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Bank Polski

The PKO Bank Polski SA Group Directors' Report for the year 2015

Report publication date:
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1. INTRODUCTION

1.1 Characteristics of the PKO Bank Polski SA Group activity

The PKO Bank Polski SA Group (the Bank's Group, the Group) is among the largest financial institutions in Poland and is one of the largest financial groups in Central - Eastern Europe. PKO Bank Polski SA (the Bank), the parent company of the Group, is the largest commercial bank in Poland and a leading bank on the Polish market in terms of scale of operations, equity, loans, deposits, number of clients and the size of the distribution network.

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. The Bank stands out on the Polish banking market with high financial results, which ensure stable and safe development of the Bank. PKO Bank Polski SA has a leading share in the Polish banking market at the level of 17.9% (deposits) and 17.8% (loans). The Bank is a leader in the Polish market in terms of the number of current accounts, payment cards and the value of mortgage loans.

Apart from the strictly banking and brokerage activities, the PKO Bank Polski SA Group offers a range of specialised services relating to leasing, factoring, investment funds, pension funds and insurance and transfer agent, outsourcing of IT professional, support services in the field of conducting business by other entities, it conducts real estate development and management activities, as well as through its subsidiaries in Ukraine, the Group conducts banking and provides financial services and debt collection.
The Group operates in the Republic of Poland and through its subsidiaries: KREDOBANK SA, 'Inter-Risk Ukraina' Sp. z d.o. (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 and in Germany by a branch of corporate PKO Bank Polski SA (PKO Bank Polski Niederlassung Deutschland) launched in 2015.

During the whole period of activity, the Bank had been consistently developing the prestige of its brand and providing services to many generations of Poles. The long tradition and clients' confidence are the important element of identification of the PKO Bank Polski SA Group, that's why consistent measures are taken in order to reinforce its perception as a group of institutions:

- secure, strong and competitive,
- modern and innovative, client-friendly and efficiently managed,
- socially responsible, concerned about the development of the cultural awareness of Poles.

Despite the keen market competition, the PKO Bank Polski SA Group effectively develops its operations not only in its traditional area of operations – serving retail clients. It became also a leader for corporate clients and small and medium enterprises– especially with regard to financing their operations and also in the market for financial services offered to communes, poviats, voivodeships and State budget sector. It is also the most important organiser of issues of municipal bonds. The high client service standards and effective credit risk assessment procedures enabled the PKO Bank Polski SA Group to increase its gross loan portfolio by 6% to the level of PLN 198.7 billion in 2015. With regard to consumer loans, the market share reached 22.9%, whereas the amounts due to customers reached the level of PLN 195.8 billion as at the end of 2015 which enabled the Group to maintain its leading position in respect of share in the deposit market, which amounted to 17.9%.

In 2015, the Group continued its activities concerning the improvement of efficiency of distribution network. As at the end of 2015, the largest network of PKO Bank Polski SA's branches in Poland comprised 1 277 branches and 881 agencies. The Bank's clients can use the systematically enriched electronic banking services offered under the iPKO brand and as a part of Inteligo account and introduced, new standard for mobile payments – IKO. Customers of PKO Bank Polski SA also have an increasing number of ATMs at their disposal – as at the end of 2015, there were 3 196 ATMs.

The PKO Bank Polski SA Group is one of the largest employers in Poland. As at the end of 2015, the PKO Bank Polski SA Group employed over 29 thousand people. The comprehensive learning and education offer was aimed at building professional and loyal staff providing increasingly higher standard of services to the clients and achieving high work performance.
The activities of the PKO Bank Polski SA's Foundation for the public good in the widest possible range are the expression of the Bank's social responsibility.

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The PKO Bank Polski SA group in years 2011-2015

	2015	2014	2013	2012 Restated*	2011
Statement of financial position (million PLN)					
Balance sheet total	266 940	248 701	199 231	193 151	190 748
Total equity	30 265	27 616	25 154	24 436	22 822
Loans and advances to customers	190 414	179 497	149 623	143 483	141 634
Amounts due to customers	195 758	174 387	151 904	146 194	146 474
Profit and loss account (million PLN)					
Net profit	2 609.6	3 254.1	3 229.8	3 739	3 807
Interest and similar income	7 029	7 523	6 722	8 089	7 609
Fee and commission income	2 851	2 934	3 006	2 917	3 101
Result on business activity	10 665	11 147	10 707	11 622	11 142
Net impairment allowance and write-downs	(1 476)	(1 899)	(2 038)	(2 325)	(1 930)
Administrative expenses	(6 036)	(5 245)	(4 623)	(4 683)	(4 411)
Financial ratios					
ROE net	1.0%	1.4%	1.6%	2.0%	2.1%
ROA net	9.0%	12.4%	13.2%	16.0%	17.5%
C/I	56.6%	47.1%	43.2%	40.3%	39.6%
Interest margin	3.0%	3.6%	3.7%	4.7%	4.6%
Loans with recognised impairment	6.6%	6.9%	8.2%	8.9%	8.0%
Costs of risk	-0.72%	-0.96%	-1.31%	-1.45%	-1.30%
Total capital ratio	14.6%	13.0%	13.6%	12.9%	12.4%
Client base of the PKO Bank Polski SA (in thousands)	**8 982**	**8 894**	**8 451**	**8 173**	**8 234**
Individuals	8 538	8 431	8 024	7 761	7 822
SME	430	449	415	401	400
Corporates	14	14	12	12	11
Operational data					
Branches of the PKO Bank Polski SA (number)	1 277	1 319	1 186	1 198	1 198
Headcount (number)	29 220	29 032	27 387	28 556	28 924
Current accounts in the PKO Bank Polski SA (in thousands)	6 621	6 660	6 318	6 220	6 146
Stock of shares					
Market capitalization (mPLN)	34 163	44 700	49 275	46 125	40 150
Shares (in millions)	1 250	1 250	1 250	1 250	1 250
Share price (PLN)	27.33	35.76	39.42	36.90	32.12
Dividend per 1 share (PLN) (paid in current year from the previous year's profit)	0.00	0.75	1.80	1.27	1.98

** Data comparable with 2013*

1.2 The PKO Bank Polski SA Group – historical background

The PKO Bank Polski SA Group strengthens its position as the leader of Polish banking, offering services to retail as well as institutional customers for 97 years.

1919-1938	1. Pocztowa Kasa Oszczędności was established through a decree signed by the Head of the country Józef Piłsudski, prime minister Ignacy Paderewski and Hubert Linde – founder and the first president. 2. Pocztowa Kasa Oszczędności vested with legal personality as a state institution, operating under the supervision and with guarantee of the State. 3. First local branch of Pocztowa Kasa Oszczędności was founded in Poznań. 4. Pocztowa Kasa Oszczędności started to run School Savings Unions (Szkolne Kasy Oszczędności). 5. With the initiative of Pocztowa Kasa Oszczędności, Treasury Ministry has decided to set up Bank Polska Kasa Opieki (today Pekao SA) as a public company to facilitate the Polish Diaspora the transfer of Polish foreign currencies to the country. 6. Pocztowa Kasa Oszczędności strongly contributed to the development of non-cash transactions - every other larger industrial plant and any large company had a cheque account in Pocztowa Kasa Oszczędności, and cheque turnover in Poland was half as much greater than the cash.
1939-1945	Years of war were time of huge losses and standstill in the activity of Pocztowa Kasa Oszczędności
1949-1988	1. Pocztowa Kasa Oszczędności transformed into Powszechna Kasa Oszczędności. 2. Banking Act introduced privilege of saving deposits held in Powszechna Kasa Oszczędności, they were covered by the State guarantee. 3. Powszechna Kasa Oszczędności introduced a modern product: current account. 4. Powszechna Kasa Oszczędności merged into the structures of the National Bank of Poland (NBP); yet retains its identity (1975). 5. Powszechna Kasa Oszczędności was separated from the National Bank of Poland (1988).
1991-2000	1. The Memorandum of Association granted to Bank by the Council of Ministers included a modified name of Powszechna Kasa Oszczędności - Bank Państwowy (a state bank); PKO Bank Polski SA in the short form. The first Supervisory Board of PKO Bank Polski SA was appointed. 2. The Bank became a sole shareholder of Inbudex Sp. z o.o. (currently Qualia Development Sp. z o.o.) a development company, which implements, through its subsidiaries, specific projects. 3. The first Internet information portal of the Bank and the first e-PKO Internet branch were launched. 4. PKO Towarzystwo Funduszy Inwestycyjnych SA (PKO TFI SA), established by PKO Bank Polski SA and Credit Suisse Asset Management Holding Europe (Luxembourg) SA, started operations. Since 2009 the Bank is the sole shareholder of the Company. 5. PKO Bank Polski SA and Bank Handlowy w Warszawie SA established PKO BP BANKOWY Powszechne Towarzystwo Emerytalne SA. Since 2003 the Bank is the sole shareholder of the Company. 6. Bankowy Fundusz Leasingowy SA (currently PKO Leasing SA) was established. The Company, together with its subsidiary, provides services of operating and financial leases of non-current assets and properties. 7. PKO Bank Polski SA and Bank Śląski SA established Centrum Elektronicznych Usług Płatniczych eService SA. Since 2001 the Bank held 100% of the Company's shares. 8. In 2000 the Bank was transformed into a wholly-owned subsidiary of the State Treasury under the name of PKO Bank Polski Spółka Akcyjna.
2002-2009	1. The Bank took over Inteligo Financial Services SA. The Company provides services ensuring the maintenance and development of IT data transmission systems supporting banking systems, including electronic access to bank accounts (Inteligo account). 2. The Bank purchased 66.65% of Kredobank SA shares. The Company is registered and operates in Ukraine. The Bank owns 99.5655% in the Company's share capital. 3. In 2004 Bank's flotation took place - at the end of the first day of quotations, shares reached a price of PLN 24.50 per unit against the issue price fixed at PLN 20.50. 4. PKO BP Faktoring SA started operations. 5. Successful rights issue of 250 000 000 D series shares was conducted within public offering, which resulted in the Bank's share capital increase from PLN 1 000 000 000 to PLN 1 250 000 000 (2009).
2010-2014	1. PKO Bank Polski SA (through its subsidiary PKO Finance AB) issued 5-year Eurobonds with value of EUR 800 million and bonds to the American market in the amount of USD 1.0 billion, which became benchmark securities not only for Polish entities but also for issuers in Central and Eastern Europe. 2. Strategy for the years 2013-2015 'PKO Bank Polski. Daily the best', which assumptions will help to strengthen the position of the Group as a leader in key market segments was approved. 3. PKO Bank Polski SA set a new standard for mobile payments - IKO - the innovative solution for the mobile payments market. 4. PKO Bank Polski SA has signed with EVO Payments International Acquisition GmbH an agreement for twenty-year strategic alliance in the electronic payment market and therefore sold a significant portion of shares in eService Sp. z o.o. 5. PKO Bank Hipoteczny was established, which will offer long-term mortgage loans to retail customers and will issue mortgage bonds after obtaining permission from the Polish Financial Supervision Authority. 6. PKO Bank Polski SA acquired the shares of Nordea Bank Polska SA, Nordea Polska Towarzystwo Ubezpieczeń na Życie SA and Nordea Finance Polska SA, as well as a portfolio of receivables due to corporate clients. In October there was the legal merger of the banks.
2015	1. Creation of the Mortgage Bank PKO SA in order to ensure a secure long-term financing structure of the mortgage portfolio 2. Expansion into foreign markets through actions aimed to establishment the first foreign corporate branch of PKO Bank Polski SA in Frankfurt am Main. 3. Completing the merger with Nordea Bank Polska SA. Integration with Nordea Bank Polska SA was the fastest conducted merger process in Poland. It confirmed high organizational efficiency and expertise of the entire organization. 4. Creation of the PKO Towarzystwo Ubezpieczeń SA property insurance for individual customers of PKO Bank Polski SA. 5. Starting the new payment system BLIK, which was initiated by the Bank and has become the market standard.

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1.3 The main events of 2015

The GDP growth rate in Poland in 2015 remained stable. The external demand weakened due to the recession in Russia and Ukraine and other emerging countries, but on the Polish economy the greater impact had a recovery in the euro area. Stable domestic demand was supported by the improving situation on the labour market and deflation, that was increasing real purchasing power of households, as well as by the significant drop in oil prices. There was an increase in employment in the enterprise sector and a marked decline in the unemployment rate. Financial results of the banks in 2015 were also determined by exceptionally low levels of interest rates.

2015 was marked with the implementation of many important strategic projects in PKO Bank Polski SA, projects set the foundation for further dynamic business development

In April 2015, the operational merger of PKO Bank Polski SA with Nordea Bank Polska SA ended with a full success. As a result, there was a unification of the activities of both banks, including access to educational and transactional system for all customers. The merger was the fastest merger of two banks carried on the Polish market and one of the fastest in Europe. The migration work were carried out without any prejudice to the continuity, stability and security of the operation of the Bank's computer system.

The essential elements of the strategy being implemented, which strengthen competitive advantages and give a strong base for the long-term development of PKO Bank Polski SA, was the establishment of PKO Bank Hipoteczny SA. In April 2015, after obtaining the authorization of the Financial Supervision Authority to start operations, PKO Bank Hipoteczny SA began selling at the retail network of PKO Bank Polski SA and by the agents and intermediaries. In 2015, PKO Bank Hipoteczny SA finalized the work associated with obtaining the credit rating. Mortgage bonds of the Bank received the highest achievable rating in Poland –Aa3 assigned by Moody's, which indicates a very high level of safety of debt securities. It stems directly from the mortgage bonds backed by debt only in respect of PLN mortgage loans.

Building the Bank's strategic position for the coming years also resulted in launch of its first foreign branch in 2015 – a corporate branch of PKO Bank Polski SA in Germany. Selecting the direction of the first stage of the foreign expansion is integrally associated with the high activity of the Bank's institutional clients on the German market, the scale of the mutual trade, and the investment projects carried out. The registered office of the branch which operates under the name of PKO Bank Polski Niederlassung Deutschland is in Frankfurt am Main. The services offered at this branch comprise of: transaction banking products, Treasury products, trade finance, consulting services relating to foreign markets, and foreign loans.

In 2015, the worldwide unique mobile payment system BLIK has been released for the Bank's clients, application was built on the basis of IKO of PKO Bank Polski SA application. This is the result carried at the initiative of PKO Bank Polski SA under the cooperation with 6 banks and is available to customers of these banks i.e. Alior Bank SA, Millenium Bank SA, Bank Zachodni WBK SA, ING Bank Slaski SA, mBank SA (including Orange Finance) and PKO Bank Polski SA (including Inteligo). With BLIK, clients have the ability to use the innovative system of cashless payments using mobile phone.

Actions undertaken by the PKO Bank Polski SA Group in 2015 made it possible to achieve high financial results, and thanks to that the Group strengthened its position among the largest financial institutions in Poland.

	2015	2014	Change 2015/ 2014
Net profit	2 609.6 PLN mln	3 254.1 PLN mln	-19.8%
Result on business activities*	10 664.8 PLN mln	11 146.6 PLN mln	-4.3%
Net interest income	7 028.6 PLN mln	7 522.9 PLN mln	-6.6%
Net fee and commission income	2 850.6 PLN mln	2 933.5 PLN mln	-2.8%
Administrative expenses	(6 036.3) PLN mln	(5 245.1) PLN mln	15.1%
Net impairment allowance and write-downs	(1 475.9) PLN mln	(1 898.7) PLN mln	-22.3%
ROA net	1.0%	1.4%	-0.4 p.p.
ROE net	9.0%	12.4%	-3.4 p.p.
C/I	56.6%	47.1%	9.5 p.p.
Interest margin	3.0%	3.6%	-0.6 p.p.
The share of loans impaired	6.6%	6.9%	-0.3 p.p.
Cost of risk	-0.7%	-1.0%	0.3 p.p.
Total capital ratio	14.6%	13.0%	1.6 p.p.

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

The net profit of the PKO Bank Polski SA Group generated in 2015 amounted to PLN 2 609.9 million, which represents an decrease of 19.8%, i.e. by PLN 644.6 million comparing to the previous year profit. The achieved level of net profit was determined by:

1) result on business activities of the PKO Bank Polski SA Group, which reached the level of PLN 10 664.8 million (-4.3% y/y), mainly due to:

- a decrease in net interest income by 6.6% y/y, due to the realised along with the further reduction in market interest rates and reduction of maximum interest rate of loans,
- a decrease of net fee and commission income (a decrease of 2.8% y/y), realised under the pressure of regulatory restrictions in respect of fees for payment services,
- the increase in the net foreign exchange (by 56.5% y/y),

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2) an increase of administrative expenses, related to the increase in premiums and contributions to the Bank Guarantee Fund (mainly due to the increase in interest rates charges of BGF) and additional costs related to the establishment of Borrowers Support Fund and payment to BGF of funds guaranteed from gathered deposits in the Spółdzielczy Bank Rzemiosła i Rolnictwa w Wołominie. [1] This resulted in decline in the effectiveness of C/I cost management ratio and amounted 56.6% compared to 47.1% at the end of 2014 C/I ratio adjusted for one-off events related to the additional mandatory burdens amounted to 52.1%
3) net impairment allowance and write-downs, which improved by PLN 422.8 million than achieved in 2014, mainly due to lower impairment allowances on corporate loans in connection with the improvement of the quality of new loans compared to the older generation.

The structure of the statement of financial position of the PKO Bank Polski SA Group, characterised by strong deposit base and a safe level of equity, maintaining a high result of business activities through stable organic growth and acquisitions as a next stage of the Bank's development. The loan to deposit ratio (amounts due to customers) as at the end of 2015 amounted to 97.3% (the ratio of loans to stable sources of funding[2] amounted to 85.0%), which proves the good condition of liquidity of the PKO Bank Polski SA Group.

As a result of actions taken in 2015 the PKO Bank Polski SA Group:

- increased total assets by more than PLN 18 billion, including portfolio of amounts due from customers by almost PLN 11 billion,
- maintained a high share of loans and deposits market on the level of 17.8% and 17.9%, respectively,
- was the first on the market with 24.9% share in sales of mortgage loans to individuals[3],
- in loans for small and medium sized enterprises was the largest lender providing de minimis credit guarantees with 24.7% of market share[4],
- improved the quality of the loan portfolio, measured by a ratio of impaired loans and cost risk ratio,
- expanded its insurance and investment products offer to customers,
- increased the number of clients by 88 thousand, mainly in a retail clients segment and clients using mobile banking IKO, which at the end of 2015 amounted to above 430 thousand,
- strengthened the capital position through action to increase the level of capital base and optimized risk weighted assets, which resulted in an increase in the total capital ratio of 1.6 p.p. annualized to 14.6%.

1.4 Directions of development of the PKO Bank Polski SA Group

The long-term goal of the PKO Bank Polski SA Group is to strengthen its position in the Polish market as the foundation for further growth, combined with the expansion into foreign markets, where the Bank intends to support the development of its key corporate clients.
The Bank will consistently undertake actions to strengthen its leader position in all major segments of the financial market in Poland, while strengthening the high value of its brand in the Polish banking sector. Undertaking development activities aims at strengthening the position of the Bank, also as a leading universal bank in Central Europe.

Strategy of PKO Bank Polski SA for 2013-2015

The development directions of PKO Bank Polski SA was set out in the new strategy for the years 2013-2015, 'PKO Bank Polski. Daily the best', approved by the Supervisory Board on 27 March 2013.

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

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

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

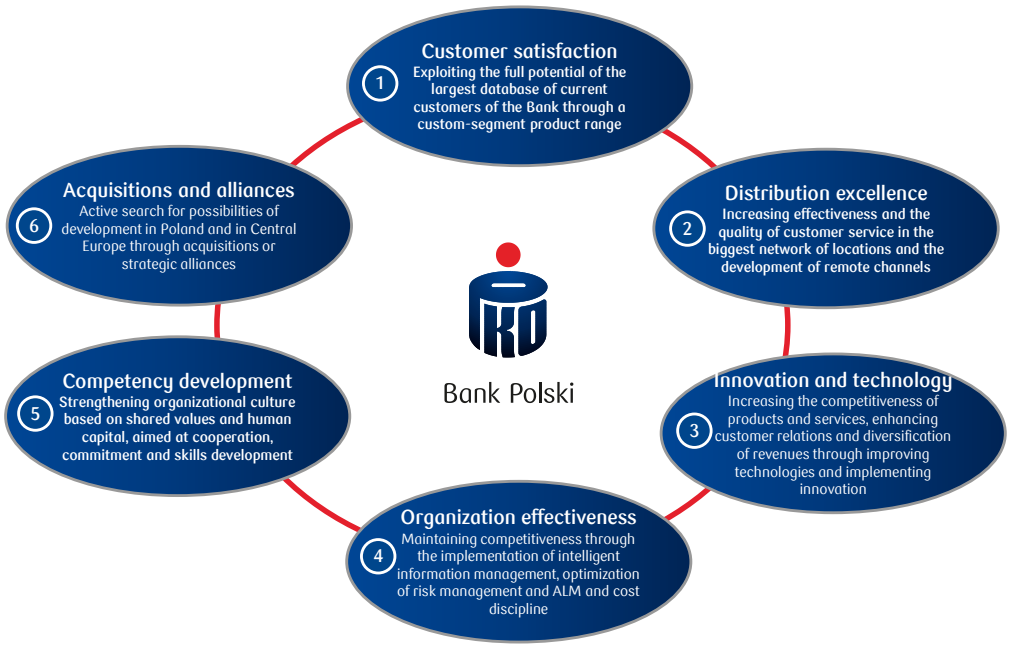
[1] *Pursuant to the Resolution of the Management Board of the Bank Guarantee Fund (BGF) No. 87/DGD/2015 of 26 November 2015, banks were obliged to pay a fee within the fund of protection of guaranteed funds (FPOGF) to cover the payments of guaranteed funds to depositors of Spółdzielczy Bank Rzemiosła I Rolnictwa w Wołominie in connection with its bankruptcy.*

[2] *Stable sources of financing include amounts due to customers (including funds from the issue of Eurobonds) and external financing in the form of: subordinated liabilities, issue of own debt securities and amounts due to financial institutions.*

[3] *Data of Association of Polish Banks*

[4] *According to the data provided by the Center for Sureties and Guarantees of Bank Gospodarstwa Krajowego as at 31 December 2015*

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



Long-term strategic levers contribute to the leverage of the following areas of business:

1) Strategic levers in Retail Banking:

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

2) Strategic levers in Corporate and Investment Banking:

- Relationship banking and segment-based service model (implementation of an improved segment strategy, distribution structure and price policy and development of skills, as well as loan portfolio quality discipline and efficient capital allocation);
- Transaction banking (development of mass payment solutions, extending the product offer, improving customer service quality and improving of processes);
- Integrated sales model - capital markets and structured financing (implementing the cross-selling model and developing investment products);
- Optimisation of assets and equity and liabilities management (safe and effective management of the Bank's liquidity, improving the interest rate risk management, developing long-term financing, developing the Group);

3) Strategic levers of Supporting Areas:

- Risk management optimisation (decreasing credit risk costs, process enhancement, implementing price policies adjusted to the customer's risk profile, implementing IRB method and increasing the rate of return);
- Advanced, efficient and safe technologies and efficient operating processes (IT solutions supporting 'business activities' in the development of new products, creating conditions for the further, safe development of the Bank's business activities);
- Development through increased involvement and common values (increasing organisational efficiency and human capital value, enhancing corporate culture which is open to changes, attracting the best employees);
- Efficient financial management (increasing financial management efficiency through perfecting organisational intelligence, introducing new methods of the Bank's statement of financial position management and continuous cost optimisation).

Another strategic lever of development of PKO Bank Polski SA are acquisitions, comprising:

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

As part of the strategy of PKO Bank Polski SA an integrated model of the Group was developed. The Bank's subsidiaries, acting as product centres, supplement the basic offer of the Bank's financial products in respect to leasing, factoring, investment and pension funds and insurance.

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The key strategic initiatives for the Group's model development for 2013-2015 comprised:

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

Implementation of the strategy „PKO Bank Polski Codziennie Najlepszy" for 2013 - 2015

During the implementation of „PKO Bank Polski Codziennie Najlepszy" strategy, the Bank successfully continued his mission as the leader of the Polish banking sector, committed to improving service offerings to its customer and building long-term relationships with them. The Bank implemented the modern market standards gradually rising the quality of services, efficiency of the organization and utilizing synergies in the operations of the Bank and the Group. 2013 – 2015 passed in the PKO Bank Polski SA marked as the implementation of key strategic initiatives, which are the foundation and its further dynamic development. These included:

- activities building a new organizational culture, involves investing in human resources and shaping a culture based on values and a new competence model,
- implementation of the new philosophy of the Bank's management, including: the centralization of support functions, standardization and optimization of processes, optimizing assets management, improving risk management, high cost-effectiveness and changes in the management of IT, as an area open to the business needs actively supporting its initiatives,
- improvement of the customer service quality, which effects have been confirmed by numerous awards and distinctions for PKO Bank Polski SA, also among internet users as well as commercial success of Contact Center PKO Bank Polski SA, annually-awarded as the best among the bank hotlines,
- reorganization of the management model of the Group, which consists of optimizing its activities, strengthening interdependence and synergy, complementarity of tenders, the integration of support functions, efforts to simplify the organizational structure, focus on "core business" and the creation of a mortgage bank and new insurance companies.

A the same time during the implementation of the strategy 2013-2015 the Bank conducted active measures, aimed at adapting the scope and objectives of activity, to the new regulatory environment, market and macro-economic which was a subject of dynamic changes, which concerned: historically low interest rates, rising operation costs of banks (higher premiums for BFG), a decline in net fees and commissions (including the reduction of interchange fees) or the implementation of the Financial Supervision Authority recommendation ("U" , "P"). Despite these restrictions the Bank has achieved a high strategic objectives, efficiently managed the credit risk, including lowering the level of risk consistently, as well as keeping a solid position of capital and liquidity.

The most important business achievements of PKO Bank Polski SA, supporting the implementation of the "PKO Bank Polski Codziennie Najlepszy" strategy were:

- Merger with Nordea Bank Polska SA
  In April 2015 the integration process of PKO Bank Polski Sa with Nordea Bank Polska SA has ended. As a part of operational merger data of 300 thousand customers was acquired by systems of PKO Bank Polski SA, transaction system and services have been unified. The integration of the acquired bank was the fastest conducted process of mergers in Poland, it confirmed the high operational efficiency and high level of competence throughout the organization.
- Establishment of PKO Bank Hipoteczny SA
  In the second quarter of 2015, PKO Bank Hipoteczny SA began its activity. The task of the Bank is to obtain long-term financing through the issuance of mortgage bonds. Implementation of the new mortgage banking model is to provide a safe structure of financing of long-term mortgage loan portfolio.
- Development of the new insurance model
  The integration of Nordea Bank Polska SA and the acquisition of insurance competences, accelerated the development of bancassurance area. PKO Bank Polski Sa Group was expanded by life insurance company PKO Życie Towarzystwo Ubezpieczeń SA, which completes the offer of life insurance and other personal insurance.
- Implementation of the Polish Payments Standard
  PKO Bank Polski SA and Alior Bank SA, Millenium Bank SA, Bank Zachodni WBK SA, BRE Bank SA, ING Bank Slaski SA, carried out the activities related to the construction of a common standard of mobile payments, which was available for above listed bank in February 2015 under the name of BLIK. Mobile payments system BLIK has been built on the basis of IKO the PKO Polski Bank SA application, developing at the same time product range.

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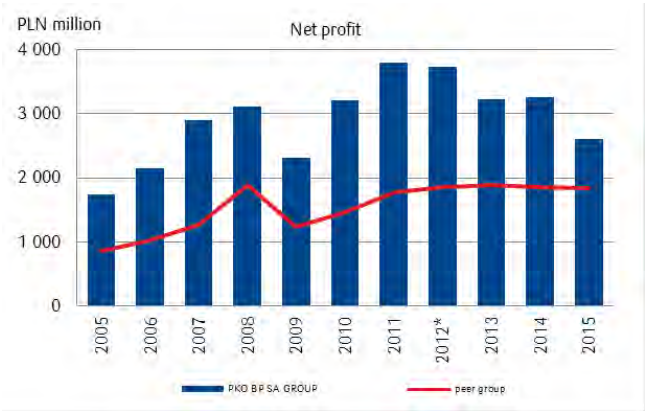
- Development of electronic banking
  Implementation of new versions and services of iPKO and iPKO Biznes – the modern solutions that help individual and corporate clients using electronic channels. At the same time developing product and functional range in the internet channel.
- Development of mobile banking
  Since 2013, IKO mobile application is functioning in the Bank's offer, that in the following years of strategy implementation went through a dynamic development of the functionality in the direction tending to the implementation of advanced mobile banking – from financial management through the implementation of purchases using a mobile phone. New payment system BLIK, has become a market standard, it was also initiated and launched by the Bank. BLIK is used by the clients of the largest banks in Poland.
- Implementation of the New Sales Rhythm
  New Sales Rhythm launched in July 2015 is a continuation of the development path chose by the Bank, that leads to the realization of strategic objectives through the constant development of innovation. Implementation of the multi-channel solutions, based on optimized processes and new products with individually matched prices, customers will have the opportunity to use the bank's services with the most convenient for themselves ways: by the contact with an advisor at the branch, as well as through smartphones, electronic banking, contact centre and ATM's.
- Strengthening leadership on brokerage market
  Brokerage house of PKO Bank Polski SA was the most active on the stock and bonds market. It was a leader in terms of number and value of transactions carried out on the capital market. Company has the largest distribution network of brokerage services and has of the best analytical and institutional teams in Poland.
- Development of offers for SME
  Bank's offer was enriched with an offer for small and medium-sized companies with mobile bundle consisting of dedicated banking products and services for active traders. PKO Bank Polski SA strengthened its position as the largest lender among banks granting loans with guarantees "de minimis", and concluded with Bank Gospodarstwa Krajowego ('BGK') an agreement concerning the participation in the COSME EU program, which aim is to stimulate lending and equity investment for SMEs.
- Development of offers for corporations and governments
  Specialization of corporate customer service was made in the new organizational structure, which makes it easier to offer specialized products, tailored to the specific needs of different customer segments. The Bank also strengthened position in support of local governments, gaining a number of new centres and cities reaching 20% share in the financing of local government loans and 40% share in the field of municipal bond issues.
- Foreign expansion
  The process of starting a corporate branch in Germany have been completed. In December 2015 PKO Bank Polski Niederlassung Deustchland started its activity as the first branch of the Bank opened abroad. The opening of a branch in Germany is the first step in international expansion, which focuses on the business activity of Polish companies abroad.

As a part of the strategic initiatives in 2015, the PKO BP Faktoring SA was transferred to the PKO Leasing SA Group, NEPTUN – the investment fund of non-public assets was created, it is managed by PKO TFI SA to whom PKO Bank Polski SA is successively disposing shares of companies whose business is not complementary to financial service offer provided by the Bank.

1.5 The PKO Bank Polski SA Group against its peer group[5]

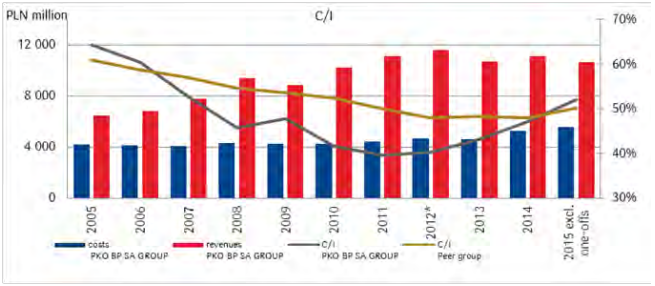
In order to maintain comparability of Banks results included in the peer group, the figures for 2015 were adjusted for one-off events: BFG fees in connection with the bankruptcy of the Spółdzielczy Bank Rzemiosła i Rolnictwa based in Wołomin (SBRiR in Wołomin) and feed for Borrowers Support Fund.
In 2015 Banks peer group implemented additional revenues from one-off events, such as the sale of shares in subsidiaries and associates, compensation under the insurance contract. These events have not been excluded from the data for 2015.

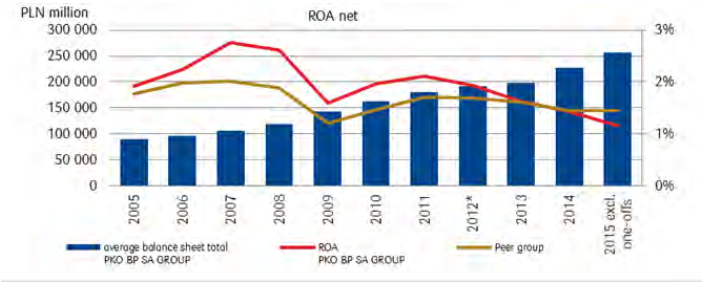


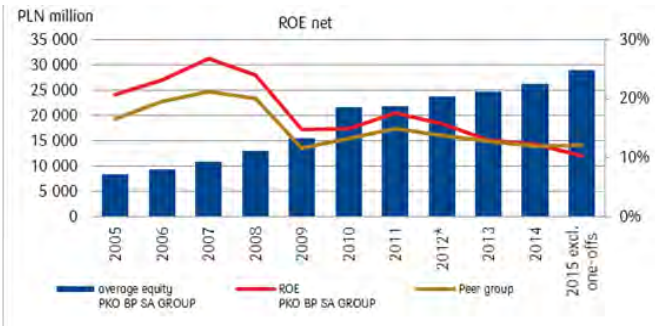
The results of the banking sector in 2015 remained under pressure of low interest rates turned out to be lower than those achieved in 2014. In 2015, the PKO Bank Polski SA Group achieved high financial results, at a slightly lower level that those achieved in previous periods

**Restated data.*

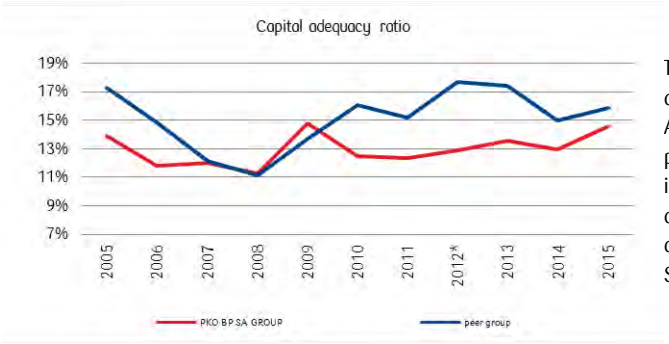
[5] *The peer group consists of the Capital Groups: Pekao SA, mBank SA, ING Bank Slaski SA, BZ WBK SA. The data for the calculation of ratios is from the annual consolidated report and quarter reports of the individual banks.*







In 2015, financial results of the banking sector were influenced by low interest rates, higher credit risk costs, accompanied by positive influence of cost discipline. In 2015 the profitability ratios of the PKO Bank Polski SA Group also decreased.

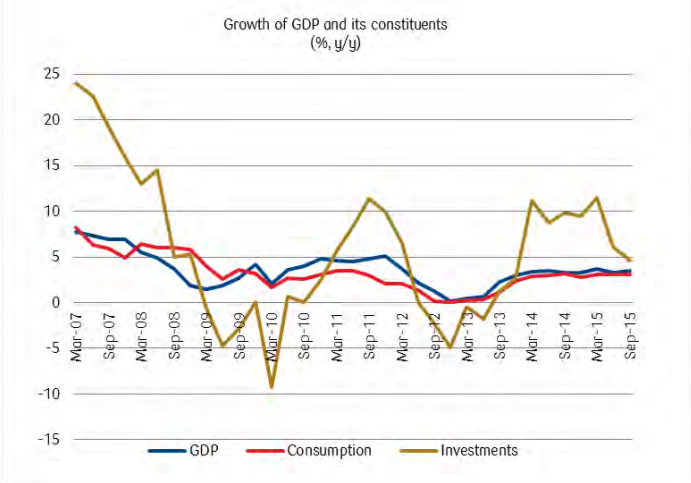


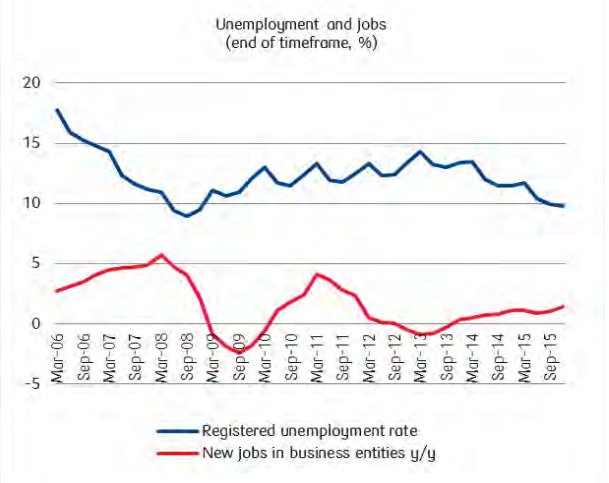
The capital situation of the banking sector in 2015 remained stable and as a result, total capital ratio remained on a high level in the whole sector. As at 31 December 2015 total capital ratio was calculated based on the provisions of the CRR Regulation. In 2015 the PKO Bank Polski SA increased a capital base by way of the accumulation of a profit achieved in 2014 and risk-weighted assets optimization. Undertaken actions allowed to strengthen a capital position of the PKO Bank Polski SA compared to its peer group.

2. EXTERNAL BUSINESS ENVIRONMENT

2.1 Macroeconomic environment

The growth rate of the Polish economy throughout 2015 remained stable at close to 3.5% y/y despite the varying trends in the external environment. The deep recession in Russia and Ukraine, together with the slowdown / recession in many emerging countries (mainly in China) limited the strength of external demand, but the positive impact of the recovery in the euro zone was dominating. The positive impulse – significant drop in oil prices came from the external environment. As a result, domestic demand remained on the path of recovery. Consumption growth remained stable at just over 3% with the continued improvement in the labour market and deflation increasing the real purchasing power of households. Strong investment demand at the beginning of the year was supported by favourable weather, while in the second half of the year to maintain 10% growth of companies investments, the growth was supported by expansion/modernization of production potential in the automotive industry and the energy. On the other hand, decrease in government investment in the second half of the year was due to the end of the 2007-2013 financial perspective. In the whole 2015, the growth of GDP amounted to 3.6%.
In 2015 recorded growth acceleration in the corporate sector amounted up to 1.3% from 0,6% in 2014, with a clear lowering of the unemployment rate to 9.8% at the end of 2015 from 10.4% at the end of 2014. Remuneration growth in the corporate sector slowed slightly in 2015 to 3.5% from 3.7% in 2014.





In 2015, the average annual CPI inflation rate dropped to -0,9% from 0,0% y/y in 2014. The downward trend continued until March 2015 when inflation reached -1.5% y/y. This is mainly due to the deepening decline in the raw material prices, in particular food and oil. The subsequent rebound of fuel was only a statistical effect (oil prices fell, however a low base effect took place). The scale of food prices decline decreased almost throughout the whole year, which was due to a slowdown in the global downward trend and an extremely dry summer. The rate of core inflation fell during the year from 0.6% in January to 0.2% in December, mainly due to the slowdown in the growth of prices in term of communication, entertainment and education. Deflation tendencies during 2015 did not have a negative impact on the Polish economy, due to the low level of public debt and the private sector.

MPC decided to reduce all of NBP interest rates by 50bp in March (reference 1.50%), which was influenced by the decline of inflation to the lowest level in the recent history of the Polish economy. Later that year MPC decided not to cut the rates, decision was supported by the: progressive shortness of deflation, maintaining the GDP growth above 3% y/y and the Polish zloty depreciation.

2.2 Situation on the financial market

Stock market

The 2015 brought a big disappointment to the Warsaw Stock Exchange. Despite the good performance of the Polish economy, WIG felt by 10%, which ranks it among the indices of the countries where the economic situation was incomparably worse. This was primarily because the main components of the major stock indexes come from the sectors where the influence of the state economic policy is significant and investors decided that actual or potential decisions as unfavourable or at least risky for many companies. Relatively good economic situation prevailed on Western stock exchanges. In the euro zone the long awaited recovery has come although during the year Euroland was shaken by the negative political events (negotiations with Greece, avalanche influx of immigrants, the intensification of terrorism) stock exchanges have brought solid profits. STOXX50 index rose by 5%. This probably helped the European Central Bank, which intensified the stimulus efforts. The level of S&P500 index in the US remained unchanged. American companies bothered with strong dollar, weak foreign demand and slowly increasing wage pressure, which have not been able to compensate sales volumes. Energy sector was under pressure because of cheap oil. The year proved to be very difficult for most developing countries, it was reflected in the return rates of stock market indices. The year was very turbulent for the Chinese stock market, where 25% correction took place in August.

Currency market

The Eurodollar amounted to 1.20 at the beginning of the 2015 and ended close to the level of 1.09. The extension of quantitative expansion in the euro area in January and the strong expectation for a rate hike in the US pushed EURUSD to about 1.05 in mid-March. FED withdrawal from tightening monetary policy in the first quarter and conditioning the potential rate hikes from the dollar, further improvement in the labour market and inflation resulted in no change in monetary policy of the US in the second and third quarter. With the weakening of expectations for a quick hikes in the US, the EUR/USD exchange rate to the end of August has reached around 1.17. However, the progressive slowdown in the Chinese economy and strong expectations for a rate hike in the US until the end of 2015, strengthened the dollar against the euro. EUR/PLN started the year at the level of 4.28 and closed at the level of 4.26. Cessation of EUR/CHF defence at 1.20 by the SNB, temporarily weakened the EUR/PLN at the rate of 4.34, but the next few months brought the appreciation of Polish zloty thanks to the end of interest rate cuts in Poland at a relatively high level compared to previous expectations of the market and visibly softer FED rhetoric with respect to the prospects of rate hikes in 2015. As a result, in April the EUR/PLN reached 3.96 (annual minimum). Concerns of Greece bankruptcy ant its exit from the euro zone resulted in a reversal of the ongoing trend since the beginning of the Polish zloty appreciation. Although in the beginning of July, Greece finally reached an agreement with creditors, thus avoiding the "GREXIT", however a growing economic slowdown in China, combined with a collapse of the Shanghai stock exchange (which occurred in mid-August) gradually weakened the Polish zloty until the end of 2015.

Interest rates market

The 2015 brought very high volatility in the interest rate market. Yields on 2-year treasury bonds fell by 20 bps. To 1.55%, while in the 5-year rose by 9 bps. to 2.21% and 10-year old by 43bps. To 2.94%. Thus, the yield curve significantly dressed up, reaching for the spread of 2Y,10Y at the end of the year, level of 135bps. Beyond the

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changing shape of the expansion curve, the asset swap spreads was observed, it was related to increased concerns about the situation in emerging markets, as well as the announcement of increase in the borrowing needs of Poland in the coming years. The valuation of short-term treasury bonds strengthened the decision of: the ECB to loose monetary policy in the euro area, prolonged period of deflation in Poland, the decline of global raw material prices and ongoing expectations for easing of monetary policy. On the other hand, in the case of longer end of the curve a negative impact of the valuation was at the beginning of the normalization of monetary policy in the US, the Polish zloty depreciation, as well as increased concerns about the economies of emerging markets.

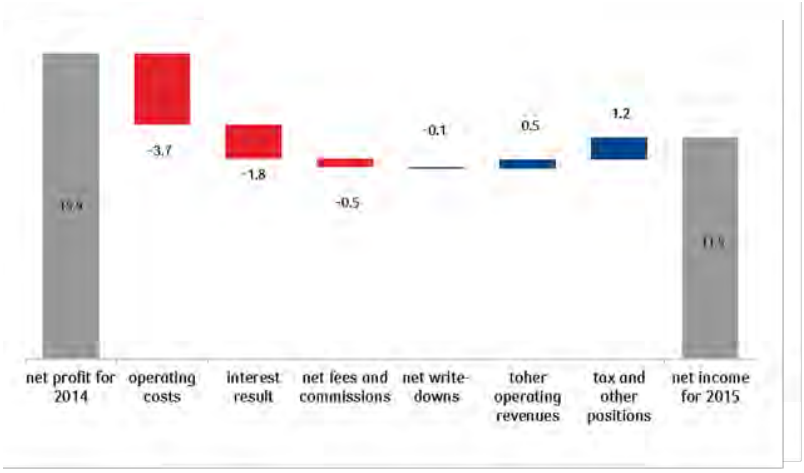
2.3 Situation in the Polish banking sector

Financial result

In 2015, the banking sector operated in conditions of economic growth, accompanied by a good situation on the labour market and financial sector. At the same time, the banking sector remained adversely affected by the bankruptcy of the cooperative banking sector, record-low key interest rates and charges resulting from regulatory changes (including the reduction of interchange fees, increased fees for a bank deposit guarantee system, the creation of Borrowers Support Fund). Banks fail to complete a portion of the revenue by engaging in support for currency borrowers (the so-called "six-pack") after the Swiss central bank's decision to release the CHF against the EUR. As a result, the net profit of the banking sector in 2015 amount to PLN 11.5 billion, a decrease of 27.6% compared to the net profit realized in 2014.

The results of the banking sector in 2015 were positively influenced by one-off events, including the sale of subsidiaries by some banks, but their impact on the situation of the banking sector was significantly lower than the negative factors.

Chart 1. Change in the banking sector net profit (PLN billion)



In 2015, a decrease in the result of business activity in the banking sector was influenced by the reduction of the interest income (-4,8% y/y) net fee and commission income (-3.3% y/y). Operating expenses of the banks increased by almost 12% y/y and net write-offs result at the end of 2015 has worsened, despite the improvement in the first half of the year.

Source: PFSA, the calculation of PKO Bank Polski SA

Profitability of the banking sector at the end of 2015, was at a record low level – ROE fell to 6.8% at the end of the 2015, from 10% at the end of 2014.

Quality of credit portfolio

In 2015, the quality of the loan portfolio improved compared to 2014. At the end of 2015, loans rate to non-financial sector declined to 7.5% (8.1% at the end 2014), with an appreciable improvement in the quality of all main categories of loans, including consumer loans (quality improvement by 0.8 pp y/y to 12%) and corporate loans (quality improvement by 1.2 p.p. r/r to 10.2%). The improvement of quality of corporate loans applies mainly to large enterprises than loans to SMEs. The quality of the housing loans portfolio improved y/y, the risk index of housing loans in CHF deteriorated and amounted to 3.4% at the end of 2015 (3.1% at the end of 2014), and the rate of mortgage loans risk in PLN fell y/y 0.7 p.p. to 2.7%

Financial position statement

At the end of the 2015, sum of total assets of the banking sector rose to PLN 1 600 billion, and its annual growth rate amounted to 4.4% y/y vs 9.0% y/y at the end of 2014. Equity of the banking sector amounted to PLN 173.7 billion at the end of 2015, this is an increase of 4.7% y/y. At the same time capital leverage in the banking sector (the ratio of equity to assets) remained at a stable level, i.e. amounted to 10.86% at the end of 2015 compared to 10.84% at the end of 2014.

In 2015, the situation on the lending and deposit market was shaped by significant weakening of the Polish currency against the CHF and the decline of the interest rate.

Chart 2. Loan structure of banking sector

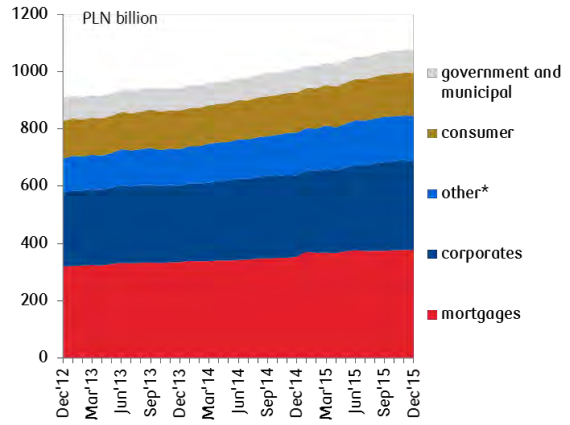
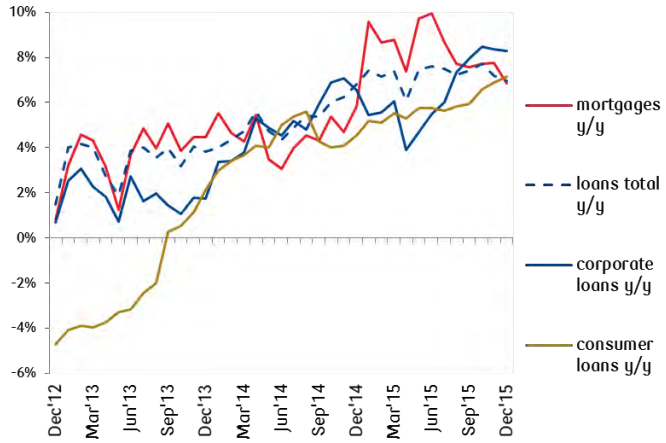


Chart 3. The rate change of loans in the banking sector (y/y)



* Other loans include loans to individual entrepreneurs, non-monetary financial institutions, farmer and non-commercial institutions serving households.

Source: NBP, calculations of PKO Bank Polski SA

The situation on the loan market in 2015 compared to 2014 was under the influence of a good macroeconomic situation, the continuing influence of visible weakening of the Polish currency.

At the end of December 2015 the value of loans rose to PLN 1 077 billion (+7.0% y/y), which was the result of both, the increase in household loans and corporate loans.

In 2015, a slowdown in the growth rate of housing loans in PLN (+11.0% y/y, compared to 13.5% y/y in 2014). The consumer loans rate of growth increased (+7.2% y/y vs +4.5% y/y in 2014), this is because of the impact of record low Lombard rates, determining the maximum interest level on consumer lanes. The annual rate of change of consumer lending at the end of 2015 was the highest since May 2010

In 2015, the recovery on the corporate loan market continued, their value increased by approx. PLN 24 billion, and the annual growth rate was 8.3% (compared to 6.5% at the end of December 2014).The situation in the market of corporate loans was the result of economic prosperity.

Chart 4. Deposit structure in the banking sector

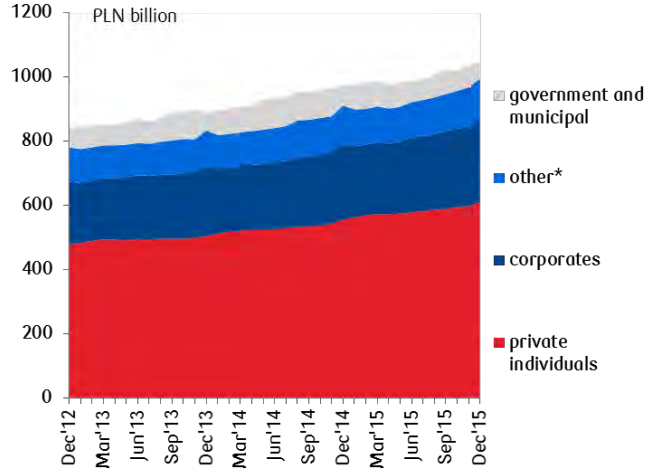
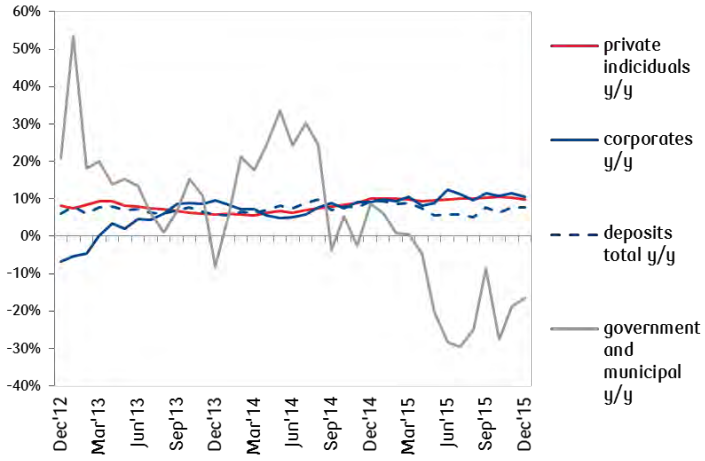


Chart 5. The rate of change of deposits in the banking sector (y/y)



* Other deposits include loans to individual entrepreneur, non-monetary financial institution, farmers and non-commercial institutions providing services for households.

Source: NBP, calculations of PKO Bank Polski SA

The situation in the deposit market in 2015 was affected by the low level of interest rates. Total deposits of the banking sector in 2015 increased stronger y/y than loans (respectively 7.6% and 7.0% y/y), and after eliminating the currency effect the annual growth rate of deposits was significantly higher than loans. At the end of 2015, the volume of deposits increased to PLN 1 046 billion, while slowdown of annual growth (of -1.7 p.p.)

The increase in deposits was mainly due to the increase in personal deposits, with a significant decline in deposits of government characterized by relatively higher volatility.

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Despite significant reductions in interest rates on term deposits, deposits of individuals maintained high growth rate y/y, which amounted to 9.8% (slightly lower than at the end of December 2014), with the apparent high rate growth of current deposits of individuals (+13.5% y/y). The increase in personal deposits was influenced by the improving situation on the labour market and the relatively low return rate realized on the investment funds market.

In 2015, the annual growth rate of corporate deposits amounted to 10.5% (compared to 9.1% in 2014)

2.4 The situation of the Polish non-banking sector

Investment fund sector

In 2015 acceleration continued on the investment funds market. Investment funds assets increased by approx.. 20% y/y i.e. about 9 p.p. stronger than 2014. Net inflow of new funds was more than twice higher than in 2014. In 2015, the largest inflow in funds of net non-public assets was recorded. Net inflow of individuals was approx.. 40% lower than in 2014. Thus, this segment of customers lost dominant share in the market development of investment funds. Market of investment funds was affected by a weaker appetite risk from investors realized under variable conditions and the deteriorating situation on the Warsaw Stock Exchange (decrease of broad market index WIG y/y by 9.6% against a growth of 0.3% in 2014) and the volatility of yields on debt market, as well as the historically low level of key interest rates, which determines interest rates on bank deposits.
Under the influence of the economic downturn on the domestic stock market, the main market segments of investment funds in the second half of 2015 implemented a negative 12M rate of return. Thus, the investment fund market did not constitute an attractive alternative for bank savings.

Open pension fund market

In 2015, the open pension fund market (OPF) remained under the influence of regulatory changes.
OPF assets decreased by approx. 6.7% against a decline of over 50% in 2014, due to the transfer of funds from the OPF to the Social Insurance Entity (ZUS). At the end of 2015, OPF assets fell to PLN 140.5 billion, it had a negative impact on the situation on Warsaw Stock Exchange. In the assets structure of OPF, Polish shares (at the end of 2015 its share amounted to 83%) had a dominant position. The situation on OPF market was positively influenced by the better situation on labour market. In 2015 the decrease in number of participants in the OPF was recorded in the amount of 90 thousand, to total number of 16.5 million.

The lease market

In 2015, the leasing market grew less rapidly than in 2014. The value of assets financed by leasing companies amounted to PLN 49.8 billion, with a growth rate of 16.3% y/y (against 21.3% y/y in 2014 under conditions favourable for regulatory solutions). The development of this market segment was supported by sustainable good economic situation in Poland, including the high investment activity of companies. The growth of business investments was driven by stable economic situation of companies, a relatively high level of utilization capacity and relatively low cost of financing.
The largest positive impact on the development of the leasing market had a leasing of passenger vehicles. The value of financed assets increased by 36.7% y/y (PLN 15.2 billion). A significant increase y/y was noticed in the tractors leasing (30.2% y/y to PLN 6.7 billion) and the leasing of the machinery and equipment (11.7% y/y to PLN 15.1 billion), including in particular leasing of agricultural machines, machines for the food industry and machines for the production of plastics and metal processing machines. The structure of the lease continued to dominate leasing of movables at the continuing low proportion of real estate leasing (2.9%).

The insurance market

Assets of insurance companies at the end of the third quarter of 2015 increased by 1.3% y/y.
In 2015, the financial condition of insurance sector has worsened. In the period of I-III quarter of 2015, the insurance market recorded a significant decline in net profit (-23% y/y). Strong technical result also fell (-33% y/y), mainly due to a decrease as a result of investment activities.
The stronger decline in the performance was recorded in non-life insurance and property insurance than life insurance. In the first three quarters of 2015 technical profit was lower by 22% and earnings by 11% than a year earlier in the life insurance sector, mainly due to deterioration of results in the life insurance and unit-linked insurance. Department of non-life insurance and property insurance recorded a net profit decrease by 34% and the technical result by 60%, which was mainly due to motor insurance.

The factoring market

In 2015 factoring market continued to develop dynamically. The turnover of companies associated in the Polish Factors Association increased by 17.4% y/y (growth, such as in 2014), reaching a value of 134.3 billion PLN. The number of clients of factoring companies increased by 12% y/y to 7.1 thousand people. The number of financed invoices increased by more than 20% y/y to 6.6 million. Average value of invoices presented to maturity decreased.
In the 2015 export factoring developed the most dynamically (26.8% y/y). The share of non-recourse factoring in the overall turnover of factoring companies for the first time since 2009, surpassed the share of non-recourse – increased to 51%.

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2.5 The Ukrainian market

After reaching the bottom of the recession in the first quarter of 2015 (-17.2% y/y), GDP growth rose to -1.2% y/y in fourth quarter pf 2015. In 2016, the economy should come out of recession and record an increase of approx. 1-2%. The collapse of the hryvnia quotation and an increase in administrated prices in April (hot water, gas, electricity) have led to a drastic rise in CPI inflation. On average it amounted to 48.2% y/y with a peak of 60.9% y/y in March and 43.3% y/y at the end of 2015. Very high inflation contributed to a deterioration in households (real wage growth in January-December 2015 amounted in average to -18.5% y/y). In 2016 the downward trend in inflation will be visible, it will be supported by the expiry of the effect of increase in utility prices in April 2015.

The strong depreciation of the hryvnia exchange rate (from 15.82 UAH/USD at the end of the December 2014 to 33.75 in 26 February 2015) forced the central bank to raise interest rates to 30% (from 14% at the end of 2014). The stabilization of the exchange rate allowed (from August) to decrease main interest rate to 22%. After reaching the minimum in February ($ 5.6 billion) foreign exchange reserves grew steadily reaching 13.3 billion US dollars in December (which is 3.6 times the monthly imports). NBU continued to finance the Ukrainian budget (increase in the share structure of the holders of government bonds from 69.5% to 77.1% at the end of the year.) At the beginning of the year, the reversal trend was visible due to the increase in bond purchases by commercial banks.

The number of banks that operate in Ukraine dropped in 2015 (latest available data on 01.12.2015) from 163 to 120. The share of foreign capital in the sector declined in the first half of the year (from 32.5% in December 2014 to 27.5% in June 2015) to increase up to 35.3% at the end of November.

The value of total assets in the Ukrainian banking sector in 2015 decreased (with the exception of a rapid depreciation period of the UAH) and in early December amounted to UAH 1 275.4 billion (down by UAH 41.5 billion to the end of 2014). By the end of 2015 the value of the loan portfolio has decreased by UAH 30.2 billion (insignificant scale of decline in the volume loans was mainly due to the depreciation of the hryvnia – the increase in the volume of foreign currency loans of UAH 86 billion, i.e. 17.5%). The decrease in the volume of loans to households by UAH 36.3 billion was not compensated by an increase in corporate loan portfolio by UAH 9.0 billion.

The deposit base of the banking sector in Ukraine has increased in 2015 by UAH 47.1 billion mainly by the increase of hryvnia deposits (UAH 28.1 billion). The volume of deposits in foreign currency has increased (UAH 19 billion) it resulted only from hryvnia depreciation. Household deposits decreased by UAH 17.2 billion, corporates grew by UAH 46.7 billion. Major changes in loans and deposit volumes that occurred in the first half of the year were related to fluctuation in the hryvnia exchange rate.

In 2015 the ratio of loans to deposits improved (decrease from 147.4% to 134.0% in December). The share of loans in the currency structure of the loan portfolio increased to 56.9% in December (compared to 47.0% at the end of 2014). In 2015, banks were gradually rebuilding its capital base after a sharp decline in the 1st quarter. Despite this, from 11.2% at the end of 2014 to 9.7% in November 2015, the straight lever ratio felt (equity/assets).

Compared to the end of 2014, rate of non-serviced loans significantly increased (21.2% at the end of November 2015 vs 13.5% in December 2014). In the period January-November ROA fell (-5.1% vs -4.1% in 2014) with a deep drop in ROE (-47.8% vs -30.5% in 2014).

2.6 Regulatory environment

The financial and organizational situation of the PKO Bank Polski SA Group was affected i.e. by the following:

	Description	Influence
Low level of key interest rates	resolution of the Monetary Policy Council (MPC) No. 1/2015 (Official Journal of the NBP of 2015 item 2) introducing reduction of the basic interest rates from 5 March 2015 (including: a decrease of the reference rate to 1.5% and lombard loan rate to 2.5%).	strong impact of net interest income
Higher load banks to BGF	resolution of the Bank Guarantee Fund significantly increasing for the year 2015 burden on the banks for bank deposit guarantee scheme (settled linearly), including: - resolution No. 28/104 booster indicator for calculating the annual fee (from 0.100% to 0.189%); - No. 29/2014 boost ratio for calculating the charge prudential (from 0.037% to 0.050%).	strong impact on banks' operating costs
Prudential requirements	regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, technical standards EBA and KNF recommendations concerning capital base, including the level of liquditiy coverage requirement of 60%	capital base of banks, supervisory prudential standards, business activity of banks, implementation costs.
Reduction of income from card services	amendment to the law on payment services (Journal of Laws of 2014, item 1916) introducing limits on the interchange fee rates (0.2% for debit cards and 0.3% for credit cards)	significant impact on non-interest banks' income
Additional requirement when granting housing loans	Recommendation S on credit exposures secured by mortgage (Official Journal of PFSA No. 23/2013 item 23) increasing from 1 January 2015 the requirement for an own contribution from 5% to 10%	level of lending, interest net income and net fee and commision
Apartment for young (MDM Program)	amendment to the law on state aid in the acquisition of housing by young people (Journal of Laws of 2015, item 1194) extending the number of people who can use MDM program to support the program and the rules for support; effective from 1 September 2015.	level of lending, the financial results of banks
Increased access to consumer bankruptcy	amendment to the Bankruptcy and Reorganization Act (Journal of Laws from 2014 item 1306) liberalizing from 1 January 2015 consumer bankruptcy rules	impact on the credit risk
Support for the issuance of non-treasury bonds	Act on Bonds (Journal of Laws 2015, item 238) on the implementation from 1 July 2015 solutions to support the market development of long-term Treasury debt securities, as an additional source to bank loans, a source of capital by companies and local governments	issuance of corporate and municipal bonds, as an alternative source of financing; risk segment of corporate loans
Good practicies in liquidity risk management	Recommendation P concerning the management of financial liquidity of banks (Official Journal of the PFSA, item 14), which determines the adjustment of banks by the of 2015	increase bank's operating costs; measuring and managing liquidity risk
The mobilization of FOŚG funds	Resolution No. 87/DGD/2015 issued by the Management Board of Bankowy Fundusz Gwarancyjny on 26 November 2015 concerning the payment of guaranteed funds to the deposit holders of Spółdzielczy Bank Rzemiosła i Rolnictwa to 30 November 2015	costs
Burding the banks for the Borrowers Support Fund	Act of 9 October 2015 year (Journal of Laws of 2015, item. 1925) on support of borrowers in a difficult financial situation, obliges lenders to pay for the BSF funds in proportion to the size of the portfolio of housing loans to households, which delay in repayment of principal and interest exceed 90 days. The total contribution of banks in the financing of the BSF will amount to 600 million PLN.	strong impact on the operating costs of banks
Offset capital of PFSA	Individual recommendation of PFSA for banks with substantial involvment in mortgage loans in foreign currencies	increase in capital requirements, hedge risk associated with the portfolio of foreign currency mortgage loans
Banking enforcement document	change of the Banking Law (Journal of Laws of 2015, item 1854) repealing from 27 November 2015 the permissions of banks to issue bank enforcement title.	increase in the bank's operations costs, including those related to the protection of claims, legal proceedings, changes in procedures and functionality of IT systems.
Restrictions on the activities of OPFs	the Act introducing changes in the policies for disbursement of pensions from funds accumulated in open pension funds (Journal of Laws of 2013 item 1717) including allowing of increased exposure of OPFs in companies listed abroad (from 10% to 20%) from 1 January 2015 roku, and introducing the exposure of OPFs in domestic companies stocks (from 75% to 55%).	operational activiites of pension funds; the principle of "slider" that affects the decrease in funds assters of OPF, the decline in the financial results of PTE
The possibility to deduct 50% of VAT on fuel fo cars	Expiry of article 12 of the Law of 7 February 2014 amending the Act on tax on goods and services and certain other acts (Journal of Laws of 2014, item 312) resulting in the right do deduct 50% of VAT on purchased fuel for passenger cars used for private and business purposes	supporting the development of leasing vehicles
Changes in the conduct of insurance business	Solvency II package on the insurance and reinsurane activities, including the valuation of technival-insurance provisions, risk management system and disclosure obligations (Official Journal EU L 335 of 17 December 2009); changes in the insurance and reinsurance activity (Journal of Laws of 2015, item 1844) in force from 2016.	adjustment costs of insurance companies, preparation for changes in the standards of capital and prudential requirements.
Changed restrictions in insurance distribution by Banks	resolution of the PFSA No. 183/2014 on Recommendation U concerning bancassurance (Official Journal of the PFSA of 2014 item 12) and resolution of the PFSA No. 184/2014 (Official Journal of the PFSA of 2014 item 13) concerning i.a. distribution of insurance products	business model considering bancassurance, risk management, revenues from operations and operating costs of banks and insurance companies

The activity of the PKO Bank Polski SA was affected by the following new legislation introduced in Ukraine (on which subsidiary KREDOBANK operates), including:

- The Act No. 424-VIII/2014 introducing restrictions on early withdrawals from term deposits from 15 May 2015,

- The Act No. 629-VIII/2015 concerning the system of guaranteeing bank deposits,
- Resolution No. 820/2015 of the NBU Management Board introducing changes to create mandatory reserves by banks (6.5% for current deposits in UAH and foreign currencies and 3% for fixed-term deposits) from 31 December 2014,
- Resolution No. 859/2014 of the NBU Management Board on extending to 1 January 2019 of not applying sanctions against banks that do not comply with regulatory requirements as a result of the UAH devaluation, annexation of the Crimea and the war in the Donetsk and Luhansk circuit and defining its specific principles of banking activities,
- Resolution No. 860/2014 on tightening the requirements for banks that benefits from the stabilization loans; interest rates of stabilization loans; interest rates of stabilization loans was set at a discount rate plus 1.5 p.p. from 1 January 2015,
- Resolution No. 867/2015 on obliging banks to organize a risk management system (effective from 31 December 2014),
- Resolution No. 22/2015 of the NBU Management Board on enabling early repayment of foreign currency loans by non-residents from 17 January 2015,
- Resolution No. 81, 154, 557 and 627 of 2015 of the NBU Management Board on increasing the NBU discount rate respectively from 6 February 2015 by 5.5 p.p. to 19.5% and from 4 March 2015 by 10.5 p.p. to 30%; from 28 August 2015 in lowering the discount rate by 3 p. to 27%, and from 25 September 5 p.p. to 22%,
- Resolution No. 124, 129, 248, 354, 551, 581, 657 and 863 of 2015 NBU Management Board on introducing a number of changes in the implementation of monetary-credit and currency market transactions,
- Resolution No. 160 and 354 of 2015 of the NBU Management Board on introducing a number of changes in the money market transactions and restrictions on the foreign exchange market, including the prohibition of lending in UAH when the collateral are the property rights to funds in foreign currencies,
- Resolution No. 313/2015 of the NBU Management Board on specifying the time limits to fulfil the capital adequacy requirements of banks, including not less than 5% until 1 February 2016,
- Resolution No. 417/2015 of the NBU Management Board on imposing additional disclosure requirements on banks about customers and carried transactions,
- Resolution No. 424/2015 of the NBU Management Board preventing early withdrawal of funds from fixed-term deposits,
- Resolution No. 540/2015 of the NBU Management Board obliging banks to report according to international accounting standards from the quarter of 2016,
- Resolution No. 615/2015 of the NBU Management Board on loans refinancing and accepting collaterals, including foreign currencies.

The regulatory solutions which will affect the financial position of banks and their groups in Poland over the following quarters include, i.a.:

- The Act on tax of certain financial intuitions (Journal of Laws pos. 68) since February 2016 defines the taxation of assets value of banks and insurance companies, which will have a significant impact on their financial results and profitability of banks and insurance companies,
- CRR Regulation introducing change in the rules of determining the own funds and an increase in the requirement limit coverage ratio LCR by 10 p.p. to about 70% from 1 January 2016,
- Macro prudential law foresees an increase by 1.25 p.p. of minimum levels of capital ratios (Tier1 to the level of 10.25%, TCR to the level of 13.25%) from 1 January 2016,
- Recommendation S of the Banking Supervision Authority increasing the requirement for own contribution from 10% to 15% from 1 January 2016,
- Recommendation P of the Polish Financial Supervision Authority amending the principles of liquidity risk management from 1 January 2016,
- Act on complaints processing by financial market participants defining shorter handling of complaints,
- Amendment of the Act on capital market supervision, introducing changes in the financing of Polish Financial Supervision Authority, by brokerage houses and investment fund companies from 1 January 2016,
- Amendment to the law of mortgage bonds and mortgage banks, introducing the principles of enhancing the safety of Polish bonds, which will have an impact on the acceleration of the mortgage market and mortgage bonds from 1 January 2016.

2.7 Tendencies in the Polish and global economies in 2016 and their effect on the Group's results

In the external environment of the Polish economy, the year 2016 should bring a moderate improvement., which is however, fraught with multiple risk factors. We expect a continuation of the recovery in the euro area, supported by a further loosening of monetary policy and low oil prices. The main risk factors for the euro area are continuing debt problems of Greece, the possible occurrence from the European Union of the UK, the consequences of the migration crisis and the situation in emerging economies. The crisis in emerging economies may have two reasons: the outflow of investors after interest rate hikes by the FED and the deepening economic slowdown in China. The fall of raw material prices and the strengthening of US dollar will contribute to the continuation of the recession in Russia, accompanied by a tightening fiscal policy due to the decrease of income from oil exports.

We are forecasting that in 2016 Poland's economic growth will remain stable at around 3.5% (as in 2015), the weaker in first and stronger in the second half of the year. GDP growth in 2016 will support primarily loosening of fiscal policy at the central level (which can strengthen 1.0 p.p. GDP growth), which will mitigate the slowdown in public investment (railway and local government,

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which can have negative affect 0.6 p.p. from GDP growth) and negative credit boost associated with the introduction of additional capital requirements and the tax burden for the banking sector (negative contribution of this factor in GDP growth is estimated at -0.3 p.p.). Keeping up (or continued decrease) the lowest oil prices for more than a decade affects the extension of deflation period, positively affecting the real purchasing power of consumers. In 2016, the structure of GDP growth will most likely change, private consumption supported by fiscal policy (500+ program) will be the main engine of growth in domestic demand (and GDP).
We anticipate that strong growth in the demand for labour in 2016 will be continued and will affect drop in registered unemployment rate to approx. 8.9% at the end of 2016 from 9.8% at the end 2015. In the 2015-2016, we assume stable growth in real disposable income in the range of 3.5% y/y, while we anticipate that 2016 will be similar in terms of increased growth of nominal wages and CPI inflation.

In December 2015, the growth rate of consumer prices amounted to -0.5% y/y. Until September 2015, CPI inflation should be relatively stable, oscillating around zero, and then start to grow to achieve approx. 1.0% y/y in December 2016, it will end a period of over two years of deflation. The rise in inflation in the 4th quarter of 2016 will be due to the low base effect (temporary disinflationary factors at the end of 2015) and the strengthening of demand pressure on prices. The gradual increase in inflation will lead to an increase in average annual CPI inflation to 0.2% y/y in 2016 vs -0.9% y/y in 2015. The most serious risk factor for this forecast is the behaviour of the agricultural raw materials and energy prices.

Despite almost zero inflation for most part of the year, we expect that MPC will keep the CPB interest rates unchanged, as indicated by the expression of new Council members, the weakening of the Polish zloty exchange rate, expansionary fiscal policy of the new government and the continuation of economic growth exceeding the growth rate of potential output.

In the banking sector we anticipate a steady growth in loans (approx.. 6% y/y in Q4 2016 and in the 4th quarter of 2015, adjusted for exchange rates) as a result of the demand for credit from the private sector (the effect of the economic recovery and growth investments) under record-low interest rates of the CPB. According to our forecasts, there will be a slowdown of growth in deposits (up to approx. 7% y/y in Q4 2016 of 9% y/y in Q4 2015; adjusted by exchange rate), with a weaker growth rate of deposits of non-financial entities and the weakening of the dynamics in personal deposits (stronger interest in alternative forms of saving then deposits, in conditions of record low interest rates and the expected rebound in consumption).

3. FINANCIAL RESULTS OF THE PKO BANK POLSKI SA GROUP[6]

3.1 Key financial indicators

The summary of results, achieved by the PKO Bank Polski SA Group in 2015, is represented by the following key financial efficiency indicators, which are shown in the table below.

Table 1. Financial indicators of the PKO Bank Polski SA Group

	31.12.2015	31.12.2014	Change 2015-2014
ROA net (net profit/average total assets)*	1.0%	1.4%	-0.4 p.p.
ROE net (net profit/average total equity)*	9.0%	12.4%	-3.4 p.p.
C/I (cost to income ratio)*	56.6%	47.1%	9.5 p.p.
Interest margin (net interest income/average interest–bearing assets)*	3.0%	3.6%	-0.6 p.p.
The share of impaired loans**	6.6%	6.9%	-0.3 p.p.
Cost of risk***	-0.72%	-0.96%	0.3 p.p.
Total capital ratio (own funds/total capital requirement*12,5)	14.6%	13.0%	1.6 p.p.

** Income statement items used in calculating indicators capture the period of the last four quarters (annual recognition), while the statement of financial position items capture the average of the last five quarterly values of the respective assets and liabilities.*
*** Calculated by dividing the gross carrying amount of impaired loans and advances by the gross carrying amount of loans and advances to customers.*
**** Calculated by dividing the balance of impairment allowances on loans and advances to customers over period of 12 months by average balance of loans and advances granted to customers at the beginning and end of reporting period and quarterly periods in between.*

3.2 Consolidated income statement

The consolidated net profit of the PKO Bank Polski SA Group generated in 2015 amounted to PLN 2 609,9 million which was PLN 644.6 (-19.8%) million lower than in 2014.

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

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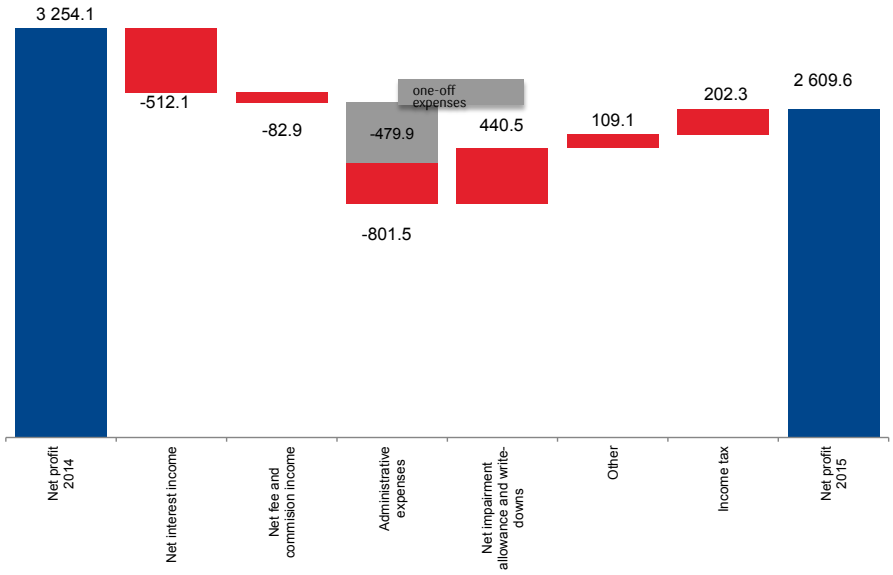
After eliminating non-recurring events:

- fees to the Bank Guarantee Fund (BGF) under the fund for the protection of guaranteed funds (FOŚG) to cover the payments of guaranteed funds to depositors of Spółdzielczy Bank Rzemiosła i Rolnictwa from Wołomin in connection with its bankruptcy in the amount of PLN 337.93 million.
- fees for Borrowers Support Fund in the amount of PLN 142 million,

comparable net profit amounted to PLN 2 998.3 million and was 7.9% lower than in 2014.



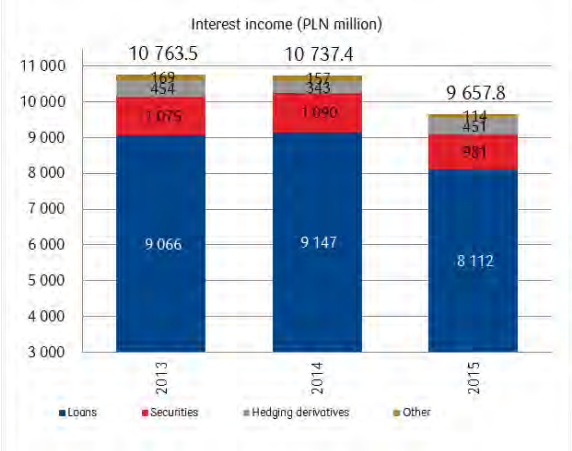
In the PKO Bank Polski SA Group's income statement for the year 2015, the sum of revenue positions amounted to PLN 10 665 million and was PLN 481.7 million, i.e. by 4.3% lower than in 2014, mainly due to decrease of net interest income by 6.6% y/y.

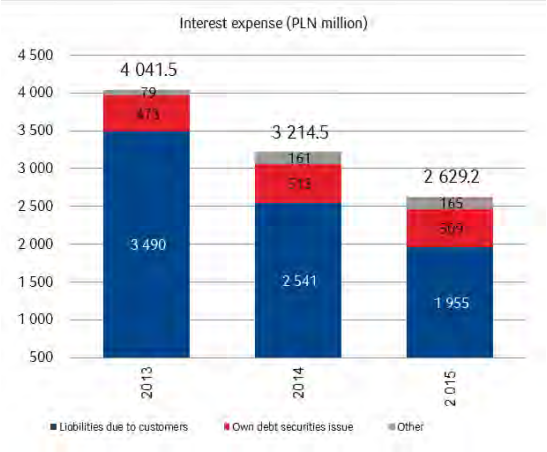
Table 2. Income statement of PKO Bank Polski SA Group (in PLN million)

	2015	2014	Change (PLN million)	Change (%)
Interest and similar income	9 657.8	10 737.4	(1 079.7)	-10.1%
Interest expense and similar charges	(2 629.2)	(3 214.5)	585.3	-18.2%
Net interest income	**7 028.6**	**7 522.9**	**(494.3)**	**-6.6%**
Fee and commission income	3 598.3	3 901.9	(303.6)	-7.8%
Fee and commission expense	(747.7)	(968.4)	220.7	-22.8%
Net fee and commission income	**2 850.6**	**2 933.5**	**(82.9)**	**-2.8%**
Dividend income	10.7	6.5	4.1	63.7%
Net income from financial instruments measured at fair valu	40.6	75.2	(34.6)	-46.0%
Income from investment securities	87.7	150.1	(62.3)	-41.5%
Net foreign exchange gains (losses)	369.1	235.8	133.3	56.5%
Other net operating income and expense	277.5	222.6	54.9	24.7%
Net impairment allowance and write-downs	(1 475.9)	(1 898.7)	422.8	-22.3%
Administrative expenses	(6 036.3)	(5 245.1)	(791.1)	15.1%
Operating profit	**3 152.6**	**4 002.8**	**(850.1)**	**-21.2%**
Share of profit (loss) of associatesand joint ventures	38.1	31.81	6.3	19.8%
Profit (loss) before income tax	**3 190.8**	**4 034.6**	**(843.8)**	**-20.9%**
Income tax expense	(589.5)	(791.7)	202.3	-25.5%
Net profit (including non-controlling shareholders)	2 601.3	3 242.8	(641.6)	-19.8%
Profit (loss) attributable to non-controlling shareholders	(8.3)	(11.3)	3.0	-26.5%
Net profit (loss)	**2 609.6**	**3 254.1**	**(644.6)**	**-19.8%**

Net interest income

Obtained in 2015 net interest income amounted to PLN 7 028.6 million and was PLN 494.3 million lower than last year. Net interest income was determined by the further decline in the level of market interest rates (for WIBOR 1M and 3M was annualized respectively 0.43 p.p. and 0.34 p.p.), it was partially compensated by an increase in revenues associated with the increase in the loan portfolio and reduction of financing costs.





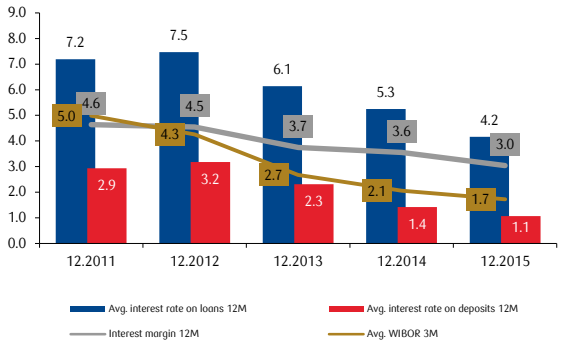
In 2015, interest income amounted to PLN 9 657.8 million and compared with the previous year was lower by 10.1%, mainly as a result of the decrease in:

- income from loans and advances to customers by 11.3% y/y – the effect of a decline in zloty interest rates, which for WIBOR 1M and 3M was annualized respectively by 0.43 p.p. and 0.34 p.p., reduce in interest rates on consumer loans is based on a 4xLombard formula (from the end of 2013, the maximum interest on loans fell by 6 p.p. from 16% to 10%). This decrease was partially compensated by an increase in the loan portfolio,
- with the increase in income from hedging derivatives by 31.3% y/y, mainly IRS transaction in PLN.

In the same period, the interest rates expenses stood at (-)18.2% y/y, resulting from a lower average interest rates on deposits as a result of lower market interest rates and adjusting pricing of deposit products and changes in the structure of deposits (increase in the share of current deposits)

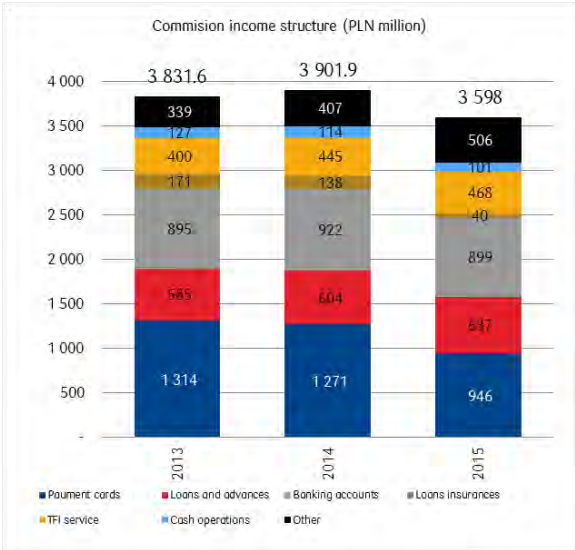
The interest margin declined by approx. 0.6 p.p. y/y to 3.0% at the end of 2015. The increase in interest-bearing assets by 7.8% y/y (mainly portfolio of loans and advances to customers), it did not translated into a corresponding increase in annualized net interest income, staying under pressure of record-low interest rates.

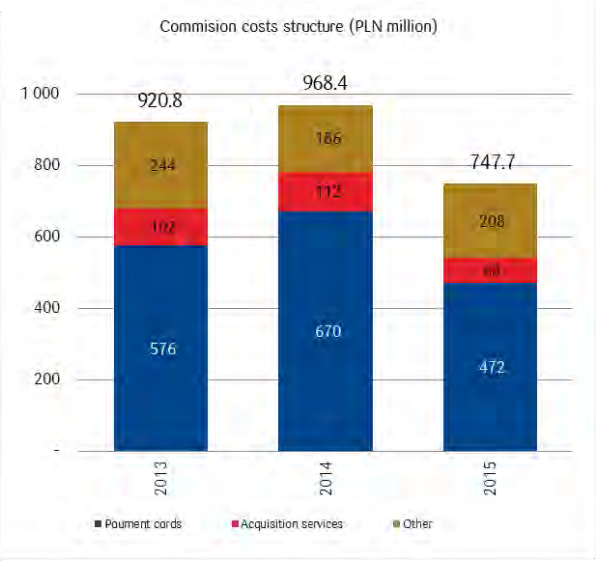
In 2015, the average interest rate on loans of PKO Bank Polski SA amounted to 4.2%, and the average interest rate deposits in total stood at 1.1% against, respectively 5.3% and 1.4% in 2014.



Net fee and commission income

Net fee and commission income in 2015 amounted to PLN 2 850.6 million and were lower by PLN 82.9 million than in a last year, resulting in a decline in commission income by PLN 303.6 million, while commission costs were lower by PLN 220.7 million.





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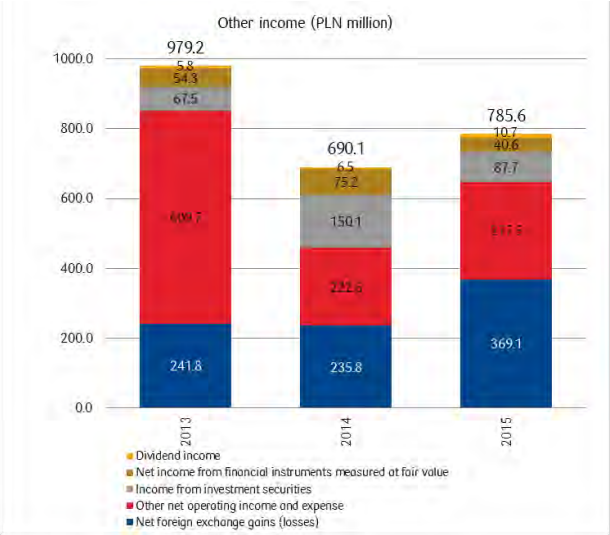
The level of fee income was mainly determined by:

- a decrease of card payments (-127.5 million y/y), mainly due to decrease in commissions for interchange fee, as a consequence of the mandatory reduction of the interchange fees by the payment organizations to 0.2% for debit cards and 0.3% for credit cards since early 2015 - lower commissions in were accompanied by an increase in card volume transactions,
- a decline in fee income from loan insurance (PLN -97.6 million y/y), mainly due to decrease in commissions from insurance of consumer loans, additionally there was an increase in sales of insurance products offered by the PKO Bank Polski SA Group in 2015, of which the results of the Group are presented in the category of other profit from the insurance activity,
- a decrease in the cost of acquisition services by PLN 44.6 million y/y, higher costs of 2014 were related to the acquisition of the insurance company,
- a decrease in income from operating bank accounts (PLN -23.2 million y/y),
- a decrease in income from cash operations (PLN -12.8 million y/y) in connection with the development of electronic banking,
- an increase in commission income from services for investment and pension funds (including management fees) of PLN 23.5 million y/y,
- an increase in income from loans and borrowings (PLN +33.1 million y/y) as a result of an increase in sales of loans,
- an increase in income from investment and insurance products (PLN +45.4 million y/y), as a result of enlargement of the Group by insurance company since the second quarter of 2014 and extended product range of the Group by investment and insurance products.

Other result

In 2015 the other result amounted to PLN 785.6 million and increased by 13.8% compared with the previous year. The level of residual result was mainly determined by:

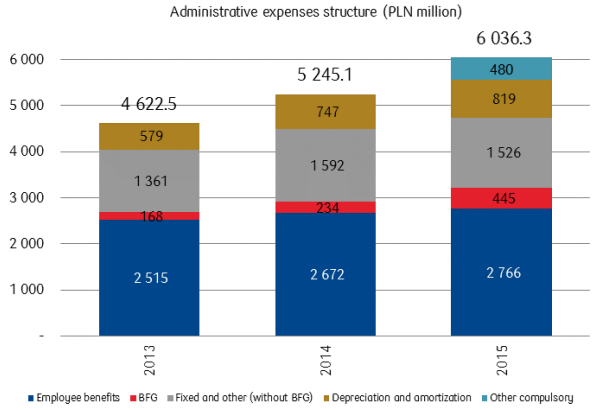
- an increase in net foreign exchange gain of PLN 133.3 million,
- improvement in the result on other operating activities of PLN 54.9 million, mainly due to the increase in net distribution policies, which at the level of the Group is presented in the category as other result of insurance activities,
- the lower results achieved from investment securities and instruments measured at fair value by a total of PLN 96.9 million, determined by the situation on the Polish debt market.



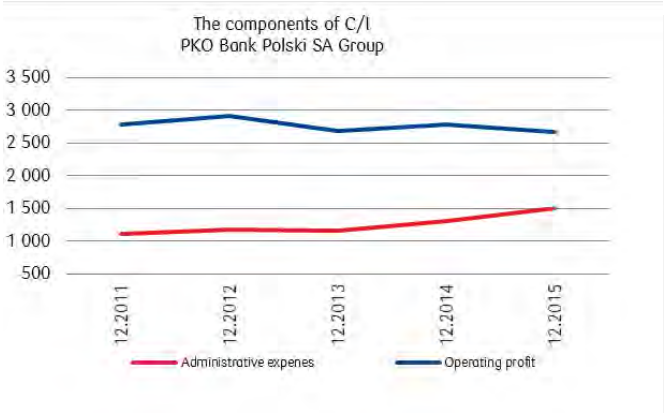
Administrative expenses

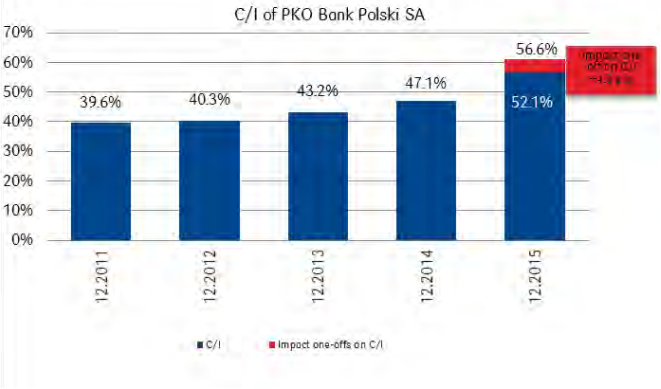
In 2015 administrative expense amounted to PLN 6 036.3 million and increased by 15.1% compared with the previous year. After excluding the one-off events - BFG fee within the protection fund for guaranteed cash in the amount of PLN 337.93 million and is charged to the Fund for Support borrowers in the amount of 142 million PLN - General administrative expenses amounted to PLN 5 556.4 million and increased by 5.9% compared with the previous year.

The level of administrative expenses was determined mainly by changes in the PKO Bank Polski SA Group structure in 2014, of which mainly the purchase of the Nordea Group[7] entities and by an increase in premiums and fees to the Bank Guarantee Fund of PLN 211.4 million y/y (mainly due to the increase in interest rates charges of BGF). In addition, 2015 was loaded with an additional costs related to: creating Borrowers Support Fund (PLN 142.0 million) and payment to BGF - payment of guaranteed deposits accumulated in SK Bank (PLN 337.9 million), which caused the operating efficiency of the PKO Bank Polski SA Group, measured by the annualised C/I ratio, to shape up at the level of 56.6% (+9.5 p.p. y/y). After eliminating the effects of one-offs, the level of the indicator stood at 52.1% (+5.0 p.p. y/y).



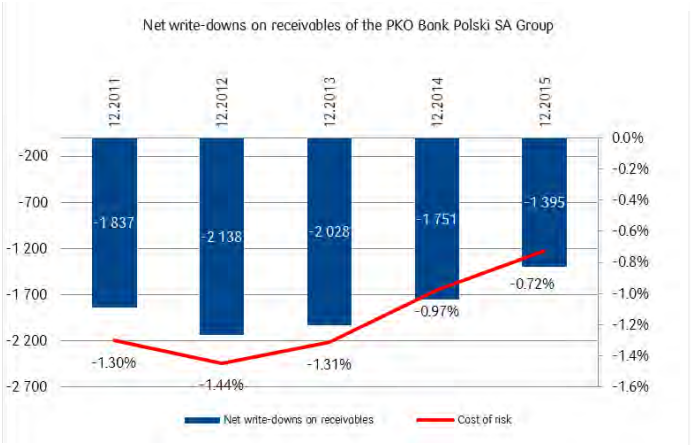
[7] *The results of the Group include the results of the companies of the Nordea Group for 9 months*

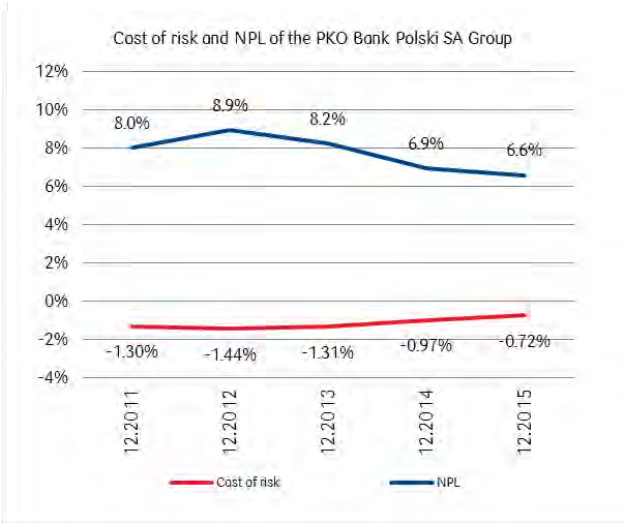




Net impairment allowance and write-downs

Net impairment allowance and write-downs reflects the conservative approach of PKO Bank Polski SA in the recognition and measurement of credit risk. The improvement in net write-downs (-22.3% y/y) was mainly due to reduction in write-downs on the portfolio of commercial loans in connection with the improvement of the quality of new loans compared to the older generation.
Participation rates of loans with impairment and the coverage of impaired loans at the end of 2015 amounted to 6.6% (a decrease of 0.3 p.p. compared to 2014) and 63.3% (an increase of 1.4 p.p. compared to 2014), by improving the quality of corporate loans.
The cost of risk[8] at the end of 2015 amounted to 0.7% compared to 1.0% at the end of 2014, mainly due to the improvement in net write-downs on corporate loans.



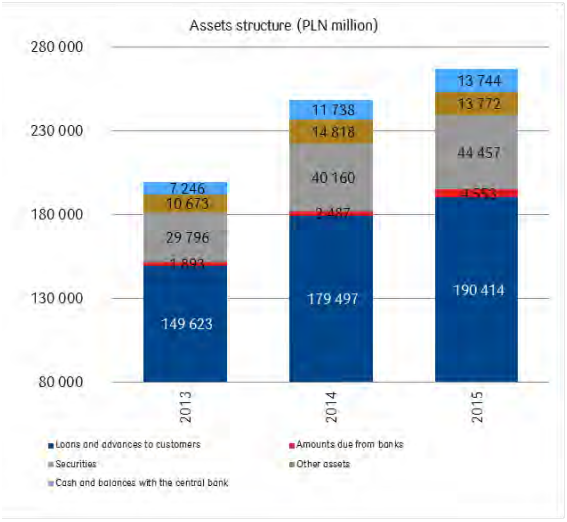


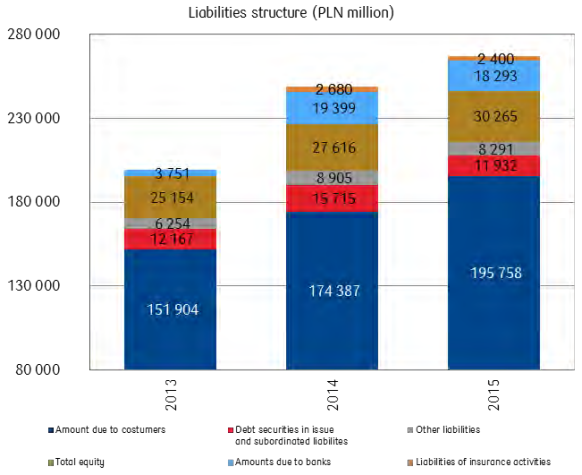
3.3 Consolidated statement of financial position

The main items of the statement of financial position

The statement of financial position of the PKO Bank Polski SA Group is mainly influenced by the statement of financial position of the parent entity. It determines both the size of total assets and the structure of assets and liabilities.
The total assets of the PKO Bank Polski SA Group amounted to PLN 266.9 billion as at the end of 2015, which means an increase by 7.3% y/y.

[8] *Calculated by dividing the net write-downs for impairment of loans and advances to customers for the 12 months ended 31 December 2015 and 2014 by the average balance of loans and advances to customers gross at the beginning and end of the reporting period and intermediate quarterly periods.*





The increase in total assets of the PKO Bank Polski SA Group was mainly due to an increase in the volume of loans and advances to customers by PLN 10 916.3 million y/y. The increase in total assets was financed mainly by an increase in amounts due to customers by PLN 21 371.7 million y/y.

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

	31.12.2015	31.12.2014	Change (mln PLN)	Change (%)
Cash and balances with the central bank	13 743.9	11 738.4	2 005.5	17.1%
Amounts due from banks	4 553.0	2 486.7	2 066.3	83.1%
Loans and advances to customers	190 413.7	179 497.4	10 916.3	6.1%
Securities	44 457.1	40 160.2	4 297.0	10.7%
Other assets	13 772.2	14 818.0	-1 045.8	-7.1%
Total assets	**266 939.9**	**248 700.6**	**18 239.3**	**7.3%**
Amounts due to banks	18 293.0	19 398.9	-1 105.9	-5.7%
Amount due to costumers	195 758.5	174 386.8	21 371.7	12.3%
Debt securities in issue and subordinated liabilites	11 932.1	15 714.6	-3 782.5	-24.1%
Liabilities of insurance activities	2 400.5	2 679.7	-279.2	-10.4%
Other liabilities	8 290.9	8 905.0	-614.1	-6.9%
TOTAL LIABILITIES	**236 675.0**	**221 085.0**	**15 590.0**	**7.1%**
Total equity	30 264.9	27 615.6	2 649.4	9.6%
Total liabilities and equity	**266 939.9**	**248 700.6**	**18 239.3**	**7.3%**
Loans/Deposits	97.3%	102.9%		-5.7 p.p.
Loans/Stable sources of funding*	85.0%	86.4%		-1.4 p.p.
Interest bearing assets/Assets	89.7%	89.3%		0.4 p.p.
Interest paying liabilities/Liabilities	84.7%	84.2%		0.4 p.p.

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

Loans and advances to customers

In the structure of the net loan portfolio by type, the main items were loans and advances to the non-financial sector (92.2% of the portfolio as at the end of 2015). Housing loans, volume of which increased by 5.1% y/y were the main item of loans and advances to the non-financial sector (57.3% of the portfolio as at the end of 2015). In 2015, an increase in consumer loans by PLN 1.6 billion was noted.

Table 4. Loans and advances to customers of the PKO Bank Polski SA – structure by type (in PLN million)

	31.12.2015	31.12.2014	Change (mln PLN)	Change (%)
Loans and advances to customers net	**190 413.7**	**179 497.4**	**10 916.3**	**6.1%**
Financial sector (without banks)	4 826.6	1 620.7	3 205.8	3x
Non-financials	175 619.1	167 792.0	7 827.1	4.7%
mortgages	*100 668.6*	*95 798.0*	*4 870.6*	*5.1%*
business loans	*50 398.8*	*49 656.3*	*742.5*	*1.5%*
consumer loans	*21 959.8*	*20 321.7*	*1 638.1*	*8.1%*
debt securities and repurchase agreements	*2 591.9*	*2 016.0*	*575.9*	*28.6%*
Budget sector	9 968.1	10 084.7	(117)	-1.2%
business loans	*7 275.4*	*7 265.0*	*10.4*	*0.1%*
debt securities	*2 692.7*	*2 819.7*	*(127)*	*-4.5%*

In term structure of loans and advances to customers dominate long-term loans (75.3% of the portfolio) which increased by 1.8% y/y compared to 2014 as a result of the growth of the housing loan portfolio. Short-term loans, with a share of 24.7% recorded a dynamic growth of 21.2% y/y.

Table 5. Loans and advances to customers of the PKO Bank Polski SA Group – term structure (in PLN million)

	31.12.2015	31.12.2014	Change (mln PLN)	Change (%)
Loans and advances to customers (gross)	198 700.9	187 519.9	11 181.1	6.0%
Short-term	49 020.4	40 440.6	8 579.8	21.2%
Long-term	149 680.5	147 079.3	2 601.3	1.8%
Write-downs - total	(8 287.2)	(8 022.5)	(264.7)	3.3%
Total	**190 413.7**	**179 497.4**	**10 916.3**	**6.1%**

Securities

As at the end of 2015, the securities portfolio of the PKO Bank Polski SA Group amounted to PLN 44.4 billion and recorded an increase by PLN 4.3 billion compared with the end of 2014. In the structure of the portfolio by type, the main items were debt securities issued by central banks and issued by the State Treasury.

Table 6. Securities portfolio of the PKO Bank Polski SA Group (in PLN million)

	31.12.2015	31.12.2014	Change (mln PLN)	Change (%)
Financial instruments valued at fair value through profit or loss account	15 154.1	15 723.1	(569)	-3.6%
Available-for-sale investment securities	28 309.5	22 279.2	6 030.3	27.1%
Financial assets held for trading	783.2	1 924.4	(1 141)	-59.3%
Held-to-maturity securities	210.3	233.4	(23)	-9.9%
Total	**44 457.1**	**40 160.2**	**4 297.0**	**10.7%**

Amounts due to customers

In the structure of amounts due to customers by types, the main items are amounts due to retail clients (69.2% of the portfolio as at the end of 2015), along with an increase in share of amounts due to corporate entities and liabilities of the budgetary unit.

Table 7. Amounts due to customers of the PKO Bank Polski SA Group structure by type (in PLN million)

	31.12.2015	31.12.2014	Change (mln PLN)	Change (%)
Client deposits	135 410.4	128 675.6	6 734.8	5.2%
Liabilities towards enterprises	51 213.7	40 932.9	10 280.9	25.1%
Liabilities towards budget entities	9 134.4	4 778.3	4 356.0	91.2%
Total liabilities towards customers	**195 758.5**	**174 386.8**	**21 371.7**	**12.3%**

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In 2015, the term structure of amounts due to customers changed. The share of liabilities with maturity up to 1 month inclusive increased and represented 63.3% of all amounts due to customers as at 31 December 2015, the biggest increase was visible in the share of liabilities with maturities of over 1 to 3 months inclusive.

Table 8. Amounts due to customers of the PKO Bank Polski SA Group – term structure (in PLN million)

	31.12.2015	31.12.2014	Change (mln PLN)	Change (%)
Up to 1 month	126 532.3	109 773.3	16 759.0	15.3%
1 month - 3 months	21 867.5	12 560.3	9 307.2	74.1%
3 months - 1 year	34 840.3	35 033.6	(193)	-0.6%
1 year - 5 years	10 564.6	16 953.6	(6 389)	-37.7%
over 5 years	6 191.7	2 099.2	4 092.6	2.9x
Adjustment of the value and interest	(4 238)	(2 033)	(2 205)	2.1x
Total liabilities due to customers	**195 758.5**	**174 386.8**	**21 371.7**	**12.3%**

External financing

The PKO Bank Polski SA Group is an active participant in the market of debt security issues, both local and international. These actions are intended to diversify the sources of financing of operations and to adapt them to regulatory requirements. As at the end of 2015 the main item in these sources of financing constituted loans received from monetary financial institutions, including above all credit line from Nordea Bank AB (publ), being a part of the transaction of acquisition of the Nordea Group's assets by PKO Bank Polski SA (received for the purpose of financing the acquired portfolio of mortgage loans).

Next significant category of long-term financing was debt securities in issue. The decrease of these liabilities is the effect of the repayment of the bond issued in the amount of EUR 800 million in October 2015 and CHF 500 million in December 2015 within the EMTN programme.

The volume of subordinated liabilities, which include a subordinated loan in CHF of acquired Bank, remained stable.

Detailed information on the issues carried out by the PKO Bank Polski SA Group is described in note 35 of the Consolidated Financial Statements of the PKO Bank Polski SA Group for the year ended 31 December 2015.

Table 9. External financing of the PKO Bank Polski SA Group (in PLN million)

	31.12.2015	31.12.2014	Change (mln PLN)	Change (%)
Liabilities due to issuance of securities	9 433.0	13 300.6	(3 868)	-29.1%
Subordinated liabilities	2 499.2	2 414.0	85.2	3.5%
Loans and borrowings received - monetary institutions*	16 418.1	17 643.6	(1 226)	-6.9%
Loans and borrowings received - non-monetary institutions**	3 924.1	3 421.7	502.4	14.7%
Total	**32 274.3**	**36 779.9**	**(4 506)**	**-12.3%**

** In the Statement of financial position of PKO Bank Polski SA Group carried in a position "liabilities due to banks".*
*** In the Statement of financial position of PKO Bank Polski SA Group carried in a position "liabilities due to clients".*

Equity and capital adequacy ratio

Equity of the PKO Bank Polski SA Group increased by 9.6% per annum and accounted for 11.3% of total equity and liabilities as at the end of 2015. As at 31 December 2015 capital adequacy measures were calculated based on the CRR Regulation.

The total capital adequacy ratio of the PKO Bank Polski SA Group amounted to 14.61% as at the end of 2015, thereby was 1.6 p.p. higher than achieved as at the end of 2014. The improve of the rate is due to the increase in equity as a result of transferring a part of profit from 2014 and the lack of dividends payment, as well as actions carried out in order to reduce risk-weighted assets The most important source of conducted actions in order to optimize risk-weighted assets was to improve the quality of data (such as inclusion in the category of retail exposures all SME customers meeting the criteria of segmentation) and a review of off-balance liabilities, including verification of assigned risk weights of the product.

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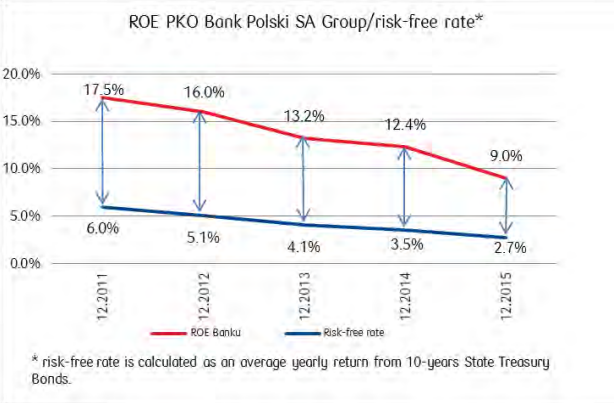
Table 10. Equity and total capital ratio of the PKO Bank Polski SA Group (in PLN million)

	31.12.2015	31.12.2014	Change (mln PLN)	Change (%)
Equity, including:	**30 264.9**	**27 615.6**	**2 649.4**	**9.6%**
Share capital	1 250.0	1 250.0	0.0	0.0%
Supplementary capital	20 711.2	18 802.4	1 908.8	10.2%
The general banking risk fund	1 070.0	1 070.0	0.0	0.0%
Other reserve capital	3 536.4	3 474.1	62.3	1.8%
Financial assets available for sale	170.6	31.0	139.6	5.5x
Share in other comprehensive income of the associated entities	(0.2)	1.0	(1.2)	x
Cash flow hedging	(57.7)	5.2	(62.9)	x
Actuarial gains and losses	(12.6)	(9.0)	(3.6)	39.9%
FX differences arising from translation of the result of foreign entities	(216.5)	(192.7)	(23.8)	12.4%
Undistributed financial result	1 222.4	(60.7)	1 283.1	x
Current net profit	2 609.6	3 254.1	(644.6)	-19.8%
Non-controlling interests	(18.4)	(10.0)	(8.4)	83.4%
Own funds	**27 091.4**	**24 743.2**	**2 348.3**	**9.5%**
Capital adequacy ratio	**14.61%**	**12.96%**		**1.64 p.p.**

Increase of the average assets (by 12.7% y/y) and a significant strengthening of the capital base (increase in average equity of 9.7% y/y), with negative growth resulted in a deterioration of profitability: assets (ROA) and equity (ROE) respectively by 0.4 p.p. and 3.3 p.p. Deterioration of profitability reflects a trend in the market, lower scores are recorded in the entire banking sector.



4. ACTIVITIES OF THE PKO BANK POLSKI SA GROUP [9]

4.1 Activities of PKO Bank Polski SA- the parent company of the PKO Bank Polski SA Group[10]

The PKO Bank Polski SA Group conducts business activities as part of segments offering specific products and services addressed to specific groups of customers. The manner in which the business areas are divided ensures consistency with the sales management model and offers the customers a comprehensive offer comprising both traditional banking products and more complex investment products. Currently, the Group conducts its business activities as part of the retail segment, corporate and investment segment.

Retail segment

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

Corporate and investment segment

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

[9] Financial data concerning the companies of the PKO Bank Polski SA Group is presented in accordance with the Companies' financial statements prepared under IAS/IFRS
[10] In this sub-chapter the Bank's management information is presented; any differences in total balances, shares and growth rates result from rounding.

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large projects in the form of loans and issues of non-Treasury securities. Moreover, this segment comprises own activities, i.e. investing activities, brokerage activities, interbank transactions, as well as transactions in derivative instruments and debt securities.

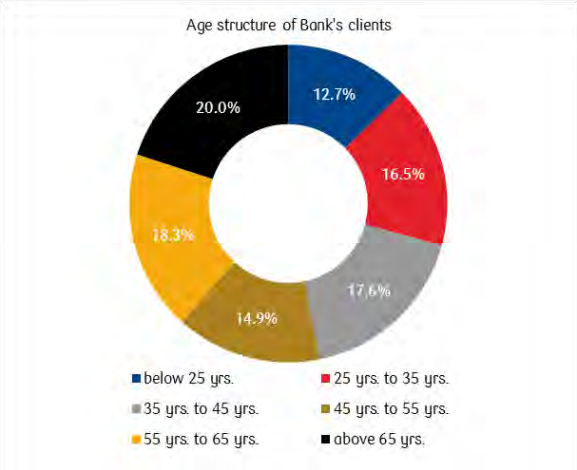
4.1.1 Retail Segment

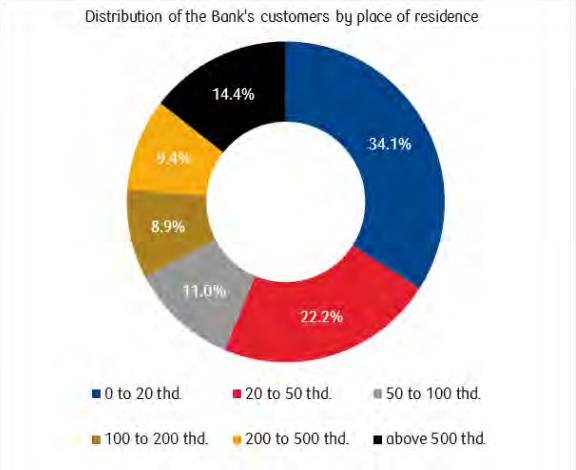
In 2015, activities undertaken by the Bank within the retail segment were focused on increasing attractiveness and competitiveness of products offered, with flexible reaction to changing market conditions. In the retail segment PKO Bank Polski SA continued sustained development, focused on recognizing and satisfying needs of customers with whom it wants to build strong, long-term relationships. Actions aimed on improvement of the customer service quality i.e. through the development of employees competencies (product trainings) and actions leading to increase innovation in the new financial solutions, not only concerning products, but distribution channels as well, particularly in electronic banking and mobile payments were taken.
Capacity building for service banking products through electronic channels, the Bank consistently implemented strategy for the popularizing of customer service electronic channels.

At the end of 2015, the number of serviced clients in the retail segment amounted to 8 968 thousand, of which 8 538 thousand were individuals. Half of the retail clients is actively using electronic banking. The number of customers using mobile banking IKO is constantly growing, at the end of 2015 there were more than 430 thousand.

With an extensive sales network of banking services and products offered to retail customers are widely available. Most of the Bank's customers (approx.. 67%) live in municipalities of less than 100 thousand residents. Reliable Brand Bank's ability to combine tradition and modernity, and a clear product offer, taking into account the time-varying customer preferences makes the Bank to be recognized not only in large urban centres.

The most important distribution channel in terms of number of retail clients acquired was branch network. Acquisition of new customers is carried out mainly through the sale of current accounts(approx.96%)





The loan offer in the retail segment

The PKO Bank Polski SA's offer includes a wide range of loan products. Retail, private and mortgage banking customers can take advantage of financing available under the consumer loans in the form of cash loan, Aurum and Platinum loan, mortgage loan, revolving loans and credit cards as well as financing available under housing loans. The loan offer in the form of investment and investor loans is available for Small and medium enterprises By the end of 2015 of gross loans retail segment of PKO Bank Polski SA amounted to PLN 139.9 billion and from the beginning of the year increased by PLN 6.3 billion (4.7%). Large contribution to the new sales growth increase was the portfolio of mortgage loans (+ 5.1% since the beginning of the year), as well as an increase in consumer loans to clients retail and private banking (+ 8.8%) i.e. due to the increase in new sales.

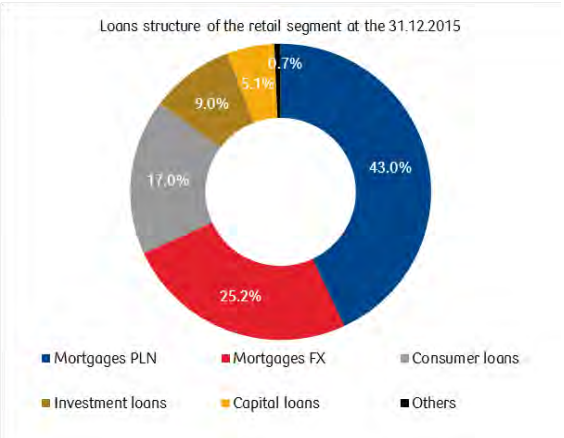


Table 11. Loans in retail segment (PLN million)

	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011	Change: 2015/2014	Change (mPLN)
Loans and advances granted, gross, of which:							
retail and private banking	23 340	21 455	20 399	21 601	24 248	8.8%	1 885
mortgage banking	95 217	90 623	68 795	63 815	63 155	5.1%	4 594
small and medium enterprises	21 313	21 504	21 632	20 930	23 498	-0.9%	(191)
Total	**139 870**	**133 582**	**110 826**	**106 346**	**110 901**	**4.7%**	**6 288**

Retail and private banking loans

Retail customers can take advantage of both the standard Cash Loan, as well as the current financing available under the revolving loans and credit cards. A special offer of the Aurum and Platinium loans with available high amounts of loans and competitive pricing parameters, is available for the affluent clients.

In 2015, PKO Bank Polski SA continued the action of promoting sales of consumer loans, mainly focused on the cash loan and the Aurum/Platinium loan. In concern to cash loans and credit Aurum / Platinum Bank prepared special offers addressed to customers of PKO Bank Polski SA, as well as to persons previously not benefiting from the cash loans offer or transferring the debt to PKO Bank Polski SA. As part of these deals available preferential price conditions, reduced margins for customers engaged in selected occupations, ending repayment Aurum / Platinium occurring to increase the loan amount, actively using a revolving loan or credit card.

PKO Bank Polski SA taken action to increase the availability of credit offer customers retail and private banking. For this purpose:

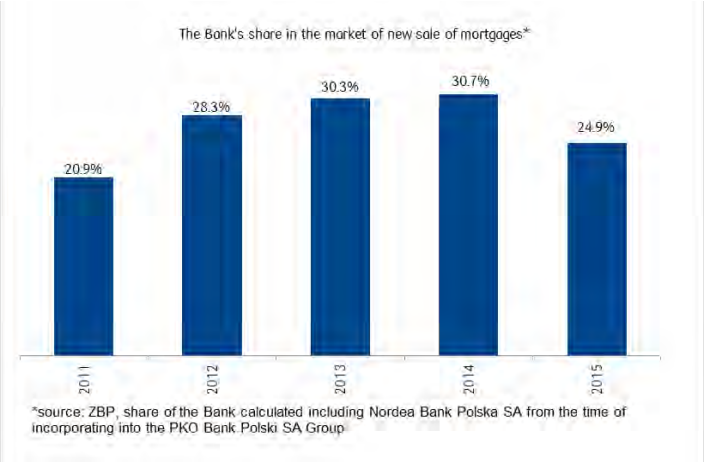
- increased the amount of loans available without collateral:
  - cash loans sold remotely to 50 thousand. PLN,
  - loans sold in other channels to the level of 120 thousand. PLN,
  - credit Aurum / Platinum to the level of 200 thousand. PLN.
- simplified criteria and formalities associated with receiving credit or cash loans by introducing the possibility of documenting income in the form of a tax return PIT,
- replaced the need for accession of the spouse in the loan agreement by making an agreement to incur liability by a spouse,
- make available modern sales process cash loans fully on-line "loan one-click", thanks to which through electronic banking iPKO customer can receive funds from the account of the loan even in a minute.

In addition, within the framework of action to facilitate the Bank's customers access to the product offer via the Internet and mobile devices, since June 2015, PKO Bank Polski SA offers the possibility of opening a revolving credit limit or increase of existing limit for individual and shared accounts without the need to sign a contract or an annex in paper form. The customer has the ability to determine how to sign the contract/annex and additionally possibility to select between the authorization tool on the website, using SMS code or TAN code and receiving documents by courier.

In 2015, Bank has extended to the standard offer in Inteligo by revolving credit sales process, and in the eBanking platform process for sales of revolving loan called "one-click". New processes include possibility to apply remotely both for revolving credit in savings-settlement account, and to change the amount of the credit limit.

Mortgage banking loans

In the discussed period the Bank maintained a strong position on the housing loans market. According to the data presented by the Polish Bank Association ('ZBP'), PKO Bank Polski SA ranked first on the market with its 24.9% share in sale of housing loans for individuals. Since the beginning of the year the Bank granted loans for a total amount of approx. 9.9 billion PLN.



In 2015, the Bank conducted promotional campaigns for mortgage loans under the slogan "Open Days Mortgage", to support the sale of loans and mortgage loans, consisting in offering attractive pricing for:

- Mortgages „WŁASNY KĄT",
- "Własny Kąt Hipoteczny" Package,
- Mortgage loan under the program "Mieszkanie dla Młodych"

During this period, PKO Bank Polski SA continued granting housing loans with financial support from Bank Gospodarstwa Krajowego under the "Apartment for Young " program. The program is basing on funding from the state budget's own contribution and grant additional financial support in the form of repayment of the loan. Since the beginning of September 2015, the loans are granted on the basis of modified regulation, which has affected in increased chances for the first apartment for person previously non-creditworthy, significant relief for large families, larger metric of a flat and the ability to purchase house on the secondary market. Group of people that can be covered by the Program has been extended: people that do not have credit standing can take a credit with any other, indicated by them person, before changes in program policies it had to be a family member. Additionally, for families with three and more children the requirement of "first home" was abolished, which means

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that they can apply for a loan for a bigger accommodation and be the owner of another property. The amount of own contribution funding also increased, and it depends on the number of children raised in the family applying for a loan.

In 2015 PKO Bank Polski SA under the program "Mieszkanie dla Młodych" granted nearly 4.8 thousand loans with the total amount of 781 million PLN. To meet the expectations of customers with denominate loans in Swiss francs, PKO Bank Polish SA decided to apply 1% spread in handling mortgage loans in this currency from 27 January 2015 until 30 June 2016, due to the significant appreciation of the Swiss franc against the Polish Zloty. At the same time, with respect to all clients, Bank takes into account the negative rate of LIBOR CHF in the cost of mortgage and allowed to extend the deadline for repayment within the maximum lending period, refraining from the payment for the extension of the lending period. All actions taken by the Bank to a significant extent enabled customers to compensate an increase in loan instalments due to the strengthening of the CHF.

Additionally Bank provided the customers with the opportunity to apply for a change of collateral granted in CHF in order to enable the sale of real estate secured by mortgage associated with the granting of a new loan in PLN and the establishment of a mortgage on a newly purchased property.

Loans for small and medium enterprises

PKO Bank Polski SA consistently supported Polish entrepreneurship. Companies from the sector of small and medium-sized enterprises provide funding for current and investment needs through extensive and flexible range of credit. Thanks to the „credit guarantee de minimis" agreement between the PKO Bank Polski SA and Bank Gospodarstwa Krajowego under the government program of support for small and medium-sized businesses, entrepreneurs receive support in the form of guarantees BGK - de minimis, designed to increase the availability of credit and the launch additional funds for the company's ongoing operations. As at 31 December 2015 nearly 16 thousand companies benefited from the "credit guarantee de minimis" agreement. Value of loans amounted to 4.8 billion PLN.

PKO Bank Polski SA was the largest lender among the twenty-one banks providing credit guarantees de minimis and comprised 24.7% market share (according to data provided by the Warranties and Guarantees Centre of Bank Gospodarstwa Krajowego as at 31 December 2015). Continued cooperation with Bank Gospodarstwa Krajowego under the "Portfolio Guarantee Line de minimis" and the great interest in the product from customers has resulted in signing annexes to the agreement with BGK by PKO Bank Polski SA in 2015, finally resulting in the increase of the granted guarantee limit in the amount of 4.8 billion PLN and the extension of the contract until the end of 2016. As at 31 December 2015, the exposure measured by the value of active contracts signed amounted to 2.6 billion PLN.
Additionally, in October 2015, the Bank concluded with Bank Gospodarstwa Krajowego contract portfolio guarantee line from the counter guarantees granted by the European Investment Fund in COSME (PLG COSME). Guarantees under the PLG COSME program will be covered by the scope of the granted loans with the limit of 80 million PLN until 31 October 2016. COSME is the EU Framework Programme for the Competitiveness of Enterprises and small and medium enterprises for the years 2014-2020. The program aims to stimulate lending and investment capital for small and medium-sized enterprises in Europe.
Furthermore in 2015 the Bank extended the offer for small and medium enterprises with the possibility of granting mortgage loans MSP also in the part of scoring methods to assess the risk of this group of customers, while reducing the minimum loan amount from 50 thousand to 5 thousand PLN and entering limiting the total maximum exposure to a single customer in the amount of PLN 2 million and expand the range of entities that can apply for a MSP loan with farmers foundations and associations. In the same period Bank extended a working capital loans offer led to the housing associations with the possibility of financing revolving loans, allowing this group of customers to maintain an optimal level of its financial liquidity, as well as it can complement their financial resources in case of mismatch of liabilities and deposits.

The deposit and investment offer

In 2015 PKO Bank Polski SA continued the initiatives designed to make deposit offer for retail clients more attractive, taking into account the current market and competitive position.
As at 31 December 2015 deposits of the retail segment of PKO Bank Polski SA amounted to PLN 147.6 billion and from the beginning of the year increased by PLN 8.5 billion (6.1%). It was caused by the increase in deposits of retail and private banking (+4.9% since the beginning of the year) and increase in deposits of small and medium-sized enterprises (+15.0% since the beginning of the year), both due to volume growth of current and term deposits, the prominent faster growth in current deposits.

Table 12. Deposits in the retail segment (in PLN million)

	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011	Change: 2015/2014	Change (mPLN)
Client deposits, of which:							
retail and private banking	127 833	121 893	110 608	105 799	99 958	4,9%	5 940
small and medium enterprises	19 803	17 213	14 757	13 413	14 323	15,0%	2 590
Total	**147 636**	**139 106**	**125 365**	**119 212**	**114 280**	**6,1%**	**8 530**

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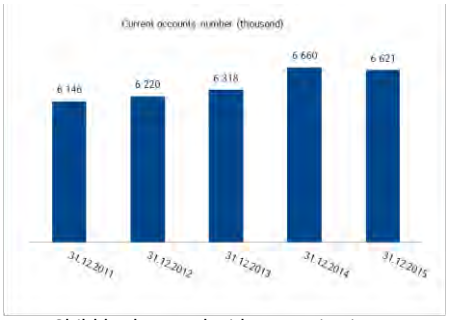
Current and saving accounts

PKO Bank Polski SA is the market leader in the number of current accounts, which at the end of 2015 amounted to 6.6 million. The present level of accounts is derived from the varied offer in terms of customer preferences, which can be distinguished among others: PKO account without Borders, PKO account for Zero, PKO account for Young, PKO Cheerful account PKO first account and PKO Junior. The decrease in the number of accounts since the beginning of the year is mainly due to harmonizing of the methodology for calculating the acquired bank accounts after the merger operations.

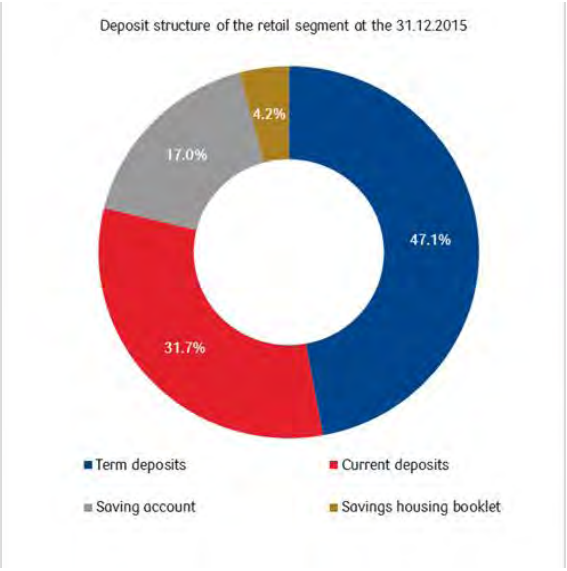


To meet the expectations of Inteligo customers, in September 2015 sale of account Inteligo Account Child had started with attractive interest rates and a modern service called PKO Junior.

Small and medium-sized businesses clients are interested in a comprehensive, modern and cost-effective service, with respect to these requirements and needs Bank offers a wide range of business packages. Keeping up with the dynamic development of Bank customers, in 2015 the Bank enriched the offer with a Mobile package as a practical solution for individuals engaged in self-employment and individuals profession, providing a comprehensive and modern financial management business through the mobile app. This new product is aimed at entrepreneurs who are running their business using smartphones and want to keep managing their finance. IKO allows them to also accept payments from customers by the phone number. For customers making payments by debit card, and perform transfers to ZUS, the package is available for PLN 0.

Term deposits and regular saving products

Deposits of retail and private banking have the dominant share in retail deposits. Customers in this segment were allocating resources primarily in time deposits. Since the beginning of 2015, the Bank offered individual customers, among others, deposits with progressive and standard rate (even and odd investment, 3M deposit, 6M deposit, 3 + 9 + 12 deposit, 24M deposit) and structured deposits.
Term deposits that occur in the Bank's offer and which retail customers were particularly interested in: 24M deposit with negotiated interest rates, 24M deposit for new funds, 6M internet investment which is available in the electronic banking system with interest conditioned by the amount of the deposit, term deposit account 3+ 3 for new funds and deposits 3 + 3 with an negotiated interest rate.
Moreover in this period, a special 3-month term deposit offer was made available to customers with Aurum Gold Account, Platinum or Platinum II, and having one of the following products: a policy of long-term investments in the form of life insurance with insurance capital fund, an investment program Akcjomat, pension package offered by PKO TFI SA or Individual retirement security Account offered by PKO PTE SA. Part of the standard offer of the Bank dedicated to individual clients is structured instruments sold in the form of structured deposits or Bank Securities. In 2015, the Bank carried out 14 subscriptions of 7 structured deposits, which were an investment based on a basket of shares of Asian companies and on the basket of shares of seven gold companies, investment based on a basket of shares of global automotive, investments based on the USD / PLN exchange rate (6-month and 12-month), deposit based on the EUR / PLN exchange rate and investment based on the exchange rate of CHF / PLN. Having such products in its sales offer allows the Bank to offer an attractive product to its customers and helps to improve PKO Bank Polski SA image as an institution offering innovative instruments.



Moreover, in the second half of 2015 bank introduced a new pension product - Individual Security Retirement Accounts, prepared in cooperation with PKO PTE SA. Individual Security Retirement Account enables Bank clients to save for retirement while enjoying annual tax relief.
Once again in the analysed period, deposit with progressive interest under the name "Business deposit" were introduced for limited time offer, offering sector of small and medium-sized enterprises customers the opportunity to deposit surplus funds held for a period of 3, 6 or 12 months. Also, Inteligo customers were proposed a three-month progressive deposit, offered under the name "Deposit increasing". Furthermore, small and medium-sized business customers have the opportunity to purchase Dynamic Deposit 12-month with progressive rate. To meet customer expectations the Bank simplifies the process of selling the highly popular automatic deposit, eliminating the need to conclude a separate agreement.

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Investment funds

In cooperation with PKO TFI SA, the Bank offers 38 nondedicated funds to the retail and private banking customers, with total assets of PLN 18.2 billion *(source: report of the Chamber of Fund and Asset Management as of 31.12.2015).*
In 2015 PKO Bank Polski SA systematically developed an offer in the field of investment funds. The Bank has emitted Investment Certificates B Series PKO Global Innovative Companies (closed investment fund). Additionally in this period, emitted Investment Certificates A series PKO Commercial Real Estate. Both issues have expended the range offered to customers, diversified investment strategies.
In 2015, the Bank in cooperation with PKO TFI added to the subfund offer PKO Shares of European Market and conducted further issue certificates Closed Investment Funds: PKO Commercial Real Estate, PKO Europe East-West PKO Multi Strategy, PKO Companies Innovative Global, the PKO Global Macroeconomics, PKO global Strategy and PKO global Income.
Moreover in cooperation with PKO TFI SA developed Specialized Investing Program PKO Akcjomat. This product is opened in the source subfund – PKO Skarbiec, and in the next 12 months, funds are monthly transferred to the selected subfund or Portfolio.
In 2015, Bank introduced an offer of a dedicated Private Banking insurance contract with insurance capital fund "Long-Term Investment Policy". The new product combines life insurance and investment capital funds insurance. Long-term Investment Policy provides access to global investment solutions, so that in a single portfolio customer can invest in Polish and foreign equity funds.
At the same time, in this period, since 2014 PKO Bank Polski SA systematically expanded sales of Life insurance offer with insurance capital fund directed to the primary customer segment.
In June 2015, referring to the best practices possibility of concluding a MiFID general agreement was introduced. It takes only to sign a contract with PKO Bank Polish SA and activate the selected services and products to take advantage of the wide range of investment services, such as general advice, investment advice or investment products (mutual funds, insurance, structured products, structured deposits).

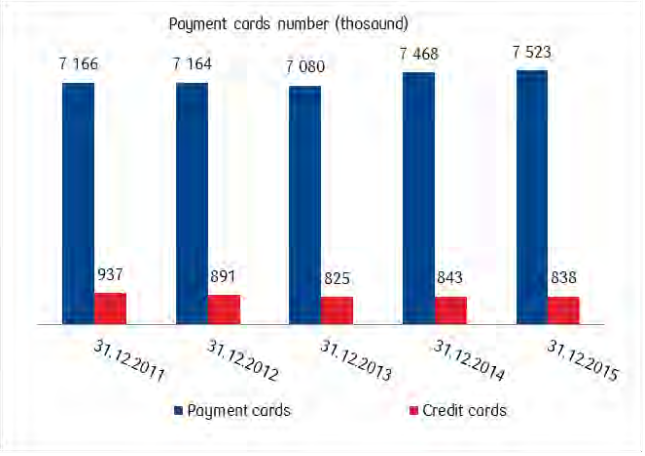
Sales of State Treasury bonds

PKO Bank Polski SA is the only one that sells and handles retail bonds emitted by the State Treasury, under the agreement with Ministry of Finance. Retail bonds are being sold by extensive sales network of the Bank, which is convenient for all interested in investment. In 2015, over 32 million units were sold, of which nearly 9 million units were the very popular short term bonds (KOS).

Other products and services in the retail segment

Banking cards

As at the end of 2015 a number of credit cards of PKO Bank Polski SA amounted to approx. 7.5 million (including 0.8 million credit cards). In 2015 PKO Bank Polski SA added new features that aim to facilitate management and card usage for customers:



- possibility to apply for corporate debit cards at the Contact Center and iPKO service was implemented,
- possibility to apply for additional credit card issued for indicated person without the physical presence in one of the Bank's branches was implemented for customers who already had signed an contract with the Bank,
- two new cards were made available to the segment of small and medium-sized business customers,: a embossed debit card and charge card along with insurance package. Both cards are issued by VISA,
- a new service of taking over responsibility by the Bank for any unauthorized transactions made prior to notification of card loss was made available for all SME debit cards holders. With it, users of SME debit cards have the possibility to transfer responsibility to the Bank for unauthorized contactless transactions to an amount equivalent in PLN of 50 EUR for contactless transactions and to an amount equivalent in PLN of 150 EUR for contact payments, made before reporting the loss of the card,
- extended the offer with city cards that have all the features of a payment card, entitling at the same time to use public transport. Currently, these cards operate in Warsaw and Wroclaw,
- allowed to sell credit cards outside the headquarters of the Bank. The first event, during which the bank offered credit cards outside the institutions was Midsummer race in Gdynia,
- the growing popularity of contactless gadgets has prompted the Bank to extend the offer to all customer groups. From November 2015 PKO Bank Polski SA offers to all holders of personal accounts option of paying for purchases using the convenient contactless stickers. Payments using the sticker are made from the available funds in the account savings and clearing and settlement as well as transactions made with a debit card.

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Insurance and investment-insurance products

PKO Bank Polski SA consistently expands the offer of insurance products therefore increasing the attractiveness of related banking products and giving customers the ability to take advantage of additional financial services tailored to their needs and expectations. PKO Bank Polski SA offers insurance products to retail clients and private banking as well as the segment of small and medium-sized businesses related to banking products such as:

- ROR (including Life insurance. NNW Insurance, Assistance Insurance, Travel Insurance)
- bank cards (including security package to credit cards, charge and debit cards, Travel insurance, Repayment Insurance)
- consumer loans, mortgages and business (Life and unemployment Insurance, Low contribution Insurance, Bridge Insurance, Real estate Insurance, Assistance Insurance)

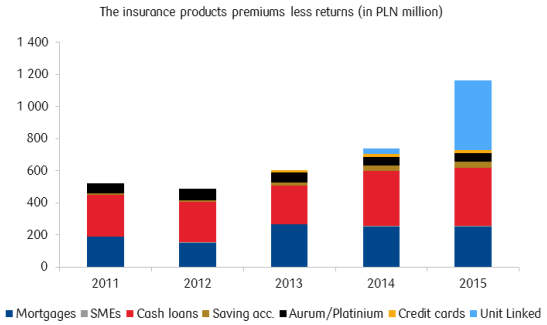
Bank in its portfolio of savings products has also one of the most beneficial solutions in the market for insurance capital funds. Due to the fact that that product category was not yet available through the Bank's branches, it is one of the most dynamically developing services.
In 2015, PKO Bank Polski SA in accordance with U recommendation implemented good practices in the field of bancassurance, and therefore Bank changed the current business model of insurance sales to agency model. As a result of these changes in the offer of PKO Bank Polski SA new individual insurance appeared as a replacement of the insurances in the form of a group, such as:

- A package of individual insurance for Cash Loan (base and extended), to Inteligo Loan and Loan Aurum / Platinum (base and extended)
- Individual life insurance for customers who have entered into a loan agreement or loan secured by a mortgage,
- Individual insurance of mortgage / mortgage for customers with credit or mortgage loans,
- Individual insurance Superochrona homes and residential mortgage borrowers and borrowers mortgage loans.

In the field of life insurance, PKO Bank Polski SA offers products primarily made in cooperation with PKO Life Insurance Company SA. However, in the area of property insurance PKO Bank Polski SA in the first quarter of 2015 created the company PKO Insurance Company, while continuing to work with existing partners. The first service provided by the new company is available since 2015 which is insurance against loss of income or hospital treatment of credit card holders bundled with life insurance of sister company.

The premium of insurance products without returns increased in comparison with the previous year by 57% and amounted to PLN 1.16 billion as at 31 December 2015.

There are works in progress to implement of the other products offered by PKO TU SA and PKO Life TU SA and gained increasing synergies resulting from the cooperation of the two insurance companies belonging to the Bank Group.



Private banking

PKO Bank Polski SA consistently implements the model of Private Banking, focusing on close cooperation within the Group (Dom Maklerski PKO Bank Polski SA and PKO TFI SA), allowing customers access to a wide range of products and financial instruments.
Currently, the Office of Private Banking function in 9 major Polish cities: Warsaw, Gdansk, Krakow, Katowice, Poznan, Wroclaw, Lodz, Szczecin and Bydgoszcz (institution was launched as part of the Office of Private Banking in Gdansk). All Office has a prestigious location guarantees customers a discreet and comfortable handling. The Centre Private Banking also distinguished by a professional team of advisors, ensuring safety of assets entrusted by clients. The Bank is also focused on the constant development of Advisors Private Banking, continuing the process of certification under the EFA program EFPA. This certification is a confirmation of the highest professional qualifications in the field of financial advisory services

Distribution network

As at 31 December 2015 the retail network of PKO Bank Polski SA had 1 230 branches and 8 offices retail banking. In comparison to the end of 2014 total number of retail branches declined by 42 outlets, which resulted primarily from the liquidation of branches operating in the same small environment, turning branches acquired bank's network of PKO Bank Polski SA.

Table 13. Operational data in retail segment

	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011	Change 2015/2014	Change 2015-2014
Number of branches in the retail segment	**1 238**	**1 280**	**1 147**	**1 134**	**1 131**	**-3.3%**	**(42)**
retail branches	1 219	1 261	1 130	1 120	1 119	-3.3%	(42)
regional retail branches	11	11	11	11	12	0.0%	0
private banking branches	8	8	6	3	0	0.0%	0
Number of ATMs	**3 196**	**3 065**	**2 992**	**2 803**	**2 457**	**4.3%**	**131**
Number of agencies	**881**	**1 001**	**1 074**	**1 208**	**1 400**	**-12.0%**	**(120)**

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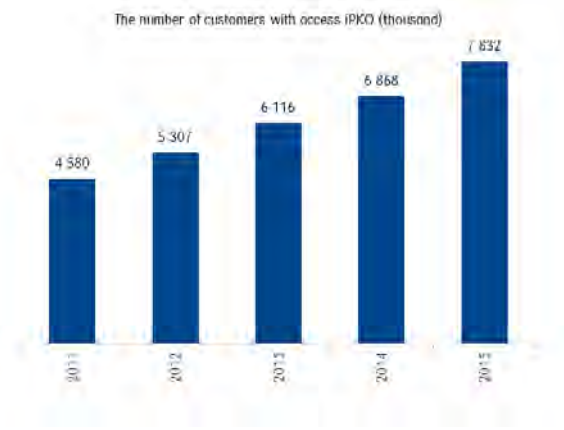
Branch network and agencies

Improving the conditions of customer service network is one of the tasks of supporting the strategic program "Improving the efficiency of the distribution network of branches and agencies." Since early 2015, these activities focused on the modernization of branches, moving offices to new, attractive locations and the creation of new branches. They were aimed at increasing the competitiveness of the market, improved customer service and optimization of the area occupied by the troops. This supports efficient customer acquisition and customer service is the guarantee of a comfortable and uniform conditions, regardless of the place of service.
Essential complement to the network of branches and ATMs is a network of agencies. As at 31 December 2015, PKO Bank Polski SA collaborated with 881 agencies and in relation to 31 December 2014 the number of agencies has decreased by 120 units. The decrease in the number of agencies is a continuation of efforts to increase network efficiency.

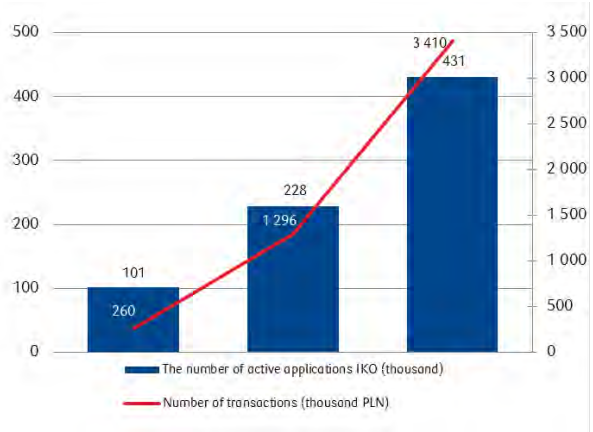
Electronic banking

Retail customers within the iPKO service can benefit from a package of electronic banking services. In addition to small and medium-sized enterprises there is a possibility of using electronic banking services under the name iPKO Business. Using these services provides customers with access to information about their accounts and products, as well as allows you to make transactions through: Internet, self-service terminals, telephone. At the end of December 2015, the number of customers with access iPKO was 7.8 million. From the beginning of 2015, customers can enjoy the full functionality of the new internet banking service iPKO. The new version of the website is more user-friendly. Service can be customized to the needs of individual students, name the bills, it's easy to manage tabs, bookmarks and transparent facilitate the use of a wide range of services offered. In iPKO you can also use a single click of the revolving credit facility and apply for a cash loan without visiting the branch.



Mobile Banking IKO

IKO is the most popular and most developed mobile payment system in Poland. It combines the functions of mobile banking with the ability to make mobile payments. IKO applications use more than 430 thousand costumers.
In 2015, an application was enhanced with new functionalities such as phone top-up card, view details of standing orders, credit cards and credits, as well as the ability to send requests for many transfer to another application user. In addition, in this period it was extended catalogue of disposal that can be performed by users with individual accounts in PKO Bank Polski SA and Inteligo accounts, introducing the possibility of setting up deposits through the IKO application. The Bank offers these clients term deposits for 1, 3, 6 or 12 months. The change significantly transformed IKO application used for payments or mobile payments to the bank application in the phone.



Since November 2015 the Bank's clients can use the new version of the IKO application, which is the next step to provide customers a full new mobile banking standard, ranging from financial management, and ending with purchases from a mobile phone. The new version of the IKO is a convenient, intuitive navigation in line with the latest trends and use of the account and the balance before logging operations or directly from the main screen.
In 2015, based on IKO payments was established new Polish standard in mobile payment BLIK. BLIK is a universal form of payments and cash withdrawals from ATMs without using cash or credit card, built together with partner banks and the National Clearing House. On 31 December 2015, the network of acceptance of mobile payments (IKO, BLIK) was more than 130 thousand (eService terminals and First Data) devices throughout the country. Due to the implementation of the BLIK system, IKO application now allows a withdrawal in more than 13 thousand own ATMs PKO Bank Polski SA, Bank Millennium, BZ WBK SA, ING Bank Slaski SA, Euronet ATMs (about 5.8 thousand.) And IT Card (about 1 thousand). With this application you can also make payments for purchases in more than 25 thousands of online stores supported, among others, Dotpay, eCard, Przelewy24, Transferuj.pl, First Data and Cash Bill.
The project "From IKO to BLIKA" in 2015 was recognized the best innovation in the payments world. The cooperation of competitors, far-reaching vision and the ability to independently create innovative solutions are the most important reasons why bankers from around the world recognized project of transforming the mobile application IKO created by PKO Bank Polski SA, the market standard payment BLIK for the best innovation in payments.

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Contact Center of PKO Bank Polski SA

Contact Center is important in retail customer service. The aim of this unit is to conduct the sale of products offered by the Bank during incoming and outgoing calls and to provide efficient and effective customer service, by means of remote communication. The duties of the Contact Center in particular are:

- sale of banking products in the inbound and outbound
- support remote sales processes initiated on the web,
- handling incoming calls from customers of the retail segment,
- outgoing calls initiated by the Bank (task information)
- call handling safety inbound and outbound
- service email correspondence,
- answers to questions asked by customers infosite and service iPKO
- internal customer service (helpdesk essential for branch employees)
- early monitoring of receivables.

4.1.2 Corporate and investment segment

In 2015 PKO Bank Polski SA, as in previous periods based its development on corporate business, on building stable relationships with customers, as a consequence of providing high-quality services, cooperation principles based on partnership and the specialized qualifications of the sales network. Financing of both current operations of companies (through working capital loans), as well as openness to participation in the implementation of the future projects (through investment loans), as well as support in the implementation of local government projects, have been constantly the main priorities of the corporate and investment segment of the bank.

The Bank is analysing market expectations systematically and, in order to meet customer expectations, tailored its product and service offer so as to cope with increasing competitive pressure. As a result, a broad range of transaction products and products mitigating financial risks (liquidity, settlement, interest rate, currency and commodity price risks) were being developed consistently.

In 2015, the corporate and investment segment, were working in the new structure which is based on greater specialization. Dividing it into sectors such as: energy, fuel, new technologies, construction and real estate finance, agriculture and food industry, heave industry and mining and manufacturing and trade, facilitated product offering according to their specific needs and the specificity of action of individual industries.

During this period, PKO Bank Polski SA, thanks to signing of agreements on next metropolis budget service, strengthened its position in the field of customer service of the local governments sector. The bank currently operates budgets of such provinces as: Mazowieckie, Wielkopolska, Zachodnio-Pomorskie, Lubelskie, and Kujawsko-Pomorskie. The Bank's clients are eight provincial cities: Kraków, Katowice, Wrocław, Szczecin, Poznań, Rzeszów, Zielona Góra and Gorzów Wielkopolski. PKO Bank Polski SA offers a full service of city budgets and related budgetary units. Apart from keeping accounts and the execution of banking operations, services include: comprehensive card payments, mass payments, authorization of transactions at POS terminals and providing vending machines that allow payment of taxes or fees for driving license or ID card. The Bank also helps local governments to find the best and most optimal solutions for financing investments. In recent years, the Bank participated in many local government investments of non-standard nature, including Poland's first Afrykarium-Ocenarium in Wrocław, the fast tram in Szczecin or modern waste incineration plant in Poznan, which is to be commissioned in 2016.

2015 was also marked by the strengthening of the Bank's position in the field of public sector entities financing. According to the agreement signed with the Department of Social Insurance (ZUS), PKO Bank Polski SA will be responsible for the management and service of the consolidated accounts of ZUS, the Social Insurance Fund and the Bridging Pension Funds over the next four years. Well-built infrastructure of international settlements will serve to implement the foreign payments and pensions from the Social Insurance Institution.

At the end of the December 2015 almost 14.2 thousand clients were serviced in the segment, including 0.9 thousand of strategic clients and more than 4.0 thousand local government units and central government institutions together with budget-related and associated parties. Bank on the basis of newly acquired powers led service to about 0.7 thousand of affiliates and subsidiaries of parent undertakings having their office registered abroad.

Lending activity and structured financing

As at 31 December 2015, gross corporate loans amounted to PLN 46.8 billion and their balance increased by PLN 0.5 billion since the beginning of the year. The total financing provided to corporate customers, including bonds issued amounted to nearly PLN 60 billion, which means an increase by PLN 0.6 billion (by 1.0%).

Table 14. Financing of the corporate clients (in PLN million)

	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011	Change: 2015/2014	Change (mPLN)
Corporate loans gross	46 763	46 257	38 947	39 273	33 853	1.1%	506
Debt securities*	13 132	13 064	6 292	6 330	5 740	0.5%	69
municipal	*7 309*	*7 303*	*4 419*	*3 955*	*3 458*	*0.1%*	*6*
corporate	*5 823*	*5 761*	*1 873*	*2 375*	*2 282*	*1.1%*	*62*
Financing total	**59 895**	**59 321**	**45 238**	**45 603**	**39 594**	**1.0%**	**575**

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

The highest loan transactions concluded by the Bank in 2015 included financing in the form of investment and working capital loans granted to entities from the energy, financial sectors and to public finance sector entities. The unit values of the highest transactions ranged from PLN 50 million to PLN 1 billion.

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The standard part of the Bank's offer is to finance large investment projects in the form of loans as well as organization of the securities issue, for the most part with a guarantee of purchase by the Bank.
In 2015 the Bank participated in the signing of 15 agreements in the form of a consortium, where the total value of credit lines exceeded PLN 28 billion and the Bank's share amounted to PLN 5.2 billion. In addition, the financing of entities related directly to the Bank concluded with signing of three guarantee agreements amounting to a total of almost PLN 370 million, a loan agreement for the amount of PLN 0.9 billion and an annex to the agreement increasing the amount of given credit by PLN 0.3 billion to PLN 0.9 million. Transactions with related parties were concluded under the market terms.
As a part of the activities related to the organization of securities issue, the Bank signed 13 agreements that opens corporate bonds without a guarantee of closing program with a total value of PLN 2.3 billion, 5 agreements of bonds issue with a guarantee of closing the issue in the total amount of PLN 0.3 billion and 2 agreements in the form of a bank consortium opening the bond issue program with a total value of PLN 7.5 billion, where the share of the Bank exceeded PLN 2.5 billion.
PKO Bank Polski SA as a one of the largest arrangers of corporate bonds issue, at the end of 2015 took the second place in terms of the value of placed bonds with a maturity of over one year and the third place in case of short-term bonds. i.e.:

- Co-Organized the bond issue program for the Enea SA company in the amount of PLN 5 billion (the role of the Bank: Organizer, payments Sub-Agent, Sub-Custodian, Dealer, Technical Agent), in 2015 placing the bonds alone in the amount of PLN 500, and together with other banks – PLN 1 billion.
- Independently organized the bond program of Gdańskie Przedsiębiorstwo Energetyki Cieplnej SA in the amount of PLN 120 million.
- Conducted, along with other banks, the bond issue of Warsaw Stock Exchange in the amount of PLN 125 million, acting as Sub-Custodian, the payments Sub-Agent and Dealer.
- Participated in the issue of the short-term bonds for Eurocash SA in the amount of PLN 500 million, holding the position as: Co-Organizer, Issue Agent, Payments Agent, Depository and Delaer.
- Co-Organized the bond issue program for Tauron Polska Energia SA of PLN 6.27 billion (the role of the Organizer, Payments Sub-Agent, Sub-Custodian, the Guarantor).

The Bank is working closely with local governments units and is financing investment projects for the local community. In 2015 PKO Bank Polski SA maintained its leadership in the organization and service of municipal bond issues i.e.

- Organized 150 of the approx. 250 issues done by the local governments in the last year, including emissions of the City of Siedlce (PLN 106 million), Lublin Province (PLN 50 million) and the City of Kalisz (PLN 45 million)
- Conducted the emissions of municipal bonds in the amount of PLN 770 million which gave him the leader position and 33% market share.

The value of debt from the municipal bonds issued through the PKO Bank Polski SA amounted to approx.. PLN 8.5 billion, which accounted for 42% of the market.

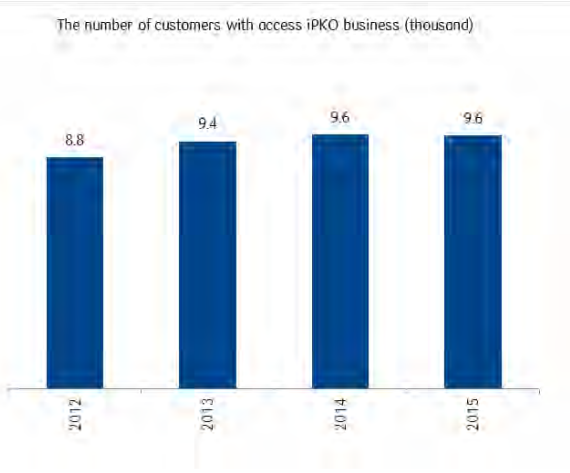
Deposit activities and transaction banking

The volume of corporate customers deposits as at the end of 2015 amounted to PLN 42.9 billion and was higher by PLN 12 billion than in the corresponding period of the previous year. The main factor of growth of the deposit base is the strong position of the Bank's product offer, which translates into expanding the volume of deposits both current and term.

Table 15. Corporate clients' deposits (in PLN million)

	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011	Change: 2015/2014	Change (mPLN)
Corporte deposits	42 908	30 907	21 336	23 968	28 653	38.8%	12 001

PKO Bank Polski SA is constantly improving the quality of the services in the field of transaction banking. In 2015, the Bank developed dedicated services to for entities characterized by extensive organizational structure (eg. Capital groups) allowing them to use various kinds of products and services to facilitate settlement of transactions with domestic and foreign partners.



While providing the electronic services by the PKO Bank Polski SA for its customers, the leading product segment of corporate banking is a banking system – iPKO business. In 2015, iPKO business application has been expanded with a new functionalities in order to improve the comfort of use, including the simplifying and redesigning the possibilities of performing the key operations on the site so that they are more friendly and intuitive. Currently the application iPKO business allows customers to monitor and manage accounts, payment cards and loans and submitting all kind of transfers.

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Financial institutions

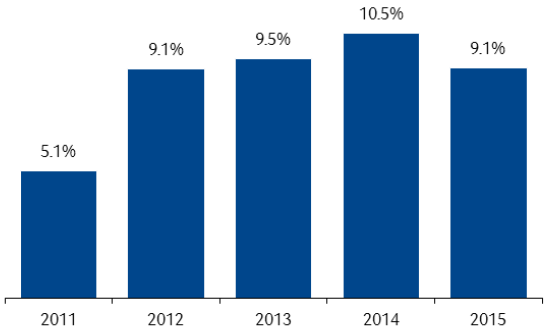
As part of the international settlement system, the Bank cooperates with financial institutions throughout the world and is one of the leading Polish banks in terms of the number of foreign payments cleared and sent to Polish beneficiaries. In 2015, in the course of current business, new customers were acquired that includes a number of new framework agreements with domestic and foreign financial institutions, including banks. On the basis of these agreements, the Bank offered innovative products to its customers to support the management of financial resources with the use of a wide range of clearing, deposit, treasury and risk hedging products.

Brokerage activities

Brokerage house of PKO Bank Polski SA (BH, office) has the leading role in the stock and bond market and is a leader in terms of number and value of transactions carried out on the capital market. In 2015, the share of BH in turnover (considering session transactions, and other Events) amounted 9.1%, which translates into second position in the market, while the first position on the market was guaranteed by high turnover in the bond market of BH (over 50%) and options (nearly 30%).

BH PKO Bank Polski is one of the most active participants in the market of IPO and SPO. In the past 2015, BH participated in the organization of the issue on the primary market of three companies: Virtual Poland Holding SA, Atal SA and Pekabex S.A. The transaction value exceeded PLN 0.5 billion. When it comes to the transactions on the aftermarket, it is worth to mention the share of BH in the organization of public offerings of companies: Rafako S.A., Globe Trade Centre SA and Pfeiderer Grajewo S.A.

DM PKO BP SA in the turnover of the secondary stock market



In the field of Office activity in the Corporate Finance, it should be noted that the Office took part in transactions of the acquisition of shares of: Advanced World Transport VC PKP Cargo, participation in the consortium that distributes corporate bonds Ghelamco Invest Sp. z o.o. and KRUK S.A. Additionally, in 2015 the Bank participated in transactions of ABB (accelerated bookbuilding) Bank Millenium S.A. and the company Polenergia S.A. In addition BH participated in the calls on stocks of: Rovese S.A., Echo Investment SA, Infovide-Matrix S.A. and HUTMEN S.A., it also took part in the consortium selling the shares of :Private Equity Managers, Idea Bank, Vivid Games, Vind Mobile, Lokum Developer, Krynica Vitamin.

BH is steadily expanding the range of products based on the latest technological solutions. Last year, the agency proposed new quality of investing in foreign markets. Customers have the opportunity to invest in securities in PLN and foreign currencies on the world's 18 largest stock exchanges. The office network of sales amounts to over 1,100 units of Brokerage Services located in the Bank's branches and more than 30 Customer Services Points. BH operates more than 350 thousand securities accounts (investment and registered)

Treasury products

Knowledge, experience and the Bank's activity in the financial markets allows to offer the institutional clients a wide range of the Bank's treasury products tailored to the needs resulting from the current operational activity as well as those of related to the protection of financial risk. Another advantage of the Bank in this area of activity is its extensive network of specialists and access to the most modern web platform iPKO dealer.

The largest share in sales of treasury products account for foreign exchange transactions SPOT. Good results are obtained by the Bank for the sale of derivative instruments, such as forwards, options, IRS, CIRS or commodity.

In December 2014, the Bank completed the work related to the implementation of the new autodealing system, connecting the branch network of the Bank's headquarters. In the reported period Bank's clients have gained access to such functions as limited order, series of FX, access to iPKO dealer via mobile devices, access to the market..

Interbank market

The Bank is the Treasury Securities Dealer and the Dealer on the Monetary Market, it also acts as a market maker on the domestic market of interest rate and foreign exchange. In the competition for the selection of Treasury Securities Dealer of 2015, Bank finished as fourth and third in the competition for the Money Market Dealer. The Bank has a significant portfolio of securities, which is financed from the deposit surplus. The portfolio perform the functions related to the management of current liquidity of the Bank and the function of the investment portfolio. The major part of the portfolio are the Treasury Securities.

In the past year the Bank issued three series of own bonds to buyers in the domestic market denominated in PLN and one series denominated in EUR. At the end of the year, the value of debt amounted to PLN 800 million and EUR 200 million.

In the middle of 2015, the Bank started setting IRS transactions through a clearing broker LCH Clearnet. Starting from July, all of the interbank transactions of IRS and FRA in PLN were settled by this chamber as well as some IRS transaction in EUR. Since November, the Bank as a chamber direct participant began setting IRS and FRA in PLN through KDPW_CCP.

Fiduciary services

PKO Bank Polski SA is a direct participant of the National Depository for Securities and Securities Register (NBP) is a member of the Council of Depositary Banks and the Council of Non-treasury Debt Securities at the Association of Polish Banks. The Bank operates securities accounts

and handles transactions on the domestic and the foreign markets, as well as provides fiduciary services and acts as a depositary for pension and investment funds. The Bank is an active participant in the work related to developing regulations and market standards.
At the end of 2015 under the fiduciary service of securities, the Bank maintained more than 1.9 thousand of securities accounts and the value of customers assets stored within the fiduciary grew by almost 5% compared to 2014 to PLN 65.5 billion at the end of 2015.

Sales network

The sales network of the corporate and investment segment includes seven Corporate Macro-Regions including 32 Regional Corporate Centers. In 2015 the Bank successfully continued implementing a strategic program of corporate sale development, based on modern mechanisms of planning the development of relationships with the customers, cooperation in building financial strategies and services

Table 16. Operational data in the corporate segment

	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011	Change 2015/2014	Change 2015-2014
Number of branches in the corporate segment:	**39**	**39**	**39**	**64**	**67**	**0.0%**	**0**
regional corporate branches	7	7	7	13	13	0.0%	0
corporate centers	32	32	32	51	54	0.0%	0

According to the announced expansion of the Bank on the foreign markets, in 2015 it launched first corporate facility of PKO Bank Polski SA in Germany. The product offer includes a wide range of services and products for corporate clients: transaction banking (including international cash pooling, electronic banking, treasury products, trade finance and corporate loans. Selecting the direction of international expansion is connected integrally with the high activity of institutional clients of the Bank on the German market, was the scale of bilateral trade and realized investments. Based on the strong relations with most of the leading Polish Groups, the bank provides support to their activities and investments abroad, thus effectively participate in the development of the international expansion of its clients.

4.2 Market share of PKO Banku Polskiego SA

In 2015 due to the growth of business activity the Bank strengthened its position in respect of its share in the deposit market, which amounted to 17.9% and increase by 0.6 p.p. y/y. As regards loans, market share slightly decrease to the level of 17.8%, due to decrease by 0.1 p.p. loans to institutional entities.

The level of market share in terms of personal loans was determined by an increase in shares and other consumer loans (+0.4 p.p.), with a decrease of 0.3 p.p. housing loans.

Table 17. Market share of PKO Bank Polski SA (in %)*

	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011
Loans for:	**17.8**	**17.9**	**16.1**	**16.1**	**16.2**
private individuals, including:	22.9	22.9	19.1	19.0	19.2
mortgages	*25.6*	*25.9*	*20.6*	*20.0*	*19.9*
PLN	*28.8*	*29.6*	*28.4*	*28.6*	*30.6*
FX	*21.5*	*21.5*	*12.8*	*12.9*	*13.2*
consumer and other	*16.0*	*15.6*	*15.4*	*16.6*	*17.6*
corporates	13.0	13.1	13.1	13.2	13.1
Deposits for:	**17.9**	**17.3**	**16.3**	**16.8**	**17.8**
private individuals	20.7	21.7	21.7	21.8	22.3
institutional clients	14.0	11.5	9.4	10.2	12.1

* Data in accordance with reporting program for NBP – WEBIS.

4.3 International cooperation

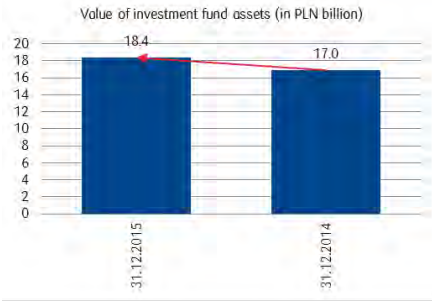
In the PKO Bank Polski SA Group, funds to cover the needs arising from the development of business operations, including the financing of projects relating to the small and medium enterprises segment, are also raised via international cooperation. The Group raises funds on foreign financial markets, i.e. through loans from international financial institutions (i.a. the Council of Europe Development Bank and the European Investment Bank). As part of the transaction of acquisition of Nordea Bank Polska SA's assets, financing from Nordea Bank AB (publ) on acquired housing loans denominated in foreign currencies was obtained. As at the end of 2015 total financing of the Group in the form of loans received from financial institutions amounted to approx. PLN 20.3 billion and included funds denominated in PLN, EUR, CHF and USD.
At the same time PKO Bank Polski SA participates in '*The 2020 European Fund for Energy, Climate Change and Infrastructure*' (the 'Marguerite Fund') project, capital involvement in the above mentioned fund in 2015 amounted to EUR 39,150 thousand. PKO Bank Polski SA takes part in the above mentioned project as the only Bank operating in one of the new European Union members which was awarded the status of 'Core sponsor'. The Marguerite Fund was established in 2009 for 20 years and currently implements investment projects such as *green-field* and *brown-field* in the energy and the road sector in Poland and other European Union countries.

4.4 Activities of other entities of the PKO Bank Polski SA Group[11]

Among strict banking activity the PKO Bank Polski SA Group provides specialist financial services relating to leasing, factoring, investment funds, pension funds, insurance and debt collection services, transfer agent, IT specialist outsourcing and support in the conduct of business, as well as real estate development and management of real estate.

General information on the selected PKO Bank Polski SA Group entities:

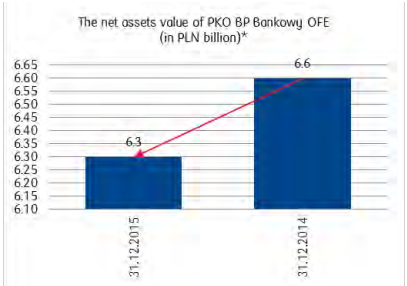
PKO Towarzystwo Funduszy Inwestycyjnych SA

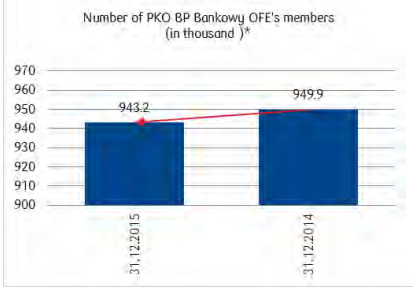


1) In 2015, PKO TFI SA generated net profit of PLN 56.5 million (in 2014 net profit amounted to 51.1 million PLN).
2) Asset value of the funds managed by the Company as of the end of 2015 amounted PLN 18.43 billion, an increase of assets by 8.7% compared to the end of 2014. The increase in assets resulted mainly from the positive net sales.
3) PKO TFI SA ranks 3rd in terms of net asset value with 7.3% share in investment funds market and #1 position with 14.3% share in managed assets of non-dedicated funds*.
4) As of 31 December 2015 the Company manages 40 funds and sub-funds.
5) In 2015 the Company carried out 14 issues of investment certificates of closed-end investment funds. Acquired assets totaled PLN 410.6 million.
6) In 2015 more than 26 thousand customers joined the Programme "Pension Package PKO TFI", representing 59% of all customer program being offered by the Company since 2012. As at 31 December 2015, PKO TFI SA led 23 group pension schemes including 4 new created in 2015.

** Source: Chamber of Fund and Asset Management (IZFiA).*

PKO BP BANKOWY PTE SA

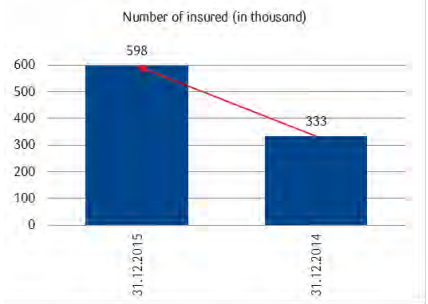




1) In 2015 PKO BP BANKOWY PTE SA generated a net profit of PLN 7.9 million (in 2014 net profit amounted to 17.5 million PLN).
2) At the end of December 2015 the net asset value of PKO BP Bankowy OFE managed by PKO BP BANKOWY PTE SA amounted to PLN 6.3 billion, which represents a decrease of 4.5% compared to the end of 2014. The decrease is due to the downturn on the Polish stock market and foreign financial markets and overweighing withdrawals from PKO BP Bankowy OFE to ZUS under the 'safety slider' over inflows of members' contributions from ZUS to PKO BP Bankowy OFE.
3) PKO BP Bankowy OFE had over 943 thousand Members as of the end of December 2015
4) PKO BP Bankowy OFE is the 8th biggest pension fund in terms of net asset value and 9th in terms of number of members.
5) In 2015 PFSA announced the OFEs return rates as at the end of March and September, for a period of 36 months. According to the announcement of the PFSA for the period from 30 March 2012 to 31 March 2015 PKO BP Bankowy OFE had a rate of return of 27.708%, compared to the weighted average rate of return for all funds in the amount of 25.129%. This yielded the Fund 3 place among all pension funds. In the second statement, taking into account the period from 28 September 2012 to 30 September 2015, the Fund obtained a rate of return equal to 15.129%, with a weighted average rate of return for all funds of 12.717%. The Fund ranked 2 in this ranking.

** Source: www.knf.gov.pl*

The PKO Życie Towarzystwo Ubezpieczeń SA Group



1) PKO Życie Towarzystwo Ubezpieczeń SA Group (ie. PKO Życie Towarzystwo Ubezpieczeń and its subsidiary Ubezpieczeniowe Usługi Finansowe Sp. z o.o.) reported a net loss of PLN 9.9 million (in 2014 the net loss of the Group amounted to 25.7 million PLN).
2) PKO Życie Towarzystwo Ubezpieczeń SA offers protective, savings and investment products. As part of the investment products the company offers a wide range of Insurance Capital Funds, in which customers can invest their savings. The investment offer includes 166 domestic and foreign Insurance Capital Funds , including 6 model portfolios and 9 Insurance Capital Funds developed by PKO TFI SA experts.
3) The value of gross assigned premiums from assumed by the company insurance contracts as at 31 December 2015 amounted to PLN 1 070 million.
4) The company insured at the end of 2015 598 thousand people.

[11] *In the case of the group's financial result presented in the description is the financial result attributable to the parent company of those group.*

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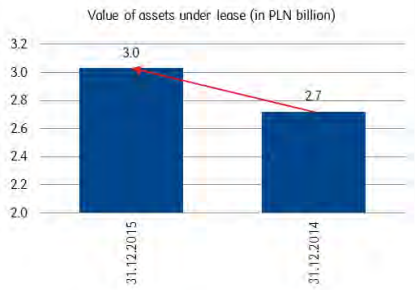
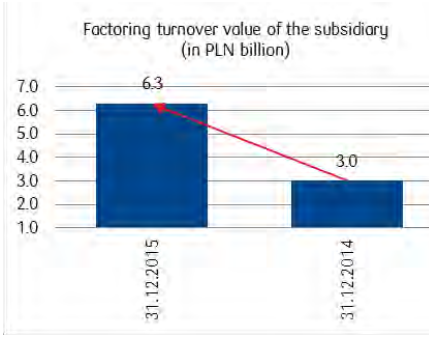
The PKO Leasing SA Group

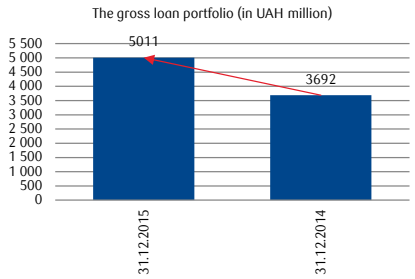




1) On 10 June 2015 the PKO Leasing SA Group was expanded with the PKO BP Factoring SA - results of the PKO Leasing SA Group include this change.
2) PKO Leasing SA Group(ie. PKO Leasing SA and its subsidiaries: PKO Bankowy Leasing Sp. o.o., PKO Leasing Sverige AB and PKO BP Faktoring SA) in 2015 generated a net profit of 26.9 million
3) In 2015, the Company transferred to the Group leased out assets with a total value of PLN 3.0 billion, ie. 11.3% more than in 2014. The increase is a result of the use of the Bank sales network and increase in the own distribution.
4) In terms of value of assets leased PKO Leasing SA occupied at the end of December 2015 6th position on the leasing market with 6.1% market share *.
5) The total carrying value of lease investments of the Group PKO Leasing SA at the end of December 2015 of PLN 5.1 billion.
6) In 2015, a subsidiary of PKO BP Factoring SA provided domestic and export factoring services with asuming the risk and without taking risks, reverse factoring and factoring program for
7) In 2015, the value of factoring turnover amounted to PLN 6.3 billion (in 2014 this figure amounted to PLN 3.0 billion); at the end of the year, the Company had 208 customers.
8) On 31 December 2015 PKO BP Faktoring SA held the 8th place among factoring companies associated in the Polish Factors Association with a market share of 4.7%.

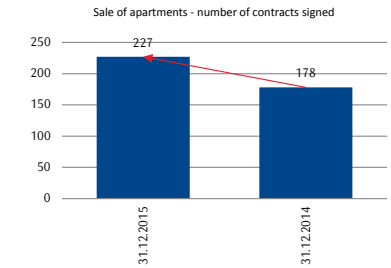
* Source: Polish Leasing Association

The KREDOBANK SA Group (data according to IFRS/IAS)



1) In 2015 KREDOBANK SA Group (ie. KREDOBANK SA and its subsidiary Finansowa Kompania „Idea Kapitał" Sp. z o.o.) earned a net profit of UAH 110 million (PLN 19 million). In 2014 KREDOBANK SA Group incurred a net loss of UAH 308 million (PLN 81 million). The result for 2015 is the result of the development of KREDOBANK SA in all business segments with effective cost management, liquidity, margin and risk.
2) The gross loan portfolio of KREDOBANK SA Group in 2015 increased by UAH 1 318 million, ie. by 35.7% and amounted on 31 December 2015 UAH 5 011 million (gross loan portfolio expressed in PLN at the end of 2015 was PLN 813 million). The increase in the loan portfolio in UAH is the result of strong sales of new loans, and the effect of higher valuation of loans denominated in foreign currencies due to changes in the exchange rate UAH / USD.
3) Term deposits of KREDOBANK SA customers grew in 2015 by UAH 1 049 million, ie. by 55.6% and by the end of 2015 amounted to UAH 2 939 million (term deposits denominated in PLN at the end of 2015 amounted to PLN 477 million). High growth in deposits is a result of the growth in the value of foreign currency deposits in UAH and the increasing credibility and ranking of KREDOBANK SA in the banking market in Ukraine (new clients).
4) As of 31 December 2015 the network of KREDOBANK SA consisted of the Head Office in Lviv and 110 branches in 22 of the 24 regions of Ukraine. In 2015 we changed the location of 10 branches and closed and opened 1 branch.

The Qualia Development Sp. z o.o. Group



1) Qualia Development Sp. o.o. Group closed 2015 with net loss of PLN 22.4 million (in 2014 the net loss of the Group amounted to PLN 16.4 million).
2) In 2015, the Group's activities were focused on:
   - realization of investment Royal Park in Nowy Wilanow in Warsaw and the start of the next stage of project Neptun Park in Gdansk-Jelitkowo,
   - operating the hospitality business,
   - conducting works related to obtain the zoning decision for the project Żwirki i Wigury in Warsaw, which it received in July 2015,
   - conducting conceptual works and administrative proceedings in order to obtain zoning decision for the property owned by PKO Bank Polski SA, located in Warsaw at Nowogrodza st. and Sienkiewicz st,
   - conducting the sale of apartments in investments that are completed and in progress; in 2015 we sold i.a. last premises of the projects Nowy Wilanow and Park Neptuna.

PKO Bank Hipoteczny SA

1) On 1 April 2015 operational activity began Mortgage Bank PKO SA - a new subsidiary of PKO Bank Polski SA.
2) The company operates in mortgages market. Based on the strategic cooperation with PKO Bank Polski SA these loans are offered to retail customers.

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3) The key task of the Mortgage Bank PKO SA is the issue of mortgage bonds, which are a major source of long-term financing granted by the Company of loans secured by real estate.
4) In December 2015, PKO Bank Hipoteczny SA has completed the first transfer of mortgage loans of PKO Bank Polski SA for a total amount of over PLN 400 million. In the same month, the Company conducted its first issue of mortgage bonds worth PLN 30 million, facing domestic investors.

PKO BP Finat Sp. z o.o.

1) The company provides comprehensive services to companies in the financial sector - m.in .: transfer agent, fund accounting and companies. He also specializes in outsourcing competency of IT professionals, project teams and IT processes.
2) The company in 2015 provided services as transfer agent in the customer service of investment funds for PKO TFI SA, open pension funds for PKO BP BANKOWY PTE SA (Pension Fund and the Voluntary Pension Fund) and the transfer agent or service bookkeeping investment funds, together with the valuation of their assets for 4 other investment companies, as well as services for the Insurance Capital Funds.
3) In October 2015, the Company obtained the authorization of the Financial Supervision Commission for the services of a national payment institution.
4) The Company PKO BP Finat Sp. o.o. generated in 2015 a net profit in the amount of PLN 16.2 million (in 2014 net profit amounted to PLN 5.1 million)
5) In 2015 the Company kept Certificate of Information Security Management System complies with the requirements of ISO / IEC 27001:2013 and successfully passed the annual consistent with ISAE3402 testing the functioning of the control mechanisms for their operational efficiency, leading to a report ISAE3402 with a positive opinion of the auditor.

Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.

1) The Company Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o. provides financial services, involving the acquisition of rights to the assignment of monetary claims under the loan agreements and together with the company 'Inter-Risk Ukraina' Sp. z d.o. leads to recover loan receivables purchased from KREDOBANK SA,
2) In 2015 the Company generated a net profit in the amount of UAH 34.6 million (PLN 6 million). In 2014, the Company's net loss amounted to UAH 485 million (PLN 127.8 million).

PKO Towarzystwo Ubezpieczeń SA

1) In April 2015 PKO Insurance Company was registered in the National Court Register, according to the obtained permission of the Financial Supervision Authority will operate in the field of property insurance.
2) In 2015, were carried out and completed the formal process of establishing the Company. Achieved operational readiness.
3) On 9 January 2016, PKO Insurance Company launched the first property insurance offer for individual customers of PKO Bank Polski SA, who are holders of credit cards. The proposed insurance provides protection in case of loss of income sources or hospital treatment of the insured resulting from an accident.
4) On 13 February 2016, the Company began selling income losing insurance for cash loans borrowers and on 15 February 2016, the sale of real estate insurance, chattels, OC in private life, Assistance and loss of income for the clients of PKO Bank Polski SA and PKO Bank Hipoteczny SA borrowers mortgages.

4.5 Sponsorship activities of PKO Bank Polski SA

Sponsorship activities realised by PKO Bank Polski SA are aimed at building the image of the Bank as a reliable financial institution, socially engaged, modern and open to the needs of its clients. By almost century-long history, the Bank is particularly predestined to participate in projects that promote the common good, make closer to the society our heritage, culture, art. The experience and leadership in the financial market obliges also to help young people to face the future challenges and achieving success in the implementation of innovative projects, determining the directions of development of Polish science and entrepreneurship.

In 2015, Bank completed 277 projects of different scale: national - communicated in the media, supported by promotional activities, but also smaller, dedicated to local communities, which is difficult to obtain funds for the organization of meetings with culture, exhibitions, Science Picnics.

The largest share of Bank sponsorship budget is being spent on support of culture and education - more than 40% of the total budget of the project and the organization of sports project 'PKO biegajmy razem' - approx. 25%.

Sponsorship of culture and arts

Support of the development of art and culture is an important tool for managing corporate social responsibility - which is an significant element of the strategy of PKO Bank Polski SA. It changes the image of the institution and provides the satisfaction of action in line with the slogan : Beauty should be supported because it's created by a few but needed by many (J. W. Goethe).

The Bank engages in interesting cultural events and supports numerous cultural institutions throughout the country. Activities include establishing sponsorship cooperation, patronage of the exhibition, festivals or support of literary and journalistic contests. As the largest Polish

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bank, we try to make our projects effect on shaping of our society patriotic values, strengthen the link with Polish heritage, expand the knowledge of Polish history and undertake the key social aspects.

Key sponsorship actions in this area:

1) Cooperation with cultural institutes

Bank provides support to numerous cultural institution in Poland such as museums, theatres, opera theatres, concert halls. Repertoire events of individual institutions attracts large audience of music lovers and art lovers among local, national and international communities.

- National Museum in Warsaw.
  In 2015, the Bank continued patronage of modernized Gallery of Medieval Art, which proved to be one of the most popular permanent exhibitions. Gallery exhibits the richest collection from the Middle Ages in Poland. In cooperation with the National Museum, Bank acquired the patronage of temporary exhibition "The avant-garde pope. Tadeusz Peiper in Spain , Poland and in Europe. ". The exhibition presented artistic relationships between avant-garde art and literature of the early twentieth century, taking as reference the work of Tadeusz Peiper, a prominent poet, critic and art theorist.
- Patronage over collection of Polish kings portraits painting by Professor Waldemar Świerzy and the exhibition titled „Nowy poczet władców Polski. Świerzy kontra Matejko" organized at the Royal Castle in Warsaw .
- A collection of 49 portraits because of its character, is considered to be a practical lesson in the history and appeals to the imagination of contemporary audiences, including schoolchildren.
- Meeting with the masterpiece.
  The project is carried out in cooperation with the Raczyński Library in Poznan, one of the oldest libraries in Poland, where the book collection consists of valuable manuscripts, old prints and graphics. Raczynski Library, thanks to the patronage of PKO Bank Polski SA, presents the most beautiful and most precious national and European oldest written texts..
- Collaboration with the National Philharmonic Hall.
  In the past year Bank was acting as the Strategic Patron of National Philharmonic Hall, sponsored symphonic concert with the participation of Leszek Możdżer, an symphonic concert dedicated to the works of Karol Szymanowski , and once again, Carol concert with the participation of the National Philharmonic Choir under the direction of prof. Henryk Wojnarowski.
- Collaboration with the National Forum of Music in Wroclaw, supported also by the Minister of Culture and National Heritage, the Municipality of Wroclaw and Province of Dolnośląskie.
  In September 2015, modern , multi-purpose building NFM was completed, in which the Host organized a series of musical and art events and many educational projects. In 2016, NFM will host all the musical projects related to the initiative under the name of Wroclaw - European Capital of Culture.
- Cooperation with other opera theatres as the Krakow Opera, Opera Nova in Bydgoszcz, Podlaska Opera and Philharmonic -European Art Centre in Białystok and Opera at the Castle in Szczecin. The Bank also took the patronage of the Philharmonic of Warmia and Mazury by name of Feliks Nowowiejski in Olsztyn.
- Other theaters: Polish Theatre by name of Arnold Szyfman in Warsaw, Theatre by name of Stefan Jaracz in Łodz, Summer Stock Theatre W. Gombrowicz in Gdynia.

2) Support organization of music festivals

The Bank actively supports important musical events in the country. Classical music teaches sensitivity , inspires and influences shaping the tastes of Poles. It is also an important part of life , an effective antidote to the noisy everyday life. Bank patronized many festivals with the participation of world-class artists acclaimed by crowds of music lovers. Here are the most important ones:

- Bydgoszcz Opera Festival - organized since 1994 by Opera Nova in Bydgoszcz is the most important musical event in the Kujawsko-Pomorskie region, whose repertoire includes operas, ballets operettas and musicals. Bydgoszcz Opera Festivals are held in the most modern equipped opera theatre. The beautiful scene of the Opera Nova in Bydgoszcz holds annual spring meetings both for national opera houses and foreign choirs.
- Summer Opera Festival Krakow - the festivals tradition are concerts held in the courtyard of the Wawel Royal Castle, titled "The world aria operas" and the international ballet galas. In recent years, the festival created three large, open-air show performed by artists of Polish and international opera houses, those are the attractions of Krakow Opera Summer Festival.
- Colours of Poland - Łódź Philharmonic of Arthur Rubinstein festival titled 'Colours of Poland'. 2015 is the sixteenth edition of the event, enabling the combination of listening to music with a tour of historical sites in the region of Łódź. Concerts were held in non-standard scenes, such as: old churches and monasteries, castles, as well as outdoors. During the concerts you can hear, among others, original projects inspired by old and folk art, unconventional classical music concerts, family, jazz and electro concerts.
- Wratislavia Cantans – for half a century Wratislavia Cantans in Wroclaw is the most important festival of classical music in Central and Eastern Europe. Years ago, it was the only chance of meeting of world-class artists behind the iron curtain. In 2015, for the first time in the history of Wratislavia , the audience and the musicians had at their disposal a concert hall on the global level - the National Music Forum - a space in which composition of vocal and instrumental play sounds beautiful. On the occasion of the jubilee concert, reconstruction of the first edition was made. Other festivals organized by NFM Wroclaw are: Jazztopad, Musica Polonica Nova, Musica Electronica Nova, Forum Musicum, Leo Festival, the Academy of Ancient Music, the International Music Festival of the Vienna Singing Europe.
- International Music Festival in Mielec - a unique festival, appreciated by critics and musicians. In addition to organ concerts during the festival there are concerts of soloists, chamber ensembles, choirs and orchestras.
- XXXVII National Festival of Music former Schola Cantorum - festival organized in Kalisz is an important cultural and educational event, attended by secondary school and high school students. It is the only event in Poland in which music school students, present the works of past epochs: from the Middle Ages to the Baroque.

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3) Supporting the organization of film festivals

In 2011, the Bank initiated an patronage for the preservation and popularization of achievements of Polish cinematography. In the first period, the Bank intensively participated in the digital restoration of classic Polish films program. In subsequent years 'film project' was filled with festival events:

- Film Festival in Gdynia - the fourth time the Bank was the main sponsor of the event. During the event, the guests took part in the premier of digitally reconstructed film 'I do not like Mondays' which has been accomplished with support of the Bank. Before the show, there was a meeting with the director Tadeusz Chmielewski , whom during the Closing Gala of the Festival was awarded the 'Platinum Lions'. This prize is awarded to Polish filmmakers in recognition for lifetime artistic achievements.
- International Festival of Independent Cinema PKO Off Camera – the Bank was the titular partner of the festival.
- Script Pro - is a competition which aim is to support writers at the beginning of their careers. Competition finalists will receive scholarships funded by the Polish Film Institute and the use of scenario consultations conducted by the Wajda School and Studio.
- 33rd International Young Audience Film Festival Ale Kino! - The festival is organized by the Children's Art Centre in Poznan. The festival promotes valuable films from around the world that showcase the richness and diversity of theatre for children and youth. Several award-winning films in Poznan already received an Oscar nomination.

4) Sponsorship participation in literary and journalistic projects

The Bank treats patronage as a special privilege to support authorities, artists, masters of words - also socially involved. Bank sponsors events commemorating important figures who contributed to shaping the tastes of successive generations of Poles. The most important competitions of literature and journalism:

- Kisiel Awards – For several years PKO Bank Polski SA is a strategic partner 'Kisiel Awards', whose were initiated by writer and journalist Stefan Kisielewski. Awards - in three categories: politician, journalist, entrepreneur, are received by people who in their work can boast remarkable achievements.
- Phrases - Festival of words in the songs, inspired by the work of Jacek Kaczmarski, organized for the first time by the Raczynski Library in Poznan. During the festival an contest took place for young talents by name of Jacek Kaczmarski in the category of sung poetry.
- Music Competition and the Literary Debuts Competition organized by the Polish Radio Bialystok, whose goal is to discover new talent and literary commemoration of the poet and radio station journalist.
- Grand Press 2015 - Bank for the third time , was the sponsor of the Grand - Press Journalist of the Year and the Grand Gala organized by Press. The event Grand Press Economy prizes were funded by the Bank for the best economic journalist of 2015.

Education

Education and support for science is the natural direction of Bank sponsorship - the employer, open to young people, learning organization and the developer of employee skills. Bank cooperates with universities and educational institutions across the country. The beneficiaries are pupils and students from various Polish regions. Bank has been actively involved in the implementation of educational projects and research aimed at, among others, entrepreneurship education and innovation.
The main projects in this area:

- 'My first business before the 20th' - a project organized by the Higher School of Banking in Wroclaw, addressed to secondary school students, and its aim is the practical learning of entrepreneurship and innovation. Youth designs e-shop and a board game,
- School Online Stock Market Game (SOSMG) - a new project on the list of the Bank sponsorship projects, which is an investment simulation game that teaches young people to invest in the stock market,
- Contest on Poland and The Modern World - for many years, Bank supports one of the oldest contests, covered the honorary patronage of the President of Poland. The most important recognition for Olympics Winners are indexes of almost all universities in Poland, opening the way for a number of social sciences, economics, law and the humanities,
- Championship with the participation of information teams from the University of Warsaw - once again, the Bank supported the participation of teams in the Academic Championships of Central Europe Programming Contest, where for 10 positions, the team UW took 1, 7 and 8 place in Academic Championship of Programming Contest - a prestigious competition information technology in the world, promoting talented and ambitious students. In the last edition of the championship computer scientists team from the University of Warsaw had won the bronze medal,
- Mars Rover - students of Bialystok University of Technology took up the challenge and once again built a Martian rover. The vehicle won the 4th place in the University Rover Challenge 2015 contest held in the United States and 2nd place in European competition Rover Challenge 2015
- Colourful University - a project organized by the Adam Mickiewicz University in Poznań, dedicated to the children of primary schools and aims to present in accessible form of various fields of science,
- Bydgoszcz Science Festival - a festival organized by the University of Bydgoszcz, the aim of which is to promote Science among the inhabitants of Bydgoszcz.

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Sports sponsorship

1) Implementation of the Bank's own program 'PKO race along'

Under the 'PKO race along', which has been organized since 2013, the Bank encourages Poles to common activity. Bank wants to show that running is the best deposit interest rate that a lifetime is expected to generate profits in the form of well-being. Running, especially long distance, shapes the character, developing the condition, it teaches humility and perseverance in the pursuit of the goal. Running can also provide help to the needy, through participation in charity events organized by the Bank during each sponsored runs.
In 2015, the program held dozens of running events throughout the country, among which the most important were:

- PKO Wroclaw Marathon, Half Marathon PKO Night Wroclaw, PKO Silesia Marathon, PKO Poznan marathon and cross-country series: PKO Rzeszow Runs and PKO Grand Prix of Gdynia. Special attention deserves those commemorating historical events for example Warsaw Triad Race 'Zabiegaj o pamięć', which consists of three runs: Constitution of May 3 Run, the Warsaw Uprising Run and Independence Run.
- PKO Run charity - the first edition of the course organized by the Bank, in 12 Polish cities in the same time. Participants ran for malnourished children. Runners overcame 26 720 stadiums laps in total and contributed to the donation of PLN 632 thousand by the PKO Bank Polski SA Foundation for meals for children.
- Every Saturday at 9.30 at more than 80 athletic stadiums throughout the country, regardless of the weather conditions and the number of volunteers, there were a free cross-country meetings as part of BiegamBoLubię, of which PKO Bank Polski SA is a strategic partner. Classes taught by professional trainers were available to all who wanted to take care of good form and well-being.
- Taking part in events sponsored by PKO Bank Polski SA, the participants could join the charity , 'I'm running for...' for people in need of support in saving the life or health. After finishing - a set number of participants - running with pinned card 'I'm running for...' Foundation PKO Bank Polski SA donated money to the designated target. From 2013 it held 147 such shares, and the Foundation PKO Bank Polski SA has supported 153 beneficiaries with the amount of more than PLN 2.1 million.

2) Sponsorship participation in other sports initiatives

Besides running events, which definitely dominated in the category of sports sponsorship, the Bank also supported other prestigious sporting events such as:

- Piast Race – already for the 39 time. In the first weekend of March in Szklarska Poręba - Jakuszyce there was an annual Piast Race - the oldest and most popular ski run in Poland, which was attended by approx. 6,000 runners. In the course together with other riders, employees of the banking industry participated, including representatives of the Bank,
- Cavaliada - is a series of International Horse Jumping Contest, enjoying immense popularity among the audience. It is the largest event of its kind in Poland. In 2015, the Bank was the main sponsor of the event, consisting of three stages: the competition in Poznań, Lublin and finals of the competition in Warsaw.
- Sea Days in Szczecin - PKO Bank Polski was the main sponsor of the spectacular events addressed to families. By the elegant Szczecin waterfront exceptional yachts and sailboats were docked. The event was visited by over 100 thousand of people.

Activities related to the sector

The Bank is involved in leading undertakings related to the sector, thus intensifying its promotional activities supporting sales of the offered products and services. Participation of representatives of the Bank in the substantive discussions of important themes for business environments, confirms the Bank's position as a leader in the financial market.
Examples of such initiatives include:

- Business Competitions: Entrepreneur of the Year - organized by EY, Polish Company - International Champion, organized by PwC and Young Brand Success - implemented by the publisher of Rzeczpospolita daily . The involvement of PKO Bank Polski SA in promoting young Polish brands confirms the belief that the development of social capital shall be made in the ability to build a modern economy,
- A series of meetings 'Capital for Development' - carried out with the Warsaw Stock Exchange SA. Meetings were held in 16 provincial cities, and they were attended by entrepreneurs, local government, representatives of non-governmental organizations, universities and the media. The aim of the meetings was to popularize the collection of own resources for the implementation of EU programs through the capital market,
- The Economic Forum in Krynica the Bank has been a partner XXV Krynica Economic Forum - one of the most important annual economic events in Poland,
- Cooperation with the Group Azoty SA - initiated a three-year program 'Land is knowledge', whose aim is to promote optimal fertilization technology, as well as the development of new technologies of fertilization and fertilizing products tailored to the needs of Polish agriculture,
- II Eastern Economic Congress - the biggest event of substantive directed to the eastern regions of the country. Guests of the project are entrepreneurs from the eastern provinces and from the eastern border. Congress facilitates the exchange of experience and is the starting point for new businesses,
- Retail Banking Congress - PKO Bank Polski SA once again involved in the Congress, holding the title of the General Partner's eighth edition,
- D-RAFT Corporate Demo Day - in the past year the Bank has become a partner to the initiative to present the most interesting technological solutions and the promotion of cooperation of largest corporations with leading European start-ups,

- other conferences supported by the Bank in 2015: Warsaw Capital Market Summit, WallStreet 19, Professional Investor, V European Congress of Finance, CFO IV Congress of SEG Listed Companies, Chemical Industry Summit & Awards Gala, II Congress of Polish chemistry.

In addition to large, nationwide concept sponsorship programs, the Bank participates in small projects of great importance for local communities. These actions serve to integrate communities, building a platform for the exchange of experiences, development of entrepreneurship among locals. All initiatives contribute to the strengthening of the Bank's image as an institution involved in community development and care for the needs of customers.

4.6 Charity activities of the PKO Bank Polski SA's Foundation

The aim of the PKO Bank Polski SA Foundation, which fits in the Strategy 2013-2015 is to deepen customer relationships, understood as the co-financing of projects aimed at building social solidarity and strengthening emotional ties all stakeholders with the brand Founder. Multiplying good also promotes building the image of employer (employer branding). The Foundation sees the common good in building civil society and participates in projects, often initiated by the employees of the Bank - Volunteers. The Foundation supports, substantively and financially numerous projects of environments and societies that are important for the development of the Poland.

The main financing source of the Foundation are donations from the Funder, transmitted in accordance with the Foundations Financial Plan. Additional funds for grants come from the profit generated during the non-cash transactions made by customers of Inteligo associated with two affinity cards: 'Good brings profit' ('Dobro procentuje') (since 2013) and the Polish Artificial Heart (contract expired in Q1 2015). Every three months PKO Bank Polski SA divided profit from each transaction conducted using the charity cards.

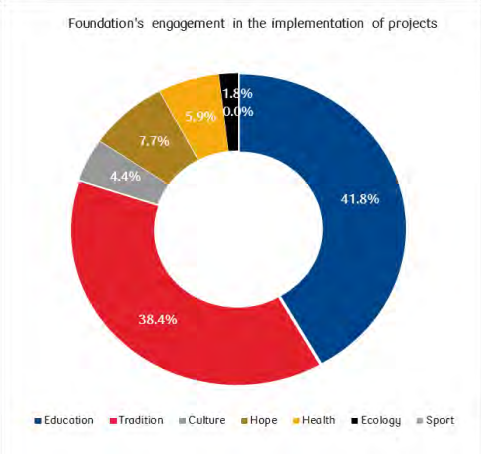
During the five years since the start of operation, the Foundation has allocated more than PLN 52.5 million for social activities. Subsidized initiatives are part of one of the seven program areas: EDUCATION, TRADITION, HOPE, HEALTH, CULTURE, ECOLOGY, SPORT.

In 2015, the implementation of 42 strategic projects, including 5 special strategic projects (which do not require to establish a partnership with an external organization): Banking blood donation, Integrative Meetings with Santa Claus, Banking Collection, Banking and Gift John Weber Collection, the foundation donated PLN 9.7 million.

In a partnership at the local level for the implementation of 212 local projects the Foundation provided more than PLN 2 million. For the first time in 2015 PKO Charity Run took place, which happened at 12 stadiums throughout the country simultaneously. This is a special project at the local level.

Help for individuals, both for children and adults amounted to PLN 1 million. Number of individual beneficiaries amounted to 91, among which 36 persons are employees of PKO Bank Polski SA or their families. Help for 64 individuals was granted by the Charity Action running as part of a special project of the Foundation at the individual level.

The Foundation also mediates in the process of making donations in the form of IT equipment and furniture withdrawn from use of the branches of PKO Bank Polski SA. In 2015, computers with a total value of PLN 55,600 went to 21 organizations. Furniture worth PLN 32 thousand was handed to 38 beneficiaries.



In the Employee Voluntary system there are 1,185 persons registered. These people have the opportunity to submit their own local or individual social project. Cooperation Foundation and the Volunteer is used to verify the credibility of the applicant and building relationships between the Bank and the local environment. In addition, all volunteers can register their non-bank involvement, sharing good practice and informing the Foundation of worth supporting local initiatives.

Volunteering is the engine of permanent change. Everyone is selflessly taking up new challenges to improve communication skills and cooperation within the group, as well as gaining knowledge about project-oriented work. Volunteer enhances self-esteem, and his attitude is an inspiration to others.

The PKO Bank Polski SA Foundation activities are becoming more visible and stand out from other banking activities of corporate foundations. Charity influences shaping the image of PKO Bank Polski SA as a socially-responsible business. The support provided by the Foundation contributes to building strong relationships with the environment of the Bank and to strengthen mutual trust.

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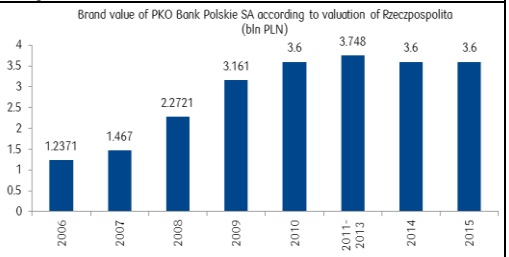
4.7 Prizes and awards granted to entities of the PKO Bank Polski SA Group

In 2015, PKO Bank Polski SA was awarded numerous prizes and awards. We have been recognized for innovative products and services, excellent customer service, management staff of the Bank, excellent financial results and the overall business of the Bank.

The most important awards granted are:

Products and services	
Golden Banker 2014	In the sixth edition of the contest Bank was the winner in the categories "Deposit" and "Credit for entrepreneurs" in a poll organized by Bankier.pl. Internet users once again in the history of the plebiscite appreciated the offer of PKO Bank Polski SA. He won the statuette of "Golden Banker" award introduced in summer 2014 and the Capital Building Programme for SME loan. Both products have accumulated the same number of votes equal to 26 percent.
The best Contact Center	Contact Center PKO Bank Polski SA once again found himself on the top step of the podium study conducted by the ARC Market and Opinion. The final ranking of telephone and email earning 97.7 points out of 100 possible to get beat 12 banks. The victory decided the quality and competence of employees. Pollsters highly evaluated kindness, professionalism and commitment of consultants and their knowledge of product and substantive preparation for talks.
The best private banking offer according to „Wprost"	The jury "Portfolio Wprost" appreciated PKO Bank Polski SA for the retail banking business by highlighting it in the category of private banking. In a two-step evaluation based on the results of market research and surveys, supplemented by banks, jury appreciated PKO Bank Polski SA for the retail banking business by highlighting it in the category of private banking.
Mobile Banking Leader	In the 14th edition of the ranking "Newsweek Friendly Bank" PKO Bank Polski SA was recognized for mobile banking functionality of winning a prize in the category "mobile banking". IKO application and mobile service iPKO allow customers of PKO Bank Polski SA service account and basic banking products and to make transactions from a mobile phone. Available for smartphones, mobile service iPKO is a simplified version of the Internet system iPKO, and the application of IKO combines the functions of mobile banking with the possibility of payment. The study was carried out by "mystery shopper". By checking the mobile auditors evaluated the offer mostly friendly navigation, usability and innovation applications, the efficiency of contact with the bank, duration of operation and new services and functionality. Ranking was realized in cooperation with research company Millward Brown.
The best innovation in payments around the world	In the third edition of the international competition "Distribution & Marketing Innovation in Retail Financial Services" project "From IKO to Blik" - the transformation of mobile applications developed by IKO PKO Bank Polski SA, the market standard payment BLIK - was recognized as the best innovation in payments. Recognition of bankers from around the world was garnered primarily by the interaction of competitors, far-reaching vision and the ability to generate own innovative solutions. The competition rewards the best and most innovative projects in the area of retail financial services and marketing in the world. For this year's edition there were 500 projects submitted out of 200 banks from 59 countries around the world.
2015 Quality Recognition Award for PKO Bank Polski SA	PKO Bank Polski SA was awarded the 2015 Quality Recognition Award for the highest quality commercial and interbank transfers in US dollars realized in 2015 with JPMorgan Chase Bank in New York - one of the largest US financial institutions. The award is a proof of professional transaction services. The award is granted to few banks in the world that realize a high percentage of messages directed to JPMorgan Chase Bank of New York, which do not require manual intervention. JPMorgan award this prize since 1997 customers with the highest quality of operating service.
Silver winner in SAP Quality Awards 2015 competition	The project to implement a new integrated HR and payroll system in PKO Bank Polski SA received the award in the international contest of SAP Quality Awards 2015 in the category rapid implementation. Only six months remained in the Bank's SAP project implementation process and was one of the shortest of projects of this type on the market. SAP is a system of human capital management. Effective and comprehensive tool combining the functions of hard and soft HR. It is one of the most effective systems of this type checking in large enterprises.
PKO Bank Polski SA Banking Leader of the IT in Financial Institutions	In the thirteenth edition of the "IT Leader of Financial Institutions", among several dozen reported last year IT implementations in financial institutions "Gazeta Bankowa" jury appreciated PKO Bank Polski SA for its involvement in the landmark project for the Polish financial market - to initiate and lead to the creation of the company's PSP (Polish Standard payments) and the launch of mobile payment system BLIK.
Brokerage services	
Dom Maklerski PKO Bank Polski SA Broker of the Year 2014	PKO Bank Polski SA Brokerage House - Gala "Summary of the Exchange Year 2014" - was awarded a special prize Broker of the Year in 2014 and the prizes: the highest turnover animator session trading in non-Treasury bonds on the Catalyst market and for the highest share in a thinly traded market maker options.
Dom Maklerski PKO Bank Polski SA best brokerage house	Parkiet, Polish financial market top title, the organizer of the contest Bulls and Bears awarded Brokerage PKO Bank Polski SA for the effective pursuit of the position and development of the offer. It recognizes the strong position of Brokerage PKO Bank Polski SA in the retail market, introducing an attractive offer in terms of WIG20 futures intraday including deposit and low transaction costs, as well as a full range of access to trading on mobile devices and involvement in numerous training courses for investors.
Financial results	
Financing Entity of the Year	PKO Bank Polski SA won the contest Diamonds Polish Infrastructure Financing Entity of the Year category. They appreciated the exemplary cooperation in the field of financing investments in infrastructure. The aim of the competition organized by the Executive Club is to honour companies and leaders in the Polish market infrastructure for outstanding achievements in the industry.
Pillar of the budget	PKO Bank Polski SA was awarded the "Pillar of the Budget". "Rzeczpospolita" this award recognizes financial institutions and companies paying the highest taxes. The award is part of the annual ranking of the largest companies in the Polish economy - "List of 500". Last year, the Bank paid nearly PLN 800 million income tax and was the largest payer of income tax among financial institutions and third among all companies in the ranking. In this year's ranking " List of 500" PKO Bank Polski SA moved up one position and was in the top ten. With sales revenues reaching nearly PLN 15 billion and a net profit of PLN 3.25 billion also took first place on the list of the largest entities Polish banking sector.
50 largest banks in Poland	PKO Bank Polski SA consecutive year won the ranking of the Financial Monthly BANK - "50 largest banks in Poland." He was the best in terms of total assets, which last year amounted to nearly PLN 250 million. This year's 20th edition of the ranking of the Financial Monthly BANK - "50 largest banks in Poland 2015" our Bank won in the category "Banks that finance real estate" and "Consumer Finance". Ranking is created by unrelated Edited by market analysts based on financial data banks for the previous year.
Book of Lists	According to the ranking of the "Book of Lists 2014" prepared by "Warsaw Business Journal" PKO Bank Polski SA is the best domestic bank, which was the winner in the category "Banks in Poland". For several years, the Bank has been a leader in this category. Book of Lists is the largest and longest present on the Polish market publication (over 20 years), which is in the form of charts presenting over 2 000 companies and institutions from various sectors of business in Poland. Every year are highlighted in the best, largest and most dynamic enterprises.
Star of Banking	PKO Bank Polski SA was awarded two prizes- for business structure and a pace of development in the ranking of Dziennik Gazeta Prawna "Stars of Banking" 2014 achieved the best results in the category of business structure, standing out in terms of loans and

	deposits complex. Financial data relating, among others, with annual growth: revenue, net income, equity and the increase in the number of customers well certify the pace of development and brought the Bank award in the category growth rate.
Pearls of the Polish economy	PKO Bank Polski SA was awarded in the ranking of Polish companies and received the title of Pearl of the Polish Economy in the category of "pearls of the financial sector." Bank was recognized for the consistent implementation of the policy and strategy and leadership among the most dynamic and efficient companies in Poland. Ranking prepared by "Polish Market" in collaboration with the Warsaw School of Economics, is based on a survey conducted among representatives of economic entities - companies from the list of "Pearls of the Polish Economy" and individuals. Based on the results, editors selected the best players in three categories: banks, insurers and leasing companies. When choosing the winners both the number of indications, as well as an assessment of the cooperation with the institution were taken into account.
Prizes for the Bank's Management	
eDukat for Zbigniew Jagiełło	Zbigniew Jagiełło, President of the Management Board of PKO Bank Polski SA was honoured eDucat. Decision of jury was unanimous - the President awarded the greatest achievement of market 2014 vision for the development of cashless payments in Poland and build effective coalitions across party lines to competing mobile payment standard.
Zbigniew Jagiełło pro-marketing President	In the 5th, jubilee edition of the Marketing Director of the Year, organized by the service Mediarun.com, the jury decided Zbigniew Jagiełło, President of the Management Board of PKO Bank Polski SA, the most pro-president of marketing. Zbigniew Jagiełło has been recognized for empowering marketers in the Bank. Acknowledging award, the competition jury emphasized the role and importance of marketing in a business capacity building organization.
Zbigniew Jagiełło Bank Manager of the Year	Zbigniew Jagiełło, President of PKO Bank Polski SA was the Bank Manager of the Year 2014 and PKO Bank Polski SA - Best Bank 2015 competition "Gazeta Bankowa". Jury of 23. contest took into account the financial results taking into account three basic criteria: dynamics, efficiency and structure of the portfolio. PKO Bank Polski SA was the best among large commercial banks, and Zbigniew Jagiełło of Managers (first vote representatives of the bankers, and ultimately the jury). For the President of the Management Board of PKO Bank Polski SA is the second award in this competition - the Bank Manager of the Year was also in 2012.
Adam Marciniak Ambassador of Electronic Economy	Director of Development and Maintenance Application in PKO Bank Polski SA, Adam Marciniak, was elected Ambassador of Electronic Economy by the jury Prize X Electronic Economy Congress organized by the Polish Bank Association. The jury recognized the Adam Marciniak for the development of the IT area of the Bank. Its effect is to strengthen the potential in creating solutions based on innovative information technology and bringing benefits for the Bank business and financial. Ambassador of Electronic Economy is awarded for activity in the promotion, dissemination and education in the use of information technology in the modern economy.
Zbigniew Jagiełło Outstanding CEO Philanthropist	Zbigniew Jagiełło, President of the Management Board of PKO Bank Polski SA was awarded the prize in category Outstanding CEO Philanthropist in the competition Responsible Business Awards. The jury appreciated President Jagiełło for providing support to institutions and projects that change many areas of social life for better. And also for the fact that in management of the organization it strives for the stability, security and engages in various social and sponsorship actions. In the competition Responsible Business Awards distinguished are individuals and organizations active in the field of sustainable development and philanthropy. The aim of the initiative organized by the Executive Club is to promote implementation of the strategy of corporate social responsibility.
Adam Marciniak to become the CIO Diamond	Adam Marciniak, Director of the Development and Maintenance Application Division has been awarded the Diamond CIO in the competition CIO of the Year 2015 organized by the International Data Group Poland SA. Prized in this contest are individuals with extensive experience, able to create a dedicated team, consistent managers who believe in their vision and are capable to convince others to their ideas. The title "Restorer of the strategic initiative" for Adam Marciniak is the result of implemented by PKO Bank Polski SA projects realized in the Bank, but affecting the entire financial services market.
Prize of „Forum Nowoczesnego Samorządu 2015" for Piotr Galas	Piotr Galas, Director of the Corporate Client and the Public Sector Department is among honoured by the Association of Polish Banks individuals who contributed most to the development of financial services targeted to the Local Government Units in the last 25 years. He was also awarded the "Badge of Honour of the Association of Polish Banks." PKO Bank Polski SA maintained a leading position in the field of customer services the local government sector for years. The Bank's share in the loans to local government is 20%, in the municipal bond issues exceeds 40%.
The best manager	Zbigniew Jagiełło, President of the Management Board of PKO Bank Polski SA - for the third time - was among the best managers in 2015 selected by the editors of Bloomberg Businessweek Poland. List of 20 top managers is based on a survey of leading Polish managers. They awarded the most effective heads of companies, who were rewarded for its success, perseverance and modernity. Best Managers of 2015 awards include the effectiveness in competing not only on Polish but also on foreign markets.
Brand	
Cult Brand	As the only institution in the trade category (finance and insurance), PKO Bank Polski SA has won the title CULT BRAND - Quality, Trust, reputation. This title is awarded to brands which are characterized by long tradition, established market position, widespread recognition and high quality products or services. Were awarded a total of approx. 30 brands from different industries. The poll conducted CULT BRAND Business Trends editorial in the daily Rzeczpospolita and editors of the Forum Biznesu.pl
Brand PKO Banku Polski SA Most Valuable by „Wprost"	PKO Bank Polski SA won the Most Valuable Polish Brands ranking published by "Wprost". The market value of the company was valued at PLN 46.6 billion. The same logo of the Bank, taking into account the average brand valuation for financial institutions worth up to PLN 5 billion. The brand value of PKO Bank Polski SA, representing more than 9 percent. the value of two hundred brands of all companies analyzed in the ranking. The value of the second on the ranking of institutions was estimated at PLN 6 billion less. In the main ranking, which was considered the height of revenue from the sale of the Bank, with the amount of nearly PLN 15 billion, came in eighth place.
Polish Advertising Contest	The jury of the prestigious Polish Advertising Contest appreciated spots of PKO Bank Polski SA. "In one finger" spot promoting mobile application IKO received gold and silver production designer in Media/Video. Art Direction mortgage advertising, entitled "in nose" was awarded bronze laurel. Both are part of lasting more than a year marketing communication platform PKO Bank Polski SA "The body, a bank with real life".
Leopard	PKO Bank Polski SA in the competition for the most admired banking brand creation and Insurance received the "Leopard 2015". He was praised for changing the image through distinctive advertising campaigns. He gained recognition mainly by: an ingenious communications platform, rejuvenation attractive image and marketing message dedicated to young customers. The idea, granted by the Polish research agency TNS awards is to distinguish those banks and insurance companies, which during the year was driven by the most out of your brand image.
Szpalty of the Year	In the Polish Content Marketing "Szpalty" of the Year 2015 organized by the Press Association Corporate Portal Bankomania was a double finalist for the category "Digital". He also received an award for a series of video in the subcategory "Digital: Publications cyclical. A series of video". Conducted on the portal communication and education for years been appreciated by the market - PKO Bank Polski SA was for not winning in various competitions and categories.

TOP Brand Leader	PKO Bank Polski SA is the most common and best described in the media sector body bankowego- due to the eighth ranking of the "Top Brand". The aim prepared by the magazine "Press" statement is to identify the most popular brands in the press and online media. On our Bank within a month on average it appears more than 4.2 thousand information in the media and on Internet portals. In the analysed period July 2014 to June 2015, media and netizens especially widely described and commented on topics related to the integration of Nordea Bank Poland SA, the mobile payment system and business sponsorship. According to a study equivalent advertising for all publications in which he was cited PKO Bank Polski SA it is the highest among banks and amounts to PLN 172 million.
EFFIE Awards for PKO Bank Polski SA	Silver and bronze were awarded campaigns PKO Bank Polski SA at this year's EFFIE AWARDS 2015 in the category Business-To-Business highlights campaign to promote corporate banking "Together, we see more", realized in cooperation with the Bank's clients - representatives of renowned Polish companies from different industries and branches of the economy. In the section Banking - Brown received a spot clear of PKO Visa credit card, "Stone from the Heart". Once again appreciated was consistent and clear marketing strategy PKO Bank Polski SA. EFFIE is one of the highlights of the marketing communications industry. Rewards brands market success achieved by the implemented advertising campaigns. Competition is organized by the Association of Marketing Communication SAR.
The most valuable brand	Victory in the category "Finance", third place overall in the ranking of Polish brands and brand value of PKO Bank Polski SA, valued at PLN 3.6 billion – this are the results of the newest ranking of "Rzeczpospolita" daily. From the first ranking in 2006, the value of our flagship brand has tripled, and increased PLN 2.4 billion. For the purposes of ranking worldwide used method of royalties has been adapted. It is based on hypothetical charges incurred by the brand user had he benefited from the brand under license. Such fees are determined in relation to net sales. 
Employer	
PKO Bank Polski SA HR Hero	The Bank won in the category the most successful HR year in the competition HR Hero. The jury recognized the connection PKO Bank Polski SA with Nordea Bank Poland SA. In particular, initiatives that have been implemented for the integration of employees, building a common organizational culture and creating a consistent working conditions in one organization. In organized by the Employer Branding Institute, the contest awards the best practices in the field of HR, a unique contribution to the development of HR projects, innovatively designed and well implemented HR strategies in various areas.
PKO Bank Polski SA the most desirable employer according to students	Once again PKO Bank Polski SA was among the most desirable employers in the "Employer of the Year 2014" organized by the international student organization AIESEC. He took first place in the group of companies in the banking sector and fourth overall. He was also one of the two Polish companies in the top ten rankings. The study was attended by students of 32 universities in Poland. Among the most important factors in selecting a desired employer students pointed mainly: good atmosphere, financial conditions, job satisfaction. It is important for them to also clear career path, promotion criteria and opportunities for training and professional development. Respondents also guided by the image of the company and its activity in the market.
PKO Bank Polski SA among the most desirable employer	The fifth edition of Antal International "The most desirable employer in the opinion of specialists and managers" PKO Bank Polski SA took third place in the group desirable employers in banking and insurance. The study examined the management style and organizational culture in the company, innovation, stability of employment, the possibility of training and promotion, salary, location, work-life balance, as well as benefits such as medical care or life insurance. A unique feature of the study is the possibility of individual respondents indicate any, meets the required criteria of the company, as the most desirable employer (in the questionnaire does not have a selection list).
The Best Employer in Poland	Once again PKO Bank Polski SA was appreciated by the students. In the prestigious ranking of employers - Universum Student Survey - he was among the best employers in Poland in the business category. In this survey of more than 23 thousand students and nearly 9 thousand professionals made individual assessments of employers. Participants in the survey will determine its expectations with respect to future employers and pointed their opinion ideal having seven categories: Business, Engineering, IT, Humanities, Science, Law and Medicine and Pharmacy. Among the companies awarded this title were, in addition to our Bank, among others, Google Poland, Skanska, Bayer, TVN and the Ministry of Foreign Affairs.
Other	
The Best of the Best	The third year in a row Annual Report of PKO Bank Polski SA was awarded a special prize "The Best of the Best" in the competition for the best annual report published by the Institute of Accounting and Taxes. Distinction Annual Report for 2014 is proof of the highest quality annual reports of the Bank. The jury appreciated its value in use for investors Warsaw Stock Exchange, the use of IFRS/IAS and the publication on the Internet (version html) emphasizing the highest quality in all areas assessed. The recognition gained completeness, consistency and a clear and logical presentation of data (including strategies and forecasts of the risk and application of corporate governance).
The Leader of Philanthropy	PKO Bank Polski SA once again in a row was honoured in the "Leaders of Philanthropy" contest. He finished second in category of companies that have provided the most funds for social purposes over the years. The contest "Leaders of Philanthropy" is organized by the Donors Forum in Poland. Its purpose is to honour organizations that engage the most in social activities, thus contributing to the promotion of the idea of social involvement of enterprises.
PKO Bank Polski SA awarded for financial education for youngsters	In the "People and Institutions of the Financial Market 2015" PKO Bank Polski SA was awarded for the financial education of children and the introduction of SKO among children and adolescents. The jury appreciated the Bank for conducting consistent financial education and dedicated products, i.e. PKO Junior and School Savings Bank, as well as a modern form of education supported by communication activities, i.e. SzkolneBlogi.pl blog platform or quarterly "Brawo Bank" - paper and mobile versions and a special tab on the portal Bankodzieci on the financial education website Bankomania. The competition "People and Institutions of the Financial Market 2015" was initiated by the CFA Society Poland - association of professional financial managers and newspaper "Parkiet".
Educational Initiative of the Year	School Savings (SKO) conducted for 80 years by PKO Bank Polski SA were considered "Educational Initiative of the Year". In SKO attended by more than 4.6 thousand educational institutions, or every third Polish primary school and the number is steadily growing. The program is attractive to children and helps financial education, which is essential and greatly facilitates making rational financial decisions in adulthood. The prize was awarded unanimously by the Jury will be composed of 13 teachers - the winners of the contest "Teacher of the Year" in previous years.
Bankomania awarded in the contest Agape	In Bulletins Corporate Contest publishing agency Agape 2015 award in the category Electronic Bulletin External website Bankomania PKO Bank Polski SA. The jury appreciated the wide selection of topics, professionally prepared texts and visual appeal, by which he gains more and more readers. Granted Bank award is further proof that Bankomania skillfully and professionally consistently pursues the idea of a medium of information and education for everyone, overlooks the front of the tastes and needs of the users.

PKO Bank Polski SA appreciated for supporting the Capital Market Leaders Academy	The Foundation named Lesław A. Paga honoured PKO Bank Polski SA for long-term commitment to the Capital Market Leaders Academy, contributing to community development of the capital market of young professionals who are guided by the highest standards of professional and ethical standards. The Bank has been supporting educational projects and cooperates with academic centres.
Strategic Patron of the Year 2015	Warsaw Philharmonic honoured PKO Bank Polski SA, a special award for supporting her artistic activities, contributing to the most outstanding performances of artists. The Bank has been cooperating with the Philharmonic in Warsaw. For three seasons patron of the arts is its Strategic Patron.
Prizes awarded to other entities from the Group	
PKO BP BANKOWY PTE SA – Pension Manager 2015 Central and Eastern Europe	PKO BP BANKOWY PTE SA was awarded the title of Pension Manager 2015 Central and Eastern Europe, awarded by the magazine Institutional Investor - in the annual competition European Investment Management Awards. The aim of the awards is to identify and reward those managers who excel in their managed companies innovative strategies and impressive industry experience, which translates into a positive perception by investors. Editorial Board and the jury for its decision to award the prize PKO BP BANKOWY PTE SA justified by very good investment results, as well as the difficult conditions under which they were placed open pension funds, after the transfer of certain assets to the Social Insurance Institution (ZUS).
PKO BP BANKOWY PTE SA awarded by the Warsaw Stock Exchange	PKO BP BANKOWY PTE SA received the prestigious award the Stock Exchange in Warsaw, for the use of the widest range of information products Stock Exchange. PKO BP BANKOWY PTE SA making investment decisions with regard to the involvement of assets in the capital market are used, inter alia, data and information obtained from the Stock Exchange.
Awards „ALFA 2014" for selected funds PKO TFI SA	Three sub-funds managed by PKO TFI SA received awards under the "ALFA 2014", including PKO Stable Growth in the category of stable growth funds, PKO Balanced Plus in the category of balanced funds and PKO Strategic Allocation for active allocation funds. Awards and prizes for the best funds are granted by an independent research centre analyses Online. Each fund is rated for efficiency, repeatability of results and the level of costs.
PKO TFI SA – 2nd place in the best TFI's ranking by weekly "Wprost"	PKO TFI SA took second place in the ranking of the best TFI's by weekly "Wprost". In the ranking the following were evaluated: profit to risk ratio, recurrence of results, professional experience of managers and the balance of cash flows. In the same ranking in the category of best universal equity funds the second place was taken by PKO Action Plus.
PKO TFI SA – 2nd place in IKE ranking by „Rzeczypospolita" daily	In the ranking of TFIs offering Individual Retirement Account (IKE) in the form of a fund organized by the "Rzeczpospolita" daily, PKO TFI SA took the second place. Estimated were rate of return, offer and charges.
PKO TFI SA – 2nd place in IKE ranking by "Analizy Online"	Individual Retirement Account (IKE) in PKO TFI SA offered under the Pension Package (IKE + IKZE (Personal Account for retirement provision)) took second place in the ranking organized by Analizy Online- an independent research group on the investment funds market. This product has been highly evaluated primarily for the lowest cost among all offered IKE, efficient management, an interesting offer and offering of the above mentioned product in the package, which allows also to invest in IKZE and WPI (specialized investment program).
PKO TFI SA – 3rd place in TFI ranking by „Rzeczpospolita" daily	PKO TFI SA took third place in the ranking of TFIs by "Rzeczpospolita" daily. The ranking took into account the rate of returns of open-end funds and specialized open end funds, operating on the market for at least five years. Editors gave a score for the best five results in six groups of funds: shares, SME shares, balanced, stable growth, bonds and money market.
High grades for funds managed by PKO TFI SA given by "Analizy Online"	In 2015, Analizy Online confirmed the high quality of the funds managed by PKO TFI SA granting seven funds 4 or 5 stars. Funds with grade of the 4 and 5 stars are, according to the Analizy Online the ones that deserve to be added to the investors' portfolio. Awarded are the following funds: PKO Technologii i Innowacji Globalny (5 stars), PKO Akcji Małych i Średnich Spółek (5 stars), PKO Akcji Plus (5 stars), PKO Akcji Nowa Europa (4 stars), PKO Zrównoważony (4 stars), PKO Stabilnego Wzrostu (4 stars) oraz PKO Papierów Dłużnych Plus (4 stars).
Distinctions for leasing and factoring products of the PKO Leasing SA Group	Product PKO Auto Express was honoured by the editors of Gazeta Finansowa the "Best Product for Business 2015" and the "Best Product for SME 2015" in the category of leasing. The product " Faktoring dla MSP " was awarded by the editors of Gazeta Finansowa the "Best Product for Business 2015" in the category of factoring.
1st place for KREDOBANK SA in the Forbes ranking of the safest banks in 2015	KREDOBANK SA for the second time in a row took first place in the ranking of the most secure, resilient in banks in Ukraine, conducted by Forbes Ukraine. In the latest edition of the ranking covering the first half of 2015 27 largest Ukrainian banks were taken into account together controlling 86% of sector assets. KREDOBANK SA received from the experts of Forbes highest possible rating of A. Analysed was, among others, profitability, liquidity and capitalization ratios.
High positions of KREDOBANK SA in ranking of the "50 leading Ukrainian banks"	KREDOBANK SA in the latest ranking of the "50 leading Ukrainian banks" organized by "Klub loss" took the high places in several categories, including: 3rd place in the category of "Overdraft" and "Autoloans" and 8th in the category "Internet-banking" and "loans for small and medium business". The overall summary took the 13th place among 50 leading Ukrainian banks.

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5. ORGANISATION OF THE PKO BANK POLSKI SA GROUP

As at 31 December 2015, the PKO Bank Polski SA Group consisted of the Bank, as the parent company and the 49 direct and indirect subsidiaries.

5.1 Entities included in the financial statement

In the consolidated financial statements PKO Bank Polski SA is presented as the parent company of the PKO Bank Polski SA and its subsidiaries as defined in IAS 27 'Consolidated and Separate Financial Statements'.

Table 18. Entities comprising the PKO Bank Polski SA Group

Lp.	Entity name	Headquaters	Business activity	share in the Issuer's share capital (%)	Consolidation method
Parent company					
1.	Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna				
Subsidiaries					
2.	PKO Towarzystwo Funduszy Inwestycyjnych SA	Warsaw	investment funds management	100	full
3.	PKO BP BANKOWY PTE SA	Warsaw	pension funds management	100	full
4.	PKO Leasing SA	Lodz	leases activity	100	full
5	PKO BP Finat Sp. z o.o.	Warsaw	services activity, including services supporting investment funds	100	full
6	PKO Życie Towarzystwo Ubezpieczeń SA	Warsaw	life insurances	100	full
7	PKO Towarzystwo Ubezpieczeń SA	Warsaw	other non-life insurances		
8.	PKO Bank Hipoteczny SA	Gdynia	banking activity	100	full
9	PKO Finance AB	Stockholm, Sweden	financial services	100	full
10	KREDOBANK SA	Lviv, Ukraine	banking activity	99.5655	full
11	Finansowa Kompania „Prywatne Inwestycje" Sp. z o.o.[1]	Kiev, Ukraine	factoring activity	95.4676	full
12	„Inter-Risk Ukraine" Spółka z dodatkową odpowiedzialnością	Kiev, Ukraine	debt collection activity	100	full
13	Qualia Development Sp. z o.o.[1]	Warsaw	property development activity	100	full
14	Merkury - fiz an[2]	Warsaw	investing the funds members' funds	100	full
15	NEPTUN - fiz an[2]	Warsaw	investing the funds members' funds	100	full
Subsidiaries of PKO Leasing SA					
16.	PKO Bankowy Leasing Sp. z o.o.	Lodz	leases activity	100	full
17.	PKO Leasing Sverige AB	Stockholm, Sweden	leases activity	100	full
18.	PKO BP Faktoring SA[4]	Warsaw	factoring activity	100	full
Subsidiary of PKO Życie Towarzystwo Ubezpieczeń SA					
19.	Ubezpieczeniowe Usługi Finansowe Sp. z o.o.	Warsaw	services activity	100	full
Subsidiary of KREDOBANK SA					
20.	Finansowa Kompania „Idea Kapitał" Sp. z o.o.	Lviv, Ukraine	financial services	100	full
Subsidiaries of Qualia Development Sp. z o.o.[3]					
21.	Qualia 3 Sp. z o.o.	Warsaw	general partner in limited partnerships of Qualia 3	100	full
22.	Qualia 3 spółka z ograniczoną odpowiedzialnością - Neptun Park Sp. k.	Warsaw	property development activity	99.9975	full
23.	Qualia 2 Sp. z o. o.	Warsaw	general partner in limited partnerships of Qualia 3	100	full
24.	Qualia 3 spółka z ograniczoną odpowiedzialnością - Nowy Wilanów Sp. k.	Warsaw	property development activity	99.9975	full
25.	Qualia Sp. z o. o.	Warsaw	general partner in limited partnerships of Grupa QDE	100	full
26.	Qualia spółka z ograniczoną odpowiedzialnością - Sopot Sp. k.	Warsaw	property development activity	99.9902	full
27.	Qualia spółka z ograniczoną odpowiedzialnością - Jurata Sp. k.	Warsaw	property development activity	99.9770	full
28.	Qualia spółka z ograniczoną odpowiedzialnością - Zakopane Sp. k.	Warsaw	property development activity	99.9123	full
29.	Qualia spółka z ograniczoną odpowiedzialnością - Pomeranka Sp. k.	Warsaw	property development activity	99.8951	full
30.	Qualia spółka z ograniczoną odpowiedzialnością - Projekt 1 Sp. k.	Warsaw	property development activity	50	full
31.	Qualia spółka z ograniczoną odpowiedzialnością - Władysławowo Sp. k.	Warsaw	property development activity	50	full
32.	Qualia Hotel Management Sp. z o.o.	Warsaw	property development activity	100	full
33.	Qualia - Residence Sp. z o.o.	Warsaw	property development activity	100	full
34.	Qualia - Rezydencja Flotylla Sp. z o.o.	Warsaw	property development activity	100	full
35.	„Fort Mokotów Inwestycje" Sp. z o.o.	Warsaw	property development activity	100	full
36.	Sarnia Dolina Sp. z o.o.	Warsaw	property development activity	100	full
37.	Giełda Nieruchomości Wartościowych Sp. z o.o.	Warsaw	property broker	100	full
38.	„Fort Mokotów" Sp. z o.o. w likwidacji	Warsaw	in liquidation	51	full

Subsidiaries of Merkury - fiz an					
39.	„Zarząd Majątkiem Górczewska" Sp. z o.o.	Warsaw	property management	100	full
40.	Molina Sp. z o.o.	Warsaw	general partner in limited partnerships of the Fund's entities	100	full
41.	Molina spółka z ograniczoną odpowiedzialnością 1 S.K.A.	Warsaw	buying and selling of real estate on own book, property management	100	full
42.	Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A.	Warsaw		100	full
43.	Molina spółka z ograniczoną odpowiedzialnością 3 S.K.A.	Warsaw		100	full
44.	Molina spółka z ograniczoną odpowiedzialnością 4 S.K.A.	Warsaw		100	full
45.	Molina spółka z ograniczoną odpowiedzialnością 5 S.K.A.	Warsaw		100	full
46.	Molina spółka z ograniczoną odpowiedzialnością 6 S.K.A.	Warsaw		100	full
Subsidiaries of NEPTUN - fizan (directly and indirectly)					
47.	Bankowe Towarzystwo Kapitałowe SA	Warsaw	service activities	100	full
48.	„CENTRUM HAFFNERA" Sp. z o.o.	Sopot	subsidiaries' properties management	72.9766	full
49.	„Sopot Zdrój" Sp. z o.o.	Sopot	property management	100	full
50.	„Promenada Sopocka" Sp. z o.o.	Sopot	property leases and management services	100	full

1) The second shareholder is "Inter-risk Ukraine" sp. z d.o.
2) The fund was recognized in this ranking due to the possession of PKO Polish Bank SA investment certificates above, enabling the fund, in accordance with IFRS, control over the fund; share of certificates is presented in share in capital
3) In limited partnership of the Qualia Development Group in the possession of share capital is presented the share of limited partner - Qualia Development Sp. z o.o. the value of contributions

Table 19. Other subordinated entities included in the consolidated financial statements

No.	Entity name	Headquarters	Business activity	Share in the Issuer's share capital (%)	Consolidation method *
Joint venture PKO Bank Polski SA					
1	Centrum Elektronicznych Usług Płatniczych eService Sp z.o.o.	Warsaw	support to financial services, including transaction services made by a payment instrument	34.00	equity
Joint venture Neptun - fizan					
2	"Centrum Obsługi Biznesu" Sp. z o.o.	Poznan	hotel management	41.44	equity
Subsidiaries					
3	Bank Pocztowy SA	Bydgoszcz	banking	25.0001	equity
4	"Poznański Fundusz Poręczeń Kredytowych" Sp. z o.o.	Poznan	guarantees	33.33	equity
5	FERRUM SA	Katowice	production of steel tubes, profiles and performance of pipe insulation	20.97	equity
Subsidiaries of Centrum Elektronicznych Usług Płatniczych eService Sp z.o.o.					
6	EVO Payments International Sp z.o.o.	Warsaw	financial services support activity	100	full
7	EVO Payments International s.r.o.	Prague, Czech Rep.	financial services support activity	100	full
Subsidiaries of Banku Pocztowego SA					
8	Centrum Operacyjne Sp. z o.o.	Bydgoszcz	financial services support activity	100	full
9	Spółka Dystrybucyjna Banku Pocztowego Sp. z o.o.	Warsaw	financial intermediation	100	full
Subsidiaries of FERRUM SA					
10	Zakład Konstrukcji Spawanych FERRUM SA	Katowice	steel constructions and parts production	100	full
11	FERRUM MARKETING Sp. z o.o.	Katowice	sales and marketing	100	full

** consolidated in financial statements of the parent company*

5.2 Changes to the organisation of subordinated entities

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

1) **concerning entity PKO Towarzystwo Ubezpieczeń SA**

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

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

The Company was registered with the National Court Register on 13 April 2015.

At the end of 2015 the Company achieved initial operation capability. On 9 January 2016 PKO Towarzystwo Ubezpieczeń SA launched offer of property insurance for individuals clients of PKO Bank Polski SA who take credit cards. In February 2016 the Company launch sales of insurance for real estate and movables, third party insurance in private life, Assistance and insurance against income loss for clients of PKO Bank Polski SA and PKO Bank Hipoteczny SA who take mortgage loans and for guaranteed loans by PKO Bank Polski SA..

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2) **concerning entity PKO Życie Towarzystwo Ubezpieczeń SA**

In 2015 (on 9 June 2015 and on 20 October 2015) with the National Court Register the following changes in the share capital of PKO Życie Towarzystwo Ubezpieczeń SA were registered:

- a decrease in the share capital by PLN 103 221 thousand through redemption of 925 000 shares of PLN 111.59 nominal value each; the amount received from the decrease was appropriated to cover Company's losses of from the previous years
- an increase in share capital by PLN 223.18 - PKO Bank Polski acquired 2 shares of PLN 111.59 nominal value for the emission price of PLN 56 000 thousand.

As at 31 December 2015 the share capital of PKO Życie Towarzystwo Ubezpieczeń SA is PLN 89 309 thousand and is divided into 800 331 shares with nominal value of PLN 111.59 each.

3) **concerning entities of the PKO Leasing SA Group**

On 4 August 2015 an increase in the share capital of the entity PKO Leasing SA by PLN 80 000 thousand was registered with the National Court Register. All shares in the increased Company's share capital were acquired by PKO Bank Polski SA.

As at 31 December 2015 the share capital of PKO Leasing SA is PLN 174 057 thousand and is divided into 17 405 690 shares with nominal value of PLN 10 each.

In 2015 (on 23 April 2015 and on 28 October 2015) with the National Court Register an increase in the share capital of the entity PKO Bankowy Leasing Sp. z o.o. by PLN 40 000 thousand was registered. All shares in the increased share capital were acquired by PKO Leasing SA.

As at 31 December 2015 the share capital of PKO Bankowy Leasing Sp. z o.o. is PLN 140 000 thousand and is divided into 280 000 shares with nominal value of PLN 500 each.

4) **concerning PKO BP BANKOWY PTE SA**

On 29 December 2015 a decrease in the share capital of PKO BP BANKOWY PTE SA by PLN 69 420 thousand through a decrease in nominal value of Company's shares from PLN 10 000 to PLN 7 330 was registered with the National Court Register. The decrease in the share capital was performed in order to optimize the value of Company's share capital and utilize the free cash resources within the PKO Bank Polski Group.

The resources from the decrease in Company's share capital will be paid to PKO Bank Polski SA – the sole shareholder of the Company, after 6 months since the abovementioned registration.

As at 31 December 2015 the share capital of the Company. is PLN 190 580 thousand and is divided into 26 000 shares with nominal value of PLN 7 330 each.

5) **concerning entity PKO BP Faktoring SA**

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

As at 31 December 2015 the entity PKO Leasing SA (subsidiary of the Bank) is the sole shareholder of PKO BP Faktoring SA.

6) **concerning NEPTUN – non-public assets closed-end investment fund**

In 2015 PKO Bank Polski SA acquired in total 8 588 953 investment certificates of series A, B and C of NEPTUN - non-public assets closed-end investment fund. The acquisition value amounted to PLN 94 663 thousand. Part of certificates was acquired for non - financial contribution of shares of Bankowe Towarzystwo Kapitałowe SA and shares of selected public entities from the Bank financial assets. The fund mentioned above is managed by PKO Towarzystwo Funduszy Inwestycyjnych SA.

The main purpose of the Fund is to invest the funds collected through non-public offering of the investment certificates in securities, money market instrument, and other property rights specified in the Statue of the Fund and the Investment Funds Act.

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

As at 31 December 2015, NEPTUN - fizan and entities Bankowe Towarzystwo Kapitałowe SA and 'CENTRUM HAFFNERA' Sp. z o.o. (with its subsidiaries 'Sopot Zdrój' Sp. z o.o. and 'Promenada Sopocka' Sp. z o.o.) as entities controlled by PKO Bank Polski SA are fully consolidated in the financial statement of the PKO Bank Polski SA. The entity 'Centrum Obsługi Biznesu' Sp. z o.o.is a joint venture of the Fund and in the financial statement of the PKO Bank Polski SA is still valued by the equity method.

7) **concerning entities of the Qualia Development Sp. z o.o. Group**

On 9 January 2015, Qualia 2 Sp. z o.o. was registered with the National Court Register. The Company's share capital amounts to PLN 5 thousand and is divided into 100 shares with a nominal value of PLN 50 each. As at 31 December 2015 Qualia Development Sp. z o.o.. is the sole shareholder of the abovementioned Company.

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

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

On 26 October 2015, Qualia 3 Sp. z o.o. was registered with the National Court Register. The Company's share capital amounts to PLN 5 thousand and is divided into 100 shares with a nominal value of PLN 50 each. As at 31 December 2015 Qualia Development Sp. z o.o.. is the sole shareholder of the abovementioned Company.

Qualia 3 Sp. z o.o. took over from Qualia Sp. z o.o. all the rights and obligations of the general partner in Qualia spółka z ograniczoną odpowiedzialnością – Neptun Park Sp. k. – agreement of sale of all rights and obligations in this regard was concluded on 4 November 2015

At the same time, in connection with the above-described changes, on 7 December 2015, the change of the name of Qualia spółka z ograniczoną odpowiedzialnością – Neptun Park Sp. k. was registered with the National Court Register - the current name is: Qualia 3 spółka z ograniczoną odpowiedzialnością – Neptun Park Sp. k.

On 3 November 2015 an increase in the limited partner's contribution (entity Qualia Development Sp. z o.o.) of the entity Qualia sp. z o.o. – Sopot Sp. k. by PLN 4 900 thousand, i.e. from PLN 5 300 thousand to PLN 10 200 thousand, was registered with the National Court Register.

On 26 November 2015 an increase in the share capital of the entity Qualia – Rezydencja Flotylla Sp. z o.o by PLN 22 300 thousand was registered with the National Court Register. All shares in the increased capital were acquired by Qualia Development Sp. z o.o.

As at 31 December 2015 the share capital of Qualia – Rezydencja Flotylla Sp. z o.o. is PLN 33 826 thousand and is divided into 33 826 shares with nominal value of PLN 1 thousand each.

In 2015 the entity Qualia Development Sp. z o.o. made a contribution to the share capital of Qualia 2 Sp. z o.o in the amount of PLN 49 500 and a contribution to the share capital of Qualia 3 Sp. z o.o in the amount of PLN 30 thousand, and also received PLN 7 000 thousand from the entity Qualia - Residence Sp. z o.o. as a repayment of part of the contributions to the share capital of this entity.

8) concerning entity 'Centrum Majkowskiego' Sp. z o.o. in liquidation

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

9) **concerning subsidiaries recognised in non-current assets held for sale**

In accordance to the plan to recover the value of the shares of Qualia Development Sp. z o.o. through a sale transaction within the PKO Bank Polski SA Group, the Company ceased to be recognised in the 'Non-current assets held for sale' in the consolidated financial statements.

10) concerning events which will cause changes in the Group in the following quarters

On 9 November 2015 PKO Bank Polski SA paid for the acquisition of 33 billion shares of KREDOBANK SA in new emission of nominal and emission value UAH 330 000 thousand. The abovementioned increase has not been registered before 31 December 2015.

After registration of the abovementioned increase, 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 will increase to 99.6293%.

As regards to the companies constituting joint ventures and associates, in 2015 following events took place:

1) concerning entity Bank Pocztowy SA

On 20 November 2015 an increase in the share capital of the entity Bank Pocztowy SA by PLN 12 842 480 was registered with the National Court Register. PKO Bank Polski SA acquired 321 062 shares of PLN 3 210 620 total nominal value and PLN 15 000 016.64 total emission value. The remaining shares were acquired by Poczta Polska SA. In sum Bank Pocztowy SA was recapitalized by current shareholders in the amount of PLN 60 000 thousand.

As a result of the abovementioned increase in the capital PKO Bank Polski SA still holds 25% of the share capital of the Company plus 10 shares.

2) concerning entities of the Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o. Group

Entity Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o. (constituting a joint venture of the Bank) established two subsidiaries, including:

- EVO Payments International Sp. z o.o. with its registered office in Poland which was registered with the National Court Register on 9 February 2015; the share capital of the Company at the end of 2015 is PLN 282 thousand (wherein shares in the increased share capital with nominal value of PLN 277 thousand were acquired for the emission price of PLN 13 850 thousand),
- EVO Payments International s.r.o. with its registered office in the Czech Republic which was registered with the Commercial Register of the Czech Republic on 16 February 2015; the share capital at the end of 2015 is CZK 200 thousand.

The object of the above mentioned companies is to conduct activities supporting financial services.

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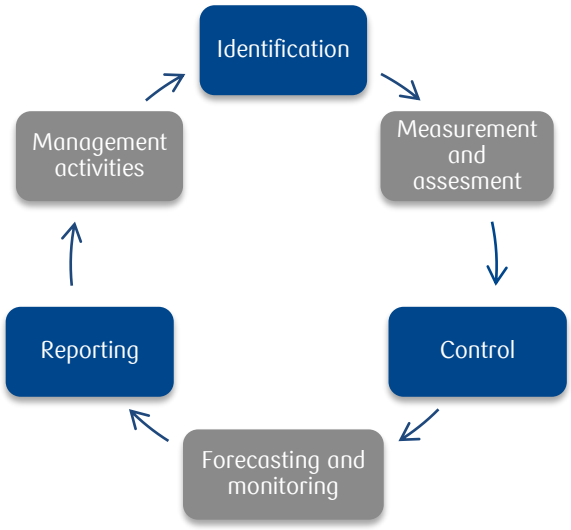
6. RISK MANAGEMENT

6.1 Principles of risk management

Risk management is one the most important internal processes both in PKO Bank Polski SA including the Bank's abroad and in other entities of the PKO Bank Polski SA Group. Risk management aims at ensuring profitability of business activity, while ensuring control of the level of risk and maintaining it within risk tolerance and limit system adopted by the Bank, in the changing legal and macroeconomic environment. The level of the risks is an important component of the planning process.
In the PKO Bank Polski SA Group, the following types of risk have been identified, which are subject to management: credit risk, interest rate risk, currency risk, liquidity risk, commodity price risk, price risk of equity securities, derivative instruments risk, operational risk, compliance risk, risk of macroeconomic changes, model risk, business risk (including strategic risk), reputation risk, excessive financial leverage, capital and insurance risk.

The risk management process is described on the chart below:



Risk management in the Group is based especially on the following principles:

- the Group manages all of the identified types of risk,
- the risk management process is appropriate to the scale of the operations and to the materiality, scale and complexity of a given risk and tailored to new risk factors and sources on a current basis,
- the risk management methods (in particular the models and their assumptions) and the risk measurement systems are tailored to the scale and complexity of the risk and verified and validated on a periodical basis,
- the area of risk and debt recovery remains organisationally independent from business activities,
- risk management is integrated with the planning and controlling systems,
- the risk level is monitored on a current basis,
- the risk management process supports the implementation of the Group's strategy in compliance with the risk management strategy, in particular with regard to the level of tolerance of the risk.

The risk management process is supervised by the Supervisory Board of the Bank, which is informed on a regular basis about the risk profile of the Bank as well as of the PKO Bank Polski SA Group and the most important activities taken in the area of risk management.
The Bank's Management Board is responsible for the risk management, including supervising and monitoring of activities taken by the Bank in the area of risk management. The Bank's Management Board takes the most important decisions affecting the risk level of the Bank and enacts internal regulations regarding the risk management.
The risk management process is carried out in three, mutually independent lines of defence:

- the first line of defence, which is functional internal control that ensures using risk controls mechanisms and compliance of the activities with the generally applicable laws,
- the second line of defence, which is the risk management system, including methods, tools, process and organisation of risk management,
- the third line of defence, which is an internal audit.

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

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- the function of the second line of defence as regards creating system solutions is independent of the function of the first line of defence,
- the function of the third line of defence is independent of the functions of the first and second lines of defence,
- the function of managing the compliance risk reports directly to the President of the Management Board.

The Bank supervises activities of the individual subsidiaries of the PKO Bank Polski SA Group. As part of this supervision, the Bank. The Bank also supervises the entities' risk management systems and provides support in the development of these systems. Additionally, it reflects business risk of the particular entities in the risk reporting and risk monitoring system of the entire Group.

The internal management regulations of certain types of risk in the Group entities are defined by internal regulations implemented by those entities, after consulting the Bank's opinion and having taken into account the recommendations issued by the Bank. The internal regulations of the entities concerning risk management are introduced based on consistency principle and comparable assessment of particular types of risk within the Bank and Group entities, including the scope and nature of the link entities included in the Group, the specificity and scale of the entity's activity and the market on which it operates.
The top priority of the PKO Bank Polski SA Group is to maintain its strong capital position and to increase its stable sources of financing underlying the stable development of business activity, while maintaining the priorities of efficiency and effective cost control and appropriate risk assessment. For this purpose the Group has taken the following activities in 2015:

- in February, May and November 2015, turned the maturing own short-term bonds to a bonds with a maturity from three to six months in the amounts from PLN 800 million to PLN 1 billion,
- in October 2015, acquired financing due to issuance of short-term bonds with a maturity of six months on domestic market in the amount of EUR 200 million,
- reduced level of risk-weighted assets. The most important source of optimization carried out to improve the quality of data (eg. Inclusion in the category of retail exposures all SME customers meeting the criteria of segmentation), and a review of off balance-sheet liabilities, including verification of assigned risk weights of the product,
- The Bank accounted the net profit of 2015 to own funds in amount of PLN 3 079 million and retained profit from previous years in the amount of PLN 132.8 million, allocating them in accordance with the recommendation of the Management Board for capital reserves and leaving the amount of undivided 1 250 million PLN, without committing any sums the payment of dividends,
- PKO Bank Hipoteczny SA made the first issue of mortgage bonds – in the amount of PLN 30 million for 5 years period.

In 2015, the area of operational risk management, the Bank carried out preparatory works for the launch of the new Bank's branch in the Federal Republic of Germany, which the opening took place in December 2015. As the part of the works in July 2015, the Bank obtained the permit of the Polish Financial Supervision Authority's on the combined use of the Advanced Measurement Approach (AMA) and the Basic Indicator Approach (BIA) for calculating the own funds requirement in respect of operating risk. The BIA approach will be used to calculate the requirement for operational risk with regard to the activities of the branch of the Bank in the Federal Republic of Germany.

With the beginning of 1 April 2015, the PKO Bank Hipoteczny S.A started its operational activity. The Bank is a 100% subsidiary of PKO Bank Polski. It specializes in providing mortgage loans for individual clients. Extension of the Capital Group of PKO Bank Hipoteczny SA had no effect in 2015 on change of the nature of the risks identified within the framework of its activities.

The acquisition in the second half of 2015 of Spółdzielcza Kasa Oszczędnościowo Kredytowa "Wesoła" in Mysłowice, has not changed the nature of the risks identified in the Bank's activities. Within the Capital Group, the portfolios of mortgage loans granted by PKO Bank Polski will be moved to the PKO Bank Hipoteczny. The value of portfolio transferred in 2015 (transfer took place in December) amounted to PLN 400 million.

In the second half of 2015 PKO Leasing Group continued to integrate risk management approach of PKO Bank Polski in adapting internal regulations. In addition, measures have been taken to standardize the processes and management of PKO Leasing with PKO factoring. PKO Leasing Group uses the results of the analysis of creditworthiness of customers resulting from the Bank's rating model for the assessment of clients in full procedures, implements antifraud model and improves impairment model.

In 2015, Kredobank SA make changes in order to optimize and increase the efficiency of the credit process.

6.1.1 Credit risk

Credit risk is defined as a risk of occurrence of losses due to counterparty's default of payments to the Bank or as a risk of decrease in economic value of amounts due to the Bank as a result of deterioration of counterparty's ability to repay amounts due to the Bank.

The objective of credit risk management is to minimise losses on the credit portfolio as well as to minimise the risk of occurrence of loans threatened with impairment exposure, while keeping expected level of profitability and value of credit portfolio at the same time

The Bank and subsidiaries of the Group applies mainly the following principles of credit risk management:

- each loan transaction is a subject to comprehensive credit risk assessment, which is reflected in an internal rating or credit scoring,
- credit risk assessment related to loan transactions is measured on the stage of loan request review and on a cyclical basis during the monitoring process, taking into consideration changes in external conditions and in the financial standing of the borrowers,
- credit risk assessment of exposures is separated from the sales function by ensuring proper organizational structure, independent development and validation of tools supporting the assessment of credit risk and the independence of the decision accepting derogations from the indication of these tools,

- terms of loan contracts that are offered to a client depend on the credit risk level generated by the contract,
- loan granting decisions are made only by authorised persons,
- credit risk is diversified particularly by geographical location, by industry, by product and by clients,
- expected credit risk level is mitigated by collaterals received by the Bank, credit margins collected from clients and impairment allowances on loan exposures.

The above mentioned policies are executed by the Bank through the use of more advanced credit risk management methods, both on the level of individual exposures and on the level of the whole credit portfolio of the Bank.

These methods are developed to ensure compliance with the internal rating based method (IRB) requirements, i.e. advanced credit risk measurement method, which can be used while calculating own funds requirements for credit risk after being approved by the Polish Financial Supervision Authority.

The Bank assesses the credit risk of retail clients on two dimensions: the client's borrowing capacity and creditworthiness. The assessment of borrowing capacity involves an examination of the client's financial situation, whereas the creditworthiness assessment involves scoring and evaluating the client's credit history obtained from internal records of the Bank and external databases.

The evaluation of credit risk related to financing institutional clients is performed in two dimensions: in respect of the client and of the transaction. The assessment measures comprise primarily, ratings of clients and transactions.
The models were prepared using internal data of the Bank which ensures that they are tailored to the risk profile of the Bank's clients.

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

The *rating* and *scoring* models are implemented in an IT tool that supports the Bank's credit risk assessment related to financing corporate clients.

In order to assess the correctness of functioning of methods used in the Bank, methodologies of assessment of credit risk related to individual credit exposures, are reviewed on a periodical basis.

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

The information about ratings and scoring is widely used in the Bank for the purposes of credit risk management, in particular in the system of credit decision-making powers and in the credit risk assessment and reporting system.

The Bank implements improvements for ongoing monitoring of the loan portfolio of small and medium enterprises and customers of corporate and investment Banking segment, it allows a faster response to changes in the existing portfolio and comprehensive information about its quality.

In 2015, the Bank changed the loan process of the customers of corporate and investment Banking segment. According to this model, the risk assessment is performed only by credit risk assessment cells. At the same time making credit decisions for these clients is performed with a double decision by the representatives of the business cells and cells of credit risk assessment.

Process of assessing non-resident (German entities) was also introduced, including those that are running account reporting according to HGB (Handelsgesetzbuch).

The exchange within the Group (with PKO Leasing SA) was initiated in the range of warning signals and customer limits.

In 2015, the Bank implemented application solutions and procedure improvement of the process of measuring the impairment, loan exposures and interest income. Developed methods used in the calculation of write-offs and provisions, including the methodology for estimating the parameters of portfolio, with due regard to the portfolio acquired in 2014 and portfolio of SKOK acquired in 2015.

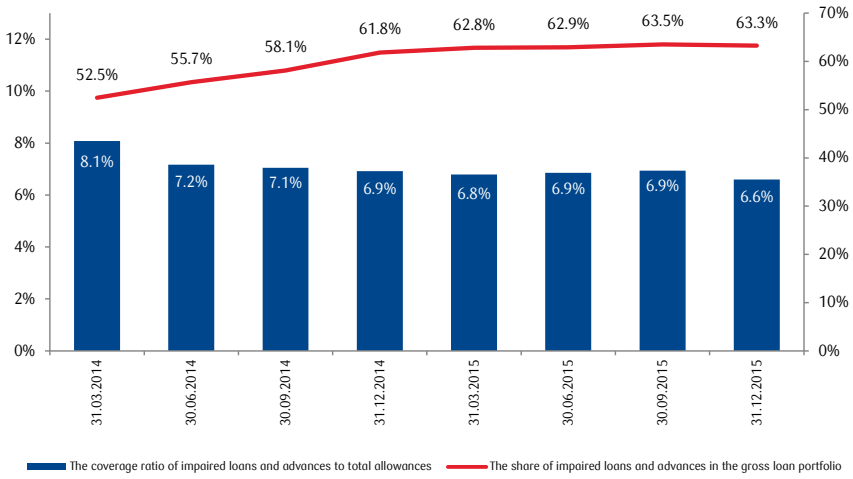
Table 20. The structure of loan portfolio and impairment allowances of the PKO Bank Polski SA Group (in PLN million)

	31.12.2015	31.12.2014	Change 2015/2014
Loans and advances to customers			
Valued according to the individualized method	7 549.6	7 378.0	2.3%
Impaired, including:	5 412.8	5 615.9	-3.6%
Receivables from financial leases	*407.1*	*345.0*	*18.0%*
No identified impairment , including:	2 136.9	1 762.1	21.3%
Receivables from financial leasing	*332.9*	*300.0*	*11.0%*
Valued according to the portfolio method	7 688.1	7 361.4	4.4%
Impaired, including:	7 688.1	7 361.4	4.4%
Receivables from financial leases	*96.7*	*106.4*	*-9.1%*
Valued according to the group method (IBNR), including:	183 463.1	172 780.5	6.2%
Receivables from financial leases	*4 899.2*	*4 477.9*	*9.4%*
Loans and advances to customers - gross	**198 700.9**	**187 519.9**	**6.0%**
Write-offs on exposures valued according to the individualized method	(2 895.9)	(2 963.7)	-2.3%
Impaired, including:	(2 882.4)	(2 948.0)	-2.2%
Write-offs on leasing receivables impairement losses	*(109.5)*	*(95.1)*	*15.2%*
Write-offs on exposures valued according to the individualized method	(4 822.2)	(4 426.9)	8.9%
Write-offs on leasing receivables impairement losses	*(77.8)*	(75.3)	*3.4%*
Write-offs on exposures valued according to the group method (IBNR), including:	(569.2)	(631.9)	-9.9%
Write-offs on leasing receivables impairement losses	*(13.1)*	*(14.5)*	*-9.5%*
Write-offs total	(8 287.2)	(8 022.5)	3.3%
Loans and advances to customers - net	**190 413.7**	**179 497.4**	**6.1%**

In 2015 the gross value of granted loans by the Group evaluated with individual method increased by PLN 172 million, with the portfolio method increased by PLN 327 million and evaluated using the portfolio method by PLN 10 683 million.

The chart below presents the share of impaired loans and their coverage ratio.

Chart 6. The share of impaired loans and advances in the PKO Bank Polski SA Group and the coverage ratio to total allowances.



The share of impaired loans of the PKO Bank Polski SA Group in gross loan portfolio as at 31 December 2015 amounted to 6.6% and dropped by 0.3 p.p. y/y compared with 31 December 2014.
The coverage ratio of impaired loans for the PKO Bank Polski SA Group as at 31 December 2015 amounted to 61.8%, compared with 63.3 % as at 31 December 2014.

The Group entities, which have significant credit risk levels (the KREDOBANK SA Group, the PKO Leasing SA Group, PKO Bank Hipoteczny SA, Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o.) manage their credit risk individually, but the methods used by them for credit risk assessment and measurement are adjusted to the methods used by PKO Bank Polski SA, taking into account the specific nature of their activities.

Any changes to the solutions used by the Group's subsidiaries are agreed every time with the Bank's units responsible for risk management.

The PKO Leasing SA Group, the KREDOBANK SA Group and PKO Bank Hipoteczny SA and Finansowa Kompania 'Prywatne Inwestycje' Sp. z o.o. measure credit risk regularly and the results of such measurements are submitted to the Bank.

The process of credit decision-making at the KREDOBANK SA Group, the PKO Leasing Group and the PKO Bank Hipoteczny SA is supported by credit committees, which are activated in the case of credit transactions which generate increased credit risk.

Appropriate organisational units of the Banking Risk Division and organisational unit of the Risk Management Area dedicated to integration of risk management in the Group participate in managing the credit risk in the Group entities by giving their opinions on projects and periodically reviewing internal regulations of these companies relating to the assessment of credit risk and preparation of recommendations relating to amendments in the drafts of regulations. The Bank supports implementation of the recommended changes in principles for assessing credit risk in the Group entities.

6.1.2 Interest rate risk

The interest rate risk is a risk of incurring losses on the Bank's statement of financial position and off-balance sheet items sensitive to interest rate fluctuations, as a result of changes in the interest rates on the market.

The objective of interest rate risk management is to mitigate the risk of potential losses arising from market interest rate changes to an acceptable level by appropriate shaping the structure of statement of financial position and off-balance sheet items.

In the process of interest rate risk management, the Group uses, in particular, the Value at Risk (VaR) model, interest income sensitivity measure, price sensitivity measure, stress-tests and a reprising gap. In 2015 PKO Bank Polski SA introduced a method of determining the historical VaR of interest rate risk.

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

Methods of interest rate risk management in the Group's subsidiaries are defined by internal regulations implemented by those entities which are characterised by significant values of interest rate risk measure outcomes. These regulations are developed after consultation with the Bank and include recommendations issued to the entities by the Bank.

As at 31 December 2015 and 31 December 2014, the exposure of the PKO Bank Polski SA Group to the interest rate risk comprised mainly of the exposure of the Bank. Interest rate risk with regard to USD was significantly changed by exposure of the Group entities, in which the most significant exposure concerned the KREDOBANK SA Group.

Table 21. VaR of PKO Bank Polski SA and stress-tests analysis of the Group's exposure to the interest rate risk (in PLN thousand)

Name of sensitivity measure	31.12.2015	31.12.2014
VaR for a 10-day time horizon with 99% confidence level*	271 674	282 268
Parallel movement of the interest rate curves by 200 b.p. (in PLN thousand) (stress-test)**	2 013 781	2 380 354

* Due to the nature of the activities carried out by the other Group entities generating significant interest rate risk as well as the specific nature of the market on which they operate, the Group does not calculate consolidated VaR. These companies apply their own risk measures in the interest rate risk management. The KREDOBANK SA uses the 10-day interest rate VaR for the main currencies. As at 31 December 2015 the value of VaR in the KREDOBANK SA amounted to approx. PLN 11 460 thousand and PLN 9 480 thousand as at 31 December 2014.
** The table presents the value of the most adverse stress-test of the scenarios: movement of interest rate curves in particular currencies by 200 b.p. up and by 200 b.p. down.

As at 31 December 2015 the Bank's interest rate VaR for a 10-day time horizon (10-day VaR) amounted to PLN 271 674 thousand, which accounted for approximately 1.00% of the Bank's own funds. As at 31 December 2014, VaR for the Bank amounted to PLN 282 268 thousand, which accounted for approximately 1.13% of the Bank's own funds (value of the funds calculated in accordance with regulations on calculation of the total capital ratio).

6.1.3 Currency risk

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

The objective of managing the currency risk is to reduce potential losses arising from exchange rate changes to an acceptable level by proper shaping the currency structure of statement of financial position and off-balance sheet items.

The Bank measures currency risk using the Value at Risk (VaR) model and stress-tests. In 2015 the PKO Bank Polski SA introduced a historical method of determining VaR for foreign exchange risk.

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

Methods of currency risk management in the Group's subsidiaries are defined by internal regulations implemented by these entities, which are characterised by the significant values of currency risk measures. The regulations are developed after consultation with the Bank and taking into account recommendations issued to the entities by the Bank

Table 22. VaR PKO Bank Polski SA and stress-tests of the Group's exposure to the currency risk, cumulatively for all currencies (in PLN thousand)

Name of sensitivity measure	31.12.2015	31.12.2014
VaR for a 10-day time horizon*	25 384	6 230
Change in CUR/PLN rates by 20% (in PLN thousand) (stress-test)**	1 941	28 609

* Due to the nature of the activities carried out by the other Group entities generating significant currency risk as well as the specific nature of the market on which they operate, the Bank does not calculate consolidated VaR. These entities apply their own risk measures in the currency risk management. The KREDOBANK SA Group uses the 10-day VaR, which amounted to approx. PLN 4 836 thousand as at 31 December 2015 and approx. PLN 3 663 thousand as at 31 December 2014.
** The table presents the value of the most adverse stress-test of the scenarios: PLN appreciation by 20% and PLN depreciation by 20%.

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Table 23. The Group's currency position for particular currencies (in PLN thousand)

Currencies	31.12.2015	31.12.2014
EUR	94 134	-216 994
USD	-87 336	-113 960
CHF	-72 465	-36 566
GBP	-1 798	5 009
Other (global net)	171 137	214 752

6.1.4 Liquidity risk

The liquidity risk is a risk of the lack of possibility to pay the debts on time due to the lack of liquid assets. Lack of liquidity may arise from inadequate structure of balance sheet, mismatch of cash flows, not received payments from counterparties, sudden withdrawal of cash by clients or other market events.

The objective of liquidity risk management is to ensure the necessary level of funds to pay present and future debts (also potential) on time, taking into account the nature of performed activities and requirements which may occur due to changes in market environment, by shaping the structure of balance sheet and off-balance sheet liabilities.

As a part of liquidity risk management the Bank manages the financing risk, which takes into account the risk of loss of financing sources and the lack of opportunities to renew matured funding, or loss of access to new financing sources

Group policy concerning liquidity is based on keeping a portfolio of appropriate level of liquidity surplus through an increase in portfolio of liquid securities and stable sources of financing (stable deposit base, in particular). In liquidity risk management money market instruments, including NBP open market operations are also used.

To ensure an adequate liquidity level, the Bank and subsidiaries of the PKO Bank Polski SA Group implemented limits and thresholds for short, medium and long-term liquidity risk.

Methods of liquidity risk management in the subsidiaries of the Group are defined by internal regulations implemented by the entities which are characterised by the significant value of liquidity risk measures.

These regulations are developed after consultation with the Bank and take into account recommendations issued to the entities by the Bank.

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

Table 24. Liquidity reserve of PKO Bank Polski SA (in PLN million)

Name of sensitivity measure	31.12.2015	31.12.2014
Liquidity reserve up to 1 month*	30 186	21 075

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

As at 31 December 2015 the minimum level of liquidity surplus in the horizon to 30 days amounted to PLN 14 411 million. A measure of liquidity excess determines the ability of the Bank to cover liquidity needs in a given period of time in an implementation-defined stress scenarios.

In 2015, the Bank worked to adapt to the requirements of the amended by the Financial Supervision Commission Recommendation P - they relate to m.in.:

- the introduction of measures of excess liquidity, which measures the ability of the Bank to maintain liquidity on each day during the period called the "horizon of survival" in extreme conditions,
- the introduction of early warning indicators, which are aimed at early detection of adverse events that may have a negative impact on the liquidity situation of the Bank or the financial sector,
- modification used in the Bank's transfer pricing system - in terms of the requirements contained in the Recommendation.

The following table shows the supervisory liquidity measures of the Bank as at 31 December 2015 and 31 December 2014.

Table 25. Regulatory liquidity ratios of PKO Bank Polski SA (in PLN million)

Supervisory liquidity measures	31.12.2015	31.12.2014
M1	18 907	15 859
M2	1.65	1.65
M3	9.87	7.01
M4	1.15	1.16
LCR	131.5%	125.0%

In the period from 31 December 2014 to 31 December 2015 the value of national indicators of supervisory measures remained above the supervisory limits. Indicated in the table, the LCR indicator shows the value for the Group.
As at 31 December 2015 the level of permanent balances on deposits constituted approx. 93.6% of all deposits in the Bank (excluding interbank market), which means a decrease by approximately 1.1 p.p. as compared to the end of 2014.

6.1.5 Commodity price risk

Commodity price risk is the risk of incurring a loss due to changes in commodity prices, generated by maintaining open positions in particular types of goods.

The objective of commodity price risk management is to reduce potential losses resulting from changes in commodity prices to the acceptable level by shaping the structure of statement of financial position and off-balance sheet commodity items.

Commodity price risk is managed by imposing limits on instruments generating the commodity price risk, monitoring their use and reporting the risk level.

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The effect of commodity price risk on the Group's financial position is immaterial.

6.1.6 Price risk of equity securities

The price risk of equity securities is the risk of incurring a loss due to changes in the prices of equity securities on the public market or stock exchange indices, generated by maintaining open positions in instruments sensitive to changes in these market parameters.

The price risk of equity securities results from operations conducted as part of trading activities (the Brokerage House of PKO Bank Polski SA), investing activities and from other operations as part of banking activities generating a position in equity securities.

Managing the equity securities price risk is aimed at limiting possible losses due to changes in the prices of equity securities on the public market or stock exchange indices to a level acceptable to the Bank, by optimising the positions taken in instruments sensitive to changes in these market parameters.

Risk management of equity securities prices is carried out by imposing limits on the activity of the Brokerage House of PKO Bank Polski SA and banking portfolio. Monitoring their utilisation and reporting its level of risk

An influence of the price risk of equity securities on the financial position of the Bank was assessed as immaterial. The positions taken in equity securities and index instruments are limited, and are not expected to increase significantly.

6.1.7 Derivative instruments risk

The risk of derivative instruments is a risk arising from taking up a position in financial instruments, which meet all of the following conditions:

- the value of an instrument changes with the change of the underlying instrument,
- it does not require any initial net investment or requires only a small initial net investment compared with other types of contracts which similarly respond to changes in market terms,
- it is to be settled at a future date.

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

The Bank measures the derivative instrument risk using, i.e., the Value at Risk (VaR) model, which is discussed in the chapter concerning interest rate risk or in the chapter concerning currency risk, depending on the risk factor which affects the value of the instrument.

Risk management is carried out by imposing limits on derivative instruments divided into banking and trading portfolio, monitoring the use of limits and reporting risk level.

Master agreements concluded by the Bank with the major business partners based on the standards developed by the Polish Bank Association (domestic banks) and ISDA (foreign banks and credit institutions), which allow offsetting mutual liabilities, both due (mitigation of settlement risk) and not yet due (mitigation of pre-settlement risk), are particularly important for mitigating the risk associated with derivative instruments. Additional collateral for exposures, resulting from derivative instruments are collateral deposits escrowed by counterparties as a part of CSA agreements (Credit Support Annex).

Methods of derivative risk management in the Group's subsidiaries are defined by internal regulations implemented by these entities which take up positions in derivative instruments or plan to take positions in such instruments. These regulations are developed after consultation with the Bank and take into account the recommendations issued to entities by the Bank.

Positions taken by the other Group entities in particular derivative instruments are determined in a similar manner to positions taken by the Bank in such instruments, taking into account the specifics of the economic activity of companies.

6.1.8 Operational risk

Operational risk is defined as the risk of occurrence of a loss due to non-compliance or unreliability of internal processes, people and systems or external events. Operational risk takes into consideration legal risk yet does not comprise risk of losing reputation and business risk.

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

The process of operational risk management is carried out at the level of the entire Bank and at the levels of each system-based operational risk management areas. System-based operational risk management involves creation of solutions served for exercise of control by the Bank over the level of operational risk, enabling accomplishment of Bank's objectives. The ongoing operational risk management is conducted by every employee of the Group in respect of their roles and responsibilities. The aim of the current operational risk management is preventing the materialisation of operational events and detecting and reacting to occurring operational events.

For the purposes of operational risk management, the Bank collects external data about operational events that occurred in the Bank and in other banks, including causes and effects of their emergence, data about the business environment factors, results of self-assessment of operational risk, data on Key Risk Indicators (KRI) of operational risk and data on quality of the functional internal control.

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The operational risk management also includes the self-assessment of operational risk for Bank's products, processes and applications as well as organisational changes.

Measurement of operational risk comprises calculation of KRI, calculation of own funds requirement for the Bank in respect of operational risk in accordance with the BIA in the activities of Bank's branch in Federal Republic of Germany and AMA with respect to the other operations of the Bank and for the Group entities under the precautionary consolidation in accordance with BIA stress-tests and calculation of internal capital for the Group.

The control of operational risk includes setting tailored to the scale and complexity of the Group's activity, the mechanisms in the form of limits on operational risk, in particular the strategic limits of tolerance on operational risk, losses limit, KRI along with thresholds and critical.

The Bank monitors the operational risk level to diagnose areas requiring management and monitoring actions and in particular relates to operational risk limits, operational events and their effects, results of self-assessment, own funds requirement in respect of operational risk in accordance with the AMA and BIA approach, stress-tests and value of KRI.

The Bank uses various solutions to limit its exposure to operational risk, including the following:

- control instruments (including authorization, internal control, separation of functions)
- human resources management instruments (staff selection, enhancement of professional qualification of employees, incentive systems),
- setting or verification of thresholds and critical values of KRI,
- setting or verification of operational risk for the Group,
- contingency plans,
- insurance,
- outsourcing.

If the risk level is elevated or high, the Bank applies the following approach:

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

The correctness of the process of operational risk management is verified in the review of strategy and process of operational risk management, self-assessment of compliance with AMA approach requirements, validation of AMA approach and internal audit.

The Group entities manage the operational risk in accordance with the rules of managing this risk implemented in PKO Bank Polski SA, taking into account the scope and nature of the relation of the Group entities, specific nature and scale of the business conducted by individual entities.

In 2015, the dominant impact on the operational risk profile of the Group was exercised by 3 entities: PKO Bank Polski SA, the PKO Leasing SA Group and the KREDOBANK SA Group. The other Group entities, considering their significantly smaller scale and type of activity, generate only reduced operational risk.

6.1.9 Compliance risk

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

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

Compliance risk management in the Group involves in particular the following:

- preventing involvement of the Bank in illegal activities,
- ensuring data protection,
- promoting ethical standards and monitoring their functioning,
- conflict of interest management,
- preventing situations where the Bank's employees could be perceived as pursuing their own interest in the professional context,
- professional, fair and transparent formulation of product offers, advertising and marketing messages,
- prompt, fair and professional consideration of complaints, requests and claims of clients.

Consistent principles of compliance risk management exist in all entities in the PKO Bank Polski SA Group.

The Group entities have adopted a zero tolerance policy against compliance risk, which means that the Group entities focus their actions towards preventing cases of materialisation of that risk.

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6.1.10 Business risk

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

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

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

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

The main tools used in business risk management include:

- verification and update of quarterly financial forecasts,
- monitoring of level of strategic tolerance limit.

6.1.11 Reputation risk

The reputation risk is understood as the risk of deterioration of reputation among clients, counterparties, investors, supervisory and control authorities, and the general public as a result of business decisions, operating events, instances of non-compliance or other events.

The objective of managing the reputation risk is to protect the Group's reputation by counteracting the occurrence of reputation and limiting the negative effect of image-related events on the Group's reputation. Risk management is done in companies whose impact on the reputation of the Group has been identified as important.

Reputation risk management in the Group includes in particular

- Information monitoring of image-related events, taking into account every identified, negative information about the Group, in the form of information disseminated in the media,
- recording image-related events and their effects in the form of reputation losses,
- analysing and evaluating reputation losses and determining the level of reputation risk losses,
- execution of communication protective measures,
- identifying potential reputation threats.

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

6.1.12 Model risk

Model risk is the risk of incurring losses as a result of making incorrect business decisions on the basis of the models functioning. As a part of the Group model risk is managed both at the level of the entity of the Group (the owner of the model), and at the level of the Bank as the parent company of the Group.

The objective of models management and model risk management is to mitigate the level of model risk in the Group through a well-defined and implemented process of models management Model risk management is performed through identification, assessment and monitoring of model risk, reporting and taking management actions. Solutions functioning in the Bank are used in the Group, with the possibility of their individual adaptation to the specific nature of the particular Entities.

The model risk evaluation is aimed at determining the scale of threats associated with the occurrence of the model risk. The assessment of the risk level is performed on the level of a single model and aggregate assessment of the model risk at the Group entities and Group level.

Risk monitoring of models includes in particular: update of the level of risk models, verification of the implementation status and evaluation of the implementation effectiveness of the risk reduction models.

The purpose of management actions is to form a model risk management process and the level of this risk in particular by setting acceptable levels of risk, making decisions about the use of tools that support risk management.

All significant models in the Bank and model of the Group entities are covered by regular process of independent validation carried out by the validation PKO Bank Polski SA.

In the second half of 2015 the Bank and PKO Bank Hipoteczny SA carried the work related to the adjustment to the requirements of Recommendation W concerning the risk management models of banks issued by the Polish Financial Supervision Authority in July 2015.

6.1.13 Risk of macroeconomic changes

Risk of macroeconomic changes is the risk of deterioration of the Bank's financial position as a result of an unfavourable impact of changes in macroeconomic conditions.

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The objective of risk of macroeconomic changes management is identification of macroeconomic factors with a significant impact on the Bank's operations and taking actions aimed at mitigating the unfavourable impact of potential changes in macroeconomic conditions on the Bank's financial position.

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

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

Management activities related to the risk of macroeconomic changes consist specifically of:

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

6.1.14 Capital risk

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

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

The capital risk level for PKO Bank Polski SA and the PKO Bank Polski SA Group is determined based on levels of values of capital adequacy measures, i.e.: the total capital ratio, core-capital ratio Tier 1, the relation of equity to internal capital and leverage ratio.

In the case of high level of capital risk, the Bank takes actions to capital adequacy measures reach the safe level, complying with internal standards of PKO Bank Polski SA and supervisory recommendations concerning capital adequacy.

6.1.15 Insurance risk

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

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

Insurance risk measurement in PKO Życie Towarzystwo Ubezpieczeń SA is carried out as a part of contracts withdrawal 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 PFSA Office. Under the new Solvency II system applicable from 1 January 2016, PKO Życie Towarzystwo Ubezpieczeń SA had estimated the minimum capital requirement (MCR) and a standard capital requirement (SCR) at the end of third quarter of 2015 and prepared a report on prospective assessment of risk (forward looking assessment of own risk -FLAOR) in 2015. According to these analyses Towarzystwo forecasts total capital ratios in accordance with the Solvency II system at an adequate level.

As to mitigate the insurance risk exposure, PKO Życie Towarzystwo Ubezpieczeń SA uses i.e.:

- reinsurance of risks (mortality, morbidity risks),
- grace periods,
- exemptions,
- retention activities.

In case of the new products and risks, PKO Życie Towarzystwo Ubezpieczeń SA chooses a reinsurer, the range of protection, conditions 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.

6.1.16 Risk of excessive leverage

The risk of excessive leverage is defined as the risk resulting from vulnerability due to financial leverage or conditional leverage that may require unintended corrective actions of business plans, including emergency sale of assets which could result in losses or result in the need for valuation adjustments of other assets

The risk is materializing within other relevant risk of the Bank.

6.1.17 Comprehensive stress-tests

Comprehensive stress-tests are an integral part of the risk management in the PKO Bank Polski SA Group and are complementary for stress-test specific to particular types of risks.

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Comprehensive stress-tests collectively include the following risks considered by the PKO Bank Polski SA Group to be relevant, including: credit risk, market risk, liquidity risk, operational risk, business risk.
Comprehensive stress-tests include an analysis of the impact of changes in the environment and the functioning of the Bank on the financial position of the PKO Bank Polski SA Group, in particular on: income statement, statement of financial position, own funds, the capital adequacy and selected measures of liquidity.
Comprehensive stress-tests for the own use of the Group are carried out at least once a year in the three-year horizon, taking into account changes in the value and structure of the statement of financial position and income statement items (dynamic tests). Supervisory tests are carried out at the request of the supervisory authorities in accordance with the assumptions provided by supervisory authorities.

6.2 Capital adequacy[12]

Capital adequacy is a process which objective is to ensure that the level of risk, which is assumed by the PKO Bank Polski SA Group associated with development of its business activity, may be covered with capital held, taking into account given risk tolerance level and time horizon. The process of capital adequacy management comprises in particular compliance with prevailing regulations of supervisory authorities and risk tolerance level determined within the Group as well as the process of capital planning, including policy of capital acquiring sources.
The objective of capital adequacy management is to maintain capital in a continuous manner on a level adequate to the risk scale and profile of the Group's activities.
The process of managing the Group's capital adequacy comprises:

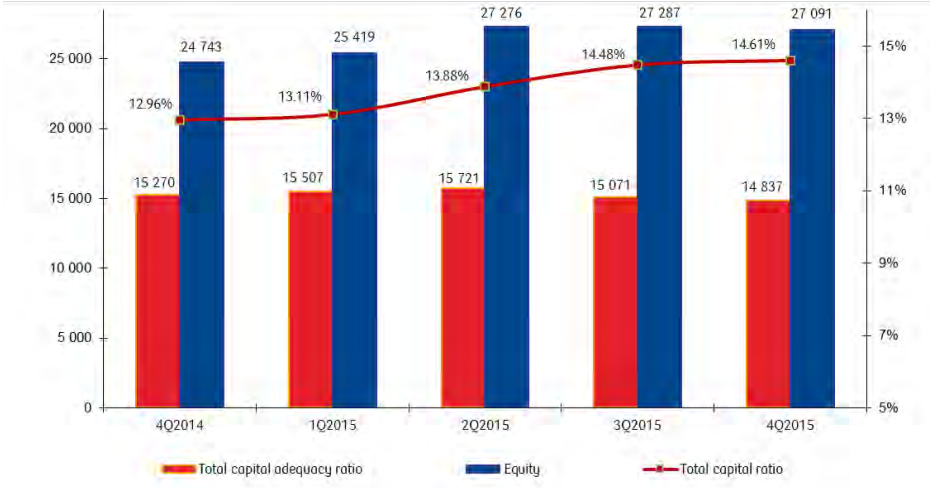
- identifying and monitoring of all of significant risks,
- assessing internal capital to cover the particular risk types and total internal capital,
- monitoring, reporting, forecasting and limiting of capital adequacy,
- performing internal capital allocations to business areas, client segments and the Group entities in connection with profitability analyses,
- using tools affecting the capital adequacy level (including: tools affecting the level of own funds, the scale of own funds item reductions and the level of the loan portfolio).

The fundamental regulation applicable in the capital adequacy assessment process as at 31 December 2015 is the Regulation (EU) No. 575/2013 of the European Parliament and of the Council as of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending the Regulation (EU) No. 648/2012, hereinafter called 'CRR Regulation'

As at 31 December 2015 the Bank meets requirements relating to capital adequacy measures defined within the CRR Regulation.

The level of the PKO Bank Polski SA Group's capital adequacy in 2015 remained at a safe level, significantly above the supervisory limits.

Chart 7. Capital adequacy of the PKO Bank Polski SA Group (in PLN million)



As at 31 December 2015 compared with 31 December 2014, the Group's total capital ratio increased by 1.6 p.p. to the level of 14.61% which was caused mainly by taking actions affecting the capital adequacy purposes and decreasing risk-weighted assets (AWR).
As at 31 December 2015 in the Group's own funds increased by PLN 2 348 259 thousand mainly because of including net profit for 2015 to funds and lack of dividend payments.
In accordance with the Regulation of the European Parliament and of the Council (EU) No. 575/2013 of 26 June 2013 being in force since 1 January 2014 on prudential requirements for institutions and investment firms amending Regulation (EU) No. 648/2012/ The Group calculates requirements in respect of own funds of the following risk types:

[12] *Own funds for the purposes of capital adequacy are calculated in accordance with the provisions of the Banking Act and Resolution No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012*

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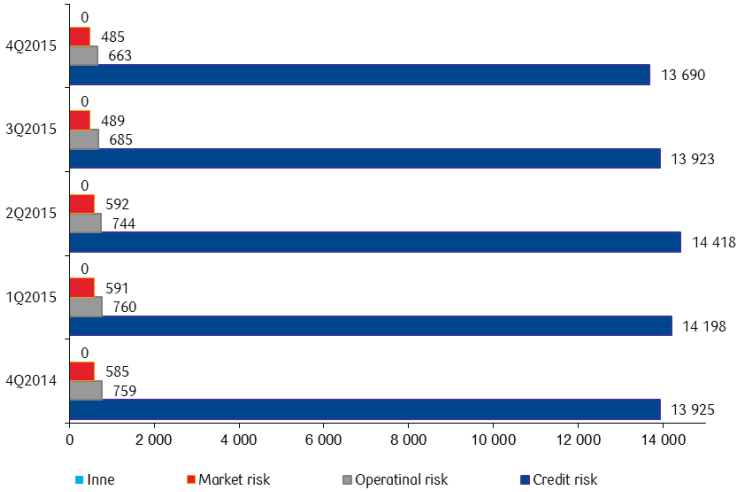
- credit- using the standardised method,
- operational for the Bank- in accordance with the Base Indicator Approach (BIA) in the activities of the branch of the Bank in the Federal Republic of Germany and in accordance with the Advanced Measurement Approach (AMA) in respect of other activities of the Bank, and for the entities of the Group taken under prudential consolidation - under BIA approach
- market- using basic methods.

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

1) credit risk, including counterparty credit risk,
2) market risk,
3) risk of credit valuation adjustment (CVA),
4) the risk in relation to exposures to a central counterparty (CCP),
5) settlement and delivery risk,
6) operational risk.

Chart 8. Capital requirements of PKO Bank Polski SA Group (in PLN million)



The decrease in the capital requirement of the own funds of credit risk in 2015 was mainly due to the growth of actions taken by the Bank that affects the reduction of risk-weighted assets (AWR). The most important source of optimization was to improve the data quality, mainly through the inclusion in the category of retail exposures to SMEs that meet customer segmentation criteria and review of off-balance sheet liabilities, including verification of assigned risk weights of the product.

The decrease in own funds requirement in respect of operational risk for the Group of the amount of PLN 759 million (as at 31 December 2014) to approx.. PLN 663 million (as at 31 December 2015) is mainly due to the completion of the merger process of the Bank with Nordea Bank Polska SA.

7. REMUNERATION POLICY AND HUMAN RESOURCE MANAGEMENT

7.1 Remuneration policy in PKO Bank Polski SA and other Group entities

The basic internal regulation regard of remuneration policy is the Collective Labour Agreement ('Zakładowy Układ Zbiorowy Pracy' - ZUZP) concluded with the company trade union organisations on 28 March 1994 (with subsequent amendments), under which employees of the Bank receive the following remuneration components:

- the base remuneration,
- additional remuneration for working overtime, as well as under conditions which are especially onerous and detrimental to health,
- bonuses and awards for special achievements in professional work.

Base salaries and additional benefits granted to employees are formed on the basis of job grading (grading categories assigned to specific organisational positions) and analysis of market remuneration in the banking sector. Depending on the size of employment remuneration policy is defined in the rules of remuneration or in contracts of employment or only in contracts of employment. Additionally, the Collective agreement concluded with Committee of Trade Union functions in KREDOBANK SA. In 2015 the new deal for years 2015-2017 was reached.

Significant changes in remuneration policy over last reporting period

2015 saw introduction of the adaptation of the incentive system MRT (Material Risk Takers- board members and key managers with a high impact on the risk profile of the bank) to the requirements of CRD IV, in particular distinguished list of MRT based on quantitative and qualitative criteria of Regulation No. 604/2014.

In other parts of the employees' bonus system of the Bank a transformation of the premium PPI (Bonus Program Individual) in PPBiz (Bonus Program Business) was conducted, so that the possibility of granting and accounting team business goals was created.

7.2 Number of employees

As at 31 December 2015, employment in the PKO Bank Polski SA Group amounted to 29 220 full-time positions, which is an increase by 189 positions y/y. Employment in PKO Bank Polski SA decreased by 18 positions y/y, while other (apart from PKO Bank Polski SA) Group entities increased by 206 positions. Change in employment in subsidiaries y/y is a result of business development and changes in the Group structure.

Table 26. Number of employees in PKO Bank Polski SA and other Group entities (in number of full-time equivalents)

	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011
PKO Bank Polski SA	25 909	25 927	24 437	25 399	26 770
Other entities of the Group	3 311	3 105	2 950	3 157	3 010
Total	29 220	29 032	27 387	28 556	29 780

7.3 Incentive system in PKO Bank Polski SA and other Group entities

PKO Bank Polski SA has a remuneration and incentive system, in which the level of variable component of the salary is determined by the degree of achievement of the targets set. It consists of four pillars:

I Pillar, the so-called Management by Objectives (MbO) covers managerial and expert positions crucial for the Bank's key objectives. The MbO consists of granting bonus which depends on the quality and degree of completion of the tasks.
II Pillar, the so-called Individual Bonus System (IBS) is the system of bonuses which depends on the degree of completion of specific tasks in the areas of sales and effectiveness. The system covers those employees who are performing business tasks, mainly in corporate and investment banking, as well as in debt collection.
III Pillar, the so-called Sales Bonus System is aimed to positions in retail branches, which perform the sale of banking products.
IV Pillar, the so-called Support Bonus System (SBS) includes other employees not covered by the system MbO, IBS and Sales Bonus System.

Regardless of the bonus system there is a system of rewarding employees, under which the Bank creates a prize fund for the purpose of:

- individual discretionary awards to employees of the Bank, deriving outstanding results in their work or for achievements, which led to results important for the Bank, and
- awards in competitions relating to performance and other competitions organised by the Bank.

In addition, in accordance with the Resolution No. 258/2011 of the Polish Financial Supervision Authority, Directive No. 2013/36/EU of the European Parliament and the Council, and delegated Regulation No. 604/2014 of the European Commission, the Bank introduced separate regulations fixing the variable salary components policy, applicable to persons on managerial positions.

The PKO Bank Polski SA Group entities have incentive and remuneration systems in which the degree of achievement of individual targets determines the bonus. The procedure for target setting and belonging to the particular system depends on performed tasks including sales tasks and the size of the Company. Management of most of the entities from the PKO Bank Polski SA Group and the directors of selected Group entities are covered by the Management by Objectives System MbO.

Additionally, in connection with the resolution of the Polish Financial Supervision Authority (PFSA) No. 258/2011, directive of the European Parliament and of the Council of Europe No. 2013/36 / EU and the European Commission delegated decree No. 604/2014 selected entities of the PKO Bank Polski SA Group introduced separate regulations setting variable components of remuneration policy. Supervisory Boards of PKO Leasing SA, PKO TFI SA, PKO BANK PTE SA, PKO Życie Towarzystwo Ubezpieczeń SA, PKO Towarzystwo Ubezpieczeń SA and Bank Hipoteczny SA implemented the "Regulations of the variable components of the remuneration for the members of the Board." In addition, employees in selected managerial positions of PKO Życie Towarzystwo Ubezpieczeń SA, PKO Towarzystwo Ubezpieczeń SA and Bank Hipoteczny fall under the rules of variable components of remuneration.

7.4 Benefits for employees

Employee Pension Programme

As of July 2013, the Employee Pension Program (EPP) functions at the Bank. The EPP was introduced in the form of a contract on the Bank making basic and additional contributions on behalf of the employees to investment funds managed by PKO Towarzystwo Funduszy Inwestycyjnych SA.
In connection with the acquisition of Nordea Bank Polska SA on 31 October 2014, also the Employee Pension Program created in Nordea Bank Polska SA, designed for its employees, who at the date of the legal merger were participants of EPP of Nordea Bank Polska SA has been functioning in the Bank.
In connection with the acquisition of SKOK „Wesoła" on 31 August 2015, also the Employee Pension Program created in SKOK „Wesoła", designed for its employees, who at the date of the legal merger were participants of EPP of SKOK „Wesoła" has been functioning in the Bank.

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W 2015 roku Pracowniczy Program emerytalny (PPE) funkcjonował w spółkach PKO BANKOWY PTE SA, PKO Towarzystwo Funduszy Inwestycyjnych SA, PKO Życie Towarzystwo Ubezpieczeń SA i PKO Leasing SA.

Medical care

The Bank ensures its employees additional healthcare- besides occupational health services which are compulsory according to the regulations of the Polish Labour Code. Employees are entitled to various packages, addressed to particular groups of jobs. Since 2011, the medical care for the employees was extended to include a health promotion program called 'Zdrowie jak w Banku', covering, i.e. a preventive health check and activities directed at health-oriented education and promoting a healthy life style.

Most of the PKO Bank Polski SA Group entities ensure their employees, besides occupational health services, additional medical care by equal or various packages, depending on the rules adopted in these Entities.

Most of the PKO Bank Polski SA Group entities ensure their employees, besides occupational health services, additional medical care by equal or various packages, depending on the rules adopted in these Entities.

Group insurance

Employees are entitled to join the cost-effective group insurance. The fee is being incurred by the Bank.

My Benefit

The Bank gives its employees the possibility of using the cafeteria system called 'MyBenefit' as part of which each employee of the Bank may use the funds allocated to him/her from the Company Social Benefits Fund via an online platform on his/her own. The platform offers a broad range of benefits for the employees to choose from.
The amount of funds received to be spent at the cafeteria is dependent on the amount of gross income per person in a given family.

Social benefits

In accordance with the Act of 4 March 1994 on the Company Social Benefits Fund, the aid granted out of the Company Social Benefits Fund to the Bank's employees and former employees (pensioners, people receiving pre-retirement benefits) and members of their families in 2014 was earmarked for the following purposes:

- various forms of holidays,
- promotion of education, cultural and sport activities,
- day carers or nannies looking after children in day care centres, children's clubs, and kindergartens, and other forms of pre-school education;
- provision of material aid – in-kind or financial aid, as well as aid for housing purposes under terms and conditions set out in agreements.

7.5 Training policy

PKO Bank Polski SA offers its employees various forms to raise professional qualifications. The Bank carries out development projects of hard and soft skills. The team of a few dozen internal trainers conducts group's and position's trainings.

In the key strategic training projects, group trainings and workshops are conducted by external companies. E-learning platform, mainly for training on product knowledge, processes and IT applications service, is actively used by the Bank.

All actions taken as a part of the training policy support the execution of the Bank's strategy and are adapted to the current needs of the employees and the possibilities of the organization. Objectives of the training projects executed in 2014:

- development of employees' competencies in line with the PKO Bank Polski SA agenda,
- increasing commitment to the performance of business tasks
- improvement of skills associated with selling techniques,
- maintaining the highest possible customer service quality,
- supporting the positive attitude to changes among the Bank's employees,
- advancement of the bank's values.

In 2015, over 370 thousand participants attended the training courses organized by PKO Bank Polski SA:

- e-learning – 6 e-learning training courses were available for all employees. Additionally a few dedicated business courses were available for the different business groups of employees. On average, one employee participated in 13 e-learning training courses,
- in-house training courses - one employee participated in one in-house training course.

The training courses and workshops conducted at the Bank are addressed to the employees of PKO Bank Polski SA and the network of agencies of PKO Bank Polski SA. This allows the employees of the Bank and the agency network to make use of high quality training courses carried out in line with the training methodology and standards of the Bank. Moreover, the framework agreements signed with training companies offer attractive terms and conditions, including training rates.

The training courses conducted as part of the Catalogue of Training Courses are available to all of the Bank's employees. The said training courses develop PKO Bank Polski SA's competence and guarantee that the employees participate in closed training courses. These trainings develop competences of the PKO Bank Polski SA and knowledge of project management and MS Office tools. In 2015, a total of 1,177 employees of the Bank and 56 employees of the Group benefited from the training courses.

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In 2015 two important training/development projects were realized at the Bank:

- New Manager Program – adaptation program for new Bank's managers - 221 new managers took part in it,
- Talents of PKO Bank Polski program – training program aimed catered to 140 employees of the Bank (together 7 themes and 1 training course for Talent program tutors, 3 event-workshop gatherings: about 180 participants in each)

As part of building the employees' competencies, the chosen employees were handed development vouchers. They were used by 1000 employees.

Apart from training and development programs, tailor-made internal workshops are realized at the Bank. They are aimed at building commitment in teams and improving the business activities of individual units (processes, communication, collaboration, business results, etc.). In 2015, a team of internal moderators completed workshops for 1643 employees of the Bank.

In 2015, 258 employees of the Bank participated in group language courses and 215 employees benefited from individual foreign language courses. Additionally, in 2015 Virtual Language Classrooms were launched of which benefited 38 employees of the Bank.

In connection to the business requirements of the market in 2015 following training activities were carried out:

- implementation of the OFWCA examination allowing to gain the status of an individual person performing agency activities related to the sale of insurance products - employees of retail chains (15 000) and employees of the agency network of PKO Bank Polski SA (1 775)
- Uniwersalizacja program (Comprehensive customer service by one advisor) - 1 417 retail chains employees,
- improving the efficiency of distribution network of agencies - 179 employees of PKO Bank Polski SA network of agencies,
- New Model of Personal Banking 2.0 – 914 advisors,
- New Credit Process – 230 corporate advisors and credit analysts,
- Training activities for former employees of the SKOK „Wesoła" – adaptation trainings for 47 employees.

The training policy conducted by companies of the PKO Bank Polski SA Group aims to provide professional development, including the adaptation of knowledge and competence to the changing legal and macroeconomic environment.

7.6 Benefits for supervisors and managers

Principles of remuneration of the Bank's Management Board members

According to principles of remuneration of the Bank's Management Board members drew by the Supervisory Board, members of the Bank's Management Board are entitled to:

- monthly remuneration at an amount determined by the Bank's Supervisory Board for each member of the Bank's Management Board,
- benefits payable to employees of the Bank (excluding benefits payable to employees under Works Collective Agreements – Zakładowe Układy Zbiorowe Pracy - ZUZP):
  - under the common binding laws,
  - under the Bank's internal regulations, with standardized or exceptional character, for which the grant basis is not an evaluation of the Member of the Bank's Management Board work effects or the result of the area supervised by him.
- variable remuneration components for the results of work, in particular bonuses, awards for outstanding achievements, severance related to the termination of the employment not higher than 3 times the basic salary, which detailed rules of granting and withdrawal determines the "Regulations of the variable components of remuneration for the members of the Board" adopted by the resolution of the Supervisory Board - taking into account the requirements of relevant legislation on the variable components of the remuneration of employees in banking institutions in positions that have a significant impact on the risk profile,
- Bank-financed insurance, in particular in respect of death and serious illness, permanent disability, permanent or long-term damage to health, incapacity for work (detailed scope of insurance will result from the insurer's offer and conditions negotiated by the Bank).

Table 27. Remuneration for the Management Board Members paid out in 2015 (in PLN thousand)

No	Position	Remuneration				Variable salary components						Total	
		Fixed		Variable		additional insurance		staff pension scheme		health care and social fund			
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
1.	President of the Management Board	1 892	1 824	875	751	40	29	84	78	1	1	2 892	2 683
2.	Vice-President of the Bank's Management Board in charge of IT and Services	1 419	1 368	651	558	40	26	63	59	1	1	2 175	2 012
3.	Vice-President of the Bank's Management Board in charge of Finance and Accounting	1 577	1 520	742	655	39	24	71	66	1	1	2 429	2 266
4.	Vice-President of the Bank's Management Board in charge of Risk Management	1 419	1 368	532	267	40	28	60	50	1	1	2 051	1 714
5.	Vice-President of the Bank's Management Board in charge of Insurance Banking	1 400	1 366	595	521	46	29	57	33	1	1	2 099	1 950
6.	Vice-President of the Bank's Management Board in charge of Retail Market	1 419	1 368	648	536	46	26	63	58	2	1	2 179	1 989
7.	Vice-President of the Bank's Management Board in charge of Corporate and Investment Banking	1 419	1 368	696	586	43	17	65	59	1	1	2 223	2 031

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Variable components of remuneration of board members and key managers with a high impact on the bank's risk profile (Material Risk Takers - MRT)

In accordance with the requirements of the CRD IV and the Decree No. 604/2014 supplementary to the directive of the European Parliament and the Council 2013/36/EU with regard to regulatory technical standards with regard to quality criteria and appropriate quantitative criteria for determining categories of staff whose professional activities have a material impact on the risk profile of the institution dated March 4, 2014, Bank updated rules, previously implemented in 2012 for determining the variable remuneration components of MRT - through resolutions:

- Supervisory Board - variable components of remuneration policy under the name of "Rules of the variable components of the remuneration of persons holding managerial positions at the Bank" (which are the basis of further regulation) and "Rules of the variable components of the remuneration for the members of the Board"
- Board of Managers – "Rules of the variable components of the remuneration for persons holding managerial positions."

The rules and derived regulations of remuneration describe the procedure of granting MRT variable components of remuneration related to the results and effect of their work - awards for special achievements in work and bonuses.

The basis for awarding variable remuneration components are primarily premium targets assigned by the Management by Objectives (MbO).

Variable components of remuneration for the evaluation period (calendar year) are awarded after the settlement of bonus purposes in the form of:

- Non deferred – in the amount of 60% of the variable remuneration (in the first year after a period of assessment)
- deferred – 40% of the variable remuneration (in equal instalments over the next three years after the first year after a period of assessment)

wherein both the non-deferred and deferred salary is awarded in equal parts in cash and in the form of a financial instrument, i.e. the phantom shares (whose conversion into cash according to the updated of the prices of shares of the Bank is carried out after a period of retention and in the case of deferred compensation - after a period of deferral).

In case the amount of variable remuneration for the year exceeded PLN 1 million, PLN 400 thousand plus 60% of the excess over the amount of PLN 1 million is subject to deferral.

Variable remuneration may not exceed 100% of the annual fixed salary for managerial positions and 70% for members of the Management Board. At the request of the Supervisory Board the limit of variable remuneration for employees who are not members of the Board can be raised up to 200% of fixed remuneration for investment banking jobs - subject to approval by the General Meeting of Shareholders.

Each of the components of accrued variable compensation may be reduced as a result of the following:

- misconduct
- failure to observe the law or standards of customer service,
- improper perform their professional duties,
- behaviour in relation to other employees violating the rules of social coexistence.

The bonus amount:

- for member of the Board may be adjusted in minus or in plus by the certain rate - depending on the achieved results of the Bank specified in the Bank's Annual Note (a set of key indicators of management specified for a given calendar year)
- for MRT who is not a member of the Board it may be adjusted in plus by certain rate depending on the results of the Bank specified in the Bank's Annual Note.

In the case of members of the Board granting and payment of variable remuneration is conditional to approval of the financial statements for the period of evaluation by the General Meeting of Shareholders.

In case of:

- significant deterioration in the Bank's results,
- assessment of a significant negative change in equity,
- violation of law or commitment of significant errors by MRT,
- adjustment of implementation and completion degree of results or objectives of MRT,
- performance deterioration of supervised or managed structures,
- granting of variable remuneration on the basis of incorrect, misleading information or MRT fraud it is possible to use - respectively by the Supervisory Board or Board of Directors – malus-type solution reducing the size of the due variable compensation deferred in subsequent accounting periods.

In case of granting the MRT severance related to the withdrawal from the function associated with the termination of employment (other than resulting from generally applicable laws) its sum reflects the assessment of the work in the last three years of employment. The Bank's regulations stipulate the maximum amount of severance pay.

Members of the Board and selected MRT are additionally covered by non-competition agreements. The agreements provide payment of the required labour law damages for refraining from hiring at competition after the termination of employment at the Bank.

Information on availability of non-monetary remuneration components to individual members of the Board of Directors and key managers

Members of the Board and key managers of the Bank are entitled to the non-financial benefits that are available to all employees, ie.: medical care, PPE, group insurance and cafeteria system - MyBenefit and other benefits from the Company's Social Benefits Fund.

Medical care is available to board members and key managers within the highest Bank's benefits package "VIP".

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Insurance conditions - Members of the Management Board are entitled to Bank-financed insurance, in particular for the death of serious illness, permanent disability, permanent or long-term damage to health and inability to work.

Members of the management board may also join cost-effective group insurance offered to employees, for a fee paid by employees through the Bank.

Principles of the remuneration of Supervisory Board members

Ordinary General Shareholders' Meeting of PKO Bank Polski SA by the Resolution No. 36/2010 of 25 June 2010 established the monthly salary for members of the Supervisory Board of:

- Chairman of the Supervisory Board – PLN 16 thousand,
- Deputy-Chairman of the Supervisory Board – PLN 14 thousand,
- Secretary of the Supervisory Board – PLN 12 thousand,
- Member of the Supervisory Board – PLN 10 thousand.

Supervisory Board members are entitled to remuneration regardless of the frequency of meetings convened.

Regardless of the remuneration, the Members of the Supervisory Board are entitled to reimbursement of the costs incurred in connection with performing the function, and in particular travel costs from the place of residence to the location of the Supervisory Board's meeting and back, costs of accommodation and board.

Table 28. Supervisory Board members remuneration (PLN thousand)

	2015	2014
Board of Directors		
Remuneration received, due or potentially due from PKO Bank Polski SA	**1 197**	**1 157**
Remuneration received, due or potentially due from subsidiaries*	-	-
Total remuneration received, due or potentially due	**1 197**	**1 157**

* Other than Treasury of State and its subsidiaries

Short-term benefits include employee benefits, which are fully settled before the elapse of 12 months from the end of the annual reporting period in which the employees performed the work related to them.

Full information regarding the remuneration components and other benefits on behalf of the members of the Management Board of PKO Bank Polski SA and the Supervisory Board in the reporting period has been presented in the Financial Statements of PKO Bank Polski SA for the year ended 31 December 2015 (notes 46 and 47).

7.7 Agreements concluded between the issuer and managing persons

Within the meaning of § 2 clause 1 item 30a of the Decree of the Minister of Finance of 19 February 2009 on current and periodical information submitted by issuers of securities and the conditions of considering as equivalent the information required by law of a non-member country (Journal of Laws No. 33, item 259 with subsequent amendments), members of the Management Board are persons managing the Bank.
In 2014, two agreements were signed with each of the members of the Management Board of PKO Bank Polski SA, providing for compensation in the case of their resignation or dismissal:

- an employment contract, providing for severance pay in the event of termination from reasons other than violation of the basic obligations arising from the employment relationship, in the amount of three monthly basic salaries,
- a non-competition agreement, providing for damages for complying with the noncompetition requirement during 6 months after termination of the employment relation, amounting to 100% of the monthly basic salary received before termination of the employment relation, to be paid monthly in arrears during the non-competition period.

7.8 Evaluation of the remuneration policy for the realization of its objectives

Consistency of the current remuneration policy with a long-term increase in shareholder value and stability of the Bank's is best guaranteed by "Principles of the variable components of the remuneration of persons holding managerial positions at the Bank" and issued on the basis of regulations of the variable components of remuneration binding for existing key managers with a high impact on the risk profile of the Bank (MRT), including members of the Board.

The rules indicate that the assigned to MRT goals are to ensure the inclusion of the business cycle of the Bank and the risks associated with the ongoing operations. The risk is taken into account by both determining appropriate risk-sensitive criteria for performance evaluation and reduction of bonus or even lack of it in case of degraded performance or financial losses of the Bank (including the use of malus with respect to deferred for three years part of the variable remuneration).

Goals guarantee:

- motivation for the quality work and the right attitude that help Bank to achieve the best, stable financial results in the long run,
- supporting sound and effective risk management and discouraging excessive risk-taking beyond acceptable level,
- supporting the implementation of the business strategy and the reduction of conflict of interest.

Criteria for evaluation of the objectives by the person holding the position of MRD, including a member of the Board shall include i.a.:

- the impact on regulatory capital, total capital ratio and equity of the Bank so that the payment of variable remuneration does not limit possibilities to strengthen them,
- result of the Bank under the responsibility of the individual, taking into account the outcomes of the Bank.

In the design of the structure of efficiency measures different types of KPIs are summarized, in particular quantitative and effectiveness indicators resulting from owned data system, and consistent with the specifics of the organization. All efficiency measures are parameterized and are measurable. Due to the nature of the given position, the proportion of different share of the different levels of the evaluation is determined as well as the weights according to types of KPIs. Responsibility for long-term financial performance adjusted for risk and costs is used with different design depending on the specific tasks.

The Supervisory Board in relation to the members of the Board and the Management Board in relation to people in leadership positions can also decide prior to each payment of variable remuneration whether to proportionally reduce the amount of funds for the salaries taking into account:

- the impact on regulatory capital, the total capital ratio and equity of the Bank, so that the payment of variable remuneration does not limit possibilities to strengthen them,
- the impact on the cost of capital so the payment of variable remuneration does not restrict the possibility of providing an adequate capital base
- desired risk profile of the Bank,
- financial results of the Bank in relation to the long-term development plans.

50% of MRT's any variable remuneration component (partly deferred and non-deferred) is associated with the value of the phantom shares based on the share price of the Bank changing over time. As a result, each of the MRTs is involved in work to raise the value of the Bank's shares, thus acting in return for the shareholders.

The Supervisory Board approves the Policy and periodically review these Terms. On the basis of this review and on the basis of reports of the Internal Audit Department on the implementation of the Rules, the Supervisory Board may recommend updating them. Past surveys and changes in the Rules and Regulations of the variable components of remuneration did not have the character that dramatically affects the main principles and tools of motivation system.

Regardless of the MRT incentive system, also the bonus targets of the remaining employees are linked to key management indicators of the Bank taken into account for the purposes of premium imposed on the individual units of the Bank. The principle of cascade included in the bonus rules, which is monitored for compliance purpose, requires assigning targets to workers employed under individual structures.

In addition, each object is placed in line with the SMART principle (S-specific, M-measurable, A-ambitious, R-real T-term), which is also subject to cyclical monitoring.

8. CORPORATE GOVERNANCE

8.1 Information for investors

8.1.1 Share capital and shareholding structure of PKO Bank Polski SA

As at 31 December 2015, the share capital of PKO Bank Polski SA amounted to PLN 1 250 000 thousand and consisted of 1 250 000 thousand shares with a nominal value of PLN 1 each – shares are fully paid. In relation to the end of 2013 there were no changes in the share capital of PKO Bank Polski SA. All issued shares of PKO Bank Polski SA are not preferred shares.

Table 29. Share capital structure of PKO Banku Polskiego SA

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

To the best knowledge of PKO Bank Polski SA, as at 31 December 2014 the shareholders holding, directly or indirectly, considerable block of shares (at least 5%) were three entities: the State Treasury, Aviva Otwarty Fundusz Emerytalny and Nationale-Nederlanden Otwarty Fundusz Emerytalny.

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Table 30. Shareholding structure of PKO Banku Polskiego SA

Shareholders	As at 31.12.2015		As at 31.12.2014		Change in the share in the number of votes at GSM (p.p.)
	Number of shares	Share in the number of votes at GSM	Number of shares	Share in the number of votes at GSM	
State Treasury	367 918 980	29.43%	392 406 277	31.39%	-1.96
Aviva Otwarty Fundusz Emerytalny[1)]	83 952 447	6.72%	83 952 447	6.72%	0.00
Nationale-Nederlanden Otwarty Fundusz Emerytalny (do 23.06.2015 r. ING Otwarty Fundusz Emerytalny)[2)]	64 594 448	5.17%	64 594 448	5.17%	0.00
Other shareholders[3)]	733 534 125	58.68%	709 046 828	56.72%	1.96
Total	1 250 000 000	100.00%	1 250 000 000	100.00%	0.00

1) Number of shares held as at 29 January 2013, reported by Aviva OFE after exceeding 5% of shares in PKO Bank Polski SA's shareholding structure after settlement the transaction of sale of 153.1 million of PKO Bank Polski SA's shares by BGK and the State Treasury.
2) Number of shares held as at 24 July 2012, reported by ING OFE after exceeding 5% of shares in PKO Bank Polski SA's shareholding structure after settlement the transaction of sale of 95 million of PKO Bank Polski SA's shares by the State Treasury.
3) including the Bank Gospodarstwa Krajowego, which as at 31.12.2015 held 24.487.297 shares, which accounts for 1.96% share in the number of votes at GSM

On 27 August 2015 the Ministry of the Treasury announced that on 26 August 2015 it signed an agreement, under which 24 487 297 shares of PKO Bank Polski SA has been transferred by the Treasury to the Bank Gospodarstwa Krajowego (BGK) for the increase of the statutory fund of BGK. After the settlement of this transaction on 28 August 2015 the share of the Treasury in the Bank's share capital and number of votes at the General Meeting decreased by 1.96% to 29.43%.

8.1.2 Information concerning dividend

Dividend policy

On 31 March 2015 The Management Board of the Bank adopted the new version of "Principles of management of capital adequacy and equity in PKO Bank Polski SA and PKO Bank Polski SA Group", which encompass i.e., the dividend policy.

The general principle of the Bank's dividend policy is the stable execution of dividend payments over a long period in keeping with the principle of prudent management of bank and in line with the Bank's and the Group's financial capabilities. The objective of the dividend policy is to optimally shape the Bank's and the Group's capital structure, taking into account the return on capital employed and its cost, capital requirements related to development, accompanied by the necessity to ensure an appropriate level of the capital adequacy ratios. Dividend policy implies the possibility of carrying out payments from the Bank's profit for shareholders in the long term in the amount of the excess capital above the minimum capital adequacy ratios with an additional capital cushion. Dividend policy takes into account factors related to the operations of the Bank and other entities from the Group, and in particular the supervisory requirements and recommendations in terms of capital adequacy

Capital adequacy ratios determining the dividend criteria are:

- the capital adequacy ratio of the Bank and the Group will be above 12,5% and
- the common equity Tier 1 ratio of the Bank and the Group will be above 12%.

These principles were approved by the Supervisory Board on 6 May 2015.

On 31 March 2015, the Bank received recommendation from the PFSA to stop the entire profit of PKO Bank Polski SA generated in the period from 1 January 2014 to 31 December 2014 - until the establishment of the supervisory authority the amount of additional capital requirement for the Bank. PFSA expected submission of the opinion in this regard by the Management Board and the Supervisory Board.

On 7 April 2015 Management Board and on 8 April 2015 the Supervisory Board adopted resolutions on the application of PFSA's recommendation within the scope of their competencies. The Bank informed that in accordance with Article 395 § 2 point 2 of the Commercial Companies Code (KSH), the decision regarding the distribution of profit belongs to the Ordinary General Shareholders' Meeting.

On 23 October 2015, the Management Board received from the PFSA recommendation concerning the amount of the additional requirement of own funds. PFSA recommended the maintenance of the Bank's own funds to cover the additional capital requirement at the level of 0.76 p.p. in order to hedge risk arising from foreign currency mortgage loans, which should consist of at least 75% of Tier1 capital (equivalent to 0.57 pp.). This means that:

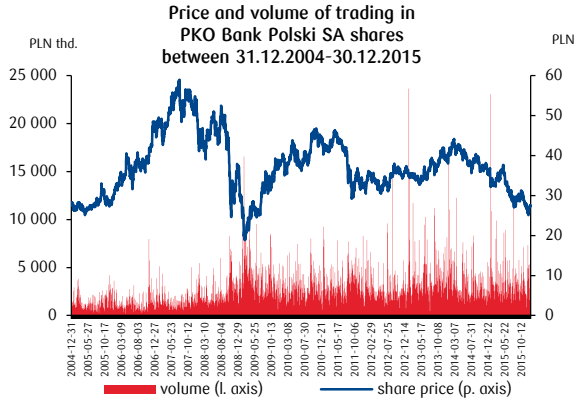
- minimum capital ratios of the Bank taking into account the additional capital requirement recommended by the PFSA are: T1=9+0.57=9.57%, TCR=12+0.76=12.76%,
- capital ratios of the Bank taking into account the additional capital requirement in the context of dividend policy recommended by PFSA are:
  - The criteria for payment up to 50% profit for 2014 r.: CET1=12+0.57=12.57%, TCR=12.5+0.76=13.26%,
  - The criteria for payment up to 100% profit for 2014 r. : CET1=12+0.57=12.57%, TCR=15.5+0.76=16.26%.

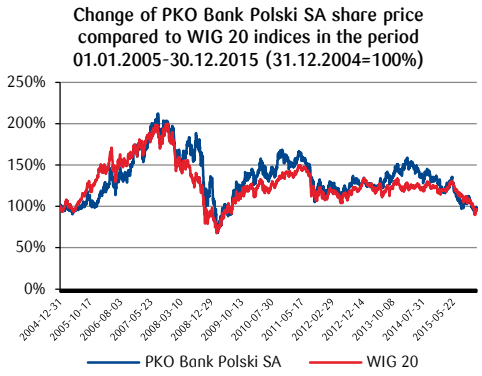
This recommendation should be respected by the Bank from the date of receipt of the appeal until cancellation- i.e. until the PFSA considers - based on the analysis and evaluation of the supervisory board - that risk associated with FX mortgage loans, being the reason of the imposition on the Bank additional capital requirement, has significantly changed. PFSA recommended also the retention by the Bank of at least 50% of the profit generated in the period from 1 January 2014 to 31 December 2014.

Dividend payment

On 25 June 2015, the Ordinary General Shareholders' Meeting of PKO Bank Polski SA decided about the distribution of net profit of PKO Bank Polski SA for the year 2014 and retained earnings from previous years, allocating the profit in accordance with the recommendation of the Bank's Management Board for the supplementary and reserve capital and leaving the undivided amount of PLN 1 250 000 thousand for dividends to shareholders. Resolution of the Ordinary General Shareholders' Meeting of the Bank on the distribution of profit for 2014 was consistent with the recommendation of the PFSA dated 31 March 2015.

8.1.3 Share price of PKO Bank Polski SA at the Warsaw Stock Exchange





Strategy of PKO Bank Polski SA is focused on building long-term value for shareholders by strengthening competitive advantage, continuous efficiency improvement, investments in new technologies and increasing customer satisfaction. For the years 2012 - 2015, the Bank executed the majority of the planned strategic goals in the following areas:

- significant improvement in asset quality and a decline in risk costs,
- an increase in market share in loans and deposits through organic growth and acquisitions,
- maintain customer satisfaction above the average in the sector,
- ensuring capital adequacy at a safe level,
- strengthening liquidity measures.

Only two of the seven key strategic objectives, ie. Return on Equity (ROE) and Cost/Income ratio (C/I) was realized below planned. Nevertheless, both ROE and C/I in PKO Bank Polski SA for 2015 were significantly better than the average in the sector. Decreased value of these objectives in comparison to planned one occurred due to the following external factors:

- decrease in interest rates in Poland to its lowest level for over 25 years, which reflected in sector and the Bank's significant decline in margins and net interest income. PKO Bank Polski SA has the safest and most effective long-term financing structure in the form of stable retail deposits, but at the same time they cause - through the maturity dates and share of current deposits - increase the Bank's sensitivity to interest rates changes by the Polish National Bank. The effective management of this risk still is reflected in one of the highest margin levels and net interest income, which due to optimizing the balance sheet structure and the development of credit were in each quarter of 2015 uptrend.
- fees for the Bank Guarantee Fund doubled within 3 years
- decrease of interchange fees for card payments from 1.7% to 0.2%

Despite such significant changes in the market environment in the last three years, in the fourth quarter of 2015 PKO Bank Polski SA reached 11% consolidated Return on Equity (ROE), excluding one-off expense for the Borrowers' Support Fund and bankruptcy of Spółdzielczy Bank Rzemiosła i Rolnictwa based in Wołomin. Throughout the period of implementation of the strategy, return on equity in this amount was above the cost of capital indicated by market analysts, and thus assured the economic benefit for shareholders. Economic profit is not reflected in the market value of PKO Bank Polski SA, visible in the decline of shares on the Warsaw Stock Exchange. Other factors to those mentioned above that affected this decrease are:

- implementation of bank tax on the Polish market, which was included in the investors valuations, resulting in market overvaluation of listed banks on the Warsaw Stock Exchange. Valuation changes of Polish banks is a long term process, visible in case of Bank's multipliers valuation in 2014, as the convergence of these valuations to more mature markets and lower growth rates, margins and return on equity. In the Bank's opinion this is a structural change in the Polish market.
- The turmoil in the financial markets related to the release, contrary to earlier declarations, by the Central Bank of Switzerland (SNB) of the Swiss franc against the euro, which resulted in abrupt weakening of the zloty against the CHF in 2015. The result was a temporary dividend suspension by the Financial Supervision Commission and debate about activities to support mortgage borrowers in CHF, which, depending on the variant, can mean significant costs for many banks, which translates to an additional discount in investor valuation. According to the

Financial Supervision Authority, after reviewing and granting additional capital buffers, PKO Bank Polski SA meets the criteria for the dividend payment for 2014 years.

- Incurring significant expenses by PKO Bank Polski SA with bankruptcy of Spółdzielczy Bank Rzemiosła i Rolnictwa based in Wołomin in the fourth quarter of 2015.

Despite the unfavourable market factors that structurally affected profitability level of the banking sector in Poland, the Bank focused on achieving constant business results for investors and adapting the business model to the new market environment to ensure a return on equity above its cost and thus increasing shareholders' value.

8.1.4 Assessment of financial credibility of PKO Bank Polski SA

Creditworthiness assessment of PKO Bank Polski SA in 2015 was awarded by the rating agencies Moody's Investors Service and Standard & Poor's, which give the Bank paid rating according to their own bank assessment procedures. Fitch Ratings gives free rating (unsolicited).

On 19 May 2015, Fitch Ratings (who gives the Bank unsolicited assessment) downgraded its assessment for the Bank's support from "2" to "5". Downgrading the support for Bank resulted from the assumption that the EU Directive on restructuring and orderly liquidation of banks (BRRD) provides a framework for the process of insolvency of banks, according to which creditors will most likely be required to cover the banks' losses in case of necessity, instead of the Treasury or in the first instance before receiving support from the Treasury.

On 21 May 2015, Moody's Investors Service published a press release on the website www.moodys.com, which announced the change of the Bank's ratings as a result of the review of ratings given to banks in Poland. Overview resulted from adoption of new methodology published by the Agency on 16 March 2015. According to the notes:

- deposit rating was maintained at A2/P-1,
- assessment of commitments was reduced from grade A2/(P)P-1 to grade A3/(P)P-2
- evaluation of counterparty risk was graded A2(cr)/P-1(cr)
- outlook for the rating was raised from "negative" to "stable".

The increase of perspective and maintaining the Bank's ratings resulted from the Agency's consideration of favourable macroeconomic environment in Poland and appropriate key indicators of the Bank, including improved capital ratios and the quality of the asset portfolio as well as of maintaining good profitability.

Correction of the commitments' evaluation resulted from Moody's assessment of lower probability of granting possible support from the Treasury in the event of termination of repayment obligations by the Bank. According to Moody's Poland will implement, as a country belonging to the European Union, the EU Directive on restructuring and orderly liquidation of banks (BRRD), which in the opinion of the agency creates the need to change the probability of awarding support to the Bank by the Treasury from very high to moderate.

On 17 June 2015 Standard and Poor's rating agency has published a press release on its website www.standardandpoors.com ("Note"), which announced updating of an analysis and changed the ratings of the Bank. According to the Notes Standard and Poor's lowered the long-term credit rating of the Bank and unsecured debt rating from grade "A-" to grade "BBB+". At the same time the agency has maintained the short-term credit rating at "A-2" level. The prospect has been defined as "negative". The Agency maintained its Bank's assessment defined as "SACP" (stand-alone credit profile) at "bbb". Standard and Poor's had seen improving asset quality, lower cost of risk, as well as the strong liquidity position of the Bank. In the Note Agency evaluates capital level and the profitability of the Bank as adequate. Agency reviewed the Bank's support factor from the Treasury and concluded that the Bank no longer meets the definition of a Government related entity ("GRE"). Consequently it subtracted two so-called notches from evaluation of the Bank's support. Standard and Poor's also expressed the opinion that the Bank may receive support from the Treasury in connection with the systemically important role of the Bank for the Polish economy, adding one notch to the assessment of support. At the same time Standard & Poor's emphasizes that the Treasury remains the largest shareholder, although from 2013 it reduced its share in the stock of the Bank from 51.2% to 31.4%. Negative perspective resulted from the inclusion by Standard and Poor's and predicted by the agency for the beginning of 2016 implementation of the EU Directive on restructuring and orderly liquidation of banks (BRRD). In the opinion of rating agency it creates the possibility of reducing the long-term credit rating by one notch. It is caused by introduction of solutions aggravating creditors of the Bank for its financial problems, with limited possibility of granting the Bank support by the Treasury.

On 17 December 2015, the Bank had filed an application to the Standard and Poor's rating agency to withdraw the ratings granted to the Bank. The Bank's rating was withdrawn by the agency on 19 January 2016. Bank terminated the contract of cooperation with the rating agency Standard and Poor's and caused withdrawal of ratings due to the limitation of bond issues on international markets, especially in the United States. Termination of the contract was justified by the fact that the current structure of the Bank's balance sheet and related plans for obtaining medium and long-term financing through bond issues primarily on the domestic and European (mainly in EUR) market. Therefore, having the paid rating from only one rating agency is sufficient to carry out financial plans. An important prerequisite to terminate the contract with the rating agency Standard and Poor's in 2015 was also a need to reduce the cost of the Bank's operations, which is particularly important in an environment of low interest rates and changes in the regulatory environment. On the occasion of withdrawing the ratings, Standard and Poor's rating agency made a final analysis of the current situation of the Bank and environment of its activities and on 19 January 2016 confirmed its short-term rating at "A-2" and lowered long-term rating from 'BBB+' to 'BBB'. At the time of withdrawal of the ratings the outlook was stable. Rating agency Standard and Poor's announced that the reduction of the Bank's long-term rating was due to the ratings reduction for Poland (sovereign) on 15 January 2016. Agency's analysis found that the Bank has a strong business position, adequate capital strength and liquidity over the next two years, assets quality and a solid funding base, based mainly on retail deposits.

Table 31. Ratings as of December 31, 2015 (paid rating)

Moody's Investors Service	
Deposits long-term rating	A2
Deposits short-term rating	P-1
Liabilities long-term rating	A3
Liabilities short-term rating	(P)P-2
Contractor risk long-term opinion	A2(cr)
Contractor risk short-term opinion	P-1(cr)
Forecast	Stable
Standard and Poor's (rating withdrawn as at 19 January 2016)	
Long-term rating	BBB+
Short-term rating	A-2
Forecast	Negative

As at the end of 2015, KREDOBANK SA had the following rating granted by the rating agency Standard & Poor's on 26 November 2015:

- long-term credit rating on the international scale – 'CCC+',
- forecast - 'negative',
- short-term credit rating on the international scale - 'C',
- rating on the Ukrainian scale - 'uaB+'.

As at the end of 2015, PKO Bank Hipoteczny SA had the following rating granted by the rating agency Moody's Investors Service:

- long-term credit rating 'Baa1' and short-term rating 'Prime-2' with stable outlook granted on 7 September 2015,
- long-term opinion on the risk of counterparty 'A3(cr)' and short-term 'Prime-2(cr)' granted on 7 September 2015,
- rating for the covered bonds issued by the PKO Bank Hipoteczny SA at 'Aa3' granted on 11 December 2015.

8.1.5 Investor relations

In 2015, the Bank's investor relation activities focused on the following areas:

- strengthening a positive image of PKO Bank Polski SA as a reliable and transparent company among the existing and potential investors, financial market analysts and rating agencies, through the use of various market communication tools,
- fulfilling the information duties of the Company as an issuer of securities, as required by the law,
- organizing the General Shareholders' Meeting and providing information to the Bank's shareholders,
- ensuring the Bank's cooperation with appropriate governmental bodies, organizations and capital market institutions in connection with the Bank's presence on the public securities market.

As part of market communication in 2015:

- after each quarter end, the Bank's and the Group's financial performance was presented by the Bank's Management Board in a meeting with capital market and debt securities analysts, organized on the Bank's premises, and during teleconferences in which ca. 70 analysts and representatives of investors participated each time,
- members of the Management Board of the Bank and the key management regularly participated in meetings (and teleconferences) with investors and analysts, both on the Bank's premises and in investor conferences. In 2015, there were ca. 60 meetings on the Bank's premises, ca. 150 meetings during 13 investor conferences and one roadshow project and over 130 teleconferences,
- chat of President of the Management Board with individual investors took place in April 2015 and in May 2015 representatives of the Bank participated in the conference „Wall Street 19" organized by the Association of Individual Investors (Stowarzyszenie Inwestorów Indywidualnych) in Karpacz, in November 2015 representatives of the Bank participated in the conference „Profesjonalny Inwestor" organized by the SII in Zakopane,
- the Investor Relations Office maintained on-going contacts with analysts and investors, both corporate and individual, by answering many questions asked by telephone or e-mail and relating to business operations and financial performance of PKO Bank Polski SA,
- the Bank immediately published all information relevant to investors and the Bank's shareholders on the website of the Investor Relations Office: http://www.pkobp.pl/grupa-pko-banku-polskiego/relacje-inwestorskie/,
- in March 2015, the Bank launched its annual on-line report once again, this time for 2014, in the form of a dedicated online service in two language versions: Polish and English (www.raportroczny2014.pkobp.pl). The annual report published as a separate service is a tool for achieving the Bank's objectives in the area of information and image. First and foremost, it makes it easier to find and use the key financial and business information of the PKO Bank Polski SA Group; in 2015 the service was further modified - its structure changed into more transparent and intuitive for internet users, additional user-friendly functionalities, including i.e. Facilities for the visually impaired and a glossary of basic financial concepts,

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- In 2015 Bank acted in accordance with adopted in December 2014 Information Policy Rules of PKO Bank Polski SA in contacts with investors and clients that relate to conducting the communication by the Bank with investors, clients and professional clients, in particular, they determine the scope and the way of conducting the communication, including communication channels and the competencies in information activities.

These activities were aimed at providing comprehensive information on the Bank's financial performance and activities, including the changes in market environment, to enable a reliable assessment of the Bank's current position and outlook and the correct valuation of the company's shares.

PKO Bank Polski SA makes every effort to ensure that periodic reports maintained the highest standards in respect of professionalism and fair information, so that they present the Bank's results in a complete and transparent manner and are as useful as possible to institutional investors, analysts and individual shareholders.

In 2015 the eighth edition of the "Issuer's Golden Webpage" competition was organized by the Association of Stock Exchange Issuers, in which the study on the entire population of 900 issuers with respect to 23 criteria was conducted. It allowed to draw important conclusions regarding the content of web pages, their quality and two-way communication with market participants. PKO Bank Polski SA, as the only bank, and as one of the four large companies, qualified for the final, third stage of the competition. Bank's investor relations website received the highest rating in terms of clarity of message and information content. It achieved the score of 9,75, which is close to maximum level.

In 2015, for the third time in a row, PKO Bank Polski SA received a special award and the title of 'The Best of The Best' in the competition for the best annual report, published by Instytut Rachunkowości i Podatków (Accounting and Tax Institute). The award is proof of the highest quality of the Bank's annual reports. The Chapter of the competition appreciated its value in use for WSE investors, application of IFRS/IAS standards and publication of an online version. The highest quality in all assessed areas was emphasized. The recognition gained completeness, consistency and a clear and logical presentation of data. Due to the audience (mainly current and future investors) and published content it is an important part of a corporate communication and influences the perception of the company.

In the prestigious competition "The Best Annual Report" PKO Bank Polski SA won awards on a regular basis. I.e. report for 2010 was granted the major award, for the year 2011 - I Main Prize in the category of Banks and Financial Institutions for collecting the highest number of points in three categories in total. Beginning with the report for 2012, the Annual Report of the Bank have been receiving a special award "The Best of the Best" - for the best bank, which occupied the first place in the competition "The Best Annual Report" three times in recent years.

8.2 Compliance with the rules for corporate governance

8.2.1 The rules for corporate governance and the scope of use

The rules for corporate governance introduced in the form of a document 'Best Practices of Warsaw Stock Exchange Companies'

PKO Bank Polski SA applies the rules for corporate governance introduced in the form of a document 'Best Practices of Warsaw Stock Exchange Companies' approved by the Supervisory Board of the Warsaw Stock Exchange SA on 4 July 2007 (the Resolution No. 12/1170/2007 with subsequent amendments). The above mentioned document on corporate governance rules is publicly available at the website: http://www.gpw.pl/dobre_praktyki_spolek_regulacje.

In 2015, PKO Bank Polski SA took necessary actions with an aim to fully obey the rules included in the document 'Best Practices of Warsaw Stock Exchange Companies'.

On 24 May 2013 the Management Board of PKO Bank Polski SA informed of its decision not to apply the rule included in Chapter IV.10 of the Code of Best Practice for WSE listed companies, in accordance with which the Bank should ensure to its shareholders the option of participating in the General Shareholders' Meeting using means of electronic communication.

The decision not to abide by that rule in accordance with which the Bank should, i.e. ensure bilateral real time communication to its shareholders in order for them to communicate during the General Shareholders' Meeting from a place other than the location of the Meeting was taken due to legal, organisational and technical risks which could threaten the proper conduct of the General Shareholders' Meeting if such a communication option was given to all shareholders.

In the Bank's opinion, the rules currently binding at the Bank ensure that all shareholders may effectively exercise all rights vested in them and secure the interests of all shareholders.

The Bank does not eliminate the possibility of using this rule in the future, based on market standards developed by public companies.

Corporate governance principles contained in the document „Best Practices of Warsaw Stock Exchange Companies 2016"

On 13 October 2015, the Council of the Warsaw Stock Exchange adopted a Resolution No. 26/1413/2015 called "Best Practices of WSE Listed Companies 2016" effective as of 1 January 2016 ("Best Practices 2016"). The above-mentioned text of the Best Practices 2016 is publicly available on the official website of the Stock Exchange in Warsaw at http://www.gpw.pl/dobre_praktyki_spolek_regulacje.

The Management Board as the body and the members of the Board on 8 December 2015 adopted the use of Best Practices 2016, provided that the recommendation IV.R.2., enabling shareholders to participate in the General Meeting by means of electronic communication will not be used unless the General Shareholders' Meeting will revise the Articles of Association of the Bank authorizing the Management Board to the organization of the General Meeting by means of electronic communication. A similar resolution, adopting the Best Practices 2016 was adopted by the Supervisory Board on 28 December 2015.
Due to the fact that the WSE Rules in article 29 paragraph. 3 requires the company to publish a report only if it intentionally does not use, incidentally or permanently, non-compliance specific rule and not the recommendation, on 1 January 2016, the Bank was not obliged to publicize a report on any non-compliance with the rules.

Since 1 January 2016 the information about the status of the application by the Bank of recommendations and principles contained in the Best Practices 2016 is available at the Bank's website (http://www.pkobp.pl/grupa-pko-banku-polskiego/relacje-inwestorskie/lad-korporacyjny/dobre-praktyki-spolek-notowanych-na-gpw-2016/). This information is drawn on the form established by the Stock Exchange. It shows the detailed status of compliance or non-compliance with each of the recommendations and principles and is direct settlement of the rule I.Z.1.13.

PKO Bank Polski SA took a number of measures to ensure compliance with the principles and recommendations contained in the Best Practices 2016, including:

Information policy and communication with investors

The Bank has taken measures to meet the widest scope of recommendations and principles contained in this section of Best Practices 2016 both in terms of maintaining proper and flexible ongoing communication with investors, enabling the use of modern communication channels and provide a lot of information also by posting them on the website.

PKO Bank Polski SA has endeavoured to publish all the Best Practices 2016 documents and information on the website, as well as made them easily accessible. The Bank continuously perfected form of communication to investors, so that both obtaining and processing data was relatively simple and user-friendly.

As part of adapting information publishing to the new requirements in terms of corporate governance there were materials added at the Bank's website. These are required under the Best Practice for 2016. Among other, information about the Bank's policy of diversity, material containing information on the state of compliance with good practices, more extensive information about the organizational structure of the Bank were added.

Materials submitted to the general meeting, including the assessment report and the position of the Supervisory Board resulting from compliance with the Best Practice for 2016 will be published on the Bank's website in a timely manner, allowing investors to get acquainted with them.

Management Board and Supervisory Board

Both the Management Board and the Supervisory Board adopted the use of Best Practice for 2016. As a result of a gap analysis carried out before this adoption it was found that most of the principles and recommendations contained in the set was so far and is complied with.

Steps were taken to implement the obligations under the Code of Best Practice in 2016, including the assessment of the independence of members of the Supervisory Board and performing the evaluations of the Bank's policies by this body.

Internal systems and functions

Regulations and practices applicable in the Bank prior to the enforcement of the Best Practice 2016 had fully met the requirements specified in this chapter. The current system of internal control, risk management, compliance and internal audit function in a manner appropriate to market requirements, and the application of the principles of corporate governance in this area is constantly monitored.

General Shareholders' Meeting and Investor Relations

In terms of organization of the general meetings, Bank decided not to apply the recommendations relating to enabling shareholders participation in the General Meeting by means of electronic communication, unless the General Assembly make appropriate amendments to the Articles of Association of the Bank authorizing the Management Board to the organization of the General Meeting by means of electronic communication. This decision was dictated by a number of organizational and legal risks resulting from the use of such method of communication.

According to the Bank the remaining scope of the General Assemblies was organized and managed in accordance with the requirements of corporate governance. The new rules about request justifications for resolutions, including those relating to breaks in the proceedings of general meetings will be practically implemented. For this purpose there are also planned amendments to the Regulations of the General Meeting.

The Bank is also taking measures to organize the ordinary general assemblies in a reasonably short period of time before the publication of the annual report.

Conflicts of interest and related party transactions

Internal regulations of the Bank in particular aiming the conflict of interests management, ensure compliance with the recommendations and rules contained in this section.

In terms of transactions with related parties and significant shareholders, Bank has reviewed the regulations and conducted an internal communication about the rules in this regard. Perhaps regulatory changes will also follow, including the statutory ones in order to formally implement the principles contained in Best Practices 2016.

Remunerations

In line with the requirements of the Best Practices 2016 in this report of the Management Board of PKO Bank Polski SA a report on the remuneration policy was firstly included. It contains the elements specified in the Best Practices 2016 and the Regulation on current and periodic information.

In the Bank's opinion remuneration policy is linked with the strategy and short- and long-term goals, long-term interests and financial results.

According to the current PKO Bank Polski SA principles of Corporate Governance for supervised institutions, issued by the PFSA, the Supervisory Board will assess the functioning of the company payroll system and the results of this evaluation will be presented to the Annual General Meeting.

Corporate governance principles for supervised institutions, issued by the Polish Financial Supervision Authority

On 9 December 2014, the Bank's Management Board adopted for use the Corporate Governance Principles for supervised institutions (adopted by the Polish Financial Supervision Authority at the meeting on 22 July 2014) concerning the responsibilities and obligations of the Management Board, i.e. conducting the Bank's affairs and representing it, in compliance with the generally binding laws and the Bank's Memorandum of Association, with the provision that paragraph 8, clause 4 of the Principles, insofar as it relates to allowing the shareholders the possibility to participate in the meetings of the decision-making authority electronically, will not be applied unless the General Shareholders' Meeting makes appropriate amendments to the Bank's Memorandum of Association authorizing the Management Board to organize the General Shareholders'

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Meeting using electronic means of communication. Chapter 9 of the Principles, concerning the managing of assets at the client's risk, will not be applied due to the fact that the Bank does not conduct such activities.

On 17 December 2014, the Bank's Supervisory Board adopted for use the Corporate Governance Principles for supervised institutions concerning the responsibilities and obligations of the Supervisory Board, i.e. supervising the conducting of the Bank's affairs in compliance with the generally binding laws and the Bank's Memorandum of Association.

General Shareholders' Meeting convened for 25 June 2015 declared in resolution No. 50/2015 that acting in line with its competencies it will be guided by the principles of corporate governance for supervised institutions issued by the PFSA. However it ruled out the application of the principles set out in:

- § 8 p.4 Principles for ensuring the possibility of electronic participation of shareholders in meetings of the decision-making body,
- § 10 p.2 Principles for introduction of personal rights or other special rights for shareholders,
- § 12 p.1 Principles on responsibility of shareholders for immediate recapitalization of supervised institution,
- § 28 p.4 Principles of assessing by the decision-making body whether the determined remuneration policy promotes the development and security of the institution supervised.

Withdrawal from the application of principles set out in § 8 p.4 was in line with the prior decision of the AGM of PKO Bank Polski SA dated 30 June 2011, expressed through the failure to adopt the resolution on amendments to the Articles of Association of the Bank, whose aim was to enable participation in the General Meeting through electronic means of communication. The decision ruling out rule was taken because of legal and organizational-technical risks, which could jeopardize the proper conduct of the general meeting. Exclusion of the application of this principle by the AGM was consistent with the opinion of the Management Board not to use it, adopted due to the fact that the current rules of the Bank about participation in General Meetings allow shareholders the effective implementation of all rights from shares and protect the interests of all shareholders.

Withdrawal from other "Principles of Corporate Governance for supervised institutions", indicated in the resolution of OGM, was due to issuing of these proposals by a qualified shareholder of the Bank - Treasury and then adoption by the OGM through the adoption of resolution no. 50/2015. According to the substantiation presented by the State Treasury along with a proposal for draft resolutions of the OGM, resignation from application of the principles set out in § 10 p.2 and § 12 p.1 was justified by unfinished privatization process of the Bank by the Treasury.

Withdrawal from applying of principles set out in § 28 p.4 was substantiated, according to the request of the Treasury, with too wide range of remuneration policy evaluated by the decision-making body. In the opinion of the above mentioned shareholder, remuneration policy of the employees performing key functions but not being members of the governing body, should be subject to an assessment of their employer or principal, that is the Bank represented by the Management Board and controlled by the Supervisory Board.

The text of the Principles can be found on the website of the Polish Financial Supervision Authority at the following address:
https://www.knf.gov.pl/Images/Kanon%20%C5%82adu%20korporacyjnego%20wersja_tcm75-36761.pdf

8.2.2 Control systems in financial statements preparation process

The objective of the internal control system is to support decision processes which contribute to ensuring the following: the Bank's effectiveness and efficiency, reliability of its financial reporting and the compliance of Bank's operations with binding laws and internal regulations, and regulatory recommendations and standards adopted in the Bank's market standards. Within the system of internal control the Bank identifies risk: connected with every operation, transaction, product and process, resulting from the organizational structure of the Bank and the Group. Within internal control system, the Bank distinguishes:

- control function with the task of ensuring that the control mechanisms relating in particular to risk management at the Bank, which includes all the Bank's organizational units (unit), and organizational units (cell), and positions within them responsible for implementing the tasks assigned to this function,
- compliance organizational unit, which aim it is, in cooperation with Bank's departments and units, to identify, evaluate, control and monitor the risk that Bank's operations do not comply with the generally applicable laws, the Bank's internal regulations, adopted by the Bank market standards and to submit reports in this regard,
- an independent internal audit organization unit with the task of independently and objectively test and evaluate the adequacy and effectiveness of risk management and internal control system, with the exception of the internal audit unit

Control function is realized by functional internal control, i.e. activities carried out continuously, consisting of checking activities performed by all employees of the Bank, including their use of control mechanisms to ensure the compliance of operations with the applicable laws and internal regulations of the Bank and current responding to irregularities. All employees of the Bank are responsible for making checks and proper performance of duties, and apply control mechanisms within scope of their duties and tasks resulting from the internal regulations of the Bank.

Managers who control departments and units responsible for creating drafts of internal regulations of the Bank ensure their compliance with the applicable laws and Bank's internal regulations, while the departments' and units' staff are required to comply with the generally applicable laws and internal regulations of the Bank and perform assigned tasks in accordance with these regulations. The internal regulations of the Bank are verified in terms of possibility of generating the risk of non-compliance by the compliance unit. Verification is performed i.e. based on the analysis of generally applicable laws, standards of conduct adopted in the banking environment, minutes of financial regulators and other authorities.

Internal audit constitutes an independent and objective activity characterized by inspection and advisory tasks consisting systematic and carried out in an orderly manner assessment of the relevant processes and identifying course of action affecting improvement of quality and effectiveness of the Bank. Both use of control mechanisms by employees of the Bank and compliance of the activity in departments and units to

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the generally applicable laws, the Bank's internal regulations and market standards adopted by the Bank's, is checked in the course of internal audits.
In order to ensure the accuracy and correctness of preparation of financial statements, the Bank designed and implemented a number of control mechanisms built into the functionality of reporting systems and internal regulations concerning this process. These mechanisms involve among others the use of a continuous verification and reconciliation of reporting data with accounts, analytical data and other documents which are the basis for preparing financial statements as well as with applicable regulations in the field of accounting policies and financial reporting.

The process of financial statements preparing is periodically subjected to a multi-functional internal control, in particular with regard to the correctness of the accounting arrangements, substantive analysis and reliability of the information. According to the internal regulations, financial statements are accepted by the Board of PKO Bank Polski SA and the Audit Committee of the Supervisory Board appointed by the Supervisory Board of PKO Bank Polski SA in 2006.

The tasks of the Audit Committee of the Supervisory Board i.e. monitoring the financial reporting process including the review of individual and consolidated interim and annual financial statements, with particular emphasis on:

- information on substantial changes in accounting and reporting policy and how to make significant for the financial reporting estimates and judgments of management, as well as the compliance of the financial reporting process with the applicable law,
- significant adjustments resulting from the audit and the auditor's opinion on the audit of financial statements, discuss any problems, concerns and doubts resulting from the audit of financial statements and analysis of the external auditor's recommendations addressed to the Management Board and the response of the Management Board in this regard.

Description of cooperation between the Audit Committee and the external auditor and its assessment is drawn up in the annual report on the activities of the Audit Committee annexed to the report of the Supervisory Board on the activities of that body.

Entity authorised to audit financial statements

In accordance with the Resolutions of the Supervisory Board (final of 29 January 2014) on the rules for selecting an auditor, PKO Bank Polski SA applies the rule according to which it is assumed that:

- the maximum period of uninterrupted cooperation with the same audit company is 6 years. Starting from the cooperation period covering audit of the financial statements for years 2015-2017, the maximum cooperation period is 5 years,
- contracts for audit and review of the financial statements are concluded for the maximum period of 3 years,
- an audit company may perform an audit of the financial statements again after the period of at least 3 years.

On 11 March 2015 the Supervisory Board of PKO Bank Polski SA selected KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa as an entity authorized to audit the financial statements of PKO Bank Polski SA and consolidated financial statements of the PKO SA Group. KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw, ul. Inflancka 4a is entered in the list of entities authorized to audit financial statements run by the National Council of Statutory Auditors under the number 3546. The choice of the entity authorized to audit and review financial statements was made by the Supervisory Board in accordance with applicable regulations and professional standards, on the basis of § 15 p.1 pt.3 of the Articles of Association of the Bank.

On 10 April 2015, PKO Bank Polski SA and the entity authorized to audit financial statements KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa concluded an agreement for audit and review of financial statements of the Bank and the PKO Bank Polski SA Group for years 2015-2016.

The total amount of net fees for KPMG Audyt Sp. z o.o. Sp.k for audit of the financial statements and the consolidated financial statements of PKO Bank Polski SA Group in 2015 amounted to PLN 1 250 thousand. Fees for assurance services, including the review of financial statements amounted in 2015 PLN 974 thousand. Net fee for other services in 2015 amounted to PLN 34 thousand.

Additionally, in 2015 the previous auditor of PKO Bank Polski SA - PricewaterhouseCoopers Sp. z o.o. was paid net fee for assurance services, including the review of financial statements in the amount of PLN 1 045 thousand.

In 2014, PricewaterhouseCoopers Sp. z o.o. was the entity authorized to audit the financial statements of PKO Bank Polski SA. The total amount of net fees for PricewaterhouseCoopers Sp. z o.o. for auditing of the financial statements and the consolidated financial statements of PKO Bank Polski SA amounted to PLN 1 540 thousand. Fees for assurance services, including the review of financial statements amounted to PLN 2568 thousand. The amount of the remaining net fees paid to PricewaterhouseCoopers Sp. z o.o. amounted to PLN 1 787 thousand for tax advisory services and PLN 810 thousand for other services.

8.2.3 Shares and shareholders of PKO Bank Polski SA

To the best knowledge of PKO Bank Polski SA, as at 31 December 2014 there were three shareholders that hold, directly or indirectly, significant block of shares (at least 5%): the State Treasury, Aviva Otwarty Fundusz Emerytalny and Nationale- Nederlanden Otwarty Fundusz Emerytalny holding respectively: 367 918 980, 83 952 447 (as at 29 January 2013, reported by Aviva OFE after exceeding the threshold of 5% share in shareholding structure) and 64 594 448 (as at 24 July 2012, reported by ING OFE (currently Nationale-Nederlanden OFE) after exceeding the threshold of 5% share in shareholding structure) of PKO Bank Polski SA's shares.
The percentage share of the State Treasury, Aviva Otwarty Fundusz Emerytalny and Nationale-Nederlanden Otwarty Fundusz Emerytalny in the share capital of PKO Bank Polski SA as at 31 December 2014 and to the best knowledge of the Bank amounted to 29.43%, 6.72% and 5.17% respectively and matched the percentage share in the total number of votes at the General Shareholders' Meeting of PKO Bank Polski SA.

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There are no special control rights resulting from PKO Bank Polski SA shares for their holders.

8.2.4 Limitations on the shares of PKO Bank Polski SA

All the shares of PKO Bank Polski SA carry the same rights and obligations. None of the shares are preference shares, in particular in relation to voting rights and dividends. The Memorandum of Association of PKO Bank Polski SA restrict the voting rights of shareholders holding more than 10% of the total number of votes at the General Shareholders' Meeting and forbids those shareholders to execute more than 10% of the total number of votes at the General Shareholders' Meeting. The above limitation does not apply to:

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

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

8.3 The Articles of Association of PKO Bank Polski SA

Principles for amending the Articles of Association of PKO Bank Polski SA

Principles for amending the Articles of Association of PKO Bank Polski SA comply with the provisions of the Commercial Companies Code and the Banking Act.

Resolutions of the General Shareholders' Meeting relating to share preference and to issues of the Bank's merger by transferring all of its assets to another company, its liquidation, reduction of share capital by redemption a part of the shares without increasing it at the same time or changing the scope of the Bank's operations which would lead to the Bank ceasing its banking activities - all require a 90% majority of the cast votes.

Changes to the Articles of Association in 2015

The Ordinary General Meeting held on 25 June 2015 passed resolutions on amendments to the Articles of Association of the Bank.

- Adopted changes resulting from the implementation of the "Principles of corporate governance for supervised institutions" annexed to the resolution No. 218/2014 PFSA dated 22 July 2014 (§ 1, § 15 and § 26 of the Articles of Association), i.e.:
  - change of § 1 of the Articles of Association intended to emphasize that beyond the mandatory provisions of law The Bank uses also various types of sets of the so-called good practices (i.e. in scope of corporate governance), which it decided to follow. In particular the principle of "Best Practices of WSE Listed Companies" and "Principles of Corporate Governance for supervised institutions".
  - changes in § 15 and § 26 of the Articles of Association in order to properly implement the rules under § 27, § 28 p.3, § 47 p.2 and § 49, "Principles of Corporate Governance for supervised institutions."
- Other amendments to the Articles of Association are aimed at:
  - adaptation of the Articles' of Association provisions in scope of the Bank's business activities to the existing regulations, as well as to the obtained authorization of the PFSA to change the Articles of Association in this respect (change § 4 p.1 pt. 9, 12 and 13 and deletion of § 4 p. 2 pt. 5),
  - elimination of existing duties of the Supervisory Board, which are not required by applicable regulations (deletion of § 15 p. 1 pt. 12 l. e),
  - to enable the Supervisory Board making resolutions by circulation or using means of direct remote communication, also in the cases referred to in w § 15 p. 1 pt. 12 (change § 17 p. 4),
  - clarify the provisions of the Articles of Association with regard to functioning committees of the Supervisory Board (change § 17a),
  - extension of the representation of the Bank (change § 21),
  - clarify the provisions of the Articles of Association with regard to issuance of decisions and internal regulations of the Bank (change § 25).

  Resolution of the Ordinary General Meeting on amendments to the Articles of Association of the Bank, which draft was submitted on 24 June 2015 by The State Treasury (the original content of the draft was presented in the current report no. 37/2015) was put to the vote and did not receive the required majority of 3/4 votes required in accordance with the Code of commercial companies.
- On 3 September 2015 Bank was notified about the registration of changes in the Statue by the District Court for the Capital City Warsaw, XIII Commercial Division of the National Court Register, made by Resolution No. 53 of the Ordinary General Meeting of PKO Bank Polski SA dated 25 June 2015 (described above)

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- On 23 September 2015, the Supervisory Board has established a uniform text of the Articles of Association of the Bank, which includes changes made on the basis of the above mentioned resolution of the Annual General Meeting.

8.3.1 The General Shareholders' Meeting, its manner of functioning and fundamental powers

The General Shareholders' Meeting of PKO Bank Polski SA is convened as ordinary or extraordinary meeting in accordance with the provisions of the Code of Commercial Companies and the Articles of Association, and based on the policies defined in the by-laws of the General Shareholders' Meeting.

The fundamental powers of the General Shareholders' Meeting, apart from other matters defined in the binding laws, include adopting resolutions concerning the following matters:

- appointment and dismissal of Supervisory Board Members,
- approval of by-laws of the Supervisory Board,
- determining the manner of redemption of shares and the amount of consideration for the shares subject to buyout,
- creation and liquidation of special funds established from net profit appropriation,
- disposal by PKO Bank Polski SA of property items or perpetual usufruct right to property, provided that the value of the real property or the right being subject to such an act exceeds ¼ of the share capital,
- issuance of convertible bonds or other instruments giving the right to acquire or take up PKO Bank Polski SA's shares.

Allowed to participate in the General Shareholders' Meeting are holders of registered shares, pledgees and users with the right to vote entered in the share register at the registration date and holders of bearer shares, who have been entered in the Register of Shares at the day of registration and holders of bearer shares, if they were shareholders of the Bank at the day of the registration and they asked, within the act compliant time frame specified in the notification on the call of General Shareholders' Meeting, the entity maintaining their securities accounts for registered certificate on the right to participate in the General Shareholders' Meeting.

The shareholder who is a natural person may participate in the General Shareholders' Meeting and exercise his voting right in person or by proxy. The shareholder who is not a natural person may participate in the General Shareholders' Meeting and exercise his voting right by a person authorized to file declarations of will on his behalf, or by proxy.

A power of attorney should be prepared, under the sanction of nullity, in writing and attached to the minutes of the General Shareholders' Meeting or granted in an electronic form. The right to represent a shareholder who is not a natural person should be specified in the original or copy of the excerpt from the relevant register presented possibly with a power of attorney or sequence of a power of attorney. These documents should be presented at the time of drawing up the attendance register or sent electronically until the day before the day of the General Shareholders' Meeting on an email address indicated on announcement of convening the General Shareholders' Meeting.

The person(s) granting a power of attorney on behalf of a shareholder who is not a natural person should be listed in an up-to-date excerpt from the relevant register of a given shareholder.

Management Board Member and an employee of PKO Bank Polski SA may serve as proxy of shareholders at the General Shareholders' Meeting of PKO Bank Polski SA.

Projects of resolutions proposed by the Management Board are accepted by the General Shareholders' Meeting with justification and opinion of the Supervisory Board and complete text of the documentation, which will be presented to the General Shareholders' Meeting, are published on the Bank's website in the time enabling acquainting with them and evaluating them.

The Bank makes available on the website projects of resolutions notified in accordance with the provisions of the Commercial Companies Code by authorized shareholder or shareholders before the General Shareholders' Meeting immediately after receiving them.

A shareholder or shareholders representing at least one twentieth of the share capital of the Bank may demand that certain matters be included in the agenda of the General Shareholders' Meeting. Such demand should be filed with the Management Board of the Bank no later than twenty one days before the date set for the meeting. The demand should contain a justification or a draft resolution concerning the proposed item on the agenda. The demand may be filed in an electronic form.

A shareholder or shareholders of PKO Bank Polski SA representing at least one twentieth of the share capital may, before the date of the General Shareholders' Meeting, put forward to the Bank, in writing or by using electronic means of communication, draft resolutions concerning the matters included in the agenda of the General Shareholders' Meeting or matters which are to be included in the agenda. Moreover, shareholders during the General Shareholders' Meeting have the right to propose projects of resolutions and submit proposals of changes or supplements to the projects of resolutions, included in the agenda of the General Shareholders' Meeting.

Removing from agenda or desisting, at the request of shareholders, from further discussing the matter included in the General Shareholders' Meeting agenda requires that the General Shareholders' Meeting resolution is adopted by the majority of three-quarters votes, after prior consent of all those shareholders present at the General Shareholders' Meeting who applied for including the matter in the agenda.

Resolutions of the General Shareholders' Meeting are adopted by an absolute majority of votes, unless the binding laws or the Memorandum of Association of PKO Bank Polski SA provide otherwise.

The General Shareholders' Meeting adopts resolutions by way of open vote, with the provision that votes by ballot are ordered in the following circumstances:

- elections,
- applications for dismissal of members of PKO Bank Polski SA's authorities or liquidators,
- applications for bringing members of PKO Bank Polski SA's authorities or liquidators to justice,
- in staff matters,

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- on demand of at least one shareholder present or represented at the General Shareholders' Meeting,
- in other cases defined in binding law regulations.

A shareholder may not, either personally or by proxy, or while acting as a proxy of another person, vote on resolutions concerning his liability towards PKO Bank Polski SA on whatever account, including the acknowledgement of the fulfilment of his duties, release of any of his duties towards PKO Bank Polski SA, or any dispute between him and PKO Bank Polski SA.

Shareholders have the right to ask questions, through the Chairman of the General Shareholders' Meeting, to the Members of PKO Bank Polski SA's Management or Supervisory Boards and the PKO Bank Polski SA's auditor.

For each of the agenda point, each shareholder has the right to one own speech and one reply. Shareholders may, during the course of discussion on each of the agenda points, apply for closing the list of speakers or closing the discussion on the given agenda point.

8.3.2 The Supervisory Board and the Management Board of PKO Bank Polski SA in the reporting period

The Supervisory Board of PKO Bank Polski SA

The Supervisory Board of PKO Bank Polski SA is composed of 5 to 13 members appointed for a joint term of office of three years. Members of the Supervisory Board are appointed and dismissed by the General Shareholders' Meeting.

On 26 June 2014 the State Treasury, as the Eligible Shareholder, on the basis of § 11 clause 1 of the Bank's Memorandum of Association determined the number of the Supervisory Board members to include 9 persons, of which the Bank informed in a Current Report No. 53/2014. As at 31 December 2015, the Supervisory Board of the Bank consisted of 8 persons.

The current term of office of all the Supervisory Board members started on 26 June 2014.

Table 32. Composition of the Supervisory Board of PKO Bank Polski SA as at 31 December 2015

Functions	Competences
Jerzy Góra - Chairman of the Bank's Supervisory Board On 26 June 2014 appointed for the current term of the Supervisory Board, on the same day appointed the Chairman of the Supervisory Board by the Minister of State Treasury	President of the Management Board of Polskie Inwestycje Rozwojowe SA since 1 January 2015. He gathered his work experience holding managerial positions, i.e. at Bank Gospodarstwa Krajowego as a Director of the Investment Project Finance Department. He was a Vice-President of the Management Board of Agencja Rozwoju Przemysłu SA (Industrial Development Agency), Vice-President of the Management Board of Stocznia Szczecińska Porta Holding SA (Porta Holding Szczecin Shipyard JSC), a Deputy General Director of Polska Żegluga Morska w Szczecinie (Polish Steamship Company in Szczecin) and a Director of Department at Bank Morski SA. He also worked in the Ministry of the Treasury as a Director of the Corporate Governance and Privatisation II Department. Earlier he was a member of supervisory boards of companies, including Polimex-Mostostal SA, LZPS Protektor SA, Elektrociepłowania Będzin SA, Euroafrica Sp. z o.o., Polska Agencja Informacji i Inwestycji Zagranicznych SA (Polish Information and Foreign Investment Agency) and of Grupa Azoty Zakłady Chemiczne 'Police' SA and Polskie Inwestycje Rozwojowe SA as well as banks: Bank Morski SA, BIG Bank SA. He is a holder of Ph.D. in Economics from the University of Szczecin and of a research fellowship of the Saint Ignatius University Faculties of Antwerp (UFSIA).
Mirosław Czekaj - Secretary of the Supervisory Board On 31 August 2009 appointed to the Supervisory Board. On 26 June 2014 reappointed for the current term of the Supervisory Board. On 16 July 2014 reappointed the Secretary of the Supervisory Board.	PhD in Economics, a graduate of the Nicolaus Copernicus University in Toruń. Registered Auditor. In January 2007, he was elected by the Council of the City of Warsaw to the position of City Treasurer. Between 2004 and 2006, he was Vice-President of Bank Gospodarstwa Krajowego, responsible for the commercial activities of the bank and for supervising its branches. Previously, he was responsible for public sector and corporate finances. Since 1992 to 2009, he held positions on the supervisory boards of numerous companies, including as Chairman of the Supervisory Board of Remondis – Szczecin Sp. z o.o., Chairman of the Supervisory Board of Fundusz Wspierania Rozwoju Gospodarczego Miasta Szczecina, Chairman of the Supervisory Board of Szczecińskie Centrum Renowacji Sp. z o.o., Chairman of the Supervisory Board of MPT Sp. z o.o. in Warsaw. He was also a Supervisory Board Member of Pomorski Bank Kredytowy SA in Szczecin. He is the author and co-author of finance-related publications.
Małgorzata Dec-Kruczkowska - Secretary of the Supervisory Board On 25 June2015 appointed for the current term of the Supervisory Board. On 5 August 2015 appointed the Secretary of the Supervisory Board.	Mrs. Dec-Kruczkowska holds PhD in economic sciences – she expertizes in issues related to corporate finance. Her PhD thesis defended in 2008 at the School of Economics inWarsaw was devoted to research the impact of the social insurance burden for the development of entrepreneurship. Several years of her professional experience includes expert and management positions in the energy, financial and commercial sectors. She has been working in the Ministry of Treasury for nearly six years, where she holds the position of Director of the Department of Strategic Management and Development. In the Ministry of the Treasury she worked on projects of privatization plans, rules of corporate governance and best practices. She coordinates the preparation of economic and financial analyses of companies and the receipt of corporate valuations. She is also responsible for coordinating the planning and implementation of privatization revenues and dividends from companies, including listed companies. Since November 2014 she was chairwoman of the supervisory board of the Kompania Węglowa SA. Previously, she worked as CEO of RUCH SA, chaired the supervisory boards of companies Agencja Rozwoju Przemysłu SA, PGE Polska Grupa Energetyczna SA, RUCH SA and Nafta Polska SA etc. As part of work within the companies she carried out activities in the field of financial audit, strategic investments, renegotiating of trade agreements, she was responsible for reviewing and evaluating the effectiveness of the company projects. She is co-author of academic books and scientific publications in the field of finance.
Zofia Dzik - Member of the Supervisory Board On 6 June 2012 appointed for the current term of the Supervisory Board.	A graduate of the University of Economics in Cracow, University of Illinois in Chicago, University of Social Sciences and Humanities in Warsaw and Executive Programmes at INSEAD Business School, she also holds a MBA from Manchester Business School and a certified member of the Association for Project Management (APMP). In 1995-2003 a consultant at Arthur Andersen companies and Andersen Business Consulting, responsible for insurance sector (Insurance Division Director), provided advisory service, i.e. to such entities as PZU SA, PZU Życie SA, TUiR Warta SA, Aplico Life SA, Commercial Union SA, Gerling SA, Compensa SA.

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On 26 June 2014 reappointed for the current term of the Supervisory Board.	Since 2003, she was associated with the Intouch Insurance Group (now RSA), where in 2004-2007 she performed a function of the Management Board's President of Towarzystwo Ubezpieczeń Link4 SA, and in 2007-2009 the Management Board's member of Intouch Insurance B.V. in the Netherlands and CEO for Central and Eastern Europe of the Intouch Insurance Group. Within this function she was responsible for new markets development; she was a chairman of the supervisory boards of: TU Link4 SA and Direct Insurance Shared Services Centre in Poland, Intouch Strachowanie in Russia (the implementation of the project from start-up stage) and Direct Pojistovna in the Czech Republic (support the start-up) and a deputy-chairman of the supervisory board of the TU na Życie Link4 Life SA. In 2006-2008, the Management Board's member of the Polish Insurance Association. In 2007-2010, member of the supervisory board of the Insurance Guarantee Fund. Currently, the Management Board's President of the established Humanites – Sztuka Wychowania Foundation, which purpose is support the process of social transformation in Poland, the author of the 'Cohesive Leadership in support of sustainable human development' model, the director of the Leadership Academy for the Education Leaders – aiming at the development of leadership in the education as well as a member of the supervisory boards of: TU Link4 SA, ERBUD SA and PKO Bank Polski SA.
Krzysztof Kilian - Member of the Supervisory Board On 25 June 2015 appointed for the current term of the Supervisory Board.	A graduate of Gdansk University of Technology, Faculty of Mechanical Engineering and Technology. In 1983 he started his professional career in the shipyards of "Wisła" in Gdansk. After 1989, he participated in the political changes in Poland, being i.e. Director of the Cabinet of Prime Minister Jan Krzysztof Bielecki, and then between 1992 - 1993 the Ministry of Communications. The years 1994 - 1997 was a period of work in Bank Handlowy. Then, in 1997-1998, he served as an adviser covering Poland in the investment bank Morgan Stanley Dean Witter and in 1999-2000 ING Barings, advising on mergers and acquisitions. At the same time, until 2008 he ran his own business - which carried out projects in the field of ICT, i.e. for PZU, PKO Bank Polski SA, BZWBK SA, Siemens, Asseco Prokom, Nokia. In the years 2008 - 2011 he served as vice president of Polkomtel SA in Marketing and Customer Relationship Management, where he was responsible for preparing and coordinating the process of selling Polkomtel SA. In the years 2012 - 2013 he led the PGE Polish Energy Group as CEO. In terms of corporate governance he has experience in supervisory boards of PKO Bank Polski SA, TFI PZU, KGHM, BPH, PGF SA, Poczta Polska. Currently he sits on the Board of CD Projekt SA.
Piotr Marczak – Member of the Supervisory Board On 25 June 2010 appointed to the Supervisory Board. On 26 June 2014 reappointed for the current term of the Supervisory Board.	He graduated from Warsaw School of Economics (earlier the Main School of Planning and Statistics). He has worked for the Ministry of Finance since 1992, now he is the director of the Public Debt Department and his main tasks include, for instance, preparation of public debt management strategies, the State Treasury risk and debt management, management of the State budget foreign currency, consolidation of liquidity of the entities of the public finance sector. He is the author of dozen papers and articles on the public debt and the market of treasury securities in Poland, and he was also a lecturer in Dolnośląska Szkoła Bankowa (Banking School of Lower Silesia). At the moment he is a member of the Supervisory Board of PKP Intercity SA, and previously he was a member of the supervisory boards of, for instance, Bank Gospodarstwa Krajowego, Huta Będzin SA, Huta Stalowa Wola SA, Stomil Poznań SA.
Elżbieta Mączyńska-Ziemacka - Member of the Supervisory Board On 20 June 2013 appointed to the Supervisory Board. On 26 June 2014 reappointed for the current term of the Supervisory Board.	Graduated from the University of Warsaw (Political Economy Department, specialisation: econometrics). Prof. PhD in economic sciences, employed at the Institute of Economic Sciences of the Polish Academy of Sciences (since 1990) and the Warsaw School of Economics (since 1998) at the position of the Head of the Department of Research of Enterprise Bankruptcy at the Institute of Corporate Finance and Investments at the Collegium of Business Administration of the Warsaw School of Economics (since 2008) and the Head of the Postgraduate Studies: 'Property Valuation'. Chairman of the Economic Strategic Thinking Committee of the Ministry of Economy (since 14 June 2013), President of the Polish Economic Society (since 2005), and member of the Presidium of the 'Poland 2000 Plus' Forecast Committee and the Committee of Economic Sciences of the Polish Academy of Sciences (since 2011). In 1994-2005, scientific secretary and member of the Presidium of the Social and Economic Strategy Council of the Council of Ministers. In 2005-2007, independent member of the Supervisory Board of BGŻ, in 1996-1998 independent member of the Supervisory Board of Polski Bank Rozwoju, in 1990-1991 advisor and consultant to the Polish-Swedish limited liability company SWEA SYSTEM. Has completed scientific and research internships i.a. in Germany (University of Mannheim) and Austria (WIIW, Wirtschaftsuniversität Wien). Three-time recipient of a DAAD scholarship. Author, co-author and editor of around 200 publications and expert opinions in the area of economic analysis, finance and enterprise appraisal, as well as in the area of economic systems and strategies of social and economic development. Member of the Editorial Committee of the bi-monthly 'Ekonomista' published by the Polish Economic Society and the Committee of Economic Sciences of the Polish Academy of Sciences, member of the Editorial Board of the quarterly 'Kwartalnik Nauk o Przedsiębiorstwie' published by the Collegium of Business Administration of the Warsaw School of Economics, member of the editorial team of the quarterly International Journal of Sustainable Economy (IJSE), Inderscience Publishers Editorial Office, UK.
Marek Mroczkowski - Member of the Supervisory Board On 30 June 2011 appointed to the Supervisory Board. On 26 June 2014 reappointed for the current term of the Supervisory Board.	He graduated from the Warsaw School of Economics (earlier the Main School of Planning and Statistics). He completed postgraduate studies on the Faculty of Law and Administration at the University of Wrocław, as well as postgraduate studies - Advanced Management Programme in INSEAD Fontainebleau, France. Since 2009, he has been providing services in the field of consultancy related to management in MRM Finance. In the years 2007-2009 he was a President of the Management Board - General Director of MAŻEIKIU NAFTA AB in Lithuania. In the years 2005 - 2006 he was a Vice-President of the Management Board - Financial Director of UNIPETROL A.S. in Czech Republic (from September 2005 to April 2006 he was also a President of the Management Board - General Director). In the years 2003-2004 he was a President of the Management Board - General Director of ELANA SA in Toruń, Poland. In the years 2001-2002 he was a President of the Management Board - General Director of POLKOMTEL SA, and since 1994 to 2001 he was a Vice-President of the Management Board - Financial Director of PKN ORLEN SA. Also, he was a Member of the Management Board - Financial Director of Eda Poniatowa SA (1986-1994). He has experience in the field of supervisory bodies' activities – he was a member of the supervisory boards of the following companies: ZCH POLICE SA, IMPEXMETAL SA, ENERGOMONTAŻ PÓŁNOC SA, POLKOMTEL SA, ANWIL SA, MOSTOSTAL Kraków SA. Currently, he is a member of the Supervisory Board of AZOTY TARNÓW.

Changes in the composition of the Supervisory Board in 2015

On 25 June 2015 the following changes in the composition of the Supervisory Board took place:

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- Mr Tomasz Zganiacz – Deputy-Chairman of the Supervisory Board – resigned from his function as a member of the Supervisory Board as of 25 June 2015,
- The Ordinary General Shareholders' Meeting of the Bank dismissed as of that day the member of the Supervisory Board of PKO Bank Polski SA - Mr Jarosław Klimont, and appointed Mrs Małgorzata Dec-Kruczkowska, and Mr Krzysztof Kilian as members of the Supervisory Board of the Bank,
- Treasury of State, as the Eligible Shareholder pursuant to § 12 p. 1 of the Articles of Association of the Bank appointed Mr Mirosław Czekaj - as Deputy Chairman of the Supervisory Board.

On 23 September 2015 Mrs Mirosława Boryczka resigned from her function as a member of the Supervisory Board as of 30 September 2015.

According to statements issued by members of the Supervisory Board, Mirosław Czekaj, Zofia Dzik, Krzysztof Kilian, Elżbieta Mączyńska – Ziemacka and Marek Mroczkowski meet the criteria of independency for members of the Supervisory Board set out in the Code of Best Practice for WSE Listed Companies. Other members of the Supervisory Board, ie. Jerzy Góra, Małgorzata Dec-Kruczkowska and Piotr Marczak, filed statements on lacking on the criteria of independence of the Bank and entities with significant connections with the Bank.

The Supervisory Board manner of functioning

The Supervisory Board acts based on the by-laws passed by the Supervisory Board and approved by the General Shareholders' Meeting. Meetings of the Supervisory Board are convened at least once a quarter.
The Supervisory Board adopts resolutions by an absolute majority of votes with the presence of at least half of the Supervisory Board Members, including the Chairman or Deputy-Chairman of the Supervisory Board, except for resolutions indicated in the Bank's Memorandum of Association concerning those matters that are required to be accepted by, apart from the quorum indicated, the qualified majority of 2/3 of total votes. Excluded from the vote are those members of the Supervisory Board to whom the given voted matter relates.

The Supervisory Board competencies

The competencies of the Supervisory Board, apart from the rights and obligations stipulated in generally binding legal regulations and the provisions of the Memorandum of Association of PKO Bank Polski SA, include passing resolutions relating specifically to:

1) approving the strategy of PKO Bank Polski SA and the annual financial plan approved by the Management Board,
2) accepting the Bank's general level of risk,
3) appointing the entity to conduct the audit or review of the financial statements and giving consent to concluding contracts with such entity or its related entities,
4) passing the Internal Regulations in regard of:
   - the Supervisory Board,
   - defining the rules of granting loans, advances, bank's guarantees and warranties to a member of the Management Board, the Supervisory Board, to a person holding a managerial position in the Bank and to entities related in terms of capital and organisation,
   - using other reserves,
5) appointing and dismissing the President of the Management Board and, at the request of the President of the Management Board, also the Vice-Presidents and other Management Board Members, and suspending Members of the Management Board from performing their duties, as well as delegating Members of the Supervisory Board to temporarily perform the duties of Members of the Management Board,
6) approving the Internal Regulations passed by the Management Board: of the Management Board, Management of special funds set up from the net profit, the Organisational Regulations of the Bank,
7) expressing prior consent to actions which meet specific criteria, including, i.e. things, purchasing and selling fixed assets and real estate, establishing a company, taking up or acquiring shares, concluding transactions between PKO Bank Polski SA and a related entity,
8) applying to the Polish Financial Supervision Authority for granting consent to appoint two Members of the Management Board, including the President of the Management Board.
9) evaluation of the functioning of the remuneration policy of the Bank and submit a report in this regard to the Annual General Meeting,
10) opinion on the application by the Bank "Principles of Corporate Governance for supervised institutions."

Changes in the Internal Regulations of the Supervisory Board

On 25 June 2015 General Shareholders' Meeting acclaimed adopted by the Supervisory Board on 17 December 2014 amendment to the Regulations of the Supervisory Board by adding a provision that its members will ensure that their activities comply with the requirements adopted for use by the Bank of The Best Practices of WSE Listed Companies and The Principles of Corporate Governance for supervised institutions issued by the PFSA.
On 23 September 2015, the Supervisory Board adopted an amendment to the Rules of the Supervisory Board made due to the change in par. 17 p. 4 of the Articles of Association of the Bank. It enables the Supervisory Board issuing resolutions in circulation mode or using means of direct remote communication also in the cases referred to in § 15 p. 1 point 12 of the Articles of Association, i.e., among others express approvals by the Supervisory Board on the acquisition and disposal of fixed assets, real estate, company formation etc. This change will come into force on the date of its approval by the General Assembly.

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Committees of the Supervisory Board

According to the Bank's Articles of Association, the Supervisory Board appoints from among its members an Audit Committee, and the Committee for Remuneration. The Supervisory Board may also appoint other committees from among its members.

According to the Internal Regulations of the Supervisory Board, it is entitled to appoint, and in cases, when the provisions of the law require, appoint permanent committees whose members perform functions as members of the Supervisory Board delegated to fulfil selected supervisory activities in the Bank. The Supervisory Board appoints particularly permanent committees:

The Audit Committee of the Supervisory Board, which is responsible in particular for executing the following tasks:

1) monitoring the process of the financial reporting, including the review of interim and annual financial statements of the Bank and the Group (standalone and consolidated), especially by:

- analysing:
  - Information on significant changes in the accounting policy and financial reporting and ways of making estimates and judgments of management, when they are essential for the Bank's financial reporting,
  - Bank's financial statements, together with the summary of significant adjustments to the reports, being the result of audit and the opinion of the audit of financial statements,
  - Compliance of the financial reporting process with applicable laws and regulations on accounting,
  - Problems, concerns and doubts that arise from the audit of financial statements of the Bank and the Group,
  - Recommendations of the entity authorized to audit financial statements (auditor) of the Bank and the Group addressed to the Management Board and the Board's reply in this regard.
- presenting to the Supervisory Board recommendations on the opinion of the financial statements of the Bank and the Bank Group examined by the auditor,
- presenting to the Supervisory Board recommendations on the evaluation of the proposal of the Management Board regarding distribution of profit or covering of loss (including, in particular dividend policy) and issuance of securities,

2) monitoring efficiency of the systems of internal control, internal audit and risk management, in particular:

- evaluation of the Bank's activities related to the functioning of the internal control system and an assessment of its adequacy and effectiveness, in particular through:
  - Opinions on the resolutions of the Board of Directors, the approval of which falls within the competence of the Supervisory Board regarding internal control system,
  - Issuing opinions on submitted to the Supervisory Board periodic reports on the internal control system,
  - Review of procedures for the anonymous reporting of infringements of the law and the applicable Bank's procedures and ethical standards to members of the Management Board or the Supervisory Board,
  - A review of the writings of supervisory authorities addressed to the Management Board and the Supervisory Board together with answers.
- Analysing information gathered from the Risk Committee,
- monitoring the activity of Internal Audit department, in particular through:
  - consulting the plan of internal audits in the Bank and an internal regulations of the Internal Audit Department
  - performing a periodic review of the execution of the internal audit plan, ad-hoc audits and evaluating activities of the Internal Audit Department within the available resources,
  - presenting an opinion to the Supervisory Board as regards appointing and dismissal the head of the Internal Audit Department
  - monitoring of the remuneration levels of a director and employees of the Internal audit Department
- monitoring activities of the Compliance Department, in particular through:
  - analysing information received from the Compliance Department on the review of the effectiveness of the compliance monitoring,
  - opinions on the proposals of the President of the Management Board to the Supervisory Board on the appointment and dismissal of the Director of the Department of Compliance
  - monitoring the level of remuneration of directors and the employees of the Department of Compliance

3) monitoring the execution of financial audit activities, in particular by means of:

- recommending to the Supervisory Board a registered audit company entitled to perform a financial audit of the Bank together with its evaluation, level of fee and supervision of work performed,
- examining written information submitted by the registered audit company about relevant issues concerning financial audit, of which in particular information concerning material irregularities in the Bank's internal control system as regards financial reporting,
- agree with the entity authorized to audit the financial statements of the Bank and the Bank Group rules of conduct and activities of the proposed plan of action,
- examination of the reasons for termination of the contract with the entity authorized to audit financial statements of the Bank and the Bank Group.

4) monitoring the independence of a registered auditor and a registered audit company and on the services referred to in art. 48, clause 2 of the Act on Registered Auditors, in particular through obtaining:

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- statements confirming the independence of a registered audit company and the independence of the registered auditors conducting the financial audit activities,
- information on the services referred to in art. 48, clause 2 of the Act on Registered Auditors, provided to the Bank.

The Remuneration Committee, whose tasks include evaluation and monitoring of an remuneration policy adopted by the Bank and supporting the Bank's governing bodies in shaping and implementing this policy. Committee is responsible in particular for executing the following tasks:

1) providing opinions on general rules approved by the Supervisory Board on the variable salary components policy for persons holding managerial positions, as defined in § 28 clause 1 of the Resolution No. 258/2011 of the Polish Financial Supervision Authority of 4 October 2011 on detailed principles for the functioning of the risk management system and internal control system and detailed terms of estimating internal capital by banks and reviewing the process of estimating and maintaining internal capital, and the principles for determining the variable salary components policy for persons holding managerial positions at the bank, including the amount and components of the salaries, based on prudent and stable risk management, capital and liquidity and special care about the long-term interests of the Bank and the interests of shareholders and the Bank's investors,
2) making a periodical review of general principles of the variable salary components policy for persons holding managerial positions in the Bank and presentation of the results of the review to the Supervisory Board,
3) presentation to the Supervisory Board proposals of principles for remunerating, the variable salary components policy and remuneration of the Management Board members,
4) presentation to the Supervisory Board proposals related to appropriate forms of contracts with the Management Board members of the Bank,
5) giving opinions on motions for approval for a member of the Management Board to become involved in competitive business activities or participate in a competitive company as a shareholder of a civil law company, a partnership or as a member of a body in a corporation, or participate in another competitive legal person as a member of its body,
6) giving opinions on a review report concerning the implementation of the variable salary components policy carried out by the Internal Audit Department.
7) prepare the draft report evaluating the ongoing functionality of the remuneration policy of the Bank, which is presented to the General Meeting by the Supervisory Board.

Risk Committee (appointed 4 November 2015), which is responsible for executing of the following tasks:

1) evaluating the overall current and future readiness of the Bank to take risks, including the risk profile of the Group, in particular giving opinions about adopted by the Board strategic tolerance limits for individual types of risks for the Bank and the Group, the approval of which falls within the competence of the Supervisory Board,
2) evaluation of adopted by the Board risk management strategy in the Bank's ongoing business and submitted by the Board information on the implementation of this strategy and other periodic reports on risk management and capital adequacy,
3) evaluation of other resolutions of the Board in scope of risk management and capital adequacy, approval of which is the competence of the Supervisory Board,
4) supporting the Supervisory Board in overseeing the implementation of the risk management strategy in the Bank's ongoing business by senior management,
5) a review of whether the price of assets and liabilities offered to customers fully envision the Bank's business model and its strategy in terms of risk, and if these prices do not adequately reflect the risks in accordance with this model and this strategy, an indication of directions of corrective measures to restore the adequacy of the price of assets and liabilities to the business model and risk strategy of the Bank; Committee monitors the implementation of these actions by the Board,
6) evaluating solutions for reduction of business risk with the use of bank's non-life insurance and insurance of civil liability of members of the Board and proxies,
7) evaluating proposals of the Chairman of the Board on the appointment or dismissal of a member of the Board to supervise the management of risk material in the Bank's operations for the Supervisory Board,
8) issuing opinions on the information provided by the Bank to the public in relation to risk management strategies and risk management system,
9) performing other tasks assigned by the Supervisory Board on risk management at the Bank.

As at 31 December 2015, the Audit Committee of the Supervisory Board consisted of 4 members:

- Mirosław Czekaj (President of the Committee),
- Zofia Dzik (Vice-President of the Committee),
- Krzysztof Kilian (Member of the Committee),
- Piotr Marczak (Member of the Committee),

As at 31 December 2015, the Remuneration Committee consisted of 4 members:

- Małgorzata Dec-Kruczkowska (President of the Committee),
- Jerzy Góra (Vice-President of the Committee),
- Elżbieta Mączyńska-Ziemacka (Member of the Committee),
- Marek Mroczkowski (Member of the Committee).

As at 31 December 2015, the Risk Committee of the Supervisory Board consisted of 5 members:

- Jerzy Góra (President of the Committee),
- Mirosław Czekaj (Vice-President of the Committee),
- Zofia Dzik (Member of the Committee),
- Krzysztof Kilian (Member of the Committee),
- Piotr Marczak (Member of the Committee).

The Management Board of PKO Bank Polski SA

Pursuant to § 19 clause 1 and 2 of PKO Bank Polski SA Memorandum of Association, members of the Management Board are appointed by the Supervisory Board for a joint term of office of three years.

The Management Board is composed of 3 to 9 members. Appointment of two members of the Management Board, including the President of the Management Board, requires approval of the Polish Financial Supervision Authority. As at 31 December 2015, the Management Board of the Bank was composed of 7 members.

Current joint term of office of the Bank's Management Board began at the end of the previous joint term of the Management Board started on 30 June 2011.

Table 33. The Management Board of PKO Bank Polski SA as at 31 December 2015

Functions	Competences
Zbigniew Jagiełło – President of the Management Board Member of the Management Board from 1 October 2009. On 8 January 2014 reappointed for the current term of the Management Board.	The President of the Management Board of PKO Bank Polski SA since October 2009, with appointment for new terms in 2011 and 2014. Prior to this he was the Pioneer Pekao TFI SA Management Board President for nearly 9 years. Also, within the global structure of Pioneer Investments he was responsible for the CEE region distribution. In the second half of 90s of the last century he was, i.e. active in establishing PKO/Credit Suisse TFI SA. investment funds company, in the function of its Vice-President. In his more than ten-year long career in the financial markets he was responsible, i.e. for: (•) successfully steering PKO Bank Polski SA through the critical period of turmoil in the international financial markets, while strengthening the Bank's position of leadership in terms of assets, equity funds and earnings in Poland and the CEE region; (•) development and implementation of the PKO Bank Polski SA's strategy for the years 2010-2012, which resulted in strong efficiency gains as measured in terms of ROE, ROA and C/I ratios as well as in increased interest in the company among domestic and international investors (PKO Bank Polski SA continues to lead the market in terms of the value of its free float and as a major corporate debt issuer); (•) adjustment of PKO Bank Polski SA to the requirements of the ever more competitive financial market through increased attractiveness of its product offer and quality of its customer service; (•) refocusing of the PKO Bank Polski SA Group's operational model toward its core activity of providing financial services. He is actively involved in development and promotion of the most demanding financial market standards in Poland. He is a member of the Council of the Polish Bank Association and of the prestigious Institute International D'Etudes Bancaires, which brings together the international banking community. His previous functions included, i.a. that of the Chairman of the Chamber of Fund and Asset Management. A graduate of the Wrocław Technical University, School of Computer Science and Management. He also completed Postgraduate Management Studies at the Gdańsk Foundation for Management Development and the University of Gdańsk, with Executive MBA certified by the Rotterdam School of Management, Erasmus University. The President of the Republic of Poland decorated him with the Officer's Cross of the Order of the Rebirth of Poland and he was awarded the Social Solidarity Medal for promoting the idea of corporate social responsibility. He is the Chairman of the Programme Council of the PKO Bank Polski SA's Foundation, an entity formed at his initiative in the year 2010. Chosen the CEO of the Year 2011 by Parkiet daily; the recipient of the Wektor 2011 granted by the Polish Employers' Chapter and of the Golden Banker in the Personality of the Year 2011 category. He was also lauded the Manager of the Year 2011 in a competition ran by Gazeta Bankowa. In the year 2012, Bloomberg Businessweek Polska singled him out as one of the Top 20 Managers in Crisis. In 2013 he was honoured by Bank – financial monthly – with the title of 'The Innovator of Banking Sector 2012'. He also received the special award of 'Man of the Year 2013' from Brief monthly and 'Visionary 2013' from Dziennik Gazeta Prawna daily in appreciation of contribution to financial sector development, consequence in strengthening the Bank`s market leader position and determination in changing its image.
Piotr Alicki - Vice-President of the Bank's Management Board in charge of IT and Services Member of the Management Board from 2 November 2010. On 8 January 2014 reappointed for the current term of the Management Board.	A graduate of the Mathematics and Physics Department of Adam Mickiewicz University in Poznan. He has a many years' experience in IT projects management in the banking area. In 1990-1998 he worked for Pomorski Bank Kredytowy SA in Szczecin in the Information Science Department – since 1997 as its Director, where he was responsible for designing, development, implementation and operation of the Bank's transaction systems. In the period 1999-2010 he worked for Bank Pekao SA - at first as the Assistant Manager and then the Manager of the IT Systems Maintenance and Development Department, and during the last four years he managed the Information Technology Division. He was responsible, i.e. things, for the execution of the IT merger of four banks (Pekao SA, PBKS SA, BDK SA, PBG SA), he implemented the Integrated Information System and managed the IT business analyses area in that bank. He also managed the IT integration and migration from BPH SA systems to Pekao SA systems and participated in the work of the team responsible for the preparation of the whole integration process. In 1999-2010, Piotr Alicki took part in the work of the Polish Bank' Association: in its Steering Committee for the Development of Bank Infrastructure, the Payments System Committee, the Problem Committee for Banking and Bank Financial Services, and the Electronic Banking Board. Since 2000 he was a member of the Supervisory Council of Krajowa Izba Rozliczeniowa SA (the National Clearing Chamber Ltd.), and since 2005 until 2010 he was its President. In 2002-2010 he represented Bank Pekao SA in the Payments System Council functioning under the auspices of the National Bank of Poland (NBP), since 2010 until now he has been representing PKO Bank Polski SA in this Council. He also sat on the Supervisory Boards of companies

	belonging to the Bank Pekao SA Group. Since 1 May 2011 he has been the member of Visa Europe Limited Board of Directors where he represents PKO Bank Polski SA, other banks from Poland and seven countries of the Subregion. On 10 December 2010 he was appointed to the Supervisory Board of Inteligo Financial Services SA, where he has been performing the function of Deputy Chairman of the Company's Supervisory Board since 30 May 2011. He has been a Chairman of Electronic Banking Council functioning in the Polish Bank Association since 11 October 2011. He has been a Member of the Supervisory Board of PKO Bank Hipoteczny SA since 6 October 2014. He was awarded by President of the NBP with an honour distinction 'For The Merits For Polish Banking'; he is also the winner of the 'IT Leader 1997', 'IT Leader 2010' and 'IT Leader 2012' competition.
Bartosz Drabikowski – Vice-President of the Bank's Management Board in charge of Finance and Accounting Member of the Management Board from 20 May 2008. On 8 January 2014 reappointed for the current term of the Management Board.	He is a graduate of Harvard Business School with the degree in Advanced Management Program. He is also a graduate of the Executive MBA Programme at the University of Illinois at Urbana – Champaign, Warsaw School of Economics, Technical University of Łódź, Polish National School of Public Administration and Polish Institute of International Affairs. He has professional experience from Deutsche Bundesbank, Deutsche Börse AG, Deutsche Ausgleichsbank and Rheinische Hypothekenbank. He received scholarship from the German Marshall Fund of the United States and participated in many trainings organised i.e. by the European Commission and the International Monetary Fund. He started his professional career at the Ministry of Finance, where he was responsible i.e. for regulation of and supervision over financial market institutions, the banking sector and the capital market in the particular. He also prepared development strategies for the financial services sector both for Poland and the European Union common market. At the Ministry of Finance he was subsequently employed as Advisor to the Minister, Deputy Director and Financial Institutions Department Director. For several years he served as member of the Commission for Banking Supervision, member of the Polish Securities and Exchange Commission and deputy member of the Payment System Board at the National Bank of Poland. He also served as member of many institutions of the European Union, including the Financial Services Committee (European Council), the European Banking Committee and the European Securities Committee (European Commission). He also served as the President of the Supervisory Board for PKO BP SA Group entities: Inteligo Financial Services SA, PKO BP Factoring, and eService SA. In 2006 to 2008 he served as a Member of the Management Board of the National Clearing Chamber Ltd., where he was responsible for finance, security and risk management. He is now a Member of Directors for Visa Europe and a member of Risk, Audit and Finance Committee as well as the president of Supervisory Board Association of Listed Companies and vice president of BIAC Finance Task Force – OECD. He has many years on experience in managing financial institutions. He was a member of Supervisory Board for Central Securities Depository of Poland SA, member of Bank Guarantee Fund Office and member of Supervisory Board of the State Securities Printing House SA.
Piotr Mazur **Vice-President of the Bank's Management Board in charge of Risk Management** On 8 January 2013 appointed to the Management Board until the end of the previous term. On 8 January 2014 reappoited for the current term of the Management Board.	Graduated from Academy of Economics in Wrocław, on the field of Organisation and Management. He has over twenty-year-long experience in banking area, including 14 years on managerial positions – mainly in risk, restructuring and credit areas. He is experienced in the work in the international financial groups operating in Europe, USA and South America. The member of supervisory boards, committees of creditors, member and a president of crucial credit risk committees. He was involved in building the strategy of Bank Zachodni WBK SA, he was directly responsible for credit risk management, optimisation of debt collection and restructuring, he cooperated with supervision authorities in Poland and abroad. After studies he started his professional career in credit area at Bank BPH. Since 1992 associated with Bank Zachodni SA and next - after the merger – with Bank Zachodni WBK SA he worked in Capital Investments Department, next as a Director of Credit Quality Controlling Department. In the years 2005–2008 he was the Director of Business Intelligence and Risk Management Area, and in the years 2008–2010 was the Deputy Chief Risk Officer. Since January 2011 he was the Chief Credit Officer and since March 2012 also Deputy Chief Risk Officer. He was the President of Credit Committee in BZ WBK SA. He was also a vice president of Credit Risk Forum and vice president of Risk Model Forum.
Jarosław Myjak – Vice-President of the Bank's Management Board in charge of Insurance Banking Until 30 April 2014 in charge of Corporate Market. Member of the Management Board from 15 December 2008. On 8 January 2014 reappointed for the current term of the Management Board.	Master of Arts at the Faculty of English Philology (American Studies) at Adam Mickiewicz University in Poznań (1978) and Master of Law at the Faculty of Law and Administration (1981). Moreover, he studied at the Faculty of Economy at Toronto University (economic programme - 1976-1977). He is a graduate also, for instance, of Columbia Business School New York (Leadership for the Future), INSEAD/CEDEP Fontainebleau, France - General Management Programme (1998-1999), Sundridge Park, Great Britain - Management Development Programme. He completed a judge training programme at the Regional Court in Poznań. He is barrister and legal adviser, a member of the Warsaw Bar Council and the Warsaw Chamber of Legal Advisers. He worked as a legal adviser for law offices Altheimer & Gray and Dewey & LeBouef, where he participated in privatisation and restructuring proceedings, investment and insurance consulting, while representing both the State Treasury and foreign investors. Moreover, he was also a lecturer at the Faculty of Law and Administration at Adam Mickiewicz University in Poznań. Being one of the leaders and strategists of the Polish market of insurance and long-term savings, he was responsible for establishing and developing one of the biggest financial services groups - Commercial Union (now Aviva) in Poland and Lithuania and establishment (in 1998-2004) a cooperation model of the CU Group with bank WBK SA, later BZWBK SA that included capital and distribution participation of the Bank in CU Insurance Companies and the pension fund company, and bancassurance development. In order to enhance the offer for customers, being among pioneers who promoted the pension reform in Poland, he was responsible for the strategic vision, founding and market success of PTE Commercial Union BPH WBK, that became the market leader. His strategy of defending customer portfolio, ensuring appropriate services for customers and attracting new market segments resulted in an establishment of asset management company, investment fund company, sector of personal - property insurance, a transfer agent and a distribution company. While managing the financial group, he restructured it through introducing full holding management that used synergy effects. He participated in the merger of Commercial Union and Norwich Union (CU Europe). In 2000-2004 the President of the Commercial Union Group (now AVIVA) in Poland and Lithuania. In Commercial Union Polska Ubezpieczenia na Życie he was a member of the Management Board (1995), first Vice President of the Management Board (1996 - 1997) and then the President of the Management Board (1998 - 2004). He has twenty years of experience in shareholder supervision. In 1998-2004 he was i.e. the chairperson of the Supervisory Councils of Commercial Union companies in Poland and Lithuania, that is CU PTE, CU TFI, CU Ogólne, CU Asset Management, CU Sp. z o.o. (Transfer Agent) and CU Lithuania (Lietuvos Draudimas). Moreover, he served as a member of the Supervisory Council and the Strategic Committee of Citibank Handlowy SA, the

	Supervisory Council and the Steering Committee of BGŻ SA, he was responsible - on behalf of the Ministry of the State Treasury - for the bank's privatisation project and he was a member of the Supervisory Council of Polski Holding Farmaceutyczny SA, Chairman of the Supervisory Board of PKO BP Finat Sp. z o.o. and Deputy-Chairman of the Supervisory Board of PZU Życie SA. At the moment he is the Chairman of the Supervisory Boards of PKO Leasing SA and PKO BP Faktoring SA. In 2006 and from 2008 to 30 April 2014 he served as the Vice President of the Management Board of PKO Bank Polski SA in charge of corporate banking. For a few terms of office, he was a member of the Polish Business Roundtable, the vice president and member of the Management Board of the Polish Chamber of Insurance, the vice president of the Polish Confederation of Private Employers 'Lewiatan', president of the Association of Insurance Capital Group in the Polish Confederation of Private Employers 'Lewiatan' and a member of the Association of Managers in Poland. As a member of such industry associations as the Polish Chamber of Insurance and the Polish Confederation of Private Employers 'Lewiatan' he participated in the works of parliamentary committees aimed at amending the insurance law and working out the law on pension funds, investment funds and in the health system reform project teams in Poland supporting the Minister of Health, Minister of Labour and Minister of Economy. Manager of the Year 2002, he was granted the award 'For Contribution to the Polish Insurance Market' and 'Golden Cross of Merit of the Republic of Poland'.
Jacek Obłękowski – Vice-President of the Bank's Management Board in charge of Retail Market On 30 June 2011 appointed to the Management Board until the end of the previous term. On 8 January 2014 reappointed for the current term of the Management Board.	He is a graduate of the Higher School of Pedagogy (Wyższa Szkoła Pedagogiczna) in Olsztyn, speciality - history and diplomacy. He completed broker course. He also graduated from the University of Navara - AMP. He started his professional career at Powszechny Bank Gospodarczy SA in 1991, where he worked until 1998, initially as a trainee and, following several promotions, as a director of the Network Management Department. In September 1998, he started working at PKO Bank Polski SA as director of the Retail Banking Division, director of the Marketing and Sales Department, acting director of the Office for Servicing Compensation Payments and managing director of the Network Division and between December 2000 and June 2002, he acted as the director responsible for supervision of the business aspects of implementing the central IT platform at the Bank. Until 2004 was the Chairman of the Supervisory Board of Inteligo Financial Services. He was also the Chairman of Supervisory Board of KredytBank Ukraina. Since 2013 – Vice-President of the Supervisory Board of KREDOBANK SA. From 2002 to 2007 he was a Vice-President of the Bank's Management Board responsible for the retail market area and marketing. At this time he was i.e. a Chairman of the Bank's Credit Committee, the Member of the Council of Directors of VISA EUROPE and was responsible for the acquisition of Inteligo. Since 2007 he was the President of the Management Board of Dominet Bank SA and since 2009 to 2011, after merger, in BNP Paribas/Fortis Bank Polska SA he was at the position of Vice-President of the Management Board responsible for the Division of Servicing Small Enterprises and Individual Clients. Member of Supervisory Board of: Grupy Azoty SA since 2010, PKO TFI SA since 2011, PKO Bank Hipoteczny since 2014.
Jakub Papierski – Vice-President of the Bank's Management Board in charge of Corporate and Investment Banking Until 30 April 2014 in charge of Investment Banking and from 1 May 2014 also in charge of Corporate Market (currently Corporate and Investment Banking) Member of the Management Board from 22 March 2010. On 8 January 2014 reappointed for the current term of the Management Board.	He is a graduate of Warsaw School of Economics and a holder of a Chartered Financial Analyst (CFA) license. He commenced his professional career in 1993 in Pro-Invest International, a consulting company. Between 1995 and 1996, he worked for ProCapital Brokerage House and subsequently for Creditanstalt Investment Bank. In March 1996, he started working for Deutsche Morgan Grenfell/Deutsche Bank Research dealing with the banking sector in Central and Eastern Europe. Between November 2001 and September 2003, he worked for Bank Pekao SA as executive Director of the Financial Division, directly supervising financial and fiscal policy of the bank, managerial information systems, as well as the treasury and management of investment portfolios; moreover, he was a member of the Asset and Liability Management Committee in the Bank. He accepted the position of the president of the Management Board for Centralny Dom Maklerski Pekao SA in October 2003. In September 2006, he also took up the position of a deputy-chairman of the Supervisory Board of Pioneer Pekao TFI SA. From May 2009, he served as the president of the Management Board of Allianz Bank Polska SA and in October 2009 he became the Management Board's president. Between 2005 and 2009, Jakub Papierski was a Chairman in the Programme Council of Akademia Liderów Rynku Kapitałowego established at the Lesław Paga Foundation; and now he is a member of the Programme Council. Member of Supervisory Board of: PKO BP Bankowy PTE SA, PKO Leasing SA and PKO BP Faktoring SA, Kredobank SA and vice president of the Supervisory Board of Bank Pocztowy SA.

Table 34. Other functions performed by the Management Board Members of PKO Bank Polski SA (as at 31.12.2015)

No.	Member of the Bank's Management Board	Function
1.	Zbigniew Jagiełło President of the Management Board	President of the Assets and Liabilities Committee
		President of the IT Security Committee
		President of the Risk Committee
		President of the Strategy Committee
2.	Piotr Alicki Vice-President of the Management Board	President of the IT Architecture Committee
		Vice-President of IT Security Committee
		Member of the Strategy Committee
		1st Vice-President of the Operational Risk Committee
		Member of the Risk Committee
		Member of the Data Quality Committee
3.	Bartosz Drabikowski Vice-President of the Management Board	President of the Expenses Committee
		President of the Data Quality Committee
		1st Vice-President of the Assets and Liabilities Management Committee
		Member of the Strategy Committee
		2nd Vice-President of the Operational Risk Committee
		Member of the Risk Committee
4	Piotr Mazur Vice-President of the Management Board	President of the Credit Committee
		President of the Operational Risk Committee
		Vice-President of the Risk Committee
		2nd Vice-President of the Assets and Liabilities Management Committee
		Member of the IT Security Committee
		Member of the Strategy Committee
		Member of the Data Quality Committee
5.	Jarosław Myjak Vice-President of the Management Board	Member of the Strategy Committee
		Member of the Risk Committee
6.	Jacek Obłękowski Vice-President of the Management Board	Vice-President of the Data Quality Committee
		Member of the Risk Committee
		Member of the Strategy Committee
7.	Jakub Papierski Vice-President of the Management Board	Vice-President of the Credit Committee
		Member of the Risk Committee
		Member of the Strategy Committee
		Member of the Data Quality Committee

In addition to above, members of the Management Board also participated in non-permanent Steering Committees set up as a part of term projects.

Changes in the composition of the Management Board in 2015

In 2015, the Management Board composition has not changed.

Rules of operations of the Bank's Management Board

The manner of functioning of the Management Board is defined in the Regulation adopted by the Management Board and approved by the Supervisory Board.
Management Board makes decisions as resolutions. The resolutions of the Management Board are passed by an absolute majority of the votes of those present at the meeting of the Management Board. In the case of a voting tie, the President of the Management Board has the casting vote.
Statements on behalf of the Bank are made by:

- President of the Management Board independently,
- two members of the Management Board together or one member of the Management Board together with a proxy,
- two proxies acting together, or
- proxies acting independently or jointly within the limits of granted authorisation.

The Bank's Management Board competencies

In accordance with § 20 clause 1 of the Memorandum of Association of PKO Bank Polski SA, the competences of the Management Board include all matters associated with the running of PKO Bank Polski SA's business, with the exception of those restricted for the competence of the General Shareholders' Meeting or the Supervisory Board based on generally applicable law or the provisions of the Memorandum of Association of PKO Bank Polski SA, including purchasing and disposing of real properties, shares in real properties or the perpetual usufruct of land not requiring the approval of the General Shareholders' Meeting based on § 9 clause 1 item 5 of the Memorandum of Association of PKO Bank Polski SA.

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In accordance with § 20 clause 2 of the Memorandum of Association of PKO Bank Polski SA, the competences of the Management Board include making decisions on incurring liabilities or disposing of assets whose total value, in relation to one entity, exceeds 5% of own funds, with prejudice to the competences of the General Shareholders' Meeting specified in § 9 of the Memorandum of Association of PKO Bank Polski SA specified in § 15 of the Memorandum of Association of PKO Bank Polski SA.
The Management Board passes specifically the following in the form of resolutions:

- determines the strategy of PKO Bank Polski SA,
- determines the annual financial plan, including the terms of its execution,
- passes the organisational regulations and the principles for segregation of duties,
- establishes and dissolves permanent committees of the Bank and determines their competences,
- passes the Internal Regulations of the Management Board,
- determines the internal regulations for managing the special funds set up from the net profit,
- determines the dividend payment dates in periods specified by the General Shareholders' Meeting,
- appoints proxies,
- determines bank products and other banking and financial services,
- determines the principles for participation of PKO Bank Polski SA in other companies and organisations,
- determines the principles of operation of the internal control and annual plans of internal audits,
- establishes, transforms and liquidates organisational entities of PKO Bank Polski SA in Poland and abroad,
- defines the system of efficient risk management, internal control and internal capital estimate.

Committees of the Bank's Management Board

In 2015 there were the following permanent committees in which Members of the Bank's Management Board operated:

1) **The Assets and Liabilities Committee** of PKO Bank Polski SA, whose purpose is managing assets and equity and liabilities by influencing the structure of PKO Bank Polski SA statement of financial position and its off-balance sheet items in a manner conducive to achieving the optimum financial result. The Committee supports the Management Board in the following areas of the Bank's operations:

- shaping the structure of the Bank's statement of financial position,
- capital adequacy management,
- managing profitability, taking into account the specific nature of the individual areas of activity and respective risks,
- managing financial risk, of which market and liquidity risks, the business and credit risk (settlement and pre-settlement) of transaction on the wholesale market.

In particular, the Committee makes decisions concerning:

- limits related to the financial risks,
- limits related to settlement and credit transaction on the wholesale market,
- investment limits,
- limits specifying the appetite for portfolio credit risk,
- the ratios adjusting the transfer prices including individual rates of these ratios, and the method of their application,
- transfer prices for items classified in the investment bank portfolio in the Treasury Department,
- liquidity profile for the purpose of establishing transfer prices and replicated interest rate risk profiles,
- portfolio models and parameters, used for establishing impairment allowances and write-downs on loan exposures,
- significant financial and business risk models and their parameters.

The Committee issues recommendations to the Management Board or the Management Board Members, especially related to:

- shaping the structure of the statement of financial position,
- risk management: financial, settlement and pre-settlement transactions on wholesale and business market,
- launching of capital-related emergency activities and the capital needs,
- pricing policy in the individual business areas and interest rate levels and minimum lending margins,
- the financial model, including the principles for determining the management results and the transfer pricing system,
- hedging strategies as part of hedge accounting,
- taking any reorganisation actions after conducted comprehensive stress-tests.

2) **The Risk Committee**, the objective of which is to design strategic directions and tasks in the scope of banking risk in the context of the Bank's strategy and conditions arising from the macroeconomic situation and the regulatory environment, analysing periodic reports related to the banking risks and developing appropriate guidance on their basis, as well as preparing the banking risk management strategy and its periodic verification. The tasks of the Committee include, in particular:

- monitoring the integrity, adequacy and effectiveness of the banking risk management system, capital adequacy and allocation of internal capital to individual business lines and implementing the risk management policy executed as part of the Bank's adopted Strategy,

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- analysing and evaluating the utilisation of strategic risk limits set in the Banking Risk Management Strategy,
- giving opinions on cyclical risk reports submitted for approval to the Supervisory Board and taking into account the information from the reports when issuing opinions.

3) **The Loan Committee of the Bank**, whose objective is credit risk management and mitigating of credit risk when making lending decisions or decisions concerning the non-performing loans management in PKO Bank Polski SA, and management of risk of occurring negative financial or reputation effects as a result of making incorrect business decisions on the basis of the credit risk models. The competencies of the Loan Committee include, in particular:

- making decisions in matters relating to the segregation of competencies for making lending and selling decisions, managing non-performing loans, industry and client limits, and securing the debt of PKO Bank Polski SA,
- making decisions related to credit risk models, in particular in the range of: models and credit policy parameters used in determining the scoring or rating evaluation, models and credit risk parameters consistent with the internal ratings method, the results of the validation of significant credit risk models and related proposals for changes in models, reports on the status of implementation of recommendations after validation; insignificant credit risk models; from monitoring of significant models and the quality of loan portfolios, for which credit risk models are used.
- issuing recommendations for the Management Board of PKO Bank Polski SA in matters relating to making decisions about lending transactions and changes in the material terms and conditions of these transactions, client internal limits, non-performing loans management, credit risk models, particularly in the field of credit policy parameters, which, due to external regulations, require the approval of the Management Board or the Supervisory Board.
- issuing an opinion concerning applications of credit transactions, leasing transactions or factoring transactions led by the entities of PKO Bank Polski SA Group, restructuring and debt collection clients of KREDOBANK SA and on significant credit risk models in the companies of the Bank Group.

4) **The Operational Risk Committee**, whose purpose is to effectively manage operational risk, increasing safety of the Bank operating activity. The Committee's tasks include:

- determining the directions of operational risk management development,
- supervising the operation of the operational risk management,
- coordinating operational risk management,
- determining measures to be taken in case of an emergency which exposes the Bank to reputational risk and results in operating losses.

5) **The Expense Committee** of PKO Bank Polski SA, whose tasks include specifically:

- granting approval, expressing opinions on overheads and administrative expenses of on-going operations, arising from new agreements or annexes to existing agreements, and granting approval to exceed the budget of overheads and other administrative expenses of on-going operations, in accordance with the Bank's internal cost management regulations,
- granting approval for further actions relating to areas identified as empty and refusing approval for new locations, in accordance with the Bank's internal real estate management regulations,
- making decisions concerning projects, including i.e. the approval of project applications, approval and recommendation of project plans, approval of significant changes in projects, making decisions to suspend project execution or close projects, approval of assessments of the objectives achieved and effects of projects, in accordance with the Bank's internal regulations on project and investment management,
- transfers of funds between the costs of on-going operations and the costs of projects or investments,
- approval of capital expenditure relating to the execution of tasks which do not meet the criteria of projects or investments.

6) **The Strategy Committee**, which objective is to supervise the strategic planning process and to manage the Bank's strategy referred to in the Bank's Memorandum of Association (§22 clause 5 item 1). The tasks of the Committee include in particular:

- managing the activities related to strategy development and implementation,
- approving the strategy development schedule and strategy implementation schedule,
- making key decisions necessary to ensuring the strategy's execution, including implementation of strategic programmes,
- resolving any disputes arising during the work on individual strategic programmes.

7) **The IT Architecture Committee** of PKO Bank Polski SA, whose objective is to develop an IT architecture ensuring the implementation of the Bank's Strategy by performing the following tasks:

- developing the key assumptions of the IT architecture of the Bank (the principles),
- evaluating the IT architecture functioning in the Bank on a periodical basis,
- developing a target architecture model,
- initiating measures aimed at achieving the target architecture model.

8) **The Committee for IT Safety** which objective is to increase the effectiveness of supervision and control over the information system's safety in PKO Bank Polski SA (SIB). The Committee's tasks include issuing recommendations on the SIB safety, in particular related to:

- coordinating and monitoring work related to the SIB safety,
- setting the directions for the Bank's activities within the scope of SIB safety,

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- specifying the desirable activities, which in the Committee's opinion should be undertaken in the event of emergency situations which put the Bank's image at risk and cause operating or financial losses in the area of SIB safety,
- monitoring the risk related to SIB safety.

9) **Data Quality Committee** which objective is to design strategic directions for the activities relating to data quality management and data architecture at the Bank in the context of the Data Management System (DMS), to supervise its operations, and to assess its effectiveness and the activities undertaken by the individual organisational teams and units. The Committee's tasks include making decisions about data management at the Bank, in particular those relating to:

- directions for the development of the DMS,
- recommendations for the organisational teams and units of the Head Office, regarding data management activities,
- detailed data management solutions,
- assessing the effectiveness of the operations of the DMS, determining priority measures as part of the DMS, and drawing up periodical action plans,
- assigning ownership to groups of data,
- resolving disputes over the DMS at the request of the Committee members,
- accepting – particularly in cases justified by the need to ensure the Bank's continued operations – deviations from data quality criteria and rules as well as data quality solutions standards.

Moreover, in addition to those mentioned above, members of the Bank's Management Board also participated in the non-permanent committees, including steering committees set up as a part of realised projects.

8.4 Additional information about managers and supervisors

8.4.1 Shares of PKO Bank Polski SA held by the Bank's authorities

The Bank's shares held by the members of the Management Board and the Supervisory Board of PKO Bank Polski SA as at 31 December 2015 are presented in the table below. The nominal value of each share is PLN 1.

Table 35. Shares of PKO Bank Polski SA held by the Bank's authorities

No.	Name and surname	Number of shares as at 31.12.2015	Buy	Sell	Number of shares as at 31.12.2014
I.	**Board Members**				
1.	Zbigniew Jagiełło, President of the Board	11 000	1 000	0	10 000
2.	Piotr Alicki, Vice-President of the Board	2 627	0	0	2 627
3.	Bartosz Drabikowski, Vice-President of the Board	0	0	0	0
4.	Piotr Mazur, Vice-President of the Board	4 500	0	0	4 500
5.	Jarosław Myjak, Vice-President of the Board	0	0	0	0
6.	Jacek Obłękowski, Vice-President of the Board	512	0	0	512
7.	Jakub Papierski, Vice-President of the Board	3 000	0	0	3 000
II.	**Supervisory Board Members**				
1.	Jerzy Góra, President of the Supervisory Board	0	0	0	0
2.	Mirosław Czekaj, Vice-President of the Supervisory Board	0	0	0	0
3.	Małgorzata Dec-Kruczkowska, Secretary of the Supervisory Board*	0	x	x	x
4.	Zofia Dzik, Supervisory Board Member	0	0	0	0
5.	Krzysztof Kilian, Supervisory Board Member*	0	x	x	x
6.	Elżbieta Mączyńska-Ziemacka, Supervisory Board Member	0	0	0	0
7.	Piotr Marczak, Supervisory Board Member	0	0	0	0
8.	Marek Mroczkowski, Supervisory Board Member	0	0	0	0

**) Supervisory Board Members at post as at 31.12.2014*

As at 31 December 2014, Members of the Supervisory Board and the Management Board of PKO Bank Polski SA did not hold shares in companies related to PKO Bank Polski SA defined as subsidiaries, jointly controlled entities and associates.

9. OTHER INFORMATION

Off-balance sheet liabilities granted

At the end of 2015, guarantees and other financial off-balance sheet liabilities granted with respect to related parties of the PKO Bank Polski SA amounted to PLN 2 301.2 million and decreased by PLN 1 037.7 million as compared to the end of 2014
The largest off-balance sheet liabilities granted are related to the following entities:

- PKO Leasing SA – PLN 1 396.7 million,
- PKO BP Faktoring SA. – PLN 522.3 million.

All above mentioned transactions with related parties were concluded on arm's length. The details of related party transactions are presented in the financial statements of PKO Bank Polski SA for the year 2015.

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At the end of 2015, guarantees and other financial off-balance sheet liabilities granted with respect to related parties of the PKO Bank Polski SA Group amounted to PLN 3.1 million and decreased by PLN 2.8 million as compared to the end of 2014. The largest off-balance sheet liability relates to Centrum Elektronicznych Usług Płatniczych eService Sp. z o.o. (PLN 2.0 million).

Reacquisition of own shares

During the period covered by this Report, PKO Bank Polski SA did not re-acquire its shares on its own account.

Information about the activities of the PKO Bank Polski SA outside the territory of the Republic of Poland

Data in thousand PLN	Profit/loss before tax	Income tax	Profit	Number of employees
In European Union:				
PKO Finance AB	2 409	-544	1 864	0
In third countries:				
KREDOBANK SA Group	24 171	-5 255	18 916	2 043

Financial data are derived from financial statements of above companies and prepared in accordance with IFRS applicable in the PKO Bank Polski SA.
In companies of PKO Finance AB performance of the functions of the members of the Board is based on the ratio of corporate governance.

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

In 2015, PKO Bank Polski SA disclosed in its current reports all the agreements with clients for which the total value of services arising from long-term agreements with the given client meets the criteria defined in the Decree of the Minister of Finance of 19 February 2009 on current and periodical information submitted by issuers of securities and the conditions of considering as equivalent the information required by law of a non-member country (Journal of Laws No. 33, item 259).
In 2015, the Bank did not conclude any significant agreements with the central bank or supervisory authorities.

As at the date of the financial statements preparation, PKO Bank Polski SA is not aware of any agreements as a result of which changes may occur in the future in the proportions of shares held by the current shareholders.

On 12 September 2014, KREDOBANK SA and the National Bank of Ukraine concluded the "Agreement on improving the profitability of KREDOBANK SA" whose main points are a reduction to less than 10% share of assets classified according to the classification of the National Bank of Ukraine to the category of doubtful or lost, and an increase in share capital of KREDOBANK SA. In 2015, the National Bank of Ukraine granted a permission to KREDOBANK SA to repay ahead of schedule a subordinated loan, granted by PKO Bank Polski SA, in the amount of USD 15 million and to allocate resources to increase the share capital of KREDOBANK SA. In September 2015 subordinated loan was repaid, and in November 2015, PKO Bank Polski SA paid acquisition of 33 billion shares with a total nominal value and issue price of UAH 330 million.
As at the end of 2015 of KREDOBANK SA fulfilled all obligations arising from the agreement - an official confirmation will be issued on the basis of the final financial statements of 2015.

Published forecasts related to financial results for 2015

PKO Bank Polski SA did not publish forecasts related to financial results for 2015.

Guarantees and loan commitments granted

As at 31 December 2015, the total value of guarantees and loan commitments granted amounted to PLN 57 572.0 million with loan commitments making up 73.9% of this amount. Total rate of growth of guarantees and loan commitments granted amounted to 8.9% y/y, mainly due to the increase in financial liabilities granted to non-financial entities.

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Table 36. Off-balance sheet liabilities granted (in PLN million)

Specification	31.12.2015	31.12.2014	Change (mPLN)	Change (%)
Loan commitments	**42 544.4**	**38 333.1**	**4 211.3**	**11.0%**
financial entities	2 306.2	534.0	1 772.20	4.3x
non-financials	36 157.9	34 540.6	1 617.3	4.7%
budgetary entities	4 080.4	3 258.6	821.8	25.2%
of which: irrevocable	*30 513.9*	*27 730.8*	*2 783.0*	*10.0%*
The guarantees granted:	**15 027.6**	**14 539.5**	**488.0**	**3.4%**
financial entities	729.2	179.7	549.5	4.1x
non-financials	14 231.7	14 282.9	(51.2)	-0.4%
budgetary entities	66.72	76.92	(10.2)	-13.3%
Total	**57 572.0**	**52 872.6**	**4 699.3**	**8.9%**

Loans and advances taken, guarantees and warranties agreements

In 2015, PKO Bank Polski SA did not take out any loans or advances or receive any guarantees or warranties that were not related to operating activity of PKO Bank Polski SA.

In 2015, KREDOBANK SA did not take out any loans or advances or receive any guarantees or warranties that were not related to its operating activity.

Underwriting agreements and guarantees granted to subsidiaries

As at 31 December 2015 issues of PKO Leasing SA (the Bank's subsidiary) bonds were regulated by the Underwriting Agreement for the Organisation, Conducting and Servicing of the Bond Issuance Programme as at 10 November 2011, in accordance with which the maximum value of the programme was PLN 600 million.

As at 31 December 2015 PKO Leasing SA issued bonds for a total of PLN 365 million, including bonds with a value of PLN 365 million sold on the secondary market and 24 bonds with a value of PLN 0.24 million held in the portfolio of PKO Bank Polski SA.

In 2015 PKO Bank Polski SA:

- granted a guarantee up to EUR 44 million to European Investment Bank (EBI) in respect of the repayment of the loan; guarantee was issued for the period ending 14 September 2024,
- granted a guarantee up to EUR 57.5 million to PKO Leasing SA in respect of the repayment of the loan to Council of Europe Development Bank (CEB); guarantee was issued for the period ending 30 September 2023,
- granted a guarantee up to PLN 489 thousands to PKO Leasing SA in respect of office space rent; guarantee was issued for the period ending 30 June 2018,
- granted a guarantee up to PLN 30 thousands to PKO Leasing SA in respect of office space rent; guarantee was issued for the period ending 8 December 2020,
- extended duration and increased value of the guarantee granted to PKO Życie Towarzystwo Ubezpieczeń SA in respect of lease of office space; guarantee in the amount of 215 thousand EUR has been issued for a period up to 30 April 2016.

Enforceable titles issued

In 2015, PKO Bank Polski SA issued 4 939 banking enforceable titles for a total amount of PLN 951.6 million, CHF 2.2 million and EUR 0.3 million.

In the case of KREDOBANK SA, the Ukrainian law does not allow to issue enforceable titles as defined in the Polish Banking Law. In accordance with the Ukrainian law, bank liabilities are pursued in a court of law based on the provisions of the Code of Civil Procedure and Code of Economic Procedure.

PKO Mortgage Bank SA in 2015 not issued banking enforcement orders.

Debt write-offs

The PKO Bank Polski SA in 2014, reduced a credits and loans impairment write-off to customers amounted to PLN 1 233 million.

In the first quarter of 2015 PKO Bank Polski SA wrote- off USD 8.250 thousand loans granted to Financial Company " Prywatne Inwestycje" Sp. o.o. and USD 8 284 thousand loans granted to Financial Company "Idea Capital" Sp. o.o. as well as the interest due to the above loans (outstanding loans). Write-offs were carried out on a request from the companies due to the economic situation in Ukraine, including in particular a progressive devaluation of the hryvnia resulting in the lack of the possibility to generate by the Companies revenues in respect of

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recoveries of receivables in UAH at the level required to repay the loans received from the Bank and the limitations of the National Bank of Ukraine exchange and transfer of currency abroad.

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

As of 31 December 2015, the total value of court proceedings against the PKO Bank Polski SA Group entities (including the Bank) amounted to PLN 638 019 thousand, of which PLN 45 792 thousand concerned court proceedings in Ukraine (as at 31 December 2014 the total value of above mentioned court proceedings amounted to PLN 427 555 thousand), while the total value of court proceedings initiated by the PKO Bank Polski SA Group entities (including the Bank) as at 31 December 2015 amounted to PLN 697 041 thousand, of which PLN 98 680 thousand concerned court proceedings in Ukraine, related mainly to recovery of loans granted by KREDOBANK SA (as at 31 December 2014 the total value of the above mentioned court proceedings amounted to PLN 767 505 thousand).[13].

Neither the Bank nor the other Group entities have conducted any proceedings pending before court, arbitration tribunal or public administration authority concerning liabilities or receivables, the value of which amounts to at least 10% of the own funds of PKO Bank Polski SA.

Proxies, Management Board meetings and execution of the resolutions of the General Shareholders' Meeting

As at 31 December 2015 there were 6 proxies of the Bank.
By resolution No. 593/D/2015 of the Management Board of 7 September 2015 on the appeal and granting proxies, 7 existing proxies were cancelled and 6 new total proxies were granted. By decision of the District Court for the Capital City of Warsaw in Warsaw XIII Economic Department of the National Court Register dated 2 October 2015, the information of Bank proxies was changed (Marek Wieczorkowicz was relieved from the office) and changed (due to changes in the Statue of the Bank in September 2015, including § 21 concerning submission of declarations of will on behalf of the Bank) record with the National Court concerning the type of proxy i.e. the total proxy, which authorizes each proxies to act jointly with a member of the Board or other proxy.

On 23 September 2015, a member of the Supervisory Board Ms Mirosława Boryczka resigned from the membership of the Supervisory Board. By decision of the District Court for the Capital City of Warsaw in Warsaw XIII Economic Department of the National Court Register, dated 17 November 2015, the change in the composition of the Supervisory Board was registered with the National Court Register of the Bank.

In 2015, the Bank's Management Board held 52 meetings and adopted 857 resolutions.
Major actions and decisions of the Management Board, which affected the Bank's financial position and operations, are presented in different parts of this Directors' Report.

Factors which will affect future financial performance of the PKO Bank Polski SA Group

In the near future, the results of the PKO Bank Polski SA Group will be affected by economic processes which will take place in Poland and in the global economy as well as by reactions of the financial markets. The interest rate policy applied by the Monetary Policy Council and key central banks will also have a great impact on future performance. Specific predictions about trends in the economy are covered in this report in section 2.7.

The tax on bank assets is an important factor that will influence situation of the Bank and the entire financial sector and the economy. Additional tax burden will contribute to decline in net profit of the Bank and the sector in 2016. In the medium term it will contribute to reduction of lending potential across sector and return on equity. This mainly concerns banks with the lowest return on assets and at the same time the highest capital leverage.

Bank as a member of Visa Europe Limited is among the beneficiaries of the Transaction. Estimated Bank's share (excluding potential deferred payment of "earn-out") is expected to be EUR 88 875 thousand (which is equivalent to PLN 378 741 thousand according to NBP average exchange rate of 31 December 2015), including EUR 66 167 thousand that will be paid in cash and EUR 22 708 thousand paid with Visa Inc. shares. These amounts are not final and may change due to the complaint filed by the Bank subject to the proposed method of determining the Bank's participation in the settlement of the transaction and possible objections of the remaining members of Visa Europe Limited. The final settlement of amounts due to the Bank should take place by the 30 June 2016. Additional deferred payment of "earn-out" is possible. It would be paid in cash after sixteen quarters from the date of transaction settlement, but its real value is currently not possible to determine. The transaction is subject to receipt of applicable regulatory approvals.

The financial results of the PKO Bank Polski SA will also be influenced by political and economic situation of Ukraine. There are entities from the Bank Group operating in Ukraine: KREDOBANK SA and financial services and debt collection companies. In February 2015 there was a substantial depreciation of the Ukrainian hryvnia against foreign currencies, including the Polish zloty. Since the beginning of March 2015, after interest rates had been significantly raised, deprecation of hryvnia has significantly slowed down. The Law of the Supreme Council of Ukraine on currency conversion of loans granted to individuals and their partial write-off by the exchange rate from before the crisis was vetoed by the President of Ukraine. The works on the act is still lasting - in February 2016 a new project has been revealed, which involves restructuring of FX mortgage loans taken for the purchase of one apartment, converting a loan currency at the exchange rate from the date of conversion and

[13] The above-mentioned values does not take into account legal disputes of KREDOBANK SA concerning taxes described in consolidated financial statements of the PKO Bank Polski SA Group in the note on income tax..

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partial write-off of the amount of restructured debt.
An analysis has been carried out in the context of the impact of the possible restructuring on the financial results and the risk of a deterioration in asset quality of the Group in Ukraine. PKO Bank Polski SA continues efforts to ensure the safe operation of its companies in Ukraine by strengthening the supervisory activities, including monitoring of development of regulatory requirements set by the National Bank of Ukraine.

Seasonality or cyclical nature of activities in the reporting period

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

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

The results of changes in the entity's structure, including the results of merger, takeover or disposal of the Group entities have been described in section 4 of this Directors' Report.

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

In 2015, PKO Bank Polski SA disclosed in its current reports all the agreements with clients for which the total value of services arising from long-term agreements with the given client met the criteria defined in the Decree of the Minister of Finance of 19 February 2009 on current and periodical information submitted by issuers of securities and the conditions of considering as equivalent the information required by law of a non-member country (Journal of Laws No. 33, item 259).
In 2015 the PKO Bank Polski SA's subsidiaries did not grant any warranties on loan or advance or a guarantee to a single entity or its subsidiary that would constitute at least 10% of the Bank's own funds.

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

In 2015, PKO Bank Polski SA provided on an arm's length basis the following services to related (subordinated) entities on maintaining bank accounts, accepting deposits, granting loans and advances, issuing debt securities, granting guarantees and concluding foreign exchange transactions and offering participation units in funds, lease products, factoring products and insurance products offered by the PKO Bank Polski SA Group companies. At the same time, it rented space in the Centrum Finansowe Puławska building in Warsaw to selected Group entities.
A list of major transactions concluded by PKO Bank Polski SA with subordinated entities, including their indebtedness in relation to the Bank as at 31 December 2015 was presented in the Standalone Financial Statements of PKO Bank Polski SA for the year ended 31 December 2015.
In 2015 the subsidiaries of PKO Bank Polski SA did not conclude any material transaction with related parties not on arm's length.

Subsequent events

1) On 9th of January 2016, PKO Insurance Company launched the first offer of property insurance for individual customers of PKO Bank Polski SA, who are holders of credit cards. The proposed insurance provides protection in case of loss of income sources or hospital treatment resulting from an accident of the insured. On February 13, 2016, the Company began selling insurance covering loss of income for cash loan customers in PKO Bank Polish SA, and on February 15, 2016, the sale of real estate insurance, chattels, OC in private life, Assistance and loss of income for the clients of PKO Bank Polski SA and mortgage Bank PKO SA taking mortgages.
2) On 20 January 2016 the Extraordinary General Meeting of PKO Insurance Company passed resolution to increase the Company's share capital through the acquisition of 5 000 PKO Bank Polish SA shares with a nominal value of PLN 1 000 each and an issue price of PLN 4 400 each, that is, for a total amount of PLN 22 000 thousand. The above-mentioned increase requires the approval of the Polish Financial Supervisory Commission (amendment of the Statue) and registration with the National Court Register.
3) On 26 January 2016, PKO Bank Hipoteczny SA finalized the subsequent transfer of mortgages from PKO Bank Polski SA for a total amount of PLN 251 279 thousand.
4) On 29 January 2016 the National Court Register recorded an decrease of the capital share of PKO BP Finat Sp. 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.
5) On February 3, 2016, Extraordinary General Meeting of Shareholders composed of Qualia Hotel Management LLC, Qualia - Residence LLC and Qualia LLC shareholders - Pomeranka LLP made resolutions concerning merger of the aforementioned companies. The merger will be done through the transfer of all assets of Qualia company - Residence Flotylla LLC and Qualia LLC - Pomeranka LLP (the acquired companies) to the company Qualia Hotel Management LLC (the acquiring company). The above-mentioned merger had been registered with the National Court Register on 29 February 2016.
6) On 25 February 2016 the Extraordinary General Shareholders' Meeting of the Bank on the basis of Article 385 § 1 of the Commercial Companies Code 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.

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Moreover the Extraordinary General Shareholders' Meeting of the Bank on the basis of Article 385 § 1 of the Commercial Companies Code appointed the Supervisory Board: Mr Mirosław Barszcz, Mr Adam Budnikowski, Mr Wojciech Jasiński, Mr Andrzej Kisielewicz, Mr Janusz Ostaszewski, Mr Piotr Sadownik and Mrs Agnieszka Winnik – Kalemba.
The State Treasury, as the Entitled Shareholder on the basis of § 12 clause 1 of the Bank's Statue appointed Mr Piotr Sadownik as Chairman of the Supervisory Board of the Bank and Mrs Agnieszka Winnik – Kalemba as Deputy-Chairman of the Supervisory Board of the Bank.

7) On 25 February 2016, the Extraordinary General Meeting adopted a resolution on amendments to the Articles of Association of the Bank.

The adopted changes concerned i.e. procedure of appointing members of the Management Board. In place of provisions of the Articles of Association (§ 15 clause 1 item 8), whereby the Supervisory Board appoints and dismisses members of the Board at the request of the President, according to the adopted resolution such an appointment will not occur at the request of the President.

By adopting the resolution of the Extraordinary General Meeting the provision of the Articles of Association, according to which a member of the Board may be dismissed only for important reasons (§ 19 clause 4 of the Articles of Association) was deleted.

According to the adopted amendment to § 23 clause 1 point 4 of the Articles of Association, subordination of various areas of the Bank to the members of the Board shall be established by the Regulation of the Board, approved in accordance with § 15 clause 1 point 11 letter a) indent 1 by the Supervisory Board.

Change of § 23 clause 3 serves an indication of the solid person who will lead the work of the Board in the absence of the President or the failure to appoint deputy in the absence of the supervisors of the Board.

The changes will come into force on the date of their registration with the registration court.

8) On 29 January 2016, the Bank concluded a guarantee agreement with a counterparty (the "Counterparty" or the "Guarantor") providing for unfunded credit protection with respect of a portfolio of selected corporate exposures of the Bank, within the meaning of the CRR regulation ((the "Guarantee" and the "Guarantee Agreement" respectively). The value of the portfolio covered under the Guarantee (amount of the Guarantee) amounts (after rounding) to 5 034 581 272 PLN.

The maximum time of the coverage under the Guarantee is 36 months, however the Bank shall be entitled to unilaterally terminate the Guarantee prior to the expiry of this period. The Guarantee Agreement provides for liquidated damages (contractual penalties) shall not exceed 24 000 000 PLN. The Guarantee Agreement does not preclude from seeking redress of further damages exceeding the sum of liquidated damages (contractual penalties).

9) On 29 February 2016, the Bank conclude a guarantee agreement with a counterparty (the "Counterparty" or the "Guarantor") providing for unfunded credit protection with respect of a portfolio of selected corporate exposures of the Bank, within the meaning of the CRR regulation (the "Guarantee" and the "Guarantee Agreement" respectively).

The value of the portfolio covered under the Guarantee (amount of the Guarantee) amounts (after rounding) to 1 203 770 732 PLN. Maximum time of the coverage under the Guarantee is 36 months, however the Bank shall be entitled to unilaterally terminate the Guarantee prior to the expiry of this period. The Guarantee Agreement provides for liquidated damages (contractual penalties) that may be due to the Guarantor from the Bank in case of a breach of certain obligations of PKO Bank Polski under the Guarantee Agreement. The total amount of these liquidated damages (contractual penalties) shall not exceed 26 000 000 PLN. The Guarantee Agreement does not preclude from seeking redress of further damages exceeding the sum of liquidated damages (contractual penalties).

Total value of the agreement concluded by the Bank with a Counterparty and its subsidiaries within last 12 months is 6 238 351 995 PLN. Guarantee Agreement constitute the largest of the contracts concluded by the Bank and Contractor or its subsidiaries in the last 12 months

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Bank Polski

Declaration of the Management Board

The Management Board of PKO Bank Polski SA certifies that, to the best of its knowledge:

- the annual financial statements and comparative data have been prepared in accordance with binding accounting and reporting standards and present a true, fair and transparent view of financial condition and results of the PKO Bank Polski SA Group,
- the annual Directors' Report of the PKO Bank Polski SA Group presents a true view of the development and achievements as well as condition of the PKO Bank Polski SA Group, including a description of the basic risks and threats.

The Management Board of PKO Bank Polski SA certifies that the entity authorised to audit the financial statements and which is performing the audit of annual consolidated financial statements, has been elected in compliance with applicable laws. The entity as well as the certified auditors performing the audit fulfilled all criteria for providing unbiased and independent audit opinion in compliance with applicable laws and professional norms.

The PKO Bank Polski SA Group Directors' Report for the year 2015 consists of 100 subsequently numbered pages.

Signatures of all members of the Management Board

01.03.2016	Zbigniew Jagiełło	President of the Management Board	..... (signature)
01.03.2016	Piotr Alicki	Vice-President of the Management Board	..... (signature)
01.03.2016	Bartosz Drabikowski	Vice-President of the Management Board	..... (signature)
01.03.2016	Piotr Mazur	Vice-President of the Management Board	..... (signature)
01.03.2016	Jarosław Myjak	Vice-President of the Management Board	..... (signature)
01.03.2016	Jacek Obłękowski	Vice-President of the Management Board	..... (signature)
01.03.2016	Jakub Papierski	Vice-President of the Management Board	..... (signature)