

**Condensed Consolidated
Interim Financial
Statements of
Bank Pekao S.A. Group
for the period from
1 January 2015
to 30 June 2015**



Warsaw, August 2015

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

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Consolidated income statement

(in PLN thousand)

| | NOTE | II QUARTER 2015 PERIOD FROM 01.04.2015 TO 30.06.2015 | I HALF 2015 PERIOD FROM 01.01.2015 TO 30.06.2015 | II QUARTER 2014 PERIOD FROM 01.04.2014 TO 30.06.2014 | I HALF 2014 PERIOD FROM 01.01.2014 TO 30.06.2014 |
|---|------|---|---|---|---|
| Interest income | 9 | 1 323 599 | 2 721 895 | 1 584 757 | 3 155 786 |
| Interest expense | 9 | (308 104) | (663 470) | (444 851) | (885 807) |
| Net interest income | | 1 015 495 | 2 058 425 | 1 139 906 | 2 269 979 |
| Fee and commission income | 10 | 616 307 | 1 200 212 | 664 663 | 1 296 628 |
| Fee and commission expense | 10 | (103 057) | (206 395) | (138 499) | (257 565) |
| Net fee and commission income | | 513 250 | 993 817 | 526 164 | 1 039 063 |
| Dividend income | 11 | 13 336 | 13 337 | 8 189 | 8 189 |
| Result on financial assets and liabilities held for trading | 12 | 94 931 | 200 058 | 111 177 | 216 620 |
| Result on fair value hedge accounting | 29 | 3 007 | 5 241 | (3 392) | (14 117) |
| Gains (losses) on disposal of | 13 | 2 019 | 154 963 | 35 490 | 35 904 |
| loans and other financial receivables | | 58 | 402 | 670 | 1 084 |
| available for sale financial assets and held to maturity investments | | 2 089 | 154 715 | 34 820 | 34 837 |
| financial liabilities | | (128) | (154) | - | (17) |
| Operating income | | 1 642 038 | 3 425 841 | 1 817 534 | 3 555 638 |
| Net impairment losses on financial assets and off-balance sheet commitments | 17 | (130 082) | (267 214) | (142 666) | (290 168) |
| loans and other financial receivables | | (89 181) | (236 071) | (131 271) | (280 275) |
| off-balance sheet commitments | | (40 901) | (31 143) | (11 395) | (9 893) |
| Net result on financial activity | | 1 511 956 | 3 158 627 | 1 674 868 | 3 265 470 |
| Administrative expenses | 14 | (797 373) | (1 586 806) | (784 046) | (1 560 748) |
| personnel expenses | | (480 167) | (952 089) | (484 010) | (955 390) |
| other administrative expenses | | (317 206) | (634 717) | (300 036) | (605 358) |
| Depreciation and amortization | 15 | (83 031) | (164 769) | (81 049) | (162 994) |
| Net result on other provisions | | (767) | (26 639) | (1 962) | (3 150) |
| Net other operating income and expenses | 16 | 117 895 | 127 518 | 22 337 | 56 574 |
| Operating costs | | (763 276) | (1 650 696) | (844 720) | (1 670 318) |
| Gains (losses) on subsidiaries and associates | 18 | 14 599 | 30 155 | 15 411 | 34 693 |
| Gains (losses) on disposal of property, plant and equipment, and intangible assets | 19 | (54) | 574 | (210) | (543) |
| Profit before income tax | | 763 225 | 1 538 660 | 845 349 | 1 629 302 |
| Income tax expense | 20 | (143 806) | (294 672) | (154 786) | (300 803) |
| Net profit for the period | | 619 419 | 1 243 988 | 690 563 | 1 328 499 |
| 1. Attributable to equity holders of the Bank | | 619 209 | 1 243 626 | 685 077 | 1 319 321 |
| 2. Attributable to non-controlling interests | | 210 | 362 | 5 486 | 9 178 |
| Earnings per share (in PLN per share) | 21 | | | | |
| basic for the period | | 2.36 | 4.74 | 2.61 | 5.03 |
| diluted for the period | | 2.36 | 4.74 | 2.61 | 5.03 |

Notes to the financial statements presented on pages 11 – 81 and annexes to the financial statements presented on pages I - V constitute an integral part of the condensed consolidated interim financial statements.

Consolidated statement of comprehensive income

(in PLN thousand)

| | NOTE | II QUARTER 2015 PERIOD FROM 01.04.2015 TO 30.06.2015 | I HALF 2015 PERIOD FROM 01.01.2015 TO 30.06.2015 | II QUARTER 2014 PERIOD FROM 01.04.2014 TO 30.06.2014 | I HALF 2014 PERIOD FROM 01.01.2014 TO 30.06.2014 |
|---|------|---|---|---|---|
| Net profit for the period | | 619 419 | 1 243 988 | 690 563 | 1 328 499 |
| 1. Attributable to equity holders of the Bank | | 619 209 | 1 243 626 | 685 077 | 1 319 321 |
| 2. Attributable to non-controlling interests | | 210 | 362 | 5 486 | 9 178 |
| Other comprehensive income | | | | | |
| Item that are or may be reclassified subsequently to profit or loss: | | | | | |
| Foreign currency translation differences | | (19) | (13) | 6 | 11 |
| Change in fair value of available-for-sale financial assets | | (441 980) | (527 507) | 322 991 | 359 859 |
| Change in fair value of cash flow hedges | 29 | (52 662) | (108 882) | 113 138 | 101 722 |
| Tax on items that are or may be reclassified subsequently to profit or loss | 20 | 93 982 | 120 914 | (82 865) | (87 701) |
| Items that will never be reclassified to profit or loss: | | | | | |
| Remeasurements of the defined benefit liabilities | | - | - | - | - |
| Share in remeasurements of the defined benefit liabilities of associates | | - | - | - | - |
| Tax on items that will never be reclassified to profit or loss | | - | - | - | - |
| Other comprehensive income (net of tax) | | (400 679) | (515 488) | 353 270 | 373 891 |
| Total comprehensive income | | 218 740 | 728 500 | 1 043 833 | 1 702 390 |
| 1. Attributable to equity holders of the Bank | | 218 530 | 728 138 | 1 038 347 | 1 693 212 |
| 2. Attributable to non-controlling interests | | 210 | 362 | 5 486 | 9 178 |

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Consolidated statement of financial position

(in PLN thousand)

| | NOTE | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|--|------|--------------------|--------------------|--------------------|
| ASSETS | | | | |
| Cash and due from Central Bank | 23 | 6 681 773 | 9 226 254 | 5 055 863 |
| Bill of exchange eligible for rediscounting at Central Bank | | 185 | 165 | 239 |
| Loans and advances to banks | 24 | 5 156 470 | 7 169 872 | 6 835 565 |
| Financial assets held for trading | 25 | 1 264 309 | 448 453 | 988 436 |
| Derivative financial instruments (held for trading) | 26 | 3 239 969 | 4 447 975 | 2 721 234 |
| Loans and advances to customers | 27 | 117 585 778 | 111 871 948 | 106 694 959 |
| Receivables from finance leases | 28 | 3 227 781 | 3 112 048 | 2 985 583 |
| Hedging instruments | 29 | 352 696 | 470 822 | 230 064 |
| Investments (placement) securities | 30 | 27 361 832 | 24 712 776 | 25 813 344 |
| 1. Available for sale | | 24 012 533 | 23 111 208 | 24 225 654 |
| 2. Held to maturity | | 3 349 299 | 1 601 568 | 1 587 690 |
| Assets held for sale | 31 | 62 811 | 37 102 | 32 684 |
| Investments in associates | | 130 217 | 184 228 | 155 749 |
| Intangible assets | 32 | 644 607 | 627 032 | 600 940 |
| Property, plant and equipment | 33 | 1 484 003 | 1 544 139 | 1 537 879 |
| Investment properties | | 34 469 | 35 295 | 40 988 |
| Income tax assets | | 1 065 330 | 879 991 | 859 209 |
| 1. Current tax assets | | 1 052 | 2 572 | 5 372 |
| 2. Deferred tax assets | | 1 064 278 | 877 419 | 853 837 |
| Other assets | | 2 604 320 | 2 856 928 | 2 319 869 |
| TOTAL ASSETS | | 170 896 550 | 167 625 028 | 156 872 605 |
| EQUITY AND LIABILITIES | | | | |
| Liabilities | | | | |
| Amounts due to Central Bank | 23 | 906 | 971 | 958 |
| Amounts due to other banks | 35 | 8 866 616 | 5 344 702 | 6 661 576 |
| Financial liabilities held for trading | 25 | 80 870 | 591 311 | 224 005 |
| Derivative financial instruments (held for trading) | 26 | 3 216 619 | 4 417 706 | 2 733 639 |
| Amounts due to customers | 36 | 125 310 720 | 125 609 000 | 114 709 996 |
| Hedging instruments | 29 | 1 912 953 | 1 484 428 | 1 109 420 |
| Fair value hedge adjustments of hedged items due to interest rate risk | | - | - | - |
| Debt securities issued | 37 | 3 979 578 | 3 857 043 | 3 579 531 |
| Income tax liabilities | | 80 155 | 70 257 | 51 725 |
| 1. Current tax liabilities | | 77 964 | 68 164 | 48 129 |
| 2. Deferred tax liabilities | | 2 191 | 2 093 | 3 596 |
| Provisions | 38 | 473 901 | 442 456 | 410 082 |
| Other liabilities | | 4 856 640 | 1 761 422 | 4 794 020 |
| TOTAL LIABILITIES | | 148 778 958 | 143 579 296 | 134 274 952 |
| Equity | | | | |
| Share capital | | 262 470 | 262 470 | 262 470 |
| Other capital and reserves | | 20 612 866 | 20 990 344 | 20 877 293 |
| Retained earnings and profit for the period | | 1 226 950 | 2 764 875 | 1 359 247 |
| Total equity attributable to equity holders of the Bank | | 22 102 286 | 24 017 689 | 22 499 010 |
| Non-controlling interests | | 15 306 | 28 043 | 98 643 |
| TOTAL EQUITY | | 22 117 592 | 24 045 732 | 22 597 653 |
| TOTAL LIABILITIES AND EQUITY | | 170 896 550 | 167 625 028 | 156 872 605 |

Notes to the financial statements presented on pages 11 – 81 and annexes to the financial statements presented on pages I - V 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 2015 to 30 June 2015

| | EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK | | | | | | | | | | | |
|--|---|----------------------------------|------------------|---------------------------|-----------------------|----------------------|--|----------------|---|---|---------------------------|--------------------|
| | OTHER CAPITAL AND RESERVES | | | | | | | | RETAINED EARNINGS AND PROFIT FOR THE PERIOD | TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK | NON-CONTROLLING INTERESTS | 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 1.01.2015 | 262 470 | 20 990 344 | 9 137 221 | 1 937 850 | 9 002 629 | 540 806 | 1 169 | 370 669 | 2 764 875 | 24 017 689 | 28 043 | 24 045 732 |
| Management options | - | - | - | - | - | - | - | - | - | - | - | - |
| Options exercised (share issue) | - | - | - | - | - | - | - | - | - | - | - | - |
| Revaluation of management options | - | - | - | - | - | - | - | - | - | - | - | - |
| Comprehensive income | - | (515 488) | - | - | - | (515 475) | (13) | - | 1 243 626 | 728 138 | 362 | 728 500 |
| Remeasurements of the defined benefit liabilities (net of tax) | - | - | - | - | - | - | - | - | - | - | - | - |
| Revaluation of available-for-sale investments (net of tax) | - | (427 281) | - | - | - | (427 281) | - | - | - | (427 281) | - | (427 281) |
| Revaluation of hedging financial instruments (net of tax) | - | (88 194) | - | - | - | (88 194) | - | - | - | (88 194) | - | (88 194) |
| Foreign currency translation differences | - | (13) | - | - | - | - | (13) | - | - | (13) | - | (13) |
| Net profit for the period | - | - | - | - | - | - | - | - | 1 243 626 | 1 243 626 | 362 | 1 243 988 |
| Appropriation of retained earnings | - | 161 860 | - | 37 565 | 113 961 | - | - | 10 334 | (2 781 551) | (2 619 691) | (13 099) | (2 632 790) |
| Dividend paid | - | - | - | - | - | - | - | - | (2 624 701) | (2 624 701) | (8 089) | (2 632 790) |
| Profit appropriation to other reserves including consolidation adjustments | - | 161 860 | - | 37 565 | 113 961 | - | - | 10 334 | (156 850) | 5 010 | (5 010) | - |
| Other | - | (23 850) | - | - | (23 850) | - | - | - | - | (23 850) | - | (23 850) |
| Acquisition of Pekao Investment Banking S.A. | - | (23 850) | - | - | (23 850) | - | - | - | - | (23 850) | - | (23 850) |
| Equity as at 30.06.2015 | 262 470 | 20 612 866 | 9 137 221 | 1 975 415 | 9 092 740 | 25 331 | 1 156 | 381 003 | 1 226 950 | 22 102 286 | 15 306 | 22 117 592 |

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Consolidated statement of changes in equity (cont.)

(in PLN thousand)

For the period from 1 January 2014 to 31 December 2014

| | EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK | | | | | | | | RETAINED EARNINGS AND PROFIT FOR THE PERIOD | TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK | NON-CONTROLLING INTERESTS | TOTAL EQUITY |
|--|---|----------------------------------|---------------|---------------------------|-----------------------|--|-------|---------|---|---|---------------------------|--------------|
| | SHARE CAPITAL | OTHER CAPITAL AND RESERVES | | | REVALUATION RESERVES | FOREIGN CURRENCY TRANSLATION DIFFERENCES | OTHER | | | | | |
| | | TOTAL OTHER CAPITAL AND RESERVES | SHARE PREMIUM | GENERAL BANKING RISK FUND | OTHER RESERVE CAPITAL | | | | | | | |
| 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 | - | (697) | - | - | - | - | - | (697) | - | (697) | - | (697) |
| Options exercised (share issue) | - | - | - | - | - | - | - | - | - | - | - | - |
| Revaluation of management share options | - | (697) | - | - | - | - | - | (697) | - | (697) | - | (697) |
| Comprehensive income | - | 490 620 | - | - | - | 490 689 | (69) | - | 2 714 714 | 3 205 334 | 10 402 | 3 215 736 |
| Remeasurements of the defined benefit liabilities (net of tax) | - | (35 952) | - | - | - | (35 952) | - | - | - | (35 952) | - | (35 952) |
| Revaluation of available-for-sale investments (net of tax) | - | 390 473 | - | - | - | 390 473 | - | - | - | 390 473 | - | 390 473 |
| Revaluation of hedging financial instruments (net of tax) | - | 136 168 | - | - | - | 136 168 | - | - | - | 136 168 | - | 136 168 |
| Foreign currency translation differences | - | (69) | - | - | - | - | (69) | - | - | (69) | - | (69) |
| Net profit for the period | - | - | - | - | - | - | - | - | 2 714 714 | 2 714 714 | 10 402 | 2 725 116 |
| Appropriation of retained earnings | - | (71 614) | - | - | (74 995) | - | - | 3 381 | (2 542 641) | (2 614 255) | (4 823) | (2 619 078) |
| Dividend paid | - | - | - | - | - | - | - | - | (2 614 202) | (2 614 202) | (4 823) | (2 619 025) |
| Profit appropriation to other reserves including consolidation adjustments | - | (71 614) | - | - | (74 995) | - | - | 3 381 | 71 561 | (53) | - | (53) |
| 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 31.12.2014 | 262 470 | 20 990 344 | 9 137 221 | 1 937 850 | 9 002 629 | 540 806 | 1 169 | 370 669 | 2 764 875 | 24 017 689 | 28 043 | 24 045 732 |

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Consolidated statement of changes in equity (cont.)

(in PLN thousand)

For the period from 1 January 2014 to 30 June 2014

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

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Consolidated cash flow statement

(in PLN thousand)

| | NOTE | I HALF 2015 PERIOD FROM 01.01.2015 TO 30.06.2015 | I HALF 2014 PERIOD FROM 01.01.2014 TO 30.06.2014 |
|---|------|---|---|
| Cash flow from operating activities – indirect method | | | |
| Net profit for the period | | 1 243 626 | 1 319 321 |
| Adjustments for: | | (49 881) | (8 682 797) |
| Depreciation and amortization | 15 | 164 769 | 162 994 |
| Gains (losses) on subsidiaries and associates | 18 | (30 155) | (34 693) |
| Gains (losses) on investing activities | | (155 166) | (34 294) |
| Net interest income | 9 | (2 058 425) | (2 269 979) |
| Dividend income | 11 | (13 337) | (8 189) |
| Interest received | | 2 771 354 | 3 087 441 |
| Interest paid | | (684 260) | (898 537) |
| Income tax | | 228 614 | 300 471 |
| Income tax paid | | (314 820) | (211 744) |
| Change in loans and advances to banks | | 313 241 | 321 101 |
| Change in financial assets held for trading | | (815 734) | (797 239) |
| Change in derivative financial instruments (assets) | | 1 208 006 | (724 300) |
| Change in loans and advances to customers and bill of exchange eligible for rediscounting at Central Bank | | (5 589 108) | (5 659 731) |
| Change in receivables from finance leases | | (115 733) | (54 335) |
| Change in investment (placement) securities | | (594 834) | (480 792) |
| Change in other assets | | 526 659 | (256 199) |
| Change in amounts due to banks | | 3 521 872 | 244 622 |
| Change in financial liabilities held for trading | | (510 441) | (85 737) |
| Change in derivative financial instruments (liabilities) | | (1 201 087) | 682 138 |
| Change in amounts due to customers | | (272 801) | (5 063 999) |
| Change in debt securities issued | | (7 471) | 136 450 |
| Change in provisions | | 31 445 | 16 545 |
| Change in other liabilities | | 3 547 531 | 2 945 209 |
| Net cash flows from operating activities | | 1 193 745 | (7 363 476) |
| Cash flow from investing activities | | | |
| Investing activity inflows | | 136 598 375 | 178 814 656 |
| Sale of investment securities | | 136 201 960 | 178 391 462 |
| Sale of intangible assets and property, plant and equipment | | 2 773 | 1 522 |
| Dividend received | 11 | 13 337 | 8 189 |
| Other investing inflows | | 380 305 | 413 483 |
| Investing activity outflows | | (139 556 602) | (168 731 618) |
| Acquisition of shares in subsidiary, net of cash acquired | | (274 329) | - |
| Acquisition of investment securities | | (139 144 304) | (168 648 839) |
| Acquisition of intangible assets and property, plant and equipment | | (137 969) | (82 779) |
| Net cash flows from investing activities | | (2 958 227) | 10 083 038 |

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Consolidated cash flow statement (cont.)

(in PLN thousand)

| | NOTE | I HALF 2015 PERIOD FROM 01.01.2015 TO 30.06.2015 | I HALF 2014 PERIOD FROM 01.01.2014 TO 30.06.2014 |
|---|------|---|---|
| Cash flows from financing activities | | | |
| Financing activity inflows | | 2 421 604 | 2 557 474 |
| Issue of debt securities | 37 | 2 421 604 | 2 557 474 |
| Financing activity outflows | | (4 921 010) | (4 803 042) |
| Redemption of debt securities | 37 | (2 296 309) | (2 188 840) |
| Dividends and other payments to shareholders | | (2 624 701) | (2 614 202) |
| Net cash flows from financing activities | | (2 499 406) | (2 245 568) |
| Total net cash flows | | (4 263 888) | 473 994 |
| including: effect of exchange rate fluctuations on cash and cash equivalents held | | 80 045 | 19 171 |
| Net change in cash and cash equivalents | | (4 263 888) | 473 994 |
| Cash and cash equivalents at the beginning of the period | | 15 556 184 | 10 615 862 |
| Cash and cash equivalents at the end of the period | | 11 292 296 | 11 089 856 |

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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. Group for the period from 1 January 2015 to 30 June 2015 contain financial information of the Bank and its subsidiaries (together referred to as the 'Group'), and the associates accounted for using equity method.

2. Group structure

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

| NAME OF ENTITY | LOCATION | CORE ACTIVITY | PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/ VOTING | |
|---|---------------|--------------------------------|---|---------------|
| | | | 30.06.2015 | 31.12.2014 |
| Pekao Bank Hipoteczny S.A. | Warsaw | Banking | 100.00 | 100.00 |
| Centralny Dom Maklerski Pekao S.A. | Warsaw | Brokerage | 100.00 | 100.00 |
| Pekao Investment Banking S.A. | Warsaw | Brokerage | 100.00 | - |
| Pekao Leasing Sp. z o.o. (*) | Warsaw | Leasing services | 36.49 | 36.49 |
| Pekao Leasing Holding S.A. (in liquidation), including: | Warsaw | Leasing services | 100.00 | 100.00 |
| <i>Pekao Leasing Sp. z o.o.</i> | <i>Warsaw</i> | <i>Leasing services</i> | <i>63.51</i> | <i>63.51</i> |
| Pekao Faktoring Sp. z o.o. | Lublin | Factoring services | 100.00 | 100.00 |
| Pekao Pioneer Powszechnie 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 | Transferable 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> | <i>Warsaw</i> | <i>Real estate development</i> | <i>100.00</i> | <i>100.00</i> |
| Pekao Fundusz Kapitałowy Sp. z o.o. | Warsaw | Business consulting | 100.00 | 100.00 |
| Pekao Telecentrum Sp. z o.o. (in liquidation) | Warsaw | In liquidation | - | 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. (in liquidation)).

As at 30 June 2015, all subsidiaries of the Bank have been consolidated.

Notes to financial statements (cont.)

(in PLN thousand)

Associates

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

| NAME OF ENTITY | LOCATION | CORE ACTIVITY | PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/ VOTING | |
|---|---------------------------------|-------------------------------------|---|------------|
| | | | 30.06.2015 | 31.12.2014 |
| Dom Inwestycyjny Xelion Sp. z o.o. (*) | Warsaw | Financial intermediary | 50.00 | 50.00 |
| Pioneer Pekao Investment Management S.A. | Warsaw | Asset management | 49.00 | 49.00 |
| Krajowa Izba Rozliczeniowa S.A. | Warsaw | Clearing house | 34.44 | 34.44 |
| CPF Management | Tortola, British Virgin Islands | Financial brokerage – not operating | 40.00 | 40.00 |
| Polish Banking System S.A. (in liquidation) | Warsaw | Pending liquidation | 48.90 | 48.90 |
| PPU Budpress Sp. z o.o. (in liquidation) | Żyrardów | Pending liquidation | 36.20 | 36.20 |

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

As at 30 June 2015, the Group held no shares in entities under joint control.

Changes in the Group structure

Acquisition of shares in UniCredit CAIB Poland S.A (presently Pekao Investment Banking S.A.).

On 1 January 2015, the Bank acquired 100% of the share capital of UniCredit CAIB Poland S.A. and obtained control over the entity. UniCredit CAIB Poland S.A. specializes in corporate finance, in particular referring to mergers and acquisitions, public and private offering, as well as securities trading on secondary market. As a result of the acquisition, the Group extends the portfolio of services provided to the customers from corporate banking segment. The purchase consideration was PLN 274 334 thousand and consisted of cash in total. After the acquisition by the Bank, the entity changed its name on Pekao Investment Banking S.A.

The acquisition transaction was classified as intragroup transaction and recognized at book value. The Bank 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 result on the transaction was recognized in the equity of the Group.

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

Notes to the financial statements (cont.)

(in PLN thousand)

The recognized amounts of identifiable assets acquired and liabilities assumed are presented in the table below.

| ITEM | |
|---|----------------|
| Cash | 5 |
| Loans and advances to banks | 232 469 |
| Financial assets held for trading | 12 981 |
| Debt securities available for sale | 640 |
| Intangible assets | 730 |
| Property, plant and equipment | 4 047 |
| Deferred tax assets | 42 831 |
| Other assets | 60 715 |
| TOTAL ASSETS | 354 418 |
| Amounts due to other banks | 581 |
| Derivative financial instruments (held for trading) | 8 906 |
| Amounts due to customers | 64 042 |
| Deferred tax liabilities | 177 |
| Provisions | 442 |
| Other liabilities | 29 786 |
| TOTAL LIABILITIES | 103 934 |
| TOTAL NET ASSETS | 250 484 |

The Group incurred acquisition-related costs of PLN 868 thousand. These costs have been included in 'Administrative expenses' in the consolidated income statement.

The interest income and commission income included in the consolidated income statement since 1 January 2015 contributed by Pekao Investment Banking S.A. business was PLN 23 201 thousand. UniCredit CAIB Poland S.A. also contributed net profit of PLN 5 518 thousand for the same period.

Liquidation of Pekao Telecentrum Sp. z o.o. (in liquidation)

On 8 January 2015, the District Court for the City of Warsaw, XIII Commercial Division of the National Court Registry decided on completing the liquidation proceedings of Pekao Telecentrum Sp. z o.o. (in liquidation) and deleting the Entity from the National Court Registry.

3. Business combination

In the first half of 2015 the Bank acquired 100% of the share capital of UniCredit CAIB Poland S.A. (presently Pekao Investment Banking S.A.). The transaction is described in the Note 2.

In 2014 Bank Pekao S.A. took over Spółdzielcza Kasa Oszczędnościowo – Kredytowa im. Mikołaja Kopernika. The transaction was detailed in the consolidated financial statements of Bank Pekao S.A. Group for the period ended on 31 December 2014.

Notes to financial statements (cont.)

(in PLN thousand)

4. Statement of compliance

The condensed consolidated interim financial statements of Bank Pekao S.A. 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 Bank Pekao S.A. Group for the year ended 31 December 2014.

The consolidated financial statements of Bank Pekao S.A. Group as at and for the year ended 31 December 2014 are available upon request at the Bank's registered office at the Local Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register, Warsaw, Czerniakowska Street 100 or at the Bank's website, www.pekao.com.pl

In accordance with the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2014, item 133) the Bank is required to publish the financial report for the six months period ended 30 June 2015, 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 3 August 2015.

5. Significant accounting policies

General information

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

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

In the first half of 2015 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. Group for the year ended 31 December 2014. 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 2015, had no material impact on these condensed consolidated interim financial statements (Annex 1 to the Financial Statements).

The financial statements do not take into account amendments to standards and interpretations that are awaiting approval by the European Union (Annex 2 to the Financial Statements).

In the Group's opinion, amendments to Standards and interpretations will not have a significant influence 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 impairment model – expected credit losses model,
- 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 major part of IAS 39 requirements relating to financial liabilities classification and valuation were transferred to IFRS 9 unchanged.

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.

6. 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 2014 taking into account reasons and sources of uncertainty expected at the balance sheet day.

During the six months period ended 30 June 2015 the most significant estimates are as follows:

- impairment of financial assets and off-balance sheet commitments,
- fair value measurement for derivative financial instruments and unquoted debt securities available for sale.

In the first half of 2015, the Bank, in order to further enhance its comprehensive framework of estimation of parameters used to calculate loan loss provisions, performed:

- review of estimates of Loss Confirmation Period for all core products and all segments of borrowers both based on guidelines provided by Polish Financial Supervision Authority and additional availability of data after changes implemented in its IT systems,
- review of methodologies and actualization of recovery rates.

Notes to financial statements (cont.)

(in PLN thousand)

7. Risk management

Credit risk

The credit risk management process and measurement methods have not significantly changed in relation to those described in the consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2014.

In February 2015 the Bank implemented new prognostic model for mortgage loans and cash loans and updated the rating classes. The new models better reflect the probability of default of the Bank's clients.

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) – mortgage loans

| RATING CLASS | PD RANGE | NOMINAL VALUE | |
|--------------|------------------------|---------------|---------------|
| | | 30.06.2015 | 31.12.2014 |
| 1 | 0.00% <= PD < 0.06% | 24.5% | 25.2% |
| 2 | 0.06% <= PD < 0.19% | 13.4% | 14.0% |
| 3 | 0.19% <= PD < 0.35% | 41.2% | 39.5% |
| 4 | 0.35% <= PD < 0.73% | 13.7% | 12.9% |
| 5 | 0.73% <= PD < 3.50% | 3.7% | 4.9% |
| 6 | 3.50% <= PD < 14.00% | 1.4% | 1.5% |
| 7 | 14.00% <= PD < 100.00% | 2.1% | 2.0% |
| Total | | 100.0% | 100.0% |

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

| RATING CLASS | PD RANGE | NOMINAL VALUE | |
|--------------|------------------------|---------------|---------------|
| | | 30.06.2015 | 31.12.2014 |
| 1 | 0.00% <= PD < 0.34% | 7.9% | 8.5% |
| 2 | 0.34% <= PD < 0.80% | 10.5% | 11.4% |
| 3 | 0.80% <= PD < 1.34% | 18.9% | 19.7% |
| 4 | 1.34% <= PD < 2.40% | 28.6% | 26.4% |
| 5 | 2.40% <= PD < 4.75% | 19.5% | 18.7% |
| 6 | 4.75% <= PD < 14.50% | 9.0% | 8.6% |
| 7 | 14.50% <= PD < 31.00% | 2.4% | 3.1% |
| 8 | 31.00% <= PD < 100.00% | 3.2% | 3.6% |
| Total | | 100.0% | 100.0% |

Notes to financial statements (cont.)

(in PLN thousand)

The distribution of rated portfolio for individual client segment (excluding impairment allowances) – not instalment loans

| RATING CLASS | PD RANGE | NOMINAL VALUE | |
|--------------|-----------------------|---------------|---------------|
| | | 30.06.2015 | 31.12.2014 |
| 1 | 0.00% <= PD < 0.01% | 0.8% | 0.8% |
| 2 | 0.01% <= PD < 0.03% | 9.4% | 10.2% |
| 3 | 0.03% <= PD < 0.04% | 2.6% | 2.8% |
| 4 | 0.04% <= PD < 0.07% | 6.3% | 6.9% |
| 5 | 0.07% <= PD < 0.15% | 15.8% | 17.0% |
| 6 | 0.15% <= PD < 0.25% | 17.3% | 17.5% |
| 7 | 0.25% <= PD < 0.59% | 10.8% | 9.0% |
| 8 | 0.59% <= PD < 1.20% | 8.6% | 8.6% |
| 9 | 1.20% <= PD < 2.58% | 5.0% | 5.3% |
| 10 | 2.58% <= PD < 100.00% | 23.4% | 21.9% |
| Total | | 100.0% | 100.0% |

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

| RATING CLASS | PD RANGE | NOMINAL VALUE | |
|--------------|------------------------|---------------|---------------|
| | | 30.06.2015 | 31.12.2014 |
| 1 | 0.00% <= PD < 0.11% | 1.5% | 2.0% |
| 2 | 0.11% <= PD < 0.22% | 4.1% | 4.4% |
| 3 | 0.22% <= PD < 0.45% | 10.1% | 9.3% |
| 4 | 0.45% <= PD < 1.00% | 15.1% | 17.3% |
| 5 | 1.00% <= PD < 2.10% | 18.3% | 18.1% |
| 6 | 2.10% <= PD < 4.00% | 15.2% | 15.6% |
| 7 | 4.00% <= PD < 7.00% | 12.0% | 12.5% |
| 8 | 7.00% <= PD < 12.00% | 9.3% | 8.6% |
| 9 | 12.00% <= PD < 22.00% | 6.8% | 6.3% |
| 10 | 22.00% <= PD < 100.00% | 7.6% | 5.9% |
| Total | | 100.0% | 100.0% |

Notes to financial statements (cont.)

(in PLN thousand)

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

| RATING CLASS | PD RANGE | NOMINAL VALUE | |
|--------------|-----------------------|---------------|---------------|
| | | 30.06.2015 | 31.12.2014 |
| 1 | 0.00% <= PD < 0.15% | 10.3% | 10.1% |
| 2 | 0.15% <= PD < 0.27% | 9.0% | 10.5% |
| 3 | 0.27% <= PD < 0.45% | 15.7% | 14.9% |
| 4 | 0.45% <= PD < 0.75% | 16.0% | 14.6% |
| 5 | 0.75% <= PD < 1.27% | 11.3% | 12.8% |
| 6 | 1.27% <= PD < 2.25% | 9.3% | 11.0% |
| 7 | 2.25% <= PD < 4.00% | 9.0% | 3.9% |
| 8 | 4.00% <= PD < 8.50% | 18.2% | 20.6% |
| 9 | 8.50% <= PD < 100.00% | 1.2% | 1.6% |
| Total | | 100.0% | 100.0% |

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

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

| SUPERVISORY CATEGORY | NOMINAL VALUE | |
|----------------------|---------------|---------------|
| | 30.06.2015 | 31.12.2014 |
| High | 42.4% | 33.3% |
| Good | 47.7% | 46.0% |
| Satisfactory | 9.3% | 20.5% |
| Low | 0.6% | 0.2% |
| Total | 100.0% | 100.0% |

Notes to financial statements (cont.)

(in PLN thousand)

Qualitative analysis of Group's financial assets

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

| | LOANS AND ADVANCES TO BANKS (*) | | LOANS AND ADVANCES TO CUSTOMERS (*) | |
|--|---------------------------------|----------------|-------------------------------------|--------------------|
| | 30.06.2015 | 31.12.2014 | 30.06.2015 | 31.12.2014 |
| GROSS CARRYING AMOUNT OF EXPOSURE INDIVIDUALLY IMPAIRED | | | | |
| - not past due | - | - | 578 279 | 606 657 |
| - up to 1 month | - | - | 50 690 | 49 537 |
| - between 1 month and 3 months | - | - | 56 991 | 115 710 |
| - between 3 months and 1 year | - | - | 341 511 | 773 426 |
| - between 1 year and 5 years | 9 661 | 9 160 | 2 983 932 | 2 690 334 |
| - above 5 years | - | - | 1 479 899 | 1 146 735 |
| Total gross carrying amount | 9 661 | 9 160 | 5 491 302 | 5 382 399 |
| ALLOWANCE FOR IMPAIRMENT | | | | |
| - not past due | - | - | (200 120) | (197 636) |
| - up to 1 month | - | - | (19 883) | (8 787) |
| - between 1 month and 3 months | - | - | (15 813) | (60 488) |
| - between 3 months and 1 year | - | - | (168 575) | (317 684) |
| - between 1 year and 5 years | (9 661) | (9 160) | (1 521 553) | (1 462 240) |
| - above 5 years | - | - | (1 222 289) | (925 460) |
| Total allowance for impairment | (9 661) | (9 160) | (3 148 233) | (2 972 295) |
| Net carrying amount of exposure individually impaired | - | - | 2 343 069 | 2 410 104 |
| GROSS CARRYING AMOUNT OF EXPOSURE COLLECTIVELY IMPAIRED | | | | |
| - not past due | - | - | 98 396 | 74 332 |
| - up to 1 month | - | - | 27 995 | 34 439 |
| - between 1 month and 3 months | - | - | 50 270 | 51 263 |
| - between 3 months and 1 year | - | - | 339 256 | 366 923 |
| - between 1 year and 5 years | - | - | 1 512 029 | 1 511 446 |
| - above 5 years | 9 800 | 9 800 | 1 011 335 | 816 260 |
| Total gross carrying amount | 9 800 | 9 800 | 3 039 281 | 2 854 663 |
| ALLOWANCE FOR IMPAIRMENT | | | | |
| - not past due | - | - | (32 403) | (44 747) |
| - up to 1 month | - | - | (13 569) | (17 188) |
| - between 1 month and 3 months | - | - | (25 669) | (26 512) |
| - between 3 months and 1 year | - | - | (192 688) | (212 986) |
| - between 1 year and 5 years | - | - | (1 151 290) | (1 217 252) |
| - above 5 years | (9 800) | (9 800) | (940 636) | (777 124) |
| Total allowance for impairment | (9 800) | (9 800) | (2 356 255) | (2 295 809) |
| Net carrying amount of exposure collectively impaired | - | - | 683 026 | 558 854 |

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

Notes to financial statements (cont.)

(in PLN thousand)

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

| | LOANS AND ADVANCES TO BANKS (*) | | LOANS AND ADVANCES TO CUSTOMERS (*) | | | |
|---|---------------------------------|------------------|-------------------------------------|-------------------|-------------------|-------------------|
| | | | CORPORATE | | RETAIL | |
| | 30.06.2015 | 31.12.2014 | 30.06.2015 | 31.12.2014 | 30.06.2015 | 31.12.2014 |
| GROSS CARRYING AMOUNT OF EXPOSURE WITH NO IMPAIRMENT | | | | | | |
| - not past due | 5 161 895 | 7 176 334 | 68 332 202 | 64 973 743 | 47 761 205 | 45 042 713 |
| - up to 30 days | - | - | 498 625 | 438 304 | 1 018 434 | 1 300 910 |
| - between 30 days and 60 days | - | - | 105 033 | 108 516 | 227 336 | 198 014 |
| - above 60 days | - | - | 115 937 | 146 870 | 182 526 | 302 346 |
| Total gross carrying amount | 5 161 895 | 7 176 334 | 69 051 797 | 65 667 433 | 49 189 501 | 46 843 983 |
| IBNR PROVISION | | | | | | |
| - not past due | (340) | (442) | (292 044) | (253 479) | (73 010) | (128 724) |
| - up to 30 days | - | - | (3 695) | (4 326) | (50 029) | (74 108) |
| - between 30 days and 60 days | - | - | (1 422) | (2 122) | (25 096) | (22 575) |
| - above 60 days | - | - | (943) | (1 227) | (12 496) | (15 672) |
| Total IBNR provision | (340) | (442) | (298 104) | (261 154) | (160 631) | (241 079) |
| Net carrying amount of exposure with no impairment | 5 161 555 | 7 175 892 | 68 753 693 | 65 406 279 | 49 028 870 | 46 602 904 |

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

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

| | LOANS AND ADVANCES TO BANKS (*) | | LOANS AND ADVANCES TO CUSTOMERS (*) | |
|---|---------------------------------|------------------|-------------------------------------|--------------------|
| | 30.06.2015 | 31.12.2014 | 30.06.2015 | 31.12.2014 |
| IMPAIRED EXPOSURES | | | | |
| Gross carrying amount | 19 461 | 18 960 | 8 530 583 | 8 237 062 |
| Allowance for impairment | (19 461) | (18 960) | (5 504 488) | (5 268 104) |
| Total net carrying amount | - | - | 3 026 095 | 2 968 958 |
| EXPOSURES WITH IMPAIRMENT TRIGGERS FOR WHICH NO IMPAIRMENT HAS BEEN IDENTIFIED | | | | |
| Gross carrying amount, in this: | - | - | 73 231 | 64 755 |
| <i>Exposure with collateral value included in expected discounted cash flow, in this:</i> | - | - | 73 231 | 64 755 |
| - <i>Past due exposures</i> | - | - | 24 787 | 25 804 |
| IBNR provision | - | - | (1 287) | (1 820) |
| Total net carrying amount | - | - | 71 944 | 62 935 |
| EXPOSURES WITH NO IMPAIRMENT TRIGGERS | | | | |
| Gross carrying amount | 5 161 895 | 7 176 334 | 118 168 067 | 112 446 661 |
| IBNR provision | (340) | (442) | (457 448) | (500 413) |
| Total net carrying amount | 5 161 555 | 7 175 892 | 117 710 619 | 111 946 248 |

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

Notes to financial statements (cont.)

(in PLN thousand)

Classification of exposures to debt securities according to Standard & Poor's ratings as at 30 June 2015

| RATING | DEBT SECURITIES | | | | TOTAL |
|--------------|------------------|--------------------|------------------|----------------------------|-------------------|
| | HELD FOR TRADING | AVAILABLE FOR SALE | HELD TO MATURITY | REPO TRANSACTIONS (***) | |
| AA+ to AA- | - | 646 297 | - | - | 646 297 |
| A+ to A- | 962 523 | 17 422 000 | 2 486 958 | 8 635 776 | 29 507 257 |
| BBB+ to BBB- | 9 213 | 249 041 | - | - | 258 254 |
| no rating | 263 161 | 5 606 762 (*) | 862 341 (**) | - | 6 732 264 |
| Total | 1 234 897 | 23 924 100 | 3 349 299 | 8 635 776 | 37 144 072 |

(*) Including NBP bills in the amount of PLN 4 936 945 thousand.

(**) Including NBP bills in the amount of PLN 862 341 thousand.

(***) Fair value of debt securities purchased in the reverse repo transactions.

Classification of exposures to debt securities according to Standard & Poor's ratings as at 31 December 2014

| RATING | DEBT SECURITIES | | | | TOTAL |
|--------------|------------------|--------------------|------------------|----------------------------|-------------------|
| | HELD FOR TRADING | AVAILABLE FOR SALE | HELD TO MATURITY | REPO TRANSACTIONS (***) | |
| AA+ to AA- | - | 1 048 585 | - | - | 1 048 585 |
| A+ to A- | 310 653 | 14 891 849 | 750 123 | 7 716 100 | 23 668 725 |
| BBB+ to BBB- | - | 248 985 | - | - | 248 985 |
| no rating | 137 800 | 6 850 034 (*) | 851 445 (**) | - | 7 839 279 |
| Total | 448 453 | 23 039 453 | 1 601 568 | 7 716 100 | 32 805 574 |

(*) including NBP bills in an amount of PLN 6 147 781 thousand.

(**) including NBP bills in an amount of PLN 851 445 thousand.

(***) Fair value of debt securities purchased in the reverse repo transactions.

Classification of exposures to derivative financial instruments according to Standard & Poor's ratings as at 30 June 2015

| RATING | DERIVATIVES | | | | | | TOTAL |
|--------------|---------------------|---------------------------------|---------------------------|--------------------------------|---------------------------------|---------------------------|------------------|
| | TRADING DERIVATIVES | | | DERIVATIVE HEDGING INSTRUMENTS | | | |
| | BANKS | OTHER FINANCIAL INSTITUTIONS | NON-FINANCIAL ENTITIES | BANKS | OTHER FINANCIAL INSTITUTIONS | NON-FINANCIAL ENTITIES | |
| AAA | 844 | - | - | - | - | - | 844 |
| AA+ to AA- | 106 509 | - | - | 2 458 | - | - | 108 967 |
| A+ to A- | 1 022 105 | 200 309 | - | 84 790 | - | - | 1 307 204 |
| BBB+ to BBB- | 1 051 479 | - | 224 | 223 387 | - | - | 1 275 090 |
| BB+ to BB- | - | - | 1 711 | - | - | - | 1 711 |
| B+ to B- | - | - | 574 | - | - | - | 574 |
| no rating | 411 714 | 189 595 | 254 905 | 37 564 | 4 497 | - | 898 275 |
| Total | 2 592 651 | 389 904 | 257 414 | 348 199 | 4 497 | - | 3 592 665 |

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 2014

| RATING | DERIVATIVES | | | | | | TOTAL |
|--------------|---------------------|------------------------------|------------------------|--------------------------------|------------------------------|------------------------|------------------|
| | TRADING DERIVATIVES | | | DERIVATIVE HEDGING INSTRUMENTS | | | |
| | BANKS | OTHER FINANCIAL INSTITUTIONS | NON-FINANCIAL ENTITIES | BANKS | OTHER FINANCIAL INSTITUTIONS | NON-FINANCIAL ENTITIES | |
| AAA | 155 | - | - | - | - | - | 155 |
| AA+ to AA- | 165 233 | - | - | 7 996 | - | - | 173 229 |
| A+ to A- | 2 672 019 | 275 856 | - | 415 222 | - | - | 3 363 097 |
| BBB+ to BBB- | 490 530 | - | 1 129 | 20 649 | - | - | 512 308 |
| BB+ to BB- | 26 026 | - | 2 623 | - | - | - | 28 649 |
| B+ to B- | - | - | 103 | - | - | - | 103 |
| no rating | 304 009 | 201 825 | 308 467 | 21 383 | 5 572 | - | 841 256 |
| Total | 3 657 972 | 477 681 | 312 322 | 465 250 | 5 572 | - | 4 918 797 |

Forbearance measures

The identifying process of forbore exposures has not changed in relation to the one described in the consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2014.

Share of forbore exposures in the Group's loan portfolio

| | 30.06.2015 | 31.12.2014 |
|--|--------------------|--------------------|
| LOANS AND ADVANCES TO CUSTOMERS | | |
| Exposures with no impairment, of which: | 117 782 564 | 112 009 181 |
| forborne exposures | 406 911 | 450 050 |
| Impaired exposures, of which: | 3 026 095 | 2 968 958 |
| forborne exposures | 1 642 695 | 1 718 075 |
| Total net carrying amount, of which: | 120 808 659 | 114 978 139 |
| forborne exposures | 2 049 606 | 2 168 125 |

The quality analysis of forbore exposures

| | 30.06.2015 | 31.12.2014 |
|-------------------------------------|------------------|------------------|
| Exposures with no impairment | | |
| Gross carrying amount | 439 927 | 490 667 |
| IBNR provision | (33 016) | (40 617) |
| Net carrying amount | 406 911 | 450 050 |
| Impaired exposures | | |
| Gross carrying amount, of which: | 2 909 262 | 2 866 373 |
| exposures individually impaired | 2 737 105 | 2 725 502 |
| exposures collectively impaired | 172 157 | 140 871 |
| Allowance for impairment, of which: | (1 266 567) | (1 148 298) |
| exposures individually impaired | (1 165 935) | (1 066 135) |
| exposures collectively impaired | (100 632) | (82 163) |
| Net carrying amount | 1 642 695 | 1 718 075 |
| Total net carrying amount | 2 049 606 | 2 168 125 |

Notes to financial statements (cont.)

(in PLN thousand)

Credit exposures towards Ukraine

As at 30 June 2015, the Group carried the level of net balance sheet exposures towards Ukraine amounting to PLN 1 002 million (0.6% of total Bank Pekao Group exposures).

Majority of the mentioned amount refers to intra group exposures in the form of interbank placements from which 50% was repaid on 16 July 2015 and 50% will be repaid up to 2017, as well guarantees granted. The remaining part of exposures refer to two international corporate groups.

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

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

| | 30.06.2015 | 31.12.2014 |
|---|------------------|----------------|
| Balance sheet exposures | | |
| Loans and advances to banks | 765 383 | 713 178 |
| Loans and advances to customers | 289 209 | 269 487 |
| Total gross carrying amount | 1 054 592 | 982 665 |
| IBNR provision / Allowance for impairment | (52 351) | (20 505) |
| Total net carrying amount | 1 002 241 | 962 160 |
| Off-balance sheet exposure | | |
| Guarantees granted | 9 411 | - |
| Credit lines granted | 3 968 | 4 028 |
| Total gross carrying amount | 13 379 | 4 028 |
| IBNR provision | (22) | (14) |
| Total net carrying amount | 13 357 | 4 014 |

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 Bank Pekao S.A. Group for the year ended 31 December 2014.

The table below presents the market risk exposure of the trading portfolio of the Group measured by Value at Risk in the period from 1 January to 30 June 2015 and in 2014:

| | 30.06.2015 | MINIMUM VALUE | AVERAGE VALUE | MAXIMUM VALUE |
|--------------------------------|------------|---------------|---------------|---------------|
| foreign currency exchange risk | 37 | 15 | 198 | 815 |
| interest rate risk | 902 | 794 | 1 270 | 2 103 |
| Trading portfolio | 896 | 896 | 1 210 | 1 880 |

| | 31.12.2014 | MINIMUM VALUE | AVERAGE VALUE | MAXIMUM VALUE |
|--------------------------------|------------|---------------|---------------|---------------|
| foreign currency exchange risk | 44 | 11 | 413 | 2 183 |
| interest rate risk | 1 365 | 936 | 1 792 | 3 710 |
| Trading portfolio | 1 282 | 872 | 1 819 | 3 772 |

Notes to financial statements (cont.)

(in PLN thousand)

Interest rate risk of the banking book

The measurement method of interest rate risk of the banking book has not changed significantly in relation to the one described in the consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2014.

The only adjustments introduced to the measurement of the sensitivity of net interest income (NII) was the exclusion of the impact of further potential lowering of the lombard rate on the interest rates charged on loans.

The following table shows the distribution of sensitivity of net interest income (NII) to the change of interest rates by 100 basis points and the sensitivity of the economic capital of the Group (EVE) to the change of interest rates by 200 basis points as at 30 June 2015 and as at 31 December 2014.

| SENSITIVITY IN % | 30.06.2015 | 31.12.2014 |
|------------------|------------|------------|
| NII | (8.92) | (12.17) |
| EVE | (1.57) | (0.32) |

Foreign currency exchange risk

The foreign currency exchange risk management process has not changed significantly in relation to the one described in the consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2014.

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

| CURRENCY | 30.06.2015 | 31.12.2014 |
|----------------------|------------|------------|
| Currencies total (*) | 398 | 490 |

(*) VaR presented in 'Currencies total' is VaR for the whole portfolio, and includes correlations among currencies.

Liquidity risk

The liquidity risk management process has not changed significantly in relation to the one described in the consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2014.

The only adjustment was the update of the models applied: deposit stability model and off-balance sheet flows model, which enabled for better mapping of the liquidity profile.

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

Adjusted liquidity gap

| 30.06.2015 | 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 | 18 738 420 | (7 720 166) | 7 544 015 | 33 285 928 | (53 082 251) | (1 234 054) |
| Cumulated gap | | 11 018 254 | 18 562 269 | 51 848 197 | (1 234 054) | |

| 31.12.2014 | 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 | 7 394 324 | (3 313 804) | 8 223 344 | 22 264 541 | (35 543 283) | (974 878) |
| Cumulated gap | | 4 080 520 | 12 303 864 | 34 568 405 | (974 878) | |

Notes to financial statements (cont.)

(in PLN thousand)

Structure of financial liabilities by contractual maturity

| 30.06.2015 | 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 (*) | 4 314 397 | 722 908 | 1 058 024 | 1 097 618 | 1 824 886 | 9 017 833 |
| Amounts due to customers | 95 292 123 | 12 810 542 | 14 528 007 | 3 089 788 | 19 569 | 125 740 029 |
| Debt securities issued | 294 408 | 1 347 493 | 1 232 386 | 569 725 | 752 996 | 4 197 008 |
| Financial liabilities held for trading | - | - | - | 27 684 | 53 186 | 80 870 |
| Total | 99 900 928 | 14 880 943 | 16 818 417 | 4 784 815 | 2 650 637 | 139 035 740 |
| OFF-BALANCE SHEET COMMITMENTS (**) | | | | | | |
| Financial liabilities granted | 28 148 988 | - | - | - | - | 28 148 988 |
| Guarantees issued | 14 304 824 | - | - | - | - | 14 304 824 |
| Total | 42 453 812 | - | - | - | - | 42 453 812 |

| 31.12.2014 | 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 (*) | 2 007 821 | 233 470 | 360 834 | 1 030 528 | 1 941 187 | 5 573 840 |
| Amounts due to customers | 99 800 692 | 14 198 585 | 11 196 512 | 712 407 | 50 317 | 125 958 513 |
| Debt securities issued | 79 083 | 1 211 065 | 1 453 224 | 560 727 | 755 557 | 4 059 656 |
| Financial liabilities held for trading | - | - | 362 582 | 173 090 | 55 639 | 591 311 |
| Total | 101 887 596 | 15 643 120 | 13 373 152 | 2 476 752 | 2 802 700 | 136 183 320 |
| OFF-BALANCE SHEET COMMITMENTS (**) | | | | | | |
| Financial liabilities granted | 27 376 548 | - | - | - | - | 27 376 548 |
| Guarantees issued | 14 208 684 | - | - | - | - | 14 208 684 |
| Total | 41 585 232 | - | - | - | - | 41 585 232 |

(*) 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)

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),
- Transactions based on equity securities and stock indexes,
- Transactions based on commodities and precious metals.

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

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

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

| | UP TO 1 MONTH | BETWEEN 1 AND 3 MONTHS | BETWEEN 3 MONTHS AND 1 YEAR | BETWEEN 1 AND 5 YEARS | OVER 5 YEARS | TOTAL |
|------------|---------------|---------------------------|-----------------------------------|--------------------------|--------------|-----------|
| 30.06.2015 | 29 232 | 60 757 | 398 185 | 1 898 804 | 791 593 | 3 178 571 |
| 31.12.2014 | 109 831 | 66 827 | 157 420 | 2 488 681 | 1 594 385 | 4 417 144 |

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

| | UP TO 1 MONTH | BETWEEN 1 AND 3 MONTHS | BETWEEN 3 MONTHS AND 1 YEAR | BETWEEN 1 AND 5 YEARS | OVER 5 YEARS | TOTAL |
|-------------------|---------------|---------------------------|-----------------------------------|--------------------------|--------------|------------|
| 30.06.2015 | | | | | | |
| Inflows | 13 190 941 | 13 442 221 | 4 429 564 | 7 940 742 | 3 070 586 | 42 074 054 |
| Outflows | 12 983 160 | 13 548 471 | 4 375 453 | 8 895 517 | 3 493 589 | 43 296 190 |
| 31.12.2014 | | | | | | |
| Inflows | 20 372 845 | 11 645 192 | 5 339 427 | 8 072 682 | 3 000 995 | 48 431 141 |
| Outflows | 20 369 706 | 11 635 627 | 5 451 489 | 8 811 935 | 3 084 889 | 49 353 646 |

Operational risk

There have been no significant changes in the operational risk management process in relation to those presented in consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2014.

Notes to financial statements (cont.)

(in PLN thousand)

Fair value of financial assets and liabilities

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

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

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

As of 30 June 2015 and on 31 December 2014, 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 derivatives 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 Finance Division.

Notes to financial statements (cont.)

(in PLN thousand)

| 30.06.2015 | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|--|-------------------|------------------|----------------|-------------------|
| Assets: | 19 133 057 | 9 349 709 | 386 741 | 28 869 507 |
| Financial assets held for trading | 991 935 | 158 802 | 113 572 | 1 264 309 |
| Derivative financial instruments, including: | 12 | 3 231 449 | 8 508 | 3 239 969 |
| - Banks | - | 2 591 992 | 685 | 2 592 677 |
| - Customers | 12 | 639 457 | 7 823 | 647 292 |
| Hedging instruments, including: | - | 352 696 | - | 352 696 |
| - Banks | - | 348 199 | - | 348 199 |
| - Customers | - | 4 497 | - | 4 497 |
| Securities available for sale | 18 141 110 | 5 606 762 | 264 661 | 24 012 533 |
| Liabilities: | 81 043 | 5 129 078 | 321 | 5 210 442 |
| Financial liabilities held for trading | 80 870 | - | - | 80 870 |
| Derivative financial instruments, including: | 173 | 3 216 125 | 321 | 3 216 619 |
| - Banks | - | 2 627 433 | - | 2 627 433 |
| - Customers | 173 | 588 692 | 321 | 589 186 |
| Hedging instruments, including: | - | 1 912 953 | - | 1 912 953 |
| - Banks | - | 1 912 953 | - | 1 912 953 |
| - Customers | - | - | - | - |

| 31.12.2014 | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|--|-------------------|-------------------|----------------|-------------------|
| Assets: | 16 308 012 | 11 803 880 | 366 566 | 28 478 458 |
| Financial assets held for trading | 310 653 | 38 016 | 99 784 | 448 453 |
| Derivative financial instruments, including: | - | 4 445 008 | 2 967 | 4 447 975 |
| - Banks | - | 3 654 969 | 2 967 | 3 657 936 |
| - Customers | - | 790 039 | - | 790 039 |
| Hedging instruments, including: | - | 470 822 | - | 470 822 |
| - Banks | - | 465 249 | - | 465 249 |
| - Customers | - | 5 573 | - | 5 573 |
| Securities available for sale | 15 997 359 | 6 850 034 | 263 815 | 23 111 208 |
| Liabilities: | 591 311 | 5 902 134 | - | 6 493 445 |
| Financial liabilities held for trading | 591 311 | - | - | 591 311 |
| Derivative financial instruments, including: | - | 4 417 706 | - | 4 417 706 |
| - Banks | - | 3 687 513 | - | 3 687 513 |
| - Customers | - | 730 193 | - | 730 193 |
| Hedging instruments, including: | - | 1 484 428 | - | 1 484 428 |
| - Banks | - | 1 484 428 | - | 1 484 428 |
| - Customers | - | - | - | - |

Notes to financial statements (cont.)

(in PLN thousand)

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

| I HALF 2015 | FINANCIAL ASSETS HELD FOR TRADING | DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS) | SECURITIES AVAILABLE FOR SALE | DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES) |
|--|---|--|-------------------------------------|---|
| Opening balance | 99 784 | 2 967 | 263 815 | - |
| Increases, including: | 5 017 893 | 7 823 | 4 942 | - |
| Acquisition | 5 016 570 | - | - | - |
| Gains on financial instruments | 1 323 | 7 823 | 4 942 | - |
| recognized in the income statement | 1 323 | 7 823 | 4 942 | - |
| Decreases, including: | (5 004 105) | (2 282) | (4 096) | 321 |
| Reclassification | (64 202) | - | - | - |
| Settlement/redemption | (164 961) | - | (4 096) | - |
| Sale | (4 774 470) | - | - | - |
| Losses on financial instruments | (472) | (2 282) | - | 321 |
| recognized in the income statement | (472) | (2 282) | - | 321 |
| Closing balance | 113 572 | 8 508 | 264 661 | 321 |
| Unrealized income from financial instruments held in portfolio at the end of the period, recognized in: | (180) | 5 541 | 348 | (321) |
| Income statement: | 219 | 5 541 | 248 | (321) |
| net interest income | 219 | - | 248 | - |
| result on financial assets and liabilities held for trading | - | 5 541 | - | (321) |
| Other comprehensive income | (399) | - | 100 | - |

| 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: | 13 997 309 | 4 541 | 9 979 | - |
| Acquisition | 13 996 268 | - | - | - |
| Derivatives transactions | - | 1 488 | - | - |
| Gains on financial instruments | 1 041 | 3 053 | 9 979 | - |
| recognized in the income statement | 1 041 | 3 053 | 9 979 | - |
| Decreases, including: | (13 897 525) | (4 199) | (9 832) | - |
| Settlement/redemption | (1 432 830) | (4 199) | (9 832) | - |
| Sale | (12 464 143) | - | - | - |
| Losses on financial instruments | (552) | - | - | - |
| recognized in the income statement | (552) | - | - | - |
| Closing balance | 99 784 | 2 967 | 263 815 | - |
| Unrealized income from financial instruments held in portfolio at the end of the period, recognized in: | (343) | 1 479 | 470 | - |
| Income statement: | 117 | 1 479 | 292 | - |
| net interest income | 117 | - | 292 | - |
| result on financial assets and liabilities held for trading | - | 1 479 | - | - |
| Other comprehensive income | (460) | - | 178 | - |

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 to 30 June 2015, there was no transfer of instruments measured at fair value between Level 1 and Level 2.

In the period from 1 January to 30 June 2015 financial instruments were not transferred from Level 2 to Level 3.

In the period from 1 January to 30 June 2015 corporate bonds were transferred from Level 3 to Level 2.

The impact of estimated parameters on measurement of financial instruments for which the Group applies fair value valuation according to Level 3 as at 30 June 2015 and 31 December 2014 is as follows:

| FINANCIAL ASSET/LIABILITY | FAIR VALUE AS AT 30.06.2015 | VALUATION TECHNIQUE | UNOBSERVABLE FACTOR | ALTERNATIVE FACTOR RANGE (WEIGHTED AVERAGE) | IMPACT ON FAIR VALUE AS AT 30.06.2015 | |
|---------------------------|-----------------------------|----------------------|---------------------|---|---------------------------------------|-------------------|
| | | | | | POSITIVE SCENARIO | NEGATIVE SCENARIO |
| Equity derivatives | 687 | Model Black Scholes | Correlation | 0-1 | 246 | (251) |
| Corporate debt securities | 329 585 | Discounted cash flow | Credit spread | 0.6% - 1.01% | 759 | (1 733) |
| FX Derivatives | 7 377 | Discounted cash flow | PD | 2.1%-5.4% | 99 | (90) |
| | | | LGD | 40.7%-53.5% | 32 | (32) |

| FINANCIAL ASSET/LIABILITY | FAIR VALUE AS AT 30.06.2015 | VALUATION TECHNIQUE | UNOBSERVABLE FACTOR | ALTERNATIVE FACTOR RANGE (WEIGHTED AVERAGE) | IMPACT ON FAIR VALUE AS AT 31.12.2014 | |
|---------------------------|-----------------------------|----------------------|---------------------|---|---------------------------------------|-------------------|
| | | | | | POSITIVE SCENARIO | NEGATIVE SCENARIO |
| Equity derivatives | 2 967 | Black Scholes Model | Correlation | 0-1 | 263 | (581) |
| Corporate debt securities | 348 069 | Discounted cash flow | Credit spread | 0.53% - 0.95% | 4 530 | (1 264) |

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

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

As of 30 June 2015 and on 31 December 2014, 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.

Notes to financial statements (cont.)

(in PLN thousand)

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

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

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

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

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

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

Notes to the financial statements (cont.)

(in PLN thousand)

| 30.06.2015 | CARRYING AMOUNT | FAIR VALUE | OF WHICH: | | |
|-------------------------------------|--------------------|--------------------|------------------|-------------------|--------------------|
| | | | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| Assets | | | | | |
| Cash and due from Central Bank | 6 681 773 | 6 681 773 | 2 704 326 | 3 977 447 | - |
| Loans and advance to banks | 5 156 470 | 5 160 279 | - | 3 017 875 | 2 142 404 |
| Loans and advances to customers (*) | 117 585 963 | 115 710 349 | - | 10 385 950 | 105 324 399 |
| Receivables from financial leases | 3 227 781 | 3 284 130 | - | - | 3 284 130 |
| Debt securities held to maturity | 3 349 299 | 3 353 185 | 2 490 841 | 862 344 | - |
| Total Assets | 136 001 286 | 134 189 716 | 5 195 167 | 18 243 616 | 110 750 933 |
| Liabilities | | | | | |
| Amounts due to Central Bank | 906 | 911 | - | - | 911 |
| Amounts due to other banks | 8 866 616 | 8 899 289 | - | 4 362 109 | 4 537 180 |
| Amounts due to customers | 125 310 720 | 124 941 972 | - | 5 244 300 | 119 697 672 |
| Debt securities issued | 3 979 578 | 4 043 044 | - | 4 043 044 | - |
| Total Liabilities | 138 157 820 | 137 885 216 | - | 13 649 453 | 124 235 763 |

| 31.12.2014 | CARRYING AMOUNT | FAIR VALUE | OF WHICH: | | |
|-------------------------------------|--------------------|--------------------|------------------|-------------------|--------------------|
| | | | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| Assets | | | | | |
| Cash and due from Central Bank | 9 226 254 | 9 226 254 | 3 399 335 | 5 826 919 | - |
| Loans and advance to banks | 7 169 872 | 7 197 178 | - | 5 340 515 | 1 856 663 |
| Loans and advances to customers (*) | 111 872 113 | 110 749 476 | - | 7 513 821 | 103 235 655 |
| Receivables from financial leases | 3 112 048 | 3 165 120 | - | - | 3 165 120 |
| Debt securities held to maturity | 1 601 568 | 1 616 035 | 764 589 | 851 446 | - |
| Total Assets | 132 981 855 | 131 954 063 | 4 163 924 | 19 532 701 | 108 257 438 |
| Liabilities | | | | | |
| Amounts due to Central Bank | 971 | 997 | - | - | 997 |
| Amounts due to other banks | 5 344 702 | 5 408 323 | - | 1 126 766 | 4 281 557 |
| Amounts due to customers | 125 609 000 | 125 249 984 | - | 5 257 218 | 119 992 766 |
| Debt securities issued | 3 857 043 | 3 921 735 | - | 3 921 735 | - |
| Total Liabilities | 134 811 716 | 134 581 039 | - | 10 305 719 | 124 275 320 |

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

Notes to financial statements (cont.)

(in PLN thousand)

8. Operating segments

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

The Model within budgeting and monitoring area of results of the segments includes 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,
- Assets and Liabilities Management and other – supervision and monitoring of fund transfers, other activities centrally managed as well as the results of the subsidiaries and shares in net profit of associates accounted for using equity method that are not assigned to other segments.

Notes to financial statements (cont.)

(in PLN thousand)

Operating segments reporting for the period from 1 January to 30 June 2015

| | RETAIL BANKING | PRIVATE BANKING | CORPORATE AND INVESTMENT BANKING | ASSETS AND LIABILITIES COMMITTEE AND OTHER | TOTAL |
|--|--------------------|--------------------|--|---|--------------------|
| Total net interest income | 1 169 296 | 11 989 | 761 103 | 159 474 | 2 101 862 |
| Non-interest income | 776 577 | 15 960 | 565 609 | 122 031 | 1 480 177 |
| Operating income | 1 945 873 | 27 949 | 1 326 712 | 281 505 | 3 582 039 |
| Personnel expenses | (562 230) | (11 195) | (133 450) | (245 214) | (952 089) |
| Other administrative expenses | (618 044) | (13 825) | (172 927) | 309 070 | (495 726) |
| Depreciation and amortisation | (84 466) | (766) | (12 012) | (67 525) | (164 769) |
| Operating costs | (1 264 740) | (25 786) | (318 389) | (3 669) | (1 612 584) |
| Gross operating profit | 681 133 | 2 163 | 1 008 323 | 277 836 | 1 969 455 |
| Net impairment losses on loans and off-balance sheet commitments | (104 942) | (697) | (169 319) | 7 744 | (267 214) |
| Net operating profit | 576 191 | 1 466 | 839 004 | 285 580 | 1 702 241 |
| Net result on other provisions | (161) | (388) | (29) | (26 061) | (26 639) |
| Guarantee funds charges | (51 557) | (398) | (85 616) | - | (137 571) |
| Net result on investment activities | (123) | - | 119 | 633 | 629 |
| Profit before tax | 524 350 | 680 | 753 478 | 260 152 | 1 538 660 |
| Income tax expense | | | | | (294 672) |
| Net profit for the period | | | | | 1 243 988 |
| Attributable to equity holders of the Bank | | | | | 1 243 626 |
| Attributable to non-controlling interest | | | | | 362 |
| Allocated assets | 56 758 123 | 272 268 | 102 796 338 | (705 692) | 159 121 037 |
| Unallocated assets | | | | | 11 775 513 |
| Total assets | | | | | 170 896 550 |
| Allocated liabilities | 65 847 921 | 6 868 718 | 70 516 585 | (4 076 627) | 139 156 597 |
| Unallocated liabilities | | | | | 31 739 953 |
| Total liabilities | | | | | 170 896 550 |

Notes to financial statements (cont.)

(in PLN thousand)

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

| | RETAIL BANKING | PRIVATE BANKING | CORPORATE AND INVESTMENT BANKING | ASSETS AND LIABILITIES COMMITTEE AND OTHER | TOTAL |
|--|--------------------|--------------------|--|---|--------------------|
| Total net interest income | 1 204 636 | 14 882 | 803 280 | 290 063 | 2 312 861 |
| Non-interest income | 830 690 | 14 764 | 441 543 | 45 240 | 1 332 237 |
| Operating income | 2 035 326 | 29 646 | 1 244 823 | 335 303 | 3 645 098 |
| Personnel expenses | (587 549) | (11 421) | (123 406) | (233 014) | (955 390) |
| Other administrative expenses | (653 539) | (13 288) | (171 473) | 305 977 | (532 323) |
| Depreciation and amortisation | (80 094) | (551) | (9 774) | (72 575) | (162 994) |
| Operating costs | (1 321 182) | (25 260) | (304 653) | 388 | (1 650 707) |
| Gross operating profit | 714 144 | 4 386 | 940 170 | 335 691 | 1 994 391 |
| Net impairment losses on loans and off-balance sheet commitments | (117 300) | 146 | (172 395) | (619) | (290 168) |
| Net operating profit | 596 844 | 4 532 | 767 775 | 335 072 | 1 704 223 |
| Net result on other provisions | (561) | - | (1 433) | (1 156) | (3 150) |
| Guarantee funds charges | (29 850) | (263) | (41 115) | - | (71 228) |
| Net result on investment activities | 21 | - | 147 | (711) | (543) |
| Profit before tax | 566 454 | 4 269 | 725 374 | 333 205 | 1 629 302 |
| Income tax expense | | | | | (300 803) |
| Net profit for the period | | | | | 1 328 499 |
| Attributable to equity holders of the Bank | | | | | 1 319 321 |
| Attributable to non-controlling interest | | | | | 9 178 |
| Allocated assets | 51 519 341 | 253 678 | 95 900 830 | (963 667) | 146 710 182 |
| Unallocated assets | | | | | 10 162 423 |
| Total assets | | | | | 156 872 605 |
| Allocated liabilities | 60 314 625 | 7 007 869 | 62 165 971 | (3 196 999) | 126 291 466 |
| Unallocated liabilities | | | | | 30 581 139 |
| Total liabilities | | | | | 156 872 605 |

Notes to financial statements (cont.)

(in PLN thousand)

Reconciliations of operating income for reportable segments

| | I HALF 2015 | I HALF 2014 |
|---|------------------|------------------|
| Total operating income for reportable segments | 3 582 039 | 3 645 098 |
| Share in gains (losses) from associates | (30 100) | (34 693) |
| Net other operating income and expenses | (127 518) | (56 574) |
| Refunding of administrative expenses | 1 420 | 1 807 |
| Operating income | 3 425 841 | 3 555 638 |

Geographical segment

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

9. Interest income and expense

Interest income

| | II QUARTER 2015 | I HALF 2015 | II QUARTER 2014 | I HALF 2014 |
|--|------------------|------------------|------------------|------------------|
| Loans and other receivables from customers | 1 059 105 | 2 189 134 | 1 271 842 | 2 520 532 |
| Interbank placements | 26 331 | 55 980 | 37 253 | 74 960 |
| Reverse repo transactions | 16 036 | 37 326 | 25 882 | 47 197 |
| Investment securities | 176 660 | 346 157 | 212 994 | 434 132 |
| Hedging derivatives | 41 675 | 88 221 | 32 331 | 71 856 |
| Financial assets held for trading | 3 792 | 5 077 | 4 455 | 7 109 |
| Total | 1 323 599 | 2 721 895 | 1 584 757 | 3 155 786 |

Interest expense

| | II QUARTER 2015 | I HALF 2015 | II QUARTER 2014 | I HALF 2014 |
|-----------------------------|------------------|------------------|------------------|------------------|
| Deposits from customers | (262 269) | (563 283) | (385 294) | (765 676) |
| Interbank deposits | (4 883) | (9 093) | (6 668) | (16 398) |
| Repo transactions | (11 889) | (28 058) | (18 776) | (38 863) |
| Loans and advances received | (3 844) | (11 852) | (13 254) | (26 195) |
| Debt securities issued | (25 219) | (51 184) | (20 859) | (38 675) |
| Total | (308 104) | (663 470) | (444 851) | (885 807) |

Notes to financial statements (cont.)

(in PLN thousand)

10. Fee and commission income and expense

Fee and commission income

| | II QUARTER 2015 | I HALF 2015 | II QUARTER 2014 | I HALF 2014 |
|--|-----------------|------------------|-----------------|------------------|
| Accounts maintenance, payment orders and cash transactions | 164 595 | 326 306 | 168 095 | 335 984 |
| Payment cards | 181 508 | 342 955 | 228 388 | 439 128 |
| Loans and advances | 102 049 | 206 073 | 105 134 | 191 213 |
| Investment products sales intermediation | 77 631 | 152 917 | 68 702 | 136 041 |
| Securities operations | 38 243 | 67 251 | 24 298 | 53 801 |
| Custody activity | 17 893 | 31 606 | 16 110 | 31 033 |
| Pension and investment funds service fees | 13 228 | 25 673 | 13 253 | 27 767 |
| Guarantees, letters of credit and similar transactions | 12 085 | 24 247 | 13 028 | 24 963 |
| Other | 9 075 | 23 184 | 27 655 | 56 698 |
| Total | 616 307 | 1 200 212 | 664 663 | 1 296 628 |

Fee and commission expense

| | II QUARTER 2015 | I HALF 2015 | II QUARTER 2014 | I HALF 2014 |
|---------------------------------------|------------------|------------------|------------------|------------------|
| Payment cards | (82 119) | (168 447) | (119 222) | (221 770) |
| Money orders and transfers | (5 953) | (11 352) | (5 279) | (9 986) |
| Securities and derivatives operations | (5 327) | (9 791) | (4 584) | (9 695) |
| Accounts maintenance | (986) | (1 658) | (824) | (1 402) |
| Custody activity | (3 668) | (5 851) | (2 702) | (5 282) |
| Pension funds management charges | (585) | (695) | (1 215) | (1 562) |
| Acquisition services | (775) | (1 600) | (608) | (1 145) |
| Other | (3 644) | (7 001) | (4 065) | (6 723) |
| Total | (103 057) | (206 395) | (138 499) | (257 565) |

11. Dividend income

| | II QUARTER 2015 | I HALF 2015 | II QUARTER 2014 | I HALF 2014 |
|--|-----------------|---------------|-----------------|--------------|
| Issuers of securities held for trading | 275 | 276 | - | - |
| Issuers of securities available for sale | 13 061 | 13 061 | 8 189 | 8 189 |
| Total | 13 336 | 13 337 | 8 189 | 8 189 |

12. Result on financial assets and liabilities held for trading

| | II QUARTER 2015 | I HALF 2015 | II QUARTER 2014 | I HALF 2014 |
|----------------------------------|-----------------|----------------|-----------------|----------------|
| Foreign currency exchange result | 75 850 | 176 573 | 86 244 | 168 894 |
| Gains (losses) on derivatives | 25 683 | 24 794 | 21 315 | 42 501 |
| Gains (losses) on securities | (6 602) | (1 309) | 3 618 | 5 225 |
| Total | 94 931 | 200 058 | 111 177 | 216 620 |

Notes to financial statements (cont.)

(in PLN thousand)

13. Gains (losses) on disposal

Realized gains

| | II QUARTER 2015 | I HALF 2015 | II QUARTER 2014 | I HALF 2014 |
|--|-----------------|----------------|-----------------|---------------|
| Loans and other financial receivables | 58 | 402 | 670 | 1 084 |
| Available for sale financial assets – debt instruments | 2 130 | 154 756 | 34 820 | 34 915 |
| Debt securities issued | - | 1 | 1 | 3 |
| Total | 2 188 | 155 159 | 35 491 | 36 002 |

Realized losses

| | II QUARTER 2015 | I HALF 2015 | II QUARTER 2014 | I HALF 2014 |
|--|-----------------|--------------|-----------------|-------------|
| Available for sale financial assets – debt instruments | (41) | (41) | - | (78) |
| Debt securities issued | (128) | (155) | (1) | (20) |
| Total | (169) | (196) | (1) | (98) |

| | | | | |
|----------------------------|--------------|----------------|---------------|---------------|
| Net realized profit | 2 019 | 154 963 | 35 490 | 35 904 |
|----------------------------|--------------|----------------|---------------|---------------|

14. Administrative expenses

Personnel expenses

| | II QUARTER 2015 | I HALF 2015 | II QUARTER 2014 | I HALF 2014 |
|--|------------------|------------------|------------------|------------------|
| Wages and salaries | (401 921) | (797 696) | (407 868) | (802 432) |
| Insurance and other charges related to employees | (74 187) | (147 154) | (73 502) | (146 693) |
| Share-based payments expenses | (4 059) | (7 239) | (2 640) | (6 265) |
| Total | (480 167) | (952 089) | (484 010) | (955 390) |

Other administrative expenses

| | II QUARTER 2015 | I HALF 2015 | II QUARTER 2014 | I HALF 2014 |
|---|------------------|------------------|------------------|------------------|
| General expenses | (230 888) | (458 883) | (247 731) | (497 376) |
| Taxes and charges | (8 915) | (20 862) | (9 887) | (22 755) |
| Bank Guarantee Fund fee (*) | (68 761) | (137 523) | (34 422) | (68 845) |
| Financial supervision authority fee (KNF) | (8 642) | (17 449) | (7 996) | (16 382) |
| Total | (317 206) | (634 717) | (300 036) | (605 358) |

| | | | | |
|--------------------------------------|------------------|--------------------|------------------|--------------------|
| Total administrative expenses | (797 373) | (1 586 806) | (784 046) | (1 560 748) |
|--------------------------------------|------------------|--------------------|------------------|--------------------|

(*) The costs of annual fees on the Bank Guarantee Fund for 2015 will amount to PLN 275 047 thousand, for 2014 – PLN 137 742 thousand. Such costs are spread over a period of 12 months. The applied approach reflects the adopted market practices in this area.

Notes to financial statements (cont.)

(in PLN thousand)

15. Depreciation and amortization

| | II QUARTER 2015 | I HALF 2015 | II QUARTER 2014 | I HALF 2014 |
|-------------------------------|-----------------|------------------|-----------------|------------------|
| Property, plant and equipment | (45 547) | (91 751) | (48 336) | (95 628) |
| Investment property | (413) | (827) | (436) | (2 078) |
| Intangible assets | (37 071) | (72 191) | (32 277) | (65 288) |
| Total | (83 031) | (164 769) | (81 049) | (162 994) |

16. Net other operating income and expenses

Other operating income

| | II QUARTER 2015 | I HALF 2015 | II QUARTER 2014 | I HALF 2014 |
|---|-----------------|----------------|-----------------|----------------|
| Rental income | 4 963 | 11 006 | 5 890 | 11 973 |
| Miscellaneous income | 5 450 | 9 646 | 4 397 | 6 905 |
| Credit insurance income | 12 | 215 | 5 820 | 11 722 |
| Recovery of debt collection costs | 4 057 | 7 999 | 5 493 | 10 316 |
| Excess payments, repayments | 2 618 | 3 584 | 14 513 | 16 637 |
| Compensation, penalty fees and fines received (including received compensations from damages in relation to fixed assets) | 113 883 | 114 616 | 1 447 | 33 221 |
| Revenues from sale of products, goods and services | 622 | 4 149 | 1 630 | 4 703 |
| Revenues from leasing activity | 299 | 805 | 339 | 481 |
| Refunding of administrative expenses | 584 | 1 420 | 12 | 1 807 |
| Income from written off liabilities | 76 | 275 | 138 | 207 |
| Releases of impairment allowances for litigation and other assets | 140 | 2 642 | 99 | 243 |
| Gains on sale of leasing assets for third party and other assets | 223 | 290 | (9) | 586 |
| Other | 1 020 | 2 684 | 1 150 | 2 434 |
| Total | 133 947 | 159 331 | 40 919 | 101 235 |

Other operating expenses

| | II QUARTER 2015 | I HALF 2015 | II QUARTER 2014 | I HALF 2014 |
|---|-----------------|-----------------|-----------------|-----------------|
| Costs related to leasing activity | (345) | (739) | (234) | (8 189) |
| Credit insurance expenses | (2 268) | (4 304) | (7 177) | (13 894) |
| Reimbursement and deficiencies | (1 077) | (2 514) | (2 773) | (4 902) |
| Sundry expenses | (4 572) | (7 010) | (2 461) | (6 999) |
| Cost from sale of products, goods and services | (513) | (1 603) | (327) | (1 484) |
| Customers complaints expenses | (700) | (1 250) | (693) | (1 429) |
| Impairment allowance for litigations and other assets | (2 835) | (7 298) | (1 242) | (1 487) |
| Costs of litigation and claims | (859) | (1 323) | (502) | (938) |
| Compensation, penalty fees and fines paid | (83) | (173) | (102) | (252) |
| Losses on disposal of leasing assets for third party and other assets | (59) | (471) | - | - |
| Other | (2 741) | (5 128) | (3 071) | (5 087) |
| Total | (16 052) | (31 813) | (18 582) | (44 661) |
| Net other operating income and expenses | 117 895 | 127 518 | 22 337 | 56 574 |

Notes to financial statements (cont.)

(in PLN thousand)

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

| I HALF 2015 | 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 | 19 360 | 848 | 979 | - | (769) | (650) | 19 768 | (79) |
| Loans and advances to customers measured at amortized cost | 5 582 478 | 786 091 | 70 740 | (73 525) | (548 519) | (44 048) | 5 773 217 | (237 572) |
| Receivables from financial leases | 187 901 | 17 464 | - | (10) | (14 489) | (827) | 190 039 | (2 975) |
| Financial assets available for sale | 122 | - | - | - | - | - | 122 | - |
| Off-balance sheet commitments | 102 386 | 71 360 | 683 | - | (40 217) | - | 134 212 | (31 143) |
| Total financial assets and off-balance sheet commitments | 5 892 247 | 875 763 | 72 402 | (73 535) | (603 994) | (45 525) | 6 117 358 | (271 769) |
| Impairment of other assets | | | | | | | | |
| Investments in associates | 60 | - | - | - | - | - | 60 | - |
| Intangible assets | 10 961 | - | - | - | - | - | 10 961 | - |
| Property, plant and equipment | 6 667 | 417 | 1 569 | (77) | - | (3) | 8 573 | (417) |
| Investment properties | 8 682 | - | - | - | - | - | 8 682 | - |
| Other | 76 532 | 7 298 | 640 | (186) | (2 642) | (1 734) | 79 908 | (4 656) |
| Total impairment of other assets | 102 902 | 7 715 | 2 209 | (263) | (2 642) | (1 737) | 108 184 | (5 073) |
| Total | 5 995 149 | 883 478 | 74 611 | (73 798) | (606 636) | (47 262) | 6 225 542 | (276 842) |

(*) 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 271 769 thousand and proceeds from recovered bad debts in the amount of PLN 4 555 thousand, the total is PLN minus 267 214 thousand.

Notes to financial statements (cont.)

(in PLN thousand)

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

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

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

Notes to financial statements (cont.)

(in PLN thousand)

18. Gains (losses) on subsidiaries and associates

| | II QUARTER 2015 | I HALF 2015 | II QUARTER 2014 | I HALF 2014 |
|--|-----------------|---------------|-----------------|---------------|
| Share in gains (losses) from associates | | | | |
| Dom Inwestycyjny Xelion Sp. z o.o | 531 | 919 | 265 | 458 |
| Pioneer Pekao Investment Management S.A. | 11 907 | 23 704 | 12 213 | 28 888 |
| Krajowa Izba Rozliczeniowa S.A. | 2 161 | 5 477 | 2 933 | 5 347 |
| Total share in gains (losses) from associates | 14 599 | 30 100 | 15 411 | 34 693 |
| Gains on liquidation of subsidiaries | - | 55 | - | - |
| Total gains (losses) from subsidiaries and associates | 14 599 | 30 155 | 15 411 | 34 693 |

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

| | II QUARTER 2015 | I HALF 2015 | II QUARTER 2014 | I HALF 2014 |
|---|-----------------|-------------|-----------------|--------------|
| Gains (losses) on disposal of property, plant and equipment classified as assets held for sale | - | - | - | - |
| Gains (losses) on de-recognition of property, plant and equipment and intangible assets other than classified as assets held for sale | (54) | 574 | (210) | (543) |
| Total gains (losses) on disposal of property, plant and equipment, and intangible assets | (54) | 574 | (210) | (543) |

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

| | II QUARTER 2015 | I HALF 2015 | II QUARTER 2014 | I HALF 2014 |
|---|------------------|------------------|------------------|------------------|
| INCOME STATEMENT | | | | |
| Current tax | (130 993) | (317 865) | (222 979) | (346 689) |
| Current tax charge in the income statement | (129 966) | (331 100) | (222 141) | (352 431) |
| Adjustments related to the current tax from previous years | - | 14 993 | - | 7 433 |
| Other taxes (e.g. withholding tax, income tax relating to foreign branches) | (1 027) | (1 758) | (838) | (1 691) |
| Deferred tax | (12 813) | 23 193 | 68 193 | 45 886 |
| Occurrence and reversal of temporary differences | (12 813) | 23 193 | 68 193 | 45 886 |
| Tax charge in the consolidated income statement | (143 806) | (294 672) | (154 786) | (300 803) |
| EQUITY | | | | |
| Deferred tax | 93 982 | 120 914 | (82 865) | (87 701) |
| Income and costs disclosed in other comprehensive income: | | | | |
| revaluation of financial instruments - cash flows hedges | 10 006 | 20 688 | (21 496) | (19 327) |
| revaluation of available for sale financial assets – debt securities | 86 816 | 103 124 | (61 375) | (68 418) |
| revaluation of available for sale financial assets – equity securities | (2 840) | (2 898) | 6 | 44 |
| Tax charge in other comprehensive income | 93 982 | 120 914 | (82 865) | (87 701) |
| Total charge | (49 824) | (173 758) | (237 651) | (388 504) |

Notes to financial statements (cont.)

(in PLN thousand)

21. Earnings per share

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.

| | II QUARTER 2015 | I HALF 2015 | II QUARTER 2014 | I HALF 2014 |
|--|-----------------|-------------|-----------------|-------------|
| Net profit for the period | 619 209 | 1 243 626 | 685 077 | 1 319 321 |
| 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) | 2.36 | 4.74 | 2.61 | 5.03 |

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 June 2015 there were no diluting instruments in the form of convertible bonds in the Group.

| | II QUARTER 2015 | I HALF 2015 | II QUARTER 2014 | I HALF 2014 |
|---|-----------------|-------------|-----------------|-------------|
| Net profit for the period | 619 209 | 1 243 626 | 685 077 | 1 319 321 |
| 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) | 2.36 | 4.74 | 2.61 | 5.03 |

22. 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 30 April 2015 the Ordinary General Meeting of Bank Pekao S.A. made the resolution regarding the dividend payment for year 2014. The dividend to the shareholders contributed an amount of PLN 2 624 700 340.00, wherein the amount of the dividend per one share was PLN 10.00. The dividend's day was fixed for 22 June 2015.

The payment of the dividend was on 7 July 2015.

Notes to financial statements (cont.)

(in PLN thousand)

23. Cash and balances with Central Bank

| Cash and due from Central Bank | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|---------------------------------------|-------------------|-------------------|-------------------|
| Cash | 2 704 314 | 3 399 335 | 2 148 236 |
| Current account at Central Bank | 3 977 447 | 5 826 907 | 2 907 615 |
| Other | 12 | 12 | 12 |
| Total | 6 681 773 | 9 226 254 | 5 055 863 |

| Amounts due to Central Bank | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|------------------------------------|-------------------|-------------------|-------------------|
| Term deposits | 906 | 971 | 958 |
| Total | 906 | 971 | 958 |

Cash and balances with Central Bank by currency

| 30.06.2015 | ASSETS | LIABILITIES |
|-------------------|------------------|--------------------|
| PLN | 5 634 770 | 906 |
| EUR | 479 201 | - |
| USD | 276 652 | - |
| CHF | 56 808 | - |
| Other currencies | 234 342 | - |
| Total | 6 681 773 | 906 |

| 31.12.2014 | ASSETS | LIABILITIES |
|-------------------|------------------|--------------------|
| PLN | 7 719 529 | 971 |
| EUR | 834 006 | - |
| USD | 246 688 | - |
| CHF | 72 104 | - |
| Other currencies | 353 927 | - |
| Total | 9 226 254 | 971 |

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

Notes to financial statements (cont.)

(in PLN thousand)

24. Loans and advances to banks

Loans and advances to banks by product type

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|---------------------------|------------------|------------------|------------------|
| Current accounts | 229 422 | 1 048 021 | 296 111 |
| Interbank placements | 2 418 760 | 2 337 801 | 2 381 746 |
| Loans and advances | 141 021 | 156 224 | 82 067 |
| Cash collaterals | 1 904 842 | 1 675 036 | 1 211 612 |
| Reverse repo transactions | 369 407 | 1 930 808 | 2 732 536 |
| Cash in transit | 112 786 | 41 342 | 157 336 |
| Total gross amount | 5 176 238 | 7 189 232 | 6 861 408 |
| Impairment allowances | (19 768) | (19 360) | (25 843) |
| Total net amount | 5 156 470 | 7 169 872 | 6 835 565 |

Loans and advances to banks by quality

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|---|------------------|------------------|------------------|
| Loans and advances to banks, including: | | | |
| non impaired (gross) | 5 156 777 | 7 170 272 | 6 835 698 |
| impaired (gross) | 19 461 | 18 960 | 25 710 |
| individual impairment allowances | (9 661) | (9 160) | (15 910) |
| collective impairment allowances (*) | (10 107) | (10 200) | (9 933) |
| Total | 5 156 470 | 7 169 872 | 6 835 565 |

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

Loans and advances to banks by contractual maturity

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|---|------------------|------------------|------------------|
| Loans and advances to banks, including: | | | |
| up to 1 month | 4 548 552 | 6 185 886 | 6 106 286 |
| between 1 and 3 months | 182 697 | 194 601 | 95 140 |
| between 3 months and 1 year | 20 310 | 408 533 | 305 138 |
| between 1 and 5 years | 393 642 | 367 091 | 314 442 |
| over 5 years | 2 | - | 14 528 |
| past due | 31 035 | 33 121 | 25 874 |
| Total gross amount | 5 176 238 | 7 189 232 | 6 861 408 |
| Impairment allowances | (19 768) | (19 360) | (25 843) |
| Total net amount | 5 156 470 | 7 169 872 | 6 835 565 |

Loans and advances to banks by currency

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|------------------|------------------|------------------|------------------|
| PLN | 1 354 511 | 2 709 014 | 3 600 326 |
| CHF | 14 220 | 3 457 | 19 241 |
| EUR | 2 367 008 | 2 739 042 | 1 652 779 |
| USD | 1 290 838 | 1 553 787 | 1 364 646 |
| Other currencies | 129 893 | 164 572 | 198 573 |
| Total | 5 156 470 | 7 169 872 | 6 835 565 |

Changes in impairment allowances in the first half of 2015 and in the first half of 2014 are presented in the Note 17.

Notes to financial statements (cont.)

(in PLN thousand)

25. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading by product type

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|------------------------------------|------------------|----------------|----------------|
| FINANCIAL ASSETS | | | |
| Debt securities | 1 234 897 | 448 453 | 988 436 |
| Equity securities | 29 412 | - | - |
| Total financial assets | 1 264 309 | 448 453 | 988 436 |
| FINANCIAL LIABILITIES | | | |
| Debt securities | 80 870 | 591 311 | 224 005 |
| Total financial liabilities | 80 870 | 591 311 | 224 005 |

Debt securities held for trading

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|---|------------------|----------------|----------------|
| FINANCIAL ASSETS | | | |
| Debt securities issued by State Treasury | 962 523 | 310 653 | 967 974 |
| T- bills | - | - | - |
| T- bonds | 962 523 | 310 653 | 967 974 |
| Debt securities issued by banks | 108 723 | 54 688 | - |
| Debt securities issued by business entities | 163 651 | 83 112 | 20 462 |
| Total financial assets | 1 234 897 | 448 453 | 988 436 |
| FINANCIAL LIABILITIES | | | |
| Debt securities issued by State Treasury | 80 870 | 591 311 | 224 005 |
| T- bonds | 80 870 | 591 311 | 224 005 |
| Total financial liabilities | 80 870 | 591 311 | 224 005 |

Equity securities held for trading

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|--------------|---------------|------------|------------|
| Shares | 29 412 | - | - |
| Total | 29 412 | - | - |

Notes to financial statements (cont.)

(in PLN thousand)

Debt securities held for trading by maturity

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|------------------------------------|------------------|----------------|----------------|
| FINANCIAL ASSETS | | | |
| Debt securities, including: | | | |
| up to 1 month | 173 743 | 26 201 | 28 431 |
| between 1 and 3 months | 8 006 | 13 214 | - |
| between 3 months and 1 year | 394 396 | 65 729 | 785 372 |
| between 1 and 5 years | 586 486 | 163 072 | 121 880 |
| over 5 years | 63 053 | 180 237 | 52 753 |
| unspecified term | 9 213 | - | - |
| Total financial assets | 1 234 897 | 448 453 | 988 436 |
| FINANCIAL LIABILITIES | | | |
| Debt securities, including: | | | |
| up to 1 month | - | - | - |
| between 1 and 3 months | - | - | - |
| between 3 months and 1 year | - | 362 582 | - |
| between 1 and 5 years | 27 684 | 173 090 | 105 153 |
| over 5 years | 53 186 | 55 639 | 118 852 |
| Total financial liabilities | 80 870 | 591 311 | 224 005 |

Debt securities held for trading by currency

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|------------------------------------|------------------|----------------|----------------|
| FINANCIAL ASSETS | | | |
| PLN | 1 216 185 | 403 194 | 973 888 |
| EUR | 13 825 | 41 876 | 12 442 |
| USD | 4 887 | 3 383 | 2 106 |
| Total financial assets | 1 234 897 | 448 453 | 988 436 |
| FINANCIAL LIABILITIES | | | |
| PLN | 80 870 | 591 311 | 224 005 |
| Total financial liabilities | 80 870 | 591 311 | 224 005 |

Notes to financial statements (cont.)

(in PLN thousand)

26. Derivative financial instruments (held for trading)

Fair value of trading derivatives

| 30.06.2015 | ASSETS | LIABILITIES |
|---|------------------|------------------|
| Interest rate transactions | | |
| Interest Rate Swaps (IRS) | 2 635 435 | 2 667 811 |
| Forward Rate Agreements (FRA) | 1 947 | 2 734 |
| Options | 18 484 | 18 153 |
| Other | 364 | 264 |
| Foreign currency and gold transactions | | |
| Cross-Currency Interest Rate Swaps (CIRS) | 5 569 | 80 954 |
| Currency Forward Agreements | 136 018 | 83 164 |
| Currency Swaps (fx-swap) | 182 808 | 94 422 |
| Options for currency and gold | 65 050 | 66 833 |
| Transactions based on equity securities and stock indexes | | |
| Options | 8 250 | 8 267 |
| Other | 12 | 9 385 |
| Transactions based on commodities and precious metals | | |
| Options | 4 415 | 4 457 |
| Other | 181 617 | 180 175 |
| Total | 3 239 969 | 3 216 619 |

| 31.12.2014 | ASSETS | LIABILITIES |
|---|------------------|------------------|
| Interest rate transactions | | |
| Interest Rate Swaps (IRS) | 3 772 307 | 3 768 010 |
| Forward Rate Agreements (FRA) | 4 558 | 6 956 |
| Options | 13 263 | 13 076 |
| Other | 110 | 84 |
| Foreign currency and gold transactions | | |
| Cross-Currency Interest Rate Swaps (CIRS) | 37 844 | 70 612 |
| Currency Forward Agreements | 149 724 | 82 594 |
| Currency Swaps (fx-swap) | 143 469 | 146 153 |
| Options for currency and gold | 46 657 | 52 016 |
| Transactions based on equity securities and stock indexes | | |
| Options | 5 387 | 5 390 |
| Other | - | - |
| Transactions based on commodities and precious metals | | |
| Options | 41 | 41 |
| Other | 274 615 | 272 774 |
| Total | 4 447 975 | 4 417 706 |

Notes to financial statements (cont.)

(in PLN thousand)

Fair value of trading derivatives

| 30.06.2014 | ASSETS | LIABILITIES |
|---|------------------|------------------|
| Interest rate transactions | | |
| Interest Rate Swaps (IRS) | 2 507 767 | 2 537 335 |
| Forward Rate Agreements (FRA) | 2 651 | 4 923 |
| Options | 12 471 | 12 207 |
| Other | 365 | 433 |
| Foreign currency and gold transactions | | |
| Cross-Currency Interest Rate Swaps (CIRS) | 18 022 | 26 758 |
| Currency Forward Agreements | 38 333 | 68 091 |
| Currency Swaps (fx-swap) | 78 534 | 22 233 |
| Options for currency and gold | 23 648 | 23 846 |
| Transactions based on equity securities and stock indexes | | |
| Options | 4 246 | 4 252 |
| Other | - | - |
| Transactions based on commodities and precious metals | | |
| Options | 256 | 257 |
| Other | 34 941 | 33 304 |
| Total | 2 721 234 | 2 733 639 |

27. Loans and advances to customers

Loans and advances to customers by product type

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|----------------------------|--------------------|--------------------|--------------------|
| Mortgage loans | 44 240 461 | 40 799 856 | 39 117 758 |
| Current accounts | 11 928 129 | 10 892 636 | 11 896 300 |
| Operating loans | 14 244 294 | 15 253 042 | 14 367 162 |
| Investment loans | 19 851 692 | 20 177 440 | 19 814 834 |
| Payment cards receivables | 812 444 | 805 590 | 779 816 |
| Purchased debt receivables | 2 249 118 | 3 135 495 | 2 904 439 |
| Other loans and advances | 10 433 423 | 10 101 570 | 9 614 493 |
| Debt securities | 11 219 590 | 10 442 561 | 9 505 567 |
| Reverse repo transactions | 8 279 989 | 5 789 064 | 3 835 693 |
| Cash in transit | 99 855 | 57 172 | 85 260 |
| Total gross amount | 123 358 995 | 117 454 426 | 111 921 322 |
| Impairment allowances | (5 773 217) | (5 582 478) | (5 226 363) |
| Total net amount | 117 585 778 | 111 871 948 | 106 694 959 |

Loans and advances to customers by customer type

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|---------------------------|--------------------|--------------------|--------------------|
| Corporate | 59 827 730 | 56 324 459 | 53 884 413 |
| Individuals | 51 826 901 | 49 309 571 | 46 716 234 |
| Budget entities | 11 704 364 | 11 820 396 | 11 320 675 |
| Total gross amount | 123 358 995 | 117 454 426 | 111 921 322 |
| Impairment allowances | (5 773 217) | (5 582 478) | (5 226 363) |
| Total net amount | 117 585 778 | 111 871 948 | 106 694 959 |

Notes to financial statements (cont.)

(in PLN thousand)

Loans and advances to customers by quality

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|---|--------------------|--------------------|--------------------|
| Loans and advances to customers, including: | | | |
| non impaired (gross) | 115 080 025 | 109 456 509 | 104 082 859 |
| impaired (gross) | 8 278 970 | 7 997 917 | 7 838 463 |
| individual impairment allowances | (3 147 903) | (2 965 669) | (2 890 827) |
| collective impairment allowances (*) | (2 625 314) | (2 616 809) | (2 335 536) |
| Total | 117 585 778 | 111 871 948 | 106 694 959 |

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

Loans and advances to customers by contractual maturity

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|---|--------------------|--------------------|--------------------|
| Loans and advances to customers, including: | | | |
| up to 1 month | 21 504 770 | 18 925 405 | 17 980 966 |
| between 1 and 3 months | 2 568 251 | 3 199 478 | 2 452 197 |
| between 3 months and 1 year | 11 841 852 | 10 576 253 | 10 388 073 |
| between 1 and 5 years | 37 151 012 | 36 359 689 | 34 017 307 |
| over 5 years | 43 805 452 | 42 303 745 | 40 688 986 |
| past due | 6 487 658 | 6 089 856 | 6 393 793 |
| Total gross amount | 123 358 995 | 117 454 426 | 111 921 322 |
| Impairment allowances | (5 773 217) | (5 582 478) | (5 226 363) |
| Total net amount | 117 585 778 | 111 871 948 | 106 694 959 |

Loans and advances to customers by currency

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|------------------|--------------------|--------------------|--------------------|
| PLN | 97 743 245 | 92 504 616 | 87 818 987 |
| CHF | 5 358 651 | 4 934 512 | 5 026 217 |
| EUR | 11 212 871 | 11 122 123 | 11 140 630 |
| USD | 3 195 980 | 3 187 087 | 2 619 202 |
| Other currencies | 75 031 | 123 610 | 89 923 |
| Total | 117 585 778 | 111 871 948 | 106 694 959 |

Changes in impairment allowances in the first half of 2015 and in the first half of 2014 are presented in the Note 17.

Notes to financial statements (cont.)

(in PLN thousand)

28. Receivables from financial leases

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

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

| 30.06.2015 | GROSS LEASING INVESTMENT | PRESENT VALUE OF MINIMUM LEASE PAYMENTS |
|--|--------------------------|---|
| Up to 1 year | 1 427 887 | 1 297 968 |
| Between 1 and 5 years | 2 024 158 | 1 874 404 |
| Over 5 years | 282 219 | 245 448 |
| Total | 3 734 264 | 3 417 820 |
| Unearned finance income | (316 444) | |
| Net leasing investment | 3 417 820 | |
| Unguaranteed residual values accruing to the benefit of the lessor | - | |
| Present value of minimum lease payments | 3 417 820 | |
| Impairment allowances | (190 039) | |
| Balance sheet value | 3 227 781 | |

| 31.12.2014 | GROSS LEASING INVESTMENT | PRESENT VALUE OF MINIMUM LEASE PAYMENTS |
|--|--------------------------|---|
| Up to 1 year | 1 400 757 | 1 270 838 |
| Between 1 and 5 years | 1 938 819 | 1 789 065 |
| Over 5 years | 276 817 | 240 046 |
| Total | 3 616 393 | 3 299 949 |
| Unearned finance income | (316 444) | |
| Net leasing investment | 3 299 949 | |
| Unguaranteed residual values accruing to the benefit of the lessor | - | |
| Present value of minimum lease payments | 3 299 949 | |
| Impairment allowances | (187 901) | |
| Balance sheet value | 3 112 048 | |

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

Notes to financial statements (cont.)

(in PLN thousand)

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

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

Receivables from financial leases from banks by quality

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|--|--------------|--------------|--------------|
| Receivables from financial leases from banks, including: | | | |
| non impaired (gross) | 5 119 | 6 062 | 6 434 |
| impaired (gross) | - | - | - |
| individual impairment allowances | (33) | (41) | (29) |
| collective impairment allowances (*) | - | (1) | - |
| Total | 5 086 | 6 020 | 6 405 |

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

Receivables from financial leases from clients by quality

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|--|------------------|------------------|------------------|
| Receivables from financial leases from clients, including: | | | |
| non impaired (gross) | 3 161 088 | 3 054 742 | 2 900 060 |
| impaired (gross) | 251 613 | 239 145 | 262 470 |
| individual impairment allowances | (36 393) | (40 506) | (41 158) |
| collective impairment allowances (*) | (153 613) | (147 353) | (142 194) |
| Total | 3 222 695 | 3 106 028 | 2 979 178 |

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

Receivables from financial leases by currency

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|--------------|------------------|------------------|------------------|
| PLN | 2 099 081 | 2 007 147 | 1 960 474 |
| CHF | 3 057 | 3 483 | 4 324 |
| EUR | 1 120 771 | 1 096 026 | 1 013 879 |
| USD | 4 872 | 5 392 | 6 906 |
| Total | 3 227 781 | 3 112 048 | 2 985 583 |

Notes to financial statements (cont.)

(in PLN thousand)

29. Hedge accounting

As at 30 June 2015 the Group applies fair value hedge accounting and cash flow hedge accounting.

In the period from 1 January to 30 June 2015 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 swaps (IRS) – described in 29.1,
- cash flow hedge accounting for floating-rate financial assets and liabilities hedged with cross-currency interest rate swap (CIRS) transactions – described in 29.2,
- cash flow hedge accounting for floating-rate financial assets hedged with interest rate swap (IRS) transactions – described in 29.3,
- cash flow hedge accounting for portfolio of variable rate loans in EUR and USD hedged with fx-swap instruments – described in 29.4.

The table below presents the fair value of hedging derivatives

| 30.06.2015 | ASSETS | LIABILITIES |
|--|----------------|------------------|
| Fair value hedge accounting | | |
| Interest rate swaps (IRS) | 9 248 | 220 756 |
| Cross-currency interest rate swap (CIRS) | - | - |
| Cash flow hedge accounting | | |
| Interest rate swaps (IRS) | 238 965 | - |
| Cross-currency interest rate swap (CIRS) | 50 392 | 1 656 220 |
| FX-swaps | 54 091 | 35 977 |
| Total | 352 696 | 1 912 953 |

| 31.12.2014 | ASSETS | LIABILITIES |
|--|----------------|------------------|
| Fair value hedge accounting | | |
| Interest rate swaps (IRS) | - | 298 881 |
| Cross-currency interest rate swap (CIRS) | - | - |
| Cash flow hedge accounting | | |
| Interest rate swaps (IRS) | 425 946 | - |
| Cross-currency interest rate swap (CIRS) | 29 120 | 1 097 779 |
| FX-swaps | 15 756 | 87 768 |
| Total | 470 822 | 1 484 428 |

Notes to financial statements (cont.)

(in PLN thousand)

The table below presents the fair value of hedging derivatives

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

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

| | I HALF 2015 | I HALF 2014 |
|--|-------------|-------------|
| Revaluation reserves (deferral of fair value changes of hedging instruments related to the portions recognized as effective hedge - gross value) | 29 740 | 72 235 |
| Net interest income on hedging derivatives | 115 559 | 89 482 |
| Ineffective portions of changes in the fair value of hedging transactions recognized in the income statement | 45 | 338 |

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

| | I HALF 2015 | I HALF 2014 |
|--|----------------|-----------------|
| Opening balance | 138 622 | (29 487) |
| Deferral of fair value changes of hedging instruments related to the portion recognized as effective hedge | (108 875) | 101 696 |
| 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 | (7) | 26 |
| Closing balance | 29 740 | 72 235 |

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

| TYPE OF GAINS/LOSSES | I HALF 2015 | I HALF 2014 |
|--|--------------|-----------------|
| Gains/losses from revaluation of hedging instruments to fair value | 60 297 | (86 905) |
| Gains/losses from revaluation of hedged item associated with hedged risk to fair value | (55 056) | 72 788 |
| Result on fair value hedge accounting | 5 241 | (14 117) |
| Net interest income on hedging derivatives | (27 338) | (17 626) |

Notes to financial statements (cont.)

(in PLN thousand)

29.1 Fair value hedge of fixed-coupon debt securities

Description of the hedging relationship

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

Hedged items

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

Hedging derivatives

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

Financial Statements presentation

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

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

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

Description of the hedging relationship

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

Hedged items

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

Hedging derivatives

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

Financial Statements presentation

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

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

It is expected that the cash flows related to the hedged items will occur until 15 May 2029.

Notes to financial statements (cont.)

(in PLN thousand)

29.3 Cash flow hedge of floating-rate loans

Description of hedging relationship

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

Hedged items

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

Hedging derivatives

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

Financial Statements presentation

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

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

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

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

Description of hedging relationship

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

Hedged items

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

Hedging derivatives

Fx-swap transaction portfolio constitutes the hedging position.

Financial Statements presentation

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

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

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

It is expected that the cash flows related to the hedged items will occur until 21 January 2016.

Notes to financial statements (cont.)

(in PLN thousand)

30. Investment (placement) securities

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|--|-------------------|-------------------|-------------------|
| Debt securities available for sale (AFS) | 23 924 100 | 23 039 453 | 24 207 306 |
| Equity securities available for sale (AFS) | 88 433 | 71 755 | 18 348 |
| Debt securities held to maturity (HTM) | 3 349 299 | 1 601 568 | 1 587 690 |
| Total | 27 361 832 | 24 712 776 | 25 813 344 |

Debt securities available for sale (AFS)

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|--|-------------------|-------------------|-------------------|
| Securities issued by State Treasury | 18 068 297 | 15 940 434 | 16 927 119 |
| T-bills | - | - | - |
| T-bonds | 18 068 297 | 15 940 434 | 16 927 119 |
| Securities issued by Central Banks | 4 936 945 | 6 147 781 | 6 362 927 |
| Securities issued by business entities | 249 041 | 248 985 | 248 950 |
| Securities issued by local governments | 669 817 | 702 253 | 668 310 |
| Total | 23 924 100 | 23 039 453 | 24 207 306 |
| including impairment allowances | - | - | - |

Equity securities available for sale (AFS)

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|---------------------------------|---------------|---------------|---------------|
| Shares | 88 433 | 71 755 | 18 348 |
| Total | 88 433 | 71 755 | 18 348 |
| including impairment allowances | (122) | (122) | (122) |

Debt securities held to maturity (HTM)

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|-------------------------------------|------------------|------------------|------------------|
| Securities issued by State Treasury | 2 486 958 | 750 123 | 752 612 |
| T-bills | - | - | - |
| T-bonds | 2 486 958 | 750 123 | 752 612 |
| Securities issued by Central Banks | 862 341 | 851 445 | 835 078 |
| Total | 3 349 299 | 1 601 568 | 1 587 690 |
| including impairment allowances | - | - | - |

Investment debt securities according to contractual maturity

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|-----------------------------|-------------------|-------------------|-------------------|
| Debt securities, including: | | | |
| up to 1 month | 5 840 384 | 6 999 226 | 7 275 945 |
| between 1 and 3 months | - | - | - |
| between 3 months and 1 year | 1 017 567 | 590 517 | 15 475 |
| between 1 and 5 years | 14 089 341 | 13 506 159 | 12 856 058 |
| over 5 years | 6 326 107 | 3 545 119 | 5 647 518 |
| Total | 27 273 399 | 24 641 021 | 25 794 996 |

Notes to financial statements (cont.)

(in PLN thousand)

Investment debt securities by currency

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|--------------|-------------------|-------------------|-------------------|
| PLN | 23 651 561 | 20 673 366 | 22 451 007 |
| EUR | 2 036 095 | 2 027 262 | 1 930 587 |
| USD | 1 585 743 | 1 940 393 | 1 413 402 |
| Total | 27 273 399 | 24 641 021 | 25 794 996 |

31. Assets and liabilities held for sale

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

As at 30 June 2015 non-current assets classified as held for sale are as follows:

- investments in associates due to planned sale of the part of shares of Krajowa Izba Rozliczeniowa S.A. (Note 41),
- real estate,
- other property, plant and equipment.

Assets held for sale are presented below:

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|-------------------------------|---------------|---------------|---------------|
| ASSETS HELD FOR SALE | | | |
| Investments in associates | 24 119 | - | - |
| Property, plant and equipment | 16 177 | 14 587 | 10 169 |
| Other assets | 22 515 | 22 515 | 22 515 |
| Total assets | 62 811 | 37 102 | 32 684 |

The effect of disposal of other assets is as follows:

| | I HALF 2015 | 2014 | I HALF 2014 |
|---|-------------|------------|-------------|
| Sales revenues | - | 1 293 | - |
| Net carrying amount of disposed assets (including sale costs) | - | 732 | - |
| Gain/loss on sale before income tax | - | 561 | - |

Notes to financial statements (cont.)

(in PLN thousand)

32. Intangible assets

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|---------------------------------------|----------------|----------------|----------------|
| Intangible assets, including: | 589 087 | 571 512 | 546 380 |
| research and development expenditures | 9 795 | 10 412 | 12 425 |
| licenses and patents | 441 575 | 436 939 | 423 367 |
| other | 10 153 | 10 845 | 6 950 |
| assets under construction | 127 564 | 113 316 | 103 638 |
| Goodwill | 55 520 | 55 520 | 54 560 |
| Total | 644 607 | 627 032 | 600 940 |

In the period from 1 January to 30 June 2015 the Group acquired intangible assets in the amount of PLN 90 347 thousand (in 2014 – PLN 128 523 thousand).

In the period from 1 January to 30 June 2015 and in 2014 there have been no intangible assets whose title is restricted and pledged as security for liabilities.

Contractual commitments

As at 30 June 2015 the contractual commitments for the acquisition of intangible assets amounted to PLN 36 127 thousand, whereas as at 31 December 2014 - PLN 35 372 thousand.

33. Property, plant and equipment

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|---|------------------|------------------|------------------|
| Non-current assets, including: | 1 434 531 | 1 458 085 | 1 476 114 |
| land and buildings | 1 090 579 | 1 103 973 | 1 126 520 |
| machinery and equipment | 257 510 | 261 076 | 275 949 |
| transport vehicles | 41 951 | 47 301 | 32 574 |
| other | 44 491 | 45 735 | 41 071 |
| Non-current assets under construction and prepayments | 49 472 | 86 054 | 61 765 |
| Total | 1 484 003 | 1 544 139 | 1 537 879 |

In the period from 1 January to 30 June 2015 the Group acquired property, plant and equipment in the amount of PLN 47 612 thousand (in 2014 - PLN 126 020 thousand), while the value of property, plant and equipment sold amounted to PLN 1 754 thousand (in 2014 - PLN 6 394 thousand).

In the period from 1 January to 30 June 2015 and in 2014 there have been no property, plant and equipment whose title is restricted and pledged as security for liabilities.

Contractual commitments

As at 30 June 2015 the contractual commitments for the acquisition of property, plant and equipment amounted to PLN 28 802 thousand, whereas as at 31 December 2014 - PLN 63 077 thousand.

Notes to financial statements (cont.)

(in PLN thousand)

34. Assets pledged as security for liabilities

As at 30 June 2015 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 | 4 564 495 | 4 368 602 | 4 567 492 |
| Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund | bonds | 684 746 | 640 200 | - |
| Lombard and technical loan | bonds | 3 181 429 | 3 107 844 | - |
| Other loans | bonds | 334 282 | 325 000 | 198 062 |
| Issue of mortgage bonds | receivables backed by mortgage, bonds | 1 662 793 | 1 667 222 | 1 155 471 |
| Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW) | bonds, cash deposits | 47 414 | 46 492 | - |
| Derivatives | bonds | 23 771 | 25 561 | 358 |

As at 31 December 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 transaction | bonds | 3 003 206 | 2 774 855 | 3 004 383 |
| Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund | bonds | 679 338 | 640 200 | - |
| Lombard and technical loan | bonds | 5 338 928 | 5 008 832 | - |
| Other loans | bonds, leases encumbrances | 1 124 328 | 1 115 790 | 931 077 |
| Issue of mortgage bonds | receivables backed by mortgage, bonds | 1 335 272 | 1 339 615 | 1 037 330 |
| Coverage of the Gurantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW) | bonds, cash deposit | 40 698 | 39 915 | - |
| Derivatives | bonds | 47 790 | 42 160 | 33 640 |

Notes to financial statements (cont.)

(in PLN thousand)

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

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

35. Amounts due to other banks

Amounts due to other banks by product type

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|--|------------------|------------------|------------------|
| Current accounts | 780 261 | 959 407 | 608 933 |
| Interbank deposits and other liabilities | 2 744 896 | 1 000 087 | 794 751 |
| Loans and advances received | 2 824 692 | 3 243 612 | 3 111 738 |
| Repo transactions | 1 892 802 | 126 277 | 2 107 018 |
| Cash in transit | 623 965 | 15 319 | 39 136 |
| Total | 8 866 616 | 5 344 702 | 6 661 576 |

Amounts due to other banks by currency

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|------------------|------------------|------------------|------------------|
| PLN | 5 454 524 | 2 335 096 | 2 512 889 |
| CHF | 788 656 | 713 045 | 814 177 |
| EUR | 2 242 226 | 2 218 925 | 2 950 306 |
| USD | 318 402 | 42 023 | 174 754 |
| Other currencies | 62 808 | 35 613 | 209 450 |
| Total | 8 866 616 | 5 344 702 | 6 661 576 |

Notes to financial statements (cont.)

(in PLN thousand)

36. Amounts due to customers

Amounts due to customers by entity and product type

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|--|--------------------|--------------------|--------------------|
| Amounts due to corporate, including: | 54 500 432 | 58 339 752 | 49 610 585 |
| current accounts | 22 909 512 | 21 930 160 | 22 853 184 |
| term deposits and other liabilities | 31 590 920 | 36 409 592 | 26 757 401 |
| Amounts due to budget entities, including: | 7 075 571 | 6 210 671 | 8 070 302 |
| current accounts | 4 875 349 | 5 090 071 | 5 100 355 |
| term deposits and other liabilities | 2 200 222 | 1 120 600 | 2 969 947 |
| Amounts due to individuals, including: | 58 217 628 | 55 407 585 | 53 820 253 |
| current accounts | 32 326 703 | 30 404 771 | 28 987 004 |
| term deposits and other liabilities | 25 890 925 | 25 002 814 | 24 833 249 |
| Repo transactions | 5 219 809 | 4 979 370 | 2 893 401 |
| Cash in transit | 297 280 | 671 622 | 315 455 |
| Total | 125 310 720 | 125 609 000 | 114 709 996 |

Amounts due to customers by currency

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|------------------|--------------------|--------------------|--------------------|
| PLN | 105 047 302 | 106 221 889 | 95 840 625 |
| CHF | 230 361 | 205 950 | 169 276 |
| EUR | 12 197 704 | 11 882 782 | 11 327 005 |
| USD | 7 056 618 | 6 611 746 | 6 714 813 |
| Other currencies | 778 735 | 686 633 | 658 277 |
| Total | 125 310 720 | 125 609 000 | 114 709 996 |

37. Debt securities issued

Debt securities issued by type

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|-------------------------|------------------|------------------|------------------|
| Certificates of deposit | 2 824 107 | 2 819 713 | 2 556 456 |
| Mortgage bonds | 1 155 471 | 1 037 330 | 1 023 075 |
| Total | 3 979 578 | 3 857 043 | 3 579 531 |

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

Notes to financial statements (cont.)

(in PLN thousand)

Debt securities issued by currency

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|--------------|------------------|------------------|------------------|
| PLN | 3 700 573 | 3 679 880 | 3 406 644 |
| EUR | 279 005 | 177 163 | 172 887 |
| USD | - | - | - |
| Total | 3 979 578 | 3 857 043 | 3 579 531 |

Changes in debt securities issued

| | I HALF 2015 | 2014 | I HALF 2014 |
|---------------------------------------|------------------|------------------|------------------|
| Opening balance | 3 857 043 | 3 063 737 | 3 063 737 |
| Increase (issuance) | 2 421 604 | 6 015 875 | 2 557 474 |
| Decrease (redemption) | (2 294 040) | (5 312 326) | (2 188 101) |
| Decrease (partial redemption) | (2 269) | (1 838) | (739) |
| Foreign currency exchange differences | (2 839) | 2 686 | (10) |
| Purchase | - | (64 625) | - |
| Sale | 17 379 | 136 141 | 136 141 |
| Other | (17 300) | 17 393 | 11 029 |
| Closing balance | 3 979 578 | 3 857 043 | 3 579 531 |

38. Provisions

Changes in provisions in the reporting period

| I HALF 2015 | PROVISIONS FOR LITIGATION AND CLAIMS | PROVISIONS FOR DEFINED BENEFIT PLANS | PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED | OTHER PROVISIONS | TOTAL |
|---------------------------------------|--|--|---|---------------------|----------------|
| Opening balance | 37 873 | 267 991 | 102 386 | 34 206 | 442 456 |
| Provision charges/revaluation | 27 115 | 12 777 | 71 360 | 6 968 | 118 220 |
| Provision utilization | (26 035) | (6 493) | - | (14 661) | (47 189) |
| Provision releases | (479) | - | (40 217) | (2) | (40 698) |
| Foreign currency exchange differences | - | - | 683 | (13) | 670 |
| Other changes | - | 442 | - | - | 442 |
| Closing balance | 38 474 | 274 717 | 134 212 | 26 498 | 473 901 |
| Short term | 5 572 | 10 407 | 43 864 | 624 | 60 467 |
| Long term | 32 902 | 264 310 | 90 348 | 25 874 | 413 434 |

Notes to financial statements (cont.)

(in PLN thousand)

| 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 | 5 129 | 22 657 | 67 469 | 13 245 | 108 500 |
| Provision utilization | (3 053) | (6 487) | - | (13 878) | (23 418) |
| Provision releases | (2 998) | - | (79 724) | - | (82 722) |
| Foreign currency exchange differences | - | - | 709 | 134 | 843 |
| Other changes | 3 809 | 44 524 | - | (2 617) | 45 716 |
| Closing balance | 37 873 | 267 991 | 102 386 | 34 206 | 442 456 |
| Short term | 9 308 | 119 | 45 842 | 1 242 | 56 511 |
| Long term | 28 565 | 267 872 | 56 544 | 32 964 | 385 945 |

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

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.

Notes to financial statements (cont.)

(in PLN thousand)

39. Contingent commitments

Litigation

In the first half of 2015 the total value of the litigation subject in the ongoing court proceedings against the Group was PLN 1 122 096 thousand (in the first half of 2014 it was PLN 1 146 623 thousand).

In the first half of 2015 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.

In the first half of 2015 still going on was the court litigation against the Group entities, Bank Pekao SA and Pekao SA Central Brokerage House, brought by private individuals for the payment of damage arising from the purchase of stocks and the financial compensation for the injury resulting from the execution process, in which the value of the litigation subject, as at 30 June 2015, was PLN 206 422 thousand (previously PLN 306 622 thousand). In the first half of 2015 the sentence dismissing the plaint against defendants was adjudicated. The sentence is not legally binding. The plaintiffs lodged an appeal against the sentence, i.e. its part related to the amount of PLN 206 422 thousand. In the opinion of the Bank appeal is unfounded.

Moreover against the Group currently are pending the following essential litigations:

- 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 drawing,
- 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 drawing,
- 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 drawing,
- proceedings instigated in the first quarter of 2015 as a result of the plaint brought by guarantee beneficiary for the payment of PLN 29 205 thousand as the bank guarantee drawing.

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

As at 30 June 2015, the Group created provisions for litigations against the Group entities which, according to the legal opinion, are connected with a risk of the funds outflow resulting from the fulfillment of the obligation. The value of the above provisions as at 30 June 2015 is PLN 38 474 thousand (PLN 37 873 thousand as at 31 December 2014).

Notes to financial statements (cont.)

(in PLN thousand)

Financial commitments granted

Financial commitments granted by entity

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|-----------------------------------|-------------------|-------------------|-------------------|
| Financial commitments granted to: | | | |
| financial entities | 924 010 | 626 967 | 2 951 593 |
| non - financial entities | 26 224 941 | 25 804 627 | 22 864 777 |
| budget entities | 1 000 037 | 944 954 | 1 224 826 |
| Total | 28 148 988 | 27 376 548 | 27 041 196 |

Guarantees issued

Guarantees issued by entity

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|-------------------------------------|-------------------|-------------------|-------------------|
| Issued to financial entities: | 892 611 | 1 015 435 | 847 385 |
| guarantees | 888 899 | 971 814 | 807 393 |
| sureties | - | 42 990 | 35 581 |
| confirmed export letters of credit | 3 712 | 631 | 4 411 |
| Issued to non-financial entities | 13 116 918 | 13 041 275 | 10 502 953 |
| guarantees | 7 083 383 | 7 474 912 | 5 404 898 |
| securities' underwriting guarantees | 5 980 154 | 5 566 363 | 5 098 055 |
| sureties | 53 381 | - | - |
| Issued to budget entities: | 295 295 | 151 974 | 335 786 |
| guarantees | 5 877 | 13 007 | 43 003 |
| securities' underwriting guarantees | 289 418 | 138 967 | 292 783 |
| Total | 14 304 824 | 14 208 684 | 11 686 124 |

Off-balance commitments received

Off-balance commitments received by entity

| | 30.06.2015 | 31.12.2014 | 30.06.2014 |
|---------------------------|-------------------|-------------------|-------------------|
| Financial received from: | 872 951 | 496 467 | 541 854 |
| financial entities | 872 951 | 496 467 | 541 854 |
| non - financial entities | - | - | - |
| budget entities | - | - | - |
| Guarantees received from: | 12 383 396 | 12 175 488 | 12 163 311 |
| financial entities | 1 464 211 | 1 324 576 | 1 424 702 |
| non - financial entities | 10 183 055 | 10 102 000 | 10 031 243 |
| budget entities | 736 130 | 748 912 | 707 366 |
| Total | 13 256 347 | 12 671 955 | 12 705 165 |

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)

40. Related party transactions

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

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

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

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

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

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

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

Notes to financial statements (cont.)

(in PLN thousand)

Related party transactions

Related party transactions as at 30 June 2015

| NAME OF ENTITY | RECEIVABLES FROM LOANS AND PLACEMENTS | SECURITIES | RECEIVABLES FROM REVALUATION OF DERIVATIVES | OTHER RECEIVABLES | LIABILITIES FROM LOANS AND DEPOSITS | LIABILITIES FROM REVALUATION OF DERIVATIVES | OTHER LIABILITIES |
|--|---|--------------|---|-------------------|--|---|-------------------|
| UniCredit S.p.A. – the Bank 's parent entity | 5 959 | - | - | 63 | 35 332 | - | 1 316 106 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 1 552 602 | 9 212 | 57 255 | 2 995 | 611 991 | 845 689 | 71 |
| Associates of Bank Pekao S.A. Group | | | | | | | |
| Dom Inwestycyjny Xelion Sp. z o.o. | - | - | - | 46 | 25 426 | - | 82 |
| Pioneer Pekao Investment Management S.A. | - | - | - | 49 | 151 555 | - | 9 |
| Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary) | 8 | - | - | 18 075 | 84 625 | - | 6 |
| Krajowa Izba Rozliczeniowa S.A. | - | - | - | 10 | 511 | - | 9 |
| Total Associates of Bank Pekao S.A. Group | 8 | - | - | 18 180 | 262 117 | - | 106 |
| Key management personnel of the Bank and UniCredit S.p.A. | 8 507 | - | - | - | 21 449 | - | - |
| Total | 1 567 076 | 9 212 | 57 255 | 21 238 | 930 889 | 845 689 | 1 316 283 |

Notes to financial statements (cont.)

(in PLN thousand)

Receivables from loans and placements by contractual maturity

| 30.06.2015 | 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 | 5 959 | - | - | - | - | - | 5 959 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 781 238 | 382 696 | 211 | - | 388 457 | - | 1 552 602 |
| Associates of Bank Pekao S.A. Group | - | - | - | - | 8 | - | 8 |
| Key management personnel of the Bank and UniCredit S.p.A. | 2 | - | - | 6 026 | 80 | 2 399 | 8 507 |
| Total | 787 199 | 382 696 | 211 | 6 026 | 388 545 | 2 399 | 1 567 076 |

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

Liabilities from loans and deposits by contractual maturity

| 30.06.2015 | 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 | 35 332 | - | - | - | - | - | 35 332 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 145 104 | 38 332 | 279 | 13 897 | 414 379 | - | 611 991 |
| Associates of Bank Pekao S.A. Group | 19 142 | 94 203 | 148 261 | 511 | - | - | 262 117 |
| Key management personnel of the Bank and UniCredit S.p.A. | 7 416 | 1 849 | 9 395 | 1 276 | 1 513 | - | 21 449 |
| Total | 206 994 | 134 384 | 157 935 | 15 684 | 415 892 | - | 930 889 |

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

Notes to financial statements (cont.)

(in PLN thousand)

Receivables from loans and placements by currency

| 30.06.2015 | EUR | USD | CHF | PLN | OTHER | TOTAL |
|--|----------------|----------------|----------|---------------|---------------|------------------|
| UniCredit S.p.A. – the Bank's parent entity | 4 519 | 1 440 | - | - | - | 5 959 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 773 099 | 766 037 | 7 | 2 000 | 11 459 | 1 552 602 |
| Associates of Bank Pekao S.A. Group | - | - | - | 8 | - | 8 |
| Key management personnel of the Bank and UniCredit S.p.A. | - | - | - | 8 507 | - | 8 507 |
| Total | 777 618 | 767 477 | 7 | 10 515 | 11 459 | 1 567 076 |

Liabilities from loans and deposits by currency

| 30.06.2015 | EUR | USD | CHF | PLN | OTHER | TOTAL |
|--|---------------|------------|----------------|----------------|---------------|----------------|
| UniCredit S.p.A. – the Bank's parent entity | 880 | - | - | 34 452 | - | 35 332 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 85 483 | 151 | 383 974 | 112 099 | 30 284 | 611 991 |
| Associates of Bank Pekao S.A. Group | - | - | - | 262 117 | - | 262 117 |
| Key management personnel of the Bank and UniCredit S.p.A. | 7 539 | 666 | - | 13 244 | - | 21 449 |
| Total | 93 902 | 817 | 383 974 | 421 912 | 30 284 | 930 889 |

Notes to financial statements (cont.)

(in PLN thousand)

Related party transactions as at 31 December 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 | 183 634 | - | 13 | 15 339 | - | 654 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 1 496 697 | 456 005 | 4 493 | 1 048 862 | 1 002 599 | 866 |
| Associates of Bank Pekao S.A. Group | | | | | | |
| Dom Inwestycyjny Xelion Sp. z o.o. | - | - | 3 | 22 812 | - | 36 |
| Pioneer Pekao Investment Management S.A. | - | - | - | 154 825 | - | 3 |
| Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary) | - | - | 23 067 | 144 297 | - | 9 |
| Krajowa Izba Rozliczeniowa S.A. | - | - | - | 7 766 | - | - |
| Total Associates of Bank Pekao S.A. Group | - | - | 23 070 | 329 700 | - | 48 |
| Key management personnel of the Bank and UniCredit S.p.A. | 6 385 | - | - | 33 291 | - | - |
| Total | 1 686 716 | 456 005 | 27 576 | 1 427 192 | 1 002 599 | 1 568 |

Notes to financial statements (cont.)

(in PLN thousand)

Receivables from loans and deposits by contractual maturity

| 31.12.2014 | 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 | 4 766 | 178 868 | - | - | - | - | 183 634 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 621 804 | 117 883 | 43 218 | 351 637 | 362 155 | - | 1 496 697 |
| Associates of Bank Pekao S.A. Group | - | - | - | - | - | - | - |
| Key management personnel of the Bank and UniCredit S.p.A. | 2 | 5 998 | - | - | 48 | 337 | 6 385 |
| Total | 626 572 | 302 749 | 43 218 | 351 637 | 362 203 | 337 | 1 686 716 |

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

Liabilities from loans and deposits by contractual maturity

| 31.12.2014 | 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 | 15 339 | - | - | - | - | - | 15 339 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 126 309 | 539 530 | 277 | 14 061 | 7 596 | 361 089 | 1 048 862 |
| Associates of Bank Pekao S.A. Group | 28 208 | 102 192 | 198 800 | 500 | - | - | 329 700 |
| Key management personnel of the Bank and UniCredit S.p.A. | 15 644 | 8 679 | 8 425 | 443 | 100 | - | 33 291 |
| Total | 185 500 | 650 401 | 207 502 | 15 004 | 7 696 | 361 089 | 1 427 192 |

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

Notes to financial statements (cont.)

(in PLN thousand)

Receivables from loans and deposits by currency

| 31.12.2014 | EUR | USD | CHF | PLN | OTHER | TOTAL |
|--|----------------|----------------|----------|----------------|---------------|------------------|
| UniCredit S.p.A. – the Bank's parent entity | 3 581 | 180 053 | - | - | - | 183 634 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 606 379 | 714 067 | 6 | 142 632 | 33 613 | 1 496 697 |
| Associates of Bank Pekao S.A. Group | - | - | - | - | - | - |
| Key management personnel of the Bank and UniCredit S.p.A. | - | - | - | 6 385 | - | 6 385 |
| Total | 609 960 | 894 120 | 6 | 149 017 | 33 613 | 1 686 716 |

Liabilities from loans and deposits by currency

| 31.12.2014 | EUR | USD | CHF | PLN | OTHER | TOTAL |
|--|----------------|------------|----------------|----------------|--------------|------------------|
| UniCredit S.p.A. – the Bank's parent entity | - | - | - | 15 339 | - | 15 339 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 347 597 | 140 | 336 914 | 364 211 | - | 1 048 862 |
| Associates of Bank Pekao S.A. Group | - | - | - | 329 700 | - | 329 700 |
| Key management personnel of the Bank and UniCredit S.p.A. | 2 894 | 845 | - | 22 843 | 6 709 | 33 291 |
| Total | 350 491 | 985 | 336 914 | 732 093 | 6 709 | 1 427 192 |

Notes to financial statements (cont.)

(in PLN thousand)

Income and expenses from transactions with related parties for the period from 1 January to 30 June 2015

| 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 | 147 | (32) | 178 | (1 527) | 688 | (7 074) |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 24 928 | (2 474) | 2 421 | (1 105) | 38 525 | (3 262) |
| Associates of Bank Pekao S.A. Group | | | | | | |
| Dom Inwestycyjny Xelion Sp. z o.o. | - | (185) | 35 | (16) | 165 | (1) |
| Pioneer Pekao Investment Management S.A. | - | (1 465) | 196 | - | 14 | - |
| Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary) | - | (1 184) | 120 015 | - | 345 | - |
| Krajowa Izba Rozliczeniowa S.A. | - | (135) | 57 | - | - | (4 303) |
| Total Associates of Bank Pekao S.A. Group | - | (2 969) | 120 303 | (16) | 524 | (4 304) |
| Key management personnel of the Bank and UniCredit S.p.A. | 130 | (204) | 6 | - | - | - |
| Total | 25 205 | (5 679) | 122 908 | (2 648) | 39 737 | (14 640) |

Income and expenses from transactions with related parties for the period from 1 January to 30 June 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) | 140 | (1 316) | 676 | (2 247) |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 25 474 | (8 879) | 4 587 | (110) | 3 774 | (25 143) |
| Associates of Bank Pekao S.A. Group | | | | | | |
| Dom Inwestycyjny Xelion Sp. z o.o. | - | (278) | 20 | (15) | 133 | - |
| Pioneer Pekao Investment Management S.A. | - | (1 956) | 223 | - | 13 | - |
| Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary) | - | (1 784) | 112 262 | - | - | (1) |
| Krajowa Izba Rozliczeniowa S.A. | - | (71) | 66 | - | - | (4 649) |
| Total Associates of Bank Pekao S.A. Group | - | (4 089) | 112 571 | (15) | 146 | (4 650) |
| Key management personnel of the Bank and UniCredit S.p.A. | 136 | (255) | 7 | - | - | - |
| Total | 25 618 | (13 231) | 117 305 | (1 441) | 4 596 | (32 040) |

Notes to financial statements (cont.)

(in PLN thousand)

Off-balance sheet financial commitments and guarantees as at 30 June 2015

| NAME OF ENTITY | GRANTED | | RECEIVED | |
|--|----------------|----------------|---------------|---------------|
| | FINANCIAL | GUARANTEES | FINANCIAL | GUARANTEES |
| UniCredit S.p.A. – the Bank's parent entity | 39 637 | 186 736 | - | 20 940 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 177 848 | 578 901 | 21 071 | 46 636 |
| Associates of Bank Pekao S.A. Group | | | | |
| Dom Inwestycyjny Xelion Sp. z o.o. | 2 030 | - | - | - |
| Pioneer Pekao Investment Management S.A. | 15 | - | - | - |
| Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary) | 47 | - | - | - |
| Krajowa Izba Rozliczeniowa S.A. | - | 500 | - | - |
| Total Associates of Bank Pekao S.A. Group | 2 092 | 500 | - | - |
| Key management personnel of the Bank and UniCredit S.p.A. | 818 | - | - | - |
| Total | 220 395 | 766 137 | 21 071 | 67 576 |

Notes to financial statements (cont.)

(in PLN thousand)

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

| 30.06.2015 | 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 | - | - | - | 39 637 | - | - | 39 637 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | - | - | - | 177 848 | - | - | 177 848 |
| Associates of Bank Pekao S.A. Group | - | - | - | 52 | 2 040 | - | 2 092 |
| Key management personnel of the Bank and UniCredit S.p.A. | 31 | - | 543 | 244 | - | - | 818 |
| Total | 31 | - | 543 | 217 781 | 2 040 | - | 220 395 |
| GUARANTEES ISSUED | | | | | | | |
| UniCredit S.p.A. – the Bank's parent entity | - | - | 2 000 | 100 753 | 18 975 | 65 008 | 186 736 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | - | 860 | 4 458 | 54 375 | 302 785 | 216 423 | 578 901 |
| Associates of Bank Pekao S.A. Group | - | - | - | 500 | - | - | 500 |
| Total | - | 860 | 6 458 | 155 628 | 321 760 | 281 431 | 766 137 |
| FINANCIAL RECEIVED | | | | | | | |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | - | 21 071 | - | - | - | - | 21 071 |
| Total | - | 21 071 | - | - | - | - | 21 071 |
| GUARANTEES RECEIVED | | | | | | | |
| UniCredit S.p.A. – the Bank's parent entity | - | - | 2 517 | 12 649 | 4 306 | 1 468 | 20 940 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | - | 1 000 | - | 38 299 | 7 337 | - | 46 636 |
| Total | - | 1 000 | 2 517 | 50 948 | 11 643 | 1 468 | 67 576 |

Notes to financial statements (cont.)

(in PLN thousand)

Off-balance sheet financial commitments and guarantees granted by currency

| 30.06.2015 | EUR | USD | CHF | PLN | OTHER | TOTAL |
|--|----------------|--------------|----------|----------------|---------------|----------------|
| FINANCIAL COMMITMENTS GRANTED | | | | | | |
| UniCredit S.p.A. – the Bank's parent entity | 39 637 | - | - | - | - | 39 637 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 76 548 | - | - | 101 300 | - | 177 848 |
| Associates of Bank Pekao S.A. Group | - | - | - | 2 092 | - | 2 092 |
| Key management personnel of the Bank and UniCredit S.p.A. | - | - | - | 818 | - | 818 |
| Total | 116 185 | - | - | 104 210 | - | 220 395 |
| GUARANTEES ISSUED | | | | | | |
| UniCredit S.p.A. – the Bank's parent entity | 9 659 | - | - | 177 077 | - | 186 736 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 63 714 | 9 411 | - | 505 776 | - | 578 901 |
| Associates of Bank Pekao S.A. Group | - | - | - | 500 | - | 500 |
| Total | 73 373 | 9 411 | - | 683 353 | - | 766 137 |
| FINANCIAL RECEIVED | | | | | | |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | - | - | - | - | 21 071 | 21 071 |
| Total | - | - | - | - | 21 071 | 21 071 |
| GUARANTEES RECEIVED | | | | | | |
| UniCredit S.p.A. – the Bank's parent entity | 15 940 | - | - | 5 000 | - | 20 940 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 7 536 | - | - | 39 100 | - | 46 636 |
| Total | 23 476 | - | - | 44 100 | - | 67 576 |

Notes to financial statements (cont.)

(in PLN thousand)

Off-balance sheet financial commitments and guarantees as at 31 December 2014

| NAME OF ENTITY | GRANTED | | RECEIVED | |
|--|----------------|----------------|--------------|---------------|
| | FINANCIAL | GUARANTEES | FINANCIAL | GUARANTEES |
| UniCredit S.p.A. – the Bank's parent entity | 39 009 | 270 784 | - | 25 121 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 96 655 | 557 728 | 9 885 | 51 596 |
| 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) | 54 | - | - | - |
| Krajowa Izba Rozliczeniowa S.A. | - | 500 | - | - |
| Total Associates of Bank Pekao S.A. Group | 10 099 | 500 | - | - |
| Key management personnel of the Bank and UniCredit S.p.A. | 874 | - | - | - |
| Total | 146 637 | 829 012 | 9 885 | 76 717 |

Notes to financial statements (cont.)

(in PLN thousand)

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

| 31.12.2014 | 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 | - | - | - | 39 009 | - | - | 39 009 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | - | - | - | 96 464 | 191 | - | 96 655 |
| Associates of Bank Pekao S.A. Group | - | - | - | 10 015 | 84 | - | 10 099 |
| Key management personnel of the Bank and UniCredit S.p.A. | 20 | 516 | 5 | 50 | 273 | 10 | 874 |
| Total | 20 | 516 | 5 | 145 538 | 548 | 10 | 146 637 |
| GUARANTEES ISSUED | | | | | | | |
| UniCredit S.p.A. – the Bank's parent entity | - | - | 700 | 84 875 | 42 909 | 142 300 | 270 784 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | - | 1 214 | 1 228 | 44 810 | 307 825 | 202 651 | 557 728 |
| Associates of Bank Pekao S.A. Group | - | - | - | 500 | - | - | 500 |
| Total | - | 1 214 | 1 928 | 130 185 | 350 734 | 344 951 | 829 012 |
| FINANCIAL RECEIVED | | | | | | | |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 9 885 | - | - | - | - | - | 9 885 |
| Total | 9 885 | - | - | - | - | - | 9 885 |
| GUARANTEES RECEIVED | | | | | | | |
| UniCredit S.p.A. – the Bank's parent entity | - | 1 211 | 725 | 14 994 | 6 699 | 1 492 | 25 121 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | - | - | 550 | 32 986 | 15 912 | 2 148 | 51 596 |
| Total | - | 1 211 | 1 275 | 47 980 | 22 611 | 3 640 | 76 717 |

Notes to financial statements (cont.)

(in PLN thousand)

Off-balance sheet financial commitments and guarantees issued by currency

| 31.12.2014 | EUR | USD | CHF | PLN | OTHER | TOTAL |
|--|---------------|----------|----------|----------------|----------|----------------|
| FINANCIAL COMMITMENTS GRANTED | | | | | | |
| UniCredit S.p.A. – the Bank's parent entity | 39 009 | - | - | - | - | 39 009 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 35 164 | - | - | 61 491 | - | 96 655 |
| Associates of Bank Pekao S.A. Group | - | - | - | 10 099 | - | 10 099 |
| Key management personnel of the Bank and UniCredit S.p.A. | - | - | - | 874 | - | 874 |
| Total | 74 173 | - | - | 72 464 | - | 146 637 |
| GUARANTEES ISSUED | | | | | | |
| UniCredit S.p.A. – the Bank's parent entity | 9 607 | - | - | 261 177 | - | 270 784 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 46 734 | - | - | 510 994 | - | 557 728 |
| Associates of Bank Pekao S.A. Group | - | - | - | 500 | - | 500 |
| Total | 56 341 | - | - | 772 671 | - | 829 012 |
| FINANCIAL RECEIVED | | | | | | |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | - | - | - | 9 885 | - | 9 885 |
| Total | - | - | - | 9 885 | - | 9 885 |
| GUARANTEES RECEIVED | | | | | | |
| UniCredit S.p.A. – the Bank's parent entity | 18 130 | - | - | 6 991 | - | 25 121 |
| Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities | 18 336 | - | - | 33 260 | - | 51 596 |
| Total | 36 466 | - | - | 40 251 | - | 76 717 |

Notes to financial statements (cont.)

(in PLN thousand)

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

Short-term employee benefits related to the Management Board of the Bank in the first half of 2015 amounted to PLN 7 350 thousand, compared to PLN 7 854 thousand in the first half of 2014. Short-term employee benefits included: base salary, bonuses and other benefits due in next 12 months from the balance sheet date.

Long-term benefits related to the Management Board of the Bank amounted to PLN 1 111 thousand in the first half of 2015, compared to PLN 1 243 thousand in the first half of 2014 and comprised of provisions for deferred bonus payments.

The expenses of the first half of 2015 included PLN 3 655 thousand in respect of share-based payments, compared to PLN 3 863 thousand in the first half of 2014. 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 phantom shares, granted to the Members of the Bank's Management Board.

Remuneration expenses of Supervisory Board of the Bank, comprising short-term employee benefits, amounted to PLN 470 thousand in the first half of 2015, compared to PLN 463 thousand in the first half of 2014.

The Bank's Management Board and Supervisory Board Members did not receive any remuneration from subsidiaries and associates in the period from 1 January to 30 June 2015 and in the period from 1 January to 30 June 2014.

Remuneration expenses of Supervisory Boards and Management Boards of subsidiaries

Remuneration expenses of Management Boards of Group's subsidiaries, comprising short-term employee benefits, amounted to PLN 8 302 thousand in the first half of 2015, compared to PLN 8 041 thousand in the first half of 2014.

Remuneration expenses of Supervisory Boards of Group's subsidiaries, comprising short-term employee benefits, amounted to PLN 50 thousand, compared to PLN 19 thousand in the first half of 2014.

41. Subsequent events

Sale of shares in Krajowa Izba Rozliczeniowa S.A.

On 15 July 2015, the Bank sold 3 125 shares of Krajowa Izba Rozliczeniowa S.A. As a result of the transaction, the Bank's share in the share capital and the votes in the General Meeting of the Company was reduced from 34.44% to 5.74%. The impact of the transaction on net profit of the Group is PLN 44 313 thousand.

Signatures of the Management Board Members

| | | | |
|------------|------------------|---|-----------|
| 03.08.2015 | Luigi Lovaglio | President of the Management Board CEO | |
| Date | Name/Surname | Position/Function | Signature |
| 03.08.2015 | Diego Biondo | Vice President of the Management Board | |
| Date | Name/Surname | Position/Function | Signature |
| 03.08.2015 | Andrzej Kopyrski | Vice President of the Management Board | |
| Date | Name/Surname | Position/Function | Signature |
| 03.08.2015 | Adam Niewiński | Vice President of the Management Board | |
| Date | Name/Surname | Position/Function | Signature |
| 03.08.2015 | Grzegorz Piowar | Vice President of the Management Board | |
| Date | Name/Surname | Position/Function | Signature |
| 03.08.2015 | Stefano Santini | Vice President of the Management Board | |
| Date | Name/Surname | Position/Function | Signature |
| 03.08.2015 | Marian Ważyński | Vice President of the Management Board | |
| Date | Name/Surname | Position/Function | Signature |

Annexes to the financial statements

The accompanying annexes to the financial statements constitute an integral part of the condensed consolidated interim 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 on or after 1 January 2015.

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

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 amendment is effective since 1 February 2015.

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

- **IFRIC 21 'Levies'**

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

- **Improvements to IFRS 2010-2012**

The annual improvements to IFRS 2010-2012 principally aim to solve inconsistencies and specify vocabulary. The improvements are effective since 1 February 2015.

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

- **Improvements to IFRS 2011-2013**

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

The Group claims that the improvements did not have a 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 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 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.

- **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.

Annexes to the financial statements (cont.)

- **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.

- **Amendments to IFRS 10** 'Consolidated Financial Statements', **IFRS 12** 'Disclosure of interests in other entities' and **IAS 28** 'Associates and joint ventures'

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

The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

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 1** 'Presentation of the financial statements'

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

The amendments clarify that among others an entity should not reduce understandability by aggregating or disaggregating information in a manner that obscures useful information.

These amendments will have an impact on the presentation of the disclosures.

Annexes to the financial statements (cont.)

Annex 3

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.