

**Condensed
Unconsolidated Interim
Financial Statements of
Bank Pekao S.A.
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.

Table of content

Unconsolidated income statement	3	22. Derivative financial instruments (held for trading).....	46
Unconsolidated statement of comprehensive income	4	23. Loans and advances to customers	47
Unconsolidated statement of financial position	5	24. Hedge accounting	49
Unconsolidated statement of changes in equity	6	25. Investment (placement) securities	54
Unconsolidated cash flow statement	9	26. Assets held for sale and discontinued operations	56
Notes to financial statements	11	27. Intangible assets	57
1. General information	11	28. Property, plant and equipment.....	57
2. Statement of compliance	11	29. Assets pledged as security for liabilities	58
3. Significant accounting policies	12	30. Amounts due to other banks	59
4. Accounting estimates	18	31. Amounts due to customers	59
5. Risk management	19	32. Debt securities issued	60
6. Interest income and expense	34	33. Provisions.....	61
7. Fee and commission income and expense.....	35	34. Contingent commitments	62
8. Dividend income.....	35	35. Related party transactions	64
9. Result on financial assets and liabilities held for trading ...	35	36. Subsequent events	79
10. Gains (losses) on disposal	36	Annexes to the financial statements	I
11. Administrative expenses	36	Annex 1	
12. Depreciation and amortization	37	New standards, interpretations and amendments to published	
13. Net other operating income and expenses	37	standards that have been approved and published by the	
14. Net impairment losses on financial assets and off-balance		European Union and are effective from 1 January 2014	I
sheet commitments	38	Annex 2	
15. Gains (losses) on disposal of property, plant and equipment,		New standards, interpretations and amendments to published	
and intangible assets	40	standards that have been approved and published by the	
16. Basic components of income tax charge in the income		European Union but are effective from the date after the balance	
statement and equity	40	sheet date.	III
17. Earnings per share for continued and discontinued		Annex 3	
operations	41	New standards, interpretations and amendments to published	
18. Dividend payment	41	standards that have been published by the International	
19. Cash and balances with Central Bank	42	Accounting Standards Board (IASB) and not yet approved by the	
20. Loans and advances to banks	43	European Union.	IV
21. Financial assets and liabilities held for trading	44	Annex 4	
		Glossary	VII

Unconsolidated income statement

(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
Interest income	6	1 536 050	3 060 632	1 631 308	3 436 131
Interest expense	6	(427 985)	(853 576)	(584 597)	(1 286 573)
Net interest income		1 108 065	2 207 056	1 046 711	2 149 558
Fee and commission income	7	614 044	1 193 758	607 162	1 185 635
Fee and commission expense	7	(138 340)	(257 893)	(131 343)	(243 202)
Net fee and commission income		475 704	935 865	475 819	942 433
Dividend income	8	124 471	153 447	99 493	143 779
Result on financial assets and liabilities held for trading	9	107 432	209 991	117 442	225 036
Result on fair value hedge accounting	24	(3 392)	(14 117)	(2 381)	(7 035)
Gains (losses) on disposal of:	10	35 490	35 904	152 801	206 956
loans and other financial receivables		670	1 084	-	(81)
available for sale financial assets and held to maturity investments		34 820	34 837	152 922	210 487
financial liabilities		-	(17)	(121)	(3 450)
Operating income		1 847 770	3 528 146	1 889 885	3 660 727
Net impairment losses on financial assets and off-balance sheet commitments:	14	(136 514)	(277 993)	(152 318)	(291 438)
loans and other financial receivables		(124 869)	(267 850)	(151 757)	(299 430)
off-balance sheet commitments		(11 645)	(10 143)	(561)	7 992
Net result on financial activity		1 711 256	3 250 153	1 737 567	3 369 289
Administrative expenses	11	(738 774)	(1 467 584)	(749 625)	(1 468 483)
personnel expenses		(440 323)	(867 079)	(433 743)	(848 973)
other administrative expenses		(298 451)	(600 505)	(315 882)	(619 510)
Depreciation and amortization	12	(76 894)	(153 293)	(82 362)	(164 235)
Net result on other provisions		(1 393)	(1 808)	(1 444)	(2 087)
Net other operating income and expenses	13	7 217	16 114	10 765	29 480
Operating costs		(809 844)	(1 606 571)	(822 666)	(1 605 325)
Gains (losses) on subsidiaries and associates		-	-	-	-
Gains (losses) on disposal of property, plant and equipment, and intangible assets	15	(257)	(711)	17 741	17 700
Profit before income tax		901 155	1 642 871	932 642	1 781 664
Income tax expense	16	(148 926)	(288 821)	(157 590)	(317 883)
Net profit for the period		752 229	1 354 050	775 052	1 463 781
Earnings per share (in PLN per share)	17				
basic for the period		2.87	5.16	2.96	5.58
diluted for the period		2.87	5.16	2.96	5.58

Notes to the financial statements presented on pages 11 – 79 and annexes to the financial statements presented on pages I - VII constitute an integral part of the unconsolidated financial statements.

Unconsolidated 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		752 229	1 354 050	775 052	1 463 781
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Foreign currency translation differences		6	11	335	333
Change in fair value of available-for-sale financial assets		322 528	359 458	(313 441)	(465 785)
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	16	(82 776)	(87 624)	68 748	94 422
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)		352 896	373 567	(292 753)	(402 204)
Total comprehensive income		1 105 125	1 727 617	482 299	1 061 577

Notes to the financial statements presented on pages 11 – 79 and annexes to the financial statements presented on pages I - VII constitute an integral part of the unconsolidated financial statements.

Unconsolidated 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	19	5 055 858	4 191 223	5 286 842
Bill of exchange eligible for rediscounting at Central Bank		239	230	212
Loans and advances to banks	20	6 851 169	7 653 801	5 291 383
Financial assets held for trading	21	988 436	188 377	1 342 127
Derivative financial instruments (held for trading)	22	2 726 768	1 999 346	2 408 829
Loans and advances to customers	23	106 160 849	100 569 013	96 311 777
Hedging instruments	24	230 064	250 186	225 347
Investment (placement) securities	25	25 620 928	34 845 508	29 363 744
1. Available for sale		24 102 457	32 956 784	27 142 916
2. Held to maturity		1 518 471	1 888 724	2 220 828
Assets held for sale	26	32 684	32 587	610 302
Investments in subsidiaries		793 113	793 113	793 113
Investments in associates		29 427	29 427	29 428
Intangible assets	27	577 682	601 571	608 564
Property, plant and equipment	28	1 517 078	1 564 688	1 570 522
Investment properties		24 046	25 981	27 477
Income tax assets		646 640	777 715	749 055
1. Current tax assets		3 908	97 549	8 507
2. Deferred tax assets		642 732	680 166	740 548
Other assets		2 129 780	1 763 864	1 847 953
TOTAL ASSETS		153 384 761	155 286 630	146 466 675
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to Central Bank	19	958	985	965
Amounts due to other banks	30	4 950 753	4 754 732	3 769 307
Financial liabilities held for trading	21	224 005	309 742	413 561
Derivative financial instruments (held for trading)	22	2 735 744	2 054 385	2 385 303
Amounts due to customers	31	114 757 279	119 868 743	108 806 170
Hedging instruments	24	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	32	2 556 456	2 240 452	3 477 816
Income tax liabilities		46 973	-	34 778
1. Current tax liabilities		46 973	-	34 778
2. Deferred tax liabilities		-	-	-
Provisions	33	406 687	391 396	353 626
Other liabilities		4 634 252	1 807 524	4 157 660
TOTAL LIABILITIES		131 422 527	132 437 927	124 887 460
Equity				
Share capital		262 470	262 470	262 470
Other capital and reserves		20 345 714	19 970 192	20 036 923
Retained earnings and profit for the period		1 354 050	2 616 041	1 279 822
TOTAL EQUITY		21 962 234	22 848 703	21 579 215
TOTAL LIABILITIES AND EQUITY		153 384 761	155 286 630	146 466 675

Notes to the financial statements presented on pages 11 – 79 and annexes to the financial statements presented on pages I - VII constitute an integral part of the unconsolidated financial statements.

Unconsolidated statement of changes in equity

(in PLN thousand)

For the period from 1 January 2014 to 30 June 2014

	OTHER CAPITAL AND RESERVES								RETAINED EARNINGS AND PROFIT FOR THE PERIOD	TOTAL EQUITY
	SHARE CAPITAL	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	19 970 192	9 137 221	1 937 850	8 610 711	49 713	1 238	233 459	2 616 041	22 848 703
Management options	-	116	-	-	-	-	-	116	-	116
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-
Revaluation of management options	-	116	-	-	-	-	-	116	-	116
Comprehensive income	-	373 567	-	-	-	373 556	11	-	1 354 050	1 727 617
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-
Revaluation of available-for-sale investments (net of tax)	-	291 161	-	-	-	291 161	-	-	-	291 161
Revaluation of hedging financial instruments (net of tax)	-	82 395	-	-	-	82 395	-	-	-	82 395
Foreign currency translation differences	-	11	-	-	-	-	11	-	-	11
Net profit for the period	-	-	-	-	-	-	-	-	1 354 050	1 354 050
Appropriation of retained earnings	-	1 839	-	-	1 839	-	-	-	(2 616 041)	(2 614 202)
Dividend paid	-	-	-	-	-	-	-	-	(2 614 202)	(2 614 202)
Profit appropriation	-	1 839	-	-	1 839	-	-	-	(1 839)	-
Equity as at 30.06.2014	262 470	20 345 714	9 137 221	1 937 850	8 612 550	423 269	1 249	233 575	1 354 050	21 962 234

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Unconsolidated statement of changes in equity

(in PLN thousand)

For the period from 1 January 2013 to 31 December 2013

	OTHER CAPITAL AND RESERVES								RETAINED EARNINGS AND PROFIT FOR THE PERIOD	TOTAL EQUITY
	SHARE CAPITAL	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	19 699 944	9 137 221	1 737 850	8 073 570	506 966	1 388	242 949	2 754 196	22 716 610
Management options	-	(9 490)	-	-	-	-	-	(9 490)	-	(9 490)
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-
Revaluation of management options	-	(9 490)	-	-	-	-	-	(9 490)	-	(9 490)
Comprehensive income	-	(457 403)	-	-	-	(457 253)	(150)	-	2 800 000	2 342 597
Remeasurements of the defined benefit liabilities (net of tax)	-	(33 618)	-	-	-	(33 618)	-	-	-	(33 618)
Revaluation of available-for-sale investments (net of tax)	-	(451 849)	-	-	-	(451 849)	-	-	-	(451 849)
Revaluation of hedging financial instruments (net of tax)	-	28 214	-	-	-	28 214	-	-	-	28 214
Foreign currency translation differences	-	(150)	-	-	-	-	(150)	-	-	(150)
Net profit for the period	-	-	-	-	-	-	-	-	2 800 000	2 800 000
Appropriation of retained earnings	-	736 031	-	200 000	536 031	-	-	-	(2 938 155)	(2 202 124)
Dividend paid	-	-	-	-	-	-	-	-	(2 202 124)	(2 202 124)
Profit appropriation	-	736 031	-	200 000	536 031	-	-	-	(736 031)	-
Other	-	1 110	-	-	1 110	-	-	-	-	1 110
Sale of shares in PJSC UniCredit Bank	-	1 110	-	-	1 110	-	-	-	-	1 110
Equity as at 31.12.2013	262 470	19 970 192	9 137 221	1 937 850	8 610 711	49 713	1 238	233 459	2 616 041	22 848 703

Notes to the financial statements presented on pages 11 – 79 and annexes to the financial statements presented on pages I - VII constitute an integral part of the unconsolidated financial statements.

Unconsolidated statement of changes in equity (cont)

(in PLN thousand)

For the period from 1 January 2013 to 30 June 2013

	OTHER CAPITAL AND RESERVES								RETAINED EARNINGS AND PROFIT FOR THE PERIOD	TOTAL EQUITY
	SHARE CAPITAL	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	19 699 944	9 137 221	1 737 850	8 073 570	506 966	1 388	242 949	2 754 196	22 716 610
Management options	-	3 152	-	-	-	-	-	3 152	-	3 152
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-
Revaluation of management options	-	3 152	-	-	-	-	-	3 152	-	3 152
Comprehensive income	-	(402 204)	-	-	-	(402 537)	333	-	1 463 781	1 061 577
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-
Revaluation of available-for-sale investments (net of tax)	-	(377 286)	-	-	-	(377 286)	-	-	-	(377 286)
Revaluation of hedging financial instruments (net of tax)	-	(25 251)	-	-	-	(25 251)	-	-	-	(25 251)
Foreign currency translation differences	-	333	-	-	-	-	333	-	-	333
Net profit for the period	-	-	-	-	-	-	-	-	1 463 781	1 463 781
Appropriation of retained earnings	-	736 031	-	200 000	536 031	-	-	-	(2 938 155)	(2 202 124)
Dividend paid	-	-	-	-	-	-	-	-	(2 202 124)	(2 202 124)
Profit appropriation	-	736 031	-	200 000	536 031	-	-	-	(736 031)	-
Equity as at 30.06.2013	262 470	20 036 923	9 137 221	1 937 850	8 609 601	104 429	1 721	246 101	1 279 822	21 579 215

Notes to the financial statements presented on pages 11 – 79 and annexes to the financial statements presented on pages I - VII constitute an integral part of the unconsolidated financial statements.

Unconsolidated 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		1 354 050	1 463 781
Adjustments for:		(8 818 368)	(1 597 888)
Depreciation and amortization	12	153 293	164 235
(Gains) losses on investing activities		(34 126)	(228 187)
Net interest income		(2 207 056)	(2 149 558)
Dividend income	8	(153 447)	(143 779)
Interest received		2 992 837	3 412 558
Interest paid		(869 017)	(1 352 600)
Income tax		288 821	268 585
Income tax paid		(203 566)	(389 105)
Change in loans and advances to banks		379 395	(432 993)
Change in financial assets held for trading		(796 057)	(727 401)
Change in derivative financial instruments (assets)		(727 422)	241 748
Change in loans and advances to customers and bill of exchange eligible for rediscounting at Central Bank		(5 569 356)	(1 411 254)
Change in investment (placement) securities		(479 149)	(652 511)
Change in other assets		(246 110)	657 753
Change in amounts due to banks		196 702	(2 535 885)
Change in financial liabilities held for trading		(85 737)	166 983
Change in derivative financial instruments (liabilities)		681 359	(244 193)
Change in amounts due to customers		(5 087 510)	772 512
Change in debt securities issued		564	10 284
Change in provisions		15 291	(19 864)
Change in other liabilities		2 931 923	2 994 784
Net cash flows from operating activities		(7 464 318)	(134 107)
Cash flow from investing activities			
Investing activity inflows		178 891 149	223 659 891
Sale of investment securities		178 381 164	223 092 344
Sale of intangible assets and property, plant and equipment		50	1 755
Dividend received	8	153 447	143 779
Other investing inflows		356 488	422 013
Investing activity outflows		(168 676 347)	(223 976 701)
Acquisition of investment securities		(168 597 220)	(223 920 580)
Acquisition of intangible assets and property, plant and equipment		(79 127)	(56 121)
Net cash flows from investing activities		10 214 802	(316 810)

Notes to the financial statements presented on pages 11 – 79 and annexes to the financial statements presented on pages I - VII constitute an integral part of the unconsolidated financial statements.

Unconsolidated cash flow (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		2 495 060	1 722 400
Issue of debt securities	32	2 495 060	1 722 400
Financing activity outflows		(4 803 042)	(4 427 490)
Redemption of debt securities	32	(2 188 840)	(2 225 366)
Dividends and other payments to shareholders		(2 614 202)	(2 202 124)
Net cash flows from financing activities		(2 307 982)	(2 705 090)
Total net cash flows		442 502	(3 156 007)
including: effect of exchange rate fluctuations on cash and cash equivalents held		17 815	99 924
Net change in cash and cash equivalents		442 502	(3 156 007)
Cash and cash equivalents at the beginning of the period		10 615 031	12 819 480
Cash and cash equivalents at the end of the period		11 057 533	9 663 473

Notes to the financial statements presented on pages 11 – 79 and annexes to the financial statements presented on pages I - VII constitute an integral part of the unconsolidated financial statements.

Notes to financial statements

(in PLN thousand)

The accompanying notes to the financial statements constitute an integral part of the condensed unconsolidated 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. is part of the UniCredit S.p.A. Group with its seat in Roma, Italy.

The condensed unconsolidated interim financial statements of Bank Pekao S.A. for the period from 1 January 2014 to 30 June 2014 contain financial information of all the activities performed by the Bank.

The Bank also prepares Consolidated Financial Statements of Bank Pekao S.A. Group.

2. Statement of compliance

The condensed unconsolidated interim financial statements of the Bank 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 unconsolidated financial statements of the Bank for the year ended 31 December 2013.

The unconsolidated financial statements of the Bank 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 Registry in 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 unconsolidated 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 unconsolidated interim financial statements of the Bank were prepared in the way ensuring their comparability.

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

Notes to financial statements (cont)

(in PLN thousand)

3. Significant accounting policies

General information

The condensed unconsolidated interim financial statements of the Bank 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 Bank 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 Bank in these condensed unconsolidated interim financial statements are the same as those applied by the Bank in the unconsolidated financial statements of Bank Pekao S.A. for the year ended 31 December 2013.

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

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 Bank opinion, amendments to standards and interpretations that are awaiting approval will not have a material impact on the unconsolidated financial statement, 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 Bank is currently assessing the impact of the IFRS 9 implementation on its financial statements. 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.

Notes to financial statements (cont)

(in PLN thousand)

Comparative data

In 2013 the Bank 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 unconsolidated financial statements of Bank for the year ended 31 December 2013.

Due to introduction of the changes the comparative data of the Bank 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 Bank in statement of financial position, income statement, statement of comprehensive income and cash flow statement is presented in the below tables.

Unconsolidated statement of financial position

ASSETS	30.06.2013 (BEFORE RESTATEMENT)	RESTATEMENT	30.06.2013 (AFTER RESTATEMENT)
Loans and advances to customers	96 561 303	(249 526)	96 311 777
Deferred tax assets	693 138	47 410	740 548
Other assets	49 414 350	-	49 414 350
TOTAL ASSETS	146 668 791	(202 116)	146 466 675

LIABILITIES	30.06.2013 (BEFORE RASTATEMENT)	RESTATEMENT	30.06.2013 (AFTER RESTATEMENT)
TOTAL LIABILITIES	124 887 460	-	124 887 460

EQUITY	30.06.2013 (BEFORE RASTATEMENT)	RESTATEMENT	30.06.2013 (AFTER RESTATEMENT)
Share capital	262 470	-	262 470
Other capital and reserves	20 048 094	(11 171)	20 036 923
Retained earnings and profit for the period	1 470 767	(190 945)	1 279 822
TOTAL EQUITY	21 781 331	(202 116)	21 579 215
TOTAL LIABILITIES AND EQUITY	146 668 791	(202 116)	146 466 675

Notes to financial statements (cont)

(in PLN thousand)

Unconsolidated income 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 (AFTER RESTATEMENT)
Interest income	3 378 168	57 963	3 436 131
Interest expense	(1 286 573)	-	(1 286 573)
Net interest income	2 091 595	57 963	2 149 558
Fee and commission income	1 252 223	(66 588)	1 185 635
Fee and commission expense	(243 202)	-	(243 202)
Net fee and commission income	1 009 021	(66 588)	942 433
Dividend income	143 779	-	143 779
Result on financial assets and liabilities held for trading	225 036	-	225 036
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	3 669 352	(8 625)	3 660 727
Net impairment losses on financial assets and off-balance sheet commitments:	(291 438)	-	(291 438)
loans and other financial receivables	(299 430)	-	(299 430)
off-balance sheet commitments	7 992	-	7 992
Net result on financial activity	3 377 914	(8 625)	3 369 289
Administrative expenses	(1 468 483)	-	(1 468 483)
personnel expenses	(848 973)	-	(848 973)
other administrative expenses	(619 510)	-	(619 510)
Depreciation and amortization	(164 235)	-	(164 235)
Net result on other provisions	(2 087)	-	(2 087)
Net other operating income and expenses	29 480	-	29 480
Operating costs	(1 605 325)	-	(1 605 325)
Gains (losses) on subsidiaries and associates	-	-	-
Gains (losses) on disposal of property, plant and equipment, and intangible assets	17 700	-	17 700
Profit before income tax	1 790 289	(8 625)	1 781 664
Income tax expense	(319 522)	1 639	(317 883)
Net profit for the period	1 470 767	(6 986)	1 463 781
EARNINGS PER SHARE (IN PLN PER SHARE)			
basic for the period	5.60		5.58
diluted for the period	5.60		5.58

Notes to financial statements (cont)

(in PLN thousand)

	II QUARTER 2013 PERIOD FROM 01.04.2013 TO 30.06.2013 (BEFORE RESTATEMENT)	RESTATEMENT	II QUARTER 2013 PERIOD FROM 01.04.2013 TO 30.06.2013 (AFTER RESTATEMENT)
Interest income	1 606 297	25 011	1 631 308
Interest expense	(584 597)	-	(584 597)
Net interest income	1 021 700	25 011	1 046 711
Fee and commission income	646 160	(38 998)	607 162
Fee and commission expense	(131 343)	-	(131 343)
Net fee and commission income	514 817	(38 998)	475 819
Dividend income	99 493	-	99 493
Result on financial assets and liabilities held for trading	117 442	-	117 442
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	1 903 872	(13 987)	1 889 885
Net impairment losses on financial assets and off-balance sheet commitments:	(152 318)	-	(152 318)
loans and other financial receivables	(151 757)	-	(151 757)
off-balance sheet commitments	(561)	-	(561)
Net result on financial activity	1 751 554	(13 987)	1 737 567
Administrative expenses	(749 625)	-	(749 625)
personnel expenses	(433 743)	-	(433 743)
other administrative expenses	(315 882)	-	(315 882)
Depreciation and amortization	(82 362)	-	(82 362)
Net result on other provisions	(1 444)	-	(1 444)
Net other operating income and expenses	10 765	-	10 765
Operating costs	(822 666)	-	(822 666)
Gains (losses) on subsidiaries and associates	-	-	-
Gains (losses) on disposal of property, plant and equipment, and intangible assets	17 741	-	17 741
Profit before income tax	946 629	(13 987)	932 642
Income tax expense	(160 248)	2 658	(157 590)
Net profit for the period	786 381	(11 329)	775 052
EARNINGS PER SHARE (IN PLN PER SHARE)			
basic for the period	2.99		2.96
diluted for the period	2.99		2.96

Notes to financial statements (cont)

(in PLN thousand)

Unconsolidated statement of comprehensive income

	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 (AFTER RESTATEMENT)
Net profit for the period	1 470 767	(6 986)	1 463 781
Other comprehensive income			
Item that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	333	-	333
Change in fair value of available-for-sale financial assets	(465 785)	-	(465 785)
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	94 422	-	94 422
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)	(402 204)	-	(402 204)
Total comprehensive income	1 068 563	(6 986)	1 061 577

	II QUARTER 2013 PERIOD FROM 01.04.2013 TO 30.06.2013 (BEFORE RESTATEMENT)	RESTATEMENT	II QUARTER 2013 PERIOD FROM 01.04.2013 TO 30.06.2013 (AFTER RESTATEMENT)
Net profit the period	786 381	(11 329)	775 052
Other comprehensive income			
Item that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	335	-	335
Change in fair value of available-for-sale financial assets	(313 441)	-	(313 441)
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	68 748	-	68 748
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)	(292 753)	-	(292 753)
Total comprehensive income	493 628	(11 329)	482 299

Notes to financial statements (cont)

(in PLN thousand)

Unconsolidated 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 (AFTER RESTATEMENT)
Cash flow from operating activities – indirect method			
Net profit for the period	1 470 767	(6 986)	1 463 781
Adjustments for:	(1 604 874)	6 986	(1 597 888)
Depreciation and amortization	164 235	-	164 235
(Gains) losses on investing activities	(228 187)	-	(228 187)
Net interest income	(2 149 558)	-	(2 149 558)
Dividend income	(143 779)	-	(143 779)
Interest received	3 412 558	-	3 412 558
Interest paid	(1 352 600)	-	(1 352 600)
Income tax	270 224	(1 639)	268 585
Income tax paid	(389 105)	-	(389 105)
Change in loans and advances to banks	(432 993)	-	(432 993)
Change in financial assets held for trading	(727 401)	-	(727 401)
Change in derivative financial instruments (assets)	241 748	-	241 748
Change in loans and advances to customers and bill of exchange eligible for rediscounting at Central Bank	(1 419 879)	8 625	(1 411 254)
Change in investment (placement) securities	(652 511)	-	(652 511)
Change in other assets	657 753	-	657 753
Change in amounts due to banks	(2 535 885)	-	(2 535 885)
Change in financial liabilities held for trading	166 983	-	166 983
Change in derivative financial instruments (liabilities)	(244 193)	-	(244 193)
Change in amounts due to customers	772 512	-	772 512
Change in debt securities issued	10 284	-	10 284
Change in provisions	(19 864)	-	(19 864)
Change in other liabilities	2 994 784	-	2 994 784
Net cash flows from operating activities	(134 107)	-	(134 107)
Cash flow from investing activities			
Net cash flows from investing activities	(316 810)	-	(316 810)
Cash flows from financing activities			
Net cash flows from financing activities	(2 705 090)	-	(2 705 090)
Total net cash flows	(3 156 007)	-	(3 156 007)
including: effect of exchange rate fluctuations on cash and cash equivalents held	99 924	-	99 924
Net change in cash and cash equivalents	(3 156 007)	-	(3 156 007)
Cash and cash equivalents at the beginning of the period	12 819 480	-	12 819 480
Cash and cash equivalents at the end of the period	9 663 473	-	9 663 473

Notes to financial statements (cont)

(in PLN thousand)

4. 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 Bank, the actual results may differ from those estimates.

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

Starting from the first half of 2014 the Bank 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 transactions) is the current and potential counterparty exposure to credit risk of the Bank, the second ones are parameters of credit quality assessment of the Bank - 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 Bank 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)

5. Risk management

Credit risk

The credit risk management process and measurement methods have not changed in relation to those described in the unconsolidated financial statements of the Bank 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 Bank 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 Bank's financial assets

The Bank 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	-	-	780 877	1 191 694
- up to 1 month	-	-	126 372	101 788
- between 1 month and 3 months	-	-	152 573	457 622
- between 3 months and 1 year	-	-	1 170 331	443 213
- between 1 year and 5 years	15 910	18 089	1 980 043	2 019 612
- above 5 years	-	-	983 871	834 395
Total gross carrying amount	15 910	18 089	5 194 067	5 048 324
ALLOWANCE FOR IMPAIRMENT				
- not past due	-	-	(307 397)	(353 894)
- up to 1 month	-	-	(35 544)	(50 121)
- between 1 month and 3 months	-	-	(29 316)	(132 587)
- between 3 months and 1 year	-	-	(421 298)	(180 945)
- between 1 year and 5 years	(15 910)	(9 788)	(1 187 383)	(1 160 069)
- above 5 years	-	-	(828 294)	(736 308)
Total allowance for impairment	(15 910)	(9 788)	(2 809 232)	(2 613 924)
Net carrying amount of exposure individually impaired	-	8 301	2 384 835	2 434 400
GROSS CARRYING AMOUNT OF EXPOSURE COLLECTIVELY IMPAIRED				
- not past due	-	-	67 132	63 262
- up to 1 month	-	-	28 189	34 183
- between 1 month and 3 months	-	-	51 034	30 450
- between 3 months and 1 year	-	-	334 713	395 765
- between 1 year and 5 years	-	-	1 340 359	1 359 506
- above 5 years	9 800	15 662	605 416	554 871
Total gross carrying amount	9 800	15 662	2 426 843	2 438 037
ALLOWANCE FOR IMPAIRMENT				
- not past due	-	-	(59 213)	(34 697)
- up to 1 month	-	-	(14 377)	(17 564)
- between 1 month and 3 months	-	-	(27 160)	(15 992)
- between 3 months and 1 year	-	-	(201 601)	(236 622)
- between 1 year and 5 years	-	-	(1 041 708)	(1 051 931)
- above 5 years	(9 800)	(15 662)	(578 388)	(534 101)
Total allowance for impairment	(9 800)	(15 662)	(1 922 447)	(1 890 907)
Net carrying amount of exposure collectively impaired	-	-	504 396	547 130

Notes to financial statements (cont)

(in PLN thousand)

The Bank 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	6 851 349	7 645 771	59 360 306	56 085 618	42 265 201	39 852 292
- up to 30 days	-	-	501 699	206 057	943 209	1 299 370
- between 30 days and 60 days	-	-	32 405	29 634	215 201	177 009
- above 60 days	-	-	106 402	108 852	287 311	299 214
Total gross carrying amount	6 851 349	7 645 771	60 000 812	56 430 161	43 710 922	41 627 885
IBNR PROVISION						
- not past due	(180)	(271)	(194 976)	(218 388)	(141 204)	(123 852)
- up to 30 days	-	-	(5 411)	(2 658)	(57 474)	(86 202)
- between 30 days and 60 days	-	-	(2 155)	(1 192)	(24 589)	(22 057)
- above 60 days	-	-	(690)	(599)	(13 378)	(15 385)
Total IBNR provision	(180)	(271)	(203 232)	(222 837)	(236 645)	(247 496)
Net carrying amount of exposure with no impairment	6 851 169	7 645 500	59 797 580	56 207 324	43 474 277	41 380 389

(*) Loans and advances to customers include bills of exchange eligible for rediscounting at Central Bank.

The Bank 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	7 620 910	7 486 361
Allowance for impairment	(25 710)	(25 450)	(4 731 679)	(4 504 831)
Total net carrying amount	-	8 301	2 889 231	2 981 530
EXPOSURES WITH IMPAIRMENT TRIGGERS FOR WHICH NO IMPAIRMENT HAS BEEN IDENTIFIED				
Gross carrying amount, in this:	-	-	19 200	38 589
<i>Exposure with collateral value included in expected discounted cash flow, in this:</i>	-	-	19 200	38 589
- <i>Past due exposures</i>	-	-	8 037	6 354
IBNR provision	-	-	(1 326)	(2 765)
Total net carrying amount	-	-	17 874	35 824
EXPOSURES WITH NO IMPAIRMENT TRIGGERS				
Gross carrying amount	6 851 349	7 645 771	103 692 534	98 019 457
IBNR provision	(180)	(271)	(438 551)	(467 568)
Total net carrying amount	6 851 169	7 645 500	103 253 983	97 551 889

(*) Loans and advances to customers include 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	16 140 380	683 393	6 566 866	24 358 613
BBB+ to BBB-	-	248 950	-	-	248 950
no rating	20 462	7 031 237 (*)	835 078 (**)	-	7 886 777
Total	988 436	24 093 417	1 518 471	6 566 866	33 167 190

(*) 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	17 599 157	1 050 967	5 694 771	24 533 272
BBB+ to BBB-	-	248 865	-	-	248 865
no rating	-	14 836 974 (*)	837 757 (**)	-	15 674 731
Total	188 377	32 947 530	1 888 724	5 694 771	40 719 402

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

(**) Including NBP bills in an amount of PLN 837 757 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	191 616	46 485	250 863	15 031	5 050	-	509 045
Total	2 295 553	176 901	254 314	225 014	5 050	-	2 956 832

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	125 343	19 249	213 141	9 527	4 316	84 232	455 808
Total	1 730 001	50 756	218 589	161 638	4 316	84 232	2 249 532

Forbearance

The identifying process of Forborne exposures has not changed in relation to the one described in the unconsolidated financial statements of the Bank for the year ended 31 December 2013.

The below table presents the value of forbore 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 forbore exposures	2 087 768	1 932 336

Credit exposures towards Ukraine

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

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 Bank 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.

Notes to financial statements (cont)

(in PLN thousand)

The below table presents the Bank 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 exposures		
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

Market risk of the trading book

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

The table below presents the market risk exposure of the trading portfolio of the Bank 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	1 902	1 194	1 989	3 432
Trading portfolio	1 744	1 121	1 994	3 494

	31.12.2013	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign currency exchange risk	34	11	493	2 676
interest rate risk	1 210	808	1 432	2 868
Trading portfolio	1 082	762	1 478	2 917

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 unconsolidated financial statements of the Bank Pekao S.A. 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 Bank (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	(8.05)	(7.69)
EVE	(2.13)	(1.83)

Notes to financial statements (cont)

(in PLN thousand)

Foreign currency exchange risk

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

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

CURRENCY	30.06.2014	31.12.2013
Currencies total (*)	289	39

(*) 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.

Liquidity risk

The liquidity risk management process has not changed in relation to the one described in the unconsolidated financial statements of Bank Pekao S.A. 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	5 852 909	(3 603 317)	10 631 400	20 878 687	(34 494 243)	(734 564)
Cumulated gap		2 249 592	12 880 992	33 759 679	(734 564)	

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	1 383 230	(3 721 046)	12 334 503	21 380 240	(31 981 941)	(605 014)
Cumulated gap		(2 337 816)	9 996 687	31 376 927	(605 014)	

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 (*)	3 204 702	9 885	434 103	128 648	1 330 397	5 107 735
Amounts due to customers	86 253 864	15 890 338	12 370 003	638 760	17 238	115 170 203
Debt securities issued	410 029	1 310 233	788 065	71 231	-	2 579 558
Financial liabilities held for trading	-	-	-	105 153	118 852	224 005
Total	89 868 595	17 210 456	13 592 171	943 792	1 466 487	123 081 501
OFF-BALANCE SHEET COMMITMENTS (**)						
Financial liabilities granted	27 386 369	-	-	-	-	27 386 369
Guarantees issued	13 176 340	-	-	-	-	13 176 340
Total	40 562 709	-	-	-	-	40 562 709

(*) 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 Bank is possible based on contracts entered into by the Bank. However, the expected flows by the Bank 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 Bank on continuous basis. The Bank 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 (*)	1 968 459	1 451 927	12 592	168 225	1 397 852	4 999 055
Amounts due to customers	96 262 673	12 977 722	10 394 565	587 032	20 389	120 242 381
Debt securities issued	1 403 210	607 087	237 973	-	-	2 248 270
Financial liabilities held for trading	-	-	163 892	93 692	52 158	309 742
Total	99 634 342	15 036 736	10 809 022	848 949	1 470 399	127 799 448
OFF-BALANCE SHEET COMMITMENTS (**)						
Financial liabilities granted	27 287 840	-	-	-	-	27 287 840
Guarantees issued	12 187 126	-	-	-	-	12 187 126
Total	39 474 966	-	-	-	-	39 474 966

(*) 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 Bank is possible based on contracts entered into by the Bank. However, the expected flows by the Bank 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 Bank on continuous basis. The Bank estimates also more probable flows that are presented in Tables 'Adjusted liquidity gap'.

The financial cash flows associated with off-balance derivative transactions

Off-balance sheet derivative transactions settled by the Bank 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 Bank 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	1 681 513	904 679	2 841 931
31.12.2013	37 841	82 412	170 399	1 221 097	505 495	2 017 244

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	12 672 726	7 224 518	4 077 399	6 910 691	3 380 336	34 265 670
Outflows	12 649 087	7 246 251	4 028 849	7 592 409	3 490 637	35 007 233
31.12.2013						
Inflows	9 859 595	6 918 333	6 513 048	4 360 422	4 639 247	32 290 645
Outflows	9 836 552	6 924 706	6 386 575	4 782 678	4 966 904	32 897 415

Operational risk

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

Fair value of financial assets and liabilities

Financial instruments that are measured at fair value in the unconsolidated statement of financial position of the Bank

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 Bank 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.

Measurement at fair value is performed directly by a unit within Risk Management Division, independent from front-office units. Methodology of fair value measurement, including the changes of its parameterization are subject to approval of Assets and Liabilities Committee (ALCO). 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. 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:	17 784 473	10 255 616	7 636	28 047 725
Financial assets held for trading	967 974	20 462	-	988 436
Derivative financial instruments, including:	-	2 724 903	1 865	2 726 768
- Banks	-	2 295 554	-	2 295 554
- Customers	-	429 349	1 865	431 214
Hedging instruments, including:	-	230 064	-	230 064
- Banks	-	225 014	-	225 014
- Customers	-	5 050	-	5 050
Securities available for sale	16 816 499	7 280 187	5 771	24 102 457
Liabilities:	224 005	3 845 164	-	4 069 169
Financial liabilities held for trading	224 005	-	-	224 005
Derivative financial instruments, including:	-	2 735 744	-	2 735 744
- Banks	-	2 451 733	-	2 451 733
- Customers	-	284 011	-	284 011
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:	18 053 554	17 083 881	257 258	35 394 693
Financial assets held for trading	188 377	-	-	188 377
Derivative financial instruments, including:	-	1 996 721	2 625	1 999 346
- Banks	-	1 730 001	-	1 730 001
- Customers	-	266 720	2 625	269 345
Hedging instruments, including:	-	250 186	-	250 186
- Banks	-	161 638	-	161 638
- Customers	-	88 548	-	88 548
Securities available for sale	17 865 177	14 836 974	254 633	32 956 784
Liabilities:	309 742	3 062 269	-	3 372 011
Financial liabilities held for trading	309 742	-	-	309 742
Derivative financial instruments, including:	-	2 054 385	-	2 054 385
- Banks	-	1 744 107	-	1 744 107
- Customers	-	310 278	-	310 278
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 Bank

I HALF 2014	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	SECURITIES AVAILABLE FOR SALE	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)
Opening balance	-	2 625	254 633	-
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	5 771	-
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	-	-	-	-

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 Bank

2013	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	SECURITIES AVAILABLE FOR SALE	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)
Opening balance	321 153	24 360	953 833	24 360
Increases, including:	18 158 767	12 905	11 540	-
Reclassification	-	12 905	-	-
Acquisition	18 158 767	-	-	-
Gains on financial instruments	-	-	11 540	-
recognized in the income statement	-	-	11 539	-
recognized in revaluation reserves	-	-	1	-
Decreases, including:	(18 479 920)	(34 640)	(710 740)	(24 360)
Reclassification	-	(24 360)	(699 084)	(24 360)
Settlement/redemption	(970 080)	(7 621)	(11 656)	-
Sale	(17 509 840)	-	-	-
Losses on financial instruments	-	(2 659)	-	-
recognized in the income statement	-	(2 659)	-	-
Closing balance	-	2 625	254 633	-
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	-

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.

Notes to financial statements (cont)

(in PLN thousand)

The impact of estimated parameters on measurement of financial instruments for which the Bank 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)

Financial instruments that are not measured at fair value in the unconsolidated statement of financial position of the Bank

The Bank 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 Bank classified the financial assets and liabilities not measured at fair value in the unconsolidated 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 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.

Notes to financial statements (cont)

(in PLN thousand)

For the Bank's capital exposure, for which no active market prices are available and market values are unattainable, the Bank 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.

30.06.2014	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
Assets					
Cash and due from Central Bank	5 055 858	5 055 858	2 148 243	2 907 615	-
Loans and advance to banks	6 851 169	6 864 266	-	5 413 113	1 451 153
Loans and advances to customers (*)	106 161 088	104 581 174	-	8 355 762	96 225 412
Debt securities held to maturity	1 518 471	1 532 665	697 586	835 079	-
Total Assets	119 586 586	118 033 963	2 845 829	17 511 569	97 676 565
Liabilities					
Amounts due to Central Bank	958	971	-	-	971
Amounts due to other banks	4 950 753	4 998 411	-	2 778 221	2 220 190
Amounts due to customers	114 757 279	114 416 354	-	2 893 139	111 523 215
Debt securities issued	2 556 456	2 557 834	-	2 557 834	-
Total Liabilities	122 265 446	121 973 570	-	8 229 194	113 744 376

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

Notes to the financial statements (cont)

(in PLN thousand)

31.12.2013	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
Assets					
Cash and due from Central Bank	4 191 223	4 191 223	2 104 616	2 086 607	-
Loans and advance to banks	7 653 801	7 654 406	-	4 434 648	3 219 758
Loans and advances to customers (*)	100 569 243	99 737 977	-	7 914 160	91 823 817
Debt securities held to maturity	1 888 724	1 910 920	1 073 161	837 759	-
Total Assets	114 302 991	113 494 526	3 177 777	15 273 174	95 043 575
Liabilities					
Amounts due to Central Bank	985	985	-	-	985
Amounts due to other banks	4 754 732	4 809 248	-	2 761 626	2 047 622
Amounts due to customers	119 868 743	119 509 154	-	3 667 699	115 841 455
Debt securities issued	2 240 452	2 240 719	-	2 240 719	-
Total Liabilities	126 864 912	126 560 106	-	8 670 044	117 890 062

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

6. Interest income and expense

Interest income

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
Loans and other receivables from customers	1 224 533	2 428 094	1 251 695	2 648 483
Interbank placements	37 231	74 759	43 506	95 553
Reverse repo transactions	25 882	47 197	27 425	50 471
Investment securities	211 617	431 617	265 745	546 296
Hedging derivatives	32 332	71 856	40 635	89 343
Financial assets held for trading	4 455	7 109	2 302	5 985
Total	1 536 050	3 060 632	1 631 308	3 436 131

Interest expense

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
Deposits from customers	(386 519)	(768 179)	(510 030)	(1 121 183)
Interbank deposits	(6 891)	(16 856)	(11 071)	(24 353)
Repo transactions	(18 809)	(38 902)	(24 209)	(53 772)
Loans and advances received	(3 945)	(8 032)	(3 974)	(8 147)
Debt securities issued	(11 821)	(21 607)	(35 313)	(79 118)
Total	(427 985)	(853 576)	(584 597)	(1 286 573)

Notes to financial statements (cont)

(in PLN thousand)

7. 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	168 218	336 737	175 125	353 319
Payment cards	228 394	439 140	222 663	431 290
Loans and advances	99 996	181 327	98 357	173 816
Investment products sales intermediation	50 803	100 309	56 056	117 744
Securities operations	9 478	23 322	13 285	20 586
Custody activity	16 110	31 033	13 998	26 881
Guarantees, letters of credit and similar transactions	13 429	25 512	12 264	27 180
Other	27 616	56 378	15 414	34 819
Total	614 044	1 193 758	607 162	1 185 635

Fee and commission expense

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
Payment cards	(119 222)	(221 770)	(113 399)	(212 182)
Money orders and transfers	(5 275)	(9 980)	(5 920)	(9 695)
Securities operations and derivatives	(3 078)	(6 088)	(2 576)	(5 007)
Custody activity	(2 702)	(5 282)	(2 139)	(4 176)
Acquisition services	(3 966)	(7 712)	(2 819)	(4 707)
Accounts maintenance	(818)	(1 391)	(1 110)	(1 645)
Other	(3 279)	(5 670)	(3 380)	(5 790)
Total	(138 340)	(257 893)	(131 343)	(243 202)

8. Dividend income

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
Subsidiaries	61 336	90 312	40 884	85 170
Associates	54 946	54 946	51 858	51 858
Other entities	8 189	8 189	6 751	6 751
Total	124 471	153 447	99 493	143 779

9. 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	85 069	166 433	100 070	194 097
Gains (losses) on derivatives	18 745	38 333	14 483	25 577
Gains (losses) on securities	3 618	5 225	2 889	5 362
Total	107 432	209 991	117 442	225 036

Notes to financial statements (cont)

(in PLN thousand)

10. 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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11. Administrative expenses

Personnel expenses

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
Wages and salaries	(370 988)	(727 992)	(361 570)	(707 957)
Insurance and other charges related to employees	(66 694)	(132 823)	(67 486)	(131 592)
Share-based payments expenses	(2 641)	(6 264)	(4 687)	(9 424)
Total	(440 323)	(867 079)	(433 743)	(848 973)

Other administrative expenses

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
General expenses	(248 129)	(498 893)	(275 776)	(538 305)
Taxes and charges	(8 314)	(17 257)	(8 353)	(17 536)
Bank Guarantee Fund fee	(34 166)	(68 332)	(24 157)	(48 314)
Financial supervision authority fee (KNF)	(7 842)	(16 023)	(7 596)	(15 355)
Total	(298 451)	(600 505)	(315 882)	(619 510)

Net realized profit	(738 774)	(1 467 584)	(749 625)	(1 468 483)
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Notes to financial statements (cont)

(in PLN thousand)

12. Depreciation and amortization

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
Property, plant and equipment	(45 739)	(90 397)	(49 667)	(96 570)
Investment property	(287)	(589)	(296)	(594)
Intangible assets	(30 868)	(62 307)	(32 399)	(67 071)
Total	(76 894)	(153 293)	(82 362)	(164 235)

13. Net other operating income and expenses

Other operating income

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
Rental income	6 432	12 616	8 034	15 800
Miscellaneous income	4 537	7 118	3 081	16 180
Credit insurance income	5 820	11 722	6 591	11 991
Recovery of debt collection costs	4 791	9 010	4 509	9 208
Excess payments, repayments	531	2 315	542	1 431
Compensation, penalty fees and fines received (including received compensations from damages in relation to fixed assets)	737	1 533	1 097	1 587
Refunding of administrative expenses	687	2 990	1 679	3 216
Income from written off liabilities	129	198	155	1 057
Releases of impairment allowances for litigation and other assets	78	119	50	124
Other	649	1 525	2 763	3 867
Total	24 391	49 146	28 501	64 461

Other operating expenses

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
Credit insurance expenses	(7 177)	(13 894)	(6 133)	(13 579)
Reimbursement and deficiencies	(2 780)	(4 889)	(3 737)	(7 096)
Sundry expenses	(1 775)	(5 680)	(2 556)	(4 608)
Customers complaints expenses	(691)	(1 413)	(825)	(1 291)
Impairment allowance for litigations and other assets	(1 228)	(1 432)	(226)	(403)
Costs of litigation and claims	(446)	(815)	(1 063)	(1 615)
Compensation, penalty fees and fines paid	(37)	(94)	(464)	(1 369)
Losses on disposal of other assets	-	-	(4)	(4)
Other	(3 040)	(4 815)	(2 728)	(5 016)
Total	(17 174)	(33 032)	(17 736)	(34 981)

Net other operating income and expenses	7 217	16 114	10 765	29 480
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Notes to financial statements (cont)

(in PLN thousand)

14. 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	-	(140)	(208)	25 890	(101)
Loans and advances to customers measured at amortized cost	4 975 164	666 738	72 479	(79 124)	(395 910)	(67 791)	5 171 556	(270 828)
Financial assets available for sale	101	-	-	(1)	-	-	100	-
Off-balance sheet commitments	116 874	52 435	27	-	(42 292)	-	127 044	(10 143)
Total financial assets and off-balance sheet commitments	5 117 860	719 414	72 782	(79 125)	(438 342)	(67 999)	5 324 590	(281 072)
Impairment of other assets								
Investments in subsidiaries and associates	54 482	-	-	-	-	-	54 482	-
Intangible assets	10 961	-	-	-	-	-	10 961	-
Property, plant and equipment	6 753	-	-	(47)	-	-	6 706	-
Investment properties	3 080	-	-	-	-	(550)	2 530	-
Other	63 273	1 432	5	(447)	(119)	(57)	64 087	(1 313)
Total impairment of other assets	138 549	1 432	5	(494)	(119)	(607)	138 766	(1 313)
Total	5 256 409	720 846	72 787	(79 619)	(438 461)	(68 606)	5 463 356	(282 385)

(*) 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 281 072 thousand and proceeds from recovered bad debt in the amount of PLN 3 079 thousand, totaling PLN minus 277 993 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	4 616 933	766 279	76 043	(62 775)	(434 941)	(40 450)	4 921 089	(331 338)
Financial assets available for sale	101	-	-	-	-	-	101	-
Impairment of off-balance sheet commitments	125 379	55 717	844	-	(63 709)	-	118 231	7 992
Total financial assets and off-balance sheet commitments	4 812 545	822 009	77 515	(62 775)	(527 378)	(40 646)	5 081 270	(294 631)
Impairment of other assets								
Investments in subsidiaries and associates	54 482	-	-	-	-	-	54 482	-
Intangible assets	10 961	-	-	-	-	-	10 961	-
Property, plant and equipment	7 394	2 283	-	(210)	-	-	9 467	(2 283)
Investment properties	2 154	-	-	-	-	-	2 154	-
Other	65 930	403	29	-	(124)	(219)	66 019	(279)
Total impairment of other assets	140 921	2 686	29	(210)	(124)	(219)	143 083	(2 562)
Total	4 953 466	824 695	77 544	(62 985)	(527 502)	(40 865)	5 224 353	(297 193)

(*) 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 294 631 thousand, and proceeds from recovered bad debt in the amount of PLN 3 193 thousand, the total is PLN minus 291 438 thousand.

Notes to financial statements (cont)

(in PLN thousand)

15. 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	(257)	(711)	336	295
Total gains (losses) on disposal of property, plant and equipment, and intangible assets	(257)	(711)	17 741	17 700

16. 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	(220 629)	(339 012)	(194 028)	(348 250)
Current tax charge in the income statement	(219 790)	(344 754)	(192 391)	(345 420)
Adjustments related to the current tax from previous years	-	7 433	903	903
Other taxes (e.g. withholding tax, income tax relating to foreign branches)	(839)	(1 691)	(2 540)	(3 733)
Deferred tax	71 703	50 191	36 438	30 367
Occurrence and reversal of temporary differences	71 703	50 191	36 438	30 367
Tax charge in the income statement	(148 926)	(288 821)	(157 590)	(317 883)
EQUITY				
Deferred tax	(82 776)	(87 624)	68 748	94 422
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	(61 286)	(68 338)	59 535	88 486
revaluation of available for sale financial assets – equity securities	6	41	18	13
Foreign currency translation differences	-	-	-	-
Tax charge in other comprehensive income	(82 776)	(87 624)	68 748	94 422
Total charge	(231 702)	(376 445)	(88 842)	(223 461)

Notes to financial statements (cont)

(in PLN thousand)

17. Earnings per share for continued and discontinued operations

Basic earnings per share

Basic earnings per share are calculated by dividing the net profit of the Bank 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	752 229	1 354 050	775 052	1 463 781
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)	2.87	5.16	2.96	5.58

Diluted earnings per share

Diluted earnings per share are calculated by dividing the net profit of the Bank 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 Bank.

	II QUARTER 2014	I HALF 2014	II QUARTER 2013	I HALF 2013
Net profit for the period	752 229	1 354 050	775 052	1 463 781
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)	2.87	5.16	2.96	5.58

18. 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)

19. Cash and balances with Central Bank

Cash and due from Central Bank	30.06.2014	31.12.2013	30.06.2013
Cash	2 148 231	2 104 604	2 454 808
Current account at Central Bank	2 907 615	2 086 607	2 590 996
Placements	-	-	241 025
Other	12	12	13
Total	5 055 858	4 191 223	5 286 842

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

Cash and balances with Central Bank by currency

30.06.2014	ASSETS	LIABILITIES
PLN	4 326 573	958
EUR	347 178	-
USD	212 937	-
CHF	33 085	-
Other currencies	136 085	-
Total	5 055 858	958

31.12.2013	ASSETS	LIABILITIES
PLN	3 637 603	985
EUR	271 158	-
USD	162 712	-
CHF	33 382	-
Other currencies	86 368	-
Total	4 191 223	985

30.06.2013	ASSETS	LIABILITIES
PLN	4 319 750	965
EUR	440 239	-
USD	338 377	-
CHF	38 634	-
Other currencies	149 842	-
Total	5 286 842	965

Notes to financial statements (cont)

(in PLN thousand)

20. 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	1 887 518	1 566 820	1 443 266
Interbank placements	790 233	1 326 016	129 144
Loans and advances	97 824	122 357	1 053 068
Cash collaterals	1 211 612	1 094 355	1 769 521
Reverse repo transactions	2 732 536	3 119 010	650 229
Debt securities	-	136 786	87 108
Cash in transit	157 336	314 178	200 896
Total gross amount	6 877 059	7 679 522	5 333 232
Impairment allowances	(25 890)	(25 721)	(41 849)
Total net amount	6 851 169	7 653 801	5 291 383

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)	6 851 349	7 645 771	5 254 010
impaired (gross)	25 710	33 751	79 222
individual impairment allowances	(15 910)	(9 788)	(25 300)
collective impairment allowances (*)	(9 980)	(15 933)	(16 549)
Total	6 851 169	7 653 801	5 291 383

(*) 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	6 080 392	6 554 364	3 864 446
between 1 and 3 months	89 503	185 922	718 741
between 3 months and 1 year	352 228	392 779	157 153
between 1 and 5 years	314 534	352 332	400 973
over 5 years	14 528	160 203	112 511
past due	25 874	33 922	79 408
Total gross amount	6 877 059	7 679 522	5 333 232
Impairment allowances	(25 890)	(25 721)	(41 849)
Total net amount	6 851 169	7 653 801	5 291 383

Notes to financial statements (cont)

(in PLN thousand)

Loans and advances to banks by currency

	30.06.2014	31.12.2013	30.06.2013
PLN	3 600 261	3 913 545	2 173 403
CHF	34 951	22 651	3 061
EUR	1 652 740	2 332 382	1 908 025
USD	1 364 644	1 199 546	1 085 078
Other currencies	198 573	185 677	121 816
Total	6 851 169	7 653 801	5 291 383

Changes in impairment balances in the first half of 2014 and in the first half of 2013 are presented in the Note 14.

21. 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

Notes to financial statements (cont)

(in PLN thousand)

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

22. Derivative financial instruments (held for trading)

Fair value of trading derivatives

30.06.2014	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	2 508 516	2 539 488
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)	22 311	26 724
Currency Forward Agreements	38 366	68 077
Currency Swaps (fx-swap)	78 997	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	2 726 768	2 735 744

31.12.2013	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	1 695 176	1 738 507
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)	15 985	36 098
Currency Forward Agreements	56 866	100 447
Currency Swaps (fx-swap)	122 157	73 061
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	1 999 346	2 054 385

Notes to financial statements (cont)

(in PLN thousand)

30.06.2013	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	2 015 921	2 039 601
Forward Rate Agreements (FRA)	28 117	19 534
Options	15 580	15 914
Other	3 525	3 906
Transactions in foreign currencies and in gold		
Cross-Currency Interest Rate Swaps (CIRS)	18 886	41 273
Currency Forward Agreements	100 807	87 217
Currency Swaps (fx-swap)	173 949	122 456
Options for currency and for gold	47 219	50 574
Transactions based on equity securities		
Options	4 825	4 828
Total	2 408 829	2 385 303

23. Loans and advances to customers

Loans and advances to customers by product type

	30.06.2014	31.12.2013	30.06.2013
Mortgage loans	38 109 747	36 086 703	33 677 620
Current accounts	12 183 575	11 149 641	11 998 837
Operating loans	15 837 701	15 010 351	14 984 916
Investment loans	20 056 849	19 488 173	19 296 836
Payment cards receivables	779 828	778 736	771 413
Purchased debt receivables	2 026 921	1 960 318	1 878 945
Other loans and advances	8 958 956	8 978 067	8 610 157
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	37 568	36 677	49 172
Total gross amount	111 332 405	105 544 177	101 232 866
Impairment allowances	(5 171 556)	(4 975 164)	(4 921 089)
Total net amount	106 160 849	100 569 013	96 311 777

Loans and advances to customers by customer type

	30.06.2014	31.12.2013	30.06.2013
Corporate	54 217 122	50 257 134	49 840 458
Individuals	45 801 545	43 712 325	41 147 958
Budget entities	11 313 738	11 574 718	10 244 450
Total gross amount	111 332 405	105 544 177	101 232 866
Impairment allowances	(5 171 556)	(4 975 164)	(4 921 089)
Total net amount	106 160 849	100 569 013	96 311 777

Notes to financial statements (cont)

(in PLN thousand)

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)	103 711 495	98 057 816	93 903 709
impaired (gross)	7 620 910	7 486 361	7 329 157
individual impairment allowances	(2 835 262)	(2 629 793)	(2 407 293)
collective impairment allowances (*)	(2 336 294)	(2 345 371)	(2 513 796)
Total	106 160 849	100 569 013	96 311 777

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

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	19 277 510	16 066 468	16 774 398
between 1 and 3 months	2 230 050	2 702 807	2 715 580
between 3 months and 1 year	10 276 444	10 249 451	10 599 255
between 1 and 5 years	33 660 989	32 989 931	31 476 698
over 5 years	39 728 483	38 640 987	34 316 366
past due	6 158 929	4 894 533	5 350 569
Total gross amount	111 332 405	105 544 177	101 232 866
Impairment allowances	(5 171 556)	(4 975 164)	(4 921 089)
Total net amount	106 160 849	100 569 013	96 311 777

Loans and advances to customers by currency

	30.06.2014	31.12.2013	30.06.2013
PLN	87 964 865	82 913 939	78 308 168
CHF	4 343 138	4 507 192	5 049 182
EUR	11 150 617	11 115 299	11 304 460
USD	2 612 355	1 983 134	1 623 654
Other currencies	89 874	49 449	26 313
Total	106 160 849	100 569 013	96 311 777

Changes in impairment balances in the first half of 2014 and in the first half of 2013 are presented in the Note 14.

Notes to financial statements (cont)

(in PLN thousand)

24. Hedge accounting

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

In the period from 1 January to 30 June 2014 the Bank 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 24.1,
- cash flow hedge accounting for floating-rate financial assets and liabilities hedged with cross-currency interest rate swap (CIRS) transactions - described in 24.2,
- cash flow hedge accounting for floating-rate financial assets hedged with interest rate swap (IRS) transactions - described in 24.3,
- cash flow hedge accounting for a denominated in EUR floating coupon deposits portfolio, hedged with interest rate swap (IRS) transactions - described in 24.4,
- cash flow hedge accounting for variable portfolio of loans in EUR and USD hedged with fx-swap instruments - described in 24.5.

In the first half of 2014 the Bank:

- 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 Bank) hedged with foreign exchange forward transactions (a series of fx-spot and fx-swap transactions) – described in 24.6,
- 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 24.7. 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)

24.1 Fair value hedge of fixed-coupon debt securities

Description of the hedging relationship

The Bank 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 Bank 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.

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

Description of the hedging relationship

The Bank 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 Bank 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)

24.3 Cash flow hedge of floating-rate loans

Description of hedging relationship

The Bank 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 Bank 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.

24.4 Cash flow hedge of floating-rate deposits

Description of hedging relationship

The Bank 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 Bank 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 financial statements (cont)

(in PLN thousand)

24.5 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 Bank 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.

24.6 Cash flow hedge of expected future outflow in foreign currency

Description of hedging relationship

The Bank 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 Bank 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)

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

Description of hedging relationship

The Bank 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 Bank 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 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 line item '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.

25. Investment (placement) securities

	30.06.2014	31.12.2013	30.06.2013
Debt securities available for sale (AFS)	24 093 417	32 947 530	27 133 907
Equity securities available for sale (AFS)	9 040	9 254	9 009
Debt securities held to maturity (HTM)	1 518 471	1 888 724	2 220 828
Total	25 620 928	34 845 508	29 363 744

Debt securities available for sale (AFS)

	30.06.2014	31.12.2013	30.06.2013
Securities issued by State Treasury	16 813 230	17 861 691	17 478 528
T-bills	-	-	-
T-bonds	16 813 230	17 861 691	17 478 528
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	24 093 417	32 947 530	27 133 907
including impairment of assets	-	-	-

Notes to financial statements (cont)

(in PLN thousand)

Equity securities available for sale (AFS)

	30.06.2014	31.12.2013	30.06.2013
Shares	9 040	9 254	9 009
Total	9 040	9 254	9 009
including impairment of assets	(100)	(101)	(101)

Debt securities held to maturity (HTM)

	30.06.2014	31.12.2013	30.06.2013
Securities issued by State Treasury	683 393	1 050 967	1 458 919
T- bills	-	-	64 635
T- bonds	683 393	1 050 967	1 394 284
Securities issued by Central Banks	835 078	837 757	761 909
Total	1 518 471	1 888 724	2 220 828
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	7 265 971	15 476 132	9 709 839
between 1 and 3 months	-	-	64 635
between 3 months and 1 year	-	442 157	2 456 650
between 1 and 5 years	12 733 346	12 701 308	11 330 812
over 5 years	5 612 571	6 216 657	5 792 799
Total	25 611 888	34 836 254	29 354 735

Investment debt securities by currency

	30.06.2014	31.12.2013	30.06.2013
PLN	22 267 902	31 791 545	26 485 896
EUR	1 930 584	1 725 017	1 529 670
USD	1 413 402	1 319 692	1 339 169
Total	25 611 888	34 836 254	29 354 735

Notes to financial statements (cont)

(in PLN thousand)

26. Assets held for sale and discontinued operations

According to IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' the Bank 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 are presented below:

	30.06.2014	31.12.2013	30.06.2013
PJSC UniCredit Bank exposure	-	-	577 349
Property, plant and equipment	32 684	32 587	32 953
Total assets	32 684	32 587	610 302

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 unconsolidated financial statements of Bank Pekao S.A. for the year ended 31 December 2013.

Effect of disposal of assets held for sale

	I HALF 2014	2013	I HALF 2013
Sales proceeds	-	67 602	65 236
Net carrying value of disposed assets (including sale costs)	-	48 806	47 831
Gain/loss on sale before income tax	-	18 796	17 405

Notes to financial statements (cont)

(in PLN thousand)

27. Intangible assets

	30.06.2014	31.12.2013	30.06.2013
Intangible assets, including:	526 007	549 896	556 889
research and development expenditures	12 425	12 031	13 930
licenses and patents	403 998	428 426	417 372
other	6 950	1 035	1 739
assets under construction	102 634	108 404	123 848
Goodwill	51 675	51 675	51 675
Total	577 682	601 571	608 564

In the period from 1 January to 30 June 2014, the Bank acquired intangible assets in the amount of PLN 38 721 thousand (in 2013 – PLN 96 168 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 50 057 thousand, whereas as at 31 December 2013 - PLN 21 501 thousand.

28. Property, plant and equipment

	30.06.2014	31.12.2013	30.06.2013
Non-current assets, including:	1 455 314	1 473 307	1 512 225
land and buildings	1 127 737	1 131 945	1 142 470
machinery and equipment	264 032	278 935	302 374
transport vehicles	23 829	26 295	31 905
other	39 716	36 132	35 476
Non-current assets under construction and prepayments	61 764	91 381	58 297
Total	1 517 078	1 564 688	1 570 522

In the period from 1 January to 30 June 2014 the Bank acquired property, plant and equipment in the amount of PLN 40 401 thousand (in 2013 - PLN 110 257 thousand), while the value of property, plant and equipment sold amounted to PLN 6 thousand (in 2013 - PLN 1 024 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 47 551 thousand, whereas as at 31 December 2013 - PLN 68 267 thousand.

Notes to financial statements (cont)

(in PLN thousand)

29. Assets pledged as security for liabilities

As at 30 June 2014 the Bank 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	654 755	605 000	-
Lombard and technical loan	bonds	3 977 716	3 812 074	-
Other loans	bonds	327 959	325 000	230 295
Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	cash deposits	11 586	11 586	-
Derivatives	bonds	18 454	17 229	2 140

As at 31 December 2013 the Bank 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	603 348	575 000	-
Lombard and technical loan	bonds	5 379 355	5 271 118	-
Other loans	bonds	312 865	325 000	246 385
Deposits	bonds	216 628	206 450	205 894
Coverage of the Gurantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	cash deposit	11 096	11 096	-

As at 30 June 2013 the Bank held the following financial assets pledged as collateral

TYPE OF TRANSACTION	PLEDGE INSTRUMENT	CARRYING VALUE OF ASSETS USED TO PLEDGE LIABILITIES	NOMINAL VALUE OF ASSETS USED TO PLEDGE LIABILITIES	VALUE OF LIABILITIES SUBJECT TO PLEDGE
Repo transactions	bonds	1 197 358	1 163 521	1 196 573
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	621 494	560 000	-
Lombard and technical loan	bonds	7 011 236	6 720 047	-
Other loans	bonds	373 270	367 000	274 767
Deposits	bonds	201 486	204 700	192 014

Notes to financial statements (cont)

(in PLN thousand)

30. 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	1 013 361	1 165 320	1 282 155
Interbank deposits and other liabilities	484 134	1 322 799	604 802
Loans and advances received	1 307 104	1 340 777	1 438 236
Repo transactions	2 107 018	905 238	396 193
Cash in transit	39 136	20 598	47 921
Total	4 950 753	4 754 732	3 769 307

Amounts due to other banks by currency

	30.06.2014	31.12.2013	30.06.2013
PLN	1 935 118	2 277 775	1 975 963
CHF	386 148	392 790	432 105
EUR	2 244 815	1 950 530	1 155 137
USD	175 222	69 641	128 273
Other currencies	209 450	63 996	77 829
Total	4 950 753	4 754 732	3 769 307

31. 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:	50 334 584	59 913 656	50 678 191
current accounts and overnight deposits	25 964 798	23 349 161	19 984 940
term deposits and other liabilities	24 369 786	36 564 495	30 693 251
Amounts due to budget entities, including:	8 070 207	5 822 045	6 780 108
current accounts and overnight deposits	5 100 260	4 893 607	4 512 237
term deposits and other liabilities	2 969 947	928 438	2 267 871
Amounts due to individuals, including:	53 177 114	50 315 303	48 727 572
current accounts and overnight deposits	28 344 080	27 395 838	27 412 479
term deposits and other liabilities	24 833 034	22 919 465	21 315 093
Repo transactions	2 893 401	3 668 011	2 355 637
Cash in transit	281 973	149 728	264 662
Total	114 757 279	119 868 743	108 806 170

Notes to financial statements (cont)

(in PLN thousand)

Amounts due to customers by currency

	30.06.2014	31.12.2013	30.06.2013
PLN	95 989 511	101 596 625	93 237 932
CHF	169 251	173 546	180 245
EUR	11 234 196	10 389 108	9 139 903
USD	6 706 139	7 072 255	5 589 498
Other currencies	658 182	637 209	658 592
Total	114 757 279	119 868 743	108 806 170

32. 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
Total	2 556 456	2 240 452	3 477 816

The Bank 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	2 556 456	2 240 452	3 477 816
EUR	-	-	-
USD	-	-	-
Total	2 556 456	2 240 452	3 477 816

Changes in debt securities issued

	I HALF 2014	2013	I HALF 2013
Opening balance	2 240 452	3 966 148	3 966 148
Increase (issuance)	2 495 060	3 649 300	1 722 400
Decrease (redemption)	(2 188 101)	(4 314 694)	(1 782 504)
Decrease (partial redemption)	(739)	(1 022 028)	(442 862)
Foreign currency exchange differences	-	986	1 366
Other	9 784	(39 260)	13 268
Closing balance	2 556 456	2 240 452	3 477 816

Notes to financial statements (cont)

(in PLN thousand)

33. 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	32 676	204 989	116 874	36 857	391 396
Provision charges/revaluation	2 113	11 454	52 435	6 148	72 150
Provision utilization	(965)	(3 842)	-	(9 732)	(14 539)
Provision releases	(305)	-	(42 292)	-	(42 597)
Foreign currency exchange differences	-	-	27	16	43
Other changes	-	-	-	234	234
Closing balance	33 519	212 601	127 044	33 523	406 687
Short term	5 664	7 083	67 919	4 347	85 013
Long term	27 855	205 518	59 125	29 176	321 674

2013	PROVISIONS FOR LITIGATION AND CLAIMS	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
Opening balance	55 043	152 393	125 379	40 675	373 490
Provision charges/revaluation	7 426	16 221	75 421	15 548	114 616
Provision utilization	(8 262)	(5 813)	-	(19 908)	(33 983)
Provision releases	(21 257)	-	(84 287)	-	(105 544)
Foreign currency exchange differences	(274)	-	361	85	172
Other changes	-	42 188	-	457	42 645
Closing balance	32 676	204 989	116 874	36 857	391 396
Short term	6 159	10 925	66 159	9 249	92 492
Long term	26 517	194 064	50 715	27 608	298 904

I HALF 2013	PROVISIONS FOR LITIGATION AND CLAIMS	PROVISIONS FOR RETIREMENT BENEFITS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
Opening balance	55 043	152 393	125 379	40 675	373 490
Provision charges/revaluation	2 761	9 290	55 717	6 491	74 259
Provision utilization	(7 422)	(6 642)	-	(15 977)	(30 041)
Provision releases	(674)	-	(63 709)	-	(64 383)
Foreign currency exchange differences	17	-	844	349	1 210
Other changes	-	-	-	(909)	(909)
Closing balance	49 725	155 041	118 231	30 629	353 626
Short term	21 214	-	50 336	11 859	83 409
Long term	28 511	155 041	67 895	18 770	270 217

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.

34. Contingent commitments

Litigation

In the first half of 2014 the total value of the litigation subject in the ongoing court proceedings against the Bank was PLN 1 142 517 thousand (in first half of 2013 it was PLN 19 056 627 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 Bank's equity.

The most significant court litigation against the Bank, 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 Bank 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 Bank 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 statement 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 statement of Bank Pekao S.A. Group 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 Bank created provisions for litigations against the Bank 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 33 519 thousand (PLN 32 676 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	4 003 318	3 430 534	3 637 492
non - financial entities	22 158 225	22 465 144	20 724 438
budget entities	1 224 826	1 392 162	1 421 424
Total	27 386 369	27 287 840	25 783 354

Guarantees issued

Guarantees issued by entity

	30.06.2014	31.12.2013	30.06.2013
Issued to financial entities:	2 337 907	1 942 219	1 946 874
guarantees	2 333 496	1 939 603	1 917 089
confirmed export letters of credit	4 411	2 616	29 785
Issued to non-financial entities	10 502 953	10 145 263	9 154 059
guarantees	5 404 898	4 938 823	4 563 392
securities' underwriting guarantees	5 098 055	5 146 660	4 588 697
sureties	-	59 780	1 970
Issued to budget entities:	335 480	99 644	480 028
guarantees	42 697	17 434	2 978
securities' underwriting guarantees	292 783	82 210	477 050
Total	13 176 340	12 187 126	11 580 961

Off-balance sheet commitments received

Off-balance sheet commitments received by entity

	30.06.2014	31.12.2013	30.06.2013
Financial received from:	103 574	111 792	388 943
financial entities	103 574	111 792	388 943
non - financial entities	-	-	-
budget entities	-	-	-
Guarantees received from:	12 157 816	9 117 092	9 417 214
financial entities	1 419 207	1 105 746	681 873
non - financial entities	10 031 243	7 302 774	7 989 574
budget entities	707 366	708 572	745 767
Total	12 261 390	9 228 884	9 806 157

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

Notes to financial statements (cont)

(in PLN thousand)

35. 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	SECURITIES	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	-	1 310 163
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	1 259 960	-	326 467	546	1 482 762	813 454	-
Bank Pekao S.A. Group entities							
Subsidiaries							
Pekao Leasing Sp. z o.o.	1 224 288	-	787	535	24 869	4	279
Pekao Faktoring Sp. z o.o.	750 235	-	-	9	1 579	-	-
Centralny Dom Maklerski Pekao S.A.	2	-	1	656	733 585	-	99
Pekao Fundusz Kapitałowy Sp. z o.o.	-	-	-	-	46 279	-	-
Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A.	-	-	-	90	49 093	-	-
Pekao Telecentrum Sp. z o.o. (in liquidation)	-	-	-	-	10 518	-	-
Centrum Kart S.A.	-	-	-	557	28 098	-	7 399
Pekao Financial Services Sp. z o. o.	-	-	-	5	7 560	-	-
Pekao Bank Hipoteczny S.A.	15 758	-	4 778	1	93 898	2 226	39
Pekao Leasing Holding S.A.	-	-	-	-	94	-	-
Property Sp. z o.o. (in liquidation)	-	-	-	6 230	2 961	-	-
Pekao Property S.A.	5 145	-	-	-	1 891	-	-
Centrum Bankowości Bezpośredniej Sp. z o.o.	9	-	-	-	564	-	4 097
FPB – Media Sp. z o. o.	11 117	-	-	-	259	-	-
Associates							
Dom Inwestycyjny Xelion Sp. z o.o.	-	-	-	4	30 327	-	55
Pioneer Pekao Investment Management S.A.	-	-	-	-	143 206	-	5
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	-	-	14 494	96 342	-	6
Krajowa Izba Rozliczeniowa S.A.	-	-	-	-	511	-	-
Total of Bank Pekao S.A. Group	2 006 554	-	5 566	22 581	1 271 634	2 230	11 979
Key management personnel of the Bank and UniCredit S.p.A.	6 928	-	-	-	27 016	-	-
Total	3 369 927	-	332 033	23 127	2 783 809	815 684	1 322 142

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 f Bank Pekao S.A. Group entities	518 024	79 783	385	347 323	314 445	-	1 259 960
Bank Pekao S.A. Group entities							
Subsidiaries	288 229	33 576	105 154	578 655	901 844	99 096	2 006 554
Associates	-	-	-	-	-	-	-
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	6 515	68	345	6 928
Total	902 738	113 359	105 539	932 493	1 216 357	99 441	3 369 927

(*) 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	1 057 698	-	12 531	-	-	1 482 762
Bank Pekao S.A. Group entities							
Subsidiaries	753 165	143 055	74 900	17 930	12 198	-	1 001 248
Associates	27 274	31 915	210 696	501	-	-	270 386
Key management personnel of the Bank and UniCredit S.p.A	3 389	20 758	1 903	866	100	-	27 016
Total	1 198 758	1 253 426	287 499	31 828	12 298	-	2 783 809

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

Notes to financial statements (cont)

(in PLN thousand)

Receivables from loans and placement 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	524 298	620 274	6	29 452	85 930	1 259 960
Bank Pekao S.A. Group entities						
Subsidiaries	264 180	2 213	20 058	1 720 102	1	2 006 554
Associates	-	-	-	-	-	-
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	6 928	-	6 928
Total	883 226	624 224	20 064	1 756 482	85 931	3 369 927

Liabilities due to 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	949 723	-	-	530 002	3 037	1 482 762
Bank Pekao S.A. Group entities						
Subsidiaries	40 051	31 421	323	922 176	7 277	1 001 248
Associates	-	-	-	270 386	-	270 386
Key management personnel of the Bank and UniCredit S.p.A.	3 115	570	-	16 664	6 667	27 016
Total	993 195	31 991	323	1 741 319	16 981	2 783 809

Notes to financial statements (cont)

(in PLN thousand)

Related party transactions as at 31 December 2013

NAME OF ENTITY	RECEIVABLES FROM LOANS, AND PLACEMENTS	SECURITIES	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	-	-	-	52 758	-	358
Entities of UniCredit Group excluding the Pekao S.A. Group entities	1 151 361	-	303 574	4 114	1 099 066	772 939	1 686
Bank Pekao S.A. Group entities							
Subsidiaries							
Pekao Leasing Sp. z o.o.	1 316 378	-	691	174	24 171	20	206
Pekao Faktoring Sp. z o.o.	838 982	-	-	11	3 180	-	-
Centralny Dom Maklerski Pekao S.A.	-	-	-	303	674 969	-	514
Pekao Fundusz Kapitałowy Sp. z o.o.	-	-	-	-	46 975	-	-
Pekao Pioneer Powszechnie Towarzystwo Emerytalne S.A.	-	-	-	87	32 173	-	-
Pekao Telecentrum Sp. z o.o. (in liquidation)	-	-	-	-	10 443	-	-
Centrum Kart S.A.	-	-	-	283	28 933	-	8 956
Pekao Financial Services Sp. z o.o.	-	-	-	4	9 266	-	-
Pekao Bank Hipoteczny S.A.	-	136 786	2 261	1	44 641	2 934	42
Pekao Leasing Holding S.A.	-	-	-	-	164	-	-
Property Sp. z o.o. (in liquidation)	-	-	-	-	3 000	-	-
Pekao Property S.A.	5 211	-	-	6 231	5 569	-	-
Centrum Bankowości Bezpośredniej Sp. z o.o.	-	-	-	61	2 680	-	3 860
FPB – Media Sp. z o.o.	11 717	-	-	-	295	-	-
Associates							
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.	-	-	-	-	13 176	-	-
Total of Bank Pekao S.A. Group entities	2 172 288	136 786	2 952	23 303	1 204 770	2 954	13 611
Key management personnel of the Bank and UniCredit S.p.A.	6 922	-	-	-	22 972	-	-
Total	3 335 383	136 786	306 526	27 417	2 379 566	775 893	15 655

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 excluding the Bank Pekao S.A. Group entities	481 226	14 171	953	302 393	352 618	-	1 151 361
Bank Pekao S.A. Group entities							
Subsidiaries	281 968	-	10 875	785 403	993 135	100 907	2 172 288
Associates	-	-	-	-	-	-	-
Key management personnel of the Bank and UniCredit S.p.A.	-	6 514	-	-	54	354	6 922
Total	768 006	20 685	11 828	1 087 796	1 345 807	101 261	3 335 383

(*) 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	355 062	450 113	12 443	-	-	1 099 066
Bank Pekao S.A. Group entities							
Subsidiaries	671 799	74 829	110 556	5 105	24 170	-	886 459
Associates	20 132	36 011	126 286	135 882	-	-	318 311
Key management personnel of the Bank and UniCredit S.p.A.	1 391	18 316	2 565	600	100	-	22 972
Total	1 027 528	484 218	689 520	154 030	24 270	-	2 379 566

(*) 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 excluding the Bank Pekao S.A. Group entities	517 756	614 246	6	-	19 353	1 151 361
Bank Pekao S.A. Group entities						
Subsidiaries	501 696	3 256	5 749	1 661 587	-	2 172 288
Associates	-	-	-	-	-	-
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	6 922	-	6 922
Total	1 022 973	618 793	5 755	1 668 509	19 353	3 335 383

Liabilities due to 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	490 171	21	-	600 684	8 190	1 099 066
Bank Pekao S.A. Group entities						
Subsidiaries	13 708	23 615	937	847 236	963	886 459
Associates	-	-	-	318 311	-	318 311
Key management personnel of the Bank and UniCredit S.p.A.	2 447	500	-	13 438	6 587	22 972
Total	506 495	24 136	937	1 832 258	15 740	2 379 566

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	OTHER INCOME	OTHER EXPENSES
UniCredit S.p.A. – the Bank's parent entity	8	(8)	140	(1 316)	676	(2 161)
Entities of UniCredit Group excluding the Pekao S.A. Group entities	24 934	(6 227)	3 829	(109)	3 749	(25 143)
Bank Pekao S.A. Group entities						
Subsidiaries						
Centralny Dom Maklerski Pekao S.A.	-	(3 661)	759	(57)	1 233	(1 339)
Pekao Leasing Sp. z o.o.	16 832	(2 954)	843	(3)	1 791	-
Pekao Faktoring Sp. z o.o.	8 348	(2)	173	-	84	-
Pekao Pioneer Powszechnie Towarzystwo Emerytalne S.A.	-	(530)	524	-	3	-
Pekao Fundusz Kapitałowy Sp. z o.o.	-	(560)	3	-	6	-
Centrum Kart S.A.	-	(275)	17	-	464	(29 831)
Pekao Telecentrum Sp. z o.o. (in liquidation)	-	(105)	1	-	1	-
Pekao Financial Services Sp. z o.o.	-	(94)	11	-	21	-
Pekao Bank Hipoteczny S.A.	1 234	(458)	495	-	57	(5 769)
Pekao Leasing Holding S.A.	-	(1)	4	-	-	-
Centrum Bankowości Bezpośredniej Sp. z o.o.	-	(14)	13	(6 785)	1 035	(15 459)
Property Sp. z o.o. (in liquidation)	-	(36)	1	-	-	-
Pekao Property S.A.	146	(10)	8	-	35	-
FPB - Media Sp. z o.o.	204	-	2	-	-	-
Associates						
Pioneer Pekao Investment Management S.A.	-	(1 956)	211	-	-	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	(1 784)	93 330	-	-	-
Dom Inwestycyjny Xelion Sp. z o.o.	-	(278)	20	(15)	68	-
Krajowa Izba Rozliczeniowa S.A.	-	(71)	66	-	-	(4 648)
Total of Bank Pekao S.A. Group entities	26 764	(12 789)	96 481	(6 860)	4 798	(57 046)
Key management Staff of the Bank Pekao S.A. and UniCredit S.p.A.	136	(255)	7	-	-	-
Total	51 842	(19 279)	100 457	(8 285)	9 223	(84 350)

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 2013

NAME OF ENTITY	INTEREST INCOME	INTERES EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	OTHER INCOME	OTHER EXPENSES
UniCredit S.p.A. – the Bank's parent entity	74	(117)	1 110	(1 152)	914	(3 977)
Entities of UniCredit Group excluding the Pekao S.A. Group entities	30 936	(11 703)	3 856	(91)	21 536	(17 108)
Bank Pekao S.A. Group entities						
Subsidiaries						
Public Joint Stock Company UniCredit Bank	15 436	-	6	(20)	-	-
Centralny Dom Maklerski Pekao S.A.	-	(5 044)	792	(7)	1 636	(1 389)
Pekao Leasing Sp. z o.o.	21 425	(3 843)	833	-	721	(79)
Pekao Faktoring Sp. z o.o.	12 237	(42)	368	-	87	-
Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A.	-	(252)	376	-	8	-
Pekao Fundusz Kapitałowy Sp. z o.o.	-	(803)	4	-	6	-
Centrum Kart S.A.	-	(367)	15	-	575	(31 131)
Pekao Telecentrum Sp. z o.o. (in liquidation)	-	(163)	1	-	1	-
Pekao Financial Services Sp. z o.o.	-	(71)	48	-	42	-
Pekao Bank Hipoteczny S.A.	2 543	(1 652)	332	-	58	(2 508)
Pekao Leasing Holding S.A.	-	(5)	3	-	-	-
Centrum Bankowości Bezpośredniej Sp. z o.o.	-	(60)	2	(4 140)	2 171	(16 029)
Property Sp. z o.o. (in liquidation)	-	(52)	1	-	-	-
Pekao Property S.A.	843	(32)	76	-	36	-
FPB - Media Sp. z o.o.	220	-	2	-	-	-
Associates						
Pioneer Pekao Investment Management S.A.	-	(2 420)	256	-	-	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	(1 735)	100 518	-	-	-
Dom Inwestycyjny Xelion Sp. z o.o.	-	(162)	24	(14)	83	-
Krajowa Izba Rozliczeniowa S.A.	-	(133)	25	-	-	(4 877)
Total of Bank Pekao S.A. Group entities	52 704	(16 836)	103 682	(4 181)	5 424	(56 013)
Key management Staff of the Bank Pekao S.A. and UniCredit S.p.A.	168	(259)	1	-	-	-
Total	83 882	(28 915)	108 649	(5 424)	27 874	(77 098)

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
Bank Pekao S.A. Group entities			
Subsidiaries			
Pekao Leasing Sp. z o.o.	219 549	1 053 638	-
Pekao Faktoring Sp. z o.o.	347 186	-	-
Centralny Dom Maklerski Pekao S.A.	456	124	-
Pekao Pioneer Powszechnie Towarzystwo Emerytalne S.A.	60	-	-
Centrum Kart S.A.	67	-	-
Pekao Financial Services Sp. z o.o.	40	827	-
Pekao Bank Hipoteczny S.A.	484 367	471 438	-
Centrum Bankowości Bezpośredniej Sp. z o.o.	3 041	-	-
Pekao Property Sp. z o.o.	-	76	-
Associates			
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 of Bank Pekao S.A. Group entities	1 054 867	1 526 603	-
Key management personnel of the Bank and UniCredit S.p.A.	337	-	-
Total	1 477 636	2 176 638	104 030

As of 30 June 2014, the Bank 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
Bank Pekao S.A. Group entities							
Subsidiaries	-	342	-	569 658	484 766	-	1 054 766
Associates	-	-	-	-	101	-	101
Key management personnel of the Bank and UniCredit S.p.A.	20	-	-	55	252	10	337
Total	292 289	342	-	699 667	485 328	10	1 477 636
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
Bank Pekao S.A. Group entities							
Subsidiaries	-	-	-	2 327	110 200	1 413 576	1 526 103
Associates	-	-	-	500	-	-	500
Total	-	1 851	28 838	121 539	212 066	1 812 344	2 176 638
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
Bank Pekao S.A. Group entities						
Subsidiaries	191 817	4 087	342	856 964	1 556	1 054 766
Associates	-	-	-	101	-	101
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	337	-	337
Total	260 471	4 087	342	1 211 180	1 556	1 477 636
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
Bank Pekao S.A. Group entities						
Subsidiaries	943 644	-	470 883	111 576	-	1 526 103
Associates	-	-	-	500	-	500
Total	978 980	914	470 883	725 861	-	2 176 638
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
Bank Pekao S.A. Group entities			
Subsidiaries			
Pekao Leasing Sp. z o.o.	174 408	659 849	-
Pekao Faktoring Sp. z o.o.	258 025	-	-
Centralny Dom Maklerski Pekao S.A.	453	127	-
Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A.	60	-	-
Centrum Kart S.A.	64	-	-
Pekao Financial Services Sp. z o. o.	40	933	-
Pekao Bank Hipoteczny S.A.	500 070	492 897	-
Centrum Bankowości Bezpośredniej Sp. z o.o.	1 541	-	-
Pekao Property Sp. z o. o.	-	76	-
Associates			
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 of Bank Pekao S.A. Group entities	934 767	1 154 382	-
Key management personnel of the Bank and UniCredit S.p.A.	261	-	-
Total	1 729 884	1 781 446	162 152

As of 31 December 2013, the Bank 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
Bank Pekao S.A. Group entities							
Subsidiaries	-	338	-	675 873	258 450	-	934 661
Associates	-	-	-	-	106	-	106
Key management personnel of the Bank and UniCredit S.p.A.	20	-	5	-	226	10	261
Total	386 140	181 167	5	903 565	258 997	10	1 729 884
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
Bank Pekao S.A. Group entities							
Subsidiaries	-	-	-	1 060	162 817	990 005	1 153 882
Associates	-	-	-	500	-	-	500
Total	67 076	77 384	-	45 957	299 907	1 291 122	1 781 446
GUARANTEES RECEIVED							
UniCredit S.p.A. – the Bank's parent entity	3 000	-	-	13 904	11 742	19 699	48 345
Entities of UniCredit 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
Bank Pekao S.A. Group entities						
Subsidiaries	166 303	4 093	338	762 433	1 494	934 661
Associates	-	-	-	106	-	106
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	261	-	261
Total	234 524	4 093	338	1 489 435	1 494	1 729 884
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
Bank Pekao S.A. Group entities						
Subsidiaries	162 817	-	464 970	526 095	-	1 153 882
Associates	-	-	-	500	-	500
Total	190 031	-	464 970	1 126 445	-	1 781 446
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.

36. 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 unconsolidated 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank does not expect the Interpretation to have a material impact on the annual financial statements. However, it may have a material impact on the interim financial statements. The Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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.