

**Condensed  
Unconsolidated Interim  
Financial Statements of  
Bank Pekao S.A.  
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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# Unconsolidated 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	7	1 286 120	2 643 199	1 536 050	3 060 632
Interest expense	7	(301 708)	(647 568)	(427 985)	(853 576)
<b>Net interest income</b>		<b>984 412</b>	<b>1 995 631</b>	<b>1 108 065</b>	<b>2 207 056</b>
Fee and commission income	8	546 234	1 074 555	614 044	1 193 758
Fee and commission expense	8	(101 390)	(204 738)	(138 340)	(257 893)
<b>Net fee and commission income</b>		<b>444 844</b>	<b>869 817</b>	<b>475 704</b>	<b>935 865</b>
<b>Dividend income</b>	9	<b>71 490</b>	<b>210 609</b>	<b>124 471</b>	<b>153 447</b>
<b>Result on financial assets and liabilities held for trading</b>	10	<b>91 313</b>	<b>194 903</b>	<b>107 432</b>	<b>209 991</b>
<b>Result on fair value hedge accounting</b>	26	<b>3 007</b>	<b>5 241</b>	<b>(3 392)</b>	<b>(14 117)</b>
<b>Gains (losses) on disposal of:</b>	11	<b>2 019</b>	<b>154 963</b>	<b>35 490</b>	<b>35 904</b>
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)
<b>Operating income</b>		<b>1 597 085</b>	<b>3 431 164</b>	<b>1 847 770</b>	<b>3 528 146</b>
<b>Net impairment losses on financial assets and off-balance sheet commitments:</b>	15	<b>(127 469)</b>	<b>(264 169)</b>	<b>(136 514)</b>	<b>(277 993)</b>
loans and other financial receivables		(86 395)	(232 233)	(124 869)	(267 850)
off-balance sheet commitments		(41 074)	(31 936)	(11 645)	(10 143)
<b>Net result on financial activity</b>		<b>1 469 616</b>	<b>3 166 995</b>	<b>1 711 256</b>	<b>3 250 153</b>
<b>Administrative expenses</b>	12	<b>(749 262)</b>	<b>(1 485 472)</b>	<b>(738 774)</b>	<b>(1 467 584)</b>
personnel expenses		(432 700)	(857 158)	(440 323)	(867 079)
other administrative expenses		(316 562)	(628 314)	(298 451)	(600 505)
<b>Depreciation and amortization</b>	13	<b>(78 132)</b>	<b>(154 873)</b>	<b>(76 894)</b>	<b>(153 293)</b>
<b>Net result on other provisions</b>		<b>(517)</b>	<b>(26 522)</b>	<b>(1 393)</b>	<b>(1 808)</b>
<b>Net other operating income and expenses</b>	14	<b>118 121</b>	<b>123 804</b>	<b>7 217</b>	<b>16 114</b>
<b>Operating costs</b>		<b>(709 790)</b>	<b>(1 543 063)</b>	<b>(809 844)</b>	<b>(1 606 571)</b>
<b>Gains (losses) on subsidiaries and associates</b>	16	<b>-</b>	<b>2 390</b>	<b>-</b>	<b>-</b>
<b>Gains (losses) on disposal of property, plant and equipment, and intangible assets</b>	17	<b>55</b>	<b>579</b>	<b>(257)</b>	<b>(711)</b>
<b>Profit before income tax</b>		<b>759 881</b>	<b>1 626 901</b>	<b>901 155</b>	<b>1 642 871</b>
<b>Income tax expense</b>	18	<b>(134 559)</b>	<b>(278 126)</b>	<b>(148 926)</b>	<b>(288 821)</b>
<b>Net profit for the period</b>		<b>625 322</b>	<b>1 348 775</b>	<b>752 229</b>	<b>1 354 050</b>
<b>Earnings per share (in PLN per share)</b>	19				
basic for the period		2.38	5.14	2.87	5.16
diluted for the period		2.38	5.14	2.87	5.16

Notes to the financial statements presented on pages 11 – 73 and annexes to the financial statements presented on pages I - V constitute an integral part of the unconsolidated financial statements.

# Unconsolidated 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
<b>Net profit for the period</b>		<b>625 322</b>	<b>1 348 775</b>	<b>752 229</b>	<b>1 354 050</b>
<b>Other comprehensive income</b>					
<b>Items that are or may be reclassified subsequently to profit or loss:</b>					
Foreign currency translation differences		(19)	(13)	6	11
Change in fair value of available-for-sale financial assets		(441 786)	(527 557)	322 528	359 458
Change in fair value of cash flow hedges	26	(52 662)	(108 882)	113 138	101 722
Tax on items that are or may be reclassified subsequently to profit or loss	18	93 945	120 924	(82 776)	(87 624)
<b>Items that will never be reclassified to profit or loss:</b>					
Remeasurements of the defined benefit liabilities		-	-	-	-
Tax on items that will never be reclassified to profit or loss		-	-	-	-
<b>Other comprehensive income (net of tax)</b>		<b>(400 522)</b>	<b>(515 528)</b>	<b>352 896</b>	<b>373 567</b>
<b>Total comprehensive income</b>		<b>224 800</b>	<b>833 247</b>	<b>1 105 125</b>	<b>1 727 617</b>

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# Unconsolidated statement of financial position

(in PLN thousand)

	NOTE	30.06.2015	31.12.2014	30.06.2014
<b>ASSETS</b>				
Cash and due from Central Bank	21	6 681 767	9 226 249	5 055 858
Bill of exchange eligible for rediscounting at Central Bank		185	165	239
Loans and advances to banks	22	5 356 196	7 215 362	6 851 169
Financial assets held for trading	23	1 272 931	513 078	988 436
Derivative financial instruments (held for trading)	24	3 296 327	4 464 894	2 726 768
Loans and advances to customers	25	117 269 665	111 389 077	106 160 849
Hedging instruments	26	352 696	470 822	230 064
Investment (placement) securities	27	27 216 028	24 572 130	25 620 928
1. Available for sale		23 938 866	23 048 190	24 102 457
2. Held to maturity		3 277 162	1 523 940	1 518 471
Assets held for sale	28	33 542	31 952	32 684
Investments in subsidiaries		1 123 654	857 513	793 113
Investments in associates		27 864	29 427	29 427
Intangible assets	29	618 163	601 673	577 682
Property, plant and equipment	30	1 464 459	1 525 593	1 517 078
Investment properties		23 273	23 802	24 046
Income tax assets		824 343	674 378	646 640
1. Current tax assets		1	1 881	3 908
2. Deferred tax assets		824 342	672 497	642 732
Other assets		2 390 166	2 726 716	2 129 780
<b>TOTAL ASSETS</b>		<b>167 951 259</b>	<b>164 322 831</b>	<b>153 384 761</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Liabilities</b>				
Amounts due to Central Bank	21	906	971	958
Amounts due to other banks	32	7 588 419	3 129 856	4 950 753
Financial liabilities held for trading	23	80 870	591 311	224 005
Derivative financial instruments (held for trading)	24	3 210 401	4 422 292	2 735 744
Amounts due to customers	33	125 479 322	126 381 270	114 757 279
Hedging instruments	26	1 912 953	1 484 428	1 109 420
Fair value hedge adjustments of hedged items due to interest rate risk		-	-	-
Debt securities issued	34	2 824 108	2 819 713	2 556 456
Income tax liabilities		76 784	66 412	46 973
1. Current tax liabilities		76 784	66 412	46 973
2. Deferred tax liabilities		-	-	-
Provisions	35	468 993	436 952	406 687
Other liabilities		4 712 713	1 602 382	4 634 252
<b>TOTAL LIABILITIES</b>		<b>146 355 469</b>	<b>140 935 587</b>	<b>131 422 527</b>
<b>Equity</b>				
Share capital		262 470	262 470	262 470
Other capital and reserves		19 984 545	20 462 508	20 345 714
Retained earnings and profit for the period		1 348 775	2 662 266	1 354 050
<b>TOTAL EQUITY</b>		<b>21 595 790</b>	<b>23 387 244</b>	<b>21 962 234</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>167 951 259</b>	<b>164 322 831</b>	<b>153 384 761</b>

Notes to the financial statements presented on pages 11 – 73 and annexes to the financial statements presented on pages I - V constitute an integral part of the unconsolidated financial statements.

# Unconsolidated statement of changes in equity

(in PLN thousand)

For the period from 1 January 2015 to 30 June 2015

	OTHER CAPITAL AND RESERVES								RETAINED EARNINGS AND PROFIT FOR THE PERIOD	TOTAL EQUITY
	SHARE CAPITAL	TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	FOREIGN CURRENCY TRANSLATION DIFFERENCES	OTHER		
<b>Equity as at 1.01.2015</b>	<b>262 470</b>	<b>20 462 508</b>	<b>9 137 221</b>	<b>1 937 850</b>	<b>8 612 550</b>	<b>540 591</b>	<b>1 169</b>	<b>233 127</b>	<b>2 662 266</b>	<b>23 387 244</b>
<b>Management options</b>	-	-	-	-	-	-	-	-	-	-
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-
Revaluation of management options	-	-	-	-	-	-	-	-	-	-
<b>Comprehensive income</b>	-	<b>(515 528)</b>	-	-	-	<b>(515 515)</b>	<b>(13)</b>	-	<b>1 348 775</b>	<b>833 247</b>
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-
Revaluation of available-for-sale investments (net of tax)	-	(427 321)	-	-	-	(427 321)	-	-	-	(427 321)
Revaluation of hedging financial instruments (net of tax)	-	(88 194)	-	-	-	(88 194)	-	-	-	(88 194)
Foreign currency translation differences	-	(13)	-	-	-	-	(13)	-	-	(13)
Net profit for the period	-	-	-	-	-	-	-	-	1 348 775	1 348 775
<b>Appropriation of retained earnings</b>	-	<b>37 565</b>	-	<b>37 565</b>	-	-	-	-	<b>(2 662 266)</b>	<b>(2 624 701)</b>
Dividend paid	-	-	-	-	-	-	-	-	(2 624 701)	(2 624 701)
Profit appropriation	-	37 565	-	37 565	-	-	-	-	(37 565)	-
<b>Equity as at 30.06.2015</b>	<b>262 470</b>	<b>19 984 545</b>	<b>9 137 221</b>	<b>1 975 415</b>	<b>8 612 550</b>	<b>25 076</b>	<b>1 156</b>	<b>233 127</b>	<b>1 348 775</b>	<b>21 595 790</b>

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## Unconsolidated statement of changes in equity (cont.)

(in PLN thousand)

For the period from 1 January 2014 to 31 December 2014

	OTHER CAPITAL AND RESERVES								RETAINED EARNINGS AND PROFIT FOR THE PERIOD	TOTAL EQUITY
	SHARE CAPITAL	TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	FOREIGN CURRENCY TRANSLATION DIFFERENCES	OTHER		
<b>Equity as at 1.01.2014</b>	<b>262 470</b>	<b>19 970 192</b>	<b>9 137 221</b>	<b>1 937 850</b>	<b>8 610 711</b>	<b>49 713</b>	<b>1 238</b>	<b>233 459</b>	<b>2 616 041</b>	<b>22 848 703</b>
<b>Management options</b>	-	(332)	-	-	-	-	-	(332)	-	(332)
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-
Revaluation of management share options	-	(332)	-	-	-	-	-	(332)	-	(332)
<b>Comprehensive income</b>	-	<b>490 809</b>	-	-	-	<b>490 878</b>	<b>(69)</b>	-	<b>2 662 266</b>	<b>3 153 075</b>
Remeasurements of the defined benefit liabilities	-	(35 812)	-	-	-	(35 812)	-	-	-	(35 812)
Revaluation of available-for-sale investments (net of tax)	-	390 522	-	-	-	390 522	-	-	-	390 522
Revaluation of hedging financial instruments (net of tax)	-	136 168	-	-	-	136 168	-	-	-	136 168
Foreign currency translation differences	-	(69)	-	-	-	-	(69)	-	-	(69)
Net profit for the period	-	-	-	-	-	-	-	-	2 662 266	2 662 266
<b>Appropriation of retained earnings</b>	-	<b>1 839</b>	-	-	<b>1 839</b>	-	-	-	<b>(2 616 041)</b>	<b>(2 614 202)</b>
Dividend paid	-	-	-	-	-	-	-	-	(2 614 202)	(2 614 202)
Profit appropriation	-	1 839	-	-	1 839	-	-	-	(1 839)	-
<b>Equity as at 31.12.2014</b>	<b>262 470</b>	<b>20 462 508</b>	<b>9 137 221</b>	<b>1 937 850</b>	<b>8 612 550</b>	<b>540 591</b>	<b>1 169</b>	<b>233 127</b>	<b>2 662 266</b>	<b>23 387 244</b>

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## Unconsolidated statement of changes in equity (cont.)

(in PLN thousand)

For the period from 1 January 2014 to 30 June 2014

	OTHER CAPITAL AND RESERVES								RETAINED EARNINGS AND PROFIT FOR THE PERIOD	TOTAL EQUITY
	SHARE CAPITAL	TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	FOREIGN CURRENCY TRANSLATION DIFFERENCES	OTHER		
<b>Equity as at 1.01.2014</b>	<b>262 470</b>	<b>19 970 192</b>	<b>9 137 221</b>	<b>1 937 850</b>	<b>8 610 711</b>	<b>49 713</b>	<b>1 238</b>	<b>233 459</b>	<b>2 616 041</b>	<b>22 848 703</b>
<b>Management options</b>	-	<b>116</b>	-	-	-	-	-	<b>116</b>	-	<b>116</b>
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-
Revaluation of management options	-	116	-	-	-	-	-	116	-	116
<b>Comprehensive income</b>	-	<b>373 567</b>	-	-	-	<b>373 556</b>	<b>11</b>	-	<b>1 354 050</b>	<b>1 727 617</b>
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-
Revaluation of available-for-sale investments (net of tax)	-	291 161	-	-	-	291 161	-	-	-	291 161
Revaluation of hedging financial instruments (net of tax)	-	82 395	-	-	-	82 395	-	-	-	82 395
Foreign currency translation differences	-	11	-	-	-	-	11	-	-	11
Net profit for the period	-	-	-	-	-	-	-	-	1 354 050	1 354 050
<b>Appropriation of retained earnings</b>	-	<b>1 839</b>	-	-	<b>1 839</b>	-	-	-	<b>(2 616 041)</b>	<b>(2 614 202)</b>
Dividend paid	-	-	-	-	-	-	-	-	(2 614 202)	(2 614 202)
Profit appropriation	-	1 839	-	-	1 839	-	-	-	(1 839)	-
<b>Equity as at 30.06.2014</b>	<b>262 470</b>	<b>20 345 714</b>	<b>9 137 221</b>	<b>1 937 850</b>	<b>8 612 550</b>	<b>423 269</b>	<b>1 249</b>	<b>233 575</b>	<b>1 354 050</b>	<b>21 962 234</b>

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# Unconsolidated 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
<b>Cash flow from operating activities – indirect method</b>			
<b>Net profit for the period</b>		<b>1 348 775</b>	<b>1 354 050</b>
<b>Adjustments for:</b>		<b>25 719</b>	<b>(8 818 368)</b>
Depreciation and amortization	13	154 873	153 293
Gains (losses) on investing activities		(155 263)	(34 126)
Net interest income	7	(1 995 631)	(2 207 056)
Dividend income	9	(210 609)	(153 447)
Interest received		2 744 743	2 992 837
Interest paid		(670 346)	(869 017)
Income tax		247 204	288 821
Income tax paid		(305 055)	(203 566)
Change in loans and advances to banks		313 015	379 395
Change in financial assets held for trading		(752 167)	(796 057)
Change in derivative financial instruments (assets)		1 168 567	(727 422)
Change in loans and advances to customers and bill of exchange eligible for rediscounting at Central Bank		(5 755 930)	(5 569 356)
Change in investment (placement) securities		(598 990)	(479 149)
Change in other assets		369 257	(246 110)
Change in amounts due to banks		4 457 718	196 702
Change in financial liabilities held for trading		(510 441)	(85 737)
Change in derivative financial instruments (liabilities)		(1 211 891)	681 359
Change in amounts due to customers		(872 448)	(5 087 510)
Change in debt securities issued		(5 941)	564
Change in provisions		32 041	15 291
Change in other liabilities		3 583 013	2 931 923
<b>Net cash flows from operating activities</b>		<b>1 374 494</b>	<b>(7 464 318)</b>
<b>Cash flow from investing activities</b>			
<b>Investing activity inflows</b>		<b>136 717 880</b>	<b>178 891 149</b>
Sale of investment securities		136 186 480	178 381 164
Sale of intangible assets and property, plant and equipment		1 477	50
Dividend received	9	210 609	153 447
Other investing inflows		319 314	356 488
<b>Investing activity outflows</b>		<b>(139 528 124)</b>	<b>(168 676 347)</b>
Acquisition of subsidiary		(274 334)	-
Acquisition of investment securities		(139 122 875)	(168 597 220)
Acquisition of intangible assets and property, plant and equipment		(130 915)	(79 127)
<b>Net cash flows from investing activities</b>		<b>(2 810 244)</b>	<b>10 214 802</b>

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## Unconsolidated 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
<b>Cash flows from financing activities</b>			
<b>Financing activity inflows</b>		<b>2 300 704</b>	<b>2 495 060</b>
Issue of debt securities	34	2 300 704	2 495 060
<b>Financing activity outflows</b>		<b>(4 921 010)</b>	<b>(4 803 042)</b>
Redemption of debt securities	34	(2 296 309)	(2 188 840)
Dividends and other payments to shareholders		(2 624 701)	(2 614 202)
<b>Net cash flows from financing activities</b>		<b>(2 620 306)</b>	<b>(2 307 982)</b>
<b>Total net cash flows</b>		<b>(4 056 056)</b>	<b>442 502</b>
including: effect of exchange rate fluctuations on cash and cash equivalents held		76 046	17 815
<b>Net change in cash and cash equivalents</b>		<b>(4 056 056)</b>	<b>442 502</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>15 553 341</b>	<b>10 615 031</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>11 497 285</b>	<b>11 057 533</b>

Notes to the financial statements presented on pages 11 – 73 and annexes to the financial statements presented on pages I - V constitute an integral part of the unconsolidated financial statements.

# Notes to financial statements

(in PLN thousand)

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

## 1. General information

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

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

Bank Pekao S.A. is part of the UniCredit S.p.A. Group with its seat in Roma, Italy.

The condensed unconsolidated interim financial statements of Bank Pekao S.A. for the period from 1 January 2015 to 30 June 2015 contain financial information of all the activities performed by the Bank.

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

## 2. 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 was detailed in the condensed consolidated interim financial statements of Bank Pekao S.A. Group for the period from 1 January 2015 to 30 June 2015.

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

## 3. Statement of compliance

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

These financial statements do not include all information required for annual financial statements, and shall be read in conjunction with the unconsolidated financial statements of the Bank for the year ended 31 December 2014.

The unconsolidated financial statements of the Bank 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 Registry in Warsaw, Czerniakowska Street 100 or at the Bank's website, [www.pekao.com.pl](http://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 unconsolidated interim financial statements have been prepared in Polish Zloty, and all amounts are stated in PLN thousand, unless indicated otherwise.

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

These condensed unconsolidated interim financial statements were authorized for issue by the Management Board on 3 August 2015.

## Notes to financial statements (cont.)

(in PLN thousand)

### 4. Significant accounting policies

#### General information

The condensed unconsolidated interim financial statements of the Bank have been prepared based on the following valuation principles:

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

In the first half of 2015 the Bank did not amend its accounting policy in respect to valuation of assets and liabilities and profit measurement in comparison to the previous period. The accounting policies applied by the Bank in these condensed unconsolidated interim financial statements are the same as those applied by the Bank in the unconsolidated financial statements of Bank Pekao S.A. for the year ended 31 December 2014.

Amendments to published standards and interpretations, which are effective from 1 January 2015, had no material impact on these condensed unconsolidated interim financial statements (Annex 1 to the Financial Statements).

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

In the Bank opinion, amendments to standards and interpretations that are awaiting approval will not have a material impact on the unconsolidated financial statements, 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 majority of IAS 39 requirements relating to financial liabilities classification and valuation were transferred to IFRS 9 unchanged.

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

## Notes to financial statements (cont.)

(in PLN thousand)

### 5. Accounting estimates

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

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

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

In preparing these interim financial statements, the significant judgments made by management in applying the Bank's accounting policies were the same as those that applied to the unconsolidated financial statements as at and for the year ended 31 December 2014 taking into account the 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)

### 6. Risk management

#### Credit risk

The credit risk management process and measurement methods have not changed in relation to those described in the Unconsolidated Financial Statements of the Bank for the year ended 31 December 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%
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

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%
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

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%
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

## Notes to financial statements (cont.)

(in PLN thousand)

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%
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

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%
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

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

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

SUPERVISORY CATEGORY	NOMINAL VALUE	
	30.06.2015	31.12.2014
High	42.4%	33.3%
Good	47.7%	46.0%
Satisfactory	9.3%	20.5%
Low	0.6%	0.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

## Notes to financial statements (cont.)

(in PLN thousand)

### Qualitative analysis of the Bank's financial assets

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

	LOANS AND ADVANCES TO BANKS		LOANS AND ADVANCES TO CUSTOMERS	
	30.06.2015	31.12.2014	30.06.2015	31.12.2014
<b>GROSS CARRYING AMOUNT OF EXPOSURE INDIVIDUALLY IMPAIRED</b>				
- not past due	-	-	571 803	602 972
- up to 1 month	-	-	35 765	38 982
- between 1 month and 3 months	-	-	43 154	102 477
- between 3 months and 1 year	-	-	280 043	746 774
- between 1 year and 5 years	9 661	9 160	2 856 140	2 545 244
- above 5 years	-	-	1 392 372	1 075 231
<b>Total gross carrying amount</b>	<b>9 661</b>	<b>9 160</b>	<b>5 179 277</b>	<b>5 111 680</b>
<b>ALLOWANCE FOR IMPAIRMENT</b>				
- not past due	-	-	(201 673)	(199 010)
- up to 1 month	-	-	(18 592)	(7 985)
- between 1 month and 3 months	-	-	(14 739)	(58 176)
- between 3 months and 1 year	-	-	(162 572)	(312 789)
- between 1 year and 5 years	(9 661)	(9 160)	(1 479 499)	(1 415 195)
- above 5 years	-	-	(1 179 990)	(887 430)
<b>Total allowance for impairment</b>	<b>(9 661)</b>	<b>(9 160)</b>	<b>(3 057 065)</b>	<b>(2 880 585)</b>
<b>Net carrying amount of exposure individually impaired</b>	<b>-</b>	<b>-</b>	<b>2 122 212</b>	<b>2 231 095</b>
<b>GROSS CARRYING AMOUNT OF EXPOSURE COLLECTIVELY IMPAIRED</b>				
- not past due	-	-	84 926	60 051
- up to 1 month	-	-	27 272	33 784
- between 1 month and 3 months	-	-	49 753	49 713
- between 3 months and 1 year	-	-	324 280	346 647
- between 1 year and 5 years	-	-	1 358 910	1 366 191
- above 5 years	9 800	9 800	1 011 335	816 259
<b>Total gross carrying amount</b>	<b>9 800</b>	<b>9 800</b>	<b>2 856 476</b>	<b>2 672 645</b>
<b>ALLOWANCE FOR IMPAIRMENT</b>				
- not past due	-	-	(20 120)	(32 243)
- up to 1 month	-	-	(13 361)	(16 966)
- between 1 month and 3 months	-	-	(25 415)	(26 065)
- between 3 months and 1 year	-	-	(188 049)	(207 366)
- between 1 year and 5 years	-	-	(1 018 236)	(1 091 855)
- above 5 years	(9 800)	(9 800)	(940 635)	(777 123)
<b>Total allowance for impairment</b>	<b>(9 800)</b>	<b>(9 800)</b>	<b>(2 205 816)</b>	<b>(2 151 618)</b>
<b>Net carrying amount of exposure collectively impaired</b>	<b>-</b>	<b>-</b>	<b>650 660</b>	<b>521 027</b>



## Notes to financial statements (cont.)

(in PLN thousand)

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

	LOANS AND ADVANCES TO BANKS		LOANS AND ADVANCES TO CUSTOMERS (*)			
			CORPORATE		RETAIL	
	30.06.2015	31.12.2014	30.06.2015	31.12.2014	30.06.2015	31.12.2014
<b>GROSS CARRYING AMOUNT OF EXPOSURE WITH NO IMPAIRMENT</b>						
- not past due	5 357 237	7 215 919	66 456 632	62 883 973	46 969 346	44 315 903
- up to 30 days	-	-	76 802	69 203	968 368	1 241 026
- between 30 days and 60 days	-	-	14 949	29 176	215 910	186 926
- above 60 days	-	-	78 144	113 466	174 174	296 500
<b>Total gross carrying amount</b>	<b>5 357 237</b>	<b>7 215 919</b>	<b>66 626 527</b>	<b>63 095 818</b>	<b>48 327 798</b>	<b>46 040 355</b>
<b>IBNR PROVISION</b>						
- not past due	(1 041)	(557)	(297 391)	(256 434)	(71 877)	(127 781)
- up to 30 days	-	-	(1 038)	(1 690)	(49 504)	(73 635)
- between 30 days and 60 days	-	-	(615)	(1 139)	(24 683)	(22 130)
- above 60 days	-	-	(602)	(922)	(11 636)	(15 322)
<b>Total IBNR provision</b>	<b>(1 041)</b>	<b>(557)</b>	<b>(299 646)</b>	<b>(260 185)</b>	<b>(157 700)</b>	<b>(238 868)</b>
<b>Net carrying amount of exposure with no impairment</b>	<b>5 356 196</b>	<b>7 215 362</b>	<b>66 326 881</b>	<b>62 835 633</b>	<b>48 170 098</b>	<b>45 801 487</b>

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

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

	LOANS AND ADVANCES TO BANKS		LOANS AND ADVANCES TO CUSTOMERS (*)	
	30.06.2015	31.12.2014	30.06.2015	31.12.2014
<b>IMPAIRED EXPOSURES</b>				
Gross carrying amount	19 461	18 960	8 035 753	7 784 325
Allowance for impairment	(19 461)	(18 960)	(5 262 881)	(5 032 203)
<b>Total net carrying amount</b>	<b>-</b>	<b>-</b>	<b>2 772 872</b>	<b>2 752 122</b>
<b>EXPOSURES WITH IMPAIRMENT TRIGGERS FOR WHICH NO IMPAIRMENT HAS BEEN IDENTIFIED</b>				
Gross carrying amount, in this:	-	-	17 440	23 601
<i>Exposure with collateral value included in expected discounted cash flow, in this:</i>	-	-	17 440	23 601
- <i>Past due exposures</i>	-	-	4 426	5 597
IBNR provision	-	-	(1 094)	(1 676)
<b>Total net carrying amount</b>	<b>-</b>	<b>-</b>	<b>16 346</b>	<b>21 925</b>
<b>EXPOSURES WITH NO IMPAIRMENT TRIGGERS</b>				
Gross carrying amount	5 357 237	7 215 919	114 936 885	109 112 572
IBNR provision	(1 041)	(557)	(456 252)	(497 377)
<b>Total net carrying amount</b>	<b>5 356 196</b>	<b>7 215 362</b>	<b>114 480 633</b>	<b>108 615 195</b>

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

## Notes to financial statements (cont.)

(in PLN thousand)

### Classification of exposures to debt securities according to Standard & Poor's ratings as at 30 June 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-	962 524	17 358 362	2 414 821	8 635 776	29 371 483
BBB+ to BBB-	-	249 041	-	-	249 041
no rating	310 407	5 606 762 (*)	862 341 (**)	-	6 779 510
<b>Total</b>	<b>1 272 931</b>	<b>23 860 462</b>	<b>3 277 162</b>	<b>8 635 776</b>	<b>37 046 331</b>

(\*) 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-	310 654	14 838 185	672 495	7 716 100	23 537 434
BBB+ to BBB-	-	248 985	-	-	248 985
no rating	202 424	6 850 034(*)	851 445(**)	-	7 903 903
<b>Total</b>	<b>513 078</b>	<b>22 985 789</b>	<b>1 523 940</b>	<b>7 716 100</b>	<b>32 738 907</b>

(\*) 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	467 465	190 202	254 905	37 564	4 497	-	954 633
<b>Total</b>	<b>2 648 402</b>	<b>390 511</b>	<b>257 414</b>	<b>348 199</b>	<b>4 497</b>	<b>-</b>	<b>3 649 023</b>

## 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	320 146	202 607	308 467	21 383	5 572	-	858 175
<b>Total</b>	<b>3 674 109</b>	<b>478 463</b>	<b>312 322</b>	<b>465 250</b>	<b>5 572</b>	<b>-</b>	<b>4 935 716</b>

### Forbearance measures

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

Share of forbore exposures in the Bank loan portfolio

	30.06.2015	31.12.2014
<b>LOANS AND ADVANCES TO CUSTOMERS</b>		
<b>Exposures with no impairment, of which:</b>	<b>114 496 979</b>	<b>108 637 120</b>
forborne exposures	385 685	430 768
<b>Impaired exposures, of which:</b>	<b>2 772 872</b>	<b>2 752 122</b>
forborne exposures	1 644 165	1 710 511
<b>Total net carrying amount, of which:</b>	<b>117 269 851</b>	<b>111 389 242</b>
forborne exposures	2 029 850	2 141 279

The quality analysis of forbore exposures

	30.06.2015	31.12.2014
<b>Exposures with no impairment</b>		
Gross carrying amount	418 569	471 267
IBNR provision	(32 884)	(40 499)
<b>Net carrying amount</b>	<b>385 685</b>	<b>430 768</b>
<b>Impaired exposures</b>		
Gross carrying amount, of which:	2 914 451	2 858 150
exposures individually impaired	2 742 294	2 717 279
exposures collectively impaired	172 157	140 871
Allowance for impairment, of which:	(1 270 286)	(1 147 639)
exposures individually impaired	(1 169 654)	(1 065 476)
exposures collectively impaired	(100 632)	(82 163)
<b>Net carrying amount</b>	<b>1 644 165</b>	<b>1 710 511</b>
<b>Total net carrying amount</b>	<b>2 029 850</b>	<b>2 141 279</b>

## Notes to financial statements (cont.)

(in PLN thousand)

### Credit exposures towards Ukraine

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

Majority of the mentioned amount refers to intra group exposures in the form of interbank placements from which 50% 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 Bank is strictly monitoring evolution of the situation in the country, however the nature of our exposures do not pose any treat in the overall quality of our assets.

The below table presents the Bank exposure towards the Ukrainian entities

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

### Market risk of the trading book

The model of market risk measurement has not changed in relation to the one described in the unconsolidated financial statements of Bank Pekao S.A. for the year ended 31 December 2014.

The table below presents the market risk exposure of the trading portfolio of the Bank measured by Value at Risk in the period from 1 January to 30 June 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	929	793	1 292	2 096

	31.12.2014	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign currency exchange risk	44	11	413	2 183
interest rate risk	1 260	616	1 675	3 432
Trading portfolio	1 238	559	1 719	3 494

## 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 in relation to the one described in the unconsolidated financial statements of Bank Pekao S.A. for the year ended 31 December 2014.

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

SENSITIVITY IN %	30.06.2015	31.12.2014
NII	(8.96)	(12.33)
EVE	(1.5)	(0.21)

### Foreign currency exchange risk

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

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

CURRENCY	30.06.2015	31.12.2014
Currencies total (*)	428	387

(\*) 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 in relation to the one described in the unconsolidated financial statements of Bank Pekao S.A. 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	17 737 817	(8 422 306)	8 894 590	32 173 470	(51 684 016)	(1 300 445)
Cumulated gap		9 315 511	18 210 101	50 383 571	(1 300 445)	

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	5 766 441	(3 701 312)	9 449 820	21 289 393	(33 719 252)	(914 910)
Cumulated gap		2 065 129	11 514 949	32 804 342	(914 910)	

## 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
<b>BALANCE SHEET LIABILITIES</b>						
Amounts due to banks (*)	4 352 886	715 112	1 024 334	96 338	1 490 136	7 678 806
Amounts due to customers	95 701 014	12 567 308	14 542 376	3 087 627	10 747	125 909 072
Debt securities issued	294 087	1 339 777	1 209 560	-	-	2 843 424
Financial liabilities held for trading	-	-	-	27 684	53 186	80 870
<b>Total</b>	<b>100 347 987</b>	<b>14 622 197</b>	<b>16 776 270</b>	<b>3 211 649</b>	<b>1 554 069</b>	<b>136 512 172</b>
<b>OFF-BALANCE SHEET COMMITMENTS (**)</b>						
Financial liabilities granted	27 916 250	-	-	-	-	27 916 250
Guarantees issued	15 895 488	-	-	-	-	15 895 488
<b>Total</b>	<b>43 811 738</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43 811 738</b>

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
<b>BALANCE SHEET LIABILITIES</b>						
Amounts due to banks (*)	1 698 396	136 868	6 273	115 437	1 301 127	3 258 101
Amounts due to customers	100 492 050	14 233 740	11 252 379	739 128	17 280	126 734 577
Debt securities issued	78 716	1 201 582	1 431 088	135 463	-	2 846 849
Financial liabilities held for trading	-	-	362 582	173 090	55 639	591 311
<b>Total</b>	<b>102 269 162</b>	<b>15 572 190</b>	<b>13 052 322</b>	<b>1 163 118</b>	<b>1 374 046</b>	<b>133 430 838</b>
<b>OFF-BALANCE SHEET COMMITMENTS (**)</b>						
Financial liabilities granted	27 028 137	-	-	-	-	27 028 137
Guarantees issued	15 598 380	-	-	-	-	15 598 380
<b>Total</b>	<b>42 626 517</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42 626 517</b>

(\*) Including Central Bank.

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

## Notes to financial statements (cont.)

(in PLN thousand)

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

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

- Interest Rate Swaps (IRS),
- Forward Rate Agreements (FRA),
- Foreign currency options and options for gold,
- Interest rate options (Cap/Floor),
- Transactions based on equity securities and stock indexes,
- Transactions based on commodities and precious metals.

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

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

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

	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
30.06.2015	29 232	60 584	398 181	1 898 794	785 499	3 172 290
31.12.2014	109 831	66 827	157 414	2 488 669	1 598 823	4 421 564

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
<b>30.06.2015</b>						
Inflows	13 314 991	13 448 621	4 429 564	8 598 174	3 406 006	43 197 356
Outflows	13 105 306	13 554 952	4 375 453	9 510 870	3 817 621	44 364 202
<b>31.12.2014</b>						
Inflows	20 531 975	11 645 192	5 339 427	8 365 126	3 000 995	48 882 715
Outflows	20 517 653	11 635 627	5 451 489	9 091 869	3 084 889	49 781 527

### Operational risk

There have been no significant changes in the operational risk management process in relation to those presented in the unconsolidated financial statements of Bank Pekao S.A. 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 unconsolidated statement of financial position of the Bank***

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

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

As of 30 June 2015 and on 31 December 2014, the Bank classified the financial assets and liabilities measured at fair value into the following three categories based on the valuation method:

- Level 1: mark-to-market, applies exclusively to quoted securities,
- Level 2: mark-to-model valuation with model parameterization, based on quotations from active markets for given type of instrument. This method applies to illiquid government, municipal, corporate and central bank debt securities, linear and non-linear derivative instruments of interest rate markets (including forward transactions on debt securities), equity instruments, commodities and foreign currency exchange, except for those cases that meet the criteria belonging to Level 3,
- Level 3: mark-to-model valuation with partial model parameterization, based on estimated risk factors. This method is applicable to corporate and municipal debt securities and for 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
<b>Assets:</b>	<b>19 039 002</b>	<b>9 444 112</b>	<b>377 706</b>	<b>28 860 820</b>
Financial assets held for trading	962 524	196 835	113 572	1 272 931
Derivative financial instruments, including:	-	3 287 819	8 508	3 296 327
- Banks	-	2 647 758	685	2 648 443
- Customers	-	640 061	7 823	647 884
Hedging instruments, including:	-	352 696	-	352 696
- Banks	-	348 199	-	348 199
- Customers	-	4 497	-	4 497
Securities available for sale	18 076 478	5 606 762	255 626	23 938 866
<b>Liabilities:</b>	<b>80 870</b>	<b>5 123 033</b>	<b>321</b>	<b>5 204 224</b>
Financial liabilities held for trading	80 870	-	-	80 870
Derivative financial instruments, including:	-	3 210 080	321	3 210 401
- Banks	-	2 621 401	-	2 621 401
- Customers	-	588 679	321	589 000
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
<b>Assets:</b>	<b>16 254 029</b>	<b>11 820 799</b>	<b>422 156</b>	<b>28 496 984</b>
Financial assets held for trading	310 654	38 016	164 408	513 078
Derivative financial instruments, including:	-	4 461 927	2 967	4 464 894
- Banks	-	3 671 138	2 967	3 674 105
- Customers	-	790 789	-	790 789
Hedging instruments, including:	-	470 822	-	470 822
- Banks	-	465 249	-	465 249
- Customers	-	5 573	-	5 573
Securities available for sale	15 943 375	6 850 034	254 781	23 048 190
<b>Liabilities:</b>	<b>591 311</b>	<b>5 906 720</b>	<b>-</b>	<b>6 498 031</b>
Financial liabilities held for trading	591 311	-	-	591 311
Derivative financial instruments, including:	-	4 422 292	-	4 422 292
- Banks	-	3 692 116	-	3 692 116
- Customers	-	730 176	-	730 176
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 Bank

I HALF 2015	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	SECURITIES AVAILABLE FOR SALE	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)
<b>Opening balance</b>	<b>164 408</b>	<b>2 967</b>	<b>254 781</b>	<b>-</b>
Increases, including:	5 437 133	7 823	4 941	-
Reclassification	-	-	-	-
Acquisition	5 434 881	-	-	-
Settlement	-	-	-	-
Gains on financial instruments	2 252	7 823	4 941	-
recognized in the income statement	2 252	7 823	4 941	-
Decreases, including:	(5 487 969)	(2 282)	(4 096)	321
Reclassification	(64 202)	-	-	-
Settlement/redemption	(164 961)	-	(4 096)	-
Sale	(5 258 334)	-	-	-
Losses on financial instruments	(472)	(2 282)	-	321
recognized in the income statement	(472)	(2 282)	-	321
recognized in revaluation reserves	-	-	-	-
<b>Closing balance</b>	<b>113 572</b>	<b>8 508</b>	<b>255 626</b>	<b>321</b>
<b>Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:</b>	<b>(180)</b>	<b>5 541</b>	<b>348</b>	<b>(321)</b>
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)
<b>Opening balance</b>	<b>-</b>	<b>2 625</b>	<b>254 633</b>	<b>-</b>
Increases, including:	14 379 046	4 541	9 980	-
Acquisition	14 377 748	-	-	-
Derivatives transactions made in 2014	-	1 488	-	-
Gains on financial instruments	1 298	3 053	9 980	-
recognized in the income statement	1 298	3 053	9 980	-
Decreases, including:	(14 214 638)	(4 199)	(9 832)	-
Reclassification	-	-	-	-
Settlement/redemption	(1 432 830)	(4 199)	(9 832)	-
Sale	(12 780 680)	-	-	-
Losses on financial instruments	(1 128)	-	-	-
recognized in the income statement	(1 128)	-	-	-
<b>Closing balance</b>	<b>164 408</b>	<b>2 967</b>	<b>254 781</b>	<b>-</b>
<b>Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:</b>	<b>(801)</b>	<b>1 479</b>	<b>470</b>	<b>-</b>
Income statement:	235	1 479	292	-
net interest income	235	-	292	-
result on financial assets and liabilities held for trading	-	1 479	-	-
Other comprehensive income	(1 036)	-	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 Bank 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% - 1.1%	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 31.12.2014	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	412 537	Discounted cash flow	Credit spread	0.61% -1.13%	5 856	(1 928)

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

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

As of 30 June 2015 and on 31 December 2014, the Bank classified the financial assets and liabilities not measured at fair value in the unconsolidated statement of financial position into the following three categories based on the valuation level:

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

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

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

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

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

## Notes to the financial statements (cont)

(in PLN thousand)

30.06.2015	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
<b>Assets</b>					
Cash and due from Central Bank	6 681 767	6 681 767	2 704 321	3 977 446	-
Loans and advance to banks	5 356 196	5 360 005	-	2 970 626	2 389 379
Loans and advances to customers (*)	117 269 850	116 477 637	-	10 385 950	106 091 687
Debt securities held to maturity	3 277 162	3 280 599	2 418 255	862 344	-
<b>Total Assets</b>	<b>132 584 975</b>	<b>131 800 008</b>	<b>5 122 576</b>	<b>18 196 366</b>	<b>108 481 066</b>
<b>Liabilities</b>					
Amounts due to Central Bank	906	911	-	-	911
Amounts due to other banks	7 588 419	7 618 197	-	4 386 629	3 231 568
Amounts due to customers	125 479 322	125 188 547	-	5 244 300	119 944 247
Debt securities issued	2 824 108	2 827 575	-	2 827 575	-
<b>Total Liabilities</b>	<b>135 892 755</b>	<b>135 635 230</b>	<b>-</b>	<b>12 458 504</b>	<b>123 176 726</b>

31.12.2014	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
<b>ASSETS</b>					
Cash and due from Central Bank	9 226 249	9 226 249	3 399 331	5 826 918	-
Receivables from banks	7 215 362	7 242 490	-	5 340 029	1 902 461
Loans and advances to customers (*)	111 389 242	110 325 516	-	7 513 821	102 811 695
Debt securities held to maturity	1 523 940	1 537 537	686 091	851 446	-
<b>Total assets</b>	<b>129 354 793</b>	<b>128 331 792</b>	<b>4 085 422</b>	<b>19 532 214</b>	<b>104 714 156</b>
<b>LIABILITIES</b>					
Amounts due to Central Bank	971	997	-	-	997
Amounts due to other banks	3 129 856	3 180 615	-	909 115	2 271 500
Amounts due to customers	126 381 270	126 025 212	-	5 257 218	120 767 994
Debt securities issued	2 819 713	2 824 154	-	2 824 154	-
<b>Total liabilities</b>	<b>132 331 810</b>	<b>132 030 978</b>	<b>-</b>	<b>8 990 487</b>	<b>123 040 491</b>

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

## Notes to financial statements (cont.)

(in PLN thousand)

### 7. Interest income and expense

#### Interest income

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Loans and other receivables from customers	1 022 345	2 111 745	1 224 533	2 428 094
Interbank placements	26 332	55 981	37 231	74 759
Reverse repo transactions	16 036	37 326	25 882	47 197
Investment securities	175 840	344 436	211 617	431 617
Hedging derivatives	41 675	88 221	32 332	71 856
Financial assets held for trading	3 892	5 490	4 455	7 109
<b>Total</b>	<b>1 286 120</b>	<b>2 643 199</b>	<b>1 536 050</b>	<b>3 060 632</b>

#### Interest expense

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Deposits from customers	(263 973)	(567 221)	(386 519)	(768 179)
Interbank deposits	(4 942)	(9 328)	(6 891)	(16 856)
Repo transactions	(11 946)	(28 133)	(18 809)	(38 902)
Loans and advances received	(3 476)	(7 714)	(3 945)	(8 032)
Debt securities issued	(17 371)	(35 172)	(11 821)	(21 607)
<b>Total</b>	<b>(301 708)</b>	<b>(647 568)</b>	<b>(427 985)</b>	<b>(853 576)</b>

### 8. 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	165 001	327 124	168 218	336 737
Payment cards	181 515	342 971	228 394	439 140
Loans and advances	97 156	196 427	99 996	181 327
Investment products sales intermediation	55 454	111 493	50 803	100 309
Securities operations	8 995	19 026	9 478	23 322
Custody activity	17 893	31 606	16 110	31 033
Guarantees, letters of credit and similar transactions	12 916	25 193	13 429	25 512
Other	7 304	20 715	27 616	56 378
<b>Total</b>	<b>546 234</b>	<b>1 074 555</b>	<b>614 044</b>	<b>1 193 758</b>

#### 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	(5 952)	(11 350)	(5 275)	(9 980)
Securities and derivatives operations	(1 725)	(3 869)	(3 078)	(6 088)
Accounts maintenance	(980)	(1 648)	(818)	(1 391)
Custody activity	(3 668)	(5 851)	(2 702)	(5 282)
Acquisition services	(3 896)	(7 968)	(3 966)	(7 712)
Other	(3 050)	(5 605)	(3 279)	(5 670)
<b>Total</b>	<b>(101 390)</b>	<b>(204 738)</b>	<b>(138 340)</b>	<b>(257 893)</b>

## Notes to financial statements (cont.)

(in PLN thousand)

### 9. Dividend income

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Subsidiaries	-	139 119	61 336	90 312
Associates	58 429	58 429	54 946	54 946
Other entities	13 061	13 061	8 189	8 189
<b>Total</b>	<b>71 490</b>	<b>210 609</b>	<b>124 471</b>	<b>153 447</b>

### 10. 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	75 041	174 391	85 069	166 433
Gains (losses) on derivatives	19 198	20 032	18 745	38 333
Gains (losses) on securities	(2 926)	480	3 618	5 225
<b>Total</b>	<b>91 313</b>	<b>194 903</b>	<b>107 432</b>	<b>209 991</b>

### 11. 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
<b>Total</b>	<b>2 188</b>	<b>155 159</b>	<b>35 491</b>	<b>36 002</b>

#### 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)
<b>Total</b>	<b>(169)</b>	<b>(196)</b>	<b>(1)</b>	<b>(98)</b>

<b>Net realized profit</b>	<b>2 019</b>	<b>154 963</b>	<b>35 490</b>	<b>35 904</b>
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## Notes to financial statements (cont.)

(in PLN thousand)

### 12. Administrative expenses

#### Personnel expenses

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Wages and salaries	(362 149)	(718 470)	(370 988)	(727 992)
Insurance and other charges related to employees	(66 575)	(131 564)	(66 694)	(132 823)
Share-based payments expenses	(3 976)	(7 124)	(2 641)	(6 264)
<b>Total</b>	<b>(432 700)</b>	<b>(857 158)</b>	<b>(440 323)</b>	<b>(867 079)</b>

#### Other administrative expenses

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
General expenses	(231 981)	(456 376)	(248 129)	(498 893)
Taxes and charges	(7 823)	(18 241)	(8 314)	(17 257)
Bank Guarantee Fund fee (*)	(68 283)	(136 566)	(34 166)	(68 332)
Financial supervision authority fee (KNF)	(8 475)	(17 131)	(7 842)	(16 023)
<b>Total</b>	<b>(316 562)</b>	<b>(628 314)</b>	<b>(298 451)</b>	<b>(600 505)</b>

<b>Net realized profit</b>	<b>(749 262)</b>	<b>(1 485 472)</b>	<b>(738 774)</b>	<b>(1 467 584)</b>
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(\*) The costs of annual fees on the Bank Guarantee Fund for 2015 will amount to PLN 273 131 thousand, for 2014 – PLN 136 718 thousand. Such costs are spread over a period of 12 months. The applied approach reflects the adopted market practices in this area.

### 13. Depreciation and amortization

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Property, plant and equipment	(42 618)	(85 778)	(45 739)	(90 397)
Investment property	(264)	(529)	(287)	(589)
Intangible assets	(35 250)	(68 566)	(30 868)	(62 307)
<b>Total</b>	<b>(78 132)</b>	<b>(154 873)</b>	<b>(76 894)</b>	<b>(153 293)</b>



## Notes to financial statements (cont.)

(in PLN thousand)

### 14. Net other operating income and expenses

#### Other operating income

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Rental income	5 403	12 241	6 432	12 616
Miscellaneous income	5 139	9 029	4 537	7 118
Credit insurance income	12	215	5 820	11 722
Recovery of debt collection costs	3 954	7 821	4 791	9 010
Excess payments, repayments	2 012	2 704	531	2 315
Compensation, penalty fees and fines received (including received compensations from damages in relation to fixed assets)	113 236	113 616	737	1 533
Refunding of administrative expenses	981	2 516	687	2 990
Income from written off liabilities	76	274	129	198
Releases of impairment allowances for litigation and other assets	60	226	78	119
Other	1 292	1 850	649	1 525
<b>Total</b>	<b>132 165</b>	<b>150 492</b>	<b>24 391</b>	<b>49 146</b>

#### Other operating expenses

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Credit insurance expenses	(2 268)	(4 304)	(7 177)	(13 894)
Reimbursement and deficiencies	(1 073)	(2 546)	(2 780)	(4 889)
Sundry expenses	(4 023)	(5 828)	(1 775)	(5 680)
Customers complaints expenses	(690)	(1 236)	(691)	(1 413)
Impairment allowance for litigations and other assets	(2 298)	(6 243)	(1 228)	(1 432)
Costs of litigation and claims	(858)	(1 322)	(446)	(815)
Compensation, penalty fees and fines paid	(47)	(77)	(37)	(94)
Other	(2 787)	(5 132)	(3 040)	(4 815)
<b>Total</b>	<b>(14 044)</b>	<b>(26 688)</b>	<b>(17 174)</b>	<b>(33 032)</b>
<b>Net other operating income and expenses</b>	<b>118 121</b>	<b>123 804</b>	<b>7 217</b>	<b>16 114</b>

## Notes to financial statements (cont.)

(in PLN thousand)

### 15. 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 (*)		
<b>Impairment of financial assets and off-balance sheet commitments</b>								
Loans and advances to banks measured at amortized cost	19 518	848	979	-	(192)	(651)	20 502	(656)
Loans and advances to customers measured at amortized cost	5 531 256	776 426	69 978	(72 908)	(540 434)	(44 091)	5 720 227	(235 992)
Financial assets available for sale	100	-	-	-	-	-	100	-
Off-balance sheet commitments	105 147	72 153	683	-	(40 217)	-	137 766	(31 936)
<b>Total financial assets and off-balance sheet commitments</b>	<b>5 656 021</b>	<b>849 427</b>	<b>71 640</b>	<b>(72 908)</b>	<b>(580 843)</b>	<b>(44 742)</b>	<b>5 878 595</b>	<b>(268 584)</b>
<b>Impairment of other assets</b>								
Investments in subsidiaries and associates	51 476	-	-	-	-	(1 571)	49 905	-
Intangible assets	10 961	-	-	-	-	-	10 961	-
Property, plant and equipment	6 591	417	1 569	(77)	-	(3)	8 497	(417)
Investment properties	2 530	-	-	-	-	-	2 530	-
Other	70 451	6 243	-	(99)	(226)	(1 734)	74 635	(6 017)
<b>Total impairment of other assets</b>	<b>142 009</b>	<b>6 660</b>	<b>1 569</b>	<b>(176)</b>	<b>(226)</b>	<b>(3 308)</b>	<b>146 528</b>	<b>(6 434)</b>
<b>Total</b>	<b>5 798 030</b>	<b>856 087</b>	<b>73 209</b>	<b>(73 084)</b>	<b>(581 069)</b>	<b>(48 050)</b>	<b>6 025 123</b>	<b>(275 018)</b>

(\*) 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 268 584 thousand and proceeds from recovered bad debt in the amount of PLN 4 415 thousand, totaling PLN minus 264 169 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 (*)		
<b>Impairment of financial assets and off-balance sheet commitments</b>								
Loans and advances to banks measured at amortized cost	25 721	241	276	-	(140)	(208)	25 890	(101)
Loans and advances to customers measured at amortized cost	4 975 164	666 738	72 479	(79 124)	(395 910)	(67 791)	5 171 556	(270 828)
Financial assets available for sale	101	-	-	(1)	-	-	100	-
Off-balance sheet commitments	116 874	52 435	27	-	(42 292)	-	127 044	(10 143)
<b>Total financial assets and off-balance sheet commitments</b>	<b>5 117 860</b>	<b>719 414</b>	<b>72 782</b>	<b>(79 125)</b>	<b>(438 342)</b>	<b>(67 999)</b>	<b>5 324 590</b>	<b>(281 072)</b>
<b>Impairment of other assets</b>								
Investments in subsidiaries and associates	54 482	-	-	-	-	-	54 482	-
Intangible assets	10 961	-	-	-	-	-	10 961	-
Property, plant and equipment	6 753	-	-	(47)	-	-	6 706	-
Investment properties	3 080	-	-	-	-	(550)	2 530	-
Other	63 273	1 432	5	(447)	(119)	(57)	64 087	(1 313)
<b>Total impairment of other assets</b>	<b>138 549</b>	<b>1 432</b>	<b>5</b>	<b>(494)</b>	<b>(119)</b>	<b>(607)</b>	<b>138 766</b>	<b>(1 313)</b>
<b>Total</b>	<b>5 256 409</b>	<b>720 846</b>	<b>72 787</b>	<b>(79 619)</b>	<b>(438 461)</b>	<b>(68 606)</b>	<b>5 463 356</b>	<b>(282 385)</b>

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

(\*\*) 'Impairment of financial assets and off-balance sheet commitments' balance includes net impairment in the amount of PLN minus 281 072 thousand and proceeds from recovered bad debt in the amount of PLN 3 079 thousand, totaling PLN minus 277 993 thousand.

## Notes to financial statements (cont.)

(in PLN thousand)

### 16. Gains (losses) on subsidiaries and associates

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Gains on liquidation of subsidiaries	-	2 390	-	-
Impairment allowances for equity investments	-	-	-	-
<b>Total gains (losses) from subsidiaries and associates</b>	<b>-</b>	<b>2 390</b>	<b>-</b>	<b>-</b>

### 17. 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	55	579	(257)	(711)
<b>Total gains (losses) on disposal of property, plant and equipment, and intangible assets</b>	<b>55</b>	<b>579</b>	<b>(257)</b>	<b>(711)</b>

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

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
<b>INCOME STATEMENT</b>				
<b>Current tax</b>	<b>(126 578)</b>	<b>(309 048)</b>	<b>(220 629)</b>	<b>(339 012)</b>
Current tax charge in the income statement	(125 551)	(322 283)	(219 790)	(344 754)
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)	(839)	(1 691)
<b>Deferred tax</b>	<b>(7 981)</b>	<b>30 922</b>	<b>71 703</b>	<b>50 191</b>
Occurrence and reversal of temporary differences	(7 981)	30 922	71 703	50 191
<b>Tax charge in income statement</b>	<b>(134 559)</b>	<b>(278 126)</b>	<b>(148 926)</b>	<b>(288 821)</b>
<b>EQUITY</b>				
<b>Deferred tax</b>	<b>93 945</b>	<b>120 924</b>	<b>(82 776)</b>	<b>(87 624)</b>
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	86 784	103 127	(61 286)	(68 338)
revaluation of available for sale financial assets – equity securities	(2 845)	(2 891)	6	41
<b>Tax charge in other comprehensive income</b>	<b>93 945</b>	<b>120 924</b>	<b>(82 776)</b>	<b>(87 624)</b>
<b>Total charge</b>	<b>(40 614)</b>	<b>(157 202)</b>	<b>(231 702)</b>	<b>(376 445)</b>

## Notes to financial statements (cont.)

(in PLN thousand)

### 19. Earnings per share

#### Basic earnings per share

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

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Net profit for the period	625 322	1 348 775	752 229	1 354 050
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)	2.38	5.14	2.87	5.16

#### Diluted earnings per share

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

As at 30 June 2015 there were no diluting instruments in the form of convertible bonds in the Bank.

	II QUARTER 2015	I HALF 2015	II QUARTER 2014	I HALF 2014
Net profit for the period	625 322	1 348 775	752 229	1 354 050
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)	2.38	5.14	2.87	5.16

### 20. 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)

### 21. Cash and balances with Central Bank

<b>Cash and due from Central Bank</b>	<b>30.06.2015</b>	<b>31.12.2014</b>	<b>30.06.2014</b>
Cash	2 704 309	3 399 331	2 148 231
Current account at Central Bank	3 977 446	5 826 906	2 907 615
Other	12	12	12
<b>Total</b>	<b>6 681 767</b>	<b>9 226 249</b>	<b>5 055 858</b>

<b>Amounts due to Central Bank</b>	<b>30.06.2015</b>	<b>31.12.2014</b>	<b>30.06.2014</b>
Term deposits	906	971	958
<b>Total</b>	<b>906</b>	<b>971</b>	<b>958</b>

#### Cash and balances with Central Bank by currency

<b>30.06.2015</b>	<b>ASSETS</b>	<b>LIABILITIES</b>
PLN	5 634 764	906
EUR	479 201	-
USD	276 652	-
CHF	56 808	-
Other currencies	234 342	-
<b>Total</b>	<b>6 681 767</b>	<b>906</b>

<b>31.12.2014</b>	<b>ASSETS</b>	<b>LIABILITIES</b>
PLN	7 719 524	971
EUR	834 006	-
USD	246 688	-
CHF	72 104	-
Other currencies	353 927	-
<b>Total</b>	<b>9 226 249</b>	<b>971</b>

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

## Notes to financial statements (cont.)

(in PLN thousand)

### 22. Loans and advances to banks

#### Loans and advances to banks by product type

	30.06.2015	31.12.2014	30.06.2014
Current accounts	229 100	405 441	293 786
Interbank placements	2 371 833	2 979 892	2 383 965
Loans and advances	388 730	202 358	97 824
Cash collaterals	1 904 842	1 675 036	1 211 612
Reverse repo transactions	369 407	1 930 811	2 732 536
Cash in transit	112 786	41 342	157 336
<b>Total gross amount</b>	<b>5 376 698</b>	<b>7 234 880</b>	<b>6 877 059</b>
Impairment allowances	(20 502)	(19 518)	(25 890)
<b>Total net amount</b>	<b>5 356 196</b>	<b>7 215 362</b>	<b>6 851 169</b>

#### 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)	5 357 237	7 215 920	6 851 349
impaired (gross)	19 461	18 960	25 710
individual impairment allowances	(9 661)	(9 160)	(15 910)
collective impairment allowances (*)	(10 841)	(10 358)	(9 980)
<b>Total</b>	<b>5 356 196</b>	<b>7 215 362</b>	<b>6 851 169</b>

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

#### Loans and advances to banks by contractual maturities

	30.06.2015	31.12.2014	30.06.2014
Loans and advances to banks, including:			
up to 1 month	4 753 722	6 157 329	6 080 392
between 1 and 3 months	183 043	220 620	89 503
between 3 months and 1 year	15 164	456 719	352 228
between 1 and 5 years	393 734	367 091	314 534
over 5 years	-	-	14 528
past due	31 035	33 121	25 874
<b>Total gross amount</b>	<b>5 376 698</b>	<b>7 234 880</b>	<b>6 877 059</b>
Impairment allowances	(20 502)	(19 518)	(25 890)
<b>Total net amount</b>	<b>5 356 196</b>	<b>7 215 362</b>	<b>6 851 169</b>

#### Loans and advances to banks by currency

	30.06.2015	31.12.2014	30.06.2014
PLN	1 266 301	2 713 587	3 600 261
CHF	30 341	3 457	34 951
EUR	2 638 834	2 779 959	1 652 740
USD	1 290 837	1 553 786	1 364 644
Other currencies	129 883	164 573	198 573
<b>Total</b>	<b>5 356 196</b>	<b>7 215 362</b>	<b>6 851 169</b>

Changes in impairment balances in the first half of 2015 and in the first half of 2014 are presented in the Note 15.

## Notes to financial statements (cont.)

(in PLN thousand)

### 23. 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
<b>FINANCIAL ASSETS</b>			
Debt securities	1 272 931	513 078	988 436
<b>Total financial assets</b>	<b>1 272 931</b>	<b>513 078</b>	<b>988 436</b>
<b>FINANCIAL LIABILITIES</b>			
Debt securities	80 870	591 311	224 005
<b>Total financial liabilities</b>	<b>80 870</b>	<b>591 311</b>	<b>224 005</b>

Debt securities held for trading

	30.06.2015	31.12.2014	30.06.2014
<b>FINANCIAL ASSETS</b>			
Debt securities issued by State Treasury	962 524	310 654	967 974
T- bills	-	-	-
T- bonds	962 524	310 654	967 974
Debt securities issued by banks	146 756	119 312	-
Debt securities issued by business entities	163 651	83 112	20 462
<b>Total financial assets</b>	<b>1 272 931</b>	<b>513 078</b>	<b>988 436</b>
<b>FINANCIAL LIABILITIES</b>			
Debt securities issued by State Treasury	80 870	591 311	224 005
T- bonds	80 870	591 311	224 005
<b>Total financial liabilities</b>	<b>80 870</b>	<b>591 311</b>	<b>224 005</b>

Debt securities held for trading by maturity

	30.06.2015	31.12.2014	30.06.2014
<b>FINANCIAL ASSETS</b>			
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	633 732	225 685	121 880
over 5 years	63 054	182 249	52 753
unspecified term	-	-	-
<b>Total financial assets</b>	<b>1 272 931</b>	<b>513 078</b>	<b>988 436</b>
<b>FINANCIAL LIABILITIES</b>			
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
<b>Total financial liabilities</b>	<b>80 870</b>	<b>591 311</b>	<b>224 005</b>



## Notes to financial statements (cont.)

(in PLN thousand)

### Debt securities held for trading by currency

	30.06.2015	31.12.2014	30.06.2014
<b>FINANCIAL ASSETS</b>			
PLN	1 206 973	467 819	973 888
EUR	61 071	41 876	12 442
USD	4 887	3 383	2 106
<b>Total financial assets</b>	<b>1 272 931</b>	<b>513 078</b>	<b>988 436</b>
<b>FINANCIAL LIABILITIES</b>			
PLN	80 870	591 311	224 005
<b>Total financial liabilities</b>	<b>80 870</b>	<b>591 311</b>	<b>224 005</b>

## 24. Derivative financial instruments (held for trading)

### Fair value of trading derivatives

30.06.2015	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	2 636 043	2 670 915
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)	60 416	80 954
Currency Forward Agreements	136 015	83 164
Currency Swaps (fx-swap)	183 726	94 485
Options for currency and gold	65 050	66 833
Transactions based on equity securities and stock indexes		
Options	8 250	8 267
Other	-	-
Transactions based on commodities and precious metals		
Options	4 415	4 457
Other	181 617	180 175
<b>Total</b>	<b>3 296 327</b>	<b>3 210 401</b>

## Notes to financial statements (cont.)

(in PLN thousand)

31.12.2014	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	3 773 088	3 772 430
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)	52 673	70 612
Currency Forward Agreements	149 692	82 594
Currency Swaps (fx-swap)	144 810	146 319
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
<b>Total</b>	<b>4 464 894</b>	<b>4 422 292</b>

30.06.2014	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	2 508 516	2 539 488
Forward Rate Agreements (FRA)	2 651	4 923
Options	12 471	12 207
Other	365	433
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	22 311	26 724
Currency Forward Agreements	38 366	68 077
Currency Swaps (fx-swap)	78 997	22 233
Options for currency and gold	23 648	23 846
Transactions based on equity securities and stock indexes		
Options	4 246	4 252
Other	-	-
Transactions based on commodities and precious metals		
Options	256	257
Other	34 941	33 304
<b>Total</b>	<b>2 726 768</b>	<b>2 735 744</b>

## Notes to financial statements (cont.)

(in PLN thousand)

### 25. Loans and advances to customers

#### Loans and advances to customers by product type

	30.06.2015	31.12.2014	30.06.2014
Mortgage loans	42 710 668	39 596 941	38 109 747
Current accounts	12 239 976	11 179 250	12 183 575
Operating loans	16 445 781	16 993 890	15 837 701
Investment loans	20 073 712	20 420 028	20 056 849
Payment cards receivables	812 473	805 592	779 828
Purchased debt receivables	1 352 436	2 167 942	2 026 921
Other loans and advances	9 790 000	9 488 795	8 958 956
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	65 267	36 270	37 568
<b>Total gross amount</b>	<b>122 989 892</b>	<b>116 920 333</b>	<b>111 332 405</b>
Impairment allowances	(5 720 227)	(5 531 256)	(5 171 556)
<b>Total net amount</b>	<b>117 269 665</b>	<b>111 389 077</b>	<b>106 160 849</b>

#### Loans and advances to customers by customer type

	30.06.2015	31.12.2014	30.06.2014
Corporate	60 456 994	56 719 518	54 217 122
Individuals	50 834 980	48 387 092	45 801 545
Budget entities	11 697 918	11 813 723	11 313 738
<b>Total gross amount</b>	<b>122 989 892</b>	<b>116 920 333</b>	<b>111 332 405</b>
Impairment allowances	(5 720 227)	(5 531 256)	(5 171 556)
<b>Total net amount</b>	<b>117 269 665</b>	<b>111 389 077</b>	<b>106 160 849</b>

#### 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)	114 954 139	109 136 008	103 711 495
impaired (gross)	8 035 753	7 784 325	7 620 910
individual impairment allowances	(3 089 385)	(2 910 754)	(2 835 262)
collective impairment allowances (*)	(2 630 842)	(2 620 502)	(2 336 294)
<b>Total</b>	<b>117 269 665</b>	<b>111 389 077</b>	<b>106 160 849</b>

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

## Notes to financial statements (cont.)

(in PLN thousand)

### Loans and advances to customers by contractual maturity

	30.06.2015	31.12.2014	30.06.2014
Loans and advances to customers, including:			
up to 1 month	23 561 782	20 441 821	19 277 510
between 1 and 3 months	2 345 154	2 979 129	2 230 050
between 3 months and 1 year	11 714 360	10 507 802	10 276 444
between 1 and 5 years	36 384 296	35 817 560	33 660 989
over 5 years	42 752 134	41 329 579	39 728 483
past due	6 232 166	5 844 442	6 158 929
<b>Total gross amount</b>	<b>122 989 892</b>	<b>116 920 333</b>	<b>111 332 405</b>
Impairment allowances	(5 720 227)	(5 531 256)	(5 171 556)
<b>Total net amount</b>	<b>117 269 665</b>	<b>111 389 077</b>	<b>106 160 849</b>

### Loans and advances to customers by currency

	30.06.2015	31.12.2014	30.06.2014
PLN	98 605 053	92 735 082	87 964 865
CHF	4 621 133	4 258 319	4 343 138
EUR	10 778 925	11 087 929	11 150 617
USD	3 189 522	3 184 137	2 612 355
Other currencies	75 032	123 610	89 874
<b>Total</b>	<b>117 269 665</b>	<b>111 389 077</b>	<b>106 160 849</b>

Changes in impairment allowances in the first half of 2015 and in the first half of 2014 are presented in the Note 15.

## Notes to financial statements (cont.)

(in PLN thousand)

### 26. Hedge accounting

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

In the period from 1 January to 30 June 2015 the Bank continued to apply the following hedge accounting:

- fair value hedge accounting for fixed coupon debt securities classified as available-for-sale (AFS) hedged with interest rate swap (IRS) transactions - described in 26.1,
- cash flow hedge accounting for floating-rate financial assets and liabilities hedged with cross-currency interest rate swap (CIRS) transactions - described in 26.2,
- cash flow hedge accounting for floating-rate financial assets hedged with interest rate swap (IRS) transactions - described in 26.3,
- cash flow hedge accounting for variable portfolio of loans in EUR and USD hedged with fx-swap instruments - described in 26.4.

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
<b>Total</b>	<b>352 696</b>	<b>1 912 953</b>

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
<b>Total</b>	<b>470 822</b>	<b>1 484 428</b>

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
<b>Total</b>	<b>230 064</b>	<b>1 109 420</b>

## Notes to financial statements (cont.)

(in PLN thousand)

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
<b>Opening balance</b>	<b>138 622</b>	<b>(29 487)</b>
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
<b>Closing balance</b>	<b>29 740</b>	<b>72 235</b>

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
<b>Result on fair value hedge accounting</b>	<b>5 241</b>	<b>(14 117)</b>
Net interest income on hedging derivatives	(27 338)	(17 626)

## Notes to financial statements (cont.)

(in PLN thousand)

### 26.1 Fair value hedge of fixed-coupon debt securities

#### **Description of the hedging relationship**

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

#### **Hedged item**

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

#### **Hedging derivatives**

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

#### **Financial Statements presentation**

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

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

### 26.2 Cash flow hedge of floating-rate loans and floating-rate deposits

#### **Description of the hedging relationship**

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

#### **Hedged items**

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

#### **Hedging derivatives**

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

#### **Financial Statements presentation**

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

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

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

## Notes to financial statements (cont.)

(in PLN thousand)

### 26.3 Cash flow hedge of floating-rate loans

#### **Description of hedging relationship**

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

#### **Hedged items**

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

#### **Hedging derivatives**

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

#### **Financial Statements presentation**

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

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

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

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

#### **Hedged items**

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

#### **Hedging derivatives**

Fx-swap transaction portfolio constitutes the hedging position.

#### **Financial Statements presentation**

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

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

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

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



## Notes to financial statements (cont.)

(in PLN thousand)

### 27. Investment (placement) securities

	30.06.2015	31.12.2014	30.06.2014
Debt securities available for sale (AFS)	23 860 462	22 985 789	24 093 417
Equity securities available for sale (AFS)	78 404	62 401	9 040
Debt securities held to maturity (HTM)	3 277 162	1 523 940	1 518 471
<b>Total</b>	<b>27 216 028</b>	<b>24 572 130</b>	<b>25 620 928</b>

#### Debt securities available for sale (AFS)

	30.06.2015	31.12.2014	30.06.2014
Securities issued by State Treasury	18 004 659	15 886 770	16 813 230
T-bills	-	-	-
T-bonds	18 004 659	15 886 770	16 813 230
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
<b>Total</b>	<b>23 860 462</b>	<b>22 985 789</b>	<b>24 093 417</b>
including impairment allowances	-	-	-

#### Equity securities available for sale (AFS)

	30.06.2015	31.12.2014	30.06.2014
Shares	78 404	62 401	9 040
<b>Total</b>	<b>78 404</b>	<b>62 401</b>	<b>9 040</b>
including impairment allowances	(100)	(100)	(100)

#### Debt securities held to maturity (HTM)

	30.06.2015	31.12.2014	30.06.2014
Securities issued by State Treasury	2 414 821	672 495	683 393
T-bills	-	-	-
T-bonds	2 414 821	672 495	683 393
Securities issued by Central Banks	862 341	851 445	835 078
<b>Total</b>	<b>3 277 162</b>	<b>1 523 940</b>	<b>1 518 471</b>
including impairment allowances	-	-	-

#### Investment debt securities according to contractual maturities

	30.06.2015	31.12.2014	30.06.2014
Debt securities, including:			
up to 1 month	5 840 384	6 999 226	7 265 971
between 1 and 3 months	-	-	-
between 3 months and 1 year	980 031	559 261	-
between 1 and 5 years	13 996 091	13 411 109	12 733 346
over 5 years	6 321 118	3 540 133	5 612 571
<b>Total</b>	<b>27 137 624</b>	<b>24 509 729</b>	<b>25 611 888</b>

#### Investment debt securities by currencies

	30.06.2015	31.12.2014	30.06.2014
PLN	23 515 786	20 542 074	22 267 902
EUR	2 036 095	2 027 262	1 930 584
USD	1 585 743	1 940 393	1 413 402
<b>Total</b>	<b>27 137 624</b>	<b>24 509 729</b>	<b>25 611 888</b>

## Notes to financial statements (cont.)

(in PLN thousand)

### 28. Assets and liabilities held for sale

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

As at 30 June 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 37),
- real estate,
- other property, plant and equipment.

Assets held for sale are presented below:

	30.06.2015	31.12.2014	30.06.2014
<b>ASSETS HELD FOR SALE</b>			
Investments in associates	1 563	-	-
Property, plant and equipment	9 464	9 437	10 169
Other assets	22 515	22 515	22 515
<b>Total assets</b>	<b>33 542</b>	<b>31 952</b>	<b>32 684</b>

The effect of disposal of other assets is as follows:

	I HALF 2015	2014	I HALF 2014
Sales proceeds	-	1 293	-
Net carrying value of disposed assets (including sale costs)	-	732	-
<b>Gain/loss on sale before income tax</b>	<b>-</b>	<b>561</b>	<b>-</b>

## Notes to financial statements (cont.)

(in PLN thousand)

### 29. Intangible assets

	30.06.2015	31.12.2014	30.06.2014
Intangible assets, including:	565 528	549 038	526 007
research and development expenditures	9 795	10 412	12 425
licenses and patents	422 933	417 368	403 998
other	10 153	10 845	6 950
assets under construction	122 647	110 413	102 634
Goodwill	52 635	52 635	51 675
<b>Total</b>	<b>618 163</b>	<b>601 673</b>	<b>577 682</b>

In the period from 1 January to 30 June 2015, the Bank acquired intangible assets in the amount of PLN 86 366 thousand (in 2014 – PLN 122 135 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 35 798 thousand, whereas as at 31 December 2014 - PLN 34 715 thousand.

### 30. Property, plant and equipment

	30.06.2015	31.12.2014	30.06.2014
Non-current assets, including:	1 415 029	1 441 212	1 455 314
land and buildings	1 091 668	1 106 080	1 127 737
machinery and equipment	246 655	250 647	264 032
transport vehicles	33 553	40 241	23 829
other	43 153	44 244	39 716
Non-current assets under construction and prepayments	49 430	84 381	61 764
<b>Total</b>	<b>1 464 459</b>	<b>1 525 593</b>	<b>1 517 078</b>

In the period from 1 January to 30 June 2015 the Bank acquired property, plant and equipment in the amount of PLN 44 550 thousand (in 2014 - PLN 118 678 thousand), while the value of property, plant and equipment sold amounted to PLN 565 thousand (in 2014 - PLN 4 097 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)

### 31. Assets pledged as security for liabilities

As at 30 June 2015 the Bank held the following financial assets pledged as security for liabilities

TYPE OF TRANSACTION	SECURITY	CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	VALUE OF LIABILITIES SUBJECT TO SECURITY
Repo transaction	bonds	4 564 495	4 368 602	4 567 492
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	684 544	640 000	-
Lombard and technical loan	bonds	3 181 429	3 107 844	-
Other loans	bonds	334 282	325 000	198 062
Coverage of the Gurantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	cash deposit	11 961	11 961	-
Derivatives	bonds	23 771	25 561	358

As at 31 December 2014 the Bank held the following financial assets pledged as security for liabilities

TYPE OF TRANSACTION	SECURITY	CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	VALUE OF LIABILITIES SUBJECT TO SECURITY
Repo transactions	bonds	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	679 136	640 000	-
Lombard and technical loan	bonds	5 338 928	5 008 832	-
Other loans	bonds	333 538	325 000	218 585
Coverage of the Gurantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	cash deposit	11 167	11 167	-
Derivatives	bonds	47 790	42 160	33 640

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

TYPE OF TRANSACTION	SECURITY	CARRYING VALUE OF ASSETS USED TO PLEDGE LIABILITIES	NOMINAL VALUE OF ASSETS USED TO PLEDGE LIABILITIES	VALUE OF LIABILITIES SUBJECT TO PLEDGE
Repo transactions	bonds	2 687 076	2 471 111	2 678 126
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	654 755	605 000	-
Lombard and technical loan	bonds	3 977 716	3 812 074	-
Other loans	bonds	327 959	325 000	230 295
Coverage of the Gurantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	cash deposits	11 586	11 586	-
Derivatives	bonds	18 454	17 229	2 140

## Notes to financial statements (cont.)

(in PLN thousand)

### 32. Amounts due to other banks

Amounts due to other banks by product type

	30.06.2015	31.12.2014	30.06.2014
Current accounts	796 970	678 135	636 640
Interbank deposits and other liabilities	2 769 586	1 006 984	860 855
Loans and advances received	1 505 096	1 303 141	1 307 104
Repo transactions	1 892 802	126 277	2 107 018
Cash in transit	623 965	15 319	39 136
<b>Total</b>	<b>7 588 419</b>	<b>3 129 856</b>	<b>4 950 753</b>

Amounts due to other banks by currencies

	30.06.2015	31.12.2014	30.06.2014
PLN	5 424 974	1 479 161	1 935 118
CHF	407 055	380 003	386 148
EUR	1 375 015	1 192 885	2 244 815
USD	318 567	42 194	175 222
Other currencies	62 808	35 613	209 450
<b>Total</b>	<b>7 588 419</b>	<b>3 129 856</b>	<b>4 950 753</b>

### 33. 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:	55 281 844	59 490 002	50 334 584
current accounts	23 560 466	24 818 198	23 512 954
term deposits and other liabilities	31 721 378	34 671 804	26 821 630
Amounts due to budget entities, including:	7 075 476	6 210 578	8 070 207
current accounts	4 875 292	5 089 978	5 100 260
term deposits and other liabilities	2 200 184	1 120 600	2 969 947
Amounts due to individuals, including:	57 616 612	54 771 125	53 177 114
current accounts	31 920 479	29 768 467	28 344 080
term deposits and other liabilities	25 696 133	25 002 658	24 833 034
Repo transactions	5 244 523	5 256 415	2 893 401
Cash in transit	260 867	653 150	281 973
<b>Total</b>	<b>125 479 322</b>	<b>126 381 270</b>	<b>114 757 279</b>

Amounts due to customers by currency

	30.06.2015	31.12.2014	30.06.2014
PLN	105 266 136	107 063 874	95 989 511
CHF	230 324	205 924	169 251
EUR	12 153 102	11 816 040	11 234 196
USD	7 051 009	6 608 786	6 706 139
Other currencies	778 751	686 646	658 182
<b>Total</b>	<b>125 479 322</b>	<b>126 381 270</b>	<b>114 757 279</b>

## Notes to financial statements (cont.)

(in PLN thousand)

### 34. Debt securities issued

#### Debt securities issued by type

	30.06.2015	31.12.2014	30.06.2014
Certificates of deposit	2 824 108	2 819 713	2 556 456
Mortgage bonds	-	-	-
<b>Total</b>	<b>2 824 108</b>	<b>2 819 713</b>	<b>2 556 456</b>

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

#### Debt securities issued by currencies

	30.06.2015	31.12.2014	30.06.2014
PLN	2 824 108	2 819 713	2 556 456
EUR	-	-	-
USD	-	-	-
<b>Total</b>	<b>2 824 108</b>	<b>2 819 713</b>	<b>2 556 456</b>

#### Changes in debt securities issued

	I HALF 2015	2014	I HALF 2014
<b>Opening balance</b>	<b>2 819 713</b>	<b>2 240 452</b>	<b>2 240 452</b>
Increase (issuance)	2 300 704	5 876 940	2 495 060
Decrease (redemption)	(2 294 040)	(5 312 326)	(2 188 101)
Decrease (partial redemption)	(2 269)	(1 838)	(739)
Foreign currency exchange differences	-	-	-
Purchase	-	-	-
Sale	-	-	-
Other	-	16 485	9 784
<b>Closing balance</b>	<b>2 824 108</b>	<b>2 819 713</b>	<b>2 556 456</b>

## Notes to financial statements (cont.)

(in PLN thousand)

### 35. 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
<b>Opening balance</b>	<b>32 975</b>	<b>265 367</b>	<b>105 147</b>	<b>33 463</b>	<b>436 952</b>
Provision charges/revaluation	26 581	12 722	72 153	6 963	118 419
Provision utilization	(25 681)	(6 493)	-	(14 597)	(46 771)
Provision releases	(59)	-	(40 217)	-	(40 276)
Foreign currency exchange differences	-	-	683	(14)	669
Other changes	-	-	-	-	-
<b>Closing balance</b>	<b>33 816</b>	<b>271 596</b>	<b>137 766</b>	<b>25 815</b>	<b>468 993</b>
Short term	3 143	10 288	46 906	383	60 720
Long term	30 673	261 308	90 860	25 432	408 273

2014	PROVISIONS FOR LITIGATION AND CLAIMS	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
<b>Opening balance</b>	<b>32 676</b>	<b>204 989</b>	<b>116 874</b>	<b>36 857</b>	<b>391 396</b>
Provision charges/revaluation	3 556	22 442	67 469	12 742	106 209
Provision utilization	(2 859)	(6 462)	-	(13 638)	(22 959)
Provision releases	(2 544)	-	(79 905)	-	(82 449)
Foreign currency exchange differences	-	-	709	134	843
Other changes	2 146	44 398	-	(2 632)	43 912
<b>Closing balance</b>	<b>32 975</b>	<b>265 367</b>	<b>105 147</b>	<b>33 463</b>	<b>436 952</b>
Short term	5 698	-	46 669	940	53 307
Long term	27 277	265 367	58 478	32 523	383 645

I HALF 2014	PROVISIONS FOR LITIGATION AND CLAIMS	PROVISIONS FOR RETIREMENT BENEFITS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
<b>Opening balance</b>	<b>32 676</b>	<b>204 989</b>	<b>116 874</b>	<b>36 857</b>	<b>391 396</b>
Provision charges/revaluation	2 113	11 454	52 435	6 148	72 150
Provision utilization	(965)	(3 842)	-	(9 732)	(14 539)
Provision releases	(305)	-	(42 292)	-	(42 597)
Foreign currency exchange differences	-	-	27	16	43
Other changes	-	-	-	234	234
<b>Closing balance</b>	<b>33 519</b>	<b>212 601</b>	<b>127 044</b>	<b>33 523</b>	<b>406 687</b>
Short term	5 664	7 083	67 919	4 347	85 013
Long term	27 855	205 518	59 125	29 176	321 674

## Notes to financial statements (cont.)

(in PLN thousand)

### Provisions for litigation and claims

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

### Provisions for defined benefits plans

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

### Other provisions

Other provisions include in particular provisions for other employee benefits.

## 36. Contingent commitments

### Litigation

In the first half of 2015 the total value of the litigation subject in the ongoing court proceedings against the Bank was PLN 1 116 916 thousand (in the first half of 2014 it was PLN 1 142 517 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 Bank's equity.

In the first half of 2015 still going on was the court litigation against the Bank 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 plaintiff 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 Bank currently are pending the following essential litigations:

- proceedings instigated in the second quarter of 2014 as a result of the plaintiff 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 plaintiff 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 plaintiff 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 plaintiff 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 Bank created provisions for litigations against the Bank 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 33 816 thousand (PLN 32 975 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	1 915 754	1 369 020	4 003 318
non - financial entities	25 000 459	24 714 163	22 158 225
budget entities	1 000 037	944 954	1 224 826
<b>Total</b>	<b>27 916 250</b>	<b>27 028 137</b>	<b>27 386 369</b>

### Guarantees issued

#### Guarantees issued by entity

	30.06.2015	31.12.2014	30.06.2014
Issued to financial entities:	2 536 579	2 405 131	2 337 907
guarantees	2 532 867	2 404 500	2 333 496
confirmed export letters of credit	3 712	631	4 411
Issued to non-financial entities:	13 063 614	13 041 275	10 502 953
guarantees	7 083 460	7 474 912	5 404 898
securities' underwriting guarantees	5 980 154	5 566 363	5 098 055
Issued to budget entities:	295 295	151 974	335 480
guarantees	5 877	13 007	42 697
securities' underwriting guarantees	289 418	138 967	292 783
<b>Total</b>	<b>15 895 488</b>	<b>15 598 380</b>	<b>13 176 340</b>

### Off-balance commitment received

#### Off-balance commitments received by entity

	30.06.2015	31.12.2014	30.06.2014
Financial received from:	768 091	457 254	103 574
financial entities	768 091	457 254	103 574
non - financial entities	-	-	-
budget entities	-	-	-
Guarantees received from:	12 259 734	12 172 352	12 157 816
financial entities	1 340 549	1 321 440	1 419 207
non - financial entities	10 183 055	10 102 000	10 031 243
budget entities	736 130	748 912	707 366
<b>Total</b>	<b>13 027 825</b>	<b>12 629 606</b>	<b>12 261 390</b>

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

## Notes to financial statements (cont.)

(in PLN thousand)

### 37. 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	-	-	-	35 332	-	1 315 790
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	1 552 602	-	57 255	268	195 361	845 689	-
<b>Bank Pekao S.A. Group entities</b>							
<b>Subsidiaries</b>							
Pekao Investment Banking S.A.	-	-	-	1 322	186 981	-	183
Pekao Leasing Sp. z o.o.	1 932 246	-	607	17 863	30 377	-	17 802
Pekao Faktoring Sp. z o.o.	788 783	-	-	2	21 551	-	-
Centralny Dom Maklerski Pekao S.A.	-	-	2	428	661 505	-	51
Pekao Fundusz Kapitałowy Sp. z o.o.	-	-	-	2	46 383	-	-
Pekao Pioneer Powszechnie Towarzystwo Emerytalne S.A.	-	-	-	35	43 341	-	-
Centrum Kart S.A.	-	-	-	572	25 582	-	6 118
Pekao Financial Services Sp. z o. o.	-	-	-	4	10 119	-	-
Pekao Bank Hipoteczny S.A.	247 710	47 246	56 434	-	41 871	3 252	33
Pekao Leasing Holding S.A. (in liquidation)	-	-	-	-	134	-	-
Pekao Property S.A.	10 366	-	-	-	6 548	-	-
Centrum Bankowości Bezpośredniej Sp. z o.o.	16	-	-	1 061	15	-	4 069
FPB – Media Sp. z o. o.	10 487	-	-	-	291	-	-
<b>Associates</b>							
Dom Inwestycyjny Xelion Sp. z o.o.	-	-	-	46	25 426	-	82
Pioneer Pekao Investment Management S.A.	-	-	-	-	151 555	-	9
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	8	-	-	14 831	84 625	-	6
Krajowa Izba Rozliczeniowa S.A.	-	-	-	8	511	-	9
<b>Total of Bank Pekao S.A. Group</b>	<b>2 989 616</b>	<b>47 246</b>	<b>57 043</b>	<b>36 174</b>	<b>1 336 815</b>	<b>3 252</b>	<b>28 362</b>
Key management personnel of the Bank and UniCredit S.p.A.	8 505	-	-	-	21 418	-	-
<b>Total</b>	<b>4 556 682</b>	<b>47 246</b>	<b>114 298</b>	<b>36 442</b>	<b>1 588 926</b>	<b>848 941</b>	<b>1 344 152</b>

## 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 1AND 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
<b>Bank Pekao S.A. Group entities</b>							
Subsidiaries	312 115	295 109	-	544 383	1 736 253	95 526	2 983 386
Associates	-	-	-	-	8	-	8
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	6 026	80	2 399	8 505
<b>Total</b>	<b>1 099 312</b>	<b>677 805</b>	<b>211</b>	<b>550 409</b>	<b>2 124 798</b>	<b>97 925</b>	<b>4 550 460</b>

(\*) 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 1AND 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	144 553	38 193	-	12 615	-	-	195 361
<b>Bank Pekao S.A. Group entities</b>							
Subsidiaries	798 521	121 387	11 782	11 930	20 926	-	964 546
Associates	19 142	94 203	148 261	511	-	-	262 117
Key management personnel of the Bank and UniCredit S.p.A.	7 385	1 849	9 395	1 276	1 513	-	21 418
<b>Total</b>	<b>1 004 933</b>	<b>255 632</b>	<b>169 438</b>	<b>26 332</b>	<b>22 439</b>	<b>-</b>	<b>1 478 774</b>

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

## Notes to financial statements (cont.)

(in PLN thousand)

### Receivables from loans and placement by currency

30.06.2015	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
Bank Pekao S.A. Group entities						
Subsidiaries	501 016	6 229	19 224	2 456 916	1	2 983 386
Associates	-	-	-	8	-	8
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	8 505	-	8 505
<b>Total</b>	<b>1 278 634</b>	<b>773 706</b>	<b>19 231</b>	<b>2 467 429</b>	<b>11 460</b>	<b>4 550 460</b>

### Liabilities due to 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	53 378	151	-	111 548	30 284	195 361
Bank Pekao S.A. Group entities						
Subsidiaries	86 669	28 527	3 255	845 365	730	964 546
Associates	-	-	-	262 117	-	262 117
Key management personnel of the Bank and UniCredit S.p.A.	7 539	666	-	13 213	-	21 418
<b>Total</b>	<b>148 466</b>	<b>29 344</b>	<b>3 255</b>	<b>1 266 695</b>	<b>31 014</b>	<b>1 478 774</b>

## Notes to financial statements (cont.)

(in PLN thousand)

### Related party transactions as at 31 December 2014

NAME OF ENTITY	RECEIVABLES FROM LOANS AND PLACEMENTS	SECURITIES	RECEIVABLES FROM REVALUATION OF DERIVATIVES	OTHER RECEIVABLES	LIABILITIES FROM LOANS AND DEPOSITS	LIABILITIES FROM REVALUATION OF DERIVATIVES	OTHER LIABILITIES
UniCredit S.p.A. – the Bank's parent entity	183 634	-	-	-	15 339	-	654
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	1 496 377	-	456 005	4 040	401 444	1 002 599	-
<b>Bank Pekao S.A. Group entities</b>							
<b>Subsidiaries</b>							
Pekao Leasing Sp. z o.o.	1 201 450	-	782	1 123	205 101	-	541
Pekao Faktoring Sp. z o.o.	1 052 341	-	-	16	213 938	-	-
Centralny Dom Maklerski Pekao S.A.	-	-	-	398	984 495	-	56
Pekao Fundusz Kapitałowy Sp. z o.o.	-	-	-	1	46 620	-	-
Pekao Pioneer Powszechnie Towarzystwo Emerytalne S.A.	-	-	-	39	65 366	-	-
Pekao Telecentrum Sp. z o.o. (in liquidation)	-	-	-	-	10 571	-	-
Centrum Kart S.A.	-	-	-	382	30 476	-	5 966
Pekao Financial Services Sp. z o.o.	-	-	-	4	12 883	-	-
Pekao Bank Hipoteczny S.A.	46 135	64 625	16 310	-	16 092	4 717	29
Pekao Leasing Holding S.A.	-	-	-	-	70	-	-
Pekao Property S.A.	11 371	-	-	-	4 819	-	-
Centrum Bankowości Bezpośredniej Sp. z o.o.	-	-	-	17	1 079	-	4 304
FPB – Media Sp. z o.o.	11 167	-	-	-	275	-	-
<b>Associates</b>							
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)	-	-	-	19 645	144 297	-	9
Krajowa Izba Rozliczeniowa S.A.	-	-	-	-	7 766	-	-
<b>Total of Bank Pekao S.A. Group entities</b>	<b>2 322 464</b>	<b>64 625</b>	<b>17 092</b>	<b>21 628</b>	<b>1 921 485</b>	<b>4 717</b>	<b>10 944</b>
Key management personnel of the Bank and UniCredit S.p.A.	6 383	-	-	-	33 273	-	-
<b>Total</b>	<b>4 008 858</b>	<b>64 625</b>	<b>473 097</b>	<b>25 668</b>	<b>2 371 541</b>	<b>1 007 316</b>	<b>11 598</b>

## 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	621 730	117 880	43 212	351 608	361 947	-	1 496 377
Bank Pekao S.A. Group entities							
Subsidiaries	286 683	23 356	41 134	898 436	967 349	99 299	2 316 257
Associates	-	-	-	-	-	-	-
Key management personnel of the Bank and UniCredit S.p.A.	-	5 998	-	-	48	337	6 383
<b>Total</b>	<b>913 179</b>	<b>326 102</b>	<b>84 346</b>	<b>1 250 044</b>	<b>1 329 344</b>	<b>99 636</b>	<b>4 002 651</b>

(\*) 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	262 348	-	12 787	-	-	401 444
Bank Pekao S.A. Group entities							
Subsidiaries	787 748	410 352	73 185	18 647	24 394	-	1 314 326
Associates	28 208	102 192	198 800	500	-	-	329 700
Key management personnel of the Bank and UniCredit S.p.A.	15 626	8 679	8 425	443	100	-	33 273
<b>Total</b>	<b>973 230</b>	<b>783 571</b>	<b>280 410</b>	<b>32 377</b>	<b>24 494</b>	<b>-</b>	<b>2 094 082</b>

(\*) 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	606 305	714 067	6	142 385	33 614	1 496 377
Bank Pekao S.A. Group entities						
Subsidiaries	405 961	7 179	3 464	1 899 652	1	2 316 257
Associates	-	-	-	-	-	-
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	6 383	-	6 383
<b>Total</b>	<b>1 015 847</b>	<b>901 299</b>	<b>3 470</b>	<b>2 048 420</b>	<b>33 615</b>	<b>4 002 651</b>

### Liabilities due to 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	37 093	140	-	364 211	-	401 444
Bank Pekao S.A. Group entities						
Subsidiaries	17 469	23 110	4 029	1 267 610	2 108	1 314 326
Associates	-	-	-	329 700	-	329 700
Key management personnel of the Bank and UniCredit S.p.A.	2 894	845	-	22 825	6 709	33 273
<b>Total</b>	<b>57 456</b>	<b>24 095</b>	<b>4 029</b>	<b>1 999 685</b>	<b>8 817</b>	<b>2 094 082</b>



## 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	INTERES EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	OTHER INCOME	OTHER EXPENSES
UniCredit S.p.A. – the Bank's parent entity	147	(32)	178	(1 527)	688	(6 985)
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	24 928	(860)	1 911	(91)	38 516	(3 082)
<b>Bank Pekao S.A. Group entities</b>						
<b>Subsidiaries</b>						
Pekao Investment Banking S.A.	1	(1 900)	606	(54)	298	-
Centralny Dom Maklerski Pekao S.A.	-	(2 178)	753	(10)	1 711	(1 574)
Pekao Leasing Sp. z o.o.	18 788	(4 094)	2 496	(31)	2 164	(102)
Pekao Faktoring Sp. z o.o.	6 175	(11)	122	-	74	-
Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A.	-	(506)	199	-	3	-
Pekao Fundusz Kapitałowy Sp. z o.o.	-	(373)	3	-	4	-
Centrum Kart S.A.	-	(173)	17	-	682	(24 193)
Pekao Financial Services Sp. z o.o.	-	(78)	20	-	21	-
Pekao Bank Hipoteczny S.A.	1 086	(302)	488	-	62	(3 355)
Pekao Leasing Holding S.A. (in liquidation)	-	-	5	-	-	-
Centrum Bankowości Bezpośredniej Sp. z o.o.	4	-	12	(6 513)	825	(16 436)
Pekao Property S.A.	105	(11)	11	-	8	-
FPB - Media Sp. z o.o.	204	-	2	-	-	-
<b>Associates</b>						
Pioneer Pekao Investment Management S.A.	-	(1 465)	13	-	-	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	(1 184)	101 154	-	-	-
Dom Inwestycyjny Xelion Sp. z o.o.	-	(185)	35	(6)	85	(1)
Krajowa Izba Rozliczeniowa S.A.	-	(135)	57	-	-	(4 302)
<b>Total of Bank Pekao S.A. Group entities</b>	<b>26 363</b>	<b>(12 595)</b>	<b>105 993</b>	<b>(6 614)</b>	<b>5 937</b>	<b>(49 963)</b>
Key management personnel of the Bank and UniCredit S.p.A.	130	(204)	6	-	-	-
<b>Total</b>	<b>51 568</b>	<b>(13 691)</b>	<b>108 088</b>	<b>(8 232)</b>	<b>45 141</b>	<b>(60 030)</b>

## Notes to financial statements (cont.)

(in PLN thousand)

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

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

## 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
<b>Bank Pekao S.A. Group entities</b>				
<b>Subsidiaries</b>				
Pekao Investment Banking S.A.	160	-	-	-
Pekao Leasing Sp. z o.o.	427 441	1 238 299	-	-
Pekao Faktoring Sp. z o.o.	311 064	-	-	-
Centralny Dom Maklerski Pekao S.A.	114	125	-	-
Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A.	59	-	-	-
Centrum Kart S.A.	65	-	-	-
Pekao Financial Services Sp. z o. o.	45	834	-	-
Pekao Bank Hipoteczny S.A.	252 764	404 710	-	-
Centrum Bankowości Bezpośredniej Sp. z o.o.	2 033	-	-	-
Pekao Property S.A.	-	76	-	-
<b>Associates</b>				
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	-	-
<b>Total of Bank Pekao S.A. Group entities</b>	<b>995 837</b>	<b>1 644 544</b>	-	-
Key management personnel of the Bank and UniCredit S.p.A.	818	-	-	-
<b>Total</b>	<b>1 214 140</b>	<b>2 410 181</b>	<b>21 071</b>	<b>67 576</b>

## 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
<b>FINANCIAL COMMITMENTS GRANTED</b>							
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
Bank Pekao S.A. Group entities							
Subsidiaries	-	-	-	991 086	2 659	-	993 745
Associates	-	-	-	52	2 040	-	2 092
Key management personnel of the Bank and UniCredit S.p.A.	31	-	543	244	-	-	818
<b>Total</b>	<b>31</b>	<b>-</b>	<b>543</b>	<b>1 208 867</b>	<b>4 699</b>	<b>-</b>	<b>1 214 140</b>
<b>GUARANTEES ISSUED</b>							
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
Bank Pekao S.A. Group entities							
Subsidiaries	-	-	-	910	1 247	1 641 887	1 644 044
Associates	-	-	-	500	-	-	500
<b>Total</b>	<b>-</b>	<b>860</b>	<b>6 458</b>	<b>156 538</b>	<b>323 007</b>	<b>1 923 318</b>	<b>2 410 181</b>
<b>FINANCIAL RECEIVED</b>							
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	-	21 071	-	-	-	-	21 071
<b>Total</b>	<b>-</b>	<b>21 071</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21 071</b>
<b>GUARANTEES RECEIVED</b>							
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
<b>Total</b>	<b>-</b>	<b>1 000</b>	<b>2 517</b>	<b>50 948</b>	<b>11 643</b>	<b>1 468</b>	<b>67 576</b>

## 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	INNE	TOTAL
<b>FINANCIAL COMMITMENTS GRANTED</b>						
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
Bank Pekao S.A. Group entities						
Subsidiaries	46 971	14 830	-	930 169	1 775	993 745
Associates	-	-	-	2 092	-	2 092
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	818	-	818
<b>Total</b>	<b>163 156</b>	<b>14 830</b>	<b>-</b>	<b>1 034 379</b>	<b>1 775</b>	<b>1 214 140</b>
<b>GUARANTEES ISSUED</b>						
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
Bank Pekao S.A. Group entities						
Subsidiaries	1 238 726	-	404 120	1 198	-	1 644 044
Associates	-	-	-	500	-	500
<b>Total</b>	<b>1 312 099</b>	<b>9 411</b>	<b>404 120</b>	<b>684 551</b>	<b>-</b>	<b>2 410 181</b>
<b>FINANCIAL RECEIVED</b>						
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	-	-	-	-	21 071	21 071
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21 071</b>	<b>21 071</b>
<b>GUARANTEES RECEIVED</b>						
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
<b>Total</b>	<b>23 476</b>	<b>-</b>	<b>-</b>	<b>44 100</b>	<b>-</b>	<b>67 576</b>

## 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	96 655	557 728	9 885	51 596
<b>Bank Pekao S.A. Group entities</b>				
<b>Subsidiaries</b>				
Pekao Leasing Sp. z o.o.	241 453	1 076 611	-	-
Pekao Faktoring Sp. z o.o.	46 883	-	-	-
Centralny Dom Maklerski Pekao S.A.	114	127	-	-
Pekao Pioneer Powszechno Towarzystwo Emerytalne S.A.	60	-	-	-
Centrum Kart S.A.	63	-	-	-
Pekao Financial Services Sp. z o. o.	40	847	-	-
Pekao Bank Hipoteczny S.A.	453 441	355 026	-	-
Centrum Bankowości Bezpośredniej Sp. z o.o.	3 033	-	-	-
Pekao Property S.A.	-	76	-	-
<b>Associates</b>				
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	-	-
<b>Total of Pekao S.A. Group entities</b>	<b>755 186</b>	<b>1 433 187</b>	<b>-</b>	<b>-</b>
Key management personnel of the Bank and UniCredit S.p.A.	874	-	-	-
<b>Total</b>	<b>891 724</b>	<b>2 261 699</b>	<b>9 885</b>	<b>76 717</b>

## 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
<b>FINANCIAL COMMITMENTS GRANTED</b>							
UniCredit S.p.A. – 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
Bank Pekao S.A. Group entities							
Subsidiaries	-	-	-	244 441	500 646	-	745 087
Associates	-	-	-	10 015	84	-	10 099
Key management personnel of the Bank and UniCredit S.p.A.	20	516	5	50	273	10	874
<b>Total</b>	<b>20</b>	<b>516</b>	<b>5</b>	<b>389 979</b>	<b>501 194</b>	<b>10</b>	<b>891 724</b>
<b>GUARANTEES ISSUED</b>							
UniCredit S.p.A. – 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
Bank Pekao S.A. Group entities							
Subsidiaries	-	-	-	1 815	110 735	1 320 137	1 432 687
Associates	-	-	-	500	-	-	500
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1 214</b>	<b>1 928</b>	<b>132 000</b>	<b>461 469</b>	<b>1 665 088</b>	<b>2 261 699</b>
<b>FINANCIAL RECEIVED</b>							
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	9 885	-	-	-	-	-	9 885
<b>Total</b>	<b>9 885</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 885</b>
<b>GUARANTEES RECEIVED</b>							
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
<b>Total</b>	<b>-</b>	<b>1 211</b>	<b>1 275</b>	<b>47 980</b>	<b>22 611</b>	<b>3 640</b>	<b>76 717</b>

## 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
<b>FINANCIAL COMMITMENTS GRANTED</b>						
UniCredit S.p.A. – 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
Bank Pekao S.A. Group entities						
Subsidiaries	23 869	4 524	-	715 055	1 639	745 087
Associates	-	-	-	10 099	-	10 099
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	874	-	874
<b>Total</b>	<b>98 042</b>	<b>4 524</b>	<b>-</b>	<b>787 519</b>	<b>1 639</b>	<b>891 724</b>
<b>GUARANTEES ISSUED</b>						
UniCredit S.p.A. – 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
Bank Pekao S.A. Group entities						
Subsidiaries	966 641	-	354 470	111 576	-	1 432 687
Associates	-	-	-	500	-	500
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	-	-	-
<b>Total</b>	<b>1 022 982</b>	<b>-</b>	<b>354 470</b>	<b>884 247</b>	<b>-</b>	<b>2 261 699</b>
<b>FINANCIAL RECEIVED</b>						
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	-	-	-	9 885	-	9 885
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 885</b>	<b>-</b>	<b>9 885</b>
<b>GUARANTEES RECEIVED</b>						
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
<b>Total</b>	<b>36 466</b>	<b>-</b>	<b>-</b>	<b>40 251</b>	<b>-</b>	<b>76 717</b>



## 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.

## **38. 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 Bank is PLN 59 484 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 notes to the financial statements constitute an integral part of the unconsolidated financial statements*

## Annex 1

### **New standards, interpretations and amendments to published standards that have been approved and published by the European Union and are effective 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank is currently assessing the impact of the IFRS 9 application on its financial statement, however due to the nature of the Bank, it is expected that these changes will have a significant impact on the Bank's financial instruments valuation and presentation.

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

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

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

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

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

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

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

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

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

## Annexes to the financial statements (cont.)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Annexes to the financial statements (cont.)

- **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 Bank 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 Bank 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 Bank 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.