

**Report of
Bank Pekao S.A. Group
for the first quarter of
2016**





Report on the activities of Bank Pekao S.A. Group for the first quarter of 2016



Warsaw, May 2016

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

	1 QUARTER 2016	1 QUARTER 2015	2015	2014
INCOME STATEMENT – SELECTED ITEMS (in PLN million)				
Operating income	1,817.3	1,808.1	7,058.6	7,345.7
Operating costs	(812.1)	(801.4)	(3,219.7)	(3,285.8)
Operating profit	1,005.2	1,006.7	3,838.9	4,060.0
Profit before income tax	728.7	775.4	2,831.1	3,359.7
Net profit for the period attributable to equity holders of the Bank	573.4	624.4	2,292.5	2,714.7
Net profit excluding tax on certain financial institutions (*)	654.0	-	-	-
PROFITABILITY RATIOS				
Return on average equity (ROE)	9.7%	10.3%	9.7%	11.5%
Return on assets (ROA)	1.4%	1.5%	1.4%	1.8%
Net interest margin	2.7%	2.9%	2.8%	3.1%
Non-interest income / operating income	40.6%	41.5%	40.0%	38.3%
Cost / income	44.7%	44.3%	45.6%	44.7%
STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS (in PLN million)				
Total assets	159,694.5	163,528.0	168,785.6	167,625.0
Net loans and advances to customers(**)	117,175.6	111,434.8	117,299.4	109,189.0
Amounts due to customers (***)	121,127.7	117,368.6	124,398.9	120,629.6
Debt securities issued	2,354.0	4,209.7	2,903.2	3,857.0
Equity	24,052.2	24,523.6	23,424.2	24,045.7
STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS				
Net loans(**) / total assets	73.4%	68.1%	69.5%	65.1%
Securities / total assets	17.0%	13.7%	13.2%	15.0%
Deposits(****) / total assets	77.3%	74.3%	75.4%	74.3%
Net loans(**) / deposits(****)	94.9%	91.7%	92.1%	87.7%
Equity / total assets	15.1%	15.0%	13.9%	14.3%
Total capital ratio (Basel III)	18.4%	17.6%	17.7%	17.3%
EMPLOYEES AND NETWORK				
Total number of employees	18,315	18,751	18,327	18,765
Number of outlets	959	1,022	975	1,034
Number of ATMs	1,750	1,816	1,759	1,825

(*) On February 1, 2016 tax on certain financial institutions was introduced with an impact on net profit of the Group in the amount of PLN 80.6 million in the first quarter of 2016.

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

(***) Excluding repo transactions.

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

Note: Since 2014 the financial data include data of Spółdzielcza Kasa Oszczędnościowo Kredytowa named Mikołaj Kopernik in Ormontowice, took over by Bank Pekao S.A. following decision of The Polish Financial Supervision Authority on December 5, 2014.

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2 Highlights of Bank Pekao S.A.

	1 QUARTER 2016	1 QUARTER 2015	2015	2014
INCOME STATEMENT – SELECTED ITEMS (in PLN million)				
Operating income	1,779.2	1,838.2	6,792.0	7,034.7
Operating costs	(754.9)	(743.1)	(2,992.6)	(3,086.6)
Operating profit	1,024.3	1,095.1	3,799.4	3,948.1
Profit before income tax	751.8	867.0	2,791.6	3,270.1
Net profit	603.0	723.5	2,290.4	2,662.3
Net profit excluding tax on certain financial institutions ^(*)	683.6	-	-	-
PROFITABILITY RATIOS				
Return on average equity (ROE)	10.5%	12.2%	10.1%	11.6%
Return on assets (ROA)	1.5%	1.8%	1.4%	1.8%
Net interest margin	2.7%	2.9%	2.7%	3.1%
Non-interest income / operating income	37.9%	37.4%	37.4%	36.2%
Cost / income	42.4%	40.4%	44.1%	43.9%
STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS (in PLN million)				
Total assets	156,647.0	160,923.2	165,760.7	164,322.8
Net loans and advances to customers ^(**)	113,544.6	108,180.7	113,753.2	105,600.1
Amounts due to customers ^(***)	121,475.6	117,626.3	124,788.1	121,124.9
Debt securities issued	1,119.4	3,141.4	1,668.7	2,819.7
Equity	23,453.2	23,995.7	22,794.4	23,387.2
STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS				
Net loans ^(**) / total assets	72.5%	67.2%	68.6%	64.3%
Securities / total assets	17.2%	13.8%	13.3%	15.3%
Deposits ^(****) / total assets	78.3%	75.0%	76.3%	75.4%
Net loans ^(**) / deposits ^(****)	92.6%	89.6%	90.0%	85.2%
Equity / total assets	15.0%	14.9%	13.8%	14.2%
Total capital ratio (Basel III)	19.0%	17.2%	18.2%	17.1%
EMPLOYEES AND NETWORK				
Total number of employees	16,403	16,794	16,387	16,914
Number of outlets	959	1,022	975	1,034
Number of ATMs	1,750	1,816	1,759	1,825

(*) On February 1, 2016 tax on certain financial institutions was introduced with an impact on net profit of the Bank in the amount of PLN 80.6 million in the first quarter of 2016.

(**) Including debt securities eligible for rediscounting at Central Bank and excluding reverse repo transactions.

(***) Excluding repo transactions.

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

Note: Since 2014 the financial data include data of Spółdzielcza Kasa Oszczędnościowo Kredytowa named Mikołaj Kopernik in Omontowice, took over by Bank Pekao S.A. following decision of The Polish Financial Supervision Authority on December 5, 2014.

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3 Summary of Performance

Net profit of Bank Pekao S.A. Group attributable to equity holders for the first quarter of 2016 amounted to PLN 573.4 million allowing return on average capital (ROE) at the level of 9.7% achieved with a strong capital base reflected by TCR at 18.4% (Basel III).

Net profit of Bank Pekao S.A. Group for the first quarter of 2016 excluding tax on certain financial institutions in the amount of PLN 80.6 million (introduced on February 1, 2016) would amount to PLN 654.0 million, higher by PLN 29.6 million, i.e. 4.7% in comparison to the first quarter of 2015 with a substantial growth of loan and deposit volumes in key strategic areas and lower cost of risk.

Thanks to the effective commercial activity of the Group in the first quarter of 2016 a significant growth in loan volumes was reported in the area of retail loans (an increase of 8.0% year on year) and a 2.1% year on year growth in the area of corporate loans and non-quoted securities. Such increase in lending was financed by higher volumes of retail deposits growing 14.2% year on year.

The strength of the liquidity structure of Bank Pekao S.A. Group is reflected by net loans to deposits ratio at 94.9% at the end of March 2016. This together with strong equity level enables for further sound and stable development of the Group's activities.

Main P&L items

In the first quarter of 2016, the Group's operating income amounted to PLN 1,817.3 million, an increase of PLN 9.2 million, i.e. 0.5% in comparison to the first quarter of 2015 with the following trends:

- total net interest income, dividend income and income from equity investments in the first quarter of 2016 amounted to PLN 1,079.7 million and was higher by PLN 21.3 million, i.e. 2.0% compared to the first quarter of 2015,
- the Group's net non-interest income in the first quarter of 2016 amounted to PLN 737.6 million, a decrease of PLN 12.1 million, i.e. 1.6% in comparison with the first quarter of 2015 mainly due to lower gains on disposal of AFS assets, and some pressure observed on capital market related fees, almost compensated by higher net other operating income and expenses driven by disposal of loans.

The operating costs amounted to PLN 812.1 million in the first 3 months of 2016. They were higher by PLN 10.7 million, i.e. 1.3% as compared with the first quarter of 2015.

Guarantee funds charges in the first quarter of 2016, amounted to PLN 67.0 million, a decrease of PLN 2.0 million, i.e. 2.9% in comparison with the first quarter of 2015.

On February 1, 2016 tax on certain financial institutions under the Act on tax on certain financial institutions was introduced. In the first quarter of 2016, it amounted to PLN 80.6 million.

The Group's net impairment losses on loans and off-balance sheet commitments amounted to PLN 129.4 million in the first quarter of 2016, a decrease of PLN 7.7 million, i.e. 5.6% as compared with the first quarter of 2015.

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Volumes

As at the end of March 2016, loans and advances at nominal value and securities issued by non-monetary entities amounted to PLN 123,014.6 million, an increase of PLN 5,344.3 million, i.e. 4.5% in comparison to the end of March 2015 with growth in key strategic areas:

- as at the end of March 2016, the volume of retail loans amounted to PLN 54,490.9 million, an increase of PLN 4,025.0 million, i.e. 8.0% in comparison to the end of March 2015,
- the volume of corporate loans, non-quoted securities and securities issued by non-monetary entities increased by PLN 1,319.3 million, i.e. 2.0% as compared to the end of March 2015 and amounted to PLN 68,523.7 million at the end of March 2016.

Reverse repo transactions amounted to PLN 57.1 million at the end of March 2016, a decrease by PLN 6,213.0 million, i.e. 99.1% in comparison to the end of March 2015.

As at March 31, 2016, the ratio of impaired receivables to total receivables amounted to 6.5% as compared to 7.2% at the end of March 2015.

As at the end of March 2016, the total amounts due to the Group's customers and debt securities issued amounted to PLN 123,481.7 million, an increase of PLN 1,903.4 million, i.e. 1.6% in comparison to the end of March 2015 with improved structure of liabilities thanks to growth of share of retail customers deposits:

- the total volume of retail customers deposits, Structured Certificates of Deposit and other amounted to PLN 65,895.5 million at the end of March 2016, an increase of PLN 8,154.3 million, i.e. 14.1% in comparison to the end of March 2015,
- the total volume of corporate deposits, Certificates of Deposit, Pekao Bank Hipoteczny S.A. covered bonds, interest and other amounted to PLN 57,586.2 million at the end of March 2016, a decrease of PLN 6,250.9 million, i.e. 9.8% as compared to the end of March 2015 reflecting selective pricing approach and focus on securing liquidity needs of the Group.

Repo transactions amounted to PLN 690.9 million at the end of March 2016, a decrease by PLN 3,381.0 million, i.e. 83.0% in comparison to the end of March 2015.

The value of net assets of investment funds managed by Pioneer Pekao TFI S.A. amounted to PLN 16,338.3 million at the end of March 2016, a decrease of PLN 1,607.4 million, i.e. 9.0% in comparison to the end of March 2015, under the pressure of situation on capital markets.

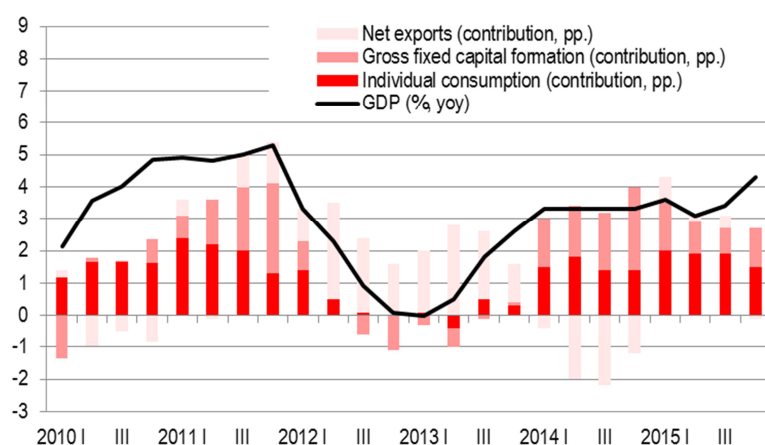
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4 External Activity Conditions

Economic growth

In the fourth quarter of 2015 economic growth amounted to 4.3% year on year as compared with the GDP growth of 3.4% year on year in the third quarter. Seasonally adjusted data indicate that in the fourth quarter of 2015 the GDP growth accelerated to 1.5% quarter on quarter from 1.0% quarter on quarter in the previous quarter. The economy expanded on the back of domestic demand, which rose by 4.5% year on year in the final quarter of 2015, while net exports had slightly negative impact on the GDP growth (0.1 p.p). Households consumption increased by 3.0% and was expanding at similar rate as in the previous quarters of 2015. Improving labour market conditions (wages in enterprise sector increased by 3.4% year on year and average paid employment advanced by 2.0% year on year) were accompanied by declines in consumer prices (the CPI decreased by 0.6% year on year), what supported real disposable income of households. Investments activity remained moderate, with fixed investments increasing in the fourth quarter by 4.4% year on year i.e. at a similar rate as in the third quarter of 2015. Exports increased by 8.2% year on year and imports increased by 8.6% year on year as compared with 5.6% year on year and 4.9% year on year respectively in the third quarter of 2015. In the final quarter of 2015 change in inventories contributed 0.1 p.p. to the GDP growth.

In the coming quarters apart from rising employment and real wages, economic growth will also be supported by money from Family 500 plus Program (ca. PLN 17 billion), which is expected to be used for private consumption. In 2016, economic growth is forecast to reach ca. 3.7% and in the favourable conditions it could even reach 4%. Domestic demand is expected to remain the main engine of growth, mainly on the base of robust households consumption. At the same time fixed investments growth may slow down amid gradual start of new financial perspective of the European Union and elevated uncertainty surrounding economic policy of the new government, which makes some enterprises to postpone their investment projects.

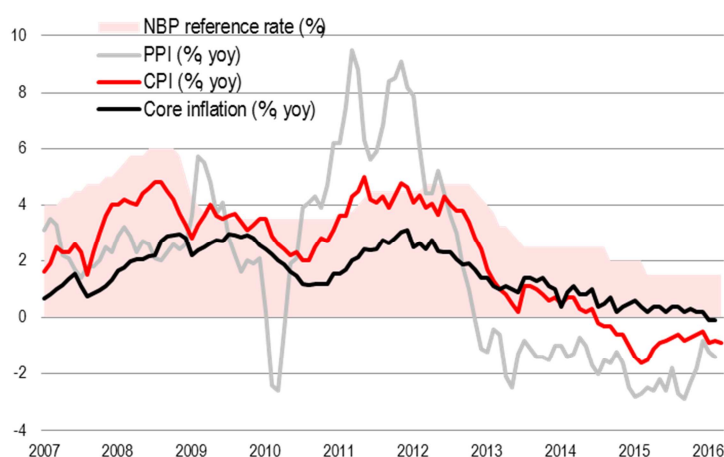


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Inflation and monetary policy

CPI inflation in March 2016 amounted to -0.9% 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 March was mainly due to the fall in prices of transport (by -8.4% year on year), clothing and footwear (by -3.5% year on year), recreation and culture (by -2.0% year on year), and housing and energy (-0.7% year on year).

In the first quarter of 2016, Monetary Policy Council (MPC) kept interest rates unchanged and at the end of March the NBP reference rate was 1.50% and the Lombard rate was 2.50%. In the Council's assessment, price growth will remain negative in the coming quarters due to the earlier strong fall in global commodity prices. At the same time, a gradual increase in core inflation is expected. It will be supported by stable economic growth, including an anticipated rise in consumer demand growth driven by rising employment, forecasted acceleration of wage growth and an increase in social benefits. The Council continues to assess that – given the available data and forecasts – the current level of interest rates is conducive to keeping the Polish economy on the sustainable growth path and maintaining macroeconomic balance.



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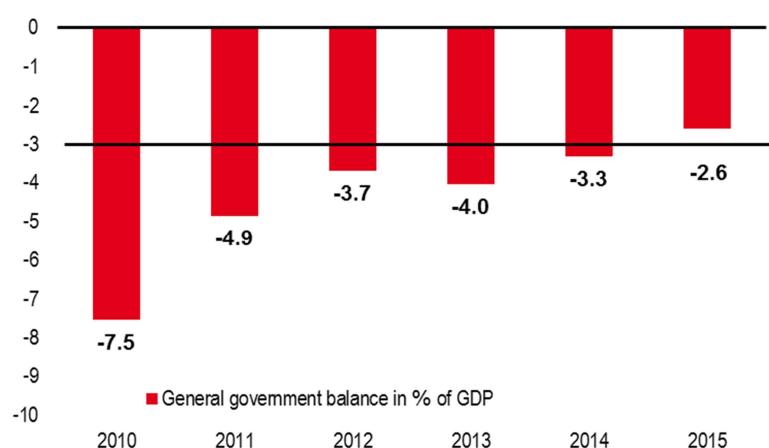
Fiscal policy

In 2015, state budget deficit (cash basis) amounted to PLN 42.6 billion vs. PLN 50 billion limit set in the budget act. General government deficit stood at 2.6% of the GDP and was significantly below the 3% threshold required by the Stability and Growth Pact. The largest improvement was in social security funds subsector with deficit amounting to PLN 7.6 billion vs. deficit in the amount of PLN 16.9 billion in 2014. The decline in deficit of the general government was also due to improvement in the financial position of local governments where expenditures were similar to income (planned deficit at PLN 7.3 billion) vs. a deficit of PLN 3.2 billion in 2014.

The 2016 budget act envisages the general government deficit at the level of 2.8% of the GDP, but there are several risks that may lead to higher deficit. First, the budget act assumes inflation of 1.7%, whereas it is broadly expected that deflation will prevail in 2016 as well. Declines in prices will have negative impact on the nominal GDP and weigh down on tax revenues. Second, the government failed to introduce the retail tax and the scale of revenues from the newly-introduced bank tax is not certain. It has not been decided yet whether digital dividend proceeds (some 0.5% of the GDP) will be treated by the European Commission as a budget income or as a one-off, that would be excluded from the definition of the structural deficit corrected for one-offs. Therefore there is a risk that the general government deficit in 2016 may be close to the GDP threshold set by the Stability and Growth Pact.

The main fiscal risks are cumulated in 2017, when the full cost of Family 500 plus Program (ca. 1.2% of the GDP) will need to be covered without support from one-off revenues. Fiscal tensions might be increased by the proposed cut in the VAT rates (fiscal cost of ca. 0.4% of the GDP), declared lowering of retirement age (cost of 0.2-0.4% of the GDP) and higher tax allowance in PIT.

According to the official data of the Ministry of Finance at the end of 2015 the state public debt amounted to PLN 877.3 billion (49.0% of the GDP) vs. PLN 826.8 billion (48.1% of the GDP) in 2014. According to the fiscal notification the general government debt reached PLN 917.8 billion (51.3% of the GDP) vs. PLN 867.9 billion (50.5% of the GDP) in 2014.

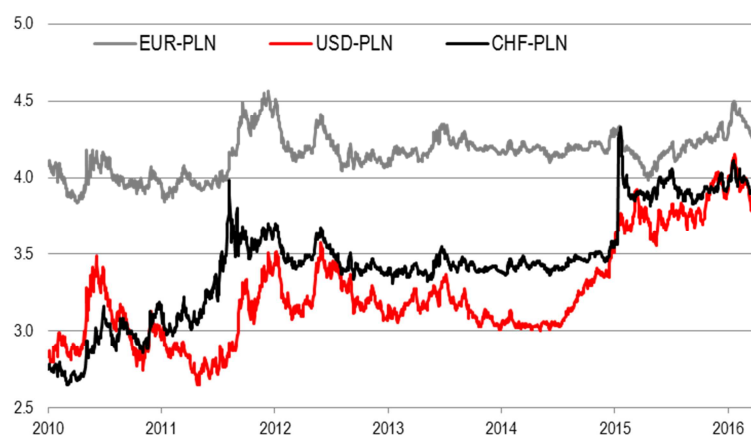


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Exchange rate

The EUR-USD was stable within the 1.08-1.10 range at the beginning of the first quarter of 2016. Then the exchange rate was more volatile due to concerns about global economy outlook and central banks' decisions. "Dovish" rhetoric of the Federal Reserve lowered the risk of systematic monetary tightening this year. Financial markets expect that the Fed will deliver no more than one rate hike only in the second half of 2016. The USD remained under pressure in this environment. In the first quarter of 2016 the USD index lost more than 4% against a basket of currencies (the weakest quarter in five years). The weakening against the EUR could be stronger, however the European Central Bank monetary easing reduced the EUR-USD rally. The exchange rate stood close to 1.14 at the end of March and a quarterly rate of return was 3.9%.

Global risk aversion due to the strong decline in commodity prices and equities and unexpected Polish rating downgrading by the Standard and Poor's affected sharply the zloty in early January 2016. It lost almost 6% and 7% against the EUR and USD respectively during first three weeks of the year. The zloty trimmed losses later in the quarter and set a quite solid tendency on the EUR-PLN chart. Better global mood supported risky assets, including the PLN. In March, it gained more than 2% against the EUR, which was the best monthly rate of return since July 2012. However the initial weakness of the zloty limited gains in the first quarter of 2016. The PLN lost slightly against the EUR (by 0.6%) and CHF (by 0.3%) and strengthened against USD (3.1%). The zloty remained in a narrow range of 4.24-4.27/EUR at the end of March with the prospect of a test 4.20/EUR in the second quarter of 2016. Uncertainty related to rating of Poland (main biggest rating agencies will assess rating in the May-July) is a key risk for that scenario.



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Banking sector

According to the Financial Supervision Authority (KNF) data, in the period of January – March 2016 net profit of the banking sector amounted to PLN 3.5 billion and was lower by -15.7% as compared to the corresponding period of 2015. Result on banking activity decreased by -2.0% year on year. Operating costs increased by +10.2% year on year. Positive developments in net interest income (+5.9% year on year) were more than off-set by adverse developments in fees and commissions (-5.0% year on year) and other income. On the cost side the growth was driven by the introduction of the so-called “bank levy” in February 2016. Impairments on assets and other reserves was higher by +3.3% as compared to the end of March 2015.

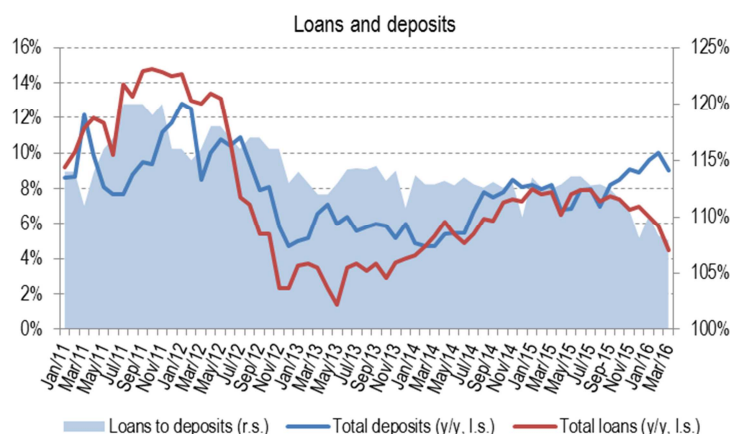
According to KNF, at the end of March 2016, banking sector assets amounted to PLN 1,631 billion, an increase of +3.9% year on year. Loans to non-financial sector increased by +5.8% year on year and deposits of that sector increased by +9.3% year on year.

According to the NBP data, at the end of March 2016 the nominal volume of loans to households was by +4.2% higher as compared to the end of March 2015. Taking into consideration favourable macro environment (the GDP and salaries increase and lower unemployment rate) as well as low interest rates, it should be regarded as moderate. In March the growth rate in loans to enterprises was +8.2% year on year.

The relatively low pace of growth of loans to households may be associated with unfavourable regulatory environment, such as the gradually increasing requirements of higher down-payment in case of mortgage loans, as well as the growing tendency to finance the purchase of houses entirely from their own resources (cash - it is associated with low interest on bank deposits, therefore some individuals begin to treat the purchase of housing as an investment opportunities being an alternative to deposits). As for consumer loans, their high ratio to the GDP restricts the growth potential and reflects the relatively high penetration of consumer loans. Concerning loans to enterprises, macro environment and historically low level of interest rates provide strong support to credit action but it is worth to notice that year on year basis the pace of growth gradually slows.

At the end of March 2016, the volume of deposits of households increased by +9.5% year on year. Despite low interests on deposits, the pace of growth of volume is relatively high, which reflects influence of favourable macroeconomic environment on liquidity of households as well as limited attractiveness of alternative investment strategies (e.g. investments into shares).

Concerning corporate deposits, the volume increased by +6.6% year on year at the end of March 2016. Maintaining of relatively high pace of corporate deposits year on year is supported by financial results achieved thanks to favourable macro environment that translated into financial surplus of enterprises. At the same time decrease in interest rates of these deposits occurred recently in relation to lower financing needs of banks means that companies are increasingly looking for alternatives to invest in the Polish banking system. In case of international capital groups it could translate into investing surplus abroad.



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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 first quarter of 2016.

5.2 Changes in the Group' structure

The deletion of Polish Banking System S.A. (in liquidation) and PPU Budpress Sp. z o.o. (in liquidation) from the Registry

On January 1, 2016 following associates entities of the Bank: Polish Banking System S.A. (in liquidation) and PPU Budpress Sp. z o.o. (in liquidation) were deleted from the Registry.

5.3 Changes in the Statutory Bodies of the Bank

Supervisory Board

As at March 31, 2016 the composition of the Supervisory Board had not changed compared to the data disclosed as at December 31, 2015 and was as follows:

MARCH 31, 2016	DECEMBER 31, 2015
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	Dariusz Filar Member of the Supervisory Board
Katarzyna Majchrzak Member of the Supervisory Board	Katarzyna Majchrzak 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

As at March 31, 2016 the composition of the Management Board had not changed compared to the data disclosed as at December 31, 2015 and was as follows:

MARCH 31, 2016	DECEMBER 31, 2015
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	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

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5.4 The Bank's shareholding structure

As at March 31, 2016, 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 law.

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
	AS AT MARCH 31, 2016		AS AT DECEMBER 31, 2015	
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%

As at the date of submitting the report the Bank has not received any 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 first quarter of 2016

5.5 Bank Pekao S.A. financial credibility ratings

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

As at March 31, 2016, Bank Pekao S.A.'s financial credibility 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 in foreign currencies	BBB+	BBB+
Long-term rating in domestic currency	-	A-
Short-term rating in foreign currencies	A-2	A-2
Short-term rating in domestic currency	-	A-2
Stand-alone credit profile	bbb+	-
Outlook	Negative	Negative
MOODY'S INVESTORS SERVICE (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

Among banks rated in Poland, 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 Ratings Services, the highest Baseline Credit Assessment as well as long- and short-term counterparty risk ratings assigned by Moody's Investors Service.

On April 1, 2016 agency Fitch Ratings confirmed the ratings of Bank Pekao S.A. at unchanged levels.

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 first quarter of 2016

5.6 Achievements of Bank and Bank Pekao S.A. Group

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.

Distribution channels

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

	31.03.2016	31.03.2015
Total number of outlets	959	1,022
Total number of own ATMs	1,750	1,816

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 March 2016, the Bank maintained 5,337.8 thousand PLN-denominated current accounts, 314.3 thousand mortgage loan accounts and 572.6 thousand consumer loan accounts.

	31.03.2016	31.03.2015
Total number of PLN current accounts ^(*)	5,337.8	5,224.2
of which packages	3,970.4	3,892.1
Number of mortgage loans accounts ^(**)	314.3	292.8
of which PLN mortgage loans accounts	278.6	254.9
Number of consumer loan accounts ^(***)	572.6	582.9

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

(**) Retail customers accounts.

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

Individual clients

Individual clients service

Bank Pekao S.A. is one of the leaders in electronic banking in Poland. Within the framework of electronic banking the Bank offers to its clients wide range of solutions such as: Internet and mobile service, mobile application on phones and tablets as well as PeoPay mobile transfers.

In the first quarter of 2016, the Bank released a new tablet application „Pekao24 na tablety” designed for individual clients using tablets. The application apart from main transactional functions known from the Pekao24 system was equipped with a tool of financial analysis that helps clients to overview inflows and expenditure on their account and to manage household's budget.

The Bank as the first bank in the world, allowed users of mobile phones with Windows 10 Mobile system to make contactless payments in HCE technology via the PeoPay application. As a result, another group of customers can use convenient form of contactless payments in POS terminals in Poland (in ca. 80% of total number of POS) as well as in terminals accepting contactless payments abroad (in ca. 2.9 million of terminals).

In the second half of March 2016, the Bank launched an information campaign on its accession to the government Family 500 plus Program and possibility to submit application under this program through the Pekao24 Internet banking system and prepared also a dedicated offer for individuals who submit the application through the Pekao24 system.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2016

Loans

The Bank continued the activities aiming at ensuring the clients transparent offer of Pożyczka Ekspresowa (Express Loan) concentrating on strengthening the relationship with customers, among others, through preparation of individual loan offers with the use of CRM tools as well as electronic channels including website dedicated to consumer loans, the Pekao24 system and mobile application.

The Bank offered also to its new clients fast and fully automated cash loan granting process "Klik Gotówka" ("Cash Click") through the Internet service and the Pekao24 mobile application. Loan disbursement is automatically processed after approval of agreement in the Pekao24 system.

In the first quarter of 2016, the Bank maintained its strong market position in mortgage loans granting. The Bank takes also a leading position in mortgage loans granting under the government program "Mieszkanie dla Młodych" ("Apartment for the Young") supporting the persons aged up to 35 in acquisition of the first new apartment. The Bank conducted also local and country-wide promotional activities of mortgage loans, including promotional campaigns on 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.

Payment cards

In the first quarter of 2016, the Bank focused on promotion of the latest card products introduced to its offer in 2015. Multicurrency debit card and Flexia credit card became the most popular products chosen by customers.

Multicurrency debit card is one of the most innovative products on the market that enables execution of transactions in PLN as well as selected foreign currencies without FX rate conversion thanks to card's connection with corresponding currency accounts. The Bank's multicurrency debit card is used abroad most frequently for transactions in EUR realized in European Union countries (67% of all transactions). Flexia card is an innovative solution, that combines the advantages of a credit card with the ability to reschedule selected payments for purchases.

Within the framework of payment cards promotion, there were conducted marketing campaigns mainly on the Internet and radio. The Bank's payment cards were also promoted by bloggers who used them while shopping or trips abroad and published opinion on their websites.

The ability to customize image of payment card by selecting from proposals available in the catalogue is very popular among the Bank's customers. More than half of newly issued debit cards are the cards with selected image form the catalogue, which consists of 72 images.

The effectiveness of the Bank confirms the increasing number of payment cards in circulation increased by 336.1 thousand (+9.6%) as compared to the end of March 2015. The Bank's share in the payment card market at the end of 2015 was 10.9% and was higher by 1.2 p.p. as compared to end of 2014.

Savings and investment products

Thanks to a wide range of deposit products of the Bank, in the first quarter of 2016, there was noted a 14.2% increase in deposits volume of retail customers in comparison to the first quarter of 2015.

In the first quarter of 2016, the Bank introduced to its offer new investment products. Investment funds offer was extended by sub-fund Pioneer Strategii Globalnej – konserwatywny (Pioneer Global Strategy – conservative) with a lower investment risk level (equity part of the portfolio accounts for 30% of its assets). At the same time IKE and PAK offer was supplemented by a new sub-fund.

Within the framework of structured products, structured deposits based on EUR/PLN currency exchange rate and certificates based on stocks of the European companies were issued.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2016

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 March 2016, the brokerage entities maintained 346.2 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 March 2016, the Group's brokerage entities were serving 183.5 thousand accounts with an active access to services through remote channels.

As of March 31, 2016, the total value of assets deposited on investment accounts run by the Group's retail brokerage entities amounted to PLN 22.7 billion.

As part of continually improving the service quality of active clients on derivative market there was implemented simulator of settlements for dynamic calculation of profit and loss as well as deposit required for owned and simulated balances of derivatives according to KDPW_CCP in SPAN (Standard Portfolio Analysis of Risk) methodology.

In January 2016, Dom Maklerski took the first place in the ranking of participants acting as clearing participants within the scope of cash market in 2015 prepared by Supervision Department of KDPW. The distinction confirms the accuracy and reliability of customers transactions settlements realized through Dom Maklerski.

Private Banking

In the first quarter of 2016, the Private Banking activities were focused on developing the offer dedicated for the clients of the wealthiest segment as well as on initiatives aiming at acquiring new clients and strengthening the existing relations.

Moreover, the activities within the framework of issuance prestigious credit cards have been intensified. Special rules of concluding agreements on credit limits and credit cards with the Private Banking clients were introduced under a dedicated campaign.

In regulations concerning service of customers in the Private Banking Division changes arising from the provisions of the Foreign Account Tax Compliance Act – FATCA, statements on marketing consent as well as complaint procedure were introduced. The customers were provided with opportunity to open and maintain Eurokonto Walutowe account on individual terms in 9 additional currencies: Norwegian krone (NOK), Swedish krona (SEK), Danish krone (DKK), Canadian dollar (CAD), Australian dollar (AUD), Russian ruble (RUB), Japanese yen (JPY), dirham of the United Arab Emirates (AED) and Chinese yuan (CNY).

Subscriptions of structured deposits Indeks na Zysk were conducted. For three of them the interest due to the customer depends on the average currency exchange rate USD/PLN, EUR/PLN, for another one on the price of futures contract on Brent crude oil.

In the first quarter of 2016, a program of investment meetings aiming at presentation to the customers investment directions and trends on the financial markets by experts from the Bank and selected Investment Funds was initiated. Private Banking clients had also the opportunity to participate in events sponsored by the Bank, such as Paszporty Polityki (Passports of the Polityka magazine) awards ceremony, Champions League football matches and prestigious meeting associated with publication of a List of 100 Polish billionaires 2016 of the Forbes magazine.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2016

Electronic banking for Individuals

The Pekao24 electronic banking system for individual clients allows to manage funds on accounts through the Internet, mobile applications and phone. The Bank's individual clients are provided with the Internet electronic banking system that enables to realize almost all operations available in the Bank's outlet. The 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.

Since the first quarter of 2016, individual clients can use a new mobile application dedicated for tablets - „Pekao24 na tablety”. The application apart from main transactional functions known from the Pekao24 system was equipped with a tool of financial analysis that helps clients to overview inflows and expenditure on their account. A new, simplified form of transfer and advanced search in transactions history facilitate day-to-day usage of bank account. „Pekao24 na tablety” application is available on devices with Android and iOS operating systems.

The Pekao24 Internet banking system and mobile application additionally allow the individual clients to manage funds on brokerage accounts held by Dom Maklerski Pekao.

In the first quarter of 2016, the Bank provided the customers with opportunity to convert in the Internet service investment fund units and recurrent transfers on Indywidualne Konta Emerytalne as well as direct payments and recurrent transfers on Indywidualne Konta Zabezpieczenia Emerytalnego.

Within the scope of payment service development the Bank offers to its clients convenient and secure system of mobile payments PeoPay that allows, among others, payments execution in terminals accepting contactless payments, fast online payments, immediate payments to system users to telephone number and cash withdrawal from the Bank's ATMs without payment card.

In the first quarter of 2016, the Bank as the first bank in the world, allowed users of mobile phones with Windows 10 Mobile system to make contactless payments in HCE technology via the PeoPay application. As a result, another group of customers can use convenient form of contactless payments in POS. In addition, the latest version of applications, both for Android as well as Windows system allow to make fast and convenient payments using the PeoPay application, in particular in location with lack or weak cellular network coverage. Also when user exhausted the available limit of data transmission realization of contactless payments is possible. The PeoPay application allows also to make fast payments, i.e. payments up to PLN 50 without authorization with ePIN code.

As at the end of March 2016, the number of individual users with an access to the Pekao24 system amounted to 2,954.6 thousand and was higher by 229.7 thousand as compared to the end of March 2015. In the first quarter of 2016, 1,601.9 thousand individual users logged in to the electronic banking services.

As at the end of March 2016, the number of individual users with an access to mobile banking amounted to 1,117.4 thousand and was higher by 460.2 thousand as compared to the end of March 2015. In the first quarter of 2016, 533.9 thousand of individual users logged in to the mobile service m.pekao24.pl, the Pekao24 mobile banking application (on phone or tablet) and the PeoPay application.

(in thousand)

	31.03.2016	31.03.2015
Number of individual users with an access to electronic banking Pekao24 as at the end of period	2,954.6	2,724.9
Number of individual users actively using electronic banking Pekao24 (*)	1,601.9	1,472.1
Number of individual users with an access to mobile banking as at the end of period (**)	1,117.4	657.2
Number of individual users actively using mobile banking (***)	533.9	246.0

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

(**) User actively using at least one of the following mobile solutions: the mobile service m.pekao24.pl, the Pekao24 mobile banking application or the PeoPay application.

(***) User actively using mobile banking is a user who logged in to the mobile service m.pekao24.pl or the Pekao24 mobile banking application or the PeoPay application at least once during the last quarter.

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Small and micro enterprises (SME)

In the first quarter of 2016, 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.

The offer for AGRO sector customers was extended by a new loan product – Pożyczka Ekspresowa Agro (Agro Express Loan) dedicated to individual farmers with revenues from sales not exceeding PLN 1.5 million. As a result, farmers were provided with additional source of financing, among others, for purchase of means of agricultural production, realization of investments associated with extension or modernization of farm or purchase of machinery or equipment of low value without the need to document these expenditures. The loan can be granted for a period of five years.

In the first quarter of 2016, the Bank at a conference held in Warsaw presented the sixth edition of report “Raport o sytuacji mikro i małych firm” (Report on the situation of SME clients). The report has been prepared based on 7 thousand interviews conducted with the enterprises’ owners. The special subject of this edition were start-ups. Outcomes of this report are presented at conferences organized in each voivodeships.

In the first quarter of 2016, the Bank launched campaign which aim is to promote new debit cards: multicurrency MasterCard Business, VISA Business and AGRAR card.

Electronic banking for SME customers

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 Packages).

As at the end of March 2016, 249.5 thousand business users had an access to the electronic banking systems, of which 166.8 thousand were active users. The number of business users with an access to the electronic banking systems increased by 7.0 thousand compared to the end of March 2015.

(in thousand)

	31.03.2016	31.03.2015
Number of business users (SME) with an access to the electronic banking systems as at the end of period	249.5	242.5
Number of business users (SME) actively using electronic banking systems ^(*)	166.8	162.0

^(*) 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 March 2016, 18.8 thousand business users had an access to the mobile banking application, of which 11.0 thousand were active users. The number of business users with an access to the mobile banking application increased by 4.8 thousand compared to the end of March 2015.

(in thousand)

	31.03.2016	31.03.2015
Number of business users (SME) with an access to the mobile banking as at the end of period	18.8	14.0
Number of business users (SME) actively using the mobile banking ^(*)	11.0	9.2

^(*) 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 first quarter of 2016

Corporate customers

In the first quarter of 2016, the Bank consequently maintained its leader position in corporate banking through the activities aiming at sales increasing and strengthening relationships with customers.

Transactional services

In the area of transactional services, the Bank extended offer by Digital Gate Agreement thanks to which current account service became easier, faster and more convenient. Under one Digital Gate Agreement the client is provided with access to bank accounts, domestic and foreign settlements, the PekaoBiznes24 system and optional to cash transactions and derivatives while other products can be simply activated through the applications (payment cards, Pekao Place, Autowypłata, Pekao Collect, automatic placement of deposits and funds consolidation).

Bank Pekao S.A. provides a wide range of solutions in its offer that enable local governments to pay social benefits to families living in a given municipality or district. The Bank provides opportunity to realize payments through the PekaoBiznes24 Internet banking system, orders of payments on beneficiary account, Autowypłata order, Pekao Przekaz or payment on Prepaid Cards.

In the first quarter of 2016, it increased the number of incoming foreign payments by 16% and outgoing SEPA transfers by 19% as well as volume of incoming and outgoing foreign payments by 23% and 13% respectively as compared to the same period of 2015 reflecting the growing popularity of cross-border settlements in SEPA form and continuously strengthening position of the Bank in the area of settlements service.

In the area of Internet banking, the Bank is a leader in terms of integration of financial systems as for the number of available solutions, the number of customers and transactions volume. In the first quarter of 2016, the Bank executed almost 7 million on-line orders which accounts for over 40% of all executed orders. Corporate and institutional customers appreciate convenience and security of technologically advanced communication with the Bank.

Trade finance

In the area of trade finance, the Bank, as in previous quarters, maintained high market position.

In the first quarter of 2016, the number of invoices in the eFinancing service increased by over 26% in comparison with the same period of 2015. An increase were also noted in the area of LCs products by 4% as compared to the first quarter of 2015. Electronic execution of trade finance transactions remains at a high level exceeding 90%.

The Bank continued the unification process of the debt financing services that improves process of transactions monitoring and increases security of portfolio.

Co-operation with international and domestic financial institutions

In the first quarter of 2016, the Bank acquired for co-operation and service within the scope of PLN and foreign currencies clearing 3 new banks and opened 5 new accounts. Within the scope of transactional products addressed to customers of correspondent banking, the Bank consistently achieves a high STP rate (Straight Through Processing) of processing customers and interbank transactions at the level of 98%. The Bank continuously enriches its offer addressed to customers of correspondent banking.

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Investment banking, structured financing and commercial real estates

In the first quarter of 2016, the Bank realized the following investment projects:

- financing of investment needs for a leading company in food sector in the amount of PLN 350 million,
- financing of new industrial installation for one of the leaders in energy sector in the amount of PLN 286 million,
- financing of housing developers in the total amount of PLN 240 million,
- financing of investments for a printing company in the amount of EUR 18 million,
- financing of the next warehouse realized by a leader on warehouse market in Poland in the amount of PLN 47 million.

Financial markets and commercial debt instruments

In the area of organization and servicing of commercial debt securities issuance, as at March 31, 2016, Bank Pekao S.A. has a market share of nearly 20% - 2nd place (based on the Rating & Market Bulletin published by Fitch Poland). In the segment of short-term debt securities the Bank takes the first place with over 18% market share.

In the first quarter of 2016, the Bank signed, among others, new agreement on bonds issuance for a postal company in the amount of PLN 700 million and for entity in railway transportation sector in the amount of PLN 300 million as well as for entity in developer sector in the amount of PLN 350 million.

Comprehensive services for the public finance sector

In the first quarter of 2016, the Bank strengthened its leader position in financing of local budget infrastructure projects in the field of public transport both local and regional. The Bank, in consortium with Bank Gospodarstwa Krajowego, signed an agreement on bonds issuance in the amount of PLN 279.5 million with the largest railway carrier in Silesia region for financing purchase of new tram fleet, repurchase of leased tram fleet and refinancing leasing transactions for tram fleet purchase.

The Bank continues the strategy to maintain significant share in financing the Polish local budgets and renders full scope of services dedicated to these entities. In the first quarter of 2016, the Bank granted short-term loan for financing a temporary budget deficit to one of the voivodeships.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2016

5.7 Factors which will affect the results of the Group

Bank Pekao S.A. and its subsidiaries operate predominantly on the territory of Poland. Therefore, the Bank's performance will be influenced mainly by the economic events in Poland and international outlooks that have an impact on the Polish economy.

On February 1, 2016, Act on tax on certain financial institutions came into force. Since that date, banks (with the exception of institutions, listed in the Act), are obliged to pay the so-called "bank levy". KNF estimates that in 2016 the amount of the levy paid by the banks will be at the level of ca. PLN 4 billion.

Also new, higher minimum capital requirements will have significant impact on the operations of banks in the coming months of 2016. Some banks will also have to assure extra capital buffers, which are set individually. This will probably have negative consequences for the credit expansion in the coming months of the year.

It cannot be ruled out that, as in 2015, there will be an ad-hoc (on the top of regular contributions) need to support the Bank Guarantee Fund in case of a problem of one of the banks or SKOK. Such a situation would lead to an increase in operating costs and have negative impact on banks' results.

Monetary policy will be an important factor influencing the banks' results in the coming months. Another rate cut cannot be ruled out, with potentially negative consequences for the banks' interest income.

There is also a debate on possible restructuring of mortgage loans in CHF. At the moment it can be hardly estimated ultimate consequences for the banking sector, however, taking into account the relatively minor share of these loans in the Bank's total assets (almost entirely acquired as a result of the merger of the spun-off part of Bank BPH S.A. in 2007), the Bank assesses that potentially taken solutions should not materially affect the financial standing of the Group.

A buyout of Visa Europe by Visa Inc. will have positive impact on the results of some banks (and thus of the whole sector) in 2016.

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6 Statement of Financial Position and Financial Results

Consolidated income statement containing cumulated items for the period from 1 January to 31 March, 2016 and 2015 respectively is presented in the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the first quarter of 2016.

The Report on activities of Bank Pekao S.A. Group for the first quarter of 2016 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 are discussed.

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 March 2016, the total assets of Bank Pekao S.A. constitutes 98.1% of the total assets of the whole Group.

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

ASSETS	31.03.2016		31.03.2015		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Cash and due from Central Bank	5,881.5	3.7%	6,672.4	4.1%	(11.9%)
Loans and advances to banks ^(*)	2,680.8	1.7%	5,652.1	3.5%	(52.6%)
Loans and advances to customers ^(**)	117,175.6	73.4%	111,434.8	68.1%	5.2%
Reverse repo transactions	57.2	0.0%	6,271.4	3.8%	(99.1%)
Securities ^(***)	27,123.9	17.0%	22,396.9	13.7%	21.1%
Investments in associates	159.0	0.1%	199.7	0.1%	(20.4%)
Property, plant and equipment and intangible assets	2,044.1	1.3%	2,172.2	1.3%	(5.9%)
Other assets	4,572.4	2.8%	8,728.5	5.4%	(47.6%)
Total assets	159,694.5	100.0%	163,528.0	100.0%	(2.3%)

(*) 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.

EQUITY AND LIABILITIES	31.03.2016		31.03.2015		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Amounts due to Central Bank	6.0	0.0%	0.9	0.0%	> 100%
Amounts due to other banks	4,636.3	2.9%	4,147.3	2.5%	11.8%
Amounts due to customers	121,127.7	75.8%	117,368.6	71.8%	3.2%
Debt securities issued	2,354.0	1.5%	4,209.7	2.6%	(44.1%)
Repo transactions	690.9	0.4%	4,071.9	2.5%	(83.0%)
Other liabilities	6,827.4	4.3%	9,206.0	5.6%	(25.8%)
Total equity, including	24,052.2	15.1%	24,523.6	15.0%	(1.9%)
non-controlling interests	14.5	0.0%	15.1	0.0%	(4.0%)
Total equity and liabilities	159,694.5	100.0%	163,528.0	100.0%	(2.3%)

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2016

Customers' Financing

Customer structure of loans and advances

(in PLN million)

	31.03.2016	31.03.2015	CHANGE
Loans and advances at nominal value⁽¹⁾	122,145.8	116,747.6	4.6%
Loans ⁽²⁾	109,634.7	105,479.0	3.9%
Retail	54,490.9	50,465.9	8.0%
Corporate	55,143.8	55,013.1	0.2%
Non-quoted securities	12,511.1	11,268.6	11.0%
Other ⁽³⁾	627.7	443.2	41.6%
Nominal value adjustment	281.5	138.1	> 100%
Impairment losses	(5,879.4)	(5,894.1)	(0.2%)
Total net receivables	117,175.6	111,434.8	5.2%
Securities issued by non-monetary entities ⁽⁴⁾	868.8	922.7	(5.8%)
Reverse repo transactions	57.1	6,270.1	(99.1%)
Total customers' financing⁽⁵⁾	123,071.7	123,940.4	(0.7%)

⁽¹⁾ Excluding reverse repo transactions.

⁽²⁾ Including debt securities eligible for rediscounting at Central Bank and net investments in financial leases to customers.

⁽³⁾ Including interest and receivables in transit.

⁽⁴⁾ Securities issued by non-monetary entities being loans equivalents.

⁽⁵⁾ Total customers' financing includes loans and advances at nominal value, securities issued by non-monetary entities and reverse repo transactions.

As at the end of March 2016, loans and advances at nominal value and securities issued by non-monetary entities amounted to PLN 123,014.6 million, an increase of PLN 5,344.3 million, i.e. 4.5% in comparison to the end of March 2015 with growth in key strategic areas.

As at the end of March 2016, the volume of retail loans amounted to PLN 54,490.9 million, an increase of PLN 4,025.0 million, i.e. 8.0% in comparison to the end of March 2015.

The volume of corporate loans, non-quoted securities and securities issued by non-monetary entities increased by PLN 1,319.3 million, i.e. 2.0% as compared to the end of March 2015 and amounted to PLN 68,523.7 million at the end of March 2016.

Reverse repo transactions amounted to PLN 57.1 million at the end of March 2016, a decrease by PLN 6,213.0 million, i.e. 99.1% in comparison to the end of March 2015.

Receivables and impairment losses

(in PLN million)

	31.03.2016	31.03.2015	CHANGE
Gross receivables⁽¹⁾	122,501.4	117,003.6	4.7%
Not impaired	114,537.9	108,564.9	5.5%
Impaired	7,963.5	8,438.7	(5.6%)
Impairment losses	(5,879.4)	(5,894.1)	(0.2%)
Interest	553.6	325.3	70.2%
Total net receivables	117,175.6	111,434.8	5.2%

⁽¹⁾ Including debt securities eligible for rediscounting at Central Bank, net investments in financial leases to customers, non-quoted securities and excluding reverse repo transactions.

As at March 31, 2016, the ratio of impaired receivables to total receivables excluding reverse repo transactions amounted to 6.5% as compared to 7.2% at the end of March 2015.

Impairment losses as at the end of March 31, 2016 amounted to PLN 5,879.4 million.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2016

Loans and advances to customers by currency^(*)

	31.03.2016		31.03.2015		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	100,845.9	82.0%	96,380.3	82.1%	4.6%
Denominated in foreign currencies ^(**)	22,209.1	18.0%	20,948.6	17.9%	6.0%
Total	123,055.0	100.0%	117,328.9	100.0%	4.9%
Impairment losses	(5,879.4)	x	(5,894.1)	x	(0.2%)
Total net	117,175.6	x	111,434.8	x	5.2%

(*) Including interest and receivables in transit and excluding reverse repo transactions.

(**) 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 March 2016, their share was 82.0%. The largest portion of foreign currency loans and advances to customers were represented by those denominated in EUR (62.7%), CHF (22.0%) and USD (14.7%).

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

	31.03.2016		31.03.2015		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current and up to 1 month	15,249.6	12.4%	13,670.4	11.7%	11.6%
1 to 3 months	4,689.5	3.8%	3,599.5	3.1%	30.3%
3 months to 1 year	11,554.5	9.4%	11,500.5	9.8%	0.5%
1 to 5 years	38,256.2	31.1%	38,530.3	32.8%	(0.7%)
Over 5 years	52,677.4	42.8%	49,585.0	42.3%	6.2%
Other	627.7	0.5%	443.2	0.4%	41.6%
Total	123,055.0	100.0%	117,328.9	100.0%	4.9%
Impairment losses	(5,879.4)	x	(5,894.1)	x	(0.2%)
Total net	117,175.6	x	111,434.8	x	5.2%

(*) Including interest and receivables in transit and excluding reverse repo transactions.

Loans and advances with maturity over 5 years represents 42.8% of total loans and advances (mainly attributed to mortgage loans and receivables for which the maturity date already passed).

Credit exposures towards Ukraine

In the first quarter of 2016, Bank Pekao S.A. Group exposure towards Ukraine in the form of interbank placements were repaid in full. As at 31 March 2016, the net balance sheet value of remaining exposures towards Ukraine refer mainly to two international corporate clients and amounts to PLN 182 million (which constitutes 0.1% of total Group exposures), less by PLN 848 million in comparison to the end of March 2015.

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.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2016

External sources of financing

(in PLN million)

	31.03.2016	31.03.2015	CHANGE
Amounts due to Central Bank	6.0	0.9	> 100%
Amounts due to other banks	4,636.3	4,147.3	11.8%
Amounts due to customers	121,127.7	117,368.6	3.2%
Debt securities issued	2,354.0	4,209.7	(44.1%)
Repo transactions	690.9	4,071.9	(83.0%)
Total external sources of financing	128,814.9	129,798.4	(0.8%)

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)

	31.03.2016	31.03.2015	CHANGE
Corporate deposits	55,422.7	59,756.9	(7.3%)
Non-financial entities	42,427.1	42,390.8	0.1%
Non-banking financial entities	6,759.9	8,809.0	(23.3%)
Budget entities	6,235.7	8,557.1	(27.1%)
Retail deposits	65,183.0	57,058.1	14.2%
Other (*)	522.0	553.6	(5.7%)
Amounts due to customers**)	121,127.7	117,368.6	3.2%
Debt securities issued, of which	2,354.0	4,209.7	(44.1%)
Structured Certificates of Deposit (SCD)	245.7	203.8	20.6%
Certificates of Deposit	868.9	2,911.3	(70.2%)
Pekao Bank Hipoteczny S.A. covered bonds	1,228.0	1,061.9	15.6%
Interest	11.4	32.7	(65.1%)
Amounts due to customers and debt securities issued, total**)	123,481.7	121,578.3	1.6%
Repo transactions	690.9	4,071.9	(83.0%)
Investment funds of Pioneer Pekao TFI	16,338.3	17,945.7	(9.0%)
Bond and money market funds	11,342.4	11,785.0	(3.8%)
Balanced funds	2,607.5	3,266.4	(20.2%)
Equity funds	2,388.4	2,894.3	(17.5%)
including distributed through the Group's network	16,001.5	17,518.6	(8.7%)

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

(**) Excluding repo transactions.

As at the end of March 2016, the total amounts due to the Group's customers and debt securities issued amounted to PLN 123,481.7 million, an increase of PLN 1,903.4 million, i.e. 1.6% in comparison to the end of March 2015 with improved structure of liabilities thanks to growth of share of retail customers deposits.

The total volume of retail customers deposits, Structured Certificates of Deposit and other amounted to PLN 65,895.5 million at the end of March 2016, an increase of PLN 8,154.3 million, i.e. 14.1% in comparison to the end of March 2015.

The total volume of corporate deposits, Certificates of Deposit, Pekao Bank Hipoteczny S.A. covered bonds, interest and other amounted to PLN 57,586.2 million at the end of March 2016, a decrease of PLN 6,250.9 million, i.e. 9.8% as compared to the end of March 2015 reflecting selective pricing approach and focus on securing liquidity needs of the Group.

Repo transactions amounted to PLN 690.9 million at the end of March 2016, a decrease by PLN 3,381.0 million, i.e. 83.0% in comparison to the end of March 2015.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2016

The value of net assets of investment funds managed by Pioneer Pekao TFI S.A. amounted to PLN 16,338.3 million at the end of March 2016, a decrease of PLN 1,607.4 million, i.e. 9.0% in comparison to the end of March 2015, under the pressure of situation on capital markets.

Amounts due to customers by currency^(*)

	31.03.2016		31.03.2015		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	99,850.4	82.4%	97,569.2	83.1%	2.3%
Denominated in foreign currencies	21,277.3	17.6%	19,799.4	16.9%	7.5%
Total	121,127.7	100.0%	117,368.6	100.0%	3.2%

^(*) Including interest and amounts due in transit and excluding repo transactions.

The bulk of the amounts due to customers are denominated in the Polish currency and its share as at the end of March 2016 amounted to 82.4%. The majority of amounts due to customers denominated in foreign currencies were in EUR (58.9%) and USD (35.4%).

Amounts due to customers by contractual maturities^(*)

	31.03.2016		31.03.2015		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current accounts and overnight deposits	72,063.5	59.8%	67,824.2	58.1%	6.3%
Term deposits	48,542.2	40.2%	48,990.8	41.9%	(0.9%)
Total deposits	120,605.7	100.0%	116,815.0	100.0%	3.2%
Interest accrued	234.5	x	156.5	x	49.8%
Funds in transit	287.5	x	397.1	x	(27.6%)
Total	121,127.7	x	117,368.6	x	3.2%

^(*) Excluding repo transactions.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2016

6.2 The consolidated income statement – presentation form

Net profit of Bank Pekao S.A. Group attributable to equity holders for the first quarter of 2016 amounted to PLN 573.4 million allowing return on average capital (ROE) at the level of 9.7% achieved with a strong capital base reflected by TCR at 18.4% (Basel III).

Net profit of Bank Pekao S.A. Group for the first quarter of 2016 excluding tax on certain financial institutions in the amount of PLN 80.6 million (introduced on February 1, 2016) would amount to PLN 654.0 million, higher by PLN 29.6 million, i.e. 4.7% in comparison to the first quarter of 2015 with a substantial growth of loan and deposit volumes in key strategic areas and lower cost of risk.

Thanks to the effective commercial activity of the Group in the first quarter of 2016 a significant growth in loan volumes was reported in the area of retail loans (an increase of 8.0% year on year) and a 2.1% year on year growth in the area of corporate loans and non-quoted securities. Such increase in lending was financed by higher volumes of retail deposits growing 14.2% year on year.

The strength of the liquidity structure of Bank Pekao S.A. Group is reflected by net loans to deposits ratio at 94.9% at the end of March 2016. 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)

	1 QUARTER 2016	1 QUARTER 2015	CHANGE
Net interest income	1,069.7	1,042.9	2.6%
Dividend income and income from equity investments	10.0	15.5	(35.5%)
Total net interest income, dividend income and other income from equity investments	1,079.7	1,058.4	2.0%
Net fee and commission income	463.3	480.6	(3.6%)
Trading result	118.4	260.0	(54.5%)
Net other operating income and expenses	155.9	9.1	> 100%
Net non-interest income	737.6	749.7	(1.6%)
Operating income	1,817.3	1,808.1	0.5%
Operating costs	(812.1)	(801.4)	1.3%
Gross operating profit	1,005.2	1,006.7	(0.1%)
Net impairment losses on loans and off-balance sheet commitments	(129.4)	(137.1)	(5.6%)
Net operating profit	875.8	869.6	0.7%
Net result on other provisions	(0.8)	(25.9)	(96.9%)
Guarantee funds charges	(67.0)	(69.0)	(2.9%)
Tax on certain financial institutions	(80.6)	-	x
Net result on investment activities	1.3	0.7	85.7%
Profit before tax	728.7	775.4	(6.0%)
Income tax expense	(155.2)	(150.8)	2.9%
Net profit	573.5	624.6	(8.2%)
Attributable to equity holders of the Bank	573.4	624.4	(8.2%)
Attributable to non-controlling interest	0.1	0.2	(50.0%)
Net profit excluding tax on certain financial institutions	654.0	624.4	4.7%

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2016

Operating income

In the first quarter of 2016, the Group's operating income amounted to PLN 1,817.3 million, an increase of PLN 9.2 million, i.e. 0.5% in comparison to the first quarter of 2015 thanks to higher net interest income, dividend income and income from equity investment and net other operating income and expenses.

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

(in PLN million)

	1 QUARTER 2016	1 QUARTER 2015	CHANGE
Interest income	1,353.2	1,398.3	(3.2%)
Interest expense	(283.5)	(355.4)	(20.2%)
Net interest income	1,069.7	1,042.9	2.6%
Dividend income	-	-	-
Income from equity investments	10.0	15.5	(35.5%)
Total net interest income, dividend income and income from equity investments	1,079.7	1,058.4	2.0%

Total net interest income, dividend income and income from equity investments in the first quarter of 2016 amounted to PLN 1,079.7 million and was higher by PLN 21.3 million, i.e. 2.0% compared to the first quarter of 2015 thanks to growing volumes, despite average WIBOR 3M lower by 0.17 p.p.

Net non-interest income

(in PLN million)

	1 QUARTER 2016	1 QUARTER 2015	CHANGE
Fee and commission income	538.0	583.9	(7.9%)
Fee and commission expense	(74.7)	(103.3)	(27.7%)
Net fee and commission income	463.3	480.6	(3.6%)
Trading result	118.4	260.0	(54.5%)
of which gains on disposal of AFS assets	0.5	152.6	(99.7%)
Net other operating income and expense	155.9	9.1	> 100%
Net non-interest income	737.6	749.7	(1.6%)

The Group's net non-interest income in the first quarter of 2016 amounted to PLN 737.6 million, a decrease of PLN 12.1 million, i.e. 1.6% in comparison with the first quarter of 2015 mainly due to lower gains on disposal of AFS assets and some pressure observed on capital market related fees, almost compensated by higher net other operating income and expenses driven by disposal of loans.

The Group's net fee and commission income in the first quarter of 2016 amounted to PLN 463.3 million and was lower by PLN 17.3 million, i.e. 3.6% in comparison with the first quarter of 2015 mainly due to lower net fee and commission income on mutual funds.

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

(in PLN million)

	1 QUARTER 2016	1 QUARTER 2015	CHANGE
Net fee and commission income	463.3	480.6	(3.6%)
on loans	121.7	121.7	0.0%
on cards	83.1	75.1	10.7%
on mutual funds	60.7	78.6	(22.8%)
other	197.8	205.2	(3.6%)

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2016

Operating costs

The operating costs amounted to PLN 812.1 million in the first 3 months of 2016. They were higher by PLN 10.7 million, i.e. 1.3% as compared with the first quarter of 2015.

(in PLN million)

	1 QUARTER 2016	1 QUARTER 2015	CHANGE
Personnel expenses	(471.2)	(471.9)	(0.1%)
Other administrative expenses	(255.1)	(247.7)	3.0%
Depreciation and amortization	(85.8)	(81.8)	4.9%
Operating costs	(812.1)	(801.4)	1.3%

In the first quarter of 2016, cost / income ratio amounted to 44.7% in comparison with 44.3% in the first quarter of 2015.

As at the end of March 2016, the Group employed 18,315 employees (in the Bank and the companies consolidated under full consolidation method) as compared to 18,751 employees as at the end of March 2015.

As at the end of March 2016, the Bank employed 16,403 employees as compared to 16,794 employees as at the end of March 2015.

Guarantee funds charges

Guarantee funds charges in the first quarter of 2016, amounted to PLN 67.0 million, a decrease of PLN 2.0 million, i.e. 2.9% in comparison with the first quarter of 2015.

Tax on certain financial institutions

On February 1, 2016 tax on certain financial institutions under the Act on tax on certain financial institutions was introduced. In the first quarter of 2016, it amounted to PLN 80.6 million.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2016

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)

	1 QUARTER 2016	1 QUARTER 2015	CHANGE
Net profit of Bank Pekao S.A.	603.0	723.5	(16.7%)
Entities consolidated under full method			
Pekao Leasing Sp. z o.o.	9.5	9.2	3.3%
Centralny Dom Maklerski Pekao S.A.	5.3	10.4	(49.0%)
Pekao Financial Services Sp. z o.o.	2.2	2.0	10.0%
Pekao Bank Hipoteczny S.A.	2.0	0.1	> 100%
Pekao Faktoring Sp. z o.o.	1.7	1.7	0.0%
Pekao Investment Banking S.A.	1.5	1.0	50.0%
Pekao Leasing Holding S.A. w likwidacji ^(*)	0.3	60.7	(99.5%)
Centrum Bankowości Bezpośredniej Sp. z o.o.	0.2	0.3	(33.3%)
Pekao Pioneer PTE S.A.	0.2	0.4	(50.0%)
FPB "Media" Sp. z o.o.	0.1	0.2	(50.0%)
Pekao Fundusz Kapitałowy Sp. z o.o.	0.1	0.1	0.0%
Centrum Kart S.A.	0.0	(0.9)	x
Pekao Property S.A.	(0.1)	0.0	x
Entities valued under the equity method			
Pioneer Pekao Investment Management S.A.	9.6	11.8	(18.6%)
Dom Inwestycyjny Xelion sp. z o.o.	0.4	0.4	0.0%
Krajowa Izba Rozliczeniowa S.A. ^(**)	-	3.3	x
Exclusions and consolidation adjustments^(***)	(62.6)	(199.8)	(68.7%)
Net profit of the Group attributable to equity holders of the Bank	573.4	624.4	(8.2%)

(*) The result of Pekao Leasing Holding S.A. w likwidacji for the first quarter of 2015 mainly include the dividend received from Pekao Leasing Sp. z o.o.

(**) Krajowa Izba Rozliczeniowa S.A. was 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 first quarter of 2016

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)

	1 QUARTER 2016	1 QUARTER 2015	CHANGE
Net interest income	1,039.8	1,011.2	2.8%
Dividend income	64.8	139.1	(53.4%)
Total net interest income and dividend income	1,104.6	1,150.3	(4.0%)
Net non-interest income	674.6	687.9	(1.9%)
Operating income	1,779.2	1,838.2	(3.2%)
Operating costs	(754.9)	(743.1)	1.6%
Gross operating profit	1,024.3	1,095.1	(6.5%)
Net impairment losses on loans and off-balance sheet commitments	(126.1)	(136.7)	(7.8%)
Net operating profit	898.2	958.4	(6.3%)
Net result on other provisions	(0.9)	(26.0)	(96.5%)
Guarantee funds charges	(66.3)	(68.3)	(2.9%)
Tax on certain financial institutions	(80.6)	-	x
Net result on investment activities	1.4	2.9	(51.7%)
Profit before tax	751.8	867.0	(13.3%)
Net profit	603.0	723.5	(16.7%)
Net profit excluding tax on certain financial institutions	683.6	723.5	(5.5%)

In the first quarter of 2016, the Bank's net profit amounted to PLN 603.0 million, a decrease of PLN 120.5 million, i.e. 16.7% in comparison to the first quarter of 2015.

Net profit of Bank Pekao S.A. for the first quarter of 2016 excluding tax on certain financial institutions would amount to PLN 683.6 million, lower by PLN 39.9 million, i.e. 5.5% in comparison to the first quarter of 2015.

The main Bank's financial information are as follows:

	31.03.2016	31.03.2015	CHANGE
STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS (in PLN million)			
Loans and advances at nominal value ^(*)	118,371.3	113,326.8	4.5%
Securities issued by non-monetary entities ^(**)	868.8	922.7	(5.8%)
Reverse repo transactions	57.1	6,270.1	(99.1%)
Amounts due to customers	121,475.6	117,626.3	3.3%
Structured Certificates of Deposit	245.7	203.8	20.6%
Certificates of Deposit	868.9	2,911.3	(70.2%)
Repo transactions	690.9	4,086.9	(83.1%)
Total assets	156,647.0	160,923.3	(2.7%)
Investment funds distributed through the Bank's network	15,073.7	16,477.0	(8.5%)
SELECTED RATIOS			
Impaired receivables to total receivables in % ^(***)	6.3%	7.0%	(0.7) p.p.
TCR (Basel III) in %	19.0%	17.2%	1.8 p.p.

(*) Including loans and non-quoted securities.

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

(***) Excluding reverse repo transactions.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2016

As at the end of March 2016, loans and advances at nominal value and securities issued by non-monetary entities amounted to PLN 119,240.1 million, an increase of PLN 4,990.6 million, i.e. 4.4% in comparison to the end of March. At the end of March 2016, the volume of retail loans amounted to PLN 53,582.4 million and the volume of corporate loans, non-quoted securities and securities issued by non-monetary entities amounted to PLN 65,657.7 million.

As at the end of March 2016, the amounts due to the customers, Structured Certificates of Deposit and Certificates of Deposit amounted to PLN 122,590.2 million, an increase of PLN 1,848.8 million, i.e. 1.5% in comparison to the end of March 2015 with improved structure of liabilities thanks to growth of share of retail customers deposits.

The value of net assets of investment funds managed by Pioneer Pekao TFI S.A. distributed through the Bank's network amounted to PLN 15,073.7 million at the end of March 2016, a decrease of PLN 1,403.3 million, i.e. 8.5% in comparison to the end of March 2015, under the pressure of situation on capital markets.

Results of the Bank's major related entities

Pioneer Pekao Investment Management S.A. – PPIM

In the first quarter of 2016, consolidated net profit of PPIM amounted to PLN 19.5 million compared with PLN 24.1 million in the first quarter of 2015. The Bank's share in the company's profit was **PLN 9.6 million**. The result of the first quarter of 2016 was influenced by situation on capital markets and change of customers' preferences in terms of the level of acceptable risk.

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

In the first quarter of 2016, Pekao Leasing reported a net profit of **PLN 9.5 million** and it was at a similar level to the net profit achieved in the first quarter of 2015.

Centralny Dom Maklerski Pekao S.A. – CDM

In the first quarter of 2016, net profit of CDM amounted to **PLN 5.3 million** compared with PLN 10.4 million profit earned in the first quarter of 2015 influenced by situation on capital markets, lower turnover on the WSE and lower revenues on mutual funds.

Pekao Financial Services Sp. z o.o. – PFS

PFS made a net profit in the amount of **PLN 2.2 million** in the first quarter of 2016, in comparison to a profit of PLN 2.0 million in the first quarter of 2015.

Pekao Bank Hipoteczny S.A. – Pekao Bank Hipoteczny

In the first quarter of 2016, Pekao Bank Hipoteczny reported a net profit of **PLN 2.0 million** compared with PLN 0.1 million in the first quarter of 2015.

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

In the first quarter of 2016, Pekao Faktoring reported a net profit of **PLN 1.7 million** and it was at a similar level to the net profit achieved in the first quarter of 2015.

Pekao Investment Banking S.A. – PIB

In the first quarter of 2016, PIB reported net profit of **PLN 1.5 million** compared with PLN 1.0 million in the first quarter of 2015.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2016

6.4 Provisions, deferred tax assets and liabilities

(in PLN million)

	GROUP		BANK PEKAO S.A.	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Total provisions	427.1	442.9	425.7	437.8
of which:				
provisions for off-balance sheet commitments	121.7	93.2	126.5	96.7
provisions for liabilities to employees	295.9	306.7	293.0	303.5
other provisions	9.5	43.0	6.2	37.6
Deferred tax liabilities	4.7	2.0	-	-
Deferred tax assets	872.3	982.9	644.9	738.4

6.5 Net impairment losses

(in PLN million)

	GROUP		BANK PEKAO S.A.	
	1 QUARTER 2016	1 QUARTER 2015	1 QUARTER 2016	1 QUARTER 2015
Impairment losses on loans	(128.2)	(146.9)	(123.9)	(145.8)
Impairment losses on off-balance sheet commitments	(1.2)	9.8	(2.2)	9.1
Total	(129.4)	(137.1)	(126.1)	(136.7)

The Group's net impairment losses on loans and off-balance sheet commitments amounted to PLN 129.4 million in the first quarter of 2016, a decrease of PLN 7.7 million, i.e. 5.6% as compared with the first quarter of 2015.

The Bank's net impairment losses on loans and off-balance sheet commitments amounted to PLN 126.1 million in the first quarter of 2016, a decrease of PLN 10.6 million i.e. 7.8% as compared with the first quarter of 2015.

6.6 Off-balance sheet items

(in PLN million)

	31.03.2016	31.03.2015	CHANGE
Contingent liabilities granted and received	56,287.5	59,187.4	(4.9%)
Liabilities granted:	44,836.1	44,338.4	1.1%
financial	32,057.7	30,316.1	5.7%
guarantees	12,778.4	14,022.3	(8.9%)
Liabilities received:	11,451.4	14,849.0	(22.9%)
financial	270.3	2,057.5	(86.9%)
guarantees	11,181.1	12,791.5	(12.6%)
Derivative financial instruments	197,886.8	264,079.8	(25.1%)
interest rate transactions	93,326.6	155,561.3	(40.0%)
transactions in foreign currency and in gold	103,980.9	107,096.4	(2.9%)
transactions based on commodities and equity securities	579.3	1,422.1	(59.3%)
Total off-balance sheet items	254,174.3	323,267.2	(21.4%)

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2016

6.7 Capital adequacy

Capital ratios are the basic measure applied for the measurement of 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 (CRR Regulation), which entered into force since January 1, 2014 together with further amendments as well as Commission Implementing Regulations or Delegated Regulations (EU).

Capital ratios, capital requirements and own funds have been calculated in accordance with the above mentioned CRR Regulation using national options defined in Banking Act, article 171a as well as recommendations of Polish Financial Supervision Authority (KNF). In particular, this applies to the risk weights for claims secured by mortgages and number of ratios regulating method of own funds calculation.

The minimum Total Capital Ratio required by law is the sum of minimal capital requirement defined by CRR Regulation (equal to 8%) and combined buffer requirement as defined in Act of 5 August 2015 on macro-prudential supervision over financial system and crisis management in financial system. According to recommendation of KNF total capital ratio must be equal to 13.25% and Tier I capital ratio 10.25%. Both levels are increased by additional capital requirement imposed by KNF¹. At the end of March 2016 for Pekao Group, total capital ratio amounted to 18.4% and was almost twice the minimum value required by the law and significantly higher than the level recommended by the KNF.

The table below presents the basic data concerning the Pekao Group capital adequacy as at March 31, 2016, December 31, 2015 and March 31, 2015 according to regulation which were in force at those dates.

(in PLN thousand)

CAPITAL REQUIREMENT	31.03.2016	31.12.2015	31.03.2015
Credit risk	7,985,605	8,202,427	7,959,838
Exceeding large exposure limits	-	-	-
Market risk	47,402	63,578	163,075
Counterparty credit risk including CVA	250,673	325,240	412,504
Operational risk	540,314	564,787	692,632
Total capital requirement	8,823,994	9,156,032	9,228,049
OWN FUNDS			
Common Equity Tier I Capital	20,347,046	20,209,595	20,253,051
Own funds for total capital ratio	20,347,046	20,209,595	20,253,051
Common Equity Tier I Capital ratio (%)	18.4%	17.7%	17.6%
Total capital ratio (%)	18.4%	17.7%	17.6%

Total Capital Ratio at the end of March 2016 compared with March 2015 increased by 0.8 p.p. Total capital requirement decreased during this period by 4.4% and own funds increased by 0.5%.

Total capital requirement decreased at the end of March 2016 as a result of decrease of capital requirements for counterparty risk including CVA, operational risk and market risk.

Own funds increase mainly due to Bank Pekao S.A. Annual General Meeting decision on the allocation of the PLN 37.6 million of net profit from 2014 to the Bank's own funds and decrease of intangible assets.

¹ In case of Bank Pekao S.A. Group, additional capital requirement imposed by KNF on total capital ratio is equal to 0.01 p.p. and for Tier 1 capital 0.0075 p.p.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2016

6.8 Reconciliation of income statement – presentation form and long form

Consolidated income statement for the first quarter of 2016

(in PLN thousand)

INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM	1 QUARTER 2016	COMMENTS
Net interest income		1,069,738	
Dividend income and income from equity investments		10,004	
	Dividend income	1	
	Gains (losses) on subsidiaries and associates	10,003	
Total net interest income, dividend income and other income from equity investments		1,079,742	
Net fee and commission income	Net fee and commission income	463,340	
Trading result		118,433	
	Result on financial assets and liabilities held for trading	120,842	
	Result on fair value hedge accounting	(2,868)	
	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	464	
	(Gains) losses on disposal of financial liabilities	(5)	
Net other operating income and expenses		155,823	
	Net other operating income and expenses	6,541	
	less - Refunding of administrative expenses	(642) /1	
	Gains (losses) on disposal of loans and other financial receivables	149,924	
Net non-interest income		737,596	
Operating income		1,817,338	
Operating costs		(812,115)	
	Personnel expenses	(471,180)	
	Other administrative expenses	(403,410)	
	less - Guarantee funds charges	66,986	
	less - One-off charges related to bankruptcy of SBRiR in Wolomin and Borrowers Support Fund	-	
	less - tax on certain financial institutions	80,640	
	Refunding of administrative expenses	642 /1	
	Depreciation and amortization	(85,793)	
Gross operating profit		1,005,223	
Net impairment losses on loans and off-balance sheet commitments		(129,389)	
	Net impairment losses on loans	(128,226)	
	Net impairment provision for off-balance sheet commitments	(1,163)	
Net operating profit		875,834	
Net result on other provisions	Net result on other provisions	(829)	
Guarantee funds charges	Guarantee funds charges	(66,986)	
One-off charges related to bankruptcy of SBRiR in Wolomin and Borrowers Support Fund	One-off charges related to bankruptcy of SBRiR in Wolomin and Borrowers Support Fund	-	
Tax on certain financial institutions	Tax on certain financial institutions	(80,640)	
Net result on investment activities		1,281	
	Gains (losses) on disposal of property, plant and equipment and intangible assets.	1,281	
	Impairment losses on subsidiaries and associates	-	
	Gains (losses) on disposal of subsidiaries and associates	-	
Profit before income tax		728,660	
Income tax expense	Income tax expense	(155,182)	
Net profit for the period	Net profit for the period	573,478	
Attributable to equity holders of the Bank	Attributable to equity holders of the Bank	573,396	
Attributable to non-controlling interest	Attributable to non-controlling interest	82	

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 first quarter of 2016

Consolidated income statement for the first quarter of 2015

(in PLN thousand)

INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM	1 QUARTER 2015	COMMENTS
Net interest income		<u>1,042,930</u>	
Dividend income and income from equity investments		<u>15,502</u>	
	Dividend income	1	
	Gains (losses) on subsidiaries and associates	15,501	
Total net interest income, dividend income and other income from equity investments		1,058,432	
Net fee and commission income	Net fee and commission income	<u>480,567</u>	
Trading result		<u>259,961</u>	
	Result on financial assets and liabilities held for trading	105,127	
	Result on fair value hedge accounting	2,234	
	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	152,626	
	(Gains) losses on disposal of financial liabilities	(26)	
Net other operating income and expenses		<u>9,131</u>	
	Net other operating income and expenses	9,623	
	less - Refunding of administrative expenses	(836) /1	
	Gains (losses) on disposal of loans and other financial receivables	344	
Net non-interest income		749,659	
Operating income		1,808,091	
Operating costs		<u>(801,363)</u>	
	Personnel expenses	(471,922)	
	Other administrative expenses	(317,511)	
	less –Guarantee funds charges	68,972	
	Refunding of administrative expenses	836 /1	
	Depreciation and amortization	(81,738)	
Gross operating profit		1,006,728	
Net impairment losses on loans and off-balance sheet commitments		<u>(137,132)</u>	
	Net impairment losses on loans	(146,890)	
	Net impairment provision for off-balance sheet commitments	9,758	
Net operating profit		869,596	
Net result on other provisions	Net result on other provisions	<u>(25,872)</u>	
Guarantee funds charges	Guarantee funds charges	<u>(68,972)</u>	
Net result on investment activities		<u>683</u>	
	Gains (losses) on disposal of property, plant and equipment and intangible assets.	628	
	Impairment losses on subsidiaries and associates	-	
	Gains (losses) on disposal of subsidiaries and associates	55	
Profit before income tax		775,435	
Income tax expense	Income tax expense	<u>(150,866)</u>	
Net profit for the period	Net profit for the period	624,569	
Attributable to equity holders of the Bank	Attributable to equity holders of the Bank	624,417	
Attributable to non-controlling interest	Attributable to non-controlling interest	152	

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 first quarter of 2016

7 Quarterly Income Statement

7.1 Consolidated income statement – long form

Consolidated income statement for the first quarter of 2016 and four quarters of 2015 - Provided for comparability purposes.

(in PLN thousand)

	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Interest income	1,353,216	1,369,470	1,365,004	1,323,599	1,398,296
Interest expense	(283,478)	(308,959)	(317,370)	(308,104)	(355,366)
Net interest income	1,069,738	1,060,511	1,047,634	1,015,495	1,042,930
Fee and commission income	538,030	582,260	606,051	616,307	583,905
Fee and commission expense	(74,690)	(78,351)	(98,251)	(103,057)	(103,338)
Net fee and commission income	463,340	503,909	507,800	513,250	480,567
Dividend income	1	1	297	13,336	1
Result on financial assets and liabilities held for trading	120,842	124,074	103,916	94,931	105,127
Result on fair value hedge accounting	(2,868)	529	(223)	3,007	2,234
Net result on other financial instruments at fair value through profit and loss	-	-	-	-	-
Gains (losses) on disposal of:	150,383	58,476	16,162	2,019	152,944
loans and other financial receivables	149,924	132	-	58	344
available for sale financial assets and held to maturity investments	464	58,486	16,350	2,089	152,626
financial liabilities	(5)	(142)	(188)	(128)	(26)
Operating income	1,801,436	1,747,500	1,675,586	1,642,038	1,783,803
Net impairment losses on financial assets and off-balance sheet commitments:	(129,389)	(120,277)	(130,067)	(130,082)	(137,132)
loans and other financial receivables	(128,226)	(117,113)	(147,171)	(89,181)	(146,890)
off-balance sheet commitments	(1,163)	(3,164)	17,104	(40,901)	9,758
Net result on financial activity	1,672,047	1,627,223	1,545,519	1,511,956	1,646,671
Administrative expenses	(874,590)	(1,043,824)	(795,962)	(797,373)	(789,433)
personnel expenses	(471,180)	(471,865)	(484,565)	(480,167)	(471,922)
other administrative expenses ^(*)	(403,410)	(571,959)	(311,397)	(317,206)	(317,511)
Depreciation and amortization	(85,793)	(84,808)	(81,888)	(83,031)	(81,738)
Net result on other provisions	(829)	1,587	(3,714)	(767)	(25,872)
Net other operating income and expenses	6,541	10,635	22,843	117,895	9,623
Operating costs	(954,671)	(1,116,410)	(858,721)	(763,276)	(887,420)
Gains (losses) on subsidiaries and associates	10,003	10,622	72,426	14,599	15,556
Gains (losses) on disposal of property, plant and equipment, and intangible assets	1,281	11,171	628	(54)	628
Profit before income tax	728,660	532,606	759,852	763,225	775,435
Income tax expense	(155,182)	(93,960)	(149,008)	(143,806)	(150,866)
Net profit for the period	573,478	438,646	610,844	619,419	624,569
Attributable to equity holders of the Bank	573,396	438,364	610,469	619,209	624,417
Attributable to non-controlling interest	82	282	375	210	152

^(*) 2015 data include extraordinary one-off charge to the BGF in relation to bankruptcy of SBRiR in Wolomin, one-off contribution to the Borrowers Support Fund and guarantee funds charges. Data for the first quarter of 2016 include tax on certain financial institutions and guarantee funds charges.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2016

7.2 Consolidated statement of comprehensive income

Consolidated statement of comprehensive income for the first quarter of 2016 and four quarters of 2015

(in PLN thousand)

	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net profit	573,478	438,646	610,844	619,419	624,569
Attributable to equity holders of the Bank	573,396	438,364	610,469	619,209	624,417
Attributable to non-controlling interest	82	282	375	210	152
Other comprehensive income					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Foreign currency translation differences	-	(1,146)	(10)	(19)	6
Change in fair value of available-for-sale financial assets	29,099	98,833	191,550	(441,980)	(85,527)
Change in fair value of cash flow hedges	40,075	41,738	(26,197)	(52,662)	(56,220)
Income tax expense on other comprehensive income	(13,143)	(26,708)	(31,417)	93,982	26,932
<i>Items that will never be reclassified to profit or loss:</i>					
Re-measurements of the defined benefit liabilities	-	12,900	-	-	-
Share in re-measurements of the defined benefit liabilities of associates	-	18	-	-	-
Tax on items that will never be reclassified to profit or loss	-	(2,451)	-	-	-
Other comprehensive income (net)	56,031	123,184	133,926	(400,679)	(114,809)
Total comprehensive income	629,509	561,830	744,770	218,740	509,760
Attributable to equity holders of the Bank	629,427	561,548	744,395	218,530	509,608
Attributable to non-controlling interest	82	282	375	210	152

Note: Net profit for 2015 includes extraordinary one-off charge to the BGF in relation to bankruptcy of SBRiR in Wołomin and one-off contribution to the Borrowers Support Fund.

Net profit for the first quarter of 2016 includes tax on certain financial institutions.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2016

7.3 Consolidated income statement – presentation form

Consolidated income statement for the first quarter of 2016 and four quarters of 2015

(in PLN thousand)

	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net interest income	1,069,738	1,060,511	1,047,634	1,015,495	1,042,930
Dividend income and income from equity investments	10,004	10,623	11,666	27,935	15,502
Total net interest income, dividend income and other income from equity investments	1,079,742	1,071,134	1,059,300	1,043,430	1,058,432
Net fee and commission income	463,340	503,909	507,800	513,250	480,567
Trading result	118,433	182,947	119,855	99,899	259,961
Net other operating income and expenses	155,823	9,784	21,814	117,369	9,131
Net non-interest income	737,596	696,640	649,469	730,518	749,659
Operating income	1,817,338	1,767,774	1,708,769	1,773,948	1,808,091
Operating costs	(812,115)	(798,613)	(808,475)	(811,221)	(801,363)
Gross operating profit	1,005,223	969,161	900,294	962,727	1,006,728
Net impairment losses on loans and off-balance sheet commitments	(129,389)	(120,277)	(130,067)	(130,082)	(137,132)
Net operating profit	875,834	848,884	770,227	832,645	869,596
Net result on other provisions	(829)	1,587	(3,714)	(767)	(25,872)
Guarantee funds charges	(66,986)	(68,487)	(68,346)	(68,599)	(68,972)
One-off charges related to bankruptcy of SBRIIR in Wolomin and Borrowers Support Fund	-	(260,549)	-	-	-
Tax on certain financial institutions	(80,640)	-	-	-	-
Net result on investment activities	1,281	11,171	61,685	(54)	683
Profit before income tax	728,660	532,606	759,852	763,225	775,435
Income tax expense	(155,182)	(93,960)	(149,008)	(143,806)	(150,866)
Net profit for the period	573,478	438,646	610,844	619,419	624,569
Attributable to equity holders of the Bank	573,396	438,364	610,469	619,209	624,417
Attributable to non-controlling interest	82	282	375	210	152
Net profit excluding tax on certain financial institutions	654,036	438,364	610,469	619,209	624,417

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2016

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 2016.

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 the 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		
	FOR THE FIRST QUARTER OF 2016	FOR THE YEAR 2015	CHANGE
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 first quarter of 2016, 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 first quarter of 2016, 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 the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the first quarter of 2016.

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 245.7 million (principal value) as at the end of March 2016. There are 9 issues of Structured Certificates of Deposit open in PLN with the maturity date on February 5, 2018. Those liabilities that mature in 2016, 2017 and 2018 account for 30.3%, 33.4% and 36.3% of its total value, respectively.

Report on the activities of Bank Pekao S.A. Group for the first quarter of 2016

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 868.9 million (principal value) as at the end of March 2016. There are 13 issues of Certificates of Deposit, and the maturity date up to 3 months accounts for 63.3%, up to 6 months accounts for 17.5% and up to 1 year accounts for 19.2% of its total value.

Pekao Bank Hipoteczny S.A. covered bonds

The total value of liabilities due to covered bonds amounted to PLN 1,293.0 million as at March 31, 2016. The liabilities under covered bonds with maturity date up to 1 year account for 6.3%, with maturity date from 1 up to 3 years account for 22.3%, with maturity date from 3 up to 5 years account for 41.6% and with maturity date from 5 up to 10 years account for 29.8% of the total nominal value.

8.7 Information on dividend

The Management Board of Bank Pekao S.A. informed in the current report No. 3/2016 on February 9, 2016, that on February 8, 2016 decided to submit to the General Meeting the proposal of the dividend payment for year 2015 in the amount of PLN 8.70 per 1 share, which translates into a payout ratio of 99.7% of the Bank net profit for 2015. Decision of Management Board received positive opinion from Supervisory Board.

The Bank meets criteria described in the Statement of Polish Financial Supervision Authority dated December 15, 2015 concerning banks' dividend policy.

The date of dividend's day, proposed by Management Board, is June 22, 2016 and the date of paying out the dividend is July 6, 2016.

8.8 Pending litigations

In the first quarter of 2016, the number of the legal proceedings pending before courts, arbitration bodies or public administration authorities in respect of the Group's liabilities was 615 with the total value amounting to PLN 1,034.9 million. The number of legal proceedings in respect of receivables was 12,398 with the total value of PLN 1,243.8 million.

In the first quarter of 2016, 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 first quarter of 2016, nor the proceedings in aggregate pose any threat to the Bank's financial liquidity.

8.9 Subsequent events

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

**Condensed Consolidated
Interim Financial
Statements of
Bank Pekao S.A. Group
for the first quarter of
2016**



Warsaw, May 2016

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	I QUARTER 2016 PERIOD FROM 01.01.2016 TO 31.03.2016	I QUARTER 2015 PERIOD FROM 01.01.2015 TO 31.03.2015
Interest income	9	1 353 216	1 398 296
Interest expense	9	(283 478)	(355 366)
Net interest income		1 069 738	1 042 930
Fee and commission income	10	538 030	583 905
Fee and commission expense	10	(74 690)	(103 338)
Net fee and commission income		463 340	480 567
Dividend income	11	1	1
Result on financial assets and liabilities held for trading	12	120 842	105 127
Result on fair value hedge accounting	29	(2 868)	2 234
Gains (losses) on disposal of	13	150 383	152 944
loans and other financial receivables		149 924	344
available for sale financial assets and held to maturity investments		464	152 626
financial liabilities		(5)	(26)
Operating income		1 801 436	1 783 803
Net impairment losses on financial assets and off-balance sheet commitments	17	(129 389)	(137 132)
loans and other financial receivables		(128 226)	(146 890)
off-balance sheet commitments		(1 163)	9 758
Net result on financial activity		1 672 047	1 646 671
Administrative expenses	14	(874 590)	(789 433)
personnel expenses		(471 180)	(471 922)
other administrative expenses		(403 410)	(317 511)
Depreciation and amortization	15	(85 793)	(81 738)
Net result on other provisions		(829)	(25 872)
Net other operating income and expenses	16	6 541	9 623
Operating costs		(954 671)	(887 420)
Gains (losses) on subsidiaries and associates	18	10 003	15 556
Gains (losses) on disposal of property, plant and equipment, and intangible assets	19	1 281	628
Profit before income tax		728 660	775 435
Income tax expense	20	(155 182)	(150 866)
Net profit for the period		573 478	624 569
1. Attributable to equity holders of the Bank		573 396	624 417
2. Attributable to non-controlling interests		82	152
Earnings per share (in PLN per share)	21		
basic for the period		2.18	2.38
diluted for the period		2.18	2.38

Notes to the financial statements presented on pages 19 - 90 constitute an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

(in PLN thousand)

	NOTE	I QUARTER 2016 PERIOD FROM 01.01.2016 TO 31.03.2016	I QUARTER 2015 PERIOD FROM 01.01.2015 TO 31.03.2015
Net profit for the period		573 478	624 569
1. Attributable to equity holders of the Bank		573 396	624 417
2. Attributable to non-controlling interests		82	152
Other comprehensive income			
Item that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		-	6
Change in fair value of available-for-sale financial assets		29 099	(85 527)
Change in fair value of cash flow hedges	29	40 075	(56 220)
Tax on items that are or may be reclassified subsequently to profit or loss	20	(13 143)	26 932
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	20	-	-
Other comprehensive income (net of tax)		56 031	(114 809)
Total comprehensive income		629 509	509 760
1. Attributable to equity holders of the Bank		629 427	509 608
2. Attributable to non-controlling interests		82	152

Notes to the financial statements presented on pages 19 - 90 constitute an integral part of the consolidated financial statements.

Consolidated statement of financial position

(in PLN thousand)

	NOTE	31.03.2016	31.12.2015	31.03.2015
ASSETS				
Cash and due from Central Bank	23	5 881 507	7 881 607	6 672 390
Bill of exchange eligible for rediscounting at Central Bank		-	70	105
Loans and advances to banks	24	2 677 095	7 314 724	5 646 693
Financial assets held for trading	25	509 259	1 126 792	684 232
Derivative financial instruments (held for trading)	26	2 261 944	3 206 447	4 251 013
Loans and advances to customers	27	113 637 853	118 555 199	114 653 261
Receivables from finance leases	28	3 598 716	3 503 979	3 058 228
Hedging instruments	29	473 106	421 640	582 771
Investments (placement) securities	30	26 614 674	21 181 723	21 712 654
1. Available for sale		23 185 723	17 813 299	18 404 284
2. Held to maturity		3 428 951	3 368 424	3 308 370
Assets held for sale	31	45 762	45 302	37 102
Investments in associates		158 967	148 965	199 730
Intangible assets	32	614 984	636 717	657 434
Property, plant and equipment	33	1 429 066	1 460 652	1 514 806
Investment properties		29 843	30 221	34 882
Income tax assets		988 711	991 804	984 066
1. Current tax assets		116 423	76 600	1 140
2. Deferred tax assets		872 288	915 204	982 926
Other assets		773 044	2 279 725	2 838 623
TOTAL ASSETS		159 694 531	168 785 567	163 527 990
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to Central Bank	23	6 012	914	902
Amounts due to other banks	35	4 636 257	5 958 449	4 147 319
Financial liabilities held for trading	25	267 341	611 442	165 211
Derivative financial instruments (held for trading)	26	2 476 315	3 204 328	4 296 335
Amounts due to customers	36	121 818 632	128 867 691	121 440 494
Hedging instruments	29	1 660 593	1 702 759	1 898 638
Debt securities issued	37	2 353 953	2 903 233	4 209 690
Income tax liabilities		5 070	6 649	99 323
1. Current tax liabilities		339	1 713	97 315
2. Deferred tax liabilities		4 731	4 936	2 008
Provisions	38	427 070	425 374	442 888
Other liabilities		1 991 115	1 680 535	2 303 635
TOTAL LIABILITIES		135 642 358	145 361 374	139 004 435
Equity				
Share capital		262 470	262 470	262 470
Other capital and reserves		20 931 515	20 869 976	20 965 934
Retained earnings and net profit for the period		2 843 671	2 275 783	3 280 055
Total equity attributable to equity holders of the Bank		24 037 656	23 408 229	24 508 459
Non-controlling interests		14 517	15 964	15 096
TOTAL EQUITY		24 052 173	23 424 193	24 523 555
TOTAL LIABILITIES AND EQUITY		159 694 531	168 785 567	163 527 990

Notes to the financial statements presented on pages 19 - 90 constitute an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

(in PLN thousand)

For the period from 1 January 2016 to 31 March 2016

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK											
	SHARE CAPITAL	OTHER CAPITAL AND RESERVES							RETAINED EARNINGS AND NET 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 1.01.2016	262 470	20 869 976	9 137 221	1 975 415	9 092 740	283 597	-	381 003	2 275 783	23 408 229	15 964	23 424 193
Management options	-	-	-	-	-	-	-	-	-	-	-	-
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of management options	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive income	-	56 031	-	-	-	56 031	-	-	573 396	629 427	82	629 509
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of available-for-sale investments (net of tax)	-	23 570	-	-	-	23 570	-	-	-	23 570	-	23 570
Revaluation of hedging financial instruments (net of tax)	-	32 461	-	-	-	32 461	-	-	-	32 461	-	32 461
Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	573 396	573 396	82	573 478
Appropriation of retained earnings	-	5 508	-	-	-	-	-	5 508	(5 508)	-	(1 529)	(1 529)
Dividend paid	-	-	-	-	-	-	-	-	-	-	(1 529)	(1 529)
Profit appropriation to other reserves including consolidation adjustments	-	5 508	-	-	-	-	-	5 508	(5 508)	-	-	-
Equity as at 31.03.2016	262 470	20 931 515	9 137 221	1 975 415	9 092 740	339 628	-	386 511	2 843 671	24 037 656	14 517	24 052 173

Notes to the financial statements presented on pages 19 - 90 constitute an integral part of the consolidated financial statements.

Consolidated statement of changes in equity (cont.)

(in PLN thousand)

For the period from 1 January 2015 to 31 December 2015

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK								RETAINED EARNINGS AND NET PROFIT FOR THE PERIOD	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON - CONTROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL	TOTAL OTHER CAPITAL AND RESERVES	SHARE PREMIUM	GENERAL BANKING RISK FUND	OTHER RESERVE CAPITAL	REVALUATION RESERVES	FOREIGN CURRENCY TRANSLATION DIFFERENCES	OTHER				
Equity as at 1.01.2015	262 470	20 990 344	9 137 221	1 937 850	9 002 629	540 806	1 169	370 669	2 764 875	24 017 689	28 043	24 045 732
Management options	-	-	-	-	-	-	-	-	-	-	-	-
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of management share options	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive income	-	(258 378)	-	-	-	(257 209)	(1 169)	-	2 292 459	2 034 081	1 019	2 035 100
Remeasurements of the defined benefit liabilities (net of tax)	-	10 467	-	-	-	10 467	-	-	-	10 467	-	10 467
Revaluation of available-for-sale investments (net of tax)	-	(192 070)	-	-	-	(192 070)	-	-	-	(192 070)	-	(192 070)
Revaluation of hedging financial instruments (net of tax)	-	(75 606)	-	-	-	(75 606)	-	-	-	(75 606)	-	(75 606)
Foreign currency translation differences	-	(1 169)	-	-	-	-	(1 169)	-	-	(1 169)	-	(1 169)
Net profit for the period	-	-	-	-	-	-	-	-	2 292 459	2 292 459	1 019	2 293 478
Appropriation of retained earnings	-	161 860	-	37 565	113 961	-	-	10 334	(2 781 551)	(2 619 691)	(13 098)	(2 632 789)
Dividend paid	-	-	-	-	-	-	-	-	(2 624 701)	(2 624 701)	(8 088)	(2 632 789)
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 31.12.2015	262 470	20 869 976	9 137 221	1 975 415	9 092 740	283 597	-	381 003	2 275 783	23 408 229	15 964	23 424 193

Notes to the financial statements presented on pages 19 - 90 constitute an integral part of the consolidated financial statements.

Consolidated statement of changes in equity (cont)

(in PLN thousand)

For the period from 1 January 2015 to 31 March 2015

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK										NON - CONTROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL	OTHER CAPITAL AND RESERVES			REVALUATION RESERVES	FOREIGN CURRENCY TRANSLATION DIFFERENCES	OTHER	RETAINED EARNINGS AND NET 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							
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	-	(114 809)	-	-	-	(114 815)	6	-	624 417	509 608	152	509 760
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of available-for-sale investments (net of tax)	-	(69 277)	-	-	-	(69 277)	-	-	-	(69 277)	-	(69 277)
Revaluation of hedging financial instruments (net of tax)	-	(45 538)	-	-	-	(45 538)	-	-	-	(45 538)	-	(45 538)
Foreign currency translation differences	-	6	-	-	-	-	6	-	-	6	-	6
Net profit for the period	-	-	-	-	-	-	-	-	624 417	624 417	152	624 569
Appropriation of retained earnings	-	114 249	-	-	113 961	-	-	288	(109 237)	5 012	(13 099)	(8 087)
Dividend paid	-	-	-	-	-	-	-	-	-	-	(8 089)	(8 089)
Profit appropriation to other reserves including consolidation adjustments	-	114 249	-	-	113 961	-	-	288	(109 237)	5 012	(5 010)	2
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 31.03.2015	262 470	20 965 934	9 137 221	1 937 850	9 092 740	425 991	1 175	370 957	3 280 055	24 508 459	15 096	24 523 555

Notes to the financial statements presented on pages 19 - 90 constitute an integral part of the consolidated financial statements.

Consolidated cash flow statement

(in PLN thousand)

	NOTE	I QUARTER 2016 PERIOD FROM 01.01.2016 TO 31.03.2016	I QUARTER 2015 PERIOD FROM 01.01.2015 TO 31.03.2015
Cash flow from operating activities – indirect method			
Net profit for the period		573 396	624 417
Adjustments for:		(889 127)	(8 069 571)
Depreciation and amortization	15	85 793	81 738
Share of profit (loss) of associates	18	(10 003)	(15 556)
(Gains) losses on investing activities		(1 618)	(153 227)
Net interest income	9	(1 069 738)	(1 042 930)
Dividend income	11	(1)	(1)
Interest received		1 207 529	1 342 672
Interest paid		(282 196)	(386 301)
Income tax		223 269	72 292
Income tax paid		(173 894)	(163 181)
Change in loans and advances to banks		559 345	(87 145)
Change in financial assets held for trading		616 723	(235 657)
Change in derivative financial instruments (assets)		944 503	196 962
Change in loans and advances to customers and bill of exchange eligible for rediscounting at Central Bank		5 004 895	(2 745 153)
Change in receivables from finance leases		(94 737)	53 820
Change in investment (placement) securities		(146 903)	(230 874)
Change in other assets		1 464 383	94 816
Change in amounts due to banks		(1 317 543)	(1 196 116)
Change in financial liabilities held for trading		(344 101)	(426 100)
Change in derivative financial instruments (liabilities)		(728 013)	(121 371)
Change in amounts due to customers		(7 063 472)	(4 135 622)
Change in debt securities issued		(1 624)	33 273
Change in provisions		1 696	432
Change in other liabilities		236 580	993 658
Net cash flows from operating activities		(315 731)	(7 445 154)
Cash flow from investing activities			
Investing activity inflows		55 807 692	83 632 120
Sale of investment securities		55 700 818	83 497 796
Sale of intangible assets and property, plant and equipment		3 008	153
Dividend received	11	1	1
Other investing inflows		103 865	134 170
Investing activity outflows		(61 033 415)	(80 667 074)
Acquisition of shares in subsidiary, net of cash acquired		-	(274 329)
Acquisition of investment securities		(60 999 292)	(80 314 298)
Acquisition of intangible assets and property, plant and equipment		(34 123)	(78 447)
Net cash flows from investing activities		(5 225 723)	2 965 046

Notes to the financial statements presented on pages 19 - 90 constitute an integral part of the consolidated financial statements.

Consolidated cash flow statement (cont.)

(in PLN thousand)

	NOTE	I QUARTER 2016 PERIOD FROM 01.01.2016 TO 31.03.2016	I QUARTER 2015 PERIOD FROM 01.01.2015 TO 31.03.2015
Cash flows from financing activities			
Financing activity inflows		809 733	1 584 700
Issue of debt securities	37	809 733	1 584 700
Financing activity outflows		(1 343 809)	(1 268 610)
Redemption of debt securities	37	(1 343 809)	(1 268 610)
Net cash flows from financing activities		(534 076)	316 090
Total net cash flows		(6 075 530)	(4 164 018)
including: effect of exchange rate fluctuations on cash and cash equivalents held		(24 529)	30 903
Net change in cash and cash equivalents		(6 075 530)	(4 164 018)
Cash and cash equivalents at the beginning of the period		14 513 395	15 556 184
Cash and cash equivalents at the end of the period		8 437 865	11 392 166

Notes to the financial statements presented on pages 19 - 90 constitute an integral part of the consolidated financial statements.

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

Unconsolidated income statement of Bank Pekao S.A.

	I QUARTER 2016 PERIOD FROM 01.01.2016 TO 31.03.2016	I QUARTER 2015 PERIOD FROM 01.01.2015 TO 31.03.2015
Interest income	1 316 944	1 357 079
Interest expense	(277 111)	(345 860)
Net interest income	1 039 833	1 011 219
Fee and commission income	484 327	528 321
Fee and commission expense	(76 316)	(103 348)
Net fee and commission income	408 011	424 973
Dividend income	64 816	139 119
Result on financial assets and liabilities held for trading	115 012	103 590
Result on fair value hedge accounting	(2 868)	2 234
Gains (losses) on disposal of	150 385	152 944
loans and other financial receivables	149 924	344
available for sale financial assets and held to maturity investments	465	152 626
financial liabilities	(4)	(26)
Operating income	1 775 189	1 834 079
Net impairment losses on financial assets and off-balance sheet commitments	(126 136)	(136 700)
loans and other financial receivables	(123 930)	(145 838)
off-balance sheet commitments	(2 206)	9 138
Net result on financial activity	1 649 053	1 697 379
Administrative expenses	(821 610)	(736 210)
personnel expenses	(420 951)	(424 458)
other administrative expenses	(400 659)	(311 752)
Depreciation and amortization	(81 347)	(76 741)
Net result on other provisions	(809)	(26 005)
Net other operating income and expenses	5 127	5 683
Operating costs	(898 639)	(833 273)
Gains (losses) on subsidiaries and associates	-	2 390
Gains (losses) on disposal of property, plant and equipment, and intangible assets	1 425	524
Profit before income tax	751 839	867 020
Income tax expense	(148 858)	(143 567)
Net profit for the period	602 981	723 453
Earnings per share (in PLN per share)		
basic for the period	2.30	2.76
diluted for the period	2.30	2.76

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

Unconsolidated statement of comprehensive income of Bank Pekao S.A.

	I QUARTER 2016 PERIOD FROM 01.01.2016 TO 31.03.2016	I QUARTER 2015 PERIOD FROM 01.01.2015 TO 31.03.2015
Net profit for the period	602 981	723 453
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	-	6
Change in fair value of available-for-sale financial assets	28 820	(85 771)
Change in fair value of cash flow hedges	40 075	(56 220)
Tax on items that are or may be reclassified subsequently to profit or loss	(13 090)	26 979
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)	55 805	(115 006)
Total comprehensive income	658 786	608 447

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

Unconsolidated statement of financial position of Bank Pekao S.A.

	31.03.2016	31.12.2015	31.03.2015
ASSETS			
Cash and due from Central Bank	5 880 703	7 881 598	6 672 378
Bill of exchange eligible for rediscounting at Central Bank	-	70	105
Loans and advances to banks	2 953 175	7 512 226	5 878 473
Financial assets held for trading	490 367	1 116 993	683 928
Derivative financial instruments (held for trading)	2 304 134	3 254 117	4 298 608
Loans and advances to customers	113 601 803	118 508 582	114 452 016
Hedging instruments	473 106	421 640	582 771
Investment (placement) securities	26 385 859	20 989 942	21 555 564
1. Available for sale	23 047 573	17 699 881	18 330 766
2. Held to maturity	3 338 286	3 290 061	3 224 798
Assets held for sale	44 265	45 302	31 952
Investments in subsidiaries	1 099 654	1 099 654	1 123 654
Investments in associates	27 552	27 552	29 427
Intangible assets	590 932	611 620	631 241
Property, plant and equipment	1 412 368	1 443 757	1 493 663
Investment properties	17 124	17 317	23 538
Income tax assets	759 149	759 559	738 498
1. Current tax assets	114 221	75 935	121
2. Deferred tax assets	644 928	683 624	738 377
Other assets	606 761	2 070 741	2 727 431
TOTAL ASSETS	156 646 952	165 760 670	160 923 247
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to Central Bank	6 012	914	902
Amounts due to other banks	3 224 650	4 553 114	3 044 055
Financial liabilities held for trading	267 341	611 442	165 211
Derivative financial instruments (held for trading)	2 474 888	3 201 798	4 291 775
Amounts due to customers	122 166 520	129 256 866	121 713 243
Hedging instruments	1 660 593	1 702 759	1 898 638
Debt securities issued	1 119 419	1 668 706	3 141 412
Income tax liabilities	-	-	96 258
1. Current tax liabilities	-	-	96 258
2. Deferred tax liabilities	-	-	-
Provisions	425 690	422 930	437 756
Other liabilities	1 848 650	1 547 738	2 138 306
TOTAL LIABILITIES	133 193 763	142 966 267	136 927 556
Equity			
Share capital	262 470	262 470	262 470
Other capital and reserves	20 297 340	20 241 535	20 347 502
Retained earnings and net profit for the period	2 893 379	2 290 398	3 385 719
TOTAL EQUITY	23 453 189	22 794 403	23 995 691
TOTAL LIABILITIES AND EQUITY	156 646 952	165 760 670	160 923 247

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

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

For the period from 1 January 2016 to 31 March 2016

	SHARE CAPITAL	OTHER CAPITAL AND RESERVES							RETAINED EARNINGS AND NET 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 1.01.2016	262 470	20 241 535	9 137 221	1 975 415	8 612 550	283 222	-	233 127	2 290 398	22 794 403
Management options	-	-	-	-	-	-	-	-	-	-
Options exercised (share issue)	-	-	-	-	-	-	-	-	-	-
Revaluation of management options	-	-	-	-	-	-	-	-	-	-
Comprehensive income	-	55 805	-	-	-	55 805	-	-	602 981	658 786
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-
Revaluation of available-for-sale investments (net of tax)	-	23 344	-	-	-	23 344	-	-	-	23 344
Revaluation of hedging financial instruments (net of tax)	-	32 461	-	-	-	32 461	-	-	-	32 461
Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	602 981	602 981
Appropriation of retained earnings	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-
Profit appropriation	-	-	-	-	-	-	-	-	-	-
Equity as at 31.03.2016	262 470	20 297 340	9 137 221	1 975 415	8 612 550	339 027	-	233 127	2 893 379	23 453 189

Unconsolidated statement of changes in equity

(in PLN thousand)

For the period from 1 January 2015 to 31 December 2015

	SHARE CAPITAL	OTHER CAPITAL AND RESERVES							RETAINED EARNINGS AND NET 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 share options	-	-	-	-	-	-	-	-	-	-
Comprehensive income	-	(258 538)	-	-	-	(257 369)	(1 169)	-	2 290 398	2 031 860
Remeasurements of the defined benefit liabilities (net of tax)	-	10 269	-	-	-	10 269	-	-	-	10 269
Revaluation of available-for-sale investments (net of tax)	-	(192 032)	-	-	-	(192 032)	-	-	-	(192 032)
Revaluation of hedging financial instruments (net of tax)	-	(75 606)	-	-	-	(75 606)	-	-	-	(75 606)
Foreign currency translation differences	-	(1 169)	-	-	-	-	(1 169)	-	-	(1 169)
Net profit for the period	-	-	-	-	-	-	-	-	2 290 398	2 290 398
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 31.12.2015	262 470	20 241 535	9 137 221	1 975 415	8 612 550	283 222	-	233 127	2 290 398	22 794 403

Unconsolidated statement of changes in equity

(in PLN thousand)

For the period from 1 January 2015 to 31 March 2015

	SHARE CAPITAL	OTHER CAPITAL AND RESERVES							RETAINED EARNINGS AND NET 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	-	(115 006)	-	-	-	(115 012)	6	-	723 453	608 447
Remeasurements of the defined benefit liabilities (net of tax)	-	-	-	-	-	-	-	-	-	-
Revaluation of available-for-sale investments (net of tax)	-	(69 474)	-	-	-	(69 474)	-	-	-	(69 474)
Revaluation of hedging financial instruments (net of tax)	-	(45 538)	-	-	-	(45 538)	-	-	-	(45 538)
Foreign currency translation differences	-	6	-	-	-	-	6	-	-	6
Net profit for the period	-	-	-	-	-	-	-	-	723 453	723 453
Appropriation of retained earnings	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-
Profit appropriation	-	-	-	-	-	-	-	-	-	-
Equity as at 31.03.2015	262 470	20 347 502	9 137 221	1 937 850	8 612 550	425 579	1 175	233 127	3 385 719	23 995 691

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

Unconsolidated cash flow statement of Bank Pekao S.A.

	I QUARTER 2016 PERIOD FROM 01.01.2016 TO 31.03.2016	I QUARTER 2015 PERIOD FROM 01.01.2015 TO 31.03.2015
Cash flow from operating activities – indirect method		
Net profit for the period	602 981	723 453
Adjustments for:	(1 022 711)	(8 135 535)
Depreciation and amortization	81 347	76 741
(Gains) losses on investing activities	(1 761)	(153 123)
Net interest income	(1 039 833)	(1 011 219)
Dividend income	(64 816)	(139 119)
Interest received	1 165 518	1 314 473
Interest paid	(275 091)	(378 264)
Income tax	212 113	104 665
Income tax paid	(168 477)	(157 756)
Change in loans and advances to banks	481 553	(90 225)
Change in financial assets held for trading	625 816	(170 728)
Change in derivative financial instruments (assets)	949 983	166 286
Change in loans and advances to customers and bill of exchange eligible for rediscounting at Central Bank	4 993 905	(3 026 538)
Change in investment (placement) securities	(139 746)	(236 409)
Change in other assets	1 423 588	(165 919)
Change in amounts due to banks	(1 323 876)	(85 430)
Change in financial liabilities held for trading	(344 101)	(426 100)
Change in derivative financial instruments (liabilities)	(726 910)	(130 517)
Change in amounts due to customers	(7 104 877)	(4 631 104)
Change in debt securities issued	(2 189)	649
Change in provisions	2 760	804
Change in other liabilities	232 383	1 003 298
Net cash flows from operating activities	(419 730)	(7 412 082)
Cash flow from investing activities		
Investing activity inflows	55 869 942	83 770 237
Sale of investment securities	55 700 032	83 497 660
Sale of intangible assets and property, plant and equipment	1 636	2
Dividend received	64 816	139 119
Other investing inflows	103 458	133 456
Investing activity outflows	(60 991 658)	(80 648 234)
Acquisition of subsidiary	-	(274 334)
Acquisition of investment securities	(60 962 326)	(80 298 148)
Acquisition of intangible assets and property, plant and equipment	(29 332)	(75 752)
Net cash flows from investing activities	(5 121 716)	3 122 003

Unconsolidated Financial Statements of Bank Pekao S.A.

(in PLN thousand)

	I QUARTER 2016 PERIOD FROM 01.01.2016 TO 31.03.2016	I QUARTER 2015 PERIOD FROM 01.01.2015 TO 31.03.2015
Cash flows from financing activities		
Financing activity inflows	809 733	1 584 700
Issue of debt securities	809 733	1 584 700
Financing activity outflows	(1 343 809)	(1 268 610)
Redemption of debt securities	(1 343 809)	(1 268 610)
Net cash flows from financing activities	(534 076)	316 090
Total net cash flows	(6 075 522)	(3 973 989)
including: effect of exchange rate fluctuations on cash and cash equivalents held	(24 538)	24 768
Net change in cash and cash equivalents	(6 075 522)	(3 973 989)
Cash and cash equivalents at the beginning of the period	14 568 422	15 553 341
Cash and cash equivalents at the end of the period	8 492 900	11 579 352

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 2016 to 31 March 2016 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	
			31.03.2016	31.12.2015
Pekao Bank Hipoteczny S.A.	Warsaw	Banking	100.00	100.00
Centralny Dom Maklerski Pekao S.A.	Warsaw	Brokerage	100.00	100.00
Pekao Leasing Sp. z o.o. (*)	Warsaw	Leasing services	36.49	36.49
Pekao Investment Banking S.A.	Warsaw	Brokerage	100.00	100.00
Pekao Leasing Holding S.A. (in liquidation), including:	Warsaw	Leasing services	100.00	100.00
<i>Pekao Leasing Sp. z o.o.</i>	<i>Warsaw</i>	<i>Leasing services</i>	<i>63.51</i>	<i>63.51</i>
Pekao Faktoring Sp. z o.o.	Lublin	Factoring services	100.00	100.00
Pekao Pioneer Powszechno Towarzystwo Emerytalne S.A.	Warsaw	Pension fund management	65.00	65.00
Centrum Kart S.A.	Warsaw	Financial support	100.00	100.00
Pekao Financial Services Sp. z o.o.	Warsaw	Transferable agent	100.00	100.00
Centrum Bankowości Bezpośredniej Sp. z o.o.	Cracow	Call-center services	100.00	100.00
Pekao Property S.A., including:	Warsaw	Real estate development	100.00	100.00
<i>FPB - Media Sp. z o.o.</i>	<i>Warsaw</i>	<i>Real estate development</i>	<i>100.00</i>	<i>100.00</i>
Pekao Fundusz Kapitałowy Sp. z o.o.	Warsaw	Business consulting	100.00	100.00

(*)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 31 March 2016, 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	
			31.03.2016	31.12.2015
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>	<i>Warsaw</i>	<i>Asset management</i>	<i>49.00</i>	<i>49.00</i>
CPF Management	Tortola, British Virgin Islands	Financial brokerage – not operating	40.00	40.00
Polish Banking System S.A. (in liquidation)	Warsaw	Deleted from the registry	-	48.90
PPU Budpress Sp. z o.o. (in liquidation)	Żyrardów	Deleted from the registry	-	36.20

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

As at 31 March 2016, the Group held no shares in entities under joint control.

Changes in the Group structure

The deletion of Polish Banking System S.A. (in liquidation) and PPU Budpress Sp. z o.o. (in liquidation) from the Registry

On 1 January 2016 Polish Banking System S.A. (in liquidation) and PPU Budpress Sp. z o.o. (in liquidation) were deleted from the Registry.

3. Business combinations

In the first quarter of 2016 there were no business combinations in the Group. In 2015 the Bank acquired 100% of the share capital of UniCredit CAIB Poland S.A. (presently Pekao Investment Banking S.A.). The transaction was detailed in the consolidated financial statements of Bank Pekao S.A. Group for the period ended on 31 December 2015.

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 2015.

The consolidated financial statements of Bank Pekao S.A. Group as at and for the year ended 31 December 2015 are available 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 three months period ended 31 March 2016, 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.

Notes to financial statements (cont.)

(in PLN thousand)

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 May 2016.

5. Significant accounting policies

5.1 Basis of preparation of Consolidated Financial Statements

General information

Consolidated Financial Statements of the Group have been prepared based on the following valuation methods:

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

In the first quarter of 2016 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 2015. Those accounting policies have been applied uniformly to all presented reporting period and by all entities of the Group.

The consolidated financial statements include the requirements of all the International Financial Reporting Standards and International Accounting Standards approved by the European Union and related interpretations. Changes in published standards and interpretations, which became effective on or after 1 January 2016, had no material impact on the Group's financial statements (Note 5.2).

The financial statements does not take into consideration interpretations and amendments to Standards, pending approval by the European Union or approved by the European Union but came into force or shall come into force after the balance sheet date (Note 5.3 and Note 5.4).

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'.

IFRS 9 'Financial Instruments'

In July 2014 the IASB has issued IFRS 9 'Financial Instruments', the new accounting standard, mandatorily effective for annual periods beginning on or after 1 January 2018, that will replace IAS 39 'Financial Instruments: Recognition and Measurement'. The endorsement by the European authorities is expected to be completed before its date of first time adoption.

The new standard includes a revised model for classification and measurement of financial asserts, an impairment model for credit allowances based on 'expected loss' and a reformed approach to general hedge accounting.

Notes to financial statements (cont.)

(in PLN thousand)

The new classification and measurement approach for financial assets in IFRS 9 will be based upon:

- the entity's business model for managing the financial assets, or
- the contractual cash flow characteristics of the financial asset (i.e. whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding, hereinafter 'SPPI assets').

Depending on the entity's business model, SPPI assets may be classified as:

- held to collect contractual cash flows (measured at amortized cost and subject to the expected loss impairment),
- held to collect and sale (measured at fair value through other comprehensive income and subject to the expected loss impairment),
- held for trading (measured at fair value through profit or loss).

The Bank expects that implementation of the new impairment model based on the expected credit loss (ECL) approach will have an impact on the Bank's financial results, especially with reference to loans and advances to customers and banks, loan commitments, debt securities held to collect' and 'held to collect and sale', financial guarantees and leasing financial assets in scope of the ECL approach. This new approach, designed by the IASB (as requested by the G20) allows for earlier recognition of credit losses than according to 'incurred loss' model in IAS 39, which is instead based on the existence of evidences of impairment.

According to IFRS 9 for the purpose of estimation of ECL the exposures are assigned into one of three stages. The measurement of ECL depends on its credit risk and the extent of a significant increase in credit risk since initial recognition, as follows:

- a) '12-month ECL' (Stage 1) – the approach applied to exposures which are non-impaired as of the balance sheet date as long as there is no significant increase in credit risk since initial recognition,
- b) 'Lifetime ECL' (Stage 2) – the approach applied to exposures which are non-impaired as of the balance sheet date but for which a significant increase in credit risk has occurred since initial recognition,
- c) 'Lifetime ECL' (Stage 3) – the approach applied to all exposures that are impaired as of the balance sheet date.

Assets allocated in Stage 1 and 2 for IFRS 9 are currently measured using the 'incurred but not reported approach' (IBNR). With the transition to IFRS 9, this IBNR approach used for IAS 39 will be replaced respectively for assets allocated in Stage 1 by the 12-month ECL and for assets allocated in Stage 2 by the lifetime ECL. For assets allocated in Stage 3, which are non-performing under IAS 39, no major conceptual differences exist with the ECL approach of IFRS 9, as triggers for impairment recognition and non-performing loan classification used under IAS 39 will continue to be applied.

Considering the differences in concepts described above for assets which are subject to IBNR (according to IAS 39), the ECL approach is expected to increase the credit loss allowances. The Bank expects that implementation of the new standard will require more-complex model-based calculation with greater predictive ability.

The application of a model of the expected loss also requires the use of a much wider range of data compared to the current model. Implementation of the new methodology for the calculation of impairment requires the implementation of appropriate changes in IT systems and processes functioning in the Bank.

The Bank has launched a dedicated program to implement IFRS 9, involving Finance Division, Risk Division, as well as the main Business functions, Organization and Information Communication Technology departments. After a phase of gap analysis and definition of high-level methodological guidelines, the activities are currently in the detailed design phase.

With reference to classification and measurement, the Bank is undertaking a detailed assessment of cash flow characteristics of debt instruments classified at amortized cost under IAS 39, in order to identify assets that, failing the SPPI test, will have to be potentially measured at fair value under IFRS 9. With reference to the ECL approach, the Bank is currently working on assumption to the models, data availability and system and tools design and plans to run detailed impact assessment for IFRS 9 impairment.

Quantitative impacts on financial statements at initial application are to date not available, reflecting the status of the above mentioned activities. The main impacts on the Bank are expected to come from the implementation of the new impairment model, which will result in higher credit loss allowances for loans subject to IBNR assessment. Adjustments to carrying values of financial instruments due to IFRS 9 transition will impact book value of equity as of 1 January 2018.

Notes to financial statements (cont.)

(in PLN thousand)

5.2 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 2016

STANDARD / INTERPRETATION	DESCRIPTION	IMPACT ASSESSMENT
IFRS 11 (amendment) 'Joint Arrangements'	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. Date of application: the first financial year beginning after 1 January 2016.	The Group claims that the standard's amendment will not have a material impact on its financial statements in the period of its first application.
IAS 1 (amendment) 'Presentation of the financial statements'	The amendments clarify that among others an entity should not reduce understandability by aggregating or disaggregating information in a manner that obscures useful information. Date of application: the first financial year beginning after 1 January 2016.	The Group claims that the standard's amendment will not have a material impact on its financial statements in the period of its first application.
IAS 16 (amendment) 'Property, Plant and Equipment' and IAS 38 (amendment) 'Intangible Assets'	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. Date of application: the first financial year beginning after 1 January 2016.	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'	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. Date of application: the first financial year beginning after 1 January 2016.	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 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. Date of application: the first financial year beginning on or after 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.
IAS 27 (amendment) 'Separate Financial Statements'	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. Date of application: the first financial year beginning after 1 January 2016.	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.
Improvements to IFRS 2010-2012	The annual improvements to IFRS 2010-2012 principally aim to solve inconsistencies and specify vocabulary. Date of application: the first financial year beginning on or after 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 2012-2014	The annual improvements to IFRS 2012-2014 principally aim to solve inconsistencies and specify vocabulary. Date of application: the first financial year beginning after 1 January 2016.	The Group claims that the improvements will not have a material impact on its financial statements in the period of its first application.

Notes to the financial statements (cont.)

(in PLN thousand)

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

At the date of authorisation of these financial statements no amendments to the existing standards issued by IASB and adopted by the EU were in issue but not yet effective.

5.4 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

STANDARD / INTERPRETATION	DESCRIPTION	IMPACT ASSESSMENT
IFRS 9 'Financial Instruments'	<p>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:</p> <ul style="list-style-type: none"> • 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. <p>The major part of IAS 39 requirements relating to financial liabilities classification and valuation were transferred to IFRS 9 unchanged.</p> <p>Date of application: the first financial year beginning after 1 January 2018.</p>	The impact assessment of the new standard implementation on Group's financial statements is described in note 5.1 Basis of preparation of Consolidated Financial Statements.
IFRS 14 'Regulatory deferral accounts'	<p>The aim of this standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities.</p> <p>Date of application: the first financial year beginning after 1 January 2016.</p>	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'	<p>The Standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.</p> <p>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.</p> <p>Date of application: the first financial year beginning after 1 January 2018.</p>	The Group is currently assessing the impact of the IFRS 15 application on its financial statements.
IFRS 16 'Leases'	<p>Under IFRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. As with IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.</p> <p>Date of application: annual periods beginning on or after 1 January 2019.</p>	The Group is currently assessing the impact of the IFRS 15 application on its financial statements.

Notes to the financial statements (cont.)

(in PLN thousand)

STANDARD / INTERPRETATION	DESCRIPTION	IMPACT ASSESSMENT
IFRS 10 (amendment) 'Consolidated Financial Statements' and IAS 28 (amendment) 'Investments in Associates and Joint Ventures'	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. Date of application: the first financial year beginning after 1 January 2016.	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 'Investments in Associates and Joint Ventures'	The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. Date of application: the first financial year beginning on or after 1 January 2016.	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 7 (amendment) 'Statement of Cash Flows' - Disclosure Initiative	The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Date of application: annual periods beginning on or after 1 January 2017.	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 12 (amendment) 'Income Taxes'	The amendments to IAS 12 clarify how to account for deferred tax assets related to debt instruments measured at fair value. Date of application: annual periods beginning on or after 1 January 2017.	The Group is currently analyzing the impact of those changes on the financial statements.

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 day 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 2015 taking into account reasons and sources of uncertainty expected at the balance sheet day.

During the three months period ended 31 March 2016 the most significant estimates are as follows:

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

Notes to financial statements (cont.)

(in PLN thousand)

7. Risk management

Credit risk

The credit risk management process and measurement methods have not significantly changed in relation to those described in the consolidated financial statements of Bank Pekao S.A. Group for the year ended 31 December 2015.

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	31.03.2016		31.12.2015	
		CARRYING AMOUNT	%PORTFOLIO	CARRYING AMOUNT	%PORTFOLIO
1	0.00% <= PD < 0.06%	10 846 876	26.2%	10 532 502	25.9%
2	0.06% <= PD < 0.19%	6 156 368	14.8%	5 936 116	14.6%
3	0.19% <= PD < 0.35%	16 467 873	39.8%	16 303 771	40.1%
4	0.35% <= PD < 0.73%	5 167 929	12.5%	5 213 593	12.8%
5	0.73% <= PD < 3.50%	1 486 691	3.6%	1 393 240	3.4%
6	3.50% <= PD < 14.00%	594 266	1.4%	651 234	1.6%
7	14.00% <= PD < 100.00%	691 458	1.7%	652 160	1.6%
Total		41 411 461	100.0%	40 682 616	100.0%

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

RATING CLASS	RANGE OF PD	31.03.2016		31.12.2015	
		CARRYING AMOUNT	%PORTFOLIO	CARRYING AMOUNT	%PORTFOLIO
1	0.00% <= PD < 0.34%	519 219	6.7%	573 469	7.4%
2	0.34% <= PD < 0.80%	713 488	9.2%	805 937	10.3%
3	0.80% <= PD < 1.34%	1 355 340	17.4%	1 390 763	17.8%
4	1.34% <= PD < 2.40%	2 459 522	31.6%	2 393 959	30.6%
5	2.40% <= PD < 4.75%	1 689 840	21.7%	1 594 636	20.4%
6	4.75% <= PD < 14.50%	650 948	8.4%	673 978	8.6%
7	14.50% <= PD < 31.00%	182 790	2.4%	187 224	2.4%
8	31.00% <= PD < 100.00%	203 290	2.6%	194 052	2.5%
Total		7 774 437	100.0%	7 814 018	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	31.03.2016		31.12.2015	
		CARRYING AMOUNT	%PORTFOLIO	CARRYING AMOUNT	%PORTFOLIO
1	0.00% <= PD < 0.15%	307 398	2.1%	357 910	2.4%
2	0.15% <= PD < 0.27%	1 879 206	12.9%	1 887 596	12.5%
3	0.27% <= PD < 0.45%	1 852 255	12.7%	2 348 388	15.6%
4	0.45% <= PD < 0.75%	2 336 971	16.1%	2 304 203	15.3%
5	0.75% <= PD < 1.27%	2 538 007	17.5%	3 136 094	20.8%
6	1.27% <= PD < 2.25%	2 434 230	16.7%	1 935 237	12.8%
7	2.25% <= PD < 4.00%	654 538	4.5%	1 043 523	6.9%
8	4.00% <= PD < 8.50%	2 345 518	16.1%	1 898 162	12.6%
9	8.50% <= PD < 100.00%	206 657	1.4%	165 709	1.1%
Total		14 554 780	100.0%	15 076 822	100.0%

Notes to financial statements (cont.)

(in PLN thousand)

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	31.03.2016		31.12.2015	
		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%	1 235 292	22.7%	1 243 315	24.2%
8	0.0691% <= PD < 0.1208%	679 986	12.5%	645 108	12.6%
9	0.1208% <= PD < 0.2091%	667 456	12.3%	629 490	12.3%
10	0.2091% <= PD < 0.3581%	360 275	6.6%	375 435	7.3%
11	0.3581% <= PD < 0.6132%	203 911	3.7%	81 377	1.6%
12	0.6132% <= PD < 1.0807%	600 701	11.0%	93 303	1.8%
13	1.0807% <= PD < 1.9599%	-	0.0%	-	0.0%
14	1.9599% <= PD < 3.5545%	789 696	14.5%	2 063 695	40.2%
15	3.5545% <= PD < 7.6705%	-	0.0%	-	0.0%
16	7.6705% <= PD < 19.6959%	909 215	16.7%	16	0.0%
17	19.6959% <= PD < 100.0000%	-	0.0%	-	0.0%
Total		5 446 532	100.0%	5 131 739	100.0%

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

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

SUPERVISORY CATEGHORY	31.03.2016		31.12.2015	
	CARRYING AMOUNT	%PORTFOLIO	CARRYING AMOUNT	%PORTFOLIO
High	2 620 864	37.3%	1 647 122	25.0%
Good	3 418 792	48.7%	4 185 156	63.4%
Satisfactory	933 395	13.3%	720 513	10.9%
Low	48 045	0.7%	43 078	0.7%
Total	7 021 096	100.0%	6 595 869	100.0%

Notes to financial statements (cont.)

(in PLN thousand)

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

	31.03.2016	31.12.2015
Loans with no impairment:	114 547 962	119 349 516
Loans to individuals:	52 202 209	51 611 229
Covered by internal rating model:	49 185 898	48 496 634
Mortgage loans	41 411 461	40 682 616
Consumer loans	7 774 437	7 814 018
Other, not covered by internal rating model	3 016 311	3 114 595
Loans to corporates:	62 345 753	67 738 287
Covered by internal rating model:	20 001 312	20 208 561
Clients with income not exceeding EUR 500 million	14 554 780	15 076 822
Clients assessed by central model with income exceeding EUR 500 million	5 446 532	5 131 739
Specialized lending exposures	7 021 096	6 595 869
Debt securities, not covered by internal rating model	12 584 652	12 330 221
Repo transactions, not covered by internal rating model	57 214	4 755 472
Other, not covered by internal rating model	22 681 479	23 848 164
Impaired loans	2 684 859	2 705 410
Total loans and advances to customers (*)	117 232 821	122 054 926

(*) 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)

The quality analysis of the 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 (*)	
	31.03.2016	31.12.2015	31.03.2016	31.12.2015
GROSS CARRYING AMOUNT OF EXPOSURE INDIVIDUALLY IMPAIRED				
- not past due	-	-	743 936	564 430
- up to 1 month	-	-	36 523	37 283
- between 1 month and 3 months	-	-	42 228	22 868
- between 3 months and 1 year	-	-	117 586	158 487
- between 1 year and 5 years	7 374	9 927	2 865 521	3 079 109
- above 5 years	-	-	1 496 202	1 429 845
Total gross carrying amount	7 374	9 927	5 301 996	5 292 022
ALLOWANCE FOR IMPAIRMENT				
- not past due	-	-	(332 432)	(238 852)
- up to 1 month	-	-	(7 247)	(7 530)
- between 1 month and 3 months	-	-	(12 111)	(5 206)
- between 3 months and 1 year	-	-	(38 414)	(52 140)
- between 1 year and 5 years	(7 374)	(9 927)	(1 655 737)	(1 738 572)
- above 5 years	-	-	(1 241 265)	(1 198 995)
Total allowance for impairment	(7 374)	(9 927)	(3 287 206)	(3 241 295)
Net carrying amount of exposure individually impaired	-	-	2 014 790	2 050 727
GROSS CARRYING AMOUNT OF EXPOSURE COLLECTIVELY IMPAIRED				
- not past due	-	-	128 105	120 069
- up to 1 month	-	-	51 968	42 559
- between 1 month and 3 months	-	-	37 208	47 688
- between 3 months and 1 year	-	-	304 316	303 072
- between 1 year and 5 years	-	-	1 400 373	1 359 720
- above 5 years	9 800	9 800	926 809	956 361
Total gross carrying amount	9 800	9 800	2 848 779	2 829 469
ALLOWANCE FOR IMPAIRMENT				
- not past due	-	-	(41 993)	(46 047)
- up to 1 month	-	-	(15 528)	(10 980)
- between 1 month and 3 months	-	-	(13 660)	(17 089)
- between 3 months and 1 year	-	-	(153 589)	(156 199)
- between 1 year and 5 years	-	-	(1 088 160)	(1 047 727)
- above 5 years	(9 800)	(9 800)	(865 780)	(896 744)
Total allowance for impairment	(9 800)	(9 800)	(2 178 710)	(2 174 786)
Net carrying amount of exposure collectively impaired	-	-	670 069	654 683

(*) 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 (*)			
	31.03.2016	31.12.2015	CORPORATE		RETAIL	
			31.03.2016	31.12.2015	31.03.2016	31.12.2015
GROSS CARRYING AMOUNT OF EXPOSURE WITH NO IMPAIRMENT						
- not past due	2 680 857	7 319 104	62 211 703	67 677 272	50 687 509	50 112 528
- up to 30 days	-	-	201 789	214 225	1 273 163	1 269 204
- between 30 days and 60 days	-	-	61 732	34 541	189 835	183 623
- above 60 days	-	-	140 673	89 848	195 067	194 520
Total gross carrying amount	2 680 857	7 319 104	62 615 897	68 015 886	52 345 574	51 759 875
IBNR PROVISION						
- not past due	(14)	(58)	(265 314)	(273 574)	(86 166)	(90 586)
- up to 30 days	-	-	(2 499)	(2 652)	(36 562)	(37 046)
- between 30 days and 60 days	-	-	(1 349)	(686)	(11 370)	(11 615)
- above 60 days	-	-	(982)	(687)	(9 267)	(9 399)
Total IBNR provision	(14)	(58)	(270 144)	(277 599)	(143 365)	(148 646)
Net carrying amount of exposure with no impairment	2 680 843	7 319 046	62 345 753	67 738 287	52 202 209	51 611 229

(*) 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 (*)	
	31.03.2016	31.12.2015	31.03.2016	31.12.2015
IMPAIRED EXPOSURES				
Gross carrying amount	17 174	19 727	8 150 775	8 121 491
Allowance for impairment	(17 174)	(19 727)	(5 465 916)	(5 416 081)
Total net carrying amount	-	-	2 684 859	2 705 410
Exposures with impairment triggers for which no impairment has been identified				
Gross carrying amount, in this:	-	-	96 250	78 166
<i>Exposure with collateral value included in expected discounted cash flow, in this:</i>	-	-	96 250	78 166
- <i>Past due exposures</i>	-	-	38 717	31 741
IBNR provision	-	-	(2 234)	(1 362)
Total net carrying amount	-	-	94 016	76 804
Exposures with no impairment triggers				
Gross carrying amount	2 680 857	7 319 104	114 865 221	119 697 595
IBNR provision	(14)	(58)	(411 275)	(424 883)
Total net carrying amount	2 680 843	7 319 046	114 453 946	119 272 712

(*) 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 31 March 2016

RATING	DEBT SECURITIES				TOTAL
	HELD FOR TRADING	AVAILABLE FOR SALE	HELD TO MATURITY	REPO TRANSACTIONS (**)	
A+ to A-	427 256	21 964 136	3 412 552	360 723	26 164 667
BBB+ to BBB-	7 775	-	-	-	7 775
no rating	63 111	933 989	16 399 (*)	-	1 013 499
Total	498 142	22 898 125	3 428 951	360 723	27 185 941

(*) Including NBP bills in an amount of PLN 16 399 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 2015

RATING	DEBT SECURITIES				TOTAL
	HELD FOR TRADING	AVAILABLE FOR SALE	HELD TO MATURITY	REPO TRANSACTIONS (***)	
A+ to A-	1 003 007	15 954 349	2 497 324	6 520 122	25 974 802
BBB+ to BBB-	7 724	251 367	-	-	259 091
no rating	113 986	1 312 168 (*)	871 100 (**)	-	2 297 254
Total	1 124 717	17 517 884	3 368 424	6 520 122	28 531 147

(*) Including NBP bills in an amount of PLN 628 454 thousand.

(**) Including NBP bills in an amount of PLN 871 100 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 31 March 2016

RATING	DERIVATIVES						TOTAL
	TRADING DERIVATIVES			DERIVATIVE HEDGING INSTRUMENTS			
	BANKS	OTHER FINANCIAL INSTITUTIONS	NON-FINANCIAL ENTITIES	BANKS	OTHER FINANCIAL INSTITUTIONS	NON-FINANCIAL ENTITIES	
AAA	478	-	-	-	-	-	478
AA+ to AA-	105 289	-	-	1 991	-	-	107 280
A+ to A-	755 268	174 836	-	94 097	-	-	1 024 201
BBB+ to BBB-	485 680	-	-	34 090	-	-	519 770
BB+ to BB-	-	-	1 063	-	-	-	1 063
no rating	379 726	56 995	302 609	57 765	285 163	-	1 082 258
Total	1 726 441	231 831	303 672	187 943	285 163	-	2 735 050

Notes to financial statements (cont.)

(in PLN thousand)

Classification of exposures to derivative financial instruments according to Standard & Poor's ratings as at 31 December 2015

RATING	DERIVATIVES						TOTAL
	TRADING DERIVATIVES			DERIVATIVE HEDGING INSTRUMENTS			
	BANKS	OTHER FINANCIAL INSTITUTIONS	NON-FINANCIAL ENTITIES	BANKS	OTHER FINANCIAL INSTITUTIONS	NON-FINANCIAL ENTITIES	
AAA	90	-	-	-	-	-	90
AA+ to AA-	126 730	-	-	3 032	-	-	129 762
A+ to A-	1 044 437	272 974	-	64 698	-	749	1 382 858
BBB+ to BBB-	1 003 930	-	503	319 425	-	-	1 323 858
BB+ to BB-	-	-	1 454	-	-	-	1 454
no rating	464 159	52 220	239 950	29 798	3 938	-	790 065
Total	2 639 346	325 194	241 907	416 953	3 938	749	3 628 087

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 2015.

Share of forborne exposures in the Group's loan portfolio

	31.03.2016	31.12.2015
LOANS AND ADVANCES TO CUSTOMERS		
Exposures with no impairment, of which:	114 547 962	119 349 516
forborne exposures	355 689	422 649
Impaired exposures, of which:	2 684 859	2 705 410
forborne exposures	1 568 158	1 537 735
Total net carrying amount, of which:	117 232 821	122 054 926
forborne exposures	1 923 847	1 960 384

The quality analysis of forborne exposures

	31.12.2016	31.12.2016
Exposures with no impairment		
Gross carrying amount	366 204	437 459
IBNR provisions	(10 515)	(14 810)
Net carrying amount	355 689	422 649
Impaired exposures		
Gross carrying amount, of which:	3 026 341	2 957 036
exposures individually impaired	2 755 875	2 745 545
exposures collectively impaired	270 466	211 491
Allowances for impairment, of which:	(1 458 183)	(1 419 301)
exposures individually impaired	(1 344 264)	(1 323 802)
exposures collectively impaired	(113 919)	(95 499)
Net carrying amount	1 568 158	1 537 735
Total net carrying amount	1 923 847	1 960 384

Notes to financial statements (cont.)

(in PLN thousand)

CHF loans to individuals

Since 2003 Bank Pekao S.A. has not granted CHF loans for individuals. Almost the entire portfolio of CHF loans for individuals was granted before August 2006 by Bank BPH S.A. and then taken over by Bank Pekao S.A. as a result of the merger.

A few concepts of restructuring of CHF mortgage loans for individuals have been proposed recently, including the President's draft of the act on the restoration of the equality of parties of certain loan agreements. The proposed solutions are under discussion and may change significantly. Therefore, at the moment, the Group is not able to reliably estimate the impact of the proposed solutions on the financial statements. However, taking into account the relatively minor share of these loans in the total assets and limited market share, the Group assesses that potentially taken solutions should not materially affect the financial standing of the Group.

The tables below present the structure and quality of CHF loans for individuals.

Structure of CHF loans to individuals

	31.03.2016	31.12.2015
Gross carrying amount, of which:	4 600 158	4 761 295
- denominated in CHF	927 599	961 415
- indexed to CHF	3 672 559	3 799 880
Impairment allowances, of which:	(80 922)	(78 963)
- denominated in CHF	(10 545)	(9 463)
- indexed to CHF	(70 377)	(69 500)
Net carrying amount, of which:	4 519 236	4 682 332
- denominated in CHF	917 054	951 952
- indexed to CHF	3 602 182	3 730 380

Notes to financial statements (cont.)

(in PLN thousand)

Quality of CHF loans to individuals

	31.03.2016	31.12.2015
Gross carrying amount of exposures with no impairment, of which:	4 430 758	4 599 473
- not past due	4 103 983	4 251 469
- up to 30 days	253 408	277 566
- between 30 days and 60 days	50 076	41 226
- above 60 days	23 291	29 212
IBNR provisions for exposures with no impairment, of which:	(12 575)	(13 479)
- not past due	(4 514)	(5 144)
- up to 30 days	(4 982)	(4 898)
- between 30 days and 60 days	(1 640)	(1 542)
- above 60 days	(1 439)	(1 895)
Gross carrying amount of impaired exposures, of which:	169 400	161 822
- not past due	26 797	25 499
- up to 1 month	14 047	12 076
- between 1 month and 3 months	8 437	9 211
- between 3 months and 1 year	32 697	30 569
- between 1 year and 5 years	54 673	53 721
- above 5 years	32 749	30 746
Allowances for impairment, of which:	(68 347)	(65 484)
- not past due	(4 201)	(4 356)
- up to 1 month	(2 412)	(1 507)
- between 1 month and 3 months	(1 315)	(1 764)
- between 3 months and 1 year	(6 347)	(6 250)
- between 1 year and 5 years	(29 038)	(27 927)
- above 5 years	(25 034)	(23 680)
Total net carrying amount	4 519 236	4 682 332

The average LTV for CHF loans to individuals granted by the Group amounted as of 31 March 2016 to 55.5% (56.5% as of 31 December 2015), with an average LTV for the whole portfolio of 66.7% (66.4% as of 31 December 2015).

Credit exposures towards Ukraine

In the first quarter of 2016 Bank Pekao S.A. Group exposure towards Ukraine in the form of interbank placements were repaid in full. As at 31 March 2016, the net balance sheet value of remaining exposures towards Ukraine refer mainly to two international corporate clients and amounts to PLN 182 million (which constitutes 0.1% of total Group exposures), less by PLN 848 million in comparison to the end of March 2015.

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.

Notes to financial statements (cont.)

(in PLN thousand)

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

	31.03.2016	31.12.2015
Balance sheet exposures		
Loans and advances to banks	-	402 630
Loans and advances to customers	292 037	300 551
Total gross carrying amount	292 037	703 181
IBNR provision / Allowance for impairment	(109 700)	(110 605)
Total net carrying amount	182 337	592 576
Off-balance sheet exposure		
Credit lines granted	4 083	4 049
Total gross carrying amount	4 083	4 049
IBNR provision	(27)	(27)
Total net carrying amount	4 056	4 022

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 2015.

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 31 March 2016 and in 2015:

	31.03.2016	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign currency exchange risk	820	14	171	974
interest rate risk	1 182	804	1 061	1 455
Trading portfolio	1 231	866	1 086	1 404

	31.12.2015	MINIMUM VALUE	AVERAGE VALUE	MAXIMUM VALUE
foreign currency exchange risk	54	15	203	1 674
interest rate risk	1 176	676	1 175	2 103
Trading portfolio	1 282	854	1 179	1 880

Interest rate risk of the banking book

In the area of interest rate risk the measurement system was expanded in relation to the situation described in the consolidated financial statement of Bank Pekao S.A. Group for the year ended 31 December 2015. Two measures of net interest income (NII) sensitivity are now applied: contractual NII sensitivity that directly captures the provisions stipulated in the contracts with clients and adjusted NII sensitivity that additionally takes into account likely reactions of the Bank and the market to changes in interest rates. Contractual sensitivity has been covered with the risk limit system, while adjusted NII sensitivity is subject to internal monitoring. For the sensitivity of economic value of capital (EVE) contractual restrictions regarding negative interest rates have been accounted for. No material changes were introduced for the remaining measures.

Notes to financial statements (cont.)

(in PLN thousand)

The following table presents contractual NII sensitivity to the change of interest rates by 100 basis points and the EVE sensitivity to the change of interest rates by 200 basis points as at 31 March 2016 and as at 31 December 2015.

SENSITIVITY IN %	31.03.2016	31.12.2015
NII	(6.88)	(5.97)
EVE	(0.46)	(0.77)

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 2015.

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

CURRENCY	31.03.2016	31.12.2015
Currencies total (*)	181	1 538

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

Foreign currency position of the Group

31.03.2016	BALANCE SHEET OPERATIONS		OFF-BALANCE SHEET OPERATIONS- DERIVATIVES		NET POSITION
	ASSETS	LIABILITIES	LONG POSITION	SHORT POSITION	
EUR	19 061 175	16 431 785	14 513 599	17 118 301	24 688
USD	4 609 283	7 814 742	7 037 634	3 800 894	31 281
CHF	4 865 542	968 453	3 637 085	7 538 191	(4 017)
GBP	201 458	772 529	724 647	151 809	1 767
Other currencies	305 369	242 015	338 808	399 688	2 474
TOTAL	29 042 827	26 229 524	26 251 773	29 008 883	56 193

31.12.2015	BALANCE SHEET OPERATIONS		OFF-BALANCE SHEET OPERATIONS- DERIVATIVES		NET POSITION
	ASSETS	LIABILITIES	LONG POSITION	SHORT POSITION	
EUR	18 890 563	17 929 313	11 066 799	11 841 800	186 249
USD	6 294 671	8 290 240	7 077 654	5 116 063	(33 978)
CHF	4 700 851	606 176	3 221 543	7 319 753	(3 535)
GBP	318 067	708 529	622 872	232 423	(13)
Other currencies	311 716	178 039	257 018	387 372	3 323
TOTAL	30 515 868	27 712 297	22 245 886	24 897 411	152 046

Notes to financial statements (cont.)

(in PLN thousand)

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 2015.

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

Adjusted liquidity gap

31.03.2016	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 assets	33 413 066	7 297 323	20 937 932	49 106 216	48 939 994	159 694 531
Balance sheet liabilities	9 200 011	5 174 304	17 547 367	19 353 769	108 419 080	159 694 531
Off-balance sheet assets/liabilities (net)	(6 831 482)	162 185	1 367 512	2 665 306	1 515 818	(1 120 661)
Periodic gap	17 381 573	2 285 204	4 758 077	32 417 753	(57 963 268)	(1 120 661)
Cumulated gap		19 666 777	24 424 854	56 842 607	(1 120 661)	

31.12.2015	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 assets	39 156 141	7 110 676	24 968 630	50 455 851	47 094 269	168 785 567
Balance sheet liabilities	16 049 305	8 827 295	18 770 564	19 999 689	105 138 714	168 785 567
Off-balance sheet assets/liabilities (net)	(6 717 006)	568 926	1 240 893	2 489 137	1 254 323	(1 163 727)
Periodic gap	16 389 830	(1 147 693)	7 438 959	32 945 299	(56 790 122)	(1 163 727)
Cumulated gap		15 242 137	22 681 096	55 626 395	(1 163 727)	

Structure of financial liabilities by contractual maturity

31.03.2016	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
BALANCE SHEET LIABILITIES						
Amounts due to banks (*)	1 349 503	56 030	13 162	1 503 108	1 810 739	4 732 542
Amounts due to customers	90 323 239	11 247 053	18 908 754	1 307 950	19 472	121 806 468
Debt securities issued	112 287	449 057	580 679	1 011 944	337 537	2 491 504
Financial liabilities held for trading	-	-	-	-	267 341	267 341
Total	91 785 029	11 752 140	19 502 595	3 823 002	2 435 089	129 297 855
OFF-BALANCE SHEET COMMITMENTS (**)						
Financial liabilities granted	32 057 745	-	-	-	-	32 057 745
Guarantees issued	12 778 377	-	-	-	-	12 778 377
Total	44 836 122	-	-	-	-	44 836 122

(*) 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)

31.12.2015	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 (*)	1 606 000	1 066 155	108 638	1 204 022	2 124 172	6 108 987
Amounts due to customers	96 357 303	12 213 137	17 987 883	2 777 981	55 721	129 392 025
Debt securities issued	336 500	1 034 304	409 535	616 862	661 531	3 058 732
Financial liabilities held for trading	-	-	170 729	382 663	58 050	611 442
Total	98 299 803	14 313 596	18 676 785	4 981 528	2 899 474	139 171 186
OFF-BALANCE SHEET COMMITMENTS (**)						
Financial liabilities granted	30 935 860	-	-	-	-	30 935 860
Guarantees issued	14 072 827	-	-	-	-	14 072 827
Total	45 008 687	-	-	-	-	45 008 687

(*) Including Central Bank.

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

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

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

- Interest Rate Swaps (IRS),
- Forward Rate Agreements (FRA),
- Foreign currency options and options for gold,
- Interest rate options (Cap/Floor),
- 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
31.03.2016	11 352	14 151	138 070	1 472 351	684 711	2 320 635
31.12.2015	70 648	104 854	151 485	2 007 425	889 219	3 223 631

Notes to financial statements (cont.)

(in PLN thousand)

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

	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
31.03.2016						
Inflows	24 330 417	6 003 775	6 974 918	7 576 162	3 102 828	47 988 100
Outflows	24 444 152	6 016 480	7 114 876	8 358 159	3 402 827	49 336 494
31.12.2015						
Inflows	16 745 976	6 290 357	7 529 685	8 415 940	2 830 603	41 812 561
Outflows	16 750 719	6 249 486	7 612 854	9 216 680	3 152 969	42 982 708

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 2015.

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 31 March 2016 and 31 December 2015, the Group classified the financial assets and liabilities measured at fair value into the following hierarchy of three categories based on the valuation method:

- Level 1: mark-to-market, applies to securities quoted on active markets,
- 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, commodity and foreign currency exchange markets, except for those cases that meet the criteria of Level 3,
- Level 3: mark-to-model valuation with partial model parameterization, based on estimated risk factors. This method is applicable to corporate and municipal debt securities and for linear and non-linear derivative instruments of interest rate, equity, commodity and foreign currency exchange markets for which unobservable parameters (e.g. credit risk factors) are recognized as significant.

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

Notes to financial statements (cont.)

(in PLN thousand)

31.03.2016	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets:	21 374 222	4 545 882	509 928	26 430 032
Financial assets held for trading	404 245	57 712	47 302	509 259
Derivative financial instruments, including:	30	2 257 369	4 545	2 261 944
- Banks	-	1 724 228	2 213	1 726 441
- Customers	30	533 141	2 332	535 503
Hedging instruments, including:	-	473 106	-	473 106
- Banks	-	187 943	-	187 943
- Customers	-	285 163	-	285 163
Securities available for sale	20 969 947	1 757 695	458 081	23 185 723
Liabilities:	267 424	4 134 171	2 654	4 404 249
Financial liabilities held for trading	267 341	-	-	267 341
Derivative financial instruments, including:	83	2 473 578	2 654	2 476 315
- Banks	-	1 662 656	-	1 662 656
- Customers	83	810 922	2 654	813 659
Hedging instruments, including:	-	1 660 593	-	1 660 593
- Banks	-	1 660 593	-	1 660 593
- Customers	-	-	-	-

31.12.2015	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets:	15 929 590	6 134 087	504 501	22 568 178
Financial assets held for trading	936 763	142 640	47 389	1 126 792
Derivative financial instruments, including:	28	3 205 476	943	3 206 447
- Banks	-	2 639 346	-	2 639 346
- Customers	28	566 130	943	567 101
Hedging instruments, including:	-	421 640	-	421 640
- Banks	-	416 953	-	416 953
- Customers	-	4 687	-	4 687
Securities available for sale	14 992 799	2 364 331	456 169	17 813 299
Liabilities:	611 443	4 907 086	-	5 518 529
Financial liabilities held for trading	611 442	-	-	611 442
Derivative financial instruments, including:	1	3 204 327	-	3 204 328
- Banks	-	2 747 772	-	2 747 772
- Customers	1	456 555	-	456 556
Hedging instruments, including:	-	1 702 759	-	1 702 759
- Banks	-	1 702 759	-	1 702 759
- Customers	-	-	-	-

Notes to financial statements (cont.)

(in PLN thousand)

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

I QUARTER 2016	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	SECURITIES AVAILABLE FOR SALE
Opening balance	47 389	943	456 169
Increases, including:	2 859 850	3 602	2 158
Reclassification	-	-	-
Derivatives transactions made in 2016	-	2 829	-
Acquisition	2 859 487	-	-
Settlement	-	270	-
Gains on financial instruments	363	503	2 158
recognized in the income statement	363	503	1 876
recognized in revaluation reserves	-	-	282
Decreases, including:	(2 859 937)	-	(246)
Reclassification	-	-	-
Settlement/redemption	(47 788)	-	-
Sale	(2 812 144)	-	-
Losses on financial instruments	(5)	-	(246)
recognized in the income statement	(5)	-	-
recognized in revaluation reserves	-	-	(246)
Closing balance	47 302	4 545	458 081
Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:	155	503	1 628
Income statement:	155	503	1 874
net interest income	142	-	1 874
result on financial assets and liabilities held for trading	13	503	-
Other comprehensive income	-	-	(246)

Notes to financial statements (cont.)

(in PLN thousand)

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

2015	FINANCIAL ASSETS HELD FOR TRADING	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	SECURITIES AVAILABLE FOR SALE
Opening balance	99 784	2 967	263 815
Increases, including:	10 663 874	1 942	200 231
Reclassification	-	1 942	313
Acquisition	10 661 018	-	-
Settlement	-	-	-
Gains on financial instruments	2 856	-	199 918
recognized in the income statement	2 856	-	11 077
recognized in revaluation reserves	-	-	188 841
Decreases, including:	(10 716 269)	(3 966)	(7 877)
Reclassification	(55 052)	(2 967)	-
Settlement / redemption	(435 186)	(891)	(7 877)
Sale	(10 225 856)	-	-
Loss on financial instruments	(175)	(108)	-
recognized in the income statement	(175)	(108)	-
Closing balance	47 389	943	456 169
Unrealized income from financial instruments held in portfolio until end of period, recognized in:	(63)	(108)	2 674
Income statement:	108	(108)	268
net interest income	108	-	268
result on financial assets and liabilities held for trading	-	(108)	-
Other comprehensive income	(171)	-	2 406

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

	I QUARTER 2016	2015
Opening balance	-	-
Increases, including:	2 654	-
Losses on financial instruments	2 654	-
recognized in the income statement	2 654	-
Closing balance	2 654	-
Unrealized income from financial instruments held in portfolio at the end of the period, recognized in:	(2 654)	-
Income statement:	(2 654)	-
result on financial assets and liabilities held for trading	(2 654)	-
Other comprehensive income	-	-

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.

Notes to financial statements (cont.)

(in PLN thousand)

In the period from 1 January to 31 March 2016, there was not transfer of financial instruments measured at fair value between Level 1 and Level 2.

In the period from 1 January to 31 March 2016, there was not transfer of financial instruments measured at fair value from Level 2 to Level 3.

In the period from 1 January to 31 March 2016, there was not transfer of financial instruments 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 31 March 2016 and 31 December 2015 is as follows:

FINANCIAL ASSET/LIABILITY	FAIR VALUE AS AT 31.03.2016	VALUATION TECHNIQUE	UNOBSERVABLE FACTOR	ALTERNATIVE FACTOR RANGE (WEIGHTED AVERAGE)	IMPACT ON FAIR VALUE AS AT 31.03.2016	
					POSITIVE SCENARIO	NEGATIVE SCENARIO
Corporate debt securities	298 001	Discounted cash flow	Credit spread	0.52% - 1.1%	437	(1 375)
Interest rate derivatives	(2 669)	Discounted cash flow	PD	2.1% - 5.4%	154	(138)
			LGD	40.4% - 53.8%	53	(53)
Equity derivatives	3 343	Model Black Scholes	Correlation	0 - 1	(771)	(2 550)

FINANCIAL ASSET/LIABILITY	FAIR VALUE AS AT 31.12.2015	VALUATION TECHNIQUE	UNOBSERVABLE FACTOR	ALTERNATIVE FACTOR RANGE (WEIGHTED AVERAGE)	IMPACT ON FAIR VALUE AS AT 31.12.2015	
					POSITIVE SCENARIO	NEGATIVE SCENARIO
Corporate debt securities	298 756	Discounted cash flow	Credit spread	0.54% - 1%	526	(1 427)
Interest rate derivatives	943	Discounted cash flow	PD	2.1% - 5.4%	39	(44)
			LGD	40.1% - 54.1%	16	(16)

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 31 March 2016 and 31 December 2015, the Group classified the financial assets and liabilities not measured at fair value in the consolidated statement of financial position into the following three categories based on the valuation level:

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

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

Notes to the financial statements (cont.)

(in PLN thousand)

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 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.

31.03.2016	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
Assets					
Cash and due from Central Bank	5 881 507	5 881 507	2 668 553	3 212 954	-
Loans and advance to banks	2 677 095	2 671 293	-	859 183	1 812 110
Loans and advances to customers (*)	113 637 853	112 005 683	-	2 854 508	109 151 175
Receivables from financial leases	3 598 716	3 535 408	-	-	3 535 408
Debt securities held to maturity	3 428 951	3 444 834	3 428 434	16 400	-
Total Assets	129 224 122	127 538 725	6 096 987	6 943 045	114 498 693
Liabilities					
Amounts due to Central Bank	6 012	6 045	-	-	6 045
Amounts due to other banks	4 636 257	4 708 133	-	318 822	4 389 311
Amounts due to customers	121 818 632	121 356 228	-	690 948	120 665 280
Debt securities issued	2 353 953	2 408 972	-	2 408 972	-
Total Liabilities	128 814 854	128 479 378	-	3 418 742	125 060 636

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

Notes to financial statements (cont.)

(in PLN thousand)

31.12.2015	CARRYING AMOUNT	FAIR VALUE	OF WHICH:		
			LEVEL 1	LEVEL 2	LEVEL 3
Assets					
Cash and due from Central Bank	7 881 607	7 881 607	2 951 414	4 930 193	-
Loans and advance to banks	7 314 724	7 311 058	-	5 301 176	2 009 882
Loans and advances to customers (*)	118 555 269	117 717 542	-	7 140 550	110 576 992
Receivables from financial leases	3 503 979	3 568 200	-	-	3 568 200
Debt securities held to maturity	3 368 424	3 380 400	2 509 227	871 173	-
Total Assets	140 624 003	139 858 807	5 460 641	18 243 092	116 155 074
Liabilities					
Amounts due to Central Bank	914	928	-	-	928
Amounts due to other banks	5 958 449	6 002 687	-	1 182 111	4 820 576
Amounts due to customers	128 867 691	128 479 792	-	4 468 820	124 010 972
Debt securities issued	2 903 233	2 959 349	-	2 959 349	-
Total Liabilities	137 730 287	137 442 756	-	8 610 280	128 832 476

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

8. Operating segments

Data reported in the section stem from the application of the management model ('Model') in which the main criterion for segmentation is the classification of customers based on their profile and service model.

Reporting and monitoring of results, for managerial purposes, 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 in line with the allocation model applied) 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 segments, and the assets and liabilities management and other area 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 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 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 subsidiaries and share in net profit of associated accounted for using equity method that are not assigned to other reported segments.

Notes to financial statements (cont.)

(in PLN thousand)

Operating segments reporting for the period from 1 January to 31 March 2016

	RETAIL BANKING	PRIVATE BANKING	CORPORATE AND INVESTMENT BANKING	ASSETS AND LIABILITIES MANAGEMENT AND OTHER	TOTAL
Total net interest income	591 565	8 801	395 516	83 860	1 079 742
Non-interest income	369 795	7 054	203 078	157 669	737 596
Operating income	961 360	15 855	598 594	241 529	1 817 338
Personnel expenses	(280 476)	(6 363)	(62 591)	(121 750)	(471 180)
Other administrative expenses	(317 363)	(6 418)	(87 163)	155 802	(255 142)
Depreciation and amortisation	(45 136)	(449)	(5 702)	(34 506)	(85 793)
Operating costs	(642 975)	(13 230)	(155 456)	(454)	(812 115)
Gross operating profit	318 385	2 625	443 138	241 075	1 005 223
Net impairment losses on loans and off-balance sheet commitments	(92 348)	591	(41 589)	3 957	(129 389)
Net operating profit	226 037	3 216	401 549	245 032	875 834
Net result on other provisions	3	(100)	(217)	(515)	(829)
Guarantee funds charges	(25 393)	(161)	(39 311)	(2 121)	(66 986)
Tax on certain financial institutions	-	-	-	(80 640)	(80 640)
Net result on investment activities	(143)	-	-	1 424	1 281
Profit before tax	200 504	2 955	362 021	163 180	728 660
Income tax expense					(155 182)
Net profit for the period					573 478
Attributable to equity holders of the Bank					573 396
Attributable to non-controlling interests					82
Allocated assets	59 973 766	301 957	92 516 235	(1 929 476)	150 862 482
Unallocated assets					8 832 049
Total assets					159 694 531
Allocated liabilities	73 250 152	8 403 340	53 513 455	(4 650 124)	130 516 823
Unallocated liabilities					29 177 708
Total liabilities					159 694 531

Notes to financial statements (cont.)

(in PLN thousand)

Operating segments reporting for the period from 1 January to 31 March 2015

	RETAIL BANKING	PRIVATE BANKING	CORPORATE AND INVESTMENT BANKING	ASSETS AND LIABILITIES MANAGEMENT AND OTHER	TOTAL
Total net interest income	557 524	5 877	396 825	98 206	1 058 432
Non-interest income	381 635	8 029	358 971	1 024	749 659
Operating income	939 159	13 906	755 796	99 230	1 808 091
Personnel expenses	(278 464)	(5 560)	(66 401)	(121 497)	(471 922)
Other administrative expenses	(310 639)	(6 963)	(86 247)	156 146	(247 703)
Depreciation and amortisation	(41 519)	(376)	(6 352)	(33 491)	(81 738)
Operating costs	(630 622)	(12 899)	(159 000)	1 158	(801 363)
Gross operating profit	308 537	1 007	596 796	100 388	1 006 728
Net impairment losses on loans and off-balance sheet commitments	(52 744)	(465)	(85 054)	1 131	(137 132)
Net operating profit	255 793	542	511 742	101 519	869 596
Net result on other provisions	152	-	38	(26 062)	(25 872)
Guarantee funds charges	(25 964)	(199)	(42 809)	-	(68 972)
Tax on certain financial institutions	-	-	-	-	-
Net result on investment activities	6	-	98	579	683
Profit before tax	229 987	343	469 069	76 036	775 435
Income tax expense					(150 866)
Net profit for the period					624 569
Attributable to equity holders of the Bank					624 417
Attributable to non-controlling interests					152
Allocated assets	55 005 054	260 159	95 607 144	(97 191)	150 775 166
Unallocated assets					12 752 824
Total assets					163 527 990
Allocated liabilities	63 723 673	7 016 985	64 665 140	(3 956 883)	131 448 915
Unallocated liabilities					32 079 075
Total liabilities					163 527 990

Reconciliations of operating income for reportable segments

	I QUARTER 2016	I QUARTER 2015
Total operating income for reportable segments	1 817 338	1 808 091
Share in gains (losses) from associates	(10 003)	(15 501)
Net other operating income and expenses	(6 541)	(9 623)
Refunding of administrative expenses	642	836
Operating income	1 801 436	1 783 803

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

	I QUARTER 2016	I QUARTER 2015
Loans and other receivables from customers	1 097 585	1 130 029
Interbank placements	25 533	29 649
Reverse repo transactions	14 270	21 290
Investment securities	178 250	169 497
Hedging derivatives	35 518	46 546
Financial assets held for trading	2 060	1 285
Total	1 353 216	1 398 296

Interest expense

	I QUARTER 2016	I QUARTER 2015
Deposits from customers	(251 738)	(301 014)
Interbank deposits	(3 855)	(4 210)
Repo transactions	(9 702)	(16 169)
Loans and advances received	(3 720)	(8 008)
Debt securities issued	(14 463)	(25 965)
Total	(283 478)	(355 366)

10. Fee and commission income and expense

Fee and commission income

	I QUARTER 2016	I QUARTER 2015
Accounts maintenance, payment orders and cash transactions	153 643	161 711
Payment cards	140 413	161 447
Loans and advances	106 090	109 839
Investment products sales intermediation	61 888	75 286
Securities operations	21 368	23 193
Custody activity	15 411	13 713
Pension and investment funds service fees	12 287	12 445
Guarantees, letters of credit and similar transactions	14 597	12 162
Other	12 333	14 109
Total	538 030	583 905

Notes to financial statements (cont.)

(in PLN thousand)

Fee and commission expense

	I QUARTER 2016	I QUARTER 2015
Payment cards	(57 280)	(86 328)
Money orders and transfers	(5 133)	(5 399)
Securities and derivatives operations	(5 550)	(6 122)
Accounts maintenance	(1 006)	(672)
Custody activity	(4 304)	(2 760)
Pension funds management charges	(94)	(110)
Acquisition services	(1 054)	(825)
Other	(269)	(1 122)
Total	(74 690)	(103 338)

11. Dividend income

	I QUARTER 2016	I QUARTER 2015
Issuers of securities held for trading	1	1
Total	1	1

12. Result on financial assets and liabilities held for trading

	I QUARTER 2016	I QUARTER 2015
Foreign currency exchange result	98 486	100 723
Gains (losses) on derivatives	11 608	(889)
Gains (losses) on securities	10 748	5 293
Total	120 842	105 127

13. Gains (losses) on disposal

Realized gains

	I QUARTER 2016	I QUARTER 2015
Loans and other financial receivables (*)	149 924	344
Available for sale financial assets – debt instruments	592	152 626
Debt securities issued	-	1
Total	150 516	152 971

(*) In the first quarter of 2016 the Bank sold loans with a total debt of PLN 1 863 million.

Notes to financial statements (cont.)

(in PLN thousand)

Realized losses

	I QUARTER 2016	I QUARTER 2015
Available for sale financial assets – debt instruments	(128)	-
Debt securities issued	(5)	(27)
Total	(133)	(27)
Net realized profit	150 383	152 944

14. Administrative expenses

Personnel expenses

	I QUARTER 2016	I QUARTER 2015
Wages and salaries	(395 912)	(395 775)
Insurance and other charges related to employees	(72 514)	(72 967)
Share-based payments expenses	(2 754)	(3 180)
Total	(471 180)	(471 922)

Other administrative expenses

	I QUARTER 2016	I QUARTER 2015
General expenses	(235 169)	(227 995)
Taxes and charges	(11 673)	(11 947)
Bank Guarantee Fund fee	(66 860)	(68 762)
Financial supervision authority fee (KNF)	(9 068)	(8 807)
Tax on certain financial institutions (*)	(80 640)	-
Total	(403 410)	(317 511)

(*) On 1 February 2016 tax on certain financial institutions was introduced under the Act on tax on certain financial institutions.

Total administrative expenses	(874 590)	(789 433)
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15. Depreciation and amortization

	I QUARTER 2016	I QUARTER 2015
Property, plant and equipment	(43 214)	(46 204)
Investment property	(330)	(414)
Intangible assets	(42 249)	(35 120)
Total	(85 793)	(81 738)

Notes to financial statements (cont.)

(in PLN thousand)

16. Net other operating income and expenses

Other operating income

	I QUARTER 2016	I QUARTER 2015
Rental income	5 371	6 043
Miscellaneous income	2 335	4 196
Recovery of debt collection costs	3 399	3 942
Revenues from sale of products, goods and services	1 659	3 527
Excess payments, repayments	1 212	966
Compensation, penalty fees and fines received (including received compensations from damages in relation to fixed assets)	911	733
Revenues from leasing activity	551	506
Refunding of administrative expenses	642	836
Income from written off liabilities	15	199
Releases of impairment allowances for litigation and other assets	291	2 502
Gains on sale of leasing assets for third person and other assets	157	67
Credit insurance income	-	203
Other	1 197	1 664
Total	17 740	25 384

Other operating expenses

	I QUARTER 2016	I QUARTER 2015
Costs related to leasing activity	(278)	(394)
Credit insurance expenses	(2 796)	(2 036)
Sundry expenses	(2 216)	(2 438)
Reimbursement and deficiencies	(597)	(1 437)
Costs from sale of products, goods and services	(470)	(1 090)
Customers complaints expenses	(720)	(550)
Impairment allowance for litigations and other assets	(682)	(4 463)
Costs of litigation and claims	(378)	(464)
Compensation, penalty fees and fines paid	(79)	(90)
Losses on disposal of leasing assets for third person and other assets	(332)	(412)
Other	(2 651)	(2 387)
Total	(11 199)	(15 761)
Net other operating income and expenses	6 541	9 623

Notes to financial statements (cont.)

(in PLN thousand)

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

I QUARTER 2016	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	19 774	920	349	-	(3 245)	(620)	17 178	2 325
Loans and advances to customers measured at amortized cost	5 678 633	350 816	29 981	(89 434)	(217 541)	(37 607)	5 714 848	(133 275)
Receivables from financial leases	163 704	6 259	17	-	(4 854)	(539)	164 587	(1 405)
Financial assets available for sale	122	-	-	-	-	-	122	-
Off-balance sheet commitments	120 771	35 895	-	-	(34 732)	(256)	121 678	(1 163)
Total financial assets and off-balance sheet commitments	5 983 004	393 890	30 347	(89 434)	(260 372)	(39 022)	6 018 413	(133 518)
Impairment of other assets								
Investments in associates	60	-	-	-	-	(60)	-	-
Intangible assets	10 961	-	-	-	-	-	10 961	-
Property, plant and equipment	8 451	-	-	(306)	-	-	8 145	-
Investment properties	8 682	-	-	-	-	-	8 682	-
Other	77 736	682	3 067	(691)	(291)	(149)	80 354	(391)
Total impairment of other assets	105 890	682	3 067	(997)	(291)	(209)	108 142	(391)
Total	6 088 894	394 572	33 414	(90 431)	(260 663)	(39 231)	6 126 555	(133 909)

(*) 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 133 518 thousand and proceeds from recovered bad debt in the amount of PLN 4 129 thousand, the total is PLN minus 129 389 thousand.

Notes to financial statements (cont.)

(in PLN thousand)

I QUARTER 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	732	638	-	(721)	(220)	19 789	(11)
Loans and advances to customers measured at amortized cost	5 582 478	396 706	38 552	(36 484)	(249 177)	(26 566)	5 705 509	(147 529)
Receivables from financial leasing	187 901	11 783	-	-	(10 234)	(799)	188 651	(1 549)
Financial assets available for sale	122	-	-	-	-	-	122	-
Impairment of off-balance sheet commitments	102 386	20 505	582	-	(30 263)	-	93 210	9 758
Total financial assets and off-balance sheet commitments	5 892 247	429 726	39 772	(36 484)	(290 395)	(27 585)	6 007 281	(139 331)
Impairment of other assets								
Investments in associates	60	-	-	-	-	-	60	-
Intangible assets	10 961	-	-	-	-	-	10 961	-
Property, plant and equipment	6 667	27	-	-	-	(75)	6 619	(27)
Investment properties	8 682	-	-	-	-	-	8 682	-
Other	76 532	4 463	859	(396)	(2 502)	-	78 956	(1 961)
Total impairment of other assets	102 902	4 490	859	(396)	(2 502)	(75)	105 278	(1 988)
Total	5 995 149	434 216	40 631	(36 880)	(292 897)	(27 660)	6 112 559	(141 319)

(*) 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 139 331 thousand and proceeds from recovered bad debt in the amount of PLN 2 199 thousand, the total is PLN minus 137 132 thousand.

Notes to financial statements (cont.)

(in PLN thousand)

18. Gains (losses) on subsidiaries and associates

	I QUARTER 2016	I QUARTER 2015
Share in gains (losses) from associates		
Dom Inwestycyjny Xelion Sp. z o.o	428	388
Pioneer Pekao Investment Management S.A.	9 575	11 797
Krajowa Izba Rozliczeniowa S.A.	-	3 316
Total share in gains (losses) from associates	10 003	15 501
Gains on liquidation of subsidiaries	-	55
Total gains (losses) from subsidiaries and associates	10 003	15 556

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

	I QUARTER 2016	I QUARTER 2015
Gains (losses) on disposal of property, plant and equipment classified as assets held for sale	464	-
Gains (losses) on de-recognition of property, plant and equipment and intangible assets other than classified as assets held for sale	817	628
Total gains (losses) on disposal of property, plant and equipment, and intangible assets	1 281	628

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

	I QUARTER 2016	I QUARTER 2015
INCOME STATEMENT		
Current tax	(125 614)	(186 872)
Current tax charge in the income statement	(125 000)	(201 134)
Adjustments related to the current tax from previous years	(145)	14 993
Other taxes (e.g. withholding tax, income tax relating to foreign branches)	(469)	(731)
Deferred tax	(29 568)	36 006
Occurrence and reversal of temporary differences	(29 568)	36 006
Tax charge in the consolidated income statement	(155 182)	(150 866)
EQUITY		
Deferred tax	(13 143)	26 932
Income and costs disclosed in other comprehensive income:		
revaluation of financial instruments - cash flows hedges	(7 614)	10 682
revaluation of available for sale financial assets – debt securities	(7 068)	16 308
revaluation of available for sale financial assets – equity securities	1 539	(58)
Tax on items that are or may be reclassified subsequently to profit or loss	(13 143)	26 932
Total charge	(168 325)	(123 934)

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.

	I QUARTER 2016	I QUARTER 2015
Net profit	573 396	624 417
Weighted average number of ordinary shares in the period	262 470 034	262 470 034
Earnings per share (in PLN per share)	2.18	2.38

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 31 March 2016 there were no diluting instruments in the form of convertible bonds in the Group.

	I QUARTER 2016	I QUARTER 2015
Net profit	573 396	624 417
Weighted average number of ordinary shares in the period	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
Diluted earnings per share (in PLN per share)	2.18	2.38

22. Dividend proposal

The Management Board of the Bank has decided to propose to the Ordinary General Meeting of Shareholders a dividend payment for 2015 in the amount of PLN 8.70 per share. Total dividend proposed to be paid amounts to PLN 2 283 489 thousand. The dividend has not been recognized as liabilities and there are no tax consequences for the Bank.

The final decision on the distribution of net profit and its allocating to dividend will be made by the General Meeting of Shareholders.

Notes to financial statements (cont.)

(in PLN thousand)

23. Cash and balances with Central Bank

Cash and due from Central Bank	31.03.2016	31.12.2015	31.03.2015
Cash	2 668 541	2 951 414	2 330 741
Current account at Central Bank	3 212 160	4 930 181	4 341 637
Other	806	12	12
Total	5 881 507	7 881 607	6 672 390

Amounts due to Central Bank	31.03.2016	31.12.2015	31.03.2015
Term deposits	6 012	914	902
Total	6 012	914	902

Cash and balances with Central Bank by currency

31.03.2016	ASSETS	LIABILITIES
PLN	4 791 639	6 012
EUR	536 039	-
USD	246 883	-
CHF	52 867	-
Other currencies	254 079	-
Total	5 881 507	6 012

31.12.2015	ASSETS	LIABILITIES
PLN	6 900 383	914
EUR	513 012	-
USD	247 073	-
CHF	64 635	-
Other currencies	156 504	-
Total	7 881 607	914

31.03.2015	ASSETS	LIABILITIES
PLN	5 865 328	902
EUR	305 685	-
USD	274 003	-
CHF	47 239	-
Other currencies	180 135	-
Total	6 672 390	902

Notes to financial statements (cont.)

(in PLN thousand)

24. Loans and advances to banks

Loans and advances to banks by product type

	31.03.2016	31.12.2015	31.03.2015
Current accounts	122 441	89 553	1 170 613
Interbank placements	432 238	3 461 155	1 145 564
Loans and advances	88 027	59 224	116 598
Cash collaterals	1 693 758	1 675 589	1 675 036
Reverse repo transactions	305 041	1 757 063	1 522 475
Cash in transit	52 768	291 914	36 196
Total gross amount	2 694 273	7 334 498	5 666 482
Impairment allowances	(17 178)	(19 774)	(19 789)
Total net amount	2 677 095	7 314 724	5 646 693

Loans and advances to banks by quality

	31.03.2016	31.12.2015	31.03.2015
Loans and advances to banks, including:			
non impaired (gross)	2 677 099	7 314 771	5 646 927
impaired (gross)	17 174	19 727	19 555
individual impairment allowances	(7 374)	(9 927)	(9 755)
collective impairment allowances (*)	(9 804)	(9 847)	(10 034)
Total	2 677 095	7 314 724	5 646 693

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

Loans and advances to banks by contractual maturity

	31.03.2016	31.12.2015	31.03.2015
Loans and advances to banks, including:			
up to 1 month	2 576 579	6 919 511	4 701 026
between 1 and 3 months	37 953	11 481	62 465
between 3 months and 1 year	829	21 852	517 588
between 1 and 5 years	32	351 334	353 569
over 5 years	51 222	2	-
past due	27 658	30 318	31 834
Total gross amount	2 694 273	7 334 498	5 666 482
Impairment allowances	(17 178)	(19 774)	(19 789)
Total net amount	2 677 095	7 314 724	5 646 693

Notes to financial statements (cont.)

(in PLN thousand)

Loans and advances to banks by currency

	31.03.2016	31.12.2015	31.03.2015
PLN	623 953	2 758 456	2 131 268
CHF	35 804	30 586	6 959
EUR	1 628 919	1 959 303	1 624 829
USD	288 575	2 214 880	1 727 928
Other currencies	99 844	351 499	155 709
Total	2 677 095	7 314 724	5 646 693

Changes in impairment allowances in the period from 1 January to 31 March 2016 and in the period from 1 January to 31 March 2015 are presented in the Note 17.

25. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading by product type

	31.03.2016	31.12.2015	31.03.2015
FINANCIAL ASSETS			
Debt securities	498 142	1 124 717	668 193
Equity securities	11 117	2 075	16 039
Total financial assets	509 259	1 126 792	684 232
FINANCIAL LIABILITIES			
Debt securities	267 341	611 442	165 211
Total financial liabilities	267 341	611 442	165 211

Debt securities held for trading

	31.03.2016	31.12.2015	31.03.2015
FINANCIAL ASSETS			
Debt securities issued by State Treasury	427 256	1 003 007	531 178
T- bills	44 709	-	-
T- bonds	382 547	1 003 007	531 178
Debt securities issued by banks	18 331	45 590	30 039
Debt securities issued by business entities	52 555	76 120	106 976
Total financial assets	498 142	1 124 717	668 193
FINANCIAL LIABILITIES			
Debt securities issued by State Treasury	267 341	611 442	165 211
T- bonds	267 341	611 442	165 211
Total financial liabilities	267 341	611 442	165 211

Equity securities held for trading

	31.03.2016	31.12.2015	31.03.2015
Shares	11 117	2 075	16 039
Total	11 117	2 075	16 039

Notes to financial statements (cont.)

(in PLN thousand)

Debt securities held for trading by maturity

	31.03.2016	31.12.2015	31.03.2015
FINANCIAL ASSETS			
Debt securities, including:			
up to 1 month	12 021	39 222	22 392
between 1 and 3 months	-	23 294	-
between 3 months and 1 year	56 300	358 297	141 818
between 1 and 5 years	219 964	163 737	377 109
over 5 years	202 082	532 443	117 588
unspecified term	7 775	7 724	9 286
Total financial assets	498 142	1 124 717	668 193
FINANCIAL LIABILITIES			
Debt securities, including:			
up to 1 month	-	-	34 747
between 1 and 3 months	-	-	-
between 3 months and 1 year	-	170 729	-
between 1 and 5 years	-	382 663	92 023
over 5 years	267 341	58 050	38 441
Total financial liabilities	267 341	611 442	165 211

Debt securities held for trading by currency

	31.03.2016	31.12.2015	31.03.2015
FINANCIAL ASSETS			
PLN	485 439	1 110 529	653 161
EUR	6 308	10 072	10 071
USD	6 395	4 116	4 961
Total financial assets	498 142	1 124 717	668 193
FINANCIAL LIABILITIES			
PLN	267 341	611 442	165 211
Total financial liabilities	267 341	611 442	165 211

Notes to financial statements (cont.)

(in PLN thousand)

26. Derivative financial instruments (held for trading)

Fair value of trading derivatives

31.03.2016	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	1 972 695	1 948 046
Forward Rate Agreements (FRA)	452	623
Options	6 159	6 091
Other	1 007	815
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	26 921	77 989
Currency Forward Agreements	83 713	141 418
Currency Swaps (FX Swap)	105 146	226 467
Options for currency and gold	39 283	40 614
Transactions based on equity securities and stock indexes		
Options	3 317	3 343
Other	30	7 858
Transactions based on commodities and precious metals		
Options	11 082	11 025
Other	12 139	12 026
Total	2 261 944	2 476 315

31.12.2015	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	2 866 458	2 857 159
Forward Rate Agreements (FRA)	960	906
Options	10 129	10 046
Other	3 515	3 278
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	28 626	99 948
Currency Forward Agreements	80 894	76 309
Currency Swaps (FX Swap)	134 707	70 979
Options for currency and for gold	44 658	41 557
Transactions based on equity securities and stock indexes		
Options	8 366	8 366
Other	28	7 725
Transactions based on commodities and precious metals		
Options	12 120	12 182
Other	15 986	15 873
Total	3 206 447	3 204 328

Notes to financial statements (cont.)

(in PLN thousand)

Fair value of trading derivatives

31.03.2015	ASSETS	LIABILITIES
Interest rate transactions		
Interest Rate Swaps (IRS)	3 468 494	3 479 483
Forward Rate Agreements (FRA)	4 317	7 459
Options	17 188	17 609
Other	500	603
Foreign currency and gold transactions		
Cross-Currency Interest Rate Swaps (CIRS)	40 046	80 674
Currency Forward Agreements	177 789	204 233
Currency Swaps (FX Swap)	252 680	203 338
Options for currency and gold	67 524	72 965
Transactions based on equity securities and stock indexes		
Options	12 921	12 950
Other	7	9 293
Transactions based on commodities and precious metals		
Options	3	3
Other	209 544	207 725
Total	4 251 013	4 296 335

27. Loans and advances to customers

Loans and advances to customers by product type

	31.03.2016	31.12.2015	31.03.2015
Mortgage loans	51 352 003	49 206 023	41 970 148
Current accounts	10 997 487	11 230 205	11 669 570
Operating loans	13 907 206	15 070 467	14 665 687
Investment loans	16 042 129	17 071 901	20 156 147
Cash loans	9 162 759	9 087 671	7 960 285
Payment cards receivables	874 922	873 287	792 555
Purchased debt receivables	2 516 150	2 636 097	3 166 891
Other loans and advances	1 784 072	1 855 173	2 248 815
Debt securities	12 584 652	12 376 949	11 339 387
Reverse repo transactions	57 214	4 755 472	6 271 378
Cash in transit	74 107	70 587	117 907
Total gross amount	119 352 701	124 233 832	120 358 770
Impairment allowances	(5 714 848)	(5 678 633)	(5 705 509)
Total net amount	113 637 853	118 555 199	114 653 261

Notes to financial statements (cont.)

(in PLN thousand)

Loans and advances to customers by customer type

	31.03.2016	31.12.2015	31.03.2015
Corporate	53 513 873	58 541 698	57 948 740
Individuals	54 763 456	54 155 797	50 529 892
Budget entities	11 075 372	11 536 337	11 880 138
Total gross amount	119 352 701	124 233 832	120 358 770
Impairment allowances	(5 714 848)	(5 678 633)	(5 705 509)
Total net amount	113 637 853	118 555 199	114 653 261

Loans and advances to customers by quality

	31.03.2016	31.12.2015	31.03.2015
Loans and advances to customers, including:			
non impaired (gross)	111 436 406	116 339 786	112 129 396
impaired (gross)	7 916 295	7 894 046	8 229 374
individual impairment allowances	(3 296 124)	(3 248 513)	(3 043 324)
collective impairment allowances (*)	(2 418 724)	(2 430 120)	(2 662 185)
Total	113 637 853	118 555 199	114 653 261

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

Loans and advances to customers by contractual maturity

	31.03.2016	31.12.2015	31.03.2015
Loans and advances to customers, including:			
up to 1 month	15 384 894	17 494 117	20 093 321
between 1 and 3 months	4 505 400	4 172 392	3 429 527
between 3 months and 1 year	10 701 736	12 542 056	10 751 491
between 1 and 5 years	36 193 303	37 537 504	36 790 820
over 5 years	46 680 147	46 398 538	43 185 746
past due	5 887 221	6 089 225	6 107 865
Total gross amount	119 352 701	124 233 832	120 358 770
Impairment allowances	(5 714 848)	(5 678 633)	(5 705 509)
Total net amount	113 637 853	118 555 199	114 653 261

Loans and advances to customers by currency

	31.03.2016	31.12.2015	31.03.2015
PLN	93 490 203	98 406 507	95 490 248
CHF	4 787 787	4 975 796	5 314 367
EUR	12 212 349	11 871 781	10 608 712
USD	3 021 765	3 198 687	3 141 333
Other currencies	125 749	102 428	98 601
Total	113 637 853	118 555 199	114 653 261

Changes in impairment allowances in the period from 1 January to 31 March 2016 and in the period from 1 January to 31 March 2015 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:

31.03.2016	GROSS LEASING INVESTMENT	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
Up to 1 year	1 542 478	1 410 982
Between 1 and 5 years	2 236 982	2 080 173
Over 5 years	298 037	272 148
Total	4 077 497	3 763 303
Unearned finance income	(314 194)	
Net leasing investment	3 763 303	
Unguaranteed residual values accruing to the benefit of the lessor	-	
Present value of minimum lease payments	3 763 303	
Impairment allowances	(164 587)	
Balance sheet value	3 598 716	

31.12.2015	GROSS LEASING INVESTMENT	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
Up to 1 year	1 464 287	1 355 346
Between 1 and 5 years	2 156 562	2 037 787
Over 5 years	284 717	274 550
Total	3 905 566	3 667 683
Unearned finance income	(237 883)	
Net leasing investment	3 667 683	
Unguaranteed residual values accruing to the benefit of the lessor	-	
Present value of minimum lease payments	3 667 683	
Impairment allowances	(163 704)	
Balance sheet value	3 503 979	

31.03.2015	GROSS LEASING INVESTMENT	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
Up to 1 year	1 387 770	1 257 852
Between 1 and 5 years	1 910 843	1 761 088
Over 5 years	264 710	227 939
Total	3 563 323	3 246 879
Unearned finance income	(316 444)	
Net leasing investment	3 246 879	
Unguaranteed residual values accruing to the benefit of the lessor	-	
Present value of minimum lease payments	3 246 879	
Impairment allowances	(188 651)	
Balance sheet value	3 058 228	

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

	31.03.2016	31.12.2015	31.03.2015
Receivables from financial leases from banks, including:			
non impaired (gross)	3 758	4 334	5 473
impaired (gross)	-	-	-
individual impairment allowances	-	-	(35)
collective impairment allowances (*)	(10)	(11)	(1)
Total	3 748	4 323	5 437

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

Receivables from financial leases from clients by quality

	31.03.2016	31.12.2015	31.03.2015
Receivables from financial leases from clients, including:			
non impaired (gross)	3 525 065	3 435 904	2 996 066
impaired (gross)	234 480	227 445	245 340
individual impairment allowances	(31 663)	(31 556)	(36 981)
collective impairment allowances (*)	(132 914)	(132 137)	(151 634)
Total	3 594 968	3 499 656	3 052 791

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

Receivables from financial leases by currency

	31.03.2016	31.12.2015	31.03.2015
PLN	2 283 262	2 227 320	1 987 522
CHF	2 042	2 390	3 241
EUR	1 310 668	1 270 687	1 062 323
USD	2 744	3 582	5 142
Total	3 598 716	3 503 979	3 058 228

Notes to financial statements (cont.)

(in PLN thousand)

29. Hedge accounting

As at 31 March 2016 the Group applies fair value hedge accounting and cash flow hedge accounting.

In the period from 1 January to 31 March 2016 the Group continued to apply the following hedge accounting:

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

In the first quarter of 2016 the Group designated to the hedge accounting the hedging relationship – cash flow hedge accounting for highly probable cash flow denominated in EUR (long position in EUR for the Group) hedged with foreign exchange forward transactions (a series of fx-spot and fx-swap transactions).

The table below presents the fair value of hedging derivatives

31.03.2016	ASSETS	LIABILITIES
Fair value hedge accounting		
Interest rate swaps (IRS)	22	291 009
Cross-currency interest rate swap (CIRS)	-	-
Cash flow hedge accounting		
Interest rate swaps (IRS)	324 802	-
Cross-currency interest rate swap (CIRS)	46 812	1 363 583
FX Swaps	101 470	6 001
Total	473 106	1 660 593

31.12.2015	ASSETS	LIABILITIES
Fair value hedge accounting		
Interest rate swaps (IRS)	5 737	269 817
Cross-currency interest rate swap (CIRS)	-	-
Cash flow hedge accounting		
Interest rate swaps (IRS)	355 731	-
Cross-currency interest rate swap (CIRS)	56 840	1 431 956
FX Swaps	3 332	986
Total	421 640	1 702 759

Notes to financial statements (cont.)

(in PLN thousand)

The table below presents the fair value of hedging derivatives

31.03.2015	ASSETS	LIABILITIES
Fair value hedge accounting		
Interest rate swaps (IRS)	-	269 328
Cross-currency interest rate swap (CIRS)	-	-
Cash flow hedge accounting		
Interest rate swaps (IRS)	376 301	-
Cross-currency interest rate swap (CIRS)	71 807	1 546 901
FX Swaps	134 663	82 409
Total	582 771	1 898 638

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

	I QUARTER 2016	I QUARTER 2015
Revaluation reserves (deferral of fair value changes of hedging instruments related to the portions recognized as effective hedge - gross value)	85 358	82 403
Net interest income on hedging derivatives	52 556	59 574
Ineffective portions of changes in the fair value of hedging transactions recognized in the income statement	(311)	484

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

	I QUARTER 2016	I QUARTER 2015
Opening balance	45 281	138 622
Deferral of fair value changes of hedging instruments related to the portion recognized as effective hedge	40 105	(56 232)
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	(28)	13
Closing balance	85 358	82 403

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

TYPE OF GAINS/LOSSES	I QUARTER 2016	I QUARTER 2015
Gains/losses from revaluation of hedging instruments to fair value	(58 666)	(2 860)
Gains/losses from revaluation of hedged item associated with hedged risk to fair value	55 798	5 094
Result on fair value hedge accounting	(2 868)	2 234
Net interest income on hedging derivatives	(17 038)	(13 028)

Notes to financial statements (cont.)

(in PLN thousand)

30. Investment (placement) securities

	31.03.2016	31.12.2015	31.03.2015
Debt securities available for sale (AFS)	22 898 125	17 517 884	18 331 626
Equity securities available for sale (AFS)	287 598	295 415	72 658
Debt securities held to maturity (HTM)	3 428 951	3 368 424	3 308 370
Total	26 614 674	21 181 723	21 712 654

Debt securities available for sale (AFS)

	31.03.2016	31.12.2015	31.03.2015
Securities issued by State Treasury	21 964 136	15 954 349	15 919 773
T-bills	1 090 494	-	-
T-bonds	20 873 642	15 954 349	15 919 773
Securities issued by Central Banks	-	628 454	1 475 575
Securities issued by business entities	252 995	251 367	251 262
Securities issued by local governments	680 994	683 714	685 016
Total	22 898 125	17 517 884	18 331 626
including impairment of assets	-	-	-

Equity securities available for sale (AFS)

	31.03.2016	31.12.2015	31.03.2015
Shares	287 598	295 415	72 658
Total	287 598	295 415	72 658
including impairment of assets	(122)	(122)	(122)

The amount of equity securities as at 31 March 2016 includes the fair value of share in Visa Europe.

In December 2015, the Bank received information concerning the proposed allocation of settlement of the purchase of Visa Europe Limited (Visa Europe) by Visa Inc., according to which the total share of the Bank in settlement of the transaction is expected to be 54 891 445 EUR, including:

- 40 866 611 EUR in cash and
- 14 024 834 EUR in shares of Visa Inc.,

with the provision that these amounts may be adjusted in connection with the transaction costs or possible claims of members of Visa Europe Limited for their participation in the settlement of the transaction.

In connection with the transaction, the Bank re-measured its share in Visa Europe to fair value. For this purpose the fair value to be attributed to Visa Europe share includes only the cash component of the settlement amount, i.e. EUR 40 866 611 (PLN 174 435 000 as at 31 March 2016). The valuation was recognized in 'Revaluation reserve'. The Bank does not take into account in the valuation of equity part, because the Bank was not able to reliably measure its value. Terms of the deal provide that upon settlement of the transaction the Bank will receive preferred shares of Visa Inc., which will then be converted into ordinary shares. The conversion of preference shares into ordinary shares will be carried out in the period from the fourth to the twelfth year after closing of the transaction. For this period any transfer of shares by the Bank is subject to restrictions.

In addition, the transaction between Visa Inc. and Visa Europe provides for the deferred payment of 'earn-out' payable in cash after the 16 quarters of the settlement, but its value is not yet possible to be determined. The condition to participate in the earn-out option is participation in Visa for another 4 years from the date of finalization of the transaction.

Notes to financial statements (cont.)

(in PLN thousand)

In April 2016 the Bank received an information from Visa Europe on beginning of renegotiations of the transaction conditions. The changes provide for an additional cash payment in the amount of 1.87 billion EUR (including interest), of which 750 million EUR payable upfront and 1.12 billion EUR (including interest) payable in three years in exchange for payment of 'earn-out'. VISA has not yet informed individual participants of the transactions about final amounts allocation.

The transaction is subject to receipt of applicable regulatory approvals and the closing may extend beyond the second quarter of 2016.

Debt securities held to maturity (HTM)

	31.03.2016	31.12.2015	31.03.2015
Securities issued by State Treasury	3 412 552	2 497 324	2 484 233
T- bills	239 448	-	-
T- bonds	3 173 104	2 497 324	2 484 233
Securities issued by Central Banks	16 399	871 100	824 137
Total	3 428 951	3 368 424	3 308 370
including impairment of assets	-	-	-

Investment debt securities according to contractual maturity

	31.03.2016	31.12.2015	31.03.2015
Debt securities, including:			
up to 1 month	40 512	1 499 554	2 315 507
between 1 and 3 months	-	443 644	-
between 3 months and 1 year	6 198 596	2 696 342	1 045 402
between 1 and 5 years	12 297 447	10 646 471	14 187 627
over 5 years	7 790 521	5 600 297	4 091 460
Total	26 327 076	20 886 308	21 639 996

Investment debt securities by currency

	31.03.2016	31.12.2015	31.03.2015
PLN	22 905 588	17 835 368	18 744 719
EUR	2 607 116	2 635 034	1 921 656
USD	814 372	415 906	973 621
Total	26 327 076	20 886 308	21 639 996

31. Assets and liabilities held for sale

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

As at 31 March 2016 non-current assets classified as held for sale are as follows:

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

Notes to financial statements (cont.)

(in PLN thousand)

Assets held for sale are presented below:

	31.03.2016	31.12.2015	31.03.2015
ASSETS HELD FOR SALE			
Property, plant and equipment	23 247	22 787	14 587
Other assets	22 515	22 515	22 515
Total assets	45 762	45 302	37 102

The effect of disposal of other assets is as follows:

	I QUARTER 2016	2015	I QUARTER 2015
Sales revenues	1 470	5 150	-
Net carrying amount of disposed assets (including sale costs)	(1 006)	(5 150)	-
Profit/loss on sale before income tax	464	-	-

32. Intangible assets

	31.03.2016	31.12.2015	31.03.2015
Intangible assets, including:	559 464	581 197	601 914
research and development expenditures	6 713	7 948	9 693
licenses and patents	446 940	446 987	457 825
other	10 049	11 183	10 498
assets under construction	95 762	115 079	123 898
Goodwill	55 520	55 520	55 520
Total	614 984	636 717	657 434

In the period from 1 January to 31 March 2016 the Group acquired intangible assets in the amount of PLN 19 938 thousand (in 2015 – PLN 157 763 thousand).

In the period from 1 January to 31 March 2016 and in 2015 there have been no intangible assets whose title is restricted and pledged as security for liabilities.

Contractual commitments

As at 31 March 2016 the contractual commitments for the acquisition of intangible assets amounted to PLN 48 761 thousand, whereas as at 31 December 2015 - PLN 49 487 thousand.

33. Property, plant and equipment

	31.03.2016	31.12.2015	31.03.2015
Non-current assets, including:	1 341 895	1 376 409	1 465 257
land and buildings	1 039 895	1 055 147	1 106 596
machinery and equipment	229 777	245 717	266 357
transport vehicles	32 283	34 170	45 936
other	39 940	41 375	46 368
Non-current assets under construction and prepayments	87 171	84 243	49 549
Total	1 429 066	1 460 652	1 514 806

Notes to financial statements (cont.)

(in PLN thousand)

In the period from 1 January to 31 March 2016 the Group acquired property, plant and equipment in the amount of PLN 14 184 thousand (in 2015 - PLN 137 843 thousand), while the value of property, plant and equipment sold amounted to PLN 1 559 thousand (in 2015 - PLN 7 717 thousand).

In the period from 1 January to 31 March 2016 and in 2015 there have been no property, plant and equipment whose title is restricted and pledged as security for liabilities.

Contractual commitments

As at 31 March 2016 the contractual commitments for the acquisition of property, plant and equipment amounted to PLN 18 154 thousand, whereas as at 31 December 2015 - PLN 57 012 thousand.

34. Assets pledged as security for liabilities

As at 31 March 2016 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	791 490	757 542	791 772
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	707 089	680 200	-
Lombard and technical loan	bonds	4 877 097	4 601 556	-
Other loans	bonds, leases encumbrances	514 097	501 900	346 165
Issue of mortgage bonds	receivables backed by mortgage, bonds	1 722 572	1 726 414	1 234 533
Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	bonds, cash deposits	44 657	44 024	-
Derivatives	bonds	37 326	37 536	10 772

As at 31 December 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 transaction	bonds	3 394 183	3 152 162	3 388 421
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	703 818	680 200	-
Lombard and technical loan	bonds	4 750 392	4 504 675	-
Other loans	bonds, leases encumbrances	490 285	481 200	328 076
Issue of mortgage bonds	receivables backed by mortgage, bonds	1 679 460	1 683 864	1 234 528
Coverage of the Gurantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	bonds, cash deposit	39 296	38 802	-
Derivatives	bonds	45 708	47 163	24 771

Notes to financial statements (cont.)

(in PLN thousand)

As at 31 March 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	920 700	866 361	922 631
Coverage of Fund for protection of guaranteed assets to the benefit of the Bank Guarantee Fund	bonds	684 399	640 200	-
Lombard and technical loan	bonds	4 366 781	4 305 645	-
Other loans	bonds, leases encumbrances	338 137	325 000	193 089
Issue of mortgage bonds	receivables backed by mortgage, bonds	1 573 699	1 579 094	1 068 279
Coverage of the Guarantee Fund for the Settlement of Stock Exchange Transactions to Central Securities Depository (KDPW)	bonds, cash deposits	47 747	46 826	-
Derivatives	bonds	40 149	39 950	22 197

35. Amounts due to other banks

Amounts due to other banks by product type

	31.03.2016	31.12.2015	31.03.2015
Current accounts	740 592	1 121 885	619 271
Interbank deposits and other liabilities	547 686	581 301	642 811
Loans and advances received	3 228 995	3 263 303	2 374 962
Repo transactions	100 823	963 830	473 263
Cash in transit	18 161	28 130	37 012
Total	4 636 257	5 958 449	4 147 319

Amounts due to other banks by currency

	31.03.2016	31.12.2015	31.03.2015
PLN	1 134 274	1 379 402	1 085 156
CHF	716 395	744 746	763 445
EUR	2 702 761	3 774 189	2 236 070
USD	37 381	50 277	35 412
Other currencies	45 446	9 835	27 236
Total	4 636 257	5 958 449	4 147 319

Notes to financial statements (cont.)

(in PLN thousand)

36. Amounts due to customers

Amounts due to customers by entity and product type

	31.03.2016	31.12.2015	31.03.2015
Amounts due to corporate, including:	49 233 628	55 167 425	51 240 125
current accounts	31 212 983	29 048 523	30 168 409
term deposits and other liabilities	18 020 645	26 118 902	21 071 716
Amounts due to budget entities, including:	6 236 734	5 610 623	8 560 391
current accounts	4 808 757	4 689 452	5 730 169
term deposits and other liabilities	1 427 977	921 171	2 830 222
Amounts due to individuals, including:	65 369 789	63 434 250	57 171 015
current accounts	36 041 969	33 827 209	31 926 280
term deposits and other liabilities	29 327 820	29 607 041	25 244 735
Repo transactions	690 948	4 468 820	4 071 853
Cash in transit	287 533	186 573	397 110
Total	121 818 632	128 867 691	121 440 494

Amounts due to customers by currency

	31.03.2016	31.12.2015	31.03.2015
PLN	100 541 295	106 548 096	101 641 108
CHF	250 355	234 011	223 536
EUR	12 542 726	13 215 198	11 849 506
USD	7 537 837	8 013 651	6 964 715
Other currencies	946 419	856 735	761 629
Total	121 818 632	128 867 691	121 440 494

37. Debt securities issued

Debt securities issued by type

	31.03.2016	31.12.2015	31.03.2015
Certificates of deposit	1 119 418	1 668 706	3 141 411
Mortgage bonds	1 234 535	1 234 527	1 068 279
Total	2 353 953	2 903 233	4 209 690

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

Debt securities issued by currency

	31.03.2016	31.12.2015	31.03.2015
PLN	2 043 544	2 592 848	4 040 469
EUR	310 409	310 385	169 221
USD	-	-	-
Total	2 353 953	2 903 233	4 209 690

Notes to financial statements (cont.)

(in PLN thousand)

Changes in debt securities issued

	I QUARTER 2016	2015	I QUARTER 2015
Opening balance	2 903 233	3 857 043	3 857 043
Increase (issuance)	809 733	3 966 098	1 584 700
Decrease (redemption)	(1 343 809)	(4 999 636)	(1 268 100)
Decrease (partial redemption)	-	(7 903)	(510)
Foreign currency exchange differences	502	(1 053)	(7 247)
Purchase	-	(33)	-
Sale	-	90 989	39 604
Other	(15 706)	(2 272)	4 200
Closing balance	2 353 953	2 903 233	4 209 690

38. Provisions

Changes in provisions in the reporting period

I QUARTER 2016	PROVISIONS FOR LITIGATION AND CLAIMS	PROVISIONS FOR DEFINED BENEFIT PLANS	PROVISIONS FOR UNDRAWN CREDIT FACILITIES AND GUARANTEES ISSUED	OTHER PROVISIONS	TOTAL
Opening balance	10 608	268 858	120 771	25 137	425 374
Provision charges/revaluation	895	6 558	35 895	2 664	46 012
Provision utilization	(2 554)	(5 769)	-	(915)	(9 238)
Provision releases	(66)	(24)	(34 732)	-	(34 822)
Foreign currency exchange differences	-	-	(256)	-	(256)
Other changes	-	-	-	-	-
Closing balance	8 883	269 623	121 678	26 886	427 070
Short term	2 542	15 410	72 550	145	90 647
Long term	6 341	254 213	49 128	26 741	336 423

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	31 147	23 655	71 614	5 814	132 230
Provision utilization	(56 417)	(10 246)	-	(14 435)	(81 098)
Provision releases	(2 310)	(84)	(54 411)	(76)	(56 881)
Foreign currency exchange differences	-	-	1 182	-	1 182
Other changes	315	(12 458)	-	(372)	(12 515)
Closing balance	10 608	268 858	120 771	25 137	425 374
Short term	4 113	21 180	67 527	145	92 965
Long term	6 495	247 678	53 244	24 992	332 409

Notes to financial statements (cont.)

(in PLN thousand)

I QUARTER 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	26 122	6 385	20 505	3 080	56 092
Provision utilization	(21 433)	(3 880)	-	(823)	(26 136)
Provision releases	(250)	-	(30 263)	-	(30 513)
Foreign currency exchange differences	-	-	582	(35)	547
Other changes	-	442	-	-	442
Closing balance	42 312	270 938	93 210	36 428	442 888
Short term	6 062	13 019	44 061	753	63 895
Long term	36 250	257 919	49 149	35 675	378 993

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.

39. Contingent commitments

Litigation

In the first quarter of 2016 the total value of the litigation subject in the ongoing court proceedings against the Group was PLN 1 034 928 thousand (in the first quarter of 2015 it was PLN 1 159 452 thousand).

In the first quarter of 2016 there were no proceedings before the court or state administration bodies related to the receivables or payables of the Bank and its subsidiaries in which the pursued claim value (amount to be paid) is at least 10% of the Group's equity.

In the first quarter of 2016 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 31 March 2016, 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.

Notes to financial statements (cont.)

(in PLN thousand)

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

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 provisions as at 31 March 2016 is PLN 8 883 thousand (PLN 10 608 thousand as at 31 December 2015).

Financial commitments granted

Financial commitments granted by entity

	31.03.2016	31.12.2015	31.03.2015
Financial commitments granted to:			
financial entities	1 510 563	700 755	2 258 235
non - financial entities	29 655 930	29 386 749	26 855 819
budget entities	891 252	848 356	1 202 009
Total	32 057 745	30 935 860	30 316 063

Guarantees issued

Guarantees issued by entity

	31.03.2016	31.12.2015	31.03.2015
Issued to financial entities:	1 029 445	1 311 490	997 409
guarantees	1 029 340	1 308 840	939 470
sureties	-	-	57 100
confirmed export letters of credit	105	2 650	839
Issued to non - financial entities	11 394 946	12 393 161	12 776 663
guarantees	6 926 473	7 510 192	6 713 778
securities' underwriting guarantees	4 402 216	4 806 284	6 062 885
sureties	66 257	76 685	-
Issued to budget entities:	353 986	368 176	248 230
guarantees	28 176	28 176	12 767
securities' underwriting guarantees	325 810	340 000	235 463
Total	12 778 377	14 072 827	14 022 302

Off-balance sheet commitments received

Off-balance sheet commitments received by entity

	31.03.2016	31.12.2015	31.03.2015
Financial received from:	270 210	285 084	2 057 528
financial entities	270 210	285 084	2 045 261
non - financial entities	-	-	12 267
budget entities	-	-	-
Guarantees received from:	11 181 143	11 674 503	12 791 506
financial entities	1 207 932	1 161 416	1 501 416
non - financial entities	9 218 374	9 759 234	10 565 276
budget entities	754 837	753 853	724 814
Total	11 451 353	11 959 587	14 849 034

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 31 March 2016

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	130 735	-	-	34	95 173	-	2 505
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	626 703	7 775	34 469	121	505 556	616 089	1 560
Associates of Bank Pekao S.A. Group							
Dom Inwestycyjny Xelion Sp. z o.o.	-	-	-	3	23 486	-	-
Pioneer Pekao Investment Management S.A.	-	-	-	-	165 301	-	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	-	-	12 392	131 082	-	-
Total Associates of Bank Pekao S.A. Group	-	-	-	12 395	319 869	-	-
Key management personnel of the Bank and UniCredit S.p.A.	8 462	-	-	-	23 194	-	-
Total	765 900	7 775	34 469	12 550	943 792	616 089	4 065

Notes to financial statements (cont.)

(in PLN thousand)

Receivables from loans and placements by contractual maturity

31.03.2016	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	11 221	119 514	-	-	-	-	130 735
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	20 466	605 127	515	595	-	-	626 703
Associates of Bank Pekao S.A. Group	-	-	-	-	-	-	-
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	6 031	112	2 319	8 462
Total	31 687	724 641	515	6 626	112	2 319	765 900

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

Liabilities from loans and deposits by contractual maturity

31.03.2016	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	27 673	67 500	-	-	-	-	95 173
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	84 469	18 906	294	1 351	400 536	-	505 556
Associates of Bank Pekao S.A. Group	19 416	141 748	158 705	-	-	-	319 869
Key management personnel of the Bank and UniCredit S.p.A.	6 529	4 866	11 799	-	-	-	23 194
Total	138 087	233 020	170 798	1 351	400 536	-	943 792

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

Notes to financial statements (cont.)

(in PLN thousand)

Receivables from loans and placements by currency

31.03.2016	EUR	USD	CHF	PLN	OTHER	TOTAL
UniCredit S.p.A. – the Bank's parent entity	127 905	2 830	-	-	-	130 735
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	585 484	1 705	7	13 123	26 384	626 703
Associates of Bank Pekao S.A. Group	-	-	-	-	-	-
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	8 462	-	8 462
Total	713 389	4 535	7	21 585	26 384	765 900

Liabilities from loans and deposits by currency

31.03.2016	EUR	USD	CHF	PLN	OTHER	TOTAL
UniCredit S.p.A. – the Bank's parent entity	11 943	-	-	83 230	-	95 173
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	55 035	252	370 946	68 353	10 970	505 556
Associates of Bank Pekao S.A. Group	-	-	-	319 869	-	319 869
Key management personnel of the Bank and UniCredit S.p.A.	7 368	376	-	15 447	3	23 194
Total	74 346	628	370 946	486 899	10 973	943 792

Notes to financial statements (cont.)

(in PLN thousand)

Related party transactions as at 31 December 2015

NAME OF ENTITY	RECEIVABLES FROM LOANS, ADVANCES 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	605 703	-	-	605	1 209	-	2 415
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	1 114 848	7 724	55 861	4 843	1 507 266	653 064	966
Associates of Bank Pekao S.A Group							
Dom Inwestycyjny Xelion Sp. z o.o.	-	-	-	3	25 262	-	29
Pioneer Pekao Investment Management S.A.	-	-	-	35	162 752	-	23
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	-	-	16 323	115 116	-	21
Total Associates of Bank Pekao S.A. Group	-	-	-	16 361	303 130	-	73
Key management personnel of the Bank and UniCredit S.p.A.	8 568	-	-	-	22 180	-	-
Total	1 729 119	7 724	55 861	21 809	1 833 785	653 064	3 454

Notes to financial statements (cont.)

(in PLN thousand)

Receivables from loans and deposits by contractual maturity

31.12.2015	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	8 497	597 206	-	-	-	-	605 703
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	616 160	94 797	482	779	402 630	-	1 114 848
Associates of Bank Pekao S.A. Group	-	-	-	-	-	-	-
Key management personnel of the Bank and UniCredit S.p.A.	-	5 999	-	37	186	2 346	8 568
Total	624 657	698 002	482	816	402 816	2 346	1 729 119

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

Liabilities from loans and deposits by contractual maturity

31.12.2015	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	1 209	-	-	-	-	-	1 209
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	160 673	8 458	963 829	-	374 306	-	1 507 266
Associates of Bank Pekao S.A. Group	16 224	92 203	194 703	-	-	-	303 130
Key management personnel of the Bank and UniCredit S.p.A.	4 474	4 007	9 841	3 808	50	-	22 180
Total	182 580	104 668	1 168 373	3 808	374 356	-	1 833 785

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

Notes to financial statements (cont.)

(in PLN thousand)

Receivables from loans and deposits by currency

31.12.2015	EUR	USD	CHF	PLN	OTHER	TOTAL
UniCredit S.p.A. – the Bank's parent entity	243 767	350 936	-	11 000	-	605 703
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	598 100	403 900	7	67 079	45 762	1 114 848
Associates of Bank Pekao S.A. Group	-	-	-	-	-	-
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	8 568	-	8 568
Total	841 867	754 836	7	86 647	45 762	1 729 119

Liabilities from loans and deposits by currency

31.12.2015	EUR	USD	CHF	PLN	OTHER	TOTAL
UniCredit S.p.A. – the Bank's parent entity	-	-	-	1 209	-	1 209
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	1 010 843	261	374 306	121 856	-	1 507 266
Associates of Bank Pekao S.A. Group	-	-	-	303 130	-	303 130
Key management personnel of the Bank and UniCredit S.p.A.	7 129	920	-	14 128	3	22 180
Total	1 017 972	1 181	374 306	440 323	3	1 833 785

Notes to financial statements (cont.)

(in PLN thousand)

Income and expenses from transactions with related parties for the period from 1 January to 31 March 2016

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	(146)	(95)	206	(727)	237	(4 179)
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	7 307	(633)	2 505	(48)	2 262	(10 278)
Associates of Bank Pekao S.A. Group						
Dom Inwestycyjny Xelion Sp. z o.o.	-	(77)	10	(106)	96	-
Pioneer Pekao Investment Management S.A.	-	(596)	65	-	5	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	(445)	46 725	-	-	-
Total Associates of Bank Pekao S.A. Group	-	(1 118)	46 800	(106)	101	-
Key management personnel of the Bank and UniCredit S.p.A.	60	(75)	3	-	-	-
Total	7 221	(1 921)	49 514	(881)	2 600	(14 457)

Income and expenses from transactions with related parties for the period from 1 January to 31 March 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	11	(3)	113	(751)	281	(3 486)
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	11 911	(1 632)	1 162	(158)	9 508	(1 355)
Associates of Bank Pekao S.A. Group						
Dom Inwestycyjny Xelion Sp. z o.o.	-	(96)	14	(4)	76	-
Pioneer Pekao Investment Management S.A.	-	(766)	189	-	7	-
Pioneer Pekao TFI S.A. (PPIM S.A. subsidiary)	-	(669)	69 815	-	-	-
Krajowa Izba Rozliczeniowa S.A.	-	(88)	22	-	-	(2 246)
Total Associates of Bank Pekao S.A. Group	-	(1 619)	70 040	(4)	83	(2 246)
Key management personnel of the Bank and UniCredit S.p.A.	53	(114)	2	-	-	-
Total	11 975	(3 368)	71 317	(913)	9 872	(7 087)

Notes to financial statements (cont.)

(in PLN thousand)

Off-balance sheet financial commitments and guarantees as at 31 March 2016

NAME OF ENTITY	GRANTED		RECEIVED	
	FINANCIAL	GUARANTEES	FINANCIAL	GUARANTEES
UniCredit S.p.A. – the Bank's parent entity	49 103	278 277	-	36 080
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	194 529	616 829	10 969	59 621
Associates of Bank Pekao S.A Group				
Dom Inwestycyjny Xelion Sp. z o.o.	2 000	-	-	-
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	2 067	-	-	-
Key management personnel of the Bank and UniCredit S.p.A.	276	-	-	-
Total	245 975	895 106	10 969	95 701

Notes to financial statements (cont.)

(in PLN thousand)

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

31.03.2016	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	-	-	-	29 103	20 000	-	49 103
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	-	-	-	156 649	-	37 880	194 529
Associates of Bank Pekao S.A. Group	-	-	-	2 000	67	-	2 067
Key management personnel of the Bank and UniCredit S.p.A.	30	-	-	42	204	-	276
Total	30	-	-	187 794	20 271	37 880	245 975
GUARANTEES ISSUED							
UniCredit S.p.A. – the Bank's parent entity	-	1 884	120	137 683	26 369	112 221	278 277
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	-	15 986	4 972	92 161	347 668	156 042	616 829
Total	-	17 870	5 092	229 844	374 037	268 263	895 106
FINANCIAL RECEIVED							
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	10 969	-	-	-	-	-	10 969
Total	10 969	-	-	-	-	-	10 969
GUARANTEES RECEIVED							
UniCredit S.p.A. – the Bank's parent entity	-	-	-	21 274	14 806	-	36 080
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	-	-	46	56 199	3 376	-	59 621
Total	-	-	46	77 473	18 182	-	95 701

Notes to financial statements (cont.)

(in PLN thousand)

Off-balance sheet financial commitments and guarantees granted by currency

31.03.2016	EUR	USD	CHF	PLN	INNE	TOTAL
FINANCIAL COMMITMENTS GRANTED						
UniCredit S.p.A. – the Bank's parent entity	29 103	-	-	20 000	-	49 103
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	95 068	37 502	-	61 580	379	194 529
Associates of Bank Pekao S.A. Group	-	-	-	2 067	-	2 067
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	276	-	276
Total	124 171	37 502	-	83 923	379	245 975
GUARANTEES ISSUED						
UniCredit S.p.A. – the Bank's parent entity	10 230	-	-	268 047	-	278 277
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	57 352	-	-	559 477	-	616 829
Total	67 582	-	-	827 524	-	895 106
FINANCIAL RECEIVED						
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	-	-	-	-	10 969	10 969
Total	-	-	-	-	10 969	10 969
GUARANTEES RECEIVED						
UniCredit S.p.A. – the Bank's parent entity	24 800	-	-	11 280	-	36 080
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	18 831	-	-	40 790	-	59 621
Total	43 631	-	-	52 070	-	95 701

Notes to financial statements (cont.)

(in PLN thousand)

Off-balance sheet financial commitments and guarantees as at 31 December 2015

NAME OF ENTITY	GRANTED		RECEIVED
	FINANCIAL	GUARANTEES	GUARANTEE
UniCredit S.p.A. – the Bank's parent entity	48 223	236 659	14 588
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	179 072	890 343	34 490
Associates of Bank Pekao S.A. Group			
Dom Inwestycyjny Xelion Sp. z o.o.	2 000	-	-
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	2 067	-	-
Key management personnel of the Bank and UniCredit S.p.A.	697	-	-
Total	230 059	1 127 002	49 078

As at 31 December 2015, the Group did not have off-balance sheet financial commitments received from related parties.

Notes to financial statements (cont.)

(in PLN thousand)

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

31.12.2015	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	-	-	-	28 223	-	20 000	48 223
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	-	-	-	179 072	-	-	179 072
Associates of Bank Pekao S.A. Group	-	-	-	2 007	60	-	2 067
Key management personnel of the Bank and UniCredit S.p.A.	30	515	5	18	129	-	697
Total	30	515	5	209 320	189	20 000	230 059
GUARANTEES ISSUED							
UniCredit S.p.A. – the Bank's parent entity	-	2 631	17 719	66 440	83 818	66 051	236 659
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	-	16 189	98 861	90 053	322 855	362 385	890 343
Total	-	18 820	116 580	156 493	406 673	428 436	1 127 002
GUARANTEES RECEIVED							
UniCredit S.p.A. – the Bank's parent entity	-	-	-	11 300	3 288	-	14 588
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	-	-	553	30 406	3 531	-	34 490
Total	-	-	553	41 706	6 819	-	49 078

Notes to financial statements (cont.)

(in PLN thousand)

Off-balance sheet financial commitments and guarantees issued by currency

31.12.2015	EUR	USD	CHF	PLN	OTHER	TOTAL
FINANCIAL COMMITMENTS GRANTED						
UniCredit S.p.A. – the Bank's parent entity	28 223	-	-	20 000	-	48 223
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	77 772	-	-	101 300	-	179 072
Associates of Bank Pekao S.A. Group	-	-	-	2 067	-	2 067
Key management personnel of the Bank and UniCredit S.p.A.	-	-	-	697	-	697
Total	105 995	-	-	124 064	-	230 059
GUARANTEES ISSUED						
UniCredit S.p.A. – the Bank's parent entity	10 497	-	-	226 162	-	236 659
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	60 778	-	-	829 565	-	890 343
Total	71 275	-	-	1 055 727	-	1 127 002
GUARANTEES RECEIVED						
UniCredit S.p.A. – the Bank's parent entity	3 288	-	-	11 300	-	14 588
Entities of UniCredit Group excluding of Bank Pekao S.A. Group entities	8 147	-	-	26 343	-	34 490
Total	11 435	-	-	37 643	-	49 078

Notes to financial statements (cont.)

(in PLN thousand)

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

Short-term employee benefits related to the Management Board of the Bank in the first quarter of 2016 amounted to PLN 3 327 thousand, compared to PLN 2 645 thousand in the first quarter of 2015. 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 1 769 thousand in the first quarter of 2016, compared to PLN 1 746 thousand in the first quarter of 2015 and comprised of provisions for deferred bonus payments.

The expenses of the first quarter of 2016 included PLN 1 510 thousand in respect of share-based payments, compared to PLN 1 599 thousand in the first quarter of 2015. 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 322 thousand in the first quarter of 2016, compared to PLN 243 thousand in the first quarters of 2015.

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 31 March 2016 and in the period from 1 January to 31 March 2015.

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 3 287 thousand in the first quarter of 2016, compared to PLN 3 352 thousand in the first quarter of 2015.

Remuneration expenses of Supervisory Boards of Group's subsidiaries, comprising short-term employee benefits, amounted to PLN 97 thousand in the first quarter of 2016, compared to PLN 10 thousand in the first quarter of 2015.

41. Subsequent events

There have been no significant subsequent events.

Signatures of the Management Board Members

09.05.2016	Luigi Lovaglio	President of the Management Board CEO	
Date	Name/Surname	Position/Function	Signature
09.05.2016	Diego Biondo	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
09.05.2016	Andrzej Kopyrski	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
09.05.2016	Adam Niewiński	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
09.05.2016	Grzegorz Piwowar	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
09.05.2016	Stefano Santini	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature
09.05.2016	Marian Ważyński	Vice-President of the Management Board	
Date	Name/Surname	Position/Function	Signature

Glossary

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.