

**Report of
Bank Pekao S.A. Group
for the three quarters of
2014**



Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014



Warsaw, November 2014

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

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Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

1 Highlights of Bank Pekao S.A. Group

| | 3 QUARTERS 2014 | 3 QUARTERS 2013 | 2013 | 2012 |
|--|--------------------|--------------------|-----------|-----------|
| INCOME STATEMENT CONTINUED OPERATIONS – SELECTED ITEMS* <i>(in PLN million)</i> | | | | |
| Operating income | 5,509.7 | 5,599.4 | 7,493.6 | 7,789.9 |
| Operating costs | (2,582.0) | (2,599.7) | (3,438.2) | (3,541.5) |
| Operating profit | 2,927.7 | 2,999.7 | 4,055.4 | 4,248.4 |
| Profit before income tax | 2,499.8 | 2,526.1 | 3,432.9 | 3,619.4 |
| Net profit for the period attributable to equity holders of the Bank | 2,023.7 | 2,031.7 | 2,767.3 | 2,906.2 |
| INCOME STATEMENT – SELECTED ITEMS <i>(in PLN million)</i> | | | | |
| Operating income | 5,509.7 | 5,671.1 | 7,565.3 | 7,952.8 |
| Operating costs | (2,582.0) | (2,644.8) | (3,483.4) | (3,625.6) |
| Operating profit | 2,927.7 | 3,026.3 | 4,081.9 | 4,327.2 |
| Profit before income tax | 2,499.8 | 2,547.4 | 3,454.2 | 3,664.3 |
| Net profit for the period attributable to equity holders of the Bank | 2,023.7 | 2,049.2 | 2,784.8 | 2,942.8 |
| PROFITABILITY RATIOS | | | | |
| Return on average equity (ROE) | 11.4% | 11.8% | 12.0% | 13.3% |
| Net interest margin | 3.2% | 3.4% | 3.4% | 3.7% |
| Non-interest income / operating income | 37.2% | 39.7% | 39.6% | 37.3% |
| Cost / income | 46.9% | 46.6% | 46.0% | 45.6% |
| STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS <i>(in PLN million)</i> | | | | |
| Total assets | 163,751.8 | 150,993.6 | 158,521.7 | 150,754.7 |
| Net loans and advances to customers** | 110,530.3 | 101,064.4 | 103,937.3 | 97,558.5 |
| Amounts due to customers | 120,281.2 | 110,537.5 | 119,796.7 | 107,992.6 |
| Debt securities issued | 4,105.1 | 2,611.8 | 3,063.7 | 4,758.7 |
| Equity | 23,402.0 | 22,805.6 | 23,514.2 | 23,263.7 |
| STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS | | | | |
| Net loans / total assets | 67.5% | 66.9% | 65.6% | 64.7% |
| Securities / total assets | 20.3% | 18.2% | 22.2% | 19.5% |
| Deposits*** / total assets | 76.0% | 74.9% | 77.5% | 74.8% |
| Net loans / deposits*** | 88.9% | 89.3% | 84.6% | 86.5% |
| Equity / total assets | 14.3% | 15.1% | 14.8% | 15.4% |
| Capital Adequacy Ratio (Basel III) | 18.3% | 18.7% | 18.3% | 18.1% |
| EMPLOYEES AND NETWORK | | | | |
| Total number of employees | 18,555 | 18,826 | 18,916 | 19,816 |
| Number of outlets (Bank Pekao S.A. and PJSC UniCredit Bank) | 999 | 1,000 | 1,001 | 1,040 |
| Number of ATMs (Bank Pekao S.A. and PJSC UniCredit Bank) | 1,826 | 1,848 | 1,847 | 1,919 |

* As financial data of the three quarters of 2014 don't include results of PJSC UniCredit Bank – sold on July 16, 2013 – to ensure comparability, the section "Income statement continued operations – selected items" was added where for the previous periods only results of continued operations, i.e. excluding PJSC UniCredit Bank, are reported.

** Including debt securities eligible for rediscounting at Central Bank and net investments in financial leases to customers.

*** Deposits include amounts due to customers and debt securities issued.

Note: Since the first quarter of 2013, to align the presentation to the standards implemented by the major Polish and European banks, in the income statement gains on disposal of available for sale financial assets and held to maturity investments are reported under trading result and thus in operating income, operating profit and respective ratios. In order to ensure comparability, data for 2012 have been restated in comparison to those previously published.

In relation to changes in accounting policy in 2013 (for description refer to the Note 4 to the Consolidated Financial Statement of Bank Pekao S.A. Group for the period ended on December 31, 2013) data for 2012 and for the three quarters of 2013 have been presented after appropriate restatements.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

2 Highlights of Bank Pekao S.A.

| | 3 QUARTERS 2014 | 3 QUARTERS 2013 | 2013 | 2012 |
|--|--------------------|--------------------|-----------|-----------|
| INCOME STATEMENT – SELECTED ITEMS <i>(in PLN million)</i> | | | | |
| Operating income | 5,301.8 | 5,414.9 | 7,187.3 | 7,510.2 |
| Operating costs | (2,429.7) | (2,441.4) | (3,230.4) | (3,326.1) |
| Operating profit | 2,872.1 | 2,973.5 | 3,956.9 | 4,184.1 |
| Profit before income tax | 2,461.6 | 2,600.8 | 3,436.4 | 3,592.9 |
| Net profit for the period | 2,014.7 | 2,123.5 | 2,800.0 | 2,925.3 |
| PROFITABILITY RATIOS | | | | |
| Return on average equity (ROE) | 11.7% | 12.5% | 12.3% | 13.6% |
| Net interest margin | 3.2% | 3.3% | 3.3% | 3.6% |
| Non-interest income / operating income | 34.7% | 38.1% | 38.0% | 35.8% |
| Cost / income | 45.8% | 45.1% | 44.9% | 44.3% |
| STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS <i>(in PLN million)</i> | | | | |
| Total assets | 160,355.4 | 147,829.1 | 155,286.6 | 147,066.9 |
| Net loans and advances to customers* | 106,895.5 | 97,899.5 | 100,569.2 | 94,607.0 |
| Amounts due to customers | 120,360.4 | 110,352.4 | 119,868.7 | 108,104.5 |
| Debt securities issued | 3,094.8 | 1,788.9 | 2,240.5 | 3,966.1 |
| Equity | 22,786.8 | 22,201.3 | 22,848.7 | 22,716.6 |
| STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS | | | | |
| Net loans / total assets | 66.7% | 66.2% | 64.8% | 64.3% |
| Securities / total assets | 20.6% | 18.5% | 22.6% | 19.9% |
| Deposits** / total assets | 77.0% | 75.9% | 78.6% | 76.2% |
| Net loans / deposits** | 86.6% | 87.3% | 82.4% | 84.4% |
| Equity / total assets | 14.2% | 15.0% | 14.7% | 15.4% |
| Capital Adequacy Ratio (Basel III) | 18.1% | 18.6% | 18.3% | 18.0% |
| EMPLOYEES AND NETWORK | | | | |
| Total number of employees | 16,720 | 17,068 | 17,092 | 17,433 |
| Number of outlets | 999 | 1,000 | 1,001 | 1,001 |
| Number of ATMs | 1,826 | 1,848 | 1,847 | 1,845 |

* Including debt securities eligible for rediscounting at Central Bank.

** Deposits include amounts due to customers and debt securities issued.

Note: Since the first quarter of 2013, to align the presentation to the standards implemented by the major Polish and European banks, in the income statement gains on disposal of available for sale financial assets and held to maturity investments are reported under trading result and thus in operating income, operating profit and respective ratios. In order to ensure comparability, data for 2012 have been restated in comparison to those previously published.

In relation to changes in accounting policy in 2013 (for description refer to the Note 3 to the Unconsolidated Financial Statement of Bank Pekao S.A. for the period ended on December 31, 2013) comparable data for 2012 and for the three quarters of 2013 have been presented after appropriate restatements.

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3 Summary of Performance

Net profit of Bank Pekao S.A. Group attributable to equity holders for the three quarters of 2014 amounted to PLN 2,023.7 million allowing return on average capital (ROE) at the level of 11.4% achieved with a strong capital base reflected by CAR at 18.3% (Basel III). Normalized ROE (return on minimum equity equivalent to CAR at 10%) amounted to 17.2%.

As financial data of the three quarters 2014 don't include results of PJSC UniCredit Bank – sold on July 16, 2013 – in the subsequent part of this chapter, financial information dynamics is discussed in comparable terms i.e. excluding PJSC UniCredit Bank from the three quarters of 2013.

The Group's net profit attributable to equity holders reported for the three quarters of 2014 in comparison to the three quarters of 2013 was lower by PLN 8.0 million, i.e. 0.4% mainly due to lower gains on disposal of available for sale financial assets with total net interest income, dividend income and income from equity investments higher by PLN 105.7 million i.e. 3.1% in this period thanks to higher volumes.

The strength of the liquidity structure of Bank Pekao S.A. Group is reflected by net loans to deposits ratio at 88.9% at the end of September 2014. This together with strong equity level enables for further sound and stable development of the Group's activities.

In the area of mortgage lending, the Bank continued its policy of offering only PLN mortgage loans. The residual stock of mortgage loans denominated in foreign currencies, almost entirely acquired as a result of the merger of the spun-off part of Bank BPH SA in 2007, represents only 4.4% of total loans of the Bank.

- In the three quarters of 2014, the Group's operating income amounted to PLN 5,509.7 million, a decrease of PLN 89.7 million, i.e. 1.6% in comparison with the three quarters of 2013 mainly due to lower gains on disposal of available for sale financial assets as compared with the same period of the previous year.
- Total net interest income, dividend income and income from equity investments in the three quarters of 2014 amounted to PLN 3,462.2 million and was higher by PLN 105.7 million, i.e. 3.1% compared to the previous year thanks to higher volumes fully compensating negative impact of lower interest rates. In the three quarters of 2014, average WIBOR 3M rate stood at the level of 2.67%, and was lower by 48 b.p. than in the three quarters of 2013.
- The Group's net non-interest income in the three quarters of 2014 amounted to PLN 2,047.5 million, a decrease of PLN 195.4 million, i.e. 8.7% in comparison with the three quarters of 2013 mainly due to lower trading result, in particular lower gains on disposal of available for sale financial assets as well as lower net fee and commission income.
- In the three quarter of 2014, the operating costs were kept under control and amounted to PLN 2,582.0 million. They were lower than the operating costs in the three quarters of 2013 by PLN 17.7 million, i.e. 0.7% despite new prudential charge of Banking Guarantee Fund introduced in the fourth quarter of 2013.
- The Group's net impairment losses on loans and off-balance sheet commitments amounted to PLN 424.4 million in the three quarters of 2014, a decrease of PLN 64.7 million, i.e. 13.2% as compared with the three quarters of 2013.

As at September 30, 2014, the ratio of impaired receivables to total receivables amounted to 6.9% and was better 0.4 p.p. in comparison to the end of 2013.

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- As at the end of September 2014, the total amounts due to the Group's customers and debt securities issued amounted to PLN 124,386.3 million, an increase of PLN 1,525.9 million, i.e. 1.2% in comparison to the end of 2013 of which liabilities to Open Pensions Funds (OFE) decreased by PLN 5,376.2 million due to pension funds reform introduced in the first quarter of 2014. Excluding OFE, total amounts due to the Group's customers and debt securities issued increased by PLN 6,902.1 million, i.e. 6.1% in comparison to the end of 2013.

The total volume of retail customers deposits, Structured Certificates of Deposit and other amounted to PLN 54,348.1 million at the end of September 2014, an increase of PLN 2,931.8 million, i.e. 5.7% in comparison to the end of 2013. The value of net assets of investment funds managed by Pioneer Pekao TFI S.A. amounted to PLN 16,733.3 million at the end of September 2014, an increase of PLN 321.8 million, i.e. 2.0% in comparison to the end of 2013.

The total volume of corporate customers deposits, repo and sell-buy-back transactions, Certificates of Deposit, Pekao Bank Hipoteczny S.A. covered bonds, interest and other amounted to PLN 70,038.2 million at the end of September 2014, a decrease of PLN 1,405.9 million, i.e. 2.0% as compared to the end of 2013, excluding OFE an increase of PLN 3,970.3 million in comparison to the end of 2013.

- As at the end of September 2014, the volume of total customers' financing amounted to PLN 116,270.1 million, an increase of PLN 6,719.5 million, i.e. 6.1% in comparison to the end of 2013.

As at the end of September 2014, the volume of retail loans amounted to PLN 47,690.0 million, an increase of PLN 3,214.6 million, i.e. 7.2% in comparison to the end of 2013.

The volume of corporate loans, non-quoted securities, reverse repo transactions and securities issued by non-monetary entities increased by PLN 3,504.9 million, i.e. 5.4% as compared to the end of 2013 and amounted to PLN 68,580.1 million at the end of September 2014.

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4 External Environment

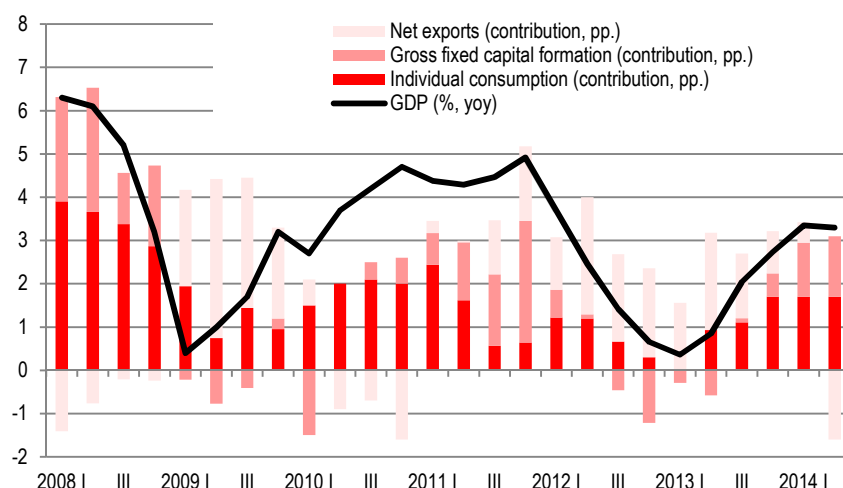
Economic growth

In the second quarter of 2014, Poland's economic growth slowed following dynamic improvement in economic conditions in the first quarter of the year, which was among others supported by favourable weather conditions. Seasonally adjusted gross domestic product (GDP) growth decreased to 0.6% quarter on quarter in the second quarter from 1.1% quarter on quarter in the first quarter of 2014. The annual pace of economic growth at the level of 3.3% was at the similar pace as in the previous quarter (3.4%). Domestic demand improved further, increasing by 5.1% year on year vs. 3.0% year on year growth in the first quarter, however it should be noted that the expansion was largely driven by change in inventories, which contributed 1.8 p.p. to the domestic demand growth rate. For the first time since the fourth quarter of 2010 the foreign trade had a negative impact on the GDP growth. Net exports contributed to a reduction in pace of the GDP growth by 1.6 p.p. in the second quarter of 2014, while in the first quarter of the year the positive contribution of net exports to the GDP growth amounted to 0.5 p.p. In the second quarter of 2014, exports increased by 5.9% year on year and imports increased by 9.8% year on year.

Consumer demand has continuously supported domestic demand revival. Individual consumption of households increased by 2.8% year on year vs. 2.6% year on year increase in the first quarter of 2014. Private consumption growth was supported by further improvement in the labour market conditions and low inflation. The real wage bill in enterprise sector increased by 4.5% year on year in the second quarter of 2014 vs. 3.7% year on year increase in the previous quarter. At the same time investment activity remained at the high level. Gross fixed capital formation increased by 8.4% year on year in the second quarter as compared with 10.7% year on year increase in the first quarter 2014. Investment activity was supported by increased orders, easier access to bank financing and high level of corporate deposits.

In the second quarter of 2014, a number of factors emerged which are likely to contribute to visible slowdown in the economic growth pace and hence slower recovery. In particular, current ban on the Polish food exports to eastern markets and disruptions in trade between the European Union (EU) and Russia will negatively impact economic activity in Poland both directly (lower trade with Russia) and indirectly (lower increase in exports to the EU). The important risk factor is deteriorating economic outlook for the euro area, especially Germany, where business confidence indicators deteriorated recently, suggesting that German economy probably stalled in the third quarter after declining in the second quarter.

Beginning of the third quarter of 2014 characterized by visible decline in retail sales growth and activity in industrial sector started declining. PMI readings point towards further deterioration in manufacturing including continuation of the decline in new orders. As a consequence in the second half of 2014 the GDP is expected to expand at a slower pace than in the first half of the year, however in 2014 as a whole the GDP growth should be close to 3%.



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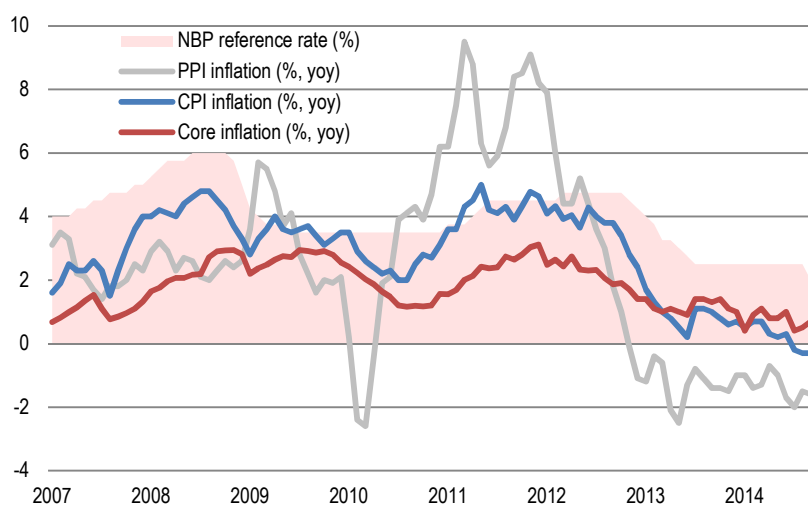
Inflation and monetary policy

In the first two months of the third quarter jointly average inflation declined compared to the average level of 0.3% year on year in the second quarter and remains below the lower limit of deviations from the inflation target of the National Bank of Poland at 1.5%. CPI in August 2014 amounted to -0.3% year on year.

Low inflation in August was due to fall in food prices by 2.3% year on year (largely due to low prices of vegetables and fruits). A significant prices reduction was also observed in case of education services (by 6.0% year on year), clothing and footwear (by 5.1% year on year) and transportation (by 1.5% year on year). The strongest price increases were recorded in case of alcoholic beverages and tobacco (by 3.8% year on year) and in the category of "communication" (by 3.9% year on year).

In the third quarter of 2014, the Monetary Policy Council (MPC) kept interest rates unchanged. At the meeting held in October 2014, the MPC decided to lower the reference rate by 50 b.p. (to the level of 2.0%) and the lombard rate by 100 b.p. (to the level of 3.0%). Scale and composition of reduction were a surprise to the markets. The reason to lower the reference rate by 50 b.p. was a time-concentration of monetary policy while the reason to lower the lombard rate by 100 b.p. and remain deposit rate unchanged at the level of 1.00% were to maintain symmetry between the deposit and reference rate on one hand and the reference and lombard rate on the other hand.

After the meeting held in November 2014, the MPC decided to keep the NBP interest rates unchanged.



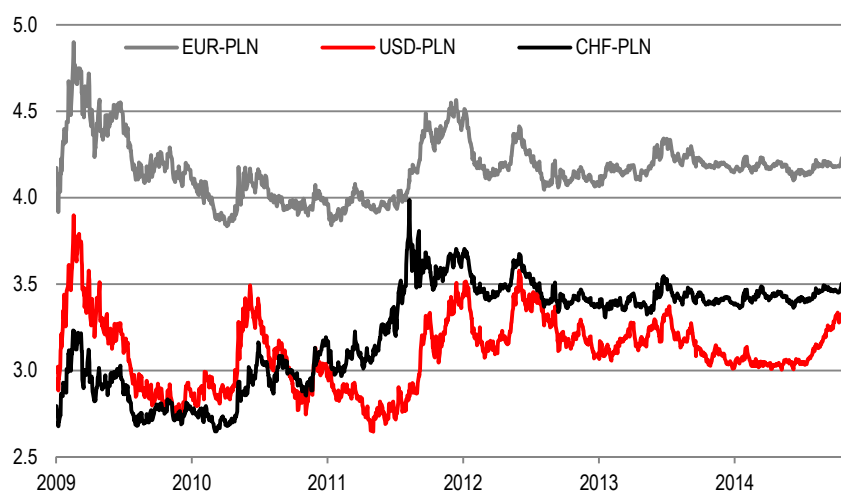
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Currency exchange rate

In the third quarter of 2014, a slight weakening of the zloty vs. major currencies was observed. The EUR-PLN exchange rate increased from 4.16 at the end of June to 4.18 at the end of September, after reaching the level of 4.23 in the meantime. Most of the weakening took place in August and was predominantly caused by a situation in Ukraine and Russia as well as increased geopolitical and economic tension (sanctions and their expected impact on growth). Stabilization of situation afterwards facilitated appreciation of the zloty.

An important input for the changes that took place in the FX market in the third quarter of 2014 was significant strengthening of the US dollar vs EUR (from 1.37 at the end of the second quarter to 1.26 at the end of the third quarter), which translated into significant increase of the USD-PLN exchange rate (from 3.05 at the end of the second quarter to 3.30 at the end of the third quarter). Key factors that stimulated strengthening of the dollar vs euro were on the one hand the declarations of tightening of the monetary policy by the US Fed, and on the other hand the European Central Bank's declarations of imminent beginning of "quantitative easing" programs in the Eurozone. The trend of weakening of euro vs the dollar may be continued in the coming quarters.

The factors that will have impact on the levels of the zloty in the nearest future are the outlook for economic growth (their deterioration in the past translated into weakening of the zloty) and the outlook of inflow of new EU funds, which will be a strongly stabilizing factor for the zloty.

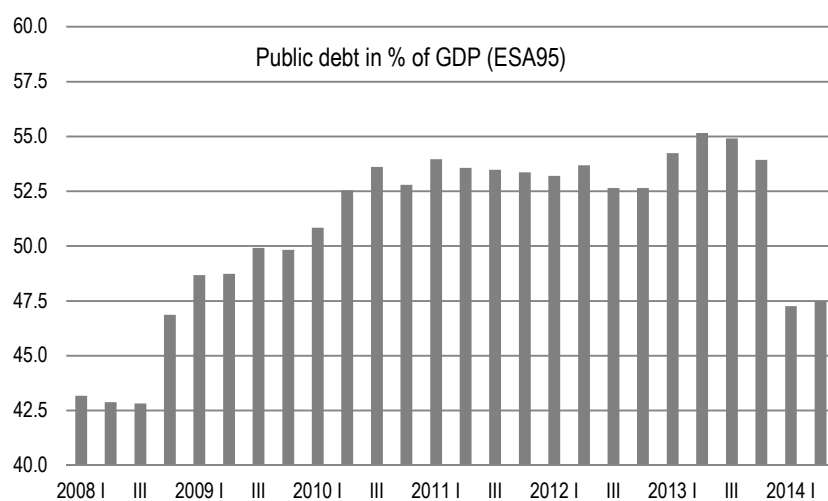


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Fiscal policy

According to the preliminary estimates of the Ministry of Finance (MoF) after the eight months of 2014 the state budget deficit (cash basis) amounted to PLN 24.6 billion i.e. 51.9% of the annual limit of PLN 47.5 billion planned in the 2014 budget act. The official budget execution plan assumed the deficit execution in the analysed period to reach 81.8% of the plan. Budget revenues amounted to 66.4% of the plan, while expenditures reached 64.3% of the plan. Budget revenues exceeded the level planned in the execution plan by PLN 6.7 billion, while expenditures were PLN 5.4 billion lower than planned. Positive revenue developments mean that the 2014 deficit may amount to about PLN 35 billion vs. PLN 47.5 billion target. The 2015 budget bill assumes the deficit at PLN 46.1 billion with the GDP growth of 3.4% and the CPI inflation at 1.2%. The general government (ESA2010) deficit is estimated at 2.6-2.7% of the GDP in 2015 vs. 3.4% of the GDP expected for 2014.

At the end of the second quarter of 2014, the state public debt amounted to PLN 793.6 billion (47.5% of the GDP) vs. PLN 782.1 billion (47.3% of the GDP) at the end of the first quarter of 2014. The domestic debt increased by PLN 12.9 billion, while foreign debt decreased by PLN 1.4 billion. The domestic debt constituted 65.4% of the total public debt, while foreign debt accounted for 34.6%.



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Banking sector

According to the Polish Financial Supervision Authority (KNF) in January-September 2014 financial results of the banking sector improved compared to January-September 2013. Net profit increased by 10.4% year on year and amounted to PLN 13.0 billion. Result on core banking activity increased by 6.6% year on year, administration costs increased by 0.4% year on year, provisions and impairment losses increased by 6.9% year on year and result on other operating activity decreased by 37.7% year on year.

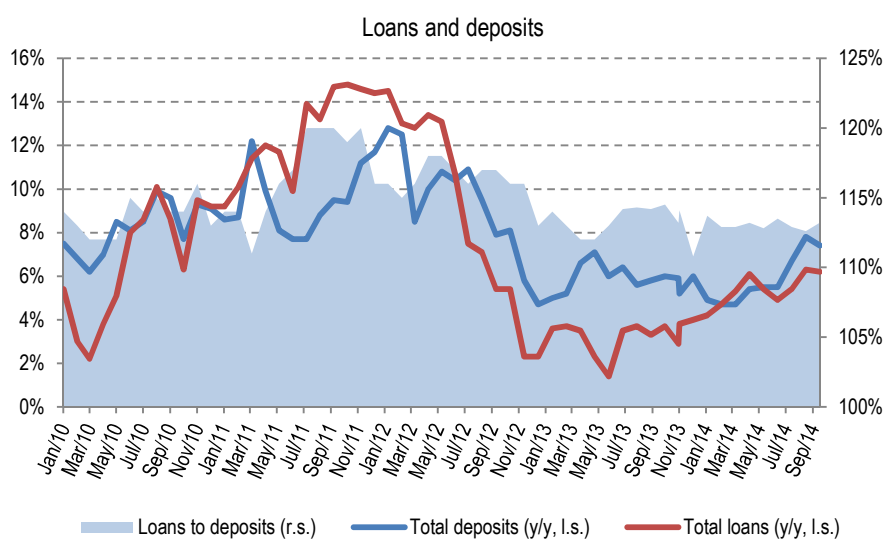
At the end of September 2014, banking sector assets amounted to PLN 1,537.7 billion, an increase of 7.6% year on year. Non-financial sector deposits and loans increased in that period by 8.3% and 5.9% year on year respectively.

According to the NBP data, at the end of September 2014 the volume of household deposits increased by 6.9% year on year. Stable growth in household deposits reflects the pace of growth in households income as well as changes in the structure of their assets. In case of corporate deposits, in September 2014 they were by 10.6% higher compared to September 2013. Increasing rate of growth in corporate deposits may result from lower, compared to the beginning of the year, propensity to invest, being affected by higher uncertainty resulting from less favorable outlook for the euro zone as well as the Ukrainian crisis.

In September 2014, the nominal growth of loans to households was equal to 5.3% year on year. The growth rate in loans to enterprises increased by 9.1% year on year.

Taking into consideration relatively stable macro environment e.g. stabilization of house prices, improving conditions on the labor market, record low interest rates, growth in retail loans can be considered as low. In the coming months it will probably remain moderate.

In case of loans to enterprises a further growth in demand is expected, but its pace will probably slow down. Given that the recovery in the economy may impact particular sectors in a different way and the situation in Ukraine might adversely affect financial results of some companies, it is expected that improvement in the quality of banks' loan portfolio will be limited.



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5 Internal Factors

5.1 Description of the Group

The Group's structure is presented in the Notes to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the three quarters of 2014.

5.2 Changes in the Group's structure

Acquisition of shares

On August 7, 2014, the Bank acquired 19.9% of the shares of Pekao Leasing Holding S.A. as a result of concluded agreement between UniCredit Leasing S.p.A as the Seller and Bank Pekao S.A. as the Buyer. Following the transaction, the Bank's share in equity and voting rights at the General Shareholders Meeting of Pekao Leasing Holding S.A. increased to 100%.

Merger of the companies

On September 26, 2014, the Registry Court registered the merger of two subsidiaries of the Bank: Pekao Property S.A. (Acquiring Company) and Property Sp. z o.o. in liquidation (Target/Acquired Company). The merger was accomplished by the transfer of all assets of the Property Sp. z o.o. in liquidation to the Pekao Property S.A. in exchange for shares of Pekao Property S.A.

5.3 Changes in the Statutory Bodies of the Bank

Supervisory Board

Composition of the Supervisory Board:

| SEPTEMBER 30, 2014 | DECEMBER 31, 2013 |
|--|--|
| Jerzy Woźnicki Chairman of the Supervisory Board | Jerzy Woźnicki Chairman of the Supervisory Board |
| Roberto Nicasro Deputy Chairman of the Supervisory Board | Roberto Nicasro Deputy Chairman of the Supervisory Board |
| Leszek Pawłowicz Deputy Chairman of the Supervisory Board | Leszek Pawłowicz Deputy Chairman of the Supervisory Board |
| Alessandro Decio Secretary of the Supervisory Board | Alessandro Decio Secretary of the Supervisory Board |
| Małgorzata Adamkiewicz Member of the Supervisory Board | Małgorzata Adamkiewicz Member of the Supervisory Board |
| Paweł Dangel Member of the Supervisory Board | Paweł Dangel Member of the Supervisory Board |
| Laura Penna Member of the Supervisory Board | Laura Penna Member of the Supervisory Board |
| Wioletta Rosołowska Member of the Supervisory Board | Wioletta Rosołowska Member of the Supervisory Board |
| Doris Tomanek Member of the Supervisory Board | Doris Tomanek Member of the Supervisory Board |

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Management Board of the Bank

Composition of the Management Board:

| SEPTEMBER 30, 2014 | DECEMBER 31, 2013 |
|--|--|
| Luigi Lovaglio President of the Management Board, CEO | Luigi Lovaglio President of the Management Board, CEO |
| Diego Biondo Vice President of the Management Board | Diego Biondo Vice President of the Management Board |
| Andrzej Kopyrski Vice President of the Management Board | Andrzej Kopyrski Vice President of the Management Board |
| Grzegorz Piwowar Vice President of the Management Board | Grzegorz Piwowar Vice President of the Management Board |
| Stefano Santini Vice President of the Management Board | Stefano Santini Vice President of the Management Board |
| Marian Ważyński Vice President of the Management Board | Marian Ważyński Vice President of the Management Board |

5.4 The Bank's shareholding structure

As at September 30, 2014, the share capital of Bank Pekao S.A. amounted to PLN 262,470,034 and it was divided into 262,470,034 shares.

On the date of submitting the report, the share capital of the Bank remained unchanged. The share of UniCredit S.p.A. and other shareholders in the share capital and the total number of votes at the General Meeting amounts for 50.10% and 49.90% respectively.

All the existing shares are ordinary bearer shares. There are no special preferences or limitations connected with the shares, or differences in the rights attached to them. The rights and obligations related to the shares are defined by the provisions of the Polish Commercial Companies Code and other applicable laws.

The shareholders of Bank Pekao S.A. owning directly or indirectly through their subsidiaries at least 5% of the total number of voting rights at the General Meeting of Bank Pekao S.A. are as follows:

| SHAREHOLDER'S NAME | NUMBER OF SHARES AND VOTES AT THE GENERAL MEETING | SHARE IN SHARE CAPITAL AND TOTAL NUMBER OF VOTES AT THE GENERAL MEETING | NUMBER OF SHARES AND VOTES AT THE GENERAL MEETING | SHARE IN SHARE CAPITAL AND TOTAL NUMBER OF VOTES AT THE GENERAL MEETING |
|-------------------------------|---|---|---|---|
| | SEPTEMBER 30, 2014 | | DECEMBER 31, 2013 | |
| UniCredit S.p.A. | 131,497,488 | 50.10% | 131,497,488 | 50.10% |
| Aberdeen Asset Management PLC | n/a | n/a | 13,194,683 | 5.03% |
| Other shareholders (below 5%) | 130,972,546 | 49.90% | 117,777,863 | 44.87% |
| Total | 262,470,034 | 100.00% | 262,470,034 | 100.00% |

On January 8, 2014 Management Board of Bank Pekao S.A. in the current report no. 1/2014 informed that the Bank received notification from Aberdeen Asset Management PLC (and/or acting on its behalf and its' affiliates) with its registered office in Aberdeen about reduction of the total number of votes at the General Meeting of the Bank below 5%, as the result of the sale of 50,000 shares in the Bank through a sale order executed on January 3, 2014. Prior to the sale, Aberdeen Asset Management PLC held 13,121,767 shares in the Bank, accounting for 5.0% of the overall number of shares in the Bank, representing the same number and percentage of the total votes at the General Meeting of the Bank. After the transaction, Aberdeen Asset Management PLC held 13,071,767 shares in Bank, i.e. 4.98% of the overall number of shares in the Bank, representing the same number and percentage of votes at the General Meeting of the Bank.

The Bank has not received any other notifications regarding changes in the ownership structure in accordance with par. 69 of the Act of July 29, 2005 on Public Offerings and Conditions Governing the Introduction of Financial Instruments to an Organized System of Trading, and on Public Companies.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

5.5 Financial credibility ratings

Bank Pekao S.A. co-operates with three leading ratings agencies: Fitch Ratings, Standard and Poor's Ratings Services, and Moody's Investors Service. In the case of the first two, the ratings are provided on a solicited basis under relevant agreements and with respect to Moody's Investors Service, the ratings are unsolicited and they are based on publicly available information and review meetings.

As at September 30, 2014, Bank Pekao S.A.'s creditworthiness was rated as follows:

| FITCH RATINGS | BANK PEKAO S.A. | POLAND |
|--|------------------------|--------------------|
| Long-term rating (IDR) | A- | A- |
| Short-term rating | F2 | F2 |
| Viability rating | a- | - |
| Support rating | 2 | - |
| Outlook | Stable | Stable |
| STANDARD AND POOR'S RATINGS SERVICES | BANK PEKAO S.A. | POLAND |
| Long-term rating | BBB+ | A- |
| Short-term rating | A-2 | A-2 |
| Stand-alone credit profile | bbb+ | - |
| Outlook | Stable | Stable |
| MOODY'S INVESTORS SERVICE LTD. (UNSOLICITED RATING) | BANK PEKAO S.A. | POLAND |
| Long-term foreign-currency deposit rating | A2 | A2 |
| Short-term deposit rating | Prime-1 | Prime-1 |
| Financial strength | C- | - |
| Outlook | Negative | Stable / Negative* |

* Stable for Poland's economy and Negative for the Polish banking sector.

Bank Pekao S.A. has the highest Viability rating assigned by Fitch Ratings, the highest Stand-Alone Credit Profile rating assigned by Standard & Poor's Rating Services and the highest Financial strength rating assigned by Moody's Investors Service among banks rated by these agencies in Poland.

Fitch Ratings agency assigned the "A" rating to the covered bonds issued by Pekao Bank Hipoteczny S.A., a 100% subsidiary of Bank Pekao S.A. It is the highest rating ever awarded to the Polish debt securities issued by a private company. The reasons underlying the Agency's decision included the high rating assigned to Pekao Bank Hipoteczny S.A. (A-), legal regulations pertaining to the covered bonds collateral register, and the excess of collateral over the volume of bonds in issue, as declared by the bank. The high rating assigned to the covered bonds confirms Pekao Bank Hipoteczny's ability to issue securities offering a high level of security and raise long-term capital to fund its lending activity. In April 2014, during the last revision of rating the outlook for covered bonds was changed from Stable to Positive.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

5.6 Achievements of Bank Pekao S.A.

Bank Pekao S.A. is a universal commercial bank providing a full range of banking services to individual and institutional clients, mainly in Poland. Bank Pekao S.A. Group includes financial institutions operating in banking, asset management, pension funds, brokerage services, leasing and factoring markets.

The Bank offers to its clients a broad distribution network with ATMs and outlets conveniently located throughout Poland.

| | 30.09.2014 | 31.12.2013 |
|--------------------------|------------|------------|
| Total number of outlets | 999 | 1,001 |
| Total number of own ATMs | 1,826 | 1,847 |

The Bank's clients can also make commission-free cash withdrawals from over 4.7 thousand of domestic network of Euronet ATMs as well as European network of the UniCredit Group ATMs.

As at the end of September 2014, the Bank maintained 5,170.7 thousand PLN-denominated current accounts, 283.2 thousand mortgage loan accounts and 606.1 thousand consumer loan accounts.

| | 30.09.2014 | 31.12.2013 |
|---------------------------------------|------------|------------|
| Total number of PLN current accounts* | 5,170.7 | 5,107.5 |
| of which packages | 3,852.3 | 3,781.5 |
| Number of mortgage loans accounts** | 283.2 | 267.5 |
| of which PLN mortgage loans accounts | 244.3 | 226.6 |
| Number of consumer loan accounts *** | 606.1 | 634.9 |

* Number of accounts including accounts of pre-paid cards.

** Retail customers accounts.

*** "Pożyczka Ekspresowa"(Express Loan).

Individual clients

In the third quarter of 2014, the Bank continued activities focused on the acquiring of new customers. Since the beginning of the year, the Bank acquired 290 thousand of new customers, including 96.5 thousand of customers acquired in the third quarter of 2014.

The Bank accompanied its customers in a number of cultural and sport mass events promoting its modern package of mobile solutions. The Bank, in co-operation with the Great Orchestra of Christmas Charity, prepared for the consecutive time a dedicated prepaid card with the image of Woodstock Music Festival and promoted non-cash payments ensuring the opportunity to realize payments using payment cards at the festival. During the Pekao Szczecin Open tennis tournament, the Bank, strongly emphasizing its presence on local market, promoted „Mistrzowska oferta z Pekao SA” with the products specially prepared for this event: Mistrzowska Oferta Eurokonta, Pożyczka Ekspresowa, mortgage loan and discounts provided by partners of Discount Program.

Moreover, in September 2014, the Bank started its marketing campaigns promoting personal accounts for young persons – between 13 and 25 years of age. The Bank was focused on local actions, mainly in schools and universities.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

Loans

In the area of mortgage loans, the Bank maintains strong position on the market. Since the beginning of 2014, sale of PLN mortgage loans stood at over PLN 5 billion and was by 13% higher as compared to the same period in the previous year. The Bank's share in volume of PLN mortgage loans at the end of September 2014 amounted to 17.8%, i.e. 0.3 p.p. increase in comparison to the end of September 2013.

In the third quarter of 2014, the Bank has taken a number of local and country-wide actions supporting sale of mortgage loans, including promotional campaigns in the Internet and internal communication channels and regularly participated in real estate fairs organized all over the country.

In the area of cash loans, the Bank was following the consequent strengthening of its position on the consumer goods financing market while maintaining a prudent credit risk policy and providing customers with the highest level of satisfaction. Sale of cash loans in the three quarters of 2014 amounted to nearly PLN 3.9 billion and was by over 20% higher in comparison to the same period of the previous year.

In the third quarter of 2014, the Bank simplified loan granting process which allow customers to apply for a loan and sign Express Loan agreement without visiting in the Bank's outlet.

Moreover, the Bank continued marketing activities on local markets throughout the country and actively promoted Express Loan in advertising campaigns, including TV and newspapers.

Saving and investment products

Increase in savings volume in the third quarter of 2014 was supported by development of deposit and investment products offer and in the area of the Premium Personal Banking through the professional assistance of qualified Personal Advisers ensuring support in the field of individual finance management. The Bank's retail deposits increased by PLN 3.0 billion in comparison to December 2013, which was supported by significant increase in deposits placed through the Pekao24 system thanks to attractive e-deposits offer and dedicated communication addressed directly to clients.

In the third quarter of 2014, increased also the customers' interest in Lokata Elastyczna, which interest rate is linked with WIBOR 1M rate plus fixed margin in the entire period of deposit.

Moreover, the Bank implemented for distribution a bond sub-fund of Pioneer Obligacji i Dochodu conducted within Pioneer Funduszy Globalnych SFIO and started a new subscription of structure product Strukturyzowany Certyfikat Depozytowy Rynku Amerykańskiego with 100% capital protection at the end of investment and diversification of investment portfolio by assets associated with the American equity market.

Brokerage activity

Bank Pekao S.A. Group offers a wide range of capital market products and services through retail brokerage entities: Dom Maklerski Pekao (Dom Maklerski), a subsidiary Centralny Dom Maklerski Pekao S.A. (CDM) and associated entity Dom Inwestycyjny Xelion Sp. z o.o. (Xelion).

As at the end of September 2014, the brokerage entities maintained over 359 thousand investment accounts, which was nearly 24% share in total of investment accounts in Poland according to data of The National Depository for Securities (KDPW). The main group of individual investors were customers using the Group's brokerage services through remote channels, in particular through the Internet.

As at the end of September 2014, the total value of assets deposited on investment accounts run by the Group's brokerage entities amounted to PLN 23.7 billion.

In the third quarter of 2014, the Group's brokerage entities implemented changes in the Rules of Rendering Brokerage Services in order to adjust to a new rule of settlement introduced by The National Depository for Securities and implemented changes associated with brokerage service development.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

Payment cards

The Bank in cooperation with one of the largest retail chains in Poland, carried out a project that allows transactions using payment cards. Within the project more than 13 thousand of POS terminals has been installed in more than 2.4 thousand locations, which confirms the Bank's products innovation.

Moreover, Bank Pekao S.A. promoting non-cash payments with the use of payment cards organized for debit and credit cards holders promotion and contest with attractive prizes.

In the third quarter of 2014, the Bank introduced to its offer for Personal Premium Banking customers a new dedicated debit card VISA Debit Gold with low running costs when personal account held at the Bank is actively used.

Pekao24 – electronic banking for individual clients

The Pekao24 electronic banking system is a convenient and safe system for accessing the accounts maintained by the Bank, Dom Maklerski and CDM. The system enables to manage the funds accumulated on the accounts through the Internet, fixed-line or mobile phone and through Contact Center.

The Bank's customers have also the opportunity to use mobile banking application dedicated to mobile phones and devices. Pekao24 mobile application is the most advanced mobile banking application on the market. It enables to execute most of the operations available via the Internet service and to access additional functionalities such as geo-location of ATMs, branches and stores as well as to track market information.

The number of Pekao24 clients systematically increases and as at the end of September 2014 amounted to 2,614.4 thousand. In the third quarter of 2014, 1,416.7 thousand clients logged into the electronic banking services.

As at the end of September 2014, the number of clients with an access to mobile banking amounted to 531.9 thousand. In the third quarter of 2014, 201.9 thousand of clients logged into the mobile service m.pekao24.pl and the Pekao24 mobile banking application.

(in thousand)

| | 30.09.2014 | 31.12.2013 |
|--|------------|------------|
| Number of individuals with an access to electronic banking Pekao24 as at the end of period | 2,614.4 | 2,446.8 |
| Number of individuals actively using electronic banking Pekao24* | 1,416.7 | 1,352.0 |
| Number of individuals with an access to mobile banking as at the end of period | 531.9 | 373.1 |
| Number of individuals actively using mobile banking** | 201.9 | 149.1 |

* A customer actively using electronic banking is a customer who logged in to the system at least once during the last quarter.

** A customer actively using mobile banking is a customer who logged in to the mobile service m.pekao24.pl or the Pekao24mobile application at least once during the last quarter.

The most important projects realized in the area of the Pekao24 electronic banking in the third quarter of 2014 included:

- implementation in the Pekao24 internet system the possibility of signing cash loan agreement and loan disbursement on customer account without visiting the Bank's outlet,
- implementation of special offer „Wakacje z aplikacją mobilną Pekao24” (“Holiday with the Pekao24 mobile application”) without charge for domestic payments in PLN executed in the Pekao24 mobile application in the period from July 1 to August 31, 2014.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

Private Banking

In the third quarter of 2014, in the Private Banking area the Bank continued its activity focused on acquiring new customers and developing relationships with existing customers.

The scope of co-operation with customers was extended by servicing companies accounts run by owners or shareholders who are Private Banking customers. Customers, through contact with Private Banking advisor, have opportunity to make operational and investment orders both on individual as well as corporate accounts. The new solution provides customers with more efficient co-operation with the Bank and comprehensive service within the Bank. Moreover, the Private Banking customers have an access to a wide range of investment products offered by the Bank and Centralny Dom Maklerski.

Private Banking, in the co-operation with selected external partners, extended its offer by a unique solution associated with private intergenerational transfer and assets transferred in succession process.

In the investment area, the Private Banking activities were focused on diversification of portfolios towards increasing exposure on global investment strategies using the possibilities offered by foreign investment funds included in offer dedicated to Private Banking customers. Within the scope of close-end investment funds, the clients were offered investment certificates of ING (L) Senior Loans FIZ, PZU FIZ Forte and PZU FIZ Medyczny. Offer of open-end investment funds was extended by Subfundusz Pioneer Obligacji and Dochodu separated within Pioneer Fundusz Globalny Specjalistycznego Funduszu Inwestycyjnego Otwartego and Subfundusz Depozytowy (L), Subfundusz Stabilny Globalnej Alokacji, Subfundusz Obligacji Rynków Wschodzących (Waluta Lokalna) (L) and Subfundusz Zagranicznych Obligacji Rynków Wschodzących (L) separated within ING Specjalistyczny Fundusz Inwestycyjny Otwarty. There were also changes in regulations associated with insurance of Plan Inwestycyjny Prestiż involving extension a list of insurance equity funds for a next 11 solutions representing investment strategies that complement the existing offer. Currently, within the insurance of Plan Inwestycyjny Prestiż, there are 51 insurance equity funds, including 3 funds in model portfolio formula. Since September 2014, the Bank continuous organization of meetings with customers during which the experts of co-operating investment funds were discussing current situation on financial markets and appropriate investment solutions.

In the lending area of Private Banking customers, the Bank initiated a series of projects associated with adjustment of financing offer to expectations of the wealthiest customers, including the mortgage area financing.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

Small and micro enterprises (SME)

Service of SME customers is provided by dedicated Business Clients Advisers, responsible for identification of clients' needs and selection of appropriate products and services. The service is conducted by Advisers located in universal retail outlets and specialized Business Customers Centers.

In the third quarter of 2014, the Bank continued development of strategy and package of activities aimed at increasing the attractiveness of the Bank as an institution supporting the development of the agro-food sector in Poland.

Further activities focused on enhancing the offer for farmers were conducted. A new IT solution („AGRO KREDYTY” system) which simplify loan granting process was implemented and a dedicated network of mobile advisers was launched in order to improve the effectiveness in the agro-food sector.

The Bank's activities in this sector was supported by countrywide marketing campaign, including both external and internal channels of communication.

Electronic banking for SME clients

Business customers of Bank Pekao S.A. use the systems of electronic banking such as the PekaoFirma24, the Pekao24 for entrepreneurs and the PekaoBIZNES²⁴. Main system offered to clients within Pakiet Mój Biznes (My Business Package) is the PekaoFirma24 electronic banking system. It is a comprehensive platform containing the Internet, mobile banking application with unlimited transaction capabilities and telephone channel. The PekaoFirma24 system allows customers to use the banking products and services and manage their funds conveniently and intuitively.

As at the end of September 2014, 238.8 thousand clients had an access to the electronic banking systems, of which 156.9 thousand are active clients. The number of business clients with an access to electronic banking systems increased by 15.3 thousand compared to the end of 2013.

(in thousand)

| | 30.09.2014 | 31.12.2013 |
|---|------------|------------|
| Number of business clients (SME) with an access to electronic banking systems as at the end of period | 238.8 | 223.5 |
| Number of business clients (SME) actively using electronic banking systems* | 156.9 | 147.2 |

* A customer actively using electronic banking is a customer who logged in to the systems at least once during the last quarter.

As at the end of September 2014, 11.3 thousand clients had an access to mobile banking application, of which 7.9 thousand are active clients. The number of business clients with an access to mobile banking application increased by 4.3 thousand compared to the end of 2013.

(in thousand)

| | 30.09.2014 | 31.12.2013 |
|---|------------|------------|
| Number of business clients (SME) with an access to mobile banking as at the end of period | 11.3 | 7.0 |
| Number of business clients (SME) actively using mobile banking* | 7.9 | 5.3 |

* A customer actively using mobile banking is a customer who logged in to the system at least once during the last quarter.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

Corporate clients

Bank Pekao S.A. as the leader in servicing large and medium-sized companies has one of the widest product offers for corporate clients on the market.

The model of corporate client service is based on the superior role of a dedicated banking adviser who is responsible for the identification the client's needs and selection, in co-operation with product's specialists, appropriate banking products and services.

The service of large companies is conducted on an individual basis by advisers located in the Large Companies Department at the Bank's Head Office, which is divided into industry service offices.

The service of the financial institutions and public finance sector entities is conducted by the specialized entity at the level of the Bank's Head Office as well as dedicated advisers in the Corporate Centers.

The services for medium-sized companies are conducted in the Regional Corporate Centers, which are organized in micro-region structures, in order to provide comprehensive banking and advisory services.

The corporate clients of the Bank benefit from a full range of standard credit and deposit products as well as from transactional services. Bank Pekao S.A. is a leading organizer of investment project financing, mergers and acquisitions and debt securities issues. The Bank offers a wide range of products of money markets and currency exchange, both within the scope of current operations and long-term hedging structures of client's exposures such as currency risk and interest rate risk. The Bank's product offer also includes financial services such as granting guarantees for national and foreign transactions as well as financial services provided through leasing and factoring subsidiaries.

In the third quarter of 2014, the Bank extended the scope of co-operation with corporate clients and strengthened its market position in the area of servicing medium and large-sized corporate clients.

Transactional services

Within the scope of implementation of a New Settlement Model by Izba Rozliczeniowa Giełd Towarowych (the Commodity Clearing House), Bank Pekao S.A. since the third quarter of 2014 acts as a House Members' Payer Bank and is one of eight banks participating in settlements of transactions of purchase/sale of energy on the Polish Power Exchange. Co-operation with the Commodity Clearing House enables the Bank to acquire new volumes of transactions in settlements conducted under the New Settlement Model both from existing and prospective clients – members of the Commodity Clearing House.

In the third quarter of 2014, in the electronic banking system PekaoBIZNES²⁴ the range of system users rights electronically parameterized was extended significantly reducing order execution. Manual and paper form of applications has been replaced by online contact with the Bank what positively influenced on efficiency and convenient management of bank accounts. Currently, ca. 96% of the total applications for the PekaoBIZNES²⁴ users rights is processed automatically.

In the third quarter of 2014, thanks to attractive offer of transactional banking a further increase in a scale of external payments was recorded. Both, the number and volume of the Bank's foreign incoming and outgoing payments increased in comparison to the same period of 2013.

In the third quarter of 2014, over 14% increase in the number of domestic external payments was also recorded in comparison to the same period of 2013.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

Investment banking, structured finance and commercial real estate

In the third quarter of 2014, Bank Pekao S.A. strengthened its position as a significant provider of structured financing in Poland. Volume of new transactions exceeded PLN 2.4 billion and was similar to the level achieved in the same period of 2013.

In the area of syndicated financing, the Bank was engaged, among others, in the following transactions:

- participation in financing of a project from mining sector. The total amount of financing amounted to PLN 1 billion and the Bank's share in the transaction amounted to PLN 333 million,
- participation in financing of a project from retail sector. The total amount of financing amounted to PLN 420 million and the Bank's share in the transaction amounted to PLN 210 million,
- participation together with other financial institutions in loan granted to a company operating in the mining sector. The total amount of financing amounted to USD 2.5 billion and the Bank's share in the transaction amounted to USD 200 million.

Comprehensive services for the public finance sector

In the third quarter of 2014, the Bank consequently strengthens its leading position in public sector financing, participating in the current and direct financing of the local governments in Poland as well as in structuring of infrastructure projects within this sector. Currently, the Bank provides budgets servicing every second Polish metropolis and every third voivodeship in Poland.

The largest projects of public sector financing are the following agreements for:

- bonds issue of the one of voivodeships in the amount of PLN 113.5 million,
- city budget financing for the amount of PLN 66 million,
- bond issue for a company operating in transportation sector in the amount up to PLN 80 million and increased scope of current servicing of this company,
- long-term loan for one of the cities in the amount of PLN 190 million,
- bonds issue for an entity associated with one of voivodeships in the amount of PLN 50 million.

Financial markets and commercial debt instruments of the capital market

In the area of organization and servicing of commercial debt securities issuance, as at September 30, 2014, Bank Pekao S.A. took the first place with market share of over 21% (based on the Rating & Market Bulletin published by Fitch Poland).

At the end of the third quarter of 2014, the market position of the Bank in each category was as follows:

- 1st place on corporate bonds market and corporate revenue bonds market (with maturities over 365 days) with a share of nearly 25%,
- 2nd place in the segment of short-term debt securities with over 23% market share,
- 2nd place in the area of mortgage bonds with over 26% market share,
- 2nd place on municipal bonds market (with maturities over 365 days) with a share of nearly 27%.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

The Bank conducted, among others, the following commercial debt securities issues:

- the issue of 3-year bonds for the amount of PLN 100 million conducted for a company operating in wholesale trade industry,
- the issue of 5-year bonds for the amount of PLN 100 million conducted for a company operating in wholesale trade industry,
- the issue of 5-year bonds for the amount of PLN 140 million conducted for a company operating in restaurant industry,
- the issue of 3-year bonds for the amount of PLN 184.8 million conducted for a domestic bank,
- the issue of 5-year bonds for the amount of PLN 170 million conducted for a domestic bank.

In addition, in the third quarter of 2014, the Bank signed, among others, new agreements for servicing of debt securities issues for a company operating in transportation sector for the amount of PLN 75.5 million and agreement on debt securities issue for municipal utility company for the amount of PLN 98 million.

5.7 Awards

Forbes magazine – Bank Pekao S.A. in the ranking „Najlepsze Banki dla Biznesu” (The Best Banks for business)

In the ranking „Najlepsze Banki dla Biznesu” (The Best Banks for business) organized by magazine Forbes, Bank Pekao S.A. took the second place in the best account for SME category. Prestigious magazine distinguished package „Mój Biznes Mobilny” for the most economical solution within “Forbes basket” i.e. variety of offer and mobile service. According to the magazine editors, there are the most important parameters considered by entrepreneurs in evaluation of corporate account offer.

Bank Gospodarstwa Krajowego – Bank Pekao S.A. Leader of de minimis guarantees

Bank Pekao S.A. was honored with the statue of Leader of de minimis guarantees for realization of governmental program de minimis guarantees for micro, small and medium enterprises at a conference organized by Bank Gospodarstwa Krajowego.

The Bank is one of the most active banks participating in the program. Till the end of August 2014, the Bank granted over 7.1 thousand de minimis guarantees with a value of PLN 1.5 billion.

Within the de minimis guarantees program, enterprises can obtain guarantee as collateral of operating and investment loan. Loans are offered by Bank Gospodarstwa Krajowego through lending banks. It is the first governmental program where the risk associated with guarantees granted is taken over by the Treasury.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

5.8 Factors which will affect the results of the Group

After significant acceleration of economic growth in the first half of 2014, in the third quarter significant signals of weakening of leading indicators, both domestically and abroad were observed. That suggests caution with regard to expectations of economic growth in the coming quarters. At the current stage of economic cycle expectations play a significant role, both among consumers and among enterprises. Consumers experience increasing real wage bill that they can spend on consumption. However, socio-political uncertainty resulting from concerns about the economic situation in Europe may reduce propensity to spend and limit increase in real consumer demand. Similar situation can be seen among entrepreneurs. Financial results are positive and some enterprises had already started the investment cycle. However, signs of possible slowdown of growth in Western Europe may postpone investment decisions in companies which are planning such activities now.

In this context, outlook for economic growth in the coming quarters will to a large extent depend on the situation abroad. Internal dynamics remains positive: real wage bill in the corporate sector, employment and investments are increasing with additional support of EU funds from the new financial perspective 2014-2020. On the other hand, new orders and forecasts of production are declining due to external situation.

The MPC decided not to reduce the interest rates in November 2014 what increases the likelihood of remaining the interest rates unchanged in 2015, however it is still expected to lower these rates at the beginning of 2015. Particularly important should be the MPC's decisions regarding the level of the lombard rate, which determines the level of the maximum rate of interest (four times), among other, for consumer loan. Each subsequent reduction of this rate directly translate into the maximum level of interest rates of consumer loans, below the level set so far by market factors.

In the upcoming months some other negative developments for the banking sector are possible. Further reduction of interchange fees is likely. Contributions to the Bank Guarantee Fund may be raised as well. It is also possible that new supervisory recommendations will negatively affect some business areas. The possibility of introducing unfavorable, for the banking sector, solutions related to the existing portfolio of mortgage loans denominated in foreign currencies should be also considered as a risk factor.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

6 Statement of Financial Position and Financial Results

Consolidated income statement containing cumulated items for the period from 1 January to 30 September, 2014 and 2013 respectively was presented in the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the three quarters of 2014.

In relation to changes in accounting policy in 2013 (for description refer to the Note 4 to the Consolidated Financial Statement of Bank Pekao S.A. Group for the period ended on December 31, 2013) data for the three quarters of 2013 in the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the three quarters of 2014 as well as in the Report on activities of Bank Pekao S.A. Group for the third quarter of 2014 have been presented after appropriate restatements.

The Report on activities of Bank Pekao S.A. Group for the third quarter of 2014 includes statement of financial position in a short form and income statement in a presentation form as well as the key, selected items from these statements were discussed.

Since the first quarter of 2013, to align the presentation to the standards implemented by the major Polish and European banks, in the income statement gains on disposal of available for sale financial assets and held to maturity investments are reported under trading result and thus in operating income, operating profit and respective ratios.

6.1 Structure of the consolidated statement of financial position – short form

The balance sheet of Bank Pekao S.A. determines the amount of total assets in balance sheet and the structure of the assets and liabilities of the Group. As at the end of September 2014, the total assets of Bank Pekao S.A. constitutes 97.9% of the total assets of the whole Group.

The table below presents the Group's statement of financial position – short form.

| ASSETS | 30.09.2014 | | 31.12.2013 | | CHANGE |
|---|------------------|---------------|------------------|---------------|-------------|
| | PLN MILLION | STRUCTURE | PLN MILLION | STRUCTURE | |
| Cash and due from Central Bank | 3,896.9 | 2.4% | 4,191.2 | 2.6% | (7.0%) |
| Loans and advances to banks* | 6,468.9 | 4.0% | 7,554.5 | 4.8% | (14.4%) |
| Loans and advances to customers** | 110,530.3 | 67.5% | 103,937.3 | 65.6% | 6.3% |
| Securities*** | 33,190.4 | 20.3% | 35,184.1 | 22.2% | (5.7%) |
| Investments in associates | 171.1 | 0.1% | 176.0 | 0.1% | (2.8%) |
| Property, plant and equipment and intangible assets | 2,147.1 | 1.3% | 2,216.2 | 1.4% | (3.1%) |
| Other assets | 7,347.1 | 4.4% | 5,262.4 | 3.3% | 39.6% |
| Total assets | 163,751.8 | 100.0% | 158,521.7 | 100.0% | 3.3% |

* Including net investments in financial leases to banks.

** Including debt securities eligible for rediscounting at Central Bank and net investments in financial leases to customers.

*** Including financial assets held for trading and other financial instruments at fair value through profit and loss.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

| EQUITY AND LIABILITIES | 30.09.2014 | | 31.12.2013 | | CHANGE |
|--|------------------|---------------|------------------|---------------|-------------------|
| | PLN MILLION | STRUCTURE | PLN MILLION | STRUCTURE | |
| Amounts due to Central Bank | 1.0 | 0.0% | 1.0 | 0.0% | 0.0% |
| Amounts due to other banks | 8,391.9 | 5.1% | 6,417.7 | 4.0% | 30.8% |
| Amounts due to customers | 120,281.2 | 73.5% | 119,796.7 | 75.6% | 0.4% |
| Debt securities issued | 4,105.1 | 2.5% | 3,063.7 | 1.9% | 34.0% |
| Other liabilities | 7,570.6 | 4.6% | 5,728.4 | 3.7% | 32.2% |
| Total equity, including non-controlling interests | 23,402.0 | 14.3% | 23,514.2 | 14.8% | (0.5%) (70.8%) |
| Total equity and liabilities | 163,751.8 | 100.0% | 158,521.7 | 100.0% | 3.3% |

Customers' Financing

Customer structure of loans and advances

(in PLN million)

| | 30.09.2014 | 31.12.2013 | CHANGE |
|---|------------------|------------------|-------------|
| Loans and advances at nominal value | 115,408.9 | 108,734.9 | 6.1% |
| Loans* | 101,253.4 | 96,727.3 | 4.7% |
| Retail | 47,690.0 | 44,475.4 | 7.2% |
| Corporate | 53,563.4 | 52,251.9 | 2.5% |
| Non-quoted securities | 10,382.0 | 9,428.2 | 10.1% |
| Reverse repo transactions | 3,773.5 | 2,579.4 | 46.3% |
| Other** | 475.0 | 357.6 | 32.8% |
| Nominal value adjustment | 108.9 | 48.1 | 126.4% |
| Impairment losses | (5,462.5) | (5,203.3) | 5.0% |
| Total net receivables | 110,530.3 | 103,937.3 | 6.3% |
| Securities issued by non-monetary entities*** | 861.2 | 815.7 | 5.6% |
| Total customers' financing**** | 116,270.1 | 109,550.6 | 6.1% |

* Including debt securities eligible for rediscounting at Central Bank and net investments in financial leases to customers.

** Including interest and receivables in transit.

*** Securities issued by non-monetary entities being loans equivalents.

**** Total customers' financing includes loans and advances at nominal value and securities issued by non-monetary entities.

As at the end of September 2014, the volume of total customers' financing amounted to PLN 116,270.1 million, an increase of PLN 6,719.5 million, i.e. 6.1% in comparison to the end of 2013.

As at the end of September 2014, the volume of retail loans amounted to PLN 47,690.0 million, an increase of PLN 3,214.6 million, i.e. 7.2% in comparison to the end of 2013.

In the area of mortgage lending, the Bank continued its policy of offering only PLN mortgage loans. The residual stock of mortgage loans denominated in foreign currencies, almost entirely acquired as a result of the merger of the spun-off part of Bank BPH SA in 2007, represents only 4.4% of total loans of the Bank.

The volume of corporate loans, non-quoted securities, reverse repo transactions and securities issued by non-monetary entities increased by PLN 3,504.9 million, i.e. 5.4% as compared to the end of 2013 and amounted to PLN 68,580.1 million at the end of September 2014.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

Receivables and impairment losses

(in PLN million)

| | 30.09.2014 | 31.12.2013 | CHANGE |
|------------------------------|------------------|------------------|-------------|
| Gross receivables* | 115,632.8 | 108,853.6 | 6.2% |
| Not impaired | 107,678.7 | 100,940.4 | 6.7% |
| Impaired | 7,954.1 | 7,913.2 | 0.5% |
| Impairment losses | (5,462.5) | (5,203.3) | 5.0% |
| Interest | 360.0 | 287.0 | 25.4% |
| Total net receivables | 110,530.3 | 103,937.3 | 6.3% |

* Including debt securities eligible for rediscounting at Central Bank, net investments in financial leases to customers, non-quoted securities, reverse repo and buy-sell-back transactions.

As at September 30, 2014, the ratio of impaired receivables to total receivables amounted to 6.9% and was better 0.4 p.p. in comparison to the end of 2013.

Impairment losses as at the end of September 2014 amounted to PLN 5,462.5 million.

Loans and advances to customers by currency*

| | 30.09.2014 | | 31.12.2013 | | CHANGE |
|-------------------------------------|------------------|---------------|------------------|---------------|-------------|
| | PLN MILLION | STRUCTURE | PLN MILLION | STRUCTURE | |
| Denominated in PLN | 95,346.9 | 82.2% | 89,461.3 | 82.0% | 6.6% |
| Denominated in foreign currencies** | 20,645.9 | 17.8% | 19,679.3 | 18.0% | 4.9% |
| Total | 115,992.8 | 100.0% | 109,140.6 | 100.0% | 6.3% |
| Impairment losses | (5,462.5) | x | (5,203.3) | x | 5.0% |
| Total net | 110,530.3 | x | 103,937.3 | x | 6.3% |

* Including interest and receivables in transit.

** Including indexed loans.

The currency structure of loans and advances to customers is dominated by amounts expressed in the Polish zloty; as at the end of September 2014, their share was 82.2%. The largest portion of foreign currency loans and advances to customers were represented by those denominated in EUR (59.6%), CHF (24.9%) and USD (15.0%).

Loans and advances to customers by contractual maturities*

| | 30.09.2014 | | 31.12.2013 | | CHANGE |
|---------------------------|------------------|---------------|------------------|---------------|-------------|
| | PLN MILLION | STRUCTURE | PLN MILLION | STRUCTURE | |
| Current and up to 1 month | 17,449.5 | 15.0% | 14,441.7 | 13.2% | 20.8% |
| 1 to 3 months | 4,448.0 | 3.8% | 3,076.5 | 2.8% | 44.6% |
| 3 months to 1 year | 10,015.7 | 8.6% | 11,092.7 | 10.2% | (9.7%) |
| 1 to 5 years | 36,144.4 | 31.2% | 35,103.8 | 32.2% | 3.0% |
| Over 5 years | 47,460.2 | 40.9% | 45,068.3 | 41.3% | 5.3% |
| Other | 475.0 | 0.5% | 357.6 | 0.3% | 32.8% |
| Total | 115,992.8 | 100.0% | 109,140.6 | 100.0% | 6.3% |
| Impairment losses | (5,462.5) | x | (5,203.3) | x | 5.0% |
| Total net | 110,530.3 | x | 103,937.3 | x | 6.3% |

* Including interest and receivables in transit.

Loans and advances with maturity over 5 years represents 40.9% of total loans and advances (mainly attributed to mortgage loans and receivables for which the maturity date already passed).

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

External sources of financing

(in PLN million)

| | 30.09.2014 | 31.12.2013 | CHANGE |
|--|------------------|------------------|-------------|
| Amounts due to Central Bank | 1.0 | 1.0 | 0.0% |
| Amounts due to other banks | 8,391.9 | 6,417.7 | 30.8% |
| Amounts due to customers | 120,281.2 | 119,796.7 | 0.4% |
| Debt securities issued | 4,105.1 | 3,063.7 | 34.0% |
| Total external sources of financing | 132,779.2 | 129,279.1 | 2.7% |

The deposit base is widely diversified and the deposits sourced from retail and corporate customers. In addition, the Group uses also funds borrowed on the interbank market. The Group is not dependent on any single customer nor group of customers.

Total customer savings

(in PLN million)

| | 30.09.2014 | 31.12.2013 | CHANGE |
|---|------------------|------------------|---------------|
| Amounts due to corporate | 60,914.5 | 64,965.6 | (6.2%) |
| Non-financial entities | 43,236.9 | 45,411.0 | (4.8%) |
| Non-banking financial entities | 9,973.6 | 13,734.0 | (27.4%) |
| Budget entities | 7,704.0 | 5,820.6 | 32.4% |
| Retail deposits | 53,754.9 | 50,777.2 | 5.9% |
| Repo and sell-buy-back transactions | 5,136.6 | 3,665.7 | 40.1% |
| Other* | 475.2 | 388.2 | 22.4% |
| Amounts due to customers | 120,281.2 | 119,796.7 | 0.4% |
| Debt securities issued, of which | 4,105.1 | 3,063.7 | 34.0% |
| Structured Certificates of Deposit (SCD) | 203.8 | 334.0 | (39.0%) |
| Certificates of Deposit | 2,876.1 | 1,901.9 | 51.2% |
| Pekao Bank Hipoteczny S.A. covered bonds | 1,003.2 | 816.2 | 22.9% |
| Interest | 22.0 | 11.6 | 89.7% |
| Amounts due to customers and debt securities issued, total | 124,386.3 | 122,860.4 | 1.2% |
| Investment funds of Pioneer Pekao TFI | 16,733.3 | 16,411.5 | 2.0% |
| Bond and money market funds | 10,396.5 | 9,416.8 | 10.4% |
| Balanced funds | 3,358.4 | 3,688.0 | (8.9%) |
| Equity funds | 2,978.4 | 3,306.7 | (9.9%) |
| including distributed through the Group's network | 16,183.4 | 15,609.6 | 3.7% |

* Other item includes interest and funds in transit.

As at the end of September 2014, the total amounts due to the Group's customers and debt securities issued amounted to PLN 124,386.3 million, an increase of PLN 1,525.9 million, i.e. 1.2% in comparison to the end of 2013 of which liabilities to Open Pensions Funds (OFE) decreased by PLN 5,376.2 million due to pension funds reform introduced in the first quarter of 2014. Excluding OFE, total amounts due to the Group's customers and debt securities issued increased by PLN 6,902.1 million, i.e. 6.1% in comparison to the end of 2013.

The total volume of retail customers deposits, Structured Certificates of Deposit and other amounted to PLN 54,348.1 million at the end of September 2014, an increase of PLN 2,931.8 million, i.e. 5.7% in comparison to the end of 2013. The value of net assets of investment funds managed by Pioneer Pekao TFI S.A. amounted to PLN 16,733.3 million at the end of September 2014, an increase of PLN 321.8 million, i.e. 2.0% in comparison to the end of 2013.

The total volume of corporate customers deposits, repo and sell-buy-back transactions, Certificates of Deposit, Pekao Bank Hipoteczny S.A. covered bonds, interest and other amounted to PLN 70,038.2 million at the end of September 2014, a decrease of PLN 1,405.9 million, i.e. 2.0% as compared to the end of 2013, excluding OFE an increase of PLN 3,970.3 million in comparison to the end of 2013.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

Amounts due to customers by currency*

| | 30.09.2014 | | 31.12.2013 | | CHANGE |
|-----------------------------------|------------------|---------------|------------------|---------------|-------------|
| | PLN MILLION | STRUCTURE | PLN MILLION | STRUCTURE | |
| Denominated in PLN | 100,863.2 | 83.9% | 101,473.0 | 84.7% | (0.6%) |
| Denominated in foreign currencies | 19,418.0 | 16.1% | 18,323.7 | 15.3% | 6.0% |
| Total | 120,281.2 | 100.0% | 119,796.7 | 100.0% | 0.4% |

* Including interest and amounts due in transit.

The bulk of the amounts due to customers are denominated in the Polish currency and its share as at the end of September 2014 amounted to 83.9%. The majority of amounts due to customers denominated in foreign currencies were in EUR (64.1%) and USD (31.6%).

Amounts due to customers by contractual maturities

| | 30.09.2014 | | 31.12.2013 | | CHANGE |
|---|------------------|---------------|------------------|---------------|-------------|
| | PLN MILLION | STRUCTURE | PLN MILLION | STRUCTURE | |
| Current accounts and overnight deposits | 61,347.5 | 51.2% | 55,417.3 | 46.4% | 10.7% |
| Term deposits | 58,458.5 | 48.8% | 63,991.2 | 53.6% | (8.6%) |
| Total deposits | 119,806.0 | 100.0% | 119,408.5 | 100.0% | 0.3% |
| Interest accrued | 191.1 | x | 209.1 | x | (8.6%) |
| Funds in transit | 284.1 | x | 179.1 | x | 58.6% |
| Total | 120,281.2 | x | 119,796.7 | x | 0.4% |

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

6.2 The consolidated income statement – presentation form

Net profit of Bank Pekao S.A. Group attributable to equity holders for the three quarters of 2014 amounted to PLN 2,023.7 million allowing return on average capital (ROE) at the level of 11.4% achieved with a strong capital base reflected by CAR at 18.3% (Basel III). Normalized ROE (return on minimum equity equivalent to CAR at 10%) amounted to 17.2%.

As financial data of the three quarters of 2014 don't include results of PJSC UniCredit Bank – sold on July 16, 2013 – in the subsequent part of this chapter results of the three quarters of 2013 are additionally presented excluding PJSC UniCredit Bank and financial information dynamics is discussed in comparable terms.

The Group's net profit attributable to equity holders reported for the three quarters of 2014 in comparison to the three quarters of 2013 was lower by PLN 8.0 million, i.e. 0.4% mainly due to lower gains on disposal of available for sale financial assets with total net interest income, dividend income and income from equity investments higher by PLN 105.7 million i.e. 3.1% in this period thanks to higher volumes.

The strength of the liquidity structure of Bank Pekao S.A. Group is reflected by net loans to deposits ratio at 88.9% at the end of September 2014. This together with strong equity level enables for further sound and stable development of the Group's activities.

The consolidated income statement – presentation form

| | 3 QUARTERS 2014 | 3 QUARTERS 2013 (excluding PJSC UniCredit Bank) | 3 QUARTERS 2013 | CHANGE (excluding PJSC UniCredit Bank) |
|--|------------------|---|------------------|--|
| | | | | (in PLN million) |
| Net interest income | 3,403.9 | 3,308.2 | 3,369.9 | 2.9% |
| Dividend income and income from equity investments | 58.3 | 48.3 | 48.2 | 20.7% |
| Total net interest income, dividend income and other income from equity investments | 3,462.2 | 3,356.5 | 3,418.1 | 3.1% |
| Net fee and commission income | 1,544.1 | 1,584.1 | 1,595.3 | (2.5%) |
| Trading result | 435.4 | 589.0 | 586.7 | (26.1%) |
| Net other operating income and expenses | 68.0 | 69.8 | 71.0 | (2.6%) |
| Net non-interest income | 2,047.5 | 2,242.9 | 2,253.0 | (8.7%) |
| Operating income | 5,509.7 | 5,599.4 | 5,671.1 | (1.6%) |
| Operating costs | (2,582.0) | (2,599.7) | (2,644.8) | (0.7%) |
| Operating profit | 2,927.7 | 2,999.7 | 3,026.3 | (2.4%) |
| Net result on other provisions | (3.1) | (3.4) | (3.4) | (8.8%) |
| Net impairment losses on loans and off-balance sheet commitments | (424.4) | (489.1) | (494.4) | (13.2%) |
| Net result on investment activities | (0.4) | 18.9 | 18.9 | x |
| Profit before tax | 2,499.8 | 2,526.1 | 2,547.4 | (1.0%) |
| Income tax expense | (466.2) | (487.6) | (491.4) | (4.4%) |
| Net profit for the period | 2,033.6 | 2,038.5 | 2,056.0 | (0.2%) |
| Attributable to equity holders of the Bank | 2,023.7 | 2,031.7 | 2,049.2 | (0.4%) |
| Attributable to non-controlling interest | 9.9 | 6.8 | 6.8 | 45.6% |

Operating income

In the three quarters of 2014, the Group's operating income amounted to PLN 5,509.7 million, a decrease of PLN 89.7 million, i.e. 1.6% in comparison with the three quarters of 2013 mainly due to lower gains on disposal of available for sale financial assets as compared with the same period of the previous year.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

Total net interest income, dividend income and income from equity investments

(in PLN million)

| | 3 QUARTERS 2014 | 3 QUARTERS 2013 (excluding PJSC UniCredit Bank) | 3 QUARTERS 2013 | CHANGE (excluding PJSC UniCredit Bank) |
|--|-----------------|---|-----------------|--|
| Interest income | 4,750.3 | 5,099.4 | 5,192.8 | (6.8%) |
| Interest expense | (1,346.4) | (1,791.2) | (1,822.9) | (24.8%) |
| Net interest income | 3,403.9 | 3,308.2 | 3,369.9 | 2.9% |
| Dividend income | 8.3 | 6.8 | 6.7 | 22.1% |
| Income from equity investments | 50.0 | 41.5 | 41.5 | 20.5% |
| Total net interest income, dividend income and income from equity investments | 3,462.2 | 3,356.5 | 3,418.1 | 3.1% |

Total net interest income, dividend income and income from equity investments in the three quarters of 2014 amounted to PLN 3,462.2 million and was higher by PLN 105.7 million, i.e. 3.1% compared to the previous year thanks to higher volumes fully compensating negative impact of lower interest rates. In the three quarters of 2014, average WIBOR 3M rate stood at the level of 2.67%, and was lower by 48 b.p. than in the three quarters of 2013.

Net non-interest income

(in PLN million)

| | 3 QUARTERS 2014 | 3 QUARTERS 2013 (excluding PJSC UniCredit Bank) | 3 QUARTERS 2013 | CHANGE (excluding PJSC UniCredit Bank) |
|--|-----------------|---|-----------------|--|
| Fee and commission income | 1,908.9 | 1,960.4 | 1,979.6 | (2.6%) |
| Fee and commission expense | (364.8) | (376.3) | (384.3) | (3.1%) |
| Net fee and commission income | 1,544.1 | 1,584.1 | 1,595.3 | (2.5%) |
| Trading result | 435.4 | 589.0 | 586.7 | (26.1%) |
| of which gains on disposal of AFS assets | 129.5 | 249.7 | 249.7 | (48.1%) |
| Net other operating income and expense | 68.0 | 69.8 | 71.0 | (2.6%) |
| Net non-interest income | 2,047.5 | 2,242.9 | 2,253.0 | (8.7%) |

The Group's net non-interest income in the three quarters of 2014 amounted to PLN 2,047.5 million, a decrease of PLN 195.4 million, i.e. 8.7% in comparison with the three quarters of 2013 mainly due to lower trading result, in particular lower gains on disposal of available for sale financial assets as well as lower net fee and commission income.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

The table below presents the Group's net fee and commission income divided according to the main areas of the activity.

(in PLN million)

| | 3 QUARTERS 2014 | 3 QUARTERS 2013 (excluding PJSC UniCredit Bank) | 3 QUARTERS 2013 | CHANGE (excluding PJSC UniCredit Bank) |
|--------------------------------------|-----------------|---|-----------------|--|
| Net fee and commission income | 1,544.1 | 1,584.1 | 1,595.3 | (2.5%) |
| on loans | 330.1 | 323.4 | 323.4 | 2.1% |
| on cards | 317.5 | 334.2 | 332.1 | (5.0%) |
| capital market related | 269.4 | 288.0 | 288.0 | (6.5%) |
| other | 627.1 | 638.5 | 651.8 | (1.8%) |

The Group's net fee and commission income in the three quarters of 2014 amounted to PLN 1,544.1 million and was lower by PLN 40.0 million, i.e. 2.5% in comparison with the three quarters of 2013, mainly due to lower cards related fee affected by interchange fee rate reduction in July 2014 and lower capital market related fee.

Capital market related net fee and commission income which includes investment fund, pension fund and brokerage commission was lower by PLN 18.6 million, i.e. 6.5% in the three quarters of 2014 in comparison with the three quarters of 2013 due to both: unfavourable market conditions also associated with the situation in Ukraine and as a result of the pension funds reform introduced in the first quarter of 2014.

Operating costs

In the three quarter of 2014, the operating costs were kept under control and amounted to PLN 2,582.0 million. They were lower than the operating costs in the three quarters of 2013 by PLN 17.7 million, i.e. 0.7% despite new prudential charge of Banking Guarantee Fund introduced in the fourth quarter of 2013.

(in PLN million)

| | 3 QUARTERS 2014 | 3 QUARTERS 2013 (excluding PJSC UniCredit Bank) | 3 QUARTERS 2013 | CHANGE (excluding PJSC UniCredit Bank) |
|-------------------------------|------------------|---|------------------|--|
| Personnel expenses | (1,435.4) | (1,414.2) | (1,435.3) | 1.5% |
| Other administrative expenses | (901.4) | (928.2) | (949.5) | (2.9%) |
| Depreciation and amortization | (245.2) | (257.3) | (260.0) | (4.7%) |
| Operating costs | (2,582.0) | (2,599.7) | (2,644.8) | (0.7%) |

In the three quarters of 2014, cost / income ratio amounted to 46.9% in comparison with 46.4% in the three quarters of 2013 (excluding PJSC UniCredit Bank).

As at the end of September 2014, the Group employed 18,555 employees (in the Bank and the companies consolidated under full consolidation method) as compared to 18,916 employees as at the end of 2013.

As at the end of September 2014, the Bank employed 16,720 employees as compared to 17,092 employees as at the end of 2013.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

6.3 The structure of the net profit

The structure of the net profit of the Group is presented in the table below:

(in PLN million)

| | 3 QUARTERS 2014 | 3 QUARTERS 2013 | CHANGE |
|--|-----------------|-----------------|----------------|
| Net profit of Bank Pekao S.A. | 2,014.7 | 2,123.5 | (5.1%) |
| Entities consolidated under full method | | | |
| Pekao Leasing Sp. z o.o. | 44.5 | 25.5 | 74.5% |
| Centralny Dom Maklerski Pekao S.A. | 32.2 | 27.2 | 18.4% |
| Pekao Pioneer PTE S.A. | 13.9 | 9.6 | 44.8% |
| Pekao Bank Hipoteczny S.A. | 7.9 | 8.6 | (8.1%) |
| Pekao Faktoring Sp. z o.o. | 5.8 | 7.1 | (18.3%) |
| Pekao Financial Services Sp. z o.o. | 5.5 | 4.9 | 12.2% |
| Centrum Bankowości Bezpośredniej Sp. z o.o. | 2.2 | 1.7 | 29.4% |
| Pekao Leasing Holding S.A. ¹ | 0.8 | 27.6 | (97.1%) |
| Centrum Kart S.A. | 0.4 | 1.2 | (66.7%) |
| FPB "Media" Sp. z o.o. | 0.2 | 0.3 | (33.3%) |
| Pekao Fundusz Kapitałowy Sp. z o.o. | 0.2 | 0.5 | (60.0%) |
| Pekao Telecentrum Sp. z o.o. w likwidacji | 0.1 | 0.1 | 0.0% |
| Property Sp. z o.o. w likwidacji ² | - | (0.1) | x |
| Pekao Property S.A. ² | (0.4) | 0.8 | x |
| PJSC UniCredit Bank ³ | - | 17.5 | x |
| Entities valued under the equity method | | | |
| Pioneer Pekao Investment Management S.A. | 41.0 | 34.5 | 18.8% |
| Krajowa Izba Rozliczeniowa S.A. | 8.2 | 6.6 | 24.2% |
| Dom Inwestycyjny Xelion sp. z o.o. | 0.8 | 0.4 | 100.0% |
| Exclusions and consolidation adjustments⁴ | (154.3) | (248.3) | (37.9%) |
| Net profit of the Group attributable to equity holders of the Bank | 2,023.7 | 2,049.2 | (1.2%) |
| Net profit of the Group attributable to equity holders of the Bank – continued operations | 2,023.7 | 2,031.7 | (0.4%) |

1 The result of Pekao Leasing Holding S.A. for three quarters 2013 mainly include the dividend received from Pekao Leasing Sp. z o.o.

2 On September 26, 2014, the merger of Pekao Property S.A. and Property Sp. z o.o. w likwidacji was accomplished.

3 On July 16, 2013, the Bank sold 100% shares of PJSC UniCredit Bank based in Kiev to UniCredit S.p.A. based in Rome.

4 Includes, among others, transactions within the Group (including dividends from subsidiaries for the previous year) and net profit attributable to non-controlling interest.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

The results of Bank Pekao S.A.

The main items from the Bank's income statement in presentation form are as follows:

(in PLN million)

| | 3 QUARTERS 2014 | 3 QUARTERS 2013 | CHANGE |
|--|------------------|------------------|---------------|
| Net interest income | 3,308.8 | 3,210.1 | 3.1% |
| Dividend income | 153.5 | 143.8 | 6.7% |
| Total net interest income and dividend income | 3,462.3 | 3,353.9 | 3.2% |
| Net non-interest income | 1,839.5 | 2,061.0 | (10.7%) |
| Operating income | 5,301.8 | 5,414.9 | (2.1%) |
| Operating costs | (2,429.7) | (2,441.4) | (0.5%) |
| Operating profit | 2,872.1 | 2,973.5 | (3.4%) |
| Net result on other provisions | (1.7) | (3.1) | (45.2%) |
| Net impairment losses on loans and off-balance sheet commitments | (408.1) | (456.9) | (10.7%) |
| Net result on investment activities | (0.7) | 87.3 | x |
| Profit before tax | 2,461.6 | 2,600.8 | (5.4%) |
| Net profit for the period | 2,014.7 | 2,123.5 | (5.1%) |

In the three quarters of 2014, the Bank's net profit amounted to PLN 2,014.7 million, decrease of PLN 108.8 million, i.e. 5.1% in comparison to the three quarters of 2013.

The Bank's operating profit reported for the three quarters of 2014 was lower by 3.4% in comparison with the three quarters of 2013 due to lower operating income affected mainly by lower gains on disposal of available for sale financial assets with operating costs lower by 0.5%.

The main Bank's financial information are as follows:

| | 30.09.2014 | 31.12.2013 | CHANGE |
|--|------------|------------|------------|
| Total gross loans in PLN million* | 97,446.2 | 93,186.8 | 4.6% |
| Impaired receivables to total receivables in % | 6.7% | 7.1% | (0.4) p.p. |
| Total deposits in PLN million* | 114,803.1 | 115,843.7 | (0.9%) |
| Repo and sell-buy-back transactions in PLN million | 5,136.6 | 3,665.7 | 40.1% |
| Structured Certificates of Deposit in PLN million | 203.8 | 334.0 | (39.0%) |
| Certificates of Deposit in PLN million | 2,876.1 | 1,901.9 | 51.2% |
| Total assets in PLN million | 160,355.4 | 155,286.6 | 3.3% |
| Investment funds distributed through the Bank's network in PLN million | 15,172.1 | 14,628.6 | 3.7% |
| Capital adequacy ratio (Basel III) in % | 18.1% | 18.3% | (0.2) p.p. |

* The nominal value.

The volume of gross loans of the Bank's clients as at the end of September 2014 amounted to PLN 97,446.2 million, increasing by PLN 4,259.4 million, i.e. 4.6% as compared to the end of 2013. At the end of September 2014, the total volume of retail loans amounted to PLN 46,826.6 million and volume of corporate loans amounted to PLN 50,619.6 million.

The total amounts due to the Bank's customers (including customer deposits, repo and sell-buy-back transactions, Structured Certificates of Deposit, Certificates of Deposit) amounted to PLN 123,019.6 million and increased by PLN 1,274.3 million, i.e. 1.0% compared to the end of 2013, of which liabilities to Open Pensions Funds decreased by PLN 5,376.2 million due to pension funds reform introduced in the first quarter of 2014.

The value of net assets of investment funds managed by Pioneer Pekao TFI S.A. and distributed by the Bank's network increased by PLN 543.5 million, i.e. 3.7% as compared to the end of 2013.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

Results of the Bank's major related entities

Pioneer Pekao Investment Management S.A. – PPIM

In the three quarters of 2014, consolidated net profit of PPIM amounted to PLN 83.7 million compared with PLN 70.4 million in comparable period of 2013. The Bank's share in the company's profit was **PLN 41.0 million**.

Pekao Leasing Sp. z o.o. – Pekao Leasing

In the three quarters of 2014, Pekao Leasing reported a net profit of PLN 44.5 million (the Bank's share equaled to **PLN 39.6 million**) compared with PLN 25.5 million in the three quarters of 2013. Pekao Leasing result for 2014 on top of positive commercial income includes positive impact of VAT settlements.

Centralny Dom Maklerski Pekao S.A. – CDM

In the three quarters of 2014, net profit of CDM amounted to **PLN 32.2 million** compared with PLN 27.2 million profit earned in the same period of 2013.

Pekao Pioneer PTE S.A. – PTE

In the three quarters of 2014, PTE reported net profit of PLN 13.9 million (the Bank's share equaled to **PLN 9.1 million**) compared with net profit of PLN 9.6 million in the same period of 2013. The higher profit was achieved as a result of the Guarantee Fund settlement in the first half of 2014, conducted after transfer of assets from Open Pensions Funds (OFE) to The Social Insurance Institution (ZUS) as a consequence of pension funds reform.

Pekao Bank Hipoteczny S.A. – Pekao Bank Hipoteczny

In the three quarters of 2014, Pekao Bank Hipoteczny reported a net profit of **PLN 7.9 million** compared with PLN 8.6 million in the three quarters of 2013.

Pekao Faktoring Sp. z o.o. – Pekao Faktoring

In the three quarters of 2014, Pekao Faktoring reported a net profit of **PLN 5.8 million** compared with PLN 7.1 million in the same period of 2013.

Dom Inwestycyjny Xelion Sp. z o.o. – Xelion

In the three quarters of 2014, Xelion reported a net profit of PLN 1.63 million (the Bank's share equaled to **PLN 0.82 million**) and it was higher than the profit earned in the three quarters of 2013 in the amount of PLN 0.79 million.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

6.4 Provisions, deferred tax assets and liabilities

(in PLN million)

| | GROUP | | BANK PEKAO S.A. | |
|--|--------------|--------------|-----------------|--------------|
| | 30.09.2014 | 31.12.2013 | 30.09.2014 | 31.12.2013 |
| Total provisions | 374.5 | 393.5 | 371.2 | 391.4 |
| of which: | | | | |
| provisions for off-balance sheet commitments | 85.1 | 113.9 | 88.5 | 116.9 |
| provisions for liabilities to employees | 249.8 | 241.5 | 247.3 | 239.2 |
| other provisions | 39.6 | 38.1 | 35.4 | 35.3 |
| Deferred tax liabilities | 2.4 | 3.3 | - | - |
| Deferred tax assets | 865.1 | 895.3 | 656.9 | 680.2 |

6.5 Net impairment losses

(in PLN million)

| | GROUP | | | BANK PEKAO S.A. | |
|--|-----------------|---|-----------------|-----------------|-----------------|
| | 3 QUARTERS 2014 | 3 QUARTERS 2013 (excluding PJSC UniCredit Bank) | 3 QUARTERS 2013 | 3 QUARTERS 2014 | 3 QUARTERS 2013 |
| Impairment losses on loans | (453.5) | (450.9) | (456.1) | (436.7) | (434.9) |
| Impairment losses on off-balance sheet commitments | 29.1 | (38.2) | (38.3) | 28.6 | (22.0) |
| Total | (424.4) | (489.1) | (494.4) | (408.1) | (456.9) |

The Group's net impairment losses on loans and off-balance sheet commitments amounted to PLN 424.4 million in the three quarters of 2014, a decrease of PLN 64.7 million, i.e. 13.2% as compared with the three quarters of 2013 (excluding PJSC UniCredit Bank in the three quarters of 2013).

The Bank's net impairment losses on loans and off-balance sheet commitments amounted to PLN 408.1 million in the three quarters of 2014, a decrease of PLN 48.8 million i.e. 10.7% as compared with the three quarters of 2013.

6.6 Off-balance sheet items

(in PLN million)

| | 30.09.2014 | 31.12.2013 | CHANGE |
|---|------------------|------------------|--------------|
| Contingent liabilities granted and received | 53,296.6 | 47,411.7 | 12.4% |
| Liabilities granted: | 38,829.3 | 38,175.0 | 1.7% |
| financial | 25,702.3 | 27,097.7 | (5.1%) |
| guarantees | 13,127.0 | 11,077.3 | 18.5% |
| Liabilities received: | 14,467.3 | 9,236.7 | 56.6% |
| financial | 2,318.8 | 111.8 | 20.7 times |
| guarantees | 12,148.5 | 9,124.9 | 33.1% |
| Derivative financial instruments | 224,747.5 | 187,401.9 | 19.9% |
| interest rate transactions | 139,496.3 | 116,772.1 | 19.5% |
| transactions in foreign currency and in gold | 83,623.0 | 69,566.6 | 20.2% |
| transactions based on commodities and equity securities | 1,628.2 | 1,063.2 | 53.1% |
| Other | 32,072.3 | 33,185.3 | (3.4%) |
| Total off-balance sheet items | 310,116.4 | 267,998.9 | 15.7% |

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

6.7 Capital adequacy

A basic measure of capital adequacy is total capital ratio. Since January 1, 2014 banks are obliged to apply new rules to calculate capital ratios due to entering into force a Regulation of the European Parliament and of the Council (EU) No 575/2013 of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

Capital ratios, capital requirements and own funds have been calculated in accordance with the above mentioned Regulation using so-called national options consistent with guidelines used by the Polish Financial Supervision Authority (KNF) for interim reporting. In particular, this applies to the risk weights for claims secured by mortgages, which are consistent with Resolution No. 76/2010 of the Polish Financial Supervision Authority of March 10, 2010 as amended.

The minimum value of the total capital ratio required by law cannot be lower than 8%, while according to the recommendation of EBA (European Banking Authority) and PFSA capital adequacy ratio should remain at level not lower than 12% and the Tier 1 ratio not lower than 9%. At the end of September 2014 the total capital ratio of Bank Pekao S.A. Group amounted to 18.3% and was more than twice the minimum value required by the law and significantly higher than the level recommended by the EBA and the PFSA.

The table below presents the basic data concerning the Group capital adequacy as at September 30, 2014 and December 31, 2013 according to the new rules of Basel III.

(in PLN thousand)

| CAPITAL REQUIREMENT | 30.09.2014 | 31.12.2013 |
|---|-------------------|-------------------|
| Credit risk | 7,550,104 | 7,277,933 |
| Exceeding large exposure limits | 0 | 0 |
| Market risk | 185,203 | 127,683 |
| Delivery and contractor risk | 363,388 | 195,919 |
| Exceeding exposure concentration limit | 0 | 0 |
| Operational risk | 708,785 | 1,054,131 |
| Total capital requirement | 8,807,480 | 8,655,666 |
| Capital for capital adequacy ratio calculation | | |
| Tier 1 capital | 20,122,179 | 19,836,692 |
| Tier 2 capital | 0 | 0 |
| Capital for capital adequacy ratio calculation | 20,122,179 | 19,836,692 |
| Total capital adequacy ratio (%) | 18.3% | 18.3% |
| Ratio CT 1 / CET1 | 18.3% | 18.3% |

Total capital adequacy ratio as at the end of September 2014 remained at the stable level in comparison to December 2013. Total capital requirement increased by 1.8% and own funds increased by 1.4% in this period.

The increase of total capital requirement as at the end of September 2014 was mainly due to increase of capital requirement for credit risk (driven by higher loans volume in the Bank), counterparty risk and market risk with simultaneous significant decrease in capital requirement for operational risk due to advanced method AMA model change.

The strengthening of the Group's own funds base in 2014 is mainly a consequence of a decision of the Ordinary General Meeting of Bank Pekao S.A. to allocate the net profit of Bank Pekao S.A. for 2013 in the amount of PLN 185.8 million for the own funds of the Bank and lower unrealized loss on available for sale portfolio.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

6.8 Reconciliation of income statement – presentation form and long form

Consolidated income statement for the three quarters of 2014

(in PLN thousand)

| INCOME STATEMENT – PRESENTATION FORM'S ITEMS | LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM | 3 QUARTERS 2014 | COMMENTS |
|--|--|--------------------|----------|
| Net interest income | | <u>3,403,923</u> | |
| Dividend income and income from equity investments | | <u>58,311</u> | |
| | Dividend income | 8,298 | |
| | Gains (losses) on subsidiaries and associates | 50,013 | |
| Total net interest income, dividend income and other income from equity investments | | 3,462,234 | |
| Net fee and commission income | Net fee and commission income | <u>1,544,085</u> | |
| Trading result | | <u>435,447</u> | |
| | Result on financial assets and liabilities held for trading | 321,722 | |
| | Result on fair value hedge accounting | (15,715) | |
| | Net result on other financial instruments at fair value through profit and loss | - | |
| | Gains (losses) on disposal of available for sale financial assets and held to maturity investments | 129,455 | |
| | (Gains) losses on disposal of financial liabilities | (15) | |
| Net other operating income and expenses | | <u>67,999</u> | |
| | Net other operating income and expenses | 69,251 | |
| | less - Refunding of administrative expenses | (2,336) /1 | |
| | Gains (losses) on disposal of loans and other financial receivables | 1,084 | |
| Net non-interest income | | 2,047,531 | |
| Operating income | | 5,509,765 | |
| Operating costs | | <u>(2,582,093)</u> | |
| | Personnel expenses | (1,435,352) | |
| | Other administrative expenses | (903,820) | |
| | Refunding of administrative expenses | 2,336 /1 | |
| | Depreciation and amortization | (245,257) | |
| Operating profit | | 2,927,672 | |
| Net result on other provisions | Net result on other provisions | <u>(3,051)</u> | |
| Net impairment losses on loans and off-balance sheet commitments | | <u>(424,362)</u> | |
| | Net impairment losses on loans | (453,457) | |
| | Net impairment provision for off-balance sheet commitments | 29,095 | |
| Net result on investment activities | | <u>(421)</u> | |
| | (Gains) losses on disposal of property, plant and equipment and intangible assets. | (421) | |
| | Impairment losses on subsidiaries and associates | - | |
| | Gains (losses) on disposal of subsidiaries and associates | - | |
| Profit before income tax | | 2,499,838 | |
| Income tax expense | Income tax expense | <u>(466,257)</u> | |
| Net profit for the period | Net profit for the period | 2,033,581 | |
| Attributable to equity holders of the Bank | Attributable to equity holders of the Bank | 2,023,691 | |
| Attributable to non-controlling interest | Attributable to non-controlling interest | 9,890 | |

1/ In the long form the item "Refunding of administrative expenses" included in the item "Net other operating income/expenses", in a presentation form included in "Operating cost".

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

Consolidated income statement for the three quarters of 2013 (continued and discontinued operations)

(in PLN thousand)

| INCOME STATEMENT – PRESENTATION FORM'S ITEMS | LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM | 3 QUARTERS 2013 | COMMENTS |
|--|--|--------------------|----------|
| Net interest income | | 3,369,895 | |
| Dividend income and income from equity investments | | 48,253 | |
| | Dividend income | 6,756 | |
| | Gains (losses) on subsidiaries and associates | 41,497 | |
| Total net interest income, dividend income and other income from equity investments | | 3,418,148 | |
| Net fee and commission income | Net fee and commission income | 1,595,253 | |
| Trading result | | 586,708 | |
| | Result on financial assets and liabilities held for trading | 351,600 | |
| | Result on fair value hedge accounting | (11,355) | |
| | Net result on other financial instruments at fair value through profit and loss | - | |
| | Gains (losses) on disposal of available for sale financial assets and held to maturity investments | 249,678 | |
| | (Gains) losses on disposal of financial liabilities | (3,215) | |
| Net other operating income and expenses | | 71,024 | |
| | Net other operating income and expenses | 74,823 | |
| | less - Refunding of administrative expenses | (3,718) /1 | |
| | (Gains) losses on disposal of loans and other financial receivables | (81) | |
| Net non-interest income | | 2,252,985 | |
| Operating income | | 5,671,133 | |
| Operating costs | | (2,644,862) | |
| | Personnel expenses | (1,435,318) | |
| | Other administrative expenses | (953,224) | |
| | Refunding of administrative expenses | 3,718 /1 | |
| | Depreciation and amortization | (260,038) | |
| Operating profit | | 3,026,271 | |
| Net result on other provisions | Net result on other provisions | (3,380) | |
| Net impairment losses on loans and off-balance sheet commitments | | (494,402) | |
| | Net impairment losses on loans | (456,135) | |
| | Net impairment provision for off-balance sheet commitments | (38,267) | |
| Net result on investment activities | | 18,922 | |
| | Gains (losses) on disposal of property, plant and equipment and intangible assets. | 18,922 | |
| | Impairment losses on subsidiaries and associates | - | |
| | Gains (losses) on disposal of subsidiaries and associates | - | |
| Profit before income tax | | 2,547,411 | |
| Income tax expense | Income tax expense | (491,424) | |
| Net profit for the period | Net profit for the period | 2,055,987 | |
| Attributable to equity holders of the Bank | Attributable to equity holders of the Bank | 2,049,196 | |
| Attributable to non-controlling interest | Attributable to non-controlling interest | 6,791 | |

1/ In the long form the item "Refunding of administrative expenses" included in the item "Net other operating income/expenses", in a presentation form included in "Operating cost".

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

7 Quarterly Income Statement

7.1 Consolidated income statement – long form

Consolidated income statement for 2014 - Provided for comparability purposes.

| | Q1 2014 | | | Q2 2014 | | | Q3 2014 | | |
|--|----------------------|-------------------------|------------------|----------------------|-------------------------|------------------|----------------------|-------------------------|------------------|
| | CONTINUED OPERATIONS | DISCONTINUED OPERATIONS | TOTAL | CONTINUED OPERATIONS | DISCONTINUED OPERATIONS | TOTAL | CONTINUED OPERATIONS | DISCONTINUED OPERATIONS | TOTAL |
| Interest income | 1,571,029 | - | 1,571,029 | 1,584,757 | - | 1,584,757 | 1,594,530 | - | 1,594,530 |
| Interest expense | (440,956) | - | (440,956) | (444,851) | - | (444,851) | (460,586) | - | (460,586) |
| Net interest income | 1,130,073 | - | 1,130,073 | 1,139,906 | - | 1,139,906 | 1,133,944 | - | 1,133,944 |
| Fee and commission income | 631,965 | - | 631,965 | 664,663 | - | 664,663 | 612,307 | - | 612,307 |
| Fee and commission expense | (119,066) | - | (119,066) | (138,499) | - | (138,499) | (107,285) | - | (107,285) |
| Net fee and commission income | 512,899 | - | 512,899 | 526,164 | - | 526,164 | 505,022 | - | 505,022 |
| Dividend income | - | - | - | 8,189 | - | 8,189 | 109 | - | 109 |
| Result on financial assets and liabilities held for trading | 105,443 | - | 105,443 | 111,177 | - | 111,177 | 105,102 | - | 105,102 |
| Result on fair value hedge accounting | (10,725) | - | (10,725) | (3,392) | - | (3,392) | (1,598) | - | (1,598) |
| Net result on other financial instruments at fair value through profit and loss | - | - | - | - | - | - | - | - | - |
| Gains (losses) on disposal of: | 414 | - | 414 | 35,490 | - | 35,490 | 94,620 | - | 94,620 |
| loans and other financial receivables | 414 | - | 414 | 670 | - | 670 | - | - | - |
| available for sale financial assets and held to maturity investments | 17 | - | 17 | 34,820 | - | 34,820 | 94,618 | - | 94,618 |
| financial liabilities | (17) | - | (17) | - | - | - | 2 | - | 2 |
| Operating income | 1,738,104 | - | 1,738,104 | 1,817,534 | - | 1,817,534 | 1,837,199 | - | 1,837,199 |
| Net impairment losses on financial assets and off-balance sheet commitments: | (147,502) | - | (147,502) | (142,666) | - | (142,666) | (134,194) | - | (134,194) |
| loans and other financial receivables | (149,004) | - | (149,004) | (131,271) | - | (131,271) | (173,182) | - | (173,182) |
| off-balance sheet commitments | 1,502 | - | 1,502 | (11,395) | - | (11,395) | 38,988 | - | 38,988 |
| Net result on financial activity | 1,590,602 | - | 1,590,602 | 1,674,868 | - | 1,674,868 | 1,703,005 | - | 1,703,005 |

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

Consolidated income statement for 2014 - cont.

| | Q1 2014 | | | Q2 2014 | | | Q3 2014 | | |
|---|----------------------|-------------------------|------------------|----------------------|-------------------------|------------------|----------------------|-------------------------|----------------------|
| | CONTINUED OPERATIONS | DISCONTINUED OPERATIONS | TOTAL | CONTINUED OPERATIONS | DISCONTINUED OPERATIONS | TOTAL | CONTINUED OPERATIONS | DISCONTINUED OPERATIONS | CONTINUED OPERATIONS |
| Administrative expenses | (776,702) | - | (776,702) | (784,046) | - | (784,046) | (778,424) | - | (778,424) |
| personnel expenses | (471,380) | - | (471,380) | (484,010) | - | (484,010) | (479,962) | - | (479,962) |
| other administrative expenses | (305,322) | - | (305,322) | (300,036) | - | (300,036) | (298,462) | - | (298,462) |
| Depreciation and amortization | (81,945) | - | (81,945) | (81,049) | - | (81,049) | (82,263) | - | (82,263) |
| Net result on other provisions | (1,188) | - | (1,188) | (1,962) | - | (1,962) | 99 | - | 99 |
| Net other operating income and expenses | 34,237 | - | 34,237 | 22,337 | - | 22,337 | 12,677 | - | 12,677 |
| Operating costs | (825,598) | - | (825,598) | (844,720) | - | (844,720) | (847,911) | - | (847,911) |
| Gains (losses) on subsidiaries and associates | 19,282 | - | 19,282 | 15,411 | - | 15,411 | 15,320 | - | 15,320 |
| Gains (losses) on disposal of property, plant and equipment, and intangible assets | (333) | - | (333) | (210) | - | (210) | 122 | - | 122 |
| Profit before income tax | 783,953 | - | 783,953 | 845,349 | - | 845,349 | 870,536 | - | 870,536 |
| Income tax expense | (146,017) | - | (146,017) | (154,786) | - | (154,786) | (165,454) | - | (165,454) |
| Net profit for the period | 637,936 | - | 637,936 | 690,563 | - | 690,563 | 705,082 | - | 705,082 |
| Attributable to equity holders of the Bank | 634,244 | - | 634,244 | 685,077 | - | 685,077 | 704,370 | - | 704,370 |
| Attributable to non-controlling interest | 3,692 | - | 3,692 | 5,486 | - | 5,486 | 712 | - | 712 |

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

Consolidated income statement for 2013 - Provided for comparability purposes.

(in PLN thousand)

| | Q1 2013 | | | Q2 2013 | | | Q3 2013 | | | Q4 2013 | | |
|--|----------------------|-------------------------|------------------|----------------------|-------------------------|------------------|----------------------|-------------------------|------------------|----------------------|-------------------------|------------------|
| | CONTINUED OPERATIONS | DISCONTINUED OPERATIONS | TOTAL | CONTINUED OPERATIONS | DISCONTINUED OPERATIONS | TOTAL | CONTINUED OPERATIONS | DISCONTINUED OPERATIONS | TOTAL | CONTINUED OPERATIONS | DISCONTINUED OPERATIONS | TOTAL |
| Interest income | 1,849,493 | 48,138 | 1,897,631 | 1,675,097 | 39,333 | 1,714,430 | 1,574,875 | 5,877 | 1,580,752 | 1,581,477 | - | 1,581,477 |
| Interest expense | (714,219) | (15,663) | (729,882) | (593,902) | (13,812) | (607,714) | (483,123) | (2,199) | (485,322) | (445,810) | - | (445,810) |
| Net interest income | 1,135,274 | 32,475 | 1,167,749 | 1,081,195 | 25,521 | 1,106,716 | 1,091,752 | 3,678 | 1,095,430 | 1,135,667 | - | 1,135,667 |
| Fee and commission income | 632,137 | 7,958 | 640,095 | 660,174 | 9,661 | 669,835 | 668,109 | 1,556 | 669,665 | 675,467 | - | 675,467 |
| Fee and commission expense | (112,752) | (2,935) | (115,687) | (131,727) | (3,683) | (135,410) | (131,860) | (1,385) | (133,245) | (127,876) | - | (127,876) |
| Net fee and commission income | 519,385 | 5,023 | 524,408 | 528,447 | 5,978 | 534,425 | 536,249 | 171 | 536,420 | 547,591 | - | 547,591 |
| Dividend income | - | - | - | 6,751 | - | 6,751 | 5 | - | 5 | - | - | - |
| Result on financial assets and liabilities held for trading | 110,439 | (6,503) | 103,936 | 119,422 | 3,901 | 123,323 | 124,089 | 252 | 124,341 | 113,457 | - | 113,457 |
| Result on fair value hedge accounting | (4,654) | - | (4,654) | (2,381) | - | (2,381) | (4,320) | - | (4,320) | (6,068) | - | (6,068) |
| Net result on other financial instruments at fair value through profit and loss | - | - | - | - | - | - | - | - | - | - | - | - |
| Gains (losses) on disposal of: | 54,155 | - | 54,155 | 152,801 | - | 152,801 | 39,426 | - | 39,426 | 58,757 | - | 58,757 |
| loans and other financial receivables | (81) | - | (81) | - | - | - | - | - | - | 14 | - | 14 |
| available for sale financial assets and held to maturity investments | 57,565 | - | 57,565 | 152,922 | - | 152,922 | 39,191 | - | 39,191 | 58,677 | - | 58,677 |
| financial liabilities | (3,329) | - | (3,329) | (121) | - | (121) | 235 | - | 235 | 66 | - | 66 |
| Operating income | 1,814,599 | 30,995 | 1,845,594 | 1,886,235 | 35,400 | 1,921,635 | 1,787,201 | 4,101 | 1,791,302 | 1,849,404 | - | 1,849,404 |
| Net impairment losses on financial assets and off-balance sheet commitments: | (163,279) | (1,727) | (165,006) | (156,143) | (3,916) | (160,059) | (169,765) | 428 | (169,337) | (169,248) | - | (169,248) |
| loans and other financial receivables | (155,538) | (1,727) | (157,265) | (156,090) | (3,916) | (160,006) | (139,292) | 428 | (138,864) | (199,979) | - | (199,979) |
| off-balance sheet commitments | (7,741) | - | (7,741) | (53) | - | (53) | (30,473) | - | (30,473) | 30,731 | - | 30,731 |
| Net result on financial activity | 1,651,320 | 29,268 | 1,680,588 | 1,730,092 | 31,484 | 1,761,576 | 1,617,436 | 4,529 | 1,621,965 | 1,680,156 | - | 1,680,156 |

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

Consolidated income statement for 2013 - cont.

| | Q1 2013 | | | Q2 2013 | | | Q3 2013 | | | Q4 2013 | | |
|---|----------------------|-------------------------|------------------|----------------------|-------------------------|------------------|----------------------|-------------------------|------------------|----------------------|-------------------------|------------------|
| | CONTINUED OPERATIONS | DISCONTINUED OPERATIONS | TOTAL | CONTINUED OPERATIONS | DISCONTINUED OPERATIONS | TOTAL | CONTINUED OPERATIONS | DISCONTINUED OPERATIONS | TOTAL | CONTINUED OPERATIONS | DISCONTINUED OPERATIONS | TOTAL |
| Administrative expenses | (769,179) | (19,995) | (789,174) | (796,473) | (19,519) | (815,992) | (780,431) | (2,945) | (783,376) | (753,939) | - | (753,939) |
| personnel expenses | (462,431) | (9,825) | (472,256) | (478,470) | (10,082) | (488,552) | (473,272) | (1,238) | (474,510) | (445,857) | - | (445,857) |
| other administrative expenses | (306,748) | (10,170) | (316,918) | (318,003) | (9,437) | (327,440) | (307,159) | (1,707) | (308,866) | (308,082) | - | (308,082) |
| Depreciation and amortization | (86,227) | (1,279) | (87,506) | (86,597) | (1,271) | (87,868) | (84,518) | (146) | (84,664) | (86,320) | - | (86,320) |
| Net result on other provisions | (643) | - | (643) | (1,672) | - | (1,672) | (1,065) | - | (1,065) | 17,041 | - | 17,041 |
| Net other operating income and expenses | 22,229 | 1,069 | 23,298 | 14,155 | 279 | 14,434 | 37,229 | (138) | 37,091 | 28,599 | - | 28,599 |
| Operating costs | (833,820) | (20,205) | (854,025) | (870,587) | (20,511) | (891,098) | (828,785) | (3,229) | (832,014) | (794,619) | - | (794,619) |
| Gains (losses) on subsidiaries and associates | 14,854 | - | 14,854 | 12,835 | - | 12,835 | 13,808 | - | 13,808 | 17,928 | - | 17,928 |
| Gains (losses) on disposal of property, plant and equipment, and intangible assets | 41 | - | 41 | 16,976 | - | 16,976 | 1,905 | - | 1,905 | 3,354 | - | 3,354 |
| Profit before income tax | 832,395 | 9,063 | 841,458 | 889,316 | 10,973 | 900,289 | 804,364 | 1,300 | 805,664 | 906,819 | - | 906,819 |
| Income tax expense | (167,712) | (1,687) | (169,399) | (165,522) | (2,196) | (167,718) | (154,336) | 29 | (154,307) | (167,816) | - | (167,816) |
| Net profit for the period | 664,683 | 7,376 | 672,059 | 723,794 | 8,777 | 732,571 | 650,028 | 1,329 | 651,357 | 739,003 | - | 739,003 |
| Attributable to equity holders of the Bank | 662,481 | 7,376 | 669,857 | 721,696 | 8,777 | 730,473 | 647,537 | 1,329 | 648,866 | 735,583 | - | 735,583 |
| Attributable to non-controlling interest | 2,202 | - | 2,202 | 2,098 | - | 2,098 | 2,491 | - | 2,491 | 3,420 | - | 3,420 |

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

7.2 Consolidated statement of comprehensive income

Consolidated statement of comprehensive income for 2014 and 2013 (continued and discontinued operations)

(in PLN thousand)

| | Q1 2014 | Q2 2014 | Q3 2014 | Q1 2013 | Q2 2013 | Q3 2013 | Q4 2013 |
|--|----------------|------------------|----------------|-----------------|------------------|-----------------|-----------------|
| Net profit | 637,936 | 690,563 | 705,082 | 672,059 | 732,571 | 651,357 | 739,003 |
| Attributable to equity holders of the Bank | 634,244 | 685,077 | 704,370 | 669,857 | 730,473 | 648,866 | 735,583 |
| Attributable to non-controlling interest | 3,692 | 5,486 | 712 | 2,202 | 2,098 | 2,491 | 3,420 |
| Other comprehensive income | | | | | | | |
| <i>Items that are or may be reclassified subsequently to profit or loss:</i> | | | | | | | |
| Foreign currency translation differences | 5 | 6 | (8) | 22,194 | 5,014 | (1,511) | (132) |
| Change in fair value of available-for-sale financial assets | 36,868 | 322,991 | 127,131 | (152,160) | (314,574) | (118,201) | 26,313 |
| Change in fair value of cash flow hedges | (11,416) | 113,138 | 74,877 | 17,221 | (48,395) | 69,742 | (3,736) |
| Income tax expense on other comprehensive income | (4,836) | (82,865) | (38,381) | 21,422 | 68,074 | 9,428 | (4,290) |
| <i>Items that will never be reclassified to profit or loss:</i> | | | | | | | |
| Re-measurements of the defined benefit liabilities | - | - | - | - | - | - | (41,524) |
| Tax on items that will never be reclassified to profit or loss | - | - | - | - | - | - | 7,890 |
| Other comprehensive income (net) | 20,621 | 353,270 | 163,619 | (91,323) | (289,881) | (40,542) | (15,479) |
| Total comprehensive income | 658,557 | 1,043,833 | 868,701 | 580,736 | 442,690 | 610,815 | 723,524 |
| Attributable to equity holders of the Bank | 654,865 | 1,038,347 | 867,989 | 578,534 | 440,592 | 608,324 | 720,104 |
| Attributable to non-controlling interest | 3,692 | 5,486 | 712 | 2,202 | 2,098 | 2,491 | 3,420 |

7.3 Consolidated income statement – presentation form

Consolidated income statement for 2014 and 2013 (continued and discontinued operations)

(in PLN thousand)

| | Q1 2014 | Q2 2014 | Q3 2014 | Q1 2013 | Q2 2013 | Q3 2013 | Q4 2013 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Net interest income | 1,130,073 | 1,139,906 | 1,133,944 | 1,167,749 | 1,106,716 | 1,095,430 | 1,135,667 |
| Dividend income and income from equity investments | 19,282 | 23,600 | 15,429 | 14,854 | 19,586 | 13,813 | 17,928 |
| Total net interest income, dividend income and other income from equity investments | 1,149,355 | 1,163,506 | 1,149,373 | 1,182,603 | 1,126,302 | 1,109,243 | 1,153,595 |
| Net fee and commission income | 512,899 | 526,164 | 505,022 | 524,408 | 534,425 | 536,420 | 547,591 |
| Trading result | 94,718 | 142,605 | 198,124 | 153,518 | 273,743 | 159,447 | 166,132 |
| Net other operating income and expenses | 32,856 | 22,995 | 12,148 | 22,177 | 13,349 | 35,498 | 26,890 |
| Net non-interest income | 640,473 | 691,764 | 715,294 | 700,103 | 821,517 | 731,365 | 740,613 |
| Operating income | 1,789,828 | 1,855,270 | 1,864,667 | 1,882,706 | 1,947,819 | 1,840,608 | 1,894,208 |
| Operating costs | (856,852) | (865,083) | (860,158) | (875,640) | (902,775) | (866,447) | (838,536) |
| Operating profit | 932,976 | 990,187 | 1,004,509 | 1,007,066 | 1,045,044 | 974,161 | 1,055,672 |
| Net result on other provisions | (1,188) | (1,962) | 99 | (643) | (1,672) | (1,065) | 17,041 |
| Net impairment losses on loans and off-balance sheet commitments | (147,502) | (142,666) | (134,194) | (165,006) | (160,059) | (169,337) | (169,248) |
| Net result on investment activities | (333) | (210) | 122 | 41 | 16,976 | 1,905 | 3,354 |
| Profit before income tax | 783,953 | 845,349 | 870,536 | 841,458 | 900,289 | 805,664 | 906,819 |
| Income tax expense | (146,017) | (154,786) | (165,454) | (169,399) | (167,718) | (154,307) | (167,816) |
| Net profit for the period | 637,936 | 690,563 | 705,082 | 672,059 | 732,571 | 651,357 | 739,003 |
| Attributable to equity holders of the Bank | 634,244 | 685,077 | 704,370 | 669,857 | 730,473 | 648,866 | 735,583 |
| Attributable to non-controlling interest | 3,692 | 5,486 | 712 | 2,202 | 2,098 | 2,491 | 3,420 |

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

8 Other Information

8.1 Management Board position regarding the possibility of achieving previously published forecasts

The Bank has not published the forecast of the financial results for 2014.

8.2 The issuer's shares held by the Management and Supervisory Board Members

According to information available to the Bank as at the date of submitting of this report, the members of the Bank's management and supervisory bodies held 73,535 shares of Bank Pekao S.A.

The table below presents the number of shares held by the Management Board Members:

| | AS AT THE DATE OF SUBMITTING THE REPORT | | CHANGE |
|----------------|---|----------------------------|----------|
| | FOR THE THIRD QUARTER OF 2014 | FOR THE FIRST HALF OF 2014 | |
| Luigi Lovaglio | 64,035 | 64,035 | 0 |
| Diego Biondo | 9,500 | 9,500 | 0 |
| Total | 73,535 | 73,535 | 0 |

8.3 Related party transactions

In the third quarter of 2014, the Bank and its subsidiaries have not concluded any significant transactions (single or aggregate) with related entities other than those executed on arm's length.

In the third quarter of 2014, the Bank and its subsidiaries did not provide any sureties or guarantees in respect of loans or advances to an entity or a subsidiary of such entity, as a result of which the total value of existing sureties and guarantees would have equaled or exceeded 10% of the Bank's equity.

8.4 Accounting principles adopted in the preparation of the report

Accounting principles adopted in the preparation of the report are described in the Notes to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the three quarters of 2014.

8.5 Seasonality or cyclical nature of the Bank's activity

The demand for the financial services offered by the Bank is stable with no material impact of seasonal changes. Due to the nature of the Bank's activity, it is not subject to seasonal or cyclical changes.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2014

8.6 Issuance, redemption and repayment of debt securities

Structured Certificates of Deposit

Structured Certificates of Deposit are investment products for the Bank's clients that form an alternative to traditional banks' deposits. The total value of the Bank's liabilities relating to these products amounted to PLN 203.8 million (principal value) as at the end of September 2014. There are 3 issues of Structured Certificates of Deposit open in PLN with the maximum maturity date set at March 24, 2016. Those liabilities that mature in 2015 and 2016 account for 34.3%, and 65.7% of its total value, respectively.

Certificates of Deposit

Certificates of Deposit are investment products denominated in PLN that guarantee 100% protection of invested funds also in case of termination before redemption date. The total value of the Bank's liabilities under these products amounted to PLN 2,876.1 million (principal value) as at the end of September 2014. There are 19 issues of Certificates of Deposit, and the maturity date up to 3 months accounts for 49.4%, up to 6 months accounts for 18.1% and up to 1 year accounts for 32.5% of its total value.

Pekao Leasing Sp. z o.o. bonds

The total value of the company's liabilities under bonds amounted to PLN 48.0 million as at September 30, 2014 with the maturity date up to 1 month.

Pekao Bank Hipoteczny S.A. covered bonds

The total value of liabilities due to covered bonds amounted to PLN 1,022.6 million as at September 30, 2014. The liabilities under covered bonds with maturity date up to 1 year account for 0.7%, with maturity date from 3 up to 5 years account for 29.9% and with maturity date from 5 up to 10 years account for 69.4% of the total nominal value.

8.7 Pending litigations

In the third quarter of 2014, the number of the legal proceedings pending before courts, arbitration bodies or public administration authorities in respect of the Group's liabilities was 560 with the total value amounting to PLN 1,122.6 million. The number of legal proceedings in respect of receivables was 9,993 with the total value of PLN 1,057.9 million.

In the third quarter of 2014, there were no legal proceedings relating to the liabilities and/or receivables of the Group in which asserted claims accounted for at least 10% of the Bank's own funds.

In the opinion of the Bank none of the individual pending proceedings before any courts, arbitration bodies or public administration authorities during the third quarter of 2014, nor the proceedings in aggregate pose any threat to the Bank's financial liquidity.

8.8 Subsequent events

No significant events occurred after the balance sheet date which were not reflected in the financial statements.

Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the three quarters of 2014



Warsaw, November 2014

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

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Consolidated income statement

(in PLN thousand)

| | NOTE | 3 QUARTERS 2014 PERIOD FROM 01.01.2014 TO 30.09.2014 | | | 3 QUARTERS 2013 PERIOD FROM 01.01.2013 TO 30.09.2013 RESTATED | | |
|---|------|---|----------------------------|--------------------|--|----------------------------|--------------------|
| | | CONTINUED OPERATIONS | DISCONTINUED OPERATIONS | TOTAL | CONTINUED OPERATIONS | DISCONTINUED OPERATIONS | TOTAL |
| Interest income | 8 | 4 750 316 | - | 4 750 316 | 5 099 465 | 93 348 | 5 192 813 |
| Interest expense | 8 | (1 346 393) | - | (1 346 393) | (1 791 244) | (31 674) | (1 822 918) |
| Net interest income | | 3 403 923 | - | 3 403 923 | 3 308 221 | 61 674 | 3 369 895 |
| Fee and commission income | 9 | 1 908 935 | - | 1 908 935 | 1 960 420 | 19 175 | 1 979 595 |
| Fee and commission expense | 9 | (364 850) | - | (364 850) | (376 339) | (8 003) | (384 342) |
| Net fee and commission income | | 1 544 085 | - | 1 544 085 | 1 584 081 | 11 172 | 1 595 253 |
| Dividend income | 10 | 8 298 | - | 8 298 | 6 756 | - | 6 756 |
| Result on financial assets and liabilities held for trading | 11 | 321 722 | - | 321 722 | 353 950 | (2 350) | 351 600 |
| Result on fair value hedge accounting | 28 | (15 715) | - | (15 715) | (11 355) | - | (11 355) |
| Gains (losses) on disposal of: | 12 | 130 524 | - | 130 524 | 246 382 | - | 246 382 |
| loans and other financial receivables | | 1 084 | - | 1 084 | (81) | - | (81) |
| available for sale financial assets and held to maturity investments | | 129 455 | - | 129 455 | 249 678 | - | 249 678 |
| financial liabilities | | (15) | - | (15) | (3 215) | - | (3 215) |
| Operating income | | 5 392 837 | - | 5 392 837 | 5 488 035 | 70 496 | 5 558 531 |
| Net impairment losses on financial assets and off-balance sheet commitments: | 16 | (424 362) | - | (424 362) | (489 187) | (5 215) | (494 402) |
| loans and other financial receivables | | (453 457) | - | (453 457) | (450 920) | (5 215) | (456 135) |
| off-balance sheet commitments | | 29 095 | - | 29 095 | (38 267) | - | (38 267) |
| Net result on financial activity | | 4 968 475 | - | 4 968 475 | 4 998 848 | 65 281 | 5 064 129 |
| Administrative expenses | 13 | (2 339 172) | - | (2 339 172) | (2 346 083) | (42 459) | (2 388 542) |
| personnel expenses | | (1 435 352) | - | (1 435 352) | (1 414 173) | (21 145) | (1 435 318) |
| other administrative expenses | | (903 820) | - | (903 820) | (931 910) | (21 314) | (953 224) |
| Depreciation and amortization | 14 | (245 257) | - | (245 257) | (257 342) | (2 696) | (260 038) |
| Net result on other provisions | | (3 051) | - | (3 051) | (3 380) | - | (3 380) |
| Net other operating income and expenses | 15 | 69 251 | - | 69 251 | 73 613 | 1 210 | 74 823 |
| Operating costs | | (2 518 229) | - | (2 518 229) | (2 533 192) | (43 945) | (2 577 137) |
| Gains (losses) on subsidiaries and associates | 17 | 50 013 | - | 50 013 | 41 497 | - | 41 497 |
| Gains (losses) on disposal of property, plant and equipment, and intangible assets | 18 | (421) | - | (421) | 18 922 | - | 18 922 |
| Profit before income tax | | 2 499 838 | - | 2 499 838 | 2 526 075 | 21 336 | 2 547 411 |
| Income tax expense | 19 | (466 257) | - | (466 257) | (487 570) | (3 854) | (491 424) |
| Net profit for the period | | 2 033 581 | - | 2 033 581 | 2 038 505 | 17 482 | 2 055 987 |
| 1. Attributable to equity holders of the Bank | | 2 023 691 | - | 2 023 691 | 2 031 714 | 17 482 | 2 049 196 |
| 2. Attributable to non-controlling interests | | 9 890 | - | 9 890 | 6 791 | - | 6 791 |
| Earnings per share (in PLN per share) | 20 | | | | | | |
| basic for the period | | 7.71 | - | 7.71 | 7.74 | 0.07 | 7.81 |
| diluted for the period | | 7.71 | - | 7.71 | 7.74 | 0.07 | 7.81 |

Notes to the financial statements presented on pages 12 – 99 and annexes to the financial statements presented on pages I - VII constitute an integral part of the condensed consolidated interim financial statements.

Consolidated income statement

(in PLN thousand)

| | NOTE | III QUARTER 2014 PERIOD FROM 01.07.2014 TO 30.09.2014 | | | III QUARTER 2013 PERIOD FROM 01.07.2013 TO 30.09.2013 RESTATED | | |
|---|------|--|----------------------------|------------------|---|----------------------------|------------------|
| | | CONTINUED OPERATIONS | DISCONTINUED OPERATIONS | TOTAL | CONTINUED OPERATIONS | DISCONTINUED OPERATIONS | TOTAL |
| Interest income | 8 | 1 594 530 | - | 1 594 530 | 1 574 875 | 5 877 | 1 580 752 |
| Interest expense | 8 | (460 586) | - | (460 586) | (483 123) | (2 199) | (485 322) |
| Net interest income | | 1 133 944 | - | 1 133 944 | 1 091 752 | 3 678 | 1 095 430 |
| Fee and commission income | 9 | 612 307 | - | 612 307 | 668 109 | 1 556 | 669 665 |
| Fee and commission expense | 9 | (107 285) | - | (107 285) | (131 860) | (1 385) | (133 245) |
| Net fee and commission income | | 505 022 | - | 505 022 | 536 249 | 171 | 536 420 |
| Dividend income | 10 | 109 | - | 109 | 5 | - | 5 |
| Result on financial assets and liabilities held for trading | 11 | 105 102 | - | 105 102 | 124 089 | 252 | 124 341 |
| Result on fair value hedge accounting | 28 | (1 598) | - | (1 598) | (4 320) | - | (4 320) |
| Gains (losses) on disposal of: | 12 | 94 620 | - | 94 620 | 39 426 | - | 39 426 |
| loans and other financial receivables | | - | - | - | - | - | - |
| available for sale financial assets and held to maturity investments | | 94 618 | - | 94 618 | 39 191 | - | 39 191 |
| financial liabilities | | 2 | - | 2 | 235 | - | 235 |
| Operating income | | 1 837 199 | - | 1 837 199 | 1 787 201 | 4 101 | 1 791 302 |
| Net impairment losses on financial assets and off-balance sheet commitments: | 16 | (134 194) | - | (134 194) | (169 765) | 428 | (169 337) |
| loans and other financial receivables | | (173 182) | - | (173 182) | (139 292) | 428 | (138 864) |
| off-balance sheet commitments | | 38 988 | - | 38 988 | (30 473) | - | (30 473) |
| Net result on financial activity | | 1 703 005 | - | 1 703 005 | 1 617 436 | 4 529 | 1 621 965 |
| Administrative expenses | 13 | (778 424) | - | (778 424) | (780 431) | (2 945) | (783 376) |
| personnel expenses | | (479 962) | - | (479 962) | (473 272) | (1 238) | (474 510) |
| other administrative expenses | | (298 462) | - | (298 462) | (307 159) | (1 707) | (308 866) |
| Depreciation and amortization | 14 | (82 263) | - | (82 263) | (84 518) | (146) | (84 664) |
| Net result on other provisions | | 99 | - | 99 | (1 065) | - | (1 065) |
| Net other operating income and expenses | 15 | 12 677 | - | 12 677 | 37 229 | (138) | 37 091 |
| Operating costs | | (847 911) | - | (847 911) | (828 785) | (3 229) | (832 014) |
| Gains (losses) on subsidiaries and associates | 17 | 15 320 | - | 15 320 | 13 808 | - | 13 808 |
| Gains (losses) on disposal of property, plant and equipment, and intangible assets | 18 | 122 | - | 122 | 1 905 | - | 1 905 |
| Profit before income tax | | 870 536 | - | 870 536 | 804 364 | 1 300 | 805 664 |
| Income tax expense | 19 | (165 454) | - | (165 454) | (154 336) | 29 | (154 307) |
| Net profit for the period | | 705 082 | - | 705 082 | 650 028 | 1 329 | 651 357 |
| 1. Attributable to equity holders of the Bank | | 704 370 | - | 704 370 | 647 537 | 1 329 | 648 866 |
| 2. Attributable to non-controlling interests | | 712 | - | 712 | 2 491 | - | 2 491 |
| Earnings per share (in PLN per share) | 20 | | | | | | |
| basic for the period | | 2.68 | - | 2.68 | 2.46 | 0.01 | 2.47 |
| diluted for the period | | 2.68 | - | 2.68 | 2.46 | 0.01 | 2.47 |

Notes to the financial statements presented on pages 12 – 99 and annexes to the financial statements presented on pages I - VII constitute an integral part of the condensed consolidated interim financial statements.

Consolidated statement of comprehensive income

(in PLN thousand)

| | NOTE | III QUARTER 2014 PERIOD FROM 01.07.2014 TO 30.09.2014 | 3 QUARTERS 2014 PERIOD FROM 01.01.2014 TO 30.09.2014 | III QUARTER 2013 PERIOD FROM 01.07.2013 TO 30.09.2013 RESTATED | 3 QUARTERS 2013 PERIOD FROM 01.01.2013 TO 30.09.2013 RESTATED |
|---|------|--|---|--|---|
| Net profit for the period | | 705 082 | 2 033 581 | 651 357 | 2 055 987 |
| 1. Attributable to equity holders of the Bank | | 704 370 | 2 023 691 | 648 866 | 2 049 196 |
| 2. Attributable to non-controlling interests | | 712 | 9 890 | 2 491 | 6 791 |
| Other comprehensive income | | | | | |
| Item that are or may be reclassified subsequently to profit or loss: | | | | | |
| Foreign currency translation differences | | (8) | 3 | (1 511) | 25 697 |
| Change in fair value of available-for-sale financial assets | | 127 131 | 486 990 | (118 201) | (584 935) |
| Change in fair value of cash flow hedges | | 74 877 | 176 599 | 69 742 | 38 568 |
| Tax on items that are or may be reclassified subsequently to profit or loss | 19 | (38 381) | (126 082) | 9 428 | 98 924 |
| 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) | | 163 619 | 537 510 | (40 542) | (421 746) |
| Total comprehensive income | | 868 701 | 2 571 091 | 610 815 | 1 634 241 |
| 1. Attributable to equity holders of the Bank | | 867 989 | 2 561 201 | 608 324 | 1 627 450 |
| 2. Attributable to non-controlling interests | | 712 | 9 890 | 2 491 | 6 791 |

Notes to the financial statements presented on pages 12 – 99 and annexes to the financial statements presented on pages I - VII constitute an integral part of the condensed consolidated interim financial statements.

Consolidated statement of financial position

(in PLN thousand)

| | NOTE | 30.09.2014 | 31.12.2013 | 30.09.2013 RESTATED |
|--|------|--------------------|--------------------|------------------------|
| ASSETS | | | | |
| Cash and due from Central Bank | 22 | 3 896 916 | 4 191 229 | 7 154 809 |
| Bill of exchange eligible for rediscounting at Central Bank | | 110 | 230 | 245 |
| Loans and advances to banks | 23 | 6 462 833 | 7 547 785 | 7 514 396 |
| Financial assets held for trading | 24 | 529 245 | 188 377 | 1 346 976 |
| Derivative financial instruments (held for trading) | 25 | 3 437 874 | 1 996 934 | 2 078 056 |
| Loans and advances to customers | 26 | 107 526 519 | 101 012 515 | 98 352 912 |
| Receivables from finance leases | 27 | 3 009 759 | 2 931 248 | 2 715 494 |
| Hedging instruments | 28 | 407 148 | 250 186 | 244 749 |
| Investments (placement) securities | 29 | 32 661 154 | 34 995 737 | 26 169 409 |
| 1. Available for sale | | 31 082 243 | 33 033 967 | 23 902 772 |
| 2. Held to maturity | | 1 578 911 | 1 961 770 | 2 266 637 |
| Assets held for sale | 30 | 32 684 | 45 864 | 62 430 |
| Investments in associates | | 171 070 | 176 002 | 158 074 |
| Intangible assets | 31 | 605 895 | 626 571 | 619 188 |
| Property, plant and equipment | 32 | 1 541 236 | 1 589 636 | 1 646 901 |
| Investment properties | | 40 876 | 31 131 | 31 412 |
| Income tax assets | | 866 330 | 995 766 | 968 515 |
| 1. Current tax assets | | 1 232 | 100 446 | 74 051 |
| 2. Deferred tax assets | | 865 098 | 895 320 | 894 464 |
| Other assets | | 2 562 188 | 1 942 501 | 1 930 032 |
| TOTAL ASSETS | | 163 751 837 | 158 521 712 | 150 993 598 |
| EQUITY AND LIABILITIES | | | | |
| Liabilities | | | | |
| Amounts due to Central Bank | 22 | 965 | 985 | 975 |
| Amounts due to other banks | 34 | 8 391 931 | 6 417 657 | 9 076 566 |
| Financial liabilities held for trading | 24 | 238 874 | 309 742 | 467 064 |
| Derivative financial instruments (held for trading) | 25 | 3 442 736 | 2 051 501 | 2 093 360 |
| Amounts due to customers | 35 | 120 281 209 | 119 796 706 | 110 537 473 |
| Hedging instruments | 28 | 1 230 210 | 1 007 884 | 1 201 272 |
| Fair value hedge adjustments of hedged items due to interest rate risk | | - | 2 084 | 3 372 |
| Debt securities issued | 36 | 4 105 141 | 3 063 737 | 2 611 787 |
| Liabilities associated with assets held for sale | 30 | - | - | - |
| Income tax liabilities | | 82 181 | 5 016 | 4 637 |
| 1. Current tax liabilities | | 79 764 | 1 753 | 1 785 |
| 2. Deferred tax liabilities | | 2 417 | 3 263 | 2 852 |
| Provisions | 37 | 374 520 | 393 537 | 392 158 |
| Other liabilities | | 2 202 049 | 1 958 692 | 1 799 318 |
| TOTAL LIABILITIES | | 140 349 816 | 135 007 541 | 128 187 982 |
| Equity | | | | |
| Share capital | | 262 470 | 262 470 | 262 470 |
| Other capital and reserves | | 21 038 168 | 20 564 611 | 20 593 967 |
| Retained earnings and profit for the period | | 2 073 852 | 2 592 802 | 1 858 284 |
| Total equity attributable to equity holders of the Bank | | 23 374 490 | 23 419 883 | 22 714 721 |
| Non - controlling interests | | 27 531 | 94 288 | 90 895 |
| TOTAL EQUITY | | 23 402 021 | 23 514 171 | 22 805 616 |
| TOTAL LIABILITIES AND EQUITY | | 163 751 837 | 158 521 712 | 150 993 598 |

Notes to the financial statements presented on pages 12 – 99 and annexes to the financial statements presented on pages I - VII constitute an integral part of the condensed consolidated interim financial statements.

Consolidated statement of changes in equity

(in PLN thousand)

For the period from 1 January 2014 to 30 September 2014

| | EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK | | | | | | | | | | | TOTAL EQUITY |
|--|---|----------------------------------|---------------|---------------------------|-----------------------|----------------------|--|---------|---|---|---------------------------|--------------|
| | SHARE CAPITAL | OTHER CAPITAL AND RESERVES | | | | | | | RETAINED EARNINGS AND PROFIT FOR THE PERIOD | TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK | NON-CONTROLLING INTERESTS | |
| | | TOTAL OTHER CAPITAL AND RESERVES | SHARE PREMIUM | GENERAL BANKING RISK FUND | OTHER RESERVE CAPITAL | REVALUATION RESERVES | FOREIGN CURRENCY TRANSLATION DIFFERENCES | OTHER | | | | |
| Equity as at 1.01.2014 | 262 470 | 20 564 611 | 9 137 221 | 1 937 850 | 9 070 200 | 50 117 | 1 238 | 367 985 | 2 592 802 | 23 419 883 | 94 288 | 23 514 171 |
| Management options | - | 184 | - | - | - | - | - | 184 | - | 184 | - | 184 |
| Options exercised (share issue) | - | - | - | - | - | - | - | - | - | - | - | - |
| Revaluation of management options | - | 184 | - | - | - | - | - | 184 | - | 184 | - | 184 |
| Comprehensive income | - | 537 510 | - | - | - | 537 507 | 3 | - | 2 023 691 | 2 561 201 | 9 890 | 2 571 091 |
| Remeasurements of the defined benefit liabilities (net of tax) | - | - | - | - | - | - | - | - | - | - | - | - |
| Revaluation of available-for-sale investments (net of tax) | - | 394 462 | - | - | - | 394 462 | - | - | - | 394 462 | - | 394 462 |
| Revaluation of hedging financial instruments (net of tax) | - | 143 045 | - | - | - | 143 045 | - | - | - | 143 045 | - | 143 045 |
| Foreign currency translation differences | - | 3 | - | - | - | - | 3 | - | - | 3 | - | 3 |
| Net profit for the period | - | - | - | - | - | - | - | - | 2 023 691 | 2 023 691 | 9 890 | 2 033 581 |
| Appropriation of retained earnings | - | (71 561) | - | - | (74 942) | - | - | 3 381 | (2 542 641) | (2 614 202) | (4 823) | (2 619 025) |
| Dividend paid | - | - | - | - | - | - | - | - | (2 614 202) | (2 614 202) | (4 823) | (2 619 025) |
| Profit appropriation to other reserves including consolidation adjustments | - | (71 561) | - | - | (74 942) | - | - | 3 381 | 71 561 | - | - | - |
| Other | - | 7 424 | - | - | 7 424 | - | - | - | - | 7 424 | (71 824) | (64 400) |
| Acquisition of non-controlling interests | - | 7 424 | - | - | 7 424 | - | - | - | - | 7 424 | (71 824) | (64 400) |
| Equity as at 30.09.2014 | 262 470 | 21 038 168 | 9 137 221 | 1 937 850 | 9 002 682 | 587 624 | 1 241 | 371 550 | 2 073 852 | 23 374 490 | 27 531 | 23 402 021 |

Notes to the financial statements presented on pages 12 – 99 and annexes to the financial statements presented on pages I - VII constitute an integral part of the condensed consolidated interim financial statements.

Consolidated statement of changes in equity (cont)

(in PLN thousand)

For the period from 1 January 2013 to 31 December 2013

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

Notes to the financial statements presented on pages 12 – 99 and annexes to the financial statements presented on pages I - VII constitute an integral part of the condensed consolidated interim financial statements.

Consolidated statement of changes in equity (cont)

(in PLN thousand)

For the period from 1 January 2013 to 30 September 2013

| | EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK | | | | | | | | | | | TOTAL EQUITY |
|--|---|----------------------------------|---------------|---------------------------|-----------------------|----------------------|--|----------|---|---|---------------------------|--------------|
| | SHARE CAPITAL | OTHER CAPITAL AND RESERVES | | | | | | | RETAINED EARNINGS AND PROFIT FOR THE PERIOD | TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK | NON-CONTROLLING INTERESTS | |
| | | TOTAL OTHER CAPITAL AND RESERVES | SHARE PREMIUM | GENERAL BANKING RISK FUND | OTHER RESERVE CAPITAL | REVALUATION RESERVES | FOREIGN CURRENCY TRANSLATION DIFFERENCES | OTHER | | | | |
| Equity as at 1.01.2013 | 262 470 | 20 011 970 | 9 137 221 | 1 737 850 | 8 364 152 | 508 021 | (128 768) | 393 494 | 2 896 975 | 23 171 415 | 92 237 | 23 263 652 |
| Management options | - | 4 579 | - | - | - | - | - | 4 579 | - | 4 579 | (6) | 4 573 |
| Options exercised (share issue) | - | - | - | - | - | - | - | - | - | - | - | - |
| Revaluation of management options | - | 4 579 | - | - | - | - | - | 4 579 | - | 4 579 | (6) | 4 573 |
| Comprehensive income | - | (429 685) | - | - | - | (442 557) | 12 872 | - | 2 057 135 | 1 627 450 | 6 791 | 1 634 241 |
| Remeasurements of the defined benefit liabilities (net of tax) | - | - | - | - | - | - | - | - | - | - | - | - |
| Revaluation of available-for-sale investments (net of tax) | - | (473 797) | - | - | - | (473 797) | - | - | - | (473 797) | - | (473 797) |
| Revaluation of hedging financial instruments (net of tax) | - | 31 240 | - | - | - | 31 240 | - | - | - | 31 240 | - | 31 240 |
| Foreign currency translation differences | - | 12 872 | - | - | - | - | 12 872 | - | 7 939 | 20 811 | - | 20 811 |
| Net profit for the period | - | - | - | - | - | - | - | - | 2 049 196 | 2 049 196 | 6 791 | 2 055 987 |
| Appropriation of retained earnings | - | 707 256 | - | 200 000 | 489 581 | - | - | 17 675 | (2 909 380) | (2 202 124) | (8 127) | (2 210 251) |
| Dividend paid | - | - | - | - | - | - | - | - | (2 202 124) | (2 202 124) | (8 127) | (2 210 251) |
| Profit appropriation | - | 707 256 | - | 200 000 | 489 581 | - | - | 17 675 | (707 256) | - | - | - |
| Other | - | 299 847 | - | - | 215 905 | - | 117 266 | (33 324) | (186 446) | 113 401 | - | 113 401 |
| Sale of net assets of PJSC UniCredit Bank | - | 297 757 | - | - | 213 815 | - | 117 266 | (33 324) | (184 356) | 113 401 | - | 113 401 |
| Other consolidation adjustments | - | 2 090 | - | - | 2 090 | - | - | - | (2 090) | - | - | - |
| Equity as at 30 September 2013 | 262 470 | 20 593 967 | 9 137 221 | 1 937 850 | 9 069 638 | 65 464 | 1 370 | 382 424 | 1 858 284 | 22 714 721 | 90 895 | 22 805 616 |

Notes to the financial statements presented on pages 12 – 99 and annexes to the financial statements presented on pages I - VII constitute an integral part of the condensed consolidated interim financial statements.

Consolidated cash flow statement

(in PLN thousand)

| | NOTE | III QUARTER 2014 PERIOD FROM 01.07.2014 TO 30.09.2014 | 3 QUARTERS 2014 PERIOD FROM 01.01.2014 TO 30.09.2014 | III QUARTER 2013 PERIOD FROM 01.07.2013 TO 30.09.2013 RESTATED | 3 QUARTERS 2013 PERIOD FROM 01.01.2013 TO 30.09.2013 RESTATED |
|---|------|--|---|--|---|
| Cash flow from operating activities – indirect method | | | | | |
| Net profit for the period | | 704 370 | 2 023 691 | 648 866 | 2 049 196 |
| Adjustments for: | | 3 550 892 | (5 131 905) | 2 276 419 | 190 212 |
| Depreciation and amortization | 14 | 82 263 | 245 257 | 82 996 | 256 416 |
| Share of profit (loss) of associates | | (15 320) | (50 013) | (13 808) | (41 498) |
| (Gains) losses on investing activities | | (94 633) | (128 927) | (23 731) | (251 235) |
| Net interest income | | (1 133 944) | (3 403 923) | (1 095 430) | (3 369 895) |
| Dividend income | 10 | (109) | (8 298) | (5) | (6 756) |
| Interest received | | 1 546 921 | 4 634 362 | 1 580 011 | 5 172 033 |
| Interest paid | | (455 381) | (1 353 918) | (596 243) | (2 007 311) |
| Income tax | | 166 631 | 467 102 | 193 992 | 498 036 |
| Income tax paid | | (183 410) | (395 154) | (201 126) | (607 586) |
| Change in loans and advances to banks | | (49 564) | 271 537 | (227 488) | (631 612) |
| Change in financial assets held for trading | | 455 051 | (342 188) | (3 607) | (745 184) |
| Change in derivative financial instruments (assets) | | (716 640) | (1 440 940) | 320 438 | 571 041 |
| Change in loans and advances to customers and bill of exchange eligible for rediscounting at Central Bank | | (780 816) | (6 440 547) | (1 606 366) | (3 268 358) |
| Change in receivables from finance leases | | (24 176) | (78 511) | (18 966) | 2 437 |
| Change in investment (placement) securities | | (393 073) | (873 865) | (73 697) | (727 898) |
| Change in other assets | | (279 961) | (536 160) | 2 479 313 | 2 280 376 |
| Change in amounts due to banks | | 1 730 807 | 1 975 429 | 3 864 720 | 1 298 941 |
| Change in financial liabilities held for trading | | 14 869 | (70 868) | 53 503 | 220 486 |
| Change in derivative financial instruments (liabilities) | | 709 097 | 1 391 235 | (287 953) | (527 438) |
| Change in amounts due to customers | | 5 565 211 | 501 212 | 1 632 189 | 2 675 475 |
| Change in debt securities issued | | (13 018) | 123 432 | 3 334 | 15 655 |
| Change in provisions | | (35 562) | (19 017) | 36 986 | 32 652 |
| Change in other liabilities | | (2 544 351) | 400 858 | (3 822 643) | (648 565) |
| Net cash flows from operating activities | | 4 255 262 | (3 108 214) | 2 925 285 | 2 239 408 |
| Cash flow from investing activities | | | | | |
| Investing activity inflows | | 96 198 546 | 275 013 202 | 108 955 703 | 332 593 686 |
| Sale of investment securities | | 96 032 241 | 274 423 703 | 108 803 953 | 331 956 498 |
| Sale of intangible assets and property, plant and equipment | | 1 540 | 3 062 | 1 863 | 4 927 |
| Dividend received | 10 | 109 | 8 298 | 5 | 6 756 |
| Other investing inflows | | 164 656 | 578 139 | 149 882 | 625 505 |
| Investing activity outflows | | (102 508 438) | (271 240 056) | (105 663 892) | (329 736 627) |
| Acquisition of investment securities | | (102 427 558) | (271 076 397) | (105 612 990) | (329 549 380) |
| Acquisition of intangible assets and property, plant and equipment | | (80 880) | (163 659) | (50 902) | (187 247) |
| Net cash flows from investing activities | | (6 309 892) | 3 773 146 | 3 291 811 | 2 857 059 |

Notes to the financial statements presented on pages 12 - 99 and annexes to the financial statements presented on pages I - VII constitute an integral part of the condensed consolidated interim financial statements.

Consolidated cash flow statement (cont)

(in PLN thousand)

| | NOTE | III QUARTER 2014 PERIOD FROM 01.07.2014 TO 30.09.2014 | 3 QUARTERS 2014 PERIOD FROM 01.01.2014 TO 30.09.2014 | III QUARTER 2013 PERIOD FROM 01.07.2013 TO 30.09.2013 RESTATED | 3 QUARTERS 2013 PERIOD FROM 01.01.2013 TO 30.09.2013 RESTATED |
|---|------|--|---|--|---|
| Cash flows from financing activities | | | | | |
| Financing activity inflows | | 2 242 199 | 4 799 673 | 340 392 | 2 082 273 |
| Issue of debt securities | 36 | 2 242 199 | 4 799 673 | 340 392 | 2 082 273 |
| Financing activity outflows | | (1 767 620) | (6 570 662) | (1 984 264) | (6 397 291) |
| Redemption of debt securities | 36 | (1 703 220) | (3 892 060) | (1 984 264) | (4 195 167) |
| Dividends and other payments to shareholders | | - | (2 614 202) | - | (2 202 124) |
| Acquisition of non-controlling interests | | (64 400) | (64 400) | - | - |
| Net cash flows from financing activities | | 474 579 | (1 770 989) | (1 643 872) | (4 315 018) |
| Total net cash flows | | (1 580 051) | (1 106 057) | 4 573 224 | 781 449 |
| including: effect of exchange rate fluctuations on cash and cash equivalents held | | 62 916 | 82 087 | (95 774) | 55 491 |
| Net change in cash and cash equivalents | | (1 580 051) | (1 106 057) | 4 573 224 | 781 449 |
| Cash and cash equivalents at the beginning of the period | | 11 089 856 | 10 615 862 | 9 023 015 | 12 814 790 |
| Cash and cash equivalents at the end of the period | | 9 509 805 | 9 509 805 | 13 596 239 | 13 596 239 |

Notes to the financial statements presented on pages 12 - 99 and annexes to the financial statements presented on pages I - VII constitute an integral part of the condensed consolidated interim financial statements.

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

Unconsolidated Income Statement of Bank Pekao S.A.

| | III QUARTER 2014 PERIOD FROM 01.07.2014 TO 30.09.2014 | 3 QUARTERS 2014 PERIOD FROM 01.01.2014 TO 30.09.2014 | III QUARTER 2013 PERIOD FROM 01.07.2013 TO 30.09.2013 RESTATED | 3 QUARTERS 2013 PERIOD FROM 01.01.2013 TO 30.09.2013 RESTATED |
|---|--|---|--|---|
| Interest income | 1 547 897 | 4 608 529 | 1 528 893 | 4 965 024 |
| Interest expense | (446 165) | (1 299 741) | (468 295) | (1 754 868) |
| Net interest income | 1 101 732 | 3 308 788 | 1 060 598 | 3 210 156 |
| Fee and commission income | 560 867 | 1 754 625 | 612 869 | 1 798 504 |
| Fee and commission expense | (108 768) | (366 661) | (132 885) | (376 087) |
| Net fee and commission income | 452 099 | 1 387 964 | 479 984 | 1 422 417 |
| Dividend income | 101 | 153 548 | - | 143 779 |
| Result on financial assets and liabilities held for trading | 101 774 | 311 765 | 120 353 | 345 389 |
| Result on fair value hedge accounting | (1 598) | (15 715) | (4 320) | (11 355) |
| Gains (losses) on disposal of: | 93 978 | 129 882 | 39 426 | 246 382 |
| loans and other financial receivables | - | 1 084 | - | (81) |
| available for sale financial assets and held to maturity investments | 93 976 | 128 813 | 39 191 | 249 678 |
| financial liabilities | 2 | (15) | 235 | (3 215) |
| Operating income | 1 748 086 | 5 276 232 | 1 696 041 | 5 356 768 |
| Net impairment losses on financial assets and off-balance sheet commitments: | (130 158) | (408 151) | (165 498) | (456 936) |
| loans and other financial receivables | (168 942) | (436 792) | (135 468) | (434 898) |
| off-balance sheet commitments | 38 784 | 28 641 | (30 030) | (22 038) |
| Net result on financial activity | 1 617 928 | 4 868 081 | 1 530 543 | 4 899 832 |
| Administrative expenses | (734 864) | (2 202 448) | (733 999) | (2 202 482) |
| personnel expenses | (437 682) | (1 304 761) | (427 575) | (1 276 548) |
| other administrative expenses | (297 182) | (897 687) | (306 424) | (925 934) |
| Depreciation and amortization | (77 993) | (231 286) | (80 336) | (244 571) |
| Net result on other provisions | 146 | (1 662) | (1 015) | (3 102) |
| Net other operating income and expenses | 13 513 | 29 627 | 34 335 | 63 815 |
| Operating costs | (799 198) | (2 405 769) | (781 015) | (2 386 340) |
| Gains (losses) on subsidiaries and associates | - | - | 69 972 | 69 972 |
| Gains (losses) on disposal of property, plant and equipment, and intangible assets | 13 | (698) | (361) | 17 339 |
| Profit before income tax | 818 743 | 2 461 614 | 819 139 | 2 600 803 |
| Income tax expense | (158 085) | (446 906) | (159 410) | (477 293) |
| Net profit | 660 658 | 2 014 708 | 659 729 | 2 123 510 |
| Earnings per share (in PLN per share) | | | | |
| basic for the period | 2.52 | 7.68 | 2.51 | 8.09 |
| diluted for the period | 2.52 | 7.68 | 2.51 | 8.09 |

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

Unconsolidated Statement of Comprehensive Income of Bank Pekao S.A.

| | III QUARTER 2014 PERIOD FROM 01.07.2014 TO 30.09.2014 | 3 QUARTERS 2014 PERIOD FROM 01.01.2014 TO 30.09.2014 | III QUARTER 2013 PERIOD FROM 01.07.2013 TO 30.09.2013 RESTATED | 3 QUARTERS 2013 PERIOD FROM 01.01.2013 TO 30.09.2013 RESTATED |
|--|--|---|--|---|
| Net profit | 660 658 | 2 014 708 | 659 729 | 2 123 510 |
| Other comprehensive income | | | | |
| Items that are or may be reclassified subsequently to profit or loss: | | | | |
| Foreign currency translation differences | (8) | 3 | (351) | (18) |
| Change in fair value of available-for-sale financial assets | 127 457 | 486 915 | (118 434) | (584 219) |
| Change in fair value of cash flow hedges | 74 877 | 176 599 | 69 742 | 38 568 |
| Tax on items that are or may be reclassified subsequently to profit or loss | (38 444) | (126 068) | 9 252 | 103 674 |
| 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) | 163 882 | 537 449 | (39 791) | (441 995) |
| Total comprehensive income | 824 540 | 2 552 157 | 619 938 | 1 681 515 |

Unconsolidated statement of financial position

(in PLN thousand)

Unconsolidated Statement of Financial Position of Bank Pekao S.A.

| | 30.09.2014 | 31.12.2013 | 30.09.2013 RESTATED |
|--|--------------------|--------------------|------------------------|
| ASSETS | | | |
| Cash and due from Central Bank | 3 896 907 | 4 191 223 | 7 154 803 |
| Bill of exchange eligible for rediscounting at Central Bank | 110 | 230 | 245 |
| Loans and advances to banks | 6 552 725 | 7 653 801 | 7 556 532 |
| Financial assets held for trading | 541 443 | 188 377 | 1 346 976 |
| Derivative financial instruments (held for trading) | 3 445 140 | 1 999 346 | 2 084 467 |
| Loans and advances to customers | 106 895 407 | 100 569 013 | 97 899 212 |
| Hedging instruments | 407 148 | 250 186 | 244 749 |
| Investment (placement) securities | 32 524 770 | 34 845 508 | 26 017 944 |
| 1. Available for sale | 31 019 472 | 32 956 784 | 23 826 034 |
| 2. Held to maturity | 1 505 298 | 1 888 724 | 2 191 910 |
| Assets held for sale | 32 684 | 32 587 | 32 719 |
| Investments in subsidiaries | 857 513 | 793 113 | 793 113 |
| Investments in associates | 29 427 | 29 427 | 29 427 |
| Intangible assets | 582 599 | 601 571 | 596 233 |
| Property, plant and equipment | 1 522 463 | 1 564 688 | 1 549 050 |
| Investment properties | 24 084 | 25 981 | 26 262 |
| Income tax assets | 656 994 | 777 715 | 745 942 |
| 1. Current tax assets | 116 | 97 549 | 72 152 |
| 2. Deferred tax assets | 656 878 | 680 166 | 673 790 |
| Other assets | 2 386 005 | 1 763 864 | 1 751 388 |
| TOTAL ASSETS | 160 355 419 | 155 286 630 | 147 829 062 |
| EQUITY AND LIABILITIES | | | |
| Liabilities | | | |
| Amounts due to Central Bank | 965 | 985 | 975 |
| Amounts due to other banks | 6 697 258 | 4 754 732 | 7 681 486 |
| Financial liabilities held for trading | 238 874 | 309 742 | 467 064 |
| Derivative financial instruments (held for trading) | 3 446 648 | 2 054 385 | 2 094 581 |
| Amounts due to customers | 120 360 360 | 119 868 743 | 110 352 434 |
| Hedging instruments | 1 230 210 | 1 007 884 | 1 201 272 |
| Fair value hedge adjustments of hedged items due to interest rate risk | - | 2 084 | 3 372 |
| Debt securities issued | 3 094 758 | 2 240 452 | 1 788 946 |
| Income tax liabilities | 78 100 | - | - |
| 1. Current tax liabilities | 78 100 | - | - |
| 2. Deferred tax liabilities | - | - | - |
| Provisions | 371 242 | 391 396 | 390 177 |
| Other liabilities | 2 050 165 | 1 807 524 | 1 647 413 |
| TOTAL LIABILITIES | 137 568 580 | 132 437 927 | 125 627 720 |
| Equity | | | |
| Share capital | 262 470 | 262 470 | 262 470 |
| Other capital and reserves | 20 509 661 | 19 970 192 | 19 999 321 |
| Retained earnings and profit for the period | 2 014 708 | 2 616 041 | 1 939 551 |
| TOTAL EQUITY | 22 786 839 | 22 848 703 | 22 201 342 |
| TOTAL LIABILITIES AND EQUITY | 160 355 419 | 155 286 630 | 147 829 062 |

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

Unconsolidated statement of changes in equity of Bank Pekao S.A

For the period from 1 January 2014 to 30 September 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 | - | 181 | - | - | - | - | - | 181 | - | 181 |
| Options exercised (share issue) | - | - | - | - | - | - | - | - | - | - |
| Revaluation of management options | - | 181 | - | - | - | - | - | 181 | - | 181 |
| Comprehensive income | - | 537 449 | - | - | - | 537 446 | 3 | - | 2 014 708 | 2 552 157 |
| Remeasurements of the defined benefit liabilities (net of tax) | - | - | - | - | - | - | - | - | - | - |
| Revaluation of available-for-sale investments (net of tax) | - | 394 401 | - | - | - | 394 401 | - | - | - | 394 401 |
| Revaluation of hedging financial instruments (net of tax) | - | 143 045 | - | - | - | 143 045 | - | - | - | 143 045 |
| Foreign currency translation differences | - | 3 | - | - | - | - | 3 | - | - | 3 |
| Net profit for the period | - | - | - | - | - | - | - | - | 2 014 708 | 2 014 708 |
| 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 30.09.2014 | 262 470 | 20 509 661 | 9 137 221 | 1 937 850 | 8 612 550 | 587 159 | 1 241 | 233 640 | 2 014 708 | 22 786 839 |

Unconsolidated statement of changes in equity

(in PLN thousand)

For the period from 1 January 2013 to 31 December 2013

| | SHARE CAPITAL | OTHER CAPITAL AND RESERVES | | | | | | | RETAINED EARNINGS AND PROFIT FOR THE PERIOD | TOTAL EQUITY |
|--|------------------|--|------------------|---------------------------------|--------------------------|-------------------------|---|----------------|--|--------------------|
| | | 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 |

Unconsolidated statement of changes in equity

(in PLN thousand)

For the period from 1 January 2013 to 30 September 2013

| | SHARE CAPITAL | OTHER CAPITAL AND RESERVES | | | | | | OTHER | RETAINED EARNINGS AND PROFIT FOR THE PERIOD | TOTAL EQUITY |
|--|---------------|----------------------------------|---------------|---------------------------|-----------------------|----------------------|--|---------|---|--------------|
| | | TOTAL OTHER CAPITAL AND RESERVES | SHARE PREMIUM | GENERAL BANKING RISK FUND | OTHER RESERVE CAPITAL | REVALUATION RESERVES | FOREIGN CURRENCY TRANSLATION DIFFERENCES | | | |
| 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 | - | 4 231 | - | - | - | - | - | 4 231 | - | 4 231 |
| Options exercised (share issue) | - | - | - | - | - | - | - | - | - | - |
| Revaluation of management share options | - | 4 231 | - | - | - | - | - | 4 231 | - | 4 231 |
| Comprehensive income | - | (441 995) | - | - | - | (441 977) | (18) | - | 2 123 510 | 1 681 515 |
| Remeasurements of the defined benefit liabilities (net of tax) | - | - | - | - | - | - | - | - | - | - |
| Revaluation of available-for-sale investments (net of tax) | - | (473 217) | - | - | - | (473 217) | - | - | - | (473 217) |
| Revaluation of hedging financial instruments (net of tax) | - | 31 240 | - | - | - | 31 240 | - | - | - | 31 240 |
| Foreign currency translation differences | - | (18) | - | - | - | - | (18) | - | - | (18) |
| Net profit for the period | - | - | - | - | - | - | - | - | 2 123 510 | 2 123 510 |
| 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 30.09.2013 | 262 470 | 19 999 321 | 9 137 221 | 1 937 850 | 8 610 711 | 64 989 | 1 370 | 247 180 | 1 939 551 | 22 201 342 |

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

Unconsolidated Cash Flow Statement of Bank Pekao S.A.

| | III QUARTER 2014 PERIOD FROM 01.07.2014 TO 30.09.2014 | 3 QUARTERS 2014 PERIOD FROM 01.01.2014 TO 30.09.2014 | III QUARTER 2013 PERIOD FROM 01.07.2013 TO 30.09.2013 RESTATED | 3 QUARTERS 2013 PERIOD FROM 01.01.2013 TO 30.09.2013 RESTATED |
|---|--|---|--|---|
| Cash flow from operating activities – indirect method | | | | |
| Net profit for the period | 660 658 | 2 014 708 | 659 729 | 2 123 510 |
| Adjustments for: | 3 733 202 | (5 085 166) | 1 583 033 | (14 855) |
| Depreciation and amortization | 77 993 | 231 286 | 79 410 | 243 645 |
| (Gains) losses on investing activities | (93 881) | (128 007) | (21 464) | (249 651) |
| Net interest income | (1 101 732) | (3 308 788) | (1 060 598) | (3 210 156) |
| Dividend income | (101) | (153 548) | - | (143 779) |
| Interest received | 1 500 365 | 4 493 202 | 1 528 038 | 4 940 596 |
| Interest paid | (438 998) | (1 308 015) | (576 946) | (1 929 546) |
| Income tax | 158 084 | 446 905 | 169 823 | 438 408 |
| Income tax paid | (178 668) | (382 234) | (186 266) | (575 371) |
| Change in loans and advances to banks | (41 029) | 338 366 | (192 588) | (625 581) |
| Change in financial assets held for trading | 442 853 | (353 204) | (3 607) | (731 008) |
| Change in derivative financial instruments (assets) | (718 372) | (1 445 794) | 324 362 | 566 110 |
| Change in loans and advances to customers and bill of exchange eligible for rediscounting at Central Bank | (683 954) | (6 253 310) | (1 634 403) | (3 045 657) |
| Change in investment (placement) securities | (391 795) | (870 944) | (73 195) | (725 706) |
| Change in other assets | (365 682) | (611 792) | 703 595 | 1 361 348 |
| Change in amounts due to banks | 1 746 371 | 1 943 073 | 3 911 617 | 1 375 732 |
| Change in financial liabilities held for trading | 14 869 | (70 868) | 53 503 | 220 486 |
| Change in derivative financial instruments (liabilities) | 710 904 | 1 392 263 | (290 722) | (534 915) |
| Change in amounts due to customers | 5 597 106 | 509 596 | 1 605 655 | 2 378 167 |
| Change in debt securities issued | (1 510) | (946) | 3 431 | 13 715 |
| Change in provisions | (35 445) | (20 154) | 36 551 | 16 687 |
| Change in other liabilities | (2 464 176) | 467 747 | (2 793 163) | 201 621 |
| Net cash flows from operating activities | 4 393 860 | (3 070 458) | 2 242 762 | 2 108 655 |
| Cash flow from investing activities | | | | |
| Investing activity inflows | 96 126 169 | 275 017 318 | 108 952 558 | 332 612 449 |
| Sale of investment securities | 95 962 375 | 274 343 539 | 108 803 953 | 331 896 297 |
| Sale of intangible assets and property, plant and equipment | 677 | 727 | 76 | 1 831 |
| Dividend received | 101 | 153 548 | - | 143 779 |
| Other investing inflows | 163 016 | 519 504 | 148 529 | 570 542 |
| Investing activity outflows | (102 491 684) | (271 168 031) | (105 610 478) | (329 587 179) |
| Acquisition of investment securities | (102 413 678) | (271 010 898) | (105 564 331) | (329 484 911) |
| Acquisition of intangible assets and property, plant and equipment | (78 006) | (157 133) | (46 147) | (102 268) |
| Net cash flows from investing activities | (6 365 515) | 3 849 287 | 3 342 080 | 3 025 270 |

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

| | III QUARTER 2014 PERIOD FROM 01.07.2014 TO 30.09.2014 | 3QUARTERS 2014 PERIOD FROM 01.01.2014 TO 30.09.2014 | III QUARTER 2013 PERIOD FROM 01.07.2013 TO 30.09.2013 RESTATED | 3 QUARTERS 2013 PERIOD FROM 01.01.2013 TO 30.09.2013 RESTATED |
|---|--|--|--|---|
| Cash flows from financing activities | | | | |
| Financing activity inflows | 2 241 980 | 4 737 040 | 340 900 | 2 063 300 |
| Issue of debt securities | 2 241 980 | 4 737 040 | 340 900 | 2 063 300 |
| Financing activity outflows | (1 767 620) | (6 570 662) | (1 983 370) | (6 410 860) |
| Redemption of debt securities | (1 703 220) | (3 892 060) | (1 983 370) | (4 208 736) |
| Dividends and other payments to shareholders | - | (2 614 202) | - | (2 202 124) |
| Acquisition of shares in subsidiaries | (64 400) | (64 400) | - | - |
| Net cash flows from financing activities | 474 360 | (1 833 622) | (1 642 470) | (4 347 560) |
| Total net cash flows | (1 497 295) | (1 054 793) | 3 942 372 | 786 365 |
| including: effect of exchange rate fluctuations on cash and cash equivalents held | 62 168 | 79 983 | (43 615) | 56 309 |
| Net change in cash and cash equivalents | (1 497 295) | (1 054 793) | 3 942 372 | 786 365 |
| Cash and cash equivalents at the beginning of the period | 11 057 533 | 10 615 031 | 9 663 473 | 12 819 480 |
| Cash and cash equivalents at the end of the period | 9 560 238 | 9 560 238 | 13 605 845 | 13 605 845 |

Notes to financial statements

(in PLN thousand)

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

1. General information

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

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

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

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

2. Group structure

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

| NAME OF ENTITY | LOCATION | CORE ACTIVITY | PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/ VOTING | |
|--|----------|-------------------------|---|------------|
| | | | 30.09.2014 | 31.12.2013 |
| Pekao Bank Hipoteczny S.A. | Warsaw | Banking | 100.00 | 100.00 |
| Centralny Dom Maklerski Pekao S.A. | Warsaw | Brokerage | 100.00 | 100.00 |
| Pekao Leasing Sp. z o.o. (*) | Warsaw | Leasing services | 36.49 | 36.49 |
| Pekao Leasing Holding S.A., including: | Warsaw | Leasing services | 100.00 | 80.10 |
| <i>Pekao Leasing Sp. z o.o.</i> | Warsaw | Leasing services | 63.51 | 50.87 |
| Pekao Faktoring Sp. z o.o. | Lublin | Factoring services | 100.00 | 100.00 |
| Pekao Pioneer Powszechné Towarzystwo Emerytalne S.A. | Warsaw | Pension fund management | 65.00 | 65.00 |
| Centrum Kart S.A. | Warsaw | Financial support | 100.00 | 100.00 |
| Pekao Financial Services Sp. z o.o. | Warsaw | Transfer agent | 100.00 | 100.00 |
| Centrum Bankowości Bezpośredniej Sp. z o.o. | Cracow | Call - center services | 100.00 | 100.00 |
| Pekao Property S.A., including: | Warsaw | Real estate development | 100.00 | 100.00 |
| <i>FPB - Media Sp. z o.o.</i> | Warsaw | Real estate development | 100.00 | - |
| Property Sp. z o.o. (w likwidacji), including: | Warsaw | Pending liquidation | - | 100.00 |
| <i>FPB - Media Sp. z o.o.</i> | Warsaw | Real estate development | - | 100.00 |
| Pekao Fundusz Kapitałowy Sp. z o.o. | Warsaw | Business consulting | 100.00 | 100.00 |
| Pekao Telecentrum Sp. z o.o. (w likwidacji) | Warsaw | Pending liquidation | 100.00 | 100.00 |

(*)The total share of the Group in Pekao Leasing Sp. z o.o. equity is 100.00% (36.49% directly and 63.51% via Pekao Leasing Holding S.A.).

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

Notes to financial statements (cont)

(in PLN thousand)

Associates

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

| NAME OF ENTITY | LOCATION | CORE ACTIVITY | PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/ VOTING | |
|---|---------------------------------|-------------------------------------|---|------------|
| | | | 30.09.2014 | 31.12.2013 |
| Dom Inwestycyjny Xelion Sp. z o.o. (*) | Warsaw | Financial intermediary | 50.00 | 50.00 |
| Pioneer Pekao Investment Management S.A. | Warsaw | Asset management | 49.00 | 49.00 |
| Krajowa Izba Rozliczeniowa S.A. (**) | Warsaw | Clearing house | 34.44 | 34.44 |
| CPF Management | Tortola, British Virgin Islands | Financial brokerage – not operating | 40.00 | 40.00 |
| Polish Banking System S.A. (in liquidation) | Warsaw | Pending liquidation | 48.90 | 48.90 |
| PPU Budpress Sp. z o.o. (in liquidation) | Żyrardów | Pending liquidation | 36.20 | 36.20 |

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

(**) The Group's ownership rights in voting is 15.00%.

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

Changes in the Group structure

Merger of Pekao Property S.A. with Property Sp. z o.o. w likwidacji

On 26 September 2014 Pekao Property S.A. (the acquiring entity) merged with Property Sp. z o.o. w likwidacji (the acquired entity). The main purpose of the transaction was to decrease general costs of the combined entities.

For the merger purposes, Pekao Property S.A. issued shares that was taken up by the Bank, the shareholder of Property Sp. z o.o. w likwidacji, in exchange for the assets of liabilities of Property Sp. z o.o. w likwidacji that was contributed into Pekao Property S.A. As a result of the above transaction, the share capital of Pekao Property S.A. was increased by PLN 16 046 thousand through the issue of 160 464 shares with a nominal value of PLN 100 each share.

The merger transaction was classified as intragroup transaction and recognized at book value. Pekao Property S.A. as the acquiring entity recognized the assets and liabilities of the acquired entity at their book values, adjusted exclusively for the purpose of aligning the accounting principles. Pursuant to the transaction, neither goodwill nor badwill was recognized.

The above accounting policy is consistent with the policy of UniCredit Group, adopted by the Group and applicable for business combination under common control.

The assets and liabilities of Property Sp. z o.o. w likwidacji that was contributed to Pekao Property S.A. at the merger day are presented in the below table.

| ITEM | 26 SEPTEMBER 2014 |
|---------------------------------|-------------------|
| Cash | 2 905 |
| Loans and advances to customers | 13 760 |
| Other assets | 48 |
| TOTAL ASSETS | 16 713 |
| Other liabilities | 1 |
| TOTAL LIABILITIES | 1 |
| TOTAL NET ASSETS | 16 712 |

The Group incurred acquisition-related costs of PLN 13 thousand. These costs have been included in "Administrative

Notes to financial statements (cont)

(in PLN thousand)

expenses" in the consolidated income statement.

Acquisition of additional interests in subsidiaries

On 7 August 2014, the Bank acquired the remaining 19.90% of the issued shares of Pekao Leasing Holding S.A. for a purchase consideration of PLN 64 400 thousand. The Group now holds 100% share in the equity of Pekao Leasing Holding S.A. As a result of the transaction the Group also increased its total share in the equity of Pekao Leasing Sp. z o.o. to 100% (36.49% via Bank and 63.51% via Pekao Leasing Holding S.A.). The carrying amount of the non-controlling interests in Pekao Leasing Holding S.A. and Pekao Leasing Sp. z o.o. on the date of acquisition was PLN 71 824 thousand. The Group derecognized non-controlling interests amounting to PLN 71 824 thousand and recorded an increase in equity attributable to equity holders of the Bank amounting to PLN 7 424 thousand.

The effect of changes in the ownership interest of Pekao Leasing Holding S.A. and Pekao Leasing Sp. z o.o. on the equity attributable to equity holders of the Bank during the reporting period is presented in the table below.

| | 3 QUARTERS 2014 | 3 QUARTERS 2013 |
|--|-----------------|-----------------|
| Carrying amount of non-controlling interests acquired | 71 824 | - |
| Consideration paid to non-controlling interests | (64 400) | - |
| Increase in equity attributable to equity holders of the Bank | 7 424 | - |

Notes to financial statements (cont)

(in PLN thousand)

3. Statement of compliance

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

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

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

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

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

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

These condensed consolidated interim financial statements were authorized for issue by the Management Board on 7th November 2014.

4. Significant accounting policies

General information

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

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

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

Notes to financial statements (cont)

(in PLN thousand)

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

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

The financial statements do not take into account amendments to standards and interpretations that are awaiting approval by the European Union or have been approved by the European Union, but are not yet binding (Annex 2 and Annex 3 to the Financial Statements).

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

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

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

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

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

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

Notes to financial statements (cont)

(in PLN thousand)

Comparative data

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

Due to introduction of the changes the comparative data of the Group for the three quarters of 2013 and the third quarter of 2013 and as at 30 September 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 three quarters of 2013 by the amount of PLN 13 530 thousand and a decrease of the total equity as at 30 September 2013 by the amount of PLN 208 660 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 September 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 three quarters of 2013.

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

Consolidated statement of financial position

| ASSETS | 30.09.2013 (BEFORE RESTATEMENT) | RESTATEMENT | 30.09.2013 (AFTER RESTATEMENT) |
|---------------------------------|---------------------------------------|------------------|--------------------------------------|
| Loans and advances to customers | 98 610 517 | (257 605) | 98 352 912 |
| Deferred tax assets | 845 519 | 48 945 | 894 464 |
| Other assets | 51 746 222 | - | 51 746 222 |
| TOTAL ASSETS | 151 202 258 | (208 660) | 150 993 598 |

| LIABILITIES | 30.09.2013 (BEFORE RESTATEMENT) | RESTATEMENT | 30.09.2013 (AFTER RESTATEMENT) |
|--------------------------|---------------------------------------|-------------|--------------------------------------|
| Liabilities | | | |
| TOTAL LIABILITIES | 128 187 982 | - | 128 187 982 |

| EQUITY | 30.09.2013 (BEFORE RESTATEMENT) | RESTATEMENT | 30.09.2013 (AFTER RESTATEMENT) |
|--|---------------------------------------|------------------|--------------------------------------|
| Share capital | 262 470 | - | 262 470 |
| Other capital and reserves | 20 605 138 | (11 171) | 20 593 967 |
| Retained earnings and profit for the period | 2 055 773 | (197 489) | 1 858 284 |
| Total equity attributable to equity holders of the Bank | 22 923 381 | (208 660) | 22 714 721 |
| Non - controlling interests | 90 895 | - | 90 895 |
| TOTAL EQUITY | 23 014 276 | (208 660) | 22 805 616 |
| TOTAL LIABILITIES AND EQUITY | 151 202 258 | (208 660) | 150 993 598 |

Notes to financial statements (cont)

(in PLN thousand)

Consolidated income statement

| | 3 QUARTERS 2013 PERIOD FROM 01.01.2013 TO 30.09.2013 CONTINUED AND DISCONTINUED OPERATIONS (BEFORE RESTATEMENT) | RESTATEMENT | 3 QUARTERS 201 PERIOD FROM 01.01.2013 TO 30.09.2013 CONTINUED AND DISCONTINUED OPERATIONS (AFTER RESTATEMENT) |
|---|--|------------------|--|
| Interest income | 5 103 666 | 89 147 | 5 192 813 |
| Interest expense | (1 822 918) | - | (1 822 918) |
| Net interest income | 3 280 748 | 89 147 | 3 369 895 |
| Fee and commission income | 2 085 446 | (105 851) | 1 979 595 |
| Fee and commission expense | (384 342) | - | (384 342) |
| Net fee and commission income | 1 701 104 | (105 851) | 1 595 253 |
| Dividend income | 6 756 | - | 6 756 |
| Result on financial assets and liabilities held for trading | 351 600 | - | 351 600 |
| Result on fair value hedge accounting | (11 355) | - | (11 355) |
| Gains (losses) on disposal of: | 246 382 | - | 246 382 |
| loans and other financial receivables | (81) | - | (81) |
| available for sale financial assets and held to maturity investments | 249 678 | - | 249 678 |
| financial liabilities | (3 215) | - | (3 215) |
| Operating income | 5 575 235 | (16 704) | 5 558 531 |
| Net impairment losses on financial assets and off-balance sheet commitments: | (494 402) | - | (494 402) |
| loans and other financial receivables | (456 135) | - | (456 135) |
| off-balance sheet commitments | (38 267) | - | (38 267) |
| Net result on financial activity | 5 080 833 | (16 704) | 5 064 129 |
| Administrative expenses | (2 388 542) | - | (2 388 542) |
| personnel expenses | (1 435 318) | - | (1 435 318) |
| other administrative expenses | (953 224) | - | (953 224) |
| Depreciation and amortization | (260 038) | - | (260 038) |
| Net result on other provisions | (3 380) | - | (3 380) |
| Net other operating income and expenses | 74 823 | - | 74 823 |
| Operating costs | (2 577 137) | - | (2 577 137) |
| Gains (losses) on subsidiaries and associates | 41 497 | - | 41 497 |
| Gains (losses) on disposal of property, plant and equipment, and intangible assets | 18 922 | - | 18 922 |
| Profit before income tax | 2 564 115 | (16 704) | 2 547 411 |
| Income tax expense | (494 598) | 3 174 | (491 424) |
| Net profit for the period | 2 069 517 | (13 530) | 2 055 987 |
| 1. Attributable to equity holders of the Bank | 2 062 726 | (13 530) | 2 049 196 |
| 2. Attributable to non-controlling interests | 6 791 | - | 6 791 |

| EARNINGS PER SHARE (IN PLN PER SHARE) | | | |
|---------------------------------------|------|--|------|
| basic for the period | 7.86 | | 7.81 |
| diluted for the period | 7.86 | | 7.81 |

Notes to financial statements (cont)

(in PLN thousand)

Consolidated income statement

| | III QUARTER 2013 PERIOD FROM 01.07.2013 TO 30.09.2013 CONTINUED AND DISCONTINUED OPERATIONS (BEFORE RESTATEMENT) | RESTATEMENT | III QUARTER 2013 PERIOD FROM 01.07.2013 TO 30.09.2013 CONTINUED AND DISCONTINUED OPERATIONS (AFTER RESTATEMENT) |
|---|---|-----------------|--|
| Interest income | 1 549 568 | 31 184 | 1 580 752 |
| Interest expense | (485 322) | - | (485 322) |
| Net interest income | 1 064 246 | 31 184 | 1 095 430 |
| Fee and commission income | 708 928 | (39 263) | 669 665 |
| Fee and commission expense | (133 245) | - | (133 245) |
| Net fee and commission income | 575 683 | (39 263) | 536 420 |
| Dividend income | 5 | - | 5 |
| Result on financial assets and liabilities held for trading | 124 341 | - | 124 341 |
| Result on fair value hedge accounting | (4 320) | - | (4 320) |
| Gains (losses) on disposal of: | 39 426 | - | 39 426 |
| loans and other financial receivables | - | - | - |
| available for sale financial assets and held to maturity investments | 39 191 | - | 39 191 |
| financial liabilities | 235 | - | 235 |
| Operating income | 1 799 381 | (8 079) | 1 791 302 |
| Net impairment losses on financial assets and off-balance sheet commitments: | (169 337) | - | (169 337) |
| loans and other financial receivables | (138 864) | - | (138 864) |
| off-balance sheet commitments | (30 473) | - | (30 473) |
| Net result on financial activity | 1 630 044 | (8 079) | 1 621 965 |
| Administrative expenses | (783 376) | - | (783 376) |
| personnel expenses | (474 510) | - | (474 510) |
| other administrative expenses | (308 866) | - | (308 866) |
| Depreciation and amortization | (84 664) | - | (84 664) |
| Net result on other provisions | (1 065) | - | (1 065) |
| Net other operating income and expenses | 37 091 | - | 37 091 |
| Operating costs | (832 014) | - | (832 014) |
| Gains (losses) on subsidiaries and associates | 13 808 | - | 13 808 |
| Gains (losses) on disposal of property, plant and equipment, and intangible assets | 1 905 | - | 1 905 |
| Profit before income tax | 813 743 | (8 079) | 805 664 |
| Income tax expense | (155 842) | 1 535 | (154 307) |
| Net profit for the period | 657 901 | (6 544) | 651 357 |
| 1. Attributable to equity holders of the Bank | 655 410 | (6 544) | 648 866 |
| 2. Attributable to non-controlling interests | 2 491 | - | 2 491 |

| EARNINGS PER SHARE (IN PLN PER SHARE) | | | |
|---------------------------------------|------|--|------|
| basic for the period | 2.50 | | 2.47 |
| diluted for the period | 2.50 | | 2.47 |

Notes to financial statements (cont)

(in PLN thousand)

Consolidated statement of comprehensive income

| | 3 QUARTERS 2013 PERIOD FROM 01.01.2013 TO 30.09.2013 CONTINUED AND DISCONTINUED OPERATIONS (BEFORE RESTATEMENT) | RESTATEMENT | 3 QUARTERS 2013 PERIOD FROM 01.01.2013 TO 30.09.2013 CONTINUED AND DISCONTINUED OPERATIONS (AFTER RESTATEMENT) |
|---|--|-----------------|---|
| Net profit for the period | 2 069 517 | (13 530) | 2 055 987 |
| 1. Attributable to equity holders of the Bank | 2 062 726 | (13 530) | 2 049 196 |
| 2. Attributable to non-controlling interests | 6 791 | - | 6 791 |
| Other comprehensive income | - | - | - |
| Item that are or may be reclassified subsequently to profit or loss: | | | |
| Foreign currency translation differences | 25 697 | - | 25 697 |
| Change in fair value of available-for-sale financial assets | (584 935) | - | (584 935) |
| Change in fair value of cash flow hedges | 38 568 | - | 38 568 |
| Tax on items that are or may be reclassified subsequently to profit or loss | 98 924 | - | 98 924 |
| 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) | (421 746) | - | (421 746) |
| Total comprehensive income | 1 647 771 | (13 530) | 1 634 241 |
| 1. Attributable to equity holders of the Bank | 1 640 980 | (13 530) | 1 627 450 |
| 2. Attributable to non-controlling interests | 6 791 | - | 6 791 |

| | III QUARTER 2013 PERIOD FROM 01.07.2013 TO 30.09.2013 CONTINUED AND DISCONTINUED OPERATIONS (BEFORE RESTATEMENT) | RESTATEMENT | III QUARTER 2013 PERIOD FROM 01.07.2013 TO 30.09.2013 CONTINUED AND DISCONTINUED OPERATIONS (AFTER RESTATEMENT) |
|---|---|----------------|--|
| Net profit for the period | 657 901 | (6 544) | 651 357 |
| 1. Attributable to equity holders of the Bank | 655 410 | (6 544) | 648 866 |
| 2. Attributable to non-controlling interests | 2 491 | - | 2 491 |
| Other comprehensive income | - | - | - |
| Item that are or may be reclassified subsequently to profit or loss: | | | |
| Foreign currency translation differences | (1 511) | - | (1 511) |
| Change in fair value of available-for-sale financial assets | (118 201) | - | (118 201) |
| Change in fair value of cash flow hedges | 69 742 | - | 69 742 |
| Tax on items that are or may be reclassified subsequently to profit or loss | 9 428 | - | 9 428 |
| 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) | (40 542) | - | (40 542) |
| Total comprehensive income | 617 359 | (6 544) | 610 815 |
| 1. Attributable to equity holders of the Bank | 614 868 | (6 544) | 608 324 |
| 2. Attributable to non-controlling interests | 2 491 | - | 2 491 |

Notes to financial statements (cont)

(in PLN thousand)

Consolidated cash flow statement

| | 3 QUARTERS 2013 PERIOD FROM 01.01.2013 TO 30.09.2013 (BEFORE RESTATEMENT) | RESTATEMENT | 3 QUARTERS 2013 PERIOD FROM 01.01.2013 TO 30.09.2013 (BEFORE RESTATEMENT) |
|---|--|-----------------|--|
| Cash flow from operating activities – indirect method | | | |
| Net profit for the period | 2 062 726 | (13 530) | 2 049 196 |
| Adjustments for: | 176 682 | 13 530 | 190 212 |
| Depreciation and amortization | 256 416 | - | 256 416 |
| Share of profit (loss) of associates | (41 498) | - | (41 498) |
| (Gains) losses on investing activities | (251 235) | - | (251 235) |
| Net interest income | (3 369 895) | - | (3 369 895) |
| Dividend income | (6 756) | - | (6 756) |
| Interest received | 5 172 033 | - | 5 172 033 |
| Interest paid | (2 007 311) | - | (2 007 311) |
| Income tax | 501 210 | (3 174) | 498 036 |
| Income tax paid | (607 586) | - | (607 586) |
| Change in loans and advances to banks | (631 612) | - | (631 612) |
| Change in financial assets held for trading | (745 184) | - | (745 184) |
| Change in derivative financial instruments (assets) | 571 041 | - | 571 041 |
| Change in loans and advances to customers and bill of exchange eligible for rediscounting at Central Bank | (3 285 062) | 16 704 | (3 268 358) |
| Change in receivables from finance leases | 2 437 | - | 2 437 |
| Change in investment (placement) securities | (727 898) | - | (727 898) |
| Change in other assets | 2 280 376 | - | 2 280 376 |
| Change in amounts due to banks | 1 298 941 | - | 1 298 941 |
| Change in financial liabilities held for trading | 220 486 | - | 220 486 |
| Change in derivative financial instruments (liabilities) | (527 438) | - | (527 438) |
| Change in amounts due to customers | 2 675 475 | - | 2 675 475 |
| Change in debt securities issued | 15 655 | - | 15 655 |
| Change in provisions | 32 652 | - | 32 652 |
| Change in other liabilities | (648 565) | - | (648 565) |
| Net cash flows from operating activities | 2 239 408 | - | 2 239 408 |
| Cash flow from investing activities | | | |
| Net cash flows from investing activities | 2 857 059 | - | 2 857 059 |
| Cash flows from financing activities | | | |
| Net cash flows from financing activities | (4 315 018) | - | (4 315 018) |
| Total net cash flows | 781 449 | - | 781 449 |
| including: effect of exchange rate fluctuations on cash and cash equivalents held | 55 491 | - | 55 491 |
| Net change in cash and cash equivalents | 781 449 | - | 781 449 |
| Cash and cash equivalents at the beginning of the period | 12 814 790 | - | 12 814 790 |
| Cash and cash equivalents at the end of the period | 13 596 239 | - | 13 596 239 |

Notes to financial statements (cont)

(in PLN thousand)

Unconsolidated statement of financial position

| ASSETS | 30.09.2013 (BEFORE RESTATEMENT) | RESTATEMENT | 30.09.2013 (AFTER RESTATEMENT) |
|---------------------------------|--|--------------------|---|
| Loans and advances to customers | 98 156 817 | (257 605) | 97 899 212 |
| Deferred tax assets | 624 845 | 48 945 | 673 790 |
| Other assets | 49 256 060 | - | 49 256 060 |
| TOTAL ASSETS | 148 037 722 | (208 660) | 147 829 062 |

| LIABILITIES | | | |
|--------------------------|--|--------------------|---|
| Liabilities | 30.09.2013 (BEFORE RASTATEMENT) | RESTATEMENT | 30.09.2013 (AFTER RESTATEMENT) |
| TOTAL LIABILITIES | 125 627 720 | - | 125 627 720 |

| EQUITY | 30.09.2013 (BEFORE RASTATEMENT) | RESTATEMENT | 30.09.2013 (AFTER RESTATEMENT) |
|---|--|--------------------|---|
| Share capital | 262 470 | - | 262 470 |
| Other capital and reserves | 20 010 492 | (11 171) | 19 999 321 |
| Retained earnings and profit for the period | 2 137 040 | (197 489) | 1 939 551 |
| TOTAL EQUITY | 22 410 002 | (208 660) | 22 201 342 |
| TOTAL LIABILITIES AND EQUITY | 148 037 722 | (208 660) | 147 829 062 |

Notes to financial statements (cont)

(in PLN thousand)

Unconsolidated income statement

| | 3 QUARTERS 2013 PERIOD FROM 01.01.2013 TO 30.09.2013 (BEFORE RESTATEMENT) | RESTATEMENT | 3 QUARTERS 2013 PERIOD FROM 01.01.2013 TO 30.09.2013 (AFTER RESTATEMENT) |
|---|--|------------------|---|
| Interest income | 4 875 877 | 89 147 | 4 965 024 |
| Interest expense | (1 754 868) | - | (1 754 868) |
| Net interest income | 3 121 009 | 89 147 | 3 210 156 |
| Fee and commission income | 1 904 355 | (105 851) | 1 798 504 |
| Fee and commission expense | (376 087) | - | (376 087) |
| Net fee and commission income | 1 528 268 | (105 851) | 1 422 417 |
| Dividend income | 143 779 | - | 143 779 |
| Result on financial assets and liabilities held for trading | 345 389 | - | 345 389 |
| Result on fair value hedge accounting | (11 355) | - | (11 355) |
| Gains (losses) on disposal of: | 246 382 | - | 246 382 |
| loans and other financial receivables | (81) | - | (81) |
| available for sale financial assets and held to maturity investments | 249 678 | - | 249 678 |
| financial liabilities | (3 215) | - | (3 215) |
| Operating income | 5 373 472 | (16 704) | 5 356 768 |
| Net impairment losses on financial assets and off-balance sheet commitments: | (456 936) | - | (456 936) |
| loans and other financial receivables | (434 898) | - | (434 898) |
| off-balance sheet commitments | (22 038) | - | (22 038) |
| Net result on financial activity | 4 916 536 | (16 704) | 4 899 832 |
| Administrative expenses | (2 202 482) | - | (2 202 482) |
| personnel expenses | (1 276 548) | - | (1 276 548) |
| other administrative expenses | (925 934) | - | (925 934) |
| Depreciation and amortization | (244 571) | - | (244 571) |
| Net result on other provisions | (3 102) | - | (3 102) |
| Net other operating income and expenses | 63 815 | - | 63 815 |
| Operating costs | (2 386 340) | - | (2 386 340) |
| Gains (losses) on subsidiaries and associates | 69 972 | - | 69 972 |
| Gains (losses) on disposal of property, plant and equipment, and intangible assets | 17 339 | - | 17 339 |
| Profit before income tax | 2 617 507 | (16 704) | 2 600 803 |
| Income tax expense | (480 467) | 3 174 | (477 293) |
| Net profit for the period | 2 137 040 | (13 530) | 2 123 510 |
| EARNINGS PER SHARE (IN PLN PER SHARE) | | | |
| basic for the period | 8.14 | | 8.09 |
| diluted for the period | 8.14 | | 8.09 |

Notes to financial statements (cont)

(in PLN thousand)

Unconsolidated income statement

| | III QUARTER 2013 PERIOD FROM 01.07.2013 TO 30.09.2013 (BEFORE RESTATEMENT) | RESTATEMENT | II QUARTER 2013 PERIOD FROM 01.07.2013 TO 30.09.2013 (AFTER RESTATEMENT) |
|---|---|-----------------|---|
| Interest income | 1 497 709 | 31 184 | 1 528 893 |
| Interest expense | (468 295) | - | (468 295) |
| Net interest income | 1 029 414 | 31 184 | 1 060 598 |
| Fee and commission income | 652 132 | (39 263) | 612 869 |
| Fee and commission expense | (132 885) | - | (132 885) |
| Net fee and commission income | 519 247 | (39 263) | 479 984 |
| Dividend income | - | - | - |
| Result on financial assets and liabilities held for trading | 120 353 | - | 120 353 |
| Result on fair value hedge accounting | (4 320) | - | (4 320) |
| Gains (losses) on disposal of: | 39 426 | - | 39 426 |
| loans and other financial receivables | - | - | - |
| available for sale financial assets and held to maturity investments | 39 191 | - | 39 191 |
| financial liabilities | 235 | - | 235 |
| Operating income | 1 704 120 | (8 079) | 1 696 041 |
| Net impairment losses on financial assets and off-balance sheet commitments: | (165 498) | - | (165 498) |
| loans and other financial receivables | (135 468) | - | (135 468) |
| off-balance sheet commitments | (30 030) | - | (30 030) |
| Net result on financial activity | 1 538 622 | (8 079) | 1 530 543 |
| Administrative expenses | (733 999) | - | (733 999) |
| personnel expenses | (427 575) | - | (427 575) |
| other administrative expenses | (306 424) | - | (306 424) |
| Depreciation and amortization | (80 336) | - | (80 336) |
| Net result on other provisions | (1 015) | - | (1 015) |
| Net other operating income and expenses | 34 335 | - | 34 335 |
| Operating costs | (781 015) | - | (781 015) |
| Gains (losses) on subsidiaries and associates | 69 972 | - | 69 972 |
| Gains (losses) on disposal of property, plant and equipment, and intangible assets | (361) | - | (361) |
| Profit before income tax | 827 218 | (8 079) | 819 139 |
| Income tax expense | (160 945) | 1 535 | (159 410) |
| Net profit for the period | 666 273 | (6 544) | 659 729 |
| EARNINGS PER SHARE (IN PLN PER SHARE) | | | |
| basic for the period | 2.54 | | 2.51 |
| diluted for the period | 2.54 | | 2.51 |

Notes to financial statements (cont)

(in PLN thousand)

Unconsolidated statement of comprehensive income

| | 3 QUARTERS 2013 PERIOD FROM 01.01.2013 TO 30.09.2013 (BEFORE RESTATEMENT) | RESTATEMENT | # QUARTERS 2013 PERIOD FROM 01.01.2013 TO 30.09.2013 (AFTER RESTATEMENT) |
|---|--|-----------------|---|
| Net profit for the period | 2 137 040 | (13 530) | 2 123 510 |
| Other comprehensive income | | | |
| Item that are or may be reclassified subsequently to profit or loss: | | | |
| Foreign currency translation differences | (18) | - | (18) |
| Change in fair value of available-for-sale financial assets | (584 219) | - | (584 219) |
| Change in fair value of cash flow hedges | 38 568 | - | 38 568 |
| Tax on items that are or may be reclassified subsequently to profit or loss | 103 674 | - | 103 674 |
| 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) | (441 995) | - | (441 995) |
| Total comprehensive income | 1 695 045 | (13 530) | 1 681 515 |

| | III QUARTER 2013 PERIOD FROM 01.07.2013 TO 30.09.2013 (BEFORE RESTATEMENT) | RESTATEMENT | III QUARTER 2013 PERIOD FROM 01.07.2013 TO 30.09.2013 (AFTER RESTATEMENT) |
|---|---|----------------|--|
| Net profit the period | 666 273 | (6 544) | 659 729 |
| Other comprehensive income | | | |
| Item that are or may be reclassified subsequently to profit or loss: | | | |
| Foreign currency translation differences | (351) | - | (351) |
| Change in fair value of available-for-sale financial assets | (118 434) | - | (118 434) |
| Change in fair value of cash flow hedges | 69 742 | - | 69 742 |
| Tax on items that are or may be reclassified subsequently to profit or loss | 9 252 | - | 9 252 |
| 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) | (39 791) | - | (39 791) |
| Total comprehensive income | 626 482 | (6 544) | 619 938 |

Notes to financial statements (cont)

(in PLN thousand)

Unconsolidated cash flow statement

| | 3 QUARTERS 2013 PERIOD FROM 01.01.2013 TO 30.09.2013 (BEFORE RESTATEMENT) | RESTATEMENT | 3 QUARTERS 2013 PERIOD FROM 01.01.2013 TO 30.09.2013 (AFTER RESTATEMENT) |
|---|--|-----------------|---|
| Cash flow from operating activities – indirect method | | | |
| Net profit for the period | 2 137 040 | (13 530) | 2 123 510 |
| Adjustments for: | (28 385) | 13 530 | (14 855) |
| Depreciation and amortization | 243 645 | - | 243 645 |
| (Gains) losses on investing activities | (249 651) | - | (249 651) |
| Net interest income | (3 210 156) | - | (3 210 156) |
| Dividend income | (143 779) | - | (143 779) |
| Interest received | 4 940 596 | - | 4 940 596 |
| Interest paid | (1 929 546) | - | (1 929 546) |
| Income tax | 441 582 | (3 174) | 438 408 |
| Income tax paid | (575 371) | - | (575 371) |
| Change in loans and advances to banks | (625 581) | - | (625 581) |
| Change in financial assets held for trading | (731 008) | - | (731 008) |
| Change in derivative financial instruments (assets) | 566 110 | - | 566 110 |
| Change in loans and advances to customers and bill of exchange eligible for rediscounting at Central Bank | (3 062 361) | 16 704 | (3 045 657) |
| Change in investment (placement) securities | (725 706) | - | (725 706) |
| Change in other assets | 1 361 348 | - | 1 361 348 |
| Change in amounts due to banks | 1 375 732 | - | 1 375 732 |
| Change in financial liabilities held for trading | 220 486 | - | 220 486 |
| Change in derivative financial instruments (liabilities) | (534 915) | - | (534 915) |
| Change in amounts due to customers | 2 378 167 | - | 2 378 167 |
| Change in debt securities issued | 13 715 | - | 13 715 |
| Change in provisions | 16 687 | - | 16 687 |
| Change in other liabilities | 201 621 | - | 201 621 |
| Net cash flows from operating activities | 2 108 655 | - | 2 108 655 |
| Cash flow from investing activities | | | |
| Net cash flows from investing activities | 3 025 270 | - | 3 025 270 |
| Cash flows from financing activities | | | |
| Net cash flows from financing activities | (4 347 560) | - | (4 347 560) |
| Total net cash flows | 786 365 | - | 786 365 |
| including: effect of exchange rate fluctuations on cash and cash equivalents held | 56 309 | - | 56 309 |
| Net change in cash and cash equivalents | 786 365 | - | 786 365 |
| 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 | 13 605 845 | - | 13 605 845 |

Notes to financial statements (cont)

(in PLN thousand)

5. Accounting estimates

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

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

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

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

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

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

During the nine months period ended 30 September 2014 the most significant estimates are as follows:

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

Notes to financial statements (cont)

(in PLN thousand)

6. Risk management

Credit risk

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

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

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

| RATING CLASS | MORTGAGE LOANS | | | | CONSUMER LOANS | | | | NOT INSTALLMENT LOANS | | | |
|--------------|------------------------|---------------|---------------|------------------------|----------------|---------------|-----------------------|---------------|-----------------------|--|--|--|
| | PD RANGE | NOMINAL VALUE | | PD RANGE | NOMINAL VALUE | | PD RANGE | NOMINAL VALUE | | | | |
| | | 30.09.2014 | 31.12.2013 | | 30.09.2014 | 31.12.2013 | | 30.09.2014 | 31.12.2013 | | | |
| 1 | 0.00% <= PD < 0.19% | 3.9% | 4.9% | 0.00% <= PD < 0.30% | 4.2% | 4.8% | 0.00% <= PD < 0.01% | 0.7% | 0.7% | | | |
| 2 | 0.19% <= PD < 0.24% | 9.9% | 10.6% | 0.30% <= PD < 0.50% | 6.5% | 6.8% | 0.01% <= PD < 0.03% | 10.0% | 10.2% | | | |
| 3 | 0.24% <= PD < 0.31% | 28.9% | 29.5% | 0.50% <= PD < 0.60% | 4.1% | 4.8% | 0.03% <= PD < 0.04% | 2.8% | 2.8% | | | |
| 4 | 0.31% <= PD < 0.40% | 44.7% | 41.9% | 0.60% <= PD < 0.80% | 11.1% | 12.1% | 0.04% <= PD < 0.07% | 7.0% | 7.1% | | | |
| 5 | 0.40% <= PD < 0.61% | 4.8% | 5.0% | 0.80% <= PD < 1.30% | 15.7% | 17.0% | 0.07% <= PD < 0.15% | 16.8% | 17.3% | | | |
| 6 | 0.61% <= PD < 1.02% | 1.1% | 1.1% | 1.30% <= PD < 2.10% | 21.9% | 20.3% | 0.15% <= PD < 0.25% | 17.6% | 18.0% | | | |
| 7 | 1.02% <= PD < 2.20% | 1.7% | 1.9% | 2.10% <= PD < 3.70% | 18.7% | 16.7% | 0.25% <= PD < 0.59% | 9.3% | 9.6% | | | |
| 8 | 2.20% <= PD < 6.81% | 1.7% | 1.9% | 3.70% <= PD < 7.20% | 7.8% | 7.2% | 0.59% <= PD < 1.20% | 10.1% | 10.3% | | | |
| 9 | 6.81% <= PD < 14.10% | 0.9% | 1.0% | 7.20% <= PD < 15.40% | 3.2% | 3.2% | 1.20% <= PD < 2.58% | 4.9% | 5.1% | | | |
| 10 | 14.10% <= PD < 100.00% | 2.4% | 2.2% | 15.40% <= PD < 100.00% | 6.8% | 7.1% | 2.58% <= PD < 100.00% | 20.8% | 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 | |
|--------------|------------------------|---------------|---------------|
| | | 30.09.2014 | 31.12.2013 |
| 1 | 0.00% <= PD < 0.11% | 1.5% | 1.4% |
| 2 | 0.11% <= PD < 0.22% | 4.2% | 4.1% |
| 3 | 0.22% <= PD < 0.45% | 9.3% | 9.7% |
| 4 | 0.45% <= PD < 1.00% | 16.3% | 16.5% |
| 5 | 1.00% <= PD < 2.10% | 18.3% | 19.3% |
| 6 | 2.10% <= PD < 4.00% | 15.7% | 15.8% |
| 7 | 4.00% <= PD < 7.00% | 12.7% | 12.8% |
| 8 | 7.00% <= PD < 12.00% | 8.9% | 8.4% |
| 9 | 12.00% <= PD < 22.00% | 7.0% | 6.8% |
| 10 | 22.00% <= PD < 100.00% | 6.1% | 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 | |
|--------------|-----------------------|---------------|---------------|
| | | 30.09.2014 | 31.12.2013 |
| 1 | 0.00% <= PD < 0.15% | 7.2% | 8.7% |
| 2 | 0.15% <= PD < 0.27% | 10.5% | 10.8% |
| 3 | 0.27% <= PD < 0.45% | 16.8% | 17.9% |
| 4 | 0.45% <= PD < 0.75% | 14.8% | 12.9% |
| 5 | 0.75% <= PD < 1.27% | 14.0% | 11.9% |
| 6 | 1.27% <= PD < 2.25% | 11.2% | 9.0% |
| 7 | 2.25% <= PD < 4.00% | 4.0% | 8.5% |
| 8 | 4.00% <= PD < 8.50% | 14.9% | 16.7% |
| 9 | 8.50% <= PD < 100.00% | 6.6% | 3.6% |
| Total | | 100.0% | 100.0% |

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

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

| SUPERVISORY CATEGORY | NOMINAL VALUE | |
|----------------------|---------------|---------------|
| | 30.09.2014 | 31.12.2013 |
| High | 16.6% | 16.2% |
| Good | 71.9% | 76.4% |
| Satisfactory | 8.9% | 4.2% |
| Low | 2.6% | 3.2% |
| Total | 100.0% | 100.0% |

Notes to financial statements (cont)

(in PLN thousand)

Qualitative analysis of Group's financial assets

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

| | LOANS AND ADVANCES TO BANKS (*) | | LOANS AND ADVANCES TO CUSTOMERS (*) | |
|--|---------------------------------|-----------------|-------------------------------------|--------------------|
| | 30.09.2014 | 31.12.2013 | 30.09.2014 | 31.12.2013 |
| GROSS CARRYING AMOUNT OF EXPOSURE INDIVIDUALLY IMPAIRED | | | | |
| - not past due | - | - | 604 255 | 1 198 456 |
| - up to 1 month | - | - | 91 176 | 106 104 |
| - between 1 month and 3 months | - | - | 115 440 | 465 519 |
| - between 3 months and 1 year | - | - | 1 363 423 | 480 219 |
| - between 1 year and 5 years | 16 397 | 18 089 | 2 077 746 | 2 185 912 |
| - above 5 years | - | - | 1 099 879 | 891 043 |
| Total gross carrying amount | 16 397 | 18 089 | 5 351 919 | 5 327 253 |
| ALLOWANCE FOR IMPAIRMENT | | | | |
| - not past due | - | - | (234 158) | (353 300) |
| - up to 1 month | - | - | (26 089) | (50 808) |
| - between 1 month and 3 months | - | - | (66 222) | (134 547) |
| - between 3 months and 1 year | - | - | (461 865) | (187 465) |
| - between 1 year and 5 years | (16 397) | (9 788) | (1 245 567) | (1 215 406) |
| - above 5 years | - | - | (887 296) | (764 625) |
| Total allowance for impairment | (16 397) | (9 788) | (2 921 197) | (2 706 151) |
| Net carrying amount of exposure individually impaired | - | 8 301 | 2 430 722 | 2 621 102 |
| GROSS CARRYING AMOUNT OF EXPOSURE COLLECTIVELY IMPAIRED | | | | |
| - not past due | - | - | 81 234 | 79 187 |
| - up to 1 month | - | - | 26 409 | 34 588 |
| - between 1 month and 3 months | - | - | 52 702 | 31 796 |
| - between 3 months and 1 year | - | - | 373 082 | 419 020 |
| - between 1 year and 5 years | - | - | 1 453 999 | 1 499 976 |
| - above 5 years | 9 800 | 15 662 | 647 681 | 554 932 |
| Total gross carrying amount | 9 800 | 15 662 | 2 635 107 | 2 619 499 |
| ALLOWANCE FOR IMPAIRMENT | | | | |
| - not past due | - | - | (48 630) | (47 205) |
| - up to 1 month | - | - | (13 223) | (17 655) |
| - between 1 month and 3 months | - | - | (27 749) | (16 259) |
| - between 3 months and 1 year | - | - | (218 363) | (243 582) |
| - between 1 year and 5 years | - | - | (1 169 943) | (1 164 615) |
| - above 5 years | (9 800) | (15 662) | (615 798) | (534 163) |
| Total allowance for impairment | (9 800) | (15 662) | (2 093 706) | (2 023 479) |
| Net carrying amount of exposure collectively impaired | - | - | 541 401 | 596 020 |

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

Notes to financial statements (cont)

(in PLN thousand)

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

| | LOANS AND ADVANCES TO BANKS (*) | | LOANS AND ADVANCES TO CUSTOMERS (*) | | | |
|---|---------------------------------|------------------|-------------------------------------|-------------------|-------------------|-------------------|
| | 30.09.2014 | 31.12.2013 | CORPORATE | | RETAIL | |
| | | | 30.09.2014 | 31.12.2013 | 30.09.2014 | 31.12.2013 |
| GROSS CARRYING AMOUNT OF EXPOSURE WITH NO IMPAIRMENT | | | | | | |
| - not past due | 6 469 337 | 7 546 525 | 61 563 016 | 57 931 568 | 44 036 627 | 40 549 982 |
| - up to 30 days | - | - | 619 857 | 558 198 | 1 016 563 | 1 349 761 |
| - between 30 days and 60 days | - | - | 112 988 | 141 798 | 222 258 | 187 471 |
| - above 60 days | - | - | 146 250 | 171 797 | 288 251 | 303 184 |
| Total gross carrying amount | 6 469 337 | 7 546 525 | 62 442 111 | 58 803 361 | 45 563 699 | 42 390 398 |
| IBNR PROVISION | | | | | | |
| - not past due | (407) | (300) | (205 225) | (216 141) | (142 385) | (124 897) |
| - up to 30 days | - | - | (5 330) | (5 031) | (55 502) | (86 629) |
| - between 30 days and 60 days | - | - | (1 910) | (1 989) | (24 206) | (22 280) |
| - above 60 days | - | - | (1 307) | (1 219) | (11 778) | (15 443) |
| Total IBNR provision | (407) | (300) | (213 772) | (224 380) | (233 871) | (249 249) |
| Net carrying amount of exposure with no impairment | 6 468 930 | 7 546 225 | 62 228 339 | 58 578 981 | 45 329 828 | 42 141 149 |

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

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

| | LOANS AND ADVANCES TO BANKS (*) | | LOANS AND ADVANCES TO CUSTOMERS (*) | |
|---|---------------------------------|------------------|-------------------------------------|--------------------|
| | 30.09.2014 | 31.12.2013 | 30.09.2014 | 31.12.2013 |
| IMPAIRED EXPOSURES | | | | |
| Gross carrying amount | 26 197 | 33 751 | 7 987 026 | 7 946 752 |
| Allowance for impairment | (26 197) | (25 450) | (5 014 903) | (4 729 630) |
| Total net carrying amount | - | 8 301 | 2 972 123 | 3 217 122 |
| Exposures with impairment triggers for which no impairment has been identified | | | | |
| Gross carrying amount, in this: | - | - | 74 559 | 154 064 |
| <i>Exposure with collateral value included in expected discounted cash flow, in this:</i> | - | - | 74 559 | 154 064 |
| - <i>Past due exposures</i> | - | - | 22 722 | 42 524 |
| IBNR provision | - | - | (3 007) | (3 588) |
| Total net carrying amount | - | - | 71 552 | 150 476 |
| Exposures with no impairment triggers | | | | |
| Gross carrying amount | 6 469 337 | 7 546 525 | 107 931 251 | 101 039 695 |
| IBNR provision | (407) | (300) | (444 636) | (470 041) |
| Total net carrying amount | 6 468 930 | 7 546 225 | 107 486 615 | 100 569 654 |

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

Notes to financial statements (cont)

(in PLN thousand)

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

| RATING | DEBT SECURITIES | | | | TOTAL |
|--------------|------------------|--------------------|------------------|-------------------|-------------------|
| | HELD FOR TRADING | AVAILABLE FOR SALE | HELD TO MATURITY | REPO TRANSACTIONS | |
| AA+ to AA- | - | 1 274 323 | - | - | 1 274 323 |
| A+ to A- | 462 719 | 15 786 981 | 743 485 | 5 763 754 | 22 756 939 |
| BBB+ to BBB- | - | 251 581 | - | - | 251 581 |
| no rating | 66 526 | 13 751 111(*) | 835 426(**) | - | 14 653 063 |
| Total | 529 245 | 31 063 996 | 1 578 911 | 5 763 754 | 38 935 906 |

(*) Including NBP bills in the amount of PLN 13 070 509 thousand.

(**) Including NBP bills in the amount of PLN 835 426 thousand.

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

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

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

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

Classification of exposures to derivative financial instruments according to Standard & Poor's ratings as at 30 September 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- | 136 076 | - | - | 8 117 | - | - | 144 193 |
| A+ to A- | 2 091 968 | 208 422 | - | 351 350 | - | - | 2 651 740 |
| BBB+ to BBB- | 191 744 | - | 199 | 3 626 | - | - | 195 569 |
| BB+ to BB- | - | - | 3 628 | - | - | - | 3 628 |
| B+ to B- | - | - | 157 | - | - | - | 157 |
| no rating | 478 364 | 71 763 | 255 553 | 38 178 | 5 877 | - | 849 735 |
| Total | 2 898 152 | 280 185 | 259 537 | 401 271 | 5 877 | - | 3 845 022 |

Notes to financial statements (cont)

(in PLN thousand)

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

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

Forbearance

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

The below table presents the value of forbore exposures

| | 30.09.2014 | 31.12.2013 |
|---|------------------|------------------|
| LOANS AND ADVANCES | | |
| Non impaired exposures | | |
| Gross carrying amount | 539 138 | 408 582 |
| IBNR provision | (30 049) | (30 901) |
| Net carrying amount | 509 089 | 377 681 |
| Impaired exposures | | |
| Gross carrying amount | 2 422 320 | 2 440 750 |
| Allowance for impairment | (912 076) | (886 095) |
| Net carrying amount | 1 510 244 | 1 554 655 |
| Total net carrying amount of forbore exposures | 2 019 333 | 1 932 336 |

Notes to financial statements (cont)

(in PLN thousand)

Credit exposures towards Ukraine

As at 30 September 2014, the Group carried the level of net balance sheet exposures towards Ukraine amounting to PLN 910 million (0.6% of total Bank Pekao Group exposures).

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

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

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

| | 30.09.2014 | 31.12.2013 |
|---|----------------|----------------|
| Balance sheet exposures | | |
| Loans and advances to banks | 670 422 | 611 436 |
| Loans and advances to customers | 258 456 | 244 195 |
| Total gross carrying amount | 928 878 | 855 631 |
| IBNR provision / Allowance for impairment | (19 336) | (15 825) |
| Total net carrying amount | 909 542 | 839 806 |
| Off-balance sheet exposure | | |
| Credit lines granted | 3 938 | 3 895 |
| Total gross carrying amount | 3 938 | 3 895 |
| IBNR provision | (11) | (11) |
| Total net carrying amount | 3 927 | 3 884 |

Notes to financial statements (cont)

(in PLN thousand)

Market risk of the trading book

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

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

| | 30.09.2014 | MINIMUM VALUE | AVERAGE VALUE | MAXIMUM VALUE |
|--------------------------------|------------|---------------|---------------|---------------|
| foreign currency exchange risk | 975 | 11 | 420 | 2 183 |
| interest rate risk | 2 234 | 936 | 1 772 | 3 546 |
| Trading portfolio | 2 532 | 872 | 1 795 | 3 354 |

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

Interest rate risk of the banking book

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

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

| SENSITIVITY IN % | 30.09.2014 | 31.12.2013 |
|------------------|------------|------------|
| NII | (8.82) | (7.41) |
| EVE | (1.59) | (1.81) |

Foreign currency exchange risk

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

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

| CURRENCY | 30.09.2014 | 31.12.2013 |
|----------------------|------------|------------|
| Currencies total (*) | 1 088 | 229 |

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

Notes to financial statements (cont)

(in PLN thousand)

Liquidity risk

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

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

Adjusted liquidity gap

| 30.09.2014 | 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 | 9 421 159 | (3 936 194) | 6 768 063 | 23 201 405 | (36 321 767) | (867 334) |
| Cumulated gap | | 5 484 965 | 12 253 028 | 35 454 433 | (867 334) | |

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

Structure of financial liabilities by contractual maturity

| 30.09.2014 | 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 (*) | 5 308 293 | 128 698 | 264 544 | 979 977 | 1 952 856 | 8 634 368 |
| Amounts due to customers | 90 408 887 | 14 815 696 | 14 373 074 | 761 701 | 47 449 | 120 406 807 |
| Debt securities issued | 1 650 | 2 866 704 | 2 978 329 | 1 143 116 | 1 459 574 | 8 449 373 |
| Financial liabilities held for trading | - | - | - | 135 768 | 103 106 | 238 874 |
| Total | 95 718 830 | 17 811 098 | 17 615 947 | 3 020 562 | 3 562 985 | 137 729 422 |
| OFF-BALANCE SHEET COMMITMENTS (**) | | | | | | |
| Financial liabilities granted | 25 702 309 | - | - | - | - | 25 702 309 |
| Guarantees issued | 13 127 028 | - | - | - | - | 13 127 028 |
| Total | 38 829 337 | - | - | - | - | 38 829 337 |

(*) Including Central Bank.

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

Notes to financial statements (cont)

(in PLN thousand)

Structure of financial liabilities by contractual maturity

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

(*) Including Central Bank.

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

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

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

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

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

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

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

| | UP TO 1 MONTH | BETWEEN 1 AND 3 MONTHS | BETWEEN 3 MONTHS AND 1 YEAR | BETWEEN 1 AND 5 YEARS | OVER 5 YEARS | TOTAL |
|------------|---------------|------------------------------|-----------------------------------|--------------------------|-----------------|-----------|
| 30.09.2014 | 15 223 | 53 973 | 168 878 | 2 052 800 | 1 254 276 | 3 545 150 |
| 31.12.2013 | 37 843 | 82 418 | 170 401 | 1 221 091 | 505 495 | 2 017 248 |

Notes to financial statements (cont)

(in PLN thousand)

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

| | UP TO 1 MONTH | BETWEEN 1 AND 3 MONTHS | BETWEEN 3 MONTHS AND 1 YEAR | BETWEEN 1 AND 5 YEARS | OVER 5 YEARS | TOTAL |
|-------------------|---------------|---------------------------|-----------------------------------|--------------------------|--------------|-------------------|
| 30.09.2014 | | | | | | |
| Inflows | 16 258 879 | 9 464 977 | 3 946 622 | 7 531 500 | 2 972 523 | 40 174 501 |
| Outflows | 16 194 691 | 9 430 623 | 4 068 444 | 8 228 858 | 2 998 566 | 40 921 182 |
| 31.12.2013 | | | | | | |
| Inflows | 9 764 808 | 6 875 868 | 6 488 004 | 4 182 888 | 4 639 247 | 31 950 815 |
| Outflows | 9 740 758 | 6 880 310 | 6 361 312 | 4 606 934 | 4 966 904 | 32 556 218 |

Operational risk

In August 2014 UniCredit received a joint decision of Banca d'Italia and the involved foreign authorities, including Polish Financial Supervision Authority, in respect to authorization of implementation of significant change to the advanced measurement approach of capital requirement for operational risk, which is also used by the Bank. The change concerns: improvement of integration of external, internal and scenario data, widening the class of statistical distributions used in modeling, streamlining the fitting procedure, increasing the sensitivity to capital allocation risk and improving the stability model. The capital requirement for operational risk has decreased by PLN 328 million as a result of the change. Within the remaining scope the process of operational risk management has not been significantly changed in relation to the one presented in consolidated financial statement of Bank Pekao S.A. Capital Group for the year ended 31 December 2013.

Fair value of financial assets and liabilities

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

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

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

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

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

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

Notes to financial statements (cont)

(in PLN thousand)

| 30.09.2014 | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|--|-------------------|-------------------|----------------|-------------------|
| Assets: | 17 527 462 | 17 600 799 | 328 249 | 35 456 510 |
| Financial assets held for trading | 462 719 | 6 235 | 60 291 | 529 245 |
| Derivative financial instruments, including: | - | 3 436 305 | 1 569 | 3 437 874 |
| - Banks | - | 2 902 128 | - | 2 902 128 |
| - Customers | - | 534 177 | 1 569 | 535 746 |
| Hedging instruments, including: | - | 407 148 | - | 407 148 |
| - Banks | - | 401 271 | - | 401 271 |
| - Customers | - | 5 877 | - | 5 877 |
| Securities available for sale | 17 064 743 | 13 751 111 | 266 389 | 31 082 243 |
| Liabilities: | 238 874 | 4 672 946 | - | 4 911 820 |
| Financial liabilities held for trading | 238 874 | - | - | 238 874 |
| Derivative financial instruments, including: | - | 3 442 736 | - | 3 442 736 |
| - Banks | - | 3 074 430 | - | 3 074 430 |
| - Customers | - | 368 306 | - | 368 306 |
| Hedging instruments, including: | - | 1 230 210 | - | 1 230 210 |
| - Banks | - | 1 230 210 | - | 1 230 210 |
| - Customers | - | - | - | - |

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

Notes to financial statements (cont)

(in PLN thousand)

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

| 3 QUARTERS 2014 | FINANCIAL ASSETS HELD FOR TRADING | DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS) | SECURITIES AVAILABLE FOR SALE | DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES) |
|--|---|--|-------------------------------------|---|
| Opening balance | - | 2 625 | 263 668 | - |
| Increases, including: | 11 474 031 | 495 | 7 623 | - |
| Reclassification | - | - | - | - |
| Acquisition | 11 473 432 | - | - | - |
| Settlement | - | - | - | - |
| Gains on financial instruments | 599 | 495 | 7 623 | - |
| recognized in the income statement | 599 | 495 | 7 623 | - |
| Decreases, including: | (11 413 740) | (1 551) | (4 902) | - |
| Reclassification | - | - | - | - |
| Settlement/redemption | (1 370 497) | (1 551) | (4 902) | - |
| Sale | (10 043 026) | - | - | - |
| Losses on financial instruments | (217) | - | - | - |
| recognized in the income statement | (217) | - | - | - |
| recognized in revaluation reserves | - | - | - | - |
| Closing balance | 60 291 | 1 569 | 266 389 | - |
| Unrealized income from financial instruments held in portfolio at the end of the period, recognized in: | (144) | 156 | 3 066 | - |
| Income statement: | 45 | 156 | 2 801 | - |
| net interest income | 45 | - | 2 801 | - |
| result on financial assets and liabilities held for trading | - | 156 | - | - |
| Other comprehensive income | (189) | - | 265 | - |

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

Notes to financial statements (cont)

(in PLN thousand)

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

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

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

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

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

| FINANCIAL ASSET/LIABILITY | FAIR VALUE AS AT 30.09.2014 | VALUATION TECHNIQUE | UNOBSERVABLE FACTOR | ALTERNATIVE FACTOR RANGE (WEIGHTED AVERAGE) | IMPACT ON FAIR VALUE AS AT 30.09.2014 | |
|---------------------------|-----------------------------|----------------------|---------------------|---|---------------------------------------|-------------------|
| | | | | | POSITIVE SCENARIO | NEGATIVE SCENARIO |
| Interest rate derivatives | 4 156 | Discounted cash flow | PD | 54%-100% | 176 | - |
| | | Discounted cash flow | LGD | 32%-40% | 148 | (148) |
| Corporate debt securities | 248 779 | Discounted cash flow | Credit spread | 0.7%-1.4% | 3 726 | (15) |

| 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) |
| Corporate debt securities | 252 225 | Discounted cash flow | Credit spread | 0.5%-1.3% | 4 620 | - |

Notes to financial statements (cont)

(in PLN thousand)

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements (cont)

(in PLN thousand)

| 30.09.2014 | CARRYING AMOUNT | FAIR VALUE | OF WHICH: | | |
|-------------------------------------|--------------------|--------------------|------------------|-------------------|--------------------|
| | | | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| Assets | | | | | |
| Cash and due from Central Bank | 3 896 916 | 3 896 916 | 2 393 917 | 1 502 999 | - |
| Loans and advance to banks | 6 462 833 | 6 486 111 | - | 3 045 786 | 3 440 325 |
| Loans and advances to customers (*) | 107 526 629 | 105 541 659 | - | 5 801 346 | 99 740 313 |
| Receivables from financial leases | 3 009 759 | 3 059 516 | - | - | 3 059 516 |
| Debt securities held to maturity | 1 578 911 | 1 594 505 | 759 074 | 835 431 | - |
| Total Assets | 122 475 048 | 120 578 707 | 3 152 991 | 11 185 562 | 106 240 154 |
| Liabilities | | | | | |
| Amounts due to Central Bank | 965 | 966 | - | - | 966 |
| Amounts due to other banks | 8 391 931 | 8 446 944 | - | 4 435 509 | 4 011 435 |
| Amounts due to customers | 120 281 209 | 119 902 006 | - | 5 140 069 | 114 761 937 |
| Debt securities issued | 4 105 141 | 4 129 057 | - | 4 129 057 | - |
| Total Liabilities | 132 779 246 | 132 478 973 | - | 13 704 635 | 118 774 338 |

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

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

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

Notes to financial statements (cont)

(in PLN thousand)

7. Operating segments

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

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

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

Operating segments

The operating segments of the Group are as follows:

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

Notes to financial statements (cont)

(in PLN thousand)

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

| | RETAIL BANKING | PRIVATE BANKING | CORPORATE AND INVESTMENT BANKING | | ASSETS AND LIABILITIES COMMITTEE AND OTHER (*) | TOTAL |
|---|--------------------|--------------------|-------------------------------------|----------------------------|---|--------------------|
| | | | CONTINUED OPERATIONS | DISCONTINUED OPERATIONS | | |
| Net interest income | 1 943 905 | 30 358 | 1 119 732 | - | 368 239 | 3 462 234 |
| Net non-interest income | 1 254 020 | 22 144 | 708 856 | - | 62 511 | 2 047 531 |
| Operating income | 3 197 925 | 52 502 | 1 828 588 | - | 430 750 | 5 509 765 |
| Personnel expenses | (861 648) | (17 305) | (195 314) | - | (361 085) | (1 435 352) |
| Other administrative expenses | (1 038 302) | (20 334) | (313 956) | - | 471 108 | (901 484) |
| Depreciation and amortization | (120 572) | (826) | (15 404) | - | (108 455) | (245 257) |
| Operating costs | (2 020 522) | (38 465) | (524 674) | - | 1 568 | (2 582 093) |
| Operating profit | 1 177 403 | 14 037 | 1 303 914 | - | 432 318 | 2 927 672 |
| Net result on other provisions | (561) | 329 | (2 302) | - | (517) | (3 051) |
| Net impairment losses on financial assets and off-balance sheet commitments | (188 470) | 369 | (234 994) | - | (1 267) | (424 362) |
| Net result on investment activities | 54 | - | 223 | - | (698) | (421) |
| Profit before income tax | 988 426 | 14 735 | 1 066 841 | - | 429 836 | 2 499 838 |
| Income tax expense (continued operations) | | | | | | (466 257) |
| Income tax expense (discontinued operations) | | | | | | - |
| Net profit for the period (continued operations) | | | | | | 2 033 581 |
| Net profit for the period (discontinued operations) | | | | | | - |
| Attributable to equity holders of the Bank | | | | | | 2 023 691 |
| Attributable to non-controlling interests | | | | | | 9 890 |
| Allocated assets | 52 932 169 | 230 235 | 100 774 197 | - | (1 686 828) | 152 249 773 |
| Unallocated assets | | | | | | 11 502 064 |
| Total assets | | | | | | 163 751 837 |
| Allocated liabilities | 61 332 447 | 6 763 618 | 69 182 701 | - | (3 077 961) | 134 200 805 |
| Unallocated liabilities | | | | | | 29 551 032 |
| Total liabilities | | | | | | 163 751 837 |

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

Notes to financial statements (cont)

(in PLN thousand)

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

| | RETAIL BANKING | PRIVATE BANKING | CORPORATE AND INVESTMENT BANKING | | ASSETS AND LIABILITIES COMMITTEE AND OTHER (*) | TOTAL |
|---|--------------------|--------------------|-------------------------------------|----------------------------|---|--------------------|
| | | | CONTINUED OPERATIONS | DISCONTINUED OPERATIONS | | |
| Net interest income | 1 866 716 | 25 596 | 1 155 922 | 61 674 | 308 240 | 3 418 148 |
| Net non-interest income | 1 328 086 | 23 395 | 836 399 | 10 032 | 55 073 | 2 252 985 |
| Operating income | 3 194 802 | 48 991 | 1 992 321 | 71 706 | 363 313 | 5 671 133 |
| Personnel expenses | (833 969) | (13 422) | (208 085) | (21 145) | (358 697) | (1 435 318) |
| Other administrative expenses | (1 083 292) | (20 300) | (299 764) | (21 314) | 475 164 | (949 506) |
| Depreciation and amortization | (119 995) | (877) | (17 975) | (2 696) | (118 495) | (260 038) |
| Operating costs | (2 037 256) | (34 599) | (525 824) | (45 155) | (2 028) | (2 644 862) |
| Operating profit | 1 157 546 | 14 392 | 1 466 497 | 26 551 | 361 285 | 3 026 271 |
| Net result on other provisions | (34) | (2 283) | (1 813) | - | 750 | (3 380) |
| Net impairment losses on financial assets and off-balance sheet commitments | (218 190) | 2 036 | (255 513) | (5 215) | (17 520) | (494 402) |
| Net result on investment activities | 2 104 | - | (518) | - | 17 336 | 18 922 |
| Profit before income tax | 941 426 | 14 145 | 1 208 653 | 21 336 | 361 851 | 2 547 411 |
| Income tax expense (continued operations) | | | | | | (487 570) |
| Income tax expense (discontinued operations) | | | | (3 854) | | (3 854) |
| Net profit for the period (continued operations) | | | | | | 2 038 505 |
| Net profit for the period (discontinued operations) | | | | 17 482 | | 17 482 |
| Attributable to equity holders of the Bank | | | | | | 2 049 196 |
| Attributable to non-controlling interests | | | | | | 6 791 |
| Allocated assets | 48 051 706 | 347 908 | 92 492 451 | - | 874 321 | 141 766 386 |
| Unallocated assets | | | | | | 9 227 212 |
| Total assets | | | | | | 150 993 598 |
| Allocated liabilities | 55 494 003 | 6 406 475 | 65 673 937 | - | (3 948 631) | 123 625 784 |
| Unallocated liabilities | | | | | | 27 367 814 |
| Total liabilities | | | | | | 150 993 598 |

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

Notes to financial statements (cont)

(in PLN thousand)

Reconciliation of operating income for reportable segments

| | III QUARTER 2014 | III QUARTER 2013 |
|---|------------------|------------------|
| Total operating income for reportable segments | 5 509 765 | 5 671 133 |
| Share in gains (losses) from associates | (50 013) | (41 497) |
| Net other operating income and expenses | (69 251) | (74 823) |
| Refunding of administrative expenses | 2 336 | 3 718 |
| Operating income | 5 392 837 | 5 558 531 |

Geographical segment

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

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

| | POLAND | UKRAINE (DISCONTINUED OPERATIONS) | TOTAL |
|--|-------------|-----------------------------------|-------------|
| 3 QUARTERS 2014 | | | |
| Net profit for the period attributable to equity holders of the Bank | 2 023 691 | - | 2 023 691 |
| Segment assets | 163 751 837 | - | 163 751 837 |
| 3 QUARTERS 2013 | | | |
| Net profit for the period attributable to equity holders of the Bank | 2 031 714 | 17 482 | 2 049 196 |
| Segment assets | 150 993 598 | - | 150 993 598 |

Notes to financial statements (cont)

(in PLN thousand)

8. Interest income and expense

Interest income

| | III QUARTER 2014 | 3 QUARTERS 2014 | III QUARTER 2013 | 3 QUARTERS 2013 |
|--|------------------|------------------|------------------|------------------|
| Loans and other receivables from customers | 1 287 447 | 3 807 979 | 1 230 183 | 4 035 990 |
| Interbank placements | 38 031 | 112 991 | 37 327 | 148 322 |
| Reverse repo transactions | 28 245 | 75 442 | 18 913 | 69 384 |
| Investment securities | 208 839 | 642 971 | 252 331 | 801 833 |
| Hedging derivatives | 29 795 | 101 651 | 37 163 | 126 506 |
| Financial assets held for trading | 2 173 | 9 282 | 4 835 | 10 778 |
| Total | 1 594 530 | 4 750 316 | 1 580 752 | 5 192 813 |

Interest expense

| | III QUARTER 2014 | 3 QUARTERS 2014 | III QUARTER 2013 | 3 QUARTERS 2013 |
|-----------------------------|------------------|--------------------|------------------|--------------------|
| Deposits from customers | (392 165) | (1 157 841) | (408 171) | (1 538 891) |
| Interbank deposits | (4 224) | (20 622) | (9 337) | (32 970) |
| Repo transactions | (23 485) | (62 348) | (23 259) | (76 304) |
| Loans and advances received | (12 434) | (38 629) | (12 971) | (43 765) |
| Debt securities issued | (28 278) | (66 953) | (31 584) | (130 988) |
| Total | (460 586) | (1 346 393) | (485 322) | (1 822 918) |

Notes to financial statements (cont)

(in PLN thousand)

9. Fee and commission income and expense

Fee and commission income

| | III QUARTER 2014 | 3 QUARTERS 2014 | III QUARTER 2013 | 3 QUARTERS 2013 |
|--|------------------|------------------|------------------|------------------|
| Accounts maintenance, payment orders and cash transactions | 170 360 | 506 344 | 177 148 | 536 931 |
| Payment cards | 190 744 | 629 872 | 228 540 | 663 592 |
| Loans and advances | 100 344 | 291 557 | 98 131 | 282 472 |
| Investment products sales intermediation | 68 268 | 204 309 | 71 789 | 220 304 |
| Securities operations | 33 563 | 87 364 | 27 248 | 82 215 |
| Custody activity | 15 168 | 46 201 | 13 126 | 40 007 |
| Pension and investment funds service fees | 12 560 | 40 327 | 17 126 | 48 932 |
| Guarantees, letters of credit and similar transactions | 12 881 | 37 844 | 12 058 | 39 287 |
| Other | 8 419 | 65 117 | 24 499 | 65 855 |
| Total | 612 307 | 1 908 935 | 669 665 | 1 979 595 |

Fee and commission expense

| | III QUARTER 2014 | 3 QUARTERS 2014 | III QUARTER 2013 | 3 QUARTERS 2013 |
|---------------------------------------|------------------|------------------|------------------|------------------|
| Payment cards | (90 618) | (312 388) | (114 201) | (331 473) |
| Money orders and transfers | (5 504) | (15 490) | (5 935) | (15 881) |
| Securities and derivatives operations | (3 649) | (13 344) | (4 601) | (13 470) |
| Accounts maintenance | (898) | (2 300) | (1 091) | (3 909) |
| Custody activity | (2 775) | (8 057) | (2 346) | (6 522) |
| Pension funds management charges | (187) | (1 749) | (548) | (1 773) |
| Acquisition services | (1 334) | (2 479) | (693) | (1 269) |
| Other | (2 320) | (9 043) | (3 830) | (10 045) |
| Total | (107 285) | (364 850) | (133 245) | (384 342) |

10. Dividend income

| | III QUARTER 2014 | 3 QUARTERS 2014 | III QUARTER 2013 | 3 QUARTERS 2013 |
|--|------------------|-----------------|------------------|-----------------|
| Issuers of securities available for sale | 109 | 8 298 | 5 | 6 756 |
| Total | 109 | 8 298 | 5 | 6 756 |

11. Result on financial assets and liabilities held for trading

| | III QUARTER 2014 | 3 QUARTERS 2014 | III QUARTER 2013 | 3 QUARTERS 2013 |
|----------------------------------|------------------|-----------------|------------------|-----------------|
| Foreign currency exchange result | 85 374 | 254 268 | 105 428 | 301 291 |
| Gains (losses) on derivatives | 20 095 | 62 596 | 15 815 | 42 435 |
| Gains (losses) on securities | (367) | 4 858 | 3 098 | 7 874 |
| Total | 105 102 | 321 722 | 124 341 | 351 600 |

Notes to financial statements (cont)

(in PLN thousand)

12. Gains (losses) on disposal

Realized gains

| | III QUARTER 2014 | 3 QUARTERS 2014 | III QUARTER 2013 | 3 QUARTERS 2013 |
|--|------------------|-----------------|------------------|-----------------|
| Loans and other financial receivables | - | 1 084 | - | 1 |
| Available for sale financial assets – debt instruments | 85 518 | 120 433 | 39 191 | 249 678 |
| Available for sale financial assets – equity instruments | 9 100 | 9 100 | - | - |
| Debt securities issued | 2 | 5 | 286 | 357 |
| Total | 94 620 | 130 622 | 39 477 | 250 036 |

Realized losses

| | III QUARTER 2014 | 3 QUARTERS 2014 | III QUARTER 2013 | 3 QUARTERS 2013 |
|--|------------------|-----------------|------------------|-----------------|
| Loans and other financial receivables | - | - | - | (82) |
| Available for sale financial assets – debt instruments | - | (78) | - | - |
| Debt securities issued | - | (20) | (51) | (3 572) |
| Total | - | (98) | (51) | (3 654) |
| Net realized profit | 94 620 | 130 524 | 39 426 | 246 382 |

13. Administrative expenses

Personnel expenses

| | III QUARTER 2014 | 3 QUARTERS 2014 | III QUARTER 2013 | 3 QUARTERS 2013 |
|--|------------------|--------------------|------------------|--------------------|
| Wages and salaries | (406 144) | (1 208 576) | (395 739) | (1 196 299) |
| Insurance and other charges related to employees | (70 406) | (217 099) | (74 514) | (224 937) |
| Share-based payments expenses | (3 412) | (9 677) | (4 257) | (14 082) |
| Total | (479 962) | (1 435 352) | (474 510) | (1 435 318) |

Other administrative expenses

| | III QUARTER 2014 | 3 QUARTERS 2014 | III QUARTER 2013 | 3 QUARTERS 2013 |
|---|------------------|--------------------|------------------|--------------------|
| General expenses | (253 303) | (750 679) | (274 334) | (833 366) |
| Taxes and charges | (10 744) | (33 499) | (10 437) | (31 161) |
| Bank Guarantee Fund fee | (34 477) | (103 322) | (24 240) | (73 091) |
| Financial supervision authority fee (KNF) | 62 | (16 320) | 145 | (15 606) |
| Total | (298 462) | (903 820) | (308 866) | (953 224) |
| Total administrative expenses | (778 424) | (2 339 172) | (783 376) | (2 388 542) |

14. Depreciation and amortization

| | III QUARTER 2014 | 3 QUARTERS 2014 | III QUARTER 2013 | 3 QUARTERS 2013 |
|-------------------------------|------------------|------------------|------------------|------------------|
| Property, plant and equipment | (49 142) | (144 770) | (47 471) | (151 856) |
| Investment property | (431) | (2 509) | (1 223) | (1 844) |
| Intangible assets | (32 690) | (97 978) | (35 970) | (106 338) |
| Total | (82 263) | (245 257) | (84 664) | (260 038) |

Notes to financial statements (cont)

(in PLN thousand)

15. Net other operating income and expenses

Other operating income

| | III QUARTER 2014 | 3 QUARTERS 2014 | III QUARTER 2013 | 3 QUARTERS 2013 |
|---|------------------|-----------------|------------------|-----------------|
| Rental income | 5 963 | 17 936 | 8 627 | 23 290 |
| Miscellaneous income | 5 302 | 12 207 | 12 325 | 28 900 |
| Credit insurance income | 4 776 | 16 498 | 7 898 | 19 889 |
| Recovery of debt collection costs | 2 898 | 13 214 | 5 314 | 15 989 |
| Excess payments, repayments | 6 431 | 23 068 | 13 487 | 15 747 |
| Compensation, penalty fees and fines received (including received compensations from damages in relation to fixed assets) | 5 780 | 39 001 | 1 964 | 5 433 |
| Revenues from sale of products, goods and services | 891 | 5 594 | 2 544 | 7 553 |
| Revenues from leasing activity | (128) | 353 | (25) | 3 932 |
| Refunding of administrative expenses | 529 | 2 336 | 1 593 | 3 718 |
| Income from written off liabilities | 228 | 435 | 299 | 1 446 |
| Releases of impairment allowances for litigation and other assets | 391 | 634 | 70 | 1 027 |
| Gains on sale of leasing assets for third party and other assets | (77) | 509 | - | - |
| Other | 653 | 3 087 | 1 027 | 7 507 |
| Total | 33 637 | 134 872 | 55 123 | 134 431 |

Other operating expenses

| | III QUARTER 2014 | 3 QUARTERS 2014 | III QUARTER 2013 | 3 QUARTERS 2013 |
|---|------------------|-----------------|------------------|-----------------|
| Costs related to leasing activity | (427) | (8 616) | (1 523) | (5 878) |
| Credit insurance expenses | (6 782) | (20 676) | (6 908) | (20 487) |
| Reimbursement and deficiencies | (262) | (5 164) | (1 619) | (8 731) |
| Sundry expenses | (3 752) | (10 751) | (1 459) | (6 360) |
| Cost from sale of products, goods and services | (359) | (1 843) | (1 090) | (1 766) |
| Customers complaints expenses | (692) | (2 121) | (969) | (2 266) |
| Impairment allowance for litigations and other assets | (5 203) | (6 690) | (926) | (1 484) |
| Costs of litigation and claims | (623) | (1 561) | (492) | (2 111) |
| Compensation, penalty fees and fines paid | (61) | (313) | 123 | (1 320) |
| Losses on disposal of leasing assets for third party and other assets | - | - | (162) | (403) |
| Other | (2 799) | (7 886) | (3 007) | (8 802) |
| Total | (20 960) | (65 621) | (18 032) | (59 608) |
| Net other operating income and expenses | 12 677 | 69 251 | 37 091 | 74 823 |

Notes to financial statements (cont)

(in PLN thousand)

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

| 3 QUARTERS 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 | 644 | 763 | - | (349) | (209) | 26 570 | (295) |
| Loans and advances to customers measured at amortized cost | 5 028 177 | 935 241 | 20 460 | (139 428) | (487 903) | (79 830) | 5 276 717 | (447 338) |
| Receivables from financial leases | 175 111 | 26 458 | 9 | (4) | (15 712) | - | 185 862 | (10 746) |
| Financial assets available for sale | 123 | - | - | - | - | (1) | 122 | - |
| Off-balance sheet commitments | 113 932 | 44 963 | 295 | - | (74 058) | - | 85 132 | 29 095 |
| Total financial assets and off-balance sheet commitments | 5 343 064 | 1 007 306 | 21 527 | (139 432) | (578 022) | (80 040) | 5 574 403 | (429 284) |
| Impairment of other assets | | | | | | | | |
| Investments in associates | 60 | - | - | - | - | - | 60 | - |
| Intangible assets | 10 961 | - | - | - | - | - | 10 961 | - |
| Property, plant and equipment | 6 830 | - | - | (127) | - | - | 6 703 | - |
| Investment properties | 3 080 | - | 6 152 | - | - | (550) | 8 682 | - |
| Other | 65 544 | 6 690 | 1 794 | (1 307) | (634) | (561) | 71 526 | (6 056) |
| Total impairment of other assets | 86 475 | 6 690 | 7 946 | (1 434) | (634) | (1 111) | 97 932 | (6 056) |
| Total | 5 429 539 | 1 013 996 | 29 473 | (140 866) | (578 656) | (81 151) | 5 672 335 | (435 340) |

(*) 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 429 284 thousand and proceeds from recovered bad debt in the amount of PLN 4 922 thousand, totaling PLN minus 424 362 thousand.

Notes to financial statements (cont)

(in PLN thousand)

| 3 QUARTERS 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 | 19 | 683 | - | (43 689) | (633) | 26 512 | 43 670 |
| Loans and advances to customers measured at amortized cost | 4 665 033 | 1 052 319 | 81 302 | (108 879) | (563 667) | (56 121) | 5 069 987 | (488 652) |
| Receivables from financial leasing | 192 685 | 26 008 | - | (1 261) | (15 353) | (765) | 201 314 | (10 655) |
| Financial assets available for sale | 123 | - | - | - | - | - | 123 | - |
| Impairment of off-balance sheet commitments | 106 406 | 92 276 | 164 | - | (54 009) | - | 144 837 | (38 267) |
| Total financial assets and off-balance sheet commitments | 5 034 379 | 1 170 622 | 82 149 | (110 140) | (676 718) | (57 519) | 5 442 773 | (493 904) |
| Impairment of other assets | | | | | | | | |
| Investments in subsidiaries and associates | 60 | - | - | - | - | - | 60 | - |
| Intangible assets | 11 399 | - | - | (438) | - | - | 10 961 | - |
| Property, plant and equipment | 7 638 | 1 357 | - | (2 012) | (2) | - | 6 981 | (1 355) |
| Investment properties | 2 154 | 926 | - | - | - | - | 3 080 | (926) |
| Other | 74 647 | 1 484 | 216 | - | (205) | (435) | 75 707 | (1 279) |
| Total impairment of other assets | 95 898 | 3 767 | 216 | (2 450) | (207) | (435) | 96 789 | (3 560) |
| Total | 5 130 277 | 1 174 389 | 82 365 | (112 590) | (676 925) | (57 954) | 5 539 562 | (497 464) |

(*) 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 493 904 thousand, net impairment concerning discontinued operations in the amount of PLN minus 5 215 thousand and proceeds from recovered bad debt in the amount of PLN 4 717 thousand, the total is PLN minus 494 402 thousand.

Notes to financial statements (cont)

(in PLN thousand)

17. Gains (losses) on subsidiaries and associates

| | III QUARTER 2014 | 3 QUARTERS 2014 | III QUARTER 2013 | 3 QUARTERS 2013 |
|--|------------------|-----------------|------------------|-----------------|
| Share in gains (losses) from associates | | | | |
| Dom Inwestycyjny Xelion Sp. z o.o | 359 | 817 | 238 | 394 |
| Pioneer Pekao Investment Management S.A. | 12 149 | 41 037 | 11 279 | 34 504 |
| Krajowa Izba Rozliczeniowa S.A. | 2 812 | 8 159 | 2 291 | 6 599 |
| Total share in gains (losses) from associates | 15 320 | 50 013 | 13 808 | 41 497 |
| Gains (losses) on disposal of subsidiaries and associates | - | - | - | - |
| Total gains (losses) on subsidiaries and associates | 15 320 | 50 013 | 13 808 | 41 497 |

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

| | III QUARTER 2014 | 3 QUARTERS 2014 | III QUARTER 2013 | 3 QUARTERS 2013 |
|---|------------------|-----------------|------------------|-----------------|
| Gains (losses) on disposal of property, plant and equipment classified as assets held for sale | - | - | 2 283 | 19 688 |
| Gains (losses) on de-recognition of property, plant and equipment and intangible assets other than classified as assets held for sale | 122 | (421) | (378) | (766) |
| Total gains (losses) on disposal of property, plant and equipment, and intangible assets | 122 | (421) | 1 905 | 18 922 |

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

| | III QUARTER 2014 | 3 QUARTERS 2014 | III QUARTER 2013 | 3 QUARTERS 2013 |
|---|------------------|------------------|------------------|------------------|
| INCOME STATEMENT | | | | |
| Current tax | (216 274) | (562 963) | (91 156) | (460 108) |
| Current tax charge in the income statement | (215 394) | (567 825) | (90 338) | (456 529) |
| Adjustments related to the current tax from previous years | - | 7 433 | (69) | 903 |
| Other taxes (e.g. withholding tax, income tax relating to foreign branches) | (880) | (2 571) | (749) | (4 482) |
| Deferred tax | 50 820 | 96 706 | (63 151) | (31 316) |
| Occurrence and reversal of temporary differences | 50 820 | 96 706 | (63 151) | (31 316) |
| Tax charge in the income statement | (165 454) | (466 257) | (154 307) | (491 424) |
| EQUITY | | | | |
| Deferred tax | (38 381) | (126 082) | 9 428 | 98 924 |
| Income and costs disclosed in other comprehensive income: | - | - | - | - |
| revaluation of financial instruments - cash flows hedges | (14 227) | (33 554) | (13 251) | (7 328) |
| revaluation of available for sale financial assets – debt securities | (24 174) | (92 592) | 22 459 | 111 124 |
| revaluation of available for sale financial assets – equity securities | 20 | 64 | - | 14 |
| Foreign currency translation differences | - | - | 220 | (4 886) |
| Tax charge in other comprehensive income | (38 381) | (126 082) | 9 428 | 98 924 |
| Total charge | (203 835) | (592 339) | (144 879) | (392 500) |

Notes to financial statements (cont)

(in PLN thousand)

20. Earnings per share for continued and discontinued operations

Basic earnings per share

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

| | III QUARTER 2014 | 3 QUARTERS 2014 | III QUARTER 2013 | 3 QUARTERS 2013 |
|--|------------------|-----------------|------------------|-----------------|
| Net profit for the period | 704 370 | 2 023 691 | 648 866 | 2 049 196 |
| 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) | 2.68 | 7.71 | 2.47 | 7.81 |

Diluted earnings per share

Diluted earnings per share are calculated by dividing the net profit attributable to equity holders 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 September 2014 there were no diluting instruments in the form of convertible bonds in the Group.

| | III QUARTER 2014 | 3 QUARTERS 2014 | III QUARTER 2013 | 3 QUARTERS 2013 |
|---|------------------|-----------------|------------------|-----------------|
| Net profit for the period | 704 370 | 2 023 691 | 648 866 | 2 049 196 |
| 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) | 2.68 | 7.71 | 2.47 | 7.81 |

21. Dividend payment

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

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

The payment of the dividend was on 4 July 2014.

Notes to financial statements (cont)

(in PLN thousand)

22. Cash and balances with Central Bank

| Cash and due from Central Bank | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|---------------------------------------|-------------------|-------------------|-------------------|
| Cash | 2 389 905 | 2 104 608 | 2 101 267 |
| Current account at Central Bank | 1 506 999 | 2 086 608 | 5 053 529 |
| Placements | - | - | - |
| Other | 12 | 13 | 13 |
| Total | 3 896 916 | 4 191 229 | 7 154 809 |

| Amounts due to Central Bank | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|------------------------------------|-------------------|-------------------|-------------------|
| Term deposits | 965 | 985 | 975 |
| Total | 965 | 985 | 975 |

Cash and balances with Central Bank by currency

| 30.09.2014 | ASSETS | LIABILITIES |
|-------------------|------------------|--------------------|
| PLN | 3 003 494 | 965 |
| EUR | 363 128 | - |
| USD | 298 673 | - |
| CHF | 39 159 | - |
| Other currencies | 192 462 | - |
| Total | 3 896 916 | 965 |

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

| 30.09.2013 | ASSETS | LIABILITIES |
|-------------------|------------------|--------------------|
| PLN | 6 396 091 | 975 |
| EUR | 382 587 | - |
| USD | 227 179 | - |
| CHF | 26 586 | - |
| Other currencies | 122 366 | - |
| Total | 7 154 809 | 975 |

Notes to financial statements (cont)

(in PLN thousand)

23. Loans and advances to banks

Loans and advances to banks by product type

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|---|------------------|------------------|------------------|
| Current accounts and overnight placements | 2 136 232 | 1 566 990 | 3 057 197 |
| Interbank placements | 977 333 | 1 356 616 | 122 977 |
| Loans and advances | 146 345 | 122 357 | 505 794 |
| Cash collaterals | 1 214 060 | 1 094 355 | 1 769 521 |
| Reverse repo transactions | 1 992 520 | 3 119 010 | 1 918 189 |
| Debt securities | - | - | - |
| Cash in transit | 22 913 | 314 178 | 167 230 |
| Total gross amount | 6 489 403 | 7 573 506 | 7 540 908 |
| Impairment allowances | (26 570) | (25 721) | (26 512) |
| Total net amount | 6 462 833 | 7 547 785 | 7 514 396 |

Loans and advances to banks by quality

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|---|------------------|------------------|------------------|
| Loans and advances to banks, including: | | | |
| non impaired (gross) | 6 463 206 | 7 539 755 | 7 506 942 |
| impaired (gross) | 26 197 | 33 751 | 33 966 |
| individual impairment allowances | (16 397) | (9 788) | (10 345) |
| collective impairment allowances (*) | (10 173) | (15 933) | (16 167) |
| Total | 6 462 833 | 7 547 785 | 7 514 396 |

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

Loans and advances to banks by contractual maturity

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|---|------------------|------------------|------------------|
| Loans and advances to banks, including: | | | |
| up to 1 month | 5 591 878 | 6 554 525 | 6 495 489 |
| between 1 and 3 months | 53 379 | 185 922 | 125 462 |
| between 3 months and 1 year | 463 034 | 392 700 | 459 835 |
| between 1 and 5 years | 340 351 | 352 332 | 364 481 |
| over 5 years | 14 387 | 54 105 | 45 710 |
| past due | 26 374 | 33 922 | 49 931 |
| Total gross amount | 6 489 403 | 7 573 506 | 7 540 908 |
| Impairment allowances | (26 570) | (25 721) | (26 512) |
| Total net amount | 6 462 833 | 7 547 785 | 7 514 396 |

Loans and advances to banks by currency

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|------------------|------------------|------------------|------------------|
| PLN | 3 134 481 | 3 884 267 | 3 191 110 |
| CHF | 4 597 | 23 506 | 5 524 |
| EUR | 2 131 804 | 2 254 636 | 2 852 918 |
| USD | 1 046 589 | 1 199 699 | 1 258 244 |
| Other currencies | 145 362 | 185 677 | 206 600 |
| Total | 6 462 833 | 7 547 785 | 7 514 396 |

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

Notes to financial statements (cont)

(in PLN thousand)

24. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading by product type

| 30.09.2014 | ASSETS | LIABILITIES |
|--|----------------|----------------|
| Securities issued by State Treasury | 462 719 | 238 874 |
| T- bills | - | - |
| T- bonds | 462 719 | 238 874 |
| Securities issued by banks | 21 337 | - |
| Securities issued by business entities | 45 189 | - |
| Total | 529 245 | 238 874 |

| 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 |

| 30.09.2013 | ASSETS | LIABILITIES |
|--|------------------|----------------|
| Securities issued by State Treasury | 1 346 976 | 467 064 |
| T- bills | - | - |
| T- bonds | 1 346 976 | 467 064 |
| Securities issued by banks | - | - |
| Securities issued by business entities | - | - |
| Total | 1 346 976 | 467 064 |

Notes to financial statements (cont)

(in PLN thousand)

Financial assets and liabilities held for trading by maturity

| 30.09.2014 | ASSETS | LIABILITIES |
|-----------------------------|----------------|----------------|
| Debt securities, including: | | |
| up to 1 month | 4 190 | - |
| between 1 and 3 months | 2 045 | - |
| between 3 months and 1 year | 135 698 | - |
| between 1 and 5 years | 364 333 | 135 768 |
| over 5 years | 22 979 | 103 106 |
| Total | 529 245 | 238 874 |

| 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 |

| 30.09.2013 | ASSETS | LIABILITIES |
|-----------------------------|------------------|----------------|
| Debt securities, including: | | |
| up to 1 month | 18 261 | - |
| between 1 and 3 months | - | - |
| between 3 months and 1 year | 729 438 | 11 068 |
| between 1 and 5 years | 208 045 | 245 944 |
| over 5 years | 391 232 | 210 052 |
| Total | 1 346 976 | 467 064 |

Assets and financial liabilities held for trading by currency

| 30.09.2014 | ASSETS | LIABILITIES |
|--------------|----------------|----------------|
| PLN | 518 300 | 238 874 |
| EUR | 8 100 | - |
| USD | 2 845 | - |
| Total | 529 245 | 238 874 |

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

| 30.09.2013 | ASSETS | LIABILITIES |
|--------------|------------------|----------------|
| PLN | 1 271 577 | 467 064 |
| EUR | 36 714 | - |
| USD | 38 685 | - |
| Total | 1 346 976 | 467 064 |

Notes to financial statements (cont)

(in PLN thousand)

25. Derivative financial instruments (held for trading)

Fair value of trading derivatives

| 30.09.2014 | ASSETS | LIABILITIES |
|---|------------------|------------------|
| Interest rate transactions | | |
| Interest Rate Swaps (IRS) | 3 224 152 | 3 219 635 |
| Forward Rate Agreements (FRA) | 3 631 | 5 294 |
| Options | 13 083 | 12 882 |
| Other | 697 | 1 085 |
| Foreign currency and gold transactions | | |
| Cross-Currency Interest Rate Swaps (CIRS) | 33 591 | 38 653 |
| Currency Forward Agreements | 57 243 | 72 823 |
| Currency Swaps (fx-swap) | 63 391 | 54 511 |
| Options for currency and gold | 12 505 | 9 976 |
| Transactions based on equity securities | | |
| Options | 5 450 | 5 468 |
| Swaps | 24 131 | 22 409 |
| Total | 3 437 874 | 3 442 736 |

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

| 30.09.2013 | ASSETS | LIABILITIES |
|---|------------------|------------------|
| Interest rate transactions | | |
| Interest Rate Swaps (IRS) | 1 823 537 | 1 824 215 |
| Forward Rate Agreements (FRA) | 21 594 | 15 706 |
| Options | 19 845 | 19 845 |
| Other | 1 514 | 1 704 |
| Foreign currency and gold transactions | | |
| Cross-Currency Interest Rate Swaps (CIRS) | 9 502 | 29 496 |
| Currency Forward Agreements | 37 426 | 69 784 |
| Currency Swaps (fx-swap) | 100 189 | 69 267 |
| Options for currency and gold | 55 453 | 54 766 |
| Transactions based on equity securities | | |
| Options | 2 725 | 2 726 |
| Swaps | 6 271 | 5 851 |
| Total | 2 078 056 | 2 093 360 |

Notes to financial statements (cont)

(in PLN thousand)

26. Loans and advances to customers

Loans and advances to customers by product type

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|----------------------------|--------------------|--------------------|--------------------|
| Mortgage loans | 39 736 853 | 37 094 691 | 35 865 330 |
| Current accounts | 11 581 716 | 10 868 100 | 12 101 212 |
| Operating loans | 14 359 201 | 13 364 851 | 13 119 991 |
| Investment loans | 19 585 462 | 19 233 353 | 19 057 567 |
| Payment cards receivables | 800 128 | 778 736 | 774 149 |
| Purchased debt receivables | 2 798 320 | 2 892 760 | 2 571 753 |
| Other loans and advances | 9 575 320 | 9 682 090 | 9 442 179 |
| Debt securities | 10 475 726 | 9 473 835 | 7 132 617 |
| Reverse repo transactions | 3 775 483 | 2 581 676 | 3 313 413 |
| Cash in transit | 115 027 | 70 600 | 44 688 |
| Total gross amount | 112 803 236 | 106 040 692 | 103 422 899 |
| Impairment allowances | (5 276 717) | (5 028 177) | (5 069 987) |
| Total net amount | 107 526 519 | 101 012 515 | 98 352 912 |

Loans and advances to customers by customer type

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|---------------------------|--------------------|--------------------|--------------------|
| Corporate | 53 629 130 | 49 865 877 | 49 791 169 |
| Individuals | 47 800 367 | 44 592 881 | 43 258 741 |
| Budget entities | 11 373 739 | 11 581 934 | 10 372 989 |
| Total gross amount | 112 803 236 | 106 040 692 | 103 422 899 |
| Impairment allowances | (5 276 717) | (5 028 177) | (5 069 987) |
| Total net amount | 107 526 519 | 101 012 515 | 98 352 912 |

Loans and advances to customers by quality

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|---|--------------------|--------------------|-------------------|
| Loans and advances to customers, including: | | | |
| non impaired (gross) | 105 065 262 | 98 334 335 | 95 884 570 |
| impaired (gross) | 7 737 974 | 7 706 357 | 7 538 329 |
| individual impairment allowances | (2 917 045) | (2 677 820) | (2 538 801) |
| collective impairment allowances (*) | (2 359 672) | (2 350 357) | (2 531 186) |
| Total | 107 526 519 | 101 012 515 | 98 352 912 |

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

Notes to financial statements (cont)

(in PLN thousand)

Loans and advances to customers by contractual maturity

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|---|--------------------|--------------------|--------------------|
| Loans and advances to customers, including: | | | |
| up to 1 month | 17 619 199 | 14 620 744 | 16 490 262 |
| between 1 and 3 months | 4 278 344 | 2 902 893 | 3 622 309 |
| between 3 months and 1 year | 9 274 380 | 10 315 304 | 9 483 219 |
| between 1 and 5 years | 34 442 337 | 33 406 176 | 31 782 547 |
| over 5 years | 41 365 197 | 39 629 626 | 36 748 461 |
| past due | 5 823 779 | 5 165 949 | 5 296 101 |
| Total gross amount | 112 803 236 | 106 040 692 | 103 422 899 |
| Impairment allowances | (5 276 717) | (5 028 177) | (5 069 987) |
| Total net amount | 107 526 519 | 101 012 515 | 98 352 912 |

Loans and advances to customers by currency

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|------------------|--------------------|--------------------|-------------------|
| PLN | 88 574 620 | 82 906 418 | 80 235 186 |
| CHF | 4 956 791 | 5 208 473 | 5 558 270 |
| EUR | 10 900 021 | 10 861 533 | 11 078 469 |
| USD | 2 994 564 | 1 986 642 | 1 452 345 |
| Other currencies | 100 523 | 49 449 | 28 642 |
| Total | 107 526 519 | 101 012 515 | 98 352 912 |

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

Notes to financial statements (cont)

(in PLN thousand)

27. Receivables from financial leases

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

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

| 30.09.2014 | GROSS LEASING INVESTMENT | PRESENT VALUE OF MINIMUM LEASE PAYMENTS |
|--|--------------------------|---|
| Up to 1 year | 1 391 134 | 1 261 216 |
| Between 1 and 5 years | 1 870 057 | 1 720 302 |
| Over 5 years | 250 874 | 214 103 |
| Total | 3 512 065 | 3 195 621 |
| Unearned finance income | (316 444) | |
| Net leasing investment | 3 195 621 | |
| Unguaranteed residual values accruing to the benefit of the lessor | - | |
| Present value of minimum lease payments | 3 195 621 | |
| Impairment allowances | (185 862) | |
| Balance sheet value | 3 009 759 | |

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

| 30.09.2013 | GROSS LEASING INVESTMENT | PRESENT VALUE OF MINIMUM LEASE PAYMENTS |
|--|--------------------------|---|
| Up to 1 year | 1 324 613 | 1 202 405 |
| Between 1 and 5 years | 1 742 904 | 1 616 409 |
| Over 5 years | 105 455 | 97 994 |
| Total | 3 172 972 | 2 916 808 |
| Unearned finance income | (256 164) | |
| Net leasing investment | 2 916 808 | |
| Unguaranteed residual values accruing to the benefit of the lessor | - | |
| Present value of minimum lease payments | 2 916 808 | |
| Impairment allowances | (201 314) | |
| Balance sheet value | 2 715 494 | |

Notes to financial statements (cont)

(in PLN thousand)

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

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

Receivables from financial leases from banks by quality

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|--|--------------|--------------|--------------|
| Receivables from financial leases from banks, including: | | | |
| non impaired (gross) | 6 131 | 6 770 | 4 283 |
| impaired (gross) | - | - | - |
| individual impairment allowances | (33) | (28) | (28) |
| collective impairment allowances (*) | - | (1) | (1) |
| Total | 6 098 | 6 741 | 4 254 |

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

Receivables from financial leases from clients by quality

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|--|------------------|------------------|------------------|
| Receivables from financial leases from clients, including: | | | |
| non impaired (gross) | 2 940 438 | 2 859 194 | 2 633 850 |
| impaired (gross) | 249 052 | 240 395 | 278 675 |
| individual impairment allowances | (41 014) | (40 991) | (43 157) |
| collective impairment allowances (*) | (144 815) | (134 091) | (158 128) |
| Total | 3 003 661 | 2 924 507 | 2 711 240 |

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

Receivables from financial leases by currency

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|--------------|------------------|------------------|------------------|
| PLN | 1 965 759 | 1 995 032 | 2 001 368 |
| CHF | 4 037 | 5 752 | 7 575 |
| EUR | 1 034 277 | 922 159 | 697 544 |
| USD | 5 686 | 8 305 | 9 007 |
| Total | 3 009 759 | 2 931 248 | 2 715 494 |

Notes to financial statements (cont)

(in PLN thousand)

28. Hedge accounting

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

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

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

In the period from 1st January till to 30th September of 2014 the Group:

- designated to the hedge accounting the hedging relationship – cash flow hedge accounting for highly probable cash flow denominated in EUR (short position in EUR for the Group) hedged with foreign exchange forward transactions (a series of fx-spot and fx-swap transactions),
- 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. Completion of the application resulted from maturity of transactions included in the hedging relationship.

The table below presents the fair value of hedging derivatives

| 30.09.2014 | ASSETS | LIABILITIES |
|--|----------------|------------------|
| Fair value hedge accounting | | |
| Interest rate swaps (IRS) | 17 | 254 221 |
| Cross-currency interest rate swap (CIRS) | - | - |
| Cash flow hedge accounting | | |
| Interest rate swaps (IRS) | 327 120 | 15 265 |
| Cross-currency interest rate swap (CIRS) | 63 470 | 920 127 |
| FX-swaps | 16 541 | 40 597 |
| Total | 407 148 | 1 230 210 |

| 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)

| 30.09.2013 | ASSETS | LIABILITIES |
|--|----------------|------------------|
| Fair value hedge accounting | | |
| Interest rate swaps (IRS) | 52 | 189 521 |
| Cross-currency interest rate swap (CIRS) | 109 179 | - |
| Cash flow hedge accounting | | |
| Interest rate swaps (IRS) | 55 197 | 54 400 |
| Cross-currency interest rate swap (CIRS) | 27 873 | 956 783 |
| FX-swaps | 52 448 | 568 |
| Total | 244 749 | 1 201 272 |

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

| | 3 QUARTERS 2014 | 3 QUARTERS 2013 |
|--|-----------------|-----------------|
| Revaluation reserves (deferral of fair value changes of hedging instruments related to the portions recognized as effective hedge - gross value) | 147 112 | (25 751) |
| Net interest income on hedging derivatives | 131 044 | 163 905 |
| Ineffective portions of changes in the fair value of hedging transactions recognized in the income statement | 480 | 193 |

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

| | 3 QUARTERS 2014 | 3 QUARTERS 2013 |
|--|-----------------|-----------------|
| Opening balance | (29 487) | (64 318) |
| Deferral of fair value changes of hedging instruments related to the portion recognized as effective hedge | 176 560 | 38 528 |
| 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 | 39 | 39 |
| Closing balance | 147 112 | (25 751) |

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

| TYPE OF GAINS/LOSSES | 3 QUARTERS 2014 | 3 QUARTERS 2013 |
|--|-----------------|-----------------|
| Gains/losses from revaluation of hedging instruments to fair value | (118 083) | 43 189 |
| Gains/losses from revaluation of hedged item associated with hedged risk to fair value | 102 369 | (54 544) |
| Result on fair value hedge accounting | (15 714) | (11 355) |
| Net interest income on hedging derivatives | (29 392) | (37 398) |

Notes to financial statements (cont)

(in PLN thousand)

29. Investment (placement) securities

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|--|-------------------|-------------------|-------------------|
| Debt securities available for sale (AFS) | 31 063 996 | 33 015 387 | 23 884 490 |
| Equity securities available for sale (AFS) | 18 247 | 18 580 | 18 282 |
| Debt securities held to maturity (HTM) | 1 578 911 | 1 961 770 | 2 266 637 |
| Total | 32 661 154 | 34 995 737 | 26 169 409 |

Debt securities available for sale (AFS)

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|--|-------------------|-------------------|-------------------|
| Securities issued by State Treasury | 17 061 304 | 17 929 548 | 16 571 736 |
| T-bills | - | - | - |
| T-bonds | 17 061 304 | 17 929 548 | 16 571 736 |
| Securities issued by Central Banks | 13 070 509 | 14 159 186 | 6 397 210 |
| Securities issued by business entities | 251 581 | 248 865 | 251 243 |
| Securities issued by local governments | 680 602 | 677 788 | 664 301 |
| Total | 31 063 996 | 33 015 387 | 23 884 490 |
| including impairment of assets | - | - | - |

Equity securities available for sale (AFS)

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|--------------------------------|---------------|---------------|---------------|
| Shares | 18 247 | 18 580 | 18 282 |
| Total | 18 247 | 18 580 | 18 282 |
| including impairment of assets | (122) | (123) | (123) |

Debt securities held to maturity (HTM)

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|-------------------------------------|------------------|------------------|------------------|
| Securities issued by State Treasury | 743 485 | 1 124 015 | 1 465 769 |
| T-bills | - | - | - |
| T-bonds | 743 485 | 1 124 015 | 1 465 769 |
| Securities issued by Central Banks | 835 426 | 837 755 | 800 868 |
| Total | 1 578 911 | 1 961 770 | 2 266 637 |
| including impairment of assets | - | - | - |

Investment debt securities according to contractual maturity

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|-----------------------------|-------------------|-------------------|-------------------|
| Debt securities, including: | | | |
| up to 1 month | 13 905 935 | 15 476 130 | 7 208 555 |
| between 1 and 3 months | - | - | - |
| between 3 months and 1 year | 52 044 | 461 915 | 1 560 974 |
| between 1 and 5 years | 14 208 291 | 12 787 788 | 12 068 535 |
| over 5 years | 4 476 637 | 6 251 324 | 5 313 063 |
| Total | 32 642 907 | 34 977 157 | 26 151 127 |

Notes to financial statements (cont)

(in PLN thousand)

Investment debt securities by currency

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|--------------|-------------------|-------------------|-------------------|
| PLN | 28 567 799 | 31 932 448 | 23 408 686 |
| EUR | 1 963 925 | 1 725 017 | 1 489 029 |
| USD | 2 111 183 | 1 319 692 | 1 253 412 |
| Total | 32 642 907 | 34 977 157 | 26 151 127 |

30. Assets and liabilities held for sale and discontinued operations

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

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

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

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

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|---|---------------|---------------|---------------|
| ASSETS HELD FOR SALE | | | |
| Assets of PJSC UniCredit Bank | - | - | - |
| Property, plant and equipment | 10 169 | 23 349 | 39 915 |
| Other assets | 22 515 | 22 515 | 22 515 |
| Total assets | 32 684 | 45 864 | 62 430 |
| LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE | | | |
| Liabilities of PJSC UniCredit Bank | - | - | - |
| Total liabilities | - | - | - |

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

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

Effect of disposal of net assets of PJSC UniCredit Bank recognized in the equity of the Group:

| | 3 QUARTERS 2014 | 2013 | 3 QUARTERS 2013 |
|---|-----------------|----------------|-----------------|
| Sales proceeds | - | 671 287 | 671 287 |
| Net carrying amount of disposed assets (including sale costs) | - | (531 286) | (531 286) |
| Gain/loss on sale before income tax | - | 140 001 | 140 001 |
| Income tax expense | - | (26 600) | (26 600) |
| Net result on sale | - | 113 401 | 113 401 |

The effect of disposal of other assets is as follows:

| | 3 QUARTERS 2014 | 2013 | 3 QUARTERS 2013 |
|---|-----------------|---------------|-----------------|
| Sales revenues | - | 90 827 | 69 434 |
| Net carrying amount of disposed assets (including sale costs) | - | 67 932 | 49 746 |
| Profit/loss on sale before income tax | - | 22 895 | 19 688 |

Notes to financial statements (cont)

(in PLN thousand)

31. Intangible assets

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|---------------------------------------|----------------|----------------|----------------|
| Intangible assets, including: | 551 335 | 572 011 | 564 628 |
| research and development expenditures | 11 418 | 12 031 | 12 980 |
| licenses and patents | 427 926 | 447 917 | 432 162 |
| other | 6 547 | 1 035 | 1 373 |
| assets under construction | 105 444 | 111 028 | 118 113 |
| Goodwill | 54 560 | 54 560 | 54 560 |
| Total | 605 895 | 626 571 | 619 188 |

In the period from 1 January to 30 September 2014 the Group acquired intangible assets in the amount of PLN 77 605 thousand (in 2013 – PLN 101 969 thousand).

In the period from 1 January to 30 September 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 September 2014 the contractual commitments for the acquisition of intangible assets amounted to PLN 79 493 thousand, whereas as at 31 December 2013 - PLN 21 501 thousand.

32. Property, plant and equipment

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|---|------------------|------------------|------------------|
| Non-current assets, including: | 1 455 908 | 1 496 630 | 1 584 530 |
| land and buildings | 1 115 514 | 1 131 656 | 1 205 673 |
| machinery and equipment | 258 049 | 291 519 | 301 814 |
| transport vehicles | 38 531 | 35 999 | 39 222 |
| other | 43 814 | 37 456 | 37 821 |
| Non-current assets under construction and prepayments | 85 328 | 93 006 | 62 371 |
| Total | 1 541 236 | 1 589 636 | 1 646 901 |

In the period from 1 January to 30 September 2014 the Group acquired property, plant and equipment in the amount of PLN 86 054 thousand (in 2013 - PLN 198 208 thousand), while the value of property, plant and equipment sold amounted to PLN 2 510 thousand (in 2013 - PLN 4 861 thousand).

In the period from 1 January to 30 September 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 September 2014 the contractual commitments for the acquisition of property, plant and equipment amounted to PLN 20 838 thousand, whereas as at 31 December 2013 - PLN 68 267 thousand.

Notes to financial statements (cont)

(in PLN thousand)

33. Assets pledged as security for liabilities

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

| TYPE OF TRANSACTION | SECURITY | CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES | NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES | VALUE OF LIABILITIES SUBJECT TO SECURITY |
|--|---------------------------------------|--|---|--|
| Repo transactions | bonds | 3 676 008 | 3 376 396 | 3 660 052 |
| Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund | bonds | 665 205 | 605 200 | - |
| Lombard and technical loan | bonds | 5 279 296 | 5 010 714 | - |
| Other loans | bonds, leases encumbrances | 918 004 | 913 727 | 717 739 |
| Issue of mortgage bonds | receivables backed by mortgage, bonds | 1 398 227 | 1 403 662 | 1 010 383 |
| Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW) | bonds, cash deposits | 45 924 | 44 570 | - |
| Derivatives | bonds | 33 616 | 30 098 | 18 536 |

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

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

Notes to financial statements (cont)

(in PLN thousand)

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

| TYPE OF TRANSACTION | SECURITY | CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES | NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES | VALUE OF LIABILITIES SUBJECT TO SECURITY |
|--|---------------------------------------|--|---|--|
| Repo transactions | bonds | 3 859 206 | 3 629 423 | 3 878 387 |
| Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund | bonds | 611 663 | 565 120 | - |
| Lombard and technical loan | bonds, bills | 4 098 765 | 4 011 107 | - |
| Other loans | bonds, leases encumbrances | 992 257 | 981 460 | 867 963 |
| Deposits | bonds | 211 423 | 213 150 | 204 390 |
| Issue of mortgage bonds | receivables backed by mortgage, bonds | 1 262 203 | 1 275 326 | 822 841 |
| Coverage of the Guarantee Fund for the Settlement of Stock Exchange | bonds, cash deposits | 51 985 | 50 963 | - |

34. Amounts due to other banks

Amounts due to other banks by product type

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|--|------------------|------------------|------------------|
| Current accounts and overnight deposits | 2 059 349 | 1 160 683 | 2 056 906 |
| Interbank deposits and other liabilities | 518 937 | 1 282 795 | 601 459 |
| Loans and advances received | 2 978 714 | 3 048 343 | 2 784 149 |
| Repo transactions | 2 806 240 | 905 238 | 3 607 273 |
| Cash in transit | 28 691 | 20 598 | 26 779 |
| Total | 8 391 931 | 6 417 657 | 9 076 566 |

Amounts due to other banks by currency

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|------------------|------------------|------------------|------------------|
| PLN | 4 109 331 | 3 058 551 | 4 657 738 |
| CHF | 722 610 | 814 849 | 830 640 |
| EUR | 2 795 288 | 2 410 773 | 3 336 354 |
| USD | 702 830 | 69 488 | 151 508 |
| Other currencies | 61 872 | 63 996 | 100 326 |
| Total | 8 391 931 | 6 417 657 | 9 076 566 |

Notes to financial statements (cont)

(in PLN thousand)

35. Amounts due to customers

Amounts due to customers by entity and product type

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|--|--------------------|--------------------|--------------------|
| Amounts due to corporate, including: | 53 271 085 | 59 214 508 | 51 610 922 |
| current accounts and overnight deposits | 26 966 105 | 22 708 969 | 26 020 711 |
| term deposits and other liabilities | 26 304 980 | 36 505 539 | 25 590 211 |
| Amounts due to budget entities, including: | 7 707 929 | 5 822 211 | 6 975 781 |
| current accounts and overnight deposits | 5 631 795 | 4 893 773 | 5 131 032 |
| term deposits and other liabilities | 2 076 134 | 928 438 | 1 844 749 |
| Amounts due to individuals, including: | 53 877 692 | 50 912 985 | 48 700 135 |
| current accounts and overnight deposits | 28 750 481 | 27 993 266 | 28 236 434 |
| term deposits and other liabilities | 25 127 211 | 22 919 719 | 20 463 701 |
| Repo transactions | 5 140 432 | 3 668 011 | 3 034 231 |
| Cash in transit | 284 071 | 178 991 | 216 404 |
| Total | 120 281 209 | 119 796 706 | 110 537 473 |

Amounts due to customers by currency

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|------------------|--------------------|--------------------|--------------------|
| PLN | 100 863 154 | 101 473 042 | 93 865 975 |
| CHF | 178 910 | 173 571 | 172 452 |
| EUR | 12 442 032 | 10 434 337 | 9 984 185 |
| USD | 6 127 289 | 7 078 537 | 5 859 626 |
| Other currencies | 669 824 | 637 219 | 655 235 |
| Total | 120 281 209 | 119 796 706 | 110 537 473 |

Notes to financial statements (cont)

(in PLN thousand)

36. Debt securities issued

Debt securities issued by type

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|-------------------------|------------------|------------------|------------------|
| Certificates of deposit | 3 094 758 | 2 240 452 | 1 788 946 |
| Mortgage bonds | 1 010 383 | 823 285 | 822 841 |
| Total | 4 105 141 | 3 063 737 | 2 611 787 |

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

Debt securities issued by currency

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|--------------|------------------|------------------|------------------|
| PLN | 3 932 371 | 3 003 425 | 2 550 607 |
| EUR | 172 770 | 60 312 | 61 180 |
| USD | - | - | - |
| Total | 4 105 141 | 3 063 737 | 2 611 787 |

Changes in debt securities issued

| | 3 QUARTERS 2014 | 2013 | 3 QUARTERS 2013 |
|---------------------------------------|------------------|------------------|------------------|
| Opening balance | 3 063 737 | 4 758 736 | 4 758 736 |
| Increase (issuance) | 4 799 673 | 3 667 197 | 2 082 273 |
| Decrease (redemption) | (3 891 026) | (4 300 519) | (3 749 886) |
| Decrease (partial redemption) | (1 034) | (1 022 028) | (445 281) |
| Foreign currency exchange differences | 378 | 2 344 | 2 601 |
| Sale | 136 141 | - | - |
| Other changes | (2 728) | (41 993) | (36 656) |
| Closing balance | 4 105 141 | 3 063 737 | 2 611 787 |

Notes to financial statements (cont)

(in PLN thousand)

37. Provisions

Changes in provisions in the reporting period

| 3 QUARTERS 2014 | PROVISIONS FOR LITIGATION AND CLAIMS | PROVISIONS FOR DEFINED BENEFIT PLANS | PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED | OTHER PROVISIONS | TOTAL |
|---------------------------------------|--------------------------------------|--------------------------------------|--|------------------|----------------|
| Opening balance | 34 986 | 207 297 | 113 932 | 37 322 | 393 537 |
| Provision charges/revaluation | 3 930 | 17 265 | 44 963 | 9 705 | 75 863 |
| Provision utilization | (1 955) | (5 482) | - | (13 196) | (20 633) |
| Provision releases | (879) | - | (74 058) | - | (74 937) |
| Foreign currency exchange differences | - | - | 294 | 33 | 327 |
| Other changes | (1) | - | - | 364 | 363 |
| Closing balance | 36 081 | 219 080 | 85 131 | 34 228 | 374 520 |
| Short term | 5 852 | 5 553 | 38 071 | 4 513 | 53 989 |
| Long term | 30 229 | 213 527 | 47 060 | 29 715 | 320 531 |

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

| 3 QUARTERS 2013 | PROVISIONS FOR LITIGATION AND CLAIMS | PROVISIONS FOR DEFINED BENEFIT PLANS | PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED | OTHER PROVISIONS | TOTAL |
|---------------------------------------|--------------------------------------|--------------------------------------|--|------------------|----------------|
| Opening balance | 56 795 | 154 281 | 106 406 | 42 024 | 359 506 |
| Provision charges/revaluation | 6 498 | 14 015 | 92 276 | 9 781 | 122 570 |
| Provision utilization | (7 854) | (6 747) | - | (18 964) | (33 565) |
| Provision releases | (3 121) | - | (54 009) | - | (57 130) |
| Foreign currency exchange differences | 8 | - | 164 | 186 | 358 |
| Other changes | - | - | - | 419 | 419 |
| Closing balance | 52 326 | 161 549 | 144 837 | 33 446 | 392 158 |
| Short term | 25 080 | 63 | 45 069 | 10 654 | 80 866 |
| Long term | 27 246 | 161 486 | 99 768 | 22 792 | 311 292 |

Notes to financial statements (cont)

(in PLN thousand)

Provisions for litigation and claims

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

Provisions for defined benefits plans

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

Other provisions

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

38. Contingent commitments

Litigation

As at 30 September 2014 the total value of the litigation subject in the ongoing court proceedings against the Group was PLN 1 122 642 thousand (in three quarters of 2013 it was PLN 19 037 716 thousand).

As at 30 September 2014 there were no proceedings before the court or state administration bodies related to the receivables or payables of the Bank and its subsidiaries in which the pursued claim value (amount to be paid) is at least 10% of the Group's equity.

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

Other litigations against the Group currently ongoing:

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

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

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

As at 30 September 2014, the Group created provisions for litigations against the Group entities which, according to the legal opinion, are connected with a risk of the funds outflow resulting from the fulfillment of the obligation. The value of the above provisions as at 30 September 2014 is PLN 36 081 thousand (PLN 34 986 thousand as at 31 December 2013).

Notes to financial statements (cont)

(in PLN thousand)

Financial commitments granted

Financial commitments granted by entity

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|-----------------------------------|-------------------|-------------------|-------------------|
| Financial commitments granted to: | | | |
| financial entities | 1 412 665 | 2 497 373 | 2 905 116 |
| non - financial entities | 22 898 150 | 23 208 164 | 22 079 139 |
| budget entities | 1 391 494 | 1 392 162 | 1 600 244 |
| Total | 25 702 309 | 27 097 699 | 26 584 499 |

Guarantees issued

Guarantees issued by entity

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|-------------------------------------|-------------------|-------------------|-------------------|
| Issued to financial entities: | 852 438 | 832 166 | 770 561 |
| guarantees | 814 240 | 785 796 | 728 251 |
| sureties | 36 192 | 43 754 | 38 778 |
| confirmed export letters of credit | 2 006 | 2 616 | 3 532 |
| Issued to non-financial entities | 11 762 606 | 10 145 187 | 9 008 682 |
| guarantees | 6 385 284 | 4 938 747 | 4 381 670 |
| securities' underwriting guarantees | 5 377 322 | 5 146 660 | 4 625 127 |
| sureties | - | 59 780 | 1 885 |
| Issued to budget entities: | 511 984 | 99 950 | 494 866 |
| guarantees | 11 879 | 17 740 | 21 026 |
| securities' underwriting guarantees | 500 105 | 82 210 | 473 840 |
| Total | 13 127 028 | 11 077 303 | 10 274 109 |

Off-balance sheet commitments received

Off-balance sheet commitments received by entity

| | 30.09.2014 | 31.12.2013 | 30.09.2013 |
|---------------------------|-------------------|------------------|------------------|
| Financial received from: | 2 318 818 | 111 792 | 636 441 |
| financial entities | 2 233 596 | 111 792 | 636 441 |
| non - financial entities | 85 222 | - | - |
| budget entities | - | - | - |
| Guarantees received from: | 12 148 509 | 9 124 950 | 8 707 373 |
| financial entities | 1 392 652 | 1 113 604 | 804 883 |
| non - financial entities | 10 020 148 | 7 302 774 | 7 172 843 |
| budget entities | 735 709 | 708 572 | 729 647 |
| Total | 14 467 327 | 9 236 742 | 9 343 814 |

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

Notes to financial statements (cont)

(in PLN thousand)

39. Related party transactions

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

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

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

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

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

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

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

Notes to financial statements (cont)

(in PLN thousand)

Related party transactions

Related party transactions as at 30 September 2014

| NAME OF ENTITY | RECEIVABLES FROM LOANS AND PLACEMENTS | RECEIVABLES FROM REVALUATION OF DERIVATIVES | OTHER RECEIVABLES | LIABILITIES FROM LOANS AND DEPOSITS | LIABILITIES FROM REVALUATION OF DERIVATIVES | OTHER LIABILITIES |
|--|--|---|-------------------|--|---|-------------------|
| UniCredit S.p.A. – the Bank 's parent entity | 5 255 | - | 10 | 56 318 | - | 577 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 1 470 746 | 411 292 | 424 | 1 038 132 | 891 293 | 672 |
| Associates of Bank Pekao S.A. Group | | | | | | |
| Dom Inwestycyjny Xelion Sp. z o.o. | - | - | 46 | 32 064 | - | 62 |
| Pioneer Pekao Investment Management S.A. | - | - | - | 149 176 | - | 5 |
| Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary) | - | - | 14 897 | 116 764 | - | 6 |
| Krajowa Izba Rozliczeniowa S.A. | - | - | - | 9 314 | - | - |
| Total Associates of Bank Pekao S.A. Group | - | - | 14 943 | 307 318 | - | 73 |
| Key management personnel of the Bank and UniCredit S.p.A. | 6 449 | - | - | 41 425 | - | - |
| Total | 1 482 450 | 411 292 | 15 377 | 1 443 193 | 891 293 | 1 322 |

Notes to financial statements (cont)

(in PLN thousand)

Receivables from loans and placements by contractual maturity

| 30.09.2014 | 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 | 5 255 | - | - | - | - | - | 5 255 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 492 439 | 265 842 | 103 | 372 120 | 340 242 | - | 1 470 746 |
| Associates of Bank Pekao S.A Group | - | - | - | - | - | - | - |
| Key management personnel of the Bank and UniCredit S.p.A. | 2 | - | - | 6 031 | 75 | 341 | 6 449 |
| Total | 497 696 | 265 842 | 103 | 378 151 | 340 317 | 341 | 1 482 450 |

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

Liabilities from loans and deposits by contractual maturity

| 30.09.2014 | 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 | 56 318 | - | - | - | - | - | 56 318 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 106 501 | 557 285 | 12 868 | 1 233 | 7 355 | 352 890 | 1 038 132 |
| Associates of Bank Pekao S.A Group | 25 325 | 48 406 | 233 587 | - | - | - | 307 318 |
| Key management personnel of the Bank and UniCredit S.p.A | 5 379 | 25 064 | 6 622 | 4 260 | 100 | - | 41 425 |
| Total | 193 523 | 630 755 | 253 077 | 5 493 | 7 455 | 352 890 | 1 443 193 |

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

Notes to financial statements (cont)

(in PLN thousand)

Receivables from loans and placements by currency

| 30.09.2014 | EUR | USD | CHF | PLN | OTHER | TOTAL |
|--|----------------|----------------|----------|----------------|---------------|------------------|
| UniCredit S.p.A. – the Bank's parent entity | 2 847 | 2 408 | - | - | - | 5 255 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 528 715 | 670 911 | 6 | 233 038 | 38 076 | 1 470 746 |
| Associates of Bank Pekao S.A Group | - | - | - | - | - | - |
| Key management personnel of the Bank and UniCredit S.p.A. | - | - | - | 6 449 | - | 6 449 |
| Total | 531 562 | 673 319 | 6 | 239 487 | 38 076 | 1 482 450 |

Liabilities from loans and deposits by currency

| 30.09.2014 | EUR | USD | CHF | PLN | OTHER | TOTAL |
|--|----------------|------------|----------------|----------------|--------------|------------------|
| UniCredit S.p.A. – the Bank's parent entity | - | - | - | 56 318 | - | 56 318 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 443 445 | - | 328 700 | 265 633 | 354 | 1 038 132 |
| Associates of Bank Pekao S.A Group | - | - | - | 307 318 | - | 307 318 |
| Key management personnel of the Bank and UniCredit S.p.A. | 4 343 | 940 | - | 29 408 | 6 734 | 41 425 |
| Total | 447 788 | 940 | 328 700 | 658 677 | 7 088 | 1 443 193 |

Notes to financial statements (cont)

(in PLN thousand)

Related party transactions as at 31 December 2013

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

Notes to financial statements (cont)

(in PLN thousand)

Receivables from loans and deposits by contractual maturity

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

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

Liabilities from loans and deposits by contractual maturity

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

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

Notes to financial statements (cont)

(in PLN thousand)

Receivables from loans and deposits by currency

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

Liabilities from loans and deposits by currency

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

Notes to financial statements (cont)

(in PLN thousand)

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

| NAME OF ENTITY | INTEREST INCOME | INTEREST EXPENSE | FEE AND COMMISSION INCOME | FEE AND COMMISSION EXPENSE | POSITIVE VALUATION OF DERIVATIVES AND OTHER INCOME | NEGATIVE VALUATION OF DERIVATIVES AND OTHER EXPENSES |
|--|-----------------|------------------|---------------------------|----------------------------|--|--|
| UniCredit S.p.A. – the Bank's parent entity | 8 | (8) | 249 | (2 212) | 985 | (7 104) |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 38 234 | (12 368) | 5 984 | (167) | 5 577 | (23 696) |
| Associates of Bank Pekao S.A Group | | | | | | |
| Dom Inwestycyjny Xelion Sp. z o.o. | - | (440) | 54 | (20) | 239 | - |
| Pioneer Pekao Investment Management S.A. | - | (2 952) | 362 | - | 20 | - |
| Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary) | - | (2 495) | 169 908 | - | - | (1) |
| Krajowa Izba Rozliczeniowa S.A. | - | (109) | 110 | - | - | (7 945) |
| Total Associates of Bank Pekao S.A. Group | - | (5 996) | 170 434 | (20) | 259 | (7 946) |
| Key management personnel of the Bank and UniCredit S.p.A. | 203 | (467) | 11 | - | - | - |
| Total | 38 445 | (18 839) | 176 678 | (2 399) | 6 821 | (38 746) |

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

| NAME OF ENTITY | INTEREST INCOME | INTEREST EXPENSE | FEE AND COMMISSION INCOME | FEE AND COMMISSION EXPENSE | POSITIVE VALUATION OF DERIVATIVES AND OTHER INCOME | NEGATIVE VALUATION OF DERIVATIVES AND OTHER EXPENSES |
|--|-----------------|------------------|---------------------------|----------------------------|--|--|
| UniCredit S.p.A. – the Bank's parent entity | 83 | (135) | 819 | (2 085) | 1 431 | (8 253) |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 75 570 | (30 120) | 6 968 | (1 332) | 28 291 | (6 888) |
| Associates of Bank Pekao S.A Group | | | | | | |
| Dom Inwestycyjny Xelion Sp. z o.o. | - | (250) | 31 | (20) | 165 | - |
| Pioneer Pekao Investment Management S.A. | - | (3 773) | 405 | - | 63 | - |
| Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary) | - | (3 141) | 178 978 | - | - | - |
| Krajowa Izba Rozliczeniowa S.A. | - | (147) | 60 | - | - | (7 109) |
| Total Associates of Bank Pekao S.A. Group | - | (7 311) | 179 474 | (20) | 228 | (7 109) |
| Key management personnel of the Bank and UniCredit S.p.A. | 234 | (460) | 6 | - | - | - |
| Total | 75 887 | (38 026) | 187 267 | (3 437) | 29 950 | (22 250) |

Notes to financial statements (cont)

(in PLN thousand)

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

| NAME OF ENTITY | GRANTED | | RECEIVED | |
|--|----------------|----------------|--------------|---------------|
| | FINANCIAL | GUARANTEES | FINANCIAL | GUARANTEES |
| UniCredit S.p.A. – the Bank's parent entity | 38 336 | 229 376 | - | 28 511 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 91 562 | 427 100 | 9 401 | 52 723 |
| Associates of Bank Pekao S.A Group | | | | |
| Dom Inwestycyjny Xelion Sp. z o.o. | 10 030 | - | - | - |
| Pioneer Pekao Investment Management S.A. | 15 | - | - | - |
| Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary) | 51 | - | - | - |
| Krajowa Izba Rozliczeniowa S.A. | - | 500 | - | - |
| Total Associates of Bank Pekao S.A. Group | 10 096 | 500 | - | - |
| Key management personnel of the Bank and UniCredit S.p.A. | 814 | - | - | - |
| Total | 140 808 | 656 976 | 9 401 | 81 234 |

Notes to financial statements (cont)

(in PLN thousand)

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

| 30.09.2014 | 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 | - | - | - | - | 38 336 | - | 38 336 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | - | - | - | - | 91 562 | - | 91 562 |
| Associates of Bank Pekao S.A Group | - | - | - | 10 000 | 96 | - | 10 096 |
| Key management personnel of the Bank and UniCredit S.p.A. | 20 | - | - | 539 | 245 | 10 | 814 |
| Total | 20 | - | - | 10 539 | 130 239 | 10 | 140 808 |
| GUARANTEES ISSUED | | | | | | | |
| UniCredit S.p.A. – the Bank's parent entity | - | 12 000 | 4 356 | 90 987 | 20 384 | 101 649 | 229 376 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | - | 9 996 | 73 | 33 196 | 195 013 | 188 822 | 427 100 |
| Associates of Bank Pekao S.A Group | - | - | - | 500 | - | - | 500 |
| Total | - | 21 996 | 4 429 | 124 683 | 215 397 | 290 471 | 656 976 |
| FINANCIAL COMMITMENTS RECEIVED | | | | | | | |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 9 401 | - | - | - | - | - | 9 401 |
| Total | 9 401 | - | - | - | - | - | 9 401 |
| GUARANTEES RECEIVED | | | | | | | |
| UniCredit S.p.A. – the Bank's parent entity | - | 1 550 | 710 | 18 228 | 6 562 | 1 461 | 28 511 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | - | 2 200 | 8 000 | 7 660 | 32 759 | 2 104 | 52 723 |
| Total | - | 3 750 | 8 710 | 25 888 | 39 321 | 3 565 | 81 234 |

Notes to financial statements (cont)

(in PLN thousand)

Off-balance sheet financial commitments and guarantees granted by currency

| 30.09.2014 | EUR | USD | CHF | PLN | INNE | TOTAL |
|--|---------------|----------|----------|----------------|------------|----------------|
| FINANCIAL COMMITMENTS GRANTED | | | | | | |
| UniCredit S.p.A. – the Bank's parent entity | 38 336 | - | - | - | - | 38 336 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 30 064 | - | - | 61 498 | - | 91 562 |
| Associates of Bank Pekao S.A Group | - | - | - | 10 096 | - | 10 096 |
| Key management personnel of the Bank and UniCredit S.p.A. | - | - | - | 814 | - | 814 |
| Total | 68 400 | - | - | 72 408 | - | 140 808 |
| GUARANTEES ISSUED | | | | | | |
| UniCredit S.p.A. – the Bank's parent entity | 8 990 | - | - | 220 386 | - | 229 376 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 29 272 | - | - | 397 828 | - | 427 100 |
| Associates of Bank Pekao S.A Group | - | - | - | 500 | - | 500 |
| Total | 38 262 | - | - | 618 714 | - | 656 976 |
| FINANCIAL COMMITMENTS RECEIVED | | | | | | |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | - | - | - | 8 959 | 442 | 9 401 |
| Total | - | - | - | 8 959 | 442 | 9 401 |
| GUARANTEES RECEIVED | | | | | | |
| UniCredit S.p.A. – the Bank's parent entity | 22 750 | - | - | 5 761 | - | 28 511 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 18 213 | - | - | 34 510 | - | 52 723 |
| Total | 40 963 | - | - | 40 271 | - | 81 234 |

Notes to financial statements (cont)

(in PLN thousand)

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

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

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

Notes to financial statements (cont)

(in PLN thousand)

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

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

Notes to financial statements (cont)

(in PLN thousand)

Off-balance sheet financial commitments and guarantees issued by currency

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

Notes to financial statements (cont)

(in PLN thousand)

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

| | VALUE OF BENEFITS | |
|--------------------------------------|-------------------|-----------------|
| | 3 QUARTERS 2014 | 3 QUARTERS 2013 |
| Management Board of the Bank | | |
| Short-term employee benefits (*) | 11 780 | 10 473 |
| Long-term benefits(**) | 1 749 | 1 627 |
| Share-based payments (***) | 5 576 | 5 372 |
| Total | 19 105 | 17 472 |
| Supervisory Board of the Bank | | |
| Short-term employee benefits (*) | 695 | 612 |
| Total | 695 | 612 |

(*) 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 September 2014 and in the period from 1 January to 30 September 2013.

Remuneration of Supervisory Boards and Management Boards of subsidiaries

| | VALUE OF BENEFITS | |
|--------------------------------------|-------------------|-----------------|
| | 3 QUARTERS 2014 | 3 QUARTERS 2013 |
| Companies' Management Boards | | |
| Short-term employee benefits | 10 722 | 9 470 |
| Long-term benefits | - | 219 |
| Share-based payments | - | 95 |
| Total | 10 722 | 9 784 |
| Companies' Supervisory Boards | | |
| Short-term employee benefits | 29 | 29 |
| Total | 29 | 29 |

40. Subsequent events

There have been no significant subsequent events.

Signatures of the Management Board Members

| | | | |
|------------|------------------|---|-----------|
| 07.11.2014 | Luigi Lovaglio | President of the Management Board, CEO | |
| Date | Name/Surname | Position/Function | Signature |
| 07.11.2014 | Diego Biondo | Vice-President of the Management Board | |
| Date | Name/Surname | Position/Function | Signature |
| 07.11.2014 | Andrzej Kopyrski | Vice-President of the Management Board | |
| Date | Name/Surname | Position/Function | Signature |
| 07.11.2014 | Grzegorz Piwowar | Vice-President of the Management Board | |
| Date | Name/Surname | Position/Function | Signature |
| 07.11.2014 | Stefano Santini | Vice-President of the Management Board | |
| Date | Name/Surname | Position/Function | Signature |
| 07.11.2014 | Marian Ważyński | Vice-President of the Management Board | |
| Date | Name/Surname | Position/Function | Signature |

Annexes to the financial statements

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

Annex 1

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

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

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

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

- **IFRS 11** 'Joint Arrangements'

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

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

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

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

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

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

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

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

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

Annexes to the financial statements (cont.)

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

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

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

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

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

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

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

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

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

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

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

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

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

Annexes to the financial statements (cont.)

Annex 2

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

- **IFRIC 21 'Levies'**

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

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

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

Annexes to the financial statements (cont.)

Annex 3

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

- **IFRS 9** 'Financial Instruments'

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

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

Main changes resulting from the new standard include:

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

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

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

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

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

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

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

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

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

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

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

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

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

Annexes to the financial statements (cont.)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Annexes to the financial statements (cont.)

- **Improvements to IFRS 2010-2012**

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

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

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

- **Improvements to IFRS 2011-2013**

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

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

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

- **Improvements to IFRS 2012-2014**

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

The annual improvements to IFRS 2012-2014 principally aim to solve inconsistencies and specify vocabulary.

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

- **IFRS 10 (amendment) 'Consolidated Financial Statements' and IAS 28 (amendment) 'Investments in Associates and Joint Ventures'**

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

The amendments concern the sale or contribution of assets between the investor and the associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

- **IAS 27 (amendment) 'Separate Financial Statements'**

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

The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

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

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.