



Bank Polski

Condensed interim
consolidated financial statements
of the PKO Bank Polski SA Group
for the six-month period ended
30 June 2016

SELECTED CONSOLIDATED FINANCIAL DATA DERIVED FROM THE FINANCIAL STATEMENTS

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	period from 01.01.2016 to 30.06.2016	period from 01.01.2015 to 30.06.2015	period from 01.01.2016 to 30.06.2016	period from 01.01.2015 to 30.06.2015
Net interest income	3 762 511	3 354 100	858 923	811 325
Net fee and commission income	1 302 016	1 436 532	297 230	347 484
Operating profit	1 924 082	1 649 387	439 238	398 971
Profit before income tax	1 934 697	1 665 210	441 661	402 799
Net profit (including non-controlling shareholders)	1 509 303	1 337 383	344 550	323 500
Net profit attributable to equity holders of the parent company	1 512 139	1 350 059	345 198	326 567
Earnings per share for the period – basic (in PLN/ EUR)	1.21	1.08	0.28	0.26
Earnings per share for the period – diluted (in PLN/ EUR)	1.21	1.08	0.28	0.26
Net comprehensive income	1 323 978	1 115 300	302 244	269 781
Net cash flows used in operating activities	4 060 663	6 615 720	926 986	1 600 281
Net cash flows used in investing activities	(5 305 192)	(2 913 017)	(1 211 093)	(704 631)
Net cash flows from / used in financing activities	770 638	(2 538 315)	175 925	(613 995)
Total net cash flows	(473 891)	1 164 388	(108 182)	281 655

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	as at 30.06.2016	as at 31.12.2015	as at 30.06.2016	as at 31.12.2015
Total assets	272 442 089	266 939 919	61 561 878	62 639 897
Total equity	31 588 891	30 264 913	7 137 926	7 101 939
Capital and reserves attributable to equity holders of the parent company	31 610 093	30 283 285	7 142 717	7 106 250
Share capital	1 250 000	1 250 000	282 454	293 324
Number of shares (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Book value per share (in PLN/EUR)	25.27	24.21	5.71	5.68
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)	25.27	24.21	5.71	5.68
Capital adequacy ratio	15.21%	14.61%	15.21%	14.61%
Tier 1	25 820 383	24 608 318	5 834 456	5 774 567
Tier 2	2 511 865	2 483 126	567 589	582 688

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

- income statement, statement of comprehensive income and statement of cash flows items – the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month of the six-month period ended 30 June 2016 and 30 June 2015: 1 EUR = 4.3805 PLN and 1 EUR = 4.1341 PLN,
- statement of financial position items – the average NBP exchange rate as at 30 June 2016: 1 EUR = 4.4255 PLN, as at 31 December 2015: 1 EUR = 4.2615 PLN.



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**CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
OF PKO BANK POLSKI SA GROUP
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016
(IN PLN THOUSAND)**



Bank Polski

CONSOLIDATED INCOME STATEMENT

	Note	II quarter period from 01.04.2016 to 30.06.2016	2 quarters cumulative period from 01.01.2016 to 30.06.2016	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015
Continuing operations					
Interest and similar income	4	2 460 971	4 852 539	2 355 545	4 788 132
Interest expense and similar charges	4	(551 655)	(1 090 028)	(672 183)	(1 434 032)
Net interest income		1 909 316	3 762 511	1 683 362	3 354 100
Fee and commission income	5	911 061	1 754 762	938 780	1 805 354
Fee and commission expense	5	(244 490)	(452 746)	(181 398)	(368 822)
Net fee and commission income		666 571	1 302 016	757 382	1 436 532
Dividend income		8 896	8 896	9 676	9 676
Net income from financial instruments measured at fair value	6	(5 304)	(13 743)	(14 247)	8 871
Gains less losses from investment securities	7	425 767	476 398	16 812	69 353
Net foreign exchange gains (losses)		108 814	203 234	94 449	166 688
Other operating income	8	185 340	308 944	134 083	273 990
Other operating expense	8	(152 456)	(215 878)	(87 141)	(144 087)
Net other operating income and expense		32 884	93 066	46 942	129 903
Net impairment allowance and write-downs	9	(400 202)	(782 368)	(375 070)	(748 649)
Administrative expenses	10	(1 396 039)	(2 756 532)	(1 372 317)	(2 777 087)
Tax on certain financial institutions	11	(221 031)	(369 396)	-	-
Operating profit		1 129 672	1 924 082	846 989	1 649 387
Share in profit (loss) of associates and joint ventures		7 297	10 615	7 308	15 823
Profit before income tax		1 136 969	1 934 697	854 297	1 665 210
Income tax expense	12	(265 634)	(425 394)	(152 676)	(327 827)
Net profit (including non-controlling shareholders)		871 335	1 509 303	701 621	1 337 383
Profit (loss) attributable to non-controlling shareholders		(2 214)	(2 836)	(1 257)	(12 676)
Net profit attributable to equity holders of the parent company		873 549	1 512 139	702 878	1 350 059

Earnings per share

–basic earnings per share for the period (PLN)	0.70	1.21	0.56	1.08
–diluted earnings per share for the period (PLN)	0.70	1.21	0.56	1.08
Weighted average number of ordinary shares during the period (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000
Weighted average diluted number of ordinary shares during the period (in thousand)	1 250 000	1 250 000	1 250 000	1 250 000

Discontinued operations

In the six-month periods ended 30 June 2016 and 30 June 2015 respectively, no discontinued operations were conducted by PKO Bank Polski SA Group.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	II quarter period from 01.04.2016 to 30.06.2016	2 quarters cumulative period from 01.01.2016 to 30.06.2016	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015
Net profit (including non-controlling shareholders)		871 335	1 509 303	701 621	1 337 383
Other comprehensive income		(317 303)	(185 325)	(235 606)	(222 083)
Items that may be reclassified to the income statement		(317 303)	(185 325)	(235 606)	(222 083)
Cash flow hedges (gross)	18	77 197	213 867	(73 566)	(118 860)
Deferred tax on cash flow hedges	18	(14 667)	(40 635)	13 978	22 584
Cash flow hedges (net)	18	62 530	173 232	(59 588)	(96 276)
Unrealised net gains on financial assets available for sale (gross)		(478 616)	(445 139)	(227 244)	(136 008)
Deferred tax on unrealised net gains on financial assets available for sale		88 314	82 172	44 042	27 536
Unrealised net gains on financial assets available for sale (net)		(390 302)	(362 967)	(183 202)	(108 472)
Currency translation differences from foreign operations		10 342	1 072	7 184	(16 329)
Share in other comprehensive income of an associate	23	127	3 338	-	(1 006)
Total net comprehensive income		554 032	1 323 978	466 015	1 115 300
Total net comprehensive income, of which attributable to:		554 032	1 323 978	466 015	1 115 300
equity holders of PKO Bank Polski SA		556 219	1 326 808	467 260	1 128 006
non-controlling shareholders		(2 187)	(2 830)	(1 245)	(12 706)

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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016
(IN PLN THOUSAND)**



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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30.06.2016	31.12.2015
ASSETS			
Cash and balances with the central bank	14	12 153 184	13 743 864
Amounts due from banks	15	4 378 760	4 552 972
Trading assets	16	2 876 053	783 199
Derivative financial instruments	17	3 042 967	4 347 269
Financial assets designated upon initial recognition at fair value through profit and loss	19	13 788 284	15 154 100
Loans and advances to customers	20	191 515 372	190 413 708
Investment securities available for sale	21	33 655 790	28 309 515
Investment securities held to maturity	22	329 927	210 330
Investments in associates and joint ventures	23	404 508	391 871
Non-current assets held for sale	24	29 704	220 020
Inventories	25	291 094	400 948
Intangible assets	26	3 299 437	3 270 983
Tangible fixed assets, of which:	26	2 920 993	2 782 186
investment properties		143 149	141 813
Current income tax receivables		2 152	46 532
Deferred income tax asset		1 089 797	901 645
Other assets	27	2 664 067	1 410 777
TOTAL ASSETS		272 442 089	266 939 919
LIABILITIES AND EQUITY			
Liabilities			
Amounts due to the central bank		4 935	4 219
Amounts due to banks	28	18 429 253	18 288 797
Derivative financial instruments	17	3 580 993	4 624 767
Amounts due to customers	29	199 391 532	195 758 461
Liabilities due to insurance operations	30	2 409 586	2 400 493
Debt securities in issue	31	10 806 669	9 432 973
Subordinated liabilities	32	2 527 579	2 499 163
Other liabilities	33	3 293 675	3 356 170
Current income tax liabilities		139 608	26 057
Deferred income tax liability		32 012	31 812
Provisions	34	237 356	252 094
TOTAL LIABILITIES		240 853 198	236 675 006
Equity			
Share capital		1 250 000	1 250 000
Other capital		27 831 974	25 417 809
Currency translation differences from foreign operations		(215 435)	(216 501)
Undistributed profits		1 231 415	1 222 413
Net profit for the year		1 512 139	2 609 564
Capital and reserves attributable to equity holders of the parent company		31 610 093	30 283 285
Non-controlling interest		(21 202)	(18 372)
TOTAL EQUITY		31 588 891	30 264 913
TOTAL LIABILITIES AND EQUITY		272 442 089	266 939 919
Total capital ratio	45	15.21%	14.61%
Book value (in PLN thousand)		31 588 891	30 264 913
Number of shares (in thousand)	1	1 250 000	1 250 000
Book value per share (in PLN)		25.27	24.21
Diluted number of shares (in thousand)		1 250 000	1 250 000
Diluted book value per share (in PLN)		25.27	24.21

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2016	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
		Reverse capital	General banking risk fund	Other capital	Share in other comprehensive income of an associate and joint venture	Financial assets available for sale	Cash flow hedgges	Actuarial gains and losses							
As at 1 January 2016	1 250 000	20 711 174	1 070 000	3 536 391	(186)	170 646	(57 657)	(12 559)	25 417 809	(216 501)	1 222 413	2 609 564	30 283 285	(18 372)	30 264 913
Transfer of net profit from previous years	-	-	-	-	-	-	-	-	-	-	2 609 564	(2 609 564)	-	-	-
Total comprehensive income, of which:	-	-	-	-	3 338	(362 967)	173 232	-	(186 397)	1 066	-	1 512 139	1 326 808	(2 830)	1 323 978
Net profit	-	-	-	-	-	-	-	-	-	-	-	1 512 139	1 512 139	(2 836)	1 509 303
Other comprehensive income	-	-	-	-	3 338	(362 967)	173 232	-	(186 397)	1 066	-	-	(185 331)	6	(185 325)
Transfer from undistributed profits	-	2 529 420	-	71 142	-	-	-	-	2 600 562	-	(2 600 562)	-	-	-	-
As at 30 June 2016	1 250 000	23 240 594	1 070 000	3 607 533	3 152	(192 321)	115 575	(12 559)	27 831 974	(215 435)	1 231 415	1 512 139	31 610 093	(21 202)	31 588 891

* A detailed description of Undistributed profits is presented in the note 13 'Dividends declared divided by shares'

For the period ended 30 June 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
		Reverse capital	General banking risk fund	Other capital	Share in other comprehensive income of an associate and joint venture	Financial assets available for sale	Cash flow hedgges	Actuarial gains and losses							
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)	(108 472)	(96 276)	-	(205 754)	(16 299)	-	1 350 059	1 128 006	(12 706)	1 115 300
Net profit	-	-	-	-	-	-	-	-	-	-	-	1 350 059	1 350 059	(12 676)	1 337 383
Other comprehensive income	-	-	-	-	(1 006)	(108 472)	(96 276)	-	(205 754)	(16 299)	-	-	(222 053)	(30)	(222 083)
Transfer from undistributed profits	-	1 908 787	-	62 264	-	-	-	-	1 971 051	-	(1 971 051)	-	-	-	-
As at 30 June 2015	1 250 000	20 711 174	1 070 000	3 536 391	-	(77 426)	(91 072)	(8 976)	25 140 091	(208 991)	1 222 413	1 350 059	28 753 572	(22 721)	28 730 851

CONSOLIDATED STATEMENT OF CASH FLOWS

	01.01- 30.06.2016	01.01- 30.06.2015
Net cash flows from operating activities		
Profit before income tax	1 934 697	1 665 210
Adjustments:	2 125 966	4 950 510
Amortisation and depreciation	394 216	405 627
(Gains) losses from investing activities	(1 314)	(12 424)
Interest and dividends	(106 843)	(125 153)
Change in amounts due from banks	1 290 634	(218 910)
Change in trading assets and financial assets designated upon initial recognition at fair value through profit and loss	(727 038)	2 244 312
Change in derivative financial instruments (asset)	1 304 302	1 518 048
Change in loans and advances to customers	(1 291 122)	(6 168 400)
Change in other assets, inventories and non-current assets held for sale	(954 930)	(298 522)
Change in amounts due to banks	182 507	3 161 912
Change in derivative financial instruments (liability)	(1 043 774)	(448 271)
Change in amounts due to customers	3 739 719	4 811 341
Change in liabilities classified as held for sale	-	33 589
Change in debt securities in issue	226 012	604 827
Change in provisions and impairment allowances	176 897	286 222
Change in other liabilities, liabilities due to insurance operations and subordinated liabilities	(24 986)	(184 518)
Income tax paid	(416 752)	(221 521)
Other adjustments	(621 562)	(437 649)
Net cash generated from/ used in operating activities	4 060 663	6 615 720
Net cash flows from investing activities		
Inflows from investing activities	42 104 974	11 061 497
Proceeds from sale and interest on investment securities	42 095 905	10 985 839
Proceeds from sale of intangible assets and tangible fixed assets	8 112	59 912
Other investing inflows (dividends)	957	15 746
Outflows from investing activities	(47 410 166)	(13 974 514)
Increase in equity of a subsidiary	(1 148)	-
Purchase of investment securities	(47 045 959)	(13 799 412)
Purchase of intangible assets and tangible fixed assets	(363 059)	(175 102)
Net cash used in investing activities	(5 305 192)	(2 913 017)
Net cash flows from financing activities		
Proceeds from debt securities in issue	2 954 684	1 986 252
Redemption of debt securities	(1 807 000)	(1 752 585)
Repayment of interest from issued debt securities and subordinated loans	(182 679)	(176 889)
Long-term borrowings	130 869	50 005
Repayment of long-term borrowings	(325 236)	(2 645 098)
Net cash used in financing activities	770 638	(2 538 315)
Net cash flow	(473 891)	1 164 388
of which currency translation differences on cash and cash equivalents	109 638	44 163
Cash and cash equivalents at the beginning of the period	17 264 702	14 254 855
Cash and cash equivalents at the end of the period	16 790 811	15 419 243
of which restricted	10 251	10 468

Cash and equivalents	30.06.2016	31.12.2015	30.06.2015
Cash and balances with the central bank	12 153 184	13 743 864	11 934 626
Current amounts due from banks	4 637 627	3 520 838	3 484 617
Total	16 790 811	17 264 702	15 419 243

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NOTES TO THE 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 six-month period ended 30 June 2015 and include comparative information for the six-month period ended 30 June 2015 (as regards consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity), and comparative information as at 31 December 2015 (as regards consolidated statement of financial position). The financial information have been presented in thousands of Polish zloty (PLN), unless indicated otherwise.

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

The Bank was established in 1919 as Poczтовая Kasa Oszczędnościowa. In 1950 it operated as the Powszechna Kasa Oszczędności State-owned bank. Pursuant to the Decree of the Council of Ministers dated 18 January 2000 (Journal of Laws of 2000, 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 a universal deposit-loan commercial bank offering services to both residents and non-residents retail, corporate and other clients. PKO Bank Polski SA is licensed to hold foreign exchange and currencies and sell/buy them, as well as to perform a full range of foreign exchange services, to open and hold bank accounts abroad and to deposit foreign exchange in these accounts.

Moreover, through its subsidiaries, the Group offers mortgage loans, provides financial services relating to leasing, factoring, investment funds, pension funds and life insurance and acts as a transfer agent, it conducts real estate development activities and manages real estate and also through its subsidiaries in Ukraine it conducts banking, debt collection and factoring activities.

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

The Group operates on the Polish territory 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.

In addition, on 7 December 2015 a branch of PKO Bank Polski SA started its operations in the Federal Republic of Germany. The strategy of this branch is to offer banking products and services on the German market to key corporate customers of the Bank and their subsidiaries based in the Federal Republic of Germany.

Approval of financial statements

These condensed interim consolidated financial statements, reviewed by the Bank's Supervisory Board's Audit Committee on 25 August 2016, have been approved for issuance by the Bank's Management Board on 17 August 2016

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Structure of the PKO Bank Polski SA Group

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

NAME OF ENTITY	HEAD OFFICE	RANGE OF ACTIVITY	% SHARE IN EQUITY *	
			30.06.2016	31.12.2015
PKO Towarzystwo Funduszy Inwestycyjnych SA	Warsaw	investment funds management	100.00	100.00
PKO BP BANKOWY PTE SA	Warsaw	pension funds management	100.00	100.00
PKO Leasing SA	Łódź	leasing services	100.00	100.00
PKO Bankowy Leasing Sp. z o.o.	Łódź	leasing services	100.00	100.00
PKO Leasing Sverige AB	Stockholm, Sweden	leasing services	100.00	100.00
PKO BP Faktoring SA	Warsaw	factoring services	100.00	100.00
PKO BP Finat Sp. z o.o.	Warsaw	services, including transfer agent services and outsourcing of IT specialists	100.00	100.00
PKO Życie Towarzystwo Ubezpieczeń SA	Warsaw	life insurance	100.00	100.00
Ubezpieczeniowe Usługi Finansowe Sp. z o.o.	Warsaw	services	100.00	100.00
PKO Towarzystwo Ubezpieczeń SA	Warsaw	other personal and property insurance	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	99.6293	99.5655
Finansowa Kompania „Idea Kapital” Sp. z o.o.	Lviv, Ukraine	financial services	100.00	100.00
„Inter-Risk Ukraina” Spółka z dodatkową odpowiedzialnością	Kiev, Ukraine	debt collection services	100.00	100.00
Finansowa Kompania „Prywatne Inwestycje” Sp. z o.o. ¹	Kiev, Ukraine	financial services	95.4676	95.4676
Qualia Development Sp. z o.o. ²	Warsaw	real estate development	100.00	100.00
Qualia 3 Sp. z o.o.	Warsaw	general partner in limited partnerships of the Qualia 3 spółka z ograniczoną odpowiedzialnością – Neptun Park Sp. k.	100.00	100.00
Qualia 3 spółka z ograniczoną odpowiedzialnością – Neptun Park Sp. k.	Warsaw	real estate development	99.9975	99.9975
Qualia 2 Sp. z o.o.	Warsaw	general partner in limited partnerships of the Qualia 2 spółka z ograniczoną odpowiedzialnością – Nowy Wianów Sp. k.	100.00	100.00
Qualia 2 spółka z ograniczoną odpowiedzialnością – Nowy Wianów Sp. k.	Warsaw	real estate development	99.9750	99.9750
Qualia Sp. z o.o.	Warsaw	general partner in limited partnerships of other entities of the Qualia Development Group	100.00	100.00
Qualia Sp. z o.o. – Sopot Sp. k.	Warsaw		99.9902	99.9902
Qualia spółka z ograniczoną odpowiedzialnością – Jurata Sp. k.	Warsaw		99.9770	99.9770
Qualia spółka z ograniczoną odpowiedzialnością – Zakopane Sp. k.	Warsaw		99.9123	99.9123
Qualia spółka z ograniczoną odpowiedzialnością – Pomeranka Sp. k. ³	Warsaw		-	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		50.00	50.00
Qualia – Rezydencja Flotyła Sp. z o.o. ³	Warsaw		-	100.00
Qualia - Residence Sp. z o.o.	Warsaw		100.00	100.00
Sarnia Dolina Sp. z o.o.	Warsaw		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 Inwestycje” Sp. z o.o. ⁴	Warsaw	real estate development	99.9987	100.00
Qualia Hotel Management Sp. z o.o.	Warsaw	real estate development	100.00	100.00
FORT MOKOTÓW Sp. z o.o. w likwidacji	Warsaw	in liquidation	51.00	51.00
Merkury - fiz an ⁵	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		100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A.	Warsaw		100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 3 S.K.A.	Warsaw	purchase and sale of real estate for own account,	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 4 S.K.A.	Warsaw	real estate management	100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 5 S.K.A.	Warsaw		100.00	100.00
Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A.	Warsaw		100.00	100.00
NEPTUN - fiz an ⁵	Warsaw	placement of funds collected from fund members	100.00	100.00
Bankowe Towarzystwo Kapitałowe SA	Warsaw	services	100.00	100.00
„CENTRUM HAFFNERA” 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 Sopocka” Sp. z o.o.	Sopot	rental services and real estate management	100.00	100.00

* Share in equity of direct parent entity

- 1) The second shareholder of the Entity is 'Inter-Risk Ukraina' Additional Liability Company
- 2) 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'
- 3) On 29 February 2016 an acquisition was registered in National Court Register. All assets of Qualia Sp. z o.o. – Pomeranka Sp. k. and Qualia – Rezydencja Flotyła Sp. z o.o. (acquired companies) were transferred to Qualia Hotel Management Sp. z o.o. (acquiring company)..
- 4) The second shareholder of the Entity is Qualia Sp. z o.o.
- 5) 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'

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

NAME OF ENTITY	HEAD OFFICE	RANGE OF ACTIVITY	% SHARE IN EQUITY *	
			30.06.2016	31.12.2015
Join ventures of PKO Bank Polski SA				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	Warsaw	activities supporting financial services, including servicing transactions made by using payment instruments	34.00	34.00
EVO Payments International Sp. z o.o.	Warsaw	activities supporting financial services	100.00	100.00
EVO Payments International s.r.o.	Prague, Czech Republic	activities supporting financial services	100.00	100.00
Join ventures of NEPTUN - fizan				
„Centrum Obsługi Biznesu” Sp. z o.o.	Poznań	hotel management	41.44	41.44
Associates of PKO Bank Polski SA				
Bank Pocztowy SA	Bydgoszcz	banking activities	25.0001	25.0001
Centrum Operacyjne Sp. z o.o.	Bydgoszcz	activities supporting financial services	100.00	100.00
Spółka Dystrybucyjna Banku Poczтового 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
FERRUM SA	Katowice	production of welded steel pipes, production of structural hollow section and delivering coating services	22.14	20.97
Zakład Konstrukcji Spawanych FERRUM SA	Katowice	production of steel structures and their parts	100.00	100.00
FERRUM MARKETING Sp. z o.o.	Katowice	marketing services	100.00	100.00

* Share in equity of direct parent entity

Information on changes in the share in equity of the subsidiaries is set out in the note 42 ‘Changes to the entities of the Group’.

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

As at 30 June 2016, the Bank's Supervisory Board consisted of:

• Piotr Sadownik	Chairman of the Supervisory Board
• Grażyna Ciurzyńska	Deputy-Chairman of the Supervisory Board
• Mirosław Barszcz	Member of the Supervisory Board
• Adam Budnikowski	Member of the Supervisory Board
• Zbigniew Hajłasz	Member of the Supervisory Board
• Wojciech Jasiński	Member of the Supervisory Board
• Andrzej Kisielewicz	Member of the Supervisory Board
• Elżbieta Mączyńska – Ziemiańska	Member of the Supervisory Board
• Janusz Ostaszewski	Member of the Supervisory Board

On 25 February 2016 the Extraordinary General Shareholders' Meeting of the Bank dismissed from the Supervisory Board of the Bank: Mr Jerzy Góra, Mr Mirosław Czekaj, Mr Piotr Marczak, Mr Marek Mroczkowski, Mr Krzysztof Kilian and Mrs Zofia Dzik, and appointed: Mr Mirosław Barszcz, Mr Adam Budnikowski, Mr Wojciech Jasiński, Mr Andrzej Kisielewicz, Mr Janusz Ostaszewski, Mr Piotr Sadownik and Mrs Agnieszka Winnik – Kalembe as Members of the Supervisory Board of the Bank. The State Treasury, as the Eligible Shareholder, appointed Mr Piotr Sadownik as Chairman of the Supervisory Board of the Bank and Mrs Agnieszka Winnik – Kalembe as Deputy-Chairman of the Supervisory Board of the Bank.

On 30 June 2016 Ordinary General Shareholders' Meeting of the Bank dismissed from the Supervisory Board of the Bank Mrs Agnieszka Winnik-Kalembe and Mrs Małgorzata Dec-Kruczkowska, and appointed Mrs Grażyna Ciurzyńska and Mr Zbigniew Hajłasz as Members of the Supervisory Board of the Bank. The State Treasury, as the Eligible Shareholder, appointed Mrs Grażyna Ciurzyńska as the Deputy-Chairman of Supervisory Board of the Bank.

On 14 July 2016 the Supervisory Board of the Bank appointed Mr Zbigniew Hajłasz as for the position of the Secretary of the Supervisory Board of PKO Bank Polski SA as of 14 July 2016.

As at 30 June 2016, the Bank's Management Board consisted of:

• Zbigniew Jagiełło	President of the Management Board
• Piotr Alicki	Vice-President of the Management Board
• Bartosz Drabikowski	Vice-President of the Management Board
• Mieczysław Król	Vice-President of the Management Board
• Piotr Mazur	Vice-President of the Management Board
• Jakub Papierski	Vice-President of the Management Board

On 21 March 2016 Jacek Obłękowski resigned from the position of the Vice - President of PKO Bank Polski SA Management Board as of 21 March 2016. On 22 March 2016 Jarosław Myjak resigned from the position of the Vice - President of PKO Bank Polski SA Management Board as of 22 March 2016. On 2 June 2016 Mieczysław Król was appointed as Vice-President of the Management Board as of 6 June 2016.

On 30 June 2016 Supervisory Board of the Bank appointed Mr Maks Kraczkowski as Vice-President of the Management Board of PKO Bank Polski SA as of 4 July 2016 for the current joint term of office of the Bank's Management Board.

On 14 July 2016 Supervisory Board of PKO Bank Polski appointed Mr Jan Emeryk Rościszewski for the position of the Vice-President of the Bank's Management Board as of 18 July 2016, for the current joint term of office of the Bank's Management Board.

2. Summary of significant accounting policies, estimates and judgments

Statement of Compliance

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 ended 31 December 2015 as well as standards and interpretations approved by the European Union with effective date for annual periods beginning on 1 January 2016.

- 1) Amendments to published Standards and Interpretations as adopted by the EU that are effective from 1 January 2016 and have been adopted by the Group.

Standard/ interpretation	Potential changes:
Amendments to IAS 1 Presentation of Financial Statements	Introduced improvements clarify that the principle of materiality applies to both the primary part of the financial statement and explanatory notes, also it is required to disclosure only significant information. The Group has reviewed its financial statements for significance and relevance of disclosures in the notes.
Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of the Accepted Methods of Depreciation and Amortization	The Amendments influence on depreciation methods, in particular different than linear and based on taking benefits from asset in time. Depreciation with revenue flows generated directly or indirectly from asset is explicitly forbidden, due to the fact that except of depreciation revenue is influenced by many more factors. The Amendments have no impact on the Group.
IAS 19 Employee Benefits	The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Amendments are not applicable to the Group.
Amendments to IAS 27 Separate Financial Statements	The Amendments introduce an option to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements, in addition to the existing cost and fair value options. The Amendments are not applicable to the Group.
Amendments to IFRS 11 Joint Arrangements	The Amendments provide guidance on the accounting for the acquisition of an interest in a joint operation that constitutes a business. The Amendments are not applicable to the Group.
Improvements to IFRS 2010-2012	The Improvements to IFRSs (2010-2012) contains amendments to 7 standards, changes were applied in presentation, recognition, valuation including terminology and editorial changes (IFRS 2, IFRS 3, IFRS 8, IAS 16, IAS 38, IAS 24, IAS 37). The improvements are not applicable to the Group.
Improvements to IFRS 2012-2014	The improvements to IFRSs (2012-2014) concern IFRS 5, IFRS 7, IAS 19, IAS 34. The improvements are not applicable to the Group.

Standards and interpretation, that have been published, but have not as yet been adopted by the European Union or that have been adopted by the EU, but have not as yet been applied by the Group, were presented in annual financial statements for the year 2015. In the first half of 2016, the following amendments to standards have been published:

Standard/ interpretation	Implementation date:	Potential changes:
IFRS 16 Leases	Fiscal year starting 01.01.2019 or later	IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for finance and operating lessees. The recognition of operating leases in the statement of financial position will result in the recognition of a new asset, the right to use the underlying asset, and a new liability, the obligation to make lease payments. The right-of-use asset will be depreciated and the liability will accrue interest. This will result in a front-loaded pattern of expense for most leases, even with constant annual rentals. Exceptions are short-term lease agreements for periods up to 12 months and lease agreements for low value assets. Impact on the Group have not been estimated yet.
IAS 12 Income Tax	Fiscal year starting 01.01.2017 or later.	The amendments concern the clarification to deferred tax assets presentation due to debt instruments amounted at fair value. Impact on the Group have not been estimated yet.
IAS 7 Cash flow statement	Fiscal year starting 01.01.2017 or later.	The amendments were the result of the IASB's works to improve the quality of disclosures in financial statements and relate to the requirement to enable users of financial statements to evaluate changes in liabilities from financial activities, including both changes resulting from cash and non-cash flows. Change in presentation.

In conclusion, the Management Board does not expect that the adoption of the above-mentioned standards and interpretations will have a significant impact on the accounting policies applied by the Group, excluding IFRS 9 and IFRS 16. The Bank intends to apply these amendments in accordance with the periods indicated in the relevant standards and interpretations (without early adoption), subject to adoption by the EU.

Critical estimates and judgements

Description of estimates and assumptions that are used by the Group in determining the value of assets and liabilities as well as revenues and costs is presented in consolidated financial statements of PKO Bank Polski SA Group for the year ended 31 December 2015. The methods of preparing estimates and assumptions have not changed in relation to the consolidated financial statements of the Group for the year 2015.

Impairment of loans and advances

Estimated change in impairment of loans and advances resulting from (in PLN million):	30.06.2016		31.12.2015	
	+10% years scenario	-10% years scenario	+10% years scenario	-10% years scenario
change in the present value of estimated cash flows for the Bank's loans and advances portfolio assessed on an individual basis (individually determined to be impaired)	(223)	362	(204)	364
change in probability of default	58	(58)	60	(60)
change in recovery rates	(402)	402	(435)	435

Valuation of derivatives and unlisted debt securities available for sale

As at 30 June 2016 the value of adjustments for the contractor's and Bank's credit risk amounts to PLN -1.8 million (Net).

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

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

Estimated change in valuation of non-option derivative instruments with parallel shift of yield curve (in PLN million):	30.06.2016		31.12.2015	
	+50 b.p. scenario	-50 b.p. scenario	+50 b.p. scenario	-50 b.p. scenario
IRS	(18)	17	(34)	34
CIRS	(97)	100	(95)	99
other derivatives	2	(2)	(1)	1
Total	(113)	115	(130)	134

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

Estimated change in valuation of instruments under hedge accounting with parallel shift of yield curve (in PLN million):	30.06.2016		31.12.2015	
	+50 b.p. scenario	- 50 b.p. scenario	+50 b.p. scenario	- 50 b.p. scenario
IRS	(64)	65	(61)	63
CIRS	(97)	101	(95)	99
Total	(161)	166	(156)	162

Useful lives of tangible fixed assets, intangible assets and investment properties

Change in useful economic lives of assets being subject to depreciation and classified as land and buildings (win PLN milion):	30.06.2016		31.12.2015	
	+10 years scenario	-10 years scenario	+10 years scenario	-10 years scenario
Depreciation costs	(20)	247	(38)	233

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

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 recognized 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 reflects an internal organizational structure of the PKO Bank Polski SA Group.

The PKO Bank Polski SA Group comprises three basic segments: retail, corporate and investment, and transfer center:

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, among others: 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.
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, 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 segment include results of activities of PKO Bank Polski SA's subsidiaries.
3. The transfer center comprises the result on internal settlements related to funds transfer pricing, the results on long-term sources of financing and the result on positions classified for hedge accounting. Internal funds transfer is based on transfer pricing dependent 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 financial result achieved by PKO Bank Polski SA from the acquisition transaction of Visa Europe Ltd. by Visa Inc was presented in the transfer center.

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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 recognized at the Group level.

The tables below present data relating to income and results of individual business segments of the PKO Bank Polski SA Group for the six-month periods ended 30 June 2016 and 30 June 2015 and assets and liabilities as at 30 June 2016 and as at 31 December 2015.

For the period ended 30 June 2016	Continuing operations			
	Retail segment	Corporate and investment segment	Transfer centre	Total activity of the PKO Bank Polski SA Group
Net interest income	3 174 697	722 148	(134 334)	3 762 511
Net fee and commission income	959 693	343 647	(1 324)	1 302 016
Other net income	82 272	249 114	436 465	767 851
Net result from financial operations	4 195	45 682	412 778	462 655
Net foreign exchange gains (losses)	71 256	108 291	23 687	203 234
Dividend income	-	8 896	-	8 896
Net other operating income and expense	(6 299)	99 365	-	93 066
Income/expenses relating to internal customers	13 120	(13 120)	-	-
Net impairment allowance and write-downs	(470 392)	(311 976)	-	(782 368)
Administrative expenses, of which:	(2 179 434)	(577 098)	-	(2 756 532)
amortisation and depreciation	(326 661)	(67 555)	-	(394 216)
Tax on certain financial institutions	(213 159)	(145 347)	(10 890)	(369 396)
Share of profit (loss) of associates and joint ventures	-	-	-	10 615
Segment gross profit	1 353 677	280 488	289 917	1 934 697
Income tax expense (tax burden)	-	-	-	(425 394)
Profit (loss) attributable to non-controlling shareholders	-	-	-	(2 836)
Net profit attributable to equity holders of the parent company	1 353 677	280 488	289 917	1 512 139

As at 30 June 2016	Continuing operations			
	Retail segment	Corporate and investment segment	Transfer centre	Total activity of the PKO Bank Polski SA Group
Assets	140 406 587	127 105 962	3 837 591	271 350 140
Unallocated assets	-	-	-	1 091 949
Total assets	140 406 587	127 105 962	3 837 591	272 442 089
liabilities	156 353 113	53 275 157	31 053 308	240 681 578
Unallocated liabilities	-	-	-	171 620
Total liabilities	156 353 113	53 275 157	31 053 308	240 853 198

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For the period ended 30 June 2015	Continuing operations			
	Retail segment	Corporate and investment segment	Transfer centre	Total activity of the PKO Bank Polski SA Group
Net interest income	2 993 183	559 577	(198 660)	3 354 100
Net fee and commission income	1 086 105	350 870	(443)	1 436 532
Other net income	149 485	243 831	(8 825)	384 491
Net result from financial operations	5 904	78 568	(6 248)	78 224
Net foreign exchange gains (losses)	101 525	67 740	(2 577)	166 688
Dividend income	-	9 676	-	9 676
Net other operating income and expense	28 993	100 910	-	129 903
Income/expenses relating to internal customers	13 063	(13 063)	-	-
Net impairment allowance and write-downs	(615 355)	(133 294)	-	(748 649)
Administrative expenses*, of which:	(2 224 176)	(552 911)	-	(2 777 087)
amortisation and depreciation	(342 033)	(63 594)	-	(405 627)
Share of profit (loss) of associates and joint ventures	-	-	-	15 823
Segment gross profit	1 389 242	468 073	(207 928)	1 665 210
Income tax expense (tax burden)	-	-	-	(327 827)
Profit (loss) attributable to non-controlling shareholders	-	-	-	(12 676)
Net profit attributable to equity holders of the parent company	1 389 242	468 073	(207 928)	1 350 059

* The data for 2015 have been brought to comparability, i.e. recalculated according to the new methodology. Changes relate to the methodology of PFSA/BGF cost allocation.

As at 31 December 2015	Continuing operations			
	Retail segment	Corporate and investment segment	Transfer centre	Total activity of the PKO Bank Polski SA Group
Assets*	140 811 660	121 419 976	3 760 106	265 991 742
Unallocated assets	-	-	-	948 177
Total assets	140 811 660	121 419 976	3 760 106	266 939 919
Liabilities*	150 189 893	56 122 250	30 304 994	236 617 137
Unallocated liabilities	-	-	-	57 869
Total liabilities	150 189 893	56 122 250	30 304 994	236 675 006

* The data for 2015 have been brought to comparability due to the change related to amounts in the Central Bank (transferred from Transfer Centre to Corporate and investment segment), and funds raised from issuance of mid-term and long-term securities (transferred from Corporate and investment segment to Transfer Centre).

Information about geographical areas

As a complementary, the PKO Bank Polski SA Group applies distribution by geographical areas. 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 and in Germany through PKO Bank Polski SA's corporate branch (PKO Bank Polski Niederlassung Deutschland). The results of companies operating in Sweden and branch operating in Germany are insignificant given the scale of operations of PKO Bank Polski SA Group and for the presentation purposes are included in the segment of Poland.

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For the period ended 30 June 2016	Poland	Ukraine	Total
Net interest income	3 695 639	66 872	3 762 511
Net fee and commission income	1 283 224	18 792	1 302 016
Other net income	767 012	839	767 851
Administrative expenses	(2 709 303)	(47 229)	(2 756 532)
Net impairment allowance and write-offs	(767 677)	(14 691)	(782 368)
Tax on certain financial institutions	(369 396)	-	(369 396)
Share of profit (loss) of associates and joint ventures	-	-	10 615
Profit (loss) before income tax	1 899 499	24 583	1 934 697
Income tax expense (tax burden)	-	-	(425 394)
Profit (loss) attributable to non-controlling shareholders	-	-	(2 836)
Net profit (loss) attributable to equity holders of the parent company	1 899 499	24 583	1 512 139

As at 30 June 2016	Poland	Ukraine	Total
Assets of which:	270 893 318	1 548 771	272 442 089
non-financial fixed assets	6 438 004	73 520	6 511 524
deferred tax assets and current income tax receivable	1 082 035	9 914	1 091 949
Liabilities	239 454 354	1 398 844	240 853 198

For the period ended 30 June 2015	Poland	Ukraine	Total
Net interest income	3 315 917	38 183	3 354 100
Net fee and commission income	1 415 969	20 563	1 436 532
Other net income	428 742	(44 251)	384 491
Administrative expenses	(2 732 342)	(44 745)	(2 777 087)
Net impairment allowance and write-offs	(733 118)	(15 531)	(748 649)
Share of profit (loss) of associates and joint ventures	-	-	15 823
Profit (loss) before income tax	1 695 168	(45 781)	1 665 210
Income tax expense (tax burden)	-	-	(327 827)
Profit (loss) attributable to non-controlling shareholders	-	-	(12 676)
Net profit (loss) attributable to equity holders of the parent company	1 695 168	(45 781)	1 350 059

As at 31 Decemer 2015	Poland	Ukraine	Total
Assets of which:	265 572 205	1 367 714	266 939 919
non-financial fixed assets	6 388 189	65 928	6 454 117
deferred tax assets and current income tax receivable	936 113	12 064	948 177
Liabilities	235 382 254	1 292 752	236 675 006

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Interest income and expense

Interest and similar income:	II quarter period from 01.04.2016 to 30.06.2016	2 quarters cumulative period from 01.01.2016 to 30.06.2016	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015
Income from loans and advances to customers, of which:	2 067 777	4 067 930	1 968 514	4 013 609
from impaired loans	70 639	144 870	80 494	163 240
Income from loans to banks	399	5 303	3 645	5 473
Income from investment securities available for sale	206 681	401 297	178 799	355 256
Income from placements with banks	24 810	48 538	22 513	50 610
Other	1 356	2 635	469	1 536
Other income, of which:	159 948	326 836	181 605	361 648
Income from financial assets designated upon initial recognition at fair value through profit and loss	56 363	109 152	50 518	122 354
Income from derivative hedging instruments	87 442	182 460	116 752	212 235
Income from trading financial assets	16 143	35 224	14 335	27 059
Total	2 460 971	4 852 539	2 355 545	4 788 132
amount of interest income reduction due to negative LIBOR	(69)	(161)	(202)	(203)

Interest expense and similar charges:	II quarter period from 01.04.2016 to 30.06.2016	2 quarters cumulative period from 01.01.2016 to 30.06.2016	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015
Interest expense on amounts due to customers	(404 866)	(806 370)	(505 166)	(1 081 486)
Interest expense on loans from banks	(23 125)	(36 278)	(12 716)	(36 515)
Interest expense on debt securities in issue and subordinated liabilities	(94 081)	(184 189)	(131 342)	(267 295)
Premium expense on debt securities available for sale	(17 150)	(31 661)	(14 870)	(29 782)
Interest expense on deposits from banks	(100)	(3 054)	(477)	(2 765)
Interest expense on financial assets designated upon initial recognition at fair value through profit and loss	(6 408)	(13 043)	(3 819)	(8 168)
Interest expense on trading financial assets	(5 925)	(15 433)	(3 793)	(8 021)
Total	(551 655)	(1 090 028)	(672 183)	(1 434 032)

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5. Fee and commission income and expense

Fee and commission income	II quarter period from 01.04.2016 to 30.06.2016	2 quarters cumulative period from 01.01.2016 to 30.06.2016	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015
income from loans and advances granted	163 018	305 920	164 688	314 655
payment cards	272 370	503 310	248 616	460 791
maintenance of bank accounts	221 312	445 076	234 463	464 101
maintenance of investment and open pension funds (including management fees)	105 530	215 955	122 621	229 165
cash transactions	26 019	50 289	24 876	50 422
securities transactions	16 736	31 326	20 970	54 371
servicing foreign mass transactions	21 550	40 865	15 846	33 622
providing services of an agent for the issue of Treasury bonds	5 595	14 310	3 670	8 188
commissions of the Brokerage House for servicing Initial Public Offering issuances	8 804	11 293	5 560	10 847
sale and distribution of court fee stamps	2 086	5 461	3 245	5 503
loans insurance	2 659	5 402	7 276	26 353
guarantees and letters of credit	1 579	3 300	1 235	3 229
investment and insurance products	27 090	50 659	27 545	52 385
fiduciary activities	1 062	2 178	930	2 002
commissions for servicing indebtedness of borrowers against the State budget	749	1 527	703	1 525
commissions of the Brokerage House for acting as a market maker	634	1 244	603	1 219
other	34 268	66 647	55 933	86 976
Total	911 061	1 754 762	938 780	1 805 354

Fee and commission expense	II quarter period from 01.04.2016 to 30.06.2016	2 quarters cumulative period from 01.01.2016 to 30.06.2016	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015
payment cards	(156 062)	(284 724)	(103 480)	(224 774)
acquisition services	(23 366)	(40 915)	(15 945)	(30 707)
cost of construction investments supervision and real estate appraisals	(11 225)	(20 404)	(7 898)	(15 918)
settlement services	(6 117)	(15 347)	(6 583)	(15 645)
commissions for assets management	(2 660)	(7 829)	(6 360)	(9 197)
fee and commissions for operating services provided by banks	(4 562)	(8 905)	(4 322)	(11 836)
SMS sending	(4 000)	(7 437)	(6 901)	(12 834)
amounts paid by the Brokerage House to GPW, KDPW and KDWP_CCP	(2 736)	(5 876)	(3 395)	(7 369)
servicing foreign mass transactions	(1 604)	(3 089)	(1 147)	(1 849)
fees and expenses paid to Poczta Polska	(1 178)	(2 362)	(811)	(2 389)
other	(30 980)	(55 858)	(24 556)	(36 304)
Total	(244 490)	(452 746)	(181 398)	(368 822)

6. Net income from financial instruments measured at fair value

Net income from financial instruments measured at fair value	II quarter period from 01.04.2016 to 30.06.2016	2 quarters cumulative period from 01.01.2016 to 30.06.2016	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015
Derivative instruments, of which:	(10 049)	(27 903)	30 548	43 132
an ineffective portion related to cash flow hedges	(2 599)	(2 257)	708	3 412
Structured bank securities measured at fair value through profit and loss	-	5 480	192	(7 179)
Debt securities	6 049	8 290	(42 105)	(25 188)
Equity instruments	(1 304)	390	(2 846)	(1 894)
Other	-	-	(36)	-
Total	(5 304)	(13 743)	(14 247)	8 871

7. Gains less losses from investments securities

	II quarter period from 01.04.2016 to 30.06.2016	2 quarters cumulative period from 01.01.2016 to 30.06.2016	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015
Gains on investment securities available for sale				
Equity instruments	417 802	417 874	572	572
issued by other financial institutions, shares PLN*	416 948	416 948	-	-
other	854	926	572	572
Debt Securities	9 700	64 740	16 557	72 849
Treasury bonds PLN	8 504	56 055	16 524	71 606
other	1 196	8 685	33	1 243
Total	427 502	482 614	17 129	73 421

* Information relating to the settlement of Visa transactions are described in the note 21 'Investment securities available for sale'

	II quarter period from 01.04.2016 to 30.06.2016	2 quarters cumulative period from 01.01.2016 to 30.06.2016	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015
Losses on investment securities available for sale				
Equity securities issued by non-financial institutions, shares PLN	-	-	(73)	(217)
Debt securities	(1 735)	(6 216)	(244)	(3 851)
treasury bonds PLN	(1 721)	(6 129)	(211)	(3 780)
other	(14)	(87)	(33)	(71)
Total	(1 735)	(6 216)	(317)	(4 068)
Result on investment securities available for sale	425 767	476 398	16 812	69 353

8. Other operating income and expense

	II quarter period from 01.04.2016 to 30.06.2016	2 quarters cumulative period from 01.01.2016 to 30.06.2016	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015
Other operating income				
Net income from sale of products and services*	116 258	150 097	61 363	98 895
Sale and disposal of tangible fixed assets, intangible assets and assets held for sale	28 686	50 882	13 723	59 466
Damages, penalties and fines received	16 652	28 983	16 968	25 699
Sundry income	6 766	13 015	5 496	10 580
Recovery of expired and written-off receivables	628	1 881	4 177	13 699
Other operating income	16 350	64 086	32 356	65 651
Total	185 340	308 944	134 083	273 990

* Item includes i.a.: Group's income related to real estate activities

	II quarter period from 01.04.2016 to 30.06.2016	2 quarters cumulative period from 01.01.2016 to 30.06.2016	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015
Other operating expense				
Costs of sale of products and services*	(82 887)	(95 806)	(30 791)	(46 140)
Costs of sale and disposal of tangible fixed assets, intangible assets and assets held for sale	(28 306)	(49 568)	(14 616)	(47 042)
Donations	(12 846)	(13 771)	(1 768)	(2 078)
Sundry expenses	(3 961)	(8 123)	(1 597)	(2 922)
Other	(24 456)	(48 610)	(38 369)	(45 905)
Total	(152 456)	(215 878)	(87 141)	(144 087)

* Item includes i.a.: Group's expense related to real estate activities

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9. Net impairment allowance and write-downs

For the period ended 30 June 2016	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	Currency translation differences	Other, including cover losses guarantees from BFG	Derecognition of assets and settlement	Reversed during the period	Currency translation differences	Other		
Investment securities available for sale	21	132 490	40 027	-	602	-	-	43	-	173 076	(40 027)
Debt securities available for sale		56 925	40 027	-	602	-	-	43	-	97 511	(40 027)
Equity securities		75 565	-	-	-	-	-	-	-	75 565	-
Amounts due from banks	15	405	3 146	4	-	-	2 783	-	-	772	(363)
Loans and advances to customers measured at amortised cost	20	8 287 209	2 190 705	-	87 890	552 662	1 470 406	2 363	63 706	8 476 667	(720 299)
Non-financial sector		8 042 917	2 131 126	-	87 030	545 154	1 413 027	2 304	63 470	8 237 118	(718 099)
corporate loans		4 067 391	937 633	-	48 977	267 771	576 182	1 857	30 794	4 177 397	(361 451)
consumer loans		1 569 318	552 061	-	3 840	58 820	377 934	178	1 050	1 687 237	(174 127)
housing loans		2 337 224	637 879	-	34 137	218 563	458 911	269	31 626	2 299 871	(178 968)
debt securities		68 984	3 553	-	76	-	-	-	-	72 613	(3 553)
Financial sector		7 624	109	-	860	489	1 634	59	236	6 175	1 525
corporate loans		7 624	109	-	860	489	1 634	59	236	6 175	1 525
Public sector		34 600	5 257	-	-	4	5 294	-	-	34 559	37
corporate loans		31 905	-	-	-	4	5 294	-	-	26 607	5 294
debt securities		2 695	5 257	-	-	-	-	-	-	7 952	(5 257)
Finance lease receivables		202 068	54 213	-	-	7 015	50 451	-	-	198 815	(3 762)
Non-current assets held for sale	24	185	-	-	1	-	-	-	-	186	-
Tangible fixed assets	26	57 006	141	-	19 479	109	4 165	112	3 704	68 536	4 024
Intangible assets	26	191 338	3 083	-	-	-	-	-	-	194 421	(3 083)
Investments in associates and joint ventures	23	89 826	3 832	-	-	-	1 368	-	-	92 290	(2 464)
Inventories	25	37 252	2 749	-	-	658	-	-	15 231	24 112	(2 749)
Other receivables		265 056	46 676	36	59	11 212	33 749	-	-	266 866	(12 927)
Provision for legal claims, loan commitments and guarantees granted	34	105 107	160 473	-	1 025	6 079	155 509	6	-	105 011	(4 964)
Provision for future liabilities		2 076	1 283	-	-	15	1 767	-	-	1 577	484
Total		9 167 950	2 452 115	40	109 056	570 735	1 669 747	2 524	82 641	9 403 514	(782 368)

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For the period ended 30 June 2015	Note	Value at the beginning of the period	Increases			Decreases				Value at the end of the period	Net – impact on the income statement
			Recognised during the period	Currency translation differences	Other, including cover losses guarantees from BFG	Derecognition of assets and settlement	Reversed during the period	Currency translation differences	Other		
Investment securities available for sale	21	129 369	7 856	118	-	102 282	2 435	12	-	32 614	(5 421)
Debt securities available for sale		-	4 022	118	-	-	-	-	-	4 140	(4 022)
Equity securities		129 369	3 834	-	-	102 282	2 435	12	-	28 474	(1 399)
Amounts due from banks	15	111	246	-	378	-	115	-	-	620	(131)
Loans and advances to customers measured at amortised cost	20	8 022 477	2 714 396	-	265 316	549 359	1 982 585	64 120	53 953	8 352 172	(731 811)
Non-financial sector		7 812 724	2 604 684	-	263 585	542 229	1 887 646	64 087	53 026	8 134 005	(717 038)
corporate loans		4 089 160	1 346 360	-	37 280	204 389	991 263	47 487	9 752	4 219 909	(355 097)
consumer loans		1 322 907	604 652	-	45 502	186 541	420 912	5 109	667	1 359 832	(183 740)
housing loans		2 307 712	652 891	-	180 726	151 299	475 471	11 491	41 544	2 461 524	(177 420)
debt securities		92 945	781	-	77	-	-	-	1 063	92 740	(781)
Financial sector		9 483	49 786	-	928	986	50 510	33	861	7 807	724
corporate loans		9 483	49 786	-	928	986	50 510	33	861	7 807	724
Public sector		15 462	5 208	-	803	1 631	1 607	-	66	18 169	(3 601)
corporate loans		12 639	5 127	-	803	1 631	1 607	-	-	15 331	(3 520)
debt securities		2 823	81	-	-	-	-	-	66	2 838	(81)
Finance lease receivables		184 808	54 718	-	-	4 513	42 822	-	-	192 191	(11 896)
Non-current assets held for sale	24	93 430	779	-	74 143	1 162	-	-	-	167 190	(779)
Tangible fixed assets	26	10 080	48 263	-	-	-	-	1 990	-	56 353	(48 263)
Intangible assets	26	139 726	186	-	-	-	-	-	40	139 872	(186)
Investments in associates and joint ventures	23	108 715	60	-	-	-	28 854	-	74 143	5 778	28 794
Inventories	25	29 164	4 308	-	-	2 268	46	-	-	31 158	(4 262)
Other receivables		154 897	23 145	28	171	3 620	14 994	-	629	158 998	(8 151)
Provision for legal claims, loan commitments and guarantees granted	34	151 324	163 351	-	-	5 239	183 896	44	2 448	123 048	20 545
Provision for future liabilities		11 192	1 025	-	-	399	2 041	-	1 942	7 835	1 016
Total		8 850 485	2 963 615	146	340 008	664 329	2 214 966	66 166	133 155	9 075 638	(748 649)

10. Administrative expenses

Administrative expenses	II quarter period from 01.04.2016 to 30.06.2016	2 quarters cumulative period from 01.01.2016 to 30.06.2016	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015
Employee benefits	(710 864)	(1 399 525)	(672 701)	(1 359 546)
Overheads	(354 715)	(708 814)	(374 431)	(759 777)
Amortisation and depreciation, of which:	(203 513)	(394 216)	(199 383)	(405 627)
tangible fixed assets	(84 317)	(160 098)	(83 183)	(175 238)
intangible assets	(118 467)	(232 533)	(115 423)	(229 197)
investment properties	(729)	(1 585)	(777)	(1 192)
Taxes and other charges*	(17 555)	(34 539)	(14 588)	(29 709)
Contribution and payments to the Bank Guarantee Fund	(109 392)	(219 438)	(111 214)	(222 428)
Total	(1 396 039)	(2 756 532)	(1 372 317)	(2 777 087)

* The item does not include tax on certain financial institutions presented in another note.

According to the Act of 11 March 2016 about the change in Bank Guarantee Fund Act and Act on the operations of Cooperative Banks, their affiliation and affiliated banks (Journal of Laws of 2016, item 381), the Group pays Bank Guarantee Fund fees quarterly. Tax liability and tax expense are recognized at the beginning of each quarter.

Employee benefits

Employee benefits	II quarter period from 01.04.2016 to 30.06.2016	2 quarters cumulative period from 01.01.2016 to 30.06.2016	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015
Wages and salaries, of which:	(587 070)	(1 153 920)	(557 178)	(1 123 184)
expenses on employee pension programme	(11 213)	(23 113)	(11 047)	(22 822)
Social Insurance, of which:	(100 701)	(203 298)	(93 972)	(197 039)
contributions to retirement pay and pensions	(81 651)	(172 184)	(80 522)	(169 536)
Other employee benefits	(23 093)	(42 307)	(21 551)	(39 323)
Total	(710 864)	(1 399 525)	(672 701)	(1 359 546)

11. Tax on certain financial institutions

On 1 February 2016 the Act of 15 January 2016 on tax on certain financial institutions (Journal of Laws of 2016, item 68) entered into force. Branches of foreign banks, branches of credit institutions, credit unions (SKOK), national insurance companies, national reinsurance companies, branches of foreign insurance companies and foreign reinsurance companies, main branches of foreign insurance companies and foreign reinsurance companies, as well as lending institutions are covered by the taxes. The tax base represents the excess of the total assets of the entity (over PLN 4 billion in the case of banks, more than PLN 2 billion for insurance companies) resulting from the trial balance at the end of each month. Banks and credit unions are entitled to a reduction of the tax base, for the value of own funds, and the value of Treasury securities. In addition, banks will reduce the tax base by the value of assets acquired from the NBP acting as collateral for refinancing loan granted by the NBP. The tax rate for all taxpayers amounts to 0.0366%, and the tax is paid per month until the 25th day of the month following the month to which it relates. Within the Group the tax applies to PKO Bank Polski SA, PKO Bank Hipoteczny SA (as of the date of preparation of this report, PKO Bank Hipoteczny has not been obliged to pay the tax, it did not exceed the tax-exempt tax base, i.e. PLN 4 billion) as well as PKO Życie Towarzystwo Ubezpieczeń SA and PKO Towarzystwo Ubezpieczeń SA.

	II quarter period from 01.04.2016 to 30.06.2016	2 quarters cumulative period from 01.01.2016 to 30.06.2016
Tax on certain financial institutions, of which		
PKO Bank Polski SA	(219 974)	(367 743)
PKO Życie Towarzystwo Ubezpieczeń SA	(960)	(1 529)
PKO Towarzystwo Ubezpieczeń SA	(97)	(124)
TOTAL	(221 031)	(369 396)

12. Income tax expense

	II quarter period from 01.04.2016 to 30.06.2016	2 quarters cumulative period from 01.01.2016 to 30.06.2016	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015
Current income tax expense	(341 207)	(573 580)	(150 398)	(385 037)
Deferred income tax related to creating and reversal of temporary differences	75 573	148 186	(2 278)	57 210
Tax expense in the consolidated income statement	(265 634)	(425 394)	(152 676)	(327 827)
Deferred tax expense in other comprehensive income related to creating and reversal of temporary differences	73 647	41 537	58 020	50 120
Total	(191 987)	(383 857)	(94 656)	(277 707)

PKO Bankowy Leasing Sp. z o.o.

As at 31 December 2015, PKO Bankowy Leasing Sp. z o.o. showed a receivable in the amount of PLN 20 400 thousand due to overpayment of VAT and penalty interest on tax liabilities in connection with the adjustments of VAT declarations submitted in December 2014 for the periods from January 2011 to June 2013. On 7 January 2015, the Company made a payment of arrears of VAT. At the same time, on 26 January 2015 the company applied for a refund of overpaid tax.

On 6 February 2015, the Tax Office issued an unfavorable decision on the settlement of overpayments and VAT returns for the periods from January 2011 to June 2013. The settlement of overpaid VAT refunds and arrears of VAT does not occur until the date of the submission of corrected declaration and the application for overpaid tax refund. The settlement does not occur on the date of payment of the tax in the amount greater than the tax due, as argued by the Company. On 19 February 2015 the Company filed a complaint to Head of the Tax Chamber and then, on 14 August 2015 filed a complaint to the Regional Administrative Court against the decision of the Tax Office of 6 February 2015 on the method of settlement of excessive tax payments and tax refunds on account of tax arrears, indicating on the contravention of the Tax Ordinance resulting in misinterpretation and incorrect application of its articles and non-application of the principle of proportionality for charging interest on tax debts.

On 30 December 2015 the Regional Administrative Court issued a favorable verdict for the Company, repealing the appealed resolution of the Tax Office of 6 February 2015 and sustaining Company's objections to misinterpretation of the Ordinance's articles and non-application of the principle of proportionality by the tax authorities. On 19 February 2016 Head of the Tax Chamber in Łódź filled the cassation complaint to the Supreme Administrative Court. Date of the trial is appointed for 30 August 2016.

On the basis of the opinion of tax consultants and the Regional Administrative Court's verdict of 30 December 2015, as at 30 June 2016 no evidence of impairment has been found for receivables from the excessive VAT payment and the receivables were not covered by impairment allowance.

13. Dividends declared divided by shares

On 22 March 2016, the Bank's Management Board adopted the resolution on new wording of 'Principles for managing the capital adequacy and internal equity in PKO Bank Polski SA and in the PKO Bank Polski SA Capital Group' including, inter alia, the dividend policy.

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 Capital Group and with consideration of the financial capacity of the Bank and the Bank's Capital Group as determined on the basis of the adopted criteria.

The aim of the dividend policy is an optimization of the structure of the Bank's and the Capital 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 Capital Group entities, in particular, the requirements and supervisory recommendations concerning capital adequacy. The rules have changed due to the issuance by the Financial Supervision Authority on 15 December 2015 the position regarding to the dividend policy of banks in 2016 for 2015, recommending higher minimum capital adequacy measures to enable the payment of dividends and introducing a new condition for the payment of dividends - leverage. Therefore, in compliance with the Principles, capital adequacy ratios specifying the criteria dividend are at the level entitling to the dividend payment up to 50% of the profit and they, are as follows:

- total capital ratio above 14.01%,
- basic capital ratio Tier 1 above 13.82% and
- leverage ratio above 5%.

These principles were approved by the Supervisory Board.

On 30 June 2016 the Ordinary General Shareholders' Meeting of the Bank adopted resolution on distribution of the net profit for the period from 1 January 2015 to 31 December 2015 (PLN 2 571 142 thousand) and retained earnings from previous years (PLN 1 250 000 thousand), in the total amount of PLN 3 821 142 thousand as follows:

- 1) for the dividend for shareholders PLN 1 250 000 thousand,
- 2) for the reserve capital in the amount of PLN 2 500 000 thousand,
- 3) for the other reserve in the amount of PLN 71 142 thousand.

The distribution of profit in the manner specified above is subject to the following conditions being fulfilled not later than on 8 December 2016 (inclusive):

- 1) The Bank shall not take over control of a bank or other entity of the financial sector by a direct or indirect acquisition of a block of shares and shall not acquire a right or incur an obligation to take over control in the manner specified above, and
- 2) There shall not occur any regulatory changes or changes of the supervisory recommendations affecting the requirements for the Bank's own funds that – according to the level of capital adequacy ratios recognised in the financial statements of the Bank for Q3 2016 – would cause a lack of possibility to pay dividend in accordance with the regulatory requirements and supervisory recommendations.

If there is no Fulfilment of these two conditions, the net profit of the Bank for the year 2015 and retain earnings from previous years in the total amount of PLN 3 821 142 thousand, will be distributed for the reserve capital in the amount of PLN 3 750 000 thousand, and for the other reserve in the amount of PLN 71 142 thousand.

The Management Board of the Bank is obliged to adopt a resolution on the establishment of the fulfilment of these two conditions or the lack of the fulfilment of these two conditions not later than on 9 December 2016 (inclusive). If both conditions are met, the dividend is to be paid in an amount of PLN gross 1.00 per one share.

NOTES TO THE STATEMENT OF FINANCIAL POSIOTION

14. Cash and balances with the central bank

	30.06.2016	31.12.2015
Current account in the central bank	8 467 370	9 854 137
Cash	3 685 744	3 889 658
Other funds	70	69
Total	12 153 184	13 743 864

15. Amounts due from banks

	30.06.2016	31.12.2015
Deposits with banks	3 551 905	2 484 467
Current accounts	785 915	951 480
Loans and advances granted	36 272	134 180
Receivables due from repurchase agreements	-	980 630
Cash in transit	5 440	2 620
Total	4 379 532	4 553 377
Impairment allowances on receivables	(772)	(405)
Net Total	4 378 760	4 552 972

Amounts due from banks - the Group's exposure to credit risk	Exposure	
	30.06.2016	31.12.2015
Amounts due from banks impaired, of which:	529	520
assessed on an individual basis	149	145
Amounts due from banks not impaired, of which:	4 379 003	4 552 857
not past due	4 379 003	4 552 857
Gross total	4 379 532	4 553 377
Impairment allowances	(772)	(405)
Net total by carrying amount	4 378 760	4 552 972

16. Trading assets

At carrying amounts	30.06.2016	31.12.2015
Debt securities	2 856 279	766 641
issued by the State Treasury, of which:	2 736 413	648 695
Treasury bonds PLN	1 752 912	640 009
Treasury bonds EUR	9 518	8 686
Treasury bills PLN	973 983	-
issued by local government bodies, municipal bonds PLN	45 142	48 596
issued by non-financial institutions, of which:	60 545	46 122
corporate bonds PLN	60 456	46 052
corporate bonds EUR	89	70
issued by other financial institutions, of which:	2 843	5 344
bonds issued by the WSE PLN	2 833	5 238
corporate bonds PLN	10	106
issued by banks, corporate bonds	11 336	17 884
Shares in other entities – listed on stock exchange	15 729	9 910
Investment certificates, allotment certificates, subscription rights	4 045	6 648
Total	2 876 053	783 199

The trading portfolio includes financial instruments held by the Brokerage House of PKO Bank Polski SA

17. Derivative financial instruments

Type of hedging instruments	30.06.2016		31.12.2015	
	Assets	Liabilities	Assets	Liabilities
Hedging instruments	433 499	996 467	508 665	998 527
Other derivative instruments	2 609 468	2 584 526	3 838 604	3 626 240
Total	3 042 967	3 580 993	4 347 269	4 624 767

Type of contract	30.06.2016		31.12.2015	
	Assets	Liabilities	Assets	Liabilities
IRS	1 814 607	1 875 389	3 206 281	3 053 133
CIRS	629 549	1 277 187	472 355	1 210 159
FX Swap	146 593	177 125	309 954	85 953
Opcje	304 377	187 943	237 919	177 513
FRA	5 686	4 949	16 226	22 192
Forward	141 560	55 593	104 534	72 588
Other	595	2 807	-	3 229
Total	3 042 967	3 580 993	4 347 269	4 624 767

18. Derivative hedging instruments

The strategies used by the Group are described in the annual consolidated financial statements for the year 2015. During the six months ended 30 June 2016 the Group did not introduce any new or discontinued use of current hedging strategies.

Cash flow hedge

Carrying amount/ fair value of derivative instruments constituting cash flow hedges related to the interest rate and/ or exchange rate	30.06.2016		31.12.2015	
	Assets	Liabilities	Assets	Liabilities
IRS	93 330	1 392	269 122	-
CIRS	340 169	995 075	239 543	998 527
Razem	433 499	996 467	508 665	998 527

The impact of hedging instruments on other comprehensive income	II quarter period from 01.04.2016 to 30.06.2016	2 quarters cumulative period from 01.01.2016 to 30.06.2016	II quarter period from 01.04.2015 to 30.06.2015	2 quarters cumulative period from 01.01.2015 to 30.06.2015
Other comprehensive income at the beginning of the period, gross	65 488	(71 182)	(38 870)	6 425
Gains/losses transferred to other comprehensive income in the period	(157 823)	49 471	(435 232)	(1 406 305)
Amount transferred from other comprehensive income to the income statement	235 020	164 396	361 666	1 287 445
- interest income	(87 442)	(182 460)	(116 752)	(212 235)
- net foreign exchange gains (losses)	322 462	346 856	478 418	1 499 680
Accumulated other comprehensive income at the end of the period, gross	142 684	142 685	(112 436)	(112 435)
Tax effect	(27 110)	(27 110)	21 363	21 363
Accumulated other comprehensive income at the end of the period, net	115 575	115 575	(91 073)	(91 072)
Effect on other comprehensive income in the period, gross	77 197	213 867	(73 566)	(118 860)
Deferred tax on cash flow hedges	(14 667)	(40 635)	13 978	22 584
Effect on other comprehensive income in the period, net	62 530	173 232	(59 588)	(96 276)

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

At carrying amount	30.06.2016	31.12.2015
Debt securities	12 027 861	13 337 373
issued by central banks, NBP money market bills	8 134 723	10 036 898
issued by the State Treasury, of which:	3 649 005	3 052 701
Treasury bonds PLN	2 448 905	1 934 817
Treasury bonds EUR	177 572	91 634
Treasury bonds CHF	1 022 528	993 615
Treasury bonds UAH	-	32 635
issued by local government bodies, of which:	244 133	247 263
municipal bonds EUR	131 964	131 341
municipal bonds PLN	112 169	115 922
issued by non-financial institutions, corporate bonds PLN	-	511
Participation units in ICF (insurance capital funds) related to insurance products belonging to the group of products where the investment risk is borne by the policyholder.	1 760 423	1 816 727
Total	13 788 284	15 154 100

20. Loans and advances to customers

Loans and advances to customers by sector and type of product	30.06.2016	31.12.2015
Loans and advances to customers, gross, of which:	199 992 039	198 700 917
financial sector	1 375 326	4 834 177
corporate, of which:	348 761	391 286
finance lease receivables	23 301	101
deposits of the Brokerage House of PKO Bank Polski SA in the Stock Exchange Guarantee Fund and initial deposit	10 351	10 217
receivables due from repurchase agreements	1 009 530	4 432 239
International financial organisations	17 035	10 652
non-financial sector	189 135 347	183 864 042
housing	105 734 433	103 005 812
corporate of which:	56 660 407	54 668 212
finance lease receivables	6 360 215	5 664 209
consumer	24 246 328	23 529 145
receivables due from financial leasing	570	-
debt securities (corporate)	2 484 053	2 660 873
repurchase agreements	10 126	-
public sector	9 481 366	10 002 698
corporate of which:	6 830 507	7 307 327
finance lease receivables	69 958	71 584
debt securities (municipal)	2 650 859	2 695 371
Impairment allowances on loans and advances of which	(8 476 667)	(8 287 209)
impairment allowances on receivable from leasing	(198 815)	(202 068)
Loans and advances to customers, net	191 515 372	190 413 708

Loans and advances to customers by customer segment	30.06.2016	31.12.2015
Loans and advances granted, gross, of which:	199 992 039	198 700 917
mortgage banking	98 802 839	96 060 668
corporate	52 051 971	51 160 753
retail and private banking	24 246 328	23 529 145
small and medium enterprises	23 843 859	23 497 243
International financial organisations	17 035	10 652
receivables due from repurchase agreements	1 019 656	4 432 239
other receivables	10 351	10 217
Impairment allowances on loans and advances	(8 476 667)	(8 287 209)
Loans and advances granted, net	191 515 372	190 413 708

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Bank Polski

Loans and advances to customers - Group's exposure to credit risk	Exposure	
	30.06.2016	31.12.2015
Loans and advances impaired, of which:	13 045 742	13 100 910
assessed on an individual basis	5 261 168	5 412 768
Loans and advances not impaired, of which:	186 946 297	185 600 007
with recognised individual impairment trigger	1 833 214	2 043 049
not past due	1 436 210	1 605 408
past due	397 004	437 641
without recognised individual impairment trigger	185 113 083	183 556 958
not past due	181 997 065	180 382 118
past due	3 116 018	3 174 840
Gross total	199 992 039	198 700 917
Impairment allowances, of which:	(8 476 667)	(8 287 209)
for impaired exposures	(7 889 855)	(7 704 535)
for not impaired exposures, of which:	(586 812)	(582 674)
with recognised impairment trigger	(11 731)	(13 479)
without recognised impairment trigger	(575 081)	(569 195)
Total net carrying amount	191 515 372	190 413 708

Loans and advances to customers by method of calculating allowances	30.06.2016	31.12.2015
Assessed on an individual basis	8 202 466	7 549 635
Impaired, of which:	5 261 168	5 412 768
finance lease receivables	280 521	407 063
Not impaired, of which:	2 941 298	2 136 867
finance lease receivables	258 419	332 905
Assessed on an portfolio basis	7 784 574	7 688 142
Impaired, of which:	7 784 574	7 688 142
finance lease receivables	93 554	96 732
Assessed on a group basis (IBNR), of which:	184 004 999	183 463 140
finance lease receivables	5 821 550	4 899 194
Loans and advances to customers, gross	199 992 039	198 700 917
Allowances on exposures assessed on individual basis, of which:	(2 783 239)	(2 895 857)
allowances on lease receivables	(109 962)	(111 165)
Impaired, of which:	(2 771 482)	(2 882 352)
allowances on lease receivables	(108 672)	(109 504)
Allowances on exposures assessed on a portfolio basis, of which:	(5 118 373)	(4 822 183)
allowances on lease receivables	(75 501)	(77 804)
Impairment allowances on exposures assessed on a group basis (IBNR), of which	(575 055)	(569 169)
allowances on lease receivables	(13 352)	(13 099)
Allowances - total	(8 476 667)	(8 287 209)
Loans and allowances to customers, net	191 515 372	190 413 708

A detailed description of the changes in impairment losses are presented in note 9 'Net impairment allowance and write-downs'.

in percentages	30.06.2016	31.12.2015
the share of impaired loans	6.5%	6.6%
the coverage ratio of impaired loans*	65.0%	63.3%
the share of loans overdue more than 90 days in relation to the value of gross loans and advances	5.1%	4.9%

* The coverage ratio of impaired loans is calculated as the ratio of total write-off (for both impaired loans and IBNR) and sum of the gross exposure for impaired loans.

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

As at 30.06.2016	nominal value	fair value	carrying amount
Municipal bonds	723 952	722 188	728 246
Corporate bonds	51 489	72 014	8 456
Total	775 441	794 202	736 702

As at 31.12.2015	nominal value	fair value	carrying amount
Municipal bonds	745 362	741 656	747 693
Corporate bonds	582 000	591 416	537 703
Total	1 327 362	1 333 072	1 285 396

21. Investment securities available for sale

At the carrying value, gross	30.06.2016	31.12.2015
Debt securities available for sale, gross	33 248 663	27 661 838
issued by the State Treasury	23 889 246	18 358 006
Treasury bonds PLN	23 166 534	17 920 035
Treasury bonds EUR	262 059	310 620
Treasury bonds USD	59 579	77 375
Treasury bonds UAH	102 329	49 976
Treasury bills PLN	298 745	-
issued by local government bodies, municipal bonds PLN	4 506 954	4 613 726
issued by financial institutions, corporate bonds PLN	155 558	-
issued by non-financial institutions, of which:	3 233 218	3 171 012
corporate bonds PLN	2 625 443	2 626 682
corporate bonds EUR	332 241	320 712
corporate bonds USD	275 534	223 618
issued by banks, of which:	1 463 687	1 519 094
corporate bonds PLN	1 459 958	1 470 753
corporate bonds EUR	-	44 569
corporate bonds UAH	3 729	3 772
Impairment allowances on debt securities available for sale, of which	(97 511)	(56 925)
corporate bonds PLN	(50 318)	(22 959)
corporate bonds USD	(43 464)	(30 194)
corporate bonds UAH	(3 729)	(3 772)
Total net debt securities available for sale	33 151 152	27 604 913
Equity securities available for sale, gross	280 817	567 346
Equity securities not admitted to public trading	101 752	346 941
Equity securities admitted to public trading	179 065	220 405
Impairment allowances on equity securities available for sale	(75 565)	(75 565)
Total net equity securities available for sale	205 252	491 781
Participation units in investment funds and shares in joint investment institutions	299 386	212 821
Total net investment securities available for sale	33 655 790	28 309 515

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Investment securities available for sale - debt securities - Group's exposure to credit risk	Exposure	
	30.06.2016	31.12.2015
Debt securities impaired, of which:	576 408	397 434
assessed on an individual basis	576 408	397 434
Debt securities not impaired, of which:	32 672 255	27 264 404
not past due	32 672 255	27 264 404
with external rating	25 513 978	21 725 977
with internal rating	7 158 277	5 538 427
Gross total	33 248 663	27 661 838
Impairment allowances	(97 511)	(56 925)
Net total by carrying amount	33 151 152	27 604 913

On 29 January 2016 the Management Board of the PKO Bank Polski SA approved the terms of Bank's participation in the transactions of acquisition of Visa Europe Limited shares by Visa Inc., proposed to the Bank by Visa Europe Limited. According to these terms, the total pre-estimated Bank's share in revenues from the transaction (excluding the potential deferred 'earn out' payment) was expected to amount EUR 88 875 thousand, which is equivalent to PLN 394 650 thousand (according to NBP average exchange rate of 29 January 2016), including EUR 66 167 thousand that will be paid in advance in cash (equivalent to PLN 293 816 thousand) and EUR 22 708 thousand with shares of Visa Inc. (equivalent to PLN 100 834 thousand). The terms were approved, with the clause, that the amounts may not be final.

The final amounts due to the Bank were approved on 16 June 2016. However, the deferred 'earn out' payment has been replaced by the increase of the amount paid in advance in cash by the day of the completion of transaction and deferred amount paid in cash in II quarter of 2019. On 21 June 2016 the Bank received from Visa Europe Limited the information on the completion of acquisition of Visa Europe Limited by Visa Inc.

The final PKO Bank Polski SA participation in above-mentioned transaction includes:

- the amount of EUR 70 528 thousand in cash, paid on the Bank's account on 21 June 2016 (equivalent to PLN 309 867 thousand according to NBP average exchange rate of 21 June 2016),
- the number of 25 612 preference C-series shares of Visa Inc., the value of which as at transaction date was estimated at the amount of USD 20 899 thousand (equivalent to PLN 80 964 thousand according to NBP average exchange rate of 21 June 2016),
- the receivable due to deferred payment in cash equivalent to 0.5435987989% from the amount of EUR 1.12 billion, i.e. the amount attributable to all transaction participants, paid on the 3rd anniversary of the transactions, unless potential adjustments, in case of occurrence of situation described in the transaction terms; the value of above-mentioned receivable as at 21 June 2016 amounted to EUR 6 088 thousand (equivalent to PLN 26 749 thousand).

The Bank recognized in the income statement due to settlement of the transaction the total amount of PLN 417 580 thousand (the profit before taxation). In this the amount settled in the other comprehensive income due to valuation of Visa Europe Limited shares amounted to PLN 336 713 thousand.

Received preference C-series shares will be converted to ordinary Visa Inc. shares, and terms of transaction provide progressive shares conversion. The conversion of all preference shares shall occur not later than in 2028. Current conversion ratio equals to 13.952 and may reduce in the period until 2028, which is depended on potential liabilities due to legal claims in that period relating to acquired company i.e. Visa Europe Limited.

Preference shares of Visa Inc. have been classified to the portfolio of securities available for sale and they are measured at its fair value based on the market price of quoted ordinary shares, taking into consideration discount due to the limited liquidity of the preference shares and the conditions of shares conversions (adjustments resulting from court proceedings). The fair value of mentioned above shares as at 30 June 2016 was estimated at USD 20 045 thousand (equivalent to PLN 79 784 thousand according to NBP average exchange rate of 30 June 2016).

22. Investment securities held to maturity

At the carrying value, gross	30.06.2016	31.12.2015
Debt securities		
issued by the State Treasury, of which:	329 927	210 330
issued by the Treasury State USD	286 379	170 265
issued by the Treasury State PLN	40 874	37 436
issued by the Treasury State EUR	2 674	2 629
Total	329 927	210 330

Investment securities held to maturity - debt securities - debt securities - The Group exposure to credit risk	Involvement	
	30.06.2016	31.12.2015
Debt securities not impaired, of which:	329 927	210 330
not past due with external rating	329 927	210 330
Gross total	329 927	210 330
Net total by carrying amount	329 927	210 330

23. Investment in associates and joint ventures

Joint ventures	30.06.2016	31.12.2015
„Centrum Obsługi Biznesu” Sp. z o.o.	-	-
Purchase price	17 498	17 498
Change in share of net assets	(16 187)	(14 819)
Impairment allowance	(1 311)	(2 679)
Grupa Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	218 076	206 228
Value of shares as at the date of obtaining joint control	197 320	197 320
Change in share of net assets	20 756	8 908
Total	218 076	206 228

	01.01- 30.06.2016	01.01- 30.06.2015
Investments in joint ventures at the beginning of the period	206 228	204 840
Share in income statement	10 576	14 757
Share in other comprehensive income of joint venture	(96)	-
Dividends	-	(13 771)
Net impairment allowance	1 368	-
Investments in joint ventures at the end of the period	218 076	205 826

Associates	30.06.2016	31.12.2015
Grupa Bank Pocztowy SA	161 500	161 500
Purchase price	161 500	161 500
Change in valuation with equity method	84 864	81 372
Impairment allowance	(84 864)	(81 372)
„Poznański Fundusz Poręczeń Kredytowych” Sp. z o.o.	-	-
Purchase price	1 500	1 500
Change in valuation with equity method	4 615	4 275
Impairment allowance	(6 115)	(5 775)
Grupa FERRUM SA	24 932	24 143
Purchase price	25 291	24 143
Change in share of net assets	(359)	-
Total	186 432	185 643

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	01.01- 30.06.2016	01.01- 30.06.2015
Investments in associates at the beginning of the period	185 643	117 646
Net impairment allowance	(3 832)	28 794
Share in income statement	39	1 066
Share in other comprehensive income of an associate	3 434	(1 006)
Change in capital involvement in associates	1 148	-
Recognition of the Bank Pocztowy SA's shares in non-current assets held for sale	-	(146 500)
Change of the value of investments in associates at the end of period	186 432	-

The value of shares of Bank Pocztowy SA, owned by PKO Bank Polski SA in the Group's statement of financial position was incorporated in the amount equal to the Bank's involvement in the Company, in the purchase price. As at 30 June 2016 and 31 December 2015, the parent company had no share in contingent liabilities of associates acquired jointly with other investors.

Financial data separately for each joint venture and each associate of the PKO Bank Polski SA Group.

The disclosed amounts are derived from the financial statements of particular entities prepared in accordance with the IFRS or PAS (Polish Accounting Standards), including audited data for the year 2015.

Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	30.06.2016	31.12.2015
Current assets	122 343	113 272
Non-current assets	187 976	141 305
Short-term liabilities	110 388	91 883
Long-term liabilities	36 713	39 673
	01.01- 30.06.2016	01.01- 30.06.2015
Revenues	239 835	221 530
Profit (loss) for the year	40 558	43 040
Total comprehensive income	40 558	43 040
Dividends received from an entity classified as joint venture	-	13 771

Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o. – the consolidated data, prepared in accordance with IFRS.

„Centrum Obsługi Biznesu” Sp. o.o.	30.06.2016	31.12.2015
Current assets	10 508	9 516
Non-current assets	86 477	87 230
Short-term liabilities	15 939	12 929
Long-term liabilities	77 203	77 502
	01.01- 30.06.2016	01.01- 30.06.2015
Revenues	11 286	11 589
Profit (loss) for the year	(2 482)	(906)

„Centrum Obsługi Biznesu” Sp. z o.o. – the Company's financial data, prepared in accordance with PAS.

The annex to the Loan Agreements provided to „Centrum Obsługi Biznesu” Sp. z o.o. by bank consortium, in which PKO Bank Polski SA participates, has been signed in June 2016. The annex adjusted repayment terms to the Company's current financial condition. The new repayment schedule is in force until 30 June 2017.

„Poznański Fundusz Poręczeń Kredytowych” Sp. z o.o.	30.06.2016	31.12.2015
Current assets	23 164	23 241
Non-current assets	132	49
Short-term liabilities	3 026	4 021
Long-term liabilities	1 614	1 631
	01.01- 30.06.2016	01.01- 30.06.2015
Revenue	1 558	1 047
Profit (loss) for the year	1 019	179

„Poznański Fundusz Poręczeń Kredytowych” Sp. z o.o. - the Company's financial data, prepared in accordance with PAS.

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Bank Pocztowy SA	31.12.2015	31.12.2014
Total assets	7 213 030	7 719 027
Total liabilities	6 670 545	7 279 395
	01.01- 31.12.2015	01.01- 31.12.2014
Revenue	474 167	531 851
Profit (loss) from continuing operations	33 931	43 639
Other comprehensive income	8 988	4 228
Total comprehensive income	42 919	47 867

Bank Pocztowy SA - the consolidated data derived from statements released by the Company, prepared in accordance with IFRS.

FERRUM SA	31.03.2016
Current assets	101 008
Non-current assets	176 732
Short-term liabilities	129 674
Long-term liabilities	101 693
	01.01- 31.03.2016
Revenue	62 150
Profit (loss) for the year	(1 620)
Other comprehensive income	-
Total comprehensive income	(1 620)

FERRUM SA - the consolidated data derived from statements released by the Company, prepared in accordance with IFRS.

FERRUM SA has been an associate of the Bank since 28 December 2015. The Company is a public company, whose shares are listed on the Stock Exchange in Warsaw. Market value of shares possessed by the Bank, as at 30 June 2016 amounted to PLN 22 282 thousand.

24. Non-current assets held for sale

	30.06.2016	31.12.2015
Land and buildings*	29 502	217 359
Other	202	2 661
Total	29 704	220 020

* In the 2nd quarter of 2016 there was reclassification of Land and buildings in the amount of PLN 144 693 thousand from the position 'Non-current assets held for sale' to position 'Tangible fixed assets'.

25. Inventories

	30.06.2016	31.12.2015
Goods	214 261	150 401
Finished goods	56 743	63 872
Building investments for sale	26 765	201 468
Materials	17 437	22 459
Impairment allowances on inventories	(24 112)	(37 252)
Total	291 094	400 948

26. Intangible assets and tangible fixed assets

Intangible assets	30.06.2016	31.12.2015
Software	1 716 091	1 673 081
Goodwill acquired as a result of business combinations (including subsidiaries' goodwill)	1 195 574	1 198 642
Future profits on concluded insurance contracts	90 219	99 207
Relations with customers	41 165	48 114
Other, including capital expenditure	256 388	251 939
Total	3 299 437	3 270 983

Net goodwill	30.06.2016	31.12.2015
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
Qualia 2 spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Sp.k.	1 846	4 914
Goodwill related to assets taken over from Centrum Finansowe Puławska Sp. z o.o.	7 785	7 785
Total	1 195 574	1 198 642

Tangible fixed assets	30.06.2016	31.12.2015
Land and buildings	1 883 728	1 673 517
Machinery and equipment	437 160	427 458
Means of transport	106 498	89 633
Assets under construction	152 458	260 796
Investment properties	143 149	141 813
Other	198 000	188 969
Total	2 920 993	2 782 186

In the six-month periods ended 30 June 2016 and 30 June 2015 there were no significant purchase and sale transactions of tangible fixed assets, as well as significant liabilities arising from the purchase of tangible fixed assets.

	01.01- 30.06.2016	01.01- 30.06.2015
Compensation from third parties for impairment or loss of tangible fixed assets	10 485	8 671

27. Other assets

	30.06.2016	31.12.2015
Settlements of payment cards transactions	1 286 252	384 342
Accruals and prepayments	308 717	264 331
Settlements of financial instruments	245 133	178 687
Assets for sale	206 756	178 146
Trade receivables	164 675	149 962
VAT receivables	121 470	80 198
Reinsurance receivables	98 122	-
Receivables and settlements of securities turnover	63 042	17 423
Receivables from other transactions with financial and non-financial institutions	14 005	8 790
Bails and security deposits receivables	10 483	11 020
Receivables from the State budget due to court fee stamps' distribution carried out by the Bank	10 396	10 191
Own economy receivables	3 708	15 470
Alternative service settlements with Poczta Polska	1 474	1 487
Receivables from unsettled transactions related to derivatives	1 095	2 854
Other	128 739	107 876
Total	2 664 067	1 410 777

** Financial assets include all items of 'Other assets', with the exception of 'Assets for sale', 'Bail and security deposits receivables', 'VAT receivables', 'Own economy receivables', 'Alternative service settlements with Poczta Polska' and 'other'.

28. Amounts due to banks

	30.06.2016	31.12.2015
Loans and advances received	16 930 382	16 418 082
Nordea Bank AB (publ)	16 927 445	16 371 687
Bank deposits	733 490	1 168 407
Current accounts	469 229	473 738
Amounts due from repurchase agreements	227 110	197 023
Other money market deposits	69 042	31 547
Total	18 429 253	18 288 797

29. Amounts due to customers

	30.06.2016	31.12.2015
Amounts due to retail clients	141 303 337	135 410 367
Term deposits	72 809 959	71 079 630
Current accounts and overnight deposits	68 153 342	64 039 511
Other liabilities	340 036	291 226
Amounts due to corporate entities	49 847 115	51 213 728
Term deposits	19 460 291	23 032 660
Current accounts and overnight deposits	24 811 682	22 447 227
Loans and advances received, of which:	4 061 439	3 924 099
granted from international financial institutions	3 883 370	3 877 413
Amounts due from repurchase agreements	454 652	829 114
Other liabilities	1 059 051	980 628
Amounts due to public entities	8 241 080	9 134 366
Current accounts and overnight deposits	6 720 809	5 679 394
Term deposits	1 505 446	3 435 443
Other liabilities	14 825	19 529
Total	199 391 532	195 758 461

By client segment	30.06.2016	31.12.2015
Amounts due to customers, of which:		
retail and private banking	134 377 413	128 269 113
corporate	40 021 737	42 606 510
small and medium enterprises	20 468 589	20 122 652
loans and advances received, of which:	4 061 439	3 924 099
granted from international financial institutions	3 883 370	3 877 413
amounts due from repurchase agreements	454 652	829 114
other liabilities	7 702	6 973
Total	199 391 532	195 758 461

30. Liabilities due to insurance operations

	30.06.2016	31.12.2015
Technical provisions	188 743	114 597
Liabilities due to insurer's investment contracts divided into:	2 220 843	2 285 896
Structured products	22 621	37 051
Products combining policy and deposit	2 734	2 788
Unit-linked insurance financial products	2 195 488	2 246 057
Total	2 409 586	2 400 493

Vast majority of insurance products refer to investment products, in which risk is borne by a policyholder.

31. Debt securities in issue

	30.06.2016	31.12.2015
Debt securities in issue		
Financial instruments measured at amortised cost	10 806 669	9 361 229
bonds issued by PKO Finance AB	7 535 377	7 332 263
bonds issued by PKO Bank Polski SA	1 876 308	1 645 917
bonds issued by PKO Leasing SA	161 077	363 130
bonds issued by PKO Bank Hipoteczny SA	238 793	-
mortgage-covered bonds issued by PKO Bank Hipoteczny SA	995 114	19 919
Financial instruments measured at fair value through profit and loss - bank securities issued	-	71 744
Total	10 806 669	9 432 973

In the first half of 2016, the Bank issued bank bonds in PLN with a nominal value of PLN 1 000 000 thousand, as well as bank bonds in EUR with a nominal value of PLN 865 660 thousand (EUR 200 000 thousand), measured at amortised cost. In the first half of 2016, bank securities and bank bonds in PLN with a nominal value of PLN 859 600 thousand, as well as bank bonds in EUR with a nominal value of PLN 857 700 thousand (EUR 200 000 thousand) were redeemed.

In the first half of 2016, PKO Leasing SA issued bonds with a nominal value of PLN 926 680 thousand and redeemed bonds with a nominal value of PLN 1 130 000 thousand.

In the first half of 2016, PKO Bank Hipoteczny SA issued bonds with a nominal value of PLN 309 300 thousand and redeemed bonds with a nominal value of PLN 62 300 thousand. In the same period, PKO Bank Hipoteczny SA issued covered bonds with a nominal value of PLN 1 000 000 thousand

Bonds issued by PKO Finance AB:

Issuance date	Nominal value	Currency	Maturity date	Carrying amount as at 30.06.2016	Carrying amount as at 31.12.2015
07.07.2011	250 000	CHF	07.07.2016	1 054 786	1 003 047
25.07.2012	50 000	EUR	25.07.2022	227 942	214 573
26.09.2012	1 000 000	USD	26.09.2022	4 018 429	3 938 519
23.01.2014	500 000	EUR	23.01.2019	2 234 220	2 176 124
Total				7 535 377	7 332 263

32. Subordinated liabilities

As at 30 June 2016	Nominal value in currency	Nominal value in PLN	Currency	Maturity date	Liability balance in PLN
Subordinated bonds	1 600 700	1 600 700	PLN	14.09.2022	1 616 355
Subordinated loan	224 000	911 165	CHF	24.04.2022	911 224
Total	x	2 511 865	x	x	2 527 579

As at 31 December 2015	Nominal value in currency	Nominal value in PLN	Currency	Maturity date	Liability balance in PLN
Subordinated bonds	1 600 700	1 600 700	PLN	14.09.2022	1 616 619
Subordinated loan	224 000	882 426	CHF	24.04.2022	882 544
Total	x	2 483 126	x	x	2 499 163

33. Other liabilities

	30.06.2016	31.12.2015
Accounts payable	497 605	658 230
Deferred income	499 941	501 124
Tax liability of certain financial institutions	73 583	-
Other liabilities	2 222 546	2 196 816
Total	3 293 675	3 356 170
of which financial liabilities	2 552 599	2 340 804

As at 30 June 2016 and as at 31 December 2015, the Group had no overdue contractual liabilities.

34. Provisions

For the period ended 30 June 2016	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 2016, of which:	22 369	46 033	82 738	100 954	252 094
Short-term provision	22 054	3 575	64 045	100 954	190 628
Long-term provision	315	42 458	18 693	-	61 466
Increase/ reassessment of provision	18 338	16	142 135	2 658	163 147
Release of provision	(6 869)	-	(148 640)	(4 964)	(160 473)
Use of provision	(6 079)	(654)	-	(11 698)	(18 431)
Currency translation differences	(5)	-	(1)	-	(6)
Other changes and reclassifications	-	-	1 025	-	1 025
As at 30 June 2016, of which:	27 754	45 395	77 257	86 950	237 356
Short-term provision	27 439	2 921	55 752	86 950	173 062
Long-term provision	315	42 474	21 505	-	64 294

* Included in 'Other provisions' are i.a.: restructuring provision of PLN 55 234 thousand, provision of PLN 1 570 thousand for potential claims on impaired loan portfolio sold and provisions for litigation, including judicial, which are the subject of compensation in the amount of PLN 354 thousand.

For the period ended 30 June 2015	Provision for legal claims	Provisions for retirement benefits and anniversary bonuses	Provisions for loan commitments and guarantees granted	Other provisions*	Total
As at 1 January 2016, 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
Increase/ reassessment of provision	3 693	19	159 658	1 331	164 701
Release of provision	(10 944)	-	(172 952)	(6 344)	(190 240)
Use of provision	(5 239)	(38)	-	(12 833)	(18 110)
Currency translation differences	(18)	-	(26)	-	(44)
Other changes and reclassifications	-	-	(2 448)	(1 942)	(4 390)
As at 30 June 2015, of which:	34 972	39 828	88 076	112 879	275 755
Short-term provision	34 657	3 142	62 907	112 879	213 585
Long-term provision	315	36 686	25 169	-	62 170

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

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

35. Equity and shareholding structure of the Bank

According to information available as at 30 June 2016 the Bank's shareholding structure is as follows:

Name of entity	Number of shares	Number of votes %	Nominal value of 1 share	Share in equity %
As at 30 June 2016				
The State Treasury	367 918 980	29.43	PLN 1	29.43
Aviva Otwarty Fundusz Emerytalny ¹	83 952 447	6.72	PLN 1	6.72
Nationale Nederlanden Otwarty Fundusz Emerytalny ²	64 594 448	5.17	PLN 1	5.17
Other shareholders ³	733 534 125	58.68	PLN 1	58.68
Total	1 250 000 000	100.00	---	100.00
As at 31 december 2015				
The State Treasury	367 918 980	29.43	PLN 1	29.43
Aviva Otwarty Fundusz Emerytalny ¹	83 952 447	6.72	PLN 1	6.72
Nationale Nederlanden Otwarty Fundusz Emerytalny ²	64 594 448	5.17	PLN 1	5.17
Other shareholders ³	733 534 125	58.68	PLN 1	58.68
Total	1 250 000 000	100.00	---	100.00

- 1) Number of shares held as at 29 January 2013, reported by Aviva OFE after exceeding 5% of share in PKO Bank Polski SA's shareholding structure after settlement 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 (on 23 June 2015 the entity name was changed to Nationale Nederlanden OFE) after exceeding 5% of share 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. Since 23 June 2015 change of name of ING OFE to Nationale-Nederlanden.
- 3) Including Bank Gospodarswa Krajowego, that at the reporting date, held 24,487,297 shares, which amounted to 1.96% share in voting rights at the General Shareholders' Meeting.

The Bank's shareholding structure:

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

OTHER NOTES

36. Contingent liabilities and off-balance sheet liabilities received

The underwriting agreements covered the following securities (maximum liability of the Group to acquire securities):

Issuer of securities underwritten	Type of underwritten securities	Off-balance sheet liabilities	Contract period
As at 30 June 2016			
Company A	corporate bonds	1 125 800	31.12.2020
Company B	corporate bonds	1 055 000	31.07.2020
Company C	corporate bonds	734 000	15.06.2022
Company D	corporate bonds	75 000	31.12.2022
Company E	corporate bonds	19 385	31.12.2029
Comapny F	corporate bonds	15 000	31.12.2026
Total		3 024 185	

Issuer of securities underwritten	Type of underwritten securities	Off-balance sheet liabilities	Contract period
As at 31 December 2015			
Company A	corporate bonds	1 950 000	31.12.2020
Company B	corporate bonds	1 055 000	31.07.2020
Company C	corporate bonds	342 700	15.06.2022
Company D	corporate bonds	80 600	31.12.2022
Company G	corporate bonds	60 000	23.11.2021
Company E	corporate bonds	28 224	31.12.2029
Company F	corporate bonds	17 900	31.12.2026
Company H	corporate bonds	4 424	31.01.2016
Compani I	corporate bonds	3 403	30.09.2030
Total		3 542 251	

All agreements relate to the Agreement for Organization, Conducting and Servicing of the Bond Issuance Program.

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

Contractual commitments

Value of contractual commitments concerning:	30.06.2016	31.12.2015
intangible assets	144 733	178 899
tangible fixed assets	19 670	50 278

Loan commitments granted by nominal value	30.06.2016	31.12.2015
Credit lines and limits		
to financial entities	2 648 566	2 306 177
to non-financial entities	36 188 118	36 157 856
to public entities	4 423 684	4 080 379
Total	43 260 368	42 544 412
of which: irrevocable loan commitments	25 975 601	30 513 878

**CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
OF PKO BANK POLSKI SA GROUP
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016
(IN PLN THOUSAND)**



Bank Polski

Guarantees and pledges	30.06.2016	31.12.2015
Guarantees in domestic and foreign trading	6 273 027	7 555 837
to financial entities	168 062	85 504
to non-financial entities	6 094 222	7 463 037
to public entities	10 743	7 296
Guarantees and pledges granted – domestic corporate bonds	4 043 785	4 930 649
to non-financial entities	4 043 685	4 930 649
to financial entities	100	-
Letters of credit granted	1 420 543	1 838 101
to non-financial entities	1 420 438	1 838 000
to public entities	105	101
Guarantees and pledges granted, payment guarantee to financial entities	171 203	143 646
Guarantees and pledges granted, domestic municipal bonds	249 948	59 320
Total	12 158 506	14 527 553
of which: good performance guarantees granted	2 464 020	2 378 395

Off-balance sheet liabilities received by nominal value	30.06.2016	31.12.2015
Financial	452 795	505 350
Guarantees	7 503 801	6 831 132
Total	7 956 596	7 336 482

Moreover, the Group has contingent liability due to contingent dividend, which is described in Note 13 'Dividends declared divided by shares'

Right to sell or pledge collateral established for the Group.

As at 30 June 2016 and as at 31 December 2015, 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.

37. Legal claims

As at 30 June 2016, the total value of court proceedings in which the PKO Bank Polski SA Group entities (including the Bank) are a defendant was PLN 541 161 thousand, of which PLN 45 638 thousand refers to court proceedings in Ukraine (as at 31 December 2015 the total value of the above-mentioned court proceedings was PLN 638 019 thousand), while as at 30 June 2016 the total value of court proceedings in which the entities of the PKO Bank Polski SA Group (including the Bank) are the plaintiff was PLN 1 326 614 thousand, of which PLN 82 105 thousand referred to court proceedings in Ukraine, mainly related to collection of dues from loans granted by KREDOBANK SA (as at 31 December 2015 the total value of the above-mentioned court proceedings was PLN 697 041 thousand).

The most significant legal claims of the Bank and PKO Bank Polski SA Group entities are described below:

a) Unfair competition proceedings

• Proceedings against practices that restrict competition in the payments market using cards in Poland:

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

The Bank appealed against the decision of the President of UOKiK to Court for the Competition and Consumer Protection (Sąd Ochrony Konkurencji i Konsumentów - SOKiK) and on 20 December 2011 a hearing was held during which no factual resolution of the appeals was reached. The SOKiK obligated MasterCard to submit explanations concerning the issue and scheduled the date of the next meeting for 9 February 2012. The date was postponed for 24 April 2012, and next SOKiK postponed announcing the court's decision on request for suspension until 8 May 2012. On 8 May 2012, SOKiK suspended proceedings until the final conclusion of proceedings before the European Union Court in the case MasterCard against the European Commission. On 24 May 2012, the European Union Court upheld the decision of the European Commission banning multilaterally agreed 'interchange' fees applied by MasterCard. On 28 May 2012 the participant to the proceedings, Visa Europe Ltd, and on 29 May 2012 the plaintiffs' attorney, including PKO Bank Polski SA, filed a complaint against the decision of SOKiK dated 8 May 2012. In August 2012, the European Court of Justice received the appeal of MasterCard against the verdict of the EU Court of 24 May 2012 rejecting the appeal of mentioned above. On 25 October 2012, the Court of Appeal in Warsaw changed the decision of 8 May 2012 and dismissed the motion of MasterCard for suspending the proceedings. In January 2013 the Bank's attorney received the court's decision in this case and in February 2013, court files were transferred to the court of first instance.

The hearing was on 29 October 2013 and on 21 November 2013 the judgment was announced, by which SOKiK reduced the penalty imposed on the Bank to the amount of PLN 10 359 thousand. On 7 February 2014 the judgment was appealed on behalf of the Bank and eight plaintiffs represented by the Bank's attorney. The judgment was also appealed by other participants of the proceedings, i.e. by the President of the Competition and Consumer Protection Office (UOKiK) and by the President of the Polish Trade and Distribution Organization (POHiD) (appeals aimed to impose on the participants of the agreements stricter financial penalties), and: Visa Europe Limited, Bank Poczty 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 courts' decision concerning the recognition agreements as violating the right to competition and aimed to impose more strict fines on participants to the agreement). Copies of these appeals have been delivered to the Bank's attorney, who responded to them. The court files was transferred from SOKiK to the Court of Appeal in Warsaw. After hearing the parties' attorneys and stakeholders at the hearing on 22 September 2015, the Court postponed pronouncing the judgment until 6 October 2015. In its verdict of 6 October 2015, the court dismissed the appeal of banks and Visa, and considered the appeal of the UOKiK. The Court restored the original amount of the imposed penalties stipulated in the decision of the UOKiK, i.e. the penalty in the amount of PLN 16 597 thousand and the penalty in the amount of PLN 4 825 thousand (the penalty imposed on Nordea Bank Polska S.A.). The penalties were paid by the Bank in October 2015. The Bank has received the judgment with justification from the Court of Appeal. On 28 April 2016 the Bank filed cassation complaint together with other participants of the proceedings.

As at 30 June 2016 the Bank is also a party to i.a. following proceedings:

- **Before the Court of Appeal – as a result of an appeal from the verdict of SOKiK issued in result of the complaint from 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 verdict, which annulled in full the decision of the President of the UOKiK, i.e. cancelled also financial penalty imposed on the Bank. On 26 February 2015 the President of the UOKiK filed an appeal against the verdict. On 20 March 2015, the Bank answered the appeal seeking to dismiss the appeal in its entirety as unfounded. The appeal hearing took place on 15 April 2016. On 28 April 2016, the Court of Appeal in Warsaw dismissed an appeal filed by the President of the UOKiK against the judgment of the Regional Court in Warsaw. The President of the UOKiK has the right to file a cassation appeal with the Supreme Court. As at 30 June 2016 an appeal has not been submitted yet. As at 30 June 2016 the Bank has a provision in the same amount, i.e. PLN 2 845 thousand (the position 'Provisions' in the statement of financial position).

- 2) Proceedings due to suspicion of use of unfair contractual provisions in forms of consumer loan agreements, excluding credit cards agreements.

By a decision of 31 December 2013, the Bank's activities were deemed to be practices violating the collective interests of consumers and fines in the amount of PLN 29 064 thousand. The Bank has appealed against this decision. By judgment of 9 July 2015 SOKiK finally dismissed the decision of the President of the UOKiK.

On 28 August 2015 the President of UOKiK appealed against that judgment. On 11 September 2015 the Bank responded to the appeal rejecting the allegations of the President of the UOKiK. No trial date has been set. The appeal proceeding is pending. As at 30 June 2016 the Bank had no provision in this respect.

- **initiated by Bank - at the conclusion of the appeal proceeding brought by the Bank to SOKiK against the decision of the president of UOKiK in connection with the use of unfair contractual terms in templates of individual contracts (IKE)**

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 compensation for the delay in execution of a holder instruction,
- 2) PLN 4 741 thousand for application in the form of IKE agreements, an open list of termination conditions,
- 3) PLN 2 845 thousand for application a clause, entered in the register, defining for disputes with customers a court with jurisdiction over the seat of PKO Bank Polski SA's branch, carrying the IKE deposit account.

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

- the practice described in the point 1 above, to the amount of PLN 2 500 thousand,
- the practice described in the point 2 above, to the amount of PLN 1 500 thousand,
- 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.

In January 2015 both the Bank and the President of UOKiK appealed against the judgment. The Court of Appeal in its judgment of 10 February 2016 dismissed the appeal of the Bank and the appeal of the President of UOKiK. Since the judgment is final, the Bank paid a fine in the amount of PLN 4 000 thousand on 23 February 2016. On 26 July 2016 the Bank received the judgment with justification.

- **five proceedings before SOKiK initiated by individuals:**

- 1) On the recognition as abusive and prohibiting the respondent from using in trading with customers the provisions in forms of agreements for loans denominated in CHF, indicating that the currency conversion rules used by the Bank for the purpose of loan payment and for the purpose of conversion loan installments, as well as decisions concerning interest rate were against good practice and highly violated consumer interests.
- 2) to establish invalidity of the clauses contained in the mortgage contract by regarding them as illegal (non-existent) and prohibiting the respondent from using in trading with customers the provisions in forms of agreements used by the defendant in the exercising economic activity,
- 3) for recognition as illegal of the provisions in forms of mortgage product Nordea - Habitat and the surety agreement,
- 4) for recognition as illegal of the provisions of a standard loan agreement. Plaintiff (appraiser) accuses the Bank that it only accepts real estate valuations prepared by designated appraisers which seriously violates the interests of consumers by imposing on consumers, as the weaker party to the contract, onerous conditions by eliminating the right to obtain the valuation services from the chosen company.
- 5) for recognition as illegal of the provisions in forms of mortgage loan agreement (product Własny Kąt).

As at 30 June 2016 the Bank had no provisions for above-mentioned proceeding due to the fact, that the probability of unfavorable result of these proceedings is assessed as remote.

- **before the President of UOKiK**

In addition, there are thirteen proceedings before the President of UOKiK related to bank's activities.

As at 30 June 2016, PKO Życie Towarzystwo Ubezpieczeń SA (PKO Życie) – a subsidiary of the Bank – is a party to:

- 1) six proceedings before SOKiK initiated by individuals to determine some of provisions in the forms of life insurance agreements to be illegal.

In all cases PKO Życie responded to the lawsuit and applied for its dismiss due to bringing legal action after 6 months since the day of giving up their application; in these cases there is no risk of imposing financial penalty on the Company.

- 2) proceeding connected to the cassation complaint brought by PKO Życie Towarzystwo Ubezpieczeń SA 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).

The Supreme Court issued in 2015 the verdict repealing the appealed judgment concerning the amount of the fine and referred the case for reconsideration to the court of second instance. The second instance upheld its previous position not taking into account the guidelines of the Supreme Court. PKO Życie Towarzystwo Ubezpieczeń SA made another cassation complaint to the Supreme Court.

At the same time, during the first half of 2016 PKO Życie implemented the obligations resulted from the decision, made in October 2015 by the President of UOKiK, regarding amendments to 25 forms of insurance agreements with insurance capital funds, concerning surrender fees. The Company's liability resulting from the above-mentioned decision consist in particular with regard to these 25 forms:

- a) surrender fees incurred by the existing customers for insurance with regular premium will not be higher than 25 % of the value of premiums paid, and 4 % in the case of contracts with one-off premium,
- b) PKO Życie will provide consumers with a proposal of an annex to the contract of insurance, or equivalent agreement,
- c) PKO Życie will inform customers about the availability of new conditions through the website, applications for customers and directly customer - every time the customer indicates that it intends to terminate the contract.

PKO Życie implemented the obligations resulted from the decision until 17 May 2016. Within nine months from the validation of the decision (the decision became final on 17 November 2015) PKO Życie Towarzystwo Ubezpieczeń SA is required to submit the report on the implementation of the obligations arising from the decision to the President of the UOKiK. The decision does not exhaust the possibility of a pursuing by the existing customers of their rights through civil law. As at 30 June 2016 PKO Życie has no provision for an administrative penalty in respect of the proceeding (due the decision becoming final, the provision in the amount of PLN 8 127 thousand was released in 2015). At the same time PKO Życie Towarzystwo Ubezpieczeń SA maintains the adequate to the conditions of the decision level of technical provisions.

In the first half of 2016 the Group's entities (other than PKO Bank Polski SA) were the parts to two proceedings conducted by the President of UOKiK regarding to mortgage loan-related research and advertising used by insurers for the sale of life insurance contracts with insurance capital funds.

b) Re-privatisation claims regarding properties held by the Group

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

- a) thirteen proceedings, eight of which are suspended, in relation to Bank's seven properties regarding: the invalidation of administrative decisions refusing to grant the right to temporary ownership, rendering the properties into the management, as well as acquiring by operation of law the perpetual usufruct right to the land and proprietorship, the release or return of the premises or properties, the remuneration for noncontractual use of the properties, regulation of legal status of properties;
- b) thirteen proceedings, in relation to five properties owned by Bank's subsidiaries, regarding: the invalidation of administrative decisions refusing to grant the right to temporary ownership, the return of the property, as well as acquisition by adverse possession.

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

38. Transactions with the State Treasury and related parties

The State Treasury has control over the Bank as it holds a 29.43% interest in the Bank's share capital. Receivables, securities and liabilities arising from transactions conducted with the State Treasury, budgetary units and entities in which the State Treasury is the shareholder are disclosed in the Group's statement of financial position.

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

	01.01- 30.06.2016	01.01- 30.06.2015
Income due to temporary redemption by the State budget of interest on housing loans from	63 281	52 035
Income due to temporary redemption by the State budget of interest on housing loans from	13 525	14 006
Difference between income recognised for this period and income received in cash – the position 'Loans and advances to customers'	49 756	38 029

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

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

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

	01.01- 30.06.2016	01.01- 30.06.2015
Fee and commission income	766	1 516

As of 1 January 1996 the Bank became the general distributor of court fee stamps. The Bank receives commissions in this respect from the State Budget.

	01.01- 30.06.2016	01.01- 30.06.2015
Fee and commission income	5 461	5 503

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

	01.01- 30.06.2016	01.01- 30.06.2015
Fee and commission income	14 310	8 188

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

The transactions were concluded at arm's length terms.

Entity	30.06.2016			01.01-30.06.2016		
	Loans and advances granted in total	Total liabilities	Off-balance sheet liabilities granted – guarantee and financial	Interest and similar income	Fee and commission income	Interest expense and similar charges
Entity 1	-	-	2 450 000	-	-	-
Entity 2	350 679	265 957	1 440 869	3 080	1 183	(2 425)
Entity 3	279 981	486 280	573 132	5 267	704	(2 742)
Entity 4	215 137	26 740	410 555	2 960	444	(30)
Entity 5	123 204	26 216	50 000	1 854	59	(377)
Entity 6	108 356	37 603	683 504	1 921	452	(2 564)
Entity 7	100 540	29 993	10 000	2 905	29	(58)
Entity 8	94 588	219	3 000	1 572	48	-
Entity 9	70 652	208	100 000	1 226	13	(13)
Entity 10	64 417	42 553	59 635	802	701	(343)
Entity 11	52 072	12 397	19 853	665	149	(101)
Entity 12	35 165	11 809	205 243	180	89	(52)
Entity 13	31 991	480	-	641	3	-
Entity 14	24 854	811	10 174	363	2	(1)
Entity 15	19 074	1 820	951	217	36	-
Other entities	128 131	5 354 374	4 057 009	5 003	3 455	(33 447)
Total	1 698 841	6 297 460	10 073 925	28 656	7 367	(42 153)

Entity	31.12.2015			01.01 - 30.06.2015		
	Loans and advances granted in total	Total liabilities	Off-balance sheet liabilities granted – guarantee and financial	Interest and similar income	Fee and commission income	Interest expense and similar charges
Entity 1	-	-	2 450 000	-	-	-
Entity 30	8	1 046 516	1 500 000	-	677	(6 133)
Entity 76	-	931 422	-	2 133	378	(1 125)
Entity 52	-	606 343	350 000	-	207	(2 512)
Entity 83	-	501 001	715 852	-	18	(178)
Entity 3	472 602	380 543	386 854	1 327	265	(1 798)
Entity 114	-	264 443	-	-	498	(658)
Entity 2	250 057	240 524	2 407 840	-	-	(195)
Entity 63	-	219 506	-	-	-	-
Entity 61	-	214 989	-	1 513	102	(46)
Entity 6	113 467	196 961	574 780	2 302	1 452	(397)
Entity 91	220	156 451	-	8	792	(1 385)
Entity 37	-	118 217	-	-	4	(2 716)
Entity 5	163 275	99 099	50 000	-	-	-
Entity 16	-	73 188	354 500	-	152	(480)
Other entities	903 202	587 016	2 355 363	21 120	3 076	(39 871)
Total	1 902 831	5 636 219	11 145 189	28 403	7 621	(57 494)

As at 30 June 2016 and as at 31 December 2015 respectively, no significant impairment allowances were recognized for the above-mentioned loans and advances.

39. Related party transactions

All presented below transactions with joint ventures and associates were arm's length transactions. Repayment terms are within a range from one month to fifteen years.

As at 30 June 2016 / Entity	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
Direct joint ventures				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	39 811	-	32 949	20 909
Indirect joint ventures				
„Centrum Obsługi Biznesu” Sp. z o.o.	27 842	27 842	8 699	-
Direct associates				
Bank Pocztowy SA	64	-	402	1 137
„Poznański Fundusz Poręczeń Kredytowych” Sp. z o.o.	-	-	2 866	-
Indirect associates				
Centrum Operacyjne Sp. z o.o.	-	-	46	-
Total Joint ventures and associates	67 717	27 842	44 962	22 046

For the six-month period ended as at 30 June 2016 / 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.	107 240	106 088	43 696	43 289
Indirect joint ventures				
„Centrum Obsługi Biznesu” Sp. z o.o.	259	259	19	19
Direct associates				
Bank Pocztowy SA	18	18	53	-
„Poznański Fundusz Poręczeń Kredytowych” Sp. z o.o.	1	1	36	36
FERRUM SA	1	1	-	-
Indirect associates				
Centrum Operacyjne Sp. z o.o.	1	1	-	-
Total Joint ventures and associates	107 520	106 368	43 804	43 344

As at 31 December 2015 / Entity	Receivables	of which loans	Liabilities	Off-balance sheet liabilities granted
Direct joint ventures				
Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o.	5 964	-	31 072	2 011
Indirect joint ventures				
„Centrum Obsługi Biznesu” Sp. z o.o.	27 414	27 414	8 623	-
Direct associates				
Bank Pocztowy SA	14 057	-	949	1 086
„Poznański Fundusz Poręczeń Kredytowych” Sp. z o.o.	-	-	2 788	-
Indirect associates				
Centrum Operacyjne Sp. z o.o.	-	-	5	-
Total Joint ventures and associates	47 435	27 414	43 437	3 097

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For the six-month period ended as at 30 June 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.	71 274	70 957	47 074	46 416
Indirect joint ventures				
„Centrum Obsługi Biznesu” Sp. z o.o.	584	584	52	52
Direct associates				
Bank Pocztowy SA	314	13	554	-
„Poznański Fundusz Poręczeń Kredytowych” Sp. z o.o.	1	1	14	14
Indirect associates				
Centrum Operacyjne Sp. z o.o.	1	1	-	-
Total Joint ventures and associates	72 174	71 556	47 694	46 482

40. Personally related party transactions

As at 30 June 2016 and as at 31 December 2015 one entity was related to the Bank through the key management personnel of PKO Bank Polski SA or the close family members of the key management personnel.

In the first half of 2016 and in the first half of 2015, no intercompany transactions were concluded with this entity in the Bank.

41. Remuneration - PKO Banku Polskiego SA key management

a) remuneration received by members of the Supervisory Board from PKO Bank Polski SA

	01.01-30.06.2016	01.01-30.06.2015
The Supervisory Board of the Bank	333	60
Remuneration of the Supervisory Board Members who ceased performing their functions in 2016	263	555
Razem	596	615

b) Employee benefits for members of Management Board due or potentially due from PKO Bank Polski SA

	For the 6 months of 2016						
	Short-term employee benefits*		Other long-term benefits		Share-based payments settled in cash		
	Remuneration 1.01-30.06.2016*	As at 30.06.2016	As at 30.06.2016	Potential as at 30.06.2016	Received during 1.01-30.06.2016	As at 30.06.2016	Potential as at 30.06.2016
The Management Board of the Bank	4 337	1 574	867	2 001	1 429	2 206	2 001
Remuneration of the Management Board Members who ceased performing their functions in 2016	792	487	314	633	524	717	633
The Management Board benefits in total:	5 129	2 061	1 181	2 634	1 953	2 923	2 634

* Includes basic remuneration, additions in regards to employee pension programs (PPE), additional insurance, medical care and company social benefits fund (ZFSS).

	2015						
	Short-term employee benefits*		Other long-term benefits		Share-based payments settled in cash		
	Remuneration 1.01-30.06.2015*	As at 30.06.2015	As at 30.06.2015	Potential as at 30.06.2015	Received during 1.01-30.06.2015	As at 30.06.2015	Potential as at 30.06.2015
the Management Board of the Bank	5 634	1 694	805	2 345	2 240	2 500	2 345
The Management Board benefits in total:	5 634	1 694	805	2 345	2 240	2 500	2 345

* Includes basic remuneration, additions in regards to employee pension programs (PPE), additional insurance, medical care and company social benefits fund (ZFSS).

c) Remuneration received from related entities (other than the State Treasury and entities related to the State Treasury)

	01.01-30.06.2016	01.01-30.06.2015
The Management Board of the Bank	22	20
Total	22	20

- d) Remuneration received by members of the Management Boards and the Supervisory Boards of the PKO Bank Polski SA Group subsidiaries

	01.01- 30.06.2016	01.01- 30.06.2015
The Supervisory Board	170	131
The Management Board	8 956	8 425
Total	9 126	8 556

- e) post-employment benefits and benefits due to termination of employment

In the period ended 30 June 2016 benefits due to termination of employment were paid in the amount of PLN 2 216 thousand as well as post-employment benefits were paid in the amount of PLN 724 thousand. In the period ended 30 June 2015 no post-employment benefits or benefits due to termination of employment were paid.

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

	30.06.2016	31.12.2015
The Supervisory Board of the Bank	639	1 093
The Management Board of the Bank	930	946
Total	1 569	2 039

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

42. Changes to the entities of the Group

In the first half of 2016, the following events affecting the structure of the PKO Bank Polski SA Capital Group and the other subsidiaries occurred:

1. concerning PKO BP Finat Sp. z o.o.

On 29 January 2016 the National Court Register recorded a decrease of the share capital of PKO BP Finat Sp. z o.o. from the amount of PLN 107 302 500 to PLN 32 302 500 through the redemption of 750 000 shares with a nominal value of PLN 100 each, belonging to the sole shareholder – PKO Bank Polski SA.

As at 30 June 2016 the share capital of PKO BP Finat Sp. z o.o amounts to PLN 32 302 500 and is divided into 323 025 shares with a nominal value of PLN 100 each.

2. concerning PKO Towarzystwo Ubezpieczeń SA

On 19 April 2016 the National Court Register recorded an increase of the share capital of PKO Towarzystwo Ubezpieczeń SA by PLN 5 000 thousand. Within the above-mentioned increase PKO Bank Polski SA acquired 5 000 shares (i.e. all newly issued shares) with a nominal value of PLN 1 000 each and an issue price amounting to PLN 4 400 each, i.e. for a total amount equal to PLN 22 000 thousand, remaining sole shareholder of the Company.

As at 30 June 2016 the share capital of the Company amounts to PLN 25 000 thousand and is divided into 25 000 shares with a nominal value of PLN 1 000 each.

3. concerning PKO Bank Hipoteczny SA

On 22 April 2016 the National Court Register recorded an increase of the share capital of PKO Bank Hipoteczny SA by PLN 200 000 thousand. All shares in the increased capital were acquired by PKO Bank Polski SA.

As at 30 June 2016 the share capital of the Company amounts to PLN 500 000 thousand and is divided into 500 000 000 shares with a nominal value of PLN 1 each. The sole shareholder of the Company is PKO Bank Polski SA.

4. concerning KREDOBANK SA

On 24 May 2016 in the Uniform National Register of Legal Entities, Individual Entrepreneurs and Public Organizations of Ukraine was recorded a change of the Statute of KREDOBANK SA taking into account, inter alia, an increase of the share capital by UAH 330 000 thousand. All shares in the increased capital were acquired and paid in November 2015 by PKO Bank Polski SA.

As at 30 June 2016 the share capital of the Company amounts to UAH 2 248 969 469.16 and is divided into 224 896 946 916 shares with a nominal value of UAH 0.01 each. The share of PKO Bank Polski SA in the share capital of KREDOBANK SA and share in voting rights at the General Shareholders' Meeting of the Company is 99.6293%.

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

On 3 February 2016, the Extraordinary General Meeting of Shareholders of Qualia Hotel Management Sp. z o.o. and Qualia – Rezydencja Flotyła Sp. z o.o. and shareholders of a limited liability company Qualia Sp. z o.o. - Pomeranka Sp. K. adopted resolutions concerning merger of the above mentioned companies. The merger was accomplished through the transfer of all assets of the company Qualia-Residence Flotyła Sp. z o.o. and Qualia Sp. z o.o. – Pomeranka Sp. k (as the acquired companies) to the company Qualia Hotel Management Sp. z o.o. (the acquiring company). The above mentioned merger was registered with the National Court Register relevant for the acquiring company on 29 February 2016.

On 13 April 2016, Qualia Sp. z o.o. sold 3 shares of the Qualia Hotel Management Sp. z o.o. to Qualia Development Sp. z o.o. As at 30 June 2016 the share capital of Qualia Hotel Management Sp. z o.o. amounts to PLN 261 800 and is divided into 5 236 shares with a nominal value of PLN 50 each. All shares of the above mentioned Company are held by Qualia Development Sp. z o.o.

On 17 February 2016, Qualia Development Sp. z o.o. sold 1 share of the Fort Mokotów Inwestycje Sp. z o.o. with a nominal value of PLN 1 000 to Qualia Sp. z o.o. As at 30 June 2016 the share capital of Fort Mokotów Inwestycje Sp. z o.o. amounts to PLN 77 483 thousand and is divided into 77 483 shares with nominal value of PLN 1 000 each. Shares with the nominal value of PLN 77 482 thousand, representing 99.9987% share in share capital and entitling to 99.9987% of votes at the General Shareholders' Meeting are held by Qualia Development Sp. z o.o. and one share is held by Qualia Sp. z o.o.

6. concerning events that will affect PKO Bank Polski SA Group structure in the following quarters:

On 4 May 2016, the Court and Commercial Gazette (Monitor Sądowy i Gospodarczy) recorded a merger of PKO Leasing SA (as acquiring company) and PKO Bankowy Leasing Sp. z o.o. (as acquired company).

The planned merger is going to be effected by the transfer of all assets of PKO Bankowy Leasing Sp. z o.o. to the PKO Leasing SA (merger by acquisition), without increasing the share capital of PKO Leasing SA and without exchange of the shares of PKO Bankowy Leasing Sp. z o.o. for shares of PKO Leasing SA.

7. concerning FERRUM SA

On 18 January 2016, PKO Bank Polski SA took part in debt collection activities (transfer of ownership of the collateral) and obtained another block of FERRUM SA shares, increasing its stake in the share capital and votes at the General Meeting of the company from 20.97% to 22.14%. The company is an associate of the Bank.

43. Fair value of financial assets and liabilities

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

Assets and liabilities measured at fair value as at 30.06.2016	Note	Carrying amount	Level 1	Level 2	Level 3
			Prices quoted on the active markets	Valuation techniques based on observable market data	Other valuation techniques
Trading assets	16	2 876 053	1 902 070	973 983	-
Debt securities		2 856 279	1 882 296	973 983	-
Shares in other entities		15 729	15 729	-	-
Investment certificates		4 045	4 045	-	-
Derivative financial instruments	17	3 042 967	2 209	3 040 758	-
Hedging instruments		433 499	-	433 499	-
Trade instruments		2 609 468	2 209	2 607 259	-
Financial instruments designated upon initial recognition at fair value through profit and loss	19	13 788 284	5 409 428	8 378 856	-
Debt securities		12 027 861	3 649 005	8 378 856	-
Participation units		1 760 423	1 760 423	-	-
Investment securities available for sale	21	33 636 069	24 571 566	5 764 472	3 300 031
Debt securities		33 151 152	24 450 941	5 764 472	2 935 739
Equity securities		185 531	103 958	-	81 573
Participation units in investment funds and shares in joint investment institutions		299 386	16 667	-	282 719
Financial assets measured at fair value - total		53 343 373	31 885 273	18 158 069	3 300 031
Derivative financial instruments	17	3 580 993	459	3 580 534	-
Hedging instruments		996 467	-	996 467	-
Trade instruments		2 584 526	459	2 584 067	-
Financial liabilities measured at fair value - total		3 580 993	459	3 580 534	-

Assets and liabilities measured at fair value as at 31.12.2015	Note	Carrying amount	Level 1	Level 2	Level 3
			Prices quoted on the active markets	Valuation techniques based on observable market data	Other valuation techniques
Trading assets	16	783 199	783 199	-	-
Debt securities		766 641	766 641	-	-
Shares in other entities		9 910	9 910	-	-
Investment certificates		6 648	6 648	-	-
Derivative financial instruments	17	4 347 269	2 163	4 345 106	-
Hedging instruments		508 665	-	508 665	-
Trade instruments		3 838 604	2 163	3 836 441	-
Financial instruments designated upon initial recognition at fair value through profit and loss	19	15 154 100	4 837 304	10 316 796	-
Debt securities		13 337 373	3 020 577	10 316 796	-
Participation units		1 816 727	1 816 727	-	-
Investment securities available for sale	21	28 291 352	19 255 389	5 401 333	3 634 630
Debt securities		27 604 913	19 093 221	5 401 333	3 110 359
Equity securities		473 618	145 990	-	327 628
Participation units in investment funds and shares in joint investment institutions		212 821	16 178	-	196 643
Financial assets measured at fair value - total		48 575 920	24 878 055	20 063 235	3 634 630
Derivative financial instruments	17	4 624 767	1 476	4 623 291	-
Hedging instruments		998 527	-	998 527	-
Trade instruments		3 626 240	1 476	3 624 764	-
Debt securities in issue	31	71 744	-	71 744	-
Financial instruments designated at fair value through profit and loss		71 744	-	71 744	-
Financial liabilities measured at fair value - total		4 696 511	1 476	4 695 035	-

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Depending on the category of classification of financial assets and liabilities to the fair value hierarchy, different methods of fair value valuation are used. Detailed description was presented in the financial statements for the year 2015.

The impact of parameters estimated on measurement of financial instruments at fair value, for which the Group uses fair value measurement on Level 3 as at 30 June 2016 is as follows:

Financial instrument	Valuation technique	Unobservable factor	Fair value by	
			positive scenario	negative scenario
Investment securities available for sale				
Shares in joint investment institutions - Fund	Net Asset Value (NAV) method	price for a participation unit	296 855	268 583
Preferred series C Shares of Visa Europe Limited	estimate of fair value based on the current market value of listed ordinary shares of Visa Inc. including discounting taking into account the limited liquidity of C series shares and the conditions of C series shares conversion on ordinary shares	the final number and value ordinary Visa Inc shares which Bank's will recieve as a result of conversion of C series shares	87 939	55 299
Corporate bonds	Credit index method	credit spread	2 947 706	2 923 928

The table below presents the reconciliation of measurements at fair value at level 3 of fair value hierarchy during the periods:

Investment securities available for sale	01.01-30.06.2016	01.01-30.06.2015
Opening balance at the beginning of the period	3 634 630	203 276
Total gains or losses	(28 756)	6 567
recognised in financial result	(29 683)	(7 684)
recognised in other comprehensive income	927	14 251
Shares settlement of Visa Europe Limited	(336 713)	-
Take up of Visa Inc shares	80 964	-
Take up of new shares in the Fund	67 563	-
Other take ups and sales (including settlements)	(117 657)	(12 364)
Closing balance at the end of the period	3 300 031	197 479

In the period from 1 January 2016 to 30 June 2016 there were no changes in the fair value estimation methodology.

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

	level of fair value hierarchy	valuation method	30.06.2016	
			carrying amount	fair value
Cash and balances with the central bank	nd	value at cost to pay	12 153 184	12 153 184
Amounts due from banks	2	discounted cash flows	4 378 760	4 378 781
Loans and advances to customers			191 515 372	186 932 299
housing loans	3	discounted cash flows	103 434 562	98 550 626
corporate loans	3	discounted cash flows	59 430 681	59 198 292
consumer loans	3	discounted cash flows	22 559 091	23 164 648
receivables due from repurchase agreements	3	discounted cash flows	1 019 656	1 019 656
International financial organisations	3	discounted cash flows	17 035	17 035
debt securities	3	discounted cash flows	5 054 347	4 982 042
Investment securities held to maturity	3	discounted cash flows	329 927	333 310
Other financial assets	3	value at cost to pay including impairment allowance	1 882 720	1 882 720
Amounts due to the central bank	2	value at cost to pay	4 935	4 935
Amounts due to other banks	2	discounted cash flows	18 429 253	18 429 258
Amounts due to customers			199 391 532	199 338 635
due to corporate entities	3	discounted cash flows	49 847 115	49 848 065
due to public entities	3	discounted cash flows	8 241 080	8 241 077
due to retail clients	3	discounted cash flows	141 303 337	141 249 493
Debt securities in issue	1, 2	market quotations / discounted cash flows	10 806 669	11 084 131
Subordinated debt	2	discounted cash flows	2 527 579	2 514 281
Other financial liabilities	3	value at cost to pay	2 552 599	2 552 599

	level of fair value hierarchy	valuation method	31.12.2015	
			carrying amount	fair value
Cash and balances with the central bank	nd	value at cost to pay	13 743 864	13 743 864
Amounts due from banks	2	discounted cash flows	4 552 972	4 552 971
Loans and advances to customers			190 413 708	183 613 721
housing loans	3	discounted cash flows	100 668 588	93 429 678
corporate loans	3	discounted cash flows	58 057 837	58 749 000
consumer loans	3	discounted cash flows	21 959 827	21 815 550
receivables due from repurchase agreements	3	discounted cash flows	4 432 239	4 432 239
international financial institutions	3	discounted cash flows	10 652	10 652
debt securities	3	discounted cash flows	5 284 565	5 176 602
Investment securities held to maturity	3	discounted cash flows	210 330	213 624
Other financial assets	3	value at cost to pay including impairment allowance	875 195	875 195
Amounts due to the central bank	2	value at cost to pay	4 219	4 219
Amounts due to other banks	2	discounted cash flows	18 288 797	18 288 795
Amounts due to customers			195 758 461	195 718 940
due to corporate entities	3	discounted cash flows	51 213 728	51 214 193
due to public entities	3	discounted cash flows	9 134 366	9 134 366
due to retail clients	3	discounted cash flows	135 410 367	135 370 381
Debt securities in issue	1, 2	market quotations / discounted cash flows	9 361 229	9 637 428
Subordinated debt	2	discounted cash flows	2 499 163	2 486 132
Other financial liabilities	3	value at cost to pay	2 340 804	2 340 804

For loans and advances to customers with no impairment triggers, present value of discounted cash flow model was used that includes current interest rate with credit margin risk and real maturities that stem from loan agreements. The current level of margins was calculated based on financial instrument transactions with similar risk level, that took place the last quarter that ended on the balance sheet date. For currency loans, the current loan margin for PLN loans was used and it was corrected with the cost of currency acquisition in basis-swap transaction. For loans for which impairment were recognized fair value is assumed to equal to the carrying value. The valuation does not take into consideration potential currency conversion of loans denominated in CHF in regards to the presidential draft law on foreign currency loans. For loans with recognized impairment, it is assumed that the fair value equals their carrying value.

The other technics and methods of measurements were described in the consolidated financial statements of PKO Bank Polski SA Group for year 2015.

OBJECTIVES AND PRINCIPLES OF RISK MANAGEMENT

44. Risk management in the Group

Risk management is a key internal processes within PKO Bank Polski SA including the Bank's branch in Germany and in other entities of the PKO Bank Polska SA Group. It aims at ensuring profitability of business activity by ensuring control of risk level and maintaining it within the risk tolerance and system of limits applied by the Bank and the Group, in a changing macroeconomic and legal environment. The level of the risks plays an important role in the planning process.

In the Group, the following types of risk have been identified, which are subject to management: credit risk, interest rate risk, currency risk, liquidity risk (including financing risk), commodity price risk, price risk of equity securities, derivative instruments risk, operational risk, compliance risk, macroeconomic changes risk, model risk, business risk (including strategic risk), loss of reputation, capital risk, excessive leverage and insurance risk. In the first half of 2016 the catalog of relevant risks to the Bank was extended by the risk of mortgages denominated in foreign currencies.

The elements of the risk management process, the most important risk management policies, organisation of risk management in the Bank and in the Group, identification of significant types of the risk in the Group and actions in terms of risk management in the Group are described in details in the consolidated financial statements for the year 2015. This financial statement was extended by the description of the insurance risk due to enter into force in 2016 Act of Insurance Activity from 11 September 2015, which implements the Directive of the European Parliament and Council Directive 2009/138/WE into polish legal system on the taking up and pursuit of insurance business and reinsurance ("Solvency II").

Additionally, there are described in details in the Group's consolidated financial statements for the year 2015 for particular, identified by the Group types of the risk following elements: definition of risk, the aim of specified risk management, the identification of the risk, measurement and evaluation, supervision, prediction and monitoring, reporting and management actions.

Significant events occurred in the first half of 2016 in the field of risk management:

- In the first half of 2016 the Bank rolled over of six-month short-term bonds with a value of PLN 800 million, and issued additional bonds amounted to PLN 200 million.
- Issuance one year bonds amounted to EUR 200 million in the first half of 2016.
- On 30 June 2016 the Ordinary General Shareholders' Meeting of the Bank adopted resolution on conditional dividend payment from the net profit for 2015 and retained earnings from previous years. The dividend will be paid, unless not later than on 8 December 2016 (inclusive) PKO Bank Polski SA takes over control of the bank or other entity of the financial sector, as well as regulatory changes occur or supervisory recommendations occur, affecting the requirements for the Bank's own funds according to the level of capital adequacy ratios recognized in the financial statements of the Bank for Q3 2016 – would cause a lack of possibility to pay dividend in accordance with the regulatory requirements and supervisory recommendations.

In the first half of 2016 the Bank and PKO Bank Hipoteczny continued the application of „Recommendation W” issued by Polish Financial Supervision Authority, related to the risk management of bank models. All of the adjustment efforts have been concluded on time i.e. on 30th of June 2016.

PKO Bank Polski SA as a part of Capital Group, is successively transferring the mortgage portfolio to the PKO Bank Hipoteczny SA.

In the first half of 2016 the Group' entity PKO Bank Hipoteczny SA performed two issuances of mortgage covered bonds with a nominal value of PLN 500 million each, with floating rate increased by the margin. The period since the date of issue to the redemption date was set for 5 years plus 1 day.

The risk of cybercrime in the financial sector can entail losses for both the clients and the Group. The Group prevents incidents of this kind by a number of internal and sector-wide initiatives and by sustaining cooperation with cybersecurity providers.

PKO Bank Polski, as the only Bank from Poland, directly took part in another edition of European-wide stress testing organized by EBA. Considering its uniform methodology, the testing have aimed at providing the supervision authorities and market participants with consistent data on UE banks' resilience in adverse market conditions. Test results confirmed the high resilience of PKO Bank Polski, also in case of negative macroeconomic scenarios. In shock-scenario, the Bank recorded a slight decline of the CET1 ratio by only 1.9 percentage points, which puts it in fourth place among the 51 European Banks participating in the test.

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In the first half of 2016 Bank has implemented rules for the performance of specific reverse stress tests for the particular bank risks. The reverse stress tests consist in formulation of potential negative scenarios for the Bank, and finding events contributing to their materialization.

- **Credit risk management**

Information on risk monitoring and risk measurement in the period as at 30 June 2016 is also presented in the notes: amounts due from banks, loans and advances to customers, investment securities available for sale and investment securities held to maturity.

Maximum exposure to credit risk

Exposure to credit risk - Items of the statement of financial position	30.06.2016	31.12.2015
Current account in the central bank	8 467 370	9 854 137
Amounts due from banks	4 378 760	4 552 972
Trading assets – debt securities	2 856 279	766 641
issued by the State Treasury	2 736 413	648 695
issued by local government bodies	45 142	48 596
issued by non-financial institutions	60 545	46 122
issued by financial institutions	2 843	5 344
issued by banks	11 336	17 884
Derivative financial instruments	3 042 967	4 347 269
Financial instruments designated upon initial recognition at fair value through profit and loss - debt securities	12 027 861	13 337 373
issued by central banks	8 134 723	10 036 898
issued by the State Treasury	3 649 005	3 052 701
issued by local government bodies	244 133	247 263
issued by non-financial institutions	-	511
Loans and advances to customers	191 515 372	190 413 708
financial sector	1 369 151	4 826 553
corporate loans	342 586	383 662
international financial organisations	17 035	10 652
receivables due from repurchase agreements	1 009 530	4 432 239
non-financial sector	180 699 414	175 619 057
housing loans	103 434 562	100 668 588
corporate loans	52 284 195	50 398 753
consumer loans	22 559 091	21 959 827
debt securities	2 411 440	2 591 889
receivables due from repurchase agreements	10 126	-
public sector	9 446 807	9 968 098
corporate loans	6 803 900	7 275 422
debt securities	2 642 907	2 692 676
Investment securities - debt securities	33 151 152	27 604 913
issued by the State Treasury	23 889 246	18 358 006
issued by local government bodies	4 506 954	4 613 726
issued by non-financial institutions	3 139 436	3 117 859
issued by banks	1 459 958	1 515 322
issued by financial institutions, treasury bonds in PLN	155 558	-
Investment securities held to maturity	329 927	210 330
issued by the State Treasury	329 927	210 330
Other assets - other financial assets	1 882 720	875 195
Total	257 652 408	251 962 538

Exposure to credit risk - Off-balance sheet items	30.06.2016	31.12.2015
Irrevocable liabilities granted	25 975 601	30 513 878
Guarantees granted	6 444 230	7 199 483
Guarantees of issue	4 293 733	5 489 969
Letters of credit granted	1 420 543	1 838 101
Total	38 134 107	45 041 431

Financial assets assessed on an individual basis for which individual impairment has been recognised by carrying amount gross	30.06.2016	31.12.2015
Amounts due from banks	149	145
Loans and advances to customers	5 261 168	5 412 768
Financial sector	4 548	4 557
corporate loans	4 548	4 557
Non-financial sector	5 240 244	5 391 741
corporate loans	3 985 227	3 875 074
housing loans	933 725	1 104 228
consumer loans	248 987	304 476
debt securities	72 305	107 963
Public sector	16 376	16 470
corporate loans	16 376	16 470
Financial assets available for sale	576 452	397 479
issued by financial entities	3 732	3 777
issued by non-financial entities	572 720	393 702
Total	5 837 769	5 810 392

- **Concentration of credit risk within the Group**

Concentration by the largest business entities

As at 30 June 2016 and as at 31 December 2015, concentration limits had not been exceeded. As at 30 June 2016, the level of concentration risk in the Group due to individual exposures was low – the largest exposure to a single entity was equal to 10.1% of the Group's recognized capital (as at 31 December it amounted to 15.2%). Within 20 largest borrowers of the Group, there are exclusively clients of PKO Bank Polski SA.

Concentration by the largest capital groups

The largest concentration of Group's exposure into the capital group is 1.16% of the Group's loan portfolio (as at 31 December 2015 it amounted to 1.61%). The 5 largest capital groups are customers of PKO Bank Polski SA.

As at 30 June 2016 and as at 31 December 2015, the Group's concentration risk level by the capital groups was low - the largest exposure of Group towards a capital group amounted to respectively, 11.1% and 10.1% of the Group's recognized capital.

Concentration by industry

As compared with 31 December 2015 the exposure of the Group in industry sectors has increased by approx. PLN 2.7 billion. The total exposure in the four largest industry groups: 'Industrial processing', 'Maintenance of real estate', 'Wholesale and retail trade (...)', and 'Public administration and public defense' amounted to approx. 57% of the total loan portfolio covered by an analysis of the sector.

Concentration by geographical regions

The Group's loan portfolio is diversified in terms of geographical concentration. The structure of the loan portfolio by geographic regions is identified in the Group due to the Bank's client area – a separate area for the retail client (ORD) a separate area for the corporate and investment banking (OKI). 11 geographical regions and the headquarters are distinguished within ORD. As at 30 June 2016, the largest concentration of the ORD loan portfolio occurs in region of Warsaw and Katowice (ca. 25% of the ORD portfolio). Within OKI, the Bank distinguish 7 macro-regions and the headquarters. As at 30 June 2016, the largest concentration of the OKI loan portfolio occurs in the headquarters and in the central macro-region (23% and 18% of the OKI loan portfolio, respectively).

Concentration of credit risk by currency

As at 30 June 2016, the share of exposure in convertible currencies, other than PLN, in the total portfolio of the Group amounted to 24.9%. The largest part of currency exposures of the Group are those denominated in CHF, regarding to Bank's loan portfolio. In the Group entities, the situation is different, i.e. in the foreign currency portfolio of the PKO Leasing SA Group the greatest currency exposures are those in EUR (85% of the foreign currency portfolio). Whereas, for the KREDOBANK SA Group and in the company Finansowa Kompania 'Prywatne Inwestycje' - USD denominated loans constitute the largest part (61% and 83% of the foreign currency loan portfolio of these entities, respectively).

Other types of concentration

In accordance with the Recommendations S and T of the Polish Financial Supervision Authority, the Bank applies internal limits on the Bank's customers credit exposures, defining the appetite for the credit risk. As at 30 June 2016, these limits have not been exceeded.

• Forbearance practices

The Group defines forbearance as actions aimed at changing contractual terms agreed with a debtor, caused by the debtor's difficult financial position (restructuring activities introducing concessions that otherwise would not be granted). The purpose of forbearance activities is to restore a debtor's ability to fulfil obligations to the Bank and to maximize the effectiveness of non-performing loan management, i.e. obtaining the highest recoveries while minimizing the costs of recoveries.

Forbearance measures represent a change in payment terms which are individually agreed for each contract. Such changes may include:

- spreading the overdue debt into instalments,
- changes to the repayment schedule (annuity instalments, decreasing instalments),
- extension of the lending period,
- change in interest rates,
- change in the credit margin,
- loans reduction,
- collateral release or replace,
- debtor change or accession to the debt of the third party.

As a result of concluding a forbearance agreement and the timely servicing thereof, the loans become current. Evaluating the ability of a debtor to fulfil the conditions of the forbearance agreement (debt repayment according to the agreed schedule) is an element of the forbearance process.

Forbearance agreements are monitored on an on-going basis. If, as regards to the credit exposure the impairment is recognized, the write-offs are recognized to balance identified loss.

Exposures with status forbearance are included to the portfolio of performing exposures if the following conditions are met simultaneously:

- a debt does not meet individual impairment trigger and there is no impairment recognised,
- at least 12 months have elapsed from the conclusion of a forbearance agreement,
- forbearance agreement has covered the whole debt,
- a debtor has demonstrated the ability to fulfill the terms of the forbearance agreement.

Exposures cease to be subject of reporting with the status of forbearance if the following conditions are met simultaneously:

- at least 24 months have elapsed from the date of including forboren exposition to the portfolio of performing loans (conditional period),
- at the end of the conditional period, discussed above, client does not have a debt overdue more than 30 days,
- timely repayment of at least 12 consecutive instalments.

Forbearance financial assets	30.06.2016	31.12.2015
Loans and advances to customers, gross	199 992 039	198 700 917
of which forbearance:	4 442 737	5 534 689
financial sector	3 272	3 269
corporate loans	3 272	3 269
non-financial sector	4 439 465	5 530 247
corporate loans	2 149 199	2 856 594
housing loans	1 890 422	2 143 330
consumer loans	399 844	530 323
public sector	-	1 173
corporate loans	-	1 173
Impairment allowances on loans and advances to forbearance customers	(968 191)	(986 300)
Loans and advances to customers, net forbearance	3 474 546	4 548 389

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Loans and advances to customers subjected to forbearance by geographical region (gross)	30.06.2016	31.12.2015
Poland	4 366 119	5 423 877
mazowiecki	750 034	1 133 131
wielkopolski	615 962	499 092
śląsko-opolski	412 657	731 583
małopolsko-świętokrzyski	421 636	434 362
pomorski	350 197	333 966
podlaski	340 478	426 711
łódzki	340 254	474 476
dolnośląski	326 622	380 847
kujawsko-pomorski	296 249	302 146
zachodnio-pomorski	265 729	444 233
lubelsko-podkarpacki	221 470	236 208
warmińsko-mazurski	24 831	27 122
Ukraine	76 618	110 812
Total	4 442 737	5 534 689

Loans and advances to customers subjected to forbearance	Exposure by gross carrying amount	
	30.06.2016	31.12.2015
Loans and advances impaired	2 216 854	2 418 018
Loans and advances not impaired, of which:	2 225 883	3 116 671
not past due	1 688 281	2 477 548
past due	537 602	639 123
Total gross	4 442 737	5 534 689

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

Change in the value of loans and advances subjected to forbearance customers at the beginning and at the end of the period	01.01-30.06.2016	01.01-30.06.2015
Carrying amount at the beginning of the period, net	4 548 389	5 488 098
Impairment allowance	16 989	(130 953)
Loans and advances derecognised in the period, gross	(1 131 617)	(1 121 988)
Loans and advances recognised in the period, gross	389 280	761 688
Other changes/ repayment	(346 922)	(248 986)
Currency translation differences	(1 573)	(12 670)
Carrying amount at the end of the period, net	3 474 546	4 735 189

The amount of recognized interest income related to loans and advances to customers, which are subject to forbearance amounted to PLN 81 345 thousand as at 30 June 2016.

• **Interest rate risk management**

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

Name of sensitivity measure	30.06.2016	31.12.2015
VaR for a 10-day time horizon with a confidence level of 99% threshold (in PLN thousand)	269 380	271 674
Parallel movement of interest rate curves by 200 b.p. (in PLN thousand) (stress-test)**	2 016 124	2 013 781

* Due to the nature of the activities carried out by the other Group entities generating significant interest rate risk as well as a 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, which amounted to approx. PLN 11 435 thousand as at 30 June 2016 and PLN 11 468 thousand as at 31 December 2015.

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

As at 30 June 2016, the Bank's interest rate VaR for the 10-day time horizon (10-day VaR) amounted to PLN 269 380 thousand, which accounted for approximately 0.95% of the Bank's own funds. As at 31 December 2015, VaR for the Bank amounted to PLN 271 674 thousand, which accounted for approximately 1.00% of the Bank's own funds. The amount of the funds is calculated in accordance with the provisions concerning calculation of the total capital ratio.

- Currency risk management**

Name of sensitivity measure	30.06.2016	31.12.2015
VaR for a 10-day time horizon with a confidence level of 99% threshold (in PLN thousand)	18 827	25 384
Change in CUR/ PLN by 20% (in PLN thousand) (stress-test)**	12 134	1 941

* 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, which amounted to approx PLN 1 490 thousand as at 30 June 2016 and approx. PLN 4 570 thousand as at 31 December 2015.

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

The volume of Group's currency positions for particular currencies is presented in the table below:

Currency position	30.06.2016	31.12.2015
EUR	(217 964)	94 134
USD	(3 842)	(87 336)
CHF	(41 866)	(72 465)
GBP	(319)	(1 798)
Other (Global Net)	189 354	171 137

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 by the Group, 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, VaR for a 10-day time horizon for the Bank's currency position as at 30 June 2016 amounted to ca. 0.07%).

- Liquidity risk management**

	aVista	0 - 1 months	1 - 3 months	3 - 6 months	6 - 12 months	12 - 24 months	24 - 60 months	over 60 months
30.06.2016								
Adjusted periodic gap	13 560 983	40 945 997	(1 883 255)	2 871 945	5 797 227	5 984 429	18 284 892	(85 562 218)
Adjusted cumulative periodic gap	13 560 983	54 506 980	52 623 725	55 495 670	61 292 897	67 277 326	85 562 218	-
31.12.2015								
Adjusted periodic gap	13 974 617	19 405 644	(346 858)	3 590 950	7 972 011	8 034 672	12 600 252	(65 231 288)
Adjusted cumulative periodic gap	13 974 617	33 380 261	33 033 403	36 624 353	44 596 364	52 631 036	65 231 288	-

In all time horizons, the Group's cumulative adjusted liquidity gap in real terms, which has been determined as a sum of adjusted liquidity gap in real terms of the Bank and contractual liquidity gaps of the other Group entities, as at 30 June 2016 and as at 31 December 2015 was positive. This means a surplus of assets receivable over liabilities payable.

Name of sensitivity measure	30.06.2016	31.12.2015
Liquidity reserve up to 1 month* (in PLN million)	29 770	30 186

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

As at 30 June 2016 the level of permanent balances on deposits constituted approx. 92.9% of all deposits in the Bank (excluding interbank market), which means an decrease by approximately 0.8 pp. as compared to the end of 2015.

- Other price risks**

The impact of this risk to the Group's financial situation is immaterial. The own funds requirement to cover the above-mentioned risk amounted to approx. PLN 1.2 million as at 30 June 2016. In relation to the requirement as at 31 December 2015, the decrease occurred, which resulted from the sold collective investment funds participation units.

- **Operational risk management**

The decrease in own funds requirements for operational risk for the Group of the amount of PLN 663 million (as at 31 December 2015) to PLN 654 million (as at 30 June 2016), is mainly due to the completion of the merger process of the Bank with Nordea Bank Polska SA and risk assessment due to completion of the migration process.

- **Risk management of foreign currency mortgage loans for individuals**

The Group analyses foreign currency mortgage loans portfolio for households especially. The Group constantly monitors quality of this portfolio and analyses the risk of worsening of the quality of this portfolio. Currently the level of quality portfolio is acceptable. The Group currently tracks legislative initiatives related to the support for borrowers holding currency mortgage loans, analyzing their impact on the Group's and the Group's clients situation. The Bank takes into consideration the risk of foreign currency mortgage loans for households, in the capital adequacy and own fund management.

- **The Group's policy in the area of CHF**

The Group constantly analyses changes in the financial and macroeconomic environment, especially the level of market interest rates as well as exchange rates and takes it into consideration managing specified types of risk and activity towards Group's customers with long-term mortgages. The Group especially analyses the portfolio of mortgages denominated in CHF. The Group constantly monitors quality of this portfolio and analyses the risk of worsening of the quality of this portfolio. Currently the level of quality portfolio is acceptable.

The influence of the external factors and regulations is being monitored constantly. The Group currently tracks legislative initiatives related to the support for borrowers holding foreign currency mortgage loans, analyzing their impact on the Group's and the Group's clients situation. In the fourth quarter of 2015 and in the first quarter of 2016, the Group participated in analyses commissioned by Polish Financial Supervision Authority to research the impact of the presidential draft law "on possible measures to restore the equality of parties to some loan and advances agreements" (so called 'Franc Act'). On 2 August 2016 Office of the President of the Republic of Poland released a draft law on the principles of reimbursement of certain receivables arising from loans and advances agreements. The main draft law assumptions relate to bank spread settled by the banks for loan repayments.

The following tables presents qualitative analysis of the loans denominated in CHF:

Loans and advances to customers in impairment valuation method in CHF (presented in PLN)	30.06.2016			
	Financial institutions	Entities	Households	Total
Valuated on an individual basis, of which:	-	172 480	186 596	359 076
impaired	-	135 737	174 526	310 263
Valuated with portfolio method, impaired	1 905	27 847	1 216 015	1 245 767
Valuated with group method (IBNR)	3 910	367 677	30 172 220	30 543 807
Loans and advances to customers - gross	5 815	568 004	31 574 831	32 148 650
Allowances on exposures valuated on an individual basis, of which:	-	(49 997)	(73 389)	(123 386)
impaired	-	(49 617)	(73 349)	(122 966)
Allowances on exposures valuated with portfolio method	(563)	(18 144)	(786 507)	(805 214)
Allowances on exposures valuated with group method (IBNR)	(68)	(2 982)	(87 959)	(91 009)
Allowances - total	(631)	(71 123)	(947 855)	(1 019 609)
Loans and advances to customers - net	5 184	496 881	30 626 976	31 129 041

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Loans and advances to customers in impairment valuation method in CHF (presented in PLN)	31.12.2015			
	Financial institutions	Entities	Households	Total
Valuated on an individual basis, of which:	-	170 986	223 586	394 572
impaired	-	134 743	208 089	342 832
Valuated with portfolio method, impaired	-	32 034	1 126 528	1 158 562
Valuated with group method (IBNR)	6 098	372 332	30 309 066	30 687 496
Loans and advances to customers - gross	6 098	575 352	31 659 180	32 240 630
Allowances on exposures valuated on an individual basis, of which:	-	(45 601)	(95 867)	(141 468)
impaired	-	(45 185)	(93 751)	(138 936)
Allowances on exposures valuated with portfolio method	-	(18 199)	(699 206)	(717 405)
Allowances on exposures valuated with group method (IBNR)	(171)	(2 711)	(100 384)	(103 266)
Allowances - total	(171)	(66 511)	(895 457)	(962 139)
Loans and advances to customers - net	5 927	508 841	30 763 723	31 278 491

Loans and advances to customers valuated in the group method (IBNR)	30.06.2016		
	PLN	CHF	Other currencies
Loans and advances to customers - gross	137 683 428	30 543 807	15 777 764
past due	2 172 779	675 489	267 625
not past due	135 510 649	29 868 318	15 510 139
Impairment on exposures valuated using the group method (IBNR)	(422 154)	(91 009)	(61 892)
past due	(146 578)	(44 193)	(10 636)
not past due	(275 576)	(46 816)	(51 256)
Net loans and advances to customers	137 261 274	30 452 798	15 715 872

Loans and advances to customers valuated in the group method (IBNR)	31.12.2015		
	PLN	CHF	Other currencies
Loans and advances to customers - gross	137 684 206	30 687 496	15 091 438
past due	2 215 404	719 752	241 215
not past due	135 468 802	29 967 744	14 850 223
Impairment on exposures valuated using the group method (IBNR)	(414 211)	(103 266)	(51 692)
past due	(153 193)	(49 835)	(8 393)
not past due	(261 018)	(53 431)	(43 299)
Net loans and advances to customers	137 269 995	30 584 230	15 039 746

Loans and advances to customers valuated in the group method (IBNR) covered by forbearance by currencies	30.06.2016		
	PLN	CHF	Other currencies
Gross loans and advances to customers forbearance	1 158 546	680 113	61 788
Impairment on exposures valuated using the group method (IBNR) forbearance	(40 206)	(30 144)	(1 972)
Net loans and advances to customers forbearance	1 118 340	649 969	59 816

Loans and advances to customers valuated in the group method (IBNR) covered by forbearance by currencies	31.12.2015		
	PLN	CHF	Other currencies
Gross loans and advances to customers forbearance	1 718 753	776 522	67 787
Impairment on exposures valuated using the group method (IBNR) forbearance	(51 567)	(35 930)	(2 151)
Net loans and advances to customers forbearance	1 667 186	740 592	65 636

As at 30 June 2016, the average LTV for loans portfolio in CHF amounted to 85.97% - compared to the average LTV for the whole portfolio amounting to 72.11%.

- **Insurance risk management**

Insurance risk is a risk of loss or of adverse change in value of insurance liabilities, due to inadequate pricing and inadequate assumptions applied for settling provisions (in particular technical provisions).

The objective of insurance risk management is to maintain risk on an acceptable level and to limit potential loss from adverse change in the value of insurance liabilities.

Identification and assessment of insurance risk

Exposure to insurance risk exists in two Group's entities. In PKO Życie Towarzystwo Ubezpieczeń S.A. (PKO Życie) are identified the following sub-types of risk: mortality, morbidity, contracts termination, cost increase, catastrophic.

Assessment of exposure to insurance risks in PKO Życie is as follows:

- mortality and morbidity risk is assessed at a low level due to the remote share of insurance policies relating to this risk in the Company's insurance portfolio and reinsurance, which is applied
- the contracts termination risk relates mainly to insurance products with insurance capital funds. As a result of the proceedings of the UOKiK and its agreements, the Company estimated the changes in the distributions of future resignations. The amount of the future payments of surrender fees in accordance with the above agreement was also adjusted. Until the date of this report, no increase above the Company's expectation, in the level of contracts resignation was observed. Based on data from the first half of 2016 and previous decisions of the UOKiK, the level of contracts termination is assessed as stable, but their risk is at increased level.

In 2016 new Group's entity PKO Towarzystwo Ubezpieczeń SA (PKO TU) started operating activities in the II segment of the other personal and property insurance. The Company is exposed mainly to the following sub-types of risk: provisions and premiums risk, catastrophic risk, contracts termination risk.

Assessment of exposure to insurance risks in PKO TU is as follows:

- provisions and premiums risk concerns mainly long-term loss of income insurance contracts and it means the risk of loss or of adverse change in value of insurance liabilities due to variability of occurrence, frequency and range of insured events as well as variability of the occurrence of claims and value of these claims.
- catastrophic risk concerns mainly property insurance contracts and it means the risk of loss or of adverse change in value of insurance liabilities due to significant uncertainty of assumptions applied for settling provisions, related to extreme or extraordinary events.

Insurance risk measurement in PKO Życie and PKO TU is carried out by contracts termination analysis, claims analysis, analysis of assets covering technical provisions (APR) and annual analysis of shock scenarios – stress-tests, on the basis of methodology required by the PFSA Office.

Following implementation of the new Solvency II system, applicable since 1 January 2016, both insurance companies calculated the minimum capital requirement (MCR) and standard capital requirement (SCR) as at 1 January 2016 and as at 31 March 2016, and prepared a report on forward looking assessment of own risk (FLOAR) in 2015. According to these analyses Companies predict that solvency ratios in accordance with the system of Solvency II are at an adequate level.

Monitoring of insurance risk

Assets covering technical provisions (APR) were at a sufficient level (above 100%). The total provisions cover ratio in PKO Życie as at 31 March 2016 amounted to 103.18%. For insurance products with insurance capital funds and for structured products, which comprise the greater part of the portfolio of PKO Życie, surplus of assets is not required, hence the total level of ratios remains at the level above 100%. The provisions cover ratio in PKO TU in the first months of operating activities was at extremely high, unrepresentative level.

Insurance risk reporting

Insurance risk reporting is performed in PKO Życie and PKO TU in the form of monthly report for the Management Board and the quarterly report for the Assets & Liabilities Management Committee, Local Risk Committee and for Risk Committee of the Supervisory Board. Additionally, there are realized information needs of the Bank.

Management actions concerning insurance risk

As to mitigate the insurance risk exposure, PKO Życie uses among others: reinsurance of risks (mortality, morbidity), grace periods, exemptions, retention activities.

Outward reinsurance of PKO Życie is performed on the basis of:

- obligatory - facultative, quota share - surplus treaties, on the basis of risk - premium,
- facultative reinsurance agreements, on the basis of risk – premium,
- obligatory, proportional reinsurance agreements, on the basis of risk- premium

Facultative reinsurance is applied for all insurance agreements and risks not covered by obligatory – facultative reinsurance agreements, in which the sum on the gross risk exceeds agreed amount.

In case of the new products and the risks, PKO Życie chooses reinsurer, range of protection, terms of the reinsurance, changes in concluded reinsurance contracts and concluding new reinsurance contracts in relation to the newly introduced to offer or modified insurance products and new risks.

As to mitigate the insurance risk exposure, PKO TU uses among others: proportional reinsurance, adequate constructions of insurance products, catastrophic reinsurance.

45. Capital adequacy

Basic regulations applicable in the assessment of capital adequacy as at 30 June 2016 are described in the consolidated financial statements for the year ended 31 December 2015.

For the purpose of prudential consolidation the Group comprises: PKO Bank Polski SA, PKO Leasing SA Group, PKO BP BANKOWY PTE SA, PKO Towarzystwo Funduszy Inwestycyjnych SA, KREDOBANK SA Group, PKO Finance AB, Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o., PKO Finat sp. z.o.o and PKO Bank Hipoteczny SA.

The level of capital adequacy of the Group in the six-month period of 2016 remained on a safe level, significantly above the supervisory limits.

The value of capital adequacy measurement in the first half of 2016 remained above the external limits, as well as above level recommended by supervisory authorities (PFSA/EBA).

The Polish Financial Supervision Authority in its letter dated 10 May 2016 concerning additional requirement in terms of own funds related to foreign currency mortgages for households informed the Bank on the requirement concerning the PKO Bank Polski SA Group. In accordance with the letter, the Group's minimal capital ratios to payment of dividend up to 50% of the profit, shall amount at least 13.81% for T1 ratio and 13.99% for TCR ratio. The expectations for the minimal capital ratios related to the separate Bank have not changed. Minimal value of capital ratios to payment of dividend up to 50% of the profit, after taking into consideration individual additional capital from foreign mortgages loan portfolio and additional capital buffer, amounts to 13.82% for T1 ratio and 14.01% for TCR ratio. Moreover PFSA recommended increasing of Bank's own funds through retention of at least 50% of the profit for the period from 1 January to 31 December 2015.

In addition, on 25 April 2016 EBA has released the O-SIIs list (Other Systemically Important Institutions) in the European Union, including notification with expectation of information regarding entities classified to this group from Bulgaria and Poland.

	30.06.2016	31.12.2015
Own funds in total	28 332 248	27 091 444
Tier I capital	25 820 383	24 608 318
Tier I capital before regulatory adjustments and reductions, of which:	29 236 290	27 828 677
Share Capital	1 250 000	1 250 000
Other reserves	26 719 504	24 118 542
General banking risk fund	1 070 000	1 070 000
Retained earnings	196 786	1 390 135
(-) Goodwill	(1 102 497)	(1 102 497)
(-) Other intangible assets	(1 737 125)	(1 690 794)
Accumulated other comprehensive income	(337 626)	(135 783)
Deferred income tax assets, dependent on future profitability, not derived from temporary differences	(1 617)	(2 017)
Adjustments in Tier I basic capital due to prudential filters	(191 211)	(14 403)
Other adjustments in transitional period in Tier I basic capital	(45 832)	(274 865)
Tier II capital	2 511 865	2 483 126
Equity instruments and subordinated loans qualified as Tier II capital	2 511 865	2 483 126
Requirements as regard own funds	14 898 232	14 836 827
Credit risk	13 578 215	13 658 288
Operational risk	653 976	662 547
Market risk	630 216	484 532
Credit valuation adjustment risk	35 824	31 460
Total capital adequacy ratio	15.21%	14.61%
Tier 1 capital ratio	13.86%	13.27%

46. Information on loan package sale

The Bank did not enter into any securitization transactions, although in the first half of 2016 it performed sales of balance sheet and off-balance sheet receivables with a total nominal value of PLN 468 716 thousand (including capital in the amount of PLN 232 986 thousand), concerning debt of individuals as well as corporate entities (including loans secured by mortgage).

EVENTS AFTER THE REPORTING PERIOD

47. Events after the reporting period

- On 1 July 2016 Extraordinary General Shareholders' Meeting of PKO Bank Hipoteczny SA adopted the resolution on increasing its share capital by PLN 200 000 thousand through the issuance of shares. On 8 July 2016 Polish Financial Supervision Authority approved the amendment to the Statute. PKO Bank Polski SA subscribed and paid for taking of the above discussed shares. On 28 July 2016 the increase in the share capital of the entity was registered with the National Court Register.
- On 6 July 2016 PKO Bank Polski SA repaid the loan received from PKO Finance AB in the amount of CHF 250 000 thousand. On 7 July 2016 PKO Finance AB redeemed bonds with a total nominal value of CHF 250 000 thousand.
- On 13 July 2016 the shareholders of Qualia spółka z ograniczoną odpowiedzialnością – Władysławowo Sp. k. adopted the resolution on dissolution of the Company without liquidation procedure.
- On 28 July 2016 Qualia Development Sp. z o.o. repurchased 1 share of the Fort Mokotów Inwestycje Sp. z o.o. from Qualia Sp. z o.o. After that, it became the sole shareholder of the Fort Mokotów Inwestycje Sp. z o.o.
- On 28 July 2016 Qualia Development Sp. z o.o. and Dom Development SA signed an agreement on sale 100% of shares of Fort Mokotów Inwestycje Sp. z o.o., which is the usufructuary of land located in the area of Żwirki i Wigury Street and Raclawiska Street in Warsaw. The amount of the transaction including price of shares and loan repayment, which was provided to Fort Mokotów Inwestycje Sp. z o.o. by Qualia Development Sp. z o.o., equals to PLN 133 500 thousand. Since 28 July 2016 Fort Mokotów Inwestycje Sp. z o.o. has been no longer subsidiary of Qualia Development Sp. z o.o.

6. In July 2016 PKO Bank Hipoteczny SA purchased a portfolio of mortgage housing loans in the amount of PLN 1 029 009 thousand based on the Framework Agreement Concerning the Sale of Debts with PKO Bank Polski SA signed in 2015.
7. On 5 August 2016, under the proceeding, conducted to identify the Bank as the other systemically important institution (O-SII), on the basis of the assessment of systemically importance of the Bank, the PFSA decided to refer to the Financial Stability Committee in order to issue an opinion on identification the Bank as O-SII and imposition on the Bank obligation to fulfill the buffer in the amount of 0.75% of the total risk exposure calculated in accordance with art. 92 § 3 of the EU Regulation 575/2013. Until the date of this report, the Bank has received no information on the deadline for application O-SII buffer or its impact on minimal value of capital ratios.
8. On 24 August 2016 the company from the Group Qualia Development Sp. z o.o. concluded agreements under which: the company Qualia Residence Sp. z o.o. (the company in 100% subsidiary of Qualia Development Sp. z o.o.) sold two properties located in Jurata, Mestwina Street No. 32 and Mestwina Street No. 34 and No. 38, the company Qualia Sp. z o.o. (the company in 100% subsidiary of Qualia Development Sp. z o.o.) sold all the rights and obligations of the general partner of the company Qualia Spółka z ograniczoną odpowiedzialnością - Jurata Sp.k. and the company Qualia Development Sp. z o.o. sold all the rights and obligations of the limited partner in the company Qualia Spółka z ograniczoną odpowiedzialnością - Jurata Sp.k. Additionally Qualia Development Sp. z o.o. guaranteed for the obligations of Qualia Sp. z o.o. and Qualia Residence Sp. z o.o. to buyers due to losses (defined in the sales contract as the actual losses, without opportunity costs), that buyers may incur as a result of signing sales contracts.

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

17.08.2016	Zbigniew Jagiełło	President of the Management Board	 (signature)
17.08.2016	Piotr Alicki	Vice-President of the Management Board	 (signature)
17.08.2016	Bartosz Drabikowski	Vice-President of the Management Board	 (signature)
17.08.2016	Maks Kraczkowski	Vice-President of the Management Board	 (signature)
17.08.2016	Mieczysław Król	Vice-President of the Management Board	 (signature)
17.08.2016	Piotr Mazur	Vice-President of the Management Board	 (signature)
17.08.2016	Jakub Papierski	Vice-President of the Management Board	 (signature)
17.08.2016	Jan Emeryk Rościszewski	Vice-President of the Management Board	 (signature)

Signature of person responsible for
maintaining the books of account

17.08.2016

Danuta Szymańska
Director of the Accounting Division

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(signature)