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Operational Segments

Information about operating segments has been prepared based on the reporting structure which is used by the Management Board of the Bank for evaluation the results and managing resources of operating segments. Group does not apply additional breakdown of activity by geographical areas because of the insignificant scale of operations performed outside the Poland, in result such complementary division is not presented.

The Group's activity is pursued on the basis of diverse business lines, which offer specific products and services targeted at the market segments listed below:

a) Retail Customers Segment

The Retail Customers Segment covers activity targeted at mass-market Customers, affluent Customers, small companies and individual entrepreneurs.

The activity of the above business lines is developed with use of the full offer of banking products and services as well as sales of specialised products offered by subsidiaries in the group. In the credit area

the key products are mortgage loans, cash loans, overdrafts, credit card revolving credit and leasing products for small companies. Meanwhile key Customers funds include: current accounts, term deposits, mutual funds and structured products. Additionally the offer comprises insurance products, mainly linked with loans and credit cards, as well as specialised savings products. The product offer for affluent customers was enriched to include selected mutual funds of other financial intermediaries, foreign funds and structured bonds issued by the Bank.

b) Corporate Customers Segment

The Corporate Customers Segment is based on activity targeted at Small and Medium sized Companies as well as Large Corporations. The offer is also addressed to Customers from the Public Sector.

Business in the Corporate Customers segment is pursued with use of a high quality offer of typical banking products (loans for day-to-day activity, investment loans, current accounts, term deposits) supplemented by a range of cash management products as well as treasury products (including derivatives) and leasing and factoring services.

c) Treasury, ALM (assets and liabilities management) and Other

This segment covers the Group's activity as regards investments by the Treasury Department, brokerage, inter-bank market transactions and taking positions in debt securities, which are not assigned to other segments. This segment includes other assets and other liabilities, assets and liabilities connected with hedging derivatives, liabilities connected with external funding of the Group and deferred income tax assets not assigned to any of the segments.

Income tax charge has been presented on Group level only.

For each segment the pre-tax profit is determined, comprising:

- Net interest income calculated on the basis of interest on external working assets and liabilities of the segment as well as allocated assets and liabilities generating internal interest income or cost. Internal income and costs are calculated based on market interest rates with internal valuation model applied;
- Net commission income;
- Other income from financial transactions and FX gains, such as: dividend income, result on investment and trading activity, FX gains/losses and result on other financial instruments;
- Other operating income and expenses;
- Costs on account of impairment of financial and non-financial assets;
- Segment share in operating costs, including personnel and administration costs;
- Segment share in depreciation costs.

The assets and liabilities of commercial segments are the operating assets and liabilities used by the segment in its operations, allocated on business grounds. The difference between operating assets and liabilities is covered by money market assets/liabilities and debt securities. The assets and liabilities of

the Treasury, ALM & Other segment are money market assets/liabilities and debt securities not allocated to commercial segments.

Following a review of the methodology during 2014, the Group has made changes in the allocation of income and cost mainly of derivatives related to the funding of foreign currency loan portfolio between operational segments. As a result, comparable results were adjusted accordingly.

Income statement 1.01.2014 – 31.12.2014

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Net interest income	1.138.492	320.952	-5.325	1.454.119
Net fee and commission income	475.865	132.318	3.490	611.673
Dividends, other income from financial operations and foreign exchange profit	94.195	55.656	53.283	203.134
Other operating income and cost	-6.704	-5.003	-41.664	-53.371
Operating income	1.701.848	503.923	9.784	2.215.555
Staff costs	-379.268	-137.823	-29.922	-547.014
Administrative costs	-413.544	-64.433	-31.063	-509.039
Depreciation and amortization	-48.828	-5.605	-893	-55.326
Operating expenses	-841.640	-207.861	-61.878	-1.111.379
Impairment losses on assets	-126.016	-139.069	-386	-265.471
Operating Profit	734.192	156.993	-52.480	838.705
Share in net profit of associated companies	0	0	-246	-246
Profit / (loss) before taxes	734.192	156.993	-52.726	838.459
Income taxes				-187.539
Profit / (loss) after taxes				650.920

Balance sheet items as at 31.12.2014

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Liabilities to customers	31.583.420	15.871.556	136.268	47.591.244
Loans and advances to customers	32.214.664	11.928.035	0	44.142.699

Income statement 1.01.2013 – 31.12.2013

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Net interest income	952.207	320.595	-52.751	1.220.051
Net fee and commission income	457.754	126.538	4.445	588.737
Dividends, other income from financial operations and foreign exchange profit	99.694	48.415	58.667	206.776
Other operating income and cost	-3.967	-16.902	11.690	-9.179
Operating income	1.505.688	478.646	22.051	2.006.385
Staff costs	-389.995	-129.022	-28.004	-547.021
Administrative costs	-389.164	-62.245	-36.814	-488.223
Depreciation and amortization	-48.007	-5.470	-855	-54.332
Operating expenses	-827.166	-196.737	-65.673	-1.089.576
Impairment losses on assets	-121.817	-110.725	-1.560	-234.102
Operating Profit	556.705	171.184	-45.182	682.707
Share in net profit of associated companies	0	0	-2.144	-2.144
Profit / (loss) before taxes	556.705	171.184	-47.326	680.563
Income taxes				-144.768
Profit / (loss) after taxes				535.795

Balance sheet items as at 31.12.2013

In '000 PLN	Retail Banking	Corporate Banking	Treasury, ALM & Other	Total
Liabilities to customers	29.382.594	15.791.242	131.285	45.305.121
Loans and advances to customers	31.386.599	10.379.081	0	41.765.680