



Bank Polski

Report of the PKO Bank Polski SA Group for the first quarter of 2015

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	period from 01.01.2015 to 31.03.2015	period from 01.01.2014 to 31.03.2014	period from 01.01.2015 to 31.03.2015	period from 01.01.2014 to 31.03.2014
Net interest income	1 670 738	1 739 828	402 694	415 293
Net fee and commission income	679 150	705 415	163 694	168 381
Operating profit	802 398	1 008 957	193 400	240 836
Profit before income tax	810 913	1 003 325	195 453	239 491
Net profit (including non-controlling shareholders)	635 762	798 981	153 236	190 715
Net profit attributable to equity holders of the parent company	647 181	802 574	155 989	191 573
Earnings per share for the period – basic (in PLN/EUR)	0.52	0.64	0.12	0.15
Earnings per share for the period – diluted (in PLN/EUR)	0.52	0.64	0.12	0.15
Net comprehensive income	649 285	784 581	156 496	187 278
Net cash flow generated from operating activities	1 679 474	6 246 279	404 800	1 490 972
Net cash flow used in investing activities	(880 140)	(2 768 757)	(212 138)	(660 896)
Net cash flow used in / generated from financing activities	(962 008)	1 829 378	(231 871)	436 668
Net cash flow	(162 674)	5 306 900	(39 209)	1 266 745

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	as at 31.03.2015	as at 31.12.2014	as at 31.03.2015	as at 31.12.2014
Total assets	256 583 926	248 700 589	62 749 798	58 348 917
Total equity	28 264 836	27 615 551	6 912 408	6 479 026
Capital and reserves attributable to equity holders of the parent company	28 286 312	27 625 566	6 917 660	6 481 375
Share capital	1 250 000	1 250 000	305 698	293 269
Number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Book value per share (in PLN/EUR)	22.61	22.09	5.53	5.18
Diluted number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Diluted book value per share (in PLN/EUR)	22.61	22.09	5.53	5.18
Capital adequacy ratio	13.11%	12.96%	13.11%	12.96%
Capital (Tier 1)	22 941 888	22 348 472	5 610 635	5 243 289
Capital (Tier 2)	2 476 764	2 394 713	605 714	561 836

SELECTED STAND-ALONE FINANCIAL DATA	PLN thousand		EUR thousand	
	period from 01.01.2015 to 31.03.2015	period from 01.01.2014 to 31.03.2014	period from 01.01.2015 to 31.03.2015	period from 01.01.2014 to 31.03.2014
Net interest income	1 626 556	1 703 601	392 045	406 646
Net fee and commission income	616 899	658 696	148 690	157 229
Operating profit	817 369	1 044 129	197 009	249 231
Profit before income tax	817 369	1 044 129	197 009	249 231
Net profit	646 826	846 715	155 903	202 109
Earnings per share for the period – basic (in PLN/EUR)	0.52	0.68	0.12	0.16
Earnings per share for the period – diluted (in PLN/EUR)	0.52	0.68	0.12	0.16
Net comprehensive income	681 636	891 594	164 293	212 821
Net cash flow generated from operating activities	1 538 709	6 267 336	370 872	1 495 998
Net cash flow used in investing activities	(997 473)	(2 841 221)	(240 419)	(678 193)
Net cash flow used in / generated from financing activities	(810 574)	1 899 279	(195 371)	453 353
Net cash flow	(269 338)	5 325 394	(64 918)	1 271 159

SELECTED STAND-ALONE FINANCIAL DATA	PLN thousand		EUR thousand	
	as at 31.03.2015	as at 31.12.2014	as at 31.03.2015	as at 31.12.2014
Total assets	251 657 949	243 760 527	61 545 109	57 189 904
Total equity	28 283 792	27 602 156	6 917 044	6 475 883
Share capital	1 250 000	1 250 000	305 698	293 269
Number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Book value per share (in PLN/EUR)	22.63	22.08	5.53	5.18
Diluted number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Diluted book value per share (in PLN/EUR)	22.63	22.08	5.53	5.18
Capital adequacy ratio	13.55%	13.37%	13.55%	13.37%
Capital (Tier 1)	23 183 860	22 558 648	5 669 812	5 292 600
Capital (Tier 2)	2 383 358	2 321 062	582 871	544 556

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

- the income statement, the statement of comprehensive income and the cash flow statement items – the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month of the three-month period ended 31 March 2015 and 31 March 2014: EUR 1 = PLN 4.1489 and EUR 1 = PLN 4.1894,
- the statement of financial position items – average NBP exchange rate as at 31 March 2015: EUR 1 = PLN 4.0890, as at 31 December 2014: EUR 1 = PLN 4.2623.



DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS
OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2015

**Directors' Commentary
to the financial results
of the PKO Bank Polski SA Group
for the first quarter of 2015**



Bank Polski

DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2015

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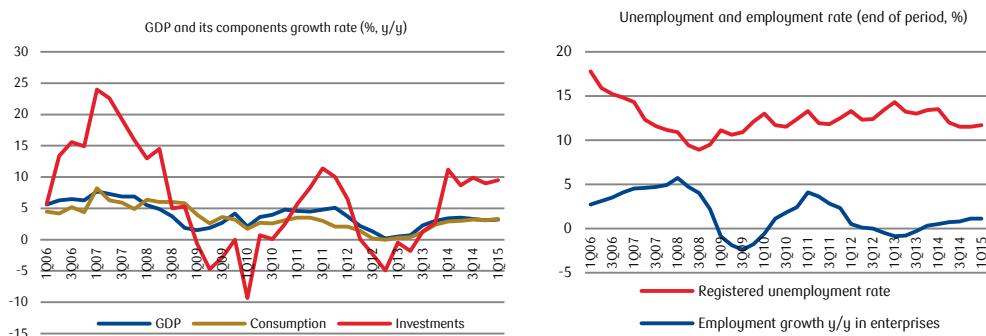
DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2015

1. External environment

Macroeconomic environment

Macroeconomic factors influencing the national economy in the first quarter of 2015:

- **The stabilisation/acceleration of economic growth** – On the basis of monthly indicators of economic activity for January-March it is estimated that the annual GDP growth in the first quarter of 2015 amounted to 3.5%, exceeding 3.3% recorded in the fourth quarter of 2014, along with very strong domestic demand (of consumption and investments) and a growth of external demand (a positive effect of the revival of export to the Eurozone outweighs a negative effects of the collapse of export to Russia and Ukraine),
- **The recovery on the labour market** – The registered unemployment rate amounted to 11.7% as at the end of March (preliminary data of the Ministry of Labour and Social Policy) compared with 11.5% as at the end of the fourth quarter of 2014, increasing during the quarter to significantly lesser extent than a seasonal standard (+0.7 pp. on average in the last 5 years). The annual growth rate in salaries and wages in the enterprise sector reached 3.9% in the first quarter of 2015 compared with 4.1% in the fourth quarter of 2014, accompanied by dynamics of employee pensions and disability benefits at the level of 3.0% y/y in January-February 2015 (compared with 3.1% in the fourth quarter of 2014). Along with the deepening deflation in the first quarter of 2015, it constitutes the acceleration in an increase in real income to approx. 5.5% y/y,
- **Suppressed inflationary pressure** – The CPI inflation amounted to -1.5% y/y in March 2015, compared to -1.0% y/y in December, along with relatively stable core inflation (0.2% in March) and further decline in food and fuel prices (the both components deducted the total of -1.6 pp. from the CPI inflation in March),
- **Additional monetary policy adjustment** – Due to deepening deflation and extension of its expected period, the Monetary Policy Council ('MPC', RPP – Rada Polityki Pieniężnej) decreased in March the basic interest rates by 50 bp. (the reference rate to 1.50%). At the same time however, it announced the completion of the cycle of monetary policy easing.



Interest rate market

On the domestic debt market, the first quarter of 2015 brought a reversal in the positive trends observed in the prior year and resulting from a disinflationary trend. At the end of January, bonds still showed record high yields, but after the ECB announced that it would start quantitative easing in March, yields on 10-year bonds fell to 2.0%, on 5-year bonds to 1.6% and on 2-year bonds to 1.40%. Shortly thereafter, yields on the domestic debt started to climb, in spite of the continued expectations that the NBP would cut interest rates. The gradual increase in the profitability of the domestic debt was due to the continuously improving data on the U.S. labour market, perceived as a signal to start speculating on the timing of the first increase in interest rates for almost a decade. Investors responded to these signals with a gradual increase in the rates at the long end of the U.S. yield curve, and this resulted in the gradual downward repricing on the domestic Treasury bond market. Consequently, between the end of January and the end of March, the increase in the yields of Polish Treasury securities ranged from between 40 bp. at the long end of the curve and 20 bp. at the short end. The impact of the domestic factors was moderate in this period and was limited only to a nervous reaction to the NBP's decision reducing interest rates by 50 bp. The announcement made by the Monetary Policy Council at its press conference that this would be the closing of the reduction cycle resulted in a dramatic sale of domestic debt securities across the entire yield curve.

Foreign exchange market

The first quarter of 2015 was characterised by high volatility both on the EUR/USD and EUR/PLN market. The EUR/USD exchange rate fluctuated between 1.21 and 1.05 and the EUR/PLN rate – between 4.34 and 4.06. A deceleration in economic growth in the euro area and the growing deflationary pressure persuaded the ECB in January to expand its quantitative easing programme to include the purchase of Treasury bonds of euro area countries. This decision triggered the process of depreciation of the euro against the dollar which lasted until mid-March (the EUR/USD exchange rate fell from approx. 1.21 to 1.05 between January and mid-March). The strengthening of the dollar against the euro was additionally fuelled by the expectations of an interest rate increase in the U.S. The change in the Fed's overall tone from optimistic to moderate delayed the market expectations as regards the possibility of an interest rate increase in the U.S. from June to September which enabled the EUR/USD exchange rate to rebound and reach approx. 1.07 at the end of the quarter. The EUR/USD exchange rate at the beginning of the first quarter of 2015 was high (4.28) due to the escalation of geopolitical tension in the Ukraine in December 2014 and the resulting depreciation of the rouble. The strong depreciation of the rouble raised concerns as regards the stability of the financial system in Russia. These concerns weakened the currencies of the Central and Eastern Europe region, including the zloty. Another impulse which unfavourably affected the zloty at the beginning of the quarter was the fact that on 15 January 2015, the central bank of Switzerland announced that it would stop defending the EUR/CHF exchange rate at a level of 1.20. As a result, the zloty weakened against the euro to approx. 4.34 due to the concerns of the possible impact of a strong Swiss franc on the smooth

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servicing of CHF-denominated mortgage loans which have a significant share in the Polish banks' assets. The trend of the gradual appreciation of the zloty started only after the ECB's asset purchase programme had been expanded to include Treasury bonds and the resulting weakening of the euro on the global market. The zloty benefited from this process too, and strengthened to below 4.20 against the euro. A further appreciation of the zloty towards 4.10 was due to the announcement by the MPC that the cycle of reductions in the interest rates in Poland was completed and a commentary of the President of the NBP, Marek Belka, who stated that he expected further appreciation of the zloty. The FOMC announcement in March which delayed the probable timing of the first interest rate increase in the USA towards the second half of 2015 contributed to the fact that the EUR/PLN exchange rate fell below 4.10 at the end of the quarter.

Stock market

In the first quarter of 2015, the WIG index increased by 5%, but the Warsaw Stock Exchange results were not spectacular against the background of other European stock exchanges. Investors' concerns regarding the potential effects of a system-wide solution for the borrowers of Swiss-franc-denominated loans which could result in significant losses for the financial sector constituted the main hampering factor in this respect. Banks are the dominant component of the WIG (almost 30%) and their difficulties strongly affected the return rate on the index. The stock market was supported by economic growth which was doing surprisingly well. What is even more important, the structure of this growth confirmed that the economic foundations were sound and improving. The excellent situation on the European stock exchanges favourably affected the Polish market. The extension of the quantitative easing by the ECB, combined with a better outlook for economic growth in the euro area, pushed the Stoxx Europe 600 index up by 16%. The problems in Greece cast a shadow on the moods. Having reached historic record levels at the beginning of March, the U.S. stock exchange reversed almost all gains because of discouraging corporate results and uncertainty as regards the future central bank policy. Ultimately, the S&P index ended the quarter barely in the black. Among the countries classified as 'developing', an increasing differentiation may be noted in the economic growth rates. This is mainly due to two reasons: the direction and degree of exposure to commodity prices and vulnerability to the USD exchange rate and the potential tightening of the monetary policy in the U.S.

The situation of the Polish banking sector

Financial result and performance indicators

The financial result of the Polish banking sector was realised in the conditions of historically low basic interest rates and a stable, accelerating economic growth, an improving situation on the labour market and a depreciation of the Polish currency against the Swiss franc. As at the end of February 2015 the net profit of the banking sector amounted to PLN 2.5 billion and was 4.8% lower than in the previous year.

The deterioration in the net profit was affected by:

- an increase in administrative expenses (by 6.2% y/y), mainly due to the growth of overheads, where a significant factor was an increase in fees to the bank deposit guarantee system (BGF),
- an increase in result on business activities (by 2.5% y/y), due to an increase in result on other business activities, and simultaneously a decrease in net interest income (an impact of low basic interest rates) and a decrease in net fee and commission income (i.a. an impact of a decrease in income related to interchange fee).

There was a significant deterioration in operational efficiency of the banking sector: at the end of February 2015 the C/I ratio increased to 54.9% as compared with 52.9% in the corresponding period of 2014.

Risk cost

As at the end of February 2015 impaired loans increased by 1.4% compared to the end of 2014, which was affected by an increase in impaired loans in the corporate loans segment (+1.2% compared to the end of 2014), an increase in impaired loans in the housing loans segment (+4.4% compared to the end of 2014), accompanied by a decrease in impaired loans in consumer loans segment (-0.4% compared to the end of 2014). As at the end of February 2015 a relatively stable situation in respect of the quality of loans portfolio was recorded, the ratio of total non-performing loans amounted to 8.0%, of which loans for large enterprises maintained at the level of 11.2%, housing loans 3.1% and consumer loans 12.7%.

The business situation

At the end of February 2015, the total assets of the banking sector increased to PLN 1 565 billion and were 8.9% higher than as at the end of February 2014. The situation on loan market in the first quarter of 2015 was affected by a significant depreciation of the Polish currency against Swiss franc – in January 2015 the Swiss central bank decided to cease defending the minimum CHF/EUR exchange rate, which resulted in the rapid CHF appreciation and the strong PLN depreciation against CHF. The situation has slightly stabilised as at the end of March 2015.

In the first quarter of 2015 the value of total loans increased by PLN 23.1 billion, and the loans growth rate has accelerated y/y to 7.4% from 7.1% at the end of 2014. After adjusting for changes in exchange rates, the annualised total loans growth rate was lower and was ca. 6.0%.

In the first quarter of 2015, a high increase in the corporate loans was recorded, their value increased by ca. PLN 4.3 billion, and the growth rate y/y decreased to 6.1% from 7.4% as at the end of 2014. The lending activity addressed to small and medium enterprises was supported by continued government programme 'Portfolio de Minimis Guarantee Facility' (Portfelowa Linia Gwarancyjna de minimis).

In the first quarter of 2015 the change in the volume of housing loans was affected by depreciation of the Polish currency against CHF. The value of housing loans increased by PLN 14.4 billion compared to the end of 2014, of which ca. 70% was the effect of changes in exchange rates.

In the first quarter of 2015, a slight increase in the value of consumer loans portfolio was recorded, the consumer loans growth rate increased to 5.5% y/y from 4.5% y/y as at the end of 2014. The situation in this market segment was determined i.a. by easing the lending policy and the historically low level of interest rates, including the level of Lombard rate, defining the maximum level of interest rate on loans.

In the first quarter of 2015 the increase in the value of total deposits was lower than loans. The total deposits increased by PLN 17 billion and their growth rate decreased to 8.9% y/y from 9.3% y/y as at the end of 2014. The increase in the current retail deposits had the greatest influence on

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the total deposit growth. The retail deposit growth in the first quarter has a seasonal nature, resulting from additional payments of bonuses and annual employee awards.

At the end of the first quarter of 2015, the gap between loans and deposits increased to PLN 43.7 billion, which resulted in the growth of the ratio between loans and deposits to 104.4%.

The Ukrainian market

The recession in Ukraine deepened in the consecutive months of 2014 as the conflict with Russia in the eastern part of the country exacerbated. In the fourth quarter of 2014, the GDP growth rate amounted to -14.8% y/y (it amounted to -6.8% in 2014). In the first quarter of 2015 the GDP decrease could be even deeper, and according to the forecasts of the International Monetary Fund (IMF) the GDP growth rate will amount to -5.5% in 2015. The dynamics of industrial production amounted to -22.5% y/y in February (vs -16.1% y/y on average in the fourth quarter of 2014). The CPI inflation amounted to 45.8% y/y in March, after an increase by 10.8% m/m. From April gas prices for households were increased, which will result in further deterioration of their very difficult situation. The real decrease in wages reaches ca. -30% y/y (the last available data about wages - for February 2015). The further functioning of the Ukrainian economy is closely dependent on the provision of international aid - in March the IMF introduced a new expanded aid plan for Ukraine with a value of USD 17.5 billion, disbursing the first tranche in the amount of USD 5 billion (a debt write-off with a value of USD 15-20 billion was also made). Further USD 4 billion are to be provided by the USA and the EU. In spite of this, it is already known that the aid programme will almost certainly have to be expanded so as to save Ukraine from default. The IMF would announce such decision in June, however the condition is reaching an agreement with the creditors by Ukraine so that it enables the elimination of the fiscal deficit in the amount of USD 15 billion. In accordance with the data of the NBU, the number of banks operating in Ukraine decreased in March to 151 (compared with 180 at the beginning of 2014 and 163 in December). In banking sector, the trend of outflow of foreign capital initiated in 2013 is continued - from the beginning of the year its share decreased from 34.0% to 32.3%.

In 2014, the value of total assets in the Ukrainian banking sector had been increasing and amounted to UAH 1 669 billion as at the end of February (an increase of UAH 353 billion compared with the end of 2013). The increase in the value of assets is connected with strong UAH depreciation. The value of loan portfolio in the Ukrainian banks increased by UAH 398 billion during the same period, due to foreign currency loans, whose growth reached UAH 488 billion (158.7%). An increase in the indebtedness caused by the UAH depreciation affects most strongly enterprises. In the portfolio of loans to financial enterprises an increase amounted to 48.3% from the end of 2013, and to non-financial enterprises 47.1%. During the same period the amounts due of the household sector to banks increased by 45.5%. As at the end of November 2014, the total value of the loan portfolio in the Ukrainian banking sector amounted to UAH 1 370.2 billion, of which UAH 1 332.1 billion represented loans to residents. The largest increase in loans occurred in the long-term loan segment (+80.1%), and subsequently in the 1-5 years segment (+57.1%). The short-term loan portfolio (of less than one year) increased by 24.6%.

The deposit base of the banking sector in Ukraine increased by UAH 185.9 billion (+27.7%) from the end of 2014, as in the case of loans this increase results from the collapse of the UAH exchange rate (until November the growth rate in deposits was almost zero). Household deposits increased by UAH 94 billion (+21.3%), an increase of further UAH 83 billion was recorded in the category of non-financial enterprises (+41.9%), and UAH 5.7 billion in the category of financial enterprises (+21.8%). The amount of deposits from residents in the domestic currency dropped by UAH 69.2 billion (-16.4%). However, an increase in foreign exchange deposits, resulting from currency translation differences, by UAH 255.3 billion (+102.8%) was higher.

The significant depreciation of the hryvnia contributed to the strong deterioration of the loans to deposits ratio, which in February 2015 shaped up at the level of 156% (compared with 148% as at the end of 2014 and 136% as at the end of 2013). During the first two months of this year non-performing loan ratio increased from 13.5% to 16.8% (as at the beginning of 2014 it amounted 7.7%).

Regulatory factors

In the first quarter of 2015, legal and regulatory solutions had an impact for financial and organisational situation of the PKO Bank Polski SA Group, of which:

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A description of the regulation		The impact on the Group results
Reduction of interest rates	Resolution of the Monetary Policy Council No. 6/2014 (Official Journal of the NBP of 2014 item 11) reducing the basic interest rates from 9 October 2014, including the level of the reference rate to 2% and the lombard loan rate to 3% and Resolution of the MPC No. 1/2015 (Official Journal of the NBP of 2015 item 2) reducing the basic interest rates from 5 March 2015, including the level of the reference rate to 1.5% and the lombard loan rate to 2.5%	an impact on the level of net interest income
Higher charges for banks in respect of the BGF	Resolutions of the Bank Guarantee Fund Council Nos. 28/104 and 29/2014 significantly increasing indicators to calculate charges for banks to the bank deposit guarantee system for the year 2015: an annual fee (from 0.100% to 0.189%) and a prudential fee (from 0.037% to 0.050%)	a strong impact on the level of banks' operating costs
Reduction of income from card services	amendments to the Act on payment services (Journal of Laws of 2014 item 1916) introducing limits of the interchange fee (0.2% for debit cards and 0.3% for credit cards)	a significant impact on the level of banks' non-interest income
Higher own contribution for mortgage loans	Resolution of the Polish Financial Supervision Authority No. 148/2013 on Recommendation S concerning management of mortgage-secured loan exposures (Official Journal of the PFSA of 2013 item 23), that introduces stricter requirements concerning own contribution for borrowers from 1 January 2015	an impact on the level of lending activities
Restrictions in insurance distribution by banks	Resolution of the Polish Financial Supervision Authority No. 183/2014 on Recommendation U concerning best practices in the area of bancassurance (Official Journal of the PFSA of 2014 item 12), obliging banks and insurance companies to adjust to new regulations until 31 March 2015	an increase in banks' operating costs due to the necessity of developing a new business model, implementing a new risk management strategy, adopting IT systems
Greater access to consumer bankruptcy	amendments to the Bankruptcy and Recovery Law (Journal of Laws of 2014 item 1306) liberalising from 1 January 2015 principles of consumer bankruptcy	an impact on the level of credit risk
Limitation of effects of increase in CHF exchange rate for mortgage borrowers	Recommendations of the Financial Stability Committee of 20 January 2015 concerning mortgage loans in CHF after making decisions about releasing CHF exchange rate and reducing interest rate to -0.75% by the Swiss National Bank	an impact on banks' net interest income and the quality of the loan portfolio
Limitations of the OPFs' activities	the Act concerning changes in the policies for disbursement of pensions from funds accumulated in OPFs (Journal of Laws of 2013 item 1717), including: an increase from 1 January 2015 in a maximum share of the OPFs' assets invested in shares of companies listed abroad (from 10% to 20%); a decrease from 1 January 2015 in a maximum share of the OPFs' funds invested in shares of national companies (from 75% to 55%); from 3 February 2014 an obligation to transfer by OPFs to ZUS assets of the insured 10 years before their retirement	an impact on the results of open pension management companies

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

- the Act No. 71-VIII/2014 increasing the income tax rate by 5 pp. to 20%, and on dividends by 15 pp. to 20% from 1 January 2015,
- Resolution No. 820/2015 of the NBU's Management Board introducing changes concerning setting up a mandatory reserve by banks (6.5% for current deposits in UAH and foreign currencies, 3% for term deposits) from 31 December 2014; it permitted banks to include 50% of the bank's cash in hand and 100% of the funds on the bank's corresponding accounts in other financial institutions to cover its reserves,
- Resolution No. 859/2014 of the NBU's Management Board prolonging until 1 January 2019 not to apply sanctions against banks which do not comply with the supervisory requirements due to the UAH devaluation, the annexation of Crimea and war in the Donetsk and Luhansk Oblasts, and as a result, introducing specific principles for conducting banking activities,
- Resolution No. 860/2014 introducing from 1 January 2015 stricter requirements for banks using stabilisation loans; the interest on stabilisation loans was determined at the level of the discount rate plus 1.5 pp.,
- Resolution No. 867/2014 obliging banks to set up a risk management system (effective from 31 December 2014),
- Resolution No. 22/2015 of the NBU's Management Board enabling from 17 January 2015 early repayment of foreign exchange loans by non-residents,
- Resolution Nos. 81/2015 and 154/2015 of the NBU's Management Board increasing the NBU's discount rate by 5.5 pp. to 19.5% from 6 February 2015, and by 10.5 pp. to 30% from 4 March 2015 respectively,
- Resolution Nos. 124/2015 and 129/2015 of the NBU's Management Board introducing a series of new regulation concerning the realisation of foreign exchange transactions,
- Resolution No. 160/2015 of the NBU's Management Board introducing from 4 March 2015 a number of changes in transactions on the monetary and foreign exchange market, including the prohibition of granting loans in UAH, when property rights in foreign currency are collaterals.

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2. Financial results for the first quarter of 2015

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

Factors influencing results of the PKO Bank Polski SA Group

In the first quarter of 2015 an economic recovery and maintaining historically low levels of interest rates influenced financial results of the banking sector. The situation on the loan and deposit market was affected mainly by revival in banks' lending activity and an improving situation on the labour market, with the depreciation of the Polish currency against the Swiss franc.

Actions undertaken by the PKO Bank Polski SA Group during the first quarter of 2015 allowed generating the net profit amounting to PLN 647.2 million. The efficiency of the PKO Bank Polski SA Group shaped up on relatively high level – as at the end of the first quarter of 2015, the ROE ratio amounted to 11.5%.

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

As at the end of the first quarter of 2015, the capital adequacy ratio amounted to 13.1%, 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

	31.03.2015	31.03.2014	Change
ROA net* (net profit/average total assets)	1.3%	1.6%	-0.3 pp.
ROE net* (net profit/average total equity)	11.5%	13.1%	-1.6 pp.
C/I* (cost to income ratio annualised)	49.4%	43.1%	6.3 pp.
Interest margin* (net interest income/average interest-bearing assets)	3.4%	3.7%	-0.3 pp.
The share of impaired loans**	6.8%	8.1%	-1.3 pp.
The coverage ratio of impaired loans***	62.8%	52.5%	10.3 pp.
Cost of risk****	-0.9%	-1.3%	0.4 pp.

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

** 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.

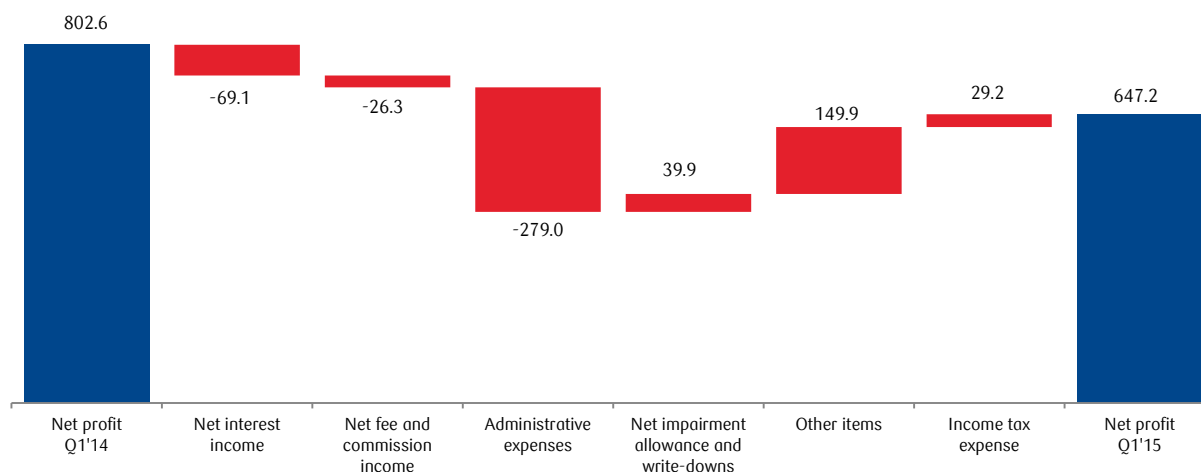
**** Calculated by dividing net impairment allowance and write-downs on loans and advances to customers for the twelve-month period by the average balance of gross loans and advances to customers at the beginning and at the end of reporting period and intermediate quarterly periods.

Financial results

In the first quarter of 2015, the PKO Bank Polski SA Group achieved net profit in the amount of PLN 647.2 million, which was PLN 155.4 million lower than in the corresponding period of 2014 (-19.4% y/y) which was mainly influenced by a higher administrative expenses, determined by the change in the composition of the Group, and lower net interest income, which remained under pressure of record-low interest rates, with higher other result and improving the net impairment allowance.

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



The consolidated income statement items were as follows:

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

	1st quarter period 01.01- 31.03.2015	1st quarter period 01.01- 31.03.2014	Change Q1 2014/ Q1 2013 (in PLN million)	Change Q1 2014/ Q1 2013 (in %)
Interest and similar income	2 432.6	2 466.8	(34.2)	-1.4%
Interest expense and similar charges	(761.8)	(727.0)	(34.8)	4.8%
Net interest income	1 670.7	1 739.8	(69.1)	-4.0%
Fee and commission income	889.2	973.6	(84.4)	-8.7%
Fee and commission expense	(210.0)	(268.1)	58.1	-21.7%
Net fee and commission income	679.2	705.4	(26.3)	-3.7%
Dividend income	-	-	-	x
Net income from financial instruments measured at fair value	23.1	13.2	9.9	74.8%
Gains less losses from investment securities	52.5	6.6	45.9	7.9x
Net foreign exchange gains (losses)	72.2	48.6	23.6	48.5%
Net other operating income and expense	83.0	34.4	48.5	2.4x
Net impairment allowance and write-downs	(373.6)	(413.5)	39.9	-9.6%
Administrative expenses	(1 404.8)	(1 125.8)	(279.0)	24.8%
Operating profit	802.4	1 009.0	(206.6)	-20.5%
Share of profit (loss) of associates and joint ventures	8.5	(5.6)	14.1	x
Profit before income tax	810.9	1 003.3	(192.4)	-19.2%
Income tax expense	(175.2)	(204.3)	29.2	-14.3%
Net profit (including non-controlling shareholders)	635.8	799.0	(163.2)	-20.4%
Profit (loss) attributable to non-controlling shareholders	(11.4)	(3.6)	(7.8)	3.2x
Net profit	647.2	802.6	(155.4)	-19.4%

In the income statement of the PKO Bank Polski SA Group in the first quarter of 2015, the sum of revenue positions amounted to PLN 2 580.7 million and was PLN 32.6 million, i.e. by 1.28% higher than in the corresponding period of 2014.

Net interest income

In the first quarter of 2015, net interest income amounted to PLN 1 670.7 million and decreased by PLN 69.1 million (-4.0% y/y) compared to the corresponding period of the previous year, mainly due to a decrease in interest income by PLN 34.2 million, determined by the fall in market

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interest rates, along with an increase in interest expense by PLN 34.8 million, mainly due to an increase in long-term financing costs.

In the first quarter of 2015, interest income amounted to PLN 2 432.6 million and was lower by 1.4% in comparison with the corresponding period of 2014, mainly as a result of:

- a decrease in income in respect of loans and advances to customers (-PLN 48.0 million y/y) – mainly as a result of the drop in PLN interest rates, which for 1M and 3M WIBOR rates on an annual basis amounted to 0.97 pp. and 1.06 pp. respectively and the lombard rate that determines the maximum interest rates on loans,
- accompanied by an increase in income from securities by PLN 14.4 million y/y, as a result of growth in the volume of average portfolio, with a decrease in the average interest rate.

The increase of interest expense by PLN 34.8 million (+)4.8% y/y was mainly the effect of:

- an increase in costs arising from issuance of debt securities and subordinated liabilities of PLN 14.2 million y/y, associated with an increase in the level of these liabilities,
- an increase in the cost of loans received from banks by PLN 14.6 million y/y, in connection with the acquisition of credit line, allocated to funding the acquired portfolio of housing loans,
- with a decrease in the costs of amounts due to customers by PLN 6.6 million y/y, resulting from lower average interest rates on deposits due to a drop in market interest rates and adaptation of price offer of deposit products.

Interest margin dropped by 0.3 pp. y/y to the level of 3.4% as at the end of the first quarter of 2015, due to a drop in market interest rates causing directly faster decrease in interest-bearing assets mostly based on market interest rates than a decline in interest rates of the deposit offer, accompanied by an increase in the volume of average interest-bearing assets (mainly the portfolio of housing and corporate loans and advances).

Net fee and commission income

Net fee and commission income generated in the first quarter of 2015 amounted to PLN 679.2 million and was PLN 26.3 million lower than in the corresponding period of the previous year, as a result of a PLN 84.4 million decrease in fee and commission income, accompanied by lower fee and commission expenses of PLN 58.1 million. The level of net fee and commission income was mainly affected by a decrease in:

- the result on payment cards (-PLN 75.8 million y/y), which was a consequence of a mandatory reduction of interchange fee rates to the level of 0.2% for debit cards and 0.3% for credit cards by payment organisations,
- net fee and commission income in respect of loan insurance (-PLN 24.1 million y/y), mainly due to a decrease in insurance saturation of consumer loans,

accompanied by an increase in:

- income in respect of investment and insurance products (+PLN 24.8 million y/y), as a result of the enlargement of the Group by an insurance company,
- income in respect of loans and advances granted (+PLN 14.8 million y/y),
- income in respect of securities operations (+PLN 13.0 million y/y).

Administrative expenses

In the first quarter of 2015, administrative expenses amounted to PLN 1 404.8 million and increased by 24.8% compared with the corresponding period of the previous year. The level of administrative expenses was determined above all by changes affecting the PKO Bank Polski SA Group's structure from the second quarter of 2014, including mainly the acquisition of the Nordea Group entities and by an increase in contribution and payments to the Bank Guarantee Fund by PLN 58.8 million y/y, mainly as a result of the growth of interest rates on fees payable to BGF.

Operating efficiency of the PKO Bank Polski SA Group, measured by the C/I ratio (annualised) amounted to the level of 49.4%, below the average in the banking sector.

Net impairment allowance and write-downs

Net impairment allowance and write-downs reflects the PKO Bank Polski SA Group's conservative approach to recognition and measurement of credit risk. Improvement of net impairment allowance in the first quarter of 2015 compared with the corresponding period of the previous year (+PLN 39.9 million y/y), is mainly a result of a decrease of impairment allowances on corporate loans portfolio.

The share of impaired loans as at the end of the first quarter of 2015 amounted to 6.8% which represents a decrease by 1.3 pp. y/y, by improving the quality of all categories of loans.

The cost of risk¹ as at the end of the first quarter of 2015 amounted to the level of 0.90%, which represents a decrease of 0.36 pp. y/y as a result of improvement in the result on corporate loans.

¹ Calculated through dividing net impairment allowance and write-downs of loans and advances to customers for the twelve-month period ended 31 March 2014 and 2015, by the average balance of gross loans and advances to customers at the beginning and at the end of reporting period and intermediate quarterly periods.

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Statement of financial position

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

	31.03.2015	Structure 31.03.2015	31.12.2014	Structure 31.12.2014	Change (in %)
Cash and balances with the central bank	10 090.1	3.9%	11 738.4	4.7%	-14.0%
Amounts due from banks	4 567.2	1.8%	2 486.7	1.0%	83.7%
Loans and advances to customers	182 440.4	71.1%	179 497.4	72.2%	1.6%
Securities	44 349.8	17.3%	40 160.2	16.1%	10.4%
Other assets	15 136.5	5.9%	14 818.0	6.0%	2.1%
Total assets	256 583.9	100.0%	248 700.6	100.0%	3.2%
Amounts due to banks	21 574.2	8.4%	19 398.9	7.8%	11.2%
Amounts due to customers	178 367.5	69.5%	174 386.8	70.1%	2.3%
Debt securities in issue and subordinated liabilities	16 294.9	6.4%	15 714.6	6.3%	3.7%
Liabilities of insurance activities	2 790.2	1.1%	2 679.7	1.1%	4.1%
Other liabilities	9 292.3	3.6%	8 905.0	3.6%	4.3%
Total liabilities	228 319.1	89.0%	221 085.0	88.9%	3.3%
Total equity	28 264.8	11.0%	27 615.6	11.1%	2.4%
Total liabilities and equity	256 583.9	100.0%	248 700.6	100.0%	3.2%
Loans/Amounts due to customers	102.3%	x	102.9%	x	-0.6 pp.
Loans/Stable sources of funding*	85.8%	x	86.4%	x	-0.6 pp.
Interest bearing assets/Assets	90.2%	x	89.3%	x	0.8 pp.
Interest paying liabilities/Liabilities	84.3%	x	84.2%	x	0 pp.
Capital adequacy ratio	13.1%	x	13.0%	x	0.1 pp.

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

The statement of financial position of the PKO Bank Polski SA Group is most significantly 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 and equity.

The total assets of the PKO Bank Polski SA Group amounted to PLN 256.6 billion as at the end of the first quarter of 2015, which means an increase by PLN 7.9 billion compared to the end of 2014. The increase in total assets was a result of an increase in the deposit base and amounts due to banks. As at the end of the first quarter of 2015, the structure of assets was determined by changes in the loan and advances portfolio structure, as well as remained under the influence of fluctuations in foreign exchange rates.

The PKO Bank Polski SA Group strengthened the position of the largest institution in the Polish banking sector.

Loans and advances to customers

Loans and advances to customers represent the largest part of the assets of the PKO Bank Polski SA Group. Compared with the end of 2014 the portfolio of loans and advances to customers (net) increased by PLN 2.9 billion, with significant changes in the structure of the portfolio, which are the outcome of lending activity and strong appreciation of CHF recorded in the first quarter of 2015. In the analysed period, there was an increase in loan receivables from non-financial sector, mainly housing and corporate loans, with a decrease in receivables from the financial sector.

The main components of the gross loan portfolio structure by type constitute housing loans with a volume of PLN 101.0 billion (+PLN 2.9 billion compared to the end of 2014), which share in the portfolio structure increased by 0.7 pp. compared with the end of the previous year and corporate receivables which volume amounted to PLN 64.7 billion (an increase of 0.5 pp. in share of the structure).

Securities

As at the end of the first quarter of 2015, the carrying value of the securities portfolio was PLN 44.3 billion and represented 17.3% of the total assets of the PKO Bank Polski SA Group, which means an increase by ca. PLN 4.2 billion compared to the end of 2014. The rise in the securities portfolio is due to the process of the current liquidity management of the PKO Bank Polski SA Group.

Debt securities issued by the State Treasury and by NBP dominated in the portfolio structure by type.

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Amounts due to customers

Amounts due to customers remain the primary source of financing the PKO Bank Polski SA Group's operations, representing as at the end of March of this year 78.1% of the total of its liabilities. In the structure of amounts due to customers by type, the main items are amounts due to retail clients, which at the end of the first quarter of this year recorded an increase by PLN 2.5 billion (compared to the end of 2014) and amounted to PLN 131.1 billion. Their share in liabilities portfolio structure compared with the end of 2014 decreased by 0.3 pp., accompanied by an increase in share of amounts due to corporate clients and public entities in the amounts due to customers portfolio in all.

External financing

The PKO Bank Polski SA Group is an active participant in the market of debt security issues, both local and international. These actions are intended to diversify the sources of financing of operations and to adapt them to regulatory requirements.

As at the end of the first quarter of 2015 debt securities in issue and subordinated liabilities represented 7.1% of the liabilities (+PLN 0.6 billion compared to the end of 2014). The change in the level of liabilities in respect of the issue compared to the end of 2014 was a result of increase in PKO Bank Polski SA's liabilities due to short-term bank bonds (an increase of +PLN 0.3 billion compared to the end of 2014) and the revaluation of foreign currency liabilities.

Detailed information on the issues carried out by the PKO Bank Polski SA Group is described in the Note 29 of the Notes to the Condensed Interim Consolidated Financial Statements.

Equity and capital adequacy ratio

As at the end of the first quarter of 2015, equity amounted to PLN 28.3 billion and was PLN 0.6 billion higher than as at the end of 2014 and accounted for 11.0% of total liabilities and equity of the PKO Bank Polski SA Group (a decrease in share by 0.1 pp. compared to the end of 2014). As at the end of the first quarter of 2015 the capital adequacy ratio of the PKO Bank Polski SA Group was at a level of 13.1%, which represents an increase by 0.1 pp. compared to the end of 2014.

The level of capital adequacy ratio exceeds the minimum value of the ratio required by the Banking Law and enables to remain capital adequacy at a safe level.

2.2. 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

	31.03.2015	31.03.2014	Change
ROA net* (net profit/average total assets)	1.3%	1.7%	-0.4 pp.
ROE net* (net profit/average total equity)	10.7%	13.3%	-2.6 pp.
C/I* (cost to income ratio annualised)	46.2%	40.8%	5.4 pp.
Interest margin* (net interest income/average interest-bearing assets)	3.4%	3.7%	-0.3 pp.
The share of impaired loans**	6.6%	7.8%	-1.2 pp.
The coverage ratio of impaired loans***	62.2%	52.8%	9.4 pp.
Cost of risk****	-1.0%	-1.1%	0.1 pp.

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

** 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.

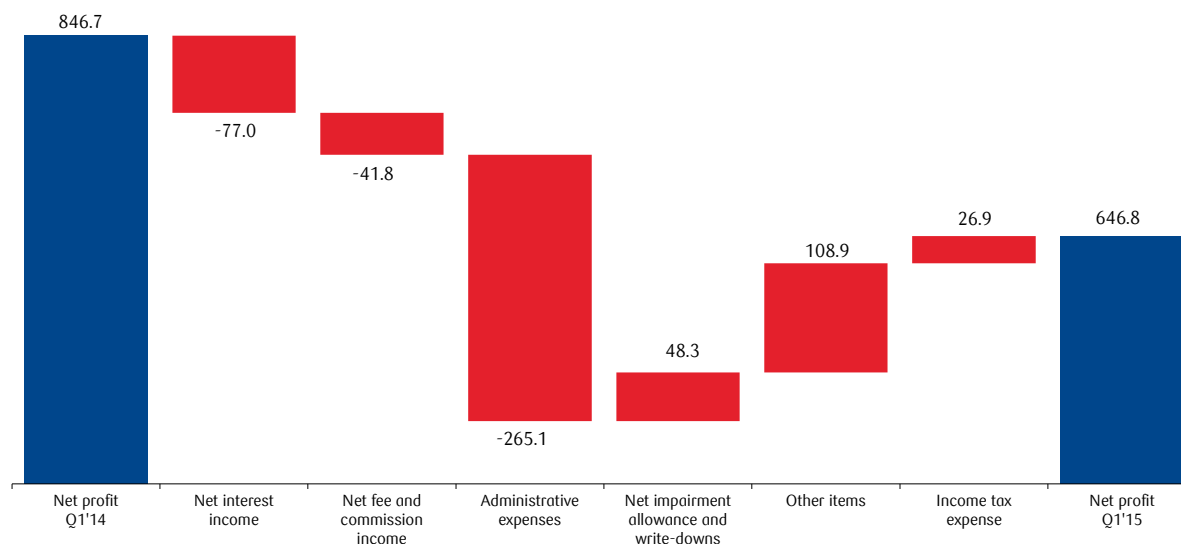
**** Calculated by dividing net impairment allowance and write-downs on loans and advances to customers for the twelve-month period by the average balance of gross loans and advances to customers at the beginning and at the end of reporting period and intermediate quarterly periods.

Financial results

In the first quarter of 2015, PKO Bank Polski SA achieved net profit in the amount of PLN 646.8 million and was PLN 199.9 million lower than in the corresponding period of 2014 (-23.6% y/y), which was mainly influenced by higher administrative expenses, which are the result of the legal merger in 2014 and the worsening of net interest income, with higher other result.

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



The Bank's income statement items were as follows:

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

	1st quarter period 01.01- 31.03.2015	1st quarter period 01.01- 31.03.2014	Change Q1 2014/ Q1 2013 (in PLN million)	Change Q1 2014/ Q1 2013 (in %)
Interest and similar income	2 376.5	2 401.8	(25.3)	-1.1%
Interest expense and similar charges	(750.0)	(698.2)	(51.8)	7.4%
Net interest income	1 626.6	1 703.6	(77.0)	-4.5%
Fee and commission income	825.3	912.8	(87.5)	-9.6%
Fee and commission expense	(208.4)	(254.1)	45.7	-18.0%
Net fee and commission income	616.9	658.7	(41.8)	-6.3%
Dividend income	13.8	-	13.8	x
Net income from financial instruments measured at fair value	11.6	13.0	(1.4)	-10.6%
Gains less losses from investment securities	53.9	5.9	48.1	9.2x
Net foreign exchange gains (losses)	119.5	105.3	14.2	13.5%
Net other operating income and expense	37.8	3.6	34.2	10.6x
Net impairment allowance and write-downs	(366.4)	(414.7)	48.3	-11.6%
Administrative expenses	(1 296.3)	(1 031.2)	(265.1)	25.7%
Operating profit	817.4	1 044.1	(226.8)	-21.7%
Profit before income tax	817.4	1 044.1	(226.8)	-21.7%
Income tax expense	(170.5)	(197.4)	26.9	-13.6%
Net profit	646.8	846.7	(199.9)	-23.6%

3. Activities of the PKO Bank Polski SA Group²

3.1. Business activities of PKO Bank Polski SA

The PKO Bank Polski SA Group conducts business activities as part of segments offering specific products and services addressed to specific groups of customers. The manner in which the business areas are divided ensures consistency with the sales management model and offers

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

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customers a comprehensive product offer comprising both traditional banking products and more complex investment products. Currently, the Group conducts its business activities as part of the retail segment and the corporate and investment segment.

Retail segment

The retail segment offers a full range of services for individuals as part of retail and private banking as well as mortgage banking. Moreover, it comprises transactions conducted with legal persons, i.e. small and medium enterprises. The products and services offered to customers in this segment include, i.a.: current accounts, saving accounts, term deposits, private banking services, investment and insurance products, credit and debit cards, electronic banking services, consumer and mortgage loans, as well as corporate loans to small and medium enterprises, developers, cooperatives and property managers.

Corporate and investment segment

The corporate and investment segment comprises transactions conducted with large corporate customers and financial institutions. This segment comprises, i.a. the following products and services: maintaining current accounts and term deposits, holding securities, foreign exchange and derivative products, sell buy back and buy sell back transactions with customers, corporate loans, as well as leases and factoring. As part of this segment's activities, the PKO Bank Polski SA Group also concludes, on its own or in consortiums with other banks, agreements for financing large projects in the form of loans and issues of non-Treasury securities. Moreover, this segment comprises own activities, i.e. investing activities, brokerage activities, interbank transactions, as well as transactions in derivative instruments and debt securities.

3.1.1. Retail segment of PKO Bank Polski SA

In the first quarter of 2015 activities carried out by the Bank within the retail segment were focused on increasing attractiveness and competitiveness of offered products, with flexible reaction to changing market conditions. In the retail segment, PKO Bank Polski SA continued its sustainable development focused on recognising and meeting the needs of its customers with whom it wishes to build strong and long-term relationships. Actions aimed to improvement of the customer service quality i.a. through the development of employees competencies and actions leading to increase innovation in the new financial solutions, not only concerning products, but distribution channels as well, particularly in electronic banking and mobile payments were taken.

The loan offer in the retail segment

The PKO Bank Polski SA's offer includes a wide range of loan products. Retail, private and mortgage banking customers can take advantage of financing available under the consumer loans in the form of cash loan, Aurum and Platinum loan, mortgage loan, revolving loans and credit cards as well as financing available under housing loans. The loan offer in the form of investment and investor loans is available for small and medium enterprises.

As at the end of the first quarter of 2015, gross loans to the retail segment of PKO Bank Polski SA amounted to PLN 137.2 billion and have increased by PLN 3.7 billion (i.e. by 2.7%) since the beginning of the year. This was mainly due to an increase in the portfolio of mortgage banking loans (+3.5% since the beginning of the year) and loans to small and medium enterprises. (+1.9%).

Table 6. Gross loans of PKO Bank Polski SA (in PLN million)

	31.03.2015	31.12.2014	31.03.2014	Change since:	
				31.12.2014	31.03.2014
Gross loans and advances granted, of which:					
retail and private banking	21 555	21 455	20 128	0.5%	7.1%
small and medium enterprises	21 903	21 504	21 871	1.9%	0.1%
mortgage banking	93 774	90 623	70 391	3.5%	33.2%
Total loans and advances	137 232	133 582	112 391	2.7%	22.1%

Retail and private banking loans

The PKO Bank Polski SA's offer includes a wide range of loan products. Retail customers can take advantage of both the standard Cash Loan, as well as the current financing available under the revolving loans and credit cards. A special offer of the Aurum and Platinum loans with high amounts of loans and competitive pricing parameters, is available for the affluent clients.

In the first quarter of 2015 PKO Bank Polski SA continued the action of promoting sales of consumer loans. As part of the initiatives supporting the sales of such group of products, the Bank carried out promotional activities, mainly focused on the cash loan and the Aurum/Platinum loan.

As regards cash loan and Aurum/Platinum loan, in the first quarter of 2015, the Bank was also preparing special offers addressed both to the customers of PKO Bank Polski SA and persons who had not used the cash loan offer before and who transferred their debt to PKO Bank Polski SA. As part of the said offer, preferential pricing conditions were proposed, such as lower margins for customers of certain professions, those finishing the repayment of the Aurum/Platinum loan, those applying for an increase in the loan amount, or those actively using a revolving loan or a credit card.

PKO Bank Polski SA focused its activities on increasing the availability of its lending offer to retail customers. For this purpose, the amount of

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a cash loan sold remotely and granted without collateral was increased to PLN 50 thousand and the criteria and procedures for obtaining a corporate loan or an advance were simplified, by introducing the possibility of documenting income by providing a PIT tax return.

Mortgage banking loans

The Bank maintained its dominant position on the housing loan market in the analysed period. According to the data presented by the Polish Bank Association, PKO Bank Polski SA ranked first on the market as at 31 March 2015 – selling loans only in Polish currency – with a 25.7% share in sales of housing loans for retail clients. Loans were granted for a total amount of approx. PLN 2.3 billion since the beginning of the year.

In February 2015 the Bank conducted a promotional campaign for mortgage loans under the slogan 'Open Days for Mortgage Loans' (Dni Otwarte Kredytów Hipotecyjnych), supporting sales of mortgage loans and advances, consisting of offering attractive price terms for:

- The housing loan 'WŁASNY KĄT',
- The package of 'Własny Kąt Hipoteczny' and
- The mortgage loan within the programme 'Mieszkanie dla Młodych'.

During the discussed period PKO Bank Polski SA has continued to grant housing loans with the financial support of Bank Gospodarstwa Krajowego within the programme 'Mieszkanie dla Młodych'. The programme consists of co-financing from State budget's funds to own contribution and awarding additional financial support in the form of repayment of a part of the loan. Persons, who will file a request for co-financing no later than at the end of the year, in which they turn 35 (in the case of a marriage, this requirement applies to a younger spouse) and are planning to purchase a first flat or single-family house located on the territory of Poland, on a primary market, can take advantage of the programme. In the first quarter of 2015 PKO Bank Polski SA granted 806 loans for a total amount of PLN 152.8 million within the programme 'Mieszkanie dla Młodych'.

In the light of a significant increase in the Swiss franc exchange rate against Polish zloty and in order to meet the expectations of customers with loans denominated in Swiss franc, PKO Bank Polski SA decided to apply, from 27 January to 30 June 2015, a 1% spread to mortgage loans granted in this currency. At the same time, a negative LIBOR CHF rate was used in the cost of mortgage loans for all clients. Moreover, the Bank offers solutions that may support the customers who found themselves in a difficult position, i.e. an extension of the lending period, the ability to take advantage of a grace period without the need to sign an annex to a loan agreement or the repayment of a loan directly in a foreign currency. The Bank also started working on solutions aimed at encouraging borrowers to reduce foreign exchange risk and to convert loans in future. All the measures adopted by the Bank enable the customers to compensate, to a large extent, an increase in the loan instalments resulting from the strengthening of the Swiss franc.

Loans for small and medium enterprises

PKO Bank Polski SA continuously supports Polish entrepreneurship. It enables small and medium enterprises to finance both current and investment needs through an extensive and flexible lending offer. Due to the agreement signed between PKO Bank Polski SA and Bank Gospodarstwa Krajowego for a portfolio de minimis guarantee line 'Portfolio de Minimis Guarantee Facility', under the government programme of support for small and medium enterprises, the entrepreneurs gain support in the form of BGK guarantee – 'de minimis', aimed at increasing the availability of lending facilities and launching additional funds for companies' on-going activities. As at 31 March 2015, 30 828 customers, benefited from 'Portfolio de Minimis Guarantee Facility' programme and the value of loans granted amounted to PLN 7.3 billion, the value of guarantees amounted to PLN 4.0 billion.

The continuation of the cooperation with Bank Gospodarstwa Krajowego within 'Portfolio de Minimis Guarantee Facility' and strong interest in the product from customers, resulted in signing an annex to the agreement with BGK by PKO Bank Polski SA in the first quarter of 2015, resulting in the increase in the guarantee limit granted, remaining effective until 31 December 2016, from PLN 2.5 billion to the level of PLN 3.1 billion. An exposure measured by the value of signed active agreements amounted to PLN 2.4 billion as at 31 March 2015.

The deposit and investment offer

In the first quarter of 2015, PKO Bank Polski SA continued activities aimed at offering more attractive deposits for retail segment clients, taking into account current market conditions and competitive position. At the same time, activities aimed at diversifying sources of financing activity were carried out.

As at 31 March 2015, deposits of the retail segment of PKO Bank Polski SA amounted to PLN 142.2 billion and since the beginning of the year their volume increased by PLN 3.0 billion (i.e. by 2.2%). The increase in the retail and private banking deposit level (+2.7% since the beginning of the year) contributed to this, due to the increase in the volume of both current and term deposits.

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

	31.03.2015	31.12.2014	31.03.2014	Change since:	
				31.12.2014	31.03.2014
Customer deposits, of which:					
retail and private banking	125 149	121 893	112 721	2.7%	11.0%
small and medium enterprises	17 005	17 213	13 915	-1.2%	22.2%
Total deposits	142 154	139 106	126 636	2.2%	12.3%

Current and saving accounts

PKO Bank Polski SA remains the leader on the market in terms of the number of current accounts maintained which amounted to 6.7 million as at the end of the first quarter of 2015. The high number of accounts resulted from the offer diversified in terms of customer preferences as part of

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which i.a. the following products can be distinguished: PKO Konto bez Granic, PKO Konto za Zero, PKO Konto dla Młodych, PKO Konto Pogodne, PKO Konto Pierwsze and PKO Junior.

Term deposits and regular saving products

Retail banking and private banking deposits dominate in the retail market deposits. Customers from this segment deposited most of their funds in term deposits. In the first quarter of 2015 the Bank offered its customers i.a., deposits with progressive and standard interest rates and structured deposits.

The term deposits offered by the Bank which have enjoyed particular interest among the retail and private banking customers included: a 24M deposit with a negotiated interest rate, a 24M deposit for new funds, a 6M online deposit available in the electronic banking system with the interest rate depending on the amount of funds deposited, a 3+3 term deposit account for new funds and a 3+3 deposits with negotiated interest rate.

In the period analysed, a deposit with a progressive interest rate called Biznes Lokata was introduced again, offering customers from the small and medium enterprises sector the ability to deposit surpluses of funds for 3, 6 or 12 months. Moreover, in the last days of March, corporate clients of Inteligo were also offered a 3-month progressive deposit called Lokata Wzrastająca available until 30 June 2015. In response to client expectations, the process of selling a popular automatic deposit was simplified by eliminating the need to sign a separate agreement.

The Bank's standard offer, addressed to retail customers includes structured instruments sold in the form of structured deposits or Bank Securities. In the analysed period, the Bank conducted two subscriptions for structured deposits, which were: a deposit based on a basket of shares of Asian companies and a deposit based on a basket of shares of seven golden companies.

Having such products in its offer allows the Bank to offer attractive product to customer and contributes to the improvement in PKO Bank Polski SA's image, as an institution offering innovative investment instruments. The appeal of this type of products is demonstrated by the results: a 2.5-year structured deposit based on the WIG20 index, completed in the first quarter of 2015, generated a 30% profit for the investors for the entire investment period, which is nearly 12% a year.

Additionally, in the first quarter of 2015, a special offer of a 3-month term deposit was addressed to Private Banking customers, who open policies of long-term investment in the form of life insurance with insurance capital fund.

Investment funds and investment and insurance products

In the first quarter of 2015, PKO Bank Polski SA performed an issue of B series Investment Certificates of PKO Spółek Innowacyjnych Globalny (a closed-end investment fund). In addition, in January 2015, A series Investment Certificates of PKO Nieruchomości Komercyjnych were issued. As a result of both issues the range of various investment strategies offered to customers was expanded.

In the period under discussion PKO Bank Polski SA was systematically developing the sale of Life Insurance with Insurance Capital Fund introduced to the Bank's offer in 2014, addressing the product not only to the wealthiest clients, but also to the basic segment customers.

Sales of State Treasury bonds

PKO Bank Polski SA is the only bank to sell and service retail bonds issued by the State Treasury, under an agreement concluded with the Minister of Finance. Treasury bonds are sold through the expansive sales network of PKO Bank Polski SA, which is a great convenience for all persons who wish to invest in bonds. In the first quarter of 2015, over 3.5 million bonds were sold.

Other products and services in the retail segment

Banking cards

As at 31 March 2015 a number of banking cards of PKO Bank Polski SA amounted to approx. 7.5 million units (including 0.9 million credit cards). In the period analysed, PKO Bank Polski SA introduced new solutions aimed at making it easier for customers to manage and use cards. The possibility of applying for company debit cards through the Contact Center consultants and the iPKO website service was introduced. The new functionality, which enables applying for cards remotely, eliminates the need for entrepreneurs to visit a branch. Moreover, for the customers who signed an agreement for the issuance and use of a credit card with the Bank, PKO Bank Polski SA introduced the possibility of applying for additional credit cards users specified by those customers, without the need to physically visit a Bank's branch and without the need for the future card user to sign a specimen signature form.

In March 2015, PKO Bank Polski SA conducted a migration of the portfolio of credit and charge cards of the customers of the acquired Bank. The process involved replacing over 17 thousand cards. All available communication channels were used to inform the customers of this action as widely as possible. The customers were informed about the cards replacement by post, by SMS-es sent to given mobile numbers, and over the telephone by both the Contact Center and the employees of the Bank's Branches.

In the period analysed, PKO Bank Polski SA, in cooperation with the municipal authorities and the Public Transport Authority (Zarząd Transportu Miejskiego), introduced Warsaw City Card to the offer. This is a debit card which enables personal long-term tickets to be coded in the card. Any person who already has or will open a personal account with PKO Bank Polski SA may obtain such a card. The card may also be made available to a person of at least 13 years of age specified by the holder of the account. The Bank does not charge any fees for issuing the card, and monthly or annual fees and conditions for exemption from fees are the same as for standard cards.

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Insurance products for retail and private banking clients as well as small and medium enterprises

By increasing the attractiveness of banking products through allowing the possibility to use additional services, the Bank offers insurance products to retail and private banking customers as well as to the small and medium enterprises segment. They are linked to banking products such as current accounts (ROR), banking cards, consumer loans, mortgage loans, corporate loans.

In the first quarter of 2015, intensive works connected with preparation of the Bank to fulfill the provisions of Recommendation U, on best practices in the field of bancassurance. The result of this work was i.a. development of product cards for sold insurance and the introduction to the Bank's offer individual insurance:

- Individual insurance package for Cash Loan (a base and extended variant), for Inteligo Loan and for Aurum/Platinum Loan (a base and extended variant), which will replace the existing group insurance packages,
- Individual life insurance for customers, who have concluded an agreement for loan or advance secured with mortgage,
- Individual mortgage loan / advance repayment insurance for customers with a mortgage loan or a mortgage advance,
- Individual insurance 'Superochrona' in respect of houses and apartments for persons purchasing a mortgage loan or a mortgage advance.

Mobile banking IKO

IKO is the most popular and most developed mobile payment system in Poland. It combines the functions of mobile banking with the possibility of mobile banking payments. The IKO application is now used by more than 270 thousand users, and the acceptance network covers over 70 thousand payment terminals of Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o. and 10 thousand online stores. The application is constantly being enriched with new functionalities. In the first quarter of 2015, the catalogue of orders, possible to made by users who have individual accounts in PKO Bank Polski SA or Inteligo accounts, was expanded, introducing the possibility of making deposits through the IKO application. Since February 2015 PKO Bank Polski SA has offered these customers term deposits for 1, 3, 6 or 12 months. The introduced change significantly transforms IKO from an application used for mobile payments into an application constituting a bank in telephone.

In the discussed period an activation of the IKO application to the one account in PKO Bank Polski SA on three different devices was also enabled.

Private banking

Currently, the Private Banking Offices exist in the 8 largest Polish cities: Warsaw, Gdańsk, Cracow, Katowice, Poznań, Wrocław, Łódź and Szczecin. All Offices are characterised by a prestigious location ensuring customers a discretion and comfortable customer service conditions. The activities of the Private Banking Centre are also distinguished by a professional consultants staff, concerned about the safety of assets entrusted by clients. As part of the offer, the Bank's wealthiest clients may count on, i.a. financial consulting services provided by a professional team of consultants, being served in private banking offices which guarantee a discrete atmosphere and prestige, and a special product offer.

PKO Bank Polski SA prepared an extensive deposit offer for its private banking clients, which makes it possible to place deposits for various terms, including foreign currency deposits. The proposed forms of saving also include products which allow access to funds during the investment period. Clients may take advantage of individually negotiated interest rates.

In the first quarter of 2015, a 15% increase, both as regards a number of served customers of private banking and assets under management were recorded.

The table below presents data in respect of the number of current accounts, banking cards, the number of IKO users and the number of customers with iPKO access.

Table 8. Accounts and banking cards in PKO Bank Polski SA (in thousands of units)

	31.03.2015	31.12.2014	31.03.2014	Change since:	
				31.12.2014	31.03.2014
Number of current accounts	6 661	6 660	6 333	1	328
Number of IKO	270	228	136	42	134
Number of iPKO	7 047	6 868	6 322	179	725
Number of banking cards, of which:	7 452	7 468	7 155	(16)	297
credit cards	821	843	813	(22)	8

Distribution network

As at 31 March 2015, the retail branch network of PKO Bank Polski SA consisted of 1 265 branches and 8 retail banking offices. Compared with the end of 2014 the total number of retail branches increased by 4.

Branch network and agencies

Improving the conditions of customer service within the network is one of the tasks supporting the strategic programme titled 'Improving the effectiveness of distribution within the network of branches and agencies'. In the first quarter of 2015, these activities were focused on modernising branches, moving the branches to new, attractive locations, and creating new branches. They were aimed at increasing market competitiveness, improving customer service conditions, and optimising the space occupied by the branches. These support the effective acquisition of customers and guarantee that the customers are served in comfortable and identical conditions, regardless of the place of service. During the discussed period renovations or modernisations covered 20 branches, including a change in the location in respect of 3 branches was made as well as the further 7 ones were comprehensively modernised. In the

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first quarter of 2015, 4 branches were opened, and in connection with the contracts for servicing cities' budget which were won, additionally 3 branches for long-distance servicing were launched in the seats of office for the city of Rzeszów, Gorzów Wielkopolski and Poznań.

The network of branches and ATMs is significantly supported by a network of agencies. As at 31 March 2015, PKO Bank Polski SA cooperated with 965 agencies and with regard to 31 December 2014 the number of agencies has fallen by 36. The drop in the number of agencies is a continuation of activities aimed at making the network more effective.

In the first quarter of 2015, the number of the Bank's own ATMs increased by 8 compared with 31 December 2014 and reached 3 210 as at the end of March 2015.

By 31 March 2015, there were 691 ATMs equipped with the function of cash deposit transactions, and their number increased by 206 in the quarter under discussion. This increase was resulted from providing on 2 January 2015 the possibility of making deposit transactions in 137 devices belonging previously to the acquired Bank as well as in connection with new ATMs with a cash deposit module within the cash deposit machines' network development project. The task of ATMs with a cash deposit module is relieving the branches of payment transactions conducted at the cash desk, as evidenced by the steady increase in the number of transactions made through cash deposit machines, with a simultaneous decrease in the number of these transactions made at the cash desk.

In the first quarter of 2015 the number of cash recyclers, self-service devices equipped with functionalities of cash deposit and withdrawal transactions with a closed cash cycle, increased by 12, so that PKO Bank Polski SA had 18 devices of this type as at the end of March.

As at the end of the first quarter of 2015, the Bank had 325 cash drops, including 208 devices of a new type which make it possible to post on-line payments to the account holder's account.

In the first quarter of 2015, an architectural audit of the branches of PKO Bank Polski SA was conducted, in cooperation with the Integration Foundation ('Fundacja Integracja'). The audit was aimed at adapting the architectural conditions, service standards and fixtures and fittings to the needs of handicapped persons. In its final report sent to PKO Bank Polski SA, the Foundation emphasised that it assessed the preparations highly and indicated that as many as 14 out of selected 17 branches complied with the requirements of a FACILITY WITHOUT BARRIERS ('OBIEKT BEZ BARIER') Certificate. Such a Certificate guarantees that customers with various types of disabilities may use the areas for retail and business clients equally comfortably as all other customers.

Table 9. Branches and ATMs of PKO Bank Polski SA

	31.03.2015	31.12.2014	31.03.2014	Change since:	
				31.12.2014	31.03.2014
Number of branches in the retail segment	1 284	1 280	1 147	4	137
regional retail branches	11	11	11	-	-
retail branches	1 265	1 261	1 130	4	135
private banking offices	8	8	6	-	2
Number of ATMs	3 210	3 202	3 028	8	182
Number of agencies	965	1 001	1 069	(36)	(104)

3.1.2. Corporate and investment segment of PKO Bank Polski SA

In the first quarter of 2015, as in the previous periods, PKO Bank Polski SA based the development of its corporate business on building stable relationships with customers, as a consequence of providing high-quality services, cooperation principles based on partnership and the specialised qualifications of the sales network. Both the financing of the current operations of companies (through working capital loans) and openness to participation in the implementation of their future projects (through investment loans), as well as support for the implementation of projects by local authorities, have remained the main priorities of the Bank's corporate segment.

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

The first quarter of 2015 was the period of preparation for the operational merger and another quarter of the process of integrating the two sales areas, which started on 1 November 2014 with the legal merger. As part of the preparations for the operational merger, the Bank adjusted a part of its fees and charges tariff to the expectations of the customers, who were offered individual pricing terms in the past. The rates of fees and commission charged on general terms, i.e. at standard levels, were introduced in such a way that the cost of banking services for the customers was maintained at its former level. At the same time, as part of the merger, PKO Bank Polski SA harmonised the service processes and the product offer for the customers of the corporate and investment segments, making them even more attractive on the market.

Lending activity and structured financing

As at the end of the first quarter of 2015, the total financing provided to corporate customers, including bonds issued, amounted to PLN 58.5 billion, which means a decrease by PLN 0.8 billion (i.e. by 1.4%) from the beginning of the year.

Table 10. Financing of the corporate segment clients (in PLN million)

	31.03.2015	31.12.2014	31.03.2014	Change since:	
				31.12.2014	31.03.2014
Corporate loans, gross	45 683	46 257	39 674	-1.2%	15.1%
Debt securities*	12 825	13 064	6 413	-1.8%	2x
municipal	7 341	7 303	4 429	0.5%	65.8%
corporate	5 484	5 761	1 984	-4.8%	2.8x
Total financing	58 509	59 321	46 086	-1.4%	27.0%

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

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As part of the largest credit transactions performed in the first quarter of 2015, the Bank provided financing in the form of investment and working capital loans to entities in the power, financial sector and to public finance sector entities. The unit amounts of the largest transactions ranged from PLN 50 million to PLN 300 million.

A common, among customers, form of obtaining funds to finance large investment projects are loans and debt securities in issue executed in the form of a bank consortium. In the first quarter of 2015, the Bank participated in two consortiums and signed loan agreements totalling PLN 895 million and the share of the Bank amounted to PLN 272.5 million. Furthermore, the Bank signed two corporate bond issue agreements without the guarantee to close the issue in the amount of PLN 1 460 million and two bonds issue agreements with a guarantee to close the issue in the amount of PLN 53.44 million. In the first quarter of 2015, the Bank has also entered into 8 agreements to organise an issue of municipal bonds, and total value of financing amounted to PLN 90.9 million.

Deposit activities and transaction banking

The volume of deposits as at the end of the first quarter of 2015 amounted to PLN 32.1 billion and was PLN 1.2 billion higher than at the beginning of the year. The main factor behind the increase in the deposit base is the Bank's strong position as regards the offer of deposit products.

Table 11. Deposits of corporate segment customers (in PLN million)

	31.03.2015	31.12.2014	31.03.2014	Change since:	
				31.12.2014	31.03.2014
Corporate deposits	32 094	30 907	22 408	3.8%	43.2%

PKO Bank Polski SA is constantly enhancing the quality of its transaction banking services. In the first quarter of 2015, services dedicated to entities with a complex organisational structure (e.g. capital groups) were being developed, enabling customers to use various kinds of products and services which make it easier to settle transactions with domestic and foreign partners.

As part of the provision of electronic services by PKO Bank Polski SA to customers, the leading product of the corporate and investment segment is the iPKO Biznes electronic banking system. In the first quarter of 2015, the iPKO Biznes application was expanded to include new functionalities which make it more convenient to use, including i.a., simplifying and re-design of the possibility to make key operations in the service, so that they are even more user-friendly and intuitive. Currently, the iPKO Biznes application allows customers to monitor and manage accounts, payment cards and loans and to submit orders for all kinds of transfers.

Financial institutions

As part of the international settlement system, the Bank cooperates with financial institutions in 109 countries throughout the world and is one of the leading Polish banks in terms of the number of foreign payments cleared and sent to Polish beneficiaries. Last year measures were taken to implement a new foreign exchange intermediation model. As part of its current operating activities, the Bank attracted new customers and concluded new agreements with domestic and foreign financial institutions other than banks. Based on these agreements the Bank offered attractive products supporting funds management as well as settlement, investment, Treasury, and risk hedging products.

Brokerage activities

The Brokerage House of PKO Bank Polski SA strengthened its leading position on the market by continuously increasing the turnover and developing its product offer and sales network. The strong position of the Brokerage House of PKO Bank Polski SA among institutional and retail clients translated to a higher market share and an advancement in the ranking of brokerage houses in terms of the share in the turnover on the secondary market for shares. The operations of the Brokerage House of PKO Bank Polski SA were recognised in areas such as increasing the number of accounts maintained, expanding the offer by including forward contracts, forex, a transactional platform for mobile devices and in educational activities addressed to individual investors. In the first quarter of 2015, the value of the volume of the Brokerage House of PKO Bank Polski SA's transactions on the secondary stock market amounted to nearly PLN 15 billion, which enabled achieving the first position on the market with a 13.1% share.

Within the transaction platform NewConnect, the Brokerage House of PKO Bank Polski SA performed a function of the market maker for 47 companies and ranked 2nd position on the market. The market share of Treasury bond transactions amounted to 46.6%, which allowed to maintain the 1st place.

In the first quarter of 2015, within the transactions realised on the primary market the Brokerage House of PKO Bank Polski SA was engaged in the execution of the ABB transaction of Bank Milenium SA. The value of block of shares sold amounted to PLN 1 243 million. In addition, it performed the role of a mediating entity during the tender offer for the sale of Rovese SA's shares. The value of the transaction amounted to over PLN 467 million. In the last quarter the Brokerage House of PKO Bank Polski SA brought to the market the bonds of the City of Piła of PLN 16 million and commenced the work on putting the Enea SA's bonds totalling PLN 1 billion on the market.

As at the end of March 2015, the Brokerage House of PKO Bank Polski SA maintained over 181 thousand securities and cash accounts and had approx. 171 thousand active registration accounts, which puts the Brokerage House of PKO Bank Polski SA in 2nd place among 42 market's participants.

Treasury products

The Bank has a wide offer of forex, interest rate and commodity market instruments, which effectively support customers in their day-to-day operations and allow them to prepare effective financial risk management strategy. SPOT forex transactions have the largest share in sales of treasury products. Good results are achieved by the Bank as regards sales of derivative instruments, such as forwards, options, IRS, CIRS or commodity.

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In December 2014, the Bank finished working on the implementation of a new autodealing system linking its branch network to the Bank's Head Office. The works on the 2nd phase of implementation and launching the following functionalities: limit orders, series of fx transaction, access to iPKO dealer via mobile devices, access to market news are currently ongoing. The implementation of the modification is expected to be completed in July of this year.

Fiduciary services

The Bank maintains securities accounts and handles transactions on the domestic and the foreign markets and it also provides fiduciary services and acts as a depository for pension and investment funds. As at the end of March 2015, the value of customers' assets held on fiduciary accounts amounted to PLN 63 billion and was lower by approximately 4% than the amount obtained in the corresponding period of the previous year and ca.1% higher than that obtained at the end of 2014. Simultaneously, the number of securities accounts serviced amounted to 1.8 thousand units.

Sales network

The sales network of the corporate segment includes seven Corporate Macro-Regions including 32 Regional Corporate Centres and 7 Regional Corporate Branches. The Bank successfully continued implementing a strategic programme of corporate sale development, based on modern mechanisms of planning the development of relationships with the customers, cooperation in building financial strategies and services. In the first quarter sales network structure in the segment has not changed.

3.2. Shares of PKO Bank Polski SA in the credit and deposit market

In the first quarter of 2015, the market shares of PKO Bank Polski SA in the area of deposits increased by 1.2 pp. in relation to the first quarter of 2014, to the level of 17.5% - mainly due to an increase in the share of corporate deposits.

As regards loans, the market share grew by 2.0 pp. in relation to the first quarter of 2014 to the level of 17.8%, resulted from an increase in the market shares of housing loans - mainly in foreign currencies.

Table 12. Market share in loans and deposits market (in %)*

	31.03.2015	31.12.2014	31.03.2014	Change 31.03.2015/ 31.12.2014	Change 31.03.2015/ 31.03.2014
Loans	17.8	17.9	15.8	-0.1 pp.	2 pp.
retail clients	23.0	22.9	19.2	0 pp.	3.7 pp.
housing	25.7	25.9	20.8	-0.2 pp.	4.9 pp.
in Polish zloty	29.4	29.6	28.5	-0.3 pp.	0.8 pp.
foreign currencies	21.6	21.5	12.8	0.1 pp.	8.8 pp.
consumer and other	15.7	15.6	15.2	0.2 pp.	0.5 pp.
corporate clients	12.9	13.1	12.6	-0.2 pp.	0.3 pp.
Deposits	17.5	17.3	16.3	0.1 pp.	1.2 pp.
retail clients	21.6	21.7	21.4	-0.1 pp.	0.2 pp.
corporate clients	11.8	11.5	9.4	0.2 pp.	2.4 pp.

*Data source: NBP reporting system - Webis.

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3.3. Activities of the PKO Bank Polski SA Group entities

SIGNIFICANT EVENTS IN the first quarter of 2015	
PKO Towarzystwo Funduszy Inwestycyjnych SA	1. The value of assets of funds managed by the Company as at the end of March 2015 was PLN 18.16 billion, which represents a 7.1% increase in the value of assets compared to the end of 2014. The increase in the value of assets was mainly associated with a significant net profit from sales and a result from assets management.
	2. PKO TFI SA ranks 3 rd in terms of the net assets value with a 8.2% share in the investment funds market and 1 st place with a 13.9% share in managed assets of nondedicated funds*.
	3. In the first quarter of this year the Company introduced to the offer a new investment fund: PKO Nieruchomości Komercyjnych – fundusz inwestycyjny zamknięty aktywów niepublicznych (closed-end investment fund of non-public assets). As at 31 March 2015, PKO TFI SA managed 41 investment funds and subfunds. <i>*Source: The Chamber of Fund and Asset Managers (Izba Zarządzających Funduszami i Aktywami).</i>
PKO BP BANKOWY PTE SA	1. As at the end of March 2015, the net assets value of PKO BP Bankowy OFE managed by PKO BP BANKOWY PTE SA, amounted to PLN 6.95 billion (which is an increase of 4.5% in comparison to the end of 2014). The increase in the value of assets was mainly associated with the realisation of a rate of return from management of abovementioned assets of 5.1% in the first quarter of 2015.
	2. As at the end of March 2015, the number of members of PKO BP Bankowy OFE amounted to 947 thousand.
	3. PKO BP Bankowy OFE holds the eighth place on the pension funds market regarding the OPF's net assets value and the ninth place regarding the number of members*.
	4. According to the ranking of the Polish Financial Supervision Authority, PKO BP Bankowy OFE for the period from 30 March 2012 to 30 March 2015 reached a rate of return at the level of 27.708% (the weighted average rate of return of 25.129%) holding thereby third place in the OPF ranking for that period. <i>* Source: www.knf.gov.pl</i>
The PKO Życie Towarzystwo Ubezpieczeń SA Group	1. PKO Życie Towarzystwo Ubezpieczeń SA offers protection products and saving-investment products. As part of the investment products, the Company offers a wide range of Insurance Capital Funds in which customers can invest their savings. The investment offer includes 195 domestic and foreign Insurance Capital Funds of which 6 model portfolios and 9 Insurance Capital Funds developed by experts from PKO TFI SA.
	2. The value of gross written premiums under insurance agreements, concluded by the Company as at 31 March 2015, amounted to PLN 267 million.
	3. As at the end of March 2015, the Company insured 408 thousand people.
The PKO Leasing SA Group	1. In the first quarter of 2015, the PKO Leasing SA Group entities (PKO Leasing SA and its subsidiaries: PKO Bankowy Leasing Sp. z o.o. and PKO Leasing Sverige AB) leased out assets with a total value of PLN 711 million, i.e. 20.7% more than in the first quarter of 2014. The increase is the result of organic growth of the Company and the Bank's sales network utilisation.
	2. As at the end of March 2015 the total carrying amount of the lease investments of the PKO Leasing SA Group entities amounted to PLN 4 725 million.
	3. As at the end of March 2015, in terms of the value of assets leased, the PKO Leasing SA Group ranked 5th position with a market share of 6.7%*. <i>* Source: the Polish Leasing Association</i>
PKO BP Faktoring SA	1. In the first quarter of 2015, PKO BP Faktoring SA (an indirect subsidiary of the Bank) was providing domestic and export factoring services, both with and without the acceptance of risk, reverse factoring and a service of the factoring programme for suppliers.
	2. In the first quarter of 2015, the value of factoring turnover amounted to PLN 843 million and the number of customers as at the end of March of this year amounted to 196.
	3. As at 31 March 2015, PKO BP Faktoring SA ranked ninth place among factoring companies associated in the Polish Factors' Association, with a market share of 2.8%
The KREDOBANK SA Group (data according to IFRS/IAS)	1. The KREDOBANK SA Group's (gross) loan portfolio in the first quarter of 2015 increased by UAH 692 million, i.e. by 18.7% and amounted to UAH 4 386 million as at the end of March 2015 (the gross loan portfolio denominated in PLN decreased by PLN 118 million, i.e. by 14.2% and amounted to PLN 712 million as at the end of March 2015).
	2. In the first quarter of 2015, term deposits of the KREDOBANK SA Group's customers increased by UAH 320 million, i.e. by 16.9% and amounted to UAH 2 209 million as at 31 March 2015 (term deposits denominated in PLN decreased by PLN 66 million, i.e. by 15.5% and amounted to PLN 358 million as at 31 March 2015).
	3. As at 31 March 2015, the network of KREDOBANK SA branches consisted of the Central Branch in Lviv and 109 subordinated branches in 22 out of 24 Ukrainian districts. In the first quarter of 2015 1 subordinated branch was closed and the location of the 5 subordinated branches was changed.
The Qualia Development Sp. z o.o. Group	1. In the first quarter of 2015, the Group was focused on:
	- conducting conceptual work and administrative procedures to re-obtain a decision on land development conditions for 'Żwirki i Wigury' project in Warsaw,
	- conducting conceptual work and administrative procedures to obtain a decision on land development conditions for the two properties of PKO Bank Polski SA, located in Warsaw,
	- conducting the sale of apartments in the realised investments and investments in progress.

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3.4. Prizes and awards

In 2015, the PKO Bank Polski SA Group was granted the following awards:

Gold Banker of 2014 (Złoty Bankier 2014)

In the sixth edition of the competition the Bank was rewarded in 'Deposit' and 'Loan for entrepreneur' categories in a poll organised by Bankier.pl. Once again in the history of the poll Internet users appreciated the offer of PKO Bank Polski SA. It was granted a statuette 'Golden Banker' ('Złoty Bankier') for the Capital Building Programme implemented in the summer of 2014 and the SME Loan. Both products obtained the same number of votes equal to 26%.

PKO Bank Polski SA - The Finance Provider of the Year

PKO Bank Polski SA won the 'Diamonds of the Polish Infrastructure' (Diamenty Polskiej Infrastruktury) competition in the category of the Finance Provider of the Year. The Bank was recognised for exemplary cooperation in financing infrastructure investment projects. The competition, organised by the Executive Club, is aimed at recognising the infrastructure leaders among companies and people on the Polish market for exceptional achievements in their respective sectors.

The Brokerage House of PKO Bank Polski SA awarded the Broker of the Year 2014

The Brokerage House of PKO Bank Polski SA - during the 'Summary of the Stock Exchange Year 2014' Gala - was awarded a special prize 'Broker of the Year 2014' and prizes: for the highest turnover realised by a market maker on session transactions in non-Treasury bonds on the Catalyst market and for the highest share of a market maker in the volume of transactions in options.

The Brokerage House of PKO Bank Polski SA - the best brokerage house

The 'Parkiet' stock exchange newspaper - the organiser of the Bulls and Bears competition granted its award to the Brokerage House of PKO Bank Polski SA, recognising its successful efforts to strengthen its position and develop its offer. The Brokerage House of PKO Bank Polski SA was recognised for its strong position on the retail market, the introduction of an attractive offer for WIG20 contracts which includes an intraday deposit and low transactional costs, and offering full access to quotations on mobile devices and involvement in numerous training sessions for investors.

PKO PTE awarded by the Warsaw Stock Exchange

PKO BP BANKOWY Powszechne Towarzystwo Emerytalne obtained a prestigious award from the Warsaw Stock Exchange for using the widest range of informational products of the WSE. When making investment decisions to engage assets on the capital market, PKO PTE uses, i.a., the data and information provided by the Warsaw Stock Exchange. The award was handed out at a gala evening 'Summary of the Stock Exchange Year 2014'.

eDukat for Zbigniew Jagiełło

Zbigniew Jagiełło, the President of the Management Board of PKO Bank Polski SA, was awarded the eDukat prize. The decision of the jury was unanimous - the President was awarded for the highest market achievements in 2014, his vision of development of non-cash payments in Poland and for overcoming competitive divisions in order to build an effective coalition for the standard of mobile payments.

The eDukat prizes were awarded for the first time this year. The winners included representatives of the academic milieu, business and government. The gala took place during the 3rd International Congress of Non-Cash Payments organised by the Foundation for Development of Non-cash Payments and the Faculty of Management of the University of Warsaw.

PKO Bank Polski SA as the most wanted employer in the students' opinion

Once again PKO Bank Polski SA found itself among the most desired employers in the 'Employer of the year 2014' ranking organised by the international students' organisation AIESEC.

It was ranked first place in the group of companies in the banking sector and fourth place in total. It was also the one of the two Polish companies among the first ten in the ranking.

The poll was attended by students of 32 universities in Poland. Among the most important factors in choice of employer, the students pointed to i.a.: a good atmosphere, financial conditions, a work satisfaction. A clear career path, promotion criteria and possibility of training and professional development are also important for them. The respondents followed the company's image and its activities on the market as well. The ranking of the most desired employers was carried out at 32 universities throughout the country.

PKO Bank Polski SA as a wanted employer

In the 5th edition of the Antal International's survey 'The most wanted employers in the opinion of specialists and managers' PKO Bank Polski SA is one of the most wanted employers from the banking and insurance sector.

In the survey carried out from September to December 2014 the assessment covered the style of management and organisational culture in the company, innovativeness, stability of employment, possibilities of training and promotion, salary level, location, work-life balance and benefits such as health care and life insurance. A unique feature of the survey carried out for five years is the possibility to indicate any company that meets required criteria as the most wanted employer by the respondents - the questionnaire does not have a selection list.



Bank Polski

DIRECTORS' COMMENTARY TO THE FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP FOR THE FIRST QUARTER OF 2015

PKO Bank Polski SA as Hero of HR (PKO Bank Polski SA Bohaterem HR)

The Bank won in the category of greatest HR success of the year in the competition Hero of HR. The jury appreciated the merger of PKO Bank Polski SA with Nordea Bank Polska SA, in particular, initiatives that were implemented for employees' integration, building common organisational culture and ensuring consistent working conditions in the one organisation.

In the competition organised by Employer Branding Institute the best practices in the field of HR, an unusual contribution to the development of HR projects, innovatively designed and perfectly implemented HR strategies, in various areas are awarded.

PKO Bank Polski SA was awarded the ICONIC BRAND ('QLTOWA MARKA') title

As the only institution in its sector (finance and insurance), PKO Bank Polski SA was awarded the title of ICONIC BRAND – Quality, Trust, Reputation ('QLTOWA MARKA - Jakość, Zaufanie, Renoma').

The title is awarded to the brands characterised by a long tradition, an established market position, a high brand awareness and a high quality of products or services. In total, approx. 30 brands from various sectors were awarded the title. The ICONIC BRAND competition was organised by the editorial office of the Business Trends division of the 'Rzeczpospolita' daily and the editorial office of Forum Biznesu.pl.

PKO Bank Polski SA – the Banking IT Leader of Financial Institutions

In the 13th edition of the IT Leader of Financial Institutions competition organised by the 'Gazeta Bankowa' magazine, PKO Bank Polski SA won the title of 'The Banking IT Leader 2014'. From among several dozens of financial institutions whose IT implementation projects participated in the competition, the Jury recognised PKO Bank Polski SA in particular for a number of innovative projects submitted by the Bank for the competition in as many as three categories: transactional systems (FTnet and the integration of the central system functionalities with CRM); back office systems (NEMO2 system for multichannel servicing of business processes and Virtualisation of sales processes) and electronic banking and e-finance (the Electronic Banking Development Programme Nowe iPKO, iPKO dealer, the Forex Platform, Cash Flow Forecasting, B2B).

The 'ALFA 2014' award for selected funds of PKO TFI SA

Three subfunds managed by PKO Towarzystwo Funduszy Inwestycyjnych SA obtained ALFA 2014 awards. These included: PKO Stabilnego Wzrostu – in the stable growth fund category, PKO Zrównoważony Plus – in the balanced fund category and PKO Strategicznej Alokacji – in the active allocation fund category. The awards for the best funds are granted by an independent research centre Analizy Online. Each fund is evaluated for effectiveness, recurrence of the results and the level of costs.



Bank Polski

Condensed interim
consolidated financial statements
of the PKO Bank Polski SA Group
for the three-month period ended
31 March 2015

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
OF THE PKO BANK POLSKI SA GROUP FOR THE THREE-MONTH PERIOD
ENDED 31 MARCH 2015
(IN PLN THOUSAND)**



Bank Polski

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

	Note	01.01- 31.03.2015	01.01- 31.03.2014
Continuing operations			
Interest and similar income	4	2 432 587	2 466 834
Interest expense and similar charges	4	(761 849)	(727 006)
Net interest income		1 670 738	1 739 828
Fee and commission income	5	889 184	973 556
Fee and commission expense	5	(210 034)	(268 141)
Net fee and commission income		679 150	705 415
Dividend income		-	-
Net income from financial instruments measured at fair value	6	23 118	13 223
Gains less losses from investment securities	7	52 541	6 639
Net foreign exchange gains (losses)		72 239	48 639
Other operating income	8	139 907	107 951
Other operating expense	8	(56 946)	(73 520)
Net other operating income and expense		82 961	34 431
Net impairment allowance and write-downs	9	(373 579)	(413 458)
Administrative expenses	10	(1 404 770)	(1 125 760)
Operating profit		802 398	1 008 957
Share in profit (loss) of associates and joint ventures		8 515	(5 632)
Profit before income tax		810 913	1 003 325
Income tax expense	11	(175 151)	(204 344)
Net profit (including non-controlling shareholders)		635 762	798 981
Profit (loss) attributable to non-controlling shareholders		(11 419)	(3 593)
Net profit attributable to equity holders of the parent company		647 181	802 574

Earnings per share

12

- basic earnings per share for the period (PLN)	0.52	0.64
- diluted earnings per share for the period (PLN)	0.52	0.64
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 periods ended 31 March 2015 and 31 March 2014 respectively, no discontinued operations were conducted by the PKO Bank Polski SA Group.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	01.01- 31.03.2015	01.01- 31.03.2014
Net profit (including non-controlling shareholders)		635 762	798 981
Other comprehensive income		13 523	(14 400)
Items that may be reclassified to the income statement		13 523	(14 400)
Cash flow hedges (gross)	17	(45 294)	41 257
Deferred tax on cash flow hedges		8 606	(7 839)
Cash flow hedges (net)		(36 688)	33 418
Unrealised net gains on financial assets available for sale (gross)		91 236	12 988
Deferred tax on unrealised net gains on financial assets available for sale		(16 506)	(2 963)
Unrealised net gains on financial assets available for sale (net)		74 730	10 025
Currency translation differences from foreign operations		(23 513)	(57 680)
Share in other comprehensive income of an associate		(1 006)	(163)
Total net comprehensive income		649 285	784 581
Total net comprehensive income, of which attributable to:		649 285	784 581
equity holders of PKO Bank Polski SA		660 746	788 345
non-controlling shareholders		(11 461)	(3 764)

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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Bank Polski

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31.03.2015	31.12.2014
ASSETS			
Cash and balances with the central bank	13	10 090 058	11 738 371
Amounts due from banks	14	4 567 158	2 486 686
Trading assets	15	1 813 910	1 924 426
Derivative financial instruments	16	5 598 132	5 494 822
Financial assets designated upon initial recognition at fair value through profit and loss	18	18 730 144	15 723 148
Loans and advances to customers	19	182 440 406	179 497 384
Investment securities available for sale	20	23 602 867	22 279 225
Investment securities held to maturity	21	202 855	233 358
Investments in associates and joint ventures	22	198 474	322 486
Non-current assets held for sale	23	776 406	624 992
Inventories	24	265 129	237 883
Intangible assets	25	3 277 488	3 379 501
Tangible fixed assets, of which:	25	2 480 800	2 653 555
investment properties		129 367	129 693
Current income tax receivables	11	83 860	118 810
Deferred income tax asset	11	905 273	863 677
Other assets		1 550 966	1 122 265
TOTAL ASSETS		256 583 926	248 700 589
LIABILITIES AND EQUITY			
Liabilities			
Amounts due to the central bank		4 143	4 427
Amounts due to banks	26	21 570 055	19 394 482
Derivative financial instruments	16	6 300 141	5 545 141
Amounts due to customers	27	178 367 476	174 386 766
Liabilities due to insurance operations	28	2 790 195	2 679 722
Liabilities associated with assets classified as held for sale		47 793	34 964
Debt securities in issue	29	13 815 938	13 300 610
Subordinated liabilities	30	2 478 949	2 413 985
Other liabilities	31	2 604 099	2 954 603
Current income tax liabilities	11	13 200	17 453
Deferred income tax liability	11	28 682	29 047
Provisions	32	298 419	323 838
TOTAL LIABILITIES		228 319 090	221 085 038
Equity			
Share capital	33	1 250 000	1 250 000
Other capital	33	23 389 054	23 374 794
Currency translation differences from foreign operations	33	(216 163)	(192 692)
Undistributed profits	33	3 216 240	(60 658)
Net profit for the year	33	647 181	3 254 122
Capital and reserves attributable to equity holders of the parent company	33	28 286 312	27 625 566
Non-controlling interest	33	(21 476)	(10 015)
TOTAL EQUITY		28 264 836	27 615 551
TOTAL LIABILITIES AND EQUITY		256 583 926	248 700 589
Capital adequacy ratio	41	13.11%	12.96%
Book value (in PLN thousand)		28 264 836	27 615 551
Number of shares (in thousand)	1	1 250 000	1 250 000
Book value per share (in PLN)		22.61	22.09
Diluted number of shares (in thousand)		1 250 000	1 250 000
Diluted book value per share (in PLN)		22.61	22.09

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2015	Share capital	Other capital Reserves			Other comprehensive income				Total other capital	Currency translation differences from foreign operations	Undistributed profits	Net profit for the period	Total capital and reserves attributable to equity holders of the parent company	Non-controlling interest	Total equity
		Reserve capital	General banking risk fund	Other reserves	Share in other comprehensive income of an associate	Financial assets available for sale	Cash flow hedges	Actuarial gains and losses							
Note 33															
As at 1 January 2015	1 250 000	18 802 387	1 070 000	3 474 127	1 006	31 046	5 204	(8 976)	23 374 794	(192 692)	(60 658)	3 254 122	27 625 566	(10 015)	27 615 551
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	-	-	3 254 122	(3 254 122)	-	-	-
Total comprehensive income, of which:	-	-	-	-	(1 006)	74 730	(36 688)	-	37 036	(23 471)	-	647 181	660 746	(11 461)	649 285
Net profit	-	-	-	-	-	-	-	-	-	-	-	647 181	647 181	(11 419)	635 762
Other comprehensive income	-	-	-	-	(1 006)	74 730	(36 688)	-	37 036	(23 471)	-	-	13 565	(42)	13 523
Transfer from undistributed profits	-	(22 776)	-	-	-	-	-	-	(22 776)	-	22 776	-	-	-	-
As at 31 March 2015	1 250 000	18 779 611	1 070 000	3 474 127	-	105 776	(31 484)	(8 976)	23 389 054	(216 163)	3 216 240	647 181	28 286 312	(21 476)	28 264 836

For the period ended 31 March 2014	Share capital	Other capital Reserves			Other comprehensive income				Total other capital	Currency translation differences from foreign operations	Undistributed profits	Net profit for the period	Total capital and reserves attributable to equity holders of the parent company	Non-controlling interest	Total equity
		Reserve capital	General banking risk fund	Other reserves	Share in other comprehensive income of an associate	Financial assets available for sale	Cash flow hedges	Actuarial gains and losses							
Note 33															
As at 1 January 2014	1 250 000	16 760 686	1 070 000	3 469 107	(54)	(57 797)	(125 593)	(7 676)	21 108 673	(129 420)	(306 230)	3 229 793	25 152 816	1 509	25 154 325
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	-	-	3 229 793	(3 229 793)	-	-	-
Total comprehensive income, of which:	-	-	-	-	(163)	10 025	33 418	-	43 280	(57 509)	-	802 574	788 345	(3 764)	784 581
Net profit	-	-	-	-	-	-	-	-	-	-	-	802 574	802 574	(3 593)	798 981
Other comprehensive income	-	-	-	-	(163)	10 025	33 418	-	43 280	(57 509)	-	-	(14 229)	(171)	(14 400)
As at 31 March 2014	1 250 000	16 760 686	1 070 000	3 469 107	(217)	(47 772)	(92 175)	(7 676)	21 151 953	(186 929)	2 923 563	802 574	25 941 161	(2 255)	25 938 906

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	01.01- 31.03.2015	01.01- 31.03.2014
Net cash flows from operating activities			
Profit before income tax		810 913	1 003 325
Adjustments:		868 561	5 242 954
Amortisation and depreciation		206 244	166 881
(Gains) losses from investing activities		(20 321)	578
Interest and dividends		(10 301)	(66 883)
Change in amounts due from banks		(595 319)	(110 404)
Change in trading assets and financial assets designated upon initial recognition at fair value through profit and loss		(2 896 480)	4 773 893
Change in derivative financial instruments (asset)		(103 310)	253 657
Change in loans and advances to customers		(3 050 078)	(9 620)
Change in other assets, inventories and non-current assets held for sale		(466 415)	(513 552)
Change in amounts due to banks		3 160 512	696 351
Change in derivative financial instruments (liability)		755 000	(247 523)
Change in amounts due to customers		3 980 710	768 504
Change in liabilities classified as held for sale		12 829	(664)
Change in debt securities in issue		271 439	172 915
Change in provisions and impairment allowances		87 677	(45 657)
Change in other liabilities, liabilities due to insurance operations and subordinated liabilities		(175 067)	(48 732)
Income tax paid		(206 056)	(267 961)
Other adjustments		(82 503)	(278 829)
Net cash generated from operating activities		1 679 474	6 246 279
Net cash flows from investing activities			
Inflows from investing activities		10 008 735	3 116 105
Proceeds from sale and interest on investment securities		9 961 538	3 113 213
Proceeds from sale of intangible assets and tangible fixed assets		33 426	2 892
Other investing inflows (dividends)		13 771	-
Outflows from investing activities		(10 888 875)	(5 884 862)
Purchase of investment securities		(10 812 575)	(5 781 312)
Purchase of intangible assets and tangible fixed assets		(76 300)	(103 550)
Net cash used in investing activities		(880 140)	(2 768 757)
Net cash flows from financing activities			
Proceeds from debt securities in issue		995 195	2 118 400
Redemption of debt securities in issue		(751 306)	(73 533)
Repayment of interest from issued debt securities and subordinated loans		(171 875)	(113 391)
Long-term borrowings		50 005	88 471
Repayment of long-term borrowings		(1 084 027)	(190 569)
Net cash used in/generated from financing activities		(962 008)	1 829 378
Net cash flows		(162 674)	5 306 900
of which currency translation differences on cash and cash equivalents		(6 610)	(8 227)
Cash and cash equivalents at the beginning of the period		14 254 855	8 884 739
Cash and cash equivalents at the end of the period	36	14 092 181	14 191 639
of which restricted		8 681	17 573

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The condensed interim consolidated financial statements of the Powszechna Kasa Oszczędności Bank Polski SA Group ('the PKO Bank Polski SA Group', 'the Group') have been prepared for the three-month period ended 31 March 2015 and include comparative data for the three-month period ended 31 March 2014 (as regards consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows), and comparative data as at 31 December 2014 (as regards consolidated statement of financial position). Financial data has been presented in Polish złoty (PLN), rounded to thousand złoty, 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 Poczta Kasa Oszczędnościowa. In 1950 it operated as the Powszechna Kasa Oszczędności State-owned bank. Pursuant to the Decree of the Council of Ministers dated 18 January 2000 (Journal of Laws of 2000 No. 5, item 55 with subsequent amendments) Powszechna Kasa Oszczędności (a State-owned bank) was transformed into a State-owned joint-stock company, Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna with its Head Office in Warsaw, Puławska 15, 02-515 Warsaw, Poland.

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

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

Moreover, through its subsidiaries, outside banking activities the Group provides financial services relating to leasing, factoring, investment funds, pension funds and life insurance and provides support services in the field of running a business by other entities, it conducts real estate development and management activities, as well as through its subsidiaries in Ukraine, the Group conducts banking, debt collection and factoring activities.

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

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

Approval of financial statements

These condensed interim consolidated financial statements, reviewed by the Supervisory Board's Audit Committee on 6 May 2015, have been approved for publication by the Bank's Management Board on 6 May 2015.

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Structure of the PKO Bank Polski SA Group

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

NAME OF ENTITY	HEAD OFFICE	RANGE OF ACTIVITY	% SHARE IN EQUITY *	
			31.03.2015	31.12.2014
PKO Towarzystwo Funduszy Inwestycyjnych SA	Warsaw	investment fund management	100.00	100.00
PKO BP BANKOWY PTE SA	Warsaw	pension fund management	100.00	100.00
PKO Leasing SA	Łódź	leasing services	100.00	100.00
PKO Bankowy Leasing Sp. z o.o.	Łódź	leasing services	100.00	100.00
PKO Leasing Sverige AB	Stockholm, Sweden	leasing services	100.00	100.00
Bankowe Towarzystwo Kapitałowe SA	Warsaw	services	100.00	100.00
PKO BP Faktoring SA ¹	Warsaw	factoring	99.9889	99.9889
PKO BP Finat Sp. z o.o.	Warsaw	services, including services supporting funds management	100.00	100.00
PKO Życie Towarzystwo Ubezpieczeń SA	Warsaw	life insurance	100.00	100.00
Ubezpieczeniowe Usługi Finansowe Sp. z o.o.	Warsaw	services	100.00	100.00
PKO Bank Hipoteczny SA	Gdynia	banking activities	100.00	100.00
PKO Finance AB	Stockholm, Sweden	financial services	100.00	100.00
KREDOBANK SA	Lviv, Ukraine	banking activities	99.5655	99.5655
Finansowa Kompania 'Idea Kapital' Sp. z o.o.	Lviv, Ukraine	financial services	100.00	100.00
'Inter-Risk Ukraina' Additional Liability Company	Kiev, Ukraine	debt collection services	100.00	100.00
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o. ²	Kiev, Ukraine	factoring	95.4676	95.4676
Qualia Development Sp. z o.o. ³	Warsaw	real estate development	100.00	100.00
Qualia 2 Sp. z o.o. ⁴	Warsaw	general partner in Qualia 2 Spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Sp. k.	100.00	-
Qualia 2 z ograniczoną odpowiedzialnością - Nowy Wilanów Sp. k. ⁵	Warsaw	real estate development	99.9750	99.9750
Qualia Sp. z o.o.	Warsaw	general partner in limited partnerships of the Qualia Development Group entities	100.00	100.00
Qualia spółka z ograniczoną odpowiedzialnością - Neptun Park Sp. k.	Warsaw	real estate development	99.9975	99.9975
Qualia spółka z ograniczoną odpowiedzialnością - Sopot Sp. k.	Warsaw	real estate development	99.9811	99.9811
Qualia spółka z ograniczoną odpowiedzialnością - Jurata Sp. k.	Warsaw	real estate development	99.9770	99.9770
Qualia spółka z ograniczoną odpowiedzialnością - Zakopane Sp. k.	Warsaw	real estate development	99.9123	99.9123
Qualia spółka z ograniczoną odpowiedzialnością - Pomeranka Sp. k.	Warsaw	real estate development	99.8951	99.8951
Qualia spółka z ograniczoną odpowiedzialnością - Projekt 1 Sp. k.	Warsaw	real estate development	50.00	50.00
Qualia spółka z ograniczoną odpowiedzialnością - Władysławowo Sp. k.	Warsaw	real estate development	50.00	50.00
Qualia Hotel Management Sp. z o.o.	Warsaw	real estate development	100.00	100.00
Qualia - Residence Sp. z o.o.	Warsaw	real estate development	100.00	100.00
Qualia - Rezydencja Flotyli Sp. z o.o.	Warsaw	real estate development	100.00	100.00
'Fort Mokotów Inwestycje' Sp. z o.o.	Warsaw	real estate development	100.00	100.00
Sarnia Dolina Sp. z o.o.	Warsaw	real estate development	100.00	100.00
Giełda Nieruchomości Wartościowych Sp. z o.o.	Warsaw	intermediation in the sale of real estate	100.00	100.00
'Fort Mokotów' Sp. z o.o. in liquidation	Warsaw	in liquidation	51.00	51.00
'CENTRUM HAFNERA' Sp. z o.o.	Sopot	subsidiaries' real estate management	72.9766	72.9766
'Sopot Zdrój' Sp. z o.o.	Sopot	real estate management	100.00	100.00
'Promenada Sopotka' Sp. z o.o.	Sopot	rental services and real estate management	100.00	100.00
'Centrum Majkowskiego' Sp. z o.o. in liquidation	Sopot	in liquidation	100.00	100.00
Merkury - fiz an ⁶	Warsaw	placement of funds collected from fund members	100.00	100.00
'Zarząd Majątkiem Górczewska' Sp. z o.o.	Warsaw	real estate management	100.00	100.00
Molina Sp. z o.o.	Warsaw	general partner in limited joint-stock partnership entities of the Fund	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 1 S.K.A.	Warsaw	purchase and sale of real estate for own account, real estate management	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A.	Warsaw	purchase and sale of real estate for own account, real estate management	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 3 S.K.A.	Warsaw	purchase and sale of real estate for own account, real estate management	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 4 S.K.A.	Warsaw	purchase and sale of real estate for own account, real estate management	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 5 S.K.A.	Warsaw	purchase and sale of real estate for own account, real estate management	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A.	Warsaw	purchase and sale of real estate for own account, real estate management	100.00	100.00

*

Share in equity of direct parent entity

1) The second shareholder of the Entity is PKO Bank Polski SA.

2) The second shareholder of the Entity is 'Inter-Risk Ukraina' Additional Liability Company.

3) The share in the Entity is recognised as non-current assets held for sale; for limited partnership entities of Qualia Development Group the total contribution made by the limited partner - Qualia Development Sp. z o.o. is presented in the position 'Share in equity'.

4) The Entity has been registered in the National Court Register on 9 January 2015.

5) Formerly: Qualia spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Sp. k.

6) PKO Bank Polski SA has investment certificates of the Fund; the share of possessed investment certificates of the Fund is presented in the position 'Share in equity'; the Fund's subsidiaries are consolidated at the level of the PKO Bank Polski SA Group.

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Joint ventures and associates included in the consolidated financial statements:

NAME OF ENTITY	HEAD OFFICE	RANGE OF ACTIVITY	% SHARE IN EQUITY*	
			31.03.2015	31.12.2014
Joint ventures				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	Warsaw	activities supporting financial services, including servicing of transactions made by payment instruments	34.00	34.00
EVO Payments International Sp. z o.o. ¹	Warsaw	activities supporting financial services	100.00	-
EVO Payments International s.r.o. ²	Prague, Czech Republic	activities supporting financial services	100.00	-
'Centrum Obsługi Biznesu' Sp. z o.o.	Poznań	hotel management	41.44	41.44
Associates				
Bank Pocztowy SA ³	Bydgoszcz	banking activities	25.0001	25.0001
Centrum Operacyjne Sp. z o.o.	Bydgoszcz	activities supporting financial services	100.00	100.00
Spółka Dystrybucyjna Banku Poczowego Sp. z o.o.	Warsaw	intermediary financial services	100.00	100.00
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	Poznań	guarantees	33.33	33.33

* Share in equity of direct parent entity

1) The Entity has been registered in the National Court Register on 9 February 2015.

2) The Entity has been registered in the Czech Commercial Register on 16 February 2015.

3) The share in the Entity is recognised as non-current assets held for sale as at the end of March 2015.

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

2. Summary of significant accounting policies and estimates and judgements

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

The accounting policies and calculations applied in these condensed interim consolidated financial statements are consistent with those applied in preparation of the annual consolidated financial statements of the PKO Bank Polski SA Group for the year 2014. These condensed interim consolidated financial statements for the three-month period of 2015 should be read together with consolidated financial statements of the PKO Bank Polski SA Group for the year ended 31 December 2014 prepared in accordance with International Financial Reporting Standards, as approved by the European Commission.

At the same time, new interpretations and amendments to existing standards have come into force since 1 January 2015 and description of these changes and their impact on the consolidated financial statements are included in the consolidated financial statements of the PKO Bank Polski SA Group for the year ended 31 December 2014. One of changes related to application of IFRIC 21 'Levies' (interpretation of IAS 37 'Provisions, contingent liabilities and contingent assets'). Published by the International Financial Reporting Standards Board on 20 May 2013, it was approved for application in the European Union by Decree of the European Union Commission No. 634/2014 of 13 June 2014. The interpretation is effective for annual periods beginning on or after 17 June 2014, which means, in practice, an annual period beginning on 1 January 2015. Changes in accounting policies resulting from application of the interpretation for the first time are recognised retrospectively. IFRIC 21 determines how an entity should account for, in its financial statements, the obligation to pay the levies imposed by governments (other than income tax liabilities). The main issue is when an entity should recognise a liability to pay the levy. IFRIC 21 sets out the criteria for the recognition of the liability. One of the criteria is the requirement of an obligation arising from past events (so-called the obligating event). The interpretation explains that an obligating event that give rise to the obligation to pay a levy, are relevant legislations that trigger the payment of the levy. In practice, for banks in Poland, IFRIC 21 applies to fees paid by banks to the Bank Guarantee Fund, that is, annual fee and prudential fee. According to IFRIC 21 due to the fact, that an obligating event to pay the levies to the BGF is to be covered by the BGF guarantee system in a given year, fees in this respect must be recognised as liability already as at 1 January 2015 and costs in this respect are recognised either as a one-time cost of the Bank's operations or are settled in time (as an asset successively settled on net profit within one year). Based on the opinion of Polish Financial Supervision Authority and Ministry of Finance, costs in this regard are recognised in the Group within a year.

Impact of annual and prudential fee to BGF, depending on the adopted scenario, on the income statement for the first quarter of 2015 is presented below:

Scenario – BFG fee settled in time (adopted in the Bank)	Data in PLN thousand
Operating costs - BFG fee	(111 214)
- annual fee	(87 947)
- prudential fee	(23 267)
Income tax*	16 710
Effect on net profit	(94 504)

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

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Scenario – BFG fee recognized as a one-time cost	Data in PLN thousand
Operating costs - BFG fee	(444 856)
- annual fee	(351 790)
- prudential fee	(93 066)
Income tax*	66 840
Effect on net profit	(378 016)

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

The impact of deferred charges to BGF will be decreasing with time on a straight-line basis, and thus, at the end of the year no difference in this respect will not occur.

3. Information on the segments of activities and information about geographical areas

3.1 Information on the segments of activities

The PKO Bank Polski SA Group conducts business activities as part of segments offering specific products and services addressed to specific groups of customers. The manner in which the business segments are divided ensures consistency with the sales management model and offers the customers a comprehensive product mix comprising both traditional banking products and more complex investment products, as well as services provided by the PKO Bank Polski SA Group entities. The segment note below is recognised in an internal reporting system, i.e. information presented to the Management Board of PKO Bank Polski SA, used to assess achieved results and to allocate resources. The segment report below presents an internal organisational structure of the PKO Bank Polski SA Group.

In 2014, changes were made to the functioning of the existing segments: the corporate segment and the investment segment, which were combined into one corporate and investment segment. These changes were aimed at further improving the quality of service for corporate customers and financial institutions, including extending the range of services and products offered and, consequently, ensuring the provision of comprehensive services. At present, the PKO Bank Polski SA Group comprises three basic segments: retail, corporate and investment, and transfer centre:

1. The retail segment offers a full range of services for individuals as part of retail and private banking as well as mortgage banking. Moreover, it comprises transactions conducted with legal persons, i.e. small and medium enterprises. The products and services offered to customers in this segment include, amongst others: current accounts, savings accounts, term deposits, private banking services, investment and insurance products, credit and debit cards, electronic banking services, consumer and mortgage loans, as well as corporate loans to small and medium enterprises, developers, cooperatives, and property managers.
2. The corporate and investment segment includes transactions concluded with large corporate clients and financial institutions. This segment comprises, i.a., the following products and services: current accounts, term deposits, depositary services, currency and derivative products, sell-buy-back and buy-sell-back transactions, corporate loans, leases and factoring. Within this segment, PKO Bank Polski SA also enters, individually or in a consortium with other banks, into loan agreements financing large investment projects and issuance of non-Treasury securities. This segment also comprises the Bank's portfolio activity on its own account i.e. investing and brokerage activities, interbank transactions, derivative instruments and debt securities. The results of corporate and investment segments comprise results of activities of PKO Bank Polski SA's subsidiaries.
3. The transfer centre comprises the result on internal settlements related to funds transfer pricing, the result on long-term sources of financing and the result on positions classified for hedge accounting. Internal funds transfer is based on transfer pricing dependant on market rates. The transactions between business segments are conducted at arms' length. Long-term external financing includes the issuance of securities, subordinated liabilities and amounts due to financial institutions.

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

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

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

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

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The tables below present data relating to income and results of individual business segments of the PKO Bank Polski SA Group for the three-month periods ended 31 March 2015 and 31 March 2014 and assets and liabilities as at 31 March 2015 and as at 31 December 2014.

For the period ended 31 March 2015	Continuing operations			
	Retail segment	Corporate and investment segment	Transfer centre	Total activity of the PKO Bank Polski SA Group
Net interest income	1 477 423	272 575	(79 260)	1 670 738
Net fee and commission income	503 092	176 265	(207)	679 150
Other net income	96 278	132 052	2 529	230 859
Net result from financial operations	(2 875)	80 471	(1 937)	75 659
Net foreign exchange gains (losses)	59 404	8 369	4 466	72 239
Dividend income	-	-	-	-
Net other operating income and expense	33 213	49 748	-	82 961
Income/expenses relating to internal customers	6 536	(6 536)	-	-
Net impairment allowance and write-downs	(305 400)	(68 179)	-	(373 579)
Administrative expenses, of which:	(1 163 544)	(241 226)	-	(1 404 770)
amortisation and depreciation	(174 216)	(32 028)	-	(206 244)
Share of profit (loss) of associates and joint ventures	-	-	-	8 515
Segment gross profit	607 849	271 487	(76 938)	810 913
Income tax expense (tax burden)	-	-	-	(175 151)
Profit (loss) attributable to non-controlling shareholders	-	-	-	(11 419)
Net profit attributable to equity holders of the parent company	607 849	271 487	(76 938)	647 181

As at 31 March 2015	Continuing operations			
	Retail segment	Corporate and investment segment	Transfer centre	Total activity of the PKO Bank Polski SA Group
Assets	138 008 978	107 424 633	10 161 182	255 594 793
Unallocated assets	-	-	-	989 133
Total assets	138 008 978	107 424 633	10 161 182	256 583 926
Liabilities	144 359 587	60 205 144	23 712 477	228 277 208
Unallocated liabilities	-	-	-	41 882
Total liabilities	144 359 587	60 205 144	23 712 477	228 319 090

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For the period ended 31 March 2014	Continuing operations			
	Retail segment	Corporate and investment segment*	Transfer centre	Total activity of the PKO Bank Polski SA Group
Net interest income	1 507 410	225 413	7 005	1 739 828
Net fee and commission income	567 170	138 596	(351)	705 415
Other net income	42 277	66 203	(5 548)	102 932
Net result from financial operations	2 336	18 742	(1 216)	19 862
Net foreign exchange gains (losses)	32 022	20 949	(4 332)	48 639
Dividend income	-	-	-	-
Net other operating income and expense	1 409	33 022	-	34 431
Income/expenses relating to internal customers	6 510	(6 510)	-	-
Net impairment allowance and write-downs	(336 235)	(77 223)	-	(413 458)
Administrative expenses**, of which:	(905 303)	(220 457)	-	(1 125 760)
amortisation and depreciation	(139 552)	(27 329)	-	(166 881)
Share of profit (loss) of associates and joint ventures	-	-	-	(5 632)
Segment gross profit	875 319	132 532	1 106	1 003 325
Income tax expense (tax burden)	-	-	-	(204 344)
Profit (loss) attributable to non-controlling shareholders	-	-	-	(3 593)
Net profit attributable to equity holders of the parent company	875 319	132 532	1 106	802 574

* Data for three months of 2014 have been brought to comparability. Changes relate to the organisational structure of combining the corporate and investment segments performance.

** From the data for 2015 change in the methodology of allocating costs. Data for 2014 have been brought to comparability, i.e. calculated according to the new methodology.

As at 31 December 2014	Continuing operations			
	Retail segment	Corporate and investment segment	Transfer centre	Total activity of the PKO Bank Polski SA Group
Assets	134 683 185	101 519 006	11 515 913	247 718 104
Unallocated assets	-	-	-	982 485
Total assets	134 683 185	101 519 006	11 515 913	248 700 589
Liabilities	141 576 058	57 145 886	22 316 594	221 038 538
Unallocated liabilities	-	-	-	46 500
Total liabilities	141 576 058	57 145 886	22 316 594	221 085 038

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3.2 Information about geographical areas

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

For the period ended 31 March 2015	Poland	Ukraine	Total
Net interest income	1 652 506	18 232	1 670 738
Net fee and commission income	669 678	9 472	679 150
Other net income	286 296	(55 437)	230 859
Administrative expenses	(1 383 840)	(20 930)	(1 404 770)
Net impairment allowance and write-downs	(362 035)	(11 544)	(373 579)
Share of profit (loss) of associates and joint ventures	-	-	8 515
Profit (loss) before income tax	862 605	(60 207)	810 913
Income tax expense (tax burden)	-	-	(175 151)
Profit (loss) attributable to non-controlling shareholders	-	-	(11 419)
Net profit (loss) attributable to equity holders of the parent company	862 605	(60 207)	647 181

As at 31 March 2015	Poland	Ukraine	Total
Assets, of which:	255 336 627	1 247 299	256 583 926
non-financial fixed assets	5 700 593	57 695	5 758 288
deferred tax assets and current income tax receivable	970 280	18 853	989 133
Liabilities	227 139 123	1 179 967	228 319 090

For the period ended 31 March 2014	Poland	Ukraine	Total
Net interest income	1 726 589	13 239	1 739 828
Net fee and commission income	694 005	11 410	705 415
Other net income	114 086	(11 154)	102 932
Administrative expenses	(1 098 945)	(26 815)	(1 125 760)
Net impairment allowance and write-downs	(405 397)	(8 061)	(413 458)
Share of profit (loss) of associates and joint ventures	-	-	(5 632)
Profit (loss) before income tax	1 030 338	(21 381)	1 003 325
Income tax expense (tax burden)	-	-	(204 344)
Profit (loss) attributable to non-controlling shareholders	-	-	(3 593)
Net profit (loss) attributable to equity holders of the parent company	1 030 338	(21 381)	802 574

As at 31 December 2014	Poland	Ukraine	Total
Assets, of which:	247 272 350	1 428 239	248 700 589
non-financial fixed assets	5 948 657	84 399	6 033 056
deferred tax assets and current income tax receivable	959 109	23 378	982 487
Liabilities	219 733 534	1 351 504	221 085 038

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4. Interest income and expense

Interest and similar income

	01.01- 31.03.2015	01.01- 31.03.2014
Interest income calculated using the effective interest rate method, with respect to financial assets, which are not measured at fair value through profit and loss, of which:	2 252 544	2 268 997
Income from loans and advances to customers, of which:	2 045 095	2 093 128
from impaired loans	82 746	114 060
Income from loans to banks	1 828	1 285
Income from investment securities	176 457	136 761
Income from placements with banks	28 097	36 601
Other	1 067	1 222
Other income, of which:	180 043	197 837
Income from financial assets designated upon initial recognition at fair value through profit and loss	71 836	97 175
Income from derivative hedging instruments	95 483	88 197
Income from trading assets	12 724	12 465
Total	2 432 587	2 466 834

Interest expense and similar charges

	01.01- 31.03.2015	01.01- 31.03.2014
Interest expense calculated using the effective interest rate method, with respect to financial liabilities, which are not measured at fair value through profit and loss, of which:	(753 272)	(724 055)
Interest expense on amounts due to customers	(576 320)	(582 906)
Interest expense on debt securities in issue and subordinated liabilities	(135 953)	(121 743)
Interest expense on loans from banks	(23 799)	(9 197)
Premium expense on debt securities available for sale	(14 912)	(7 819)
Interest expense on deposits from banks	(2 288)	(2 390)
Other expense	(8 577)	(2 951)
Interest expense on financial assets designated upon initial recognition at fair value through profit and loss	(4 349)	(1 750)
Interest expense on trading assets	(4 228)	(1 201)
Total	(761 849)	(727 006)

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5. Fee and commission income and expense

Fee and commission income

	01.01- 31.03.2015	01.01- 31.03.2014
Income from financial assets, which are not measured at fair value through profit and loss, of which:	149 967	135 148
income from loans and advances granted	149 967	135 148
Other commissions from:	738 145	837 501
payment cards	212 175	337 583
maintenance of bank accounts	229 638	234 024
loans insurance	41 687	65 895
maintenance of investment and open pension funds (including management fees)	106 544	101 134
cash transactions	25 546	28 498
securities transactions	33 401	20 398
servicing foreign mass transactions	17 776	13 520
providing services of an agent for the issue of Treasury bonds	4 518	6 545
sale and distribution of court fee stamps	2 258	1 357
investment and insurance products	24 840	-
other*	39 762	28 547
From fiduciary activities	1 072	907
Total	889 184	973 556

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

Income from insurance

	01.01- 31.03.2015	01.01- 31.03.2014
Income from insurance intermediary	1 547	-
Income from policies administration	1 655	-
Income from fund management	18 317	-
Other	3 321	-
Total	24 840	-

Fee and commission expense

	01.01- 31.03.2015	01.01- 31.03.2014
payment cards	(121 294)	(170 866)
loans insurance	(22 610)	(22 754)
acquisition services	(14 762)	(23 559)
settlement services	(9 062)	(7 986)
assets management expenses	(2 837)	(10 737)
fee and commissions for operating services provided by banks	(7 514)	(3 316)
other*	(31 955)	(28 923)
Total	(210 034)	(268 141)

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

6. Net income from financial instruments measured at fair value

	01.01- 31.03.2015	01.01- 31.03.2014
Change in fair value of financial instruments measured at fair value through profit and loss determined using the valuation techniques	5 213	7 649
Derivative instruments, of which:	12 584	11 057
an ineffective portion related to cash flow hedges	2 704	3 425
Structured bank securities measured at fair value through profit and loss	(7 371)	(3 408)
Debt securities	16 917	5 415
Equity instruments	952	159
Other	36	-
Total	23 118	13 223

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01.01-31.03.2015	Gains	Losses	Net result
Trading assets	10 314 688	(10 299 742)	14 946
Financial assets designated upon initial recognition at fair value through profit and loss	87 080	(78 908)	8 172
Total	10 401 768	(10 378 650)	23 118

01.01-31.03.2014	Gains	Losses	Net result
Trading assets	6 598 357	(6 587 267)	11 090
Financial assets designated upon initial recognition at fair value through profit and loss	72 574	(70 441)	2 133
Total	6 670 931	(6 657 708)	13 223

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

	01.01-31.03.2015	01.01-31.03.2014
Gain/loss due to change in value of assets available for sale recognised directly in other comprehensive income during the period	38 695	6 349
Gain/loss derecognised from other comprehensive income recognised in the income statement in the position 'Gains less losses from investment securities' on:	52 541	6 639
gain from sale derecognised from other comprehensive income	56 292	6 919
loss on sale derecognised from other comprehensive income	(3 751)	(280)
Impact on other comprehensive income (gross), position 'Unrealised net gains on financial assets available for sale (gross)'	91 236	12 988

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8. Other operating income and expense

	01.01- 31.03.2015	01.01- 31.03.2014
Net income from sale of products and services	37 532	51 607
Sale, disposal of tangible fixed assets, intangible assets and assets held for sale	52 283	21 570
Damages, penalties and fines received	8 731	9 365
Sundry income	5 084	4 774
Recovery of expired and written-off receivables	9 522	2 099
Other	26 755	18 536
Total	139 907	107 951

	01.01- 31.03.2015	01.01- 31.03.2014
Costs of sale of products and services	(15 349)	(31 726)
Costs of sale, disposal of tangible fixed assets, intangible assets and assets held for sale	(32 426)	(22 572)
Donations	(310)	(1 342)
Sundry expenses	(1 325)	(1 364)
Other	(7 536)	(16 516)
Total	(56 946)	(73 520)

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9. Net impairment allowance and write-downs

For the period ended 31 March 2015	Note	Value at the beginning of the period	Increases		Decreases				Value at the end of the period	Net – impact on the income statement
			Recognised during the period	Other	Derecognition of assets and settlement	Reversed during the period	Currency translation differences	Other		
Investment securities available for sale	23	129 369	7 515	147	48 615	1 066	194	-	87 156	(6 449)
Debt securities available for sale		-	3 954	147	-	147	179	-	3 775	(3 807)
Equity securities		129 369	3 561	-	48 615	919	15	-	83 381	(2 642)
Amounts due from banks	17	111	601	-	-	7	-	108	597	(594)
Loans and advances to customers measured at amortised cost	22	8 022 477	1 392 269	107 923	266 448	1 042 934	82 691	1 063	8 129 533	(349 335)
Non-financial sector		7 812 724	1 372 701	105 778	259 807	1 028 538	81 496	1 063	7 920 299	(344 163)
corporate loans		4 089 160	645 104	11 874	3 526	484 575	61 221	-	4 196 816	(160 529)
consumer loans		1 322 907	350 696	16 055	106 696	260 926	7 016	-	1 315 020	(89 770)
housing loans		2 307 712	376 870	77 849	149 556	283 037	13 259	-	2 316 579	(93 833)
debt securities		92 945	31	-	29	-	-	1 063	91 884	(31)
Financial sector		9 483	1 904	2 124	4 448	4 194	1 195	-	3 674	2 290
corporate loans		9 483	1 904	2 124	4 448	4 194	1 195	-	3 674	2 290
Public sector		15 462	1 006	21	-	1 091	-	-	15 398	85
corporate loans		12 639	955	21	-	1 091	-	-	12 524	136
debt securities		2 823	51	-	-	-	-	-	2 874	(51)
Finance lease receivables		184 808	16 658	-	2 193	9 111	-	-	190 162	(7 547)
Non-current assets held for sale	26	93 430	361	-	630	-	-	-	93 161	(361)
Tangible fixed assets	29	10 080	48 221	-	-	-	2 873	-	55 428	(48 221)
Intangible assets	28	139 726	186	-	-	-	-	-	139 912	(186)
Investments in associates and joint ventures	25	108 715	105	-	-	28 854	-	74 142	5 824	28 749
Inventories	27	29 164	1 751	-	1 195	46	-	-	29 674	(1 705)
Other receivables		154 897	12 238	1 487	25	7 310	836	-	160 451	(4 928)
Provision for legal claims, loan commitments and guarantees granted	38	151 324	103 118	-	175	112 264	69	5 410	136 524	9 146
Provision for future liabilities		11 192	541	-	137	846	-	1 942	8 808	305
Total		8 850 485	1 566 906	109 557	317 225	1 193 327	86 663	82 665	8 847 068	(373 579)

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For the period ended 31 March 2014	Note	Value at the beginning of the period	Increases		Decreases				Value at the end of the period	Net – impact on the income statement
			Recognised during the period	Other	Derecognition of assets and settlement	Reversed during the period	Currency translation differences	Other		
Investment securities available for sale	23	33 455	395	-	-	347	28	12 456	21 019	(48)
Debt securities available for sale		3 296	46	-	-	-	-	-	3 342	(46)
Equity securities		30 159	349	-	-	347	28	12 456	17 677	(2)
Amounts due from banks	17	28 583	592	216	-	-	-	-	29 391	(592)
Loans and advances to customers measured at amortised cost	22	6 650 780	1 576 603	13 316	422 551	1 167 519	27 832	-	6 622 797	(409 084)
Non-financial sector		6 501 046	1 564 345	9 842	420 910	1 155 092	27 807	-	6 471 424	(409 253)
corporate loans		3 329 352	837 897	765	276 812	516 973	20 540	-	3 353 689	(320 924)
consumer loans		1 413 349	349 465	1 019	125 780	307 089	2 679	-	1 328 285	(42 376)
housing loans		1 731 258	376 983	8 058	18 318	329 998	4 588	-	1 763 395	(46 985)
debt securities		27 087	-	-	-	1 032	-	-	26 055	1 032
Financial sector		5 524	26	3 439	-	6 933	25	-	2 031	6 907
corporate loans		5 524	26	3 439	-	6 933	25	-	2 031	6 907
Public sector		11 527	3	35	106	245	-	-	11 214	242
corporate loans		10 549	-	35	106	245	-	-	10 233	245
debt securities		978	3	-	-	-	-	-	981	(3)
Finance lease receivables		132 683	12 229	-	1 535	5 249	-	-	138 128	(6 980)
Non-current assets held for sale	26	365 340	180	-	7 631	212	98 380	-	259 297	32
Tangible fixed assets	29	12 084	-	-	7	-	3 264	-	8 813	-
Intangible assets	28	153 011	16 447	-	-	-	77	-	169 381	(16 447)
Investments in associates and joint ventures	25	116 532	411	-	-	9 247	-	-	107 696	8 836
Inventories	27	53 805	3 871	-	4 615	15	-	-	53 046	(3 856)
Other receivables		158 752	9 849	1 405	115	5 261	1 022	110	163 498	(4 588)
Provision for legal claims, loan commitments and guarantees granted	38	151 603	106 749	201	-	119 033	87	-	139 433	12 284
Provision for future liabilities		6 945	855	-	297	860	-	-	6 643	5
Total		7 730 890	1 715 952	15 138	435 216	1 302 494	130 690	12 566	7 581 014	(413 458)

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10. Administrative expenses

	01.01- 31.03.2015	01.01- 31.03.2014
Employee benefits	(686 845)	(588 721)
Overheads	(385 346)	(300 608)
Amortisation and depreciation, of which:	(206 244)	(166 881)
tangible fixed assets	(92 055)	(74 237)
intangible assets	(113 774)	(92 426)
investment properties	(415)	(218)
Taxes and other charges	(15 121)	(17 179)
Contribution and payments to the Bank Guarantee Fund	(111 214)	(52 371)
Total	(1 404 770)	(1 125 760)

Wages and salaries/employee benefits

	01.01- 31.03.2015	01.01- 31.03.2014
Wages and salaries, of which:	(566 006)	(482 726)
expenses on employee pension programme	(11 775)	(7 461)
Social Insurance, of which:	(103 067)	(89 962)
contributions to retirement pay and pensions	(89 014)	(81 729)
Other employee benefits	(17 772)	(16 033)
Total	(686 845)	(588 721)

11. Income tax expense

	01.01- 31.03.2015	01.01- 31.03.2014
Current income tax expense	(234 639)	(186 869)
Deferred income tax related to creating and reversal of temporary differences	59 488	(17 475)
Tax expense in the consolidated income statement	(175 151)	(204 344)
Deferred tax expense in other comprehensive income related to creating and reversal of temporary differences	(7 900)	(10 802)
Total	(183 051)	(215 146)

	31.03.2015	31.12.2014
Deferred income tax asset	905 273	863 677
Deferred income tax liability	28 682	29 047

In the first quarter of 2015 KREDO BANK SA conducted proceedings related to legal claims described below with the tax authority in Ukraine.

The legal claim concerns the results of tax audit, which covered the period from 1 April 2011 to 30 September 2012. Legal claims mainly concern recognition of the costs related to the transaction of selling loans in the period covered by the inspection as tax deductible expenses, the adequacy of recognition of impairment allowances on loans, the correctness of the settlement of VAT on property sales and withholding tax for the payment of fees for services.

The value of disputed claims amounts to UAH 877 thousand (PLN 142 thousand) and the amount of reducing tax loss from previous years – UAH 626 282 thousand (PLN 101 646 thousand). In February 2013, KREDO BANK SA paid a part of the legal claims in the total amount of UAH 439 thousand (PLN 71 thousand) - this value was included in subsequent appeal claims.

KREDO BANK SA appealed against the above mentioned tax decision consecutive to the Regional State Tax Service and The Ministry of Revenue and Duties of Ukraine, and these appeals were rejected.

On 2 August 2013, KREDO BANK SA filed a claim against the results of the inspection and applied for cancellation of the above mentioned tax decision. On 5 November 2013 the court of the first instance issued a favourable verdict for KREDO BANK SA, which accepted a position of the Company, except the correctness of calculation of tax depreciation on tangible fixed assets in the total amount of UAH 336 thousand (PLN 55 thousand).



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On 26 November 2013, the tax authority appealed to the court of the second instance. On 2 April 2014 the court of appeal upheld the decision of the court of first instance favourable for KREDOBANK SA. On 15 April 2014 the tax authority filed a motion for cassation of this judgment to the Higher Administrative Court.

On 10 February 2015 Higher Administrative Court issued a favourable verdict for KREDOBANK SA, maintaining above-mentioned decisions of the court of the first and second instance. The judgement is legally valid. The tax authority has a possibility to appeal to Supreme Court of Ukraine.

12. 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- 31.03.2015	01.01- 31.03.2014
Profit per ordinary shareholders (in PLN thousand)	647 181	802 574
Weighted average number of ordinary shares during the period (in thousand)	1 250 000	1 250 000
Earnings per share (in PLN per share)	0.52	0.64

Diluted earnings per share and earnings per share from discontinued operations

In the first quarter of 2015 as well as in the first quarter of 2014 there were no dilutive instruments and there were no material expenses or income from discontinued operations.

13. Cash and balances with the central bank

	31.03.2015	31.12.2014
Current account in the central bank	7 115 342	7 772 859
Cash	2 974 637	3 965 456
Other funds	79	56
Total	10 090 058	11 738 371

14. Amounts due from banks

	31.03.2015	31.12.2014
Deposits with banks	3 939 370	1 630 832
Current accounts	600 124	835 582
Loans and advances granted	9 702	16 146
Receivables due from repurchase agreements	9 931	-
Cash in transit	8 628	4 237
Total	4 567 755	2 486 797
Impairment allowances on receivables	(597)	(111)
Net total	4 567 158	2 486 686

15. Trading assets

By carrying amount	31.03.2015	31.12.2014
Debt securities	1 791 043	1 915 120
issued by the State Treasury, treasury bonds PLN	1 698 833	1 825 454
issued by local government bodies, municipal bonds PLN	50 906	50 563
issued by non-financial institutions, of which:	24 551	22 146
corporate bonds PLN	24 531	22 137
corporate bonds EUR	20	9
issued by other financial institutions, of which:	978	2 326
bonds issued by WSE PLN	871	2 248
corporate bonds PLN	107	78
issued by banks	15 775	14 631
Shares in other entities - listed on stock exchanges	11 917	5 137
Investment certificates	10 950	3 891
Rights to shares	-	278
Total	1 813 910	1 924 426



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16. Derivative financial instruments

Derivative instruments used by the Group

As at 31 March 2015 and as at 31 December 2014, the Group held the following types of derivative instruments:

	31.03.2015		31.12.2014	
	Assets	Liabilities	Assets	Liabilities
Hedging instruments	523 381	1 083 621	599 841	494 961
Other derivative instruments	5 074 751	5 216 520	4 894 981	5 050 180
Total	5 598 132	6 300 141	5 494 822	5 545 141

Type of contract	31.03.2015		31.12.2014	
	Assets	Liabilities	Assets	Liabilities
IRS	4 140 204	4 127 824	4 591 519	4 439 830
CIRS	629 357	1 330 539	340 972	616 841
FX Swap	416 888	453 458	227 857	237 542
Options	239 020	170 089	185 366	133 912
FRA	130 574	166 744	59 078	63 505
Forward	41 935	49 525	89 113	52 838
Other	154	1 962	917	673
Total	5 598 132	6 300 141	5 494 822	5 545 141

17. Derivative hedging instruments

As at 31 March 2015 the Group applies the following hedging strategies:

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

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

Hedged risk - currency risk and interest rate risk.

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

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

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

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

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

Hedged risk - interest rate risk.

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

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

Periods in which cash flows are expected and in which they should have an impact on the result - April 2015 - February 2019.

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

Description of hedge relationship:

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

Hedged risk - interest rate risk.

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

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



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

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

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

Hedged risk - interest rate risk.

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

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

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

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

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

Hedged risk - currency risk and interest rate risk.

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

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

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

As at 31 March 2015 and as at 31 December 2014, the Group did not use the fair value hedge.

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

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



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Cash flow hedges

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

Type of instrument:	Carrying amount/fair value			
	31.03.2015		31.12.2014	
	Assets	Liabilities	Assets	Liabilities
IRS	260 181	15	421 101	-
CIRS	263 200	1 083 606	178 740	494 961
Total	523 381	1 083 621	599 841	494 961

Other comprehensive income as regards cash flow hedges	01.01- 31.03.2015	01.01- 31.03.2014
Other comprehensive income at the beginning of the period, gross	6 425	(155 053)
Gains/losses transferred to other comprehensive income in the period	(971 073)	858
Amount transferred from other comprehensive income to the income statement, of which:	925 778	40 399
- interest income	(95 483)	(88 197)
- net foreign exchange gains (losses)	1 021 261	128 596
Accumulated other comprehensive income at the end of the period, gross	(38 870)	(113 796)
Tax effect	7 385	21 621
Accumulated other comprehensive income at the end of the period, net	(31 485)	(92 175)
Ineffective part of cash flow hedges recognised in the income statement	2 704	3 425
Effect on other comprehensive income in the period, gross	(45 294)	41 257
Deferred tax on cash flow hedges	8 606	(7 839)
Effect on other comprehensive income in the period, net	(36 688)	33 418

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

By carrying amount	31.03.2015	31.12.2014
Debt securities	16 727 965	13 804 860
issued by central banks, NBP money market bills	14 698 545	10 998 812
issued by the State Treasury, of which:	1 734 452	2 478 708
Treasury bonds PLN	1 706 439	2 452 213
Treasury bonds UAH	28 013	26 495
issued by local government bodies, of which:	245 514	253 817
municipal bonds EUR	135 461	139 882
municipal bonds PLN	110 053	113 935
issued by non-financial institutions - corporate bonds PLN	503	511
issued by banks - structured bonds PLN	48 951	73 012
Participation units in ICF (Insurance Capital Funds)*	2 002 179	1 918 288
Total	18 730 144	15 723 148



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19. Loans and advances to customers

	31.03.2015	31.12.2014
Loans and advances to customers, gross, of which:	190 569 939	187 519 861
financial sector	856 156	1 630 191
corporate, of which:	610 748	1 319 339
deposits of the Brokerage House of PKO Bank Polski SA in the Stock Exchange Guarantee Fund and initial deposit	8 781	11 440
receivables due from repurchase agreements	245 408	310 852
non-financial sector	179 637 032	175 789 529
housing	100 971 404	98 105 676
corporate	54 903 763	53 930 247
consumer	21 696 172	21 644 625
debt securities (corporate)	2 065 693	2 108 981
public sector	10 076 751	10 100 141
corporate	7 203 803	7 277 642
debt securities (municipal)	2 872 948	2 822 499
Impairment allowances on loans and advances	(8 129 533)	(8 022 477)
Loans and advances to customers, net	182 440 406	179 497 384

By client segment	31.03.2015	31.12.2014
Loans and advances granted, gross, of which:	190 569 939	187 519 861
mortgage banking	93 898 210	90 768 711
corporate	50 193 426	50 661 094
retail and private banking	21 696 172	21 644 625
small and medium enterprises	24 527 942	24 123 139
receivables due from repurchase agreements	245 408	310 852
other receivables	8 781	11 440
Impairment allowances on loans and advances	(8 129 533)	(8 022 477)
Loans and advances granted, net	182 440 406	179 497 384

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

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



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Loans and advances to customers by method of calculating allowances	31.03.2015	31.12.2014
Assessed on an individual basis	7 278 264	7 377 955
Impaired, of which:	5 534 142	5 615 878
finance lease receivables	304 291	344 975
Not impaired, of which:	1 744 122	1 762 077
finance lease receivables	392 414	300 021
Assessed on a portfolio basis	7 408 578	7 361 432
Impaired, of which:	7 408 578	7 361 432
finance lease receivables	102 002	106 401
Assessed on a group basis (IBNR), of which:	175 883 097	172 780 474
finance lease receivables	4 523 759	4 477 927
Loans and advances to customers, gross	190 569 939	187 519 861
Allowances on exposures assessed on an individual basis	(3 002 504)	(2 963 733)
Impaired, of which:	(2 989 855)	(2 948 025)
allowances on lease receivables	(101 992)	(95 057)
Allowances on exposures assessed on a portfolio basis, of which:	(4 508 749)	(4 426 869)
allowances on lease receivables	(74 046)	(75 273)
Allowances on exposures assessed on a group basis (IBNR), of which:	(618 280)	(631 875)
allowances on lease receivables	(14 124)	(14 478)
Allowances - total	(8 129 533)	(8 022 477)
Loans and advances to customers, net	182 440 406	179 497 384

As at 31 March 2015, the share of impaired loans amounted to 6.8% (as at 31 December 2014: 6.9%), whereas the coverage ratio for impaired loans (calculated as total impairment allowances on total receivables divided by gross carrying amount of impaired loans) amounted to 62.8% (as at 31 December 2014: 61.8%).

As at 31 March 2015, the share of loans and advances overdue by more than 90 days in the gross amount of loans and advances was 5.1% (as at 31 December 2014: 5.2%).

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

As at 31 March 2015	nominal value	fair value	carrying amount
Municipal bonds	848 883	851 101	855 621
Corporate bonds	631 640	645 702	573 965
Total	1 480 523	1 496 803	1 429 586

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



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20. Investment securities available for sale

	31.03.2015	31.12.2014
Debt securities available for sale, gross	23 312 191	21 961 102
issued by the State Treasury	14 097 359	12 781 051
Treasury bonds PLN	13 953 282	12 601 236
Treasury bonds USD	120 346	149 582
Treasury bonds UAH	23 731	30 233
issued by local government bodies, municipal bonds PLN	4 468 496	4 480 325
issued by non-financial institutions	3 179 145	3 475 594
corporate bonds PLN	2 653 367	2 960 217
corporate bonds EUR	306 399	315 965
corporate bonds USD	219 379	199 412
issued by banks, corporate bonds	1 567 191	1 224 132
corporate bonds PLN	1 465 479	1 112 705
corporate bonds EUR	87 261	90 867
corporate bonds UAH	14 451	20 560
Impairment allowances on debt securities available for sale	(3 775)	-
corporate bonds UAH	(3 775)	-
Total net debt securities available for sale	23 308 416	21 961 102
Equity securities available for sale, gross	377 832	447 492
Equity securities not admitted to public trading	206 158	395 412
Equity securities admitted to public trading	171 674	52 080
Impairment allowances on equity securities available for sale	(83 381)	(129 369)
Total net equity securities available for sale	294 451	318 123
Total net investment securities available for sale	23 602 867	22 279 225

21. Investments securities held to maturity

Debt securities	31.03.2015	31.12.2014
issued by the State Treasury:		
issued by the State Treasury PLN	37 672	37 709
issued by the State Treasury EUR	2 725	2 629
issued by the State Treasury USD	162 458	193 020
Total	202 855	233 358

22. Investments in associates and joint ventures

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

Entity name	31.03.2015	31.12.2014
'Centrum Obsługi Biznesu' Sp. z o.o.	4 510	3 460
Purchase price	17 498	17 498
Change in share of net assets	(12 988)	(14 038)
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	193 964	201 380
Fair value of the remaining part of shares as at the date of obtaining joint control	197 320	197 320
Change in share of net assets	(3 356)	4 060
Total	198 474	204 840



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

Entity name	31.03.2015	31.12.2014
The Bank Pocztowy SA Group*	-	117 646
Purchase price	-	146 500
Change in share of net assets	-	74 142
Impairment allowance	-	(102 996)
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	-	-
Purchase price	1 500	1 500
Change in share of net assets	4 324	4 219
Impairment allowance	(5 824)	(5 719)
Total	-	117 646

* In the first quarter of 2015 shares of the Entity were reclassified to non-current assets held for sale

23. Non-current assets held for sale

	31.03.2015	31.12.2014
Assets of subsidiaries	384 465	373 174
Non-current assets available for sale reclassified from associates	146 500	-
Land and buildings	245 281	251 599
Other	160	219
Total	776 406	624 992

In the first quarter of 2015, the Group reclassified, in accordance with IFRS 5 shares of Bank Pocztowy SA to the position 'Non-current assets held for sale'.

In December 2014, the Group reclassified, in accordance with IFRS 5, shares of Qualia Development Sp. z o.o. and selected real estate to the position 'Non-current assets held for sale' - the Group intends to recover the value of the above-mentioned assets through a sale transaction.

24. Inventories

Carrying amount of inventories by kind	31.03.2015	31.12.2014
Supplies	273 429	242 503
Materials	21 374	24 544
Impairment allowances on inventories	(29 674)	(29 164)
Total	265 129	237 883

Inventories in the Group include mainly expenses on real estate development incurred by the Group entities, the scope of activity of which relates to real estate development.

25. Intangible assets and tangible fixed assets

Intangible assets	31.03.2015	31.12.2014
Software	1 684 159	1 711 902
Goodwill acquired as a result of business combinations (including subsidiaries' goodwill)	1 193 728	1 193 728
Future income from insurance contracts concluded	116 954	122 302
Relations with customers	62 467	67 252
Other, including capital expenditure	220 180	284 317
Total	3 277 488	3 379 501



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Net goodwill	31.03.2015	31.12.2014
Nordea Polska entities	985 221	985 221
PKO Towarzystwo Funduszy Inwestycyjnych SA	149 564	149 564
PKO BP BANKOWY PTE SA	51 158	51 158
Goodwill related to assets taken over from Centrum Finansowe Puławska Sp. z o.o.	7 785	7 785
Total	1 193 728	1 193 728

Tangible fixed assets	31.03.2015	31.12.2014
Land and buildings	1 536 746	1 602 761
Machinery and equipment	463 203	499 830
Means of transport	50 935	79 573
Assets under construction	118 195	165 587
Investment properties	129 367	129 693
Other	182 354	176 111
Total	2 480 800	2 653 555

In the periods ended 31 March 2015 and 31 March 2014, respectively, there were no significant acquisitions and sales of tangible fixed assets.

26. Amounts due to banks

	31.03.2015	31.12.2014
Loans and advances received	18 085 154	17 643 643
Bank deposits	954 908	823 815
Current accounts	485 400	609 836
Amounts due from repurchase agreements	2 016 741	299 530
Other money market deposits	27 852	17 658
Total	21 570 055	19 394 482

27. Amounts due to customers

	31.03.2015	31.12.2014
Amounts due to retail clients	131 140 478	128 675 561
Term deposits	70 979 590	69 228 283
Current accounts and overnight deposits	59 920 997	59 219 213
Other liabilities	239 891	228 065
Amounts due to corporate entities	41 934 258	40 932 868
Term deposits	17 621 986	16 068 233
Current accounts and overnight deposits	19 254 345	19 416 337
Loans and advances received	3 556 967	3 421 704
Amounts due from repurchase agreements	321 837	856 124
Other liabilities	1 179 123	1 170 470
Amounts due to public entities	5 292 740	4 778 337
Current accounts and overnight deposits	4 330 520	4 018 030
Term deposits	941 494	740 995
Other liabilities	20 726	19 312
Total	178 367 476	174 386 766



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By client segment	31.03.2015	31.12.2014
Amounts due to customers, of which:		
retail and private banking	125 494 590	122 331 368
corporate	31 747 983	30 295 632
small and medium enterprises	17 238 741	17 475 288
loans and advances received	3 556 967	3 421 704
amounts due from repurchase agreements	321 837	856 124
other liabilities	7 358	6 650
Total	178 367 476	174 386 766

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

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

28. Liabilities due to insurance operations

	31.03.2015	31.12.2014
Technical provisions	250 238	176 441
Liabilities due to insurer's investment contracts divided into:	2 539 957	2 503 281
Structured products	194 282	252 184
Products combining policy and deposit	3 330	3 732
Unit-Linked insurance financial products	2 342 345	2 247 365
Total	2 790 195	2 679 722

	31.03.2015	31.12.2014
Liabilities due to insurance operations, gross, of which:		
Provisions for life insurance	132 330	188 099
Provisions for unpaid claims and benefits	96 337	67 316
Technical provisions for life insurance if the policyholder bears the deposit (investment) risk	2 346 997	2 284 839
Provisions for premiums and provisions for unexpired risk	213 915	138 909
Provisions for the bonuses and rebates for the insured	744	691
Other technical provisions defined in the memorandum	2	1
Total liabilities due to insurance operations, gross	2 790 325	2 679 855
Reinsurer's share	(130)	(133)
Liabilities due to insurance operations, net	2 790 195	2 679 722

29. Debt securities in issue

Debt securities in issue	31.03.2015	31.12.2014
Financial instruments measured at amortised cost	13 691 766	13 182 348
bonds issued by PKO Finance AB	12 354 459	12 032 368
bonds issued by PKO Bank Polski SA	997 343	747 825
bonds issued by PKO Leasing SA	339 964	402 155
Financial instruments measured at fair value through profit and loss - bank securities issued by PKO Bank Polski SA	124 172	118 262
Total	13 815 938	13 300 610



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Bonds issued by PKO Finance AB

Issuance date	Nominal value	Currency	Maturity date	Carrying amount as at 31.03.2015	Carrying amount as at 31.12.2014
21.10.2010*	800 000	EUR	21.10.2015	3 318 080	3 427 536
07.07.2011	250 000	CHF	07.07.2016	1 003 605	901 443
25.07.2012	50 000	EUR	25.07.2022	207 335	213 768
21.09.2012	500 000	CHF	21.12.2015	1 968 783	1 772 805
26.09.2012	1 000 000	USD	26.09.2022	3 805 035	3 540 943
23.01.2014	500 000	EUR	23.01.2019	2 051 621	2 175 873
Total				12 354 459	12 032 368

* Elimination of bonds held in the Brokerage House of PKO Bank Polski SA portfolio was taken into consideration.

30. Subordinated liabilities

As at 31 March 2015	Nominal value in currency	Nominal value in PLN	Currency	Maturity date	Balance in PLN
Subordinated bonds	1 600 700	1 600 700	PLN	14.09.2022	1 602 822
Subordinated loan	224 000	876 064	CHF	24.04.2022	876 127
Total	x	2 476 764	x	x	2 478 949

As at 31 December 2014	Nominal value in currency	Nominal value in PLN	Currency	Maturity date	Balance in PLN
Subordinated bonds	1 600 700	1 600 700	PLN	14.09.2022	1 619 833
Subordinated loan	224 000	794 013	CHF	24.04.2022	794 152
Total	x	2 394 713	x	x	2 413 985

31. Other liabilities

	31.03.2015	31.12.2014
Accounts payable	512 229	542 514
Deferred income	375 614	400 345
Other liabilities	1 716 256	2 011 744
Total	2 604 099	2 954 603
of which financial liabilities	1 990 951	2 321 761

As at 31 March 2015 and as at 31 December 2014 the Group had no overdue contractual liabilities.

32. Provisions

For the period ended 31 March 2015	Provision for legal claims	Provisions for retirement benefits and anniversary bonuses	Provisions for loan commitments and guarantees granted	Other provisions*	Total
As at 1 January 2015, of which:	47 480	39 847	103 844	132 667	323 838
Short term provision	47 165	3 141	73 707	132 667	256 680
Long term provision	315	36 706	30 137	-	67 158
Recognition/reassessment of provisions	648	-	102 470	804	103 922
Release of provisions	(427)	-	(111 837)	(9 443)	(121 707)
Use of provisions	(175)	(38)	-	-	(213)
Currency translation differences	(29)	-	(40)	-	(69)
Other changes and reclassifications	(4 980)	-	(430)	(1 942)	(7 352)
As at 31 March 2015, of which:	42 517	39 809	94 007	122 086	298 419
Short term provision	42 202	3 142	62 196	122 086	229 626
Long term provision	315	36 667	31 811	-	68 793

* Included in 'Other provisions' are i.a.: restructuring provision of PLN 85 785 thousand and provision of PLN 2 295 thousand for potential claims on impaired loan portfolios sold.



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For the period ended 31 March 2014	Provision for legal claims	Provisions for retirement benefits and anniversary bonuses	Provisions for loan commitments and guarantees granted	Other provisions*	Total
As at 1 January 2014, of which:	36 289	35 739	115 314	133 528	320 870
Short term provision	36 289	2 458	88 464	133 528	260 739
Long term provision	-	33 281	26 850	-	60 131
Recognition/reassessment of provisions	601	-	106 148	2 019	108 768
Release of provisions	(1 625)	-	(117 408)	(17 761)	(136 794)
Use of provisions	-	-	-	(1 371)	(1 371)
Currency translation differences	(84)	-	(3)	-	(87)
Other changes and reclassifications	-	-	201	-	201
As at 31 March 2014, of which:	35 181	35 739	104 252	116 415	291 587
Short term provision	35 181	2 457	74 980	116 415	229 033
Long term provision	-	33 282	29 272	-	62 554

* Included in 'Other provisions' are i.a.: restructuring provision of PLN 79 891 thousand and provision of PLN 1 701 thousand for potential claims on impaired loan portfolios sold.

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

33. Equity and shareholding structure of the Bank

	31.03.2015	31.12.2014
Share capital	1 250 000	1 250 000
Other capital, of which:		
Reserve capital	18 779 611	18 802 387
General banking risk fund	1 070 000	1 070 000
Other reserves	3 474 127	3 474 127
Other capital	23 323 738	23 346 514
Share in other comprehensive income of an associate	-	1 006
Financial assets available for sale	105 776	31 046
Cash flow hedges	(31 484)	5 204
Actuarial gains and losses	(8 976)	(8 976)
Other comprehensive income	65 316	28 280
Currency translation differences from foreign operations	(216 163)	(192 692)
Undistributed profits	3 216 240	(60 658)
Net profit for the period	647 181	3 254 122
Total capital and reserves attributable to equity holders of the parent company	28 286 312	27 625 566
Non-controlling interests	(21 476)	(10 015)
Total equity	28 264 836	27 615 551



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The Bank's shareholding structure is as follows:

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

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

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

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

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

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

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

The structure of PKO Bank Polski SA share capital:

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

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



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34. Contingent liabilities and off-balance sheet liabilities received

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

As at 31 March 2015 and as at 31 December 2014, the underwriting agreements covered the following securities (maximum liability of the PKO Bank Polski SA Group to acquire securities):

Issuer of securities underwritten	Type of underwritten securities	Off-balance sheet liabilities resulting from underwriting agreement	Contract period
As at 31 March 2015			
Company A	corporate bonds	1 055 000	31.07.2020
Company B	corporate bonds	1 009 000	15.06.2022
Company C	corporate bonds	88 900	31.12.2022
Company D	corporate bonds	50 000	19.12.2022
Company E	corporate bonds	34 000	31.12.2029
Company F	corporate bonds	14 141	31.01.2016
Total		2 251 041	
As at 31 December 2014			
Company A	corporate bonds	1 055 000	31.07.2020
Company B	corporate bonds	1 049 000	15.06.2022
Company C	corporate bonds	91 700	31.12.2022
Company D	corporate bonds	50 000	19.12.2022
Total		2 245 700	

All agreements relate to the Agreements for Organisation, Conducting and Servicing of the Bond Issuance Programme.

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

34.2 Contractual commitments

As at 31 March 2015 the amount of contractual commitments concerning intangible assets amounted to PLN 148 076 thousand (as at 31 December 2014, it amounted to PLN 200 662 thousand).

As at 31 March 2015 the amount of contractual commitments concerning tangible fixed assets amounted to PLN 96 759 thousand (as at 31 December 2014, it amounted to PLN 96 772 thousand).

34.3 Loan commitments granted

by nominal value	31.03.2015	31.12.2014
Credit lines and limits		
to financial entities	561 318	533 975
to non-financial entities	33 638 058	34 540 558
to public entities	3 458 966	3 258 574
Total	37 658 342	38 333 107
of which: irrevocable loan commitments	8 029 874	7 943 931

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

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



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Guarantee liabilities granted

	31.03.2015	31.12.2014
Guarantees in domestic and foreign trading	8 192 109	9 248 321
to financial entities	145 810	160 298
to non-financial entities	8 025 587	9 066 109
to public entities	20 712	21 914
Guarantees and pledges granted – domestic corporate bonds	4 626 281	4 516 150
to non-financial entities	4 624 181	4 514 050
to financial entities	2 100	2 100
Letters of credit granted	701 144	702 768
to non-financial entities	701 144	702 768
Guarantees and pledges granted – payment guarantee to financial entities	24 865	17 278
Guarantees and pledges granted – domestic municipal bonds to public entities	72 758	55 008
Total	13 617 157	14 539 525
of which: good performance guarantees granted	1 842 503	1 942 582

34.4 Off-balance sheet liabilities received

By nominal value	31.03.2015	31.12.2014
Financial	636 285	2 004 673
Guarantees	5 320 670	4 725 751
Total	5 956 955	6 730 424

Right to sell or pledge collateral established for the Group

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

35. Legal claims

As at 31 March 2015, the total value of court proceedings in which the PKO Bank Polski SA Group entities (including the Bank) are a defendant was PLN 1 429 198 thousand, of which PLN 4 177 thousand refers to court proceedings in Ukraine (as at 31 December 2014 the total value of the above-mentioned court proceedings was PLN 427 555 thousand), while as at 31 March 2015 the total value of court proceedings in which the PKO Bank Polski SA Group entities (including the Bank) are the plaintiff was PLN 862 855 thousand, of which PLN 84 293 thousand referred to court proceedings in Ukraine, mainly related to collection of dues from loan agreements granted by KREDOBANK SA (as at 31 December 2014 the total value of the above-mentioned court proceedings was PLN 767 505 thousand).

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

a) Unfair competition proceeding

The Bank is a party to proceeding currently pursued before the Court for the Competition and Consumer Protection (Sąd Ochrony Konkurencji i Konsumentów - SOKiK) initiated on the basis of a decision dated 23 April 2001 of the President of the Competition and Consumer Protection Office (Urząd Ochrony Konkurencji i Konsumentów - UOKiK) upon request of the Polish Trade and Distribution Organisation – Employers' association (Polska Organizacja Handlu i Dystrybucji - Związek Pracodawców) against the operators of the Visa and Europay payment systems and the banks issuing Visa and Europay/Eurocard/Mastercard banking cards. The claims under these proceeding relate to the use of practices limiting competition on the market of banking card payments in Poland, consisting of applying pre-agreed 'interchange' fees for transactions made using Visa and Europay/Eurocard/Mastercard cards as well as limiting access to this market by external entities. On 29 December 2006, UOKiK decided that the practices, consisting of joint establishment of 'interchange' fee, did limit market competition and ordered that any such practices should be discontinued, and imposed a fine on, among others, PKO Bank Polski SA, in the amount of PLN 16 597 thousand.

The Bank appealed against the decision of the President of UOKiK to SOKiK. On 20 December 2011 a hearing was held during which no factual resolution of the appeals was reached. The Court obligated MasterCard to submit explanations concerning the issue and set the date for another sitting of the Court for 9 February 2012, which upon the application of the plaintiffs' attorney was postponed for 24 April 2012 and afterwards SOKiK postponed announcing the resolution on the request for suspension of the case until 8 May 2012. On 8 May 2012, SOKiK suspended proceeding until the final conclusion of proceeding before the European Union Court in the case MasterCard against the European Commission. On 24 May 2012, the European Union Court upheld the decision of the European Commission banning multilaterally agreed 'interchange' fees applied by MasterCard.

On 28 May 2012 the participant to the proceedings, Visa Europe Ltd, and on 29 May 2012 the plaintiffs' attorney, including PKO Bank Polski SA, filed a complaint against the decision of SOKiK dated 8 May 2012. In August 2012, the appeal of MasterCard against the verdict of the EU Court dated 24 May 2012 rejecting the appeal of MasterCard, was received by the European Court of Justice.

On 25 October 2012, the Court of Appeal in Warsaw changed the decision of 8 May 2012 and dismissed the motion of MasterCard for suspending the proceeding. The court's decision in this case the Bank's attorney received in January 2013 and in February 2013, court files were transferred to the court of first instance (SOKiK).



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The hearing was on 29 October 2013 and on 21 November 2013 the judgement was announced, by which SOKiK reduced the penalty imposed on the Bank to the amount of PLN 10 085 thousand. The judgement is invalid. On 7 February 2014 the judgement was appealed on behalf of the Bank and eight plaintiffs represented by the Bank's attorney. The judgement was also appealed by other participants of the proceeding, i.e. by the President of the Competition and Consumer Protection Office (UOKiK) and of the Polish Trade and Distribution Organisation (POHiD) (appeals aimed to impose on the participants of the agreements stricter financial penalties), and: Visa Europe Limited, Bank Pocztowy S.A., Bank Gospodarki Żywnościowej S.A., mBank S.A. (formerly: BRE Bank S.A.), Deutsche Bank PBC S.A., HSBC Bank Polska S.A. (appeals aimed primarily to change the decision on the recognition of agreements as violating competition law and impose penalties on their participants). Copies of these appeals have been delivered to the Bank's attorney, who responded to them. The court files have been transferred from SOKiK to the Court of Appeal in Warsaw. As at 31 March 2015 the Bank has a provision in the amount of PLN 10 359 thousand (the position 'Provisions' in the statement of financial position).

As at 31 March 2015 PKO Życie Towarzystwo Ubezpieczeń SA – a subsidiary of the Bank – is a party to:

- 1) eight proceedings before SOKiK initiated by individuals to determine some of provisions in the forms of life insurance agreements to be illegal; in all cases the Company responded to the lawsuit and applied for its dismissal due to bringing legal action after 6 months since the day of giving up their application; in this case there is no risk of imposing fine on the Company,
- 2) a proceeding before the President of UOKiK concerning liquidation charges and policy redemption value due to insurance agreement cancellation in some forms of life insurance agreements, as well as imprecise information on the total redemption value due to insurance agreement cancellation applied in these forms, the proceeding is in progress, the value of provision recognised as at 31 March 2015 amounts to PLN 8 172 thousand,
- 3) a proceeding before the Supreme Court as a result of the cassation complaint brought by the Company against the judgment of the Court of Appeal in relation to the fine imposed on the Company in 2010 by the President of UOKiK for the violation of the collective interests of consumers by the Company (fine was paid in 2013); cassation complaint was accepted by Supreme Court for consideration.

As at 31 March 2015 the Bank is also a party to i.a. following proceedings:

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

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

On 28 December 2012, the President of UOKiK imposed a fine on the Bank in the amount of PLN 2 845 thousand. The Bank appealed against the decision of the President of UOKiK on 16 January 2013. On 13 January 2015, SOKiK issued a judgment, which annulled the decision of the President of UOKiK in its entirety, i.e. annulled also the financial penalty imposed on the Bank. On 26 February 2015, the President of UOKiK filed the appeal against the judgment. Proceeding is in progress. As at 31 March 2015 the Bank has a provision in the same amount (the position 'Provisions' in the statement of financial position).

- 2) due to suspicion of using unfair contractual provisions in forms of consumer loan agreements, with the exclusion of credit card agreements.

By decision of 31 December 2013, the Bank's activities were considered as practices violating collective interests of consumers and a fine in the amount of PLN 17 236 thousand and PLN 11 828 thousand (PLN 29 064 thousand in total) was imposed on the Bank. The Bank appealed against this decision. The proceeding is in progress. As at 31 March 2015 the Bank has a provision in the amount of PLN 10 000 thousand (the position 'Provisions' in the statement of financial position).

before SOKiK initiated by an individual

on the recognition as abusive the Tariff of fees and charges in sections providing the fees for the monitoring and collection activities in relation with customers delaying the repayment of current debt. The Bank responded to the lawsuit and retorted for another pleading. In this case there is no risk of imposing financial penalties on the Bank. There is a risk of entering the provisions relating to monitoring and collection fees into the Register of Prohibited Clauses kept by the President of UOKiK. On 25 March 2015, SOKiK abandoned the proceedings against the Bank on this matter.

on the recognition of the use of contractual form provisions, on the basis of which Nordea Habitat housing loan agreements were concluded, in transactions with consumers, as illegal. The plaintiff accused the abusiveness of clauses on floating interest rates and clauses, under which Nordea Bank Polska SA recalculated the loan amount and the particular installments from CHF to PLN. The Bank replied to the lawsuit.

before SOKiK in which the President of UOKiK is the plaintiff

to determine some of the provisions in the forms of consumer loan agreements to be illegal. On 19 March 2015, SOKiK issued a judgment, in which it recognised 5 clauses, applied by the Bank in forms of consumer loan agreements, as unfair contractual clauses and ordered their entering into the Register kept by the President of UOKiK.

before the Court of Appeal

in which the Bank is the plaintiff - as a result of the completion of the appeal proceeding before SOKiK initiated by the Bank against the decision of the President of UOKiK due to the possibility of the use of unfair contractual provisions in forms of individual pension accounts ('IKE') agreements.

On 19 December 2012, the President of UOKiK imposed a fine on the Bank in a total amount of PLN 14 697 thousand, of which:

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



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The Bank appealed against the decision of the President of UOKiK on 2 January 2013.

SOKiK reduced the penalty imposed on the Bank to the amount of PLN 4 000 thousand by the court judgement of 25 November 2014, as regards to:

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

The proceeding is in progress. As at 31 March 2015 the Bank had a provision for the above-mentioned amounts in the amount of PLN 4 000 thousand (the position 'Provisions' in the statement of financial position).

before the President of UOKiK:

- 1) a preliminary proceeding initiated on 23 December 2013 concerning the fees charged by the Bank for providing information which constitutes a bank secrecy,
- 2) a proceeding initiated on 28 February 2014 in order to determine whether the documents sent by the Bank to UOKiK regarding selected cases contained business secrecy,
- 3) a preliminary proceeding initiated on 23 January 2014 regarding the defective, in the Office's opinion, practice of the Bank, which consists of refusing to accept power of attorney for bank accounts in which account numbers are not specified. The Bank took on the obligation to change this practice and implemented such solutions,
- 4) a proceeding initiated on 5 March 2014 in order to determine whether the Bank implemented the UOKiK's decision of 12 December 2008 concerning the advertising message of 'Max Lokata – with no concealed contractual provisions' ('Max Lokata – bez gwiazdek'). The Bank replied that it had fulfilled the obligation by placing an announcement in GPW Parkiet twice,
- 5) a preliminary proceeding initiated on 29 August 2014 in order to determine whether the Bank, in the Aurum loan agreement, misled its customers by presenting insurance costs in these agreement and the information forms,
- 6) a preliminary proceeding initiated on 9 October 2014 concerning the possibility of customers using the 'chargeback' complaint procedure. The Bank replied to the UOKiK's call. There is no such complaint procedure in the Bank's relationships with its customers (it is typical of the Bank – card organisation relationship),
- 7) a proceeding initiated on 15 October 2014 to determine whether the Bank, in its advertising leaflet 'Mini Ratka loan in the blink of an eye based on a bank statement' ('Mini Ratka w mgnieniu oka na wyciąg z konta') misled its customers by presenting the loan amount. On 13 November 2014, the UOKiK initiated the proper administrative proceedings in this matter. The Bank disagrees with the UOKiK's charges and, in response, is considering taking on the obligation to present it in line with the UOKiK's assumptions (to make the communication more precise),
- 8) preliminary proceeding of 26 January 2015 concerning the provision of information on currently applied policies for securing and conversion of mortgage loans denominated in CHF by the Bank, in the context of the recent changes in the exchange rate of the Swiss franc; letters were only exchanged as part of the proceedings,
- 9) preliminary proceeding of 5 February 2015 concerning the treatment by the Bank of housing loans secured with a mortgage and expressed in/denominated in/indexed to CHF (negative LIBOR, spread reduction, exchange rate tables); letters were exchanged with UOKiK,
- 10) preliminary proceeding initiated on 12 February 2015 concerning whether the Bank applies the fee of PLN 20 to former clients of Nordea Bank Polska SA, as specified in Nordea Bank Polska SA's Tariff, for servicing a seizure of receivables when an executory title has been issued. The Bank explained that it did not apply the said fee since the date of the merger of PKO Bank Polski SA with Nordea Bank Polska SA and the inclusion of the modified Nordea Bank Polska SA's Tariff into PKO Bank Polski SA's Tariff,
- 11) preliminary proceeding of 2 March 2015 concerning the Bank's cooperation with property appraisers in the preparation of appraisal studies used for the valuation of a property securing a loan.
- 12) preliminary proceeding of 9 March 2015 concerning the documents specifying fees and commissions applied by the Bank, identification of all amendments to these documents in 2014-2015, the reasons behind the amendments implemented by the Bank and the manner of communicating the amendments to consumers.

As at 31 March 2015, PKO Życie Towarzystwo Ubezpieczeń SA – a subsidiary of the Bank – is a party to:

- 1) eight proceedings before SOKiK initiated by individuals to determine some of provisions in the forms of life insurance agreements to be illegal; in all cases the Company responded to the lawsuit and applied for its dismissal due to bringing legal action after 6 months since the day of giving up their application, in this case there is no risk of imposing financial penalty on the Company,
- 2) a proceeding before the President of UOKiK concerning liquidation charges and policy redemption value due to insurance agreement cancellation in some forms of life insurance agreements, as well as imprecise information on the total redemption value due to insurance agreement cancellation applied in these forms, the proceeding is in progress, the value of provision recognised as at 31 March 2015 amounts to PLN 8 172 thousand,
- 3) a proceeding before the Supreme Court as a result of the cassation complaint brought by the Company against the judgement of the Court of Appeal in relation to the fine imposed on the Company in 2010 by the President of UOKiK for the violation of the collective interests of consumers by the Company (fine was paid in 2013); cassation appeal was accepted by the Supreme Court to entertain.

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

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

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

The proceedings for the statement of an acquisitive prescription of a part of two properties held by the Bank's subsidiaries are also pending.



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

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

36. Supplementary information to the statement of cash flows

Cash and cash equivalents

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

	31.03.2015	31.12.2014	31.03.2014
Cash and balances with the central bank	10 090 058	11 738 371	9 556 020
Current amounts due from banks	4 002 123	2 516 484	4 635 619
Total	14 092 181	14 254 855	14 191 639

37. Related party transactions

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

31 March 2015

Entity	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
Direct joint ventures				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	3 233	-	56 248	5 000
'Centrum Obsługi Biznesu' Sp. z o.o.	27 337	27 337	10 596	-
Direct associates				
Bank Pocztowy SA*	82	-	466	221
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	-	-	1 320	-
Indirect associates				
Centrum Operacyjne Sp. z o.o.	-	-	45	-
Total	30 652	27 337	68 675	5 221

* the Entity is recognised as 'Non-current assets held for sale'.



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For the three-month period ended 31 March 2015

Entity	Total income	of which interest and fee and commission	Total expense	of which interest and fee and commission
Direct joint ventures				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	33 435	33 118	17 634	17 617
'Centrum Obsługi Biznesu' Sp. z o.o.	404	404	31	31
Direct associates				
Bank Pocztowy SA*	88	6	486	-
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	1	1	4	4
Indirect associates				
Centrum Operacyjne Sp. z o.o.	-	-	1	1
Total	33 928	33 529	18 156	17 653

* the Entity is recognised as 'Non-current assets held for sale'

31 December 2014

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

For the three-month period ended 31 March 2014

Entity	Total income	of which interest and fee and commission	Total expense	of which interest and fee and commission
Direct joint ventures				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	1 281	1 078	10 459	10 403
'Centrum Obsługi Biznesu' Sp. z o.o.	453	453	65	65
Direct associates				
Bank Pocztowy SA	15	15	1 726	1 726
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	-	-	-	-
Indirect associates				
Centrum Operacyjne Sp. z o.o.	-	1	1	-
Total	1 749	1 547	12 251	12 194



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

The following events affecting the structure of the PKO Bank Polski SA Group have occurred in the first quarter of 2015:

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

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

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

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

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

- On 30 January 2015, the Extraordinary General Shareholders' Meeting of PKO Bankowy Leasing Sp. z o.o. adopted a resolution on the Company's share capital increase of PLN 20 000 thousand. All shares in the increased capital were acquired by the current sole shareholder – PKO Leasing SA. The above mentioned increase has not been registered with the National Court Register until 31 March 2015.
- On 10 February 2015, PKO Bank Polski SA established PKO Towarzystwo Ubezpieczeń SA with a share capital of PLN 20 000 thousand. On 10 March 2015, the Polish Financial Supervision Authority issued a decision in which it authorised the exercise of insurance activities in branch II (non-life insurance) by the above mentioned Company. On 12 March 2015 the above mentioned capital has been paid. The Company has not been registered with the National Court Register and has not commenced operations until 31 March 2015.

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

- 1) PKO Bank Polski SA reclassified, in accordance with IFRS 5, the shares of Bank Pocztowy SA (an associate) to 'Non-current assets held for sale' in the carrying amount of PLN 146 500 thousand; the carrying amount was determined on the basis of the current, verified financial projections of the Company contained in the Development Strategy of Bank Pocztowy SA in the years 2015 – 2018,
- 2) Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o. – the company constituting a joint venture of PKO Bank Polski SA – established two subsidiaries, including:
 - EVO Payments International Sp. z o.o. with its registered office in Poland with a share capital of PLN 5 thousand – the Company was registered with the National Court Register on 9 February 2015,
 - EVO Payments International s.r.o. with its registered office in the Czech Republic with a share capital of CZK 200 thousand, while the value of the paid up capital amounts to CZK 60 thousand – the Company was registered with the Commercial Register of the Czech Republic on 16 February 2015.

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



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39. Fair value of financial assets and liabilities

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

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

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

The table below presents a classification of financial assets and liabilities presented in the financial statements at fair value divided into 3 levels as at 31 March 2015.

Assets and liabilities measured at fair value as at 31 March 2015	Note	Carrying amount	Level 1 Prices quoted on the active markets	Level 2 Valuation techniques based on observable market data	Level 3 Other valuation techniques
Trading assets	15	1 813 910	1 813 910	-	-
Debt securities		1 791 043	1 791 043	-	-
Shares in other entities		11 917	11 917	-	-
Investment certificates		10 950	10 950	-	-
Rights issues		-	-	-	-
Derivative financial instruments	16	5 598 132	2 063	5 596 069	-
Hedging instruments		523 381	-	523 381	-
Trade instruments		5 074 751	2 063	5 072 688	-
Financial instruments designated upon initial recognition at fair value through profit and loss	18	18 730 144	3 709 121	15 021 023	-
Debt securities		16 727 965	1 706 942	15 021 023	-
Participation units		2 002 179	2 002 179	-	-
Investment securities available for sale	20	23 591 102	14 048 917	9 355 134	187 051
Debt securities		23 308 416	13 953 282	9 355 134	-
Equity securities		282 686	95 635	-	187 051
Financial assets measured at fair value - total		49 733 288	19 574 011	29 972 226	187 051
Derivative financial instruments	16	6 300 141	554	6 299 587	-
Hedging instruments		1 083 621	-	1 083 621	-
Trade instruments		5 216 520	554	5 215 966	-
Debt securities in issue	29	124 172	-	124 172	-
Financial instruments designated at fair value through profit and loss		124 172	-	124 172	-
Financial liabilities measured at fair value - total		6 424 313	554	6 423 759	-



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

Assets and liabilities measured at fair value as at 31 December 2014	Note	Carrying amount	Level 1	Level 2	Level 3
			Prices quoted on the active markets	Valuation techniques based on observable market data	Other valuation techniques
Trading assets	15	1 924 426	1 924 426	-	-
Debt securities		1 915 120	1 915 120	-	-
Shares in other entities		5 137	5 137	-	-
Investment certificates		3 891	3 891	-	-
Rights issues		278	278	-	-
Derivative financial instruments	16	5 494 822	1 397	5 493 425	-
Hedging instruments		599 841	-	599 841	-
Trade instruments		4 894 981	1 397	4 893 584	-
Financial instruments designated upon initial recognition at fair value through profit and loss	18	15 723 148	4 371 012	11 352 136	-
Debt securities		13 804 860	2 452 724	11 352 136	-
Participation units		1 918 288	1 918 288	-	-
Investment securities available for sale	20	22 267 433	12 709 259	9 354 898	203 276
Debt securities		21 961 102	12 601 236	9 354 898	4 968
Equity securities		306 331	108 023	-	198 308
Financial assets measured at fair value - total		45 409 829	19 006 094	26 200 459	203 276
Derivative financial instruments	16	5 545 141	523	5 544 618	-
Hedging instruments		494 961	-	494 961	-
Trade instruments		5 050 180	523	5 049 657	-
Debt securities in issue	29	118 262	-	118 262	-
Financial instruments designated at fair value through profit and loss		118 262	-	118 262	-
Financial liabilities measured at fair value - total		5 663 403	523	5 662 880	-

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

The Group classified shares of the entity (Fund) not listed on WSE, which are valued with internal valuation models to the level 3. The fair value of these securities is determined based on the net asset value of the fund, i.e. the fair value of investment projects (the companies) in the fund, which are subject to semi-annual review or examination by the registered auditor. If the Group used the values of the unobservable parameters, that are extreme values from the range of possible values, the fair value of the equity financial instruments could be PLN 9 344 thousand higher or PLN 9 344 thousand lower as at 31 March 2015.

In the period from 1 January to 31 March 2015, there were no transfers between levels in the fair value hierarchy used in measuring financial instruments at fair value.

Due to the reclassification of shares of Bank Pocztowy SA to non-current assets held for sale, the fair value estimation of the above mentioned shares was made in the first quarter of 2015. The fair value was estimated using three methods: discounted dividends, market multiples and discounted economic value added. The fair value was estimated at a value higher than the carrying amount (equal to the purchase price), and thus shares of Bank Pocztowy SA were reclassified to non-current assets held for sale in the carrying amount of PLN 146 500 thousand, i.e. at the lower of its carrying amount and fair value less selling costs.

The tables below present a reconciliation during the periods of measurement, from 1 January 2015 to 31 March 2015 and from 1 January 2014 to 31 December 2014, respectively, of fair value at level 3 of fair value hierarchy:

Investment securities available for sale	1.01- 31.03.2015
Opening balance at the beginning of the period	203 276
Total gains or losses	4 300
recognised in profit or loss	(3 650)
recognised in other comprehensive income	7 950
Translation differences of currency entities	(8 161)
Sale of shares of listed entity	(12 000)
Settlements	(364)
Closing balance at the end of the period	187 051



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Investment securities available for sale	1.01- 31.12.2014
Opening balance at the beginning of the period	137 326
Total gains or losses	29 965
recognised in other comprehensive income	29 965
Take up of new shares in the Fund and translation differences of currency entities	19 017
The conclusion of a conditional sale agreement of the Company listed on the stock exchange	12 000
Transfers from or to level 3	4 968
Closing balance at the end of the period	203 276

In the first quarter of 2015 there were no changes in the methodology of fair value estimation.

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

The table below shows a summary of the carrying amounts and fair values for the particular groups of financial instruments, which have not been presented at fair value in the Group's statement of financial position as at 31 March 2015:

	level of fair value hierarchy	valuation method	31.03.2015	
			carrying amount	fair value
Cash and balances with the central bank	n/a	value at cost to pay	10 090 058	10 090 058
Amounts due from banks	2	discounted cash flows	4 567 158	4 567 371
Loans and advances to customers			182 440 406	174 945 263
housing loans	3	discounted cash flows	98 654 825	91 334 354
corporate loans	3	discounted cash flows	58 315 138	58 287 797
consumer loans	3	discounted cash flows	20 381 152	20 344 590
receivables due from repurchase agreements	3	discounted cash flows	245 408	245 408
debt securities	3	discounted cash flows	4 843 883	4 733 114
Investment securities held to maturity	3	discounted cash flows	202 855	209 277
Other financial assets	3	value at cost to pay including impairment allowance	688 369	688 369
Amounts due to the central bank	2	value at cost to pay	4 143	4 143
Amounts due to other banks	2	discounted cash flows	21 570 055	21 570 056
Amounts due to customers			178 367 476	178 323 632
due to corporate entities	3	discounted cash flows	41 934 258	41 934 311
due to public entities	3	discounted cash flows	5 292 740	5 292 740
due to retail clients	3	discounted cash flows	131 140 478	131 096 581
Debt securities in issue	1, 2	market quotations / discounted cash flows	13 815 938	14 315 388
Subordinated debt	2	discounted cash flows	2 478 949	2 479 315
Other financial liabilities	3	value at cost to pay	1 990 951	1 990 951



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The table below shows a summary of the carrying amounts and fair values for the particular groups of financial instruments which have not been presented at fair value in the Bank's statement of financial position as at 31 December 2014:

	level of fair value hierarchy	valuation method	31.12.2014	
			carrying amount	fair value
Cash and balances with the central bank	n/a	value at cost to pay	11 738 371	11 738 371
Amounts due from banks	2	discounted cash flows	2 486 686	2 486 692
Loans and advances to customers			179 497 384	170 510 276
housing loans	3	discounted cash flows	95 797 964	86 756 438
corporate loans	3	discounted cash flows	58 231 138	58 274 526
consumer loans	3	discounted cash flows	20 321 718	20 440 558
receivables due from repurchase agreements	3	discounted cash flows	310 852	310 852
debt securities	3	discounted cash flows	4 835 712	4 727 902
Investment securities held to maturity	3	discounted cash flows	233 358	241 902
Other financial assets	3	value at cost to pay including impairment allowance	710 349	710 349
Amounts due to the central bank	2	value at cost to pay	4 427	4 427
Amounts due to other banks	2	discounted cash flows	19 394 482	19 394 544
Amounts due to customers			174 386 766	174 352 166
due to corporate entities	3	discounted cash flows	40 932 868	40 932 943
due to public entities	3	discounted cash flows	4 778 337	4 778 337
due to retail clients	3	discounted cash flows	128 675 561	128 640 886
Debt securities in issue	1, 2	market quotations / discounted cash flows	13 182 348	13 620 129
Subordinated debt	2	discounted cash flows	2 413 985	2 398 946
Other financial liabilities	3	value at cost to pay	2 321 761	2 321 761

Detailed assumptions concerning valuation methods were presented in the annual consolidated financial statements for the year 2014.



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

Objectives and principles of risk management in the PKO Bank Polski SA Group were presented in details in the annual consolidated financial statements of the PKO Bank Polski SA Group for the year 2014.

Relevant information on risk monitoring and changes in methods of risk measurement in the period from 1 January to 31 March 2015 is presented below.

Credit risk

The Group's exposure to credit risk

Amounts due from banks	Exposure	
	31.03.2015	31.12.2014
Amounts due from banks impaired, of which:	366	362
assessed on an individual basis	-	-
Amounts due from banks not impaired, of which:	4 567 389	2 486 435
not past due	4 567 389	2 486 435
Gross total	4 567 755	2 486 797
Impairment allowances	(597)	(111)
Net total by carrying amount	4 567 158	2 486 686

Loans and advances to customers	Exposure	
	31.03.2015	31.12.2014
Loans and advances impaired, of which:	12 942 720	12 977 310
assessed on an individual basis	5 534 142	5 615 878
Loans and advances not impaired, of which:	177 627 219	174 542 551
not past due	173 095 051	169 950 801
past due	4 532 168	4 591 750
past due up to 4 days	1 267 408	1 645 065
past due over 4 days	3 264 760	2 946 685
Gross total	190 569 939	187 519 861
Impairment allowances	(8 129 533)	(8 022 477)
Net total by carrying amount	182 440 406	179 497 384

Investment securities available for sale - debt securities	Exposure	
	31.03.2015	31.12.2014
Debt securities impaired, of which:	3 775	-
assessed on an individual basis	3 775	-
Debt securities not impaired, of which:	23 308 416	21 961 102
not past due	23 308 416	21 961 102
with external rating	15 458 079	14 054 512
with internal rating	7 850 337	7 906 590
Gross total	23 312 191	21 961 102
Impairment allowances	(3 775)	-
Net total by carrying amount	23 308 416	21 961 102

Investment securities held to maturity - debt securities	Exposure	
	31.03.2015	31.12.2014
Debt securities not impaired, of which:	202 855	233 358
not past due	202 855	233 358
with external rating	202 855	233 358
Gross total	202 855	233 358
Net total by carrying amount	202 855	233 358



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Level of exposure to credit risk

The table below presents maximum exposure to credit risk of the Group as at 31 March 2015 and as at 31 December 2014:

Items of the statement of financial position	31.03.2015	31.12.2014
Current account in the central bank	7 115 342	7 772 859
Amounts due from banks	4 567 158	2 486 686
Trading assets – debt securities	1 791 043	1 915 120
issued by the State Treasury	1 698 833	1 825 454
issued by local government bodies	50 906	50 563
issued by non-financial institutions	24 551	22 146
issued by financial institutions	978	2 326
issued by banks	15 775	14 631
Derivative financial instruments	5 598 132	5 494 822
Financial instruments designated upon initial recognition at fair value through profit and loss – debt securities	16 727 965	13 804 860
issued by central banks	14 698 545	10 998 812
issued by the State Treasury	1 734 452	2 478 708
issued by local government bodies	245 514	253 817
issued by banks	48 951	73 012
issued by non-financial institutions	503	511
Loans and advances to customers	182 440 406	179 497 384
financial sector (excluding banks)	852 482	1 620 708
corporate loans	607 074	1 309 856
receivables due from repurchase agreements	245 408	310 852
non-financial sector	171 526 571	167 791 997
housing loans	98 654 825	95 797 964
corporate loans	50 516 785	49 656 279
consumer loans	20 381 152	20 321 718
debt securities	1 973 809	2 016 036
public sector	10 061 353	10 084 679
corporate loans	7 191 279	7 265 003
debt securities	2 870 074	2 819 676
Investment securities – debt securities	23 308 416	21 961 102
issued by the State Treasury	14 097 359	12 781 051
issued by local government bodies	4 468 496	4 480 325
issued by non-financial institutions	3 179 145	3 475 594
issued by banks	1 563 416	1 224 132
Investment securities held to maturity	202 855	233 358
issued by the State Treasury	202 855	233 358
Other assets – other financial assets	688 369	710 349
Total	242 439 686	233 876 540

Off-balance sheet items	31.03.2015	31.12.2014
Irrevocable liabilities granted	8 029 874	7 943 931
Guarantees granted	8 216 974	9 265 599
Guarantees of issuance	4 699 039	4 571 158
Letters of credit granted	701 144	702 768
Total	21 647 031	22 483 456



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

	31.03.2015	31.12.2014
Amounts due from banks	-	-
Loans and advances to customers	5 534 142	5 615 878
Financial sector	4 175	5 609
corporate loans	4 175	5 609
Non-financial sector	5 513 022	5 593 388
corporate loans	4 049 705	4 134 858
housing loans	1 252 166	1 248 389
consumer loans	100 382	99 297
debt securities	110 769	110 844
Public sector	16 945	16 881
corporate loans	16 945	16 881
Financial assets available for sale	3 819	60
issued by financial institutions	3 775	5
issued by non-financial institutions	44	55
Total	5 537 961	5 615 938

Interest rate risk

As at 31 March 2015 and 31 December 2014, the exposure of the PKO Bank Polski SA Group to the interest rate risk comprised mainly the exposure of the Bank. Interest rate risk generated by the Group entities did not have a significant effect on the interest rate risk of the entire Group and therefore did not significantly affect its risk profile.

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

Name of sensitivity measure	31.03.2015	31.12.2014
VaR for a 10-day time horizon with a confidence level of 99% threshold (in PLN thousand)*	269 210	282 268
Parallel movement of interest rate curves by 200 b.p. (in PLN thousand) (stress-test)**	2 319 868	2 380 354

*Due to the nature of the activities carried out by the other entities of the Group generating significant interest rate risk as well as the specific nature of the market on which they operate, the Group does not calculate consolidated VaR. These companies apply their own risk measures in the interest rate risk management. KREDOBANK SA uses the 10-day interest rate VaR for the main currencies. Its value amounted to approx. PLN 8 882 thousand as at 31 March 2015 and approx. PLN 9 480 thousand as at 31 December 2014.

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

As at 31 March 2015 the Bank's interest rate VaR for a 10-day time horizon (10-day VaR, 99%) amounted to PLN 269 210 thousand, which accounted for approx. 1.05% of the Bank's own funds. As at 31 December 2014, VaR for the Bank amounted to PLN 282 268 thousand, which accounted for approx. 1.15% of the Bank's own funds.

Currency risk

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

Name of sensitivity measure	31.03.2015	31.12.2014
VaR for a 10-day time horizon with a confidence level of 99% threshold (in PLN thousand)*	22 700	6 230
Change in CUR/PLN by 20% (in PLN thousand) (stress-test)**	38 925	28 609

*Due to the nature of the activities carried out by the other Group entities generating significant currency risk as well as the specific nature of the market on which they operate, the Bank does not calculate consolidated VaR. These companies apply their own risk measures in the currency risk management. KREDOBANK SA uses the 10-day VaR. Its value amounted to approx. PLN 5 056 thousand as at 31 March 2015 and approx. PLN 3 664 thousand as at 31 December 2014.

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

The volume of currency positions is a key factor determining the level of currency risk on which the Group is exposed (except for volatility of foreign exchange rates). The level of currency positions is determined by all foreign currency transactions, which are concluded, both in the statement of financial position and off-balance sheet transactions. The Bank's exposure to currency risk is low (with reference to own funds, 99% VaR for a 10-day time horizon for the Bank's currency position as at 31 March 2015 amounted to ca. 0.09%).



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Liquidity risk

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

	a'vista	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 24 months	24 - 60 months	over 60 months
31.03.2015								
The Group - adjusted gap in real terms	10 496 674	15 812 213	572 636	4 109 284	1 916 966	11 657 497	12 567 776	(57 133 046)
The Group - cumulative adjusted gap in real terms	10 496 674	26 308 887	26 881 523	30 990 807	32 907 773	44 565 270	57 133 046	-
31.12.2014								
The Group - adjusted gap in real terms	12 733 729	13 357 476	536 836	1 309 410	1 088 394	11 977 076	13 281 695	(54 284 616)
The Group - cumulative adjusted gap in real terms	12 733 729	26 091 205	26 628 041	27 937 451	29 025 845	41 002 921	54 284 616	-

In all time horizons, the Group's cumulative adjusted liquidity gap in real terms, which has been determined as the sum of adjusted liquidity gap in real terms of the Bank and as well as contractual liquidity gaps of the remaining entities of the Group, as at 31 March 2015 and as at 31 December 2014 was positive. This means a surplus of assets receivable over liabilities payable.

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

Name of sensitivity measures	31.03.2015	31.12.2014
Liquidity reserve up to 1 month* (in PLN million)	21 734	21 075

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

As at 31 March 2015 the level of permanent balances on deposits constituted approx. 94.0% of all deposits in the Bank (excluding interbank market), which means a decrease by approximately 0.7 pp. as compared to the end of 2014.

41. Capital adequacy

The fundamental regulation applicable in the capital adequacy assessment process as at 31 March 2015 and as at 31 December 2014 is the Regulation (EU) No. 575/2013 of the European Parliament and of the Council as of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending the Regulation (EU) No. 648/2012, hereinafter called 'CRR Regulation'. The CRR Regulation constitutes a part of so-called CRD IV/CRR package, which apart from the Regulation comprises CRD IV Directive - Directive 2013/36/EU of the European Parliament and of the Council as of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (hereinafter called 'CRD Directive'). In contrast to the CRR Regulation which is directly applicable, the CRD Directive must be implemented within the national law. As at 31 March 2015 the Banking Law has not been amended yet and the work on amending the Act implementing CRD IV regulations is currently ongoing. In case of conflict between provisions of CRR Regulation and national regulations, precedence is given to the CRR Regulation.

In accordance with the CRR Regulation for the purposes of capital adequacy a prudential consolidation is applied, which unlike the consolidation consistent with International Financial Reporting Standards, comprises Bank's subsidiaries being institutions and financial institutions. Non-financial and insurance entities are excluded from prudential consolidation.

In accordance with the CRR Regulation, for the purpose of prudential consolidation the Group comprises: PKO Bank Polski SA, PKO Leasing SA Group, PKO BP Faktoring SA, PKO BP BANKOWY PTE SA, PKO Towarzystwo Funduszy Inwestycyjnych SA, KREDO BANK SA Group, PKO Finance AB, Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o. and PKO Bank Hipoteczny SA.

As at 31 March 2015 capital adequacy measures were calculated in accordance with the provisions of the CRR Regulation, including i.a. as regards the scope of consolidation taking into account known to the Bank and planned to implement national options. As at 31 March 2015 the Bank meets requirements relating to capital adequacy measures defined within the CRR Regulation.

Own funds for capital adequacy purposes

Own funds of the Group for the purposes of capital adequacy were calculated as at 31 March 2015 in accordance with the provisions of the CRR Regulation. Own funds of the Group comprise Tier 1 capital and Tier 2 capital. No elements of additional Tier 1 capital are identified within the Group.

As at 31 March 2015, the Group's own funds calculated for the capital adequacy purposes increased, as a result of including the Bank's net profit earned for the period from 1 July to 30 September 2014, after deducting any expected charges and dividends (retained earnings in the amount of PLN 439 125 thousand), in Tier 1 capital, with the permission of the PFSA. As at 31 December 2014, the Bank's net profit earned for the period from 1 January to 30 June 2014, after deducting any expected charges (retained earnings in the amount of PLN 1 004 300 thousand), was included in retained earnings, with the permission of the PFSA.



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Information on the structure of the Group's own funds included in prudential consolidation, set out for purposes of capital adequacy as at 31 March 2015 and as at 31 December 2014, according to the CRR Regulation, is presented in the table below:

Group's own funds	31.03.2015	31.12.2014
Tier 1 capital	22 941 888	22 348 472
Share capital	1 250 000	1 250 000
Other reserves	22 126 506	22 126 506
Other comprehensive income	(227 457)	(290 466)
General banking risk fund	1 070 000	1 070 000
Retained earnings	1 614 843	1 175 718
Deferred income tax assets dependent on future profitability, not derived from temporary differences	(11 576)	(11 576)
Goodwill	(1 102 497)	(1 102 497)
Other intangible assets	(1 737 112)	(1 833 506)
Capital commitment decreasing the own funds	-	-
Additional adjustments of assets measured at fair value	(40 819)	(35 707)
Tier 2 capital	2 476 764	2 394 713
Subordinated liabilities classified as supplementary funds	2 476 764	2 394 713
Capital commitment decreasing the own funds	-	-
Total own funds	25 418 652	24 743 185

Requirements as regard own funds (Pillar 1)

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

- in respect of credit risk – using the standardised method,
- in respect of operational risk for the Bank – using the advanced measurement approach (AMA), and for the Group entities – the basic index approach (BIA),
- in respect of market risk – using basic methods.

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

- 1) credit risk, including credit risk instruments from the banking book, counterparty credit risk,
- 2) market risk,
- 3) risk of credit valuation adjustment (CVA),
- 4) settlement and delivery risk,
- 5) operational risk,
- 6) other types of own funds requirements in respect of:
 - a) currency risk,
 - b) commodity price risk,
 - c) exceeding the exposure concentration limit and large exposure limit.

The table below presents the Group's own funds requirements as regards particular types of risk. Data as at 31 March 2015 and as at 31 December 2014 were calculated pursuant to the CRR Regulation, which is mentioned above.

Capital requirements	31.03.2015	31.12.2014
Credit risk	14 114 134	13 882 607
Market risk	591 383	585 337
Credit valuation adjustment risk	41 692	42 375
Settlement/delivery risk	-	68
Operational risk	760 051	759 212
Total capital requirement	15 507 260	15 269 599
Capital adequacy ratio	13.11%	12.96%

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

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



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Internal capital (Pillar 2)

The Group calculates internal capital in accordance with:

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

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

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

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

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

The Bank regularly monitors the significance of the individual risk types relating to the activities of the Bank and other Group subsidiaries.

The internal capital for covering the individual risk types is determined using the methods specified in the internal regulations. In the event of performing internal capital estimates based on statistical models, the annual forecast horizon and a 99.9% confidence level are adopted. The total internal capital of each entity of the Group is the sum of internal capital necessary to cover all of the significant risks for the entity. The total internal capital of the Group is the sum of internal capital of the Bank and all Group entities. The correlation ratio between particular types of risk and particular Group entities used in the internal capital calculation is equal to 1.

As at 31 March 2015, the relation of the Group's own funds to its internal capital remained on a level exceeding both the threshold set by the law and the Group's internal limits.

Disclosures (Pillar 3)

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

- the CRR Regulation,
- implementing acts to the CRR Regulation in the national legislation acts transposing the provisions of the CRD Directive,
- the Recommendation M relating to operational risk management in banks, issued by the Polish Financial Supervision Authority,
- the Resolution No. 385/2008 of the Polish Financial Supervision Authority dated 17 December 2008, on the detailed principles and methods for banks to disclose qualitative and quantitative information concerning capital adequacy and the scope of the information to be announced.

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



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STAND-ALONE FINANCIAL DATA

INCOME STATEMENT

	Note	01.01- 31.03.2015	01.01- 31.03.2014
Continuing operations			
Interest and similar income	1	2 376 525	2 401 800
Interest expense and similar charges	1	(749 969)	(698 199)
Net interest income		1 626 556	1 703 601
Fee and commission income	2	825 315	912 791
Fee and commission expense	2	(208 416)	(254 095)
Net fee and commission income		616 899	658 696
Dividend income		13 771	-
Net income from financial instruments measured at fair value	3	11 641	13 023
Gains less losses from investment securities	4	53 922	5 854
Net foreign exchange gains (losses)		119 488	105 276
Other operating income	5	60 986	15 792
Other operating expense	5	(23 192)	(12 226)
Net other operating income and expense		37 794	3 566
Net impairment allowance and write-downs	6	(366 391)	(414 695)
Administrative expenses	7	(1 296 311)	(1 031 192)
Operating profit		817 369	1 044 129
Profit before income tax		817 369	1 044 129
Income tax expense	8	(170 543)	(197 414)
Net profit		646 826	846 715

Earnings per share	9		
- basic earnings per share for the period (PLN)		0.52	0.68
- diluted earnings per share for the period (PLN)		0.52	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 periods ended 31 March 2015 and 31 March 2014 respectively, PKO Bank Polski SA did not have discontinued operations.

STATEMENT OF COMPREHENSIVE INCOME

	Note	01.01- 31.03.2015	01.01- 31.03.2014
Net profit		646 826	846 715
Other comprehensive income		34 810	44 879
Items that may be reclassified to the income statement		34 810	44 879
Cash flow hedges (gross)		(45 294)	41 257
Deferred tax on cash flow hedges		8 606	(7 839)
Cash flow hedges (net)		(36 688)	33 418
Unrealised net gains on financial assets available for sale (gross)	4	88 269	14 148
Deferred tax on unrealised net gains on financial assets available for sale		(16 771)	(2 687)
Unrealised net gains on financial assets available for sale (net)		71 498	11 461
Total net comprehensive income		681 636	891 594



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STATEMENT OF FINANCIAL POSITION

	Note	31.03.2015	31.12.2014
ASSETS			
Cash and balances with the central bank	10	10 055 754	11 698 248
Amounts due from banks	11	4 706 602	2 608 547
Trading assets	12	1 818 006	1 928 659
Derivative financial instruments	13	5 589 903	5 483 508
Financial assets designated upon initial recognition at fair value through profit and loss	14	16 356 719	13 417 667
Loans and advances to customers	15	180 400 552	177 557 571
Investment securities available for sale	16	23 520 680	22 092 136
Investments in subsidiaries, joint ventures and associates	17	1 693 729	1 813 774
Non-current assets held for sale		556 898	416 760
Intangible assets	18	2 808 773	2 898 612
Tangible fixed assets, of which:	18	2 183 137	2 251 373
investment properties		184	184
Current income tax receivables		57 800	94 343
Deferred income tax asset	8	707 468	671 404
Other assets		1 201 928	827 925
TOTAL ASSETS		251 657 949	243 760 527
LIABILITIES AND EQUITY			
Liabilities			
Amounts due to the central bank		4 143	4 427
Amounts due to banks	19	20 772 798	18 439 584
Derivative financial instruments	13	6 302 392	5 545 502
Amounts due to customers	20	190 085 546	185 920 562
Debt securities in issue	21	1 121 515	866 087
Subordinated liabilities	22	2 478 949	2 413 985
Other liabilities	23	2 323 755	2 665 058
Provisions	24	285 059	303 166
TOTAL LIABILITIES		223 374 157	216 158 371
Equity			
Share capital		1 250 000	1 250 000
Other capital		23 174 702	23 139 892
Undistributed profits		3 212 264	132 793
Net profit for the year		646 826	3 079 471
TOTAL EQUITY		28 283 792	27 602 156
TOTAL LIABILITIES AND EQUITY		251 657 949	243 760 527
Capital adequacy ratio	29	13.55%	13.37%
Book value (in PLN thousand)		28 283 792	27 602 156
Number of shares (in thousand)	1	1 250 000	1 250 000
Book value per share (in PLN)		22.63	22.08
Diluted number of shares (in thousand)		1 250 000	1 250 000
Diluted book value per share (in PLN)		22.63	22.08

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STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2015	Share capital	Other capital							Undistributed profits	Net profit for the period	Total equity
		Reserves			Other comprehensive income			Total other capital			
		Reserve capital	General banking risk fund	Other reserves	Financial assets available for sale	Cash flow hedges	Actuarial gains and losses				
As at 1 January 2015	1 250 000	18 618 111	1 070 000	3 421 913	33 640	5 204	(8 976)	23 139 892	132 793	3 079 471	27 602 156
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	3 079 471	(3 079 471)	-
Total comprehensive income, of which:	-	-	-	-	71 498	(36 688)	-	34 810	-	646 826	681 636
Net profit	-	-	-	-	-	-	-	-	-	646 826	646 826
Other comprehensive income	-	-	-	-	71 498	(36 688)	-	34 810	-	-	34 810
As at 31 March 2015	1 250 000	18 618 111	1 070 000	3 421 913	105 138	(31 484)	(8 976)	23 174 702	3 212 264	646 826	28 283 792

For the period ended 31 March 2014	Share capital	Other capital							Undistributed profits	Net profit for the period	Total equity
		Reserves			Other comprehensive income			Total other capital			
		Reserve capital	General banking risk fund	Other reserves	Financial assets available for sale	Cash flow hedges	Actuarial gains and losses				
As at 1 January 2014	1 250 000	16 598 111	1 070 000	3 416 893	(53 013)	(125 593)	(7 676)	20 898 722	(271 242)	3 233 762	25 111 242
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	3 233 762	(3 233 762)	-
Total comprehensive income, of which:	-	-	-	-	11 461	33 418	-	44 879	-	846 715	891 594
Net profit	-	-	-	-	-	-	-	-	-	846 715	846 715
Other comprehensive income	-	-	-	-	11 461	33 418	-	44 879	-	-	44 879
As at 31 March 2014	1 250 000	16 598 111	1 070 000	3 416 893	(41 552)	(92 175)	(7 676)	20 943 601	2 962 520	846 715	26 002 836

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STATEMENT OF CASH FLOWS

	Note	01.01- 31.03.2015	01.01- 31.03.2014
Net cash flow from operating activities			
Profit before income tax		817 369	1 044 129
Adjustments:		721 340	5 223 207
Amortisation and depreciation		189 305	152 654
(Gains) losses from investing activities		(20 270)	578
Interest and dividends		(14 340)	(76 497)
Change in amounts due from banks		(725 437)	(124 091)
Change in trading assets and financial assets designated upon initial recognition at fair value through profit and loss		(2 828 399)	4 766 935
Change in derivative financial instruments (asset)		(106 395)	253 471
Change in loans and advances to customers		(3 018 514)	(425 124)
Change in other assets and non-current assets held for sale		(374 037)	(494 746)
Change in amounts due to banks		3 173 574	673 458
Change in derivative financial instruments (liability)		756 890	(247 452)
Change in amounts due to customers		4 164 984	1 070 805
Change in provisions and impairment allowances		164 360	(16 981)
Change in other liabilities and subordinated liabilities		(276 339)	57 223
Income tax paid		(178 031)	(248 793)
Other adjustments		(186 011)	(118 233)
Net cash generated from operating activities		1 538 709	6 267 336
Net cash flow from investing activities			
Inflows from investing activities		9 551 144	3 435 949
Proceeds from sale and interest on investment securities available for sale		9 504 280	3 433 304
Proceeds from sale of intangible assets and tangible fixed assets		33 093	2 645
Other investing inflows (dividends)		13 771	-
Outflows from investing activities		(10 548 617)	(6 277 170)
Purchase of equity of subsidiaries		-	(20 927)
Purchase of investment securities available for sale		(10 499 813)	(6 189 810)
Purchase of intangible assets and tangible fixed assets		(48 804)	(66 433)
Net cash used in investing activities		(997 473)	(2 841 221)
Net cash flow from financing activities			
Proceeds from debt securities in issue		995 195	-
Redemption of debt securities in issue		(751 306)	(73 533)
Repayment of interest from issued debt securities and subordinated loans		(36 889)	(43 145)
Long-term borrowings		-	2 106 135
Repayment of interest and long-term borrowings		(1 017 574)	(90 178)
Net cash used in / generated from financing activities		(810 574)	1 899 279
Net cash flows		(269 338)	5 325 394
of which currency translation differences on cash and cash equivalents		23 352	10 788
Cash and cash equivalents at the beginning of the period		14 052 760	8 644 682
Cash and cash equivalents at the end of the period	26	13 783 422	13 970 076
of which restricted		8 681	17 353

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NOTES TO THE FINANCIAL STATEMENTS

1. Interest income and expense

Interest and similar income

	01.01- 31.03.2015	01.01- 31.03.2014
Interest income calculated using the effective interest rate method, with respect to financial assets, which are not measured at fair value through profit and loss, of which:	2 196 748	2 204 446
Income from loans and advances to customers, of which:	2 000 051	2 036 120
from impaired loans	80 941	114 060
Income from investment securities available for sale	166 738	129 335
Income from placements with banks	28 129	36 630
Income from loans to banks	865	1 219
Other	965	1 142
Other income, of which:	179 777	197 354
Income from derivative hedging instruments	95 483	88 197
Income from financial assets designated upon initial recognition at fair value through profit and loss	71 570	96 692
Income from trading assets	12 724	12 465
Total	2 376 525	2 401 800

Interest expense and similar charges

	01.01- 31.03.2015	01.01- 31.03.2014
Interest expense calculated using the effective interest rate method, with respect to financial liabilities, which are not measured at fair value through profit and loss, of which:	(741 392)	(695 248)
Interest expense on amounts due to customers	(682 294)	(655 069)
Interest expense on debt securities in issue and subordinated liabilities	(20 111)	(22 076)
Interest expense on loans from banks	(21 787)	(7 894)
Premium expense on debt securities available for sale	(14 912)	(7 819)
Interest expense on deposits from banks	(2 288)	(2 390)
Other expense	(8 577)	(2 951)
Interest expense on financial assets designated upon initial recognition at fair value through profit and loss	(4 349)	(1 750)
Interest expense on trading assets	(4 228)	(1 201)
Total	(749 969)	(698 199)

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2. Fee and commission income and expense

Fee and commission income

	01.01- 31.03.2015	01.01- 31.03.2014
Income from financial assets, which are not measured at fair value through profit and loss, of which:	147 946	132 205
income from loans and advances granted	147 946	132 205
Other commissions from:	676 297	779 679
payment cards	210 249	335 596
maintenance of bank accounts	226 595	230 478
loan insurance	54 112	65 895
maintenance of investment funds (including management fees)	65 670	55 840
cash transactions	23 594	26 018
securities transactions	33 401	20 396
servicing foreign mass transactions	17 776	13 520
providing the services of an agent for the issue of Treasury bonds	4 518	6 545
sale and distribution of court fee stamps	2 258	1 357
investment and insurance products	4 119	-
other*	34 005	24 034
From fiduciary activities	1 072	907
Total	825 315	912 791

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

Fee and commission expense

	01.01- 31.03.2015	01.01- 31.03.2014
payment cards	(120 597)	(170 304)
loan insurance	(22 610)	(22 623)
acquisition services	(17 656)	(21 360)
settlement services	(9 054)	(7 984)
fee and commissions for operating services provided by banks	(7 383)	(3 189)
other*	(31 116)	(28 635)
Total	(208 416)	(254 095)

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

3. Net income from financial instruments measured at fair value

	01.01- 31.03.2015	01.01- 31.03.2014
Change in fair value of financial instruments measured at fair value through profit and loss determined using the valuation techniques:	3 332	8 004
Derivative instruments, of which:	10 703	11 412
an ineffective portion related to cash flow hedges	2 704	3 425
Structured bank securities measured at fair value through profit and loss	(7 371)	(3 408)
Debt securities	7 357	4 860
Equity instruments	952	159
Total	11 641	13 023

01.01-31.03.2015	Gains	Losses	Net result
Trading assets	10 315 344	(10 302 100)	13 244
Financial assets designated upon initial recognition at fair value through profit and loss	77 305	(78 908)	(1 603)
Total	10 392 649	(10 381 008)	11 641

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01.01-31.03.2014	Gains	Losses	Net result
Trading assets	6 598 881	(6 587 436)	11 445
Financial assets designated upon initial recognition at fair value through profit and loss	72 019	(70 441)	1 578
Total	6 670 900	(6 657 877)	13 023

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

	01.01-31.03.2015	01.01-31.03.2014
Gain/loss due to change in value of assets available for sale recognised directly in other comprehensive income during the period	34 347	8 294
Gain/loss derecognised from other comprehensive income recognised in income statement in the position 'Gains less losses from investment securities' on:	53 922	5 854
gain from sale derecognised from other comprehensive income	57 529	6 134
loss on sale derecognised from other comprehensive income	(3 607)	(280)
Impact on other comprehensive income (gross), position 'Unrealised net gains on financial assets available for sale (gross)'	88 269	14 148

5. Other operating income and expense

	01.01-31.03.2015	01.01-31.03.2014
Sale, disposal of tangible fixed assets, intangible assets and assets held for sale	33 514	2 645
Sundry income	5 072	4 774
Recovery of expired and written-off receivables	9 451	2 099
Other	12 949	6 274
Total	60 986	15 792

	01.01-31.03.2015	01.01-31.03.2014
Costs of sale, disposal of tangible fixed assets, intangible assets and assets held for sale	(12 823)	(4 494)
Donations	(289)	(1 314)
Sundry expense	(1 325)	(1 364)
Other	(8 755)	(5 054)
Total	(23 192)	(12 226)

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6. Net impairment allowance and write-downs

For the period ended 31 March 2015	Note	Value at the beginning of the period	Increases		Decreases			Value at the end of the period	Net - impact on the income statement
			Recognised during the period	Other	Derecognition of assets and settlement	Reversed during the period	Other		
Investment securities available for sale	16	127 747	2 227	-	48 615	-	-	81 359	(2 227)
Equity securities		127 747	2 227	-	48 615	-	-	81 359	(2 227)
Amounts due from banks	11	11 596	911	1 782	-	2 155	-	12 134	1 244
Loans and advances to customers measured at amortised cost	15	7 527 200	1 417 791	104 467	325 231	1 021 494	-	7 702 733	(396 297)
Non-financial sector		7 504 886	1 355 938	102 323	258 882	1 020 081	-	7 684 184	(335 857)
corporate loans		3 869 710	636 108	8 803	2 810	479 347	-	4 032 464	(156 761)
housing loans		2 247 418	372 208	77 474	149 374	280 899	-	2 266 827	(91 309)
consumer loans		1 295 876	347 591	16 046	106 669	259 835	-	1 293 009	(87 756)
debt securities		91 882	31	-	29	-	-	91 884	(31)
Financial sector		6 854	60 847	2 123	66 349	322	-	3 153	(60 525)
corporate loans		6 854	60 847	2 123	66 349	322	-	3 153	(60 525)
Public sector		15 460	1 006	21	-	1 091	-	15 396	85
corporate loans		12 638	955	21	-	1 091	-	12 523	136
debt securities		2 822	51	-	-	-	-	2 873	(51)
Non-current assets held for sale		155 934	-	-	-	-	-	155 934	-
Tangible fixed assets	18	18	-	-	-	-	-	18	-
Intangible assets	18	15 373	-	-	-	-	-	15 373	-
Investments in subsidiaries, joint ventures and associates	17	1 120 101	2 399	-	-	28 854	-	1 093 646	26 455
Other receivables		145 672	11 716	1 487	-	6 807	-	152 068	(4 909)
Provisions for legal claims, loan commitments and guarantees granted	24	133 078	102 703	-	-	111 741	430	123 610	9 038
Provisions for future liabilities		9 250	541	-	137	846	-	8 808	305
Total		9 245 969	1 538 288	107 736	373 983	1 171 897	430	9 345 683	(366 391)



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For the period ended 31 March 2014	Note	Value at the beginning of the period	Increases		Decreases			Value at the end of the period	Net - impact on the income statement
			Recognised during the period	Other	Derecognition of assets and settlement	Reversed during the period	Other		
Investment securities available for sale	16	33 355	46	-	-	-	12 456	20 945	(46)
Debt securities available for sale		3 296	46	-	-	-	-	3 342	(46)
Equity securities		30 059	-	-	-	-	12 456	17 603	-
Amounts due from banks	11	40 237	4 550	216	-	644	-	44 359	(3 906)
Loans and advances to customers measured at amortised cost	15	6 381 232	1 536 703	13 112	419 169	1 134 516	-	6 377 362	(402 187)
Non-financial sector		6 361 891	1 536 700	13 005	419 063	1 132 292	-	6 360 241	(404 408)
corporate loans		3 229 736	818 527	2 942	274 965	496 085	-	3 280 155	(322 442)
housing loans		1 704 404	370 917	8 754	18 318	329 032	-	1 736 725	(41 885)
consumer loans		1 400 664	347 256	1 309	125 780	306 143	-	1 317 306	(41 113)
debt securities		27 087	-	-	-	1 032	-	26 055	1 032
Financial sector		7 814	-	72	106	1 979	-	5 801	1 979
corporate loans		7 814	-	72	106	1 979	-	5 801	1 979
Public sector		11 527	3	35	-	245	-	11 320	242
corporate loans		10 549	-	35	-	245	-	10 339	245
debt securities		978	3	-	-	-	-	981	(3)
Non-current assets held for sale		165 226	15 554	-	-	-	-	180 780	(15 554)
Tangible fixed assets	18	34	-	-	7	-	-	27	-
Intangible assets	18	17 154	-	-	-	-	-	17 154	-
Investments in subsidiaries, joint ventures and associates	17	842 040	-	-	-	-	-	842 040	-
Other receivables		143 335	8 964	15	113	5 102	-	147 099	(3 862)
Provisions for legal claims, loan commitments and guarantees granted	24	145 124	106 578	201	-	117 302	-	134 601	10 724
Provisions for future liabilities		5 396	724	-	297	860	-	4 963	136
Total		7 773 133	1 673 119	13 544	419 586	1 258 424	12 456	7 769 330	(414 695)

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7. Administrative expenses

	01.01- 31.03.2015	01.01- 31.03.2014
Employee benefits	(638 142)	(540 215)
Overheads	(345 920)	(272 683)
Amortisation and depreciation, of which:	(189 305)	(152 654)
tangible fixed assets	(84 406)	(63 603)
intangible assets	(104 898)	(89 050)
investment properties	(1)	(1)
Taxes and other charges	(11 730)	(13 269)
Contribution and payments to the Bank Guarantee Fund	(111 214)	(52 371)
Total	(1 296 311)	(1 031 192)

Wages and salaries/employee benefits

	01.01- 31.03.2015	01.01- 31.03.2014
Wages and salaries, of which:	(525 922)	(443 433)
expenses on employee pension programme	(11 775)	(7 461)
Social insurance, of which:	(95 211)	(81 447)
contributions to retirement pay and pensions	(82 919)	(74 699)
Other employee benefits	(17 009)	(15 335)
Total	(638 142)	(540 215)

8. Income tax expense

	01.01- 31.03.2015	01.01- 31.03.2014
Current income tax expense	(214 770)	(174 632)
Deferred income tax related to creating and reversal of temporary differences	44 227	(22 782)
Tax expense in the income statement	(170 543)	(197 414)
Tax expense in other comprehensive income related to creating and reversal of temporary differences	(8 165)	(10 526)
Total	(178 708)	(207 940)

	31.03.2015	31.12.2014
Deferred income tax asset	1 483 553	1 448 670
Deferred income tax liability	776 085	777 266
Total	707 468	671 404

9. Earnings per share

Basic earnings per share

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

Earnings per share

	01.01- 31.03.2015	01.01- 31.03.2014
Profit per ordinary shareholders (in PLN thousand)	646 826	846 715
Weighted average number of ordinary shares during the period (in thousand)	1 250 000	1 250 000
Earnings per share (in PLN per share)	0.52	0.68

Diluted earnings per share and diluted earnings per share from discontinued operations

In the first quarter of 2015 as well as in the first quarter of 2014 there were no dilutive instruments and there were no material expenses and income from discontinued operations.

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10. Cash and balances with the central bank

	31.03.2015	31.12.2014
Current account in the Central Bank	7 115 341	7 772 856
Cash	2 940 380	3 925 385
Other funds	33	7
Total	10 055 754	11 698 248

11. Amounts due from banks

	31.03.2015	31.12.2014
Deposits with banks	3 920 475	1 602 613
Current accounts	469 719	721 366
Loans and advances granted	326 171	295 004
Cash in transit	2 371	1 160
Total	4 718 736	2 620 143
Impairment allowances on receivables, of which:	(12 134)	(11 596)
impairment allowances on receivable from a foreign bank	(11 567)	(11 515)
Net total	4 706 602	2 608 547

12. Trading assets

By carrying amount	31.03.2015	31.12.2014
Debt securities	1 795 139	1 919 353
issued by the State Treasury, Treasury bonds PLN	1 698 833	1 825 454
issued by local government bodies, municipal bonds PLN	50 906	50 563
issued by non-financial institutions, of which:	24 551	22 146
corporate bonds PLN	24 531	22 137
corporate bonds EUR	20	9
issued by other financial institutions, of which:	5 074	6 559
bonds issued by WSE PLN	871	2 248
bonds issued by PKO Finance AB EUR	4 096	4 233
corporate bonds PLN	107	78
issued by banks	15 775	14 631
Shares in other entities – listed on stock exchanges	11 917	5 137
Investment certificates	10 950	3 891
Rights to shares	-	278
Total	1 818 006	1 928 659



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13. Derivative financial instruments

Derivative instruments used by the Bank

The Bank uses various types of derivatives in order to manage risk involved in its business activities. As at 31 March 2015 and as at 31 December 2014, the Bank held the following derivative instruments:

	31.03.2015		31.12.2014	
	Assets	Liabilities	Assets	Liabilities
Hedging instruments	523 381	1 083 621	599 841	494 961
Other derivative instruments	5 066 522	5 218 771	4 883 667	5 050 541
Total	5 589 903	6 302 392	5 483 508	5 545 502

Type of contract	31.03.2015		31.12.2014	
	Assets	Liabilities	Assets	Liabilities
IRS	4 141 842	4 127 824	4 592 893	4 439 830
CIRS	629 357	1 332 963	340 970	616 997
FX Swap	416 888	453 285	227 857	237 542
Options	229 153	170 089	172 680	133 912
FRA	130 574	166 744	59 078	63 505
Forward	41 935	49 525	89 113	53 043
Other	154	1 962	917	673
Total	5 589 903	6 302 392	5 483 508	5 545 502

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

By carrying amount	31.03.2015	31.12.2014
Debt securities	16 356 719	13 417 667
issued by central banks, NBP money market bills	14 698 545	10 998 812
issued by the State Treasury, Treasury bonds PLN	1 412 660	2 165 038
issued by local government bodies, of which:	245 514	253 817
municipal bonds EUR	135 461	139 882
municipal bonds PLN	110 053	113 935
Total	16 356 719	13 417 667

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15. Loans and advances to customers

	31.03.2015	31.12.2014
Loans and advances to customers, gross, of which:	188 103 285	185 084 771
financial sector	4 412 306	5 334 058
corporate, of which:	4 171 812	5 031 085
deposits of the Brokerage House of PKO Bank Polski SA in the Stock Exchange Guarantee Fund and initial deposit	8 781	11 440
receivables due from repurchase agreements	240 494	302 973
non-financial sector	173 688 591	169 725 839
housing	100 847 257	97 959 884
corporate	49 220 169	48 201 845
consumer	21 555 472	21 455 129
debt securities (corporate)	2 065 693	2 108 981
public sector	10 002 388	10 024 874
corporate	7 129 440	7 202 375
debt securities (municipal)	2 872 948	2 822 499
Impairment allowances on loans and advances to customers	(7 702 733)	(7 527 200)
Loans and advances to customers, net	180 400 552	177 557 571

In the first quarter of 2015, PKO Bank Polski SA redeemed USD 8 250 thousand loan granted to Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o. and USD 8 284 thousand loan granted to Finansowa Kompania 'Idea Kapital' Sp. z o.o., as well as interest on the above-mentioned loans (i.e. the value of loans that remained to be repaid). Redemptions were carried out at the request of the above-mentioned Companies, due to the economic situation of Ukraine, including, in particular, the progressive devaluation of the hryvnia resulting in the Companies' inability to obtain revenues from recoveries of receivables in UAH at the level required to repay the loans received from the Bank, and limits of the National Bank of Ukraine in terms of exchange and transfer of currency abroad.

By client segment	31.03.2015	31.12.2014
Loans and advances granted, gross, of which:	188 103 285	185 084 771
mortgage banking	93 774 063	90 622 919
corporate	50 621 914	51 188 599
retail and private banking	21 555 472	21 455 129
small and medium enterprises	21 902 561	21 503 711
receivables due from repurchase agreements	240 494	302 973
deposits of the Brokerage House of PKO Bank Polski SA in the Stock Exchange Guarantee Fund	8 781	11 440
Impairment allowances on loans and advances	(7 702 733)	(7 527 200)
Loans and advances granted, net	180 400 552	177 557 571

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

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



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Loans and advances to customers by method of calculating impairment allowances	31.03.2015	31.12.2014
Assessed on an individual basis, of which:	6 467 824	6 616 005
impaired	5 105 852	5 138 087
not impaired	1 361 972	1 477 918
Assessed on a portfolio basis, impaired	7 271 761	7 209 870
Assessed on a group basis (IBNR)	174 363 700	171 258 896
Loans and advances to customers, gross	188 103 285	185 084 771
Impairment allowances on exposures assessed on an individual basis, of which:	(2 696 375)	(2 599 180)
impaired	(2 683 726)	(2 583 402)
Impairment allowances on exposures assessed on a portfolio basis	(4 411 527)	(4 322 663)
Impairment allowances on exposures assessed on a group basis (IBNR)	(594 831)	(605 357)
Impairment allowances - total	(7 702 733)	(7 527 200)
Loans and advances to customers, net	180 400 552	177 557 571

As at 31 March 2015, the share of impaired loans amounted to 6.6% (as at 31 December 2014: 6.7%), whereas the coverage ratio for impaired loans (calculated as total impairment allowances on receivables divided by gross carrying amount of impaired loans) amounted to 62.2% (as at 31 December 2014: 61.0%).

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

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

31 March 2015	nominal value	fair value	carrying amount
Municipal bonds	848 883	851 101	855 621
Corporate bonds	631 640	645 702	573 965
Total	1 480 523	1 496 803	1 429 586

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

16. Investment securities available for sale

	31.03.2015	31.12.2014
Debt securities available for sale, gross	23 245 877	21 794 141
issued by the State Treasury, Treasury bonds PLN	13 806 311	12 458 348
issued by local government bodies, municipal bonds PLN	4 468 496	4 480 325
issued by non-financial institutions, of which:	3 170 527	3 466 982
corporate bonds PLN	2 644 749	2 951 605
corporate bonds EUR	306 399	315 965
corporate bonds USD	219 379	199 412
issued by other financial institutions, corporate bonds PLN	247 803	184 914
issued by banks, of which:	1 552 740	1 203 572
corporate bonds PLN	1 465 479	1 112 705
corporate bonds EUR	87 261	90 867
Total net debt securities available for sale	23 245 877	21 794 141
Equity securities available for sale, gross	356 162	425 742
Equity securities not admitted to public trading	206 110	395 345
Equity securities admitted to public trading	150 052	30 397
Impairment allowances on equity securities available for sale	(81 359)	(127 747)
Total net equity securities available for sale	274 803	297 995
Total net investment securities available for sale	23 520 680	22 092 136



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17. Investments in subsidiaries, joint ventures and associates

As at 31 March 2015, the Bank's investments in subsidiaries, joint ventures and associates have been recognised at acquisition cost adjusted by impairment allowances.

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

As at 31 March 2015	Gross value	Impairment	Carrying amount
Subsidiaries			
KREDOBANK SA	1 018 069	(760 641)	257 428
PKO Bank Hipoteczny SA	300 000	-	300 000
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.	283 624	(244 387)	39 237
PKO BP BANKOWY PTE SA	205 786	-	205 786
PKO Towarzystwo Funduszy Inwestycyjnych SA	186 989	-	186 989
PKO Życie Towarzystwo Ubezpieczeń SA	184 636	-	184 636
Merkury - fiz an ¹	120 000	-	120 000
PKO Leasing SA	98 000	-	98 000
PKO BP Finat Sp. z o.o.	71 295	-	71 295
'CENTRUM HAFFNERA' Sp. z o.o.	44 371	(44 371)	-
Bankowe Towarzystwo Kapitałowe SA	30 566	(10 666)	19 900
'Inter-Risk Ukraina' Additional Liability Company	27 549	(22 615)	4 934
PKO Finance AB	172	-	172
Joint ventures			
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	197 320	-	197 320
'Centrum Obsługi Biznesu' Sp. z o.o.	17 498	(9 466)	8 032
Associates			
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	1 500	(1 500)	-
Total	2 787 375	(1 093 646)	1 693 729

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

In 2015, in accordance with IFRS 5, the shares of Bank Pocztowy SA were reclassified to non-current assets held for sale.

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

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

²⁾ The Entity was recognised as a joint venture of PKO Bank Polski SA until 19 January 2014.

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18. Intangible assets and tangible fixed assets

Intangible assets	31.03.2015	31.12.2014
Software	1 687 417	1 716 957
Goodwill	871 047	871 047
Relations with customers	62 467	67 252
Other, including capital expenditure	187 842	243 356
Total	2 808 773	2 898 612

Tangible fixed assets	31.03.2015	31.12.2014
Land and buildings	1 460 275	1 467 583
Machinery and equipment	429 898	439 669
Means of transport	3	3
Assets under construction	123 838	182 792
Investment properties	184	184
Other	168 939	161 142
Total	2 183 137	2 251 373

In the periods ended 31 March 2015 and 31 March 2014 respectively, there were no significant transactions of purchase and sale of tangible fixed assets.

19. Amounts due to banks

	31.03.2015	31.12.2014
Loans and advances received	16 992 751	16 393 118
Bank deposits	1 251 177	1 122 090
Amounts due from repurchase agreements	2 016 741	299 530
Current accounts	484 277	607 188
Other money market deposits	27 852	17 658
Total	20 772 798	18 439 584

20. Amounts due to customers

	31.03.2015	31.12.2014
Amounts due to retail clients	130 787 883	128 230 900
Term deposits	70 709 042	68 882 671
Current accounts and overnight deposits	59 846 308	59 126 815
Other liabilities	232 533	221 414
Amounts due to corporate entities	54 004 957	52 911 331
Term deposits	17 885 075	16 562 690
Current accounts and overnight deposits	19 103 211	19 270 916
Loans and advances received, of which:	15 515 711	15 051 131
- received from PKO Finance AB	12 358 555	12 036 601
Other liabilities	1 179 123	1 170 470
Amounts due from repurchase agreements	321 837	856 124
Amounts due to public entities	5 292 706	4 778 331
Current accounts and overnight deposits	4 330 486	4 018 024
Term deposits	941 494	740 995
Other liabilities	20 726	19 312
Total	190 085 546	185 920 562



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By client segment	31.03.2015	31.12.2014
Amounts due to customers, of which:		
retail and private banking	125 149 354	121 893 357
corporate	32 094 121	30 907 441
loans and advances received	15 515 711	15 051 131
small and medium enterprises	17 004 523	17 212 509
amounts due from repurchase agreements	321 837	856 124
Total	190 085 546	185 920 562

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

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

21. Debt securities in issue

	31.03.2015	31.12.2014
Financial instruments measured at fair value through profit and loss - bank securities	124 172	118 262
Financial instruments measured at amortised cost - bank bonds	997 343	747 825
Total	1 121 515	866 087

22. Subordinated liabilities

As at 31 March 2015	Nominal value in currency	Nominal value in PLN	Currency	Maturity date	Balance in PLN
Subordinated bonds	1 600 700	1 600 700	PLN	14.09.2022	1 602 822
Subordinated loan	224 000	876 064	CHF	24.04.2022	876 127
Total	x	2 476 764	x	x	2 478 949

As at 31 December 2014	Nominal value in currency	Nominal value in PLN	Currency	Maturity date	Balance in PLN
Subordinated bonds	1 600 700	1 600 700	PLN	14.09.2022	1 619 833
Subordinated loan	224 000	794 013	CHF	24.04.2022	794 152
Total	x	2 394 713	x	x	2 413 985

23. Other liabilities

	31.03.2015	31.12.2014
Accounts payable	462 697	487 274
Deferred income	336 284	358 567
Other liabilities	1 524 774	1 819 217
Total	2 323 755	2 665 058
of which financial liabilities	1 802 552	2 127 610

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24. Provisions

For the period ended 31 March 2015	Provision for legal claims	Provisions for retirement benefits and anniversary bonuses	Provisions for loan commitments and guarantees granted	Other provisions*	Total
As at 1 January 2015, of which:	29 457	39 363	103 621	130 725	303 166
Short term provision	29 457	3 117	73 484	130 725	236 783
Long term provision	-	36 246	30 137	-	66 383
Recognition/reassessment of provisions	-	-	102 703	804	103 507
Release of provisions	-	-	(111 741)	(9 443)	(121 184)
Other changes and reclassifications	-	-	(430)	-	(430)
As at 31 March 2015, of which:	29 457	39 363	94 153	122 086	285 059
Short term provision	29 457	3 117	62 342	122 086	217 002
Long term provision	-	36 246	31 811	-	68 057

*Included in 'Other provisions' are i.a.: restructuring provision of PLN 85 785 thousand and provision of PLN 2 295 thousand for potential claims on impaired loan portfolios sold

For the period ended 31 March 2014	Provision for legal claims	Provisions for retirement benefits and anniversary bonuses	Provisions for loan commitments and guarantees granted	Other provisions*	Total
As at 1 January 2014, of which:	29 457	35 386	115 667	129 971	310 481
Short term provision	29 457	2 441	88 817	129 971	250 686
Long term provision	-	32 945	26 850	-	59 795
Recognition/reassessment of provisions	-	-	106 578	1 888	108 466
Use of provisions	-	-	-	(1 364)	(1 364)
Release of provisions	-	-	(117 302)	(17 761)	(135 063)
Other changes and reclassifications	-	-	201	-	201
As at 31 March 2014, of which:	29 457	35 386	105 144	112 734	282 721
Short term provision	29 457	2 441	75 871	112 734	220 503
Long term provision	-	32 945	29 273	-	62 218

*Included in 'Other provisions' are i.a.: restructuring provision of PLN 79 891 thousand and provision of PLN 1 701 thousand for potential claims on impaired loan portfolios sold

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

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25. Contingent liabilities and off-balance sheet liabilities received

25.1 Underwriting programmes

As at 31 March 2015 and as at 31 December 2014, underwriting agreements covered the following securities:

Issuer of securities underwritten	Type of underwritten securities	Off-balance sheet liabilities resulting from underwriting agreement	Contract period
As at 31 March 2015			
Company A	corporate bonds	1 055 000	31.07.2020
Company B	corporate bonds	1 009 000	15.06.2022
Company C	corporate bonds	88 900	31.12.2022
Company D	corporate bonds	50 000	19.12.2022
Company E	corporate bonds	34 000	31.12.2029
Company F	corporate bonds	14 141	31.01.2016
Total		2 251 041	
As at 31 December 2014			
Company A	corporate bonds	1 055 000	31.07.2020
Company B	corporate bonds	1 049 000	15.06.2022
Company C	corporate bonds	91 700	31.12.2022
Company D	corporate bonds	50 000	19.12.2022
Total		2 245 700	

All agreements relate to the Agreements for Organisation, Conducting and Servicing of the Bond Issuance Programme.

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

25.2 Contractual commitments

As at 31 March 2015, the amount of contractual commitments concerning intangible assets amounted to PLN 145 072 thousand (as at 31 December 2014, it amounted to PLN 196 807 thousand).

As at 31 March 2015, the amount of contractual commitments concerning tangible fixed assets amounted to PLN 95 663 thousand (as at 31 December 2014, it amounted to PLN 95 322 thousand).

25.3 Loan commitments granted

by nominal value	31.03.2015	31.12.2014
Credit lines and limits		
to financial entities	1 347 613	998 133
to non-financial entities	33 065 071	34 023 705
to public entities	3 458 966	3 258 574
Total	37 871 650	38 280 412
of which: irrevocable loan commitments	8 029 874	7 943 931



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Guarantee liabilities granted

	31.03.2015	31.12.2014
Guarantees in domestic and foreign trading	8 906 431	10 003 696
to financial entities	864 537	919 391
to non-financial entities	8 021 182	9 062 391
to public entities	20 712	21 914
Guarantees and pledges granted – domestic corporate bonds	4 636 257	4 526 126
to financial entities	12 076	12 076
to non-financial entities	4 624 181	4 514 050
Letters of credit granted	702 809	704 504
to financial entities	1 665	1 736
to non-financial entities	701 144	702 768
Guarantees and pledges granted – payment guarantee to financial entities	24 865	17 278
Guarantees and pledges granted – domestic municipal bonds to public entities	72 758	55 008
Total	14 343 120	15 306 612
of which: performance guarantees	1 842 503	1 942 582

25.4 Off-balance sheet liabilities received

By nominal value	31.03.2015	31.12.2014
financial	444 768	1 747 327
guarantees	5 191 734	4 587 353
Total liabilities received	5 636 502	6 334 680

26. Supplementary information to the statement of cash flows

Cash and cash equivalents

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

	31.03.2015	31.12.2014	31.03.2014
Cash and balances with the central bank	10 055 754	11 698 248	9 519 591
Current amounts due from banks	3 727 668	2 354 512	4 450 485
Total	13 783 422	14 052 760	13 970 076

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27. Related party transactions

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

31 March 2015

Entity	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
Direct subsidiaries				
PKO Bank Hipoteczny SA	782	-	297 591	-
Bankowe Towarzystwo Kapitałowe SA	4 169	-	1 144	7 000
'CENTRUM HAFNERA' Sp. z o.o.	-	-	424	-
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.	-	-	-	-
KREDOBANK SA	415 975	316 866	3 792	16 924
Merkury - fiz an	59 908	59 908	1 671	-
PKO BP BANKOWY PTE SA	109	-	2 556	-
PKO BP Finat Sp. z o.o.	246	-	154 429	593
PKO Finance AB	7	-	12 354 459	-
PKO Leasing SA	1 216 666	966 098	136 735	913 107
PKO Towarzystwo Funduszy Inwestycyjnych SA	21 177	-	63 437	-
PKO Życie Towarzystwo Ubezpieczeń SA	35 085	35 084	302 317	205 871
Qualia Development Sp. z o.o.	-	-	15 830	13 887
Indirect subsidiaries				
'Centrum Majkowskiego' Sp. z o.o. in liquidation	-	-	-	-
Finansowa Kompania 'Idea Kapitał' Sp. z o.o.	19 650	19 649	-	-
'Fort Mokotów' Sp. z o.o. in liquidation	-	-	3 217	-
'Fort Mokotów Inwestycje' Sp. z o.o.	-	-	266	-
Giełda Nieruchomości Wartościowych Sp. z o.o.	-	-	27	-
Molina Sp. z o.o.	-	-	53	-
Molina spółka z ograniczoną odpowiedzialnością 1 S.K.A.	-	-	562	-
Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A.	-	-	833	-
Molina spółka z ograniczoną odpowiedzialnością 3 S.K.A.	-	-	7 790	-
Molina spółka z ograniczoną odpowiedzialnością 4 S.K.A.	-	-	20	-
Molina spółka z ograniczoną odpowiedzialnością 5 S.K.A.	-	-	8 698	-
Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A.	-	-	2 565	-
PKO BP Faktoring SA	252 440	252 423	1 320	247 577
PKO Bankowy Leasing Sp. z o.o.	2 263 380	2 260 809	1 259	167 562
PKO Leasing Sverige AB	105 201	105 201	138	8 777
'Promenada Sopocka' Sp. z o.o.	42 052	42 052	4 504	-
Qualia - Residence Sp. z o.o.	2	-	293	-
Qualia - Rezydencja Flotylla Sp. z o.o.	76 000	76 000	1 130	-
Qualia Hotel Management Sp. z o.o.	-	-	1 020	-
Qualia Sp. z o.o.	-	-	7	-
Qualia spółka z ograniczoną odpowiedzialnością - Jurata Spółka komandytowa	-	-	1 326	-
Qualia spółka z ograniczoną odpowiedzialnością - Neptun Park Spółka komandytowa	-	-	5 690	1 035
Qualia 2 spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Spółka komandytowa	-	-	9 790	-
Qualia spółka z ograniczoną odpowiedzialnością - Pomeranka Spółka komandytowa	76 770	76 770	925	-
Qualia spółka z ograniczoną odpowiedzialnością - Projekt 1 Spółka komandytowa	-	-	1	-
Qualia spółka z ograniczoną odpowiedzialnością - Sopot Spółka komandytowa	3 887	3 887	501	-
Qualia spółka z ograniczoną odpowiedzialnością - Władysławowo Spółka komandytowa	-	-	2	-
Qualia spółka z ograniczoną odpowiedzialnością - Zakopane Spółka komandytowa	-	-	237	-
Qualia 2 Sp. z o.o.	-	-	4	-
Sarnia Dolina Sp. z o.o.	-	-	183	-
'Sopot Zdrój' Sp. z o.o.	190 694	190 694	14 367	-
Ubezpieczeniowe Usługi Finansowe Sp. z o.o.	-	-	1 708	-
'Zarząd Majątkiem Górczewska' Sp. z o.o.	-	-	1 322	-
Total subsidiaries	4 784 200	4 405 441	13 404 143	1 582 333

* The Company is included in non-current assets held for sale

Entity	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
Direct joint ventures				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	3 233	-	56 248	5 000
'Centrum Obsługi Biznesu' Sp. z o.o.	27 337	27 337	10 596	-
Direct associates				
Bank Pocztowy SA*	82	-	466	221
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	-	-	1 320	-
Indirect associate				
Centrum Operacyjne Sp. z o.o.	-	-	45	-
Total joint ventures and associates	30 652	27 337	68 675	5 221

* The Company is included in non-current assets held for sale

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Entity	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
Direct subsidiaries				
PKO Bank Hipoteczny SA	-	-	299 563	-
Bankowe Towarzystwo Kapitałowe SA	4 169	-	1 116	7 000
'CENTRUM HAFNERA' Sp. z o.o.	-	-	644	-
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.	60 873	60 873	-	-
KREDOBANK SA	371 639	283 387	2 831	22 043
Merkury - fiz an	53 978	53 978	1 665	6 022
PKO BP BANKOWY PTE SA	17	-	1 237	-
PKO BP Finat Sp. z o.o.	212	-	152 158	593
PKO Finance AB	7	-	12 032 368	-
PKO Leasing SA	947 517	759 882	194 487	949 752
PKO Towarzystwo Funduszy Inwestycyjnych SA	20 217	-	52 954	-
PKO Życie Towarzystwo Ubezpieczeń SA	30 662	30 662	232 714	40 264
Qualia Development Sp. z o.o.	-	-	10 829	13 904
Indirect subsidiaries				
'Centrum Majkowskiego' Sp. z o.o. in liquidation	-	-	36	-
Finansowa Kompania 'Idea Kapital' Sp. z o.o.	72 930	72 930	-	-
'Fort Mokotów' Sp. z o.o. in liquidation	-	-	3 395	-
'Fort Mokotów Inwestycje' Sp. z o.o.	-	-	171	-
Giełda Nieruchomości Wartościowych Sp. z o.o.	-	-	20	-
Molina Sp. z o.o.	-	-	51	-
Molina spółka z ograniczoną odpowiedzialnością 1 S.K.A.	-	-	8 121	-
Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A.	-	-	5 838	-
Molina spółka z ograniczoną odpowiedzialnością 3 S.K.A.	-	-	11 385	-
Molina spółka z ograniczoną odpowiedzialnością 4 S.K.A.	-	-	258	-
Molina spółka z ograniczoną odpowiedzialnością 5 S.K.A.	-	-	4 752	-
Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A.	-	-	3 078	-
PKO BP Faktoring SA	497 702	497 684	219 135	2 316
PKO Bankowy Leasing Sp. z o.o.	2 255 640	2 253 051	674	176 388
PKO Leasing Sverige AB	90 866	90 866	83	44 229
'Promenada Sopocka' Sp. z o.o.	44 189	44 189	4 152	-
Qualia - Residence Sp. z o.o.	1	-	8 517	-
Qualia - Rezydencja Flotyła Sp. z o.o.	76 000	76 000	622	-
Qualia Hotel Management Sp. z o.o.	-	-	3 228	-
Qualia Sp. z o.o.	-	-	5	-
Qualia spółka z ograniczoną odpowiedzialnością - Jurata Spółka komandytowa	-	-	1 342	-
Qualia spółka z ograniczoną odpowiedzialnością - Neptun Park Spółka komandytowa	-	-	4 444	1 035
Qualia spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Spółka komandytowa	-	-	8 510	-
Qualia spółka z ograniczoną odpowiedzialnością - Pomeranka Spółka komandytowa	76 770	76 770	1 245	-
Qualia spółka z ograniczoną odpowiedzialnością - Projekt 1 Spółka komandytowa	-	-	2	-
Qualia spółka z ograniczoną odpowiedzialnością - Sopot Spółka komandytowa	3 887	3 887	431	-
Qualia spółka z ograniczoną odpowiedzialnością - Władysławowo Spółka komandytowa	-	-	2	-
Qualia spółka z ograniczoną odpowiedzialnością - Zakopane Spółka komandytowa	-	-	256	-
Samia Dolina Sp. z o.o.	-	-	250	-
'Sopot Zdrój' Sp. z o.o.	198 542	198 542	16 086	-
Ubezpieczeniowe Usługi Finansowe Sp. z o.o.	-	-	1 826	-
'Zarząd Majątkiem Górczewska' Sp. z o.o.	-	-	6 778	-
Total subsidiaries	4 805 818	4 502 701	13 297 259	1 263 546

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

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Entity	Total income	of which interest and fee and commission	Total expense	of which interest and fee and commission
Direct subsidiaries				
PKO Bank Hipoteczny SA	276	2	1 627	1 627
Bankowe Towarzystwo Kapitałowe SA	5	2	2	2
'CENTRUM HAFNERA' Sp. z o.o.	1	1	2	2
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.	-	-	30 689	-
KREDOBANK SA	2 292	2 258	-	-
Merkury - fiz an	653	653	7	7
PKO BP BANKOWY PTE SA	232	17	11	11
PKO BP Finat Sp. z o.o.	494	10	1 738	865
PKO Finance AB	21	21	115 941	115 391
PKO Leasing SA	6 602	5 390	6 699	565
PKO Towarzystwo Funduszy Inwestycyjnych SA	60 172	59 784	326	326
PKO Życie Towarzystwo Ubezpieczeń SA	81 586	81 527	69 551	69 551
Qualia Development Sp. z o.o.	5	5	54	54
Indirect subsidiaries				
'Centrum Majkowskiego' Sp. z o.o. in liquidation	1	1	-	-
Finansowa Kompania 'Idea Kapitał' Sp. z o.o.	1 443	1 443	31 218	-
'Fort Mokotów' Sp. z o.o. in liquidation	1	1	14	14
'Fort Mokotów Inwestycje' Sp. z o.o.	1	1	1	1
Giełda Nieruchomości Wartościowych Sp. z o.o.	1	1	-	-
Molina Sp. z o.o.	1	1	9	9
Molina spółka z ograniczoną odpowiedzialnością 1 S.K.A.	1	-	6	6
Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A.	3	1	13	13
Molina spółka z ograniczoną odpowiedzialnością 3 S.K.A.	1	-	19	19
Molina spółka z ograniczoną odpowiedzialnością 4 S.K.A.	2	2	-	-
Molina spółka z ograniczoną odpowiedzialnością 5 S.K.A.	3	3	21	21
Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A.	1	1	8	8
PKO BP Faktoring SA	1 510	1 445	15	15
PKO Bankowy Leasing Sp. z o.o.	15 325	15 324	11	7
PKO Leasing Sverige AB	506	506	-	-
'Promenada Sopocka' Sp. z o.o.	1	1	19	19
Qualia - Residence Sp. z o.o.	2	2	19	-
Qualia - Rezydencja Flotylla Sp. z o.o.	833	833	3	3
Qualia Hotel Management Sp. z o.o.	6	6	9	9
Qualia Sp. z o.o.	1	1	5	5
Qualia spółka z ograniczoną odpowiedzialnością - Jurata Spółka komandytowa	-	-	-	-
Qualia spółka z ograniczoną odpowiedzialnością - Neptun Park Spółka komandytowa	7	7	17	17
Qualia 2 spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Spółka komandytowa	3	3	28	28
Qualia spółka z ograniczoną odpowiedzialnością - Pomeranka Spółka komandytowa	815	815	3	3
Qualia spółka z ograniczoną odpowiedzialnością - Projekt 1 Spółka komandytowa	1	1	-	-
Qualia spółka z ograniczoną odpowiedzialnością - Sopot Spółka komandytowa	46	46	1	1
Qualia spółka z ograniczoną odpowiedzialnością - Władysławowo Spółka komandytowa	1	1	-	-
Qualia spółka z ograniczoną odpowiedzialnością - Zakopane Spółka komandytowa	1	1	-	-
Qualia 2 Sp. z o.o.	1	1	-	-
Sarnia Dolina Sp. z o.o.	1	1	-	-
'Sopot Zdrój' Sp. z o.o.	2	2	65	65
Zarząd Majtkiem Górczewska Sp. z o.o.	-	-	8	8
Ubezpieczeniowe Usługi Finansowe Sp. z o.o.	1	1	7	7
Total subsidiaries	172 861	170 122	258 166	188 679

* The Company is included in non-current assets held for sale

Entity	Total income	of which interest and fee and commission	Total expense	of which interest and fee and commission
Direct joint ventures				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	33 435	33 118	17 634	17 617
'Centrum Obsługi Biznesu' Sp. z o.o.	404	404	31	31
Direct associates				
Bank Poczty SA*	88	6	486	-
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	1	1	4	4
Indirect associate				
Centrum Operacyjne Sp. z o.o.	-	-	1	1
Total joint ventures and associates	33 928	33 529	18 156	17 653

* The Company is included in non-current assets held for sale

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Entity	Total income	of which interest and fee and commission	Total expense	of which interest and fee and commission
Direct subsidiaries				
Bankowe Towarzystwo Kapitałowe SA	4	1	1	1
'CENTRUM HAFNERA' Sp. z o.o.	2	2	-	-
Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.	2 079	2 079	-	-
Merkury - fiz an	628	628	2	2
Inteligo Financial Services SA	978	7	16 812	600
KREDOBANK SA	1 478	1 478	-	-
PKO BP BANKOWY PTE SA	222	4	30	30
PKO BP Finat Sp. z o.o.	9	5	278	28
PKO Finance AB	10	10	96 505	96 505
PKO Leasing SA	2 984	1 237	4 839	1 081
PKO Towarzystwo Funduszy Inwestycyjnych SA	53 057	52 674	331	331
Polski Standard Płatności Sp. z o.o.	1	1	4	4
Qualia Development Sp. z o.o.	75	8	50	50
Indirect subsidiaries				
'Centrum Majkowskiego' Sp. z o.o. in liquidation	2	2	-	-
Finansowa Kompania 'Idea Kapitał' Sp. z o.o.	-	-	-	-
'Fort Mokotów' Sp. z o.o. in liquidation	-	-	20	20
'Fort Mokotów Inwestycje' Sp. z o.o.	1	1	9	9
Giełda Nieruchomości Wartościowych Sp. z o.o.	1	1	-	-
'Kamienica Morska' Sp. z o.o. in liquidation	2	2	-	-
Molina Sp. z o.o.	1	-	-	-
Molina Sp. z o.o. 1 S.K.A.	5	-	4	4
Molina Sp. z o.o. 2 S.K.A.	1	-	3	3
Molina Sp. z o.o. 3 S.K.A.	1	-	2	2
Molina Sp. z o.o. 4 S.K.A.	1	-	2	2
Molina Sp. z o.o. 5 S.K.A.	1	-	7	7
Molina Sp. z o.o. 6 S.K.A.	1	-	-	-
PKO BP Faktoring SA	1 675	1 605	-	-
PKO Bankowy Leasing Sp. z o.o.	20 912	20 369	8	-
PKO Leasing Sverige AB	367	367	-	-
'Promenada Sopotka' Sp. z o.o.	257	257	-	-
Qualia - Residence Sp. z o.o.	2	2	1	1
Qualia - Rezydencja Flotyła Sp. z o.o.	788	788	5	5
Qualia Hotel Management Sp. z o.o.	7	7	4	4
Qualia Sp. z o.o.	-	-	-	-
Qualia spółka z ograniczoną odpowiedzialnością - Jurata Sp. k.	1	1	8	8
Qualia spółka z ograniczoną odpowiedzialnością - Neptun Park Sp. k.	386	386	13	13
Qualia spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Sp. k.	454	454	32	32
Qualia spółka z ograniczoną odpowiedzialnością - Pomeranka Sp. k.	1 081	1 081	16	16
Qualia spółka z ograniczoną odpowiedzialnością - Projekt 1 Sp. k.	1	1	-	-
Qualia spółka z ograniczoną odpowiedzialnością - Sopot Sp. k.	107	107	1	1
Qualia spółka z ograniczoną odpowiedzialnością - Władysławowo Sp. k.	1	1	-	-
Qualia spółka z ograniczoną odpowiedzialnością - Zakopane Sp. k.	1	1	3	3
Sarnia Dolina Sp. z o. o.	1	1	-	-
'Sopot Zdrój' Sp. z o.o.	1 173	1 173	24	24
'Zarząd Majątkiem Górczewska' Sp. z o.o.	1	1	1	1
Total subsidiaries	88 759	84 742	119 015	98 787

Entity	Total income	of which interest and fee and commission	Total expense	of which interest and fee and commission
Direct joint ventures				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	1 281	1 078	10 459	10 403
'Centrum Obsługi Biznesu' Sp. z o.o.	453	453	65	65
Direct associates				
Bank Pocztowy SA	15	15	1 726	1 726
'Poznański Fundusz Poręczeń Kredytowych' Sp. z o.o.	-	-	-	-
Indirect associate				
Centrum Operacyjne Sp. z o.o.	1	1	-	-
Total joint ventures and associates	1 750	1 547	12 250	12 194

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

Objectives and principles of risk management in PKO Bank Polski SA were presented in details in the annual financial statements of PKO Bank Polski SA for the year 2014.

Relevant information on risk monitoring and changes in methods of risk measurement in the period from 1 January to 31 March 2015 is presented below:

Credit risk

The Bank's exposure to credit risk

Amounts due from banks	Exposure	
	31.03.2015	31.12.2014
Amounts due from banks impaired, of which:	45 125	41 535
assessed on an individual basis	44 759	41 173
Amounts due from banks not impaired, of which:	4 673 611	2 578 608
not past due	4 673 611	2 578 608
Gross total	4 718 736	2 620 143
Impairment allowances	(12 134)	(11 596)
Net total by carrying amount	4 706 602	2 608 547

Loans and advances to customers	Exposure	
	31.03.2015	31.12.2014
Loans and advances impaired, of which:	12 377 613	12 347 957
assessed on an individual basis	5 105 852	5 138 087
Loans and advances not impaired, of which:	175 725 672	172 736 814
not past due	171 811 006	168 833 734
past due	3 914 666	3 903 080
past due up to 4 days	1 278 357	1 491 221
past due over 4 days	2 636 309	2 411 859
Gross total	188 103 285	185 084 771
Impairment allowances	(7 702 733)	(7 527 200)
Net total by carrying amount	180 400 552	177 557 571

Investment securities available for sale – debt securities	Exposure	
	31.03.2015	31.12.2014
Debt securities not impaired, of which:	23 245 877	21 794 141
not past due	23 245 877	21 794 141
with external rating	15 147 737	13 702 637
with internal rating	8 098 140	8 091 504
Gross total	23 245 877	21 794 141
Net total by carrying amount	23 245 877	21 794 141

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Level of exposure to credit risk

The table below presents maximum exposure to credit risk of the Bank as at 31 March 2015, as at 31 December 2014, excluding collaterals and related improvement of credit situation, by net carrying amount.

Items of the statement of financial position	31.03.2015	31.12.2014
Current account in the central bank	7 115 341	7 772 856
Amounts due from banks	4 706 602	2 608 547
Trading assets – debt securities	1 795 139	1 919 353
issued by banks	15 775	14 631
issued by other financial institutions	5 074	6 559
issued by non-financial institutions	24 551	22 146
issued by the State Treasury	1 698 833	1 825 454
issued by local government bodies	50 906	50 563
Derivative financial instruments	5 589 903	5 483 508
Financial instruments designated upon initial recognition at fair value through profit and loss - debt securities	16 356 719	13 417 667
issued by the State Treasury	1 412 660	2 165 038
issued by central banks	14 698 545	10 998 812
issued by local government bodies	245 514	253 817
Loans and advances to customers	180 400 552	177 557 571
financial sector (other than banks)	4 409 153	5 327 204
corporate loans	4 168 659	5 024 231
receivables due from repurchase agreements	240 494	302 973
non-financial sector	166 004 407	162 220 953
housing loans	98 580 430	95 712 466
corporate loans	45 187 705	44 332 135
consumer loans	20 262 463	20 159 253
debt securities	1 973 809	2 017 099
public sector	9 986 992	10 009 414
corporate loans	7 116 917	7 189 737
debt securities	2 870 075	2 819 677
receivables due from repurchase agreements	-	-
Investment securities available for sale - debt securities	23 245 877	21 794 141
issued by the State Treasury	13 806 311	12 458 348
issued by banks	1 552 740	1 203 572
issued by other financial institutions	247 803	184 914
issued by non-financial institutions	3 170 527	3 466 982
issued by local government bodies	4 468 496	4 480 325
Other assets - other financial assets	630 071	647 235
Total	239 840 204	231 200 878

Off-balance sheet items	31.03.2015	31.12.2014
Irrevocable liabilities granted	8 029 874	7 943 931
Guarantees granted	8 931 296	10 020 974
Letters of credit granted	702 809	704 504
Guarantees of issue	4 709 015	4 581 134
Total	22 372 994	23 250 543

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

	31.03.2015	31.12.2014
Amounts due from banks	44 759	41 173
Loans and advances to customers	5 105 852	5 138 087
Financial sector	363	76 110
corporate loans	363	76 110
Non-financial sector	5 088 544	5 045 096
corporate loans	3 694 428	3 664 094
housing loans	1 186 487	1 175 329
consumer loans	96 860	94 829
debt securities	110 769	110 844
Public sector	16 945	16 881
corporate loans	16 945	16 881
Total	5 150 611	5 179 260

Interest rate risk

The Bank was mainly exposed to PLN interest rate risk. For the Bank, the most unfavourable scenario of all stress tests involving a parallel movement in interest rate curves applied by the Bank, was a parallel movement in PLN interest rate curves. The effect of materialisation of this scenario amounted approx. PLN 1.89 billion as at 31 March 2015, and PLN 1.88 billion as at 31 December 2014.

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

Name of sensitivity measure	31.03.2015	31.12.2014
VaR for a 10-day time horizon with a confidence level of 99% threshold (in PLN thousand)	269 210	282 268
Parallel movement of interest rate curves by 200 b.p. (in PLN thousand) (stress-test)*	2 313 413	2 369 729

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

Currency risk

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

Name of sensitivity measure	31.03.2015	31.12.2014
VaR for a 10-day time horizon with a confidence level of 99% threshold (in PLN thousand)	22 700	6 230
Change in CUR/PLN by 20% (in PLN thousand) (stress-test)*	30 104	16 351

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

The level of currency risk was low both as at 31 March 2015 and as at 31 December 2014.

Liquidity risk

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

	a'vista	0 - 1 month	1 - 3 months	3 - 6 months	6 - 12 months	12 - 24 months	24 - 60 months	over 60 months
31.03.2015								
Adjusted gap in real terms	10 486 799	13 629 629	1 185 003	3 885 114	2 179 640	11 137 258	12 185 432	(54 688 875)
Cumulative adjusted gap in real terms	10 486 799	24 116 428	25 301 431	29 186 545	31 366 185	42 503 443	54 688 875	-
31.12.2014								
Adjusted gap in real terms	12 717 177	11 080 529	1 211 542	1 328 179	1 404 543	11 330 017	12 836 839	(51 908 826)
Cumulative adjusted gap in real terms	12 717 177	23 797 706	25 009 248	26 337 427	27 741 970	39 071 987	51 908 826	-

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

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29. Capital adequacy

As at 31 March 2015 and as at 31 December 2014 capital adequacy measures were calculated in accordance with the provisions of CRR Regulation.

The level of the Bank's capital adequacy as at 31 March 2015 remained on a safe level, significantly above the statutory limits.

Own funds for the capital adequacy purposes

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

Bank's own funds	31.03.2015	31.12.2014
Tier 1 capital	23 183 860	22 558 648
Share capital	1 250 000	1 250 000
Other reserves	22 040 024	22 040 024
Other comprehensive income	3 865	(85 123)
General banking risk fund	1 070 000	1 070 000
Undistributed profits	1 443 425	1 004 300
Goodwill	(871 047)	(871 047)
Other intangible assets	(1 671 989)	(1 764 734)
Equity exposures deducted from own funds	(40 031)	(49 101)
Additional adjustments of assets measured at fair value	(40 387)	(35 671)
Tier 2 capital	2 383 358	2 321 062
Subordinated liabilities classified as supplementary funds	2 476 764	2 394 713
Equity exposures deducted from own funds	(93 406)	(73 651)
Total own funds	25 567 218	24 879 710

As at 31 March 2015 the Bank's own funds calculated for the purposes of capital adequacy increased as a result of including with the consent of the Polish Financial Supervision Authority to Tier 1 capital generated net profit for the period from 1 July to 30 September 2014 after deducting any expected charges and dividends (undistributed profits in the amount of PLN 439 125 thousand). As at 31 December 2014 undistributed profits included with the consent of the Polish Financial Supervision Authority the Bank's net profit generated for the period from 1 January to 30 June 2014, after deducting any expected charges (undistributed profits in the amount of PLN 1 004 300 thousand.).

Capital requirements (Pillar 1)

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

Requirements in respect of own funds	31.03.2015	31.12.2014
Credit risk	13 794 593	13 590 324
Market risk	614 889	602 407
Credit valuation adjustment risk	41 692	42 375
Settlement / delivery risk	-	68
Operational risk	645 849	655 419
Total capital requirements	15 097 023	14 890 593
Capital adequacy ratio	13.55%	13.37%

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OTHER INFORMATION

Identification data

PKO Bank Polski SA, with its registered Head Office at 15 Puławska Street, Warsaw, has been registered in the District Court for the Capital City of Warsaw, XIII Economic Department of the National Court Register under entry No. KRS 0000026438. The Company 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

The Management Board of PKO Bank Polski SA as at 31 March 2015

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

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The Supervisory Board of PKO Bank Polski SA as at 31 March 2015

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

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

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

Shareholding structure in PKO Bank Polski SA

Shareholders	As at the date of publication of the report for the first quarter of 2015		As at 31 December 2014		Change of the share in the number of votes at GSM (pp.)
	Number of shares	Share in the number of votes at GSM	Number of shares	Share in the number of votes at GSM	
State Treasury	392 406 277	31.39%	392 406 277	31.39%	0.00
Aviva Otwarty Fundusz Emerytalny ¹	83 952 447	6.72%	83 952 447	6.72%	0.00
ING Otwarty Fundusz Emerytalny ²	64 594 448	5.17%	64 594 448	5.17%	0.00
Other shareholders	709 046 828	56.72%	709 046 828	56.72%	0.00
Total	1 250 000 000	100.00%	1 250 000 000	100.00%	0.00

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

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

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

PKO Bank Polski SA's shares held by the Management and Supervisory Board Members

No.	Name	Number of shares as at the date of publication of the report for the first quarter of 2015	Purchase	Disposal	Number of shares as at 31 December 2014
I. Management Board of the Bank					
1.	Zbigniew Jagiełło, President of the Management Board of the Bank	10 000	-	-	10 000
2.	Piotr Alicki, Vice-President of the Management Board of the Bank	2 627	-	-	2 627
3.	Bartosz Drabikowski, Vice-President of the Management Board of the Bank	-	-	-	-
4.	Piotr Mazur, Vice-President of the Management Board of the Bank	4 500	-	-	4 500
5.	Jarosław Myjak, Vice-President of the Management Board of the Bank	-	-	-	-
6.	Jacek Obłędowski, Vice-President of the Management Board of the Bank	512	-	-	512
7.	Jakub Papierski, Vice-President of the Management Board of the Bank	3 000	-	-	3 000
II. Supervisory Board of the Bank					
1.	Jerzy Góra, Chairman of the Supervisory Board of the Bank	-	-	-	-
2.	Tomasz Zganiacz, Deputy-Chairman of the Supervisory Board of the Bank	-	-	-	-
3.	Mirosław Czekaj, Secretary of the Supervisory Board of the Bank	-	-	-	-
4.	Mirosława Boryczka, Member of the Supervisory Board of the Bank	-	-	-	-
5.	Zofia Dzik, Member of the Supervisory Board of the Bank	-	-	-	-
6.	Jarosław Klimont, Member of the Supervisory Board of the Bank	-	-	-	-
7.	Elżbieta Mączyńska-Ziemacka, Member of Supervisory Board of the Bank	-	-	-	-
8.	Piotr Marczak, Member of the Supervisory Board of the Bank	-	-	-	-
9.	Marek Mroczkowski, Member of the Supervisory Board of the Bank	-	-	-	-

Seasonality or cyclicity of activities in the reporting period

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

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

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

The financial results of the PKO Bank Polski SA Group will be impacted also by the political and economic situation in Ukraine where the Bank's Group entities operate: KREDOBANK SA and factoring entities and debt collection entity. In February 2015, a significant depreciation of Ukrainian hryvnia against foreign currencies, including Polish zloty took place. From the beginning of March 2015, after the decision on significant increasing in reference interest rates in Ukraine, decreasing of scale of hryvnia depreciation is observed. The Group regularly analyses the impact of these events on financial results, including the risk of deterioration of the Group assets' quality in Ukraine and PKO Bank Polski SA continues to implement actions aimed at ensuring the safe functioning of its companies in Ukraine i.e. strengthening supervisory activities, including monitoring of the development of the regulatory requirements determined by the National Bank of Ukraine.

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

In the first quarter of 2015, PKO Leasing SA (subsidiary of PKO Bank Polski SA) issued 56 000 pieces bonds with a total nominal value of PLN 560 million and redeemed 56 000 pieces bonds with a total nominal value of PLN 560 million. At the end of March of this year, the Company's debt due to the bonds issue amounted to PLN 590 million.

As at 31 March 2015, 24 885 of PKO Leasing SA's bonds with a total nominal value of PLN 248 850 thousand were included in the Bank's portfolio and 34 115 bonds with a total nominal value of PLN 341 150 thousand were sold on a secondary market.

In the first quarter of 2015, Molina spółka z ograniczoną odpowiedzialnością 1 S.K.A. (indirect subsidiary of PKO Bank Polski SA) issued bills of exchange with a total value as at the issue day of PLN 19 300 thousand. Bills of exchange were issued to Merkury – fiz an and subsidiaries of the Fund.

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

In the first quarter of 2015, PKO Bank Polski SA and the subsidiaries of PKO Bank Polski SA did not conclude any significant transactions with related parties not on arms' length.

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

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

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

In the first quarter of 2015, PKO Bank Polski SA and the subsidiaries of PKO Bank Polski SA did not grant any warranties on loan or advance or a guarantee to a single entity or its subsidiary that would constitute at least 10% of the Bank's equity.

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

In the first quarter of 2015, PKO Bank Polski SA and the subsidiaries of PKO Bank Polski SA did not take any loans, advances or receive any guarantees or warranties that were not related to its operating activity.

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

In the first quarter of 2015, the PKO Bank Polski SA Group did not conclude any significant contracts and important agreements with the central bank or supervisory authorities.

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

As at 31 March 2015, the total value of court proceedings in which the PKO Bank Polski SA Group entities (including the Bank) are a defendant amounted to PLN 1 429 198 thousand, of which PLN 4 177 thousand referred to court proceedings in Ukraine (as at 31 December 2014 the total value of the above mentioned court proceedings amounted to PLN 427 555 thousand), while the total value of court proceedings in which the PKO Bank Polski SA Group entities (including the Bank) are the plaintiff as at 31 March 2015 amounted to PLN 862 855 thousand, of which PLN 84 293 thousand referred to court proceedings in Ukraine, mainly related to collection of loans granted by KREDOBANK SA (as at 31 December 2014 the total value of the above mentioned court proceedings amounted to PLN 767 505 thousand).

The subsidiaries of PKO Bank Polski SA have not conducted any proceedings pending before court, arbitration tribunal or a public administration authority concerning liabilities or receivables, the value of which constitutes at least 10% of the equity of PKO Bank Polski SA.

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

PKO Bank Polski SA did not publish any financial result forecasts for the year 2015.

Information on dividend paid (or declared)

On 31 March 2015, the Bank's Management Board adopted 'Principles for managing the capital adequacy and equity in PKO Bank Polski SA and in the PKO Bank Polski SA Group' with the new wording, which include, inter alia, dividend policy issues in their scope.

The general assumption of the Bank's dividend policy is to maintain a stable level of dividend payments in the long term, in compliance with the principle of prudent management of the Bank and the Bank's Group and with consideration of the financial capacity of the Bank and the Bank's Group as determined on the basis of the adopted criteria. The aim of the dividend policy is an optimisation of the structure of the Bank's and the Group's own funds, taking into account the return on capital and its cost, capital needs for development, while ensuring an appropriate level of capital adequacy ratios. The dividend policy assumes the possibility of the Bank's net profit distribution to shareholders in the long-term perspective in the amount of the surplus of capital above minimal capital adequacy ratios considering the additional capital buffer. The dividend policy takes into account factors related to the operations of the Bank and the Group entities, in particular, the requirements and supervisory recommendations concerning capital adequacy. Capital adequacy ratios specifying the dividend criteria are as follows:

- total capital ratio above 12.5% and
- Tier 1 basic capital ratio (Common Equity Tier 1) above 12%.

The above mentioned principles will be submitted to the Supervisory Board of the Bank for approval on 6 May 2015.

On 31 March 2015, the Bank received from the Polish Financial Supervision Authority the recommendation to withhold the entire net profit earned by PKO Bank Polski SA for the period from 1 January 2014 till 31 December 2014 - until the supervision authority determines the additional capital requirement for the Bank. The PFSA expected the statement of the Bank's Management Board and the Bank's Supervisory Board position in this regard.

On 7 April 2015, the Bank's Management Board and on 8 April 2015, the Supervisory Board adopted resolutions on going by the Recommendation of the PFSA in the scope concerning the Management Board's and Supervisory Board's competences. The Bank also informed that according to article 395 §2 point 2 of the Polish Commercial Companies' Code, the decision of the net profit distribution is determined by the Ordinary General Shareholders' Meeting.

On 6 May 2015 the Bank's Management Board passed a resolution and decided to submit a recommendation to the PKO Bank Polski SA's Ordinary General Shareholders' Meeting on the distribution of the net profit for the period from 1 January 2014 to 31 December 2014 in the amount of PLN 3 079 471 thousand and undistributed profits from previous years in the amount of PLN 132 793 thousand, the total of PLN 3 212 264 thousand in the following way:

- 1) reserve capital in the amount of PLN 1 900 000 thousand,
- 2) other reserves in the amount of PLN 62 264 thousand.

It is proposed to remain the rest part of the net profit in the amount of PLN 1 250 000 thousand undistributed.

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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

1. On 11 March 2015 the Supervisory Board of PKO Bank Polski SA has selected KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa as the entity authorised to audit and review the financial statements of the Bank and the consolidated financial statements of the Bank's Group in respect for the years 2015 – 2016. KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered seat in Warsaw, 51 Chłodna Street, is an audit firm registered by the National Chamber of Registered Auditors as an entity authorised to audit financial statements, with No. 3546. Selection of the entity authorised to audit and review financial statements was made by the Supervisory Board of the Bank in compliance with applicable regulations and professional standards, pursuant to paragraph 15 item 1 point 3 of the Memorandum of Association of the Bank. An agreement for the audit and review of the financial statements of the Bank and the PKO Bank Polski SA Group in respect for the years 2015 – 2016 was concluded on 10 April 2015.

In the past, the Bank has used the consulting services of KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa related to changes in PKO Bank Polski SA Group and support for the analysis and implementation of certain regulatory issues.

2. On 17 March 2015, Moody's Investors Service published the press release in which it informed that it had started rating review given to banks in accordance with a new methodology principles. The Moody's new methodology was released by this agency on 16 March 2015. The above mentioned review concerns selected banks, rated by Moody's, including the Bank. The review concerns current ratings given to the Bank by Moody's. The press release published by Moody's and documents mentioned in it are available on Moody's website: https://www.moody.com/research/Moodys-reviews-global-bank-ratings--PR_321005#. According to information published by Moody's, rating review undertaken due to methodology changes should be completed within six months of the release of the methodology change.

Subsequent events occurring after the reporting date, which may have an impact on the future financial results

1. On 1 April 2015, PKO Bank Hipoteczny SA started operations.
2. On 10 April 2015, the Ordinary General Shareholders' Meeting of PKO Życie Towarzystwo Ubezpieczeń SA adopted resolutions concerning:
 - a) an increase in the share capital of the Company of PLN 111.59 through the issue of 1 share; issue price of the above mentioned share amounts to PLN 48 000 thousand,
 - b) a decrease in the share capital of the Company of PLN 103 221 thousand through redemption of 925 000 Company's shares with a nominal value of PLN 111.59 each; the amount obtained from the decrease of the share capital will be allocated to cover the Company's accumulated losses from previous years,
 - c) an increase in the share capital of the Company of PLN 111.59 through the issue of 1 share; the maximum issue price of the above mentioned share will amount to PLN 8 000 thousand - the final value and the subscription term will be determined by the Company's Management Board.

Above mentioned changes require the consent of the Polish Financial Supervision Authority.

3. On 10 April 2015, the Bank concluded an agreement on opening letters of credit ('the Agreement') with one of a client of the Bank ('the Client'). The subject of the Agreement is opening letters of credit on behalf of the Client to a total amount not higher than USD 350 million, to finance the Client's activity. The Agreement was concluded for the period beginning from 10 April 2015, the latest possible validity date of the opened letters of credit, according to the Agreement, cannot extend beyond 10 October 2016. Required monetary receivables deduction clause of current account of the Client and the Client's statement about being subjected to execution are established as collaterals in the Agreement. The Agreement does not contain contractual penalties. Conclusion of the Agreement constituted the fulfilment of the requirement to disclose the entering by the Bank into a significant agreement, since the total value of the exposure under agreements concluded by the Bank and the Client and its subsidiaries within 12 months from the date of conclusion of an agreement (including value of the Agreement) amounted to PLN 3 326.8 million, and thus exceeded the equivalent of 10% of the Bank's equity.
4. On 13 April 2015, PKO Towarzystwo Ubezpieczeń SA - a subsidiary of PKO Bank Polski SA was registered with the National Court Register.
5. On 17 April 2015, the Extraordinary General Shareholders' Meeting of PKO Leasing SA passed a resolution regarding an increase in the share capital of the Company of PLN 80 000 thousand in a closed subscription addressed to the sole shareholder, i.e. to PKO Bank Polski SA.
6. PKO Bank Polski finalised the process of acquiring part of the assets of the Nordea AB Group (the Scandinavian group in Poland), namely: Nordea Bank Polska, Nordea Finance Polska and Nordea Polska TUnŻ. On 20 April 2015, the last stage of merging both banks was completed - the operational merger, consisted in moving the data of over 300 thousand customers of the acquired bank to the IT systems of PKO Bank Polski SA.

The process was completed within less than 6 months after the legal merger and within one year after the transaction closure. Thus, it was the fastest merger conducted in Poland to date. The integration process was the first challenge of this type and scale for the Bank. In addition to purely business-related benefits, such as increasing the scale of operations and growth in new segments, the acquisition of Nordea's assets confirmed the operational efficiency of PKO Bank Polski SA.

The acquisition of Nordea's assets strengthened the market position of PKO Bank Polski SA, in particular in the affluent clients segment and in corporate banking. The transaction will also result in adding high quality branches in the largest cities of Poland to the existing distribution network and in the development of bancassurance, leasing and factoring products.

The operational merger, which completes the integration process from the point of view of the Customer, means full harmonisation of the client service in terms of access to branches and transactional systems by transferring the data and product servicing to the IT systems of PKO Bank Polski SA.

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Signatures of all Members of the Bank's Management Board

06.05.2015	Zbigniew Jagiełło	President of the Management Board	 (signature)
06.05.2015	Piotr Alicki	Vice-President of the Management Board	 (signature)
06.05.2015	Bartosz Drabikowski	Vice-President of the Management Board	 (signature)
06.05.2015	Piotr Mazur	Vice-President of the Management Board	 (signature)
06.05.2015	Jarosław Myjak	Vice-President of the Management Board	 (signature)
06.05.2015	Jacek Obłękowski	Vice-President of the Management Board	 (signature)
06.05.2015	Jakub Papierski	Vice-President of the Management Board	 (signature)

Signature of person responsible for
maintaining the books of account

06.05.2015

Danuta Szymańska
Director of the Accounting Division

.....
(signature)