit and loss, in accordance with IAS 39.11A.a and measured at amortised cost. In the first quarter of 2012, bank securities and bank bonds with nominal value of PLN 2 951 309 thousand were redeemed.

In the three-month period of 2012 BFL SA issued bonds with a nominal value of PLN 270 000 thousand and redeemed bonds with a nominal value of PLN 345 000 thousand. As at 31 March 2012, the Company's debt in respect of the bonds issued amounted to PLN 960 000 thousand (at nominal value) of which the debt due to the Bank amounted to PLN 50 830 thousand (at nominal value).

## 24. Other liabilities

	31.03.2012	31.12.2011
Accounts payable	353 259	291 040
Deferred income	344 552	305 372
Other liabilities	2 226 326	1 854 351
<b>Total</b>	<b>2 924 137</b>	<b>2 450 763</b>

## 25. Provisions

For the three-month period ended 31 March 2012	Provision for legal claims	Provisions for anniversary bonuses and retirement benefits	Provisions for liabilities and guarantees granted	Other provisions*	Total
<b>As at 1 January 2012, of which:</b>	<b>3 638</b>	<b>428 299</b>	<b>111 970</b>	<b>75 257</b>	<b>619 164</b>
Short term provision	3 638	38 232	111 970	75 257	229 097
Long term provision	-	390 067	-	-	390 067
Increase of provision	350	-	18 375	2 835	21 560
Use of provision	(16)	-	-	(1 890)	(1 906)
Release of provision	-	-	(34 538)	(14 013)	(48 551)
Currency translation differences	-	-	(16)	-	(16)
Other changes and reclassifications	(1)	-	(406)	-	(407)
<b>As at 31 March 2012, of which:</b>	<b>3 971</b>	<b>428 299</b>	<b>95 385</b>	<b>62 189</b>	<b>589 844</b>
Short term provision	3 971	38 232	95 385	62 189	199 777
Long term provision	-	390 067	-	-	390 067

\* Included in 'Other provisions' is i.a. restructuring provision of PLN 51 075 thousand and provision of PLN 4 020 thousand for potential claims on impaired loans portfolios sold.

For the three-month period ended 31 March 2011	Provision for legal claims	Provisions for anniversary bonuses and retirement benefits	Provisions for liabilities and guarantees granted	Other provisions*	Total
<b>As at 1 January 2011, of which:</b>	<b>7 479</b>	<b>411 792</b>	<b>82 320</b>	<b>82 099</b>	<b>583 690</b>
Short term provision	7 479	29 628	82 320	82 023	201 450
Long term provision	-	382 164	-	76	382 240
Increase of provision	-	-	61 579	2 081	63 660
Use of provision	(10)	-	-	(2 228)	(2 238)
Release of provision	-	-	(54 632)	(14 118)	(68 750)
Currency translation differences	-	-	(14)	-	(14)
Other changes and reclassifications	-	-	13	-	13
<b>As at 31 March 2011, of which:</b>	<b>7 469</b>	<b>411 792</b>	<b>89 266</b>	<b>67 834</b>	<b>576 361</b>
Short term provision	7 469	29 628	89 266	67 758	194 121
Long term provision	-	382 164	-	76	382 240

\* Included in 'Other provisions' is i.a. restructuring provision of PLN 51 941 thousand and provision of PLN 11 398 thousand for potential claims on impaired loans portfolios sold.

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

## 26. Off-balance sheet liabilities

### Contingent liabilities

#### Underwriting programs

As at 31 March 2012, the Group's underwriting agreements covered the following securities (maximum liability of the PKO Bank Polski SA Group to acquire securities):

Issuer of securities underwritten	Type of underwritten securities	Off-balance sheet liabilities resulting from underwriting agreement	Contract period	Sub-issue type
Company A	corporate bonds	342 500	31.07.2013	Bonds Issue Agreement*
Company B	corporate bonds	136 013	31.12.2024	Bonds Issue Agreement*
Company C	corporate bonds	102 700	31.10.2013	Bonds Issue Agreement*
<b>Total</b>		<b>581 213</b>		

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



As at 31 December 2011, the Group's underwriting agreements covered the following securities (maximum liabilities 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
Company A	corporate bonds	423 000	31.07.2013	Bonds Issue Agreement*
Company B	corporate bonds	136 013	31.12.2024	Bonds Issue Agreement*
Company C	corporate bonds	102 700	31.10.2013	Bonds Issue Agreement*
Company D	corporate bonds	24 900	30.12.2015	Bonds Issue Agreement*
Company E	corporate bonds	20 000	02.01.2012	Bonds Issue Agreement*
<b>Total</b>		<b>706 613</b>		

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

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

### Contractual commitments

As at 31 March 2012, the amount of contractual commitments concerning intangible assets amounted to PLN 190 155 thousand (as at 31 December 2011, it amounted to PLN 104 144 thousand).

As at 31 March 2012, the amount of contractual commitments concerning tangible fixed assets amounted to PLN 12 092 thousand (as at 31 December 2011, it amounted to PLN 20 306 thousand).

### Granted loan commitments

	31.03.2012	31.12.2011
Financial entities	1 115 140	1 144 993
Non-financial entities	28 035 126	28 486 768
State budget entities	757 027	823 897
<b>Total</b>	<b>29 907 293</b>	<b>30 455 658</b>
of which: irrevocable loan commitments	5 941 904	5 946 055

Granted loan commitments have been presented in nominal values.

### Guarantees issued

	31.03.2012	31.12.2011
Financial entities	239 222	207 156
Non-financial entities	6 001 972	6 053 115
State budget entities	251 622	174 459
<b>Total</b>	<b>6 492 816</b>	<b>6 434 730</b>

### Off-balance sheet liabilities received

	31.03.2012	31.12.2011
Financial	711 149	883 117
Guarantees	1 874 103	1 918 281
<b>Total</b>	<b>2 585 252</b>	<b>2 801 398</b>

### Assets pledged as collateral for contingent liabilities

As at 31 March 2012 and as at 31 December 2011, the Group had no assets pledged as collateral for contingent liabilities.

## 27. Legal claims

As at 31 March 2012, the total value of court proceedings in which the PKO Bank Polski SA Group's entities are a defendant was PLN 423 914 thousand, of which PLN 88 587 thousand refers to court proceedings in Ukraine (as at 31 December 2011 the total value of above mentioned court proceedings was PLN 428 623 thousand), while the total value of court proceedings in which the Group's entities are the plaintiff was PLN 563 886 thousand, of which PLN 348 257 thousand referred to court proceedings in Ukraine, mainly related to collection of dues from loan agreements granted by KREDOBANK SA (as at 31 December 2011 the total value of above mentioned court proceedings was PLN 698 971 thousand).

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

### a) Unfair competition proceedings

The Bank is a party to proceedings 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 (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. In detail this case was presented in the PKO Bank Polski Groups' consolidated financial statements for the year 2011.

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 until 31 December 2011 and set the date for another sitting of the Court for 9 February 2012. Upon the application of the plaintiffs' attorney, the date of hearing was postponed for 24 April 2012. The proxy for the claimants filed a request to defer the case until the end of September 2012 due to negotiations with the NBP aimed at reaching a compromise solution to the claim. At the session held on 24 April 2012, the Court dismissed the proxy's request indicating that it does not perceive any impact the negotiations held under the aegis of NBP could have on the outcome of the proceedings, and it decided to postpone announcing the resolution on the request for suspension of the case until 8 May 2012.

As at 31 March 2012, the Bank had a liability in the amount stated above.

### b) Legal claims in KREDOBANK SA

KREDOBANK SA is party to a court dispute with its former loan Client. On 31 January 2011 KREDOBANK SA instigated court proceedings against the above-mentioned Client in connection with the commencement of collection of loan dues, as a result of which the Client filed a counter-claim against KREDOBANK SA for annulling the loan agreements and collateral agreements.

The court accepted the Client's claim and determined the loan agreements invalid, in effect the Client is obliged to return to KREDOBANK SA the amount of loan received (UAH 40 860 thousand, i.e. PLN 15 890 thousand at the average NBP rate as at 30 March 2012), and KREDOBANK SA is obliged to return to the Client the amount of interest received (UAH 4 506.6 thousand, i.e. PLN 1 753 thousand at the average NBP rate as at 30 March 2012).

In December 2011, the above-mentioned loan was transferred to Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o. and as at 31 December 2011 a 100% impairment allowance was recorded against this impaired loan.

In February 2012, a motion for cassation to the Supreme Court of the Ukraine and for sending the case for reconsideration was filed.

At the same time, having obtained a favourable court verdict, on 31 October 2011 the Client filed a claim against KREDOBANK SA for compensation for direct losses, loss of profits and moral losses. The claim is for the amount of UAH 185 million (i.e. PLN 72 million at the average NBP rate as at 30 March 2012). Court proceedings are pending on the case.

In order to strengthen the PKO Bank Polski SA Group in the ongoing court trial, in March 2012 the transaction of loan transfer was reversed, in consequence at the end of first quarter of 2012 this transaction was recognised as owed debt.

Due to high probability of a positive for KREDOBANK SA court verdict on the compensation claim resulting from legal analysis, at the end of the first quarter of 2012 the PKO Bank Polski SA Group did not recognise the provision for the above mentioned claim.

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

As at the date of these financial statements, six administrative proceedings are pending to invalidate decisions issued by public administration authorities with respect to properties held by the Bank and, including one administrative proceeding concerning a property acquired by the Bank in liquidation process of Centrum Finansowe Puławska Sp. z o.o. – in liquidation. These proceedings, in the event of an unfavourable outcome may result in re-privatisation claims and one administrative proceeding for the establishment of perpetual usufruct right to a property owned by the Bank. Given the current status of these proceedings as regards stating the invalidity of decisions and verdicts of public administration bodies, it is not possible to assess their potential negative financial effects for the Bank. Moreover, with respect to two properties of the Bank claims were submitted by their former owners (court proceedings are pending).

In the opinion of the Management Board of PKO Bank Polski SA, in 2012 the probability of significant claims arising against the Bank in relation to the above mentioned proceedings is remote.

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

### Cash and cash equivalents

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

	31.03.2012	31.12.2011	31.03.2011
Cash and balances with the central bank	6 125 548	9 142 168	4 713 254
Current receivables from banks	1 603 288	2 280 802	2 733 826
<b>Total</b>	<b>7 728 836</b>	<b>11 422 970</b>	<b>7 447 080</b>

## 29. Related party transactions

All transactions presented below with entities related by capital relationships were arm's length transactions. Repayment terms are within a range from one month to ten years.

31 March 2012

Entity	Net receivables	including gross loans	Liabilities	Total income	including interest and fee and commission income	Total expense	including interest and fee and commission expense	Contingent liabilities and commitments
Agencja Inwestycyjna CORP-SA SA	62	-	113	219	-	685	-	-
Bank Pocztowy SA	-	-	23	58	54	343	132	7 115
CENTRUM HAFFNERA Sp. z o.o.	-	-	2 416	3	3	-	-	-
Centrum Majkowskiego Sp. z o.o.	-	-	7 282	3	3	52	52	-
Centrum Obsługi Biznesu Sp. z o.o.	31 404	31 341	20 019	233	233	162	161	188
Centrum Operacyjne Sp. z o.o.	-	-	10	1	1	-	-	-
Kamienica Morska Sp. z o.o.	-	-	211	3	3	-	-	-
Kolej Gondolowa Jaworzyna Krynicka SA	6 954	6 954	5 572	117	117	7	7	2 976
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	-	795	-	-	220	220	-
Promenada Sopocka Sp. z o.o.	92 531	91 833	4 099	702	702	28	28	-
Sopot Zdrój Sp. z o.o.	443 187	439 790	4 329	91	91	18	18	-
<b>Total</b>	<b>574 138</b>	<b>569 918</b>	<b>44 869</b>	<b>1 430</b>	<b>1 207</b>	<b>1 515</b>	<b>618</b>	<b>10 279</b>

### 31 December 2011

Entity	Net receivables	including gross loans	Liabilities	Total income	including interest and fee and commission income	Total expense	including interest and fee and commission expense	Contingent liabilities and commitments
Agencja Inwestycyjna CORP-SA SA	-	-	76	691	-	2 552	-	-
Bank Pocztowy SA	-	-	983	346	325	486	481	24 974
CENTRUM HAFFNERA Sp. z o.o.	-	-	2 797	18	18	-	-	-
Centrum Majkowskiego Sp. z o.o.	-	-	7 350	13	13	245	245	-
Centrum Obsługi Biznesu Sp. z o.o.	33 625	33 625	21 447	993	993	635	635	-
Centrum Operacyjne Sp. z o.o.	-	-	156	5	5	-	-	-
Kamienica Morska Sp. z o.o.	-	-	-	13	13	-	-	-
Kolej Gondolowa Jaworzyna Krynicka SA	8 479	8 479	217	479	479	58	58	2 976
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	-	1 047	2	2	907	907	-
Promenada Sopocka Sp. z o.o.	49 162	49 162	1 477	1 496	1 496	20	20	-
Sopot Zdrój Sp. z o.o.	235 466	235 466	3 318	7 322	7 322	71	71	-
<b>Total</b>	<b>326 732</b>	<b>326 732</b>	<b>38 868</b>	<b>11 378</b>	<b>10 666</b>	<b>4 974</b>	<b>2 417</b>	<b>27 950</b>

### 30. Changes to the entities of the PKO Bank Polski SA Group, jointly controlled entities and associates

In the first quarter of 2012 the following events affecting the structure of the PKO Bank Polski SA Group took place:

#### 1) Purchase of share and capital contribution to new company 'Inter-Risk Ukraina' Spółka z dodatkową odpowiedzialnością

On 16 January 2012, PKO Bank Polski SA was registered with the State Ukrainian Register of Businesses as the sole shareholder of 'Inter-Risk Ukraina' Spółka z dodatkową odpowiedzialnością (additional liability company). The additional liability means that the shareholder is responsible for the company's liabilities up to 103% of its share in the Company's share capital, i.e. the Bank as the Company's shareholder, in case of insufficient amount of the Company's share capital to fulfil liabilities, bears additional liability up to 103% in the Company's share capital, i.e. up to UAH 44 573 thousand (PLN 17 335 thousand as at 31 March 2012).

PKO Bank Polski acquired from Towarzystwo Ubezpieczeniowe 'PZU Ukraina' SA and Towarzystwo Ubezpieczeniowe 'PZU Ukraina Ubezpieczenia na Życie' SA a total of 1 share in the above mentioned Company in the nominal value of UAH 275 thousand, which represents 100% of the Company's share capital and entitle to 100% of the votes at the General Shareholders' Meeting. The acquisition price was PLN 2 500 thousand.

On 30 January 2012, the Bank made a capital contribution to the above mentioned Company of UAH 43 million (PLN 17 212.9 thousand at the average NBP rate as at 30 January of this year), conducted by increasing the nominal value of the Company's share. As a result of the above-mentioned increase, the Company's share capital amounts to UAH 43 275 thousand.

The main purpose of acquiring and subsequently the operation of the Company is to use it to perform effective debt collection in Ukraine, including the impaired loans portfolio purchased by Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o. and the impaired loans portfolio of KREDOBANK SA.

#### 2) Taking control over Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o. by 'Inter-Risk Ukraina' Spółka z dodatkową odpowiedzialnością

In February 2012, PKO Bank Polski SA carried out a transaction consisting of selling 2% interest in Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o. to 'Inter-Risk Ukraina' Spółka z dodatkową odpowiedzialnością. The acquisition price was PLN 29.6 thousand.

In February 2012 'Inter-Risk Ukraina' Spółka z dodatkową odpowiedzialnością made a capital contribution to Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o. in the amount of UAH 43 million, conducted by increasing the nominal value of the Company's share. As a result of the above-mentioned increase, the Company's share capital amounts to UAH 46 101 thousand. The increase in the Company's share capital was registered with the State Ukrainian Register of Businesses on 27 February of this year.

As a result of the above-mentioned changes 'Inter-Risk Ukraina' Spółka z dodatkową odpowiedzialnością holds part of Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o., constituting 93.408% of the Company's share capital, which entitles to 93.408% of the votes at the General Shareholders' Meeting. The remaining part of the Company's share is owned by PKO Bank Polski SA.

### 3) Purchase of share in new company Finansowa Kompania 'Idea Kapital' Sp. z o.o. by KREDOBANK SA

On 23 March 2012 KREDOBANK SA was registered with the State Ukrainian Register of Businesses as a sole shareholder of Finansowa Kompania 'Idea Kapital' Sp. z o.o.

KREDOBANK SA acquired from Towarzystwo Ubezpieczeniowe 'PZU Ukraina' SA 1 share in the above mentioned Company in the nominal value of UAH 4 100 thousand, constituting 100% of the Company's share capital which entitles to 100% of the votes at the General Shareholders' Meeting. The acquisition price was UAH 4 100 thousand.

The Company's activities comprise provision of financial services.

### 4) Taking up shares in the increased share capital of Bankowy Leasing Sp. z o.o. by Bankowy Fundusz Leasingowy SA

On 31 January 2012 an increase in the share capital of Bankowy Leasing Sp. z o.o. of PLN 9 500 thousand was registered in the National Court Register. As a result of the above-mentioned increase, the share capital of Bankowy Leasing Sp. z o.o. amounts to PLN 66 614.5 thousand and consists of 133 829 shares, each of PLN 500 nominal value.

All the shares in the increased share capital were acquired by Bankowy Fundusz Leasingowy - a subsidiary of PKO Bank Polski SA - for a price equal to the nominal value of the shares taken up.

As a result of the above-mentioned transaction Bankowy Fundusz Leasingowy SA remains the sole shareholder of Bankowy Leasing Sp. z o.o.

### 5) Changes to the Qualia Development Sp. z o.o. Group

In the first quarter of 2012 as a part of actions taken by Qualia Development Sp. z o.o. the following companies were formed:

- Qualia spółka z ograniczoną odpowiedzialnością - Władysławowo Sp. komandytowa (the Company was registered in the National Court Register on 14 February 2012).

The partners are: Qualia Development Sp. z o.o. (limited partner, the limited partner's amount of contribution: PLN 1 thousand) and Qualia Sp. z o.o. (general partner, amount of contribution: PLN 1 thousand).

- Qualia spółka z ograniczoną odpowiedzialnością - Zakopane Sp. komandytowa (the Company was registered in the National Court Register on 15 March 2012).

The partners are: Qualia Development Sp. z o.o. (limited partner, the limited partner's amount of contribution: PLN 1 thousand) and Qualia Sp. z o.o. (general partner, amount of contribution: PLN 1 thousand).

- Qualia spółka z ograniczoną odpowiedzialnością - Jurata Sp. komandytowa (the Company was registered in the National Court Register on 27 March 2012).

The partners are: Qualia Development Sp. z o.o. (limited partner, the limited partner's amount of contribution: PLN 1 thousand) and Qualia Sp. z o.o. (general partner, amount of contribution: PLN 1 thousand).

On 27 January 2012 Qualia Development Sp. z o.o. made an additional payment to Qualia Residence Sp. z o.o. in the amount of PLN 13 000 thousand.

In the first quarter of 2012 PKO Bank Polski SA made capital contributions to Qualia Development Sp. z o.o. totalling PLN 35 319 thousand.

On 29 March 2012 Qualia Development Sp. z o.o. made an additional payment to Qualia Hotel Management Sp. z o.o. in the amount of PLN 499.5 thousand and Qualia Sp. z o.o. made an additional payment to the above-mentioned Company in the amount of PLN 0.5 thousand.

### 6) Activities carried out as a part of the liquidation process of Centrum Finansowe Puławska Sp. z o.o.

In the first quarter of 2012 as part of the liquidation of the subsidiary Centrum Finansowe Puławska Sp. z o.o.:

- on 1 March of this year PKO Bank Polski SA took over the assets in bankruptcy of the above mentioned Company, including real estate in Warsaw where the head office of the Bank is located,
- the result of the settlement of the Company's shares and the value of the Company's assets and liabilities overtaken was recognised in the Bank's equity.

On 27 April 2012, a motion was filed to delete the Company from the National Court Register.

### 31. Differences between previously published financial statements and these financial statements

In the first quarter of 2012, there were no significant changes as compared to the previously published financial statements.

### 32. 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 in details presented in the PKO Bank Polski Group's consolidated financial statements for 2011.

Relevant information for risk monitoring and changes in methods of risk measurement in the period from 1 January to 31 March 2012 are presented below.

#### 32.1. Credit risk

##### The PKO Bank Polski SA Group's exposure to credit risk

Amounts due from banks	Exposure	
	31.03.2012	31.12.2011
Amounts due from banks impaired, of which:	29 558	32 499
valued with the individual method	29 558	32 385
Amounts due from banks not impaired, of which:	1 927 024	2 396 540
not past due	1 927 024	2 396 540
<b>Gross total</b>	<b>1 956 582</b>	<b>2 429 039</b>
<b>Impairment allowances</b>	<b>(29 993)</b>	<b>(32 812)</b>
<b>Net total by carrying amount</b>	<b>1 926 589</b>	<b>2 396 227</b>

Loans and advances to customers	Exposure	
	31.03.2012	31.12.2011
Loans and advances impaired, of which:	12 466 688	11 797 232
valued with the individual method	5 889 186	5 701 547
Loans and advances not impaired, of which:	134 449 907	135 495 505
neither past due nor impaired	130 478 866	131 488 230
past due but not impaired	3 971 041	4 007 275
past due up to 4 days	1 053 881	855 403
past due over 4 days	2 917 160	3 151 872
<b>Gross total</b>	<b>146 916 595</b>	<b>147 292 737</b>
<b>Impairment allowances</b>	<b>(5 969 318)</b>	<b>(5 658 243)</b>
<b>Net total by carrying amount</b>	<b>140 947 277</b>	<b>141 634 494</b>

Investment securities available for sale - debt securities	Exposure	
	31.03.2012	31.12.2011
Debt securities impaired, of which:	17 518	17 944
valued with the individual method	17 518	17 944
Debt securities not impaired, of which:	13 887 537	14 307 525
not past due	13 887 537	14 307 525
with external rating	8 084 559	8 729 898
with internal rating	5 802 978	5 577 627
<b>Gross total</b>	<b>13 905 055</b>	<b>14 325 469</b>
<b>Impairment allowances</b>	<b>(17 518)</b>	<b>(17 944)</b>
<b>Net total by carrying amount</b>	<b>13 887 537</b>	<b>14 307 525</b>



## Level of exposure to credit risk

The table below presents maximum exposure to credit risk of the Group as at 31 March 2012 and as at 31 December 2011.

Items of the statement of financial position	31.03.2012	31.12.2011
Current account in the central bank	3 748 381	6 845 759
Amounts due from banks	1 926 589	2 396 227
Trading assets – debt securities	2 425 296	1 300 164
Derivative financial instruments	2 852 895	3 064 733
Financial instruments designated upon initial recognition at fair value through profit and loss - debt securities	14 867 729	12 467 201
Loans and advances to customers	140 947 277	141 634 494
Investment securities available for sale - debt securities	13 887 537	14 307 525
Other assets - other financial assets	531 549	431 144
<b>Total</b>	<b>181 187 253</b>	<b>182 447 247</b>

Off-balance sheet items	31.03.2012	31.12.2011
Irrevocable loan commitments	5 941 904	5 946 055
Guarantees granted	5 052 217	4 939 669
Letters of credit granted	412 546	420 376
Underwriting of issues	1 028 053	1 074 685
<b>Total</b>	<b>12 434 720</b>	<b>12 380 785</b>

Financial assets valued with the individual method for which individual impairment allowance has been recognised by carrying amount gross

	31.03.2012	31.12.2011
<b>Amounts due from banks</b>	<b>29 558</b>	<b>32 385</b>
<b>Loans and advances to customers</b>	<b>5 889 186</b>	<b>5 701 547</b>
Financial sector	39 285	44 757
corporate loans	39 285	44 757
Non-financial sector	5 842 321	5 649 239
corporate loans	4 363 886	4 302 318
mortgage loans	1 398 985	1 262 477
consumer loans	79 450	84 444
Public sector	7 580	7 551
corporate loans	7 580	7 551
<b>Financial assets available for sale</b>	<b>17 623</b>	<b>18 058</b>
issued by financial entities	9	9
issued by non-financial entities	17 614	18 049
<b>Total</b>	<b>5 936 367</b>	<b>5 751 990</b>

## Concentration by the largest business entities

As at 31 March 2012 and 31 December 2011, concentration limits were not exceeded.

As at 31 March 2012, the level of the PKO Bank Polski SA Group's risk concentration with respect to individual exposures was low – the biggest exposure to a single entity was equal to 10.2%\* and 7.9% of the consolidated own funds.

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

\* Concentration partly exempt from the concentration limits

### **Concentration by the largest groups**

The greatest exposure of the PKO Bank Polski SA Group towards a group of borrowers amounted to 1.28% of the PKO Bank Polski SA Group's loan portfolio. The 5 biggest groups include only clients of PKO Bank Polski SA.

As at 31 March 2012, the level of concentration of credit risk by the largest groups was low – the greatest exposure of the Group was 9.1% of the Group's consolidated own funds.

### **Concentration by industry**

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

The PKO Bank Polski SA Group's exposure increased compared with 31 December 2011 with respect to all sectors by ca. PLN 0.8 billion. The total exposure in the four largest industry sectors: 'Industrial processing', 'Wholesale and retail trade (...)', 'Maintenance of real estate' and 'Construction' amounted to ca. 63% of the total loan portfolio covered by an analysis of the sector.

Significant concentration risk by industry was identified in the BFL SA Group (resulting from the character of activities limited to the corporate clients).

### **Concentration by geographical regions**

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

As at 31 March 2012, the largest concentration of the PKO Bank Polski SA Group's loan portfolio was in the mazowiecki region. Half of the Bank's loan portfolio is concentrated in four regions: mazowiecki, śląsko-opolski, wielkopolski and małopolsko-świętokrzyski, which is consistent with the regions' domination both in terms of population and economy in Poland.

### **Concentration of credit risk by currency**

As at 31 March 2012, the share of exposure in convertible currencies, other than PLN, in the total loan portfolio of the Group amounted to 22.9%. The greatest part of the Group's currency exposures are those in CHF, which constitute 67.6% of the Group's currency portfolio, and they relate to the currency loan portfolio of the Bank. In case of particular Group entities, the situation is different, i.e. for the BFL SA Group, the greatest currency exposures are those in EUR (91% of currency loan portfolio), similarly for the BTK SA Group – loans granted in EUR (86.2% of currency loan portfolio) and for KREDOBANK SA – USD denominated loans (75.1% of the currency loan portfolio and 27.1% of the company's total loan portfolio).

Significant concentration risk was identified in KREDOBANK SA, and resulted from the character of the Ukrainian market, where due to weak local currency the majority of loans are granted in a foreign currency.

### **Other types of concentration**

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

- 1) portfolio of exposures financing real estate and with established mortgage collateral,
- 2) portfolio of loans granted to individual clients.

As at 31 March 2012, these limits have not been exceeded.

### **32.2. Interest rate risk**

The PKO Bank Polski SA Group's exposure to interest rate risk as at 31 March 2012 and 31 December 2011 consisted mainly of the Bank's exposure. The interest rate risk for such currencies as PLN, EUR and CHF, generated by the Group entities, did not have a material influence on the interest rate risk of the Group and, as a result, did not change significantly its risk profile. Interest rate risk for USD was changed significantly by the exposure of the entities of the Group, where the most significant exposure concerned KREDOBANK SA.



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

Name of sensitivity measure	31.03.2012	31.12.2011
VaR for a 10-day time horizon (in PLN thousand)*	40 343	62 661
Parallel movement of interest rate curves by 200 b.p. (in PLN thousand) (stress-test)	283 488	530 726

\* Due to the nature of the activities carried out by the other PKO Bank Polski SA Group's entities generating significant interest rate risk as well as the specific nature of the market in which they operate, the PKO Bank Polski SA Group does not calculate consolidated VaR. These entities apply their own risk measures in the interest rate risk management. KREDOBANK SA uses the 10-day interest rate VaR for the main currencies, which amounted to PLN 22 809 thousand as at 31 March 2012 and to PLN 29 673 thousand as at 31 December 2011.

As at 31 March 2012, the Bank's interest rate VaR for a 10-day time horizon (10-day VaR, 99%) amounted to PLN 40 343 thousand, which accounted for approximately 0.23% of the value of the Bank's own funds. As at 31 December 2011, VaR for the Bank amounted to PLN 62 661 thousand, which accounted for approximately 0.36% of the Bank's own funds\*.

### 32.3. Currency risk

VaR (for a 10-day time horizon, 99%) of the Bank and stress-testing analysis of the Group's exposure to currency risk are stated cumulatively for all currencies in the table below:

Name of sensitivity measure	31.03.2012	31.12.2011
VaR for a 10-day time horizon (in PLN thousand)*	934	1 470
Change in CUR/PLN by 20% (in PLN thousand)(stress-test)	19 012	17 210

\* 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 in which they operate, the Bank does not calculate consolidated VaR. These entities apply their own risk measures in the currency risk management. KREDOBANK SA uses the 10-day VaR, which amounted to ca. PLN 445 thousand as at 31 March 2012 and to ca. PLN 467 thousand as at 31 December 2011.

The level of currency risk was low both as at 31 March 2012 and as at 31 December 2011.

The Group's currency positions are presented in the table below:

Currency position	31.03.2012	31.12.2011
USD	(144 461)	(180 781)
GBP	(116)	50
CHF	(36 161)	(37 266)
EUR	(3 116)	83 153
Other (Global Net)	26 411	11 630

The volume of currency positions is a key factor determining the level of currency risk to 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 by the Group, both in the statement of financial position and off-balance sheet. Exposure of the Bank to currency risk is low (with reference to own funds, VaR for a 10-day time horizon at 99% confidence level for the Bank's currency position as at 31 March 2012 amounted to ca. 0.01%).

### 32.4. Liquidity risk

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

\* Own funds calculated in accordance with regulations governing calculation of the capital adequacy ratio.

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	a'vista	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 24 months	24 - 60 months	over 60 months
<b>31.03.2012</b>								
The Group - adjusted gap in real terms	5 940 190	10 872 176	821 662	(3 809 833)	3 563 943	9 318 679	15 560 235	<b>(42 267 052)</b>
The Group - cumulative adjusted gap in real terms	5 940 190	16 812 366	17 634 028	13 824 195	17 388 138	26 706 817	42 267 052	-
<b>31.12.2011</b>								
The Group - adjusted gap in real terms	7 299 484	12 094 029	(1 599 805)	1 399 996	(1 169 611)	10 276 571	16 150 066	<b>(44 450 730)</b>
The Group - cumulative adjusted gap in real terms	7 299 484	19 393 513	17 793 708	19 193 704	18 024 093	28 300 664	44 450 730	-

In all time horizons, the PKO Bank Polski SA Group's cumulative liquidity gap in real terms\* as at 31 March 2012 and 31 December 2011 was positive. This means a surplus of assets receivable over liabilities payable.

The table below presents liquidity reserve of the Group as at 31 March 2012 and 31 December 2011:

Name of sensitivity measure	31.03.2012	31.12.2011
Liquidity reserve to 1 month* (in PLN million)	14 039	17 723

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

As at 31 March 2012, the level of permanent balances on deposits constituted ca. 93.3% of all deposits of the Bank (excluding interbank market), which is ca. 1.5 pp. lower as compared to the level as at the end of 2011.

### 32.5. Capital adequacy

Objectives and principles of capital adequacy management were in details presented in the PKO Bank Polski SA Group's consolidated financial statements for the year 2011. In these statements there was also included the information concerning components of the Group's own funds calculated for capital adequacy purposes as well as the methods of capital requirements calculation for particular risk purposes.

The level of capital adequacy of the PKO Bank Polski SA Group as at 31 March 2012 remained on the safe level significantly above the statutory limits.

The capital adequacy ratio of the PKO Bank Polski SA Group, one of the main capital adequacy measures, as compared to 31 December 2011, increased by 1.47 pp., which has been mainly caused by increase in the total Bank's own funds calculated for the purpose of capital adequacy at the same time.

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

As at 31 March 2012, own funds of the PKO Bank Polski SA Group calculated for capital adequacy purposes increased by PLN 2 146 602 thousand, which was mainly due to the recognition of profit earned by the Bank in 2011 after expected charges deduction (PLN 2 366 122 thousand) to the Bank's own funds.

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

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

GROUP'S OWN FUNDS	31.03.2012	31.12.2011
<b>Basic funds (Tier 1)</b>	<b>18 908 909</b>	<b>16 664 233</b>
Share capital	1 250 000	1 250 000
Reserve capital	13 041 087	13 041 390
Other reserves	3 373 909	3 460 368
General banking risk fund for unidentified banking activities risk	1 070 000	1 070 000
Unappropriated profits from previous years, profit in the course of approval less any expected charges	2 283 295	(23 162)
Unrealised losses on debt and equity instruments and other receivables classified as available for sale	(80 099)	(129 518)
Assets valuation adjustments in trade portfolio	(51)	(143)
Intangible assets, of which:	(1 792 131)	(1 800 008)
goodwill of subsidiaries	(229 300)	(227 349)
Equity exposures	(113 467)	(109 054)
Negative currency translation differences from foreign operations	(122 413)	(94 350)
Non-controlling interest	(1 221)	(1 290)
<b>Supplementary funds (Tier 2)</b>	<b>1 550 222</b>	<b>1 545 549</b>
Subordinated liabilities classified as supplementary funds	1 600 700	1 600 700
Unrealised profits on debt and equity instruments classified as available for sale (up to 80% of their values before tax)	61 712	51 576
Positive currency translation differences from foreign operations	1 277	2 327
Equity exposures	(113 467)	(109 054)
<b>Short-term equity (Tier 3)</b>	<b>30 387</b>	<b>133 134</b>
<b>TOTAL OWN FUNDS</b>	<b>20 489 518</b>	<b>18 342 916</b>

### 32.5.2. Capital requirements (Pillar 1)

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

Capital requirements	31.03.2012	31.12.2011
<b>Credit risk</b>	<b>10 575 061</b>	<b>10 657 309</b>
credit risk (banking book)	10 462 511	10 534 714
counterparty risk (trading book)	112 550	122 595
<b>Market risk</b>	<b>354 286</b>	<b>355 284</b>
price of goods	1	-
equity securities risk	3 048	1 604
specific risk of debt instruments	262 876	262 412
general risk of interest rates	88 361	91 268
<b>Operational risk</b>	<b>912 787</b>	<b>852 099</b>
<b>Total capital requirements</b>	<b>11 842 134</b>	<b>11 864 692</b>
<b>Capital adequacy ratio</b>	<b>13.84%</b>	<b>12.37%</b>

In the first quarter of 2012, a decrease in the capital requirement in respect of credit risk resulted mainly from a decrease of ca. 0.49% in the PKO Bank Polski SA Group's loans portfolio.

### 32.5.3. Internal capital (Pillar 2)

Principles of the calculation of internal capital in the PKO Bank Polski SA Group were in details presented in the PKO Bank Polski SA Group's consolidated financial statements for the year 2011.

#### **32.5.4. Disclosures (Pillar 3)**

In accordance with § 6 of Resolution No. 385/2008 of the Polish Financial Supervision Authority (KNF) 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 (Polish Financial Supervision Authority Journal of Laws 2008, No. 8, item 39, with subsequent amendments), PKO Bank Polski SA, which is the parent company within the meaning of § 3 of the resolution, publishes information about capital adequacy in a separate document on an annual basis, not later than within 30 days from the date of approval of the annual financial statements by the Ordinary General Shareholders' Meeting.

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

## STAND-ALONE FINANCIAL DATA

### INCOME STATEMENT

for the three-month periods ended 31 March 2012 and 31 March 2011 respectively

	Note	01.01 – 31.03.2012	01.01 – 31.03.2011
<b>Continuing operations:</b>			
Interest and similar income	1	3 200 746	2 658 229
Interest expense and similar charges	1	(1 170 005)	(971 200)
<b>Net interest income</b>		<b>2 030 741</b>	<b>1 687 029</b>
Fee and commission income	2	838 728	869 028
Fee and commission expense	2	(173 567)	(175 886)
<b>Net fee and commission income</b>		<b>665 161</b>	<b>693 142</b>
Dividend income		16 119	17
Net income from financial instruments designated at fair value	3	14 551	(709)
Gains less losses from investment securities		(803)	3 761
Net foreign exchange gains		89 955	73 986
Other operating income	4	19 250	14 478
Other operating expense	4	(12 411)	(8 696)
<b>Net other operating income and expense</b>		<b>6 839</b>	<b>5 782</b>
Net impairment allowance and write-downs	5	(521 775)	(432 124)
Administrative expenses	6	(1 056 545)	(977 147)
<b>Operating profit</b>		<b>1 244 243</b>	<b>1 053 737</b>
<b>Profit before income tax</b>		<b>1 244 243</b>	<b>1 053 737</b>
Income tax expense	7	(245 568)	(202 393)
<b>Net profit</b>		<b>998 675</b>	<b>851 344</b>
Earnings per share	8		
– basic earnings per share for the period (PLN)		0.80	0.68
– diluted earnings per share for the period (PLN)		0.80	0.68
Weighted average number of ordinary shares during the period (in thousand)		1 250 000	1 250 000
Weighted average diluted number of ordinary shares during the period (in thousand)		1 250 000	1 250 000

#### Discontinued operations:

In the three-month period ended 31 March 2012 and 31 March 2011 respectively PKO Bank Polski SA did not carry out discontinued operations.

### STATEMENT OF COMPREHENSIVE INCOME

for the three-month periods ended 31 March 2012 and 31 March 2011 respectively

	Note	01.01 – 31.03.2012	01.01 – 31.03.2011
<b>Net profit</b>		<b>998 675</b>	<b>851 344</b>
<b>Other comprehensive income</b>		<b>(177 416)</b>	<b>(157 121)</b>
Unrealised net gains on financial assets available for sale (gross)		53 496	(17 637)
Deferred tax on unrealised net gains on financial assets available for sale		(10 164)	3 351
Unrealised net gains on financial assets available for sale (net)		43 332	(14 286)
Cash flow hedges (gross)		(272 528)	(176 340)
Deferred tax on cash flow hedges		51 780	33 505
Cash flow hedges (net)		(220 748)	(142 835)
<b>Total net comprehensive income</b>		<b>821 259</b>	<b>694 223</b>

**STATEMENT OF FINANCIAL POSITION**  
**as at 31 March 2012 and 31 December 2011**

	Note	31.03.2012	31.12.2011
<b>ASSETS</b>			
Cash and balances with the central bank		6 042 896	9 060 280
Amounts due from banks	9	1 894 395	2 320 198
Trading assets	10	2 451 273	1 311 089
Derivative financial instruments	11	2 853 252	3 065 149
Financial assets designated upon initial recognition at fair value	12	14 867 729	12 467 201
Loans and advances to customers	13	139 459 715	140 058 649
Investment securities available for sale	14	13 713 629	14 168 933
Investments in subsidiaries, jointly controlled entities, associates	15	1 332 213	1 497 975
Non-current assets held for sale		20 410	20 410
Intangible assets	16	1 525 192	1 522 568
Tangible fixed assets	16	2 218 212	2 013 314
of which investment properties		246	248
Deferred income tax asset		420 543	384 134
Other assets		726 768	482 790
<b>TOTAL ASSETS</b>		<b>187 526 227</b>	<b>188 372 690</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Amounts due to the central bank		2 949	3 454
Amounts due to banks	17	6 536 206	5 321 390
Derivative financial instruments	11	2 480 821	2 645 281
Amounts due to customers	18	147 697 028	150 030 681
Debt securities in issue	19	2 137 393	3 105 588
Subordinated liabilities		1 638 201	1 614 377
Other liabilities	20	2 590 057	2 156 523
Current income tax liabilities		147 290	77 532
Provisions	21	585 886	615 489
<b>TOTAL LIABILITIES</b>		<b>163 815 831</b>	<b>165 570 315</b>
<b>Equity</b>			
Share capital		1 250 000	1 250 000
Other capital		21 461 721	17 598 753
Net profit for the year		998 675	3 953 622
<b>TOTAL EQUITY</b>		<b>23 710 396</b>	<b>22 802 375</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>187 526 227</b>	<b>188 372 690</b>
Capital adequacy ratio	26	13.59%	11.93%
Book value (in PLN thousand)		23 710 396	22 802 375
Number of shares (in thousand)	1	1 250 000	1 250 000
Book value per share (in PLN)		18.97	18.24
Diluted number of shares (in thousand)		1 250 000	1 250 000
Diluted book value per share (in PLN)		18.97	18.24

**STATEMENT OF CHANGES IN EQUITY**  
for the three-month periods ended 31 March 2012 and 31 March 2011 respectively

for the three-month period ended 31 March 2012	Share capital	Other capital						Unappropriated profits	Net profit for the period	Total equity
		Reserve capital	General banking risk fund	Other reserves	Financial assets available for sale	Cash flow hedges	Total other capital			
<b>As at 1 January 2012</b>	1 250 000	12 898 111	1 070 000	3 319 621	(51 164)	362 185	17 598 753	-	3 953 622	22 802 375
Transfer of net profit from previous years	-	-	-	-	-	-	-	3 953 622	(3 953 622)	-
The effect of the takeover of subsidiary's assets and liabilities by the Bank	-	-	-	-	-	-	-	86 762	-	86 762
<b>Total comprehensive income, of which:</b>	-	-	-	-	43 332	(220 748)	(177 416)	-	998 675	821 259
Net profit	-	-	-	-	-	-	-	-	998 675	998 675
Other comprehensive income	-	-	-	-	43 332	(220 748)	(177 416)	-	-	(177 416)
<b>As at 31 March 2012</b>	1 250 000	12 898 111	1 070 000	3 319 621	(7 832)	141 437	17 421 337	4 040 384	998 675	23 710 396

for the three-month period ended 31 March 2011	Share capital	Other capital						Unappropriated profits	Net profit for the period	Total equity
		Reserve capital	General banking risk fund	Other reserves	Financial assets available for sale	Cash flow hedges	Total other capital			
<b>As at 1 January 2011</b>	1 250 000	12 098 111	1 070 000	3 283 412	(28 808)	217 924	16 640 639	-	3 311 209	21 201 848
Transfer of net profit from previous years	-	-	-	-	-	-	-	3 311 209	(3 311 209)	-
<b>Total comprehensive income, of which:</b>	-	-	-	-	(14 286)	(142 835)	(157 121)	-	851 344	694 223
Net profit	-	-	-	-	-	-	-	-	851 344	851 344
Other comprehensive income	-	-	-	-	(14 286)	(142 835)	(157 121)	-	-	(157 121)
<b>As at 31 March 2011</b>	1 250 000	12 098 111	1 070 000	3 283 412	(43 094)	75 089	16 483 518	3 311 209	851 344	21 896 071

**STATEMENT OF CASH FLOWS**  
**for the three-month periods ended 31 March 2012 and 31 March 2011 respectively**

	Note	01.01 – 31.03.2012	01.01 – 31.03.2011
<b>Net cash flow from operating activities</b>			
Profit before income tax		1 244 243	1 053 737
Adjustments:		(4 684 103)	(2 261 552)
Amortisation and depreciation		116 928	107 276
(Gains) losses from investing activities		752	(1 667)
Interest and dividends		(229 621)	(113 126)
Change in amounts due from banks		(224 240)	2 702
Change in trading assets and financial assets designated upon initial recognition at fair value through profit and loss		(3 540 712)	(2 083 850)
Change in derivative financial instruments (asset)		211 897	(119 537)
Change in loans and advances to customers		202 128	(2 277 429)
Change in other assets		(243 978)	(186 537)
Change in amounts due to banks		1 214 311	417 679
Change in derivative financial instruments (liability)		(164 460)	(759 508)
Change in amounts due to customers		(2 333 653)	2 736 863
Change in impairment allowances and provisions		322 403	351 508
Change in other liabilities		511 120	131 123
Income tax paid		(170 602)	(209 695)
Other adjustments		(356 376)	(257 354)
<b>Net cash from / used in operating activities</b>		<b>(3 439 860)</b>	<b>(1 207 815)</b>
<b>Net cash flow from investing activities</b>			
<b>Inflows from investing activities</b>		<b>3 218 863</b>	<b>1 028 601</b>
Proceeds from sale of a subsidiary		1 482	-
Proceeds and interest from sale of investment securities		3 201 043	1 026 443
Proceeds from sale of intangible assets and tangible fixed assets		219	2 141
Other investing inflows (dividends)		16 119	17
<b>Outflows from investing activities</b>		<b>(2 393 225)</b>	<b>(788 010)</b>
Purchase of a subsidiary		(19 713)	(3 000)
Purchase of investment securities		(2 287 983)	(706 198)
Purchase of intangible assets and tangible fixed assets		(85 529)	(78 812)
<b>Net cash from / used in investing activities</b>		<b>825 638</b>	<b>240 591</b>
<b>Net cash flow from financing activities</b>			
Proceeds from debt securities in issue		1 948 683	-
Redemption of debt securities in issue		(2 951 309)	-
Repayment of interest from issued debt securities		(39 189)	-
Repayment of long-term borrowings		(14 573)	(10 708)
<b>Net cash generated from financing activities</b>		<b>(1 056 388)</b>	<b>(10 708)</b>
<b>Net cash inflow/(outflow)</b>		<b>(3 670 610)</b>	<b>(977 932)</b>
of which currency translation differences on cash and cash equivalents		(144 629)	(8 152)
Cash and cash equivalents at the beginning of the period		11 160 666	8 199 997
<b>Cash and cash equivalents at the end of the period</b>	<b>23</b>	<b>7 490 056</b>	<b>7 222 065</b>
of which restricted		3 953	6 460



## NOTES TO THE FINANCIAL STATEMENTS

### 1. Interest income and expense

#### Interest and similar income

	01.01 – 31.03.2012	01.01 – 31.03.2011
<b>Interest income calculated using the effective interest rate method, with respect to financial assets, which are not designated at fair value through profit and loss, of which:</b>	<b>2 780 021</b>	<b>2 335 145</b>
Income from loans and advances to customers	2 530 683	2 173 865
Income from investments securities available for sale	188 344	114 276
Income from placements with banks	59 303	45 914
Other	1 691	1 090
<b>Other income, of which:</b>	<b>420 725</b>	<b>323 084</b>
Income from derivative hedging instruments	245 000	171 229
Income from financial assets designated upon initial recognition at fair value	158 983	130 007
Income from trading assets	16 742	21 848
<b>Total</b>	<b>3 200 746</b>	<b>2 658 229</b>

In the 'Income from derivative hedging instruments' the Bank presents interest income from derivative instruments designated for hedge accounting that are effective hedging instruments in respect of cash flow hedges. Details of hedging relationships applied by the Bank are included in Note 15 of the consolidated financial statements of the PKO Bank Polski SA Group 'Derivative hedging instruments'.

In the three-month period ended 31 March 2012, the value of interest income from impaired loans amounted to PLN 108 797 thousand (in the three-month period ended 31 March 2011, it amounted to PLN 83 753 thousand). This income has been included in the position 'Income from loans and advances to customers'.

#### Interest expense and similar charges

	01.01 – 31.03.2012	01.01 – 31.03.2011
<b>Interest expense calculated using the effective interest rate method, with respect to financial liabilities, which are not designated at fair value through profit and loss, of which:</b>	<b>(1 169 590)</b>	<b>(970 326)</b>
Interest expense on amounts due to customers	(1 104 372)	(941 787)
Interest expense on debt securities in issue	(56 079)	(20 092)
Interest expense on deposits from banks	(6 657)	(8 402)
Premium expense on debt securities available for sale	(2 482)	(45)
<b>Other expense</b>	<b>(415)</b>	<b>(874)</b>
<b>Total</b>	<b>(1 170 005)</b>	<b>(971 200)</b>

## 2. Fee and commission income and expense

### Fee and commission income

	01.01 – 31.03.2012	01.01 – 31.03.2011
<b>Income from financial assets, which are not designated at fair value through profit and loss, of which:</b>	<b>140 133</b>	<b>137 661</b>
Income from loans and advances	140 133	137 661
<b>Other commissions</b>	<b>697 688</b>	<b>730 916</b>
Income from payment cards	251 240	228 691
Income from maintenance of bank accounts	222 924	229 173
Income from loan insurance	88 879	124 830
Income from maintenance of investment funds (including management fees)	37 048	50 263
Income from cash transactions	31 208	38 917
Income from securities transactions	15 477	15 254
Income from servicing foreign mass transactions	11 897	11 188
Income from sale and distribution of court fee stamps	6 340	3 420
Other*	32 675	29 180
<b>Income from fiduciary activities</b>	<b>907</b>	<b>451</b>
<b>Total</b>	<b>838 728</b>	<b>869 028</b>

\* Included in 'Other' are i.a.: commissions received for servicing bond sale transactions, commissions of the Brokerage House for servicing Initial Public Offering issue, commissions for servicing indebtedness of borrowers against the State budget.

### Fee and commission expense

	01.01 – 31.03.2012	01.01 – 31.03.2011
Expenses on payment cards	(97 569)	(79 036)
Expenses on loan insurance	(25 061)	(32 262)
Expenses on acquisition services	(23 829)	(30 993)
Expenses on settlement services	(6 908)	(6 946)
Expenses on fee and commissions for operating services rendered by banks	(2 765)	(3 043)
Other*	(17 435)	(23 606)
<b>Total</b>	<b>(173 567)</b>	<b>(175 886)</b>

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

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

	01.01 – 31.03.2012	01.01 – 31.03.2011
Debt securities	12 121	(3 391)
Derivative instruments <sup>1)</sup>	4 037	1 661
Equity instruments	576	1 020
Structured bank securities designated at fair value through profit and loss <sup>1)</sup>	(2 183)	-
Other <sup>1)</sup>	-	1
<b>Total</b>	<b>14 551</b>	<b>(709)</b>

In the net income from financial instruments designated at fair value, position 'Derivative instruments', in the period ended 31 March 2012, an ineffective portion related to cash flow hedges was recognised and it amounted to PLN (2 304) thousand (in the period ended 31 March 2011, an ineffective portion related to cash flow hedges was recognised and it amounted to PLN (1 364) thousand).

01.01.2012 – 31.03.2012	Gains	Losses	Net result
Trading assets	6 201 935	(6 195 154)	6 781
Financial assets designated upon initial recognition at fair value through profit and loss	57 153	(49 383)	7 770
<b>Total</b>	<b>6 259 088</b>	<b>(6 244 537)</b>	<b>14 551</b>

01.01.2011 – 31.03.2011	Gains	Losses	Net result
Trading assets	4 501 278	(4 502 108)	(830)
Financial assets designated upon initial recognition at fair value through profit and loss	51 133	(51 012)	121
<b>Total</b>	<b>4 552 411</b>	<b>(4 553 120)</b>	<b>(709)</b>

The total change in fair values of financial instruments designated at fair value through profit and loss determined with use of valuation models (where no quotations from active market are available) in the period ended 31 March 2012 amounted to PLN 1 854<sup>\*)</sup> thousand (in the period ended 31 March 2011: PLN 1 662<sup>\*)</sup> thousand).

#### 4. Other operating income and expense

	01.01 – 31.03.2012	01.01 – 31.03.2011
<b>Other operating income</b>		
Sundry income	4 084	3 451
Sales and disposal of tangible fixed assets, intangible assets and assets held for sale	219	2 142
Recovery of expired and written-off receivables	274	279
Other	14 673	8 606
<b>Total</b>	<b>19 250</b>	<b>14 478</b>

	01.01 – 31.03.2012	01.01 – 31.03.2011
<b>Other operating expense</b>		
Donations	(3 575)	(1 683)
Sundry expenses	(1 222)	(1 096)
Costs of sale and disposal of tangible fixed assets, intangible assets and assets held for sale	(980)	(1 973)
Other	(6 634)	(3 944)
<b>Total</b>	<b>(12 411)</b>	<b>(8 696)</b>

\* The total amount of the items marked with<sup>1)</sup> in Note 3 'Net income from financial instruments designated at fair value'.

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for the three-month period ended 31 March 2012 (in PLN thousand)



## 5. Net impairment allowance and write-downs

For the three-month period ended	Note	Impairment allowances at the beginning of the period	Increases		Decreases			Impairment allowances at the end of the period	Net impairment allowance – impact on the income statement
			Impairment allowances recognised during the period	Other	Decrease in impairment allowances due to derecognition of assets	Impairment allowances reversed during the period	Other		
Investment securities available for sale	14	15 502	-	-	-	-	-	15 502	-
Amounts due from banks	9	33 710	123	-	-	365	2 941	30 527	242
Loans and advances to customers measured at amortised cost	13	4 982 790	1 146 313	114	65 278	635 670	48 673	5 379 596	(510 643)
Non-current assets held for sale		1 278	-	-	-	-	-	1 278	-
Tangible fixed assets	16	143	2 804	-	-	-	-	2 947	(2 804)
Intangible assets	16	18 017	3 695	-	-	-	-	21 712	(3 695)
Investments in subsidiaries, jointly-controlled entities and associates		475 669	16 705	-	-	-	-	492 374	(16 705)
Other, of which:		293 282	25 594	-	24 369	37 424	825	256 258	11 830
provision for legal claims and liabilities and guaranties granted	21	114 023	17 495	-	-	33 624	406	97 488	16 129
<b>Total</b>		<b>5 820 391</b>	<b>1 195 234</b>	<b>114</b>	<b>89 647</b>	<b>673 459</b>	<b>52 439</b>	<b>6 200 194</b>	<b>(521 775)</b>

For the three-month period ended	Note	Impairment allowances at the beginning of the period	Increases		Decreases			Impairment allowances at the end of the period	Net impairment allowance – impact on the income statement
			Impairment allowances recognised during the period	Other	Decrease in impairment allowances due to derecognition of assets	Impairment allowances reversed during the period	Other		
Investment securities available for sale	14	13 578	-	-	-	-	-	13 578	-
Amounts due from banks	9	32 570	717	-	-	104	1 338	31 845	(613)
Loans and advances to customers measured at amortised cost	13	4 265 484	920 052	-	10 062	499 077	9 617	4 666 780	(420 975)
Non-current assets held for sale		1 281	-	-	-	-	-	1 281	-
Tangible fixed assets	16	18 381	-	-	-	-	8	18 373	-
Intangible assets	16	18 017	-	-	-	-	-	18 017	-
Investments in subsidiaries, jointly-controlled entities and associates		450 962	-	-	-	-	-	450 962	-
Other, of which:		404 246	78 061	13	1 783	67 525	-	413 012	(10 536)
provision for legal claims and liabilities and guaranties granted	21	222 448	61 482	13	-	59 437	-	224 506	(2 045)
<b>Total</b>		<b>5 204 519</b>	<b>998 830</b>	<b>13</b>	<b>11 845</b>	<b>566 706</b>	<b>10 963</b>	<b>5 613 848</b>	<b>(432 124)</b>

## 6. Administrative expenses

	01.01 – 31.03.2012	01.01 – 31.03.2011
Staff costs	(582 594)	(535 559)
Overheads	(307 220)	(286 614)
Amortisation and depreciation	(116 928)	(107 276)
Taxes and other charges	(13 806)	(13 514)
Contribution and payments to the Bank Guarantee Fund	(35 997)	(34 184)
<b>Total</b>	<b>(1 056 545)</b>	<b>(977 147)</b>

## Wages and salaries / Employee benefits

	01.01 – 31.03.2012	01.01 – 31.03.2011
Wages and salaries	(481 620)	(446 982)
Social Security, of which:	(84 591)	(74 169)
contributions for retirement pay and pensions*	(68 733)	(56 609)
Other employee benefits	(16 383)	(14 408)
<b>Total</b>	<b>(582 594)</b>	<b>(535 559)</b>

\* Total expense incurred by the Bank related to contributions for retirement pay and pensions.

## 7. Income tax expense

	01.01 – 31.03.2012	01.01 – 31.03.2011
<b>Income statement</b>		
Current income tax expense	(240 360)	(211 208)
Deferred income tax related to temporary differences	(5 208)	8 815
<b>Tax expense in the income statement</b>	<b>(245 568)</b>	<b>(202 393)</b>
Tax expense in other comprehensive income related to temporary differences	41 616	36 856
<b>Total</b>	<b>(203 952)</b>	<b>(165 537)</b>

## 8. Earnings per share

### Basic earnings per share

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

### Earnings per share

	01.01 – 31.03.2012	01.01 – 31.03.2011
Profit per ordinary shareholder (in PLN thousand)	998 675	851 344
Weighted average number of ordinary shares during the period (in thousand)	1 250 000	1 250 000
Earnings per share (in PLN per share)	0.80	0.68

### Earnings per share from discontinued operations

In the periods ended respectively 31 March 2012 and 31 March 2011, there were no material income or expenses 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 first quarter of 2012 as well as in the first quarter of 2011, there were no dilutive instruments.

## Diluted earnings per share from discontinued operations

In the periods ended 31 March 2012 and 31 March 2011, the Bank did not report any material income or expenses from discontinued operations.

### 9. Amounts due from banks

	31.03.2012	31.12.2011
Deposits with banks	1 325 996	1 914 393
Loans and advances granted	189 374	158 162
Current accounts	115 086	279 622
Cash in transit	2 254	1 731
Receivables due from repurchase agreements	292 212	-
<b>Gross total</b>	<b>1 924 922</b>	<b>2 353 908</b>
Impairment allowances on receivables, of which:	(30 527)	(33 710)
impairment allowances on exposure to a foreign bank	(30 091)	(33 283)
<b>Net total</b>	<b>1 894 395</b>	<b>2 320 198</b>

### 10. Trading assets

	31.03.2012	31.12.2011
<b>Debt securities</b>	<b>2 428 892</b>	<b>1 300 164</b>
issued by the State Treasury, of which:	2 380 862	1 268 471
Treasury bonds	2 380 697	1 219 069
Treasury bills	165	49 402
issued by local government bodies, municipal bonds	15 730	14 783
issued by non-financial institutions, corporate bonds	13 207	14 947
issued by banks, BGK bonds	3 775	1 724
issued by other financial institutions, of which:	15 318	239
corporate bonds	-	239
issued by WSE	11 722	-
issued by PKO Finance AB in EUR	3 596	-
<b>Shares in other entities – listed on stock exchange</b>	<b>21 531</b>	<b>10 925</b>
<b>Investments certificates</b>	<b>850</b>	<b>-</b>
<b>Total</b>	<b>2 451 273</b>	<b>1 311 089</b>

### 11. Derivative financial instruments

#### Derivative instruments used by the Bank

The Bank uses various types of derivatives in order to manage risk involved in its business activities. As at 31 March 2012 and 31 December 2011, the Bank held the following derivative instruments:

Type of contract	31.03.2012		31.12.2011	
	Assets	Liabilities	Assets	Liabilities
Hedging instruments	735 237	251 103	516 925	342 598
Other derivatives instruments	2 118 015	2 229 718	2 548 224	2 302 683
<b>Total</b>	<b>2 853 252</b>	<b>2 480 821</b>	<b>3 065 149</b>	<b>2 645 281</b>

Type of contract	31.03.2012		31.12.2011	
	Assets	Liabilities	Assets	Liabilities
IRS	1 865 259	1 686 403	1 941 725	1 925 161
CIRS	603 440	350 299	419 640	421 039
FX Swap	221 035	301 523	438 331	139 720
Options	65 541	52 921	106 492	70 112
Forward	63 793	58 270	119 293	56 271
FRA	31 848	29 220	38 117	31 965
Other	2 336	2 185	1 551	1 013
<b>Total</b>	<b>2 853 252</b>	<b>2 480 821</b>	<b>3 065 149</b>	<b>2 645 281</b>

The most frequently used types of derivatives in the Bank's activities are: IRS, CIRS, FX Swap, Options, Forward.

## 12. Financial assets designated at fair value through profit and loss

	31.03.2012	31.12.2011
<b>Debt securities</b>	<b>14 867 729</b>	<b>12 467 201</b>
issued by the State Treasury, of which:	2 929 442	3 620 515
Treasury bonds PLN	2 809 036	1 318 278
Treasury bills	120 406	2 180 148
Treasury bonds EUR	-	122 089
issued by the central banks – NBP money markets bills	11 690 411	8 593 791
issued by local government bodies, of which:	247 876	252 895
municipal bonds EUR	143 823	143 973
municipal bonds PLN	104 053	108 922
<b>Total</b>	<b>14 867 729</b>	<b>12 467 201</b>

## 13. Loans and advances to customers

	31.03.2012	31.12.2011
<b>Gross loans and advances to customers, of which:</b>	<b>144 839 311</b>	<b>145 041 439</b>
financial sector	3 884 570	3 215 123
corporate, of which:	3 884 570	3 215 123
receivables due from repurchase agreement	779 019	92 836
deposits of Brokerage House in the Stock Exchange Guarantee Fund and initial deposit	8 251	6 891
non-financial sector	134 759 027	135 828 141
corporate, of which:	42 030 655	41 295 058
contributions to equity of subsidiaries	222 262	186 943
mortgage	69 450 163	70 551 334
consumer	23 278 209	23 981 749
public sector	5 193 307	5 043 786
corporate	5 193 307	5 043 786
Interest	1 002 407	954 389
Impairment allowances on loans and advances to customers	(5 379 596)	(4 982 790)
<b>Loans and advances to customers – net</b>	<b>139 459 715</b>	<b>140 058 649</b>

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	31.03.2012	31.12.2011
<b>Loans and advances granted</b>		
Valued with the individual method, of which:	5 737 603	5 145 413
impaired	4 802 169	4 459 538
not impaired	935 434	685 875
Valued with the portfolio method	6 417 477	5 936 241
Valued with the group method (IBNR)	132 684 231	133 959 785
<b>Loans and advances granted - gross</b>	<b>144 839 311</b>	<b>145 041 439</b>
Allowances on exposures valued with the individual method, of which:	(1 667 177)	(1 498 059)
impaired	(1 667 177)	(1 498 059)
Allowances on exposures valued with the portfolio method	(3 079 033)	(2 832 217)
Allowances on exposures valued with the group method (IBNR)	(633 386)	(652 514)
<b>Allowances - total</b>	<b>(5 379 596)</b>	<b>(4 982 790)</b>
<b>Loans and advances granted - net</b>	<b>139 459 715</b>	<b>140 058 649</b>
	31.03.2012	31.12.2011
<b>Loans and advances granted - gross, of which:</b>	<b>144 839 311</b>	<b>145 041 439</b>
retail and private banking	20 909 443	21 550 479
mortgage banking	64 258 218	65 342 083
small and medium enterprises	15 359 826	15 344 788
housing market clients	7 948 915	7 886 768
corporate	34 304 593	33 636 213
receivables due from repurchase agreement	779 019	92 836
contributions to equity of subsidiaries	222 262	186 943
other receivables	54 628	46 940
<b>Interests</b>	<b>1 002 407</b>	<b>954 389</b>
<b>Impairment allowances on loans and advances</b>	<b>(5 379 596)</b>	<b>(4 982 790)</b>
<b>Loans and advances granted - net</b>	<b>139 459 715</b>	<b>140 058 649</b>

As at 31 March 2012, the share of impaired loans amounted to 7.7% (as at 31 December 2011: 7.2%), whereas the coverage ratio for impaired loans (calculated as total impairment allowances on loans and advances divided by gross carrying amount of impaired loans) amounted to 47.9% (as at 31 December 2011: 47.9%).

As at 31 March 2012, the share of loans overdue by more than 90 days in the gross amount of loans and advances to customers amounted to 4.4% (as at 31 December 2011: 4.0%).

The increase in the volume of loans valued with the portfolio method in the first quarter of 2012 by PLN 481 236 thousand resulted mainly from the increase in delays in repayment in the portfolio of corporate loans (mainly for small and medium enterprises) and as well as consumer loans (private banking segment).



#### 14. Investment securities available for sale

	31.03.2012	31.12.2011
<b>Debt securities available for sale, gross</b>	<b>13 640 432</b>	<b>14 104 181</b>
issued by the State Treasury	7 826 075	8 310 429
Treasury bonds PLN	7 826 075	8 298 709
Treasury bonds EUR	-	11 720
issued by local government bodies – municipal bonds	3 498 135	3 458 356
issued by non-financial institutions	2 213 788	2 132 269
corporate bonds	2 211 026	2 129 507
bills of exchange	2 762	2 762
issued by banks – corporate bonds	51 847	50 870
issued by other financial institutions – corporate bonds	50 587	152 257
<b>Impairment allowances of debt securities available for sale</b>	<b>(12 998)</b>	<b>(12 998)</b>
corporate bonds	(10 236)	(10 236)
bills of exchange	(2 762)	(2 762)
<b>Total net debt securities available for sale</b>	<b>13 627 434</b>	<b>14 091 183</b>
<b>Equity securities available for sale, gross</b>	<b>88 699</b>	<b>80 254</b>
Equity securities admitted to public trading	41 760	39 357
Equity securities not admitted to public trading	46 939	40 897
<b>Impairment allowances of equity securities available for sale not admitted to public trading</b>	<b>(2 504)</b>	<b>(2 504)</b>
<b>Total net equity securities available for sale</b>	<b>86 195</b>	<b>77 750</b>
<b>Total net investment securities</b>	<b>13 713 629</b>	<b>14 168 933</b>

#### 15. Investments in subsidiaries, jointly controlled entities and associates

As at 31 March 2012, the Bank's investments in subsidiaries, jointly controlled entities and associates have been recognised at acquisition cost adjusted by any impairment allowances.

The Bank's individual shares in subsidiaries, jointly controlled entities and associates are presented below.

As at 31 March 2012	Gross value	Impairment	Carrying amount
<b>Subsidiaries</b>			
KREDOBANK SA	935 619	(423 723)	511 896
PKO BP BANKOWY Powszechnie Towarzystwo Emerytalne SA	205 786	-	205 786
PKO Towarzystwo Funduszy Inwestycyjnych SA	186 989	-	186 989
Bankowy Fundusz Leasingowy SA	70 000	-	70 000
Inteligo Financial Services SA	59 602	-	59 602
Centrum Elektronicznych Usług Płatniczych 'eService' SA	55 500	-	55 500
Fort Mokołów Inwestycje Sp. z o.o. <sup>1</sup>	43 546	-	43 546
Bankowe Towarzystwo Kapitałowe SA	21 566	(10 666)	10 900
'Inter-Risk Ukraina' Spółka z dodatkową odpowiedzialnością	19 713	-	19 713
PKO BP Finat Sp. z o.o.	11 693	-	11 693
Qualia Development Sp. z o.o. <sup>2</sup>	4 503	-	4 503
PKO Finance AB	172	-	172
<b>Jointly controlled entities</b>			
CENTRUM HAFFNERA Sp. z o.o.	44 371	(16 705)	27 666
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)	-
Agencja Inwestycyjna CORP-SA SA	29	-	29
<b>Total</b>	<b>1 824 415</b>	<b>(492 374)</b>	<b>1 332 213</b>

1) value does not include capital contribution of PKO Bank Polski SA presented in the statement of financial position as 'Loans and advances to customers' in the amount of PLN 8 053 thousand.

2) value does not include capital contribution of PKO Bank Polski SA, presented in the statement of financial position as 'Loans and advances to customers' in the amount of PLN 214 209 thousand.

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As at 31 December 2011	Gross value	Impairment	Carrying amount
<b>Subsidiaries</b>			
KREDOBANK SA	935 619	(423 723)	511 896
PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA	205 786	-	205 786
PKO Towarzystwo Funduszy Inwestycyjnych SA	186 989	-	186 989
Centrum Finansowe Puławska Sp. z o.o. - in liquidation	167 288	-	167 288
Bankowy Fundusz Leasingowy SA	70 000	-	70 000
Inteligo Financial Services SA	59 602	-	59 602
Centrum Elektronicznych Usług Płatniczych 'eService' SA	55 500	-	55 500
Fort Mokotów Inwestycje Sp. z o.o. <sup>1</sup>	43 546	-	43 546
Bankowe Towarzystwo Kapitałowe SA	21 566	(10 666)	10 900
PKO BP Finat Sp. z o.o.	11 693	-	11 693
Qualia Development Sp. z o.o. <sup>2</sup>	4 503	-	4 503
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.	1 482	-	1 482
PKO Finance AB	172	-	172
<b>Jointly controlled entities</b>			
CENTRUM HAFFNERA Sp. z o.o.	44 371	-	44 371
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)	-
Agencja Inwestycyjna CORP-SA SA	29	-	29
<b>Total</b>	<b>1 973 644</b>	<b>(475 669)</b>	<b>1 497 975</b>

1) value does not include capital contribution of PKO Bank Polski SA, presented in the statement of financial position as 'Loans and advances to customers' in the amount of PLN 8 053 thousand.

2) value does not include capital contribution of PKO Bank Polski SA, presented in the statement of financial position as 'Loans and advances to customers' in the amount of PLN 178 890 thousand.

## 16. Intangible assets and tangible fixed assets

Intangible assets	31.03.2012	31.12.2011
Software	1 416 096	1 411 429
Other, of which:	109 096	111 139
capital expenditure	91 886	101 354
goodwill related to assets acquired from subsidiary	7 785	-
<b>Total</b>	<b>1 525 192</b>	<b>1 522 568</b>

Tangible fixed assets	31.03.2012	31.12.2011
Land and buildings	1 596 431	1 375 234
Machinery and equipment	433 259	442 458
Assets under construction	125 889	133 508
Means of transport	345	464
Investment properties	246	248
Other	62 042	61 402
<b>Total</b>	<b>2 218 212</b>	<b>2 013 314</b>

## 17. Amounts due to banks

	31.03.2012	31.12.2011
Loans and advances received	3 273 931	3 443 872
Banks deposits	1 751 002	1 372 635
Amounts due from repurchase agreements	1 333 297	-
Other money market deposits	123 889	82 944
Current accounts	54 087	421 939
<b>Total</b>	<b>6 536 206</b>	<b>5 321 390</b>

## 18. Amounts due to customers

	31.03.2012	31.12.2011
<b>Amounts due to retail clients</b>	<b>104 658 438</b>	<b>103 424 136</b>
Term deposits	57 631 652	54 897 173
Current accounts and overnight deposits	46 768 213	48 054 921
Other money market deposits	258 573	472 042
<b>Amounts due to corporate entities</b>	<b>39 489 707</b>	<b>42 784 326</b>
Term deposits	23 432 618	24 012 372
Current accounts and overnight deposits	8 905 631	11 187 998
Loans and advances received*	6 154 609	6 453 092
Amounts due from repurchase agreements	625 798	644 005
Other money market deposits	371 051	486 859
<b>Amounts due to state budget entities</b>	<b>3 548 883</b>	<b>3 822 219</b>
Current accounts and overnight deposits	2 163 040	2 241 309
Term deposits	1 336 355	1 516 981
Other money market deposits	49 488	63 929
<b>Total</b>	<b>147 697 028</b>	<b>150 030 681</b>

\* In 'Loans and advances received' there is included a received loan of EUR 800 000 thousand and CHF 250 000 thousand, respectively from PKO Finance AB, the Bank's subsidiary, as funds gathered through Eurobonds issue.

	31.03.2012	31.12.2011
<b>Amounts due to customers, of which:</b>	<b>147 697 028</b>	<b>150 030 681</b>
retail and private banking	102 500 644	99 631 256
small and medium enterprises	8 159 198	8 932 110
housing market clients	4 733 113	5 405 545
corporate	25 307 176	28 873 527
loans and advances received	6 154 609	6 453 092
amounts due from repurchase agreement	625 798	644 005
other liabilities	216 490	91 146
<b>Total</b>	<b>147 697 028</b>	<b>150 030 681</b>

## 19. Debt securities in issue

	31.03.2012	31.12.2011
<b>Debt securities in issue</b>		
Financial instruments designated at fair value through profit and loss - Bank securities issued by PKO Bank Polski SA	249 512	175 615
Financial instruments measured at amortised cost - Bank bonds issued by PKO Bank Polski SA	1 887 881	2 929 973
<b>Total</b>	<b>2 137 393</b>	<b>3 105 588</b>

	31.03.2012	31.12.2011
<b>Debt securities in issue by maturity:</b>		
from 1 month to 3 months	1 887 881	2 929 973
from 1 year to 5 years	249 512	175 615
<b>Total</b>	<b>2 137 393</b>	<b>3 105 588</b>

In the three-month period of 2012 the Bank issued bank securities and bank bonds with nominal value of PLN 1 972 994 thousand classified respectively as liabilities designated to be measured at fair value through profit and loss, in accordance with IAS 39.11A.a and measured at amortised cost. In the first quarter of 2012, bank securities and bank bonds with nominal value of PLN 2 951 309 thousand were redeemed.

## 20. Other liabilities

	31.03.2012	31.12.2011
Accounts payable	300 793	241 918
Deferred income	296 120	277 150
Other liabilities	1 993 144	1 637 455
<b>Total</b>	<b>2 590 057</b>	<b>2 156 523</b>

## 21. Provisions

For the three-month period ended 31 March 2012	Provision for legal claims	Provisions for anniversary bonuses and retirement benefits	Provisions for liabilities and guarantees granted	Other provisions*	Total
<b>As at 1 January 2012, of which:</b>	<b>2 254</b>	<b>426 973</b>	<b>111 769</b>	<b>74 493</b>	<b>615 489</b>
Short term provision	2 254	38 069	111 769	74 493	226 585
Long term provision	-	388 904	-	-	388 904
Increase/reassessment of provision	-	-	17 495	2 835	20 330
Use of provision	-	-	-	(1 890)	(1 890)
Release of provision	-	-	(33 624)	(14 013)	(47 637)
Other changes and reclassifications	-	-	(406)	-	(406)
<b>As at 31 March 2012, of which:</b>	<b>2 254</b>	<b>426 973</b>	<b>95 234</b>	<b>61 425</b>	<b>585 886</b>
Short term provision	2 254	38 069	95 234	61 425	196 982
Long term provision	-	388 904	-	-	388 904

\* Included in 'Other provisions' is i.a.: restructuring provision of PLN 51 075 thousand and provision of PLN 4 020 thousand for potential claims on impaired loans portfolios sold.

For the three-month period ended 31 March 2011	Provision for legal claims	Provisions for anniversary bonuses and retirement benefits	Provisions for liabilities and guarantees granted	Other provisions*	Total
<b>As at 1 January 2011, of which:</b>	<b>6 311</b>	<b>410 723</b>	<b>216 137</b>	<b>81 267</b>	<b>714 438</b>
Short term provision	6 311	29 537	81 965	81 267	199 080
Long term provision	-	381 186	134 172	-	515 358
Increase/reassessment of provision	-	-	61 482	2 081	63 563
Use of provision	-	-	-	(2 228)	(2 228)
Release of provision	-	-	(59 437)	(14 118)	(73 555)
Other changes and reclassifications	-	-	13	-	13
<b>As at 31 March 2011, of which:</b>	<b>6 311</b>	<b>410 723</b>	<b>218 195</b>	<b>67 002</b>	<b>702 231</b>
Short term provision	6 311	29 537	89 041	67 002	191 891
Long term provision	-	381 186	129 154	-	510 340

\* Included in 'Other provisions' is i.a.: restructuring provision of PLN 51 941 thousand and provision of PLN 11 398 thousand for potential claims on impaired loans portfolios sold.

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

## 22. Off-balance sheet liabilities

### Contingent liabilities

#### Underwriting programs

As at 31 March 2012, the Bank's 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
Company A	corporate bonds	342 500	31.07.2013	Bonds Issue Agreement*
Company B	corporate bonds	136 013	31.12.2024	Bonds Issue Agreement*
Company C	corporate bonds	102 700	31.10.2013	Bonds Issue Agreement*
<b>Total</b>		<b>581 213</b>		

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

As at 31 December 2011, the Bank's 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
Company A	corporate bonds	423 000	31.07.2013	Bonds Issue Agreement*
Company B	corporate bonds	136 013	31.12.2024	Bonds Issue Agreement*
Company C	corporate bonds	102 700	31.10.2013	Bonds Issue Agreement*
Company D	corporate bonds	24 900	30.12.2015	Bonds Issue Agreement*
Company E	corporate bonds	20 000	02.01.2012	Bonds Issue Agreement*
<b>Total</b>		<b>706 613</b>		

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

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

### Contractual commitments

As at 31 March 2012, the amount of contractual commitments concerning intangible assets amounted to PLN 185 540 thousand (as at 31 December 2011, it amounted to PLN 98 233 thousand).

As at 31 March 2012, the amount of contractual commitments concerning tangible fixed assets amounted to PLN 11 507 thousand (as at 31 December 2011, it amounted to PLN 18 894 thousand).

### Granted loan commitments

	31.03.2012	31.12.2011
Non-financial entities	27 833 004	28 238 271
Financial entities	1 506 589	1 609 576
State budget entities	757 027	823 897
<b>Total</b>	<b>30 096 620</b>	<b>30 671 744</b>
of which: irrevocable loan commitments	6 489 206	6 569 014

Granted loan commitments have been presented in nominal values.

### Guarantees issued

	31.03.2012	31.12.2011
Non-financial entities	5 997 032	6 014 910
Financial entities	1 260 426	1 214 684
State budget entities	251 622	174 459
<b>Total</b>	<b>7 509 080</b>	<b>7 404 053</b>

### Off-balance sheet liabilities received

	31.03.2012	31.12.2011
Financial	355 981	375 428
Guarantees	1 865 026	1 905 208
<b>Total</b>	<b>2 221 007</b>	<b>2 280 636</b>

### Assets pledged as collateral for contingent liabilities

As at 31 March 2012 and as at 31 December 2011, the Bank had no assets pledged as collateral for contingent liabilities.

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

#### Cash and cash equivalents

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

	31.03.2012	31.12.2011	31.03.2011
Cash and balances with the central bank	6 042 896	9 060 280	4 629 529
Current receivables from banks	1 447 160	2 100 386	2 592 536
<b>Total</b>	<b>7 490 056</b>	<b>11 160 666</b>	<b>7 222 065</b>

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## 24. Related party transactions

All transactions presented below with entities related by capital relationships were arm's length transactions. Repayment terms are within a range from one month to ten years.

31 March 2012

Entity	Receivables	including loans	Liabilities	Total income	including interest and fee and commission income	Total expense	including interest and fee and commission expense	Contingent liabilities and commitments
Agencja Inwestycyjna CORP-SA SA	62	-	113	219	-	685	-	-
Bank Pocztowy SA	-	-	23	58	54	343	132	7 115
Bankowe Towarzystwo Kapitałowe SA	-	-	250	-	-	3	3	7 000
Bankowy Fundusz Leasingowy SA	73 755	22 792	23 676	1 301	774	3 196	64	1 088 597
Bankowy Leasing Sp. z o.o.	1 702 858	1 702 792	39	24 680	24 674	14	-	231 174
Centrum Elektronicznych Usług Płatniczych 'eService' SA	437	-	26 026	4 258	4 139	15 747	15 642	23 500
Centrum Finansowe Puławska Sp. z o.o. - in liquidation	-	-	3 536	2	2	7 119	141	-
CENTRUM HAFFNERA Sp. z o.o.	-	-	2 416	3	3	-	-	-
Centrum Majkowskiego Sp. z o.o.	-	-	7 282	3	3	52	52	-
Centrum Obsługi Biznesu Sp. z o.o.	31 404	31 341	20 019	233	233	162	161	188
Centrum Operacyjne Sp. z o.o.	-	-	10	1	1	-	-	-
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.	197 233	197 233	-	2 468	2 468	-	-	-
Fort Mokotów Inwestycje Sp. z o.o.	8 053	-	1 368	1	1	6	6	-
Fort Mokotów Sp. z o.o. - in liquidation	-	-	4 955	1	1	50	50	-
Inteligo Financial Services SA	19 277	-	134 814	434	6	12 680	1 209	-
Kamienica Morska Sp. z o.o.	-	-	211	3	3	-	-	-
Kolej Gondolowa Jaworzyna Krynicka SA	6 954	6 954	5 572	117	117	7	7	2 976
KREDOBANK SA	149 911	136 013	289	1 157	1 157	-	-	130 115
PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA	71	-	5 908	79	5	54	54	-
PKO BP Faktoring SA	256 181	256 181	2 150	2 926	2 882	-	-	43 739
PKO BP Finat Sp. z o.o.	-	-	3 686	5	5	69	39	593
PKO Finance AB	3 596	-	4 263 343	-	-	38 840	38 708	-
PKO Towarzystwo Funduszy Inwestycyjnych SA	13 020	-	34 673	37 664	37 553	349	349	-
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	-	795	-	-	220	220	-
Promenada Sopocka Sp. z o.o.	92 531	91 833	4 099	702	702	28	28	-
Qualia - Residence Sp. z o.o.	-	-	116	3	3	2	2	-
Qualia - Rezydencja Flotylla Sp. z o.o.	50 778	50 778	68	2	2	-	-	17 889
Qualia Development Sp. z o.o.	214 209	-	38 622	-	-	289	289	13 894
Qualia Hotel Management Sp. z o.o.	-	-	431	1	1	-	-	-
Qualia Sp. z o.o.	-	-	3	1	1	-	-	-
Qualia spółka z ograniczoną odpowiedzialnością - Neptun Park Sp. k.	113 360	113 360	12 684	2 039	2 039	91	91	820
Qualia spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Sp. k.	106 088	106 088	7 024	2 067	2 067	50	50	93 912
Qualia spółka z ograniczoną odpowiedzialnością - Pomeranka Sp. k.	-	-	2	1	1	-	-	-
Qualia spółka z ograniczoną odpowiedzialnością - Projekt 1 Sp. k.	-	-	1	1	1	-	-	-
Qualia Spółka z ograniczoną odpowiedzialnością - Sopot Sp. k.	863	863	7	18	18	-	-	3 575
Sarnia Dolina Sp. z o.o.	16 365	16 365	3	245	245	-	-	-
Sopot Zdrój Sp. z o.o.	443 187	439 790	4 329	91	91	18	18	-
<b>TOTAL</b>	<b>3 500 193</b>	<b>3 172 383</b>	<b>4 608 543</b>	<b>80 784</b>	<b>79 252</b>	<b>80 074</b>	<b>57 315</b>	<b>1 665 087</b>

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31 December 2011

Entity	Receivables	including loans	Liabilities	Total income	including interest and fee and commission income	Total expense	including interest and fee and commission expense	Contingent liabilities and commitments
Agencja Inwestycyjna CORP-SA SA	-	-	76	691	-	2 552	-	-
Bank Pocztowy SA	-	-	983	346	325	486	481	24 974
Bankowe Towarzystwo Kapitałowe SA	-	-	355	23	3	19	19	7 000
Bankowy Fundusz Leasingowy SA	177 829	25 231	24 177	9 972	8 295	12 214	980	1 043 235
Bankowy Leasing Sp. z o.o.	1 205 779	1 205 697	14	65 594	65 547	48	5	224 454
BFL Nieruchomości Sp. z o.o.	394 295	394 295	58	19 312	19 312	27	27	9 650
Centrum Elektronicznych Usług Płatniczych 'eService' SA	568	-	28 243	14 250	13 737	54 172	53 780	23 500
Centrum Finansowe Puławska Sp. z o.o. - in liquidation	-	-	18 983	1 149	1 148	41 966	582	-
CENTRUM HAFFNERA Sp. z o.o.	-	-	2 797	18	18	-	-	-
Centrum Majkowskiego Sp. z o.o.	-	-	7 350	13	13	245	245	-
Centrum Obsługi Biznesu Sp. z o.o.	33 625	33 625	21 447	993	993	635	635	-
Centrum Operacyjne Sp. z o.o.	-	-	156	5	5	-	-	-
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.	214 957	214 957	-	541	541	-	-	-
Fort Mokotów Inwestycje Sp. z o.o.	8 053	-	1 410	3	3	82	82	-
Fort Mokotów Sp. z o.o. - in liquidation	-	-	5 252	2	2	226	226	-
Inteligo Financial Services SA	14 530	-	130 667	1 735	20	52 038	5 243	-
Kamienica Morska Sp. z o.o.	-	-	-	13	13	-	-	-
Kolej Gondolowa Jaworzyna Krynicka SA	8 479	8 479	217	479	479	58	58	2 976
KREDOBANK SA	130 285	118 234	1 012	7 260	7 260	-	-	172 346
PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA	13	-	1 605	2 664	2 492	156	156	-
PKO BP Faktoring SA	179 249	179 249	228	7 534	7 285	-	-	70 751
PKO BP Finat Sp. z o.o.	-	-	3 361	10	10	240	174	593
PKO Finance AB	-	-	4 475 542	-	-	139 833	139 833	-
PKO Towarzystwo Funduszy Inwestycyjnych SA	12 798	-	21 585	175 676	175 378	360	360	467
Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	-	-	1 047	2	2	907	907	-
Promenada Sopocka Sp. z o.o.	49 162	49 162	1 477	1 496	1 496	20	20	-
Qualia - Residence Sp. z o.o.	-	-	747	1	1	-	-	-
Qualia - Rezydencja Flotylla Sp. z o.o.	39 695	39 695	311	2 057	2 057	-	-	28 973
Qualia Development Sp. z o.o.	178 890	-	15 542	7	-	-	-	17 763
Qualia Hotel Management Sp. z o.o.	-	-	49	-	-	-	-	-
Qualia Sp. z o.o.	-	-	1	2	2	-	-	-
Qualia spółka z ograniczoną odpowiedzialnością - Neptun Park Sp. k.	124 617	124 617	15 314	8 510	8 510	265	265	820
Qualia spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Sp. k.	122 088	122 088	13 638	9 159	9 159	689	689	77 912
Qualia spółka z ograniczoną odpowiedzialnością - Pomeranka Sp. k.	-	-	-	1	1	-	-	-
Qualia spółka z ograniczoną odpowiedzialnością - Projekt 1 Sp. k.	-	-	1	1	1	-	-	-
Qualia Spółka z ograniczoną odpowiedzialnością - Sopot Sp. k.	782	782	6	84	84	-	-	7 173
Sarnia Dolina Sp. z o.o.	16 121	16 121	4	935	935	-	-	-
Sopot Zdrój Sp. z o.o.	235 466	235 466	3 318	7 322	7 322	71	71	-
<b>TOTAL</b>	<b>3 147 281</b>	<b>2 767 698</b>	<b>4 796 973</b>	<b>337 860</b>	<b>332 449</b>	<b>307 309</b>	<b>204 838</b>	<b>1 712 587</b>



## 25. Explanation of differences between previously published financial statements and these financial statements

In the first quarter of 2012, there were no significant changes as compared to the previously published financial statements.

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

Objectives and principles of risk management in PKO Bank Polski SA were in details presented in the financial statements of PKO Bank Polski SA for 2011.

Relevant information for risk monitoring and changes in methods of risk measurement in the period from 1 January to 31 March 2012 are presented below.

### Credit risk

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

Amounts due from banks	Exposure	
	31.03.2012	31.12.2011
Amounts due from banks impaired, of which:	38 926	42 280
valued with the individual method	38 926	42 166
Amounts due from banks not impaired, of which:	1 885 996	2 311 628
not past due	1 885 996	2 311 628
<b>Gross total</b>	<b>1 924 922</b>	<b>2 353 908</b>
<b>Impairment allowances</b>	<b>(30 527)</b>	<b>(33 710)</b>
<b>Net total by carrying amount</b>	<b>1 894 395</b>	<b>2 320 198</b>

Loans and advances to customers	Exposure	
	31.03.2012	31.12.2011
Loans and advances impaired, of which:	11 219 646	10 395 779
valued with the individual method	4 802 169	4 459 538
Loans and advances not impaired, of which:	133 619 665	134 645 660
neither past due nor impaired	130 034 923	131 102 983
past due but not impaired	3 584 742	3 542 677
past due up to 4 days	1 007 428	774 863
past due over 4 days	2 577 314	2 767 814
<b>Gross total</b>	<b>144 839 311</b>	<b>145 041 439</b>
<b>Impairment allowances</b>	<b>(5 379 596)</b>	<b>(4 982 790)</b>
<b>Net total by carrying amount</b>	<b>139 459 715</b>	<b>140 058 649</b>

Investment securities available for sale – debt securities	Exposure	
	31.03.2012	31.12.2011
Debt securities impaired, of which:	12 998	12 998
valued with an individual method	12 998	12 998
Debt securities not impaired, of which:	13 627 434	14 091 183
not past due	13 627 434	14 091 183
with external rating	7 773 869	8 361 299
with internal rating	5 853 565	5 729 884
<b>Gross total</b>	<b>13 640 432</b>	<b>14 104 181</b>
<b>Impairment allowances</b>	<b>(12 998)</b>	<b>(12 998)</b>
<b>Net total by carrying amount</b>	<b>13 627 434</b>	<b>14 091 183</b>

### Level of exposure to credit risk

The table below presents maximum exposure to credit risk of the Bank as at 31 March 2012 and as at 31 December 2011, excluding collaterals and related improvement of credit situation, by net carrying amount.

Items of the statement of financial position	31.03.2012	31.12.2011
Current account in the central bank	3 748 381	6 845 759
Amounts due from banks	1 894 395	2 320 198
Trading assets – debt securities	2 428 892	1 300 164
Derivative financial instruments	2 853 252	3 065 149
Financial instruments designated upon initial recognition at fair value through profit and loss – debt securities	14 867 729	12 467 201
Loans and advances to customers	139 459 715	140 058 649
Investment securities available for sale – debt securities	13 627 434	14 104 181
Other assets - other financial assets	479 728	380 795
<b>Total</b>	<b>179 359 526</b>	<b>180 542 096</b>
<b>Off-balance sheet items</b>	<b>31.03.2012</b>	<b>31.12.2011</b>
Irrevocable loan commitments	6 489 206	6 569 014
Guarantees granted	5 740 506	5 657 237
Letters of credit granted	412 127	418 383
Underwriting of issues	1 356 447	1 328 433
<b>Total</b>	<b>13 998 286</b>	<b>13 973 067</b>

### Financial assets valued with the individual method for which individual impairment allowance has been recognised by carrying amount gross

	31.03.2012	31.12.2011
<b>Amounts due from banks</b>	<b>38 926</b>	<b>42 166</b>
<b>Loans and advances to customers</b>	<b>4 802 169</b>	<b>4 459 538</b>
Non-financial sector	4 794 589	4 451 987
corporate loans	3 460 073	3 267 730
mortgage loans	1 262 781	1 108 920
consumer loans	71 735	75 337
Public sector	7 580	7 551
corporate loans	7 580	7 551
<b>Investment debt securities available for sale issued by non-financial entities</b>	<b>12 998</b>	<b>12 998</b>
<b>Total</b>	<b>4 854 093</b>	<b>4 514 702</b>

### Interest rate risk

Exposure of the Bank to interest rate risk was within accepted limits. The Bank was mainly exposed to PLN interest rate risk, which represented about 75% of the Bank's value at risk (VaR) as at 31 March 2012 and about 77% as at 31 December 2011.

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

Name of sensitivity measure	31.03.2012	31.12.2011
VaR for a 10-day time horizon (in PLN thousand)	40 343	62 661
Parallel movement of interest rate curves by 200 b.p. (in PLN thousand) (stress-tests)	256 653	486 121

## Currency risk

VaR (for a 10-day time horizon, 99%) of the Bank and stress-testing analysis of the Bank's exposure to currency risk are stated in the table below:

Name of sensitivity measure	31.03.2012	31.12.2011
VaR for a 10-day time horizon with a confidence level of 99% threshold (in PLN thousand)	934	1 470
Change in CUR/PLN by 20% (in PLN thousand) (stress-test)	14 113	2 969

The level of the currency risk was low both as at 31 March 2012 and as at 31 December 2011.

PKO Bank Polski SA's currency positions are presented in the table below:

Currency position	31.03.2012	31.12.2011
USD	(3 130)	(13 151)
GBP	(109)	49
CHF	(25 348)	(36 795)
EUR	(20 852)	70 224
Other (Global Net)	24 922	10 985

## Liquidity risk

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

	a'vista	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 24 months	24 - 60 months	over 60 months
								31.03.2012
Adjusted gap in real terms	6 000 317	11 243 160	834 279	(3 787 924)	3 425 943	9 466 963	15 166 348	<b>(42 349 086)</b>
Cumulative adjusted gap in real terms	6 000 317	17 243 477	18 077 756	14 289 832	17 715 775	27 182 738	42 349 086	-
								31.12.2011
Adjusted gap in real terms	7 426 100	12 228 512	(1 386 297)	1 477 225	(1 254 297)	10 195 400	15 701 903	<b>(44 388 546)</b>
Cumulative adjusted gap in real terms	7 426 100	19 654 612	18 268 315	19 745 540	18 491 243	28 686 643	44 388 546	-

In all time horizons, the Bank's cumulative liquidity gap in real terms as at 31 March 2012 and as at 31 December 2011 was positive. This means a surplus of assets receivable over liabilities payable.

## Capital adequacy

The level of capital adequacy of the Bank as at 31 March 2012 remained on the safe level significantly above the statutory limits.

Compared with 31 December 2011, the Bank's capital adequacy ratio increased by 1.66 pp., which was mainly caused by an increase of the Bank's own funds calculated for capital adequacy purposes due to the recognition of profit earned by the Bank in 2011 after expected charges deduction.

### Own funds calculated for capital adequacy purposes

As at 31 March 2012, own funds of the Bank calculated for capital adequacy purposes increased by PLN 2 384 522 thousand, which was mainly due to the recognition of profit earned by the Bank in 2011 after expected charges deduction (in amount PLN 2 366 122 thousand).

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

<b>BANK'S OWN FUNDS</b>	<b>31.03.2012</b>	<b>31.12.2011</b>
<b>Basic funds (Tier 1)</b>	<b>18 716 405</b>	<b>16 225 262</b>
Share capital	1 250 000	1 250 000
Reserve capital	12 898 111	12 898 111
Other reserves	3 319 621	3 319 621
General banking risk fund for unidentified banking activities risk	1 070 000	1 070 000
Unappropriated profit from previous years less any expected charges	2 452 884	-
Unrealised losses on debt and equity instruments classified as available for sale	(78 697)	(127 287)
Assets valuation adjustments	(51)	(143)
Intangible assets	(1 525 192)	(1 522 568)
Equity exposures	(670 271)	(662 472)
<b>Supplementary funds (Tier 2)</b>	<b>985 651</b>	<b>989 525</b>
Subordinated liabilities classified as supplementary funds	1 600 700	1 600 700
Unrealised profits on debt and equity instruments classified as available for sale (up to 80% of their values before tax)	55 222	51 297
Equity exposures	(670 271)	(662 472)
<b>Short-term equity (Tier 3)</b>	<b>30 387</b>	<b>133 134</b>
<b>TOTAL OWN FUNDS</b>	<b>19 732 443</b>	<b>17 347 921</b>

### Capital requirements (Pillar 1)

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

<b>Capital requirements</b>	<b>31.03.2012</b>	<b>31.12.2011</b>
<b>Credit risk</b>	<b>10 412 102</b>	<b>10 486 573</b>
credit risk (banking book)	10 299 460	10 363 885
counterparty risk (trading book)	112 642	122 688
<b>Market risk</b>	<b>387 148</b>	<b>390 863</b>
price of goods	1	-
equity securities risk	3 048	1 604
specific risk of debt instruments	292 957	294 836
general risk of interest rates	91 142	94 423
<b>Operational risk</b>	<b>820 104</b>	<b>757 943</b>
<b>Total capital requirements</b>	<b>11 619 354</b>	<b>11 635 379</b>
<b>Capital adequacy ratio</b>	<b>13.59%</b>	<b>11.93%</b>

## FURTHER EXPLANATORY DATA

### Identification data

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

### The Authorities of PKO Bank Polski SA in the reporting period

Table 1. The Management Board of PKO Bank Polski SA as at 31 March 2012

No.	Name	Function	Date of appointment
1.	Zbigniew Jagiełło	President of the Management Board of PKO Bank Polski SA	appointed on 2 March 2011 to the position of President of the Management Board of PKO Bank Polski SA, for the joint term of the Management Board of PKO Bank Polski SA, which began on 30 June 2011.
2.	Piotr Alicki	Vice-President of the Management Board of PKO Bank Polski SA	appointed on 1 April 2011 to the position of Vice-President of the Management Board of PKO Bank Polski SA for the joint term of the Management Board of PKO Bank Polski SA, which began on 30 June 2011.
3.	Bartosz Drabikowski	Vice-President of the Management Board of PKO Bank Polski SA	appointed on 1 April 2011 to the position of Vice-President of the Management Board of PKO Bank Polski SA for the joint term of the Management Board of PKO Bank Polski SA, which began on 30 June 2011.
4.	Andrzej Kołatkowski	Vice-President of the Management Board of PKO Bank Polski SA	appointed on 16 May 2011 to the position of Vice-President of the Management Board of PKO Bank Polski SA responsible for Risk and Debt Collection Area, for a joint term of the Management Board of PKO Bank Polski SA which began on 30 June 2011, provided that he obtains the approval of the Polish Financial Supervision Authority for performing this function. On 9 August 2011, the Polish Financial Supervision Authority approved Mr Andrzej Kołatkowski as Vice-President of the Management Board of PKO Bank Polski SA.
5.	Jarosław Myjak	Vice-President of the Management Board of PKO Bank Polski SA	appointed on 1 April 2011 to the position of Vice-President of the Management Board of PKO Bank Polski SA for the joint term of the Management Board of PKO Bank Polski SA, which began on 30 June 2011.
6.	Jacek Obłąkowski	Vice-President of the Management Board of PKO Bank Polski SA	appointed on 1 April 2011 to the position of Vice-President of the Management Board of PKO Bank Polski SA for the joint term of the Management Board of PKO Bank Polski SA, which began on 30 June 2011. Vice-President of the Management Board of PKO Bank Polski SA Mr Jacek Obłąkowski assumed function on 30 June 2011.
7.	Jakub Papierski	Vice-President of the Management Board of PKO Bank Polski SA	appointed on 1 April 2011 to the position of Vice-President of the Management Board of PKO Bank Polski SA for the joint term of the Management Board of PKO Bank Polski SA, which began on 30 June 2011.

Table 2. The Supervisory Board of PKO Bank Polski SA as at 31 March 2012

No.	Name	Function	Date of appointment / recalling
1.	Cezary Banasiński	Chairman of the Supervisory Board of PKO Bank Polski SA	appointed on 30 June 2011 for the joint term of the Supervisory Board of PKO Bank Polski SA, which began that day. On 30 June 2011 the Minister of State Treasury appointed Mr Cezary Banasiński, a member of the Supervisory Board of PKO Bank Polski SA, as a Chairman of the Supervisory Board of PKO Bank Polski SA.
2.	Tomasz Zganiacz	Deputy-Chairman of the Supervisory Board of PKO Bank Polski SA	appointed on 30 June 2011 for the joint term of the Supervisory Board of PKO Bank Polski SA, which began that day. On 30 June 2011 the Minister of State Treasury appointed Mr Tomasz Zganiacz, a member of the Supervisory Board of PKO Bank Polski SA, as a Deputy-Chairman of the Supervisory Board of PKO Bank Polski SA.
3.	Mirosław Czekaj	Secretary of the Supervisory Board of PKO Bank Polski SA	appointed on 30 June 2011 for the joint term of the Supervisory Board of PKO Bank Polski SA, which began that day. On 6 July 2011 the Supervisory Board of PKO Bank Polski SA chose Mr Mirosław Czekaj as Secretary of the Supervisory Board of PKO Bank Polski SA.
4.	Jan Bossak	Member of the Supervisory Board of PKO Bank Polski SA	appointed on 30 June 2011 for the joint term of the Supervisory Board of PKO Bank Polski SA, which began that day.
5.	Krzysztof Kilian	Member of the Supervisory Board of PKO Bank Polski SA	appointed on 30 June 2011 for the joint term of the Supervisory Board of PKO Bank Polski SA, which began that day.
6.	Piotr Marczak	Member of the Supervisory Board of PKO Bank Polski SA	appointed on 30 June 2011 for the joint term of the Supervisory Board of PKO Bank Polski SA, which began that day.
7.	Ewa Miklaszewska	Member of the Supervisory Board of PKO Bank Polski SA	appointed on 30 June 2011 for the joint term of the Supervisory Board of PKO Bank Polski SA, which began that day.
8.	Marek Mroczkowski	Member of the Supervisory Board of PKO Bank Polski SA	appointed on 30 June 2011 for the joint term of the Supervisory Board of PKO Bank Polski SA, which began that day.
9.	Ryszard Wierzbą	Member of the Supervisory Board of PKO Bank Polski SA	appointed on 30 June 2011 for the joint term of the Supervisory Board of PKO Bank Polski SA, which began that day.

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

To the best knowledge of PKO Bank Polski SA, the shareholders holding, directly or indirectly, at least 5% of total votes at the General Shareholders' Meeting of the Bank are two entities: the State Treasury and Bank Gospodarstwa Krajowego. As at the date of submission of this Report, the State Treasury and Bank Gospodarstwa Krajowego hold 512 406 277 and 128 102 731 shares of PKO Bank Polski SA respectively.

The percentage share of the State Treasury and of Bank Gospodarstwa Krajowego in the share capital of PKO Bank Polski SA amount to respectively 40.99% and 10.25% and match the percentage share in the total number of votes at the General Shareholders' Meeting of PKO Bank Polski SA.

Table 3. Shareholding structure in PKO Bank Polski SA

Shareholders	As at the date of submission of the report for the 1st quarter of 2012		As at 31 December 2011		Change of the share in the number of votes on General Shareholders' Meeting (pp.)
	Numbers of shares	Share in the number of votes on General Shareholders' Meeting	Numbers of shares	Share in the number of votes on General Shareholders' Meeting	
State Treasury	512 406 277	40.99%	512 406 277	40.99%	0.00
Bank Gospodarstwa Krajowego	128 102 731	10.25%	128 102 731	10.25%	0.00
Other shareholders	609 490 992	48.76%	609 490 992	48.76%	0.00
Total	1 250 000 000	100.00%	1 250 000 000	100.00%	0.00

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

Table 4. PKO Bank Polski SA shares held by the Management and Supervisory Board Members

No.	Name	Number of shares as at the date of submission of the Report for the 1st quarter of 2012	Purchase	Disposal	Number of shares as at 31 December 2011
<b>I. Management Board of PKO Bank Polski SA</b>					
1.	Zbigniew Jagiełło, President of the Management Board	9 000	-	-	9 000
2.	Piotr Alicki, Vice-President of the Management Board	2 627	-	-	2 627
3.	Bartosz Drabikowski, Vice-President of the Management Board	-	-	-	-
4.	Andrzej Kołatkowski, Vice-President of the Management Board	-	-	-	-
5.	Jarosław Myjak, Vice-President of the Management Board	-	-	-	-
6.	Jacek Obłękowski, Vice-President of the Management Board	512	-	-	512
7.	Jakub Papierski, Vice-President of the Management Board	3 000	-	-	3 000
<b>II. Supervisory Board of PKO Bank Polski SA</b>					
1.	Cezary Banasiński, Chairman of the Supervisory Board	-	-	-	-
2.	Tomasz Zganiacz, Deputy-Chairman of the Supervisory Board	-	-	-	-
3.	Miroslaw Czekaj, Secretary of the Supervisory Board	-	-	-	-
4.	Jan Bossak, Member of the Supervisory Board	-	-	-	-
5.	Krzysztof Kilian, Member of the Supervisory Board	-	-	-	-
6.	Piotr Marczak, Member of the Supervisory Board	-	-	-	-
7.	Ewa Miklaszewska, Member of the Supervisory Board	-	-	-	-
8.	Marek Mroczkowski, Member of the Supervisory Board	-	-	-	-
9.	Ryszard Wierzbą, Member of the Supervisory Board	2 570	-	-	2 570

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

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

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

In subsequent quarters, the results of PKO Bank Polski SA 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 a response of the financial markets to those processes. 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.

### **Information on the issue, redemption and repayment of debt and equity instruments**

1. In the first quarter of 2012, Bankowy Fundusz Leasingowy SA issued 27 000 bonds with a total nominal value of PLN 270 million and redeemed 34 500 bonds with a total nominal value of PLN 345 million. At the end of March of this year, the Company's debt due to the bonds issue amounted to PLN 270 million, while the Bank's liability to coverage of Company's bond in order to guarantee the placement amounted to PLN 330 million.

As at 31 March 2012, 5 083 BFL SA bonds with a total nominal value of PLN 50.8 million were included in PKO Bank Polski SA portfolio and the remaining 21 917 bonds with a total nominal value of PLN 219.2 million were sold on a secondary market.

2. On 10 February 2012, PKO Bank Polski SA carried out an issue of own bonds based on the Scheme for Issuing bonds for the domestic market, which PKO Bank Polski SA gave information about in its current report No. 32/2011 of 21 June 2011. The information concerning the issue was announced publicly. The terms of issue are as follows:
  - a. the bonds have been issued based on the Act on bonds, and the funds obtained from the issue were designated for the general financing purposes of PKO Bank Polski SA,
  - b. the bonds issued are zero-coupon discount bearer bonds; the redemption of the bonds issued as part of the issue will be performed at their nominal value,
  - c. the nominal value of the bonds issued on 10 February 2012 as part of the issue is PLN 1 500 million,
  - d. the nominal value of one bond issued as part of the issue is PLN 100 000,
  - e. the issue price of the bonds issued as part of the issue is equal to PLN 1 480 650 000.

As a result of the issue carried out on 10 February 2012, the total value of the bonds issued by PKO Bank Polski SA as part of the issue scheme not yet redeemed, together with the value of the bonds issued as part of the Issue, exceeded 10% of the equity of PKO Bank Polski.

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

In the first quarter of 2012, PKO Bank Polski SA and the subsidiaries of PKO Bank Polski SA did not conclude any transaction with related parties not on arms' length.

### **Results of changes in the entity's structure, including the effects of merger, 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 merger, takeover or sale of the Group entities have been described in Note 30 in Notes to the condensed interim consolidated financial statements.

### **Information on guarantees or warranties on loans and advances granted by the issuer or by the issuer's subsidiary – cumulatively to a single entity or its subsidiary, if the total value of outstanding warranties and guaranties constitutes at least 10% of the Issuer's equity**

In the first quarter of 2012, PKO Bank Polski SA and the subsidiaries of PKO Bank Polski SA did not grant any guarantees or warranties on loans or advances to a single entity or its subsidiary that would constitute at least 10% of the Bank's equity.

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

In the first quarter of 2012, PKO Bank Polski SA and the subsidiaries of PKO Bank Polski SA did not take out any loans, advances or receive any guarantees or warranties that were not related to its operating activity.



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

In the first quarter of 2012, PKO Bank Polski SA and the subsidiaries of PKO Bank Polski SA did not conclude any significant agreements with the central bank or supervisory authorities.

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

As at 31 March 2012, the total value of court proceedings against the PKO Bank Polski SA Group entities was PLN 423 914 thousand, while the total value of court proceedings initiated by the PKO Bank Polski SA Group entities was PLN 563 886 thousand.

PKO Bank Polski SA Group's entities have not conducted any proceedings before court, arbitration tribunal or public administration authorities concerning liabilities or receivables, the value of which amounts to at least 10% of the equity of PKO Bank Polski SA.

### **Position of the PKO Bank Polski SA Management Board 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 2012.

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

On 4 April 2012, PKO Bank Polski SA adopted the following dividend policy:

'The general principle of the Bank's dividend policy is the stable execution of dividend payments over a long period in keeping with the principle of prudent management and in line with the Bank's and the Group's financial capabilities determined based on the adopted criteria. The objective of the dividend policy is to optimally shape the Bank's and the Group's capital structure, taking into account the return on capital employed and its cost, capital requirements related to development, accompanied by the necessity to ensure an appropriate level of the capital adequacy ratios.

The Management Board's intention is to recommend to the General Shareholders' Meeting in the future passing resolutions on dividend payments in amounts exceeding the adopted capital requirements indicated below:

- the capital adequacy ratio (CAR) of the Bank and the Group will be above 12.00%, and the necessary capital buffer will be maintained,
- the common equity Tier 1 ratio of the Bank and the Group will be above 9.00%, and the necessary capital buffer will be maintained.

However, the dividend payment policy may be amended by the Management Board as required, and the decision in this matter will be made taking into account a number of factors related to the Bank and the Group, in particular, the current and anticipated financial standing and regulatory requirements. In accordance with the provisions of the law, each resolution on the payment of dividend will be considered by the General Shareholders' Meeting.'

The dividend policy as presented above was approved by the Supervisory Board of PKO Bank Polski SA on 4 April 2012.

On 9 May 2012, the Management Board of PKO Bank Polski SA passed a resolution on the distribution of profit earned in 2011. In this resolution the following distribution of PKO Bank Polski SA's profit earned in the period from 1 January 2011 to 31 December 2011 amounting to PLN 3 953 622 thousand was proposed:

1) the dividend for shareholders	PLN 1 587 500 thousand,
2) reserve capital	PLN 2 300 000 thousand,
3) other reserves	PLN 66 122 thousand.

The said resolution is the proposal of the Bank's Management Board, for approval of the Supervisory Board of PKO Bank Polski SA in order to present it to the General Shareholders' Meeting of the Bank.



***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 10 January 2012, PKO Bank Polski SA signed an agreement with one of the clients for opening and maintaining consolidated accounts and execution of mass payments for a period of 4 years. As part of the agreement, the Bank will grant an intra-day credit limit of up to PLN 2 080 million. In the event of failing to repay the debit balance arising on a given day, PKO Bank Polski SA will be entitled to suspend the execution of the Customer's orders until the debit balance is covered in full. In such case, PKO Bank Polski SA shall be entitled to default interest in the amount of statutory interest.

The revenue of PKO Bank Polski SA in respect of fulfilment of the contract is based, among other things, on income related to the customer's funds, funds remaining on the accounts of individuals on behalf of whom the transactions are executed and on foreign exchange differences arising from the realisation of the payment of benefits abroad.

In the event that PKO Bank Polski SA fails to meet the deadlines for implementing the full functionality of the system not later than within 90 days from the date of signing the contract, and opening accounts not later than within 30 days from the date of signing the contract, the Bank shall pay contractual penalties of PLN 10 000 to the customer for each day of failing to meet any of the deadlines.

In the event of unjustified withdrawal from the contract by the Bank, the Bank shall pay a contractual penalty to the customer of PLN 500 000. When the contract cannot be fulfilled due to the fault of the Bank, the customer may withdraw from the contract while maintaining the right to accrue the contractual penalty in the above-mentioned amount.

Payment of the above-mentioned penalties may result in exceeding the amount of EUR 200 000 referred to in §9 clause 5 of the Decree of the Minister of Finance dated 19.02.2009 on current and periodical information submitted by issuers of securities and the conditions of considering as equivalent the information required by law of a non-member country ('the Decree') (Journal of Laws No. 33/2009, item 259). Payment of contractual penalties does not preclude the right to claim compensation exceeding the amount of the penalties.

Concluding the contract resulted in meeting the conditions giving rise to the obligation to give information that PKO Bank Polski SA concluded a significant contract because the total value of the services arising from the contracts concluded by the Bank with a customer of PKO Bank Polski SA met the criteria referred to in §2 clause 1.44.a and in association with §2 clause 2 of the Decree of the Minister of Finance dated 19.02.2009 on current and periodical information submitted by issuers of securities (...) (Journal of Laws No. 33/2009, item 259).

The total exposure of PKO Bank Polski SA in respect of the agreements concluded by the Bank with the client and its subsidiaries in the last 12 months before the date of agreement is PLN 4 580 million.

As part of the above contract, making a global intra-day debit limit available, made it the contract of the highest value among those concluded by PKO Bank Polski SA with a customer during the 12 month period preceding its conclusion.

## Approval of financial statements

These condensed interim consolidated financial statements, reviewed by the Supervisory Board's Audit Committee on 9 May 2012, have been approved for issue by the Bank's Management Board on 9 May 2012.

## Signatures of all Members of the Management Board of the Bank

09.05.2012	Zbigniew Jagiełło	President of the Management Board	..... (signature)
09.05.2012	Piotr Alicki	Vice-President of the Management Board	..... (signature)
09.05.2012	Bartosz Drabikowski	Vice-President of the Management Board	..... (signature)
09.05.2012	Andrzej Kołatkowski	Vice-President of the Management Board	..... (signature)
09.05.2012	Jarosław Myjak	Vice-President of the Management Board	..... (signature)
09.05.2012	Jacek Obłękowski	Vice-President of the Management Board	..... (signature)
09.05.2012	Jakub Papierski	Vice-President of the Management Board	..... (signature)

Signature of person responsible for  
maintaining the books of account

09.05.2012  
Danuta Szymańska  
Director of the Bank

.....  
(signature)