

**Condensed Consolidated
Interim Financial
Statements of
Bank Pekao S.A. Group
for the period from
1 January 2014
to 30 June 2014**

Warsaw, August 2014

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

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Consolidated income statement

(in PLN thousand)

	NOTE	II QUARTER 2014 PERIOD FROM 01.04.2014 TO 30.06.2014			II QUARTER 2013 PERIOD FROM 01.04.2013 TO 30.06.2013 RESTATED		
		CONTINUED OPERATIONS	DISCONTINUED OPERATIONS	TOTAL	CONTINUED OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
Interest income	8	1 584 757	-	1 584 757	1 675 097	39 333	1 714 430
Interest expense	8	(444 851)	-	(444 851)	(593 902)	(13 812)	(607 714)
Net interest income		1 139 906	-	1 139 906	1 081 195	25 521	1 106 716
Fee and commission income	9	664 663	-	664 663	660 174	9 661	669 835
Fee and commission expense	9	(138 499)	-	(138 499)	(131 727)	(3 683)	(135 410)
Net fee and commission income		526 164	-	526 164	528 447	5 978	534 425
Dividend income	10	8 189	-	8 189	6 751	-	6 751
Result on financial assets and liabilities held for trading	11	111 177	-	111 177	119 422	3 901	123 323
Result on fair value hedge accounting	28	(3 392)	-	(3 392)	(2 381)	-	(2 381)
Gains (losses) on disposal of:	12	35 490	-	35 490	152 801	-	152 801
loans and other financial receivables		670	-	670	-	-	-
available for sale financial assets and held to maturity investments		34 820	-	34 820	152 922	-	152 922
financial liabilities		-	-	-	(121)	-	(121)
Operating income		1 817 534	-	1 817 534	1 886 235	35 400	1 921 635
Net impairment losses on financial assets and off-balance sheet commitments:	16	(142 666)	-	(142 666)	(156 143)	(3 916)	(160 059)
loans and other financial receivables		(131 271)	-	(131 271)	(156 090)	(3 916)	(160 006)
off-balance sheet commitments		(11 395)	-	(11 395)	(53)	-	(53)
Net result on financial activity		1 674 868	-	1 674 868	1 730 092	31 484	1 761 576
Administrative expenses	13	(784 046)	-	(784 046)	(796 473)	(19 519)	(815 992)
personnel expenses		(484 010)	-	(484 010)	(478 470)	(10 082)	(488 552)
other administrative expenses		(300 036)	-	(300 036)	(318 003)	(9 437)	(327 440)
Depreciation and amortization	14	(81 049)	-	(81 049)	(86 597)	(1 271)	(87 868)
Net result on other provisions		(1 962)	-	(1 962)	(1 672)	-	(1 672)
Net other operating income and expenses	15	22 337	-	22 337	14 155	279	14 434
Operating costs		(844 720)	-	(844 720)	(870 587)	(20 511)	(891 098)
Gains (losses) on subsidiaries and associates	17	15 411	-	15 411	12 835	-	12 835
Gains (losses) on disposal of property, plant and equipment, and intangible assets	18	(210)	-	(210)	16 976	-	16 976
Profit before income tax		845 349	-	845 349	889 316	10 973	900 289
Income tax expense	19	(154 786)	-	(154 786)	(165 522)	(2 196)	(167 718)
Net profit for the period		690 563	-	690 563	723 794	8 777	732 571
1. Attributable to equity holders of the Bank		685 077	-	685 077	721 696	8 777	730 473
2. Attributable to non-controlling interests		5 486	-	5 486	2 098	-	2 098
Earnings per share (in PLN per share)	20						
basic for the period		2.61	-	2.61	2.76	0.03	2.79
diluted for the period		2.61	-	2.61	2.76	0.03	2.79

Notes to the financial statements presented on pages 12 – 89 and annexes to the financial statements presented on pages I - VII constitute an integral part of the condensed consolidated interim financial statements.

Consolidated income statement

(in PLN thousand)

	NOTE	I HALF 2014 PERIOD FROM 01.01.2014 TO 30.06.2014			I HALF 2013 PERIOD FROM 01.01.2013 TO 30.06.2013 RESTATED		
		CONTINUED OPERATIONS	DISCONTINUED OPERATIONS	TOTAL	CONTINUED OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
Interest income	8	3 155 786	-	3 155 786	3 524 590	87 471	3 612 061
Interest expense	8	(885 807)	-	(885 807)	(1 308 121)	(29 475)	(1 337 596)
Net interest income		2 269 979	-	2 269 979	2 216 469	57 996	2 274 465
Fee and commission income	9	1 296 628	-	1 296 628	1 292 311	17 619	1 309 930
Fee and commission expense	9	(257 565)	-	(257 565)	(244 479)	(6 618)	(251 097)
Net fee and commission income		1 039 063	-	1 039 063	1 047 832	11 001	1 058 833
Dividend income	10	8 189	-	8 189	6 751	-	6 751
Result on financial assets and liabilities held for trading	11	216 620	-	216 620	229 861	(2 602)	227 259
Result on fair value hedge accounting	28	(14 117)	-	(14 117)	(7 035)	-	(7 035)
Gains (losses) on disposal of:	12	35 904	-	35 904	206 956	-	206 956
loans and other financial receivables		1 084	-	1 084	(81)	-	(81)
available for sale financial assets and held to maturity investments		34 837	-	34 837	210 487	-	210 487
financial liabilities		(17)	-	(17)	(3 450)	-	(3 450)
Operating income		3 555 638	-	3 555 638	3 700 834	66 395	3 767 229
Net impairment losses on financial assets and off-balance sheet commitments:	16	(290 168)	-	(290 168)	(319 422)	(5 643)	(325 065)
loans and other financial receivables		(280 275)	-	(280 275)	(311 628)	(5 643)	(317 271)
off-balance sheet commitments		(9 893)	-	(9 893)	(7 794)	-	(7 794)
Net result on financial activity		3 265 470	-	3 265 470	3 381 412	60 752	3 442 164
Administrative expenses	13	(1 560 748)	-	(1 560 748)	(1 565 652)	(39 514)	(1 605 166)
personnel expenses		(955 390)	-	(955 390)	(940 901)	(19 907)	(960 808)
other administrative expenses		(605 358)	-	(605 358)	(624 751)	(19 607)	(644 358)
Depreciation and amortization	14	(162 994)	-	(162 994)	(172 824)	(2 550)	(175 374)
Net result on other provisions		(3 150)	-	(3 150)	(2 315)	-	(2 315)
Net other operating income and expenses	15	56 574	-	56 574	36 384	1 348	37 732
Operating costs		(1 670 318)	-	(1 670 318)	(1 704 407)	(40 716)	(1 745 123)
Gains (losses) on subsidiaries and associates	17	34 693	-	34 693	27 689	-	27 689
Gains (losses) on disposal of property, plant and equipment, and intangible assets	18	(543)	-	(543)	17 017	-	17 017
Profit before income tax		1 629 302	-	1 629 302	1 721 711	20 036	1 741 747
Income tax expense	19	(300 803)	-	(300 803)	(333 234)	(3 883)	(337 117)
Net profit for the period		1 328 499	-	1 328 499	1 388 477	16 153	1 404 630
1. Attributable to equity holders of the Bank		1 319 321	-	1 319 321	1 384 177	16 153	1 400 330
2. Attributable to non-controlling interests		9 178	-	9 178	4 300	-	4 300
Earnings per share (in PLN per share)	20						
basic for the period		5.03	-	5.03	5.28	0.06	5.34
diluted for the period		5.03	-	5.03	5.28	0.06	5.34

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Consolidated statement of comprehensive income

(in PLN thousand)

	NOTE	II QUARTER 2014 PERIOD FROM 01.04.2014 TO 30.06.2014	I HALF 2014 PERIOD FROM 01.01.2014 TO 30.06.2014	II QUARTER 2013 PERIOD FROM 01.04.2013 TO 30.06.2013 RESTATED	I HALF 2013 PERIOD FROM 01.01.2013 TO 30.06.2013 RESTATED
Net profit for the period		690 563	1 328 499	732 571	1 404 630
1. Attributable to equity holders of the Bank		685 077	1 319 321	730 473	1 400 330
2. Attributable to non-controlling interests		5 486	9 178	2 098	4 300
Other comprehensive income					
Item that are or may be reclassified subsequently to profit or loss:					
Foreign currency translation differences		6	11	5 014	27 208
Change in fair value of available-for-sale financial assets		322 991	359 859	(314 574)	(466 734)
Change in fair value of cash flow hedges		113 138	101 722	(48 395)	(31 174)
Tax on items that are or may be reclassified subsequently to profit or loss	19	(82 865)	(87 701)	68 074	89 496
Items that will never be reclassified to profit or loss:					
Remeasurements of the defined benefit liabilities		-	-	-	-
Tax on items that will never be reclassified to profit or loss		-	-	-	-
Other comprehensive income (net of tax)		353 270	373 891	(289 881)	(381 204)
Total comprehensive income		1 043 833	1 702 390	442 690	1 023 426
1. Attributable to equity holders of the Bank		1 038 347	1 693 212	440 592	1 019 126
2. Attributable to non-controlling interests		5 486	9 178	2 098	4 300

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Consolidated statement of financial position

(in PLN thousand)

	NOTE	30.06.2014	31.12.2013	30.06.2013 RESTATED
ASSETS				
Cash and due from Central Bank	22	5 055 863	4 191 229	5 286 845
Bill of exchange eligible for rediscounting at Central Bank		239	230	212
Loans and advances to banks	23	6 835 565	7 547 785	4 582 916
Financial assets held for trading	24	988 436	188 377	1 342 127
Derivative financial instruments (held for trading)	25	2 721 234	1 996 934	2 398 494
Loans and advances to customers	26	106 694 959	101 012 515	96 794 067
Receivables from finance leases	27	2 985 583	2 931 248	2 696 528
Hedging instruments	28	230 064	250 186	225 347
Investments (placement) securities	29	25 813 344	34 995 737	29 466 593
1. Available for sale		24 225 654	33 033 967	27 220 206
2. Held to maturity		1 587 690	1 961 770	2 246 387
Assets held for sale	30	32 684	45 864	2 260 317
Investments in associates		155 749	176 002	144 267
Intangible assets	31	600 940	626 571	632 282
Property, plant and equipment	32	1 537 879	1 589 636	1 669 179
Investment properties		40 988	31 131	32 627
Income tax assets		859 209	995 766	987 996
1. Current tax assets		5 372	100 446	10 947
2. Deferred tax assets		853 837	895 320	977 049
Other assets		2 319 869	1 942 501	2 062 727
TOTAL ASSETS		156 872 605	158 521 712	150 582 524
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to Central Bank	22	958	985	965
Amounts due to other banks	34	6 661 576	6 417 657	5 211 288
Financial liabilities held for trading	24	224 005	309 742	413 561
Derivative financial instruments (held for trading)	25	2 733 639	2 051 501	2 381 313
Amounts due to customers	35	114 709 996	119 796 706	108 964 354
Hedging instruments	28	1 109 420	1 007 884	1 482 086
Fair value hedge adjustments of hedged items due to interest rate risk		-	2 084	6 188
Debt securities issued	36	3 579 531	3 063 737	4 304 743
Liabilities associated with assets held for sale	30	-	-	1 027 331
Income tax liabilities		51 725	5 016	40 040
1. Current tax liabilities		48 129	1 753	36 638
2. Deferred tax liabilities		3 596	3 263	3 402
Provisions	37	410 082	393 537	355 172
Other liabilities		4 794 020	1 958 692	4 315 071
TOTAL LIABILITIES		134 274 952	135 007 541	128 502 112
Equity				
Share capital		262 470	262 470	262 470
Other capital and reserves		20 877 293	20 564 611	20 335 471
Retained earnings and profit for the period		1 359 247	2 592 802	1 394 051
Total equity attributable to equity holders of the Bank		22 499 010	23 419 883	21 991 992
Non - controlling interests		98 643	94 288	88 420
TOTAL EQUITY		22 597 653	23 514 171	22 080 412
TOTAL LIABILITIES AND EQUITY		156 872 605	158 521 712	150 582 524

Notes to the financial statements presented on pages 12 – 89 and annexes to the financial statements presented on pages I - VII constitute an integral part of the condensed consolidated interim financial statements.

Consolidated statement of changes in equity

(in PLN thousand)

For the period from 1 January 2014 to 30 June 2014

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK											TOTAL EQUITY
	SHARE CAPITAL	OTHER CAPITAL AND RESERVES							RETAINED EARNINGS AND PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON-CONTROLLING INTERESTS	
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	FOREIGN CURRENCY TRANSLATION DIFFERENCES	OTHER				
Equity as at 1.01.2014	262 470	20 564 611	9 137 221	1 937 850	9 070 200	50 117	1 238	367 985	2 592 802	23 419 883	94 288	23 514 171
Management options	-	117	-	-	-	-	-	117	-	117	-	117
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of management options	-	117	-	-	-	-	-	117	-	117	-	117
Comprehensive income	-	373 891	-	-	-	373 880	11	-	1 319 321	1 693 212	9 178	1 702 390
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of available-for-sale investments (net of tax)	-	291 485	-	-	-	291 485	-	-	-	291 485	-	291 485
Revaluation of hedging financial instruments (net of tax)	-	82 395	-	-	-	82 395	-	-	-	82 395	-	82 395
Foreign currency translation differences	-	11	-	-	-	-	11	-	-	11	-	11
Net profit for the period	-	-	-	-	-	-	-	-	1 319 321	1 319 321	9 178	1 328 499
Appropriation of retained earnings	-	(61 326)	-	-	(64 263)	-	-	2 937	(2 552 876)	(2 614 202)	(4 823)	(2 619 025)
Dividend paid	-	-	-	-	-	-	-	-	(2 614 202)	(2 614 202)	(4 823)	(2 619 025)
Profit appropriation to other reserves including consolidation adjustments	-	(61 326)	-	-	(64 263)	-	-	2 937	61 326	-	-	-
Equity as at 30.06.2014	262 470	20 877 293	9 137 221	1 937 850	9 005 937	423 997	1 249	371 039	1 359 247	22 499 010	98 643	22 597 653

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Consolidated statement of changes in equity (cont)

(in PLN thousand)

For the period from 1 January 2013 to 31 December 2013

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK											
	SHARE CAPITAL	TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	FOREIGN CURRENCY TRANSLATION DIFFERENCES	OTHER	RETAINED EARNINGS AND PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Equity as at 1.01.2013	262 470	20 011 970	9 137 221	1 737 850	8 364 152	508 021	(128 768)	393 494	2 896 975	23 171 415	92 237	23 263 652
Management options	-	(9 860)	-	-	-	-	-	(9 860)	-	(9 860)	(33)	(9 893)
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of management options	-	(9 860)	-	-	-	-	-	(9 860)	-	(9 860)	(33)	(9 893)
Comprehensive income	-	(445 164)	-	-	-	(457 904)	12 740	-	2 792 718	2 347 554	10 211	2 357 765
Remeasurements of the defined benefit liabilities (net of tax)	-	(33 634)	-	-	-	(33 634)	-	-	-	(33 634)	-	(33 634)
Revaluation of available-for-sale investments (net of tax)	-	(452 484)	-	-	-	(452 484)	-	-	-	(452 484)	-	(452 484)
Revaluation of hedging financial instruments (net of tax)	-	28 214	-	-	-	28 214	-	-	-	28 214	-	28 214
Foreign currency translation differences	-	12 740	-	-	-	-	12 740	-	7 939	20 679	-	20 679
Net profit for the period	-	-	-	-	-	-	-	-	2 784 779	2 784 779	10 211	2 794 990
Appropriation of retained earnings	-	707 080	-	200 000	489 405	-	-	17 675	(2 909 204)	(2 202 124)	(8 127)	(2 210 251)
Dividend paid	-	-	-	-	-	-	-	-	(2 202 124)	(2 202 124)	(8 127)	(2 210 251)
Profit appropriation	-	707 080	-	200 000	489 405	-	-	17 675	(707 080)	-	-	-
Other	-	300 585	-	-	216 643	-	117 266	(33 324)	(187 687)	112 898	-	112 898
Sale of net assets of PJSC UniCredit Bank	-	297 757	-	-	213 815	-	117 266	(33 324)	(184 356)	113 401	-	113 401
Other consolidation adjustments	-	2 828	-	-	2 828	-	-	-	(3 331)	(503)	-	(503)
Equity as at 31 December 2013	262 470	20 564 611	9 137 221	1 937 850	9 070 200	50 117	1 238	367 985	2 592 802	23 419 883	94 288	23 514 171

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Consolidated statement of changes in equity (cont)

(in PLN thousand)

For the period from 1 January 2013 to 30 June 2013

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK											TOTAL EQUITY
	SHARE CAPITAL	OTHER CAPITAL AND RESERVES							RETAINED EARNINGS AND PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON - CONTROLLING INTERESTS	
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	FOREIGN CURRENCY TRANSLATION DIFFERENCES	OTHER				
Equity as at 1.01.2013	262 470	20 011 970	9 137 221	1 737 850	8 364 152	508 021	(128 768)	393 494	2 896 975	23 171 415	92 237	23 263 652
Management options	-	3 574	-	-	-	-	-	3 574	-	3 574	10	3 584
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of management options	-	3 574	-	-	-	-	-	3 574	-	3 574	10	3 584
Comprehensive income	-	(389 553)	-	-	-	(403 305)	13 752	-	1 408 680	1 019 127	4 300	1 023 427
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of available-for-sale investments (net of tax)	-	(378 054)	-	-	-	(378 054)	-	-	-	(378 054)	-	(378 054)
Revaluation of hedging financial instruments (net of tax)	-	(25 251)	-	-	-	(25 251)	-	-	-	(25 251)	-	(25 251)
Foreign currency translation differences	-	13 752	-	-	-	-	13 752	-	8 350	22 102	-	22 102
Net profit for the period	-	-	-	-	-	-	-	-	1 400 330	1 400 330	4 300	1 404 630
Appropriation of retained earnings	-	705 955	-	200 000	488 280	-	-	17 675	(2 908 079)	(2 202 124)	(8 127)	(2 210 251)
Dividend paid	-	-	-	-	-	-	-	-	(2 202 124)	(2 202 124)	(8 127)	(2 210 251)
Profit appropriation	-	705 955	-	200 000	488 280	-	-	17 675	(705 955)	-	-	-
Other	-	3 525	-	-	3 525	-	-	-	(3 525)	-	-	-
Other consolidation adjustments	-	3 525	-	-	3 525	-	-	-	(3 525)	-	-	-
Equity as at 30 June 2013	262 470	20 335 471	9 137 221	1 937 850	8 855 957	104 716	(115 016)	414 743	1 394 051	21 991 992	88 420	22 080 412

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Consolidated cash flow statement

(in PLN thousand)

	NOTE	I HALF 2014 PERIOD FROM 01.01.2014 TO 30.06.2014	I HALF 2013 PERIOD FROM 01.01.2013 TO 30.06.2013 RESTATED
Cash flow from operating activities – indirect method			
Net profit for the period		1 319 321	1 400 330
Adjustments for:		(8 682 797)	(2 086 207)
Depreciation and amortization	14	162 994	173 420
Share of profit (loss) of associates		(34 693)	(27 690)
(Gains) losses on investing activities		(34 294)	(227 504)
Net interest income		(2 269 979)	(2 274 465)
Dividend income	10	(8 189)	(6 751)
Interest received		3 087 441	3 592 022
Interest paid		(898 537)	(1 411 068)
Income tax		300 471	304 044
Income tax paid		(211 744)	(406 460)
Change in loans and advances to banks		321 101	(404 124)
Change in financial assets held for trading		(797 239)	(741 577)
Change in derivative financial instruments (assets)		(724 300)	250 603
Change in loans and advances to customers and bill of exchange eligible for rediscounting at Central Bank		(5 659 731)	(1 661 992)
Change in receivables from finance leases		(54 335)	21 403
Change in investment (placement) securities		(480 792)	(654 201)
Change in other assets		(256 199)	(198 937)
Change in amounts due to banks		244 622	(2 565 779)
Change in financial liabilities held for trading		(85 737)	166 983
Change in derivative financial instruments (liabilities)		682 138	(239 485)
Change in amounts due to customers		(5 063 999)	1 043 286
Change in debt securities issued		136 450	12 321
Change in provisions		16 545	(4 334)
Change in other liabilities		2 945 209	3 174 078
Net cash flows from operating activities		(7 363 476)	(685 877)
Cash flow from investing activities			
Investing activity inflows		178 814 656	223 637 983
Sale of investment securities		178 391 462	223 152 545
Sale of intangible assets and property, plant and equipment		1 522	3 064
Dividend received	10	8 189	6 751
Other investing inflows		413 483	475 623
Investing activity outflows		(168 731 618)	(224 072 735)
Acquisition of investment securities		(168 648 839)	(223 936 390)
Acquisition of intangible assets and property, plant and equipment		(82 779)	(136 345)
Net cash flows from investing activities		10 083 038	(434 752)

Notes to the financial statements presented on pages 12 - 89 and annexes to the financial statements presented on pages I - VII constitute an integral part of the condensed consolidated interim financial statements.

Consolidated cash flow statement (cont)

(in PLN thousand)

	NOTE	I HALF 2014 PERIOD FROM 01.01.2014 TO 30.06.2014	I HALF 2013 PERIOD FROM 01.01.2013 TO 30.06.2013 RESTATED
Cash flows from financing activities			
Financing activity inflows		2 557 474	1 741 881
Issue of debt securities	36	2 557 474	1 741 881
Financing activity outflows		(4 803 042)	(4 413 027)
Redemption of debt securities	36	(2 188 840)	(2 210 903)
Dividends and other payments to shareholders		(2 614 202)	(2 202 124)
Net cash flows from financing activities		(2 245 568)	(2 671 146)
Total net cash flows		473 994	(3 791 775)
including: effect of exchange rate fluctuations on cash and cash equivalents held		19 171	151 265
Net change in cash and cash equivalents		473 994	(3 791 775)
Cash and cash equivalents at the beginning of the period		10 615 862	12 814 790
Cash and cash equivalents at the end of the period		11 089 856	9 023 015

Notes to the financial statements presented on pages 12 - 89 and annexes to the financial statements presented on pages I - VII constitute an integral part of the condensed consolidated interim financial statements.

Notes to financial statements

(in PLN thousand)

The accompanying notes to the financial statements constitute an integral part of the condensed consolidated interim financial statements.

1. General information

Bank Polska Kasa Opieki Spółka Akcyjna (hereafter 'Bank Pekao S.A.' or 'the Bank'), with its headquarters in Warsaw 00-950, Grzybowska Street 53/57, was incorporated on 29 October 1929 in the Commercial Register of the District Court in Warsaw and has been continuously operating since its incorporation.

Bank Pekao S.A. is registered in the National Court Registry – Enterprise Registry of the Warsaw District Court XII Commercial Division of the National Court Registry in Warsaw under the reference number KRS 0000014843.

Bank Pekao S.A. Capital Group ('Group' or 'Bank Pekao S.A. Group') is part of the UniCredit S.p.A. Group with its seat in Roma, Italy.

The condensed consolidated interim financial statements of Bank Pekao S.A. Capital Group for the period from 1 January 2014 to 30 June 2014 contain financial information of the Bank and its subsidiaries (together referred to as the 'Group'), and the associates accounted for using equity method.

2. Group structure

The Group consists of Bank Pekao S.A. as the parent entity and the following subsidiaries:

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/ VOTING	
			30.06.2014	31.12.2013
Pekao Bank Hipoteczny S.A.	Warsaw	Banking	100.00	100.00
Centralny Dom Maklerski Pekao S.A.	Warsaw	Brokerage	100.00	100.00
Pekao Leasing Sp. z o.o. (*)	Warsaw	Leasing services	36.49	36.49
Pekao Leasing Holding S.A., including:	Warsaw	Leasing services	80.10	80.10
<i>Pekao Leasing Sp. z o.o.</i>	<i>Warsaw</i>	<i>Leasing services</i>	<i>50.87</i>	<i>50.87</i>
Pekao Faktoring Sp. z o.o.	Lublin	Factoring services	100.00	100.00
Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A.	Warsaw	Pension fund management	65.00	65.00
Centrum Kart S.A.	Warsaw	Financial support	100.00	100.00
Pekao Financial Services Sp. z o.o.	Warsaw	Financial services	100.00	100.00
Centrum Bankowości Bezpośredniej Sp. z o.o.	Cracow	Call - center services	100.00	100.00
Pekao Property S.A.	Warsaw	Real estate development	100.00	100.00
Property Sp. z o.o. (in liquidation), including:	Warsaw	Pending liquidation	100.00	100.00
<i>FPB - Media Sp. z o.o.</i>	<i>Warsaw</i>	<i>Real estate development</i>	<i>100.00</i>	<i>100.00</i>
Pekao Fundusz Kapitałowy Sp. z o.o.	Warsaw	Business consulting	100.00	100.00
Pekao Telecentrum Sp. z o.o. (in liquidation)	Warsaw	Pending liquidation	100.00	100.00

(*)The total share of the Group in Pekao Leasing Sp. z o.o. equity is 87.36% (36.49% directly and 50.87% via Pekao Leasing Holding S.A.).

As at 30 June 2014, all subsidiaries of the Bank have been consolidated.

Notes to financial statements (cont)

(in PLN thousand)

Associates

Bank Pekao S.A. Capital Group has an interest in the following associates:

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/ VOTING	
			30.06.2014	31.12.2013
Dom Inwestycyjny Xelion Sp. z o.o. (*)	Warsaw	Financial intermediary	50.00	50.00
Pioneer Pekao Investment Management S.A.	Warsaw	Asset management	49.00	49.00
Krajowa Izba Rozliczeniowa S.A.	Warsaw	Clearing house	34.44	34.44
CPF Management	Tortola, British Virgin Islands	Financial brokerage – not operating	40.00	40.00
Polish Banking System S.A. (in liquidation)	Warsaw	Pending liquidation	48.90	48.90
PPU Budpress Sp. z o.o. (in liquidation)	Żyrardów	Pending liquidation	36.20	36.20

(*)The Group has no control over the entity due to provisions in the Company's Articles of Association.

As at 30 June 2014, the Group held no shares in entities under joint control.

3. Statement of compliance

The condensed consolidated interim financial statements of the Bank Pekao S.A. Capital Group have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) as adopted by the European Union and other applicable regulations.

These financial statements do not include all information required for annual financial statements, and shall be read in conjunction with the consolidated financial statements of the Bank Pekao S.A. Capital Group for the year ended 31 December 2013.

The consolidated financial statements of the Bank Pekao S.A. Capital Group as at and for the year ended 31 December 2013 are available upon request at the Bank's registered office at the Local Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register, Warsaw, Czerniakowska Street 100 or at the Bank's website, www.pekao.com.pl

In accordance with the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2014, item 133) the Bank is required to publish the financial report for the six months period ended 30 June 2014, i.e. current interim period.

The condensed consolidated interim financial statements have been prepared in Polish Zloty, and all amounts are stated in PLN thousand, unless indicated otherwise.

The financial data presented in condensed consolidated interim financial statements of the Group were prepared in the way ensuring their comparability.

These condensed consolidated interim financial statements were authorized for issue by the Management Board on 4th August 2014.

Notes to financial statements (cont)

(in PLN thousand)

4. Significant accounting policies

General information

The condensed consolidated interim financial statements of the Bank Pekao S.A. Capital Group have been prepared based on the following valuation principles:

- at fair value for derivatives, financial assets and liabilities held for trading, financial assets recognized at fair value through profit or loss and available-for-sale financial assets, except for those for which fair value cannot be reliably measured,
- at amortized cost for other financial assets, including loans and advances and other financial liabilities,
- at historical cost for non-financial assets and liabilities, and available-for-sale financial assets, for which fair value cannot be reliably measured,
- non-current assets (or disposal groups) classified as held for sale are recognized at the lower of the carrying amount or the fair value less costs to sell.

In the first half of 2014 the Group did not amend its accounting policy in respect to valuation of assets and liabilities and profit measurement in comparison to the previous period. The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in the consolidated financial statements of Bank Pekao S.A. Capital Group for the year ended 31 December 2013. Those accounting policies have been applied uniformly to all presented reporting period and by all entities of the Group.

Amendments to published standards and interpretations, which are effective from 1 January 2014, had no material impact on these condensed consolidated interim financial statements (Annex 1 to the Financial Statements).

The Group has changed the accounting policy in respect to consolidation due to requirements of new standard IFRS 10 'Consolidated financial statements'. IFRS 10 identifies the control concept as the factor deciding whether an entity is to be consolidated. The Group controls an entity when the Group has power over an entity, is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The existing consolidation scope has not changed as a result of application of requirements of new standard IFRS 10.

The financial statements do not take into account amendments to standards and interpretations that are awaiting approval by the European Union or have been approved by the European Union and which will take effect only after the balance sheet (Annex 2 and Annex 3 to the Financial Statements).

In the Group's opinion, amendments to standards and interpretations that are awaiting approval will not have a material impact on the consolidated financial statements of the Group, with the exception of IFRS 9 'Financial Instruments'.

New regulations constitute a part of changes designed to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The main changes introduced by the new standard are as follows:

- new categorisation of financial assets,
- new criteria of assets classification to the group of financial assets measured at amortized cost,
- new principles for recognition of changes in fair value measurement of capital investment in financial instruments,
- elimination of the necessity to separate embedded derivatives from financial assets.

The majority of IAS 39 requirements relating to financial liabilities classification and valuation were transferred to IFRS 9 unchanged.

The standard was extended by parts concerning principles of measurement at amortized cost as well as principles of hedge accounting application.

The Group is currently assessing the impact of the IFRS 9 implementation on its financial statements. Due to the nature of the Group, it is expected that these changes will have a significant impact on the Group's financial instruments valuation and presentation.

Notes to financial statements (cont)

(in PLN thousand)

Comparative data

In 2013 the Group changed its accounting policies in respect to recognition of revenue from sale of insurance products linked to loans and in respect to presentation of actuarial gains or losses from the measurement of the defined benefit plans obligations. The changes were detailed in the consolidated financial statements of Bank Pekao S.A. Capital Group for the year ended 31 December 2013.

Due to introduction of the changes the comparative data of the Group for the first half of 2013 and the second quarter of 2013 and as at 30 June 2013 were restated.

The restatement of comparative data due to the change of accounting policies in respect to recognition of revenue from sale of insurance products linked to loans resulted in a decrease of the net profit for the first half of 2013 by the amount of PLN 6 986 thousand and a decrease of the total equity as at 30 June 2013 by the amount of PLN 202 116 thousand.

The restatement of comparative data due to the change of accounting policies in respect to presentation of actuarial gains or losses from the measurement of the defined benefit plans obligations resulted in an increase of the retained earnings as at 30 June 2013 by the amount of PLN 11 171 thousand and a decrease of other capital and reserves (revaluation reserves) by the same amount. The change had no impact on the net profit for the first half of 2013.

The impact of the changes in accounting policies on comparative data of the Group in statement of financial position, income statement, statement of comprehensive income and cash flow statement is presented in the below tables.

Consolidated statement of financial position

ASSETS	30.06.2013 (BEFORE RESTATEMENT)	RESTATEMENT	30.06.2013 (AFTER RESTATEMENT)
Loans and advances to customers	97 043 593	(249 526)	96 794 067
Deferred tax assets	929 639	47 410	977 049
Other assets	52 811 408	-	52 811 408
TOTAL ASSETS	150 784 640	(202 116)	150 582 524

LIABILITIES	30.06.2013 (BEFORE RESTATEMENT)	RESTATEMENT	30.06.2013 (AFTER RESTATEMENT)
Liabilities			
TOTAL LIABILITIES	128 502 112	-	128 502 112

EQUITY	30.06.2013 (BEFORE RESTATEMENT)	RESTATEMENT	30.06.2013 (AFTER RESTATEMENT)
Share capital	262 470	-	262 470
Other capital and reserves	20 346 642	(11 171)	20 335 471
Retained earnings and profit for the period	1 584 996	(190 945)	1 394 051
Total equity attributable to equity holders of the Bank	22 194 108	(202 116)	21 991 992
Non - controlling interests	88 420	-	88 420
TOTAL EQUITY	22 282 528	(202 116)	22 080 412
TOTAL LIABILITIES AND EQUITY	150 784 640	(202 116)	150 582 524

Notes to financial statements (cont)

(in PLN thousand)

Consolidated income statement

	I HALF 2013 PERIOD FROM 01.01.2013 TO 30.06.2013 CONTINUED AND DISCONTINUED OPERATIONS (BEFORE RESTATEMENT)	RESTATEMENT	I HALF 2013 PERIOD FROM 01.01.2013 TO 30.06.2013 CONTINUED AND DISCONTINUED OPERATIONS (AFTER RESTATEMENT)
Interest income	3 554 098	57 963	3 612 061
Interest expense	(1 337 596)	-	(1 337 596)
Net interest income	2 216 502	57 963	2 274 465
Fee and commission income	1 376 518	(66 588)	1 309 930
Fee and commission expense	(251 097)	-	(251 097)
Net fee and commission income	1 125 421	(66 588)	1 058 833
Dividend income	6 751	-	6 751
Result on financial assets and liabilities held for trading	227 259	-	227 259
Result on fair value hedge accounting	(7 035)	-	(7 035)
Gains (losses) on disposal of:	206 956	-	206 956
loans and other financial receivables	(81)	-	(81)
available for sale financial assets and held to maturity investments	210 487	-	210 487
financial liabilities	(3 450)	-	(3 450)
Operating income	3 775 854	(8 625)	3 767 229
Net impairment losses on financial assets and off-balance sheet commitments:	(325 065)	-	(325 065)
loans and other financial receivables	(317 271)	-	(317 271)
off-balance sheet commitments	(7 794)	-	(7 794)
Net result on financial activity	3 450 789	(8 625)	3 442 164
Administrative expenses	(1 605 166)	-	(1 605 166)
personnel expenses	(960 808)	-	(960 808)
other administrative expenses	(644 358)	-	(644 358)
Depreciation and amortization	(175 374)	-	(175 374)
Net result on other provisions	(2 315)	-	(2 315)
Net other operating income and expenses	37 732	-	37 732
Operating costs	(1 745 123)	-	(1 745 123)
Gains (losses) on subsidiaries and associates	27 689	-	27 689
Gains (losses) on disposal of property, plant and equipment, and intangible assets	17 017	-	17 017
Profit before income tax	1 750 372	(8 625)	1 741 747
Income tax expense	(338 756)	1 639	(337 117)
Net profit for the period	1 411 616	(6 986)	1 404 630
1. Attributable to equity holders of the Bank	1 407 316	(6 986)	1 400 330
2. Attributable to non-controlling interests	4 300	-	4 300

EARNINGS PER SHARE (IN PLN PER SHARE)			
basic for the period	5.36		5.34
diluted for the period	5.36		5.34

Notes to financial statements (cont)

(in PLN thousand)

Consolidated income statement

	II QUARTER 2013 PERIOD FROM 01.04.2013 TO 30.06.2013 CONTINUED AND DISCONTINUED OPERATIONS (BEFORE RESTATEMENT)	RESTATEMENT	II QUARTER 2013 PERIOD FROM 01.04.2013 TO 30.06.2013 CONTINUED AND DISCONTINUED OPERATIONS (AFTER RESTATEMENT)
Interest income	1 689 419	25 011	1 714 430
Interest expense	(607 714)	-	(607 714)
Net interest income	1 081 705	25 011	1 106 716
Fee and commission income	708 833	(38 998)	669 835
Fee and commission expense	(135 410)	-	(135 410)
Net fee and commission income	573 423	(38 998)	534 425
Dividend income	6 751	-	6 751
Result on financial assets and liabilities held for trading	123 323	-	123 323
Result on fair value hedge accounting	(2 381)	-	(2 381)
Gains (losses) on disposal of:	152 801	-	152 801
loans and other financial receivables	-	-	-
available for sale financial assets and held to maturity investments	152 922	-	152 922
financial liabilities	(121)	-	(121)
Operating income	1 935 622	(13 987)	1 921 635
Net impairment losses on financial assets and off-balance sheet commitments:	(160 059)	-	(160 059)
loans and other financial receivables	(160 006)	-	(160 006)
off-balance sheet commitments	(53)	-	(53)
Net result on financial activity	1 775 563	(13 987)	1 761 576
Administrative expenses	(815 992)	-	(815 992)
personnel expenses	(488 552)	-	(488 552)
other administrative expenses	(327 440)	-	(327 440)
Depreciation and amortization	(87 868)	-	(87 868)
Net result on other provisions	(1 672)	-	(1 672)
Net other operating income and expenses	14 434	-	14 434
Operating costs	(891 098)	-	(891 098)
Gains (losses) on subsidiaries and associates	12 835	-	12 835
Gains (losses) on disposal of property, plant and equipment, and intangible assets	16 976	-	16 976
Profit before income tax	914 276	(13 987)	900 289
Income tax expense	(170 376)	2 658	(167 718)
Net profit for the period	743 900	(11 329)	732 571
1. Attributable to equity holders of the Bank	741 802	(11 329)	730 473
2. Attributable to non-controlling interests	2 098	-	2 098

EARNINGS PER SHARE (IN PLN PER SHARE)			
basic for the period	2.82		2.79
diluted for the period	2.82		2.79

Consolidated statement of comprehensive income

Notes to financial statements (cont)

(in PLN thousand)

	I HALF 2013 PERIOD FROM 01.01.2013 TO 30.06.2013 CONTINUED AND DISCONTINUED OPERATIONS (BEFORE RESTATEMENT)	RESTATEMENT	I HALF 2013 PERIOD FROM 01.01.2013 TO 30.06.2013 CONTINUED AND DISCONTINUED OPERATIONS (AFTER RESTATEMENT)
Net profit for the period	1 411 616	(6 986)	1 404 630
1. Attributable to equity holders of the Bank	1 407 316	(6 986)	1 400 330
2. Attributable to non-controlling interests	4 300	-	4 300
Other comprehensive income			
Item that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	27 208	-	27 208
Change in fair value of available-for-sale financial assets	(466 734)	-	(466 734)
Change in fair value of cash flow hedges	(31 174)	-	(31 174)
Tax on items that are or may be reclassified subsequently to profit or loss	89 496	-	89 496
Items that will never be reclassified to profit or loss:			
Remeasurements of the defined benefit liabilities	-	-	-
Tax on items that will never be reclassified to profit or loss	-	-	-
Other comprehensive income (net of tax)	(381 204)	-	(381 204)
Total comprehensive income	1 030 412	(6 986)	1 023 426
1. Attributable to equity holders of the Bank	1 026 112	(6 986)	1 019 126
2. Attributable to non-controlling interests	4 300	-	4 300

Notes to financial statements (cont)

(in PLN thousand)

Consolidated statement of comprehensive income

	II QUARTER 2013 PERIOD FROM 01.04.2013 TO 30.06.2013 CONTINUED AND DISCONTINUED OPERATIONS (BEFORE RESTATEMENT)	RESTATEMENT	II QUARTER 2013 PERIOD FROM 01.04.2013 TO 30.06.2013 CONTINUED AND DISCONTINUED OPERATIONS (AFTER RESTATEMENT)
Net profit for the period	743 900	(11 329)	732 571
1. Attributable to equity holders of the Bank	741 802	(11 329)	730 473
2. Attributable to non-controlling interests	2 098	-	2 098
Other comprehensive income			
Item that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	5 014	-	5 014
Change in fair value of available-for-sale financial assets	(314 574)	-	(314 574)
Change in fair value of cash flow hedges	(48 395)	-	(48 395)
Tax on items that are or may be reclassified subsequently to profit or loss	68 074	-	68 074
Items that will never be reclassified to profit or loss:			
Remeasurements of the defined benefit liabilities	-	-	-
Tax on items that will never be reclassified to profit or loss	-	-	-
Other comprehensive income (net of tax)	(289 881)	-	(289 881)
Total comprehensive income	454 019	(11 329)	442 690
1. Attributable to equity holders of the Bank	451 921	(11 329)	440 592
2. Attributable to non-controlling interests	2 098	-	2 098

Notes to financial statements (cont)

(in PLN thousand)

Consolidated cash flow statement

	I HALF 2013 PERIOD FROM 01.01.2013 TO 30.06.2013 (BEFORE RESTATEMENT)	RESTATEMENT	I HALF 2013 PERIOD FROM 01.01.2013 TO 30.06.2013 (BEFORE RESTATEMENT)
Cash flow from operating activities – indirect method			
Net profit for the period	1 407 316	(6 986)	1 400 330
Adjustments for:	(2 093 193)	6 986	(2 086 207)
Depreciation and amortization	173 420	-	173 420
Share of profit (loss) of associates	(27 690)	-	(27 690)
(Gains) losses on investing activities	(227 504)	-	(227 504)
Net interest income	(2 274 465)	-	(2 274 465)
Dividend income	(6 751)	-	(6 751)
Interest received	3 592 022	-	3 592 022
Interest paid	(1 411 068)	-	(1 411 068)
Income tax	305 683	(1 639)	304 044
Income tax paid	(406 460)	-	(406 460)
Change in loans and advances to banks	(404 124)	-	(404 124)
Change in financial assets held for trading	(741 577)	-	(741 577)
Change in derivative financial instruments (assets)	250 603	-	250 603
Change in loans and advances to customers and bill of exchange eligible for rediscounting at Central Bank	(1 670 617)	8 625	(1 661 992)
Change in receivables from finance leases	21 403	-	21 403
Change in investment (placement) securities	(654 201)	-	(654 201)
Change in other assets	(198 937)	-	(198 937)
Change in amounts due to banks	(2 565 779)	-	(2 565 779)
Change in financial liabilities held for trading	166 983	-	166 983
Change in derivative financial instruments (liabilities)	(239 485)	-	(239 485)
Change in amounts due to customers	1 043 286	-	1 043 286
Change in debt securities issued	12 321	-	12 321
Change in provisions	(4 334)	-	(4 334)
Change in other liabilities	3 174 078	-	3 174 078
Net cash flows from operating activities	(685 877)	-	(685 877)
Cash flow from investing activities			
Net cash flows from investing activities	(434 752)	-	(434 752)
Cash flows from financing activities			
Net cash flows from financing activities	(2 671 146)	-	(2 671 146)
Total net cash flows	(3 791 775)	-	(3 791 775)
including: effect of exchange rate fluctuations on cash and cash equivalents held	151 265	-	151 265
Net change in cash and cash equivalents	(3 791 775)	-	(3 791 775)
Cash and cash equivalents at the beginning of the period	12 814 790	-	12 814 790
Cash and cash equivalents at the end of the period	9 023 015	-	9 023 015

Notes to financial statements (cont)

(in PLN thousand)

5. Accounting estimates

The preparation of interim financial statements in accordance with IFRS requires the Management Board of the Bank to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

The estimates at balance sheet date reflect market conditions on that date (e.g. market prices, interest rates, exchange rates).

Although the estimates are based on the best knowledge concerning current conditions and activities of the Group, the actual results may differ from those estimates.

In preparing these interim financial statements, the significant judgments made by management in applying the Group's accounting policies were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2013 taking into account reasons and sources of uncertainty expected at the balance sheet day, except for the additional estimates of the fair value of derivatives.

Starting from the first half of 2014 the Group includes the adjustment for own credit risk (Debt Valuation Adjustment - DVA) and additional cost/revenues related with the financing of the positions that are not fully secured by cash (Funding Valuation Adjustment - FVA). The first correction is based on two main elements. The first one (related to the transaction) is the current and potential counterparty exposure to credit risk of the Group, the second ones are parameters of credit quality assessment of the Group - PD (Probability-of-Default) and LGD (Loss-Given-Default). The exposure equals to the fair value calculated on the basis of market quotations under the assumption of lack of credit risk, including potential future market changes, while PD and LGD parameters are estimated based on external ratings. Additionally, the cash and no-cash collateral posted by the Group is taken into account.

The FVA calculation is based on the current and potential exposure and financing-margin, estimated by comparing the profitability of liquid and illiquid instruments with the same credit risk.

During the six months period ended 30 June 2014 the most significant estimates are as follows:

- impairment of financial assets and off-balance sheet commitments,
- fair value measurement for derivative financial instruments.

Notes to financial statements (cont)

(in PLN thousand)

6. Risk management

Credit risk

The credit risk management process and measurement methods have not changed in relation to those described in the consolidated financial statements of the Bank Pekao S.A. Capital Group for the year ended 31 December 2013.

The tables below present the loan portfolio quality depending on percentage distribution of rating classes for exposures encompassed by internal rating models.

The distribution of rated portfolio for individual client segment (excluding impairment allowances)

RATING CLASS	MORTGAGE LOANS				CONSUMER LOANS				NOT INSTALLMENT LOANS			
	PD RANGE	NOMINAL VALUE		PD RANGE	NOMINAL VALUE		PD RANGE	NOMINAL VALUE				
		30.06.2014	31.12.2013		30.06.2014	31.12.2013		30.06.2014	31.12.2013			
1	0.00% <= PD < 0.19%	4.0%	4.9%	0.00% <= PD < 0.30%	3.7%	4.8%	0.00% <= PD < 0.01%	0.8%	0.7%			
2	0.19% <= PD < 0.24%	9.9%	10.6%	0.30% <= PD < 0.50%	6.4%	6.8%	0.01% <= PD < 0.03%	9.4%	10.2%			
3	0.24% <= PD < 0.31%	28.7%	29.5%	0.50% <= PD < 0.60%	4.4%	4.8%	0.03% <= PD < 0.04%	2.6%	2.8%			
4	0.31% <= PD < 0.40%	44.7%	41.9%	0.60% <= PD < 0.80%	11.2%	12.1%	0.04% <= PD < 0.07%	6.9%	7.1%			
5	0.40% <= PD < 0.61%	4.9%	5.0%	0.80% <= PD < 1.30%	16.3%	17.0%	0.07% <= PD < 0.15%	16.7%	17.3%			
6	0.61% <= PD < 1.02%	1.1%	1.1%	1.30% <= PD < 2.10%	21.5%	20.3%	0.15% <= PD < 0.25%	18.3%	18.0%			
7	1.02% <= PD < 2.20%	1.7%	1.9%	2.10% <= PD < 3.70%	18.4%	16.7%	0.25% <= PD < 0.59%	9.6%	9.6%			
8	2.20% <= PD < 6.81%	1.7%	1.9%	3.70% <= PD < 7.20%	8.0%	7.2%	0.59% <= PD < 1.20%	10.2%	10.3%			
9	6.81% <= PD < 14.10%	1.0%	1.0%	7.20% <= PD < 15.40%	3.4%	3.2%	1.20% <= PD < 2.58%	5.1%	5.1%			
10	14.10% <= PD < 100.00%	2.3%	2.2%	15.40% <= PD < 100.00%	6.7%	7.1%	2.58% <= PD < 100.00%	20.4%	18.9%			
Total		100.0%	100.0%		100.0%	100.0%		100.0%	100.0%			

The distribution of rated portfolio for SME clients (excluding impairment allowances)

RATING CLASS	PD RANGE	NOMINAL VALUE	
		30.06.2014	31.12.2013
1	0.00% <= PD < 0.11%	1.3%	1.4%
2	0.11% <= PD < 0.22%	4.2%	4.1%
3	0.22% <= PD < 0.45%	9.2%	9.7%
4	0.45% <= PD < 1.00%	14.6%	16.5%
5	1.00% <= PD < 2.10%	18.8%	19.3%
6	2.10% <= PD < 4.00%	16.5%	15.8%
7	4.00% <= PD < 7.00%	12.4%	12.8%
8	7.00% <= PD < 12.00%	9.4%	8.4%
9	12.00% <= PD < 22.00%	6.8%	6.8%
10	22.00% <= PD < 100.00%	6.8%	5.2%
Total		100.0%	100.0%

Notes to financial statements (cont)

(in PLN thousand)

The distribution of rated portfolio for corporate clients (excluding impairment allowances)

RATING CLASS	PD RANGE	NOMINAL VALUE	
		30.06.2014	31.12.2013
1	0.00% <= PD < 0.15%	7.0%	8.7%
2	0.15% <= PD < 0.27%	14.7%	10.8%
3	0.27% <= PD < 0.45%	15.5%	17.9%
4	0.45% <= PD < 0.75%	16.2%	12.9%
5	0.75% <= PD < 1.27%	14.4%	11.9%
6	1.27% <= PD < 2.25%	12.1%	9.0%
7	2.25% <= PD < 4.00%	3.9%	8.5%
8	4.00% <= PD < 8.50%	15.6%	16.7%
9	8.50% <= PD < 100.00%	0.6%	3.6%
Total		100.0%	100.0%

For specialized lending, the Group adopts slotting criteria approach within internal rating method which uses supervisory categories in the process of assigning risk weight categories.

The distribution of the portfolio exposure to specialized lending (excluding impairment allowances)

SUPERVISORY CATEGORY	NOMINAL VALUE	
	30.06.2014	31.12.2013
High	20.0%	16.2%
Good	70.2%	76.4%
Satisfactory	7.2%	4.2%
Low	2.6%	3.2%
Total	100.0%	100.0%

Notes to financial statements (cont)

(in PLN thousand)

Qualitative analysis of Group's financial assets

The Group exposures to credit risk with impairment recognized, broken down by delays in repayment

	LOANS AND ADVANCES TO BANKS (*)		LOANS AND ADVANCES TO CUSTOMERS (*)	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
GROSS CARRYING AMOUNT OF EXPOSURE INDIVIDUALLY IMPAIRED				
- not past due	-	-	795 117	1 198 456
- up to 1 month	-	-	130 063	106 104
- between 1 month and 3 months	-	-	163 777	465 519
- between 3 months and 1 year	-	-	1 209 584	480 219
- between 1 year and 5 years	15 910	18 089	2 130 511	2 185 912
- above 5 years	-	-	1 055 387	891 043
Total gross carrying amount	15 910	18 089	5 484 439	5 327 253
ALLOWANCE FOR IMPAIRMENT				
- not past due	-	-	(308 017)	(353 300)
- up to 1 month	-	-	(36 251)	(50 808)
- between 1 month and 3 months	-	-	(33 067)	(134 547)
- between 3 months and 1 year	-	-	(427 852)	(187 465)
- between 1 year and 5 years	(15 910)	(9 788)	(1 236 282)	(1 215 406)
- above 5 years	-	-	(860 871)	(764 625)
Total allowance for impairment	(15 910)	(9 788)	(2 902 340)	(2 706 151)
Net carrying amount of exposure individually impaired	-	8 301	2 582 099	2 621 102
GROSS CARRYING AMOUNT OF EXPOSURE COLLECTIVELY IMPAIRED				
- not past due	-	-	83 072	79 187
- up to 1 month	-	-	28 696	34 588
- between 1 month and 3 months	-	-	53 081	31 796
- between 3 months and 1 year	-	-	359 711	419 020
- between 1 year and 5 years	-	-	1 486 484	1 499 976
- above 5 years	9 800	15 662	605 450	554 932
Total gross carrying amount	9 800	15 662	2 616 494	2 619 499
ALLOWANCE FOR IMPAIRMENT				
- not past due	-	-	(72 168)	(47 205)
- up to 1 month	-	-	(14 568)	(17 655)
- between 1 month and 3 months	-	-	(27 620)	(16 259)
- between 3 months and 1 year	-	-	(207 733)	(243 582)
- between 1 year and 5 years	-	-	(1 162 447)	(1 164 615)
- above 5 years	(9 800)	(15 662)	(578 421)	(534 163)
Total allowance for impairment	(9 800)	(15 662)	(2 062 957)	(2 023 479)
Net carrying amount of exposure collectively impaired	-	-	553 537	596 020

(*) Loans and advances to banks and loans and advances to customers include receivables from financial leases.

Notes to financial statements (cont)

(in PLN thousand)

The Group exposures to credit risk with no impairment recognized, broken down by delays in repayment

	LOANS AND ADVANCES TO BANKS (*)		LOANS AND ADVANCES TO CUSTOMERS (*)			
			CORPORATE		RETAIL	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013	30.06.2014	31.12.2013
GROSS CARRYING AMOUNT OF EXPOSURE WITH NO IMPAIRMENT						
- not past due	6 842 132	7 546 525	61 309 718	57 931 568	43 008 560	40 549 982
- up to 30 days	-	-	886 524	558 198	976 957	1 349 761
- between 30 days and 60 days	-	-	117 836	141 798	227 270	187 471
- above 60 days	-	-	159 472	171 797	296 821	303 184
Total gross carrying amount	6 842 132	7 546 525	62 473 550	58 803 361	44 509 608	42 390 398
IBNR PROVISION						
- not past due	(163)	(300)	(193 203)	(216 141)	(142 131)	(124 897)
- up to 30 days	-	-	(8 043)	(5 031)	(57 807)	(86 629)
- between 30 days and 60 days	-	-	(2 959)	(1 989)	(24 836)	(22 280)
- above 60 days	-	-	(1 254)	(1 219)	(14 185)	(15 443)
Total IBNR provision	(163)	(300)	(205 459)	(224 380)	(238 959)	(249 249)
Net carrying amount of exposure with no impairment	6 841 969	7 546 225	62 268 091	58 578 981	44 270 649	42 141 149

(*) Loans and advances to banks and loans and advances to customers include receivables from financial leases and bills of exchange eligible for rediscounting at Central Bank.

The Group exposures to credit risk, broken down by impairment triggers criteria

	LOANS AND ADVANCES TO BANKS (*)		LOANS AND ADVANCES TO CUSTOMERS (*)	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
IMPAIRED EXPOSURES				
Gross carrying amount	25 710	33 751	8 100 933	7 946 752
Allowance for impairment	(25 710)	(25 450)	(4 965 297)	(4 729 630)
Total net carrying amount	-	8 301	3 135 636	3 217 122
Exposures with impairment triggers for which no impairment has been identified				
Gross carrying amount, in this:	-	-	92 167	154 064
<i>Exposure with collateral value included in expected discounted cash flow, in this:</i>	-	-	92 167	154 064
- <i>Past due exposures</i>	-	-	26 401	42 524
IBNR provision	-	-	(1 605)	(3 588)
Total net carrying amount	-	-	90 562	150 476
Exposures with no impairment triggers				
Gross carrying amount	6 842 132	7 546 525	106 890 991	101 039 695
IBNR provision	(163)	(300)	(442 813)	(470 041)
Total net carrying amount	6 841 969	7 546 225	106 448 178	100 569 654

(*) Loans and advances to banks and loans and advances to customers include receivables from financial leases and bills of exchange eligible for rediscounting at Central Bank.

Notes to financial statements (cont)

(in PLN thousand)

Classification of exposures to debt securities according to Standard & Poor's ratings as at 30 June 2014

RATING	DEBT SECURITIES				TOTAL
	HELD FOR TRADING	AVAILABLE FOR SALE	HELD TO MATURITY	REPO TRANSACTIONS	
AA+ to AA-	-	672 850	-	-	672 850
A+ to A-	967 974	16 254 269	752 612	6 566 866	24 541 721
BBB+ to BBB-	-	248 950	-	-	248 950
no rating	20 462	7 031 237 (*)	835 078 (**)	-	7 886 777
Total	988 436	24 207 306	1 587 690	6 566 866	33 350 298

(*) Including NBP bills in the amount of PLN 6 362 927 thousand.

(**) Including NBP bills in the amount of PLN 835 078 thousand.

Classification of exposures to debt securities according to Standard & Poor's ratings as at 31 December 2013

RATING	DEBT SECURITIES				TOTAL
	HELD FOR TRADING	AVAILABLE FOR SALE	HELD TO MATURITY	REPO TRANSACTIONS	
AA+ to AA-	-	262 534	-	-	262 534
A+ to A-	188 377	17 667 014	1 124 015	5 694 771	24 674 177
BBB+ to BBB-	-	248 865	-	-	248 865
no rating	-	14 836 974(*)	837 755(**)	-	15 674 729
Total	188 377	33 015 387	1 961 770	5 694 771	40 860 305

(*) Including NBP bills in an amount of PLN 14 159 186 thousand.

(**) Including NBP bills in an amount of PLN 837 755 thousand.

Classification of exposures to derivative financial instruments according to Standard & Poor's ratings as at 30 June 2014

RATING	DERIVATIVES						TOTAL
	TRADING DERIVATIVES			DERIVATIVE HEDGING INSTRUMENTS			
	BANKS	OTHER FINANCIAL INSTITUTIONS	NON-FINANCIAL ENTITIES	BANKS	OTHER FINANCIAL INSTITUTIONS	NON-FINANCIAL ENTITIES	
AA+ to AA-	96 026	-	-	5 657	-	-	101 683
A+ to A-	1 686 682	130 416	-	188 922	-	-	2 006 020
BBB+ to BBB-	299 677	-	169	15 404	-	-	315 250
BB+ to BB-	21 552	-	3 157	-	-	-	24 709
B+ to B-	-	-	125	-	-	-	125
no rating	186 869	45 698	250 863	15 031	5 050	-	503 511
Total	2 290 806	176 114	254 314	225 014	5 050	-	2 951 298

Notes to financial statements (cont)

(in PLN thousand)

Classification of exposures to derivative financial instruments according to Standard & Poor's ratings as at 31 December 2013

RATING	DERIVATIVES						TOTAL
	TRADING DERIVATIVES			DERIVATIVE HEDGING INSTRUMENTS			
	BANKS	OTHER FINANCIAL INSTITUTIONS	NON-FINANCIAL ENTITIES	BANKS	OTHER FINANCIAL INSTITUTIONS	NON-FINANCIAL ENTITIES	
AAA	8	-	-	-	-	-	8
AA+ to AA-	88 394	-	-	11 492	-	-	99 886
A+ to A-	1 290 956	31 507	-	116 674	-	-	1 439 137
BBB+ to BBB-	193 747	-	1 446	23 945	-	-	219 138
BB+ to BB-	31 553	-	2 861	-	-	-	34 414
B+ to B-	-	-	1 141	-	-	-	1 141
no rating	123 624	18 558	213 141	9 527	4 316	84 232	453 398
Total	1 728 282	50 065	218 589	161 638	4 316	84 232	2 247 122

Forbearance

The identifying process of Forborne exposures has not changed in relation to the one described in the consolidated financial statements of the Bank Pekao S.A. Capital Group for the year ended 31 December 2013.

The below table presents the value of forborne exposures

	30.06.2014	31.12.2013
LOANS AND ADVANCES		
Non impaired exposures		
Gross carrying amount	634 327	408 582
IBNR provision	(29 983)	(30 901)
Net carrying amount	604 344	377 681
Impaired exposures		
Gross carrying amount	2 478 653	2 440 750
Allowance for impairment	(995 229)	(886 095)
Net carrying amount	1 483 424	1 554 655
Total net carrying amount of forborne exposures	2 087 768	1 932 336

Notes to financial statements (cont)

(in PLN thousand)

Credit exposures towards Ukraine

As at 30 June 2014, the Group carried the level of net balance sheet exposures towards Ukraine amounting to PLN 843 million (0.6% of total Bank Pekao Group exposures).

The majority of the mentioned amount refers to intra group exposures in the form of interbank placements from which 50% will be repaid up to 2015 and 50% up to 2017. The remaining part of exposures refer to two international corporate groups.

The Group is strictly monitoring evolution of the situation in the country, however the nature of our exposures do not pose any treat in the overall quality of our assets.

The below table presents the Group's exposure towards the Ukrainian entities

	30.06.2014	31.12.2013
Balance sheet exposures		
Loans and advances to banks	619 590	611 436
Loans and advances to customers	240 736	244 195
Total gross carrying amount	860 326	855 631
IBNR provision / Allowance for impairment	(17 676)	(15 825)
Total net carrying amount	842 650	839 806
Off-balance sheet exposure		
Credit lines granted	3 926	3 895
Total gross carrying amount	3 926	3 895
IBNR provision	(11)	(11)
Total net carrying amount	3 915	3 884

Notes to financial statements (cont)

(in PLN thousand)

Market risk of the trading book

The model of market risk measurement has not changed in relation to the one described in the consolidated financial statements of the Bank Pekao S.A. Capital Group for the year ended 31 December 2013.

The table below presents the market risk exposure of the trading portfolio of the Group measured by Value at Risk in the period from 1 January to 30 June 2014 and in 2013:

	30.06.2014	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign currency exchange risk	79	11	446	2 183
interest rate risk	1 504	1 072	1 731	2 794
Trading portfolio	1 401	908	1 739	2 716

	31.12.2013	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign currency exchange risk	34	11	493	2 676
interest rate risk	1 361	802	1 383	2 997
Trading portfolio	1 022	831	1 457	3 236

Interest rate risk of the banking book

The measurement method of interest rate risk of the banking book has not changed in relation to the one described in the consolidated financial statements of the Bank Pekao S.A. Group for the year ended 31 December 2013.

The following table shows the distribution of sensitivity of net interest income (NII) to the change of interest rates by 100 basis points and the sensitivity of the economic capital of the Group (EVE) to the change of interest rates by 200 basis points as at 30 June 2014 and as at 31 December 2013.

SENSITIVITY IN %	30.06.2014	31.12.2013
NII	(7.91)	(7.41)
EVE	(2.16)	(1.81)

Foreign currency exchange risk

The foreign currency exchange risk management process has not changed in relation to the one described in the consolidated financial statements of the Bank Pekao S.A. Capital Group for the year ended 31 December 2013.

The table below presents the Group's foreign currency risk profile measured by Value at Risk:

CURRENCY	30.06.2014	31.12.2013
Currencies total (*)	365	229

(*) VaR presented in 'Currencies total' is VaR for the whole portfolio and includes correlations among currencies. The VAR in 'Currencies total' is mainly generated by EUR.

Notes to financial statements (cont)

(in PLN thousand)

Liquidity risk

The liquidity risk management process has not changed in relation to the one described in the consolidated financial statements of Bank Pekao S.A. Capital Group for the year ended 31 December 2013.

The tables below present adjusted liquidity gap and structure of financial liabilities and derivatives transactions maturity.

Adjusted liquidity gap

30.06.2014	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Periodic gap	6 991 368	(3 247 406)	9 795 057	21 784 926	(36 119 455)	(795 510)
Cumulated gap		3 743 962	13 539 019	35 323 945	(795 510)	

31.12.2013	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Periodic gap	2 399 257	(3 274 548)	11 145 607	22 422 083	(33 405 685)	(713 286)
Cumulated gap		(875 291)	10 270 316	32 692 399	(713 286)	

Structure of financial liabilities by contractual maturity

30.06.2014	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
BALANCE SHEET LIABILITIES						
Amounts due to banks (*)	3 141 853	76 328	675 800	1 087 698	1 963 766	6 945 445
Amounts due to customers	86 225 052	15 895 770	12 323 055	625 978	51 542	115 121 397
Debt securities issued	410 127	1 320 224	810 324	503 333	695 945	3 739 953
Financial liabilities held for trading	-	-	-	105 153	118 852	224 005
Total	89 777 032	17 292 322	13 809 179	2 322 162	2 830 105	126 030 800
OFF-BALANCE SHEET COMMITMENTS (**)						
Financial liabilities granted	27 041 196	-	-	-	-	27 041 196
Guarantees issued	11 686 124	-	-	-	-	11 686 124
Total	38 727 320	-	-	-	-	38 727 320

(*) Including Central Bank.

(**) Exposure amounts from financing-related off-balance sheet commitments granted and guarantees issued have been allocated to earliest tenors, for which an outflow of assets from the Group is possible based on contracts entered into by the Group. However, the expected flows by the Group from off-balance exposures are actually significantly lower and are differently distributed in time than those indicated above. The above is a consequence of considerable diversification of amounts due to customers and stages of life of individual contracts. Risk monitoring and management in relation to the outflow of assets from off-balance exposures are provided by the Group on continuous basis. The Group estimates also more probable flows that are presented in Tables 'Adjusted liquidity gap'.

Notes to financial statements (cont)

(in PLN thousand)

Structure of financial liabilities by contractual maturity

31.12.2013	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
BALANCE SHEET LIABILITIES						
Amounts due to banks (*)	1 995 036	1 514 087	240 399	910 209	2 119 511	6 779 242
Amounts due to customers	96 230 388	12 882 381	10 407 193	590 427	56 339	120 166 728
Debt securities issued	1 403 210	616 232	259 491	341 839	727 072	3 347 844
Financial liabilities held for trading	-	-	163 892	93 692	52 158	309 742
Total	99 628 634	15 012 700	11 070 975	1 936 167	2 955 080	130 603 556
OFF-BALANCE SHEET COMMITMENTS (**)						
Financial liabilities granted	27 097 699	-	-	-	-	27 097 699
Guarantees issued	11 077 303	-	-	-	-	11 077 303
Total	38 175 002	-	-	-	-	38 175 002

(*) Including Central Bank.

(**) Exposure amounts from financing-related off-balance sheet commitments granted and guarantees issued have been allocated to earliest tenors, for which an outflow of assets from the Group is possible based on contracts entered into by the Group. However, the expected flows by the Group from off-balance exposures are actually significantly lower and are differently distributed in time than those indicated above. The above is a consequence of considerable diversification of amounts due to customers and stages of life of individual contracts. Risk monitoring and management in relation to the outflow of assets from off-balance exposures are provided by the Group on continuous basis. The Group estimates also more probable flows that are presented in Tables 'Adjusted liquidity gap'.

The financial cash flows associated with off-balance sheet derivative transactions

Off-balance sheet derivative transactions settled by the Group in net amounts include:

- Interest Rate Swaps (IRS),
- Forward Rate Agreements (FRA),
- Foreign currency options and options for gold,
- Interest rate options (Cap/Floor),
- Options based on equity securities,
- Commodity swaps.

Off-balance sheet derivative transactions settled by the Group in gross amounts include:

- Cross-Currency Interest Rate Swaps (CIRS),
- Foreign currency forward contracts,
- Foreign currency swaps (fx-swap),
- Forward contracts based on securities.

Liabilities from off-balance sheet derivatives transactions settled in net amounts

	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
30.06.2014	31 986	52 771	170 982	1 681 516	902 523	2 839 778
31.12.2013	37 843	82 418	170 401	1 221 091	505 495	2 017 248

Notes to financial statements (cont)

(in PLN thousand)

Cash flows related to off-balance sheet derivative transactions settled in gross amounts

	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
30.06.2014						
Inflows	12 576 388	7 224 518	4 077 399	6 730 900	3 380 336	33 989 541
Outflows	12 553 209	7 246 251	4 028 849	7 416 665	3 490 637	34 735 611
31.12.2013						
Inflows	9 764 808	6 875 868	6 488 004	4 182 888	4 639 247	31 950 815
Outflows	9 740 758	6 880 310	6 361 312	4 606 934	4 966 904	32 556 218

Operational risk

There have been no significant changes in the operational risk management process in relation to those presented in consolidated financial statements of Bank Pekao S.A. Capital Group for the year ended 31 December 2013.

Fair value of financial assets and liabilities

Financial instruments that are measured at fair value in the consolidated statement of financial position of the Group

The measurement of fair value of financial instruments, for which market values from active markets are available, is based on market quotations of a given instrument (mark-to-market).

The measurement of fair value of Over-the-counter ('OTC') derivatives and instruments with limited liquidity (i.e. for which no market quotations are available), is made on the basis of other instruments quotations on active markets by replication thereof using a number of valuation techniques, including the estimation of present value of future cash flows (mark-to-model).

As of 30 June 2014 and on 31 December 2013, the Group classified the financial assets and liabilities measured at fair value into the following three categories based on the valuation method:

- Level 1: mark-to-market, applies exclusively to quoted securities,
- Level 2: mark-to-model valuation with model parameterization, based on quotations from active markets for given type of instrument. This method applies to illiquid government, municipal, corporate and central bank debt securities, linear and non-linear derivative instruments of interest rate markets (including forward transactions on debt securities), equity instruments, commodities and foreign currency exchange, except for those cases that meet the criteria belonging to Level 3,
- Level 3: mark-to-model valuation with partial model parameterization, based on estimated risk factors. This method is applicable to corporate and municipal debt securities and for linear and non-linear derivative instruments of interest rate and foreign currency exchange markets for which unobservable parameters (e.g. credit risk factors) are recognized as significant.

The measurement at fair value is performed directly by a unit within Risk Management Division, independent from front-office units. The methodology of fair value measurement, including the changes of its parameterization are subject to approval of Assets and Liabilities Committee (ALCO). The adequacy of measurement methods is subject to on-going analysis and periodical reviews in framework of model risk management. Within the same unit, assessment of adequacy and significance of risk factors is performed, including assignment of valuation models to appropriate method class, according to established principles of classification. The principles of classification are regulated by internal procedures and subject to approval of the Management Board Member, responsible for the Financial Division.

Notes to financial statements (cont)

(in PLN thousand)

30.06.2014	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets:	17 898 635	10 250 082	16 671	28 165 388
Financial assets held for trading	967 974	20 462	-	988 436
Derivative financial instruments, including:	-	2 719 369	1 865	2 721 234
- Banks	-	2 290 802	-	2 290 802
- Customers	-	428 567	1 865	430 432
Hedging instruments, including:	-	230 064	-	230 064
- Banks	-	225 014	-	225 014
- Customers	-	5 050	-	5 050
Securities available for sale	16 930 661	7 280 187	14 806	24 225 654
Liabilities:	224 005	3 843 059	-	4 067 064
Financial liabilities held for trading	224 005	-	-	224 005
Derivative financial instruments, including:	-	2 733 639	-	2 733 639
- Banks	-	2 449 611	-	2 449 611
- Customers	-	284 028	-	284 028
Hedging instruments, including:	-	1 109 420	-	1 109 420
- Banks	-	1 109 420	-	1 109 420
- Customers	-	-	-	-

31.12.2013	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets:	18 121 702	17 081 469	266 293	35 469 464
Financial assets held for trading	188 377	-	-	188 377
Derivative financial instruments, including:	-	1 994 309	2 625	1 996 934
- Banks	-	1 728 274	-	1 728 274
- Customers	-	266 035	2 625	268 660
Hedging instruments, including:	-	250 186	-	250 186
- Banks	-	161 638	-	161 638
- Customers	-	88 548	-	88 548
Securities available for sale	17 933 325	14 836 974	263 668	33 033 967
Liabilities:	309 742	3 059 385	-	3 369 127
Financial liabilities held for trading	309 742	-	-	309 742
Derivative financial instruments, including:	-	2 051 501	-	2 051 501
- Banks	-	1 741 216	-	1 741 216
- Customers	-	310 285	-	310 285
Hedging instruments, including:	-	1 007 884	-	1 007 884
- Banks	-	1 007 884	-	1 007 884
- Customers	-	-	-	-

Notes to financial statements (cont)

(in PLN thousand)

Change in fair value of financial instruments measured at fair value according to Level 3 by the Group

I HALF 2014	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	SECURITIES AVAILABLE FOR SALE	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)
Opening balance	-	2 625	263 668	-
Increases, including:	9 460 235	24	3	-
Reclassification	-	-	-	-
Acquisition	9 459 884	-	-	-
Settlement	-	-	-	-
Gains on financial instruments	351	24	3	-
recognized in the income statement	351	24	3	-
Decreases, including:	(9 460 235)	(784)	(248 865)	-
Reclassification	-	-	(248 865)	-
Settlement/redemption	(1 059 600)	(784)	-	-
Sale	(8 400 635)	-	-	-
Losses on financial instruments	-	-	-	-
recognized in the income statement	-	-	-	-
recognized in revaluation reserves	-	-	-	-
Closing balance	-	1 865	14 806	-
Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:	-	24	-	-
Income statement:	-	24	-	-
net interest income	-	-	-	-
result on financial assets and liabilities held for trading	-	24	-	-
Other comprehensive income	-	-	-	-

2013	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	SECURITIES AVAILABLE FOR SALE	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)
Opening balance	306 977	24 360	962 867	24 360
Increases, including:	17 652 369	12 905	11 541	-
Reclassification	-	12 905	-	-
Acquisition	17 652 369	-	-	-
Gains on financial instruments	-	-	11 541	-
recognized in the income statement	-	-	11 540	-
recognized in revaluation reserves	-	-	1	-
Decreases, including:	(17 959 346)	(34 640)	(710 740)	(24 360)
Reclassification	-	(24 360)	(699 084)	(24 360)
Settlement/redemption	(970 080)	(7 621)	(11 656)	-
Sale	(16 989 266)	-	-	-
Losses on financial instruments	-	(2 659)	-	-
recognized in the income statement	-	(2 659)	-	-
Closing balance	-	2 625	263 668	-
Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:	-	(528)	351	-
Income statement:	-	(528)	350	-
net interest income	-	-	350	-
result on financial assets and liabilities held for trading	-	(528)	-	-
Other comprehensive income	-	-	1	-

Notes to financial statements (cont)

(in PLN thousand)

Transfers from Level 1 to 2 are based on availability of active market quotations as at the end of the reporting period.

Transfers from Level 2 to 3 takes place if observable valuation parameter is changed to an unobservable one or if a new unobservable parameter is applied, provided the change results in significant impact on the valuation of instrument. Transfer from Level 3 to Level 2 takes place if unobservable valuation parameter is changed to an observable one, or the impact of unobservable parameter becomes insignificant. The transfers between levels take place on date and at the end of the reporting period.

In the period from 1 January till to 30 June 2014, there was no transfer of instruments measured at fair value between Level 1 and Level 2.

In the period from 1 January till to 30 June 2014 financial instruments were not transferred from Level 2 to Level 3.

In the period from 1 January till to 30 June 2014 corporate bonds were transferred from Level 3 to Level 2.

The impact of estimated parameters on measurement of financial instruments for which the Group applies fair value valuation according to Level 3 as at 30 June 2014 and 31 December 2013 is as follows:

FINANCIAL ASSET/LIABILITY	FAIR VALUE AS AT 30.06.2014	VALUATION TECHNIQUE	UNOBSERVABLE FACTOR	ALTERNATIVE FACTOR RANGE (WEIGHTED AVERAGE)	IMPACT ON FAIR VALUE AS AT 30.06.2014	
					POSITIVE SCENARIO	NEGATIVE SCENARIO
Interest rate derivatives	4 533	Discounted cash flow	PD	58% - 100%	441	-
		Discounted cash flow	LGD	32% - 42%	172	(172)

FINANCIAL ASSET/LIABILITY	FAIR VALUE AS AT 31.12.2013	VALUATION TECHNIQUE	UNOBSERVABLE FACTOR	ALTERNATIVE FACTOR RANGE (WEIGHTED AVERAGE)	IMPACT ON FAIR VALUE AS AT 31.12.2013	
					POSITIVE SCENARIO	NEGATIVE SCENARIO
Interest rate derivatives	3 624	Discounted cash flow	PD	18%-32%	158	(30)
		Discounted cash flow	LGD	39%-49%	36	(36)

Notes to financial statements (cont)

(in PLN thousand)

Financial instruments that are not measured at fair value in the consolidated statement of financial position of the Group

The Group also holds financial instruments which are not presented at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

As of 30 June 2014 and on 31 December 2013, the Group classified the financial assets and liabilities not measured at fair value in the consolidated statement of financial position into the following three categories based on the valuation level:

- Level 1: mark-to-market. Applies to government securities quoted on the liquid market and cash,
- Level 2: mark-to-model valuation with model parameterization, based on quotations from active markets for given type of instrument. This method applies to interbank deposits, own issues, illiquid government, municipal, corporate and central bank debt securities,
- Level 3: mark-to-model valuation with partial model parameterization, based on estimated risk factors. This method is applicable to corporate and municipal debt securities and loans and deposits for which the applied credit risk factor (an unobservable parameter) is recognized significant.

In case of certain groups of financial assets, recognized at the amount to be received with impairment considered, the fair value was assumed to be equal to carrying amount. The above applies in particular to cash and other financial assets and liabilities.

In the case of loans for which no quoted market values are available, the fair values presented are generally estimated using valuation techniques taking into consideration the assumption, that at the moment when the loan is granted its fair value is equal to its carrying amount. Fair value of non-impaired loans is equal to the sum of future expected cash flows, discounted at the balance sheet date. The discount rate is defined as the appropriate market risk-free rate plus the credit risk margin and current sales margin (taking commission income into consideration) for the given loan products group. The margin is computed on loans granted during last three months broken down by loan product groups and maturity. For the purpose of the fair value of foreign currency loans estimation, the margin on PLN loans adjusted by the cross-currency basis swap quotes is used. The fair value of impaired loans is defined as equal to the sum of expected recoveries, discounted with the use of effective interest rate, since the average expected recovery values take the element of credit risk fully into consideration. In case of loans without repayment schedule (loans in current account, overdrafts and credit cards), the fair value was assumed as equal to the carrying amount.

For the Group's capital exposure, for which no active market prices are available and market values are unattainable, the Group does not measure their fair value. Such exposures include companies from financial sector, associated with the use of the financial and banking infrastructure and payment card services and companies taken-over as a result of debt restructuring.

Since no quoted market prices are available for deposits, their fair values have been generally estimated using valuation techniques with the assumption that the fair value of a deposit at the moment of its receipt is equal to its carrying amount. The fair value of term deposits is equal to the sum of future expected cash flows, discounted at the relevant balance sheet date. The cash flow discount rate is defined as the relevant market risk-free rate, increased by the sales margin. The margin is computed on deposits acquired during last three months broken down by deposit product groups and maturity. In case of short term deposits (current deposits, overnights, saving accounts), the fair value was assumed as equal to the carrying amount.

The fair value of deposits and loans, apart from mortgage loans denominated in PLN and CHF for which prepayment model is used, is calculated based on contractual cash flows.

The mark-to-model valuation of own issue debt instruments is based on the method of discounting the future cash flows. Variable cash flows are estimated based upon rates adopted for specific markets (depending upon issue specifications). Both the fixed and implied cash flows are discounted using interbank money market rates.

Notes to the financial statements (cont)

(in PLN thousand)

30.06.2014	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
Assets					
Cash and due from Central Bank	5 055 863	5 055 863	2 148 248	2 907 615	-
Loans and advance to banks	6 835 565	6 864 313	-	5 413 113	1 451 200
Loans and advances to customers (*)	106 695 198	105 047 853	-	8 355 762	96 692 091
Receivables from financial leases	2 985 583	3 035 220	-	-	3 035 220
Debt securities held to maturity	1 587 690	1 602 350	767 271	835 079	-
Total Assets	123 159 899	121 605 599	2 915 519	17 511 569	101 178 511
Liabilities					
Amounts due to Central Bank	958	971	-	-	971
Amounts due to other banks	6 661 576	6 707 600	-	2 900 584	3 807 016
Amounts due to customers	114 709 996	114 362 696	-	2 893 139	111 469 556
Debt securities issued	3 579 531	3 591 246	-	3 591 246	-
Total Liabilities	124 952 061	124 662 513	-	9 384 969	115 277 543

(*) Including bills of exchange eligible for rediscounting at Central Bank.

31.12.2013	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
Assets					
Cash and due from Central Bank	4 191 229	4 191 229	2 104 621	2 086 608	-
Loans and advance to banks	7 547 785	7 548 960	-	4 466 311	3 082 649
Loans and advances to customers (*)	101 012 745	100 116 126	-	7 914 160	92 201 966
Receivables from financial leases	2 931 248	3 031 583	-	-	3 031 583
Debt securities held to maturity	1 961 770	1 984 030	1 146 271	837 759	-
Total Assets	117 644 777	116 871 928	3 250 892	15 304 838	98 316 198
Liabilities					
Amounts due to Central Bank	985	985	-	-	985
Amounts due to other banks	6 417 657	6 471 531	-	2 761 626	3 709 905
Amounts due to customers	119 796 706	119 429 152	-	3 667 699	115 761 453
Debt securities issued	3 063 737	3 070 638	-	3 070 638	-
Total Liabilities	129 279 085	128 972 306	-	9 499 963	119 472 343

(*) Including bills of exchange eligible for rediscounting at Central Bank.

Notes to financial statements (cont)

(in PLN thousand)

7. Operating segments

Segment reporting is based on the application of the management model ('Model'), in which the main criteria for segmentation in Group reporting is the classification of customers based on their profile and service model.

The Model assumes that budgeting and monitoring of results at the segments' level is focused on all components of the income statement up to the gross profit level. Therefore, the income from the segment's activities as well as operating costs related to those activities (including direct and allocated costs) and other components of income statement are attached to each segment.

The Group settles transactions between segments on an arm's length basis by applying current market prices. Fund transfers between retail, private, corporate and investment banking departments, and the Asset and Liabilities Committee (ALCO) and other units are based on market prices applicable to the funds' currency and maturity, including liquidity margins.

Operating segments

The operating segments of the Group are as follows:

- Retail banking – all banking activities related to retail customers (excluding private banking customers), small and micro companies with annual turnover not exceeding PLN 20 million, as well as the results of the subsidiaries, and shares in net profit of associates accounted for using the equity method, that are assigned to the retail banking activity,
- Private banking – all banking activities related to the most affluent individual customers,
- Corporate and Investment banking – all banking activities related to the medium and large companies, interbank market, debt securities and other instruments, and results of the subsidiaries that are assigned to the Corporate and Investment banking activity,
- Asset and Liabilities Committee and other – supervision and monitoring of fund transfers, other activities centrally managed as well as the results of the subsidiaries and shares in net profit of associates accounted for using equity method that are not assigned to other segments.

Notes to financial statements (cont)

(in PLN thousand)

Operating segments reporting for the period from 1 January to 30 June 2014

	RETAIL BANKING	PRIVATE BANKING	CORPORATE AND INVESTMENT BANKING		ASSETS AND LIABILITIES COMMITTEE AND OTHER (*)	TOTAL
			CONTINUED OPERATIONS	DISCONTINUED OPERATIONS		
Net interest income	1 283 382	20 756	747 929	-	260 794	2 312 861
Net non-interest income	843 326	14 408	432 607	-	41 896	1 332 237
Operating income	2 126 708	35 164	1 180 536	-	302 690	3 645 098
Personnel expenses	(582 447)	(11 368)	(125 041)	-	(236 534)	(955 390)
Other administrative expenses	(689 202)	(13 235)	(210 611)	-	309 497	(603 551)
Depreciation and amortization	(80 094)	(551)	(9 774)	-	(72 575)	(162 994)
Operating costs	(1 351 743)	(25 154)	(345 426)	-	388	(1 721 935)
Operating profit	774 965	10 010	835 110	-	303 078	1 923 163
Net result on other provisions	(561)	-	(1 433)	-	(1 156)	(3 150)
Net impairment losses on financial assets and off-balance sheet commitments	(117 360)	137	(172 327)	-	(618)	(290 168)
Net result on investment activities	21	-	147	-	(711)	(543)
Profit before income tax	657 065	10 147	661 497	-	300 593	1 629 302
Income tax expense (continued operations)						(300 803)
Income tax expense (discontinued operations)						-
Net profit for the period (continued operations)						1 328 499
Net profit for the period (discontinued operations)						-
Attributable to equity holders of the Bank						1 319 321
Attributable to non-controlling interest						9 178
Allocated assets	51 770 086	251 405	95 652 359	-	(963 668)	146 710 182
Unallocated assets						10 162 423
Total assets						156 872 605
Allocated liabilities	60 690 879	6 897 058	61 900 527	-	(3 196 998)	126 291 466
Unallocated liabilities						30 581 139
Total liabilities						156 872 605

(*) Including intercompany transactions within Bank Pekao S.A. Group.

Notes to financial statements (cont)

(in PLN thousand)

Operating segments reporting for the period from 1 January to 30 June 2013

	RETAIL BANKING	PRIVATE BANKING	CORPORATE AND INVESTMENT BANKING		ASSETS AND LIABILITIES COMMITTEE AND OTHER (*)	TOTAL
			CONTINUED OPERATIONS	DISCONTINUED OPERATIONS		
Net interest income	1 235 869	16 648	768 539	57 996	229 853	2 308 905
Net non-interest income	877 925	15 285	594 632	9 747	24 031	1 521 620
Operating income	2 113 794	31 933	1 363 171	67 743	253 884	3 830 525
Personnel expenses	(554 997)	(8 786)	(138 527)	(19 907)	(238 591)	(960 808)
Other administrative expenses	(722 533)	(13 719)	(202 738)	(19 607)	316 364	(642 233)
Depreciation and amortization	(80 842)	(595)	(12 585)	(2 550)	(78 802)	(175 374)
Operating costs	(1 358 372)	(23 100)	(353 850)	(42 064)	(1 029)	(1 778 415)
Operating profit	755 422	8 833	1 009 321	25 679	252 855	2 052 110
Net result on other provisions	(375)	(238)	(1 619)	-	(83)	(2 315)
Net impairment losses on financial assets and off-balance sheet commitments	(137 647)	2 048	(167 085)	(5 643)	(16 738)	(325 065)
Net result on investment activities	(50)	-	(630)	-	17 697	17 017
Profit before income tax	617 350	10 643	839 987	20 036	253 731	1 741 747
Income tax expense (continued operations)						(333 234)
Income tax expense (discontinued operations)				(3 883)		(3 883)
Net profit for the period (continued operations)						1 388 477
Net profit for the period (discontinued operations)				16 153		16 153
Attributable to equity holders of the Bank						1 400 330
Attributable to non-controlling interest						4 300
Allocated assets	46 752 484	378 253	93 342 273	2 196 232	(2 651 813)	140 017 429
Unallocated assets						10 565 095
Total assets						150 582 524
Allocated liabilities	55 759 347	6 543 598	61 863 072	1 687 708	(4 493 772)	121 359 953
Unallocated liabilities						29 222 571
Total liabilities						150 582 524

(*) Including intercompany transactions within Bank Pekao S.A. Group.

Notes to financial statements (cont)

(in PLN thousand)

Reconciliation of operating income for reportable segments

	II HALF 2014	I HALF 2013
Total operating income for reportable segments	3 645 098	3 830 525
Share in gains (losses) from associates	(34 693)	(27 689)
Net other operating income and expenses	(56 574)	(37 732)
Refunding of administrative expenses	1 807	2 125
Operating income	3 555 638	3 767 229

Geographical segment

The operating activity of Bank Pekao S.A. Group is concentrated in Poland through the network of branches and the subsidiaries.

The below table presents information about operating activity of the Group according to the geographical segments:

	POLAND	UKRAINE (DISCONTINUED OPERATIONS)	TOTAL
I HALF 2014			
Net profit for the period attributable to equity holders of the Bank	1 319 321	-	1 319 321
Segment assets	156 872 605	-	156 872 605
II HALF 2013			
Net profit for the period attributable to equity holders of the Bank	1 384 177	16 153	1 400 330
Segment assets	148 386 292	2 196 232	150 582 524

Notes to financial statements (cont)

(in PLN thousand)

8. Interest income and expense

Interest income

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
Loans and other receivables from customers	1 271 842	2 520 532	1 325 660	2 805 807
Interbank placements	37 253	74 960	51 489	110 995
Reverse repo transactions	25 882	47 197	27 425	50 471
Investment securities	212 994	434 132	266 903	549 502
Hedging derivatives	32 331	71 856	40 636	89 343
Financial assets held for trading	4 455	7 109	2 317	5 943
Total	1 584 757	3 155 786	1 714 430	3 612 061

Interest expense

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
Deposits from customers	(385 294)	(765 676)	(515 285)	(1 130 720)
Interbank deposits	(6 668)	(16 398)	(11 038)	(23 633)
Repo transactions	(18 776)	(38 863)	(23 822)	(53 045)
Loans and advances received	(13 254)	(26 195)	(12 985)	(30 794)
Debt securities issued	(20 859)	(38 675)	(44 584)	(99 404)
Total	(444 851)	(885 807)	(607 714)	(1 337 596)

Notes to financial statements (cont)

(in PLN thousand)

9. Fee and commission income and expense

Fee and commission income

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
Accounts maintenance, payment orders and cash transactions	168 095	335 984	178 617	359 783
Payment cards	228 388	439 128	224 965	435 052
Loans and advances	105 134	191 213	104 087	184 341
Investment products sales intermediation	68 702	136 041	71 779	148 515
Securities operations	24 298	53 801	29 480	54 967
Custody activity	16 110	31 033	13 998	26 881
Pension and investment funds service fees	13 253	27 767	15 920	31 806
Guarantees, letters of credit and similar transactions	13 028	24 963	12 263	27 229
Other	27 655	56 698	18 726	41 356
Total	664 663	1 296 628	669 835	1 309 930

Fee and commission expense

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
Payment cards	(119 222)	(221 770)	(116 281)	(217 272)
Money orders and transfers	(5 279)	(9 986)	(6 055)	(9 946)
Securities and derivatives operations	(4 584)	(9 695)	(4 409)	(8 869)
Accounts maintenance	(824)	(1 402)	(1 744)	(2 818)
Custody activity	(2 702)	(5 282)	(2 139)	(4 176)
Pension funds management charges	(1 215)	(1 562)	(842)	(1 225)
Acquisition services	(608)	(1 145)	(374)	(576)
Other	(4 065)	(6 723)	(3 566)	(6 215)
Total	(138 499)	(257 565)	(135 410)	(251 097)

10. Dividend income

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
Issuers of securities available for sale	8 189	8 189	6 751	6 751
Total	8 189	8 189	6 751	6 751

11. Result on financial assets and liabilities held for trading

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
Foreign currency exchange result	86 244	168 894	105 914	195 863
Gains (losses) on derivatives	21 315	42 501	14 537	26 620
Gains (losses) on securities	3 618	5 225	2 872	4 776
Total	111 177	216 620	123 323	227 259

Notes to financial statements (cont)

(in PLN thousand)

12. Gains (losses) on disposal

Realized gains

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
Loans and other financial receivables	670	1 084	-	1
Available for sale financial assets – debt instruments	34 820	34 915	152 922	210 487
Debt securities issued	1	3	22	71
Total	35 491	36 002	152 944	210 559

Realized losses

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
Loans and other financial receivables	-	-	-	(82)
Available for sale financial assets – debt instruments	-	(78)	-	-
Debt securities issued	(1)	(20)	(143)	(3 521)
Total	(1)	(98)	(143)	(3 603)

Net realized profit	35 490	35 904	152 801	206 956
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13. Administrative expenses

Personnel expenses

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
Wages and salaries	(407 868)	(802 432)	(406 570)	(800 560)
Insurance and other charges related to employees	(73 502)	(146 693)	(76 857)	(150 423)
Share-based payments expenses	(2 640)	(6 265)	(5 125)	(9 825)
Total	(484 010)	(955 390)	(488 552)	(960 808)

Other administrative expenses

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
General expenses	(247 731)	(497 376)	(285 425)	(559 032)
Taxes and charges	(9 887)	(22 755)	(9 784)	(20 724)
Bank Guarantee Fund fee	(34 422)	(68 845)	(24 437)	(48 851)
Financial supervision authority fee (KNF)	(7 996)	(16 382)	(7 794)	(15 751)
Total	(300 036)	(605 358)	(327 440)	(644 358)
Total administrative expenses	(784 046)	(1 560 748)	(815 992)	(1 605 166)

14. Depreciation and amortization

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
Property, plant and equipment	(48 336)	(95 628)	(53 512)	(104 385)
Investment property	(436)	(2 078)	(306)	(621)
Intangible assets	(32 277)	(65 288)	(34 050)	(70 368)
Total	(81 049)	(162 994)	(87 868)	(175 374)

Notes to financial statements (cont)

(in PLN thousand)

15. Net other operating income and expenses

Other operating income

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
Rental income	5 890	11 973	7 639	14 663
Miscellaneous income	4 397	6 905	3 469	16 575
Credit insurance income	5 820	11 722	6 591	11 991
Recovery of debt collection costs	5 493	10 316	5 292	10 675
Excess payments, repayments	14 513	16 637	994	2 260
Compensation, penalty fees and fines received (including received compensations from damages in relation to fixed assets)	1 447	33 221	1 490	3 469
Revenues from sale of products, goods and services	1 630	4 703	2 892	5 009
Revenues from leasing activity	339	481	3 280	3 957
Refunding of administrative expenses	12	1 807	1 085	2 125
Income from written off liabilities	138	207	245	1 147
Releases of impairment allowances for litigation and other assets	99	243	65	957
Gains on sale of leasing assets for third party and other assets	(9)	586	(155)	-
Other	1 150	2 434	3 447	6 480
Total	40 919	101 235	36 334	79 308

Other operating expenses

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
Costs related to leasing activity	(234)	(8 189)	(3 359)	(4 355)
Credit insurance expenses	(7 177)	(13 894)	(6 133)	(13 579)
Reimbursement and deficiencies	(2 773)	(4 902)	(3 714)	(7 112)
Sundry expenses	(2 461)	(6 999)	(2 699)	(4 901)
Cost from sale of products, goods and services	(327)	(1 484)	(160)	(676)
Customers complaints expenses	(693)	(1 429)	(830)	(1 297)
Impairment allowance for litigations and other assets	(1 242)	(1 487)	(341)	(558)
Costs of litigation and claims	(502)	(938)	(1 063)	(1 619)
Compensation, penalty fees and fines paid	(102)	(252)	(496)	(1 443)
Losses on disposal of leasing assets for third party and other assets	-	-	(233)	(241)
Other	(3 071)	(5 087)	(2 872)	(5 795)
Total	(18 582)	(44 661)	(21 900)	(41 576)
Net other operating income and expenses	22 337	56 574	14 434	37 732

Notes to financial statements (cont)

(in PLN thousand)

16. Net impairment losses on financial assets and off-balance sheet commitments

I HALF 2014	OPENING BALANCE	INCREASES		DECREASES			CLOSING BALANCE	IMPACT ON INCOME STATEMENT (**)
		IMPAIRMENT CHARGES	OTHER (*)	WRITE-OFFS OF ASSETS FROM THE BALANCE SHEET	RELEASE OF IMPAIRMENT CHARGES	OTHER (*)		
Impairment of financial assets and off - balance sheet commitments								
Loans and advances to banks measured at amortized cost	25 721	241	276	-	(187)	(208)	25 843	(54)
Loans and advances to customers measured at amortized cost	5 028 177	676 888	72 555	(81 170)	(401 724)	(68 363)	5 226 363	(275 164)
Receivables from financial leases	175 111	21 332	29	(5)	(13 086)	-	183 381	(8 246)
Financial assets available for sale	123	-	-	(1)	-	-	122	-
Off-balance sheet commitments	113 932	52 185	27	-	(42 292)	-	123 852	(9 893)
Total financial assets and off-balance sheet commitments	5 343 064	750 646	72 887	(81 176)	(457 289)	(68 571)	5 559 561	(293 357)
Impairment of other assets								
Investments in associates	60	-	-	-	-	-	60	-
Intangible assets	10 961	-	-	-	-	-	10 961	-
Property, plant and equipment	6 830	-	-	(48)	-	-	6 782	-
Investment properties	3 080	-	6 152	-	-	(550)	8 682	-
Other	65 544	1 487	8	(775)	(243)	(57)	65 964	(1 244)
Total impairment of other assets	86 475	1 487	6 160	(823)	(243)	(607)	92 449	(1 244)
Total	5 429 539	752 133	79 047	(81 999)	(457 532)	(69 178)	5 652 010	(294 601)

(*) Including foreign exchange differences and transfers between positions.

(**) 'Impairment of financial assets and off-balance sheet commitments' balance includes net impairment in the amount of PLN minus 293 357 thousand and proceeds from recovered bad debt in the amount of PLN 3 189 thousand, totaling PLN minus 290 168 thousand.

Notes to financial statements (cont)

(in PLN thousand)

I HALF 2013	OPENING BALANCE	INCREASES			DECREASES		CLOSING BALANCE	IMPACT ON INCOME STATEMENT (**)
		IMPAIRMENT CHARGES	OTHER (*)	WRITE-OFFS OF ASSETS FROM THE BALANCE SHEET	RELEASE OF IMPAIRMENT CHARGES	OTHER (*)		
Impairment of financial assets and off - balance sheet commitments								
Loans and advances to banks measured at amortized cost	70 132	13	628	-	(28 728)	(196)	41 849	28 715
Loans and advances to customers measured at amortized cost	4 665 033	782 166	75 947	(63 398)	(445 817)	(40 547)	4 973 384	(336 349)
Receivables from financial leasing	192 685	20 198	-	(1 261)	(12 934)	(765)	197 923	(7 264)
Financial assets available for sale	123	-	-	-	-	-	123	-
Impairment of off-balance sheet commitments	106 406	54 368	475	-	(46 574)	-	114 675	(7 794)
Total financial assets and off-balance sheet commitments	5 034 379	856 745	77 050	(64 659)	(534 053)	(41 508)	5 327 954	(322 692)
Impairment of other assets								
Investments in subsidiaries and associates	60	-	-	-	-	-	60	-
Intangible assets	11 399	-	-	(438)	-	-	10 961	-
Property, plant and equipment	7 638	2 283	-	(375)	(2)	-	9 544	(2 281)
Investment properties	2 154	-	-	-	-	-	2 154	-
Other	74 647	558	29	(9)	(138)	(28)	75 059	(420)
Total impairment of other assets	95 898	2 841	29	(822)	(140)	(28)	97 778	(2 701)
Total	5 130 277	859 586	77 079	(65 481)	(534 193)	(41 536)	5 425 732	(325 393)

(*) Including foreign exchange differences and transfers between positions.

(**) 'Impairment of financial assets and off-balance sheet commitments' balance includes net impairment in the amount of PLN minus 322 692 thousand, net impairment concerning discontinued operations in the amount of PLN minus 5 643 thousand and proceeds from recovered bad debt in the amount of PLN 3 270 thousand, the total is PLN minus 325 065 thousand.

Notes to financial statements (cont)

(in PLN thousand)

17. Gains (losses) on subsidiaries and associates

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
Share in gains (losses) from associates				
Dom Inwestycyjny Xelion Sp. z o.o	265	458	91	156
Pioneer Pekao Investment Management S.A.	12 213	28 888	11 088	23 225
Krajowa Izba Rozliczeniowa S.A.	2 933	5 347	1 656	4 308
Total share in gains (losses) from associates	15 411	34 693	12 835	27 689
Gains (losses) on disposal of subsidiaries and associates	-	-	-	-
Total gains (losses) on subsidiaries and associates	15 411	34 693	12 835	27 689

18. Gains (losses) on disposal of property, plant and equipment, and intangible assets

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
Gains (losses) on disposal of property, plant and equipment classified as assets held for sale	-	-	17 405	17 405
Gains (losses) on de-recognition of property, plant and equipment and intangible assets other than classified as assets held for sale	(210)	(543)	(429)	(388)
Total gains (losses) on disposal of property, plant and equipment, and intangible assets	(210)	(543)	16 976	17 017

19. Basic components of income tax charge in the income statement and equity

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
INCOME STATEMENT				
Current tax	(222 979)	(346 689)	(203 906)	(368 952)
Current tax charge in the income statement	(222 141)	(352 431)	(202 337)	(366 191)
Adjustments related to the current tax from previous years	-	7 433	971	972
Other taxes (e.g. withholding tax, income tax relating to foreign branches)	(838)	(1 691)	(2 540)	(3 733)
Deferred tax	68 193	45 886	36 188	31 835
Occurrence and reversal of temporary differences	68 193	45 886	36 188	31 835
Tax charge in the income statement	(154 786)	(300 803)	(167 718)	(337 117)
EQUITY				
Deferred tax	(82 865)	(87 701)	68 074	89 496
Income and costs disclosed in other comprehensive income:				
revaluation of financial instruments - cash flows hedges	(21 496)	(19 327)	9 195	5 923
revaluation of available for sale financial assets – debt securities	(61 375)	(68 418)	59 749	88 665
revaluation of available for sale financial assets – equity securities	6	44	19	14
Foreign currency translation differences	-	-	(889)	(5 106)
Tax charge in other comprehensive income	(82 865)	(87 701)	68 074	89 496
Total charge	(237 651)	(388 504)	(99 644)	(247 621)

Notes to financial statements (cont)

(in PLN thousand)

20. Earnings per share for continued and discontinued operations

Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Group by the weighted average number of the ordinary shares outstanding during the period.

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
Net profit for the period	685 077	1 319 321	730 473	1 400 330
Weighted average number of ordinary shares in the period	262 470 034	262 470 034	262 470 034	262 470 034
Earnings per share (in PLN per share)	2.61	5.03	2.79	5.34

Diluted earnings per share

Diluted earnings per share are calculated by dividing the net profit attributable to equity holders of the Group by the weighted average number of the ordinary shares outstanding during the given period adjusted for all potential dilution of ordinary shares.

As at 30 June 2014 there were no diluting instruments in the form of convertible bonds in the Group.

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
Net profit for the period	685 077	1 319 321	730 473	1 400 330
Weighted average number of ordinary shares in the period	262 470 034	262 470 034	262 470 034	262 470 034
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	262 470 034	262 470 034	262 470 034	262 470 034
Diluted earnings per share (in PLN per share)	2.61	5.03	2.79	5.34

21. Dividend payment

The dividends and other payments to shareholders are recognized directly in equity. The dividend payable is not recognized until the entity has no obligation to pay dividends that is until the payment is approved by the General Meeting.

On 12 June 2014 the Ordinary General Meeting of Bank Pekao S.A. made the resolution regarding the dividend payment for year 2013. The dividend to the shareholders contributed an amount of PLN 2 614 201 538.64, wherein the value of the dividend per one share was PLN 9.96. The dividend's day was fixed for 18 June 2014.

The payment of the dividend was on 4 July 2014.

Notes to financial statements (cont)

(in PLN thousand)

22. Cash and balances with Central Bank

Cash and due from Central Bank	30.06.2014	31.12.2013	30.06.2013
Cash	2 148 236	2 104 608	2 454 810
Current account at Central Bank	2 907 615	2 086 608	2 590 997
Placements	-	-	241 025
Other	12	13	13
Total	5 055 863	4 191 229	5 286 845

Amounts due to Central Bank	30.06.2014	31.12.2013	30.06.2013
Term deposits	958	985	965
Total	958	985	985

Cash and balances with Central Bank by currency

30.06.2014	ASSETS	LIABILITIES
PLN	4 326 578	958
EUR	347 178	-
USD	212 937	-
CHF	33 085	-
Other currencies	136 085	-
Total	5 055 863	958

31.12.2013	ASSETS	LIABILITIES
PLN	3 637 608	985
EUR	271 158	-
USD	162 712	-
CHF	33 382	-
Other currencies	86 369	-
Total	4 191 229	985

30.06.2013	ASSETS	LIABILITIES
PLN	4 319 752	965
EUR	440 239	-
USD	338 377	-
CHF	38 634	-
Other currencies	149 843	-
Total	5 286 845	965

Notes to financial statements (cont)

(in PLN thousand)

23. Loans and advances to banks

Loans and advances to banks by product type

	30.06.2014	31.12.2013	30.06.2013
Current accounts and overnight placements	1 889 844	1 566 990	1 336 816
Interbank placements	788 013	1 356 616	130 407
Loans and advances	82 067	122 357	537 449
Cash collaterals	1 211 612	1 094 355	1 769 521
Reverse repo transactions	2 732 536	3 119 010	649 676
Debt securities	-	-	-
Cash in transit	157 336	314 178	200 896
Total gross amount	6 861 408	7 573 506	4 624 765
Impairment allowances	(25 843)	(25 721)	(41 849)
Total net amount	6 835 565	7 547 785	4 582 916

Loans and advances to banks by quality

	30.06.2014	31.12.2013	30.06.2013
Loans and advances to banks, including:			
non impaired (gross)	6 835 698	7 539 755	4 545 543
impaired (gross)	25 710	33 751	79 222
individual impairment allowances	(15 910)	(9 788)	(25 300)
collective impairment allowances (*)	(9 933)	(15 933)	(16 549)
Total	6 835 565	7 547 785	4 582 916

(*) Including estimated impairment allowances for losses incurred but not reported (IBNR).

Loans and advances to banks by contractual maturity

	30.06.2014	31.12.2013	30.06.2013
Loans and advances to banks, including:			
up to 1 month	6 106 286	6 554 525	3 893 769
between 1 and 3 months	95 140	185 922	48 003
between 3 months and 1 year	305 138	392 700	131 851
between 1 and 5 years	314 442	352 332	400 973
over 5 years	14 528	54 105	70 761
past due	25 874	33 922	79 408
Total gross amount	6 861 408	7 573 506	4 624 765
Impairment allowances	(25 843)	(25 721)	(41 849)
Total net amount	6 835 565	7 547 785	4 582 916

Loans and advances to banks by currency

	30.06.2014	31.12.2013	30.06.2013
PLN	3 600 326	3 884 267	1 483 663
CHF	19 241	23 506	3 317
EUR	1 652 779	2 254 636	1 888 968
USD	1 364 646	1 199 699	1 085 151
Other currencies	198 573	185 677	121 817
Total	6 835 565	7 547 785	4 582 916

Changes in impairment allowances in the period from 1 January to 30 June 2014 and in the period from 1 January to 30 June 2013 are presented in the Note 16.

Notes to financial statements (cont)

(in PLN thousand)

24. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading by product type

30.06.2014	ASSETS	LIABILITIES
Securities issued by State Treasury	967 974	224 005
T- bills	-	-
T- bonds	967 974	224 005
Securities issued by banks	-	-
Securities issued by business entities	20 462	-
Total	988 436	224 005

31.12.2013	ASSETS	LIABILITIES
Securities issued by State Treasury	188 377	309 742
T- bills	-	-
T- bonds	188 377	309 742
Securities issued by banks	-	-
Securities issued by business entities	-	-
Total	188 377	309 742

30.06.2013	ASSETS	LIABILITIES
Securities issued by State Treasury	1 342 127	413 561
T- bills	344 442	-
T- bonds	997 685	413 561
Securities issued by banks	-	-
Securities issued by business entities	-	-
Total	1 342 127	413 561

Notes to financial statements (cont)

(in PLN thousand)

Financial assets and liabilities held for trading by maturity

30.06.2014	ASSETS	LIABILITIES
Debt securities, including:		
up to 1 month	28 431	-
between 1 and 3 months	-	-
between 3 months and 1 year	785 372	-
between 1 and 5 years	121 880	105 153
over 5 years	52 753	118 852
Total	988 436	224 005

31.12.2013	ASSETS	LIABILITIES
Debt securities, including:		
up to 1 month	76 898	-
between 1 and 3 months	1 993	-
between 3 months and 1 year	-	163 892
between 1 and 5 years	55 544	93 692
over 5 years	53 942	52 158
Total	188 377	309 742

30.06.2013	ASSETS	LIABILITIES
Debt securities, including:		
up to 1 month	153 185	-
between 1 and 3 months	344 442	-
between 3 months and 1 year	352 317	95 851
between 1 and 5 years	301 190	179 640
over 5 years	190 993	138 070
Total	1 342 127	413 561

Assets and financial liabilities held for trading by currency

30.06.2014	ASSETS	LIABILITIES
PLN	973 888	224 005
EUR	12 442	-
USD	2 106	-
Total	988 436	224 005

31.12.2013	ASSETS	LIABILITIES
PLN	141 482	309 742
EUR	8 349	-
USD	38 546	-
Total	188 377	309 742

30.06.2013	ASSETS	LIABILITIES
PLN	1 323 940	413 561
EUR	5 517	-
USD	12 670	-
Total	1 342 127	413 561

Notes to financial statements (cont)

(in PLN thousand)

25. Derivative financial instruments (held for trading)

Fair value of trading derivatives

30.06.2014	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	2 507 767	2 537 335
Forward Rate Agreements (FRA)	2 651	4 923
Options	12 471	12 207
Other	365	433
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	18 022	26 758
Currency Forward Agreements	38 333	68 091
Currency Swaps (fx-swap)	78 534	22 233
Options for currency and gold	23 648	23 846
Transactions based on equity securities		
Options	4 502	4 509
Swaps	34 941	33 304
Total	2 721 234	2 733 639

31.12.2013	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	1 694 485	1 738 511
Forward Rate Agreements (FRA)	12 574	10 365
Options	16 742	16 359
Other	724	863
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	14 258	34 061
Currency Forward Agreements	56 872	100 451
Currency Swaps (fx-swap)	122 157	72 206
Options for currency and gold	58 259	58 287
Transactions based on equity securities		
Options	5 817	5 818
Swaps	15 046	14 580
Total	1 996 934	2 051 501

30.06.2013	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	2 015 175	2 039 615
Forward Rate Agreements (FRA)	28 117	19 534
Options	15 580	15 914
Other	3 525	3 906
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	9 966	37 733
Currency Forward Agreements	100 786	87 199
Currency Swaps (fx-swap)	173 301	122 010
Options for currency and gold	47 219	50 574
Transactions based on equity securities		
Options	4 825	4 828
Total	2 398 494	2 381 313

Notes to financial statements (cont)

(in PLN thousand)

26. Loans and advances to customers

Loans and advances to customers by product type

	30.06.2014	31.12.2013	30.06.2013
Mortgage loans	39 117 758	37 094 691	34 652 416
Current accounts	11 896 300	10 868 100	11 756 799
Operating loans	14 367 162	13 364 851	13 429 014
Investment loans	19 814 834	19 233 353	19 023 930
Payment cards receivables	779 816	778 736	771 413
Purchased debt receivables	2 904 439	2 892 760	2 688 891
Other loans and advances	9 614 493	9 682 090	9 430 846
Debt securities	9 505 567	9 473 835	6 845 066
Reverse repo transactions	3 835 693	2 581 676	3 119 904
Cash in transit	85 260	70 600	49 172
Total gross amount	111 921 322	106 040 692	101 767 451
Impairment allowances	(5 226 363)	(5 028 177)	(4 973 384)
Total net amount	106 694 959	101 012 515	96 794 067

Loans and advances to customers by customer type

	30.06.2014	31.12.2013	30.06.2013
Corporate	53 884 413	49 865 877	49 414 502
Individuals	46 716 234	44 592 881	42 101 000
Budget entities	11 320 675	11 581 934	10 251 949
Total gross amount	111 921 322	106 040 692	101 767 451
Impairment allowances	(5 226 363)	(5 028 177)	(4 973 384)
Total net amount	106 694 959	101 012 515	96 794 067

Loans and advances to customers by quality

	30.06.2014	31.12.2013	30.06.2013
Loans and advances to customers, including:			
non impaired (gross)	104 082 859	98 334 335	94 212 268
impaired (gross)	7 838 463	7 706 357	7 555 183
individual impairment allowances	(2 890 827)	(2 677 820)	(2 460 458)
collective impairment allowances (*)	(2 335 536)	(2 350 357)	(2 512 926)
Total	106 694 959	101 012 515	96 794 067

(*) Including estimated impairment allowances for losses incurred but not reported (IBNR).

Notes to financial statements (cont)

(in PLN thousand)

Loans and advances to customers by contractual maturity

	30.06.2014	31.12.2013	30.06.2013
Loans and advances to customers, including:			
up to 1 month	17 980 966	14 620 744	15 938 902
between 1 and 3 months	2 452 197	2 902 893	2 875 032
between 3 months and 1 year	10 388 073	10 315 304	10 134 557
between 1 and 5 years	34 017 307	33 406 176	31 852 283
over 5 years	40 688 986	39 629 626	35 355 087
past due	6 393 793	5 165 949	5 611 590
Total gross amount	111 921 322	106 040 692	101 767 451
Impairment allowances	(5 226 363)	(5 028 177)	(4 973 384)
Total net amount	106 694 959	101 012 515	96 794 067

Loans and advances to customers by currency

	30.06.2014	31.12.2013	30.06.2013
PLN	87 818 987	82 906 418	78 258 032
CHF	5 026 217	5 208 473	5 800 674
EUR	11 140 630	10 861 533	11 082 359
USD	2 619 202	1 986 642	1 626 689
Other currencies	89 923	49 449	26 313
Total	106 694 959	101 012 515	96 794 067

Changes in impairment allowances in the period from 1 January to 30 June 2014 and in the period from 1 January to 30 June 2013 are presented in the Note 16.

Notes to financial statements (cont)

(in PLN thousand)

27. Receivables from financial leases

The Group conducts leasing operations through its subsidiary Pekao Leasing Sp. z o.o.

The value of gross lease investments and minimum lease payments are follows as:

30.06.2014	GROSS LEASING INVESTMENT	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
Up to 1 year	1 148 221	1 018 303
Between 1 and 5 years	1 939 851	1 790 096
Over 5 years	397 336	360 565
Total	3 485 408	3 168 964
Unearned finance income	(316 444)	
Net leasing investment	3 168 964	
Unguaranteed residual values accruing to the benefit of the lessor	-	
Present value of minimum lease payments	3 168 964	
Impairment allowances	(183 381)	
Balance sheet value	2 985 583	

31.12.2013	GROSS LEASING INVESTMENT	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
Up to 1 year	1 311 189	1 179 567
Between 1 and 5 years	1 861 633	1 704 660
Over 5 years	284 419	222 132
Total	3 457 241	3 106 359
Unearned finance income	(350 882)	
Net leasing investment	3 106 359	
Unguaranteed residual values accruing to the benefit of the lessor	-	
Present value of minimum lease payments	3 106 359	
Impairment allowances	(175 111)	
Balance sheet value	2 931 248	

30.06.2013	GROSS LEASING INVESTMENT	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
Up to 1 year	1 319 853	1 190 820
Between 1 and 5 years	1 719 384	1 586 967
Over 5 years	125 151	116 664
Total	3 164 388	2 894 451
Unearned finance income	(269 937)	
Net leasing investment	2 894 451	
Unguaranteed residual values accruing to the benefit of the lessor	-	
Present value of minimum lease payments	2 894 451	
Impairment allowances	(197 923)	
Balance sheet value	2 696 528	

Notes to financial statements (cont)

(in PLN thousand)

The Group is acting as a lessor in financial leases mainly for transport vehicles, machines and equipment.

Moreover, when the Group is a lessee in a financial lease contract among the Group entities, the inter-company transactions relating to the financial leases are eliminated in the consolidated financial statements.

Receivables from financial leases from banks by quality

	30.06.2014	31.12.2013	30.06.2013
Receivables from financial leases from banks, including:			
non impaired (gross)	6 434	6 770	121
impaired (gross)	-	-	-
individual impairment allowances	(29)	(28)	(29)
collective impairment allowances (*)	-	(1)	-
Total	6 405	6 741	92

(*) Including estimated impairment allowances for losses incurred but not reported (IBNR).

Receivables from financial leases from clients by quality

	30.06.2014	31.12.2013	30.06.2013
Receivables from financial leases from clients, including:			
non impaired (gross)	2 900 060	2 859 194	2 617 469
impaired (gross)	262 470	240 395	276 861
individual impairment allowances	(41 158)	(40 991)	(41 000)
collective impairment allowances (*)	(142 194)	(134 091)	(156 894)
Total	2 979 178	2 924 507	2 696 436

(*) Including estimated impairment allowances for losses incurred but not reported (IBNR).

Receivables from financial leases by currency

	30.06.2014	31.12.2013	30.06.2013
PLN	1 960 474	1 995 032	1 984 144
CHF	4 324	5 752	10 133
EUR	1 013 879	922 159	692 302
USD	6 906	8 305	9 949
Total	2 985 583	2 931 248	2 696 528

Notes to financial statements (cont)

(in PLN thousand)

28. Hedge accounting

As at 30 June 2014 the Group applies fair value hedge accounting and cash flow hedge accounting.

In the period from 1 January to 30 June 2014 the Group continued to apply the following hedge accounting:

- fair value hedge accounting for fixed coupon debt securities classified as available-for-sale (AFS) hedged with interest rate swap (IRS) transactions - described in 28.1,
- cash flow hedge accounting for floating-rate financial assets and liabilities hedged with cross-currency interest rate swap (CIRS) transactions - described in 28.2,
- cash flow hedge accounting for floating-rate financial assets hedged with interest rate swap (IRS) transactions - described in 28.3,
- cash flow hedge accounting for a denominated in EUR floating coupon deposits portfolio, hedged with interest rate swap (IRS) transactions - described in 28.4,
- cash flow hedge accounting for variable portfolio of loans in EUR and USD hedged with fx-swap instruments - described in 28.5.

In the first half of 2014 the Group:

- designated to the hedge accounting the hedging relationship – cash flow hedge accounting for highly probable cash flow denominated in EUR (short position in EUR for the Group) hedged with foreign exchange forward transactions (a series of fx-spot and fx-swap transactions) – described in 28.6
- completed the designation of fair value hedge accounting for the portfolio of deposits denominated in EUR against interest rate risk hedged with cross-currency interest rate swap (CIRS) transactions - described in 28.7. Completion of the application resulted from maturity of transactions included in the hedging relationship.

The table below presents the fair value of hedging derivatives

30.06.2014	ASSETS	LIABILITIES
Fair value hedge accounting		
Interest rate swaps (IRS)	-	208 447
Cross-currency interest rate swap (CIRS)	-	-
Cash flow hedge accounting		
Interest rate swaps (IRS)	185 825	15 207
Cross-currency interest rate swap (CIRS)	8 456	881 906
FX-swaps	35 783	3 860
Total	230 064	1 109 420

31.12.2013	ASSETS	LIABILITIES
Fair value hedge accounting		
Interest rate swaps (IRS)	1 460	158 856
Cross-currency interest rate swap (CIRS)	84 232	-
Cash flow hedge accounting		
Interest rate swaps (IRS)	51 928	14 472
Cross-currency interest rate swap (CIRS)	24 183	834 556
FX-swaps	88 383	-
Total	250 186	1 007 884

Notes to financial statements (cont)

(in PLN thousand)

30.06.2013	ASSETS	LIABILITIES
Fair value hedge accounting		
Interest rate swaps (IRS)	706	189 370
Cross-currency interest rate swap (CIRS)	137 028	-
Cash flow hedge accounting		
Interest rate swaps (IRS)	49 599	55 318
Cross-currency interest rate swap (CIRS)	38 014	1 120 775
FX-swaps	-	116 623
Total	225 347	1 482 086

The table below presents the amounts recognized in the income statement and in the revaluation reserves due to cash flow hedge accounting

	I HALF 2014	I HALF 2013
Revaluation reserves (deferral of fair value changes of hedging instruments related to the portions recognized as effective hedge - gross value)	72 235	(95 492)
Net interest income on hedging derivatives	89 482	114 135
Ineffective portions of changes in the fair value of hedging transactions recognized in the income statement	338	(447)

The table below presents changes in the revaluation reserves during the period due to cash flow hedge accounting

	I HALF 2014	I HALF 2013
Opening balance	(29 487)	(64 318)
Deferral of fair value changes of hedging instruments related to the portion recognized as effective hedge	101 696	(31 200)
Amount of the deferral of fair value changes of hedging instruments of the effective hedge removed from the revaluation reserves and presented in net profit or loss	26	26
Closing balance	72 235	(95 492)

The table below presents the amounts recognized in the income statement due to the fair value hedge accounting

TYPE OF GAINS/LOSSES	I HALF 2014	I HALF 2013
Gains/losses from revaluation of hedging instruments to fair value	(86 905)	39 304
Gains/losses from revaluation of hedged item associated with hedged risk to fair value	72 788	(46 339)
Result on fair value hedge accounting	(14 117)	(7 035)
Net interest income on hedging derivatives	(17 626)	(24 792)

Notes to financial statements (cont)

(in PLN thousand)

28.1 Fair value hedge of fixed-coupon debt securities

Description of the hedging relationship

The Group hedges a portion of the interest rate risk resulting from the fair value changes of the hedged item related to the volatility of market swap curves with the designated IRS transactions.

Hedged item

The hedged items are fixed coupon debt securities classified as AFS, denominated in PLN, EUR and USD.

Hedging derivatives

The hedging derivatives consist of IRS transactions in PLN, EUR and USD (short position in fixed-rate) for which the Group receives floating-rate payments, and pays fixed-rate.

Financial Statements presentation

The result of the change in the hedged items' fair value that relates to the hedged risk is presented in the income statement line item 'Result on fair value hedge accounting'. The remaining portion of the change in the hedged items' fair value (resulting from spread between swap yield curve and bond yield curve) is recognized in accordance with the accounting principles applicable to AFS (i.e. in the revaluation reserve in equity). Interest accrued on AFS bonds is presented in the net interest income.

Changes in the fair value of hedging derivatives under the fair value hedge accounting are presented in the income statement in the result on fair value hedge accounting. Interest accrued on the hedging derivatives under the fair value hedge accounting is presented in the net interest income.

28.2 Cash flow hedge of floating-rate loans and floating-rate deposits

Description of the hedging relationship

The Group hedges a portion of the interest rate risk and the foreign currency risk resulting from the volatility of cash flows from floating-rate assets and liabilities with the designated CIRS transactions (basis swap).

Hedged items

Hedged item consists of two separate components, which are cash flows arising from floating-rate assets portfolio and floating-rate liabilities portfolio.

Hedging derivatives

Hedging derivatives consist of a portfolio of CIRS transactions (basis swap), where the Group pays floating-rate currency cash flows, and receives floating-rate PLN/currency cash-flows. CIRS transactions are decomposed into the part hedging the assets portfolio and the part hedging the liabilities portfolio.

Financial Statements presentation

The effective portion of the change in fair value of hedging derivatives' is recognized in the revaluation reserve in equity. The ineffective portion of the change in fair value of hedging derivatives is recognized in the result on financial assets and liabilities held for trading. The interest on CIRS transactions and hedged items is presented in the net interest income.

Period in which the cash flows related to the hedged items are expected to occur

It is expected that the cash flows related to the hedged items will occur until 18 September 2028.

Notes to financial statements (cont)

(in PLN thousand)

28.3 Cash flow hedge of floating-rate loans

Description of hedging relationship

The Group hedges a portion of the interest rate risk related to the volatility of cash flows on floating-rate assets with the designated IRS transactions.

Hedged items

The hedged items consist of the cash flows from floating-rate assets.

Hedging derivatives

The hedging derivatives consist of portfolio of IRS transactions (short position in floating rate – the Group receives fixed payments and pays floating-rate).

Financial Statements presentation

The effective portion of the change in fair value of hedging derivatives is recognized in the revaluation reserve in equity. The ineffective portion of change in fair value hedging derivatives is recognized in the result on financial assets and liabilities held for trading. The interest on IRS transactions and hedged items is presented in the net interest income.

Period in which the cash flows related to the hedged items are expected to occur

It is expected that the cash flows related to the hedged items will occur until 29 April 2020.

28.4 Cash flow hedge of floating-rate deposits

Description of hedging relationship

The Group hedges a portion of the interest rate risk related to the volatility of cash flows on floating-rate deposits with the designated IRS transactions.

Hedged items

Cash flows from floating-rate deposits denominated in EUR are the hedged items.

Hedging derivatives

The hedging derivatives consist of portfolio of IRS transactions (short position in fix-rate – the Group receives floating-rate payments and pays fixed-rate).

Financial Statements presentation

The effective portion of the change in fair value of hedging derivatives is recognized in the revaluation reserve in equity. The ineffective portion of change in fair value hedging derivatives is recognized in the net result on financial assets and liabilities held for trading. The interest on IRS transactions and hedged items is presented in the net interest income.

Period in which the cash flows related to the hedged items are expected to occur

It is expected that the cash flows related to the hedged items will occur until 5 December 2014.

Notes to the financial statements (cont.)

(in PLN thousand)

28.5 Cash flow hedge of floating-rate currency assets hedged with fx-swap transactions against the exchange and interest rate risk

Description of hedging relationship

The Group hedges volatility of cash flows constituting floating-rate financial assets (loans in EUR and USD) with fx-swap transactions. The currency and interest rate risk is hedged.

Hedged items

Loans with variable interest rate risk, denominated in EUR and USD constitute hedged items.

Hedging derivatives

Fx-swap transaction portfolio constitutes the hedging position.

Financial Statements presentation

The effective portion of the change in fair value of hedging derivatives is recognized in the revaluation reserve in equity. The ineffective portion of the change in fair value of hedging derivatives is recognized in the result on financial assets and liabilities held for trading.

Settled part of the swap points on the hedging instrument is transferred from the revaluation reserve in equity and recognized in interest income. Currency revaluation regarding the first capital exchange on the hedging instrument is transferred from the revaluation reserve in equity and recognized in the foreign currency exchange result.

Period in which the cash flows related to the hedged items are expected to occur

It is expected that the cash flows related to the hedged items will occur until 15 April 2015.

28.6 Cash flow hedge of expected future outflow in foreign currency

Description of hedging relationship

The Group hedges the volatility of cash flows denominated in EUR constituting the projected costs from expected purchase with the designated fx-forward transactions. The currency risk is being hedged.

Hedged items

Projected purchase costs dependent on EUR and Polish zloty exchange rates are the hedged item.

Hedging derivatives

The hedging derivatives consist of a portfolio of fx-forward transactions (fx-swap and fx-spot closing the short legs of fx-swap), in which the Group buys EUR currency in exchange for PLN currency on 3 July 2014 at an agreed exchange rate.

Financial Statements presentation

The effective portion of change in hedging derivatives fair value is recognized in revaluation reserve in equity. The ineffective portion of changes in hedging derivatives fair value is recognized in the result on financial assets and liabilities held for trading.

Period in which the cash flows related to the hedged items are expected to occur

It is expected that the cash flows related to the hedged items will occur until 3 July 2014.

Notes to financial statements (cont)

(in PLN thousand)

28.7 Fair value hedge of interest rate risk for deposit portfolio – relationship completed

Description of hedging relationship

The Group hedged the interest rate risk component of the fair value changes of the hedged item related to the volatility of market interest rates with the designated CIRS transactions. Completion of the application resulted from maturity of transactions included in the hedging relationship.

Hedged item

The hedged item was a portfolio of deposits denominated in EUR with interest insensitive to interest rate changes.

Hedging derivatives

The hedging items consisted of CIRS transactions in which the Group received fixed-rate payments in EUR, and paid floating-rate payments in Polish Zloty.

Financial Statements presentation

The result of the change in the hedged items' fair value that relates to the hedged risk was presented in the income statement in the result on fair value hedge accounting. The remaining portion of change in the hedged items' fair value is recognized as a separate line in the liabilities. The interest on deposits is presented in the net interest income.

Changes in the fair value of hedging derivatives under the fair value hedge accounting were presented in the income statement in the result on fair value hedge accounting. Interest accrued on the hedging derivatives under the fair value hedge accounting is presented in the net interest income.

29. Investment (placement) securities

	30.06.2014	31.12.2013	30.06.2013
Debt securities available for sale (AFS)	24 207 306	33 015 387	27 201 897
Equity securities available for sale (AFS)	18 348	18 580	18 309
Debt securities held to maturity (HTM)	1 587 690	1 961 770	2 246 387
Total	25 813 344	34 995 737	29 466 593

Debt securities available for sale (AFS)

	30.06.2014	31.12.2013	30.06.2013
Securities issued by State Treasury	16 927 119	17 929 548	17 546 518
T-bills	-	-	-
T-bonds	16 927 119	17 929 548	17 546 518
Securities issued by Central Banks	6 362 927	14 159 186	8 733 360
Securities issued by business entities	248 950	248 865	248 752
Securities issued by local governments	668 310	677 788	673 267
Total	24 207 306	33 015 387	27 201 897
including impairment of assets	-	-	-

Equity securities available for sale (AFS)

	30.06.2014	31.12.2013	30.06.2013
Shares	18 348	18 580	18 309
Total	18 348	18 580	18 309
including impairment of assets	(122)	(123)	(123)

Notes to financial statements (cont)

(in PLN thousand)

Debt securities held to maturity (HTM)

	30.06.2014	31.12.2013	30.06.2013
Securities issued by State Treasury	752 612	1 124 015	1 484 478
T- bills	-	-	64 635
T- bonds	752 612	1 124 015	1 419 843
Securities issued by Central Banks	835 078	837 755	761 909
Total	1 587 690	1 961 770	2 246 387
including impairment of assets	-	-	-

Investment debt securities according to contractual maturity

	30.06.2014	31.12.2013	30.06.2013
Debt securities, including:			
up to 1 month	7 275 945	15 476 130	9 709 839
between 1 and 3 months	-	-	64 635
between 3 months and 1 year	15 475	461 915	2 467 037
between 1 and 5 years	12 856 058	12 787 788	11 379 296
over 5 years	5 647 518	6 251 324	5 827 477
Total	25 794 996	34 977 157	29 448 284

Investment debt securities by currency

	30.06.2014	31.12.2013	31.12.2013
PLN	22 451 007	31 932 448	26 579 445
EUR	1 930 587	1 725 017	1 529 670
USD	1 413 402	1 319 692	1 339 169
Total	25 794 996	34 977 157	29 448 284

Notes to financial statements (cont)

(in PLN thousand)

30. Assets and liabilities held for sale and discontinued operations

According to IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' the Group identified non-current assets meeting requirements of IFRS 5 (concerning classification of non-current assets as held for sale) in the item 'Assets held for sale'.

As at 30 June 2014 non-current assets classified as held for sale are as follows:

- real estate,
- other property, plant and equipment.

Assets held for sale and liabilities associated with assets held for sale are presented below:

	30.06.2014	31.12.2013	30.06.2013
ASSETS HELD FOR SALE			
Assets of PJSC UniCredit Bank	-	-	2 196 075
Property, plant and equipment	10 169	23 349	41 727
Other assets	22 515	22 515	22 515
Total assets	32 684	45 864	2 260 317
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE			
Liabilities of PJSC UniCredit Bank	-	-	1 027 331
Total liabilities	-	-	1 027 331

In comparison to 31 December 2013 the Group has ceased to classify the investment property as held for sale due to the fact that the classification criteria are not longer met.

In 2013 the Bank sold its all shares in subsidiary PJSC UniCredit Bank to UniCredit S.p.A. (Parent Entity of the Bank). The details of transaction were presented in the consolidated financial statements of Bank Pekao S.A. Capital Group for the year ended 31 December 2013.

Effect of disposal of assets held for sale

	I HALF 2014	2013	I HALF 2013
Sales proceeds	-	90 827	65 236
Net carrying amount of disposed assets (including sale costs)	-	67 932	47 831
Gain/loss on sale before income tax	-	22 895	17 405

Notes to financial statements (cont)

(in PLN thousand)

31. Intangible assets

	30.06.2014	31.12.2013	30.06.2013
Intangible assets, including:	546 380	572 011	577 722
research and development expenditures	12 425	12 031	13 930
licenses and patents	423 367	447 917	434 378
other	6 950	1 035	1 738
assets under construction	103 638	111 028	127 676
Goodwill	54 560	54 560	54 560
Total	600 940	626 571	632 282

In the period from 1 January to 30 June 2014, the Group acquired intangible assets in the amount of PLN 39 960 thousand (in 2013 – PLN 101 969 thousand).

In the period from 1 January to 30 June 2014 and in 2013 there have been no intangible assets whose title is restricted and pledged as security for liabilities.

Contractual commitments

As at 30 June 2014 the contractual commitments for the acquisition of intangible assets amounted to PLN 50 059 thousand, whereas as at 31 December 2013 - PLN 21 501 thousand.

32. Property, plant and equipment

	30.06.2014	31.12.2013	30.06.2013
Non-current assets, including:	1 476 114	1 496 630	1 610 785
land and buildings	1 126 520	1 131 656	1 215 768
machinery and equipment	275 949	291 519	314 868
transport vehicles	32 574	35 999	43 287
other	41 071	37 456	36 862
Non-current assets under construction and prepayments	61 765	93 006	58 394
Total	1 537 879	1 589 636	1 669 179

In the period from 1 January to 30 June 2014 the Group acquired property, plant and equipment in the amount of PLN 42 813 thousand (in 2013 - PLN 198 208 thousand), while the value of property, plant and equipment sold amounted to PLN 1 326 thousand (in 2013 - PLN 4 861 thousand).

In the period from 1 January to 30 June 2014 and in 2013 there have been no property, plant and equipment whose title is restricted and pledged as security for liabilities.

Contractual commitments

As at 30 June 2014 the contractual commitments for the acquisition of property, plant and equipment amounted to PLN 48 280 thousand, whereas as at 31 December 2013 - PLN 68 267 thousand.

Notes to financial statements (cont)

(in PLN thousand)

33. Assets pledged as security for liabilities

As at 30 June 2014 the Group held the following financial assets pledged as security for liabilities

TYPE OF TRANSACTION	SECURITY	CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	VALUE OF LIABILITIES SUBJECT TO SECURITY
Repo transactions	bonds	2 687 076	2 471 111	2 678 126
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	654 957	605 200	-
Lombard and technical loan	bonds	3 977 716	3 812 074	-
Other loans	bonds, leases encumbrances	890 696	887 737	906 409
Issue of mortgage bonds	receivables backed by mortgage, bonds	1 445 055	1 453 713	1 023 075
Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	bonds, cash deposits	42 526	41 942	-
Derivatives	bonds	18 454	17 229	2 140

As at 31 December 2013 the Group held the following financial assets pledged as security for liabilities

TYPE OF TRANSACTION	SECURITY	CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	VALUE OF LIABILITIES SUBJECT TO SECURITY
Repo transaction	bonds	4 553 357	4 251 825	4 563 231
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	603 467	575 120	-
Lombard and technical loan	bonds	5 379 355	5 271 118	-
Other loans	bonds, leases encumbrances	1 045 089	1 057 224	918 812
Deposits	bonds	216 628	206 450	205 894
Issue of mortgage bonds	receivables backed by mortgage, bonds	1 213 544	1 221 631	823 285
Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	bonds, cash deposit	38 343	38 069	-

Notes to financial statements (cont)

(in PLN thousand)

As at 30 June 2013 the Group held the following financial assets pledged as security for liabilities

TYPE OF TRANSACTION	SECURITY	CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	VALUE OF LIABILITIES SUBJECT TO SECURITY
Repo transaction	bonds	1 162 032	1 130 626	1 161 017
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	621 613	560 120	-
Lombard and technical loan	bonds	7 011 236	6 720 047	-
Other loans	bonds	1 050 577	1 044 307	894 931
Deposits	bonds	201 486	204 700	192 014
Issue of mortgage bonds	receivables backed by mortgage, bonds	1 284 390	1 298 578	826 927

34. Amounts due to other banks

Amounts due to other banks by product type

	30.06.2014	31.12.2013	30.06.2013
Current accounts and overnight deposits	985 654	1 160 683	1 526 501
Interbank deposits and other liabilities	418 030	1 282 795	605 431
Loans and advances received	3 111 738	3 048 343	2 635 242
Repo transactions	2 107 018	905 238	396 193
Cash in transit	39 136	20 598	47 921
Total	6 661 576	6 417 657	5 211 288

Amounts due to other banks by currency

	30.06.2014	31.12.2013	30.06.2013
PLN	2 512 889	3 058 551	2 574 451
CHF	814 177	814 849	870 452
EUR	2 950 306	2 410 773	1 560 304
USD	174 754	69 488	128 252
Other currencies	209 450	63 996	77 829
Total	6 661 576	6 417 657	5 211 288

Notes to financial statements (cont)

(in PLN thousand)

35. Amounts due to customers

Amounts due to customers by entity and product type

	30.06.2014	31.12.2013	30.06.2013
Amounts due to corporate, including:	49 610 585	59 214 508	50 294 572
current accounts and overnight deposits	25 305 028	22 708 969	19 339 863
term deposits and other liabilities	24 305 557	36 505 539	30 954 709
Amounts due to budget entities, including:	8 070 302	5 822 211	6 780 275
current accounts and overnight deposits	5 100 355	4 893 773	4 512 404
term deposits and other liabilities	2 969 947	928 438	2 267 871
Amounts due to individuals, including:	53 820 253	50 912 985	49 304 761
current accounts and overnight deposits	28 987 004	27 993 266	27 936 886
term deposits and other liabilities	24 833 249	22 919 719	21 367 875
Repo transactions	2 893 401	3 668 011	2 320 084
Cash in transit	315 455	178 991	264 662
Total	114 709 996	119 796 706	108 964 354

Amounts due to customers by currency

	30.06.2014	31.12.2013	30.06.2013
PLN	95 840 625	101 473 042	93 320 719
CHF	169 276	173 571	180 197
EUR	11 327 005	10 434 337	9 207 555
USD	6 714 813	7 078 537	5 596 997
Other currencies	658 277	637 219	658 886
Total	114 709 996	119 796 706	108 964 354

Notes to financial statements (cont)

(in PLN thousand)

36. Debt securities issued

Debt securities issued by type

	30.06.2014	31.12.2013	30.06.2013
Certificates of deposit	2 556 456	2 240 452	3 477 816
Mortgage bonds	1 023 075	823 285	826 927
Total	3 579 531	3 063 737	4 304 743

The Group redeems its own debt securities issued on a timely basis.

Debt securities issued by currency

	30.06.2014	31.12.2013	30.06.2013
PLN	3 406 644	3 003 425	4 261 235
EUR	172 887	60 312	43 508
USD	-	-	-
Total	3 579 531	3 063 737	4 304 743

Changes in debt securities issued

	I HALF 2014	2013	I HALF 2013
Opening balance	3 063 737	4 758 736	4 758 736
Increase (issuance)	2 557 474	3 667 197	1 741 881
Decrease (redemption)	(2 188 101)	(4 300 519)	(1 782 504)
Decrease (partial redemption)	(739)	(1 022 028)	(428 399)
Foreign currency exchange differences	(10)	2 344	3 787
Sale	136 141	-	-
Other changes	11 029	(41 993)	11 242
Closing balance	3 579 531	3 063 737	4 304 743

Notes to financial statements (cont)

(in PLN thousand)

37. Provisions

Changes in provisions in the reporting period

I HALF 2014	PROVISIONS FOR LITIGATION AND CLAIMS	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
Opening balance	34 986	207 297	113 932	37 322	393 537
Provision charges/revaluation	3 536	11 511	52 185	6 348	73 580
Provision utilization	(1 009)	(3 856)	-	(9 736)	(14 601)
Provision releases	(386)	-	(42 292)	-	(42 678)
Foreign currency exchange differences	-	-	27	16	43
Other changes	(33)	-	-	234	201
Closing balance	37 094	214 952	123 852	34 184	410 082
Short term	7 504	7 178	67 307	4 566	86 555
Long term	29 590	207 774	56 545	29 618	323 527

2013	PROVISIONS FOR LITIGATION AND CLAIMS	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
Opening balance	56 795	154 281	106 406	42 024	359 506
Provision charges/revaluation	8 057	16 727	74 688	15 587	115 059
Provision utilization	(8 305)	(5 919)	-	(20 454)	(34 678)
Provision releases	(21 346)	-	(67 152)	(379)	(88 877)
Foreign currency exchange differences	(275)	-	(10)	87	(198)
Other changes	60	42 208	-	457	42 725
Closing balance	34 986	207 297	113 932	37 322	393 537
Short term	7 277	11 029	63 713	9 713	91 732
Long term	27 709	196 268	50 219	27 609	301 805

I HALF 2013	PROVISIONS FOR LITIGATION AND CLAIMS	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
Opening balance	56 795	154 281	106 406	42 024	359 506
Provision charges/revaluation	3 023	9 331	54 368	6 535	73 257
Provision utilization	(7 468)	(6 650)	-	(16 196)	(30 314)
Provision releases	(711)	-	(46 574)	-	(47 285)
Foreign currency exchange differences	17	-	475	349	841
Other changes	-	-	-	(833)	(833)
Closing balance	51 656	156 962	114 675	31 879	355 172
Short term	21 927	337	47 573	12 223	82 060
Long term	29 729	156 625	67 102	19 656	273 112

Notes to financial statements (cont)

(in PLN thousand)

Provisions for litigation and claims

Provisions for litigation and claims include court, administrative and other legal proceedings. The provisions were estimated in the amount of expected outflow of resources embodying economic benefits.

Provisions for defined benefits plans

Provisions for defined benefits plans consist of provisions for retirement benefits and death-in-service benefits. The present value of such obligations is measured by an independent actuary using the projected unit credit method.

Other provisions

Other provisions include in particular provisions for other employee benefits and provision for employment restructuring concerning planned liquidation of the Branch in Paris.

38. Contingent commitments

Litigation

In the first half of 2014 the total value of the litigation subject in the ongoing court proceedings against the Group was PLN 1 146 623 thousand (in first half of 2013 it was PLN 19 059 875 thousand).

In first half of 2014 there were no proceedings before the court or state administration bodies related to the receivables or payables of the Bank and its subsidiaries in which the pursued claim value (amount to be paid) is at least 10% of the Group's equity.

The most significant court litigation against the Group, per its value, ongoing as at 30 June 2014, is the litigation brought via the plaint of private individuals against the Bank and the Central Brokerage House Pekao S.A. for the payment of PLN 306 622 thousand as compensation for the damage arising from the purchase of stocks and the injury resulting from the execution process. In the opinion of the defendant, the plaint is groundless.

Other litigations against the Group currently ongoing:

- proceedings instigated in the second quarter of 2014 as a result of the plaint brought by a guarantee beneficiary for the payment of PLN 55 996 thousand as the bank guarantee realisation,
- proceedings instigated in 2013 as a result of the plaint brought by a guarantee beneficiary for the payment of PLN 43 760 thousand as the bank guarantee realisation,
- proceedings instigated in the first quarter of 2014 as a result of the plaint brought by guarantee beneficiaries for the payment of PLN 32 750 thousand as the bank guarantee realisation.

Given the analysis of facts and legal aspects, the Group evaluates the risk of outflow of funds in these three lawsuits as possible.

Subject to still ongoing court dispute is the litigation – already presented in the financial statements for the first half of 2013 - resulting from the Bank's minority shareholder lawsuit to repeal resolutions 8 and 24 of the Ordinary General Shareholder Meeting of 19 April 2011 on the approval of the consolidated financial statements for 2010 and granting the vote of approval to the Management Board Member. Compliant to the legally valid decision of the Circuit Court in Warsaw of 4 November 2013, the present value of the proceedings is PLN 692, instead of the amount of PLN 18 000 000 thousand quoted by the plaintiff.

As at 30 June 2014, the Group created provisions for litigations against the Group entities which, according to the legal opinion, are connected with a risk of the funds outflow resulting from the fulfillment of the obligation. The value of the above provisions as at 30 June 2014 is PLN 37 094 thousand (PLN 34 986 thousand as at 31 December 2013).

Notes to financial statements (cont)

(in PLN thousand)

Financial commitments granted

Financial commitments granted by entity

	30.06.2014	31.12.2013	30.06.2013
Financial commitments granted to:			
financial entities	2 951 593	2 497 373	2 688 989
non - financial entities	22 864 777	23 208 164	21 618 102
budget entities	1 224 826	1 392 162	1 421 424
Total	27 041 196	27 097 699	25 728 515

Guarantees issued

Guarantees issued by entity

	30.06.2014	31.12.2013	30.06.2013
Issued to financial entities:	847 385	832 166	890 458
guarantees	807 393	785 796	810 001
sureties	35 581	43 754	50 672
confirmed export letters of credit	4 411	2 616	29 785
Issued to non-financial entities	10 502 953	10 145 187	9 171 739
guarantees	5 404 898	4 938 747	5 001 219
securities' underwriting guarantees	5 098 055	5 146 660	4 168 550
sureties	-	59 780	1 970
Issued to budget entities:	335 786	99 950	480 334
guarantees	43 003	17 740	435 834
securities' underwriting guarantees	292 783	82 210	44 500
Total	11 686 124	11 077 303	10 542 531

Off-balance sheet commitments received

Off-balance sheet commitments received by entity

	30.06.2014	31.12.2013	30.06.2013
Financial received from:	541 854	111 792	452 075
financial entities	541 854	111 792	452 075
non - financial entities	-	-	-
budget entities	-	-	-
Guarantees received from:	12 163 311	9 124 950	12 688 951
financial entities	1 424 702	1 113 604	716 295
non - financial entities	10 031 243	7 302 774	11 226 889
budget entities	707 366	708 572	745 767
Total	12 705 165	9 236 742	13 141 026

Moreover, the Group has the ability to obtain financing from National Bank of Poland secured by government securities.

Notes to financial statements (cont)

(in PLN thousand)

39. Related party transactions

The transactions between the Bank and related parties are typical transactions arising from current operating activities conducted by the Bank. Such transactions mainly include loans, deposits, foreign currency transactions and guarantees.

The credit granting process applicable to the Bank's management and entities related to the Bank

According to the Banking Act, credit transactions with Members of the Bank's Management Board and Supervisory Board, persons holding managerial positions at the Bank, with the entities related financially or organizationally therewith, shall be effected according to Regulation adopted by the Supervisory Board of the Bank.

The Regulation provides detailed decision-making procedures, applicable to transactions with such persons and entities, also defining the decision-making levels authorized to take decisions. In particular, the transactions with the Members of the Bank's Management Board or Supervisory Board or with an entity related therewith financially or organizationally, are subject to decisions taken by the Bank's Management Board and Supervisory Board.

Members of the Bank's Management Board and entities related therewith financially or organizationally may take advantage of credit products offered by the Bank on standard terms and conditions of the Bank. In particular, the Bank may not offer more advantageous credit interest rates to such persons or entities.

Credit risk assessment is performed using the methodology applied by the Bank, tailored to the client's segment and type of transaction.

In case of entities related to the Bank, the standard credit procedures are applied, with transaction-related decisions taken exclusively at level of the Bank's Head Office.

Notes to financial statements (cont)

(in PLN thousand)

Related party transactions

Related party transactions as at 30 June 2014

NAME OF ENTITY	RECEIVABLES FROM LOANS AND PLACEMENTS	RECEIVABLES FROM REVALUATION OF DERIVATIVES	OTHER RECEIVABLES	LIABILITIES FROM LOANS AND DEPOSITS	LIABILITIES FROM REVALUATION OF DERIVATIVES	OTHER LIABILITIES
UniCredit S.p.A. – the Bank 's parent entity	96 485	-	-	2 397	-	1 310 166
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	1 259 994	326 467	756	1 949 362	813 454	659
Associates of Bank Pekao S.A. Group						
Dom Inwestycyjny Xelion Sp. z o.o.	-	-	4	30 327	-	58
Pioneer Pekao Investment Management S.A.	-	-	-	143 206	-	14
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	-	14 494	96 342	-	3 155
Krajowa Izba Rozliczeniowa S.A.	-	-	-	511	-	2
Total Associates of Bank Pekao S.A. Group	-	-	14 498	270 386	-	3 229
Key management personnel of the Bank and UniCredit S.p.A.	6 930	-	-	27 033	-	-
Total	1 363 409	326 467	15 254	2 249 178	813 454	1 314 054

Notes to financial statements (cont)

(in PLN thousand)

Receivables from loans and placements by contractual maturity

30.06.2014	CURRENT (*)	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
UniCredit S.p.A. – the Bank 's parent entity	96 485	-	-	-	-	-	96 485
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	518 058	79 783	385	347 323	314 445	-	1 259 994
Associates of Bank Pekao S.A Group	-	-	-	-	-	-	-
Key management personnel of the Bank and UniCredit S.p.A.	2	-	-	6 515	68	345	6 930
Total	614 545	79 783	385	353 838	314 513	345	1 363 409

(*) Current receivables include Nostro account and cash collaterals.

Liabilities from loans and deposits by contractual maturity

30.06.2014	CURRENT (*)	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
UniCredit S.p.A. – the Bank 's parent entity	2 397	-	-	-	-	-	2 397
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	412 533	1 057 966	542	17 491	110 737	350 093	1 949 362
Associates of Bank Pekao S.A Group	27 274	31 915	210 696	501	-	-	270 386
Key management personnel of the Bank and UniCredit S.p.A	3 406	20 758	1 903	866	100	-	27 033
Total	445 610	1 110 639	213 141	18 858	110 837	350 093	2 249 178

(*) Current liabilities include Loro account and cash collaterals.

Notes to financial statements (cont)

(in PLN thousand)

Receivables from loans and placements by currency

30.06.2014	EUR	USD	CHF	PLN	OTHER	TOTAL
UniCredit S.p.A. – the Bank's parent entity	94 748	1 737	-	-	-	96 485
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	524 332	620 274	6	29 452	85 930	1 259 994
Associates of Bank Pekao S.A Group	-	-	-	-	-	-
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	6 930	-	6 930
Total	619 080	622 011	6	36 382	85 930	1 363 409

Liabilities from loans and deposits by currency

30.06.2014	EUR	USD	CHF	PLN	OTHER	TOTAL
UniCredit S.p.A. – the Bank's parent entity	306	-	-	2 091	-	2 397
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	983 182	4 869	428 272	530 002	3 037	1 949 362
Associates of Bank Pekao S.A Group	-	-	-	270 386	-	270 386
Key management personnel of the Bank and UniCredit S.p.A.	3 115	570	0	16 681	6 667	27 033
Total	986 603	5 439	428 272	819 160	9 704	2 249 178

Notes to financial statements (cont)

(in PLN thousand)

Related party transactions as at 31 December 2013

NAME OF ENTITY	RECEIVABLES FROM LOANS AND PLACEMENTS	RECEIVABLES FROM REVALUATION OF DERIVATIVES	OTHER RECEIVABLES	LIABILITIES FROM LOANS AND DEPOSITS	LIABILITIES FROM REVALUATION OF DERIVATIVES	OTHER LIABILITIES
UniCredit S.p.A. – the Bank's parent entity	4 812	-	29	52 758	-	830
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	1 151 416	303 574	4 177	1 620 185	772 939	1 954
Associates of Bank Pekao S.A Group						
Dom Inwestycyjny Xelion Sp. z o.o.	-	-	3	22 905	-	8
Pioneer Pekao Investment Management S.A.	-	-	-	148 571	-	3
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	-	16 145	133 659	-	22
Krajowa Izba Rozliczeniowa S.A.	-	-	3	13 176	-	-
Total Associates of Bank Pekao S.A. Group	-	-	16 151	318 311	-	33
Key management personnel of the Bank and UniCredit S.p.A.	6 924	-	-	22 990	-	-
Total	1 163 152	303 574	20 357	2 014 244	772 939	2 817

Notes to financial statements (cont)

(in PLN thousand)

Receivables from loans and deposits by contractual maturity

31.12.2013	CURRENT (*)	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
UniCredit S.p.A. – the Bank's parent entity	4 812	-	-	-	-	-	4 812
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	481 281	14 171	953	302 393	352 618	-	1 151 416
Associates of Bank Pekao S.A Group	-	-	-	-	-	-	-
Key management personnel of the Bank and UniCredit S.p.A.	2	6 514	-	-	54	354	6 924
Total	486 095	20 685	953	302 393	352 672	354	1 163 152

(*) Current receivables include Nostro account and cash collaterals.

Liabilities from loans and deposits by contractual maturity

31.12.2013	CURRENT (*)	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
UniCredit S.p.A. – the Bank's parent entity	52 758	-	-	-	-	-	52 758
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	281 448	357 478	469 833	21 502	75 687	414 237	1 620 185
Associates of Bank Pekao S.A Group	20 132	36 011	126 286	135 882	-	-	318 311
Key management personnel of the Bank and UniCredit S.p.A.	1 409	18 316	2 565	600	100	-	22 990
Total	355 747	411 805	598 684	157 984	75 787	414 237	2 014 244

(*) Current liabilities include Loro account and cash collaterals.

Notes to financial statements (cont)

(in PLN thousand)

Receivables from loans and deposits by currency

31.12.2013	EUR	USD	CHF	PLN	OTHER	TOTAL
UniCredit S.p.A. – the Bank's parent entity	3 521	1 291	-	-	-	4 812
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	517 811	614 246	6	-	19 353	1 151 416
Associates of Bank Pekao S.A Group	-	-	-	-	-	-
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	6 924	-	6 924
Total	521 332	615 537	6	6 924	19 353	1 163 152

Liabilities from loans and deposits by currency

31.12.2013	EUR	USD	CHF	PLN	OTHER	TOTAL
UniCredit S.p.A. – the Bank's parent entity	169	-	-	52 589	-	52 758
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	583 161	5 240	422 910	600 684	8 190	1 620 185
Associates of Bank Pekao S.A Group	-	-	-	318 311	-	318 311
Key management personnel of the Bank and UniCredit S.p.A.	2 447	500	-	13 456	6 587	22 990
Total	585 777	5 740	422 910	985 040	14 777	2 014 244

Notes to financial statements (cont)

(in PLN thousand)

Income and expenses from transactions with related parties for the period from 1 January to 30 June 2014

NAME OF ENTITY	INTEREST INCOME	INTERES EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	POSITIVE VALUATION OF DERIVATIVES AND OTHER INCOME	NEGATIVE VALUATION OF DERIVATIVES AND OTHER EXPENSES
UniCredit S.p.A. – the Bank's parent entity	8	(8)	140	(1 316)	676	(2 247)
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	25 474	(8 879)	4 587	(110)	3 774	(25 143)
Associates of Bank Pekao S.A Group						
Dom Inwestycyjny Xelion Sp. z o.o.	-	(278)	20	(15)	133	-
Pioneer Pekao Investment Management S.A.	-	(1 956)	223	-	13	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	(1 784)	112 262	-	-	(1)
Krajowa Izba Rozliczeniowa S.A.	-	(71)	66	-	-	(4 649)
Total Associates of Bank Pekao S.A. Group	-	(4 089)	112 571	(15)	146	(4 650)
Key management personnel of the Bank and UniCredit S.p.A.	136	(255)	7	-	-	-
Total	25 618	(13 231)	117 305	(1 441)	4 596	(32 040)

Income and expenses from transactions with related parties for the period from 1 January to 30 June 2013

NAME OF ENTITY	INTEREST INCOME	INTERES EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	POSITIVE VALUATION OF DERIVATIVES AND OTHER INCOME	NEGATIVE VALUATION OF DERIVATIVES AND OTHER EXPENSES
UniCredit S.p.A. – the Bank's parent entity	74	(117)	1 110	(1 179)	914	(6 079)
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	46 509	(21 503)	4 746	(1 127)	21 555	(18 651)
Associates of Bank Pekao S.A Group						
Dom Inwestycyjny Xelion Sp. z o.o.	-	(162)	24	(14)	133	-
Pioneer Pekao Investment Management S.A.	-	(2 420)	268	-	50	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	(1 735)	119 053	-	-	(2)
Krajowa Izba Rozliczeniowa S.A.	-	(133)	25	-	-	(4 877)
Total Associates of Bank Pekao S.A. Group	-	(4 450)	119 370	(14)	183	(4 879)
Key management personnel of the Bank and UniCredit S.p.A.	168	(259)	1	-	-	-
Total	46 751	(26 329)	125 227	(2 320)	22 652	(29 609)

Notes to financial statements (cont)

(in PLN thousand)

Off-balance sheet financial commitments and guarantees as at 30 June 2014

NAME OF ENTITY	GRANTED		RECEIVED
	FINANCIAL	GUARANTEES	GUARANTEES
UniCredit S.p.A. – the Bank's parent entity	62 696	238 140	55 471
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	359 736	411 895	48 559
Associates of Bank Pekao S.A. Group			
Dom Inwestycyjny Xelion Sp. z o.o.	29	-	-
Pioneer Pekao Investment Management S.A.	15	-	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	57	-	-
Krajowa Izba Rozliczeniowa S.A.	-	500	-
Total Associates of Bank Pekao S.A. Group	101	500	-
Key management personnel of the Bank and UniCredit S.p.A.	337	-	-
Total	422 870	650 535	104 030

As at 30 June 2014, the Group did not have off-balance sheet financial commitments received from related parties.

Notes to financial statements (cont)

(in PLN thousand)

Off-balance sheet financial commitments and guarantees granted by contractual maturity

30.06.2014	CURRENT	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
FINANCIAL COMMITMENTS GRANTED							
UniCredit S.p.A. – the Bank's parent entity	24 000	-	-	38 696	-	-	62 696
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	268 269	-	-	91 258	209	-	359 736
Associates of Bank Pekao S.A Group	-	-	-	-	101	-	101
Key management personnel of the Bank and UniCredit S.p.A.	20	-	-	55	252	10	337
Total	292 289	-	-	130 009	562	10	422 870
GUARANTEES ISSUED							
UniCredit S.p.A. – the Bank's parent entity	-	-	28 099	92 627	15 390	102 024	238 140
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	-	1 851	739	26 085	86 476	296 744	411 895
Associates of Bank Pekao S.A Group	-	-	-	500	-	-	500
Total	-	1 851	28 838	119 212	101 866	398 768	650 535
GUARANTEES RECEIVED							
UniCredit S.p.A. – the Bank's parent entity	-	4 369	2 497	16 052	32 553	-	55 471
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	-	-	60	29 830	16 213	2 456	48 559
Total	-	4 369	2 557	45 882	48 766	2 456	104 030

Notes to financial statements (cont)

(in PLN thousand)

Off-balance sheet financial commitments and guarantees granted by currency

30.06.2014	EUR	USD	CHF	PLN	INNE	TOTAL
FINANCIAL COMMITMENTS GRANTED						
UniCredit S.p.A. – the Bank's parent entity	38 696	-	-	24 000	-	62 696
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	29 958	-	-	329 778	-	359 736
Associates of Bank Pekao S.A Group	-	-	-	101	-	101
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	337	-	337
Total	68 654	-	-	354 216	-	422 870
GUARANTEES ISSUED						
UniCredit S.p.A. – the Bank's parent entity	9 978	-	-	228 162	-	238 140
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	25 358	914	-	385 623	-	411 895
Associates of Bank Pekao S.A Group	-	-	-	500	-	500
Total	35 336	914	-	614 285	-	650 535
GUARANTEES RECEIVED						
UniCredit S.p.A. – the Bank's parent entity	47 928	-	-	7 543	-	55 471
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	18 149	-	-	30 410	-	48 559
Total	66 077	-	-	37 953	-	104 030

Notes to financial statements (cont)

(in PLN thousand)

Off-balance sheet financial commitments and guarantees as at 31 December 2013

NAME OF ENTITY	GRANTED		RECEIVED
	FINANCIAL	GUARANTEES	GUARANTEES
UniCredit S.p.A. – the Bank's parent entity	62 569	353 654	48 345
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	732 287	273 410	113 807
Associates of Bank Pekao S.A Group			
Dom Inwestycyjny Xelion Sp. z o.o.	30	-	-
Pioneer Pekao Investment Management S.A.	15	-	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	61	-	-
Krajowa Izba Rozliczeniowa S.A.	-	500	-
Total Associates of Bank Pekao S.A. Group	106	500	-
Key management personnel of the Bank and UniCredit S.p.A.	261	-	-
Total	795 223	627 564	162 152

As at 31 December 2013, the Group did not have off-balance sheet financial commitments received from related parties.

Notes to financial statements (cont)

(in PLN thousand)

Off-balance sheet financial commitments and guarantees issued by contractual maturity

31.12.2013	CURRENT	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
FINANCIAL COMMITMENTS GRANTED							
UniCredit S.p.A. – the Bank's parent entity	24 000	-	-	38 569	-	-	62 569
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	362 120	180 829	-	189 123	215	-	732 287
Associates of Bank Pekao S.A Group	-	-	-	-	106	-	106
Key management personnel of the Bank and UniCredit S.p.A.	20	-	5	-	226	10	261
Total	386 140	180 829	5	227 692	547	10	795 223
GUARANTEES ISSUED							
UniCredit S.p.A. – the Bank's parent entity	67 076	76 743	-	-	99 139	110 696	353 654
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	-	641	-	44 397	37 951	190 421	273 410
Associates of Bank Pekao S.A Group	-	-	-	500	-	-	500
Total	67 076	77 384	-	44 897	137 090	301 117	627 564
GUARANTEES RECEIVED							
UniCredit S.p.A. – the Bank's parent entity	3 000	-	-	13 904	11 742	19 699	48 345
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	29 967	463	980	65 182	14 768	2 447	113 807
Total	32 967	463	980	79 086	26 510	22 146	162 152

Notes to financial statements (cont)

(in PLN thousand)

Off-balance sheet financial commitments and guarantees issued by currency

31.12.2013	EUR	USD	CHF	PLN	OTHER	TOTAL
FINANCIAL COMMITMENTS GRANTED						
UniCredit S.p.A. – the Bank's parent entity	38 569	-	-	24 000	-	62 569
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	29 652	-	-	702 635	-	732 287
Associates of Bank Pekao S.A Group	-	-	-	106	-	106
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	261	-	261
Total	68 221	-	-	727 002	-	795 223
GUARANTEES ISSUED						
UniCredit S.p.A. – the Bank's parent entity	11 872	-	-	341 782	-	353 654
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	15 342	-	-	258 068	-	273 410
Associates of Bank Pekao S.A Group	-	-	-	500	-	500
Total	27 214	-	-	600 350	-	627 564
GUARANTEES RECEIVED						
UniCredit S.p.A. – the Bank's parent entity	44 895	-	-	3 450	-	48 345
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	20 728	-	-	86 510	6 569	113 807
Total	65 623	-	-	89 960	6 569	162 152

Notes to financial statements (cont)

(in PLN thousand)

Remuneration of the Bank's Management Board and Supervisory Board Members

	VALUE OF BENEFITS	
	I HALF 2014	I HALF 2013
Management Board of the Bank		
Short-term employee benefits (*)	7 854	7 454
Long-term benefits(**)	1 243	1 251
Share-based payments (***)	3 863	3 666
Total	12 960	12 371
Supervisory Board of the Bank		
Short-term employee benefits (*)	463	389
Total	463	389

(*) Short-term employee benefits include: base salary, bonuses and other benefits due in next 12 months from the balance sheet date.

(**) The item 'Long-term benefit' includes: provisions for a long-term motivation program and deferred bonus payments.

(***) The value of share-based payments is a part of Personnel Expenses, recognized according to IFRS 2 during the reporting period in the income statement, representing the settlement of fair value of share options and shares, including phantom shares, granted to the Members of the Bank's Management Board.

The Bank's Management Board and Supervisory Board Members did not receive any remuneration from subsidiaries and associates in the period from 1 January to 30 June 2014 and in the period from 1 January to 30 June 2013.

Remuneration of Supervisory Boards and Management Boards of subsidiaries

	VALUE OF BENEFITS	
	I HALF 2014	I HALF 2013
Companies' Management Boards		
Short-term employee benefits	8 041	8 391
Long-term benefits	-	219
Share-based payments	-	269
Total	8 041	8 879
Companies' Supervisory Boards		
Short-term employee benefits	19	10
Total	19	10

40. Subsequent events

There have been no significant subsequent events.

Signatures of the Management Board Members

04.08.2014	Luigi Lovaglio	President of the Management Board, CEO	
Date	Name/Surname	Position/Function	Signature
04.08.2014	Diego Biondo	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
04.08.2014	Andrzej Kopyrski	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
04.08.2014	Grzegorz Piwowar	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
04.08.2014	Stefano Santini	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
04.08.2014	Marian Ważyński	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature

Annexes to the financial statements

The accompanying notes to the financial statements constitute an integral part of the consolidated financial statements

Annex 1

New standards, interpretations and amendments to published standards that have been approved and published by the European Union and are effective from 1 January 2014

- **IFRS 10** 'Consolidated Financial Statements'

The standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The IFRS 10 supersedes IAS 27 'Consolidated and Separate Financial Statements' and SIC-12 'Consolidation - Special Purpose Entities'. The IFRS 10 defines the principle of control established the basis for determining which entities are to be consolidated. The IFRS presents the additional guidelines useful in determining the existence of the control when it is hard to define.

The Group claims that the new standard had no material impact on its financial statements in the period of its first application, except for the change in accounting policy in respect to consolidation.

- **IFRS 11** 'Joint Arrangements'

The standard establishes more realistic reflection of joint arrangements, concentrating on rights and obligations resulting from those arrangements, and not on its legal form. The standard addresses inconsistencies in financial reporting of joint arrangements by introduction of homogenous method of accounting of interest in jointly controlled entities.

IFRS 11 requires accounting of interests in joint arrangements only under the equity method, thus eliminating the proportionate consolidation. The existence of an independent legal entity is not a fundamental classification condition. Transitional provisions vary depending on the method of classification of joint arrangements under IAS 31.

The Group claims that the new standard had no material impact on its financial statements in the period of its first application.

- **IFRS 12** 'Disclosure of Interests in Other Entities'

The standard establishes new and complex principles for disclosure of entity's interests in other entities, including subsidiaries, joint ventures, associates and other entities that are not consolidated.

The Group claims that the new standard had no material impact on its financial statements in the period of its first application, except for extending the scope of disclosures.

- **IAS 27** 'Separate Financial Statements'

The standard establishes principles for the presentation and disclosures to be applied in accounting for investments in subsidiaries, associates and joint ventures. The standard supersedes the previous version of IAS 27 'Consolidated and Separate Financial Statements'.

The Group claims that the new standard had no material impact on its financial statements in the period of its first application.

Annexes to the financial statements (cont.)

- **IAS 28 'Investments in Associates and Joint Ventures'**

The new standard refers to accounting for investments in associates and establishes the requirements for the application of the equity method for investments in associates and joint ventures. The standard will supersede the previous version of IAS 28 'Investments in Associates'.

The Group claims that the new standard had no material impact on its financial statements in the period of its first application.

- **IAS 32 (amendment) 'Financial Instruments: Presentation'**

The aim of this Standard is to address inconsistencies in requirements concerning the offsetting criteria for financial assets and financial liabilities.

The Group claims that the standard's amendment, except for extending the scope of disclosures, had no material impact on its financial statements in the period of its first application.

- **IAS 36 (amendment) 'Impairment of Assets'**

When developing IFRS 13 'Fair Value Measurement', the IASB decided to amend IAS 36 to require disclosures about the recoverable amount of impaired assets.

The amendments clarify the IASB's original intention: the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs to sell.

The Group claims that the standard's amendment had no material impact on its financial statements in the period of its first application.

- **IAS 39 (amendment) 'Financial Instruments: Recognition and Measurement'**

The amendment allows to continuously apply hedge accounting in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

The Group claims that the standard's amendment had no material impact on its financial statements in the period of its first application.

Annexes to the financial statements (cont.)

Annex 2

New standards, interpretations and amendments to published standards that have been approved and published by the European Union but are effective from the date after the balance sheet date.

- **IFRIC 21 'Levies'**

Date of application: the first financial year beginning after 13 June 2014.

IFRIC 21 is an interpretation of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. The interpretation clarifies what is an event giving rise to the obligation to pay a levy.

The impact of the initial application of the Interpretation will depend on the specific levies imposed, applicable at the date of initial application. The Group does not expect the Interpretation to have a material impact on the annual consolidated financial statements. However, it may have a material impact on the interim financial statements. The Group has been analysing the impact the Interpretation will have on the interim financial statements.

Annexes to the financial statements (cont.)

Annex 3

New standards, interpretations and amendments to published standards that have been published by the International Accounting Standards Board (IASB) and not yet approved by the European Union.

- **IFRS 9 'Financial Instruments'**

Date of application: the first financial year beginning after 1 January 2018.

New regulations compose a part of changes superseding IAS 39 'Financial Instruments: Recognition and Measurement'.

Main changes resulting from the new standard include:

- New categorisation of financial assets,
- New criteria of assets classification to the group of financial assets measured at amortized cost,
- New principles on recognition of changes in fair value measurement of investments in equity instruments,
- Elimination of the need to separate embedded derivatives from financial assets.

Most requirements of IAS 39 relating to financial liabilities classification and valuation were transferred to IFRS 9 unchanged.

The standard was extended by parts concerning principles of measurement at amortized cost as well as principles of hedge accounting application.

The Group is currently assessing the impact of the IFRS 9 application on its financial statement, however due to the nature of the Bank, it is expected that these changes will have a significant impact on the Bank's financial instruments valuation and presentation.

- **IFRS 14 'Regulatory deferral accounts'**

Date of application: the first financial year beginning after 1 January 2016.

The aim of this standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities.

The Group claims that the new standard will not have a material impact on its financial statements in the period of its first application.

- **IFRS 15 'Revenue from Contracts with Customers'**

Date of application: the first financial year beginning after 1 January 2017.

The Standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

The core principle of the new Standard is to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. In accordance with new IFRS 15, the revenue is recognized when the control over the goods or services is transferred to the customer.

The Group is currently assessing the impact of the IFRS 15 application on its financial statements.

Annexes to the financial statements (cont.)

- **IAS 19 (amendment) 'Employee benefits'**

Date of application: the first financial year beginning after 1 July 2014.

The amendment applies to contributions from employees or third parties to defined benefit plans. The aim of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of remuneration.

The Group claims that the standard's amendment will not have a material impact on its financial statements in the period of its first application.

- **IAS 16 (amendment) 'Property, Plant and Equipment' and IAS 38 (amendment) 'Intangible Assets'**

Date of application: the first financial year beginning after 1 January 2016.

The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The Group claims that the standards amendments will not have a material impact on its financial statements in the period of its first application.

- **IAS 16 (amendment) 'Property, Plant and Equipment' and IAS 41 (amendment) 'Agriculture'**

Date of application: the first financial year beginning after 1 January 2016.

IAS 41 'Agriculture' currently requires all biological assets related to agricultural activity to be measured at fair value less costs to sell. This is based on the principle that the biological transformation that these assets undergo during their lifespan is best reflected by fair value measurement. However, there is a subset of biological assets, known as bearer plants, which are used solely to grow produce over several periods. At the end of their productive lives they are usually scrapped. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits.

The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 'Property, Plant and Equipment', because their operation is similar to that of manufacturing.

The Group claims that the standard's amendments will not have a material impact on its financial statements in the period of its first application.

- **IFRS 11 (amendment) 'Joint Arrangements'**

Date of application: the first financial year beginning after 1 January 2016.

The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

The Group claims that the standard's amendment will not have a material impact on its financial statements in the period of its first application.

Annexes to the financial statements (cont.)

- **Improvements to IFRS 2010-2012**

Date of application: the first financial year beginning after 1 July 2014.

The annual improvements to IFRS 2010-2012 principally aim to solve inconsistencies and specify vocabulary.

The Group claims that the improvements will not have a material impact on its financial statements in the period of its first application.

- **Improvements to IFRS 2011-2013**

Date of application: the first financial year beginning after 1 July 2014.

The annual improvements to IFRS 2011-2013 principally aim to solve inconsistencies and specify vocabulary.

The Group claims that the improvements will not have a material impact on its financial statements in the period of its first application.

Annexes to the financial statements (cont.)

Annex 4

Glossary

IFRS – International Financial Reporting Standards – the standards, interpretations and their structure adopted by the International Accounting Standards Board (IASB.)

IAS – International Accounting Standards – previous name of the standards forming part of the current IFRS.

IFRIC – International Financial Reporting Interpretations Committee – the committee operating under the International Accounting Standards Board publishing interpretations of IFRS.

CIRS – Currency Interest Rate Swap – the transaction exchange of principal amounts and interest payments in different currencies between two counterparties.

IRS – Interest Rate Swap – the agreement between two counterparties, under which the counterparties pay each other (at specified intervals during the contract life) interest on contractual principal of the contract, charged at a different interest rate.

FRA – Forward Rate Agreement – the contract under which two counterparties fix the interest rate that will apply in the future for a specified amount expressed in currency of the transaction for a predetermined period.

CAP – the financial agreement, which limits the risk borne by lender on a variable interest rate, exposed to the potential loss as a result of increase in interest rates. Cap option is a series of call options on interest rates, in which the issuer guarantees the buyer the compensation of the additional interest costs, that the buyer must pay if the interest rate on loan increases above the fixed interest rate.

FLOOR – the financial agreement, which limits the risk of incurring losses resulting from decrease in interest rates by the lender providing the loan at a variable interest rate. Floor option is a series of put options on interest rates, in which the issuer guarantees the interest to be paid on the loan if the interest rate on the loan decreases below the fixed interest rate.

IBNR – Incurred but Not Reported losses.

PD – Probability Default – the parameter used in Internal Ratings-Based Approach which determines the likelihood that the debtor will be unable to meet its obligation. PD is a financial term describing the likelihood of a default over an one year time horizon.

LGD – Loss Given Default – the percentage of loss over the total exposure when bank's counterparty goes to default.

EAD – Exposure at Default.

EL – Expected Loss.

CCF – Credit Conversion Factor.

A-IRB – Advanced Internal Ratings-Based Approach – advanced method where all parameters of risk (PD, LGD, EAD) are estimated by the bank using its own quantitative model for calculating the risk weighted assets (RWA).

VaR – Value at Risk – the risk measure by which the market value of an asset or portfolio may be reduced for a given assumptions, probability and time horizon.

EaR – Earnings at Risk – the maximum decrease of earnings, relative to specific goal, which might occur due to impact of market risk on specific risk factors for the given time horizon and confidence level.

ICAAP – Internal Capital Adequacy Assessment Process – the process of assessing internal capital adequacy.