

**Report of
Bank Pekao S.A. Group
for the three quarters of
2015**



Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015



Warsaw, November 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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1 Highlights of Bank Pekao S.A. Group

	3 QUARTERS 2015	3 QUARTERS 2014	2014	2013
INCOME STATEMENT CONTINUED OPERATIONS – SELECTED ITEMS^(*) <i>(in PLN million)</i>				
Operating income	5,290.8	5,509.7	7,345.7	7,493.6
Operating costs	(2,421.1)	(2,476.1)	(3,285.8)	(3,330.9)
Gross operating profit	2,869.7	3,033.6	4,060.0	4,162.7
Profit before income tax	2,298.5	2,499.8	3,359.7	3,432.9
Net profit for the period attributable to equity holders of the Bank	1,854.1	2,023.7	2,714.7	2,767.3
INCOME STATEMENT – SELECTED ITEMS <i>(in PLN million)</i>				
Operating income	5,290.8	5,509.7	7,345.7	7,565.3
Operating costs	(2,421.1)	(2,476.1)	(3,285.8)	(3,376.1)
Gross operating profit	2,869.7	3,033.6	4,060.0	4,189.2
Profit before income tax	2,298.5	2,499.8	3,359.7	3,454.2
Net profit for the period attributable to equity holders of the Bank	1,854.1	2,023.7	2,714.7	2,784.8
PROFITABILITY RATIOS				
Return on average equity (ROE)	10.4%	11.4%	11.5%	12.0%
Net interest margin	2.8%	3.2%	3.1%	3.4%
Non-interest income / operating income	40.3%	37.2%	38.3%	39.6%
Cost / income	45.8%	44.9%	44.7%	44.6%
STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS <i>(in PLN million)</i>				
Total assets	170,791.6	163,751.8	167,625.0	158,521.7
Net loans and advances to customers ^(**)	123,663.1	110,530.3	114,978.1	103,937.3
Amounts due to customers	128,600.6	120,281.2	125,609.0	119,796.7
Debt securities issued	3,627.6	4,105.1	3,857.0	3,063.7
Equity	22,862.4	23,402.0	24,045.7	23,514.2
STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS				
Net loans / total assets	72.4%	67.5%	68.6%	65.6%
Securities / total assets	17.8%	20.3%	15.0%	22.2%
Deposits ^(***) / total assets	77.4%	76.0%	77.2%	77.5%
Net loans / deposits ^(***)	93.5%	88.9%	88.8%	84.6%
Equity / total assets	13.4%	14.3%	14.3%	14.8%
Capital Adequacy Ratio (Basel III) ^(****)	17.7%	18.3%	17.3%	18.3%
EMPLOYEES AND NETWORK				
Total number of employees	18,471	18,555	18,765	18,916
Number of outlets	992	999	1,034	1,001
Number of ATMs	1,767	1,826	1,825	1,847

(*) As financial data for 2015 and 2014 don't include results of PJSC UniCredit Bank – sold on July 16, 2013 – to ensure comparability, the section "Income statement continued operations – selected items" was added where for 2013 only results of continued operations, i.e. excluding PJSC UniCredit Bank, are reported.

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

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

(****) The total capital ratio for the period of 2013-2015 was calculated in accordance with the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 in force since January 1, 2014.

Note: In relation to changes in accounting policy in 2013 (for description refer to the Note 5 to the Consolidated Financial Statement of Bank Pekao S.A. Group for the period ended on December 31, 2014) data for 2013 have been presented in accordance with the new rules.

Highlights of Bank Pekao S.A. Group for the three quarters of 2015 and for 2014 beginning from takeover date (i.e. December 22, 2014) include data of Spółdzielcza Kasa Oszczędnościowo-Kredytowa named Mikołaj Kopernik in Omontowice.

Highlights of Bank Pekao S.A. Group for the three quarters of 2015 include data of Pekao Investment Banking S.A. (f. UniCredit CAIB Poland S.A.) took over by the Bank on January 1, 2015 under acquisition of 100% of the share capital.

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2 Highlights of Bank Pekao S.A.

	3 QUARTERS 2015	3 QUARTERS 2014	2014	2013
INCOME STATEMENT – SELECTED ITEMS <i>(in PLN million)</i>				
Operating income	5,145.0	5,301.8	7,034.7	7,187.3
Operating costs	(2,257.1)	(2,327.1)	(3,086.6)	(3,124.8)
Gross operating profit	2,887.9	2,974.7	3,948.1	4,062.5
Profit before income tax	2,333.0	2,461.6	3,270.1	3,436.4
Net profit for the period	1,917.7	2,014.7	2,662.3	2,800.0
PROFITABILITY RATIOS				
Return on average equity (ROE)	11.3%	11.7%	11.6%	12.3%
Net interest margin	2.8%	3.2%	3.1%	3.3%
Non-interest income / operating income	37.4%	34.7%	36.2%	38.0%
Cost / income	43.9%	43.9%	43.9%	43.5%
STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS <i>(in PLN million)</i>				
Total assets	167,837.7	160,355.4	164,322.8	155,286.6
Net loans and advances to customers ^(*)	120,084.3	106,895.5	111,389.2	100,569.2
Amounts due to customers	128,941.9	120,360.4	126,381.3	119,868.7
Debt securities issued	2,424.2	3,094.8	2,819.7	2,240.5
Equity	22,299.0	22,786.8	23,387.2	22,848.7
STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS				
Net loans / total assets	71.5%	66.7%	67.8%	64.8%
Securities / total assets	18.0%	20.6%	15.3%	22.6%
Deposits ^(**) / total assets	78.3%	77.0%	78.6%	78.6%
Net loans / deposits ^(**)	91.4%	86.6%	86.2%	82.4%
Equity / total assets	13.3%	14.2%	14.2%	14.7%
Capital Adequacy Ratio (Basel III) ^(***)	18.2%	18.1%	17.1%	18.3%
EMPLOYEES AND NETWORK				
Total number of employees	16,501	16,720	16,914	17,092
Number of outlets	992	999	1,034	1,001
Number of ATMs	1,767	1,826	1,825	1,847

(*) Including debt securities eligible for rediscounting at Central Bank.

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

(***) The total capital ratio for the period of 2013-2015 was calculated in accordance with the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 in force since January 1, 2014.

Note: In relation to changes in accounting policy in 2013 (for description refer to the Note 4 to the Unconsolidated Financial Statements of Bank Pekao S.A. for the period ended on 31 December 2014) data for 2013 have been presented in accordance with the new rules.

Highlights of Bank Pekao S.A. for the three quarters of 2015 and for 2014 beginning from takeover date (i.e. December 22, 2014) include data of Spółdzielcza Kasa Oszczędnościowo-Kredytowa named Mikołaj Kopernik in Omontowice.

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3 Summary of Performance

Net profit of Bank Pekao S.A. Group attributable to equity holders for the three quarters of 2015 amounted to PLN 1,854.1 million allowing return on average capital (ROE) at the level of 10.4% achieved with a strong capital base reflected by CAR at 17.7% (Basel III).

The Group's gross operating profit (excluding guarantee funds charges) reported for the three quarters of 2015 was lower by PLN 163.9 million, i.e. 5.4% in comparison to the three quarters of 2014, affected by negative impact of regulatory constraints and lower interest rates, supported by growing volumes and gains on sale of available for sale portfolio and lower operating costs.

Thanks to the effective commercial activity of the Group over the past twelve months a significant growth in loan volumes was reported both in the area of retail loans (an increase of 9.9% year on year) as well as in the area of corporate customers' financing (an increase of 12.4% year on year). Such substantial increase in lending was largely financed by higher deposit volumes growing 11.6% year on year in the area of retail deposits and 2.2% year on year increase in the area of amounts due to corporate customers.

The strength of the liquidity structure of Bank Pekao S.A. Group is reflected by net loans to deposits ratio at 93.5% at the end of September 2015. This together with strong equity level enables for further sound and stable development of the Group's activities.

In the three quarters of 2015, the Group's operating income amounted to PLN 5,290.8 million, a decrease of PLN 218.9 million, i.e. 4.0% in comparison with the three quarters of 2014 with the following trends:

- total net interest income, dividend income and income from equity investments in the three quarters of 2015 amounted to PLN 3,161.2 million and was lower by PLN 301.0 million, i.e. 8.7% compared to the three quarters of 2014 due to negative impact of lower interest rates, including in particular reduction of the maximum interest rate applicable to loans. This negative impact was partially compensated thanks to higher volumes,
- the Group's net non-interest income in the three quarters of 2015 amounted to PLN 2,129.6 million, an increase of PLN 82.1 million, i.e. 4.0% in comparison with the three quarters of 2014 thanks to higher trading result supported by gains on sale of available for sale portfolio and net other operating income and expenses supported by compensation under an insurance contract. Net fee and commission income was lower by 2.8% compared to the three quarters of 2014, mainly due to negative impact of interchange rates reduction.

In the three quarters of 2015, the operating costs (excluding guarantee funds charges) were kept under control and amounted to PLN 2,421.1 million. They were lower than the operating costs in the three quarters of 2014 by PLN 55.0 million, i.e. 2.2%.

Guarantee funds charges in the three quarters of 2015, amounted to PLN 205.9 million, an increase of PLN 100.0 million, i.e. 94.4% in comparison with the three quarters of 2014 due to higher BGF rates introduced in 2015.

The Group's net impairment losses on loans and off-balance sheet commitments amounted to PLN 397.2 million in the three quarters of 2015, a decrease of PLN 27.2 million, i.e. 6.4% as compared with the three quarters of 2014.

As of September 30, 2015, the ratio of impaired receivables to total receivables amounted to 6.3% and was better by 0.6 p.p. as compared to the end of September 2014.

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As at the end of September 2015, the total amounts due to the Group's customers and debt securities issued amounted to PLN 132,228.2 million, an increase of PLN 7,841.9 million, i.e. 6.3% in comparison to the end of September 2014.

- The total volume of retail customers deposits, Structured Certificates of Deposit and other amounted to PLN 60,638.5 million at the end of September 2015, an increase of PLN 6,290.4 million, i.e. 11.6% in comparison to the end of September 2014. The value of net assets of investment funds managed by Pioneer Pekao TFI S.A. amounted to PLN 16,936.2 million at the end of September 2015, an increase of PLN 202.9 million, i.e. 1.2% in comparison to the end of September 2014.
- The total volume of corporate deposits, repo and sell-buy-back transactions, Certificates of Deposit, Pekao Bank Hipoteczny S.A. covered bonds, interest and other amounted to PLN 71,589.7 million at the end of September 2015, an increase of PLN 1,551.5 million, i.e. 2.2% as compared to the end of September 2014 following the strategy to focus on growth in retail customers deposits with cost optimization approach in area of corporate deposits.

As at the end of September 2015, the volume of total customers' financing amounted to PLN 129,541.2 million, an increase of PLN 13,271.1 million, i.e. 11.4% in comparison to the end of September 2014.

- As at the end of September 2015, the volume of retail loans amounted to PLN 52,427.9 million, an increase of PLN 4,737.9 million, i.e. 9.9% in comparison to the end of September 2014.
- The volume of corporate loans, non-quoted securities, reverse repo transactions and securities issued by non-monetary entities increased by PLN 8,533.2 million, i.e. 12.4% as compared to the end of September 2014 and amounted to PLN 77,113.3 million at the end of September 2015.

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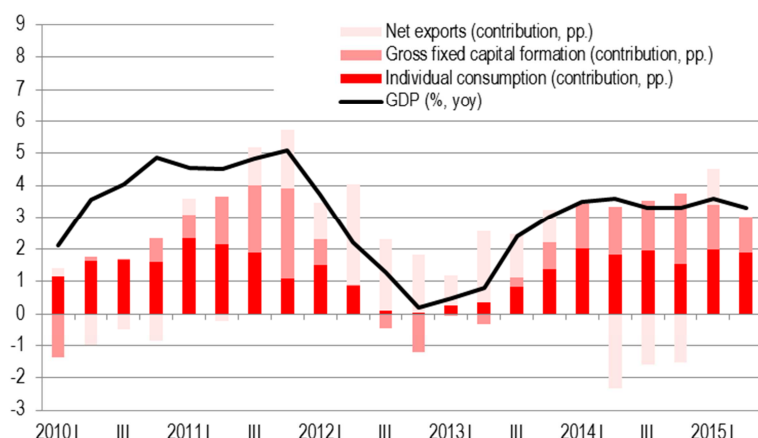
4 External Environment

Economic growth

In the second quarter of 2015, Polish economic growth reached 3.3% year on year as compared with 3.6% year on year in the first quarter. According to the seasonally adjusted data the pace of gross domestic product (GDP) moderated to 0.9% quarter on quarter from 1.0% quarter on quarter in the first quarter. Domestic demand increased by 3.3% year on year in the second quarter of 2015 after increasing by 2.6% year on year in the previous quarter. At the same time the positive contribution of foreign trade to the GDP significantly lowered. In the second quarter net exports had neutral impact on the GDP, while in the first quarter it boosted economic growth by 1.1 p.p. It was a consequence of a decline in exports growth to 5.2% year on year from 8.0% year on year in the previous quarter, while slowdown in imports growth was slightly lower (5.4% year on year vs. 6.0% year on year in the first quarter).

Investments activity declined markedly in the second quarter of 2015. Fixed investments increased by 6.4% year on year, while in the first quarter investments rose at a double-digit pace (11.4% year on year). The negative impact of change in inventories was markedly lower. In the second quarter, change in inventories decreased by 0.2 p.p. the economic growth, while in the previous quarter the negative contribution of change in stocks amounted to 1.5 p.p. Households consumption continued expanding at a solid pace, increasing by 3.0% year on year in the second quarter as compared with 3.1% year on year growth in the first quarter. Consumption was supported by the ongoing improvement of the labour market (rising nominal wage bill) and declining prices (including fuel prices), what had positive impact on the real purchasing power of households.

In 2015 as a whole Polish economic growth is forecast at 3.7%, what means that in the second half of the year the GDP should increase at the pace close to 4% year on year. The main downside risk to such a scenario comes from deteriorating economic conditions in China and other emerging markets, what is likely to translate into slower growth in the external environment of the Polish economy, however the scale of this slowdown is expected to be moderate with a slight impact on the domestic economy. Another downside risk is linked to a potential further slowdown in investment activity in the second half of 2015. At the same time, the GDP growth should be stabilized by households consumption.

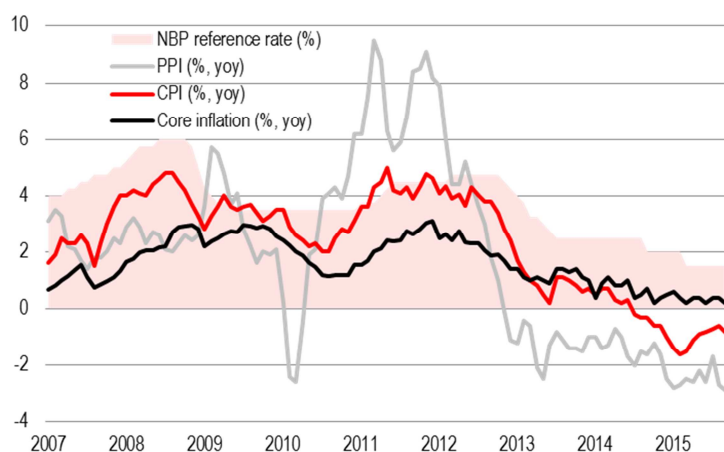


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Inflation and monetary policy

CPI inflation in September 2015 amounted to -0.8% year on year and was lower than the lower limit of acceptable deviations from the inflation target of the National Bank of Poland (NBP) of 1.5%. The low level of inflation in September was mainly due to the fall in prices of transport (by -10.0% year on year), clothing and footwear (by -4.4% year on year) and food (-0.1% year on year).

In the third quarter of 2015, Monetary Policy Council (MPC) kept interest rates unchanged and at the end of September the NBP reference rate was 1.50% and the Lombard rate was 2.50%. In the opinion of the Council, price growth will be slowly increasing in the nearest quarters. Its growth will be supported by the expected stable economic growth, amidst the recovery in the euro zone and a favorable situation in the domestic labor market. At the same time, increasing risk of stronger economic slowdown in emerging economies and the declining commodity prices have raised the uncertainty about the pace of inflation returning to the target.



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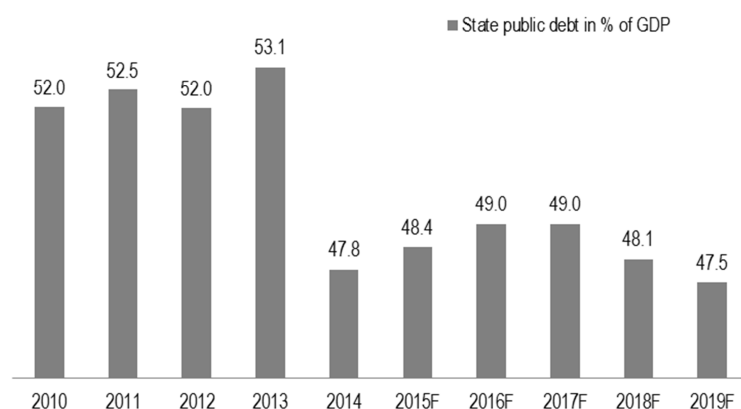
Fiscal policy

After August the state budget deficit (domestic methodology, cash basis) was narrower than envisaged in the budget execution plan in 2015. During January-September period the deficit amounted to PLN 31.1 billion i.e. 67.6% of the annual limit, whereas according to the execution schedule the deficit after August was planned at PLN 35.1 billion (76.3% of the annual target). It should be stressed that lower-than-expected deficit was achieved mostly thanks to a discipline on the expenditure side. In the first nine months of 2015, expenditures amounted to PLN 241.2 billion and were as much as PLN 12.4 billion lower than planned. At the same time continued deflation and a significant scale of missing trader frauds (carousel frauds) in VAT weighted down on VAT collections. After the nine months of 2015, revenues from the VAT were as much as PLN 3.9 billion lower than in the corresponding period of 2014. Total budget revenues since January until September were by PLN 8.4 billion lower than the sum envisaged in the execution schedule.

In the 2016 draft budget, the next year's deficit is planned at PLN 54.6 billion vs. PLN 46.1 billion expected in 2015. In the draft budget, the 2015 budget revenues are expected to be PLN 12.6 billion lower than in the current budget act (including decline in the VAT revenues at estimated level of PLN 13.6 billion) and that under the assumption that the non-tax revenues will be nearly PLN 7 billion higher than in the budget act (probably thanks to proceeds from the still ongoing LTE frequencies auction). The draft budget indicates the 2016 net borrowing needs at PLN 73.3 billion vs. PLN 58.0 billion expected in 2015. Next year's gross borrowing needs are estimated at ca. PLN 180 billion.

In the first half of 2015, the general government posted a deficit of PLN 10.3 billion as compared with PLN 13.5 billion deficit reported in the corresponding period of 2014. In 12-month terms the general government deficit lowered to 2.8% of the GDP from 3.3% of the GDP at the end of 2014. According to the draft budget in 2015 and 2016 the general government deficit is expected at 2.8% of the GDP.

According to the official data of the Ministry of Finance at the end of the second quarter of 2015 the state public debt amounted to PLN 858.2 billion (48.8% of the GDP) vs. PLN 848.2 billion (48.7% of the GDP) at the end of the first quarter of the same year. The domestic debt reached PLN 564.6 billion (65.8% of total debt), while foreign debt totaled PLN 293.6 billion. In the second quarter of 2015, the domestic debt increased by PLN 5.4 billion and the foreign debt rose by PLN 4.6 billion. At the end of the second quarter of 2015, the general government debt stood at PLN 895.7 billion (51.0% of the GDP) as compared with PLN 866.4 billion (50.9% of the GDP) at the end of the first quarter. According to *The Public Finance Sector Debt management Strategy for the Years 2016-2019* the state public debt is forecasted at 48.4% of the GDP in 2015 and 49.0% of the GDP in 2016, while the general government debt is forecasted at 51.0% of the GDP and 51.8% of the GDP respectively.

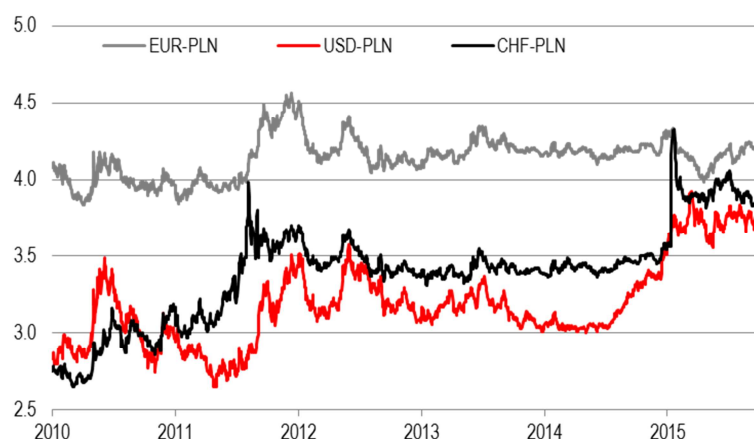


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Currency exchange rate

The global FX market was volatile over the third quarter 2015. The EUR-USD was moving within the wide range of 1.08-1.17. The exchange rate strengthened slightly by 0.7% over the period, but it was higher even by ca. 5% vs end of June in the meantime. The USD weakness was the main driver for the EUR-USD increase in the second half of August 2015. Investors were selling the greenback due to lower probability of Fed's rate hike in September. A sharp sell-off on Asian stock markets, related to concerns on Chinese and global economy supported such scenario. In fact, the Federal Reserve hold interest rates at a record low level in September 2015. Currently markets expect that monetary tightening may begin next year. Such call justifies a baseline scenario, which assumes a systematic rise in the EUR-USD towards 1.20 in the coming weeks.

The zloty was volatile due to changes in investment mood on global financial markets. In the third quarter, the zloty depreciated against the euro (by 1.0%), while strengthened solidly (by 4.0%) against the CHF due to strong growth in the EUR-CHF. Initially the zloty appreciated and reached the strongest level against the euro since May 2015 (4.10). Such performance was the result of agreement between Greece and foreign creditors, what lowered a global risk aversion. However the zloty trimmed gains till the end of August on rising concerns about developments in Asian financial markets. A risk of longer deflation in Poland shifted expectations for rates hikes for 2017, what affected the zloty as well. In the last weeks of the third quarter, the zloty was quoted in the range of 4.18-4.26/EUR. It is likely to remain under pressure in the coming weeks. The uncertain outlook for the global economy and the impact of domestic factors (parliamentary elections, the risk of deflation and record low interest rates in longer horizon) can fix the zloty on lower levels. At the end of the year it is expected an improvement at ca. 4.20/EUR.



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Banking sector

According to the NBP data, in the period of January – September 2015 net profit of the banking sector amounted to PLN 11.4 billion and was lower by 12.0% as compared to the corresponding period of 2014. The sector's financial results were under pressure of historically low NBP's interest rates (most of all – by the Lombard rate which was lowered to 2.5% starting from March 2015, limiting the maximum rate of consumer loans to 10%) as well as by unfavorable regulations such as a decline of interchange fees or an increase of the contribution to the Bank Guarantee Fund. As a result of unfavorable environment banking activity result decreased by 5.9% year on year. This was due to both, decrease in net interest income by 8.2% year on year and decrease in fee and commission income by 2.3% year on year. Simultaneously, the overall operating cost increased by 1.8% year on year. Declining value of impairments on assets (-13.4% year on year) had positive impact on bank results.

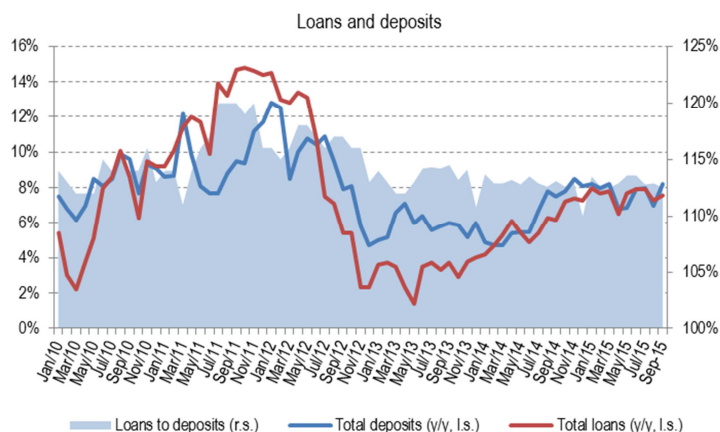
According to the Financial Supervision Authority (KNF), at the end of August 2015 banking sector assets amounted to PLN 1,589 billion, an increase of 4.2% year on year. Loans to non-financial sector increased by 7.5% year on year and deposits of that sector increased by 9.9% year on year.

According to the NBP data, at the end of September 2015 the nominal volume of loans to households was by 6.1% higher as compared to the end of September 2014. Strengthening of CHF against the zloty (after the Swiss National Bank had decided to cease to defend EUR/CHF anchor at 1.20) had significant impact on the pace of growth of retail loans. CHF/PLN rate at the end of September 2015 increased by 12.1% year on year, making the zloty value of CHF denominated loans to expand. The FX-adjusted real pace of growth of loans to household came at ca. 3 – 4% year on year. Taking into consideration favorable macro environment (the GDP and salaries increase and lower unemployment rate) as well as low interest rates, it should be regarded as an unsatisfying result. In September, the growth rate in loans to enterprises was 8.3% year on year.

The relatively low pace of growth of loans to households resulted partially from unfavorable regulatory environment (e.g. higher down-payment requirements in case of mortgages) and low deposit rates (which strengthened tendency to purchase homes for cash as savers started to search for alternative investment opportunities such as real estates) as well as relatively high penetration of consumer loans in relation to the GDP. Concerning loans to enterprises, macro environment and historically low level of interest rates provide strong support to credit action. On the other hand, enterprises tend to diversify sources of funding through the capital market (which is reflected by high pace of growth of corporate bonds market).

At the end of September 2015, the volume of deposits of households increased by 9.2% year on year. Despite low deposit rates, the pace of growth of volume is relatively high, which reflects favorable macroeconomic environment (growth of the GDP, employment and wages, combined with deflation) affecting financial situation and liquidity of households as well as limited attractiveness of alternative investment strategies (e.g. on the capital markets).

Concerning corporate deposits, the volume increased by 11.6% year on year at the end of September 2015. Positive business climate supports financial results and liquidity surplus of enterprises. Inflow of funds from abroad to foreign-owned local subsidiaries also influence the pace of growth of corporate deposits, as enterprises temporarily place such funds in local banking system before financing operating activities and/or investments with them.



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5 Internal Factors

5.1 Description of the Group

The Group's structure is presented in the Notes to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the three quarters of 2015.

5.2 Changes in the Group's structure

Acquisition of the company

On January 1, 2015, the Bank acquired 100% of the share capital of UniCredit CAIB Poland S.A. and obtained control over the entity. On January 14, 2015, the name of UniCredit CAIB Poland S.A. was changed to Pekao Investment Banking S.A. Pekao Investment Banking S.A. specializes in corporate finance, in particular referring to mergers and acquisitions, public and private offering, as well as securities trading on secondary market. As a result of the acquisition, the Group extended the offer of services provided to the customers from corporate banking segment.

Liquidation of the company

In the current report No. 1/2015 dated January 23, 2015, the Management Board of Bank Pekao S.A. informs that it received a ruling of the Local Court for the Capital City of Warsaw in Warsaw concerning the deletion as at January 8, 2015 from the National Court Register of the Bank's subsidiary, Pekao Telecentrum Sp. z o.o. in liquidation. The Bank informed of the winding-up of Pekao Telecentrum Sp. z o.o. in the current report No. 34/2013 dated December 2, 2013.

On April 30, 2015, the Management Board of Bank Pekao S.A. informed in the current report no. 11/2015 that on April 30, 2015 the Extraordinary Shareholders Meeting of Pekao Leasing Holding S.A., which the Bank is the only shareholder, took resolution on winding-up of the company and starting liquidation procedure of the company within the date the resolution was taken. Decision on the liquidation of holding company aims at simplification of organization structure in the Group as well as governance of leasing and as a consequence rationalization of operating costs.

Sale of shares in Krajowa Izba Rozliczeniowa S.A.

On July 15, 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%.

Information on effect of disposal is presented in the Note 31 of the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the three quarters of 2015.

5.3 Changes in the Statutory Bodies of the Bank

Supervisory Board

On April 28, 2015, the Management Board of Bank Pekao S.A. informed in the current report no. 6/2015 about resignation from the position of Member of the Supervisory Board of the Bank as at the end of April 30, 2015 by Mrs. Małgorzata Adamkiewicz, due to new professional duties and by Mr. Paweł Dangel due to new professional duties outside Poland.

On April 30, 2015, the Management Board of Bank Pekao S.A. informed in the current report no. 9/2015 that the Ordinary General Meeting of Bank Pekao S.A. on 30 April 2015 appointed Mr. Dariusz Filar and Ms. Katarzyna Majchrzak as Members of the Supervisory Board of the Bank effective May 1, 2015 for the current, common term of office of the Supervisory Board of the Bank. The Management Board of the Bank informed that the Supervisory Board, having performed the assessment, gave its opinion that Mr. Dariusz Filar and Ms. Katarzyna Majchrzak meet the requirements for individual and collective suitability as required from members of the Supervisory Board of the Bank.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

Composition of the Supervisory Board:

SEPTEMBER 30, 2015	DECEMBER 31, 2014
Jerzy Woźnicki Chairman of the Supervisory Board	Jerzy Woźnicki Chairman of the Supervisory Board
Roberto Nicastrò Deputy Chairman of the Supervisory Board	Roberto Nicastrò Deputy Chairman of the Supervisory Board
Leszek Pawłowicz Deputy Chairman of the Supervisory Board	Leszek Pawłowicz Deputy Chairman of the Supervisory Board
Alessandro Decio Secretary of the Supervisory Board	Alessandro Decio Secretary of the Supervisory Board
Dariusz Filar Member of the Supervisory Board	Małgorzata Adamkiewicz Member of the Supervisory Board
Katarzyna Majchrzak Member of the Supervisory Board	Paweł Dangel Member of the Supervisory Board
Laura Penna Member of the Supervisory Board	Laura Penna Member of the Supervisory Board
Wioletta Rosołowska Member of the Supervisory Board	Wioletta Rosołowska Member of the Supervisory Board
Doris Tomanek Member of the Supervisory Board	Doris Tomanek Member of the Supervisory Board

Management Board of the Bank

The Management Board of Bank Pekao S.A. informed in the current report no. 10/2015 that the Supervisory Board of the Bank appointed, effective from April 30, 2015, Mr. Adam Niewiński as Vice President of the Management Board of Bank Pekao S.A. for the current, common term of office of the Management Board of the Bank. The Supervisory Board of the Bank gave its opinion, that Mr. Adam Niewiński meets the requirements of the individual and collective suitability as required from members of the Management Board of the Bank.

Composition of the Management Board:

SEPTEMBER 30, 2015	DECEMBER 31, 2014
Luigi Lovaglio President of the Management Board, CEO	Luigi Lovaglio President of the Management Board, CEO
Diego Biondo Vice President of the Management Board	Diego Biondo Vice President of the Management Board
Andrzej Kopyrski Vice President of the Management Board	Andrzej Kopyrski Vice President of the Management Board
Adam Niewiński Vice President of the Management Board	Grzegorz Piwowar Vice President of the Management Board
Grzegorz Piwowar Vice President of the Management Board	Stefano Santini Vice President of the Management Board
Stefano Santini Vice President of the Management Board	Marian Ważyński Vice President of the Management Board
Marian Ważyński Vice President of the Management Board	

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

5.4 The Bank's shareholding structure

As of September 30, 2015, the share capital of Bank Pekao S.A. amounted to PLN 262,470,034 and it was divided into 262,470,034 shares.

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

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

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

SHAREHOLDER'S NAME	NUMBER OF SHARES AND VOTES AT THE GENERAL MEETING	SHARE IN SHARE CAPITAL AND TOTAL NUMBER OF VOTES AT THE GENERAL MEETING	NUMBER OF SHARES AND VOTES AT THE GENERAL MEETING	SHARE IN SHARE CAPITAL AND TOTAL NUMBER OF VOTES AT THE GENERAL MEETING
	SEPTEMBER 30, 2015		DECEMBER 31, 2014	
UniCredit S.p.A.	131,497,488	50.10%	131,497,488	50.10%
Other shareholders (below 5%)	130,972,546	49.90%	130,972,546	49.90%
Total	262,470,034	100.00%	262,470,034	100.00%

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

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

5.5 Financial credibility ratings

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

As of September 30, 2015, Bank Pekao S.A.'s creditworthiness was rated as follows:

FITCH RATINGS	BANK PEKAO S.A.	POLAND
Long-term rating (IDR)	A-	A-
Short-term rating	F2	F2
Viability rating	a-	-
Support rating	2	-
Outlook	Stable	Stable
STANDARD AND POOR'S RATINGS SERVICES	BANK PEKAO S.A.	POLAND
Long-term rating	BBB+	A-
Short-term rating	A-2	A-2
Stand-alone credit profile	bbb+	-
Outlook	Negative	Positive
MOODY'S INVESTORS SERVICE LTD. (UNSOLICITED RATING)	BANK PEKAO S.A.	POLAND
Long-term foreign-currency deposit rating	A2	A2
Short-term deposit rating	Prime-1	Prime-1
Baseline Credit Assessment	baa1	-
Long-term counterparty risk assessment	A1(cr)	-
Short-term counterparty risk assessment	Prime-1(cr)	-
Outlook	Stable	Stable / Negative(*)

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

Bank Pekao S.A. has the highest Viability rating assigned by Fitch Ratings, the highest Stand-Alone Credit Profile rating assigned by Standard & Poor's Rating Services and the highest Baseline Credit Assessment rating and both Long-term and Short-term counterparty risk assessment assigned by Moody's Investors Service among banks rated by these agencies in Poland.

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

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

5.6 Achievements of Bank Pekao S.A.

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

Following decision of The Polish Financial Supervision Authority on December 5, 2014 Bank Pekao S.A. took over Spółdzielcza Kasa Oszczędnościowo-Kredytowa named Mikołaj Kopernik in Ornontowice. Due to the above, data of Bank Pekao S.A. Group as of September 30, 2015 presented in this chapter include data of acquired Spółdzielcza Kasa Oszczędnościowo-Kredytowa.

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

	30.09.2015	30.09.2014
Total number of outlets	992	999
Total number of own ATMs	1,767	1,826

The Bank's clients can also make commission-free cash withdrawals from the European network of the UniCredit Group ATMs.

As at the end of September 2015, the Bank maintained 5,279.3 thousand PLN-denominated current accounts, 302.5 thousand mortgage loan accounts and 575.2 thousand consumer loan accounts.

	30.09.2015	30.09.2014
Total number of PLN current accounts (*)	5,279.3	5,170.7
of which packages	3,936.0	3,852.3
Number of mortgage loans accounts (**)	302.5	283.2
of which PLN mortgage loans accounts	265.9	244.3
Number of consumer loan accounts (***)	575.2	606.1

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

(**) Retail customers accounts.

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

Individual clients

In the third quarter of 2015, the Bank's activities were focused on promotion of modern products offer and mobile package solutions. The Bank, strongly emphasizing its presence on the local market, promoted innovative solutions in co-operation with the Bank's partners, among others, during Woodstock Music Festival and the Pekao Szczecin Open tennis tournament.

At this year's Woodstock Music Festival, Bank Pekao S.A., in co-operation with the Great Orchestra of Christmas Charity, prepared for the consecutive time a payment card with the image of the largest music festival in Poland. During Festival the Bank promoted non-cash payments providing opportunity to execute payments using payment cards and the PeoPay mobile application.

On the occasion of the 23rd edition of the Pekao Szczecin Open tennis tournament, special and limited edition of debit card was issued to Eurokonto account with the image of the tennis tournament. Additionally, the Bank in co-operation with partners of the Discount Program Galeria Rabatów prepared an offer of special rebates for purchases and services executed with the use of payments card with the image of the tennis tournament.

The Bank has started a marketing campaign promoting individual accounts dedicated to young persons – from 13 to 30 years of age. The Bank focused on local activities, mainly in schools and universities. In the third quarter of 2015, Bank Pekao S.A. and Katolicki Uniwersytet Lubelski Jana Pawła II in Lublin (The John Paul II Catholic University of Lublin) signed an agreement on co-operation regarding issuance of student card with the payment function. Within a single card students were provided with the function of identification, a library card and a contactless payment card.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

Loans

In the third quarter of 2015, value of PLN mortgage loans granted by the Bank amounted to over PLN 1.8 billion and was higher by 17% in comparison with the corresponding period of the previous year. The Bank's share in this segment amounted to 18% (in terms of volume) at the end of September 2015.

The Bank actively participated in the government program "Mieszkanie dla Młodych" ("Apartment for the Young") supporting the persons aged up to 35 in acquisition of the first new apartment. After three quarters of 2015, the Bank's market share in the sale of these loans amounted to 40%. The Bank conducted also local and country-wide promotional activities of mortgage loans, including promotional campaigns in the Internet and internal channels of marketing communication as well as participated on a regular basis in real estate fairs organized all over the country.

In the area of cash loans, the Bank focused on offering an attractive and competitive offer of Pożyczka Ekspresowa (Express Loan), which in a fast and convenient way allows to finance any consumer purpose. In the third quarter of 2015, the value of cash loans granted amounted to ca. PLN 1.7 billion and was higher by 28% in comparison with the corresponding period of 2014.

Within the framework of electronic cash loan granting process through the Internet "Klik Gotówka" ("Click Cash") in the Pekao24 system, it was implemented also opportunity to buy credit card, dedicating the Bank's offer a broader group of customers.

The Bank continued nationwide marketing activities on TV and actively used electronic channels, i.e. website dedicated to consumer loans, the Pekao24 system and mobile application.

Payment cards

Since the third quarter of 2015, customers were provided with ability to customize image of credit and debit cards to their individual preferences by selecting card image from several proposals available in the catalogue, which was highly appreciated by the customers.

In the third quarter of 2015, the Bank intensively promoted Flexia payment card. Flexia is an innovative solution, that combines the advantages of a credit card with the ability to reschedule selected payments. The customer has opportunity to select transactions that will repay in installments and does not have to decide on repayment in installments at a time of purchase. Such a decision may be taken at any time during settlement period. Repayment may be fixed by the customer in the Pekao24 system as well as through Call Center or in the Bank's outlet.

Multicurrency debit card MasterCard, including MasterCard Debit Gold FX for the Premium Personal Banking attract large number of customers. Multicurrency cards enable execution of transactions in PLN and foreign currencies (EUR, USD, GBP, CHF) without FX conversion thanks to card's connection with corresponding currency accounts. In the third quarter of 2015, the Bank recorded significant increase in the number and volumes of foreign transactions with the use of new cards.

Saving and investment products

Thanks to a wide range of deposit products and dedicated commercial actions, in the third quarter of 2015, an increase by PLN 1.8 billion in deposits volume of individuals was noted. The most popular among the customers were the Internet deposits (e-lokata) and negotiable deposits.

In the area of investment products, in the third quarter of 2015, the Bank introduced to distribution new sub-fund Pioneer Alternatywny – Absolutnej Stopy Zwrotu. It is available within regular accounts as well as within the Program Pioneer Indywidualne Konta Emerytalne and PAK PRO/Junior.

In the area of structured products, it was issued 6-months Structured Certificates of Deposit - Walutowy CHF/PLN Spadek based on volatility of exchange rate of CHF/PLN.

In the third quarter of 2015, Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych S.A. took the first place in the XI edition of country-wide popularity poll "Laur Klienta 2015" in the category „Towarzystwa Funduszy Inwestycyjnych”. Moreover, Pioneer Pekao TFI S.A, which is three-time winner in the study received also Laur Klienta Grand Prix 2015.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

Brokerage activity

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

At the end of the third quarter of 2015, the brokerage entities maintained 350.5 thousand investment accounts and offered to its clients an electronic service of investment accounts allowing to buy and sell all instruments listed on the Warsaw Stock Exchange (WSE) and on the BondSpot market via the Internet. At the end of the third quarter of 2015, the Group's brokerage entities serving 183.2 thousand accounts with an active access to services through remote channels.

As of September 30, 2015, the total value of assets deposited on investment accounts run by the Group's retail brokerage entities amounted to PLN 22.9 billion as compared to PLN 23.7 billion at the end of September 2014.

In the third quarter of 2015, activities of the Group's brokerage entities were focused on new customers acquisition and development of tools to improve the quality of customer service via remote channels.

Private Banking

In the third quarter of 2015, the activities in the area of Private Banking were focused on development of the Bank's offer as well as on acquiring of new customers and strengthening the existing relations.

In September 2015, the new service of investment advisory was implemented to the offer, which is based on providing individual investment recommendations that take into account the needs and situation of the client. Recommendations can be implemented using a wide range of deposit and investment solutions, available in the Bank and through the Centralny Dom Maklerski Pekao S.A.(CDM). The aim of the service is to adapt the client's investment portfolio to the specific, individually prepared investment profile, called Reference Portfolio. The service of investment advisory ensures a personalized approach to the client, global diversification of investment instruments selection and access to the knowledge of the Bank's experts. The service covers also financial instruments that are not listed on regulated market i.e. units of open-ended investment funds, as well as insurance-investment solutions, including structured products and insurance-investment products.

In the investment area, the Private Banking clients were offered: a new sub-fund of Pioneer Alternative - Absolute Rate of Return on funds of Pioneer Funds Global SFIO and Pioneer Global Strategy - conservative on Fund Pioneer Strategies of the Funds SFIO, and through CDM, investment certificates: Altus ASZ FIZ - Sub-Fund Altus Polish market and ASZ FIZ - Foreign Markets Sub-Fund and PZU FIZ Medical. Among the offer of foreign funds there are 3 new Schroders funds (in) PLN Hedged: Schroder ISF Global Equity, Schroder ISF Global Emerging Market Opportunities and Schroder ISF Indian Opportunities.

Additionally, the Private Banking clients were provided with free of charge support of the financial planning expert.

In the third quarter of 2015, the multi-currency card World Elite Debit MasterCard was awarded with the prestigious title of Quality International 2015. The Chapter of the Program held under the auspices of the Ministry of Economy, Polish Agency for Enterprise Development and Polish Forum ISO 9000 highly assessed the World Elite Debit MasterCard and honored activities related to the card implementation, as well as promoting the idea of quality in all aspects in the Bank, especially in the field of card products.

In the third quarter of 2015, the Private Banking clients had an opportunity to participate in events such as: tennis tournament Pekao Szczecin Open sponsored by the Bank, the group stage of Champions League and Europe League matches and investment meetings, during which the experts from the Bank and selected Investment Funds presented directions and trends on financial markets.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

Small and micro enterprises (SME)

In the third quarter of 2015, the Bank continued activities focused on strengthening its market position in the area of small and micro enterprises, including also AGRO sector, enrichment and promotion of products offer and acquisition of new customers.

Promotional campaigns concerned, among others, Pożyczka Expressowa Biznes (Business Express Loan) introduced to the Bank's offer in 2015 for financing expenses related to business activity without the need to indicate the loan purpose and loans for Agro-food sector customers whose activity is subject to seasonality.

In the third quarter of 2015, loan offer was extended by "Unia" loan due to launching of the first programs financed by EU within the budget for 2014-2020. "Unia" loan is a working capital loan dedicated to customers applying for EU grant.

Moreover, there have been adjustments in the offer of preferential loans (The Agency for Restructuring and Modernisation of Agriculture - ARMA). The Bank started implementation of ARMA preferential loans with subsidized capital and interest for farmers and companies from food processing sector.

In the third quarter of 2015, the Bank introduced to its offer two new payments cards for small and micro enterprises: multicurrency debit card MasterCard Business that enables execution of transactions in PLN and foreign currencies (EUR, USD, GBP, CHF) without FX conversion thanks to card's connection with corresponding currency accounts and credit card Visa Business which allows for modern and flexible execution of payments for goods and services purchased by a company and usage of Pakiet Trwałych Korzyści by credit card holders, i.e. attractive discounts and special offers from the Bank's business partners.

In the third quarter of 2015, the number of POS terminals with the Internet connection, introduced for sale in the second quarter of 2015, significantly increased. In the third quarter of 2015, the share of these terminals in new sale accounted for 46% of all devices for payment cards acceptance.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

Electronic banking for Individuals and business customers

The Pekao24 electronic banking system for individual clients allows to manage funds on accounts through the Internet, mobile application and phone. The Internet electronic banking system enables to execute almost all operations available in the Bank's outlet. The Bank's mobile application, which is one of the most advanced application on the market, allows to execute majority of operations available in the Internet system and access to additional functionalities such as geo-location of ATMs, branches and rebate points as well as to track market information.

The Pekao24 Internet banking system and mobile application, as the only one on the Polish market, additionally allow the individual clients to manage funds on brokerage accounts held by Dom Maklerski and CDM.

SME customers of the Bank use the PekaoBiznes24 system with extensive Internet banking and fully transactional mobile application while the Pekao24 system for entrepreneurs is dedicated to self-employed customers. Both systems are an integral part of Pakiety Mój Biznes (My Business Package).

In the third quarter of 2015, the Bank introduced in the Pekao24 mobile application the opportunity to conclude a cash loan agreement with credit card and simultaneous loan disbursement on the customer's account immediately after approval of documents.

An additional convenience for the customers is to provide the legal representatives of minors with an access to minors' accounts in the Pekao24 system.

As at the end of September 2015, the number of individual users with an access to the Pekao24 system amounted to 2,856.5 thousand. In the third quarter of 2015, 1,523.0 thousand individual users logged in to the electronic banking services.

As at the end of September 2015, the number of individual users with an access to mobile banking amounted to 738.9 thousand. In the third quarter of 2015, 398.0 thousand of individual users logged in to the mobile service m.pekao24.pl and the Pekao24 mobile banking application.

(in thousand)

	30.09.2015	30.09.2014
Number of individual users with an access to electronic banking Pekao24 as at the end of period	2,856.5	2,614.4
Number of individual users actively using electronic banking Pekao24 (*)	1,523.0	1,416.7
Number of individual users with an access to mobile banking as at the end of period	889.2	531.9
Number of individual users actively using mobile banking (**)	398.0	201.9

(*) User actively using electronic banking is a user who logged in to the system at least once during the last quarter.

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

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

As at the end of September 2015, 245.4 thousand business users had an access to the electronic banking systems, of which 162.4 thousand were active users. The number of business users with an access to the electronic banking systems increased by 6.6 thousand compared to the end of September 2014.

(in thousand)

	30.09.2015	30.09.2014
Number of business users (SME) with an access to the electronic banking systems as at the end of period	245.4	238.8
Number of business users (SME) actively using electronic banking systems (*)	162.4	156.9

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

As at the end of September 2015, 16.9 thousand business users had an access to the mobile banking application, of which 10.6 thousand were active users. The number of business users with an access to the mobile banking application increased by 5.6 thousand compared to the end of September 2014.

(in thousand)

	30.09.2015	30.09.2014
Number of business users (SME) with an access to the mobile banking as at the end of period	16.9	11.3
Number of business users (SME) actively using the mobile banking (*)	10.6	7.9

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

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

Corporate clients

The corporate clients of the Bank benefit from a full range of standard credit and deposit products as well as from transactional and investment banking services. The Bank's product offer also includes financial services such as granting guarantees in domestic and international turnover and financial services provided through leasing and factoring subsidiaries.

Bank Pekao S.A. is a leading organizer of investment project financing, mergers and acquisitions and debt securities issues. The Bank offers a wide range of products of money markets and currency exchange, both within the scope of current operations and long-term hedging structures of client's exposures such as currency risk and interest rate risk.

In the area of custodial services the Bank's clients are domestic and foreign financial institutions, banks providing custodial and investing services, insurance companies, investment and pension funds as well as non-financial institutions.

The Bank provides services including, among others, the settlement of transactions on domestic and foreign markets, the custody of client assets, the management of securities and cash accounts, serving dividend and interest payments. The Bank also acts as a depository for investment funds and pension funds.

Co-operation with Council of Europe Development Bank (CEB)

In the third quarter of 2015, the Bank's loan offer dedicated to SME clients was extended by loans from the credit line of Council of Europe Development Bank. CEB refinancing covers, among other, investment loans. Investment loans are preferential as they support maintaining or increase in the employment level in company which is financed. Thanks to low interest rates of CEB loans, they are offered on attractive conditions.

CEB is another, beside EIB and EIF, international financial institution with which the Bank has started to co-operate.

Transactional banking

In the third quarter of 2015, the Bank introduced to its offer two new payments cards: multicurrency debit card MasterCard Corporate Debit FX Pekao and credit card MasterCard Corporate Credit Pekao.

Multicurrency debit card MasterCard Corporate Debit FX Pekao enables execution of transactions in PLN and foreign currencies (EUR, USD, GBP, CHF) without FX conversion thanks to card's connection with corresponding currency accounts.

Credit card MasterCard Corporate Credit Pekao, in contrast to existing cards with deferred repayment, allows customers to reschedule repayment and make transfer from the credit card.

In the third quarter of 2015, the number and volume of outgoing SEPA payments increased by 24% and 13% respectively and the number and volume of foreign incoming transfers increased by 11.4% and 10% respectively as compared with corresponding period of 2014. It confirms the increasing popularity of cross-border settlement in the SEPA form and constantly strengthening the Bank's position in the area of transactional settlements.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

Investment banking, structured finance and commercial real estates

The Bank consequently supports development of companies on the market. Customers are provided with wide range of structured finance services and commercial real estate financing.

In the third quarter of 2015, the Bank participated in financing, among others, the following projects:

- financing of a company from fashion segment, amount of financing accounted for PLN 203 million,
- co-operation in financing of a leading company from energy sector, syndicated loan accounted for PLN 5.5 billion, the Bank's share accounted for PLN 500 million,
- financing of a shopping center in Warsaw for one of the leading companies in commercial real estate segment, the amount of loan accounted for PLN 484 million,
- financing of a housing construction in Warsaw carried out by the leading developer, the amount of loan accounted for PLN 86 million.

Financial market and commercial debt instruments

In the area of organization and servicing of commercial debt securities issuance, as of September 30, 2015, Bank Pekao S.A. has the market share of over 20% (second place, based on the Rating & Market Bulletin published by Fitch Poland).

In the third quarter of 2015, the Bank signed ten new agreements for servicing of debt securities issues, including:

- four agreements for companies, among other, agreement for the amount of PLN 245 million for financial entity and agreement for the amount of PLN 300 million for the leading wholesale distributor for pharmacies and pharmaceutical companies,
- six agreements for local government units, including, among other, two agreements for the amount of PLN 50 million each.

Comprehensive services for the public finance sector

In the third quarter of 2015, in the area of the co-operation with public sector entities the Bank concluded new transactions related to the customer's investment and current needs. Noteworthy is a transaction for one of the municipal entities for construction of modern technology park in a form of 10-year investment bonds to the amount of PLN 40 million and 3-year bonds for current activity to the amount of PLN 3 million.

The Bank financed also two forfaiting transactions for the total amount of PLN 46 million with a period of six years financing for one of the Polish cities thanks to which it will be completed construction of new street and it will be established headquarter of the largest school in that city.

Moreover, the Bank granted loan in a form of overdraft in the amount of PLN 50 million with a period of four years for one of the largest universities in Poland.

In the third quarter of 2015, the Bank supported the Polish local budgets by granting long-term financing to cover budget deficit, among other, in a form of 10-year subordinated loan for one of the Polish largest cities with the Bank's share in the amount of PLN 115 million and bonds issuance for one of the voivodeships to the amount of PLN 50 million with the maximum maturity date up to 15 years.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

5.7 Factors which will affect the results of the Group

The economy is still in the growth phase, supported with rising wages and employment, which translate into real wage growth exceeding 5% year on year, which in turn supports the domestic demand. At the same time there's gradually increasing propensity of the corporate sector to increase spending on fixed investments, helping investments growth. These processes will help stabilizing economic growth at relatively strong level of 3.5-4.0% in the coming quarters. This, in turn, should translate into relatively stable demand for loans. The low level of interest rates is lowering attractiveness of deposits and stimulates households to look for alternative investments. Weak performance of stock market indices is not helping money flows into that direction, but its probable improvement in the coming quarters will facilitate lowering of growth of households' deposits.

In the coming quarters inflation will stay below the lower threshold of the NBP inflationary target (1.5%), which will mean stabilization of the NBP interest rates at current, historic low levels. The low level of interest rates and high level of market competition are translating into pressure on margins in the banking sector. An important factor are also mandatory limits on the level of interest rates, which are pushing down the interest on consumer loans, also working towards compressing banking margins.

In the coming months, changes in the regulatory environment of the banks may have a significant influence on the activity and results of the banking sector. At the beginning of 2016 it is expected that Fundusz Wsparcia Kredytobiorców, which will be financed by the banks, in the amount of PLN 600 million will be established. At the same time, additional burdens of the banking sector should not be excluded, e.g. proposals regarding special tax on banks (their assets or transactions) as well as regulation concerning restructuring existing portfolio of foreign currency housing loans. If these regulations as well as potential increase in contribution to the Bank Guarantee Fund, resulting from the costs of on-going restructuring of Savings Unions ("SKOK) sector will be in force, they would have a material adverse impact on the financial results of the banking sector. Decision on the level of contribution to the Bank Guarantee Fund for 2016 should be announced by the end of November 2015.

At the same time numerous social postulates point toward higher budget spending – that would be an additional demand impulse in the economy, additionally boosting growth. The key question here is whether implementation of these projects will wait until and unless new, additional revenue (mostly from "tightening" of the tax system) appears – or will be independent from that. In that second case there would be a danger of increase of budget deficit, which would negatively impact the złoty and would increase volatility of the financial markets. Post-election assurances of the winning party are going toward the need not to increase the budget deficit that should stabilize situation in the economy and on the financial markets.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

6 Statement of Financial Position and Financial Results

Consolidated income statement containing cumulated items for the period from 1 January to 30 September, 2015 and 2014 respectively was presented in the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the three quarters of 2015.

The Report on activities of Bank Pekao S.A. Group for the third quarter of 2015 includes statement of financial position in a short form and income statement in a presentation form as well as the key, selected items from these statements were discussed.

Following decision of The Polish Financial Supervision Authority on December 5, 2014 Bank Pekao S.A. took over Spółdzielcza Kasa Oszczędnościowo-Kredytowa named Mikołaj Kopernik in Ornontowice. Due to the above, items of income statement of Bank Pekao S.A. Group for the three quarters of 2015 and items of statement of financial position of Bank Pekao S.A. Group as of September 30, 2015, presented in this chapter, include data of Spółdzielcza Kasa Oszczędnościowo-Kredytowa. The detailed information concerning above mentioned take over is presented in the Note 2 of the Consolidated Financial Statements of Bank Pekao S.A. Group for the period ended on 31 December 2014.

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

The balance sheet of Bank Pekao S.A. determines the amount of total assets in balance sheet and the structure of the assets and liabilities of the Group. As at the end of September 2015, the total assets of Bank Pekao S.A. constitutes 98.3% of the total assets of the whole Group.

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

ASSETS	30.09.2015		30.09.2014		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Cash and due from Central Bank	3,589.3	2.1%	3,896.9	2.4%	(7.9%)
Loans and advances to banks ^(*)	3,765.3	2.2%	6,468.9	4.0%	(41.8%)
Loans and advances to customers ^(**)	123,663.1	72.4%	110,530.3	67.5%	11.9%
Securities ^(***)	30,444.1	17.8%	33,190.4	20.3%	(8.3%)
Investments in associates	138.3	0.1%	171.1	0.1%	(19.2%)
Property, plant and equipment and intangible assets	2,102.3	1.2%	2,147.1	1.3%	(2.1%)
Other assets	7,089.2	4.2%	7,347.1	4.4%	(3.5%)
Total assets	170,791.6	100.0%	163,751.8	100.0%	4.3%

(*) Including net investments in financial leases to banks.

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

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

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EQUITY AND LIABILITIES	30.09.2015		30.09.2014		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Amounts due to Central Bank	0.9	0.0%	1.0	0.0%	(10.0%)
Amounts due to other banks	7,864.6	4.6%	8,391.9	5.1%	(6.3%)
Amounts due to customers	128,600.6	75.3%	120,281.2	73.5%	6.9%
Debt securities issued	3,627.6	2.1%	4,105.1	2.5%	(11.6%)
Other liabilities	7,835.5	4.6%	7,570.6	4.6%	3.5%
Total equity, including non-controlling interests	22,862.4 15.7	13.4% 0.0%	23,402.0 27.5	14.3% 0.0%	(2.3%) (42.9%)
Total equity and liabilities	170,791.6	100.0%	163,751.8	100.0%	4.3%

Customers' Financing

Customer structure of loans and advances

(in PLN million)

	30.09.2015	30.09.2014	CHANGE
Loans and advances at nominal value	128,613.6	115,408.9	11.4%
Loans (*)	108,849.7	101,253.4	7.5%
Retail	52,427.9	47,690.0	9.9%
Corporate	56,421.8	53,563.4	5.3%
Non-quoted securities	11,212.8	10,382.0	8.0%
Reverse repo transactions	8,551.1	3,773.5	>100%
Other (**)	550.2	475.0	15.8%
Nominal value adjustment	228.3	108.9	>100%
Impairment losses	(5,729.0)	(5,462.5)	4.9%
Total net receivables	123,663.1	110,530.3	11.9%
Securities issued by non-monetary entities (***)	927.6	861.2	7.7%
Total customers' financing (****)	129,541.2	116,270.1	11.4%

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

(**) Including interest and receivables in transit.

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

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

As at the end of September 2015, the volume of total customers' financing amounted to PLN 129,541.2 million, an increase of PLN 13,271.1 million, i.e. 11.4% in comparison to the end of September 2014.

As at the end of September 2015, the volume of retail loans amounted to PLN 52,427.9 million, an increase of PLN 4,737.9 million, i.e. 9.9% in comparison to the end of September 2014.

The volume of corporate loans, non-quoted securities, reverse repo transactions and securities issued by non-monetary entities increased by PLN 8,533.2 million, i.e. 12.4% as compared to the end of September 2014 and amounted to PLN 77,113.3 million at the end of September 2015.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

Receivables and impairment losses

(in PLN million)

	30.09.2015	30.09.2014	CHANGE
Gross receivables (*)	128,904.0	115,632.8	11.5%
Not impaired	120,810.7	107,678.7	12.2%
Impaired	8,093.3	7,954.1	1.8%
Impairment losses	(5,729.0)	(5,462.5)	4.9%
Interest	488.1	360.0	35.6%
Total net receivables	123,663.1	110,530.3	11.9%

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

As of September 30, 2015, the ratio of impaired receivables to total receivables amounted to 6.3% and was better by 0.6 p.p. as compared to the end of September 2014.

Impairment losses as at the end of September 2015 amounted to PLN 5,729.0 million.

Loans and advances to customers by currency*

	30.09.2015		30.09.2014		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	107,645.7	83.2%	95,346.9	82.2%	12.9%
Denominated in foreign currencies (**)	21,746.4	16.8%	20,645.9	17.8%	5.3%
Total	129,392.1	100.0%	115,992.8	100.0%	11.6%
Impairment losses	(5,729.0)	x	(5,462.5)	x	4.9%
Total net	123,663.1	x	110,530.3	x	11.9%

(*) Including interest and receivables in transit.

(**) Including indexed loans.

The currency structure of loans and advances to customers is dominated by amounts expressed in the Polish zloty; as at the end of September 2015, their share was 83.2%. The largest portion of foreign currency loans and advances to customers were represented by those denominated in EUR (61.6%), CHF (23.6%) and USD (14.5%).

Loans and advances to customers by contractual maturities^(*)

	30.09.2015		30.09.2014		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current and up to 1 month	22,611.5	17.5%	17,449.5	15.0%	29.6%
1 to 3 months	4,622.8	3.6%	4,448.0	3.8%	3.9%
3 months to 1 year	11,275.0	8.7%	10,015.7	8.6%	12.6%
1 to 5 years	39,345.2	30.4%	36,144.4	31.2%	8.9%
Over 5 years	50,987.4	39.4%	47,460.2	40.9%	7.4%
Other	550.2	0.4%	475.0	0.5%	15.8%
Total	129,392.1	100.0%	115,992.8	100.0%	11.6%
Impairment losses	(5,729.0)	x	(5,462.5)	x	4.9%
Total net	123,663.1	x	110,530.3	x	11.9%

(*) Including interest and receivables in transit.

At the end of September 2015, loans and advances with maturity over 5 years represented 39.4% of total loans and advances (mainly attributed to mortgage loans and receivables for which the maturity date already passed).

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

External sources of financing

(in PLN million)

	30.09.2015	30.09.2014	CHANGE
Amounts due to Central Bank	0.9	1.0	(10.0%)
Amounts due to other banks	7,864.6	8,391.9	(6.3%)
Amounts due to customers	128,600.6	120,281.2	6.9%
Debt securities issued	3,627.6	4,105.1	(11.6%)
Total external sources of financing	140,093.7	132,779.2	5.5%

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

Total customer savings

(in PLN million)

	30.09.2015	30.09.2014	CHANGE
Corporate deposits	64,196.1	60,914.5	5.4%
Non-financial entities	48,745.1	43,236.9	12.7%
Non-banking financial entities	8,694.8	9,973.6	(12.8%)
Budget entities	6,756.2	7,704.0	(12.3%)
Retail deposits	60,010.3	53,754.9	11.6%
Repo and sell-buy-back transactions	3,959.1	5,136.6	(22.9%)
Other (*)	435.1	475.2	(8.4%)
Amounts due to customers	128,600.6	120,281.2	6.9%
Debt securities issued, of which	3,627.6	4,105.1	(11.6%)
Structured Certificates of Deposit (SCD)	254.6	203.8	24.9%
Certificates of Deposit	2,153.0	2,876.1	(25.1%)
Pekao Bank Hipoteczny S.A. covered bonds	1,197.0	1,003.2	19.3%
Interest	23.0	22.0	4.5%
Amounts due to customers and debt securities issued, total	132,228.2	124,386.3	6.3%
Investment funds of Pioneer Pekao TFI	16,936.2	16,733.3	1.2%
Bond and money market funds	11,454.0	10,396.5	10.2%
Balanced funds	2,897.2	3,358.4	(13.7%)
Equity funds	2,585.0	2,978.4	(13.2%)
including distributed through the Group's network	16,590.2	16,183.4	2.5%

(*) Other item includes interest and funds in transit.

As at the end of September 2015, the total amounts due to the Group's customers and debt securities issued amounted to PLN 132,228.2 million, an increase of PLN 7,841.9 million, i.e. 6.3% in comparison to the end of September 2014.

The total volume of retail customers deposits, Structured Certificates of Deposit and other amounted to PLN 60,638.5 million at the end of September 2015, an increase of PLN 6,290.4 million, i.e. 11.6% in comparison to the end of September 2014. The value of net assets of investment funds managed by Pioneer Pekao TFI S.A. amounted to PLN 16,936.2 million at the end of September 2015, an increase of PLN 202.9 million, i.e. 1.2% in comparison to the end of September 2014.

The total volume of corporate deposits, repo and sell-buy-back transactions, Certificates of Deposit, Pekao Bank Hipoteczny S.A. covered bonds, interest and other amounted to PLN 71,589.7 million at the end of September 2015, an increase of PLN 1,551.5 million, i.e. 2.2% as compared to the end of September 2014 following the strategy to focus on growth in retail customers deposits with cost optimization approach in area of corporate deposits.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

Amounts due to customers by currency⁽¹⁾

	30.09.2015		30.09.2014		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	107,107.8	83.3%	100,863.2	83.9%	6.2%
Denominated in foreign currencies	21,492.8	16.7%	19,418.0	16.1%	10.7%
Total	128,600.6	100.0%	120,281.2	100.0%	6.9%

⁽¹⁾ Including interest and amounts due in transit.

The bulk of the amounts due to customers are denominated in the Polish currency and its share as at the end of September 2015 amounted to 83.3%. The majority of amounts due to customers denominated in foreign currencies were in EUR (60.1%) and USD (35.1%).

Amounts due to customers by contractual maturities

	30.09.2015		30.09.2014		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current accounts and overnight deposits	62,341.2	48.6%	61,347.5	51.2%	1.6%
Term deposits	65,824.3	51.4%	58,458.5	48.8%	12.6%
Total deposits	128,165.5	100.0%	119,806.0	100.0%	7.0%
Interest accrued	185.0	x	191.1	x	(3.2%)
Funds in transit	250.1	x	284.1	x	(12.0%)
Total	128,600.6	x	120,281.2	x	6.9%

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

6.2 The consolidated income statement – presentation form

Net profit of Bank Pekao S.A. Group attributable to equity holders for the three quarters of 2015 amounted to PLN 1,854.1 million allowing return on average capital (ROE) at the level of 10.4% achieved with a strong capital base reflected by CAR at 17.7% (Basel III).

The Group's gross operating profit (excluding guarantee funds charges) reported for the three quarters of 2015 was lower by PLN 163.9 million, i.e. 5.4% in comparison to the three quarters of 2014, affected by negative impact of regulatory constraints and lower interest rates, supported by growing volumes and gains on sale of available for sale portfolio and lower operating costs.

Thanks to the effective commercial activity of the Group over the past twelve months a significant growth in loan volumes was reported both in the area of retail loans (an increase of 9.9% year on year) as well as in the area of corporate customers' financing (an increase of 12.4% year on year). Such substantial increase in lending was largely financed by higher deposit volumes growing 11.6% year on year in the area of retail deposits and 2.2% year on year increase in the area of amounts due to corporate customers.

The strength of the liquidity structure of Bank Pekao S.A. Group is reflected by net loans to deposits ratio at 93.5% at the end of September 2015. This together with strong equity level enables for further sound and stable development of the Group's activities.

The consolidated income statement – presentation form

(in PLN million)

	3 QUARTERS 2015	3 QUARTERS 2014	CHANGE
Net interest income	3,106.1	3,403.9	(8.7%)
Dividend income and income from equity investments	55.1	58.3	(5.5%)
Total net interest income, dividend income and other income from equity investments	3,161.2	3,462.2	(8.7%)
Net fee and commission income	1,501.6	1,544.1	(2.8%)
Trading result	479.7	435.4	10.2%
Net other operating income and expenses	148.3	68.0	>100%
Net non-interest income	2,129.6	2,047.5	4.0%
Operating income	5,290.8	5,509.7	(4.0%)
Operating costs	(2,421.1)	(2,476.1)	(2.2%)
Gross operating profit	2,869.7	3,033.6	(5.4%)
Net impairment losses on loans and off-balance sheet commitments	(397.2)	(424.4)	(6.4%)
Net operating profit	2,472.5	2,609.2	(5.2%)
Net result on other provisions	(30.4)	(3.1)	>100%
Guarantee funds charges	(205.9)	(105.9)	94.4%
Net result on investment activities	62.3	(0.4)	x
Profit before tax	2,298.5	2,499.8	(8.1%)
Income tax expense	(443.7)	(466.2)	(4.8%)
Net profit for the period	1,854.8	2,033.6	(8.8%)
Attributable to equity holders of the Bank	1,854.1	2,023.7	(8.4%)
Attributable to non-controlling interest	0.7	9.9	(92.9%)

Operating income

In the three quarters of 2015, the Group's operating income amounted to PLN 5,290.8 million, a decrease of PLN 218.9 million, i.e. 4.0% in comparison with the three quarters of 2014 mainly due to lower total net interest income, dividend income and income from equity investment.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

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

(in PLN million)

	3 QUARTERS 2015	3 QUARTERS 2014	CHANGE
Interest income	4,086.9	4,750.3	(14.0%)
Interest expense	(980.8)	(1,346.4)	(27.2%)
Net interest income	3,106.1	3,403.9	(8.7%)
Dividend income	13.6	8.3	63.9%
Income from equity investments	41.5	50.0	(17.0%)
Total net interest income, dividend income and income from equity investments	3,161.2	3,462.2	(8.7%)

Total net interest income, dividend income and income from equity investments in the three quarters of 2015 amounted to PLN 3,161.2 million and was lower by PLN 301.0 million, i.e. 8.7% compared to the three quarters of 2014 due to negative impact of lower interest rates, including in particular reduction of the maximum interest rate applicable to loans. This negative impact was partially compensated thanks to higher volumes. In the three quarters of 2015, average WIBOR 3M rate stood at the level of 1.8% and was lower by 0.9 p.p. than in the three quarters of 2014, while the NBP Lombard rate went from 4.0% at the end of September 2014 to 2.5% in September 2015.

Net non-interest income

(in PLN million)

	3 QUARTERS 2015	3 QUARTERS 2014	CHANGE
Fee and commission income	1,806.2	1,908.9	(5.4%)
Fee and commission expense	(304.6)	(364.8)	(16.5%)
Net fee and commission income	1,501.6	1,544.1	(2.8%)
Trading result	479.7	435.4	10.2%
of which gains on disposal of AFS assets	171.1	129.5	32.1%
Net other operating income and expense	148.3	68.0	>100%
Net non-interest income	2,129.6	2,047.5	4.0%

The Group's net non-interest income in the three quarters of 2015 amounted to PLN 2,129.6 million, an increase of PLN 82.1 million, i.e. 4.0% in comparison with the three quarters of 2014 thanks to higher trading result supported by gains on sale of available for sale portfolio and net other operating income and expenses supported by compensation under an insurance contract. Net fee and commission income was lower by 2.8% compared to the three quarters of 2014, mainly due to negative impact of interchange rates reduction.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

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

(in PLN million)

	3 QUARTERS 2015	3 QUARTERS 2014	CHANGE
Net fee and commission income	1,501.6	1,544.1	(2.8%)
on loans	371.2	357.7	3.8%
on cards	275.2	317.5	(13.3%)
capital market related	306.4	269.4	13.7%
other	548.8	599.5	(8.5%)

The Group's net fee and commission income in the three quarters of 2015 amounted to PLN 1,501.6 million and was lower by PLN 42.5 million, i.e. 2.8% in comparison with the three quarters of 2014 mainly due to negative impact of interchange rates reduction on fee and commission income on cards.

Operating costs

In the three quarters of 2015, the operating costs (excluding guarantee funds charges) were kept under control and amounted to PLN 2,421.1 million. They were lower than the operating costs in the three quarters of 2014 by PLN 55.0 million, i.e. 2.2%.

(in PLN million)

	3 QUARTERS 2015	3 QUARTERS 2014	CHANGE
Personnel expenses	(1,436.7)	(1,435.4)	0.1%
Other administrative expenses	(737.7)	(795.5)	(7.3%)
Depreciation and amortization	(246.7)	(245.2)	0.6%
Operating costs	(2,421.1)	(2,476.1)	(2.2%)

In the three quarters of 2015, cost / income ratio amounted to 45.8% in comparison with 44.9% in the three quarters of 2014.

As at the end of September 2015, the Group employed 18,471 employees (in the Bank and the companies consolidated under full consolidation method) as compared to 18,555 employees as at the end of September 2014. The number of the Group's employees as at the end of September includes data of Pekao Investment Banking S.A. (f. UniCredit CAIB Poland S.A.) taken over by the Bank on January 1, 2015 under acquisition of 100% of the share capital.

As at the end of September 2015, the Bank employed 16,501 employees as compared to 16,720 employees as at the end of September 2014.

Guarantee funds charges

Guarantee funds charges in the three quarters of 2015, amounted to PLN 205.9 million, an increase of PLN 100.0 million, i.e. 94.4% in comparison with the three quarters of 2014 due to higher BGF rates introduced in 2015.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

6.3 The structure of the net profit

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

(in PLN million)

	3 QUARTERS 2015	3 QUARTERS 2014	CHANGE
Net profit of Bank Pekao S.A.	1,917.7	2,014.7	(4.8%)
Entities consolidated under full method			
Pekao Leasing Holding S.A. w likwidacji(*)	61.2	0.8	>100%
Pekao Leasing Sp. z o.o.	37.1	44.5	(16.6%)
Centralny Dom Maklerski Pekao S.A.	33.4	32.2	3.7%
Pekao Investment Banking (**)	9.8	-	x
Pekao Bank Hipoteczny S.A.	6.6	7.9	(16.5%)
Pekao Faktoring Sp. z o.o.	6.5	5.8	12.1%
Pekao Financial Services Sp. z o.o.	6.2	5.5	12.7%
Pekao Pioneer PTE S.A.	2.1	13.9	(84.9%)
Centrum Bankowości Bezpośredniej Sp. z o.o.	1.4	2.2	(36.4%)
Centrum Kart S.A.	0.7	0.4	75.0%
FPB "Media" Sp. z o.o.	0.2	0.2	0.0%
Pekao Fundusz Kapitałowy Sp. z o.o.	0.1	0.2	(50.0%)
Pekao Property S.A. (***)	0.0	(0.4)	x
Pekao Telecentrum Sp. z o.o. w likwidacji (****)	-	0.1	x
Entities valued under the equity method			
Pioneer Pekao Investment Management S.A.	34.7	41.0	(15.4%)
Krajowa Izba Rozliczeniowa S.A.(*****)	5.5	8.2	(32.9%)
Dom Inwestycyjny Xelion sp. z o.o.	1.3	0.8	62.5%
Exclusions and consolidation adjustments(*****)	(270.4)	(154.3)	75.2%
Net profit of the Group attributable to equity holders of the Bank	1,854.1	2,023.7	(8.4%)

(*) The result of Pekao Leasing Holding S.A. for the three quarters of 2015 mainly include the dividend received from Pekao Leasing Sp. z o.o. On April 30, 2015, the Extraordinary Shareholders Meeting of Pekao Leasing Holding S.A., which the Bank is the only shareholder, took resolution on winding-up of the company and starting liquidation procedure of the company within the date the resolution was taken.

(**) On January 1, 2015, the Bank acquired 100% of the share capital of UniCredit CAIB Poland S.A. and obtained control over the entity. On January 14, 2015, the name of UniCredit CAIB Poland S.A was changed to Pekao Investment Banking S.A.

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

(****) On January 8, 2015, the Bank's subsidiary Pekao Telecentrum Sp. z o.o. w likwidacji was removed from the National Court Register.

(*****) Krajowa Izba Rozliczeniowa S.A. consolidated till June 30, 2015. On July 15, 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%.

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

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

The results of Bank Pekao S.A.

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

(in PLN million)

	3 QUARTERS 2015	3 QUARTERS 2014	CHANGE
Net interest income	3,011.3	3,308.8	(9.0%)
Dividend income	210.6	153.5	37.2%
Total net interest income and dividend income	3,221.9	3,462.3	(6.9%)
Net non-interest income	1,923.1	1,839.5	4.5%
Operating income	5,145.0	5,301.8	(3.0%)
Operating costs	(2,257.1)	(2,327.1)	(3.0%)
Gross operating profit	2,887.9	2,974.7	(2.9%)
Net impairment losses on loans and off-balance sheet commitments	(396.7)	(408.1)	(2.8%)
Net operating profit	2,491.2	2,566.6	(2.9%)
Net result on other provisions	(30.3)	(1.7)	>100%
Guarantee funds charges	(204.8)	(102.6)	99.6%
Net result on investment activities	76.9	(0.7)	x
Profit before tax	2,333.0	2,461.6	(5.2%)
Net profit for the period	1,917.7	2,014.7	(4.8%)

In the three quarters of 2015, the Bank's net profit amounted to PLN 1,917.7 million, a decrease of PLN 97.0 million, i.e. 4.8% in comparison to the three quarters of 2014.

The Bank's gross operating profit reported for the three quarters of 2015 amounted to PLN 2,887.9 million and was lower by PLN 86.8 million, i.e. 2.9% in comparison with the three quarters of 2014.

The main Bank's financial information are as follows:

	30.09.2015	30.09.2014	CHANGE
Total gross loans in PLN million ⁽¹⁾	105,123.0	97,446.2	7.9%
Impaired receivables to total receivables in %	6.1%	6.7%	(0.6) p.p.
Total deposits in PLN million ⁽¹⁾	124,572.6	114,803.1	8.5%
Repo and sell-buy-back transactions in PLN million	3,959.1	5,136.6	(22.9%)
Structured Certificates of Deposit in PLN million	254.6	203.8	24.9%
Certificates of Deposit in PLN million	2,153.0	2,876.1	(25.1%)
Total assets in PLN million	167,837.7	160,355.4	4.7%
Investment funds distributed through the Bank's network in PLN million	15,579.7	15,172.1	2.7%
Capital adequacy ratio (Basel III) in %	18.2%	18.1%	0.1 p.p.

⁽¹⁾ The nominal value.

The volume of gross loans of the Bank's clients as at the end of September 2015 amounted to PLN 105,123.0 million, increased by PLN 7,676.8 million, i.e. 7.9% as compared to the end of September 2014. At the end of September 2015, the total volume of retail loans amounted to PLN 51,509.4 million and volume of corporate loans amounted to PLN 53,613.6 million.

The total amounts due to the Bank's customers (including customer deposits, repo and sell-buy-back transactions, Structured Certificates of Deposit, Certificates of Deposit) amounted to PLN 130,939.3 million and increased by PLN 7,919.7 million, i.e. 6.4% compared to the end of September 2014.

The value of net assets of investment funds managed by Pioneer Pekao TFI S.A. and distributed by the Bank's network increased by PLN 407.6 million, i.e. 2.7% as compared to the end of September 2014.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

Results of the Bank's major related entities

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

In the three quarters of 2015, Pekao Leasing reported a net profit of **PLN 37.1 million** compared with PLN 44.5 million in the three quarters of 2014. Pekao Leasing result for 2014 on top of positive commercial income includes positive impact of VAT settlements.

Pioneer Pekao Investment Management S.A. – PPIM

In the three quarters of 2015, consolidated net profit of PPIM amounted to PLN 70.8 million compared with PLN 83.7 million in comparable period of 2014. The Bank's share in the company's profit was **PLN 34.7 million**.

Centralny Dom Maklerski Pekao S.A. – CDM

In the three quarters of 2015, net profit of CDM amounted to **PLN 33.4 million** compared with PLN 32.2 million profit earned in the three quarters of 2014.

Pekao Investment Banking S.A. – Pekao IB

In the three quarters of 2015, Pekao IB reported net profit of **PLN 9.8 million**. The entity's results are consolidated since January 1, 2015, i.e. since the acquisition date.

Pekao Bank Hipoteczny S.A. – Pekao Bank Hipoteczny

In the three quarters of 2015, Pekao Bank Hipoteczny reported a net profit of **PLN 6.6 million** compared with PLN 7.9 million in the three quarters of 2014, being under negative impact of external factors, mainly the reduction of interest rates and higher BGF rates.

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

In the three quarters of 2015, Pekao Faktoring reported a net profit of **PLN 6.5 million** compared with PLN 5.8 million in the three quarters of 2014.

Pekao Pioneer PTE S.A. – PTE

In the three quarters of 2015, PTE reported net profit of PLN 2.1 million (the Bank's share equaled to **PLN 1.4 million**) compared with net profit of PLN 13.9 million in the three quarters of 2014. The higher profit in the three quarters of 2014 resulted from the Guarantee Fund settlement which occurred after transfer of assets from Open Pensions Funds to The Social Insurance Institution as a consequence of pension funds reform.

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

In the three quarters of 2015, Xelion reported a net profit of PLN 2.6 million (the Bank's share equaled to **PLN 1.3 million**) and it was higher than the profit earned in the three quarters of 2014 in the amount of PLN 1.6 million.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

6.4 Provisions, deferred tax assets and liabilities

(in PLN million)

	GROUP		BANK PEKAO S.A.	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
Total provisions	465.1	374.5	464.5	371.2
of which:				
provisions for off-balance sheet commitments	117.2	85.1	122.9	88.5
provisions for liabilities to employees	307.7	249.8	304.6	247.3
other provisions	40.2	39.6	37.0	35.4
Deferred tax liabilities	5.0	2.4	-	-
Deferred tax assets	996.8	865.1	761.3	656.9

6.5 Net impairment losses

(in PLN million)

	GROUP		BANK PEKAO S.A.	
	3 QUARTERS 2015	3 QUARTERS 2014	3 QUARTERS 2015	3 QUARTERS 2014
Impairment losses on loans	(383.2)	(453.5)	(379.7)	(436.7)
Impairment losses on off-balance sheet commitments	(14.0)	29.1	(17.0)	28.6
Total	(397.2)	(424.4)	(396.7)	(408.1)

The Group's net impairment losses on loans and off-balance sheet commitments amounted to PLN 397.2 million in the three quarters of 2015, a decrease of PLN 27.2 million, i.e. 6.4% as compared with the three quarters of 2014.

The Bank's net impairment losses on loans and off-balance sheet commitments amounted to PLN 396.7 million in the three quarters of 2015, a decrease of PLN 11.4 million i.e. 2.8% as compared with the three quarters of 2014.

6.6 Off-balance sheet items

(in PLN million)

	30.09.2015	30.09.2014	CHANGE
Contingent liabilities granted and received	57,385.4	53,296.7	7.7%
Liabilities granted:	44,507.9	38,829.4	14.6%
financial	30,136.2	25,702.4	17.3%
guarantees	14,371.7	13,127.0	9.5%
Liabilities received:	12,877.5	14,467.3	(11.0%)
financial	664.9	2,318.8	(71.3%)
guarantees	12,212.6	12,148.5	0.5%
Derivative financial instruments	240,743.2	224,747.5	7.1%
interest rate transactions	141,595.3	139,496.3	1.5%
transactions in foreign currency and in gold	98,483.9	83,623.0	17.8%
transactions based on commodities and equity securities	664.0	1,628.2	(59.2%)
Total off-balance sheet items	298,128.6	278,044.2	7.2%

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

6.7 Capital adequacy

Capital ratios are the basic measures applied for the measurement for capital adequacy according to Regulation of the European Parliament and of the Council (EU) No 575/2013 of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, which entered into force since January 1, 2014.

Capital ratios, capital requirements and own funds have been calculated in accordance with the above mentioned Regulation using national options for COREP reporting. In particular, this applies to the risk weights for claims secured by mortgages, which are consistent with Resolution No. 76/2010 of the Polish Financial Supervision Authority of March 10, 2010 as amended as well as number of ratios regulating method of own funds calculation for transitional reporting.

The minimum Total Capital Ratio required by law cannot be lower than 8% while according to recommendation of European Banking Authority (EBA) and Polish Financial Supervision Authority (KNF) total capital ratio must be not lower than 12% and Tier I Capital ratio not lower than 9%. Starting from 2016 the minimum capital ratios recommended by KNF will increase to 13.25% in case of Total Capital Ratio and 10.25% in case of Tier I ratio. Total Capital Ratio for Pekao Group amounted to 17.7% and was more than twice the minimum value required by the law and significantly higher than the level recommended by the EBA and the KNF.

The table below presents the basic data concerning the Pekao Group capital adequacy as at September 30, 2015 and September 30, 2014 according to regulation which are in force as at September 30, 2015.

(in PLN thousand)

CAPITAL REQUIREMENT	30.09.2015	31.12.2014	30.09.2014
Credit risk	8,047,814	7,937,365	7,550,104
Exceeding large exposure limits	-	-	-
Market risk	61,257	192,563	185,203
Counterparty credit risk including CVA	333,280	442,446	363,388
Operational risk	677,855	705,781	708,785
Total capital requirement	9,120,206	9,278,155	8,807,480
OWN FUNDS			
Common Equity Tier I Capital	20,175,632	20,063,716	20,122,179
Own funds for total capital ratio	20,175,632	20,063,716	20,122,179
Common Equity Tier I Capital ratio (%)	17.7%	17.3%	18.3%
Total capital ratio (%)	17.7%	17.3%	18.3%

Total Capital Ratio at the end of September 2015 compared with September 2014 decreased by 0.6 p.p. Own funds for total capital ratio increased by 0.3%. Total capital requirement increased by 3.6%.

Total capital requirement as of end of September 2015 increased as a result of capital requirement for credit risk increase by 6.6% due to credit portfolio increase partially offset by decrease of capital requirements for market risk, counterparty risk and operational risk.

At the end of September 2015 both total capital ratio and common equity Tier I ratio of Bank Pekao S.A. amounted to 18.2% and for Pekao Bank Hipoteczny S.A. amounted to 15.6%.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

6.8 Reconciliation of income statement – presentation form and long form

Consolidated income statement for the three quarters of 2015

(in PLN thousand)

INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM	3 QUARTERS 2015	COMMENTS
Net interest income		<u>3,106,059</u>	
Dividend income and income from equity investments		<u>55,103</u>	
	Dividend income	13,634	
	Gains (losses) on subsidiaries and associates	41,469	
Total net interest income, dividend income and other income from equity investments		3,161,162	
Net fee and commission income	Net fee and commission income	<u>1,501,617</u>	
Trading result		<u>479,715</u>	
	Result on financial assets and liabilities held for trading	303,974	
	Result on fair value hedge accounting	5,018	
	Net result on other financial instruments at fair value through profit and loss	-	
	Gains (losses) on disposal of available for sale financial assets and held to maturity investments	171,065	
	(Gains) losses on disposal of financial liabilities	(342)	
Net other operating income and expenses		<u>148,314</u>	
	Net other operating income and expenses	150,361	
	less - Refunding of administrative expenses	(2,449) /1	
	Gains (losses) on disposal of loans and other financial receivables	402	
Net non-interest income		2,129,646	
Operating income		5,290,808	
Operating costs		<u>(2,421,059)</u>	
	Personnel expenses	(1,436,654)	
	Other administrative expenses	(946,114)	
	less –Guarantee funds charges	205,917	
	Refunding of administrative expenses	2,449 /1	
	Depreciation and amortization	(246,657)	
Gross operating profit		2,869,749	
Net impairment losses on loans and off-balance sheet commitments		<u>(397,281)</u>	
	Net impairment losses on loans	(383,242)	
	Net impairment provision for off-balance sheet commitments	(14,039)	
Net operating profit		2,472,468	
Net result on other provisions	Net result on other provisions	<u>(30,353)</u>	
Guarantee funds charges	Guarantee funds charges	(205,917)	
Net result on investment activities		<u>62,314</u>	
	Gains (losses) on disposal of property, plant and equipment and intangible assets.	1,202	
	Impairment losses on subsidiaries and associates	-	
	Gains (losses) on disposal of subsidiaries and associates	61,112	
Profit before income tax		2,298,512	
Income tax expense	Income tax expense	<u>(443,680)</u>	
Net profit for the period	Net profit for the period	1,854,832	
Attributable to equity holders of the Bank	Attributable to equity holders of the Bank	1,854,095	
Attributable to non-controlling interest	Attributable to non-controlling interest	737	

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

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

Consolidated income statement for the three quarters of 2014

(in PLN thousand)

INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM	3 QUARTERS 2014	COMMENTS
Net interest income		<u>3,403,923</u>	
Dividend income and income from equity investments		<u>58,311</u>	
	Dividend income	8,298	
	Gains (losses) on subsidiaries and associates	50,013	
Total net interest income, dividend income and other income from equity investments		3,462,234	
Net fee and commission income	Net fee and commission income	<u>1,544,085</u>	
Trading result		<u>435,447</u>	
	Result on financial assets and liabilities held for trading	321,722	
	Result on fair value hedge accounting	(15,715)	
	Net result on other financial instruments at fair value through profit and loss	-	
	Gains (losses) on disposal of available for sale financial assets and held to maturity investments	129,455	
	(Gains) losses on disposal of financial liabilities	(15)	
Net other operating income and expenses		<u>67,999</u>	
	Net other operating income and expenses	69,251	
	less - Refunding of administrative expenses	(2,336) /1	
	Gains (losses) on disposal of loans and other financial receivables	1,084	
Net non-interest income		2,047,531	
Operating income		5,509,765	
Operating costs		<u>(2,476,123)</u>	
	Personnel expenses	(1,435,352)	
	Other administrative expenses	(903,820)	
	less – Guarantee funds charges	105,970	
	Refunding of administrative expenses	2,336 /1	
	Depreciation and amortization	(245,257)	
Gross operating profit		3,033,642	
Net impairment losses on loans and off-balance sheet commitments		<u>(424,362)</u>	
	Net impairment losses on loans	(453,457)	
	Net impairment provision for off-balance sheet commitments	29,095	
Net operating profit		2,609,280	
Net result on other provisions	Net result on other provisions	<u>(3,051)</u>	
Guarantee funds charges	Guarantee funds charges	(105,970)	
Net result on investment activities		<u>(421)</u>	
	(Gains) losses on disposal of property, plant and equipment and intangible assets.	(421)	
	Impairment losses on subsidiaries and associates	-	
	Gains (losses) on disposal of subsidiaries and associates	-	
Profit before income tax		2,499,838	
Income tax expense	Income tax expense	<u>(466,257)</u>	
Net profit for the period	Net profit for the period	2,033,581	
Attributable to equity holders of the Bank	Attributable to equity holders of the Bank	2,023,691	
Attributable to non-controlling interest	Attributable to non-controlling interest	9,890	

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

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

7 Quarterly Income Statement

7.1 Consolidated income statement – long form

Consolidated income statement for 2015 and 2014 - Provided for comparability purposes.

	(in PLN thousand)						
	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Interest income	1,365,004	1,323,599	1,398,296	1,474,974	1,594,530	1,584,757	1,571,029
Interest expense	(317,370)	(308,104)	(355,366)	(417,603)	(460,586)	(444,851)	(440,956)
Net interest income	1,047,634	1,015,495	1,042,930	1,057,371	1,133,944	1,139,906	1,130,073
Fee and commission income	606,051	616,307	583,905	627,346	612,307	664,663	631,965
Fee and commission expense	(98,251)	(103,057)	(103,338)	(127,696)	(107,285)	(138,499)	(119,066)
Net fee and commission income	507,800	513,250	480,567	499,650	505,022	526,164	512,899
Dividend income	297	13,336	1	-	109	8,189	-
Result on financial assets and liabilities held for trading	103,916	94,931	105,127	121,579	105,102	111,177	105,443
Result on fair value hedge accounting	(223)	3,007	2,234	(1,532)	(1,598)	(3,392)	(10,725)
Net result on other financial instruments at fair value through profit and loss	-	-	-	-	-	-	-
Gains (losses) on disposal of:	16,162	2,019	152,944	141,531	94,620	35,490	414
loans and other financial receivables	-	58	344	17,495	-	670	414
available for sale financial assets and held to maturity investments	16,350	2,089	152,626	124,045	94,618	34,820	17
financial liabilities	(188)	(128)	(26)	(9)	2	-	(17)
Operating income	1,675,586	1,642,038	1,783,803	1,818,599	1,837,199	1,817,534	1,738,104
Net impairment losses on financial assets and off-balance sheet commitments:	(130,067)	(130,082)	(137,132)	(135,213)	(134,194)	(142,666)	(147,502)
loans and other financial receivables	(147,171)	(89,181)	(146,890)	(118,373)	(173,182)	(131,271)	(149,004)
off-balance sheet commitments	17,104	(40,901)	9,758	(16,840)	38,988	(11,395)	1,502
Net result on financial activity	1,545,519	1,511,956	1,646,671	1,683,386	1,703,005	1,674,868	1,590,602
Administrative expenses	(795,962)	(797,373)	(789,433)	(762,962)	(778,424)	(784,046)	(776,702)
personnel expenses	(484,565)	(480,167)	(471,922)	(469,718)	(479,962)	(484,010)	(471,380)
other administrative expenses	(311,397)	(317,206)	(317,511)	(293,244)	(298,462)	(300,036)	(305,322)
Depreciation and amortization	(81,888)	(83,031)	(81,738)	(81,422)	(82,263)	(81,049)	(81,945)
Net result on other provisions	(3,714)	(767)	(25,872)	349	99	(1,962)	(1,188)
Net other operating income and expenses	22,843	117,895	9,623	5,085	12,677	22,337	34,237
Operating costs	(858,721)	(763,276)	(887,420)	(838,950)	(847,911)	(844,720)	(825,598)
Gains (losses) on subsidiaries and associates	72,426	14,599	15,556	13,197	15,320	15,411	19,282
Gains (losses) on disposal of property, plant and equipment, and intangible assets	628	(54)	628	2,218	122	(210)	(333)
Profit before income tax	759,852	763,225	775,435	859,851	870,536	845,349	783,953
Income tax expense	(149,008)	(143,806)	(150,866)	(168,316)	(165,454)	(154,786)	(146,017)
Net profit for the period	610,844	619,419	624,569	691,535	705,082	690,563	637,936
Attributable to equity holders of the Bank	610,469	619,209	624,417	691,023	704,370	685,077	634,244
Attributable to non-controlling interest	375	210	152	512	712	5,486	3,692

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

7.2 Consolidated statement of comprehensive income

Consolidated statement of comprehensive income for 2015 and 2014

(in PLN thousand)

	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net profit	610,844	619,419	624,569	691,535	705,082	690,563	637,936
Attributable to equity holders of the Bank	610,469	619,209	624,417	691,023	704,370	685,077	634,244
Attributable to non-controlling interest	375	210	152	512	712	5,486	3,692
Other comprehensive income							
<i>Items that are or may be reclassified subsequently to profit or loss:</i>							
Foreign currency translation differences	(10)	(19)	6	(72)	(8)	6	5
Change in fair value of available-for-sale financial assets	191,550	(441,980)	(85,527)	(4,924)	127,131	322,991	36,868
Change in fair value of cash flow hedges	(26,197)	(52,662)	(56,220)	(8,490)	74,877	113,138	(11,416)
Income tax expense on other comprehensive income	(31,417)	93,982	26,932	2,548	(38,381)	(82,865)	(4,836)
<i>Items that will never be reclassified to profit or loss:</i>							
Re-measurements of the defined benefit liabilities	-	-	-	(44,338)	-	-	-
Share in re-measurements of the defined benefit liabilities of associates	-	-	-	(38)	-	-	-
Tax on items that will never be reclassified to profit or loss	-	-	-	8,424	-	-	-
Other comprehensive income (net)	133,926	(400,679)	(114,809)	(46,890)	163,619	353,270	20,621
Total comprehensive income	744,770	218,740	509,760	644,645	868,701	1,043,833	658,557
Attributable to equity holders of the Bank	744,395	218,530	509,608	644,133	867,989	1,038,347	654,865
Attributable to non-controlling interest	375	210	152	512	712	5,486	3,692

7.3 Consolidated income statement – presentation form

Consolidated income statement for 2015 and 2014

(in PLN thousand)

	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net interest income	1,047,634	1,015,495	1,042,930	1,057,371	1,133,944	1,139,906	1,130,073
Dividend income and income from equity investments	11,666	27,935	15,502	13,197	15,429	23,600	19,282
Total net interest income, dividend income and other income from equity investments	1,059,300	1,043,430	1,058,432	1,070,568	1,149,373	1,163,506	1,149,355
Net fee and commission income	507,800	513,250	480,567	499,650	505,022	526,164	512,899
Trading result	119,855	99,899	259,961	244,083	198,124	142,605	94,718
Net other operating income and expenses	21,814	117,369	9,131	21,664	12,148	22,995	32,856
Net non-interest income	649,469	730,518	749,659	765,397	715,294	691,764	640,473
Operating income	1,708,769	1,773,948	1,808,091	1,835,965	1,864,667	1,855,270	1,789,828
Operating costs	(808,475)	(811,221)	(801,363)	(809,644)	(825,416)	(830,660)	(820,047)
Gross operating profit	900,294	962,727	1,006,728	1,026,321	1,039,251	1,024,610	969,781
Net impairment losses on loans and off-balance sheet commitments	(130,067)	(130,082)	(137,132)	(135,213)	(134,194)	(142,666)	(147,502)
Net operating profit	770,227	832,645	869,596	891,108	905,057	881,944	822,279
Net result on other provisions	(3,714)	(767)	(25,872)	349	99	(1,962)	(1,188)
Guarantee funds charges	(68,346)	(68,599)	(68,972)	(33,824)	(34,742)	(34,423)	(36,805)
Net result on investment activities	61,685	(54)	683	2,218	122	(210)	(333)
Profit before income tax	759,852	763,225	775,435	859,851	870,536	845,349	783,953
Income tax expense	(149,008)	(143,806)	(150,866)	(168,316)	(165,454)	(154,786)	(146,017)
Net profit for the period	610,844	619,419	624,569	691,535	705,082	690,563	637,936
Attributable to equity holders of the Bank	610,469	619,209	624,417	691,023	704,370	685,077	634,244
Attributable to non-controlling interest	375	210	152	512	712	5,486	3,692

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

8 Other Information

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

The Bank has not published the forecast of the financial results for 2015.

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

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

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

	AS AT THE DATE OF SUBMITTING THE REPORT		CHANGE
	FOR THE THIRD QUARTER OF 2015	FOR THE FIRST HALF OF 2015	
Luigi Lovaglio	64,035	64,035	0
Diego Biondo	9,500	9,500	0
Total	73,535	73,535	0

8.3 Related party transactions

In the third quarter of 2015, the Bank and its subsidiaries have not concluded any significant transactions (single or aggregate) with related entities other than those executed on arm's length.

In the third quarter of 2015, the Bank and its subsidiaries did not provide any sureties or guarantees in respect of loans or advances to an entity or a subsidiary of such entity, as a result of which the total value of existing sureties and guarantees would have equaled or exceeded 10% of the Bank's equity.

8.4 Accounting principles adopted in the preparation of the report

Accounting principles adopted in the preparation of the report are described in the Notes to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the three quarters of 2015.

8.5 Seasonality or cyclical nature of the Bank's activity

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

8.6 Issuance, redemption and repayment of debt securities

Structured Certificates of Deposit

Structured Certificates of Deposit are investment products for the Bank's clients that form an alternative to traditional banks' deposits. The total value of the Bank's liabilities relating to these products amounted to PLN 254.6 million (principal value) as at the end of September 2015. There are 4 issues of Structured Certificates of Deposit open in PLN with the maximum maturity date set at March 24, 2016. Those liabilities that mature in 2015 and 2016 account for 27.5%, and 72.5% of its total value, respectively.

Report on the activities of Bank Pekao S.A. Group for the third quarter of 2015

Certificates of Deposit

Certificates of Deposit are investment products denominated in PLN that guarantee 100% protection of invested funds also in case of termination before redemption date. The total value of the Bank's liabilities under these products amounted to PLN 2,153.0 million (principal value) as at the end of September 2015. There are 19 issues of Certificates of Deposit, and the maturity date up to 3 months accounts for 47.6%, up to 6 months accounts for 43.2% and up to 1 year accounts for 9.2% of its total value.

Pekao Bank Hipoteczny S.A. covered bonds

The total value of liabilities due to covered bonds amounted to PLN 1,290.3 million as of September 30, 2015. The liabilities under covered bonds with maturity date up to 1 year account for 0.5%, with maturity date from 1 up to 3 years account for 20.7%, with maturity date from 3 up to 5 years account for 17.1% and with maturity date from 5 up to 10 years account for 61.7% of the total nominal value.

8.7 Pending litigations

In the third quarter of 2015, the number of the legal proceedings pending before courts, arbitration bodies or public administration authorities in respect of the Group's liabilities was 575 with the total value amounting to PLN 1,060.3 million. The number of legal proceedings in respect of receivables was 9,380 with the total value of PLN 1,037.3 million.

In the third quarter of 2015, there were no legal proceedings relating to the liabilities and/or receivables of the Group in which asserted claims accounted for at least 10% of the Bank's own funds.

In the opinion of the Bank none of the individual pending proceedings before any courts, arbitration bodies or public administration authorities during the third quarter of 2015, nor the proceedings in aggregate pose any threat to the Bank's financial liquidity.

8.8 Subsequent events

Subsequent events are presented in the Note 41 of the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the three quarters of 2015.

**Condensed Consolidated
Interim Financial
Statements of
Bank Pekao S.A. Group
for the three quarters
of 2015**



Warsaw, November 2015

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

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Consolidated income statement

(in PLN thousand)

	NOTE	III QUARTER 2015 PERIOD FROM 01.07.2015 TO 30.09.2015	3 QUARTERS 2015 PERIOD FROM 01.01.2015 TO 30.09.2015	III QUARTER 2014 PERIOD FROM 01.07.2014 TO 30.09.2014	3 QUARTERS 2014 PERIOD FROM 01.01.2014 TO 30.09.2014
Interest income	9	1 365 004	4 086 899	1 594 530	4 750 316
Interest expense	9	(317 370)	(980 840)	(460 586)	(1 346 393)
Net interest income		1 047 634	3 106 059	1 133 944	3 403 923
Fee and commission income	10	606 051	1 806 263	612 307	1 908 935
Fee and commission expense	10	(98 251)	(304 646)	(107 285)	(364 850)
Net fee and commission income		507 800	1 501 617	505 022	1 544 085
Dividend income	11	297	13 634	109	8 298
Result on financial assets and liabilities held for trading	12	103 916	303 974	105 102	321 722
Result on fair value hedge accounting	29	(223)	5 018	(1 598)	(15 715)
Gains (losses) on disposal of	13	16 162	171 125	94 620	130 524
loans and other financial receivables		-	402	-	1 084
available for sale financial assets and held to maturity investments		16 350	171 065	94 618	129 455
financial liabilities		(188)	(342)	2	(15)
Operating income		1 675 586	5 101 427	1 837 199	5 392 837
Net impairment losses on financial assets and off-balance sheet commitments	17	(130 067)	(397 281)	(134 194)	(424 362)
loans and other financial receivables		(147 171)	(383 242)	(173 182)	(453 457)
off-balance sheet commitments		17 104	(14 039)	38 988	29 095
Net result on financial activity		1 545 519	4 704 146	1 703 005	4 968 475
Administrative expenses	14	(795 962)	(2 382 768)	(778 424)	(2 339 172)
personnel expenses		(484 565)	(1 436 654)	(479 962)	(1 435 352)
other administrative expenses		(311 397)	(946 114)	(298 462)	(903 820)
Depreciation and amortization	15	(81 888)	(246 657)	(82 263)	(245 257)
Net result on other provisions		(3 714)	(30 353)	99	(3 051)
Net other operating income and expenses	16	22 843	150 361	12 677	69 251
Operating costs		(858 721)	(2 509 417)	(847 911)	(2 518 229)
Gains (losses) on subsidiaries and associates	18	72 426	102 581	15 320	50 013
Gains (losses) on disposal of property, plant and equipment, and intangible assets	19	628	1 202	122	(421)
Profit before income tax		759 852	2 298 512	870 536	2 499 838
Income tax expense	20	(149 008)	(443 680)	(165 454)	(466 257)
Net profit for the period		610 844	1 854 832	705 082	2 033 581
1. Attributable to equity holders of the Bank		610 469	1 854 095	704 370	2 023 691
2. Attributable to non-controlling interests		375	737	712	890
Earnings per share (in PLN per share)	21				
basic for the period		2.32	7.06	2.68	7.71
diluted for the period		2.32	7.06	2.68	7.71

Notes to the financial statements presented on pages 19 – 89 and Annexes to the financial statements presented on pages I - V constitute an integral part of the condensed consolidated interim financial statements.

Consolidated statement of comprehensive income

(in PLN thousand)

	NOTE	III QUARTER 2015 PERIOD FROM 01.07.2015 TO 30.09.2015	3 QUARTERS 2015 PERIOD FROM 01.01.2015 TO 30.09.2015	III QUARTER 2014 PERIOD FROM 01.07.2014 TO 30.09.2014	3 QUARTERS 2014 PERIOD FROM 01.01.2014 TO 30.09.2014
Net profit for the period		610 844	1 854 832	705 082	2 033 581
1. Attributable to equity holders of the Bank		610 469	1 854 095	704 370	2 023 691
2. Attributable to non-controlling interests		375	737	712	9 890
Other comprehensive income					
Item that are or may be reclassified subsequently to profit or loss:					
Foreign currency translation differences		(10)	(23)	(8)	3
Change in fair value of available-for-sale financial assets		191 550	(335 957)	127 131	486 990
Change in fair value of cash flow hedges		(26 197)	(135 079)	74 877	176 599
Tax on items that are or may be reclassified subsequently to profit or loss	20	(31 417)	89 497	(38 381)	(126 082)
Items that will never be reclassified to profit or loss:					
Remeasurements of the defined benefit liabilities		-	-	-	-
Share in remeasurements of the defined benefit liabilities of associates		-	-	-	-
Tax on items that will never be reclassified to profit or loss		-	-	-	-
Other comprehensive income (net of tax)		133 926	(381 562)	163 619	537 510
Total comprehensive income		744 770	1 473 270	868 701	2 571 091
1. Attributable to equity holders of the Bank		744 395	1 472 533	867 989	2 561 201
2. Attributable to non-controlling interests		375	737	712	9 890

Notes to the financial statements presented on pages 19 – 89 and Annexes to the financial statements presented on pages I - V constitute an integral part of the condensed consolidated interim financial statements.

Consolidated statement of financial position

(in PLN thousand)

	NOTE	30.09.2015	31.12.2014	30.09.2014
ASSETS				
Cash and due from Central Bank	23	3 589 337	9 226 254	3 896 916
Bill of exchange eligible for rediscounting at Central Bank		205	165	110
Loans and advances to banks	24	3 760 615	7 169 872	6 462 833
Financial assets held for trading	25	2 246 027	448 453	529 245
Derivative financial instruments (held for trading)	26	3 361 343	4 447 975	3 437 874
Loans and advances to customers	27	120 322 127	111 871 948	107 526 519
Receivables from finance leases	28	3 345 512	3 112 048	3 009 759
Hedging instruments	29	394 178	470 822	407 148
Investments (placement) securities	30	28 198 118	24 712 776	32 661 154
1. Available for sale		24 820 482	23 111 208	31 082 243
2. Held to maturity		3 377 636	1 601 568	1 578 911
Assets held for sale	31	37 129	37 102	32 684
Investments in associates		138 325	184 228	171 070
Intangible assets	32	634 460	627 032	605 895
Property, plant and equipment	33	1 467 860	1 544 139	1 541 236
Investment properties		34 079	35 295	40 876
Income tax assets		997 334	879 991	866 330
1. Current tax assets		518	2 572	1 232
2. Deferred tax assets		996 816	877 419	865 098
Other assets		2 264 978	2 856 928	2 562 188
TOTAL ASSETS		170 791 627	167 625 028	163 751 837
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to Central Bank	23	910	971	965
Amounts due to other banks	35	7 864 570	5 344 702	8 391 931
Financial liabilities held for trading	25	329 528	591 311	238 874
Derivative financial instruments (held for trading)	26	3 344 837	4 417 706	3 442 736
Amounts due to customers	36	128 600 641	125 609 000	120 281 209
Hedging instruments	29	1 685 449	1 484 428	1 230 210
Debt securities issued	37	3 627 650	3 857 043	4 105 141
Income tax liabilities		40 722	70 257	82 181
1. Current tax liabilities		35 747	68 164	79 764
2. Deferred tax liabilities		4 975	2 093	2 417
Provisions	38	465 112	442 456	374 520
Other liabilities		1 969 846	1 761 422	2 202 049
TOTAL LIABILITIES		147 929 265	143 579 296	140 349 816
Equity				
Share capital		262 470	262 470	262 470
Other capital and reserves		20 746 792	20 990 344	21 038 168
Retained earnings and profit for the period		1 837 419	2 764 875	2 073 852
Total equity attributable to equity holders of the Bank		22 846 681	24 017 689	23 374 490
Non-controlling interests		15 681	28 043	27 531
TOTAL EQUITY		22 862 362	24 045 732	23 402 021
TOTAL LIABILITIES AND EQUITY		170 791 627	167 625 028	163 751 837

Notes to the financial statements presented on pages 19 – 89 and Annexes to the financial statements presented on pages I - V constitute an integral part of the condensed consolidated interim financial statements.

Consolidated statement of changes in equity

(in PLN thousand)

For the period from 1 January 2015 to 30 September 2015

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK											
	SHARE CAPITAL	OTHER CAPITAL AND RESERVES						RETAINED EARNINGS AND PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON - CONTROLLING INTERESTS	TOTAL EQUITY	
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	FOREIGN CURRENCY TRANSLATION DIFFERENCES					OTHER
Equity as at 1.01.2015	262 470	20 990 344	9 137 221	1 937 850	9 002 629	540 806	1 169	370 669	2 764 875	24 017 689	28 043	24 045 732
Management options	-	-	-	-	-	-	-	-	-	-	-	-
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of management options	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive income	-	(381 562)	-	-	-	(381 539)	(23)	-	1 854 095	1 472 533	737	1 473 270
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of available-for-sale investments (net of tax)	-	(272 125)	-	-	-	(272 125)	-	-	-	(272 125)	-	(272 125)
Revaluation of hedging financial instruments (net of tax)	-	(109 414)	-	-	-	(109 414)	-	-	-	(109 414)	-	(109 414)
Foreign currency translation differences	-	(23)	-	-	-	-	(23)	-	-	(23)	-	(23)
Net profit for the period	-	-	-	-	-	-	-	-	1 854 095	1 854 095	737	1 854 832
Appropriation of retained earnings	-	161 860	-	37 565	113 961	-	-	10 334	(2 781 551)	(2 619 691)	(13 099)	(2 632 790)
Dividend paid	-	-	-	-	-	-	-	-	(2 624 701)	(2 624 701)	(8 089)	(2 632 790)
Profit appropriation to other reserves including consolidation adjustments	-	161 860	-	37 565	113 961	-	-	10 334	(156 850)	5 010	(5 010)	-
Other	-	(23 850)	-	-	(23 850)	-	-	-	-	(23 850)	-	(23 850)
Acquisition of Pekao Investment Banking S.A.	-	(23 850)	-	-	(23 850)	-	-	-	-	(23 850)	-	(23 850)
Equity as at 30.09.2015	262 470	20 746 792	9 137 221	1 975 415	9 092 740	159 267	1 146	381 003	1 837 419	22 846 681	15 681	22 862 362

Notes to the financial statements presented on pages 19 – 89 and Annexes to the financial statements presented on pages I - V constitute an integral part of the condensed consolidated interim financial statements.

Consolidated statement of changes in equity (cont.)

(in PLN thousand)

For the period from 1 January 2014 to 31 December 2014

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK											
	SHARE CAPITAL	OTHER CAPITAL AND RESERVES						RETAINED EARNINGS AND PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON-CONTROLLING INTERESTS	TOTAL EQUITY	
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	FOREIGN CURRENCY TRANSLATION DIFFERENCES					OTHER
Equity as at 1.01.2014	262 470	20 564 611	9 137 221	1 937 850	9 070 200	50 117	1 238	367 985	2 592 802	23 419 883	94 288	23 514 171
Management options	-	(697)	-	-	-	-	-	(697)	-	(697)	-	(697)
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of management share options	-	(697)	-	-	-	-	-	(697)	-	(697)	-	(697)
Comprehensive income	-	490 620	-	-	-	490 689	(69)	-	2 714 714	3 205 334	10 402	3 215 736
Remeasurements of the defined benefit liabilities (net of tax)	-	(35 952)	-	-	-	(35 952)	-	-	-	(35 952)	-	(35 952)
Revaluation of available-for-sale investments (net of tax)	-	390 473	-	-	-	390 473	-	-	-	390 473	-	390 473
Revaluation of hedging financial instruments (net of tax)	-	136 168	-	-	-	136 168	-	-	-	136 168	-	136 168
Foreign currency translation differences	-	(69)	-	-	-	-	(69)	-	-	(69)	-	(69)
Net profit for the period	-	-	-	-	-	-	-	-	2 714 714	2 714 714	10 402	2 725 116
Appropriation of retained earnings	-	(71 614)	-	-	(74 995)	-	-	3 381	(2 542 641)	(2 614 255)	(4 823)	(2 619 078)
Dividend paid	-	-	-	-	-	-	-	-	(2 614 202)	(2 614 202)	(4 823)	(2 619 025)
Profit appropriation to other reserves including consolidation adjustments	-	(71 614)	-	-	(74 995)	-	-	3 381	71 561	(53)	-	(53)
Other	-	7 424	-	-	7 424	-	-	-	-	7 424	(71 824)	(64 400)
Acquisition of non-controlling interests	-	7 424	-	-	7 424	-	-	-	-	7 424	(71 824)	(64 400)
Equity as at 31.12.2014	262 470	20 990 344	9 137 221	1 937 850	9 002 629	540 806	1 169	370 669	2 764 875	24 017 689	28 043	24 045 732

Notes to the financial statements presented on pages 19 – 89 and Annexes to the financial statements presented on pages I - V constitute an integral part of the condensed consolidated interim financial statements.

Consolidated statement of changes in equity (cont)

(in PLN thousand)

For the period from 1 January 2014 to 30 September 2014

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

Notes to the financial statements presented on pages 19 – 89 and Annexes to the financial statements presented on pages I - V constitute an integral part of the condensed consolidated interim financial statements.

Consolidated cash flow statement

(in PLN thousand)

	NOTE	III QUARTER 2015 PERIOD FROM 01.07.2015 TO 30.09.2015	3 QUARTERS 2015 PERIOD FROM 01.01.2015 TO 30.09.2015	III QUARTER 2014 PERIOD FROM 01.07.2014 TO 30.09.2014	3 QUARTERS 2014 PERIOD FROM 01.01.2014 TO 30.09.2014
Cash flow from operating activities – indirect method					
Net profit for the period		610 469	1 854 095	704 370	2 023 691
Adjustments for:		(4 437 354)	(4 487 235)	3 550 892	(5 131 905)
Depreciation and amortization	15	81 888	246 657	82 263	245 257
Share of profit (loss) of associates	18	(11 369)	(41 524)	(15 320)	(50 013)
(Gains) losses on investing activities		(16 935)	(172 101)	(94 633)	(128 927)
Net interest income	9	(1 047 634)	(3 106 059)	(1 133 944)	(3 403 923)
Dividend income	11	(297)	(13 634)	(109)	(8 298)
Interest received		1 078 739	3 850 093	1 546 921	4 634 362
Interest paid		(306 609)	(990 869)	(455 381)	(1 353 918)
Income tax		185 166	413 780	166 631	467 102
Income tax paid		(151 750)	(466 570)	(183 410)	(395 154)
Change in loans and advances to banks		(139 951)	173 290	(49 564)	271 537
Change in financial assets held for trading		(978 493)	(1 794 227)	455 051	(342 188)
Change in derivative financial instruments (assets)		(121 374)	1 086 632	(716 640)	(1 440 940)
Change in loans and advances to customers and bill of exchange eligible for rediscounting at Central Bank		(2 663 438)	(8 252 546)	(780 816)	(6 440 547)
Change in receivables from finance leases		(117 731)	(233 464)	(24 176)	(78 511)
Change in investment (placement) securities		(43 383)	(638 217)	(393 073)	(873 865)
Change in other assets		283 968	810 627	(279 961)	(536 160)
Change in amounts due to banks		(1 003 982)	2 517 890	1 730 807	1 975 429
Change in financial liabilities held for trading		248 658	(261 783)	14 869	(70 868)
Change in derivative financial instruments (liabilities)		128 218	(1 072 869)	709 097	1 391 235
Change in amounts due to customers		3 270 080	2 997 279	5 565 211	501 212
Change in debt securities issued		48 608	41 137	(13 018)	123 432
Change in provisions		(8 789)	22 656	(35 562)	(19 017)
Change in other liabilities		(3 150 944)	396 587	(2 544 351)	400 858
Net cash flows from operating activities		(3 826 885)	(2 633 140)	4 255 262	(3 108 214)
Cash flow from investing activities					
Investing activity inflows		52 306 313	188 904 688	96 198 546	275 013 202
Sale of associates	31	75 000	75 000	-	-
Sale of investment securities		52 139 613	188 341 573	96 032 241	274 423 703
Sale of intangible assets and property, plant and equipment		2 012	4 785	1 540	3 062
Dividend received	11	297	13 634	109	8 298
Other investing inflows		89 391	469 696	164 656	578 139
Investing activity outflows		(52 715 265)	(192 271 867)	(102 508 438)	(271 240 056)
Acquisition of shares in subsidiary, net of cash acquired	2	-	(274 329)	-	-
Acquisition of investment securities		(52 659 237)	(191 803 541)	(102 427 558)	(271 076 397)
Acquisition of intangible assets and property, plant and equipment		(56 028)	(193 997)	(80 880)	(163 659)
Net cash flows from investing activities		(408 952)	(3 367 179)	(6 309 892)	3 773 146

Notes to the financial statements presented on pages 19 - 89 and Annexes to the financial statements presented on pages I - V constitute an integral part of the condensed consolidated interim financial statements.

Consolidated cash flow statement (cont.)

(in PLN thousand)

	NOTE	III QUARTER 2015 PERIOD FROM 01.07.2015 TO 30.09.2015	3 QUARTERS 2015 PERIOD FROM 01.01.2015 TO 30.09.2015	III QUARTER 2014 PERIOD FROM 01.07.2014 TO 30.09.2014	3 QUARTERS 2014 PERIOD FROM 01.01.2014 TO 30.09.2014
Cash flows from financing activities					
Financing activity inflows		1 223 982	3 645 586	2 242 199	4 799 673
Issue of debt securities	37	1 223 982	3 645 586	2 242 199	4 799 673
Financing activity outflows		(1 613 498)	(6 534 508)	(1 767 620)	(6 570 662)
Redemption of debt securities	37	(1 613 498)	(3 909 807)	(1 703 220)	(3 892 060)
Dividends and other payments to shareholders		-	(2 624 701)	-	(2 614 202)
Acquisition of non-controlling interests		-	-	(64 400)	(64 400)
Net cash flows from financing activities		(389 516)	(2 888 922)	474 579	(1 770 989)
Total net cash flows		(4 625 353)	(8 889 241)	(1 580 051)	(1 106 057)
including: effect of exchange rate fluctuations on cash and cash equivalents held		(31 553)	48 492	62 916	82 087
Net change in cash and cash equivalents		(4 625 353)	(8 889 241)	(1 580 051)	(1 106 057)
Cash and cash equivalents at the beginning of the period		11 292 296	15 556 184	11 089 856	10 615 862
Cash and cash equivalents at the end of the period		6 666 943	6 666 943	9 509 805	9 509 805

Notes to the financial statements presented on pages 19 - 89 and Annexes to the financial statements presented on pages I - V constitute an integral part of the condensed consolidated interim financial statements.

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

	III QUARTER 2015 PERIOD FROM 01.07.2015 TO 30.09.2015	3 QUARTERS 2015 PERIOD FROM 01.01.2015 TO 30.09.2015	III QUARTER 2014 PERIOD FROM 01.07.2014 TO 30.09.2014	3 QUARTERS 2014 PERIOD FROM 01.01.2014 TO 30.09.2014
Interest income	1 327 056	3 970 255	1 547 897	4 608 529
Interest expense	(311 412)	(958 980)	(446 165)	(1 299 741)
Net interest income	1 015 644	3 011 275	1 101 732	3 308 788
Fee and commission income	544 017	1 618 572	560 867	1 754 625
Fee and commission expense	(98 999)	(303 737)	(108 768)	(366 661)
Net fee and commission income	445 018	1 314 835	452 099	1 387 964
Dividend income	-	210 609	101	153 548
Result on financial assets and liabilities held for trading	103 843	298 746	101 774	311 765
Result on fair value hedge accounting	(223)	5 018	(1 598)	(15 715)
Gains (losses) on disposal of	16 162	171 125	93 978	129 882
loans and other financial receivables	-	402	-	1 084
available for sale financial assets and held to maturity investments	16 350	171 065	93 976	128 813
financial liabilities	(188)	(342)	2	(15)
Operating income	1 580 444	5 011 608	1 748 086	5 276 232
Net impairment losses on financial assets and off-balance sheet commitments	(132 518)	(396 687)	(130 158)	(408 151)
loans and other financial receivables	(147 465)	(379 698)	(168 942)	(436 792)
off-balance sheet commitments	14 947	(16 989)	38 784	28 641
Net result on financial activity	1 447 926	4 614 921	1 617 928	4 868 081
Administrative expenses	(748 340)	(2 233 812)	(734 864)	(2 202 448)
personnel expenses	(438 087)	(1 295 245)	(437 682)	(1 304 761)
other administrative expenses	(310 253)	(938 567)	(297 182)	(897 687)
Depreciation and amortization	(77 140)	(232 013)	(77 993)	(231 286)
Net result on other provisions	(3 731)	(30 253)	146	(1 662)
Net other operating income and expenses	13 438	137 242	13 513	29 627
Operating costs	(815 773)	(2 358 836)	(799 198)	(2 405 769)
Gains (losses) on subsidiaries and associates	73 437	75 827	-	-
Gains (losses) on disposal of property, plant and equipment, and intangible assets	483	1 062	13	(698)
Profit before income tax	706 073	2 332 974	818 743	2 461 614
Income tax expense	(137 117)	(415 243)	(158 085)	(446 906)
Net profit	568 956	1 917 731	660 658	2 014 708
Earnings per share (in PLN per share)				
basic for the period	2.17	7.31	2.52	7.68
diluted for the period	2.17	7.31	2.52	7.68

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

	III QUARTER 2015 PERIOD FROM 01.07.2015 TO 30.09.2015	3 QUARTERS 2015 PERIOD FROM 01.01.2015 TO 30.09.2015	III QUARTER 2014 PERIOD FROM 01.07.2014 TO 30.09.2014	3 QUARTERS 2014 PERIOD FROM 01.01.2014 TO 30.09.2014
Net profit	568 956	1 917 731	660 658	2 014 708
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	(10)	(23)	(8)	3
Change in fair value of available-for-sale financial assets	191 946	(335 611)	127 457	486 915
Change in fair value of cash flow hedges	(26 197)	(135 079)	74 877	176 599
Tax on items that are or may be reclassified subsequently to profit or loss	(31 493)	89 431	(38 444)	(126 068)
Items that will never be reclassified to profit or loss:				
Remeasurements of the defined benefit liabilities	-	-	-	-
Tax on items that will never be reclassified to profit or loss	-	-	-	-
Other comprehensive income (net of tax)	134 246	(381 282)	163 882	537 449
Total comprehensive income	703 202	1 536 449	824 540	2 552 157

Unconsolidated statement of financial position

(in PLN thousand)

	30.09.2015	31.12.2014	30.09.2014
ASSETS			
Cash and due from Central Bank	3 589 330	9 226 249	3 896 907
Bill of exchange eligible for rediscounting at Central Bank	205	165	110
Loans and advances to banks	4 016 402	7 215 362	6 552 725
Financial assets held for trading	2 232 666	513 078	541 443
Derivative financial instruments (held for trading)	3 406 790	4 464 894	3 445 140
Loans and advances to customers	120 084 104	111 389 077	106 895 407
Hedging instruments	394 178	470 822	407 148
Investment (placement) securities	28 005 656	24 572 130	32 524 770
1. Available for sale	24 707 784	23 048 190	31 019 472
2. Held to maturity	3 297 872	1 523 940	1 505 298
Assets held for sale	31 979	31 952	32 684
Investments in subsidiaries	1 123 654	857 513	857 513
Investments in associates	27 552	29 427	29 427
Intangible assets	608 922	601 673	582 599
Property, plant and equipment	1 448 739	1 525 593	1 522 463
Investment properties	23 033	23 802	24 084
Income tax assets	761 279	674 378	656 994
1. Current tax assets	1	1 881	116
2. Deferred tax assets	761 278	672 497	656 878
Other assets	2 083 229	2 726 716	2 386 005
TOTAL ASSETS	167 837 718	164 322 831	160 355 419
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to Central Bank	910	971	965
Amounts due to other banks	6 460 489	3 129 856	6 697 258
Financial liabilities held for trading	329 528	591 311	238 874
Derivative financial instruments (held for trading)	3 340 396	4 422 292	3 446 648
Amounts due to customers	128 941 939	126 381 270	120 360 360
Hedging instruments	1 685 449	1 484 428	1 230 210
Debt securities issued	2 424 194	2 819 713	3 094 758
Income tax liabilities	34 490	66 412	78 100
1. Current tax liabilities	34 490	66 412	78 100
2. Deferred tax liabilities	-	-	-
Provisions	464 491	436 952	371 242
Other liabilities	1 856 840	1 602 382	2 050 165
TOTAL LIABILITIES	145 538 726	140 935 587	137 568 580
Equity			
Share capital	262 470	262 470	262 470
Other capital and reserves	20 118 791	20 462 508	20 509 661
Retained earnings and profit for the period	1 917 731	2 662 266	2 014 708
TOTAL EQUITY	22 298 992	23 387 244	22 786 839
TOTAL LIABILITIES AND EQUITY	167 837 718	164 322 831	160 355 419

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

For the period from 1 January 2015 to 30 September 2015

	SHARE CAPITAL	OTHER CAPITAL AND RESERVES							RETAINED EARNINGS AND PROFIT FOR THE PERIOD	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	FOREIGN CURRENCY TRANSLATION DIFFERENCES	OTHER		
Equity as at 1.01.2015	262 470	20 462 508	9 137 221	1 937 850	8 612 550	540 591	1 169	233 127	2 662 266	23 387 244
Management options	-	-	-	-	-	-	-	-	-	-
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-
Revaluation of management options	-	-	-	-	-	-	-	-	-	-
Comprehensive income	-	(381 282)	-	-	-	(381 259)	(23)	-	1 917 731	1 536 449
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-
Revaluation of available-for-sale investments (net of tax)	-	(271 845)	-	-	-	(271 845)	-	-	-	(271 845)
Revaluation of hedging financial instruments (net of tax)	-	(109 414)	-	-	-	(109 414)	-	-	-	(109 414)
Foreign currency translation differences	-	(23)	-	-	-	-	(23)	-	-	(23)
Net profit for the period	-	-	-	-	-	-	-	-	1 917 731	1 917 731
Appropriation of retained earnings	-	37 565	-	37 565	-	-	-	-	(2 662 266)	(2 624 701)
Dividend paid	-	-	-	-	-	-	-	-	(2 624 701)	(2 624 701)
Profit appropriation	-	37 565	-	37 565	-	-	-	-	(37 565)	-
Equity as at 30.09.2015	262 470	20 118 791	9 137 221	1 975 415	8 612 550	159 332	1 146	233 127	1 917 731	22 298 992

Unconsolidated statement of changes in equity

(in PLN thousand)

For the period from 1 January 2014 to 31 December 2014

	OTHER CAPITAL AND RESERVES									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	RETAINED EARNINGS AND PROFIT FOR THE PERIOD	
Equity as at 1.01.2014	262 470	19 970 192	9 137 221	1 937 850	8 610 711	49 713	1 238	233 459	2 616 041	22 848 703
Management options	-	(332)	-	-	-	-	-	(332)	-	(332)
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-
Revaluation of management share options	-	(332)	-	-	-	-	-	(332)	-	(332)
Comprehensive income	-	490 809	-	-	-	490 878	(69)	-	2 662 266	3 153 075
Remeasurements of the defined benefit liabilities (net of tax)	-	(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
Appropriation of retained earnings	-	1 839	-	-	1 839	-	-	-	(2 616 041)	(2 614 202)
Dividend paid	-	-	-	-	-	-	-	-	(2 614 202)	(2 614 202)
Profit appropriation	-	1 839	-	-	1 839	-	-	-	(1 839)	-
Equity as at 31.12.2014	262 470	20 462 508	9 137 221	1 937 850	8 612 550	540 591	1 169	233 127	2 662 266	23 387 244

Unconsolidated statement of changes in equity

(in PLN thousand)

For the period from 1 January 2014 to 30 September 2014

	SHARE CAPITAL	OTHER CAPITAL AND RESERVES							RETAINED EARNINGS AND PROFIT FOR THE PERIOD	TOTAL EQUITY
		TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	FOREIGN CURRENCY TRANSLATION DIFFERENCES	OTHER		
Equity as at 1.01.2014	262 470	19 970 192	9 137 221	1 937 850	8 610 711	49 713	1 238	233 459	2 616 041	22 848 703
Management options	-	181	-	-	-	-	-	181	-	181
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-
Revaluation of management options	-	181	-	-	-	-	-	181	-	181
Comprehensive income	-	537 449	-	-	-	537 446	3	-	2 014 708	2 552 157
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-
Revaluation of available-for-sale investments (net of tax)	-	394 401	-	-	-	394 401	-	-	-	394 401
Revaluation of hedging financial instruments (net of tax)	-	143 045	-	-	-	143 045	-	-	-	143 045
Foreign currency translation differences	-	3	-	-	-	-	3	-	-	3
Net profit for the period	-	-	-	-	-	-	-	-	2 014 708	2 014 708
Appropriation of retained earnings	-	1 839	-	-	1 839	-	-	-	(2 616 041)	(2 614 202)
Dividend paid	-	-	-	-	-	-	-	-	(2 614 202)	(2 614 202)
Profit appropriation	-	1 839	-	-	1 839	-	-	-	(1 839)	-
Equity as at 30.09.2014	262 470	20 509 661	9 137 221	1 937 850	8 612 550	587 159	1 241	233 640	2 014 708	22 786 839

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

	III QUARTER 2015 PERIOD FROM 01.07.2015 TO 30.09.2015	3 QUARTERS 2015 PERIOD FROM 01.01.2015 TO 30.09.2015	III QUARTER 2014 PERIOD FROM 01.07.2014 TO 30.09.2014	3 QUARTERS 2014 PERIOD FROM 01.01.2014 TO 30.09.2014
Cash flow from operating activities – indirect method				
Net profit for the period	568 956	1 917 731	660 658	2 014 708
Adjustments for:	(4 547 409)	(4 521 690)	3 733 202	(5 085 166)
Depreciation and amortization	77 140	232 013	77 993	231 286
(Gains) losses on investing activities	(16 793)	(172 056)	(93 881)	(128 007)
Net interest income	(1 015 644)	(3 011 275)	(1 101 732)	(3 308 788)
Dividend income	-	(210 609)	(101)	(153 548)
Interest received	1 048 225	3 792 968	1 500 365	4 493 202
Interest paid	(300 063)	(970 409)	(438 998)	(1 308 015)
Income tax	168 689	415 893	158 084	446 905
Income tax paid	(147 299)	(452 354)	(178 668)	(382 234)
Change in loans and advances to banks	(265 059)	47 956	(41 029)	338 366
Change in financial assets held for trading	(964 074)	(1 716 241)	442 853	(353 204)
Change in derivative financial instruments (assets)	(110 463)	1 058 104	(718 372)	(1 445 794)
Change in loans and advances to customers and bill of exchange eligible for rediscounting at Central Bank	(2 741 153)	(8 497 083)	(683 954)	(6 253 310)
Change in investment (placement) securities	(28 444)	(627 434)	(391 795)	(870 944)
Change in other assets	165 962	535 219	(365 682)	(611 792)
Change in amounts due to banks	(1 129 846)	3 327 872	1 746 371	1 943 073
Change in financial liabilities held for trading	248 658	(261 783)	14 869	(70 868)
Change in derivative financial instruments (liabilities)	129 995	(1 081 896)	710 904	1 392 263
Change in amounts due to customers	3 442 503	2 570 055	5 597 106	509 596
Change in debt securities issued	10 685	4 744	(1 510)	(946)
Change in provisions	(4 502)	27 539	(35 445)	(20 154)
Change in other liabilities	(3 115 926)	467 087	(2 464 176)	467 747
Net cash flows from operating activities	(3 978 453)	(2 603 959)	4 393 860	(3 070 458)
Cash flow from investing activities				
Investing activity inflows	52 362 721	189 080 601	96 126 169	275 017 318
Sale of associates	75 000	75 000	-	-
Sale of investment securities	52 139 240	188 325 720	95 962 375	274 343 539
Sale of intangible assets and property, plant and equipment	1 301	2 778	677	727
Dividend received	-	210 609	101	153 548
Other investing inflows	147 180	466 494	163 016	519 504
Investing activity outflows	(52 678 978)	(192 207 102)	(102 491 684)	(271 168 031)
Acquisition of subsidiary	-	(274 334)	-	-
Acquisition of investment securities	(52 626 779)	(191 749 654)	(102 413 678)	(271 010 898)
Acquisition of intangible assets and property, plant and equipment	(52 199)	(183 114)	(78 006)	(157 133)
Net cash flows from investing activities	(316 257)	(3 126 501)	(6 365 515)	3 849 287

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

	III QUARTER 2015 PERIOD FROM 01.07.2015 TO 30.09.2015	3 QUARTERS 2015 PERIOD FROM 01.01.2015 TO 30.09.2015	III QUARTER 2014 PERIOD FROM 01.07.2014 TO 30.09.2014	3 QUARTERS 2014 PERIOD FROM 01.01.2014 TO 30.09.2014
Cash flows from financing activities				
Financing activity inflows	1 213 585	3 514 289	2 241 980	4 737 040
Issue of debt securities	1 213 585	3 514 289	2 241 980	4 737 040
Financing activity outflows	(1 613 498)	(6 534 508)	(1 767 620)	(6 570 662)
Redemption of debt securities	(1 613 498)	(3 909 807)	(1 703 220)	(3 892 060)
Dividends and other payments to shareholders	-	(2 624 701)	-	(2 614 202)
Acquisition of shares in subsidiaries	-	-	(64 400)	(64 400)
Net cash flows from financing activities	(399 913)	(3 020 219)	474 360	(1 833 622)
Total net cash flows	(4 694 623)	(8 750 679)	(1 497 295)	(1 054 793)
including: effect of exchange rate fluctuations on cash and cash equivalents held	(30 187)	45 859	62 168	79 983
Net change in cash and cash equivalents	(4 694 623)	(8 750 679)	(1 497 295)	(1 054 793)
Cash and cash equivalents at the beginning of the period	11 497 285	15 553 341	11 057 533	10 615 031
Cash and cash equivalents at the end of the period	6 802 662	6 802 662	9 560 238	9 560 238

Notes to financial statements

(in PLN thousand)

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

1. General information

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

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

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

The condensed consolidated interim financial statements of Bank Pekao S.A. Group for the period from 1 January 2015 to 30 September 2015 contain financial information of the Bank and its subsidiaries (together referred to as the 'Group'), and the associates accounted for using equity method.

2. Group structure

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

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/ VOTING	
			30.09.2015	31.12.2014
Pekao Bank Hipoteczny S.A.	Warsaw	Banking	100.00	100.00
Centralny Dom Maklerski Pekao S.A.	Warsaw	Brokerage	100.00	100.00
Pekao Investment Banking S.A.	Warsaw	Brokerage	100.00	-
Pekao Leasing Sp. z o.o. (*)	Warsaw	Leasing services	36.49	36.49
Pekao Leasing Holding S.A. (in liquidation), including:	Warsaw	Leasing services	100.00	100.00
<i>Pekao Leasing Sp. z o.o.</i>	Warsaw	Leasing services	63.51	63.51
Pekao Faktoring Sp. z o.o.	Lublin	Factoring services	100.00	100.00
Pekao Pioneer Powszechnie Towarzystwo Emerytalne S.A.	Warsaw	Pension fund management	65.00	65.00
Centrum Kart S.A.	Warsaw	Financial support	100.00	100.00
Pekao Financial Services Sp. z o.o.	Warsaw	Transferable agent	100.00	100.00
Centrum Bankowości Bezpośredniej Sp. z o.o.	Cracow	Call-center services	100.00	100.00
Pekao Property S.A., including:	Warsaw	Real estate development	100.00	100.00
<i>FPB - Media Sp. z o.o.</i>	Warsaw	Real estate development	100.00	100.00
Pekao Fundusz Kapitałowy Sp. z o.o.	Warsaw	Business consulting	100.00	100.00
Pekao Telecentrum Sp. z o.o. (in liquidation)	Warsaw	Liquidated	-	100.00

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

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

Notes to financial statements (cont.)

(in PLN thousand)

Associates

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

NAME OF ENTITY	LOCATION	CORE ACTIVITY	PERCENTAGE OF THE GROUP'S OWNERSHIP RIGHTS IN SHARE CAPITAL/ VOTING	
			30.09.2015	31.12.2014
Dom Inwestycyjny Xelion Sp. z o.o. (*)	Warsaw	Financial intermediary	50.00	50.00
Pioneer Pekao Investment Management S.A.	Warsaw	Asset management	49.00	49.00
<i>Pioneer Pekao TFI S.A.</i>	Warsaw	Asset management	49.00	49.00
Krajowa Izba Rozliczeniowa S.A.(**)	Warsaw	Clearing house	-	34.44
CPF Management	Tortola, British Virgin Islands	Financial brokerage – not operating	40.00	40.00
Polish Banking System S.A. (in liquidation)	Warsaw	Pending liquidation	48.90	48.90
PPU Budpress Sp. z o.o. (in liquidation)	Żyrardów	Pending liquidation	36.20	36.20

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

(**) The percentage of the Group's ownership rights in share capital/voting is 5.74% as at 30 September 2015. The shares in the Company have been classified as 'Equity securities available for sale'.

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

Changes in the Group structure

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

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

The acquisition transaction was classified as intragroup transaction and recognized at book value. The Bank recognized the assets and liabilities of the acquired entity at their book values, adjusted exclusively for the purpose of aligning the accounting principles. Pursuant to the transaction, neither goodwill nor badwill was recognized. The result on the transaction was recognized in the equity of the Group.

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

Notes to the financial statements (cont.)

(in PLN thousand)

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

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

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

The interest income and commission income included in the consolidated income statement since 1 January 2015 contributed by Pekao Investment Banking S.A. business was PLN 37 231 thousand. UniCredit CAIB Poland S.A. also contributed net profit of PLN 9 842 thousand for the same period.

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

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

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%.

3. Business combination

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

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

Notes to financial statements (cont.)

(in PLN thousand)

4. Statement of compliance

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

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

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

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

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

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

These condensed consolidated interim financial statements were authorized for issue by the Management Board on 9 November 2015.

5. Significant accounting policies

General information

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

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

In the three quarters of 2015 the Group did not amend its accounting policy in respect to valuation of assets and liabilities and profit measurement in comparison to the previous period. The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in the consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2014. Those accounting policies have been applied uniformly to all presented reporting period and by all entities of the Group.

Notes to financial statements (cont.)

(in PLN thousand)

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

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

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

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

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

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

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

6. Accounting estimates

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

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

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

In preparing these interim financial statements, the significant judgments made by management in applying the Group's accounting policies were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2014 taking into account reasons and sources of uncertainty expected at the balance sheet day.

During the nine months period ended 30 September 2015 the most significant estimates are as follows:

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

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

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

Notes to financial statements (cont.)

(in PLN thousand)

7. Risk management

Credit risk

Credit risk management process and measurement methods have not significantly changed with respect to those described in consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2014, except for the changes in rating models. The current description of rating models used in credit risk management process was submitted below.

Rating models utilized in the credit risk management process

For credit risk management purposes, the Bank uses the internal rating models depending on the client's segment and/ or exposure type.

The rating process is a significant element of credit risk assessment in relation to clients and transactions, and constitutes a preliminary stage of the credit decision-making process of granting a new credit or changing the terms and conditions of an existing credit and of the credit portfolio quality monitoring process.

In the credit risk measurement the following three parameters are used: PD, LGD and EAD. PD is the probability of a Client's failure to meet its obligations and hence the violation of contract terms and conditions by the borrower within the one year horizon; such default may be subject-matter or product-related. LGD indicates the estimated value of the loss to be incurred for any credit transaction from the date of occurrence of such default. EAD reflects the estimated value of credit exposure as at such date.

The risk parameters used in the rating models are designed for calculation of the expected losses resulted from credit risk.

The value of expected loss is one of the significant assessment criteria taken into consideration by the decision-making bodies in the course of the crediting process. In particular, this value is compared to the requested margin level.

The level of minimum margins for given products or client segments is determined based upon risk analysis, taking into consideration the value of risk parameters assessed and comprising an element of internal rating systems.

The client and transaction rating, as well as other credit risk parameters hold a significant role in the Credit Risk Management Information System. For each rating model, the credit risk reports provide information on the comparison between the realized parameters and the theoretical values for each rating class.

Credit risk reports are generated on a monthly basis, with their scope varying depending upon the recipient of the report (the higher the management level, the more aggregated the information presented). Hence, the reports are being effectively used in the credit risk management process.

For internal purposes, within the Bank the following rating models are used, developed in accordance with provisions of Regulation (EU) no 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms:

- 1) For the private individuals, the Bank uses two separate models applicable for:
 - mortgage loans,
 - consumer loans.
- 2) For the corporate clients, the Bank uses rating models dividing clients for:
 - clients with income not exceeding EUR 500 million,
 - corporate clients assessed by central model with income exceeding EUR 500 million,
 - specialized lending.

Notes to financial statements (cont.)

(in PLN thousand)

The following exposure types are not covered by internal rating models:

- 1) retail exposures immaterial in terms of size and perceived risk profile:
 - Eurokonto limits,
 - overdrafts,
 - forced debits,
 - exposures related to credit cards,
 - exposures related to the Building Society (Kasa Mieszkaniowa) unit,
 - other loans.
- 2) corporate clients immaterial in terms of size and perceived risk profile:
 - exposures to stock exchanges and other financial intermediators,
 - exposures to insurance companies,
 - project financing,
 - purchased receivables,
 - exposures to investment funds,
 - exposures to leasing companies and financial holding companies,
 - other loans.
- 3) exposures to regional governments and local authorities which are not treated as exposures to central governments, for which the number of significant counterparties is limited.

Rating scale

The rating scale is determined by the client segment and the exposure type.

The proceeds of assigning a client or an exposure to a given rating class depends on its probability of default (PD parameter).

The tables below present the loan portfolio quality for exposures encompassed by internal rating models.

The distribution of rated portfolio for individual client segment (excluding impaired loans) – mortgage loans

RATING CLASS	RANGE OF PD	30.09.2015		31.12.2014	
		CARRYING AMOUNT	%PORTFOLIO	CARRYING AMOUNT	%PORTFOLIO
1	0.00% <= PD < 0.06%	10 162 747	25.9%	9 204 532	25.3%
2	0.06% <= PD < 0.19%	5 618 191	14.3%	5 157 908	14.2%
3	0.19% <= PD < 0.35%	15 888 225	40.4%	14 388 070	39.6%
4	0.35% <= PD < 0.73%	5 036 472	12.8%	4 689 007	12.9%
5	0.73% <= PD < 3.50%	1 328 764	3.4%	1 768 054	4.8%
6	3.50% <= PD < 14.00%	547 076	1.4%	536 705	1.5%
7	14.00% <= PD < 100.00%	714 259	1.8%	614 263	1.7%
Total		39 295 734	100.0%	36 358 539	100.0%

Notes to financial statements (cont.)

(in PLN thousand)

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

RATING CLASS	RANGE OF PD	30.09.2015		31.12.2014	
		CARRYING AMOUNT	%PORTFOLIO	CARRYING AMOUNT	%PORTFOLIO
1	0.00% <= PD < 0.34%	601 957	7.8%	586 362	8.1%
2	0.34% <= PD < 0.80%	792 716	10.3%	785 442	10.8%
3	0.80% <= PD < 1.34%	1 359 730	17.7%	1 380 223	19.0%
4	1.34% <= PD < 2.40%	2 339 278	30.4%	2 071 926	28.6%
5	2.40% <= PD < 4.75%	1 544 201	20.1%	1 388 335	19.1%
6	4.75% <= PD < 14.50%	658 975	8.6%	620 601	8.6%
7	14.50% <= PD < 31.00%	187 804	2.4%	216 987	3.0%
8	31.00% <= PD < 100.00%	207 895	2.7%	205 325	2.8%
Total		7 692 556	100.0%	7 255 201	100.0%

The distribution of rated portfolio for corporate client segment (excluding impaired loans) – clients with income not exceeding EUR 500 million

RATING CLASS	RANGE OF PD	30.09.2015		31.12.2014	
		CARRYING AMOUNT	%PORTFOLIO	CARRYING AMOUNT	%PORTFOLIO
1	0,00% <= PD < 0.15%	457 430	2.7%	574 961	4.0%
2	0.15% <= PD < 0.27%	2 270 647	13.5%	1 755 225	12.1%
3	0.27% <= PD < 0.45%	2 526 319	15.0%	2 410 148	16.7%
4	0.45% <= PD < 0.75%	2 944 252	17.5%	2 341 503	16.2%
5	0.75% <= PD < 1.27%	3 101 153	18.4%	1 689 707	11.7%
6	1.27% <= PD < 2.25%	1 878 075	11.2%	1 982 327	13.7%
7	2.25% <= PD < 4.00%	756 101	4.5%	782 207	5.4%
8	4.00% <= PD < 8.50%	2 704 583	16.1%	2 720 855	18.8%
9	8.50% <= PD < 100.00%	178 718	1.1%	195 881	1.4%
Total		16 817 278	100.0%	14 452 814	100.0%

The distribution of rated portfolio for corporate client segment (excluding impaired loans) – clients assessed by central model with income exceeding EUR 500 million

RATING CLASS	RANGE OF PD	30.09.2015		31.12.2014	
		CARRYING AMOUNT	%PORTFOLIO	CARRYING AMOUNT	%PORTFOLIO
1	0.0000% <= PD < 0.0011%	-	0.0%	-	0.0%
2	0.0011% <= PD < 0.0031%	-	0.0%	-	0.0%
3	0.0031% <= PD < 0.0069%	-	0.0%	-	0.0%
4	0.0069% <= PD < 0.0124%	-	0.0%	-	0.0%
5	0.0124% <= PD < 0.0223%	-	0.0%	-	0.0%
6	0.0223% <= PD < 0.0395%	-	0.0%	-	0.0%
7	0.0395% <= PD < 0.0691%	866 252	20.6%	706 957	14.9%
8	0.0691% <= PD < 0.1208%	361 673	8.6%	784 727	16.6%
9	0.1208% <= PD < 0.2091%	505 943	12.0%	377 371	8.0%
10	0.2091% <= PD < 0.3581%	549 026	13.0%	563 945	11.9%
11	0.3581% <= PD < 0.6132%	106 989	2.5%	210 375	4.5%
12	0.6132% <= PD < 1.0807%	48 408	1.2%	861 246	18.2%
13	1.0807% <= PD < 1.9599%	394 889	9.4%	-	0.0%
14	1.9599% <= PD < 3.5545%	1 065 453	25.3%	-	0.0%
15	3.5545% <= PD < 7.6705%	309 493	7.4%	1 222 552	25.9%
16	7.6705% <= PD < 19.6959%	5	0.0%	-	0.0%
17	19.6959% <= PD < 100.0000%	-	0.0%	-	0.0%
Total		4 208 131	100.0%	4 727 173	100.0%

Notes to financial statements (cont.)

(in PLN thousand)

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

Distribution of the portfolio exposure to specialized lending (excluding impaired loans)

SUPERVISORY CATHEGORY	30.09.2015		31.12.2014	
	CARRYING AMOUNT	%PORTFOLIO	CARRYING AMOUNT	%PORTFOLIO
High	2 096 794	31.3%	878 848	16.7%
Good	3 830 599	57.1%	2 993 883	57.1%
Satisfactory	726 655	10.8%	1 356 873	25.9%
Low	52 900	0.8%	17 093	0.3%
Total	6 706 948	100.0%	5 246 697	100.0%

Division of loans and advances to customers for covered and not covered by internal rating models

	30.09.2015	31.12.2014
Loans with no impairment:	120 730 957	112 009 183
Loans to individuals:	50 135 919	46 602 904
Covered by internal rating model:	46 988 290	43 613 740
Mortgage loans	39 295 734	36 358 539
Consumer loans	7 692 556	7 255 201
Other, not covered by internal rating model	3 147 629	2 989 164
Loans to corporates:	70 595 038	65 406 279
Covered by internal rating model:	21 025 409	19 179 987
Clients with income not exceeding EUR 500 million	16 817 278	14 452 814
Clients assessed by central model with income exceeding EUR 500 million	4 208 131	4 727 173
Specialized lending exposures	6 706 948	5 246 697
Debt securities, not covered by internal rating model	11 239 781	10 402 969
Repo transactions, not covered by internal rating model	8 551 614	5 785 726
Other, not covered by internal rating model	23 071 286	24 790 900
Impaired loans	2 932 173	2 968 958
Total loans and advances to customers (*)	123 663 130	114 978 141

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

Notes to financial statements (cont.)

(in PLN thousand)

Qualitative analysis of Group's financial assets

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

	LOANS AND ADVANCES TO BANKS (*)		LOANS AND ADVANCES TO CUSTOMERS (*)	
	30.09.2015	31.12.2014	30.09.2015	31.12.2014
GROSS CARRYING AMOUNT OF EXPOSURE INDIVIDUALLY IMPAIRED				
- not past due	-	-	660 104	606 657
- up to 1 month	-	-	27 529	49 537
- between 1 month and 3 months	-	-	22 011	115 710
- between 3 months and 1 year	-	-	241 706	773 426
- between 1 year and 5 years	9 682	9 160	3 022 091	2 690 334
- above 5 years	-	-	1 466 170	1 146 735
Total gross carrying amount	9 682	9 160	5 439 611	5 382 399
ALLOWANCE FOR IMPAIRMENT				
- not past due	-	-	(221 760)	(197 636)
- up to 1 month	-	-	(10 656)	(8 787)
- between 1 month and 3 months	-	-	(6 299)	(60 488)
- between 3 months and 1 year	-	-	(105 629)	(317 684)
- between 1 year and 5 years	(9 682)	(9 160)	(1 642 470)	(1 462 240)
- above 5 years	-	-	(1 175 905)	(925 460)
Total allowance for impairment	(9 682)	(9 160)	(3 162 719)	(2 972 295)
Net carrying amount of exposure individually impaired	-	-	2 276 892	2 410 104
GROSS CARRYING AMOUNT OF EXPOSURE COLLECTIVELY IMPAIRED				
- not past due	-	-	108 668	74 332
- up to 1 month	-	-	31 135	34 439
- between 1 month and 3 months	-	-	47 286	51 263
- between 3 months and 1 year	-	-	323 897	366 923
- between 1 year and 5 years	-	-	1 378 437	1 511 446
- above 5 years	9 800	9 800	899 820	816 260
Total gross carrying amount	9 800	9 800	2 789 243	2 854 663
ALLOWANCE FOR IMPAIRMENT				
- not past due	-	-	(40 987)	(44 747)
- up to 1 month	-	-	(9 010)	(17 188)
- between 1 month and 3 months	-	-	(16 194)	(26 512)
- between 3 months and 1 year	-	-	(167 910)	(212 986)
- between 1 year and 5 years	-	-	(1 056 718)	(1 217 252)
- above 5 years	(9 800)	(9 800)	(843 143)	(777 124)
Total allowance for impairment	(9 800)	(9 800)	(2 133 962)	(2 295 809)
Net carrying amount of exposure collectively impaired	-	-	655 281	558 854

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

Notes to financial statements (cont.)

(in PLN thousand)

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

	LOANS AND ADVANCES TO BANKS (*)		LOANS AND ADVANCES TO CUSTOMERS (*)			
			CORPORATE		RETAIL	
	30.09.2015	31.12.2014	30.09.2015	31.12.2014	30.09.2015	31.12.2014
GROSS CARRYING AMOUNT OF EXPOSURE WITH NO IMPAIRMENT						
- not past due	3 765 364	7 176 334	70 475 548	64 973 743	48 899 815	45 042 713
- up to 30 days	-	-	254 732	438 304	994 755	1 300 910
- between 30 days and 60 days	-	-	28 402	108 516	217 864	198 014
- above 60 days	-	-	114 390	146 870	177 806	302 346
Total gross carrying amount	3 765 364	7 176 334	70 873 072	65 667 433	50 290 240	46 843 983
IBNR PROVISION						
- not past due	(36)	(442)	(274 402)	(253 479)	(101 233)	(128 724)
- up to 30 days	-	-	(2 219)	(4 326)	(30 213)	(74 108)
- between 30 days and 60 days	-	-	(789)	(2 122)	(14 974)	(22 575)
- above 60 days	-	-	(624)	(1 227)	(7 901)	(15 672)
Total IBNR provision	(36)	(442)	(278 034)	(261 154)	(154 321)	(241 079)
Net carrying amount of exposure with no impairment	3 765 328	7 175 892	70 595 038	65 406 279	50 135 919	46 602 904

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

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

	LOANS AND ADVANCES TO BANKS (*)		LOANS AND ADVANCES TO CUSTOMERS (*)	
	30.09.2015	31.12.2014	30.09.2015	31.12.2014
IMPAIRED EXPOSURES				
Gross carrying amount	19 482	18 960	8 228 854	8 237 062
Allowance for impairment	(19 482)	(18 960)	(5 296 681)	(5 268 104)
Total net carrying amount	-	-	2 932 173	2 968 958
EXPOSURES WITH IMPAIRMENT TRIGGERS FOR WHICH NO IMPAIRMENT HAS BEEN IDENTIFIED				
Gross carrying amount, in this:	-	-	72 425	64 755
<i>Exposure with collateral value included in expected discounted cash flow, in this:</i>	-	-	72 425	64 755
- <i>Past due exposures</i>	-	-	24 148	25 804
IBNR provision	-	-	(1 519)	(1 820)
Total net carrying amount	-	-	70 906	62 935
EXPOSURES WITH NO IMPAIRMENT TRIGGERS				
Gross carrying amount	3 765 364	7 176 334	121 090 887	112 446 661
IBNR provision	(36)	(442)	(430 836)	(500 413)
Total net carrying amount	3 765 328	7 175 892	120 660 051	111 946 248

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

Notes to financial statements (cont.)

(in PLN thousand)

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

RATING	DEBT SECURITIES				TOTAL
	HELD FOR TRADING	AVAILABLE FOR SALE	HELD TO MATURITY	REPO TRANSACTIONS(***)	
AA+ to AA-	-	662 486	-	-	662 486
A+ to A-	2 030 279	17 185 682	2 490 000	8 942 984	30 648 945
BBB+ to BBB-	9 443	253 758	-	-	263 201
no rating	198 916	6 593 454 (*)	887 636 (**)	-	7 680 006
Total	2 238 638	24 695 380	3 377 636	8 942 984	39 254 638

(*) Including NBP bills in the amount of PLN 5 911 773 thousand.

(**) Including NBP bills in the amount of PLN 887 636 thousand.

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

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

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

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

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

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

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

RATING	DERIVATIVES						TOTAL
	TRADING DERIVATIVES			DERIVATIVE HEDGING INSTRUMENTS			
	BANKS	OTHER FINANCIAL INSTITUTIONS	NON-FINANCIAL ENTITIES	BANKS	OTHER FINANCIAL INSTITUTIONS	NON-FINANCIAL ENTITIES	
AA+ to AA-	122 770	-	-	2 813	-	-	125 583
A+ to A-	994 818	244 741	-	62 431	-	-	1 301 990
BBB+ to BBB-	1 160 279	-	155	295 249	-	-	1 455 683
BB+ to BB-	-	-	1 793	-	-	-	1 793
B+ to B-	-	-	283	-	-	-	283
no rating	482 003	100 518	253 983	28 793	4 892	-	870 189
Total	2 759 870	345 259	256 214	389 286	4 892	-	3 755 521

Classification of exposures to derivative financial instruments according to Standard & Poor's ratings as at 31 December 2014

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

Notes to financial statements (cont.)

(in PLN thousand)

Forbearance measures

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

Share of forbore exposures in the Group's loan portfolio

	30.09.2015	31.12.2014
LOANS AND ADVANCES TO CUSTOMERS		
Exposures with no impairment, of which:	120 730 957	112 009 181
forborne exposures	451 294	450 050
Impaired exposures, of which:	2 932 173	2 968 958
forborne exposures	1 660 390	1 718 075
Total net carrying amount, of which:	123 663 130	114 978 139
forborne exposures	2 111 684	2 168 125

The quality analysis of forbore exposures

	30.09.2015	31.12.2014
Exposures with no impairment		
Gross carrying amount	469 734	490 667
IBNR provisions	(18 440)	(40 617)
Net carrying amount	451 294	450 050
Impaired exposures		
Gross carrying amount, of which:	2 982 963	2 866 373
exposures individually impaired	2 784 183	2 725 502
exposures collectively impaired	198 780	140 871
Allowances for impairment, of which:	(1 322 573)	(1 148 298)
exposures individually impaired	(1 239 003)	(1 066 135)
exposures collectively impaired	(83 570)	(82 163)
Net carrying amount	1 660 390	1 718 075
Total net carrying amount	2 111 684	2 168 125

Notes to financial statements (cont.)

(in PLN thousand)

Credit exposures towards Ukraine

As at 30 September 2015, the Group carried the level of net balance sheet exposures towards Ukraine amounting to PLN 627 million (0.4% of total Bank Pekao Group exposures).

The majority of the mentioned amount refers to intra group exposure in the form of interbank placement which will be repaid up to 2017. The remaining part of exposures refers to two international corporate groups.

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

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

	30.09.2015	31.12.2014
Balance sheet exposures		
Loans and advances to banks	389 585	713 178
Loans and advances to customers	292 729	269 487
Total gross carrying amount	682 314	982 665
IBNR provision / Allowance for impairment	(55 033)	(20 505)
Total net carrying amount	627 281	962 160
Off-balance sheet exposure		
Credit lines granted	4 250	4 028
Total gross carrying amount	4 250	4 028
IBNR provision	(27)	(14)
Total net carrying amount	4 223	4 014

Market risk of the trading book

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

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

	30.09.2015	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign currency exchange risk	55	15	203	1 674
interest rate risk	1 251	676	1 217	2 103
Trading portfolio	1 269	854	1 196	1 880

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

Notes to financial statements (cont.)

(in PLN thousand)

Interest rate risk of the banking book

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

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

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

SENSITIVITY IN %	30.09.2015	31.12.2014
NII	(9.40)	(12.17)
EVE	(0.39)	(0.32)

Foreign currency exchange risk

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

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

CURRENCY	30.09.2015	31.12.2014
Currencies total (*)	242	490

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

Liquidity risk

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

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

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

Adjusted liquidity gap

30.09.2015	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	17 989 787	(1 606 642)	3 952 762	33 025 296	(54 473 100)	(1 111 897)
Cumulated gap		16 383 145	20 335 907	53 361 203	(1 111 897)	

31.12.2014	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Periodic gap	7 394 324	(3 313 804)	8 223 344	22 264 541	(35 543 283)	(974 878)
Cumulated gap		4 080 520	12 303 864	34 568 405	(974 878)	

Notes to financial statements (cont.)

(in PLN thousand)

Structure of financial liabilities by contractual maturity

30.09.2015	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
BALANCE SHEET LIABILITIES						
Amounts due to banks (*)	3 519 052	1 057 581	71 371	1 220 116	2 149 248	8 017 368
Amounts due to customers	98 176 684	10 285 582	17 341 605	2 987 976	25 613	128 817 460
Debt securities issued	113 230	997 387	1 358 231	594 190	737 321	3 800 359
Financial liabilities held for trading	-	-	3 736	288 294	37 498	329 528
Total	101 808 966	12 340 550	18 774 943	5 090 576	2 949 680	140 964 715
OFF-BALANCE SHEET COMMITMENTS (**)						
Financial liabilities granted	30 136 228	-	-	-	-	30 136 228
Guarantees issued	14 371 696	-	-	-	-	14 371 696
Total	44 507 924	-	-	-	-	44 507 924

31.12.2014	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
BALANCE SHEET LIABILITIES						
Amounts due to banks (*)	2 007 821	233 470	360 834	1 030 528	1 941 187	5 573 840
Amounts due to customers	99 800 692	14 198 585	11 196 512	712 407	50 317	125 958 513
Debt securities issued	79 083	1 211 065	1 453 224	560 727	755 557	4 059 656
Financial liabilities held for trading	-	-	362 582	173 090	55 639	591 311
Total	101 887 596	15 643 120	13 373 152	2 476 752	2 802 700	136 183 320
OFF-BALANCE SHEET COMMITMENTS (**)						
Financial liabilities granted	27 376 548	-	-	-	-	27 376 548
Guarantees issued	14 208 684	-	-	-	-	14 208 684
Total	41 585 232	-	-	-	-	41 585 232

(*) Including Central Bank.

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

Notes to financial statements (cont.)

(in PLN thousand)

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

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

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

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

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

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

	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
30.09.2015	8 527	39 937	280 240	2 142 286	936 852	3 407 842
31.12.2014	109 831	66 827	157 420	2 488 681	1 594 385	4 417 144

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

	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
30.09.2015						
Inflows	17 668 480	10 557 737	3 961 231	8 476 092	2 812 653	43 476 193
Outflows	17 676 312	10 529 759	3 987 140	9 331 124	3 097 687	44 622 022
31.12.2014						
Inflows	20 372 845	11 645 192	5 339 427	8 072 682	3 000 995	48 431 141
Outflows	20 369 706	11 635 627	5 451 489	8 811 935	3 084 889	49 353 646

Operational risk

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

Notes to financial statements (cont.)

(in PLN thousand)

Fair value of financial assets and liabilities

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

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

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

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

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

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

Notes to financial statements (cont.)

(in PLN thousand)

30.09.2015	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets:	19 980 306	10 470 696	371 028	30 822 030
Financial assets held for trading	2 037 668	121 840	86 519	2 246 027
Derivative financial instruments, including:	7	3 361 224	112	3 361 343
- Banks	-	2 759 854	-	2 759 854
- Customers	7	601 370	112	601 489
Hedging instruments, including:	-	394 178	-	394 178
- Banks	-	389 286	-	389 286
- Customers	-	4 892	-	4 892
Securities available for sale	17 942 631	6 593 454	284 397	24 820 482
Liabilities:	329 654	5 030 160	-	5 359 814
Financial liabilities held for trading	329 528	-	-	329 528
Derivative financial instruments, including:	126	3 344 711	-	3 344 837
- Banks	-	2 958 140	-	2 958 140
- Customers	126	386 571	-	386 697
Hedging instruments, including:	-	1 685 449	-	1 685 449
- Banks	-	1 685 449	-	1 685 449
- Customers	-	-	-	-

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

Notes to financial statements (cont.)

(in PLN thousand)

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

3 QUARTERS 2015	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	SECURITIES AVAILABLE FOR SALE	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)
Opening balance	99 784	2 967	263 815	-
Increases, including:	7 223 037	112	24 678	-
Reclassification	-	-	313	-
Acquisition	7 220 573	-	-	-
Settlement	-	-	-	-
Gains on financial instruments	2 464	112	24 365	-
recognized in the income statement	2 464	112	24 365	-
Decreases, including:	(7 236 302)	(2 967)	(4 096)	-
Reclassification	(55 052)	(2 967)	-	-
Settlement/redemption	(217 082)	-	(4 096)	-
Sale	(6 963 909)	-	-	-
Losses on financial instruments	(259)	-	-	-
recognized in the income statement	(259)	-	-	-
recognized in revaluation reserves	-	-	-	-
Closing balance	86 519	112	284 397	-
Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:	1 246	112	5 066	-
Income statement:	270	112	2 149	-
net interest income	270	-	2 149	-
result on financial assets and liabilities held for trading	-	112	-	-
Other comprehensive income	976	-	2 917	-

2014	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	SECURITIES AVAILABLE FOR SALE	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)
Opening balance	-	2 625	263 668	-
Increases, including:	13 997 309	4 541	9 979	-
Acquisition	13 996 268	-	-	-
Derivatives transactions made in 2014	-	1 488	-	-
Gains on financial instruments	1 041	3 053	9 979	-
recognized in the income statement	1 041	3 053	9 979	-
Decreases, including:	(13 897 525)	(4 199)	(9 832)	-
Settlement/redemption	(1 432 830)	(4 199)	(9 832)	-
Sale	(12 464 143)	-	-	-
Losses on financial instruments	(552)	-	-	-
recognized in the income statement	(552)	-	-	-
Closing balance	99 784	2 967	263 815	-
Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:	(343)	1 479	470	-
Income statement:	117	1 479	292	-
net interest income	117	-	292	-
result on financial assets and liabilities held for trading	-	1 479	-	-
Other comprehensive income	(460)	-	178	-

Notes to financial statements (cont.)

(in PLN thousand)

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

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

In the period from 1 January till to 30 September 2015, there was no transfer of instruments measured at fair value between Level 1 and Level 2.

In the period from 1 January till to 30 September 2015 there were no financial instruments transferred from Level 2 to Level 3.

In the period from 1 January till to 30 September 2015, there was transfer of two instruments (corporate bonds) and two Equity Derivatives measured at fair value from Level 3 to Level 2.

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

FINANCIAL ASSET/LIABILITY	FAIR VALUE AS AT 30.09.2015	VALUATION TECHNIQUE	UNOBSERVABLE FACTOR	ALTERNATIVE FACTOR RANGE (WEIGHTED AVERAGE)	IMPACT ON FAIR VALUE AS AT 30.09.2015	
					POSITIVE SCENARIO	NEGATIVE SCENARIO
Corporate debt securities	337 693	Discounted cash flow	Credit spread	0.59% - 1%	798	(1 816)
FX Derivatives	340	Discounted cash flow	PD	2.1% - 5.4%	56.1	(50.2)
			LGD	40.6% - 53.6%	18.7	(18.7)

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	348 069	Discounted cash flow	Credit spread	0.53% - 0.95%	4 530	(1 264)

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

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

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

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

Notes to financial statements (cont.)

(in PLN thousand)

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

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

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

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

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

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

Notes to the financial statements (cont.)

(in PLN thousand)

30.09.2015	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
Assets					
Cash and due from Central Bank	3 589 337	3 589 337	2 660 179	929 158	-
Loans and advance to banks	3 760 615	3 773 972	-	1 783 858	1 990 114
Loans and advances to customers (*)	120 312 032	118 669 467	-	11 004 179	107 665 288
Receivables from financial leases	3 345 512	3 408 443	-	-	3 408 443
Debt securities held to maturity	3 377 636	3 382 961	2 495 328	887 633	-
Total Assets	134 385 132	132 824 180	5 155 507	14 604 828	113 063 845
Liabilities					
Amounts due to Central Bank	910	920	-	-	920
Amounts due to other banks	7 864 570	7 906 898	-	2 334 842	5 572 056
Amounts due to customers	128 600 641	128 181 443	-	3 959 927	124 221 516
Debt securities issued	3 627 650	3 680 851	-	3 680 851	-
Total Liabilities	140 093 771	139 770 112	-	9 975 620	129 794 492

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

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

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

Notes to financial statements (cont.)

(in PLN thousand)

8. Operating segments

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

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

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

Operating segments

The operating segments of the Group are as follows:

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

Notes to financial statements (cont.)

(in PLN thousand)

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

	RETAIL BANKING	PRIVATE BANKING	CORPORATE AND INVESTMENT BANKING	ASSETS AND LIABILITIES COMMITTEE AND OTHER	TOTAL
Total net interest income	1 797 598	18 724	1 141 678	203 162	3 161 162
Non-interest income	1 162 901	24 074	816 502	126 169	2 129 646
Operating income	2 960 499	42 798	1 958 180	329 331	5 290 808
Personnel expenses	(846 899)	(16 934)	(199 094)	(373 727)	(1 436 654)
Other administrative expenses	(924 098)	(19 375)	(257 169)	462 894	(737 748)
Depreciation and amortisation	(126 338)	(1 157)	(17 485)	(101 677)	(246 657)
Operating costs	(1 897 335)	(37 466)	(473 748)	(12 510)	(2 421 059)
Gross operating profit	1 063 164	5 332	1 484 432	316 821	2 869 749
Net impairment losses on loans and off-balance sheet commitments	(203 828)	(669)	(205 255)	12 471	(397 281)
Net operating profit	859 336	4 663	1 279 177	329 292	2 472 468
Net result on other provisions	(162)	(388)	(3 742)	(26 061)	(30 353)
Guarantee funds charges	(76 895)	(597)	(128 425)	-	(205 917)
Net result on investment activities	(113)	-	249	62 178	62 314
Profit before tax	782 166	3 678	1 147 259	365 409	2 298 512
Income tax expense					(443 680)
Net profit for the period					1 854 832
Attributable to equity holders of the Bank					1 854 095
Attributable to non-controlling interests					737
Allocated assets	58 036 629	255 434	104 746 817	(3 855 287)	159 183 593
Unallocated assets					11 608 034
Total assets					170 791 627
Allocated liabilities	67 981 224	7 775 891	70 112 361	(4 154 229)	141 715 247
Unallocated liabilities					29 076 380
Total liabilities					170 791 627

Notes to financial statements (cont.)

(in PLN thousand)

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

	RETAIL BANKING	PRIVATE BANKING	CORPORATE AND INVESTMENT BANKING	ASSETS AND LIABILITIES COMMITTEE AND OTHER	TOTAL
Total net interest income	1 824 065	21 755	1 208 543	407 871	3 462 234
Non-interest income	1 230 254	22 677	726 322	68 278	2 047 531
Operating income	3 054 319	44 432	1 934 865	476 149	5 509 765
Personnel expenses	(868 034)	(17 343)	(192 779)	(357 196)	(1 435 352)
Other administrative expenses	(987 355)	(20 466)	(254 911)	467 218	(795 514)
Depreciation and amortisation	(120 572)	(826)	(15 404)	(108 455)	(245 257)
Operating costs	(1 975 961)	(38 635)	(463 094)	1 567	(2 476 123)
Gross operating profit	1 078 358	5 797	1 471 771	477 716	3 033 642
Net impairment losses on loans and off-balance sheet commitments	(188 451)	360	(235 004)	(1 267)	(424 362)
Net operating profit	889 907	6 157	1 236 767	476 449	2 609 280
Net result on other provisions	(561)	329	(2 302)	(517)	(3 051)
Guarantee funds charges	(43 871)	(395)	(61 704)	-	(105 970)
Net result on investment activities	54	-	223	(698)	(421)
Profit before tax	845 529	6 091	1 172 984	475 234	2 499 838
Income tax expense					(466 257)
Net profit for the period					2 033 581
Attributable to equity holders of the Bank					2 023 691
Attributable to non-controlling interests					9 890
Allocated assets	52 668 515	232 937	101 085 166	(1 736 845)	152 249 773
Unallocated assets					11 502 064
Total assets					163 751 837
Allocated liabilities	60 942 110	6 861 341	69 475 315	(3 077 961)	134 200 805
Unallocated liabilities					29 551 032
Total liabilities					163 751 837

Reconciliations of operating income for reportable segments

	III QUARTER 2015	III QUARTER 2014
Total operating income for reportable segments	5 290 808	5 509 765
Share in gains (losses) from associates	(41 469)	(50 013)
Net other operating income and expenses	(150 361)	(69 251)
Refunding of administrative expenses	2 449	2 336
Operating income	5 101 427	5 392 837

Geographical segment

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

Notes to financial statements (cont.)

(in PLN thousand)

9. Interest income and expense

Interest income

	III QUARTER 2015	3 QUARTERS 2015	III QUARTER 2014	3 QUARTERS 2014
Loans and other receivables from customers	1 098 972	3 288 106	1 287 447	3 807 979
Interbank placements	23 609	79 589	38 031	112 991
Reverse repo transactions	19 744	57 070	28 245	75 442
Investment securities	181 695	527 852	208 839	642 971
Hedging derivatives	35 053	123 274	29 795	101 651
Financial assets held for trading	5 931	11 008	2 173	9 282
Total	1 365 004	4 086 899	1 594 530	4 750 316

Interest expense

	III QUARTER 2015	3 QUARTERS 2015	III QUARTER 2014	3 QUARTERS 2014
Deposits from customers	(267 783)	(831 066)	(392 165)	(1 157 841)
Interbank deposits	(8 448)	(17 541)	(4 224)	(20 622)
Repo transactions	(15 649)	(43 707)	(23 485)	(62 348)
Loans and advances received	(4 056)	(15 908)	(12 434)	(38 629)
Debt securities issued	(21 434)	(72 618)	(28 278)	(66 953)
Total	(317 370)	(980 840)	(460 586)	(1 346 393)

Notes to financial statements (cont.)

(in PLN thousand)

10. Fee and commission income and expense

Fee and commission income

	III QUARTER 2015	3 QUARTERS 2015	III QUARTER 2014	3 QUARTERS 2014
Accounts maintenance, payment orders and cash transactions	160 498	486 804	170 360	506 344
Payment cards	179 837	522 792	190 744	629 872
Loans and advances	114 296	332 659	114 097	319 198
Investment products sales intermediation	69 711	222 628	68 268	204 309
Securities operations	22 622	77 583	19 810	59 723
Custody activity	19 422	51 028	15 168	46 201
Pension and investment funds service fees	12 260	37 933	12 560	40 327
Guarantees, letters of credit and similar transactions	12 495	36 742	12 881	37 844
Other	14 910	38 094	8 419	65 117
Total	606 051	1 806 263	612 307	1 908 935

Fee and commission expense

	III QUARTER 2015	3 QUARTERS 2015	III QUARTER 2014	3 QUARTERS 2014
Payment cards	(79 157)	(247 604)	(90 618)	(312 388)
Money orders and transfers	(5 117)	(16 469)	(5 504)	(15 490)
Securities and derivatives operations	(4 536)	(14 327)	(3 649)	(13 344)
Accounts maintenance	(1 096)	(2 754)	(898)	(2 300)
Custody activity	(3 205)	(9 056)	(2 775)	(8 057)
Pension funds management charges	(84)	(779)	(187)	(1 749)
Acquisition services	(842)	(2 442)	(1 334)	(2 479)
Other	(4 214)	(11 215)	(2 320)	(9 043)
Total	(98 251)	(304 646)	(107 285)	(364 850)

11. Dividend income

	III QUARTER 2015	3 QUARTERS 2015	III QUARTER 2014	3 QUARTERS 2014
Issuers of securities held for trading	253	529	-	-
Issuers of securities available for sale	44	13 105	109	8 298
Total	297	13 634	109	8 298

12. Result on financial assets and liabilities held for trading

	III QUARTER 2015	3 QUARTERS 2015	III QUARTER 2014	3 QUARTERS 2014
Foreign currency exchange result	89 429	266 002	85 374	254 268
Gains (losses) on derivatives	15 635	40 429	20 095	62 596
Gains (losses) on securities	(1 148)	(2 457)	(367)	4 858
Total	103 916	303 974	105 102	321 722

Notes to financial statements (cont.)

(in PLN thousand)

13. Gains (losses) on disposal

Realized gains

	III QUARTER 2015	3 QUARTERS 2015	III QUARTER 2014	3 QUARTERS 2014
Loans and other financial receivables	-	402	-	1 084
Available for sale financial assets – debt instruments	16 350	171 106	85 518	120 433
Available for sale financial assets – equity instruments	-	-	9 100	9 100
Debt securities issued	3	4	2	5
Total	16 353	171 512	94 620	130 622

Realized losses

	III QUARTER 2015	3 QUARTERS 2015	III QUARTER 2014	3 QUARTERS 2014
Available for sale financial assets – debt instruments	-	(41)	-	(78)
Debt securities issued	(191)	(346)	-	(20)
Total	(191)	(387)	-	(98)
Net realized profit	16 162	171 125	94 620	130 524

14. Administrative expenses

Personnel expenses

	III QUARTER 2015	3 QUARTERS 2015	III QUARTER 2014	3 QUARTERS 2014
Wages and salaries	(407 649)	(1 205 345)	(406 144)	(1 208 576)
Insurance and other charges related to employees	(73 497)	(220 651)	(70 406)	(217 099)
Share-based payments expenses	(3 419)	(10 658)	(3 412)	(9 677)
Total	(484 565)	(1 436 654)	(479 962)	(1 435 352)

Other administrative expenses

	III QUARTER 2015	3 QUARTERS 2015	III QUARTER 2014	3 QUARTERS 2014
General expenses	(233 743)	(692 626)	(253 303)	(750 679)
Taxes and charges	(8 869)	(29 731)	(10 744)	(33 499)
Bank Guarantee Fund fee (*)	(68 762)	(206 285)	(34 477)	(103 322)
Financial supervision authority fee (KNF)	(23)	(17 472)	62	(16 320)
Total	(311 397)	(946 114)	(298 462)	(903 820)
Total administrative expenses	(795 962)	(2 382 768)	(778 424)	(2 339 172)

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

Notes to financial statements (cont.)

(in PLN thousand)

15. Depreciation and amortization

	III QUARTER 2015	3 QUARTERS 2015	III QUARTER 2014	3 QUARTERS 2014
Property, plant and equipment	(44 516)	(136 267)	(49 142)	(144 770)
Investment property	(413)	(1 240)	(431)	(2 509)
Intangible assets	(36 959)	(109 150)	(32 690)	(97 978)
Total	(81 888)	(246 657)	(82 263)	(245 257)

16. Net other operating income and expenses

Other operating income

	III QUARTER 2015	3 QUARTERS 2015	III QUARTER 2014	3 QUARTERS 2014
Rental income	5 849	16 855	5 963	17 936
Miscellaneous income	2 188	11 834	5 302	12 207
Credit insurance income	9	224	4 776	16 498
Recovery of debt collection costs	4 291	12 290	2 898	13 214
Excess payments, repayments	4 859	8 443	6 431	23 068
Compensation, penalty fees and fines received (including received compensations from damages in relation to fixed assets)	863	115 479	5 780	39 001
Revenues from sale of products, goods and services	1 480	5 629	891	5 594
Revenues from leasing activity	8 061	8 866	(128)	353
Refunding of administrative expenses	1 029	2 449	529	2 336
Income from written off liabilities	3 898	4 173	228	435
Releases of impairment allowances for litigation and other assets	168	2 810	391	634
Gains on sale of leasing assets for third person and other assets	48	338	(77)	509
Other	1 720	4 404	653	3 087
Total	34 463	193 794	33 637	134 872

Other operating expenses

	III QUARTER 2015	3 QUARTERS 2015	III QUARTER 2014	3 QUARTERS 2014
Costs related to leasing activity	(426)	(1 165)	(427)	(8 616)
Credit insurance expenses	(3 049)	(7 353)	(6 782)	(20 676)
Reimbursement and deficiencies	(950)	(3 464)	(262)	(5 164)
Sundry expenses	(2 841)	(9 851)	(3 752)	(10 751)
Costs from sale of products, goods and services	(341)	(1 944)	(359)	(1 843)
Customers complaints expenses	(508)	(1 758)	(692)	(2 121)
Impairment allowance for litigations and other assets	(420)	(7 718)	(5 203)	(6 690)
Costs of litigation and claims	(478)	(1 801)	(623)	(1 561)
Compensation, penalty fees and fines paid	(52)	(225)	(61)	(313)
Losses on disposal of leasing assets for third person and other assets	(37)	(508)	-	-
Other	(2 518)	(7 646)	(2 799)	(7 886)
Total	(11 620)	(43 433)	(20 960)	(65 621)
Net other operating income and expenses	22 843	150 361	12 677	69 251

Notes to financial statements (cont.)

In PLN thousand

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

3 QUARTERS 2015	OPENING BALANCE	INCREASES			DECREASES		CLOSING BALANCE	IMPACT ON INCOME STATEMENT (**)
		IMPAIRMENT CHARGES	OTHER (*)	WRITE-OFFS OF ASSETS FROM THE BALANCE SHEET	RELEASE OF IMPAIRMENT CHARGES	OTHER (*)		
Impairment of financial assets and off-balance sheet commitments								
Loans and advances to banks measured at amortized cost	19 360	803	1 041	-	(1 029)	(688)	19 487	226
Loans and advances to customers measured at amortized cost	5 582 478	965 311	80 528	(426 175)	(578 785)	(57 768)	5 565 589	(386 526)
Receivables from financial leases	187 901	19 425	-	(13)	(15 044)	(28 791)	163 478	(4 381)
Financial assets available for sale	122	-	-	-	-	-	122	-
Off-balance sheet commitments	102 386	62 307	746	-	(48 268)	-	117 171	(14 039)
Total financial assets and off-balance sheet commitments	5 892 247	1 047 846	82 315	(426 188)	(643 126)	(87 247)	5 865 847	(404 720)
Impairment of other assets								
Investments in associates	60	-	-	-	-	-	60	-
Intangible assets	10 961	-	-	-	-	-	10 961	-
Property, plant and equipment	6 667	417	1 569	(277)	-	(3)	8 373	(417)
Investment properties	8 682	-	-	-	-	-	8 682	-
Other	76 532	7 718	655	(234)	(2 810)	(1 734)	80 127	(4 908)
Total impairment of other assets	102 902	8 135	2 224	(511)	(2 810)	(1 737)	108 203	(5 325)
Total	5 995 149	1 055 981	84 539	(426 699)	(645 936)	(88 984)	5 974 050	(410 045)

(*) 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 404 720 thousand and proceeds from recovered bad debt in the amount of PLN 7 439 thousand, the total is PLN minus 397 281 thousand.

Notes to financial statements (cont.)

In PLN thousand

3 QUARTERS 2014	OPENING BALANCE	INCREASES			DECREASES		CLOSING BALANCE	IMPACT ON INCOME STATEMENT (**)
		IMPAIRMENT CHARGES	OTHER (*)	WRITE-OFFS OF ASSETS FROM THE BALANCE SHEET	RELEASE OF IMPAIRMENT CHARGES	OTHER (*)		
Impairment of financial assets and off-balance sheet commitments								
Loans and advances to banks measured at amortized cost	25 721	644	763	-	(349)	(209)	26 570	(295)
Loans and advances to customers measured at amortized cost	5 028 177	935 241	20 460	(139 428)	(487 903)	(79 830)	5 276 717	(447 338)
Receivables from financial leasing	175 111	26 458	9	(4)	(15 712)	-	185 862	(10 746)
Financial assets available for sale	123	-	-	-	-	(1)	122	-
Impairment of off-balance sheet commitments	113 932	44 963	295	-	(74 058)	-	85 132	29 095
Total financial assets and off-balance sheet commitments	5 343 064	1 007 306	21 527	(139 432)	(578 022)	(80 040)	5 574 403	(429 284)
Impairment of other assets								
Investments in associates	60	-	-	-	-	-	60	-
Intangible assets	10 961	-	-	-	-	-	10 961	-
Property, plant and equipment	6 830	-	-	(127)	-	-	6 703	-
Investment properties	3 080	-	6 152	-	-	(550)	8 682	-
Other	65 544	6 690	1 794	(1 307)	(634)	(561)	71 526	(6 056)
Total impairment of other assets	86 475	6 690	7 946	(1 434)	(634)	(1 111)	97 932	(6 056)
Total	5 429 539	1 013 996	29 473	(140 866)	(578 656)	(81 151)	5 672 335	(435 340)

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

(**) 'Impairment of financial assets and off-balance sheet commitments' balance includes net impairment in the amount of PLN minus 429 284 thousand and proceeds from recovered bad debt in the amount of PLN 4 922 thousand, totaling PLN minus 424 362 thousand.

Notes to financial statements (cont.)

(in PLN thousand)

18. Gains (losses) on subsidiaries and associates

	III QUARTER 2015	3 QUARTERS 2015	III QUARTER 2014	3 QUARTERS 2014
Share in gains (losses) from associates				
Dom Inwestycyjny Xelion Sp. z o.o	385	1 304	359	817
Pioneer Pekao Investment Management S.A.	10 984	34 688	12 149	41 037
Krajowa Izba Rozliczeniowa S.A.	-	5 477	2 812	8 159
Total share in gains (losses) from associates	11 369	41 469	15 320	50 013
Gains on liquidation of subsidiaries	-	55	-	-
Gains (losses) on disposal of associates	61 057	61 057	-	-
Total gains (losses) from subsidiaries and associates	72 426	102 581	15 320	50 013

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

	III QUARTER 2015	3 QUARTERS 2015	III QUARTER 2014	3 QUARTERS 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	628	1 202	122	(421)
Total gains (losses) on disposal of property, plant and equipment, and intangible assets	628	1 202	122	(421)

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

	III QUARTER 2015	3 QUARTERS 2015	III QUARTER 2014	3 QUARTERS 2014
INCOME STATEMENT				
Current tax	(110 179)	(428 044)	(216 274)	(562 963)
Current tax charge in the income statement	(109 639)	(440 739)	(215 394)	(567 825)
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)	(540)	(2 298)	(880)	(2 571)
Deferred tax	(38 829)	(15 636)	50 820	96 706
Occurrence and reversal of temporary differences	(38 829)	(15 636)	50 820	96 706
Tax charge in the consolidated income statement	(149 008)	(443 680)	(165 454)	(466 257)
EQUITY				
Deferred tax	(31 417)	89 497	(38 381)	(126 082)
Income and costs disclosed in other comprehensive income:				
revaluation of financial instruments - cash flows hedges	4 977	25 665	(14 227)	(33 554)
revaluation of available for sale financial assets – debt securities	(32 281)	70 843	(24 174)	(92 592)
revaluation of available for sale financial assets – equity securities	(4 113)	(7 011)	20	64
Tax charge in other comprehensive income	(31 417)	89 497	(38 381)	(126 082)
Total charge	(180 425)	(354 183)	(203 835)	(592 339)

Notes to financial statements (cont.)

(in PLN thousand)

21. Earnings per share

Basic earnings per share

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

	III QUARTER 2015	3 QUARTERS 2015	III QUARTER 2014	3 QUARTERS 2014
Net profit	610 469	1 854 095	704 370	2 023 691
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)	2.32	7.06	2.68	7.71

Diluted earnings per share

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

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

	III QUARTER 2015	3 QUARTERS 2015	III QUARTER 2014	3 QUARTERS 2014
Net profit	610 469	1 854 095	704 370	2 023 691
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)	2.32	7.06	2.68	7.71

22. Dividend payment

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

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

The payment of the dividend was on 7 July 2015.

Notes to financial statements (cont.)

(in PLN thousand)

23. Cash and balances with Central Bank

CASH AND DUE FROM CENTRAL BANK	30.09.2015	31.12.2014	30.09.2014
Cash	2 660 167	3 399 335	2 389 905
Current account at Central Bank	929 158	5 826 907	1 506 999
Other	12	12	12
Total	3 589 337	9 226 254	3 896 916

AMOUNTS DUE TO CENTRAL BANK	30.09.2015	31.12.2014	30.09.2014
Term deposits	910	971	965
Total	910	971	965

Cash and balances with Central Bank by currency

30.09.2015	ASSETS	LIABILITIES
PLN	2 503 902	910
EUR	472 083	-
USD	363 414	-
CHF	69 116	-
Other currencies	180 822	-
Total	3 589 337	910

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

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

Notes to financial statements (cont.)

(in PLN thousand)

24. Loans and advances to banks

Loans and advances to banks by product type

	30.09.2015	31.12.2014	30.09.2014
Current accounts	152 822	1 048 021	595 573
Interbank placements	1 145 244	2 337 801	2 517 992
Loans and advances	35 105	156 224	146 345
Cash collaterals	1 714 985	1 675 036	1 214 060
Reverse repo transactions	475 557	1 930 808	1 992 520
Cash in transit	256 389	41 342	22 913
Total gross amount	3 780 102	7 189 232	6 489 403
Impairment allowances	(19 487)	(19 360)	(26 570)
Total net amount	3 760 615	7 169 872	6 462 833

Loans and advances to banks by quality

	30.09.2015	31.12.2014	30.09.2014
Loans and advances to banks, including:			
non impaired (gross)	3 760 620	7 170 272	6 463 206
impaired (gross)	19 482	18 960	26 197
individual impairment allowances	(9 682)	(9 160)	(16 397)
collective impairment allowances (*)	(9 805)	(10 200)	(10 173)
Total	3 760 615	7 169 872	6 462 833

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

Loans and advances to banks by contractual maturity

	30.09.2015	31.12.2014	30.09.2014
Loans and advances to banks, including:			
up to 1 month	3 313 428	6 185 886	5 591 878
between 1 and 3 months	26 222	194 601	53 379
between 3 months and 1 year	15 214	408 533	463 034
between 1 and 5 years	394 869	367 091	340 351
over 5 years	2	-	14 387
past due	30 367	33 121	26 374
Total gross amount	3 780 102	7 189 232	6 489 403
Impairment allowances	(19 487)	(19 360)	(26 570)
Total net amount	3 760 615	7 169 872	6 462 833

Loans and advances to banks by currency

	30.09.2015	31.12.2014	30.09.2014
PLN	1 076 925	2 709 014	3 134 481
CHF	12 354	3 457	4 597
EUR	1 624 999	2 739 042	2 131 804
USD	885 017	1 553 787	1 046 589
Other currencies	161 320	164 572	145 362
Total	3 760 615	7 169 872	6 462 833

Changes in impairment allowances in the period from 1 January to 30 September 2015 and in the period from 1 January to 30 September 2014 are presented in the Note 17.

Notes to financial statements (cont.)

(in PLN thousand)

25. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading by product type

	30.09.2015	31.12.2014	30.09.2014
FINANCIAL ASSETS			
Debt securities	2 238 638	448 453	529 245
Equity securities	7 389	-	-
Total financial assets	2 246 027	448 453	529 245
FINANCIAL LIABILITIES			
Debt securities	329 528	591 311	238 874
Total financial liabilities	329 528	591 311	238 874

Debt securities held for trading

	30.09.2015	31.12.2014	30.09.2014
FINANCIAL ASSETS			
Debt securities issued by State Treasury	2 030 279	310 653	462 719
T- bills	-	-	-
T- bonds	2 030 279	310 653	462 719
Debt securities issued by banks	96 687	54 688	21 337
Debt securities issued by business entities	110 226	83 112	45 189
Debt securities issued by local governments	1 446	-	-
Total financial assets	2 238 638	448 453	529 245
FINANCIAL LIABILITIES			
Debt securities issued by State Treasury	329 528	591 311	238 874
T- bonds	329 528	591 311	238 874
Total financial liabilities	329 528	591 311	238 874

Equity securities held for trading

	30.09.2015	31.12.2014	30.09.2014
Shares	7 389	-	-
Total	7 389	-	-

Notes to financial statements (cont.)

(in PLN thousand)

Debt securities held for trading by maturity

	30.09.2015	31.12.2014	30.09.2014
FINANCIAL ASSETS			
Debt securities, including:			
up to 1 month	571 722	26 201	4 190
between 1 and 3 months	43 102	13 214	2 045
between 3 months and 1 year	823 052	65 729	135 698
between 1 and 5 years	700 075	163 072	364 333
over 5 years	92 690	180 237	22 979
unspecified term	7 997	-	-
Total financial assets	2 238 638	448 453	529 245
FINANCIAL LIABILITIES			
Debt securities, including:			
up to 1 month	-	-	-
between 1 and 3 months	-	-	-
between 3 months and 1 year	3 736	362 582	-
between 1 and 5 years	288 294	173 090	135 768
over 5 years	37 498	55 639	103 106
Total financial liabilities	329 528	591 311	238 874

Debt securities held for trading by currency

	30.09.2015	31.12.2014	30.09.2014
FINANCIAL ASSETS			
PLN	2 219 201	403 194	518 300
EUR	14 588	41 876	8 100
USD	4 849	3 383	2 845
Total financial assets	2 238 638	448 453	529 245
FINANCIAL LIABILITIES			
PLN	329 528	591 311	238 874
Total financial liabilities	329 528	591 311	238 874

Notes to financial statements (cont.)

(in PLN thousand)

26. Derivative financial instruments (held for trading)

Fair value of trading derivatives

30.09.2015	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	3 067 213	3 050 806
Forward Rate Agreements (FRA)	986	1 035
Options	12 346	12 223
Other	294	208
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	30 289	91 249
Currency Forward Agreements	89 012	45 197
Currency Swaps (FX-Swap)	80 719	59 627
Options for currency and gold	52 944	48 889
Transactions based on equity securities and stock indexes		
Options	8 349	8 349
Other	7	8 123
Transactions based on commodities and precious metals		
Options	5 239	5 276
Other	13 945	13 855
Total	3 361 343	3 344 837

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

Notes to financial statements (cont.)

(in PLN thousand)

Fair value of trading derivatives

30.09.2014	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	3 224 152	3 219 635
Forward Rate Agreements (FRA)	3 631	5 294
Options	13 083	12 882
Other	697	1 085
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	33 591	38 653
Currency Forward Agreements	57 243	72 823
Currency Swaps (FX-Swap)	63 391	54 511
Options for currency and gold	12 505	9 976
Transactions based on equity securities and stock indexes		
Options	5 158	5 175
Other	-	-
Transactions based on commodities and precious metals		
Options	292	293
Other	24 131	22 409
Total	3 437 874	3 442 736

27. Loans and advances to customers

Loans and advances to customers by product type

	30.09.2015	31.12.2014	30.09.2014
Mortgage loans	46 707 549	40 799 856	39 736 853
Current accounts	12 860 305	10 892 636	11 581 716
Operating loans	14 703 458	15 253 042	14 359 201
Investment loans	17 948 254	20 177 440	19 585 462
Payment cards receivables	840 961	805 590	800 128
Purchased debt receivables	2 226 135	3 135 495	2 798 320
Other loans and advances	10 703 891	10 101 570	9 575 320
Debt securities	11 283 427	10 442 561	10 475 726
Reverse repo transactions	8 551 614	5 789 064	3 775 483
Cash in transit	62 122	57 172	115 027
Total gross amount	125 887 716	117 454 426	112 803 236
Impairment allowances	(5 565 589)	(5 582 478)	(5 276 717)
Total net amount	120 322 127	111 871 948	107 526 519

Loans and advances to customers by customer type

	30.09.2015	31.12.2014	30.09.2014
Corporate	61 729 682	56 324 459	53 629 130
Individuals	52 642 243	49 309 571	47 800 367
Budget entities	11 515 791	11 820 396	11 373 739
Total gross amount	125 887 716	117 454 426	112 803 236
Impairment allowances	(5 565 589)	(5 582 478)	(5 276 717)
Total net amount	120 322 127	111 871 948	107 526 519

Notes to financial statements (cont.)

(in PLN thousand)

Loans and advances to customers by quality

	30.09.2015	31.12.2014	30.09.2014
Loans and advances to customers, including:			
non impaired (gross)	117 894 495	109 456 509	105 065 262
impaired (gross)	7 993 221	7 997 917	7 737 974
individual impairment allowances	(3 165 935)	(2 965 669)	(2 917 045)
collective impairment allowances (*)	(2 399 654)	(2 616 809)	(2 359 672)
Total	120 322 127	111 871 948	107 526 519

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

Loans and advances to customers by contractual maturity

	30.09.2015	31.12.2014	30.09.2014
Loans and advances to customers, including:			
up to 1 month	22 686 126	18 925 405	17 619 199
between 1 and 3 months	4 447 461	3 199 478	4 278 344
between 3 months and 1 year	10 484 919	10 576 253	9 274 380
between 1 and 5 years	37 436 719	36 359 689	34 442 337
over 5 years	44 820 721	42 303 745	41 365 197
past due	6 011 770	6 089 856	5 823 779
Total gross amount	125 887 716	117 454 426	112 803 236
Impairment allowances	(5 565 589)	(5 582 478)	(5 276 717)
Total net amount	120 322 127	111 871 948	107 526 519

Loans and advances to customers by currency

	30.09.2015	31.12.2014	30.09.2014
PLN	100 452 503	92 504 616	88 574 620
CHF	5 038 884	4 934 512	4 956 791
EUR	11 781 893	11 122 123	10 900 021
USD	2 967 792	3 187 087	2 994 564
Other currencies	81 055	123 610	100 523
Total	120 322 127	111 871 948	107 526 519

Changes in impairment allowances in the period from 1 January to 30 September 2015 and in the period from 1 January to 30 September 2014 are presented in the Note 17.

Notes to financial statements (cont.)

(in PLN thousand)

28. Receivables from financial leases

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

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

30.09.2015	GROSS LEASING INVESTMENT	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
Up to 1 year	1 417 567	1 311 809
Between 1 and 5 years	2 044 015	1 930 321
Over 5 years	277 002	266 860
Total	3 738 584	3 508 990
Unearned finance income	(229 594)	
Net leasing investment	3 508 990	
Unguaranteed residual values accruing to the benefit of the lessor	-	
Present value of minimum lease payments	3 508 990	
Impairment allowances	(163 478)	
Balance sheet value	3 345 512	

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

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

Notes to financial statements (cont.)

(in PLN thousand)

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

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

Receivables from financial leases from banks by quality

	30.09.2015	31.12.2014	30.09.2014
Receivables from financial leases from banks, including:			
non impaired (gross)	4 744	6 062	6 131
impaired (gross)	-	-	-
individual impairment allowances	(31)	(41)	(33)
collective impairment allowances (*)	-	(1)	-
Total	4 713	6 020	6 098

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

Receivables from financial leases from clients by quality

	30.09.2015	31.12.2014	30.09.2014
Receivables from financial leases from clients, including:			
non impaired (gross)	3 268 613	3 054 742	2 940 438
impaired (gross)	235 633	239 145	249 052
individual impairment allowances	(32 891)	(40 506)	(41 014)
collective impairment allowances (*)	(130 556)	(147 353)	(144 815)
Total	3 340 799	3 106 028	3 003 661

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

Receivables from financial leases by currency

	30.09.2015	31.12.2014	30.09.2014
PLN	2 126 580	2 007 147	1 965 759
CHF	2 721	3 483	4 037
EUR	1 212 031	1 096 026	1 034 277
USD	4 180	5 392	5 686
Total	3 345 512	3 112 048	3 009 759

Notes to financial statements (cont.)

(in PLN thousand)

29. Hedge accounting

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

In the period from 1 January to 30 September 2015 the Group continued to apply the following hedge accounting:

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

In the period from 1 January to 30 September 2015 the Group designated to the fair value hedge accounting fixed coupon debt securities classified as loans and receivables hedged with interest rate swaps (IRS).

The table below presents the fair value of hedging derivatives

30.09.2015	ASSETS	LIABILITIES
Fair value hedge accounting		
Interest rate swaps (IRS)	5 904	259 286
Cross-currency interest rate swap (CIRS)	-	-
Cash flow hedge accounting		
Interest rate swaps (IRS)	330 753	-
Cross-currency interest rate swap (CIRS)	49 057	1 416 327
FX-Swaps	8 464	9 836
Total	394 178	1 685 449

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

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

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

	3 QUARTERS 2015	3 QUARTERS 2014
Revaluation reserves (deferral of fair value changes of hedging instruments related to the portions recognized as effective hedge - gross value)	3 543	147 112
Net interest income on hedging derivatives	165 485	131 044
Ineffective portions of changes in the fair value of hedging transactions recognized in the income statement	65	480

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

	3 QUARTERS 2015	3 QUARTERS 2014
Opening balance	138 622	(29 487)
Deferral of fair value changes of hedging instruments related to the portion recognized as effective hedge	(135 043)	176 560
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	(36)	39
Closing balance	3 543	147 112

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

TYPE OF GAINS/LOSSES	3 QUARTERS 2015	3 QUARTERS 2014
Gains/losses from revaluation of hedging instruments to fair value	30 769	(118 083)
Gains/losses from revaluation of hedged item associated with hedged risk to fair value	(25 751)	102 369
Result on fair value hedge accounting	5 018	(15 714)
Net interest income on hedging derivatives	(42 211)	(29 392)

Notes to financial statements (cont.)

(in PLN thousand)

30. Investment (placement) securities

	30.09.2015	31.12.2014	30.09.2014
Debt securities available for sale (AFS)	24 695 380	23 039 453	31 063 996
Equity securities available for sale (AFS)	125 102	71 755	18 247
Debt securities held to maturity (HTM)	3 377 636	1 601 568	1 578 911
Total	28 198 118	24 712 776	32 661 154

Debt securities available for sale (AFS)

	30.09.2015	31.12.2014	30.09.2014
Securities issued by State Treasury	17 848 168	15 940 434	17 061 304
T-bills	-	-	-
T-bonds	17 848 168	15 940 434	17 061 304
Securities issued by Central Banks	5 911 773	6 147 781	13 070 509
Securities issued by business entities	253 758	248 985	251 581
Securities issued by local governments	681 681	702 253	680 602
Total	24 695 380	23 039 453	31 063 996
including impairment allowances	-	-	-

Equity securities available for sale (AFS)

	30.09.2015	31.12.2014	30.09.2014
Shares	125 102	71 755	18 247
Total	125 102	71 755	18 247
including impairment allowances	(122)	(122)	(122)

Debt securities held to maturity (HTM)

	30.09.2015	31.12.2014	30.09.2014
Securities issued by State Treasury	2 490 000	750 123	743 485
T-bills	-	-	-
T-bonds	2 490 000	750 123	743 485
Securities issued by Central Banks	887 636	851 445	835 426
Total	3 377 636	1 601 568	1 578 911
including impairment allowances	-	-	-

Investment debt securities according to contractual maturity

	30.09.2015	31.12.2014	30.09.2014
Debt securities, including:			
up to 1 month	7 366 948	6 999 226	13 905 935
between 1 and 3 months	-	-	-
between 3 months and 1 year	914 774	590 517	52 044
between 1 and 5 years	13 124 035	13 506 159	14 208 291
over 5 years	6 667 259	3 545 119	4 476 637
Total	28 073 016	24 641 021	32 642 907

Investment debt securities by currency

	30.09.2015	31.12.2014	30.09.2014
PLN	24 222 616	20 673 366	28 567 799
EUR	2 287 980	2 027 262	1 963 925
USD	1 562 420	1 940 393	2 111 183
Total	28 073 016	24 641 021	32 642 907

Notes to financial statements (cont.)

(in PLN thousand)

31. Assets and liabilities held for sale

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

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

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

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

	30.09.2015	31.12.2014	30.09.2014
ASSETS HELD FOR SALE			
Property, plant and equipment	14 614	14 587	10 169
Other assets	22 515	22 515	22 515
Total assets	37 129	37 102	32 684

In III quarter of 2015 the Bank sold 3 125 shares of Krajowa Izba Rozliczeniowa S.A. The shares retained by the Bank after the sale have been measured at fair value and are now component of financial assets.

Effect of disposal of shares in Krajowa Izba Rozliczeniowa S.A. recognized in the income statement of the Group:

	3 QUARTERS 2015
Sales proceeds	75 000
Fair value of retained shares	15 000
Carrying amount of the investment at the date the equity method was discontinued	(28 943)
Gross result on sale	61 057
Income tax expense	(16 744)
Net result on sale	44 313

Effect of disposal of shares in Krajowa Izba Rozliczeniowa S.A. recognized in the income statement of the Bank:

	3 QUARTERS 2015
Sales proceeds	75 000
Carrying amount of disposed shares	(1 563)
Gross result on sale	73 437
Income tax expense	(13 953)
Net result on sale	59 484

The effect of disposal of other assets is as follows:

	3 QUARTERS 2015	2014	3 QUARTERS 2014
Sales revenues	-	1 293	-
Net carrying amount of disposed assets (including sale costs)	-	732	-
Profit/loss on sale before income tax	-	561	-

Notes to financial statements (cont.)

(in PLN thousand)

32. Intangible assets

	30.09.2015	31.12.2014	30.09.2014
Intangible assets, including:	578 940	571 512	551 335
research and development expenditures	9 117	10 412	11 418
licenses and patents	424 526	436 939	427 926
other	9 828	10 845	6 547
assets under construction	135 469	113 316	105 444
Goodwill	55 520	55 520	54 560
Total	634 460	627 032	605 895

In the period from 1 January to 30 September 2015 the Group acquired intangible assets in the amount of PLN 116 541 thousand (in 2014 – PLN 128 523 thousand).

In the period from 1 January to 30 September 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 September 2015 the contractual commitments for the acquisition of intangible assets amounted to PLN 25 033 thousand (whereas as at 31 December 2014 - PLN 35 372 thousand).

33. Property, plant and equipment

	30.09.2015	31.12.2014	30.09.2014
Non-current assets, including:	1 410 830	1 458 085	1 455 908
land and buildings	1 084 313	1 103 973	1 115 514
machinery and equipment	244 596	261 076	258 049
transport vehicles	39 099	47 301	38 531
other	42 822	45 735	43 814
Non-current assets under construction and prepayments	57 030	86 054	85 328
Total	1 467 860	1 544 139	1 541 236

In the period from 1 January to 30 September 2015 the Group acquired property, plant and equipment in the amount of PLN 77 442 thousand (in 2014 - PLN 126 020 thousand), while the value of property, plant and equipment sold amounted to PLN 2 744 thousand (in 2014 - PLN 6 394 thousand).

In the period from 1 January to 30 September 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 September 2015 the contractual commitments for the acquisition of property, plant and equipment amounted to PLN 31 476 thousand (whereas as at 31 December 2014 - PLN 63 077 thousand).

Notes to financial statements (cont.)

(in PLN thousand)

34. Assets pledged as security for liabilities

As at 30 September 2015 the Group held the following financial assets pledged as security for liabilities

TYPE OF TRANSACTION	SECURITY	CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	VALUE OF LIABILITIES SUBJECT TO SECURITY
Repo transactions	bonds	2 679 840	2 548 121	2 681 057
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	688 891	640 200	-
Lombard and technical loan	bonds	4 833 012	4 607 458	-
Other loans	bonds, leases encumbrances	479 082	473 500	326 321
Issue of mortgage bonds	receivables backed by mortgage, bonds	1 610 458	1 614 156	1 203 455
Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	bonds, cash deposits	46 843	45 777	-
Derivatives	bonds	43 660	44 713	19 427

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

TYPE OF TRANSACTION	SECURITY	CARRYING VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	NOMINAL VALUE OF ASSETS PLEDGED AS SECURITY FOR LIABILITIES	VALUE OF LIABILITIES SUBJECT TO SECURITY
Repo transaction	bonds	3 003 206	2 774 855	3 004 383
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	679 338	640 200	-
Lombard and technical loan	bonds	5 338 928	5 008 832	-
Other loans	bonds, leases encumbrances	1 124 328	1 115 790	931 077
Issue of mortgage bonds	receivables backed by mortgage, bonds	1 335 272	1 339 615	1 037 330
Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	bonds, cash deposit	40 698	39 915	-
Derivatives	bonds	47 790	42 160	33 640

Notes to financial statements (cont.)

(in PLN thousand)

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

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

35. Amounts due to other banks

Amounts due to other banks by product type

	30.09.2015	31.12.2014	30.09.2014
Current accounts	2 026 443	1 503 821	2 059 349
Interbank deposits and other liabilities	1 673 992	455 673	518 937
Loans and advances received	3 228 048	3 243 612	2 978 714
Repo transactions	894 208	126 277	2 806 240
Cash in transit	41 879	15 319	28 691
Total	7 864 570	5 344 702	8 391 931

Amounts due to other banks by currency

	30.09.2015	31.12.2014	30.09.2014
PLN	4 352 313	2 335 096	4 109 331
CHF	734 211	713 045	722 610
EUR	2 664 796	2 218 925	2 795 288
USD	90 546	42 023	702 830
Other currencies	22 704	35 613	61 872
Total	7 864 570	5 344 702	8 391 931

Notes to financial statements (cont.)

(in PLN thousand)

36. Amounts due to customers

Amounts due to customers by entity and product type

	30.09.2015	31.12.2014	30.09.2014
Amounts due to corporate, including:	57 487 898	58 339 752	53 271 085
current accounts	24 973 813	24 353 752	26 966 105
term deposits and other liabilities	32 514 085	33 986 000	26 304 980
Amounts due to budget entities, including:	6 758 707	6 210 671	7 707 929
current accounts	4 682 580	5 090 071	5 631 795
term deposits and other liabilities	2 076 127	1 120 600	2 076 134
Amounts due to individuals, including:	60 144 050	55 407 585	53 877 692
current accounts	32 685 272	30 404 771	28 750 481
term deposits and other liabilities	27 458 778	25 002 814	25 127 211
Repo transactions	3 959 927	4 979 370	5 140 432
Cash in transit	250 059	671 622	284 071
Total	128 600 641	125 609 000	120 281 209

Amounts due to customers by currency

	30.09.2015	31.12.2014	30.09.2014
PLN	107 107 819	106 221 889	100 863 154
CHF	233 818	205 950	178 910
EUR	12 923 458	11 882 782	12 442 032
USD	7 552 386	6 611 746	6 127 289
Other currencies	783 160	686 633	669 824
Total	128 600 641	125 609 000	120 281 209

37. Debt securities issued

Debt securities issued by type

	30.09.2015	31.12.2014	30.09.2014
Certificates of deposit	2 424 195	2 819 713	3 094 758
Mortgage bonds	1 203 455	1 037 330	1 010 383
Total	3 627 650	3 857 043	4 105 141

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

Notes to financial statements (cont.)

(in PLN thousand)

Debt securities issued by currency

	30.09.2015	31.12.2014	30.09.2014
PLN	3 346 113	3 679 880	3 932 371
EUR	281 537	177 163	172 770
USD	-	-	-
Total	3 627 650	3 857 043	4 105 141

Changes in debt securities issued

	3 QUARTERS 2015	2014	3 QUARTERS 2014
Opening balance	3 857 043	3 063 737	3 063 737
Increase (issuance)	3 645 586	6 015 875	4 799 673
Decrease (redemption)	(3 904 260)	(5 312 326)	(3 891 026)
Decrease (partial redemption)	(5 547)	(1 838)	(1 034)
Foreign currency exchange differences	(2 592)	2 686	378
Purchase	-	(64 625)	-
Sale	62 600	136 141	136 141
Other	(25 180)	17 393	(2 728)
Closing balance	3 627 650	3 857 043	4 105 141

38. Provisions

Changes in provisions in the reporting period

3 QUARTERS 2015	PROVISIONS FOR LITIGATION AND CLAIMS	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
Opening balance	37 873	267 991	102 386	34 206	442 456
Provision charges/revaluation	30 911	19 163	62 307	10 205	122 586
Provision utilization	(28 534)	(8 986)	-	(14 704)	(52 224)
Provision releases	(562)	-	(48 268)	(2)	(48 832)
Foreign currency exchange differences	-	-	746	(5)	741
Other changes	(57)	442	-	-	385
Closing balance	39 631	278 610	117 171	29 700	465 112
Short term	31 060	7 981	62 391	589	102 021
Long term	8 571	270 629	54 780	29 111	363 091

Notes to financial statements (cont.)

(in PLN thousand)

2014	PROVISIONS FOR LITIGATION AND CLAIMS	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
Opening balance	34 986	207 297	113 932	37 322	393 537
Provision charges/revaluation	5 129	22 657	67 469	13 245	108 500
Provision utilization	(3 053)	(6 487)	-	(13 878)	(23 418)
Provision releases	(2 998)	-	(79 724)	-	(82 722)
Foreign currency exchange differences	-	-	709	134	843
Other changes	3 809	44 524	-	(2 617)	45 716
Closing balance	37 873	267 991	102 386	34 206	442 456
Short term	9 308	119	45 842	1 242	56 511
Long term	28 565	267 872	56 544	32 964	385 945

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

Provisions for litigation and claims

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

Provisions for defined benefits plans

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

Other provisions

Other provisions include in particular provisions for other employee benefits.

Notes to financial statements (cont.)

(in PLN thousand)

39. Contingent commitments

Litigation

In the third quarter of 2015 the total value of the litigation subject in the ongoing court proceedings against the Group was PLN 1 060 348 thousand (in the third quarter of 2014 it was PLN 1 122 642 thousand).

In the third quarter of 2015 there were no proceedings before the court or state administration bodies related to the receivables or payables of the Bank and its subsidiaries in which the pursued claim value (amount to be paid) is at least 10% of the Group's equity.

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

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

- proceedings instigated in the second quarter of 2014 as a result of the plaint brought by a guarantee beneficiary for the payment of PLN 55 996 thousand as the bank guarantee drawing,
- proceedings instigated in 2013 as a result of the plaint brought by a guarantee beneficiary for the payment of PLN 43 760 thousand as the bank guarantee drawing,
- proceedings instigated in the first quarter of 2014 as a result of the plaint brought by guarantee beneficiaries for the payment of PLN 32 750 thousand as the bank guarantee drawing,
- proceedings instigated in the first quarter of 2015 as a result of the plaint brought by guarantee beneficiary for the payment of PLN 29 205 thousand as the bank guarantee drawing.

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

As at 30 September 2015, the Group created provisions for litigations against the Group entities which, according to the legal opinion, are connected with a risk of the funds outflow resulting from the fulfillment of the obligation. The value of the above provisions as at 30 September 2015 is PLN 39 631 thousand (PLN 37 873 thousand as at 31 December 2014).

Notes to financial statements (cont.)

(in PLN thousand)

Financial commitments granted

Financial commitments granted by entity

	30.09.2015	31.12.2014	30.09.2014
Financial commitments granted to:			
financial entities	1 173 781	626 967	1 412 665
non - financial entities	27 877 743	25 804 627	22 898 150
budget entities	1 084 704	944 954	1 391 494
Total	30 136 228	27 376 548	25 702 309

Guarantees issued

Guarantees issued by entity

	30.09.2015	31.12.2014	30.09.2014
Issued to financial entities	984 706	1 015 435	852 438
guarantees	982 865	971 814	814 240
sureties	-	42 990	36 192
confirmed export letters of credit	1 841	631	2 006
Issued to non-financial entities	13 026 139	13 041 275	11 762 606
guarantees	6 897 390	7 474 912	6 385 284
securities' underwriting guarantees	6 064 213	5 566 363	5 377 322
sureties	64 536	-	-
Issued to budget entities	360 851	151 974	511 984
guarantees	8 603	13 007	11 879
securities' underwriting guarantees	352 248	138 967	500 105
Total	14 371 696	14 208 684	13 127 028

Off-balance sheet commitments received

Off-balance sheet commitments received by entity

	30.09.2015	31.12.2014	30.09.2014
Financial received from:	664 924	496 467	2 318 818
financial entities	448 924	496 467	2 233 596
non - financial entities	216 000	-	85 222
budget entities	-	-	-
Guarantees received from:	12 212 530	12 175 488	12 148 509
financial entities	1 229 331	1 324 576	1 392 652
non - financial entities	10 232 763	10 102 000	10 020 148
budget entities	750 436	748 912	735 709
Total	12 877 454	12 671 955	14 467 327

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

Notes to financial statements (cont.)

(in PLN thousand)

40. Related party transactions

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

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

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

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

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

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

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

Notes to financial statements (cont.)

(in PLN thousand)

Related party transactions

Related party transactions as at 30 September 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	92 000	-	-	7	1 412	-	1 327
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	1 165 442	7 997	55 352	1 426	566 497	635 650	360
Associates of Bank Pekao S.A. Group							
Dom Inwestycyjny Xelion Sp. z o.o.	-	-	-	-	23 995	-	61
Pioneer Pekao Investment Management S.A.	-	-	-	-	157 494	-	5
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	3	-	-	12 897	98 961	-	7
Total Associates of Bank Pekao S.A. Group	3	-	-	12 897	280 450	-	73
Key management personnel of the Bank and UniCredit S.p.A.	8 527	-	-	-	20 871	-	-
Total	1 265 972	7 997	55 352	14 330	869 230	635 650	1 760

Notes to financial statements (cont.)

(in PLN thousand)

Receivables from loans and placements by contractual maturity

30.09.2015	CURRENT (*)	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
UniCredit S.p.A. – the Bank 's parent entity	17 997	74 003	-	-	-	-	92 000
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	596 892	178 669	-	296	389 585	-	1 165 442
Associates of Bank Pekao S.A. Group	-	-	-	2	1	-	3
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	6 033	122	2 372	8 527
Total	614 889	252 672	-	6 331	389 708	2 372	1 265 972

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

Liabilities from loans and deposits by contractual maturity

30.09.2015	CURRENT (*)	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
UniCredit S.p.A. – the Bank 's parent entity	1 412	-	-	-	-	-	1 412
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	64 351	88 981	13 049	1 311	398 805	-	566 497
Associates of Bank Pekao S.A. Group	16 978	89 912	173 560	-	-	-	280 450
Key management personnel of the Bank and UniCredit S.p.A.	4 461	3 693	6 124	6 543	50	-	20 871
Total	87 202	182 586	192 733	7 854	398 855	-	869 230

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

Notes to financial statements (cont.)

(in PLN thousand)

Receivables from loans and placements by currency

30.09.2015	EUR	USD	CHF	PLN	OTHER	TOTAL
UniCredit S.p.A. – the Bank's parent entity	14 540	3 457	-	74 003	-	92 000
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	586 535	389 929	7	171 134	17 837	1 165 442
Associates of Bank Pekao S.A. Group	-	-	-	3	-	3
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	8 527	-	8 527
Total	601 075	393 386	7	253 667	17 837	1 265 972

Liabilities from loans and deposits by currency

30.09.2015	EUR	USD	CHF	PLN	OTHER	TOTAL
UniCredit S.p.A. – the Bank's parent entity	-	-	-	1 412	-	1 412
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	58 007	200	368 523	139 767	-	566 497
Associates of Bank Pekao S.A. Group	-	-	-	280 450	-	280 450
Key management personnel of the Bank and UniCredit S.p.A.	5 389	638	-	14 841	3	20 871
Total	63 396	838	368 523	436 470	3	869 230

Notes to financial statements (cont.)

(in PLN thousand)

Related party transactions as at 31 December 2014

NAME OF ENTITY	RECEIVABLES FROM LOANS AND PLACEMENTS	RECEIVABLES FROM REVALUATION OF DERIVATIVES	OTHER RECEIVABLES	LIABILITIES FROM LOANS AND DEPOSITS	LIABILITIES FROM REVALUATION OF DERIVATIVES	OTHER LIABILITIES
UniCredit S.p.A. – the Bank's parent entity	183 634	-	13	15 339	-	654
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	1 496 697	456 005	4 493	1 048 862	1 002 599	866
Associates of Bank Pekao S.A. Group						
Dom Inwestycyjny Xelion Sp. z o.o.	-	-	3	22 812	-	36
Pioneer Pekao Investment Management S.A.	-	-	-	154 825	-	3
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	-	23 067	144 297	-	9
Krajowa Izba Rozliczeniowa S.A.	-	-	-	7 766	-	-
Total Associates of Bank Pekao S.A. Group	-	-	23 070	329 700	-	48
Key management personnel of the Bank and UniCredit S.p.A.	6 385	-	-	33 291	-	-
Total	1 686 716	456 005	27 576	1 427 192	1 002 599	1 568

Notes to financial statements (cont.)

(in PLN thousand)

Receivables from loans and deposits by contractual maturity

31.12.2014	CURRENT (*)	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
UniCredit S.p.A. – the Bank's parent entity	4 766	178 868	-	-	-	-	183 634
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	621 804	117 883	43 218	351 637	362 155	-	1 496 697
Associates of Bank Pekao S.A. Group	-	-	-	-	-	-	-
Key management personnel of the Bank and UniCredit S.p.A.	2	5 998	-	-	48	337	6 385
Total	626 572	302 749	43 218	351 637	362 203	337	1 686 716

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

Liabilities from loans and deposits by contractual maturity

31.12.2014	CURRENT (*)	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
UniCredit S.p.A. – the Bank's parent entity	15 339	-	-	-	-	-	15 339
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	126 309	539 530	277	14 061	7 596	361 089	1 048 862
Associates of Bank Pekao S.A. Group	28 208	102 192	198 800	500	-	-	329 700
Key management personnel of the Bank and UniCredit S.p.A.	15 644	8 679	8 425	443	100	-	33 291
Total	185 500	650 401	207 502	15 004	7 696	361 089	1 427 192

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

Notes to financial statements (cont.)

(in PLN thousand)

Receivables from loans and deposits by currency

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

Liabilities from loans and deposits by currency

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

Notes to financial statements (cont.)

(in PLN thousand)

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

NAME OF ENTITY	INTEREST INCOME	INTEREST EXPENSE	FEE AND COMMISSION INCOME	FEE AND COMMISSION EXPENSE	POSITIVE VALUATION OF DERIVATIVES AND OTHER INCOME	NEGATIVE VALUATION OF DERIVATIVES AND OTHER EXPENSES
UniCredit S.p.A. – the Bank's parent entity	152	(168)	287	(2 345)	800	(10 480)
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	34 196	(3 517)	5 383	(1 278)	42 258	(4 930)
Associates of Bank Pekao S.A. Group						
Dom Inwestycyjny Xelion Sp. z o.o.	-	(275)	48	(101)	240	(1)
Pioneer Pekao Investment Management S.A.	-	(2 111)	276	-	20	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	(1 561)	174 389	-	-	-
Krajowa Izba Rozliczeniowa S.A. (*)	-	(135)	57	-	-	(4 303)
Total Associates of Bank Pekao S.A. Group	-	(4 082)	174 770	(101)	260	(4 304)
Key management personnel of the Bank and UniCredit S.p.A.	191	(307)	11	-	-	-
Total	34 539	(8 074)	180 451	(3 724)	43 318	(19 714)

(*) until sale's date 3 125 shares

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

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

Notes to financial statements (cont.)

(in PLN thousand)

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

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEES	FINANCIAL	GUARANTEES
UniCredit S.p.A. – the Bank's parent entity	46 081	204 938	-	20 523
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	178 654	652 533	2 688	51 479
Associates of Bank Pekao S.A. Group				
Dom Inwestycyjny Xelion Sp. z o.o.	2 030	-	-	-
Pioneer Pekao Investment Management S.A.	15	-	-	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	52	-	-	-
Total Associates of Bank Pekao S.A. Group	2 097	-	-	-
Key management personnel of the Bank and UniCredit S.p.A.	768	-	-	-
Total	227 600	857 471	2 688	72 002

Notes to financial statements (cont.)

(in PLN thousand)

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

30.09.2015	CURRENT	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
FINANCIAL COMMITMENTS GRANTED							
UniCredit S.p.A. – the Bank's parent entity	-	-	-	-	46 081	-	46 081
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	-	-	-	-	178 654	-	178 654
Associates of Bank Pekao S.A. Group	-	-	-	2 051	46	-	2 097
Key management personnel of the Bank and UniCredit S.p.A.	30	-	-	551	187	-	768
Total	30	-	-	2 602	224 968	-	227 600
GUARANTEES ISSUED							
UniCredit S.p.A. – the Bank's parent entity	-	-	7 856	115 945	16 099	65 038	204 938
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	-	2 631	20 792	79 257	307 357	242 496	652 533
Total	-	2 631	28 648	195 202	323 456	307 534	857 471
FINANCIAL RECEIVED							
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	2 688	-	-	-	-	-	2 688
Total	2 688	-	-	-	-	-	2 688
GUARANTEES RECEIVED							
UniCredit S.p.A. – the Bank's parent entity	-	2 400	975	11 164	4 500	1 484	20 523
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	-	4 119	9 865	20 702	16 793	-	51 479
Total	-	6 519	10 840	31 866	21 293	1 484	72 002

Notes to financial statements (cont.)

(in PLN thousand)

Off-balance sheet financial commitments and guarantees granted by currency

30.09.2015	EUR	USD	CHF	PLN	INNE	TOTAL
FINANCIAL COMMITMENTS GRANTED						
UniCredit S.p.A. – the Bank's parent entity	46 081	-	-	-	-	46 081
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	77 354	-	-	101 300	-	178 654
Associates of Bank Pekao S.A. Group	-	-	-	2 097	-	2 097
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	768	-	768
Total	123 435	-	-	104 165	-	227 600
GUARANTEES ISSUED						
UniCredit S.p.A. – the Bank's parent entity	9 761	-	-	195 177	-	204 938
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	64 112	-	-	588 421	-	652 533
Total	73 873	-	-	783 598	-	857 471
FINANCIAL RECEIVED						
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	-	-	-	2 688	-	2 688
Total	-	-	-	2 688	-	2 688
GUARANTEES RECEIVED						
UniCredit S.p.A. – the Bank's parent entity	14 672	-	-	5 851	-	20 523
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	7 255	-	-	44 224	-	51 479
Total	21 927	-	-	50 075	-	72 002

Notes to financial statements (cont.)

(in PLN thousand)

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

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEES	FINANCIAL	GUARANTEES
UniCredit S.p.A. – the Bank's parent entity	39 009	270 784	-	25 121
Entities of UniCredit Group excluding the Bank Pekao S.A. Group entities	96 655	557 728	9 885	51 596
Associates of Bank Pekao S.A. Group				
Dom Inwestycyjny Xelion Sp. z o.o.	10 030	-	-	-
Pioneer Pekao Investment Management S.A.	15	-	-	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	54	-	-	-
Krajowa Izba Rozliczeniowa S.A.	-	500	-	-
Total Associates of Bank Pekao S.A. Group	10 099	500	-	-
Key management personnel of the Bank and UniCredit S.p.A.	874	-	-	-
Total	146 637	829 012	9 885	76 717

Notes to financial statements (cont.)

(in PLN thousand)

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

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

Notes to financial statements (cont.)

(in PLN thousand)

Off-balance sheet financial commitments and guarantees issued by currency

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

Notes to financial statements (cont.)

(in PLN thousand)

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

Short-term employee benefits related to the Management Board of the Bank in the three quarters of 2015 amounted to PLN 12 679 thousand, compared to PLN 11 780 thousand in the three quarters 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 1 826 thousand in the three quarters of 2015, compared to PLN 1 749 thousand in the three quarters of 2014 and comprised of provisions for deferred bonus payments.

The expenses of the three quarters of 2015 included PLN 5 369 thousand in respect of share-based payments, compared to PLN 5 576 thousand in the three quarters 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 703 thousand in the three quarters of 2015, compared to PLN 695 thousand in the three quarters 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 September 2015 and in the period from 1 January to 30 September 2014.

Remuneration expenses of Supervisory Boards and Management Boards of subsidiaries

Remuneration expenses of Management Boards of Group's subsidiaries, comprising short-term employee benefits, amounted to PLN 11 382 thousand in the three quarters of 2015, compared to PLN 10 722 thousand in the three quarters of 2014.

Remuneration expenses of Supervisory Boards of Group's subsidiaries, comprising short-term employee benefits, amounted to PLN 114 thousand, compared to PLN 29 thousand in the three quarters of 2014.

Notes to financial statements (cont.)

(in PLN thousand)

41. Subsequent events

Court of Appeal's sentence on interchange fees

On 6 October 2015 the Court of Appeal in Warsaw passed a sentence on a case of so called interchange fees. The Court of Appeal dismissed the appeals of the banks and the card organizations and took into account the appeal of the President of Office of Competition and Consumer Protection (UOKIK). As a result the Court of Appeal changed the verdict of the Regional Court in Warsaw dated 21 November 2013 in a way that it restored the original amounts of fines imposed on banks set out in the decision of President of UOKIK dated 29 December 2006. According to this decision the fine imposed on Bank Pekao SA amounted to PLN 16 597 thousand. Additionally, due to the division by spin-off of Bank BPH S.A., Bank Pekao S.A. has been obliged to cover 74.6% of the fine imposed on Bank BPH S.A. amounting to PLN 10 942 thousand. The Bank paid these amounts due in October 2015 against the provisions created for this purpose.

The sentence of the Court of Appeal in Warsaw dated 6 October 2015 is legally binding, but is entitled to an appeal in cassation.

Act on support for borrowers that are in a difficult financial situation and took a housing loan

On 27 October 2015 the President of the Republic of Poland signed the 'Act on support for borrowers that are in a difficult financial situation and took a housing loan'. The Act sets principles for providing returnable financial support to persons obliged to repay housing loans who are in a difficult financial situation as well as the terms and conditions for using it. The support will be paid from the Borrowers Support Fund which is to be established in accordance with the Act. The Fund will be composed of contributions made by lenders proportionally to their share in the volume of housing loans portfolio granted to households which is above 90 days past due in respect of principal or interest repayment.

Entry into force of this Act will have a negative impact on the net profit of the Bank and the Group.

Polish Financial Supervision Authority recommendations regarding an additional capital requirement

Polish banks have been informed by the Polish Financial Supervision Authority about the recommended levels of minimum capital ratios that shall be increased starting from 1 January 2016. Tier 1 capital ratio will raise from 9% to 10.25% and total capital ratio will raise from 12% to 13.25%.

Additionally, the Polish Financial Supervision Authority has recommended to Bank with significant CHF mortgage loans exposure to maintain additional capital buffer on top of the recommended ones. Pekao Bank Hipoteczny S.A., which is subsidiary of Bank Pekao S.A., was recommended to maintain a buffer 0.60 p.p., which should consist at least 75% of Tier 1 capital (which corresponds to 0.45 p.p.). Due to the low exposure of mortgage loans denominated in foreign currency in total credit portfolio, Bank Pekao S.A. did not receive such recommendation from the Polish Financial Supervision Authority. The additional capital requirement imposed on Pekao Bank Hipoteczny S.A. has no impact on consolidated capital requirement.

Signatures of the Management Board Members

09.11.2015	Luigi Lovaglio	President of the Management Board CEO	
Date	Name/Surname	Position/Function	Signature
09.11.2015	Diego Biondo	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
09.11.2015	Andrzej Kopyrski	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
09.11.2015	Adam Niewiński	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
09.11.2015	Grzegorz Piowar	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
09.11.2015	Stefano Santini	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
09.11.2015	Marian Ważyński	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature

Annexes to the financial statements

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

Annex 1

New standards, interpretations and amendments to published standards that have been approved and published by the European Union and are effective on or after 1 January 2015.

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

The amendment applies to contributions from employees or third parties to defined benefit plans. The aim of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of remuneration. The amendment is effective since 1 February 2015.

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

- **IFRIC 21 'Levies'**

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

The impact of the initial application of the Interpretation will depend on the specific levies imposed, applicable at the date of initial application. The Group claims that the standard's amendment did not have a material impact on its financial statements in the period of its first application.

- **Improvements to IFRS 2010-2012**

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

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

- **Improvements to IFRS 2011-2013**

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

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

Annexes to the financial statements (cont.)

Annex 2

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

- **IFRS 9** 'Financial Instruments'

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

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

Main changes resulting from the new standard include:

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

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

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

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

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

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

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

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

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

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

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

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

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

Annexes to the financial statements (cont.)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- **Improvements to IFRS 2012-2014**

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

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

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

Annexes to the financial statements (cont.)

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

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

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

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

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

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

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

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

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

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

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

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

- **IAS 1** 'Presentation of the financial statements'

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

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

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

Annexes to the financial statements (cont.)

Annex 3

Glossary

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

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

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

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

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

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

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

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

IBNR – Incurred but Not Reported losses.

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

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

EAD – Exposure at Default.

EL – Expected Loss.

CCF – Credit Conversion Factor.

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

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

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

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